

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Proposed tariff changes by	)	DOCKET NO. 891337-EM
GAINESVILLE REGIONAL UTILITIES to its	)	
residential service, general service and	)	ORDER NO. 22511
public lighting classes and policies and	)	
charges governing installation of under-	)	ISSUED: 2-7-90
ground distribution facilities.	)	
	)	

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman  
 THOMAS M. BEARD  
 BETTY EASLEY  
 GERALD L. GUNTER  
 JOHN T. HERNDON

ORDER APPROVING GAINESVILLE REGIONAL UTILITIES'S  
 PROPOSED TARIFF REVISION

BY THE COMMISSION:

On August 28, 1989, Gainesville Regional Utilities (GRU) filed revised tariff sheets for its Residential Service (RS), General Service Non-Demand (GS), General Service Demand (GSD), Public Street Lighting, and Rental Lighting classes as well as policies and charges governing installation of underground distribution facilities. On January 9, 1990, GRU resubmitted proposed tariff sheet revisions adopted by its City Commission and other revisions which were not part of its original tariff filing.

In evaluating the proposed rate structure, we reviewed GRU's cost of service study which was submitted as part of GRU's last rate filing, Docket No. 881258-EM, and was used previously as a basis for designing rates which became effective October 1, 1988. Order No. 20388, issued in Docket No. 881258-EM, stated our concern with some aspects of GRU's cost allocation methodology, specifically that too little cost had been allocated to the RS and lighting classes. GRU indicated during that proceeding that it intended to refine the cost of service study at the time of its next rate filing.

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GRU's assumed load factor relationships appear inconsistent with those of Florida's investor-owned utilities (IOUs). Because load research data is not required of municipal electric systems, many municipal and cooperative utilities adopt load factors based on neighboring IOU load research. The assumption of reasonable load factors is critical to cost allocation.

GRU used the Average and Excess Demand (AED) cost allocation methodology for spreading power supply and transmission costs. These costs accounted for 41% of the 1986-87 total system revenue requirements. Non-coincident peak (NCP) demands were used to develop allocators for demand-related distribution plant costs. In developing its AED allocation factors for production and transmission plant, GRU used the summer coincident peak demand (1 CP) to compute excess demands for each of the classes. GRU did not incorporate NCP demands, as is the common practice, in computing the excess demand portion of the AED methodology. This results in allocation factors that are similar to those obtained with a 1 CP allocator and frustrates the intent of the AED methodology which is to recognize average demand in determining cost responsibility. Because of this weakness, we find that the methodology used by GRU does not allocate costs as well as a 12 CP and 1/13th weighted average demand methodology or does other energy weighting approaches brought before us by IOUs in other rate proceedings.

Although GRU's assumed class load factors resulted in too little cost being allocated to the Residential (RS) and lighting classes, the use of a 1 CP allocator for spreading power supply and transmission plant costs resulted in more cost being allocated to the RS and lighting classes than would have been allocated using an energy weighting approach. Thus, the combined impact of the 1 CP allocator and assumed class load factors on GRU's cost allocation is ambiguous for the RS class.

GRU proposes to increase the customer and energy charges of the RS class by 3% for both time-differentiated and non time-differentiated customers. Although we do not agree with GRU's cost allocation and allocation methodology, we believe that the charges for the various types of lights and poles in the Public Street Lighting and Rental Lighting classes and RS bring the between-class rate relationships closer to parity based on the cost methodology used. We find, therefore, that

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GRU's proposed rate structure changes to Public Street Lighting, RS, and Rental Lighting should be approved.

A comparison of GRU's proposed revenue allocations to each classes' allocated cost of service indicates that the proposed increases to the lighting classes improves the between-class rate relationships. After reviewing GRU's proposed Public Street Lighting, Rental Outdoor Lighting, and pole charges, we believe that GRU's cost justification for Public Street Lighting no longer available for installation appears reasonable and should be approved.

GRU proposes changes to the applicability clauses under the General Service Non-Demand (GS) and General Service Demand (GSD) rate classes. The proposed GS provision allows customers with demands greater than 50 KW to be served under the GS rate as long as their established maximum demand during peak periods does not exceed 49 KW during a twelve consecutive month period. Under the proposed tariff, additional metering costs for installation of time-of-day metering would be paid for by customers transferring to GS. We find that this change is more equitable for lower-load factor customers whose maximum demand may occur during off-peak times. Under the present tariff provision, customers with maximum demands of 50 KW or greater pay demand charges under GSD even though they may not impose 50 KW demand during the system's peak hours. Moreover, customers pay for demand charges even though their load characteristics may resemble GS. Therefore, the proposed rate structure provision promotes greater class homogeneity, allowing customers the option of being served under the GS rate class.

The proposed language modifications for GSD allow customers with maximum demands less than 50 KW to take service under the rate as long as they pay for at least 35 KW. This provision is similar to Florida Power Corporation's GSD rate schedule, and promotes greater homogeneity within the GSD rate class. The provision allows higher load factor GS non-demand customers the option of service under GSD. Furthermore, the proposed changes to the GS and GSD applicability clauses decrease the revenue allocation to GSD, moving the class closer to parity. For these reasons, we believe that GRU's proposed rate structure modifications and additions to the applicability clauses of the GS and GSD classes are reasonable and should be approved.

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GRU proposes policies and charges governing the installation of underground distribution facilities. The proposed policies appear to comport with those we have approved for Florida's IOUs. GRU requires applicants for underground service to pay for any "excess costs" incurred by the utility. "Excess costs" are defined by GRU as the additional cost required to construct an underground distribution system versus the construction of a comparable overhead distribution system. In addition to excess costs the customer may be required to pay a Contribution in Aid of Construction (CIAC) in cases where the estimated revenues are inadequate to cover the installation, extension, or improvement. We have reviewed GRU's schedule of standard excess costs and believe they are reasonable. The per lot charge for residential applications for underground service also appear to be appropriate and in line with the changes by Florida's IOU's for such service. We find that the policies and charges governing GRU's underground distribution system installations should be approved.

In consideration of the foregoing, it is

ORDERED by the Florida Public Service Commission that Gainesville Regional Utilities' proposed rate structure revisions to its Residential Service (RS), Public Street Lighting, and Rental Street Lighting classes are approved. It is further

ORDERED that Gainesville Regional Utilities's proposed fixture charges for its Public Street Lighting no longer available for installation are approved. It is further

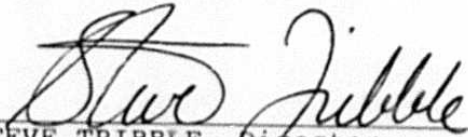
ORDERED that Gainesville Regional Utilities' proposed rate structure revisions to its General Service Non-Demand (GS) and General Service Demand (GSD) rate classes are approved. It is further

ORDERED that Gainesville Regional Utilities' proposed policies and charges governing installation of underground distribution facilities are approved. It is further

ORDERED that this docket be closed unless a timely motion for reconsideration or petition for appeal is filed.

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By ORDER of the Florida Public Service Commission,  
this 7th day of FEBRUARY, 1990.

  
STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.