



ORIGINAL

**Florida  
Power**  
CORPORATION

**JAMES A. MCGEE**  
SENIOR COUNSEL

March 30, 1998

Leslie Paugh, Esquire  
Division of Legal Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

RE: Docket No. 980269-PU

Dear Ms. Paugh:

Enclosed herein please find Florida Power Corporation's Post-Workshop  
Comments.

Very truly yours,

*James A. McGee*  
James A. McGee

JAM/kp  
Enclosures

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FLORIDA POWER CORPORATION'S  
POST-WORKSHOP COMMENTS

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Florida Power supports the proposed change of the fuel adjustment proceeding to an annual, calendar year cycle, consistent with the Time Line contained in Staff's workshop handout. Florida Power also supports compatible changes to the ECCR and other cost recovery proceedings necessary for their conversion to a calendar year cycle (Florida Power is not a party to the 03 and 07 dockets). To minimize the possible need for an additional ECCR hearing in February 1999, Florida Power suggests consideration be given to initiating the required rulemaking now, with final action scheduled after the Commission's decision in this docket.

By way of further comment, Florida Power offers the following responses to the questions posed in Staff's workshop handout.

- Q1 Based upon historical data over the past 10 years, what impact would a Commission decision have on the size of the utility's over/under recovery?
- A1 As shown on the attached table, the difference between actual and estimated costs since 1989 (measured by the standard deviation) would have been lower utilizing an annual fuel adjustment cycle. This analysis suggests that the causes of cost variances (e.g. weather, fuel prices, unit availability) tend to average out over the longer period.
- Q2 If the Commission adopts an annual hearing for the fuel clause and the environmental clause, should the Commission revise its 10 percent threshold as the basis to request a mid-course correction?
- A2 No. While an annual cycle suggests the possibility of a higher over/under recovery in absolute dollars, it also provides a longer period of time over which to recover/refund the variance.
- Q3 During the past 10 years, how frequently would the utility have requested approval for a mid-course correction based on a 10 percent threshold?
- A3 Based on the analysis described in A1 above, it appears Florida Power would have requested no more, and probably less, mid-course corrections utilizing an annual fuel adjustment cycle.

- Q4 It has been suggested that a utility could submit interim petitions between hearings for special or unanticipated issues. What threshold level of costs would cause a change in the fuel factor?
- A4 Florida Power believes that no threshold for interim petitions should be established. The special or unanticipated issues subject to an interim petition could conceivably seek a Commission ruling on the recoverability of certain types of costs or the treatment of certain costs, as opposed to the magnitude of costs, and may not involve any change in the fuel factor.
- Q5 It has also been suggested that an annual fuel factor would provide a utility's customers with a greater level of certainty about fuel costs. Over the past 12 months, how many customers have expressed this concern?
- A5 Although Florida Power does not log customer inquiries in this manner, larger commercial and industrial customers have frequently asked for annual fuel charge information in conjunction with their budgeting activities.
- Q6 If the Commission adopts an annual hearing for the fuel clause and environmental clause, would the utility change any of its forecasting models, methodologies, assumptions, or data sources?
- A6 In Florida Power's case, no.
- Q7 Which form modifications would be necessary to accommodate the change to an annual hearing?
- A7 Any changes to the forms should be minimal. Existing forms could be maintained by dividing the year into two six-month periods.
- Q8 What are the expected advantages and saving of conducting cost recovery hearing on an annual basis?
- A8 The primary advantages of an annual vs. six-month cycle are:
- Significant savings in time spent preparing one filing instead of two. Costs will be cut in half because a twelve-month filing will take no more time to prepare than a six-month filing.
  - Reduced travel expenses.
  - Reduced customer confusion from fewer rate changes.
  - Reduced workload for Staff.
  - Fewer days scheduled on the Commission's hearing calendar.

Q9 What are the expected disadvantages and costs of conducting cost recovery hearing on an annual basis?

A9 Florida Power is aware of none.

Q10 When should the Commission implement the change to annual hearings?

A10 The change should be made effective with January 1999 billings in the manner shown on the fuel adjustment Time Line in Staff's workshop handout.

Q11 What are the expected advantages of calculating the cost recovery factors based upon a calendar year basis?

A11 The primary advantages of a calendar year cycle are:

- Matches customers budget period. Utilities will be able to provide estimates for the entire year.
- Matches Florida Power's internal budgeting cycle. This will reduce amount of time currently spent reconciling the budget and fuel projections.
- Analyses of fuel-related data can be performed more easily on a calendar year basis.

Q12 What are the expected disadvantages of calculating the cost recovery factors based upon a calendar year basis?

A12 Florida Power is aware of none.

Q13 What are the expected advantages of calculating the cost recovery factors based upon a non-calendar year basis?

A13 Compared to a calendar year basis, Florida Power is aware of none. Compared to the current six-month basis, see A8 above.

Q14 What are the expected disadvantages of calculating the cost recovery factors based upon a non-calendar year basis?

A14 Compared to a calendar year basis, see A11 above. Compared to the current six-month basis, Florida Power is aware of none.

**FLORIDA POWER CORPORATION**  
**Analysis of Variances between Actual and Estimated Total Fuel and Net Power Expenses**  
**Six Month vs. Twelve Month periods**

**Six Month Periods**

| Period | Period        | \$ millions |           |                 | Percent<br>Variance |
|--------|---------------|-------------|-----------|-----------------|---------------------|
|        |               | Actual      | Estimated | Variance        |                     |
| 1      | Apr-Sep 89    | 348         | 297       | 51              | 14.7%               |
| 2      | Oct 89-Mar 90 | 264         | 272       | (8)             | -3.0%               |
| 3      | Apr-Sep 90    | 348         | 348       | -               | 0.0%                |
| 4      | Oct 90-Mar 91 | 258         | 295       | (37)            | -14.3%              |
| 5      | Apr-Sep 91    | 323         | 347       | (24)            | -7.4%               |
| 6      | Oct 91-Mar 92 | 247         | 299       | (52)            | -21.1%              |
| 7      | Apr-Sep 92    | 349         | 359       | (10)            | -2.9%               |
| 8      | Oct 92-Mar 93 | 240         | 243       | (3)             | -1.3%               |
| 9      | Apr-Sep 93    | 332         | 300       | 32              | 9.6%                |
| 10     | Oct 93-Mar 94 | 224         | 234       | (10)            | -4.5%               |
| 11     | Apr-Sep 94    | 337         | 303       | 34              | 10.1%               |
| 12     | Oct 94-Mar 95 | 229         | 252       | (23)            | -10.0%              |
| 13     | Apr-Sep 95    | 327         | 308       | 19              | 5.8%                |
| 14     | Oct 95-Mar 96 | 288         | 243       | 43              | 15.0%               |
|        |               |             |           | <b>Variance</b> | <b>31</b>           |

**Twelve Month Periods**

| Period | Period        | \$ millions |           |                 | Percent<br>Variance |
|--------|---------------|-------------|-----------|-----------------|---------------------|
|        |               | Actual      | Estimated | Variance        |                     |
| 1      | Apr 89-Mar 90 | 612         | 569       | 43              | 7.0%                |
| 2      | Apr 90-Mar 91 | 606         | 643       | (37)            | -6.1%               |
| 3      | Apr 91-Mar 92 | 570         | 646       | (76)            | -13.3%              |
| 4      | Apr 92-Mar 93 | 589         | 602       | (13)            | -2.2%               |
| 5      | Apr 93-Mar 94 | 556         | 534       | 22              | 4.0%                |
| 6      | Apr 94-Mar 95 | 566         | 555       | 11              | 1.9%                |
| 7      | Apr 95-Mar 96 | 613         | 551       | 62              | 10.1%               |
|        |               |             |           | <b>Variance</b> | <b>48</b>           |

Notes: Data for periods prior to 1989 not available.  
Variance data for 1997 not meaningful because of the extended nuclear outage.