

State of 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-**

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COMMISSION  
CLERK

**DATE:** MAY 8, 2003

**TO:** DIRECTOR, DIVISION OF THE COMMISSION CLERK &  
ADMINISTRATIVE SERVICES (BAYÓ)

**FROM:** DIVISION OF ECONOMIC REGULATION (BAXTER) *DPW*  
OFFICE OF THE GENERAL COUNSEL (Vining) *REV. WATTS TO*

**RE:** DOCKET NO. 030315-EI - PETITION FOR APPROVAL OF PROPOSED  
REVISION TO TARIFF SHEET NOS. 6.050 AND 6.052 TO EXPAND  
APPLICATION OF CURRENT RESIDENTIAL BUDGET BILLING PROGRAM  
TO CUSTOMERS SERVED UNDER GS-1 RATE ON EXPERIMENTAL BASIS,  
BY FLORIDA POWER & LIGHT COMPANY.

**AGENDA:** 05/20/03 - REGULAR AGENDA - TARIFF FILING - INTERESTED  
PERSONS MAY PARTICIPATE

**CRITICAL DATES:** 60-DAY SUSPENSION DATE: 06/03/03

**SPECIAL INSTRUCTIONS:** NONE

**FILE NAME AND LOCATION:** S:\PSC\ECR\WP\030315.RCM

CASE BACKGROUND

On April 4, 2003, Florida Power and Light Company (FPL) filed a Petition For Approval of an Experimental Program Expanding Optional Budget Billing to General Service - Non Demand (GS-1) Customers. The Commission has jurisdiction under Section 366.06(1) and Section 366.075, Florida Statutes.

DOCUMENT NUMBER-DATE

04142 MAY-73

FPSC-COMMISSION CLERK

**DISCUSSION OF ISSUES**

**ISSUE 1:** Should the Commission approve FPL's Experimental Program expanding optional budget billing to its GS-1 Customers?

**RECOMMENDATION:** Yes. FPL should provide a report to the Commission staff on the results of the Pilot Program including the participation rate of the program and the effect on bad debt no later than the fourth quarter of 2004. (BAXTER)

**STAFF ANALYSIS:** Currently, budget billing is available only to FPL's residential customers. FPL has proposed an experimental pilot program to also make budget billing available to its GS-1 customers. The GS-1 rate is applicable to small commercial customers whose maximum monthly demands do not exceed 20 kilowatts.

**Existing Budget Billing Program**

FPL's existing budget billing program resulted from Order No. 10047, issued June 5, 1981, in Docket No. 800110-EU, which directed all Florida investor-owned utilities to initiate budget billing programs for residential customers. Order No. 10759, issued April 29, 1982, in Docket No. 800110-EU established the guidelines to be followed in developing the budget billing programs. Pursuant to Order No. 10759, FPL's program has been in effect since July 6, 1982, and was modified in 1993 (See Order No. PSC-93-0452-FOF-EI, issued March 24, 1993, in Docket No. 930203-EI).

Budget billing is a program that seeks to reduce the variations in monthly bills that result from seasonal fluctuations in the usage of electricity. This leveling of the bill allows customers to more easily budget their electricity expenses. Under FPL's residential budget billing program, the customer is billed based upon an average of the current month's kWh usage and the previous eleven months' usage, rather than being billed for actual monthly usage. If this information is not available, the average is based on the monthly usage available for the current tenant and the former tenant within the previous year.

The amount billed using the average method is subtracted from the amount which would have been billed based on actual usage. The difference is credited to a deferred balance account which maintains a running total of over- and under-collection. One twelfth of this deferred balance is added to the billed amount.

Budget billing is available to any residential customer who does not have a delinquent balance. In response to staff inquiries, FPL stated that 6.5% of its residential customers currently participate in the budget billing program.

**Proposed GS-1 Budget Billing Pilot Program**

FPL seeks to expand the budget billing option to include its GS-1 customers under an experimental pilot program. The program would be available to 10,000 GS-1 Rate customers on a first-come first-served basis, beginning on June 1, 2003 and running through December 31, 2004. FPL stated that it has a total of 357,806 GS-1 customers as of March 2003, which means the pilot program would be available to about 2.7% of its total GS-1 customers.

In response to staff inquiries, FPL stated that it decided to implement the pilot program in response to the wishes of its customers to have more options in managing their electric bills. FPL has proposed to offer GS-1 Budget Billing as an experimental pilot program (in lieu of a permanent program available to all GS-1 customers) due to bad debt concerns. Because budget billing can result in the accrual of deferred billing balances, FPL is concerned that expanding its availability may result in increased bad debt expenses. Offering the program on a limited pilot basis will allow FPL to gauge its impact on bad debt without significant financial exposure.

In addition, FPL has proposed one new eligibility requirement that differs from the requirements of the residential program. While residential customers are eligible at any time, GS-1 customers are only eligible if they have had service at their location for at least 12 months. This is due to the greater variability of usage patterns among GS customers as compared to residential customers.

**Recommendation**

Based upon its review of the petition, staff recommends approval of the experimental pilot optional budget billing program. Participation in the program is voluntary, and will provide some of FPL's small business customers with the benefits of budget billing that are currently enjoyed by its residential customers. FPL should provide a report to the Commission staff on the results of the Pilot Program including the participation rate of the

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program and the effect on bad debt no later than the fourth quarter of 2004.

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**ISSUE 2:** Should this docket be closed?

**RECOMMENDATION:** Yes. If Issue 1 is approved, the revised Tariff Sheet No. 6.050 and the original Tariff Sheet No. 6.052 should become effective on May 20, 2003. If a protest is filed within 21 days of the issuance of the order, these tariffs should remain in effect with any increase held subject to refund pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (VINING)

**STAFF ANALYSIS:** If Issue 1 is approved, the revised Tariff Sheet No. 6.050 and the original Tariff Sheet No. 6.052 should become effective on May 20, 2003. If a protest is filed within 21 days of the issuance of the order, these tariffs should remain in effect with any increase held subject to refund pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.