Chapter 17 Fuel Adjustment Clauses or Riders

Rule 17

100 Recovery of Cost

Electric utilities shall be permitted to recover the ultimate cost of fuel burned or consumed in electric generating facilities, together with the cost of purchased energy through the filing of fuel adjustment clauses or riders to its schedules of rates and charges.

101 Allowable Cost

The cost of fuel allowable for inclusion in a fuel adjustment clause or rider shall be the prudent cost of fuel consumed in the utility's own plants and the utility's share of fuel consumed in jointly owned or leased plants.

A. Non-Nuclear Fuel

1. The allowable direct cost of fuel other than nuclear fuel shall include those items which are properly includable in FERC account 151, 501 and 547 including the following:

a. Invoice price of fuel less any cash or other discounts.

b. Freight, switching, demurrage and other transportation charges.

c. Excise taxes, purchasing agent's commissions, insurance and other expenses directly assignable to the cost of fuel.

d. Operating , maintenance and depreciation expenses and ad valorem taxes on utility-owned transportation equipment used to transport fuel from the point of acquisition to the unloading point.

e. Lease or rental costs of transportation equipment used to transport fuel from the point of acquisition to the unloading point.

2. Fuel Handling Costs

In addition to the direct costs properly includable in FERC account 151, fuel cost may include the direct cost associated with burning the fuel at the generation plan such as fuel handling expenses and the cost of sampling and analysis. Fuel handling expenses may include the costs for unloading from the shipping medium, which are not permitted to be included in FERC account 151. Fuel handling costs include those items properly chargeable to FERC accounts 152, ~~and~~ 501, and 547 except for the costs associated with hedging activities which are not allowed to be recovered through the fuel clause.

3. Emission Costs

The actual costs of SO_2 and NO_X emission allowances, required by Federal or State environmental regulations and consumed as a result of the generation of electricity by utility owned generation plants are includable for recovery through the fuel adjustment clause.

B. Nuclear Fuel

The allowable cost of nuclear fuel shall include those items properly includable in FERC account 518 including the following items:

a. The amortization of the net cost of nuclear fuel assemblies used in the production of energy. The net cost of nuclear fuel assemblies subject to amortization shall be the cost of nuclear fuel assemblies plus or less the expected net salvage of uranium, plutonium and other by-products and unburned fuel. The utility shall adopt the necessary procedures to assure that charges to this account are distributed according to the thermal energy produced in such periods.

b. The cost involved when fuel is leased.

c. The cost of other fuels, used for ancillary steam facilities, including super heat.

d. Fuel cost shall be debited or credited as appropriated for significant changes in the amounts estimated as the net salvage value of uranium, plutonium and other by-products and the amount realized upon the final disposition of the materials. Significant declines in the estimated realizable value of such items may be recognized at the time of market price declines. When the declining change occurs while the fuel is recorded in the Nuclear Fuel Assemblies in Reactor Account, the effect shall be amortized over the remaining life of the fuel.

e. No expense for fossil fuel which has already been included in the cost of fossil fuel shall be included in the cost of nuclear fuel.

102 Purchased Energy

The allowable cost of purchased energy shall include the following costs, if prudently incurred, which are appropriately recorded in FERC account 555 (excluding all capacity or demand related charges) :

1. The actual identifiable fuel costs associated with energy purchased for reasons other than identified in paragraph (2) below.

2. The net energy cost of energy purchased exclusive of capacity or demand charges (irrespective of the designation assigned to such transaction) when such energy is purchased on economic dispatch basis. Included therein may be such costs as the charges for economy energy purchased and charges as a result of outages, all such kinds of energy being purchased by the buyer to substitute for its own higher cost energy.

3. All cost, net of costs associated with interconnection or otherwise recovered from a qualifying facility, incurred by an electric utility for purchases of power and/or energy

from a qualifying facility pursuant to a standard rate for purchase or other legally enforceable obligations as provided in the rules of the Commission governing cogeneration and small power production.

4. Less the cost of fuel recovered through inter-system sales including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis.

103 Other Allowable Costs

a. Independent fuel auditing and consulting costs performed at the direction of the Commission or the Staff, which have been approved by the Commission and which have not otherwise been provided for in base rates.

b. Costs currently allowable by FERC in wholesale fuel adjustment clauses as described in 18 CFR 35.14.

c. Operating and maintenance expenses on leased transportation equipment used to transport fuel from the point of acquisition to the unloading point.

d. Other direct or indirect costs specifically allowed by the Commission.

104 Excludable Cost

This section 104 shall only apply whenever an electric utility purchases fuel for generation from a company which is owned in whole or in part by the electric utility or its parent company and that was formed for the purpose of buying fuel for resale to affiliates. If this section applies, the following items of costs, heretofore properly included in fuel adjustment calculations, are ineligible after July 1,1978, for inclusion in its fuel adjustment clause or rider, even though such items of cost may be included in the invoice price paid for such fuel:

1. Interest costs of financing fuel inventories.

2. Interest in investment and storage facilities.

3. Storage, operating and maintenance expenses (including depreciation; insurance; rentals; repairs and maintenance; and taxes).

4. Fuel handling expenses (loading and unloading)

5. Administrative and general: (Salaries; welfare; expenses of officers and employees; franchise tax; office overhead).

6. Miscellaneous expenses (including outside services; insurance on inventory; and other).

105 Total Energy Cost

When application is made by an electric utility proposing to change its schedules of rates

and charges and include therein a fuel adjustment clause or rider, the portion of its energy cost, including costs of fuel and purchased energy, not recovered through its fuel adjustment clause or rider, may be included for recovery in its base rates for electric service.

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and charges and include therein a fuel adjustment clause or rider, the portion of its energy cost, including costs of fuel and purchased energy, not recovered through its fuel adjustment clause or rider, may be included for recovery in its base rates for electric service.