

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and Purchased Power)	DOCKET NO. 890001-EI
Cost Recovery Clause and Generating)	ORDER NO. 22058
Performance Incentive Factor.)	ISSUED: 10-16-89
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The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman
 JOHN T. HERNDON
 THOMAS M. BEARD

ORDER APPROVING GPIF TARGETS, RANGES, AND REWARDS;
PROJECTED EXPENDITURES AND TRUE-UP AMOUNTS
FOR OIL BACKOUT COST RECOVERY FACTORS;
AND PROJECTED EXPENDITURES AND TRUE-UP AMOUNTS FOR
FUEL ADJUSTMENT FACTORS

BY THE COMMISSION:

As part of this Commission's continuing fuel cost recovery, oil backout cost recovery, conservation cost recovery, and purchased gas cost recovery proceedings, a hearing was held on August 22nd and 23rd, 1989 in this docket and in Dockets No. 890002-EG, 890003-GU, and 890148-EI. The following subjects were noticed for hearing:

1. Determination of the Proposed Levelized Fuel Adjustment Factors for all investor-owned utilities for the period October, 1989 through March, 1990;
2. Determination of the Estimated Fuel Adjustment True-Up Amounts for all investor-owned electric utilities for the period April, 1989 through September, 1989, which are to be based on actual data for the period April, 1989 through May, 1989, and revised estimates for the period June, 1989 through September, 1989;

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3. Determination of the Final Fuel Adjustment True-Up Amounts for all investor-owned electric utilities for the period October 1988 through March, 1989, which are to be based on actual data for that period;
4. Determination of the Projected Conservation Cost Recovery Factors for certain investor-owned electric and gas utilities for the period October, 1989 through March, 1990;
5. Determination of the Estimated Conservation True-Up Amounts for certain investor-owned electric and gas utilities for the period April, 1989 through September, 1989, which are to be based on actual data for the period April, 1989 through May, 1989, and revised estimates for the period June, 1989 through September, 1989;
6. Determination of the Final Conservation True-Up Amounts for certain investor-owned electric and gas utilities for the period October, 1988 through March, 1989, which are to be based on actual data for that period;
7. Determination of any Projected Oil Backout Cost Recovery Factors for the period October, 1989 through March, 1990, for the cost of approved oil backout projects to be recovered pursuant to the provisions of Rule 25-17.16, Florida Administrative Code;
8. Determination of the Estimated Oil Backout Cost Recovery True-Up Factors for the period April, 1989 through September, 1989, for the costs of approved oil backout projects to be recovered pursuant to the provisions of

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Rule 25-17.16, Florida Administrative Code, which are to be based on actual data for the period April, 1989 through May, 1989, and revised estimates for the period June, 1989 through September, 1989;

9. Determination of the Final Oil backout True-up Amounts for the period October, 1988 through March, 1989, which are to be based on actual data for that period;
10. Determination of Generating Performance Incentive Factor Targets and Ranges for the period October, 1989 through March, 1990;
11. Determination of Generating Performance Incentive Factor Rewards and Penalties for the period October, 1988 through March, 1989; and
12. Determination of the Purchased Gas Adjustment True-Up Amounts for the period October, 1988 through March, 1989, to be recovered during the period October, 1989 through March, 1990.

PROCEDURAL MATTERS

The utilities submitted testimony and exhibits in support of their proposed fuel adjustment true-up amounts, fuel cost recovery factors, generating performance incentive factors, oil backout true-up amounts and cost recovery factors. Several issues were deferred as noted herein, and one issue, relating to Florida Power & Light Company's ("FPL's") replacement fuel costs for outages at its Turkey Point nuclear units, was set for a separate hearing on September 15, 1989, due to the illness of FPL's witness.

At the hearing, FPL's witness, Mr. Donald L. Babka, testified that FPL used a 15.6% return on the equity portion of its capital invested in the 500 kV transmission project which

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is recovered through the oil backout cost recovery factor. Rule 25-17.016(4)(e), Florida Administrative Code, requires the utility to use its actual cost of capital for the recovery period of the oil backout project. FPL has interpreted "the actual cost of capital" with respect to the return on equity to mean the return on equity that was authorized in the utility's last rate case, which was 15.6%. Mr. Jeffrey Pollock, appearing on behalf of the Florida Industrial Power User's Group ("FIPUG") in Docket No. 890148-EI (consolidated for hearing with this docket) testified that a 15.6% return on equity does not represent the actual cost associated with the oil backout project.

In the absence of cost of equity testimony, we find that the 13.6% equity return agreed to by FPL in 1987, 1988, and 1989 (in Orders No. 17126, No. 18340, and 20451) more closely approaches FPL's actual cost of equity than does the 15.6% return authorized in its last rate case. Therefore, we reconsidered our earlier vote on FPL's oil backout issues, and the authorized projected oil backout cost recovery factor for FPL during the period October, 1989 through March, 1990 reflects a 13.6% return on equity.

Generating Performance Incentive Factor (GPIF)

There was no controversy among the parties at this hearing as to either the appropriate GPIF rewards or the proposed GPIF targets/ranges for the period October, 1988 through March, 1989. Staff, the Office of Public Counsel, and the utilities stipulated that the following amounts should be the GPIF rewards for that period:

FPC:	\$940,799 Penalty
FPL:	\$373,685 Penalty
GULF:	\$102,569 Reward
TECO:	\$448,797 Penalty

The parties also stipulated to targets and ranges for the period October, 1988 through March, 1990. A complete list of the utilities' targets and ranges is set forth on Appendix "A" to this order.

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Having reviewed the stipulations as discussed above, we find that they should be approved.

Oil Backout Cost Recovery Factor

In related Docket No. 890148-EI, the Florida Industrial Power Users Group ("FIPUG") challenged FPL's oil backout cost recovery for two 700 MW coal-fired Martin units. Our decision in that docket could affect FPL's oil backout cost recovery, so we therefore approve FPL's final, estimated, and total oil backout true-up amounts and oil backout cost recovery factor, subject to our pending decision in Docket No. 890148-EI.

We find the proper final oil backout true-up amount for the October, 1988 through March, 1989 period to be \$5,649,478 underrecovery for FPL, and \$348,671 underrecovery for TECO. The estimated oil backout true-up amount for the period April, 1989 through September, 1989 is \$5,420,056 overrecovery for FPL and \$99,809 underrecovery for TECO. The total oil backout true-up amount to be collected during the period October, 1989 through March, 1990 is \$229,422 underrecovery for FPL and \$448,480 underrecovery for TECO. Finally, we find the proper projected oil backout cost recovery factor for the period October, 1989 through March, 1990 to be 0.660¢ per KWH for FPL and 0.144 cents per KWH for TECO.

Fuel Adjustment Factors

In addition to the generic fuel adjustment issues usually considered in connection with this docket, issues were raised specific to Florida Power Corporation ("FPC"), FPL, and Gulf Power Company ("Gulf"). Our decision as to the fuel adjustment amounts and factors for these utilities is subject to change based on our decision on the following issues, which were deferred for later decision:

9. ISSUE: Under the cost-plus arrangement between Electric Fuels Corporation and FPC, are the costs included as EFC overhead in "cost and the investment base to which EFC's return on equity is applied in the 'plus' component reasonable and properly included

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in the cost of coal charged to FPC's customers?

10. ISSUE: Is it appropriate for FPC to recover replacement fuel cost for the Crystal River Unit 3 outages?
11. ISSUE: Is it appropriate for FPL to recover replacement fuel cost for the Turkey Point Unit 3 shutdown and the Turkey Point Unit 4 extended refueling outages?
13. ISSUE: Should Gulf Power be required to dispatch its system on the incremental price of fuel, as defined in Order No. 19548?
14. ISSUE: Was Gulf's decision to sell the Plant Daniel steel railcars in the best interest of Gulf Power's ratepayers, and at the best price obtainable?
15. ISSUE: Was the sale of the Plant Daniel steel railcars appropriately accounted for on the books and records of Gulf Power Company?
16. ISSUE: Was Gulf's decision to lease the aluminum railcars to transport Plant Daniel coal prudent and in the best interest of Gulf Power's ratepayers?
17. ISSUE: Are the expenses related to the lease of the aluminum railcars appropriately accounted for, and are they appropriate for recovery through fuel adjustment?

The appropriate final fuel adjustment true-up amounts for the period October, 1988 through March, 1989 are as follows:

FPC: \$5,906,523 underrecovery
FPL: \$36,107,659 underrecovery

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FPUC: \$310,444 overrecovery (Marianna division)
\$386,144 underrecovery (Fernandina Beach
division)
GULF: \$19,344 underrecovery
TECO: \$1,244,598 underrecovery

The estimated fuel adjustment true-up amounts for the period April, 1989 through September, 1989 are as follows:

FPC: \$18,677,419 underrecovery
FPL: \$31,802,819 underrecovery
FPUC: \$999 underrecovery (Marianna division)
\$128,293 underrecovery (Fernandina Beach
division)
GULF: \$702,024 underrecovery
TECO: \$4,750,934 overrecovery

The total fuel adjustment true-up amounts to be collected during the period October, 1989 through March, 1990 are as follows:

FPC: \$24,583,942 underrecovery
FPL: \$67,910,478 underrecovery
FPUC: \$309,445 overrecovery (Marianna division)
\$514,437 underrecovery (Fernandina Beach
division)
GULF: \$721,368 underrecovery
TECO: \$3,506,336 overrecovery

Finally, the appropriate levelized fuel cost recovery factors for the period October, 1989 through March, 1990 are as follows:

FPC: 2.458 ¢/KWH
FPL: 1.970 ¢/KWH for non-time differentiated rates
2.160 ¢/KWH for on-peak periods
1.895 ¢/KWH for off-peak periods
FPUC: 2.698 ¢/KWH excluding demand related recovery
(Marianna division)
6.331 ¢/KWH (Fernandina Beach division)
GULF: 2.121 ¢/KWH before line loss adjustment
TECO: 2.304 ¢/KWH before line loss adjustment

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The above factors should be effective beginning with the specified fuel cycle and thereafter for the period October, 1989 through March, 1990. Billing cycles may start before October 1, 1989, and the last cycle may be read after March 31, 1990, so that each customer is billed for six months regardless of when the adjustment factor became effective.

Each utility proposed fuel recovery loss multipliers to be used in calculating the fuel cost recovery factors charged to each rate class, which are shown in Appendix "B", attached hereto. We find that the proposed multipliers are appropriate and should be approved. The utilities have further proposed fuel cost recovery factors for each rate group, adjusted for line losses, which are shown in Appendix "C", attached hereto. We find that the proposed factors are appropriate, and should be approved.

The final fuel adjustment issue deals with coal benchmark and market price calculations. The parties stipulated that coal benchmark and market price calculations be based upon calendar year data, to be reviewed by the Commission each August. TECO's latest Market Based Coal Calculation and derivative calculations were based upon Bureau of Mines District Data for Coal Index Value at March 31, 1989, rather than December 31, 1988. The calculation compares current coal prices to the previously established benchmark, which was based upon data for the year ended December 31, 1987. Data for the previous calendar year will have been audited by the August fuel hearings. Further, most coal contracts are based on a calendar year. Therefore, calendar year-end data should be used when calculating the benchmark.

Finally, the parties stipulated to a benchmark price for Gatliff Blue Gem coal of \$38.47 per ton, plus or minus 5%. Document No. 1 (page 2 of 2) produced by TECO's witness, Mr. W.N. Cantrell, indicated that the FOB mine price of this coal was \$38.83 per ton, which is within the indicated range of reasonableness. The parties further stipulated to a benchmark price for waterborne transportation of coal to Tampa of \$20.78 per ton. The document also indicated the weighted average transportation price per ton as \$16.93, which is under the benchmark price.

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In consideration of the above, it is

ORDERED that the findings set forth in the body of this Order are hereby approved. It is further

ORDERED that the stipulations set out in the body of this Order are approved. It is further

ORDERED by the Florida Public Service Commission that the investor-owned electric utilities subject to our jurisdiction are hereby authorized to apply the fuel cost recovery factors set forth herein during the period of October, 1989 through March, 1990, and until such factors are modified by subsequent Order. It is further

ORDERED that the estimated true-up amounts contained in the above fuel cost recovery factors are hereby authorized subject to final true-up, and further subject to proof of the reasonableness and prudence of the expenditures upon which the amounts are based. It is further

ORDERED that the Generating Performance Incentive Factor rewards stated in the body of this Order shall be applied to the projected levelized fuel adjustment factors for the period of October, 1989 through March, 1990. It is further

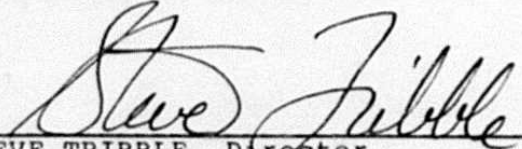
ORDERED that the targets and ranges for the Generating Performance Incentive Factors set forth herein are hereby adopted for the period of October, 1989 through March, 1990. It is further

ORDERED that the investor-owned electric utilities subject to our jurisdiction are hereby authorized to apply the Oil Backout Cost Recovery Factors set forth on herein during the period October, 1989 through March, 1990 and until such factors are modified by subsequent Order. It is further

ORDERED that the estimated true-up amounts included in the above Oil Backout Cost Recovery Factors are hereby authorized subject to final true-up, and further subject to proof of the reasonableness and prudence of the expenditures upon which the amounts are based.

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By ORDER of the Florida Public Service Commission
this 16th day of OCTOBER, 1989.


STEVE TRIBBLE, Director
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.