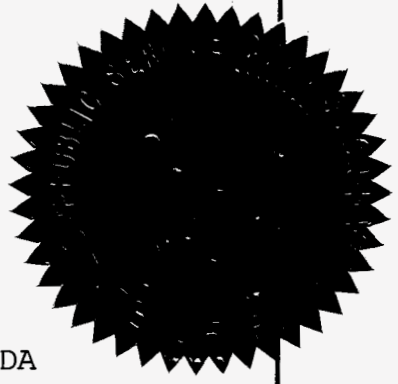


BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 100001-EI

FUEL AND PURCHASED POWER COST  
RECOVERY CLAUSE WITH GENERATING  
PERFORMANCE INCENTIVE FACTOR.  
(PEF Mid-Course Correction  
Recommendation)



PROCEEDINGS: COMMISSION CONFERENCE AGENDA  
ITEM NO. 9

COMMISSIONERS  
PARTICIPATING: CHAIRMAN ART GRAHAM  
COMMISSIONER LISA POLAK EDGAR  
COMMISSIONER NATHAN A. SKOP  
COMMISSIONER RONALD A. BRISÉ  
COMMISSIONER EDUARDO E. BALBIS

DATE: Tuesday, November 30, 2010

PLACE: Betty Easley Conference Center  
Room 148  
4075 Esplanade Way  
Tallahassee, Florida

REPORTED BY: LINDA BOLES, RPR, CRR  
Official FPSC Reporter  
(850) 413-6734

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## P R O C E E D I N G S

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**CHAIRMAN GRAHAM:** Item Number 9.

**MR. FRANKLIN:** Good morning, Commissioners.  
Kenneth Franklin with Staff.

Item 9 is Staff's recommendation regarding Progress Energy's petition for a mid-course correction filed on November 10th, 2010.

As you recall, at the November fuel hearing the Commission approved revised fuel factors for Progress based upon an updated natural gas price forecast. These fuel factors were approved on a preliminary basis, with the Commission also requiring Progress to file a mid-course correction based upon the fuel operational forecast, or FOF, that was being conducted by Progress at the time.

Progress filed the mid-course correction as required. However, a mid-course correction based upon the FOF would actually increase rates slightly over those approved at the fuel hearing. For that reason, Progress has requested that the Commission not make a mid-course adjustment to rates, but instead keep in place the factors approved at the fuel hearing. Staff agrees with Progress and recommends that the Commission keep in place the

1 currently approved fuel factors.

2 **CHAIRMAN GRAHAM:** Thank you. Once again I  
3 want to thank Staff for coming back with the three  
4 different options that we had asked for. And this, this  
5 item definitely illustrates quite, quite clearly the  
6 different effects of three different options.

7 Board?

8 Commissioner Skop.

9 **COMMISSIONER SKOP:** Thank you. Just to Staff  
10 and possibly Mr. Glenn, if you're available. I'm fine  
11 with the Staff recommendation. I support the Progress  
12 request to set factors that are, represent the lower of  
13 what was illustrated in Exhibit 71 versus the mid-course  
14 correction.

15 I think what I'm trying to gain a better  
16 appreciation of, and I understand sometimes we can't  
17 predict the future, and I read the Staff analysis,  
18 but, generally speaking, natural gas prices have  
19 fallen, coal may be a little more volatile,  
20 transportation costs, what have you. In the  
21 reforecast of the mid-course correction, my  
22 understanding is that in order to do a mid-course  
23 correction you have to expect that it's going to be,  
24 I believe, plus or minus, what is it, 5 or  
25 10 percent? 10 percent; that's what I thought.

1           In this instance though the result that  
2 was presented departed from what I thought the  
3 result might be and I think it probably shocked a  
4 lot of people. So I just wanted to gain a better  
5 understanding, not to be critical, but to understand  
6 if maybe another reforecast would be forthcoming in  
7 terms of mid-course or whether the actual mid-course  
8 represents truly the best data available at this  
9 time. And I'd look to either Staff or, and/or  
10 Mr. Glenn to, to bring some clarity to that.

11           **MR. HINTON:** I'll provide a little background  
12 on what led us to this point, but I think Progress  
13 Energy would best answer their, their, what they're  
14 going to do going forward.

15           During the discovery process, Progress  
16 Energy was in the middle of performing their FOF,  
17 and they let us know, hey, we look like we're maybe  
18 approaching the 10 percent mark; we're not really  
19 sure of the exact percentage.

20           **COMMISSIONER SKOP:** And that was for  
21 overrecovery, right, potential overrecovery?

22           **MR. HINTON:** Yeah. Potential overrecovery.  
23 If what was in their filing had been approved, they were  
24 saying based on new projections we may be already at the  
25 10 percent or close to it or approaching it. So we

1 began the process of revising the numbers based upon  
2 natural gas prices. And the Exhibit 71 that was  
3 approved at the hearing was based upon the natural gas  
4 price revision, which brought us down to about right  
5 here. And it was expected that after the full FOF it  
6 would bring us down a little bit more. But when you  
7 factor in new sales forecasts and so forth, it actually  
8 bumped up a little bit above what the Exhibit 71  
9 reflected. And in all, it was between 6 percent and  
10 7 percent was where the new, the new forecast left us.  
11 So we never really even got up to the 10 percent  
12 threshold that would require notification. But that,  
13 that's where we got to this point and why the FOF when  
14 it came out ended up not being quite like -- you know,  
15 we expected it would just continue to go down a little  
16 bit down. But with other factors that are involved with  
17 an FOF it brought it above what Exhibit 71 reflected.

18 **COMMISSIONER SKOP:** Okay. And that's, that's  
19 where I had the question just to Mr. Glenn. Typically  
20 it's Mr. Burnett, but, I hate to drag you up here, but I  
21 just wanted to get a better appreciation of in terms of  
22 the inflection point. I would have expected it would  
23 have trended down, but unfortunately it went the other  
24 way, and I'm trying to just gain a better insight into  
25 that.

1           **MR. GLENN:** Yes. Alex Glenn on behalf of  
2 Progress Energy Florida.

3           To your question, I think there are a  
4 couple of factors that we didn't expect, and when  
5 you run the full FOF, our dispatch changed, our  
6 dispatch mix changed a little bit. Coal prices were  
7 a little bit higher. And then on our daily  
8 forecasts of what we were looking at daily, spot  
9 prices for some specific times in a couple of months  
10 it was spiked high. So that's my understanding of  
11 why it went up and why we decided, once we saw those  
12 numbers, that why don't we just keep the lower cost  
13 to the customer in place, which was Exhibit 71.

14           **COMMISSIONER SKOP:** And I commend Progress for  
15 taking that action. It would have been real easy to do  
16 it the other way.

17           The follow-up question I have, Mr. Glenn,  
18 to that is with respect to the midcourse going  
19 upward, it also included updated sales load  
20 forecasts. And I would assume if fuel went up in  
21 its totality, then there must be some projection of  
22 increased sales over and above what was originally  
23 presented in Exhibit 71. Is --

24           **MR. GLENN:** I think there's a slight increase  
25 that we've seen over the last year and then projecting

1 forward. The number of -- it's really negative growth.

2 **COMMISSIONER SKOP:** Right.

3 **MR. GLENN:** It is not as high as we've seen,  
4 but our usage is down.

5 **COMMISSIONER SKOP:** Okay.

6 **MR. GLENN:** So it's -- so we'll see, you know,  
7 as that plays out in the, in the, in the coming year.

8 **COMMISSIONER SKOP:** Okay. But at this point  
9 Progress is, is recommending adopting the lower of the  
10 two numbers consistent with Exhibit 71.

11 **MR. GLENN:** Yes.

12 **COMMISSIONER SKOP:** Okay. All right. Thank  
13 you.

14 **CHAIRMAN GRAHAM:** Commission board, a motion.

15 **COMMISSIONER SKOP:** If there's no additional  
16 questions, move Staff recommendation on Issues 1 and 2,  
17 noting that adoption of the Commission based on the  
18 prior decision in Item 8 would reflect including the CR3  
19 replacement costs as articulated on Attachment A on page  
20 7, which I believe would be the first table, which would  
21 reflect the correct factors. And I see Staff nodding  
22 their head.

23 **CHAIRMAN GRAHAM:** Do I hear a second?

24 **COMMISSIONER EDGAR:** Mr. Chairman, a second,  
25 and then a brief comment.

1                   **CHAIRMAN GRAHAM:** Sure.

2                   **COMMISSIONER EDGAR:** Just to say that I would  
3 chime in and say I also was a little surprised when the  
4 numbers came forward, not, not exactly what I was  
5 expecting, but I would just add that that is part of the  
6 reason and validation for the fact that our Staff and  
7 our processes and all parties take the additional time  
8 and do the additional detail work. Because sometimes  
9 when you dig a little deeper, things do look a little, a  
10 little differently than they do on first blush. So I'm  
11 thank, I am thankful for all of the participation and  
12 cooperation, and I think that it came, came to a good  
13 result and I'm comfortable with the Staff  
14 recommendation.

15                   **CHAIRMAN GRAHAM:** I agree with you,  
16 Commissioner Edgar. We -- there was a little pushback  
17 when we were looking for additional options, but all we  
18 were looking for is additional information. Just  
19 because we're looking for the options doesn't mean  
20 particularly that we're going to take them. And so I'm  
21 glad that we as a board stood, stood firm and pushed for  
22 those, for that information. I'm glad that Staff  
23 brought it to us. That all being said, we have a motion  
24 and a second. Any further discussion? Seeing none, all  
25 in favor, say aye.



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(Vote taken.)

Those opposed? By your action, you've approved  
Item Number 9.

(Agenda item concluded.)

\* \* \* \* \*

1 STATE OF FLORIDA )  
 2 COUNTY OF LEON ) : CERTIFICATE OF REPORTER

3  
 4 I, LINDA BOLES, RPR, CRR, Official Commission  
 5 Reporter, do hereby certify that the foregoing proceeding  
 was heard at the time and place herein stated.

6 IT IS FURTHER CERTIFIED that I stenographically  
 7 reported the said proceedings; that the same has been  
 8 transcribed under my direct supervision; and that this  
 transcript constitutes a true transcription of my notes of  
 said proceedings.

9 I FURTHER CERTIFY that I am not a relative,  
 10 employee, attorney or counsel of any of the parties, nor  
 11 am I a relative or employee of any of the parties'  
 attorneys or counsel connected with the action, nor am I  
 financially interested in the action.

12 DATED THIS 31<sup>st</sup> day of December,  
 2010.

13  
 14 Linda Boles  
 15 LINDA BOLES, RPR, CRR  
 16 FPSC Official Commission Reporter  
 (850) 413-6734