

STEEL ■
HECTOR
■ DAVIS

Steel Hector & Davis, Inc.
215 South Monroe, Suite 601
Tallahassee, Florida 32301-1804
904.222.2300
904.222.8110 Fax

ORIGINAL

Matthew M. Childs, P.A.

September 29, 1997

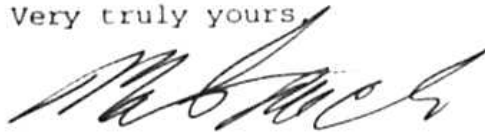
Ms. Blanca S. Bayó, Director
Division of Records and Reporting
Florida Public Service Commission
4075 Esplanade Way, Room 110
Tallahassee, FL 32399

RE: DOCKET NO. 970001-EI

Dear Ms. Bayó:

Enclosed for filing please find an original and ten (10) copies of Florida Power & Light Company's Reply Brief in the above referenced docket.

Very truly yours,



Matthew M. Childs, P.A.

MMC:ml

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APP _____ cc: All Parties of Record
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V.P. _____
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Miami
305 577 7000
305 577 7001 Fax

West Palm Beach
561 650 7200
561 655 1509 Fax

Key West
305 292 7272
305 292 7271 Fax

DOCUMENT NUMBER-DATE

09952 SEP 29 97

FPSC-RECORDS/REPORTING

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and purchased power)
cost recovery clause)

DOCKET NO. 970001-EI
FILED: September 29, 1997

REPLY BRIEF OF FLORIDA POWER & LIGHT COMPANY

STEEL HECTOR & DAVIS LLP
Suite 601
215 South Monroe Street
Tallahassee, FL 32301

Attorneys for Florida Power
& Light Company

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and purchased power) DOCKET NO. 970001-EI
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REPLY BRIEF OF FLORIDA POWER & LIGHT COMPANY

Introduction

Florida Power & Light Company ("FPL") hereby files this its Reply Brief addressing two points presented in the initial brief of TECO. FPL believes that the analysis procedure outlined in its initial brief continues to be applicable and, if followed, would demonstrate the proper treatment of wheeling revenues from economy energy sales. The simple conclusion is that because retail customers are responsible for the non-fuel costs associated with broker sales and such costs are reflected in base rates, a mechanism must be employed to assure that revenues are similarly treated (that is the margin on sales). The Commission already took this margin out of base rates and put it in fuel adjustment where it is to be flowed through to retail customers. It cannot now be taken out of the fuel adjustment as only a credit to revenues.

The Alleged "Confusion" in the Record with Regard to How Transmission Costs Should be Reflected.

TECO asserts there is confusion in the record. As pointed out previously, this created confusion may make it more difficult for

the decision maker but FPL is not responsible for such confusion. In fact, it is telling that though acknowledging the presence of "some confusion" TECO does nothing to eliminate it.

The point should be whether the net revenue received for a sale under the Florida Broker should be "flowed through" the fuel adjustment clause to the benefit of retail electric customers. Thus, if, as TECO proposes there is no additional charge for wheeling by the selling utility in a broker transaction then should the selling utility continue to credit the revenues from that transaction to the fuel adjustment clause? FPL maintains that the revenue should continue to be credited to the fuel adjustment clause because the retail customer already pays the embedded cost associated with these transactions and because the Commission extracted the revenue or, more accurately, the margin for broker sales, from base rates and put them into the fuel adjustment clause. Thus, the retail customer remains responsible for the embedded costs associated with broker sales but has no mechanism of recognizing any of the benefit unless the margin from those sales passes through the fuel clause.

If, as FPL proposes, a utility makes a separate and additional charge for wheeling economy energy it sells under the Broker, then the margin will be increased by the amount of the separate additional charge and this new amount--including the increase for the wheeling charge--should flow through to customers under the fuel adjustment clause mechanism.

The confusion is in part due to TECO's creation with such

statements as:

...Tampa Electric respectfully suggests that this confusion is the result of the addition by some parties of transmission cost on top of the calculated split-the-savings price, and, in direct contravention of FERC's pricing rules.

Tampa Electric Brief at p.3. There is absolutely no support for the characterization of adding the "transmission cost on top of the calculated split-the-savings price" and, TECO provides no record support.

Furthermore, TECO's continuation of its attack on FPL's wholesale rates as being in "direct contravention of FERC's pricing rules": (1) has nothing whatsoever to do with the "confusion" except that TECO "won't see" that its proposal is basically one of attempting to keep revenues that should flow through to customers so--it must be FPL's fault; and, (2) FPL's wholesale rate filing is a wholesale rate matter and, the fact that TECO consciously chooses to ignore and thus "won't see" what Order 888-A says cannot serve to make TECO's point. As pointed out in FPL's initial brief, at p.8. Order No. 888-A in addressing the recovery of wheeling charges for sales such as broker sales provided:

If a utility is no longer satisfied that an existing rate is compensatory with regard to either the generation component, or the transmission component, it may file an appropriate revision under Section 205.

TECO much prefers to talk about FPL's wholesale rate filing than it does about its own proposal to keep revenues and exclude their flow back to retail customers.

The Relevant Difference Between Broker Related Transmission Revenues and Other Short Term (Wheeling) Transactions.

Wholly ignoring that the retail customer has been assigned cost responsibility through base rates for the non-fuel (and perhaps variable O&M) costs associated with Broker sales and that the revenues from these sales are only reflected in the fuel adjustment clause process, TECO seeks to analogize saying:

...and Florida Power and Light ("FP&L") consistently credit third party transmission revenue derived from short-term firm and non-firm sales to above the line operating revenues with this Commission's approval. (Tr. 69-70; Tr. 112-113). Tampa Electric respectfully submits there is no relevant difference between broker-related transmission revenues and transmission revenues derived from other short-term transactions which would warrant differing regulatory treatment in either case.

TECO Brief at p. 6. FPL submits that TECO's analogy as to FPL is, as the record shows wrong. Not only does FPL credit wheeling revenues (other than broker) to above the line operating revenues (just as it credits fuel revenue from broker sales through the fuel adjustment clause), these wheeling revenues are and were used to reduce the revenue requirement in setting retail base rates (Tr. 138, 139). Thus, TECO's fabricated analogy does not fit--instead there is a "relevant difference" and FPL's wheeling revenues from broker sales cannot be treated the same way as are revenues from other short-term wheeling revenues.

As to FPL, revenues from these wheeling transactions (short-term non-broker) are already reflected in base rates. Therefore, they should not be otherwise "flowed through" to customers.

Conclusion

FPL submits that the argument by TECO concerning "confusion" does not help in the current debate and that the treatment by FPL of short-term wheeling revenues is mischaracterized by TECO and is not an analogy for the treatment of broker sales wheeling revenues.

DATED this 29th day of September, 1997.

Respectfully submitted,

STEEL HECTOR & DAVIS LLP
Suite 601
215 South Monroe Street
Tallahassee, FL 32301
Attorneys for Florida Power
& Light Company

By: 

Matthew M. Childs, P.A.

**CERTIFICATE OF SERVICE
DOCKET NO. 970001-EI**

I HEREBY CERTIFY that a true and correct copy of Florida Power & Light Company's Reply Brief has been furnished by Hand Delivery,** or U.S. Mail this 29th day of September, 1997, to the following:

Leslie J. Paugh, Esq.**
Division of Legal Services
FPSC
2540 Shumard Oak Blvd. Rm.370
Tallahassee, FL 32399-0850

Joseph A. McGlothlin, Esq.
Vicki Gordon Kaufman, Esq.
McWhirter, Reeves, McGlothlin,
Davidson, Rief & Bakas, P.A.
117 South Gadsden Street
Tallahassee, FL 32301

G. Edison Holland, Esq.
Jeffrey A. Stone, Esq.
Beggs and Lane
P. O. Box 12950
Pensacola, FL 32576

Kenneth A. Hoffman, Esq.
William B. Willingham, Esq.
Rutledge, Ecenia, Underwood,
Purnell & Hoffman, P.A.
P.O. Box 551
Tallahassee, FL 32302-0551

Suzanne Brownless, P.A.
1311-B Paul Russell Road
Suite 202
Tallahassee, Florida 32301

John Roger Howe, Esq.
Office of Public Counsel
111 West Madison Street
Room 812
Tallahassee, FL 32399

Lee L. Willis, Esq.
James D. Beasley, Esq.
Ausley & McMullen
227 S. Calhoun Street
P. O. Box 391
Tallahassee, FL 32302

James A. McGee, Esq.
Florida Power Corporation
P. O. Box 14042
St. Petersburg, FL 33733

John W. McWhirter, Jr., Esq.
McWhirter, Reeves, McGlothlin,
Davidson, Rief & Bakas, P.A.
Post Office Box 3350
Tampa, Florida 33601-3350

Frank C. Cressman
President
Florida Public Utilities Co.
P.O. Box 3395
West Palm Beach, FL 33402



Matthew M. Childs, P.A.