

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

13 JAN 10 AM 9:05

RECEIVED-FPSC

DATE: January 10, 2013

TO: Office of Commission Clerk (Cole)

FROM: Division of Economics (Rome, Draper) *CRP Pd J.W.D*
Office of the General Counsel (Klancke) *CMK JSC*

RE: Docket No. 120263-EI – Petition for approval to modify demonstration project consisting of proposed time-of-use and interruptible rate schedules and corresponding fuel rates in the Northwest Division, by Florida Public Utilities Company.

AGENDA: 01/24/13 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 06/22/13 (8-Month Suspension Date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECO\WP\120263.RCM.DOC

Case Background

On October 22, 2012, Florida Public Utilities Company (FPUC) filed a petition to modify the participation limits of its optional time-of-use (TOU) and interruptible (IS) rate schedules in the Northwest Division. Specifically, FPUC is proposing to increase the participation levels for the General Service Large Demand TOU (GSLD-TOU) rate schedule from one customer to a maximum of three customers and the IS rate schedule from one customer to a maximum of four

DOCUMENT NUMBER-DATE

00175 JAN 10 13

FPSC-COMMISSION CLERK

customers. The TOU and IS rate schedules were approved in Order No. PSC-11-0112-TRF-EI as a four year experimental pilot program.¹

FPUC filed the first annual status report on the TOU and IS rate schedules on August 31, 2012, in Docket No. 100459-EI. Customer participation in the pilot program was less than anticipated during the first year. In the current petition, FPUC has stated that increases in the maximum participation levels for the GSLD-TOU and IS rate classes could attract new businesses and thus encourage local economic development efforts.

On November 27, 2012, FPUC responded to staff's first data request. In Order No. PSC-12-0663-PCO-EI, the Commission suspended FPUC's proposed tariff.² The Commission has jurisdiction over this subject matter pursuant to Sections 366.06 and 366.075, Florida Statutes (F.S.).

¹ See Order No. PSC-11-0112-TRF-EI, issued February 11, 2011, in Docket No. 100459-EI, In re: Petition for Authority to Implement a Demonstration Project Consisting of Proposed Time-of-Use and Interruptible Rate Schedules and Corresponding Fuel Rates in the Northwest Division on an Experimental Basis and Request for Expedited Treatment, by Florida Public Utilities Company.

² See Order No. PSC-12-0663-PCO-EI, issued December 19, 2012, in Docket No. 120263-EI, In re: Petition for Approval to Modify Demonstration Project Consisting of Proposed Time-of-Use and Interruptible Rate Schedules and Corresponding Fuel Rates in the Northwest Division, by Florida Public Utilities Company.

Discussion of Issues

Issue 1: Should the proposed tariff modifications be approved?

Recommendation: Yes. The proposed tariff modifications should be approved. (Rome, Draper)

Staff Analysis: FPUC purchases power from Gulf Power Company (Gulf) for its Northwest Division. In Order No. PSC-11-0269-PAA-EI the Commission approved an amendment to FPUC's purchased power contract with Gulf.³ The amended agreement (Amendment No. 1) reduced the capacity purchase quantity from 97,944 Megawatts (MW) to 91 MW, thereby lowering FPUC's monthly capacity payments to Gulf. The savings associated with the reduced capacity purchase quantity fund the discounts in FPUC's TOU and IS rates. Staff notes that the City of Marianna has filed appeals with the Florida Supreme Court of the orders approving the TOU and IS rates and Amendment No. 1.

FPUC opted to limit the participation in the TOU and IS rates to achieve targeted annual savings levels. This prevents non-participating customers from subsidizing participating customers. If participation in the experimental rate options does not reach the stated maximums upon which the rates are based, any remaining fuel savings not used to offset revenue losses will be flowed back to all ratepayers. The maximum participation rates vary by rate class.

FPUC absorbed all start-up costs related to the pilot program, including any special metering requirements, a customer education program, and a mandatory energy audit for each participant in the TOU and IS rate schedules. Customers can be enrolled on a first-come, first-served basis, until the maximum participation levels as defined in the TOU/IS tariffs are reached.

FPUC submitted the first annual status report regarding the TOU and IS rate schedules on August 31, 2012, in Docket 100459-EI. As of that report date, there were six residential customer participants and one public authority customer participant in the experimental TOU rates. There were no participants in the experimental IS rates.

Proposed Tariff Modifications

FPUC proposed to modify Tariff Sheet No. 34.2 and Tariff Sheet No. 38.0 to increase the maximum number of program participants. Specifically, proposed revisions to Tariff Sheet No. 34.2 would increase the potential maximum number of participants in the GSLD-TOU rate from one to three. Proposed revisions to Tariff Sheet No. 38.0 would increase the potential maximum number of participants in the IS rate from one to four. These changes do not mean that the number of customers actually choosing to take service under those rate schedules will increase, but FPUC anticipates that they will be beneficial for the local Chamber of Commerce efforts to attract new business into the area. No other modifications to the TOU/IS tariffs are being proposed at this time.

³ See Order No. PSC-11-0269-PAA-EI, issued June 21, 2011, in Docket No. 110041-EI, In re: Petition for Approval of Amendment No. 1 to Generation Services Agreement with Gulf Power Company, by Florida Public Utilities Company.

Docket No. 120263-EI
Date: January 10, 2013

Conclusion

Staff recommends that the Commission approve FPUC's proposed modifications to the TOU and IS rate schedules. Increasing the participation levels is intended to further encourage customer participation and will not negatively impact FPUC's general body of ratepayers.

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved, the tariffs should become effective on January 24, 2013. If a protest is filed within 21 days of the issuance of the order, the tariffs 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. (Klancke)

Staff Analysis: If Issue 1 is approved, the tariffs should become effective on January 24, 2013. If a protest is filed within 21 days of the issuance of the order, the tariffs 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.