

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-

COMMISSION
CLERK

02 FEB 23 AM 9:11

RECEIVED-FPSC

DATE: February 23, 2006

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Division of Economic Regulation (Draper) *EJD*
Office of the General Counsel (Fleming) *Vernead* *JDS* *BS*

RE: Docket No. 060107-EI – Petition for approval to replace optional average billing plan with an optional budget billing program for residential customers by Florida Public Utilities Company.

AGENDA: 03/07/06 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All

PREHEARING OFFICER: Administrative

CRITICAL DATES: 03/24/06 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\060107.RCM.DOC

Case Background

On January 23, 2006, Florida Public Utilities Company (FPUC) filed a petition for approval to replace its optional average billing plan with an optional budget billing program for residential customers. The Commission has jurisdiction under Sections 366.06(1) and 366.075, Florida Statutes.

DOCUMENT NUMBER-DATE

01563 FEB 23 06

FPSC-COMMISSION CLERK

Discussion of Issues

Issue 1: Should the Commission approve FPUC's proposed revisions to its optional budget billing program for residential customers?

Recommendation: Yes. (Draper)

Staff Analysis: FPUC has proposed to replace its optional average billing plan with an optional budget billing program for residential customers. Both FPUC's current and proposed budget billing programs for residential customers are similar. FPUC's proposal includes revisions to the terms and conditions of its budget billing program. In addition, FPUC has proposed to expand its budget billing program to include natural gas customers, which is addressed in Docket No. 060087-GU and will be addressed at the February 28, 2006, Agenda Conference.

Budget billing is a program that seeks to reduce the variations in monthly bills that result from seasonal fluctuations in the usage of electricity. To qualify for the program, residential customers must have had service at the same premises for at least 12 months, and no delinquent balances. The customer is billed based upon an average of their last 12 months' kilowatt-hour (kWh) usage, rather than for their actual monthly usage. The amount billed using the average method is subtracted from the amount which would have been billed based on actual usage. This difference is credited to a deferred balance account which maintains a running total of over- and under-collection. A certain percentage of this deferred balance is added to the monthly billed amount.

FPUC has proposed two revisions to its budget billing program. As with FPUC's current budget billing program, the monthly bill will be based upon an average of the last 12 months' kWh usage. FPUC is now proposing to also include an adjustment, if necessary, in the calculation of the budget bill to account for any projected increases or decreases in rates. FPUC cites as an example the projected substantial increase in its fuel and purchased power costs in January 2008, when FPUC's new purchased power contracts will go into effect. Staff agrees with FPUC that it may be appropriate to include in the calculation of the budget bill projected increases (or decreases) in rates, especially fuel rates, which could otherwise result in a large deferred balance.

Once a customer chooses to take service under the budget billing program, FPUC calculates an initial monthly bill based on the methodology described above. In addition, FPUC has proposed to recalculate the customer's monthly budget bill every three months. As with the initial budget bill, the recalculated budget bill will be based upon an average of the previous 12 months' kWh usage. If the recalculated budget bill varies from the budget bill by more than 10 percent, FPUC will begin charging the recalculated amount on the customer's next bill. This proposal is designed to avoid a large deferred balance. If the recalculated budget bill does not vary by more than 10 percent, the customer will pay the same monthly bill until the anniversary date of initial participation. Any deferred balance owed by or to the customer will be included in the recalculation of the customer's budget bill once a year.

A customer may terminate participation in the budget billing program at any time. However, once a customer's participation in the program has terminated, the customer may not

rejoin the program for 6 months following the date of the termination. Any deferred balance owed by the customer must be paid in full at the next bill. Any deferred balance owed to the customer will be returned as a credit on the next bill. If the customer leaves FPUC's service territory, the customer must settle the account in full.

Staff recommends approval of FPUC's petition. Participation in the program is optional and provides residential customers another option in managing their bills.

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved, this tariff should become effective on March 7, 2006. If a protest is filed within 21 days of the issuance of the order, this tariff should remain in effect with any increase held subject to refund pending resolution of the protest. If no timely protest is filed, this docket can be closed upon the issuance of a consummating order. (Fleming)

Staff Analysis: If Issue 1 is approved, this tariff should become effective on March 7, 2006. If a protest is filed within 21 days of the issuance of the order, this tariff should remain in effect with any increase held subject to refund pending resolution of the protest. If no timely protest is filed, this docket can be closed upon the issuance of a consummating order.