

FLORIDA PUBLIC SERVICE COMMISSION
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OCTOBER 23, 1997

TO : DIRECTOR OF RECORDS AND REPORTING (BAYO)

FROM : DIVISION OF ELECTRIC AND GAS (DRAPER) ^{EID}
DIVISION OF LEGAL SERVICES (JAYE) ^{MSY} RVE ^{only} JDS

RE : DOCKET NO. ~~971210~~-EM - PETITION FOR APPROVAL OF NEW
BUSINESS PARTNERS RATE DISCOUNT RIDER BY GAINESVILLE
REGIONAL UTILITIES/CITY OF GAINESVILLE

AGENDA: NOVEMBER 4, 1997 - REGULAR AGENDA - TARIFF FILING -
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\EAG\WP\971210EM.RCM

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve the City of Gainesville's new optional Business Partners Rate Discount Rider?

RECOMMENDATION: Yes, the Business Partners Rate Discount Rider should be approved with an effective date of November 1, 1997.

STAFF ANALYSIS: On September 2, 1997 the City of Gainesville (Gainesville) filed a new optional Business Partners Rate Discount Rider (Rider). The Rider is available to those customers who qualify for service under the General Service (GS), General Service Demand (GSD), Large Power (LP), or Transmission (T) rate schedules. Customers under the GS or GSD rate will receive a 7 percent discount on their electric bill in exchange for a ten-year contract with Gainesville. Customers under the LP or T rate will receive a 10 percent discount on their electric bill in exchange for a ten-year contract with Gainesville.

This Rider represents Gainesville's second proposal for a discounted rate offering. On July 14, 1997, the Commission approved Gainesville's optional Retained, Expanded, or Attracted Load Service Rider (load service rider). Order PSC-97-0845-FOF-EM, issued July 14, 1997. To be eligible for the load service rider customers must demonstrate a documentable alternative source of electricity. Gainesville has indicated that to this date no

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customer has contacted Gainesville to take service under the load service rider. Gainesville believes that this is due to the fact that no commercial customer is considering moving into the Gainesville area or is at-risk of leaving Gainesville. Therefore Gainesville proposed this Rider which requires no showing that a customer has an alternative to taking service from Gainesville to qualify for the discount. All customers under the GD, GSD, LP, and T rate qualify. The Commission recently approved similar riders for the City of Jacksonville, where a discounted rate is offered to entire classes of customers.

Gainesville filed a cost-of-service study and other supporting documentation to support its rate reductions. The cost-of-service-study supports a rate reduction for the large commercial GSD and LP class. While Gainesville could have offered the rate reduction without the requirement for the customer to sign a ten-year contract, part of the purpose of the discount is to retain load which could be subject to competition at some future date. Gainesville maintains that retaining commercial load through requiring long term contracts benefits all ratepayers by avoiding future rate increases and providing revenue stability.

Although the cost study indicates a small increase in rates for the GS class is needed, Gainesville does not believe it is appropriate to offer large commercial customers rate discounts without offering similar savings to small commercial customers. Staff agrees that all customers should benefit from measures intended to address competition. Since no class is being harmed by the discounts, Staff recommends that the contract rates be approved for all commercial classes.

ISSUE 2: Should the Commission approve Gainesville's proposed residential rates?

RECOMMENDATION: Yes. The residential tariff sheets Nos. 6.5 and 6.6 should be approved with an effective date of October 1, 1997.

STAFF ANALYSIS: Gainesville proposes to lower its residential (RS) rates by 0.5 percent, or \$0.0004 per kWh. Gainesville has an inverted block rate, and the rate reduction will be applied entirely to the lower consumption block (1-750 kWh per month). The higher consumption block will remain unchanged. Gainesville also proposes to lower the on-peak and off-peak energy charge of its optional Time-of-Use Residential Service.

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The cost-of-service study does not support a reduction in the RS rate. The proposed reductions will result in an additional projected annual revenue loss of \$279,679. However, Gainesville supports the reduction for two main reasons. First, from an equity standpoint, Gainesville believes that offering commercial customers reduced rates while offering no relief to residential customers is not appropriate. Second, Gainesville intends to offset the loss by moderating its increases in operating costs and through withdrawals from its Electric System's Rate Stabilization Fund (RSF). The RSF was authorized and initiated by the City in 1983. It was designed to mitigate the rate shock that could result from unanticipated revenue shortfalls or cost increases and currently stands at \$17 million. Since its implementation, the RSF has increased more than anticipated since few withdrawals have been necessary.

The proposal to lower just the initial block of the rate was in response to a customer's request to the City Commission to implement lifeline rates. After researching the feasibility of lifeline rates, Gainesville concluded that it can satisfy the customer's concerns by applying the rate reduction entirely to the lower consumption block, thus benefitting low usage customers.

Staff's recommendation to approve the proposed reduction in RS rates is based primarily on the fact that the revenue shortfall will be offset by withdrawals from the RSF and not from other electric customer classes. Staff also agrees with Gainesville that the residential customers should not be forgotten when utilities respond to competitive pressures in the commercial sector. Staff therefore recommends approval of the reduction in the RS rate.

ISSUE 3: Should this docket be closed?

RECOMMENDATION: Yes. If no timely protest is filed, this docket should be closed.

STAFF ANALYSIS: 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.