

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: January 6, 2005

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

FROM: Division of Economic Regulation (Draper, Ballinger)
Office of the General Counsel (Brown)

RE: Docket No. 041368-EI – Petition to revise Agreement for Residential Advanced Energy Management Program tariff by Gulf Power Company.

AGENDA: 01/18/05 – Regular Agenda – Tariff Filing – Interested Persons May Participate

CRITICAL DATES: 01/18/05 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\041368.RCM.DOC

Case Background

On November 19, 2004, Gulf Power Company (Gulf) submitted a proposed tariff revision to its Residential Service Variable Pricing (RSVP) rate schedule and associated agreement. The proposed revision would eliminate the requirement that customers remain on the RSVP rate for a minimum of one year.

The Commission approved Gulf's RSVP rate schedule in Docket No. 971462-EG, Order No. PSC-98-1367-FOF-EG, issued on October 12, 1998, In re: Petition by Gulf Power Company for approval of Rate Schedule Residential Service Variable Pricing (RSVP) and associated customer agreement.

The RSVP rate is an optional rate that allows residential customers to respond to price signals pursuant to Gulf's Advanced Energy Management (AEM) Program. The AEM program is a demand-side management program. To take service under the RSVP rate, the customer must sign the RSVP customer agreement and allow Gulf to install energy management equipment at the customer's residence. The installed equipment allows the customer to monitor four pricing periods, P1 through P4, and adjust the energy usage to avoid the higher cost pricing periods. The

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cents per kilowatt hour (kwh) energy charge is the lowest during the P1 period and the highest during the P4 period. The RSVP tariff establishes the P1, P2, and P3 pricing periods. The P4 pricing period is determined by Gulf and customers are notified by electronic signal prior to the start of the P4 pricing period to give customers the opportunity to reduce their energy usage. The P4 pricing period occurs only when the demand on Gulf's system is very high. In addition to the variable energy charges, customers pay a fixed monthly customer charge and a program participation charge.

The Commission has jurisdiction over the subject matter pursuant to Sections 366.04 and 366.05, Florida Statutes.

Discussion of Issues

Issue 1: Should the Commission approve Gulf's proposal to modify its RSVP rate schedule and associated agreement to eliminate the initial one-year participation requirement?

Recommendation: Yes. (Draper, Ballinger)

Staff Analysis: Gulf's current RSVP rate schedule and associated agreement include a provision that the initial term of service under the rate shall be one year. To discontinue service under the RSVP rate, customers must provide a thirty day written notice. Gulf has proposed to eliminate the requirement that customers remain for a minimum of one year on the RSVP rate. Customers will still be required to provide Gulf with a thirty day written notice if they wish to return to the standard residential (RS) rate.

Gulf has received feedback from its customers that the requirement to remain on the RSVP rate for a minimum of one year can be a deterrent to customers who are interested in the program. Gulf believes that since the program entails a new concept for purchasing electricity, some customers are unsure whether or not they want to make a one-year commitment. Gulf states that most of the customers that sign the RSVP agreement are satisfied, and remain on the program.

Gulf installs the energy management equipment at the customer's residence at no charge upon the customer's initial request for RSVP service. If the same customer requests service at the same residence under the RSVP rate after returning to the RS rate, they will be charged \$179 for re-installation costs. In addition, the tariff includes a \$109 charge for removal of the equipment if a customer elects to return to the RS rate after participating in the program for a second time. These charges are intended to cover additional installation and removal costs.

Staff believes that allowing customers to take service under the RSVP rate for less than one year is appropriate. Removal of the initial one-year participation requirement should result in a greater number of customers choosing to participate in Gulf's AEM program. A higher participation rate should result in greater peak demand reduction, and thus increase the conservation benefits associated with the program. Gulf's proposed RSVP rate schedule and associated agreement revisions should therefore be approved.

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Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved, this tariff should become effective on January 18, 2005. If a protest is filed within 21 days of the issuance of the order, the 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. (Brown)

Staff Analysis: If Issue 1 is approved, this tariff should become effective on January 18, 2005. If a protest is filed within 21 days of the issuance of the order, the 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.