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September 29, 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 Florida Industrial Power Users Group's Reply 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.

Sincerely,

- ACK
- AFA
- APP _____
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Vicki Gordon Kaufman
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FPSC-BUREAU OF RECORDS

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09974 SEP 29 96

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and Purchased Power)
 Cost Recovery Clause and Generation)
 Performance Incentive.)

Docket No. 970001-EI

Filed: September 29, 1997

THE FLORIDA INDUSTRIAL POWER USERS GROUP'S
REPLY BRIEF

The Florida Industrial Power Users Group (FIPUG), pursuant to the Commission's direction at the close of the hearing in this matter, files its Reply Brief.

As FIPUG noted in its Initial Brief in this matter, FIPUG's main concern is not the paper accounting which utilities decide to use in light of FERC Order 888, but rather how utilities treat revenues which they receive from the wholesale use of transmission facilities paid for by retail ratepayers. It is FIPUG's position that any revenues which a utility receives should be flowed through the fuel clause to retail ratepayers who support the utility's transmission system.

A

Consistent Treatment

Some of the utilities argue (most notably Tampa Electric) that the Commission should strive for consistency in its treatment of transmission revenues.¹ FIPUG does not disagree. However, the approach advocated by Tampa Electric (and others) is not consistent in the least.

What Tampa Electric and Gulf Power argue is that they should retain the revenue from transmission above the line (that is, not want flow it through to the retail

¹Tampa Electric Brief at 2, 3.

ratepayers), but as to transmission cost, retail ratepayers should pay for this through the fuel adjustment clause. This one-sided approach is anything but consistent; it permits the utility to have the benefit of any wholesale sale while the retail ratepayers get to pick up the cost.² The Commission should not permit retail ratepayers to end up "holding the bag."³

B

Real Ratepayer Benefits

Not only does Tampa Electric advocate the lopsided approach described above, it actually argues that such an approach conveys "real and tangible benefits for retail ratepayers."⁴ However, ratepayers see real and immediate benefits when their fuel adjustment charge is reduced today.

This Commission has already found, in this very docket, that the retention of non-fuel benefits above the line provides little ratepayer benefit:

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

² FIPUG agrees with OPC that it is astonishing that the utilities expect customers to support all transmission expenses but receive no benefit from transmission revenues. OPC Brief at 9.

³ It is interesting to note that while Tampa Electric argues that its approach is consistent with FERC Order 888 (Tampa Electric Brief at 3), it nowhere says that its approach is required by FERC.

⁴ Tampa Electric Brief at 7.

situation, the additional non-fuel revenue flow directly to the company's shareholders.⁵

Tampa Electric has ignored this Commission order.

The fact that the "benefits" Tampa Electric wants to confer are speculative, and will occur (if ever) sometime in the future, is borne out by its own description of them.

Tampa Electric says that its proposed treatment:

[has the] direct benefit of decreased future revenue requirements and postponement of a rate adjustment

. . .

has the effect of both postponing the need for a rate adjustment and decreasing the resulting revenue requirement when rates are next adjusted on the basis of a cost of service analysis.⁶

Tampa Electric has not had a rate case in some years nor does Tampa Electric provide any indication of when it will have another rate case. Until that time comes (if it ever does), Tampa Electric will be able to retain and use revenues belonging to retail ratepayers as it pleases and ratepayers will receive no benefit.

The Commission should ensure that ratepayers who are paying for the transmission lines used to accomplish these wholesale sales receive the immediate benefit of such sales.

⁵ Order No. PSC-97-0262-FOF-EI at 3, emphasis supplied.

⁶ Tampa Electric Brief at 7, emphasis supplied.

"Double Dipping"

Several utilities argue (Tampa Electric and Gulf) that if they are not permitted to retain transmission revenues above the line, they will have to credit the same revenues twice.⁸ Tampa Electric makes this claim without any explanation.⁹ Gulf claims that it must adjust wholesale transmission rates (at some time in the future) to reflect these revenues. However, how revenue that is derived from Florida broker sales is apportioned is a matter within this Commission's jurisdiction, not FERC's. It is within this Commission's jurisdiction to protect retail ratepayers.

Further, if that is the case, there is a very simple solution--the utilities should separate that portion of the transmission system used for wholesale sales. In that way, both retail and wholesale customers will be fairly treated. What should not happen is what is proposed by most utilities in this case--that retail ratepayers pay for the cost of transmission, while the utilities receive the benefit of any revenues received for its use.

⁷ It is interesting to note that this concern was not raised by FPL or FPC.

⁸ Tampa Electric Brief at 6 (Tampa Electric says it will be in "jeopardy" of having to do this); Gulf Brief at 2.

⁹ What Tampa Electric really says is that it would be inequitable.

Conclusion

Retail customers are paying for the transmission system which is being used to make wholesale sales. If they must pay for this system, they should receive any revenues which flow from its use.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Florida Industrial Power Users Group's foregoing Reply Brief has been furnished by hand delivery(*) or by U.S. Mail to the following parties of record this 29th day of September, 1997:

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