

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: 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.

DOCKET NO. 981396-EI
ORDER NO. PSC-99-0023-FOF-EI
ISSUED: January 4, 1999

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON, Chairman
J. TERRY DEASON
SUSAN F. CLARK
JOE GARCIA
E. LEON JACOBS, JR.

ORDER APPROVING TARIFF REVISIONS TO PROVIDE
OPTIONAL PREMIUM DISTRIBUTION SERVICE

BY THE COMMISSION:

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 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, whichever alternative 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 interruption, i.e., a few seconds, as opposed to a possibly extended outage.

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FPC RECORDS/REPORTING

FPC currently offers this service to only 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. However, FPC did not collect any money for the operating and maintenance expense or capital cost of the back-up circuit. FPC believes there is now enough new demand for this service to warrant a standard charge.

FPC seeks approval to offer this 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 GS2 customers, which were to be charged 0.137 cents per kWh. 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 charge of \$0.81 per kW 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 except 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 in 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, i.e., the transfer switch and the back-up tap line. Unlike substations and feeders, which provide part of the Premium Distribution Service but are also intended for system use, transfer switches and connecting lines to the back-up circuit (branch lines) will be newly constructed for use only by a customer requesting the service. Therefore, FPC proposes to treat those facilities 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, by an approved factor. The monthly factor approved in FPC's last rate case is 1.67%. This methodology is nearly identical to that used by Tampa Electric Company (TECO) for its equivalent back-up service. The only difference is that TECO collects a CIAC for transfer switches and branch lines as opposed to a monthly rental fee. TECO is the only other investor-owned utility to offer a redundant service option.

The charges proposed by FPC would be applicable only to new subscribers of the Premium Distribution Service. The few customers who are currently receiving the service would not be subject to any new charges until the issue can be considered in FPC's next rate case. FPC proposes to modify its 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, as well as Tariff Sheet Number 4.020 of its General Rules and Regulations to implement this service.

We find that the charges for and terms of the optional Premium Distribution Service proposed by FPC are reasonable. FPC's general body of ratepayers will not be affected by the provision of this service because FPC will recover customer-specific installation costs from participating customers and will charge only those customers for recurring costs of the service. Thus, by extending a standardized option of Premium Distribution Service to general service customers, FPC will provide those customers the opportunity to tailor their service to their needs without affecting other customers. Accordingly, we find that FPC's petition, as modified, should be granted and its proposed tariff revisions approved effective December 15, 1998, the date of our vote on this matter.

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Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power Corporation's petition to revise its General Service rate schedules and its tariff rules and regulations to provide an optional Premium Distribution Service, as modified, is hereby granted. It is further

ORDERED that the tariff revisions proposed by Florida Power Corporation to implement optional Premium Distribution Service are effective as of December 15, 1998. It is further

ORDERED that if a protest is filed in accordance with the requirement set forth below, the tariff shall remain in effect with any increase in revenues held subject to refund pending resolution of the protest. It is further

ORDERED that if no protest is filed in accordance with the requirements set forth below, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 4th day of January, 1999.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

By: Kay Flynn
Kay Flynn, Chief
Bureau of Records

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the proposed action files a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on January 25, 1999.

In the absence of such a petition, this Order shall become final on the day subsequent to the above date.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this Order becomes final on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the date this Order becomes final, pursuant to Rule 9.110, Florida Rules of

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Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.