BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Tampa Electric Company for approval of tariff provisions to confirm the continuing closure of interruptible service pursuant to rate schedules IS-3 and IST-3.	)	DOCKET NO. 881415-EI
	)	ORDER NO. 20584
	)	ISSUED: 1-10-89

The following Commissioners participated in the disposition of this matter:

KATIE NICHOLS, Chairman
THOMAS M. BEARD
GERALD L. GUNTER
JOHN T. HERNDON
MICHAEL McK. WILSON

ORDER DENYING INTERRUPTIBLE TARIFF REVISIONS

BY THE COMMISSION:

On April 14, 1988, Tampa Electric Company (TECO) filed a petition for approval of revisions to its interruptible tariffs which would close subscription to these rates through 1989. The revised tariff incorporated a smaller projected reserve margin at the time of the utility's next new capacity addition, resulting in interruptible load not being cost-effective for 1989. This revised projection was based on the methodology submitted in Docket No. 870408-EI, TECO's non-firm load methodology and annual target level docket, which differed from the methodology approved in TECO's last rate case. TECO informally agreed to hold this filing in abeyance until the resolution of the non-firm docket, then scheduled for completion before the end of 1988.

Under the current schedule in non-firm docket, the docket goes to agenda for a vote on February 7, 1989. Thus, there is approximately six weeks in which interruptible service would have to be offered if TECO's current methodology is adhered to. In keeping with its testimony in its non-firm docket, which indicates that new interruptible load added in 1989 would not be cost-effective, on October 28, 1988, TECO again petitioned to keep the interruptible schedules closed until the February 7 vote.

On November 10, 1988, the Florida Industrial Cogenerators Association (FICA) filed an objection to TECO's closure petition. FICA argues that TECO's petition should be denied for several reasons: the interruptible standby rate cannot be closed without compliance with 18 C.F.R. §292.305; closure would circumvent the hearing process in Docket No. 870408-EI, the non-firm methodology docket; and allowing closure would deviate from TECO's currently approved methodology without giving the affected parties a hearing.

After due consideration, we deny TECO's petition for closure of its interruptible rate schedules for the reasons discussed below. First, Commission Order No. 15451, TECO's last rate case order, specifies the methodology to be used to determine the amount of cost-effective non-firm load on TECO's

system. Application of this methodology results in the IS-3 and IST-3 tariffs being opened to new subscription effective January 1, 1989. This methodology was approved based on testimony given during the last rate case hearing. If we approve the tariffs submitted in this docket, TECO would effectively have changed a decision of this Commission by a unilateral action without giving affected parties the opportunity for a hearing on the issue.

Second, allowing closure pending the conclusion of TECO's non-firm docket could give the impression that we are prejudging the outcome of that docket, at least as far as interruptible services are concerned. The utility has in place an approved methodology which shows that new subscription to interruptible rates will be cost-effective in January of 1989. The new targets which indicate that such load will not be cost-effective are based upon a new methodology and new input data which TECO has advocated in its non-firm docket. To allow closure based upon the new methodology and new assumptions would be inappropriate prior to their formal adoption by this Commission.

Third, TECO indicates that there are three customers who have specifically voiced an interest in subscribing to either the IS-3 or IST-3 rate should it become open in January of 1989. These customers have a total of 27 MW of demand. Should these customers actually subscribe to these non-firm schedules on January 1, 1989, TECO estimates an annual revenue loss of approximately $1.65 million. However, it takes several weeks to perform the necessary studies and installations needed to initiate interruptible service. In addition, the Tariff Agreement for Purchase of Interruptible Service allows up to six months from sign up to commencement of actual billing under the interruptible schedules. The potential loss is, therefore, closer to one-half of TECO's estimated amount or $828,000 if TECO takes the entire time allowed it under the service agreement. Further, should we vote to close the interruptible schedules at our February 7 agenda, TECO's losses would be limited to those customers who sign up between the first of the year and February 1, a period of seven weeks.

Fourth, we agree with the Industrial Cogenerators that the interruptible standby rate schedules cannot be closed unless the requirements of 18 C.F.R. §292.305 are met. One of the purposes of TECO's non-firm docket is to adduce evidence which would allow the Commission to make the §292.305 waiver finding. Approval of the tariff as proposed would be contrary to this provision of FERC's rules.

Finally, we are concerned with the apparent inconsistency between an action closing these interruptible schedules and current filings by TECO seeking to modify its existing interruptible rates. On September 9, 1988, TECO filed a petition to implement non-fuel energy charges and to assess demand charges only for on-peak KW demand for its IST-1 and IST-3 customers. TECO also proposed to assess demand charges only for on-peak demand for supplemental service and include a separate on-peak/off-peak non-fuel energy charge for both supplemental and standby service. TECO has since withdrawn that petition and replaced it with a request for a credit to

IS-3 and IST-3 customers for KWH usage above a threshold usage level based on their previous 12 months' consumption.

In both petitions TECO has asserted that the incentive rates were desirable and beneficial to its general body of ratepayers. We question the equity in encouraging additional load by existing customers while prohibiting increases in load due to the transfer of new customers to the rate. It would appear that the utility's arguments must apply in both instances: either additional load is cost-effective and desirable, in which case the rate schedules should be open or new load is not cost-effective and desirable, in which case existing customers should at the very least not be given incentives to increase their loads.

We do recognize that there is a larger impact on the utility when customers on firm service switch to interruptible rates than when a credit is given for incremental usage by existing customers. However, the principle is the same. If it is not cost-effective to bring on new interruptible load, it should not be cost-effective to further discount existing rates to encourage additional usage by existing customers.

Therefore, for the reasons stated above, it is

ORDERED by the Florida Public Service Commission that the petition of Tampa Electric Company for approval of tariff provisions to continue the closure of its IS-3 and IST-3 rate schedules through 1989 is hereby denied.

By ORDER of the Florida Public Service Commission this 10th day of JANUARY, 1989.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

SBr

by: Kay Flynn
Chief, Bureau of Records

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the

Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.