

**Diamond Williams**

100001-EI

**From:** Patrick Wiggins [wigglaw@gmail.com]  
**Sent:** Monday, September 27, 2010 4:48 PM  
**To:** Filings@psc.state.fl.us  
**Subject:** electronic filing  
**Attachments:** affirm prelim issues.doc

Electronic Filing

a. Person responsible for this electronic filing:

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b. Docket No. 1000001-EI Fuel and purchased power recovery clause with generating performance incentive factor.

c. Documents are being filed on behalf of AFFIRM.

d. There are a total of 4 pages in the attached document..

e. The document is AFFIRM'S PRELIMINARY LIST OF ISSUES AND POSITIONS.

Copies provided to parties of record in separate transmittal.

Thank you,  
Patrick K. Wiggins  
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DOCUMENT NUMBER 100001-EI  
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9/28/2010

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost  
recovery clause with generating  
performance incentive factor.

DOCKET NO. 100001-EI

FILED: September 22, 2010

**AFFIRM'S PRELIMINARY LIST OF ISSUES AND POSITIONS**

AFFIRM hereby files its Preliminary List of Issues and Positions.

**TENTATIVE LIST OF ISSUES**

With respect to the tentative list of issues identified in Order No. PSC-10-0154-PCO-EI, AFFIRM takes no position.

**ADDITIONAL ISSUES**

**Florida Power & Light Company**

ISSUE 2C: Whether the time-of-use rate components of the Fuel Cost Recovery (FCR) for the regulated electric utilities in Florida are appropriately structured and determined?

AFFIRM Position: No, they are not. The On-Peak and Off-Peak periods for FCR time-of-use components of Florida's regulated electric utilities are based on the On-Peak and Off-Peak periods established for purposes of base rates, but there is no evidence in this proceeding of a correlation between the On-Peak and Off-Peak base rate periods and the level of fuel-related costs incurred in different periods. The arbitrary determination of On-Peak and Off-Peak periods for application of FCR rates is unjust and unreasonable because such determination fails to satisfy the two objectives of time-of-use rates, the matching of revenues with associated costs and the availability of effective price signals.

ISSUE 2D: Whether the Fuel Cost Recovery (FCR) rates should be revised for all consumers served by Florida's regulated electric utilities in a manner whereby an FCR rate for the Summer Months is determined and applied to energy consumption during the Summer Months and a different FCR rate for the Winter Months is discretely determined and applied to energy consumption during the Winter Months?

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**AFFIRM Position:** Yes, a separate and different FCR rate component for the Summer Months versus the Winter Months should apply to all electric consumers. An analysis of the periodic fuel-related costs of Florida's regulated electric utilities shows that the average hourly fuel costs during the Summer Months are materially higher than the average hourly fuel costs during the Winter Months. The use of the same FCR rate component for the entire year is unfair because it rewards customers with summer energy consumption that is higher than the utilities as a whole, and because it penalizes customers with winter energy consumption that is higher than the utilities as a whole. In addition, different and separate FCR rates for summer versus winter energy consumption will provide a better price signal to customers and will lead to greater economic efficiency in the employment of generating resources.

**ISSUE 2E:** Whether the Fuel Cost Recovery (FCR) rate components of time of use rates offered by the regulated electric utilities in Florida should be revised in a manner that better aligns the recovery of fuel-related revenues from those electric consumers who are responsible for causing the fuel-related costs to be incurred?

**AFFIRM Position:** Yes, the FCR components should be revised. The foundation for rate-making in rate regulated utilities is cost-of-service, which is designed to analyze the underlying causes of all costs and to place those costs as effectively as possible on the consumers that are responsible for such costs. Rates that place more fuel related costs on a customer or customer class than that customer or customer class is causing are unfair and discriminatory. The Commission should design fuel-related rates such that the burden of revenues is aligned as closely as possible with cost causation. For customers served under TOU rates, the matching of revenues and costs requires that FCR rate components recognize not only differences in seasonal fuel costs, but also variances in fuel costs that occur throughout the day.

**ISSUE 2F:** Whether the Fuel Cost Recovery (FCR) rate components of time of use rates offered by Florida's regulated electric utilities should be revised in a manner that results in valid and effective price signals that will in turn provide an incentive for electric consumers to modify their usage of electric energy in order to save on electric costs?

**AFFIRM position:** Yes, because valid and effective price signals, and the ability of customers to react to such price signals, are essential to the economically efficient operation of generating resources and other utility assets. Across the United States, it can be seen that electric consumers will respond to price signals by shaving peak usage or shifting energy usage from a relatively higher cost period to a relatively lower cost period. The existing time of use rates offered by Florida's regulated electric utilities do not embody an effective or appropriate price signal. The promotion of appropriate cost-driven price signals as a means to achieve a greater level of economic efficiency is a national energy objective as set forth in Section 1252 of the Energy Policy Act of 2005.

AFFIRM reserves the right to add issues up to and during the Prehearing Conference.

Dated this 27th day of September, 2010.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of AFFIRM's preliminary list OF issues and positions was furnished to the following, by electronic on this 28<sup>th</sup> day of September, 2009:

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