

State of Florida



Public Service Commission

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COMMISSION CLERK

DATE: SEPTEMBER 19, 2002

TO: DIRECTOR, DIVISION OF THE COMMISSION CLERK
ADMINISTRATIVE SERVICES (BAYÓ)

FROM: DIVISION OF ECONOMIC REGULATION (BOHRMANN) *Tb*
OFFICE OF THE GENERAL COUNSEL (C. KEATING) *713 WBM 1/92*
Wk Hart 505

RE: DOCKET NO. 020001-EI - FUEL AND PURCHASED POWER COST
RECOVERY CLAUSE WITH GENERATING PERFORMANCE INCENTIVE
FACTOR.

AGENDA: 10/01/02 - REGULAR AGENDA - INTERESTED PERSONS MAY
PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\020001.RCM

CASE BACKGROUND

By Order No. PSC-01-2516-FOF-EI (Order No. 01-2516), in Docket No. 010001-EI, issued December 26, 2001, the Commission approved a levelized fuel cost recovery factor of 2.212 cents per kilowatt-hour (kwh) for Gulf Power Company (Gulf Power) for the period January 2002 through December 2002. The Commission set this factor to allow Gulf Power to collect its projected 2002 fuel and net power transactions costs (fuel costs) and a \$10.7 million under-recovery from prior periods.

On August 21, 2002, Gulf Power notified the Commission and the parties to Docket No. 020001-EI that Gulf Power projects a year-end under-recovery of 12.0 percent of its fuel costs (\$29.1 million) based on actual data through July 2002 and re-projected data through the remainder of 2002. Gulf Power is not requesting a mid-course correction to its levelized fuel cost recovery factor to collect this under-recovery prior to 2003.

DOCUMENT NUMBER-DATE

09982 SEP 19 02

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Jurisdiction over this matter is vested in the Commission by several provisions of Chapter 366, Florida Statutes, including Sections 366.04, 366.05, and 366.06, Florida Statutes.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission acknowledge Gulf Power Company's projected 2002 under-recovery of fuel and purchased power costs?

RECOMMENDATION: Yes. The Commission should consider Gulf Power's projected 2002 under-recovery of fuel and purchased power costs at the November 2002 evidentiary hearing in this docket. (BOHRMANN)

STAFF ANALYSIS: By Order No. 13694, in Docket No. 840001-EI, issued September 20, 1984, the Commission requires each investor-owned electric utility to notify the Commission when the utility expects its fuel clause over-recovery or under-recovery to exceed ten percent of its projected fuel and purchased power costs for the current recovery period. At page 6, the order states in pertinent part:

1. [W]hen a utility becomes aware that its projected fuel revenues applicable to a given ... recovery period will result in an over- or under-recovery in excess of 10 percent of its projected fuel costs for the period, the utility shall so advise the Commission through a filing promptly made.

Also, Order No. 13694 allows a party or the Commission, on its own motion, to seek a change in a utility's fuel cost recovery factors between hearings in the fuel clause docket to refund (collect) all or part of the utility's over-recovery (under-recovery) balance prior to the end of the current recovery period. Also, on page 6, the order states in pertinent part:

2. [A] utility's filing pursuant to No. 1 above shall also include a request for a hearing to revise the fuel adjustment factor if in its judgment such revision would not be impractical.
3. In any event, any party may request or the Commission may order that a hearing be held to consider a revision of the utility's fuel adjustment factor.

Gulf Power does not request a mid-course correction to its fuel factors because a mid-course correction would be impractical

for the following reasons. First, Gulf Power expects to address its projected \$29.1 million under-recovery through the true-up component included in its fuel factors for the 2003 recovery period. Second, Gulf Power would only have three months remaining in 2002 to implement a mid-course correction which, if implemented, would cause a significant increase in Gulf Power's retail rates. Third, if Gulf Power collected this \$29.1 million under-recovery through a mid-course correction, its ratepayers would most likely experience a decrease in their rates after January 1, 2003. Gulf Power believes an increase in rates, followed by a decrease in rates three months later would be disruptive to its ratepayers.

Staff has confirmed that Gulf Power's 2002 fuel costs are expected to be approximately 12.0 percent greater than its fuel revenues. The primary reason for Gulf Power's under-recovery is an unplanned outage at Plant Crist which resulted in higher-than-expected wholesale energy net purchases. Gulf Power has confirmed this unplanned outage as the cause for the under-recovery.

Staff agrees that collecting Gulf Power's under-recovery of fuel costs throughout 2003 is more appropriate than increasing Gulf Power's rates now to collect this under-recovery during the last three months of 2002. Currently, Gulf Power's bill for a residential customer who uses 1,000 kwh per month is \$75.15. If Gulf Power collected this \$29.1 million under-recovery during the last three months of 2002, Gulf Power has confirmed that this customer's monthly bill would increase by \$12.74.

Staff has not yet analyzed the prudence of Gulf Power's actual or projected 2002 fuel costs. The parties and staff are expected to address the prudence of Gulf Power's 2002 fuel costs at the evidentiary hearing scheduled in this docket, commencing November 20, 2002.

In summary, the Commission should acknowledge Gulf Power's projected under-recovery of fuel and purchased power costs. The Commission should consider Gulf Power's projected 2002 under-recovery of fuel and purchased power costs at the November 2002 evidentiary hearing in this docket for the reasons previously stated.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: No. (C. KEATING)

STAFF ANALYSIS: The Fuel and Purchased Power Cost Recovery clause is an on-going docket and should remain open.