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August 15, 2001

VIA HAND DELIVERY

Blanca S. Bayo, Director
Division of Records and Reporting
Betty Easley Conference Center
4075 Esplanade Way
Tallahassee, Florida 32399-0870

Re: Docket No.: 010001-EI

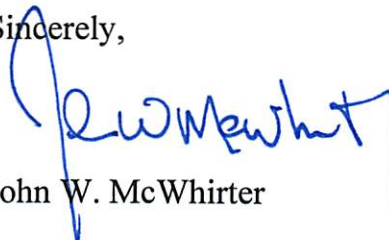
Dear Ms. Bayo:

On behalf of Florida Industrial Power Users Group (FIPUG), enclosed for filing and distribution are the original and 15 copies of the following:

- ▶ FIPUG's Petition for Fuel Charge Rate Reduction.

Please acknowledge receipt of the above on the extra copy and return the stamped copies to me. Thank you for your assistance.

Sincerely,


John W. McWhirter

RECEIVED-FPSC
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COMMISSION
CLERK

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MCWHIRTER, REEVES, MCGLOTHLIN, DAVIDSON, DECKER, KAUFMAN, ARNOLD & STEIN, P.A. 10025 AUG 15 01

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 010001-EI
Filed August 15, 2001

FIPUG PETITION FOR FUEL CHARGE RATE REDUCTION

The Florida Industrial Power Users Group (FIPUG) files this petition for an immediate fuel and purchased power cost recovery rate reduction. In support of this petition FIPUG states:

1. In February of this year three investor owned utilities Florida Power & Light Company (FPL), Florida Power Corporation (FPC) and Tampa Electric Company (TECo) filed emergency petitions to increase fuel charges to their customers for the last nine months of the year because of an unanticipated increase in the price of natural gas and a significant increase in the price of oil. The petitions alleged that the fuel and purchased power costs for TECo, a coal burning utility, and FPL which burns primarily oil and gas would go up by more than 10%. FPC's costs were expected to rise more than 7%. The utilities alleged that their current forecasts justified a mid course increase in fuel charges to customers and an acceleration of 2000 under recoveries. This increase came on top of significant increases that had been awarded in June 2000 and January 2001 based on earlier forecasts that were now deemed to be faulty.

2. FPL sought a \$508 million increase. FPC sought \$109 million and TECo requested \$32 million.

3. In three independent orders the Commission found

- a. The assumptions on fuel costs were reasonable.
- a. 2001 increase would mitigate an adverse 2002 impact on customers
- b. Customers would save on interest charges for 2000 and 2001 under recoveries
- c. The action would enable the utilities to recover fuel costs in a timely manner

4. In late July the three utilities filed their actual fuel cost experience for the first six months of the year. The reports and independent information concerning fuel costs, which the Commission can judicially notice, demonstrate that each of the foregoing findings are now turned on their head.

- a. The February 2001 assumptions were wrong
- b. The adverse impact of the 2001 increase will far exceed any 2002 impact on customers.
- c. Customers will probably not be charged interest in 2002, but utilities will obtain low cost capital which they can employ for construction while booking interest cost at a higher AFUDC rate.
- d. With current fuel charge factors, fuel costs will not be collected in a timely manner.

THE FPL CASE

5. In its petition filed February 2, 2001 FPL alleged that there had been a spectacular increase in natural gas prices accompanied by a lesser increase in oil prices. About 25% of its generation comes from power plants burning natural gas, another 31% comes from generators burning oil. FPL projected that the price of natural gas was peaking at the time of its petition, but would fall to about \$6.91/mmbtu for the foreseeable future. Earlier it had claimed that the fuel cost increases in 2000 would cause a \$518 million shortfall for 2000. Its plan at the November fuel proceedings was to collect the 2000 shortfall over two years, but since November the final number was calculated. FPL's February petition alleged that the actual 2000 fuel cost was \$594 million.

6. In its February 2001 petition FPL asked the Commission to grant it a mid course rate increase. It requested authority to

- a. Increase the 2000 under recovery collection from \$259 million to \$335 million
- b. Recognize that the potential under recovery for 2001 would be \$431 million at current rates.

- c. Save customers from being hit with high interest costs which it proposed to raise from commercial paper rates to the return authorized for base rates. FPL said customers would save interest in 2002 if the Commission let it collect \$508 million more for 2001 than the Commission had previously authorized.
- d. Collect a new levelized fuel cost recovery factor of \$36.67 for each mwh sold after April 1, 2001.

7. The attached affidavit, FPL fuel filings for June 2001 and information in the public domain of which the Commission can take administrative notice disclose that today the cost of natural gas is lower than it was projected to be in November 2000. Today the price of natural gas so far this year has averaged 53.84% less than the FPL February projection. The price for heavy oil is 34.22% less than the FPL February forecast.

8. The FPL fuel filing in this docket for the month of June uses an "estimated" cost for fuel that is much lower than the estimated cost that accompanied its February petition. The "difference" in the report between actual and estimated costs in the June report is therefore misleading. It shows an under recovery when there is none. FPL projects that it will sell 89,259,918 million mwh of electricity this year. Through March it had sold 20,857,683 mwh for which it collected \$610.1 million from its customers at the November approved factor. For the remainder of the year using the new factor it will collect an additional \$2.6 Billion from customers for a total of \$3.2 Billion for the year.

9. FPL's 2001 currently projected fuel and purchased power cost plus a \$335 million true up for 2000 under recoveries will not exceed \$2.6 Billion. At the currently authorized fuel cost recovery charge customers will be overcharged about \$600 million this year. FPL will be required to pay an interest charge in 2002, but at a lower rate than consumer's pay on their personal indebtedness. The collections will be out of time. Justice mandates an immediate fuel cost recovery factor reduction.

Returning to the rate originally authorized will save the typical small apartment tenant in the FPL service area \$ 7.36 per month and the typical single family free standing residence about \$15.00 per month for the rest of the year. Commercial and industrial customers will pay proportionately more based upon their monthly consumption.

THE FLORIDA POWER CORPORATION CASE

10. FPC did not qualify for a mid course correction because its fuel costs were projected to increase only 7.9% for 2001. It never the less got on the band wagon by accelerating the 2000 under recovery collection. It won approval to increase its rates. The increase included

- a. \$73 million in estimated 2001 fuel cost under recovery
- b. \$29.7 previously deferred until 2002

11. The market price for natural gas price in July is 34% (\$3.67 vs \$5.61 for July 2001) less than FPC projected it would be. In February FPC projected that the price of residual oil would decline. It has declined more than FPC's estimate. It is now unlikely that there will be any fuel cost short fall in 2001. There is no longer a justification to move the under recovery for 2000 into the current year.

12. FPC collected \$213.2 million for the first three months of the year. It will collect an additional \$809 million this year at the currently approved factor for a total of \$1.02 Billion for the year, but its fuel costs for the year will be less than the original projection of \$909 million needed to recover fuel and 2000 true up costs.

13. At the currently authorized fuel cost recovery charge customers will be overcharged about \$113 million this year. FPC will be required to pay an interest charge in 2002, but at a lower rate than consumer's pay on their personal indebtedness. The collections will be out of time. Justice mandates an immediate fuel cost recovery factor reduction. Returning to the rate originally authorized will save the typical small apartment tenant in the FPC service area using 1000 kwh per month \$ 3.65 per month

and the typical single family free standing residence over \$7.00. Commercial and industrial customers will save proportionately more based upon their monthly consumption.

THE TAMPA ELECTRIC CASE

14. The Tampa electric case is the most unusual. 98% of its generation is fueled by coal which was not projected to increase in cost last February, but TECo sells a significant portion of its generation in the wholesale market and replaces it with power purchased from the utilities that burn the more expensive fuels. The fuel cost report for the first six months of the year it filed in this proceeding on July 30th explains the circumstances somewhat. That filing states that for the first 6 months of the year TECo sold 581,653 mwh of power at a fuel cost of \$23.67 / mwh. It lacked the capacity to meet retail customers demand so it purchased 1,616,274 mwh of power from other utilities and cogenerators at a price of \$61.80 / mwh.

15. TECo collected \$102.1 million for the first three months of the year. It will collect an additional \$375.9 million this year at the currently approved factor for a total of \$ 478 million for the year, but its fuel costs for the year will be less than the original projection of \$427.8 million needed to cover fuel and 2000 true up costs.

16. At the currently authorized fuel cost recovery charge TECo customers will be overcharged about \$ 50 million this year. TECo will be required to pay an interest charge in 2002, but at a lower rate than consumer's pay on their personal indebtedness. The collections will be out of time. Justice mandates an immediate fuel cost recovery factor reduction. Returning to the rate originally authorized will save the typical small apartment tenant in the TECo service area \$ 3.30 per month and the typical single family free standing residence over \$6.00. Commercial and industrial customers will pay proportionately more based upon their monthly consumption.

WHEREFORE FIPUG requests:

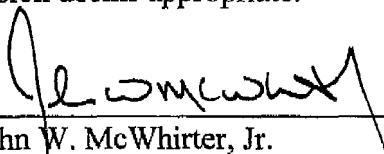
1. That the Commission immediately address the fuel cost and purchased power factor being charged by the three largest IOU's in the state and based upon the attached affidavit, admissions of utilities on file and administrative notice of facts concerning fuel costs that are generally known take the following action:

2. At the agenda scheduled for September 4, 2001 order the utilities to reduce the fuel and purchased power charge they are currently charging to the fuel and purchased power factor that was originally requested authorized by order PSC-00-2385-FOF-EI in Docket 000001-EI for the year 2001.

3. Apply the revised factor to all bills rendered in October for the preceding month's consumption.

4. Order each utility to report not later than September 20th on fuel costs through August 2001, if that report shows fuel and purchased power cost over collections for the period through August, direct the utilities to refund the excess collections during the last three months of the year to avoid interest cost and to provide consumer rate relief. and,

5. Grant such further relief as the Commission deems appropriate.



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Attorneys for the Florida Industrial
Power Users Group

CERTIFICATE OF SERVICE

I **HEREBY CERTIFY** that a true and correct copy of the foregoing FIPUG's Petition for Fuel Charge Rate Reduction has been furnished by (*) hand delivery, or U.S. Mail this 15th day of August, 2001, to the following:

(*)Wm. Cochran Keating IV
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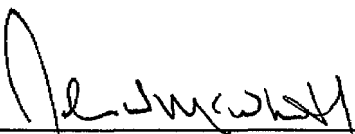
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John W. McWhirter

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and Purchased Power
Cost Recovery Clause and
Generation Performance Incentive
Factor.

Docket No. 010001-EI

Filed: August 14, 2001

**Statement and Affidavit of Hugh M. Grey, III on Behalf of the
Florida Industrial Power Users Group**

The Florida Industrial Power Users Group (FIPUG), files the following statement of Hugh M. Grey, III, in support of FIPUG's petition for an immediate fuel cost recovery factor rate reduction. The petition recommends suspending the midcourse fuel cost recovery rate increase awarded to Florida Power Corporation (FPC), Tampa Electric Company (TECo) and Florida Power & Light Company (FPL) ("the Utilities" collectively, or "each Utility" individually).

1. My name is Hugh M. Grey, III. My business address is 400 N. Indian Rocks Road, Suite E, Belleair Bluffs, FL 33770. I am employed by KTM, Inc., as Vice President - Southeastern Operations. Prior to KTM, I was employed by TECO Peoples Gas System as Manager of Regulatory Affairs, and by Peoples Gas System Inc., as Director of Gas Transportation and Supply. I have testified before the Florida Public Service Commission in numerous dockets between 1990 and 1997 as an expert qualified to render opinions on issues concerning fuel cost forecasts, especially natural gas historic and future costs. I graduated from Duke University in 1970 with the degree of Bachelor of Science in Engineering. I am a Registered Professional Engineer in the Commonwealth of Pennsylvania. In 1980, I was designated a Chartered Industrial Gas Consultant by the American Gas Association and the Institute of Gas Technology. I have over 25 years of experience in the utility field as well as eight years of engineering and energy consulting.

2. I have reviewed the mid-course correction filings made by FPC, TECo and FPL in February 2001 which were used as the basis for Commission action increasing the 2001 fuel cost recovery factor for each Utility. Each Utility's fuel cost projections for natural gas, heavy oil and light oil were compared with published delivered prices generally accepted by the energy industry as representative of delivered costs of natural gas, heavy oil and light oil for peninsular Florida (actual cost). My comparison reveals that the Utilities' February projections have turned out to be well above the actual delivered costs for these commodities so far this year. I further find that the projected future costs for these commodities will be less than the Utilities' current projections for the year 2001. Key supporting data tables and charts are attached.

3. FPC's February 2001 projections of generating fuel costs for the period January 2001 through July 2001, exceeded actual published costs by the following average percentages and average unit cost differential, expressed in Dollars per mmbtu:

- a. FPC's forecast for NATURAL GAS was 78 percent and \$4.69 per mmbtu higher than actual cost
- b. FPC's forecast for HEAVY OIL was 5 percent and \$0.16 per mmbtu higher than actual cost,
- c. FPC's forecast for LIGHT OIL was 11 percent and \$0.60 per mmbtu higher than actual cost.

4. TECo's February 2001 projections of generating fuel costs for the period January 2001 through July 2001, exceeded actual published costs by the following average percentages and average unit cost differential, expressed in Dollars per mmbtu:

- a. TECo's forecast for NATURAL GAS was 16 percent and \$0.99 per mmbtu higher than the actual cost,
- b. TECo's forecast for HEAVY OIL was 53 percent and \$1.68 per mmbtu higher than actual cost,

c. TECo's forecast for LIGHT OIL was 21 percent and \$1.15 per mmbtu higher than the actual cost.

5. FPL's February 2001 projections of generating fuel costs for the period January 2001 through July 2001, exceeded actual published costs by the following average percentages and average unit cost differential, expressed in Dollars per mmbtu:

a. FPL's forecast for NATURAL GAS was 15 percent and \$0.89 per mmbtu higher than actual cost,

b. FPL's forecast for HEAVY OIL was 29 percent and \$0.94 per mmbtu higher than actual cost,

c. FPL's forecast for LIGHT OIL was 10 percent and \$0.56 per mmbtu higher than actual cost.

6. When FPC, TECo and FPL revised their fuel cost projections in February, 2001, they apparently believed the unexpected increases in natural gas prices for January and February of 2001 would continue through the remainder of the year. However, the continuation of increased prices projected by the Utilities has not occurred.

7. Each Utility's forecast of projected natural gas costs in its mid-course correction filing exceeds actual published costs by more than 10%. Instead of going up as expected, actual delivered natural gas costs have declined substantially from the projections that were made by the Utilities in February 2001 for the for the first seven months of 2001 calendar year. Furthermore, annual average prices, actual for January 2001 through August 2001, and projected delivered based on NYMEX futures as of August 13, 2001, are lower than each Utility's projections of average prices for 2001. The Utilities' February 2001 projections of natural gas costs for the period January 2001 through December 2001, exceeded the annual average of

currently projected costs, based on published industry sources, by the following average percentages and average unit cost differential, expressed in Dollars per mmbtu:

- a. FPC's forecast for NATURAL GAS was 74 percent and \$3.77 per mmbtu higher than currently projected cost,
- b. TECo's forecast for HEAVY OIL was 27 percent and \$1.36 per mmbtu higher than currently projected cost,
- c. FPL's forecast for LIGHT OIL was 37 percent and \$1.86 per mmbtu higher than currently projected cost.

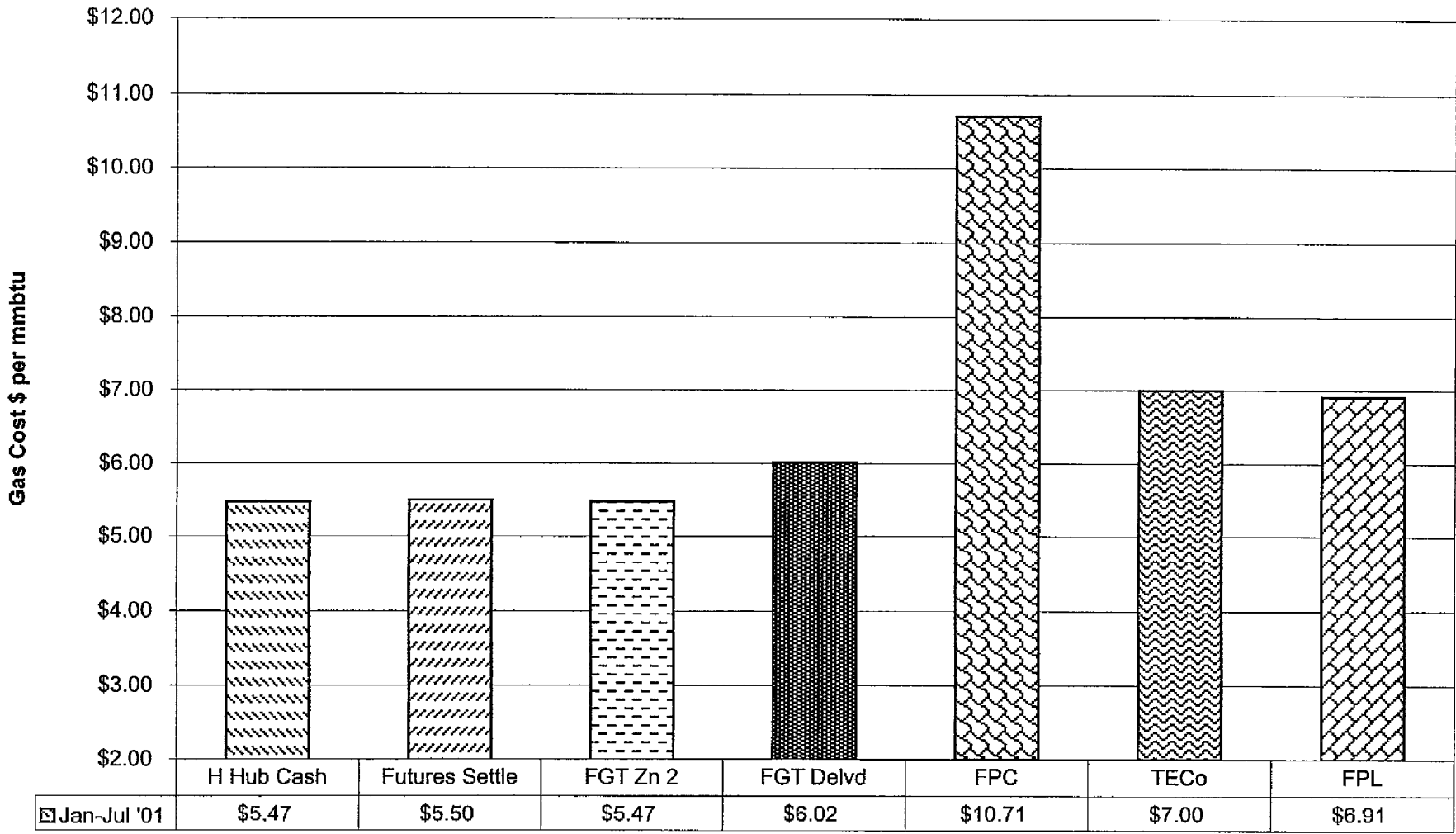
8. The extreme natural gas market price volatility of the last 12 months is not so likely to reoccur during the rest of calendar year 2001, for several reasons. First, participants in natural gas markets have responded by using price hedging mechanisms and/or arranging to switch to alternate fuels. Second, according to the Energy Information Administration (EIA), current natural gas storage levels are so high that natural gas storage injection schedules will be completed well before the end of the traditional storage injection period, which normally is completed by November 1st of each year. As a consequence, full storage levels, and forewarned and prepared natural gas market participants, are likely to dampen any major run up in natural gas prices for the rest of summer and fall of 2001.

9. With current natural gas prices well below the Utilities' projections, and with the outlook for natural gas pricing in the next few months more stable than in 2000, there is simply no legitimate need for the Utilities to continue collecting unnecessarily high purchased fuel cost recovery factors.

In light of the Utilities' current lower purchased fuel costs for natural gas and fuel oil, and with natural gas and oil markets continuing to stabilize at more moderate levels than those

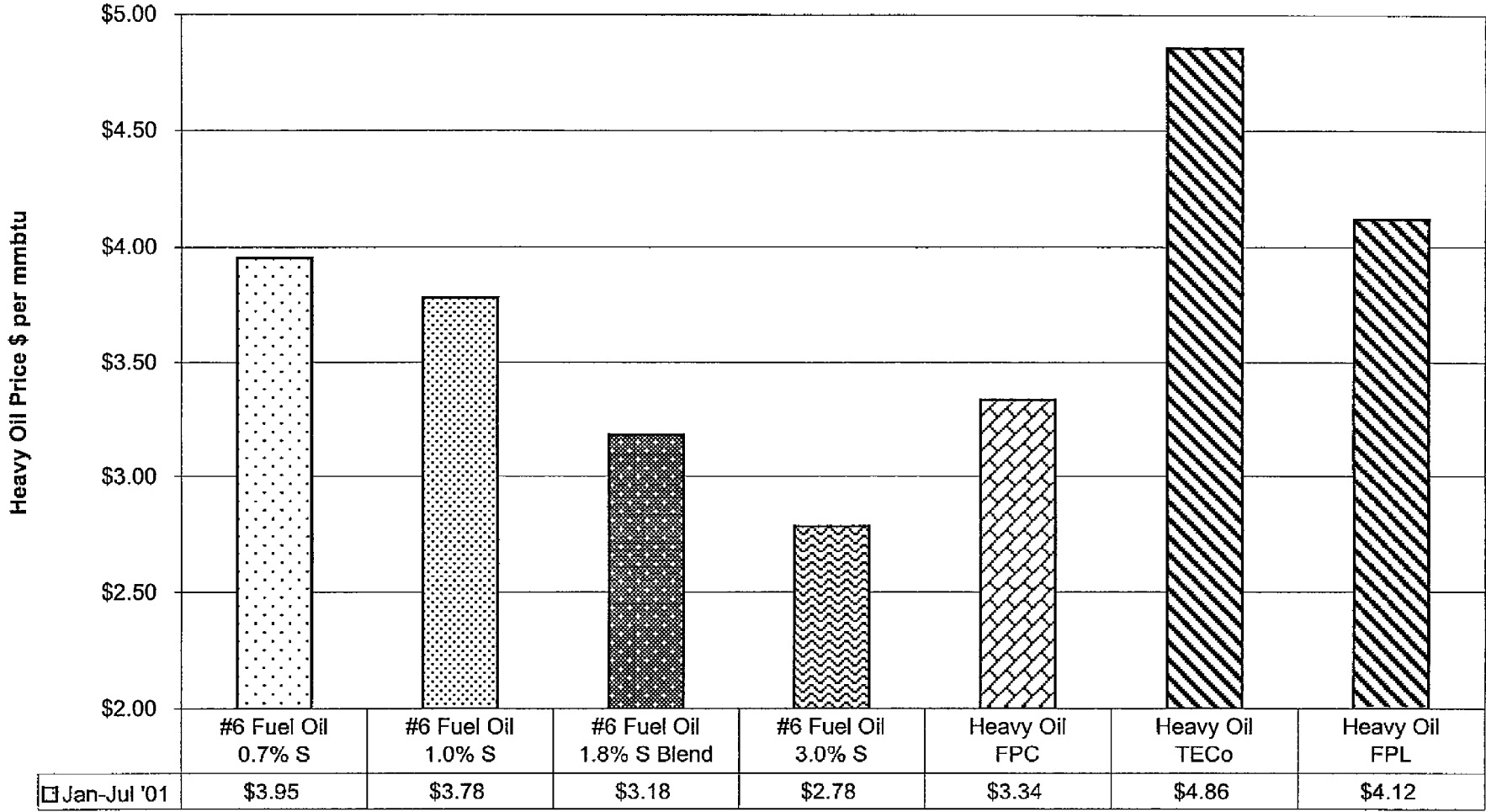
experienced in 2000, it is my professional opinion that the current mid-course correction purchased fuel cost recovery factors of the Utilities are no longer appropriate, and should be rolled back to January, 2001, levels.

**NATURAL GAS COST COMPARISON
AVERAGES for January through July 2001**



JAN through JUL 2001

**HEAVY FUEL OIL PRICE COMPARISON
AVERAGES for January through July 2001**



JAN through JUL 2001

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Energy Consulting Services

SUMMARY OF NATURAL GAS PRICE DATA

(PER MMBTU)

Month	H Hub Cash	Futures Settle	FGT Zn 2	FTS-1 FGT Delvd	FPC	TECo	FPL
JAN'01	\$9.91	\$9.980	\$9.93	\$10.58	\$17.23	\$9.13	\$6.91
FEB	\$6.22	\$6.293	\$6.25	\$6.81	\$16.15	\$8.83	\$6.91
MAR	\$5.03	\$4.998	\$5.01	\$5.54	\$13.19	\$7.96	\$6.91
APR	\$5.35	\$5.384	\$5.35	\$5.89	\$11.41	\$6.22	\$6.91
MAY	\$4.87	\$4.891	\$4.86	\$5.39	\$5.74	\$5.66	\$6.91
JUN	\$3.73	\$3.738	\$3.73	\$4.23	\$5.65	\$5.61	\$6.91
JUL'01	\$3.16	\$3.182	\$3.19	\$3.67	\$5.61	\$5.60	\$6.91
Month	H Hub Cash	Futures Settle	FGT Zn 2	FGT Delvd	FPC	TECo	FPL
Jan-Jul '01	\$5.47	\$5.50	\$5.47	\$6.02	\$10.71	\$7.00	\$6.91
Percentage above FGT Delivered Cost:				0.00%	78.05%	16.38%	14.86%

KTM
Energy Consulting Services

SUMMARY OF ACTUAL AND PROJECTED NATURAL GAS PRICES

FUTURE PRICES - JAN through AUG: Actual settled NYMEX prices.

FUTURE PRICES - SEP through DEC: NYMEX closing prices on 8/13/01.

UTILITY PROJECTIONS for natural gas are as filed in Docket No. 010001-EI

(PER MMBTU)

Month	FUTURES	FTS-1 FGT Delvd	FPC	TECo	FPL
JAN'01	\$9.980	\$10.58	\$17.23	\$9.13	\$6.91
FEB	\$6.293	\$6.81	\$16.15	\$8.83	\$6.91
MAR	\$4.998	\$5.54	\$13.19	\$7.96	\$6.91
APR	\$5.384	\$5.89	\$11.41	\$6.22	\$6.91
MAY	\$4.891	\$5.39	\$5.74	\$5.66	\$6.91
JUN	\$3.738	\$4.23	\$5.65	\$5.61	\$6.91
JUL	\$3.182	\$3.67	\$5.61	\$5.60	\$6.91
AUG	\$3.167	\$3.65	\$5.63	\$5.60	\$6.91
SEP	\$2.999	\$3.48	\$5.74	\$5.58	\$6.91
OCT	\$3.043	\$3.52	\$6.15	\$5.49	\$6.91
NOV	\$3.305	\$3.79	\$6.77	\$5.58	\$6.91
DEC	\$3.599	\$4.09	\$6.52	\$5.67	\$6.91

Month	Futures Settle	FGT Delvd	FPC	TECo	FPL
Jan-Jul '01	\$4.55	\$5.05	\$8.82	\$6.41	\$6.91
Percentage above FGT Delivered Cost:		0.00%	74.41%	26.83%	36.71%

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SUMMARY OF HEAVY OIL PRICE DATA

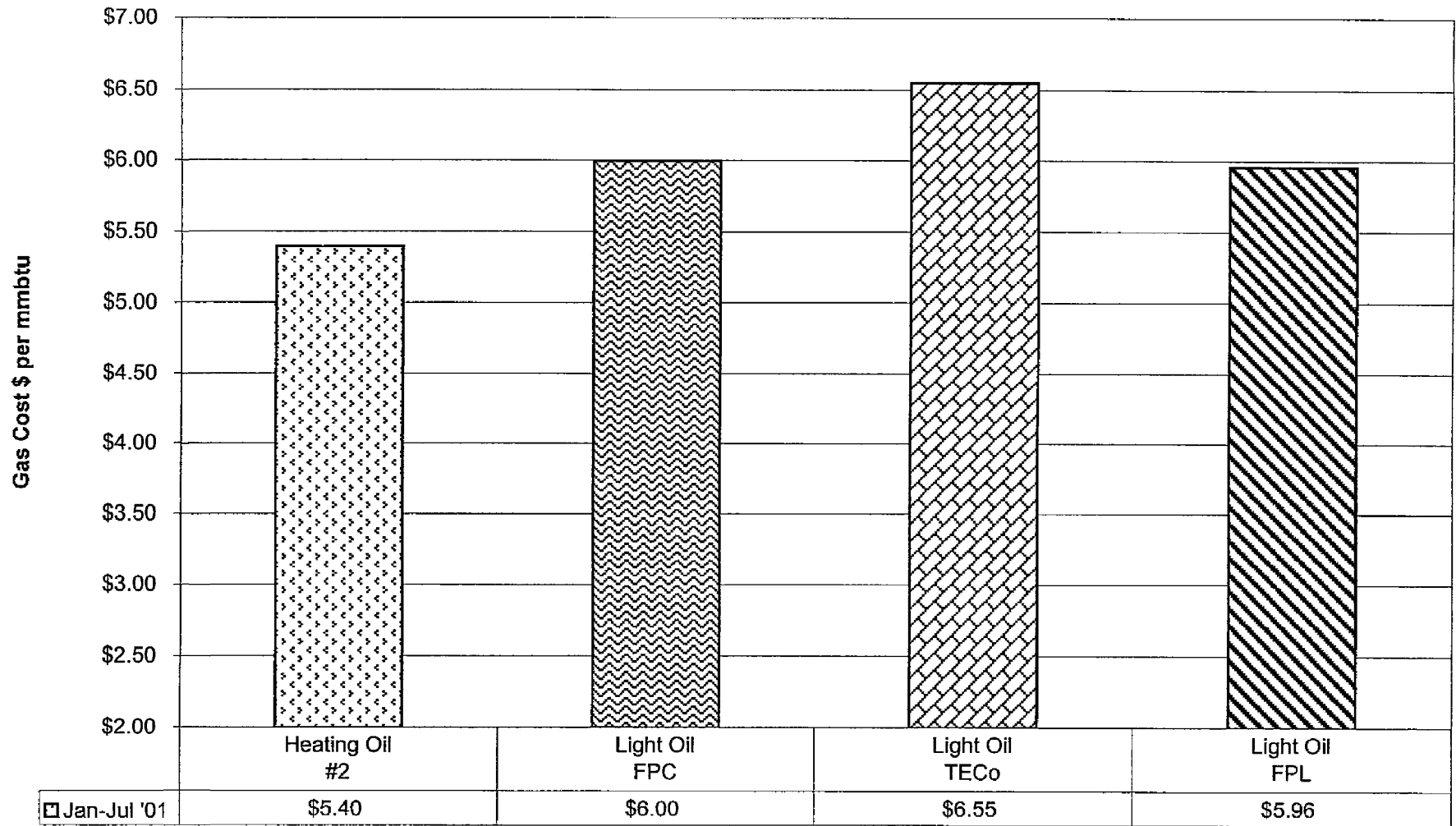
(PER MMBTU)

MONTH	U S GULF COAST #6 HEAVY OIL				FPC Heavy Oil	TECo Heavy Oil	FPL Heavy Oil
	0.7% S #6 Fuel Oil	1.0% S #6 Fuel Oil	1.8% S Blend #6 Fuel Oil	3.0% S #6 Fuel Oil			
JAN'01	\$4.58	\$4.28	\$3.38	\$2.78	\$3.47	\$5.13	\$4.12
FEB	\$4.48	\$4.28	\$3.69	\$3.30	\$3.48	\$4.98	\$4.12
MAR	\$3.98	\$3.82	\$3.38	\$3.08	\$3.28	\$3.28	\$4.12
APR	\$3.96	\$3.83	\$2.95	\$2.37	\$3.27	\$3.62	\$4.12
MAY	\$3.79	\$3.66	\$3.05	\$2.64	\$3.28	\$5.95	\$4.12
JUN	\$3.44	\$3.30	\$2.88	\$2.60	\$3.28	\$5.63	\$4.12
JUL'01	\$3.46	\$3.30	\$2.95	\$2.71	\$3.29	\$5.41	\$4.12

MONTH	0.7% S #6 Fuel Oil	1.0% S #6 Fuel Oil	1.8% S Blend #6 Fuel Oil	3.0% S #6 Fuel Oil	FPC Heavy Oil	TECo Heavy Oil	FPL Heavy Oil
Jan-Jul '01	\$3.95	\$3.78	\$3.18	\$2.78	\$3.34	\$4.86	\$4.12
Percentage above:							
0.7% S	0.00%				-15.65%	22.83%	4.19%
1.0% S		0.00%			-11.76%	28.49%	8.99%
1.8% S Blend			0.00%		4.81%	52.62%	29.46%
3.0% S				0.00%	19.81%	74.45%	47.98%

1.8% S Calculation of Blended Cost: Price of 1.8% = 0.8/2.0 x (Price of 1.0%) + 1.2/2.0 x (Price of 3.0%)
 Price of 1.8% = 40% of (Price of 1.0%) + 60% of (Price of 3.0%)

**LIGHT OIL COST COMPARISON
AVERAGES for January through July 2001**



JAN through JUL 2001

KTM
Energy Consulting Services

SUMMARY OF LIGHT OIL PRICE DATA

(PER MMBTU)

MONTH	U S GULF	FPC	TECo	FPL
	#2 Heating Oil	Light Oil	Light Oil	Light Oil
JAN'01	\$6.05	\$6.71	\$7.08	\$5.96
FEB	\$5.65	\$6.72	\$6.98	\$5.96
MAR	\$4.95	\$5.68	\$6.96	\$5.96
APR	\$5.34	\$5.71	\$6.70	\$5.96
MAY	\$5.47	\$5.71	\$6.33	\$5.96
JUN	\$5.40	\$5.71	\$5.96	\$5.96
JUL'01	\$4.92	\$5.73	\$5.82	\$5.96
MONTH	#2	FPC	TECo	FPL
	Heating Oil	Light Oil	Light Oil	Light Oil
Jan-Jul '01	\$5.40	\$6.00	\$6.55	\$5.96
Percentage				
above:				
#2	0.00%	11.10%	21.32%	10.44%

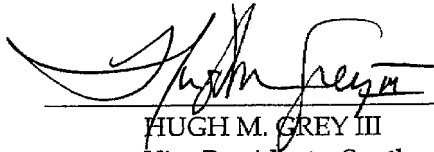
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STATE OF FLORIDA

Docket no. 010001-EI

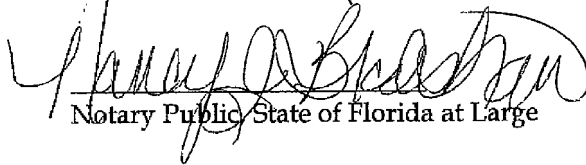
COUNTY OF PINELAS

Before me the undersigned authority, personally appeared Hugh M. Grey, III, who being first duly sworn, deposes, and says that he is the Vice President - Southeastern Operations of KTM, Inc., that the foregoing is true and correct to the best of his knowledge, information, and belief. He is personally known to me.



HUGH M. GREY III
Vice President - Southeastern Operations
KTM, Inc.

Sworn to and subscribed before me
this 14 day of August 2001.



Notary Public, State of Florida at Large

Print: _____

Commission No. _____

