

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Investigation of cost- ) DOCKET NO. 930372-EI  
effectiveness of non-firm load ) ORDER NO. PSC-94-1046-FOF-EI  
of Tampa Electric Company ) ISSUED: August 29, 1994  
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The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman  
SUSAN F. CLARK  
JULIA L. JOHNSON  
DIANE K. KIESLING

NOTICE OF PROPOSED AGENCY ACTION  
ORDER ON COST-EFFECTIVENESS OF NON-FIRM LOAD

BY THE COMMISSION:

Notice is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for formal proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

Rule 25-6.0438(4)(b) requires each utility that offers non-firm service to demonstrate, no later than its next rate case, that such service is cost-effective according to the definition contained in that rule. During Tampa Electric Company's most recent full requirements rate case (Docket No. 920324-EI), Staff raised an issue concerning the cost-effectiveness of the interruptible service classes rates because the utility failed to demonstrate the cost-effectiveness of its interruptible service prior to, or in, the rate case proceeding, as required by the rule.

Cost of Service and Rate Design issues in the rate case were settled by a stipulation signed by Tampa Electric Company (TECO), the Florida Industrial Power Users Group, and the District School Board of Pasco County, Florida, and subsequently approved by the Commission. With respect to the non-firm cost-effectiveness question, the stipulation states:

The company agrees to file the information required by Rule 25-6.0438 within 60 days after the entry of the

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final order in this proceeding. The Commission may then take such action as it deems appropriate consistent with the purpose and intent of the rule after notice and opportunity for hearing to all customers.

On April 5, 1993 TECO filed its Non-Firm load cost-effectiveness analysis, pursuant to the stipulation. Since that time we have analyzed extensive data furnished in response to interrogatories and data requests to determine compliance with Rule 25-6.0438, Florida Administrative Code.

Tampa Electric Company currently has two interruptible service rate schedules: IS-1/IST-1 and IS-3/IST-3. Customers taking service under IST-1 and IST-3 are on time-of-use interruptible schedules. The IS-1 and IST-1 rate schedules are closed to any customers not taking service under these rate schedules prior to June 18, 1985. Those rate schedules were closed in Docket Nos. 850050-EI and 850246-EI, in which the Commission considered an Emergency Petition of Tampa Electric Company that sought the "modification of certain of its interruptible rate schedules in order to freeze the application of those schedules to new customers and to provide a new, more equitably priced interruptible rate schedule for new interruptible customers and for existing firm customers seeking to transfer to interruptible service." The Commission voted to close the IS-1/IST-1 rate schedules and to approve a new IS-3/IST-3 rate schedule with rates set at the unit costs at the approved system rate of return.

The current IS-1/IST-1 and IS-3/IST-3 rates were set in the recent Tampa Electric rate case, Docket No. 920324-EI. The IS-3/IST-3 rates continue to be higher than the IS-1/IST-1 rates. Both the existing IS-1 and IS-3 customers did not receive a rate increase, rather they received a rate decrease as a result of the change in cost of service methodologies from the Equivalent Peaker to the 12 Coincident Peak and 1/13 methodology. The Company did not merge the two interruptible rate schedules as it had previously suggested would be appropriate. See Order No. 15451, issued December 13, 1985 in Docket No. 850246-EI.

The cost-effectiveness analysis for existing interruptible load is based on a comparison of cumulative present worth revenue requirements (CPWRR) associated with two generation expansion plans -- one with existing interruptible load, the Base Plan, and one with all interruptible load removed and converted to firm load. To perform this analysis, staff requested an evaluation of the costs resulting from the lost revenues due to the rate differential between interruptible and firm service rates, compared to the benefits resulting from not constructing the generating plants (the

cost avoided from the capacity deferral). This analysis compares the costs and benefits of transferring IS-1 and IS-3 customers to the firm GSLD rate using a 30-year differential present worth revenue requirements test, calculated between the base expansion plan with interruptible load and an expansion plan with all interruptible load converted to firm load. The results of the analysis indicate that existing IS-1 load is not cost-effective; costs exceed benefits by approximately \$51.5 million over the 30-year evaluation period.

The following table identifies the base expansion plan with existing levels of IS-1/IST-1 non-firm load, and the changed case with non-firm load converted to firm load. This table also identifies the cumulative present worth of the costs of paying the non-firm credit to existing customers versus the cumulative present worth benefit associated with the avoided costs of the generating units. The table was constructed using generation expansion and non-firm cost-effectiveness information provided by TECO. Total costs exceed total benefits by \$51,487,000 over the 30-year evaluation period.

IS-1 BENEFIT COST ANALYSIS

Year	Base Case	MW	Non Firm Conv.	MW	Costs Base Case(000)	Benefits Non-Firm Conv.(000)
1993	HDPS	295	HDPS/IGCC	563	21,787	109,922
1994					42,326	144,124
1995	ACT	183	CT	92	61,520	170,973
1996	CG/HRSG	85			79,202	173,576
1997			CT	92	95,199	178,523
1998			CT	92	109,490	185,530
1999	CT	92	CT	92	121,863	189,217
2000	CT	92	CT	92	133,028	187,724
2001	CT	92	CT	92	143,196	186,311
2002	CT	92	CT	92	152,410	184,988
2003	CT	92			160,788	183,794
2004			CT	92	168,386	186,770
2005	HRSG	79	CT	92	175,257	183,423
2006	CT	92	HRSG	79	181,480	182,460
2007	CT	92	HRSG	79	187,180	184,141
2008	HRSG	79	CT	92	192,342	183,069
2009	CT	92	CT	92	196,932	182,017
2010	CT	92			201,087	181,052
2011			CT	92	204,782	180,267
2012					208,165	179,541
2013					211,265	178,927
2014					214,104	178,511
2015					216,705	178,276
2016					219,088	178,161
2017					221,270	178,100
2018					223,269	178,073
2019					225,100	178,050
2020					226,777	178,080
2021					228,314	178,146
2022					229,721	178,234
Total CPWRR Net Cost = \$51,487						

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While the currently effective rates show a negative cost-benefit ratio with cumulative present worth revenue requirements (CPWRR) cost of \$51,487,000 over the 30-year evaluation period, the analysis shows that the rate is cost-effective through the year 2007. In Order No. PSC-94-0872-FOF-EI, issued July 18, 1994 in Docket No. 940663-EI, we capped Tampa Electric Company's 1994 earnings at 12.45%. This action was based on the belief that the company might earn outside the range of its authorized rate of return for 1994. While it was always our intention, based on the stipulation approved in the rate case, to make whatever adjustments are appropriate to the non-firm rates, doing so at this point in time would increase the likelihood this company will over-earn. For these reasons, we decline to increase the rates for the IS/IST-1 rate classes.

We find that the IS-3/IST-3 interruptible rate schedules are cost-effective. Tampa Electric performed a similar analysis for the IS-3/IST-3 class which indicated a positive CPWRR savings of \$1,798,000 over the 30 year evaluation period. We have reviewed the analysis and agrees with the results. The company currently has 35 MW in the IS-3 class with a forecast for 45 MW by the end of the evaluation period.

It is therefore,

ORDERED that we decline to increase the rates for the IS/IST-1 rate classes. It is further

ORDERED that we find that the IS-3/IST-3 interruptible rate schedules are cost-effective. It is further

ORDERED that this docket shall be closed if no person whose substantial interests are affected timely files a protest to this proposed agency action.

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By ORDER of the Florida Public Service Commission, this 29th  
day of August, 1994.



BLANCA S. BAYÓ, Director  
Division of Records and Reporting

( S E A L )

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Chairman Deason dissents.

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of

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Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on September 19, 1994.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.