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 To: Filings@psc.state.fl.us
 Cc: JWM -- John McWhirter
 Subject: Docket No. 050001-EI
 Attachments: FIPUG's Petition for Automatic Correction of Final 2005 True-up Over Recoveries - 10-13-05.doc

1. Timothy J. Perry, McWhirter Reeves, 117 S. Gadsden Street, Tallahassee, FL 32301, (850) 222-2525, tperry@mac-law.com is the person responsible for this electronic filing;
2. The filing is to be made in Docket 050001-EI, *In re: Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor*;
3. The filing is made on behalf of the Florida Industrial Power Users Group;
4. The total number of pages is 6; and
5. The attached document is the The Florida Industrial Power Users Group's Petition for Automatic Correction of Final 2005 True-up Over Recoveries.

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10/13/2005

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No. 050001-EI
Filed: October 13, 2005

**THE FLORIDA INDUSTRIAL POWER USERS GROUP'S
PETITION FOR AUTOMATIC CORRECTION OF
FINAL 2005 TRUE-UP OVER RECOVERIES**

The Florida Industrial Power Users Group (FIPUG) through its undersigned attorneys, petitions this Commission and requests that Florida Power & Light Company (FPL), Progress Energy Florida (PEF) and Tampa Electric Company (TECo), be directed to adjust their fuel cost factor on March 1, 2006, if the actual fuel costs incurred in 2005 are less than the estimates filed in September 2005.

1. On August 8, 2005, FPL, PEF and TECo filed their estimated/actual true-up filings, which predicted under recoveries by the end of 2005. The August forecast estimates predicted that fuel prices for the second half of 2005 would greatly exceed what the utilities had originally projected in September 2004, even though the utilities estimates for the first half of 2005 were fairly accurate. For the first six months of 2005, FPL and TECo's actual costs reflected only modest price increases above their original estimates, while PEF's actual costs were lower than projected. On September 9, 2005, the utilities dramatically increased the August 8th projections for estimated 2005 under recoveries. If approved by the Commission, the charges for estimated 2005 under recoveries will go into effect during the first billing cycle of 2006.

2. The unusual turn around in fuel costs for the second half of the 2005 was apparently occasioned by the concurrence of an unanticipated spike in global fuel prices coupled with the fact that on August 29, 2005, the second gulf coast hurricane of the year, Katrina, made

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landfall near New Orleans, Louisiana with a third hurricane, Rita, waiting in the wings. The increased cost estimates for the second half of 2005 appear to be the utilities' worst-case scenarios for 2005. Needless to say, fuel cost prognostications are highly volatile and impacted by a myriad of circumstances.

3. FPL's most recent estimate concludes that its 2005 fuel costs will exceed the original estimate by \$761 million or 19%.¹ It proposes to recover the 2005 shortfall over two years. FPL requests that the Commission impose an average charge of \$3.63 for every 1000 kwh consumed to cover the new 2005 under recovery estimate.

4. PEF estimates that its \$48 million over recovery for the first six months will degenerate to a \$264 million under recovery by year's end.² PEF proposes to collect the entire 2005 shortfall in one year by charging customers \$6.60 for every 1000 kwh plus interest based on the September 2005 estimate.

5. TECo estimates that its year end fuel cost shortfall will be \$116.4 million for which it requests that the Commission impose a charge of \$5.92 for each 1000 kwh consumed.³

6. The actual 2005 fuel costs will be known with certainty by March 1, 2006, when the utilities make their final true-up filing for 2005. Typically, the final true-up for under or over recoveries would be carried forward and rolled into the 2007 fuel factor. However, if the estimated under recovery was greater than the actual under recovery, it is better for the customer to adjust the excessive charge immediately; otherwise, customers will pay more than necessary to cover actual costs, and then receive a delayed refund with interest at commercial paper rates over a twelve month period beginning nine months later. The present need for adjusting any excess charges as soon as the actual 2005 costs are known is especially cogent because in 2006

¹ Schedule E-1, line 29, Testimony of K.M. Dubin filed September 9, 2005.

² Schedule E-1, line 28, Testimony of Javier Portuondo filed September 9, 2005.

³ Schedule E-1, line 28, Testimony of Carlos Aldazabal filed September 9, 2005.

consumers will also encounter a greater fuel cost surcharge based on 2006 fuel cost estimates. The total proposed increase in the fuel factor portion of customers' bills for 2006 will be \$18.60 per 1000 kwh for FPL customers, \$13.26 per 1000 kwh for PEF customers and \$13.81 per 1000 kwh for TECo customers.

7. Although FIPUG does not challenge the reasonableness of the utilities' estimates for 2006, it should be noted that the rate impact of the proposed fuel cost surcharge on all classes of customers is greater than any electric rate increase experienced in recollected history. The overall guaranteed cost increases imposed by the four largest investor owned utilities for 2006 is over \$3 billion, an increase in the range of 38%. FIPUG estimates that guaranteed cost recovery items will be more than 70% of the utilities' operating revenue next year. By correcting any final 2005 true-up over recoveries immediately, rather than waiting nine months until January 2007, the Commission may give customers a modicum of welcome relief from the rate shock they will encounter come January 1, 2006.

8. Approval of such a request has been recognized to be within the Commission's authority since at least 1984. In Order No. 13694⁴, the Commission recognized that,

“[i]n any event, any party may request or the Commission may order that a hearing be held to consider a mid-year revision of the utility's fuel adjustment factor.”

The ability to make such a request for a mid-course correction was in addition to those adjustments for over recoveries and under recoveries in excess of 10%,

9. This procedure was reaffirmed in 2001 during the Commission's review of its move from seasonal, six-month recovery to annual, calendar year recovery. At that time, FPL proposed an alternative procedure for mid-course corrections. In analyzing FPL's request, the

⁴ See Order No. 13694, Docket No. 840001-EI; Docket No. 840003-GU, In re: Fuel and purchased power cost recovery clause and generating performance incentive factor; In re: purchased gas cost recovery clause (September 20, 1984)(emphasis added).

Commission stated in Order No. PSC-01-1665-PAA-EI⁵:

[T]he mid-course correction procedures set forth in Order No. 13694, issued September 20, 1984, in Docket No. 840001-EI, already allow a party or this 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.

WHEREFORE FIPUG requests that, in the final order in Docket 050001-EI, the Commission direct FPL, PEF and TECo to modify their respective tariffs on March 1, 2006 to reflect the actual 2005 fuel costs if the actual fuel costs are less than the September 2005 final estimates for 2005.

s/ Timothy J. Perry

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⁵ See Order No. PSC-01-1665-PAA-EI, Docket No. 010001-EI, *In re: Fuel and purchased power cost recovery clause and generating performance incentive factor* (August 15, 2001).

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing The Florida Industrial Power Users Group's Petition for Automatic Correction of Final 2005 True-up Over Recoveries has been furnished by electronic mail and U.S. Mail this 13th day of October 2005, to the following:

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