

State of Florida



Public Service Commission

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DATE: July 15, 1999
TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (R&R)
FROM: DIVISION OF ELECTRIC AND GAS (GING, BOHRMANN) TB
DIVISION OF LEGAL SERVICES (KEATING) WCK RVE
RE: DOCKET NO. 990001-EI - GULF POWER COMPANY - FUEL AND
PURCHASED POWER COST RECOVERY CLAUSE AND GENERATING
PERFORMANCE INCENTIVE FACTOR.
AGENDA: 07/27/99 - REGULAR AGENDA - INTERESTED PERSONS MAY
PARTICIPATE
CRITICAL DATES: NONE
SPECIAL INSTRUCTIONS: NONE
FILE NAME AND LOCATION: S:\PSC\EAG\WP\990001a.RCM

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission implement a mid-course correction to Gulf Power's capacity cost recovery factors for the September 1999 through December 1999 period?

RECOMMENDATION: No. The Commission should defer the determination and implementation of an adjustment to Gulf's capacity cost recovery factors until the November hearing when the new factors are determined for the recovery period January 2000 through December 2000.

STAFF ANALYSIS: Gulf Power Company (Gulf) notified the Commission on July 6, 1999 that actual capacity costs would be at least 10 percent greater than projected costs. Order No. 13694, issued September 20, 1984, requires a utility to notify the Commission if its actual costs are expected to be 10 percent greater than its projected costs during a recovery period. The Commission

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reaffirmed this policy in Order No. PSC-98-0691-FOF-PU, issued May 19, 1998.

In its October 12, 1998 projection filing, Gulf estimated its committed market capacity purchases, IIC capacity costs, and capacity payments to QF's for the January 1999 - December 1999 recovery period to be \$7,007,984. Gulf's current capacity cost recovery factors reflect this projection. With actual data for January through May 1999 and revised projected data for June through December 1999, Gulf now estimates the committed market capacity purchase payments, IIC capacity payments, and capacity payments to QF's for the January 1999 - December 1999 recovery period to be \$9,369,621.

Subsequent to Gulf's October 1998 projection filing for the January 1999 - December 1999 recovery period, Gulf's own capacity resource projections, as well as those of other system operating companies, have decreased. Gulf's peak demand forecast has also increased. As a result of these changes, Gulf and the Southern Electric System have been required to make additional summer capacity purchases to ensure adequate reserve margins for the anticipated summer load. In addition, the market price for short-term capacity has increased substantially from summer 1998 prices upon which Gulf based its October 1998 projection filing.

Gulf requests, in lieu of a mid-course correction, that the Commission allow consideration of increased capacity costs through the true-up mechanism already in place during the November 1999 hearing when factors are determined for the January 2000 - December 2000 recovery period.

If the mid-course correction were implemented now, Gulf would have to modify its billing system and its customers would have to make adjustments for their own planning purposes. The effect of the adjustment would be 97¢/month on the average residential customer bill. If the same under-recovery amount were collected during the January 2000 through December 2000 period, the impact on the average residential customer bill would be 35¢/month. By deferring the adjustment until the November hearing, staff will have more opportunity through the normal discovery process to make a determination as to the appropriateness of the under-recovery amount.

Staff recommends against implementing the mid-course correction for the September 1999 through December 1999 period. This will allow Gulf and its customers to maintain the current

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billing factors and provide staff with additional discovery opportunity during the normal November hearing process.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: No. The Fuel and Purchased Power Cost Recovery Clause docket is an on-going docket and should remain open.

STAFF ANALYSIS: The Fuel and Purchased Power Cost Recovery clause is an on-going docket and should remain open.