

State of Florida



# Public Service Commission

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**DATE:** March 1, 2012  
**TO:** Office of Commission Clerk (Cole)  
**FROM:** Division of Economic Regulation (Lee, Barrett, Draper, Franklin, Lester, Watts)  
Office of the General Counsel (Barrera)  
**RE:** Docket No. 120001-EI – Fuel and purchased power cost recovery clause with generating performance incentive factor.

**AGENDA:** 03/13/12 – Regular Agenda – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Balbis

**CRITICAL DATES:** None

**SPECIAL INSTRUCTIONS:** None

**FILE NAME AND LOCATION:** S:\PSC\ECR\WP\120001.RCM.DOC

### Case Background

On February 21, 2012, Florida Public Utilities Company (FPUC) filed a petition for approval of a mid-course correction to its purchased power cost recovery factors (fuel factors) for its Northwest Division.<sup>1</sup> This mid-course petition is based on lower fuel costs of Gulf Power Company (Gulf), which is FPUC's generation services provider for its Northwest Division. On January 25, 2012, Gulf filed for a mid-course fuel rate reduction based on lower projected natural gas prices for 2012. The Commission approved Gulf's mid-course correction at the

<sup>1</sup> FPUC's current fuel factors for 2012 were set by the Commission after its November fuel hearing, by Order No. PSC-11-0579-FOF-EI, issued December 16, 2011, in Docket No. 110001-EI, In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.

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Agenda Conference on February 14, 2012.<sup>2</sup> As a result, FPUC expects significantly lower purchased power costs and seeks to reduce its fuel factors to be effective with the first billing cycle in April 2012.

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 experience an underrecovery or overrecovery greater than 10 percent. FPUC's projected overrecovery is less than the 10 percent threshold.

Mid-course corrections are considered preliminary procedural decisions. Any overrecoveries or underrecoveries caused by or resulting from the new fuel factors adopted by the mid-course correction will be reviewed as a part of the November 2012 fuel hearings. 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.

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<sup>2</sup> See Order No. PSC-12-0082-PCO-EI, issued February 24, 2012 in Docket No. 120001-EI, In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.

### **Discussion of Issues**

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

**Recommendation:** Yes, the Commission should approve FPUC's mid-course petition and the fuel factors contained in its revised petition filed on February 24, 2012. The new fuel factors should become effective with the first billing cycle in April 2012, which falls on April 1, 2012. The recommended fuel factors are presented in Attachment A. (Lee, Draper, Watts)

**Staff Analysis:** FPUC's petition states that, without a mid-course adjustment, the projected overrecovery at the end of March 2012 would be \$56,503. Staff met with FPUC and parties in a noticed informal meeting on February 24, 2012. Responding to staff's question about the presentation in FPUC's true-up calculations, FPUC proposed to revise its filing. Based on the revision, the projected overrecovery at the end of March 2012 would be \$1,372,721. The decrease in purchased power costs along with this projected overrecovery are the basis for the mid-course reduction to FPUC's fuel factors.

The current 1,000 kilowatt hour (kWh) residential bill for FPUC's Northwest Division is \$139.28, with a fuel component of \$103.07. If the fuel factors from this midcourse correction are approved, the 1,000 kWh residential bill will be \$134.64, with a fuel component of \$98.54, a decrease of \$4.53 in the fuel component. The total 1,000 kWh residential bill, including Gross Receipts Taxes, will decrease by \$4.64 effective April 1, 2012.

Staff notes the mid-course adjustment is based on a projected overrecovery. The actual true-up amount will differ depending on a variety of factors, including kWh sales and actual costs that will be subject to Commission audit and decided by the Commission at the November 2012 hearing. FPUC's projected overrecovery does not reach a level that would require it to inform the Commission pursuant to Rule 25-6.0424, F.A.C. However, staff agrees with FPUC that implementing the mid-course adjustment will allow FPUC to get these savings back to customers sooner rather than later.

Staff recommends the Commission approve FPUC's mid-course petition and the fuel factors contained in its revision filed on February 24, 2012. These recommended factors are shown in Attachment A.

Docket No. 120001-EI

Date: March 1, 2012

**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**

<b>FPUC - NORTHWEST DIVISION Fuel and Purchased Power Cost Recovery Factors Effective April 1, 2012</b>	
<u>Rate Schedule</u>	<u>Fuel Factor (c/kWh)</u>
RS (1st 1,000 kWh)	9.854
RS (Above 1,000 kWh)	10.854
GS	9.854
GSD	9.352
GSLD	8.995
OL, OL-2	7.619
SL1-2, SL-3	7.641

<b>FPUC - NORTHWEST DIVISION Time of Use/Interruptible Fuel and Purchased Power Cost Recovery Factors Effective April 1, 2012</b>		
<u>Rate Schedule</u>	<u>Fuel Factor On Peak (c/kwh)</u>	<u>Fuel Factor Off-Peak (c/kwh)</u>
RST - EXP	18.254	5.954
GST - EXP	13.854	4.854
GSDT - EXP	13.352	6.102
GSLDT - EXP	14.995	5.995
IS - EXP	7.495	8.995