

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Fuel and Purchased Power) DOCKET NO. 970001-EI
Cost Recovery Clause and) ORDER NO. PSC-97-0021-FOF-EI
Generating Performance Incentive) ISSUED: January 6, 1997
Factor.)
_____)

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON
JULIA L. JOHNSON
DIANE K. KIESLING

ORDER APPROVING MID-COURSE CORRECTION FOR
GULF POWER COMPANY

BY THE COMMISSION:

On November 22, 1996, Gulf Power Company (Gulf) filed a petition for approval of a mid-course correction to its currently authorized Purchased Power Capacity Cost Recovery factors (capacity factors). The calculation of Gulf's capacity factors for the period October, 1996 through September, 1997 approved at the August, 1996 hearings includes \$10,735,529 in estimated payments under the Southern Company electric system's Intercompany Interchange Contract (IIC). Actual data now available for October, 1996 and revised data for November, 1996 through September, 1997 indicates that Gulf's payments pursuant to the IIC for October, 1996 through September, 1997 will be \$5,383,394, or \$5,352,135 less than the estimate included in the current capacity factors.

The projected overrecovery results from a proposed revision to the IIC currently pending before the Federal Energy Regulatory Commission (FERC). The Southern Company filed IIC Amendment No. 6 with FERC on May 10, 1996. The FERC has reviewed and accepted this filing, subject to refund. In March 1997, FERC will hold a hearing to fully examine IIC Amendment No. 6.

Under the IIC capacity equalization process, each operating company in the Southern Company electric system determines its load responsibility and available capacity to serve its load for the month. Any capacity remaining after a company meets its load responsibility and contract sales obligations is considered reserve capacity which is available for purchase by other operating

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companies with inadequate capacity to meet their projected demand and reserve requirements. Thus, an individual operating company may be deficient and purchase additional capacity in a given month, or have excess capacity and sell its surplus to the pool.

The proposed revision to the IIC primarily changes the methodology for pricing monthly reserve capacity transactions. Historically, Southern Company based the price of capacity on the average cost of a fossil fuel plant, because large coal plants produced the majority of the energy. To reflect the recent trend in generation expansion, the new pricing methodology is based on the price of a combustion turbine plant which is typically cheaper and faster to build than a coal plant. As a result of this proposed change, operating companies will be able to buy capacity from the pool at a lower cost; however, companies which sell capacity to the pool will receive a lower price.

Currently, Gulf is a net buyer of capacity. Therefore, the proposed changes to the IIC will lower Gulf's projected capacity payments to the pool for October, 1996 through September, 1997. Should Gulf become a net seller, Gulf will receive a smaller credit than under the old pricing methodology.

There has been no prudence review of Gulf's capacity payments and we do not necessarily agree or disagree with Gulf's estimates at this time. In addition, we have not reviewed IIC Amendment No. 6 because the Southern Company's electric system is subject to FERC's jurisdiction. As noted above, FERC has accepted Southern Company's filing, subject to refund. Gulf believes FERC will grant final approval with no or minor modifications.

We have reviewed the capacity factors derived for Gulf's various rate classes and find that they were calculated using the same methods we have accepted in the past. Attachment A of this Order reflects the capacity factors for each class and compares bills for 1,000 kWh of residential consumption before and after this capacity factor adjustment.

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. Although this order only refers to fuel cost, the intent of this order applies to all adjustment factors. A mid-course correction to Gulf's capacity factors will result in lower rates, therefore it is in the best interest of the ratepayers to approve Gulf's request.

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Gulf has requested an effective date beginning with the first billing cycle in January, 1997. Although this effective date falls short of the normal 30-day notice requirement, we believe this treatment is warranted given the magnitude of the projected overrecovery. Gulf's customers should benefit from the decrease in the capacity factor at the earliest practicable time. Therefore, we approve Gulf's decreased capacity factors, as shown in Attachment A, effective with the first billing cycle in January, 1997.

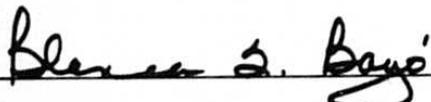
Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Gulf Power Company's capacity cost recovery factors, as shown on Attachment A, are approved, effective beginning with the first billing cycle in January, 1997. It is further

ORDERED that if a protest is filed in accordance with the requirement set forth below, the tariff shall remain in effect with any increase in revenues held subject to refund pending resolution of the protest. It is further

ORDERED that this docket shall remain open.

By ORDER of the Florida Public Service Commission, this 6th day of January, 1997.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

VDJ

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the action proposed files a petition for a formal proceeding, as provided by Rule 25-22.036(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a)(d) and (e), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on January 27, 1997.

In the absence of such a petition, this order shall become final on the day subsequent to the above date.

Any objection or protest filed in this docket before the issuance date of this Order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this Order becomes final on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the date this Order becomes final, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

RESIDENTIAL FUEL FACTORS FOR THE PERIOD: January 1997 - March 1997

NOTE: This schedule reflects a mid-course correction in the capacity cost recovery factors for Gulf Power Company effective January 1, 1997.

		Florida Power & Light	Florida Power Corporation	Tampa Electric Company	Gulf Power Company	Florida Public Utilities Co. (2)	
						Marianna	Fernandina Beach
Present (cents per kwh):	October - December 1996	2.209	2.058	2.418	2.345	4.951	5.053
Proposed (cents per kwh):	January 1997 - March 1997	2.209	2.058	2.418	2.345	4.951	5.053
	Increase/Decrease:	0.000	0.000	0.000	0.000	0.000	0.000

TOTAL COST FOR 1,000 KILOWATT HOURS - RESIDENTIAL SERVICE

PRESENT: October - December 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	50.18	43.25	20.43	19.20
Fuel	22.09	20.58	24.18	23.45	49.51	50.53
Energy Conservation	2.09	1.38	1.62	0.41	0.19	0.09
Environmental Cost Recovery	0.17	N/A	0.41	1.24	N/A	N/A
Capacity Recovery	6.21	10.30	1.98	1.67	N/A	N/A
Gross Receipts Tax (1)	0.80	2.08	2.01	0.72	1.80	0.72
Total	\$78.82	\$83.39	\$80.38	\$70.74	\$71.93	\$70.54

PROPOSED: January 1997 - March 1997	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	50.18 (3)	43.25	20.43	19.20
Fuel	22.09	20.58	24.18	23.45	49.51	50.53
Energy Conservation	2.09	1.38	1.62	0.41	0.19	0.09
Environmental Cost Recovery	0.17	N/A	0.41	1.24	N/A	N/A
Capacity Recovery	6.21	10.30	1.98	0.78	N/A	N/A
Gross Receipts Tax (1)	0.80	2.08	2.01	0.71	1.80	0.72
Total	\$78.82	\$83.39	\$80.38	\$69.84	\$71.93	\$70.54

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	0.00	0.00	0.00	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	N/A	0.00	0.00	N/A	N/A
Capacity Recovery	0.00	0.00	0.00	-0.89	N/A	N/A
Gross Receipts Tax (1)	0.00	0.00	0.00	-0.01	0.00	0.00
Total	\$0.00	\$0.00	\$0.00	-\$0.90	\$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 1.956 for Marianna and 1.801 cents/KWH for Fernandina allocated to the residential class. (3) TECO base rates include .174 cents per kwh retail refund as approved in Docket No. 950379-EI, Order No. PSC-96-0670-S-EI.

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PROPOSED CAPACITY COST RECOVERY FACTORS

For the Period: **January 1997 - March 1997** *

		RECOVERY FACTOR	
COMPANY	RATE SCHEDULE	(CENTS PER KWH)	
FPL *	RS1	0.621	
	GS1	0.562	
	OL1/SL1	0.102	
	SL2	0.395	
	OS2	0.407	
		RECOVERY FACTOR	
		(DOLLARS PER KW)	
	GSD1	\$2.14	
	GSLD1/CS1	\$2.15	
	GSLD2/CS2	\$2.19	
	GSLD3/CS3	\$2.15	
	ISST1D - RDC/SDD	\$0.28	SDD \$0.13
	SST1T - RDC/SDD	\$0.27	\$0.13
	SST1D - RDC/SDD	\$0.28	\$0.13
	CILCD,CILCG	\$2.21	
	CILCT	\$2.20	
	MET	\$2.31	
		RECOVERY FACTOR	
		(CENTS PER KWH)	
FPC	RS	1.030	
	GS-Transmission	0.801	
	GS-Primary	0.809	
	GS-Secondary	0.817	
	GS - 100% Load Factor	0.563	
	GSD-Transmission	0.670	
	GSD-Primary	0.677	
	GSD-Secondary	0.684	
	CS - Transmission	0.561	
	CS - Primary	0.567	
	CS - Secondary	0.573	
	IS-Transmission	0.562	
	IS-Primary	0.568	
	IS-Secondary	0.573	
	LS - Lighting Service	0.205	
TECO	RS	0.198	
	GS,TS	0.191	
	GSD, EV-X	0.146	
	GSLD,SBF	0.130	
	IS-1 & 3,SBI-1 & 3	0.011	
	SL/OL	0.024	
GULF *	RS,RST	0.078	
	GS,GST	0.075	
	GSD,GSDT	0.056	
	LP,LPT	0.051	
	PX,PXT, RTP	0.042	
	OS-I,OS-II	0.019	
	OS-III	0.045	
	OS-IV	0.094	
	SBS	0.053	

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* FPL and Gulf factors are effective January 1997 through September 1997.