

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of special contract
by Tampa Electric Company.

DOCKET NO. 130037-EI
ORDER NO. PSC-13-0120-PAA-EI
ISSUED: March 11, 2013

The following Commissioners participated in the disposition of this matter:

RONALD A. BRISÉ, Chairman
LISA POLAK EDGAR
ART GRAHAM
EDUARDO E. BALBIS
JULIE I. BROWN

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING SPECIAL CONTRACT

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 a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

Tampa Electric Company (TECO) filed a petition on January 31, 2013, requesting approval of a special contract between TECO and a potential new customer (Customer) that is considering building a large manufacturing facility in TECO's service area. The Customer is considering locating its new facility at several alternative sites around the country. The Customer's new facility would be a very large, non-firm electric load with electric supply costs representing a substantial portion of the cost of its operations. Although the Customer will need to negotiate contracts with a number of other suppliers of goods and services, wherever it decides to locate its new facility, the cost of electric power is a key consideration in the Customer's decision-making process on where to locate its proposed new facility.

TECO requested a decision on the proposed special contract before the end of March 2013 to meet the selection schedule the Customer is conducting. We have jurisdiction in this matter pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes.

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

DECISION

As described above, the potential new Customer intends to construct a very large manufacturing plant and is evaluating several locations for the facility including a site in the Tampa Bay area. The Customer will take interruptible service at 230 kilovolt (kV) voltage transmission level. TECO's current tariff does not provide a rate schedule designed for a 230 kV customer. TECO's current transmission level customers take service at 69 kV.

To design charges specifically for a 230 kV customer, TECO used its most recent cost of service study from its most recent rate case¹ as the basis for development of charges contained in the special contract. The resulting charges are shown below:

- Monthly Customer Charge \$ 1,414
- Demand Charge \$ 10.95 per kW
- Base Rate Energy Charge \$ 0.11 per MWh
- Interruptible Demand Credit \$ 9.57 per kW
- Cost Recovery Clause Reduction 0.5%
from subtransmission factors

The customer charge is based on TECO's metering costs for a 230 kV customer, amortized over 15 years, plus the cost of meter reading, billing, and customer service for a General Service Demand (GSD) customer as shown in TECO's cost of service study. The demand and base rate energy charges reflect the production and transmission revenue requirement for a GSD customer from TECO's cost of service study. Since the Customer will take service at transmission level, no subtransmission and distribution revenue requirement is included in the demand and energy charges. We note that the customer, demand, and base energy charges are not subject to change, as would occur during a base rate proceeding, during the term of the contract.

The interruptible demand credit reflects TECO's credit at the time negotiations began with the Customer, as approved in TECO's 2011 energy conservation cost recovery proceeding.² Specifically, the approved credit for 2012 is \$9.82/kw³ at secondary level, and has been reduced by 2.5 percent to \$9.57/kw to reflect transmission level. The credit would be fixed for the duration of the contract. Normally, the interruptible demand credit would vary based on the cost-effective deferral of TECO's next avoided unit, as determined in the Commission's annual review of the energy conservation cost recovery clause proceeding. Negotiations with the

¹ Order No. PSC-09-0283-FOF-EI, issued April 30, 2009, in Docket No. 080317-EI, In re: Petition for rate increase by Tampa Electric Company.

² Order No. PSC-11-0531-FOF-EG, issued November 15, 2011, in Docket No. 110002-EG, In re: Energy Conservation Cost Recovery Clause.

³ See Direct Testimony of Howard Bryant filed September 13, 2011, in Docket No. 110002-EG.

Customer began in April 2012. In the interim, we approved a credit of \$6.81/kw at secondary level for 2013.⁴

TECO's current cost recovery clause factors provide charges for secondary, primary, and subtransmission level. Since the Customer will take service at transmission level, the Commission-approved subtransmission level cost recovery clause factors are subject to a 0.5 percent reduction to reflect the avoided losses for providing service at 230 kV. The 0.5 percent avoided transmission losses are based on TECO's 2011 Transmission Loss Study. The Customer will pay the applicable cost recovery clause factors as they change subject to our approval during the term of the service.

TECO explained that the Customer has accepted the rates, terms and conditions of the special contract. If the Customer selects the Tampa Bay area and we approve the special contract, TECO expects that the Customer will sign the contract.

The proposed contract will only have a minimal impact on the general body of ratepayers in the energy conservation cost recovery clause to the extent the interruptible credit contained in the contract is higher than the Commission-approved credit. Credits for interruptible customers are recovered from the general body of ratepayers through the conservation factor. The Customer will pay the otherwise applicable cost recovery clauses, such as fuel, as approved by the Commission. TECO will file for a base rate proceeding in April 2013 in Docket No. 130040-EI, but the Customer is not included in the test year because the Customer's facilities are not expected to be operational in the test year. Between rate cases, the special contract will not affect base rates for the general body of ratepayers.

We have recognized that rate discounts can be appropriate for investor-owned electric utilities. The Commercial/Industrial Service Rider (CISR) tariff we approved for TECO⁵ and Gulf Power Company (Gulf)⁶ is designed to allow TECO and Gulf to attract or retain at-risk commercial/industrial customers by allowing the utility to negotiate a discount with the customer. More recently, we approved economic development tariffs for Florida Power & Light Company.⁷

We have reviewed TECO's calculations of the charges contained in the proposed contract and we find that they are cost supported as of the time the contract was negotiated. Essentially, this contract is designed to attract a large transmission-level customer that is unique to TECO's system. Attracting a large customer that will create jobs should provide economic benefits to

⁴ Order No. PSC-12-0611-FOF-EG, issued November 15, 2012, in Docket No. 120002-EG, In re: Energy Conservation Cost Recovery Clause.

⁵ Order No. PSC-98-1081-FOF-EI, issued August 10, 1998, in Docket No. 980706-EI, In re: Petition for approval of Commercial/Industrial Service Rider tariff by Tampa Electric Company.

⁶ Order No. PSC-96-1219-FOF-EI, issued September 24, 1996, in Docket No. 960789-EI, In re: Petition for authority to implement proposed commercial/industrial service rider on pilot/experimental basis by Gulf Power Company.

⁷ Order No. PSC-11-0342-TRF-EI, issued August 15, 2011, in Docket No. 110194-EI, In re: Petition by Florida Power & Light Company for approval of amendment to economic development rider rate schedule and new existing facility economic development rider rate schedule.

TECO's service area and the state of Florida. For the reasons discussed above, we approve the special contract.

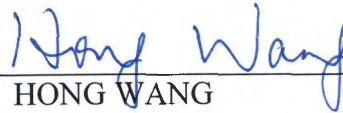
Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Petition for approval of special contract by Tampa Electric Company is approved. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 11th day of March, 2013.



HONG WANG
Chief Deputy Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, 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 will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on April 1, 2013.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

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