



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: DECEMBER 3, 1998

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF ELECTRIC AND GAS (GOAD) *RK*
DIVISION OF LEGAL SERVICES (C. KEATING) *used for RSE*

RE: DOCKET NO. 981396-EI - PETITION BY FLORIDA POWER CORPORATION FOR APPROVAL OF REVISION TO GENERAL SERVICE RATE SCHEDULES AND TARIFF RULES AND REGULATIONS TO INCLUDE OPTIONAL PREMIUM DISTRIBUTION SERVICE.

AGENDA: DECEMBER 15, 1998 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: DECEMBER 21, 1998

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\EAG\WP\981396.RCM

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DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve Florida Power Corporation's petition to offer Premium Distribution Service?

RECOMMENDATION: Yes. Offering Premium Distribution Service will provide an option to customers who desire a higher-than-standard level of reliability without impacting the general body of ratepayers.

STAFF ANALYSIS: On October 22, 1998, Florida Power Corporation (FPC) filed a petition for approval of a revision to its General Service rate schedules and its tariff rules and regulations to provide an optional Premium Distribution Service. Premium Distribution Service provides a higher-than-standard level of reliability for customers who cannot or do not wish to withstand more than a few seconds of service interruption. Customers subscribing to the Premium Distribution Service will be connected

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to an alternate distribution source, or in other words a back-up source of power, in addition to the customer's primary circuit. This will be accomplished by connecting the customer to either an alternate feeder or directly to another substation, which ever is the most economic and feasible. The connection will be made by a back-up branch line which will be connected to the customer's service entrance. In addition, an automatic transfer switch will be incorporated in the customer's service. In the event an outage occurs on the customer's primary circuit, the transfer switch will engage the back-up power source. The customer will only experience a brief (a few seconds) interruption as opposed to a possibly extended outage.

FPC currently offers this service to a few customers. For those customers, FPC collected a contribution in aid of construction (CIAC) on a case by case basis for the transfer switch, branch line to the alternate source, and any other equipment installed to provide service. FPC, however, did not collect any money for operating and maintenance expense or capital cost of the back-up circuit. At this time, FPC believes there is enough new demand for this service to warrant a standard charge.

FPC has petitioned to offer the Premium Distribution Service to customers for a tariffed rate times the customer's billed usage plus a monthly rental charge based on FPC's existing equipment rental factor. Initially, FPC petitioned to charge its demand-billed customers \$1.00 per billed kW and its non-demand billed customers 0.685 cents per kWh, except for the GS2 customers, which were to be charged 0.137 cents per kWh. After discussions with staff regarding the costing methodology, FPC has agreed to modify its petition to reflect the following charges: \$0.81 per kW for demand customers; 0.555 cents per kWh for general service non-demand customers except GS2 customers; and 0.111 per kWh for GS2 customers. In addition to these charges, the customers will be billed a monthly rental facilities charge. The rental component has not changed from the original petition.

The agreed upon kW charge of \$0.81 for demand customers was derived using FPC's most recently approved cost of service study (COSS). These charges reflect the capital, operation, and maintenance costs for the back-up substation and back-up feeder lines. Because the general service rate class in FPC's last approved COSS included a large number of customers who are now incorporated into the general service demand class, FPC believed it was appropriate to derive the billing amount using the established per kW amount of \$0.81. A 20 percent load factor was assumed for the non-demand classes because above that amount a customer would

likely opt for demand billing. By using the 20 percent load factor, FPC determined that a customer would, on average, use 146 kWh per kW thus requiring 0.555 cents per kWh to equal \$0.81 per kW. This rate would apply to all general service non-demand rate classes with the exception of the GS2 rate class which requires a 100 percent load factor. As such, GS2 customers will use 730 kWh per kW, requiring only 0.111 cents per kWh to equal \$0.81 per kW. FPC has agreed that when these charges are updated at its next rate case, billing determinants will be used for all of the rate classes affected

The other billing component, the monthly rental charge, is intended to recover the cost of facilities needed specifically for the customers requesting the service. Unlike the substation and the feeder that will be a part of the back-up service, and which is intended for system use, the transfer switch and the back-up tap line will be new construction only to be used by the customer requesting the service. Therefore, FPC proposes to treat those facilities just like any other piece of equipment requested by a customer which is considered non-standard. That treatment is to charge a monthly rental fee. Monthly rental fees are calculated by multiplying the installed cost of the requested facilities, in this case the transfer switch and the connection to the back-up circuit (branch line), times an approved factor. The monthly factor approved in FPC's last rate case is 1.67%. In total, the methodology used to derive the charges for the Premium Distribution Service is nearly identical to that of Tampa Electric Company's (TECO) for its equivalent service. The only difference is that TECO collects a CIAC for the transfer switch and branch line as opposed to a monthly rental fee. TECO is the only other investor-owned utility to offer a redundant service option.

The proposed charges will be applicable only to new subscribers of the Premium Distribution Service. The few customers who are currently receiving the service will not be subject to any new charges until the issue can be considered at FPC's next rate case. FPC proposes to modify rate schedules GS-1, GST-1, GS2, GSD-1, GSDT-1, CS-1, CST-1, CS-2, CST-2, IS-1, IST-1, IS-2, IST-2, SS-1, SS-2 and SS-3, and Tariff Sheet Number 4.020 of its General Rules and Regulations to implement the changes.

By recovering the cost of installation and charging for the recurring costs of the service, FPC's general body of ratepayers are held harmless. As such, extending a standardized option of Premium Distribution Service to general service customers will provide the opportunity for customers to tailor their service to

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their needs without affecting other customers. Based on the foregoing, staff recommends that FPC's petition be approved.

ISSUE 2: On what date should the proposed changes become effective?

RECOMMENDATION: The proposed changes should become effective on December 15, 1998.

STAFF ANALYSIS: If Issue 1 is approved, the tariff may go into effect upon Commission approval.

ISSUE 3: Should this docket be closed?

RECOMMENDATION: Yes. If no timely protest is filed, this docket should be closed.

STAFF ANALYSIS: This docket should be closed if no person whose substantial interests are affected by the action proposed by this recommendation files a petition for formal proceeding within 21 days of the issuance of the Commission's order. If a protest is filed, the tariff should remain in effect with any increase in revenues held subject to refund.



FECA

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RECORDS AND
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November 2, 1998

Ms. Blanca S. Bayo, Director
Division of Records & Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0870

Dear Ms. Bayo:

Please accept this letter as our official request to be put on the mailing list for the following docket(s):

Docket No. 981356-EG
981360-EI
981390-EI
981396-EI

Thank you for your assistance in this matter.

Sincerely,

Michelle Hershel
Director of Regulatory
Services

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MH/hd