

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Request for approval of increase in rates
by Central Florida Electric Cooperative, Inc.

DOCKET NO. 060572-EC
ORDER NO. PSC-06-0868-TRF-EC
ISSUED: October 23, 2006

The following Commissioners participated in the disposition of this matter:

LISA POLAK EDGAR, Chairman
J. TERRY DEASON
ISILIO ARRIAGA
MATTHEW M. CARTER II
KATRINA J. TEW

ORDER APPROVING MINIMUM MONTHLY CHARGE

BY THE COMMISSION:

BACKGROUND

On April 17, 2006, Central Florida Electric Cooperative, Inc. (Central Florida) filed a request with supporting documentation to increase its rates. The proposed rates went into effect on June 1, 2006. In addition to an increase in rates, Central Florida proposed a minimum monthly charge of \$20 for residential customers. We have not previously approved a minimum monthly charge for residential customers for Central Florida or any other Florida electric utility.

We have rate structure jurisdiction over cooperatives pursuant to Section 366.04(2)(b), Florida Statutes. Cooperatives are required to file tariffs with the Commission in accordance with Rule 25-9.053(1), Florida Administrative Code. Our Rule 25-9.051(7), Florida Administrative Code, defines *rate structure* as the rate relationship between various customer classes, as well as the rate relationship between members of a customer class. We have delegated the authority to our staff to administratively approve tariff filings by cooperatives as long as: (1) there is no change in the rate structure previously approved for that utility; (2) the change results in the rate relationships moving closer to those approved for the investor-owned electric utilities; or (3) the proposal does not contain new pricing concepts.¹ Because Central Florida's filing involves a new pricing concept, our approval is required. This Order will only address the minimum monthly charge for residential customers. We have jurisdiction pursuant to Section 366.04(2)(b), Florida Statutes.

DECISION

Central Florida is a member owned, not-for-profit cooperative that purchases and distributes electricity to approximately 30,000 customers in Dixie, Levy, and Gilchrist Counties. Central Florida has recently increased its rates to generate additional revenues. It has also

¹ See Administrative Procedures Manual Section 2.07.C.5.a(10).

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proposed a minimum monthly \$20 charge for residential customers. The charge only affects customers who use less than 100 kilowatt-hours (kWh) per month. Usage of less than 100 kWh is likely to occur only if the premises is vacant.

Central Florida performed a cost of service study to allocate the revenue increase to the rate classes. The study shows that the customer-related cost to serve residential customers is \$18.72. In rate design, to the extent practicable, the customer charges should be set to reflect the customer costs developed in the cost of service study. Central Florida believes, however, that increasing the residential customer charge to \$18.72 would result in an excessive increase to low-use customers. Instead of raising the customer charge to all customers to reflect the cost supported by the cost of service study, Central Florida proposed a minimum \$20 charge to recover its investment from accounts that have no or very low usage.

Central Florida states that it has two unique characteristics that justify the use of a minimum charge for residential customers. First, Central Florida has a high percentage of seasonal customers who own a vacation home that is vacant for several months. Central Florida states that 20 percent of its accounts use less than 100 kWh per month. Second, Central Florida serves a rural service territory that includes providing service to barns or pumps, which customers frequently have separately metered. These types of customers consume small amounts of electricity during the course of the year, and their usage is sporadic. Since the customer charge does not usually cover the cost of having the separate account, these low-usage accounts are being subsidized by the other ratepayers.

Central Florida states that it has received five customer complaints since the minimum charge became effective on June 1, 2006. Two of the complaints involved customers that own a vacation home. One complaint came from a farm that had separate accounts for a well and for a cow farm, whose only usage came from a branding iron. Both those accounts have been disconnected. Another complaint came from a customer with an account to serve a pole that could connect to an RV. The pole's usage is 3-4 kWhs per year. The final complaint came from a customer that has a residential account for a well pump.

The minimum charge is designed to send an appropriate price signal to residential accounts with 0-100 kWh usage for which the utility does not recover the costs of its investment in customer facilities. We find that the proposed minimum charge for residential customers is fair and reasonable based on the unique circumstances that confront Central Florida, and we approve it.

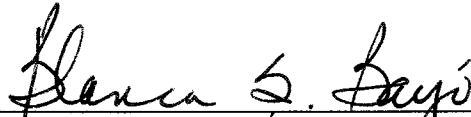
Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Central Florida Electric Cooperative, Inc.'s proposed minimum monthly charge for residential customers is approved. It is further

ORDERED that if a protest is filed within 21 days of issuance of the Order, the tariff shall remain in effect pending resolution of the protest. 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 23rd day of October, 2006.



BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

(S E A L)

MCB

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 the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on November 13, 2006.

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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.