

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Conservation Cost ) DOCKET NO. 930002-EG  
Recovery Clause. ) ORDER NO. PSC-93-0709-FOF-EG  
\_\_\_\_\_ ) ISSUED: 5/10/93

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman  
THOMAS M. BEARD  
SUSAN F. CLARK  
JULIA L. JOHNSON

NOTICE OF PROPOSED AGENCY ACTION  
ORDER ESTABLISHING ANNUAL CONSERVATION COST RECOVERY HEARING

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.

On October 2, 1992, Commission staff conducted a workshop to consider and hear comments from investor-owned utilities regarding the feasibility of holding conservation cost recovery hearings annually instead of semi-annually. The workshop was attended by representatives from Florida Power Corporation, Florida Power & Light Company, Tampa Electric Company, Gulf Power Company, Florida Public Utilities Company, Peoples Gas System, Inc., West Florida Natural Gas Company, Florida Division of Chesapeake Utilities Corporation, St. Joe Natural Gas Company, City Gas Company of Florida and Florida Industrial Power Users Group.

We find that the frequency of the energy conservation cost recovery (ECCR) hearings shall be changed from semi-annually to annually. The goal of this change is to reduce the time and dollars spent during the preparation for and attendance at cost recovery proceedings, thereby producing savings which will benefit utility ratepayers. The Commission will consider the recovery of conservation expenditures during a one-day hearing in February of each year. A time-line depicting the cost recovery periods, including the transition period, is attached as Exhibit 1.

We find that there are substantial benefits to be derived from a change to annual hearings. A reduction in the number of days

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scheduled for hearings will not only free up Commissioners' time, but Staff and company employees' time as well. Company employees could be better utilized in other company interests, and the ratepayers would save the incremental costs (airfare, hotel, meals, etc.) related to an additional hearing. The administrative and legal expenses associated with preparing and filing projections annually versus semi-annually would also be lower. All such savings would directly benefit ratepayers.

Two concerns were expressed concerning the change to an annual hearing. The first concern is the possibility that a longer forecast horizon will increase the likelihood of a company's actual costs differing from its forecast and therefore, an increased potential for over or under recoveries. This concern could be mitigated if a mid-course correction procedure is established. Therefore, we establish a mid-course correction procedure similar to the procedure used in the fuel cost recovery clause.

The current mid-course correction procedure used in fuel cost recovery proceedings requires that when a utility becomes aware that its projected fuel revenues will result in an over or underrecovery in excess of 10% of its projected fuel costs, the utility must request a hearing to revise the fuel adjustment factor if in its judgment such revision would not be impractical. In light of certain timing considerations, a utility may choose, in lieu of requesting a hearing, to inform the Commission, the Staff, and the intervenors that a greater than 10% over or underrecovery is projected to occur. In that event, the Staff or an intervenor could request that a hearing be held, and the Commission could order a hearing on its own motion or in response to a Staff or intervenor request.

Because of the extension of the recovery period to twelve months, we believe 15% is the appropriate notification threshold.

The second concern expressed by companies was the timing of recovery of costs associated with conservation programs approved during a cost recovery period. When a company receives approval of a new conservation program at a time other than at the annual cost recovery hearing and the expenses of this program cause the underrecovery amount to exceed 15% of the projected annual conservation costs, then a petition for mid-course correction would be the appropriate mechanism for correcting the under recovery.

The procedures for recovery of conservation costs are codified in Rule 25-17.015(1), Florida Administrative Code. This rule states that conservation costs will be recovered in the same manner and for the same periods as provided for the fuel cost recovery clause in Order No. 9273 issued by the Commission on March 7, 1980. Section 120.535 (10), Florida Statutes (Supp. 1992) provides that "...cost-recovery clauses, factors or mechanisms implemented pursuant to chapter 366 are exempt..." from the general requirement that such statements be enacted as rules. Accordingly, we direct staff to initiate proceedings to repeal or amend this rule as appropriate.

Based on the foregoing, it is

ORDERED that the frequency of energy conservation cost recovery hearings shall be changed from semi-annually to annually, beginning with the February, 1994 hearing. It is further

ORDERED that the adoption of a mid-course correction procedure applicable to conservation cost recovery is approved. It is further

ORDERED that staff shall initiate proceedings to repeal or amend the rules governing conservation cost recovery as appropriate.

By ORDER of the Florida Public Service Commission, this 10th day of May, 1993.

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STEVE TRIBBLE, Director  
Division of Records and Reporting

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by: Kay Hlyon  
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 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 June 1, 1993.

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.

ENERGY CONSERVATION COST RECOVERY FILING  
 TIME LINE - FIRST TIME - TRANSITION

