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Public Service Commission

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COMMISSION
CLERK

-M-E-M-O-R-A-N-D-U-M-

DATE: July 6, 2006

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Division of Economic Regulation (Draper, Colson)
Office of the General Counsel (Fleming) *EAD RC [unclear] [unclear] [unclear]*

RE: Docket No. 060407-EI – Petition for approval of revisions to optional curtailable service program, by Florida Power & Light Company.

AGENDA: 07/18/06 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 07/21/06 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\060407.RCM.DOC

Case Background

On May 19, 2006, Florida Power & Light Company (FPL) filed a petition for approval of revisions to its optional curtailable service program. FPL has proposed to extend the notice customers must give FPL to discontinue service under the curtailable service program and return to a firm rate schedule from one year to three years. FPL has not proposed to revise any of the charges or credits.

The Commission has jurisdiction pursuant to Sections 366.05(1) and 366.06(1), Florida Statutes.

DOCUMENT NUMBER-DATE

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Discussion of Issues

Issue 1: Should the Commission approve FPL's proposed revision to its curtailable service program?

Recommendation: Yes. (Draper, Colson)

Staff Analysis: The curtailable service program is a load control program that is available to commercial/industrial customers with a minimum monthly demand of 500 kilowatts (kW). Customers who choose to take service under a curtailable rate agree to curtail at least 200 kW of their load when requested by FPL. FPL may request customers to curtail their load at times of capacity shortage during peak or emergency conditions. Customers receive advance notification by FPL of a curtailment period. FPL has proposed to revise the notice customers have to give FPL to discontinue service under the curtailable service program and return to a firm rate schedule from one year to three years. FPL has not proposed to revise any of the charges or credits. FPL recovers the credits through base rates.

To receive curtailable service, the customer contracts for a firm demand level and any load above the firm level is subject to curtailment. In return, the customer receives a monthly demand credit of \$1.56 per kW which is applied to the customer's maximum monthly demand subject to curtailment. If a customer fails to comply with FPL's request to curtail and exceeds the contracted firm demand during a curtailment period, the customer is billed a penalty. Specifically, the customer is rebilled the \$1.56 per kW credit for the prior 12 months or the number of months since the prior curtailment period, whichever is less, and a penalty charge of \$3.36 per kW for the current month. The kW used for both the rebilling and the penalty charge is the difference between the maximum demand and the firm demand during the curtailment period. The rebilling is designed to recover the curtailment credits paid out in the months preceding the curtailment period in which the customer failed to curtail. The penalty charge constitutes a one-time charge. Under FPL's proposal for a three-year termination notice, the rebilling maximum period for non-compliance during a curtailment period will increase from 12 months to 36 months.

As of May 2006, 68 customers take service under FPL's curtailable rates. After 120 days from the effective date of the tariff revision, FPL proposes to either execute a revised agreement for curtailable service with the customers or the customers may elect to receive service under another existing tariff.

Currently FPL treats its curtailable load as firm load, i.e., FPL plans to serve this load and therefore the termination notice is not a factor for generation planning. However, if the Commission approves FPL's proposed revision to the notice requirement, FPL states that it will treat the curtailable load as non-firm when planning for its generation needs. The purpose of the proposed three-year notice requirement is to allow FPL to plan to serve non-firm load that switches to firm load. The curtailable load is approximately 30 megawatts. FPL states that when submitting its next Ten-Year Site Plan to the Commission for review, the plan will include an additional 30 megawatts of non-firm load. The three years is based on the estimated time needed to permit and construct a combustion turbine.

Staff recommends approval of FPL's petition. Since FPL plans to treat the curtailable load as non-firm load for generation planning purposes, staff believes that a three-year notice requirement to transfer to a firm rate schedule is appropriate, given the estimated construction lead times required of a combustion turbine. The Commission approved a similar three-year notice requirement for Progress Energy Florida's interruptible (IS-2) and curtailable (CS-2) rate schedules in Order No. PSC-96-0842-FOF-EI, issued July 1, 1996, in Docket No. 950645-EI, In Re: Determination of cost-effective level of DSM credit for interruptible and curtailable rate classes of Florida Power Corporation.

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved, this tariff should become effective on July 18, 2006. If a protest is filed within 21 days of the issuance of the order, the proposed tariff should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Fleming)

Staff Analysis: If Issue 1 is approved, this tariff should become effective on July 18, 2006. If a protest is filed within 21 days of the issuance of the order, the proposed tariff should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.