State of Florida

Public Service Commission

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COMMISSION CLERK

RECEIVED-FPSC

DATE: FEBRUARY 28, 2003

TO: DIRECTOR, DIVISION OF THE COMMISSION CLERK & ADMINISTRATIVE SERVICES (BAYÓ)

FROM: DIVISION OF ECONOMIC REGULATION (BOHRMANN, MCNULTY, DRAPER) ESD DPW TB WBM
OFFICE OF THE GENERAL COUNSEL (C. KEATING) WCK

RE: DOCKET NO. 030001-EI - FUEL AND PURCHASED POWER COST RECOVERY CLAUSE WITH GENERATING PERFORMANCE INCENTIVE FACTOR.

AGENDA: 03/04/03 - REGULAR AGENDA - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\030001B.RCM

CASE BACKGROUND

By Order No. 13694, issued September 20, 1984, in Docket No. 840001-EI, the Commission required each investor-owned electric utility to notify the Commission when its projected fuel revenues are expected to result in an over-recovery or under-recovery in excess of 10 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 the Commission may approve on its own motion, a mid-course correction to the utility's authorized fuel cost recovery factors.

On February 21, 2003, Tampa Electric Company (Tampa Electric) notified Commission staff that it currently anticipates the fuel and capacity factors approved by Order No. PSC-02-1761-FOF-EI, in Docket No. 020001-EI, issued December 13, 2002, will result in an under-recovery of greater than 10 percent. On February 24, 2003, Tampa Electric filed a petition for approval of a mid-course correction to its fuel cost recovery factors, effective for cycle one billings for April 2003, until modified by a subsequent Commission order.

In the instant petition, Tampa Electric requests the following from the Commission: 1) authority to collect $60.6 million from Tampa Electric's 2003 projected under-recovery balance in the fuel clause; and 2) an effective date of March 31, 2003.

Jurisdiction over this matter is vested in the Commission by several provisions of Chapter 366, Florida Statutes, including Sections 366.04, 366.05, and 366.06, Florida Statutes.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve a mid-course correction to Tampa Electric's authorized fuel and purchased power cost recovery factors to collect its projected $60.6 million under-recovery for 2003?

RECOMMENDATION: No. Instead, the Commission should authorize Tampa Electric to recover during the period April through December, 2003, $34.6 million of its projected 2003 under-recovery of fuel and purchased power costs due to higher projected natural gas and residual oil prices. Also, the Commission should authorize Tampa Electric to recover in 2003 $26.0 million of its 2002 under-recovery of $28.6 million. The Commission would authorize Tampa Electric to collect a total of $60.6 million from April through December, 2003. The Commission should defer recovery of the $26.0 million in replacement power costs associated with the early shutdown of Gannon Units 1-4 until the Commission determines the prudence of this decision. Any over-recovery that Tampa Electric collects due to the proposed fuel cost recovery factors will be refunded to Tampa Electric's ratepayers with interest. (BOHRMANN, MCNULTY, DRAPER)

STAFF ANALYSIS: Based on updated projections for 2003, Tampa Electric estimates an under-recovery of $60.6 million (11 percent) for 2003. This estimated under-recovery exceeds the 10 percent threshold as described by Order No. 13694 to request a mid-course correction. Thus, Tampa Electric requests a change in its fuel cost recovery factors for the 2003 projected under-recovery amount.

Review Process

In its analysis of Tampa Electric's petition for a mid-course correction, staff examined whether the assumptions (i.e., fuel prices, retail energy sales, generation mix, and system efficiency) that Tampa Electric used to support its re-projected 2003 fuel costs appear reasonable. This standard of review is consistent with staff's past recommendations on mid-course corrections. Tampa Electric uses these updated assumptions to develop future cost and revenue estimates. During the scheduled November 12-14, 2003, hearing in this docket, the Commission will compare these estimates to actual data. The Commission will then apply the difference to next year's fuel cost recovery factor through its normal true-up process. Any over-recovery that Tampa Electric collects due to the proposed fuel cost recovery factors will be refunded to Tampa Electric's ratepayers with interest.

Staff will address whether Tampa Electric has acted prudently to procure fuels reliably and cost-effectively at the November 12-14, 2003, evidentiary hearing in this docket, not through this recommendation. This recommendation does offer, for informational purposes, an update regarding the financial results associated with Tampa Electric's fuel price hedging activities. Such hedging activities mitigate the price and volume risk associated with fuel and purchased power procurement with the array of physical and financial hedging techniques at Tampa Electric's disposal. Per Order No. PSC-02-1484-FOF-EI, in Docket No. 011605-EI, issued October 30, 2002, the Commission removed potential disincentives for IOUs to engage in hedging. For instance, these utilities can now recover through the fuel clause hedging transaction costs, gains and losses from hedging transactions, and incremental operating and maintenance expenses associated with new and expanded hedging programs. By Order No. PSC-02-1761-FOF-EI, in Docket No. 020001-EI, issued December 13, 2002, the Commission approved estimated expenditures of $415,000 for incremental 2003 expenses associated with Tampa Electric's hedging program. Each utility is required to report the success of its risk management activities as part of its final true-up filing in this docket on April 1 of each year, along with specified hedging information and data. Staff will use these filings in conjunction with the utilities' risk management plans to initiate any further discovery required in this docket.

Tampa Electric's Reasons for Mid-Course Correction

Tampa Electric states in its petition for a mid-course correction that the 2003 projected under-recovery of $60.6 million is primarily due to higher natural gas and residual oil prices. These prices were originally projected in Tampa Electric witness Joann Wehle's direct testimony and applied in Tampa Electric witness Denise Jordan's direct testimony, both prefiled September 20, 2002, in Docket No. 020001-EI. Table 1 in Attachment A compares Tampa Electric's forecasts of the average 2003 fuel prices as filed on September 20, 2002, in Docket No. 020001-EI, and on February 24, 2003, in its petition for a mid-course correction in this docket.

Tampa Electric provides three reasons for the higher projected natural gas and oil prices for 2003. The utility cites the colder than expected winter, the national and global energy markets' reaction to potential hostilities in the Middle East, and the Venezualan oil workers' strike.

Tampa Electric can partially mitigate the natural gas price increases by increasing generation at Tampa Electric's other generating units that do not burn natural gas, to the extent available capacity exists at these units. Currently, Tampa Electric has more coal-fired generation (79%) than any other source, with the remainder of its generation coming from a mixture of natural gas- and oil-fired generation. The remaining balance of the Company's resources for serving its retail load is comprised of energy purchases.

Second, Tampa Electric can minimize its use of natural gas by using its fuel-switching capabilities to burn oil instead of natural gas, which is available in approximately nine percent of its fossil fuel capacity.

Third, Tampa Electric can engage in two additional types of transactions to minimize its fuel costs. When Tampa Electric can purchase oil at prices lower than expected future prices plus storage costs, Tampa Electric often purchases oil in quantities greater than its immediate demand for electric generation. Tampa Electric then stores the excess oil for later use. Staff notes that Tampa Electric does not recover any costs through the fuel clause until the fuel is burned or consumed in Tampa Electric's generating units per Order No. 6357, in Docket No. 74680-CI, issued November 26, 1974. Also, Tampa Electric has entered into bilateral transactions with customized pricing mechanisms with fuel suppliers. These transactions provide oil to Tampa Electric at market prices or lower to the benefit of Tampa Electric's ratepayers.

Reasonableness of Tampa Electric's Assumptions

Staff compared the data and assumptions that Tampa Electric relied upon to support its September 20, 2002, filing in Docket No. 020001-EI and its February 24, 2003, filing in this docket. Three sets of Tampa Electric's assumptions changed: fuel price forecast; system efficiency; and unit dispatch.

Table 2 in Attachment A compares Tampa Electric's revised forecast of natural gas prices with the futures prices that existed on the New York Mercantile Exchange (NYMEX) at the close of trading on February 19, 2003, for the period March 2003 through December 2003. The data in the table indicate that Tampa Electric's natural gas price forecast ranges from two to five percent higher than the NYMEX. Staff believes the Company's forecast of natural gas prices is reasonable for purposes of the proposed Tampa Electric midcourse correction.

In addition, staff compared Tampa Electric's 2003 residual oil price forecast to the 2003 residual oil price estimate listed in the U.S. Energy Information Administration's (EIA) Short Term Energy Outlook for February 2003. Staff used EIA's estimate because NYMEX has not created a futures market for residual oil. Tampa Electric's 2003 residual oil price estimate is $5.24/MMBtu compared with EIA's residual oil price estimate of $4.36/MMBtu. Based on these comparisons, staff believes Tampa Electric's residual oil price forecasts are reasonable for purposes of the proposed Tampa Electric mid-course correction.

Table 3 in Attachment A shows that Tampa Electric's forecasted system efficiency increased by approximately 3.1 percent. Tampa Electric projects improved efficiency in burning distillate oil, natural gas, and coal compared to its original heat rate projections. However, as each additional dispatched residual oil-fired unit is less efficient than its predecessors, the average heat rate for residual oil-fired generation has increased slightly. Tampa Electric's forecasted weighted average system efficiency increased from 10,594 Btu/kWh to 10,269 Btu/kWh. Staff believes that this assumption is reasonable.

Table 4 in Attachment A shows the changes in Tampa Electric's forecast of net generation by fuel type for the filings Tampa Electric made on September 20, 2002, and February 18, 2003. As discussed previously, Tampa Electric has two generating units (Polk Units 2 and 3) that can burn oil or natural gas, whichever fuel is less expensive at any given time. Also, as natural gas prices increase relative to oil prices, more oil-fired generating units are economically dispatched ahead of natural gas-fired generating units. These impacts are reflected in the table, as Tampa Electric's projected natural gas fired generation increased by 10.4 percent and residual oil fired generation increased by 30.1 percent. For reasons discussed below, Tampa Electric projects that its coal-fired generation will fall by 6.1 percent compared with its earlier projections. Tampa Electric has not provided sufficient information to the parties and staff regarding the change in coal-fired generation to determine whether this assumption is reasonable. Based on the expected fuel prices for the remainder of 2003, Tampa Electric's forecast of net generation by natural gas and oil is reasonable for purposes of its proposed mid-course correction.

Estimated Savings/Losses Associated with Hedging

TECO indicates that it experienced $105,000 in gas hedging losses for the August 1, 2002, through February 26, 2003, period, as measured on a "mark to market" basis. The portion of total gas volume hedged was 47 percent during this period. The utility states that it experienced a $9 million savings by physically hedging the price of coal during that same period, as measured on an actual (contract price) to estimated (Schedule E3) basis. Upon staff inquiry, TECO stated that the level of 2003 fuel savings related to hedging is uncertain at this time. TECO reports that it is taking a "slow as you go" approach to engaging in financial hedging. TECO is preparing for changes to its methods of managing price risk by developing policies and procedures. The utility further stated that it has drafted a hedging plan and the plan is being reviewed at committee level now. Management approval of the plan is not expected until early March 2003. TECO's petition for mid-course correction does not show a change in the projection of annual incremental hedging costs relative to the amount approved for recovery in November 2002, but it does indicate that the utility did not incur any actual incremental hedging costs in January 2003. Instead, incremental hedging costs for January appear to be deferred until December, and all other months show an incremental hedging cost of $34,583.

Early Shutdown of Tampa Electric's Gannon Station

On December 7, 1999, Tampa Electric entered into a consent decree with the Florida Department of Environmental Protection to cease operations at its Gannon Units 1, 2, and 6 and to repower Gannon Units 3-5 by December 31, 2004. As part of its 2002 Ten Year Site Plan, Tampa Electric indicated that Gannon Units 1-4 would operate until December 31, 2004, while Gannon Units 5 and 6 would shut down by May 2003 and May 2004, respectively. Tampa

Electric was relying upon its Gannon Station to provide 3,401,472 MWHs of electricity to serve its load for 2003.

According to Tampa Electric, Tampa Electric announced on February 6, 2003, to its employees its decision to shutdown its Gannon Station early. In the instant petition, Tampa Electric now anticipates that Gannon Units 1 and 2 will cease operations in mid-March and Gannon Units 3 and 4 will cease operations by October. Tampa Electric states that its coal-fired generation is projected to drop by approximately 867,000 MWHs as a consequence of its decision to cease operations at Gannon Units 1 through 4 early. Tampa Electric is projecting to spend approximately $52/MWH on purchased power to replace the energy lost at the four Gannon units. This average cost of puchased power is approximately $30/MWH higher than Tampa Electric's average fuel cost of coal-fired generation. Therefore, Tampa Electric in its petition has requested recovery of replacement power costs of approximately $26 million (i.e., 867,000 MWH x [$52/MWH - $22/MWH]) for its recent decision to cease operations at Gannon Units 1-4 earlier than expected.

At a February 26, 2003, meeting with the parties and staff, Tampa Electric indicated that safety and reliability are the reasons for its decision to cease operations at Gannon Units 1-4 early. Neither the Commission nor the parties have any information regarding the safety or reliability of the Gannon units if the units remain connected to Tampa Electric's grid. The Commission should fully explore the reasons for, and the cost effectiveness of, this decision before authorizing Tampa Electric to recover the associated replacement power costs.

Staff does not believe that Tampa Electric's petition is the appropriate mechanism to collect incremental costs associated with a decision within its control. The Commission has traditionally authorized a mid-course correction to respond timely to factors outside the utility's control, such as a change in fuel prices. Staff needs more time to perform discovery on the prudence of ceasing operations at Gannon Units 1 through 4.

At this time, the Commission should not authorize Tampa Electric to collect the $26 million in replacement power costs associated with ceasing operations at Gannon Units 1 through 4 early. The parties and staff should be allowed to perform sufficient discovery to determine whether this action is prudent.

Tampa Electric's decision to cease operations at its Gannon Units 1-4 early may enhance its base rate earnings, because the O&M expenses for coal-fired generation are greater than the O&M expenses associated with natural gas-fired generation. However, the fuel cost of coal is much less than the fuel cost of natural gas. Staff believes that the total economic effect on both base rate earnings as well as fuel costs should be evaluated in determining the prudence of the early shutdowns of Gannon Units 1-4.

<u>Tampa Electric's 2002 Under-Recovery</u>

Based on actual results through December 2002, Tampa Electric states that it experienced a $28,662,327 under-recovery of fuel and purchased power costs for 2002. In contrast with Florida Power & Light Company (FPL) and Progress Energy Florida, Inc. (PEF), Tampa Electric has requested to defer collecting the entire $28.7 million under-recovery until 2004. In the absence of a mid-course correction, the Commission's true-up process in the fuel clause provides for collecting (refunding) a utility's prior year (i.e., 2002) under-recovery (over-recovery) balance until the following year (i.e., 2004).

The Commission should authorize Tampa Electric to collect $26.0 million of its 2002 under-recovery for the following reasons. First, if the Commission decides not to authorize Tampa Electric at this time to recover the $26.0 million in replacement power costs associated with the early shutdown of Gannon Units 1 through 4, then this action will offset the rate impact of that decision. Second, unlike Tampa Electric's projected 2003 under-recovery amount, Tampa Electric's 2002 under-recovery amount represents the difference between actual costs incurred and revenues received. Although unaudited, staff believes these actual fuel revenues and costs from 2002 have a higher degree of certainty than the projected fuel revenues and costs for 2003. Staff has commenced an audit of Tampa Electric's 2002 fuel revenues and costs in the normal course of this docket. The Commission can address any audit findings which may result in a dollar adjustment to the fuel clause in the November 12-14, 2003, hearing scheduled for this docket. Third, if Tampa Electric collects $26 million of this under-recovery starting in April 2003, instead of starting in January 2004, this action would be more consistent with the basic principle of ratemaking which seeks to match the timing of the incurrence of costs with the timing of recovery.

Impact of Mid-Course Correction on Tampa Electric's Ratepayers

Tampa Electric has proposed to collect, during April through December 2003, its projected 2003 under-recovery of $60.6 million. The proposed fuel cost recovery factors by Tampa Electric rate schedule are shown on Attachment B, page 1 of 2. If the Commission approves Tampa Electric's petition, the 1,000 KWH residential ratepayer's bill would increase by $4.46 (5.0 percent) to $94.14 (Refer to Attachment B, page 2 of 2). As a basis for comparison, the April 2001, midcourse correction for Tampa Electric resulted in a $3.29 (3.9 percent) increase in a 1,000 KWH residential bill to $87.76. Staff notes that allowing recovery of the additional projected costs associated with Tampa Electric's petition beginning in April 2003, provides a better price signal to customers than if the recovery of such costs were deferred until January 2004. In addition, a decision to defer these costs could result in a more severe impact upon customer rates in January, 2004, than if they were to be put in place now. Scenarios where that could happen include the following: 1) 2003 actual cost exceed Tampa Electric's newly projected costs; or 2) 2004 costs are projected to be at or above the level of costs reflected in the current Tampa Electric fuel factors.

The amount of interest that Tampa Electric's ratepayers would pay on the 2002 under-recovery amount will decrease if recovered in 2003 rather than 2004. Consistent with Order No. 9273, in Docket No. 74680-CI, issued March 7, 1980, Tampa Electric's ratepayers pay interest on any under-recovery at the commercial paper rate. The commercial paper rate that Tampa Electric used to calculate the interest on its December 31, 2002, under-recovery balance was 1.3 percent. According to Tampa Electric, its ratepayers would avoid $700,000 in interest payments through 2004 if the Commission authorizes Tampa Electric to collect the under-recovery in 2003 instead of 2004.

Summary

The Commission should deny Tampa Electric's petition for a mid-course correction as filed to recover its 2003 projected under-recovery of $60.6 million. The Commission should instead authorize

Tampa Electric to recover $26.0 million of its 2002 under-recovery amount and $34.6 million of its 2003 projected under-recovery amount. The Commission should defer recovery of the $26.0 million in replacement power costs associated with the early shutdown of Gannon Units 1-4 as Tampa Electric has requested until the Commission determines the prudence of this decision. A change in Tampa Electric's fuel factor is justified at this time for the following three reasons: 1) The portion of Tampa Electric's projected underrecovery associated with higher commodity prices ($34.6 million) is based on reasonable fuel price assumptions; 2) the proposed mid-course correction would most likely result in better price signals to Tampa Electric customers; and 3) the proposed mid-course correction may prevent more severe customer rate impacts in 2004. Any over-recovery that Tampa Electric collects due to the proposed fuel cost recovery factors will be refunded to Tampa Electric's ratepayers with interest.

ISSUE 2: If the Commission approves Tampa Electric's petition for a mid-course correction, what should be the effective date of the mid-course correction?

RECOMMENDATION: The effective date should be the cycle one billing day for April 2003, which falls on March 31, 2003. If the Commission does not approve recovery of any additional under-recovery amounts, this issue is moot. (BOHRMANN, E. DRAPER, C. KEATING)

STAFF ANALYSIS: Tampa Electric has requested an effective date beginning with its cycle 1 billings in April 2003, which falls on March 31, 2003. Although this effective date is three days short of the customary 30-day notice requirement for rate increases, staff believes such treatment is reasonable. Due to the under-recovery's relative size, the Commission should implement the new factors as soon as possible. The March 31, 2003, effective date will also insure that all customers are billed under the new rates for the same amount of time.

The Commission has typically not required a 30-day notice period prior to implementing new fuel cost recovery 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.

The Commission did require a 30-day notice in Order No. PSC-00-1081-PCO-EI, issued June 5, 2000, which granted Florida Power & Light Company's, Progress Energy Florida, Inc.'s, and Tampa Electric Company's petitions for mid-course corrections in 2000. The Commission found that providing customers with the full 30 days' notice in this instance was appropriate. The Commission delayed the implementation beyond the date originally requested of the new factors for approximately two weeks to allow customers the opportunity to adjust their usage in light of the new factors. In this instance, as noted, the effective date recommended falls short of the 30-day notice period by three days.

Tampa Electric should notify its ratepayers in writing of the Commission approved fuel cost recovery factors. Tampa Electric should mail the notice to its customers as soon as possible after the Commission's decision. Such information should include, but not be limited to: the total dollar amount of the mid-course correction, the impact on residential ratepayer's 1,000 kwh monthly bill, and the effective date of the proposed fuel cost recovery factors.

ISSUE 3: Should this docket be closed?

RECOMMENDATION: No. (C. KEATING)

STAFF ANALYSIS: The Fuel and Purchased Power Cost Recovery clause is an on-going docket and should remain open.

Table 1: Change in Tampa Electric Company's 2003 Delivered Fuel Price Forecast ($/MMBtu)			
	As-Filed (9/20/02)	As-Filed (02/24/03)	Change
Natural Gas	$5.49	$6.94	26.41%
Residual Oil	$4.99	$5.24	5.01%
Distillate Oil	$4.51	$6.67	47.89%
Coal	$1.99	$2.01	1.01%

Table 2: Tampa Electric Company's Monthly Natural Gas Commodity Price Compared to NYMEX ($/MMBtu)				
Month in 2003	Tampa Electric Company's Petition Natural Gas Price	NYMEX 02/19/03 Natural Gas Price	Difference	Percent Difference
March	$6.04	$5.91	$0.13	2.20%
April	$5.85	$5.71	$0.14	2.45%
May	$5.65	$5.50	$0.15	2.73%
June	$5.57	$5.41	$0.16	2.96%
July	$5.56	$5.39	$0.17	3.15%
August	$5.53	$5.35	$0.18	3.36%
September	$5.50	$5.31	$0.19	3.58%
October	$5.54	$5.33	$0.21	3.94%
November	$5.71	$5.48	$0.23	4.20%
December	$5.88	$5.63	$0.25	4.44%

Table 3: Tampa Electric Company's Forecasts of System Efficiency by Fuel Type (Btu/kwh)		
	As-filed (9/20/02)	As-Filed (02/24/03)
Residual Oil	9,450	9,566
Distillate Oil	11,571	10,308
Coal	11,118	10,919
Natural Gas	8,125	7,702
Weighted Average	10,594	10,269

Table 4: Tampa Electric Company's System Net Generation (GWH) by Fuel Type			
	As-Filed 9/20/2002	As-Filed 02/24/2003	% Change
Residual Oil	75,711	98,496	30.09%
Distillate Oil	133,389	182,347	36.70%
Coal	14,155,319	13,288,335	-6.12%
Natural Gas	3,025,944	3,340,462	10.39%
Total	17,390,363	16,909,640	-2.76%

Tampa Electric Company
Proposed Fuel and Purchased Power Cost Recovery Factors
For the Period: April through December 2003

Group	Rate Schedule	Fuel Recovery Factor (cents/kWh)
A	RS, GS, TS	3.450
A1	SL-2, OL-1&3	3.177
B	GSD, GSLD, SBF	3.437
C	IS-1&3, SBI-1&3	3.347
A	RST, GST ON-PEAK OFF-PEAK	 4.385 2.964
B	GSDT, EV-X, GSLDT, SBFT ON-PEAK OFF-PEAK	 4.368 2.952
C	IST-1&3, SBIT-1&3 ON-PEAK OFF-PEAK	 4.255 2.876

RESIDENTIAL FUEL COST RECOVERY FACTORS FOR THE PERIOD: April 2003 - December 2003

28-Feb-2003

NOTE: This schedule reflects a midcourse correction to Florida Power & Light Company's and Tampa Electric Company's fuel factors and Progress Energy Florida's fuel and capacity factors effective April 2003.

		Florida Power & Light Co	Progress Energy Florida, Inc. (3)	Tampa Electric Company	Gulf Power Company	Florida Public Utilities Co. (2) Marianna	Florida Public Utilities Co. (2) Fernandina Beach
Present (cents per kwh):	January 2003 - March 2003	2.733	2.325	3.015	2.359	3.846	3.745
Proposed (cents per kwh):	April 2003 - December 2003	**3.203**	**2.741**	**3.450**	**2.359**	**3.846**	**3.745**
	Increase/Decrease:	0.470	0 416	0.435	0.000	0.000	0.000

TOTAL MONTHLY BILL - RESIDENTIAL SERVICE - 1,000 KILOWATT HOURS

PRESENT January 2003 - March 2003	Florida Power & Light Co.	Progress Energy Florida, Inc (3)	Tampa Electric Company	Gulf Power Company	Florida Public Utilities Co. (2) Marianna	Florida Public Utilities Co. (2) Fernandina Beach
Base Rate Charges	40 22	41.18	51.92	49 30	20.43	19.20
Fuel and Purchased Power Cost Recovery Clause	27.33	23 25	30 15	23.59	38.46	37.45
Energy Conservation Cost Recovery Clause	1.80	1 89	1.16	0.61	0.79	0.49
Environmental Cost Recovery Clause	0.19	0.14	1.44	1.05	N/A	N/A
Capacity Cost Recovery Clause	6.53	11.88	2.77	0.95	N/A	N/A
Gross Receipts Tax (1)	0.78	2.01	2 24	1.94	1.53	0.59
Total	**$76.85**	**$80.35**	**$89.68**	**$77.44**	**$61.21**	**$57.73**

PROPOSED April 2003 - December 2003	Florida Power & Light Co.	Progress Energy Florida, Inc. (3)	Tampa Electric Company	Gulf Power Company	Florida Public Utilities Co (2) Marianna	Florida Public Utilities Co (2) Fernandina Beach
Base Rate Charges	40.22	41.18	51.92	49.30	20.43	19.20
Fuel and Purchased Power Cost Recovery Clause	32.03	27.41	34.50	23.59	38.46	37.45
Energy Conservation Cost Recovery Clause	1.80	1.89	1.16	0.61	0.79	0.49
Environmental Cost Recovery Clause	0.19	0 14	1.44	1.05	N/A	N/A
Capacity Cost Recovery Clause	6.53	11.00	2.77	0.95	N/A	N/A
Gross Receipts Tax (1)	0.83	2.09	2.35	1.94	1.53	0.59
Total	**$81.60**	**$83.71**	**$94.14**	**$77.44**	**$61.21**	**$57.73**

PROPOSED INCREASE / (DECREASE)	Florida Power & Light Co.	Progress Energy Florida, Inc. (3)	Tampa Electric Company	Gulf Power Company	Florida Public Utilities Co. (2) Marianna	Florida Public Utilities Co. (2) Fernandina Beach
Base Rate Charges	0.00	0.00	0.00	0.00	0.00	0.00
Fuel and Purchased Power Cost Recovery Clause	4.70	4.16	4.35	0.00	0 00	0 00
Energy Conservation Cost Recovery Clause	0.00	0.00	0.00	0.00	0.00	0.00
Environmental Cost Recovery Clause	0.00	0.00	0.00	0.00	0.00	0.00
Capacity Cost Recovery Clause	0.00	-0.88	0.00	0 00	0.00	0.00
Gross Receipts Tax (1)	0.05	0.08	0.11	0.00	0.00	0.00
Total	$4 75	$3.36	$4.46	$0.00	$0.00	$0.00

(1) Additional Gross Receipts Tax (GRT) is 1% for FPL and FPUC-Fernandina Beach. Gulf, PEF, TECO and FPUC-Marianna have removed all GRT from their rates, and thus entire 2.5% is shown separately. (2) Fuel costs include purchased power demand costs of 1.598 c/kwh for Marianna and 1.473 c/kwh for Fernandina allocated to the residential class.
(3) Formerly known as Florida Power Corporation. Name change became effective January 1, 2003.

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