

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Proposed Changes to)	DOCKET NO. 911020-EC
Withlacoochee River Electric)	ORDER NO. 25769
Cooperative's Rate Schedules.)	ISSUED: 2/21/92
_____)		

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
 SUSAN F. CLARK
 J. TERRY DEASON
 LUIS J. LAUREDO

ORDER APPROVING RATE STRUCTURE

BY THE COMMISSION:

CASE BACKGROUND

In Withlacoochee River Electric Cooperative's (WREC) 1988 tariff filing with this Commission in Docket No. 880632-EC, we issued a comment letter regarding concerns about the absence of parity in the proposed rates of the Residential Service (RS) and the Large Power Service (LP) classes. In WREC's response to that concern it agreed to a goal of adjusting rates for the RS and the LP classes so as to bring both classes within 10% of parity within five years. The Commission in Order No. 20452, accepted WREC's five-year schedule for achieving that goal with the requirement that the utility submit to the Commission annual reports of all rate structure changes until the proposed parity goal was achieved. Since that order at least one change in base rate charges has become effective (January 1, 1989), but the utility has not submitted any annual reports on its progress toward the parity goal.

1991 TARIFF FILING

On June 24, 1991, WREC filed with this Commission new tariff sheets. The changes on the new tariff sheets include eliminating the Irrigation Service rate schedule, combining the Street Lighting and Private Area Lighting rate schedules into an Area Lighting rate schedule, and removing the specific charges for underground service from an overhead electric system. According to WREC charges for underground service from an overhead system will be based on the most recent schedule of cost differentials as determined and supported by engineering studies performed no less than once a year. In the filing WREC shows that monthly fixture charges for street lighting customers have been increased by up to 19.7 percent. It also shows that lights billed to governmental agencies

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whose revenue recovery is through tax lighting districts will be discounted twenty-five cents per light from the charges stated in the area lighting rate schedules.

At the October 22, 1991 agenda conference, the Commission voted to send WREC a comment letter raising three issues on the proposed changes. The first issue is the severe impact of the elimination of the Irrigation Service rate schedule on the larger irrigation customers who would qualify for the LP rate schedule. The second issue raised by the letter was about increasing the revenue requirement of the lighting class when the revenue responsibility of the RS class was not being increased. The last issue was the lack of justification for the \$.25 per light discount on the new Area Lighting (AL) rate schedule for lights billed to governmental agencies whose revenue recovery is through tax lighting districts.

On January 8, 1992, a response to the comment letter (Appendix 1) was received from WREC. That response contained revised data on the irrigation customers and WREC's explanation of why it is appropriate to increase the revenue responsibility of the lighting class when the rates of the RS classes are not being raised. A revised Area Lighting rate schedule, which terminates the new \$.25 cent per light discount for governmental agencies whose revenue recovery through tax lighting districts as of January 1, 1993, was also submitted.

According to our Staff WREC has eliminated our concerns on the elimination of the IS rate schedule and the Area Lighting rate schedule's \$.25 cent per light discount for lights billed to governmental agencies whose revenue is through tax lighting districts. However, our Staff suggests that to ensure the Commission's continued concern over increasing the AL's revenues while the RS receives no revenue change is satisfactorily addressed, this docket should remain open until the overall retail rate changes which WREC indicates in its response will be filed by January 1, 1993 are evaluated and approved.

We therefore find it appropriate to approve Withlacoochee River Electric Cooperative's tariff filing predicated on the assurance that the utility will address the parity goal for the RS class rate charges in the context of an overall rate restructuring later in 1992.

In consideration of the foregoing, it is

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ORDERED by the Florida Public Service Commission that Withlacoochee River Electric Cooperative's proposed tariff revisions as discussed in the body of this Order filed on June 24, 1991, are approved. It is further

ORDERED that this docket shall remain open for the purpose of receiving further information from Withlacoochee River Electric Cooperative concerning the establishment of parity between the Residential Service and the General Service classes.

By ORDER of the Florida Public Service Commission, this
21st day of FEBRUARY, 1992.


STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

MRC:bmi
911020.bmi

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), 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.

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 action proposed files a petition for a formal proceeding, as provided by Rule 25-22.036(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a)(d) and (e), Florida Administrative Code. This petition must be received by the Director, Division of Records and

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Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on 3/13/92

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

APPENDIX 1
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GDS Associates, Inc.

Suite 720
 1850 Parkway Place
 Marietta, Georgia 30067
 404 425-8100

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 Florida Public Service Commission

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FLORIDA PUBLIC SERVICE COMMISSION
 COMMUNICATIONS SECTION

January 6, 1992

The Honorable Thomas M. Beard, Chairman
 Florida Public Service Commission
 101 East Gaines Street
 Tallahassee, FL 32399-0854

RE: Docket No. 911020-EC
 Withlacoochee River Electric Cooperative, Inc.

Dear Chairman Beard:

On December 23, 1991 Marge Meeter and Connie Cumber of your electric and gas division met with me regarding the above referenced docket. Based on the results of that meeting and further investigation regarding the three issues raised in your comment letter concerning Withlacoochee River Electric Cooperative's (WREC) proposed changes to its rate schedules, the following response to your comments is submitted for your consideration.

The first issue raised in your comment letter concerns the potentially severe impact on larger irrigation customers who would transfer from Schedule IS to Schedule LP as a result of WREC's proposed elimination of the irrigation service Schedule IS.

After completing a detailed review of the monthly billing data for current irrigation service customers, we found no customers who would qualify for Schedule LP. That is, none of the irrigation service customers have established a demand above 49 kW during the most recent twelve months. In fact, only one customer currently has sufficient connected horsepower to establish a demand exceeding 49 kW and that customer has not recorded such a demand since July, 1988. The attached "Billing History For Tampa Groves, Inc." indicates that the highest demand established by that customer during the past three calendar years is only 28 kW. Based on that usage history, this customer would be billed under Schedule GS and, as a result, receive a substantial decrease in the monthly minimum charges. A visual inspection of that customer's premises last week indicates that the customer's orange grove is no longer productive. Therefore, monthly billing to this customer under Schedule GS should continue for the foreseeable future. However, to avoid the potential for any rate shock at a later date, WREC will notify this customer of the elimination of Schedule IS, the change in the

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monthly minimum under Schedule GS and the potential billing impact under Schedule LP should a demand in excess of 49 kW be established.

The second issue raised in your comment letter concerns the revenue increase for the outdoor lighting class while the residential rate class receives no revenue increase.

Based on the discussion in your comment letter and the points raised by the Commission staff at the December 23 meeting, there is no disagreement among the parties regarding the appropriateness of increasing the charges to the lighting class from a total system perspective. The real concern appears to be the fact that revenues for the residential rate class are not being increased. As stated in your comment letter, this concern is due to the fact that the lighting class at present rates produces about the same TIER and ROR as the residential class in WREC's cost of service study. Based on that statement, however, the Commission may be overlooking an important detail regarding WREC's proposed rate change. That is, the merger of the outdoor lighting and street lighting rate schedules proposed by WREC is accomplished by raising the charges only for street lighting service. It should be noted that the ROR of the street lighting class in WREC's cost of service study is less than one-half the ROR produced by the residential class. Thus, the accounts affected by WREC's proposed rate revision are not producing a ROR approximately equal to the ROR of the residential class at present rates. Based on WREC's cost of service study, the ROR for the street lighting subgroup in the lighting class still produces a ROR less than the residential class ROR under the proposed rates.

After reviewing WREC's cost of service study, the Commission staff concluded that the lighting class was allocated too much of the demand-related purchased power cost. Accepting that conclusion for discussion purposes, the revised rate charges produce a ROR for the street lighting subgroup of 5.58% which is just slightly above the 5.10% ROR produced by the residential class. Therefore, the increase in revenue resulting from the revised charges for street lighting service moves the ROR for the street lighting subgroup from a position well below both the residential and total system ROR to a level much closer to the total system ROR and to within 10% of the residential ROR. In conclusion, when the proposed rate change is viewed in light of the specific customers affected by the rate change (i.e. street lighting customers), the proposed increase is not only reasonable relative to the total system, but to the residential class as well.

Perhaps a few additional comments regarding WREC's October 5, 1988 response to the Commission's comment letter in Docket No. 880632-EC are in order. In good

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faith, WREC agreed to a goal of having the residential and large power classes' rates of return within 10% of parity within five years. Specifically, as noted in your recent comment letter, WREC agreed to close the ROR gap between those classes each time WREC made a rate structure change during the five-year period. In the spring of 1988 when WREC agreed to the five-year time frame, it was anticipated that additional total revenue requirements would necessitate several overall retail rate increases during those five years. As we approach the spring of 1992, however, WREC has not implemented any overall rate increases. As a result, there has not been an opportunity to adjust the residential and large power rate structures in the context of an overall total system revenue increase. Progress made towards parity between those two rate classes under revenue neutral conditions would require simultaneously raising the residential rate charges while reducing the large power rate charges. By doing so, however, the large power class would be receiving price signals inconsistent with long-term costs and energy conservation. At the same time, notice of such rate changes to the residential customers would most certainly produce confusion and ill will directed at both WREC and the Commission. WREC's goal of obtaining parity between the residential and large power classes has always rested upon the ability to increase residential rate charges while holding large power rate charges to little or no increase. Quite simply, the opportunity to move the rates of return closer together under that rate strategy has not occurred.

We are currently preparing an updated cost of service study for WREC based upon an 1991 calendar year test period. That study is being conducted to support an overall retail rate increase effective at some point between June 1, 1992 and January 1, 1993. This overall retail rate increase will provide WREC with its first reasonable opportunity to demonstrate progress towards reaching ROR parity for the residential and large power classes, and it is my understanding that WREC will certainly do so. In the meantime, however, the proposed rate changes regarding street lighting service do not adversely affect the existing disparity between the residential and large power classes.

The third concern contained in your recent comment letter addresses the proposed discount for lights billed to governmental agencies whose revenue recovery is through tax lighting districts.

The \$.25 per light discount is intended to lessen the cost increase experienced by governmental agencies as a result of the proposed rate changes. Since those governmental agencies are billed for thousands of street lights, they are quite sensitive

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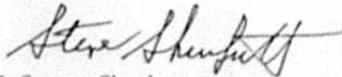
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to increases in the charges billed for street lighting service. The type of street light most commonly billed by WREC is the 100 watt sodium vapor closed face fixture. The present charge for this type of light and fixture is \$6.90 per month. The revised charge for that type of light and fixture is \$8.05, reflecting an increase of nearly 17%. Including the \$.25 per light discount, however, that percentage increase drops to only 13%, a result that lowers the impact on governmental agencies to three-fourths of the overall increase. As stated on the area lighting rate Schedule AL transmitted herewith, this \$.25 per light discount shall apply on an interim basis for calendar year 1992. Beginning January 1, 1993 the \$.25 per light discount will be terminated and all outdoor lighting customers will pay the same monthly charge for comparable lights and fixtures.

The revised lighting charges, including the \$.25 per light discount, were presented to each of the governmental agencies in WREC's service area last summer. Those governmental agencies approved the revised charges and have included the recovery of those charges in their current annual budgets and tax rates. During calendar year 1992, WREC will inform each of the affected governmental agencies of its intent to remove the discount beginning January 1, 1993. By doing so, the governmental agencies will have an opportunity to reflect that higher cost in their 1993 annual budgets and tax rates.

If you or your staff have any questions regarding the foregoing response to the three concerns stated in your comment letter, please do not hesitate to contact me or Billy Brown at WREC.

Very truly yours,



J. Steven Shurbutt
Vice President

JSS:bp
10-033-008

cc: Billy Brown