



Public Service Commission

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RECORDS AND REPORTING

DATE: SEPTEMBER 23, 1999

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

FROM: DIVISION OF ELECTRIC AND GAS (DRAPER) *EJD*
DIVISION OF LEGAL SERVICES (COLLINS) *VE JDT*

RE: DOCKET NO. 991094-EM - PETITION BY ORLANDO UTILITIES COMMISSION FOR MODIFICATION OF ELECTRIC RATE SCHEDULES.

AGENDA: 10/5/99 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\EAG\WP\991094.RCM

CASE BACKGROUND

The Orlando Utilities Commission (OUC) filed a petition to provide a new rate option for its commercial customers which is designed in preparation for the competitive market and to offer customers more choices in how they purchase electricity. In conjunction with the new rate option, OUC is revising its existing rates, offering new street lighting fixtures, and creating a new rate schedule for non-residential customers with loads between one and six Megawatts. Staff reviewed the proposed revisions to existing rates and the accompanying documentation and cost support and believes they are reasonable. Consistent with the Commission's past delegation, the revisions to existing rate offerings have been administratively approved. This recommendation addresses only the new rate option proposed by OUC.

DOCUMENT NUMBER-DATE

11430 SEP 23 88

FPSC-RECORDS/REPORTING

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve OUC's proposed seasonally differentiated Time-of-use (TOU) rates?

RECOMMENDATION: Yes. (Draper)

STAFF ANALYSIS: OUC proposed to offer its commercial customers two payment options: standard rate (Option A) and TOU rate (Option B). Option A is the standard rate under which customers pay the customer charge, demand charge, and a flat energy charge. Under Option B customers pay the customer charge, demand charge, and seasonally differentiated TOU energy rates, i.e., customers pay a different c/kWh charge depending on the time of day and season during which electricity is consumed.

OUC proposed a novel approach in developing the TOU rates which differs in the way the investor-owned utilities (IOU) have traditionally developed TOU rates. TOU rates offered by the IOUs have on-peak and off-peak charges which do not differ between seasons, and the TOU rate design is based on average embedded cost of service principles.

OUC developed its TOU pricing periods and charges with the assistance of a consultant who developed a forecast of hourly wholesale market prices in Florida. The results show that wholesale prices vary by time of day and by season of the year. OUC then established the following six pricing periods within which prices are similar: winter on-peak period, winter shoulder period, winter off-peak period, summer on-peak period, summer shoulder period, and summer off-peak period. The following table illustrates the proposed pricing periods:

Summer	On-peak	1 pm - 6 pm
April- October	Shoulder	11 am - 1 pm 6 pm - 8 pm
	Off-peak	8 pm - 11 am
Winter	On-peak	7 am - 10 am 6 pm - 9 pm
	Shoulder	10 am - 6 pm
	Off-peak	9 pm - 7 am

Customers choosing to take service under the TOU option therefore will pay a different c/kWh charge for each of the six pricing periods.

Although OUC determined that hourly wholesale prices fall into six pricing periods, it decided at this time to implement a shoulder pricing period only for the General Service Large Demand (GSLD) class and for General Service Demand (GSD) customers taking service at primary voltage. GSD customers taking service at secondary voltage will only pay differing TOU rates for on-peak and off-peak winter and summer period.

OUC states that the TOU rate option is designed in preparation for the competitive market and to offer customers more choices in how they purchase electricity. OUC asserts that the proposed TOU rate reflects the conditions of a competitive market and therefore provides the proper price signal to its customers.

OUC has provided information demonstrating the hourly variance in wholesale prices. It appears that OUC's proposed pricing periods, including the shoulder period, accurately reflect conditions in the wholesale market. For example, wholesale prices during the winter months only show minor fluctuations, which is reflected in the similar c/kWh charge for the three winter pricing periods. During the summer months, however, wholesale prices increase dramatically during the afternoon hours, which is reflected in the high c/kWh charge for the summer on-peak period. Staff recognizes that while the rates are designed to be revenue neutral, customers may change their usage pattern in response to price signals. However, since the Commission does not have jurisdiction over the total revenues a municipal utility collects, potential revenue loss associated with errors in forecasting were not considered in this analysis. Since the proposed TOU rates are an optional rate and appear to be cost based, staff recommends approval.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. At the conclusion of the protest period, if no protest is filed, this docket should be closed upon the issuance of a consummating order. (Collins)

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