

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Tampa  
Electric Company for expedited  
approval of energy charge  
treatment under optional  
provision contract with IMC  
Phosphates MP, Inc.

DOCKET NO. 020414-EI  
ORDER NO. PSC-02-0780-PAA-EI  
ISSUED: June 10, 2002

The following Commissioners participated in the disposition of  
this matter:

LILA A. JABER, Chairman  
J. TERRY DEASON  
BRAULIO L. BAEZ  
MICHAEL A. PALECKI  
RUDOLPH "RUDY" BRADLEY

NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING TREATMENT OF ENERGY CHARGE UNDER  
OPTIONAL PROVISION CONTRACT BETWEEN  
TAMPA ELECTRIC AND IMC PHOSPHATES MP, INC.

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

On May 10, 2002, TECO filed a petition entitled "Petition of  
Tampa Electric Company for Expedited Approval of Energy Charge  
Treatment under Optional Provision Contract." Attached to the  
petition as Exhibit A is a copy of an agreement entitled "Contract  
of Tampa Electric Company and IMC to Facilitate Optional Provision  
Purchases of Electric Power" (the contract).

IMC Phosphates MP, Inc. (IMC) is TECO's largest retail  
customer, and takes service under numerous accounts in TECO's  
service territory. The treatment requested in this docket applies

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only to a single IMC account that serves IMC's New Wales facility. The New Wales facility is a chemical plant that converts phosphate rock into fertilizer. IMC owns and operates a 58 megawatt generator that provides most of the energy needs of New Wales. On April 19, 2002, the generator suffered a failure, and IMC estimates that it will not be repaired and returned to service until on or about June 20, 2002.

Subsequent to the failure of its generator, IMC indicated to TECO that it wanted to find a way to "firm up" the availability of Optional Provision power to the New Wales facility while IMC's generator is being repaired. These discussions resulted in the contract filed in this Docket. The contract expires at midnight on May 31, 2002, unless extended at the option of IMC. If extended, the contract will expire the earlier of the date on which the IMC's generator returns to service or midnight on July 31, 2002.

We have jurisdiction over the subject matter pursuant to Sections 366.04, 366.06, and 366.07 Florida Statutes.

APPROVAL OF THE ENERGY CHARGE TREATMENT TO FACILITATE  
OPTIONAL PROVISION PURCHASES OF ELECTRIC POWER

Description of Service

IMC's New Wales facility is served under TECO's Industrial Interruptible Standby and Supplemental Service (SBI-1) rate schedule, a rate designed for self-generating customers whose generating capacity exceeds 20 percent of their on-site load. Under the SBI-1 rate, TECO supplies Standby service that is available if the customer's generator experiences a forced outage or is down for maintenance. Supplemental power is supplied for the needs of the customer that exceed its normal level of on-site generation.

The optional SBI-1 rate is a non-firm offering, which means that service under the schedule is subject to immediate and total interruption whenever any portion of the energy supplied is needed to serve TECO's firm customers, or to supply emergency power to serve the firm customers of other utilities. In return for allowing TECO to interrupt them when power is needed to serve firm customers, interruptible customers pay a lower rate.

The SBI-1 rate contains an Optional Provision under which TECO purchases energy, when available, on behalf of its interruptible customers in lieu of interruption. Customers who choose this option pay the actual cost of any purchases made by TECO on their behalf for use during the optional provision periods, plus a 0.200 cent per kilowatt-hour adder. During these periods, the customer does not pay the otherwise applicable base rate non-fuel energy or adjustment clause charges. When energy is not available on the wholesale market to serve them, TECO's non-firm customers are interrupted.

Contract Description

Under the terms of the Contract, TECO will solicit bids in the wholesale market to supply a 50 MW block of firm power that will be designated for the use of the New Wales facility under the Optional Provision of the retail SBI-1 tariff. TECO will seek alternative options for the daily hour length, number of days per week, and the manner in which the energy is scheduled. TECO will then report to IMC the results of the solicitation, and IMC can request in writing that TECO accept one or more of the offers. If an offer is acceptable to TECO, they will negotiate a Wholesale Contract with the supplier.

IMC will immediately pay TECO the entire Capacity Charge portion due under any Wholesale Contract executed. The Capacity Charge is generally fixed, and is incurred to insure the availability of the generation without regard for the amount of energy actually delivered.

TECO will not schedule the delivery of energy under the Wholesale Contract unless requested to do so by IMC. If energy is scheduled for delivery, the Contract contains two treatments regarding the payment of the Energy Charges, which are outlined in paragraphs 6a and 6b of the Contract.

Paragraph 6a. Under paragraph 6a, IMC will pay the Energy Charges for all energy delivered pursuant to the Wholesale Contract in the same manner they pay for Optional Provision purchases under the SBI-1 tariff, whether or not TECO has called for interruption or Optional Provision purchases under the normal operation of its interruptible tariffs. Under the Contract, this option will apply

unless and until TECO seeks and obtains regulatory approval for the treatment contained in paragraph 6b. TECO believes that this arrangement is contemplated within the existing SBI-1 rate schedule, and does not require Commission approval. At our Agenda Conference, however, IMC indicated that they may prefer the treatment described in Paragraph 6a.

**Paragraph 6b.** Pursuant to paragraph 6b, which is the treatment for which TECO sought Commission approval in its petition, the Wholesale Contract will be restricted to IMC's use only during those periods when the Optional Provision or an interruption would be in effect under the normal operation of the retail tariff. For purchases under the Wholesale Contract during these hours, IMC pays the Energy Charges in lieu of the tariffed non-fuel energy and adjustment clause factors, just as they would pay for normal Optional Provision power.

Energy purchases made by TECO on behalf of IMC under the Wholesale Contract in hours when the Optional Provision or interruption is not in effect will be made available for use by TECO's system. During these hours, IMC will pay the normal tariffed SBI-1 charges, as well as the Energy Charges due under the Wholesale Contract.

In return for making the energy available to TECO's system, IMC will receive a credit based on the standard rate for the purchase of as-available energy from qualifying cogenerators and small power producers for the hour in question, as specified in TECO's COG-1 rate schedule. The COG-1 rate is based on TECO's avoided cost of generation during the hour. The credit will not exceed the Energy Charge paid by IMC in that hour, and will be recovered through the Fuel and Purchased Power Cost Recovery Clause, just as payments to cogenerators are recovered. The treatment specified in paragraph 6b would be applied beginning with the first delivery of energy under the Contract.

Decision

We find that the treatment described in both paragraphs 6a and 6b of the Contract should be approved in this instance and under these extraordinary circumstances. The Contract allows TECO to meet the needs of a major industrial customer during an extraordinary situation without negatively impacting the general body of ratepayers, thus promoting the public interest. It is effective only for the limited time required to repair IMC's on-site generation, and will not have any long term impact on TECO's rate structure. IMC will be required to pay all the Capacity Charges under the Wholesale Contract, as well as all the Energy Charges.

We note that TECO has only sought our approval for the treatment outlined in paragraph 6b of the contract. TECO believes that the treatment described in paragraph 6a does not require our approval. We disagree. We find that the existing SBI-1 tariff language was not intended to encompass the concept described in Paragraph 6a of the Contract. We find that the SBI-1 Optional Provision can not be used as a general insurance policy to span the potential three-month time frame contemplated in the Contract, to the benefit of a specific customer absent our approval. Further, the Optional Provision is intended to provide energy to interruptible customers during periods when they would otherwise be interrupted. The treatment described in paragraph 6a applies even in periods when there is no threat of interruption.

In this case, however, both TECO and IMC have represented that paragraph 6a will not harm the general body of ratepayers, and both have assured us that should we determine any detriment to the general body of ratepayers, such harm will be indemnified. Therefore, in this instance, paragraph 6a shall also be approved although not specifically requested in the petition by TECO.

Since we are approving the treatment outlined in paragraph 6a of the contract based on TECO's and IMC's representation that the general body of ratepayers will not be adversely impacted, we will require TECO to file an accounting at the termination of Contract, demonstrating that the Contract was in fact non-detrimental to the general body of ratepayers. Upon staff's verification that the

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Contract was in fact non-detrimental, staff shall be given authority to administratively close this docket.

Based on the foregoing, it is


ORDERED by the Florida Public Service Commission that the Contract of Tampa Electric Company and IMC to Facilitate Optional Provision Purchases of Electric Power is approved. It is further

ORDERED that the methodologies described in both paragraphs 6a and 6b of the Contract are approved. It is further

ORDERED that upon the conclusion of the Contract, Tampa Electric Company shall file an accounting which demonstrates that the contract has not negatively impacted the general body of ratepayers in any way. It is further

ORDERED that staff may administratively close this docket upon TECO's showing that there has been no adverse impact on its general body of ratepayers.

By ORDER of the Florida Public Service Commission this 10th day of June, 2002.

  
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BLANCA S. BAYÓ, Director  
Division of the Commission Clerk  
and Administrative Services

( S E A L )

LDH

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 Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on July 1, 2002.

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.