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3					DOCKET	NO.	070733	}-EI	-
4	In the Matter of:								
5	COMPLAINT NO. 694187E BY CUTRALE CITRUS JUICES USA, INC. AGAINST TAMPA ELECTRIC COMPANY FOR REFUSING TO PROVIDE TRANSFORMER OWNERSHIP DISCOUNT FOR ELECTRICAL SERVICE PROVIDED THROUGH MINUTE MAID SUBSTATION.								
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FLORIDA PUBLIC SERVICE COMMISSION

Official Commission Reporter

JANE FAUROT, RPR

(850)413-6732

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REPORTED BY:

1	PARTICIPATING:
2	JAMES D. BEASLEY, ESQUIRE, and WILLIAM ASHBURN,
3	representing Tampa Electric Company.
4	ROBERT P. MAJOR, ESQUIRE, representing Cutrale Citrus
5	Juices USA, Inc.
6	LISA BENNETT, ESQUIRE and LEE COLSON, KLANCKE,
7	ESQUIRE, representing the Florida Public Service Commission
8	Staff.
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PROCEEDINGS

CHAIRMAN CARTER: Commissioners and staff, we are now on Item 3. Give staff an opportunity to introduce Item 3.

Staff, you're recognized.

MS. BENNETT: Mr. Chairman and members of the Commission, my name is Lisa Bennett, I'm with the Office of the General Counsel.

Cutrale Citrus Juice USA against Tampa Electric Company.

Cutrale is alleging that TECO has violated a provision of its tariff for firm standby and supplemental service which allows a transformer ownership discount. Staff has reviewed the parties' positions and believes that Cutrale does not meet the requirements of a tariff ownership — transformer ownership discount. Accordingly, in Issue 1, staff recommends that the Commission find that TECO is not in violation of its tariff. If the Commission agrees with staff in Issue 1, staff recommends in Issue 2 that no refund be granted.

Both of the parties have representatives here that are prepared to speak to the Commission. Staff is available for questions.

CHAIRMAN CARTER: Commissioners, would you like to hear from the parties before we go forward with our questioning with staff? Okay. Let's hear from the parties.

MR. MAJOR: Good morning. My name is Robert Major.

FLORIDA PUBLIC SERVICE COMMISSION

I am an attorney for Cutrale Citrus Juices, who is the petitioner in this case. If I may, I'd like to give a brief background history of the dispute.

CHAIRMAN CARTER: You have five minutes.

MR. MAJOR: Five minutes, okay. It will get a lot briefer.

CHAIRMAN CARTER: Okay. Good.

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MR. MAJOR: The petition seeks to have the staff's recommendation not followed. The staff has recommended that Cutrale be denied the transformer ownership discount, and I want to briefly explain why we think Cutrale is entitled to that discount.

The transformer ownership discount we're talking about appears in the tariff, and I will read the text of it. The text says as follows: "When the customer furnishes and installs all primary voltage to secondary voltage line transformation from a primary voltage distribution feeder, a discount of 36 cents per kilowatt of supplemental demand and 32 cents per kilowatt of standby demand will apply."

It's Cutrale's position that it meets this simple requirement. Cutrale takes power from TECO at 13 kV and steps that power down using 27 of its own transformers throughout the plant to the utilization voltage that the various equipment, everything from the processing equipment to the coffeemakers use. And the reason that Cutrale thinks that it is entitled to

the discount is it meets the description. It takes service at primary voltage, which is 13 kV. It provides the transformation to secondary voltage through its own transformers and it obtains this power from a primary voltage distribution feeder, which is the Minute Maid substation.

The staff recommendation -- interestingly on Page 7 there is a footnote that, in my mind, very clearly explains why we think Cutrale should be entitled to this discount. Footnote 1 says this, and this is a quote from the Commission's ruling in a prior case involving a rate hike sought by TECO years ago: "Transformer ownership discounts are given when a customer takes service at primary or subtransmission voltage and provides his own transformation." Cutrale does exactly that.

These discounts are justified because the demand charge includes costs associated with the company's, TECO's, cost of transformation. Thus, customers who take service at higher voltage levels should get a credit to recover the costs included in the rates which are related to transformation not required.

Our point is simply this. Cutrale is assessed demand charges which have built into them transformation costs which TECO does not have to incur because we do the transformation ourselves through the 27 transformers at our plant. And this statement here from the Commission in a prior ruling

essentially establishes the reason for the transformer discount. When a customer provides the costs of transformation, TECO doesn't have to incur it, but the demand charges that we are hit with have those transformation costs built into them. So the only way to pull those costs back out of the demand charges is to give Cutrale the discount. And the language of the discount in the tariff is a very simple one-paragraph requirement, and Cutrale meets it.

Thank you.

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CHAIRMAN CARTER: Thank you. TECO, you're recognized.

MR. BEASLEY: Mr. Chairman and Commissioners, good morning. I'm Jim Beasley with the law firm of Ausley and McMullen in Tallahassee representing Tampa Electric Company. With me is Mr. William Ashburn, Director of Pricing and Financial Analysis for Tampa Electric.

We agree with and support your staff's recommendation in this matter. While Tampa Electric is pleased to have the opportunity to serve Cutrale Citrus Juices USA, this customer simply does not qualify for the transformer ownership discount under Tampa Electric's tariff, and providing such a discount would afford this customer an unreasonable preference or advantage which is something that Tampa Electric is precluded by statute from doing.

Now, the arguments that Mr. Major has presented were

carefully considered by your staff in advance of the preparation of their recommendation. Staff issued numerous data requests, conducted teleconferences among the parties, and considered all relevant facts in advance of publishing its recommendation.

We would ask that you approve the staff's recommendation. Mr. Ashburn and I are available for any questions you may have.

CHAIRMAN CARTER: Thank you.

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Commissioners, we are now into our questioning phase.

Do you have questions for either the parties or staff?

Commissioner Argenziano, you're recognized.

COMMISSIONER ARGENZIANO: Thank you. I guess for TECO. If you have read Page 7, we've already heard Cutrale's representative read to us about the transformer ownership, can you tell me why, specifically, that you feel that Cutrale is not entitled to the discount with that language as it is? That's for TECO.

MR. ASHBURN: Thank you, Commissioner. I'm William Ashburn.

Mr. Major talked about Footnote 7 as one of the supports, and it is important to read Footnote 7 in total. As you saw at the end, it said that the costs -- the transformer ownership is based on the cost of service and how the rates are designed, and it said customers who take service at a higher

voltage level should get a credit to recover the costs included in the rates which are related to transformation not required.

As the staff said in its recommendation, the transformation at Cutrale is required by the customer itself to get the voltage from 13 kV, particularly coming from their generator, to their load. And so all that transformation is required by Cutrale itself and would not be provided by Tampa Electric. Consequently it's not required, and, therefore, we are not avoiding transformation and, therefore, a discount is not required.

COMMISSIONER ARGENZIANO: Well, this is where it gets confusing for me, because it seems that the language says to me that if the company is going to need that transformer and they are the ones who have the transformer, they built it or acquired it, that the discount would apply. So maybe I'm missing something and would like to have a little bit more.

If it's at contracting, that the contract does not specify that the tranformation will take place, or they need to have this voltage down to different areas in their facilities -- and, I guess, again, it seems like to me that that language is basically saying that if you provide the transformer then you are entitled to that discount, and I'm just not getting --

MR. ASHBURN: The language in the tariff talks about from a distribution feeder, and there is no distribution feeder

there. There is a substation, a small dedicated substation that we built only for Cutrale, and their meter is right at that point, and at that point, at the low side of the transformer, 13 kV is the service that Cutrale requires. So nothing is avoided. Nothing that we would have built has not been built but for Cutrale. They take 13, they need 13 from their generator to get to their -- throughout their system, so there's nothing avoided, and that's why we don't think they are owed the discount.

COMMISSIONER ARGENZIANO: Mr. Chairman, if I may. So then what you're saying is it is really location of the transformers.

MR. ASHBURN: That's a big part of it, yes.

CHAIRMAN CARTER: Commissioner Skop, you're recognized, sir.

COMMISSIONER SKOP: Thank you, Mr. Chairman.

Just a quick question to TECO. With respect to the voltage at the point of service, that was originally specified at 13 kV, is that correct?

MR. ASHBURN: Yes.

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COMMISSIONER SKOP: That could have been specified at a lower level and you would have had to provide that voltage at that point of service?

MR. ASHBURN: We provide voltage as requested by the customer at whatever standard voltage they are. Sometimes they

request unusual voltages and we may have to do something different.

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COMMISSIONER SKOP: And a question to Cutrale. With respect to transforming your own cogenerated electricity, how exactly, absent your own internal distribution system, would you reduce that cogeneration voltage down to the service level voltage?

MR. MAJOR: If Cutrale's own turbines were completely taken out of the equation and power was coming into Cutrale at 13 kV as it would be, it would then go through Cutrale's transformation system. It has 27 transformers within its distribution system at the plant, and that would be stepping down the power that it is taking in at 13 kV to the various lower voltages required by the equipment itself.

And that's exactly the point we are making. All of the energy that Cutrale receives from TECO it receives at 13 kV and all the energy it uses from TECO it uses at much lower voltage having passed through transformers that Cutrale owns.

commissioner skop: But to my point, again, to utilize or useful -- actually to utilize the cogeneration that you're generating on your side of the meter and to distribute that for your own service voltage at the various locations within your facility, you could not accomplish that without your own internal distribution system.

MR. MAJOR: That's true.

COMMISSIONER SKOP: Okay. I think that's the only questions I have. I would defer to my colleagues and at the appropriate time I may be wanting to make a motion.

CHAIRMAN CARTER: Thank you.

Commissioner Argenziano.

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COMMISSIONER ARGENZIANO: I think there is just one other question. What was the reason why the Coca-Cola Company was granted the discount for so long?

MR. ASHBURN: It was for several years and it was in error. And when we discovered the error at the time that the cogen was being built and the substation was being made more built up, we corrected it and did not backbill them for that error. We just changed it and went forward with the correct coding.

CHAIRMAN CARTER: Yes, ma'am.

COMMISSIONER ARGENZIANO: Does Cutrale have any response to maybe some of the questions or what I just asked?

MR. MAJOR: Briefly. Cutrale receives a transformer ownership discount at two other facilities that it has, the wastewater treatment plant which is right next to the power plant, or right next to the juice processing plant in Auburndale, and the wastewater treatment plant does not have this configuration that is described in the staff recommendation order that says that Cutrale in order to qualify for the discount would have to put a transformer ahead of the

TECO meter on TECO's side of the ownership line. That situation does not exist for the wastewater treatment plant, yet we get the discount there. So there seems to be a mysterious inconsistency. Why don't we get it here when we get it there, and the rationale for that never seems to add up.

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COMMISSIONER ARGENZIANO: That's a good point. Maybe staff could help respond to that one.

MR. COLSON: Commissioners, the Ariana Line is separate from this facility. This is an independent distribution network. The Ariana Line is served off of a 13 kV line that serves other customers in that area. It's not a dedicated line that is providing service to Cutrale.

So, this does not -- these are apples and oranges. What he just said is apples and oranges here because there are other customers. That's not a dedicated line. This is a dedicated line. TECO has provided a meter past a 69 kV to 13 kV transformer. They have put a meter past there, and they have no responsibility past that meter. And that's what we are contending here is that the responsibility at this facility ends at the meter. And that it's an interconnection point, you have a cogeneration facility that is generating at 13 kV, and that 13 kV is then being distributed in a closed network that Cutrale has designed and built to serve these facilities and it is not the same as the Ariana situation.

CHAIRMAN CARTER: Yes, ma'am.

COMMISSIONER ARGENZIANO: So then the location of the transformer doesn't make a difference at the wastewater plant because there's other customers.

MR. COLSON: Right, there are other customers.

COMMISSIONER ARGENZIANO: Is that understood somewhere in writing? I mean, where does the understanding of the differences come into play?

MR. COLSON: Well, I think it was understood in terms of the original contract that specified that the Ariana Line was not sufficient to serve this facility, and that either that line would have to be beefed up at a tremendous cost, and it was determined that the substation to serve this facility would be less expensive than beefing up the Ariana Line. So TECO designed and built a dedicated substation at the request of at that time Coca-Cola to provide service at 13 kV. And the service that it provided at 13 kV from a 69 kV to 13 kV dedicated substation, they put a meter at the end of that transformer and they decided that it was Cutrale's responsibility after that meter to take the 13 kV and to disperse that power if they chose to purchase it from TECO.

And I should point out that Cutrale, you know, they had an option to either purchase or generate. If they generated their own power, then they dispersed that power as they saw fit. TECO had no responsibility to provide any transformation, because they didn't know what Cutrale was going

to do with their own generation.

COMMISSIONER ARGENZIANO: Now, bear with me on this, okay, because I'm still a little bit -- I won't use the word confused, but maybe unsettled. If TECO has no responsibility at the point of the transformer, right?

MR. COLSON: Past the transformer.

COMMISSIONER ARGENZIANO: Past the transformer. I'm sorry, past the transformer. But the discount program is that if the entity were to provide the transformers, then there would be a discount, right? Is that then --

MR. COLSON: Right. Okay. It is TECO, and I think the way I interpret it is that the 69 kV to 13 kV transformer is the transformation that is required, and TECO has provided that cost. And so, therefore, Cutrale does not -- they do not live up to the responsibility to require TECO to give them a discount because TECO has already provided them the transformation at 13 kV.

COMMISSIONER ARGENZIANO: Okay. Thank you.

CHAIRMAN CARTER: Commissioners, as you think, let's me just kind of ask a question while it's on my brain here.

What is the impact of the ratepayers for TECO if we were to grant what Cutrale is asking? What is the impact on the ratepayers, the body of ratepayers for TECO?

MS. BENNETT: From initial calculations for the month of February 2008 it would be an additional \$5,247 per month for

a discount that would be granted to Cutrale. TECO did some calculations from 1997 to 2007. If there was a refund granted, it would be about \$424,000 for just that ten-year period.

CHAIRMAN CARTER: So \$400,000, and then on a going-forward basis roughly 5,000 a month, is that what you're saying?

MS. BENNETT: Yes. And Cutrale and TECO may have more up-to-date information since several months have passed by since we got that calculation from them.

CHAIRMAN CARTER: Do you have any additional numbers on that?

MR. MAJOR: No.

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MR. ASHBURN: We haven't updated it from that point.

I would say going forward that the discount, if it were applied, would depend on Cutrale's load and how much they would use, because it's a discount based on billing units. So it depends on how their load pattern would be, how big it would be as far as billing impact.

CHAIRMAN CARTER: Let me ask you this, to the folks at Cutrale. Do you think that's appropriate for the body of ratepayers, the general body of ratepayers of TECO to subsidize this when they have already brought the power to your facility as requested?

MR. MAJOR: I believe that because the demand charges that Cutrale pays have built into it costs for transformation

that Cutrale itself is providing, it's not fair to Cutrale to imposes those costs on Cutrale. To be treated as everyone else is treated would mean they would only pay for -- that they wouldn't have to pay for transformation costs that they themselves are providing. The rest of the ratepayers are paying for transformation costs that TECO provides and Cutrale is having to pay for costs that it is providing and that strikes me as not being appropriate.

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CHAIRMAN CARTER: You would agree, though, that the power that Cutrale is paying for has been consumed on your facility?

MR. MAJOR: Yes. Power generated by TECO is being consumed on our facility, and certainly the Minute Maid substation was built to accommodate Coca-Cola. And it's my understanding that the cost of the Minute Maid facility, the Minute Maid substation have essentially been repaid through demand charges as the contracts specified. That the costs of accommodating Coca-Cola, later Cutrale, by building that thing have already been repaid through 15, 20 years of demand charges that include these costs.

CHAIRMAN CARTER: Commissioners?

Commissioner McMurrian, you're recognized.

COMMISSIONER McMURRIAN: Thank you. I just wanted to -- this is for staff, and I just wanted to make sure that I understand what Mr. Colson was saying earlier. I think what

you're saying is it was TECO's responsibility to step down from 69 kV to 13 kV because that's what the customer requested.

MR. COLSON: That's correct.

COMMISSIONER McMURRIAN: And then beyond that, if the tariff were to apply, according to what you have said in the staff recommendation, I guess, if on that side of the meter, where TECO is stepping down from 69 to 13 kV, if on that side of the meter somehow Cutrale had paid for some facilities and done the work themselves, then they would be entitled to a credit under the tariff in that situation, right? Am I understanding it correctly?

MR. COLSON: No. I'm saying that if Cutrale would have paid TECO for the Minute Maid substation, if they would own that transformation, then they would qualify for a transformer discount.

COMMISSIONER McMURRIAN: And that's on TECO's side of the meter, right?

MR. COLSON: Right. That is TECO ownership now.

COMMISSIONER McMURRIAN: So the purpose of the tariff

-- I'm sorry, Chairman.

CHAIRMAN CARTER: You're recognized.

COMMISSIONER McMURRIAN: So the purpose of the tariff is to give a credit to an entity that has incurred some expense that offsets some of TECO's expense in providing that service to that customer, is that --

1 MR. COLSON: That's correct. 2 COMMISSIONER McMURRIAN: Okay. And we don't have 3 that situation here because it is on the customer side of the 4 meter, is that correct? 5 MR. COLSON: Right. 6 **COMMISSIONER McMURRIAN:** I just wanted to make sure. 7 And, Chairman, one other thing if I may mention. 8 Colson, is this your last agenda with us? 9 MR. COLSON: Yes, it is. 10 COMMISSIONER McMURRIAN: I'm going to embarrass him 11 here, but I've known Lee a long time and he is a good man and 12 he has done a lot of good work for us. And I just wanted to 13 thank him for that publicly. MR. COLSON: Thank you, Commissioner. 14 CHAIRMAN CARTER: Happy trails, Mr. Colson. 15 trails. A lot of great years both to the United States Navy 16 and here at the Florida Public Service Commission. We're 17 18 honored by your service. Commissioners, any further questions? We don't want 19 20 to embarrass you any further, Mr. Colson. Commissioner Skop, you're recognized, sir. 21 Thank you, Mr. Chairman. 22 COMMISSIONER SKOP: And I think there has been some good discussion. 2.3 24 least from my perspective, it seems like the debate in this 25 issue centers on the language in the tariff. And while that

language might be able to be tightened up, you know, it's often hard to write things perfectly.

Accepting the Cutrale interpretation of that language in practice just wouldn't lead, in my view, to a practical result. It's stretching something that, you know, looks good on paper, but when you apply it to practice it's just inconsistent with how things are typically done. So with that I would move at this time to adopt the staff recommendation.

CHAIRMAN CARTER: Commissioner Argenziano.

want to, I guess, say something, because I think the language is vague. And while I don't want to shift something to the customers, if I were the entity who -- and, even TECO in making, I guess, putting these contracts together, or the language together, because that's the part I had the hardest time with. Is it really telling Cutrale that -- you know, I don't see location specified. I don't see that specification in there. So if I were Cutrale, I would have reason to believe that possibly because I had those transformers I would be eligible for that discount, too. So I have real heartburn because of the vagueness.

I always look to either a statute, or the rule, or the contract to find out what the language really says, and I'm not sure that it doesn't say what Cutrale -- I think that's why they're here today. So to me it is very vague, and I'm really

not comfortable because it is that vague, because I don't know 1 2 which way this really needs to go. 3 I don't want to see the customers paying for something they don't have to pay for, but, yet, why should 4 Cutrale if it is due to just lack of specification in the 5 contract. And it really comes down to, gee, I'm not sure what 6 the heck to do at this point, to be honest with you. 7 CHAIRMAN CARTER: Okay. Thank you, Commissioner. 8 We have a motion on it. 9 COMMISSIONER EDGAR: I'll second. 10 CHAIRMAN CARTER: Second. 11 12 Commissioners, we have a motion and a second. We are 13 still in discussion or debate. Hearing none, all those in favor let it be known by 14 the sign of aye. 15 16 (Simultaneous aye.) CHAIRMAN CARTER: All those opposed like sign. Show 17 it done. 18 Mr. Colson, thank you so very much for your service. 19 20 21 22 23 24 25

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STATE OF FLORIDA CERTIFICATE OF REPORTER COUNTY OF LEON I, JANE FAUROT, RPR, Chief, Hearing Reporter Services Section, FPSC Division of Commission Clerk, do hereby certify that the foregoing proceeding was heard at the time and place herein stated. IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings. I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action. DATED THIS 9th day of June, 2008. Official FPSC Hearings Reporter (850) 413-6732 23 2.4