

State of Florida



Public Service Commission

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-M-E-M-O-R-A-N-D-U-M-

DATE: May 4, 2006

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

FROM: Division of Economic Regulation (Baxter) *MB*
Office of the General Counsel (Brown) *198*

RE: Docket No. 060301-EI – Petition for approval of permanent program expanding optional budget billing to GSD-1 rate customers, by Florida Power & Light Company.

AGENDA: 05/16/06 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 05/30/06 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\060301.RCM.DOC

Case Background

On March 31, 2006, Florida Power & Light Company (FPL) filed a Petition for Approval of a Permanent Program Expanding Optional Budget Billing to General Service Demand (GSD-1) Rate Customers. The Commission previously approved expanding FPL's budget billing to General Service Non-Demand (GS-1) customers in Docket No. 050486-EI. See Order No. PSC-05-0951-TRF-EI, issued October 6, 2005.

The Commission has jurisdiction under Sections 366.04, 366.05, and 366.06, Florida Statutes.

DOCUMENT NUMBER-DATE

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Discussion of Issues

Issue 1: Should the Commission approve FPL's petition for Approval of a Permanent Program Expanding Optional Budget Billing to GSD-1 Rate Customers?

Recommendation: Yes. (Baxter)

Staff Analysis: On March 31, 2006, FPL filed a petition to make its optional budget billing program available to GSD-1 customers on a permanent basis. The Commission has previously approved expanding optional budget billing to GS-1 customers in Docket 050486-EI. The GS-1 rate is applicable to small commercial customers whose maximum monthly demands do not exceed 20 kilowatts. The GSD-1 rate is applicable to commercial and industrial customers whose monthly maximum demand does not exceed 500 kilowatts, but is greater than 20 kilowatts. FPL has been offering budget billing to residential customers since July 6, 1982 and small commercial customers since November 1, 2005. Customers are notified annually of the availability of budget billing.

Budget billing is a program that helps reduce the variations in monthly bills that result from seasonal fluctuations in the usage of electricity. The customer is billed based upon the average of their last twelve monthly billings, rather than for their actual monthly kilowatt (kW) demand and kilowatt-hour (kWh) 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 or over- and under-collection. One twelfth of this deferred balance is added to the monthly billed amount. This leveling of the bill allows customers to more easily budget their electricity expenses.

FPL has not conducted a pilot program studying the effects of offering budget billing to GSD-1 customers. FPL asserts that its experience with offering budget billing, first as a pilot program and then to all customers in the GS-1 rate class, supports the reasonableness of expanding budget billing to GSD-1 customers. FPL stated that offering budget billing to GS-1 customers had minimum financial impact on the company. In response to staff inquiries, FPL stated that the costs of expanding the budget billing program to all 92,000 GSD-1 customers would be approximately \$20,000 per year. FPL further stated that it anticipated a participation rate in the program of around 10%, similar to the participation rates in the RS-1 and GS-1 budget billing programs.

FPL proposed that only those GSD-1 customers that have received at least twelve consecutive months of service at their service address can enroll in the program. This requirement is similar to the approved qualification criteria for FPL's GS-1 budget billing program. The company argues that since there can be significant differences with kWh usage of GS-1 and GSD-1 customers that change service addresses, as well as with successor customers with the same service address, customers in the GSD-1 rate class who wish to qualify for the budget billing option should have spent at least 12 consecutive months at their service address.

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 12 months following the date of the termination. Any deferred balance

owed by the customer must be paid in full at termination. Any deferred balance owed to the customer will be returned as a credit on a future bill.

Staff recommends approval of FPL's petition to extend budget billing to its GSD-1 customers on a permanent basis. Participation in the program is optional, and will provide FPL's commercial and industrial customers with the benefits of budget billing that are currently enjoyed by its residential and small commercial customers. FPL requested an effective date of July 1, 2006, to allow for adjustments to the billing system and to allow time for training of its employees.

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved, this tariff should become effective on July 1, 2006. 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 issuance of a consummating order. (Brown)

Staff Analysis: If Issue 1 is approved, this tariff should become effective on July 1, 2006. 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 issuance of a consummating order.