

VOTE SHEET

DATE 11/7/89

RE: DOCKET NO. 890148-EI - Petition of the FLORIDA INDUSTRIAL POWER USERS GROUP to discontinue FLORIDA POWER AND LIGHT COMPANY'S oil backout cost recovery clause.

Issue: 2. Should FPL be required to refund previously collected backout revenues associated with accelerated depreciation?

Recommendation: No. FPL has appropriately included capacity deferral benefits in calculating actual net savings from the 500 kV line project, and recovered 2/3 of those net savings as accelerated depreciation as allowed by Rule 25-17.016, F.A.C. However, if 13.6% is determined to be the appropriate return on equity (ROE) as Staff has proposed herein (see Issue 6), revenues representing the difference between the 13.6% and FPL's current 15.6% ROE used in calculating the amount of accelerated depreciation should be refunded with interest for the April 1, 1988 through September 30, 1989 period. In addition, whether or not the ROE is changed, the unamortized balance of investment tax credits (ITC's) associated with the oil backout project should be returned to the ratepayers as soon as practicable.

APPROVED

Issue: 5. Has the time come to require FPL to collect the capacity charges for the Southern System UPS charges through base rate mechanisms?

Recommendation: The inclusion of capacity charges in FPL's base rate should be done at the time of the utility's next rate case, pursuant to Rule 25-17.016(4)(d), F.A.C.

APPROVED

COMMISSIONERS ASSIGNED: Full Commission

COMMISSIONERS' VOTES

| <u>APPROVED</u>          | <u>APPROVED WITH MODIFICATIONS</u> | <u>DISAPPROVED</u> | <u>DEFER</u> |
|--------------------------|------------------------------------|--------------------|--------------|
| <u>Boyd Casley</u>       |                                    |                    |              |
| <u>John T. Herndon</u>   |                                    |                    |              |
| <u>Michael Wilson</u>    |                                    |                    |              |
| <u>Jerry [Signature]</u> |                                    |                    |              |
| <u>[Signature]</u>       |                                    |                    |              |

REMARKS/DISSENTING COMMENTS:

TO:

*I have concern with the retroactive application in Issue 2 and 16. JM*

DOCUMENT NUMBER-DATE

10936 NOV-7 1989

FPSC-RECORDS/REPORTING

Vote Sheet  
Docket No. 890148-EI  
November 7, 1989

Issue: 6. Is FPL justified in charging a 15.6% ROE portion of its capital invested in the 500 kV transmission lines?

Recommendation: Rule 25-17.016(4)(e) requires the utility to use its actual cost of capital for the recovery period. In Staff's opinion, use of a 15.6% ROE overstates FPL's cost of equity capital and is, therefore, inappropriate at this time. In the absence of testimony, Staff believes that the reduced equity return of 13.6%, used for this utility in the tax savings docket, is appropriate and more closely approximates the utility's actual cost of capital.

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Issue: 11. Were the Martin Coal Units 3 and 4 deferred as a result of the project and the original UPS purchases?

Recommendation: Yes.

APPROVED

Issue: 12. Are the capacity deferral benefits of the Martin Coal Units appropriately included in the calculation of Actual Net Savings of which two-thirds are recovered as additional depreciation on the 500 kV lines?

Recommendation: Yes.

APPROVED

Issue: 13. Are there any oil backout project tax savings due to the change in the federal corporate income tax rate?

Recommendation: There are no tax savings associated with the oil backout project. However, Rule 25-17.016(4)(e), F.A.C., requires the utility to use its actual cost of capital for the recovery period. In Staff's opinion, use of a 15.6% ROE overstates FPL's cost of equity capital and is, therefore, inappropriate at this time. In the absence of testimony, Staff believes that the reduced equity return of 13.6%, used for this utility in the tax savings docket, is appropriate and more closely approximates the utility's actual cost of capital.

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Vote Sheet  
Docket No. 890148-EI  
November 7, 1989

Issue: 16. Should FPL be required to refund these tax savings to customers?

Recommendation: There are no tax savings from oil backout to refund. However, if 13.6% is determined to be the appropriate ROE as Staff has proposed herein, revenues from April 1, 1988 through September 30, 1989 should be refunded to the customers with interest.

APPROVED

Issue: 18. As a matter of law, can the Florida Public Service Commission (FPSC) place an accelerated depreciation surcharge on present customers to require them to pay the full cost of transmission facilities which are being used to provide reliability and capacity in three or four years when the facilities will be in used and useful service for more than 25 years?

Recommendation: Yes, pursuant to Rule 25-17.016, F.A.C.

APPROVED

Issue: 19. Is there any legal basis for charging customers costs associated with utility generating plants that have not been built, are not under construction and are not presently projected to be built?

Recommendation: This issue is irrelevant. It should be noted, however, that the "avoided unit" rationale is the same as that used in setting firm capacity payments for cogenerators.

APPROVED

Issue: 21. Does Rule 25-17.016(6), F.A.C., require the discontinuance of the Oil Backout Cost Recovery Factor (OBCRF) when the transmission line costs are fully recovered?

Recommendation: No. The transmission line itself is only one component of the entire project. In any event, oil backout cost recovery of project costs should not be discontinued until such time as they are included in rate base.

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Vote Sheet  
Docket No. 890148-EI  
November 7, 1989

**Issue: 26.** Whether FIPUG's argument that the recovery of oil backout project costs through an energy-based charge is unfair and unduly discriminatory is barred by the doctrines of res judicata and administrative finality?

**Recommendation:** Yes.

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**Issue: 27.** Whether FIPUG's requested relief to discontinue recovery of oil backout project costs in an energy-based oil backout charge is inconsistent with Rule 25-17.016, F.A.C., and, therefore, not permitted by Section 120.68(12)(b), Florida Statutes?

**Recommendation:** Yes, absent inclusion of the project in rate base.

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**Issue: 28.** Whether FIPUG has waived its ability to challenge or is estopped from challenging the use of the Martin Coal units in calculating deferred capacity savings to be used in the calculation of Actual Net Savings since they have in, three prior proceedings in which they were a party, failed to raise the issue, not objected to stipulated factors and failed to request reconsideration?

**Recommendation:** Yes. FIPUG waived any objection for those periods. However, this issue is irrelevant. Had FIPUG objected in any of the three prior proceedings in which deferred capacity savings were calculated using the deferred Martin Coal units, the rule would have required the same result: Once approved, recovery of the project continues.

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**Issue: 29.** Whether the requested refund of oil backout revenues would constitute illegal retroactive ratemaking?

**Recommendation:** Yes.

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•Vote Sheet

Docket No. 890148-EI

November 7, 1989

Issue: 30. Whether FIPUG's argument that FPL cost estimates for the Martin Coal units are overstated should be heard?

Recommendation: No.

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STIPULATED ISSUES

Issue: 4. When will investment in transmission lines be fully recovered if FPL is allowed to use two-thirds of the "annual net savings" as accelerated depreciation?

Stipulation: August 1989.

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Issue: 15. Did FPL consider oil backout revenue in calculating income tax refunds to its customers in 1987 and 1988?

Stipulation: No.

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