

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Proposed tariff resulting
from interlocal agreement
between City of St. Cloud and
Orlando Utilities Commission
concerning management of
electric operations of City of
St. Cloud.

DOCKET NO. 970552-EM
ORDER NO. PSC-97-0842-FOF-EM
ISSUED: July 14, 1997

The following Commissioners participated in the disposition of
this matter:

JULIA L. JOHNSON, Chairman
J.TERRY DEASON
SUSAN F. CLARK
DIANE K. KEISLING
JOE GARCIA

ORDER APPROVING TARIFFS

BY THE COMMISSION:

The Orlando Utilities Commission (OUC) has supplied the City of St. Cloud (City) with its full energy requirements since November 8, 1994. Effective May 1, 1997, OUC will provide all services associated with the supply of retail energy to all customers of the City pursuant to an interlocal agreement. An interlocal agreement relates to the cooperation of local government units to make the most efficient use of their powers by enabling them to cooperate with other localities on the basis of mutual advantage. Interlocal agreements are permitted under Section 163.01, Florida Statutes, "Florida Interlocal Cooperation Act of 1969." House Bill 637, passed by the Florida Legislature this year, authorizes OUC to construct, maintain, and operate energy services and water facilities within Orange and Osceola counties.

The intent of this interlocal agreement is to provide the benefits of economies of scale and more efficient utilization of the existing resources owned by the City and OUC. Consolidation of electric utility functions is expected to provide further economies

DOCUMENT NO. DATE

07020 JUL 14 97

...

and ultimately result in approximate rate parity between the retail rates of OUC and the City. This agreement should provide for more economical and reliable electric service to the City's customers.

The interlocal agreement provides that the City will retain ownership of its electric infrastructure and remain a municipal utility. OUC will operate and maintain the City's system, including its existing distribution system and transmission services. OUC will also provide generation, system engineering, construction, operations, maintenance, billing, customer services, and metering services. OUC will retain all existing City employees, subject to most of the terms and conditions of OUC's employee benefits plans and policies.

Pursuant to the agreement, the City has revised its tariffs such that the City's new rates are equal to OUC's rates plus an adder that will be used by OUC to pay for improvements to the City's system. The improvements include transmission tie line upgrades, transformer additions, new transmission lines, and an additional substation. As these improvements are made, the adder will be reduced annually during a seven year period. At the end of seven years, the adder will be reduced to a level which will provide a four percent differential between OUC's rates and the City's rates. Thereafter, the four percent differential is expected to remain indefinitely.

The Commission's jurisdiction over municipal utilities is limited to rate structure, therefore, our review of the City's proposed tariffs is limited to analyzing the effects the interlocal agreement will have on the City's rate structure. Rate structure is improved when rate changes move in the direction of greater rate parity between customer classes. When evaluating the rate structure of a municipal utility, the rate structure of investor-owned utilities are used as a proxy. In this case, our analysis indicates that the City's rate structure improves relative to the rate structure of Florida Power and Light Company and Florida Power Corporation which are neighboring utilities. In addition, the City's rates for all rate classes will be lower and its rate structure will be improved for all rate classes, therefore, we approve the City's revised tariffs. According to the City, the first reduction of the adder will be effective on October 1, 1998. For each annual reduction of the tariff during the seven year period, the City should file revised tariffs for our review and approval.

ORDER NO. PSC-97-0842-FOF-EM
DOCKET NO. 970552-EM
PAGE 3

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the City of St. Cloud's proposed tariffs are hereby approved. It is further

ORDERED that if a protest is filed in accordance with the requirement set forth below, the tariffs shall remain in effect pending resolution of the protest. It is further

ORDERED that if no protest is filed in accordance with the requirements set forth below, this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 14th day of July, 1997.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

By: Kay Flynn
Kay Flynn, Chief
Bureau of Records

(S E A L)

VDJ

ORDER NO. PSC-97-0842-FOF-EM
DOCKET NO. 970552-EM
PAGE 4

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 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.

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 Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the action proposed files a petition for a formal proceeding, as provided by Rule 25-22.036(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a)(d) and (e), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on August 4, 1997.

In the absence of such a petition, this Order shall become final on the day subsequent to the above date.

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 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 date this Order becomes final, 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.