

Ratemaking

<p>Section 166.231(1)(b), Florida Statutes</p>	<p>The Florida Statutes define the term “fuel adjustment charge” to mean all increases in the cost of utility services to the ultimate consumer resulting from an increase in the cost of fuel to the utility subsequent to October 1, 1973.</p>
<p>City of Tampa v. Thatcher Glass Corporation, 445 So. 2d 578 (1984)</p>	<p>This case provides a judicially recognized definition of fuel adjustment charge.</p> <p>“Fuel adjustment charge” has a technical meaning in the utilities industry, denoting an adjustment to an electric bill reflecting shifting prices of fossil fuels used to generate the electricity sold by electric utilities. The purpose of the charge is to allow utilities to pass on to customers the changing cost of providing service attributable to market forces beyond the control of the utility, without requiring the utility to seek a rate adjustment from the Florida Public Service Commission each time.”</p>
<p>City of Gainesville Code of Ordinances, Section 27-21(effective 9/1/14)</p>	<p><i>Electric system fuel and purchased power expense</i> shall mean the cost or expense of fuel transported to and consumed in the generation of electricity in the city’s generating plants and the identifiable costs incurred while having power delivered to the system to maintain adequate capacity reserve levels on the system, including, but not limited to, generation capacity charges, reservation charges, energy charges, adders, and/or any transmission or wheeling charges.</p>
<p>Florida Municipal Power Agency (FMPA) has 31 members. FMPA supplies wholesale power to their all requirements project members. FMPA supplies all of the power needs to 13 members and supplies a portion of power needs to 7 members. The remaining members, including GRU, are not currently part of any projects.</p>	<p>All requirements project (ARP) members pay 3 separate charges to FMPA:</p> <ol style="list-style-type: none"> (1) Demand rate based on coincident peak, (2) Energy rate based on megawatt hours, and (3) Transmission demand rate. <p>There are several examples of ARP members and how they account for purchased power.</p>

	<p>(1) Some ARP municipals allocate all costs through the fuel adjustment charge and nothing through base rates.</p> <p>(2) Some allocate the demand rate and the transmission demand rate components through base rates and the energy rate through the fuel adjustment charges.</p> <p>(3) Some allocate a portion of the demand rate and a portion of the transmission rate through base rates and the remaining portions of the demand rate and the transmission demand rates along with the energy rate are allocated to the fuel adjustment charges. Some municipals believe that some portion of the demand rate is energy related such that it is allocated through the fuel adjustment charge rather than base rates.</p>
<p>Kissimmee (KUA)</p>	<p>KUA is an ARP customer; KUA allocates a portion through the fuel adjustment charge and a portion through base rates. The amounts that flow can fluctuate between base rates and the fuel adjustment charge over a 12 month period.</p> <p>KUA estimates what its total fuel and purchased power costs will be on a 12 month basis going forward. If KUA's fuel and purchased power costs are less than the estimate, the customer gets a credit on his/her bill on the adjustment line. If fuel and purchased power costs exceed the estimate – everything ABOVE the estimate goes on the bill on the same line.</p> <p>So, for example – in 2008-2010 – KUA estimated their fuel and purchased power costs at 9.2 cents per kWh (per customer). Whenever the kWh fuel and purchased power cost per customer was more than that (for example as high as 12.3 cents in the first entry for April 2008) that extra 3.1 cents per customer went as a separate line item on the bill (in this case nearly \$30.00 at 1000</p>

	kWh x 3 cents/kWh). Whenever it was lower, for example 9.0 cents in April 2009 – a .2 cent credit went on the customer's bill (resulting in a monthly savings to the customer of \$2.75).
Lakeland (LE)	Purchased power costs allocated to the Fuel Adjustment Charge.
New Smyrna Beach (UCNSB)	Purchased power costs allocated to the Fuel and Purchase Power Adjustment Charge.
Orlando (OUC)	Purchased power costs are divided and allocated depending on energy charges and/or fuel charges.
Tallahassee (Tallahassee Electric)	Purchased power costs are allocated to the base rates and the energy cost adjustment charge.