

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-09-0213-PCO-EI
ISSUED: April 9, 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

ORDER GRANTING FLORIDA PUBLIC UTILITY COMPANY'S
PETITION FOR MID-COURSE CORRECTION

BY THE COMMISSION:

Background

On February 12, 2009, Florida Public Utility Company (the Company or FPUC) filed a Petition for Approval of Mid-course Correction for its Northeast (Fernandina Beach) Division. Concurrently with its petition, FPUC also filed the testimony of Witness Mark Cutshaw in support of the Company's proposed mid-course correction to its fuel and purchased power cost recovery factor (fuel factor). On February 25, 2009, FPUC amended its petition after revising the cost estimates. The current fuel factor was approved by us in Order No. PSC-08-0824-FOF-EI, issued December 22, 2008, in Docket 080001-EI, In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.

FPUC requests the mid-course correction following the procedure of Order No. 13694, issued September 20, 1984, in Docket No. 840001-EI and Docket No. 840003-GU, In re: Fuel and purchased power cost recovery clause with generating performance incentive factor; In re: Purchased gas cost recovery clause, and Order No. PSC-98-0691-FOF-PU, issued May 19, 1998, in Docket No. 980269-PU, In re: Consideration of change in frequency and timing of hearing for the fuel and purchased power cost recovery clause, capacity cost recovery clause, generating performance incentive factor, energy conservation cost recovery clause, purchased gas adjustment (PGA) true-up, and environmental cost recovery clause, and Order No. PSC-07-0333-PAA-EI, issued April 16, 2007, in Docket No. 070001-EI.

We use mid-course corrections between fuel hearings whenever costs deviate from revenues by a significant margin. In Order No. 13694, we established "a procedure by which the utilities would notify us that their collections of projected fuel costs were going to be either over-recovered or under-recovered by 10%." By Order No. 13694, we made it a requirement that for any six-month recovery period, a utility must give us a written notice when the utility becomes

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aware that its projected fuel revenues were either over or under recovered in excess of 10% of its projected fuel costs for the period.¹ Failing to do so would result in our disallowing the utility from collecting interest on any portion of the under-recovery in excess of 10%.

Mid-course corrections are part of the fuel and purchased power cost recovery clause (fuel clause) proceeding. They are considered preliminary procedural decisions. We take testimony regarding those costs in its November hearing. Any over-recoveries 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, pursuant to Section 366.05, Florida Statutes. The fuel clause proceedings are exempt from the rulemaking provisions of Section 120.80(13)(a), Florida Statutes.

FPUC's Petition

Because FPUC purchases all of its power from other suppliers, FPUC's fuel factors are based on the requirements of its purchased power agreements. JEA (formerly the Jacksonville Electric Authority) is the primary power supplier for FPUC's Northeast Division. In Docket No. 060001-EI, we approved purchased power cost recovery for FPUC based on its purchased power contract with JEA (JEA Contract).²

The JEA Contract contains terms for energy and demand charges as well as the fuel costs. FPUC states in its petition that the reason for the change is an increase in fuel cost. The term "fuel cost" or "fuel factor" used here is an abbreviation of "fuel and purchased power cost (factor)," not the fuel cost charged by JEA. On January 15, 2009, FPUC received notification from JEA that the energy and demand charges would increase significantly effective March 1, 2009. The energy charge would increase from the current 0.3 cents per kilowatt hour (kWh) to the proposed 1.453 cents per kWh in March, while the demand charge would increase from the current \$7 per kW to the proposed \$10.07 per kW in March. These increases were based on JEA's 2007 cost of service study. The development of the study is specified in the JEA Contract. Section 3(d) of the JEA Contract provides that JEA can adjust its energy and demand charges based on the cost of service principles defined in the contract, beginning in January 1, 2009.

At an informal meeting on February 19, 2009, our staff and parties questioned whether FPUC had adequate time and information to review JEA's rate increase. To ensure that JEA's charges were correct, FPUC needed to take all necessary actions pursuant to the contract terms. On February 24, 2009, FPUC reported that after further discussion with JEA, JEA had delayed the implementation of the new rates until April 1, 2009. Further, on March 16, 2009, FPUC informed staff that JEA had again delayed implementation of the new rates until May 1, 2009.

¹ At the time of Order No. 13694, fuel hearings were held every six months.

² See Order No. PSC-06-1057-FOF-EI, issued on December 22, 2006, in Docket No. 060001-EI, In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.

Because JEA delayed the implementation of the new rates, FPUC's Witness Cutshaw provided revised schedules on February 25, 2009, and then again on March 16, 2009. Without a mid-course correction, the Company projects a year-end under-recovery of \$1,743,884, as compared to the estimated \$2,671,081 under-recovery based on FPUC's original filing on February 12, 2009. The reduction reflects the benefit that JEA's energy and demand charges will remain at the current rate through April.

Ruling

FPUC requested that we approve its revised fuel factors beginning with its April billing cycles. We find that this is a timely correction and a delay in adjustment would increase the rate impact because there would be fewer months to correct the projected under-recovery in the current 2009 period. FPUC stated that it is still conducting detailed analysis of JEA's data. Determination of whether FPUC has taken all necessary actions to ensure that JEA's charges are correct requires more thorough analysis. Consistent with our practice, we note that this type of analysis will be conducted in the ongoing fuel docket.

Our review of the mid-course correction based on the revised estimates is summarized in Table 1, Table 2, and Table 3. For residential customers with usage ranging from 1,000 kWh to 2,000 kWh, the bill increase ranges from \$7.60 to \$15.20. At these usage levels, the bill impact to customers will be an increase of approximately 6.26 percent from the current period.

<u>Rate Schedule</u>	<u>Current Fuel cost-recovery factor (c/kWh)</u>	<u>Approved Fuel cost-recovery factor (c/kWh)</u>
RS – First 1,000 kWh	8.697	9.438
RS – Above 1,000 kWh	9.697	10.438
GS	8.801	9.489
GSD	8.447	9.056
GSLD	8.502	9.122
OL	6.839	7.080
SL	6.841	7.083

1,000 kWh Usage	Actual Jan 09-Mar 09	Approved Apr 09-Dec 09	Difference From Current	
			\$	%
Base Rates	\$31.58	\$31.58	\$0.00	0.00%
Purchased Power Cost Recovery Factor	\$86.97	\$94.38	\$7.41	8.52%
Conservation Factor	\$0.78	\$0.78	\$0.00	0.00%
Gross Receipts Tax	\$3.06	\$3.25	\$0.19	6.21%
Total	\$122.39	\$129.99	\$7.60	6.21%

Usage	Current Jan 09 - Mar 09	Approved Apr 09 - Dec 09	Difference From Current	
			\$	%
1,000 kWh	\$122.39	129.99	7.60	6.21%
1,200 kWh	\$146.45	155.58	9.13	6.23%
1,500 kWh	\$182.56	193.96	11.40	6.24%
2,000 kWh	\$242.73	257.93	15.20	6.26%

We considered whether to grant mid-course corrections based on our authority to set fair and reasonable rates. We find that a 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 costs are subject to further review in the ongoing fuel docket and FPUC is still obligated to ensure that JEA's charges are correct based on the contract terms. In 2008, we approved FPUC's request for a mid-course correction necessitated by a similar level of under-recovery.³ Consistent with that decision, we approve FPUC's instant petition.

Effective Date

FPUC has requested that the revised fuel factor be applied to meters being read on or after March 27, 2009. FPUC notified its customers of its proposed mid-course correction on February 27, 2009, providing customers a 30-day notice that fuel factors may change beginning April 2009. Specifically, the notice included FPUC's proposed total under-recovery amount, the effective date of the proposed cost recovery factors, and the impact on a 1,000 kWh residential bill.

³ See Order No. PSC-08-0472-PCO-EI, Issued July 22, 2008, in Docket No. 080001, In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.

Providing customers with a 30-day notice period prior to implementing new fuel factors as a result of a midcourse correction is consistent with our practice.⁴ Providing a 30-day notice allows customers the opportunity to adjust their usage in light of the new factors.

We find that FPUC's proposed effective date and plan to notify its customers are appropriate and it is therefore approved.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that FPUC's petition for mid-course corrections to its authorized fuel and purchased power cost recovery factors for the Northeast Division is approved. It is further

ORDERED that the revised fuel factors shall be applied to meters read on or after March 27, 2009. It is further

ORDERED that because the Fuel and Purchased Power Cost Recovery Clause docket is an ongoing docket, it shall remain open.

By ORDER of the Florida Public Service Commission this 9th day of April, 2009.



ANN COLE
Commission Clerk

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⁴ See Order No. PSC-07-0739-PCO-EI, issued September 17, 2007, in Docket No. 070001-EI, In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.

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 25-22.0376, 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.