



Public Service Commission

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DATE: MARCH 1, 2001

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

FROM: DIVISION OF LEGAL SERVICES (HART) ~~WOM~~ RVE
DIVISION OF SAFETY & ELECTRIC RELIABILITY (BREMEN) WOM

RE: DOCKET NO. 930885-EU - JOINT PETITION FOR APPROVAL OF AMENDED PROCEDURES AND GUIDELINES FOR AVOIDING FURTHER UNECONOMIC DUPLICATION OF FACILITIES BETWEEN GULF POWER COMPANY AND GULF COAST ELECTRIC COOPERATIVE, INC.

AGENDA: 03/13/01 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: ATTACHMENT NOT ONLINE

FILE NAME AND LOCATION: S:\PSC\LEG\WP\930885.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." The Commission, in Order No. PSC-98-0174-FOF-EU issued January 28, 1998, directed Gulf Power Company and Gulf Coast Electric Cooperative, Inc., to establish detailed procedures and guidelines addressing subtransmission, distribution, and requests for new service which are enforceable with each respective utility. A joint submission of Procedures and Guidelines for Avoiding Further Uneconomic Duplication of Facilities was filed on July 24, 2000. On September 15, 2000, staff received a letter requesting a 90-day extension for purposes of amending the July 24, 2000 filing. On January 26, 2001, pursuant to Section 366.04(2)(d), Florida Statutes, and Rule 25-6.0440, Florida Administrative Code, Gulf Power Company and Gulf Coast Electric Cooperative Inc., filed an

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FPSC-RECORDS, REPORTING

Amended Joint Submission of Procedures and Guidelines for Avoiding Further Uneconomic Duplication of Facilities. A copy of the Procedures and Guidelines is included as Attachment A to this recommendation and is incorporated by reference herein.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission grant the joint petition by Gulf Coast Electric Cooperative, Inc., and Gulf Power Company, for approval of the Amended Procedures and Guidelines for Avoiding Further Uneconomic Duplication of Facilities?

RECOMMENDATION: Yes. The Commission should grant Gulf Coast Electric Cooperative, Inc., and Gulf Power Company's joint petition for approval of the Amended Procedures and Guidelines for Avoiding Further Uneconomic Duplication of Facilities. The parties should file at least two annual reports addressing the effectiveness of the proposal in avoiding uneconomic duplication and ensuring reliable service. (HART, BREMAN)

STAFF ANALYSIS: In interpreting the Commission's authority to review territorial agreements, the Florida Supreme Court has held the appropriate standard is the "no-detriment test." Utilities Comm'n of City of New Smyrna v. FPSC, 469 So. 2d 731 (Fla. 1985). The Court stated that PSC approval should be based on the effect the territorial agreement will have on all customers in the territory, not just whether transferred customers will benefit. See id. at 732. "For PSC approval, any customer transfer in a proposed territorial agreement must not harm the public." Id. at 733.

Rule 25-6.0440(2), Florida Administrative Code, describes the standards of 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.

In this case, the proposed Amended Procedures and Guidelines for Avoiding Further Uneconomic Duplication of Facilities between Gulf Coast Electric Cooperative, Inc., is the first territorial agreement between the parties. Section II of the proposed agreement outlines a utility's response to a request for service. Upon a request for service, a utility will review customer load requirements, proximity to existing facilities of both utilities, capabilities of the existing facilities, and the costs to provide the required service. Staff believes a comparative analysis such as the one required by the proposed agreement will avoid future uneconomic duplication of facilities. Section III of the proposed agreement ensures that customer reliability and power quality will be considered in each request for new service. Section IV ensures utilities will not seek to serve customers currently being provided service by the other utility. Section V of the proposed agreement ensures that distribution system upgrades and extensions will not be put in place for speculative future loads.

The proposed territorial agreement does not establish a traditional "lines-in-the-ground" territorial boundary. However, the proposal addresses all the necessary standards required for approval. However, because of the unique characteristics of the proposed territorial agreement, staff believes the parties should file a report addressing the effectiveness of the agreement in avoid future uneconomic duplication and ensuring reliable service. The report should be filed on a 12 month basis for at least two years. These two reports should provide the appropriate basis to determine if the proposed territorial agreement is effective.

Staff believes that the proposed Amended Joint Submission of Procedures and Guidelines for Avoiding Further Uneconomic Duplication of Facilities should be approved. The proposal appears to avoid uneconomic duplication of electric service. The proposal is consistent with the Commission's rules. In addition, the proposal appears to minimize the impact on the ratepayers, and is in the public interest. Therefore, Staff recommends that the guidelines be approved.

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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. (HART)

STAFF ANALYSIS: At the conclusion of the protest period, if no protest is filed, this docket should be closed upon the issuance of a consummating order.

PROCEDURES AND GUIDELINES FOR AVOIDING FURTHER UNECONOMIC DUPLICATION OF FACILITIES

It is expected that the utilization of these procedures and guidelines will help Gulf Coast Electric Cooperative, Inc. ("GCEC") and Gulf Power Company ("Gulf Power") avoid further uneconomic duplication of the facilities of each other, in accordance with the policy and rules of the Florida Public Service Commission ("Commission"). Accordingly, these procedures and guidelines are intended for use by the parties to assist in determining whether or not they should agree to honor the request for electric service by a customer or should otherwise proceed with the construction of additional facilities. If, by constructing the facilities to provide service to a customer requesting such service, there is a reasonable expectation that uneconomic duplication of facilities would occur, a utility may deny service to the customer and direct the customer to request service from the utility whose provision of such service would not be expected to result in uneconomic duplication.

SECTION I: DEFINITIONS

- 1.1 Cost of Service. As used herein, the term "cost of service" shall mean the initial cost of the construction (including fully-loaded labor, materials, engineering and supervision overheads, etc.) of the modification or addition of facilities required to provide requested service to the customer less any initial payments by the customer as a contribution in aid to construction.
- 1.2 Customer. As used herein, the term "customer" shall mean any person or entity requesting electrical service and who is intending to be responsible for or who is acting on behalf of the intended responsible party for a building or other facility (e.g. electro-mechanical equipment, contiguous group of premises, etc.) requiring such electrical service.
- 1.3 Existing Facilities. As used herein, the term "Existing Facilities" shall mean the utility's nearest facilities that are of a sufficient size, character (number of phases, primary voltage level, etc.) and accessibility so as to be capable of serving the anticipated load of a customer without requiring any significant modification of such facilities.
- 1.4 Load. As used herein, the term "load" shall mean the connected load stated in terms of kilovolt-amperes (kVA) of the building or facility for which electrical service is being requested.
- 1.5 Point of Delivery. As used herein, the term "Point of Delivery" shall mean that geographical location where the utility's anticipated facilities that would be used to deliver electrical power to a customer begin to constitute what is commonly referred to as the service drop or service lateral, i.e. it is the point at which the utility's primary or secondary facilities would terminate and the service drop or service lateral would

commence. For a facility with multiple meter points, "Point of Delivery" shall mean that geographical location at which the primary circuit to serve the facility begins to branch out into sub-circuits to reach the various meter points.

- 1.6 Utility. As used herein, the term "utility" shall mean either GCEC or Gulf Power, each of which is an electric utility under the provisions of Chapter 366 of the Florida Statutes having electrical facilities within the region of a customer's location so as to be considered by that customer as a prospective provider of electric energy delivery services.

SECTION II: AGREEING TO PROVIDE REQUESTED SERVICE

- 2.1 Whether or not a utility's provision of electric service to a customer would result in further uneconomic duplication of the other utility's facilities is primarily dependent upon whether or not there is a significant difference in the Cost of Service for each of the utilities. The likelihood of there being a significant difference in the Cost of Service is primarily a function of the size of the load and the difference in distances between the Point of Delivery and the Existing Facilities of each utility. Consequently, upon receiving a bona-fide request for service from a customer, a utility may agree to provide the requested service if the conditions of either Section 2.2 or Section 2.3 below are met. Otherwise, the utility should direct the customer to request service from the other utility.
- 2.2 Various load and distance criteria under which a utility may agree to provide service are as follows:
- (a) For any size load where the requested utility's Existing Facilities are within 1,000 feet of the Point of Delivery or are no more than 1,000 feet further from the Point of Delivery than the Existing Facilities of the other utility.
 - (b) For a load greater than 100 kVA where:
 - (i) the construction required is predominantly the addition of new pole line and the requested utility's Existing Facilities are no more than 1,500 feet further from the Point of Delivery than the Existing Facilities of the other utility, or
 - (ii) the construction required is predominantly the upgrade of existing pole line (e.g. phase additions, reconductoring, etc.) and the requested utility's Existing Facilities are within 3,000 feet of the Point of Delivery.
 - (c) For a load greater than 500 kVA where:
 - (i) the construction required is predominantly the addition of new pole line

- and the requested utility's Existing Facilities are no more than 2,000 feet further from the Point of Delivery than the Existing Facilities of the other utility, or
- (ii) the construction required is predominantly the upgrade of existing pole line (e.g. phase additions, reconductoring, etc.) and the requested utility's Existing Facilities are within 4,000 feet of the Point of Delivery.
- (d) For a load greater than 1000 kVA where:
- (i) the construction required is predominantly the addition of new pole line and the requested utility's Existing Facilities are no more than 2,500 feet further from the Point of Delivery than the Existing Facilities of the other utility, or
 - (ii) the construction required is predominantly the upgrade of existing pole line (e.g. phase additions, reconductoring, etc.) and the requested utility's Existing Facilities are within 5,000 feet of the Point of Delivery.
- 2.3 In any instance where the load and distance criteria of Section 2.2 are not met but the requested utility believes that its Cost of Service would not be significantly more than that of the other utility, the following procedure shall be used to determine if the requested utility may agree to provide service:
- (a) The requested utility is to notify the other utility of the customer's request, providing all relevant information about the request.
 - (b) If the other utility believes that its facilities would be uneconomically duplicated if the request is honored, it has five (5) working days from receipt of notice to request a meeting or other method to be conducted within ten (10) working days for the purpose of comparing each utility's Cost of Service. Absent such a request or upon notification from the other utility of no objection to the requested utility's providing the service, the requested utility may agree to provide service.
 - (c) At the meeting scheduled pursuant to 2.3(b) or in some other mutually acceptable method, each utility is to present to the other utility its estimated Cost of Service, including all supporting details (type and amount of equipment, labor rates, overheads, etc.). For loads greater than 1,000 kVA, information as to the percentage of substation and feeder capacity that will be utilized and the amount and nature of the cost allocations of such utilization included in the Cost of Service are to be provided.
 - (d) Upon agreement as to each utility's Cost of Service, the requested utility may agree to provide service to the customer if either of the following conditions

are met:

- (i) The requested utility's Cost of Service does not exceed the other utility's Cost of Service by more than \$15,000.
- (ii) The requested utility's Cost of Service does not exceed the other utility's Cost of Service by more than twenty-five percent (25%).

- 2.4 The requested utility bears the primary responsibility in determining whether or not the provisions of Section 2.2 or Section 2.3 above have been met or if it otherwise believes that service can be provided to a customer without uneconomic duplication of the other utility's facilities. Should the other utility dispute such determinations and believe that uneconomic duplication of its facilities will occur or has occurred, every effort should be made by the two utilities to resolve the dispute, up to and including mediation before the Commission Staff and, if necessary, expedited hearing before the Commission. During a period of unresolved dispute, the requested utility may provide temporary service to the customer or may elect to request the other utility to provide temporary service to the customer and either means of temporary service shall be without prejudice to either utility's position in the dispute as to which utility will provide permanent service.

SECTION III: CUSTOMER RELIABILITY AND POWER QUALITY

While one utility may have existing distribution facilities nearer to a customer's Point of Delivery than the other utility, reliability of service and power quality to the individual customers are important. In the application of the provisions of Section II above, engineering criteria must be considered in the decision as to whether the requested utility should agree to serve the customer. Substation distance from the Point of Delivery and load capacity of impacted substations in each case should be considered. Wire size and its capacity and capabilities should also be considered. All other system engineering design and criteria should be reviewed in each utility's facilities.

SECTION IV: CUSTOMERS PRESENTLY SERVED BY ANOTHER UTILITY:

A utility shall not construct nor maintain electric distribution lines for the provision of electric service to any customer then currently being provided electric service by the other utility. If, however, a customer that has historically required single-phase service disconnects and the new customer locating there requires three-phase service, Section II above may apply.

SECTION V: DISTRIBUTION SYSTEM EXTENSIONS & UPGRADES

A utility will, from time to time, have distribution system extensions or upgrades necessary and prudent from an engineering standpoint for reliability and customer service. While recognizing this, these extensions or upgrades should be performed only when necessary for these reasons and not be put in place to position the utility for future anticipated development. These system upgrades are defined to be capital projects justified and approved for construction following a utility's normal administrative budgetary channels and procedures, and documentation for such will be provided to the other utility upon written request. Connecting points on a utility's distribution system must be for reliability and coordination purposes only. The connecting distribution line may not serve customers within

1,000 feet of the Existing Facilities of the other utility that were in place at the time of that system upgrade.