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September 19, 1997

HAND-DELIVERED

Blanca S. Bayo, Director
Division of Records and Reporting
Gunter Building
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0870

Re: Docket No. 970001-EI

Dear Ms. Bayo:

Enclosed for filing and distribution are the original and ten copies of the Florida Industrial Power Users Group's Post-Hearing Statement of Issues and Positions and Post-Hearing Brief in the above docket.

Please acknowledge receipt of the above on the extra copy enclosed herein and return it to me. Thank you for your assistance.

ACK Sincerely,

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CAF Vicki Gordon Kaufman

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DOCUMENT NUMBER-DATE
09559 SEP 19 97
FPSC-RECORDS/REPORTING

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and Purchased Power)
Cost Recovery Clause and)
Generating Performance Incentive)
Factor.)
_____)

Docket No. 970001-EI

Filed: September 19, 1997

**THE FLORIDA INDUSTRIAL POWER USERS GROUP'S
POST-HEARING STATEMENT OF ISSUES AND POSITIONS
AND POST-HEARING BRIEF**

Preliminary Statement

Pursuant to Order No. PSC-97-0976-PHO-EI, the Florida Industrial Power Users Group (FIPUG) files its Post-hearing Statement of Issues and Positions and its Post-Hearing Brief.

Introduction

At the regularly scheduled fuel adjustment hearing held on August 14, 1997, the Commission took evidence on four issues related to the impact of FERC Order 888 on how Florida investor-owned utilities account for transmission costs and revenues.¹ FERC Order 888 unbundled revenues. It requires utilities to allocate revenues between transmission and other costs.

At the conclusion of the hearing, parties were requested to brief the four issues. While there were four delineated issues to be briefed, in reality, there are only two issues. One issue seeks to determine how the price of a transaction should be arrived at when transmission must be considered. The other issues deals with who must pay these transmission costs and who will benefit from the revenues received.

¹ Both FIPUG and OPC requested that these transmission issues be deferred and considered in a separate docket; this request was denied.

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At hearing there was some attempt to distinguish between sales on the Broker and other types of sales between utilities. FIPUG perceives any such distinction to be without a difference. It is FIPUG's position, and logic dictates, that if customers assume all the risk and utilities are guaranteed full recovery of all costs when they buy electricity, they should return the favor and flow through all revenues when they sell. As we have previously argued in this docket, not only has time come to renounce the 20% sales commission, but by no stretch of the imagination should that commission be sweetened with additional transmission revenue just because a FERC order dissects the sales revenue into component parts.

Nothing has changed to justify additional payments. All revenues received from transmission (whether such revenue is from Broker or non-Broker sales) should be flowed back directly to the customers through the fuel adjustment clause so that ratepayers see an immediate reduction in their fuel adjustment charge. It is the retail customers who are responsible for supporting the transmission investment and they are entitled to any revenues from its use to be used for an immediate rate reduction, not some speculative future benefit.

FERC Order 888

The genesis of these issues for the Commission's consideration was the issuance of FERC Order 888, issued on April 24, 1996. In essence the purpose of Order 888 was to remedy discrimination in the wholesale market between utilities having monopoly power over transmission systems and those who do not (the "haves and the "have nots"). Order 888 at 4. Order 888 sought to "realize significant

customer benefits. . . ." *Id.* at 3. While Order 888 does require utilities to take transmission service for their own new wholesale sales and purchases under the new open access tariffs, *Id.* at 4, such a requirement does not address how such costs and revenues should be treated for retail purposes.² This remains in the purview of this Commission.³

Issue 9

HOW SHOULD THE TRANSMISSION COSTS BE ACCOUNTED FOR WHEN DETERMINING THE TRANSACTION PRICE OF AN ECONOMY, SCHEDULE C, BROKER TRANSACTION BETWEEN TWO DIRECTLY INTERCONNECTED UTILITIES?

FIPUG's Position: *The buyer's price should be adjusted for transmission if there is a separate charge for it. If there is no separate charge, there should be no adjustment.*

If there is a separate charge for a transmission component, the buyer's price should be adjusted. If there is no separate charge, no adjustment is necessary. However, it should be noted that this treatment may well defeat the entire purpose of the Broker system,⁴ which is to make sure that the most efficient fuel is burned, that the state's resources are economically dispatched and that fuel savings are maximized. Inclusion of a transmission charge may result in a more expensive fuel being burned due to other transaction costs. (Tr. 73-74, 79).

² There is no more telling proof of this statement than the fact that in this docket the Commission has received four different proposals from the four IOUs.

³ Even TECO's Mr. Kordecki had to admit that. (Tr. 236).

⁴ While the Commission decided not to consider in this proceeding whether the current 80/20 split on the Broker should be eliminated, FIPUG suggests that it might want to consider this issue in another proceeding.

Issue 10

IF THE COST OF TRANSMISSION IS USED TO DETERMINE THE TRANSACTION PRICE OF AN ECONOMY, SCHEDULE C, BROKER TRANSACTION BETWEEN TWO DIRECTLY INTERCONNECTED UTILITIES, HOW SHOULD THE COST OF THIS TRANSMISSION BE RECOVERED?

FIPUG's Position: *It should be treated as part of the fuel cost to the purchasing utility and part of the fuel revenue of the selling utility (to be passed through the fuel adjustment clause). Retail ratepayers are supporting the transmission system and should receive the benefit of it.*

Each utility had a different method for dealing with transmission charges and revenues. Some utilities attempted to rely on the date of the sale (FPC, Tr. 66-67) or whether the sale was by the transmitting utility or not (FPL, Tr. 109) in determining whether to retain the revenues above the line or flow them back to ratepayers. Some utilities wanted to retain all revenues above the line (TECO, Tr. 274-275), others proposed to flow back revenues from certain sales (FPL, Tr. 109). However, lost in the various methods which might be used, is the fundamental question of what approach would most benefit the ratepayers as opposed to enhancing the position of the shareholders.

Utilities have the availability of short-term make whole rate relief any time the revenues from retail customers do not fully cover their costs, including transmission costs. When a utility receives additional revenue for the use of its retail transmission system from wholesale sales, such revenue should flow back to retail ratepayers through the fuel clause. It should make no difference whether such transmission is used to wheel to a different utility (third party wheeling) or the transmission is used for a Broker sale between two connected utilities. The absurdity of making such a

distinction is illustrated by FPL's testimony. While FPL believes that transmission revenues from a Broker sale between connected utilities should be returned to ratepayers (Tr. 109), it believes that transmission revenues for a sale by non-interconnected utilities should not. (Tr. 109). **BUT** FPL is using the same transmission lines for each transaction. Further (and to add insult to injury), when FPL purchases transmission from a non-interconnected utility, it passes that cost on to ratepayers through the fuel clause. (Tr. 118).⁵ It is unfair not to do so when the amount is revenue.

Thus, while FIPUG agrees with FPL that transmission revenues from Broker sales should flow back to ratepayers, so should transmission revenues from non-Broker sales. FIPUG is unaware of whether FPL has separated its wholesale transmission system from the retail portion. If it hasn't, the FPL requested windfall would be exacerbated if it pocketed additional transmission revenues. Its retail customers have already paid in full for most of FPL's Georgia-Florida transmission line via accelerated charges under the oil back out clause.

Other utilities (such as TECO and Gulf) advocate that all transmission revenue, whether from Broker or non-Broker sales, should flow to the utility above the line. These utilities hope to persuade the Commission that there is some "benefit" to ratepayers from such a treatment. TECO's Ms. Branick goes so far as to say that this "treatment" allows retail customers to benefit fully from transmission related revenues.

⁵ There is no symmetry in this kind of treatment--ratepayers get to pay when there is a cost, but don't receive the benefit when there is revenue.

...” (Tr. 270, emphasis added).⁶ However, when pressed, it was acknowledged that ratepayers receive a far greater (and more certain) benefit when they receive a fuel adjustment credit which immediately lowers the bill. (Tr. 210-211, 254).⁷

In a recent fuel adjustment order, this Commission recognized that retention of revenues above the line provides little ratepayer benefit. When addressing the retention of non-fuel benefits above the line, this Commission said:

This concern [regarding the retention of non-fuel revenues by shareholders] is heightened by the fact that the retail ratepayer's cost responsibility is reduced only at the time of the utility's next base rate case or when the utility is over earning and the continued monthly surveillance adjustments generate additional funds subject to Commission disposition. Absent a rate case or overearnings situation, the additional non-fuel revenue flow directly to the company's shareholders.

Order No. PSC-97-0262-FOF-EI at 3. The very same principle is applicable in this instance. In the proposals made for retention of transmission revenues above the line, the ratepayers would see the benefit of such revenues, if ever, in a rate case or overearnings situation. (Tr. 210). And of course, there is no guarantee that either of these situations will ever occur. To give the current customers who are paying rates today the ability to earn something on their investment, transmission revenues should flow back to customers not be retained by the companies.

⁶ Ms. Branick said these benefits will occur at the next rate case. (Tr. 276).

⁷ TECO's witness testified that the fact of TECO's overearnings stipulation provided an even greater "benefit" to TECO ratepayers. However, cross-examination revealed that she was not familiar with the terms of the stipulation to which she referred. (Tr. 278-279).

Issue 11

HOW SHOULD THE TRANSMISSION COSTS BE ACCOUNTED FOR WHEN DETERMINING THE TRANSACTION PRICE OF AN ECONOMY, SCHEDULE C, BROKER TRANSACTION THAT REQUIRES WHEELING BETWEEN TWO NON-DIRECTLY INTERCONNECTED UTILITIES?

FIPUG's Position: *It should be included in the buyer's costs.*

As is currently the case, transmissions costs should be included in the buyer's costs when the two utilities are not directly connected. (Tr. 67, 70).

Issue 12

IF THE COST OF TRANSMISSION IS USED TO DETERMINE THE TRANSACTION PRICE OF AN ECONOMY, SCHEDULE C, BROKER TRANSACTION THAT REQUIRES WHEELING BETWEEN TWO NON-DIRECTLY INTERCONNECTED UTILITIES, HOW SHOULD THE COSTS OF THIS TRANSMISSION BE RECOVERED?

FIPUG's Position:* It should be treated as part of the fuel cost to the purchasing utility and part of the fuel revenue of the selling utility (to be passed through the fuel adjustment clause). Retail ratepayers are supporting the transmission system and should receive the benefit of it.*

See discussion in Issue 10. There is no reason to treat transmission revenues from non-interconnected utilities any differently than those transmission revenues from connected utilities.⁸ All such revenues should be flowed through to ratepayers.

Conclusion

Regardless of the accounting method which the Commission selects as a result of FERC Order 888, any revenues which the utility receives as a result of using

⁸ Such treatment would comply with Mr. Kordecki's concern that all transactions be treated in the same way. (Tr. 258).

transmission lines which the retail ratepayers are paying for should be flowed directly back to retail ratepayers through the fuel adjustment clause so they will see immediate benefit.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Florida Industrial Power Users Group's Post-Hearing Statement of Issues and Positions and Post-Hearing Brief has been furnished by hand delivery(*) or by U.S. Mail to the following parties of record this 19th day of September, 1997:

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