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RECORDS AND REPORTING

March 4, 1999

HAND DELIVERED

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Fuel and Purchased Power Cost Recovery Clause with Generating Performance
Incentive Factor; FPSC Docket No. 990001-EI
TRANSMISSION RECONSIDERATION

Dear Ms. Bayo:

Enclosed for filing in the above docket are the original and ten (10) copies of each of the following:

1. Tampa Electric Company's Post-Hearing Brief.
2. Tampa Electric Company's Post-Hearing Statement of Issues and Positions.

Also enclosed is a diskette containing the above documents originally typed in Microsoft Word 97 format that has been saved in Rich Text format for use with WordPerfect.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning same to this writer.

Thank you for your assistance in connection with this matter.

Sincerely,

James D. Beasley
James D. Beasley

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Enclosures

cc: All Parties of Record (w/encs.)

Issues & Positions
DOCUMENT NUMBER-DATE
02832 MAR-4 99
FPSC-RECORDS/REPORTING

Brief
DOCUMENT NUMBER-DATE
02832 MAR-4 99
FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Fuel and Purchased Power)	DOCKET NO. 990001-EI
Cost Recovery Clause and Generating)	FILED: March 4, 1999
Performance Incentive Factor.)	
(TRANSMISSION RECONSIDERATION))	
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**TAMPA ELECTRIC COMPANY'S
POST-HEARING BRIEF**

Tampa Electric Company ("Tampa Electric" or "the company"), pursuant to the Commission's Order Establishing Procedure¹ in this docket, submits this its Post-Hearing Brief on the issues addressed at the February 12, 1999 hearing in this matter.

Background

On January 13, 1998 Order No. 98-0073 was issued determining the appropriate treatment of transmission revenues and costs for broker transactions. Florida Power & Light Company ("FP&L") and Florida Power Corporation ("FPC") filed separate Motions for Reconsideration on January 28, 1998.

FPC's Motion for Reconsideration questioned that portion of the Order No. 98-0073 which required transmission revenues to be credited and separated on an energy related, generation basis. FPC argued that transmission revenues from broker sales must be jurisdictionally separated using a transmission separation factor.

On August 10, 1998 the Commission issued its order² granting FPC's Motion for Reconsideration, denying FPL's Motion and clarifying Order No. 98-0073.

¹ Order No. PSC-98-1270-PCO-EI, issued September 25, 1998.
² Order No. PSC-98-1080-FOF-EI ("Order No. 98-1080")

The key argument FPC had made was that because of FERC Order 888 Florida Power must credit its wholesale business with a share of transmission revenues from economy sales equal to the share of transmission cost responsibilities supported by its wholesale business. FPC reasoned that if it is required by this Commission to credit the retail class based on energy cost responsibility, FPC would be forced to credit more revenues than it receives.

In granting FPC's Motion for Reconsideration, the Commission stated that FPC's conclusions regarding separations factors may be correct. Order No. 98-1080 stated in part:

. . .To require FPC to credit transmission revenues to the retail jurisdiction in greater proportion than the retail jurisdiction supports may be inconsistent with the directive of the FERC Order.

Order No. 98-1080 was also receptive to FPC's argument that limiting the transmission separation factor to only separated wholesale sales ignores the fact that all firm wholesale customers support the investment used in making broker sales. The order went on to recognize that the transmission system as a whole is used to make broker sales and that it may not be appropriate to require the utility to credit back more than an amount proportionate to the retail jurisdiction's cost responsibility for the transmission system. On this point the order concluded:

Therefore, we agree with FPC that a transmission separation factor for broker sales may be appropriate.

Accordingly, Order No. 98-1080 granted FPC's Motion for Reconsideration and set the matter for hearing.

The issues set for hearing on February 12, 1999 essentially were two in number. The first issue was whether FERC requires revenue crediting of non-firm transmission revenue when setting firm transmission rates. The second issue, addressed generically and then subdivided by utility, was

to determine the correct allocation factor for retail/wholesale separation of transmission revenues arising from economy transactions on the Energy Broker Network.

ARGUMENT

POINT I.

THE FERC REQUIRES REVENUE CREDITING OF NON-FIRM TRANSMISSION REVENUE WHEN SETTING TRANSMISSION RATES.

During the hearing the Commission took official notice of FERC Orders 888 and 888-A. As Gulf Power Company detailed in its position on Issue 1, the FERC included the revenue crediting requirement in both Order No. 888 and Order No. 888-A for transmission providers using annual system peak load pricing for their transmission services. Attached hereto as Appendix A is an excerpt of Order No. 888. On page 304 of this excerpt FERC clearly states that as a tool to prevent overrecovery of costs:

. . .Revenue from non-firm services should continue to be reflected as a revenue credit in the derivation of firm transmission tariff rates.

Attached hereto as Appendix B is an excerpt from FERC Order No. 888-A. On page 256 of this excerpt the FERC reaffirmed the revenue crediting requirement observing:

. . .The Commission [FERC] explained that revenue from non-firm transmission services should continue to be reflected as a revenue credit in the derivation of firm transmission tariff rates. The Commission [FERC] noted that the combination of allocating costs to firm point-to-point service and the use of a revenue credit for non-firm transmission service will satisfy the requirements of a conforming rate proposal enunciated in our Transmission Pricing Policy Statement.

As FPC witness Weiland explained during the hearing, FERC requires crediting wholesale business with their share of transmission revenues in proportion to their use of transmission assets. He also explained that FERC requires transmission revenues to be allocated on a demand basis and flowed back on the same basis. (Tr. 41)

POINT II.

TRANSMISSION REVENUES ASSOCIATED WITH ECONOMY TRANSACTIONS OVER THE ENERGY BROKER NETWORK SHOULD BE ALLOCATED BETWEEN THE RETAIL AND WHOLESALE JURISDICTIONS BASED ON A TRANSMISSION COINCIDENT PEAK DEMAND AND NOT ON AN ENERGY BASIS.

Separating transmission revenues between the retail and wholesale jurisdictions based on a demand factor will properly reflect transmission usage. As Gulf Power indicated in its position on Issue 2, such treatment would be consistent with the way in which transmission related plant costs and O&M expenses were allocated in Gulf's last rate case. As Gulf's witness Ritenour testified, a transmission-related separation factor, based on coincident peak demand, properly allocates transmission revenues between the retail and wholesale jurisdictions (Tr. 76-77). FPC also takes this position on Issue 2 wherein FPC indicates it has for years consistently utilized a 12 CP methodology before both the FERC and this Commission to establish jurisdictional transmission cost responsibility. (Tr. 36)

In its order granting FPC's Motion for Reconsideration the Commission recognized that to require a utility to credit transmission revenues to the retail jurisdiction in greater proportion than the retail jurisdiction supports may be inconsistent with the directive of FERC Order No. 888. It

would also unfairly cause the utilities to flow back transmission revenues to the retail and wholesale classes in a total amount greater than the transmission revenues actually collected. (Tr. 42)

Based on the foregoing, Tampa Electric concurs with FPC's position that the Commission should allocate transmission revenues between the retail and wholesale jurisdictions based on a transmission demand factor. Such an approach would be consistent with principles of cost causation and prior rate case accounting treatment and would avoid the unfair result of allocating on an energy basis.

CONCLUSION

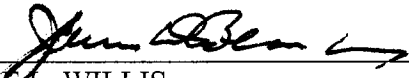
Tampa Electric urges the Commission to recognize and declare:

(a) that the FERC does in fact require that revenue from non-firm transmission services subject to FERC's jurisdiction be reflected as a revenue credit in the derivation of firm transmission service rates subject to the FERC's jurisdiction, and

(b) that this Commission should approve the allocation of transmission revenues associated with economy transactions between the retail and wholesale jurisdictions on a transmission demand basis.

DATED this 4th day of March, 1999.

Respectfully submitted,



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ATTORNEYS FOR TAMPA ELECTRIC COMPANY

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing Post-Hearing Brief, filed on behalf of Tampa Electric Company, has been furnished by U. S. Mail or hand delivery (*) on this 4th day of March, 1999 to the following:

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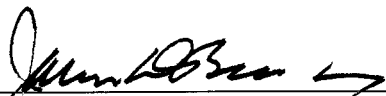
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ATTORNEY

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Elizabeth Anne Moler, Chair;
Vicky A. Bailey, James J. Hoecker,
William L. Massey, and Donald F. Santa, Jr.

Promoting Wholesale Competition)	Docket No. RM95-8-000
Through Open Access)	
Non-discriminatory Transmission)	
Services by Public Utilities)	
)	
Recovery of Stranded Costs by)	Docket No. RM94-7-001
Public Utilities and Transmitting)	
Utilities)	

ORDER NO. 888

FINAL RULE

(Issued April 24, 1996)

I. INTRODUCTION/SUMMARY

Today the Commission issues three final, interrelated rules designed to remove impediments to competition in the wholesale bulk power marketplace and to bring more efficient, lower cost power to the Nation's electricity consumers. 1/ The legal and policy cornerstone of these rules is to remedy undue discrimination in access to the monopoly owned transmission wires that control whether and to whom electricity can be transported in interstate commerce. A second critical aspect of the rules is

1/ These rules are the rules on open access and stranded costs in the above dockets (FERC Stats. & Regs. 31,036), and an accompanying rule on Open Access Same-Time Information System and Standards of Conduct (OASIS Final Rule) (FERC Stats. & Regs. 31,037) being issued contemporaneously. The Commission also is issuing contemporaneously a notice of proposed rulemaking on capacity reservation open access transmission tariffs in Docket No. RM96-11-000, FERC Stats. & Regs. 32,517. These final rules and proposed rule are being published concurrently in the Federal Register.

reasons, it is appropriate to consider a firm reservation as the equivalent of a load for cost allocation and planning purposes.

In order to prevent over-recovery of costs for those who use this approach, we will require transmission providers to include firm point-to-point capacity reservations in the derivation of their load ratio calculations for billings under network service. In addition, revenue from non-firm services should continue to be reflected as a revenue credit in the derivation of firm transmission tariff rates. The combination of allocating costs to firm point-to-point service and the use of a revenue credit for non-firm service will satisfy the requirements of a conforming rate proposal enunciated in our Transmission Pricing Policy Statement. 446/

d. Opportunity Cost Pricing

(1) Recovery of Opportunity Costs

Comments

EI and IOUs generally support the notion that transmission customers should pay some form of opportunity cost when transmission is constrained and request that the final rule clearly define redispatch and opportunity costs. These commenters generally agree that the final rule should codify these terms consistent with recent Commission orders addressing opportunity costs.

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

18 CFR Part 35

[Docket Nos. RM95-8-001 and RM94-7-002; Order No. 888-A]

Promoting Wholesale Competition Through Open Access
Non-discriminatory Transmission Services by Public Utilities;
Recovery of Stranded Costs by Public Utilities
and Transmitting Utilities

(Issued March 4, 1997)

AGENCY: Federal Energy Regulatory Commission.

ACTION: Order No. 888-A (Order on Rehearing).

SUMMARY: The Federal Energy Regulatory Commission (Commission) reaffirms its basic determinations in Order No. 888 and clarifies certain terms. Order No. 888 requires all public utilities that own, control or operate facilities used for transmitting electric energy in interstate commerce to have on file open access non-discriminatory transmission tariffs that contain minimum terms and conditions of non-discriminatory service. Order No. 888 also permits public utilities and transmitting utilities to seek recovery of legitimate, prudent and verifiable stranded costs associated with providing open access and Federal Power Act section 211 transmission services. The Commission's goal is to remove impediments to competition in the wholesale bulk power marketplace and to bring more efficient, lower cost power to the Nation's electricity consumers.

EFFECTIVE DATE: Changes to Order No. 888 made in this order on rehearing will become effective on [insert date 60 days after date of publication in the Federal Register].

cost of service to account for diversity, but based on the changed circumstances since Southern Company Services, Inc., 61 FERC 61,339 (1992) (Southern), it indicated that it would now permit an alternative. Thus, the Commission indicated that it will allow all firm transmission rates, including those for flexible point-to-point service, to be based on adjusted system monthly peak loads.

In order to prevent over-recovery of costs for those who use this approach, the Commission explained that it will require transmission providers to include firm point-to-point capacity reservations in the derivation of their load ratio calculations for billings under network service. In addition, the Commission explained that revenue from non-firm transmission services should continue to be reflected as a revenue credit in the derivation of firm transmission tariff rates. The Commission noted that the combination of allocating costs to firm point-to-point service and the use of a revenue credit for non-firm transmission service will satisfy the requirements of a conforming rate proposal enunciated in our Transmission Pricing Policy Statement. 254/

Rehearing Requests

Blue Ridge maintains:

The sea change in the Commission's approach to the pricing of transmission services is not warranted by any claimed change in circumstances and Blue Ridge accordingly

FERC Stats. & Regs. 31,005 (1994).