

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost recovery clause with generating performance incentive factor. | DOCKET NO. 110001-EI
| ORDER NO. PSC-11-0289-FOF-EI
| ISSUED: July 5, 2011

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
LISA POLAK EDGAR
RONALD A. BRISÉ
EDUARDO E. BALBIS
JULIE I. BROWN

ORDER GRANTING FLORIDA PUBLIC UTILITIES COMPANY'S
PETITION FOR MID-COURSE REVISION

BY THE COMMISSION:

On April 7, 2011, Florida Public Utilities Company (FPUC) filed a petition for approval of a mid-course revision to its purchased power cost recovery factors (fuel factors) for its Northwest Division.¹ Mid-course corrections are part of the fuel and purchased power cost recovery clause (fuel clause) proceeding. We use mid-course corrections between fuel hearings whenever costs deviate from revenues by a significant margin. Because FPUC does not generate electricity, its fuel factors are based on the cost of the power it purchases.

FPUC purchases power from Gulf Power Company (Gulf) for FPUC's Northwest Division.² On January 25, 2011, FPUC and Gulf entered into an amendment to its Generation Services Agreement (Amendment 1).³ Under the terms of the Amendment, FPUC must obtain a final order that grants approval of the Amendment no later than July 31, 2011. In its petition for approval of a mid-course correction, FPUC offers two options. The first option offered includes the effects of Amendment 1 to the Generation Services Agreement. The second option offered excludes the effects of Amendment 1.

We will review the mid-course correction as a part of the November 2011 fuel hearings. Mid-course corrections are considered preliminary procedural decisions. Any over-recoveries or

¹ We set FPUC's fuel factors for 2011 at our November 2010 fuel hearing, by Order No. PSC-10-0734-FOF-EI, issued December 20, 2010, in Docket No. 100001-EI, In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.

² We approved FPUC's current Agreement for Generation Services with Gulf Power Company ("the Agreement") by Order No. PSC-07-0476-PAA-EI, issued June 6, 2007, in Docket No. 070108-EI.

³ The Amendment 1 to the Generation Services Agreement between FPUC and Gulf is before us in a separate recommendation in Docket No. 110041-EI. Our decision in Docket No. 110041-EI is a Proposed Agency Action and is therefore subject to protest and subsequent hearing. The City of Marianna has intervened in Docket No. 110041-EI.

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under-recoveries caused by or resulting from the new fuel factors adopted by the mid-course correction may be included in the following year's fuel factors.

Our jurisdiction to consider fuel clause proceedings derives from our authority to set fair and reasonable rates, found in Section 366.05, Florida Statutes.

FPUC's Petition

FPUC states that as a result of the 2010 fuel hearings, we approved FPUC's projected net fuel and purchased power cost recovery amount of \$35,363,963 to be included in the cost recovery factors for 2011. FPUC states that soon after we issued our order, FPUC entered into Amendment 1 to its Generation Service Agreement with Gulf. FPUC projects that as a result, and assuming we approve Amendment 1, FPUC will over-recover by 6.75 percent of its total system purchased power costs by the end of 2011.

FPUC states that it calculated its over-recovery in accordance with Rule 25-6.0434, Florida Administrative Code (F.A.C.). Using that rule, FPUC determined that it actually under-recovered only \$577,267 in 2010, as compared to the under-recovery of \$1,463,053 that we recognized in our 2010 fuel order. This is largely driven by higher than anticipated revenues and kWh sales due to the weather, which also contributes to a significant over-recovery in January and February 2011. In addition, FPUC reports that since January 2011, it has begun paying Gulf under the provisions of Amendment 1, which provides a cost reduction of \$60,413 per month, or a total savings of approximately \$725,000 in 2011. Based on changes which have occurred since the 2010 fuel hearing and the assumption that we approve Amendment 1 of the Agreement, FPUC believes that it will over-recover by \$2,329,328 (6.75 percent) at the end of 2011.

Pursuant to Rule 25-6.0424, F.A.C., utilities are required to give us a written notice when the estimated percentage of year-end over-recovery or under-recovery exceeds the 10 percent threshold. Since FPUC's over-recovery does not exceed the 10 percent threshold we set as a notice requirement, a mid-course correction is not required.

Although a mid-course correction is not required, FPUC proposes to revise its fuel factors effective July 1, 2011. FPUC states that this allows it to get the over-recovery back to customers sooner, rather than later. FPUC's request contains two options, both based on the estimated over-recovery at the end of June, 2011. Its first option includes savings in 2011 due to Amendment 1 (Option A.) FPUC's alternate excludes the Amendment 1 savings (Option B.) FPUC states that it will notify its customers of its proposed mid-course correction through a June bill insert.

Option A – with Amendment Savings

FPUC has asked for approval of Amendment 1, in Docket 110041-EI, which we also considered at our June 14, 2011 Agenda Conference. FPUC states that Amendment 1 provides a total savings of approximately \$725,000 in 2011, assuming we approve the amendment. The savings are approximately 31 percent of the \$2,329,328 estimated over-recovery at the end of 2011.

To compare bills, it is common to use a residential customer's bill with 1,000 kilowatt hour (kWh) monthly usage. Table 1 compares a 1,000 kWh customer's current bill to that same customer's bill if Option A were approved.⁴ Option A lowers the bill by \$14.53 (10 percent). Attachment A provides the current and proposed fuel factors of the various rate classes including the Time of Use and Interruptible fuel factors under Option A.⁵

Table 1				
Residential Bill Comparison (Monthly 1,000 kWh Usage)				
Option A – With Amendment Savings				
	Current Jan – June 2011	Proposed July - Dec 2011	Difference From Current	
			\$	%
Base Rates	\$31.58	\$31.58	\$0.00	0%
Fuel Clause	\$115.53	\$101.36	(\$14.17)	-12%
Conservation Clause	\$1.15	\$1.15	\$0.00	0%
Gross Receipts Tax	\$3.80	\$3.44	(\$0.36)	-9%
Total	\$152.06	\$137.53	-\$14.53	-10%

Option B - without Amendment Savings

The main driver of the midcourse adjustment is higher revenues resulting from colder weather this past winter. The savings due to Amendment 1 only account for approximately 31 percent of the \$2,329,328 estimated over-recovery at the end of 2011. Even without including the savings from Amendment 1, FPUC anticipates a significant over-recovery by the end of 2011. Therefore, FPUC's request includes an alternate (Option B) that excludes the savings due to Amendment 1.

Table 2 compares a current bill for a 1,000 kWh residential customer to a bill for that same customer if Option B is approved. Option B lowers the bill by \$9.89 (7 percent).

⁴ Attachment B shows the rate comparison for a 1,200 kWh residential customer. Option A lowers the 1,200 kWh customer bill by \$17.44 (10 percent).

⁵ In Docket No. 100459-EI, FPUC petitioned for authority to implement an experimental time-of-use and interruptible service tariff. These experimental tariffs were based on cost savings that would be realized if Amendment 1 were approved by us. By Order No. PSC-11-0129-PCO-EI, issued February 25, 2011, in Docket No. 100459-EI, In re: Petition for authority to implement a demonstration project consisting of proposed time-of-use and interruptible rate schedules and corresponding fuel rates in the Northwest Division on an experimental basis and request for expedited treatment, by Florida Public Utilities Company. The City of Marianna was granted intervention and on March 1, 2011, filed a formal protest of our order. FPUC moved to dismiss the protest, which was granted by us at our June 14, 2011, Agenda Conference.

Table 2				
Residential Bill Comparison (Monthly 1,000 kWh Usage)				
Option B – Without Amendment Savings				
	Current Jan – June 2011	Proposed July - Dec 2011	Difference From Current	
			\$	%
Base Rates	\$31.58	\$31.58	\$0.00	0%
Fuel Clause	\$115.53	\$105.89	(\$9.64)	-8%
Conservation Clause	\$1.15	\$1.15	\$0.00	0%
Gross Receipts Tax	\$3.80	\$3.55	(\$0.25)	-7%
Total	\$152.06	\$142.17	-\$9.89	-7%

Ruling

Option A includes savings in 2011 due to Amendment 1. We approved Amendment 1 at the same Commission Conference in which we considered this mid-course adjustment. FPUC and Gulf have begun to operate under Amendment 1 and the amendment has already provided a reduction in costs beginning in January 2011. While approval of Amendment 1 was on the same Commission Conference as this decision, our order approving Amendment 1 is issued as a Proposed Agency Action. We are aware that our decision either to approve or disapprove Amendment 1 will not be final until the protest period expires.

However, as mentioned earlier, mid-course corrections affect only the timing of the recovery. Any over- or under-recovery that is reflected in a change to the 2011 factors will be corrected in the 2012 factors. Accordingly, the decision to approve either option is within our discretion. We have evaluated the options and approve Option A. The mid-course correction shall be effective July 1, 2011. The fuel factors for Option A are included in Attachment A. FPUC shall notify its customers of its mid-course correction through a June bill insert.

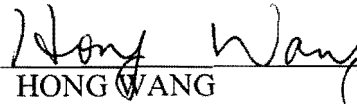
Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Public Utilities Company’s Petition for Mid-course Revision is granted as set forth in this Order. It is further

ORDERED that the mid-course correction shall be effective July 1, 2011. It is further

ORDERED that FPUC shall notify its customers of its mid-course correction through a June bill insert.

By ORDER of the Florida Public Service Commission this 5th day of July, 2011.


HONG WANG
Chief Deputy Commission Clerk
Florida Public Service Commission
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CERTIFICATE OF SERVICE

In accordance with Section 28-106.110, Florida Administrative Code, documents are electronically served on each party or each party's counsel or representative at the last e-mail address of record. Where there is no e-mail address, documents are electronically served via the last facsimile number of record and, if unavailable, documents are served via U.S. Mail at the last address of record.

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 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 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

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Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

Table A-1		
Fuel Cost Recovery Factors by Rate Schedule (Northwest Division)		
Option A – With Amendment Savings		
<u>Rate Schedule</u>	Current Jan – June 2011 Fuel factor (c/kWh)	Approved July - Dec 2011 Fuel factor (c/kWh)
RS – First 1,000 kWh	11.553	10.136
RS – Above 1,000 kWh	12.553	11.136
GS	11.560	10.189
GSD	10.997	9.667
OL	8.619	7.602
SL	8.566	7.584
GSLD	10.586	9.321

Table A-2		
Time of Use Fuel Cost Recovery Factors by Rate Schedule (Northwest Division)		
Option A – With Amendment Savings		
<u>Rate Schedule</u>	Current Jan – June 2011 On-Peak Fuel factor (c/kWh)	Approved July - Dec 2011 On-Peak Fuel factor (c/kWh)
RST - EXP	19.953	18.536
GST - EXP	15.560	14.189
GSDT - EXP	14.977	13.667
GSLDT - EXP	16.586	15.321
IS - EXP	8.750	7.821
<u>Rate Schedule</u>	Current Jan – June 2011 Off-Peak Fuel factor (c/kWh)	Approved July - Dec 2011 Off-Peak Fuel factor (c/kWh)
RST - EXP	7.653	6.236
GST - EXP	6.560	5.189
GSDT - EXP	7.727	6.417
GSLDT - EXP	7.586	6.321
IS - EXP	10.586	9.321

Attachment B

Table B-1				
Residential Bill Comparison (Monthly 1,200 kWh Usage)				
Option A – With Amendment Savings				
	Current Jan – June 2011	Approved July - Dec 2011	Difference From Current	
			\$	%
Base Rates	\$35.50	\$35.50	\$0.00	0%
Fuel Clause	\$140.64	\$123.63	(\$17.01)	-12%
Conservation Clause	\$1.38	\$1.38	\$0.00	0%
Gross Receipts Tax	\$4.55	\$4.12	(\$0.43)	-9%
Total	\$182.07	\$164.63	-\$17.44	-10%