

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

OCTOBER 31, 1996

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF ELECTRIC & GAS (KUMMER, DRAPER) ELD ^{CS}
DIVISION OF LEGAL SERVICES (JOHNSON) VOJ RVE JDJ

RE: DOCKET NO. 960950-EI - GENERIC INVESTIGATION INTO LOAD
RETENTION AND LOAD BUILDING RATES FOR INVESTOR-OWNED
ELECTRIC UTILITIES

AGENDA: NOVEMBER 12, 1996 - REGULAR AGENDA - DECISION PRIOR TO
HEARING - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\EAG\WP\960950.RCM

CASE BACKGROUND

At the June 11, 1996 Agenda Conference, the Commission voted to open a generic docket to explore the feasibility and design of load retention and load building rates for investor-owned electric utilities. Discussions arose in conjunction with a specific tariff filing by Gulf Power Company requesting authority to negotiate special contracts with individual customers to retain or attract load. Based on load-building and load retention issues raised in other states as well as issues under review by this Commission for other utilities, Staff prepared a preliminary generic issue list and circulated it to all Commissioners on July 2, 1996.

DISCUSSION OF ISSUES

ISSUE 1: Should this docket be closed?

RECOMMENDATION: Yes. Staff recommends that the generic docket be closed and the hearing that is scheduled for June 19-20, 1997 be cancelled. The Commission should continue to evaluate competitive tariff filings on a case-by-case basis.

DOCUMENT NUMBER-DATE

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STAFF ANALYSIS: Over the past 12 months the Commission has reviewed and approved flexible tariff provisions for the City of Homestead, the City of Fort Pierce, the City of Lakeland, City Gas and Gulf Power. Extensive hearings were held in Docket No. 951161-EI, Gulf Power's first request for a CISR rate discount tariff. The staff is currently evaluating non-traditional pricing schemes filed by the Gainesville Regional Utilities Commission and the Jacksonville Electric Authority. These filings contain conventional concepts such as interruptible/curtailable offerings and more competitive approaches such as "at risk" determinations, load aggregation, and incremental cost pricing. Through these filings the Commission has explored a variety of tariffs to allow utilities more flexibility to retain or attract a commercial/industrial load and protect the general body of ratepayers.

For example, to facilitate Commission evaluation of the Gulf proposal in Docket 960789-EI, the Commission instructed staff at the July 30 Agenda Conference to develop a "laundry list" of options. This list described in more detail specific provisions in the Gulf tariff and how those provisions might be modified to protect the general body of ratepayers more effectively while still giving Gulf pricing flexibility. At the September 3 Agenda Conference staff presented seven alternative tariff packages to Gulf's tariff proposals for Commission consideration. The alternatives ranged from minor variations of Gulf's proposal to more traditional regulatory approaches such as rate freezes and ROE caps.

At the September 3 Agenda Conference, the Division of Research and Regulatory Review (RRR) presented a lengthy report based on a telephone survey conducted with the state regulatory agencies in Alabama, Georgia and Mississippi on the flexible tariffs available in those states. RRR's report included the specific tariff language adopted, as well as responses on how and why the tariffs were adopted. This report provided a brief overview of national activity on load retention and load building rates. Specific proposals in California, Michigan, Ohio, New Jersey, South Carolina, Louisiana, Oklahoma, and New Hampshire were also presented through staff testimony in Docket No. 951161-EI.

Based on the analysis already available, Staff believes that the information which the generic docket was intended to explore has been developed and will be further developed with the implementation of the numerous flexible rate tariffs the Commission has already approved. Current analysis suggests that Florida utilities are significantly different from each other in both the economic pressures that they face and in their financial and

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administrative capabilities to meet those pressures. Staff believes that a one-size-fits-all competitive tariff for all Florida utilities is not viable and that the Commission will need to evaluate each proposal on its own merits, given each utility's particular situation. Therefore, Staff recommends that this docket be closed and that future load retention/load building rate filings be evaluated on a case-by-case basis.

ISSUE 2: What should be the effective date of docket closing?

RECOMMENDATION: This docket should be closed effective the day of the Commission vote.

STAFF ANALYSIS: No further action is required in this docket, therefore, this docket should be closed effective the date of the Commission vote.