

MESSER CAPARELLO & SELF, P.A.

Attorneys At Law

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January 31, 2008

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**BY HAND DELIVERY**

Ms. Ann Cole, Director  
Commission Clerk and Administrative Services  
Room 110, Easley Building  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, Florida 32399-0850

Dear Ms. Cole:

Enclosed for filing on behalf of Florida Public Utilities Company are an original and 15 copies of Florida Public Utilities Company's Petition for Approval of a Residential Service - Standby Generator rate schedule.

Please acknowledge receipt of this letter by stamping the extra copy of this letter "filed" and returning the same to me.

Thank you for your assistance with this filing.

Sincerely yours,

Norman H. Horton, Jr.

CMP \_\_\_\_\_

COM \_\_\_\_\_

CTR \_\_\_\_\_

ECR \_\_\_\_\_

NHH/amb

GCL 2 \_\_\_\_\_

Enclosures

OPC \_\_\_\_\_

cc: Mr. Marc Seagrave

Parties of Record

RCA \_\_\_\_\_

SCR \_\_\_\_\_

SGA \_\_\_\_\_

SEC \_\_\_\_\_

CH:2

DOCUMENT NUMBER-DATE

00797 JAN 31 08

FPSC-COMMISSION CLERK

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Petition for approval of a residential )  
standby generator rate schedule, by )  
Florida Public Utilities Company )  
\_\_\_\_\_ )

Docket No. 080072  
Date Filed: January 31, 2008

**PETITION**

Florida Public Utilities Company ("FPUC" or the "Company"), by its undersigned attorneys, files this petition for approval of a Residential Service - Standby Generator rate schedule as described in the body of the Petition, and as basis states:

1. The name, address and telephone number of the petitioner are:

Florida Public Utilities Company  
P. O. Box 3395  
West Palm Beach, Florida 33402-3395  
(561) 838-1714

2. The names and mailing addresses of the persons to whom notices, orders and correspondence regarding this petition are to be sent are:

Norman H. Horton, Jr.  
Messer, Caparello & Self, P.A.  
2618 Centennial Place  
Tallahassee, Florida 32308

Mr. Marc Seagrave  
Florida Public Utilities Company  
P.O. Box 3395  
West Palm Beach, Florida 33402-3395

3. FPUC is a natural gas local distribution company ("LDC") providing sales and transportation delivery of natural gas to customers in the State of Florida, and is a public utility subject to the Commission's regulatory jurisdiction under Chapter 366, *Florida Statutes*.

4. By this petition, FPUC seeks the Commission's approval of a new rate schedule; Residential Service - Standby Generator (RS-SG). The proposed RS-SG rate schedule would define the terms by which FPUC would provide service to residential customers whose only gas appliance or equipment is a natural gas-fired electric generator.

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

5. Historically, FPUC has received occasional inquiries from potential customers interested in installing a standby generator as their sole gas appliance. Subsequent to the hurricane season of 2004, such requests have significantly increased. The generators are operated only during periods when electric service to the customer's premise is interrupted as the result of a hurricane or other forced outage. (There may be short periods of generator operation to "exercise" the unit, but little gas is used.) Providing such service to customers whose equipment operates on an infrequent and unpredictable basis poses significant challenges for the Company.

6. Under the Company's existing tariff (Second Revised Sheet No. 14), gas facility extensions are provided at no cost to customers if the estimated annual revenue from the extension is at least four (4) times the Company's estimated construction cost. In order to provide service to a customer the Company will incur, at a minimum, the cost to install a service line, meter and regulator. In some situations, a main extension or upgrade is required, resulting in an even greater expenditure by the Company to provide the requested service. In cases where the cost of an extension exceeds the tariff extension policy, a contribution-in-aid-of-construction may be required from the potential customer.

7. For customers installing traditional gas appliances (water heaters, cooking, clothes drying, heating, etc.) the Company is able to base its usage (and revenue) estimates on relatively predictable gas consumption patterns developed from historic residential consumption records and other appliance use data. In the case of a customer with a traditional appliance mix, the Company has a reasonable assurance of a year-round load which can be estimated with some degree of certainty. Whether or not the customer is required to make a contribution-in-aid-of-construction, FPUC is able to justify making an investment because the revenue to be derived from service to the customer will recover the cost of providing service. Customers with generator

only equipment do not tend to use gas on a regular or predictable basis. Projecting revenue from such installations is speculative at best and provides no assurance that the Company will be able to meet the extension of facilities policy and recover its cost to serve the customer over a reasonable period.

8. The Company has a long history of aggressively pursuing all reasonable opportunities to add customers within its tariff extension policy. The current slow-down in residential new construction, however, has provided an extra inducement for identifying ways to serve non-traditional customers. Customers requesting generators as their sole gas appliance provide an opportunity for the Company to increase sales. It is standard practice for the Company to make a substantial effort to market additional appliance installations to customers requesting such installations. Nothing in the proposed RS-GS rate class would change the Company's effort to convince customers to install gas appliances in addition to the generator. As an example of FPUC's continuing interest in adding multiple burner tips, the Company received approval in September 2006 (Commission Order No. PSC-06-0749-PAA-GU) for modifications to its energy conservation program which offer enhanced incentives to existing homeowners converting water heaters, heating systems, cooking or clothes drying appliances to gas. Frequently, the Company's marketing efforts succeed and customers installing generators also install other gas-fired appliances. These customers would continue to be served under the Company's standard residential rate schedule. However, many potential generator-only customers have no interest in or ability to install additional gas-fired appliances. These residences usually have existing operable non-gas appliances. In most cases, homeowners are understandably reluctant to absorb the cost of converting their existing operable appliances to natural gas, even with the increased conservation incentives.

9. The majority of the requests received by the Company for generator-only installations are for existing residences located on an existing gas main. For these potential customers, the Company has a sunk investment cost in the gas main. Other potential generator customers may be in close proximity to an existing main. FPUC has generally required standby generator-only customers to make a contribution in aid of construction (CIAC) for the cost of the facilities required to provide service. This policy has been a substantial disincentive to connecting customers. In addition, while collecting CIAC assures that construction costs are recovered, it does nothing to support the on-going operational costs to serve the customer. The Company's Area Extension Program (AEP) tariff provisions (which provide for a surcharge to recover construction costs that exceed the tariff extension policy) do not provide a remedy for generator-only installations. The AEP is designed solely to recover construction, not on-going operating costs, and the rate surcharge is structured to adjust the variable rate component tied to actual gas usage.

10. Some customers interested in generator-only installations have opted to install propane gas equipment. Following the hurricane seasons of 2004 and 2005, several propane companies began offering generator rates. The propane rates are structured to recover service costs on a fixed rate per month. Some propane companies do collect a one-time storage tank installation fee which resembles the Company's CIAC charge, although the propane installation charge tends to be lower than the comparable gas CIAC.

11. The Company's existing residential tariff rates include an \$8.00 per month Customer Charge and a \$0.48340 non-fuel Energy Charge. The current rates are designed to collect the majority of revenues from the variable rate non-fuel Energy Charge (57% based on the Company's 2004 rate order, Commission Order No. PSC-04-1110-PAA-GU). The current

rate design presents several difficulties for the Company related to customers with sporadic use generator-only installations. First, as discussed above, the Company's existing tariff service extension policy requires an estimation of revenue compared to costs. Given that the majority of revenues are produced by the variable rate component and the gas consumption for generator-only customers is unpredictable, it is problematic to forecast revenue. The Company has few options other than to attempt to collect CIAC (if possible) and stand at risk for the recovery of non-construction related operating costs. Second, the current rate design applied to a periodic use customer would under-recover the Company's approved residential customer revenue requirement in the event gas consumption is below the targeted annual average consumption used to develop the existing rates. In such cases, the Company may recover only those costs of providing service that are recovered through the monthly Customer Charge component of rates (43% of total target revenue in the 2004 rate order). Third, after service is established, a standby generator-only customer could also avoid paying the Customer Charge during most months of each year by discontinuing service until hurricane season (or until a hurricane approached), and then reestablishing service. Under all circumstances, recovering the majority of the cost of providing service will be achieved only when (and if) the generator actually operates. Fourth, the current rate design limits the Company's ability to compete with propane alternatives for generators. Finally, an appropriate rate design would, in the Company's view, offer an opportunity to meet the service requests of customers interested in and willing to pay for standby service for generator-only installations. Incremental revenue received from providing service to a generator-only customer would ultimately benefit all customers.

12. Proposed Rate Schedule RS-GS (Composite Exhibit A attached to this petition) would mitigate the concerns associated with the standby generator-only customers described

above. The proposed rate is designed to recover the Company's average annual residential per customer revenue requirement from each applicable generator-only customer.

13. The average annual residential revenue requirement was determined from the cost of service study approved by the Commission in FPUC's last rate case (Docket No. 040216-GU; Commission Order no. PSC-04-1110-PAA-GU, issued November 8, 2004). The target residential revenue and customers (including New Smyrna Beach) are included on page 63 of the above referenced order. The cost of service study in the rate order indicates Residential Service customers were forecast to consume an average of 266 therms annually, and produce annual base rate revenue of \$224.

14. The Company is proposing to establish a monthly minimum bill charge for generator-only customers. The average annual revenue requirement of \$224 approved in the Company's most recent rate case would be the basis for the minimum bill in the proposed new rate schedules. The minimum bill each month would be the current Residential Service Customer Charge plus the average monthly gas usage determined by the approved cost of service study, plus other applicable charges (*e.g.*, taxes). The Company is proposing to collect its base rate revenues from a monthly fixed rate Customer Charge equal to the approved annual target revenue (\$224) divided by twelve (12). The resulting monthly Customer Charge would be \$18.72. Any usage above the monthly average usage determined by the cost of service study would be billed at the Company's existing Residential Service (RS) rate schedule volumetric non-fuel Energy Charge. The average monthly usage would equal 2.17 therms (266 therms divided by 12). The purchased gas adjustment and other applicable per-therm charges (*e.g.*, energy conservation cost recovery) would be billed to the extent of the customer's actual monthly consumption of gas.

15. The following table shows the effect of the change in rate schedules for a typical residential customer:

	<i>Residential Customer A</i>	<i>Residential Customer B</i>
<i>Appliances</i>	<i>Water Heater, Range and Generator</i>	<i>Generator-Only</i>
<i>Monthly Usage</i>	22.17 Therms (usage assumes no power outage)	0 Therms (usage assumes no power outage)
<i>Customer Bill</i>	Customer Charge: \$ 8.00 Distribution: 22.17 x \$.48340 = <u>10.72</u> Total \$18.72	Customer Charge: \$18.72 Distribution: 0 x \$.48340 = <u>0.00</u> Total \$18.72

16. At the end of 2007 FPUC had approximately 432 residential customers whose only gas-consuming appliance or equipment was a standby generator. The average consumption for the generator-only accounts was 28.95 therms in 2007. Of the 432 total accounts, only six (6) accounts recorded annual gas consumption greater than the 266 therm average residential consumption in the 2004 rate order and 172 customers used less than 10 therms. The annualized effect of the proposed RS-GS rate schedule on the average monthly bills of FPUC's existing residential generator-only customers is shown below (based on 2007 consumption data).

<b>Customer Bill Variance</b>	
<u>Monthly Impact</u>	<u>Generators</u>
\$0	6
\$1 – \$5	12
\$5 – \$7.50	139
\$7.50 up to \$10.72	275
Total Customers	432

17. A customer served under proposed rate schedule RS-GS would be required to remain on the rate schedule for 12 months. This 12-month requirement would renew at the end of each 12-month period unless the customer terminated gas service from the Company. This

provision would ensure recovery by the Company of the applicable base rate revenue for at least one year from the time service was initiated (or accepted) under the proposed new rate schedule and minimize the potential risk of generator customers not having gas service during an approaching hurricane. Upon the effective date of the new rate schedules, FPUC would notify its existing generator-only customers that in 30 days their premise will be transferred to the new rate (and of the 12 month provision) and provide an option within the 90-day period following the initial notice to terminate gas service. If at any point a customer adds a conventional year-round use gas appliance the customer would be transferred to the Residential Service (RS) rate schedule. The existing Residential Service (RS) rate schedule would be modified to except standby generator-only customers from its applicability provisions. (See Composite Exhibit A for the proposed changes to the RS rate schedule.) All standby generator-only customers would be required to receive service under new Rate Schedule RS-GS.

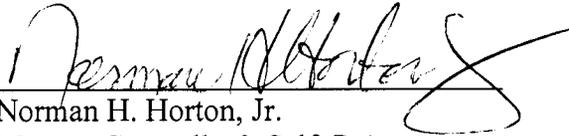
18. The Company recognizes the general rate making concerns associated with establishing end-use rates for individual appliances. However, In the Company's view generators warrant special consideration. Customers desire their installation, but are reluctant to pay the gas facility construction costs in an up-front lump sum payment. Given the sporadic nature of gas consumption for generators, the Company, and potentially its other customers, bear an unreasonable risk that the cost to serve will not be recovered. As indicated by the Company's average use data presented above, generator-only installations are markedly different from other gas appliance installations in that they offer little expectation of regular gas use. Virtually all other gas appliance usage (grills, gas lights and hearth products) can be forecast with some degree of certainty. FPUC believes the proposed new rate schedule will better enable the Company to recover the cost of providing gas service to standby generator-only customers.

Absent the minimum bill provisions of the rate schedule (coupled with their required one-year termination provisions), FPUC's opportunity to recover the cost of service generally recovered through the non-fuel Energy Charge component of its base rates would be speculative at best.

19. Attached to this petition as Composite Exhibit A are legislative and final format versions of the new and revised tariff sheets for which this petition seeks the Commission's approval.

WHEREFORE, FPUC respectfully requests that the Commission will enter its order permitting Rate Schedules RS-GS to become effective on the date of the Commission's vote disposing of this petition.

Respectfully submitted,



Norman H. Horton, Jr.  
Messer, Caparello & Self, P.A.  
2618 Centennial Place  
Tallahassee, Florida 32308

Attorneys for Florida Public Utilities Company

RATE SCHEDULE RS-GS  
RESIDENTIAL STANDBY GENERATOR SERVICE

**Availability**

Available within the service areas of the Company.

**Applicability**

Applicable to gas delivered to any customer who is otherwise eligible to receive Gas Service under Rate Schedule RS whose only gas-consuming appliance or equipment is a standby electric generator.

**Character of Service**

Natural gas or its equivalent having a nominal heating value of 1000 BTU per cubic foot.

**Monthly Rate**

Customer Charge:	\$18.72	
Energy Charge:	0 – 22.17 therms	0.00 cents per therm
Non-Fuel	In excess of 22,17 therms	48.340 cents per therm
Minimum Monthly Bill:	\$18.72	

The bill for the Therms billed at the above rates shall be increased in accordance with the provisions of the Company's Purchase Gas Adjustment Clause set forth on Sheet 35 of this tariff.

**Terms of Payment**

Bills are rendered net and are due and payable within twenty (20) days from date of mailing or delivery by Company.

**Billing Adjustments**

See sheets beginning with Sheet 35.

**Terms and Conditions**

1. Service under this rate schedule is subject to the Company's Rules and Regulations applicable to gas service.

Issued by: J.T. English, President and CEO

Effective:  
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RATE SCHEDULE RS-GS  
RESIDENTIAL STAND-BY GENERATOR SERVICE  
(Continued from Sheet 26.1)

2. Subject to No. 3 below, a customer receiving gas service under this rate schedule shall be obligated to remain on this schedule for twelve (12) months. This 12-month requirement shall be renewed at the end of each twelve month period unless customer terminates service at the end of any 12-month period.
3. If customer installs an additional gas appliance at the premise to which service is provided hereunder, customer shall be transferred to the Residential Service rate schedule.

Issued by: J.T. English, President and CEO

Effective:

INDEX OF RATE SCHEDULES

<u>Item</u>		<u>Sheet No.</u>
Rate Schedule GS	General Service	24
Rate Schedule GSL	Gas Lighting Service	25
Rate Schedule RS	Residential Service	26
Rate Schedule RS-GS	Residential Generator Service	26.1-26.2
Area Expansion Program	Area Expansion Surcharge	27-27.1
Rate Schedule LVS	Large Volume Service	28
Rate Schedule IS	Interruptible Service	29-30
Rate Schedule PM	Pool Manager Service	33-33.3
Rate Schedule GSTS	General Service Transportation Service	34.01-34.03
Rate Schedule LVTS	Large Volume Transportation Service	34.10-34.14
Rate Schedule ITS	Interruptible Transportation Service	34.20-34.24
Rate schedule OSSS-1	Off System Sales Service	34.40-34.42
Billing Adjustments		35-35.8

RATE SCHEDULE RS  
RESIDENTIAL SERVICE

**Availability**

Available within the service areas of the Company.

**Applicability**

Applicable to Residential Service classification only (excluding any premise at which the gas-consuming appliance or equipment is a standby electric generator).

**Character of Service**

Natural gas or its equivalent having a nominal heating value of 1000 BTU per cubic foot.

**Monthly Rate**

Customer Charge: \$8.00 per meter per month

Energy Charge:  
Non-Fuel 48.340 cents per therm

Minimum Monthly Bill:  
The minimum monthly bill shall consist of the above Customer Charge.

**Terms of Payment**

Bills are rendered net and are due and payable within twenty (20) days from date of mailing or delivery by Company.

**Billing Adjustments**

See sheets beginning with Sheet 35.

**Terms and Conditions**

1. Service under this rate schedule is subject to the Company's Rules and Regulations applicable to gas service.

Issued by: J.T. English, President and CEO

Effective:

RATE SCHEDULE RS-GS  
RESIDENTIAL STANDBY GENERATOR SERVICE

**Availability**

Available within the service areas of the Company.

**Applicability**

Applicable to gas delivered to any customer who is otherwise eligible to receive Gas Service under Rate Schedule RS whose only gas-consuming appliance or equipment is a standby electric generator.

**Character of Service**

Natural gas or its equivalent having a nominal heating value of 1000 BTU per cubic foot.

**Monthly Rate**

<u>Customer Charge:</u>	<u>\$18.72</u>	
<u>Energy Charge:</u>	<u>0 – 22.17 therms</u>	<u>0.00 cents per therm</u>
<u>Non-Fuel</u>	<u>In excess of 22.17 therms</u>	<u>48.340 cents per therm</u>
<u>Minimum Monthly Bill:</u>	<u>\$18.72</u>	

The bill for the Therms billed at the above rates shall be increased in accordance with the provisions of the Company's Purchase Gas Adjustment Clause set forth on Sheet 35 of this tariff.

**Terms of Payment**

Bills are rendered net and are due and payable within twenty (20) days from date of mailing or delivery by Company.

**Billing Adjustments**

See sheets beginning with Sheet 35.

**Terms and Conditions**

1. Service under this rate schedule is subject to the Company's Rules and Regulations applicable to gas service.

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Effective:

RATE SCHEDULE RS-GS  
RESIDENTIAL STAND-BY GENERATOR SERVICE  
(Continued from Sheet 26.1)

2. Subject to No. 3 below, a customer receiving gas service under this rate schedule shall be obligated to remain on this schedule for twelve (12) months. This 12-month requirement shall be renewed at the end of each twelve month period unless customer terminates service at the end of any 12-month period.
  
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Rate schedule OSSS-1	Off System Sales Service	34.40-34.42
Billing Adjustments		35-35.8

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Effective:

RATE SCHEDULE RS  
RESIDENTIAL SERVICE

**Availability**

Available within the service areas of the Company.

**Applicability**

Applicable to Residential Service classification only (excluding any premise at which the gas-consuming appliance or equipment is a standby electric generator).

**Character of Service**

Natural gas or its equivalent having a nominal heating value of 1000 BTU per cubic foot.

**Monthly Rate**

Customer Charge: \$8.00 per meter per month

Energy Charge:  
Non-Fuel 48.340 cents per therm

Minimum Monthly Bill:  
The minimum monthly bill shall consist of the above Customer Charge.

**Terms of Payment**

Bills are rendered net and are due and payable within twenty (20) days from date of mailing or delivery by Company.

**Billing Adjustments**

See sheets beginning with Sheet 35.

**Terms and Conditions**

1. Service under this rate schedule is subject to the Company's Rules and Regulations applicable to gas service.

Issued by: J.T. English, President and CEO

Effective: