

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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RECORDS AND REPORTING

DATE: JANUARY 28, 2000

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF ELECTRIC AND GAS (GING, GOAD) *DLW 9/2 RGI*
 DIVISION OF AUDITING AND FINANCIAL ANALYSIS (SLEMKEWICZ) *JDJ*
 DIVISION OF LEGAL SERVICES (KEATING) *WAK RVE JIM JS 1/28*

RE: DOCKET NO. 990037-EI - PETITION OF TAMPA ELECTRIC COMPANY TO CLOSE RATE SCHEDULES IS-3 AND IST-3, AND APPROVE NEW RATE SCHEDULES GSLM-2 AND GSLM-3.

AGENDA: 02/01/00 - REGULAR AGENDA - DECISION ON STIPULATION PRIOR TO HEARING - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\EAG\WP\990037b.RCM

CASE BACKGROUND

On August 17, 1999, the Commission voted to approve Tampa Electric Company's (TECO) petition to close rate schedules Interruptible Service-3 (IS-3), Interruptible Service Time of Use-3 (IST-3), and Interruptible Standby and Supplemental Service-3 (SBI-3) on the basis that the rates were no longer cost effective. The Commission also voted to approve two new rates, General Service Industrial Load Management Rider (GSLM-2) and General Service Industrial Standby and Supplemental Load Management Rider (GSLM-3). The GSLM-2 and GSLM-3 rate schedules were shown to be cost effective with a benefit/cost value of 1.2 to 1.0 and a net present value benefit of \$1,619,000 over the life of the program. The Commission's decision was memorialized in Order No. PSC-99-1778-FOF-EI.

On October 1, 1999, the Florida Industrial Power Users Group (FIPUG) protested Commission Order No. PSC-99-1778-FOF-EI and

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PSC-RECORDS/REPORTING

DOCKET NO. 990037-EI
DATE: JANUARY 28, 2000

petitioned for a formal proceeding pursuant to Rule 28-106.201, Florida Administrative Code. FIPUG protested the closure of the IS-3, IST-3, and SBI-3 rate schedules, maintaining that the rate schedules continued to be cost-effective. FIPUG also protested the creation of the new GSLM-2 and GSLM-3 rate schedules. Coronet Industries, Inc. (Coronet) had been granted intervenor status in the underlying proposed agency action proceeding in this docket, and, on October 20, 1999, Coronet filed a supplemental petition to intervene in this formal proceeding.

On January 27, 2000, TECO, FIPUG, and Coronet filed a proposed "Settlement Stipulation and Motion for Acceptance of Stipulation and Closure of This Docket" ("Stipulation"). A copy of this stipulation is included in this recommendation as Attachment A.

DISCUSSION OF ISSUES

ISSUE 1: Should the Settlement Stipulation filed by Florida Industrial Power Users Group, Coronet Industries Inc., and Tampa Electric Company be approved?

RECOMMENDATION: Yes, subject to the following interpretations: (1) that the Commission can close the IS-3, IST-3, and SBI-3 rates in the next rate case based on the record evidence in that case and (2) the agreement allows TECO to rotate interruptions as needed, and does not require them to interrupt all interruptible customers. The order approving the agreement should reflect these two interpretations. [Ging, Goad]

STAFF ANALYSIS: Under the proposed stipulation, the parties have agreed that it is appropriate for the existing IS-3, IST-3 and SBI-3 rates to be closed to new business as of the date of the Commission order approving the stipulation. In addition, the parties have agreed that the new GSLM-2 and GSLM-3 rates should become effective as of the same date. FIPUG has agreed to withdraw its protest of Commission Order No. PSC-99-1778-FOF-EI, and the parties agree that upon Commission approval of the proposed stipulation that Docket No. 990037-EI should be closed.

The parties continue to disagree with regard to the cost effectiveness of Rate Schedules IS-3, IST-3, and SBI-3. By their agreement to this stipulation FIPUG and Coronet have not accepted the cost effectiveness methodology used by TECO and have not waived their right to contest it in another proceeding.

The stipulation also provides that Customer accounts receiving service under Rate Schedules IS-3, IST-3, and SBI-3, shall continue to receive such service and shall not forfeit such service by the sale of a company or location taking service under one of the above-mentioned accounts or the relocation of the point of delivery of existing accounts. The provision allows new customers who purchase the facilities of existing IS-3, IST-3, and SBI-3 customers to continue to receive service under the IS rates, rather than requiring them to take service under the new GSLM-2 and GSLM-3 offerings. In addition, it allows existing customers who relocate their delivery point to continue taking service under the old rates.

Staff notes that this provision potentially allows new customers to take service under rates that it believes are not cost-effective. However, staff also notes that if this occurs, there is no immediate adverse impact on the rates of the remaining ratepayers, because (unlike the GSLM rates) the discount received under the IS rates is not recovered from the ratepayers through the Energy Conservation Cost Recovery Clause.

The stipulation also contains the following language:

"It is agreed that customers taking service under all IS and SBI Rate Schedules and customers taking service under the new Rates Schedules GSLM-2 and GSLM-3 shall be treated as a single customer class with regard to interruption of service and the operation of the optional purchase power provision."

While this provision is not clear, staff believes that the intent of the provision is to ensure that all interruptible rate customers will be treated in the same manner with regard to the number and duration of interruptions, and to the price and availability of buy-through power for those customers who opt to buy such power in lieu of being interrupted. It is staff's understanding that this has always been TECO's practice with regard to its interruptible rates, and staff's recommendation that the Commission approve the stipulation is based on this understanding. Staff would prefer that the above language be changed to clarify that TECO can continue to rotate customers' interruptions and exercise the buy-through provision within the rate classes and is not required to interrupt all interruptible customers or buy power for all customers, unless it is necessary in order to continue service to firm customers. Staff believes the order approving the stipulation should reflect this interpretation.

DOCKET NO. 990037-EI
DATE: JANUARY 28, 2000

While staff recommends approval of the stipulation, the recommendation is also contingent upon the parties' agreement that the provisions of the stipulation will be superseded by any changes to TECO's interruptible rates that the Commission may order as a result of a rate case proceeding, including the closure of the IS-3, IST-3 and SBI-3 rates to existing customers. Staff believes this understanding should be incorporated into the Commission's order approving the stipulation.

The stipulation between TECO, FIPUG and Coronet is a reasonable resolution of the issues that arose between the parties in this docket. It allows the Commission and the affected parties to avoid the time, expense, uncertainty, and acrimony associated with adversarial litigation in this docket and is consistent with the Commission's long-standing practice of encouraging parties to contested proceedings to settle issues whenever possible. For these reasons, staff recommends that the stipulation filed by TECO, FIPUG, and Coronet be approved, subject to the interpretations stated above.

DOCKET NO. 990037-EI
DATE: JANUARY 28, 2000

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. Absent a timely appeal of the Commission's final order, no further Commission action will be required and the docket should be closed. [Keating]

STAFF ANALYSIS: If the stipulation is approved, there will be no issues remaining for the Commission to resolve in this docket. Absent a timely appeal of the Commission's final order, no further Commission action will be required and the docket should be closed.

AUSLEY & McMULLEN

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January 27, 2000

BY HAND DELIVERY

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Petition of Tampa Electric Company to Close Rate Schedules IS-3 and IST-3,
and approve new Rate Schedules GSLM-2 and GSLM-3; Docket No. 990037-EI

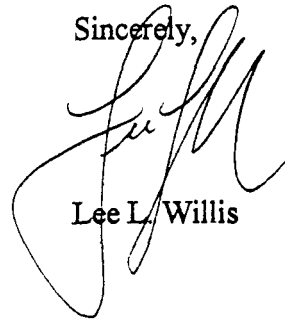
Dear Ms. Bayo:

Enclosed for filing are the original and fifteen (15) copies of Settlement Stipulation and Motion for Acceptance of Stipulation and Closure of this Docket in the above-referenced matter.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning the same to this writer.

Thank you for your assistance in this matter.

Sincerely,



Lee L. Willis

LLW/bjd

Enclosures

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Tampa Electric Company)
to close Rate Schedules IS-3 and IST-3 and) DOCKET NO. 990037-EI
approve new Rate Schedules GSLM-2 and)
GSLM-3)
_____)

SETTLEMENT STIPULATION
AND MOTION FOR ACCEPTANCE
OF STIPULATION AND CLOSURE OF THIS DOCKET

This Stipulation is entered into on this 25th day of January 2000 by and between the Florida Industrial Power Users Group ("FIPUG"), Coronet Industries, Inc. ("Coronet") and Tampa Electric Company ("Tampa Electric") (collectively, the "Parties") with regard to the matters at issue in Docket 990037-EI.

The Parties continue to disagree with regard to the cost effectiveness of Rate Schedules IS-3, IST-3 and SBI-3. By their agreement to this stipulation FIPUG and Coronet do not accept the cost effectiveness methodology used or waive their right to contest it in another proceeding. However, despite this difference of opinion, the Parties hereby agree and recommend to the Florida Public Service Commission that Rate Schedules IS-3, IST-3 and SBI-3 be closed to new business, as of the date of the Commission Order approving this Stipulation. FIPUG further hereby agrees to withdraw its protest to Commission Order No. PSC-99-1778-FOF-EI.

It is stipulated that customer accounts receiving service under Rate Schedules IS-3, IST-3 and SBI-3, as of the date of the Commission Order approving this stipulation, shall continue to receive such service pursuant to the terms and conditions of said Rate Schedules, provided that such end use is not materially altered and so long as such loads continue to

meet the eligibility provisions of the applicable Rate Schedule. Subject to the above-mentioned limitations, periodic changes in demand and consumption for those accounts under the IS and SBI Rate Schedules shall be accommodated pursuant to the terms and conditions of those rate schedules. This entitlement shall not be forfeited by the sale of a company or location taking service under one of the above-mentioned accounts or the relocation of service for existing accounts. It is agreed that customers taking service under all IS and SBI Rate Schedules and customers taking electric service under the new Rate Schedules GSLM-2 and GSLM-3 shall be treated as a single customer class with regard to interruption of service and the operation of the optional purchase power provision.

The parties further stipulate and agree that Rate Schedule GSLM-2 and GSLM-3 be adopted, without amendment, and made effective as of the date of the Commission order adopting this Stipulation.

The parties further hereby request the prehearing officer assigned to this docket immediately suspend the procedural schedule established for this case in Order No. PSC-00-0114-PCO-EI issued January 12, 2000.

Finally the parties further stipulate, agree and hereby move the Commission that this Settlement Stipulation be approved and that Docket No. 990037-EI be closed concurrent with the Commission adoption of this Stipulation.

This Settlement Stipulation may be executed in counterpart originals and a facsimile of the original signature shall be deemed an original.



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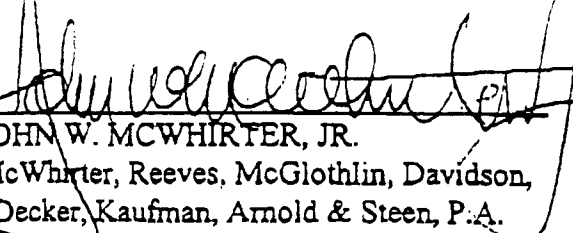
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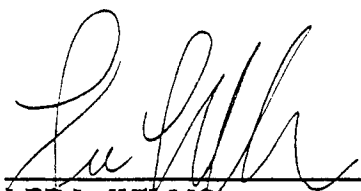
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ATTORNEYS FOR TAMPA
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing Settlement Stipulation has been furnished by hand delivery(*) or U. S. Mail on this 27th day of January, 2000 to the following:

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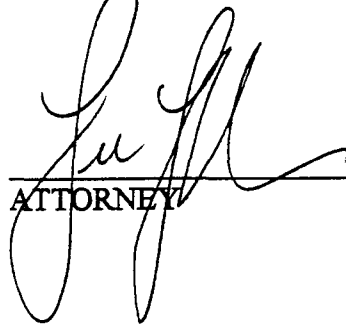
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