

State of Florida



Public Service Commission  
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**-M-E-M-O-R-A-N-D-U-M-**

**DATE:** May 6, 2010  
**TO:** Office of Commission Clerk (Cole)  
**FROM:** Division of Economic Regulation (Thompson) *NSA*  
Office of the General Counsel (Brown) *CRDB*  
*MCB JSB*  
**RE:** Docket No. 100079-EC – Request for approval for new prepaid metering rates and changes to net metering rates and miscellaneous charges by Choctawhatchee Electric Cooperative, Inc.

**AGENDA:** 05/18/10 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Klement

**CRITICAL DATES:** None

**SPECIAL INSTRUCTIONS:** None

**FILE NAME AND LOCATION:** S:\PSC\ECR\WP\100079.RCM.DOC

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**Case Background**

On January 7, 2010, Choctawhatchee Electric Cooperative, Inc. (CHELCO) filed a request with supporting documentation to add a new prepaid residential rate and to change its net metering rates and miscellaneous charges. The proposed rates went into effect on March 7, 2010. A residential prepaid rate has not been previously approved for CHELCO or any other Florida electric utility.

The Commission has rate structure jurisdiction over cooperatives pursuant to Section 366.04(2)(b), Florida Statutes (F.S.). Rule 25-9.051(7), Florida Administrative Code (F.A.C.), defines rate structure as the rate relationship between various customer classes, as well as the rate

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relationship between members of a customer class. Cooperatives are required to file tariffs with the Commission in accordance with Rule 25-9.053(1), F.A.C. The Commission has delegated the authority to staff to administratively approve tariff filings by cooperatives as long as: (1) there is no change in the rate structure previously approved for that utility; (2) the change results in the rate relationships moving closer to those approved for the investor-owned electric utilities; or (3) the proposal does not contain new pricing concepts.<sup>1</sup> Because CHELCO's filing involves a new pricing concept, Commission approval is required. This recommendation addresses the net metering rates, the prepaid account notification rate, and miscellaneous charges for residential and general service customers. The Commission has jurisdiction pursuant to Section 366.04(2)(b), F.S.

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<sup>1</sup> See Administrative Procedures Manual Section 2.07.C.5.a(10).

### **Discussion of Issues**

**Issue 1:** Should the Commission approve CHELCO's new prepaid account notification charge, and changes to its net metering rates and miscellaneous charges?

**Recommendation:** Yes. (Thompson)

**Staff Analysis:** CHELCO is a member-owned, not-for-profit cooperative that acquires and distributes electricity to its members/owners. CHELCO has proposed a new residential prepaid metering rate and changes to its net metering charge and miscellaneous charges.

#### **Residential Prepaid Metering Rate**

CHELCO has proposed the addition of a new optional residential prepaid metering rate. This rate would be available to residential customers throughout the area served by CHELCO where T-2 metering is installed. Installation of these meters is almost half completed. Service is available to residential customers upon the customer's request. CHELCO has proposed this addition to accommodate residential customers who prefer to pay in advance for electricity.

The company stated that its proposed prepaid rate would likely generate interest from two types of potential participants. The largest group of participants would be those customers that have traditionally had difficulty budgeting for their monthly power bill. This rate class would offer them a lower deposit, and no additional fees. Another type of customer CHELCO believes will be interested in its prepay option are customers who are energy conscious and would like to better track and manage their account. The up-to-date billing information and usage calculators provided by the software package will provide easy access to the customers' energy consumption data.

For customers choosing this rate option, an inside monitoring device and a special meter will be installed at no extra charge. In addition to the cost of the monitoring device, CHELCO expects to spend approximately \$270 more than it spends on a typical residential meter. The additional cost of T-2 metering results from the capability for remote disconnection. CHELCO is choosing not to charge customers for these facilities at this time. It does not think customers will use them more than 3 or 4 months, and that the meters and monitoring devices can therefore be reused. If it appears that customers choose to stay on the rate for longer periods, CHELCO may propose a lease charge in the future. The meters will be monitored by a third party who will be responsible for matching payments with usage.

Because of the prepayment, CHELCO proposed a cash deposit of \$25 per connected meter. This is a lower deposit fee than the typical residential deposit fee of twice the estimated average monthly bill but not less than \$75; there will be no reconnect fees. CHELCO calculated the daily cost using the average monthly usage for the residential class. Multiplying the typical monthly bill by 12, and then dividing by 365 days, yields a daily charge which allows customers to pay for service on a daily basis. In addition to the charges for electricity, CHELCO will include a charge to cover the cost of the third party monitoring.

Given this is an optional rate class and the charges have been set at cost, staff believes the proposed residential prepaid rate is fair and reasonable.

The following chart sets forth CHELCO's proposed rates:

<u>Standard Residential Rate</u>					
Customer Charge (monthly fixed charge)			Average Usage	Single	Three
	Single Phase	\$24.00		\$24.00	
	Three Phase	\$34.60			\$34.60
Energy Charge (based on KWH used)					
	Distribution	1.699	1130 hrs	\$19.20	\$19.20
	Purchase power	5.347			
WPA (based on KWH used)		varies			
Distribution cost recovery allowed in the current residential rate				\$43.20	\$53.80
<b>DAILY COST (times 12 divided by 365)</b>				<b>\$1.42</b>	<b>\$1.77</b>
<u>New Residential Prepaid Rate</u>					
Customer Charge (DAILY COST)				Single	Three
	Single Phase	\$1.42		\$1.42	
	Three Phase	\$1.77			\$1.77
Administrative Fee					
	Acct Mgmt Cost*	\$0.20			
	Spec Equip**	\$0.15			
		\$0.35		\$0.35	\$0.35
<b>Total Daily Fixed Charge for Residential Prepaid</b>				<b>\$1.77</b>	<b>\$2.12</b>
*Excelleron charges CHELCO \$6.00 per account per month to manage the daily calculation on the accounts. \$6.00 x 12 months divided by 365 days is \$0.20 a day.					
**CHELCO will spend \$270.70 for equipment (above the normal cost of a meter that is placed in service) that has remote cut off capabilities. The carrying cost of this additional expense was calculated by the company to be \$0.15 per day					

Payment for this service shall be made in advance and customers may pay by all usual methods currently available through the company, including third party credit card and Electronic Funds Transfer. When a customer's account balance is depleted through usage, the electric service will be subject to immediate disconnection. At the customer's request, the utility, for a small monthly fee, will notify the customer when his account is in danger of depletion. The prepaid account notification charge is discussed below. Customers are not required to sign up for the notification in order to utilize the pre-payment service.

Prepaid Account Notification

CHELCO proposed the addition of a new optional service entitled Prepaid Account Notification. The service is being offered to residential prepaid customers to give them the option to monitor their electric service and bills. There are two parts to this service: (1) how the

customer chooses to be contacted; and (2) what alert type the customer chooses to participate in. The options for the contact method include:

- IVR to home, work, or cell phone number
- Email (a non-expense form of notification)
- Cell phone by text message.

The options for types of alerts are:

- Daily usage
- Low balance warning
- Prior to disconnect
- Disconnect confirmation
- Reconnect Confirmation
- After credits have been posted

The company uses a third party company to handle the notifications, and the costs would be passed along to the requesting customers through this charge. The proposed charges are \$0.04 for text message notifications and \$0.05 for phone call notifications. The company has stated that this cost directly reflects the cost from CHELCO's vendor. A customer may also request a free notification through e-mail.

Given that this service is optional and set at cost, staff believes the proposed charges are fair and reasonable.

#### Net Metering Charge

Net metering charges apply to customers who receive single-phase service or three-phase service and who have installed electric generation. CHELCO proposed the change in net metering to expand the ability of customers who choose to generate electricity to offset part or all of their current electricity requirements. CHELCO proposed to expand generation capacity from 10 kilowatt (kW) to 50kW.

A customer may accrue a credit by generating electricity that is then delivered to CHELCO. The customers' bills are then calculated by subtracting the credit from the cooperative's charges to the customer. By expanding generation capacity, customers are allowed to acquire a larger credit, thereby lowering their bills.

This change to net metering would allow customers the opportunity to offset more cost through generation; therefore, staff believes the proposed change to the net metering charge is fair and reasonable.

Miscellaneous Charges – Service Charge/Trip Fee and Read/Connect Meter New Account

The service charge/trip fee is collected to cover the cost associated when a field visit is made. CHELCO’s current rate for a service charge/trip fee is \$50.00 and the proposed rate is \$75.00. The read/connect meter new account charge is collected to cover the cost the company incurs to establish a new account at a location already established on CHELCO’s infrastructure. The company offers two options for this service. One charge is for \$27.00 and it is for connection during working hours. The other charge is for guaranteed same day connection. The customer would have a choice as to which option suits them. The current charge for read/connect meter new account for guaranteed same day connection is \$50.00 and the proposed rate is \$75.00. In the petition, the company stated that the changes in these charges were to more accurately reflect the company’s cost for providing the services. After reviewing the charges against comparable cooperative utilities, staff believes the proposed changes in the service charge/trip fee as well as the read/connect meter new account are fair and reasonable, and should be approved.

The proposed charges are shown in the table below.

<u>Rate Schedule</u>	<u>Present Rate</u>	<u>Proposed Rate</u>
Miscellaneous		
Service Charge/Trip Fee	\$50.00	\$75.00
Read/connect meter new account (guaranteed same day connect for existing service)	\$50.00	\$75.00
Prepaid Account Notification - Text Message	New charge	\$0.04
Prepaid Account Notification - Phone Call	New charge	\$0.05

Docket No. 100079-EC

Date: May 6, 2010

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

**Recommendation:** Yes. If no person whose substantial interests are affected by the Commission's order in this docket files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order. If a protest is timely filed, the tariff should remain in effect with revenues held subject to refund, pending resolution of the protest. (Brown)

**Staff Analysis:** Yes. If no person whose substantial interests are affected by the Commission's order in this docket files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order. If a protest is timely filed, the tariff should remain in effect with revenues held subject to refund, pending resolution of the protest.