

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of  
Commercial/Industrial Service  
Rider tariff by Tampa Electric  
Company.

DOCKET NO. 980706-EI  
ORDER NO. PSC-98-1081-FOF-EI  
ISSUED: August 10, 1998

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON, Chairman  
J. TERRY DEASON  
SUSAN F. CLARK  
JOE GARCIA  
E. LEON JACOBS, JR.

ORDER APPROVING COMMERCIAL INDUSTRIAL  
SERVICE RIDER AND PILOT STUDY IMPLEMENTATION PLAN  
FOR TAMPA ELECTRIC COMPANY

I. CASE BACKGROUND

On June 2, 1998, Tampa Electric Company (TECO) petitioned for Approval of a Commercial/Industrial Service Rider tariff (CISR or Rider) and Pilot Study Implementation Plan. If approved, the proposed Rider allows TECO to negotiate a discount on the base energy and/or base demand charges with commercial/industrial customers who can show that they have viable alternatives to taking electric service from TECO (at-risk load). The effective date of the tariff is January 1, 2000. The reason for the delayed implementation is that the Commission previously approved a stipulation between TECO, the Office of Public Counsel, and the Florida Industrial Power Users Group. See Order No. PSC-96-1300-S-EI, issued October 24, 1996. This stipulation represented a settlement covering TECO's base rates and rate of return for the period January 1, 1999 through December 31, 1999.

II. OPERATION OF PROPOSED TARIFF

The proposed tariff is available to new customers (new load) or to existing customers (retained load). Specifically, non-residential customers currently taking firm service or qualified to take firm service under rate schedules GSD, GSDT, GSLD or GSLDT qualify. New customers must have at least 1,000 kW of connected

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demand. For existing customers, two minimum levels of demand are required: (1) For customers whose highest demand in the past 12 months was less than 10,000 kW, the minimum qualifying load is 500 kW; (2) for customers whose highest demand in the past 12 months was greater than or equal to 10,000 kW, the minimum qualifying load is 2,000 kW. The Rider can be applicable to all, or a portion of the customer's existing or projected load.

The negotiated discount will only apply to base energy and/or base demand charges. The customer will pay all otherwise applicable adjustment clauses. To ensure that the other ratepayers are not being harmed through the adjustment clauses, TECO proposes to allocate all revenues received from CISR customers first to all applicable cost recovery clauses at the rate which the customer would have been charged in the absence of the CISR. The CISR customer will also pay the otherwise applicable customer charge and an additional \$250 customer charge. The additional customer charge is intended to cover incremental CISR customer-related costs.

Customers must make a written request to TECO for service under the CISR and provide the following documentation. First, a legal attestation or affidavit stating that, but for the application of the Rider, the load would not be served by TECO. Second, documentation demonstrating that the applicant has a viable lower cost alternative to taking service from TECO. Third, an existing customer must provide TECO with the results of a recent energy audit or request that TECO conduct such audit. The audit will provide information on potential energy efficiency improvements which could reduce the customer's cost in addition to the lower CISR rate. All CISR applications will be reviewed and approved by TECO's standing committee. The standing committee is comprised of TECO's President and four Vice Presidents.

For customers meeting the eligibility criteria described above, TECO seeks approval to offer a negotiated rate with the incremental cost plus a contribution to fixed costs to serve the customer as the price floor. Incremental costs are the additional costs TECO incurs to serve the CISR load. The rate offered may also take the form of a rate guarantee for a specific time period. If TECO and the customer are able to agree on the price and other terms and conditions the customer will be required to execute a Contract Service Agreement (CSA). By signing the CSA, the customer commits to taking electric service from TECO for the negotiated term.

In addition to the CISR tariff sheets, TECO submitted a Pilot Study Implementation Plan (implementation plan). The implementation plan sets out additional conditions of the tariff, which are described below.

TECO proposes to offer the CISR to eligible customers until one of three conditions has occurred: (1) total capacity subject to all CSAs reaches 300 megawatts of connected load; (2) the company has executed 25 CSAs; or, (3) 48 months have passed from the tariff's effective date. In addition, the implementation plan states that TECO will not use the CISR to shift existing load currently served by another Florida electric utility to TECO's service territory.

TECO's tariff will not require that the Commission approve each CSA. TECO will include in its monthly surveillance reports the difference between the revenues which would have been received under the otherwise applicable tariff rate and the CISR rate and will also file quarterly reports. The implementation plan sets forth three conditions which would trigger a review of the contracts by the Commission: (1) a request by TECO for a base rate increase; (2) if the difference in revenues resulting from the CSAs causes TECO's achieved jurisdictional return on equity to exceed the top of the Company's authorized range, the Commission will review all executed CSAs which have not yet been reviewed; or, (3) TECO may on its motion request a prudence review subsequent to signing a CSA. We note that nothing precludes this Commission from initiating a prudence review, at any time, on its own motion. The Commission also finds that the absence of the third condition does not in any way preclude a utility from petitioning the Commission for a prudence review of any signed CSA's.

TECO will have the burden of proof that the company's decision to enter into a particular CSA was made in the interest of the general body of ratepayers. If the Commission finds that a particular CSA was not a prudent decision, then the revenue difference between the standard rate and the CISR rate could be imputed. TECO's implementation plan as originally filed contained language that if the review resulted in the CSA being found prudent, then TECO would no longer be required to report the associated revenue shortfall on the monthly surveillance report. At TECO's request, at the Agenda Conference, this provision was deleted. The Commission, therefore, makes no findings with respect to how the Commission would treat TECO's reporting of associated

revenue shortfall on the monthly surveillance reports if a CSA's were found to be prudent.

### III. APPROVAL OF PROPOSED TARIFF

The Commission has recognized that rate discounts can be appropriate for investor-owned electric utilities. In Docket No. 960789-EI, we approved Gulf Power Company's CISR. See Order No. PSC-96-1219-FOF-EI, issued September 24, 1996. More recently, we approved Florida Power and Light Company's Economic Development Rider. See Order No. PSC-98-0603-FOF-EI, issued April 28, 1998, in Docket No. 980294-EI. TECO's proposed CISR tariff and implementation plan are essentially the same as Gulf's CISR tariff and implementation plan with only a few minor modifications. Gulf's CISR is available for 12 customers or a total load of 200 megawatts, while TECO's CISR is available for 25 customers or a total load of 300 megawatts.

This proposed CISR is experimental. The success or failure of this experiment will be determined on the experience of CSAs offered, accepted or rejected during the four years of the pilot study period. TECO will report to the Commission at the end of the pilot study regarding the failure or success of the CISR and at that time recommend that the CISR end or be renewed.

TECO will conduct specific analyses for each CISR customer to calculate the net benefits to the general body of ratepayers. TECO will compare, on a cumulative net present value basis over the life of the CSA, the revenues received under the CISR to the incremental costs to serve the customer. As long as the revenues exceed the costs, the general body of ratepayers will benefit.

Between rate cases, this proposal will not affect base rates or the adjustment clauses since the CISR customers will pay the otherwise applicable adjustment clauses. This proposal does affect TECO's reported earnings and return on equity on the monthly surveillance report.

Whether TECO's reported earnings and return on equity on the monthly surveillance report will be higher or lower due to a CISR customer depends on whether the customer was truly at risk. If it is presumed that the customer would not have remained or become a TECO customer absent the lower electric rate and if revenues exceed incremental costs, then reported earnings will be higher than what they otherwise would have been. On the other hand, if it is

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presumed that the customer was not truly an "at-risk" customer, the reported earnings will be lower than they otherwise would be.

Given that: 1) this tariff filing is essentially the same as Gulf's approved CISR tariff; 2) rates to the general body of ratepayers will not increase due to the operation of this tariff; and, 3) the prudence of each CISR is subject to determination at a later time, we find that the proposed tariff and implementation plan should be approved, effective January 1, 2000. Since the tariff will not be effective until after any protest is resolved, the issue of holding revenues subject to refund is moot.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Tampa Electric Company's petition for approval of its Commercial Industrial Service Rider (CISR) Tariff and Pilot Study Implementation Plan is approved. It is further

ORDERED that the CISR shall be effective January 1, 2000. It is further

ORDERED that if no protest is filed, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 10th day of August, 1998.

  
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BLANCA S. BAYÓ, Director  
Division of Records and Reporting

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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 proposed action files 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 Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on August 31, 1998.

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.