

FLORIDA PUBLIC SERVICE COMMISSION
Capital Circle Office Center • 2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

M E M O R A N D U M

SEPTEMBER 26, 1996

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF ELECTRIC & GAS (DRAPER) EJD ^{CR}
DIVISION OF LEGAL SERVICES (WAGNER) LW RVE JDJ

RE: DOCKET NO. 961106-EM - PETITION FOR APPROVAL OF REVISED
RATE SCHEDULES, NEW INTERRUPTIBLE/CURTAILABLE SERVICE
RIDER, AND NEW OPTIONAL RETAINED, EXPANDED, OR ATTRACTED
LOAD SERVICE RIDER BY THE CITY OF GAINESVILLE

AGENDA: OCTOBER 8, 1996 - REGULAR AGENDA - TARIFF FILING -
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\EAG\WP\961106EM.RCM

CASE BACKGROUND

On August 26, 1996, Gainesville Regional Utilities (GRU) filed a petition for revised service charges, revised electric rates for all classes, a new optional interruptible-curtailable service rider, and a new optional retained, expanded, or attracted load service rider. The tariff filing is supported by a cost of service study.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve GRU's new optional retained, expanded, or attracted load service rider (Rider)?

RECOMMENDATION: Yes.

STAFF ANALYSIS: This optional rate allows GRU to offer discounted rates to commercial customers who are determined by GRU to be either retained, expanded, or attracted load. Existing customers qualifying under load retention must have greater than 50 kW of maximum monthly billing demand. Existing customers qualifying under expanded load must add all least 100 kW of additional load. New customers must have at least 100 kW of load. In order to be

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eligible for the rider, a customer must demonstrate to GRU's satisfaction that it has a viable economic alternative to taking service from GRU. The Strategic Planning Department will evaluate a customer's application for service under the rider and the General Manager for Utilities will make the final determination whether offering this rider to a particular customer is in the best interest of the City of Gainesville. After agreeing on the negotiated price the customer will execute a contract with the City of Gainesville.

The contract shall be for a minimum of ten years. A discount will be granted only for the first four years of the contract life and can be individually negotiated for each of the four years. After the first four years the customer will return to the otherwise applicable rate schedule. The discount will never exceed 13 percent of base rates (customer, energy, and demand charge). GRU currently transfers 14.65 percent of gross revenue from base rates to the City's General Fund. Limiting the discount to 13 percent or less assures that there will always be some level of benefit to the City's General Fund.

Staff recommends approval because GRU is not proposing to recover any shortfalls from the rest of the GRU's ratepayers (as discussed in Issue 3 GRU is proposing to lower rates to all ratepayers), and any shortfalls will be reflected as a reduction in the City's General Fund over which the Commission has no jurisdiction.

Staff remains concerned over the issue of whether a utility and/or the Commission can accurately determine if a commercial/industrial customer is "at-risk" of leaving or not locating in the utility's system. The Commission has discussed this issue at length in Docket Nos. 951161-EI and 960789-EI, Gulf's petition for Commercial/Industrial Service Rider. In GRU's case, however, staff sees less harm to the ratepayers should the utility inaccurately identify an "at-risk" customer, since the revenue shortfall comes from the City's General Fund and not the utility itself. Furthermore, the Commission has limited jurisdiction in reviewing a contract between a municipality and a customer.

The Gainesville City Commission has not approved this rider yet. Therefore, staff requests permission to administratively approve tariff sheets Nos. 6.12 - 6.12.1 upon approval by the City Commission.

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ISSUE 2: Should the Commission approve GRU's new optional interruptible-curtable service rider (IS/CS Rider)?

RECOMMENDATION: Yes.

STAFF ANALYSIS: GRU filed its new optional IS/CS Rider as one rate schedule as opposed to having a separate tariff for the IS and for the CS rate schedule as most utilities do. Customers must have a minimum monthly billing demand of 1,000 kW to qualify. The customer shall contract for a minimum of ten years. A three-year notice provision is required to discontinue service and return to a firm rate schedule. If the customer contracts for interruptible service, all his load is subject to interruption; under the curtable service the customer specifies a non-curtable demand, i.e., a portion of the customer's load is not subject to interruption. If the customer, upon request by GRU, fails to curtail its demand, he will be subject to a penalty.

The tariff provides that a customer is subject to interruption/curtailment when GRU is required to maintain service to its or another utilities firm load obligations, and when the price of power available to GRU from other sources exceeds \$0.15 per kWh. Interrupting or curtailing for economic reasons is normally not done by the investor-owned utilities.

The credit has been developed based on avoided production plant cost. The credit for either IS or CS service is \$1.25 per kW, which is somewhat less than avoided cost. To make no distinction in the amount of credit received by an IS or CS customer is unusual. Florida Power Corporation, for example, also developed its non-firm rates on an avoided cost basis. The CS credit, however, is less than the IS credit. A higher IS credit reflects the fact that the customer will be interrupted at times of capacity shortfall. A CS customer may or may not curtail its demand at times of capacity shortfall. Staff discussed this concern with GRU, but the utility chooses not to modify its proposed tariff at this time.

GRU's customer base is 87 percent residential and only a few customers are large enough to qualify for this rider. In addition, since the credit is less than avoided cost, GRU and staff do not expect many customers to apply for service under this rate.

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ISSUE 3: Should the Commission approve GRU's revised service charges and revised rate schedules?

RECOMMENDATION: Yes.

STAFF ANALYSIS: The service charges are in line with service charges currently approved for the investor-owned utilities and appear reasonable.

GRU also proposed to lower the energy and demand charges for its Residential, Residential Time-of-Use, General Service Non-Demand, General Service-Demand, Large Power Service, and Transmission Service class. These revisions became effective October 1, 1996. The proposed rates result in an overall decrease in annual revenues of \$2,330,223. The cost of service study submitted to support the proposed rates appears to use reasonable cost allocators. In addition, the proposed revisions improve GRU's rate structure.

ISSUE 4: Should this docket be closed?

RECOMMENDATION: Yes. If a protest is filed within 21 days from the issuance date of the order, the tariff should remain in effect, pending resolution of the protest. If no timely protest is filed, this docket should be closed.

STAFF ANALYSIS: At the conclusion of the protest period, if no protest is filed, this docket should be closed.