



**Florida Power**  
CORPORATION

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FLORIDA PUBLIC  
SERVICE COMMISSION

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**JAMES A. MCGEE**  
SENIOR COUNSEL

January 19, 1996

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Ms. Blanca Bayo, Director  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, Florida 32399-0850

Re: Docket No. 960002-EG

Dear Ms. Bayo:

Enclosed for filing in the subject docket are fifteen copies of the Direct Testimony and Exhibits of Michael F. Jacob and the Direct Testimony and Exhibits of Karl H. Wieland filed on behalf of Florida Power Corporation.

Please acknowledge your receipt of the above filing on the enclosed copy of this letter and return to the undersigned. Also enclosed is a 3.5 inch diskette containing the above-referenced document in WordPerfect format. Thank you for your assistance in this matter.

Very truly yours,

James A. McGee

JAM/jb  
Enclosure

cc: Parties of Record

- ACK
- AFM
- APT
- CAF
- CMU
- CTR
- EAG  5
- LEG  1
- LIN  orig test 13
- OTC
- RCH
- SEC  1
- WAS
- OTH

FPSC-BUREAU OF RECORDS  
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Jacob DOCUMENT NUMBER-DATE  
Wieland DOCUMENT NUMBER-DATE

GENERAL OFFICE  
00724 JAN 22 1996 00725 JAN 22 1996

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A Florida Progress Company  
FPSC-RECORDS/REPORTING FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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In re: Conservation Cost Recovery  
Clauses of Electric Companies.

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Docket No.960002-EG

Submitted for filing:  
January 19, 1996

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true copy of the Direct Testimony and Exhibits of Michael F. Jacob and the Direct Testimony and Exhibits of Karl H. Wieland filed on behalf of Florida Power Corporation have been furnished to the following individuals by regular U.S. Mail this 19th day of January, 1996:

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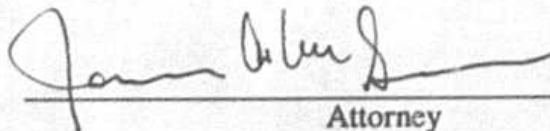
Terry Black, Esquire  
Pace University Energy Project  
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White Plains, NY 10603

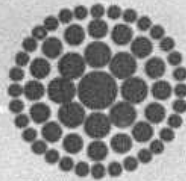
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\_\_\_\_\_  
Attorney



**Florida  
Power**  
CORPORATION

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**BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION**

**DOCKET No. 960002-EG**

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**DIRECT TESTIMONY  
AND EXHIBITS OF  
KARL H. WIELAND**

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**For Filing January 22, 1996**

DOCUMENT NUMBER-DATE

**00725 JAN 22 8**

FPSC-RECORDS/REPORTING



**FLORIDA POWER CORPORATION  
DOCKET No. 960002-EG**

**DIRECT TESTIMONY OF  
KARL. H. WIELAND**

1 **Q. Will you state your name and address?**

2 **A. Karl H. Wieland, my business address is 3201 - 34th Street South, St.**  
3 **Petersburg, Florida 33711.**

4  
5 **Q. By whom are you employed and in what capacity?**

6 **A. I am employed by Florida Power Corporation as Director of Business**  
7 **Planning.**

8  
9 **Q. Please state your educational background and professional experience.**

10 **A. I received a Bachelor of Science degree in Electrical Engineering from the**  
11 **University of South Florida in 1968 and a Master's Degree in**  
12 **Engineering Administration, also from the University of South Florida, in**  
13 **1975. I have also attended the Management Development Program at**  
14 **Georgia State University and the Public Utility Financial Seminar**  
15 **sponsored by the Irving Trust Company in New York. I am a registered**  
16 **Professional Engineer in the state of Florida and I have been employed**  
17 **by Florida Power Corporation on a full time basis since 1972. During**  
18 **the first seven years of my career, I worked as a Transmission Planning**  
19 **Engineer in the System Planning Department and as an Economic**  
20 **Research Analyst in the Economic Research Department. I became**  
21 **Manager of Generation Planning in 1979, Manager of Economic**

1 Research in 1983, and Director of Business Planning in 1990. My  
2 current responsibilities include budgeting, financial planning and  
3 forecasting, financial analysis of projects and proposals, cost benefit  
4 analyses, fuel adjustment filings and the preparation of customer,  
5 energy, and demand forecasts.

6  
7 **Q. Would you briefly describe your duties and responsibilities as Director  
8 of Business Planning as they relate to load forecasting?**

9 **A.** As Director of Business Planning, I am responsible for the corporate  
10 customer, energy sales and demand forecast. This forecast is used  
11 within Business Planning and by other Florida Power departments as the  
12 basis for the Corporate Budget, the five-year Business Forecast, Facility  
13 Planning, and other studies.

14  
15 **Q. What is the purpose of your testimony?**

16 **A.** My testimony covers three topics. First, I present the calculation of the  
17 true-up balance for residential revenue decoupling for 1995. Second, I  
18 present an update of my Exhibit 6, entitled "Proposed Adjustment to  
19 RPC for Changes in Economic Conditions" for 1995 through 1997,  
20 based on actual 1994 results as required by Commission Order No. PSC-  
21 95-0097-FOF-EI, issued January 18, 1995 in Docket No. 930444-EI.  
22 Third, I present a proposal to defer amortization of the true-up balance  
23 in order to allow the Company sufficient time to propose alternative  
24 ways to return the balance to ratepayers which offers greater benefit  
25 than a twelve month amortization

- 1 **Q. What is the Revenue Decoupling true-up balance as for 1995?**
- 2 **A. The true-up balance for 1995 is an over-recovery of \$17,746,531,**  
3 **including interest of \$532,749.**
- 4
- 5 **Q. How was this amount calculated?**
- 6 **A. The amount was computed in accordance with Commission Order No.**  
7 **PSC-95-0097-FOF-EI and is based on preliminary estimates of actual**  
8 **1995 Personal Income for the first two quarters. Third quarter estimates**  
9 **will become available late January or early February and can be used to**  
10 **revise the computation of the true-up balance prior to the hearings.**  
11 **Detailed monthly calculations are presented on Sheet 1 of the attached**  
12 **Exhibit.**
- 13
- 14 **Q. What factors caused the over-recovery?**
- 15 **A. Unseasonably warm weather in May, June, and October appears to be**  
16 **the major cause of the over-recovery.**
- 17
- 18 **Q. What effect would a 12-month amortization of this true-up balance have**  
19 **on residential rates?**
- 20 **A. Amortizing the \$17.7 million balance over 12 months would reduce**  
21 **residential rates by \$1.18 per 1,000 KWh.**
- 22
- 23 **Q. Did you prepare an update of Exhibit 6, entitled "Proposed Adjustment**  
24 **to RPC for Changes in Economic Conditions" as specified in the**  
25 **Commission order?**

1 A. Yes. The original and revised tables are presented on Sheet 2 of my  
2 exhibit.

3  
4 Q. How were the amounts on the exhibit determined?

5 A. The 1994 KWh/Customer value was determined by using actual  
6 personal income for 1994 to compute an economically adjusted  
7 KWh/Customer start-up value for 1994. This adjustment reduced usage  
8 per customer from the originally submitted 12,767 Kwh to 12,708  
9 KWh. 1995-1997 use per customer figures were calculated by  
10 escalating the 1994 value by 1.5% annually. The \$/Customer figures  
11 were calculated directly from the KWh/Customer value using residential  
12 rates of \$8.85 per month plus 4.02 cents per Kwh. The Personal  
13 Income variable for 1993 and 1994 represents actual data. Values for  
14 1995 through 1997 were calculated by escalating the 1994 value by  
15 3.26% annually which is the same Personal Income escalation for years  
16 1994-1997 in the original Exhibit 6. The 3.26% escalation rate must be  
17 used to remain consistent with the 1.5% customer use growth rate for  
18 that period.

19  
20 Q. Why is the Company proposing to defer amortization of the revenue  
21 decoupling true-up balance?

22 A. Florida Power believes that by using the \$17.7 million over-recovery  
23 balance to reduce capacity payments to Qualifying Facilities, customers  
24 will ultimately benefit by more than \$17.7 million. Furthermore, since  
25 capacity payments directly affect rates through the Capacity Cost



1 Recovery Clause, customers will see rate reductions whenever capacity  
2 payments are reduced.

3  
4 **Q. How does the Company plan to reduce capacity payments?**

5 **A.** The Company plans to conduct a "reverse auction" where Qfs will be  
6 asked to bid reductions in capacity payments over time in exchange for  
7 an up-front payment. To the extent that Qfs assign a higher value for  
8 up-front payments than a reduction in payments over time (by use of  
9 the discount rate they use to value cashflows), the \$17.7 million can be  
10 leveraged to produce more value to customers.

11  
12 **Q. Who will make the determination that the results of such an auction are  
13 beneficial to customers?**

14 **A.** Florida Power plans to analyze bids received and accept those that  
15 provide added benefit for customers. The selected proposals will be  
16 submitted to the Commission for approval prior to any funds being  
17 disbursed. The Commission will have final authority whether any or all  
18 of the bids will be accepted. Should this process not produce the  
19 expected results, the Commission can still choose to refund the balance.  
20 Because of that, customers only have something to gain, and nothing  
21 to lose by deferring the amortization.

22  
23 **Q. How long do you expect this process to take?**

1 A. We believe that an RFP package for submission to the QFs, as well as  
2 a timetable for completion of the process, can be ready within 60 days  
3 of the Commission's decision.

4  
5 Q. Does this conclude your prepared testimony?

A. Yes, it does.

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Florida Power Corporation

Residential Revenue Deroupling Calculation - Actual Calculation  
1995

FLORIDA POWER CORPORATION

Deckel No. 960002 E1

Witness: K. H. Wieland

Exhibit No. \_\_\_\_\_

Sheet 1 of 2

Revenue per Customer computed by multiplying Adjusted RPC by monthly factor

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Actual Year-to-Date
Adjustment for Economy														
Coefficient for Real personal income	NEA													
Personal Income - Forecast	NEA	NEA	NEA	NEA	NEA	NEA	NEA	NEA	NEA	NEA				
Personal Income - Actual	NEA	NEA	NEA	NEA	NEA	NEA	NEA	NEA	NEA	NEA				
Use per Customer - Base Value	1,074.9	1,074.9	1,074.9	1,074.9	1,074.9	1,074.9	1,074.9	1,074.9	1,074.9	1,074.9	1,074.9	1,074.9	12,899.0	12,899.0
Adjustment for Personal Income	NEA	NEA	NEA	NEA	NEA	NEA	NEA	NEA	NEA	NEA				NEA
Use per Customer adj for Pers Inc	1,074.9	1,074.9	1,074.9	1,074.9	1,074.9	1,074.9	1,074.9	1,074.9	1,074.9	1,074.9	1,074.9	1,074.9	12,899	12,899.0
Adjusted Revenue per Customer:	52.06	52.06	52.06	52.06	52.06	52.06	52.06	52.06	52.06	52.06	52.06	52.06	624.74	624.74
Monthly Rev Adj Factor	0.8905	0.9475	0.8906	0.8182	0.836	1.0452	1.2025	1.2835	1.244	1.0671	0.8533	0.8947	1.0010	*
Monthly Use per Customer Target	1,063	1,007	894	840	861	1,133	1,337	1,418	1,391	1,162	885	828	12,915	12,916
Monthly RPC Target	51.57	48.33	44.80	42.80	43.47	54.41	62.90	65.78	64.78	55.55	44.42	48.08	625.37	625.37
Actual Customers	1,126,948	1,132,776	1,114,263	1,174,917	1,082,207	1,112,535	1,090,818	1,083,119	1,130,895	1,113,538	1,157,538	1,124,707	1,122,148	1,122,148
Actual Meters	1,126,951	1,134,483	1,116,847	1,176,053	1,082,352	1,112,678	1,090,961	1,083,259	1,131,078	1,113,667	1,157,678	1,124,847	1,122,863	1,122,863
Actual Sales - kWh	1,105,951,344	1,244,385,151	895,389,728	971,434,287	1,142,982,981	1,470,085,706	1,464,484,714	1,510,884,732	1,581,325,577	1,387,798,751	1,081,110,638	1,003,445,479	14,918,050,183	14,918,050,183
Actual Use per Customer	980	1,098	888	827	1,048	1,321	1,343	1,382	1,407	1,240	917	892	13,298	13,329
Actual Base Revenue	54,458,310	60,094,458	48,883,913	48,450,881	55,814,427	88,944,828	88,527,882	70,404,084	73,980,374	65,845,880	52,802,098	50,293,404	718,871,529	718,871,529
Actual Revenue per Customer	48.28	53.02	43.89	42.08	50.82	81.97	82.82	64.41	65.42	58.86	45.70	44.72	640.71	642.8
True-Up Calculation:														
Actual Base Revenue	54,458,310	60,094,458	48,883,913	48,450,881	55,814,427	88,944,828	88,527,882	70,404,084	73,980,374	65,845,880	52,802,098	50,293,404	718,871,529	718,871,529
Target Base Revenue	58,188,858	55,878,791	48,824,358	50,051,684	47,478,738	80,533,029	68,795,082	71,905,388	73,236,780	61,856,825	51,417,838	52,869,838	701,763,747	701,763,747
True-up Provision - Over (Under) Recovery	(3,729,948)	4,184,667	(1,240,445)	(800,583)	8,336,189	8,411,599	242,610	(1,501,304)	744,214	3,788,755	1,484,260	(2,708,532)	17,213,782	17,213,782
To be collected														17,213,782
Interest Provision	(8,425)	(8,337)	(928)	(5,808)	13,444	55,501	78,383	72,027	71,015	82,278	94,450	81,850	522,748	522,748
True-Up and Interest Provision	(3,738,373)	4,176,330	(1,241,373)	(806,182)	8,148,833	8,467,100	318,993	(1,429,277)	815,229	3,871,033	1,578,710	(2,614,582)	17,746,531	17,746,531
Deferred True-up Beginning of Period														
True-up Collected (Rehabilit)														
End of Period Net True-up Amount Due/(Ovd) Rec.	(3,738,373)	4,176,330	(1,241,373)	(806,182)	8,148,833	8,467,100	318,993	(1,429,277)	815,229	3,871,033	1,578,710	(2,614,582)	17,746,531	17,746,531
True-up Balance Without Interest - Over (Ovd) Rec.	(3,729,948)	4,184,667	(1,240,445)	(806,209)	8,750,179	15,181,778	15,404,288	13,903,085	14,947,298	18,428,054	18,920,314	17,213,782		
INTEREST PROVISION:														
1. Beginning Balance	0	(3,729,973)	437,257	(804,118)	(1,410,308)	6,739,325	15,208,425	15,525,418	14,088,141	14,911,370	18,782,403	20,361,113		
2. Current Month True-up	(3,729,948)	4,184,667	(1,240,445)	(800,583)	8,138,189	8,411,599	242,610	(1,501,304)	744,214	3,788,755	1,484,290	(2,708,532)		
3. Ending Balance	(3,729,948)	445,594	(803,189)	(1,404,699)	8,725,981	15,150,824	15,449,035	14,024,114	14,840,355	18,700,125	20,286,883	17,654,581		
4. Total of Beginning and Ending Line 1 + Line 3)	(3,729,948)	(3,284,379)	(1,805,331)	(2,208,815)	6,215,573	21,890,249	20,895,480	29,549,532	29,836,499	33,511,495	38,049,066	38,015,894		
5. Average Balance (Line 4/2)	(1,664,824)	(1,642,190)	(1,822,665)	(1,104,408)	2,957,787	10,945,125	15,327,730	14,774,766	14,468,248	18,805,748	18,524,533	18,007,947		
6. Interest Rate - First Day of Reporting Period	8.030%	8.100%	8.050%	8.120%	8.070%	8.070%	8.100%	8.800%	8.840%	8.940%	8.810%	8.800%		
7. Interest rate - First Day of Subsequent Period	8.100%	8.050%	8.120%	8.070%	8.070%	8.100%	8.800%	8.840%	8.940%	8.810%	8.800%	8.810%		
8. Total (Line 6 + Line 7)	12.130%	12.150%	12.170%	12.190%	12.140%	12.170%	11.900%	11.700%	11.780%	11.750%	11.610%	11.610%		
9. Average Interest Rate (Line 8/2)	6.885%	6.875%	6.885%	6.895%	6.870%	6.885%	6.980%	6.850%	6.890%	6.875%	6.805%	6.805%		
10. Monthly Average Interest Rate (Line 8/12)	0.505%	0.508%	0.507%	0.508%	0.508%	0.507%	0.488%	0.488%	0.481%	0.480%	0.484%	0.484%		
11. Interest Provision (Line 5 * Line 10)	(8,425)	(8,337)	(928)	(5,808)	13,444	55,501	78,383	72,027	71,015	82,278	94,450	81,850	522,748	522,748

FLORIDA POWER CORPORATION  
UPDATE TO EXHIBIT 6 (KHW-5) - NOV. 1995

\* ORIGINAL \*  
Exhibit 6, (KHW-5)

PROPOSED ADJUSTMENT TO RPC FOR CHANGES IN  
ECONOMIC CONDITIONS

YEAR	ANNUAL		PERSONAL INCOME
	KWH/CUSTOMER	\$/CUSTOMER	
1993	12,578	611.84	224,097
1994	12,767	619.43	235,629
1995	12,959	627.15	244,355
1996	13,153	634.95	251,884
1997	13,351	643.90	259,440

Adjustment to KWH/Customer for Actual Income:

KWH/Customer (Adjusted) = KWH/Customer (proposal) +  
.0208 \* (Actual Personal Income - Proposed Personal Income)

\* REVISED \*  
Exhibit 6, (KHW-5)

PROPOSED ADJUSTMENT TO RPC FOR CHANGES IN  
ECONOMIC CONDITIONS

YEAR	ANNUAL		PERSONAL INCOME
	KWH/CUSTOMER	\$/CUSTOMER	
1993	12,578	611.84	225,138
1994	12,708	617.08	232,815
1995	12,899	624.74	240,405
1996	13,093	632.52	248,242
1997	13,289	640.41	256,335

Adjustment to KWH/Customer for Actual Income:

KWH/Customer (Adjusted) = KWH/Customer (proposal) +  
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FLORIDA POWER CORPORATION  
 UPDATE TO EXHIBIT 6 (KHW-5) - NOV. 1995

" ORIGINAL "  
 Exhibit 6, (KHW-5)

PROPOSED ADJUSTMENT TO RPC FOR CHANGES IN  
 ECONOMIC CONDITIONS

YEAR	-----ANNUAL-----		PERSONAL INCOME
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Adjustment to KWH/Customer for Actual Income:

$KWH/Customer (Adjusted) = KWH/Customer (proposal) +$   
 $.0208 * (Actual Personal Income - Proposed Personal Income)$

" REVISED "  
 Exhibit 6, (KHW-5)

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 ECONOMIC CONDITIONS

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