



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: May 31, 2000

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

FROM: DIVISION OF ELECTRIC AND GAS (HAFF, E. DRAPER) *MSA TB EAD JDS*
DIVISION OF LEGAL SERVICES (ISAAC) *CB*

RE: DOCKET NO. 000600-EI - PETITION FOR APPROVAL OF SERVICE AGREEMENT FOR EMERGENCY ON-DEMAND ENERGY BY TAMPA ELECTRIC COMPANY.

AGENDA: 06/06/2000 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: JULY 17, 2000

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\SER\WP\000600.RCM

CASE BACKGROUND

Under certain conditions, Tampa Electric Company (TECO) may have insufficient generation to meet firm retail load. When this occurs, TECO may find it difficult or very expensive to purchase energy from the wholesale power market to meet firm native load requirements. However, in these situations, TECO believes that it can solicit from qualifying facilities (QFs) in its service territory who, at times, may be willing to modify their internal operations to temporarily provide additional emergency energy to TECO. In return for the QF's additional energy, TECO would pay incentive prices above and beyond those prices paid to QFs under TECO's as-available energy (COG-1) tariff. These incentive prices are expected to be less than the market price for purchased energy.

As a result, on May 17, 2000, TECO petitioned the Commission for approval of a "Service Agreement for the Purchase of Emergency On-Demand Energy at Negotiated Rates." The proposed agreement (Attachment 1) is contained on new tariff sheets 8.800 through

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

8.870. TECO plans to use the tariff on a case-by-case basis to negotiate energy purchases with QFs during times that TECO is in an energy deficient situation. For payments made by TECO to QFs under this agreement, TECO seeks cost recovery, subject to Commission review, through the Fuel and Purchased Power Adjustment Clause (Fuel Adjustment docket). TECO has sought expedited approval of its petition in order to have the agreement in place to meet anticipated high summer peak demand.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve TECO's Petition for Approval of a Service Agreement for Emergency On-Demand Energy At Negotiated Rates?

RECOMMENDATION: Yes.

STAFF ANALYSIS: The proposed agreement is an added incentive for QFs in TECO's service territory to modify their internal operations to make additional energy available to TECO. Through discussions with QFs in its service territory, TECO has found that these QFs, for a short time period if given enough notice, can sometimes make extraordinary operational arrangements behind the meter to export more generation to TECO than they normally do. These arrangements come at a cost to the QF, and the QF is willing to make these arrangements only if the incentive is sufficient. Because other business activities take priority over energy generation for these QFs, they are not willing to make permanent commitments to supply additional energy over the long term.

The proposed agreement is an attempt by TECO to secure energy several hours, or days, in advance of an anticipated inability to meet the needs of its firm retail customers. The proposed agreement will have no effect on regular as-available energy payments made by TECO to QFs under the COG-1 tariff. The additional incentive price will be paid only for the incremental energy above the QF's normal output. TECO will pay more for on-demand emergency energy under this agreement than TECO otherwise would pay for as-available energy under the COG-1 tariff. However, TECO expects that, under emergency conditions, energy will be more available and less costly coming from QFs under the agreement than from the wholesale market.

DATE: May 31, 2000

TECO has requested expedited Commission approval of its petition in order to have the agreement in place to meet expected high peak demand this upcoming summer. Staff believes that the proposed agreement is a reasonable means for TECO to secure short-term, on-demand emergency energy from QFs when needed. TECO will pursue this agreement with QFs only when TECO is unable to meet its firm retail customer needs -- the agreement will not be used to serve buy-through requests by interruptible service customers. The QF must first satisfy any existing contractual obligations before being eligible for the emergency on-demand energy rate. Staff believes that this requirement will minimize any attempt by the QF to "game the system" by, for example, shutting down its generation for a period, only to restart its generator and receive emergency energy prices for ALL output. While TECO has requested recovery through the Fuel Adjustment docket for expenditures made pursuant to this agreement, TECO has agreed to send the staff a monthly report of all purchases made under the agreement. This will assist staff in reviewing the prudence of such purchases in the Fuel Adjustment docket.

For the reasons stated above, staff recommends that the Commission approve TECO's petition to approve its proposed service agreement for emergency on-demand energy.

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes, this docket should be closed upon issuance of a Consummating Order unless a person whose substantial interests are affected by the Commission's proposed agency action files a protest within 21 days of the issuance of the order.

STAFF ANALYSIS: If no person whose substantial interests are affected by the Commission's proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon issuance of a Consummating Order.

TAMPA ELECTRIC COMPANY

ORIGINAL SHEET NO. 8.800

**SERVICE AGREEMENT FOR THE PURCHASE OF
EMERGENCY ON-DEMAND ENERGY
AT NEGOTIATED RATES**

This Service Agreement for the Purchase of Emergency On-Demand Energy at Negotiated Rates ("Agreement") is made and entered into as of this ____ day of _____, ____ by and between _____, ("Customer") and Tampa Electric Company ("Company"), a Florida corporation.

WITNESSETH

WHEREAS, the Company is an electric utility operating under Chapter 366, Florida Statutes, subject to the jurisdiction of the Florida Public Service Commission ("Commission") or any successor agency thereto; and

WHEREAS, the Customer is a Qualifying Facility ("QF") within the meaning of Commission Rule 25-17.080, Florida Administrative Code, located at _____; and

WHEREAS, the Company has on file with the Commission a tariff Schedule COG-1, pursuant to which the Company purchases energy produced by the Customer and other QFs, on an as-available basis, at a standard rate set forth in Schedule COG-1 ("Standard As-Available Energy"); and

WHEREAS, the Company may find from time to time that its own generation and purchased power resources are not expected to be sufficient to supply a portion of its firm retail load, thus creating an energy shortfall ("Energy Shortfall"); and

WHEREAS, the Company may seek to meet the Energy Shortfall, in whole or in part, by offering the Customer an incentive rate, in excess of the Standard As-Available Energy rate, for additional energy ("Emergency On-Demand Energy") that the Customer is able to make available during the period of the Energy Shortfall and that, but for the Company's offer, would not be made available as Standard As-Available Energy; and

WHEREAS, in response to such an incentive offered by the Company, the Customer may be willing to take extraordinary measures (e.g., increasing QF energy generation or decreasing firm load requirements at the QF facility) ("Extraordinary Measures") that would make Emergency On-Demand Energy available during the period of the Energy Shortfall and that, but for the Company's incentive offer to purchase Emergency On-Demand Energy,

ISSUED BY: J. B. Ramil, President

DATE EFFECTIVE:

EXHIBIT "A"

would not otherwise be provided as Standard As-Available Energy under the COG-1 tariff; and

WHEREAS, the Company and the Customer may negotiate and mutually agree upon the amount of Emergency On-Demand Energy to be made available during the period of the Energy Shortfall, and the incentive rate(s) to be paid by the Company for such Emergency On-Demand Energy ("Emergency On-Demand Energy Transaction");

NOW THEREFORE, in consideration of the mutual covenants expressed herein, the Company and the Customer hereby agree as follows:

1. **Incorporation of Tariff:** This Agreement incorporates by reference the terms and conditions of Schedule COG-1. In the event of any inconsistency between this Agreement and Schedule COG-1, the terms and conditions of this Agreement shall control.
2. **Nature of Service:** Each transaction under this Agreement shall be an Emergency On-Demand Energy Transaction (*i.e.*, a sale and purchase of Emergency On-Demand Energy at a negotiated rate as determined in accordance with Sections 3 and 4 of this Agreement.) The Company shall be under no obligation to propose an Emergency On-Demand Energy Transaction and the Customer shall be under no obligation to agree to a proposed Emergency On-Demand Energy Transaction. There shall be no commitment of capacity by the Customer to the Company in any Emergency On-Demand Energy Transaction. The Customer may, at its sole discretion and upon one (1) hour notice to the Company, interrupt the scheduling or delivery of Emergency On-Demand Energy in any Emergency On-Demand Energy Transaction that has been previously agreed upon.

Emergency On-Demand Energy is energy delivered to the Company's system. An Emergency On-Demand Energy Transaction shall commence only after the Customer has fulfilled its pre-existing contractual obligation under any QF capacity contract (COG-1 or otherwise) and only if either of the following two conditions are in effect; (1) the Customer is already exporting energy to the Company ("Previous Export Energy") at the beginning of the first hour during which Emergency On-Demand Energy is scheduled, or (2) the Customer is neither importing or exporting energy to the Company at the beginning of the first hour during which Emergency On-Demand Energy is scheduled. If the Customer qualifies under (1) above, the Previous Export Energy shall be scheduled for delivery in addition to any amount of Emergency On-Demand which is to be scheduled, however Previous Export Energy shall be considered Standard As-Available Energy and the rates for such energy shall be those specified under Schedule COG-1.

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3. **Transactions:** From time to time, the Company may request the Customer to provide Emergency On-Demand Energy. Any such request shall specify: (a) the clock hours during which the Emergency On-Demand Energy is desired, which may number no less than one (1); (b) the amount of Emergency On-Demand Energy desired in each clock hour; and (c) the rate(s) that the Company proposes to pay for the Emergency On-Demand Energy. If possible, the Company shall make any such request no less than two (2) hours prior to the clock hour in which the Company proposes to commence the Emergency On-Demand Energy Transaction. The Company shall specify the Customer response time required for each request. The Customer shall inform the Company within the specified response time whether the Customer is willing and able to provide Emergency On-Demand Energy at the proposed rate(s) and schedule.

If the Customer is not willing or is unable to provide Emergency On-Demand Energy, the Company's offer shall immediately be deemed null and void and of no effect as of the same time and date of the Company's offer.

Each Emergency On-Demand Energy Transaction shall be documented by a Confirmation Letter (a form of which is attached hereto as Exhibit A and made a part hereof) specifying the date(s) of the transaction, the clock hour(s) of the transaction, the expected amount of Emergency On-Demand Energy for each clock hour, the expected amount of Standard As-Available Energy for each clock hour, and the rate(s) offered for the Emergency On-Demand Energy.

The Company and the Customer may establish the transaction-specific rates and terms by a recorded telephone conversation ("Recorded Conversation".) The Company shall be responsible for recording the Recorded Conversation. A Recorded Conversation may be introduced to prove an oral agreement between the Company and the Customer.

4. **Rates:** The rate(s) that the Company proposes for Emergency On-Demand Energy shall be expressed in dollars per megawatt-hour (\$/MWh) only and in no case shall the rate(s) include any capacity (\$/MW) component. The rates offered by the Company shall be below the expected market price for energy available on the wholesale power market at the time of the Company's request for Emergency On-Demand Energy. The Company shall be under no obligation to provide the Customer with wholesale power market information. The Company shall be prepared, however, to provide such information to the Commission, subject to the provisions of Section 17 of this Agreement.

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- 5. Designated Representatives: The Company and the Customer shall each designate a representative who is authorized to communicate with the other party concerning Emergency On-Demand Energy Transactions and to enter into such transactions.
- 6. Billing: Billing for transactions made under this Agreement shall be included with the Schedule COG-1 billing for the month during which an Emergency On-Demand Energy Transaction occurs, but shall be separately presented.
- 7. Regulation and Regulatory Approval: The provisions of this Agreement and any transactions entered into under this Agreement are subject to the regulatory authority and approval of the Commission. The Customer shall provide the Company with any information reasonably required to comply with any filing requirements of the Commission, and shall not lend support to any party that opposes this Agreement or any transaction hereunder before the Commission.
- 8. Security Deposit: No additional security deposit shall be required of the Customer as a result of entering into this Agreement.
- 9. Term: This Agreement shall become effective on the date first above written. This Agreement may be terminated by either party upon sixty (60) days prior written notice to the other party.
- 10. Notices: All notices made hereunder shall be in writing and shall be delivered by hand, by prepaid first-class registered or certified mail, return receipt requested, by courier or by facsimile, addressed as follows:

If to the Company: Attention: _____
 Tampa Electric Company
 702 North Franklin Street
 P.O. Box 111
 Tampa, Florida 33601-0111
 Facsimile: _____
 Attention: _____

with a copy to: Attention: _____
 Tampa Electric Company
 702 North Franklin Street
 P.O. Box 111
 Tampa, Florida 33601-0111
 Facsimile: _____
 Attention: _____

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If to the Customer: Attention: _____

Facsimile: _____
Attention: _____

with a copy to: Attention: _____

Facsimile: _____
Attention: _____

Except as otherwise expressly provided in this Agreement, all notices shall be deemed effective upon receipt. Each party shall have the right to designate a different address for notices to it by notice similarly given.

- 11. **Assignment: No Third-Party Beneficiaries:** This Agreement shall inure to the benefit of and shall bind the successors and assigns of the parties hereto. No assignment of any rights or delegation of any obligations hereunder shall have the effect of releasing the assigning party of any of its obligations hereunder, and the assigning party shall remain primarily liable and responsible therefore notwithstanding any such assignment or delegation. Nothing in this Agreement shall be construed to confer a benefit on any person not a signatory party hereto or such signatory party's successors and assigns.
- 12. **Waiver:** At its option, either party may waive any or all of the obligations of the other party contained in this Agreement, but waiver of any obligation or any breach of this Agreement by either party shall in no event constitute a waiver as to any other obligation or breach or any future breach, whether similar or dissimilar in nature, and no such waiver shall be binding unless in writing signed by the waiving party.
- 13. **Headings:** The section and paragraph headings contained in this Agreement are for reference purposes only and shall not affect, in any way, the meaning or interpretation of this Agreement.
- 14. **Counterparts:** This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

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- 15. Dispute Resolution: All disputes arising between the Company and the Customer under this Agreement shall be finally decided by the Commission in accordance with the applicable rules and procedures of the Commission.
- 16. Governing Law: This Agreement shall be construed and enforced in accordance with the laws of the State of Florida.
- 17. Confidentiality: The rates mutually agreed upon for transactions under this Agreement, as well as any information supplied by the Customer or the Company as part of any negotiations undertaken to reach agreement on transactions under this Agreement or after completion of any such transaction, are considered confidential, proprietary information of the parties. Upon the Commission's request, information concerning any transaction hereunder shall be made available for review solely by the Commission and its staff. Such review shall be made in accordance with the confidentiality rules of the Commission.
- 18. Entire Agreement: This Agreement supersedes all previous agreements and representations either written or oral heretofore made between the Company and the Customer with respect to the matters contained herein. This Agreement, when duly executed, constitutes the only agreement between the parties hereto relative to the matters described herein.

IN WITNESS WHEREOF, the Customer and the Company have executed this Agreement the day and year first above written.

Witnesses:

by: _____

Its: _____

Attest: _____

Witnesses:

TAMPA ELECTRIC COMPANY

by: _____

Its: _____

Attest: _____

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DATE EFFECTIVE:

Exhibit A
Form of
**EMERGENCY ON-DEMAND ENERGY TRANSACTION
CONFIRMATION LETTER**
between

_____ (Customer)

Tampa Electric Company
(Company)

Phone: () -
Fax: () -

Phone: (813) 225-5178
Fax: (813) 225-5127

Transaction Commencement Date: _____

Transaction Completion Date: _____

Hour	Expected Amount of Emergency On-Demand Energy (MWH)	Expected Amount of Standard As-Available Energy (MWH)	Emergency On-Demand Energy Rate (\$/MWH)	Hour	Expected Amount of Emergency On-Demand Energy (MWH)	Expected Amount of Standard As-Available Energy (MWH)	Emergency On-Demand Energy Rate (\$/MWH)
0000-0100	_____	_____	_____	1200-1300	_____	_____	_____
0100-0200	_____	_____	_____	1300-1400	_____	_____	_____
0200-0300	_____	_____	_____	1400-1500	_____	_____	_____
0300-0400	_____	_____	_____	1500-1600	_____	_____	_____
0400-0500	_____	_____	_____	1600-1700	_____	_____	_____
0500-0600	_____	_____	_____	1700-1800	_____	_____	_____
0600-0700	_____	_____	_____	1800-1900	_____	_____	_____
0700-0800	_____	_____	_____	1900-2000	_____	_____	_____
0800-0900	_____	_____	_____	2000-2100	_____	_____	_____
0900-1000	_____	_____	_____	2100-2200	_____	_____	_____
1000-1100	_____	_____	_____	2200-2300	_____	_____	_____
1100-1200	_____	_____	_____	2300-2400	_____	_____	_____

ISSUED BY: J. B. Ramil, President

DATE EFFECTIVE:

_____	Tampa Electric Company
_____	_____
Print Name: _____	Print Name: _____
Title: _____	Title: _____
Agreement Date: _____	Agreement Date: _____

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