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DATE: MAY 4, 2000

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BANKS)

FROM: DIVISION OF ELECTRIC AND GAS (BOHRMANN, DRAPER, GING) *Tb JPW ED*
DIVISION OF LEGAL SERVICES (C. KEATING) *WCK JDS RVE*

RE: DOCKET NO. 000001-EI - FUEL AND PURCHASED POWER COST RECOVERY CLAUSE AND GENERATION PERFORMANCE INCENTIVE FACTOR

AGENDA: 05/16/00 - REGULAR AGENDA - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: EXHIBITS NOT ELECTRONICALLY SUBMITTED.

FILE NAME AND LOCATION: S:\PSC\EAG\WP\000001.RCM

CASE BACKGROUND

In Docket No. 840001-EI, the Commission required each investor-owned electric utility to notify the Commission when its projected fuel revenues result in an over-recovery or under-recovery in excess of 10 percent of its projected fuel costs for the given recovery period (Order No. 13694, issued September 20, 1984). Depending on the magnitude of the over-recovery or under-recovery and the length of time remaining in the recovery period, the utility may request, and the Commission may approve, a mid-course correction to the utility's authorized rates. On May 1, 2000, Florida Power Corporation and Florida Power & Light Company filed separate petitions for approval of mid-course corrections to their respective fuel cost recovery factors for the period June through December, 2000. On May 2, 2000, Tampa Electric Company filed a petition for approval of mid-course corrections to its fuel and capacity cost recovery factors for the period June through December, 2000.

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DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve Florida Power Corporation's (Florida Power) petition for a mid-course correction to its currently authorized fuel and purchased power cost recovery factors, effective with Florida Power's cycle 1 for June, 2000 billings?

RECOMMENDATION: Yes. The Commission's approval of Florida Power's petition for a mid-course correction would mitigate the rate impact of Florida Power's projected under-recovery for the upcoming recovery period. (BOHRMANN, DRAPER)

STAFF ANALYSIS: Based on actual results through March 2000 and updated projections for the remainder of the calendar year 2000 recovery period, Florida Power anticipates a period-ending under-recovery of approximately \$62.1 million. This under-recovery is primarily due to higher oil and natural gas prices than originally projected in Karl Wieland's direct testimony, prefiled October 1, 1999, in Docket No. 990001-EI. Although this under-recovery amount does not exceed the customary 10 percent threshold to request a mid-course correction, Florida Power is requesting an adjustment now to mitigate a more severe rate impact on its retail customers beginning in calendar year 2001. Without a mid-course correction, Florida Power's preliminary projections show that a typical residential customer's bill for 1,000 kwh would rise from \$83.76 to \$88.59 in 2001, an increase of \$4.83 (5.8 percent).

However, Florida Power has proposed to collect the projected under-recovery during the remainder of the calendar year 2000 recovery period, beginning with its cycle 1 billings for June. If the Commission approves Florida Power's petition for a mid-course correction, the typical residential customer's bill for 1,000 kwh would increase by \$2.96 (3.5 percent) to \$86.72 in June 2000, as shown in Exhibit 1. Exhibit 2 contains the proposed new fuel recovery for all of Florida Power's rate classes. With the mid-course correction, Florida Power projects that its typical residential customer's bill for the calendar year 2001 recovery period would be \$86.70. The proposed mid-course correction would thus mitigate the rate impact of the under-recovery on the upcoming January through December 2001 recovery period.

Staff recommends approval of Florida Power's petition for a mid-course correction to its currently authorized fuel cost recovery factor. Although the effective date falls short of the normal 30-day notice requirement for rate increases, staff believes

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such treatment is reasonable given the magnitude of the projected under-recovery. Florida Power will thus begin collecting the projected under-recovery at the earliest practicable time. The Commission's approval of Florida Power's mid-course correction does not infer any decision regarding the prudence of these additional fuel expenses at this time.

ISSUE 2: Should the Commission approve Florida Power & Light Company's (FPL) petition of a mid-course correction to its currently authorized fuel and purchased power cost recovery factors, effective on FPL's cycle day 3 for June 2000 billings?

RECOMMENDATION: Yes. The Commission's approval of FPL's petition for a mid-course correction would mitigate the rate impact of FPL's collection of its projected under-recovery during both the remainder of the current recovery period and the upcoming recovery period. (BOHRMANN, DRAPER)

STAFF ANALYSIS: Based on actual results through March 2000 and updated projections for the remainder of the calendar year 2000 recovery period, FPL anticipates an under-recovery of approximately \$230.6 million. This under-recovery is primarily due to higher oil and natural gas prices than originally projected in Korel Dubin's direct testimony, prefiled October 1, 1999, in Docket No. 990001-EI. In addition, FPL experienced a final under-recovery true-up of approximately \$96.3 million for the calendar year 1999 recovery period as stated in Ms. Dubin's direct testimony, prefiled April 3, 2000, in Docket No. 000001-EI. The projected under-recovery amount for the calendar year 2000 recovery period exceeds the 10 percent threshold to request a mid-course correction; thus, FPL is requesting an adjustment now to mitigate a more severe rate impact on its customers during the calendar year 2001 recovery period. Without a mid-course correction, FPL's preliminary projections show that a typical residential customer's bill of 1,000 kwh would rise from \$69.73 to \$77.04 in 2001, an increase of \$7.31 (10.5 percent).

FPL has proposed to collect 60 percent of the projected under-recovery for calendar year 2000 and 100 percent of actual under-recovery for the calendar year 1999 during the remainder of the calendar year 2000 fuel recovery period. This collection would begin with FPL's cycle 3 billings for June. Under this scenario, FPL would collect approximately \$234.7 million of the total \$327.0 million under-recovery during the calendar year 2000 recovery period. If the Commission approves FPL's petition for a mid-course correction, the typical residential customer's bill for 1,000 kwh would increase by \$4.39 (6.3 percent) to \$74.12 in June 2000, as shown in Exhibit 1. Exhibit 2 contains the proposed new fuel recovery factors for all of FPL's rate classes. With the mid-course correction, FPL projects that its typical residential customer's bill for the calendar year 2001 recovery period would be \$74.34. The proposed mid-course correction would thus mitigate the rate impact of the under-recovery on both the remaining seven

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months of the current recovery period and the upcoming recovery period.

Staff recommends approval of FPL's petition for a mid-course correction to its currently authorized fuel cost recovery factors. Although the effective date falls short of the normal 30-day notice requirement for rate increases, staff believes such treatment is reasonable given the magnitude of the projected under-recovery. FPL will thus begin collecting the projected under-recovery at the earliest practicable time. The Commission's approval of FPL's mid-course correction does not infer any decision regarding the prudence of these additional fuel expenses at this time.

ISSUE 3: Should the Commission approve Tampa Electric Company's (TECO) petition for a mid-course correction to its currently authorized fuel and purchased power cost recovery factors and its currently authorized capacity cost recovery factors, effective with TECO's first billing cycle for June, 2000?

RECOMMENDATION: Yes. The Commission's approval of TECO's petition for a mid-course correction would mitigate the rate impact of TECO's collection of its projected under-recoveries during both the remainder of the current recovery period and the upcoming recovery period (BOHRMANN, DRAPER, GING).

STAFF ANALYSIS: Based on actual results to date and updated projections for the remainder of the calendar year 2000 recovery period, TECO anticipates an under-recovery of approximately \$28.9 million in its fuel and purchased power cost recovery clause. This under-recovery is primarily due to higher purchased power, oil, and natural gas prices than originally projected in Karen Zwolak's direct testimony, prefiled October 1, 1999, in Docket No. 990001-EI. In addition, TECO experienced a final under-recovery true-up of approximately \$8.6 million for the calendar year 1999 recovery period as stated in Ms. Zwolak's direct testimony, prefiled April 3, 2000, in Docket No. 000001-EI. The total projected under-recovery amount is approximately equal to the 10 percent threshold to request a mid-course correction; thus, TECO is requesting an adjustment now to mitigate a more severe rate impact during the calendar year 2001 recovery period.

In addition, based on actual results to date and updated projections for the remainder of the calendar year 2000 recovery period, TECO anticipates an under-recovery of approximately \$11.6 million in its capacity cost recovery clause. In Lynn Brown's direct testimony pre-filed on October 1, 1999 in Docket No. 990001-EI, he indicated that "The company is also in the process of negotiating additional capacity and energy for the year 2000 to achieve desired operating reserves." In addition, TECO identified the need for additional capacity due to revised estimates of their unit availability. The costs of these additional purchases were not included in TECO's original projections. TECO subsequently reached agreement with suppliers for this additional power, and these costs account for a substantial portion of the projected capacity cost under-recovery.

TECO also experienced a final under-recovery true-up of \$94,943 for the calendar year 1999 recovery period as stated in Ms. Zwolak's direct testimony, prefiled April 3, 2000, in Docket No.

000001-EI. The total projected under-recovery amount is greater than the 10 percent threshold to request a mid-course correction; thus, TECO is requesting an adjustment now to mitigate a more severe rate impact on its retail customers during the calendar year 2001 recovery period.

Without a mid-course correction, TECO's preliminary projections show that a typical residential customer's bill for 1,000 kwh would rise from \$81.78 to \$85.60 in 2001, an increase of \$3.82 (4.7 percent). However, TECO has proposed to collect 50 percent of the total projected under-recovery for both cost recovery clauses during the remainder of the calendar year 2000 fuel recovery period. This collection would begin with its first billing cycle for June. Under this scenario, TECO would collect approximately \$24.7 million of the total \$49.3 million under-recovery during the calendar year 2000 recovery period. TECO would collect the remaining \$24.6 million in the calendar year 2001 recovery period. If the Commission approves TECO's petition for a mid-course correction, the typical residential customer's bill for 1,000 kwh would increase by \$2.67 (3.3 percent) to \$84.45 in June 2000, as shown in Exhibit 1. Exhibit 2 shows the proposed new fuel and capacity cost recovery for all of TECO's rate classes. With the mid-course correction, TECO projects that its typical residential customer's bill for calendar year 2001 would be \$84.50. The mid-course correction would thus mitigate the rate impact of the under-recovery during both the remaining seven months of the current recovery period and the upcoming recovery period.

Staff recommends approval of TECO's petition for a mid-course correction to its currently authorized fuel cost recovery factor and capacity cost recovery factor. Although the effective date falls short of the normal 30-day notice requirement for rate increases, staff believes such treatment is reasonable given the magnitude of the projected under-recovery. TECO will thus begin collecting the projected under-recovery at the earliest practicable time. The Commission's approval of TECO's mid-course correction does not infer any decision regarding the prudence of these additional fuel and capacity expenses at this time.

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ISSUE 4: Should this docket be closed?

RECOMMENDATION: No. (C. KEATING)

STAFF ANALYSIS: The Fuel and Purchased Power Cost Recovery clause is an on-going docket and should remain open.

RESIDENTIAL FUEL FACTORS FOR THE PERIOD: June - December 2000

Note: This schedule reflects fuel mid-course corrections for FPL, FPC and TECO and a capacity mid-course correction for TECO effective June 2000.

		Florida Power & Light	Florida Power Corporation	Tampa Electric Company	Gulf Power Company	Florida Public Utilities Co. (2)	
						Marianna	Fernandina Beach
Present (cents per kwh):	January - May 2000	1.870	2.024	2.319	1.978	3.943	3.455
Proposed (cents per kwh):	June - December 2000	2.305	2.312	2.504	1.978	3.943	3.455
	Increase/Decrease:	0.435	0.288	0.185	0.000	0.000	0.000

TOTAL COST FOR 1,000 KILOWATT HOURS - RESIDENTIAL SERVICE

PRESENT:	January - May 2000	Florida Power & Light	Florida Power Corporation	Tampa Electric Company	Gulf Power Company	Florida Public Utilities Co. (2)	
						Marianna	Fernandina Beach
Base Rate		43.26	49.05	51.92	42.20	20.43	19.20
Fuel		18.70	20.24	23.19	19.78	39.43	34.55
Energy Conservation		1.89	2.39	1.25	0.38	0.43	0.27
Environmental Cost Recovery		0.16	N/A	1.46	1.23	N/A	N/A
Capacity Recovery		5.01	9.99	1.92	1.62	N/A	N/A
Gross Receipts Tax (1)		0.71	2.09	2.04	0.67	1.55	0.55
Total		\$69.73	\$83.76	\$81.78	\$65.88	\$61.84	\$54.57

PROPOSED:	June - December 2000	Florida Power & Light	Florida Power Corporation	Tampa Electric Company	Gulf Power Company	Florida Public Utilities Co. (2)	
						Marianna	Fernandina Beach
Base Rate		43.26	49.05	51.92	42.20	20.43	19.20
Fuel		23.05	23.12	25.04	19.78	39.43	34.55
Energy Conservation		1.89	2.39	1.25	0.38	0.43	0.27
Environmental Cost Recovery		0.16	N/A	1.46	1.23	N/A	N/A
Capacity Recovery		5.01	9.99	2.67	1.62	N/A	N/A
Gross Receipts Tax (1)		0.75	2.17	2.11	0.67	1.55	0.55
Total		\$74.12	\$86.72	\$84.45	\$65.88	\$61.84	\$54.57

PROPOSED INCREASE / (DECREASE)		Florida Power & Light	Florida Power Corporation	Tampa Electric Company	Gulf Power Company	Florida Public Utilities Co. (2)	
						Marianna	Fernandina Beach
Base Rate		0.00	0.00	0.00	0.00	0.00	0.00
Fuel		4.35	2.88	1.85	0.00	0.00	0.00
Energy Conservation		0.00	0.00	0.00	0.00	0.00	0.00
Environmental Cost Recovery		0.00	0.00	0.00	0.00	0.00	0.00
Capacity Recovery		0.00	0.00	0.75	0.00	0.00	0.00
Gross Receipts Tax (1)		0.04	0.08	0.07	0.00	0.00	0.00
Total		\$4.39	\$2.96	\$2.67	\$0.00	\$0.00	\$0.00

(1) Additional gross receipts tax is 1% for Gulf, FPL and FPUC-Fernandina Beach. FPC, TECO and FPUC-Marianna have removed all GRT from their rates, and thus entire 2.5% is shown separately. (2) Fuel costs include purchased power demand costs of 1.734 for Marianna and 1.636 cents/KWH for Fernandina allocated to the residential class

FUEL ADJUSTMENT FACTORS IN CENTS PER KWH BASED ON LINE LOSSES BY RATE GROUP

FOR THE PERIOD: June - December 2000

COMPANY	GROUP	RATE SCHEDULES	BEFORE LINE LOSSES			LINE LOSS MULTIPLIER	FINAL FACTORS ADJUSTED FOR LINE LOSSES		
			Standard	TIME OF USE On/Peak	Off/Peak		Standard	TIME OF USE On/Peak	Off/Peak
FP&L	A	RS-1,RST-1,GST-1,GS-1,SL-2	2.300	2.472	2.224	1.00225	2.305	2.478	2.229
	A-1	SL-1,OL-1	2.264	NA	NA	1.00225	2.269	NA	NA
	B	GSD-1,GSDT-1, CILC-1(G)	2.300	2.472	2.224	1.00216	2.305	2.477	2.229
	C	GSLD-1,GSLDT-1, CS-1, CST-1	2.300	2.472	2.224	1.00087	2.302	2.474	2.226
	D	GSLD-2,GSLDT-2, CS-2, CST-2, OS-2, MET	2.300	2.472	2.224	0.99510	2.289	2.460	2.213
	E	GSLD-3,GSLDT-3,CS-3,CST-3,CILC-1(T),ISST-1(T)	2.300	2.472	2.224	0.95792	2.203	2.368	2.130
	F	CILC-1(D),ISST-1(D)	NA	2.472	2.224	0.99465	NA	2.459	2.212
FPC	1	Distribution Secondary Delivery	2.312	2.918	2.046	1.00000	2.312	2.918	2.046
	2	Distribution Primary Delivery	2.312	2.918	2.046	0.99000	2.289	2.889	2.026
	3	Transmission Delivery	2.312	2.918	2.046	0.98000	2.266	2.860	2.005
	4	Lighting Service	2.209	NA	NA	1.00000	2.209	NA	NA
TECO	A	RS, RST, GS, GST, TS	2.486	3.383	2.097	1.00710	2.504	3.407	2.112
	A-1	SL-2,OL-1,3	2.486	NA	NA	NA	2.306	NA	NA
	B	GSD, GSDT, EV-X, GSLD, GSLDT, SBF, SBFT	2.486	3.383	2.097	1.00160	2.490	3.388	2.100
	C	IS-1 & 3, IST1 & 3, SBI-1 & 3, SBIT1 & 3	2.486	3.383	2.097	0.96810	2.407	3.275	2.030

CAPACITY COST RECOVERY FACTORS IN CENTS PER KWH

RATE SCHEDULES		
TECO	RS, RST	0.267
	GS, GST, TS	0.226
	GSD, GSDT, EV-X	0.185
	GSLD, GSLDT, SBF, SBFT	0.167
	IS-1 & 3, IST-1 & 3, SBI-1 & 3, SBIT-1 & 3	0.015
	SL/OL	0.049