

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Fuel and Purchased Power) DOCKET NO. 930001-EI
Power Cost Recovery Clause) ORDER NO. PSC-93-0047-FOF-EI
and Generating Performance) ISSUED: 01/12/93
Incentive Factor.)
_____)

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK
J. TERRY DEASON
BETTY EASLEY

ORDER GRANTING RECONSIDERATION

BY THE COMMISSION:

CASE BACKGROUND

In Order No. PSC-92-1001-FOF-EI, issued on September 17, 1992, we determined that the capacity costs associated with Gulf Power Company's (Gulf's) participation in the Southern Company Intercompany Interchange Contract (IIC) were not appropriate for recovery through the capacity cost recovery clause for the period October, 1992 through March, 1993. We also determined that Gulf should credit to its customers those capacity revenues associated with its Schedule E contract with Florida Power Corporation (FPC).

Gulf had requested that it be allowed to recover the net purchased power costs associated with its participation in the IIC, as well as the cost of capacity represented by the discontinued sales of capacity which are embedded in base rates, less the projected capacity revenues associated with its Schedule E sales to FPC. Gulf had contended that those purchased power costs were not being recovered in any manner, and thus were recoverable through the new capacity cost recovery factor we established in Order No. 25773.

Our Order No. 25773 concluded our investigation in Docket No. 910794-EQ, In Re: Generic investigation of the proper recovery of purchased power capacity costs by investor-owned electric utilities. There we directed investor-owned utilities to implement a capacity cost recovery clause beginning in October, 1992. In the order we described the capacity costs that are appropriate for inclusion in the clause. The capacity costs that are appropriate for recovery fall into two categories. The first category is comprised of those purchased power capacity costs that are already being recovered through the fuel or oil backout factors. By shifting those costs to the capacity cost recovery factor, the costs are allocated to customer classes using a demand allocator, rather than an energy allocator. This reallocation is appropriate because capacity costs are a demand-related cost, and should be assigned on a demand basis, not on an energy basis. DOCUMENT NUMBER-DATE

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The second category of capacity costs we identified for inclusion in the new clause were costs related to contracts entered into since the utility's last rate case that were not reflected in either fuel or oil backout charges. Those capacity costs were addressed on page five of Order No. 25773 as follows:

We will permit utilities to recover capacity related purchased power costs not currently being recovered through the fuel or oil backout charges in the calculation of a capacity recovery factor for contracts entered into since the utility's last rate case. Purchased power demand costs currently being recovered in base rates are to remain in base rates until the utility's next general rate case.

In the third ordering paragraph of Order No. 25773 we said:

. . . [C]apacity related purchased power costs not currently being recovered in any manner may be included in the capacity recovery factor. Those costs currently being recovered in base rates will remain in base rates until the utility's next general rate case.

On October 2, 1992, Gulf timely filed a Motion for Reconsideration of Order No. PSC-92-1001-EI on the grounds that our decision denying recovery of the amount of capacity costs not contemplated in setting Gulf's base rates was inconsistent with the intent of Order No. 25773. At oral argument on the motion, Gulf also argued that our decision was inconsistent with our subsequent decision in Florida Power and Light Company's capacity cost recovery case, Docket No. 920887-EI, In Re: Recovery of Capacity Costs Associated with Florida Power and Light Company's St. John's River Power Park Contract.

The Florida Industrial Power Users Group (FIPUG) filed a response to Gulf's motion on October 9, 1992, urging that Gulf's motion be denied. FIPUG contended that Gulf had not presented any matters we had not previously considered in our final order. At oral argument FIPUG also contended that our decision was not inconsistent with the FPL capacity cost recovery case, because the two cases were distinguishable.

We believe that our decision in the FPL case compels us to reconsider our order denying recovery of Gulf's IIC capacity costs. In Order No. PSC-92-1334-FOF-EI we denied Florida Power and Light Company the recovery of a portion of the capacity costs associated with its St. John's River Power Park contract, but we allowed

recovery of the incremental amount of capacity costs that FPL had incurred above the amount that had been considered in the tax savings docket. We held that:

\$63,975,761 of capacity costs associated with the SJRPP contract are not appropriate for recovery through the capacity cost recovery clause, because that amount was included as part of the company's operating expenses used in the calculation of the rate reduction we ordered in the company's tax savings case, Docket No. 890319. The base rates determined in the tax savings case reflect recovery of those SJRPP costs. We also hold, however, that the incremental amount of the SJRPP costs that the company has incurred above the \$63,975,761 are recoverable through the capacity cost recovery factor, because those amounts are not reflected in base rates and are not being recovered in any manner. . . .

In light of that holding, we will reconsider Order No. PSC-92-1001-FOF-EI. Gulf Power Company will be permitted to recover through the capacity cost recovery clause the net capacity costs associated with its participation in the Intercompany Interchange Contract, because those capacity costs are not currently being recovered in any manner. In addition, Gulf will be permitted to recover an amount which represents the net capacity revenues which were included in setting base rates in its last rate case. This amount, equal to \$839,290 on a jurisdictional basis, will be recovered in each six-month period until Gulf's next rate case, and will not be adjusted for sales. These two amounts will be reduced by the capacity revenues which Gulf will receive pursuant to its Schedule E long-term non-firm contract with Florida Power Corporation.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that, for the reasons set forth in the body of this order, Gulf Power Company's request to recover through the capacity cost recovery clause capacity costs associated with the IIC contract that are not being recovered in base rates is granted. It is further

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By ORDER of the Florida Public Service Commission this 12th
day of January, 1993.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

MCB:bmi

by: Kay Hynan
Chief, Bureau of Records

Commissioner Clark dissents from this order for the reasons
expressed in her dissent in Order No. PSC-92-1334-FOF.

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.