

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Request for approval of) DOCKET NO. 930444-EI
proposal for revenue decoupling) ORDER NO. PSC-95-0097-FOF-EI
by FLORIDA POWER CORPORATION.) ISSUED: JANUARY 18, 1995

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
SUSAN F. CLARK
JULIA L. JOHNSON
DIANE K. KIESLING

ORDER APPROVING DECOUPLING PROPOSAL

BY THE COMMISSION:

In Florida Power Corporation's (FPC or Florida Power) rate case (Docket No. 910890-EI), the Legal Environmental Assistance Foundation (LEAF) presented testimony recommending that the Commission adopt a procedure for decoupling the Company's revenues from electric sales and for providing the Company an economic incentive to pursue cost-effective demand-side management (DSM) programs. During the hearing, LEAF and Florida Power reached an understanding in which LEAF agreed to defer further consideration of its decoupling and incentive issues during the rate case in return for Florida Power's agreement to submit a proposal for revenue decoupling and DSM incentives for the Commission's consideration within 60 days after the conclusion of the case. The Company submitted its DSM incentives proposal on April 22, 1993 and its revenue decoupling proposal on April 28, 1993. Both proposals are for implementation on a trial basis.

In its original petition, FPC proposed a revenue per residential customer decoupling mechanism for a period of three years. The revenue per customer target is based on the allowed revenue of \$656,540,000 and the average annual residential customer count for 1993 of 1,072,774 as per FPC's last rate case. This results in a revenue per customer target of \$612 per residential customer. In order to closely match target revenues with seasonal variations in sales, a monthly revenue per customer target will be set by dividing the annual revenue per customer amount of \$612 by a monthly revenue adjustment factor reflecting historical monthly variations in revenues. FPC also proposed a growth factor for the revenue per customer calculation of 1.5% per year. This 1.5%

DOCUMENT NUMBER-DATE

00634 JAN 18 95

FPSC-RECORDS/REPORTING

growth factor is based on the company's current forecast of residential use per customer growth based on the previous five years' experience.

FPC later modified its revenue decoupling mechanism to adjust the revenue per customer amount based on changes in personal income. FPC proposed this modification to retain more of the economic risk. Any refund or surcharge would be the difference between this adjusted revenue per customer amount times actual customers and actual revenues. In addition, FPC proposed that decoupling surcharges or refunds would only be implemented to the extent that the company's return on equity does not go outside the approved range.

The Hearings were held on January 19-20, 1994. At the March 22, 1994 Agenda, we deferred any decision on FPC's decoupling proposal until after the June, 1994 conservation goals hearings. On November 4, 1994, LEAF filed a request to participate at agenda conference to address Issue 5 of the staff's recommendation.

I. LEAF'S REQUEST TO PARTICIPATE AT AGENDA CONFERENCE

Parties have no due process right to participate in the decision-making process of the Commission after an evidentiary hearing and the submission of briefs.

Rule 25-22.058, Florida Administrative Code, provides that the Commission has the discretion to grant oral argument upon request of any party to a section 120.57 formal hearing. The rule requires that the party's request for oral argument must state with particularity why oral argument would aid the Commission in comprehending and evaluating the issues before it.

LEAF has not demonstrated that the Commission would benefit from its participation at agenda conference. While LEAF expresses disagreement with staff's recommendation, staff's recommendation is not evidence or argument that is submitted subject to debate by the parties. It is simply advice, which we are free to accept or reject. After an evidentiary hearing and submission of briefs, parties have had ample opportunity to express their positions and staff recommendations should not be subject to further argument by the parties. Often we have over 40 items before us at a single agenda conference. If we permitted this additional step and allowed parties to debate the merits of the staff recommendation even after affording a full evidentiary hearing and a briefing of the issues, agenda conferences would become more protracted than they already are. This would be an ineffective use of time.

It is likely that adversarial parties will never be completely satisfied with the staff's analysis of their evidence and argument. There will always be claims that the staff, and the Commission, overlooked or misunderstood what was presented. The procedural means to address such a problem is a motion for reconsideration. Reconsideration should be granted if there is a misapprehension of law or fact which has significant impact on our final decision. If the party believes the Commission is still wrong, even after reconsideration, then an appeal is the ultimate recourse.

LEAF's request to participate at the agenda conference is therefore denied.

II. ADOPTION OF FPC'S DECOUPLING PROPOSAL

An electric utility's level of earnings is determined in part by the amount of power it sells. A disincentive therefore exists for electric utilities to pursue programs which reduce energy consumption and in turn reduce earnings. FPC's decoupling proposal may reduce this distinctive.

The effect reduction of disincentives will have on the pursuit of cost-effective DSM by FPC is unknown. At this point data simply does not exist on the effectiveness of decoupling in Florida. The Florida Energy Efficiency and Conservation Act (FEECA), specifically at Section 366.81, Florida Statutes, encourages the Commission to authorize experimental programs in order to increase energy efficiency and conservation in Florida. The Federal Energy Policy Act of 1992, at 16 U.S.C. 2601 sec. 111 (d)(8), requires state public utility commissions to consider adopting policy to ensure that utility investment in conservation is at least as profitable as other utility investment. Adoption of decoupling on a limited basis, for a single utility, for a limited time, is a means to comply with the intent of the Federal Energy Act of 1992, while obtaining data to determine whether a broader adoption of decoupling at a later date would be in the public interest.

FPC's decoupling proposal will transfer from the utility to its residential customers risks associated with the weather and lost revenues associated with incremental DSM; whether the shifts in risk inherent in decoupling are reasonable or not will depend on the results of the three year experiment. We cannot predict the effect of removal of disincentives on corporate performance. Data obtained over the course of the experimental program will demonstrate whether benefits related to eliminating the disincentive to DSM make the shift reasonable.

Dr. Stutz and Mr. Wieland predict that the shift in weather-related risk to the ratepayers will not have an adverse effect. The shift in weather-related risk entails shifts in benefits as well. During periods of extreme hot or cold weather, when the utility would normally reap additional profits, the customer will see rebates. Thus, while decoupling will protect FPC from revenue losses caused by mild weather, it will limit FPC's revenues when weather is severe. FPC's analysis demonstrates that over the past ten years the shift in weather-related risk would have had no significant impact on ratepayers (TR 235, 318-320, 325-326, 429-430, 476, 480-481, 498, Ex. 6, Ex. 4). Mr. Wieland, testifying for FPC stated that weather-related risks due to decoupling are very, very small (TR 326). Dr. Stutz, testifying for LEAF stated that "weather will be a wash, typically within a year and certainly over the longer term" (TR 511).

It has been suggested that decoupling may cause problems after a major hurricane such as Andrew, when customers might be left without service for several weeks. In the past, after major hurricanes, such as Andrew, we have taken extraordinary steps to protect ratepayers. We have the authority to take extraordinary measures following such a disaster, and we will not hesitate to exercise that authority to protect ratepayers, whether they are customers of a decoupled or coupled utility.

It is primarily the benefit of removal of economic disincentives to DSM that justifies approval of decoupling for FPC on an experimental basis.

We find that Florida Power Corporation's decoupling proposal should be adopted for the following reasons:

- The decoupling proposal is reasonable and straightforward.
- FPC's decoupling proposal may eliminate the economic disincentive to pursuit of DSM. The weather risk is shifted to the customer but the risk of economic downturn stays with the company. (Problems such as those encountered by Maine resulting from fluctuations in the economy are thus minimized.)
- Decoupling is the type of experimental program designed to increase conservation and efficiency that is encouraged by Sections 366.075 and 366.81, Florida Statutes. The information we obtain through this experiment

will help us to determine the effect that removal of an economic disincentive has on an electric utility's pursuit of DSM in Florida.

- The FPC proposal is supported by the Florida Solar Energies Industries Association, the Florida Wildlife Federation, the American Association of Retired Persons, the Florida Consumer Action Network, the Florida Public Interest Records Group, the Project for Energy Efficient Florida, and the Florida Client Council.
- The only party to oppose decoupling will not be substantially affected. FPC proposes to exclude industrial customers from its decoupling program. FIPUG is merely concerned that there is no guarantee that decoupling would not be extended to industrial customers at the end of the experiment (TR 528-529). As FIPUG's witness Ms. Murray stated in her testimony, "permanent exclusion of industrial customers from the RDM mechanism would alleviate some of my clients concerns." (TR 539).
- The decoupling proposal was voluntarily submitted by the utility. Florida Power Corporation is the only investor-owned utility in the state that has agreed to come forward voluntarily with a decoupling proposal. This is our only opportunity to date, to pass upon a decoupling proposal submitted by a utility.

Both the Florida Legislature (in adopting FEECA) and the United States Congress (in adopting the Energy Policy Act of 1992) have unequivocally directed public utility commissions to take heed of the crucial public interest in utilizing increased conservation to protect the health, safety and welfare of citizens. The removal of economic disincentives to conservation is one way that we can encourage increased conservation by Florida's electric utilities.

The public interest in increased conservation needs to be weighed against the risk to the ratepayer which is inherent in any decoupling scheme. Here, FPC has tempered the potential risk to the ratepayer by reshifting the risk of economic downturn back onto the company. While the weather risk is shifted to ratepayers, Dr. Stutz and Mr. Wieland predict that weather risk will have minimal

impact on ratepayers (TR 326, 325, 349-350, 459, 497, 498, 512) and that ratepayers will equally obtain a benefit from the risk shift, (i.e. changes in weather that would traditionally increase revenues to the utility). FIPUG's witness Ms. Murray testified, that it's quite possible that customers may not even become aware that decoupling is in place. (TR 587)

Under FPC's proposal, we believe that the public interest in increased conservation outweighs the risk. A decoupling mechanism for FPC shall be adopted on an experimental basis for three years.

III. MEASUREMENT CRITERIA

We find that measurement criteria are necessary to allow the Commission to monitor the decoupling experiment while it is ongoing and to measure its success or failure at its conclusion. We adopt the following measurement criteria:

1. CONSERVATION ACHIEVEMENTS: The level of FPC's residential conservation savings (MW and MWH) shall be monitored and compared to the level of savings achieved by FPL, GULF, and TECO. We will use a Conservation Achievement Factor and a Conservation Load Factor Ratio as simple criteria to compare FPC's conservation achievements to that of FPL, GULF, and TECO relative to the DSM goals established for each utility.

2. CORPORATE ATTITUDE: FPC presented testimony in this case that they currently will only pursue RIM programs. An additional criteria subjectively testing "Corporate Attitude" should be whether and the degree to which FPC pursues solar, renewables, natural gas substitution, high efficiency cogeneration, and other measures or programs that may have high savings and negligible rate impacts.

In addition to these measurement criteria, in order to track the relative cost and rate impacts of the decoupling experiment, a comparison shall be made of the difference in total revenues collected by FPC pursuant to per customer decoupling and revenues that would have been collected under lost revenue recovery.

The record indicates that all parties except FIPUG support the use of experimental criteria, although the parties differ on what constitutes an appropriate set of criteria. FPC witness Wieland indicated that he believed that a pre- and post-experiment comparison of KWH usage trends could be used to measure the success or failure of decoupling, although he had no specific methodology ready for use at this time [Tr. 366]. The problem with trends is

that we will likely never know what caused any change in trend. LEAF witness Stutz also indicated that pre- and post-experiment KWH usage comparisons would be useful, but also recommend reviews of possible effects on management's long term planning [Tr. 491-493]. FIPUG witness Murray refrained from supporting specific criteria noting that lack of a controlled experimental environment would make accurate pre- and post-experiment KWH measures difficult to obtain. She did, however, indicate that pre- and post-experiment measurements might be suggestive of success or failure, and should be looked at if the Commission decides to adopt a decoupling plan [Tr. 602-603]. No parties advocated establishing criteria at the outset of the experiment.

We believe that the success of FPC's revenue decoupling experiment may be assessed by comparing FPC's conservation achievements over the three year test period to the conservation achievements of FPL, Gulf, and TECO. This comparison between utilities introduces a level of control to the experiment which parties had complained was lacking. (TR 603)

In order to measure the success of FPC's decoupling experiment, we find that the primary test should be to compare FPC's conservation achievements over the three year test period to the conservation achievements of the other investor owned utilities. Each utility's conservation achievements shall be expressed as a percentage of each utility's residential MW and MWH goals. In other words, if a utility's goal is 100 MWH and it achieves a 110 MWH savings, it would report a Conservation Achievement Factor (CAF) of 1.1 for residential MWH savings. Similar factors should be reported for each of the residential goals categories, for a total of 3 factors (i.e., residential summer and winter MW and total MWH). At any time during the three year test and at its conclusion, the CAF's for each utility may be compared and FPC's conservation achievements relative to the other IOU's may be objectively assessed.

In addition to the Conservation Achievement Factors, two Conservation Load Factor Ratios (CLFRs) be calculated for each utility. The two CLFRs are defined as follows:

(1) Conservation Load Factor Ratio (based on summer peak) =

$$\frac{\text{Summer MW Goal} * \text{Annual MWH Savings (actual)}}{\text{Annual MWH Goal} * \text{Summer MW Savings(actual)}}$$

(2) Conservation Load Factor Ratio (based on winter peak) =

$$\frac{\text{Winter MW Goal} * \text{Annual MWH Savings (actual)}}{\text{Annual MWH Goal} * \text{Winter MW Savings(actual)}}$$

The CLFR measures the relative energy savings of a utility's conservation programs. A CLFR greater than 1.0 means that a utility is achieving greater energy savings relative to demand savings than anticipated by the utility's goals. We have encouraged all utilities to go beyond 100% RIM based goals by pursuing solar, renewables, natural gas substitution, high efficiency cogeneration, and other measures and programs that may have high savings and negligible rate impacts. The CLFRs for each utility may help us measure its relative achievement in these areas. Again, at any time during the three year test and at its conclusion, the CLFRs for each utility may be compared and FPC's "beyond RIM" conservation achievements relative to the other IOU's may be objectively assessed. A calculation of the baseline Conservation Load Factor based on each utility's commission approved goals is shown in Attachment 1.

We will not establish any definitive CAF or CLFR numbers at this time which FPC must exceed in order to prove the decoupling experiment a success. Rather, the CAF and CLFR factors shall be used as objective monitoring criteria to provide us with the basic information necessary to assess the success of FPC's decoupling experiment.

We also intend to evaluate FPC's "Corporate Attitude" during the pendency of the decoupling experiment. As has been previously discussed, FPC presented testimony in this case that their corporate philosophy was to only pursue conservation programs that passed the RIM cost-effectiveness test. (TR 75, 78, 82, 114, 371) The Commission has now set new conservation goals which include case-by-case lost revenue recovery and incentives to encourage utilities to pursue solar, renewables, natural gas substitution, high efficiency cogeneration, and other measures or programs that have high savings and negligible rate impacts. A subjective test of whether FPC's corporate attitude changes as a result of the Commission's goals and incentives and the approval of a revenue decoupling in lieu of case-by-case lost revenue recovery will be whether FPC actually pursues any of these programs.

Finally, in order for us to be able to evaluate the full cost and benefits of FPC's revenue decoupling experiment, the cost of revenue decoupling to FPC's ratepayers shall also be measured. To accomplish this, We will calculate the difference between total

revenues collected by FPC pursuant to per customer decoupling and total revenues that would have been collected under lost revenue recovery. This difference represents the additional cost of revenue decoupling. Taken together, the conservation achievement, corporate attitude, and revenue difference tests should provide us with a complete overview of the benefits and costs of the decoupling experiment from which objective assessments may be made.

IV. METHODOLOGY

We adopt the methodology proposed in FPC witness Wieland's testimony and exhibits, and which is summarized in Appendix A to this Order. The only modification we will make to FPC's plan is to change the start-up date for the three year experiment to January 1, 1995 from January 1, 1994, and to update the 1993 Revenue Target value to its 1994 value. We will use FPC's Economic Recoupling methodology to update the proposed 1993 Revenue Target to its 1994 startup value.

We have reviewed the decoupling methodology proposed by FPC witness Wieland in his testimony and exhibits and believe that it represents a reasonable overall approach for implementing the decoupling experiment. The proposed Revenue Per Customer methodology, recoupled for economic conditions should achieve the objective of removing the company's regulatory disincentive to promote energy conservation. Further, by limiting the size of any surcharges or refunds so that the Company's ROE is not forced outside of its approved range, residential ratepayers will enjoy some degree of protection from rate volatility.

LEAF and FCC both support the decoupling method proposed by FPC. FIPUG witness Ms. Murray expressed misgivings about the appropriateness of FPC's original proposal of automatically escalating revenues per customer by 1.5% per year [Tr 537]. Witness Ms. Murray testified that an automatic increase in revenues per customer would be inappropriate since such an increase would occur regardless of the conditions in which the company operated during the experimental period. However, since FPC modified its original proposal to recouple growth in revenues per customer to actual economic growth [Tr 321], we find Ms. Murray's arguments less compelling, and agree with LEAF and FCC that FPC's modified proposal is appropriate.

The only change we will make to FPC's proposal is to move the start-up date back to January 1, 1995 from January 1, 1994. As stated by FPC Witness Wieland, decoupling is a mechanism that removes a utility's regulatory disincentive to conserve energy [Tr

316]. That is, removal of the regulatory disincentive is intended to cause a change in the utility's behavior. To have the three year experiment start before the company has had an opportunity to modify its behavior would predestine the experiment to be less successful than it otherwise might be. Therefore, the start-up date shall be moved back to January 1, 1995 in order to give FPC the full three years in which to operate under its decoupling proposal.

Having moved the start-up date back to January 1, 1995, it is necessary to specify how the start-up 1994 Revenue Target will be updated from its 1993 value of \$612 per customer. The 1993 Revenue Target value to its 1994 value shall be grown through the use of the economic recoupling methodology. This would use FPC's proposed start-up value of \$612, then adjust that revenue per customer value for the impact of actual 1994 economic growth. In conjunction with this, the company shall also submit an update to FPC witness Wieland's Exhibit 6, (KHW-5). This exhibit, entitled "Proposed Adjustment to RPC for Changes in Economic Conditions", contains the Personal Income, KWH/Customer, and Revenue Target values for the original 1994 to 1996 experimental period. The updated exhibit shall contain a new start-up Revenue Target for 1994, and updated data for the experimental period from 1995 to 1997.

We also adopt several additions to FPC's proposed methodology. These additions are not intended to change the nature of FPC's proposal, but to specify how the experiment will be monitored. These additions are:

- 1 - Separate subaccounts shall be established in each affected account in order to facilitate the audit and review of the decoupling experiment.

The first addition requires that the company establish separate subaccounts in each account that is affected by the decoupling experiment. This will assist our staff in monitoring the experiment by facilitating the audit and review of all affected accounts.

- 2 - The achieved ROE, as reported in the Earnings Surveillance Report, shall be subject to an annual audit and review before a final determination of the amount to be refunded or collected can be made.

The second addition provides that the Achieved ROE reported in the Earnings Surveillance Report will be subject to audit before a final determination of the amount to be refunded or collected can be made. Because the achieved ROE is to be utilized to limit the

amount of the surcharge/refund, it is necessary to annually audit and review the ROE calculation as presented in the December Earnings Surveillance Report for each year during the decoupling experiment. It is anticipated that the audit and review will be completed subsequent to the implementation of the surcharge/refund on April 1 each year.

It should also be noted that the surcharge/refund is related to the year in which it occurs rather than the year during which it is collected or refunded. This is due to the fact that the ROE limitation is applied during the year in which the over/under recovery occurs. As a result, the surcharge/refund should not have any effect on the Company's earnings during the period that it is collected or refunded. As an illustration, the Company would be entitled to recover a surcharge for 1995 even if it has excessive earnings during the April 1996 to March 1997 period during which the surcharge would be collected.

3 - The surcharges or refunds that shall be amortized over a twelve month period beginning April 1 of the subsequent year will be preliminary amounts subject to adjustment based on the results of the annual audit of the achieved ROE.

The third addition simply recognizes that the surcharges and refunds to be amortized over a twelve month period beginning April 1 of the subsequent year will be subject to revision. The amount of the surcharge/refund cannot be finalized until the annual achieved ROE audit and review have been completed. Given the complexity of such an audit and review, it cannot be completed prior to the April 1 implementation date. In addition, it may be necessary to conduct a hearing to resolve contested issues regarding the level of the achieved ROE. Therefore, the amount of the implemented surcharge/refund may be subject to modification as a result of the audit and review.

4 - The initial values of the Personal Income variable used to measure economic conditions shall be taken from the January issue of the Survey Of Current Business, a publication of the Bureau Of Economic Analysis, U.S. Department of Commerce, for the preceding year's data. This value will be used to calculate an initial estimate for any surcharge or refund for the prior year. The final measure of Personal Income shall be taken from the July issue of the Survey Of Current Business for the

preceding year's data, and will be used to true-up the initial estimate of any surcharge or refund from the previous year.

The fourth addition specifies how and when the Florida Personal Income data will be collected. This data series comes from the Bureau of Economic Analysis, U.S. Department of Commerce, and is released quarterly in January, April, July, and October. There is a one quarter lag in collecting the data, so that all four quarters for the previous year are not available until April. In addition, the data series is subject to revision up to two years following its initial release date.

In order to have an initial estimate of any surcharge or refund by April 1, we will use an average of the three quarters of Personal Income data available in the January release. This initial estimate can then be updated later in the year when the ROE audit is conducted, and after the July release dates for Florida Personal Income have passed. Once this update has been completed, no further adjustments shall be made to the surcharge/refund calculations which stem from further revisions to the Florida Personal Income series by the U.S. Department of Commerce.

5 - The definition of the customer count used in the decoupling experiment shall be the twelve month average of residential service accounts that are mailed in a billing statement or the "RS-1 Average Customers" found in MFR Schedule E-18a filed in Docket No. 910890-EI. This customer definition will not change through out the decoupling experiment.

The fifth addition specifies how customers are to be counted throughout the experimental period. Because customer counts can have a material impact on the Revenue per Customer calculation [Tr 674], the definition of customer that was used to calculate the target revenue of \$612 shall remain the same throughout the experiment. The definition of a customer shall be as reflected in the MFR Schedule E-18a filed in Docket No. 910890-EI.

6 - The revenue impacts resulting from the decoupling experiment shall be reflected in the calculation of the Energy Conservation Cost Recover (ECCR) factor. The dollar amount resulting from any recoupling adjustments shall be shown as a separate line item on Schedule CT-1 supporting the company's ECCR filing.

The sixth addition requires that any recoupling surcharges or refunds be shown as a separate line item on the work paper supporting the ECCR. This is the most appropriate means of handling the decoupling adjustment since decoupling is directly related to conservation efforts. A separate line item would be counter to current treatment of other non-fuel recovery clauses and might create unnecessary confusion.

Finally, we note that nothing in FPC's proposed decoupling experiment, or in our additions to FPC's proposal, restricts our authority to regulate the utilities within our jurisdiction. If we decide it is in the best interest of ratepayers, we may modify or terminate the decoupling proposal. Also we may order a change in base rates, a change in authorized ROE, or any other action within our authority.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that the decoupling proposal submitted by Florida Power Corporation in its testimony filed in this docket, which is summarized in Appendix A to this Order, is hereby approved. It is further

ORDERED that the start up date for the three year decoupling plan for Florida Power Corporation shall be January 1, 1995. It is further

ORDERED that the implementation methodology and measurement criteria for the decoupling plan for Florida Power Corporation shall be as set forth in the body of this Order. It is further

ORDERED that this docket be closed.

ORDER NO. PSC-95-0097-FOF-EI
DOCKET NO. 930444-EI
PAGE 14

By ORDER of the Florida Public Service Commission, this 18th
day of January, 1995.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

by: Kay Flynn
Chief, Bureau of Records

(S E A L)

MAP

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 and/or wastewater 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.

**DOCKET NO. 930444-EI
PROPOSED FINDINGS OF FACT**

We make the following determinations with regard to the proposed findings of fact submitted by the parties to this docket.

**PROPOSED FINDINGS OF FACT OF
FLORIDA CLIENT COUNCIL**

- A. Under current rate making practice, there is an incentive for a energy utilities to maximize the number of kilowatt hours sold after rates are fixed because this amount determines the level of profits allowed to the utility. (R Ex.6 (KHW-1) p. 1).

Reject. Conclusory.

- B. This practice creates a disincentive for energy utilities to engage in energy conservation programs. (R 316:1-6, 399:6-18).

Reject. Conclusory.

- C. Revenue decoupling removes the disincentive to sponsor energy conservation and creates an approximate revenue neutral environment for the energy utility to engage in energy conservation. (R 423:8-427:21; Ex. 6 (KWH-1) pp 2-3).

Reject. Conclusory.

- D. The revenue decoupling proposal proposed by Florida Power Corporation ("FPC") will apply only to residential customers and will take place for a period of three consecutive years. (R 315:9-12).

Accept that this is what has been proposed by FPC.

- E. The proposal will allow FPC to collect exactly the amount of revenues allowed by the regulator by trueing up the difference between the allowed revenues and the revenues actually collected during a period and then adjusting rates in a subsequent period up or down to collect or refund the

difference. A true-up or balancing account is used to adjust rates in future periods to insure that the proper revenues are collected. (R Ex.6 (KWH-1) pp. 1-2).

Reject. Not proven. Conclusory. Argumentative.

- F. FPC proposes a Revenue Per Customer ("RPC") decoupling mechanism be applied to residential revenues. Under RPC, a revenue per customer amount is established of \$612 in the first year of the program. (R 315:14-20, Ex.6 (KWH-1) p. 5).

Accept that this is what has been proposed by FPC.

- G. The RPC amount is adjusted each year by the expected increase in use per customer to make revenue growth comparable to growth achieved under normal rate making. (R Ex.6 (KWH-1) pp. 5-6).

Reject. FCC has attempted to paraphrase FPC's decoupling proposal. This proposed finding is not an accurate representation of FPC's proposal.

- H. Revenue growth per year is determined by 1) customer growth rates and 2) a revenue growth factor based on the annual increase in use per customer which, through historical analysis, matches the personal income growth rate. A projected growth factor for FPC of 1.5% for 1993 was based on the Company's forecast of residential kilowatt-hour sales growth and matches the use per customer growth which has been experienced in the previous five years. (R 325:1, Ex.6 (KWH-1) p.7, 9, 10).

Reject. FCC has attempted to paraphrase FPC's decoupling proposal. This proposed finding is not an accurate representation of FPC's proposal.

- I. The Revenue Target will be adjusted annually by the same percentage as Florida personal income, an index of economic growth, changes. (R 321:18-322:6, Ex.6 (KWH-5)). The adjustment will stay within the bounds of the range of rate of return on equity that FPC currently is allowed by the Commission, 11 to 13 percent. (R 321:1-16).

Reject. FCC has attempted to paraphrase FPC's decoupling proposal. This proposed finding is not an accurate representation of FPC's proposal.

- J. The difference between the Revenue Target and actual revenues will be added to a balancing or true-up account, which is to be amortized over a period of twelve months so that the number of rate changes is not increased. Residential service base rates will remain the same throughout the trial period unless changed by a rate case. Total residential rates will increase or decrease proportional to usage by a true-up factor depending on whether the Company has under-collected or over-collected revenues during the prior calendar year.
(R 385:10-386:10, Ex.6 (KWH-1) p. 7).
- Accept that this is what has been proposed by FPC.
- K. The disincentive to engage in energy conservation programs caused by the linking of allowed profits to the number of kilowatt hours sold remains in effect whether RIM or TRC energy conservation measures are employed. (R 399:6-18).
- Reject. Argumentative and conclusory.
- L. Revenue decoupling removes the disincentive to sponsor energy conservation and creates an approximate revenue neutral environment for the energy utility to engage in energy conservation. (R 423:8-427:21; Ex. 6 (KWH-1) pp 2-3).
- Reject. Argumentative and conclusory.
- M. The revenue decoupling proposal stabilizes customers' energy bills with respect to fluctuations in weather. (R 352:1-19). The amount of kilowatt hour usage fluctuation of FPC residential customers caused by weather variation averaged 133 KWH for the period of 1982 to 1992. (R 318:19-319:3). This amount represents approximately 1% of total KWH usage by this group (R Ex.5), and represents a very small part of their total bill fluctuation over that time period (R 319:5-20).
- Reject. Sentence 1 as unproven. Reject sentences 2 and 3 as vague, ambiguous, and conclusory.
- N. It is unclear what effect a catastrophic storm would have on customer energy bills under the decoupling proposal. (R 380:18-381:19).
- Reject. Immaterial. Not a finding of fact.
- O. Due to the presence of many other significant factors, the Commission is unable to use a comparison of energy conservation programs of other states with those in Florida as

a means of evaluating the effectiveness of revenue decoupling.
(R 375:23-378:5).

Reject. Not a fact.

- P. There is no substantial evidence in the record to support the exclusion of rate payers below a specified kilowatt hour usage level from participation in the revenue decoupling program.

Reject. Immaterial. Not a finding of fact.

- Q. The revenue decoupling proposal stabilizes customers' energy bills with respect to fluctuations in weather. (R 352:1-19).

Reject. Unproven. Conclusory.

- R. The Revenue Target will be adjusted annually by the same percentage as Florida personal income, an index of economic growth, changes. (R 321:18-322:6, Ex.6 (KWH-5)).

Reject. FCC has attempted to paraphrase FPC's decoupling proposal. This proposed finding is not an accurate representation of FPC's proposal.

- S. From 1982 to 1992, 97.6% of the variation in FPC residential customers' kilowatt hour usage was attributable to changes in price, economic conditions and weather. (R Ex.7, p.1).

Reject. Unproven. Immaterial.

- T. There is no evidence in the record to support the presence of any other relevant factors in the variation of FPC residential customers' kilowatt hour usage.

Reject. This is not a fact. Immaterial.

- U. Because the Revenue Target is based upon RPC, the decoupling proposal therefore does not expose customers to risk unaccounted for in the proposal's analysis.

Reject. Conclusory. Argumentative.

- V. The methodology of the FPC revenue decoupling proposal is appropriate for approval by the Commission.

Reject. Argumentative. This is an opinion, not a fact.

PROPOSED FINDINGS OF FACT OF
FLORIDA INDUSTRIAL POWER USERS GROUP

1. FPC's decoupling proposal is designed to address the extent to which increased DSM activities may reduce FPC's revenues below the level to which FPC is entitled during periods between rates cases. (Tr. p. 328, 1. 24-25, p. 329, 1. 1-3)

Reject. This is not a fact, but an opinion.

2. The Florida Public Service Commission authorizes FPC to utilize a fully projected test period when it quantifies revenue needs for rate case purposes. (Tr. p. 529, 1. 21-25, p. 530, 1. 1-2.)

Accept.

3. In a rate case, when quantifying revenue needs in the future or projected period, FPC takes into account the impact of future DSM activities on sales and revenues, and adjusts its calculation of revenue needs accordingly. (Tr. p. 329, 1. 8-23; p. 529, 1. 12-20).

Accept.

4. Where projections are used, the impact of DSM on revenues between rate cases is limited to the variance between the actual levels of DSM experienced following a rate case and the level that was projected during the rate case. (Tr. p. 529, 1. 12-20).

Reject. Not proven.

5. FPC has the ability to file a rate case any time it believes one is warranted. (Tr. p. 330, 1. 15-18).

Accept.

6. FPC filed three rate cases over a recent 10-year period. (Tr. p. 556, 1. 20-25, p. 557, 1. 1-3).

Accept.

7. FPC's decoupling proposal would have the effect of transferring risk from FPC to FPC's customers. (Tr. p. 535, 1. 6-14).

ORDER NO. PSC-95-0097-FOF-EI
DOCKET NO. 930444-EI
PAGE 20

Accept. With the qualification that some risk is transferred.

8. The decoupling proposal would insulate FPC from factors that would motivate it to be competitive. (Tr. p. 533, 1.11-14).

Reject. Unproven and conclusory.

SUMMARY OF THE COMPONENTS OF FPC'S DECOUPLING PROPOSAL

1) IMPACTED RATEPAYERS AND START-UP DATE: Florida Power's RPC decoupling mechanism will be applied to residential revenues (excluding other operating revenues) for a period of three years beginning in November, 1993. (Exhibit 6 (KHW-1), pages 6 of 10)

2) 1993 REVENUE TARGET: The 1993 revenue per customer figure is \$612 per customer per year based on the 1993 allowed revenue of \$656,540,000 and the average annual residential customer count for 1993 of 1,072,774. (Exhibit 6 (KHW-1), pages 6-7 of 10)

The monthly revenue target is computed based on monthly factors shown in Table 1, attached. In December of each year, the final annual revenue target is computed using average annual customers. (Exhibit 6 (KHW-1), pages 9 of 10)

3) REVENUE GROWTH ADJUSTMENT: A growth factor of 1.5 percent per year will be applied to kilowatt-hour sales per customer. (Exhibit 6 (KHW-1), pages 6-7 of 10)

4) BALANCING ACCOUNT: The difference between the monthly revenue target and actual revenues will be added to a balancing or true-up account. Appropriate deferred revenue accounting will be used on the Company's books to reflect the accrual. The balancing account will accrue interest at the same 30-day commercial paper rate specified in Rule 25-6.109(4), F.A.C., and used for fuel, conservation, and capacity cost recovery balancing accounts. The balancing account will be amortized over a period of twelve months beginning April 1 of the subsequent year so that the number of rate changes is not increased. The true-up factor will be only applied to the residential rate since decoupling only applies to that rate class. (Exhibit 6 (KHW-1), pages 7 of 10)

5) EFFECT ON RATES: The Company's base rates will remain the same throughout the decoupling trial period unless changed by a rate case. (Exhibit 6 (KHW-1), pages 8-9 of 10)

6) TRUE-UP CAP: The true-ups between actual and target revenues will be capped such that the company's ROE (as computed in the monthly surveillance report) does not fall outside of its authorized range of return on equity. [Tr 320]

7) RECOUPLE FOR ECONOMIC CONDITIONS: The kilowatt hour per customer growth rate of 1.5% will be adjusted to reflect actual economic conditions. [Tr 320-321]

TABLE 1

FLORIDA POWER CORPORATION
 Revenue Decoupling Proposal
 Monthly Revenue Calculation Under RPC

Revenues Recorded on a Monthly Basis under RPC:

(g)	(h)	(i)	(j)	(k)
	<u>Residential Customers</u>	<u>Monthly Revenue Per Customer</u>	<u>Monthly Revenue Adjustment Factor</u>	<u>Monthly Revenue Recorded (h)x(i)x(j)</u>
Jan-93	1,076,470	\$51	1.0313	\$56,619,000
Feb-93	1,081,345	\$51	0.9887	\$54,526,000
Mar-93	1,083,519	\$51	0.8822	\$48,750,000
Apr-93	1,076,312	\$51	0.8262	\$45,350,000
May-93	1,061,991	\$51	0.8270	\$44,791,000
Jun-93	1,058,190	\$51	1.0258	\$55,359,000
Jul-93	1,059,066	\$51	1.1875	\$64,140,000
Aug-93	1,060,705	\$51	1.2277	\$66,416,000
Sep-93	1,064,025	\$51	1.2467	\$67,650,000
Oct-03	1,070,592	\$51	1.0495	\$57,300,000
Nov-93	1,084,547	\$51	0.8475	\$46,876,000
Dec-93	<u>1,096,528</u>	\$51	0.8719	<u>\$48,761,000</u>
Average/Total	<u>1,072,774</u>			<u>\$656,538,000</u>

Exhibit 6 (KHW-1), page 9 of 10

PROPOSED ADJUSTMENT TO RPC FOR CHANGES IN
ECONOMIC CONDITIONS

YEAR	-----ANNUAL-----		PERSONAL INCOME
	KWH/CUSTOMER	\$/CUSTOMER	
1993	12,578	612	224,097
1994	12,767	620	235,629
1995	12,959	628	244,355
1996	13,153	635	251,884

Adjustment to KWH/Customer for Actual Income:

$KWH/Customer (Adjusted) = KWH/Customer (Proposal) +$

$.0208 * (Actual Personal Income - Proposed personal income)$

Notes: Actual computation will be done on a monthly basis.

The factor relating changes in personal income to KWH/customer, i.e. 0.0208 will be recomputed annual based on most recent 10 year data.

Exhibit 6, (KHW-5)

**COMPARISON OF CONSERVATION LOAD FACTORS
 Residential Conservation Goals
 Summer/Winter 1995 and Summer/Winter 2003**

	PPL			FPC			TECO			GPC		
	mW	gWh	c.l.f.	mW	gWh	c.l.f.	mW	gWh	c.l.f.	mW	gWh	c.l.f.
Summer 1995	181	149.8	9.4%	86.2	23.9	3.2%	23	41	20.3%	0	1	n/a
Winter 1995	157.4	149.8	10.9%	29.8	23.9	9.2%	72	41	6.5%	0	1	n/a
Summer 2003	895	1029.8	13.1%	209	136	7.4%	93	172	21.1%	126	38	3.4%
Winter 2003	765.1	1029.8	15.4%	483	136	3.2%	292	172	6.7%	137	38	3.2%

Note: Conservation Load Factor (c.l.f.) = {mWh goal} / {mW goal x 8760}.

Conservation Load Factor Ratio = c.l.f. (achieved) / c.l.f. (goal).