

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 000001-EI  
ORDER NO. PSC-00-1081-PCO-EI  
ISSUED: June 5, 2000

The following Commissioners participated in the disposition of  
this matter:

J. TERRY DEASON  
SUSAN F. CLARK  
E. LEON JACOBS, JR.

ORDER APPROVING MID-COURSE CORRECTIONS

BY THE COMMISSION:

On September 20, 1984, this Commission issued Order No. 13694, in Docket No. 840001-EI, which requires each investor-owned electric utility to notify us when its projected fuel revenues 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, the utility may request, and we may approve, a mid-course correction to the utility's authorized fuel and purchased power cost recovery factors.

On May 1, 2000, Florida Power Corporation (FPC) and Florida Power & Light Company (FPL) filed separate petitions for approval of mid-course corrections to their respective fuel cost recovery factors for the period June 2000 through December 2000. On May 2, 2000, Tampa Electric Company (TECO) filed a petition for approval of mid-course corrections to its fuel and capacity cost recovery factors for the period June 2000 through December 2000. This Order addresses each utility's petition separately.

FPC

Based on actual results through March 2000 and updated projections for the remainder of the calendar year 2000 recovery period, FPC anticipates a period-ending under-recovery of approximately \$62.1 million. According to FPC, this under-recovery

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is primarily due to higher oil and natural gas prices than originally projected in the direct testimony of Karl Wieland, prefiled October 1, 1999, in Docket No. 990001-EI. Although this under-recovery amount does not exceed the customary 10 percent threshold for a mid-course correction, FPC is requesting an adjustment now to mitigate a more severe rate impact on its retail customers in calendar year 2001. Without a mid-course correction, FPC's preliminary projections show that a typical residential customer's bill for 1,000 kWh would rise from \$83.76 to \$88.59 in 2001, an increase of \$4.83 (5.8 percent).

FPC has proposed to collect the projected under-recovery during the remainder of the calendar year 2000 recovery period, beginning with its cycle 1 billings for June 2000. With the mid-course correction proposed by FPC, the typical residential customer's bill for 1,000 kWh would increase by \$2.96 (3.5 percent) to \$86.72 in June 2000. Further, with its proposed mid-course correction, FPC projects that its typical residential customer's bill for the calendar year 2001 recovery period would be \$86.70. Thus, the proposed mid-course correction would mitigate the rate impact of FPC's projected under-recovery on the upcoming January 2001 through December 2001 recovery period.

Based on the foregoing, we approve FPC's proposed mid-course correction to its currently authorized fuel cost recovery factor. The new fuel cost recovery factors to be applied by FPC for each rate class are shown in Attachment A, which is attached hereto and incorporated herein by reference. We note that FPC's proposed mid-course correction is based on an effective date beginning with Cycle 1 billings for June 2000 and, thus, falls short of the normal 30-day notice requirement for rate increases. While we recognize that a delay in implementation of these new factors will lessen the intended mitigatory effect of the mid-course correction, we find that providing customers with the full 30 days' notice in this instance is appropriate. Accordingly, we find that FPC's new fuel cost recovery factors shall be effective beginning with billings on June 15, 2000, 30 days from the date of our vote on this matter.

This delay in the implementation of the new factors will allow FPC's customers the opportunity to adjust their usage in light of the new factors and should not significantly lessen the mitigatory effect of this mid-course correction.

Our approval of FPC's mid-course correction does not infer any decision regarding the prudence of these additional fuel expenses at this time.

**FPL**

Based on actual results through March 2000 and updated projections for the remainder of the calendar year 2000 recovery period, FPL anticipates an under-recovery of approximately \$230.6 million. This under-recovery is primarily due to higher oil and natural gas prices than originally projected in the direct testimony of Korel Dubin, prefiled October 1, 1999, in Docket No. 990001-EI. In addition, FPL experienced a final under-recovery true-up of approximately \$96.3 million for the calendar year 1999 recovery period, as stated in Ms. Dubin's direct testimony, prefiled April 3, 2000, in Docket No. 000001-EI. The projected under-recovery amount for the calendar year 2000 recovery period exceeds the 10 percent threshold for a mid-course correction. Thus, FPL is requesting an adjustment now to mitigate a more severe rate impact on its customers during the calendar year 2001 recovery period. Without a mid-course correction, FPL's preliminary projections show that a typical residential customer's bill of 1,000 kWh would rise from \$69.73 to \$77.04 in 2001, an increase of \$7.31 (10.5 percent).

FPL has proposed to collect 60 percent of the projected under-recovery for calendar year 2000 and 100 percent of actual under-recovery for calendar year 1999 during the remainder of the calendar year 2000 recovery period. FPL has proposed that it collect this under-recovery beginning with its cycle 3 billings for June 2000. Under this scenario, FPL would collect approximately \$234.7 million of the total \$327.0 million under-recovery during the calendar year 2000 recovery period. With the mid-course correction proposed by FPL, the typical residential customer's bill for 1,000 kWh would increase by \$4.39 (6.3 percent) to \$74.12 in June 2000. Further, with its proposed mid-course correction, FPL projects that its typical residential customer's bill for the calendar year 2001 recovery period would be \$74.34. Thus, the

proposed mid-course correction would mitigate the rate impact of the under-recovery on both the remaining seven months of the current recovery period and the upcoming recovery period.

Based on the foregoing, we approve FPL's proposed mid-course correction to its currently authorized fuel cost recovery factors. The new fuel cost recovery factors to be applied by FPL for each rate class are shown in Attachment A to this Order. We note that FPL's proposed mid-course correction is based on an effective date beginning with cycle day 3 billings for June 2000 (May 31, 2000) and, thus, falls short of the normal 30-day notice requirement for rate increases. While we recognize that a delay in implementation of these new factors will lessen the intended mitigatory effect of the mid-course correction, we find that providing customers with the full 30 days' notice in this instance is appropriate. Accordingly, we find that FPL's new fuel cost recovery factors shall be effective beginning with billings on June 15, 2000, 30 days from the date of our vote on this matter. This delay in the implementation of the new factors will allow FPL's customers the opportunity to adjust their usage in light of the new factors and should not significantly lessen the mitigatory effect of this mid-course correction.

Our approval of FPL's mid-course correction does not infer any decision regarding the prudence of these additional fuel expenses at this time.

**TECO**

Based on actual results to date and updated projections for the remainder of the calendar year 2000 recovery period, TECO anticipates an under-recovery of approximately \$28.9 million in its fuel and purchased power cost recovery clause. This under-recovery is primarily due to higher purchased power, oil, and natural gas prices than originally projected in the direct testimony of Karen Zwolak, prefiled October 1, 1999, in Docket No. 990001-EI. In addition, TECO experienced a final under-recovery true-up of approximately \$8.6 million for the calendar year 1999 recovery period, as stated in Ms. Zwolak's direct testimony, prefiled April 3, 2000, in Docket No. 000001-EI. The total projected under-recovery amount is approximately equal to the 10 percent threshold for a mid-course correction. Thus, TECO is requesting an

adjustment now to mitigate a more severe rate impact during the calendar year 2001 recovery period.

In addition, based on actual results to date and updated projections for the remainder of the calendar year 2000 recovery period, TECO anticipates an under-recovery of approximately \$11.6 million in its capacity cost recovery clause. In the direct testimony of Lynn Brown, pre-filed on October 1, 1999, in Docket No. 990001-EI, Mr. Brown indicated that "[t]he company is also in the process of negotiating additional capacity and energy for the year 2000 to achieve desired operating reserves." In addition, TECO identified the need for additional capacity due to revised estimates of their unit availability. The costs of these additional purchases were not included in TECO's original projections. TECO subsequently reached agreement with suppliers for this additional power, and these costs account for a substantial portion of the projected capacity cost under-recovery.

TECO also experienced a final under-recovery true-up of \$94,943 for the calendar year 1999 recovery period as stated in Ms. Zwolak's direct testimony, prefiled April 3, 2000, in Docket No. 000001-EI. The total projected under-recovery amount is greater than the 10 percent threshold for a mid-course correction. Thus, TECO is requesting an adjustment now to mitigate a more severe rate impact on its retail customers during the calendar year 2001 recovery period.

Without a mid-course correction, TECO's preliminary projections show that a typical residential customer's bill for 1,000 kWh would rise from \$81.78 to \$85.60 in 2001, an increase of \$3.82 (4.7 percent). However, TECO has proposed to collect 50 percent of the total projected under-recovery for both cost recovery clauses during the remainder of the calendar year 2000 fuel recovery period. TECO has proposed to collect this amount beginning with its first billing cycle for June 2000. Under this proposal, TECO would collect approximately \$24.7 million of the total \$49.3 million under-recovery during the calendar year 2000 recovery period. TECO would collect the remaining \$24.6 million in the calendar year 2001 recovery period. With the mid-course correction proposed by TECO, the typical residential customer's bill for 1,000 kWh would increase by \$2.67 (3.3 percent) to \$84.45 in June 2000. Further, with its proposed mid-course correction, TECO projects that its typical residential customer's bill for calendar year 2001 would be \$84.50. Thus, the mid-course correction would mitigate the rate impact of the under-recovery

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during both the remaining seven months of the current recovery period and the upcoming recovery period.

Based on the foregoing, we approve TECO's proposed mid-course correction to its currently authorized fuel cost recovery factors and capacity cost recovery factors. The new fuel cost recovery factors to be applied by TECO for each rate class are shown in Attachment A to this Order. We note that TECO's proposed mid-course correction is based on an effective date beginning with the first billing cycle in June 2000 and, thus, falls short of the normal 30-day notice requirement for rate increases. While we recognize that a delay in implementation of these new factors will lessen the intended mitigatory effect of the mid-course correction, we find that providing customers with the full 30 days' notice in this instance is appropriate. Accordingly, we find that TECO's new fuel cost recovery factors shall be effective beginning with billings on June 15, 2000, 30 days from the date of our vote on this matter. This delay in the implementation of the new factors will allow TECO's customers the opportunity to adjust their usage in light of the new factors and should not significantly lessen the mitigatory effect of this mid-course correction.

Our approval of TECO's mid-course correction does not infer any decision regarding the prudence of these additional fuel expenses at this time.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power Corporation's petition for mid-course correction to its fuel and purchased power cost recovery factors is granted, as set forth in the body of this Order. It is further

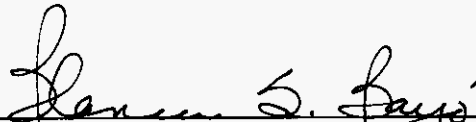
ORDERED that Florida Power & Light Company's petition for mid-course correction to its fuel and purchased power cost recovery factors is granted, as set forth in the body of this Order. It is further

ORDERED that Tampa Electric Company's petition for mid-course correction to its fuel and purchased power cost recovery factors and capacity cost recovery factors is granted, as set forth in the body of this Order. It is further

ORDERED that this docket shall remain open.

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By ORDER of the Florida Public Service Commission this 5th day  
of June, 2000.

  
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BLANCA S. BAYÓ, Director  
Division of Records and Reporting

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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.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code, if issued by a Prehearing Officer; (2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or (3) 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 or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.