

FLORIDA PUBLIC SERVICE COMMISSION
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Tallahassee, Florida 32399-0850

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RECEIVED

September 11, 1997

SEP 11 1997
12:10
FPSC - Records/Reporting

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

FROM: DIVISION OF LEGAL SERVICES (KEATING) *NEW*
DIVISION OF ELECTRIC & GAS (TEW) **J RVE J05*

RE: DOCKET NO. 970640-EU - PETITION FOR APPROVAL OF SALE OF FACILITIES AND TRANSFER OF CUSTOMERS FROM GLADES ELECTRIC COOPERATIVE, INC. TO FLORIDA POWER CORPORATION.

AGENDA: 09/23/97 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\LEG\WP\970640.RCM

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission grant the Petition for Approval of the Transfer of Customers and Sale of Facilities from Glades Electric Cooperative, Inc. to Florida Power Corporation?

RECOMMENDATION: Yes. The Petition for Approval of the Transfer of Customers and Sale of Facilities from Glades Electric Cooperative, Inc. to Florida Power Corporation should be granted. The proposed transfer of customers and facilities is in the public interest. The utilities have agreed to notify the Commission's Division of Electric and Gas upon completion of the transfer of all affected customers.

STAFF ANALYSIS: On May 29, 1997, Florida Power Corporation (FPC) and Glades Electric Cooperative, Inc. (Glades) filed a Petition for Approval of the Transfer of Customers and Sale of Facilities from Glades to FPC (the Petition). The purpose of the agreement is to carry out the intent of a 1987 territorial agreement between Glades and a former municipal utility that operated as the Sebring Utilities Commission (Sebring), which was approved by the Commission in Order No. 18028, issued August 24, 1987. Within Section 6 of the 1987 agreement, Glades and Sebring agreed to use reasonable efforts to eliminate service by one utility in the service area of the other utility.

DOCUMENT NUMBER-DATE

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Since Commission approval of the 1987 agreement, FPC has purchased all of Sebring's distribution facilities and has been assigned all of Sebring's rights and responsibilities under the 1987 territorial agreement. The Commission approved Sebring's assignment of its territorial agreement with Glades to FPC in Order No. PSC-92-1468-FOF-EU, issued December 17, 1992. As a result, FPC became responsible, along with Glades, for carrying out the intent of the 1987 agreement. The Petition seeks to clean up the territorial boundary delineated by the Commission-approved 1987 territorial agreement.

Exhibit B to the Petition identifies 22 Glades customer accounts (17 residential and five commercial) which are anticipated to be transferred to FPC by the end of 1997. Until the proposed transfers are completed, Glades may continue to serve these customers. The companies have agreed to notify the Commission's Division of Electric and Gas upon completion of the transfer of all customers listed in Exhibit B.

The parties jointly sent two form letters to the affected customers. The first letter, dated October 20, 1995, informed the customers that their service would be transferred to FPC before the end of 1995. This letter also informed the customers of the difference in rates between the utilities for their class of service and included telephone numbers of company contacts. Glades indicated that it received two telephone responses to the letter in which the callers simply requested information regarding the transfer and expressed no opinion. Because those customers were never transferred in 1995, the parties jointly sent a second form letter, dated September 10, 1997, to the affected customers. This letter informed the customers that their service would be transferred to FPC before the end of this year. It also included a revised comparison of the parties' rates and telephone numbers of company contacts. Comments from the affected customers were requested by September 20, 1997. At the September 23, 1997, agenda conference, staff will inform the Commission of any customer comments received by the companies in response to this letter.

For Glades customers with deposits held by Glades at the time of their transfer to FPC, Glades will apply those deposits toward payment of the transferring customers' final bills, with any excess refunded to the customers. FPC has indicated that, upon transfer to FPC, affected customers will be charged a deposit no greater than the deposit previously charged by Glades. In fact, FPC will waive the customer deposit altogether for transferring customers who have favorable credit histories. The parties' treatment of customer deposits will ensure that transferred customers suffer no hardship due to the different deposit

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requirements of each utility. The capital credits associated with the customers transferring from Glades to FPC will be returned on the normal return cycle as general retirements occur.

FPC has agreed to pay Glades \$114,080.46 as compensation for the transferred facilities and for the lost revenue associated with the transferred customers. This amount was based on the replacement cost less depreciation for the transferred facilities in addition to one-time annual revenue for the transferred customers.

The boundary approved in Order No. 18028 will remain in effect until December 31, 2007. Each utility confirmed that upon completion of the transfers, all electric facilities used to serve its retail customers will be located wholly within its respective service area as defined in the 1987 agreement.

Staff recommends that the Petition for Approval of the Transfer of Customers and Sale of Facilities from Glades Electric Cooperative, Inc. to Florida Power Corporation should be granted as discussed in this recommendation. The Petition is consistent with the intent of the 1987 territorial agreement approved by the Commission in Order No. 18028 to use reasonable efforts to eliminate service by one utility in the service area of the other utility. The Petition is in the public interest and is consistent with the Commission's goal to eliminate all existing and potential uneconomic duplication of electrical facilities in the State of Florida.

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. If no person whose substantial interests are affected by the Commission's proposed agency action files a protest within 21 days of the order, this docket should be closed.

STAFF ANALYSIS: If no person whose substantial interests are affected by the Commission's proposed agency action files a request for hearing within 21 days of the order, no further action will be required and this docket should be closed.