



# Public Service Commission

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## -M-E-M-O-R-A-N-D-U-M-

**DATE:** MARCH 18, 1999

**TO:** DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYÓ)

**FROM:** DIVISION OF ELECTRIC AND GAS (HARLOW, BOHRMANN, WHEELER) *qjh TB DPW*  
DIVISION OF LEGAL SERVICES (C. KEATING) *WCK TB JBJ*

**RE:** TRANSMISSION RECONSIDERATION - FUEL AND PURCHASED POWER COST RECOVERY CLAUSE AND GENERATING PERFORMANCE INCENTIVE FACTOR.

DOCKET NO. 990001-EI - FLORIDA POWER CORPORATION, FLORIDA POWER AND LIGHT COMPANY, GULF POWER COMPANY, TAMPA ELECTRIC COMPANY

**AGENDA:** 03/30/99 - REGULAR AGENDA - POST HEARING DECISION - PARTICIPATION IS LIMITED TO COMMISSIONERS AND STAFF

**CRITICAL DATES:** NONE

**SPECIAL INSTRUCTIONS:** NONE

**FILE NAME AND LOCATION:** S:\PSC\EAG\WP\990001.RCM

### CASE BACKGROUND

The Federal Energy Regulatory Commission's (FERC) Order 888, issued April 24, 1996, required investor-owned electric utilities to unbundle transmission charges from energy sales, including Schedule C, "split-the-savings," economy sales. As a result, Florida Power & Light Company (FPL), Florida Power Corporation (FPC), The Southern Company (Southern), and Tampa Electric Company (TECO) filed amendments to their existing economy coordination agreements as a part of their Open Access Transmission tariff filings on January 1, 1997, at FERC.<sup>1</sup> FERC has approved FPC's

<sup>1</sup>Participating members of the Energy Broker Network are required to have economy coordination agreements with other members. These agreements provide a basic framework for transactions made on the Energy Broker Network. (Tr. pgs. 46-47)

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tariff filing. (Tr. pgs. 65-66) FERC has not yet ruled on the tariffs filed by FPL and Southern. However, both FPL and Southern have implemented these tariffs on an interim basis, subject to refund. (Exh. 1, pgs. 8-9; Exh. 2, pgs. 8-9) TECO did not provide testimony on the status of its tariff filing.

The Energy Broker Network (EBN) is a mechanism for marketing non-firm, hourly, Schedule C, economy energy among participating Florida utilities. Other types of economy energy sales are made by Florida's utilities outside the EBN network. Prior to FERC Order 888, each peninsular Florida participant on the EBN used a consistent, "split-the-savings" methodology for pricing these economy energy sales.<sup>2</sup> This pricing methodology was described in each participating investor-owned utility's (IOU) economy coordination tariffs. The revenues resulting from these sales were treated in the same manner by each participating IOU. All costs and gains were flowed through the Fuel and Purchased Power Cost Recovery Clause (fuel clause). (Order No. PSC-98-0073-FOF-EI, pgs. 1-5) Gains on these sales were split 80%/20% between ratepayers and stockholders, pursuant to Order No. 12923, issued January 24, 1984, in Docket No. 830001-EU-B.

Prior to FERC Order 888, utilities did not separately identify transmission revenues associated with EBN transactions between adjoining utilities. As a result of the FERC requirement to unbundle transmission rates within economy energy sales, each IOU participating in the EBN implemented different pricing and/or cost recovery methods for EBN sales. (Order No. PSC-98-0073-FOF-EI, pg. 1) Staff raised four issues to address these varied treatments of EBN economy energy sales at the Prehearing Conference in this docket on February 5, 1997. Testimony was presented on these issues at the August 14-15, 1997, fuel adjustment hearing. The Office of Public Council (OPC) and the Florida Industrial Power Users Group (FIPUG) intervened in the proceeding.

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<sup>2</sup>Gulf Power Company (Gulf) is part of the Southern Company Corporate Power Pool and, while not a part of the Peninsular Florida EBN, makes economy sales on a "split-the-savings" basis. Gulf's parent company, Southern, also does not participate in the EBN. However, Gulf has applied the Commission's order in this docket, Order No. PSC-98-0073-EI, to all its economy sales. (Exh. 7, pgs. 4-6) Gulf also applies the 20 percent stockholder incentive, approved in Order No. 12923, to all its economy sales. (Exh. 2, pgs. 5,11) This will be discussed further in Issue 5.

On January 13, 1998, the Commission issued Order No. PSC-98-0073-FOF-EI, determining the appropriate treatment of transmission revenues and costs for broker, Schedule C, economy energy transactions. This order required that the gains from these sales should be, to the extent possible, the same before and after FERC Order No. 888. This would hold retail ratepayers harmless to the FERC Order. The order also required that any transmission revenues from these sales be credited to the fuel clause and allocated to the wholesale and retail jurisdictions based on energy, consistent with the normal procedure within the fuel adjustment clause.

On January 28, 1998, FPL and FPC filed Motions for Reconsideration of Order No. PSC-98-0073-FOF-EI and Requests for Oral Argument. Oral Argument was heard at the Commission's April 28, 1998, Agenda Conference. FPC requested that the Commission allocate the transmission revenues from EBN sales based on a transmission-related allocation factor, rather than an energy-related allocation factor, as required by the Order. FPL argued that the Commission's Order incorrectly implied jurisdiction over the pricing of wholesale sales.

On August 10, 1998, the Commission issued Order No. PSC-98-1080-FOF-EI, granting FPC's Motion for Reconsideration and clarifying the order to address FPL's jurisdictional concerns. An evidentiary hearing was held on February 12, 1999, concerning the appropriate method of allocation between retail and wholesale customers for transmission revenues associated with economy energy sales made over the EBN. FPL, FPC, Gulf, TECO, OPC, and FIPUG participated in the reconsideration hearing and filed post hearing statements and/or briefs.

**ISSUE 1:** Does the FERC require that revenue from non-firm transmission services subject to FERC jurisdiction be reflected as a revenue credit in the derivation of firm transmission service rates subject to FERC jurisdiction?

**STAFF RECOMMENDATION:** Yes. In general, the FERC requires that revenue from non-firm transmission services be reflected as a revenue credit in the derivation of firm transmission service rates. [HARLOW, BOHRMANN, WHEELER]

**POSITION OF PARTIES**

**FPC:** Yes. FERC's cost of service ratemaking practices have traditionally required the crediting of non-firm revenues on a functional basis to the fully allocated costs assigned to firm customers.

**FPL:** Yes.

**GULF:** Yes. The FERC included this requirement in both Order No. 888 and Order No. 888-A for transmission providers using annual system peak load pricing for their transmission services.

**TECO:** Yes.

**FIPUG:** No position.

**OPC:** All of the evidence presented on this issue supports the position that FERC does require non-firm transmission to be reflected as a revenue credit in the derivation of firm transmission rates.

**STAFF ANALYSIS:** According to testimony provided by FPC witness Wieland, FERC requires that revenues from non-firm transmission services (including EBN sales) be reflected as a revenue credit when firm transmission rates are established. (Tr. pg. 34) FPL, Gulf, TECO, and OPC concur with FPC's interpretation of the FERC requirement. (Tr. 12, 18, 19; Exh. 1, Interrogatories 11-12; Exh 2, Howell Deposition, pg. 7; Exh. 2, Interrogatory 8; TECO Br., pgs. 3-4) FIPUG took no position on this issue.

As noted by Gulf witness Howell, FERC's Order 888 states, "...revenue from non-firm [transmission] services should continue to be reflected as a revenue credit in the derivation of firm transmission tariff rates." (FERC Order 888, pg. 304; Tr. pgs. 18-19) Southern's Open Access Transmission Tariff complies with this

policy by crediting the most current non-firm transmission revenues against firm transmission costs in the annual determination of firm transmission rates. This procedure effectively lowers firm transmission rates for wholesale customers. Gulf witness Howell also noted that Southern's most recent annual determination of firm transmission rates included the crediting of non-firm transmission revenues. (Tr. pgs. 19-20) FPC witness Wieland testified that FPC has "always recognized revenues for non-firm transmission service as a credit in establishing its firm wholesale transmission rates." (Tr. pg. 34) Further, witness Wieland testified that in compliance with FERC Order 888, FPC's Open Access Transmission Tariff has separately identified transmission revenues from economy sales and credits these revenues in the determination of firm transmission rates. (Tr. pg. 34) FPL's Open Access Transmission Tariff also reflects the crediting of non-firm transmission revenues in the setting of firm transmission rates. (Exh. 1, pg. 9) As stated above, FERC has approved FPC's tariff filing but has not yet ruled on the filings of FPL and Southern. (Exh. 1, pg. 8; Exh. 2, pgs. 8-9) TECO did not provide testimony concerning the status of its tariff filing.

Staff agrees with FPC, FPL, Gulf, TECO, and OPC that the evidence presented on this issue supports the position that FERC requires revenue from non-firm transmission services subject to FERC jurisdiction to be reflected as a revenue credit in the derivation of firm transmission service rates. However, it is yet to be seen whether there will be exceptions to this FERC policy. For example, Gulf witness Howell stated that Southern currently has a verbal settlement agreement with the parties in Southern's Open Access Transmission Tariff docket, which does not provide for the crediting of these revenues. (Exh. 2, pg. 8) Under the settlement agreement, Southern's firm transmission rates will be fixed for an indeterminate period of time. If the settlement agreement is approved, the non-firm revenue credits will not be updated annually so long as the fixed transmission rate contemplated by the settlement agreement remains in effect. (Exh. 2, pg. 10) According to witness Howell, although FERC has not yet ruled on this settlement agreement, FERC's staff has agreed to the settlement agreement in principle. (Tr. pgs. 22-23)

**ISSUE 2:** How should the transmission revenues associated with economy transactions over the Energy Broker Network be allocated between the retail and wholesale jurisdictions?

**STAFF RECOMMENDATION:** Transmission revenues resulting from EBN economy transactions should be allocated using an energy-related allocation factor consistent with the normal procedure used in the fuel adjustment proceedings. [HARLOW, BOHRMANN, WHEELER]

**POSITION OF PARTIES**

**FPC:** FPC has for years consistently utilized a 12 CP methodology before the FERC and this Commission to establish jurisdictional transmission cost responsibility. A jurisdictional factor derived using this methodology should be used to allocate transmission revenues associated with economy transactions over the Energy Broker Network between the retail and wholesale jurisdictions.

**FPL:** For FPL, such transmission revenues should continue to be separated based on energy.

**GULF:** Given the Commission's prior decision to credit such transmission revenues through the fuel clause, a transmission-related separation factor based on coincident peak demand properly allocates transmission revenues between retail and wholesale jurisdictions. This is consistent with the allocation of transmission-related plant costs and O&M in Gulf's last rate case.

**TECO:** A jurisdictional factor derived using a 12 CP methodology based on transmission usage should be used to separate transmission revenues associated with economy transactions over the Energy Broker Network between the retail and wholesale jurisdictions.

**FIPUG:** Transmission revenues should be allocated on an energy basis.

**OPC:** Transmission revenue associated with economy sales made through the Energy Broker Network should be allocated on an energy separation basis.

**STAFF ANALYSIS:** FPC's Motion for Reconsideration is based on its contention that transmission revenues from EBN economy energy sales should be allocated using a transmission-related (demand-related) allocation factor. FPC argues that the Commission requirement to allocate these revenues based on energy places FPC in an inter-jurisdictional conflict which will result in an under-recovery for FPC. (Tr. pgs. 41-42) As discussed in Issue 1, FERC Order 888 requires that these non-firm transmission revenues be credited in the determination of firm transmission rates.

FPC uses a 12 coincident peak methodology to determine jurisdictional transmission cost responsibility. Based on this methodology, FPC's current transmission-related allocation is approximately 75% retail and 25% wholesale. FPC's current energy-related allocator is 95% retail and 5% wholesale. (Tr. pg. 41) As stated in FPC's Motion for Reconsideration:

Because of Order 888, Florida Power must credit its wholesale customers with a share of transmission revenues from economy sales equal to the share of transmission cost responsibility supported by its wholesale business, *i.e.* 25%. If Florida Power must also credit 95% of the same transmission revenues to its retail fuel clause because of the retail class's unrelated energy cost responsibility, it will obviously be forced to credit more revenues than it receives.

FPC further argues that allocating these transmission revenues based on energy does not adequately compensate wholesale customers for their support of the transmission investment used in making these sales. FPC points out that its wholesale customers support 25% of its investment in transmission assets. Allocating these revenues based on energy will only allocate 5% of these revenues to wholesale customers. (FPC Br. pgs. 2-3)

TECO agrees with FPC that allocating these transmission revenues based on energy will conflict with FERC Order 888. TECO further agrees that this policy will not properly compensate wholesale customers for their contribution to the transmission assets used to make these economy energy sales. Therefore, TECO agrees with FPC that these revenues should be allocated based on a transmission-related allocations factor. (TECO Br. pgs. 3-4)

FPL and Gulf agree with FPC and TECO in principle. However, FPL and Gulf believe that due to the costs involved in implementing the change and the lack of potential benefits, it is not practical to allocate these revenues based on a transmission-related allocations factor. (Tr. pgs. 12-13; Gulf Br. pgs. 3-4) Therefore, FPL and Gulf believe that an energy-related allocator should be used as required by Order No. PSC-98-0073-FOF-EI. (Tr. pgs. 12-13; Gulf Br. pgs. 3-4) OPC and FIPUG agree that the transmission revenues from EBN sales should continue to be allocated based on energy. (OPC Br. pgs. 1-2; FIPUG Br. pgs. 1-2)

Staff agrees with FPL, Gulf, OPC, and FIPUG for the following reasons:

1. Commission Order Nos. PSC-98-0073-FOF-EI and PSC-98-1080-FOF-EI required that, to the extent possible, the gains on adjoining utility broker sales remain the same subsequent to the FERC unbundling requirement. As discussed in Order No. PSC-98-0073-FOF-EI, buy and sell quotes on the EBN were based on incremental system costs and any applicable variable O&M costs prior to FERC Order 888. Transmission costs were not included in EBN quotes. The gain from these sales was defined as revenues from the sale, minus incremental system costs and any variable O&M costs. This gain was split 80%/20% between ratepayers and stockholders pursuant to Order No. 12923, issued January 24, 1984. Subsequent to FERC Order 888, FPC and TECO identified a portion of the existing gain from EBN sales as transmission revenues. FPC and TECO are not charging an additional transmission charge for transmission on EBN transactions. FPL is charging an additional transmission charge which is effectively split with the buyer. While Gulf does not participate in the EBN, Gulf has added a separate transmission charge on economy sales made under existing economy coordination agreements.

Due to the potential for gaming the 20 percent stockholder incentive provided in Order No. 12923 and the fact that FERC Order 888 imposed no additional transmission costs, the Commission attempted "to maintain the level of gains the same as before FERC Order 888 [to] hold ratepayers harmless to the FERC order..." (Order No. PSC-98-0073-FOF-EI, pg. 6) The Order defined the gain on each sale as "the total revenue minus incremental system costs and any transmission charge which is separately billed to the buyer. This is split 80%/20% between ratepayers and shareholders." (Order No. PSC-98-0073-FOF-EI, pg. 6)

As was the case prior to FERC Order 888, Order No. PSC-98-0073-FOF-EI requires that the incremental system costs and gains on EBN sales flow through the fuel clause and be allocated based on energy. FPC believes that the seller's transmission revenues should be separated by a transmission-related separations factor. However, because FPC is not charging an additional transmission charge on these sales, this would reduce the credit to retail customers through the fuel clause. (Tr. pgs. 45, 46, 54) Staff believes that it is technically correct to allocate these transmission revenues based on a transmission-related separations factor. However, this would reduce the credit to ratepayers through the fuel clause and therefore conflict with the Commission's order to maintain the level of gains on these sales and hold ratepayers harmless to FERC Order 888.



2. The dollar impact of using a transmission-related allocation factor is minimal. FPC states that the requirement of Order No. PSC-0073-FOF-EI to allocate these transmission revenues based on energy could result in an under-recovery for FPC, due to a conflict with FERC's requirement to credit 25% of these revenues in the determination of firm transmission rates. (Tr. pg. 42) According to FPC's calculations, there would be a \$16,215 reduction in the credit to retail customers through the fuel adjustment clause for the period April 1998 through September 1998, if FPC's proposed separations methodology is used. (Exh. 6, pg. 21) Therefore, any under-recovery due to an inter-jurisdictional conflict will be minimal. FPC witness Wieland acknowledged that this sum is immaterial to FPC. (Tr. pg. 44)

The dollar impact of FPC's proposed change in allocation methodology is even smaller for FPL and Gulf. FPL calculated the reduction in the credit to retail ratepayers as approximately \$3,000 for 1998. (Exh. 1, pg. 10) Gulf calculated the reduction in the retail credit as \$1,392 for the period January, 1997 through August 1998.<sup>3</sup> (Exh. 7, pg. 7) TECO did not provide testimony concerning the dollar impact of implementing FPC's proposed change in allocation methodology.

The dollar impact of using a transmission-related allocation factor is highest for FPC because there is a 20 percentage point difference between FPC's transmission-related allocation factor of 75% and energy-related allocation factor of 95%. (Tr. pgs. 41-42) However, for each of the other utilities, the transmission-related and energy-related allocation factors are very similar, with a differential of approximately one-half of a percentage point. For example, FPL calculated its energy-related and transmission-related allocation factors for 1998 as 98.56% and 98.05%, respectively. (Exh. 1) Therefore, transmission revenues from EBN sales would have to be very large for there to be a significant dollar impact on the retail credit for FPL.

Further, utilities have increased their efforts to make more economy energy sales outside the EBN. (Tr. pgs. 67-68) For example, FPC witness Wieland stated that four years ago, 90% of FPC's economy sales were made on the EBN, while today approximately 90% of FPC's economy sales are made outside the EBN. (Tr. pg. 68) Sales on the EBN have declined dramatically over the last several years, from a peak of 4.4 million Mwh in 1988, to 1.1 million Mwh in 1998. (Exh. 6, pg. 6) Staff believes this trend will continue. Therefore, staff expects that the dollar impact of allocating the

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<sup>3</sup>This calculation includes all economy sales made by Gulf. This will be discussed further in Issue 5.

transmission revenues from EBN sales based on transmission rather than energy will be further reduced over time.

3. There are administrative costs involved in using a transmission-related allocation factor. All four utilities stated that using a transmission-related allocation factor would require changes to the A and/or E schedules filed by each of the utilities in the Commission's fuel adjustment proceedings. (Exhs. 1, 2, 3, 6) FPL witness Dubin stated that these changes would require approximately 40 hours of programming time. (Exh. 1, pgs. 7-8) Gulf estimated programming time at several days. Gulf witness Ritenour also stated that there would be ongoing costs due to the increased complexity of the schedules. (Exh. 7, pgs. 14-16) FPC witness Wieland testified that these costs are insignificant, involving perhaps an hour of employee time. (Tr. pg. 69) TECO provided no estimate of the costs involved in making these changes. Staff believes that the administrative costs involved in changing the schedules and the added complexity are unnecessary, given the minimal potential benefits.

4. The allocation methodology should be consistent across utilities. Staff considered the option of allowing FPL and Gulf to continue using an energy-related allocation factor and allowing FPC and TECO to use a transmission-related allocation factor. However, staff believes that for administrative simplicity purposes, the allocation methodology should be consistent among the utilities. Absent some compelling reason, staff believes the same revenues should be treated in the same manner among the utilities. Gulf believes that the Commission should use its discretion to authorize the use of a transmission-related allocations factor for those individual utilities that can demonstrate that this is appropriate. (Gulf Br. pg. 3) However, FPC witness Wieland agreed that the allocation methodology should be consistent among the utilities. (Tr. pgs. 43-44) Using one methodology is also consistent with the Commission's original decision in this docket to keep the gains at the same level after FERC Order 888.

#### Additional Concerns

After the Commission granted FPC's Motion for Reconsideration, the parties and staff clarified the phrase, "economy, Schedule C, broker sales," to include only "economy transactions over the EBN." During the discovery phase of this proceeding, however, staff realized that inconsistencies exist among the utilities with respect to the regulatory treatment of revenues derived from economy sales made outside the EBN. (Exh. 1, pg. 11; Exh. 6, pgs. 13-18) For example, FPC's Schedule OS, or Opportunity Sales, have a separately billed transmission charge. For FPC, this transmission revenue is "...recognized in jurisdictional

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surveillance earnings, or is recognized in establishing base rates when there is a rate proceeding." (Exh. 6, pgs. 17-18) However, FPL credits the transmission revenue from Schedule OS sales to the Capacity Cost Recovery Clause. (Exh. 1, pg. 16) Staff anticipates conducting further discovery in the ongoing fuel adjustment docket about the inconsistent regulatory treatment of these revenues and may raise specific issues in subsequent fuel adjustment proceedings.

**ISSUE 3:** How should Florida Power Corporation allocate transmission revenues associated with economy transactions over the Energy Broker Network between the retail and wholesale jurisdictions?

**STAFF RECOMMENDATION:** Transmission revenues resulting from EBN economy transactions made by Florida Power Corporation with adjoining utilities should be allocated using an energy-based allocator, consistent with the normal procedure used in the fuel adjustment proceedings.[HARLOW, BOHRMANN, WHEELER]

**POSITION OF PARTIES**

**FPC:** For sales under existing economy sales agreements (*i.e.* entered before Order 888), where revenues have simply been unbundled into generation and transmission components, the appropriate jurisdictional portions of both the generation and transmission components of economy sales should be treated as a credit to the retail customer's fuel charge.

**FPL:** Not applicable.

**GULF:** No position.

**TECO:** No position.

**FIPUG:** Transmission revenues should be allocated on an energy basis. FPC has shown no compelling reason to make a change in the current allocation.

**OPC:** Transmission revenue associated with economy sales made through the Energy Broker Network should be allocated on an energy separation basis.

**STAFF ANALYSIS:** Staff disagrees with FPC that the transmission revenues associated with EBN sales should be allocated based on a transmission-related allocation factor. As discussed in Issue 2, staff believes that for administrative simplicity purposes and to maintain a consistent policy among the utilities, these revenues should be allocated based on energy. OPC and FIPUG agree with staff's position. FPL, Gulf, and TECO took no position on this issue.

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**ISSUE 4:** How should Florida Power & Light allocate transmission revenues associated with economy transactions over the Energy Broker Network between the retail and wholesale jurisdictions?

**STAFF RECOMMENDATION:** Transmission revenues resulting from EBN economy transactions made by Florida Power & Light Company with adjoining utilities should be allocated using an energy-based allocator, consistent with the normal procedure used in the fuel adjustment proceedings. [HARLOW, BOHRMANN, WHEELER]

**POSITION OF PARTIES**

**FPC:** No position.

**FPL:** For FPL such transmission revenues should continue to be allocated between the retail and wholesale jurisdictions based on energy.

**GULF:** No position.

**TECO:** No position.

**FIPUG:** Transmission revenues should be allocated on an energy basis. FPL is not seeking any change in the methodology.

**OPC:** Transmission revenue associated with economy sales made through the Energy Broker Network should be allocated on an energy separation basis.

**STAFF ANALYSIS:** As discussed in Issue 2, FPL agrees with staff that for administrative simplicity purposes, the transmission revenues associated with EBN transactions should continue to be allocated based on energy, under the normal procedure of the fuel clause. OPC and FIPUG concur with FPL and staff. FPC, Gulf, and TECO took no position on this issue.

**ISSUE 5:** How should Gulf Power Company allocate transmission revenues associated with economy transactions over the Energy Broker Network between the retail and wholesale jurisdictions?

**STAFF RECOMMENDATION:** Gulf makes no sales over the EBN. However, Gulf does make other economy sales and retains 20% of the gain. Gulf should continue allocating the transmission revenues associated with these economy transactions based on energy. [HARLOW, BOHRMANN, WHEELER]

**POSITION OF PARTIES**

**FPC:** No position.

**FPL:** Not applicable.

**GULF:** For administrative simplicity, Gulf proposes to allocate transmission revenues flowed through the fuel clause based on energy sales adjusted for line losses, as it has been doing for transmission revenues related to economy sales effective January 1997, pursuant to FPSC Order No. PSC-98-0073-FOF-EI dated January 13, 1998.

**TECO:** No position.

**FIPUG:** Transmission revenues should be allocated on an energy basis. Gulf is not seeking any change in the methodology and in fact, says that such a change would impose needless expense.

**OPC:** Transmission revenue associated with economy sales made through the Energy Broker Network should be allocated on an energy separation basis.

**STAFF ANALYSIS:** Neither Gulf nor Southern make economy transactions over the EBN. (Exh. 2, pg. 4) However, Gulf does make economy energy sales outside the EBN and retains 20% of the gains. Subsequent to Order No. PSC-98-0073-FOF-EI, Gulf began crediting transmission revenues from all its economy energy sales to the fuel clause and allocating these revenues based on energy. Gulf applied this treatment to all such gains made since January 1997, according to Gulf's interpretation of the Order. For the period January 1997 through August 1998, the total transmission revenues from Gulf's economy sales which were credited to the fuel clause was \$542,851. Prior to the Commission's order, Gulf credited these transmission revenues to operating revenues. (Exh. 7, pgs. 4-6)

Staff became aware of an additional related concern during the discovery process in this proceeding. Gulf applies the 20%

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stockholder incentive approved by Order No. 12923, issued January 24, 1984, to all its economy sales, including split-the-savings and market-priced economy transactions. (Exh. 2, pgs. 5, 11) However, FPL and FPC believe that the 20% incentive is applicable to only those split-the-savings type economy sales transacted over the EBN (Exh. 1, pg. 14; Exh. 6, pgs. 12-13).

Staff believes that Gulf's interpretation of both Commission orders to include all of Gulf's economy sales requires further review which is beyond the scope of this reconsideration. Staff anticipates further discovery concerning these issues as a part of the next scheduled fuel hearing. Staff recommends that Gulf continue allocating these transmission revenues based on energy at this time.

**ISSUE 6:** How should Tampa Electric Company allocate transmission revenues associated with economy transactions over the Energy Broker Network between the retail and wholesale jurisdictions?

**STAFF RECOMMENDATION:** Transmission revenues resulting from EBN economy transactions made by Tampa Electric Company with adjoining utilities should be allocated using an energy-based allocator, consistent with the normal procedure used in the fuel adjustment proceedings. [HARLOW, BOHRMANN, WHEELER]

**POSITION OF PARTIES**

**FPC:** No position.

**FPL:** Not applicable.

**GULF:** No position.

**TECO:** Tampa Electric should use a jurisdictional factor derived using a 12 CP methodology based on transmission usage to separate transmission revenues associated with economy transactions over the Energy Broker Network between the retail and wholesale jurisdictions.

**FIPUG:** Transmission revenues should be allocated on an energy basis.

**OPC:** Transmission revenue associated with economy sales made through the Energy Broker Network should be allocated on an energy separation basis.

**STAFF ANALYSIS:** Staff disagrees with TECO that transmission revenues associated with EBN economy energy sales should be allocated based on a transmission-related allocation factor. As discussed in Issue 2, to maintain a consistent allocation policy across utilities and for administrative simplicity purposes, the transmission revenues associated with EBN transactions should be allocated based on energy, under the normal procedure of the fuel clause. OPC and FIPUG concur with staff. FPC, FPL, and Gulf took no position on this issue.



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**ISSUE 7**: Should this docket be closed?

**STAFF RECOMMENDATION**: No. This is an ongoing docket. [C. KEATING]

**STAFF ANALYSIS**: This is an ongoing docket. It should remain open to conduct regularly scheduled hearings, audits and other matters, as necessary.