

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of
new Business Partners Rate
Discount Rider by Gainesville
Regional Utilities/City of
Gainesville.

DOCKET NO. 971210-EM
ORDER NO. PSC-97-1502-FOF-EM
ISSUED: November 25, 1997

The following Commissioners participated in the disposition of
this matter:

JULIA L. JOHNSON, Chairman
J. TERRY DEASON
SUSAN F. CLARK
DIANE K. KIESLING
JOE GARCIA

ORDER GRANTING PETITION FOR APPROVAL OF BUSINESS PARTNERS RATE
DISCOUNT RIDER AND RESIDENTIAL RATE REDUCTION

BY THE COMMISSION:

On September 2, 1997 the City of Gainesville (Gainesville) submitted 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, this Commission approved Gainesville's optional Retained, Expanded, or Attracted Load Service Rider (load service rider) in Order No. PSC-97-0845-FOF-EM. 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 customer has contacted Gainesville to take service under the load service rider. Gainesville believes that this is because no commercial customer is considering moving into the Gainesville area or is at risk of

DOCUMENT NUMBER-DATE
12115 NOV 25 97
FPSC REPORTS REPORTING

leaving Gainesville. Therefore, Gainesville proposed this Business Partners Rate Discount Rider which does not require a customer have an alternative source of electricity to qualify for the discount. All customers under the GD, GSD, LP, and T rate qualify. We 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 documentation to justify 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. We agree that all customers should benefit from measures intended to address competition. Because no class is being harmed by the discounts, we find that the contract rates should be approved for all commercial classes.

In addition, we approve the residential tariff sheets Nos. 6.5 and 6.6 with an effective date of October 1, 1997. 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.

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 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

ORDER NO. PSC-97-1502-FOF-EM
DOCKET NO. 971210-EM
PAGE 3

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.

We approve the proposed reduction in RS rates primarily because the revenue shortfall will be offset by withdrawals from the RSF and not from other electric customer classes. We also agree with Gainesville that the residential customers should not be forgotten when utilities respond to competitive pressures in the commercial sector. We therefore approve of the reduction in the RS rate.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the City of Gainesville's new optional Business Partners Discount Rider is approved with an effective date of November 1, 1997. It is further

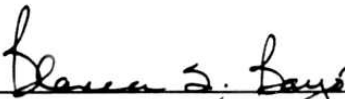
ORDERED that the reduction in residential service rates proposed by the City of Gainesville is approved. It is further

ORDERED that if no protest is filed within 21 days from the issuance date of the order, the tariff should remain in effect, pending resolution of the protest. It is further

ORDERED that in the event this Order becomes final, this Docket shall be closed.

ORDER NO. PSC-97-1502-FOF-EM
DOCKET NO. 971210-EM
PAGE 4

By ORDER of the Florida Public Service Commission this 25th
day of November, 1997.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

GAJ

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the action proposed files a petition for a formal proceeding, as provided by Rule 25-22.036(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a)(d) and (e), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on December 16, 1997.

ORDER NO. PSC-97-1502-FOF-EM
DOCKET NO. 971210-EM
PAGE 5

In the absence of such a petition, this Order shall become final on the day subsequent to the above date.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this Order becomes final on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the date this Order becomes final, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.