

FLORIDA PUBLIC SERVICE COMMISSION
Capital Circle Office Center, 2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

RECEIVED

MEMORANDUM

AUGUST 28, 1997

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FPSC - Records Reporting

TO : DIRECTOR OF RECORD AND REPORTING

FROM : DIVISION OF ELECTRIC AND GAS (DRAPER) ^{EJD}
DIVISION OF LEGAL SERVICES (JAYE) ^{WJ} RVE KLT

RE : DOCKET NO. 971009-EM - PETITION FOR APPROVAL OF REVISED
RESIDENTIAL RATES BY UTILITIES COMMISSION (P/K/A CITY OF
NEW SMYRNA BEACH)

AGENDA: SEPTEMBER 9, 1997 - REGULAR AGENDA - TARIFF FILING -
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\EAG\WP\971009EM.RCM

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve the City of New Smyrna Beach's modified residential rate schedule?

RECOMMENDATION: Yes. The residential tariff should be approved with an effective date of October 1, 1997, based on the commitment by the City of New Smyrna Beach that it will lower its commercial rates within a year.

STAFF ANALYSIS: On July 14, 1997, the City of New Smyrna Beach (New Smyrna Beach) filed a revised tariff lowering residential (RS) rates by 5 percent, or \$0.0036 in the per kWh energy charge. The rate will become effective October 1, 1997. New Smyrna Beach is a municipal utility subject to this Commission's rate structure jurisdiction under Section 366.04(2)(b), Florida Statutes. Under this authority, tariff filings of municipal utilities are reviewed to eliminate rate structure inequities among the customer classes.

In reviewing New Smyrna Beach's filing staff became concerned that the reduction in the RS rate appeared to worsen the existing structural relationship between the RS and other rate classes. In the absence of a recent cost of service study by New Smyrna Beach, staff feels it is reasonable to compare the relationship between the levels of rates of the various rate classes of New Smyrna Beach to those of the investor-owned utilities (IOU) in evaluating the

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IOU's have shown that General Service (GS) customers are cheaper to serve than RS customers. Thus, the ratio of GS to RS rates should be close to one. Under the current New Smyrna Beach tariff the ratio is 0.981, i.e., a GS customer pays less than a RS customer. By lowering only residential rates, however, a RS customer will pay less than a GS customer. The resulting ratio is 1.028.

Staff discussed its finding with New Smyrna Beach and the utility informed staff that it already budgeted to lower commercial rates effective October 1, 1998. To memorialize this commitment by the utility, staff obtained a letter (Attachment 1) from the utility. Staff also notes that in October, 1996, New Smyrna Beach reduced RS rates by 4 percent, GS rates by 20 percent, and demand commercial rates by 8 percent. This rate filing improved rate structure.

Staff therefore finds it appropriate to approve this tariff filing based on the assurance that New Smyrna Beach will file revised commercial rate charges before October 1, 1998.

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. If no timely protest is filed, this docket should be closed.

STAFF ANALYSIS: If a protest is filed within 21 days from the issuance date of the order, the tariff should remain in effect, pending resolution of the protest. If no timely protest is filed, this docket should be closed.

UTILITIES COMMISSION

CITY OF NEW SMYRNA BEACH, FLORIDA
ELECTRIC, WATER, POLLUTION CONTROL
Post Office Box 100 - 200 Canal St.
New Smyrna Beach, Florida 32170-0100
(904) 427-1361



August 20, 1997

Ms. Elizabeth Draper
State of Florida Public Service Commission
Bureau of Electric Regulation
Capital Circle Office Center
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

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RE: Residential Rate Reduction

Dear Ms. Draper:

The Utilities Commission, City of New Smyrna Beach, Florida, has an on-going program to improve efficiencies and power supply in an effort to reduce rates to all customers while maintaining system reliability and adequate reserves.

On October 1, 1996, the Utilities Commission reduced residential rates by 4%, demand commercial customers by 8%, and non-demand commercial customers by 20%. Those reductions placed the cost ratios of the three classes at or close to the ratios of the investor-owned utilities in the state.

The Utilities Commission has also held public hearings and filed with the FPSC for an additional rate reduction of 5% for residential customers, effective October 1, 1997. The Utilities Commission has also budgeted and announced similar rate reductions for both classes of commercial customers effective October 1, 1998. When these reductions are complete, the Utilities Commission's cost ratios will be at or close to the investor-owned utilities within the state.

If you have any additional questions, please call at 904-423-7100.

Sincerely,

Ronald L. Vaden
Utilities Director

RLV/ds