

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 100001-EI  
ORDER NO. PSC-10-0738-FOF-EI  
ISSUED: December 20, 2010

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman  
LISA POLAK EDGAR  
NATHAN A. SKOP  
RONALD A. BRISÉ  
EDUARDO E. BALBIS

ORDER DENYING PROGRESS ENERGY FLORIDA, INC.'S  
PETITION FOR MID-COURSE CORRECTION AND  
ORDER APPROVING 2011 FUEL FACTORS INCLUDING REPLACEMENT POWER  
COSTS ASSOCIATED WITH THE CRYSTAL RIVER UNIT 3 OUTAGE

BY THE COMMISSION:

Background

As part of our continuing Fuel and Purchased Power Cost Recovery and Generating Performance Incentive Factor proceedings, a hearing (fuel hearing) was held on November 1 and 2, 2010, in this docket. The fuel hearing addressed the issues set forth in Order No. PSC-10-0654-PHO-EI, issued on October 29, 2010 (the Prehearing Order). During opening statements, Progress Energy Florida, Inc. (PEF or Company) indicated the Company was in the process of reforecasting its estimated fuel expenditures. Since PEF did not know the results of the forecast at the time of the fuel hearing, we voted to approve our staff's recommendation to set in place preliminary amounts for PEF's fuel cost recovery factors (2011 fuel factors). These amounts were provided by PEF in Exhibit 71 as PEF's Revised Positions & Supporting Schedules. Exhibit 71 contained two sets of fuel factors: one set including Crystal River Unit 3 (CR3) replacement power costs and one set excluding CR3 replacement power costs.

We also ordered PEF to file a petition for mid-course correction with its most recent fuel price forecast on or before November 10, 2010. Within PEF's mid-course correction, the Company was required to include fuel factors showing CR3 replacement power costs being all included, CR3 replacement power costs being all excluded, and 50 percent of CR3 replacement power costs being included in the fuel factors.

On November 10, 2010, PEF filed its petition for a mid-course correction to its 2011 fuel and purchased power cost recovery factors, comprising of one set of fuel factors including CR3 replacement power costs, one set of fuel factors excluding CR3 replacement power costs, and one set of fuel factors including 50 percent of CR3 replacement power costs. The mid-course

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correction is based on PEF's November Fuel Operational Forecast (FOF), which includes an updated sales forecast for 2011 and an updated fuel price forecast, as of October 11, 2010, for all fuel types. Purchased power costs and off-system sales are also updated. Because the mid-course fuel factors are higher than the fuel factors previously approved by us at the November fuel clause hearing, PEF requested that we decline to approve the fuel factors in the mid-course filing. By separate Order, we determined to include the CR3 replacement power costs in the 2011 fuel factor. By this Order, we determine whether to use the previously approved fuel factors from Exhibit 71 or the updated mid-course correction fuel factors. We have jurisdiction over this subject matter pursuant to the provisions of Chapter 366, Florida Statutes (F.S.), including Sections 366.04, 366.05, and 366.06, F.S.

### Decision

On September 1, 2010, PEF filed projection testimony and exhibits for its 2011 fuel factors based on its sales forecast and projected fuel costs. This projection included a natural gas price outlook as of June 14, 2010. During the deposition of PEF witness Marcia Olivier, our staff was informed that PEF was performing a Fuel Operational Forecast (FOF), and changes in forecasted fuel costs may be significant enough for PEF to file a reprojection of costs for the purposes of establishing 2011 factors. PEF provided an exhibit during the deposition that contained a high level analysis illustrating the impact of lower natural gas futures prices; this exhibit was admitted at the fuel hearing as Exhibit 65.

At our staff's request during the fuel hearing, PEF incorporated the high level analysis contained in Exhibit 65 into its Revised Positions and Supporting Schedules exhibit; this exhibit was admitted at the fuel hearing as Exhibit 71. These two exhibits essentially updated PEF's September 1, 2010 fuel testimony and filing with a more recent natural gas price outlook as of October 15, 2010. At the conclusion of the fuel hearing, on November 2, 2010, we approved 2011 fuel factors based upon Exhibit 71. The fuel factors approved in Exhibit 71 were to serve as place holders until PEF could complete its FOF for November and file a petition for mid-course correction as ordered.

As discussed above, the high level analysis used for Exhibit 71 factors essentially updated PEF's September projection filing with a more recent natural gas price outlook. In contrast, the mid-course correction includes a more thorough forecast of all fuel and purchased power costs and an updated sales (load) forecast. In other words, the mid-course correction provides a more comprehensive, and therefore more accurate, projection of fuel costs. Other than the mid-course factors being higher, the mid-course factors do not differ significantly from the Exhibit 71 fuel factors.

Based on the mid-course factors, the residential 1,000 kilowatt hour (kWh) bill would be approximately \$0.85 higher than with the currently approved fuel factors from Exhibit 71 with all CR3 replacement power costs included. Although the mid-course correction would result in a decrease in fuel factors compared to December 2010, the mid-course would result in an increase compared to the 2011 fuel factors approved during the November fuel hearing. For that reason, PEF requested in its petition that we not approve the fuel factors in the mid-course filing and continue with the fuel factors previously approved by us at the November fuel clause hearing.

Below is a table that illustrates the 2011 monthly residential fuel charge per 1,000 kWh, including CR3 replacement power costs based on Exhibit 71 fuel factors and mid-course correction fuel factors, along with a dollar difference between the two sets of fuel factors.

<u>2011 PEF Monthly Residential Fuel Charge per 1000 kWh</u>				
	<u>2010</u>	<u>Exhibit 71</u>	<u>Mid-Course</u>	<u>Difference between Exhibit 71 &amp; Mid-Course</u>
Current Charge	\$46.11			
Including CR3		\$44.61	\$45.46	\$0.85

If the goal in setting fuel factors is to minimize over-recoveries or under-recoveries, i.e., true-up amounts, by basing fuel factors on the best forecast available, the mid-course fuel factors might be the appropriate choice. However, approval of the mid-course factors would increase fuel charges for PEF ratepayers above those approved at the November fuel hearing. Although the mid-course fuel factors are more current and comprehensive than the currently approved fuel factors, we determine that the difference between the two sets is not significant enough to warrant an adjustment at this time.

Therefore, we do not approve the fuel factors in PEF's mid-course petition. Instead, we approve the Exhibit 71 fuel factors, as shown in Attachment A, which includes all of the CR3 replacement power costs.

For PEF, the new fuel and capacity charges shall be effective beginning with the first billing cycle for January 2011 through the last billing cycle for December 2011. The first billing cycle may start before January 1, 2011, and the last cycle may end after December 31, 2011, so long as each customer is billed for twelve months regardless of when the charge became effective. PEF shall include a message on bills notifying of the approved fuel factors.

Based on the foregoing, it is

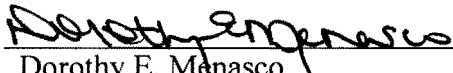
ORDERED by the Florida Public Service Commission that Progress Energy Florida Inc.'s petition for mid-course correction change in fuel factors is denied. It is further

ORDERED that Exhibit 71 fuel factors which include all of the CR3 replacement power costs are hereby approved. It is further

ORDERED that the Fuel and Purchased Power Cost Recovery Clause docket is an on-going docket and shall remain open.

By ORDER of the Florida Public Service Commission this 20th day of December, 2010.

ANN COLE  
Commission Clerk

By:   
Dorothy E. Menasco  
Chief Deputy Commission Clerk

( S E A L )

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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; or (2) judicial 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 Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, 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.

**Approved Exhibit 71 Fuel Cost Recovery Factors for the Period January through December 2011 including CR3 Replacement Costs**

<u>Line</u>	<u>Metering Voltage</u>	<u>First Tier Factor Cents/kWh</u>	<u>Second Tier Factor Cents/kWh</u>	<u>Levelized Factors Cents/kWh</u>	<u>Time of Use</u>	
					<u>On-Peak Multiplier</u> 1.306	<u>Off-Peak Multiplier</u> 0.855
1.	Distribution Secondary	4.461	5.461	4.776	6.237	4.083
2.	Distribution Primary	—	—	4.728	6.175	4.042
3.	Transmission	—	—	4.680	6.112	4.001
4.	Lighting Service	—	—	4.486	—	—