

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Investigation into ) DOCKET NO. 860001-EI-G  
affiliated cost-plus fuel supply ) ORDER NO. PSC-92-0776-FOF-EI  
relationships of Florida Power ) ISSUED: 08/10/92  
Corporation. )  
\_\_\_\_\_ )

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK  
J. TERRY DEASON  
BETTY EASLEY

ORDER OF CLARIFICATION

BY THE COMMISSION:

On May 13, 1992, we issued a final order in Docket No. 860001-EI-G, Order No. PSC-92-0347-FOF-EI (the Order). An issue in the Order concerned the appropriate capital structure Electric Fuels Corporation (EFC) should assume in calculating its return component of the cost-plus arrangement for recovery as a prudent cost of fuel to Florida Power Corporation (FPC). In the Order, we found that EFC's capital structure should assume an equity ratio of 55% of its net long term assets. At the hearing, this was referred to as the "short cut" method and our intent was to require EFC to determine the reasonableness of this "short cut" method on an annual basis as described below. In addition, it is not our intent that the "55%" used in the "short cut" method be fixed, but rather, this percentage may change over time as dictated by the annual review of reasonableness.

On May 28, 1992, FPC filed a timely Motion for Clarification of the Order. The Company pointed out that the concluding sentence of the second paragraph of the Order stated "that EFC's FPC-related operational costs should be compared to full regulatory treatment at least once a year." Because it was not our intent to test EFC's FPC-related operational costs on an annual basis to determine reasonableness, we find that it is appropriate for the Order be clarified in this instance.

Instead, it was our intent to require an annual test to confirm the validity of using the "short cut" method of calculating the equity component of EFC's capital structure. In the "short cut" method, EFC's FPC-related revenue requirements will be calculated using an equity component equal to a percentage of its net long-term assets times FPC's allowed rate of return on equity. At this time, 55% is used in this calculation for the percentage of long-term assets. On an annual basis, the revenue requirements under a full utility-type regulatory treatment methodology will be calculated using the actual weighted average cost of debt and equity required to support FPC business to determine an overall

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rate of return. We find that if the short cut method and full utility-type regulatory calculations do not produce significantly different results, the short cut method shall be determined reasonable. However, if the two methodologies produce significantly different results, the percentage of long-term assets used in the "short cut" method, currently 55%, may be adjusted to make the results equal. If the percentage is adjusted, this revised percentage shall be used until the annual reasonableness test indicates that a different percentage should be used. This annual test shall be conducted in conjunction with the fuel adjustment proceedings.

Our intent was not to require a comparison of operating expenses on an annual basis. However, operating expenses are included in both methodologies because both review total revenue requirements, and operating expenses are one component of revenue requirements. Because the reasonableness of any expense can be questioned at any time, an annual comparison of operating expenses is not necessary.

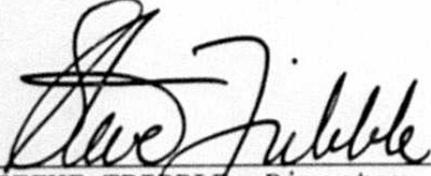
Finally, this docket shall be closed after the time for appeal has lapsed.

It is, therefore,

ORDERED by the Florida Public Service Commission that Order No. PSC-92-0347-FOF-EI shall be clarified to the extent outlined in the body of this order. It is further

ORDERED that this docket shall be closed after the time for appeal has lapsed.

By ORDER of the Florida Public Service Commission this 10th day of August, 1992.

  
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STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

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NOTICE OF 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 judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or 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.