

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

May 30, 1996

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

FROM: DIVISION OF ELECTRIC & GAS (GOAD) *RG*  
DIVISION OF LEGAL SERVICES (CULPEPPER) *RLT RVE RLT*

RE: DOCKET NO. 960581-EM - REQUEST FOR APPROVAL OF PROPOSED REVISIONS IN TARIFF SHEETS, TO CHANGE RATE STRUCTURE, BY CITY OF ST. CLOUD.

AGENDA: JUNE 11, 1996 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\EAG\WP\960581EM.RCM

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve the City of St. Cloud's proposed revisions to rate structure?

RECOMMENDATION: Yes. The proposed revisions should be approved. The City of St. Cloud's proposed revisions modestly improve its overall rate structure, except the general service (GS) to residential service (RS) class cost comparison. Staff recommends that the company address its GS to RS ratio in its next rate filing.

STAFF ANALYSIS: On February 2, 1996, the City of St. Cloud filed revisions to its existing electric rate schedules. These revisions became effective on April 1, 1996. The proposed rates result in an overall decrease in annual revenues of \$460,033. The general service demand and general service large demand rates have been decreased, on average, 4.66% and 4.77%, respectively. Overall general service rates are unchanged. The residential middle to high-use customers will receive a modest decrease in prices (1% to 3% decrease), while the low-use residential customers will pay slightly more (less than 5% increase). This is due to a change from an inverted residential rate to a flat residential rate. The price change is not substantial because the inverted rate had only

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one step at 200 kWh. The company provided a cost of service study to support the proposed rates.

The cost of service study submitted appears to use reasonable cost allocators; however, final rate calculations include a non-cost-based adjustment factor. When staff expressed concern about the non-cost adjustments, the City maintained that it is working towards cost-based rates and that the adjustment factors are a transition mechanism.

Since the City's proposed rates were set on non-cost-based revenue requirements, staff compared the relationship between each class' rates to those class ratios of an investor owned utility (IOU) as an additional sanity check. Florida Power Corporation's (FPC) class ratios were used as a benchmark.

	St. Cloud		FPC
	Present	Proposed	
GS/RS	1.068	1.078	0.955
GSD/RS	0.973	0.936	0.665
GSLD/RS	0.913	0.878	0.660

All of the City's class rate ratios move toward FPC's ratios except the GS to RS ratio. This ratio worsens slightly at 1000 kWh comparisons, but at residential usage levels less than 850 kWh, the ratio is unharmed (1.068 or less). Staff believes this to be the result of the City's change from an inverted residential rate to a flat rate. Upon request by staff, the City of St. Cloud has agreed in writing to address its GS to RS ratio in its next rate filing (Attachment 1). Given the City's general improvement in rate structure and its willingness to address its GS to RS ratio, staff recommends the proposed changes be approved.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: If a protest is filed within 21 days of the issuance date of the Order, the tariffs should remain in effect pending resolution of the protest. If no timely protest is filed, this docket should be closed.

STAFF ANALYSIS: At the conclusion of the protest period, if no protest is filed, this docket should be closed.



# CITY OF ST. CLOUD, FLORIDA

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May 1, 1996

Mr. Reese Goad  
State of Florida  
Public Service Commission  
Capital Circle Office Center  
2540 Shumard Oak Blvd  
Tallahassee, Florida 32399-0850



Dear Mr. Goad

Thank-you for the time and effort spent in reviewing and analyzing the City of St. Cloud's Electric Rate Study. We appreciate the information you have provided to help the City improve its rate structure in the future. As you requested in your letter dated April 17, 1996, the City will commit to addressing the issue with the GS to RS ratio in their next rate filing.

Once again we thank you for your assistance. Should you have any further questions or comments please contact either Kathy Taylor (407-957-7258) or Byron Knibbs (407-957-7209).

Sincerely,

Kathy Taylor  
Rate & Financial Analyst

Byron Knibbs  
Electric Utility Director