

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 090001-EI  
ORDER NO. PSC-09-0208-PAA-EI  
ISSUED: April 6, 2009

The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION  
ORDER GRANTING PROGRESS ENERGY FLORIDA, INC.'S PETITION FOR TARIFF  
MODIFICATION FOR A REDUCTION TO CAPACITY COST RECOVERY FACTORS;  
AND MODIFYING THE RE-PROJECTION FILING REQUIREMENT  
ESTABLISHED BY PRIOR ORDER; AND  
FINAL ORDER  
GRANTING PROGRESS ENERGY FLORIDA, INC.'S PETITION  
FOR MID-COURSE CORRECTION.

NOTICE is hereby given by the Florida Public Service Commission that the action of the Commission in modifying the capacity cost recovery factor and in modifying the re-projection filing requirement established by prior order, as discussed herein, are preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

Background

On February 18, 2009, Progress Energy Florida, Inc. (PEF or Company) filed its Petition for Expedited Approval of Modifications to PEF's Tariff Sheet 6.105 for a Reduction to Fuel and Capacity Cost Recovery Factors (mid-course petition). The petition is based on the outlook for fuel prices as of January 12, 2009, and on deferring recovery of certain nuclear construction costs included in the capacity clause. The Company is requesting a decrease in its fuel and capacity factors starting with the first billing cycle in April 2009. On February 25, 2009, PEF filed modifications to its petition regarding the deferral of nuclear costs. We have jurisdiction over this subject matter pursuant to the provisions of Chapter 366, Florida Statutes, including Sections 366.04, 366.05, 366.06, and 366.93, Florida Statutes.

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FPSC-COMMISSION CLERK

Mid-course Correction

PEF based its original 2009 fuel cost projections on the outlook for fuel prices as of September 22, 2008. Since then, natural gas and fuel oil prices have trended downward. For example, as of September 22, 2008, the average for natural gas futures prices for April through December of 2009 was \$8.58 per million Btu (MMBtu). As of January 12, 2009, the date of the fuel price projections underlying PEF's mid-course petition, the average price for that period was \$6.08 per MMBtu. This reflects a 29.17 percent reduction in gas prices since September 2008. Fuel oil prices and spot coal prices also have trended downward since PEF's original projections.

In its mid-course petition filing, PEF reprojected costs for each fuel type, purchased power, and power sold. PEF also reduced 2009 estimated sales from 40,687,467 to 38,340,264 megawatt hours (MWH). Table 1 below details the over-recovery, which would result from continuing to use the current factors, by source of kilowatt-hour (kWh) sales.

1	Coal	\$18,166,620
2	Residual Oil	7,375,709
3	Distillate Oil	22,465,286
4	Natural Gas	149,878,024
5	Nuclear Fuel	(2,185,732)
6	Non-fuel Generation	109,773
7	Power Sold	7,674,729
8	Purchased Power	40,974,020
9	Qualifying Facilities	(35,055,398)
10	Economy Energy	16,339,931
11	Unbilled Sales, T&D Losses, and Company Use	0
12	Wholesale kWh Sales	(9,966,955)
13	Jurisdictional kWh Sales	215,776,007
14	Revenue Taxes	1,726,049
15	Revenue Adjustment for Rate Class Consumption	(4,254,374)
16	Unrefunded True-up and GPIF for 2009	(8,556,535)
17	Total 2009 Estimated Over Recovery	\$204,691,147

PEF estimates that its current fuel factors will cause an over-recovery of \$204,691,147. This amount combines with the 2008 final true-up, \$870,658, and the 2009 interest estimate, \$132,179, for a 2009 true-up estimate of \$205,693,984. The over-recovery percentage is 8.64 percent, which is less than the 10 percent threshold specified in Order No. PSC-07-0333-PAA-EI, issued April 16, 2007, in Docket No. 070001-EI, In re: Fuel and purchased power cost recovery clause with generating performance incentive factor. If a company reaches the 10 percent threshold, the order requires the company to provide us notice.

The primary reason for the estimated over-recovery is the decline in natural gas prices. Secondary reasons are the declines in coal and fuel oil prices. In general, the prices of fossil fuels have declined since the fall of 2008 due to the worldwide economic downturn. Natural gas

and fuel oil generation comprise 47.2 percent and 5.4 percent, respectively, of PEF's projected 2009 system kWh sales. In addition, PEF's purchased power is based on coal-fired and gas-fired generation. PEF's fuel cost projections for 2009 include fuel price hedging positions.

Based on PEF's proposed mid-course correction to fuel factors, the fuel component of the residential 1,000 kWh bill will decrease by \$6.90. The effect on residential bills is detailed on Attachment B.

Mid-course corrections are part of the fuel proceeding. These proceedings are considered preliminary procedural decisions. We take testimony regarding those costs in our November hearing. Any over or under-recoveries caused by or resulting from the new factor adopted by the mid-course correction may be included in the following year's fuel factor. Our jurisdiction to consider fuel clause proceedings derives from our authority to set fair and reasonable rates, Section 366.05, Florida Statutes.

Based on the foregoing, we approve PEF's petition for a mid-course correction to its fuel factors. We have reviewed PEF's fuel cost projections and calculations of fuel factors and find these calculations are reasonable. The new projections are an appropriate reflection of the current outlook for fuel prices. Timely correction of a large under-recovery or over-recovery is fair and reasonable. The result will be more accurate fuel factors and a smaller end-of-period true-up. The new factors are shown on Attachment A.

We will continue to monitor the fuel price outlook for 2009 and will continue to conduct discovery on the actual and estimated expenditures of PEF. Our staff will conduct a thorough review of costs in preparation for the November 2009 fuel hearing. The costs are subject to our further review in the ongoing fuel docket.

#### Reduction in Capacity Cost Recovery Factor

PEF's petition, as corrected on February 25, 2009, requests that we approve a deferred recovery of \$198 million of charges that were approved for recovery in the Capacity Cost Recovery Clause (CCRC) by Order No. PSC-08-0824-FOF-EI, issued on December 22, 2008.<sup>1</sup> PEF requests approval of revised CCRC factors in time for use in calculating customer bills during the next available billing cycle. The deferred recovery amount will accrue the 30-day commercial paper rate. Approval of PEF's petition results in a \$7.80 reduction, at the 1,000 kWh usage level, for residential customers for the remainder of 2009.

If some other form of alternative recovery does not become available through legislative action during the current legislative session, PEF anticipates that the deferred amount will be included for recovery in 2010. If 2010 recovery becomes necessary, this amount would be in addition to any other cost recovery we may approve for 2009/2010 recoverable nuclear construction activities.

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<sup>1</sup> See Docket No. 080001-EI, In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.

PEF believes that the requested deferred recovery is in the best interest of their customers due to current general economic conditions. In addition, the petition recognizes that potential alternate cost recovery options are under discussion by the Florida Legislature. These discussions may result in new or different ways nuclear construction cost could be recovered from customers.

Accordingly, we approve PEF's petition for deferred recovery, as corrected on February 25, 2009, to reduce its CCRC factors for 2009, and defer recovery of \$198 million for the following reasons: (1) PEF's request will provide a level of immediate rate relief to all affected customer classes during the remainder of 2009; (2) PEF's petition is consistent with our practice concerning over- and under-recovery in the CCRC; and (3) approval of the request will allow the Company the opportunity to take full advantage of any new options created by the Florida Legislature. PEF will reduce capacity factors by revising tariff sheet 6.105. The new factors are shown on Attachment A.

#### Effective Date

PEF has requested that the revised fuel and capacity factors become effective with the first billing cycle in April 2009. PEF has issued a press release informing the public of its request for a mid-course correction and will also notify its customers through an insert to be included in customer bills sent in April.

Accordingly, PEF's proposed effective date and plan to notify its customers are appropriate and therefore are approved. The revised fuel and capacity factors shall become effective with the first billing cycle in April 2009.

#### Modification of Order No. PSC-08-0824-FOF-EI

By Order No. PSC-08-0824-FOF-EI, we required PEF to file a report on March 13, 2009, stating the effect the fuel price outlook as of February 27, 2009, has on the fuel factor and end of period true-up. (See page 13 of Order No. PSC-08-0824-FOF-EI, issued December 22, 2008 in Docket No. 080001-EI, In re: Fuel and purchased power cost recovery clause with generating performance incentive factor). The report would be Schedule E1-B, based on actual experience through February and projected fuel costs and revenues for the remaining months of 2009. In paragraph 10 of its petition, PEF requests that we consider its petition and attachments as satisfying the requirement. The petition contained a Schedule E1-B with actual results for January and estimates for the remaining months in 2009 based on the fuel price outlook as of January 12, 2009.

On March 13, 2009, Florida Retail Federation (FRF), Florida Industrial Power Users Group (FIPUG), and PCS Phosphates, Inc. (PCS) filed a response in opposition to PEF's request. At our Agenda Conference, the attorneys for PEF, and FRF represented that the parties had reached a suitable resolution to the objection. On May 18, 2009, PEF will file its fuel operational forecast with us. The parties agree that this filing would meet the requirements of Order No. PSC-08-0824-FOF-EI, as modified by this Order. Accordingly, we approve the modification of Order No. PSC-08-0824-FOF-EI, as agreed to by the parties. PEF shall file its

fuel operational forecast with us on May 18, 2009. This filing will replace the March 13, 2009 report required by Order No. PSC-08-0824-FOF-EI.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Progress Energy Florida, Inc.'s Request for Approval of Modifications to PEF's Tariff Sheet 6.105 for a Reduction to Fuel and Capacity Cost Recovery Factors is granted. The new factors shall be as set forth in Attachment A. It is further


ORDERED that the effective date of the new factors shall be the first billing cycle in April 2009. It is further

ORDERED that Order No. PSC-08-0824-FOF-EI is modified to require Progress Energy Florida, Inc. to file its fuel operational forecast on May 18, 2009, in lieu of filing a March 13, 2009, report regarding the effect of the fuel forecast on Progress Energy Florida, Inc.'s fuel factors. It is further

ORDERED that the provisions of this Order modifying the capacity cost recovery factor and modifying the re-projection filing requirement established by Order No. PSC-08-0824-FOF-EI are issued as proposed agency action, and shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that this docket is a continuing docket and shall remain open.

By ORDER of the Florida Public Service Commission this 6th day of April, 2009.

  
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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.

As identified in the body of this order, our action approving the modifying the capacity cost recovery factor and modifying the re-projection filing requirement established by Order No. PSC-08-0824-FOF-EI preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on April 27, 2009. If such a petition is filed, 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. In the absence of such a petition, this order shall become effective and final upon the issuance of a Consummating 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.

Any party adversely affected by the Commission's procedural or intermediate action in this matter 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 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.

Proposed PEF Fuel Cost Recovery & Capacity Factors April-December 2009 ¢/ kWh				
Rate Schedule/Metering Level	Fuel Cost Recovery Factor			Capacity Factor
	Levelized	On-Peak	Off-Peak	
RS-1, RST-1, RSL-1, RSL-2, RSS-1 (Sec.)  <1000 >1000	  5.600 6.600	8.015	4.948	1.386
GS-1, GST-1 Secondary Primary Transmission	5.933 5.874 5.814	8.015 7.936 7.855	4.948 4.899 4.849	1.170 1.158 1.147
GS-2 (Sec)	5.933	-----	-----	0.801
GSD-1, GSDT-1, SS-1 Secondary Primary Transmission	5.933 5.874 5.814	8.015 7.936 7.855	4.948 4.899 4.849	0.988 0.978 0.968
CS-1, CST-1, CS-2, CS-3, CST-3, SS-3 Secondary Primary Transmission	5.933 5.874 5.814	8.015 7.936 7.855	4.948 4.899 4.849	0.718 0.711 0.704
IS-1, IST-1, IS-2, IST-2, SS-2 Secondary Primary Transmission	5.933 5.874 5.814	8.015 7.936 7.855	4.948 4.899 4.849	0.860 0.851 0.843
LS-1 (Sec.)	5.522	-----	-----	0.196
GSLM-1, GSLM-2	See appropriate General Service Rate schedule			