

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-

DATE: July 5, 2012

TO: Office of Commission Clerk (Cole)

FROM: Division of Accounting and Finance (Willis)
Division of Economics (Draper) *EJD*
Office of the General Counsel (Brown) *MCB JSC*

RE: Docket No. 120126-GU – Petition for approval of a residential standby generator rate schedule, by Florida City Gas.

AGENDA: 07/17/12 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 12/20/12 (8-Month Effective Date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\120126.RCM.DOC

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Case Background

On April 20, 2012, Florida City Gas (FCG) filed a petition for approval of standby generator rate schedules. The proposed rate schedules are available to residential and commercial customers who wish to install a natural gas-fired electric generator to provide service when electric service to the customer's premises is interrupted and who have no other gas appliances. On May 11, 2012, FCG submitted responses to staff's first data request. By email dated June 8, 2012, FCG waived the 60-day clock. On June 28, 2012, FCG submitted a letter clarifying that the proposed new rate schedules will only apply to new generator-only customers.

DOCUMENT NUMBER-DA1

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FPSC-COMMISSION CLERK

Docket No. 120126-GU

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The Commission has approved similar standby generator tariffs for Florida Public Utilities Company (FPUC)¹ and Peoples Gas System (PGS).²

The Commission has jurisdiction pursuant to Section 366.06, Florida Statutes, (F.S.).

¹ Order No. PSC-08-0643-TRF-GU, issued October 6, 2008, in Docket No. 080072-GU, In re: Petition for approval of residential standby generator rate schedule, by Florida Public Utilities Company, and Order No. PSC-09-0375-PAA-GU, issued May 27, 2009, in Docket No. 080366-GU, In re: Petition for rate increase by Florida Public Utilities Company (approving transition of all generator-only customers to the standby rate).

² Order No. PSC-07-0530-TRF-GU, issued June 26, 2007, in Docket No. 070260-GU, In re: Petition for approval of standby generator rate schedules RS-SG and CS-SG, by Peoples Gas System.

Discussion of Issues

Issue 1: Should the Commission approve FCG's proposed new Residential Standby Generator Service (RSG) and new Commercial Standby Generator Service (CSG) rates schedules?

Recommendation: Yes. (Draper)

Staff Analysis: FCG's proposed standby generator rate schedules are available to new residential and commercial customers who wish to install a natural gas-fired electric generator to provide electricity to the premises during power outages and whose only gas appliance is the generator. The rate schedules are designed to allow FCG to recover its costs of providing gas service to generator-only customers. Customers with a generator and other gas-appliance(s) will continue to take service under the otherwise applicable rate schedule.

In support of its petition, FCG states that it has received several requests to provide natural gas service to customers whose only gas-consuming appliance is the standby electric generator. The generators operate only during periods when electric service to the customer's premises is interrupted as a result of a hurricane or other forced outage. Therefore, except during electric outages and periodic testing, the generator does not run and there is no throughput of gas.

As of March 2012, FCG had 105 residential generator-only customers and 36 commercial generator-only customers. FCG has been providing gas service to generator-only customers under the otherwise applicable rate schedule. FCG's base rates include a fixed monthly customer charge and a variable per-therm distribution charge. When a gas customer installs a year-round appliance such as a water heater, FCG has some assurance of year-round load to recover ongoing expenses, such as operations and maintenance expenses, through the distribution charge. However, since the generator is an appliance that is not used at regular intervals, FCG does not recover from a generator-only customer that part of its costs that are normally recovered through the distribution charge. Thus, FCG's only real avenue to recover its cost to provide service to a generator-only customer is the fixed monthly customer charge.

FCG explained that it based its proposed new RSG rate on the General Service (GS)-100 rate schedule. The GS-100 rate schedule was used as a proxy for the new RSG rate because the average residential customer uses approximately 173 therms annually which is within the applicable therm usage range of the GS-100 rate schedule. FCG's rate schedules are based on annual gas volume consumed, and the GS-100 rate schedule applies to annual therm usage between 100 and 219 therms.

Based on FCG's last cost of service study,³ GS-100 customers consumed an average of 178 therms annually, or 14 therms monthly, resulting in a \$16.81 monthly gas bill (customer and distribution charge). The proposed customer charge for the RSG rate schedule is \$16.81, and the distribution charge for usage between 0 and 14 therms is \$0. Thus, the level of the RSG customer charge and the size of the initial block were derived to yield the same revenue as an average residential customer based on FCG's last rate case. For usage over 14 therms, the otherwise applicable GS-100 distribution charge applies. FCG indicated that the 14 therm limit

³ Docket No. 030569-GU, In re: Application for rate increase by City Gas Company of Florida.

is projected to cover the minimal usage for the periodic testing recommended by generator manufacturers, so a customer is unlikely to incur additional per therm charges, unless a power outage occurs and the generator operates for a sustained period.

FCG used the same rate design to develop the CSG charges based on the GS-220 rate schedule. Under both proposed new rate schedules, the cost of gas is recovered through a separate Purchased Gas Adjustment (PGA) factor. If the customer uses no gas during the billing period, he will not be charged for gas.

Generator-only customers also have an incentive to avoid paying the monthly customer charge by disconnecting service, and requesting re-connection when a hurricane approaches. The proposed tariffs therefore require that customers stay on the tariff for 12 months, to ensure the appropriate allocation of costs to this class of customers. The 12-month requirement would renew at the end of each 12-month term unless the customer terminated service in writing prior to the end of the term. This provision is consistent with the generator-only tariffs approved for FPUC and PGS. If the customer installs another gas appliance at their premises, their account will be moved to the otherwise applicable rate schedule.

Under FCG's proposal, all existing generator-only customers will be allowed to remain on the current rate schedule; therefore, there will be no immediate bill impact on current customers. This is consistent with the treatment the Commission approved for FPUC, where the Commission approved the standby generator rate schedule for new customers only. In FPUC's subsequent rate case, the Commission approved the transfer of all customers to the standby generator tariff.

Conclusion

Staff recommends approval of FCG's proposed standby generator tariffs. They are designed to recover the cost of service to generator-only customers to avoid shifting costs to other ratepayers, and they employ the same rate design as previously approved for two other gas utilities. This is an optional service for customers who wish to install generators as the only appliance to provide electric service during periods of outages.

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved, this tariff should become effective on July 17, 2012. If a protest is filed within 21 days of the issuance of the order, this tariff should remain in effect, with any revenues 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. (Brown)

Staff Analysis: If Issue 1 is approved, this tariff should become effective on July 17, 2012. If a protest is filed within 21 days of the issuance of the order, this tariff should remain in effect, with any revenues 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.