

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Review of the rates and charges)	DOCKET NO. 900038-EI
of Florida Power & Light Company)	
)	ORDER NO. 24460
)	
)	ISSUED: 5/1/91

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON
 BETTY EASLEY
 GERALD L. GUNTER
 MICHAEL MCK. WILSON

NOTICE OF PROPOSED AGENCY ACTION

ORDER REVIEWING EARNINGS
AND CLOSING DOCKET

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 Order No. 22762 we required Florida Power & Light Company (FPL) to file a full set of minimum filing requirements (MFRs) by August 1, 1990. In addition, \$26.5 million was held subject to refund pending a review of the MFRs.

The MFRs filed by FPL on July 31, 1990 showed a projected revenue shortfall of \$69.4 million for 1990 and an additional projected revenue shortfall of \$122.4 million for 1991. Despite the projected shortfall, FPL did not petition for a rate increase. We subsequently reviewed the MFR data and determined that FPL's rates and charges were not unfair, unjust or unreasonable on a prospective basis. Therefore, as set forth in Order No. 23996, we determined that a prospective rate review was not necessary. However, a review of FPL's projected 1990 data and its actual earnings for the 12 months ended September 30, 1990 showed potential overearnings for 1990. We therefore required the utility to file actual 1990 data, which was received on March 1, 1991.

DOCUMENT NUMBER-DATE

04251 MAY -1 1991

FPSC-RECORDS/REPORTING

ORDER NO. 24460
 DOCKET NO. 900038-EI
 PAGE 2

In Order No. 22490, issued on February 5, 1990, we found that this utility's authorized return on equity should be 12.8% plus or minus 50 basis points, to be used for all regulatory purposes. Therefore, for purposes of this earnings review the top of the return on equity range is 13.30%. Our analysis of FPL's actual 1990 data, which includes the adjustments noted below, shows that the utility earned a return on equity of 12.70%, which is below the 13.30% ceiling. Therefore, we will not require the utility to refund any 1990 earnings. In Order No. 23996 we ordered FPL to continue holding \$26,470,000 subject to refund pending the conclusion of this earnings review. Since there will be no earnings refund, we will no longer require the utility to hold these funds subject to refund.

Fuel Inventory

We find that FPL's fuel inventory for heavy oil, light oil, and coal should be reduced by \$10,419,000 (\$10,558,000 system). A comparison of the utility's Schedule A-6 daily burn rates and ending inventory balances with the allowable dollar amounts according to Order No. 12645 leads to the following adjustment to total fuel inventory:

Light Oil	(\$ 477,392)
Heavy Oil	(\$14,682,364)
Coal	<u>\$ 4,740,312</u>
TOTAL	<u>(\$10,419,444)</u>

Rate Base

Based on the above adjustment to fuel inventory and as shown on Attachment "A" hereto, the utility's appropriate rate base for 1990 is \$7,795,899,000.

Customer Service Expense

In the 1988 tax savings docket for Florida Power & Light, we disallowed certain Customer Services program expenses, including all expenses for the Leased Lighting and Watt Wise Plus programs since these programs promote the increased use of electricity. We also disallowed certain advertising expenses for Advantage Lighting, Night Beautiful and promotion of the Orange Bowl Classic because the ads either promoted the increased use of electricity or were purely promotional in nature. We will therefore disallow similar expenses in this docket. The expenses, which are 100% jurisdictional, are as follows:

ORDER NO. 24460
 DOCKET NO. 900038-EI
 PAGE 3

Leased Lighting	\$710,187
Watt Wise Plus	141,226
Advertising:	
Advantage Lighting	10
Night Beautiful	16
Orange Bowl Classic	424
	<u>\$851,863</u>

Sales Expenses

FPL's sales expenses exceed its benchmark by \$573,000, prompting us to review them. These expenses are primarily related to the promotion of night lighting programs, which promote off-peak energy usage with some on-peak usage. The sales program was not approved by the Commission in either a permanent rate case proceeding or in the utility's recent tax saving refund docket.

We will disallow, for purposes of this earnings review, expenses of sales programs which promote the increased use of electricity in off-peak periods where the program does not have corresponding on-peak demand reductions. FPL's sales program uses cash incentives to increase the use of electricity, which may be contrary to the provisions of the Florida Energy Efficiency and Conservation Act (FEECA). The increased use of kWh also appears inconsistent with Rule 25-17.001, Florida Administrative Code, which implements the FEECA statute. This disallowance is consistent with our action in Dockets Nos. 891345-EI, 890324-EI and 890319-EI.

Deming Award Expenses

In Order No. 23727 we disallowed 25% of the total 1988 expenses associated with FPL's pursuit of the Deming Award because it was determined that the quest was partially for image-enhancing purposes. Consistent with that determination, we will disallow \$17,428 (jurisdictional) of 1990 expenses.

Quality Consultants and Counselors

FPL identified \$18,992 (\$19,372 system) in 1990 expenses related to the retention of quality consultants and counselors to assist in implementation of its Quality Improvement Program:

Consultants Fees	\$16,056
Airfare	2,451
Hotels	409
Lunches	76
	<u>\$18,992</u>

ORDER NO. 24460
DOCKET NO. 900038-EI
PAGE 4

We examined similar expenses in Docket No. 890319-EI, this utility's 1988 tax savings review. In Order No. 23727 we determined that the utility's 1988 expenditures for first class airfare, hotel suites, and lunches ranging up to \$18 per seminar participant were excessive and were not cost effective. Although we allowed full recovery of the consultants' fees, we disallowed one half of the airfare costs since the evidence developed in that docket showed that the total for two business/economy airline seats is cheaper than one first class ticket. We found \$150 per day to be a reasonable hotel rate, based on an average of the rates at the Miami Hyatt Regency. Participant lunch expense of \$8.50 per participant was found to be reasonable based upon the state employee \$6.00 lunch meal allowance.

Based on our findings in FPL's 1988 tax savings docket, we will disallow one half the airfare or \$1,225 (\$1,250 system), plus \$18 (\$18 system) in lunches based on 7 lunches at \$8.50, for a total disallowance of \$1,243 (\$1,268 system). The actual cost of the hotel rooms for 4 nights (\$418) was less than the \$600 allowed in the tax savings docket, therefore no disallowance will be made for hotel expenses.

O&M Benchmark Base Year and Analysis

The most current rate case evaluation of FPL's operations and maintenance (O&M) expenses occurred in Docket No. 830465-EI. In that case, we approved a level of expenses based on data projected for 1985. Since that time, the utility implemented various new activities which do not have corresponding expenses in the 1985 allowed level of O&M expenses. In addition, certain non-recurring expenses should be removed for rate case purposes.

In Docket No. 890319-EI, we recently determined a reasonable 1988 level of O&M expenses for tax savings purposes, to be used as the base year for evaluating O&M expenses for 1989 tax savings purposes. We believe that the approved 1988 level of O&M expenses should form the base year for our review of the utility's 1990 expenses.

Attachment "B" shows an O&M benchmark analysis using 1988 as the base year. According to the analysis, FPL is \$93,859,000 under its O&M benchmark. It is therefore unnecessary to consider adjustments.

ORDER NO. 24460
DOCKET NO. 900038-EI
PAGE 5

Net Operating Income

Based on our adjustments to the utility's income statement, FPL's appropriate net operating income for 1990 is \$699,129,000, as shown in Attachment "A".

It is therefore

ORDERED by the Florida Public Service Commission that this docket be closed if no petition for formal proceeding is timely filed herein.

By ORDER of the Florida Public Service Commission, this 1st day of MAY, 1991.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)
MER:bmi
900038.mer

by: Kay Ferguson
Chief, Bureau of Records

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

ORDER NO. 24460
DOCKET NO. 900038-EI
PAGE 6

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 May 22, 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.

ATTACHMENT A
 ORDER NO. 24460
 DOCKET NO. 900038-EI
 PAGE 7

FLORIDA POWER & LIGHT COMPANY
 DOCKET NO. 900038-EI
 DECEMBER 1990
 (000)

17-Apr-91

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	ADJUSTED JURIS. AS FILED	CUSTOMER SERVICE EXPENSES	SALES EXPENSES	DEMING AWARD EXPENSES	QUALITY CONSULTANTS EXPENSES	FUEL INVENTORY	INTEREST RECONCILIATION	TOTAL ADJUSTMENTS	ADJUSTED TOTAL	
PLANT IN SERVICE	\$10,760,178							\$0	\$10,760,178	
ACCUMULATED DEPRECIATION	(3,433,885)							0	(3,433,885)	
NET PLANT IN SERVICE	7,326,193							0	7,326,193	
CONSTRUCTION WORK IN PROGRESS	80,702							0	80,702	
PROPERTY HELD FOR FUTURE USE	51,482							0	51,482	
NUCLEAR FUEL	120,882							0	120,882	
NET UTILITY PLANT	7,579,239							0	7,579,239	
WORKING CAPITAL	227,079					(10,419)		(10,419)	216,660	
TOTAL RATE BASE	\$7,806,318					(\$10,419)		(\$10,419)	\$7,795,899	
OPERATING REVENUES	\$2,840,417							\$0	\$2,840,417	
OPERATING EXPENSES:										
O&M - OTHER	1,282,378	(832)	(872)	(17)	(1)			(1,442)	1,280,935	
O&M - INTERCHANGE									0	
DEPRECIATION & AMORTIZATION	478,509								478,509	
TAXES OTHER THAN INCOME	208,249								208,249	
INCOME TAXES-CURRENTLY PAYABLE	207,412	321	216	6	0		53	608	208,818	
DEFERRED INCOME TAXES - NET									0	
INVESTMENT TAX CREDIT - NET	(2,985)								(2,985)	
(GAIN/LOSS) ON SALE	(2,488)								(2,488)	
TOTAL OPERATING EXPENSES	2,181,125	(531)	(257)	(11)	(1)	0	63	(837)	2,160,288	
NET OPERATING INCOME	\$659,292	\$531	\$257	\$11	\$1	\$0	(\$63)	\$837	\$669,129	
ACHIEVED RATE OF RETURN	8.95%							0.92%	8.97%	
ACHIEVED RETURN ON EQUITY	12.64%							0.07%	12.70%	

ATTACHMENT B
 ORDER NO. 24460
 DOCKET NO. 900038-EI
 PAGE 8

PAGE 1 OF 1
 TYPE OF DATA SHOWN:
 HISTORIC YEAR: 1990

O & M BENCHMARK VARIANCE BY FUNCTION

FLORIDA PUBLIC SERVICE COMMISSION
 COMPANY: FLORIDA POWER & LIGHT COMPANY
 AND SUBSIDIARIES

DOCKET NO. 900038-EI

LINE NO.	FUNCTION	(1) ACTUAL 1990 TOTAL COMPANY (\$'000)	(2) 1990 O & M EXPENSE ADJUSTMENTS (\$'000) (a)	(3) 1990 ADJUSTED O & M EXPENSES (1) - (2) (\$'000)	(4) 1990 ADJUSTED O & M BENCHMARK (1988 BASE) (\$'000) (b)	(5) BENCHMARK VARIANCE (\$'000)
1	PRODUCTION - STEAM	5989,933	5798,081	5171,852	5179,569	517,717
2	PRODUCTION - NUCLEAR	454,926	114,592	340,334	316,589	23,745
3	PRODUCTION - OTHER	92,885	72,089	20,796	20,117	679
4	OTHER POWER SUPPLY	952,884	948,845	4,039	4,297	(258)
5	TRANSMISSION	46,942	1,779	45,163	48,142	(2,979)
6	DISTRIBUTION	237,858	278	237,582	269,146	(31,564)
7	CUSTOMER ACCOUNTS	118,147	(3,665)	121,812	135,537	(13,725)
8	CUSTOMER SERVICE AND INFORMATION	47,059	30,400	16,659	22,259	(5,600)
9	SALES EXPENSES	573	0	573	0	573
10	ADMINISTRATIVE AND GENERAL	249,828	11,097	238,731	295,744	(57,013)
11	TOTAL	53,171,035	51,973,494	51,927,541	51,291,400	5193,859

Notes: (a) O & M Expense Adjustments also include amounts for non-recoverable fuel costs, oil-backout costs and transmission of electricity by others on a total company basis.
 (b) Adjusted for Administrative and General reclassification.

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