

State of Florida



Public Service Commission
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DATE: November 23, 2011
TO: Office of Commission Clerk (Cole)
FROM: Division of Economic Regulation (Lester, Barrett, Draper, Franklin, Watts)
Office of the General Counsel (Barrera, Bennett)
RE: Docket No. 110001-EI – Fuel and purchased power cost recovery clause with generating performance incentive factor.

AGENDA: 12/06/11 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brisé

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\110001-FPL.RCM.DOC

Case Background

On November 21, 2011, Florida Power & Light Company (FPL) filed a Petition for Mid-Course Correction to its 2012 Fuel Adjustment Factors (Petition). FPL seeks to reduce its 2012 fuel and purchased power cost recovery factors (fuel factors) that will be implemented in the first billing cycle in 2012. FPL's requested reduction is due to a decrease in projected 2012 natural gas prices.

Mid-course corrections are part of the fuel and purchased power cost recovery clause (fuel clause) proceeding, and such corrections are used by the Commission between fuel hearings whenever costs deviate from revenues by a significant margin. Petitions for mid-course corrections to fuel factors are addressed by Rule 25-6.0424, Florida Administrative Code (F.A.C.). Under this rule, utilities must notify the Commission whenever it expects to

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experience an underrecovery or overrecovery greater than 10 percent. FPL states that the projected 2012 year end over-recovery results in an 11.4 mid-course percent.¹

The Commission will review the mid-course correction as a part of the November 2012 fuel hearings. Mid-course corrections are considered preliminary procedural decisions. Any over-recoveries or under-recoveries caused by or resulting from the new fuel factors adopted by the mid-course correction may be included in the following year's fuel factors.

The Commission's jurisdiction to consider fuel clause proceedings derives from the Commission's authority to set fair and reasonable rates, found in Section 366.05, Florida Statutes.

¹ Based on Rule 25-6.0424, F.A.C., the mid-course percent is the estimated End-of-Period Total Net True-up divided by the current period's total actual and estimated Jurisdictional Fuel Revenue Applicable to Period.

Discussion of Issues

Issue 1: Should the Commission approve FPL's petition for a mid-course revision to its 2012 fuel cost recovery factors?

Recommendation: Yes. Staff recommends the Commission approve FPL's Petition for Mid-Course Correction to its 2012 fuel factors. The revised fuel factors should become effective with the first billing cycle in January 2012. The recommended fuel factors are presented in Attachment A. (Barrett, Draper, Franklin)

Staff Analysis: FPL's currently authorized 2012 fuel factors were set by the Commission at the November 1, 2011 fuel hearing. The factors are based on projected fuel costs for 2012 plus true-up amounts for 2010 and 2011.

To project natural gas commodity prices for 2012, FPL relied on NYMEX futures contract prices for each month of 2012 (the forward curve). Forward curve prices represent the price of gas for delivery in a particular month in the future. Futures contracts are actively traded and the prices can change hour-by-hour throughout a trading day.

FPL based its original 2012 projected cost on a forward curve as of August 1, 2012. In its petition, FPL notes that projected gas prices have declined. For the mid-course calculations, FPL used a forward curve of gas prices as of November 14, 2011. The decrease in 2012 projected gas prices from the original projections to the mid-course projections ranges from 18 to 22 percent.

In addition, FPL updated its 2011 true-up amount by incorporating three additional months of actual data through October 2011. Originally, this true-up was an underrecovery of \$109,641,629. The mid-course filing shows an underrecovery of \$6,301,912. Higher revenues, higher gas usage, less heavy oil usage, and lower natural gas prices all had a significant impact in the reduction of the underrecovery.

For 2012, FPL projects its generation mix will be approximately 75 percent natural gas. Therefore, a decrease in the projected cost of gas for FPL can significantly decrease its fuel factors.

FPL's current 1,000 kWh residential bill is \$96.54 with a fuel component of \$38.00. With the original 2012 fuel factors the residential bill would have been \$99.26 with a fuel component of \$37.96. With the fuel factors from this mid-course correction, the residential bill will be \$94.62 with a fuel component of \$33.43.

Staff recommends the Commission approve FPL's mid-course petition and the fuel factors contained therein. The recommended factors are presented in Attachment A.

FPL requested that the revised fuel factors become effective with the first billing cycle in January 2012. FPL noted that cycle day 1 for the month of January 2012 falls on January 3, 2012. FPL stated that it will notify its customers of the proposed midcourse correction through a bill insert in December bills.

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Issue 2: Should this docket be closed?

Recommendation: No. The Fuel and Purchased Power Cost Recovery Clause is an on-going docket and should remain open. (Barrera)

Staff Analysis: The Fuel and Purchased Power Cost Recovery Clause is an on-going docket and should remain open.

Attachment A

2012 Fuel Factors,
Revised on November 21, 2011

FPL - Fuel Recovery Factors – By Rate Group (Adjusted for Line / Transformation Losses) For the Period January 2012 – December 2012 Revised on November 21, 2011				
GROUP	RATE SCHEDULE	AVERAGE FACTOR	FUEL RECOVERY LOSS MULTIPLIER	FUEL RECOVERY FACTOR
A	RS-1 first 1,000kWh	3.679	1.00233	3.343
	RS-1 all additional kWh	3.679	1.00233	4.343
A	GS-1, SL-2, GSCU-1, WIES-1	3.679	1.00233	3.688
A-1*	SL-1, OL-1, PL-1	3.720	1.00233	3.729
B	GSD-1	3.679	1.00225	3.687
C	GSLD-1 & CS-1	3.679	1.00107	3.683
D	GSLD-2, CS-2, OS-2, MET	3.679	0.98972	3.641
E	GSLD-3, CS-3	3.679	0.95828	3.526
* Weighted Average 16 % on-Peak and 84 % off-Peak				

FPL - Seasonally Differentiated Time of Use Fuel Recovery Factors – By Rate Group (Adjusted for Line / Transformation Losses) For the Period January 2012 - March 2012 and November 2012 - December 2012 Revised on November 21, 2011				
GROUP	RATE SCHEDULE	AVERAGE FACTOR	FUEL RECOVERY LOSS MULTIPLIER	FUEL RECOVERY FACTOR
A	RST-1, GST-1 On-Peak	4.518	1.00233	4.529
	RST-1, GST-1 Off-Peak	3.370	1.00233	3.378
B	GSDT-1, CILC-1 (G) On-Peak	4.518	1.00224	4.528
	HLFT-1 (21-499 kW) Off-Peak	3.370	1.00224	3.378
C	GSLDT-1, CST-1 On-Peak	4.518	1.00110	4.523
	HLFT-2 (500-1,999 kW) Off-Peak	3.370	1.00110	3.374
D	GSLDT-2, CST-2 On-Peak	4.518	0.99111	4.478
	HLFT-3 (2,000+ kW) Off-Peak	3.370	0.99111	3.340
E	GSLDT-3, CST-3 On-Peak	4.518	0.95828	4.330
	CILC-1(T), ISST-1(T) Off-Peak	3.370	0.95828	3.229
F	CILC-1(D), ISST-1(D) On-Peak	4.518	0.98992	4.472
	Off-Peak	3.370	0.98992	3.336

FPL - Seasonally Differentiated Time of Use Fuel Recovery Factors – By Rate Group (Adjusted for Line / Transformation Losses) For the Period April 2012 – October 2012 Revised on November 21, 2011				
GROUP	RATE SCHEDULE	AVERAGE FACTOR	FUEL RECOVERY LOSS MULTIPLIER	FUEL RECOVERY FACTOR
A	RST-1, GST-1 On-Peak	5.816	1.00233	5.830
	RST-1, GST-1 Off-Peak	2.597	1.00233	2.603
B	GSDT-1, CILC-1(G) On-Peak	5.816	1.00224	5.829
	HLFT-1 (21-499 kW) Off-Peak	2.597	1.00224	2.603
C	GSLDT-1, CST-1 On-Peak	5.816	1.00110	5.822
	HLFT-2 (500-1,999 kW) Off-Peak	2.597	1.00110	2.600
D	GSLDT-2, CST-2 On-Peak	5.816	0.99111	5.764
	HLFT-3 (2,000+ kW) Off-Peak	2.597	0.99111	2.574
E	GSLDT-3, CST-3 On-Peak	5.816	0.95828	5.573
	CILC-1(T), ISST-1(T) Off-Peak	2.597	0.95828	2.489
F	CILC-1(D), ISST-1(D) On-Peak	5.816	0.98992	5.757
	Off-Peak	2.597	0.98992	2.571

FPL - Determination of Seasonal Demand Time of Use Rider (SDTR) Fuel Recovery Factors On-Peak: June 2012 through September 2012 Weekdays 3:00 pm to 6:00 pm Off-Peak: All Other Hours Revised on November 21, 2011				
GROUP	OTHERWISE APPLICABLE RATE SCHEDULE	AVERAGE FACTOR	FUEL RECOVERY LOSS MULTIPLIER	SDTR FUEL RECOVERY FACTOR
B	GSD(T)-1 On-Peak	6.758	1.00225	6.773
	Off-Peak	3.123	1.00225	3.130
C	GSLD(T)-1 On-Peak	6.758	1.00114	6.766
	Off-Peak	3.123	1.00114	3.127
D	GSLD(T)-2 On-Peak	6.758	0.99154	6.701
	Off-Peak	3.123	0.99154	3.097