

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 010001-EI
ORDER NO. PSC-01-0709-PCO-EI
ISSUED: March 21, 2001

The following Commissioners participated in the disposition of this matter:

E. LEON JACOBS, JR., Chairman
LILA A. JABER
BRAULIO L. BAEZ
MICHAEL A. PALECKI

ORDER APPROVING MID-COURSE CORRECTION

BY THE COMMISSION:

By Order No. 13694, issued September 20, 1984, in Docket No. 840001-EI, this Commission required each investor-owned electric utility to notify this Commission when its projected fuel revenues result in an over-recovery or under-recovery in excess of ten percent of its projected fuel costs for the given recovery period. Depending on the magnitude of the over-recovery or under-recovery and the length of time remaining in the recovery period, a party may request, or we may order on our own motion, a mid-course correction to the utility's authorized fuel and purchased power cost recovery factors ("fuel factors").

On February 9, 2001, Tampa Electric Company ("TECO") notified us that it anticipates the fuel factors approved in Order No. PSC-00-2385-FOF-EI, issued December 12, 2000, will result in an under-recovery greater than ten percent. To address this under-recovery, TECO petitioned for approval of a mid-course correction to its fuel factors, effective beginning with the first billing cycle for April 2001, until modified by subsequent order of this Commission.

TECO's under-recovery consists of two parts: (1) a \$23.1 million under-recovery for 2000; and (2) a \$63.2 million estimated under-recovery for 2001. TECO has requested that we authorize it to change its fuel factors to collect 50 percent of the estimated

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2001 under-recovery during the period April through December 2001. TECO would defer collecting the remaining 50 percent of its estimated 2001 under-recovery and 100 percent of its 2000 under-recovery until 2002.

I. ESTIMATED UNDER-RECOVERY FOR 2001

Based on updated projections for 2001, TECO estimates an under-recovery of fuel and purchased power costs of \$63.2 million (16 percent) for 2001. TECO requests a change in its fuel factors to collect 50 percent of this amount in order to mitigate the rate impact on its retail ratepayers during 2002.

Review Process

Consistent with our review of previous mid-course correction petitions, our analysis of TECO's petition includes an examination of whether the assumptions that TECO used to support its re-projected fuel costs appear reasonable. TECO uses these updated assumptions to develop future cost and revenue estimates. During the scheduled November 20-21, 2001, hearing in this docket, we will compare these estimates to actual data, then apply the difference to next year's fuel factors through the true-up process established in this docket. Any over-recovery that TECO may collect through its approved fuel factors will be refunded to TECO's ratepayers with interest. Further, any fuel costs that are found to have been imprudently incurred will be disallowed for cost recovery purposes.

Basis for TECO's Request

TECO states in its petition that its estimated \$63.2 million under-recovery amount is primarily due to higher natural gas and oil prices that have resulted in higher purchased power and generation costs. TECO asserts that these higher fuel costs resulted primarily from extremely low oil and natural gas storage levels combined with tight supply and high demand. TECO further asserts that these higher fuel prices and a tight wholesale market have led to increased purchased power costs.

TECO's current fuel factors are based on prices originally projected and applied in Denise Jordan's direct testimony, prefiled September 21, 2000, in Docket No. 000001-EI. Attachment A, which

is incorporated in this order by reference, provides a comparison of TECO's forecasts of its average 2001 prices for natural gas, residual oil, distillate oil, coal, and power purchased and sold as filed September 21, 2000, in Docket No. 000001-EI, and as filed February 9, 2001, in its petition for mid-course correction in this docket.

Reasonableness of TECO's Assumptions

We compared the data and assumptions that TECO relied upon to support its September 21, 2000, filing in Docket No. 000001-EI and its February 9, 2001, filing in this docket. TECO's assumptions for retail energy load, system net generation, system efficiency, and unit dispatch did not change enough to make a material difference in TECO's estimated under-recovery. Assumptions for fuel and purchased power costs did increase substantially. Although estimated fuel costs represent an increase of 60 percent for natural gas and 35.98 percent for residual oil, the increase in fuel costs for system net generation represents less than 25 percent of TECO's estimated under-recovery for 2001. Net wholesale energy transactions (purchased power costs less power sales revenues) comprise the remainder. TECO estimates the price for wholesale energy purchases will increase by 34.19 percent. We find that TECO's assumptions are reasonable for purposes of its proposed mid-course correction.

Although, as stated above, TECO asserts that it expects the price for wholesale energy purchases to increase by approximately 34 percent, TECO expects revenues from its wholesale energy sales to fall by more than four percent. We will continue to review TECO's wholesale energy transactions and will determine the prudence of the costs associated with such transactions through our regular hearings in this docket.

Impact of Mid-Course Correction on TECO's Ratepayers

As stated above, TECO has proposed to collect 50 percent of its estimated 2001 under-recovery during the period April through December 2001, while deferring the remaining 50 percent of its estimated 2001 under-recovery and 100 percent of its 2000 under-recovery for recovery in 2002. TECO's proposed fuel factors by rate schedule are shown on Attachment B, which is incorporated

herein by reference. Approval of these factors would increase a residential ratepayer's bill for 1,000 kWh/month by \$3.29 (3.89 percent) to \$87.76 for the remainder of 2001.

If its proposed mid-course correction is not approved, TECO estimates that a residential ratepayer's bill for 1,000 kWh/month for 2002 would rise \$5.78 from current levels to \$90.25. If its proposed mid-course correction is approved, TECO estimates that a residential ratepayer's bill for 1,000 kWh/month would rise \$4.12 from current levels to \$88.59 in 2002. These estimates for a residential ratepayer's bill for 2002 assume no change in TECO's capacity, energy conservation, and environmental cost recovery factors. We anticipate that TECO will seek recovery of its \$23.1 million 2000 under-recovery and at least 50 percent of its \$63.2 million 2001 estimated under-recovery in 2002. Thus, we find that TECO's proposed mid-course correction will mitigate the rate impact that would occur if TECO deferred collecting its entire under-recovery until 2002.

If TECO's proposed mid-course correction is approved, the amount of interest that TECO's ratepayers would pay on its estimated under-recovery amount may decrease. Pursuant to Order No. 9273, issued March 7, 1980, TECO's ratepayers pay interest on any under-recovery at the commercial paper rate. The commercial paper rate that Fuel factors used to calculate the interest on its December 31, 2000, under-recovery balance was 6.58 percent. According to TECO, its ratepayers may avoid approximately \$1.1 million in interest payments through 2002 if it is permitted to collect its estimated under-recovery in 2001 instead of 2002.

Summary

In summary, we approve TECO's petition for mid-course correction for the following reasons. First, we find the assumptions that TECO has used to determine its estimated under-recovery to be reasonable. Second, the mid-course correction may mitigate the rate impact of TECO collecting its estimated under-recovery during 2002. Third, the mid-course correction will reduce the interest expense that TECO's ratepayers would pay on TECO's 2001 estimated under-recovery balance if that entire balance were recovered in 2002. Finally, the mid-course correction will allow TECO to recover the additional fuel and purchased power costs that

TECO is likely to incur in a timely manner. TECO's new fuel factors are shown on Attachment B and shall become effective as discussed below. .

II. EFFECTIVE DATE FOR MID-COURSE CORRECTION

TECO has requested that its mid-course correction become effective beginning with TECO's first billing cycle for April 2001, which falls on April 3, 2001. Although this effective date would not allow a full 30-day notice to customers, we find TECO's proposal reasonable. Due to the magnitude of the under-recovery, we believe it is important that the new factors be implemented as soon as possible to mitigate the monthly billing impact of the mid-course correction. The April 3, 2001, effective date will also ensure that all customers are billed under the new rates for the same amount of time.

We have typically not required a 30-day notice period prior to implementing new fuel factors after a mid-course correction. See, e.g., Order No. PSC-96-0907-FOF-EI, issued July 15, 1996; Order No. PSC-96-0908-FOF-EI, issued July 15, 1996; Order No. PSC-97-0021-FOF-EI, issued January 6, 1997. Most recently, at our February 6, 2001, Agenda Conference, we approved mid-course corrections for each investor-owned natural gas utility to become effective on the date of our vote.

Due to the magnitude of the increase, TECO shall notify its ratepayers in writing of the newly approved fuel factors. TECO shall mail the notice to its customers as soon as possible after the date of our vote. The notice shall include, but not be limited to, the following information: the total dollar amount of the mid-course correction, the impact on typical ratepayer's monthly bill, and the effective date of the proposed fuel factors.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Tampa Electric Company's petition for mid-course correction to its fuel and purchased power cost recovery factors is granted. It is further

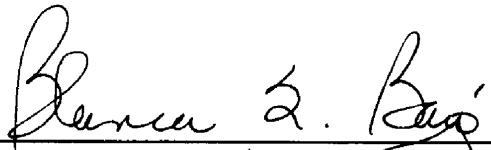
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ORDERED that Tampa Electric Company's new fuel and purchased power cost recovery factors, set forth in Attachment B to this order, which is incorporated herein by reference, shall become effective beginning April 3, 2001, the date of Tampa Electric Company's first billing cycle for April 2001. It is further

ORDERED that Tampa Electric Company shall provide written notice of its new fuel and purchased power cost recovery factors to its customers as set forth in the body of this order.

ORDERED that this docket shall remain open.

By ORDER of the Florida Public Service Commission this 21st day of March, 2001.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

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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, 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 Director, Division of Records and Reporting, 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.

Change in TECO's 2001 Delivered Fuel Price Forecast (\$/MMBtu, except for power purchased and sold)			
	As-Filed (09/21/00)	As-Filed (02/09/01)	Change
Natural Gas	\$4.00	\$6.40	60.00%
Residual Oil	\$3.78	\$5.14	35.98%
Distillate Oil	\$5.60	\$5.95	6.25%
Coal	\$1.78	\$1.87	4.47%
Purchased Power (\$/MWH)	\$41.01	\$55.03	34.19%
Power Sold (\$/MWH)	\$30.96	\$29.60	-4.39%

TAMPA ELECTRIC COMPANY
FUEL AND PURCHASED POWER COST RECOVERY FACTORS
BY RATE CLASS
APRIL 2001 - DECEMBER 2001

<u>Group</u>	<u>Rate</u> <u>Schedule</u>	<u>Fuel Cost Factors (cents/kWh)</u>		
		<u>Standard</u>	<u>On-Peak</u>	<u>Off-Peak</u>
A.	RS, GS, TS	2.830		
A1.	SL-2, OL-1&3	2.585		
B.	GSD, GSLD, SBF	2.823		
C.	IS-1&3, SBI-1&3	2.761		
A.	RST, GST		3.941	2.346
A1.	SL-2, OL-1&3		N/A	N/A
B.	GSDT, EV-X, GSLDT, SBFT		3.931	2.340
C.	IST-1&3, SBIT-1&3		3.845	2.289