



Public Service Commission
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COMMISSION CLERK

DATE: OCTOBER 4, 2001
TO: DIRECTOR, DIVISION OF THE COMMISSION CLERK & ADMINISTRATIVE SERVICES (BAYÓ)
FROM: DIVISION OF SAFETY & ELECTRIC RELIABILITY (BOHRMANN) TB
DIVISION OF LEGAL SERVICES (C. KEATING) WCK RIVERZ
RE: DOCKET NO. 010001-EI - FUEL AND PURCHASED POWER COST RECOVERY CLAUSE AND GENERATING PERFORMANCE INCENTIVE FACTOR.
AGENDA: 10/16/01 - REGULAR AGENDA - INTERESTED PERSONS MAY PARTICIPATE
CRITICAL DATES: NONE
SPECIAL INSTRUCTIONS: NONE
FILE NAME AND LOCATION: S:\PSC\SER\WP\010001.RCM

CASE BACKGROUND

By Order No. PSC-00-2385-FOF-EI (Order No. 00-2385), in Docket No. 000001-EI, issued December 12, 2000, the Commission approved a levelized fuel cost recovery factor of 1.820 cents per kilowatt-hour (kwh) for Gulf Power Company (Gulf Power) for the period January 2001 through December 2001. The Commission set this factor to allow Gulf Power to collect its projected 2001 fuel and net power transactions costs (fuel costs) and a \$4.7 million under-recovery from prior periods.

On September 24, 2001, Gulf Power notified the Commission and the parties to Docket No. 010001-EI that Gulf Power projects a year-end under-recovery of 13.5 percent of its fuel costs based on actual data through August 2001. Gulf Power is not requesting a mid-course correction to its levelized fuel cost recovery factor to collect this under-recovery prior to 2002.

DOCUMENT NUMBER-DATE

12604 OCT-4 01

FPSC-COMMISSION CLERK

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DATE: August 30, 2001

The Commission is vested with jurisdiction over this matter through the provisions of Chapter 366, Florida Statutes, including Sections 366.04, 366.05, 366.06, Florida Statutes.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission acknowledge Gulf Power Company's projected 2001 under-recovery of fuel and purchased power costs?

RECOMMENDATION: Yes. The Commission should consider Gulf Power's projected 2001 under-recovery of fuel and purchased power costs at the November 2001, evidentiary hearing in this docket. (BOHRMANN)

STAFF ANALYSIS: By Order No. 13694, in Docket No. 840001-EI, issued September 20, 1984, the Commission requires a utility to notify the Commission when the utility expects its fuel clause over-recovery or under-recovery to exceed ten percent of its projected fuel and purchased power costs for the current recovery period. At page 6, the order states in pertinent part:

1. [W]hen 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.

Also, Order No. 13694 allows a party or the Commission, on its own motion, to seek a change in a utility's factors between hearings in the fuel clause docket to refund (collect) all or part of the utility's over-recovery (under-recovery) balance prior to the end of the current recovery period. Also, on page 6, the order states in pertinent part:

2. [A] utility's filing pursuant to No. 1 above shall also include a request for a hearing to revise the fuel adjustment factor if in its judgment such revision would not be impractical.
3. In any event, any party may request or the Commission may order that a hearing be held to consider a revision of the utility's fuel adjustment factor.

In its September 24, 2001, letter to the parties and Commission, Gulf Power provides three reasons for deferring the collection of its 13.5 percent under-recovery of fuel costs until 2002. These reasons are:

1. The timing is such that less than three months of the current cost recovery cycle would remain before any change in fuel cost recovery factors could be implemented;
2. The relatively mild weather that is currently being experienced in northwest Florida could reduce the actual under-recovery by period end; and
3. A change in factors in November followed by another change in January would be disruptive to Gulf [Power's] customers.

Based upon information that Gulf Power has filed with the Commission in this docket, staff confirmed that Gulf Power's 2001 fuel costs are expected to be approximately 13.5 percent greater than its fuel revenues. After examining the data, staff believes the reason for Gulf Power's under-recovery is two fold: higher-than-expected coal prices and higher-than-expected wholesale energy purchases. Gulf Power has confirmed these reasons as the causes for the under-recovery.

Staff agrees with Gulf Power that collecting Gulf Power's under-recovery of fuel costs throughout 2002 is more appropriate than increasing Gulf Power's rates now to collect this under-recovery during the last two months of 2001. Currently, Gulf Power's bill to a residential customer who uses 1,000 kwh per month is \$64.85. Gulf Power expects this customer would pay \$67.33 during 2002. This amount does not reflect any change in Gulf Power's base rates that the Commission may approve in Docket No. 010949-EI.

Staff has not yet analyzed the prudence of Gulf Power's actual or projected 2001 fuel costs. The parties and staff are expected to address the prudence of Gulf Power's 2001 fuel costs at the evidentiary hearing scheduled in this docket, commencing November 20, 2001.

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In summary, the Commission should acknowledge Gulf Power's projected under-recovery of fuel and purchased power costs. The Commission should consider Gulf Power's projected 2001 under-recovery of fuel and purchased power costs at the November 2001, evidentiary hearing in this docket for the reasons previously stated.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: No (C. KEATING)

STAFF ANALYSIS: This docket is an on-going docket, and should remain open.