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BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

NOTICE OF COMMISSION WORKSHOP

TO

ALL INVESTOR-OWNED ELECTRIC UTILITIES

UNDOCKETED

IN RE: INVESTIGATION INTO INVERTED RATES

PROCEEDINGS:

WORKSHOP

BEFORE:

COMMISSIONER DIANE K. KIESLING  
COMMISSIONER J. TERRY DEASON  
CHAIRMAN SUSAN F. CLARK  
COMMISSIONER JULIA L. JOHNSON  
COMMISSIONER JOE GARCIA

PLACE:

Betty Easley Conference Center  
4075 Esplanade Way  
Tallahassee, Florida

TIME:

Commenced at 10:40 a.m.  
Concluded at 2:40 p.m.

DATE:

Monday, August 12, 1996

REPORTED BY:

SARAH B. GILROY, CP, RPR  
Notary Public, State of  
Florida at Large.

BUREAU OF REPORTING  
RECEIVED 8-26-96

DOCUMENT NO.  
**09017-96**

1 **PARTICIPATING:**

2 MELINDA BUTLER, FPSC Division of Research.  
3 JOE JENKINS and REESE GOAD, FPSC Electric and Gas.  
4 VICKIE JOHNSON, ESQUIRE, FPSC Division of Legal

5 **Services.**

6 DEB SWIM, LEAF.  
7 DENISE JORDAN and BILL SLUSSER, Florida Power Corp.  
8 JIM THOMPSON and RAMONA GROESBECK, Gulf Power.  
9 BEN OCHSHORN, Florida Legal Services.  
10 MATTHEW CHILES, Florida Power & Light.  
11 WILLIAM ASHBURN and PHIL BARRINGER, Tampa Electric

12 **Company.**

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## P R O C E E D I N G S

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2 CHAIRMAN CLARK: Call the workshop to order.  
3 Staff, the notice was issued; is that right?

4 MR. JOHNSON: That's correct. By notice issued  
5 July 31st, 1996, this workshop was set for hearing,  
6 presentation before the Commission. The purpose of the  
7 workshop is set out in the notice. Joseph Jenkins,  
8 Director of Electric and Gas, has a few opening comments  
9 that he would like to make regarding the conduct of the  
10 workshop this morning.

11 MR. JENKINS: Thank you, Vickie. You should have a  
12 packet consisting of 28 pages that was delivered to you  
13 Friday. That packet contains a table of contents on the  
14 first -- on the cover page. And the first numbered page  
15 in that packet is an outline of what I would like to --  
16 for the workshop to follow.

17 Staff is going to make a -- begin with a tutorial  
18 presentation. And I think the better format would be  
19 for people, the Commissioners, the audience, anyone to  
20 ask questions at any time. If we get off track, I will  
21 try and get us back to this topical discussion.

22 The topical discussion, beginning on page one, is  
23 just a short outline or some short comments of what  
24 everything is about. And with that I'm going to turn it  
25 over to Reese Goad, who is going to go through --



1 CHAIRMAN CLARK: Hang on a minute, Joe. What I  
2 would like to do is go around the table and have people  
3 introduce themselves for us. We won't take appearances,  
4 but we will have people tell us who they are, who  
5 they're representing. Start with you Melinda.

6 MS. BUTLER: I'm Melinda Butler with the division  
7 of research.

8 CHAIRMAN CLARK: I don't think your mike is on, or  
9 something is not right.

10 MS. BUTLER: Is it on now? I'm Melinda Butler with  
11 the division of research.

12 MR. JENKINS: Joe Jenkins, electric and gas.

13 MS. JOHNSON: Vickie Johnson, division of legal  
14 services.

15 MR. GOAD: Reese Goad, electric and gas.

16 MS. SWIM: Deb Swim, LEAF.

17 MS. JORDAN: Denise Jordan, Florida Power  
18 Corporation.

19 MR. SLUSSER: Bill Slusser, Florida Power  
20 Corporation.

21 MR. THOMPSON: Jim Thompson, Gulf Power.

22 MS. GROESBECK: Ramona Groesbeck, Gulf Power.

23 MR. OCHSHORN: Ben Ochshorn, Florida Legal  
24 Services.

25 MR. CHILES: Matthew Chiles appearing for Florida



1 Power & Light Company.

2 MR. ASHBURN: William Ashburn, Tampa Electric  
3 Company.

4 MR. BARRINGER: Phil Barringer, Tampa Electric  
5 Company.

6 CHAIRMAN CLARK: Okay.

7 MR. JENKINS: With that I'm going to turn it over  
8 to Reese Goad, and he's going to go through the tutorial  
9 presentation. Before he starts, I would like for you to  
10 turn to page four of the handout.

11 I thought just having an overview of what the  
12 average price of electricity has been in the state of  
13 Florida for the last 15 years or so might be  
14 instructive. As you can see we had sharp rises in the  
15 price of electricity around 1979. This was primarily  
16 due to the Iranian situation and a rapid escalation in  
17 the price of fuel. Since about '79 fuel prices have --

18 COMMISSIONER KIESLING: Mr. Jenkins, in looking at  
19 this, what's the key? Which one is the diamonds, and  
20 which one are the squares?

21 MR. JENKINS: The squares are the nominal price,  
22 and the diamonds are the real price. The real price of  
23 course is the nominal price divided by CPI.

24 COMMISSIONER KIESLING: Thank you.

25 MR. JENKINS: Okay. The price of fuel has been

1 quite stable since around '85. We've also had the 1986  
2 Tax Reform Act. Those two factors in my mind more than  
3 anything else have caused electric -- electricity prices  
4 to become quite stable. Page five is a break out of a  
5 customer's bill for a residential customer for 1,000  
6 kilowatt hours.

7 Today we're primarily going to be talking about  
8 inverting electric rates and the customer charge. The  
9 customer charge, if you look in the lower right-hand  
10 corner you will see something called customer billing.

11 Customer billing is primarily the customer charge,  
12 although it does -- the customer charge does include a  
13 little bit of distribution, namely the first transformer  
14 and the service drop.

15 And with that I'm going to turn it over to Reese.  
16 And, Reese, you're going to begin on page six; is that  
17 correct?

18 MR. GOAD: Yes. I'm going to begin on page six.  
19 What I would like to do is just lay some groundwork for  
20 our discussion this morning so that we all understand  
21 what we're talking about and the components that go into  
22 it.

23 On page six we have the three components of the  
24 residential electric bill, those being the customer  
25 charge, the nonfuel energy charge and the cost recovery

1 charges. Now the cost recovery charges have a group of  
2 charges in there being fuel, environmental capacity and  
3 whatnot. We're just going to keep those as a whole for  
4 our discussion.

5 The customer charge, currently all utilities, all  
6 the utilities in the state of Florida, charge some type  
7 of customer charge. And the way they derive that charge  
8 is with costs of the meter, the meter-reading, the  
9 accounting, billing, service drop, basically things that  
10 are done regardless of consumption.

11 Now also I would like to point out that charge is  
12 charged to the customer, regardless if they take energy  
13 or not. It's a minimum bill if you will.

14 The next and probably most important is the nonfuel  
15 energy charge. This charge will be the one that we  
16 fluctuate. When we discuss inverted rate, that will be  
17 the charge that we vary. This recovers the -- the plant  
18 and transmission distribution costs, and except for  
19 specific cost recovery charges, any costs that are not  
20 recovered through the customer charge.

21 Currently the nonfuel energy charge for most  
22 utilities is flat. It's a single number that's billed  
23 per kWh. With the exception of FP&L since the late  
24 '70s, I think it was '76, they have had a slightly  
25 inverted rate. It's almost flat but not quite.



1           The next component is the cost recovery charges.  
2           And as I said before, that includes your environmental,  
3           conservation capacity and fuel costs. These charges are  
4           also applied per kilowatt hour just as the nonfuel  
5           energy charge is.

6           On that I would like to go to page seven and show  
7           you the break down or an example of a break down of the  
8           customer charge, the cost components that go into that.  
9           As you can see, we have investment in plant which  
10          includes your meters, whether it be your regular  
11          single-phased meter, three-phased or some type of  
12          time-of-use meter. And also you have your O&M  
13          associated with the plant and your customer service  
14          expenses.

15          As you can see, your investment in plant is the  
16          most substantial amount leading to your customer  
17          charge. But also there is a substantial amount  
18          associated with customer accounting, which is part of  
19          your annual customer service expenses. That includes  
20          things such as, as you can see, customer records and  
21          collections, and also to note uncollectibles. I  
22          don't -- you have a miscellaneous in there also.

23          If you take these totals down you will  
24          approximately come to \$109 million. The way that is  
25          billed to the customer, to the normal residential

1 customer, is simply by dividing the number of annual  
2 bills into that number. And as you can see, that yields  
3 \$8.41.

4 That's approximately what customers pay in the  
5 state of Florida. With the exception of FP&L, that  
6 would be a good estimate. FP&L currently pays I believe  
7 \$5.65. All the others are around \$8.

8 What I would like to do is go to page eight now.

9 COMMISSIONER JOHNSON: What are the miscellaneous?  
10 You stated under customer accounting there is the  
11 miscellaneous number there, the 2 million. Do we have  
12 any idea what that is?

13 MR. GOAD: I couldn't tell you what goes in that,  
14 no, ma'am.

15 MR. JENKINS: We're not sure right now.

16 MS. JOHNSON: Is there someone here who knows  
17 that?

18 MR. JENKINS: Let me ask Bill Slusser from Florida  
19 Power.

20 MR. SLUSSER: Yes, Commissioner. As I remember,  
21 the uniform system of accounts for customer accounting,  
22 the -- they are very specific. There is an account 901  
23 for customer records; meter reading, 902, so forth. And  
24 in the customer accounting accounts there is a catchall  
25 account you might say called "miscellaneous."

1           It is related to the customer accounting function,  
2 but just doesn't fit I guess very specifically as either  
3 meter reading or supervision. Other than that I just  
4 can't tell you exactly what goes in there, but it has to  
5 be related to customer accounting.

6           COMMISSIONER JOHNSON: Okay. I just didn't  
7 understand the way that these things were accounted  
8 for. But I guess to the extent that it didn't fit into  
9 one of the two or five named categories, it just sort of  
10 falls into that particular category?

11          MR. SLUSSER: Yes, ma'am.

12          MS. SWIM: Could I ask a question please? I'm  
13 curious about -- I just saw the pie chart, I'm trying to  
14 find what page that's on, page five. And than page six  
15 talks about the components of the bill. I was wondering  
16 for the nonfuel energy component where that would be on  
17 this pie chart, or have you quantified that?

18          MR. GOAD: It would be multiple components of this  
19 pie chart. You would have your production,  
20 transmission, distribution. I believe that only those  
21 three would be included in that nonfuel energy.

22          MS. SWIM: So you haven't split that in any  
23 pictorial way at this point?

24          MR. GOAD: No. As a matter of fact this was just  
25 for demonstrative purposes so you can get an idea of the



1 individual components, their actual magnitude in the  
2 total bill.

3 What I would like to do is go ahead and continue on  
4 page eight. This would help define what we have done.  
5 We've spoken of inverted rates. And we had to develop  
6 an inverted rate.

7 What our main goal was to do was to keep the  
8 revenue the same as it was previously under the current  
9 flat rate, or what I will term as a flat rate. The  
10 component that I used was the nonfuel energy charge that  
11 I spoke of earlier.

12 And I would like to just go step by step on how I  
13 derived the inverted rate that we're going to use  
14 today. First, as I said, my main goal was to keep the  
15 revenue the same as it was previously. In order to do  
16 that I had to determine the amount of revenue developed  
17 from the customer charge, and also the amount developed  
18 from the nonfuel energy charge.

19 In Step 1 A you can see, all I did was simply  
20 multiply the customer charge by the total number of  
21 annual customers, which leads to \$56,132,806.50. With  
22 that I went to Step B, and I did a somewhat similar  
23 thing, I multiplied the flat current nonfuel energy  
24 charge by the annual kWh used.

25 As you can see the annual kWh of 6,710,961,000 kWh

1 times 4.02 cents, yielding approximately \$269 million.  
2 When I summed those two I arrived to \$325,913,438. That  
3 was my target number.

4 Whatever numbers I developed from that I had to  
5 arrive at this. Now I will leave the caveat that I  
6 didn't assume any price elasticity, no price movement,  
7 regardless of the prices we -- we've used.

8 Okay. From there this is something I just -- a  
9 tool that I used so I can get to the inverted rate. I  
10 said, well once I have that revenue number, what would  
11 be a flat rate to make up that revenue?

12 Essentially what I'm doing is, I'm eliminating the  
13 customer charge and putting it all into a nonfuel energy  
14 charge that will recover the charges for the customer  
15 charge and for the nonfuel energy charge components that  
16 I've described earlier.

17 When I did that I arrived at 4.85 cents per kWh.  
18 That would be a flat rate that would recover all the  
19 revenue. With that 4.856 cents per kWh, I simply  
20 subtracted four cents, and that was my definition of a  
21 four-cent inversion, by subtracting four cents from the  
22 average, yielding .856 cents per kWh.

23 I will try to speed up. I know this is kind of dry  
24 material here. So in order to determine how much  
25 revenue that first block, if you will, of 800 kWh, that

1 was my cutoff point, from zero to 800 kWh was my first  
2 stratum. By determining what the usage through 800 kWh  
3 was, I could multiply that by my first block charge.

4 COMMISSIONER GARCIA: It's to consume -- it's to  
5 cover the customer charge just with those who used 800?

6 MR. GOAD: No. Actually the customer charge was  
7 not taken into consideration at this point. It had  
8 already been put into a total revenue number. And I  
9 will get down in the next step I believe, step five.  
10 And I'm just going to recover what I need to recover.  
11 At the .856 cents, there was no rationale for recovering  
12 any certain component. It was just by subtracting that  
13 4 cents, that's what it left.

14 When I multiplied those numbers I got \$34 million.  
15 The \$34 million is essentially going towards that 325  
16 million in revenue requirement. So intuitively what I  
17 have done is subtracted it from the 325 million, leaving  
18 me \$291 million I need to make up. That's the revenue I  
19 need to recover in the second block, which would be 801  
20 and above, all the usage above 800 essentially.

21 So once I have determined that, I have to determine  
22 the kWh used in that level, 801 and above. So simply  
23 what I have done, I have taken the total kWh consumed of  
24 6,710,000,000 and subtracted what I've already used in  
25 step four -- step four, which yields 2,675,000,000.



1 By dividing that into the necessary revenue to be  
2 made of 291 million, I arrive at 10.891 cents. This is  
3 what will be charged to any consumption over kWh.

4 Now if you notice on the bottom, the .856 cents and  
5 the 10.891 cents, we will use them for future reference,  
6 so keep them in mind.

7 Again, the first 800 kWh will be billed .856 cents,  
8 and anything over 800 would be billed 10.891 cents.  
9 This is when we get to using those numbers on page  
10 nine.

11 A representation of the standard flat rate is shown  
12 on lines one through five. As you can see, you have a  
13 component of a customer charge of \$8.85. And you have  
14 your energy charge, multiplied by 1,000 kWh at 4.02  
15 cents, leaving a charge of \$40.20. Your cost recovery  
16 charges, as I stated before, we will hold those whole.  
17 We will not vary them, depending, regardless of the  
18 rate, are \$31.94 total. That's fuel, environmental,  
19 energy, whatnot.

20 That leaves a total bill of \$80.99. That could be  
21 considered an average bill in the state currently for a  
22 residential customer at 1,000 kWh.

23 COMMISSIONER GARCIA: 1,000 kWh is an average bill  
24 statewide?

25 MR. GOAD: The total. 1,000 kWh is generally used

1 for comparison purposes. In my opinion an average usage  
2 would be approximately 1100 to 1200 kWh. It's just  
3 considered the norm to use 1,000 for comparison  
4 reasons.

5 MR. CHILES: May I ask a question?

6 CHAIRMAN CLARK: Go ahead.

7 MR. CHILES: On this sheet eight where you have the  
8 development of the nonfuel energy charge example, first  
9 of all is this based on numbers for any particular  
10 company, or are they just hypothetical?

11 MR. GOAD: Well I didn't want to pick on anybody.  
12 I didn't want to put any names down. But I did use data  
13 that was supplied to me by the companies. And this was  
14 data from Florida Power Corporation.

15 MR. CHILES: The other question than is, in doing  
16 this calculation of the various charges, have you done a  
17 companion analysis which would show the relationship of  
18 the resulting charges to the costs of providing service  
19 at those levels?

20 MR. GOAD: No, sir, we have not.

21 MR. CHILES: Or have you shown the calculation of  
22 the cost components? In other words if you have a  
23 charge of .856 cents for the lower block of consumption,  
24 some costs are being recovered, but we don't know which  
25 ones; is that right?

1 MR. JENKINS: Matt, that's correct. When we go to  
2 inverted rates or even commercial industrial discount  
3 rates, we no longer do costing. We're into the world of  
4 pricing. And this is more of a pricing exercise as  
5 opposed to a costing exercise. And for that reason we  
6 did neither of the things you speak of.

7 MR. CHILES: Well is there going to be an  
8 opportunity to talk about that decision?

9 MR. JENKINS: Yes. Anytime you wish.

10 MR. CHILES: Well I don't want to take it out of  
11 order, but that's a fundamental concern that we have.

12 COMMISSIONER KIESLING: I can't hear you. You're  
13 talking that way, and your mike is over here.

14 MR. CHILES: I'm sorry. I don't want to take the  
15 subject out of order of your tutorial. I don't see an  
16 opportunity to discuss it.

17 MR. JENKINS: It's under 2 C, track costs.

18 MR. CHILES: Okay. I read that as an assertion  
19 rather than a what-do-you-think. Okay.

20 MR. JENKINS: Go ahead, Reese.

21 COMMISSIONER JOHNSON: What did you say the average  
22 kWh was for a resident?

23 MR. GOAD: This is in my opinion from looking at  
24 the data. I would proximate it to be from either 1100  
25 or 1200 kWh, depending what region you're in.



1 COMMISSIONER JOHNSON: Okay.

2 CHAIRMAN CLARK: Is that a simple average?

3 MR. GOAD: Yes, ma'am.

4 CHAIRMAN CLARK: Okay.

5 MR. GOAD: To continue, what I've done on this page  
6 nine is just shown a comparison -- we've just gone  
7 through the standard flat rate which yields a total of  
8 \$80.99. In comparison, the 4-cent inverted rate that I  
9 spoke of earlier on the previous page, how I developed  
10 it, with no customer charge, that being collected in the  
11 energy charge, that inverted rate of 800 kWh, the first  
12 800 kWh would be billed .856 cents, which would total a  
13 charge of \$6.85, the residual amount, or the amount over  
14 800 being billed at 10.891 cents, excuse me, would be  
15 charged \$21.78.

16 And again the cost recovery charges would be  
17 whole. They would be \$31.94, totaling 67.57. As you  
18 can see, that would lead to averages, because we're  
19 using 1,000 KWH, of 8.099 cents per kWh, and 6.057 cents  
20 per kWh at 1,000 kWh again.

21 What I would like to do, I would like to skip to  
22 page 14 so I can continue on these particular numbers.  
23 Instead of just showing for 1,000 kWh, what we have done  
24 is shown 500,000 and 3,000. At the top is the standard  
25 flat rate, which at 1,000 is \$80.99.

1 COMMISSIONER GARCIA: Where are you?

2 MR. GOAD: Page 14, I'm sorry. And the middle  
3 charge shows the inverted rate, with the 1,000 kWh being  
4 \$60.57. What you can see from this charge, at 500 kWh  
5 there is a fairly substantial savings, using the  
6 inverted rate, which would be \$24.67. That's shown in  
7 the bottom block. And the 3,000 kWh, which may be  
8 somewhat extreme, but we've used it just to show you,  
9 has a cost to the normal -- the current ratepayer of  
10 \$117. That's what they would be paying over an existing  
11 bill now.

12 Now if you could turn back to page ten, I would  
13 like to talk about that page. Just to throw some  
14 moderation in here, what I've done on this is again  
15 shown the standard rate, where 1,000 kWh is \$80.99, and  
16 what a standard rate would be with no customer charge.  
17 And that, using the 4.856 cents, what I used before,  
18 which would be the flat rate, just recovering the  
19 customer charge where I had not previously, the dollars  
20 generated by a customer charge.

21 And you can see at 1,000 kWh for a standard  
22 residential rate with no customer charge would be  
23 approximately \$80.50, which is almost indifferent to the  
24 customer now. At the 500 kWh level, there would be a  
25 \$4.67 savings. And at the 3,000 kWh level, there would

1 be a \$16.23 cost.

2 Now what I would like to point out, there are --  
3 there are people that use under 500 kWh that would be  
4 saving even more, because as this -- as your kWh  
5 consumption increases, the customer charge is spread,  
6 and it results in less and less cost per kWh. Now  
7 without the customer charge that would not be  
8 necessary. So the customer would not incur that \$8.85  
9 charge.

10 So, for example, at 300 kWh, the savings would be  
11 substantially greater than the \$4.67 as a proportion to  
12 the bill. As you go through this packet, pages 11, 12,  
13 13 --

14 COMMISSIONER DEASON: Let me ask a question. In  
15 fact, if you had a customer who used zero consumption,  
16 their savings as a percentage would be an infinite  
17 savings; is that correct?

18 MR. GOAD: Yes, sir. Yes, sir.

19 COMMISSIONER DEASON: Because right now they have  
20 to pay a customer charge. And under what you have set  
21 out on page ten, they would have -- they would have zero  
22 charge?

23 MR. GOAD: Yes, sir, that is correct.

24 COMMISSIONER DEASON: And there are customers,  
25 vacation-type customers where that could apply; is that



1 correct?

2 MR. GOAD: Yes, sir. Pages 11, 12, 13 are the  
3 same. They're of all the utilities, the four major  
4 IOUs. I will save time and not go over each one of  
5 those. But they're just showing the same calculation.

6 As you notice the rates are different, depending on  
7 the utility, because of the usage. Just as I developed  
8 on the one page where I derived the .856 cents and the  
9 10.856, that's depending upon the usage of that utility  
10 and the aggregate of their customers.

11 MR. BARRINGER: Reese, your 4-cent example is a  
12 little bit different -- isn't it? -- than Power &  
13 Light's 1 cent?

14 MR. GOAD: Yes, it is.

15 MR. BARRINGER: Power & Light's is 1 cent just  
16 between the two blocks, and where you're calling it four  
17 you're ending up with basically 10 cents; isn't that  
18 right?

19 MR. GOAD: Yes, sir. That's correct. That was  
20 just my interpretation of the 4-cent inversion, so that  
21 we all understand. Just a couple more to go over. I  
22 would like to turn to page 19 if we could.

23 As we spoke of earlier, the average cents per kWh  
24 generated by the different rates, I have three on here  
25 of the standard, which is denoted by the circles. And

1           it's a slightly declining line; a standard rate with no  
2           customer charge, which is denoted by the triangles, and  
3           it's completely flat lined. Obviously each charge per  
4           kWh would be the same. And then I have the inverted  
5           rate --

6           COMMISSIONER GARCIA: The current system makes it  
7           less expensive the more you use; correct?

8           MR. GOAD: Yes, sir, on a per kWh basis. And then  
9           also I have the inverted rate, which is again 4 cents,  
10          by my definition, denoted by the squares. And as you  
11          can see, that would intersect the current rate at  
12          approximately 12 to 1300 kWh would be your indifferent  
13          point. A customer currently would not care one way or  
14          the other if they were on an inverted rate or --

15          COMMISSIONER GARCIA: It's a little bit above where  
16          the average customer is?

17          MR. GOAD: Yes, sir. And anything below that there  
18          would be a savings, as you can see, generated by that  
19          area creating -- anything above that would be a cost to  
20          the customer. But keep in mind as we talk further and  
21          we speak of possible price signals, this may lead to  
22          price signals. The customers may respond to these price  
23          signals.

24          COMMISSIONER GARCIA: Correct.

25          MR. CHILES: Wasn't one of the reasons on page 19

1 where you show the triangle as flat with no customer  
2 charge, wasn't one of the reasons that that existed is  
3 because the customer charge was separately stated on  
4 bills a number of years back? I mean before that rates  
5 for residential were off declining block; were they  
6 not?

7 COMMISSIONER KIESLING: Were what?

8 MR. CHILES: Declining block, with the assumption  
9 that over a particular level of consumption, all costs  
10 in the customer category had been recovered, and  
11 therefore the remaining charge per kilowatt hour was  
12 lower?

13 MR. JENKINS: Matt, I think you're correct. It's a  
14 little bit before I got involved in rates. Is Dave  
15 Swafford in the room? I saw him earlier. He might be  
16 able to answer that question.

17 MR. CHILES: I will try to answer it. You can  
18 check it. I think that's the case. I think you did it  
19 in connection with the rate structures docket.

20 COMMISSIONER GARCIA: Before you do it, why don't  
21 you explain what you're talking about.

22 CHAIRMAN CLARK: Matt, let me ask you to do one  
23 thing. Turn the other microphone towards you also.  
24 Leave them both on and bring them both there. Great.  
25 Go ahead.



1 MR. CHILES: What I'm talking about is that at an  
2 earlier time the costs for the customer, the basic  
3 costs --

4 COMMISSIONER GARCIA: Mr. Chiles, could you give us  
5 a better idea, an earlier time? Were there dinosaurs?  
6 What are we talking about; ten years ago, 15 years ago?

7 MR. CHILES: Talking about starting in 1978 with  
8 the passage of the Public Utility Regulatory Policies  
9 Act, PURPA, the rate structures docket. And their  
10 series of orders on that, including an Order 10179,  
11 issued August 3rd, 1981 in five separate dockets.

12 The dockets dealt with peak load pricing, declining  
13 block rates, cost of service, load management decision  
14 making, and in general the docket on PURPA standards.

15 And my point was that when you show this as being a  
16 flat line, you could have shown it with the no customer  
17 charge in fact declining above a certain level. And if  
18 you did -- a certain level of consumption. And if you  
19 did, that would describe the situation that we had at an  
20 earlier time.

21 MR. JENKINS: I think that's correct. And my only  
22 hesitation is, I'm not sure of the status of the  
23 customer charge prior to that level. I think there was  
24 one, but it was a half or third as to what it is now.  
25 That's just my vague recollection.

1 MR. CHILES: Okay. Well my -- the reason for my  
2 observation is that to me it suggests that there is a  
3 judgment here, that a judgment was made at one time to  
4 create a separately-stated customer charge and bill the  
5 customer for it, and that the consequence was that you  
6 left -- you were left with essentially a flat rate. And  
7 now we would incorporate the customer charge and be left  
8 with a flat rate under your proposal.

9 MR. JENKINS: That's correct, if that's what you're  
10 asking.

11 MR. CHILES: All right.

12 COMMISSIONER DEASON: Let me ask the question. The  
13 inverted rate, are you also including within your  
14 definition of inverted rate, no customer charge?

15 MR. GOAD: Yes, sir.

16 COMMISSIONER DEASON: You can have an inverted rate  
17 and still have a customer charge? Just for purposes of  
18 your presentation you've done both and called it  
19 inverted rate?

20 MR. GOAD: Yes, sir. Earlier, probably a couple  
21 months prior there was a packet of all sorts of numbers  
22 in it that had all the combinations you could think of.  
23 Just for our demonstration purposes, this is the one we  
24 picked, the one without the customer charge.

25 MR. JENKINS: Mr. Deason, the reason we picked it

1 with no customer charge is because you can invert the  
2 rate 4 cents, which to my mind is the limit. But upon  
3 inverting the rate 4 cents, if you still have the \$8 or  
4 so customer charge, the effect is very minimal. So  
5 we -- that's the reason for combining the two.

6 Your next question probably is, why did -- why do  
7 we feel the 4 cents is the maximum. And the answer to  
8 that question is, if you invert it more than 4 cents,  
9 then you start getting into an area where customers are  
10 not paying for the fuel they cause to be burned on a  
11 per-kilowatt-hour basis.

12 So we have two constraints; one, we didn't think an  
13 inverted rate should go below fuel charges, although  
14 that's not sacred in any sense in the world of pricing;  
15 and two, the customer charge was such a dominant up  
16 front number, we thought eliminating it would cause a --  
17 would result in a significant number.

18 COMMISSIONER DEASON: Let me ask -- I thought that  
19 you were adding on all cost recovery mechanism type  
20 costs on -- in addition to your nonfuel energy charge.

21 MR. JENKINS: That's correct. And if we were to  
22 start inverting it any more we would rapidly begin to  
23 get into fuel. If you saw the number for the nonfuel  
24 energy charge below 800 kilowatt hours, it's .8  
25 something cents, very small. If we invert that any more



1 we're going to be into the fuel cost recovery numbers.

2 MR. GOAD: What technically would be happening is,  
3 we would be paying the customers to take energy below  
4 800. It would actually be a credit towards them.

5 MR. BARRINGER: I think another way to look at what  
6 he's saying is, when he calculated the flat rate of 4.8  
7 cents, they can only invert it something less than 4.8  
8 cents, or they go negative, which would than start going  
9 into the fuel component.

10 MR. JENKINS: That's correct. Again, that's not  
11 sacred in the world of pricing.

12 COMMISSIONER DEASON: Maybe it's not sacred in the  
13 world of pricing, but it certainly would be sacred in  
14 the name of common sense; wouldn't it?

15 (Laughter).

16 MR. GOAD: The last sheet that I would like to  
17 speak on is page 20. It's just a comparison of the  
18 total bills of the standard current rate, the inverted  
19 rate and the standard rate without a customer charge.

20 COMMISSIONER GARCIA: Your inverted rate here is  
21 how many cents?

22 MR. GOAD: It's 4 cents.

23 COMMISSIONER GARCIA: Same as we've been going  
24 through?

25 MR. GOAD: Yes, sir. As you can see, and we've

1 already shown the savings earlier, there is a savings up  
2 to approximately 12 to 1300 kWh on the inverted rate,  
3 and that savings would be even -- whether you compare it  
4 to standard rate without a customer charge or the  
5 standard rate. And then thereafter it would increase.  
6 As you can see, the widening of the lines where the  
7 customer would actually pay more.

8 But I would draw attention also to the line with  
9 the triangles, which was the standard rate without a  
10 customer charge, there would be some savings below  
11 approximately 1,000 kWh. And it would cost only  
12 slightly more above that point.

13 As I said, we've already spoke of those numbers.  
14 Now I would like to turn it back over to Mr. Jenkins.

15 MR. JENKINS: Are there any more questions just on  
16 the math and what was done from anyone? Okay, Bill  
17 Slusser.

18 MR. SLUSSER: It was already pointed out, but I  
19 still want to reiterate it again. What you call a  
20 4-cent inversion here is resulting in actually a 10-cent  
21 differential between the first block and the second  
22 block. The pricing here for over 800 kilowatt hours  
23 with your billing adjustments is approximately 14 cents  
24 a kilowatt hour, and the first 800 are at 4 cents a  
25 kilowatt hour.

1           To me that's a 10-cent differential. You call it a  
2 4-cent inversion. I see the 4 cents as being part of  
3 the math of getting to the differential. But really  
4 that's a 10-cent differential and in my opinion a very  
5 unrealistic example.

6           COMMISSIONER JOHNSON: Explain that again.

7           MR. JENKINS: Turn to page nine. This is the page  
8 we went over. And what Mr. Slusser is talking about is  
9 on line 7 A and 7 B. As you recall from the prior page,  
10 we've computed an average cents per kilowatt hour, and  
11 than subtracted 4 cents, and we call that a 4-cent  
12 inversion.

13           What Mr. Slusser, as a matter of definition is  
14 saying, when you go to the result of doing all that,  
15 shown on line 7 A and 7 B of page nine, you have a .856  
16 nonfuel rate for below 800 kilowatt hours and 10 cents,  
17 10.891 cents, for above 800 kilowatt hours. That's  
18 almost slightly over a ten to one ratio.

19           MR. SLUSSER: With your billing adjustment it adds  
20 another three plus to those -- three plus cents to those  
21 numbers. So the rate design is really approximately 14  
22 cents per kilowatt hour for usage, for kilowatt hours  
23 over 800 kilowatt hours. Under 800 kilowatt hours it's  
24 4 cents. That is a very extreme rate design in my  
25 opinion.



1                   COMMISSIONER JOHNSON: Where would I see the 14  
2 cents?

3                   MR. SLUSSER: Adding the cost recovery charges,  
4 they add approximately three -- 3-plus cents. They  
5 would be common to both blocks.

6                   COMMISSIONER JOHNSON: So you're saying I'm  
7 supposed to be comparing the difference, the 4.2 cents  
8 to the 10 point --

9                   MR. SLUSSER: No. To be fair the standard rate  
10 with the cost recovery charges would be approximately 8  
11 cents a kilowatt hour. And you're comparing that to an  
12 inverted rate design example here that would be  
13 approximately 4 cents for the first 800 and 14 cents  
14 over 800. So that's the comparison.

15                   MR. GOAD: If I could, again, this is just an  
16 example, there are many other inversions we can use.  
17 And just for our discussion today, it would probably be  
18 easier if we only used one definition; I don't care  
19 which one we use, either differential or inversion.

20                   I've used 4 cents throughout my presentation. As  
21 long as we understand that's approximately, on these  
22 examples, a 10-cent differential, it will probably be  
23 easier.

24                   Again, these numbers that have been generated by  
25 what I call a 4-cent inversion, it could very well have

1           been a 3-percent inversion. It's just for our example.

2           COMMISSIONER GARCIA: Let me ask, the theory of the  
3           800 kilowatts, why is that the break point in how you  
4           did your inversion?

5           MR. GOAD: In examining the data, the majority of  
6           customers, their use of some sort fell in that 800 kWh  
7           strata. Whether -- for example, a customer using 2500  
8           kWh, at some point they consume 800 kWh. So you have  
9           your biggest overlap at that point.

10          So this would -- I don't want to say all, I take  
11          that back. The majority would receive some part of this  
12          rate, the low end of this rate.

13          COMMISSIONER GARCIA: But it doesn't necessarily  
14          have to be -- I'm sorry. But it doesn't necessarily  
15          have to be broken up at 800?

16          MR. GOAD: No, sir.

17          COMMISSIONER GARCIA: You used that as a jumping  
18          off point? You could also structure it by tiers, 200,  
19          200, 200, until you reach a max here, and you stay flat  
20          from there once you cover your costs; right?

21          MR. GOAD: Absolutely.

22          COMMISSIONER JOHNSON: Let me ask you a question in  
23          terms of, the gentleman that was just discussing the  
24          4-cent -- what do you call it, inversion?

25          MR. GOAD: Yes, ma'am.

1           COMMISSIONER JOHNSON: -- led to a 10-percent  
2 differential. What does the 3-cent lead to? Does the  
3 differential become less as the numbers go down, and  
4 what would that be? What would the differentials be?  
5 Like I think Florida Power & Light said they used a  
6 1-cent? And what would the differential be there? Do  
7 we have that in here somewhere?

8           MR. GOAD: No, ma'am, you don't have that. I can  
9 answer the question for you. You say -- you want to  
10 know the differential created by a 1-cent?

11           COMMISSIONER GARCIA: Isn't that what Florida Power  
12 & Light does presently?

13           MR. GOAD: Theirs is a total 1-cent between --  
14 1-cent differential if you will.

15           COMMISSIONER GARCIA: What is their break point?

16           MR. GOAD: 750 kWh.

17           COMMISSIONER GARCIA: Everything under that is one  
18 penny less and everything above is one penny more?

19           MR. GOAD: Yes, sir. I think it's 3.9 and 4.9 if  
20 I'm not mistaken.

21           MR. CHILES: I think it's on one of your earlier  
22 handouts too. But that would not be within the same --  
23 that penny differential I don't think is in the same  
24 definition that you have for a penny differential; is  
25 it? It's different.



1 MR. GOAD: Yes, sir.

2 MR. CHILES: We can't look at ours and say that's a  
3 penny difference; that's what yours would be, your  
4 definition?

5 MR. GOAD: Right.

6 COMMISSIONER JOHNSON: But staff said that it did  
7 have, using its particular definition, what the 1-cent  
8 would be, 2-cent and 3-cent. Just for my edification,  
9 is that information easily accessible?

10 MR. GOAD: Yes. It would be approximately -- now  
11 this is company specific, because again as the  
12 disbursement of the usage.

13 COMMISSIONER JOHNSON: You're going to use the same  
14 company?

15 MR. GOAD: Yes, ma'am, to be consistent. It's  
16 approximately two and a half cents. And the 3-cent  
17 would be --

18 COMMISSIONER JOHNSON: Wait, the two and a half  
19 cents was for two cents?

20 MR. GOAD: One.

21 COMMISSIONER JOHNSON: One cent, okay.

22 MR. GOAD: The three-cent would be seven and a half  
23 cents approximately.

24 COMMISSIONER DEASON: But all of these numbers are  
25 impacted by the fact that you're doing your inverted

1 rate on the assumption that there is no customer  
2 charge. That impacts these numbers; does it not?

3 MR. GOAD: The numbers I'm giving you, yes, sir.

4 COMMISSIONER JOHNSON: And explain to me again, I  
5 think Joe stated it, but why we were assuming no  
6 customer charge.

7 MR. JENKINS: We went to no customer charge  
8 because -- I'm going to get into it in a few minutes  
9 here -- is if we're going to have a conservation effect,  
10 in my mind the impact or the differential needs to be  
11 quite high in the tail block. But I can't make it so  
12 high as to in theory be charging less than fuel costs in  
13 the lower block. So my upper constraint is 4 cents a  
14 kilowatt hour and no customer charge.

15 COMMISSIONER JOHNSON: Does a customer charge --  
16 having or not having the customer charge in and of  
17 itself impact conservation?

18 MR. JENKINS: I think it impacts conservation, just  
19 by itself. Just eliminating it impacts conservation,  
20 because it raises the tail block rate.

21 MR. GOAD: You may want to refer to page 20 of the  
22 handout. That shows you what the customer perceives as  
23 a declining cost of energy for the current rate. But  
24 just -- if you just eliminate the -- I'm sorry, page  
25 19.

1           COMMISSIONER GARCIA: The bottom end is where you  
2 have the -- well I thought page -- page 20 demonstrates  
3 it pretty clearly also, in other words the difference  
4 from the low end user, the one who is conservative.

5           MR. GOAD: You can derive it from page 20 also,  
6 yes, sir. What I was referring to on page 19 is that  
7 the customer, at no point do they feel like they're  
8 spending less per kWh on their usage. At all times it's  
9 just the same. As you can see on the current rate, it  
10 declines the more you use --

11           COMMISSIONER GARCIA: The more you use the less you  
12 pay per kilowatt hour.

13           COMMISSIONER DEASON: A customer on his or her  
14 bill, they see the customer charge; do they not?

15           MR. GOAD: Yes, sir.

16           COMMISSIONER DEASON: So if they ignored that  
17 detail on their bill and looked at the bottom line bill  
18 in kilowatt hours, they may get that assumption that the  
19 more they use the less they're paying. But if they  
20 analyze the detail of their bill, they realize that the  
21 customer charge is a flat amount regardless of  
22 consumption?

23           MR. GOAD: Yes, sir, I would agree.

24           COMMISSIONER JOHNSON: That is where it was a  
25 little confusing to me as to how the customer charge



1           impacted conservation, because personally I never  
2           thought of the customer -- I've seen it as kind of a  
3           fixed charge that didn't deviate as to whether or not I  
4           used more or less. I guess we would have to reeducate  
5           them if we went with a system like this. But in my mind  
6           it's not related.

7           MR. JENKINS: When you have an energy audit, the  
8           energy auditor comes to your house and says, if you put  
9           in ceiling insulation, he's only going to look at the  
10          cents per kilowatt hour that you save. He's not going  
11          to show you saving the customer charge. He's going to  
12          use a lower cents per kilowatt hour, times the number of  
13          kilowatt hours the ceiling insulation would save.

14          So if the customer charge is spread over more  
15          kilowatt hours making that end use block, whatever the  
16          customers happen to be, it's going to show a slightly  
17          greater savings.

18          COMMISSIONER GARCIA: I think it's demonstrated on  
19          page ten where you've got the chart, someone using 500  
20          kilowatts is going to save a considerable amount of  
21          money in terms of the proportion of that bill. So \$4  
22          out of 40 is a considerable, like 10-percent savings,  
23          little bit less than 10 percent; correct?

24          MR. JENKINS: We're going to get into a lot of the  
25          effect of conservation as soon as we leave this item.

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COMMISSIONER GARCIA: I'm sorry.

MS. SWIM: Well than I guess I will wait a bit before I respond to some of the points you just made.

MR. JENKINS: Well I don't have many points to make, Deb. Why don't you go ahead. Did I say something wrong or --?

MS. SWIM: No. I just wanted to kind of supplement what you said on the conservation or efficiency issues.

MR. JENKINS: Go ahead.

MS. SWIM: Our primary concern is that inverted rates are being proposed as a way to encourage efficiency instead of or in addition to utility DSM programs. And we wanted to highlight some issues which must be analyzed before inverted rates are adopted as a way to encourage efficiency. And this is -- kind of relates to what Joe was just talking about.

We think it's important to quantify what efficiency investments actually would take place, what efficiency investments would high use, high-price customers make, for example. And that really depends on whether the inverted rates would overcome market barriers.

As you know, market barriers are what keep customers from making bill-saving efficiency investments that make economic sense, because they deliver bill savings that continue long after the incremental costs

1 of the measure is repaid.

2 The high first cost market barrier would in fact be  
3 reduced by having higher rates in the higher use block.  
4 So that means that by reducing this high first cost  
5 market barrier, high prices would in fact induce some  
6 high users to buy efficiency measures. So that would be  
7 an increase.

8 On the other hand there are other market barriers  
9 that would continue. Tenants would still forego  
10 efficiency investments that primarily benefit  
11 landlords. Builders would still forego efficiency  
12 investments that primarily benefit homeowners.

13 Lack of capital in the high use, high price market  
14 would continue, and lack of access to information would  
15 still continue. You know, if there are some low income  
16 households that are high use, they could be particularly  
17 hurt in the situation.

18 So our point is that we need to analyze and  
19 quantify things before we decide that inverted rates are  
20 efficiency inducing. How much efficiency investments  
21 would the high use customers actually make? And  
22 associated questions are, you know, how about the low  
23 use customers? Would they forego efficiency investments  
24 or use more electricity? How much? And of course all  
25 of these answers depend on where and how much the rates



1 are inverted.

2 So those are some things we think need to be  
3 analyzed before deciding efficiency is going to be  
4 promoted by these rates.

5 Another, a third and last thing that we think needs  
6 to be looked into is what would be the impact on utility  
7 demand side management programs? Would we have more  
8 energy savings from DSM, or would we have less? We are  
9 concerned that inverted rates could be --

10 COMMISSIONER GARCIA: Give me a scenario why we  
11 would have less.

12 MS. SWIM: We could have less, because in Florida  
13 our DSM programs are RIM based. And because we are RIM  
14 based, lost revenues place a key role in utility demand  
15 side management programs.

16 COMMISSIONER GARCIA: What lost revenues are we  
17 talking about, because of efficiency? So if there was a  
18 clause in this that allowed the company to adjust rates  
19 according to the usage at the end of the year, if usage  
20 had dropped, would that still affect it?

21 In other words you had a price clause. At the end  
22 of the year let's say it produced all sorts of  
23 efficiency, as an example, because you're almost arguing  
24 that the efficiency of the customer would produce a loss  
25 in DSM programs' funding.

1 MS. SWIM: That's the way it works under the rate  
2 impact measure cost-effectiveness test, which is what  
3 the Commission has favored. The more energy that's  
4 saved, the more revenue that's lost, the less that's  
5 cost-effective.

6 So if there was some sort of revenue adjustment  
7 mechanism that made the company neutral and eliminated  
8 this problem, than we would not have this concern. But  
9 we haven't seen that proposed right now. And we think,  
10 you know, basically, there should be a quantification,  
11 you know, on this point before -- before proceeding.

12 COMMISSIONER JOHNSON: A quantification of?

13 MS. SWIM: The impact -- how much energy savings  
14 there would be both pre and post the inverted rates from  
15 utility DSM programs. However we might --

16 COMMISSIONER GARCIA: Funding of utility DSM  
17 programs?

18 MS. SWIM: The funding of them, is that what you  
19 said?

20 COMMISSIONER GARCIA: Yeah.

21 MS. SWIM: Right.

22 COMMISSIONER JOHNSON: Could you walk me back  
23 through your concern with respect to, we need to measure  
24 the amount of efficiency or amount of energy that would  
25 not be used, because that will impact the utility's

1 bottom line. And your concern with that -- what would  
2 be the negative ramifications? What was the next step?

3 MS. SWIM: The way it's typically done, you know,  
4 the more energy a DSM measure saves, the more revenue  
5 the utility loses, and that makes the measure less  
6 likely to be cost-effective, particularly RIM  
7 cost-effective, because that adds lost revenues as  
8 program costs.

9 If as is typical, the high use, high price rate  
10 block is used to calculate the lost revenues, than less  
11 DSM would be cost-effective, because the lost revenues  
12 would be higher. A short way of saying that is the  
13 utility would use 14 cents per kilowatt saved rather  
14 than 7 cents if the rates were not inverted.

15 I actually do have some written comments that I can  
16 hand out that would perhaps be helpful for you.

17 COMMISSIONER JOHNSON: That would be helpful. Deb,  
18 you were saying the utility would use 14 cents as  
19 compared to 7 cents?

20 MS. SWIM: It depends on how much and where the  
21 rates are inverted. But for the high block, the high  
22 use, high price block, there will be more lost, because  
23 the -- the rates are higher. So there would be more  
24 lost.

25 COMMISSIONER JOHNSON: Okay. I see what you're



1 saying. Okay.

2 COMMISSIONER DEASON: It would be more difficult  
3 for a measure to pass a RIM based cost-effectiveness  
4 test?

5 MS. SWIM: That's right.

6 COMMISSIONER JOHNSON: Because of the higher  
7 rates?

8 MS. SWIM: Yeah. And, you know, in -- I guess the  
9 other comment I wanted to make, in staff's handout they  
10 do note what I'm talking about, the high tail block rate  
11 could increase lost revenues, may cost less DSM to be  
12 RIM cost-effective. And they say basically only load  
13 management type programs may survive.

14 I just wanted to point out that for the most part  
15 in Florida that is mostly what we have now. We have  
16 focused the utility DSM efforts in the great majority on  
17 load management programs.

18 And, you know, if we do use this tail block to  
19 measure the lost revenues, there would be fewer load  
20 management programs. So it wouldn't be just the  
21 continuing of the existing programs. There would be  
22 fewer. There is different ways to adjust this. But it  
23 is something that needs to be looked at and quantified  
24 before we --

25 COMMISSIONER GARCIA: What ways could be used to

1 adjust that? I'm sorry. What ways could be used? I  
2 know you heard me, but --.

3 MS. SWIM: I am really not prepared at this point  
4 to say exactly the way that we would prefer. But, you  
5 know, using this high rate as the lost revenue measure  
6 would have the result. I could get back with you with  
7 some ideas if you think that would be helpful.

8 COMMISSIONER GARCIA: I would appreciate that.

9 MR. JENKINS: Okay. Let me continue. Deb, you  
10 said about everything I was going to say for item 2 A.  
11 I have Jim Dean ready to talk about some example  
12 savings, again, with a customer using the high inverted  
13 rate and the example of a water heater and of a whole  
14 house saving.

15 His savings are in the terms of the money that the  
16 customer would save that would be available for some  
17 alternative or some conservation measure. Jim.

18 MR. DEAN: If you will turn to page 23 to start  
19 with. What we attempted to do here, at Joe's request,  
20 was to look at the actual impact on real bills for a  
21 sample of customers across the state. This is 1994  
22 billing data for a very large sample of customers.

23 And in the left-hand column you have the kilowatt  
24 hour usage category for a year. And that's below 8,000,  
25 between 8,000 and 10,000, 10 to 12,000 and so forth.

1 And in column two we have the percentage of the  
2 population that uses that level in 1994. And than their  
3 average usage is in column three.

4 Columns four and five are really the heart of this  
5 table, because it takes the 4-cent rate and the 14-cent  
6 rate and actually applies it to each month's bill to see  
7 how their annual bills will change. So column four will  
8 show the annual bill under an inverted rate.

9 Column five will show it under a regular 8-cent  
10 rate if you will. And than the difference is  
11 represented in column six.

12 So as you can see, for a customer using below 8,000  
13 kilowatt hours annually, they would on average save \$210  
14 on their annual bill with an inverted rate. However, a  
15 customer using over 22,000 a year would show an increase  
16 in their bill of \$666, using this inverted rate  
17 methodology.

18 Finally the last column, seven, attempted to take  
19 the percentage of customers in each of those usage  
20 categories and see how many would be better off and  
21 worse off. And this is, not surprisingly, like below  
22 8,000 kilowatt hours, 99 percent of customers are better  
23 off in an inverted rate, and only 1 percent are worse  
24 off.

25 And than when you get above about 14,000 kilowatt



1 hours a year, it kind of swings 91 percent are better  
2 off, 9 percent are worse off. And then above 16,  
3 everybody in those usage categories are worse off under  
4 an inverted rate. So what this attempts to do is give  
5 you a view of the equity impact of where you're shifting  
6 the revenues and who is picking them up.

7 COMMISSIONER DEASON: Let me ask a question. On  
8 your first usage level you've got 1 percent that would  
9 be worse off. What is that, a situation where somebody  
10 has a vacation home, they don't use it 11 months, they  
11 use it one month, and that one month they use 5,000  
12 kilowatt hours?

13 MR. DEAN: Yeah. It's someone with a load factor  
14 that one month they went well above the 800 kilowatt  
15 hours, and then a number of months they were well below  
16 it. So on average they got burned real bad.

17 On the previous page, what we attempted to do was  
18 look at a purely hypothetical impact on a water heating  
19 bill. And I say hypothetical; the data is real, but the  
20 savings -- well I will explain it.

21 Oh, I need to make one other comment about the  
22 previous page. I assumed no elasticities in that  
23 previous example, which is in fact not the case. When  
24 you change someone's bill from 8 cents to 4 cents, you  
25 give them a price signal to take some action, in which

1 case they would in all likelihood consume more by some  
2 factor.

3 When you give someone a 14-cent bill, as someone  
4 said, you're giving them a price incentive to conserve,  
5 and they would likely take some action. I didn't assume  
6 any transition effects in that previous table. But by  
7 and large in reality you would see low users consuming  
8 more electricity and high users consuming less on  
9 average.

10 Now I will get to the water heating savings.

11 COMMISSIONER KIESLING: What page is that?

12 MR. DEAN: Page 22.

13 COMMISSIONER KIESLING: Thank you.

14 MR. DEAN: We took that same sample of population  
15 and simply broke it down by the size of the household,  
16 number of people residing in a household. These, again,  
17 are full-time residences; that is, they had 12 months of  
18 continuous billing data.

19 Column two represents the population in the sample  
20 that has one person, two persons, three persons in the  
21 household. Than three is a model that we have that  
22 estimates hot water kilowatt hour usage.

23 And so what we assumed is that the last block of  
24 energy that they consumed would be under an inverted  
25 rate or a regular rate. And column four and five

1 calculates that kilowatt hour usage using an inverted  
2 rate and a regular rate.

3 So, for example, a person with a two-person  
4 household consumes about 1560 kilowatt hours each year  
5 for hot water in Florida. Under an inverted rate, if  
6 all of it was charged under the inverted rate, the bill  
7 would be \$220. If all of it was charged under an 8-cent  
8 regular rate it would be 126.

9 So in theory this particular customer would have  
10 \$94 available to invest in alternative water heating or  
11 some other energy conservation technology. Again, to no  
12 one's surprise, the more hot water you use, the higher  
13 kilowatt hour usage, therefore the more you save under  
14 this inverted rate differential.

15 You would note, however, that the vast majority of  
16 people in Florida have one or two persons in their  
17 household. I think the actual average household size is  
18 about 2.3 in this state. So most people's water heating  
19 usage is relatively low as a percentage of their bill.

20 MR. BARRINGER: Jim, can you go over those  
21 assumptions that you have in there one more time for me,  
22 if you don't mind. You said that the kilowatt hours  
23 here, you've assumed all of the water heating in the  
24 upper block; is that correct?

25 MR. DEAN: Right. Yes.



1 MR. BARRINGER: So none of it would fall in the  
2 first block?

3 MR. DEAN: Yeah, for purposes of the illustration,  
4 all of it is assumed to be at either the upper block or  
5 at the average rate. And that's probably not true -- if  
6 you will go to page 21 for example, and I will tell you  
7 it's not a realistic assumption, and it was simply for  
8 purposes of completeness.

9 If you look on page 21, we took that same household  
10 size and calculated their mean kilowatt hour  
11 consumption, and then applied the inverted rate and the  
12 regular rate to their total bills. This is, again, real  
13 data from real samples.

14 As you can see, a household size for one person  
15 would on average use 9930 kilowatt hours a year. Their  
16 annual bill would be 664 under an inverted rate. It  
17 would be 799 on a regular bill.

18 Clearly these customers save money at this usage  
19 level. So they would in fact save \$135 a year. They  
20 would get a price signal to use more electricity, not  
21 necessarily to invest in alternative water heating.

22 MR. CHILES: Is another way of saying that is that  
23 for that 65 percent of the customers that you show on  
24 page 21, that their incentive would be to do nothing  
25 with hot water heating, because they're going to get

1 the -- already have the savings?

2 MR. DEAN: Yes, sir. I mean given price signals,  
3 they're getting a lower rate. And their signal would be  
4 to do nothing or even to consume more electricity. They  
5 may in fact decide to take more hot baths or use more  
6 electricity for air conditioning.

7 COMMISSIONER GARCIA: The other side of Mr. Chiles'  
8 question would be than the 35 percent who are getting a  
9 different price signal would immediately be looking at  
10 some type of relief?

11 MR. DEAN: I'm sorry. Say that again.

12 COMMISSIONER GARCIA: Bottom line, he's not getting  
13 any price indication or any price signal to do anything  
14 with water heating. Obviously the other 35 percent  
15 would immediately receive a price signal?

16 MR. DEAN: Right. Their price signal would go up,  
17 and therefore they would be more motivated to take some  
18 action to bring their bills back down into a more  
19 manageable level.

20 MR. CHILES: What I was trying to understand is  
21 that for those customers in -- the 65 customers with the  
22 one and two-person household, that they're going to get  
23 their savings from the change in the rate level. And if  
24 in fact they than took the step of installing a water  
25 heater, there is not going to be that much additional

1 savings for them at that low rate to realize any more,  
2 any more savings than they already have?

3 MR. DEAN: Finally column seven simply shows,  
4 again, the percentage within each of those household  
5 groups that are better off and worse off. And, again,  
6 it reflects the equity impact of who benefits and who  
7 loses under our proposed rate like this.

8 COMMISSIONER GARCIA: You're talking column seven,  
9 page 21?

10 MR. DEAN: Yes, sir. Just the percent, like  
11 household size number one, 86 percent are better off  
12 with an inverted rate, and 14 percent are worse off with  
13 an inverted rate. So this was just an illustration of  
14 one conservation technology and the impact of this  
15 rate. Joe?

16 MR. JENKINS: Okay. Thank you, Jim. Let me just  
17 mention we used a hot water heating example because  
18 that's the one where we feel most comfortable with the  
19 data. You could do similar examples for other  
20 conservation measures. But as you select more measures,  
21 the measurement or the sampling becomes expensive and  
22 complicated, and you get into all the sorts of issues we  
23 talked about during the conservation goals docket two  
24 years ago.

25 Let me also amplify on something Deb Swim said.



1 With an inverted rate, with more revenues in the tail  
2 block, more fixed cost revenues, the utility will lose  
3 more money with conservation. Deb mentioned something  
4 that I think was alluded to like a revenue decoupling.  
5 Well that's fine and good by itself.

6 Still the problem is, we have more and more  
7 programs with an inverted rate that fail to pass the RIM  
8 test. The reason we have the RIM test is because other  
9 customers are paying for the conservation program  
10 through the conservation clause. And we thought years  
11 ago, and I think still do, it's inequitable for some  
12 customer to be paying other customers for their own  
13 detriment.

14 However, if you go into the world of pricing, and  
15 you get away from a utility -- conservation being  
16 induced and paid for by utilities who collect the money  
17 from customers, than everything is fair game. Whether  
18 one customer installs a conservation measure that maybe  
19 causes a lot of lost revenues and causes rates to go up  
20 because of that conservation measure -- I'm speaking of  
21 rates to other customers -- that's acceptable.

22 That's just simply the market working. There is no  
23 customer transfer there of costs in my mind. So with  
24 inverted rates, highly inverted rates, you free yourself  
25 up from the conservation measure or RIM test.

1           COMMISSIONER DEASON: So under that scenario, if  
2 the customer on their own initiative, without the aid of  
3 any type of a program, due to a 14-cent per kilowatt  
4 hour rate, if they implement some type of their -- of  
5 their -- of a conservation measure, and that causes lost  
6 revenue, that's still lost revenue that's got to be made  
7 up somewhere for the company to earn their revenue  
8 requirement.

9           Than the question comes in, if you get enough of  
10 customer-initiated conservation, and there are  
11 significant lost revenues, where than do you spread that  
12 revenue requirement? Then do you start flattening the  
13 inversion that you've already done, or do you continue  
14 to add it on to the tail block of rates, and than you're  
15 going to have a chain reaction? Well more people is  
16 going to take more measures, because they're not going  
17 to continue to pay 14 cents per kilowatt hour, they're  
18 going to do other things.

19           And the question is, where do you spread that lost  
20 revenue?

21           MR. JENKINS: You spread it over growth. You take  
22 the existing power plants and allow them to serve more  
23 people to moderate the rate increase. Your comments  
24 were more in a static, mathematical supply formula with  
25 no change in supply.

1           But with a 14-cent inversion, first of all I would  
2 never recommend doing it overnight, it would have to be  
3 phased in. Second of all -- and we will get to that  
4 later on. Second of all the issue of the rates  
5 skyrocketing, you know, almost overnight, well customers  
6 aren't going to do it that rapidly.

7           They will notice about it. They will receive  
8 dozens of complaints. They will complain to everybody.  
9 But in the slightly longer term, the power plants and  
10 distribution lines and high voltage -- and high voltage  
11 transmission lines that you avoid will tend to moderate  
12 rates in the long-term, so it won't be that dramatic of  
13 an increase.

14           I guess the basic thrust of your question is, I  
15 don't know where equilibrium will reside. And that's  
16 almost an impossible question to answer.

17           Let me go to item 2 B. This is assistance for low  
18 income. Some states have adopted lifeline rates or  
19 lower, have inverted rates for purposes of assisting low  
20 income, the presumption in there that low income equates  
21 to a low usage level.

22           I think Ben Ochshorn -- do you want to speak to  
23 this one first? -- and than I have Melinda Butler who is  
24 going to speak to the low income issue. She has  
25 experience with the matter from her prior employment



1 with the New Hampshire PUC. Let me just turn it briefly  
2 over to Melinda and than to you, Ben.

3 MS. BUTLER: I thought I would first discuss how  
4 inverted rates have a role in assisting low-income  
5 customers and place the foundation that not only within  
6 public service commissions, but the literature, the  
7 theoretical literature has viewed inverted rates as a  
8 form of lifeline rate.

9 And that goes back as far as in 1980, Michael Crew,  
10 who is an economist, in his book called Issues in Public  
11 Utility Pricing and Regulation described the different  
12 approaches to lifeline. And one such approach that he  
13 talked about was called across the board to all  
14 residential customers. And this is what he said. He  
15 said, "With across-the-board lifeline pricing, all  
16 residential customers face a low rate for the lifeline  
17 consumption block, thus benefits would be provided to  
18 low volume consumers, regardless of age or income."

19 As non-lifeline rates rise to compensate for the  
20 lifeline benefits, the size of the benefit will first  
21 dwindle to zero and than become an increasing burden for  
22 progressively larger levels of consumption, which is  
23 essentially what it is that Reese described in terms of  
24 what E&G has put together.

25 State commissions have also viewed inverted rates

1 as a form of lifeline rate. For instance, the state of  
2 New Hampshire specifically uses their inverted rate  
3 structure for residential electric customers as a  
4 lifeline rate. No matter what the FPSC's cause for  
5 doing so, if it were to adopt an inverted rate design  
6 for residential electric customers, it would be de facto  
7 adopting a form of lifeline rate.

8 And with this in mind, the research division is  
9 suggesting to the Commission that they consider certain  
10 issues before making the decision. And I essentially  
11 boiled those issues down to three different issues.

12 The first one is, will there be, or is there a need  
13 for customer rate relief? That's the threshold issue.  
14 If there is a need for customer rate relief, than going  
15 ahead with a lifeline rate makes sense if there is  
16 either one, a need now or need in the immediate future.

17 What I will do is, I'm going to set forth these  
18 three issues, and than I'm going to go into them one at  
19 a time. The second issue is, if in fact there is a need  
20 for customer rate relief, is a lifeline rate the best  
21 remedy. And than the third issue is, if lifeline is  
22 what it is that the Commission wants to adopt, there are  
23 two different forms of lifeline rates that we need to  
24 look at. One is the nontargeted, which is essentially  
25 the equivalent to the inverted rate, and the other one

1 is the targeted rate, which you already have familiarity  
2 with for the telephone industry, where you --

3 COMMISSIONER JOHNSON: I'm sorry. Do you have a  
4 supplemental handout?

5 MS. BUTLER: I don't, but I just so happen to have  
6 an extra copy. I have three that are current, and John  
7 is going to go get us two more.

8 CHAIRMAN CLARK: Go ahead, Melinda.

9 MS. BUTLER: So what I wanted to do next is talk  
10 about these three different issues. And I want to  
11 stress to you that the content of my discussion is more  
12 from the approach of what questions do we need to ask  
13 and less from the approach that there are the answers  
14 already present. So this is just kind of like what it  
15 is we should be looking at.

16 And the first question, if you recall is, is there  
17 or will there be in the near future a need for customer  
18 rate relief. And the first item that the Commission  
19 should look at in that area is, what is the rate level.  
20 And when the Commission looks at the rate level,  
21 regional cost of living considerations should be taken  
22 to heart in order to judge whether or not the rate level  
23 is high, low or just reasonable.

24 The second consideration that the Commission should  
25 make in our opinion is to look at the total bill. There



1 have been some discussions in public documents lately  
2 that the Florida bill is somewhat high. I caution the  
3 Commission to make sure that when you're looking at  
4 these documents that you recognize that the -- that in  
5 some instances the comparison isn't exactly the same.

6 So, for instance, in Florida, if we're talking  
7 about an electric bill, and than comparing the electric  
8 bill to someplace up north during a certain month of the  
9 year, it may be that up north there would be oil costs  
10 on top of that that would go into what in Florida might  
11 go to electric heating. So what's important to look for  
12 is the total energy consumption figure when you're  
13 looking at the total bill.

14 The next area that I believe that the Commission  
15 would want to look at in terms of assessing whether or  
16 not there is a need for customer rate relief is changes  
17 in the market structure. As we all know, we're moving  
18 into a new era, and it's possible that we will be  
19 looking at lots of restructuring type issues.

20 And if we look to the telecommunications industry  
21 as kind of a precedent-setting industry in this area, in  
22 the telecommunications industry as of 1994 local  
23 exchange companies in 35 states, including Florida, have  
24 targeted lifeline rates. And of the remainder, all  
25 states but one offer local measured service, which is a

1 low use alternative that can be very inexpensive  
2 compared to the flat basic local exchange rate.

3 With that information it can be concluded  
4 essentially that almost every state in the country right  
5 now in the telecommunications industry has moved towards  
6 providing lifeline. In the electric industry the  
7 impending restructuring may cause there to be an  
8 increased need for lifeline rates, and that this is  
9 something that the Commission should take into  
10 consideration.

11 Now moving on to the next question, if there is  
12 indeed need for customer relief, if the Commission  
13 decides that, than is the lifeline rate, targeted or  
14 nontargeted, the best remedy? The other alternative is  
15 that -- is that a direct subsidization could be provided  
16 by the legislature if they felt as though the electric  
17 customers were not being able to afford their electric  
18 rates.

19 So that's one thing that might be considered is  
20 that there might be some -- some subsidization coming  
21 from the legislature and not necessarily through  
22 electric bills. Another consideration you might want to  
23 make in terms of a lifeline rate is to look at what  
24 states are doing right now in the electric industry in  
25 lifeline rates.

1           And although I don't have a breakdown as to which  
2           are nontargeted and which are targeted, I am aware that  
3           in 18 states plus the District of Columbia, today there  
4           are lifeline rates in the electric industry in the  
5           United States.

6           So for the last question than, once we move on to  
7           now, if you were to decide that lifeline rates are an  
8           appropriate mechanism whereby you would -- you would  
9           help to alleviate the problem with rates, than the  
10          question becomes, is a targeted lifeline or a  
11          nontargeted lifeline rate preferable. And what I would  
12          like to do is, I would like to talk about the  
13          nontargeted lifeline rate first, and than the targeted  
14          lifeline rate.

15          The things to consider in regarding a nontargeted  
16          lifeline rate or what Michael Crew called the across the  
17          board to residential are as follows. And I'm going to  
18          talk about the ones that are -- what I consider to be  
19          positives, and than the negatives after that.

20          So the first positive is if you look back to proper  
21          rate-making approach like people like Baumbright and  
22          those people put forth, one of the things that we try to  
23          do in proper rate-making is to make our rates  
24          nondiscriminatory. The nontargeted lifeline rate has  
25          the advantage of being nondiscriminatory, in that all



1 residential customers would have the opportunity to  
2 receive the benefits of the program.

3 At the same time another benefit might be that the  
4 utility would remain -- would be able to retain their  
5 traditional focus on producing the output that  
6 they're -- that they've been given to produce and not  
7 involve themselves in social service type functions.  
8 That's another function of the nontargeted.

9 Now another perspective on whether or not these  
10 inverted rates are helpful in restructuring or not might  
11 be that the inverted rates might have the effect of  
12 properly preparing the utilities for restructuring.  
13 Setting the rates in this manner may cause there to be a  
14 greater number of alternatives developed for large  
15 residential customers.

16 We were hearing a minute ago about how conservation  
17 alternatives might be developed, but it also might be  
18 that potential competitors in an era of restructuring  
19 would now focus their attention on large residential  
20 customers and look at them as a specific group, and than  
21 the higher price for large residential consumption could  
22 make other options relatively more cost-effective.

23 With this rate design, the utility could be  
24 prevented by having the lower block being charged to the  
25 residential -- the small use residential customers, they

1           could be -- the utility could be prevented from shifting  
2           recovery to the low use residential customers. But at  
3           the same time the utility could be encouraged to prepare  
4           to compete for the high use residential customers.

5           So that's just one perspective on that one. There  
6           are many perspectives on that. But if you were to view  
7           it that way, that would be a positive that would be an  
8           outgrowth of the nontargeted lifeline rate.

9           Now another one that might be a positive, and we've  
10          heard both sides here, is that the inverted rate might  
11          possibly positively affect conservation. There is also  
12          a possibility, depending upon the elasticities in the  
13          break point that you might actually encourage  
14          consumption.

15          Now the major negative of the nontargeted lifeline  
16          rate is that possibly too many customers will receive  
17          the benefit of the program, with some low income  
18          households, those which are large use customers,  
19          subsidizing other low-income customers, as well as  
20          subsidizing customers who are not economically  
21          disadvantaged.

22          These free riders might also be looked at as  
23          including -- some seasonal customers might free ride.  
24          Depending on the differences in the rates in the lower  
25          and higher block, there may be also a great deal of

1 revenue burden shifting from the low use customer to the  
2 high-use customer.

3 So those are kind of the -- that's a sense of the  
4 negative aspects. Now what I would like to do is, I  
5 would like to talk about the positive and the negative  
6 aspects of the targeted lifeline rate.

7 CHAIRMAN CLARK: Melinda, let me ask you a  
8 question. Of the states that have lifeline rates, is  
9 only one a nontargeted?

10 MS. BUTLER: I don't know. I don't know where  
11 your --

12 CHAIRMAN CLARK: You list New Hampshire as  
13 having -- using inverted.

14 MS. BUTLER: Right.

15 CHAIRMAN CLARK: And then there is another part  
16 that indicates that 18 states plus District of Columbia,  
17 have a lifeline rate. Do I take it from that only New  
18 Hampshire uses inverted rates as a lifeline?

19 MS. BUTLER: No. That's a good question. I was on  
20 the phone with a number of states out of this blue book  
21 that we have from NARUC. And the way in which they put  
22 forth which ones have inverted and which ones have  
23 lifeline, it's not clear whether or not the states who  
24 have inverted rates are using them for lifeline or not.

25 I've been on the phone, and I haven't been able to



1           verify any but New Hampshire, although in Oregon they  
2           have an inverted rate, and to some extent it has been  
3           used as a lifeline.

4           CHAIRMAN CLARK: Okay. Thanks.

5           MS. BUTLER: Now for the targeted lifeline rate and  
6           the positives and negatives of that. The first positive  
7           is that, due to the limiting requirements placed on  
8           those receiving the subsidy, in other words needing  
9           to -- in order to qualify they need to have already been  
10          receiving things like AFDC or food stamps or some sort  
11          of subsidy program, and depending on the subsidy  
12          provided. There may be less shifting of the revenue  
13          burden from the low-use customer to the high-use  
14          customer and less opportunity for free riding.

15          On the other hand, only a limited number of  
16          customers will receive the benefits of the program, and  
17          in the traditional sense of nondiscriminatory versus  
18          discriminatory rate-making, the targeted lifeline  
19          rate-making would be more discriminatory.

20          On the negative side as well, utilities  
21          traditionally focused under a targeted lifeline rate  
22          would be modified to include social service type  
23          functions which include some amount of increasing their  
24          administration costs. At the same time, possibly too  
25          few low-income customers will receive the benefits of

1 the program, with many eligible customers not  
2 participating.

3 They found that in the telecommunications industry,  
4 that there is a significant amount of nonparticipation  
5 in the lifeline. The other problem is that those --  
6 those customers who have income levels that are  
7 immediately above the cutoff level also end up  
8 subsidizing the participation of those who are deemed  
9 low income. So they end up paying more. So there is  
10 also a problem with low income paying for low income in  
11 the targeted as well.

12 So in conclusion, what research is asking the  
13 Commission to do in deciding whether or not to go  
14 forward with this is to decide whether or not they want  
15 a lifeline rate by asking themselves whether or not  
16 there is an immediate or future need for customer rate  
17 relief in the residential electric, whether the lifeline  
18 is the best remedy and whether a targeted or nontargeted  
19 lifeline rate is preferable.

20 MR. JENKINS: Ben, I turn it over to you. The  
21 letter to Reese Goad is attached.

22 MR. OCHSHORN: Right. The main focus of our letter  
23 to Reese was to share with the Commission what  
24 information we have on electricity usage by low income  
25 households. The best data that we're aware of is

1 regional data that's been prepared by the Department of  
2 Energy and estimates the different power companies in  
3 Florida have made of the -- their low income customer  
4 usage, most recently Florida Power & Light last year in  
5 the second part of the conservation goals docket.

6 What that data shows is that, while the housing  
7 that low income people are in on average is less energy  
8 efficient per square foot than higher income housing, as  
9 you might expect, that because low income people simply  
10 have less money on the whole, they -- on average they  
11 spend a significant amount less per month than the rest  
12 of customers.

13 What they do is what you might want to think of as  
14 forced conservation, but it's conservation  
15 nevertheless. And often the strongest inducement to  
16 conserve is when you're short of money. So the effect  
17 of an inverted rate proposal on low-income customers  
18 therefore would for most of them, we feel, be positive.

19 And it would be positive because it would be  
20 rewarding them for energy conservation. We're  
21 supportive of this proposal for rate inversion mainly  
22 because it offers a way for most low income people to  
23 participate in an energy conservation program. We're  
24 comfortable that today the Commission really does need  
25 to look at some kind of price regulation in addition to



1 the more traditional cost regulation.

2 I would suggest to you that in the energy  
3 conservation dockets that the Commission has had over  
4 the last several years, while some of them have been  
5 very long, there has been a reluctance to apply fully  
6 the rules and procedures that the Commission has for  
7 getting into the exact cost estimates of all the  
8 components and things like that. And we're very happy  
9 that we're now talking openly about some part of price  
10 regulation.

11 The only other thing that I would add at this point  
12 is that low income people in Florida, if you look at  
13 what statistics there are available, have a great need  
14 for some kind of rate relief. And if it can be done in  
15 the context of a sound energy conservation program, than  
16 we think that's a good way to go.

17 There is a federal program that pays people's power  
18 bills -- low income people's power bills that they  
19 can't, called the LIHEAP program. And every year well  
20 over 100,000 low income households, about one out of  
21 every five low income households, requires a LIHEAP  
22 assistance in order to avoid their power being shut  
23 off.

24 When you add to this number the number of people  
25 whose power is actually shut off who are low income, you

1 see that it's very, very common for low income people in  
2 Florida to have difficulty paying their power bills.  
3 The reason for that is that, while the electricity rates  
4 in Florida are slightly below the national average, if  
5 you look at total power usage and total power rates,  
6 considering all forms of residential energy sources, you  
7 see that Florida has, and has had for a number of years,  
8 the highest power rates measured in BTUs per year in the  
9 residential United States.

10 COMMISSIONER JOHNSON: The highest power what?

11 MR. OCHSHORN: Residential power rates for all  
12 forms of power.

13 COMMISSIONER DEASON: Rates or Lills?

14 MR. OCHSHORN: Rates. And the reason is that  
15 almost everything we use is electricity. This year, for  
16 the first year, we also have the highest electric  
17 bills. And I think that was referred to before.

18 So one of the positive effects of this program, in  
19 addition to the energy conservation effects, should be  
20 that a lot of low income people who today don't pay  
21 their power bills and incur large expenses for the  
22 companies in addition to themselves, would be able to  
23 pay. Another positive benefit of this for the customers  
24 who live in very inefficient housing and have high power  
25 bills who are low income is that they would be able to

1 get more weatherization assistance than they currently  
2 do now.

3 And the reason for that is that, say like your  
4 power bill is 1500 kilowatts a month, and you have rate  
5 inversion, than for the first 700 kilowatts that you can  
6 save through different forms of energy conservation  
7 measures, there is going to be a lot greater impact of  
8 the conservation measures from a cost-effectiveness  
9 perspective.

10 So we think overall it's a good proposal. It's a  
11 timely one. And we would suggest to you it's consistent  
12 with what's going on in utility regulation these days.

13 COMMISSIONER JOHNSON: Is the LIHEAP program  
14 similar to a lifeline link-up type program?

15 MR. OCHSHORN: No. It's actually a cash assistance  
16 program. Usually local community action agencies  
17 administer them, because of the way it's set up in  
18 Florida. This is money from Congress that's used to pay  
19 people's power bills when they're not able to.

20 So -- and I think it's -- in Florida it's set up to  
21 be, at most, \$200 per year per customer I think.

22 COMMISSIONER JOHNSON: And you said there are about  
23 100,000 participants or people that actually receive  
24 some funding during the year?

25 MR. OCHSHORN: Well over that amount, yeah.



1           COMMISSIONER JOHNSON: You said -- and I didn't  
2 understand how we got to the calculation. But you  
3 stated that we had -- that Florida had some of the  
4 highest residential rates in the nation?

5           MR. OCHSHORN: Not electric rates, but overall  
6 power rates. In other states it's other forms of power  
7 other than electricity, for reasons I don't understand,  
8 are more readily available. And so the Department of  
9 Energy does a calculation each year of total residential  
10 power rates along with industrial power rates and  
11 everything else. And they take the rates for the  
12 different forms of power; electricity, gas and so on,  
13 and then they weigh them by usage. And that's how they  
14 come up with an overall --

15           COMMISSIONER DEASON: Is this for BTUs consumed?

16           MR. OCHSHORN: Right.

17           COMMISSIONER DEASON: And up north, there is  
18 natural gas, and they use it to warm their homes, they  
19 get BTUs that are less on a percent basis than what  
20 people that use electric heat in Florida to warm their  
21 homes. Differentials like that is what causes that; is  
22 that correct?

23           MR. OCHSHORN: Right. And it's the kind of  
24 situation where if it were a close call you might not  
25 give it much weight. But Florida's overall power rate

1 is much higher than any other state in the continental  
2 United States, and it's been so for many years.

3 COMMISSIONER DEASON: Air conditioning load would  
4 add to that as well; is that correct?

5 MR. OCHSHORN: That would affect bills, certainly.

6 COMMISSIONER KIESLING: I'm sorry. I couldn't hear  
7 the last part.

8 MR. OCHSHORN: Increased usage would affect total  
9 bills.

10 COMMISSIONER DEASON: Now you said it was rate, not  
11 bill.

12 MR. OCHSHORN: Right, right. Well this year we  
13 also have the largest residential electric bills in the  
14 country as well.

15 COMMISSIONER DEASON: Largest collective bill?

16 MR. OCHSHORN: Electric bills.

17 COMMISSIONER DEASON: I don't understand what you  
18 mean by that. What does that mean?

19 MR. OCHSHORN: We have the largest average  
20 residential electric bill in the United States, Florida  
21 does.

22 CHAIRMAN CLARK: Is that because of the need to air  
23 condition?

24 MR. OCHSHORN: It's partly. I mean it's rate times  
25 usage.

1           CHAIRMAN CLARK: What else is it? What else would  
2 it be?

3           MR. OCHSHORN: Well we start off -- for electricity  
4 it would be mainly usage, because our rates are slightly  
5 lower than the national average.

6           MS. SWIM: So that could be less efficiency  
7 investments than in other states, because that directly  
8 influences usage. Another factor could be the  
9 availability of fuels in Florida, which is different  
10 from other states.

11          CHAIRMAN CLARK: Anything else on this point?

12          COMMISSIONER JOHNSON: I think I have another  
13 question, and it's partly because I haven't read your  
14 letter, Ben. But you stated that you believe -- no, the  
15 question is, in your letter or in your comments today  
16 are you suggesting that the inverted rate structure  
17 itself will serve as a means of conservation for lower  
18 income individuals, or is it more of a -- kind of an  
19 assistance program for them?

20          MR. OCHSHORN: It would be a conservation program.  
21 Because of the rate inversion it becomes more  
22 cost-effective to conserve energy than it would  
23 otherwise for a higher usage.

24          MS. SWIM: So let's say for the low income people  
25 that are high use, it would be an efficiency?



1 MR. OCHSHORN: Right. A problem with most of the  
2 current energy conservation programs, as we've pointed  
3 out over the years, has been a difficulty that a lot of  
4 low income people have participating --

5 COMMISSIONER GARCIA: Mr. Ochshorn, please --

6 MR. OCHSHORN: Oh, I'm sorry. A difficulty with a  
7 lot of current energy conservation programs is that it's  
8 been difficult for low income people to participate in  
9 them. And you've heard that both from us and from the  
10 power companies over the last few years.

11 And so an attraction of a proposal like this is  
12 that most low-income customers would be able to in  
13 essence participate in this kind of conservation  
14 program, because it would increase the  
15 cost-effectiveness to them of energy conservation  
16 measures.

17 COMMISSIONER DEASON: But only if they're consuming  
18 above the break point?

19 MR. OCHSHORN: Above 800, correct.

20 COMMISSIONER JOHNSON: Does your letter -- maybe  
21 I'm thinking about other comments. But are the low  
22 income users generally over the 800 kilowatts or under  
23 the 800, or is there a way to generalize?

24 MR. OCHSHORN: A higher -- a considerably higher  
25 percentage of low-income customers are under the break

1 point compared with residential customers as a whole,  
2 mainly because they just have less money to spend on  
3 things.

4 COMMISSIONER JOHNSON: One of my concerns with  
5 respect to the inverted rate is, for those low income  
6 users that are above the 800 kilowatts, it's kind of  
7 like a double-edged sword, because now they're  
8 encouraged to conserve because they're charged more  
9 money, and they don't have money to pay the bills  
10 anyway. So I get real nervous on those kind of  
11 concepts.

12 MR. OCHSHORN: Right. According to the information  
13 we've been able to find, and it's in our letter, under  
14 this particular proposal the point at which your bills  
15 start going up is around 1500 kilowatts a month, which  
16 is a pretty high level of usage for the low income  
17 customer who lives in a smaller but more energy  
18 efficient house who perhaps, you know, uses 1200  
19 kilowatts a month. That person would recognize a  
20 reduction in their bill, and in addition, for the first  
21 400 kilowatts a month that they're able to save, it  
22 would be a lot more cost-effective for them to do that  
23 than under the current rate structure.

24 COMMISSIONER JOHNSON: Thank you.

25 CHAIRMAN CLARK: Anything else on this point?

1 MS. SWIM: I just wanted to say that we hope some  
2 action can be taken on behalf of the low-income  
3 customers. But, you know, we urge the Commission to  
4 really look at this and decide, you know, who is getting  
5 hurt and who is getting benefited before proceeding. As  
6 has been noted, the high-use, low-income customer could  
7 be hurt.

8 Right now where there is a proposal to set the flip  
9 point most of, according to Ben's data, the low-income  
10 customers are low use. But if that's changed, than that  
11 factor does change.

12 The other thing to look at is, we have provided to  
13 Jim Dean and to Commissioner Garcia's office some  
14 Florida-specific data on low income usage levels and  
15 patterns that is Department of Energy data, but more  
16 Florida specific and a bit more recent that we urge you  
17 to look at in more detail before deciding who is going  
18 to benefit and who is going to be hurt from any  
19 particular inversion proposal.

20 And also I wanted to just mention in response to --  
21 I'm trying to remember your name -- Melinda's comments.  
22 When you're trying to figure out what would help a low  
23 income customer, efficiency measures one could argue are  
24 the most helpful way to spend what money there is,  
25 because they actually improve the low income housing



1 stock.

2 You know, the bills go down the same way, but the  
3 efficient air conditioner stays there depending on no  
4 matter who lives there. So, you know, if you're going  
5 to spend money to help low-income customers, that's a  
6 way that has some longer -- longer term benefits.

7 CHAIRMAN CLARK: Anything else on this point?

8 COMMISSIONER JOHNSON: Ben, did you have any  
9 comments on Ms. Butler's presentation with respect to  
10 the lifeline link-up type programs?

11 MR. OCHSHORN: Not really. I thought that Melinda  
12 presented that issue pretty well.

13 COMMISSIONER JOHNSON: That's fine. That's fine.  
14 Thank you.

15 CHAIRMAN CLARK: Anything else on this point?  
16 We're going to go ahead and take a lunch break. We will  
17 reconvene at 1:30.

18 (lunch recess).

19 CHAIRMAN CLARK: Let's call the workshop back to  
20 order.

21 MS. JOHNSON: Chairman Clark, I wanted to say on  
22 the record that some of the notes that were handed out  
23 to the Commissioners this morning by Melinda Butler  
24 concerning assistance of low-income customers, we've  
25 made available to the participants today. They're at

1 the end of the table.

2 Also in response to some of the questions by  
3 Commissioner Johnson regarding lifeline programs, staff  
4 has given each of the Commissioners a two-page handout  
5 called State Telephone Regulation Report. And we've  
6 also made that available to the participants today.

7 CHAIRMAN CLARK: Thank you. Mr. Jenkins, are we  
8 now on 2 C?

9 MR. JENKINS: That's correct, 2 C. And the issue  
10 there is whether inverted rates track costs. I believe  
11 Mr. Bill Slusser from Florida Power Corporation is going  
12 to speak to this issue.

13 MR. SLUSSER: Yes, Joe, I will be happy to.  
14 Mr. Chiles this morning reminded us that there were some  
15 generic dockets after PURPA was enacted by the Florida  
16 Commission, and in particular the Florida Commission  
17 adopted a cost of service standard. And that cost of  
18 service standard, as I remember, reads something to the  
19 effect that rates should track costs to the maximum  
20 extent practicable.

21 Therefore when we had our prior workshop I asked  
22 Joe if the proposal of inverted rates is a deviation  
23 from that standard and whether it should or not. And he  
24 challenged the utilities to demonstrate whether they did  
25 have the cost information to -- to either support an

1 inverted rate or declining rate or a flat rate.

2 To provide cost of service information we're really  
3 talking about the load characteristics of the  
4 customers. And I will be the first to concede that the  
5 residential customers are quite disbursed with their  
6 load characteristics.

7 But he asked if we couldn't provided scatter  
8 diagrams that related what a customer's load is at the  
9 time of the utility's peak with his energy use. The  
10 load at the time of the peak is a primary determinant in  
11 cost causation or cost responsibility, at least in -- in  
12 prior work with embedded cost allocation.

13 So Florida Power at least took its sampling of  
14 residential customers. We have about 700 customers that  
15 we have load recording meters on that we are sampling  
16 for developing load at the time of the peak, and we  
17 would be pleased to distribute those so one can look at  
18 this scatter diagram.

19 COMMISSIONER GARCIA: What was the criterion for  
20 selection of these customers?

21 MR. SLUSSER: This was from the residential load  
22 research sampling -- excuse me -- from the load research  
23 sampling, that the purpose of it is to establish  
24 accuracy about having the residential class' peak load  
25 for cost of services purposes. I think the Commission



1 rules require for a 95 percent confidence level to have  
2 a sampling that provides 10 percent accuracy of the  
3 residential class' load research information.

4 Now as I said, if you're looking at the scatter  
5 diagrams here, they're very disbursed. In fact the top  
6 one tries to put 12 months. So you have actually 700  
7 times 12 months. And that's why you have a blob there.

8 And I almost would disregard that one for the  
9 moment and go to the second page, which is for the month  
10 of April. And let me give you a perspective. Typically  
11 a residential customer on an average, a mathematical  
12 average, he's likely to have about three kilowatts per  
13 1,000 kilowatt hours, or if you develop that  
14 relationship of kW to kilowatt hours, it should be  
15 about .003 on the average.

16 So if you have a ratio that's greater than .003,  
17 you're certainly more cost causation than the average.  
18 And if you have a ratio less than .003, you're much less  
19 costly than average. As we look at April there, you can  
20 see the predominant points are below that .005 line.

21 And as I say mathematically, that would be -- you  
22 would expect it to average about .003, at least for  
23 Florida Power Corporation. And if that relationship,  
24 the Y axis, which is this relationship of demand to  
25 energy, if it increased with your bill size, which is

1 your X axis, than that certainly would be support for an  
2 inverted rate.

3 I don't know that anybody would want to conclude  
4 that the month of April is conclusive of any kind of  
5 rate design. It's rather disbursed as I said. But I  
6 don't -- I do think it does not support an inverted  
7 rate. It's likely that a flat rate is probably the most  
8 equitable type of rate to have.

9 There are a lot of points, as you can see, below  
10 500 that are at a very high ratio. And probably if you  
11 tried to curve fit this, this would result -- I'm  
12 speculating here -- but I think it would intuitively  
13 tell you that it would really support a declining block  
14 rate more than anything.

15 But because it's so disbursed, I wouldn't -- I  
16 wouldn't even statistically say that. But as you look  
17 through each month you get similar dispersions, but you  
18 do not see a general increase in that relationship. If  
19 you saw a general increase over usage size, than that  
20 certainly would be support for an inverted rate.

21 I think when you get into the summer months in  
22 particular, June, July and August, that -- that  
23 definitely demonstrates a flat rate to me. You see a  
24 quite large congregation around that .003 on the Y axis  
25 point. That's really all I -- all Florida Power had to

1 add.

2 I don't know if the other utilities were able to  
3 provide any load research data or not.

4 MR. JENKINS: Mr. Chiles, do you want to speak to  
5 this also?

6 MR. CHILES: I did want to speak to this area. It  
7 is our view -- and this is independent of the scatter  
8 diagrams that Mr. Slusser was just discussing -- that it  
9 is our view that it is fundamental for the rates to be  
10 designed on the basis of cost, that this Commission has  
11 revisited that issue on a number of occasions. It's the  
12 principal criterion in the Florida Statutes.

13 And we think it's the principle or one of the three  
14 standards that this Commission endorsed when it  
15 addressed the PURPA rate structures docket, which didn't  
16 surprise us. That's the way that rates have been set.  
17 And it seems that it's consistent with what has been  
18 talked about, that an economic theory -- that cost  
19 causation ought to be recognized.

20 And similarly we think that when you discuss  
21 potential conservation effects of any rate design, that  
22 it ought to be done in the context of cost causation.  
23 And I'm a little bit troubled about the implications of  
24 postulating particular conservation effects due to an  
25 increase in rates, when the increase that you pose has



1 no necessary relationship to the increased costs that  
2 might occur, absent conservation.

3 You might as well be talking about a penalty rate.  
4 And you could just target customers and induce the  
5 desired behavior by charging a higher rate. I suggest  
6 that in terms of viewing this subject as well, that the  
7 cost basis for rate-making is, as consistently been  
8 recognized, as addressing equity in pricing and  
9 discrimination among customers, that that's the basis  
10 for -- it's the common standard.

11 And if we do away with that common standard, I'm  
12 concerned that it's going to be very difficult to  
13 measure the equity or the value of any rate that you  
14 offer.

15 As to the discussion on the scatter diagram and  
16 what it shows, one of the things that I would suggest  
17 that you consider is that typically the rates or the  
18 costs that are associated with a review of contribution  
19 to peak demand are production-related costs,  
20 production-related costs and bulk transmission. That's  
21 only the portion of the costs that customers pay. They  
22 pay for distribution. They pay for administrative in  
23 general. They pay for the kinds of costs that are  
24 included in the customer charge currently.

25 That doesn't have anything to do with your

1 contribution to peak demand, a system peak demand for  
2 the utility. Therefore, even if you saw a correlation,  
3 I don't think it supports the inversion. And I don't  
4 believe there is a correlation.

5 I mean we don't have a scatter diagram. But my  
6 understanding is it has been tested at two levels, 800  
7 and at above 800. And the correlation is a little bit  
8 negative; in other words it would show probably that if  
9 anything, flat is best, but you might -- and the  
10 variation is so slight you probably wouldn't draw any  
11 other conclusion, but if you did it would be for  
12 declining as opposed to an inverted rate.

13 I think that -- and the reason I asked the question  
14 earlier, and pardon me, Commissioners, about where we  
15 were going, and I guess injected myself too early, is  
16 that it seems to me, and I would ask the Commission, if  
17 it's going to pursue this subject, that it clearly  
18 identify the goals that it wishes to achieve so that  
19 there is a basis for understanding what we're attempting  
20 to accomplish, and therefore hopefully identify what are  
21 the relevant matters to consider.

22 If it is conservation, you've heard comments on  
23 conservation. You've heard about the potential that --  
24 of increasing the rate level for the higher blocks of  
25 usage, that you're going to increase lost revenues. I

1 would suggest that, by the same token, that if you were  
2 going to consider this rate in general as a  
3 conservation -- conservation-induced measure, that you  
4 ought to subject it to the same tests at the beginning.

5 What kind of conservation do we think we might  
6 achieve, and what's the cost associated with that due to  
7 the reaction of the customers in not consuming, and  
8 therefore what is the rate level increase that we're  
9 going to have to see in the future?

10 Finally, on the area of conservation, the  
11 Commission has completed extensive proceedings on  
12 conservation goals in consideration of conservation  
13 programs. It is somewhat disconcerting to think about,  
14 where do we go with those goals and where do we go with  
15 those programs if at this very time the Commission is  
16 seriously considering fundamentally altering those?

17 Should we put those programs on hold? Should we --  
18 do we want to sign up anything further until we find out  
19 what the answer is? And it is our belief that you're  
20 not going to support cost-effective conservation this  
21 way. And I don't think that there should be any  
22 presumption, in looking at the potential for  
23 conservation, that because one customer uses more than  
24 another, that that implies that the higher use customer  
25 is not using that electricity as efficiently.



1           They may be. I think conservation is different  
2 than simply level of consumption. The comment that has  
3 been made, and it was raised earlier by Mr. Jenkins,  
4 that I guess if we're not -- maybe in today's world  
5 we're not talking about costs and that we're only  
6 talking about price, is a point of focus. I think we  
7 have to talk about costs.

8           I don't think that even with the coming of  
9 conservation -- excuse me -- of competition or the  
10 increasing levels of competition that there can be a  
11 meaningful evaluation of where utilities stand and  
12 what -- what the customer is contributing to the cost of  
13 operating the utility unless you look at costs first,  
14 not price.

15           Finally as to that, I think it was one comment  
16 maybe mistakenly suggested that this approach would sort  
17 of get the utilities' feet wet in addressing  
18 competition. And I think that that's backwards from  
19 this respect.

20           I don't think that if you're trying to get the  
21 utilities' feet wet in addressing competition that the  
22 first thing you do is to tell us that they have to --  
23 tell them that they have to increase their prices and  
24 cannot charge a lower price. So that brings me back to  
25 the point that cost seems to be overriding -- of

1           overriding value and concern in addressing what rate  
2           levels ought to be. And I would ask that that policy  
3           issue be considered as paramount. Thank you.

4           CHAIRMAN CLARK: Anyone else?

5           MR. BARRINGER: Commissioner, I'm Phil Barringer of  
6           Tampa Electric Company. I think what we would do is  
7           echo both Mr. Slusser and Chiles' comments. We ran the  
8           same analysis as Florida Power Corp. and found the same  
9           -- virtually the same correlation. Again, we're  
10          concerned that, you know, we're moving away from some  
11          cost-based pricing at a time when, you know, I don't  
12          know that that's necessary to move at this broad a scale  
13          this early.

14          So I would just say that they've articulated our  
15          position very, very well.

16          CHAIRMAN CLARK: Anything else on this point?  
17          Number three.

18          MR. JENKINS: We've covered number three. That was  
19          to be Jim Dean's presentation, which we took out of  
20          order. I would go to number four.

21          CHAIRMAN CLARK: Okay.

22          MR. JENKINS: Number four has to do with an item  
23          we've talked about briefly, and that is the problems  
24          caused with a sharply reduced or eliminated customer  
25          charge with what -- with vacation homes or very low use

1 consumption. We put in there three potential solutions  
2 if the customer charge were to be sharply reduced or  
3 eliminated, one that really I think has been done in a  
4 few other states, and that is that they have the  
5 customer charge carry with it an entitlement of a few  
6 kilowatt hours.

7 In other words, for an \$8 charge you get roughly  
8 one or two, 300 kilowatt hours. The result in overall  
9 rate is flat if you just do that. That seems to take  
10 care of the vacation home problem.

11 Other people at the workshop -- I think I heard --  
12 or I heard someplace suggested that the customer charge  
13 not be reduced or eliminated unless there is 12 months  
14 of continuous billing above a certain level. I will  
15 just turn it over to any other comment -- commenters  
16 there may be.

17 MR. ASHBURN: Joe, if you have the minimum amount  
18 of kilowatt hours in lieu of a customer charge to to  
19 solve the vacation home problem, people who have  
20 vacation homes may, since they're already going to be  
21 paying a customer charge, just leave everything on while  
22 they're gone. Instead of paying for energy that  
23 they're not consuming, they're going to consume that  
24 energy and leave the freezer on, the lights on, whatever  
25 it is, instead of turning off. That's not exactly a



1 conservation activity.

2 MR. JENKINS: I understand that. Again, the notion  
3 is to make the charge either eliminated or reduced, and  
4 it's all under the idea of pricing for conservation.

5 Are we ready to go to item five? Bill, you want to  
6 touch on this one?

7 MR. SLUSSER: I will be happy to be brief lead on  
8 it. The subject of course is revenue stability. In the  
9 rate example that the staff developed this morning, it  
10 might be interesting that their rate design put 89  
11 percent of your revenues in 40 percent of the energy.

12 And when you have that much revenue, 89 percent of  
13 your revenues and only 40 percent of your energy, the  
14 utilities certainly are concerned about being able to  
15 obtain all of our revenues.

16 COMMISSIONER GARCIA: I'm sorry. Explain that  
17 again.

18 MR. SLUSSER: Maybe I need to show you on page  
19 eight.

20 COMMISSIONER GARCIA: Uh-huh.

21 MR. SLUSSER: This was the staff's rate design that  
22 resulted in a 14-cent and 4-cent rate. The total  
23 revenues that they're trying to realize are shown in  
24 step one, \$325 million.

25 COMMISSIONER GARCIA: Right.

1 MR. SLUSSER: Step four -- let me just go to step  
2 seven. Step seven shows 291 million needing to be  
3 recovered from the tail block. That's 89 percent of the  
4 325 million. And it's being recovered over  
5 2,675,000,000 so forth kilowatt hours. That's only 40  
6 percent of the energy.

7 So it -- it makes rate people very nervous to put  
8 that much revenue in a tail block that is not only  
9 subject to the volatility of conservation, if  
10 conservation does -- if conservation is impacted, but  
11 just weather fluctuations, economy fluctuations, other  
12 alternative energy sources come along, whatever, can  
13 very quickly erode the utility's revenues.

14 And of course there could be a solution such as a  
15 revenue decoupling mechanism. And that may be a very  
16 good solution. But as Commissioner Deason mentioned  
17 this morning, that poses a problem of, if you do have to  
18 have a serious under-collection, and you have to adjust  
19 for that, how do you adjust for it? Do you adjust in  
20 the tail block? Do you adjust in the lower block,  
21 whatever?

22 So it just adds more problems. But I think an  
23 inverted rate, especially of the magnitude or extreme  
24 design that staff has here, is just too risky in  
25 allowing a utility to recover its fixed revenues.

1           MR. JENKINS: Any other comments? Bill, going to  
2 item six, this was also raised at the July 22nd  
3 workshop. And frankly it's one I barely understand.

4           MR. SLUSSER: Number six?

5           MR. JENKINS: I called it disconjunctive metering.

6           MR. SLUSSER: It's very simple. First I want to  
7 say that personally I would like, from a customer  
8 relations standpoint, to have gotten rid of a customer  
9 charge a long time ago. It is a source of a lot of  
10 complaints. Customers see it on the bill. Maybe it's  
11 the semantics, what a customer charge is.

12           I think we would be better off maybe rewording it  
13 as some kind of an active service charge or a base  
14 charge, something other than customer charge, because we  
15 are continually getting calls about that line item on  
16 the bill, what does it consist of or what is it. And it  
17 would be -- make our phone centers a lot easier  
18 administratively to work if we didn't have that charge  
19 and just had a kilowatt hour charge.

20           So from a -- from a rate standpoint, from a  
21 customer acceptance standpoint, getting rid of the  
22 customer charge would be very beneficial. But what item  
23 six is here is, is if you had no customer charge and/or  
24 an inverted rate, it's going to be an inducement to try  
25 to break up the point of delivery's usage.



1           You may very well if you're building a house want  
2 to have, if you're a 1600 kilowatt hour customer, you  
3 may very well want to have two meters to be two 800  
4 kilowatt hour customers, so that both meters are being  
5 subject to 4 cents a kilowatt hour rather than getting  
6 into a tail block at that 14 cents a kilowatt hour.

7           The rules with regard to establishing a point of  
8 delivery are -- are not that difficult, as long as  
9 the -- the revenue -- there is a line extension policy  
10 of the Commission that allows for a customer to get  
11 electric service at a point of delivery at no additional  
12 contribution and aid as long as the expected revenues  
13 are four times -- four times his -- excuse me -- the  
14 rule is that his -- that the line extension doesn't  
15 exceed four times his annual revenues.

16           So if you had annual revenues of \$1,000, the line  
17 extension policy says the utility can invest \$4,000 in  
18 establishing a point of connection. So there is nothing  
19 precluding a customer from establishing multiple points  
20 of delivery, especially if he's able to satisfy that  
21 line extension policy, without having to pay in  
22 additional contribution.

23           And that's what the issue is here, it's able to  
24 bypass the tail block by creating more points of  
25 delivery and getting your usage in the first step. And

1 I think it's a serious problem. I know it may require  
2 existing properties to have to rewire, but new  
3 properties it would not be.

4 And than if you had the type of rate that staff has  
5 designed here, probably that differential would pay for  
6 rewiring. Do you understand my point now?

7 MR. JENKINS: Yeah. I guess what I have in the  
8 back of my mind is that someplace in the '70s I recall,  
9 with underground wiring it was -- we were told, or it  
10 was somehow stated -- and correct me if I'm wrong --  
11 that you can only have one meter on a billing residence,  
12 unless it's a condominium where you have separate  
13 ownership. And apartments are of course, you know,  
14 under common ownership as are time-share.

15 So I don't think a -- either a condominium or a  
16 single-family residential house is allowed to have more  
17 than one meter, but I may be wrong. It's somewhere in  
18 the building codes that's causing that.

19 MR. SLUSSER: We currently have -- it's been left  
20 over from when there was a separate water heater rate  
21 many years ago, probably in the '60s. There was a  
22 separate rate just for metering the water heater and  
23 billing the water heater.

24 And we still have a number of homes that have two  
25 meters on their property and are billed two residential

1 bills. The only restriction that I can think of, Joe,  
2 is one related to our time of use residential customers,  
3 where we didn't want them to gain play by splitting  
4 their usage and getting certain peak usage on a standard  
5 rate and taking advantage of the time of use rate. I'm  
6 not aware of any other restrictions.

7 MR. ASHBURN: Joe, wasn't that back to the master  
8 metering, where the point was to have at least one meter  
9 per residential consumer, instead of having one meter  
10 for 50 apartments, that kind of thing? And the rule  
11 went to one, but I don't think it said it had to be  
12 one.

13 MR. JENKINS: It had to do with part one of the  
14 National Electric Safety Code is all I remember. Now we  
15 only enforce part two, that's on the utility side of the  
16 meter. But there is something on the customer side of  
17 the meter, I think maybe that grandfathers existing  
18 situations, but I think only allows one meter per  
19 residence.

20 MR. ASHBURN: I think the other issue to bring up  
21 is if, as Bill is suggesting, we don't have a customer  
22 charge, than there is almost no impediment to a customer  
23 requesting two meters. Suppose he has got a shop in the  
24 back, a separate garage, he wants a meter on that, if  
25 there is no customer charge for that, he doesn't even



1 have to pass the hurdle of the customer charge to get  
2 service and split the load up.

3 MR. JENKINS: I don't think someone having a  
4 separate garage currently is double metered; am I  
5 correct?

6 MR. ASHBURN: We don't do it now, because there is  
7 no incentive for them to do it now. If you set a price  
8 signal which says the upper block is much higher, and if  
9 you were to split your load, you would get a much lower  
10 bill, there is a heck of an incentive to them requesting  
11 it.

12 MR. SLUSSER: I think probably a rule change could  
13 accomplish it, where all the usage at a premise or  
14 location has to go through one meter. Unless something  
15 like that was passed, this could be a very difficult  
16 administrative problem.

17 MR. JENKINS: You keep mentioning that the customer  
18 charge was causing some customer acceptance problem.  
19 How adverse would you be, or would you in fact even be  
20 supportive of eliminating the customer charge?

21 MR. SLUSSER: Well I would just be reiterating that  
22 from a customer relations standpoint, it would be a very  
23 favorable move, a more customer-acceptable simple rate  
24 design. Its elimination though does bother me, because  
25 the future of unbundling our rates is going to create a

1 fixed charge, an up-front fixed charge that's probably  
2 even higher than your current customer charge, because I  
3 see the direction of our industry going to some kind of  
4 an access charge to the grid, which includes the  
5 distribution system in the meter.

6 And I think it will be even more than the \$8 a  
7 month, \$8.85 a month. So I hate to see us at this time  
8 give a price signal to customers that would be wrong  
9 when the industry does change and we go to a rate  
10 structure that has a high up-front charge.

11 CHAIRMAN CLARK: Anything else on that point?

12 MR. JENKINS: No. It kind of blends into what Bill  
13 just said, into item number eight, competition. Bill,  
14 would you like to talk about that one some more?

15 MR. SLUSSER: I think I've probably said enough.  
16 It was mentioned this morning. Too, I just want to say  
17 that, you know, within our company, we're more  
18 interested in trying to establish what the bundled  
19 charges are.

20 And when you have an inverted rate, that's going to  
21 make it even more difficult to unpiece your revenues. I  
22 just -- the Commissioners were supposed to go to a  
23 conference a week ago by PURC, and everybody here has as  
24 much knowledge as I do about industry restructuring or  
25 what the potential is. But I do feel like there ought

1 to be efforts at looking more at our bundled charges and  
2 moving more toward unbundling than a continuation of  
3 bundling them and then making it more complex by having  
4 an inverted bundled rate.

5 CHAIRMAN CLARK: Anything else on that point?

6 MR. JENKINS: No. Well the last item, unless  
7 someone else has some additional items, is a phase-in of  
8 any inverted rate. Of course staff would just comment  
9 that this, quote, extreme version that we have presented  
10 in the examples; that is, elimination of the customer  
11 charge and a 4-cent inversion, we wou'd never propose  
12 doing, you know, overnight or even over just a few  
13 years.

14 If we were to go this route, I think we would be  
15 more interested in seeing that the customers who are  
16 going to be hit with the higher bills would have genuine  
17 conservation alternatives produced by, you know, Home  
18 Depot or Scotty's where they can take advantage of it.  
19 The advantage of this of course is that one of the  
20 reasons we did like the inverted rate concept and the  
21 high bills is twofold; one, the lower use customers were  
22 immediately protected from the ravages of competition;  
23 two, the higher use customers, coupled to the  
24 residential customers by virtue of being in the same  
25 rate class, become very price elastic.



1           When they're price elastic, utilities are less apt  
2 to come up with schemes to transfer costs from the more  
3 elastic customers to those. So in my mind a sharply  
4 inverted rate was a means of protecting the residential  
5 class from competition.

6           COMMISSIONER DEASON: Joe, let me ask you a  
7 question. You say that with the inverted rate you would  
8 be protecting the low-use customer from the ravages of  
9 competition, and that the high-use customers would --  
10 there would be -- because of the inverted rate, there  
11 would be price elasticity there. Aren't you inviting  
12 the so-called competitors to skim off the high-use  
13 customers, because they're competing against such a high  
14 rate, they can still get those customers with a little  
15 bit lower rate, perhaps not as low as they could offer  
16 otherwise, but when they do skim them off, than you're  
17 eliminating your high revenue stream, and you're  
18 eliminating your subsidy to your low-use customers, and  
19 where is the revenue going to come to support them if  
20 their rates are not recovering costs?

21           MR. JENKINS: Again, the whole idea is to prevent  
22 the schemes where the utilities propose and take the  
23 effect -- take cost responsibility from a high-use  
24 residential or high-use commercial customers and  
25 transfer them to nonprice, elastic, small commercial and

1 residential customers.

2 CHAIRMAN CLARK: How would they do that, Joe? They  
3 would have to come here; right?

4 MR. JENKINS: That's correct, thus far. But the  
5 second part of your question has to do with, you  
6 mentioned earlier today, and it's a very good one, where  
7 is equilibrium going to be. Now Florida is not in dire  
8 straits as other states are from competition, if it does  
9 come, because of our growth. Eventually we will grow  
10 out of power plants that may become temporarily  
11 unneeded.

12 COMMISSIONER DEASON: But generally speaking,  
13 wouldn't you agree that, to the extent rates are based  
14 upon cost, competition can operate in a neutral fashion,  
15 in the sense that if a competitor can come in and offer  
16 a service at a lesser cost, society as a whole benefits  
17 in the sense that you're giving the true economic  
18 signals to the competitive market?

19 MR. JENKINS: We don't allow competitors -- I  
20 mean --

21 COMMISSIONER DEASON: I mean this whole issue is  
22 "if."

23 MR. JENKINS: It's an "if" issue, that's correct.

24 CHAIRMAN CLARK: I think what Commissioner Deason  
25 is saying is, by implementing a rate that is not cost

1 based, you send the wrong price signals, you send the  
2 wrong -- yeah, the wrong price signals.

3 MR. JENKINS: That's an embedded cost. The price  
4 signals should be based on incremental costs. So I  
5 don't -- it's really a cost responsibility question, and  
6 I'm not sure I could call it a price signal type idea.

7 CHAIRMAN CLARK: Well the cost -- if the cost --  
8 you're shifting some of the costs for serving a customer  
9 onto other customers.

10 MR. JENKINS: Correct.

11 CHAIRMAN CLARK: Than you're in effect loading up  
12 their price and sending a wrong price signal. They are  
13 paying more for their service than they otherwise would  
14 pay, making them more susceptible, as Commissioner  
15 Deason said, to other providers who can provide it at a  
16 cost just under that price, when in fact their cost is  
17 much less.

18 MR. JENKINS: That's presuming that embedded costs  
19 are the right price. There is a world of difference  
20 there.

21 CHAIRMAN CLARK: Anything else?

22 MR. JENKINS: That's all we have.

23 CHAIRMAN CLARK: Any other -- I think that we have  
24 other items for discussion.

25 MR. JENKINS: We have none, except we would like to



1 ask the Commission how to proceed on this.

2 COMMISSIONER GARCIA: Madam Chairman, what options  
3 do we have at this point?

4 CHAIRMAN CLARK: I guess the first determination  
5 is, do we want to proceed at all on any kind of inverted  
6 rates? I mean what is the next next step we expect  
7 staff to take? And, Commissioner Garcia, I know you  
8 were interested in inverted rates, and it was at your  
9 request that we pursued the workshop. So maybe it's  
10 appropriate to hear from you on that point.

11 COMMISSIONER GARCIA: Well clearly I think that  
12 everybody has raised a number of objections that deem  
13 study by staff if we're going to move forward on this.  
14 It's my belief that we can go forward on this on a  
15 limited basis.

16 I think that the scenario that we painted today is  
17 a bit on the drastic side when you have that type of --  
18 what is it? -- 4 cents is the insertion that we're  
19 talking about? And I do believe that we can do  
20 something on the customer charge.

21 CHAIRMAN CLARK: Let me ask you, what is your goal  
22 here? Is it to effect conservation, or is it to assist  
23 low income? Because I think it's important to establish  
24 what we're trying to accomplish.

25 COMMISSIONER GARCIA: Madam Chairman, I think it's

1 both. I think you can achieve both. I think a price  
2 indicator is probably the best way to go when you try to  
3 achieve conservation.

4 While I agree with some of the things LEAF said. I  
5 also believe that when you give people a choice in terms  
6 of price, that they can curb their behavior to achieve  
7 certain conservation and thereby save money, and the  
8 people have a tendency to do it along those lines.

9 And I think that while we may not want to make the  
10 scale of the savings -- of the fluctuations to the  
11 degree of what we looked at today, on a limited basis I  
12 think you can create both -- both effects. You can  
13 benefit the lower income, which is already to some  
14 degree providing -- or part of the conservation  
15 solution, since they use less, and they aren't the ones  
16 that are creating new power plants, and at the same time  
17 try to send that indicator or try to create a price  
18 signal.

19 COMMISSIONER DEASON: Well now based upon the  
20 scattergrams, that would not support what you just  
21 said. If anything the low-use customers are more likely  
22 to be using at system peak than the higher-use  
23 customers.

24 COMMISSIONER GARCIA: Well fascinatingly enough  
25 though, in terms of when we've talked about peaking

1 programs, it is precisely low-income people who are  
2 subsidizing those programs, because they are not given  
3 benefits for subscribing to these programs.

4 We had an opportunity to go into Gulf Power's  
5 famous claim that they had one of the most effective  
6 peak management programs in the nation; I wish I can  
7 remember the figures, something like 200,000 subscribers  
8 or 150,000, something of a massive number. And yet we  
9 find that, after the company had invested so much time,  
10 effort, resource in educating its general consumers, the  
11 company decided that the peak program wasn't effective.

12 So all those people who had participated in the  
13 program suddenly weren't able to --

14 CHAIRMAN CLARK: You're talking about Florida  
15 Power.

16 COMMISSIONER GARCIA: Florida Power Corp. I'm  
17 sorry. What did I say? Did I say Gulf?

18 CHAIRMAN CLARK: Commissioner Garcia, the fact that  
19 it was not cost-effective had to do with what the power  
20 plant avoided was. The cost had gone down, therefore it  
21 was not a cost-effective program.

22 COMMISSIONER GARCIA: Agreed, Madam Chairman. But  
23 nonetheless it was not effective, because at the low  
24 levels of peaking did not affect that avoided cost, is  
25 what you're saying; correct? Because the prices had



1 changed, the costs had changed.

2 CHAIRMAN CLARK: Cost of the next avoided power  
3 plant had gone down.

4 COMMISSIONER DEASON: I don't know that we got into  
5 the discussion of which customers were on peak at what  
6 time during -- as I recall it was a situation where the  
7 cost of new generation had declined from the time when  
8 those credits were first established.

9 MR. OCHSHORN: I don't mean to interrupt, but the  
10 whole basis for taking people who use less than 600  
11 kilowatts a month out of the credit program was that  
12 they weren't making as much contributions to peak as the  
13 higher-use ones.

14 COMMISSIONER GARCIA: That was the central argument  
15 that the company proposed to us.

16 CHAIRMAN CLARK: Well, Commissioner Garcia, I guess  
17 my concern is sort of blending two goals into a program  
18 such that neither goal is met. It seems to me if we  
19 want to go the route of pursuing it as conservation,  
20 than it throws into question all the other conservation  
21 plans we have and how that impacts them. And we have to  
22 sort of reopen that door and relook at it.

23 Now -- and it -- the concern was raised as to  
24 whether or not it assists those in the low income in  
25 terms of conservation. I also have a concern about if

1 we are -- if it's for purposes of assisting low income,  
2 that would be preferable, it seems to me, to do targeted  
3 like we do in the telephones, so that we make sure that  
4 those people that need the assistance are getting the  
5 assistance. Because I certainly don't think it's -- it  
6 shouldn't be a goal to assist those people who maintain  
7 two homes. Surely they don't need assistance.

8 COMMISSIONER GARCIA: Madam Chairman, I agree with  
9 you. I don't think that I have a disagreement on what  
10 you're stating. I just think that they're both things  
11 that I think we should be looking at.

12 I also -- I also know that clearly this Commission  
13 in the past has tried to -- in fact has publicly stated  
14 as a part of the policy that we do not get into lifeline  
15 rates in the electric area. And we have not done it in  
16 the past.

17 But there are all sorts of things that we are  
18 looking at as a commission because of the changing  
19 electric market. But I think this Commission also has a  
20 responsibility to perhaps look at that again.

21 So I think that a lot of good points have been  
22 made. And I would certainly like to see a little bit  
23 more incentive, because I believe that perhaps we should  
24 get into that area, perhaps because of the coming  
25 competition. I give you the example of conservation and

1           how -- how those people like LEAF look at the  
2           competitive industry in terms of how that is going to  
3           affect them.

4                   Clearly some of the programs we have will not  
5           survive a competitive industry. Well the same thing I  
6           think can be said about the residential. I don't think  
7           that any of the power marketers that are out there are  
8           looking to serve as a central issue the residential  
9           customer in our state.

10                   And I think that that is -- that is probably the  
11           person or the entity that is least going to benefit.  
12           And I think that part of our job in the near -- in the  
13           near term is perhaps to guarantee that that lower  
14           segment of the market doesn't get left behind.

15                   And I think we have done that in the phone industry  
16           because of lifeline rates and other things that were  
17           protected by actions not only of the legislature, but of  
18           this Commission. And so perhaps in an effort to avoid  
19           losing that lower strata that is not the -- what is  
20           driving the competitive -- the competitive nature of the  
21           electric industry at this point, we should be looking at  
22           that, because someone has to keep an eye on that lower  
23           segment.

24                   And that lower segment, I think some of the charts  
25           here today show, are paying more -- the customer charge



1 is a perfect example -- are paying more than their  
2 share. because the kilowatt hour is more expensive at  
3 the lower end. There is justification. I think the  
4 companies put it out there. But nonetheless they are  
5 paying more per kilowatt hour than those who use more  
6 electricity. So these are all issues --

7 CHAIRMAN CLARK: They're not paying more per  
8 kilowatt hour.

9 COMMISSIONER GARCIA: If you break it up into  
10 kilowatt hour, yes, they are --

11 CHAIRMAN CLARK: If you include the customer  
12 charge, if you exclude what is a fixed cost to serve  
13 those customers --

14 COMMISSIONER GARCIA: I think we all understood  
15 that. My statement is in terms of what they overall  
16 pay. Likewise when you consider that -- and I guess  
17 they can correct me if I'm wrong -- just in the plan  
18 that staff submitted, somewhere about 67 percent of the  
19 users of electricity would benefit under this change,  
20 clearly stating that there is a -- there is a minority  
21 that is using more than the -- than -- what was the  
22 number we used as a break-off? Was it 1,000 as the  
23 break-off?

24 Regardless, a majority of people would benefit from  
25 this system. And clearly, while perhaps this may not be

1 the solution precisely, I think we -- it deserves to be  
2 looked at and perhaps adjusted in some way so that we  
3 begin to look at the social context involved in this.

4 I'm not saying we should be out there making social  
5 policy. But I certainly know that when -- in all the  
6 lectures and in all the participation that I've looked  
7 at at the competitive models that are out there, we're  
8 not talking about -- about the guy who uses 500 or 1,000  
9 kilowatts a month.

10 And perhaps, as we look at this competitive  
11 industry, this is -- this is something we have to also  
12 look at. We have to look at establishing basic  
13 frameworks on the bottom end just like we did in the  
14 phone industry so you protect that basic customer that  
15 is not the -- the prize as it would be in providing  
16 electricity.

17 COMMISSIONER DEASON: Well let me say that I think  
18 that the driving force behind a rate structure should be  
19 the cost of providing the service. That's just my own  
20 personal philosophy. Now if it can be shown for some  
21 good reason we should deviate, fine. But I think it's a  
22 pretty big hurdle to jump, but perhaps that hurdle can  
23 be jumped.

24 And I think that with the discussions of going to a  
25 competitive market, and it may be years and years away,

1 most likely will be years and years away, that it's even  
2 more imperative that rates be based upon costs to give  
3 the right economic signals to the market so the market  
4 can function most efficiently.

5 Now I know that there is some discrepancies and  
6 differences between embedded costs and marginal costs,  
7 and markets operate on marginal costs, and that's a  
8 whole stranded investment issue. And hopefully we're  
9 going to have enough time that perhaps stranded  
10 investment can be minimized during this interim period.  
11 In fact I think our utilities are taking steps to try to  
12 do that now.

13 But I certainly don't want to curtail any effort to  
14 look more deeply into an issue. I mean there is things  
15 that I perhaps would like to look at more deeply that  
16 other commissioners are comfortable with that I would  
17 like to see a change in. And I'm not naming anything in  
18 particular.

19 But I'm sure that comes to us all the time. I'm --  
20 what I'm telling you is -- I'm being very up front -- I  
21 think the system that we have now works very well. And  
22 unless I can be shown in very strong terms why we need a  
23 deviation, I'm not inclined to do so at this point.

24 But that's not to say that I have a closed mind,  
25 and I don't want to look at it any further. But that's



1 basically where I am on the issue.

2 COMMISSIONER KIESLING: Well let me say where I  
3 am. And I think it's somewhat similar to Commissioner  
4 Deason as it relates to at least the electric industry.  
5 I don't know what more we need to do beyond this  
6 workshop. You know, there may be some areas that could  
7 stand some more look.

8 But when I look at setting priorities, it doesn't  
9 fall high on my priority list of where I think staff  
10 needs to be expending their energy right now. I think  
11 that there may come a point in time, you know, in the  
12 next several years where we may want to revisit this.  
13 But I don't see it as being a critical area for another  
14 look or for more research at this time.

15 CHAIRMAN CLARK: Commissioner Garcia, let me see if  
16 you would be amenable to sort of incorporating this in  
17 whatever review and study we give to the changing  
18 structure of the electric industry, that that always --  
19 that the impact on low-income customers, and also on the  
20 impact on our conservation program, be part of what we  
21 consider when we're looking at what's taking place in  
22 the electric industry and what response we would need to  
23 take, so that we accomplish some of the things you're  
24 suggesting.

25 But it would just be part of our overall

1 consciousness as we look at those -- that change.

2 COMMISSIONER GARCIA: I would find that to be very  
3 agreeable. I think that would be a very good step.

4 CHAIRMAN CLARK: All right. And to the extent  
5 you're concerned that we're not looking at it, and I  
6 know you will talk to staff and remind them that we need  
7 to look at it. And, Commissioners, we did have our one  
8 forum, and there were a lot of issues that came up  
9 there. And one of them was the impact on conservation.  
10 We will be having the other forums, unfortunately  
11 they're on Fridays, like before we go into NARUC, and  
12 the timing isn't great.

13 But certainly when you go to NARUC and some of  
14 those programs, you will be picking up more information  
15 on those issues. And we would just -- that's just one  
16 facet of what's happening in the electric industry that  
17 we need to pay attention to.

18 COMMISSIONER JOHNSON: Are you suggesting that in  
19 the broader forum the issue that was mainly discussed by  
20 Melinda Butler, that being whether or not there is some  
21 equivalent lifeline link-up program for electric  
22 utilities, how it would apply, what the impact would be,  
23 who would pay what, I know that at least with respect to  
24 lifeline and link-up, where as I recall in the  
25 telecommunications industry, the concept started off on

1 the national level, and it was through the National  
2 Universal Service Fund, and not some intrastate funding  
3 mechanism, but it appears that perhaps what we're  
4 talking about here would go straight to intrastate  
5 funding mechanisms.

6 Those are the kinds of issues that I would like to  
7 at least see pursued. In my mind the inverted rate  
8 structure on its face is -- although it could help those  
9 low-income users that use less than 800 kWh -- did I  
10 invert that? Did I say that right?

11 CHAIRMAN CLARK: kWh.

12 COMMISSIONER JOHNSON: Yeah, kWh. -- I'm concerned  
13 about, because I don't have the statistical information,  
14 how many low-income users fall below that point. To  
15 the extent that's what we were trying to do, have we  
16 really focused on the issue. To the extent that there  
17 is something that we're trying to do specifically for  
18 low-income customers, than I think we need to hit that  
19 issue directly and develop policy or not develop policy,  
20 but in a very direct way.

21 So I would like to see the issue explored through  
22 whatever proceedings we might have. And with respect to  
23 this as a general conservation mechanism, I was  
24 concerned by some of the issues that LEAF raised as to  
25 what impact it would have on the other DMS (sic)



1 programs that we already have in place. And I would  
2 like to see that explored before I would want to proceed  
3 with this kind of rate structure.

4 CHAIRMAN CLARK: I'm trying to think if the  
5 Schaeffer bill had anything on that. But I think the  
6 concern is that should competition at the retail level  
7 develop, than those least able to choose will be visited  
8 with higher rates.

9 And I think that -- that's a concern of everyone  
10 who is looking at it, how you address those so-called  
11 capped customers and what impact it will have on low  
12 income. But I'm not sure there is anything specific in  
13 the Schaeffer bill. I will say that I find the  
14 Schaeffer bill somewhat confusing because it says it has  
15 no mandates, but than it says if the state doesn't make  
16 a choice within six months, than the federal government  
17 will.

18 So it sounds like a mandate to me. But it's a not  
19 very clear piece of legislation, so I'm not clear what  
20 impact it would have.

21 COMMISSIONER KIESLING: Let me say I certainly have  
22 the same concerns that Commissioner Johnson and  
23 Commissioner Garcia have expressed. One of my concerns  
24 though, however, with the low income electric customers  
25 is that it seems to me we need to be looking at programs

1 that will help them reduce their consumption rather than  
2 looking at something that will help them cover their  
3 basic bills, because, you know, they are the ones who  
4 can least afford energy-saving fixtures and appliances  
5 and weather stripping and all the other whole range of  
6 things that can help cut consumption.

7 And unless we help them cut their consumption, it's  
8 just going to be an ongoing program of helping them pay  
9 their bills, which is -- I don't see that as a positive  
10 direction if that's all we're doing.

11 COMMISSIONER JOHNSON: I think you raise an  
12 excellent point, and I know the programs that Ben  
13 mentioned with respect to what DCA does and the  
14 weatherization and Florida Fix and those kind of things  
15 are designed to address those kinds of issues. So at  
16 least we know those avenues are out there. And that's  
17 somewhat helpful.

18 The LIHEAP program, I always considered that sort  
19 of a lifeline link-up type of a program in terms of  
20 providing funds for -- I guess than it would be direct  
21 monetary amounts to help those customers pay their  
22 bills. But right now I would have to refresh my  
23 recollection, because I'm not sure of how effective  
24 those programs were and what we do -- that money comes  
25 directly from our Florida utilities, or does it come

1 from a federal funding pot?

2 MF. OCHSHORN: Entirely from the federal  
3 government.

4 COMMISSIONER JOHNSON: Okay. But I agree with you,  
5 what you're saying, Commissioner Kiesling, that is the  
6 proper focus and should be a primary focus.

7 CHAIRMAN CLARK: Anything else? With that we will  
8 adjourn the workshop. Thank you all for coming.

9 (The proceedings were adjourned at 2:40 p.m.)  
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1 STATE OF FLORIDA)

CERTIFICATE OF REPORTER

2 COUNTY OF LEON )

3 I, SARAH B. GILROY, CP, RPR,

4 DO HEREBY CERTIFY that the Commission Workshop was  
5 heard by the Florida Public Service Commission at the time and  
6 place herein stated; it is further

7 CERTIFIED that I stenographically reported the said  
8 proceedings; that the same has been transcribed under my direct  
9 supervision; and that this transcript, consisting of 112 pages,  
10 constitutes a true transcription of my notes of said  
11 proceedings.

12 DATED this 23rd day of August, 1996.

13 Sarah B. Gilroy  
14 Notary Public, State of Florida  
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