

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost recovery clause with generating performance incentive factor. | DOCKET NO. 070001-EI  
| ORDER NO. PSC-07-0739-PCO-EI  
| ISSUED: September 17, 2007

The following Commissioners participated in the disposition of this matter:

LISA POLAK EDGAR, Chairman  
MATTHEW M. CARTER II  
KATRINA J. McMURRIAN  
NANCY ARGENZIANO  
NATHAN A. SKOP

ORDER AUTHORIZING FPUC'S MID-COURSE CORRECTIONS

BY THE COMMISSION:

**Background**

On August 1, 2007, Florida Public Utility Company (FPUC) petitioned for approval of mid-course corrections to its currently authorized fuel cost recovery factors for the 2007 cost recovery period. FPUC notified us that, based on the recovery factors approved by Order No. PSC-06-1057-FOF-EI,<sup>1</sup> issued December 22, 2006, in Docket No. 060001-EI, its estimated 2007 under recoveries will be \$915,677 (Fernandina Beach Division) and \$690,530 (Marianna Division). FPUC petitioned to be allowed to recover those amounts during the time period from October through December 2007.

By Order No. 13694,<sup>2</sup> which was subsequently clarified by Order No. PSC-07-0333-PAA-EI,<sup>3</sup> we required each investor-owned electric utility (IOU) to notify us when its actual fuel costs were ten percent greater than or less than its projected fuel costs. Depending on the magnitude of the over or under recovery and the length of time remaining in the recovery period, a party may request, or we may approve on our own motion, a mid-course correction to the utility's authorized fuel cost recovery factors.

We have jurisdiction over this matter under several provisions of Chapter 366, Florida Statutes (F.S.), including Sections 366.04, 366.05, and 366.06, F.S.

<sup>1</sup> See Order No. PSC-06-1057-PAA-EI, issued on December 22, 2006, in Docket No. 060001-EI, In Re: Fuel and purchased power cost recovery with generating performance incentive factor.

<sup>2</sup> See Order No. 13694, issued September 20, 1984, in Docket No. 840001-EI, In Re: Fuel and purchased power cost recovery with generating performance incentive factor.

<sup>3</sup> Order No. PSC-07-0333-PAA-EI, issued April 16, 2007, in Docket No. 070001-EI, In Re: Fuel and purchased power cost recovery with generating performance incentive factor.

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FPSC-COMMISSION CLERK

### Discussion

FPUC petitioned us for an increase to its cost recovery factors from 3.412 cents per kWh to 4.494 cents per kWh (Fernandina Beach Division) and from 2.709 cents per kWh to 3.583 (Marianna Division), beginning September 28, 2007. We note that FPUC's final recovery factors for all rate classes also include purchased power demand costs as well as the fuel cost recovery factor. The total factors (fuel cost recovery factor plus purchased power demand costs) are shown in Attachment A, which demonstrates FPUC's 2007 current factors for all rate classes and proposed mid-course correction factors. Based on FPUC's testimony filed in its mid-course correction petition, these new factors would eliminate the above estimated 2007 under recovery amounts.

FPUC stated that estimated 2007 under recoveries occurred because: (1) there was a significant under estimate of power purchases; and (2) there was less demand for power than FPUC previously estimated. Our staff conducted an informal meeting with FPUC and OPC present. In that meeting, FPUC was asked to explain its petition. FPUC explained that the larger portion of the under recovery is attributed to FPUC's under estimation of the total 2007 power purchases FPUC would need for all of its rate classes. FPUC's 2007 recovery factors were set based on a lower amount of power being purchased in 2007 than was actually purchased. Had FPUC more accurately estimated the total amount of power purchases it would need to serve its customers in 2007, its 2007 recovery factor would have been higher throughout 2007. The lower estimate of power purchases contributed significantly to FPUC's under recovery.

The significant under estimate of power purchases is reflected in the 2007 cost-recovery factors' components labeled "Net Unbilled Sales, Company Use, and Transmission and Distribution Losses" found on Schedule E-1. The aggregate component consists primarily of Transmission and Distribution Losses. In 2004, 2005, and 2006, the aggregates averaged 21,816 mWh (Fernandina Beach Division) and 18,807 mWh (Marianna Division) annually. The aggregates' estimates for 2007 were 6,964 mWh (Fernandina Beach Division) and 12,024 mWh (Marianna Division). The under estimates were of the additional megawatt-hour purchases ("wholesale") necessary for the divisions' estimates of megawatt-hour sales ("retail"). Had 2007's estimated megawatt-hour aggregates been closer to their typical annual totals, the 2007 recovery factors would have been greater and the 2007 estimated revenues would be greater. Thus, the estimated 2007 under recoveries would have been lower.

While overall power sales increased as discussed above, a smaller portion of FPUC's under recovery was attributed to FPUC's over estimation of power sales to the residential rate class relative to the other rate classes. Since the allocation of expenses to the residential class for power sales is higher than it is for the other rate classes, the over estimate of sales to the residential class caused the expenses allocated to the class to be under recovered.

Cost recovery factor mid-course corrections usually are made when mid-course percentages are 10 percent or greater. FPUC's estimated December 2007 under recovery percentages amount to a 5.78 percent under recovery for the Fernandina Beach Division and a 5.11 percent under recovery for the Marianna Division. FPUC petitioned for recovery factor revisions to reduce the estimated 2007 under recoveries to zero dollars (estimated) by year's end.

The reduced 2007 under recoveries would lessen the amounts to be trued up in 2008 and more closely levelize the remaining 2007 charges with those it currently forecasts for the 2008 cost-recovery period. In a 2000 case similar to this one, we approved a mid-course correction of less than 10 percent for Progress Energy Florida (Florida Power Corporation), which Progress petitioned for based on similar reasoning.<sup>4</sup>

Cost recovery factors normally are constant, or “levelized,” within recovery periods. The above order does not specify that recovery factors are to be levelized between periods, merely that over/under recoveries of ten percent or greater should not be carried to subsequent recovery periods without the Commission being notified. Order No. PSC-07-0333-PAA-EI states: “In determining whether a mid-course correction is practical, an electric IOU may consider such things as the potential correction’s estimated magnitude and the correction’s timing.” FPUC has considered between year recovery factor changes in determining whether its proposed corrections are practical. Although the estimated 2007 mid-course percents are less than 10 percent, FPUC has petitioned for the proposed corrections in the spirit of Order No. PSC-07-0333-PAA-EI. Implementing the proposed October to December recovery factors would lessen the 2008 factors. That is, with the proposed mid-course correction, ratepayers would benefit from 2008’s factors being closer to 2007’s.

#### **Impact of Mid-Course Correction on FPUC’s Ratepayers**

If we approve FPUC’s petition, the 1,000 kWh residential bill would increase by \$9.52/month (13.54 percent) to \$79.81 per month in the Marianna Division. For the Fernandina Beach Division, the 1,000 kWh monthly bill would increase by \$12.15 (15.58 percent) to \$90.13.

#### **Conclusion**

Mid-course corrections are preliminary matters raised in the fuel docket prior to the issuance of the final fuel order. Requests for mid-course corrections require expedited review. FPUC must still file testimony in the fuel docket to support its reprojected and actual numbers. Our staff will continue to conduct discovery on the actual and estimated expenditures of FPUC and if additional corrections are necessary, they will be addressed in the final order, after we conduct the fuel hearing in November.

FPUC has proposed modifications to its 2007 cost recovery factors to collect estimated 2007 under recoveries. The new recovery factors will be collected from FPUC customers from October through December 2007. By beginning collection of the 2007 under recoveries in October 2007, the 2008 recovery factors will be less than if customers waited until 2008 to pay for the under recoveries. We find that FPUC’s proposal is reasonable.

Based on the foregoing, we approve FPUC's petition for mid-course corrections to its authorized cost recovery factors to collect its estimated 2007 under recoveries for its Fernandina

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<sup>4</sup> See Order No. PSC-00-1081-PCO-EI, issued on June 5, 2000, in Docket No. 000001-EI, In Re: Fuel and purchased power cost recovery with generating performance incentive factor.

Beach Division (\$915,677) and its Marianna Division (\$690,530) before 2008. We approve FPUC's proposed rate class cost recovery factors as more specifically set forth in Attachment A.

### Effective Date

FPUC requested an effective date of October 1, 2007. The first billing cycle day for October 2007 is September 28, 2007. In other words, customers whose meters are read on September 28, 2007 will receive their bills in October and they will be billed under the new recovery factors. An effective date of September 28, 2007 will ensure that all customers are billed under the new factors for the same amount of time.

FPUC informed us that it will notify its customers of the mid-course correction through a bill insert. Specifically, the bill insert will state FPUC's total under recovery amount for each division, the effective date of the proposed cost recovery factors, and the impact on a 1,000 kWh residential bill. We have reviewed the bill insert and FPUC acknowledged that it will mail the bill inserts after the August 28, 2007 Agenda Conference.

Providing customers with a 30-day notice period prior to implementing new cost-recovery factors as a result of a mid-course correction is consistent with our decision in the July 2003 Florida Power & Light Company (FPL) mid-course correction.<sup>5</sup> Similarly, in the April 2003 FPL mid-course correction, FPL notified its ratepayers in writing of the new recovery factors.<sup>6</sup> In 2000, FPL, Progress Energy Florida, and Tampa Electric Company petitioned for mid-course corrections. In those cases, we delayed the implementation of the new recovery factors for approximately two weeks to provide customers with the full 30 days' notice from the date of the vote.<sup>7</sup> Providing 30-days' notice allows customers the opportunity to adjust their usage in light of the new factors.

We find that the effective date of the revised cost-recovery factors shall be September 28, 2007. FPUC's plan to notify its customers is appropriate and is approved.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Public Utility Company is authorized to collect its under recovery for 2007 at the factors set forth in Attachment A to this order. It is further

ORDERED that the effective date of the mid course correction is September 28, 2007. It is further

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<sup>5</sup> See Order No. PSC-03-0849-PCO-EI, issued on July 22, 2003, in Docket No. 030001-EI, In Re: Fuel and purchased power cost recovery with generating performance incentive factor.

<sup>6</sup> See Order No. PSC-03-0381-PCO-EI, issued on March 19, 2003, in Docket No. 030001-EI, In Re: Fuel and purchased power cost recovery with generating performance incentive factor.

<sup>7</sup> See Order No. PSC-00-1081-PCO-EI, issued on June 5, 2000, in Docket No. 000001-EI, In Re: Fuel and purchased power cost recovery with generating performance incentive factor.

ORDER NO. PSC-07-0739-PCO-EI  
DOCKET NO. 070001-EI  
PAGE 5

ORDERED that Florida Public Utility Company shall notify its customers by mail as set forth in this Order.

By ORDER of the Florida Public Service Commission this 17th day of September, 2007.



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ANN COLE  
Commission Clerk

( S E A L )

LCB

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; or (2) 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 Office of Commission Clerk, 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.

FPUC's mid course corrected (Oct-Dec 2007) fuel cost-recovery factors for all rate classes:

**Fernandina Beach (Northeast Division)**

<b>Rate Schedule</b>	<b>Mid course corrected Fuel cost-recovery factor (c/kWh)</b>
RS	6.355
GS	6.235
GSD	5.977
GSLD	6.019
OL	4.786
SL	4.824

**Marianna (Northwest Division)**

<b>Rate Schedule</b>	<b>Mid course corrected Fuel cost-recovery factor (c/kWh)</b>
RS	5.348
GS	5.291
GSD	5.096
GSLD	4.915
OL	4.343
SL	4.344