

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of Preferred Customer Standard Offer Electric Service Agreement by City of Tallahassee.

DOCKET NO. 990417-EM
ORDER NO. PSC-99-0899-FOF-EM
ISSUED: May 5, 1999

The following Commissioners participated in the disposition of this matter:

JOE GARCIA, Chairman
J. TERRY DEASON
SUSAN F. CLARK
JULIA L. JOHNSON
E. LEON JACOBS, JR.

ORDER APPROVING PREFERRED CUSTOMER
ELECTRIC SERVICE AGREEMENT

BY THE COMMISSION:

On April 1, 1999, the City of Tallahassee ("City" or "Tallahassee"), a municipal electric utility, filed a petition for approval of its Preferred Customer Electric Service Agreement ("ESA" or "Agreement"). The proposed ESA offers a discounted rate to customers in certain rate classes in return for a ten-year commitment from the customer to use the City as its electric provider. The proposed ESA is designed to retain large commercial customers and the revenues associated with those customers in the event the electric industry is deregulated. No person filed any pleading in opposition to the City's petition.

Specifically, Tallahassee's proposed ESA will be available to commercial/industrial customers falling in the following rate classes: General Service Demand, Curtailable General Service Demand, Interruptible General Service Demand, or General Service Large Demand. Customers who currently take service or are eligible to take service under the General Service Demand, Curtailable General Service Demand, or Interruptible General Service Demand rates and who elect to sign an ESA will receive a five percent discount from the City's standard rate. Customers who currently take service or are eligible to take service under the General Service Large Demand rate and who elect to sign an ESA will receive a seven percent discount from the City's standard rate. The discount will apply to existing base rates (customer charge, energy charge, demand charge). The discounts will not apply to fuel

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charges or any credits, penalties, service charges, surcharges, taxes, or other applicable charges including franchise fees.

By signing an ESA, a customer agrees to take service from the City for a period of ten years. During the first five years of the Agreement, the customer has no right to terminate the ESA except as provided for in the default and force majeure provisions of the Agreement. During this period, the City provides the customer protection from future base rate increases by capping the customer's rates at the current level net of the fuel charge component. During the last five years of the Agreement, the customer may terminate the Agreement on eight months' written notice under the ESA's "Competitive Pricing Exit Clause." Presuming that the customer can legally obtain service from an alternative electric provider, the customer may terminate the Agreement pursuant to this clause if the total bundled cost for electric service, including taxes and any fees, delivered to the customer's facilities by the alternative provider for the remaining duration of the ESA is more than eight percent below the cost of service provided by the City under the ESA. The clause further provides, however, that the termination will not take effect if the City, within five months of receipt of the customer's notice, submits a counter-proposal offering rates less than six percent greater than those offered by the alternative supplier. The ESA provides clear formulas for the calculation of fees due from the customer in the event the customer elects to terminate the Agreement early.

In its petition, the City states that its proposed ESA is designed to retain large commercial customers and the significant level of revenues associated with those customers in the event the electric industry is deregulated. The City notes that Florida State University has already agreed to take service under the proposed ESA. The City asserts that by retaining these large customers and providing incentives for new commercial customers to locate in Tallahassee's service area, residential and small business customers will gain increased protection from rate increases which could result from the loss of large customers in a deregulated environment. The City further asserts that the discounted rates reflected in its ESA will not be subsidized by the City's residential or other commercial ratepayers.

We agree that Tallahassee's general body of ratepayers will benefit from the retention of some of the City's largest customers. We believe that lost revenues from the proposed rate discounts are

minimal compared to the potential loss of revenues that would result from the loss of a significant customer from the City's electric system. We have recently approved similar tariff offerings by other municipal utilities, including the Kissimmee Utility Authority, City of Lakeland, Jacksonville Electric Authority, and Gainesville Regional Utilities. Therefore, we hereby grant the City's petition for approval of its Preferred Customer Electric Service Agreement. The Agreement shall be effective as of the date of our vote on this matter, May 4, 1999.

Based on the foregoing, it is

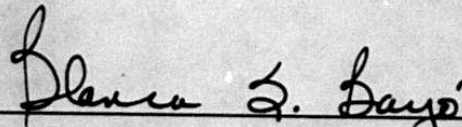
ORDERED by the Florida Public Service Commission that the City of Tallahassee's petition for approval of its Preferred Customer Electric Service Agreement is granted. It is further

ORDERED that the City of Tallahassee's Preferred Customer Electric Service Agreement shall be effective as of the date of our vote on this matter, May 4, 1999.

ORDERED that if a protest is filed in accordance with the requirements set forth in the Notice of Further Proceedings, 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 in the Notice of Further Proceedings, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 5th day of May, 1999.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing available under Section 120.57, 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 will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

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 proposed action files a petition for a formal proceeding, in the form provided by Rule 28-106.201, 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 May 26, 1999.

In the absence of such a petition, this Order shall become final and effective upon the issuance of a consummating order.

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.