

State of Florida



Public Service Commission

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DATE: JANUARY 25, 2001

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

FROM: DIVISION OF LEGAL SERVICES (ISAAC) *RNS RVE az*
DIVISION OF SAFETY & ELECTRIC RELIABILITY (BREMAN, *JB*
WINDHAM) *BW WBM* *JDJ*

RE: DOCKET NO. 001448-EI - JOINT PETITION FOR APPROVAL OF AMENDMENT TO TERRITORIAL AGREEMENT BETWEEN FLORIDA POWER CORPORATION AND TAMPA ELECTRIC COMPANY.

AGENDA: 02/06/01 - REGULAR AGENDA - PROPOSED AGENCY ACTION INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\LEG\WP\001448.RCM

CASE BACKGROUND

Pursuant to Section 366.04(2)(d), Florida Statutes, the Commission has jurisdiction "to approve territorial agreements between and among rural electric cooperatives, municipal electric utilities, and other electric utilities under its jurisdiction." As an exercise of its jurisdiction, the Commission approved Tampa Electric Company (TECO) and Florida Power Corporation's (FPC) original territorial agreement by Order No. 24593, in Docket No. 910085-EI, issued May 29, 1991.

On September 25, 2000, pursuant to Section 366.04(2)(d), Florida Statutes, and Rule 25-6.0440, Florida Administrative Code, FPC and TECO filed a Joint Petition for Approval of Second Amendment to Territorial Agreement. A copy of the proposed amendment is included as Attachment A to this recommendation and is incorporated by reference herein. FPC and TECO request the amendment to continue their efforts to minimize costs to their

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respective customers by avoiding unnecessary duplications of generation, transmission and distribution facilities.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission grant the joint petition by Tampa Electric Company and Florida Power Corporation, for approval of the Second Amendment to their territorial agreement in Polk County?

RECOMMENDATION: No. The Commission should deny Tampa Electric Company and Florida Power Corporation's petition for approval of the Second Amendment to their territorial agreement in Polk County. (WINDHAM, BREMAN, ISAAC)

STAFF ANALYSIS: Section 366.04(2)(d), Florida Statutes, grants the Commission authority to approve territorial agreements between and among rural electric cooperatives, municipal electric cooperatives, municipal electric utilities, and other electric utilities under its jurisdiction. Rule 25-6.0440(2), Florida Administrative Code, describes the standards for approval of territorial agreements as follows:

(2) Standards for Approval. In approving territorial agreements, the Commission may consider, but not be limited to consideration of:

- (a) the reasonableness of the purchase price of any facilities being transferred;
- (b) the reasonable likelihood that the agreement, in and of itself, will not cause a decrease in the reliability of electrical service to the existing or future ratepayers of any utility party to the agreement; and
- (c) the reasonable likelihood that the agreement will eliminate existing or potential uneconomic duplication of facilities.

The above standards were adopted to ensure that the general body of ratepayers is not harmed by the approval of territorial agreements.

The area in question in this docket is an open area planned for development as a residential community. A modification of the territorial boundary in this area is necessary because the layout of the planned community does not provide reasonable access options to both utilities which allows them to comply with the existing territorial boundary. The utilities have proposed a new boundary line which follows lot lines to approximate the historic boundary line and allocates the same number of future customers to each utility. The utility proposal does not follow along natural access routes such as the planned roadways or other natural boundaries.

Staff's concerns about the proposed agreement are that the proposal will result in higher costs and decreased quality of service in the area of two cul-de-sac roads, Gorreta Lane and Road Number 2 for the future customers who would be served by FPC in these areas. (See Attachment B, with staff's markings). The proposed agreement causes uneconomic duplication of facilities because both utilities will be required to access each of these cul-de-sacs when one utility, in this case TECO, can provide service more efficiently and reliably. FPC's additional facilities include two pole lines along residential lot lines starting in the development area south of the natural gas easement, crossing the gas easement, and along residential lot lines into the development area north of the easement (see Areas A & B). These pole lines would bound eight residential lots and require two additional utility easements in Area A and two additional utility easements in Area B. FPC estimated the extra cost of building the two pole lines required for access would be at least \$4200. The additional FPC circuit in each cul-de-sac also requires additional terminal poles. Additional simplifications and reduced lot impacts along with additional savings appear possible in the two cul-de-sacs if a simpler design by just one utility was used. Staff believes FPC's two pole lines and additional terminal poles entails extra cost and will result in higher construction costs, higher maintenance cost, reduced reliability, and access problems for future maintenance and emergency situations.

There are no current customers affected by this agreement since the new subdivision is not completed. Rather, FPC expressed objections to Staff's proposed amendment because the new territorial boundary line would award TECO 35 more lots to serve than it does for FPC in the new development.

Staff believes the most cost effective, efficient, and reliable way to serve the planned subdivision is for TECO to extend its pole lines down Gorreta Lane and Road Number 2. Staff believes that the natural gas line easement across the development just

south of Gorreta Lane and Road Number 2 is a natural boundary which avoids future uneconomic duplication of facilities and is in the public interest. Poles, overhead lines, and guy wires between homes are likely to generate complaints. If the boundary line was along a natural feature such as the natural gas easement, staff would have no concern with the proposal.

The parties have talked with staff regarding staff's concerns and alternate proposal, but disagree. Staff believes the petition should be denied because the proposed boundary line will cause future uneconomic duplications of facilities and decrease the quality of service to the area as discussed above. This is an issue of first impression for the Commission. The Commission has not denied a territorial agreement or an agreed upon amendment thereon in the past.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order. (ISAAC)

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

Docket No. 001448-EI
Attachment B: Sketch of Uneconomic Duplication
of TECO/FPC Electric Lines

