

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Energy Conservation Cost)	DOCKET NO. 910002-EG
Recovery Factor)	ORDER NO. 24926
)	ISSUED: 08/19/91

Pursuant to Notice, a Prehearing Conference was held on August 13, 1991, in Tallahassee, before Commissioner Betty Easley, Prehearing Officer.

APPEARANCES:

JAMES A. MCGEE, Esquire, and JAMES P. FAMA, Esquire, Florida Power Corporation, P.O. Box 14042, St. Petersburg, Florida 33733

On behalf of Florida Power Corporation

JOHN T. BUTLER, Esquire, Steel Hector & Davis, 4000 Southeast Financial Center, Miami, Florida 33131-2398

On behalf of Florida Power & Light Company

ROBERT S. GOLDMAN, Esquire, Messer, Vickers, Caparello, Madsen Lewis & Metz, P.O. Box 1876, Tallahassee, Florida 32302-1876

On behalf of Florida Public Utilities Company and West Florida Natural Gas Company

G. EDISON HOLLAND, JR., Esquire, and JEFFREY A. STONE, Esquire, Beggs & Lane, 700 Blount Building, 3 West Garden Street, P.O. Box 12950, Pensacola, Florida 32576-2950

On behalf of Gulf Power Company

LEE L. WILLIS, Esquire, and JAMES D. BEASLEY, Esquire, Ausley, McMullen, McGehee, Carothers and Proctor, P.O. Box 391, Tallahassee, Florida 32302

On behalf of Tampa Electric Company and City Gas Company of Florida

WAYNE L. SCHIEFELBEIN, Esquire, Gatlin, Woods, Carlson & Cowdery, 1709-D Mahan Drive, Tallahassee, Florida 32308

On behalf of Chesapeake Utilities Corporation

ANSLEY WATSON, JR., Esquire, and VINCENT L. NUCCIO, Esquire, Macfarlane, Ferguson, Allison & Kelly, P. O. Box 1531, Tampa, Florida 33601

On behalf of Peoples Gas System, Inc.

VICKI GORDON KAUFMAN, Esquire, Lawson, McWhirter, Grandoff and Reeves, 522 East Park Ave., Suite 200, Tallahassee, Florida 32301

On behalf of the Florida Industrial Power Users Group

DOCUMENT NUMBER-DATE

08340 AUG 19 1991

FPSC-RECORDS/REPORTING

ORDER NO. 24926
DOCKET NO. 910002-EG
PAGE 2

JOHN ROGER HOWE, Esquire, Assistant Public Counsel, Office of Public Counsel, c/o The Florida Legislature, 111 W. Madison Street, Suite 812, Tallahassee, Florida 32399-1400
On behalf of the Citizens of the State of Florida

ROBERT V. ELIAS, Esquire, Division of Legal Services, 101 E. Gaines St., Tallahassee, Florida 32399-0863
On behalf of the Staff of the Florida Public Service Commission

PRENTICE P. PRUITT, Esquire, Office of the General Counsel, 101 East Gaines Street, Tallahassee, Florida, 32399-0861
Counsel to the Commissioners

PREHEARING ORDER

Background

As part of the Commission's continuing fuel and energy conservation cost and purchased gas cost recovery proceedings, a hearing is set for August 21, 22 and 23, 1991 in this docket and in Dockets No. 910001-EI and 910003-GU. The following subjects were noticed for hearing in such dockets:

1. Determination of the Proposed Levelized Fuel Adjustment Factors for all investor-owned utilities for the period October 1991 through March, 1992;
2. Determination of the Estimated Fuel Adjustment True-Up Amounts for all investor-owned electric utilities for the period April, 1991 through September, 1991, which are to be based on actual data for the period April, 1991 through May, 1991, and revised estimates for the period June, 1991 through September, 1991;
3. Determination of the Final Fuel Adjustment True-Up Amounts for all investor-owned electric utilities for the period October, 1990 through March, 1991, which are to be based on actual data for that period;
4. Determination of Projected Conservation Cost Recovery Factors for certain investor-owned

ORDER NO. 24926
DOCKET NO. 910002-EG
PAGE 3

- electric and gas utilities for the period October, 1991 through March, 1992.
5. Determination of the Estimated Conservation True-Up Amounts for certain investor-owned electric and gas utilities for the period April, 1991 through September, 1991, which are to be based on actual data for the period April through May, 1991 and revised estimates for the period June, 1991 through September, 1991.
 6. Determination of the Final Conservation True-Up Amounts for certain investor-owned electric and gas utilities for the period October, 1990 through March, 1991, 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 1991 through March, 1992, for the cost of approved oil backout projects to be recovered pursuant to the provisions of Rule 25-17.016, Florida Administrative Code.
 8. Determination of the Estimated Oil Backout Cost Recovery True-Up Factors for the period April, 1991 through September, 1991, for the costs of approved oil backout projects to be recovered pursuant to the provisions of Rule 25-17.016, Florida Administrative Code, which are to be based on actual data for the period April, 1991 through May, 1991, and revised estimates for the period June, 1991 through September, 1991.
 9. Determination of the Final Oil Backout True-Up Amounts for the period October, 1990 through March, 1991, 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, 1991 through March, 1992;
 11. Determination of Generating Performance Incentive Factor Rewards and Penalties for the period October, 1990 through March, 1991;

ORDER NO. 24926
 DOCKET NO. 910002-EG
 PAGE 4

12. Determination of the Purchased Gas Adjustment True-Up Amounts for the period October, 1990 through March, 1991, to be recovered during the period October, 1991 through March 1992.

Use of Prefiled Testimony

All testimony which has been prefiled in this case will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and exhibits, unless there is a sustainable objection. All testimony remains subject to appropriate objections. Each witness will have the opportunity to orally summarize their testimony at the time he or she takes the stand.

Use of Depositions and Interrogatories

If any party seeks to introduce an interrogatory or a deposition, or a portion thereof, the request will be subject to proper objections and the appropriate evidentiary rules will govern. The parties will be free to utilize any exhibits requested at the time of the depositions, subject to the same conditions.

Order of Witnesses

The witness schedule is set forth below in order of appearance by the witness' name, subject matter, and the issues which will be covered by his or her testimony.

Witnesses whose names are preceded by an asterisk have been excused. The parties have stipulated that the testimony of such witnesses will be inserted into the record as though read, and cross-examination will be waived.

	<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
1.	P.D. Cleveland (FPC)	Components of FPC's conservation plan, associated costs	1 - 3 12 -14

ORDER NO. 24926
 DOCKET NO. 910002-EG
 PAGE 5

	<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
2.	*Nelson G. Hawk (FPL)	ECCR True-Up October 1990 - March 1991 ECCR Projected True-Up April 1991 - October 1991 ECCR Factor October 1991 - March 1992 Internal Accounting Controls	1-5
3.	*Peacock (FPUC)	ECCR projections, true-up true-up (Marianna and Fernandina Beach Divisions)	1-3
4.	*J.F. Young (Gulf)	Components of Gulf's Conservation Plan and associated costs	1-3
5.	*G.J. Kordecki (TECO)	Conservation Cost Recovery True-Up and Projection	1-3
6.	*S. Sessa (CUC)	Conservation Cost Recovery True-Up and Projection	1-3
7.	T.D. Anderson (CGC)	Conservation Cost Recovery True-Up and Projection	1-3 6-11
8.	*J.K. Gruetzmacher (PGS)	Components of PGS's Conservation Plan and associated projected and actual costs; true-up and estimated true-up; conservation cost recovery factors	1-3
9.	*D. Parker (SJNG)	Conservation cost recovery true-up and projection	1-3
10.	*C. Arnold (WFNG)	Conservation true-ups, projections	1-3
11.	*Sott (WFNG)	Conservation projections	2-3
12.	*Goodwin (WFNG)	Therm sales projections	2-3

ORDER NO. 24926
DOCKET NO. 910002-EG
PAGE 6

	<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
13.	Payne (OPC)	City Gas Company's and Florida Power Corporation's Conservation Programs	6-14

Rebuttal

14.	Anderson (CGC)	Rebuttal to Avis Payne's Testimony	6-11
15.	Cleveland (FPC)	Rebuttal to Avis Payne's Testimony	12-14

Exhibits

The parties have stipulated that exhibits marked with an asterisk will be admitted into the record by agreement.

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
<u>1</u> (PDC-1)	Cleveland (FPC)	Summary of Estimated Cost Recovery Clause Calculations for the Period October 1991 through March 1992
<u>2</u> (PDC-2)	Cleveland (FPC)	Energy Conservation and Load Management Plans
<u>3</u> (PDC-3)	Cleveland (FPC)	Conservation Programs Interim Procedures and Standards
<u>4</u> (PDC-4)	Cleveland (FPC)	Commission Rule 25-17.056
<u>5</u> (PDC-5)	Cleveland (FPC)	HEFU Single Family Pricing
<u>*6</u> (NGH-1)	Hawk (FPL)	Schedules CT-1 through CT-6, with Supplements
<u>*7</u> (NGH-2)	Hawk (FPL)	Schedules C-1 through C-5, with Supplements
<u>*8</u> (MAP-1)	Peacock (FPUC)	Schedules CT-1 through CT-6 (Marianna and Fernandina Beach Divisions) Note: Marianna CT-1 through CT-5 filed 06-26-91; all others filed 05-17-91

ORDER NO. 24926
DOCKET NO. 910002-EG
PAGE 7

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
<u>*9</u> (MAP-2)	Peacock (FPUC)	Schedules C-1 through C-5 (Marianna and Fernandina Beach Divisions)
<u>*10</u> (JFY-1)	Young (Gulf)	Schedules CT-1 through CT-6
<u>*11</u> (JFY-2)	Young (Gulf)	Schedules C-1 through C-5
<u>*12</u> (GJK-1)	Kordecki (TECO)	Schedules supporting conservation cost recovery factor, actual October, 1990 - March, 1991
<u>*13</u> (GJK-2)	Kordecki (TECO)	Conservation costs projected for period October 1, 1991 - March 31, 1992
<u>*14</u> (SS-1)	Sessa (CUC)	True-up Variance Analysis Schedules CT-1 through CT-6
<u>*15</u> (SS-2)	Sessa (CUC)	Projections Recovery Clause Calculation, Estimated ECCR charges by rate classification, Schedules C-1 through C-5
<u>16</u> (TDA-1)	Anderson (CGC)	Schedules CT-1 through CT-6, Conservation Cost Recovery True- Up Data, October 1, 1990 through March 31, 1991.
<u>17</u> (TDA-2)	Anderson (CGC)	Schedules C-1 through C-5, Conservation Cost Recovery Projection Data, October 1, 1991 through March 31, 1992.
<u>18</u> (TDA-3)	Anderson (CGC)	Schedules C-1 through C-5, Conservation Cost Recovery Projection Data, April 1, 1991 through September 30, 1991 filed January 9, 1991
<u>*19</u> (JKG-1)	Gruetzmacher (PGS)	Conservation cost recovery true-up data (October 1990-March 1991), consisting of schedules CT-1 through CT-6.

ORDER NO. 24926
DOCKET NO. 910002-EG
PAGE 8

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
<u>*20</u> (JKG-2)	Gruetzmacher (PGS)	Data for development of conservation cost recovery factor (October 1991 through March 1992), consisting of schedules C-1 through C-5.
<u>*21</u> (JKG-3)	Gruetzmacher (PGS)	Program Progress Reports (Schedule C-5)
<u>*22</u> (DP-1)	Parker (SJNG)	Schedules CT-1 through CT-6
<u>*23</u> (DP-2)	Parker (SJNG)	Schedules C-1 through C-5
<u>*24</u> (CA-1)	Arnold (WFNG)	Schedules CT-1 through CT-6
<u>*25</u> (CA-2)	Arnold (WFNG)	Schedules C-1, C-2, C-3, C-4 and C-5
<u>26</u> (AP-1)	Payne (OPC)	City Gas's Response to Staff request
<u>27</u> (AP-2)	Payne (OPC)	City Gas builder agreements
<u>28</u> (AP-3)	Payne (OPC)	City Gas's response to OPC interrogatory # 8
<u>29</u> (AP-4)	Payne (OPC)	City Gas's response to Staff's interrogatory # 22
<u>30</u> (AP-5)	Payne (OPC)	City Gas's response to interrogatory # 5
<u>31</u> (AP-6)	Payne (OPC)	Plumbers' invoices
<u>32</u> (AP-7)	Payne (OPC)	Tabulations of connections
<u>33</u> (AP-8)	Payne (OPC)	FPC's HEFU policies and procedures

ORDER NO. 24926
 DOCKET NO. 910002-EG
 PAGE 9

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
<u>34</u> (AP-9)	Payne (OPC)	FPC HEFU correspondence
<u>35</u> (AP-10)	Payne (OPC)	FPC response to OPC interrogatory # 16
<u>36</u> (AP-11)	Payne (OPC)	HEFU price comparison
<u>37</u> (AP-12)	Payne (OPC)	FPC's HEFU price list
<u>38</u> (AP-13)	Payne (OPC)	Sample HEFU cost estimate sheets
<u>39</u> (AP-14)	Payne (OPC)	FPC letter to HEFU contractor
<u>40</u> (AP-15)	Payne (OPC)	Whetstone Apartments documents
<u>41</u> (AP-16)	Payne (OPC)	HEFU multifamily guidelines
<u>42</u> (AP-17)	Payne (OPC)	HEFU printout
<u>43</u> (AP-18)	Payne (OPC)	FPC response to OPC Interrogatories # 7,8 and 17
<u>44</u> (AP-19)	Payne (OPC)	HEFU memorandum dated November 6, 1990
<u>45</u> (AP-20)	Payne (OPC)	HEFU payments to contractors

PARTIES' STATEMENTS OF BASIC POSITION

Florida Power Corporation (FPC):

Florida Power's true-up amounts and cost recovery factor should be approved as filed.

ORDER NO. 24926
DOCKET NO. 910002-EG
PAGE 10

Florida Power & Light Company (FPL):

None necessary.

Florida Public Utilities Company (FPUC):

Florida Public Utilities has properly projected its costs and calculated its true-up amounts and conservation cost recovery factors. Its expenses and projections are prudent, and its conservation cost recovery factors should be approved by the Commission.

Gulf Power Company (Gulf):

It is the basic position of Gulf Power Company that the proposed ECCR factors present the best estimate of Gulf's Conservation expense for the period October 1991 through March 1992 including the true-up calculations and other adjustments allowed by the Commission.

Tampa Electric Company (TECO):

The Commission should determine that Tampa Electric has properly calculated its conservation cost recovery true-up and projections and that the appropriate conservation cost recovery factor to be applied by Tampa Electric during the period October 1991 - March 1992 is 0.008 cents per KWH for interruptible sales and 0.131 cents per KWH for firm sales.

Chesapeake Utilities Corporation (CUC):

The Commission should approve CUC's final adjusted net true-up amount of \$19,547 (underrecovery) for the period October 1, 1990 through March 31, 1991, and should approve the estimated true-up amount for the six months ending March 31, 1992, and the projected conservation program expenses for the period October 1, 1991 through March 31, 1992.

The Commission should approve the following ECCR factors for the following rate classes for application to bills rendered for meter readings taken between October 1, 1991 and March 31, 1992:

ORDER NO. 24926
 DOCKET NO. 910002-EG
 PAGE 11

<u>Rate Class</u>	<u>ECCR Factor Cents/Therm</u>
GS Residential	3.387
GS Commercial	1.168
GS Commercial Large Volume	0.708
GS Industrial	0.382
Firm Transportation	0.377

Note: GS Residential includes residential customers in rate class AC Residential. The rates are the same with the exception that AC customers pay an annual customer facility charge.

City Gas Company (CGC):

The Commission should determine that City Gas has properly calculated its conservation cost recovery true-up and projections and that the appropriate conservation cost recovery factor to be applied by City Gas during the period October 1991 - March 1992 is \$0.03017 cents per therm for the Residential rate class and \$0.00982 cents per therm for the Commercial rate class.

Peoples Gas System, Inc. (PGS):

The Commission should approve PGS's final adjusted net true-up amount of \$538,495.80 (underrecovery) for the period October 1990-March 1991, the estimated true-up amount for the six months ending September 30, 1991, and the projected conservation program expenses for the six months ending March 31, 1992.

The Commission should approve the following ECCR factors for the following rate classes for application to bills rendered for meter readings taken between October 1, 1991 and March 31, 1992:

<u>Rate Class</u>	<u>ECCR Factor Cents/Therm</u>
Residential	2.187
Commercial	1.140
Commercial - Large Volume 1	0.744
Commercial - Large Volume 2	0.522

St. Joe Natural Gas Company (SJNG):

The Commission should approve the final adjusted net true-up amount for the six month period ending September 30, 1991, including interest, the projected conservation program expenses for the six month period ending March 31, 1992 and the Conservation Cost Recovery Factor to be applied to customer bills rendered for the six month period ending March 31, 1992 as filed by SJNG.

ORDER NO. 24926
DOCKET NO. 910002-EG
PAGE 12

West Florida Natural Gas Company (WFNG):

West Florida Natural Gas Company has properly projected its costs and calculated its true-up amounts and conservation cost recovery factors. Its expenses and projections are prudent, and its conservation cost recovery factors should be approved by the Commission.

Office of Public Counsel:

City Gas Company is improperly recovering costs associated with its leased appliance program. It also appears that certain of City Gas's conservation programs have not been shown to be cost effective because total costs were not used in the cost-benefit analysis. Florida Power Corporation has deviated from its Home Energy Fixup program as submitted to, and approved by, the Commission, resulting in excess costs to its customers.

Staff of the Florida Public Service Commission (Staff):

The appropriate adjusted net true-up amounts, projected net true-up amounts, and Conservation Cost Recovery Factors for the particular periods are as shown.

STATEMENT OF ISSUES AND POSITIONS

Issues 1 through 3 are stipulated pending the Commission's Decision on Issues 6 - 14. Issues 4 and 5 have been deferred to the February 1992 hearing. Issues 9 and 10 are fully stipulated. Stipulated Issues are noted with an asterisk.

Generic Energy Conservation Cost Recovery Issues

- 1.* **ISSUE:** What is the appropriate net true-up amount for the period October 1990 through March, 1991?

Staff:

Electric Utilities:

FPC: \$1,421,607 Underrecovery pending decision on Issues 12, 13 and 14

ORDER NO. 24926
DOCKET NO. 910002-EG
PAGE 13

FPL: \$ 537,390 Overrecovery
FPUC: \$ 1,767 Underrecovery (Marianna)
\$ 4,816 Overrecovery (Fernandina)
GULF: \$ 125,107 Overrecovery
TECO: \$ 223,452 Overrecovery

Natural Gas Utilities:

CUC: \$ 19,547 Underrecovery.
CGC: \$ 276,802 Overrecovery. Pending decision on Issues
6 through 11.
PGS: \$ 538,496 Underrecovery.
SJNG: \$ 12,581 Overrecovery.
WFNG: \$ 60,332 Overrecovery.

FPC: \$ 1,421,607 underrecovery. (Cleveland)

FPL: \$ 537,390 overrecovery (adjusted net).
(Hawk)

FPUC: \$ 1,767 underrecovery. (Marianna)
\$ 4,816 overrecovery. (Fernandina
Beach)
(Peacock)

GULF: \$ 125,107 overrecovery. (Young)

TECO: \$ 223,452 overrecovery, including interest.
(Kordecki)

CUC: \$ 19,547 underrecovery. (Sessa)

CGC: \$ 154,430 underrecovery, including interest.
(Anderson)

PGS: \$ 538,496 underrecovery. (Gruetzmacher)

SJNG: \$ 12,581 overrecovery. (Parker)

WFNG: \$ 60,332 overrecovery. (Arnold)

FIPUG: FIPUG takes no position.

ORDER NO. 24926
 DOCKET NO. 910002-EG
 PAGE 14

OPC:

TECO: Agree with company.
 FPC: Subject to Commission vote on specific issues. (12 - 14)
 FPL: Agree with company.
 GPC: Agree with company.
 FPUC: Marianna: Agree with company.
 Fernandina: Agree with company.
 WEST FLORIDA: Agree with company.
 PEOPLES GAS: Agree with company.
 CHESAPEAKE: Agree with company.
 CITY GAS: Subject to Commission vote on specific issues. (6 - 11)
 ST. JOE: Agree with company.

- 2.* ISSUE: What is the appropriate projected end-of-period total net true-up amount for the period April 1991 through September 1991?

Staff:

Electric Utilities:

FPC: \$ 839,107 Underrecovery subject to Commission vote on Issues 12, 13 and 14
FPL: \$1,822,845 Overrecovery
FPUC: \$ 765 Underrecovery (Marianna)
 \$ 5,277 Overrecovery (Fernandina)
GULF: \$ 153,352 Overrecovery
TECO: \$ 640,847 Overrecovery

Natural Gas Utilities:

CUC: \$ 21,676 Underrecovery.
CGC: \$ 474,719 Overrecovery. Pending decision on Issues 6 through 11.
PGS: \$752,201 Overrecovery.
SJNG: \$ 8,867 Underrecovery.
WFNG: \$ 64,291 Overrecovery.

FPC: \$ 839,107 Underrecovery. (Cleveland)

FPL: \$ 1,822,845 overrecovery, which includes interest. (Hawk)

ORDER NO. 24926
DOCKET NO. 910002-EG
PAGE 16

GULF: .020 cents/kWh
TECO: .131 cents/kWh (Firm)
.008 cents/kWh (Interruptible)

Natural Gas Utilities:

CUC:

<u>Rate Class</u>	<u>ECCR Factor</u>
GS - Residential	3.387 cents / therm
GS - Commercial	1.168 cents / therm
GS - Commercial - LV	0.708 cents / therm
GS - Industrial	0.382 cents / therm
Firm Transportation	0.377 cents / therm

CGC:

(Pending Commission decision of Issues 6 - 11)

<u>Rate Class</u>	<u>ECCR Factor</u>
RS - Residential	0.653 cents / therm
CS - Commercial	0.213 cents / therm

PGS:

<u>Rate Class</u>	<u>ECCR Factor</u>
Residential	2.191 cents / therm
Commercial	1.143 cents / therm
Commercial - LV1	0.745 cents / therm
Commercial - LV2	0.523 cents / therm

SJNG:

<u>Rate Class</u>	<u>ECCR Factor</u>
Residential	4.025 cents / therm
Commercial	6.194 cents / therm
Commercial - LV	2.982 cents / therm

WFNG:

<u>Rate Class</u>	<u>ECCR Factor</u>
Residential	4.178 cents / therm
Commercial	1.527 cents / therm
Industrial	0.296 cents / therm

CUC:

<u>Rate Class</u>	<u>ECCR Factor Cents/Therm</u>
GS Residential	3.387
GS Commercial	1.168
GS Commercial Large Volume	0.708
GS Industrial	0.382

ORDER NO. 24926
DOCKET NO. 910002-EG
PAGE 17

Firm Transportation 0.377

CGC:

<u>Rate Class</u>	<u>ECCR Factor Cents/Therm</u>
Residential	3.017
Commercial	0.982

PGS: Agree with Staff.

SJNG:

<u>Rate Class</u>	<u>ECCR Factor Cents/Therm</u>
Residential	4.025
Commercial	6.193
Commercial-Large Volume	2.982

WFNG:

<u>Rate Class</u>	<u>ECCR Factor Cents/Therm</u>
Residential	4.178
Commercial	1.527
Industrial/ Firm Transportation	0.296

With respect to City Gas, Staff's Conservation Cost Recovery factors are dependent upon the resolution of Issues 6 through 11. With respect to Florida Power Company, Staff's Conservation Cost Recovery factors are dependent upon the resolution of Issues 12 through 14.

FPC: 0.291 cents/kWh. (Cleveland)

FPL: 0.125 cents/kWh. (Hawk)

FPUC: .017 cents/kWh. (Marianna)
.003 cents/kWh. (Fernandina Beach)
(Peacock)

GULF: 0.020 cents/kWh. (Young)

TECO: 0.131 cents/kWh for firm Customers and
0.008 cents/kWh for interruptible Customers. (Kordecki)

FIPUG: FIPUG takes no position.

ORDER NO. 24926
DOCKET NO. 910002-EG
PAGE 18

OPC:

TECO: Agree with company.
FPC: Subject to Commission vote on Issues 12, 13 and 14.
FPL: Agree with company.
GPC: Agree with company.
FPUC: Marianna: Agree with company.
Fernandina: Agree with company.
WEST FLORIDA: Agree with company.
PEOPLES GAS: Agree with company.
CHESAPEAKE: Agree with company.
CITY GAS: Subject to Commission vote on Issues 6 through 11.
ST. JOE: Agree with company.

Company-Specific Conservation Cost Recovery Issues

4. ISSUE: Does Florida Power & Light Company lack internal control over its conservation programs?

BY AGREEMENT OF THE PARTIES, THIS ISSUE WILL BE CONSIDERED AT THE FEBRUARY, 1992 HEARING IN THIS DOCKET.

FPL: No. Through audits conducted from September 1990 through February 1991 by its Internal Auditing department, FPL discovered problems in the reporting and control of two ECCR programs. The effect of these problems on FPL's ECCR expenditures for the period was immaterial. Nevertheless, FPL recognized the importance of correcting the problems and instituted a comprehensive series of response actions aimed at both correcting the specific problems identified in the audits and establishing an environment where such problems are unlikely to recur -- either in the two affected programs or in any of FPL's other ECCR activities. FPL believes that it has effective internal control over its conservation programs.

In regard to compliance with Order No. 23560, FPL notes that the order was issued on October 2, 1990, after FPL had begun the series of internal audits described above. The process of auditing the conservation programs, assessing the audit results, and developing and implementing response actions has continued uninterrupted since that time. FPL believes that this internal-control process fully complies with Order No. 23560.

FPL understands that the Commission Staff wishes to defer consideration of this issue until the February 1992 ECCR hearing. FPL has no objection to doing so. (Hawk)

ORDER NO. 24926
DOCKET NO. 910002-EG
PAGE 19

STAFF: Yes. Based on findings in the Commission Audit Report for the six month period ending March 31, 1991, which was completed on June 19, 1991, significant weaknesses exist with the internal control of FPL's conservation programs. In Order No. 23560 the Commission stated:

"... in order to establish adequate auditing information, we should require FPL's system of internal accounting controls for each conservation program to be adequate to provide FPL and the Commission with a reasonable assurance that the conservation program assets are safeguarded against loss from unauthorized use or disposition ..."

The results of FPL's internal audit that appear in the Commission's Audit Report suggest the Company has yet to comply with the Commission's order. Due to the short time between completion of the audit and the August hearing Staff cannot fairly determine the amount of any overrecovery or fully assess the company's noncompliance with Commission Orders. Staff will be conducting additional audit work and investigation in this area during the next five months. Staff requests that this issue and issue five be deferred to the February 1992 hearing. The Commission's jurisdiction over the revenues associated is ongoing, thus any required adjustment to the prior period recovery or other appropriate action can be made at that time.

FIPUG: FIPUG takes no position.

OPC: No position at this time

5. ISSUE: Should Florida Power & Light Company's conservation expenditures for the period October 1990 to March 1991 be subject to refund?

BY AGREEMENT OF THE PARTIES, THIS ISSUE WILL BE CONSIDERED AT THE FEBRUARY, 1992 HEARING IN THIS DOCKET.

FPL: FPL understands that the Commission Staff wishes to defer consideration of the Commission Audit Report for the six-month period ending March 31, 1991 until the February 1992 ECCR hearing and to keep FPL's ECCR expenditures for that period subject to refund until then. FPL has no objection to doing so. (Hawk)

STAFF: Yes. Due to the problems with FPL's conservation programs as detailed in the Commission's Audit Report, Staff requires additional time to perform discovery to determine if any

ORDER NO. 24926
DOCKET NO. 910002-EG
PAGE 20

adjustment in the Company's conservation expenditures should be made. Staff asks that this issue be deferred until the February, 1992 hearing.

FIPUG: FIPUG takes no position.

OPC: No position at this time.

6. ISSUE: Are the costs that City Gas has submitted for recovery through the conservation clause reasonable, prudent and appropriate for recovery through the conservation clause?

POSITIONS:

STAFF: (Deferred from February 1991 hearing) No. Incentive payments made through the Single Family Home Builder Program and the Multi-Family Home Builder Program where no appliances are installed are not appropriate and should not be recovered through the conservation clause. The amount of the disallowance is included in Issue 11.

CGC: Yes. (Anderson)

OPC: No. Incentive payments made through the single family and multi-family homebuilder programs where no appliances have been installed, or where the appliances installed are leased appliances, are not appropriate for cost recovery. City Gas should be ordered to refund a total of \$406,843 for excess incentive payments collected from April 1, 1989 through March 31, 1991. The company should also be disallowed cost recovery of an additional \$41,980 of excess incentive payments made in April and May, 1991.

City Gas also markets its leased appliance program in conjunction with its electric resistance appliance replacement program. In cases where a customer converts two or more appliances from electric to gas (buying one appliance and leasing the other appliance) the majority of the piping cost is recovered through conservation. The Commission should order that appropriate cost allocations are made for piping and installation costs in such instances. (Payne)

FIPUG: FIPUG takes no position.

ORDER NO. 24926
DOCKET NO. 910002-EG
PAGE 21

7. **ISSUE:** Is it appropriate for City Gas Company of Florida to pay incentives to a customer through its conservation programs and then lease the applicable appliances to that customer through its lease program?

STAFF: (Deferred from February, 1991 hearing) No. As stated by City Gas during the approval of its conservation programs, the leased appliance program and the conservation programs should be operated on a separate and stand-alone basis. It is upon that basis that the Company's programs were approved in Order No. 22812.

CITY GAS: Yes. The fact that the customer leases an appliance from City Gas has nothing to do with the appropriateness of City Gas paying an incentive in order for the customer to utilize gas appliances. As long as a gas appliance (either owned or leased) is in use, the conservation goal has been served. (Anderson)

FIPUG: FIPUG takes no position.

OPC: No. The leased appliance program is not an approved conservation program. Costs related to piping, venting and installing leased appliances should not be recovered through conservation. (Payne)

8. **ISSUE:** Are City Gas Company's Dealer, Single-Family Home Builder, Multi-Family Home Builder and Electric Appliance Replacement programs cost-effective?
(Deferred from February, 1991 hearing)

STAFF: No position at this time.

CITY GAS: Yes. These were found to be cost-effective in Order No. 19653 issued on July 11, 1988 in Docket No. 880267-EG. (Anderson)

FIPUG: FIPUG takes no position.

OPC: Evidence was discovered during City Gas's last rate case that suggests that the total costs of the builder programs were not included for evaluation by the Commission when the programs were submitted for approval. Without the inclusion of the total costs in the program submittals, the Commission cannot know the actual cost-effectiveness of these programs.

During the rate case it was discovered that City Gas was still accruing costs to a deferred piping account (in working capital)

ORDER NO. 24926
DOCKET NO. 910002-EG
PAGE 22

for installation, piping, and venting costs that the company incurs in excess of what is recovered through conservation cost recovery. Because the deferred account is directly related to the builder programs, the Citizens believe that the utility should be ordered to resubmit a cost effectiveness analysis which includes the total costs of its programs for reevaluation. (Payne)

9.* **ISSUE:** Should an adjustment be made to City Gas Company's conservation revenues in the amount of \$361, to reflect a miscalculation in rounding and removal of Gross Receipts Tax?

STAFF: Yes. An adjustment should be made to City Gas Company's conservation revenues in the amount of \$361, to reflect a miscalculation in rounding and removal of Gross Receipts Tax.

CITY GAS: City Gas agrees with this adjustment. (Anderson)

FIPUG: FIPUG takes no position.

OPC: No position at this time.

10.* **ISSUE:** Should an adjustment be made to City Gas Company's advertising expenses in the amount of \$5,486, including interest for advertising costs not related to conservation activities?

STAFF: Yes. An adjustment should be made to City Gas Company's advertising expenses in the amount of \$5,486, including interest for advertising costs not related to conservation activities. These costs relate to non-utility appliance sales activities.

CITY GAS: City Gas agrees with this adjustment. (Anderson)

FIPUG: FIPUG takes no position.

OPC: Yes. Agree with staff.

ORDER NO. 24926
DOCKET NO. 910002-EG
PAGE 23

11. **ISSUE:** Should an adjustment be made to City Gas Company's under/overrecovery in the amount of \$456,476, including interest for incentive payments not recoverable through the Energy Conservation Cost Recovery Clause?

STAFF: Yes. An overrecovery should be included in City Gas Company's current period under/overrecovery in the amount of \$456,476, including interest for incentive payments not recoverable through the Energy Conservation Cost Recovery Clause. These incentive payments include deferred piping allowances that are over the maximum approved conservation incentive, incentive payments for appliances which are not installed, double recovery of incentive payments, and incentive payments for leased appliances.

CITY GAS: The total adjustment which the Staff has proposed (\$456,476) actually involves two separate issues. One is the leased appliance installations which amount to \$252,350, plus interest of \$27,753. City Gas believes that it has followed the spirit and intent of its authorized programs. As stated in Issue 7 above, as long as a gas appliance is in use the conservation goal has been served. If the Commission finds, however, that these costs are inappropriate for recovery through ECCR, then the Company believes the Commission should recognize that these costs are properly recoverable through the rate base. Such an adjustment to ECCR would be appropriate only if a corresponding transfer is made to utility plant for proper recovery through rate base.

The other component of the total Staff recommended adjustment involves piping allowances where the outlets were piped but there were no appliances connected at the time of the incentive payment, and the Staff contends these do not qualify for ECP. This amount is \$160,733, plus \$15,640 in interest. City Gas believes these costs have been authorized by its programs as written. If the Commission finds, however, that these costs are inappropriate for recovery through ECCR, then the Company believes the Commission should recognize that these costs are properly recoverable through the rate base. Such an adjustment to ECCR would be appropriate only if a corresponding transfer is made to the Company's deferred piping account for normal amortization. This is "pure piping" and should be recoverable consistent with the Commission's decision in the Company's recent rate case.

If the Commission disallows these costs from ECCR without recognizing the need for their recovery through base rates, the result would be an unfair and undue penalty to the Company. (Anderson)

ORDER NO. 24926
DOCKET NO. 910002-EG
PAGE 24

FIPUG: FIPUG takes no position.

OPC: Yes. See position on Issue 6.

Florida Power Corporation

12. ISSUE: Is FPC operating its Home Energy Fixup Program in compliance with its written policies and procedures? Should the program be continued?

STAFF: No. Staff agrees with Public Counsel's position that FPC's HEFU program performs fix-up work on apartment complexes at no cost to the apartment owner or tenants. This is in violation of Commission-approved procedures for FPC's fixup program, which provide for the contractor to receive only 50% from FPC. Staff takes no position at this time concerning the suspension of this program.

FPC: Yes. The Home Energy Fixup Program is operated generally in compliance with FPC's written policies and procedures. However, in order to better reflect current implementation practices, FPC should revise and refile its policies and procedures, particularly with respect to multi-family residences. The Home Energy Fixup Program should be continued in order to allow FPC to achieve as much conservation as possible.

FIPUG: FIPUG takes no position.

OPC: No. FPC does not follow its written policies and procedures for record keeping, payment and inspection procedures. The process of operating the HEFU program lacks adequate internal control.

FPC's practices and operation of the HEFU program provide discriminatory treatment to its customers. FPC is marketing the HEFU program to apartment complexes and providing the fixup work at no cost to either the apartment owner or the tenants. FPC's contractors bill FPC at the single-family price list for these apartment fixups. FPC in turn pays the contractor 50% of the price billed, and the contractor collects nothing from the customer. In contrast, for single-family residences (including small duplexes or quadraplex's) the customer is expected and does pay the customer portion of the fixup cost. In one division, FPC even allows the customer to pay his portion of the fixup cost (which is owed to the contractor) to FPC on an installment billing basis.

ORDER NO. 24926
DOCKET NO. 910002-EG
PAGE 25

The HEFU program should be suspended until such time that the company can demonstrate that there are sufficient internal controls in place, and that the policies and procedures approved by the Commission are strictly followed by all divisions. (Payne).

13. **ISSUE:** Are the costs that FPC has submitted for recovery through the conservation clause for the Home Energy Fixup Program reasonable, prudent and appropriate for recovery through the conservation clause?

STAFF: Some of the costs submitted for recovery through the ECCR clause should be refunded to FPC's customers. Any costs paid to a contractor by FPC which are in excess of the maximum amount allowed (fifty per cent of \$75 or the actual cost, whichever is lower, for a residential dwelling) should be refunded with interest.

FPC: Yes. All of the costs that FPC has submitted are reasonable, prudent and appropriate. FPC opposes Public Counsel's position that FPC refund monies outside of the final true-up period in this case, which runs from October 1990 through March 1991. To the extent that Public Counsel requests that FPC be ordered to refund monies prior to this period, their position should be rejected as a matter beyond the scope of this case.

FIPUG: FIPUG takes no position.

OPC: No. FPC should be ordered to refund \$218,403 plus interest for excess payments made on HEFU work for apartment complexes from 1988 through May 1991. FPC should also be ordered to refund \$693 plus interest for payments FPC made to its contractors for the customer portion of single-family HEFU work, when the customer has refused to pay. (Payne)

14. **ISSUE:** Should FPC be fined pursuant to Sections 350.127 and 366.095, Florida Statutes (1989), for its failure to comply with its Home Energy Fixup Program and Commission orders approving the program?

STAFF: No position at this time.

FPC: FPC has complied with all applicable statutes, its Home Energy Fixup Program, and with all applicable Commission orders and should not be fined.

FIPUG: FIPUG takes no position.

ORDER NO. 24926
DOCKET NO. 910002-EG
PAGE 26

OPC: Yes. It appears that FPC management intentionally implemented the HEFU program in a manner inconsistent with the program guidelines causing excessive costs to be borne by its customers through the ECCR clause. Among the specific actions taken contrary to the program are:

(1) FPC marketed the program to apartment owners on a discriminatory basis as being at no cost to them;

(2) Prices were overstated so that contractors could apparently earn a reasonable profit while receiving only FPC's half of the total costs;

(3) FPC inflates its portion of costs by paying the maximum amount per apartment even when the total price for actual work done would cause FPC's portion to be less than the maximum;

(4) FPC has, on occasion, paid more than the maximum allowable under the program by reimbursing contractors for materials and supplies;

(5) FPC has paid apartment owners to effectuate their own energy fixups without an audit beforehand or an inspection afterwards.

(6) FPC has reimbursed contractors for the customer portion of costs when the customer has failed to pay the contractor;

(7) FPC has acted as an agent for contractors by allowing customers to pay FPC on an installment basis for the customer portion of total costs; and

(8) FPC has incurred costs to write and copy tenant notices on apartment development letterhead for distribution by apartment owners.

STIPULATED ISSUES

Stipulations entered into by parties, including Commission staff, are subject to Commission approval. If record evidence is developed which refutes stipulated issues, Commission staff will make its recommendation to the Commission based on the record.

MOTIONS

None pending at this time.

ORDER NO. 24926
DOCKET NO. 910002-EG
PAGE 27

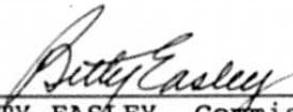
OTHER MATTERS

None pending at this time.

Based on the foregoing, it is

ORDERED by Commissioner Betty Easley, Prehearing Officer, that these proceedings shall be governed by this order unless modified by the Commission.

By ORDER of Commissioner Betty Easley, Prehearing Officer,
this 19th day of AUGUST, 1991.



BETTY EASLEY, Commissioner
and Prehearing Officer

(S E A L)
rve