BEFORE THE PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.	DOCKET NO. 060001-EI ORDER NO. PSC-06-0920-PHO-EI ISSUED: November 2, 2006

Pursuant to Notice and in accordance with Rule 28-106.209, Florida Administrative Code, a Prehearing Conference was held on October 23, 2006, in Tallahassee, Florida, before Commissioner Matthew M. Carter, II, as Prehearing Officer.

APPEARANCES:

R. WADE LITCHFIELD, ESQUIRE, and JOHN T. BUTLER, ESQUIRE, 700 Universe Boulevard, Juno Beach, Florida 33408
On behalf of Florida Power & Light Company (FPL).

NORMAN H. HORTON, JR., ESQUIRE, Messer, Caparello & Self, P. A., P. O. Box 15579, Tallahassee, Florida 32317
On behalf of Florida Public Utilities Company (FPUC).

JEFFREY A. STONE, ESQUIRE, RUSSELL A. BADDERS, ESQUIRE, and STEVEN R. GRIFFIN, ESQUIRE, Beggs & Lane, P. O. Box 12950, Pensacola, Florida 32591-2950
On behalf of Gulf Power Company (GULF).

R. ALEXANDER GLENN, ESQUIRE, and JOHN T. BURNETT, ESQUIRE, Progress Energy Service Company, LLC, 100 Central Avenue, St. Petersburg, Florida 33701-3323
On behalf of Progress Energy Florida, Inc. (PEF).

JAMES D. BEASLEY, ESQUIRE, and LEE L. WILLIS, ESQUIRE, Ausley & McMullen, P. O. Box 391, Tallahassee, Florida 32302
On behalf of Tampa Electric Company (TECO).

MICHAEL B. TWOMEY, SR., ESQUIRE, P. O. Box 5256, Tallahassee, Florida 32314-5256
On behalf of AARP (AARP).

DAMUND E. WILLIAMS, CAPTAIN, KAREN WHITE, LIEUTENANT COLONEL, AFLSA/JACL-ULT, 139 Barnes Drive, Suite 1, Tyndall Air Force Base, FL 32403-5319
On behalf of Federal Executive Agencies, (FEA).

JOHN W. MCWHIRTER, JR., ESQUIRE, McWhirter, Reeves & Davidson, P. A., 400 North Tampa Street, Suite 2450, Tampa, Florida 33601-3350
On behalf of Florida Industrial Power Users Group (FIPUG).

ROBERT SCHEFFEL WRIGHT, ESQUIRE and JOHN T. LAVIA, III, ESQUIRE, Young van Assenderp, P. A., 225 South Adams Street, Suite 200, Tallahassee, Florida 32301
On behalf of Florida Retail Federation (FRF).

JAMES W. BREW, ESQUIRE, Brickfield, Burchette, Ritts & Stone, P. C., 1025 Thomas Jefferson Street, NW, Eighth Floor, West Tower, Washington, D.C. 20007-5201
On behalf of White Springs Agricultural Chemicals, Inc., d/b/a PCS Phosphate White Springs (White Springs).

CHARLES J. CRIST, JR., ESQUIRE, JACK SHREVE, ESQUIRE, and CECILIA BRADLEY, ESQUIRE, Office of the Attorney General, The Capitol – PL01, Tallahassee, Florida 32399-1050
On behalf of the Citizens of Florida (AG).

PATRICIA A. CHRISTENSEN, ESQUIRE, JOSEPH A. MCGLOTHLIN, ESQUIRE, and CHARLES J. BECK, ESQUIRE, Office of Public Counsel, c/o The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400
On behalf of the Citizens of the State of Florida (OPC).

LISA C. BENNETT, ESQUIRE, and WM. COCHRAN KEATING, IV, ESQUIRE, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
On behalf of the Florida Public Service Commission (Staff).

PREHEARING ORDER

I. CASE BACKGROUND

As part of the continuing fuel and purchased power adjustment and generating performance incentive clause proceedings, an administrative hearing will be held by the Public Service Commission on November 6-8, 2006. The Commission will address those issues listed in this prehearing order. The commission has the option to render a bench decision on any or all of the issues listed below.

II. CONDUCT OF PROCEEDINGS

Pursuant to Rule 28-106.211, Florida Administrative Code, this Order is issued to prevent delay and to promote the just, speedy, and inexpensive determination of all aspects of this case.

III. JURISDICTION

This Commission is vested with jurisdiction over the subject matter by the provisions of Chapter 366, Florida Statutes. This hearing will be governed by said Chapter and Chapters 25-22, and 28-106, Florida Administrative Code.

IV. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

Information for which proprietary confidential business information status is requested pursuant to Section 366.093, Florida Statutes, and Rule 25-22.006, Florida Administrative Code, shall be treated by the Commission as confidential. The information shall be exempt from Section 119.07(1), Florida Statutes, pending a formal ruling on such request by the Commission or pending return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been made a part of the evidentiary record in this proceeding, it shall be returned to the person providing the information. If a determination of confidentiality has been made and the information was not entered into the record of this proceeding, it shall be returned to the person providing the information within the time period set forth in Section 366.093, Florida Statutes. The Commission may determine that continued possession of the information is necessary for the Commission to conduct its business.

It is the policy of this Commission that all Commission hearings be open to the public at all times. The Commission also recognizes its obligation pursuant to Section 366.093, Florida Statutes, to protect proprietary confidential business information from disclosure outside the proceeding. Therefore, any party wishing to use any proprietary confidential business information, as that term is defined in Section 366.093, Florida Statutes, at the hearing shall adhere to the following:

(1) When confidential information is used in the hearing, parties must have copies for the Commissioners, necessary staff, and the court reporter, in red envelopes clearly marked with the nature of the contents and with the confidential information highlighted. Any party wishing to examine the confidential material that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any appropriate protective agreement with the owner of the material.

(2) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise confidentiality. Therefore, confidential information should be presented by written exhibit when reasonably possible.

At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the court reporter shall be retained in the Division of the Commission Clerk and Administrative Services' confidential files. If such material is admitted into the evidentiary record at hearing and is not otherwise subject to a request for confidential classification filed with the Commission, the source of the information must file a request for confidential classification of the information within 21 days of the conclusion of the hearing, as set forth in Rule 25-22.006(8)(b), Florida Administrative Code, if continued confidentiality of the information is to be maintained.

V. PREFILED TESTIMONY AND EXHIBITS; WITNESSES

Testimony of all witnesses to be sponsored by the parties (and Staff) has been pre-filed. All testimony which has been pre-filed in this case will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and associated exhibits. All testimony remains subject to appropriate objections. Each witness will have the opportunity to orally summarize his or her testimony at the time he or she takes the stand. Summaries of testimony shall be limited to five minutes. Upon insertion of a witness' testimony, exhibits appended thereto may be marked for identification. After all parties and Staff have had the opportunity to object and cross-examine, the exhibit may be moved into the record. All other exhibits may be similarly identified and entered into the record at the appropriate time during the hearing.

Witnesses are reminded that, on cross-examination, responses to questions calling for a simple yes or no answer shall be so answered first, after which the witness may explain his or her answer.

The Commission frequently administers the testimonial oath to more than one witness at a time. Therefore, when a witness takes the stand to testify, the attorney calling the witness is directed to ask the witness to affirm whether he or she has been sworn.

VI. ORDER OF WITNESSES

Witness	Proffered By	Issues #
ALL ISSUES OTHER THAN 21-22		
Direct		
K. M. Dubin	FPL	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 16B, 16E, 16G, 16H, 16I, 16J, 29, 30, 31, 32, 33, 34, 38C, 38E
Gerard J. Yupp	FPL	1, 2, 3, 5, 14, 16A, 16B, 16C, 16F, 16H, 16I, 16J, 35,
W. E. Gwinn	FPL	1, 2, 3, 5, 16G, 38E
P. Sonnelitter	FPL	20, 24
Cheryl Martin	FPUC	1, 2, 3, 4, 5, 6, 7, 8, 9, 12, 13, 17A
George Bachman	FPUC	17A
Robert Camfield	FPUC	17A
Mark Cutshaw	FPUC	17A
H. R. Ball	GULF	1, 2, 10, 11, 14, 18A, 18B, 18C, 29, 30, 32, 35
R. J. Martin *(This witness has also adopted the March 1, 2006, pre-filed testimony and exhibits of Terry A. Davis.)*	GULF	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 29, 30, 31, 32, 33, 34, 35
L. S. Noack	GULF	20, 24
Javier Portuondo	PEF	1, 2, 3, 4, 5, 6, 7, ,8 9, 10, 11, 12, 13, 29, 30, 31, 32, 33, 34, 35
Joseph McCallister *(This witness has also adopted the March 1, 2006, and April 3, 2006, pre-filed testimony and exhibits of Pamela R. Murphy.)*	PEF	15A
Robert M. Oliver	PEF	14, 15A, 20, 24, 35

Witness	Proffered By	Issues #
Joann T. Wehle	TECO	19A, 19B, 19C
Benjamin F. Smith	TECO	19C
Carlos Aldazabal	TECO	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 29, 30, 31, 32, 33, 34, 35
William A. Smotherman	TECO	20, 24
Dennis W. Goins	FEA	38D
Rebuttal		
R. Morley	FPL	38D
ISSUES 21-22 (OPC's Proposed Modification to GPIF Mechanism)		
Direct		
James A. Ross	OPC	21, 22
P. Sonnelitter	FPL	21, 22
L. S. Noack	GULF	21, 22
Robert M. Oliver	PEF	21, 22
William A. Smotherman	TECO	21, 22
Rebuttal		
James A. Ross	OPC	21, 22

VII. BASIC POSITIONS

FPL: None necessary.

FPUC: FPUC has properly projected its costs and calculated its true-up amounts and purchased power cost recovery factors. Those amounts and factors should be approved by the Commission.

GULF: It is the basic position of Gulf Power Company that the fuel and capacity cost recovery factors proposed by the Company present the best estimate of Gulf's fuel and capacity expense for the period January 2007 through December 2007 including the true-up calculations, GPIF and other adjustments allowed by the Commission.

PEF: None necessary.

TECO: The Commission should approve Tampa Electric's calculation of its fuel adjustment, capacity cost recovery and GPIF true-up and projection calculations, including the proposed fuel adjustment factor of 5.897 cents per KWH before application of factors which adjust for variations in line losses; the proposed capacity cost recovery factor of 0.271 cents per KWH before applying the 12CP and 1/13th allocation methodology; a GPIF penalty of $99,791 and approval of the company's proposed GPIF targets and ranges for the forthcoming period based on the new methodology agreed to by staff and interveners in 2006. Tampa Electric also requests approval of its calculated wholesale incentive benchmark of $1,165,220 for calendar year 2007.

AARP: AARP agrees with the statement of basic position set forth by the Office of Public Counsel, representing the Citizens of the State of Florida.

FEA: FPL should exclude nonfirm (Load Control) demands when calculating the demand-related production cost component of capacity cost recovery factors for CILC customers. CILC customers are interruptible customers and their service can be interrupted when FPL decides that it is necessary. FPL does not have to build or acquire capacity to serve this interruptible load. However, CILC customers are charged for demand-related purchase capacity cost which they are not causing FPL to incur.

FIPUG: Significant changes in the NYMEX futures market reflect substantially lower fuel prices for calendar year 2007 than contained in each Utility's September 1st projections, FIPUG demands strict proof that previously filed projections are still reasonable in light of changed circumstances. FIPUG endorses the cost based revision of the CILC demand charge recommended by FEA. FIPUG recognizes that utilities benefit from hedging activities at customer expense, but customers appear to derive no benefit because the conversion to annual fuel factors already removes fuel cost volatility. After four years of operation the Commission has now had the opportunity to sufficiently observe operating experience to justify a detailed review of hedging activity effectiveness and the potential for affiliated company transaction abuse.

FRF: The Florida Retail Federation agrees with the statement of basic position set forth by the Office of Public Counsel, representing the Citizens of the State of Florida.

W. SPRS.: White Springs adopts as its own positions on all of the issues taken by the Office of Public Counsel. White Springs maintains that the significant recent decline in the market price of natural gas and natural gas futures requires further updating of PEF's projected fuel cost recovery factors.

AG: Agree with OPC.

OPC: Soon after implementing the current version of the fuel cost recovery clause, the Commission adopted the Generating Performance Incentive Factor, or GPIF, to operate in conjunction with the clause. The purpose of the GPIF was to provide an incentive to utilities to strive to maximize the availability and thermal efficiency (heat rate) of their generating units. The utilities earn rewards or penalties based on whether they meet or fall short of targets set for each parameter. However, under the current methodology the targets are a function of recent experience. If recent experience has been one of disappointing performance, the bar for the next period is set lower. As a result, utilities have earned rewards when performance showed no material improvement, and even when performance declined. The Commission should adopt measures proposed by OPC witness James Ross, so that customers will fund rewards only upon a showing of meaningful improvements in efficiency.

With respect to the outage extension at FPL's Turkey Point Unit 3 which was caused by a drilled hole in the pressurized piping, the $6.1 in incremental fuel cost should be removed from the cost of fuel and not charged to the ratepayers. The damage to FPL's Turkey Point Unit 3 was inside the facility. The security measures employed at this facility are clearly under management's control. To charge the ratepayers for the increased fuel cost that resulted from this incident and damage to the system is inappropriate.

Regarding the costs associated with FPL's proposed participation in the Southeast Supply Header Pipeline Project, the approval of this project through the fuel clause is premature. FPL should be required to demonstrate the expected financial impact of this project to FPL's customers, and whether this project is prudent and economical compared to other alternative projects considered, and also whether the costs are appropriate to be recovered through the fuel clause. Given the truncated nature to the annual fuel proceedings, FPL should be required to file a separate petition for recovery of this project to allow parties sufficient opportunity to review the project in a comprehensive and through manner.

Concerning at what point in time should a utility notify the Commission that an over or under recovery exceeds 10% of the projected fuel costs, the utilities should be required to notify the Commission by March 31st of each year. First, this would provide the utility, Commission staff, and other parties approximately six months of actual data to compare with the projected fuel cost. Secondly, March 31st would provide sufficient time to conduct a hearing, if necessary, on a mid-course correction.

STAFF: Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions.

VIII. ISSUES AND POSITIONS

ISSUE 1: STIPULATED (see Section X)

ISSUE 2: What are the appropriate estimated/actual fuel adjustment true-up amounts for the period January 2006 through December 2006?

STIPULATED AS TO FPUC, GULF AND TECO (See Section X)

POSITIONS:

FPL: $230,603,338 over-recovery. (DUBIN)

PEF: $30,200,047 over-recovery. (Portuondo)

AARP: No position.

FEA: No position.

FIPUG: No position.

FRF: Agree with OPC.

White Sprs.: Agree with OPC.

AG: Agree with OPC.

OPC: No position.

STAFF: FPL: No position pending resolution of outstanding issues.
PEF: $46,865,312 over recovery.

ISSUE 3: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2007 to December 2007?

STIPULATED AS TO FPUC, GULF AND TECO (See Section X)

POSITIONS:

FPL: $76,834,262 under-recovery. (DUBIN)

PEF: $29,814,992 over-recovery (Portuondo)

AARP: No position.

FEA: No position.

FIPUG: No position.

FRF: Agree with OPC.

White Sprs.: Agree with OPC.

AG: Agree with OPC.

OPC: No position.

STAFF: FPL: No position pending resolution of outstanding issues.
PEF: $46,480,257 over recovery.

ISSUE 4: **STIPULATED (See Section X)**

ISSUE 5: **What are the appropriate projected net fuel and purchased power cost recovery amounts to be included in the recovery factor for the period January 2007 through December 2007?**

STIPULATED AS TO GULF, PEF AND TECO (See Section X)

POSITIONS:

FPL: $6,379,479,000. (DUBIN)

FPUC: Marianna: $13,920,307
Fernandina Beach: $22,203,752

AARP: No position.

FEA: No position.

FIPUG: Significant changes in the NYMEX futures market reflect substantially lower fuel prices for calendar year 2007 than contained in each Utility's September 1st projections, FIPUG demands strict proof that previously filed projections are still reasonable in light of changed circumstances.

FRF: Agree with OPC.

White Sprs.: Agree with OPC.

AG: Agree with OPC.

OPC: No position.

STAFF: FPL: No position pending resolution of outstanding issues. Recovery of carrying costs for natural gas stored in inventory at Bay Gas facility is subject to approval by Commission in Docket No. 060362. Any recovery is subject to true-up and refund pending outcome of Docket No. 060362.
FPUC-Fernandina Beach: No position pending resolution of outstanding issues.
FPUC-Marianna: No position pending resolution of outstanding issues.

ISSUE 6: **What are the appropriate levelized fuel cost recovery factors for the period January 2007 through December 2007?**

POSITIONS:

FPL: 6.071 cents/kWh for January through April 2006 and 5.946 cents/ kWh for May through December 2006. (DUBIN)

GULF: 3.939 cents/kWh

FPUC: Marianna: 2.709¢/kwh
Fernandina Beach: 3.412¢/kwh

PEF: 5.451 cents per kWh (adjusted for jurisdictional losses). (Portuondo)

TECO: The appropriate factor is 5.897 cents per kWh before the normal application of factors that adjust for variations in line losses.

AARP: No position.

FEA: No position.

FIPUG: Recommends revised factors based upon updated fuel cost projections.

FRF: Agree with OPC.

White Sprs.: Recommends updating levelized fuel cost recovery factors to reflect current market conditions.

AG: Agree with OPC.

OPC: No position.

STAFF:
FPL: No position pending resolution of Issues 1-5.
FPUC-Fernandina Beach: No position pending resolution of Issues 1-5.
FPUC-Marianna: No position pending resolution of Issues 1- 5.
Gulf: Agree with Gulf's position.
PEF: No position pending resolution of Issues 1- 5.
TECO: Agree with TECO's position.

ISSUE 7: **STIPULATED (See Section X)**

ISSUE 8: **What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?**

POSITIONS:

FPL:

JANUARY 2007 - APRIL 2007

(1) GROUP	(2) RATE SCHEDULE	(3) AVERAGE FACTOR	(4) FUEL RECOVERY LOSS MULTIPLIER	(5) FUEL RECOVERY FACTOR
A	RS-1 first 1,000 kWh	6.071	1.00194	5.729
	all additional kWh	6.071	1.00194	6.729
A	GS-1, SL-2, GSCU-1	6.071	1.00194	6.083
A-1*	SL-1, OL-1, PL-1	5.923	1.00194	5.934
B	GSD-1	6.071	1.00187	6.083
C	GSLD-1 & CS-1	6.071	1.00077	6.076
D	GSLD-2, CS-2, OS-2 & MET	6.071	0.99464	6.039
E	GSLD-3 & CS-3	6.071	0.95644	5.807
A	RST-1, GST-1 ON-PEAK	6.757	1.00194	6.770
	OFF-PEAK	5.764	1.00194	5.775
B	GSDT-1, CILC-1(G), ON-PEAK	6.757	1.00187	6.770
	HLFT (21-499 kW) OFF-PEAK	5.764	1.00187	5.775
C	GSLDT-1, CST-1, ON-PEAK	6.757	1.00077	6.762
	HLFT (500-1,999 kW) OFF-PEAK	5.764	1.00077	5.768
D	GSLDT-2, CST-2, ON-PEAK	6.757	0.99571	6.728
	HLFT (2,000+) OFF-PEAK	5.764	0.99571	5.739
E	GSLDT-3,CST-3, ON-PEAK	6.757	0.95644	6.463
	CILC -1(T) OFF-PEAK & ISST-1(T)	5.764	0.95644	5.513
F	CILC -1(D) & ON-PEAK	6.757	0.99298	6.710
	ISST-1(D) OFF-PEAK	5.764	0.99298	5.724

* WEIGHTED AVERAGE 16% ON-PEAK AND 84% OFF-PEAK

MAY 2007 - DECEMBER 2007

(1) GROUP	(2) RATE SCHEDULE		(3) AVERAGE FACTOR	(4) FUEL RECOVERY LOSS MULTIPLIER	(5) FUEL RECOVERY FACTOR
A	RS-1 first 1,000 kWh		5.946	1.00194	5.604
	all additional kWh		5.946	1.00194	6.604
A	GS-1, SL-2, GSCU-1		5.946	1.00194	5.958
A-1*	SL-1, OL-1, PL-1		5.798	1.00194	5.809
B	GSD-1		5.946	1.00187	5.957
C	GSLD-1 & CS-1		5.946	1.00077	5.951
D	GSLD-2, CS-2, OS-2 & MET		5.946	0.99464	5.914
E	GSLD-3 & CS-3		5.946	0.95644	5.687
A	RST-1, GST-1	ON-PEAK	6.632	1.00194	6.645
		OFF-PEAK	5.639	1.00194	5.650
B	GSDT-1, CILC-1(G),	ON-PEAK	6.632	1.00187	6.645
	HLFT (21-499 kW)	OFF-PEAK	5.639	1.00187	5.649
C	GSLDT-1, CST-1,	ON-PEAK	6.632	1.00077	6.637
	HLFT (500-1,999 kW)	OFF-PEAK	5.639	1.00077	5.643
D	GSLDT-2, CST-2,	ON-PEAK	6.632	0.99571	6.604
	HLFT (2,000+)	OFF-PEAK	5.639	0.99571	5.615
E	GSLDT-3,CST-3,	ON-PEAK	6.632	0.95644	6.343
	CILC -1(T) & ISST-1(T)	OFF-PEAK	5.639	0.95644	5.393
F	CILC -1(D) &	ON-PEAK	6.632	0.99298	6.586
	ISST-1(D)	OFF-PEAK	5.639	0.99298	5.599

* WEIGHTED AVERAGE 16% ON-PEAK AND 84% OFF-PEAK

FLORIDA POWER & LIGHT COMPANY

DETERMINATION OF SEASONAL DEMAND TIME OF USE RIDER (SDTR)
FUEL RECOVERY FACTORS

ON PEAK: JUNE 2007 THROUGH SEPTEMBER 2007 - WEEKDAYS 3:00 PM TO 6:00 PM
OFF PEAK: ALL OTHER HOURS

(1) GROUP	(2) OTHERWISE APPLICABLE RATE SCHEDULE		(3) AVERAGE FACTOR	(4) FUEL RECOVERY LOSS MULTIPLIER	(5) SDTR FUEL RECOVERY FACTOR
B	GSD(T)-1	ON-PEAK	6.515	1.00187	6.527
		OFF-PEAK	5.765	1.00187	5.776
C	GSLD(T)-1	ON-PEAK	6.515	1.00077	6.520
		OFF-PEAK	5.765	1.00077	5.770
D	GSLD(T)-2	ON-PEAK	6.515	0.99571	6.487
		OFF-PEAK	5.765	0.99571	5.740

Note: All other months served under the otherwise applicable rate schedule.

(DUBIN)

FPUC: **Marianna:**

Rate Schedule	Adjustment
RS	$.04420
GS	$.04366
GSD	$.04177
GSLD	$.04001
OL	$.03447
SL	$.03463

Fernandina Beach:

Rate Schedule	Adjustment
RS	$.05134
GS	$.05050
GSD	$.04909
GSLD	$.04796
OL	$.03910
SL	$.03983

GULF: See table below: (Martin)

Group	Rate Schedules*	Line Loss Multipliers	Fuel Cost Factors ¢/KWH		
			Standard	Time of Use	
				On-Peak	Off-Peak
A	RS, RSVP, GS, GSD,GSDT GSTOU, OSIII, SBS(1)	1.00526	3.960	4.415	3.774
B	LP, LPT, SBS(2)	0.98890	3.895	4.343	3.712
C	PX, PXT, RTP, SBS(3)	0.98063	3.863	4.307	3.681
D	OSI/II	1.00529	3.939	N/A	N/A

*The recovery factor applicable to customers taking service under Rate Schedule SBS is determined as follows: (1) customers with a contract demand in the range of 100 to 499 KW will use the recovery factor applicable to Rate Schedule GSD; (2) customers with a contract demand in the range of 500 to 7,499 KW will use the recovery factor applicable to Rate Schedule LP; and (3) customers with a contract demand over 7,499 KW will use the recovery factor applicable to Rate Schedule PX.

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	--	--	5.350	7.592	4.317
B	Distribution Primary	--	--	5.404	7.668	4.361
C	Distribution Secondary	5.118	6.118	5.459	7.746	4.405
D	Lighting	--	--	5.030	--	--

(Portuondo)

TECO: The appropriate factors are as follows:

Rate Schedule	Fuel Charge Factor (cents per kWh)
Average Factor	5.897
RS, GS and TS	5.922
RST and GST	7.392 (on-peak)
	5.146 (off-peak)
SL-2, OL-1 and OL-3	5.483
GSD, GSLD, and SBF	5.899
GSDT, GSLDT, EV-X and SBFT	7.364 (on-peak)
	5.126 (off-peak)
IS-1, IS-3, SBI-1, SBI-3	5.745
IST-1, IST-3, SBIT-1, SBIT-3	7.171 (on-peak)
	4.992 (off-peak)

(Witness: Aldazabal)

AARP: No position.

FEA: No position.

FIPUG: No position.

FRF: Agree with OPC.

White Sprs.: Agree with OPC.

AG: Agree with OPC.

OPC: No position.

STAFF: FPL: No position pending resolution of Issue 6.
FPUC-Fernandina Beach: No position pending resolution of Issue 6.
FPUC-Marianna: No position pending resolution of Issue 6.
Gulf: Agree with Gulf's position.
PEF: No position pending resolution of Issue 6.
TECO: Agree with TECO's position.

ISSUE 9: **STIPULATED (See Section X)**

ISSUE 10: **STIPULATED (See Section X)**

ISSUE 11: **STIPULATED (See Section X)**

ISSUE 12: **What is the appropriate methodology for calculating over and under recoveries of projected fuel costs, pursuant to Commission Order Nos. 13694 and PSC-98-0691?**

POSITIONS:

FPL: The appropriate methodology for calculating over and under recoveries of projected fuel costs is to take the actual fuel revenues applicable to the period minus the actual total fuel and net power transactions costs. This results in an over or under recovery shown on FPL's monthly Schedule A2, Line C7. This over or under recovery is then divided by the projected Total Fuel and Net Power Transaction Costs for the year shown on Schedule E1, Line 20. (DUBIN)

FPUC: The appropriate methodology for calculating over and under recovery of projected fuel costs is to take the monthly actual fuel revenues less revenue taxes less fuel costs and project the remaining fuel revenues and costs for the period to determine what the over and under recovery is expected to be at the end of the period.

GULF: Pursuant to FPSC Order No. 13694 issued September 20, 1984, as reaffirmed by FPSC Order No. PSC-98-0691-FOF-PU issued May 19, 1998, Gulf continuously monitors the fuel and purchased power (energy) costs over or under recovery balance monthly to determine if it is greater or less than 10% of projected fuel costs. Gulf appropriately calculates the over or under recovery balance monthly for fuel costs based on actual data to the extent it is available and estimated data for the remainder of the applicable recovery period. The over or under recovery balance is the difference between actual/estimated jurisdictional fuel costs and actual/estimated jurisdictional fuel recovery revenue. The over or under recovery balance projected for the end of the applicable recovery period is divided by the total jurisdictional fuel cost originally filed for the recovery period to determine if the over or under recovery balance is in excess of 10% of projected fuel costs. (Martin)

PEF: The appropriate methodology for calculating the over and under recoveries of projected fuel costs is to compare the sum of revenues collected and yet to be collected for the current period to the sum of the historical over and under recovery and the re-projected costs for the current period. This method has been supported by the commission in Order No. PSC-00-1081-PCO-EI, issued June 5, 2000, and then again in Order No. PSC-01-0710-PCO-EI, issued March 21, 2001. (Portuondo)

TECO: As stated in the Commission Order Nos. 13694 and PSC-98-0691, an over or under recovery of projected fuel costs is based on the projected fuel revenues applicable to that period. (Witness: Aldazabal)

AARP: No position.

FEA: No position.

FIPUG: No position.

FRF: Agree with OPC.

White Sprs.: Agree with OPC.

AG: Agree with OPC.

OPC: No position.

STAFF: To insure consistency in the electric utility's interpretation of Commission Order Nos. 13694 and PSC-98-0691-FOF-PU on a prospective basis commencing January 1, 2007, the appropriate method to determine whether actual fuel costs are ten percent greater than or less than projected fuel costs is to divide the estimated "End-of-Period Total Net True-up" for the last month in the current recovery period by the current period's total actual and estimated "Jurisdictional Fuel Revenue Applicable to Period." The denominator of the percent calculation consists of actual "Jurisdictional Fuel Revenue Applicable to Period" for the current period's past months and estimated "Jurisdictional Fuel Revenue Applicable to Period" for the current period's future months.

The estimated "End-of-Period Total Net True-up" calculation for the last month in the current recovery period should exclude any previous periods' true-ups for which recovery has been deferred, by order, until after the current recovery period. For calculating the net true-up as a percent of revenue, "Jurisdictional Revenue Applicable to Period" should be reduced by non-period expenses or expense adjustments that are not in "Jurisdictional Total Fuel and Net Power Transactions" and are included in "Jurisdictional Fuel Revenue."

Schedule A-2 – Calculation of True-up and Interest Provision contains the amounts Jurisdictional Fuel Revenue (Line C1), "Jurisdictional Fuel Revenue Applicable to Period" (Line C3), Jurisdictional Total Fuel and Purchased Power Transactions (Line C6) and "End-of-Period Total Net True-up" (Line C11).

ISSUE 13: **At what point in time should a utility notify the Commission that an over or under recovery exceeds 10% of the projected fuel costs?**

POSITIONS:

FPL: Consistent with Order No. 13694, FPL believes that "[w]hen a utility becomes aware that its projected fuel revenues …will result in an over- or under-recovery in excess of 10% of its projected fuel costs for the period, the utility shall so advise the Commission through a filing promptly made."(DUBIN)

FPUC: The Commission should be notified that an over or under recovery exceeds 10% by a filing timely made, when the utility becomes aware that it's projected fuel revenues will result in an over or under recovery in excess of 10% of the projected fuel costs for the period.

GULF: In accordance with FPSC Order No. 13694 issued September 20, 1984, as reaffirmed by FPSC Order No. PSC-98-0691-FOF-PU issued May 19, 1998, Gulf continuously monitors the fuel over or under recovery balance monthly, and if a greater or less than 10% over or under recovery of fuel and purchased power (energy) costs is projected for the applicable recovery period, then the Company notifies the Commission promptly. (Martin)

PEF: Per Commission Order No. 13694, "when a utility becomes aware that its projected fuel revenues will result in an over- or under-recovery in excess of 10% of its projected costs for the period, the utility shall so advise the Commission through a filing promptly made." (Portuondo)

TECO: Pursuant to Commission Order No. 13694, when the utility becomes aware that its projected fuel revenues will result in an over- or under recovery in excess of 10% of its projected fuel costs, it shall so advise the Commission through a filing promptly made. (Witness: Aldazabal)

AARP: Agree with OPC.

FEA: No position.

FIPUG: Agree with OPC.

FRF: Agree with OPC.

White Sprs.: Agree with OPC.

AG: Agree with OPC.

OPC: The utilities should be required to notify the Commission by March 31st of each year whether the utilities are experiencing an over or under recovery exceeding 10% of the projected fuel costs. First, this would provide the utility, Commission staff, and other parties approximately six months of actual data to compare with the projected fuel cost. Secondly, March 31st would provide sufficient time to conduct a hearing, if necessary, on a mid-course correction.

STAFF: Any time the absolute value of the estimated "End-of-Period Total Net True-up" for the last month in the current recovery period divided by the current period's total actual and estimated "Jurisdictional Fuel Revenue Applicable to Period" is ten percent or greater, the utility should notify the Commission.

Schedule A-2 – Calculation of True-up and Interest Provision contains the amounts "Jurisdictional Fuel Revenue Applicable to Period" (Line C3) and "End-of-Period Total Net True-up" (Line C11).

ISSUE 14: What are the appropriate credits for emissions allowances for power sales for each investor-owned electric utility for the years 2005 through 2007?

POSITIONS:

FPL: FPL does not separately track credits for emissions allowances for power sales. The cost of fuel oil that FPL uses to dispatch its system and to charge for power sales incorporates the cost of emissions allowances. As FPL updates its dispatch cost of fuel oil, the current cost of emissions allowances is converted into dollars per MMBTU and added to the fuel oil cost. Therefore, the cost of emissions allowances is embedded into the fuel costs associated with power sales. This methodology assures that the most current cost information for emissions allowances is included in what FPL charges for FPL's power sales. (YUPP)

FPUC: No position.

GULF:

2005	$10,229,597	
2006	$19,580,767	(Jan. – Jul. actual; Aug. – Dec. estimated)
2007	$29,645,000	(Projected)

(Ball, Martin)

PEF: The appropriate credit for emissions allowances associated with power sales is the cost of emissions allowances incurred in the production of that power. The cost of emissions allowances included in power sales is based on the daily spot price for allowances as well as the SO2 content of the fuel consumed in the generation of the power sold. (Oliver)

TECO: The appropriate credits for emissions allowances for non-separated power sales for 2005 through 2007 are $6,593, $35,443 and $40,100 respectively. (Witness: Aldazabal)

AARP: No position.

FEA: No position.

FIPUG: No position.

FRF: Agree with OPC.

White Sprs.: Agree with OPC.

AG: Agree with OPC.

OPC: No position.

STAFF:

FPL:	For power sales reported on Schedule A6, all related emission allowances shall be reported separately from other fuel expenses in the future and made available to staff upon request.
Gulf:	Agree with numbers submitted by Gulf.
PEF:	For power sales reported on Schedule A6, all related emission allowances shall be reported separately from other fuel expenses in the future and made available to staff upon request.
TECO:	Agree with numbers submitted by Gulf.

COMPANY-SPECIFIC FUEL ADJUSTMENT ISSUES

Progress Energy Florida

ISSUE 15A: Has PEF adequately mitigated the price risk for natural gas, residual oil, and purchased power for the years 2005 through 2007?

POSITIONS:

PEF: Yes. PEF has and will continue to adequately mitigate price risk for natural gas, residual oil, and purchase power by entering into long-term power and physical fuel purchase agreements and financial hedges. These strategies help reduce PEF's exposure to the potentially volatile spot power and fuel markets by locking in prices today for future delivery of the commodity. (McCallister, Oliver)

AARP: No position.

FEA: No position.

FIPUG: Insufficient evidence of customer benefit has been presented in light of the fact that 2006 fuel costs passed through to customers exceeded market cost.

FRF: Agree with OPC.

White Sprs.: Agree with OPC.

AG: Agree with OPC.

OPC: No position.

STAFF: Agrees that Progress has adequately mitigated the price risk for natural gas through September 1, 2006. Staff will continue to monitor Progress' hedging activity for the future.

ISSUE 15B: This issue will be addressed in spin-off Docket No. 060658-EI.

Florida Power & Light Company

ISSUE 16A: Has FPL adequately mitigated the price risk for natural gas, residual oil, and purchased power for the years 2005 through 2007?

POSITIONS:

FPL: Yes. FPL's actions to mitigate the price risk of natural gas, residual oil and purchased power for 2005 through 2007 are reasonable and prudent. (YUPP)

AARP: No position.

FEA: No position.

FIPUG: Insufficient evidence of customer benefit has been presented in light of the fact that 2006 fuel costs passed through to customers apparently exceeded market cost.

FRF: Agree with OPC.

White Sprs.: Agree with OPC.

AG: Agree with OPC.

OPC: No position.

STAFF: Agrees that FPL has adequately mitigated the price risk for natural gas through September 1, 2006. Staff will continue to monitor FPL hedging activity for the future.

ISSUE 16B: Are the costs associated with FPL's proposed participation in the Southeast Supply Header Pipeline Project appropriate for recovery through the fuel cost recovery clause beginning in 2008?

POSITIONS:

FPL: Yes. The Southeast Supply Header (SESH) Pipeline Project will allow FPL access to growing production from natural gas basins in East Texas and North Louisiana, which will provide an important on-shore alternate natural gas supply source. It will be a valuable addition to FPL's gas-transportation alternatives because it will provide FPL access to on-shore supply, significantly increasing supply reliability and diversity and potentially supporting customer savings. The costs FPL will incur for the SESH Pipeline Project are all gas transportation costs that are recoverable through the Fuel Cost Recovery Clause pursuant to Commission Order No. 14546, Docket No. 850001-EI-B, dated July 8, 1985 (lists transportation costs among the types of fuel-related costs that may be recovered through the Fuel Cost Recovery Clause). (YUPP/DUBIN)

AARP: Agree with OPC.

FEA: No position.

FIPUG: Inadequate justification has been presented to demonstrate that this is not a base rate item.

FRF: Agree with OPC the approval of this project through the fuel clause is premature, and that FPL should be required to file a separate petition for recovery of this project to allow parties sufficient opportunity to review the project in a comprehensive and through manner.

White Sprs.: Agree with OPC.

AG: Agree with OPC.

OPC: The approval of this project through the fuel clause is premature. FPL should be required to demonstrate the expected financial impact of this project to FPL's customers, and whether this project is prudent and economical compared to other alternative projects considered, and also whether the costs are appropriate to be recovered through the fuel clause. Given the truncated nature to the annual fuel proceedings, FPL should be required to file a separate petition for recovery of this project to allow parties sufficient opportunity to review the project in a comprehensive and through manner.

STAFF: No position pending receipt and review of discovery.

ISSUE 16C: What is the appropriate calculation of fuel savings associated with the addition of Turkey Point Unit 5?

POSITIONS:

FPL: The addition of the highly efficient, combined cycle Turkey Point Unit 5 will result in approximately $73,493,954 in fuel saving to FPL's customers from May through December 2007. (YUPP)

AARP: No position.

FEA: No position.

FIPUG: No position.

FRF: Agree with OPC.

White Sprs.: Agree with OPC.

AG: Agree with OPC.

OPC: No position.

STAFF: Staff agrees with FPL's revised position.

ISSUE 16D: Due to numbering error there is no Issue 16D

ISSUE 16E: **Should the Commission approve FPL's proposal to levelize the Residential 1000 kWh Bill by offsetting the Generation Base Rate Adjustment (GBRA) for Turkey Point Unit 5 with the fuel savings attributable to this new unit?**

POSITIONS:

FPL: Yes. FPL's proposal to levelize the Residential 1,000 kWh bill by offsetting the Generation Base Rate Adjustment (GBRA) as approved in Docket No. 050045-EI for Turkey Point Unit 5 with the fuel savings attributable to this new unit will provide all customer classes with a more stable bill in 2007. The fuel savings attributable to Turkey Point Unit 5 are $96,464,000 in 2007. Without levelization, FPL's customers' bills are projected to decrease in January 2007 as result of lower charges for fuel and capacity. Then, in May 2007, when Turkey Point Unit 5 begins commercial operations, the GBRA will become effective, which thereby would increase customer bills. FPL's proposal will still provide a decrease in customers' bills in January while eliminating the increase in May and will provide all customer classes with a more stable bill in 2007. (DUBIN)

AARP: Agree with FPL.

FEA: No position.

FIPUG: No position.

FRF: Agree with OPC.

White Sprs.: Agree with OPC.

AG: Agree with OPC.

OPC: Agree with FPL.

STAFF: Yes. FPL's proposal to levelize the residential 1,000 kWh bill by offsetting the Generation Base Rate Adjustment (GBRA) with fuel savings attributable to this new unit and a portion of the overall reduction in 2007 fuel costs will provide all customer classes with a more stable bill in 2007. Without levelization, bills are projected to decrease in January 2007. Then, in May 2007, when Turkey Point Unit 5 begins commercial operations, the GBRA will become effective, resulting in an increase in base rates and thus customer bills. The fuel savings associated with the addition of Turkey Point Unit 5 are addressed in Issue 16C and the GBRA is addressed in Issue 38A.

The current 1,000 kWh residential bill is $108.61. Absent FPL's proposal to levelize the bill, the bill would decrease to $102.61 in January 2007 as a result of lower fuel costs, and increase in May 2007 to $103.89 as a result of the GBRA, i.e., increase in base rates. Under FPL's proposal to levelize bills, the 1,000 kWh residential bill for January through December 2007 will be $103.51.

Under the standard methodology to calculate fuel factors for a 12-month period, fuel cost including savings are levelized over the projected 12-month period, resulting in a levelized fuel factor for 12 months. However, in order to offset the impact of the GBRA on customer bills May through December 2007, FPL proposed different fuel factors for January through April 2007 and May through December 2007. Only the May through December fuel factors include the fuel savings of the new unit ($73,493,954) and a portion of the overall reduction in 2007 fuel costs ($6,271,155), and are therefore lower than the January through April fuel factors. The lower May through December fuel factors are designed to offset the increase in base rates.

While staff is reluctant to deviate from the standard methodology of levelizing fuel costs over the full 12-month period, staff believes that, in this particular instance, the price stability offered by FPL's proposal would send customers are more consistent price signal through 2007. Therefore staff recommends that FPL's proposal be approved.

ISSUE 16F: STIPULATED (See Section X)

ISSUE 16G: DEFERRED (See Section XIV)

ISSUE 16H: STIPULATED (See Section X)

ISSUE 16I: **STIPULATED (See Section X)**

ISSUE 16J: **STIPULATED (See Section X)**

Florida Public Utilities Company

ISSUE 17A: **Are FPUC's purchased power costs as proposed for recovery in its 2007 fuel factor and as reflected in its purchased power agreements, prudent and reasonable?**

POSITIONS:

FPUC: Yes, the Company has properly reflected the expected purchased power costs in both the Northwest and Northeast divisions in the fuel factors and the costs are prudent and reasonable. The purchase power agreement for the Northwest division has remained unchanged from the previous period, and continues to be prudent and reasonable. The new purchased power agreement for the Northeast division has been reflected in the fuel factors for 2007. The Company obtained a prudent and reasonable contract for fuel for its customers and has taken all necessary steps to obtain prudent contract terms for customers as outlined in testimony and exhibits submitted with the fuel filing for the calendar year 2007.

AARP: No position.

FEA: No position.

FIPUG: No position.

FRF: Agree with OPC.

White Sprs.: Agree with OPC.

AG: Agree with OPC.

OPC: No position.

STAFF: No position pending evidence and testimony presented at hearing.

Gulf Power Company

ISSUE 18A: WITHDRAWN

ISSUE 18B: Has Gulf adequately mitigated the price risk for natural gas and purchased power for 2005 through 2007?

POSITIONS:

GULF: Yes. Gulf had adequate gas hedges in place for 2005 to mitigate price risk Gulf currently has gas and purchased power hedges in place for 2006 and 2007 and continues to look for opportunities to enter into financial hedges that we believe will be of benefit to the customer. Since the inception of the gas hedging program at Gulf in 2003 through August 31, 2006, the net result of the gas hedging program has been a reduction in recoverable fuel cost of $21,436,789. The strategic plan for gas hedging can be found in Gulf's "Risk Management Plan for Fuel Procurement" filed April 3, 2006 in this docket. Gulf hedging activities have adhered to its filed risk management plan in each of the years 2005 through 2007. (Ball)

AARP: No position.

FEA: No position.

FIPUG: Insufficient evidence of customer benefit has been presented in light of the fact that 2006 fuel costs passed through to customers apparently exceeded market cost.

FRF: Agree with OPC.

White Sprs.: Agree with OPC.

AG: Agree with OPC.

OPC: No position.

STAFF: Gulf has adequately mitigated the price risk for natural gas and purchased power for 2005 through September 1, 2006. Staff will continue to monitor Gulf's hedging activity for the future.

ISSUE 18C: WITHDRAWN

Tampa Electric Company

<u>ISSUE 19A:</u> WITHDRAWN

<u>ISSUE 19B:</u> WITHDRAWN

<u>ISSUE 19C:</u> Has TECO adequately mitigated the price risk for natural gas and purchased power for 2005 through 2007?

<u>POSITIONS:</u>

<u>TECO:</u> Yes. Physical hedges have been used to mitigate price risk of natural gas and purchased power between 2005 and 2007. Financial hedges were used to help reduce price volatility of natural gas. (Witness: Wehle/Smith)

<u>AARP:</u> No position.

<u>FEA:</u> No position.

<u>FIPUG:</u> Insufficient evidence of customer benefit has been presented in light of the fact that 2006 fuel costs passed through to customers apparently exceeded market cost.

<u>FRF:</u> Agree with OPC.

<u>White Sprs.:</u> Agree with OPC.

<u>AG:</u> Agree with OPC.

<u>OPC:</u> No position.

<u>STAFF</u>: Agrees that TECO has adequately mitigated the price risk for natural gas through September 1, 2006. Staff will continue to monitor TECO's hedging activity for the future.

GENERIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

<u>ISSUE 20:</u> STIPULATED (See Section X)

ISSUE 21: **Should the Commission amend or modify the existing GPIF mechanism so as to incorporate a "dead band" around the scale of Generating Performance Incentive Points in the amounts proposed by OPC?**

POSITIONS:

FPL: No. The current GPIF methodology, as approved by the Commission, has worked as intended by providing an ongoing incentive for the efficient operation of generating units. FPL's improved unit performance, calculated in accordance with the current GPIF methodology, has saved FPL's customers an average of over $14 million per year in fuel costs during the last sixteen years, which is more than double the average GPIF reward received by FPL during the same period. OPC's "dead band" proposal would virtually eliminate the GPIF incentive. In addition, OPC's proposal is unfairly asymmetric: it would exclude twice as large a range of performance improvements from receiving rewards as it would exclude performance declines from receiving penalties. (SONNELITTER)

GULF: No. The Commission should not amend or modify the existing GPIF mechanism to incorporate a "dead band" around the scale of Generating Performance Incentive Points as proposed by OPC. (Noack)

PEF: No. Modifying the GPIF mechanism so as to incorporate a "dead band" as proposed by OPC would bias the system toward penalties. The GPIF mechanism is intended to be an even-handed mechanism. As such, PEF opposes the change to the GPIF mechanism as proposed by OPC. (Oliver)

TECO: No. The proposed dead band approach would modify the GPIF methodology in an asymmetrical way to favor penalties. It is inconsistent with the primary objective of the GPIF program which is to encourage improved performance through a fair and balanced application of the incentive/penalty mechanism. (Witness: Smotherman)

AARP: Agree with OPC.

FEA: No position.

FIPUG: Yes.

FRF: Agree with OPC.

White Sprs.: Agree with OPC.

AG: Agree with OPC.

OPC: Yes. Under the current methodology the customers have been called on to fund rewards for utilities whose generating efficiency, as measured by heat rate and availability, have not improved and even when efficiency has declined. This is both counterintuitive and unfair to ratepayers. In this proceeding, the Commission should implement a "deadband" around the calculated utility scores, so that only a utility that has demonstrated an improvement of a magnitude that warrants it will receive a monetary reward paid by customers. In Docket 070001, the Commission should consider coupling with this deadband a set of absolute values for each unit that the respective utilities would be required to meet or exceed in order to earn a reward.

STAFF: No position pending testimony and evidence presented at hearing.

ISSUE 22: **If the "dead band" amendment to the GPIF mechanism is implemented by the Commission should it be applied for the current year so that the rewards or penalties are applied commencing January 1, 2007?**

POSITIONS:

FPL: OPC's "dead band" proposal should not be approved, for the reasons stated in FPL's position on Issue 21. If the Commission were nonetheless to approve that proposal, it should be implemented only prospectively, such that all unit performance through the end of 2006 would be rewarded and penalized in accordance with the existing GPIF procedures and using the previously established targets and ranges. (SONNELITTER)

GULF: No. The "dead band" amendment to the GPIF mechanism should not be applied for the current year. The "dead band" amendment to the GPIF mechanism should not be implemented by the Commission. (Noack)

PEF: No. The rewards or penalties calculated in the 2007 GPIF True Up are based on GPIF Targets that were set in 2005 for the calendar year of 2006. It would be inappropriate to apply a different methodology than was in effect at the time the Targets were approved. Should the Commission approve a "dead band" amendment to the GPIF mechanism, such changes should only go into effect for subsequent Target setting. For instance, if a "dead band" amendment was approved by the commission prior to or in conjunction with approving 2007 GPIF Targets, they would then take effect with the 2008 True Up, as these calculations would be the first rewards or penalties based on 2007 actual data. (Oliver)

TECO: No. Any amendment to the GPIF mechanism implemented by the Commission should be applied commencing January 1, 2008. (Witness: Smotherman)

AARP: Agree with OPC.

FEA: No position.

FIPUG: Yes.

FRF: Agree with OPC.

White Sprs.: Agree with OPC.

AG: Agree with OPC.

OPC: Yes.

STAFF: No position pending review of testimony and evidence presented at hearing.

ISSUE 23: **WITHDRAWN**

ISSUE 24: **STIPULATED (See Section X)**

COMPANY-SPECIFIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

Progress Energy Florida

Issue 25 was reserved for any company-specific issues for Progress Energy Florida. No such issues have been identified.

Florida Power & Light Company

Issue 26 was reserved for any company-specific issues for Florida Power & Light Company. No such issues have been identified.

Gulf Power Company

Issue 27 was reserved for any company-specific issues for Gulf Power Company. No such issues have been identified.

Tampa Electric Company

Issue 28 was reserved for any company-specific issues for Tampa Electric Company. No such issues have been identified.

GENERIC CAPACITY COST RECOVERY FACTOR ISSUES

ISSUE 29: **STIPULATED (See Section X)**

ISSUE 30: **What are the appropriate estimated/actual capacity cost recovery true-up amounts for the period January 2006 through December 2006?**

STIPULATED AS TO FPL, GULF AND TECO

POSITIONS:

PEF: $6,267,762 under-recovery. (Portuondo)

AARP: No position at this time.

FEA: No position at this time.

FIPUG: No position at this time.

FRF: Agree with OPC.

White Sprs.: Agree with OPC.

AG: Agree with OPC.

OPC: No position at this time.

STAFF: PEF: $4,799,289 under recovery.

ISSUE 31: **What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2007 through December 2007?**

STIPULATED AS TO FPL, GULF AND TECO

POSITIONS:

PEF: $6,849,038 under-recovery. (Portuondo)

AARP: No position at this time.

FEA: No position at this time.

FIPUG: No position at this time.

FRF: Agree with OPC.

White Sprs.: Agree with OPC.

AG: Agree with OPC.

OPC: No position at this time.

STAFF: PEF: $4,799,289 under recovery.

ISSUE 32: **What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2007 through December 2007?**

POSITIONS:

FPL: $591,052,906. (DUBIN)

GULF: $31,663,162. (Ball, Martin)

PEF: $391,011,256. (Portuondo)

TECO: The purchased power capacity cost recovery amount to be included in the recovery factor for the period January 2007 through December 2007, adjusted by the jurisdictional separation factor, is $53,038,052. The total recoverable capacity cost recovery amount to be collected, including the true-up amount and adjusted for the revenue tax factor, is $54,037,882. (Witness: Aldazabal)

AARP: No position at this time.

FEA: No position at this time.

FIPUG: No position at this time.

FRF: Agree with OPC.

White Sprs.: Agree with OPC.

AG: Agree with OPC.

OPC: No position at this time.

STAFF: FPL: $591,052,906.
Gulf: $31,663,132.
PEF: $393,207,153.
TECO: Agree with TECO's position.

ISSUE 33: **What are the appropriate capacity cost recovery factors for the period January 2007 through December 2007?**

STIPULATED AS TO GULF AND TECO (See Section X)

POSITIONS:

FPL:

Rate Schedule	Capacity Recovery Factor ($/kw)	Capacity Recovery Factor ($/kwh)
RS1/RST1	-	0.00557
GS1/GST1	-	0.00521
GSD1/GSDT1/HLTF(21-499 kW)	1.58	-
OS2	-	0.00330
GSLD1/GSLDT1/CS1/CST1/HLTF(500-1,999 kW)	1.96	-
GSLD2/GSLDT2/CS2/CST2/HLTF(2,000+ kW)	1.91	-
GSLD3/GSLDT3/CS3/CST3	1.90	-
CILC D/CILC G	2.09	-
CILC T	2.01	-
MET	2.00	-
OL1/SL1/PL1	-	0.00085
SL2, GSCU1	-	0.00360

RATE CLASS	CAPACITY RECOVERY FACTOR (RESERVATION DEMAND CHARGE) ($/KW)	CAPACITY RECOVERY FACTOR (SUM OF DAILY DEMAND CHARGE) ($/KW)
ISST1D	.25	.12
ISST1T	.24	.11
SST1T	.24	.11
SST1D1/SST1D2/ SST1D3	.25	.12

(DUBIN)

PEF:

Rate Class	CCR Factor
Residential	1.126 cents/kWh
General Service Non-Demand	0.953 cents/kWh
@ Primary Voltage	0.943 cents/kWh
@ Transmission Voltage	0.934 cents/kWh
General Service 100% Load Factor	0.653 cents/kWh
General Service Demand	0.804 cents/kWh
@ Primary Voltage	0.796 cents/kWh
@ Transmission Voltage	0.788 cents/kWh
Curtailable	0.580 cents/kWh
@ Primary Voltage	0.574 cents/kWh
@ Transmission Voltage	0.568 cents/kWh
Interruptible	0.689 cents/kWh
@ Primary Voltage	0.682 cents/kWh
@ Transmission Voltage	0.675 cents/kWh
Lighting	0.160 cents/kWh

(Portuondo)

AARP: No position at this time.

FEA: No position at this time.

FIPUG: No position at this time.

FRF: Agree with OPC.

White Sprs.: Agree with OPC.

AG: Agree with OPC.

OPC: No position at this time.

STAFF: FPL: No position until Commission has determined Issue 38D
PEF: No position pending review of new numbers presented by PEF.

ISSUE 34: **STIPULATED (See Section X)**

ISSUE 35: **What are the appropriate credits for transmissions allowances for power sales for each investor-owned electric utility for the years 2005 through 2007?**

STIPULATED AS TO GULF, PEF AND TECO (See Section X)

POSITIONS:

FPL: The appropriate credit for transmission allowances for power sales for 2005 is $3,299,310. The appropriate credit for transmission allowances for power sales for 2006 is $3,701,913; which includes actuals through June and projections for the balance of the year. The appropriate credit for transmission allowances for power sales for 2007 is projected to be $3,941,588. (YUPP)

AARP: No position.

FEA: No position.

FIPUG: No position.

FRF: Agree with OPC.

White Sprs.: Agree with OPC.

AG: Agree with OPC.

OPC: No position.

STAFF: FPL 2005: $5,726,793
2006: $3,701,913
2007: $3,941,588

COMPANY-SPECIFIC CAPACITY COST RECOVERY FACTOR ISSUES

Progress Energy Florida

ISSUE 36A: STIPULATED (See Section X)

Tampa Electric Company

Issue 37 was reserved for any company-specific issues for Tampa Electric Company. No such issues have been identified.

Florida Power & Light Company

ISSUE 38A: Pursuant to the stipulation signed by all parties to the prior rate proceeding and approved in Order No. PSC-05-0902-S-EI, issued September 14, 2005, in Docket No. 050045-EI what is the appropriate Generation Base Rate Adjustment (GBRA) for Turkey Point Unit 5?

POSITIONS:

FPL: Paragraph 17 of the Stipulation and Settlement Agreement approved the Commission in its Order No. PSC-05-0902-S-EI (the "Settlement Agreement") provides that a "GBRA shall be implemented upon commercial operation of Turkey Point Unit 5 . . . by increasing base rates by the estimated annual revenue requirement exclusive of fuel of the costs upon which the [cumulative present value revenue requirements] CPVRR for Turkey Point Unit 5 were predicated, and pursuant to which a need determination was granted by the FPSC, such adjustment to be reflected on FPL's customers bills by increasing base charges, and non-clause recoverable credits, by an equal percentage." As shown in the affidavits of Drs. Steven R. Sim and Rosemary Morley that FPL filed in this docket on September 1, 2006 as part of its projection filing, the jurisdictional annualized 2007 revenue requirement for Turkey Point Unit 5 is $126.80 million. When this is divided by the total retail base rate revenues projected for 2007 of $3,876.80 million, the resulting percentage is 3.271%, which will be applied as an equal percentage to base charges and non-clause recoverable credits.

AARP: No position.

FEA: No position.

FIPUG: No position.

FRF: Agree with OPC.

White Sprs.: Agree with OPC.

AG: Agree with OPC.

OPC: No position.

STAFF: No position pending receipt and review of discovery.

ISSUE 38B WITHDRAWN

ISSUE 38C: STIPULATED (See Section X)

ISSUE 38D: Should CILC-1 Load Control (nonfirm) demands be included in developing capacity cost recovery factors?

POSITIONS:

FPL: Yes. The Federal Executive Agencies' proposal would unfairly allocate an additional $16.4 million to FPL's other customers and is inconsistent with the Commission's rules and practice for non-firm service. (Morley)

AARP: Agree with FPL.

FEA: Should CILC-1 Load Control (nonfirm) demands be included in developing capacity cost recovery factors? No, they should be excluded. FEA intends to call Dennis W. Goins who will address this issue.

FIPUG: Agree with FEA.

FRF: Agree with OPC.

White Sprs.: Agree with OPC.

AG: Agree with OPC.

OPC: No position.

STAFF: No position pending review of evidence and testimony presented at hearing.

ISSUE 38E: STIPULATED (See Section X)

IX. EXHIBIT LIST

Witness	Proffered By	I.D. No.	Description
Direct			
K. M. Dubin	FPL	______ KMD-1	Levelized Fuel Cost Recovery

Witness	Proffered By	I.D. No.	Description
K. M. Dubin	FPL	KMD-2	Capacity Cost Recovery Final True-up for January 2005 through December 2005
K. M. Dubin	FPL	KMD-3	Fuel Cost Recovery and Capacity Cost Recovery
K. M. Dubin	FPL	KMD-4	Estimated/Actual True-up January 2006 through December 2006
K. M. Dubin	FPL	KMD-5	APPENDIX II Levelized Fuel Cost Recovery Factors for January 2007 through December 2007
K. M. Dubin	FPL	KMD-6	Capacity Cost Recovery Factors for January 2007 through December 2007
K. M. Dubin	FPL	KMD-7	Fuel Cost Recovery Non-Levelized Bill
Gerard J. Yupp	FPL	GJY-1	2005 Hedging Activity
Gerard J. Yupp	FPL	GJY-2	Fuel Cost Recovery Forecast Assumptions
Gerard J. Yupp	FPL	GJY-5	Total Annual Costs SESH Pipeline Project
Gerard J. Yupp	FPL	GJY-6	SESH Pipeline Agreement
P. Sonnelitter	FPL	PS-1	GPIF, Performance Results January 2005 through December 2005
P. Sonnelitter	FPL	PS-2	GPIF Charts
P. Sonnelitter	FPL	PS-3	GPIF. Incentive Factor Targets & Ranges January 2007 through December 2007

Witness	Proffered By	I.D. No.	Description
R. Morley	FPL	RM-5	Non-firm Electric Service Report
R. Morley	FPL	RM-6	FAC 25-6.0438
Cheryl M. Martin	FPUC	CMM-1	Schedules M1, F1, E1-B (for the Marianna and Fernandina Beach Divisions)
Cheryl M. Martin	FPUC	CMM-2	Schedules E1-A, E1-B, E1-B1 (for the Marianna and Fernandina Beach Divisions)
Cheryl M. Martin	FPUC	CMM-3	Schedules E1, E1-A, E2, E7, E10 for the Marianna Division Schedules E1, E1-A, E2, E7, E8, E10 for the Fernandina Beach Division
H. R. Ball	GULF	HRB-1	Coal Suppliers January 2005 through December 2005
H. R. Ball	GULF	HRB-2	Projected vs. actual fuel cost of generated power March 1997 through December 2007
R. J. Martin	GULF	TAD-1	Calculation of Final True-up January 2005 through December 2005
R. J. Martin	GULF	RJM-2	Estimated True-up January 2006 through December 2006
R. J. Martin	GULF	RJM-3	Projection January 2007 through December 2007
L. S. Noack	GULF	LSN-1	Gulf Power Company GPIF Results January 2005 through December 2005
L. S. Noack	GULF	LSN-2	Gulf Power Company GPIF Targets and Ranges January 2007 through December 2007

Witness	Proffered By	I.D. No.	Description
Javier Portuondo	PEF	JP-1T	Fuel Cost Recovery True-Up January 2005 through December 2005
Javier Portuondo	PEF	JP-2T	Capacity Cost Recovery True-Up January 2005 through December 2005
Javier Portuondo	PEF	JP-3T	Schedules A1 through A9 and A12
Javier Portuondo	PEF	JP-1R	Estimated/Actual True up Schedules for period 1/06 through 12/06
Javier Portuondo	PEF	JP-1P	Projection factors for January to December 2007
Joseph McCallister	PEF	PRM-1	2005 Storm Natural Gas Costs
Joseph McCallister	PEF	PRM-2	Hurricane Shut-in Statistics Report
Joseph McCallister	PEF	PRM-1T	Summary of Success of Risk Management Plan
Joseph McCallister	PEF	PRM-2T	2005 Hedging Information as required by Order No. PSC-02-1484-FOF-EI (Docket No. 011605-EI)
Joseph McCallister	PEF	JM-1P	2006 Risk Management Plan
Robert M. Oliver	PEF	RMO-1T	GPIF Reward/Penalty Schedules for 2005
Robert M. Oliver	PEF	RMO-2T	Illustration of Equivalent Availability Factor (EAF)
Robert M. Oliver	PEF	RMO-3T	Illustration of Heat Rate Factors
Robert M. Oliver	PEF	RMO-1P	GPIF Targets/Ranges Schedules for January through December 2007

Witness	Proffered By	I.D. No.	Description
Carlos Aldazabal	TECO	CA-1	Fuel Cost Recovery January 2005 through December 2005 Capacity Cost Recovery January 2005 through December 2005
Carlos Aldazabal	TECO	CA-2	Fuel Cost Recovery, Projected January 2006 through December 2006 Capacity Cost Recovery, Projected January 2006 through December 2006
Carlos Aldazabal	TECO	CA-3	Fuel Cost Recovery, Projected January 2007 through December 2007. Capacity Cost Recovery, Projected January 2007 through December 2007. 2007 Incremental Security Costs
William A. Smotherman	TECO	WAS-1	Generating Performance Incentive Factor Results January 2005 through December 2005
William A. Smotherman	TECO	WAS-2	Generating Performance Incentive Factor Estimated January 2007 through December 2007
Joann T. Wehle	TECO	JTW-1	Calculation of 2005 Incremental Hedging Operations and Maintenance Costs
Dennis W. Goins	FEA	DWG-1	FEA Calculation of CCR Energy and Demand Allocators by Rate
Dennis W. Goins	FEA	DWG-2	FEA Proposed Capacity Cost Recovery Factors: Calculation of CCT Factors by Rate

Witness	Proffered By	I.D. No.	Description
Dennis W. Goins	FEA	DWG-3	Capacity Cost Recovery Factors
James A. Ross	OPC	JAR-1	Calculation and Analysis of GPIF Incentive Dollars
James A. Ross	OPC	JAR-2	EAF and Heat Rate Analysis, Individual Units

Parties and Staff reserve the right to identify additional exhibits for the purpose of cross-examination.

X. PROPOSED STIPULATIONS

A. The following stipulated issues reflect agreement among each investor-owned utility and Staff, with all other parties taking no position on the issue:

ISSUE 1: What are the appropriate fuel adjustment true-up amounts for the period January 2005 through December 2005?

POSITION

FPL: $307,437,600 under-recovery.

FPUC: Marianna: $53,882 under-recovery
Fernandina Beach: $153,867 under-recovery

GULF: Under-recovery $20,174,117.

PEF: $385,055 under-recovery.

TECO: $106,516,837 under-recovery.

ISSUE 2: What are the appropriate estimated/actual fuel adjustment true-up amounts for the period January 2006 through December 2006?

POSITION:

FPUC: Marianna: $262,709 (under-recovery)
Fernandina Beach: $738,815 (under-recovery)

<u>GULF:</u> Under-recovery $26,505,347.

<u>TECO:</u> $51,260,142 under-recovery.

<u>ISSUE 3</u>: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2007 to December 2007?

<u>POSITION:</u>

<u>FPUC:</u> Marianna: $316,591 (to be collected)
Fernandina Beach: $892,682 (to be collected)

<u>GULF:</u> Collection of $46,679,464.

<u>TECO:</u> $157,776,979 under-recovery.

<u>ISSUE 4</u>: What is the appropriate revenue tax factor to be applied in calculating each investor-owned electric utility's levelized fuel factor for the projection period January 2007 through December 2007?

<u>POSITION:</u> 1.00072 for each investor-owned electric utility

<u>ISSUE 5:</u> What are the appropriate projected net fuel and purchased power cost recovery amounts to be included in the recovery factor for the period January 2007 through December 2007?

<u>POSITION:</u>

<u>GULF:</u> $454,263,631

<u>PROGRESS:</u> $2,095,303,822

<u>TECO:</u> $1,177,662,727

<u>ISSUE 7:</u> What are the appropriate fuel recovery line loss multipliers to be used in calculating the fuel cost recovery factors charged to each rate class/delivery voltage level class?

<u>POSITION:</u>

FPL: The appropriate Fuel Cost Recovery Loss Multipliers are provided in FPL's position shown for Issue No. 8.

FPUC: Marianna: 1.0000 - All Rate Schedules
Fernandina Beach: 1.0000 - All Rate Schedules

GULF:

Group	Rate Schedules	Line Loss Multipliers
A	RS, RSVP, GS, GSD, GSDT, GSTOU, OSIII, SBS(1)	1.00526
B	LP, LPT, SBS(2)	0.98890
C	PX, PXT, RTP, SBS(3)	0.98063
D	OSI/II	1.00529
(1) Includes SBS customers with a contract demand in the range of 100 to 499 KW (2) Includes SBS customers with a contract demand in the range of 500 to 7,499 KW (3) Includes SBS customers with a contract demand over 7,499 KW		

PEF: :

Group	Delivery Voltage Level	Line Loss Multiplier
A.	Transmission	0.9800
B.	Distribution Primary	0.9900
C.	Distribution Secondary	1.0000
D.	Lighting Service	1.0000

TECO: The appropriate fuel recovery line loss multipliers are as follows:

Rate Schedule	Fuel Recovery Loss Multiplier
RS, GS and TS	1.0042
RST and GST	1.0042
SL-2, OL-1 and OL-3	N/A
GSD, GSLD, and SBF	1.0004
GSDT, GSLDT, EV-X and SBFT	1.0004
IS-1, IS-3, SBI-1, SBI-3	0.9742
IST-1, IST-3, SBIT-1, SBIT-3	0.9742

ISSUE 9: **What should be the effective date of the fuel adjustment charge and capacity cost recovery charge for billing purposes?**

POSITION:

FPL: Pending approval of the Commission of Issue 16E, the new Fuel Cost Recovery factors for January through April 2007 and May through December 2007 become effective during these periods, respectively. This will result in four months of billing on the January through March factor and eight months of billing on the May through December factor, thus providing for a total of 12 months of billing on the new Fuel Cost Recovery factors for all customers.

The Capacity Cost Recovery factors should become effective with customer bills for January 2007 through December 2007. This will provide for 12 months of billing on the Capacity Cost Recovery factors for all customers.

FPUC: The new factors should be effective beginning with the first billing cycle for January 2007, and thereafter through the last billing cycle for December 2007. The first billing cycle may start before January 1, 2007, and the last billing cycle may end after December 31, 2007, so long as each customer is billed for twelve months regardless of when the factors became effective.

GULF: The new fuel factors should be effective beginning with the first billing cycle for January 2007 and thereafter through the last billing cycle for December 2007. The first billing cycle may start before January 1, 2007, and the last cycle may be read after December 31, 2007, so that each customer is billed for twelve months regardless of when the adjustment factor became effective.

PEF: The new factors should be effective beginning with the first billing cycle for January 2007, and thereafter through the last billing cycle for December 2007. The first billing cycle may start before January 1, 2007, and the last billing cycle may end after December 31, 2007, so long as each customer is billed for twelve months regardless of when the factors became effective.

TECO: The new factors should be effective beginning with the specified billing cycle and thereafter for the period January 2007 and thereafter through the last billing cycle for December 2007. The first billing cycle may start before January 1, 2007, and the last billing cycle may end after December 31, 2007, so long as each customer is billed for 12 months regardless of when the factors became effective.

ISSUE 10: **What are the appropriate actual benchmark levels for calendar year 2006 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?**

POSITION:

FPL:	$19,136,028.
Gulf:	$3,546,453.
PEF:	$5,626,264.
TECO:	$787,027.

ISSUE 11: **What are the appropriate estimated benchmark levels for calendar year 2007 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?**

POSITION:

FPL:	$19,849,221.
Gulf:	$3,092,606.
PEF:	$3,187,140.
TECO:	$946,443.

ISSUE 16F: **What was the additional fuel cost incurred as a result of the outage extension at Turkey Point Unit 3 in March and April, 2006?**

POSITION: $6,163,000.

ISSUE 20: **What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period January 2005 through December 2005 for each investor-owned electric utility subject to the GPIF?**

POSITION:

FPL: $8,478,098 reward.

TECO: $99,791 penalty.

GULF: $842,874 penalty.

PEF: $1,547,048 penalty.

ISSUE 24: **What should the GPIF targets/ranges be for the period January 2007 through December 2007 for each investor-owned electric utility subject to the GPIF?**

POSITION:

FPL: The targets and ranges should be as set forth in the Testimony and Exhibits of P. Sonnelitter including the following:

PLANT/UNIT	EAF TARGET (%)	HEAT RATE HR. TARGET (BTU/KWH)
Ft. MYERS 2	78.9	6,814
LAUDERDALE 4	82.6	7,650
LAUDERDALE 5	92.2	7,548
MANATEE 1	86.6	10,220
MARTIN 1	94.6	10,027
MARTIN 4	94.0	6,926
SANFORD 4	90.2	6,878
SANFORD 5	91.3	6,844
SCHERER 4	96.0	10,136
ST. LUCIE 1	84.0	10,961
ST. LUCIE 2	70.3	11,002
TURKEY POINT 3	84.2	11,112
TURKEY POINT 4	90.7	11,120

(SONNELITTER)

GULF: See table below:

Unit	EAF	POF	EUOF	Heat Rate
Crist 4	98.3	0.0	1.7	10,545
Crist 5	97.1	0.0	2.9	10,422
Crist 6	85.3	8.2	6.5	10,258
Crist 7	83.5	3.3	13.2	10,225
Smith 1	78.6	19.7	1.7	10,259
Smith 2	89.4	0.0	10.6	10,328
Daniel 1	82.5	13.4	4.0	10,046
Daniel 2	93.9	1.9	4.2	9,834
EAF = Equivalent Availability Factor POF = Planned Outage Factor EUOF = Equivalent Unplanned Outage Factor				

PEF: The appropriate targets and ranges are shown on page 4 of Exhibit RMO-1P filed on 9/01/2006 with the Direct Testimony of Robert M. Oliver.

TECO: The appropriate targets and ranges are shown in Exhibit No. 1 of Mr. William A. Smotherman's testimony. Targets and ranges should be set according to the prescribed GPIF methodology established in 1981 by Commission Order No. 9558 in Docket No. 800400-CI and later modified in 2006 after meeting with Staff and intervening parties at the request of the Commission.

ISSUE 29: What are the appropriate capacity cost recovery true-up amounts for the period January 2005 through December 2005?

POSITION:

FPL: $3,305,688 over- recovery.
GULF: Over recovery of $112,632.
PEF: $581,276 under-recovery.
TECO: $156,806 under-recovery.

ISSUE 30: What are the appropriate estimated/actual capacity cost recovery true-up amounts for the period January 2006 through December 2006?

POSITION:

FPL: $18,215,446 under-recovery.
GULF: Under recovery of $223,116.
TECO: $804,145 under-recovery.

ISSUE 31: What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2007 through December 2007?

POSITION:

FPL: $14,909,758 under-recovery.
GULF: Collection of $110,484.
TECO: $960,951 under-recovery.

ISSUE 33: What are the appropriate capacity cost recovery factors for the period January 2007 through December 2007?

POSITION:

GULF: See table below:

RATE CLASS	CAPACITY COST RECOVERY FACTORS ¢/KWH
RS, RSVP	0.311
GS	0.301
GSD, GSDT, GSTOU	0.267
LP, LPT	0.231
PX, PXT, RTP, SBS	0.193
OS-I/II	0.133
OSIII	0.200

TECO: The appropriate factors are as follows:

Rate Schedule	Capacity Cost Recovery Factor (cents per kWh)
Average Factor	0.271
RS	0.325
GS and TS	0.311
GSD, EV-X	0.261
GSLD and SBF	0.222
IS-1, IS-3, SBI-1, SBI-3	0.020
SL-2, OL-1 and OL-3	0.042

ISSUE 35: What are the appropriate credits for transmissions allowances for power sales for each investor-owned electric utility for the years 2005 through 2007?

POSITIONS:

Gulf 2005: $200,008
2006: $203,633 (Jan-Jul. actual; Aug-Dec. estimated)
2007: $275,000

Progress	$1,002,742
TECO	2005: $279,560 2006: $665,187 2007: $511,000

ISSUE 36A: Are PEF's incremental security costs as projected for 2007, reasonable for capacity cost recovery purposes?

POSITION: Yes. PEF's incremental security costs in its 2007 projection filing are reasonable for capacity cost recovery purposes.

ISSUE 38C: Should the Commission approve FPL's proposal to recover the projected security costs associated with the recently issued North American Reliability Council (NERC) Cyber Security Standards through the Capacity Cost Recovery Clause?

POSITION: Yes the Commission should approve FPL's proposal to recover $2,796,363 for the projected security costs associated with the recently issued North American Reliability Council (NERC) Cyber Security Standards through the Capacity Cost Recovery Clause.

ISSUE 38E: Are FPL's incremental security costs projected for 2007 reasonable for cost recovery purposes?

POSITIONS: Yes. FPL's incremental security costs projected for 2007 are reasonable for cost recovery purposes.

B. The following stipulated issues reflect agreement among all parties:

ISSUE 16H: What is the appropriate regulatory treatment of the base gas requirement for the MoBay gas storage contract?

POSITION: This issue is addressed in Docket 060362-EI.

ISSUE 16I: What is the appropriate regulatory treatment for the carrying costs associated with any unamortized balance of MoBay base gas?

POSITION: This issue is addressed in Docket 060362-EI.

ISSUE 16J: **What is the appropriate regulatory treatment for the carrying costs associated with the MoBay and Bay Gas inventory?**

POSITION: This issue is addressed in Docket 060362-EI.

ISSUE 34: **What are the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the recovery factor for the period January 2007 through December 2007?**

POSITION:

FPL:	FPSC 98.68536%; FERC 1.31464%
Gulf:	96.64872%
PEF:	Base 93.753% Intermediate 79.046% Peaking 88.979%
TECO:	0.9666743

C. Other Stipulations:

It is agreed by all parties that the withdrawal of Issues 18A and 19A does not preclude the parties or the Commission from relying on and using the witness testimony, exhibits, and related discovery to support parties' positions or the Commission's decision in Docket No. 060362-EI.

XI. PENDING MOTIONS

TECO's Motion for Protective Order , filed 07-13-06
FPL's Motion for Reconsideration of Order PSC-06-0568-CFO-EI, filed 07-17-06
FPL's Motion for Temporary Protective Order, filed 07-21-06
FPL's Motion for Temporary Protective Order, filed 08-23-06
FPL's Motion for Temporary Protective Order, filed 09-06-06
TECO's Motion for Temporary Protective Order filed 09-07-06
FPL's Motion for Temporary Protective Order, filed 09-18-06
TECO's Motion for Temporary Protective Order, filed 09-21-06

XII. PENDING CONFIDENTIALITY MATTERS

Gulf's Request for Extended Confidential Classification, filed 04-12-06
FPL's Second Request for Extension of Confidential Classification, filed 04-28-06
FPL's First Request for Extension of Confidential Classification, filed 04-28-06
FPL's Request for Confidential Classification, filed 05-08-06

TECO's Request for Specified Confidential Treatment, filed 05-18-06
FPL's Request for Confidential Classification, filed 05-26-06
PEF's Request for Confidential Classification, filed 06-15-06
PEF's Request for Confidential Classification, filed 07-15-06
PEF's Request for Confidential Classification, filed 07-17-06
PEF's Request for Confidential Classification, filed 07-31-06
TECO's Request for Confidential Classification, filed 08-08-06
PEF's Request for Confidential Classification, filed 08-22-06
PEF's Request for Confidential Classification, filed 08-24-06
PEF's Request for Confidential Classification,, filed 08-29-06
GULF's Request for Confidential Classification, filed 09-01-06
TECO's Request for Confidential Classification,, filed 09-01-06
GULF's Request for Extended Confidential Classification, filed 09-12-06
GULF's Request for Confidential Classification, filed 09-12-06
GULF's Request for Confidential Classification,, filed 09-12-06
PEF's Request for Confidential Classification, filed 09-14-06
FPL's Request for Confidential Classification,, filed 09-15-06
FPL's Request for Confidential Classification, filed 09-22-06
PEF's Request for Confidential Classification, filed 10-09-06

XIII. POST-HEARING PROCEDURES

If no bench decision is made, each party shall file a post-hearing statement of issues and positions. A summary of each position of no more than 50 words, set off with asterisks, shall be included in that statement. If a party's position has not changed since the issuance of the prehearing order, the post-hearing statement may simply restate the prehearing position; however, if the prehearing position is longer than 50 words, it must be reduced to no more than 50 words. If a party fails to file a post-hearing statement, that party shall have waived all issues and may be dismissed from the proceeding.

Pursuant to Rule 28-106.215, Florida Administrative Code, a party's proposed findings of fact and conclusions of law, if any, statement of issues and positions, and brief, shall together total no more than 40 pages, and shall be filed at the same time.

XIV. RULINGS

A. Opening statements, if any, shall not exceed ten minutes per party. OPC may use five minutes of its time at the beginning of the proceeding and reserve the other five minutes for an opening statement prior to commencement of the presentation of Issues 21 and 22.

B. OPC's Request to Segregate Issues 21 and 22

At the Prehearing Conference, OPC requested that the Prehearing Officer segregate the testimony on the GPIF issues (Issues 21 and 22) from the rest of the proceeding. The five witnesses testifying on Issues 21 and 22 would be grouped together, with OPC's witness appearing first, then the four utility witnesses and concluding with OPC's rebuttal testimony. No parties objected to proceeding in this fashion and FPL's attorney spoke in favor of segregating this portion of the hearing.

Upon consideration of the highly technical nature of these two issues, it appears that segregating Issues 21 and 22 from the rest of the proceeding would promote the just and speedy determination of the fuel docket. OPC's request to segregate Issues 21 and 22 is granted, as reflected in Section VI,Order of Witnesses.

C. OPC's Request to Extend Witness Summary Time Limit

At the Prehearing Conference, OPC requested that its witness, James Ross, be given ten minutes to summarize his testimony. OPC argued that the issues raised in 21 and 22 require the Commission to make a significant change in its policy after twenty years. Attorney for FPL objected to the extension of time for witness Ross. FPL argued that historically witnesses have been limited to a five minute summary, even for extremely voluminous, complicated matters.

There are seven dockets in this proceeding. Commissioners receive the pre-filed testimony of all witnesses prior to the hearing. There is ample opportunity to question each witness as necessary. An additional five minutes of summarization is not necessary. Upon consideration, in order to promote the just and speedy determination of this proceeding, all witnesses will be limited to five minute summaries.

D. OPC's Request to Defer Consideration of Issue 16B.

OPC, joined by AARP, requests that this issue be deferred until next year's fuel proceeding or spun out to a separate docket. Issue 16B raises the question: "are the costs associated with FPL's proposed participation in the Southeast Supply Header Pipeline Project appropriate for recovery through the fuel cost recovery clause beginning in 2008?" OPC argues that the presentation of this issue is premature as there are no projected expenses for any period under consideration for the fuel docket. OPC states that it would need ample opportunity to review the proposed project prior to taking a position on it.

AARP argued that each utility must make its decisions on what is prudent for the company, on its own. AARP stated that seeking the advice of the Commission prior to making a contractual commitment is inappropriate. According to AARP, each utility should determine if a project is proper, cost effective, and would benefit its customers. AARP alleged that the company should proceed and then bring proof to the Commission after the data, numbers, and projections have been received.

FPL argued that there has been adequate opportunity for discovery on the proposed project which involves a commitment from FPL for firm capacity for a natural gas pipeline from the mid-west to the Gulfstream and FGT pipelines. FPL noted that the project specific costs will continue to be the subject of review and scrutiny in the fuel docket. FPL stated that the utility is a major user of the project and a decision by the Commission to defer ruling on this issue will delay the project which is scheduled to serve FPL in the summer of 2008.

Upon consideration, Issue 16B is properly and timely before this Commission. The parties have had an opportunity to conduct discovery and review the project. Furhter, the issues are similar to those related to the Mobay naturla gas storage project being considered by the Commission in consolidated Docket No. 060362-EI. The Request of OPC to defer this issue until next year is denied.

E. FPL's Request to Defer Consideration of Issue 16G

Florida Power and Light has requested that this issue, involving damage to its Turkey Point Unit 3, be deferred to a later date. Issue 16G raises the issue: "With respect to the outage extension at Turkey Point Unit 3 which was caused by a drilled hole in the pressurized piping, should customers of FPL be responsible for the additional fuel cost incurred as a result of the extension." FPL stated that the damage is subject to an ongoing criminal investigation by the FBI. It is also subject to investigation by the NRC as well as FPL. Until the investigation is completed, FPL asserts that it has been instructed not to disclose the results of the investigations. Deferring the issue to a later date would allow FPL to more fully disclose the facts to the Commission. FPL seeks recovery of the costs associated with the outage at Turkey Point Unit 3 to be collected in 2007, subject to refund with interest to customers if the Commission decides FPL's actions were not prudent.

OPC asserted that there is no factual circumstance for which customers and not FPL would be responsible for the damage at Turkey Point Unit 3. OPC asserts that the FBI's investigation would not aid or assist the Commission in reaching its determination. OPC is willing to defer the matter for another year but requests that FPL not recover the costs incurred by the outage at Turkey Point Unit 3 until after the Commission has reached its decision on this issue. AARP joined in OPC's argument and further states that the Commission should not use the default position to allow the utility in this instance to recover the costs associated with the outage but should postpone recovery until the Commission reaches its decision.

Upon consideration, FPL's request is granted. The Commission must make decisions based upon facts presented in the record. Because there are limited facts available to the Commission until the criminal investigation is complete, it is appropriate to defer the hearing on this issue until next year's fuel hearing.

The question of the timing of cost recovery, if any is permitted, can be addressed by the Commission through Issues 2, 3, 5, 6 and 8.

F. FPL's Motion for Leave to File Supplemental Petition and Testimony and Exhibits

On October 24, 2006, FPL filed a Motion to Supplement its petition, testimony and exhibits based upon revisions to its fuel price projections for the remainder of 2006 and 2007. FPL requested that it be allowed to supplement its petition and the testimony of K. M. Dubin and

G. Yupp in order to revise its fuel projections. FPL states that subsequent to the submission of its pre-filed testimony, the price projections for residual fuel oil and natural gas have declined substantially. FPL has recalculated its estimated/actual true-up based on fuel price projections as of October 16, 2006. The supplemental petition will update, and lower, the projection filings of FPL. This reprojection is done in accordance with Order No. 13694, issued September 20, 1984, in Docket No. 840001-EI. That order requires all utilities to provide true and correct testimony as of the date it is incorporated into the hearing. This re-projection testimony complies with Order No. 13694. No party has objected to FPL's Motion.

Upon consideration, FPL's Motion for Leave to File Supplemental Petition, Testimony and Exhibits complies with Order No. 13694 and is granted.

G. Progress Energy Florida's Motion for Leave to File Supplemental Petition and Testimony and Exhibits

On October 25, 2006 PEF filed the above motion seeking permission to file a supplemental petition and suppplemental direct testimony and exhibits. The purpose of the motion was to incorporate changes in the projection filings of PEF. Since the filing of the August and September projection filings of PEF, the fuel price projections for residual fueld oil and natural gas have declined substantioally. PEF has re-calculated its fuel price projections and the supplemental petition, testimony and exhibits, according to PEF, more accurately reflect the current forecast. The supplemental petition will update, and lower, the projection filings of PEF. This reprojection is done in accordance with Order No. 13694, issued September 20, 1984, in Docket No. 840001-EI. That order requires all utilities to provide true and correct testimony as of the date it is incorporated into the hearing. This re-projection testimony complies with Order No. 13694. No party has objected to PEF's Motion.

Upon consideration, PEF's Motion for Leave to File Supplemental Petition, Testimony and Exhibits complies with Order No. 13694 and is granted.

It is therefore,

ORDERED by Commissioner Matthew M. Carter, II, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

By ORDER of Commissioner Matthew M. Carter II, as Prehearing Officer, this 2nd day of November, 2006.

MATTHEW M. CARTER II
Commissioner and Prehearing Officer

(S E A L)

LCB

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), 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.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of the Commission Clerk and Administrative Services, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.