

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: November 14, 2011

TO: Office of Commission Clerk (Cole)

FROM: Division of Economic Regulation (Barrett, Cicchetti, Draper, Franklin, Lee, Lester, A. Roberts, Springer, Watts)
Office of the General Counsel (Barrera, Bennett)

RE: Docket No. 110001-EI – Fuel and purchased power cost recovery clause with generating performance incentive factor.

AGENDA: 11/22/11 – Regular Agenda – Post-Hearing Decision – Participation is Limited to Commissioners and Staff

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brisé

CRITICAL DATES: 12/1/2011

SPECIAL INSTRUCTIONS: Decision must be rendered before 12/1/2011 in order to implement new factors for 1/1/2012, or the first billing cycle in 2012. This recommendation should be considered before the recommendation for Docket No. 110007-EI.

FILE NAME AND LOCATION: S:\PSC\ECR\WP\110001.RCM.DOC

Case Background

As part of the continuing fuel and purchased power adjustment and generating performance incentive clause proceedings, an administrative hearing was held by the Public Service Commission on November 1-2, 2011. The Commission rendered bench decisions on many of the issues listed in Order No. 11-0508-PHO-EI, issued October 28, 2011 (Prehearing Order). The parties asked to brief

the Commission on Issue 1C for Progress Energy Florida, Inc. (PEF), and Florida Public Utilities Company (FPUC) asked to brief the Commission on Issue 3B, an FPUC issue.

On November 8, 2011, PEF and FPUC filed briefs addressing their respective outstanding issues. In addition, the Office of Public Counsel (OPC), Federal Executive Agencies (FEA), Florida Industrial Power Users Group (FIPUG), and Florida Retail Federation (FRF) filed a Joint Post Hearing Brief. Collectively, these parties represent consumers, and assert positions as “Consumer Intervenors.” White Springs Agricultural Chemicals, Inc. d/b/a PCS Phosphate – White Springs (PCS) also filed a brief addressing Issue 1C. None of the Intervenors filed briefs for Issue 3B.

This recommendation addresses Issues 1C and 3B, and several “fall-out” issues¹ for fuel and capacity cost recovery. Issue 1C addresses PEF’s request to recover replacement power costs for the Crystal River Unit 3 (CR3) extended outage through the fuel adjustment clause prior to the Commission’s determination of prudence in Docket No. 100437-EI, a “spin-off” docket.² Issue 3B is an issue addressing FPUC’s proposed method to allocate demand costs to its rate classes. For the purpose of this post-hearing recommendation, staff will maintain the numbering of all issues as set forth in the Prehearing Order, and add a “close docket” issue, Issue 35.

The Commission has jurisdiction over this subject matter pursuant to the provisions of Chapter 366, Florida Statutes (F.S.), including Sections 366.04, 366.05, and 366.06, F.S.

¹ PEF’s “fall-out” issues for fuel cost recovery are Issues 8, 9, 10, 11, 18, 20, and 22. The “fall-out” fuel cost recovery issue for FPUC is Issue 22. PEF’s “fall-out” issues for capacity cost recovery are Issues 23A, 27, 28, 29, 30, 31, and 33. Staff notes that PCS specified its positions for the fall-out issues on November 9, 2011, in response to an e-mail from Staff counsel. The Consumer Intervenors specified their positions for these issues as well on November 10, 2011.

² Order No. PSC-10-0632-PCO-EI, issued October 25, 2010, in Docket No. 100001-EI, “spun-off” the issue of prudence to a separate proceeding and Docket No. 100437-EI, In re: Examination of the outage and replacement fuel/power costs associated with the CR3 steam generator replacement project, by Progress Energy Florida, Inc., was established to review the prudence of the cause and costs of the CR3 outage.

Discussion of Issues

Issue 1C: Should PEF be permitted to recover the costs of replacement power due to the extended outage at Crystal River 3 in this docket?

Recommendation: Yes. The Commission should approve Option 1 contained in staff's analysis which allows PEF to collect, subject to refund, the full amount, \$140,157,891, of net 2011-2012 replacement power costs due to the CR3 extended outage. These costs should be incorporated into the calculation of the 2012 fuel factor. (Barrett, Cicchetti, Franklin, Lester, Watts)

Position of the Parties:

PEF: Yes. The Commission has already decided the issue of whether replacement fuel costs should be recovered in Order No. PSC-10-0734-FOF-EI. PEF has demonstrated the reasonableness of these fuel costs, and thus should be permitted to recover these costs, subject to refund pending the determination in Docket No. 100437-EI.

Consumer Intervenors: No. Ratepayers should not be responsible for replacement power costs, capacity costs, environmental costs, recovery costs or any other charges resulting from the continued extended outage of Crystal River 3. No determination has yet been made regarding the prudence of PEF's actions that led to the CR3 outage. Until such a determination is made, it is unfair and inequitable to require ratepayers to carry the burden of PEF's costs related to the outage.

PCS: No. Given the change in circumstances revealed in 2011, the Commission should not authorize PEF to recover CR3 replacement power costs subject to refund, prior to the Commission's CR3 prudence determination.

Staff Analysis: This issue addresses PEF's request to recover replacement power costs for the CR3 extended outage through the fuel adjustment clause prior to the Commission's determination in a separate docket as to the prudence of PEF's actions related to the extended outage.

PARTIES' ARGUMENTS

PEF

In its brief, PEF states the precedent established in Order No. PSC-10-0734-FOF-EI,³ issued in last year's fuel adjustment clause proceeding (Docket No. 100001-EI), should guide the Commission in resolving this issue. In that Order, the Commission held that PEF was allowed to recover the entire amount of 2010's replacement power costs due to the CR3 outage, subject to refund, prior to the determination of prudence of such costs in Docket No. 100437-EI. (PEF BR 4) PEF believes the arguments from intervening parties are directly contrary to established Commission policy.

³ Order No. PSC-10-0734-FOF-EI, issued December 20, 2010, in Docket No. 100001-EI, In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.

PEF contends the Commission's long-standing policy to allow utilities to recover their entire fuel cost concurrent with their expense, subject to a subsequent prudence review, is a paramount consideration in this issue. The Company specifically cites 2 orders that have direct relevance: Order No. PSC-07-0816-FOF-EI⁴, which states:

Thus, "clause recovery is immediate. There is a trade-off, however, as a utility remains uncertain as to whether the Commission will ultimately determine its expenditures to be prudent. . . . [The Commission's] ability to review past expenditures by utilities is essentially a quid pro quo that was established in return for the benefit utilities receive."

Order No. PSC-97-0608-FOF-EI⁵ in part states:

If we permit recovery now, we can later order a refund of these costs, with interest, if we determine the costs were imprudently incurred. . . . If we delay recovery of these costs until it is determined that all or a significant burden were prudently incurred, . . . **we may be putting a significant burden on customers at some future period. That burden will be heightened by interest which will accumulate on the unrecovered costs.**"

(emphasis added)

PEF states that the Intervenor's argument is exactly opposite to this policy. (PEF BR 8)

In addition, PEF believes its projected costs are reasonable and recoverable. (PEF BR 13) PEF witness Olivier filed testimony and provided E-Schedules that report 2011 actual and estimated fuel and capacity cost recovery information, and similar information to support PEF's proposed 2012 fuel and capacity cost recovery factors. (TR 501, 505-507; EXHs 26, 27, 27A)

PEF acknowledged that the plant has had two delamination events while off-line. PEF emphasized in its brief that the Company's assumptions regarding the Nuclear Electric Insurance Limited (NEIL) insurance recovery are based on the best available information it has. (Garrett, TR 438; Olivier TR 525, 527, 555; EXH 77 541-543; PEF BR 8) Based on these assumptions, PEF has prepared its 2012 projections assuming that one delamination event occurred, and emphasized that it is in the midst of the claims process for a single event. (Garrett, TR 438-441; Olivier TR 524-527) PEF contends that it has demonstrated the reasonableness of its 2012 fuel cost projections, and thus should be permitted to recover these costs, subject to refund pending the determination on prudence in Docket No. 100437-EI.⁶

⁴ See pages 6-7 of Order No. PSC-07-0816-FOF-EI, issued October 10, 2007, in Docket No. 060658-EI, In re: Petition on behalf of Citizens of the State of Florida to require Progress Energy Florida, Inc. to refund \$143 million.

⁵ Order No. PSC-97-0608-FOF-EI, issued May 28, 1997 in Docket No. 970001-EI, In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.

⁶ Examination of the outage and replacement fuel/power costs associated with the CR3 steam generator replacement project, by Progress Energy Florida, Inc. Pursuant to Order No. PSC-11-0352-PCO-EI, Order Establishing Procedure, issued August 23, 2011, a technical hearing for the first phase of this docket ("Phase I") is currently scheduled for June 11-15, 2012.

Consumer Intervenors

The Consumer Intervenors (Consumers) did not sponsor any witnesses in this proceeding, but participated in the discovery process, and in cross examination of PEF witnesses during the hearing. Collectively, the Consumer Intervenors assert that the Commission should deny in full, or in substantial part, PEF's request for cost recovery for replacement fuel or capacity until after the conclusion of the prudence review in Docket No. 100437-EI. (Consumers BR 4)

The Consumers believe the decisions rendered in Order No. PSC-10-0734-FOF-EI, issued in last year's fuel clause proceeding (Docket No. 100001-EI), were made based on the facts at hand in 2010. These parties believe that circumstances have dramatically changed and argue the following:

- First, the plant is not expected to return to service in the projection year (2012), and in fact, it may not return until 2014. The Consumers contend that the recovery allowed in 2010 was approved based on the Company's assertion that CR3 would return to service in 2011;
- Second, the Commission will consider the question of prudence in Docket No 100437-EI, which has hearings scheduled for June, 2012, and an order should be issued in September. The Consumers believe approval of recovery prior to a prudency finding would violate due process;
- Third, the Consumers dispute PEF's assertion that allowing cost recovery will avoid a future rate shock for consumers. The consumers believe Exhibit 90 ("Residential Rate Comparisons for 2008 and 2009") demonstrates that PEF has imposed rates on its customers in the past that were several times greater than those in this issue; and
- Fourth, any recovery should recognize the additional insurance proceeds PEF would realize for two delamination event claims, not one. The Consumers point out that a net difference of \$70 million is at issue in the "one versus two" events matter, and that Exhibit 89 supports the contention that two delamination events occurred. (Consumers BR 5-14)

A small portion of the Consumers Brief addressed topics that will be explored in the post-hearing recommendation in Docket No. 110007-EI, the Environmental Cost Recovery Clause.

PCS

PCS did not sponsor any witnesses in this proceeding, but actively participated in the discovery process and in cross examination of PEF witnesses during the hearing. Its brief mirrored the points in the Consumer's Brief. (PCS BR 1-2) In summary, PCS believes the Commission should not authorize PEF to recover replacement power costs prior to the prudence findings in Docket No. 100437-EI. (PCS BR 2)

STAFF ANALYSIS OF PARTIES' ARGUMENTS

The argument of “past precedent”

Staff notes that all parties make reference to the Commission’s “past practice” or precedent for fuel cost recovery, and all refer to the final order rendered in the 2010 fuel clause proceeding, Order No. PSC-10-0734-FOF-EI. In its brief, PEF acknowledges that a prudence docket is open and that decisions in that docket are likely in 2012, but it points to page 14 of the above-noted order wherein the Commission noted, “prudence is not ripe at this time.” (PEF BR 4) PEF contends that if the Commission deferred its replacement fuel costs pending the outcome of Docket No. 100437-EI, the Commission would be “ignoring decades of practice” of allowing cost recovery. (PEF BR 4) The fuel cost recovery docket’s purpose is to assess the reasonableness of a utility’s cost projections, and PEF cites Order No. PSC-97-0608-FOF-EI to emphasize that the fuel clause “is not a prudence review.” (PEF BR 4)

The Consumers and PCS state that Order No. PSC-10-0734-FOF-EI gives the Commission the latitude to grant, deny, or take other action on the cost recovery PEF seeks. Even though the substantially similar issue was raised in 2010 and addressed in the above-noted Order, these parties contend that the facts surrounding this case today are vastly different than as presented one year ago. These parties believe that new facts warrant a new decision from the Commission. (Consumers BR 2; PCS BR 1-2)

By its past (and current) practice, the Commission evaluates PEF’s and other investor owned utilities’ fuel cost projections and expenditures through testimony, schedules, and monthly reports that are filed throughout the year to assess their reasonableness. Historically, the Commission has allowed these companies to recover their fuel cost expenses, unless specific instances are identified and investigated for a prudence determination. PEF witness Olivier describes the fuel cost recovery in this way: “these [fuel costs] are costs that we are expending today for fuel, and then we recover those costs as they are spent.” (TR 534) Staff notes that the prudence of replacement fuel and purchased power costs will be explored in Docket No. 100437-EI, outside of the fuel cost recovery clause processes. Staff concludes, therefore, that because prudence will be examined in a separate proceeding and is not at issue in the fuel cost recovery clause, the Commission’s past practice of allowing cost recovery of reasonable projected costs in this docket should continue.

The argument of “one versus two” delamination events & NEIL insurance proceeds

In its brief, the Consumers assert that \$70 million of ratepayer money is at stake in the “one versus two” discussion. (Consumers BR 11) These parties believe a PEF status report provides evidence in the Company’s own words in describing two events. (EXH 89) Furthermore, the Consumers attest that if a fresh claims process began on the second delamination event, the insurance proceeds from NEIL would reimburse PEF for future replacement fuel expense rather than ratepayers. (Consumers BR 11-13) In conclusion, the Consumers believe the “one event” assumption that PEF is using for its 2012 projections is

unreasonable based on the record evidence. (Consumers BR 13) PCS also referred to this topic in its brief in a similar discussion. (PCS BR 6)

PEF witnesses acknowledge that two delamination events occurred, yet the Company contends it has prepared its schedules and projections for 2012 using insurance recovery from a single claim because that is “the best available information it has.” (Garrett, TR 438; Olivier TR 525, 527, 555; EXH 77 541-543; PEF BR 8, 14) Both witnesses emphasized that the Company and NEIL continue to work through the claims process for a single event. (Garrett, TR 438-441; Olivier TR 524-527)

PEF stated that “NEIL has not completed its review of the repair activities up to the March 2011 delamination.” (EXH 76 542) The Company provided similar evidence that NEIL is still reviewing the data from the first delamination, and “has not yet informed PEF whether it contends that the damage at CR3 arises from more than one ‘event’.” (EXH 76 542-543)

Mathematically, two claims would yield more insurance proceeds than a single claim, and the Consumers argue that PEF should have structured its projections around this assumption, and therefore two distinct claims processes should be modeled. Staff disagrees with this contention. While the status report recognizes two delamination events occurred, witnesses Garrett and Olivier clearly point out that its discussions with NEIL are on-going concerning whether the delaminations are one event or two. Staff believes that more facts surrounding the first delamination event are “known” than for the second, and that the Company was reasonable in using the insurance proceeds from the single claims process in building its 2012 projections that incorporate the “best known information.”

The Constitutional arguments

Consumer Intervenors argue that the allowance of recovery of the fuel costs related to its replacement power due to the extended outage at CR3 prior to a determination of prudence violates the Florida Constitution’s due process provision and property rights under Article I, Section 10 and Article 2, Section 1, of the Florida Constitution. Consumer Intervenors further argue that government, in this case, the Commission, must provide adequate notice and an opportunity to present objections, and be an impartial decision maker prior to a proposed taking of a citizen’s life, liberty, or property. In this case, Consumer Intervenors argue, consumers will have the opportunity to be heard in the June 2012 hearing in Docket No. 100437-EI and allowing the utility to recover its costs by requiring consumers to pay now means that the consumer’s property will be taken without notice and an opportunity to be heard.

PEF argues that the recovery of reasonable fuel costs, subject to refund, prior to a determination of prudence, comports with the requirements of due process because, in the fuel docket, consumers are provided the opportunity to participate in the proceedings prior to the Commission’s determination including participating in discovery, calling witnesses and cross-examining the utility’s witnesses. PEF argues that the fuel docket proceeding is not an eminent domain proceeding where the government “takes” property. PEF argues that the proceedings are not an action against the ratepayers but a setting of rates the utility may charge and to ensure that the fuel costs passed on to consumers are reasonable. Further, PEF argues that an obligation to

pay money does not constitute a taking. See Commonwealth Edison Co. v. U.S., 271 F.3d 1327, 1340 (Fed. Cir. 2001) (“While a taking may occur when a specific fund of money is involved, the mere imposition of an obligation to pay money ... does not give rise to a claim under the Takings Clause of the Fifth Amendment”).

It has long been established that, as any state agency, the Commission's powers, duties and authority are those and only those that are conferred expressly or impliedly by statute. City of Cape Coral v. GAC Utilities, Inc., (281 So. 2d 493, 496 (Fla. 1973)); Florida Bridge Co. v. Bevis, (363 So. 2d 799, 802 (Fla. 1978)). Administrative agencies lack the power to consider or determine constitutional issues. Rice v. Dep't of Health and Rehabilitative Servs., (386 So. 2d 844, 848 (Fla. 1st DCA 1980)); Carrollwood State Bank v. Lewis, (362 So. 2d 110, 113-14 (Fla. 1st DCA 1978)); Fla. Hosp. (Adventist Health) v. Agency for Health Care Admin., (823 So. 2d 844 (Fla. 1st DCA 2002)).

The Commission has previously specifically declined to rule on constitutional issues stating:

... [R]esolution of this suggested additional issue requires the interpretation of constitutional law; specifically the taking of property without just compensation. This Commission is a creature of statute, and Chapter 367 does not provide us the authority to resolve such constitutional questions. The appellate court, sitting in its review capacity, is the proper forum "to resolve this type of constitutional challenge because [it has] the power to . . . require any modifications in the administrative decision-making process necessary to render the final agency order constitutional." Key Haven Associated Enters., Inc. v. Board of Trustees of Internal Improvement Trust Fund, (427 So.2d 153, 158 (Fla. 1982)).⁷

Staff notes that, although the Commission's discussion referred to Chapter 367, Florida Statutes, there is also no authority in Chapter 366, Florida Statutes (F.S.), to resolve constitutional questions.

Consumer Intervenors have been given the opportunity, in this docket, to prepare a record upon which the Supreme Court can consider the constitutional issues *de novo*. Glendale Federal Savings and Loan Ass'n v. Florida Dep't of Ins., (485 So. 2d 1321, 1323 (Fla. 1st DCA 1986)), review denied, (494 So. 2d 1150 (Fla. 1986)). Thus, in accordance with Key Haven and the cited cases, the Commission should decline to determine the constitutional issues raised by the Consumer Intervenors.

However, the issue of whether the Commission can allow recovery of fuel costs, subject to refund, prior to a determination of prudence, can be resolved without resorting to a

⁷ Order No. PSC-99-0664-PCO-WS, issued April 5, 1999, in Docket No. 950495-WS, In re: Application for rate increase and increase in service availability charges by Southern States Utilities, Inc. for Orange-Osceola Utilities, Inc. in Osceola County, and in Bradford, Brevard, Charlotte, Citrus, Clay, Collier, Duval, Highlands, Lake, Lee, Marion, Martin, Nassau, Orange, Pasco, Putnam, Seminole, St. Johns, St. Lucie, Volusia, and Washington Counties.

determination of the constitutional claims. In Order No. 12645,⁸ the Commission established that a prudence review of costs in the annual fuel clause hearing will not be conducted unless prudence of a cost is raised as an issue ahead of time. Finding that a prudence investigation required a careful and often prolonged study, the Commission ruled that it will not adjudicate the question until and unless all relevant facts are analyzed and placed before it. In Order No. PSC-07-0816-FOF-EI,⁹ the Commission found that the fuel clause is not a prudence review but rather a comparison of a utility's projected fuel costs to the costs actually expended.

In a comprehensive analysis of the issue, the Commission, in Order No. PSC-10-0734-FOF-EI, issued December 20, 2010, in Docket No. 100001-EI, rejected the argument that recovery should not be allowed without a prudence determination:

Our practice in fuel clause proceedings has been to allow recovery of projected costs, which are then subject to true-up adjustments based on actual costs incurred. Subsequently, we may disallow costs based on a determination of prudence. This practice allows cost recovery in a timely manner while protecting ratepayers by conducting a separate review for potential disallowance, as demonstrated in the recent PEF coal refund case. See Order No. PSC-07-0816-FOF-EI. This practice allows the utilities relatively quick recovery of costs and allows them the cash flow to pay volatile fuel expenses. In exchange, we can conduct a prudence review of fuel costs going back a number of years without having established interim rates or holding money subject to refund.¹⁰

Staff recommends that the Commission decline to rule on the constitutional issues raised by the Consumer Intervenors in this cause for lack of jurisdiction. However, staff believes that the Commission does not have to reach the constitutional issues to determine whether PEF should collect, subject to refund, the fuel costs related to its replacement power due to the extended outage at CR3 prior to the Commission's determination of the prudence of such costs in a separate docket.

The "rate shock" argument

The Consumer Intervenors state that rate shock is not a credible argument. (Consumers BR 9) They state that PEF's monthly 1000 kWh bill at the end of 2008 was \$110.59, and that the bill increased to \$137.87 at the beginning of 2009. (EXH 90, pp. 1-2) PEF witness Olivier acknowledged this as rate shock. (TR 553) However, staff notes that the Commission has considered the potential compounding effect of deferrals in mid-course increases to fuel factors.

⁸ issued November 3, 1983, in Docket No. 830001-EU, In re: Investigation of Fuel Adjustment Clauses of Electric Utilities,

⁹ Order No. PSC-07-0816-FOF-EI, issued October 10, 2007, in Docket No. 060658-EI, In re: Petition on behalf of Citizens of the State of Florida to require Progress Energy Florida, Inc. to refund customers \$ 143 million, p. 15.

¹⁰ See page 17 of Order No. PSC-10-0734-FOF-EI, issued December 20, 2010, in Docket No. 100001-EI, In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.

The Commission, in considering mid-course increases to fuel factors, has deferred a portion of the increased costs from the middle of the current year to the beginning of the next year.¹¹

Staff believes the Commission should consider the potential compounding effect of deferrals of replacement power cost on fuel factors for 2013 and 2014. A deferral could contribute to a significant increase in fuel factors for those years given that NEIL insurance payments could end in August 2012 and that PEF does not expect CR3 to return to service until 2014. (Olivier TR 508, 589-590; EXH 77 541)

The interest cost argument

The Consumers state that PEF will be fairly compensated if the Commission defers recovery of the replacement power cost. (Consumers BR 10) Staff notes that the deferral would accrue interest at the commercial paper rate, which currently is quite low. (Olivier TR 501, 534, 589) When considering a deferral of fuel cost, the Commission has considered the added cost of interest.¹² In its brief, PEF identified interest as an added cost to customers in evaluating the merits of a deferral. Given the current low commercial paper rate, staff believes interest on a deferral would not add significant cost.

ANALYSIS

Based on the arguments of the parties and the similarity to a CR3 replacement power recovery issue that was raised in the 2010 Fuel Clause Hearing, staff developed three options concerning the recovery of replacement power due to the CR3 extended outage. Option 1 allows PEF to recover 100 percent of all 2011-2012 replacement power due to the CR3 extended outage in the 2012 fuel factors. Option 2 defers 100 percent of all 2011-2012 replacement power due to the CR3 extended outage to 2013. Option 3 allows PEF to recover 50 percent of the 2011-2012 replacement power due to the CR3 extended outage in the 2012 fuel factors, and defers the remaining 50 percent to 2013.

On Attachment A, staff provides a comparison of the 2012 Monthly Residential 1000 kWh Bill for each option. As noted in Attachment A, if the Commission approves Option 1, the fuel portion of customer's bills will be \$3.88 higher per 1,000 kilowatt-hours (kWh) than if the Commission approves Option 2, and \$1.94 higher per 1,000 kWh than if the Commission approves Option 3. Below, staff discusses the pros and cons of each option.

Option 1: Allow 100 percent Recovery of 2011-2012 CR3 Replacement Power in 2012 Fuel Factors

Under Option 1, the Commission would allow PEF to recover all 2011-2012 replacement power costs due to the CR3 extended outage in the 2012 fuel factors. The Fuel Clause was

¹¹ See pages 11 through 13 of Order No. PSC-08-0495-PCO-EI (the 2008 mid-course order), issued August 5, 2008 in Docket No. 080001-EI, In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.

¹² See page 9 of the Order No. PSC-03-0382-PCO-EI (the 2008 mid-course order), issued March 19, 2003, in Docket No. 030001-EI, In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.

originally designed to allow a pass through of fuel costs, so the utility would be able to recover the costs as they are incurred. In Order 6357, the Commission defined the purpose of the Fuel Cost Recovery Clause:

The charge reflected on a customer's bill each month is designed only to provide for the recovery of fuel costs experienced by the utility in generating the customer's power. ... It should be emphasized that a utility does not make a profit on its fuel costs.¹³

PEF witness Olivier testified that the practice in fuel clause proceedings is to allow the utility recovery of projected fuel costs and net true-up amounts. The witness also testified that PEF projected its 2012 costs to meet its projected customer demand. (TR 537, 590) Staff notes that cost recovery in this manner would more closely match the time costs are incurred with the time they are recovered, thus providing the appropriate price signal to customers.¹⁴

The Commission's general practice is to allow full recovery of replacement power costs subject to refund. When considering CR3 replacement power costs for PEF as part of last year's fuel proceeding, the Commission stated the following:

Our practice in fuel clause proceedings has been to allow recovery of projected costs, which are then subject to true-up adjustments based on actual costs incurred. Subsequently, we may disallow costs based on a determination of prudence. This practice allows cost recovery in a timely manner while protecting ratepayers by conducting a separate review for potential disallowance, as demonstrated in the recent PEF coal refund case. See Order No. PSC-07-0816-FOF-EI. This practice allows the utilities relatively quick recovery of costs and allows them the cash flow to pay volatile fuel expenses. In exchange, we can conduct a prudence review of fuel costs going back a number of years without having established interim rates or holding money subject to refund.¹⁵

While the Intervenors have raised the issue of whether replacement power costs are prudent, that topic is the subject of a separate docket – Docket No. 100437-EI – with a hearing scheduled for June 2012. (Olivier TR 530) As noted in last year's fuel proceeding order cited above, the Commission's practice is not to make prudence determinations in fuel clause proceedings.¹⁶ The Intervenors also assert that the Commission should defer the entire amount of 2011-2012 CR3 replacement power costs until after prudence has been determined in Docket 100437-EI. (Consumers BR 16) However, the Commission has the inherent authority to

¹³ See page 3 of Order No. 6357, issued November 26, 1974, in Docket 74680-CI, In re: General investigation of fuel adjustment clauses of electric companies.

¹⁴ See pages 8 and 9 of Order No. PSC-03-0382-PCO-EI (2003 mid-course order), issued March 19, 2003, in Docket No. 030001-EI, In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.

¹⁵ See page 17 of Order No. PSC-10-0734-FOF-EI, issued December 20, 2010, in Docket No. 100001-EI, In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.

¹⁶ The Commission does determine whether realized hedging savings and costs through July 31 of the current year are prudent in the fuel clause proceeding. See page 4 of Order No. PSC-08-0316-PAA-EI, issued May 14, 2008, in Docket No. 080001-EI, In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.

approve, subject to refund, fuel cost recovery before a prudence determination.¹⁷ Any CR3 replacement power cost recovered by PEF would be subject to refund pending the Commission decision in Docket 100437-EI, so customers remain protected if the Commission determines PEF's actions to be imprudent.

Under Option 1, if the Commission deems the replacement power costs to be prudent, then customer's bills could possibly be more stable in the future, because replacement power costs would have already been recovered by the utility. This could contribute to stability in a customer's bill. In considering whether to defer a portion of increased fuel cost, the Commission has considered bill stability to be an important factor. If the Commission deems the replacement power costs to be imprudent, then customers will get a refund, but only later.

Option 2: *Defer 100 percent of 2011-2012 CR3 Replacement Power to 2013*

Under Option 2, the Commission would require PEF to defer 100 percent of all 2011-2012 replacement power due to the CR3 extended outage to 2013. In deferring all 2011-2012 replacement power costs to 2013, a residential customer's bill would be reduced by \$3.88 per 1,000 kWh from Option 1, as noted in Attachment A.

Although deferring 2011-2012 CR3 replacement power costs would keep rates in 2012 near their current level, rates for 2013 could be dramatically higher if the Commission determines PEF's replacement power prudent. If determined prudent, then there could be a compounding effect in the 2013 fuel factors, with 2011, 2012 and 2013 replacement power costs being included in the 2013 fuel factors. PEF witness Olivier testified that a deferral of some or all of the replacement power costs could increase fuel factors higher than they otherwise would be, subject to a prudence determination. (TR 590) A deferral could compound with an under-recovery of fuel cost or an increase in fuel prices – or both – and significantly increase customer bills in 2013.¹⁸ (TR 530, 533) This compounding effect could be further exacerbated if NEIL determines that the extended outage was only one delamination event. In this case the NEIL payments would end in August 2012 and PEF would incur replacement power in 2013, with CR3 not expected to return to service until 2014. Any 2013 replacement power PEF incurs under this scenario would not be offset by insurance payments, so the amount of replacement power PEF could potentially seek from customers could increase. Further, a deferral of the replacement power cost could give customers an incorrect price signal because the 2013 fuel factors would be less representative of the cost PEF incurs to meet customer demand.

Staff notes that if the Commission approves a partial or full deferral of the requested recovery amount, PEF's customers would bear the burden of paying the carrying charges on the deferred amount if PEF is later deemed prudent. In considering possible deferrals for mid-course corrections, the Commission has noted that such deferrals would accrue interest.¹⁹ Witness

¹⁷ See page 14 of Order No. PSC-10-0734-FOF-EI, issued December 20, 2010, in Docket No. 100001-EI, In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.

¹⁸ See pages 8 and 9 of the 2003 mid-course order cited above. See also Commissioner McMurrian's dissent on page 15 of the 2008 mid-course order cited below, which noted that the deferral of costs can increase the severity of a rate impact in the near future..

¹⁹ See pages 11 and 15 of Order No. PSC-08-0495-PCO-EI (2008 mid-course order) in docket No. 080001-EI, In re: Fuel and purchased power cost recovery clause with generating performance incentive factor. Commissioners

Olivier stated that deferrals incur interest at the commercial paper rate. (TR 501, 534) She agreed that the current commercial paper rate is 0.09 percent. (TR 589) Staff notes that while a deferral for one year would accrue interest, that amount would not be significant.

Should the Commission decide to defer some or all of the CR3 extended outage costs, rating agencies and Wall Street analysts could react negatively. (EXH 77 557-559, 567-653) As indicated in the Company's response to Interrogatory 108, "PEF anticipates that credit rating agencies would have an adverse reaction to the Commission taking such action. Indeed, in early July of this year Fitch lowered PEF's rating outlook from (sic) stable to negative based in large part on uncertainty regarding fuel and capital cost recovery associated with the CR3 extended outage." (EXH 77 at 557)

The Florida Retail Federation asked Witness Garrett:

Do you have an opinion as to what the capital market's perceptions would be of the differential risk between deferral of recovery until summer of 2012 as compared to the risk of disallowance and refund following the hearing that we anticipate next summer?

(TR 491)

Witness Garrett responded:

...yes, I do have an opinion about that. I think it goes back to risk. I think if there is an appetite to defer costs, that it will indicate increased risk of recovery versus recovering those amounts subject to refund.

(TR 491)

Although the Commission is not beholden to the rating agencies and Wall Street analysts, staff believes their concerns should be considered. An increase in regulatory risk could lead to an increase in the cost of capital to the Company and ultimately its customers. A downgrade of the Company's bonds could lead to an increase in the cost of debt.

Option 3: Allow 50 percent of the 2011-2012 CR3 Replacement Power in 2012 Fuel Factors and defer the remaining 50 percent to 2013

With Option 3, the Commission would allow PEF to recover 50 percent of the 2011-2012 replacement power due to the CR3 extended outage in the 2012 fuel factors, and defer the remaining 50 percent to 2013. In allowing 50 percent of 2011-2012 replacement power costs in the 2012 fuel factors, and deferring the remaining 50 percent to 2013, the customer's bill would be reduced by \$1.94 per 1,000 kWh from Option 1, as noted in Attachment A.

McMurrian and Argenziano dissented from the majority's decision, with Commissioner McMurrian noting that the deferral of costs can increase the severity of a rate impact in the near future.

Order Nos. PSC-08-0494-PCO-EI²⁰ and PSC-08-0495-PCO-EI²¹ clearly show that the Commission has the discretion to defer all or a portion of the requested recovery amount prior to the determination of prudence. While the Commission has the discretion to defer recovery of a portion of the costs, such deferral has been generally done to relieve rate shock associated with a large increase in fuel factors. Staff believes the appropriate goal in setting fuel factors, however, is to minimize over-recoveries or under-recoveries (i.e. true-up amounts), by matching rates to costs as closely as possible, and to do so as the costs are being incurred. Otherwise, an under-recovery or deferral of costs coupled with rising fuel prices could exacerbate a future increase in fuel factors.

Staff notes for Options 2 and 3, the advantages and disadvantages are similar, with the difference being the magnitude of the effect of a deferral on the customers' current and future bills.

CONCLUSION

The Commission's general practice is to allow full recovery of replacement power costs subject to refund. The fuel clause was originally designed to allow a pass through of fuel costs, so the utility would be able to recover the costs as they are incurred. This manner of fuel cost recovery matches the time the cost is incurred with the time the cost is recovered and makes the fuel factors cost-based, which provides the appropriate price signals to customers. Deferring all or half of the 2011-2012 CR3 replacement power would reduce or eliminate an increase in the 2012 customer's bills. Deferring replacement power costs to 2013, however, could have a compounding effect with a potential future increase in fuel rates. A deferral coupled with an increase in fuel prices, a significant under-recovery, or a one delamination event determination from NEIL could significantly increase the 2013 fuel factors and create rate shock for customers. Also, should the Commission decide to defer some or all of the CR3 extended outage costs, rating agencies and Wall Street analysts could react negatively.

For the above reasons, staff recommends Option 1, which allows PEF to collect, subject to refund, the full amount, \$140,157,891, of net 2011-2012 replacement power costs due to the CR3 extended outage. These costs should be incorporated into the calculation of the 2012 fuel factors.

²⁰ See Order No. PSC-08-0494-PCO-EI, issued August 5, 2008, in Docket No. 080001-EI, In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.

²¹ See pages 11 and 15 of Order No. PSC-08-0495-PCO-EI (2008 mid-course order) in docket No. 080001-EI, In re: Fuel and purchased power cost recovery clause with generating performance incentive factor. Commissioners McMurrian and Argenziano dissented from the majority's decision, with Commissioner McMurrian noting that the deferral of costs can increase the severity of a rate impact in the near future.

ISSUE 3B: Is FPUC's proposed method to allocate demand costs to the rate classes appropriate?

Recommendation: FPUC should continue to use the 12 Coincident Peak (CP) and 1/13 methodology that incorporates load research data provided by Florida Power & Light Company (FPL) for the Northeast Division and Gulf Power Company (Gulf) for the Northwest Division to allocate demand costs to the rate classes. FPUC has not adequately demonstrated that its proposed method is more accurate or that the FPL and Gulf load research data are not appropriate for FPUC. (Draper)

Position of the Parties:

FPUC: Yes. The Company's proposed methodology is appropriate for FPUC because it relies more heavily on company-specific data, which reflects the unique size, locations, and customer demographics of FPUC. In the absence of load data from FPUC's own system, use of this methodology is appropriate and prudent.

Staff Analysis:

PARTIES' ARGUMENTS

FPUC proposed a new methodology for allocating demand costs across its rate classes. (FPUC BR 5) Witness Martin testified that FPUC in previous fuel clause proceedings used the 12 Coincident Peak and 1/13 Average Demand (12 CP and 1/13) methodology²² to allocate demand costs, but incorporated data from a 2007 FPL and from a 2006 Gulf load research study to allocate demand costs to the rate classes in the Northeast and Northwest Divisions respectively. (TR 359)

Witness Martin explained that FPUC does not have its own generation, and thus purchases all of its power from other providers. (TR 373) Specifically, FPUC purchases power from JEA for the Northeast Division, and from Gulf for the Northwest Division. (TR 361, 365) Effective January 1, 2008, FPUC executed amended purchased power contracts with both providers. (TR 361, 365) Witness Martin testified that prior to 2008, FPUC had some of the lowest fuel rates in the state. However, the amended contracts resulted in higher fuel rates that more closely reflected the then-current market conditions. (TR 361, 366)

Witness Martin testified that as a result of higher fuel rates and the downturn in the economy, FPUC experienced significant usage reductions from its customer base. (TR 361, 366) Witness Martin asserted that FPUC believes that the previous method of allocating demand costs to the rate classifications, which utilized FPL's and Gulf's load research data, is no longer the most accurate basis for this purpose. (TR 361, 366)

FPUC engaged Christensen Associates Energy Consulting (CA) to develop an FPUC-based customer usage method on which to allocate demand costs to the various rate classifications. (TR 362, 366) CA developed a report for FPUC (CA report) which was entered

²² Under the 12 CP and 1/13 method, approximately 92 percent, or 12/13, of the cost are allocated on a 12 CP basis, and approximately eight percent, or 1/13, are allocated on an energy basis. CP is the maximum peak demand of the class at the time of the system peak. The term 12 CP refers to the average of each class's 12 monthly CP demands.

into the hearing as Exhibit 88. FPUC stated in its brief that the CA report concluded that a good indicator for each rate class' actual contribution to the coincident peak is the kWh usage of each rate class calculated as a percentage of the total kWh usage for the measurement period under each purchased power contract. (FPUC BR 6-7) For both divisions, FPUC used the three previous years (2008-2010) average kWhs to determine each rate classification's demand cost allocator. (TR 362, 367)

FPUC recognizes that having its own load data would be the optimal means of allocating demand on its system. (FPUC BR 7) However, Witness Martin noted that FPUC does not have the necessary and costly monitoring equipment installed that would enable FPUC to conduct its own load research. (TR 373) Therefore, FPUC believes that substituting energy usage, as a proxy for demand, just makes sense for FPUC given its unique posture. (FPUC BR 7) FPUC asserts that in the absence of load data, including estimates of class peak demands, energy usage is the only observable means by which one can approximate coincident peak demand for FPUC's rate classes. (FPUC BR 7)

ANALYSIS

FPUC's purchased power contracts include energy and demand costs. (TR 365) Energy costs are allocated to the rate classes based on each classes' projected energy, or kWh, consumption. (TR 365) Load research done by investor-owned electric utilities, such as FPL and Gulf provides the coincident peak (CP) demand of the major rate classes. Due to its size, FPUC is not required to do load research pursuant to Rule 25-6.0437, Florida Administrative Code (F.A.C.).²³ The purpose of Rule 25-6.0437, F.A.C., is contained in subsection (2) of the rule which states that this rule is to require load research to support cost of service studies used in ratemaking proceedings to reasonably assure that tariffs are equitable and reflect the true costs of serving each class of customer. In the absence of load research data specific to FPUC, FPUC has historically relied on actual load research collected by FPL for the Northeast Division and by Gulf for the Northwest Division to allocate its demand related costs. Pursuant to Rule 25-6.0437(7), F.A.C., FPL and Gulf are required to perform a complete load research study no less often than every three years.

FPUC relied on the CA report that concluded that using kWh usage as an indicator of each rate class' contribution to coincident peak is appropriate. The author of the report, Mr. Camfield, is not a witness in this proceeding. FPUC stated in its brief that the CA report trended customer consumption patterns over a ten year period. (FPUC BR 6) However, there is no showing in the CA report that a reduction in overall energy consumption translates into reduced demand during the system peak. Furthermore, FPUC argues that CA also studied price elasticities for each division and developed models for gauging energy consumption with respect to changes in several variables, including price, weather, and income. (FPUC BR 6) The CA report's regression analysis using price or weather to determine energy usage appears appropriate, but the regression analysis does not show how the results of the analysis is related to peak demand. Finally, FPUC stated in its brief that the CA report ultimately concludes a good

²³ Rule 25-6.0437(1), F.A.C., applies to investor-owned electric utilities which provide electric service to more than 50,000 retail customers. In deposition, Witness Martin stated that FPUC's Northwest Division has 15,172 customers, and the Northeast Division 15,829 customers. (EXH 60, p. 239)

indicator of each rate class' actual contribution to the coincident peak is the kWh usage of each rate class calculated as a percentage of the total kWh usage. (FPUC BR 6) Again, the CA report's conclusions are not supported by any quantitative analysis linking kWh usage to coincident peak demand.

Witness Martin testified that FPUC believes that it is different, geographically and economically, from FPL and Gulf. (TR 375) In response to staff discovery, FPUC responded that the load shapes for classes of customers served by other utilities may not readily fit FPUC because of a) differences in gas saturation, b) differences in temperature patterns, c) differences in class definitions, d) differences in the economic sector of commercial/industrial customers served, e) differences in rate levels and rate design, and f) differences in income and employment levels. (EXH 59 at 224-225) However, Witness Martin has provided no quantitative analysis to support the conclusion that FPUC is different from FPL or Gulf.

Staff agrees with FPUC that there does not appear to be a Commission order specifically approving FPUC's current demand allocation method. However, FPUC's reliance on FPL and Gulf actual load research has been accepted for many years. Staff also agrees with FPUC that there is no evidence in the record of this proceeding that indicates whether FPL and Gulf are appropriate load proxies for FPUC. (TR 378) However, staff disagrees with FPUC's assertion that this issue only requires FPUC to demonstrate that its proposal methodology is reasonable and appropriate for FPUC. (FPUC BR 11) Staff believes that, since the Commission has relied upon the use of actual load research data for many years in finding that FPUC's fuel factors are appropriate, FPUC should also be required to show that the use of the 12CP and 1/13 method that incorporates FPL's and Gulf's load research data is no longer appropriate for FPUC. Witness Martin argued that even the historical 12CP and 1/13 methodology includes kWh usage as a component of the calculation to allocate demand. (EXH 60 at 246) That is true, however, this method allocates most costs (12/13) to the rate classes based on their contribution to the 12 monthly system peaks, and only 1/13 to the rate classes based on a kWh, or energy, basis. FPUC's proposal to allocate its demand-related purchased power costs on a 100 percent energy basis represents a significant change in demand cost allocation methodology.

FPUC cited in its brief Commission Order No. PSC-93-1845-FOF-EG,²⁴ which approved the allocation of FPUC's conservation program cost on an energy basis. (FPUC BR 12) However, this order states that FPUC has no dispatchable demand-side management (DSM) programs for which allocation on the 12CP and 1/13 basis would be more appropriate. The order further states on page 13 that "the same rationale discussed for FPL is applicable to FPUC." In the discussion on FPL, the order finds that FPL shall allocate only the costs of its dispatchable conservation programs using the 12 CP and 1/13 method, and that FPL shall continue to allocate the costs of its remaining programs on an energy basis. The order describes dispatchable programs as heavily demand-related, as they can be called upon by the utilities at times of system peak demand. Based upon a review of the order, staff does not believe it provides a basis for an energy allocation of demand related purchased power costs.

²⁴ Order No. PSC-93-1845-FOF-EG, issued December 29, 1993, in Docket No. 930759-EG, In re: Investigation into appropriate method for allocation and recovery of costs associated with conservation programs.

Impact on customers. FPUC's proposed demand allocation method, when compared to the current method, impacts customer bills.²⁵ Under FPUC's proposed method, residential customers would see lower bills. (TR 380) For the Northwest Division, the current 1,000 kWh residential bill is \$137.53. Under FPUC's proposed method, the bill would be \$133.19, while under the current method the bill would be \$139.28, or higher by \$6.09. For the Northeast Division, the current 1,000 kWh residential bill is \$132.34. Under FPUC's proposed method, the bill would be \$125.10, while under the current method the bill would be \$129.07, or higher by \$3.97. (TR 381)

Small commercial General Service (GS) customers would see lower fuel factors under FPUC's proposed method in the Northwest Division, and higher fuel factors in the Northeast Division. (TR 380) The remaining commercial and industrial classes (GSD, GSLD) would see higher fuel factors in both divisions under FPUC's proposed method. (TR 380) Lighting customers would also see higher fuel factors under FPUC's proposed method. While staff believes that lowering residential bills is a desirable goal, staff does not believe it is appropriate to increase commercial bills at the same time without a reasonable cost basis.

In deposition, Witness Martin explained that FPUC revisited its demand allocation methodology as a result of new management and the recent merger. (EXH 60 252) Witness Martin further stated that as a result of FPUC's recent price increases that faced their electric customers, FPUC continues to look for ways to mitigate the impact and see if there is anything FPUC can do to reduce the price increases that their customers are facing. (EXH 60 252-253) Staff notes that changing the demand cost allocation methodology does not mitigate FPUC's total purchased power costs. Thus, changing the allocation methodology does not support FPUC's desire to reduce overall fuel costs, only costs to mainly residential customers. Changing cost allocation methodology should not be used to mitigate rate impacts, absent a showing that the current methodology is inappropriate.

CONCLUSION

Staff is not recommending that FPUC incur the expense of conducting its own load research. However, FPUC has not demonstrated that going to an energy only allocation for demand related costs is appropriate. FPUC should continue to use the 12 CP and 1/13 demand allocation method incorporating the actual load research data provided by FPL for the Northeast Division and Gulf for the Northwest Division. If FPUC wishes to rely on another approach, it should adequately support that alternative methodology with quantitative studies showing the relationship between kWh usage and peak demand. Staff does not believe that the CA study offered in this proceeding conclusively demonstrates that FPUC's proposed method is more accurate, or that the FPL and Gulf load research data are not appropriate for FPUC. The impact of FPUC's proposed demand allocation methodology on the rate classes is significant, and staff therefore has reservations about recommending approval of such a change without adequate data and a more thorough analysis to support the change. Since the fuel and purchased power cost recovery clause is an on-going docket, FPUC and staff can continue to analyze this issue.

²⁵ A comparison of the fuel charges for the rate classes between the two allocation methods is shown in EXH 60 at p. 269.

ISSUE 8: What are the appropriate fuel adjustment true-up amounts for the period January 2010 through December 2010?

Recommendation: The appropriate fuel cost recovery true-up amount for the period January 2010 through December 2010 for PEF is a \$158,825,721 under-recovery. If the Commission modifies staff's recommendation in Issue 1C, PEF should revise its filings to reflect the Commission's decision. (Lee)

Position of the Parties:

PEF: \$158,825,721 under-recovery.

Consumer Intervenor: Ratepayers should not be charged now for replacement power costs, capacity costs, environmental cost recovery costs or any other charges resulting from the continued extended outage of Crystal River 3 until prudence issues related to this outage are determined by the Commission.

PCS: PEF's CR3-related replacement power costs should not be recovered in the 2012 fuel factor.

Staff Analysis: The intervenors oppose the inclusion of CR3-related replacement power costs in the 2012 fuel factors. (Consumers BR 16) PEF provided the impact of replacement power to monthly fuel costs, including the replacement fuel, energy component of the purchased power, and reimbursement from NEIL due to the CR3 outage event. (EXH 91) PEF witness Garrett provided the 2010 fuel cost true-up calculations based on the actual costs incurred and revenues collected by PEF. (TR 420-430; EXH 17) Other than the amount of CR3-related replacement power costs in question, intervenors did not dispute the accuracy of the actual cost incurred or the method used by PEF to calculate the CR3-related replacement power costs.

At issue is whether the CR3-related replacement power costs should be removed from the true-up amount and the 2012 fuel factors. The true-up calculations in Exhibit 17 demonstrate that removal of any amount will have a cumulative effect that is different than just the gross amount that is removed. If the Commission modifies staff's recommendation in Issue 1C, PEF should revise its filings to reflect Commission's decision. The revised filings would be the basis of any further adjustments, if any, required after the conclusion of the pending prudence review in Docket No. 100437-EI.

Consistent with staff's recommendation in Issue 1C, staff recommends that the appropriate fuel cost recovery true-up amount for the period January 2010 through December 2010 for PEF is a \$158,825,721 under-recovery. If the Commission modifies staff's recommendation in Issue 1C, PEF should revise its filings to reflect the Commission's decision.

ISSUE 9: What are the appropriate fuel adjustment actual/estimated true-up amounts for the period January 2011 through December 2011?

Recommendation: The appropriate fuel cost recovery true-up amount for the period January 2011 through December 2011 for PEF is a \$35,666,520 over-recovery. If the Commission modifies staff's recommendation in Issue 1C, PEF should revise its filings to reflect the Commission's decision. (Lee)

Position of the Parties:

PEF: \$35,666,520 over-recovery.

Consumer Intervenor: Ratepayers should not be charged now for replacement power costs, capacity costs, environmental cost recovery costs or any other charges resulting from the continued extended outage of Crystal River 3 until prudence issues related to this outage are determined by the Commission.

PCS: PEF's CR3-related replacement power costs should not be recovered in the 2012 fuel factor.

Staff Analysis: The intervenors oppose the inclusion of CR3-related replacement power costs in the 2012 fuel factors. PEF provided the impact of replacement power on monthly fuel costs, including the replacement fuel, energy component of the purchased power, and reimbursement from NEIL due to the CR3 outage event. (EXH 91) PEF witness Olivier provided the 2011 fuel cost true-up calculations based on the actual costs incurred and revenues collected by PEF. (TR 500-504; EXH 26) Other than the amount of CR3-related replacement power costs in question, intervenors did not dispute the method used by PEF to estimate the fuel costs and to calculate the CR3-related replacement power costs.

Based on the reasons discussed in Issue 1C and Issue 8, staff recommends that the appropriate fuel cost recovery true-up amount for the period January 2011 through December 2011 for PEF is a \$35,666,520 over-recovery. If the Commission modifies staff's recommendation in Issue 1C, PEF should revise its filings to reflect the Commission's decision.

ISSUE 10: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2012 to December 2012?

Recommendation: The appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2012 to December 2012 is a \$123,159,202 under-recovery. If the Commission modifies staff's recommendation in Issue 1C, PEF should revise its filings to reflect the Commission's decision. (Lee)

Position of the Parties:

PEF: \$123,159,202 under-recovery.

Consumer Intervenors: Ratepayers should not be charged now for replacement power costs, capacity costs, environmental cost recovery costs or any other charges resulting from the continued extended outage of Crystal River 3 until prudence issues related to this outage are determined by the Commission.

PCS: PEF's CR3-related replacement power costs should not be recovered in the 2012 fuel factor.

Staff Analysis: Based on discussion in Issues 1C, 8 and 9, the total fuel cost true-up amount for 2010 and 2011 is a \$123,159,202 under-recovery for PEF. This amount is to be collected during the period January 2012 through December 2012. If the Commission modifies staff's recommendation in Issue 1C, PEF should revise its filings to reflect the Commission's decision.

ISSUE 11: What are the appropriate projected total fuel and purchased power cost recovery amounts for the period January 2012 through December 2012?

Recommendation: The appropriate projected total fuel and purchased power cost recovery amounts for the period January 2012 through December 2012 for PEF is \$1,786,078,923. If the Commission modifies staff's recommendation in Issue 1C, PEF should revise its filings to reflect the Commission's decision. (Lee)

Position of the Parties:

PEF: \$1,786,078,923

Consumer Intervenor: Ratepayers should not be charged now for replacement power costs, capacity costs, environmental cost recovery costs or any other charges resulting from the continued extended outage of Crystal River 3 until prudence issues related to this outage are determined by the Commission.

PCS: PEF's CR3-related replacement power costs should not be recovered in the 2012 fuel factor.

Staff Analysis: The intervenors oppose the inclusion of CR3-related replacement power costs in the 2012 fuel factors. (Consumers BR 16) PEF provided the impact of replacement power to monthly fuel costs, including the replacement fuel, energy component of the purchased power, and reimbursement from NEIL due to the CR3 outage event. (EXH 91) PEF witness Olivier provided the 2012 fuel cost projection. (TR 506-513; EXH 27) Other than the amount of CR3-related replacement power costs in question, intervenors did not dispute the method used by PEF to estimate the fuel costs and to calculate the CR3-related replacement power costs.

Based on the reasons discussed in Issue 1C and Issue 8, staff recommends that the appropriate projected total fuel and purchased power cost recovery amounts for the period January 2012 through December 2012 for PEF is \$1,786,078,923. If the Commission modifies staff's recommendation in Issue 1C, PEF should revise its filings to reflect the Commission's decision.

ISSUE 18: What are the appropriate projected net fuel and purchased power cost recovery and Generating Performance Incentive amounts to be included in the recovery factor for the period January 2012 through December 2012?

Recommendation: The projected net fuel and purchased power cost recovery and Generating Performance Incentive amounts to be included in the recovery factor for the period January 2012 through December 2012 is \$1,907,632,686. (Barrett)

Position of the Parties:

PEF: \$1,907,632,686.

Consumer Intervenor: Ratepayers should not be charged now for replacement power costs, capacity costs, environmental cost recovery costs or any other charges resulting from the continued extended outage of Crystal River 3 until prudence issues related to this outage are determined by the Commission.

PCS: PEF's CR3-related replacement power costs should not be recovered in the 2012 fuel factor.

Staff Analysis: Based on discussion in Issues 1C, 8, 10, and 11, the projected net fuel and purchased power cost recovery and Generating Performance Incentive amounts to be included in the recovery factor for the period January 2012 through December 2012 is \$1,907,632,686 for PEF. This amount includes the appropriate projected total fuel and purchased power recovery amount adjusted for the prior period true-up, revenue taxes and the Generating Performance Incentive Factor. If the Commission modifies staff's recommendation in Issue 1C, PEF should revise its filings to reflect Commission's decision.

ISSUE 20: What are the appropriate levelized fuel cost recovery factors for the period January 2012 through December 2012?

Recommendation: The appropriate levelized fuel cost recovery factors for the period January 2012 through December 2012 is 5.168 cents per kWh for PEF. If the Commission modifies staff's recommendation in Issue 1C, PEF should revise its filings to reflect the Commission's decision. (Lee)

Position of the Parties:

PEF: 5.168 cents per kWh (adjusted for jurisdictional losses).

Consumer Intervenor: Ratepayers should not be charged now for replacement power costs, capacity costs, environmental cost recovery costs or any other charges resulting from the continued extended outage of Crystal River 3 until prudence issues related to this outage are determined by the Commission.

PCS: PEF's CR3-related replacement power costs should not be recovered in the 2012 fuel factor.

Staff Analysis: Based on discussion in Issue 1C and Issues 8 through 12 and calculations shown in Exhibit 27 that are not in dispute, the appropriate levelized fuel cost recovery factors for the period January 2012 through December 2012 is 5.168 cents per kWh for PEF. If the Commission modifies staff's recommendation in Issue 1C, PEF should revise its filings to reflect the Commission's decision.

ISSUE 22: What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?

Recommendation (PEF): The appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses are set forth in Attachment B. If the Commission modifies the staff recommendation in Issue 1C, PEF should be ordered to file revised Schedules E within three business days of the Commission vote showing all calculations of the fuel factors implementing the vote for administrative approval by staff. (Draper)

Recommendation (FPUC): The appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses are set forth in Attachment D. (Draper)

Position of the Parties:

PEF:

Fuel Cost Factors (cents/kWh)						
					Time of Use	
Group	Delivery Voltage Level	First Tier Factor	Second Tier Factors	Levelized Factors	On-Peak	Off-Peak
A	Transmission	--	--	5.072	7.238	4.027
B	Distribution Primary	--	--	5.123	7.311	4.068
C	Distribution Secondary	4.860	5.860	5.175	7.385	4.109
D	Lighting	--	--	4.722	--	--

FPUC: The appropriate levelized fuel adjustment and purchased power cost recovery factors for the period January 2012 through December 2012 for the Northwest Division, adjusted for line loss multipliers and including taxes, are as follows:

Northwest Division

Rate Schedule	Adjustment
RS	\$0.10073
GS	\$0.10227
GSD	\$0.10212
GSLD	\$0.10111
OL,OI1	\$0.09981
SL1, SL2, and SL3	\$0.09918
Step rate for RS	
RS with less than 1,000 kWh/month	\$0.09713
RS with more than 1,000 kWh/month	\$0.10713

Consistent with the revised fuel projections for the 2012 period, the appropriate adjusted Time of Use (TOU) and Interruptible rates for the 2012 period are:

Rate Schedule	Adjustment On Peak	Adjustment Off Peak
RS	\$0.18113	\$0.05813
GS	\$0.14227	\$0.05227
GSD	\$0.14212	\$0.06962
GSLD	\$0.16111	\$0.07111
Interruptible	\$0.08611	\$0.10111

The appropriate levelized fuel adjustment and purchased power cost recovery factors for the period January 2012 through December 2012 for the Northeast Division, adjusted for line loss multipliers and including taxes, are as follows:

Northeast Division

Rate Schedule	Adjustment
RS	\$0.09267
GS	\$0.09217
GSD	\$0.09223
GSLD	\$0.09231
OL	\$0.09286
SL	\$0.09245
Step rate for RS	
RS with less than 1,000 kWh/month	\$0.08924
RS with more than 1,000 kWh/month	\$0.09924

Consumer Intervenors: Ratepayers should not be charged now for replacement power costs, capacity costs, environmental cost recovery costs or any other charges resulting from the continued extended outage of Crystal River 3 until prudence issues related to this outage are determined by the Commission.

PCS: PEF's CR3-related replacement power costs should not be recovered in the 2012 fuel factor.

Staff Analysis: The appropriate fuel cost recovery factors (fuel factors) for PEF are a fall-out of the Commission vote in Issue 1C. If the Commission approves the staff recommendation in Issue 1C, the appropriate fuel factors for PEF are shown in Attachment B.

If the Commission approves a modification to the staff recommendation in Issue 1C, PEF should be ordered to file revised Schedules E within three business days of the Commission vote showing all calculations of the fuel factors implementing the vote for administrative approval by staff.

The appropriate fuel cost recovery factors (fuel factors) for FPUC are a fall-out of the Commission vote in Issue 3B. If the Commission approves the staff recommendation in Issue

Docket No. 110001-EI
Date: November 14, 2011

3B, the appropriate fuel factors for FPUC are shown in Attachment D and are based on Exhibit 60. If the Commission approves FPUC's position in Issue 3B, the fuel factors as shown in FPUC's position in this issue should be approved.

Issue 23A: Has PEF included in the capacity cost recovery clause, the nuclear cost recovery amount ordered by the Commission in Docket No. 110009-EI?

Recommendation: Yes. Based on the Commission's vote at the October 24, 2011 special agenda conference in Docket No. 110009-EI, PEF has included the appropriate nuclear cost recovery amount of \$85,951,036 in its 2012 capacity cost recovery factors. (Lee)

Position of the Parties

PEF: Based on the Commission's vote at the October 24, 2011 special agenda conference in Docket No. 110009-EI, the nuclear cost recovery amount to be recovered in PEF's 2012 capacity cost recovery clause factors is \$85,951,036 (before revenue taxes).

Consumer Intervenor: Ratepayers should not be charged now for replacement power costs, capacity costs, environmental cost recovery costs or any other charges resulting from the continued extended outage of Crystal River 3 until prudence issues related to this outage are determined by the Commission.

PCS: PEF's CR3-related replacement power costs should not be recovered in the 2012 fuel factor.

Staff Analysis: The Commission set the nuclear cost recovery amount at the October 24, 2011 agenda conference for Docket No. 110009-EI. The Commission approved an amount of \$85,951,036 to be recovered in 2012 capacity cost recovery factors. PEF witness Olivier filed supplemental testimony along with revised capacity cost recovery factors reflecting the Commission's vote. (TR 517-519; EXH 27A) Staff recommends that this amount be included in PEF's capacity cost recovery factors (Issue 33).

ISSUE 27: What are the appropriate capacity cost recovery true-up amounts for the period January 2010 through December 2010?

Recommendation: The appropriate capacity cost recovery true-up amounts for the period January 2010 through December 2010 is a \$14,684,019 over-recovery. (Lee)

Position of the Parties:

PEF: \$14,684,019 over-recovery.

Consumer Intervenor: Ratepayers should not be charged now for replacement power costs, capacity costs, environmental cost recovery costs or any other charges resulting from the continued extended outage of Crystal River 3 until prudence issues related to this outage are determined by the Commission.

PCS: PEF's CR3-related replacement power costs should not be recovered in the 2012 fuel factor.

Staff Analysis: The intervenors oppose the inclusion of CR3-related replacement power costs in the 2012 capacity factors. PEF provided the monthly replacement power costs, including the capacity component of the purchased power needed due to the CR3 outage event. (EXH 91) The exhibit and testimony of PEF witness Olivier demonstrated that PEF used reimbursement from NEIL to defray the capacity costs in question, which in effect are not included in its 2012 capacity cost factors. (TR 569-571; EXH 76, pp. 516-517, 524-525; EXH 91; TR 589) PEF witness Garrett presented the 2010 capacity cost true-up calculations, and staff notes that the intervenors did not challenge the calculations at the hearing. (TR 417-492; EXH 18)

Staff concludes that the appropriate capacity cost recovery true-up amount for the period January 2010 through December 2010 for PEF is \$14,684,019 over-recovery. Staff believes deferred recovery of CR3-related replacement power costs would have no impact on capacity cost recovery as long as PEF continues its practice of using the NEIL reimbursement to defray the capacity component of CR3-related replacement power costs.

Conclusion

The appropriate capacity cost recovery true-up amounts for the period January 2010 through December 2010 is a \$14,684,019 over-recovery.

ISSUE 28: What are the appropriate capacity cost recovery actual/estimated true-up amounts for the period January 2011 through December 2011?

Recommendation: The appropriate capacity cost recovery actual/estimated true-up amounts for the period January 2011 through December 2011 is a \$5,983,484 over-recovery. (Lee)

Position of the Parties:

PEF: \$5,983,484 over-recovery.

Consumer Intervenor: Ratepayers should not be charged now for replacement power costs, capacity costs, environmental cost recovery costs or any other charges resulting from the continued extended outage of Crystal River 3 until prudence issues related to this outage are determined by the Commission.

PCS: PEF's CR3-related replacement power costs should not be recovered in the 2012 fuel factor.

Staff Analysis: Intervenor's oppose the inclusion of CR3-related replacement power costs in the 2012 capacity factors. PEF provided the monthly replacement power costs, including the capacity component of the purchased power needed due to the CR3 outage event. (EXH 91) The exhibit and testimony of PEF witness Olivier demonstrated that PEF used reimbursement from NEIL to defray the capacity costs in question, which in effect are not included in its 2012 capacity cost factors. (TR 569-571; EXH 91; TR 589) PEF witness Olivier presented the 2011 capacity cost true-up calculations, which intervenors did not challenge at the hearing. (TR 503-567; EXH 26)

Staff concludes that the appropriate 2011 capacity cost recovery true-up amount for PEF is a \$5,983,484 over-recovery. Staff believes deferred recovery of CR3-related replacement power costs would have no impact on capacity cost recovery as long as PEF continues its practice of using the NEIL reimbursement to defray the capacity component of CR3-related replacement power costs.

Conclusion

The appropriate capacity cost recovery actual/estimated true-up amounts for the period January 2011 through December 2011 is a \$5,983,484 over-recovery.

ISSUE 29: What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2012 through December 2012?

Recommendation: The appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2012 through December 2012 is a \$20,667,503 over-recovery. (Lee)

Position of the Parties:

PEF: \$20,667,503 over-recovery.

Consumer Intervenors: Ratepayers should not be charged now for replacement power costs, capacity costs, environmental cost recovery costs or any other charges resulting from the continued extended outage of Crystal River 3 until prudence issues related to this outage are determined by the Commission.

PCS: PEF's CR3-related replacement power costs should not be recovered in the 2012 fuel factor.

Staff Analysis: Based on discussion in Issues 27 and 28, the total capacity cost over-recovery amount for 2010 and 2011 is \$20,667,503. This amount is to be refunded during the period January 2012 through December 2012. Staff believes deferred recovery of CR3-related replacement power costs would have no impact on capacity cost recovery as long as PEF continues its practice of using the NEIL reimbursement to defray the capacity component of CR3-related replacement power costs. (TR 589)

Conclusion

The appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2012 through December 2012 is a \$20,667,503 over-recovery.

ISSUE 30: What are the appropriate projected total capacity cost recovery amounts for the period January 2012 through December 2012?

Recommendation: The appropriate projected total capacity cost recovery amounts for the period January 2012 through December 2012 is \$373,845,099. (Lee)

Position of the Parties:

PEF: \$373,845,099.

Consumer Intervenor: Ratepayers should not be charged now for replacement power costs, capacity costs, environmental cost recovery costs or any other charges resulting from the continued extended outage of Crystal River 3 until prudence issues related to this outage are determined by the Commission.

PCS: PEF's CR3-related replacement power costs should not be recovered in the 2012 fuel factor.

Staff Analysis: Intervenor's oppose the inclusion of CR3-related replacement power costs in the 2012 capacity factors. PEF provided the monthly replacement power costs, including the capacity component of the purchased power needed due to the CR3 outage event. (EXH 91) The exhibit and testimony of PEF witness Olivier demonstrated that PEF used reimbursement from NEIL to defray the capacity costs in question, which in effect, are not included in its 2012 capacity cost factors. (TR 569-571; EXH 91; TR 589) PEF witness Olivier presented the projected 2012 capacity cost and true-up calculations, which intervenors did not challenge at the hearing. (TR 503-567; EXH 27; EXH 27A)

Staff concludes that the appropriate projected 2012 capacity cost amount for PEF is \$373,845,099. This does not include the amount approved under stipulated Issue 23A that is also included in the recovery factors for the period January 2012 through December 2012. Staff believes deferred recovery of CR3-related replacement power costs would have no impact on capacity cost recovery as long as PEF continues its practice of using the NEIL reimbursement to defray the capacity component of CR3-related replacement power costs.

Conclusion

The appropriate projected total capacity cost recovery amounts for the period January 2012 through December 2012 is \$373,845,099.

ISSUE 31: What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2012 through December 2012?

Recommendation: The appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2012 through December 2012 is \$439,444,805, which includes the amount for nuclear cost recovery of \$85,951,036 before revenue taxes. (Lee)

Position of the Parties:

PEF: \$439,444,805 consisting of \$353,431,884 of capacity payments and \$86,012,921 of nuclear costs (including revenue taxes) as approved by the Commission at the October 24, 2011 special agenda conference in Docket No. 110009-EI.

Consumer Intervenors: Ratepayers should not be charged now for replacement power costs, capacity costs, environmental cost recovery costs or any other charges resulting from the continued extended outage of Crystal River 3 until prudence issues related to this outage are determined by the Commission.

PCS: PEF's CR3-related replacement power costs should not be recovered in the 2012 fuel factor.

Staff Analysis: As shown in the table below, the appropriate projected net 2012 capacity cost recovery amount for PEF is \$439,444,805, including the nuclear cost recovery amount and revenue taxes. Staff believes deferred recovery of CR3-related replacement power costs would have no impact on capacity cost recovery as long as PEF continues its practice of using the NEIL reimbursement to offset the capacity component of CR3-related replacement power costs. (TR 589; EXH 91)

Table 31-1

Net Purchased Power Capacity Cost Recovery	
Issue 29	-\$20,667,503
Issue 30	\$373,845,099
Sum	\$353,177,596
Issue 23A	\$85,951,036
Sum	\$439,128,632
Revenue Tax Multiplier	1.00072
Issue 31	\$439,444,805

Conclusion

Staff recommends the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2012 through December 2012 is \$439,444,805.

ISSUE 33: What are the appropriate capacity cost recovery factors for the period January 2012 through December 2012?

Recommendation: The appropriate capacity cost recovery factors for the period January 2012 through December 2012 are set forth in Attachment C. (Lee, A. Roberts)

Position of the Parties:

PEF:	<u>Rate Class</u>	<u>CCR Factor</u>
	Residential	1.460 cents/kWh
	General Service Non-Demand	1.064 cents/kWh
	@ Primary Voltage	1.053 cents/kWh
	@ Transmission Voltage	1.043 cents/kWh
	General Service 100% Load Factor	0.767 cents/kWh
	General Service Demand	0.949 cents/kWh
	@ Primary Voltage	0.940 cents/kWh
	@ Transmission Voltage	0.930 cents/kWh
	Curtailable	0.873 cents/kWh
	@ Primary Voltage	0.864 cents/kWh
	@ Transmission Voltage	0.856 cents/kWh
	Interruptible	0.765 cents/kWh
	@ Primary Voltage	0.757 cents/kWh
	@ Transmission Voltage	0.750 cents/kWh
	Lighting	0.223 cents/kWh

Consumer Intervenor: Ratepayers should not be charged now for replacement power costs, capacity costs, environmental cost recovery costs or any other charges resulting from the continued extended outage of Crystal River 3 until prudence issues related to this outage are determined by the Commission.

PCS: PEF's CR3-related replacement power costs should not be recovered in the 2012 fuel factor.

Staff Analysis: PEF witness Olivier presented the calculations of its capacity cost recovery factors for the period January 2012 through December 2012, which intervenors did not challenge at the hearing. (TR 503-567; EXH 27A) Staff recommends the factors supported by witness Olivier. (TR 519; EXH 27A) Based on the record, the appropriate capacity cost recovery factors for the period January 2012 through December 2012 are shown in Attachment C.

Conclusion

The appropriate capacity cost recovery factors for the period January 2012 through December 2012 are set forth in Attachment C.

Docket No. 110001-EI
Date: November 14, 2011

Issue 35: Should this docket be closed?

Recommendation: No. The Fuel and Purchased Power Cost Recovery Clause docket is an ongoing docket and should remain open. (Bennett)

Staff Analysis: No. The Fuel and Purchased Power Cost Recovery Clause docket is an ongoing docket and should remain open.

Attachment A

2012 Residential Bill Impact for 1000 kWh (for Staff Options 1, 2, and 3)

Progress Energy Florida 2012 1000 kWh Residential Bill

	Approved 2011	PEF Projected 2012 including All of CR3 Replacement Power (Option 1)	PEF Projected 2012 with 50% deferral of CR3 Replacement Power (Option 3)	PEF Projected 2012 with deferral of all CR3 Replacement Power (Option 2)
Base Rate	\$48.58	\$48.58	\$48.58	\$48.58
Fuel and Purchased Power Cost w/o Replacement Power	\$40.79	\$44.72	\$44.72	\$44.72
Replacement Power Cost	\$3.82 *	\$3.88 *	\$1.94	\$0.00
Total Fuel and Purchased Power	\$44.61	\$48.60	\$46.66	\$44.72
Capacity	\$15.27	\$14.60	\$14.60	\$14.60
Energy Conservation	\$2.99	\$2.88	\$2.88	\$2.88
Environmental	\$4.91	\$5.45 **	\$5.45 **	\$5.45 **
Sub-Total	<u>\$116.36</u>	<u>\$120.11</u>	<u>\$118.17</u>	<u>\$116.23</u>
Gross Receipts	\$2.98	\$3.08	\$3.03	\$2.98
Total	<u>\$119.34</u>	<u>\$123.19</u>	<u>\$121.20</u>	<u>\$119.21</u>

* (TR 557) ** Subject to change via the Commission's decision in Docket 110007-EI

Attachment B

2012 Fuel Factors for PEF (Issue 22)

Fuel Cost Factors (cents/kWh)						
Group	Delivery Voltage Level	First Tier Factor	Second Tier Factors	Levelized Factors	Time of Use	
					On-Peak	Off-Peak
A	Transmission	--	--	5.072	7.238	4.027
B	Distribution Primary	--	--	5.123	7.311	4.068
C	Distribution Secondary	4.860	5.860	5.175	7.385	4.109
D	Lighting	--	--	4.722	--	--

If the Commission approves Option 2 or Option 3 or modifies the staff recommendation in Issue 1C in any other manner, PEF should be ordered to file revised Schedules E within three business days of the Commission vote showing all calculations of the fuel factors implementing the vote for administrative approval by staff.

Attachment C

2012 Capacity Factors for PEF (Issue 33)

PEF - Capacity Cost Recovery Factors	
Rate Class	Capacity Cost Recovery Factors (cents per kWh)
Residential	1.460
General Service Non-Demand	1.064
At Primary Voltage	1.053
At Transmission Voltage	1.043
General Service 100% Load Factor	0.767
General Service Demand	0.949
At Primary Voltage	0.940
At Transmission Voltage	0.930
Curtable	0.873
At Primary Voltage	0.864
At Transmission Voltage	0.856
Interruptible	0.765
At Primary Voltage	0.757
At Transmission Voltage	0.750
Lighting	0.223

(TR 517-519; EXH 27A)

Attachment D

2012 Fuel Factors for FPUC (Issue 22 – based on Exhibit 60)

The appropriate levelized fuel adjustment and purchased power cost recovery factors for the period January 2012 through December 2012 for the Northwest Division, adjusted for line loss multipliers and including taxes, are as follows:

<u>NORTHWEST DIVISION</u>	
<u>Rate Schedule</u>	<u>Fuel Factor (\$/kWh)</u>
RS	\$0.10667
GS	\$0.10305
GSD	\$0.09803
GSLD	\$0.09443
OL, OL-2	\$0.08055
SL1-2, AND SL-3	\$0.08078
Step rate for RS	
RS with less than 1,000 kWh/month	\$0.10307
RS with more than 1,000 kWh/month	\$0.11307

The appropriate adjusted Time of Use (TOU) and Interruptible rates for the 2012 period are:

<u>NORTHWEST DIVISION / Time of Use / Interruptible</u>		
<u>Rate Schedule</u>	<u>Fuel Factor On Peak</u>	<u>Fuel Factor Off-Peak</u>
RS	\$0.18707	\$0.06407
GS	\$0.14305	\$0.05305
GSD	\$0.13803	\$0.06553
GSLD	\$0.15443	\$0.06443
Interruptible	\$0.07943	\$0.09443

The appropriate levelized fuel adjustment and purchased power cost recovery factors for the period January 2012 through December 2012 for the Northeast Division, adjusted for line loss multipliers and including taxes, are as follows:

<u>NORTHEAST DIVISION</u>	
<u>Rate Schedule</u>	<u>Fuel Factor</u>
RS	\$0.09654
GS	\$0.08830
GSD	\$0.08736
GSLD	\$0.08753
OL, OL-2	\$0.06270
SL1-2, SL-3	\$0.06251
Step rate for RS	
RS with less than 1,000 kWh/month	\$0.09311
RS with more than 1,000 kWh/month	\$0.10311