

State of 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-

DATE: March 6, 2008

TO: Office of Commission Clerk (Cole)

FROM: Division of Economic Regulation (Draper)
Office of the General Counsel (Young)

RE: Docket No. 080072-GU – Petition for approval of a residential standby generator rate schedule, by Florida Public Utilities Company.

AGENDA: 03/18/08 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 03/31/08 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\080072.RCM.DOC

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COMMISSION
CLERK

Case Background

On January 31, 2008, Florida Public Utilities Company (FPUC) filed a petition for approval of a residential standby generator rate schedule. The proposed rate schedule is available to residential customers who wish to install a natural gas-fired electric generator to provide service when electric service to the customer's premise is interrupted. The Commission has approved a similar tariff for Peoples Gas System.¹

The Commission has jurisdiction pursuant to Section 366.06, Florida Statutes.

¹ See Order No. PSC-07-0530-TRF-GU, issued on June 26, 2007, in Docket No. 070260-GU, in Re: Petition for approval of standby generator rate schedules RS-SG and CS-SG, by Peoples Gas System.

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Discussion of Issues

Issue 1: Should the Commission approve FPUC's proposed residential standby generator rate schedule RS-GS?

Recommendation: Yes. (Draper)

Staff Analysis: FPUC's proposed residential standby generator rate schedule is available to residential customers who wish to install a natural gas-fired electric generator to provide service when electric service to the customer's premise is interrupted and whose only gas appliance is the generator. Residential customers with a generator and other gas-appliance(s) will continue to take service under the residential rate schedule.

In support of its petition, FPUC states that after the 2004 hurricane season, FPUC began receiving numerous requests to provide natural gas service to customers whose only gas-consuming appliance would be the standby generators. The generators would be operated only during periods when electric service to the customer's premise is interrupted as a result of a hurricane or other forced outage. Therefore, except during electric outages, the generator does not run and there is no throughput of gas.

FPUC has been providing gas service to generator-only residential customers under the residential rate. At the end of 2007, FPUC had 432 residential customers whose only gas-consuming appliance is the standby generator. FPUC's rates include a fixed monthly customer charge to recover its cost of customer billing, and a variable per-therm non-fuel energy charge. The energy charge is designed to recover FPUC's distribution-related costs such as mains, meter, house regulator, and associated operation & maintenance costs. When a gas customer installs a year-round appliance such as a water heater, FPUC can expect to recover its distribution-related costs. However, since the generator only operates during outages, FPUC does not recover its costs that are normally recovered through the energy charge. Generator-only customers also have an incentive to avoid paying the monthly customer charge by disconnecting service, and requesting re-connection when a hurricane approaches.

The proposed generator rate schedule is designed to allow FPUC to recover its costs of providing gas service to generator-only customers. Based on the cost of service study filed in the 2004 rate case,² FPUC developed for the proposed generator rate a monthly customer charge that recovers FPUC's customer-related and distribution-related costs. The average residential customer uses 22.17 therms per month, resulting in a \$18.72 monthly gas bill (customer and non-fuel energy charge). The proposed customer charge for the RS-SG rate schedule is \$18.72, and the energy charge for usage between 0 and 22.17 therms is \$0. For usage over 22.17 therms, the otherwise applicable residential energy charge of 48.34 cents per therms applies. Customers choosing to take service under the proposed generator rate schedule are required to take service for a minimum 12-month period. If the customer installs an additional gas appliance at the premise, the customer will be transferred to the residential rate schedule.

² Docket No. 040216-GU, In Re: Application for Rate Increase by Florida Public Utilities Company.

Finally, FPUC's proposed tariff includes a provision that requires a customer installing a generator to ensure that the installation and operation of the generator complies with the requirements of the electric utility from which the customer receives electric service. Electric utilities generally require generators to be properly installed to avoid energizing the electric lines when the generator is running.

FPUC states that upon the effectiveness of the new rate schedules, FPUC will give its current generator-only customers 30 days' notice that the premise will be transferred to the new rate. Customers will have the option to terminate gas service if they choose not to take service under the new rate. FPUC provided in its petition an analysis showing the bill impact on existing generator-only customers that will transfer to the new rate schedule. The monthly gas bill for residential generator-only customers will increase between \$0 and \$10.72, depending on usage.

Staff has reviewed FPUC's proposed generator rate schedule and believes the proposed charges are reasonable and appropriately recover FPUC's cost of service to provide gas service to generator-only customers. This is an optional service for customers who wish to install generators as the only gas-appliance to provide electric service during periods of electric outages. Therefore, staff recommends approval of FPUC's petition.

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved, this tariff should become effective on March 18, 2008. If a protest is filed within 21 days of the issuance of the order, this tariff should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Draper, Young)

Staff Analysis: If Issue 1 is approved, this tariff should become effective on March 18, 2008. If a protest is filed within 21 days of the issuance of the order, this tariff should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.