



Florida Power

A Progress Energy Company

ASSOCIATE GENERAL COUNSEL

JAMES A. MCGEE

August 27, 2001

Ms. Blanca S. Bayó, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

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COMMISSION
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Re: Docket No. 010001-EI

Dear Ms. Bayó:

Enclosed for filing in the subject docket are an original and ten copies of the Response of Florida Power Corporation in Opposition to FIPUG's Petition for Fuel Charge Rate Reduction.

Please acknowledge your receipt of the above filing on the enclosed copy of this letter and return to the undersigned. Also enclosed is a 3.5 inch diskette containing the above-referenced document in WordPerfect format. Thank you for your assistance in this matter.

Very truly yours,

James A. McGee

JAM/scc
Enclosure

cc: Parties of record

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DOCUMENT NUMBER - DATE
10664 AUG 27 01
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No. 010001-EI

Submitted for filing:
August 27, 2001

**RESPONSE OF FLORIDA POWER CORPORATION IN OPPOSITION
TO FIPUG'S PETITION FOR FUEL CHARGE RATE REDUCTION**

Florida Power Corporation (Florida Power or the Company) hereby responds in opposition to the Petition of the Florida Industrial Power Users Group (FIPUG) requesting an immediate reduction in Florida Power's fuel and purchased power cost recovery charge to the level that existed prior to the mid-course correction authorized by the Commission in February, 2001. In support of its opposition to FIPUG's request, Florida Power states as follows:

1. The portion of FIPUG's petition addressing Florida Power's fuel cost recovery circumstances contains numerous inaccurate and misleading representations, which the Company will not belabor in this response. The exception is FIPUG's concluding representation and central allegation that Florida Power's "customers will be overcharged about \$113 million this year." This allegation is not only wrong in amount, it is wrong in direction; Florida Power is currently under-recovered and is projected to be so at year-end.

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2. Information on file with the Commission makes clear that Florida Power has under-recovered its fuel costs to date and that this condition is projected to continue through the end of 2001.¹ Florida Power's "A" Schedules for the month of June, which FIPUG references as support for its petition, show that for the first six months of the year the Company had under-recovered its fuel costs by \$69.8 million. Moreover, Florida Power's recently filed reprojection of fuel costs for the remainder of 2001, based on actual results through July, shows a year-end true-up under-recovery of \$23.6 million.

3. The calculation of these true-up under-recovery amounts was prepared in accordance with long established Commission procedures, presented in the detail prescribed by Commission's standard fuel adjustment forms, and, in the case of the recent year-end reprojection, was supported by testimony submitted on behalf of Florida Power. In contrast, the over-recovery alleged by FIPUG is not explained in its petition, is not supported by any back-up data or calculations, and is inconsistent with pertinent information on file with the Commission.

4. The extraordinary and immediate relief sought by FIPUG is clearly premised, as it must be, on the need to rectify a serious problem, *i.e.*, FIPUG's allegation of a substantial \$113 million over-recovery of fuel costs by Florida Power. The fatal defect in FIPUG's requested relief is that it is premised on nothing more

¹ While FIPUG has focused on the favorable reductions in the price of natural gas, only 15% of the energy generated from January through August, 2000 was produced by gas-fired generating plants. The benefit of this price reduction was offset by price increases experienced at Florida Power's coal- and residual oil-fired generating facilities, which accounted for 44% and 19%, respectively, of the energy produced over this period.

than this bare allegation. The over-recovery alleged by FIPUG is not only conclusory and unsupported in and of itself, but also ignores the well supported, documented information filed with the Commission and reviewed by its staff that contradicts the existence of an over-recovery, much less the substantial over-recovery asserted by FIPUG. A fuel charge reduction in the face of this contrary information, particularly a reduction of the magnitude proposed by FIPUG, would serve no purpose other than to seriously exacerbate the current under-recovery.

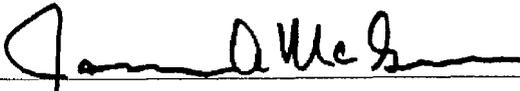
5. In addition, the fuel charge reduction proposed by FIPUG would unnecessarily subject Florida Power's customers to excessive rate fluctuations and additional costs. Florida Power presently anticipates a decrease in its current fuel charge for the 2002 projection period, although not nearly the size of the immediate decrease proposed by FIPUG based on its erroneous assumption of a \$113 million over-recovery. If FIPUG's proposal were to be implemented, Florida Power's customers would receive an artificially low fuel charge for three months and then face a significant increase beginning in January, 2002, instead of the year-long decrease currently anticipated. To make matters worse, the increased fuel charge incurred by customers throughout 2002 would not only be higher than the previous three-month charge, it would also be well above the currently anticipated fuel charge they would have otherwise received, due to the additional under-recovery Florida Power would experience while FIPUG's three-month reduction was in effect. Florida Power submits that this whipsaw effect on the customers' fuel charge is not only unwarranted in light of its projected fuel cost under-recovery, but is actually

counter-productive and contrary to the best interests of the Company's general body of customers.

6. For the reasons discussed above, Florida Power urges the Commission to deny FIPUG's petition for an immediate reduction in the Company's fuel and purchased power cost recovery charge.

Respectfully submitted,

FLORIDA POWER CORPORATION

By 
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FLORIDA POWER CORPORATION

DOCKET NO. 010001-EI

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the Response of Florida Power Corporation in Opposition to FIPUG's Petition for Fuel Charge Rate Reduction has been furnished to the following individuals by regular U.S. Mail this 27th day of August, 2001.

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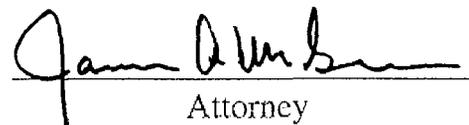
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