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ORIGINAL

Matthew M. Childs, P.A.

September 19, 1997

Ms. Blanca S. Bayó, Director
Division of Records and Reporting
Florida Public Service Commission
4075 Esplanade Way, Room 110
Tallahassee, FL 32399

RE: DOCKET NO. 970001-EI

Dear Ms. Bayó:

Enclosed for filing please find an original and ten (10) copies of Florida Power & Light Company's Brief in the above referenced docket.

Very truly yours,

Matthew M. Childs, P.A.

Enclosures

cc: All Parties of Record

RECEIVED & FILED

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DOCUMENT NUMBER-DATE
09558 SEP 19 5
FPSC-RECORDS/REPORTING

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and Purchase Power Cost Recovery Clause	))	**Docket No. 970001-EI** **Filed: September 19, 1997**

BRIEF OF FLORIDA POWER & LIGHT COMPANY

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Attorneys For
Florida Power & Light Company

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and purchased power cost recovery clause	)))	**DOCKET NO. 970001-EI** **FILED: September 19, 1997**

BRIEF OF FLORIDA POWER & LIGHT COMPANY

STEEL HECTOR & DAVIS LLP
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Attorneys for Florida Power & Light Company

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and purchased power cost recovery clause	DOCKET NO. 970001-EI FILED: September 19, 1997

BRIEF OF FLORIDA POWER & LIGHT COMPANY

INTRODUCTION

The Commission staff posed several issues concerning the impact, if any, on the cost and recovery of cost of economy energy transactions resulting from FERC Order 888 and Order 888-A. These issues were raised at the Prehearing Conference in this Docket on February 5, 1997 and deferred by Order No. PSC-97-0180-PHO-EI to the hearing held in August 1997.

The four issues concerning economy energy transactions (issues 9, 10, 11 and 12) attempted to differentiate between economy transactions involving directly interconnected utilities (issues 9 and 10) and economy transactions involving non-directly interconnected utilities (issues 11 and 12).

In addition, each of these two issue pairs addressed the recovery of cost by the purchaser in an economy interchange transaction and the disposition of revenues received by the seller in an economy interchange transaction.

FPL submits that the question of the treatment of the costs and revenues by participants in an economy interchange transaction can be relatively straight forward if one wishes it to be so. To

be simple and straight forward permits the analysis to avoid some obvious forays into unnecessary details and consequences and avoids the selective memory lapse of how economy interchange transactions have been treated under the fuel adjustment procedure and why that treatment was chosen by the Commission.

FPL submits that a straight forward analysis procedure would ask the following questions:

1. What is the current fuel adjustment treatment of the costs and revenues associated with economy energy transactions?

2. Why did the PSC select this treatment of the costs and revenues associated with economy energy transactions?

3. What do Orders 888 and 888-A require as it relates to costs and revenues and accounting for costs and revenues of economy interchange transactions?

4. How to deal with suggested but unnecessary details and consequences?

1. The Current Fuel Adjustment Treatment Is To Flow The Gain Through The Fuel Clause.

In some respects, the issue of the disposition of revenue from wheeling associated with economy sales has been addressed without expressly recognizing the historic treatment of economy interchange gains. Very recently, however, this Commission had occasion to address this issue in Order No. PSC-97-0262-FOF-EI issues in Docket No. 970001-EI on March 11, 1997. There the Commission stated in material part:

> "...The retail ratepayer receives all of the revenue, both fuel and non-fuel, that the sale generates through a credit in the fuel and capacity cost recovery clauses for Broker

Sales, the utility's shareholders receive 20 percent of the profit associated with the sale."

Order No. PSC-97-0262-FOF-EI at p. 2. This Order continued by reaffirming its policy stating -- "Thus, for non-separated sales, [which expressly includes economy interchange] we find that our existing policy of crediting all revenues through the fuel and capacity cost recovery clauses should not be altered." (A copy of Order No. PSC-97-0262-FOF-EI is attached hereto as Appendix 1.)

The issue of the treatment of revenues from economy interchange sales in the fuel clause is not a novel issue. This issue was addressed in a series of orders by this Commission in the early 1980's. By Order No. 12923 entered in Docket No. 830001-EU-B on January 24, 1984, this Commission pointed out that the then current treatment of gains on economy interchange sales had been adopted in 1977 and that this treatment "...allows purchasing utilities to recover the total costs of economy energy purchases through the fuel adjustment clause while selling utilities deduct only the fuel component of economy energy sales from their fuel expense for fuel adjustment purposes." Order No. 12923 at p. 2. The Commission then proceeded to:

1. remove the economy energy sales profits from base rates and include them in the fuel clause and

2. ordered that economy energy sales profits be divided between rate payers and shareholders on a 80%-20% basis.

(Note, a copy of Order No. 12923 is attached as Appendix 2.)

In March of 1984, the Commission issued Order No. 13092 to implement the decisions in Order No. 12923 just addressed. The Order stated in material part:

> "Because the economy energy sales profits are currently in base rates, it is also necessary to adjust the base rates to exclude these profits as of April 1, 1984. As shown on Schedule C, we approve the inclusion of the listed amounts in the fuel and purchased power cost recovery clause and the resulting change in base rates for each utility."

Order No. 13092 at p.8. Schedule C which is attached to Order No. 13092 shows the dollar amount of economy energy sales profits together with the effect of the charge on both the base rate charge in ¢/kWh and the fuel adjustment charge in ¢/kWh. (Note, Order No. 13092 is attached hereto as Appendix 3).

When the Commission adjusted its procedures in 1983 and 1984 to transfer the "gain" on economy energy sales, from base rates to the fuel adjustment clause mechanism, it implemented a change to both base rates and the fuel adjustment charge to reflect the change.

2. <u>The Gain On Economy Sales Is Returned To Retail Customers Because They Pay The Non-Fuel Costs Of The Economy Sales</u>.

Obviously, there are non-fuel costs associated with economy sales transactions. The Commission addressed the responsibility for these costs and why gains on economy sales flow to the benefit of retail customers in Order No. PSC-97-0262-FOF-EI which is attached hereto as Appendix 1. There, the Commission stated:

> "Because non-separated sales are sporadic, a utility does not commit long-term capacity to the wholesale customers. Non-separable sales are not assigned cost responsibility through a separation process, therefore the retail ratepayer supports all of the investment that is used to make the sale. In exchange for supporting the investment, the retail ratepayer receives all of the revenues, both fuel and non-fuel, that the sale generates through a credit in the fuel and capacity cost recovery clauses. (emphasis added)

Order No. PSC-97-0262-FOF-EI.

Simply put, the revenues from economy energy sales are credited to the benefit of retail customers through the fuel clause because the retail customers are already paying the cost of such sales through base rates. If the retail customer were not receiving this credit, which actually reduces the fuel adjustment charge retail customers would otherwise pay, then the utility stockholders would keep all the gain but have no cost responsibility.

3. FERC Orders 888 and 888-A Do Not Create Any New Or Additional Cost.

As explained by FPL's witness Mr. Villar, as a result of FERC Order 888 utilities are now required to charge themselves for the use of their own transmission system when making off-system sales. (Tr. 101). As Mr. Wieland, witness for Florida Power Corp., explained, FERC Orders 888 and 888-A require recognition that Florida Power utilizes its transmission system when making off-system sales. (Tr. 58). For wholesale power agreements executed after July 9, 1996 as well as existing wholesale power agreements,

transmission service by the selling utility must be treated as if taken under the utility's open access transmission tariff and the charges for generation and transmission service must be "unbundled" --that is, separated. (Tr. 58). In addition, Mr. Wieland explained his interpretation of Orders 888 and 888-A as it related to there being an additional charge for transmission service by the utility making an economy energy sale such that the transmission service charge produces an economy energy sale price higher than before Orders 888 and 888-A. (Tr. 72). The question of whether Orders 888 and 888-A permitted the addition of a charge for wheeling by the utility making an economy sale such that the revenue received by the selling utility was higher than before the separate wheeling charge has been used to inject some confusion into the process. (Tr. 223-225; 229-230). In fact, however, the retail customers continue to pay the non-fuel costs associated with economy sales and are thus entitled to have the gain on such sales reduce their fuel cost payments just as they did before the unbundling of charges effected by Order 888. Therefore, even if the cost of economy transactions is increased because of additional transmission charges, a circumstance Mr. Wieland was unsure whether FERC would accept, there should be no change in the treatment for retail customers.

Nothing that FERC Orders 888 or 888-A did created any additional transmission costs for economy sales. Nothing that Order 888 or 888-A did shifted cost responsibility for transmission service from retail customers. As a result of Order 888, separate

subaccounts of Account 447 have been established to record the generation and transmission components of the economy sales (Tr. 59). But, this accounting does not create costs or reassign cost responsibility.

Although the matter has been made a little more complicated than it is, Orders 888 and 888-A have done nothing to change the treatment of economy energy transaction costs or revenues for retail fuel adjustment clause purposes. As the Commission has recognized, because the retail customer is and continues to be responsible for all non-fuel costs of economy sales, the retail customer should receive the revenue from those sales.

4. **Suggested But Unnecessary Detail And Consequences.**

FPL, as it has stated, believes the issues associated with the treatment of costs and revenues of economy energy transactions are much more straight forward than some might have it appear.

One area of attempted confusion dealt with the "interpretation" of Orders 888 and 888-A concerning whether the separate charge for wheeling service by a utility making an economy sale could be in addition to the difference between the buyer's and seller's broker quotes. It should be kept in mind that, as expressed by Mr. Howell of Gulf, - "The real issue before you today is, if we are selling, how do we treat the revenue....and you have two decisions basically: should you credit that to base rates, or should you credit it to the fuel clause." (Tr. 199). Even though this is the issue, TECO has attempted to use this proceeding to

challenge FPL's tariff filing with the FERC which asks for a wheeling charge in addition to the buyer and seller broker quotes. TECO asserts this request is contrary to the FERC position on split the savings (T. 224) and that the FERC will not allow a transaction which uses split-savings plus an added transmission charge. (T. 225). Even though TECO spent considerable time on this issue both in its prefiled testimony and on cross examination of FPL witness Villar, and even a paragraph from page 204 of Order 888-A (See Kordecki direct at T. 224), it did not provide the very next paragraph of Order 888-A on pp. 204 and 205 which reads in material part:

> "A split-savings is set without reference to the seller's fixed costs and, ...we are not requiring that the present rate be adjusted upward or downward. Rather, we are requiring disassembly of the existing rate into component parts one of which represents the rate being charged for transmission service. If a utility is no longer satisfied that an existing rate is compensatory with regard to either the generation component or the transmission component, it may file an appropriate revision under Section 205." (emphasis added)

Mr. Villar explained that FPL's filing with the FERC for the additional charge for wheeling was made under Sections 205 and 206 of the Federal Power Act and that the matter is pending at the FERC. (T. 144-145).

The approach of attaching the added wheeling charge FPL has filed with the FERC permits the addition of a whole host of discussion items as to which it is suggested the Commission devote its attention instead of devoting attention to the question of

whether Order 888 and 888-A alter the basis for and the approved FPSC approach of passing 80% of the gain on economy sales directly to retail customers.

One additional attempt to collaterally establish a basis for one utility to maintain that it should keep 100% of the separately stated charge for wheeling economy energy sales by it (instead of the 20% from the 80/20 split) is the testimony that:

> "FERC requires that transmission revenues derived from all short term transactions of less than one year be treated as a revenue credit."

(T. 222). Then, the following exchange (in prefiled testimony of Mr. Kordecki) occurs:

> "Q. What does revenue crediting mean?"
>
> "A. The revenues collected from short-term transmission services are subtracted from the overall transmission revenue requirements for purposes of determining FERC jurisdictional long-term transmission rates."

(T. 223). Thus, the implication at least, is that the FERC directed "crediting" of transmission revenues from economy sales should not be flowed back to retail customers because "such revenues are subtracted from the overall transmission revenue requirements for purposes of determining FERC jurisdictional long-term transmission rates." Even if FERC had this result in mind, in Order 888, it does not flow from "revenue crediting." Exhibit 10 shows that the revenue from broker sales have been credited to Account 447 since at least 1985 by direction of the Florida Commission. Thus, crediting wheeling revenues to a subaccount of Account 447 should not have the asserted effect. In addition, the

conclusion that the wheeling revenues from short-term wheeling transactions (such as economy sales) should affect the long term FERC jurisdictional wheeling rates totally overlooks the fact that economy sales are "non-separated" sales with the retail customer bearing cost responsibility. Such wheeling charges can reduce long term wholesale wheeling rates only to the extent of the wholesale/retail separation as addressed by Florida Power Corporation.

CONCLUSION

FPL submits that the fundamental question in this Docket was appropriately framed by Mr. Howell of Gulf Power when he stated that for economy energy sales the issue for wheeling revenue is:

> "should you credit that to base rates, or should you credit it to the fuel clause."

In view of this Commission's past rulings, the answer should be obvious. Because the economy sale is a "non-separated" sale for which the retail customer bears the non-fuel cost responsibility and because Order 888 does not create any new or additional costs, the wheeling revenue from economy sales should be credited to the benefit of retail customers through the fuel clause.

Respectfully submitted,

STEEL HECTOR & DAVIS LLP
Suite 601
215 South Monroe Street
Tallahassee, FL 32301
Attorneys for Florida Power & Light Company

By: Matthew M. Childs, P.A.

CERTIFICATE OF SERVICE
DOCKET NO. 970001-EI

I HEREBY CERTIFY that a true and correct copy of Florida Power & Light Company's Brief has been furnished by Hand Delivery,** or U.S. Mail this 19th day of September, 1997, to the following:

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Matthew M. Childs, P.A.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Fuel and purchased power cost recovery clause and generating performance incentive factor.	DOCKET NO. 970001-EI ORDER NO. PSC-97-0262-FOF-EI ISSUED: March 11, 1997

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON, Chairman
J. TERRY DEASON
JOE GARCIA

FINAL ORDER ADDRESSING TREATMENT OF FUEL REVENUES RECEIVED FROM WHOLESALE SALES IN THE FUEL AND CAPACITY COST RECOVERY CLAUSES

BY THE COMMISSION:

During the March 1996 fuel hearing in Docket No. 960001-EI, the Office of Public Counsel (OPC) raised the following issue:

> Should an electric utility be permitted to include, for retail cost recovery purposes, fuel cost of generation at any time its units exceed, on a cents-per kilowatt-hour basis, the average fuel cost of total generation (wholesale plus retail) out of those same units?

OPC asked that the Commission establish a generic policy statement regarding whether a utility could recover any revenue shortfall that existed between the actual fuel revenues the utility receives from a wholesale sale when those revenues were less than system average fuel costs. The issue was deferred until the August, 1996 fuel hearing to provide parties the opportunity to present testimony. After the hearing, the Commission directed parties to file posthearing statements and staff to submit a recommendation.

It is important to understand the significance of a wholesale sale that is subject to a jurisdictional separation factor (a "separated sale") and a wholesale sale that is not subject to a jurisdictional separation factor (a "non-separated sale"), as a different regulatory treatment exists for the costs and revenues associated with each type of sale.

Non-separated sales: Historically, the Commission has treated sales that are non-firm or less than one year in duration as non-separated sales. An example of such sales is Florida Energy Broker sales which are typically made as the opportunity presents itself.

Because non-separated sales are sporadic, a utility does not commit long-term capacity to the wholesale customer. Non-separable sales are not assigned cost responsibility through a separation process, therefore the retail ratepayer supports all of the investment that is used to make the sale. In exchange for supporting the investment, the retail ratepayer receives all of the revenues, both fuel and non-fuel, that the sale generates through a credit in the fuel and capacity cost recovery clauses. For Broker sales, the utility's shareholders receive 20 percent of the profit associated with the sale.

The actual revenues a utility receives for non-separated sales are typically based on incremental costs. As discussed during the hearing, our existing policy has generated over $800 million in retail benefits to date through the Florida Energy Broker alone. All parties appear to agree, at a minimum, that we should not preclude utilities from this opportunity. Thus, for non-separated sales, we find that our existing policy of crediting all revenues through the fuel and capacity cost recovery clauses should not be altered.

Separated sales: We have traditionally allowed a sale to be separated if it is a long-term firm sale, greater than one year, that commits production capacity to a wholesale customer. In essence, a sale is separated to remove the production plant and operating expenses associated with the sale from the retail jurisdiction's cost responsibility.

When a utility enters into a wholesale transaction that is to be separated, the retail cost responsibility is adjusted by either a reduction in actual retail base rate revenue requirements at the time of the utility's next base rate case, through continued monthly surveillance reporting, which, in the event a utility is over earning, generates additional funds subject to Commission disposition, or through credits in the fuel adjustment clause. In exchange for assigning cost responsibility to the company's shareholders, the Commission allows the utility's shareholders to keep all of the non-fuel revenues received from the sale.

We have generally employed a methodology which uniformly allocates cost to the wholesale and retail markets for separated sales. As Florida Power Corporation's witness Mr. Wieland testified, if costs are allocated between the wholesale and retail

jurisdictions on a consistent basis, it is difficult to say that one group of customers is being priced unfairly. We have assigned costs to both jurisdictions using average embedded costs for production plant and operating expenses, and have required fuel credits equal to average system fuel costs. This process protects the retail market from subsidizing the competitive wholesale market.

As discussed by Mr. Ramil, we have allowed some deviation from the average fuel costing methodology for separated sales on a case-by-case basis. With respect to TECO's sales to Florida Power & Light Company (FPL) from Big Bend unit 4, TECO demonstrated that absent a price concession, FPL would not made purchases. Therefore, we allowed TECO to credit incremental fuel revenues even though revenues were less than average system fuel costs.

Whenever a utility credits an amount which is less than average system fuel costs to the fuel adjustment clause for its separated wholesale sales, the retail ratepayers pay increased (i.e. above average) fuel costs than they would have paid if fuel revenues were credited through the fuel clause based on average fuel costs. When fuel prices are discounted and that discount is automatically passed through to the retail ratepayer, and the other non-fuel revenues go to the utility's shareholders immediately, there is an increased possibility of gaming the system. This concern is heightened by the fact that the retail ratepayer's cost responsibility is reduced only at the time of the utility's next base rate case or when the utility is over earning and the continued monthly surveillance adjustments generate additional funds subject to Commission disposition. Absent a rate case or overearnings situation, the additional non-fuel revenues flow directly to the company's shareholders.

In view of these concerns, we find that, as a generic policy, there shall be uniform cost allocation between the wholesale and retail markets for all prospective separable sales. Thus, we shall impute revenues in the fuel adjustment clause in the event the actual fuel revenues a utility receives from a separable sale are less than average system fuel costs. A utility's shareholders will, in effect, be required to pay for any shortfall associated with fuel revenues if the actual fuel revenues the utility collects are less than the average system fuel costs we impute. Imputation of fuel revenues will protect the retail ratepayer from automatic increases in fuel cost responsibility. Wholesale sales currently being made pursuant to existing contracts will not be affected by this policy.

There is a significant amount of discussion in the record regarding the idea that a utility may be hesitant to enter into a separable sale, even if that sale provides net benefits to the retail ratepayer, because the imputation process has the effect of reducing shareholder earnings. Moreover, because the wholesale market has become increasingly competitive, it is difficult for a utility to collect the average embedded revenues. Given these circumstances, some discounting of the fuel costs may be necessary to achieve overall benefits for the retail ratepayers. To remedy this problem, Gulf Power Company and TECO advocated that the Commission adopt a generic policy that recognizes the overall net benefits a separable sale provides to the retail ratepayer. Such an approach would compare the potentially negative impacts associated with crediting incremental fuel revenues through the fuel adjustment clause to the positive benefits to retail ratepayers associated with selling capacity.

We have a long history of providing utilities with the flexibility needed to maximize retail benefits, however, a utility bears the burden of showing that deviation from established policy is in the public interest. Thus, a utility shall credit average system fuel revenues through the fuel adjustment clause unless it demonstrates, on a case-by-case basis, that each new sale does in fact provide overall benefits to the retail ratepayers.

Mr. Ramil raised concerns regarding a potentially burdensome review and the danger of such a review becoming an opportunity for increased litigation. Nonetheless, it is the Commission's responsibility to ensure that activities taking place in the wholesale market do not adversely affect the retail market. Therefore, when a utility files a petition for recovery of fuel cost differentials, our review shall be limited to a determination of whether a sale is beneficial to the retail ratepayers. We will not determine which utility should make the sale, but rather focus on the utility's actions and the subsequent impact the sale has on the utility's retail ratepayers.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that for non-separable sales, total revenues received shall be credited to the fuel and capacity cost recovery clauses, as more fully described in the body of this Order. It is further

ORDERED that for separable sales, average system fuel costs shall be credited to the fuel and capacity cost recovery clauses, unless the utility demonstrates that the sale generates net benefits to the retail ratepayers, as more fully described in the body of this Order.

ORDERED that this docket shall remain open.

By ORDER of the Florida Public Service Commission, this 11th day of March, 1997.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

by: /s/ Kay Flynn
Chief, Bureau of Records

This is a facsimile copy. A signed copy of the order may be obtained by calling 1-904-413-6770.

(S E A L)

VDJ

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), 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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, 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 and/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 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.

JAN 25 1983

REC'D MMC

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel Adjustment Recovery Clauses of electric utilities - treatment of gain on economy sales.	DOCKET NO. 830001-EU-B ORDER NO. 12923 ISSUED: 1-24-84

The following Commissioners participated in the disposition of this matter:

GERALD L. GUNTER, Chairman
JOSEPH P. CRESSE
KATIE NICHOLS

Pursuant to Notice, the Florida Public Service Commission conducted a public hearing in the above docket in Tallahassee, on December 15, 1983.

APPEARANCES: James D. Beasley, Esquire and Lee L. Willis, Esquire, Ausley, McMullen, McGehee, Carothers and Proctor, Post Office Box 391, Tallahassee, Florida 32302, for Tampa Electric Company.

James A. McGee, Esquire, Post Office Box 14042, St. Petersburg, Florida 33733, for Florida Power Corporation.

G. Edison Holland, Jr., Esquire, Beggs and Lane, Post Office Box 19250, Pensacola, Florida 32576, for Gulf Power Company.

Matthew M. Childs, Esquire, Steel, Hector and Davis, Suite 320, Barnett Bank Building, Tallahassee, Florida 32301, for Florida Power and Light Company.

Stephen Fogel, Esquire and Steven Burgess, Esquire of the Office of Public Counsel, Room 4, Holland Building, Tallahassee, Florida 32301, for the Citizens of the State of Florida.

M. Robert Christ, Esquire, 101 East Gaines Street, Tallahassee, Florida 32301, for the Commission Staff.

Prentice Pruitt, Esquire, 101 East Gaines Street, Tallahassee, Florida 32301, counsel to the Commissioners.

ORDER APPROVING TREATMENT OF GAIN ON ECONOMY SALES

BY THE COMMISSION:

Economy energy transactions represent the sale of energy between electric companies. Gains are realized by the selling company as a result of the split-the-savings methodology used to calculate the selling price of economy energy. In the past, the Commission has considered gains on electric economy energy sales between companies during each individual company's general rate proceeding. These gains were included in base rates as a reduction of expenses. By Order No. 12663, in Docket No. 830012-EU, we decided that it would be appropriate to review in the fuel adjustment proceedings the question of whether the gain on economy energy sales would be more appropriately treated in the fuel adjustment clause than in base rates. The present treatment which was adopted by this Commission

DOCUMENT NO.
485-84

in 1977 allows purchasing utilities to recover the total costs of economy energy purchases through the fuel adjustment clause while selling utilities deduct only the fuel component of economy energy sales from their fuel expense for fuel adjustment purposes. Through this procedure, purchasing utilities are made whole by allowing them to recover the total cost of economy energy purchases and the selling utilities' fuel expenses are reduced by the cost of fuel used to generate the economy energy. Because the gains are included in base rates, the selling utility may either retain gains in excess of the level included in base rates for the benefit of its shareholders or, conversely, the shareholders may suffer a loss if the gains are less than the base rate amount.

At hearing, on December 15, 1983, Staff witness, C. K. Hvostik, proposed that the treatment of a gain on economy energy sales be transferred from general rate proceedings to the fuel adjustment docket and be transferred from the base rates to the fuel and purchased power cost recovery clause. The chief reason for this proposed treatment was to eliminate the potential for over or under recovery of revenues associated with economy energy sales. In addition, the Staff witness proposed that the selling utilities be allowed to retain 20% of the economy sales profit for their shareholders and that the remaining 80% be credited to ratepayers through the fuel and purchased power cost recovery clause. The proposed treatment would also remove from rate cases the difficult issue of what level of economy sales profits to include in base rate. Under current rate case treatment a utility is rewarded if actual economy sales profits exceed the projected amount included in the test year and penalized if the actual economy sales are less than projected. Problems with the current treatment stem from the difficulty in projecting economy sales and the potential bias of a utility to under project their economy sales profits. The difficulty in projecting economy sales profits is due to uncertainty associated with fuel prices, weather, and forced outages of generating units and transmission lines. These variables affect not only how much a utility can sell and at what price, but also how much other utilities will buy at different prices.

Public Counsel's witness, James R. Dittmer, stated that he did not feel it was necessary or equitable to have an incentive for the utility to engage in these economy sales transactions. Gulf Power's witness proposed a 50%-50% split of the gain on economy sales. Several witnesses stated that a major problem with the current treatment is the incentive to predict a zero gain for economy sales in a projected test year so that shareholders could keep all of the gain realized. We agree with the testimony that projecting economy sales profits is difficult due to the uncertainty associated with fuel prices and other reasons given by the various witnesses. Without exception, the parties agree that it is appropriate to remove economy sales transactions from general rate proceedings and to include them in the proceedings dealing with fuel and purchased power cost recovery clauses. The only decision which remains to be made is whether or not we should adopt the Staff's recommended 80%-20% split, Gulf Power's 50%-50% split, or Public Counsel's suggestion of a 100% flow through of the gains to the rate payers.

We believe the Staff's witness was correct in stating that "a positive incentive will preserve current levels of economy sales and may result in increased sales and that the 20% incentive is large enough to maximize the amount of economy sales and provide a net benefit to the ratepayer."

At the hearing we directed the Staff to develop appropriate and proper procedures for incorporating their proposal as early in the process as it can be done legally. The Staff, on January 10, 1984,

held an informal meeting with the companies and Public Counsel in order to garner and exchange information concerning our directive. Two separate approaches were presented concerning the implementation of a procedure for the inclusion of profits realized in economy energy sales in the fuel adjustment clause. TECO and the Staff considered it appropriate at the February, 1984 fuel adjustment proceeding to revise base rates to remove economy energy sales profits and to transfer the same to the fuel adjustment clause. Others present, other than Public Counsel, considered it appropriate to wait until a utility is involved in its next general rate proceeding to revise base rates. During the interim period, however, the fuel adjustment clause would be indexed by the appropriate factor. The procedure suggested by TECO and the Staff appears to be the more desirable method because it is easier to administer and meets our goal of removing fuel and fuel-related items from base rates.

Due to our decision to include economy sales profits in the fuel adjustment clause, it is necessary to revise the minimum filing requirements by adding new schedules that will present the data pertaining to the profits. The two new schedules are Schedule A7a, Economy Energy Sales and Profits, and Schedule E7a, Economy Energy Sales and Profits. Schedule A7a is to be included in the monthly filings for reporting actual transactions and Schedule E7a is to be included as a part of the filing for projection purposes. The format of the new schedules is as follows:

(1) Sold to	(2) Total Sold	(3) ¢/KWH (a) Total Cost	(3) ¢/KWH (b) Sales Price	(3) ¢/KWH (c) (3)(b)-(3)(a) Profit	(4) Profit($) (2)x(3)(c)
Subtotal					
x80%					x80%
Amount for Fuel Adjustment					

In order to keep the revisions to a minimum, the "Amount for Fuel Adjustment" should be included as a separate line item on both Schedule A7 and Schedule E7, as appropriate.

Because of our decision to revise base rates by removing the economy sales profits, the utilities are directed to provide the dollar amount of economy sales profits included in base rates in their most recent rate case. In addition, the utilities are to provide a schedule, on a ¢/KWH basis for each rate class, the current base KWH rate, the amount of economy sales profits in the base rate, and a revised base rate excluding economy sales profits. Since the prehearing conference for the upcoming fuel adjustment hearing is to be held on February 8, 1984, this data is to be filed with the Commission no later than February 3, 1984 in order to allow the Staff time to review the data and take a position at the prehearing conference.

Therefore, in consideration of the foregoing, it is

ORDERED by the Florida Public Service Commission that the economy energy sales profits are being removed from base rates and being included in fuel and purchase power cost recovery clause, effective April 1, 1984. It is further

ORDERED that the economy energy sales profits are to be divided between ratepayers and the shareholders on a 80%-20% basis, respectively. It is further

ORDERED that affected electric utilities will comply with the requirements found in the body of this Order.

By ORDER of the Florida Public Service Commission, this 24th day of January, 1984.

Steve Tribble
COMMISSION CLERK

(S E A L)

MRC

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation of fuel adjustment clauses of investor owned utilities.	DOCKET NO. 830001-EU
In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.	DOCKET NO. 840001-EI ORDER NO. 13092 ISSUED: 3-16-84

The following Commissioners participated in the disposition of this matter:

JOSEPH P. CRESSE
JOHN R. MARKS, III
SUSAN W. LEISNER

Pursuant to notice, hearings were held in this matter on February 22, 23, 1983, in Tallahassee, Florida.

APPEARANCES:

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FPSC-RECORDS/REPORTING

M. Robert Christ, Esquire, and
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For the Commission Staff

ORDER APPROVING GPIF TARGETS/RANGES AND REWARDS/PENALTIES FACTOR, PROJECTED FACTORS ESTIMATED AND ACTUAL TRUE-UP FACTORS FOR FUEL ADJUSTMENT FACTOR AND OIL BACKOUT FACTOR

BY THE COMMISSION:

In accordance with the procedure established by earlier orders in this docket, a public hearing was held for the purpose of considering proposed changes for the projection period April 1984 through September 1984. The following subjects were noticed for the hearing:

1. Determination of Generating Performance Incentive Factor (GPIF) targets and ranges for the period April 1, 1984 through September 30, 1984.

2. Determination of Generating Performance Incentive Factor (GPIF) Rewards/Penalties for the period April 1, 1983 through September 30, 1983.

3. Determination of the Projected Levelized Fuel Adjustment Charges for all investor-owned electric utilities for the period April 1, 1984 through September 30, 1984.

4. Determination of the Estimated Fuel Adjustment True-up Factors for all investor-owned electric utilities for the period October 1, 1983 through March 31, 1984, which are to be based upon actual data for the period October 1, 1983 through December 31, 1983, and revised estimates for the period January 1, 1984, through March 31, 1984.

5. Determination of the Final Fuel Adjustment true-up for all investor-owned electric utilities for the period April 1, 1983 through September 30, 1983.

6. The determination of any projected Oil Backout Cost Recovery Factor(s) for the period April 1, 1984 through September 30, 1984, for the costs of approved oil backout projects to be recovered pursuant to the provisions of Rule 25-17.16, Florida Administrative Code.

7. Determination of the estimated Oil Backout Cost Recovery true-up factors for the period October 1, 1983 through March, 31, 1984, for the costs of approved oil backout projects to be recovered pursuant to the provisions of Rule 25-17.16, Florida Administrative Code, which are to be based upon actual data for the period October 1, 1983 through December 31, 1983, and revised estimates for the period January 1, 1984 through March 31, 1984.

8. Determination of the final Oil Backout True-Up amounts for the period April 1, 1983 through September 30, 1983, which are to be based on actual data for that period.

Prior to this proceeding, the Commission conducted four fuel and four conservation cost recovery[1] hearings per year, two

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[1] Conservation Cost Recovery will be disposed of by a separate order.

hearings for projection and two hearings for true-up. We are now consolidating the true-up hearings for the prior six month period with the projection hearing for the next six month period which will result in two hearings per year for conservation cost recovery and two hearings per year for fuel cost recovery. We find two advantages in modifying our current procedure to incorporate the true-up and the projections at one hearing: 1) the Company will have more time to close its books and prepare the true-up filing, and 2) our auditors will have more time to audit the filing.

Generating Performance Incentive Factor (Schedule A)

Since projection and true-up functions are now combined into one proceeding, we have during these hearings determined both the proper GPIF rewards or penalties for the April - September 1983 period, and established the appropriate GPIF targets and ranges for the April - September 1984 period. Attached Schedule A reflects the GPIF targets approved in this order.

Rewards/Penalties for April - September 1983

Florida Power and Light Company

Mr. J. M. Parent testified on behalf of FPL and calculated a proposed reward of $1,168,270. Implicit in this computation was the Company's request that, for this period, both the St. Lucie 1 and Turkey Point 4 nuclear units be "zeroed out" for availability reward/penalty purposes.

St. Lucie 1 did not operate during this period, having been brought down for refueling on February 27, 1983. The subsequent discovery of problems with the unit's thermal shield, and the repair thereof, required that the unit be down longer than originally anticipated. As of the date of this order the outage is continuing. An investigation of the lengthy and unusual outage of St. Lucie 1 has been spun off into Docket No. 840001-EI-A. Therefore, any determination as to prudency or imprudency, whether the outage should be classified as "planned" or "unplanned" for GPIF purposes, will be made in the spin-off docket. Accordingly, we will, for now, allow St. Lucie 1 to be "zeroed out" and assign it neither reward nor penalty. The same treatment will apply to the October, 1983 - March, 1984 period.

At Turkey Point 4 the level of unplanned outages was higher than targeted during April - September 1983 which would normally cause it to receive a penalty. However, it did return to service after the planned outage to repair the steam generator somewhat ahead of schedule. This is the basis of the Company's contention that the fuel savings resulting from this early return to service somehow cancelled out the unit's subsequent higher-than-targeted unplanned outage rate and that Turkey Point 4, like St. Lucie 1, should be "zeroed out" for reward or penalty purposes. Our intent and consistent policy regarding the GPIF is that rewards or penalties should normally be associated with achieved levels of unplanned outages relative to targeted levels. We, therefore, reject the Company's argument and find that the availability penalty calculated under standard GPIF procedures of $761,157 should be assigned to Turkey Point 4.

The FPL system GPIF reward is thus adjusted to $407,113, which we deem proper.

Florida Power Corporation, Gulf Power Company, Tampa Electric Company

The remaining three utilities included in the GPIF proposed rewards or penalties for April - September 1983, we find, have been properly calculated. They are summarized below.

FPC - $205,731 Penalty

GULF - $373,500 Reward

TECO - $220,215 Reward

GPIF Targets and Ranges for April - September 1984

Florida Power and Light Company

We find that two changes need to be made to the targets proposed by the Company. First, due to the current unusual situation at St. Lucie 1, we decline to set any targets at present for this unit pending the outcome of Docket No. 840001-EI-A. Second, we take issue with the way in which the Company developed its target heat rate equation for Turkey Point 3. To eliminate the effects on heat rate of repairs to the unit's steam generators, only historical data since the repairs were made should be used in deriving the equation. The resulting adjusted heat rate target as well as the other FPL targets we approve are shown on Schedule A.

Florida Power Corporation

We find FPC's proposed targets to be acceptable with the exception of the availability target for the Crystal River 3 (CR-3) nuclear unit. Due to the somewhat erratic history of this unit the Company has proposed a relaxation in the stringency of the availability standard set for CR-3 as compared to prior periods. Given our view that targets should be challenging but that they also need to be reflective of actual past performance, we agree to a slight relaxation but reject the CR-3 availability target proposed by the Company. The GPIF target levels that we deem appropriate for FPC are shown on Schedule A.

Gulf Power Company

We find Gulf's proposed targets to be proper except for the Crist 7 heat rate target. In developing the target heat rate equation for Crist 7, Gulf did not use any of the historical heat rate data from the April - September 1983 period claiming that the unit was operated in an atypical manner during that time. We find that those summer 1983 data points should be included in developing the target heat rate equation so as to make the target more truly representative of expected future performance. The resulting adjusted Crist 7 heat rate target, as well as the other targets we find to be proper for Gulf are shown on Schedule A.

Tampa Electric Company

We find that TECO's targets may be approved without modification as shown on Schedule A.

Projected Factor, Including Estimated/Actual True-Up, for Fuel Adjustment (Schedules B & F)

Florida Power and Light Company (FPL)

Witnesses Silva, Dickey, Mierisch and Mills testified concerning the derivation and calculation of FPL's projected fuel adjustment factor for April - September 1984. Mr. Mierisch testified concerning the derivation and calculation of FPL's estimated/actual true-up for the October 1983 - March 1984 period.

According to Mr. Mierisch, FPL's actual underrecovery for October 1983 - March 1984 is $147,541,323. This is the sum of the $95,222,995 estimated underrecovery for the current period October 1983 - March 1984 plus an underrecovery of $45,415,427 carried over from the period April - September 1983 and $6,902,901 estimated interest provision for the current period October 1983 - March 1984. As a result of the St. Lucie Nuclear Unit No. 1 outage, the Company has experienced an underrecovery of $141,345,594 for the period May - December 1983. Of this total amount, $58,846,648 is currently being recovered through the fuel adjustment factor for the October 1983 - March 1984 period. This leaves an unrecovered balance of $82,498,946 to be collected in future periods. Normally, this unrecovered balance would be collected during the April - September 1984 period. Mr. Mills, however, presented an alternative proposing that the recovery be made over a twelve month period rather than a six month period. Under this proposal, $41,249,473 would be recovered during the April - September 1984 period and the remaining $41,249,473 would be deferred and recovered during the October 1984 - March 1985 period. We concur with the Company's proposal to spread the $82,498,946 underrecovery related to the St. Lucie Unit No. 1 outage over a twelve month period. This treatment reduces the true-up amount to be included in the April - September 1984 period from $147,541,323 to $106,291,850. In addition, we have determined that the Company should not be allowed to recover interest on the $41,249,473 underrecovery that has been deferred for recovery until the October 1984 - March 1985 period.

Although we are allowing the collection of the underrecoveries related to the St. Lucie Unit No. 1 outage in current and future periods, we are retaining jurisdiction over these amounts. A separate investigation has been established in this docket to review the outage and the appropriateness of the additional expenses that have been incurred as a result of the outage.

When the true-up underrecovery amount of $106,291,850 is combined with the projected factor, the levelized factor to be applied during the April - September 1984 period is 3.505¢/KWH.

Mr. Mills proposed to apply the adjusted factors shown on Schedule A which reflect the effect of line losses.

We find that FPL's proposed levelized, on-peak off-peak factors should be approved and find, further, that the adjusted factors shown on Schedules B & F should be approved.

Florida Power Corporation (FPC)

Witnesses Weiland and Chafin testified concerning the derivation and calculations of FPC's projected fuel adjustment factor for the April - September 1984 period, and the estimated/actual true-up for the October 1983 - March 1984 period. The

total true-up to be included is a $30,252,702 underrecovery resulting from a final actual true-up underrecovery of $5,953,280 for the April - September 1983 period and an actual/estimated true-up underrecovery of $24,299,422 for the October 1983 - March 1984 period. When the projected factor is combined with the $30,252,702 underrecovery, the levelized factor to be applied during the April - September 1984 period is 3.105¢/KWH. According to Mr. Weiland the on-peak factor, before line loss is 3.475¢/KWH. While the off-peak before line losses is 2.968¢/KWH.

Mr. Weiland's testimony calculated line loss adjustments by two different methods, the traditional rate group and the voltage level. He testified that the voltage method is more accurate and equitably recognizes line losses for customers within particular rate schedules or grouping of rate schedules who receive service at different voltage levels. In order to completely analyze FPC's proposed change in calculating line losses, we consider it appropriate that this matter be established as a generic issue to be fully explored in the very near future at a separate hearing for that purpose. We, therefore, will continue at this time to use the traditional rate group method allocation of line losses.

We otherwise find that FPC's proposed levelized, on-peak and off-peak factors should be approved and find further that the adjusted factors shown on Schedules B & F should be approved.

C. O. M.

Again we are reserving our final determination on the costs associated with coal oil mixture (C.O.M.). We expect this matter to be fully explored in the near future so that this matter may be finalized.

Gulf Power Company (Gulf)

Witnesses Haskins and Gilchrist testified concerning the derivation and calculation of Gulf's projected fuel adjustment factor for the April - September 1984 period, and the estimated/actual true-up for the October 1983 - March 1984 period. The final true-up for the April - September 1983 period is a $3,486,413 overrecovery and the estimated/actual true-up for the October 1983 - March 1984 period is a $19,775 underrecovery, which results in a net true-up of a $3,466,638 overrecovery. When the projected factor is combined with the $3,466,638 overrecovery true-up, the levelized factor to be applied during the April - September 1984 period is 2.800¢/KWH. According to Mr. Haskins, the on-peak factor, before line losses is 3.062¢/KWH, while the off-peak factor before line losses is 2.673¢/KWH.

Mr. Haskins proposed to apply the adjusted factors shown on Schedule A which reflect the effect of line losses.

We find that Gulf's proposed levelized, on-peak and off-peak factors should be approved and find, further, that the adjusted factors shown on Schedules B & F should be approved.

Tampa Electric Company (TECO)

Witnesses Smith, Mulder, and Nelson testified concerning the derivation and calculation of TECO's projected fuel adjustment factor for April - September 1984 period, and the estimated/actual true-up for the October 1983 - March 1984 period. For the April - September 1983 period, the final true-up is a $3,963,099 overrecovery. The estimated/actual true-up for the October 1983

- March 1984 period is an underrecovery of $1,757,354. Combining these amounts results in a net true-up over.ecovery of $2,205,745. When the projected factor is combined with the $2,205,745 overrecovery true-up, the levelized factor to be applied during the April - September 1984 period is 2.635¢/KWH. According to Mr. Smith, the on-peak factor, before line losses, is 3.502¢/KWH, while the off-peak factor, before line losses, is 2.217¢/KWH.

Mr. Smith proposed to apply the adjusted factors shown on Schedule A, which reflect the effect of line losses.

We find that TECO's propose' levelized on-peak and off-peak factors should be approved and find, further, that the adjusted factors shown on Schedules B & F should be approved.

Reedy Creek Utilities Company, Inc. (RCUC)

Daryl Rosborough testified concerning the derivation and calculation of RCUC's projected fuel adjustment factor for the April - September 1984 period. He also testified as to the derivation and calculation of RCUC's estimated/actual true-up for the October 1983 - March 1984 period. The Company had a final true-up of a $142,102 overrecovery for the April - September 1983 period and an estimated/actual true-up underrecovery of $199,458 for the October 1983 - March 1984 period, which results in a net true-up of a $57,356 underrecovery. When the projected factor is combined with the true-up of an underrecovery of $57,356, the levelized factor to be applied during the April - September 1984 period is 3.671¢/KWH.

We find that RCUC's proposed levelized factor as shown on Schedule B should be approved.

Florida Public Utilities Company (FPCU)

Mr. Darryl Troy testified concerning the derivation and calculation of FPUC's projected fuel adjustment factor for the April - September 1984 period. Mr. Troy also testified as to the derivation and calculation of FPUC's estimated/actual true-up for the October 1983 - March 1984 period. In the Fernandina Beach Division, the final true-up for the April - September 1983 period was a $7,925 overrecovery and the estimated/actual true-up for the October 1983 to March 1984 period was a $203,150 underrecovery , which yields a net true-up underrecovery of $195,225. For the Marianna Division, the final true-up was a $168,643 overrecovery and the estimated/actual true-up was a $34,838 underrecovery resulting in a net true-up of a $133,805 overrecovery. When the factors are combined with the projected true-ups of an underrecovery of $195,225 for the Fernandina Beach Division and an overrecovery of $133,805 in the Marianna Division, the levelized factor to be applied during the April - September 1984 period are 6.835¢/KWH for Fernandina Beach and 5.706¢/KWH for Marianna Division.

We find that FPUC's proposed levelized factors as shown on Schedule B should be approved.

Economy Energy Sales Profits (Schedule G)

In Docket No. 830001-EU-B, Order No. 12923,[2] issued January 24, 1984, we determined that the profits from economy energy

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[2]On February 22, 1984 during these proceedings, Public Counsel gave notice that he was appealing that portion of Order

sales should be removed from base rates and be included as a part of the fuel and purchased power cost recovery clause. In that order, we also found that the profits should be divided between the ratepayers and the shareholders on an 80%/20% basis, respectively. This change in procedure becomes effective April 1, 1984, the first month of the April - September 1984 projection period.

As a result of this treatment, the utilities have included economy energy sales profits in their projections for the April - September 1984 period based on the 80%/20% split between the ratepayers and the shareholders. Because the economy energy sales profits are currently in base rates, it is also necessary to adjust the base rates to exclude these profits as of April 1, 1984. As shown on Schedule C, we approve the inclusion of the listed amounts in the fuel and purchased power cost recovery clause and the resulting change in the base rates for each utility.

Regulatory Tax

In determining whether we should allow the electric utilities to recover the under-collection of revenue taxes relative to fuel adjustment revenues for the January - March 1984 period, as a result of the increased regulatory assessment fee, we find that additional investigation should be conducted into how this matter has been treated in the past. We will review these results at a future proceeding.

Nonrecoverable Oil (Schedule D)

In Docket No. 830001-EU, Order No. 12645, issued November 3, 1983, we determined that the value of all heavy and light oil which normally resides in storage tanks below the normal operating intake pipe and is normally unavailable should be expensed. Therefore, when each utility calculates the expense of its nonrecoverable oil, it should likewise calculate the revenue effect of removing that oil from rate base. The adjustment to the fuel and purchased power adjustment clause to expense the oil would reflect the offset of the rate base reduction. As shown on Schedule D, we approve the inclusion of the listed amounts in the fuel and purchased power cost recovery clause and the resulting decrease in base rates for each utility effective April 1, 1984.

Projected Factors, Including Projected, Estimated/Actual True-Up, for Oil Backout Cost Recovery (Schedule E)

The Oil Backout Cost Recovery Factor employs the same combined projection/estimated/actual true-up mechanism applied to the fuel adjustment factor.

Florida Power and Light Company (FPL)

Edgar Hoffman and James Scalf testified concerning the derivation and calculation of FPL's projected oil backout recovery cost factor for April - September 1984 period. Mr.

No. 12923 that authorized the 80% - 20 % split between the ratepayers and the Company to the Supreme Court of Florida. TECO, by ora tenus motion, requested all parties to agree that the appeal would not operate as a stay of the implementation of Order No. 12923. All parties subsequently agreed that if an appeal was taken from this Order, that neither this Order or Order No. 12923 would be considered automatically stayed.

Scalf and Mr. Mierisch testified as to the derivation and calculation of FPL's estimated/actual true-up for the October 1983 - March 1984 period. The total true-up is an overrecovery of $6,488,698, which is the result of a final true-up overrecovery of $2,630,941 for the April - September 1983 period and an estimated/actual true-up overrecovery of $3,857,757 for the October 1983 - March 1984 period. When the projected factor is combined with the true-up overrecovery of $6,488,698, the oil backout factor to be applied during the April - September 1984 period is .232¢/KWH.

We find that FPL's proposed levelized oil backout factor should be approved.

Tampa Electric Company (TECO)

Haywood A. Turner and Jerry L. Crews testified concerning the derivation and calculation of TECO's projected oil backout cost recovery factor for April - September 1984 period. The estimated/actual true-up for the October 1983 - March 1984 period is a $2,111,140 underrecovery. When this true-up underrecovery is combined with the projected factor, the oil backout factor to be applied during the April - September 1984 period is .210¢/KWH.

We find that TECO's proposed levelized oil backout factor should be approved.

Therefore, in consideration of the foregoing, it is

ORDERED by the Florida Public Service Commission that the investor-owned electric utilities subject to our jurisdiction are hereby authorized to apply the fuel cost recovery factors set forth herein on Schedules B & F during the period April 1, 1984 through September 30, 1984, and until such factors are modified by subsequent Order. It is further

ORDERED that the Economy Energy Sales as shown in Schedule C are hereby approved and shall be included in the fuel and purchased power cost recovery clause. It is further

ORDERED that the nonrecoverable oil factors as shown in Schedule D are hereby approved and shall be included in the fuel and purchased power cost recovery clause. It is further

ORDERED that the estimated true-ups contained in the above fuel cost recovery factors are hereby authorized subject to final true-up, and further subject to proof of the reasonableness and prudence of the expenditures upon which the factors are based. It is further

ORDERED that the Generating Performance Incentive Factor reward and penalties as shown in the body of this Order shall be applied to the projected levelized fuel adjustment factors for the period April 1, 1984 through September 30, 1984. It is further

ORDERED that the targets and ranges for the Generating Performance Incentive Factor set forth herein on Schedule A are hereby adopted for the period April 1, 1984 through September 30, 1984. It is further

ORDERED that Florida Power and Light Company and Tampa Electric Company are hereby authorized to apply the Oil Backout Cost Recovery Factor set forth herein on Schedule E during the

period April 1, 1984 through September 30, 1984, and until such factor is modified by subsequent order. It is further

ORDERED that the estimated true-up contained in the above Oil Backout Cost Recovery Factor is hereby authorized subject to final true-up, and further subject to proof of the reasonableness and prudence of the expenditures upon which the factor is based.

By ORDER of the Florida Public Service Commission, this 16th day of March, 1984.

Steve Tribble
COMMISSION CLERK

(S E A L)

MRC

SCHEDULE A

GPIF TARGETS AND RANGES

	EAF Target %	EAF Range Max. (%)	EAF Range Min. (%)	ANOHR Target BTU/KWH	ANOHR Range Min. BTU/KWH	ANOHR Range Max. BTU/KWH
Florida Power Corporation						
Anclote 1	83.58	85.18	80.49	9,939	9,755	10,12[illegible]
Anclote 2	94.87	96.64	90.35	10,116	9,981	10,25[illegible]
Bartow 3	83.78	85.78	81.54	10,225	10,057	10,39[illegible]
Crystal River 1	73.72	77.17	68.26	10,214	9,928	10,49[illegible]
Crystal River 2	84.55	87.62	77.39	10,081	9,809	10,35[illegible]
Crystal River 3	79.00	82.92	71.97	10,550	10,320	10,78[illegible]
Crystal River 4	82.82	85.47	77.71	9,498	9,314	9,68[illegible]
Florida Power and Light Company						
Cape Canaveral 1	87.2	89.2	84.2	9,862	9,782	9,94[illegible]
Cape Canaveral 2	93.5	95.5	91.5	9,800	9,690	9,91[illegible]
Fort Myers 2	64.7	69.2	60.2	9,466	9,316	9,61[illegible]
Manatee 1	87.5	90.5	83.5	9,838	9,698	9,97[illegible]
Manatee 2	85.3	88.3	81.8	9,709	9,539	9,87[illegible]
Martin 1	74.9	77.9	71.9	10,004	9,754	10,25[illegible]
Martin 2	93.0	95.0	90.0	9,934	9,644	10,22[illegible]
Port Everglades 1	74.9	78.4	70.9	10,175	10,005	10,34[illegible]
Port Everglades 2	75.3	78.3	72.3	9,972	9,792	10,15[illegible]
Port Everglades 3	89.0	91.0	87.0	9,746	9,556	9,93[illegible]
Port Everglades 4	74.4	77.4	70.9	9,793	9,643	9,94[illegible]
Riviera 3	70.1	74.1	65.6	9,945	9,685	10,205
Riviera 4	69.6	73.1	66.1	10,185	9,965	10,405
Turkey Point 1	69.1	73.1	64.6	9,649	9,529	9,769
Turkey Point 2	92.0	94.5	89.5	9,704	9,484	9,924
Turkey Point 3	92.5	95.0	90.0	11,128	10,898	11,358
Turkey Point 4	70.0	74.6	65.6	11,260	11,130	11,390
Gulf Power Company						
Crist 6	80.8	86.2	72.6	10,858	10,532	11,184
Crist 7	76.4	79.7	71.5	11,017	10,683	11,351
Smith 1	97.2	98.1	96.0	10,439	10,126	10,752
Smith 2	63.9	65.4	61.6	10,668	10,348	10,988
Daniel 1	89.6	92.7	84.9	10,355	10,044	10,666
Daniel 2	97.4	98.2	96.2	10,431	10,118	10,744
Tampa Electric Company						
Gannon 5	62.8	66.7	55.0			
Gannon 6	69.0	72.9	61.2			
Big Bend 1	82.3	85.1	76.7			
Big Bend 2	84.2	87.4	77.8			
Big Bend 3	83.9	87.1	77.5			
Gannon Station				10,080	9,830	10,320
Big Bend Station				10,008	9,758	10,258

February 22-24, 1984 Hearing

SCHEDULE B
FUEL ADJUSTMENT - DOCKET NO. 840001-EI
FINAL AND PROJECTED TRUE-UPS
APRIL - SEPTEMBER 1983 AND OCTOBER 1983 - MARCH 1984

	APRIL - SEPTEMBER 1983						
	Projected True Up $	Actual True Up $	Final True-Up $	Projected True Up 10/83-3/84 $	Total True Up $	Effect On Adj. Factor (a) /KWH	Staff Position
Florida Power & Light	(61,804,852)(U)	(107,300,279)(U)	(45,415,427)(U)	(102,125,896)(U)	(106,291,850)(U)[1]	.4290	Agree
Florida Power Corp.	(16,851,372)(U)	(22,804,652)(U)	(5,953,280)(U)	(24,299,422)(U)	(30,252,702)(U)	.3498	Agree
Florida Public Utilities Co.							
Fernandia Beach	45,383(O)	53,308(O)	7,925(O)	(203,150)(U)	(195,225)(U)	.2632	Agree
Marianna	76,596(O)	245,239(O)	168,643(O)	(34,838)(U)	133,805(O)	(.1490)	Agree
Gulf Power Company	4,038,907(O)	7,525,320(O)	3,486,413(O)	(19,775)(U)	3,466,638(O)	(.116)	Agree
Reedy Creek Utilities Co., Inc.	734,353(O)	876,455(O)	142,102(O)	(199,458)(U)	57,356(U)	.025	Agree
Tampa Electric Company	11,975,000(O)	15,938,099(O)	3,963,099(O)	(1,757,354)(U)	2,205,745(O)	(.0395)	Agree

(O) - Overrecovery to be Refunded

(U) - Underrecovery to be Collected

NOTE(a): Before Revenue Taxes

[1] Pursuant to Commission action, $41,249,473 of the total underrecovery deferred to Oct. 84 - Mar. 85, without interest.

$147,541,323 - $41,249,473 = $106,291,850 (RE: FP&L Exhibit No. 8, Document No. 7)

SCHEDULE C

February 22-24, 1984 Hearing

FUEL ADJUSTMENT - DOCKET NO. 840001-EI
ECONOMY ENERGY SALE PROFITS

	Amount In Base Rates $	Amount In Base Rates With Rev. Tax $	Effect On Base Rates ¢/KWH	Amount For April - September 1984 $	80% Of Amount $	Effect On Fuel Adj. ¢/KWH	Net Effect ¢/KWH	Staff Position
Florida Power & Light	1,408,556	1,430,910	.003	1,608,000	1,286,400	(.005)	(.002)	Agree
Florida Power Corp.	1,790,986	1,819,414	.011	1,392,500	1,114,000	(.012)	(.001)	Agree
Gulf Power Company	345,815	351,303	.006	870,340	696,272	(.022)	(.016)	Agree
Tampa Electric Company	8,900,212	9,041,458	.087	3,221,196	2,576,957	(.047)	.040	Agree
Group A			.088			(.048)	.040	Agree
Group B			.086			(.046)	.040	Agree
Group C			.084			(.045)	.039	Agree

SCHEDULE D

FUEL ADJUSTMENT - DOCKET NO. 840001-EI

Nonrecoverable Oil

	$ Amount in Base Rates	$ Amount in Base Rates W/TX	Last Rate Case MWH	Effect on Base Rates ¢/KWH	Inventory $ Amount Expensed	Apr. - Sept. Projected MWH	Effect on F/A ¢/KWH	Net Effect ¢/KWH	Staff Position
Florida Power & Light Company	$ 1,789,501	$ 1,817,900	44,012,192	(.004)	$10,497,376	24,778,000	.043	.039	Agree
Florida Power Corporation	2,153,151	2,187,322	16,638,995	(.013)	11,164,125	8,649,296	.131	.120	Agree
Gulf Power Company	15,522	15,769	5,561,978	(.000)	92,346	2,994,021	.003	.003	Agree[a]
Tampa Electric Company	0	0	-	0	0	-	0	0	Agree

Note: [a]The staff agrees with the calculations, but recommends that the amount to be expensed should not be recovered through the fuel adjustment.

SCHEDULE E
OIL-BACKOUT COST RECOVERY
APRIL-SEPTEMBER 1984

February 22-24, 1984 Hearing

	April - September 1983						
	Projected True-Up	Actual True-Up	Final True-Up	Projected True-Up 10/83-3/84	Total True-Up	Effect On Adj. Factor ¢/KWH	Staff Position
Florida Power & Light	$(4,346,837)(u)	$(1,715,896)(u)	$2,630,941(o)	$3,857,757(o)	$6,488,698(o)	(.0262)	Agree
Tampa Electric Co.	-0-	-0-	-0-	$(2,111,140)(u)	$(2,111,140)(u)	.0378	Agree

	FPL	TECO
1. Total Cost Recovery	$65,481,287	$9,455,716
2. Total MWH Sales	÷25,778,800	÷5,587,499
3. Cost - ¢/KWH	.2540	.1692
4. True-Up	$(6,488,698)	$2,111,140
5. Retail MWH Sales	÷24,778,000	÷5,587,499
6. Cost - ¢/KWH	(.0262)	.0378
7. Total Cost - ¢/KWH (Line 3 + Line 6)	.2278	.2070
8. Revenue Tax Factor	x1.01652	x1.01652
9. OBC Factor	.2316	.2104
10. OBC Factor Rounded	.232	.210
Staff Position	Agree	Agree

SCHEDULE B

FUEL ADJUSTMENT FACTORS IN ¢/KWH BASED ON LINE LOSSES BY RATE GROUP

FOR THE PERIOD APRIL - SEPTEMBER 1984

COMPANY	GROUP	RATE SCHEDULES	WITHOUT LINE LOSS MULTIPLIER			WITH LINE LOSS MULTIPLIER			
			LEVELIZED	ON/PEAK	OFF/PEAK	LINE LOSS MULTIPLIER	LEVELIZED	ON/PEAK	OFF/PEAK
FP&L	A	RS-1, GS-1, SL-2	3.505	3.854	3.331	1.00176	3.511	3.861	3.337
	A1	SL-1, OL-1	3.415	-	-	1.00176	3.421	-	-
	B	GSD-1	3.505	3.854	3.331	1.00169	2.511	3.861	3.337
	C	GSLD-1, CS-1	3.505	3.854	3.331	1.00011	2.505	3.854	3.331
	D	GSLD-2, CS-2, OS-2, MET	3.505	3.854	3.331	.99108	2.474	3.820	3.301
	E	GSLD-3, CS-3	3.505	3.854	3.331	.96170	2.371	3.706	3.203
FPC	A	RS-1, GS-1, MS-1, TS-1	3.105	3.474	2.922	1.0051	3.121	3.492	2.937
	B	GSD-1, GSDT-1	3.105	3.474	2.922	1.0038	3.177	3.487	2.933
	C	GSLD-1, GSLDT-1	3.105	3.474	2.922	.9923	3.081	3.447	2.900
	D	IS-1, CS-1, CST-1, IST-1, IST-2, GSLDT-2	3.105	3.474	2.922	.9747	3.026	3.386	2.848
	D1	OL1, SL1	3.026	-	-	1.0051	3.041	-	-
TECO	A	RS, GS, GSD, TS	2.635	3.502	2.217	1.0137	2.671	3.550	2.247
	A1	SL-1,2 & 3, OL-1 & 2	2.635	-	-	1.0137	2.443	-	-
	B	GSLD	2.635	3.502	2.217	.9859	2.598	3.453	2.186
	C	IS-1, IS-2	2.635	3.502	2.217	.9665	2.547	3.385	2.143
GULF	A	RS, GS, GSD, OS-3	2.800	3.062	2.673	1.01254	2.835	3.100	2.707
	B	LP	2.800	3.062	2.673	.97962	2.743	3.000	2.619
	C	PXT	-	3.062	2.673	.96420	-	2.952	2.577
	D	OSI, OSll	2.800	-	-	1.01254	2.741	-	-
FPUC - FERNANDINA									
	A	RS, OL	6.835	-	-	1.02210	6.986	-	-
	B	GS, GSD	6.835	-	-	1.01087	6.909	-	-
	C	GSLD	6.835	-	-	.96928	6.625	-	-
	D	SL, MS	6.835	-	-	1.01088	6.909	-	-
FPUC - MARIANNA									
	A	RS, OL	5.706	-	-	1.0153	5.793	-	-
	B	GS, GSD	5.706	-	-	1.0050	5.735	-	-
	C	GSLD	5.706	-	-	.9514	5.429	-	-
	D	SL-1, SL-2	5.706	-	-	1.0684	6.096	-	-
REEDY CREEK		RS, GS, GSD, OS1, OS2	3.671	-	-	-	3.671	-	-

ORDER NO. [illegible]2
DOCKET NO. [illegible]001-EU
DOCKET NO. 840001-EU
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