State of Florida

Public Service Commission

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RECORDS AND REPORTING

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DATE: JULY 20, 2000

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

FROM: DIVISION OF SAFETY AND ELECTRIC RELIABILITY (HAFF) mml TB
DIVISION OF ECONOMIC REGULATION (E. DRAPER) EAD
DIVISION OF LEGAL SERVICES (ISAAC) RVE

RE: DOCKET NO. [redacted] PETITION BY TAMPA ELECTRIC COMPANY FOR REVISIONS TO EMERGENCY ON-DEMAND ENERGY SERVICE AGREEMENT.

AGENDA: AUGUST 1, 2000 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: AUGUST 21, 2000

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\SER\WP\000759.RCM

CASE BACKGROUND

In Docket No. 000600-EI, the Commission granted a petition by Tampa Electric Company (TECO) to approve a "Service Agreement for the Purchase of Emergency On-Demand Energy at Negotiated Rates" (Service Agreement). (Order No. PSC-00-1158-TRF-EI, issued June 26, 2000) Under the Service Agreement, during times that TECO is unable to meet its firm retail load, qualifying facilities (QFs) would temporarily modify their internal operations to provide additional emergency energy to TECO. In return, TECO would pay incentive prices above and beyond those prices paid to QFs under TECO's as-available energy (COG-1) tariff.

In approving TECO's Service Agreement, the Commission also approved TECO's request for cost recovery, subject to Commission review, through the Fuel and Purchased Power Adjustment Clause (Fuel Clause).

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When the Commission approved TECO's Service Agreement in Docket No. 000600-EI, it requested that TECO consider extending the terms of the Service Agreement to include interruptible customers. As a result, on June 22, 2000, TECO petitioned the Commission for approval to revise the Service Agreement. The revision allows TECO to purchase emergency energy from QFs to serve interruptible customers with "buy-through" energy in lieu of interruption. TECO requests that all energy costs for these buy-through purchases be recovered through the "optional provision" charges paid by interruptible customers, rather than from all customers through the Fuel Clause.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve TECO's Petition for Revisions to its Emergency On-Demand Energy Service Agreement?

RECOMMENDATION: Yes. (Haff, E. Draper)

STAFF ANALYSIS: The proposed revision to TECO's Service Agreement would allow TECO to purchase emergency energy from QFs to meet the buy-through requests of interruptible customers. This change is satisfied solely by deleting the word "firm" on Tariff Sheet No. 8.800 (Attachment 1). The remaining tariff sheets from the original Service Agreement (Sheet Nos. 8.810 through 8.870) are unchanged.

Staff believes that TECO's revised Service Agreement is a reasonable means for TECO to secure short-term, on-demand emergency energy from QFs when needed by interruptible customers for buy-through purposes. TECO's general body of ratepayers will not incur any charges under the revised Service Agreement for these purchases. Rather, TECO will recover these costs through the "optional provision" charges levied on those interruptible customers who choose to take buy-through energy in lieu of interruption. For this reason, staff recommends that the Commission approve TECO's petition to revise its emergency on-demand energy service agreement.

ISSUE 2: What is the appropriate effective date for the revised tariff?

RECOMMENDATION: The appropriate effective date for the revised tariff is August 1, 2000. (E. Draper)

STAFF ANALYSIS: If the Commission approves the proposed tariff revisions at its August 1, 2000, Agenda Conference, they should become effective on that date.

ISSUE 3: Should this docket be closed?

RECOMMENDATION: Yes, if no protest is filed within 21 days of the issuance of the order. (Isaac)

STAFF ANALYSIS: If a protest is filed within 21 days of the Commission order approving this tariff, the tariff should remain in effect pending resolution of the protest, with any charges held subject to refund pending resolution of the protest. If no protest is filed, this docket should be closed upon the issuance of a Consummating Order.

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,