

FLORIDA 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

JUNE 13, 1996

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

FROM: DIVISION OF ELECTRIC & GAS (BASS, DRAPER) *DRW*
DIVISION OF LEGAL SERVICES (JOHNSON) *John RVE RLI*

RE: DOCKET NO. 960001-EI - FLORIDA POWER AND LIGHT COMPANY -
FUEL AND PURCHASED POWER COST RECOVERY CLAUSE WITH
GENERATING PERFORMANCE INCENTIVE FACTOR

AGENDA: JUNE 25, 1996 - REGULAR AGENDA - TARIFF FILING -
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\EAG\WP\960001EI.RCM

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission grant Florida Power and Light Company's petition for an increase in its levelized fuel adjustment factor from 2.071 cents per kWh to 2.201 cents per kWh effective with customer billings on cycle day 3 of July 1996?

RECOMMENDATION: Yes. The Commission should approve the increased fuel factor of 2.201 cents per kWh effective with customer billings on cycle day 3 of July 1996 through September, 1996.

STAFF ANALYSIS: On May 31, 1996, Florida Power and Light Company (FPL) filed a petition for approval of a mid-course correction to its currently authorized levelized fuel adjustment factor for the period April, 1996 through September, 1996. The calculation of FPL's April through September fuel adjustment factor approved at the February hearings included a projected underrecovery of \$64,536,189. Actual data now available for the October 1995 through March 1996 period and revised projections for the April through September 1996 period indicate a total underrecovery of \$199,936,411 by the end of the recovery period, or a \$135,400,222 difference in the estimate included in the current fuel adjustment factor.

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FPSC-RECORDS/REPORTING

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The projected underrecovery for the current period primarily is due to increases in natural gas and heavy oil costs. The increase in fuel costs is the result of higher than projected heavy oil and natural gas prices reflecting a colder than normal winter in North America and extremely low crude oil and natural gas storage levels.

FPL is requesting that the Commission approve its proposal that will levelize the charges for July through September 1996 with those currently forecasted for the next projection period, October 1996 through March 1997. To levelize the charges, FPL is requesting that a portion of the underrecovery be included in the fuel adjustment factor set for the July through September 1996 period and the remaining underrecovery be deferred for recovery during the period October 1996 through March 1997.

We note that there has been no prudence review of FPL's fuel estimates and expenditures and we do not necessarily agree or disagree with FPL's figures at this time. However, one of the purposes of mid-course corrections as described in Commission Order No. 13694 is to assure a levelized fuel adjustment and avoid rate shock ratepayers experience when factors are adjusted. It is, therefore, in the best interest of the ratepayers to approve the mid-course correction without the prudence review which will take place during subsequent fuel adjustment hearings.

Staff has reviewed the factors derived for FPL's various rate classes and we have found them to be calculated using the same methods that have been accepted in the past. Attachment A of this recommendation reflects the levelized, on-peak and off-peak factors for each class and compares bills for 1,000 kWh of residential consumption before and after this fuel factor adjustment.

FPL has requested an effective date beginning with customer billings on cycle day 3 of July, 1996. Although this effective date falls short of the normal 30-day notice requirement, staff believes that such treatment is warranted given the magnitude of the projected underrecovery. Staff believes that FPL's customers should begin paying the fuel charge increase at the earliest practicable time. Based on the foregoing, staff recommends that the Commission approve FPL's increased fuel adjustment factor of 2.201 cents/kWh effective beginning with customer billings on cycle day 3 of July, 1996.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: No. The Fuel and Purchased Power Cost Recovery Clause docket should remain open. If Issue 1 is approved, this tariff should become effective with customer billings on cycle day 3 of July, 1996. If a protest is filed within 21 days of the issuance of the Order, this tariff should remain in effect with any increase held subject to refund pending resolution of the protest.

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

RESIDENTIAL FUEL FACTORS FOR THE PERIOD: July - September 1996

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NOTE: This schedule reflects a mid-course correction for Florida Power Corporation and Florida Power and Light effective July 1, 1996.

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		Florida Power & Light	Florida Power Corporation	Tampa Electric Company	Gulf Power Company	Florida Public Utilities Co. (2)	
						Marianna	Fernandina Beach
Present (cents per kwh):	April - June 1996	2.075	1.891	2.407	2.193	5.122	4.737
Proposed (cents per kwh):	July - September 1996	2.205	2.152	2.407	2.193	5.122	4.737
	Increase/Decrease:	0.130	0.261	0.000	0.000	0.000	0.000

TOTAL COST FOR 1,000 KILOWATT HOURS - RESIDENTIAL SERVICE

PRESENT:	April - June 1996	Florida Power & Light	Florida Power Corporation	Tampa Electric Company	Gulf Power Company	Florida Public Utilities Co. (2)	
						Marianna	Fernandina Beach
Base Rate		47.46	49.05	51.92	43.25	20.43	19.20
Fuel		20.75	18.91	24.07	21.93	51.22	47.37
Energy Conservation		2.09	2.95	1.62	0.41	0.19	0.09
Environmental Cost Recovery		0.15	N/A	N/A	1.36	N/A	N/A
Capacity Recovery		4.42	9.36	1.93	1.68	N/A	N/A
Gross Receipts Tax (1)		0.77	2.06	2.04	0.70	1.84	0.68
Total		\$75.64	\$82.33	\$81.58	\$69.33	\$73.68	\$67.34

PROPOSED:	July - September 1996	Florida Power & Light	Florida Power Corporation	Tampa Electric Company	Gulf Power Company	Florida Public Utilities Co. (2)	
						Marianna	Fernandina Beach
Base Rate		47.46	49.05	51.92	43.25	20.43	19.20
Fuel		22.05	21.52	24.07	21.93	51.22	47.37
Energy Conservation		2.09	1.38 (3)	1.62	0.41	0.19	0.09
Environmental Cost Recovery		0.15	N/A	N/A	1.36	N/A	N/A
Capacity Recovery		4.42	9.36	1.93	1.68	N/A	N/A
Gross Receipts Tax (1)		0.78	2.08	2.04	0.70	1.84	0.68
Total		\$76.95	\$83.32	\$81.58	\$69.33	\$73.68	\$67.34

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		1.30	2.61	0.00	0.00	0.00	0.00
Energy Conservation		0.00	-1.57	0.00	0.00	0.00	0.00
Environmental Cost Recovery		0.00	N/A	N/A	0.00	N/A	N/A
Capacity Recovery		0.00	0.00	0.00	0.00	N/A	N/A
Gross Receipts Tax (1)		0.01	0.02	0.00	0.00	0.00	0.00
Total		\$1.31	\$1.06	\$0.00	\$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 2.187 for Marianna and 1.442 cents/KWH for Fernandina allocated to the residential class. (3) Energy Conservation for FPC reflects residential decoupling refund (for period January-May 1996) of \$1.57 for July 1996 through March 1997.

ATTACHMENT A

FOR THE PERIOD: July - September 1996

COMPANY	GROUP	RATE SCHEDULES	BEFORE LINE LOSSES				LINE LOSS MULTIPLIER	FINAL FACTORS ADJUSTED FOR LINE LOSSES		
			Standard	TIME OF USE		Standard		TIME OF USE		
				On/Peak	Off/Peak			On/Peak	Off/Peak	
FP&L	A	RS-1,RST-1,GST-1,GS-1,SL-2	2.201	2.452	2.071	1.00197	2.295	2.457	2.075	
	A-1	SL-1,OL-1	2.132	NA	NA	1.00197	2.136	NA	NA	
	B	GSD-1,GSDT-1, CILC-1(G)	2.201	2.452	2.071	1.00196	2.205	2.457	2.075	
	C	GSLD-1,GSLDT-1, CS-1, CST-1	2.201	2.452	2.071	1.00171	2.205	2.456	2.074	
	D	GSLD-2,GSLDT-2, CS-2, CST-2, OS-2, MET	2.201	2.452	2.071	0.99678	2.194	2.444	2.064	
	E	GSLD-3,GSLDT-3,CS-3,CST-3,CILC-1(T),ISST-1(C)	2.201	2.452	2.071	0.96190	2.117	2.359	1.992	
	F	CILC-1(D),ISST-1(D)	NA	2.452	2.071	0.99827	NA	2.448	2.067	
FPC	A	Transmission Delivery	2.152	2.817	1.793	0.98000	2.109	2.761	1.757	
	B	Distribution Primary Delivery	2.152	2.817	1.793	0.99000	2.130	2.788	1.774	
	C	Distribution Secondary Delivery	2.152	2.817	1.793	1.00000	2.152	2.817	1.793	
	D	OL-1,SL-1	1.984	NA	NA	1.00000	1.984	NA	NA	
TECO	A	RS,GS,TS	2.392	2.893	2.154	1.00640	2.407	2.912	2.168	
	A-1	SL-2,OL-1,3	2.392	NA	NA	NA	2.280	NA	NA	
	B	GSD,GSLD,SBF	2.392	2.893	2.154	1.00120	2.395	2.896	2.157	
	C	IS-1,IS-3, SBI-1 & 3	2.392	2.893	2.154	0.97210	2.325	2.812	2.094	
GULF	A	RS,GS,GSD,OS-III,OS-IV, SBS(100 to 500 kW)	2.166	2.612	1.956	1.01228	2.193	2.644	1.980	
	B	LP, SBS(Contract Demand of 500 to 7499 kW)	2.166	2.612	1.956	0.98106	2.125	2.563	1.919	
	C	PX, SBS(Contract Demand above 7499 kW)	2.166	2.612	1.956	0.96230	2.084	2.514	1.882	
	D	OS-1,OS-2	2.014	NA	NA	1.01228	2.039	NA	NA	
FPUC <i>Fernandina</i>	A	RS	4.737	NA	NA	1.00000	4.737	NA	NA	
	B	GS	4.841	NA	NA	1.00000	4.841	NA	NA	
	C	GSD	4.090	NA	NA	1.00000	4.090	NA	NA	
	D	OL, OL-2, SL-2, SL-3, CSL	3.833	NA	NA	1.00000	3.833	NA	NA	
	E	GSLD	NA				NA			
<i>Marianna</i>	A	RS	5.058	NA	NA	1.01260	5.122	NA	NA	
	B	GS	4.792	NA	NA	0.99630	4.774	NA	NA	
	C	GSD	4.296	NA	NA	0.99630	4.280	NA	NA	
	D	GLSD	4.259	NA	NA	0.99630	4.243	NA	NA	
	E	OL, OL-2	2.987	NA	NA	1.01260	3.025	NA	NA	
	F	SL-1, SL-2	2.978	NA	NA	0.98810	2.943	NA	NA	

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ATTACHMENT A

**FUEL & PURCHASED POWER COST RECOVERY
CLAUSE CALCULATION**

ESTIMATED FOR THE PERIOD: July - September 1996

FLORIDA POWER & LIGHT COMPANY

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CLASSIFICATION	Classification Associated \$	Classification Associated KWH	Classification Associated Cents/KWH
1. Fuel Cost of System Net Generation (E3)	564,837,790	36,265,572,000	1.55750
2. Spent NUC Fuel Disposal Cost (E2)	9,868,296	10,596,260,000 (a)	0.09313
3. Fuel Related Transactions	4,424,433	0	0.00000
4. Natural Gas Pipeline Enhancements	0	0	0.00000
4a. Fuel Cost of Sales to FKEC	-10,059,440	-508,676,000	1.97757
5. TOTAL COST OF GENERATED POWER	<u>569,071,079</u>	<u>35,756,896,000</u>	<u>1.59150</u>
6. Fuel Cost of Purchased Power - Firm (E7)	92,551,680	5,514,449,000	1.67835
7. Energy Cost of Sch. C, X Economy Purchases (Broker) (E9)	24,170,450	1,339,826,000	1.80400
8. Energy Cost of Economy Purchases (Non-Broker) (E9)	13,709,820	645,739,000	2.12312
9. Energy Cost of Sch. E Purchases (E9)	0	0	0.00000
10. Capacity Cost of Sch. E Economy Purchases (E2)	0	0	0.00000
11. Payments to Qualifying Facilities (E8)	56,153,965	2,920,077,000	1.92303
12. TOTAL COST OF PURCHASED POWER	<u>186,585,915</u>	<u>10,420,091,000</u>	<u>1.79064</u>
13. TOTAL AVAILABLE KWH		<u>46,176,987,000</u>	
14. Fuel Cost of Economy Sales (E6)	-14,803,910	-564,045,000	2.62460
15. Gain on Economy Sales - 80% (E6A)	-3,321,326	-564,045,000 (a)	0.58884
16. Fuel Cost of Unit Power Sales (SL2 Partpts) (E6)	-724,197	-176,304,000	0.41077
17. Fuel Cost of Other Power Sales (E6)	0	0	0.00000
18. TOTAL FUEL COST & GAINS OF POWER SALES	<u>-18,849,433</u>	<u>-740,349,000</u>	<u>2.54602</u>
19. Net Inadvertant Interchange (E4)	0	0	0.00000
20. TOTAL FUEL AND NET POWER TRANSACTIONS	<u>736,807,561</u>	<u>45,436,638,000</u>	<u>1.62162</u>
21. Net Unbilled Sales	-20,233,237 (a)	-1,247,721,000	-0.04923
22. Company Use	2,210,423 (a)	136,310,000	0.00538
23. T & D Losses	47,892,491 (a)	2,953,381,000	0.11653
24. Adjusted System KWH Sales	736,807,561	41,099,226,000	1.79275
25. Wholesale KWH Sales	3,766,634	210,105,000	1.79274
26. JURISDICTIONAL KWH SALES	<u>733,040,927</u>	<u>40,889,121,000</u>	<u>1.79275</u>
27. Jurisdictional KWH Sales Adjusted for Line Loss - 1.0007	733,554,056	40,889,121,000	1.79401
28. True-up * (derived in Attachment C)	97,684,026	40,889,121,000	0.23890
28a. Mid-course underrecovery	28,378,361	22,181,632,000	0.12794
29. TOTAL JURISDICTIONAL FUEL COST	<u>859,616,443</u>	<u>40,889,121,000</u>	<u>2.16084</u>
30. Revenue Tax Factor			1.01609
31. Fuel Cost Adjusted for Taxes			2.19561
32. GPIF*	2,159,086	40,889,121,000	0.00528
33. Total fuel cost including GPIF	<u>861,775,529</u>	<u>40,889,121,000</u>	<u>2.20089</u>
34. TOTAL FUEL COST FACTOR ROUNDED TO THE NEAREST .001 CENTS PER KWH:			2.201

*Based on Jurisdictional Sales

(a) included for informational purposes only.

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