

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Florida Industrial Power Users Group to Classify and Properly Allocate and price FLORIDA POWER AND LIGHT COMPANY's off-system Capacity Costs from other utilities, Cogenerators and Independent Power Producers (IPPs))	DOCKET NO. 910580-EQ
)	ORDER NO. 24840
)	ISSUED: 7/23/91
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)	

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
 J. TERRY DEASON
 BETTY EASLEY
 MICHAEL MCK. WILSON

ORDER OPENING A GENERIC DOCKET, APPROVING FLORIDA POWER AND LIGHT COMPANY'S PROPOSED METHOD OF CALCULATING AND ALLOCATING CAPACITY CHARGES IN A CAPACITY COST RECOVERY FACTOR, AND CLOSING A DOCKET

BY THE COMMISSION:

Pursuant to legislative directive, this Commission has actively encouraged Florida's electric utilities to purchase power from reliable generating sources in order to minimize the construction of new utility generation facilities. As more cogeneration and independent power projects come on line, the cost of purchased capacity will become an increasing percentage of utility fuel and purchased power costs.

Currently, purchased power costs, including oil backout costs, are recovered through the fuel cost recovery mechanism on an energy basis. If a utility were to build generation facilities to serve the same capacity needs that it serves from purchased power, however, the demand related portion of the plant would be allocated to customer classes on the basis of their contribution to demand determined in a utility's approved cost of service study. There is, therefore, a potential for conflict between treatment of the cost of plant built to meet capacity needs and the cost of capacity purchased to serve the same needs.

Florida Industrial Power Users Group (FIPUG) has filed a petition to change the way in which Florida Power & Light (FP&L) classifies, allocates and prices the off-system capacity purchased from other utilities, cogenerators and independent power producers.

DOCUMENT NUMBER-DATE

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REC-RECORDS/REPORTING

ORDER NO. 24840
DOCKET NO. 910580-EQ
PAGE 2

FIPUG maintains in its petition that allocation of capacity costs on factors other than energy is necessary to establish proper price signals, and to avoid undue discrimination against high load factor customers. FIPUG's petition proposes a formula that uses allocators derived from a traditional cost of service study to more properly allocate purchased capacity costs.

In its response to FIPUG's petition, FP&L appears to agree that a demand-based mechanism for allocation of capacity costs for purchased power may be more appropriate than the present energy-based mechanism, though it proposes a different method to allocate those capacity costs. FP&L believes that prospective recovery of capacity payments on a demand basis is consistent with the treatment of non-nuclear projection costs in FP&L's base rates. FP&L suggests the use of a separate recovery factor for capacity costs that applies the average load factor for each class to projected class KWH sales to determine projected demand. FP&L submitted an illustrative tariff, to be effective in October of 1991, that incorporates FP&L's suggested methodology.

We addressed the issue of capacity cost recovery previously in Florida Public Utilities Company's recent rate cases for Marianna and Fernandina Beach. (See Docket No. 880558, Order No. 21532; and Docket No. 881056, Order No. 22224). In those cases, we assigned the demand portion of the utility's purchased power cost to rate classes using the demand allocator derived in the approved cost of service study.

The Coalition of Local Governments has petitioned to intervene in this proceeding.

FIPUG's petition focuses on the manner in which Florida Power and Light Company recovers its purchased capacity and the question of how FP&L's different customer classes should share in this cost. We believe, however, that the recovery of the cost of off-system capacity purchases has become an important issue for all investor-owned utilities, and therefore we believe that we should consider the issues from an industry-wide perspective. We will initiate a generic docket to consider uniform definitions and procedures by which all investor-owned electric utilities will identify and assign purchased capacity costs. A generic docket will enable us to investigate all relevant issues thoroughly in a single comprehensive proceeding. This will ensure that all the utilities will treat like costs in the same way, and that any change in the treatment of purchased capacity costs will occur in an orderly manner.

ORDER NO. 24840
DOCKET NO. 910580-EQ
PAGE 3

A generic docket with the express purpose of addressing the issues raised in this petition eliminates the need for this separate utility-specific docket, and therefore we will close Docket No. 910580-EQ into the generic docket.

In the meantime, until we have the opportunity to fully consider all possible alternatives for allocating purchased capacity costs in the generic docket, we favor Florida Power and Light's suggested use of a separate recovery factor for capacity costs, as that recovery factor is described in its response to FIPUG's petition and incorporated in the tariff submitted with the response. At our agenda conference to review FIPUG's petition, FIPUG indicated that it too agreed with FP&L's suggested approach. We will take the opportunity to evaluate the tariff and the approach fully as a specific issue in our hearing in Docket No. 910001-EI, In re: Fuel and and Purchased Power Cost Recovery Clause and Generating Performance Incentive Factor. The hearing in that docket is scheduled for August 21-23, 1991.

It is therefore

ORDERED that the Petition to Intervene by the Coalition of Local Governments is granted. It is further

ORDERED by the Florida Public Service Commission that a generic docket shall be opened to investigate the recovery of off-system capacity purchases by Florida's investor-owned electric utilities. It is further

ORDERED that Florida Power and Light Company's proposed method of calculating and allocating capacity charges in a capacity cost recovery factor is hereby approved, subject to our full review of the proposal as an issue in our hearing in Docket No. 910001-EI, scheduled for August 21-23, 1991. It is further

ORDERED that this docket shall be closed into the generic docket when that docket is established.

ORDERED that this Order shall become final unless an appropriate petition for formal proceeding is received by the Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on the date indicated in the Notice of Further Proceedings or Judicial Review.

ORDER NO. 24840
DOCKET NO. 910580-EQ
PAGE 4

By ORDER of the Florida Public Service Commission, this 23rd
day of JULY, 1991.



STEVE TRIBBLE, Director
Division of Records and Reporting

MCB
(S E A L)

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.

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 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 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 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.