State of Florida

Public Service Commission

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COMMISSION CLERK

DATE: FEBRUARY 25, 2003

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

FROM: DIVISION OF ECONOMIC REGULATION (BOHRMANN, MCNULTY, D. LEE, DRAPER, SPRINGER)
OFFICE OF THE GENERAL COUNSEL (C. KEATING)

RE: DOCKET NO. 030001-EI - FUEL AND PURCHASED POWER COST RECOVERY CLAUSE WITH GENERATING PERFORMANCE INCENTIVE FACTOR.

AGENDA: 03/04/03 - REGULAR AGENDA - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\030001A.RCM

CASE BACKGROUND

By Order No. 13694, issued September 20, 1984, in Docket No. 840001-EI, the Commission required each investor-owned electric utility to notify the Commission when its projected fuel revenues are expected to result in an over-recovery or under-recovery in excess of 10 percent of its projected fuel costs for the given recovery period. Depending on the magnitude of the over-recovery or under-recovery and the length of time remaining in the recovery period, a party may request, or the Commission may approve on its own motion, a mid-course correction to the utility's authorized fuel cost recovery factors.

On February 14, 2003, Progress Energy Florida, Inc. (PEF) notified Commission staff that it currently anticipates the fuel and capacity factors approved by Order No. PSC-02-1761-FOF-EI, in Docket No. 020001-EI, issued December 13, 2002, will result in an under-recovery of greater than 10 percent. On February 18, 2003, PEF petitioned for approval of a mid-course correction to its fuel cost recovery factors, effective for cycle one billings for April 2003, until modified by a subsequent Commission order.

In the instant petition, PEF requests the following from the Commission: 1) authority to collect $28.5 million from PEF's 2002 under-recovery balance in the fuel clause; 2) authority to collect $93.9 million from PEF's 2003 projected under-recovery balance in the fuel clause; 3) authority to refund $21.1 million from PEF's projected over-recovery balance in the capacity clause; and 4) effective date of March 28, 2003.

Staff believes that the Commission's decisions on Issue 2 (2002 under-recovery) and Issue 3 (2003 under-recovery) are separate and independent of each other. 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 approve a mid-course correction to Progress Energy Florida's (PEF) authorized capacity cost recovery factors to refund its projected $21.1 million over-recovery for 2003?

RECOMMENDATION: Yes. The Commission should approve a mid-course correction to PEF's authorized capacity cost recovery factors to refund its projected end-of-period $21.1 million over-recovery for 2003. (D. LEE, SPRINGER)

STAFF ANALYSIS: Based on actual results to date and updated projections for the remainder of 2003, PEF anticipates an end-of-period over-recovery of approximately $21.1 million. This over-recovery balance is composed of a $16.5 million estimated 2003 over-recovery and a $4.6 million 2002 over-recovery. The major sources of the over-recovery are: 1) an estimated reduction of payments to qualifying facilities; and 2) actual and estimated increases in system requirements in 2003. While the estimated capacity cost over-recovery amount is below the 10 percent threshold, PEF is requesting a capacity cost recovery adjustment in conjunction with its mid-course correction in the fuel clause to mitigate the overall rate impact on its retail customers.

Staff recommends approval of PEF's petition for a mid-course correction as it relates to its currently authorized capacity cost recovery factors. This action will partially offset the rate increase that will result if the Commission approves PEF's request to collect its actual and proposed under-recovery balances in the fuel clause as addressed in Issues 2 and 3. The adjustment will offset increases to retail customers by approximately $21.1 million for the remainder of the 2003 recovery period. The Commission's approval of PEF's mid-course correction does not infer any decision regarding the prudence of these capacity expenses at this time.

ISSUE 2: Should the Commission approve a mid-course correction to PEF's authorized fuel and purchased power cost recovery factors to collect $28.5 million of its $66.3 million under-recovery for 2002?

RECOMMENDATION: Yes. The Commission should approve a mid-course correction to PEF's authorized fuel and purchased power cost recovery factors to collect $28.5 million of its $66.3 million 2002 under-recovery during the remainder of 2003. This approval would mitigate the rate impact of PEF collecting this amount during 2004. (BOHRMANN, DRAPER, C. KEATING)

STAFF ANALYSIS: Based on actual results through December 2002, PEF states that it experienced a $66.3 million under-recovery of fuel and purchased power costs for 2002. By Order No. PSC-02-1761-FOF-EI, in Docket No. 020001-EI, issued December 13, 2002, the Commission estimated PEF's 2002 over-recovery balance at $34,585,760. However, according to PEF's December 2002 Schedule A2, PEF's actual true-up balance for 2002 was a $31,685,712 under-recovery. Thus, PEF must collect an additional $66,271,472 through its fuel factors to recover these additional fuel costs.

PEF states that the reason for the $66.3 million under-recovery was a large unexpected short-term increase in demand and price for both oil and natural gas during the last two months of 2002. In the short term, demand for these fuels is primarily dependent upon the weather. As natural gas prices rose, many electric utilities switched from natural gas-fired generation to oil-fired generation, when possible. These actions increased oil demand which placed upward pressure on oil prices.

By Order No. 13694, issued September 20, 1984, the Commission established the guidelines for a mid-course correction to its fuel cost recovery factors. At page 6, the order states in pertinent part:

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

(Emphasis added.)

When the Commission moved to annual, calendar year fuel cost recovery factors, the Commission expressly adopted the mid-course correction guidelines set forth in Order No. 13694. See Order No. PSC-98-0691-FOF-PU, issued May 19, 1998. These guidelines do not refer to an actual over- or under-recovery during a historical period, such as the 2002 period in this case. However, the Commission has allowed its jurisdictional utilities to collect (refund) its under-recovered (over-recovered) balance from prior recovery periods as part of its mid-course correction in subsequent recovery periods. See Order Nos. PSC-00-1081-PCO-EI, in Docket No. 000001-EI, issued June 5, 2000 and PSC-01-0963-PCO-EI, in Docket No. 010001-EI, issued April 18, 2001.

For the reasons set forth below, staff believes the Commission should authorize PEF in this instance to collect $28.5 million of its 2002 under-recovery through this mid-course correction. PEF has deferred collecting the remaining $37.8 million from its 2002 under-recovery balance until the 2004 recovery period.

First, unlike PEF's projected 2003 under-recovery amount, the $66.3 million 2002 under-recovery represents the difference between actual costs incurred and revenues received. Although unaudited, staff believes these actual fuel revenues and costs from 2002 have a higher degree of certainty than the projected fuel revenues and costs for 2003. Staff has commenced an audit of PEF's 2002 fuel revenues and costs in the normal course of this docket. The Commission can address any audit findings which may result in a dollar adjustment to the fuel clause in the November 12-14, 2003, hearing scheduled for this docket. Second, if PEF collects $28.5 million of this under-recovery starting in April 2003, instead of starting in January 2004, this action would be more consistent with the basic principle of ratemaking which seeks to match the timing of the incurrence of costs with the timing of recovery than if PEF defers all of its 2002 under-recovery balance until 2004. Subject to regulatory review, if PEF had not filed a petition for approval of a mid-course correction, PEF would have collected this $28.5 million, plus interest, in 2004.

ISSUE 3: Should the Commission approve a mid-course correction to PEF's authorized fuel and purchased power cost recovery factors to collect its projected $93.9 million under-recovery for 2003?

RECOMMENDATION: Yes. PEF's request for mid-course correction of its fuel factors should be approved for the following four reasons: 1) PEF's projected underrecovery based on the current factors exceeds the ten percent threshold for reporting purposes; 2) PEF's projected underrecovery is based on reasonable fuel price assumptions; 3) the proposed mid-course correction would most likely result in better price signals to PEF customers; and 4) the proposed mid-course correction may prevent more severe customer rate impacts in 2004. Any over-recovery that PEF collects due to the proposed fuel cost recovery factors will be refunded to PEF's ratepayers with interest. (McNULTY, BOHRMANN, DRAPER)

STAFF ANALYSIS: Based on updated projections for 2003, PEF estimates an under-recovery of $93.9 million (10.6 percent) for 2003. This estimated under-recovery exceeds the 10 percent threshold as described by Order No. 13694 to request a mid-course correction. Thus, PEF requests a change in its fuel cost recovery factors for the 2003 under-recovery amount as reprojected in addition to the portion of the final 2002 true-up underrecovery amount which staff addresses in Issue 2.

Review Process

In its analysis of PEF's petition for a mid-course correction, staff examined whether the assumptions (i.e., fuel prices, retail energy sales, generation mix, and system efficiency) that PEF used to support its re-projected 2003 fuel costs appear reasonable. This standard of review is consistent with staff's past recommendations on mid-course corrections. PEF uses these updated assumptions to develop future cost and revenue estimates. During the scheduled November 12-14, 2003, hearing in this docket, the Commission will compare these estimates to actual data. The Commission will then apply the difference to next year's fuel cost recovery factor through its normal true-up process. Any over-recovery that PEF collects due to the proposed fuel cost recovery factors will be refunded to PEF's ratepayers with interest.

Staff will address whether PEF has acted prudently to procure fuels reliably and cost-effectively at the November 12-14, 2003, evidentiary hearing in this docket, not through this recommendation. This recommendation does offer, for informational purposes, an update regarding the financial results associated with PEF's fuel price hedging activities. Such hedging activities mitigate the price and volume risk associated with fuel and purchased power procurement with the array of physical and financial hedging techniques at PEF's disposal. Per Order No. PSC-02-1484-FOF-EI, in Docket No. 011605-EI, issued October 30, 2002, the Commission removed potential disincentives for IOUs to engage in hedging. For instance, these utilities can now recover through the fuel clause hedging transaction costs, gains and losses from hedging transactions, and incremental operating and maintenance expenses associated with new and expanded hedging programs. By Order No. PSC-02-1761-FOF-EI, in Docket No. 020001-EI, issued December 13, 2002, the Commission approved estimated expenditures of $554,312 for incremental 2003 expenses associated with PEF's hedging program. Each utility is required to report the success of its risk management activities as part of its Final True-up filing in this docket on April 1 of each year, along with specified hedging information and data. Staff will use these filings in conjunction with the utilities' risk management plans to initiate any further discovery required in this docket.

PEF's Reasons for Mid-Course Correction

PEF states in its petition for a mid-course correction that the 2003 projected under-recovery of $93.6 million is primarily due to higher natural gas prices and residual oil prices. These prices were originally projected in PEF witness Javier Portuondo's direct testimony, prefiled September 20, 2002, in Docket No. 020001-EI. Table 1 in Attachment A compares PEF's forecasts of the average 2003 fuel prices as filed on September 20, 2002, in Docket No. 020001-EI, and on February 18, 2003, in its petition for a mid-course correction in this docket.

PEF provides three reasons for the higher projected natural gas and oil prices for 2003. The utility cites the colder than expected winter, the national and global energy markets' reaction to potential hostilities in the Middle East, and the Venezualan oil workers' strike.

PEF can partially mitigate the natural gas price increases by increasing generation at PEF's other generating units that do not burn natural gas, to the extent available capacity exists at these units. Currently, PEF has more coal-fired generation (35%) than any other source, with the remainder of its generation coming from a mixture of nuclear, natural gas-fired, and oil-fired generation. The remaining balance of the Company's resources for serving its retail load is comprised of energy purchases.

Second, PEF is minimizing its use of natural gas by using its fuel-switching capabilities to burn oil instead of natural gas, which is available in over 40% of its fossil fuel capacity.

Third, PEF states that it has engaged in two additional types of transactions to minimize its fuel costs. When PEF can purchase oil at prices lower than expected future prices plus storage costs, PEF often purchases oil in quantities greater than its immediate demand for electric generation. PEF then stores the excess oil for later use. Staff notes that PEF does not recover any costs through the fuel clause until the fuel is burned or consumed in PEF's generating units per Order No. 6357, in Docket No. 74680-CI, issued November 26, 1974. Also, PEF has entered into bilateral transactions with customized pricing mechanisms with fuel suppliers. These transactions provide oil to PEF at market prices or lower to the benefit of PEF ratepayers.

Reasonableness of PEF's Assumptions

Staff compared the data and assumptions that PEF relied upon to support its September 20, 2002, filing in Docket No. 020001-EI and its February 18, 2003, filing in this docket. Four sets of PEF's assumptions changed: retail sales forecast; fuel price forecast; system efficiency; and unit dispatch.

PEF's retail sales forecast increased 658,232 KWH to 38,323,016 KWH compared with its sales forecast in its September 20, 2002, filing. PEF expects to generate most of this incremental energy itself (95.2 percent), rather than purchase this energy through other sources. The utility claims that this increase in retail energy sales will have no impact of this increase in sales on unit price of fuels or total fuel costs.

Table 2 in Attachment A compares PEF's revised forecast of natural gas commodity prices with the futures prices that existed on the New York Mercantile Exchange (NYMEX) at the close of trading on February 19, 2003, for the period March 2003 through December 2003. The data in the table indicate that PEF's natural gas price forecast ranges from 16.1 percent lower than the NYMEX up to 12.2

percent higher than the NYMEX. For March through June, PEF's natural gas price forecast is significantly lower than the NYMEX, but for July through December, the Company's forecast is significantly higher than the NYMEX. The Company chose to equate their July through December natural gas price forecast with their high band forecast. The reason the Company did this is because of its expectation of increased tensions in the Middle East in the latter part of the year. Furthermore, the Company stated that it will be aggressively hedging gas during the latter half of 2003 based on their expectation that high gas prices will prevail during that period. Staff recognizes that PEF's assumptions regarding geopolitical instability yield significant differences in forecasted natural gas prices, and that these assumptions as applied in this instance are not unreasonable. Wide swings in futures prices for natural gas have been witnessed during the past several months. While the Company's fuel price forecast may be skewed to the higher end of market expectations as reflected at the time of PEF's filing of its petition, Staff believes the Company's forecast of natural gas prices is reasonable for purposes of the proposed PEF midcourse correction.

In addition, staff compared PEF's 2003 residual oil price forecast to the 2003 residual oil price estimate listed in the U.S. Energy Information Administration's (EIA) Short Term Energy Outlook for February 2003. Staff used EIA's estimate because NYMEX has not created a futures market for residual oil. PEF's 2003 residual oil price estimate is \$4.26/MMBtu compared with EIA's residual oil price estimate of \$4.36/MMBtu. Based on these comparisons, staff believes PEF's natural gas commodity and residual oil price forecasts are reasonable for purposes of the proposed PEF mid-course correction.

Table 3 in Attachment A shows that PEF's forecasted system efficiency increased by approximately 0.7 percent. Since oil fired generation is replacing gas fired generation, this result is counter-intuitive, because oil is burned less efficiently than gas. However, PEF projects improved efficiency in burning oil, natural gas, and coal compared to their originally projected efficiencies, and that impact overwhelms the oil-for-gas substition impact on efficiencies. PEF's forecasted weighted average system efficiency increased from 9,715 Btu/kWh to 9,649 Btu/kWh. We find this assumption reasonable.

Table 4 in Attachment A shows the changes in PEF's forecast of net generation by fuel type for the filings PEF made on September 20, 2002, and February 18, 2003. As discussed previously, PEF has several generating units on its system that can burn oil or natural gas, whichever fuel is less expensive at any given time. Also, as natural gas prices increase relative to oil prices, more oil-fired generating units are economically dispatched ahead of natural gas-fired generating units. These impacts are reflected in the table, as PEF's projected natural gas fired generation decreased by 24.7 percent and residual oil fired generation increased 57.3 percent. In addition, coal and nuclear generation is further maximized in the mid-course projection filing. Based on the expected fuel prices for the remainder of 2003, PEF's forecast of net generation by fuel type is reasonable for purposes of its proposed mid-course correction.

Estimated Savings/Losses Associated with Hedging

PEF reports that it projects certain fuel savings via fuel price hedges for 2003. The utility reports that most of the savings are based on physical hedges, rather than financial hedges. PEF hedged between 12 percent and 49 percent of its natural gas purchases from August, 2002, through January, 2003. The utility's forecasted percent of natural gas hedged is between 18.2 percent and 48.5 percent from February, 2003, to December, 2003. The actual/projected savings related to natural gas hedging for the period August, 2002, through December, 2003 is $25,177,501. PEF indicates that the savings for 2003 is reflected in its petition for mid-course correction. PEF derived the savings from its natural gas hedging by calculating the product of the actual/forecasted volumes and the differential between the fixed price position and the *Inside FERC* published price for each month.

PEF hedged between 0 percent and 51 percent of its monthly residual oil purchases from August, 2002, through January, 2003. PEF reports residual oil hedging losses of $579,956 during that period. Hedging percentages, gains, and losses are not estimated for the forecast period. Meanwhile, PEF has generated approximately $7 million in savings from August, 2002, through January 2003 through buying and selling of off-system wholesale energy. The utility provided no forecast for savings/losses associated with wholesale energy transactions for the February, 2003 through December, 2003 period. PEF derived the savings on residual oil by calculating the product of the actual volumes purchased and the differential between the fixed price position and actual prices paid on remaining residual oil at the time of purchase.

Impact of Mid-Course Correction on PEF's Ratepayers

PEF has proposed to collect, during April through December, 2003, its estimated under-recovery for 2003 ($93.9 million), and a portion of the final under-recovery for 2002 ($28.5 million), offset by its projected overrecovery of capacity costs through 2003 ($21.1 million), for a total increase in 2003 recoverable costs of $101.3 million. The proposed fuel cost recovery factors by PEF rate schedule are shown on Attachment B, page 1 of 3. If the Commission approves PEF's petition, the 1,000 KWH residential ratepayer's bill would increase by $3.36 (4.2 percent) to $83.71 (Refer to Attachment B, page 3 of 3). As a basis for comparison, the April, 2001, midcourse correction for PEF resulted in a $3.71 (4.1 percent) increase in a 1,000 KWH residential bill to $93.41. Staff notes that allowing recovery of the additional projected costs associated with PEF's petition beginning in April, 2003, provides a better price signal to customers than if the recovery of such costs were deferred until January, 2004. In other words, it would provide a better match between the time costs are incurred and the time they are recovered. In addition, a decision to defer these costs could result in a more severe impact upon customer rates in January, 2004, than if they were to be put in place now. Scenarios where that could happen include the following: 1) 2003 actual cost exceed the PEF's newly projected costs; or 2) 2004 costs are projected to be at or above the level of costs reflected in the current PEF fuel factors.

The amount of interest that PEF's ratepayers would pay on the 2002 under-recovery amount will decrease if recovered in 2003 rather than 2004. Consistent with Order No. 9273, in Docket No. 74680-CI, issued March 7, 1980, PEF's ratepayers pay interest on any under-recovery at the commercial paper rate. The commercial paper rate that PEF used to calculate the interest on its December 31, 2002, under-recovery balance was 1.3 percent. According to PEF, its ratepayers would avoid $321,625 in interest payments through 2002 if the Commission authorizes PEF to collect the under-recovery in 2004 instead of 2003.

Summary

Staff recommends that PEF's request for mid-course correction of its fuel factors should be approved for the following four reasons: 1) PEF's projected underrecovery based on the current factors exceeds the ten percent threshold for reporting purposes; 2) PEF's projected underrecovery is based on reasonable fuel price assumptions; 3) the proposed mid-course correction would most likely result in better price signals to PEF customers; and 4) the proposed mid-course correction may prevent more severe customer rate impacts in 2004. Any over-recovery that PEF collects due to the proposed fuel cost recovery factors will be refunded to PEF's ratepayers with interest.

ISSUE 4: If the Commission approves PEF's petition for a mid-course correction, in whole or in part, what should be the effective date of the mid-course correction?

RECOMMENDATION: The effective date should be the cycle one billing day for April 2003, which begins March 28, 2003. If the Commission does not approve staff's recommendations in Issues 1, 2 and 3, this issue is moot. (BOHRMANN, E. DRAPER, C. KEATING)

STAFF ANALYSIS: PEF has requested an effective date beginning with its cycle 1 billings in April 2003, which starts March 28, 2003. Although this effective date is six days short of the customary 30-day notice requirement for rate increases, staff believes such treatment is reasonable. Due to the under-recovery's relative size, the Commission should implement the new factors as soon as possible. The March 28, 2003, effective date will also insure that all customers are billed under the new rates for the same amount of time.

The Commission has typically not required a 30-day notice period prior to implementing new fuel cost recovery factors after a mid-course correction. See, e.g., Order No. PSC-96-0907-FOF-EI, issued July 15, 1996; Order No. PSC-96-0908-FOF-EI, issued July 15, 1996; Order No. PSC-97-0021-FOF-EI, issued January 6, 1997.

The Commission did require a 30-day notice in Order No. PSC-00-1081-PCO-EI, issued June 5, 2000, which granted Florida Power & Light Company's, FPC's, and Tampa Electric Company's petitions for mid-course corrections in 2000. The Commission found that providing customers with the full 30 days' notice in this instance was appropriate. The Commission delayed the implementation beyond the date originally requested of the new factors for approximately two weeks to allow customers the opportunity to adjust their usage in light of the new factors. In this instance, as noted, the effective date recommended falls short of the 30-day notice period by six days.

PEF should notify its ratepayers in writing of the Commission approved fuel cost recovery factors. PEF should mail the notice to its customers as soon as possible after the Commission's decision. Such information should include, but not be limited to: the total dollar amount of the mid-course correction, the impact on typical ratepayer's monthly bill, and the effective date of the proposed fuel cost recovery factors.

ISSUE 5: 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.

Table 1: Change in PEF's 2003 Delivered Fuel Price Forecast ($/MMBtu)			
	As-Filed (9/20/02)	As-Filed (02/18/03)	Change
Natural Gas	$3.88	$5.96	53.61%
Residual Oil	$3.68	$4.26	15.76%
Distillate Oil	$5.61	$6.44	14.80%
Coal	$2.27	$2.27	0.00%
Nuclear	$0.33	$0.33	0.00%

Table 2: PEF's Monthly Natural Gas Commodity Price Compared to NYMEX ($/MMBtu)				
Month in 2003	PEF's Petition Natural Gas Price	NYMEX 02/19/03 Natural Gas Price	Difference	Percent Difference
March	$4.71	$5.32	($0.61)	-11.47%
April	$4.31	$5.14	($0.83)	-16.15%
May	$4.26	$4.95	($0.69)	-13.94%
June	$4.26	$4.87	($0.61)	-12.53%
July	$5.41	$4.85	$0.56	11.55%
August	$5.41	$4.82	$0.59	12.24%
September	$5.31	$4.78	$0.53	11.09%
October	$5.26	$4.80	$0.46	9.58%
November	$5.26	$4.93	$0.33	6.69%
December	$5.41	$5.07	$0.34	6.71%

Table 3: PEF's Forecasts of System Efficiency (Btu/kwh)		
	As-filed (9/20/02)	As-Filed (02/18/03)
Residual Oil	10,428	9,970
Distillate Oil	13,389	12,972
Coal	9,439	9,290
Natural Gas	8,933	8,712
Nuclear	10,330	10,560
Weighted Average	9,715	9,649

Table 4: PEF's System Net Generation (GWH) by Fuel Type			
	As-Filed 9/20/2002	As-Filed 02/18/2003	% Change
Residual Oil	3,453,920	5,434,579	57.35%
Distillate Oil	457,612	408,166	-10.81%
Coal	16,616,687	16,792,239	1.06%
Natural Gas	6,039,042	4,543,326	-24.77%
Nuclear	6,094,721	6,110,531	0.26%
Total	32,661,982	33,288,841	1.92%

Progress Energy Florida, Inc.
Proposed Fuel and Purchased Power Cost Recovery Factors
For the Period: April through December 2003

		Fuel Cost Factors (cents/kWh)		
	Delivery		Time Of Use	
Group	Voltage Level	Standard	On-Peak	Off-Peak
A.	Distribution Secondary	2.741	3.341	2.481
B.	Distribution Primary	2.714	3.308	2.456
C.	Transmission	2.687	3.275	2.432
D.	Lighting Service	2.642	--	--

Progress Energy Florida, Inc.
Proposed Capacity Cost Recovery Factors
For the Period: April through December 2003

Rate Class	Proposed Recovery Factors (cents/kWh)
Residential	1.100
General Service Non-Demand - Secondary	0.825
@Primary Voltage	0.817
@Transmission Voltage	0.809
General Service 100% Load Factor	0.605
General Service Demand - Secondary	0.716
@Primary Voltage	0.710
@Transmission Voltage	0.702
Curtailable - Secondary	0.510
@Primary Voltage	0.505
@Transmission Voltage	0.500
Interruptible - Secondary	0.594
@Primary Voltage	0.588
@Transmission Voltage	0.582
Lighting	0.175

RESIDENTIAL FUEL COST RECOVERY FACTORS FOR THE PERIOD: **April 2003 - December 2003** 24-Feb-2003

NOTE: This schedule reflects a midcourse correction to Florida Power & Light Company's and Tampa Electric Company's fuel factors and Progress Energy Florida's fuel and capacity factors effective April 2003.

		Florida Power & Light Co.	Progress Energy Florida, Inc. (3)	Tampa Electric Company	Gulf Power Company	Florida Public Utilities Co. (2) Marianna	Florida Public Utilities Co. (2) Fernandina Beach
Present (cents per kwh):	January 2003 - March 2003	2.733	2 325	3.015	2.359	3.846	3.745
Proposed (cents per kwh):	April 2003 - December 2003	**3.203**	**2.741**	**3.450**	**2.359**	**3.846**	**3.745**
	Increase/Decrease:	0.470	0.416	0.435	0.000	0.000	0.000

TOTAL MONTHLY BILL - RESIDENTIAL SERVICE - 1,000 KILOWATT HOURS

PRESENT **January 2003 - March 2003**	Florida Power & Light Co.	Progress Energy Florida, Inc. (3)	Tampa Electric Company	Gulf Power Company	Florida Public Utilities Co. (2) Marianna	Florida Public Utilities Co. (2) Fernandina Beach
Base Rate Charges	40 22	41.18	51.92	49.30	20.43	19.20
Fuel and Purchased Power Cost Recovery Clause	27.33	23.25	30.15	23.59	38.46	37.45
Energy Conservation Cost Recovery Clause	1.80	1.89	1.16	0.61	0.79	0.49
Environmental Cost Recovery Clause	0.19	0.14	1.44	1.05	N/A	N/A
Capacity Cost Recovery Clause	6.53	11.88	2.77	0.95	N/A	N/A
Gross Receipts Tax (1)	0.78	2.01	2.24	1.94	1.53	0.59
Total	**$76.85**	**$80.35**	**$89.68**	**$77.44**	**$61.21**	**$57.73**

PROPOSED **April 2003 - December 2003**	Florida Power & Light Co.	Progress Energy Florida, Inc (3)	Tampa Electric Company	Gulf Power Company	Florida Public Utilities Co. (2) Marianna	Florida Public Utilities Co. (2) Fernandina Beach
Base Rate Charges	40.22	41.18	51 92	49.30	20.43	19.20
Fuel and Purchased Power Cost Recovery Clause	32.03	27.41	34.50	23.59	38.46	37.45
Energy Conservation Cost Recovery Clause	1.80	1.89	1.16	0.61	0.79	0.49
Environmental Cost Recovery Clause	0.19	0.14	1.44	1.05	N/A	N/A
Capacity Cost Recovery Clause	6.53	11.00	2.77	0.95	N/A	N/A
Gross Receipts Tax (1)	0.83	2 09	2.35	1.94	1.53	0.59
Total	**$81.60**	**$83.71**	**$94.14**	**$77.44**	**$61.21**	**$57.73**

PROPOSED INCREASE / (DECREASE)	Florida Power & Light Co.	Progress Energy Florida, Inc. (3)	Tampa Electric Company	Gulf Power Company	Florida Public Utilities Co. (2) Marianna	Florida Public Utilities Co. (2) Fernandina Beach
Base Rate Charges	0.00	0.00	0.00	0.00	0.00	0.00
Fuel and Purchased Power Cost Recovery Clause	4.70	4.16	4.35	0 00	0.00	0.00
Energy Conservation Cost Recovery Clause	0.00	0.00	0.00	0.00	0.00	0.00
Environmental Cost Recovery Clause	0.00	0.00	0.00	0.00	0.00	0.00
Capacity Cost Recovery Clause	0.00	-0.88	0.00	0.00	0.00	0.00
Gross Receipts Tax (1)	0.05	0.08	0.11	0.00	0.00	0.00
Total	**$4.75**	**$3.36**	**$4.46**	**$0.00**	**$0.00**	**$0.00**

(1) Additional Gross Receipts Tax (GRT) is 1% for FPL and FPUC-Fernandina Beach. Gulf, PEF, TECO and FPUC-Marianna have removed all GRT from their rates, and thus entire 2.5% is shown separately. (2) Fuel costs include purchased power demand costs of 1.598 c/kwh for Marianna and 1.473 c/kwh for Fernandina allocated to the residential class.
(3) Formerly known as Florida Power Corporation. Name change became effective January 1, 2003

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