

VOTE SHEET

DATE: October 4, 1994

RE: DOCKET NO. 931044-EI - Petition for authority to implement replacement rate schedule for standby electric service by GULF POWER COMPANY.

Issue ii Recommendation that the Coordinated Maintenance Month (CMM) provision on the Standby and Supplemental rate schedule is not appropriate. This rate design does not comport reasonably with Order No. 17159, is not revenue neutral, and may result in underrecovery of the costs it was intended to recover. Given the utility's design of the daily demand charges for CMM and nonCMM months, the provision is inappropriate because the rate design features of the CMM provision are not limited to the time period of the planned maintenance nor the capacity of the generator(s) undergoing maintenance at any given time.

DEFERRED

COMMISSIONERS ASSIGNED: DS CL KS

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

REMARKS/DISSENTING COMMENTS:

PSC/RAR33 (5/90)

DOCUMENT NUMBER-DATE
10165 OCT-5 94
FPSC-RECORDS/REPORTING

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Issue 2: Recommendation that the annual review of the Option A daily demand charge found on the Standby and Supplemental rate schedule is inappropriate. It provides only for a credit in those years when the average number of non-SS days is more than seven and does not provide for a surcharge in those years when the average number is less than seven.

Issue 3: Recommendation that the applicability of rate charges for the above 7,499 KW demand range customers is appropriate. The parties stipulated or agreed that, if the SBS tariff is approved after the August 1, 1994 hearing, the paragraph on Limitation of Above 7,499 KW Demand Range for Billing Purposes on Fourth Revised Sheet No. 6.29 would be modified (as shown below in legislative format).

Limitation of Above 7,499 KW Demand Range for Billing Purposes

This billing range will be available only to Customers: (1) which have a BC or NC that is above 7,499, and (2) which are required to take service under this rate schedule pursuant to the criteria contained in the section Applicability set forth above, ~~included in the Rate PX/PXT for final rate calculations in the Company's last general rate case, Docket No. 891345-EI.~~

Issue 4: Recommendation that the Commission not approve the Gulf Power Standby and Supplemental rate schedule. Because its CMM provision and Annual Review of Option A Daily Demand Charge are inappropriate, the SBS rate schedule should not be approved. In its stead, the Standby Service (SS) rate schedule that was in effect prior to June 28, 1994, when it was replaced by the SBS rate schedule by operation of law, should become effective again 30 days after the Commission decision on this issue.

PROPOSED FINDINGS OF FACT AND CONCLUSIONS OF LAW

The following are staff's recommendations with regard to the proposed findings of fact and conclusions of law submitted by the parties to this docket.

Issue 4

1. Under Gulf Power's original standby rate, customers were required to make subjective decisions concerning the portions of their consumption that consisted of standby power and supplementary power. (Tr. 82).
RECOMMENDATION: Accept with the insertion of the phrase "that used supplementary service" after the word "customers."

2. Under Gulf Power's original standby rate, when a forced outage occurred customers had to know immediately the values for numerous dynamic plant conditions in order to determine whether it would be more economical for the customer to purchase standby power or curtail operations. (Tr. 32, 33).
RECOMMENDATION: Accept.

3. Under Gulf Power's original standby rate, the interplay of the several rate components was such that a standby customer could be billed for more power than its maximum physical tie line capacity would enable it to receive. (Tr. 125).
RECOMMENDATION: Accept with the insertion of the word "hypothetically" after "could" and replacement of the word "power" with the word "kilowatts".

Issue 1

4. Gulf Power and the Southern Company experience their highest peak demands during the summer months. Peak demands during the non-summer months are generally below 85% of the annual system peak. (Tr. 62, 64). **RECOMMENDATION:** Accept with the word "usually" inserted before the word "experience". For example, Hearing Exhibit 1, Schedule 1, shows that for two years of the period 1984-1989 the highest peak demand of the year for Gulf Power was in January or December.

5. Under Gulf Power's original standby rate, the Daily Demand Charges were higher in the summer months than during the rest of the year. **RECOMMENDATION:** Accept with the substitution of the phrase "Charge applicable for the summer months was higher than the Charge in effect for" for the phrase "Charges were higher in the summer months than during". The accepted finding of fact should read

Under Gulf Power's original standby rate, the Daily Demand Charge applicable for the summer months was higher than the charge in effect for the rest of the year.

6. Maintenance outages sometimes occurred at the time of Gulf Power's summer peak under the original standby rate, notwithstanding the seasonally differentiated demand charges of the old rate. (Tr. 147). **RECOMMENDATION:** Reject as not supported by competent, substantial evidence. Mr. Howell testified that standby service customers purchased standby service during the time of summer peak loads, but he did not have any information as to whether the usage was for forced outages or planned maintenance. (Tr. 147, 208-210)

7. The reservation charge element of Gulf's original standby tariff which continues unchanged in the replacement tariff, fully recovered Gulf Power's cost of standing continuously ready to provide standby power to a cogeneration unit having a forced outage rate of 10%. (Tr. 126).

The standby customer must pay the reservation charge, irrespective of the type of standby service provided (i.e. backup or maintenance power). (Tr. 67).

RECOMMENDATION: Reject the first statement. This is not a finding of fact, but an opinion without supporting evidence. Accept the second statement with the replacement of the word "provided" with "used in the month".

8. Monsanto Company's cogeneration unit, which was placed in service after Gulf Power's last rate case, has experienced an availability of more than 98% during its first 11 months of operation. (Tr. 68).

RECOMMENDATION: Accept.

9. Application of the 1987 billing determinants that were employed in Gulf's last rate case to the standby tariff yields revenues that are less than the target revenue requirement established for the standby class in the last rate case by about \$300,000. (Tr. 255). The \$300,000 figure represents approximately 5% of the standby class's base revenues; 3% of the class' overall revenues; and less than 0.1% of Gulf Power's revenue requirement. (Tr. 255).

RECOMMENDATION: Reject. (1) 1991 and 1992 billing determinants instead of the 1987 billing determinants from Gulf's last rate case were used by Gulf Power in the calculation of the \$300,000 in Exhibit B attached to its recommendation and referred to on page 255 of the hearing transcript. Further, the target revenue requirements established for the standby class in the last rate case was not used in the calculation of the \$300,000. Gulf used the total annual charges to the standby service customers based on the standby service rates that were in effect in 1991 and 1992. (Petition, P. 3 and Exhibit B; Tr. 377) (2) Mr. Thompson testified that he had been told that the impact of the \$300,000 on company's rate of return was probably less than 0.1 percent. (Tr. 255)

10. The variable cost of standby power sold by Gulf Power during CMM would be primarily a function of Gulf's fuel costs and the heat rate (efficiency) of Gulf's generating plants. (Tr. 26).
RECOMMENDATION: Reject. This statement is incomplete. It does not take into account IIC capacity equalization payments which are another variable.

11. The variable cost of self-generation is primarily a function of the cogenerator's fuel cost and the heat rate of the cogenerator's permit. (Tr. 26).
RECOMMENDATION: Accept.

12. In view of the relative efficiencies of the units, a cogenerator's cost of generation would be as little as half that of the utility if fuel costs were equal. (Tr. 28).
RECOMMENDATION: Reject. Conclusory. Further, the testimony by Mr. Kislak on pages 27 and 28 of the transcript regards the efficiencies of only Stone Container's cogeneration units not cogeneration units in general. Further, Mr. Kislak did not provide the assumptions in his preliminary studies that were the basis of his "suggestion."

Mr. Pollock testified that the heat rate of a typical coal-fired plant is about 9,500 to 10,000 BTU per kilowatt-hour and that the heat rate for a cogenerator may range from 5,000 to 8,000. (Tr. 337, 358) He agreed during cross-examination that, if one assumed (1) the heat rate of a cogeneration unit was 5,000 BTU's and (2) fuel costs were the same for the utility and the cogenerator, the cost of providing that electricity for the cogenerator would be half or less of the utility's cost.

13. Approximately 70% of the fuel that Champion International burns in its cogeneration unit consists of by-products from its industrial process and is essentially free. (Tr. 327).
RECOMMENDATION: Accept.
14. A cogeneration unit produces both electricity and thermal energy such as steam. The cogenerator needs both. (Tr. 26).
RECOMMENDATION: Accept.
15. When the cogeneration unit is not operating, the cogenerator must produce steam through more expensive means. (Tr. 28).
RECOMMENDATION: Accept.
16. A maintenance outage that occurs during a CMM is no more likely to impact capacity equalization payments than an outage that occurs during the summer. In 1992, a maintenance outage at the time of the system peak in July would have had a more expensive impact in IIC payments than if the same maintenance outage occurred during the November peak. (Exhibit 4).
RECOMMENDATION: Reject. (1) This is speculative. There are too many contingencies which have a direct bearing on the impact. (2) The second sentence is misleading and immaterial. The July IIC charge rate per KW is 0.6 percent (four cents) higher than the November charge. Further, the three highest charge rates for the year were those for the months of March, May and December, and the range is very small from a high of \$6.59 to a low of \$6.48.

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17. A maintenance outage that occurs during the summer peak is more likely to cause Gulf Power to require additional generating capacity than a maintenance outage that occurs during a coordinated maintenance month. (Tr. 71).

RECOMMENDATION: Reject. Not a finding of fact. Conclusory.

Issue 2

18. The availability of energy produced under the Gulf Power Supplemental Energy Rider (SE) is related to the surplus economical, base-loaded capacity on Southern's system. (Tr. 72).

RECOMMENDATION: Accept.

19. Southern plans to install gas turbines in the future to meet projected load growth for at least the remainder of the decade. (Tr. 72).

RECOMMENDATION: Accept. The Commission should accept this as Southern's plan. However, it is merely speculative until such time as Southern may act on it, and, therefore, the Commission should not grant it much weight.

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20. In the past, the Southern system has had surplus baseload capacity. SE will not be available as often in the future. (Tr. 79).
RECOMMENDATION: Reject. Speculative. Prediction of a future event is not a fact.