State of Florida

Public Service Commission

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DATE: February 21, 2013

TO: Office of Commission Clerk (Cole)

FROM: Division of Economics (Garl, Rome, Draper) EJD 4 CRR PD JWD. AV
Division of Engineering (Ellis) POE JTB
Office of the General Counsel (M. Brown) MCB JSC

RE: Docket No. 130037-EI – Petition for approval of special contract by Tampa Electric Company.

AGENDA: 03/05/13 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECO\WP\130037.RCM.DOC

Case Background

Tampa Electric Company (TECO) filed a petition on January 31, 2013, requesting approval of a special contract between TECO and a potential new customer (Customer) that is considering building a large manufacturing facility in TECO's service area. The Customer is considering locating its new facility at several alternative sites around the country, including in TECO's service area. TECO has requested confidential classification for the name of the Customer, business type, location of the site, and the term of the contract.

The Customer's new facility would be a very large, non-firm electric load with electric supply cost representing a substantial portion of the cost of its operations. Although the

Customer will need to negotiate contracts with a number of other suppliers of goods and services, regardless where it decides to locate its new facility, the cost of electric power is a key consideration in the Customer's decision-making process on where to locate its proposed new facility.

TECO requested a Commission decision on the proposed special contract before the end of March 2013 to meet the selection schedule the Customer is conducting. The Commission has jurisdiction in this matter pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes.

Discussion of Issues

Issue 1: Should the Commission approve the proposed special contract?

Recommendation: Yes, the Commission should approve the proposed special contract. (Garl, Rome, Draper, Ellis)

Staff Analysis: As described in the case background, the potential new Customer intends to construct a very large manufacturing plant and is currently evaluating several sites for locating the facility including a site in the Tampa Bay area. The Customer will take interruptible service at 230 kilovolt (kV) voltage transmission level. TECO's current tariff does not provide a rate schedule designed for a 230 kV customer. TECO's current transmission level customers take service at 69 kV.

To design charges specifically for a 230 kV customer, TECO used its most recent cost of service study from its most recent rate case[1] as the basis for development of charges contained in the special contract. The resulting charges are shown below:

• Monthly Customer Charge	$ 1,414
• Demand Charge	$ 10.95 per kW
• Base Rate Energy Charge	$ 0.11 per MWh
• Interruptible Demand Credit	$ 9.57 per kW
• Cost Recovery Clause Reduction from subtransmission factors	0.5%

The customer charge is based on TECO's metering costs for a 230 kV customer, amortized over 15 years, plus the cost of meter reading, billing, and customer service for a General Service Demand (GSD) customer as shown in TECO's cost of service study. The demand and base rate energy charges reflect the production and transmission revenue requirement for a GSD customer from TECO's cost of service study. Since the Customer will take service at transmission level, no subtransmission and distribution revenue requirement is included in the demand and energy charges. Staff notes that the customer, demand, and base energy charges are not subject to change, as would occur during a base rate proceeding, during the term of the contract.

The interruptible demand credit reflects TECO's credit at the time negotiations began with the Customer, as approved in TECO's 2011 energy conservation cost recovery proceeding.[2] Specifically, the approved credit for 2012 is $9.82/kw[3] at secondary level, and has been reduced

[1] Order No. PSC-09-0283-FOF-EI, issued April 30, 2009, in Docket No. 080317-EI, In re: Petition for rate increase by Tampa Electric Company.
[2] Order No. PSC-11-0531-FOF-EG, issued November 15, 2011, in Docket No. 110002-EG, In re: Energy Conservation Cost Recovery Clause.
[3] See Direct Testimony of Howard Bryant filed September 13, 2011, in Docket No. 110002-EG.

by 2.5 percent to $9.57/kw to reflect transmission level, and would be fixed for the duration of the contract. Normally, the interruptible demand credit would vary based on the cost-effective deferral of TECO's next avoided unit, as determined in the Commission's annual review of the energy conservation cost recovery clause proceeding. Negotiations with the Customer began in April 2012. In the interim, the Commission approved a credit of $6.81/kw at secondary level for 2013.[4]

Finally, TECO's current cost recovery clause factors provide charges for secondary, primary, and subtransmission level. Since the Customer will take service at transmission level, the Commission-approved subtransmission level cost recovery clause factors are subject to a 0.5 percent reduction to reflect the avoided losses for providing service at 230 kV. The 0.5 percent avoided transmission losses are based on TECO's 2011 Transmission Loss Study. The Customer will pay the applicable cost recovery clause factors as they change subject to Commission approval during the term of the service.

TECO explained that the Customer has accepted the rates, terms and conditions of the special contract. If the Customer selects the Tampa Bay area and the Commission approves the special contract, the Customer will sign the contract.

Staff believes the proposed contract will only have a minimal impact on the general body of ratepayers in the energy conservation cost recovery clause to the extent the interruptible credit contained in the contract is higher than the Commission-approved credit. Credits for interruptible customers are recovered from the general body of ratepayers through the conservation factor. The Customer will pay the otherwise applicable cost recovery clauses, such as fuel, as approved by the Commission. TECO will file for a base rate proceeding in April 2013 in Docket No. 130040-EI, however, the Customer is not included in the test year as the Customer's facilities are not expected to be operational in the test year. Between rate cases, the special contract will not affect base rates for the general body of ratepayers.

The Commission has recognized that rate discounts can be appropriate for investor-owned electric utilities. The Commercial/Industrial Service Rider (CISR) tariff the Commission approved for TECO[5] and Gulf Power Company (Gulf)[6] is designed to allow TECO and Gulf to attract or retain at-risk commercial/industrial customers by allowing the utility to negotiate a discount with the customer. More recently, the Commission approved economic development tariffs for Florida Power & Light Company.[7]

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[4] Order No. PSC-12-0611-FOF-EG, issued November 15, 2012, in Docket No. 120002-EG, In re: Energy Conservation Cost Recovery Clause.

[5] Order No. PSC-98-1081-FOF-EI, issued August 10, 1998, in Docket No. 980706-EI, In re: Petition for approval of Commercial/Industrial Service Rider tariff by Tampa Electric Company.

[6] Order No. PSC-96-1219-FOF-EI, issued September 24, 1996, in Docket No. 960789-EI, In re: Petition for authority to implement proposed commercial/industrial service rider on pilot/experimental basis by Gulf Power Company.

[7] Order No. PSC-11-0342-TRF-EI, issued August 15, 2011, in Docket No. 110194-EI, In re: Petition by Florida Power & Light Company for approval of amendment to economic development rider rate schedule and new existing facility economic development rider rate schedule.

Staff has reviewed TECO's calculations of the charges contained in the proposed contract and believes they are cost supported at the time the contract was negotiated. Essentially, this contract is designed to attract a large transmission-level customer that is unique to TECO's system. Furthermore, attracting a large customer that will create jobs should provide economic benefits to TECO's service area and the state of Florida. For the reasons discussed above, staff recommends approval of the special contract.

Issue 2: Should this docket be closed?

Recommendation: Yes. If no protest is filed by a person whose substantial interests are affected within 21 days of the issuance of the Order, this docket be closed upon the issuance of a Consummating Order. (M. Brown)

Staff Analysis: If no protest is filed by a person whose substantial interests are affected within 21 days of the issuance of the Order, this docket be closed upon the issuance of a Consummating Order