

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

DATE: April 20, 2006

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

FROM: Division of Economic Regulation (Sickel, Baxter)
Office of the General Counsel (Fleming)

RE: Docket No. 060174-EG – Petition for extension of residential load control pilot project, by Florida Power & Light Company.

AGENDA: 05/02/06 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\060174.RCM.DOC

Case Background

As part of its Commission-approved Demand-Side Management Plan, Florida Power & Light Company (FPL or Company) offers a load management program known as the On-Call Program. Customers who choose to participate in this program receive incentive payments in exchange for allowing FPL to interrupt electric service to specified appliances. This program has been offered since 1986.

On March 6, 2003, in Order No. PSC-03-0322-TRF-EG, in Docket No. 030051-EG, In re: Petition for modification of residential on-call and for approval of residential load control pilot project by Florida Power & Light Company, the Commission approved FPL's proposed modifications to the On-Call program. The modifications included closing the On-Call Program

to new participants, and offering a new load management program known as the Residential Load Control Pilot Project (Pilot Program). Under the Pilot Program, incentive payments were reduced for water heater and air conditioning cycle options. The new incentive amounts are contained in Rate Schedule RLP.

The Pilot Program was approved for a three year period beginning April 1, 2003. After that date, any new customers who signed up for residential load management have been receiving incentives based on Rate Schedule RLP. In addition, any existing participants who move to a different location or make any change to the interruption schedule of their appliances would be paid incentives according to Rate Schedule RLP.

The original three year approval for the Pilot Program was to expire April 1, 2006. At the end of the period authorized for the program, FPL was to submit recommendations based on program results. In compliance with that requirement, FPL filed a petition on March 1, 2006 requesting continuation of the Pilot Program. On March 14, 2006, the company filed a supplemental petition requesting that the program be allowed to continue, without interruption, until a full analysis of the program could be made. That request for continuation, without interruption, was approved at the April 4, 2006, Agenda Conference.

This recommendation addresses FPL's request for long-term continuation, in regard to the appropriateness of the program and the period for which it should be authorized to continue. The Commission has jurisdiction pursuant to Sections 366.075, 366.81 and 366.82, Florida Statutes.

Discussion of Issues

Issue 1: Should Florida Power & Light (FPL or Company) be authorized to continue to offer the currently approved Pilot Program, along with the On-Call Program?

Recommendation: Yes. The combined load management programs continue to meet the policy objectives of the Florida Energy Efficiency and Conservation Act. The Pilot Program should continue through August 31, 2007, and FPL should provide detailed analysis with respect to this load management program no later than June 1, 2007. FPL agrees with this filing date. (Sickel)

Staff Analysis: Under the established On-Call Program, a credit of \$3.50 per month is given if a customer allows the utility to interrupt electric energy to the water heater. Under the Pilot Program, the credit amount for the same interruption is \$1.50. Similarly, the On-Call program provides for a monthly credit amount of \$6.00 for cyclic interruption of air conditioning, but the same cyclic interruption gets a credit of \$3.00 under the Pilot Program.

The primary purpose of the Pilot program was to measure customer response to reduced incentives. It was expected that a reduced amount of credit would have some chilling effect on the willingness of customers to sign up for the program, and would result in some drop off among original customers when they moved or made other changes. Notwithstanding those reductions, FPL expected to continue to add load management customers and thereby increase winter peak demand savings in a cost effective manner.

The Pilot Program reflects an effort by FPL to reduce program costs. The cost of load management programs such as FPL's On-Call and Pilot programs primarily consists of the monthly credits paid to participating customers. The program costs are passed on to all of FPL's ratepayers through the Energy Conservation Cost Recovery (ECCR) clause. A reduction in monthly credits paid will result in a corresponding reduction in overall expenses recovered through the ECCR clause.

When the Commission approved the Pilot Program to begin April 1, 2003, the Company expected to offer this program for a maximum period of three years. The Company planned new promotions and marketing positions to be tested as part of the Pilot Program, and expected to gain information by monitoring customer response. Based on customer response, permanent approval of the Pilot Program or reverting all customers to the previous On-Call Program were thought to be possibilities.

In its filing, FPL portrayed the Program as successful in general terms because it is cost effective and continuously growing. However, the rate of growth in the number of customers participating has been impacted by the storms that did major damage throughout the Company's serving area. As a result, the Company has not elected to pursue either permanent approval of the Pilot or reverting to the original On-Call at this time.

In addition, FPL reports that the Company is undertaking re-evaluation of all DSM programs in light of newly recognized projections for increased demand. Other factors, such as the impact of changing fuel prices and issues about fuel diversity, are a part of this effort. In summary, it would be premature to set forth any long-term authorization at this stage.

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In the present situation, staff recommends that the currently authorized Pilot Program should continue through August 31, 2007. In addition, staff recommends that FPL be ordered to provide detailed information and analysis of the utility's experience and projections with respect to this residential load management program no later than June 1, 2007.

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Issue 2: Should this docket be closed?

Recommendation: Yes. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order. (Fleming)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order.