

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for approval of) DOCKET NO. 960680-EM
optional large high load factor) ORDER NO. PSC-96-0999-FOF-EM
power service by City of) ISSUED: August 5, 1996
Lakeland.)
_____)

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman
J. TERRY DEASON
JOE GARCIA
JULIA L. JOHNSON
DIANE K. KIESLING

ORDER APPROVING HIGH LOAD FACTOR
POWER SERVICE TARIFF

BY THE COMMISSION:

On May 2, 1996, the City of Lakeland (Lakeland) filed a Large High Load Factor Power Service tariff, rate schedule GSX-6. This rate schedule allows Lakeland to offer a reduced rate to any existing commercial customer, if that customer has a demand that exceeds 1,000 KW and a twelve month average load factor of at least 60%. New commercial customers whose estimated usage levels meet the above requirements are also eligible for the new rate.

A customer taking service under rate schedule GSX-6 must enter into a written agreement with Lakeland for a minimum initial period of ten years. The agreement may be continued after the initial term until terminated by either party with twelve months' written notice. The agreement must be approved by the Lakeland City Commission.

The rate to be charged a GSX-6 customer consists of an energy charge, a demand charge, and a reservation charge. A customer charge will be included in the reservation charge. In addition, the customer will pay any fuel cost and all applicable taxes.

There are three options as to what reservation charge a customer will pay. Under Option 1, a customer pays \$3.70/KW. If the total price the customer pays is more than ten percent greater than the average of similar rates charged by Florida Power Corporation, Tampa Electric Company and the Orlando Utilities Commission, the customer may request that Lakeland reduce its rate.

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If Lakeland fails or refuses to reduce the rate, the customer may terminate the agreement.

Under Option 2, the reservation charge is \$5.004/KW. In the event retail wheeling has taken effect, a customer may terminate the agreement if Lakeland cannot adjust its rate to within five percent of a bid price the customer receives from an alternate supplier.

The reservation charge for Option 3 is \$5.704/KW. Under this option, the customer may terminate the contract if retail wheeling has taken effect and Lakeland cannot match the bid price the customer receives.

The total charge paid by the customer will be adjusted each January 1 after the agreement is executed. Under Option 1, the charge will adjust in the same amount as the change in Lakeland's generation costs. Under Option 2, the charge will adjust in the same amount as the change in Lakeland's applicable rate. The Option 3 charge will adjust in the same amount as the change in the applicable rate for Florida Power Corporation, Tampa Electric Company, and the Orlando Utilities Commission. Lakeland and the customer will negotiate the adjustment for Option 4.

The energy charge and the demand charge are established at the same level as Lakeland's interruptible rate. Customers receiving service under the GSX-6 rate, however, will not be subject to interruptions. Lakeland has entered into a long-term contract to buy 20 to 40 MW of firm capacity to avoid the need to interrupt GSX-6 customers when the utility experiences a capacity shortage. Lakeland is currently negotiating a contract to purchase an additional 10 to 50 MW. The cost of purchasing capacity will be recovered from customers through the reservation charge. According to Lakeland, the purchase of firm capacity will cost-effectively delay the in-service date of its next generating unit by three to four years.

Lakeland will serve the GSX-6 load out of its own generation or it will use the purchased power, whichever is more economical. Utilizing the most economical generation source benefits both GSX-6 customers and the general body of ratepayers. If Lakeland can serve any part of its load by alternative sources of power and avoid running high cost units of its own, the total power costs to all customers are reduced. In addition, the tariff allows Lakeland to continue to serve GSX-6 customers and guarantee that those customers will remain on Lakeland's system for a minimum of 10 years.

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Lakeland's general body of ratepayers will be held harmless by the addition of this new rate schedule. Lakeland's costs will be no higher than they would be in the absence of the GSX-6 rate offering and could be lower. Through the reservation charge, Lakeland will recover the cost of purchasing the firm capacity plus approximately 20 percent. Any profits Lakeland receives from the reservation charge will flow back to the utility and should benefit all customers.

Lakeland expects about 15 customers, with a total load of 50 MW of billing demand, will request service under rate schedule GSX-6. This proposal may raise concerns regarding rate discrimination since only commercial/industrial customers over a certain size are eligible for the GSX-6 rate. As with any tariff based on usage level, however, the proposed tariff is available to all customers falling within the usage level specified. In addition, we give deference to Lakeland's request because the revenue requirement or rate level of municipal utilities is not within our jurisdiction. Thus, for the reasons set forth above, we find that rate schedule GSX-6 should be approved. We note that our approval of Lakeland's request should not be used as a precedent for commercial/industrial special rates or discounts offered by utilities over which we do have rate level jurisdiction.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the City of Lakeland's Large High Load Factor Power Service tariff, rate schedule GSX-6 is hereby approved. It is further

ORDERED that if a protest is filed in accordance with the requirement set forth below, the tariff shall remain in effect pending resolution of the protest. It is further

ORDERED that if no protest is filed in accordance with the requirements set forth below, this docket shall be closed.

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By ORDER of the Florida Public Service Commission, this 5th
day of August, 1996.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

by: Kay Flynn
Chief, Bureau of Records

(S E A L)

VDJ

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.

The Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the action proposed files a petition for a formal proceeding, as provided by Rule 25-22.036(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a)(d) and (e), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on August 26, 1996.

In the absence of such a petition, this order shall become final on the day subsequent to the above date.

Any objection or protest filed in this docket before the issuance date of this Order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this Order becomes final on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater 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 of the date this Order becomes final, 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.