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| State of Florida  pscSEAL | | Public Service Commission  Capital Circle Office Center ● 2540 Shumard Oak Boulevard 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)  Division of Economics (Coston, Draper)  Office of the General Counsel (Brownless) | | |
| 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]](#footnote-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.

***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]](#footnote-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 l0, 2020.[[3]](#footnote-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]](#footnote-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 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]](#footnote-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]](#footnote-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]](#footnote-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]](#footnote-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 result of mid-course corrections in less than 30 days when circumstances warrant.[[9]](#footnote-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]](#footnote-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.).

Discussion of Issues

Issue :

 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]](#footnote-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.

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]](#footnote-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 Charges[[13]](#footnote-13)** | **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.

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]](#footnote-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.

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]](#footnote-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]](#footnote-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 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 2020[[17]](#footnote-17)** | **Currently-Approved Charges for May 2020[[18]](#footnote-18)** | **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 | 1.55 | 1.55 | 1.55 | 0.00 | 1.55 |
| Gross Receipts Tax | 2.40 | 2.41 | 1.83 | (0.58) | 2.41 |
| **Total** | $96.04 | $96.43 | $73.36 | ($23.07) | $96.43 |

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]](#footnote-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.

**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 :

 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]](#footnote-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.

| **Table 3-1** | | | | |
| --- | --- | --- | --- | --- |
| **Monthly Residential Billing Detail at 1,000 kWh** | | | | |
| **Invoice Component** | **Currently-Approved 2020 Charges[[21]](#footnote-21)** | **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 | 8.00 | 8.00 | 0.00 | 8.00 |
| Gross Receipts Tax | 3.51 | 2.10 | (1.41) | 3.51 |
| **Total** | $140.43 | $84.04 | ($56.39) | $140.43 |

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]](#footnote-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.Issue :

 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]](#footnote-23) DEF implemented a previously-approved rate change effective April 2020.[[24]](#footnote-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]](#footnote-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]](#footnote-26) Further, DEF did not propose any changes to its currently-approved Capacity Cost Recovery factors.

***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 2020[[27]](#footnote-27)** | **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 | 2.35 | 2.35 | 0.00 | 2.35 |
| Gross Receipts Tax | 3.24 | 2.57 | (0.67) | 3.24 |
| **Total** | $129.74 | $102.90 | ($26.84) | $129.74 |

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]](#footnote-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.

Issue :

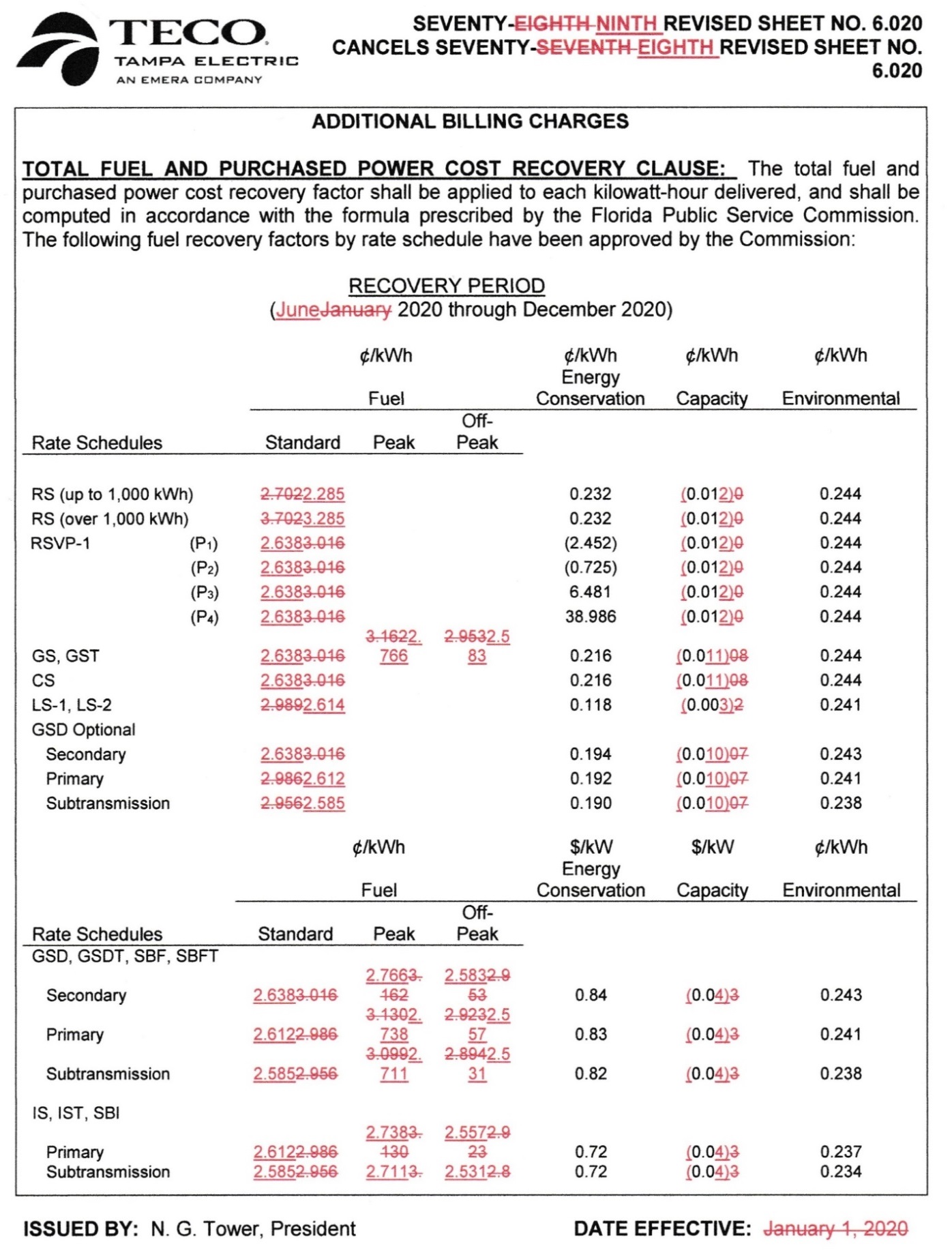
 Should this docket be closed?

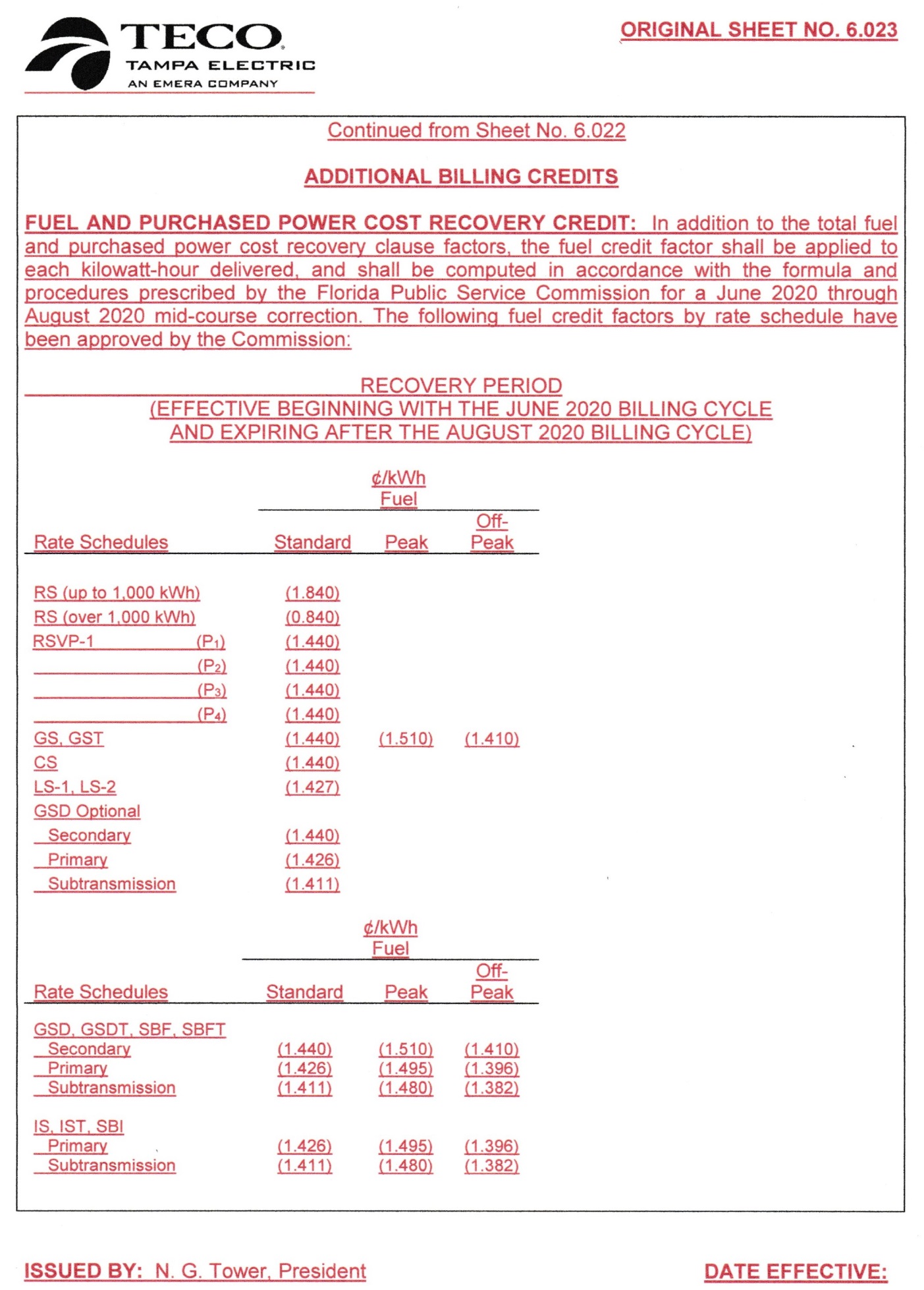
Recommendation:

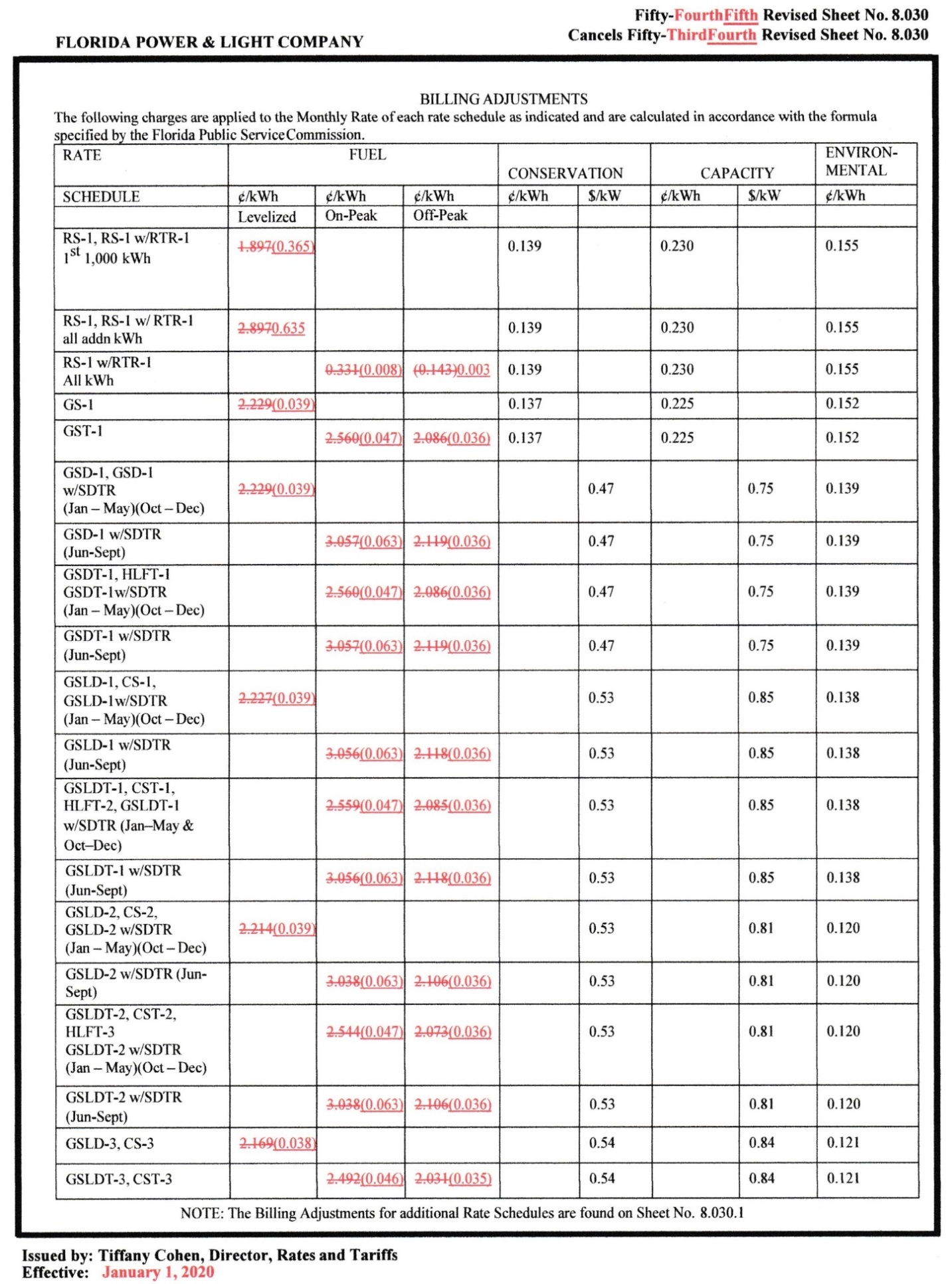
 No. The 20200001-EI docket is an on-going proceeding and should remain open. (Brownless)

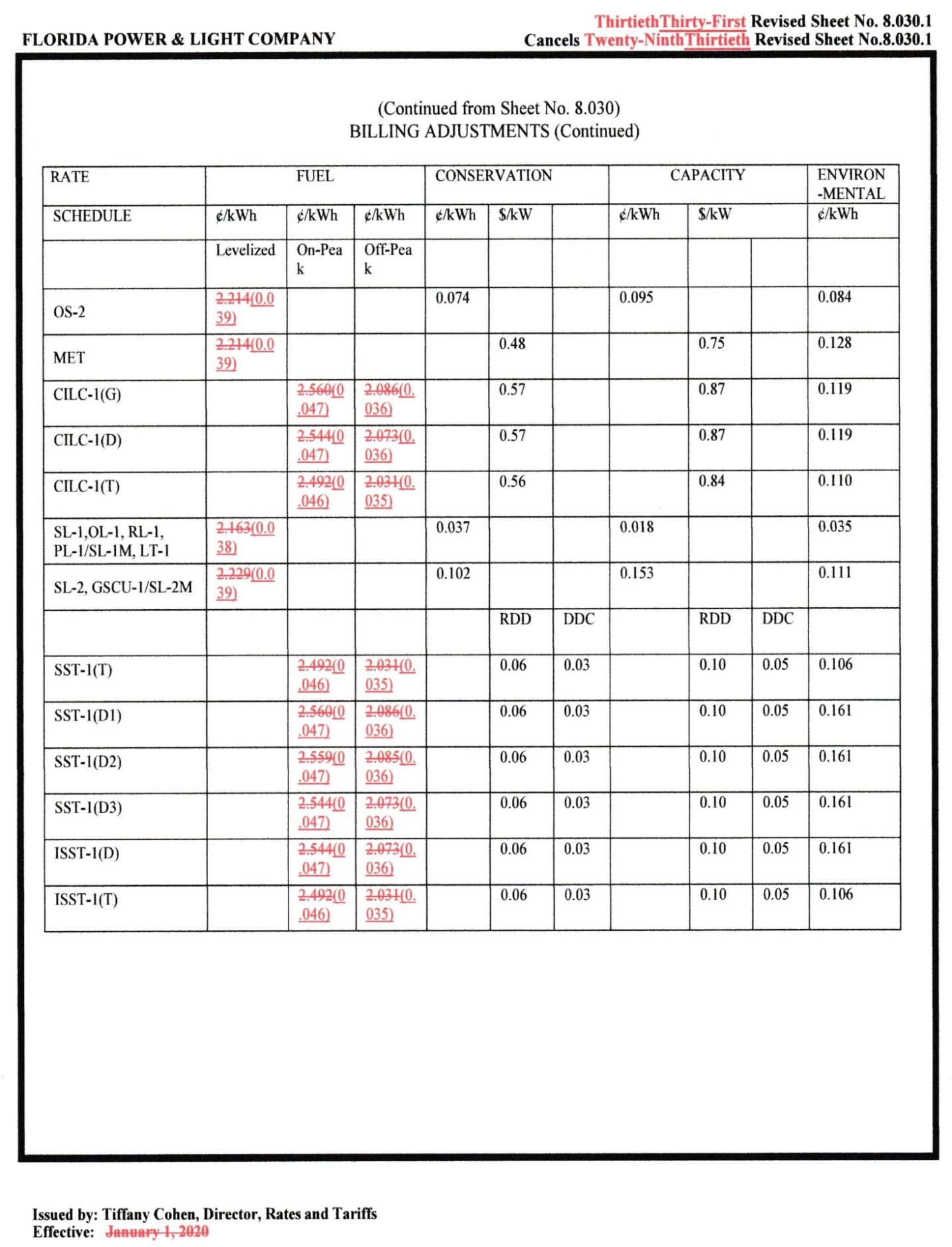
Staff Analysis:

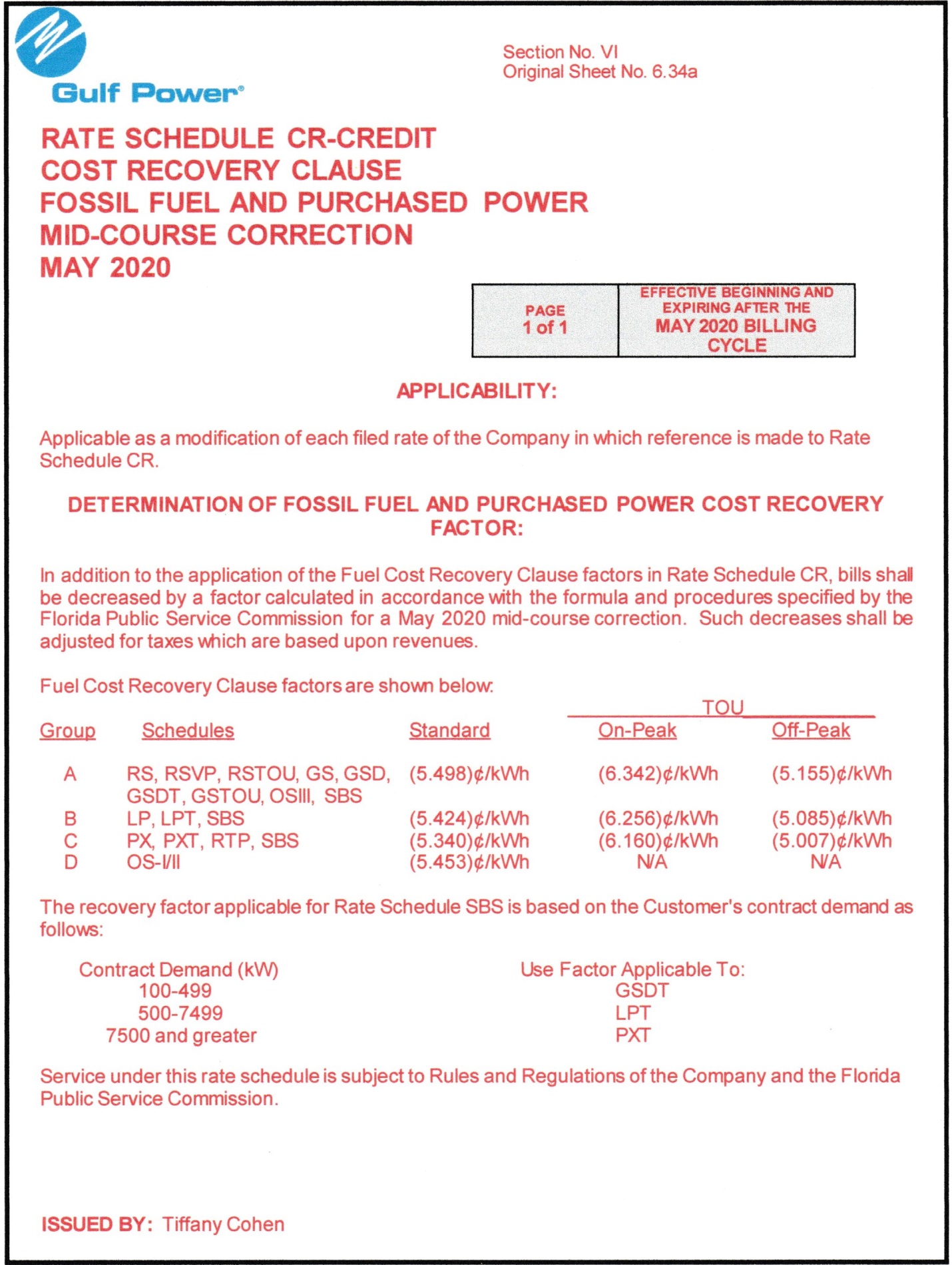
 The 20200001-EI (fuel clause) docket is an on-going proceeding and should remain open.

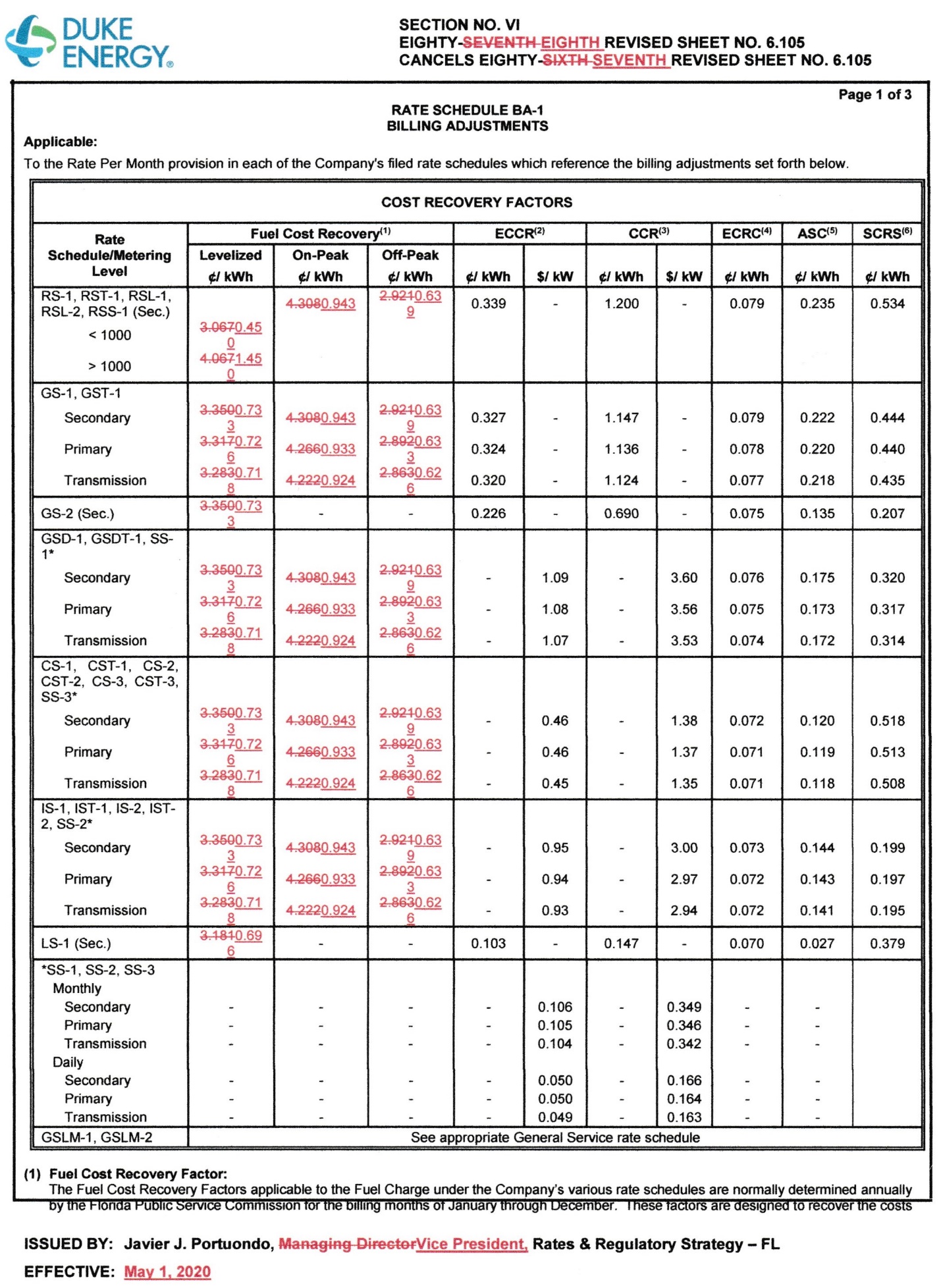


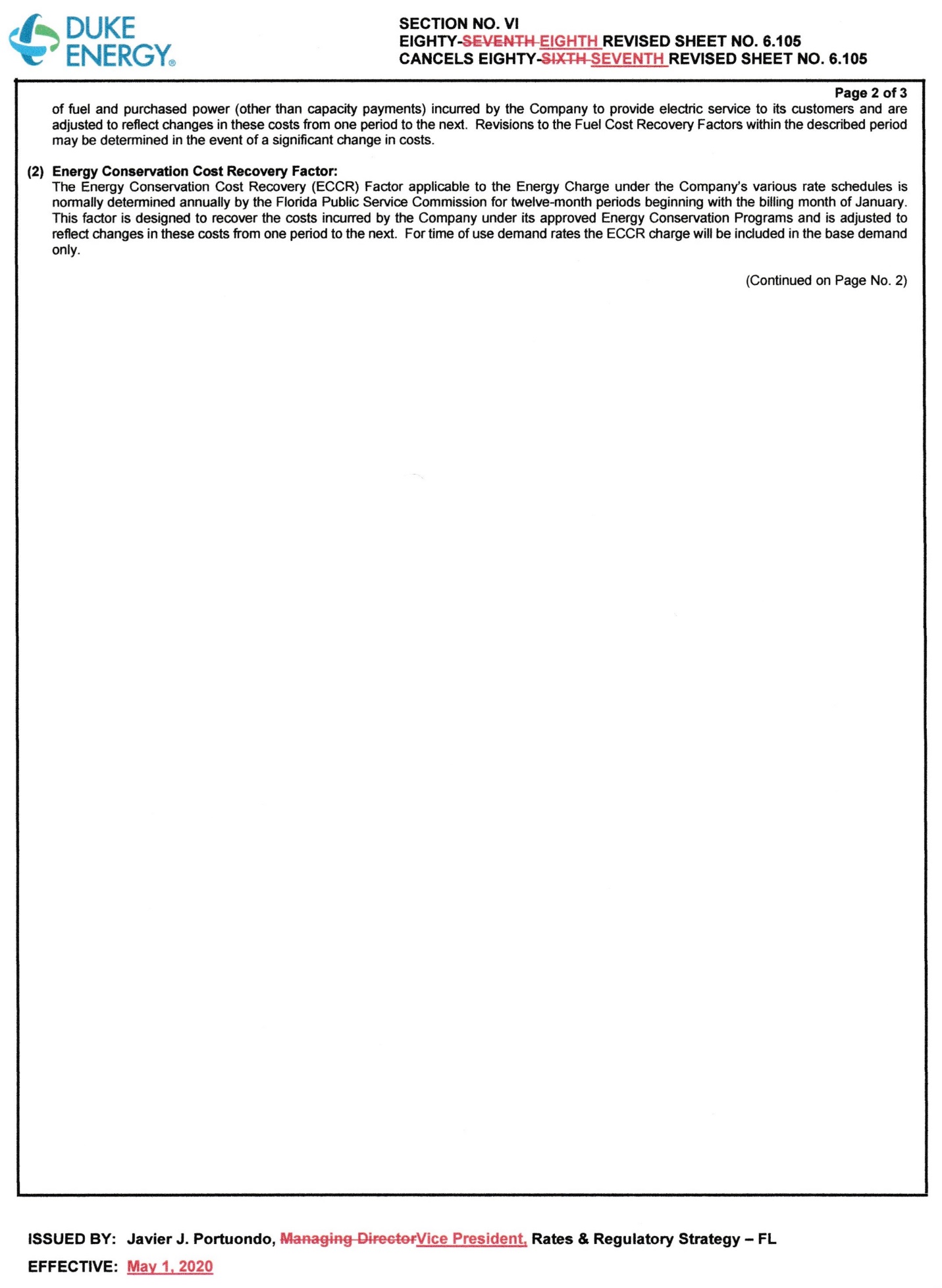












1. Order No. PSC-2019-0484-FOF-EI, issued November 18, 2019, in Docket No. 20190001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*. [↑](#footnote-ref-1)
2. The spot price in this case is the current market price for natural gas that can be bought 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> [↑](#footnote-ref-2)
3. The New York Mercantile Exchange is a commodity futures exchange owned and operated by CME Group of Chicago. [↑](#footnote-ref-3)
4. COVID-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/>

   [↑](#footnote-ref-4)
5. Document No. 01597-2020. [↑](#footnote-ref-5)
6. Document No. 01718-2020. [↑](#footnote-ref-6)
7. Document No. 01730-2020. [↑](#footnote-ref-7)
8. Document No. 01736-2020. [↑](#footnote-ref-8)
9. Order 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.* [↑](#footnote-ref-9)
10. *Gulf Power Company v. Florida Public Service Commission*, 487 So. 2d 1036, 1038 (Fla. 1986). [↑](#footnote-ref-10)
11. Order No. PSC-2019-0484-FOF-EI. [↑](#footnote-ref-11)
12. Document No. 01597-2020. [↑](#footnote-ref-12)
13. Order No. PSC-2019-0484-FOF-EI. [↑](#footnote-ref-13)
14. Document No. 01810-2020. [↑](#footnote-ref-14)
15. Order No. PSC-2019-0484-FOF-EI. [↑](#footnote-ref-15)
16. Order 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*. [↑](#footnote-ref-16)
17. Order No. PSC-2019-0484-FOF-EI. [↑](#footnote-ref-17)
18. *Id*. [↑](#footnote-ref-18)
19. Document No. 01868-2020. [↑](#footnote-ref-19)
20. Order No. PSC-2019-0484-FOF-EI. [↑](#footnote-ref-20)
21. *Id*. [↑](#footnote-ref-21)
22. Document No. 01854-2020. [↑](#footnote-ref-22)
23. Order No. PSC-2019-0484-FOF-EI. [↑](#footnote-ref-23)
24. Order 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*. [↑](#footnote-ref-24)
25. Document No. 01736-2020. [↑](#footnote-ref-25)
26. Document No. 01828-2020. [↑](#footnote-ref-26)
27. Order No. PSC-2019-0292-FOF-EI. [↑](#footnote-ref-27)
28. Document No. 01828-2020. [↑](#footnote-ref-28)