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**Florida  
Power**  
CORPORATION

**JAMES A. MCGEE**  
SENIOR COUNSEL

May 30, 1996

Ms. Blanca S. Bayó, Director  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, Florida 32399-0850

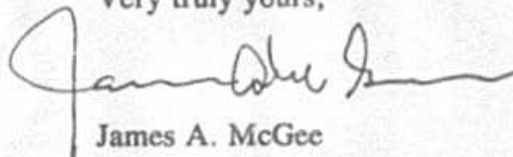
Re: Docket Nos. 960001-EI &  
960002-EG

Dear Ms. Bayó:

Enclosed for filing in the subject dockets are fifteen copies of the Petition of Florida Power Corporation for Mid-Course Correction.

Please acknowledge your receipt of the above filing on the enclosed copy of this letter and return to the undersigned. Also enclosed is a 3.5 inch diskette containing the above-referenced document in WordPerfect format. Thank you for your assistance in this matter.

Very truly yours,



James A. McGee

ACK ✓  
AFA 5  
APP \_\_\_\_\_  
CAF \_\_\_\_\_  
CMU \_\_\_\_\_  
CTR \_\_\_\_\_ JAM/kg  
EAG 3 Enclosures  
LEG 1  
LIN 3 cc: Parties of Record  
OPC \_\_\_\_\_ tr:\jam\fuel\960001\bayo.ltr  
RCH \_\_\_\_\_  
SEC 1  
WAS \_\_\_\_\_  
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RECEIVED & FILED



FPSC BUREAU OF RECORDS

GENERAL OFFICE

DOCUMENT NUMBER-DATE

06004 MAY 31 96

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A Florida Progress Company

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

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Docket No. 960001-EI  
Docket No. 960002-EU

Submitted for filing:  
May 30, 1996

**PETITION OF FLORIDA POWER CORPORATION  
FOR MID-COURSE CORRECTION**

Florida Power Corporation (Florida Power or the Company) hereby petitions this Commission for approval of a mid-course correction to its currently authorized fuel and purchased power cost recovery factors and its energy conservation cost recovery factors, effective with July 1996 billings. In support of its petition, the Company states as follows:

1. Based on actual results to date and updated projections for the balance of the April - September 1996 period, Florida Power anticipates a true-up under-recovery which substantially exceeds 10% of projected fuel and purchased power costs for the period, the Commission's threshold for mid-course corrections. (Order No. 13694, Docket No. 840001-EI.) Current estimates indicate a May-ending under-recovery of \$54.2 million and a September-ending under-recovery of \$57.8 million. This under-recovery is primarily the result of unseasonably cold weather in the months of January, February and March, 1996, compounded by oil prices approximately \$2 per barrel higher than forecasted and a refueling outage at the Crystal River 3 nuclear unit that extended longer than forecast.

DOCUMENT NUMBER-DATE

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2. The same unseasonably cold winter has also resulted in a substantial over-recovery of \$18.2 million (year-to-date through May) in the Company's residential revenue decoupling true-up account. Florida Power proposes that this over-recovery, which would otherwise be credited to customer billings through the Energy Conservation Cost Recovery (ECCR) clause in April 1997, be used to mitigate the effect of the mid-course correction on residential customers by crediting this amount during the same time that the mid-course correction is in effect.

3. In calculating the mid-course correction, Florida Power has followed the practice previously endorsed by the Commission of attempting to levelize the impact on overall rates over the remainder of the current period and the upcoming six-month period. To do so, the fuel under-recovery and the decoupling over-recovery are divided by forecasted sales for the nine-month July 1996 - March 1997 period. Florida Power proposes that the fuel under-recovery used in this calculation be based on the actual May-ending balance taken directly from the Company's books and records. Florida Power will then file projected fuel and capacity cost factors for the October - March period on the normal schedule. The Company is proposing this course of action for three reasons; (1) it is expected to result in minimal rate changes between the July - September period and the October - March period, (2) it greatly simplifies Staff's review and recommendation for the Commission's June 25, 1996 Agenda Conference, and (3) the normal filing process for the August hearings will allow for complete review of assumptions and methodology used to make the Company's cost projections.

For consistency, Florida Power also proposes to use the actual May revenue decoupling balance, which will be divided by *residential* kWh sales forecasted for July 1996 - March 1997 period to compute a decoupling credit to the ECCR.

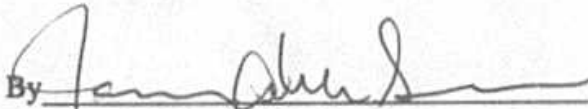
4. As explained in Appendix A, when the mid-course correction is calculated in this manner a 1,000 kWh residential bill will increase by \$0.81 beginning in July and remain nearly constant through nine-month period. Appendix B shows the specific calculation of the fuel and purchased power mid-course correction factors in the same format as Schedules E1-D and E1-E in the Company's regular fuel filings. Similar information for the revenue decoupling credit is contained in Appendix C. These calculations include preliminary results for the month of May 1996. Updated Appendices A, B and C containing final May results will be faxed to Staff no later than Friday, June 7, 1996 and filed with the Commission no later than the following Monday. The figures shown for October 1996 through March 1997 are based on preliminary projections for the period and are not expected to change significantly when Florida Power's regular filing for the October - March period is made on June 24, 1996.

5. Because the proposed mid-course correction is based on an effective date beginning with Cycle 1 billings for the month of July 1996, Florida Power asks that this petition be given expedited treatment and scheduled for consideration at the Commission's June 25, 1996 Agenda Conference. Such treatment is warranted in order to minimize the impact of the mid-course correction on customer bills by spreading the increase over the greatest possible period of time.

WHEREFORE, the Company respectfully requests the Commission to approve its revised fuel and conservation cost recovery factors, as set forth in revisions to Appendices B and C to be filed forthwith, for application on customer bills beginning with Cycle 1 billings for the month of July, 1996 and thereafter until modified by subsequent Commission order. To achieve the forgoing effective date, the Company further requests that this matter be given expedited treatment and considered by the Commission at its June 25, 1996 Agenda Conference.

Respectfully submitted,

OFFICE OF THE GENERAL COUNSEL  
FLORIDA POWER CORPORATION

By 

James A. McGee  
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## Appendix A

In order to determine a mid-course correction increase that minimizes rate changes between the July-September and the October - March periods, Florida Power made a preliminary forecast of fuel and capacity cost revenues and expenses for the May 1996 through March 1997 period using the same methodology and assumptions which will be used to prepare the upcoming fuel and capacity cost recovery filing. The forecast indicates that for the October 1996 - March 1997 period, the fuel cost factor (absent any true-up) will decrease from the current 1.854 to 1.757 cents/kWh, while the capacity cost recovery factor for residential customers will increase from 0.936 to 1.043 cents/kWh, for a net reduction of .027 cents/kWh. A true-up factor based on the projected September balance of \$57.8 million and July 1996 - March 1997 retail sales of 23,234,744 MWh results in a July increase of 0.25 cents/kWh but does not levelize rates because of the projected reduction in October. Using the projected May balance of \$54.2 million divided by sales for the nine-month period results in a smaller increase of 0.234 cents per kWh in July and a retail under-recovery at the end of September of \$36.9 million. This balance, when combined with expected fuel and capacity costs for the October - March period will result in residential rates for that period which are approximately the same as they are in July - September.

To mitigate the increase in fuel cost for residential customers, the Company proposes to refund the actual May revenue decoupling balance (approximately \$18.2 million) over the same nine-month period. The reduction, calculated by dividing \$18.2 million into residential sales of 11,758 million kWh for July 1996 through March, 1997 is 0.155 cents per kWh. The net result is an increase in residential rates in July of 0.081 cents per kWh or 81 cents for the typical bill for 1,000 kWh with a small (1 cent) reduction in October. Thus the Company's proposal facilitates staff review by relying on actual balances for fuel under-recovery and decoupling over-recovery, minimizes rate changes in October, and yet provides complete staff review of all assumptions used in projections as part of the regular filing process.

### Projected Components of Residential Bill per 1000 kWh

<u>Rate component</u>	<u>April-June</u>	<u>July-Sept</u>	<u>Oct-March</u>
Base rate	49.05	49.05	49.05
Fuel	18.54	18.54	17.57
Fuel true-up <sup>(1)</sup>	0.37	2.71	2.60
Capacity Cost	9.36	9.36	10.43
ECCR <sup>(2)</sup>	2.95	1.40	1.40
Gross Receipts tax	<u>2.06</u>	<u>2.08</u>	<u>2.08</u>
Total	82.33	83.14	83.13

(1) Includes the true-up in current rates and the midcourse correction of \$2.34.

(2) Reflects the decoupling refund of \$1.55 for July 1996 through March, 1997.

## FUEL AND PURCHASED POWER COST RECOVERY CLAUSE

## WITH CALCULATION OF MID - COURSE CORRECTION

For the Period of: July 1996 through September 1996

1. Current Fuel Cost Factor	1.887	¢/kWh
2. Estimated Retail Underrecovered True-up Balance through May '96	\$54,225,000	
3. Regulatory Assessment Fee	45,007	
4. Total Projected True-up Balance through May '96	\$54,270,007	
5. Jurisdictional Sales (July '96 - March '97)	23,234,745	MWh
6. Mid - Course Correction	0.234	¢/kWh
7. Fuel Cost Factor Including Mid - Course Correction	2.121	¢/kWh

**LEVELIZED FUEL FACTORS:**

8. Fuel Factor at Secondary Metering	2.121	¢/kWh
9. Fuel Factor at Primary Metering	2.100	¢/kWh
10. Fuel Factor at Transmission Metering	2.079	¢/kWh

FUEL AND PURCHASED POWER COST RECOVERY CLAUSE

CALCULATION OF FINAL FUEL COST FACTORS INCLUDING MID - COURSE CORRECTION

For the Period of: July 1996 through September 1996

Line:	Metering Voltage:	(1)	(2)	(3)
		LEVELIZED FACTORS \$/kWh	--- TIME OF USE --- ON-PEAK MULTIPLIER 1.309	OFF-PEAK MULTIPLIER 0.833
1.	Distribution Secondary	2.121	2.776	1.767
2.	Distribution Primary	2.100	2.749	1.749
3.	Transmission	2.079	2.721	1.732
4.	Lighting Service	1.956	-	-

Col. (1): Levelized Fuel Cost Factors.

Col. (2): Calculated as col.(1) \* Off-Peak multiplier 1.309

Col. (3): Calculated as col.(1) \* Off-Peak multiplier 0.833

Line 4: Calculated at secondary rate 2.121 \* ( 18.7% \* On-Peak multiplier 1.309 + 81.3% \* Off-Peak multiplier 0.833 ).



Company: FPC

ESTIMATED

Appendix C

ENVIRONMENTAL CAPITAL COST RECOVERY CLAUSE

INCLUDING REVENUE DECOUPLING ADJUSTMENT

For the Period of July 1996 through March 1997

1. Current ECCR Factor	0.295	¢/kWh
2. Decoupling Revenue to be Applied	\$18,200,000	
3. Regulatory Assessment Fee	15,106	
4. Total Decoupling Revenue	<u>\$18,215,106</u>	
5. Residential Sales (July '96 - March '97)	11,758,000	MWh
6. Revenue Decoupling Adjustment	-0.155	¢/kWh
7. ECCR Factor Including Revenue Decoupling Adjustment	0.140	¢/kWh

**CERTIFICATE OF SERVICE**

**Docket Nos. 960001-EI & 960002-EG**

I HEREBY CERTIFY that a true and correct copy of Florida Power Corporation's Petition for Mid-Course Correction has been sent by regular U.S. mail to the following individuals this 30th day of May, 1996:

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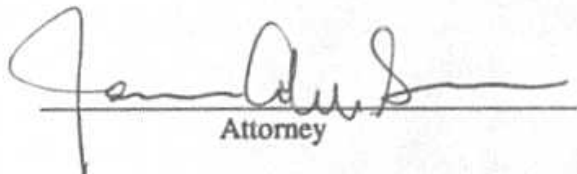
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