

FLORIDA PUBLIC SERVICE COMMISSION
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Tallahassee, Florida 32399-0850

M E M O R A N D U M

December 4, 1997

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10:45
FPSC - Records/Reporting

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

FROM: DIVISION OF ELECTRIC & GAS (GING) *off on*
DIVISION OF LEGAL SERVICES (JAYE) *RDJ*

RE: DOCKET NO. 971143-EM - CITY OF GREEN COVE SPRINGS -
REQUEST FOR TARIFF MODIFICATION BY CITY OF GREEN COVE
SPRINGS

AGENDA: 12/16/97 - REGULAR AGENDA - TARIFF FILING - INTERESTED
PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\EAG\WP\971143EM.RCM

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve The City of Green Cove Springs (City) request for tariff modification?

RECOMMENDATION: Yes. The Commission should approve the City's tariffs as filed. (GING)

STAFF ANALYSIS: The City filed for modification of its General Service-Non-Demand Rate Schedule (GS) and and its General Service Large Demand Rate Schedule (GSLD) on March 12, 1997. The City proposed to increase GS rates and decrease GSLD rates resulting in no net increase in revenue requirements. Because the City's service territory is located within Florida Power & Light's (FPL) service territory, Staff performed a rate comparison using FPL's rates. The comparison showed a worsening of rate structure with respect to GS rates and an improvement in rate structure by reducing GSLD rates. During discussions with the City on the rate structure issue, the City submitted a cost of service study performed by Resource Management International, Inc. (RMI) using generalized assumptions about load and usage patterns in support of its increase in the GS rate. Although it is acceptable for smaller utilities to rely upon data borrowed from other utilities to set rates, Staff had concerns about several of the assumptions used by

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RMI which differed from those commonly used for other utilities in Florida. For example: RMI used 12 coincident peak (CP) for the distribution system when 12 Non-coincident peak (NCP) should have been used, a customer weighting factor of 20 is recommended for GSLD by Florida Municipal Power Agency (FMPA) and RMI used 15, purchased power was allocated 57% energy and 43% demand when data from actual purchased power indicated a 63% energy and 36% demand split, and the ultimate results of revenue surplus and revenue deficiency for each rate class are not altogether reflected in the rates filed.

When questioned about these assumptions, RMI indicated that it had relied upon an FMPA study performed for the City in 1995 which used the same assumptions except for the treatment of the revenue transfer to the City government. Analysis of the FMPA study supplied by RMI indicated support for a majority of the assumptions used in the RMI Study. The major change in allocation which resulted in increased costs to the GS class arose from a change in the allocation of the costs associated with the revenue transfer. The FMPA study allocated transfer costs based on a percentage of sales revenues per customer class. RMI modified this allocation methodology using plant in service and customer class responsibility. RMI's departure from FMPA's methodology is not inconsistent with other municipalities practices. Because of the lack of real time data specific to the City's system, many assumptions had to be made. Even though Staff disagrees with some assumptions used by RMI, the overall cost of service study appears to be reasonable. Therefore, staff recommends approval of the Tariff rates as filed.

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. If no timely protest is filed, this docket should be closed. (JAYE)

STAFF ANALYSIS: If a protest is filed within 21 days from the issuance date of the order, the tariff should remain in effect pending resolution of the protest. If no timely protest is filed, the docket should be closed.