

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: April 23, 2020

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Accounting and Finance (Higgins) *ALM*
Division of Economics (Coston, Draper)
Office of the General Counsel (Brownless) *JC*

RE: Docket No. 20200001-EI – Fuel and purchased power cost recovery clause with generating performance incentive factor.

AGENDA: 04/28/20 – Special Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Fay

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

From March 25, 2020, through April 2, 2020, the four investor-owned utilities (IOUs) in the State of Florida that generate their own electricity filed for mid-course corrections of their currently-approved fuel costs/factors.¹ These mid-course correction petitions were filed and are being addressed as part of the Florida Public Service Commission's (Commission) annual fuel and purchased power cost recovery (fuel clause) docket.

¹Order No. PSC-2019-0484-FOF-EI, issued November 18, 2019, in Docket No. 20190001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.*

Mid-Course Corrections

Mid-course corrections are part of the fuel clause proceeding, and such corrections are used by the Commission between fuel clause 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, a utility must notify the Commission whenever it expects to experience an under-recovery or over-recovery greater than 10 percent. Pursuant to Rule 25-6.0424, F.A.C., the mid-course percentage is the estimated end-of-period total net true-up amount divided by the current period's total actual and estimated jurisdictional fuel revenue applicable to period amount. Mid-course corrections are considered preliminary procedural decisions, and any over-recoveries or under-recoveries caused by or resulting from the Commission-approved adjusted fuel factors may be included in the following year's fuel factors. In this instance, the proposed revisions to current fuel cost recovery levels are being driven by a significant decline in the market-based price for natural gas. Rule 25-6.0424(2), F.A.C., does not require an under-recovery or over-recovery of 10 percent for the Commission to approve a mid-course correction.

The monthly natural gas price at the time 2020 projections were filed in September 2019 was \$2.56 per Million British thermal units (MMBtu).² Four months later in January 2020, or in the first month when new rates of the 2020 clause cycle became effective, the monthly spot price was down 21 percent, falling to \$2.02 per MMBtu. The forward prices currently being quoted on The New York Mercantile Exchange (NYMEX) for all months through the end of the third-quarter 2020, remain below \$2.20 per MMBtu (at Henry Hub) as of April 10, 2020.³ Staff notes these quoted spot market prices are lower than the utility-specific figures discussed later in the recommendation due to the addition of transportation and other costs to the utility figures.

In this proceeding, the Commission is being asked to reduce the expected fuel and capacity costs to customers. Specific treatment of the projected fuel mid-course correction over-recoveries further described below varies by utility; however, all are requesting approval of an accelerated method of flowing the projected over-recoveries of fuel and capacity charges to their respective customers. The "lump sum" approach of flowing the projected over-recoveries is meant to aid in counteracting the adverse economic conditions resulting from the Coronavirus Disease 2019 (COVID-19) global pandemic.⁴ Throughout this recommendation, staff may refer to the mid-course correction dollars being flowed to customers in a non-levelized manner as a "bill credit." However, the proposed approaches simply effectuate flowing all or a majority of the mid-course correction amounts in one- or three-month timeframes, rather than the standard approach of spreading the total amount over all remaining months in a period. In this instance, the standard

²The spot price in this case is the current market price for natural gas that can be bought or sold for immediate delivery, quoted for Henry Hub. The historical prices reported herein were sourced from The U.S. Energy Information Administration, and can be located at: <https://www.eia.gov/dnav/ng/hist/rngwhhdm.htm>

³The New York Mercantile Exchange is a commodity futures exchange owned and operated by CME Group of Chicago.

⁴COVID-19 is a respiratory illness that can spread from person to person. For further information, please refer to The Florida Department of Health, at: <http://www.floridahealth.gov/>

approach, including normal noticing timeframes, would be to flow the total mid-course correction amount ratably over the June through December time period.

Petitions

For purposes of this recommendation, the individual petitions are being addressed as Issues 1 through 4, in chronological order, by date when the Commission received the utility's filing.

On March 25, 2020, Tampa Electric Company (Tampa Electric) filed its *Petition for Mid-Course Correction of its Fuel Cost Recovery Factors and Capacity Cost Recovery Factors* (Tampa Electric Petition).⁵ Through its petition, Tampa Electric is seeking authorization to lower its currently-approved 2020 fuel and capacity cost recovery factors from June through December 2020, as well as issue line item bill credits in the months of June, July, and August 2020.

On April 1, 2020, Florida Power & Light Company (FPL) filed its *Mid-Course Correction Petition* (FPL Petition).⁶ FPL is seeking authorization to lower its currently-approved 2020 fuel cost recovery factors for the month of May 2020. FPL's current level of actual and projected fuel cost recovery has not breached the 10 percent threshold; thus, the filing was not prompted by the noticing requirement pursuant to Rule 25-6.0424(2), F.A.C. However, FPL indicated that its proposed action is primarily intended to help mitigate the adverse economic impacts of the COVID-19 pandemic.

On April 2, 2020, Gulf Power Company (Gulf) filed its *Mid-Course Correction Petition* (Gulf Petition).⁷ Gulf is seeking authorization to issue a line item bill credit for the month of May 2020.

On April 2, 2020, Duke Energy Florida, LLC (DEF) filed its *Emergency Petition for a Temporary Mid-Course Correction* (DEF Petition).⁸ DEF is seeking authorization to lower its currently-approved fuel cost recovery factors for the month of May 2020. DEF's current level of actual and projected fuel cost recovery has not breached the 10 percent threshold; thus, its filing was not prompted by the noticing requirement pursuant to Rule 25-6.0424(2), F.A.C. As with FPL, DEF indicated in its filing that the proposed action is in response to the adverse economic impacts of the COVID-19 pandemic.

Effective Dates and Noticing Requirement

FPL, Gulf, and DEF have requested that the revised tariffs become effective to essentially produce a one-time bill reduction in the month of May 2020. This matter is scheduled to be voted on at the April 28, 2020 Special Agenda Conference. Typically, effective dates are set a minimum of 30 days after a vote modifying charges. This time limit is imposed in order to avoid having new rates applied to energy consumed before the effective date of the Commission's action, i.e., the date of the vote. However, the Commission has also implemented charges as a

⁵Document No. 01597-2020.

⁶Document No. 01718-2020.

⁷Document No. 01730-2020.

⁸Document No. 01736-2020.

result of mid-course corrections in less than 30 days when circumstances warrant.⁹ Further, the Florida Supreme Court has recognized that the fuel clause proceeding “is a continuous proceeding and operates to a utility’s benefit by eliminating regulatory lag.”¹⁰ In this instance, there can be no prejudice to the customers because their total rate would be decreasing, not increasing. Therefore, customers would receive the benefit of reduced fuel rates as quickly as administratively possible.

The Commission has jurisdiction in this matter pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes (F.S.).

⁹Order No. PSC-15-0161-PCO-EI, issued April 30, 2015, in Docket No. 150001-EI, *In re: Fuel and purchased power cost recovery clause and generating performance incentive factor*.

¹⁰*Gulf Power Company v. Florida Public Service Commission*, 487 So. 2d 1036, 1038 (Fla. 1986).

Discussion of Issues

Issue 1: Should the Commission approve Tampa Electric's petition to reduce its currently-approved 2020 fuel and capacity cost recovery factors for purposes of flowing to customers a projected over-recovery of fuel and capacity charges during the period of June through December 2020, and issue fuel-related bill credits in June, July, and August 2020?

Recommendation: Yes. Staff recommends the Commission approve Tampa Electric's petition to reduce its currently-approved 2020 fuel and capacity cost recovery factors for purposes of flowing to customers a projected over-recovery of fuel and capacity charges during the period of June through December 2020, and issue fuel-related bill credits during June, July, and August 2020. The tariffs as shown on Attachment A should be approved effective June 1, 2020. Staff should be given administrative authority to approve the First Revised Tariff Sheet No. 6.023, effective September 2020. (Higgins, Draper)

Staff Analysis: On an annual basis, Tampa Electric and other electric IOUs in Florida participate in a technical hearing in this docket for the purposes of evaluating actual and projected fuel, purchased power, and capacity-related costs of service. The most-recent hearing took place on November 5, 2019. The Fuel Order issued from the 2019 hearing set forth the fuel, purchased power, and capacity cost recovery factors that were implemented by all IOUs in Florida effective with the first billing cycle of January 2020.¹¹ Tampa Electric's petition includes both fuel and capacity mid-course correction requests.

Tampa Electric has proposed to flow the total mid-course correction amount through the combination of a fuel credit for the months June through August 2020 (as shown in Attachment A, Tariff Sheet No. 6.023) and a reduction to the currently-approved fuel and capacity factors for the period June through December 2020 (as shown in Attachment A, Tariff Sheet No. 6.020). The fuel credit will be shown as a separate line item on the bill. For a residential customer using 1,000 kWh per month, the proposed 3-month fuel credit is \$18.40. The residential fuel rate reduction associated with the remainder of the mid-course correction is \$4.17 per 1,000 kWh (7 months, June through December). As proposed, the mid-course correction amount related to capacity will be distributed normally over the remaining 7-month period for a residential rate reduction of \$0.22 per 1,000 kWh.

Mid-Course Correction - Fuel

With respect to the components of the mid-course correction calculation, which in this case returns the total dollar amount used to calculate the proposed rate reductions, Tampa Electric combined its final 2019 fuel over-recovery of \$35,821,098, with its 2020 actual and estimated fuel over-recovery of \$94,867,488, resulting in an estimated total over-recovery of \$130,688,586. This is the total amount requested be returned to customers in 2020. The fuel mid-course correction position following the calculation methodology in Rule 25-6.0424(1)(a), F.A.C., is 22.3 percent.

¹¹Order No. PSC-2019-0484-FOF-EI.

The projected 2020 over-recovery of fuel charges is specifically associated with a decline in actual and re-projected fuel costs. Tampa Electric’s original estimation of natural gas costs for 2020 were formulated based on May 2019 futures data. At that time, Tampa Electric projected the average delivered cost of natural gas to be \$3.68 per MMBtu. Tampa Electric now projects, based on March 2020 data, the average 2020 cost of natural gas will be \$3.16 per MMBtu (reduction of 14 percent).

Mid-Course Correction - Capacity

As part of its request, Tampa Electric is proposing to reduce its 2020 capacity cost recovery factors by a projected 2020 over-recovery of \$2,885,599. Tampa Electric’s capacity mid-course correction position following the calculation methodology in Rule 25-6.0424(1)(a), F.A.C., is 182 percent. Tampa Electric stated the projected over-recovery was caused by the inclusion of two Solar Base Rate Adjustment (SoBRA) true ups and additional firm power purchase agreements (netted against the SoBRA true ups) in its revised capacity cost estimate for 2020.¹²

Tampa Electric, unlike with its fuel reduction, did not incorporate a final 2019 capacity over-recovery of \$111,228 in the mid-course adjustment as it believes the amount is “*de minimus*” to the overall request. Tampa Electric claimed it will return the \$111,228 to customers in 2021, or through the normal course of action during this fuel clause cycle. As proposed, the mid-course correction related to capacity will be distributed over the June through December time period. Staff agrees with this assessment concerning the relative size of the 2019 capacity over-recovery as compared to the total mid-course adjustment and believes Tampa Electric’s proposed treatment is reasonable.

Bill Impacts

Table 1-1 below displays the bill impact to a residential customer using 1,000 kilowatt-hours (kWh) of electricity a month and further discusses the effects of Tampa Electric’s request.

**Table 1-1
 Monthly Residential Billing Detail at 1,000 kWh**

Invoice Component	Currently-Approved 2020 Charges¹³	Proposed Charges June-Aug. 2020	Approved to Proposed Difference	Proposed Charges Sept.-Dec. 2020
Base Charge	\$67.76	\$67.76	\$0.00	\$67.76
Fuel Charge	27.02	22.85	(4.17)	22.85
Fuel Credit	0.00	(18.40)	(18.40)	0.00
Conservation Charge	2.32	2.32	0.00	2.32
Capacity Charge	0.10	(0.12)	(0.22)	(0.12)
Environmental Charge	2.44	2.44	0.00	2.44
Gross Receipts Tax	2.55	1.97	(0.58)	2.44
Total	\$102.19	\$78.82	(\$23.37)	\$97.69

Source: Tampa Electric Petition, Schedule E-10.

¹²Document No. 01597-2020.

¹³Order No. PSC-2019-0484-FOF-EI.

Tampa Electric's current total residential charge for 1,000 kWh of usage is \$102.19. Effective with the June 2020 billing cycle and continuing through August, the proposed charge will be \$78.82, or a decrease of \$23.37 (22.9 percent). The proposed June through August line item bill credit is \$18.40. Effective with the September 2020 billing cycle and continuing through December, the bill will be \$97.69. The June through December portion (i.e., amount not included in the monthly credits) of the fuel mid-course correction reflects a reduction of \$4.17 per 1,000 kWh. Concerning the non-residential classes, commercial, and industrial customers can expect a reduction of 14 to 20 percent, depending on usage. Tampa Electric stated that it will provide customers notice of the changes with its June bills and on its website. The Company also filed the tariff (First Revised 6.023) for after the credit concludes post-August 2020. Staff requests administrative authority to approve the First Revised Tariff Sheet No. 6.023, effective September 2020. Further, Tampa Electric indicated in paragraph 20 of its petition that it consulted with the Office of Public Counsel (OPC) about its primary proposal (factors shown on Attachment A) and that the OPC is in support of the proposal.

Alternative Treatment

If the Commission is not inclined to authorize the issuance of bill credits for the months of June, July, and August 2020, Tampa Electric has filed information detailing the return of the 2020 mid-course correction amount through the normal levelized rate approach over the June through December 2020 period. The associated tariff is not attached to this recommendation, but has been filed and can readily be administered if the Commission so desires.¹⁴

Conclusion

Staff recommends the Commission approve Tampa Electric's petition to reduce its currently-approved 2020 fuel and capacity cost recovery factors for purposes of flowing to customers a projected over-recovery of fuel and capacity charges during the period of June through December 2020, and issue fuel-related bill credits in the months of June, July, and August 2020. The tariffs as shown on Attachment A should be approved effective June 1, 2020. Staff should be given administrative authority to approve the First Revised Tariff Sheet No. 6.023, effective September 2020.

¹⁴Document No. 01810-2020.

Issue 2: Should the Commission approve FPL's petition to reduce, for one month, its currently-approved 2020 fuel cost recovery factors for purposes of flowing to customers a projected over-recovery of 2020 fuel charges in the month of May 2020?

Recommendation: Yes. Staff recommends the Commission approve FPL's petition to reduce, for one month, its currently-approved 2020 fuel cost recovery factors for purposes of flowing to customers a projected over-recovery of 2020 fuel charges in the month of May 2020. The tariffs as shown on Attachment B should be approved effective May 1, 2020. Staff should be given administrative authority to approve tariffs effective June 1, 2020, as these reflect the fuel factors approved in Order No. PSC-2019-0484-FOF-EI. (Higgins, Draper)

Staff Analysis: FPL participated in the Commission's most-recent fuel hearing which took place on November 5, 2019. The Fuel Order issued from the 2019 hearing set forth FPL's fuel, purchased power, and capacity-related cost recovery factors effective with the first billing cycle of January 2020.¹⁵

Mid-Course Correction

FPL has proposed to address a projected 2020 fuel over-recovery of \$206,083,515 by reducing its fuel factors in the month of May 2020. The projected 2020 over-recovery of fuel charges is specifically associated with a decline in projected fuel costs. However, as mentioned in the Case Background section of this recommendation, FPL's fuel mid-course correction position following the calculation methodology in Rule 25-6.0424(1)(a), F.A.C., is 6.3 percent, which is under the 10 percent threshold prompting a noticing requirement pursuant to the same rule. FPL's original projection of natural gas costs for 2020 was formulated near the end of July 2019. At that time, FPL projected the average delivered cost of natural gas to be \$4.06 per MMBtu. FPL now projects, based on March 2020 data, the average 2020 cost of natural gas will be \$3.53 per MMBtu (reduction of 13 percent).

As noted, FPL's re-projection of 2020 fuel costs returns an estimated over-recovery of \$206.1 million. Typically, at this point in a fuel clause cycle a utility would incorporate any over- or under-recovery from the prior period (prior calendar year) into its mid-course correction request. However, FPL has proposed to address its final prior period true up amount, which is a net under-recovery of \$51.6 million, as part of its 2021 fuel cost recovery request. In support of the requested treatment, FPL contends that by excluding the 2019 true up amount, it is maximizing the effect of the May 2020 rate reduction. FPL's requested approach is, in principle, similar to Tampa Electric's proposal relating to its 2019 capacity cost over-recovery discussed in Issue 1 (i.e. not incorporating a prior period true up amount). Further, FPL cited Order No. PSC-2019-0109-PCO-EI as precedent wherein the Commission authorized an electric utility to implement a mid-course correction that excluded the prior year's under-recovery amount.¹⁶

As part of the mid-course correction filing, FPL updated its projections for purchased power, qualifying facilities, and economy purchases due to the updated fuel pricing and input

¹⁵Order No. PSC-2019-0484-FOF-EI.

¹⁶Order No. PSC-2019-0109-PCO-EI, issued March 22, 2019, in Docket 20190001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*.

assumptions. Regarding capacity cost recovery, FPL did not propose any changes to its currently-approved factors.

Bill Impacts

Table 2-1 below displays the bill impact to a residential customer using 1,000 kWh of electricity a month and further discusses the effects of FPL’s request.

**Table 2-1
 Monthly Residential Billing Detail at 1,000 kWh**

Invoice Component	Currently-Approved Charges for April 2020¹⁷	Currently-Approved Charges for May 2020¹⁸	Proposed Charges for May 2020	Approved to Proposed May 2020 Difference	Approved Charges June-Dec. 2020
Base Charge	\$69.43	\$69.94	\$69.94	\$0.00	\$69.94
Fuel Charge	18.97	18.84	(3.65)	(22.49)	18.84
Conservation Charge	1.39	1.39	1.39	0.00	1.39
Capacity Charge	2.30	2.30	2.30	0.00	2.30
Environmental Charge	<u>1.55</u>	<u>1.55</u>	<u>1.55</u>	<u>0.00</u>	<u>1.55</u>
Gross Receipts Tax	<u>2.40</u>	<u>2.41</u>	<u>1.83</u>	<u>(0.58)</u>	<u>2.41</u>
Total	<u>\$96.04</u>	<u>\$96.43</u>	<u>\$73.36</u>	<u>(\$23.07)</u>	<u>\$96.43</u>

Source: FPL Petition, Schedule E-10.

FPL’s current total residential charge for 1,000 kWh of usage for January through April 2020 is \$96.04. Effective May 2020, the Commission approved by Order No. PSC-2019-0484-FOF-EI FPL’s 2020 SoBRA which would have increased the 1,000 kWh bill to \$96.43. Applying the proposed one-time fuel credit decreases the \$96.43 bill to \$73.36, or a reduction of \$23.07 in May (23.9 percent).

FPL requested that it be allowed to return to the fuel adjustment factors approved by Order No. PSC-2019-0484-FOF-EI following the one-time May reduction. Thus, if approved by the Commission, effective with the June 2020 billing cycle, the residential charge for 1,000 kWh will return to \$96.43. Concerning non-residential customers, FPL reports that typical bill reductions will range from approximately 24 to 30 percent for commercial customers, and approximately 53 percent for industrial customers.¹⁹

FPL’s proposed tariff is shown on Attachment B to this recommendation. FPL stated that it has provided notice of its request for a mid-course correction with its April customer bills, subject to Commission approval.

¹⁷Order No. PSC-2019-0484-FOF-EI.

¹⁸*Id.*

¹⁹Document No. 01868-2020.

Conclusion

Staff recommends the Commission approve FPL's petition to reduce, for one month, its currently-approved 2020 fuel cost recovery factors for purposes of flowing to customers a projected over-recovery of fuel charges during the month of May 2020. The tariffs as shown on Attachment B should be approved effective May 1, 2020. Staff should be given administrative authority to approve tariffs effective June 1, 2020, as these reflect the fuel factors approved in Order No. PSC-2019-0484-FOF-EI.

Issue 3: Should the Commission approve Gulf's petition to provide customers a fuel-related bill credit during the month of May 2020?

Recommendation: Yes. Staff recommends the Commission approve Gulf's petition to provide customers a fuel-related bill credit during the month of May 2020 for purposes of flowing to customers a projected over-recovery of fuel costs. The tariff showing the fuel credit as shown in Attachment C should be approved effective May 1, 2020. Staff should be given administrative authority to approve the First Revised Tariff Sheet No. 6.34a effective June 1, 2020. (Higgins, Draper)

Staff Analysis: Gulf participated in the Commission's most-recent fuel hearing which took place on November 5, 2019. The Fuel Order issued from the 2019 hearing set forth Gulf's fuel, purchased power, and capacity-related cost recovery factors effective with the first billing cycle of 2020.²⁰

Mid-Course Correction

With respect to the components of the mid-course correction calculation, which returns the total dollar amount used to calculate the proposed reduction, Gulf combined its final 2019 over-recovery of \$8,868,596 with its estimated 2020 over-recovery of \$42,404,427, resulting in a total estimated 2020 over-recovery of \$51,273,023, or the total mid-course correction amount proposed to be flowed to customers. Gulf's fuel mid-course correction position following the calculation methodology in Rule 25-6.0424, F.A.C., is 14.7 percent.

The projected 2020 over-recovery of fuel charges is specifically associated with a decline in projected fuel costs. Gulf's original projection of 2020 natural gas costs was formulated near the end of July 2019. At that time, Gulf projected the average cost of natural gas to be \$3.39 per MMBtu. Gulf now projects, based on March 2020 data, the average 2020 cost of natural gas will be \$2.57 per MMBtu (reduction of 24.2 percent).

Gulf proposed to flow its projected 2020 over-recovery of \$51.3 million to customers through a bill credit in the month of May 2020. As part of the mid-course correction filing, Gulf updated its projections for purchased power and economy purchases due to the updated fuel pricing and input assumptions. Regarding capacity cost recovery, Gulf did not propose any changes to its currently-approved factors.

Bill Impacts

Table 3-1 below displays the bill impact to a residential customer using 1,000 kWh of electricity a month and further discusses the effects of Gulf's request.

²⁰Order No. PSC-2019-0484-FOF-EI.

**Table 3-1
 Monthly Residential Billing Detail at 1,000 kWh**

Invoice Component	Currently-Approved 2020 Charges²¹	Proposed Charges for May 2020	Approved to Proposed May 2020 Difference	Approved Charges June-Dec. 2020
Base Charge	\$68.06	\$68.06	\$0.00	\$68.06
Fuel Charge	32.62	32.62	0.00	32.62
Fuel Credit	0.00	(54.98)	(54.98)	0.00
Conservation Charge	0.60	0.60	0.00	0.60
Capacity Charge	8.78	8.78	0.00	8.78
Environmental Charge	18.86	18.86	0.00	18.86
Storm Charge	<u>8.00</u>	<u>8.00</u>	<u>0.00</u>	<u>8.00</u>
Gross Receipts Tax	<u>3.51</u>	<u>2.10</u>	<u>(1.41)</u>	<u>3.51</u>
Total	<u>\$140.43</u>	<u>\$84.04</u>	<u>(\$56.39)</u>	<u>\$140.43</u>

Source: Gulf Petition, Schedule E-10.

Gulf’s current total residential charge for 1,000 kWh of usage is \$140.43. By applying the proposed one-month fuel credit, the total bill lowers to \$84.04, or a reduction of \$56.39 (40.2 percent) for the month of May 2020. The proposed fuel credit is shown in Attachment C, Original Sheet No. 6.34a, which is effective for the May 2020 billing cycle. Gulf also filed its First Revised Tariff Sheet No. 6.34a for after the credit concludes post May 2020. Staff requests administrative authority to approved the First Revised Tariff Sheet No. 6.34a effective June 2020. Concerning non-residential customers, Gulf reports that typical bill reductions will range from approximately 40 to 54 percent for small commercial customers, approximately 53 percent for medium commercial customers, and approximately 56 percent for large commercial customers.²² Gulf’s proposed tariff is shown on Attachment C to this recommendation. Gulf stated that it has provided notice of this request for a mid-course correction with its April customer bills, subject to Commission approval.

Conclusion

Staff recommends the Commission approve Gulf’s petition to provide customers a fuel-related bill credit during the month of May 2020 for purposes of flowing to customers a projected over-recovery of fuel costs. The tariff showing the fuel credit as shown in Attachment C should be approved effective May 1, 2020. Staff should be given administrative authority to approve the First Revised Tariff Sheet No. 6.34a effective June 1, 2020.

²¹*Id.*

²²Document No. 01854-2020.

Issue 4: Should the Commission approve DEF's petition to reduce, for one month, its currently-approved 2020 fuel cost recovery factors for purposes of flowing to customers a projected over-recovery of fuel charges in the month May 2020?

Recommendation: Yes. Staff recommends the Commission approve DEF's petition to reduce, for one month, its currently-approved 2020 fuel cost recovery factors for purposes of flowing to customers a projected over-recovery of fuel charges during the month May 2020. The tariffs as shown on Attachment D should be approved effective May 1, 2020. Staff should be given administrative authority to approve tariffs effective June 1, 2020, as these reflect the fuel factors approved in Order No. PSC-2019-0484-FOF-EI. (Higgins, Draper)

Staff Analysis: DEF participated in the Commission's most-recent fuel hearing which took place on November 5, 2019. The Fuel Order issued from the 2019 hearing set forth DEF's initial 2020 fuel, purchased power, and capacity-related cost recovery factors effective with the first billing cycle of 2020.²³ DEF implemented a previously-approved rate change effective April 2020.²⁴ The April rate adjustment is associated with the DeBary solar project going into service. Although the April 2020 rates differ from the March rates shown on Schedule E-10 of the DEF Petition, staff discusses its rate recommendation from the April 2020 levels.²⁵

Mid-Course Correction

With respect to the components of the mid-course correction calculation, which in this case returns the total dollar amount used to calculate the proposed rate reductions, DEF combined its total 2019 fuel under-recovery of \$21,535,230, with its estimated 2020 fuel over-recovery of \$99,767,015, resulting in a net mid-course correction amount of \$78,231,785. This is total amount proposed to be flowed to customers. DEF's fuel mid-course correction position following the calculation methodology in Rule 25-6.0424(1)(a) F.A.C., is 6.1 percent, which is under the 10 percent threshold prompting a noticing requirement pursuant to the same rule.

The projected 2020 over-recovery of fuel charges is specifically associated with a decline in projected fuel costs. DEF's original projection of its 2020 natural gas cost was formulated in June 2019. At that time, DEF projected the average cost of natural gas to be \$4.06 per MMBtu. DEF now projects the average 2020 cost of natural gas will be \$3.68 per MMBtu (or reduction of 9.4 percent).

DEF has proposed to address its 2020 mid-course amount of approximately \$78.2 million through reduced fuel cost recovery factors for the month of May 2020. DEF stated it did not revise any of its planned power purchases but "will continue to utilize power purchases when needed to economically and reliably support the needs of the system."²⁶ Further, DEF did not propose any changes to its currently-approved Capacity Cost Recovery factors.

²³Order No. PSC-2019-0484-FOF-EI.

²⁴Order No. PSC-2019-0292-FOF-EI, Docket No. 20190072-EI, Issued July 22, 2019, In re: *Petition for a limited proceeding to approve second solar base rate adjustment, by Duke Energy Florida, LLC.*

²⁵Document No. 01736-2020.

²⁶Document No. 01828-2020.

Bill Impacts

Table 4-1 below displays the rate impact to a residential customer using 1,000 kWh of electricity a month and further discusses the effects of DEF’s request.

**Table 4-1
 Monthly Residential Billing Detail at 1,000 kWh**

Invoice Component	Currently-Approved Charges for April 2020²⁷	Proposed Charges for May 2020	Approved to Proposed May 2020 Difference	Approved Charges June-Dec. 2020
Base Charge	\$71.96	\$71.96	\$0.00	\$71.96
Fuel Charge	30.67	4.50	(26.17)	30.67
Conservation Charge	3.39	3.39	0.00	3.39
Capacity Charge	12.00	12.00	0.00	12.00
Environmental Charge	0.79	0.79	0.00	0.79
Storm Charge	5.34	5.34	0.00	5.34
Asset Securitization Charge	<u>2.35</u>	<u>2.35</u>	<u>0.00</u>	<u>2.35</u>
Gross Receipts Tax	<u>3.24</u>	<u>2.57</u>	<u>(0.67)</u>	<u>3.24</u>
Total	<u>\$129.74</u>	<u>\$102.90</u>	<u>(\$26.84)</u>	<u>\$129.74</u>

Source: DEF Petition, Schedule E-10 and Order No. PSC-2019-0292-FOF-EI.

DEF’s current total residential charge for 1,000 kWh of usage is \$129.74. By applying the proposed one-month fuel rate decrease, the total charge lowers to \$102.90, or a reduction of \$26.84 (20.7 percent) for the month of May 2020. DEF requested that it be allowed to return to the rates approved by Order No. PSC-2019-0484-FOF-EI following the one-time May reduction (from June through December 2020). Concerning non-residential customers, DEF reports that typical bill reductions will range from approximately 20 to 32 percent for commercial customers, and approximately 25 to 45 percent for industrial customers.²⁸ DEF’s proposed tariff is shown on Attachment D to this recommendation. DEF stated that it will provide notice of the changes with the May billing statement and on its website.

Conclusion

Staff recommends the Commission approve DEF’s petition to reduce, for one month, its currently-approved 2020 fuel cost recovery factors for purposes of flowing to customers a projected over-recovery of fuel charges in the month of May 2020. The tariffs as shown on Attachment D should be approved effective May 1, 2020. Staff should be given administrative authority to approve tariffs effective June 1, 2020, as these reflect the fuel factors approved in Order No. PSC-2019-0484-FOF-EI.

²⁷Order No. PSC-2019-0292-FOF-EI.

²⁸Document No. 01828-2020.

Issue 5: Should this docket be closed?

Recommendation: No. The 20200001-EI docket is an on-going proceeding and should remain open. (Brownless)

Staff Analysis: The 20200001-EI (fuel clause) docket is an on-going proceeding and should remain open.



SEVENTY-~~EIGHTH~~-NINTH REVISED SHEET NO. 6.020
 CANCELS SEVENTY-~~SEVENTH~~-~~EIGHTH~~ REVISED SHEET NO. 6.020

ADDITIONAL BILLING CHARGES

TOTAL FUEL AND PURCHASED POWER COST RECOVERY CLAUSE: The total fuel and purchased power cost recovery factor shall be applied to each kilowatt-hour delivered, and shall be computed in accordance with the formula prescribed by the Florida Public Service Commission. The following fuel recovery factors by rate schedule have been approved by the Commission:

		RECOVERY PERIOD (June January 2020 through December 2020)					
		¢/kWh		¢/kWh	¢/kWh	¢/kWh	
		Fuel		Energy Conservation	Capacity	Environmental	
Rate Schedules		Standard	Peak	Off-Peak			
RS (up to 1,000 kWh)		2.7022 2.285			0.232	(0.012)0	0.244
RS (over 1,000 kWh)		3.7023 2.285			0.232	(0.012)0	0.244
RSVP-1	(P ₁)	2.6383 0.046			(2.452)	(0.012)0	0.244
	(P ₂)	2.6383 0.046			(0.725)	(0.012)0	0.244
	(P ₃)	2.6383 0.046			6.481	(0.012)0	0.244
	(P ₄)	2.6383 0.046			38.986	(0.012)0	0.244
GS, GST		2.6383 0.046	3.1622 766	2.9532 83.5	0.216	(0.011)08	0.244
CS		2.6383 0.046			0.216	(0.011)08	0.244
LS-1, LS-2		2.9892 6.614			0.118	(0.003)2	0.241
GSD Optional							
Secondary		2.6383 0.046			0.194	(0.010)07	0.243
Primary		2.9862 6.612			0.192	(0.010)07	0.241
Subtransmission		2.9562 5.855			0.190	(0.010)07	0.238
		¢/kWh		\$/kW	\$/kW	¢/kWh	
		Fuel		Energy Conservation	Capacity	Environmental	
Rate Schedules		Standard	Peak	Off-Peak			
GSD, GSDT, SBF, SBFT			2.7663 462	2.5832 53.9			
Secondary		2.6383 0.046	3.1302 738	2.9232 57.5	0.84	(0.04)3	0.243
Primary		2.6122 9.986	3.0992 711	2.8942 31.5	0.83	(0.04)3	0.241
Subtransmission		2.5852 9.966	2.7383 130	2.5572 23.9	0.82	(0.04)3	0.238
IS, IST, SBI							
Primary		2.6122 9.986	2.7113 130	2.5312 23.8	0.72	(0.04)3	0.237
Subtransmission		2.5852 9.966	2.7113 130	2.5312 23.8	0.72	(0.04)3	0.234

ISSUED BY: N. G. Tower, President

DATE EFFECTIVE: January 1, 2020



ORIGINAL SHEET NO. 6.023

Continued from Sheet No. 6.022

ADDITIONAL BILLING CREDITS

FUEL AND PURCHASED POWER COST RECOVERY CREDIT: In addition to the total fuel and purchased power cost recovery clause factors, the fuel credit factor shall be applied to each kilowatt-hour delivered, and shall be computed in accordance with the formula and procedures prescribed by the Florida Public Service Commission for a June 2020 through August 2020 mid-course correction. The following fuel credit factors by rate schedule have been approved by the Commission:

<u>RECOVERY PERIOD</u>			
<u>(EFFECTIVE BEGINNING WITH THE JUNE 2020 BILLING CYCLE</u>			
<u>AND EXPIRING AFTER THE AUGUST 2020 BILLING CYCLE)</u>			
<u>Rate Schedules</u>	<u>¢/kWh</u>		
	<u>Fuel</u>		
	<u>Standard</u>	<u>Peak</u>	<u>Off-Peak</u>
<u>RS (up to 1,000 kWh)</u>	<u>(1.840)</u>		
<u>RS (over 1,000 kWh)</u>	<u>(0.840)</u>		
<u>RSVP-1 (P₁)</u>	<u>(1.440)</u>		
<u> (P₂)</u>	<u>(1.440)</u>		
<u> (P₃)</u>	<u>(1.440)</u>		
<u> (P₄)</u>	<u>(1.440)</u>		
<u>GS, GST</u>	<u>(1.440)</u>	<u>(1.510)</u>	<u>(1.410)</u>
<u>CS</u>	<u>(1.440)</u>		
<u>LS-1, LS-2</u>	<u>(1.427)</u>		
<u>GSD Optional</u>			
<u> Secondary</u>	<u>(1.440)</u>		
<u> Primary</u>	<u>(1.426)</u>		
<u> Subtransmission</u>	<u>(1.411)</u>		
	<u>¢/kWh</u>		
	<u>Fuel</u>		
<u>Rate Schedules</u>	<u>Standard</u>	<u>Peak</u>	<u>Off-Peak</u>
<u>GSD, GSDT, SBF, SBFT</u>			
<u> Secondary</u>	<u>(1.440)</u>	<u>(1.510)</u>	<u>(1.410)</u>
<u> Primary</u>	<u>(1.426)</u>	<u>(1.495)</u>	<u>(1.396)</u>
<u> Subtransmission</u>	<u>(1.411)</u>	<u>(1.480)</u>	<u>(1.382)</u>
<u>IS, IST, SBI</u>			
<u> Primary</u>	<u>(1.426)</u>	<u>(1.495)</u>	<u>(1.396)</u>
<u> Subtransmission</u>	<u>(1.411)</u>	<u>(1.480)</u>	<u>(1.382)</u>

ISSUED BY: N. G. Tower, President

DATE EFFECTIVE:

Fifty-Fourth Revised Sheet No. 8.030
 Cancels Fifty-Third Revised Sheet No. 8.030

FLORIDA POWER & LIGHT COMPANY

BILLING ADJUSTMENTS

The following charges are applied to the Monthly Rate of each rate schedule as indicated and are calculated in accordance with the formula specified by the Florida Public Service Commission.

RATE	FUEL			CONSERVATION		CAPACITY		ENVIRON- MENTAL
	¢/kWh	¢/kWh	¢/kWh	¢/kWh	\$/kW	¢/kWh	\$/kW	
SCHEDULE	Levelized	On-Peak	Off-Peak					
RS-1, RS-1 w/RTR-1 1 st 1,000 kWh	1.897 (0.365)			0.139		0.230		0.155
RS-1, RS-1 w/ RTR-1 all addn kWh	2.897 0.635			0.139		0.230		0.155
RS-1 w/RTR-1 All kWh		0.234 (0.008)	(0.143) 0.003	0.139		0.230		0.155
GS-1	2.229 (0.039)			0.137		0.225		0.152
GST-1		2.560 (0.047)	2.086 (0.036)	0.137		0.225		0.152
GSD-1, GSD-1 w/SDTR (Jan – May)(Oct – Dec)	2.229 (0.039)				0.47		0.75	0.139
GSD-1 w/SDTR (Jun-Sept)		3.057 (0.063)	2.119 (0.036)		0.47		0.75	0.139
GSDT-1, HLFT-1 GSDT-1w/SDTR (Jan – May)(Oct – Dec)		2.560 (0.047)	2.086 (0.036)		0.47		0.75	0.139
GSDT-1 w/SDTR (Jun-Sept)		3.057 (0.063)	2.119 (0.036)		0.47		0.75	0.139
GSLD-1, CS-1, GSLD-1w/SDTR (Jan – May)(Oct – Dec)	2.227 (0.039)				0.53		0.85	0.138
GSLD-1 w/SDTR (Jun-Sept)		3.056 (0.063)	2.118 (0.036)		0.53		0.85	0.138
GSLDT-1, CST-1, HLFT-2, GSLDT-1 w/SDTR (Jan–May & Oct–Dec)		2.559 (0.047)	2.085 (0.036)		0.53		0.85	0.138
GSLDT-1 w/SDTR (Jun-Sept)		3.056 (0.063)	2.118 (0.036)		0.53		0.85	0.138
GSLD-2, CS-2, GSLD-2 w/SDTR (Jan – May)(Oct – Dec)	2.214 (0.039)				0.53		0.81	0.120
GSLD-2 w/SDTR (Jun- Sept)		3.038 (0.063)	2.106 (0.036)		0.53		0.81	0.120
GSLDT-2, CST-2, HLFT-3 GSLDT-2 w/SDTR (Jan – May)(Oct – Dec)		2.544 (0.047)	2.073 (0.036)		0.53		0.81	0.120
GSLDT-2 w/SDTR (Jun-Sept)		3.038 (0.063)	2.106 (0.036)		0.53		0.81	0.120
GSLD-3, CS-3	2.169 (0.038)				0.54		0.84	0.121
GSLDT-3, CST-3		2.492 (0.046)	2.034 (0.035)		0.54		0.84	0.121

NOTE: The Billing Adjustments for additional Rate Schedules are found on Sheet No. 8.030.1

Issued by: Tiffany Cohen, Director, Rates and Tariffs
 Effective: January 1, 2020

FLORIDA POWER & LIGHT COMPANY

~~Thirtieth~~~~Thirty-First~~ Revised Sheet No. 8.030.1
 Cancels ~~Twenty-Ninth~~~~Thirtieth~~ Revised Sheet No.8.030.1

(Continued from Sheet No. 8.030)
 BILLING ADJUSTMENTS (Continued)

RATE	FUEL			CONSERVATION			CAPACITY		ENVIRON -MENTAL	
	¢/kWh	¢/kWh	¢/kWh	¢/kWh	\$/kW		¢/kWh	\$/kW		
SCHEDULE	Levelized	On-Peak	Off-Peak						¢/kWh	
OS-2	2.214(0.039)			0.074			0.095		0.084	
MET	2.214(0.039)				0.48			0.75	0.128	
CILC-1(G)		2.560(0.047)	2.086(0.036)		0.57			0.87	0.119	
CILC-1(D)		2.544(0.047)	2.073(0.036)		0.57			0.87	0.119	
CILC-1(T)		2.492(0.046)	2.031(0.035)		0.56			0.84	0.110	
SL-1,OL-1, RL-1, PL-1/SL-1M, LT-1	2.163(0.038)			0.037			0.018		0.035	
SL-2, GSCU-1/SL-2M	2.229(0.039)			0.102			0.153		0.111	
					RDD	DDC		RDD	DDC	
SST-1(T)		2.492(0.046)	2.031(0.035)		0.06	0.03		0.10	0.05	0.106
SST-1(D1)		2.560(0.047)	2.086(0.036)		0.06	0.03		0.10	0.05	0.161
SST-1(D2)		2.559(0.047)	2.085(0.036)		0.06	0.03		0.10	0.05	0.161
SST-1(D3)		2.544(0.047)	2.073(0.036)		0.06	0.03		0.10	0.05	0.161
ISST-1(D)		2.544(0.047)	2.073(0.036)		0.06	0.03		0.10	0.05	0.161
ISST-1(T)		2.492(0.046)	2.031(0.035)		0.06	0.03		0.10	0.05	0.106

Issued by: Tiffany Cohen, Director, Rates and Tariffs
 Effective: ~~January 1, 2020~~



Gulf Power®

Section No. VI
 Original Sheet No. 6.34a

**RATE SCHEDULE CR-CREDIT
 COST RECOVERY CLAUSE
 FOSSIL FUEL AND PURCHASED POWER
 MID-COURSE CORRECTION
 MAY 2020**

PAGE 1 of 1	EFFECTIVE BEGINNING AND EXPIRING AFTER THE MAY 2020 BILLING CYCLE
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APPLICABILITY:

Applicable as a modification of each filed rate of the Company in which reference is made to Rate Schedule CR.

DETERMINATION OF FOSSIL FUEL AND PURCHASED POWER COST RECOVERY FACTOR:

In addition to the application of the Fuel Cost Recovery Clause factors in Rate Schedule CR, bills shall be decreased by a factor calculated in accordance with the formula and procedures specified by the Florida Public Service Commission for a May 2020 mid-course correction. Such decreases shall be adjusted for taxes which are based upon revenues.

Fuel Cost Recovery Clause factors are shown below:

Group	Schedules	Standard	TOU	
			On-Peak	Off-Peak
A	RS, RSVP, RSTOU, GS, GSD, GSDT, GSTOU, OSIII, SBS	(5.498)¢/kWh	(6.342)¢/kWh	(5.155)¢/kWh
B	LP, LPT, SBS	(5.424)¢/kWh	(6.256)¢/kWh	(5.085)¢/kWh
C	PX, PXT, RTP, SBS	(5.340)¢/kWh	(6.160)¢/kWh	(5.007)¢/kWh
D	OS-III	(5.453)¢/kWh	N/A	N/A

The recovery factor applicable for Rate Schedule SBS is based on the Customer's contract demand as follows:

Contract Demand (kW)	Use Factor Applicable To:
100-499	GSDT
500-7499	LPT
7500 and greater	PXT

Service under this rate schedule is subject to Rules and Regulations of the Company and the Florida Public Service Commission.

ISSUED BY: Tiffany Cohen



SECTION NO. VI
EIGHTY-~~SEVENTH~~~~EIGHTH~~ REVISED SHEET NO. 6.105
CANCELS EIGHTY-~~SIXTH~~~~SEVENTH~~ REVISED SHEET NO. 6.105

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**RATE SCHEDULE BA-1
BILLING ADJUSTMENTS**

Applicable:
To the Rate Per Month provision in each of the Company's filed rate schedules which reference the billing adjustments set forth below.

COST RECOVERY FACTORS										
Rate Schedule/Metering Level	Fuel Cost Recovery ⁽¹⁾			ECCR ⁽²⁾		CCR ⁽³⁾		ECRC ⁽⁴⁾	ASC ⁽⁵⁾	SCRS ⁽⁶⁾
	Levelized ¢/ kWh	On-Peak ¢/ kWh	Off-Peak ¢/ kWh	¢/ kWh	\$/ kW	¢/ kWh	\$/ kW	¢/ kWh	¢/ kWh	¢/ kWh
RS-1, RST-1, RSL-1, RSL-2, RSS-1 (Sec.) < 1000 > 1000	3-0670.45 0 4-0671.45 0	4-3080.943	2-9240.63 9	0.339	-	1.200	-	0.079	0.235	0.534
GS-1, GST-1 Secondary	3-3590.73 3	4-3080.943	2-9240.63 9	0.327	-	1.147	-	0.079	0.222	0.444
Primary	3-3170.72 6	4-2660.933	2-8920.63 3	0.324	-	1.136	-	0.078	0.220	0.440
Transmission	3-2830.71 8	4-2220.924	2-8630.62 6	0.320	-	1.124	-	0.077	0.218	0.435
GS-2 (Sec.)	3-3590.73 3	-	-	0.226	-	0.690	-	0.075	0.135	0.207
GSD-1, GSDT-1, SS-1*										
Secondary	3-3590.73 3	4-3080.943	2-9240.63 9	-	1.09	-	3.60	0.076	0.175	0.320
Primary	3-3170.72 6	4-2660.933	2-8920.63 3	-	1.08	-	3.56	0.075	0.173	0.317
Transmission	3-2830.71 8	4-2220.924	2-8630.62 6	-	1.07	-	3.53	0.074	0.172	0.314
CS-1, CST-1, CS-2, CST-2, CS-3, CST-3, SS-3*										
Secondary	3-3590.73 3	4-3080.943	2-9240.63 9	-	0.46	-	1.38	0.072	0.120	0.518
Primary	3-3170.72 6	4-2660.933	2-8920.63 3	-	0.46	-	1.37	0.071	0.119	0.513
Transmission	3-2830.71 8	4-2220.924	2-8630.62 6	-	0.45	-	1.35	0.071	0.118	0.508
IS-1, IST-1, IS-2, IST-2, SS-2*										
Secondary	3-3590.73 3	4-3080.943	2-9240.63 9	-	0.95	-	3.00	0.073	0.144	0.199
Primary	3-3170.72 6	4-2660.933	2-8920.63 3	-	0.94	-	2.97	0.072	0.143	0.197
Transmission	3-2830.71 8	4-2220.924	2-8630.62 6	-	0.93	-	2.94	0.072	0.141	0.195
LS-1 (Sec.)	3-1840.69 6	-	-	0.103	-	0.147	-	0.070	0.027	0.379
*SS-1, SS-2, SS-3 Monthly										
Secondary	-	-	-	-	0.106	-	0.349	-	-	-
Primary	-	-	-	-	0.105	-	0.346	-	-	-
Transmission	-	-	-	-	0.104	-	0.342	-	-	-
Daily										
Secondary	-	-	-	-	0.050	-	0.166	-	-	-
Primary	-	-	-	-	0.050	-	0.164	-	-	-
Transmission	-	-	-	-	0.049	-	0.163	-	-	-
GSLM-1, GSLM-2	See appropriate General Service rate schedule									

(1) **Fuel Cost Recovery Factor:**
The Fuel Cost Recovery Factors applicable to the Fuel Charge under the Company's various rate schedules are normally determined annually by the Florida Public Service Commission for the billing months of January through December. These factors are designed to recover the costs

ISSUED BY: **Javier J. Portuondo, ~~Managing Director~~Vice President, Rates & Regulatory Strategy – FL**

EFFECTIVE: **May 1, 2020**



SECTION NO. VI
EIGHTY-~~SEVENTH~~EIGHTH REVISED SHEET NO. 6.105
CANCELS EIGHTY-~~SIXTH~~SEVENTH REVISED SHEET NO. 6.105

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of fuel and purchased power (other than capacity payments) incurred by the Company to provide electric service to its customers and are adjusted to reflect changes in these costs from one period to the next. Revisions to the Fuel Cost Recovery Factors within the described period may be determined in the event of a significant change in costs.

(2) Energy Conservation Cost Recovery Factor:

The Energy Conservation Cost Recovery (ECCR) Factor applicable to the Energy Charge under the Company's various rate schedules is normally determined annually by the Florida Public Service Commission for twelve-month periods beginning with the billing month of January. This factor is designed to recover the costs incurred by the Company under its approved Energy Conservation Programs and is adjusted to reflect changes in these costs from one period to the next. For time of use demand rates the ECCR charge will be included in the base demand only.

(Continued on Page No. 2)

ISSUED BY: Javier J. Portuondo, ~~Managing Director~~Vice President, Rates & Regulatory Strategy – FL

EFFECTIVE: May 1, 2020