

FLORIDA PUBLIC SERVICE COMMISSION
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M E M O R A N D U M

MARCH 26, 1998

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FPSC - Records/Reporting

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF ELECTRIC AND GAS (BOHRMANN, BASS, COLSON,
DRAPER, HARLOW, MATLOCK, WHEELER)
DIVISION OF LEGAL SERVICES (PAUGH)
DIVISION OF AUDITING AND FINANCIAL ANALYSIS (MERTA,
HICKS, REVELL, L. ROMIG, D. VANDIVER)

RE: DOCKET NO. 980001-EI - FUEL AND PURCHASED POWER COST
RECOVERY CLAUSE AND GENERATING PERFORMANCE INCENTIVE
FACTOR.

AGENDA: 04/07/98 - REGULAR AGENDA - POST HEARING DECISION -

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\LEG\WP\9800010A.RCM
SHOULD BE HEARD BY JOHNSON, CLARK, GARCIA
PARTIES SHOULD BE PREPARED TO MAKE THEIR PRESENTATIONS ON
ISSUE NO. 1 AT THIS AGENDA CONFERENCE IF ORAL ARGUMENT IS
GRANTED BY THE COMMISSION PANEL

CASE BACKGROUND

On August 14, 1997, an evidentiary hearing was held to determine the pricing methodology and cost recovery for transmission charges from economy, Schedule C, broker transactions arising from the Federal Energy Regulatory Commission's (FERC) Order 888. The FERC Order, issued April 24, 1996, required investor-owned electric utilities to unbundle transmission and ancillary charges from economy energy sales. The issues addressed at the hearing were the transmission cost, pricing and cost recovery between two directly interconnected utilities and the transmission cost, pricing and cost recovery for wheeled economy energy sales.

DOCUMENT # 98-0001-EI DATE

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Order No. PSC-98-0073-FOF-EI, issued January 13, 1998, (Order) determines the appropriate treatment of transmission revenues and costs for Schedule C, economy energy transactions. The Order states that the transaction price of an economy energy sale should be based on the incremental system production cost, just as before FERC Order 888 and that any transmission charge required by the FERC Order should not influence the gain on a broker sale. (Order pg. 4) Any FERC-required transmission costs should be added after the broker has matched a buyer and seller for directly interconnected utilities and wheeled sales. (Order pgs. 4 & 10) In addition, the Commission ordered that because broker sales are non-separated sales, any additional transmission revenues must be credited and separated according to the normal procedure within the fuel adjustment clause of the selling utility. (Order pgs. 8-9) For the purchaser, all actual costs are to continue to be recovered through the fuel clause. (Order pg. 9) Finally, the Commission ordered that third party wheeling revenues must continue to be treated as a credit to operating revenues for the wheeling utility. Wheeling costs are to be recovered through the fuel clause for the purchaser. (Order pg. 11)

On January 28, 1998, Florida Power Corporation (FPC) and Florida Power & Light Company (FPL) filed separate Motions For Reconsideration of Order No. PSC-98-0073-FOF-EI and Requests For Oral Argument. On February 9, 1998, the Office of Public Counsel (OPC) and Florida Industrial Power Users Group (FIPUG) filed separate Responses to FPC's Motion For Reconsideration. This recommendation addresses only the Requests For Oral Argument filed by FPC and FPL. Staff will file a subsequent recommendation addressing the Motions for Reconsideration.

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DISCUSSION OF ISSUES

ISSUE 1: Should the Commission grant Florida Power Corporation's and Florida Power & Light Company's Requests For Oral Argument?

RECOMMENDATION: Yes. Oral argument may be granted at the discretion of the Commission and, in this instance, oral argument may aid the Commission in evaluating the issues raised in the Motions For Reconsideration. If oral argument is granted, it is recommended that the parties be allowed 10 minutes each to make their presentations.

STAFF ANALYSIS: FPC and FPL filed Requests For Oral Argument in conjunction with their Motions For Reconsideration on January 28, 1998. The Request of FPC states that "[o]ral argument will allow Florida Power to explain to the Commission how its Order has overlooked or misapprehended certain complexities and inter-jurisdictional complications inherent in the separation of transmission revenues that are now associated with economy energy sales as a result of FERC Order 888." FPL states simply that oral argument would "aid the Commission in understanding and resolving the matters in this Docket."

Pursuant to Chapter 25-22.060(1)(f), Florida Administrative Code, oral argument may be granted solely at the discretion of the Commission. Because of the complexity of the issues raised in the Motions For Reconsideration, Staff believes that the Commission should exercise its discretion and hear oral argument prior to consideration of a recommendation on the merits of the Motions For Reconsideration. It is recommended that FPC and FPL be granted 10 minutes each to make presentations regarding the substance of their Motions For Reconsideration. It is also recommended that OPC and FIPUG be granted 10 minutes each to respond to FPC and FPL's oral argument. The parties should be prepared to make their presentations at the April 7, 1998, Agenda Conference if oral argument is granted by the Commission.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: No.

STAFF ANALYSIS: The Fuel and Purchased Power Adjustment Clause is an on-going docket and should remain open. However, pursuant to Rule 25-22.029(4), Florida Administrative Code, any person whose substantial interests are affected by the Commission's proposed agency action shall have 21 days after issuance of the order to file a protest.