

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of the Florida)	DOCKET NO. 890148-EI
Industrial Power Users Group to)	
discontinue Florida Power & Light)	ORDER NO. 24288
Company's Oil Backout Cost Recovery)	
Factor)	ISSUED: 3/26/91
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The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
 J. TERRY DEASON
 GERALD L. GUNTER
 MICHAEL MCK. WILSON

NOTICE OF PROPOSED AGENCY ACTIONORDER REQUIRING REFUND OF UNAMORTIZED
INVESTMENT TAX CREDITS

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

In connection with the February, 1989 hearing in Docket No. 890001-EI, the Florida Industrial Power Users Group (FIPUG) raised issues relating to discontinuance of Florida Power & Light Company's (FPL's) oil backout cost recovery factor. FIPUG also filed a separate petition in this docket on January 27, 1989, which challenged FPL's past and continued collection of oil backout cost recovery revenues pursuant to Rule 25-17.016, Florida Administrative Code. The hearing in this docket was held in conjunction with the August, 1989 hearing in Docket No. 890001-EI. After the hearing, the Commission denied the petition, but found that FPL was not justified in charging a 15.6% return on the equity portion of its capital invested in the 500 kV transmission lines the subject of the petition. The Commission also found that FPL should refund additional investment tax credit (ITC) amortization which resulted from the utility's recovery of accelerated depreciation of the oil backout assets, so that customers who paid for recovery of the accelerated depreciation would receive the benefits of the associated ITC amortization:

FPL amortizes its ITC's generated by the oil backout investments by using a composite amortization rate. The

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composite amortization rate is developed on a company-wide basis by dividing the book depreciation expense by the depreciable assets that generated the ITC's. The current amortization rate is 4%, which implies a life of 25 years on a composite basis. If only the oil backout assets were considered, the depreciable life would have been considerably shorter since the oil backout assets were recovered over a seven year period, and ratepayers paying for oil backout assets would have received the benefit of the amortization.

Order No. 22268 at 7.

FPL was concerned that use of an amortization rate specific to the oil backout property could violate Internal Revenue Code normalization requirements, thus placing the utility's entire unamortized ITC balance of \$453 million at risk. We therefore ordered the utility to request a letter ruling on the subject from the Internal Revenue Service before proceeding with a refund. FPL was further ordered to place subject to refund a sum of money equal to the revenue effect of the unamortized balance of ITCs existing at that time, plus interest, beginning on April 1, 1990.

On February 11, 1991, FPL filed a copy of the Internal Revenue Service letter ruling with the Commission. In its letter ruling, the Internal Revenue Service determined it permissible to refund revenues resulting from the rapid flow-back of ITCs associated with FPL's oil backout project.

As of August, 1989, \$17,780,000 of ITCs associated with FPL's oil backout project remained unamortized. Approximately \$1,390,000 in ITCs were flowed back through oil backout cost recovery factors applied from September 1989 through March 1991. As of March 31, 1991, the unamortized balance of oil backout project investment tax credits will be \$16,389,703. FPL proposed to refund \$439,056 of this amount as regular amortization through the oil backout cost recovery factor during April through September 1991, which would leave a balance of \$15,950,647 in unamortized ITCs to be returned to ratepayers. The jurisdictional revenue effect of the remaining unamortized ITCs, which amounts to \$25,667,068, plus accrued interest from April 1990 through September 1991 of \$2,743,910, would be refunded through a cents per kWh factor during the April 1991 through September 1991 period, and would be shown as a separate line item on each customer's bill. The refund would total \$28,410,978. Any over or under refund would be adjusted on the utility's books in October, 1991, and would be recognized in a subsequent oil backout true-up.

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We have examined FPL's refund proposal and believe it to be fair and reasonable. A six month refund avoids seasonal inequities. The utility's proposal effectuates the refund without disrupting the current fuel and oil backout proceeding and avoids treating the refund as a credit in the fuel and oil backout factors. Further, no further adjustment to FPL's oil backout ITC amortization would be required. We will therefore order FPL to refund the jurisdictional revenue effect of unamortized project investment tax credits of \$25,667,068 in accordance with its proposal.

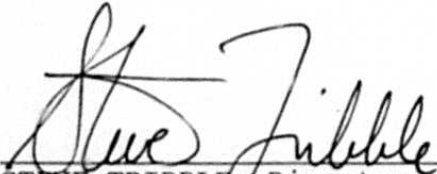
It is therefore

ORDERED by the Florida Public Service Commission that Florida Power & Light Company refund \$439,065 of its unamortized oil backout investment tax credits through its oil backout cost recovery factor between April, 1991 and September 1991. It is further

ORDERED that Florida Power & Light Company refund \$28,410,978 through a cents per kWh factor during the April 1991 through September 1991 period, to be shown as a separate line item on each customer's bill. It is further

ORDERED that Florida Power & Light Company adjust any over or under refund on its books in October, 1991, to be recognized in a subsequent oil backout true-up. It is further

By ORDER of the Florida Public Service Commission, this 26th
day of MARCH, 1991.



STEVE TRIBBLE, Director
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on April 16, 1991.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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

If this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date 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.