

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and Purchased Power)	DOCKET NO. 890001-EI
Cost Recovery Clause and Generating)	ORDER NO. 21686
Performance Incentive Factor.)	ISSUED: 8-4-89
)	

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman
JOHN T. HERNDON

NOTICE OF PROPOSED AGENCY ACTIONORDER APPROVING MID-COURSE CORRECTION

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

On June 20, 1989, Florida Power Corporation (FPC) filed a petition for a mid-course correction to its Fuel Adjustment factor, to be effective in August and September, 1989. The utility stated in its petition that without such a correction, it would underrecover \$43 million (approximately 13%) of its currently estimated fuel and purchased power costs for the current six-month period. The utility did not fully recover its fuel costs during three of the four months preceding the filing of the petition. Without a mid-course correction, underrecovery would continue through September, 1989.

The utility's underrecovery results from an increase in residual oil prices of approximately four dollars per barrel over the initially projected prices. Further, extension of an outage at the utility's nuclear plant to perform modifications mandated by the Nuclear Regulatory Commission and replace three reactor coolant pump seals which failed during startup operations contributed to the underrecovery.

DOCUMENT NUMBER-DATE

07918 AUG -4 1989

FPSC-RECORDS/REPORTING

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We find that the utility's petition for mid-course correction to be in substantial compliance with Order No.13694, issued in Docket No. 840001-EI, wherein we established a mid-course correction procedure to prevent fluctuations in customer bills resulting from large, unanticipated over or underrecoveries. The utility requested a revised fuel adjustment factor of 2.461 cents per KWH for August and September, 1989, which should reduce the underrecovery below the ten per cent level.

FPC's projection of residual fuel oil prices appears to be reasonable. The utility consumes 1.0% sulphur and 2.5% sulfur. Approximately 55% of its consumption is 1.0%, and the remaining 45% is 2.5% sulphur. Platt's Oilgram indicates that the weighted average spot price of this oil on the Gulf Coast was \$17.21 per barrel during April, 1989. FPC's weighted average actual cost was \$17.35 per barrel, compared to the utility's earlier estimate of \$13.81 per barrel. Platt's Oilgram similarly indicates increased fuel oil costs for May and June, as alleged by FPC.

The factors derived for FPC's various rate classes have been reviewed, and we find that they were calculated using methods which we have found acceptable in the past.

We note that there has been no prudence review of FPC's fuel expenditures. Our present approval of the mid-course correction does not assure ultimate approval of increased expenses for recovery by the utility. However, one of the purposes of a mid-course correction is to assure a levelized fuel adjustment, such that ratepayers experience a relatively uniform level of fuel costs. In addition, if the expenses are not ultimately approved for recovery in this docket, ratepayers will receive a refund, with interest. However, if no mid-course correction is allowed, but the expenses are later approved, the utility would be entitled to collect interest from its ratepayers. We therefore find that it is in the best interest of FPC's ratepayers to approve this mid-course correction.

We note that the utility did not include in its petition sufficient justification for increased fuel expenditures.

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Rather, FPC merely stated that the underrecovery results from "an increase in residual oil prices of approximately \$4 per barrel above the initially projected prices, and the extension of an outage at the Company's nuclear unit to perform certain plant modifications mandated by the Nuclear Regulatory Commission and to replace three reactor coolant pump seals which failed during startup operations." In the future, such limited and conclusory statements will not be deemed sufficient information upon which to grant mid-course corrections.

In consideration of the above, it is therefore

ORDERED that, subject to review and true up, Florida Power Corporation's levelized fuel cost recovery factor be increased to 2.461 cents per KWH, that its fuel cost recovery factors be increased to 2.897 cents per KWH for on-peak periods and 1.933 cents per KWH for off-peak periods for time differentiated rates, adjusted for rate groups as shown on attachment A hereto. It is further

ORDERED that the new factors shall be effective with meter readings scheduled to be read on or after August 1, 1989, and continuing thereafter until modified by further order of this Commission.

By ORDER of the Florida Public Service Commission,
this 4th day of AUGUST, 1989.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

MER

by: Kay Flynn
Chief, Bureau of Records

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), 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.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on August 25, 1989. In the absence of such a petition, this order shall become effective August 28, 1989, as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on August 28, 1989, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting 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 of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

CALCULATION OF FINAL FUEL COST FACTORS

FOR MID-COURSE CORRECTION

For the Period of: August and September 1989

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ATTACHMENT

Group Delivery Level	GROUP LINE LOSS MULTIPLIER	LEVELIZED ¢/KWH	ON-PEAK ¢/KWH	OFF-PEAK ¢/KWH
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I. Transmission Delivery	0.9748	2.399	2.824	1.884
II. Distribution Primary Delivery	0.9903	2.437	2.869	1.914
III. Distribution Secondary Delivery	1.0036	2.470	2.907	1.940

Rate Schedules OL-1 and SL-1:

Final fuel cost factor is composite of on-peak and off-peak factors with consumption
18.7% on-peak and 81.3% off-peak, and group III line losses:

$$(.187 * 2.897 + .813 * 1.933) * 1.0036 = 2.121 \text{ ¢/KWH}$$