

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Orlando  
Utilities Commission for  
modification of electric rate  
schedules.

DOCKET NO. 991094-EM  
ORDER NO. PSC-99-2123-TRF-EM  
ISSUED: October 26, 1999

The following Commissioners participated in the disposition of this matter:

JOE GARCIA, Chairman  
J. TERRY DEASON  
SUSAN F. CLARK  
E. LEON JACOBS, JR.

ORDER GRANTING APPROVAL OF MODIFICATION  
OF ELECTRIC RATE SCHEDULES

BY THE COMMISSION:

CASE BACKGROUND

The Orlando Utilities Commission (OUC) filed a petition to provide a new rate option for its commercial customers which is designed in preparation for the competitive market and to offer customers more choices in how they purchase electricity. In conjunction with the new rate option, OUC is revising its existing rates, offering new street lighting fixtures, and creating a new rate schedule for non-residential customers with loads between one and six Megawatts. We reviewed the proposed revisions to existing rates and the accompanying documentation and cost support and believe they are reasonable. Consistent with our past delegation, the revisions to existing rate offerings have been administratively approved.

OUC proposed to offer its commercial customers two payment options: standard rate (Option A) and TOU rate (Option B). Option A is the standard rate under which customers pay the customer charge, demand charge, and a flat energy charge. Under Option B customers pay the customer charge, demand charge, and seasonally differentiated TOU energy rates, i.e., customers pay a different cents/kWh charge depending on the time of day and season during which electricity is consumed.

DOCUMENT NUMBER-DATE

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FPSC-REGULATORY REPORTING

OUC proposed a novel approach in developing the TOU rates which differs in the way the investor-owned utilities (IOUs) have traditionally developed TOU rates. TOU rates offered by the IOUs have on-peak and off-peak charges which do not differ between seasons, and the TOU rate design is based on average embedded cost of service principles.

OUC developed its TOU pricing periods and charges with the assistance of a consultant who developed a forecast of hourly wholesale market prices in Florida. The results show that wholesale prices vary by time of day and by season of the year. OUC then established the following six pricing periods within which prices are similar: winter on-peak period, winter shoulder period, winter off-peak period, summer on-peak period, summer shoulder period, and summer off-peak period. The following table illustrates the proposed pricing periods:

|                |          |                             |
|----------------|----------|-----------------------------|
| Summer         | On-peak  | 1pm - 6pm                   |
| April- October | Shoulder | 11 am - 1 pm<br>6 pm - 8 pm |
|                | Off-peak | 8 pm - 11 am                |
| Winter         | On-peak  | 7 am - 10 am<br>6 pm - 9 pm |
|                | Shoulder | 10 am - 6 pm                |
|                | Off-peak | 9 pm - 7 am                 |

Customers choosing to take service under the TOU option therefore will pay a different cents/kWh charge for each of the six pricing periods.

Although OUC determined that hourly wholesale prices fall into six pricing periods, it decided at this time to implement a shoulder pricing period only for the General Service Large Demand (GSLD) class and for General Service Demand (GSD) customers taking service at primary voltage. GSD customers taking service at secondary voltage will only pay differing TOU rates for on-peak and off-peak winter and summer period.

OUC has provided information demonstrating the hourly variance in wholesale prices. It appears that OUC's proposed pricing periods, including the shoulder period, accurately reflect

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conditions in the wholesale market. For example, wholesale prices during the winter months only show minor fluctuations, which is reflected in the similar cents/kWh charge for the three winter pricing periods. During the summer months, however, wholesale prices increase dramatically during the afternoon hours, which is reflected in the high cents/kWh charge for the summer on-peak period.

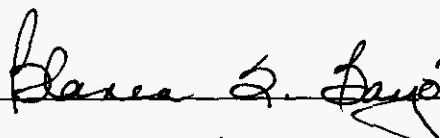
OUC asserts that the proposed TOU rate reflects the conditions of a competitive market and therefore provides the proper price signal to its customers. We recognize that while the rates are designed to be revenue neutral, customers may change their usage pattern in response to price signals. However, since we do not have jurisdiction over the total revenues a municipal utility collects, potential revenue loss associated with errors in forecasting were not considered in this analysis. Since the proposed TOU rates are an optional rate and appear to be cost based, we approve them.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the petition filed by Orlando Utilities Commission for approval of its proposed seasonally differentiated Time-of-use (TOU) rates is approved. It is further

ORDERED that if no timely protest is filed, this docket shall be closed upon the issuance of a Consummating Order.

By ORDER of the Florida Public Service Commission this 26th day of October, 1999.

  
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BLANCA S. BAYÓ, Director  
Division of Records and Reporting

( S E A L )

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NOTICE OF FURTHER PROCEEDINGS

The Florida Public Service Commission is required by Section 120.569(1), 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.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

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 proposed action files a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on November 16, 1999.

In the absence of such a petition, this Order shall become final and effective upon the issuance of a Consummating Order.

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.