

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request by Florida Power Corp-)	DOCKET NO. 881509-EI
oration for revision of Interruptible)	ORDER NO. 20812
Standby Service rate schedule.)	ISSUED: 2-27-89

The following Commissioners participated in the disposition of this matter:

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

ORDER APPROVING REVISION TO INTERRUPTIBLE
STANDBY SERVICE RATE SCHEDULE

BY THE COMMISSION:

Florida Power Corporation's (FPC) original Interruptible Standby Service rate schedule (SS-2) was filed on August 18, 1987, pursuant to Order No. 17159, the generic investigation of standby rates for electric utilities. That schedule was approved on October 15, 1987. On October 18, 1988, FPC filed a revision of one sheet of Schedule SS-2 with standby service charges reduced to a level it believes complies with Order No. 17159. The revision was triggered by FPC's discovery that the original charges were overstated and not comparable to the costs in its full-requirements Interruptible Rate Schedule (IS-1). The revision being requested by FPC here would lower the reservation charge from \$.34 to \$.23, and the daily demand charge from \$.16 to \$.11.

FPC's interruptible standby rates have charges which are comparable to similar costs in its full-requirements interruptible rate schedule. This means that the rate of return and the rate of return index for the interruptible standby service would be at approximately the same level as that of full-requirements interruptible service. The rate of return index for FPC's full-requirements interruptible rate classes is 1.26. Thus, FPC's IS-1 rate of return is 26% higher than the approved retail system rate of return.

Order No. 17159 is explicit on the issues of cost allocation and rate design for interruptible standby service. Regarding cost allocation, the order states that since "in generation expansion planning . . . utilities do not include the peak demands of interruptible customers in determining the need to add generating capacity, . . . no peak-demand-related production costs are assigned to interruptible service." Order No. 17159 at 15-6.

Regarding rate design, the order provides that interruptible standby service

will be offered under a combination reservation charge and daily demand charge rate structure analogous to that approved for firm backup and maintenance service. The difference is that the rates will be based on only the system common transmission

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unit cost per coincident peak kilowatt, rather than the total demand-related production and transmission unit cost per CPKW. Thus, the reservation charge will be 10 percent of the utility's common transmission unit cost per CPKW. The daily demand charge for backup and maintenance power taken will be the same unit cost value divided by the average number of days per month that contain on-peak billing periods.

Other costs allocated to interruptible service and the rates designed to recover them will be handled in the same way as they are handled with respect to full requirements interruptible service. Interruptible standby customers will pay the otherwise applicable fuel charges, conservation cost recovery charges, and oil backout cost recovery charges, all stated in cents per kilowatt hour, for all KWH that they use. They will also pay a non-fuel energy charge set equal to the utility's system energy unit cost. This cost and the associated charge includes variable operations and maintenance costs of generating electricity plus that portion of generation plant costs that we determine to be energy-related - - i.e., capital costs incurred to obtain fuel savings justified by the energy loads to be served by the generating capacity. The customer charge for interruptible standby service will be set equal to the customer charge for the utility's full requirements interruptible rate schedule, plus \$25 per month to cover additional metering and billing costs.

Order No. 17159 at 16.

The costs of dedicated local facilities for serving standby loads were ordered to be recovered through a local facilities charge consisting of the distribution unit cost, calculated using 100 percent ratcheted billing KW, for the class to which the customer would otherwise belong.

The language quoted above clearly indicates that the reservation and daily demand charges be set at system unit cost, not at class unit cost, i.e., a level comparable to the full-requirements interruptible rate schedule. Conformance with the order would require a significant decrease in several of FPC's SS-2 charges. FPC's filing does not address this issue but only concerns itself with lowering previously filed charges which do not conform with the interruptible class unit costs.

We note that Tampa Electric Company (TECO) has interruptible standby rates which also were developed using class average rather than system average costs. The rate of return index for TECO's interruptible class (IS-1) is 74% of

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the retail system rate of return or 26% below the retail system rate of return. (TECO's IS-3 rate of return index is approximately one because its charges were set at system unit cost.) Conformance with Order No. 17159 would cause a significant increase in several of TECO's SBI-1 standby interruptible rate schedule charges.

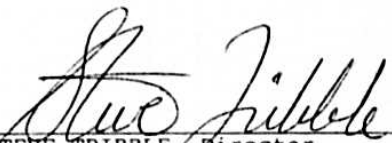
In light of the above, we shall act only on FPC's requested changes at this time and hereby approve them. We also find that this docket should be administratively closed after the appropriate times for reconsideration and appeal have run if neither reconsideration nor appeal is timely filed.

Therefore, it is

ORDERED by the Florida Public Service Commission that the revisions to Florida Power Corporation's SS-2 rate schedule are approved as discussed in the body of this order. It is further

ORDERED that this docket should be closed administratively after the times for reconsideration and appeal have run if neither reconsideration nor appeal is timely filed.

By ORDER of the Florida Public Service Commission
this 27th day of FEBRUARY, 1989.



STEVE TRIBBLE, Director
Division of Records and Reporting

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