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-M-E-M-O-R-A-N-D-U-M-

DATE: September 4, 2008

TO: Office of Commission Clerk (Cole)

FROM: Office of Strategic Analysis and Governmental Affairs (Harlow)
Division of Economic Regulation (Draper, Kummer)
Office of the General Counsel (Brown, Sayler)

RE: Docket No. 080254-EI – Petition for approval of standard interconnection agreement for non-export, parallel operators, by Tampa Electric Company.

AGENDA: 09/16/08 – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 02/10/09 (8 month effective date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\SGA\WP\080254.RCM.DOC

Case Background

On May 7, 2008, Tampa Electric Company (TECO) filed a petition for approval of a standard interconnection agreement for non-export, parallel generators, along with the associated Tariff Sheets 8.1110 through 8.1130. TECO filed the petition in response to the requests of large commercial customers that wish to interconnect and operate generators in parallel with TECO's system, without the capability to export power to TECO's distribution system. TECO's proposed non-export agreement is limited to generators with a capacity of 10 megavolt-amperes alternating current or less, that are used to offset a customer's electric load or as backup generation in the event of an electrical outage.

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By Order No. PSC-08-0440-PCO-EI, issued July 9, 2008, the Commission suspended TECO's proposed tariff. On August 15, 2008, TECO filed revisions to proposed Tariff Sheets 8.1115 and 8.1120 to address suggested changes by staff.

The Commission has jurisdiction over this matter pursuant to Sections 366.04, 366.05, and 366.81, Florida Statutes.

Discussion of Issues

Issue 1: Should the Commission approve the standard interconnection agreement for non-export, parallel operators and the associated revised tariff sheets filed by Tampa Electric Company?

Recommendation: Yes. The proposed parallel, non-export interconnection agreement protects TECO, its ratepayers, and interested customers by setting standards, procedures and limits for customers wishing to interconnect backup generation. In addition, the agreement provides benefits to interested customers by allowing parallel operation with the reduced interconnection costs associated with the restriction to export power to the grid. Further, the provisions and fees of TECO's proposed tariff appear to be reasonable. (Harlow)

Staff Analysis: TECO has been contacted by numerous commercial customers wishing to install backup generation since the 2004 hurricane season. Typically, backup generators are not interconnected to the utility's system. Instead, these generators are connected to the customer's load with a transfer switch that disconnects the customer's load from the utility's system prior to operation of the backup generator. In this case, no interconnection agreement is needed between the customer and the utility.

Recently, however, TECO has had requests by customers, including Publix grocery stores, hospitals, and other large commercial customers who wish to install backup generation that will be interconnected and operated in parallel with TECO's system. This will allow the customer to parallel TECO's operation during a storm while maintaining power for critical load and transfer this load to the backup generator if utility service is interrupted. In general, these generators are not large enough in capacity to supply power for the customer's entire load. TECO stated that these customers have no desire to export power to the grid.

To accommodate these customers, TECO filed its proposed interconnection agreement for non-export, parallel operators. TECO's proposed agreement is limited to generators with a capacity of 10 megavolt-amperes alternating current or less that are used to offset a customer's electric load or as backup generation in the event of an electrical outage. Under the agreement, the customer's generation will be operated in parallel with TECO's system, but the generator will be restricted from delivering power to the grid. TECO has proposed a $500 interconnection fee for each customer signing an agreement.[1] Customers are also required to reimburse TECO by paying a contribution in aid of construction (CIAC) for any costs outside the meter to interconnect the generator to TECO's distribution system. TECO requests that, if approved, the tariff should become effective in the company's first billing cycle of the month following approval.

TECO stated that an interconnection agreement is needed to set the standards, procedures and limits for all customers wishing to operate backup generation in parallel with TECO's system. TECO's tariff currently includes interconnection agreements to address customers with generation from which power may be delivered to the grid. The proposed tariff will apply only to those customers that do not wish to export power to the grid.

[1] The fee applies to each individual interconnection point; for example, the meter for a grocery store.

There are two basic benefits to customers who install backup generation operated in parallel to the utility's system with no export capability. First, because the generation is operated in parallel to utility operations, customers can test run their generators to ensure reliability while continuing to operate their business and not dropping any load. TECO stated that typically, customers must test run these generators at least monthly in order to maintain the warranties. Second, TECO provided information that the interconnection costs are lower if export to the grid is precluded, compared to interconnection with export capability. As noted above, customers are required to reimburse TECO for any interconnection expenses outside the customer's meter.

Many of the provisions of TECO's proposed tariff mirror those of the company's recently filed interconnection agreement for customer-owned renewable generators.[2] For example, the $500 interconnection fee and safety standards are the same as those in the agreement for customer-owned renewable generation. In response to staff's request, TECO filed revisions to Tariff Sheets 8.1115 and 8.1120 to further ensure that the tariff language would be consistent with revisions made to TECO's interconnection agreement for customer-owned renewable generation where appropriate. The provisions of TECO's proposed parallel, non-export tariff appear to be reasonable. TECO also provided sufficient cost data to support its statement that the $500 interconnection fee for each customer agreement is reasonable.

As of August 5, 2008, TECO had interconnected 37 non-export parallel operators. TECO stated that these customers have agreed to sign the new agreement upon approval by the Commission. TECO does not intend to charge these customers the $500 interconnection fee under the proposed non-export tariff. Only new customers interconnected under the proposed tariff will be charged the $500 fee. The existing 37 customers were charged CIAC for all costs TECO incurred to interconnect the customer's generation to TECO's distribution system. TECO provided staff with an estimate of the typical costs incurred to interconnect parallel, non-export generators. Based on recent interconnections, TECO estimated a chargeable CIAC payment of $16,600 to interconnect a customer's backup generation with non-export capability.

Staff recommends approval of TECO's proposed parallel, non-export tariff, as modified by TECO on August 15, 2008. Staff agrees with TECO that an interconnection agreement is needed for customers wishing to operate backup generation in parallel with TECO's system with non-export capability. Such an agreement protects TECO, its ratepayers and interested customers by setting the standards, procedures and limits for customers wishing to interconnect backup generation. The agreement provides interested customers with a benefit by allowing parallel operation with the reduced interconnection costs associated with the restriction to export power to the grid. Further, the provisions and fees of TECO's proposed parallel, non-export tariff appear to be reasonable.

[2] See Docket No. 080255-EI, In Re: Petition for approval of standard interconnection agreements for expedited interconnection of customer-owned renewable generation and associated net metering tariff, by Tampa Electric Company.

Issue 2: Should this docket be closed?

Recommendation: Yes, this docket should be closed upon issuance of a Consummating Order unless a person whose substantial interests are affected by the Commission's decision files a protest within 21 days of the issuance of the proposed agency action. If Issue 1 is approved, TECO's standard interconnection agreement for non-export, parallel generator tariff should become effective in the company's first billing cycle of the month following the Commission's vote, and remain in effect, with revenues subject to refund, pending the outcome of any protest. (Brown, Sayler)

Staff Analysis: Yes, this docket should be closed upon issuance of a Consummating Order unless a person whose substantial interests are affected by the Commission's decision files a protest within 21 days of the issuance of the proposed agency action. If Issue 1 is approved, TECO's standard interconnection agreement for non-export, parallel generator tariff should become effective in the company's first billing cycle of the month following the Commission's vote, and remain in effect, with revenues subject to refund, pending the outcome of any protest.