

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 020001-EI
ORDER NO. PSC-02-1466-PCO-EI
ISSUED: October 24, 2002

The following Commissioners participated in the disposition of
this matter:

LILA A. JABER, Chairman
J. TERRY DEASON
BRAULIO L. BAEZ
MICHAEL A. PALECKI
RUDOLPH "RUDY" BRADLEY

ORDER ACKNOWLEDGING PROJECTED UNDER-RECOVERY OF
FUEL AND PURCHASED POWER COSTS

BY THE COMMISSION:

By Order No. 13694, issued September 20, 1984, in Docket No. 840001-EI, each investor-owned electric utility is required to notify this Commission when the utility becomes aware that its projected fuel revenues applicable to the current recovery period will result in an over- or under-recovery in excess of 10 percent of its projected fuel costs for the period. Order No. 13694 further provides that the utility making such notification shall request a hearing to revise its fuel cost recovery factors if, in the utility's judgment, such revision would not be impractical. Order No. 13694 also allows any party, or this Commission, on our own motion, to seek a change in a utility's fuel cost recovery factors between regularly-scheduled hearings in this docket to refund or collect all or part of the utility's over-recovery or under-recovery balance prior to the end of the current recovery period.

By Order No. PSC-01-2516-FOF-EI (Order No. 01-2516), issued December 26, 2001, in Docket No. 010001-EI, this Commission approved a levelized fuel cost recovery factor of 2.212 cents per kilowatt-hour (kWh) for Gulf Power Company (Gulf Power) for the

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period January 2002 through December 2002. We 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.

By letter dated August 21, 2002, Gulf Power notified this Commission and the parties to this docket that Gulf Power projects a 2002 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. Gulf Power offered three reasons to support its decision to defer recovery of this amount until 2003. 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. Gulf asserts that the primary reason for this projected under-recovery is an unplanned outage at Plant Crist, which resulted in higher-than-expected wholesale energy net purchases.

After examining the data that Gulf Power has filed in this docket, we confirm that Gulf Power's 2002 fuel costs are expected to be approximately 12.0 percent greater than its fuel revenues for the reasons it asserts. Further, we agree that collection of Gulf Power's projected under-recovery of fuel costs throughout 2003 is more appropriate than increasing Gulf Power's fuel factors now to collect this projected 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 projected under-recovery during the last three months of 2002, Gulf Power has confirmed that this customer's monthly bill would increase by \$12.74.

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

In summary, we acknowledge Gulf Power's projected under-recovery of fuel and purchased power costs for 2002 and do not require a change to Gulf Power's fuel and purchased power cost recovery factors for 2001. We will consider Gulf Power's projected 2002 under-recovery of fuel and purchased power costs at our November 2002 evidentiary hearing in this docket.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Gulf Power Company's projected under-recovery of fuel and purchased power costs for the 2002 cost recovery period is hereby acknowledged. It is further

ORDERED that this docket shall remain open.

By ORDER of the Florida Public Service Commission this 24th Day of October, 2002.

BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

By: Kay Flynn
Kay Flynn, Chief
Bureau of Records and Hearing
Services

(S E A L)

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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 the Commission Clerk and Administrative Services, 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.