

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-01-1945-PCO-EI
ISSUED: September 26, 2001

The following Commissioners participated in the disposition of
this matter:

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

ORDER CONCERNING PETITIONS TO ADJUST
FUEL AND PURCHASED POWER COST RECOVERY FACTORS

BY THE COMMISSION:

I. CASE BACKGROUND

By Order No. PSC-00-2385-FOF-EI ("Order No. 00-2385"), issued December 12, 2000, in Docket No. 000001-EI, this Commission set Florida Power & Light Company's ("FPL") levelized fuel cost recovery factor ("fuel factor") at 2.925 cents per kilowatt-hour ("kWh") for 2001. We established this fuel factor to allow FPL to recover its then-projected 2001 fuel, purchased power, and fuel-related costs ("fuel costs") and 50 percent of FPL's known under-recovery of \$518 million for 2000 fuel costs. We approved FPL's request to defer collection of the remaining 50 percent (\$259 million) of this 2000 under-recovery until 2002. We also approved FPL's request to classify the 2000 under-recovery as a regulatory asset, wherein ratepayers would not pay interest on the 2000 under-recovery.

By Order No. 00-2385, we set Florida Power Corporation's ("FPC") fuel factor at 2.520 cents per kWh to allow FPC to recover its then-projected 2001 fuel costs and 50 percent of FPC's known under-recovery of \$55.2 million for 2000 fuel costs. We allowed

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FPC to defer the remainder of FPC's known under-recovery until 2002.

By Order No. 00-2385, we set Tampa Electric Company's ("TECO") fuel factor at 2.500 cents per kWh to recover TECO's then-projected 2001 fuel costs and TECO's known under-recovery of \$42.7 million for 2000 fuel costs.

On February 2, 2001, FPL filed a petition requesting authority to increase its fuel factor to 3.660 cents per kWh to collect an additional \$76.8 million under-recovery from 2000 and an estimated \$431.5 million under-recovery from 2001. FPL attributed these under-recovery amounts to an unexpected increase in fuel prices. We granted FPL's petition by Order No. PSC-01-0963-PCO-EI ("Order No. 01-0963"), issued April 18, 2001.

On February 9, 2001, TECO filed a petition requesting authority to increase its fuel factor to 2.820 cents per kWh to collect 50 percent of an estimated \$63.2 million under-recovery from 2001. TECO attributed this under-recovery amount to an unexpected increase in fuel and wholesale energy prices. We granted TECO's petition by Order No. PSC-01-0709-PCO-EI ("Order No. 01-0709"), issued March 21, 2001.

On February 12, 2001, FPC filed an amended petition requesting authority to increase its fuel factor to 2.880 cents per kWh to collect an additional \$29.4 million under-recovery from 2000 and an estimated \$73.0 million under-recovery from 2001. FPC attributed these under-recovery amounts to an unexpected increase in fuel prices. We granted FPC's petition by Order No. PSC-01-0710-PCO-EI ("Order No. 01-0710"), issued March 21, 2001.

By filing made August 13, 2001, TECO notified this Commission that TECO projected a greater than 10 percent under-recovery for its 2001 fuel costs. TECO did not request a mid-course correction at that time. Instead, TECO indicated that it would seek to collect this under-recovery in 2002.

On August 15, 2001, the Florida Industrial Power Users Group (FIPUG) filed a petition requesting fuel charge rate reductions for FPC, FPL, and TECO. Specifically, FIPUG asks this Commission to order each utility to reduce its fuel factors to the level

originally authorized for 2001 in Order No. 00-2385 and apply the revised fuel factors to all bills rendered in October 2001, for the preceding month's consumption, through December 31, 2001. FIPUG also requests that we order each utility to report not later than September 20th on fuel costs through August 2001, and, if that report shows over-recovery of fuel costs for the period through August, direct the utilities to refund the excess collections during the last three months of the year.

On August 24, 2001, TECO filed an answer to FIPUG's petition. On August 27, 2001, FPC filed a response in opposition to FIPUG's petition. FPL did not file a response to FIPUG's petition.

On August 23, 2001, FPL filed a petition requesting authority to reduce its fuel charges to ratepayers by \$138.1 million during the last three months of 2001 due to an anticipated over-recovery of fuel costs for 2001. FPL proposed to reduce its levelized fuel adjustment factor to 3.035 cents per kWh, effective September 28, 2001. FPL attributes the over-recovery amount to a reversal of the earlier increase in fuel prices and the expectation that fuel prices will continue to trend downward in 2002. No party filed a response to FPL's petition.

FPL's August 23, 2001, petition and FIPUG's August 15, 2001, petition are the subject of this Order. We have jurisdiction over this subject matter pursuant to Chapter 366, Florida Statutes, including Sections 366.04, 366.05, and 366.06, Florida Statutes.

II. FPL'S PETITION

By Order No. 13694, issued September 20, 1984, in Docket No. 840001-EI, we require each investor-owned electric utility ("utility") to notify us 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 factor.

In its August 23, 2001, petition, FPL states that its estimated over-recovery amount has not reached the level that

requires notification to this Commission. In fact, FPL witness Korel M. Dubin's direct testimony in this docket, prefiled August 20, 2001, indicates that FPL is currently experiencing an under-recovery of its fuel costs of \$133.5 million, based on actual results through July 2001. Ms. Dubin's testimony indicates that FPL does not anticipate an over-recovery of its fuel costs until October 2001. Finally, Ms. Dubin's testimony indicates that FPL is projecting a \$151.9 million over-recovery by year-end 2001. However, this \$151.9 million over-recovery amount does not include the \$259 million under-recovery of FPL's 2000 fuel costs that we authorized FPL to defer collecting from its ratepayers until 2002.

In its petition, FPL seeks our approval to reduce its fuel charges to ratepayers by \$138.1 million during the last three months of 2001. FPL states that it is proposing this mid-course correction to reduce the impact of its currently authorized fuel factors on its ratepayers, instead of refunding its over-recovery balance during 2002. Under FPL's proposal, the monthly bill of a residential ratepayer who uses 1,000 kWh per month would decrease by \$6.32, to \$81.66. The proposed fuel factors by FPL rate schedule are shown on Attachment A, which is incorporated herein by reference. Through the fuel charge reduction sought in its petition, FPL hopes to keep the total monthly bill for a residential ratepayer who uses 1,000 kWh/month stable for 15 months through December 2002.

We approve FPL's proposal to reduce its fuel charges to ratepayers sooner rather than later. We note that this Commission has not yet determined the prudence of FPL's actual or projected 2001 fuel costs. Among other things, we will address the prudence of FPL's 2001 fuel costs at the evidentiary hearing scheduled to begin November 20, 2001, in this docket. Further, while FPL stated its desire that this fuel charge reduction would keep the total monthly bill of residential ratepayers stable through December 2002 (based on usage of 1,000 kWh/month), FPL's 2002 fuel factors will be set based on the evidence presented at the November 2001 hearing in this docket and may be set at a level that does not allow total monthly residential bills to remain level through December 2002.

In its petition, FPL requests that its proposal be considered as a proposed agency action ("PAA") item. Recognizing that a prudence review and true-up will take place at the November 2001

hearing in this docket, we find that this matter is more appropriately treated as a procedural matter rather than a PAA item. This treatment is consistent with our treatment of mid-course correction petitions in this docket.

In summary, we approve FPL's request for new fuel factors which would allow FPL to reduce its fuel charges to ratepayers by \$138.1 million during the last three months of 2001. We will address the prudence of FPL's 2001 fuel costs at the evidentiary hearing scheduled to begin November 20, 2001, in this docket. We will set FPL's 2002 fuel factors based on the evidence presented at that hearing.

III. FIPUG'S PETITION

A. FPL'S FUEL FACTORS

In its petition, FIPUG asks that we reduce FPL's fuel factors to the level originally authorized in Order No. 00-2385 and apply the revised fuel factors to all bills rendered in October 2001, for the preceding month's consumption, through December 31, 2001. FIPUG also requests that we order the refund of any over-recovery balance through August 2001 on bills rendered during that time frame.

In paragraphs 8 and 9 of its petition, FIPUG states that FPL's 2001 fuel revenue will be at least \$600 million greater than its 2001 fuel costs. However, Ms. Dubin's direct testimony in this docket, prefiled August 20, 2001, does not support this statement. Ms. Dubin's testimony indicates that FPL is currently projecting a \$151.9 million over-recovery of its 2001 fuel costs based on actual results through July 2001 and re-projected forecasts for the remainder of 2001. This \$151.9 million over-recovery balance does not include the \$259 million under-recovery that this Commission allowed FPL to defer collecting from its ratepayers until 2002.

In paragraph 9 of its petition, FIPUG implies that FPL's fuel costs should be less than its original projections because fuel prices are currently at or below the prices that FPL had forecasted in testimony filed in Docket No. 000001-EI. While fuel prices may currently be at or below what FPL had forecasted a year earlier, FIPUG does not consider that FPL incurred higher fuel costs in the

first six months of 2001, because fuel prices during that period were higher than current levels.

We find that the relief sought in FPL's petition to reduce its fuel factor, as discussed above, is a better alternative for FPL's ratepayers than the relief sought by FIPUG. FPL's petition has two objectives: (1) to provide an immediate fuel charge reduction to its ratepayers; and (2) to maintain stability in the residential ratepayer's total monthly bill. To meet the first objective, FPL would reduce its fuel charge to ratepayers by \$138.1 million during the last three months of 2001, instead of the 12 months of 2002. To meet the second objective, FPL proposes new fuel factors that it hopes will keep its total monthly bill for a residential ratepayer who uses 1,000 kWh stable through December 2002. Notwithstanding the fact FPL's 2002 fuel factors will be set based on the evidence presented at the November 2001 hearing in this docket and may be set at a level that does not allow total monthly residential bills to remain level through December 2002, the data provided by FPL appear to support the likelihood of these two objectives being met.

For the foregoing reasons, we deny FIPUG's petition to reduce FPL's fuel factors.

B. FPC'S FUEL FACTORS

In its petition, FIPUG asks that we reduce FPC's fuel factors to the level originally authorized in Order No. 00-2385 and apply the revised fuel factors to all bills rendered in October 2001, for the preceding month's consumption, through December 31, 2001. FIPUG also requests that we order the refund of any over-recovery balance through August 2001 on bills rendered during that time frame.

In paragraphs 12 and 13 of its petition, FIPUG states that FPC's 2001 fuel revenues will be at least \$113.2 million greater than its 2001 fuel costs. However, FPC witness Javier Portuondo's direct testimony in this docket, prefiled August 20, 2001, does not support this statement. Mr. Portuondo's testimony indicates that FPC is currently projecting a \$33.3 million over-recovery of 2001 fuel costs based on actual results through July 2001 and re-projected forecasts for the remainder of 2001. Considering its

historical under-recovery amount, FPC projects a \$23.6 million under-recovery at year-end 2001.

In paragraph 4 of FPC's response in opposition to FIPUG's petition, FPC states:

The fatal defect in FIPUG's requested relief is that it is premised on nothing more than this bare allegation [that FPC would have at least an over-recovery of \$113.2 million]. The over-recovery alleged by FIPUG is not only conclusory and unsupported in and of itself, but also ignores the well supported, documented information filed with the Commission and reviewed by its staff that contradicts the existence of an over-recovery, much less the substantial over-recovery asserted by FIPUG. A fuel charge reduction in the face of this contrary information, particularly a reduction of the magnitude proposed by FIPUG, would serve no purpose other than to seriously exacerbate the current under-recovery.

We agree with FPC's assessment. In addition, in paragraph 12 of its petition, FIPUG implies that FPC's fuel costs should be less than its original projections because fuel prices are currently at or below the prices that FPC had forecasted in testimony filed in Docket No. 000001-EI. While fuel prices may currently be at or below what FPC had forecasted a year earlier, FIPUG does not consider that FPC incurred higher fuel costs in the first six months of 2001, because fuel prices during that period were higher than current levels.

For these reasons, we deny FIPUG's petition to reduce FPC's fuel factors. If we were to grant FIPUG's petition, FPC's fuel revenues would fall by \$31.3 million (\$3.61 per megawatt-hour x 8,670,698 megawatt-hours). As a result, if FPC were to experience an under-recovery for 2002, FPC would likely request recovery of this \$31.3 million, plus interest, from its ratepayers no later than 2003.

C. TECO'S FUEL FACTORS

In its petition, FIPUG asks that we reduce TECO's fuel factors to the level originally authorized in Order No. 00-2385 and apply

the revised fuel factors to all bills rendered in October 2001, for the preceding month's consumption, through December 31, 2001. FIPUG also requests that we order the refund of any over-recovery balance through August 2001 on bills rendered during that time frame.

In paragraphs 15 and 16 of its petition, FIPUG states that TECO's 2001 fuel revenues will be at least \$50.2 million greater than its 2001 fuel costs. However, TECO witness J. Denise Jordan's direct testimony in this docket, prefiled August 20, 2001, does not support FIPUG's statement. In fact, Ms. Jordan's testimony indicates that TECO projects a \$65.5 million under-recovery of 2001 fuel costs based on actual results through June 2001 and re-projected forecasts through the remainder of 2001. Considering its historical under-recovery amount, TECO projects a \$131.4 million under-recovery balance at year-end 2001.

In paragraph 14 of its petition, FIPUG asserts that the price at which TECO purchases wholesale energy is higher than the price at which TECO sells wholesale energy. This issue has been raised for our consideration at the hearing scheduled in this docket, commencing November 20, 2001. We believe the issue is more appropriately addressed in that proceeding.

In its answer to FIPUG's petition, TECO states:

A number of the conclusions stated in FIPUG's Petition appear to have been derived through a flawed blending of non-comparable concepts and/or data or through misinterpretation of information the utilities routinely file with the Commission . . . Neither FIPUG's Petition nor the Affidavit attached to it even addresses or takes into account whether the individual utilities are presently in an underrecovered or overrecovered position with respect to their fuel and purchased power costs... The relief demanded in FIPUG's Petition, an arbitrary reversion to the fuel factors in place prior to the mid-course correction, would significantly aggravate TECO's underrecovered position and greatly impact customers when new fuel and purchased power cost recovery factors become effected in January of 2002.

We agree with TECO's assessment. In addition, in paragraph 15 of its petition, FIPUG implies that TECO's fuel costs should be less than its original projections because fuel prices are currently at or below the prices that TECO had forecasted in testimony filed in Docket No. 000001-EI. While fuel prices may currently be at or below what TECO had forecasted a year earlier, FIPUG does not consider that TECO incurred higher fuel costs in the first six months of 2001, because fuel prices during that period were higher than current levels.

For these reasons, we deny FIPUG's petition to reduce TECO's fuel factors. TECO is currently projecting a \$88.7 million under-recovery for year-end 2001. If we were to grant FIPUG's petition, TECO's fuel revenues would decrease \$13.1 million (\$3.21 per megawatt-hour x 4,079,491 megawatt-hours). As a result, if TECO were to experience an under-recovery for 2002, TECO would likely request recovery of this \$13.1 million, plus interest, from its ratepayers no later than 2003.

Based on the foregoing, it is

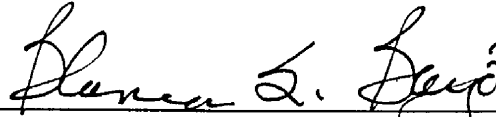
ORDERED by the Florida Public Service Commission that Florida Power & Light Company's petition to reduce its fuel adjustment factors is granted. It is further

ORDERED that the Florida Industrial Power Users Group's petition for fuel charge rate reduction is denied. It is further

ORDERED that this docket shall remain open.

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By ORDER of the Florida Public Service Commission this 26th
day of September, 2001.



BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

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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

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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 the Commission Clerk and Administrative Services, 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.

FPL - FUEL ADJUSTMENT FACTORS BY RATE CLASS
OCTOBER 2001 - DECEMBER 2001

<u>GROUP</u>	<u>RATE SCHEDULE</u>	<u>AVERAGE FACTOR</u>	<u>FUEL RECOVERY LOSS MULTIPLIER</u>	<u>FUEL RECOVERY FACTOR</u>
A	RS-1, GS-1, SL-2	3.035	1.00198	3.041
A-1	SL-1, OL-1, PL-1	2.974	1.00198	2.980
B	GSD-1	3.035	1.00191	3.041
C	GSLD-1 & CS-1	3.035	1.00077	3.037
D	GSLD-2, CS-2, OS-2 & MET	3.035	0.99503	3.020
E	GSLD-3 & CS-3	3.035	0.95800	2.908
A	RST-1, GST-1 ON-PEAK OFF-PEAK	3.323 2.908	1.00198 1.00198	3.330 2.914
B	GSDT-1 CILC-1 (G) ON-PEAK OFF-PEAK	3.323 2.908	1.00191 1.00191	3.329 2.914
C	GSLDT-1 & CST-1 ON-PEAK OFF-PEAK	3.323 3.908	1.00077 1.00077	3.326 2.910
D	GSLDT-2 & CST-2 ON-PEAK OFF-PEAK	3.323 3.908	0.99503 0.99503	3.306 2.894
E	GSLDT-3, CST-3 CILC-1 (T) & ISST-1 (T) ON-PEAK OFF-PEAK	3.323 3.908	0.95800 0.95800	3.183 2.786

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ATTACHMENT A

F	CILC-1 (D) & ISST-1 (D)			
	ON-PEAK	3.323	0.99431	3.304
	OFF-PEAK	3.908	0.99431	2.891