

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Request for approval of) DOCKET NO. 930179-EM
proposed changes to rate) ORDER NO. PSC-93-1088-FOF-EM
schedules by the City of) ISSUED: July 27, 1993
Tallahassee.)
_____)

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
THOMAS M. BEARD
SUSAN F. CLARK
JULIA L. JOHNSON
LUIS J. LAUREDO

ORDER APPROVING TARIFF

BY THE COMMISSION:

The City of Tallahassee (Tallahassee or the city) filed tariffs to implement higher service and rate charges, in two steps, for all of its rate schedules. The first step increase was effective August 1, 1992, and the proposed second step increase was to be effective on October 1, 1993. Based on the submitted cost of service study, Commission staff administratively approved all submitted rates with the exception of the city's standby and interruptible standby service rate schedules. No customers currently take service under either of the standby service rate schedules.

When the city originally designed its standby rates and charges, it used the methodology outlined in Order No. 17159, issued February 6, 1987, in Docket No. 850673-EU on the generic investigation of standby rates, with a few exceptions. In this methodology, unit costs at the system rate of return are calculated for (1) production and bulk transmission plant and (2) energy-related costs from the utility's cost of service analysis. A unit cost for local transmission and distribution plant is calculated using the cost of the class to which the customer would otherwise belong and using 100 percent ratcheted billing KW as the billing determinant. When calculating the unit cost for local transmission and distribution for its General Service Large Demand (GSLD) class, the city, however, used the customers' monthly maximum demands instead of 100 percent ratcheted demand as outlined in Order No. 17159. In addition, the city used, when calculating the fuel charge, incremental fuel cost rather than average fuel cost as outlined in Order No. 17159.

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P. SC-RECORDS/REPORTING

At the March 16, 1993, Agenda Conference, we voted to issue the city a comment letter requesting that Tallahassee justify its proposed levels of standby service rate charges for local transmission and distribution and fuel because the calculations were not in accordance with the generic order on the design of standby rates. In addition, we commented on the standby energy charges because their calculation was not consistent with the methodology used by the city to design the remainder of its rates and charges.

In its response, Tallahassee proposed adjusting the local transmission and distribution charge to be consistent with the methodology outlined in Order No. 17159. This adjustment would lower the charge from \$5.78 to \$4.40. This charge is based on the city's proposed revenue requirement and cost of service for the fiscal year beginning October 1, 1993. If the city decides to eliminate the second step increase in rates, it is our understanding that the city will revise the standby service charges to be consistent with the city's revised system revenue requirement and cost of service.

Our second area of concern was that the fuel charge for the standby service rate schedules was incremental fuel cost while the base rates were developed on system average embedded costing and Order No. 17159 specifies that the fuel charge will be based on average cost. Tallahassee responded it did not object to using average fuel cost instead of incremental cost and it proposed doing so.

The third charge the city was asked to address was the (nonfuel) energy charge. The energy unit cost used for the energy charge was initially calculated in accordance with the methodology outlined in Order No. 17159. However, when the city commission approved the October 1993 rates, it set the energy charges for all rate schedules, except the standby service rate schedules, \$.0004 lower than the revenue requirement used in the cost of service analysis. We asked Tallahassee to justify why it did not lower the energy charge for its standby service rate schedules by \$.0004 as well. The city responded that no allowance was made to return or transfer the nonfuel energy charge to the city's general fund, thus, reducing the charge would result in a charge below system cost. The city also stated that an argument could be made to slightly reduce the other charges to reflect the lower overall revenue requirement. We agree that the three nonfuel charges other than the energy charges would be the correct standby service

charges to adjust to reflect the lowered revenue requirement for the system. The impact on the other charges calculated by the city is very minimal: \$.01 per KW for the firm service generation and bulk transmission charge and \$.06 for the local transmission and distribution charge. Therefore, we find the city's decision to not adjust these rates at this time to be reasonable. We point out, however, that whenever the city commission decides to set its rates lower than the revenue requirement in its cost of service analysis, the standby service rate charges should be adjusted accordingly or they will be higher than the rates that were developed using the methodology of Order No. 17159.

Because Tallahassee has proposed to change its local transmission and distribution and fuel charges to be consistent with the methodology specified in Order No. 17159 and because the impact of not reducing its standby service charges is minimal, we find that the city's proposed revisions shall be approved. We approve these proposals with the understanding that, if the city decides to either eliminate or reduce its previously approved second step increase, the city shall submit reduced standby service rate charges.

It is, therefore,

ORDERED by the Florida Public Service Commission that the City of Tallahassee's proposed changes to its second step increase, to be effective October 1, 1993, as discussed in the body of this order are hereby approved. It is further

ORDERED that if the City of Tallahassee either eliminates or reduces its second step increase, it shall submit reduced standby service rate charges. It is further

ORDERED that if a protest is filed in accordance with the requirement set forth below, the tariff shall remain in effect pending resolution of the protest. It is further

ORDERED that if no protest is filed in accordance with the requirement set forth below, this docket shall be closed.

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By ORDER of the Florida Public Service Commission this 27th
day of July, 1993.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)
MAH:bmi

by: Kay J. J. J.
Chief, Bureau of Records

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.

The Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the action proposed files a petition for a formal proceeding, as provided by Rule 25-22.036(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a)(d) and (e), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on August 17, 1993.

In the absence of such a petition, this order shall become final on the day subsequent to the above date.

Any objection or protest filed in this docket before the issuance date of this Order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this Order becomes final on the date described above, any party adversely affected may request judicial review by the Florida

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Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater 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 of the date this Order becomes final, 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.