

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition for approval of revised rate  
schedules by City of Blountstown.

DOCKET NO. 060616-EM  
ORDER NO. PSC-06-0927-FOF-EM  
ISSUED: November 6, 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 REVISED TARIFFS

BY THE COMMISSION:

On March 16, 2006, the City of Blountstown (Blountstown) filed new Residential Service (RS) and Commercial Service (CS) tariff sheets with the Commission. Blountstown is a small municipal utility with approximately 1,006 RS and 328 CS customers as of 2006. Residential Service is available to single-family dwelling units occupied by one family or household. Commercial service is available to all buildings other than single-family dwelling units. The City does not generate any of its own power; instead, it buys electricity from Gulf Power Company. The new RS tariff raises the energy charge from \$.06518 per kWh to \$.07528 per kWh. The new CS tariff raises the energy charge from \$.07301 per kWh to \$.08816 per kWh. The rate became effective on October 1, 2005.

We have jurisdiction, pursuant to Section 366.04(2), Florida Statutes, over the rate structure of municipal electric utilities. "Rate structure," as defined in Rule 25-9.051(7), Florida Administrative Code; ". . . refers to the classification system used in justifying different rates, and, more specifically, to the rate relationship between various customer classes, as well as the rate relationship between members of a customer class." Rate structure determines how the total revenues are collected from each rate class. The goal is to see that each customer class pays a fair share of the total cost of providing service. Absent a cost of service study, we use a standard ratio analysis to assess rate structure. This ratio analysis compares the CS and RS rates, in cents per kilowatt hour (kWh), to those found in a neighboring investor-owned electric utility (IOU). For IOU's, CS rates are generally equal to or less than residential rates based on a full cost of service study.<sup>1</sup>

<sup>1</sup> If a municipal utility's rates show the CS rate significantly higher than the residential rate, or if the proposed change to rates moves this ratio in the wrong direction, our staff will contact the utility to discuss the matter. If the discrepancy cannot be resolved, the Commission's Administrative Procedures Manual 2.07.C.5(10) requires that the filing be brought before the Commission.

DOCUMENT NUMBER-DATE

10231 NOV-6 8

FPSC-COMMISSION CLERK

Blountstown did not file any supporting workpapers or spreadsheets with its new tariff pages. Under Chapter 25-9.053(1), Florida Administrative Code, a municipal utility submitting "proposed documentation in which any change in rate structure is proposed shall be accompanied by supporting information in sufficient detail as to allow the Commission to determine the derivation of all rate structure modifications. The supporting data shall consist of either a utility-specific cost study or an analysis of utility-specific cost and operating data prepared using a methodology previously approved by the Commission for any comparable utility." After several contacts with Blountstown, however, and with the assistance of the Florida Municipal Power Agency (FMPA), the City did submit workpapers and spreadsheets. The information provided shows that the RS class accounts for 34.6% of projected kWh sales and 32.52% of current revenues. The CS class accounts for 65.4% of projected kWh sales and 66.56% of current revenues. At current rates, the RS class showed a projected 13.49% deficiency after current revenues were subtracted from the class revenue requirement. The CS class showed a 12.72% deficiency after revenues were subtracted from the revenue requirement. The new rates slightly worsen the relationship between the classes, with the RS class dropping to 31.5% of current revenues and the CS class increasing to 67.6% of current revenues.

In response to questions from our staff, Blountstown explained that its small size, and the fact that the RS class used just 34.6% of the kWh projected to be consumed, made a higher increase assigned to the CS class the only feasible rate structure choice at the time. Blountstown also noted that the overall revenue increase addressed in this filing is relatively small, but it will be facing significantly higher purchased power costs in January 2007 due to the expiration of a favorable purchased power contract, which will require more rate adjustments. The City submitted a letter committing to improving the rate structure when rate changes associated with the new purchased power contract are filed.

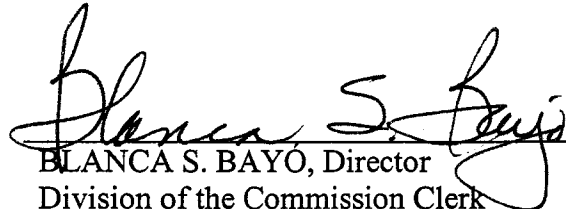
While it is true that Blountstown's rate structure has worsened somewhat with this recent rate increase, in light of the fact that the overall rate increase is small, and based upon the City's assurance that it will address the issue in January 2007, we will approve the tariff filing.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Petition for approval of revised rate schedules by City of Blountstown is granted. It is further

ORDERED that this docket shall be closed.

By ORDER of the Florida Public Service Commission this 6th day of November, 2006.

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

(SEAL)

MCB

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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.

Any party adversely affected by the Commission's final action in this matter may request:

- 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or
- 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Director, Division of the Commission Clerk and Administrative Services 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 after the issuance of this order, 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.