FLORIDA PUBLIC SERVICE COMMISSION
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M E M O R A N D U M

April 16, 1998

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF ELECTRIC & GAS (BOHRMANN, BALLINGER, BASS, BREMAN, BULECZA-BANKS, COLSON, DRAPER, FULFORD, GING, LOWERY, MAKIN, MATLOCK, MILLS, TEW)
DIVISION OF LEGAL SERVICES (PAUGH, C. KEATING)
DIVISION OF AUDITING AND FINANCIAL ANALYSIS (MAUREY, MERTA, REVELL, C. ROMIG, L. ROMIG, SICKEL, STALLCUP, VANDIVER)

RE: DOCKET NO. 980269-PU - CONSIDERATION OF CHANGE IN FREQUENCY AND TIMING OF HEARINGS FOR FUEL AND PURCHASED POWER COST RECOVERY CLAUSE, CAPACITY COST RECOVERY CLAUSE, GENERATING PERFORMANCE INCENTIVE FACTOR, ENERGY CONSERVATION COST RECOVERY CLAUSE, PURCHASED GAS ADJUSTMENT (PGA) TRUE-UP, AND ENVIRONMENTAL COST RECOVERY CLAUSE.

AGENDA: 04/28/98 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\EAG\WP\980269PU.RCM
Attachments not included in electronic submitted version

CASE BACKGROUND

As directed in Order No. PSC-98-0309-PHO-EI, Docket No. 980001-EI, issued February 23, 1998 (Prehearing Order), staff established this docket to consider a change in the frequency and timing of the hearings in Docket Nos. 980001-EI, 980002-EG, 980003-GU, and 980007-EI as well as the manner of implementing such a change. On March 17, 1998, staff conducted a workshop to hear comments from investor-owned electric and gas utilities and other interested parties regarding proposed changes to the frequency and timing of the four cost recovery clauses. The workshop was attended by representatives from Florida Power Corporation (Florida Power), Florida Power & Light Company (FPL), Tampa Electric Company (TECO), Gulf Power Company (Gulf), Florida Public Utilities Company (FPUC), Peoples Gas System (Peoples Gas), Central Florida Gas (a/k/a Florida Division of Chesapeake Utilities Corporation), City

Gas Company of Florida (City Gas), the Legal Environmental Assistance Foundation (LEAF), the Office of the Public Counsel (Public Counsel), and the Florida Industrial Power Users Group (FIPUG). The participants were asked to provide written comments to issues addressed during the workshop.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve a change in the frequency of the Fuel and Purchased Power Cost Recovery Clause hearings from a semiannual to an annual basis?

RECOMMENDATION: Yes. The Commission should approve a change in the frequency of the Fuel and Purchased Power Cost Recovery Clause hearings to an annual basis.

STAFF ANALYSIS: The Fuel and Purchased Power Cost Recovery Clause (fuel clause) has three main components: the fuel and purchased power cost recovery factor; the generation performance incentive factor; and the capacity cost recovery factor. These three factors are calculated and set on a six-month projected basis with the following exceptions. First, the Commission approved Gulf Power's request for a twelve-month projection period for its capacity cost recovery factor in Order No. PSC-95-1089-FOF-EI, issued September 5, 1995. Second, the Commission approved FPL's requests for a twelve-month projection period for its capacity cost recovery factor and its generation performance incentive factor in Order No. PSC-96-1172-FOF-EI, issued September 19, 1996.

I. REASONS FOR PROPOSED CHANGE

The Commission should approve a change in the frequency of the fuel clause hearings to an annual basis for the following reasons. First, an annual fuel hearing would reduce the number of hearing days per year reserved for the fuel clause. FPL, Florida Power, and Gulf agree that an annual fuel clause hearing would allow the Commission and the parties to use their time and monetary resources more efficiently. The Commission and the parties would gain a degree of administrative efficiency by saving the costs associated with an additional hearing (travel, legal, administrative, etc).

Second, midcourse corrections may occur less frequently. In Order No. PSC-93-0840-FOF-EI, issued June 7, 1993, the Commission stated that the "volatility of fuel prices may cause more midcourse corrections over a year period, and therefore the change to annual hearings could prove to be more, rather than less, costly." However, staff notes that fuel prices are currently less volatile and a higher probability exists that monthly over-recoveries and

under-recoveries will be offset between annual fuel clause hearings. Hence, midcourse corrections may occur less frequently than previously surmised. Florida Power, FPL, FPUC, and Gulf indicate that during the last ten year period they may have requested fewer midcourse corrections for factors approved on an annual basis.

Third, an annual factor would provide customers with more certain and stable prices. Florida Power, FPL, and Gulf indicate that industrial and commercial customers prefer more stable electricity prices. FPL and Gulf further indicate that residential customers would prefer the simplicity of one fuel factor for an entire year. Currently, the fuel clause factor changes every six months in April and October. The proposed change would allow the fuel clause factor to remain unchanged for twelve months. Therefore, ratepayers could plan with greater certainty their level of expenditures for electricity during a given twelve month period.

II. PARTIES' COMMENTS

Six parties filed comments relative to this issue. FPL, Florida Power, Gulf, FPUC, and TECO support the proposed change to an annual fuel clause hearing. However, FIPUG opposes the proposed change, and expressed eleven concerns with it. Most of these issues, if implemented, would represent major, substantive changes to the fuel clause rather than procedural changes. Staff believes these issues are beyond the scope of this docket. These issues are more appropriate for consideration in the generic fuel clause docket.

However, staff believes that FIPUG raised three concerns that should be addressed in this docket. First, FIPUG maintains that "(r)ates set using long range forecasts will violate Florida law." FIPUG cites Citizens of Florida v. Hawkins, 356 So.2d 254 (Fla. 1978) where the "Florida Supreme Court held that the Commission erred when it used an actual year-end rate base when setting (base) rates prospectively..." Staff does not believe that the rationale of Citizens can be applied to the Commission's cost recovery proceedings. When setting base rates prospectively, the Commission essentially takes a "snapshot" of the utility's projected rate base and income statement at a given point in time, and sets the base rates necessary to recover the utility's revenue requirements. Any forecasting errors that occur when that "snapshot" is taken will be carried forward, without any true-up mechanism, and will accrue to the benefactor of the forecasting error. For the instant fuel cost recovery proposed procedural change, the Commission would require a utility to project its fuel costs up to 15 months into the future. However, the fuel clause has a true-up mechanism which allows the utility and its ratepayers to be "made whole" when an

over-recovery or under-recovery occurs. The true-up mechanism, in conjuction with the fuel clause's annual staff audits, ensures that the Commission is in compliance with Section 366.06, Florida Statutes, which requires that rates be set on "actual legitimate costs."

Second, FIPUG states that "(t)he new procedure would deny consumers due process." FIPUG does not believe that adequate time exists to analyze the filings of 14 utilities, conduct discovery, and prepare for the hearings. FIPUG's statement has some merit. Staff has modified the proposed filing schedule to address this concern. Although the Commission maintains a tight schedule between the filing date for the utilities' projected costs and the the cost recovery hearings, the Commission may defer an issue or establish a separate docket to provide for more discovery and analysis on a complex or controversial issue. As the Commission stated in Order No. 13452, issued June 22, 1984, "the burden to demonstrate prudence necessarily falls on the utility. When a utility does not come forward to demonstrate the prudence of its expenditures, that issue is still viable for this Commission to determine."

Third, FIPUG suggests that "(a) procedure that would allow inflexible fuel factors is discriminatory and discourages conservation." FIPUG states that if a utility charges a single average fuel cost factor calculated and set annually, ratepayers would be neither willing nor able to respond to instantaneous fuel price changes. A single average fuel cost factor, FIPUG claims, would fail to promote conservation and would discriminate against high load factor customers. Over the course of a year, staff believes that any "missed" opportunities for a ratepayer to benefit from lower fuel costs in periods of low demand would be offset by higher fuel costs that would be necessary to match peak demand periods. Moreover, staff notes that all investor-owned electric utilities have optional time-of-use rates.

III. RELATED ISSUES

As a result of the proposed annual fuel hearing, several items associated with the fuel clause should be addressed. First, all parties and staff believe that the Commission should not change its policy regarding midcourse corrections. This policy is articulated in Order No. 13694, issued September 20, 1984. As the Commission stated, when the utility becomes aware that its actual fuel costs are ten percent greater than or less than its projected fuel costs during a recovery period, the utility shall advise the Commission through a prompt filing. If the utility fails to advise the Commission, the Commission will disallow the interest on that portion of the under-recovery in excess of ten percent. The

utility shall also request a hearing to adjust its fuel clause factor unless the utility believes that such an adjustment is impractical due to the magnitude, timing, or both of the over-recovery or under-recovery. In any event, any party may request a hearing or the Commission may order a hearing to consider a change in the utility's fuel clause factor.

Second, in Order No. 14546, issued July 8, 1985, the Commission established the fuel-related expenses that can be properly recovered through the fuel clause. A utility must obtain Commission approval of these fuel-related expenses before a utility may recover these expenses through the fuel clause. If a utility seeks to recover, between hearings, fossil-fuel related costs which result in fuel savings and if these costs were not previously addressed in determining base rates, the utility must obtain Commission approval before cost recovery may commence. However, the Commission's approval of the fossil-fuel related costs between hearings may cause the utility to over-recover or under-recover by more than ten percent of its projected fuel costs. If this occurs, a change in the utility's fuel clause factor may be necessary. Florida Power believes that the decision to change the fuel clause factor should be made on a case-by-case basis. FPL, FPUC, and Gulf believe that a utility should request and the Commission should approve a change in the fuel clause factor only when the projected costs in the interim petition would cause the utility to over-recover or under-recover by ten percent during the recovery period. Staff agrees with FPL, FPUC, and Gulf; however, the Commission should also consider the magnitude of the costs and the timing of the interim petition when deciding whether a change is warranted between fuel clause hearings.

Third, staff recognizes that an adjustment to the current reporting schedules will be necessary to accomodate the change from a six-month to a twelve-month recovery period. The utilities currently file A-Schedules to document actual fuel costs on a monthly basis. Also, the utilities file E-Schedules and H-Schedules as exhibits to their witnesses' testimonies in fuel clause hearings to support the next recovery period's fuel clause factors.

IV. CONCLUSION

Staff recommends that all components of the fuel clause for all investor-owned electric utilities be prospectively calculated and set on a twelve-month projected basis. After reviewing the comments submitted by the investor-owned electric utilities and FIPUG, staff believes that changing the frequency of the fuel clause hearing from a semiannual to an annual basis is in the public interest.

ISSUE 2: Should the Commission approve a change in the frequency of the Environmental Cost Recovery Clause (ECRC) hearings for Tampa Electric Company from a semiannual to an annual basis?

RECOMMENDATION: Yes. The Commission should approve a change in the frequency of the Environmental Cost Recovery Clause (ECRC) hearings for Tampa Electric Company to an annual basis.

STAFF ANALYSIS: Section 366.8255, Florida Statutes, which establishes an environmental cost recovery clause (ECRC). This statute authorizes the Commission to allow recovery of prudently incurred environmental compliance costs through the environmental cost recovery factor. According to the statute, this factor "must be set periodically, but at least annually."

In Order No. PSC-96-1171-FOF-EI, issued September 18, 1996, the Commission found that the ECRC should be changed from a six-month cost recovery period to an annual cost recovery period with respect to FPL and Gulf. One month earlier, in Order No. PSC-96-1048-FOF-EI, issued August 14, 1996, TECO's initial ECRC factors were approved by the Commission. These factors were set for a six-month period with the understanding that the Commission may consider a change to an annual cost recovery period for TECO after it gained experience with the ECRC.

Staff believes that TECO has now had sufficient experience with the ECRC to justify a change to annual cost recovery period. In addition, much of the rationale stated in Issue 1 for annual cost recovery periods applies to the ECRC. An annual ECRC hearing would reduce the number of hearing days per year reserved for the ECRC and would allow for increased administrative efficiency for the parties as well as the Commission. Also, customers could more easily project electricity costs because the ECRC factor would remain unchanged for a twelve-month period.

TECO supports the proposed change for the ECRC recovery periods. FIPUG, however, believes that the Commission should establish a new docket to decide this issue. Staff disagrees. This docket was established in part to decide this issue. Moreover, the Commision did not find it necessary to establish a separate docket when deciding this issue with respect to FPL and Gulf. It was accomplished within the scope of the annual ECRC docket. Staff believes the material support for establishing annual cost recovery periods in the ECRC for TECO is substantially the same as it was in the Commission's decision for FPL and Gulf. Therefore, staff believes that no additional information is required to make the determination in this case.

Neither Florida Power nor FPUC have petitioned the Commission for recovery of environmental compliance costs through the ECRC.

ISSUE 3: Should the Commission approve a change to calculate the factor for the Fuel and Purchased Power Cost Recovery Clause on a calendar year basis?

RECOMMENDATION: Yes. The Commission should approve a change to calculate the factor for the Fuel and Purchased Power Cost Recovery Clause on a calendar year basis that commences each January and concludes the following December, beginning in 1999, pursuant to the transition schedule attached as Attachment A.

STAFF ANALYSIS: For the following reasons, the Commission should approve a change to calculate the factor for the Fuel and Purchased Power Cost Recovery Clause (fuel clause) on a calendar year basis that commences each January and concludes the following December, beginning in 1999.

First, an annual factor for the fuel clause set on a calendar year basis would result in one charge for fuel costs set in place for a one year period from January through December. With the exception of TECO, utilities have indicated that an annual fuel clause factor calculated on a calendar year basis would coincide with most commercial and industrial customers' budget periods. As stated by FPL, the proposed change would provide ratepayers greater certainty about electricity costs due to a more stable, predictable twelve month charge for fuel. Currently, ratepayers may experience three different charges for fuel within a calendar year. If the Commission adopted an annual factor based on a non-calendar year, ratepayers would still experience two different charges for fuel within a calendar year.

Second, if the fuel cost factor is based on a calendar year, an interested party could more easily analyze fuel cost information. Currently, one must extract these data from three recovery periods to calculate fuel costs for a calendar year. Under the proposed change, one would only need to extract data from one twelve-month recovery period to calculate fuel costs on a calendar year basis. Also, maintaining fuel cost information on a calendar year basis is consistent with the manner in which most data are accumulated and reported to the Federal Energy Regulatory Commission, the Department of Energy, and other public agencies.

Third, an annual, calendar year factor will simplify staff audits. Staff currently audits each investor-owned electric utility's fuel expenses from April through the following March. Therefore, staff must access information from the utilities' general ledger and EDP tapes from two calendar years to complete each year's audit. As illustrated in Attachment A, the audit

period for the fuel clause will commence in January and conclude the following December. Thus, staff will only be required to access the utilities' general ledger and EDP tapes from one calendar year.

Fourth, an annual, calendar year factor will allow for greater administrative efficiencies. With Commission approval of staff's recommendations in Issues 1 and 2, the length of the recovery period for all components of all cost recovery clauses for all investor-owned electric and gas utilities will be twelve months. As staff expressed in Issues 1 and 2, the Commission and the parties will gain greater administrative efficiencies if the frequency of the hearings for the fuel clause for the investor-owned electric utilities and the ECRC for TECO is changed from a semiannual to an annual basis. These administrative efficiencies can not currently occur; however, since the timing of the recovery periods differs among the four cost recovery clauses. Changing each recovery period to an annual, calendar year basis will allow these efficiencies to be gained.

Six parties filed comments relative to this issue. FPL, Florida Power, Gulf, and FPUC support staff's proposed change. TECO opposes the proposed change to a calendar year recovery period. TECO states that an April through March period coincides very effectively with its budgeting process for fuel costs that are recovered through the fuel clause. Moreover, no compelling reason, TECO asserts, exists to implement a calendar year cost recovery schedule as opposed to an annual cost recovery period of April through March. In response, staff notes that components of FPL's and Gulf's fuel clause factors (capacity cost recovery and GPIF for FPL and capacity cost recovery for Gulf) currently have an annual recovery period which commences in October and concludes the following September. Therefore, the best alternative to a calendar year recovery period for the fuel clause would be an October through September recovery period, not an April through March recovery period as TECO has proposed.

FIPUG neither supports nor opposes a calendar year recovery period, but states that the Commission should recognize seasonal cost differentials when calculating the fuel clause factor or calculate the fuel clause factor based upon historic costs. Staff believes that FIPUG's proposed changes fall outside the scope of this docket as set forth in the Prehearing Order. FIPUG may raise this issue in a more appropriate forum such as Docket No. 980001-EI or a separate docket.

Although TECO's and FIPUG's comments have some merit in isolation, staff believes that the long term benefits to all parties in the four cost recovery clauses outweigh the one-time

transition costs necessary to achieve the desired administrative efficiencies as expressed in Issue 1 and 2. Staff will coordinate with the investor-owned electric utilities to mitigate the one-time transition impacts for the fuel clause.

ISSUE 4: Should the Commission approve a change to calculate the factor for the Environmental Cost Recovery Clause on a calendar year basis?

RECOMMENDATION: Yes. The Commission should approve a change to calculate the factor for the Environmental Cost Recovery Clause on a calendar year basis that commences each January and concludes the following December, beginning in 1999, pursuant to the transition schedules attached as Attachments B and C.

STAFF ANALYSIS: Based on the analysis in Issue 3, staff recommends that the Commission approve a change to calculate the ECRC factors on a calendar year basis that commences in January and concludes the following December, beginning in 1999. As stated by FPL and Gulf, an ECRC factor calculated on a calendar year basis will coincide with most ratepayers' budget periods and therefore provide convenience in addition to certainty of electricity costs. It also makes it easier for interested parties to extract and analyze data. Finally, reporting on a calendar year basis would be more consistent with how most comparable data are reported to other agencies.

With Commission approval of staff's recommendations in Issues 1 and 2, the length of the recovery period for all components of all cost recovery clauses, including the ECRC, for all investor-owned electric and gas utilities will be twelve months. As staff expressed in Issues 1 and 2, the Commission and the parties will gain greater administrative efficiencies if the frequency of the fuel clause and the ECRC for TECO is changed from a semiannual to an annual basis. However, these administrative efficiencies cannot be realized unless the timing of the recovery factors for the ECRC is modified to coincide with the timing of the recovery factors for the fuel clause. Therefore, the Commission should change the recovery period for the ECRC to a calendar year basis to allow these administrative efficiencies to be gained.

Four parties filed comments relative to this issue. FPL, Gulf, and FIPUG expressed support for the proposed change. However, FIPUG's support was conditioned on the ECRC based upon historical, not projected, costs. As expressed in Issue 1, staff believes that FIPUG's proposed change to a historical cost recovery mechanism falls outside the scope of this docket as expressed in the Prehearing Order. However, FIPUG may raise these issues in a more appropriate forum such as Docket No. 980007-EI or a separate docket.

Although TECO recognizes that the Commission and the parties can gain substantial administrative efficiencies if all cost recovery clause hearings are held with the same frequency and timing, TECO expressed opposition to recovery on a calendar year basis. TECO asserts that no compelling reason exists to implement a calendar year cost recovery schedule as opposed to an annual cost recovery period of April through March. In addition, TECO states that an April through March period coincides very effectively with its budgeting process for environmental costs that are recovered through the ECRC. In response, staff notes that FPL and Gulf currently have an annual recovery period for the ECRC which commences in October and concludes the following September. Therefore, the best alternative to a calendar year recovery period for the ECRC would be an October through September recovery period, since no transition would be necessary for the participating utilities.

Staff believes that the long-term benefits to all parties in the four cost recovery clauses outweigh the one-time transition costs necessary to achieve the desired administrative efficiencies as expressed in Issues 1 and 2. Staff will coordinate with FPL, Gulf, and TECO to mitigate one-time transition impacts associated with the change to calculating ECRC factors on a calendar year basis.

ISSUE 5: Should the Commission approve a change to calculate the factor for the Purchased Gas Adjustment (PGA) true-up on a calendar year basis?

RECOMMENDATION: Yes. The Commission should approve a change to calculate the factor for the Purchased Gas Adjustment (PGA) true-up on a calendar year basis that commences each January and concludes the following December, beginning in 1999, pursuant to the transition schedule attached as Attachment D.

STAFF ANALYSIS: On May 10, 1993, the Commission issued Order No. PSC-93-0708-FOF-GU which changed the frequency of the Purchased Gas Adjustment (PGA) true-up hearings from semiannual to annual. This order also directed the investor-owned gas utilities to calculate their annual PGA true-up factors on a non-calendar year basis (April through March of the following year). Based on the analysis in Issue 3, staff recommends that the Commission approve a change to calculate the factor for the PGA true-up on a calendar year basis that commences each January and concludes the following December.

As expressed in Issues 1 and 2, the recovery period for the fuel clause for the investor-owned electric utilities and the environmental cost recovery clause for TECO should be changed to use the Commission's and the parties' time and monetary resources more efficiently. Currently, the Commission sets the PGA true-up factors for investor-owned gas utilities to be recovered from April through March of the following year. Unless the timing of the recovery period for the PGA true-up is modified to coincide with the fuel clause, the Commission and the parties will not achieve the efficiencies described above.

Three investor-owned gas utilities submitted comments about the proposed change. FPUC supports the proposed change for two reasons. First, FPUC currently projects information relevant to the PGA true-up during its internal budget process on a calendar year basis. The new recovery period would coincide with FPUC's internal budgeting period. Second, FPUC experiences greater volatility in gas prices and sales at the immediate end of the current April through March recovery period. The proposed changes would bisect this volatile period.

Peoples Gas and Central Florida Gas do not support the proposed change. Absent some compelling reason, Central Florida Gas and Peoples Gas do not foresee any benefits or advantages of the proposed change that would offset the time and expense involved in making the transition. Central Florida Gas believes a change in

the PGA true-up in the middle of the winter season may send mixed price signals to its customers. However, Peoples Gas states a customer who is most price sensitive likely purchases natural gas from a third party supplier and transports the natural gas over its LDC's distribution system. This customer would be unaffected by PGA true-up changes. Also, the PGA true-up is set as a cap with a monthly flex down provision; thus, the recovery period over which the cap applies is relatively insignificant.

Central Florida Gas' and Peoples Gas' statements do have some merit in isolation. However, staff believes the long-term benefits to all parties in the four cost recovery clauses outweigh the one-time transition costs necessary to achieve the desired administrative efficiencies as expressed in Issues 1 and 2. Staff will coordinate with each investor-owned gas utility to mitigate the one-time transition impacts.

ISSUE 6: Should the Commission approve a change to calculate the factor for the Energy Conservation Cost Recovery (ECCR) Clause on a calendar year basis?

RECOMMENDATION: Yes. The Commission should approve a change to calculate the factor for the Energy Conservation Cost Recovery (ECCR) Clause on a calendar year basis that commences each January and concludes the following December, beginning in 2000, pursuant to the transition schedule attached as Attachment E. The Commission should initiate rulemaking to amend Rule 25-17.015, Florida Administrative Code, to implement this change.

STAFF ANALYSIS: Pursuant to Rule 25-17.015, Florida Administrative Code, the Commission is required to conduct a hearing in the first quarter of each year to calculate an energy conservation cost recovery (ECCR) factor for investor-owned electric and gas utilities on a non-calendar year that commences in April and concludes the following March. Based on the analysis in Issue 3, staff recommends that the Commission initiate rulemaking to amend Rule 25-17.015, Florida Administrative Code, to allow factors for the ECCR clause to be calculated on a calendar year basis that commences each January and concludes the following December.

As expressed in Issues 1 and 2, the recovery period for the fuel clause for all investor-owned electric utilities and the ECRC for TECO should be changed to use the Commission's and the parties' time and monetary resources more efficiently. Currently, the Commission sets ECCR factors for investor-owned electric and gas utilities to be recovered from April through March of the following year. Unless the timing of the recovery period for the ECCR factor is modified to coincide with the fuel clause, the Commission and the parties will not achieve the efficiencies described above.

Six parties filed comments relative to Issue 6. Gulf, FPUC, and FIPUG expressed support for the proposed change. However, FIPUG's support was conditioned on an ECCR factor based upon historical, not projected, costs. As stated above, staff believes that FIPUG's proposed change to a historical cost recovery mechanism falls outside the scope of this docket as expressed in the Prehearing Order. However, FIPUG may raise this issue in a more appropriate forum such as Docket No. 980002-EG or a separate docket.

TECO opposes the proposed change. TECO states that an April through March period coincides very effectively with its budgeting process for its energy conservation costs that are recovered through the ECCR clause. Moreover, no compelling reason, TECO

states, exists to implement a calendar year cost recovery schedule as opposed to an annual cost recovery period of April through March.

Peoples Gas and Central Florida Gas also oppose the proposed change, but for slightly different reasons. Both agree that the time and expense involved in making the transition would not offset the benefits of a calendar year recovery period. Central Florida Gas states that a calendar year recovery period would not "mirror" the seasonality of the natural gas industry as the April through March recovery period does. Peoples Gas claims that a calendar year recovery period may increase the systemic forecasting error present in the projected energy conservation costs.

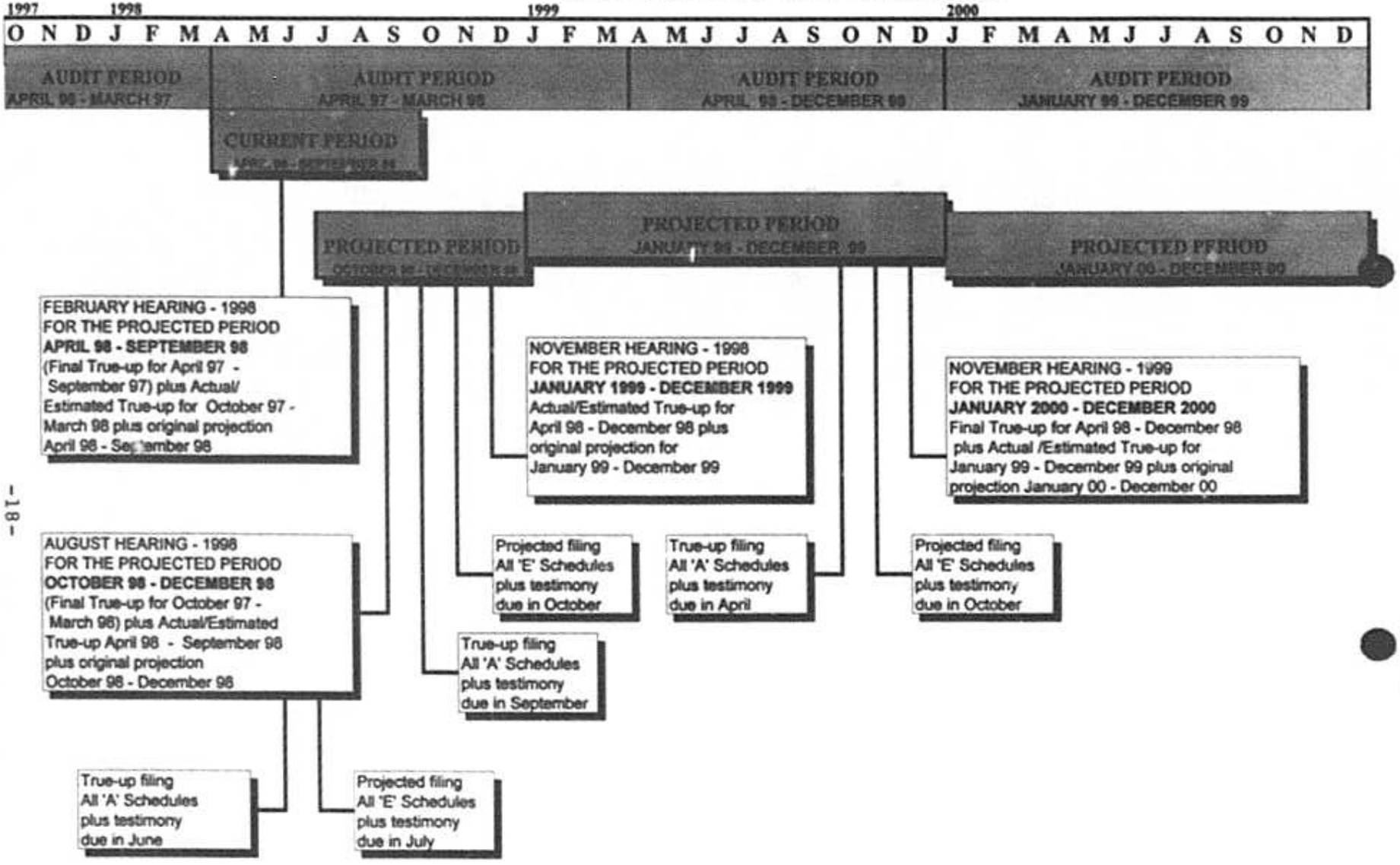
TECO's, Central Florida Gas', and Peoples Gas' statements do have some merit in isolation. However, staff believes that the long-term benefits to all parties in the four cost recovery clauses outweigh the one-time transition costs necessary to achieve the desired administrative efficiencies addressed in Issue 3. Staff will coordinate with each investor-owned electric and gas utility to mitigate the one-time transition impacts.

ISSUE 7: Should this docket be closed?

RECOMMENDATION: Yes. If no person whose substantial interests are affected by the Commission's proposed agency action files a protest within 21 days of the order, this docket should be closed.

STAFF ANALYSIS: If no person whose substantial interests are affected by the Commission's proposed agency action files a request for hearing within 21 days of the order, no further action will be required and this docket should be closed.

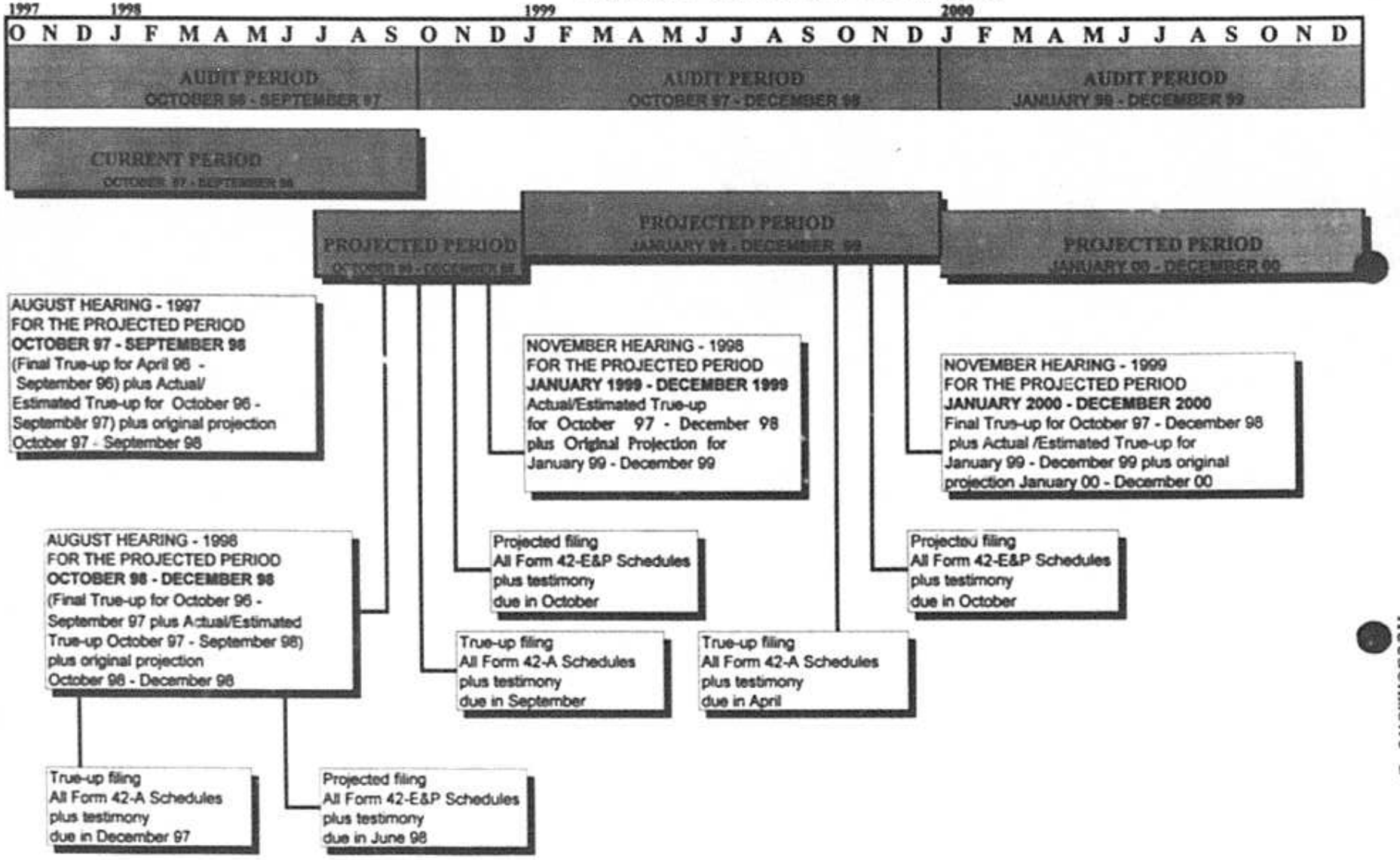
FUEL AND PURCHASED POWER COST RECOVERY FILING
TIME LINE - FIRST TIME - TRANSITION



Attachment A

FLORIDA POWER & LIGHT and GULF POWER

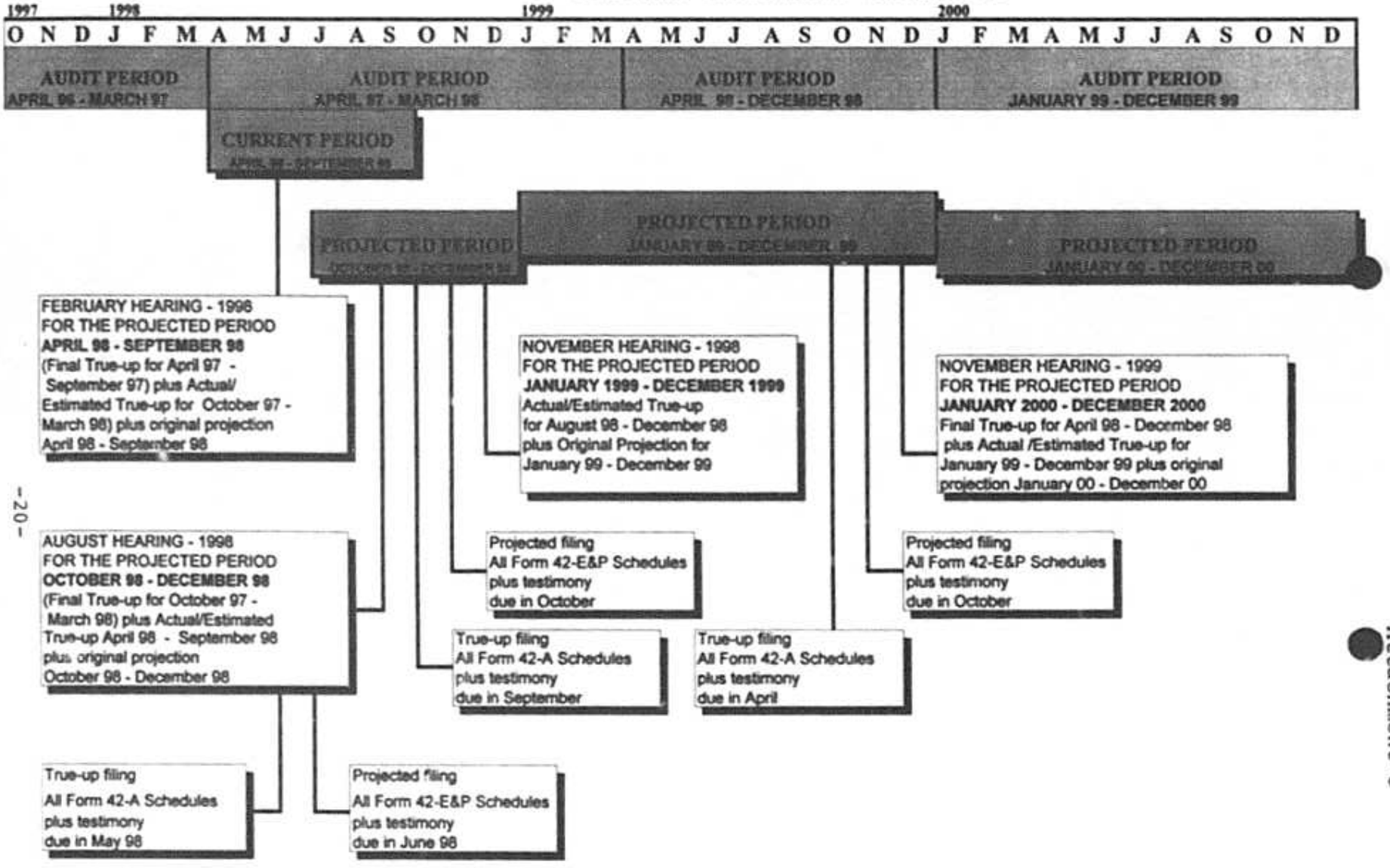
ENVIRONMENTAL COST RECOVERY FILING
TIME LINE - FIRST TIME - TRANSITION



Attachment B

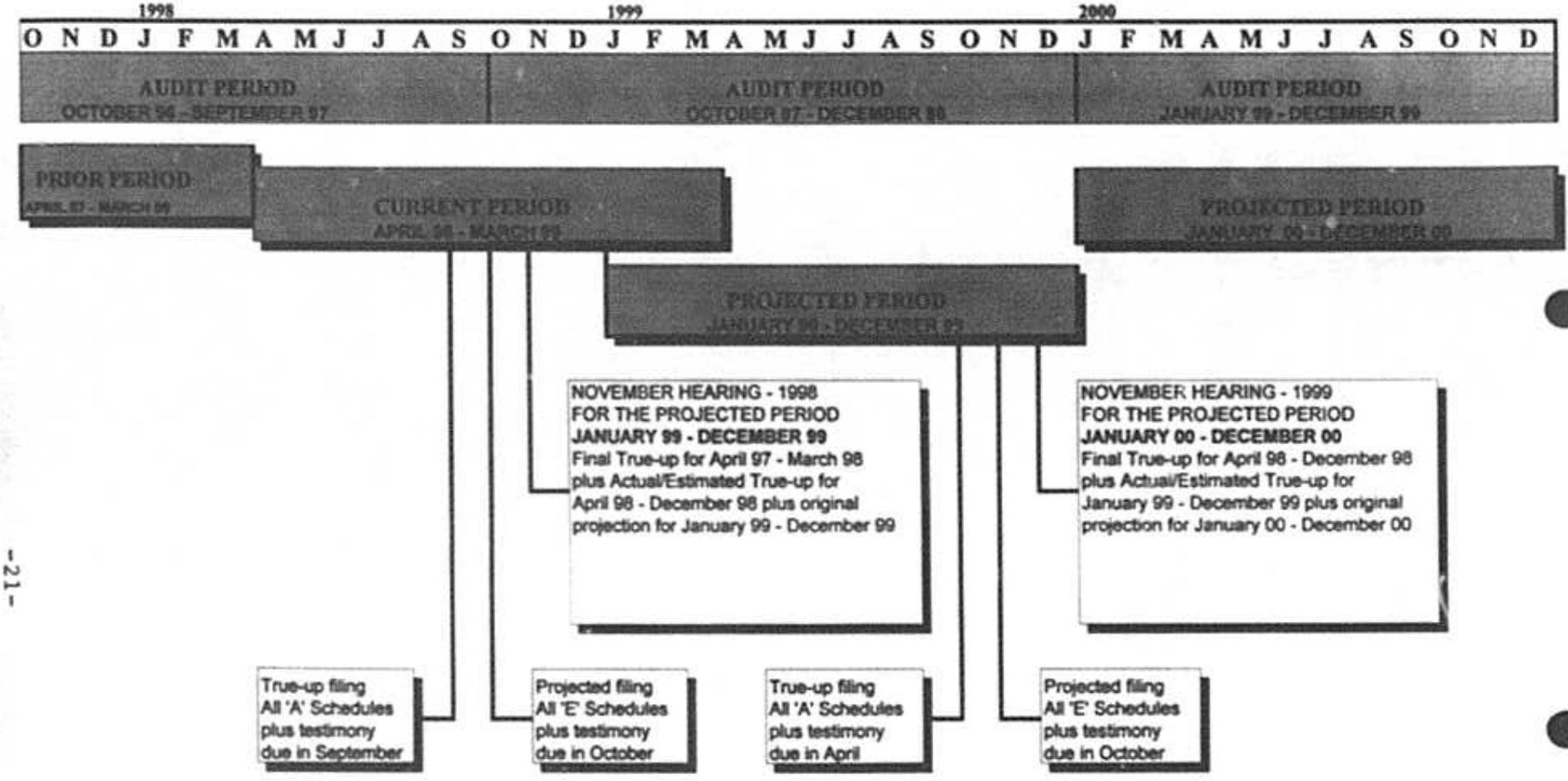
TAMPA ELECTRIC

ENVIRONMENTAL COST RECOVERY FILING
TIME LINE - FIRST TIME - TRANSITION



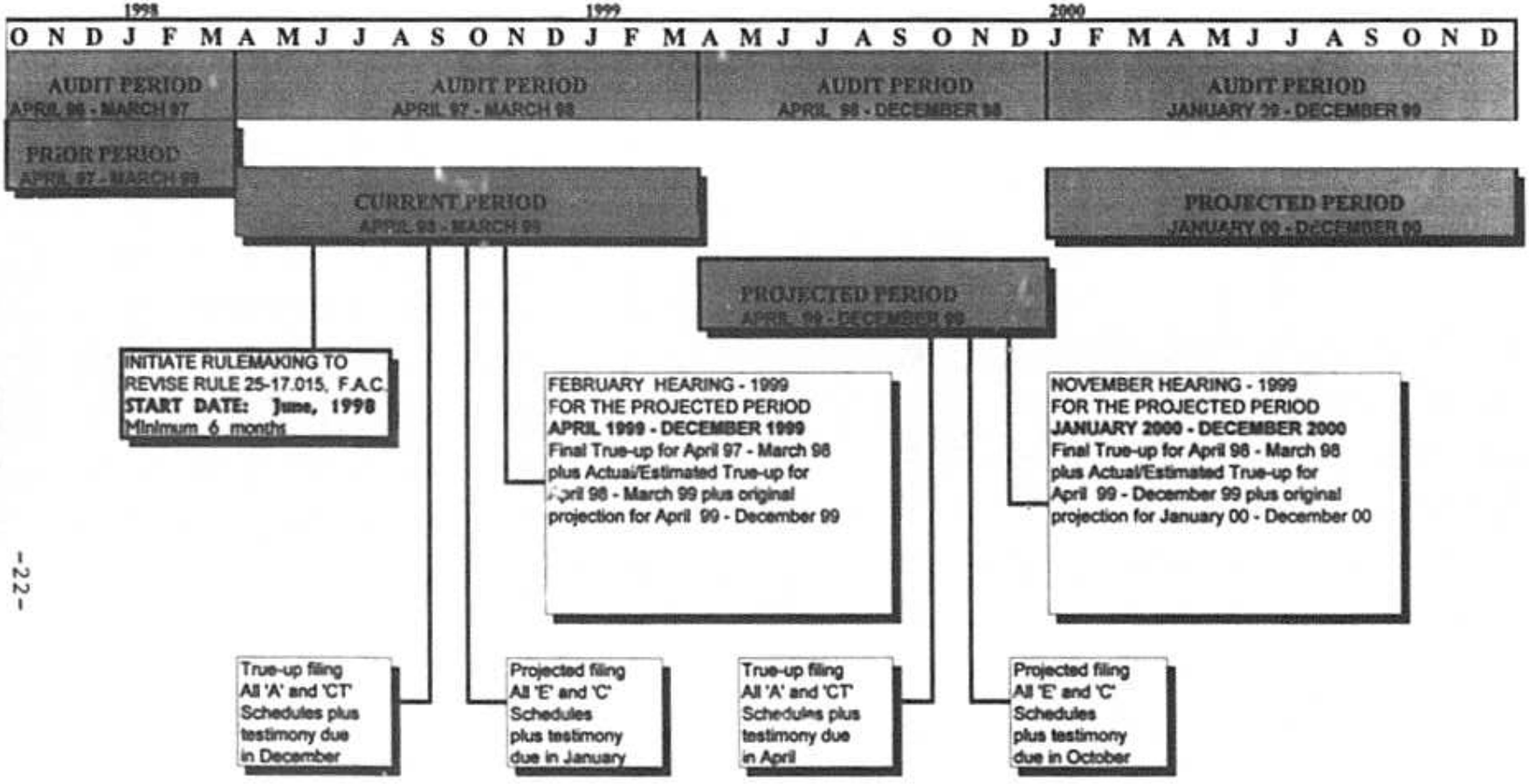
Attachment C

PURCHASED GAS COST RECOVERY FILING
TIME LINE - FIRST TIME - TRANSITION



Attachment D

ENERGY CONSERVATION COST RECOVERY FILING
TIME LINE - FIRST TIME - TRANSITION



Attachment E