

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost recovery
clause with generating performance incentive
factor.

DOCKET NO. 080001-EI
ORDER NO. PSC-08-0825-PCO-EI
ISSUED: December 22, 2008

The following Commissioners participated in the disposition of this matter:

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

ORDER GRANTING FLORIDA POWER & LIGHT COMPANY'S
PETITION FOR MID-COURSE CORRECTION

BY THE COMMISSION:

Background

As part of our continuing fuel and purchased power cost recovery and generating performance incentive factor proceedings, a hearing was held on November 4, 5, 6, and 12, 2008, in this docket. The hearing addressed the issues set forth in Order No. PSC-08-0726-PHO-EI, issued October 31, 2008 (the Prehearing Order), and included an issue for each utility on what amount was appropriate to include in that utility's 2009 cost recovery factor. Testimony and exhibits were taken during the hearing, and on November 6, 2008, the evidentiary record was closed for all issues except a single issue involving a 2006 incident at a Florida Power & Light Company (FPL) nuclear power plant. During the final day of the hearing, FPL requested that the Commission defer its decision on the appropriate projected 2009 net fuel and purchased power cost recovery amounts to be included in FPL's 2009 fuel recovery factor (Issue 5) until the December 2, 2008, Agenda Conference. FPL stated at that time that based on its most recent rejections it would be more than ten percent over-recovered from the amounts included in FPL's September 2, 2008, projection testimony. To correct that over-recovery, FPL stated it would file a mid-course correction petition on November 17, 2008. FPL requested that we consider both the deferred post hearing decision and FPL's petition for a mid-course correction at our December 2, 2008, Agenda Conference. We granted FPL's request and deferred a decision on the projected 2009 recovery amounts.

At the time of FPL's request, the evidentiary record regarding the appropriate amounts to be included in FPL's 2009 factor had been closed. While we could re-open the record to take additional testimony on these issues, additional hearing dates would be required. To do so would likely delay the implementation of FPL's 2009 factor until later in 2009. We have previously established an interim rate-making tool, the mid-course correction, to address circumstances like

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this one in which the fuel hearing has concluded and yet the volatility of fuel costs causes enough of a change to warrant establishing corrected rates.¹

On November 17, 2008, FPL filed its petition for mid-course correction. The petition is based upon the outlook for fuel prices for 2009 as of November 6, 2008. We addressed our post-hearing decision for FPL on what would have been the appropriate amounts to be included in FPL's 2009 factor based on FPL's September 2, 2008, projection testimony in the 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 issued in Docket No. 080001-EI. This Order addresses FPL's mid-course correction petition. 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.

Mid-Course Correction

FPL based its original 2009 fuel cost projections on the outlook for fuel prices on August 4, 2008. Since then, natural gas and fuel oil prices have trended downward. For example, the average for gas futures prices for 2009 as of August 4, 2008, was \$9.59/MMBtu. As of November 6, 2009, the date of the mid-course petition fuel price projections, the average was \$7.50/MMBtu. Without a mid-course correction, FPL estimates that it would have an over-recovery of \$981,794,356 (14.6 percent).

Attachment A provides the detailed fuel cost estimates in cents per kWh from the original filing and from the mid-course filing. Clearly, prices for natural gas and fuel oil have declined. Natural gas and heavy fuel oil generation comprise 55.8 percent and 7.3 percent, respectively, of FPL's projected 2009 system kWh sales. FPL's 2009 projections include the mark-to-market hedge positions as of November 6, 2008.

In deciding whether to file a mid-course correction to fuel factors, FPL was guided by Order No. PSC-07-0333-PAA-EI, issued on April 16, 2007 in Docket No. 070001-EI, In re: Fuel and purchased power cost recovery clause with generating performance incentive factor (the mid-course order). FPL determined that it would exceed the 10 percent threshold described in the order and filed its petition for a mid-course correction to its fuel factors.

When a utility petitions for correction to its cost recovery factors, our evaluation includes calculating the percent by which the utility will be over or under-recovered without the correction (mid-course percent). FPL has estimated that without its requested correction, it will be over-recovered by \$981,794,356 at the end of 2009, with revenues applicable to 2009 totaling \$6,726,484,136. With these amounts, the mid-course percent is 14.6.

¹ Order No. 13694, issued September 20, 1984, in Docket No. 840001-EI and Docket No. 840003-GU, In re: Fuel and purchased power cost recovery clause with generating performance incentive factor; In re: Purchased gas cost recovery clause, and Order No. PSC-98-0691-FOF-PU, issued May 19, 1998, in Docket No. 980269-PU, In re: Consideration of change in frequency and timing of hearing for the fuel and purchased power cost recovery clause, capacity cost recovery clause, generating performance incentive factor, energy conservation cost recovery clause, purchased gas adjustment (PGA) true-up, and environmental cost recovery clause, and Order No. PSC-07-00333-PAA-EI, issued April 16, 2007, in Docket No. 070001-EI.

Levelization of Bills for 2009 Caused by Fuel Savings Associated with West County Energy Center (WCEC) Units 1 and 2

Consistent with our approval of FPL's proposal to levelize bills for 2009 at the beginning of the fuel proceeding (Issue 13I in the prehearing order),² FPL has petitioned for revisions to each of the three sets of 2009 fuel factors. The fuel factors are designed to offset the impacts of the Generation Base Rate Adjustment (GBRA) for WCEC Units 1 and 2. While only the 1,000 kWh residential bill will be completely levelized, all customer classes and consumption levels will experience less fluctuation in their bills in 2009.

To offset the GBRA that become effective in June 2009 (WCEC 1) and November 2009 (WCEC 2), FPL proposes to credit the units' fuel savings to customers over the same timeframe that the GBRA will be in effect. While FPL uses the same approach to levelize bills as we approved in Issue 13I, the fuel savings attributable to WCEC Units 1 and 2 are lower when compared to FPL's September 2, 2008, filing due to lower gas prices. As shown in Attachment B, FPL proposed one set of fuel factors for January through May 2009, a different set of fuel factors for June through October 2009, and finally a different set of fuel factors for November through December 2009. The fuel factors decrease in June and again in November 2009, and are designed to offset the GBRA increases in base rates.

FPL's 2008 1,000 kWh residential bill is \$111.12. In the testimony of FPL witness Dubin filed on October 15, 2008, the levelized 1,000 kWh residential bill for 2009 will be \$118.99. However, if the Commission approves FPL's petition for a mid-course correction, customers will experience lower bills. In the midcourse correction filing, FPL estimates that bills will decrease in January 2009 as a result of lower fuel costs. Absent FPL's proposal to levelize, bills would increase in June 2009 as a result of the WCEC Unit 1 GBRA increase in base rates, and again in November 2009 as a result of the WCEC Unit 2 GBRA increase in base rates. Under FPL's proposal to levelize bills, the 1000 kWh residential bill for January through December 2009 will be \$109.55. The 2008 residential bill and the levelized bills for 2009 are shown in Attachment C. FPL's midcourse correction will result in a decrease in fuel factors from 2008 to 2009.

Conclusion

We approve FPL's petition for a mid-course correction. We have reviewed FPL's fuel cost projections and calculations of fuel factors and find these calculations are reasonable. The new projections are an accurate reflection of the current outlook for fuel prices for 2009.

Monthly revenues will approximately equal the monthly fuel-cost recovery factors times the monthly kWhs. Fuel Revenue Applicable to Period, for calculating 2009's mid-course percents, will exclude the true-up provisions, GPIF provisions, and revenue taxes, as shown in Table 1.

² Issue 13I: Should the Commission approve FPL's proposal to levelize the Residential 1000 kWh Bill by offsetting the Generation Base Rate Adjustments (GBRA) for West County Energy Center (WCEC) Units 1 and 2 with the fuel savings attributable to these new units?

TABLE 1

<u>Period</u>	<u>Fuel-Cost Recovery Factor Including Revenue Taxes (c/kWh)</u>	<u>Monthly True-up Provision</u>	<u>Monthly GPIF Provision</u>
January - May	5.824	\$14,690,365	\$448,308
June - October	5.684	14,690,365	448,308
November - December	5.556	14,690,365	448,308

Effective Date of Mid-course

FPL has requested an effective date of January 6, 2009, cycle day 3 of January 2009. In other words, customers whose meters are read on or after January 6, 2009, will be billed under the new recovery factors. An effective date of January 6, 2009, will ensure that all customers are billed under the new factors the same amount of time since FPL always applies revised fuel factors on cycle day 3 of any given month.

Starting December 1, 2008, FPL notified its customers of its proposed mid-course correction through a bill insert. The December 1, 2008, mailing date ensures that customers receive a 30-day notice that the fuel factors may change. The bill insert states the effective date of the proposed cost recovery factors, and the impact on a 1,000 kWh residential bill. Our staff has reviewed the bill insert. Due to time needed by FPL for printing, FPL could not wait for our vote at the December 2, 2008, Agenda Conference to print the bill inserts. Therefore, FPL will include details of the Commission's decision in customers' January bills.

Providing customers with a 30-day notice prior to implementing new fuel factors as a result of a midcourse correction is consistent with the Commission's past decisions and allows customers the opportunity to adjust their usage in light of the proposed factors. We find that FPL's proposed effective date and plan to notify its customers are appropriate and accordingly, they are approved.

Based on the foregoing, it is

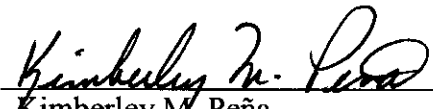
ORDERED by the Florida Public Service Commission that Florida Power & Light Company's Petition for Mid-course Correction is granted. It is further

ORDERED that the effective date of the new rates is January 6, 2009. It is further

ORDERED that this docket is a continuing docket and shall remain open.

By ORDER of the Florida Public Service Commission this 22nd day of December, 2008.

ANN COLE
Commission Clerk

By: 

Kimberley M. Peña
Chief Deputy 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.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, 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 or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

Florida Power & Light Company								
Original 2009 Estimates and Revised 2009 Estimates								
Mid-Course Correction								
							c/kWh Difference (Revised Less Original)	c/kWh Percent Difference (Percent of Original)
January to May 2009								
September 2, 2008 Estimates			November 17, 2008 Estimates					
Component	Dollars	MWH	c/kWh	Dollars	MWH	c/kWh		
Coal	189,966,000	7,267,961	2.6137	191,417,000	7,313,123	2.6174	0.0037	0.1416
Heavy Oil	581,912,849	3,496,185	16.6442	702,495,849	7,767,634	9.0439	-7.6003	-45.6635
Light Oil	0	0	--	0	0	--	--	--
Natural Gas	5,303,326,644	63,381,326	8.3673	4,362,251,547	59,219,023	7.3663	-1.0010	-11.9636
Nuclear	139,068,000	23,509,501	0.5915	139,068,000	23,509,501	0.5915	0.0000	0.0000
Total Fuel	6,214,273,493	97,654,973	6.3635	5,395,232,396	97,809,281	5.5161	-0.8474	-13.3170
Non-Fuel Generation Excluding FKEC/CKW	189,984,601	--	--	108,911,816	--	--	--	--
Total Generation	6,404,258,094	97,654,973	6.5580	5,504,144,211	97,809,281	5.6274	-0.9306	-14.1905
Power Sold Including FKEC/CKW	(211,458,748)	(3,075,683)	6.8752	(158,484,516)	(3,010,483)	5.2644	-1.6108	-23.4286
Purchased Power	351,329,743	11,735,650	2.9937	344,793,623	11,729,724	2.9395	-0.0542	-1.8108
Qualifying Facilities	235,952,993	5,572,282	4.2344	213,309,000	5,476,519	3.8950	-0.3394	-8.0160
Economy Energy	116,281,944	1,196,000	9.7226	56,549,282	1,162,900	4.8628	-4.8598	-49.9846
Total Purchased Power	703,564,680	18,503,933	3.8022	614,651,906	18,369,143	3.3461	-0.4561	-11.9964
Net Inadvertent Interchange And Wheeling	0	0	--	0	0	--	--	--
Unbilled Sales, T&D Losses, And Company Use	0	(6,956,736)	-0.0000	0	(7,041,455)	0.0000	0.0000	--
System KWH Sales	6,896,364,025	106,126,486	6.4982	5,960,311,601	106,126,486	5.6162	-0.8820	-13.5731
Wholesale KWH Sales	8,874,931	136,572	6.4982	7,670,325	136,572	5.6162	-0.8820	-13.5731
Jurisdictional KWH Sales	6,887,489,094	105,989,914	6.4982	5,952,641,276	105,989,914	5.6162	-0.8820	-13.5731
Jurisdictional KWH Sales Adjusted For Line Losses	6,891,346,088	105,989,914	6.5019	5,955,974,755	105,989,914	5.6194	-0.8825	-13.5731
True-up	296,048,402	105,989,914	0.2793	176,284,378	105,989,914	0.1663	-0.1130	-40.4542
Total Jurisdictional Fuel Cost	7,187,394,490	105,989,914	6.7812	6,132,259,133	105,989,914	5.7857	-0.9955	-14.6804
Revenue Taxes	5,174,924	105,989,914	0.0488	4,415,227	105,989,914	0.0417	-0.0071	-14.5492
Total Jurisdictional Fuel Cost Adjusted for Revenue Taxes	7,192,569,414	105,989,914	6.7861	6,136,674,360	105,989,914	5.7899	-0.9962	-14.6804
GPIF	5,383,572	105,989,914	0.0051	5,383,572	105,989,914	0.0051	0.0000	0.0000
WCEC 1 & 2 Jurisdictional Savings	(18,597,500)	39,665,860	-0.0469	11,369,410	39,665,860	0.0287	0.0756	-161.1940
Total	7,179,355,486	105,989,914	6.7443	6,153,427,342	105,989,914	5.8237	-0.9206	-13.6500

FPL's Proposed Fuel Factors by Rate Class for the Period January-May 2009

<u>GROUP</u>	<u>RATE SCHEDULE</u>	<u>FUEL RECOVERY FACTOR</u>
		(¢/kWh)
A	RS-1 first 1,000 kWh All additional kWh	5.492 6.492
A	GS-1, SL-2, GSCU-1, WIES-1	5.834
A-1	SL-1, OL-1, PL-1	5.757
B	GSD-1	5.834
C	GSLD-1, CS-1	5.828
D	GSLD-2, CS-2, OS-2, MET	5.784
E	GSLD-3, CS-3	5.586
A	RST-1, GST-1 ON-PEAK OFF-PEAK	6.192 5.673
B	GSDT-1, CILC-1(G), HLFT-1 (21-499 kW) ON-PEAK OFF-PEAK	6.191 5.673
C	GSLDT-1, CST-1, HLFT-2 (500- 1,999 kW) ON-PEAK OFF-PEAK	6.186 5.668
D	GSLDT-2, CST-2, HLFT-3 (2,000+ kW) ON-PEAK OFF-PEAK	6.148 5.633
E	GSLDT-3, CST-3 CILC-1(T), ISST-1(T) ON-PEAK OFF-PEAK	5.928 5.432
F	CILC-1(D), ISST-1(D) ON-PEAK OFF-PEAK	6.141 5.627

FPL's Proposed Fuel Factors by Rate Class for the Period June-October 2009

<u>GROUP</u>	<u>RATE SCHEDULE</u>	<u>FUEL RECOVERY FACTOR</u> (¢/kWh)
A	RS-1 first 1,000 kWh All additional kWh	5.351 6.351
A	GS-1, SL-2, GSCU-1, WIES-1	5.695
A-1	SL-1, OL-1, PL-1	5.616
B	GSD-1	5.694
C	GSLD-1, CS-1	5.689
D	GSLD-2, CS-2, OS-2, MET	5.645
E	GSLD-3, CS-3	5.452
A	RST-1, GST-1 ON-PEAK OFF-PEAK	6.052 5.533
B	GSDT-1, CILC-1(G), HLFT-1 (21-499 kW) ON-PEAK OFF-PEAK	6.051 5.533
C	GSLDT-1, CST-1, HLFT-2 (500- 1,999 kW) ON-PEAK OFF-PEAK	6.046 5.528
D	GSLDT-2, CST-2, HLFT-3 (2,000+ kW) ON-PEAK OFF-PEAK	6.009 5.495
E	GSLDT-3, CST-3 CILC-1(T), ISST-1(T) ON-PEAK OFF-PEAK	5.794 5.298
F	CILC-1(D), ISST-1(D) ON-PEAK OFF-PEAK	6.003 5.489

FPL's Proposed Fuel Factors by Rate Class for the Period November-December 2009

<u>GROUP</u>	<u>RATE SCHEDULE</u>	<u>FUEL RECOVERY FACTOR</u> (¢/kWh)
A	RS-1 first 1,000 kWh All additional kWh	5.223 6.223
A	GS-1, SL-2, GSCU-1, WIES-1	5.566
A-1	SL-1, OL-1, PL-1	5.488
B	GSD-1	5.566
C	GSLD-1, CS-1	5.560
D	GSLD-2, CS-2, OS-2, MET	5.518
E	GSLD-3, CS-3	5.329
A	RST-1, GST-1 ON-PEAK OFF-PEAK	5.923 5.405
B	GSDT-1, CILC-1(G), HLFT-1 (21-499 kW) ON-PEAK OFF-PEAK	5.923 5.404
C	GSLDT-1, CST-1, HLFT-2 (500- 1,999 kW) ON-PEAK OFF-PEAK	5.918 5.400
D	GSLDT-2, CST-2, HLFT-3 (2,000+ kW) ON-PEAK OFF-PEAK	5.882 5.367
E	GSLDT-3, CST-3 CILC-1(T), ISST-1(T) ON-PEAK OFF-PEAK	5.671 5.175
F	CILC-1(D), ISST-1(D) ON-PEAK OFF-PEAK	5.875 5.361

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	6.242
	OFF-PEAK	5.521
C	GSLD(T)-1 ON-PEAK	6.236
	OFF-PEAK	5.516
D	GSLD(T)-2 ON-PEAK	6.199
	OFF-PEAK	5.483

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

REVISED 11/17/08

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RESIDENTIAL BILL COMPARISON - 1000 KWH

COMPANY: FLORIDA POWER & LIGHT COMPANY

SCHEDULE E10

	CURRENT	PRELIMINARY	DIFFERENCE		PRELIMINARY	DIFFERENCE		PRELIMINARY	DIFFERENCE	
	NOV 08 - DEC 08	JAN 09 - MAY 09	\$	%	JUNE 09 - OCT 09	\$	%	NOV 09 - DEC 09	\$	%
BASE	\$39.37	\$39.31	(\$0.06)	-0.16%	\$40.72	\$1.41	3.59%	\$42.00	\$1.28	3.14%
FUEL	\$60.21	\$54.92	(\$5.29)	-8.79%	\$53.51	(\$1.41)	-2.57%	\$52.23	(\$1.28)	-2.39%
CONSERVATION	\$1.45	\$2.03	\$0.58	40.00%	\$2.03	\$0.00	0.00%	\$2.03	\$0.00	0.00%
CAPACITY PAYMENT	\$5.46	\$8.16	\$2.70	49.45%	\$8.16	\$0.00	0.00%	\$8.16	\$0.00	0.00%
ENVIRONMENTAL	\$0.40	\$0.94	\$0.54	135.00%	\$0.94	\$0.00	0.00%	\$0.94	\$0.00	0.00%
STORM RESTORATION SURCHARGE	<u>\$1.45</u>	<u>\$1.45</u>	<u>\$0.00</u>	<u>0.00%</u>	<u>\$1.45</u>	<u>\$0.00</u>	<u>0.00%</u>	<u>\$1.45</u>	<u>\$0.00</u>	<u>0.00%</u>
SUBTOTAL	\$108.34	\$106.81	(\$1.53)	-1.41%	\$106.81	\$0.00	0.00%	\$106.81	\$0.00	0.00%
GROSS RECEIPTS TAX	<u>\$2.78</u>	<u>\$2.74</u>	(\$0.04)	-1.44%	<u>\$2.74</u>	\$0.00	0.00%	<u>\$2.74</u>	\$0.00	0.00%
TOTAL	<u>\$111.12</u>	<u>\$109.55</u>	(\$1.57)	-1.41%	<u>\$109.55</u>	\$0.00	0.00%	<u>\$109.55</u>	\$0.00	0.00%