

ORIGINAL

State of Florida

Public Service Commission



-M-E-M-O-R-A-N-D-U-M-

DATE: September 7, 2000
TO: All Parties of Record
FROM: Cochran Keating, Staff Counsel *WCK*
RE: Docket No. 000001-EI - Fuel and Purchased Power Cost Recovery Clause and Generating Performance Incentive Factor.

VIA FACSIMILE

By Order No. 13694, in Docket No. 840001-EI, issued September 20, 1984, the Commission established its "mid-course correction" policy for the fuel and purchased power cost recovery clause (fuel clause). This policy is set forth, in part, on page 6 of the Order:

When a utility becomes aware that its projected fuel revenues, applicable to a given six-month recovery period, will result in an over- or under-recovery in excess of 10 percent of its projected fuel costs for the period, the utility shall so advise the Commission through a filing promptly made. Failure to comply with this requirement will result in the disallowance of the interest on that portion of any under-recovery in excess of 10 percent.

In addition, the Order provides that the Commission or any party may request a change in the fuel adjustment factor in response to the greater than 10 percent over- or under-recovery.

Since this policy was adopted, changes have occurred which staff believes may warrant a modification to the policy. Specifically, since Order No. 13694 was issued, the Commission established the capacity cost recovery clause (capacity clause) and the environmental cost recovery clause (ECRC). Expenses which a utility currently recovers through the capacity clause and the ECRC were recovered through operating income or the fuel clause prior to 1991 and 1994, respectively.

Recently, a party to this docket asked whether the policy stated in Order No. 13694 applies to each cost recovery clause

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individually or to all cost recovery clauses, i.e., the fuel, capacity, environmental, and conservation cost recovery clauses, in combination. In other words, the question asked is whether the notification requirement of the Commission's mid-course correction policy should be triggered by a 10 percent variance in an individual cost recovery clause or by a 10 percent variance in all cost recovery clauses in the aggregate. For example, a utility may have a 13 percent under-recovery in the fuel clause, but the remaining cost recovery clauses may have a combined five percent over-recovery. The sum of the over- and under-recoveries may fall within the 10 percent over-recovery to 10 percent under-recovery range.

In an effort to have the Commission address this question and provide guidance to the parties on this subject, staff plans to raise the following issue for consideration at this November's fuel hearing:

Should the notification requirement of the Commission's mid-course correction policy set forth in Order No. 13694 be modified to require notification upon a utility's awareness of a greater than 10 percent variance between revenues and costs in all cost recovery clauses in the aggregate rather than a greater than 10 percent variance for an individual cost recovery clause?

Staff invites all parties in Docket No. 000001-EI to submit testimony on this issue. If you have any questions, please contact Todd Bohrmann at (850) 413-6445 or Cochran Keating at (850) 413-6193.

WCK/jb

cc: Division of Safety and Electric Reliability
Division of Regulatory Oversight
Division of Economic Regulation
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