BEFORE THE PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.	DOCKET NO. 070001-EI ORDER NO. PSC-08-0030-FOF-EI ISSUED: January 8, 2008

The following Commissioners participated in the disposition of this matter:

LISA POLAK EDGAR, Chairman
MATTHEW M. CARTER II
KATRINA J. McMURRIAN
NANCY ARGENZIANO
NATHAN A. SKOP

APPEARANCES:

R. ALEXANDER GLENN, ESQUIRE, and JOHN T. BURNETT, ESQUIRE, Progress Energy Service Company, LLC, 100 Central Avenue, St. Petersburg, Florida 33701-3323
On behalf of Progress Energy Florida, Inc. (PEF).

R. WADE LITCHFIELD, ESQUIRE, and JOHN T. BUTLER, ESQUIRE, 700 Universe Boulevard, Juno Beach, Florida 33408
On behalf of Florida Power & Light Company (FPL).

JEFFREY A. STONE, ESQUIRE, RUSSELL A. BADDERS, ESQUIRE, and STEVEN R. GRIFFIN, ESQUIRE, Beggs & Lane, Post Office Box 12950, Pensacola, Florida 32591-2950
On behalf of Gulf Power Company (Gulf).

JAMES D. BEASLEY, ESQUIRE, and LEE L. WILLIS, ESQUIRE, Ausley & McMullen, Post Office Box 391, Tallahassee, Florida 32302
On behalf of Tampa Electric Company (TECO).

DAMUND E. WILLIAMS, MAJOR, KAREN WHITE, LIEUTENANT COLONEL, AFLSA/JACL-ULT, 139 Barnes Drive, Suite 1, Tyndall Air Force Base, FL 32403-5319
On behalf of Federal Executive Agencies, (FEA).

JOHN W. MCWHIRTER, JR., ESQUIRE, McWhirter, Reeves & Davidson, P. A., 400 North Tampa Street, Suite 2450, Tampa, Florida 33602
On behalf of Florida Industrial Power Users Group (FIPUG).

NORMAN H. HORTON, JR., ESQUIRE, Messer, Caparello & Self, P. A., Post Office Box 15579, Tallahassee, Florida 32317
On behalf of Florida Public Utilities Company (FPUC).

CECILIA BRADLEY, ESQUIRE, Office of the Attorney General, The Capitol – PL01, Tallahassee, Florida 32399-1050
On behalf of the Citizens of Florida (AG).

MICHAEL B. TWOMEY, ESQUIRE, P. O. Box 5256, Tallahassee, Florida 32314-5256
On behalf of AARP (AARP).

PATRICIA A. CHRISTENSEN, ESQUIRE, JOSEPH A. MCGLOTHLIN, ESQUIRE, and CHARLES J. BECK, ESQUIRE, Office of Public Counsel, c/o The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400
On behalf of the Citizens of the State of Florida (OPC).

LISA C. BENNETT, ESQUIRE, and KEINO YOUNG, ESQUIRE, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
On behalf of the Florida Public Service Commission (Staff).

FINAL ORDER APPROVING EXPENDITURES AND TRUE-UP AMOUNTS FOR FUEL ADJUSTMENT FACTORS; GPIF TARGETS, RANGES, AND REWARDS; AND PROJECTED EXPENDITURES AND TRUE-UP AMOUNTS FOR CAPACITY COST RECOVERY FACTORS

BY THE COMMISSION:

As part of this Commission's continuing fuel and purchased power cost recovery and generating performance incentive factor proceedings, a hearing was held on November 6, 2007, in this docket. The hearing addressed the issues set out in Order No. PSC-07-0881-PHO-EI, issued October 31, 2007, in this docket (Prehearing Order). Several of the positions on these issues were stipulated or not contested by the parties and presented to us for approval, but some contested issues remained for our consideration. As set forth fully below, we approve each of the stipulated and uncontested positions presented. Our rulings on the remaining issues are also discussed below.

We have jurisdiction over this subject matter pursuant to the provisions of Chapter 366, Florida Statutes, including Sections 366.04, 366.05, and 366.06, Florida Statutes.

I. GENERIC FUEL COST RECOVERY ISSUES

Shareholder Incentive Benchmarks

Our staff and the utilities stipulated to the actual benchmark levels for calendar year 2007 for gains on non-separated wholesale energy sales eligible for a shareholder incentive pursuant to Order No. PSC-00-1744-PAA-EI. The other parties took no position. The stipulation is as follows:

FPL: $19,672,897
GULF: $3,395,987
PEF: $3,008,157
TECO: $895,111

We approve these benchmarks for 2007.

Our staff and the utilities stipulated the estimated benchmark levels for the calendar year 2008 for gains on non-separated wholesale energy sales eligible for a shareholder incentive pursuant to Order No. PSC-00-1744-PAA-EI. The other parties took no position. The stipulation is as follows:

FPL: $21,014,637
GULF: $3,489,256
PEF: $2,451,211
TECO: $1,181,573

We approve these benchmarks for 2008.

II. COMPANY-SPECIFIC FUEL COST RECOVERY ISSUES

A. Hedging Activities: Florida Power & Light, Company, Gulf Power Company, Progress Energy Florida, and Tampa Electric Company

In its prehearing statement and opening statement, FIPUG argued that the utilities should provide strict proof that previously filed projections regarding hedging activities are still reasonable in light of any changed circumstances. Furthermore, FIPUG argues that customers appear not to derive benefit from hedging activities because the annual fuel factor removes fuel cost volatility. According to FIPUG, the hedging activity's effectiveness should be subject to a detailed review.

We were presented with testimony from each utility explaining its hedging program, as well as the history of the program. In addition, we have reviewed our Order No. PSC-02-1484-FOF-EI, issued October 30, 2002, in Docket No. 011605-EI, In re: Review of investor-owned electric utilities risk management policies and procedures, where we approved the resolution of issues concerning risk management by investor-owned utilities with respect to fuel procurement, and established the framework for our review of hedging programs. Hedging program are designed to assist in managing the impacts of fuel price volatility. Within any given calendar period, hedging can result in gains or losses. Over time, gains and losses generally are expected to offset one another. Focusing only on a given year's hedging results – whether gains or losses – is not the appropriate measurement method for determining the overall success of a hedging program as contemplated by Order No. PSC-02-1484-FOF-EI.

Order No. PSC-02-1484-FOF-EI, however, requires us to review the prudence of a company's hedging results based upon yearly filings received in April.[1] Specifically, the order states that we will review the prudence of subject companies' hedging transactions "as part of . . . [our] annual fuel and purchased power cost recovery proceedings." It further states that "[p]rudence shall be determined under established standards."

Thus, the obligation to determine, on an annual basis, the prudence of a company's hedging transactions is tempered by the need to apply appropriate standards to such review. This includes, for example, the need to review in sufficient detail the company's hedging transaction results. This year's review departs from some prior years with respect to our review of the current (2007) year's data for purposes of determining prudence. This difference is procedural and not intended to suggest that we have identified reasons for concern over this year's hedging results. We have not found imprudence for the 2007 hedging year, but prefer to defer our decision for 2007 to the 2008 fuel proceeding where we will have available the last four months of data for 2007.

B. Progress Energy Florida

Hedging Activities for Years 2006 through 2008

In accordance with Order No. PSC-02-1484-FOF-EI, Progress submitted its risk management report for 2006 and its plan for 2008. PEF witness Joseph McAllister presented testimony regarding PEF's hedging activities and plans. Witness McAllister testified that the objective of PEF's hedging activities was to mitigate fuel price risk and volatility to provide greater price certainty to its customers over time. PEF stated that it has met its goal. PEF testified that its hedging activities have produced customer savings of approximately $380 million from 2003 through 2006.

Based upon the evidence in the record, we find that Progress has adequately mitigated the price risk for natural gas, residual oil, and purchased power through December 31, 2006. We find that PEF's hedging activities for 2006 are prudent. We also approve the hedging plan submitted by PEF for 2008. We approve for cost recovery the hedging gains or losses for 2007 and, as set forth above, will review those costs for prudence in the 2008 fuel proceeding.

[1] The order states that "expense amounts associated with financial and physical hedging activities shall be included in the Fuel Clause Final True-up filing each April."

C. Florida Power & Light

Hedging Activities for Years 2006 through 2008

In accordance with Order No. PSC-02-1484-FOF-EI, FPL also submitted its risk management report for 2006 and plan for 2008. FPL witness Gerard Yupp testified that FPL's objective for its hedging program is to reduce fuel price volatility. Witness Yupp stated that FPL does not engage in speculative hedging strategies aimed at outguessing the market, but rather executes a well disciplined hedging program that reduces fuel price volatility and delivers greater price certainty to FPL's customers. According to FPL, the hedging program will show savings in some years and losses in other years, but the expectation is that over time the cumulative impact will not result in significant savings or losses to FPL's customers. Witness Yupp asserted that during the first three years of its hedging program, FPL had saved its customers $930 million. Despite losses in 2006, from 2003 to the end of 2006 FPL had saved its customers $470 million. FPL, however, anticipates a loss for 2007. FPL asserted that it has successfully carried out the objectives of mitigating volatility as that policy was established in Order No. PSC-02-1484-FOF-EI, and, as an example, explained that FPL has had less need for mid-course corrections since it fully implemented its hedging program in mid-2003. In fact, FPL has not had a mid-course correction during that time.

Based upon the evidence and testimony in the record, we find that FPL has adequately mitigated the price risk for natural gas, residual oil, and purchased power through December 31, 2006. We find that FPL's hedging activities for 2006 are prudent. We also approve the hedging plan submitted by FPL for 2008. We approve for cost recovery the hedging gains or losses for 2007 and, as set forth above, will review those costs for prudence in the 2008 fuel proceeding.

Turkey Point Unit 3 Pressurized Pipe

An issue was raised in the fuel proceeding as to whether customers or FPL should be responsible for additional fuel costs incurred as a result of an outage extension in 2006 at Turkey Point Unit 3 which was caused by a drilled hole in the pressurized piping. The parties stipulated that this issue should be deferred to the 2008 fuel proceeding. The money at issue will continue to be held by FPL subject to refund pending the outcome of the fuel proceeding in 2008. We approve the stipulation as reasonable.

D. Florida Public Utilities

Inverted Fuel Rates

The staff and utility stipulated that FPUC's proposed inverted fuel factors for the residential class are appropriate. All other parties took no position. Based upon the evidence in the record and stipulation of the parties, we find that FPUC's inverted residential fuel factors are appropriate.

E. Gulf Power Company

Hedging Activities for Years 2006 through 2008

GULF submitted its risk management report for 2006 and its plan for 2008 in accordance with Order No. PSC-02-1484-FOF-EI. GULF Witness H. R. Ball testified that GULF's hedging policy objective is to provide price certainty for a portion of GULF's annual gas requirements, to limit the volatility of market gas pricing, and to limit the risk to the customer for incurring potential higher cost associated with large market price increases during periods of market supply disruptions. GULF asserted it has met that objective. GULF testified that for 2006, it will have a loss in its hedging activities of $18.8 million.

Based upon the evidence in the record, we find that GULF has adequately mitigated the price risk for natural gas, residual oil, and purchased power through December 31, 2006. We find that GULF's hedging activities for 2006 are prudent. We also approve the hedging plan submitted by GULF for 2008. We approve for cost recovery the hedging gains or losses for 2007 and, as set forth above, will review those costs for prudence in the 2008 fuel proceeding.

F. Tampa Electric Company

Hedging Activities for Years 2006 through 2008

TECO also submitted its risk management report for 2006 and its plan for 2008, as established by prior order. TECO witness Joann Wehle testified that TECO's policy for hedging is to reduce natural gas price volatility using a disciplined nonspeculative approach. From the beginning of the hedging program, TECO has reviewed its plan. According to witness Wehle, in 2005 TECO enhanced features of the plan to increase the length and volumes that can be hedged. TECO contended that the plan has been consistently applied to benefit customers by limiting exposure to the volatile nature of the natural gas price swings in the marketplace. Witness Wehle testified that for 2006 and 2007, TECO has had and will have losses, but it anticipates a gain in its hedging program in 2008.

Based upon the evidence in the record, we find that TECO has adequately mitigated the price risk for natural gas, residual oil, and purchased power through December 31, 2006. We find that TECO's hedging activities for 2006 are prudent. We also approve the hedging plan submitted by TECO for 2008. We approve for cost recovery the hedging gains or losses for 2007 and, as set forth above, will review those costs for prudence in the 2008 fuel proceeding.

2006 Benchmark

TECO and our staff stipulated that the appropriate actual benchmark level for TECO for calendar year 2006 for gains on non-separated wholesale energy sales eligible for a shareholder incentive is $1,051,869. We approve this stipulation as reasonable.

III. APPROPRIATE PROJECTED EXPENDITURES AND TRUE-UP AMOUNTS FOR FUEL COST RECOVERY FACTORS

Staff and FPUC stipulated to FPUC's position regarding the appropriate final fuel adjustment true-up amounts for 2006. PEF, FPL, GULF, and TECO presented evidence regarding the appropriate final fuel adjustment true-up for their company for 2006. All other parties took no position. Based on the evidence in the record and the stipulation of the parties, we approve the following as the appropriate final fuel adjustment true-up amounts for the period of January 2006 through December 2006:

FPL:	$53,744,558 under-recovery
FPUC Marianna:	$74,131 over-recovery which includes an adjustment of $130,592 for Audit Finding 1 of the 2006 FPUC Fuel Audit, Audit Control No. 07-022-4-2.
FPUC Fernandina Beach:	$272,928 over-recovery which includes an adjustment of $187,940, for Audit Finding 1 of the 2006 FPUC Fuel Audit, Audit Control No. 07-022-4-2.
GULF:	$30,800,849 under-recovery
PEF:	$28,864,616 over-recovery
TECO:	$2,349,844 under-recovery

Staff and FPUC stipulated to FPUC's position regarding the appropriate final fuel adjustment true-up amounts for 2007. PEF, FPL, GULF, and TECO presented evidence regarding the appropriate estimated/actual fuel adjustment true-up amounts for their company for 2007. All other parties took no position. Based on the evidence in the record and the stipulation of the parties, we approve the following as the appropriate estimated/actual fuel adjustment true-up amounts for the period of January 2007 through December 2007:

FPL:	$25,577,700 under-recovery
FPUC Marianna:	$77,987 under-recovery
FPUC Fernandina Beach:	$277,968 under-recovery
GULF:	$12,525,950 under-recovery
PEF:	$140,511,931 over-recovery
TECO:	$17,742,556 over-recovery

Staff and FPUC stipulated to FPUC's position regarding the appropriate fuel adjustment true-up amounts for 2008. PEF, FPL, GULF, and TECO presented evidence regarding the appropriate fuel adjustment true-up amounts for their company for 2008. All other parties took no position. Based on the evidence in the record, we approve the following as the appropriate fuel adjustment true-up amounts to be collected/refunded from January 2008 through December 2008:

FPL:	$79,322,258 under-recovery
FPUC Marianna:	$3856 under-recovery
FPUC Fernandina Beach:	$5040 under-recovery

GULF:	$43,326,799 under-recovery
PEF:	$169,376,547 over-recovery
TECO:	$15,392,712 over-recovery

Staff and the utilities stipulated to the appropriate revenue tax factors to be applied in calculating each investor-owned electric utility's levelized fuel factor. All other parties took no position. Based on the evidence in the record and stipulation of the parties, we approve the following as the appropriate revenue tax factors to be applied in calculating each investor-owned electric utility's levelized fuel factor for the projection period January 2008 through December 2008:

1.00072 for each investor-owned electric utility

Staff and FPUC stipulated to FPUC's position regarding the appropriate projected net fuel and purchased power cost recovery amounts to be included in the fuel cost recovery factors for the period January 2008 through December 2008. PEF, FPL, GULF, and TECO presented evidence regarding the appropriate projected net fuel and purchased power cost recovery amounts to be included in the fuel cost recovery factors for the period January 2008 through December 2008. All other parties took no position. Based on the evidence in the record and the stipulation of the parties, we approve the following as the appropriate projected net fuel and purchased power cost recovery amounts to be included in the fuel cost recovery factors for the period January 2008 through December 2008:

FPL:	$6,207,068,993
FPUC Marianna:	$27,061,406
FPUC Fernandina Beach:	$31,882,724
GULF:	$462,344,509
PEF:	$1,914,931,984
TECO:	$1,061,862,973

Based on the evidence in the record, the stipulation of the parties, and the resolution of the generic and company–specific fuel cost recovery issues discussed above, we approve the following as the appropriate levelized fuel cost recovery factors for the period January 2008 through December 2008:

FPL:	5.553 cents/kWh.
FPUC Marianna:	4.711 cents/kWh
FPUC Fernandina Beach:	4.591 cents/kWh
GULF:	3.954 cents/kWh.
PEF:	4.604 cents per kWh
TECO:	5.219 cents per kWh

Staff and the utilities stipulated to the appropriate fuel recovery line loss multipliers to be used in calculating the fuel cost recovery factors charged to each rate class/delivery voltage level class. All other parties took no position. Based on the evidence in the record and stipulation of the parties, we approve the following as the appropriate fuel recovery line loss multipliers to be used in calculating the fuel cost recovery factors charged to each rate class/delivery voltage level class:

FPL:

GROUP	RATE SCHEDULE	LINE LOSS MULTIPLIER
A	RS-1 first 1,000 kWh All additional kWh	1.00207 1.00207
A	GS-1,SL-2, GSCU-1	1.00207
A-1*	SL-1,OL-1,PL-1	1.00207
B	GSD-1	1.00201
C	GSLD-1 & CS-1	1.00091
D	GSLD-2,CS-2,OS-2 & MET	.99379
E	GSLD-3 & CS-3	.95688
	TIME OF USE RATES	
A	RST-1,GST-1 ON-PEAK OFF-PEAK	 1.00207 1.00207
B	GSDT-1,CILC-1(G),HLTF(21-499 kW) ON-PEAK OFF-PEAK	 1.00201 1.00201
C	GSLDT-1 & CST-1, HLTF(500-1,999 kW) ON-PEAK OFF-PEAK	 1.00103 1.00103
D	GSLDT-2 & CST-2, HLTF (2,000+ kW) ON-PEAK OFF-PEAK	 .99551 .99551
E	GSLDT-3,CST-3 CILC-1(T)&ISST-1(T) ON-PEAK OFF-PEAK	 .95688 .95688
F	CILC-1(D) & ISST-1(D) ON-PEAK OFF-PEAK	 .99302 .99302
* WEIGHTED AVERAGE 16% ON-PEAK AND 84% OFF-PEAK		

SEASONAL DEMAND TIME OF USE RIDER (SDTR)
FUEL RECOVERY FACTORS
ON PEAK: JUNE 2008 THROUGH SEPTEMBER 2008 – WEEKDAYS 3:00 PM TO 6:00 PM
OFF PEAK: ALL OTHER HOURS

GROUP	OTHERWISE APPLICABLE RATE SCHEDULE	FUEL RECOVERY LOSS MULTIPLIER
B	GSD(T)-1 ON-PEAK OFF-PEAK	 1.00201 1.00201
C	GSLD(T)-1 ON-PEAK OFF-PEAK	 1.00106 1.00106
D	GSLD(T)-2 ON-PEAK OFF-PEAK	 0.99565 0.99565

FPUC Marianna: 1.0000 - All Rate Schedules
FPUC Fernandina Beach: 1.0000 - All Rate Schedules

GULF:

GROUP	RATE SCHEDULE	LINE LOSS MULTIPLIER
A	RS, RSVP, GS, GSD, GSDT, GSTOU, SBS(1), OSIII	1.00526
B	LP, LPT, SBS(2)	0.98890
C	PX, PXT, RTP, SBS(3)	0.98063
D	OSI/II	1.00529

PEF:

Group	Delivery Voltage Level	Line Loss Multiplier
A.	Transmission	0.9800
B.	Distribution Primary	0.9900
C.	Distribution Secondary	1.0000
D.	Lighting Service	1.0000

TECO:

Rate Schedule	Fuel Recovery Loss Multiplier
RS, GS and TS	1.0042
RST and GST	1.0042
SL-2, OL-1 and OL-3	N/A
GSD, GSLD, and SBF	1.0004
GSDT, GSLDT, EV-X, and SBFT	1.0004
IS-1, IS-3, SBI-1, SBI-3	0.9742
IST-1, IST-3, SBIT-1, SBIT-3	0.9742

Based on the evidence in the record, the stipulation of the parties, and the resolution of the generic and company-specific fuel cost recovery issues discussed above, we approve the following as the appropriate fuel recovery factors for each rate class/delivery voltage level class adjusted for line losses:

FPL:

GROUP	RATE SCHEDULE	FUEL RECOVERY FACTOR
		(¢/kWh)
A	RS-1 first 1,000 kWh All additional kWh	5.227 6.227
A	GS-1,SL-2, GSCU-1	5.565
A-1*	SL-1,OL-1,PL-1	5.470
B	GSD-1	5.564
C	GSLD-1 & CS-1	5.558
D	GSLD-2,CS-2,OS-2 & MET	5.519
E	GSLD-3 & CS-3	5.314
A	RST-1,GST-1 ON-PEAK OFF-PEAK	 6.024 5.365
B	GSDT-1,CILC-1(G),HLFT(21-499 kW) ON-PEAK OFF-PEAK	 6.023 5.364
C	GSLDT-1 & CST-1, HLFT2(500-1,999 kW) ON-PEAK OFF-PEAK	 6.017 5.359

GROUP	RATE SCHEDULE	FUEL RECOVERY FACTOR
D	GSLDT-2, CST-2, HLFT 3(2,000+ kW) ON-PEAK OFF-PEAK	 5.984 5.330
E	GSLDT-3,CST-3 CILC-1(T)&ISST-1(T) ON-PEAK OFF-PEAK	 5.752 5.123
F	CILC-1(D) & ISST-1(D) ON-PEAK OFF-PEAK	 5.969 5.316
*WEIGHTED AVERAGE 16% ON-PEAK AND 84% OFF-PEAK		

SEASONAL DEMAND TIME OF USE RIDER (SDTR)
FUEL RECOVERY FACTORS

ON PEAK: JUNE 2008 THROUGH SEPTEMBER 2008 – WEEKDAYS 3:00 PM TO 6:00 PM
OFF PEAK: ALL OTHER HOURS

GROUP	OTHERWISE APPLICABLE RATE SCHEDULE	SDTR FUEL RECOVERY FACTOR
B	GSD(T)-1 ON-PEAK OFF-PEAK	 6.054 5.414
C	GSLD(T)-1 ON-PEAK OFF-PEAK	 6.049 5.409
D	GSLD(T)-2 ON-PEAK OFF-PEAK	 6.015 5.379

Note: All other months served under the otherwise applicable rate schedule.

FPUC Marianna:

Rate Schedule	Fuel Recovery Factor per kWh	
RS	$.07945	
GS	$.07840	
GSD	$.07483	
GSLD	$.07151	
OL, OL1	$.06097	
SL1, SL2, and SL3	$.06146	
Step Rate for RS		
RS with less than a 1000 kWh/month		$.07610
RS with more than a 1000 kWh/month		$.08610

FPUC Fernandina Beach:

Rate Schedule	Fuel Recovery Factor per kWh	
RS	$.06963	
GS	$.06811	
GSD	$.06481	
GSLD	$.06533	
OL	$.05005	
SL	$.04961	
Step Rate for RS		
RS with less than a 1000 kWh/month		$.06628
RS with more than a 1000 kWh/month		$.07628

GULF:

Group	Rate Schedules*	Fuel Cost Factors ¢/KWH		
		Standard	Time of Use	
			On-Peak	Off-Peak
A	RS, RSVP,GS, GSD, GSDT, GSTOU, OSIII, SBS(1)	3.975	4.458	3.777
B	LP, LPT, SBS(2)	3.910	4.386	3.716
C	PX, PXT, RTP, SBS(3)	3.877	4.349	3.685
D	OSI/II	3.952	N/A	N/A

*The recovery factor applicable to customers taking service under Rate Schedule SBS is determined as follows: (1) customers with a contract demand in the range of 100 to 499 KW will use the recovery factor applicable to Rate Schedule GSD; (2) customers with a contract demand in the range of 500 to 7,499 KW will use the recovery factor applicable to Rate Schedule LP; and (3) customers with a contract demand over 7,499 KW will use the recovery factor applicable to Rate Schedule PX.

PEF:

Fuel Cost Factors (cents/kWh)						
					Time of Use	
Group	Delivery Voltage Level	First Tier Factor	Second Tier Factor	Levelized Factors	On-Peak	Off-Peak
A	Transmission	--	--	4.519	6.232	3.724
B	Distribution Primary	--	--	4.565	6.295	3.762
C	Distribution Secondary	4.278	5.278	4.611	6.359	3.799
D	Lighting	--	--	4.278	--	--

TECO: The appropriate factors are as follows:

Rate Schedule	Fuel Charge Factor (cents per kWh)
RS, GS and TS	5.241
RST and GST	6.344 (on-peak)
	4.668 (off-peak)
SL-2, OL-1 and OL-3	4.920
GSD, GSLD, and SBF	5.221
GSDT, GSLDT, EV-X and SBFT	6.320 (on-peak)
	4.650 (off-peak)
IS-1, IS-3, SBI-1, SBI-3	5.084
IST-1, IST-3, SBIT-1, SBIT-3	6.154 (on-peak)
	4.528 (off-peak)

IV. APPROPRIATE PROJECTED EXPENDITURES AND TRUE-UP AMOUNTS FOR CAPACITY COST RECOVERY FACTORS

Our staff and the utilities stipulated to the final capacity cost recovery true-up amounts for 2006. All other parties took no position. Based on the evidence in the record and stipulation of the parties, we approve the following final capacity cost recovery true-up amounts for the period January 2006 through December 2006:

FPL: $4,030,283 under- recovery. Pursuant to Order No. PSC-01-2516-FOF-EI, issued December 26, 2001, and as clarified in Order No. PSC-02-1761-FOF-EI, issued December 13, 2002, in Docket No. 020001-EI, a portion of the capacity costs include post 9/11 incremental security costs. Some of those incremental security costs are for guard services at FPL's nuclear power plants. FPL acknowledges that on October 30, 2007, it received a letter from the Nuclear Regulatory Commission notifying FPL of possible security violations at FPL's nuclear plant. The Public Service Commission's approval of the capacity costs will not preclude a subsequent Commission review of the prudence of costs related to guard services and to order a refund if some or all of those costs are deemed imprudent. As always, the Public Service Commission retains jurisdiction to review issues of prudence when those issues are brought to its attention and to require refunds when expenditures are deemed by the Public Service Commission to be imprudent.

GULF: $458,084 over-recovery

PEF: $3,381,972 under-recovery

TECO: $2,666,246 under-recovery

Our staff and the utilities stipulated to the estimated/actual capacity cost recovery true-up amounts for 2007. All other parties took no position. Based on the evidence in the record and stipulation of the parties, we approve the following estimated/actual capacity cost recovery true-up amounts for the period January 2007 through December 2007:

FPL:	$15,561,009 under-recovery. Pursuant to Order No. PSC-01-2516-FOF-EI, issued December 26, 2001, and as clarified in Order No. PSC-02-1761-FOF-EI, issued December 13, 2002, in Docket No. 020001-EI, a portion of the capacity costs include post 9/11 incremental security costs. Some of those incremental security costs are for guard services at FPL's nuclear power plants. FPL acknowledges that on October 30, 2007, it received a letter from the Nuclear Regulatory Commission notifying FPL of possible security violations at FPL's nuclear plant. The Public Service Commission's approval of the capacity costs will not preclude a subsequent Commission review of the prudence of costs related to guard services and to order a refund if some or all of those costs are deemed imprudent. As always, the Public Service Commission retains jurisdiction to review issues of prudence when those issues are brought to its attention and to require refunds when expenditures are deemed by the Public Service Commission to be imprudent.
GULF:	$1,635,509 over-recovery
PEF:	$11,417,892 under-recovery, which includes an adjustment for Audit Finding No. 1 of the PEF Capacity Clause Audit, Audit Control No. 07-022-2-4.
TECO:	$21,130,338 under-recovery

Our staff and the utilities stipulated to the total capacity cost recovery true-up amounts to be collected/refunded during 2008. All other parties took no position. Based on the evidence in the record and stipulation of the parties, we approve the following total capacity cost recovery true-up amounts to be collected/refunded during the period January 2008 through December 2008:

FPL:	$19,591,292 under-recovery. Pursuant to Order No. PSC-01-2516-FOF-EI, issued December 26, 2001, and as clarified in Order No. PSC-02-1761-FOF-EI, issued December 13, 2002, in Docket No. 020001-EI, a portion of the capacity costs include post 9/11 incremental security costs. Some of those incremental security costs are for guard services at FPL's nuclear power plants. FPL acknowledges that on October 30, 2007, it received a letter from the Nuclear Regulatory Commission notifying FPL of possible security violations at FPL's nuclear plant. The Public Service Commission's approval of the capacity costs will not preclude a subsequent Commission review of the prudence of costs related to guard services and to order a refund if some or all of those costs are deemed imprudent. As always, the Public Service Commission retains jurisdiction to review issues of prudence when those issues are brought to its attention and to require refunds when expenditures are deemed by the Public Service Commission to be imprudent.
GULF:	$2,093,593 over-recovery

PEF:	$14,799,865 under-recovery
TECO:	$23,796,584 under-recovery

Our staff and the utilities stipulated to the projected net purchased power and cost recovery amounts to be collected in 2008. All other parties took no position. Based on the evidence in the record and stipulation of the parties, we approve the following projected net purchased power and cost recovery amounts to be included in the recovery factor for the period January 2008 through December 2008:

FPL:	$566,444,416. Pursuant to Order No. PSC-01-2516-FOF-EI, issued December 26, 2001, and as clarified in Order No. PSC-02-1761-FOF-EI, issued December 13, 2002, in Docket No. 020001-EI, a portion of the capacity costs include post 9/11 incremental security costs. Some of those incremental security costs are for guard services at FPL's nuclear power plants. FPL acknowledges that on October 30, 2007, it received a letter from the Nuclear Regulatory Commission notifying FPL of possible security violations at FPL's nuclear plant. The Public Service Commission's approval of the capacity costs will not preclude a subsequent Commission review of the prudence of costs related to guard services and to order a refund if some or all of those costs are deemed imprudent. As always, the Public Service Commission retains jurisdiction to review issues of prudence when those issues are brought to its attention and to require refunds when expenditures are deemed by the Public Service Commission to be imprudent.
GULF:	$26,894,321
PEF:	$422,682,129
TECO:	$86,994,475

Our staff and the utilities stipulated as to the jurisdictional separation factors to be applied to determine the capacity costs to be recovered during 2008. All other parties took no position. Based on the evidence in the record and stipulation of the parties, we approve the following jurisdictional separation factors to be applied to determine the capacity costs to be recovered during the period January 2008 through December 2008:

FPL:	FPSC 98.76048%
	FERC 1.23952%
GULF:	96.42160%
PEF:	Base - 93.753%, Intermediate – 79.046%, Peaking – 88.979%
TECO:	96.66743%

Our staff and the utilities stipulated to the projected capacity cost recovery factors for each rate class/delivery class for 2008. All other parties took no position. Based on the evidence in the record and the stipulation of the parties, we approve the following projected capacity cost recovery factors for each rate class/delivery class for the period January 2008 through December 2008:

FPL:

RATE SCHEDULE	CAPACITY RECOVERY FACTOR ($/KW)	CAPACITY RECOVERY FACTOR ($/KWH)
RS1/RST1	-	.00546
GS1/GST1	-	.00534
GSD1/GSDT1/HLFT (21-499 kW)	1.63	-
OS2	-	.00584
GSLD1/GSLDT1/CS1 /CST1/HLFT(500-1,999 kW)	2.05	-
GSLD2/GSLDT2/CS2 /CST2/HLFT(2,000+ kW)	1.98	-
GSLD3/GSLDT3/CS3 /CST3	1.86	-
CILCD/CILCG	2.15	-
CILCT	2.06	-
MET	2.18	-
OL1/SL1/PL1	-	.00194
SL2, GSCU1	-	.00297
RATE CLASS	CAPACITY RECOVERY FACTOR (RESERVATION DEMAND CHARGE) ($/kW)	CAPACITY RECOVERY FACTOR (SUM OF DAILY DEMAND CHARGE) ($/kW)
ISST1D	.25	.12
ISST1T	.24	.12
SST1T	.24	.12
SST1D1/SST1D2 /SST1D3	.25	.12

GULF: See table below:

RATE CLASS	CAPACITY COST RECOVERY FACTORS ¢/KWH
RS, RSVP	0.271
GS	0.248
GSD, GSDT, GSTOU	0.212
LP, LPT	0.183
PX, PXT, RTP, SBS	0.154
OS-I/II	0.063
OSIII	0.165

PEF:

Rate Class	CCR Factor
Residential	1.192 cents/kWh
General Service Non-Demand	1.009 cents/kWh
@ Primary Voltage	0.999 cents/kWh
@ Transmission Voltage	0.989 cents/kWh
General Service 100% Load Factor	0.691 cents/kWh
General Service Demand	0.852 cents/kWh
@ Primary Voltage	0.843 cents/kWh
@ Transmission Voltage	0.835 cents/kWh
Curtailable	0.620 cents/kWh
@ Primary Voltage	0.614 cents/kWh
@ Transmission Voltage	0.608 cents/kWh
Interruptible	0.728 cents/kWh
@ Primary Voltage	0.721 cents/kWh
@ Transmission Voltage	0.713 cents/kWh
Lighting	0.169 cents/kWh

TECO:

Rate Schedule	Capacity Cost Recovery Factor (cents per kWh)
RS	0.517
GS and TS	0.496
GSD, EV-X	0.415
GSLD and SBF	0.353
IS-1, IS-3, SBI-1, SBI-3	0.032
SL-2, OL-1 and OL-3	0.063

VII. GENERATING PERFORMANCE INCENTIVE FACTOR (GPIF) ISSUES

Our staff and the utilities stipulated to the rewards or penalties achieved during 2006 pursuant to the Generating Performance Incentive Factor (GPIF). All other parties took no position. Based on the evidence in the record and stipulation of the parties, we approve the following GPIF rewards/penalties for performance achieved during the period January 2006 through December 2006:

FPL:	$9,001,300 reward
GULF:	$205,097 penalty
PEF:	$607,201 reward
TECO:	$1,439,819 reward

Our staff and the utilities stipulated to the GPIF targets/ranges for 2008. All other parties took no position. Based on the evidence in the record and stipulation of the parties, we approve the following GPIF targets/ranges for the period January 2008 through December 2008:

FPL:

Equivalent Availability and Heat Rate/NOF 2008 Targets for FPL Units

Unit	FPL EAF/POF/EUOF Targets			FPL HR/NOF Targets
	EAF	POF	EUOF	
Ft. Myers 2	86.6	4.7	8.7	6,808 / 87.9
Lauderdale 4	93.3	2.7	4.0	7,757 / 81.7
Lauderdale 5	91.9	4.1	4.0	7,641 / 82.7
Martin 2	94.9	0.0	5.1	9,892 / 67.4
Martin 3	93.8	1.0	5.2	7,031 / 88.6
Martin 4	82.4	13.4	4.2	6,973 / 88.2
Sanford 4	94.1	1.9	4.0	6,920 / 88.9
Sanford 5	85.5	6.2	8.3	6,915 / 88.4
Scherer 4	85.6	10.4	4.0	10,163 / 97.7
St. Lucie 1	82.4	11.2	6.4	10,881 / 97.4

Unit	FPL EAF/POF/EUOF Targets			FPL HR/NOF Targets
	EAF	POF	EUOF	
St. Lucie 2	93.6	0.0	6.4	11,052 / 97.5
Turkey Point 3	90.9	0.0	9.1	11,125 / 97.5
Turkey Point 4	81.7	9.6	8.7	11,070 / 97.6

GULF:

Equivalent Availability and Heat Rate/NOF 2008 Targets for Gulf Power Co. Units

Unit	Gulf EAF/POF/EUOF Targets			Gulf HR/NOF Targets
	EAF	POF	EUOF	
Crist 4	78.9	19.7	1.4	10,696 / 94.1
Crist 5	89.0	8.2	2.8	10,552 / 94.4
Crist 6	84.9	8.2	6.9	10,365 / 92.3
Crist 7	82.1	8.2	9.7	10,375 / 97.7
Smith 1	97.0	0.0	3.0	10,238 / 96.0
Smith 2	83.9	8.2	7.9	10,314 / 94.3
Daniel 1	93.8	2.5	3.8	10,132 / 95.6
Daniel 2	77.6	19.1	3.2	10,016 / 96.2

Note: NOF is not used for target setting for GULF.

PEF:

Equivalent Availability and Heat Rate/NOF 2008 Targets for PEF Units

Unit	PEF EAF/POF/EUOF Targets			PEF HR/NOF Targets
	EAF	POF	EUOF	
Anclote 1	91.62	4.37	4.01	10,213 / 47.4
Anclote 2	83.03	11.48	5.50	10,298 / 41.1
Crystal River 1	92.48	0.00	7.52	10,279/ 76.0
Crystal River 2	84.16	4.37	11.46	9,824 / 78.1
Crystal River 3	96.78	0.00	3.22	10,321 / 98.0
Crystal River 4	83.52	11.48	5.00	9,480 / 89.3
Crystal River 5	93.17	0.00	6.83	9,593 / 88.9
Hines 1	83.48	12.84	3.68	7,349 / 80.9
Hines 2	88.47	8.74	2.78	7,017 / 80.1
Tiger Bay	77.66	19.67	2.67	7,973 / 87.5

TECO:

Equivalent Availability and Heat Rate/NOF 2008 Targets for Tampa Electric Co. Units

Unit	TEC EAF/POF/EUOF Targets			TEC HR/NOF Targets
	EAF	POF	EUOF	
Big Bend 1	72.8	3.8	23.4	10,908 / 79.5
Big Bend 2	77.3	8.7	14.0	10,693 / 84.5
Big Bend 3	47.5	26.5	26.0	10,657 / 74.5
Big Bend 4	73.6	3.8	22.6	10,837 / 85.8
Polk 1	77.2	7.9	14.9	10,607 / 87.3
Bayside 1	84.5	3.8	11.7	7,320 / 83.8
Bayside 2	83.6	15.3	1.1	7,359 / 80.7

VII. OTHER MATTERS

Our staff and the utilities stipulated to the effective date for the new factors. All other parties took no position. Based on the record evidence and the stipulation of the parties, the new fuel adjustment charges and capacity cost recovery factors approved in this Order shall be effective beginning with the first billing cycle for January 2008, and thereafter through the last billing cycle for December 2008. The first billing cycle may start before January 1, 2008, and the last billing cycle may end after December 31, 2008, so long as each customer is billed for twelve months regardless of when the factors became effective.

An issue raised in the 2007 fuel docket was whether we should continue to conduct cost recovery and prudence review policies, as established by Order No. 12645, issued November 3, 1983, in Docket No. 830001-EU, In re: Investigation of Fuel Adjustment Clauses of Electric Utilities. All parties stipulated that this issue should be considered by the Commission in a later proceeding. We approve the stipulation as reasonable.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the stipulations and findings set forth in the body of this Order are hereby approved. It is further

ORDERED that Florida Power & Light Company, Progress Energy Florida, Inc., Tampa Electric Company, Gulf Power Company and Florida Public Utilities Company are hereby authorized to apply the fuel cost recovery factors set forth herein during the period January 2008 through December 2008. It is further

ORDERED the estimated true-up amounts contained in the fuel cost recovery factors approved herein are hereby authorized subject to final true-up and further subject to proof of the reasonableness and prudence of the expenditures upon which the amounts are based. It is further

ORDERED that Florida Power & Light Company, Progress Energy Florida, Inc., Gulf Power Company, and Tampa Electric Company are hereby authorized to apply the capacity cost recovery factors as set forth herein during the period January 2008 through December 2008. It is further

ORDERED that the estimated true-up amounts contained in the capacity cost recovery factors approved herein are hereby authorized subject to final true-up and further subject to proof of the reasonableness and prudence of the expenditures upon which the amounts are based.

By ORDER of the Florida Public Service Commission this 8th day of January, 2008.

Ann Cole

ANN COLE
Commission Clerk

(S E A L)

LCB

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), 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: 1) reconsideration of the decision by filing a motion for reconsideration with the Office of the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) 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 and/or wastewater utility by filing a notice of appeal with the Office of the Commission Clerk 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.