

State of Florida



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: October 20, 2016

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Whitchurch, Guffey, Coston) *W*
Office of the General Counsel (Taylor) *SKG WRC WT JC*

RE: Docket No. 160194-EU – Joint petition for approval of amendment to territorial agreement in Alachua County by the City of Alachua and Duke Energy Florida, LLC.

AGENDA: 11/01/16 – Regular Agenda – Proposed Agency Action - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brisé

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

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COMMISSION
CLERK

Case Background

On August 25, 2016, the City of Alachua (Alachua) and Duke Energy Florida, LLC (DEF) filed a joint petition for approval of an amended territorial agreement (proposed agreement) in Alachua County. The proposed agreement is attached to the petition, while the maps and written descriptions are not attached to this recommendation due to the volume of exhibits.

The Commission approved the existing territorial agreement between Alachua and DEF in 1996.¹ The existing agreement was for a term of 20 years, and the joint petitioners desire to amend and continue the agreement. The joint petitioners negotiated the proposed agreement delineating their respective service boundaries in Alachua County for a term of an additional 20

¹ Order No. PSC-96-1102-FOF-EU, issued August 29, 1996, in Docket No. 960542-EU, In re: Joint Petition for approval of territorial agreement between Florida Power corporation and City of Alachua.

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years. If approved, the agreement will result in the transfer of one commercial customer, and one residential customer from DEF to Alachua. There will be no customer transfers from Alachua to DEF. The transfer will be implemented when it is operationally feasible for Alachua to serve the two customers, but no later than 24 months after the approval and written notice of the proposed agreement by the Commission. The Commission has jurisdiction over this matter pursuant to Section 366.04, Florida Statutes (F.S.).

Discussion of Issues

Issue 1: Should the Commission approve the proposed territorial agreement between the City of Alachua and DEF?

Recommendation: Yes. The proposed agreement is an extension of the existing agreement set to expire in 2016. It is in the public interest and will enable Alachua and DEF to better serve their current and future customers. It eliminates any potential uneconomic duplication of facilities and staff believes it will not cause a decrease in the reliability of electric service. Staff recommends that the Commission should approve the proposed territorial agreement between Alachua and DEF. (Whitchurch, Guffey, Coston)

Staff Analysis: Pursuant to Section 366.04(2)(d), F.S., and Rule 25-6.0440(2), Florida Administrative Code (F.A.C.), the Commission has jurisdiction to approve territorial agreements between, and among, rural electric cooperatives, municipal electric utilities, and investor-owned utilities. Unless the Commission determines that the agreement will cause a detriment to the public interest, the agreement should be approved.²

Through the proposed agreement, the joint petitioners desire to continue the existing agreement and verify the territorial boundaries within Alachua County in order to serve customers reliably and economically. The proposed agreement modifies the territorial boundaries to eliminate split parcels. In response to staff's data request, DEF stated that during the in-field due diligence process, it found the extra-territorial customers to be inadvertently served by the company. As a result, one commercial customer and one residential customer will be transferred from DEF to Alachua. In addition to transferring the two customers, the joint petitioners updated the territorial boundary maps using Geographic Information System (GIS) software to demonstrate the boundary lines in greater detail.

The petitioners negotiated the proposed agreement for a 20-year term with the condition that after the expiration date, the agreement will remain in effect until and unless either party provides a written notice of termination at least 12 months prior to termination. Pursuant to Section 1.8 of the proposed agreement, the effective date of the agreement will be the date on which a final Order is issued by the Commission, provided no timely protests are filed.

In accordance with Rule 25-6.0440(1)(d), F.A.C., the petitioners state that the impacted customers pursuant to the proposed agreement were notified by mail of the transfer and provided a description of the differences in rates between DEF and Alachua.³ As of June 2016, the rate comparison for the non-demand commercial customer, using 1,500 kilowatt-hours, was \$171.22 for DEF and \$186.43 for Alachua. As of June 2016, the rate comparison for the residential customer, using 1,000 kilowatt-hours, was \$111.95 for DEF and \$120.40 for Alachua. DEF will apply any deposits of the two customers that will be transferred to their last electric bill and will directly refund any surplus. With regard to the degree of acceptance by the affected customers, the petitioners state that DEF has not received any feedback, questions, or concerns from the

² Utilities Commission of the City of New Smyrna Beach v. Florida Public Service Commission, 469 So. 2d 731 (Fla. 1985).

³ Exhibit C of the petition.

customers. The joint petitioners expect that the customer transfers will be completed within 24 months of the effective date of the proposed agreement and will notify the Commission in writing if additional time is needed.

Pursuant to section 3.4 (compensation of related service facilities) of the proposed agreement, Alachua may elect to purchase electric distribution facilities used exclusively for providing electric service to the transferred customers. To determine the facilities' value, DEF will use a common engineering cost elimination methodology such as the Hanley-Whitman index. In response to staff's data request, the joint petitioners stated that Alachua does not intend to purchase any facilities from DEF in order to provide service to the two transferred customers. Alachua states it has existing facilities that can serve these two customers.

The joint petitioners assert that the proposed agreement will avoid duplication of services and wasteful expenditures and will protect the public health and safety from potentially hazardous conditions. The joint petitioners believe and represent that the Commission's approval of the proposed agreement is in the public interest.

Conclusion: After review of the petition, the proposed agreement, and the joint petitioners' responses to staff's data request, staff believes that the proposed agreement is in the public interest and will enable Alachua and DEF to better serve their current and future customers. It appears that the proposed agreement eliminates any potential uneconomic duplication of facilities and will not cause a decrease in the reliability of electric service. As such, staff recommends that the Commission should approve the proposed territorial agreement between Alachua and DEF.

Issue 2: Should this docket be closed?

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

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 should be closed upon the issuance of a Consummating Order.