Florida Power
CORPORATION

JAMES A. MCGEE
SENIOR COUNSEL

August 26, 1997

Ms. Blanca S. Bayó, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. [redacted]

Dear Ms. Bayó:

Enclosed for filing in the subject docket are an original and fifteen copies of Direct Testimony and Exhibits of Lee G. Schuster on behalf of Florida Power Corporation.

Please acknowledge your receipt of the above filing on the enclosed copy of this letter and return to the undersigned. Also enclosed is a 3.5 inch diskette containing the above-referenced document in WordPerfect format. Thank you for your assistance in this matter.

Very truly yours,

James A. McGee

JAM/kp
Enclosures
cc: Parties of Record

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A Florida Progress Company

Docket No. 961184-EQ
CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the enclosed Direct Testimony and Exhibits of Lee G. Schuster on behalf of Florida Power Corporation has been furnished to the following individuals by U.S. Mail this 26th day of August 1997.

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ORIGINAL
FILE COPY

Florida Power Corporation

Before The Florida Public Service Commission

Docket No. 961184-EQ

In Re: Petition for Approval of Early Termination Amendment of Negotiated Qualifying Facility Contract with Orlando Cogen Limited, Ltd. by Florida Power Corporation

DIRECT TESTIMONY AND EXHIBITS OF

LEE G. SCHUSTER

For Filing August 27, 1997

FLORIDA POWER CORPORATION

DOCKET NO. 961184-EQ

DIRECT TESTIMONY OF
LEE G. SCHUSTER

Q. Please state your name and business address.

A. My name is Lee G. Schuster. My business address is Post Office Box 14042, St. Petersburg, Florida, 33733.

Q. By whom are you employed and in what capacity?

A. I am employed by Florida Power Corporation (FPC) in the capacity of Manager, Purchased Power Resources.

Q. Would you please describe your educational background and work experience?

A. I graduated with a Masters Degree in Industrial Administration from Purdue University in 1975 and I received a Bachelor's Degree in Chemical Engineering from the University of South Florida in 1973. I began my employment with Florida Power in 1980. Since then, I have held the following positions: Corporate Planning Analyst, Corporate Budget Analyst, Director of Corporate Budgets (Florida Progress), Director of Investor Relations (Florida Progress), Corporate Planning Analyst, Principal Business Planning Analyst, Senior Planning Analyst (Florida Progress) and Manager, Purchased Power Resources. In my position as the Director of Corporate Budgets, I was responsible for coordinating the development of subsidiary budgets and financial plans as well as for the preparation of budgets and financial plans for the holding company and on a consolidated basis for Florida Progress. In my position as the Director of Corporate Relations I was responsible for investor relations and communications, stockholder records, production of the annual report and relations with brokerage and institutional analysts. In my various analyst positions I have worked on a wide variety of special projects at both Florida Power and Florida Progress.

Q. What are the responsibilities of your present position as Manager of Purchased Power Resources?

A. As Manager of Purchased Power Resources my job responsibilities are to administer Florida Power's cogeneration contracts in compliance with state and federal laws and regulations, and performing activities such as negotiation and financial analysis of contract changes, management of requests for proposals, technical and financial analysis of proposed projects, and providing information to and maintaining coordination with FPSC staff, FPC internal departments and cogenerators.

Q. What is the purpose of your testimony and how is it organized?

A. The purpose of my testimony is to explain FPC's position regarding the disputed issues of fact and policy identified in FPC's Petition on Proposed Agency Action filed February 17, 1997. In addition, I will explain the justification for approval of the Orlando Cogen Limited, Ltd. (OCL) contract buyout as requested in FPC's original petition filed October 1, 1996, and the benefits that will result from this transaction. My testimony is divided into the following sections:

I. Consistency of the OCL Bid with FPC's Request for Proposals

II. Staff's Cost Effectiveness Sensitivity Analysis Cases

III. Effect of the Buyout Proposal on Intergenerational Fairness

IV. Benefits of the OCL Contract Buyout

V. Conclusions

I. Consistency of the OCL Bid with FPC's Request for Proposals

Q. Do you agree with alternative Staff conclusion in the recommendation issued on December 26, 1996 that the OCL contract buyout contradicts the "primary" objectives of FPC's reverse auction bid solicitation (RFP)?

A No, I do not. The quotations from FPC's RFP that Staff asserts state the "objectives" were taken out of context from the RFP document and are not objectives of the RFP. When each of these statements are placed into proper context it becomes clear that they are not primary objectives of the RFP and that FPC's petition violates neither these statements nor the true objectives of the RFP.

Q. The first "primary objective" quoted by staff was "Bids that provide net benefits (revenue requirement reductions) to customers sooner rather than later will be given preference." What is the actual context of this statement in the RFP?

A. This statement was taken from the section of the RFP that describes how FPC will evaluate and compare bids (Exhibit No. ___ (LGS-2), page 6). The statement in question is actually the second of two bid evaluation criteria and it expresses a preference for bids with near term benefits when two or more bids are available for comparison. Staff's interpretation of this statement fails in two respects. First, the context makes clear that the statement is not a primary objective of the RFP process. Second, the statement refers to a preference between bids, not an absolute test which a single bid can be subjected to and pass or fail. Given that only a single successful bid, namely the OCL buyout transaction, resulted from the RFP process, this statement obviously cannot be used as a criteria to accept or reject the OCL bid.

Q. The second "primary objective" quoted by staff was "Bids that result in a near term increase of capacity payments may be limited to an aggregate net present value rate impact of $17.7 million, the amount of the 1995 over-recovery from the revenue decoupling experiment." What is the actual context of this statement in the RFP?

A. This statement was also taken from the section of the RFP that describes how FPC will evaluate bids (Exhibit No. ___ (LGS-2), page 6). The statement was intended to provide general information to bidders and not to describe an absolute limit on acceptable bids. This was accomplished by clearly stating that the amount of bids accepted

"...<u>may</u> be limited..." and by the following sentence of the RFP which states that FPC may choose to pursue bids with the FPSC that exceed $17.7 million. FPC did elect to pursue the OCL bid and filed a petition with the Commission for approval of the OCL buyout transaction. Staff's interpretation of this statement fails in two respects. First, the context makes clear that the statement is not a primary objective of the RFP process. Second, Staff unaccountably describes the OCL transaction as contradicting this statement in the face of the plain language of the RFP and FPC's action in filing the petition.

Q. In FPC's opinion, what were the primary objectives of the RFP against which the OCL buyout should be judged?

A. FPC made the following statement on pages 1 and 5 of the RFP: "Proposals will be judged according to their ability to reduce the long term cost of purchases under existing QF contracts in a manner that is cost effective to FPC's customers." (Exhibit No. ___ (LGS-2)) FPC described a typical scenario that may result from the RFP process by stating that it was soliciting proposals for capacity payment buy downs which "would result in a rescheduling of capacity payments over the remaining life of existing purchase agreements, resulting in higher capacity payments in the near term and lower capacity payments in the future." (Exhibit No. ___ (LGS-2), page 1)

Q. Is the OCL buyout consistent with these objectives of the RFP?

A. Yes. The OCL transaction is typical of the type of proposal that the RFP process was designed to elicit from its inception. As such, it is fully consistent with the objectives of the RFP.

Q. Does the RFP document provide any further evidence that the OCL contract buyout bid is consistent with the objectives of the RFP?

A. Yes. The instructions to bid respondents (Exhibit No. ___ (LGS-2), page 8) describes contract buyouts as one type of bid which FPC will give full consideration to and describes such contract buyouts as follows: "Contract buy outs may be designed to partially or completely buy out the existing contract. Partial buy outs can be based on a reduction in the term of the contract, a reduction in committed capacity, or other changes in the existing terms of the contract." The OCL contract buyout bid is a proposal to shorten the term of the contract by ten years and, as such, it is perfectly consistent with the RFP's definition of a contract buyout.

II. <u>Staff's Cost Effectiveness Sensitivity Analysis Cases</u>

Q. The alternative Staff analysis, which was incorporated into the Commission's Proposed Agency Action Order, states that the buyout's cost-effectiveness was determined using the fuel price forecast from FPC's 1996 Ten Year Site Plan (TYSP) filing, specifically the Base Case and High Case fuel forecasts. (Exhibit No. ___ (LGS-1), page 6) Do you agree with this statement?

A. No. Staff did not use fuel price forecast data from FPC's TYSP filing for the time period relevant to the evaluation of the OCL contract buyout (2014 through 2023). The fuel price forecast data contained in FPC's 1996 TYSP filing extends only to 2005. My Exhibit No. ___ (LGS-3) contains the fuel price forecast data from pages 14 through 19 of FPC's TYSP Supplemental Information submitted to Staff on April 26, 1996.

Q. What was the source of the fuel price forecast used by Staff to determine the buyout's cost effectiveness and create the sensitivity analysis cases purported to be based on FPC's TYSP fuel forecast data?

A. Based on available information, it appears that the fuel price forecasts mistakenly described by Staff as FPC TYSP fuel price forecasts were created by Staff for the purpose of evaluating the OCL contract buyout.

Q. What information is available to determine the source and nature of the fuel price forecasts used to perform Staff's evaluation of the buyout?

A. Staff has provided a copy of the Lotus spreadsheet file used to prepare the sensitivity analysis cases included in the alternative Staff recommendation. This spreadsheet file contains the fuel price forecast used in the Staff evaluation. The method used by Staff to create a fuel price forecast for 2006-2023 was documented in this spreadsheet file. Staff used the coal and natural gas high band fuel prices for 2005 from FPC's TYSP as the starting point for its forecast. The price forecast for 2006 through 2023 for each scenario was created by using a constant price escalation rate selected by Staff.

Q. In contrast to the price forecasting assumptions used by Staff, was information available from FPC to extend the subject fuel price forecasts beyond 2005?

A. Yes. FPC's 1996 TYSP filing was based on FPC's Fuel Cost Projection (FCP) 9501 forecast. The FCP 9501 natural gas forecast specified an escalation rate equal to 85% of the forecasted inflation rate to be used after 2005. The escalation assumption for coal prices after 2005 was equal to 67% of the forecasted inflation rate.

Q. How do the fuel price forecasts used by Staff compare to FPC's FCP 9501 high band fuel price forecast during 2014-2023, the time period relevant to the OCL buyout?

A. The fuel price forecasts used by Staff are substantially different from FCP 9501.

Q. If Staff had, in fact, used Florida Power's fuel forecast FCP 9501 to perform the cost-effectiveness sensitivity cases (summarized at page 8 of Exhibit No. ___ (LGS-1)) how would the savings for the cases be affected?

A. The sensitivity analysis cases supporting Staff's alternative recommendation on the OCL buyout have been reproduced by FPC and the results of this analysis are summarized in my Exhibit No. ___ (LGS-

4). Column (1) contains the net present value (NPV) savings from the Staff recommendation dated December 26, 1996.

Column (2) shows the results of an independent reproduction of the Staff results by FPC. The NPV results were derived by applying Staff's fuel price forecast assumptions to the original Excel spreadsheet used by FPC to file Exhibit D of the petition for approval of the OCL contract buyout. In this manner, it was possible to exactly reproduce the results for seven of the eight cases. There is an unexplained discrepancy of $1,095,000 in the result for case #5.

Column (3) shows the results of reproducing Staff's cases using FPC's FCP 9501 fuel forecast rather than Staff's fuel forecast. Cases 3, 4, 7 and 8 are affected by this difference in assumptions. Using FPC's FCP 9501 fuel forecast results in positive NPV savings for all of Staff's cases.

Q. Was it necessary for Staff to independently create the sensitivity analysis cases contained in the alternative Staff analysis?

A. No. Prior to issuing the recommendation Staff requested and FPC provided the results for a number of sensitivity analysis cases for the buyout (see Exhibit No. ___ (LGS-5)). The primary Staff recommendation found that the assumptions and methodology used by FPC in its analysis were reasonable and appropriate and relied on FPC's results to conclude that "Further, according to staff's sensitivity analysis of the buyout, the NPV remains positive, $23.3 million, for a worst case scenario which employs the high band of FPC's most recent fuel forecast."

Q. Do you agree with the statement in the alternative Staff recommendation that the scenarios used in its sensitivity analysis represent reasonable scenarios for the future?

A. No, I do not. Apart from discrepancies in the values used in Staff's fuel forecast discussed above, I have two primary disagreements with the scenarios prepared by Staff.

Q. What is the nature of your first disagreement with the scenarios prepared by Staff?

A. The alternative Staff recommendation departs from the standard, accepted practice in forecasting to use the most recent and accurate forecast assumptions to perform its evaluation. In response to a Staff question (see Exhibit No. ___ (LGS-5)), FPC explained that FPC's Ten Year Site plan was based on FPC's 9501 fuel forecast issued on May 1, 1995 and indicated that the 9501 forecast had been superseded by the 9601 fuel forecast issued on January 16, 1996 and subsequently by the 9603 fuel forecast issued on October 28, 1996. Subsequent to its filing on October 1, 1996 FPC provided an updated economic evaluation and sensitivity cases based on fuel forecast 9603.

Simply put, the 9501 fuel forecast had been replaced with a new forecast and was no longer the most recent and accurate basis for planning. Although the primary Staff analysis relied on results based on current forecast assumptions, the alternative Staff analysis nevertheless reverted to the use of the obsolete 9501 fuel forecast in its sensitivity analysis, and did so without providing any justification for this action.

Q. What is the nature of your second disagreement with the scenarios prepared by Staff?

A. The alternative Staff recommendation departs from standard forecasting and evaluation practices in a second important respect. A proper sensitivity analysis includes an evaluation of the expected value for a forecast as well as the variation or range of uncertainty around the expected value. Conclusions should be based on a balanced assessment of both risks and benefits, not based exclusively on risks.

The alternative Staff recommendation based three of its seven sensitivity cases on the TYSP High Case fuel forecast and none on the TYSP Low Case fuel forecast. In addition, the scenarios based on the TYSP High Case fuel price forecast were characterized by Staff as being "reasonable scenarios for the future." It was not disclosed that the TYSP High Case fuel forecast is defined as having a probability of 25% versus a probability of 50% for the Base Case. It also was not disclosed that the TYSP Low Case fuel forecast is equally probable with the High Case (25%) and would have resulted in cases with customer savings in excess of $33 million on a net present value basis. For these reasons, the presentation of results in the alternative Staff recommendation is misleading. The results of the analysis are biased against the transaction due to the fact that only scenarios that are adverse to the transaction are included, and the alternative recommendation is based on only these results.

III. Effect of the Buyout Proposal on Intergenerational Fairness

Q. Do you agree with the alternative Staff assertion that the OCL transaction violates the goal of intergenerational fairness?

A. No. The alternative Staff's assertion that the OCL transaction violates the goal of intergenerational fairness is conclusionary and unsupported. Staff neither stated nor provided a reference to an objective definition of intergenerational fairness in its recommendation. As a result, Staff's assertion appears to be based entirely on its subjective opinion of the transaction.

Q. Did Staff raise the issue of intergenerational fairness as part of its review of FPC's OCL buyout petition prior to issuing its recommendations?

A. Yes. FPC responded by explaining that opportunities to create savings for customers by buying out or buying down QF contracts, by their nature, exist primarily at the "back end" of the term of existing contracts where those contract costs are at their highest level. A typical transaction might modify or eliminate the terms for the final years of a contract while leaving the near term contract payments unaffected. The circumstances of both QFs and FPC favor transactions with this type of deferred timing.

Q. What are the circumstances affecting QFs that favor transactions with deferred timing?

A. Cogeneration projects typically have obligations to pay off project debt financing in a shorter time period than the term of the power purchase agreement. Due to the restrictive terms of these loan agreements, the QF generally has the flexibility to consider transactions such as contract buydowns and buyouts only after the project loan has been retired. In the case of OCL, the proposed transaction affects 2014-2023, after the project loan is retired in 2010.

It is unlikely that a buyout or buydown transaction could be successful if it overlapped with the period when project debt remained outstanding. In fact, another bid in FPC's RFP process failed for exactly this reason. The Tiger Bay project proposed a buyout of the smallest of its five purchased power agreements with FPC (the 6 megawatt Timber 2 contract) as of December 31, 1996. This transaction failed due to problems encountered in obtaining lender approval.

Q. What are the circumstances affecting FPC that favor transactions with deferred timing?

A. The capacity payment escalation rates in FPC's QF contracts will result in a widening gap over time between the cost of these contracts and

FPC's generation alternatives. As a result, the problem that FPC seeks to solve is most severe and the opportunity for reductions in the cost of power are greatest at the "back end" of these QF contracts. Moreover, the opportunity to create customer savings exists largely because some QFs are willing to accept current buyout payments that are less than the nominal capacity and energy payments which would be paid in the future if the contract remained unchanged. It is not possible to create substantial savings by altering near term payments to QFs because potential risk factors and the time value of money do not create a sufficient opportunity to discount the face value of the payments.

Q. Did FPC perform an analysis to demonstrate the potential effect of the OCL buyout on intergenerational fairness?

A. Yes. In response to a Staff request, FPC compared the OCL buyout transaction to the cost of providing the same capacity and energy to customers from the avoided coal plant using conventional accounting and rate recovery. (See FPC response dated November 22, 1996 to Staff question 3 and attached table contained in Exhibit No. ___ (LGS-5)) Such a coal plant is a reasonable basis for comparison because the OCL contract is predicated on the assumption that it is avoiding coal-fired generation.

As shown in the table attached to FPC's response, this analysis demonstrated that the OCL contract buyout had a lower net present value cost in the near term (1993-2001) than the coal alternative and therefore does not have an objectionable intergenerational impact on customers in the near term.

Q. What evidence is there that the OCL contract buyout may mitigate existing intergenerational inequity?

A. In the Staff recommendation dated August 12, 1997 in Docket No. 961477-EQ (the Lake Cogen settlement docket) Staff made the following statement regarding the contract buyout included in the Lake Cogen settlement:

> "The intergenerational equity issue is unclear in this docket because cogeneration purchased power contracts have inverted payment streams to ensure performance in the later years. Compared to setting base rates using traditional regulatory accounting, cost recovery of the inverted cogeneration purchased power payment stream defers to future customers costs that would have been recovered in base rates from existing customers. Thus, existing customers are already paying less than their fair share of cost. For residential customers, adding an approximately 50 cents per 1000 Kilowatt-hours surcharge until 2009 to recover the buyout cost helps correct the present intergenerational inequity." (emphasis added)

Staff's analysis of the Lake Cogen transaction applies equally to the OCL contract buyout, suggesting that the OCL transaction actually mitigates existing intergenerational inequity rather than violating the goal of intergenerational inequity.

Q. **What other actions has FPC taken that relate to the issue of intergenerational fairness?**

A. The bid that OCL originally submitted in the RFP process was for a five-year contract buyout for the period 2019-2023. In an effort to create customer savings sooner, FPC negotiated a ten-year buyout with OCL which would result in customer savings beginning in 2014, five years earlier than OCL's initial proposal.

IV. Benefits of the OCL Contract Buyout

Q. **What customer savings are expected to result from the OCL contract buyout transaction?**

A. As stated in FPC's October 1, 1996 petition, restructuring the OCL contract is expected to save Florida Power and its customers $462 million ($33 million net present value) relative to what they would pay with the contract's full 30-year term in effect. The projected savings included in FPC's original petition were based on fuel forecast FCP 9601. Based on FPC's most recent long term fuel forecast FCP 9702 and an updated forecast for future escalation the savings are now estimated to be $472 million ($34.6 million net present value). (See Exhibit No. ___ (LGS-7))

Q. How is the buyout transaction expected to achieve these savings?

A. The basis for the savings were well summarized in the primary Staff recommendation (Exhibit No. ___ (LGS-1), page 4):

> "Buying out the Contract relieves the obligation to pay $459 million in known capacity costs and a projected $283.3 million in fuel costs. As mentioned previously, capacity payments in the Contract are based on a 1991 coal-fired avoided unit. Due to technology improvements and low gas prices, those costs are much higher than today's avoided costs. Also, due to the use of the value of deferral method in calculating the capacity payments of the Contract, the highest capacity payments are in the last years of the Contract. The buyout therefore terminates the most expensive part of the Contract."

The buyout will give FPC the flexibility to provide this capacity and energy to customers at a replacement cost substantially lower than the cost of the OCL contract.

Q. What effect will these savings have on the cost of the OCL contract during the buyout period?

A. The transaction is expected to reduce the average cost of power over the last ten years of the contract from 11.0 cents per kWh if provided under the existing contract to an average replacement cost of 3.6 cents per kWh, a reduction of over 67%.

Q. How does the OCL contract buyout relate to FPC's business objectives?

A. FPC's objective is to continue to meet the electric needs of its customers at competitive prices. The Company has recognized that the rising cost of its portfolio of cogeneration contracts poses a threat to this objective. As the Commission is well aware, this problem is not unique to FPC but is a national problem confronting many electric utilities. For example, FERC and several state Commissions have gone on record as encouraging utilities to pursue Qualifying Facility (QF) buyouts and restructured contracts to mitigate the onerous cost of QF contracts. As one example of this encouragement, FERC has said, "[We] have encouraged utilities to buy-out (or buy-down) higher-priced fuel contracts in order to substitute lower-priced fuel currently available and we have allowed the recovery of prudently-incurred buy-out/buy-down costs." West Penn Power Company, FERC ¶ 61,485 (1995)

FPC has taken the initiative to seek solutions to this problem and as a result, the evaluation of the proposed OCL contract buyout should recognize this larger context. FPC's activities have included energy pricing settlements with five QF suppliers which have resulted in reduced costs to customers, with three of these settlements including contract buyouts that shorten the term of the QF contracts. In addition, FPC has completed a buyout of five contracts related to the Tiger Bay QF facility and acquired the facility itself for the benefit of FPC's customers. The Tiger Bay transaction alone is expected to save customers $2 to $2.4 billion ($384 to $456 million on a net present value basis) in the future.

Q. How should the decision to approve the OCL buyout transaction be viewed in this larger context?

A. Approval of the OCL buyout will contribute to the solution of FPC's overall QF cost problem. A decision to disapprove the proposed OCL buyout transaction is tantamount to a reaffirmation of the existing contract, a type of contract that has been recognized by FPC, Staff and the Commission as being a burden to FPC's customers.

Q. Is it appropriate for the Commission to address the issue of potential strandable costs as part of its decision regarding the OCL contract buyout?

A. No. In the case of the OCL transaction, the effect of reducing future costs from the level of the contract to FPC's projected avoided cost during the buyout period 2014-2023 has, for all intents and purposes, the same effect as eliminating potential strandable costs of a like amount. Describing the resulting cost reduction as potential strandable costs does not alter the evaluation of the transaction. However, if the Commission chooses to address the issue of stranded cost, it is FPC's opinion that the transaction would eliminate potential strandable costs in an amount approximately equal to the customer savings due to the transaction. The analysis supporting the primary Staff recommendation shared this opinion (see Exhibit No. ___ (LGS-1), page 4).

V. Conclusions

Q. Should the Commission reconsider its decision to disapprove the OCL buyout transaction?

A. Yes. In its petition dated February 17, 1997, FPC raised nine disputed issues of fact and policy regarding the alternative Staff recommendation that served as the basis for the Commission's decision. FPC has provided substantial and compelling evidence regarding these issues that, taken together, justify a reconsideration of the Commission's prior decision.

Q. Should the OCL contract buyout be approved by the Commission?

A. Yes. Restructuring the OCL contract is expected to save Florida Power and its customers $474 million ($34.6 million net present value) relative to what they would have paid with the contract's full 30-year term in effect. Approval of the transaction was endorsed by the primary Staff recommendation of December 26, 1996 (Exhibit 1, page 3).

Q. Does this conclude your testimony?

A. Yes.

Exhibit No. ___ (LGC-1)

Staff Recommendation dated December 26, 1996

Docket No. 961184-EQ

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FLORIDA PUBLIC SERVICE COMMISSION
Capital Circle Office Center ● 2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

MEMORANDUM

December 26, 1996

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

FROM: DIVISION OF ELECTRIC & GAS (HARLOW, DUDLEY, HEW, WHEELER, DRAPER)
DIVISION OF AUDITING AND FINANCE (STALLCUP, NORIEGA)
DIVISION OF LEGAL SERVICES (WAGNER) RVE For LW

RE: DOCKET NO. 961184-EQ - FLORIDA POWER CORPORATION - PETITION FOR APPROVAL OF EARLY TERMINATION AMENDMENT TO A NEGOTIATED QUALIFYING FACILITY CONTRACT WITH ORLANDO COGEN LIMITED, LTD.
DOCKET NO. 970002-EG - ENERGY CONSERVATION COST RECOVERY CLAUSE

AGENDA: 01/07/97 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\EAG\WP\961184EQ.RCM

CASE BACKGROUND

On October 1, 1996, Florida Power Corporation (FPC) filed a petition for approval of an early termination amendment (Amendment) to a Negotiated Contract (Contract) with Orlando Cogen Limited, Ltd. (OCL), a qualifying facility (QF). The Contract was entered into on March 13, 1991. The term of the Contract is 30 years, beginning on January 1, 1994, and expiring December 31, 2023. Committed capacity under the Contract is 79.2 megawatts, with capacity payments based on a 1991 pulverized coal-fired avoided unit. The Amendment terminates the last ten years of the Contract. FPC also requests authorization to recover the buyout costs through the Capacity Cost Recovery clause.

The Commission encouraged FPC and other utilities to negotiate contracts with QFs in lieu of accepting standard offer contracts. The Negotiated Contract between FPC and OCL was originally approved for cost recovery in Order No. 24734, issued July 1, 1991, Docket No. 910401-EQ. The Commission later approved an amendment to the

Contract pursuant to a Settlement Agreement between OCL and FPC in Order No. PSC-96-0898-AS-EQ, issued July 12, 1996, Docket No. 960193-EQ.

On March 12, 1996, the Commission issued Order No. PSC-96-0352-FOF-EG in Docket No. 960002-EG, which approved FPC's request to defer crediting a 1995 over-recovery of $17.7 million associated with its residential revenue decoupling experiment. The purpose of the deferral was to allow FPC to conduct a "reverse auction" which would seek QF capacity payment reductions over time in exchange for an up-front payment. The decoupling over-recovery funds possibly could be used to offset these payments if the Commission believed it was beneficial to the residential ratepayers.

On May 3, 1996, FPC issued a Solicitation for Reverse Auction Bids to its operating QFs with firm capacity and energy payments. FPC indicated in the Solicitation that buydown proposals based on higher discount rates and those which provided net benefits to customers sooner rather than later would be preferred. FPC also stated that bids that result in a near term increase in capacity payments may be limited to an aggregate net present value rate impact of $17.7 million. However, FPC stated, "in the event that highly attractive bids exceed the $17.7 million limit, FPC may choose to pursue ways with the FPSC to implement such proposals on behalf of its customers."

FPC accepted two of the three bids which were submitted prior to the deadline. However, one bid was subsequently withdrawn when the bidder was unable to obtain lender approval. Negotiations with OCL, the remaining bidder, resulted in the Contract Amendment contained in FPC's petition.

The Amendment provides for a payment to OCL of $49,405,000 at a rate of $10.40 per MW-month, in exchange for terminating the last ten years of the Contract. This results in an estimated five year payout period, depending on OCL's performance. FPC requests that cost recovery of the early termination payments be implemented through the Capacity Cost Recovery clause (CCR) beginning in April 1997, as part of the 970001-EI Docket. FPC also requests that the rate impact to residential customers be mitigated by crediting the Energy Conservation Cost Recovery (ECCR) factor with the 1995 revenue decoupling over-recovery balance plus accumulated interest in the 970002-EG Docket.

DISCUSSION OF ISSUES

ISSUE 1: Should the Amendment to the Contract between Florida Power Corporation (FPC) and Orlando Cogen Limited, Ltd. (OCL) be approved for cost recovery?

PRIMARY RECOMMENDATION: Yes. Approval of the Amendment provides an estimated $33 million net present value savings. The Amendment will also mitigate potential strandable assets, reduce long term liability, and increase FPC's flexibility. (Harlow, Tew)

ALTERNATIVE RECOMMENDATION: No. The buyout is inconsistent with the objectives of the reverse auction bid solicitation and will not produce net savings before the year 2019. Furthermore, the buyout's cost-effectiveness appears to be too sensitive to fluctuations in fuel price projections and inflationary assumptions. (Dudley, Stallcup)

PRIMARY STAFF ANALYSIS: According to FPC's petition, buying out the last ten years of the Contract will "save Florida Power and its customers $462 million ($33 million net present value) relative to what they would have paid with the Contract's full 30-year term in effect." This was calculated by comparing the cost of retaining the Contract (Contract Case) to the cost of the buyout payments plus the current projected replacement costs (Replacement Case). In the Contract Case, capacity payments are specified in the Contract and energy payments are based on FPC's coal forecast for the ten-year period beginning in 2014. The Replacement Case includes the buyout payments in years 1997 through 2001 as well as FPC's projected cost of replacing the Contract's capacity and energy. According to FPC's filing, the Contract Case produces costs of $742.2 million while the estimated Replacement Case costs, including the $49.4 million in buyout costs, total $279.9 million. This represents a customer savings of $462.4 million or $33 million in current dollars when discounted by FPC's weighted average cost of capital (8.67 percent). FPC's cost-effectiveness analysis is attached to the recommendation as Attachment A. Staff requested that FPC's analysis be updated to reflect the most recent fuel forecast and economic data. This resulted in a change in the net present value (NPV) benefits for the project to $30.5 million.

Based on staff's analysis of discovery responses provided by FPC in addition to outside data sources, staff believes the assumptions used in FPC's analysis are reasonable. The methodology used in FPC's analysis was also determined to be appropriate.

As with any long-term forecast, there is a risk that the predicted savings will not materialize. However, staff believes that the probability that customers will benefit from the buyout outweighs these risks. Buying out the Contract relieves the obligation to pay $459 million in known capacity costs and a projected $283.3 million in fuel costs. As mentioned previously, capacity payments in the Contract are based on a 1991 coal-fired avoided unit. Due to technological improvements and low gas prices, these costs are much higher than today's avoided costs. Also, due to the use of the value of deferral method in calculating the capacity payments of the Contract, the highest capacity payments are in the last years of the Contract. The buyout therefore terminates the most expensive part of the Contract. Today's ratepayers have enjoyed the lower cost years of the Contract. Further, according to staff's sensitivity analysis of the buyout, the NPV remains positive, $23.3 million, for a worst case scenario which employs the high band of FPC's most recent fuel forecast.

The buyout has several benefits in addition to the expected cost savings. The buyout will mitigate potential strandable costs and increase FPC's flexibility in meeting customer needs in the future. In addition, the reduction of FPC's long-term liability may lead to a decrease in the cost of capital.

Staff believes that the buyout of this QF Contract is a response to the threat of stranded costs given the possibility of retail competition. FPC has indicated to staff that cogeneration contracts are the company's most significant potential strandable costs under retail competition. Further, FPC has indicated that even FPC's nuclear unit, Crystal River No. 3, will be able to compete in an open-access environment. Clearly, we are not yet in an open-access environment. It is therefore unclear whether it is appropriate to address potential strandable costs at this time. Staff also recognizes that the Contract buyout has intergenerational equity issues, given the estimated 22 year payback period. However, staff believes the costs associated with the buyout should be approved for recovery because the buyout appears cost-effective in the long-run and will put control over generation resources back in the hands of FPC. Because the buyout is cost-effective and stockholders do not earn a return on the Contract, the $49.4 million buyout expense should be recovered from FPC's ratepayers.

ALTERNATIVE STAFF ANALYSIS: Staff has two primary concerns with FPC's petition. Staff's first concern is that it contradicts the objectives of the reverse auction bid solicitation and has negative effects on intergenerational equity due to the lengthy payback period. FPC's petition requests approval to recover $49.4 million from its current ratepayers over the next five years to incur a net benefit of $32.9 million. However, this net benefit will not be seen by FPC's ratepayers until the year 2019, or 22 years from today. Secondly, staff is concerned with the level of risk being placed on FPC's ratepayers. The benefits of FPC's proposal appears to be noticeably sensitive to the assumptions used in its cost-effectiveness analysis. Using the fuel price forecasts from FPC's 1996 Ten Year Site Plan reduces savings to the point that FPC's ratepayers may indeed be no better off than under the original contract.

Payback Period

FPC's reverse auction bid solicitation indicated two primary objectives that would be considered when evaluating proposals. They were:

1) Bids that provide net benefits (revenue requirement reductions) to customers sooner rather than later will be given a preference, and

2) Bids that result in a near term increase of capacity payments may be limited to an aggregate net present value rate impact of $17.7 million, the amount of the 1995 over-recovery from the revenue decoupling experiment.

As indicated above, the FPC/OCL petition does not meet either of these two objectives. Specifically, FPC's proposed buyout will cost current ratepayers $49.4 million but will not provide net benefits until 22 years in the future. In fact, the earliest possible benefits could not begin before the year 2014 when the Contract terminates and FPC begins replacing it with replacement power. This results in FPC's current ratepayers funding the buyout in hopes that they will remain customers a minimum of 17 years from now when they might begin to see a benefit. This violates the regulatory goal of intergenerational fairness.

Though this Commission has considered such a long payback period in the past, the paybacks were generally matched with gradual benefits that started closer to the time that costs were incurred. This close matching of cost to benefit helps to reduce the risk and uncertainty of future benefits actually materializing. One example of near-term benefits associated with a buyout is a coal contract buyout. These types of buyouts discontinue older higher cost fuel contracts and immediately replace them with a lower cost coal supply. Therefore, a benefit is available to offset the added cost. However, the FPC/OCL buyout can not and will not provide any benefit until 17 years from now.

Sensitivity to Assumptions

As explained in the Primary staff analysis, Attachment A shows that terminating the Contract in year 2014 will result in a net benefit of $32.9 million. Staff performed several analyses in order to determine the buyout's sensitivities to the input assumptions. These analyses varied inputs ranging from the assumed discount rate to projected fuel prices. Overall, the buyout was found to be noticeably sensitive to each of the changes as is more fully described below.

The FPC/OCL buyout assumes that foregone Contract energy and capacity payments could be replaced at a lower cost based on a weighted average of the cost of purchased power and capacity addition (Market Case). As a sensitivity to this assumption, staff asked FPC to develop a replacement capacity and energy forecast based solely on adding a combined-cycle unit (CC Case). This assumption reduces the cost-effectiveness of the FPC/OCL buyout from $32.9 million to $31.0 million. However, staff believes that this scenario is more reasonable and was used as the basis for additional analysis.

To measure the impact of changes in projected fuel prices, staff determined the buyout's cost-effectiveness when using the fuel price forecast from FPC's 1996 Ten Year Site Plan filing.[1] Substituting FPC's TYSP Base Case fuel price forecast decreased the buyout's savings to $20.1 million, a $12.9 million decrease. FPC's TYSP High Case fuel price forecast further reduced the cost-effectiveness to $3.3 million, a $29.7 million decrease. Staff believes that each of these sensitivities are reasonable and demonstrate the impact of short-term changes in fuel price projections.

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1 FPC's 1996 Ten Year Site Plan was found to be suitable for planning purposes at the December 2, 1996 Internal Affairs Conference.

Staff also measured the impact of inflation on the buyout's cost-effectiveness. Inflation was introduced into FPC's methodology by increasing the growth rate in the estimated cost of building the Replacement Case's combined-cycle unit by one percent, and by adding one-third of one percent to FPC's current cost of capital, the assumed discount rate. No changes were made to the fuel forecasts in this analysis to avoid the possibility of double counting inflation when multiple changes in the assumptions were being considered. Staff found that a one percent increase in inflation and a 1/3 of one percent increase in FPC's current cost of capital resulted in a $7.9 million reduction in the net present value of the buyout. This adjustment raised FPC's assumed growth rate for the combined-cycle's construction cost from 2.6 percent to 3.6 percent. Historically, inflation, as measured by the Gross Domestic Product deflator, has grown an average of 5.0 percent.

Staff also measured the impact of increasing just the assumed discount rate. Substituting FPC's current cost of capital, 8.67 percent, with its average over the last ten years, 9.55 percent, decreased the buyout's cost-effectiveness from $32.9 million to $21.9 million, an $11 million reduction.

Finally, staff analyzed two scenarios in which both fuel prices and inflation were changed. The first scenario combined FPC's High Case TYSP fuel price forecast with a presumed one percent increase in the underlying rate of inflation. When combined, these assumptions result in a negative $2.8 million net present value. The second scenario combined FPC's High Case TYSP fuel price forecast with FPC's historic cost of capital. This combination reduced the net benefit of the buyout to negative $3 million, a $36 million decrease. Staff found these scenarios of higher fuel prices and higher rates of inflation to be consistent with historical events over recent history. Furthermore, staff believes that these represent reasonable scenarios for the future.

The results of each of the analyses mentioned above are listed in the following table:

FPC/OCL Buyout Cost-Effectiveness			
Sensitivity	**Savings ($000)**	**Decrease ($000)**	**PayBack Period**
Petition (Market Case/9601 Forecast)	32,954	0.00	22
CC Case/9601 Fuel Price Forecast	31,048	1,906	22
CC Case/Base Case 96 TYSP Fuel Price Forecast	20,075	12,879	23
CC Case/High Case 96 TYSP Fuel Price Forecast	3,258	29,696	26
Petition With 1% Inflation Increase	24,995	7,959	23
Petition with Historic Cost of Capital, 9.55%	21,893	11,061	23
1% Inflation Increase CC Case/High Case 96 TYSP Fuel Price Forecast	(2,763)	35,717	>26
Historic Cost of Capital, 9.55% CC Case/High Case 96 TYSP Fuel Price Forecast	(2,973)	35,927	>26

As shown in the above table, the cost-effectiveness of the buyout is sensitive to both fuel price projections and inflationary impacts. The net savings from the buyout, based on FPC's recent fuel price forecasts, fluctuates as much as $30 million. Adding the effects of FPC's historic cost of capital or the effects of higher rate of inflation results in negative savings. The FPC/OCL buyout is surrounded with uncertainty due to its lengthy payback period of 22 years. The only certainty surrounding the FPC/OCL buyout is the $49.4 million buyout cost. Staff does not believe it is appropriate to subject FPC's current customers to this additional $49.4 million expense in hopes that they might receive a benefit as much as 26 years in the future. Therefore, staff recommends that the Commission deny FPC's petition.

ISSUE 2: If Staff's primary recommendation on Issue 1 is approved, how should Florida Power Corporation (FPC) recover expenses associated with the Settlement Agreement to buy out the Orlando Cogen Limited, Ltd. (OCL) Contract?

PRIMARY RECOMMENDATION: If the primary staff recommendation to Issue 1 is approved, all expenses associated with the buyout should be recovered from the ratepayers through two adjustment clauses. Specifically, 38 percent of the buyout costs should be recovered through the Fuel and Purchased Power Cost Recovery Clause, and 62 percent should be recovered through the Capacity Cost Recovery Clause. This would approximate the cost allocation which would have occurred had the Contract remained in place. FPC indicated that the cost allocation methodology suggested by staff was acceptable. (Draper, Harlow, Wheeler)

ALTERNATIVE RECOMMENDATION: If the primary recommendation to Issue 1 is approved, staff recommends that $46,642,000 of the $49.4 million total buyout cost be allowed for recovery through the Capacity and Fuel Clauses and the remaining $2,763,000 be recovered through current base rate earnings. The $46,642,000 being recovered through the Capacity and Fuel Clauses should be allocated as recommended in the primary recommendation. (Stallcup)

PRIMARY STAFF ANALYSIS: As discussed in Issue 1, primary recommendation, staff recommends that the buyout is reasonable and prudent. Therefore, the buyout costs should be approved for cost recovery from the ratepayers. FPC requested in the petition that cost recovery of the buyout costs be implemented through the Capacity Cost Recovery Clause (capacity clause). This method, however, would result in inequities in cost allocation.

Capacity costs are allocated to customer classes based on their contribution to system peak demand. Since residential (RS) customers contribute relatively more to peak demand than commercial/industrial customers, recovery of all the costs through the Capacity Clause would unfairly burden the RS class. Fuel costs, on the other hand, are allocated to customer classes based on their relative energy (kWh) consumption. Allocating recovery only through the Fuel Clause would therefore result in commercial/industrial customers paying more of the cost relative to RS customers.

According to FPC's analysis of the Contract Case for the last ten years of the Contract, 62 percent of the total Contract payments to OCL would have been capacity payments recoverable through the Capacity Clause. The remaining 38 percent of the payments to OCL would have been energy payments recoverable through the Fuel Clause. Staff is recommending the buyout costs be recovered though the two clauses based on these percentages, in order to approximate the manner in which the Contract costs would have been recovered absent the buyout. FPC indicated that the cost allocation methodology suggested by staff was acceptable.

ALTERNATIVE STAFF ANALYSIS: FPC's request for recovery of the costs associated with the buyout of the OCL Contract is aimed at a desirable goal. Contracts like this one expose ratepayers to potentially higher energy costs in the future. They also reduce the company's financial flexibility by requiring them to carry potentially non-competitive sources of generation as long-term liabilities on their books. The fundamental question is whether the price FPC is asking ratepayers to pay to solve this problem is too high.

In the Primary Recommendation to Issue 1, staff considered the methodology and assumptions underpinning FPC's proposal, and although recognizing that there is a chance that the benefits to ratepayers may not materialize, concluded that FPC's proposal should be approved. Staff considered the same methodology and assumptions and concluded that the risk to ratepayers was too excessive and recommended that the proposal be denied. In this Alternative Recommendation, staff is proposing that by allowing a small portion of the Contract buyout costs to pass through current base rate earnings, the bulk of the Contract buyout costs can be recovered dollar for dollar through the recovery clauses as requested by the company, while reducing the long-term risk to ratepayers that gave rise to the concerns expressed in the Alternative Recommendation in Issue 1.

Staff believes that there are several factors that support the recovery of the buyout costs through the recovery clauses and current base rate earnings.

First, as discussed in the Alternative Recommendation in Issue 1, the net present value of the Contract buyout as presented by the company is sensitive to changes in the input assumptions. Using the scenario in which fuel prices conform to the high band forecast contained in FPC's 1996 Ten Year Site Plan, and using a historically modest rate of inflation 1 percent greater than assumed by FPC, the net present value of the buyout becomes negative in the amount ($2,763,000). Staff believes that this scenario is entirely plausible considering the historical range over which these input assumptions have varied and the length of time involved before the payback begins. Staff sees this scenario as a reasonable upper bound to the risk to which ratepayers should be exposed.

Second, FPC's current earned return on equity is 12.49%, well within its allowed range of 11.0 to 13.0 percent. With $2.5 million representing 10 basis points on return on equity, there is room to allow a portion of the total buyout costs to flow through current base rate earnings and still keep the company safely within their range. The effect of recovering $2.8 million over five years through current base rate earnings is to reduce FPC's achieved ROE by 2.2 basis points each year. Furthermore, staff believes that it is equitable to share the cost of the buyout between ratepayers and the company since both stand to benefit from it.

Third, recovering the costs between the recovery clauses and current base rate earnings does not change the terms of the Contract between FPC and OCL, only the way the costs are recovered. Approval of this form of recovery would not require renegotiation of the Contract.

Given these factors, staff believes that it is appropriate to approve recovery of the buyout costs through both the recovery clauses and through current base rate earnings. Given the plausibility of the scenario described above, staff recommends that $2,763,000 of the total Contract buyout costs be recovered through base rates and the remaining $46,643,0000 be recovered through the Capacity and Fuel Recovery clauses. Both should be recovered over the five year period beginning in 1997 as requested in FPC's petition.

ISSUE 3: How should the 1995 revenue decoupling over-recovery balance be credited to customers?

RECOMMENDATION: The Energy Conservation Cost Recovery (ECCR) factor should be credited with the 1995 revenue decoupling balance and accumulated interest to residential customers only with a one year amortization period as a part of the 970002-EG Docket. FPC has indicated that the one year amortization period is acceptable. (Dudley, Harlow, Stallcup)

STAFF ANALYSIS: Although the Commission approved FPC's request to defer crediting the 1995 revenue decoupling balance to allow FPC to conduct the reverse auction for QF buyouts, staff believes the refund of the decoupling balance is a separate issue and is unrelated to the merits of the Contract buyout.

In Order No. PSC-95-0097-FOF-EI approving FPC's proposal for revenue decoupling for residential customers, the Commission stated that, "revenue impacts from the decoupling experiment shall be reflected in the calculation of the ECCR factor." On March 12, 1996, the Commission issued Order No. PSC-96-0352-FOF-EG in Docket No. 960002-EG identifying $17,746,831 plus interest as the appropriate amount of over-recovery for the Revenue Decoupling true-up balance for 1995.

FPC requests that the impact of the contract restructuring costs on residential customers be diffused by crediting the ECCR factor (for residential customers only) with the previously deferred 1995 revenue decoupling over-recovery balance and accumulated interest. FPC suggested that the decoupling over-recovery be amortized over a period of one to three years, whichever period best minimizes fluctuations in the customers' overall bills.

On November 19, 1996, FPC filed a Notice of Estimated True-Up Under-Recovery (Docket No. 960001-EI) which addressed the expected under-recovery of fuel costs due to an outage at the Crystal River 3 nuclear unit. In this filing FPC states that in order to diffuse the rate impact of the fuel under-recovery on residential customers, "Florida Power will request a one-year amortization period of the [1995] decoupling over-recovery in its upcoming ECCR filing." Staff agrees that the amortization period should be one year to mitigate the rate impacts for residential customers of the contract buyout along with any potential fuel cost under-recovery.

Legal staff received a letter from the Legal Environmental Assistance Foundation (LEAF) which stated, "LEAF has concerns about the connection between decoupling refunds to the residential customers and FPC's proposed QF contract buydown." The letter did not specify what those concerns are. However, as stated above, staff views the refund of the 1998 decoupling over-recovery balance and accumulated interest as a separate issue from the merits of the Contract buyout.

DOCKET NO. 961184-EQ
DECEMBER 26, 1996

ISSUE 4: Should this docket be closed?

RECOMMENDATION: Yes. If no person whose substantial interests are affected by the Commission's proposed agency action files a protest within twenty-one days of the issuance of this order, this docket should be closed.

STAFF ANALYSIS: If no person whose substantial interests are affected, files a request for a Section 120.57, Florida Statutes, hearing within twenty-one days of the issuance of this order, no further action will be required and this docket should be closed.

Exhibit D

Savings to FPC Customers
Due to OCL Contract Buyout
[illegible]

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	[illegible] Case		(1)+(2)	[illegible] Case			(4)+(5)+(6)	(3)-(7)
Year	Capacity	Energy	Total	Capacity	Energy	Buyout Cost	Total	Customer Savings
1997	0	0	0	0	0	9,881	9,881	(9,881)
1998	0	0	0	0	0	9,881	9,881	(9,881)
1999	0	0	0	0	0	9,881	9,881	(9,881)
2000	0	0	0	0	0	9,881	9,881	(9,881)
2001	0	0	0	0	0	9,881	9,881	(9,881)
2002	0	0	0	0	0	0	0	0
2003	0	0	0	0	0	0	0	0
2004	0	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0	0
2006	0	0	0	0	0	0	0	0
2007	0	0	0	0	0	0	0	0
2008	0	0	0	0	0	0	0	0
2009	0	0	0	0	0	0	0	0
2010	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0	0
2014	[illegible]	24,311	[illegible]	9,611	[illegible]	0	[illegible]	34,984
2015	[illegible],177	[illegible],110	[illegible]	[illegible]	[illegible],781	0	[illegible]	37,331
2016	40,110	[illegible]	[illegible],141	[illegible]	17,[illegible]	0	[illegible]	39,544
2017	42,171	[illegible]	[illegible]	[illegible]	17,441	0	27,220	41,762
2018	44,312	27,710	[illegible]	[illegible]	17,700	0	27,[illegible]	44,166
2019	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	[illegible]	46,730
2020	[illegible]	[illegible]	[illegible]	[illegible]	17,[illegible]	0	[illegible]	50,152
2021	51,[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	[illegible],120	52,936
2022	54,[illegible]	31,[illegible]	[illegible],704	11,[illegible]	[illegible]	0	[illegible],761	55,954
2023	[illegible]	32,[illegible]	[illegible]	11,470	[illegible]	0	[illegible]	[illegible],196

Total 2014-2023 = $[illegible] $[illegible] $462,304

Net present value at 1/1/97 = $[illegible] $[illegible] $32,954

Exhibit No. ___ (LGS-2)

FPC's Solicitation for Reverse Auction Bids

Florida Power Corporation

Solicitation for Reverse Auction Bids

May 2, 1996

SECTION 1
INTRODUCTION

1.1 Purpose

Florida Power Corporation (FPC or Company) is issuing this Request for Proposals for Reverse Auction Bids (RFP) to solicit proposals for capacity payment buy downs from the Company's operating qualifying facility (QF) suppliers. Capacity buy downs would result in a rescheduling of capacity payments over the remaining life of existing purchase agreements, resulting in higher capacity payments in the near term and lower capacity payments in the future. This RFP explains the basis for FPC's request and provides information and instructions to prospective bidders.

FPC's objective is to continue to meet the electric needs of its customers at competitive prices. The Company is issuing this RFP pursuant to this objective as part of its normal, ongoing efforts, in the interests of its customers, to deliver its product as cost effectively as possible. FPC believes that opportunities exist to creatively restructure purchased power payments to the mutual benefit of both customers and QF suppliers. In January of this year FPC advised the Florida Pubiic Service Commission (FPSC) of its intent to solicit capacity buy downs from its QF suppliers using a reverse auction process. At that time, the Company proposed that a $17.7 million over-recovery balance (resulting from FPC's revenue decoupling mechanism) be used to provide funding for the reverse auction. FPC advised the FPSC that capacity buy downs resulting from a reverse auction could result in benefits to FPC's customers. This RFP includes capacity payment buy downs in the form of specific, structured options. Additionally, alternatives are provided for QFs to respond by initiating creative buy down or buy out concepts for consideration. This open-ended structure is intended to facilitate effective communication and the exchange of proposals to arrive at mutually beneficial transactions.

1.2 Summary of the Solicitation Process

Proposals will be judged according to their ability to reduce the long term cost of purchases under existing QF contracts in a manner that is cost effective to FPC's customers. Accordingly, a key element of the evaluation process will be an analysis of the impact of each proposal on future customer revenue requirements. The objective of this process is to elicit a proposal or group of proposals that result in benefits on a net present value basis. Given that most or all of the proposals will require project lender and regulatory approval, these activities have been included in the RFP process schedule. This is a limited solicitation. Only those operating QFs supplying energy and capacity under contract to FPC as of the issuance date of this solicitation are eligible to participate as bidders.

Florida Power Corporation

Solicitation for Reverse Auction Bids

May 2, 1996

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SECTION 1
INTRODUCTION

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SECTION 2
SOLICITATION PROCESS AND SCHEDULE

2.1 Schedule of Events

FPC plans to conduct this solicitation according to the following schedule:

Announcement of RFP	March 25, 1996
Pre-RFP conference	April 23, 1996
Issue date of RFP	May 2, 1996
Pre-bid conference	May 17, 1996
RFP response deadline	July 1, 1996
Notify selected bidders	August 1, 1996
Definitive agreements signed	August 30, 1996
Petition filed for FPSC approval	October 1, 1996
Contract amendments effective	January 1, 1997

It is our intent to maintain this schedule and complete the overall process in an expeditious manner. However, some creative proposals may be evaluated and completed according to a somewhat different schedule more suitable to the nature of those proposals (see Section 4.3 for additional discussion of custom bid proposals). Given that this RFP is limited to the Company's existing QF suppliers, announcements and correspondence regarding the RFP process will be communicated directly to those suppliers. The RFP will be issued by sending a copy of the RFP to each qualified QF bidder. No interpretation or revision of the RFP is valid unless in writing and signed by the official FPC contact. FPC reserves the right to terminate the solicitation process entirely at any time. Under no circumstances will FPC reimburse or be liable for any expense incurred by a bidder in relation to this solicitation. FPC reserves the right to reject any or all bids received in response to the RFP.

2.2 Pre-Bid Conference

On Friday, May 17, 1996 FPC will conduct a pre-bid conference in St. Petersburg, Florida for the purpose of discussing this solicitation process with prospective bidders. The conference will be held at FPC's corporate offices and will begin at 10:00 A.M. Bidders are encouraged to forward questions and suggestions regarding the RFP to the official FPC contact prior to the pre-bid conference. General questions from bidders regarding the RFP process that are received after the pre-bid conference will be addressed at FPC's discretion and any response by FPC will be made only in the form of written communication to all qualified bidders in a manner consistent with protecting the confidential nature of any information involved in the inquiry as set forth later herein. Questions that arise that are unique to an individual supplier's contract will be handled in the context of normal ongoing contract administration.

2.3 <u>RFP Response and Deadline</u>

All proposals must be received by FPC no later than the response deadline of 5:00 P.M. on July 1, 1996. All proposals must include five (5) paper copies of each completed proposal, including all supporting documents, in a sealed package addressed to the official FPC contact and marked: "Confidential Response to Solicitation for Reverse Auction Bids. Deliver to Addressee Unopened." A bidder may withdraw its proposal or any part of its proposal at any time prior to the execution of an agreement based on an accepted bid by providing written notice to the official FPC contact.

Bidders may respond using the format of standard bid options included in this RFP, by proposing a modified version of a standard option, or by creating a proposal of their own design. In the event that more than one option or proposal is included in the RFP response, bidders will be required to identify one proposal as the bidder's "Primary Proposal". If any group of multiple proposals are mutually exclusive, the bidder is instructed to indicate a preference or ranking for those proposals. Each individual proposal supplied in response to the RFP should be clearly identified and distinguished in order to facilitate its review in the evaluation process. The bid response must include a completed bidder information form which identifies an official bidder contact who has authority to speak for the bidder on all matters related to its proposal.

Any questions or comments on this RFP should be directed to the official FPC contact for this solicitation process:

FLORIDA POWER CORPORATION
Mr. Lee G. Schuster
Purchased Power Specialist
Post Office Box 14042
St. Petersburg, Florida 33733

Phone (813) 824-6506
Fax (813) 866-4922

2.4 Notification of Selected Bids

Once FPC has completed its evaluation of proposals, all bidders will be notified as to the status of their bids. Immediately following the notification of accepted bids, FPC will schedule meetings with successful bidders to initiate the necessary steps to proceed with closing the transaction corresponding to each winning bid. These steps may be different for individual bids but are expected to include the following steps: (1) prepare and execute a definitive contract amendment or agreement corresponding to the bid, (2) if necessary, obtain project lender approval; and, (3) obtain FPSC approval. It is contemplated that such agreements will be executed subject to the required approvals. If required, project lender approvals will be obtained as soon as possible after the execution of agreements and no later than December 31, 1996. The notification of accepted bids does not imply any commitment on the part of FPC to enter into an agreement and FPC shall not be bound in any respect until such time as a definitive contract amendment or agreement containing satisfactory terms and conditions is signed by both parties and approved as appropriate.

SECTION 3
EVALUATION METHODOLOGY

3.1 Qualified Bidders and the Basis for Disqualification

This reverse auction is a limited solicitation. Only those operating QFs supplying energy and capacity under contract to FPC as of the issuance date of this solicitation are eligible to participate as bidders. Bids received from any party other than a qualified bidder will not be considered. Bids received from qualified bidders may be disqualified and dropped from further consideration at any point in the solicitation process in FPC's sole discretion for reasons including, but not limited to, those listed below:

1. Failure to submit a complete, executed bidder information form.

2. Failure to submit a proposal before the response deadline.

3. Failure to provide clarification of a bid as requested by FPC subsequent to the submission of a proposal.

4. Illegal conduct, attempts or the appearance of attempts to improperly influence the consideration or ranking of proposals.

5. Failure to honor representations made in a proposal.

6. Failure to maintain the confidentiality of any information provided on a confidential basis or as part of any negotiations associated with this solicitation process.

3.2 Confidentiality of Information

The nature of this solicitation process may entail the disclosure of information deemed confidential by bidders. FPC will take reasonable precautions to protect any information identified as confidential. It is the responsibility of bidders to clearly identify any information provided to FPC that should be treated as confidential. If deemed necessary by a bidder, FPC will execute a confidentiality agreement.

3.3 Bid Evaluation Process

Proposals will be judged according to their ability to reduce the long term cost of purchases under existing QF contracts in a manner that is cost effective to FPC's customers. Accordingly, a key element of the evaluation process will be an analysis of the impact of each proposal on future customer revenue requirements. The objective of the bid evaluation process is to arrive at a proposal or group of proposals that FPC is prepared to accept and pursue to implementation.

The evaluation process will begin with a review of all proposals to ensure that each one is sufficiently specific and complete to undertake evaluation. If necessary, FPC may contact individual bidders for clarification to facilitate the review of proposals. The proposals will be divided into two groups for evaluation purposes. The first group will include only buy down proposals that consist of rescheduled capacity payments. The second group will include all proposals other than those based on rescheduled capacity payments. FPC will then proceed with a detailed evaluation of each group of proposals. Subject to the overall review of these bids, a principle selection criterion will be the resulting impact on the net present value of customer revenue requirements.

Capacity buy down proposals will be judged primarily on two criteria. First, bids based on higher discount rates are more likely to be accepted, and will be accepted in preference to bids based on lower discount rates. Second, bids that provide net benefits (revenue requirement reductions) to customers sooner rather than later will be given preference. For example, given two bids with the same net present value benefit, a bid that results in a reduction in customer rates within five years will be preferred to another bid that reduces rates only after ten or fifteen years. The bid discount rate, as computed for bid options #1 and #2 (refer to Section 4.2), will be highly correlated with the net benefit to customers determined in the bid evaluation process. FPC stressed this point in its testimony before the FPSC: "To the extent that QFs assign a higher value for up-front payments than a reduction in payments over time (by the use of the discount rate they use to value cash flows), the $17.7 million can be leveraged to produce more value to customers."

The second group of proposals (other than proposals for rescheduled capacity payments) will be subjected to a more comprehensive evaluation process appropriate to the variety and unique nature of these offers. The evaluation criteria will include: (1) the net present value of reduction in future customer revenue requirements; (2) the specific timing of the impact on customer revenues; (3) the nature of the proposal, such as fixed energy payment buy down, project buy out, contract buy out, or other; (4) the funding commitment which may be required by FPC to pursue a given proposal; (5) consideration of the regulatory and/or lender approval required for the proposal; and (6) any other factors that are judged to have a bearing on the financial impact or viability of proposals.

Based on the results of the bid evaluation process, FPC will make a decision to accept or reject each proposal. For bids that result in a near term increase in capacity payments, the aggregate amount of bids accepted may be limited to a net present value rate impact of $17.7 million (based on FPC's revenue decoupling fund balance). However, in the event that highly attractive bids exceed the $17.7 million limit, FPC may choose to pursue ways with the FPSC to implement such proposals on behalf of its customers. For proposals such as an offer to sell a project outright to FPC, which may entail a capital investment by FPC, there is no predetermined upper limit for the value of accepted bids.

SECTION 4
INSTRUCTIONS TO RESPONDENTS

4.1 General Instructions

Each proposal must include a completed bidder information form. Beyond this single requirement, the form and content of each bid proposal is flexible. The format for bids is not fixed because FPC recognizes that a variety of proposals are possible that might be precluded by a rigid bid format. In order to be successful, this solicitation process requires flexibility to accommodate the creativity and unique needs and circumstances of each potential bidder. As desirable as this open-ended, flexible format is in principle, it will represent a challenge for bidders in the preparation and submittal of bids and for FPC in the evaluation of bids. It is essential that bidders provide a clear, concise presentation of bid proposals.

4.2 Preparation of Standard Buy Down Bid Forms

This solicitation includes standard formats for two general types of capacity buy down options that may be of interest to bidders (see appendix for forms). The existing capacity payment schedule has been inserted in columns (1) and (2) of these forms for each potential QF bidder. The RFP package includes a 3.5 inch diskette containing these forms in Excel 5.0 files.

Option #1 allows a bidder to specify a new capacity payment ($/KW-month) to be effective January 1, 1997. The new payment rate is specified in combination with a new annual capacity payment escalation rate for the remaining life of the power purchase agreement. Bidding option #1 is intended to be used to specify a new capacity payment rate for 1997 that is equal to or higher than the existing payment rate in conjunction with an escalation rate that is lower than the existing capacity payment escalation rate. Note that the new escalation rate may be positive, zero or negative, resulting in a capacity payment stream that increases more slowly than the existing payment stream, is flat over time, or decreases over time from its initial value.

Column 3 of the bid form calculates tha year-by-year change in capacity payments resulting from the bid. In general, column 3 will indicate an increase in payments in the near term and a reduction in payments in the long term. A discount rate is calculated by the form and appears at the bottom of column 3. This discount rate is calculated based on the cash flow stream in column 3 in exactly the same manner as a standard financial internal rate of return calculation. The calculated discount rate will be a critical factor in FPC's review and acceptance of bids (see Section 3.3 for additional discussion of the bid evaluation process).

Bidding option #2 is intended to be used to specify a capacity payment schedule that may not be compatible with the format of option #1. Option #2 may be used to specify capacity payment amounts on a year-by-year basis using a pattern that is tailored to the financial and operating needs of the bidder's project. Once annual capacity payment rates have been entered into column 4 of the form, the format for option #2 is identical to option #1.

4.3 Preparation of Custom Bid Proposals

Any bid proposal that does not fit one of the standard bidding formats described above will be treated as a custom bid. FPC encourages bidders to make creative proposals that meet the stated purpose of the solicitation as well as their own unique circumstances. As noted previously, it may be appropriate for custom proposals to be pursued according to a schedule suitable to the unique nature of the proposal rather than according to the standard schedule defined in Section 2.1. Any such modified schedule will be determined on a case-by-case basis in a manner acceptable to both FPC and the bidder. As examples of custom proposals, FPC will give full consideration to bids based upon, but not limited to, the following concepts:

1. Contract buy outs may be designed to partially or completely buy out the existing contract. Partial buy outs can be based on a reduction in the term of the contract, a reduction in the committed capacity, or other changes in the existing terms of the contract.

2. A rescheduling of capacity, fixed O&M, or variable O&M (non-fuel) payments that results in a lower escalation rate for future payments can be traded for higher payments in the near term or an up-front payment that "buys out" some or all future escalation of a particular payment stream.

3. FPC is interested in receiving proposals to buy out existing projects. This may take the form of an immediate buy out of a project, a commitment for a future buy-out, or an option for FPC to buy out a project. Bidders may choose to offer a specific price and terms for a buy out or simply offer a framework or threshold for a buy out, leaving FPC the option to respond with a definitive buy out offer.

Exhibit No. ___ (LGS-3)

Excerpt from FPC's 1998 Ten-Year Site Plan

Supplemental Filing

Florida Power
CORPORATION

JAMES A. MCGEE
SENIOR COUNSEL

April 26, 1996

Mr. Joseph D. Jenkins, Director
Division of Electric and Gas
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Ten-Year Site Plan - Supplemental Information

Dear Mr. Jenkins:

Enclosed is Florida Power's complete response to the request for supplemental information contained in your letter dated March 12, 1996 and replaces the partial response submitted with my letter of April 15, 1996.

If you should have any questions regarding this information please feel free to contact me or Mr. Lynn Taylor (813/866-5441).

Very truly yours,

James A. McGee

JAM/jb
Enclosure

cc: Mr. Michael Haff

RECEIVED
System Planning

APR 29 1996

FLORIDA PUBLIC SERVICE COMMISSION

SUPPLEMENTAL DATA REQUEST

FLORIDA POWER CORPORATION's

1996 TEN-YEAR SITE PLAN

APRIL, 1996

FLORIDA POWER CORPORATION

SCHEDULE 5.2.1
NOMINAL, DELIVERED DISTILLATE OIL and NATURAL GAS PRICES
BASE CASE

(1)	(2)	(3)	(4)	(5)	(6)	(7)
	DISTILLATE OIL			NATURAL GAS		
YEAR	$/BBL	c/MBTU	ESCALATION %	c/MBTU	c/THERM	ESCALATION %
	1/	1/				
1986	25.28	444.00		[illegible]	[illegible]	
1987	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.21
1988	[illegible]	[illegible]	-11.65	213.00	21.30	[illegible]
1989	[illegible]	[illegible]	11.65	[illegible]	[illegible]	7.51
1990	[illegible]	[illegible]	[illegible]	216.00	21.50	-4.11
1991	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-11.03
1992	27.85	[illegible]	[illegible]	[illegible]	26.40	[illegible]
1993	[illegible]	[illegible]	[illegible]	427.00	42.70	68.11
1994	22.80	[illegible]	-13.44	[illegible]	[illegible]	-47.97
1995	23.80	416.00	[illegible]	[illegible]	[illegible]	-10.82
	2/	2/		3/	3/	
1996	21.92	378.00	-8.92	251.00	25.10	24.28
1997	24.35	[illegible]	11.11	261.00	[illegible]	[illegible]
1998	[illegible]	[illegible]	4.78	271.00	27.10	[illegible]
1999	27.35	470.00	[illegible]	[illegible]	[illegible]	4.80
2000	28.42	[illegible]	4.28	[illegible]	[illegible]	5.87
2001	29.29	[illegible]	3.08	314.00	31.40	5.37
2002	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.10
2003	30.45	[illegible]	2.94	[illegible]	34.80	4.85
2004	31.32	[illegible]	2.86	[illegible]	36.20	4.02
2005	32.40	[illegible]	3.70	373.00	37.30	3.04

HEAT CONTENT DISTILLATE OIL = 5.80 MBTU/BBL

NOTES: 1/ AS BURNED DATA - APPROXIMATE
2/ WITHOUT INLAND FREIGHT - 0.5% SULFUR
3/ 100% LOAD FACTOR - FIRM TRANSPORTATION

FLORIDA POWER CORPORATION

SCHEDULE 5.2.3
NOMINAL, DELIVERED DISTILLATE OIL and NATURAL GAS PRICES
LOW CASE

(1)	(2)	(3)	(4)	(5)	(6)	(7)
	DISTILLATE OIL			NATURAL GAS		
YEAR	$/BBL	c/MBTU	ESCALATION %	c/MBTU	c/THERM	ESCALATION %
1986						
1987						
1988						
1989						
1990	SEE BASE CASE			SEE BASE CASE		
1991						
1992						
1993						
1994						
1995						
	1/	1/		2/	2/	
1996	21.45	370.00		225.00	22.50	
1997	21.87	377.00	1.96	228.00	22.80	1.33
1998	22.33	385.00	2.12	230.00	23.00	0.88
1999	22.70	391.00	2.08	233.00	23.30	1.30
2000	23.20	400.00	1.76	236.00	23.60	1.29
2001	23.65	408.00	2.00	239.00	23.90	1.27
2002	24.19	417.00	2.21	244.00	24.40	2.09
2003	24.65	425.00	1.92	249.00	24.90	2.05
2004	25.17	434.00	2.12	254.00	25.40	2.01
2005	25.64	442.00	1.84	259.00	25.90	1.97

HEAT CONTENT DISTILLATE OIL = 5.80 MBTU/BBL

NOTES: 1/ WITHOUT INLAND FREIGHT - 0.5% SULFUR
2/ 100% LOAD FACTOR - FIRM TRANSPORTATION

FLORIDA POWER CORPORATION

SCHEDULE 5.2.1
NOMINAL, DELIVERED DISTILLATE OIL and NATURAL GAS PRICES
BASE CASE

(1)	(2)	(3)	(4)	(5)	(6)	(7)
	DISTILLATE OIL			NATURAL GAS		
YEAR	$/BBL	c/MBTU	ESCALATION %	c/MBTU	c/THERM	ESCALATION %
	1/	1/				
19[illegible]	25.20	444.[illegible]		[illegible]	[illegible]	
19[illegible]	[illegible]	[illegible]	-8.30	[illegible]	[illegible]	0.21
19[illegible]	[illegible]	[illegible]	-11.[illegible]	213.[illegible]	21.30	-[illegible]
19[illegible]	[illegible]	[illegible]	11.[illegible]	[illegible]	[illegible]	7.[illegible]
19[illegible]	[illegible]	[illegible]	[illegible]	216.[illegible]	21.[illegible]	-4.11
19[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-11.[illegible]
19[illegible]	27.[illegible]	[illegible]	-4.[illegible]	[illegible]	[illegible]	[illegible]
19[illegible]	[illegible]	[illegible]	-4.[illegible]	427.[illegible]	42.70	[illegible].11
19[illegible]	[illegible]	[illegible]	-13.44	[illegible]	[illegible]	-47.[illegible]
19[illegible]	23.[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-[illegible]
	2/	2/		3/	3/	
19[illegible]	21.[illegible]	[illegible]	-[illegible]	[illegible]	[illegible]	[illegible]
19[illegible]	24.[illegible]	[illegible]	11.11	[illegible]	[illegible]	[illegible]
19[illegible]	[illegible]	[illegible]	4.70	271.[illegible]	27.10	[illegible]
19[illegible]	27.[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.[illegible]
20[illegible]	[illegible]	[illegible]	4.[illegible]	[illegible]	[illegible]	[illegible]
20[illegible]	[illegible]	[illegible]	[illegible]	314.[illegible]	31.40	[illegible].37
20[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible].10
20[illegible]	30.[illegible]	[illegible]	2.[illegible]	[illegible]	[illegible]	4.[illegible]
20[illegible]	31.32	[illegible]	2.[illegible]	[illegible]	[illegible]	4.[illegible]
20[illegible]	32.40	[illegible]	3.70	373.[illegible]	37.30	3.04

HEAT CONTENT DISTILLATE OIL = [illegible] MBTU/BBL

NOTES: 1/ AS BURNED DATA - APPROXIMATE
2/ WITHOUT INLAND FREIGHT - [illegible]% SULFUR
3/ 100% LOAD FACTOR - FIRM TRANSPORTATION

FLORIDA POWER CORPORATION

SCHEDULE 5.2.2
NOMINAL DELIVERED DISTILLATE OIL and NATURAL GAS PRICES
HIGH CASE

(1)	(2)	(3)	(4)	(5)	(6)	(7)
	DISTILLATE OIL			NATURAL GAS		
YEAR	$/BBL	¢/MBTU	ESCALATION %	¢/MBTU	¢/THERM	ESCALATION %
1986						
1987						
1988						
1989						
1990	SEE			SEE		
1991	BASE CASE			BASE CASE		
1992						
1993						
1994						
1995						
	1/	1/		2/	2/	
1996	26.[illegible]	[illegible]		[illegible]	[illegible]	
1997	27.25	470.00	2.17	[illegible]	[illegible]	3.[illegible]
1998	27.84	[illegible]	2.13	[illegible]	[illegible]	3.[illegible]
1999	28.42	[illegible]	2.[illegible]	317.00	31.70	3.[illegible]
2000	29.[illegible]	510.00	4.[illegible]	[illegible]	[illegible]	[illegible]
2001	30.74	[illegible]	3.52	[illegible]	[illegible]	[illegible]
2002	31.[illegible]	[illegible]	3.77	[illegible]	[illegible]	[illegible]
2003	32.85	570.00	3.64	[illegible]	40.10	[illegible]
2004	34.22	[illegible]	3.61	[illegible]	42.30	[illegible]
2005	35.35	610.00	3.30	443.00	44.30	4.[illegible]

HEAT CONTENT DISTILLATE OIL = 5.80 MBTU/BBL

NOTES: 1/ WITHOUT INLAND FREIGHT - 0.5% SULFUR
2/ 100% LOAD FACTOR - FIRM TRANSPORTATION

FLORIDA POWER CORPORATION

SCHEDULE 5.2.3
NOMINAL, DELIVERED DISTILLATE OIL and NATURAL GAS PRICES
LOW CASE

(1)	(2)	(3)	(4)	(5)	(6)	(7)
	DISTILLATE OIL			NATURAL GAS		
YEAR	$/BBL	c/MBTU	ESCALATION %	c/MBTU	c/THERM	ESCALATION %
1986						
1987						
1988						
1989						
1990	SEE BASE CASE			SEE BASE CASE		
1991						
1992						
1993						
1994						
1995						
	1/	1/		2/	2/	
1996	21.46	370.00		[illegible]	[illegible]	
1997	21.87	377.00	1.89	[illegible]	[illegible]	1.30
1998	22.33	385.00	2.12	[illegible]	[illegible]	0.88
1999	22.79	393.00	2.08	[illegible]	23.30	1.30
2000	23.20	400.00	1.78	[illegible]	[illegible]	1.30
2001	23.66	408.00	2.00	[illegible]	[illegible]	1.27
2002	24.19	417.00	2.21	244.00	24.40	[illegible]
2003	24.65	425.00	1.92	249.00	24.90	2.05
2004	25.17	434.00	2.12	254.00	25.40	2.01
2005	25.64	442.00	1.84	259.00	25.90	1.97

HEAT CONTENT DISTILLATE OIL = 5.80 MBTU/BBL

NOTES: 1/ WITHOUT INLAND FREIGHT - 0.5% SULFUR
2/ 100% LOAD FACTOR - FIRM TRANSPORTATION

FLORIDA POWER CORPORATION

SCHEDULE 5.3.1
NOMINAL, DELIVERED COAL PRICES
BASE CASE

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
	LOW SULFUR COAL (< 1.0%)				MEDIUM SULFUR COAL (1.0 - 2.0%)				HIGH SULFUR COAL (> 2.0%)			
YEAR	$/TON	c/MBTU	ESCALATION %	% SPOT PURCHASE	$/TON	c/MBTU	ESCALATION %	% SPOT PURCHASE	$/TON	c/MBTU	ESCALATION %	% SPOT PURCHASE
					1/	1/		4/				
1986	DATA NOT AVAILABLE				54.72	220.00		0.00	DATA NOT AVAILABLE			NOT APPLICABLE
1987					52.64	211.00	-7.45	0.00				
1988					52.[illegible]	210.00	-0.47	0.00				
1989					51.[illegible]	[illegible]	-1.90	0.00				
1990					51.60	[illegible]	-0.40	0.00				
1991					50.16	[illegible]	-1.95	0.00				
1992					48.44	197.00	-1.90	0.00				
1993					48.61	[illegible]	-0.51	0.00				
1994					48.25	[illegible]	-1.53	0.00				
1995					47.75	[illegible]	-1.55	0.00				
	2/	2/		4/	3/	3/		4/	5/	5/		
1996	55.40	[illegible]		0.00	42.00	[illegible]	-11.50	0.00	0.00	0.00		NOT APPLICABLE
1997	54.55	[illegible]	2.00	0.00	44.25	177.00	5.35	0.00	0.00	0.00		
1998	52.42	[illegible]	1.45	0.00	44.75	179.00	1.13	0.00	41.65	178.00		
1999	53.42	212.00	1.52	0.00	45.75	[illegible]	2.23	0.00	42.13	180.00	1.12	
2000	54.65	217.00	2.25	0.00	47.25	[illegible]	3.28	0.00	42.60	182.00	1.11	
2001	56.20	223.00	2.70	0.00	48.25	[illegible]	2.12	0.00	43.05	184.00	1.10	
2002	57.45	228.00	2.24	0.00	49.25	197.00	2.07	0.00	43.75	187.00	1.09	
2003	58.72	233.00	2.10	0.00	50.25	201.00	2.03	0.00	44.45	190.00	1.00	
2004	59.72	237.00	1.72	0.00	51.25	205.00	1.99	0.00	45.16	193.00	1.08	
2005	60.73	241.00	1.80	0.00	52.25	[illegible]	1.95	0.00	45.93	196.00	1.04	

HEAT CONTENT < 1.0% LOW SULFUR COAL = 25.20 MBTU/TON
HEAT CONTENT 1.0 - 2.0% MED. SULFUR COAL = 25.00 MBTU/TON
HEAT CONTENT > 2.0% HIGH SULFUR COAL = 23.40 MBTU/TON

NOTES:
1/ TOTAL COAL - $/TON ARE APPROXIMATE - AS BURNED DATA
2/ LIMITED TO 1.2 lb SO2/MBTU
3/ LIMITED TO 2.1 lb SO2/MBTU
4/ 100% CONTRACT
5/ ILLINOIS BASIN 4.0 lb SO2/MBTU

FLORIDA POWER CORPORATION

SCHEDULE 5.3.2
NOMINAL, DELIVERED COAL PRICES
HIGH CASE

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
	LOW SULFUR COAL (< 1.0%)				MEDIUM SULFUR COAL (1.0 - 2.0%)				HIGH SULFUR COAL (> 2.0%)			
YEAR	$/TON	c/MBTU	ESCALATION %	% SPOT PURCHASE	$/TON	c/MBTU	ESCALATION %	% SPOT PURCHASE	$/TON	c/MBTU	ESCALATION %	% SPOT PURCHASE
1986	DATA NOT AVAILABLE				SEE BASE CASE				DATA NOT AVAILABLE			NOT APPLICABLE
1987												
1988												
1989												
1990												
1991												
1992												
1993												
1994												
1995												
	1/	1/		3/	2/	2/		3/	4/	4/		
1996	52.10	207.00		0.00	45.00	180.00		0.00	0.00	0.00		
1997	53.65	213.00	2.98	0.00	46.00	184.00	2.22	0.00	0.00	0.00		
1998	54.94	218.00	2.35	0.00	47.00	188.00	2.17	0.00	43.05	184.00		
1999	56.30	223.00	2.30	0.00	48.50	194.00	3.19	0.00	43.76	187.00	1.83	
2000	57.40	228.00	2.34	0.00	49.75	199.00	2.58	0.00	44.69	191.00	2.14	
2001	59.32	235.00	3.07	0.00	51.25	205.00	3.02	0.00	45.85	196.00	2.62	NOT APPLICABLE
2002	60.73	241.00	2.65	0.00	52.50	210.00	2.44	0.00	46.80	200.00	2.04	
2003	62.50	248.00	2.90	0.00	53.75	215.00	2.38	0.00	47.97	205.00	2.50	
2004	64.01	254.00	2.42	0.00	55.00	220.00	2.33	0.00	49.14	210.00	2.44	
2005	65.52	260.00	2.38	0.00	56.25	225.00	2.27	0.00	50.31	215.00	2.38	

HEAT CONTENT < 1.0% LOW SULFUR COAL = 25.20 MBTU/TON
HEAT CONTENT 1.0 - 2.0% MED. SULFUR COAL = 25.00 MBTU/TON
HEAT CONTENT > 2.0% HIGH SULFUR COAL = 23.40 MBTU/TON

NOTES: 1/ LIMITED TO 1.2 lb SO2/MBTU
2/ LIMITED TO 2.1 lb SO2/MBTU
3/ 100% CONTRACT
4/ ILLINOIS BASIN 4.0 lb SO2/MBTU

FLORIDA POWER CORPORATION

SCHEDULE 5.3.3
NOMINAL, DELIVERED COAL PRICES
LOW CASE

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
	LOW SULFUR COAL (< 1.0%)				MEDIUM SULFUR COAL (1.0 - 2.0%)				HIGH SULFUR COAL (> 2.0%)			
YEAR	$/TON	c/MBTU	ESCALATION %	% SPOT PURCHASE	$/TON	c/MBTU	ESCALATION %	% SPOT PURCHASE	$/TON	c/MBTU	ESCALATION %	% SPOT PURCHASE
1986	DATA NOT AVAILABLE				SEE BASE CASE				DATA NOT AVAILABLE			NOT APPLICABLE
1987												
1988												
1989												
1990												
1991												
1992												
1993												
1994												
1995												
	1/	1/		3/	2/	2/		3/	4/	4/		
1996	49.84	197.00		0.00	42.80	170.00		0.00	0.00	0.00		
1997	50.40	200.00	1.52	0.00	43.00	172.00	1.10	0.00	0.00	0.00		
1998	51.10	203.00	1.50	0.00	43.35	173.00	0.58	0.00	38.95	168.00		
1999	51.91	206.00	1.48	0.00	44.35	177.00	2.31	0.00	40.01	171.00	1.10	
2000	52.67	209.00	1.48	0.00	45.50	182.00	2.82	0.00	40.26	172.00	0.58	
2001	53.50	214.00	2.30	0.00	46.50	186.00	2.20	0.00	40.40	173.00	0.58	NOT APPLICABLE
2002	54.94	218.00	1.87	0.00	47.50	190.00	2.16	0.00	40.72	174.00	0.58	
2003	56.20	223.00	2.30	0.00	48.50	194.00	2.11	0.00	41.18	176.00	1.15	
2004	57.20	227.00	1.79	0.00	49.50	198.00	2.08	0.00	41.18	176.00	0.00	
2005	58.21	231.00	1.76	0.00	50.50	202.00	2.02	0.00	41.42	177.00	0.57	

HEAT CONTENT < 1.0% LOW SULFUR COAL = 25.20 MBTU/TON
HEAT CONTENT 1.0 - 2.0% MED. SULFUR COAL = 25.00 MBTU/TON
HEAT CONTENT > 2.0% HIGH SULFUR COAL = 23.40 MBTU/TON

NOTES: 1 / LIMITED TO 1.2 lb SO2/MBTU
2 / LIMITED TO 2.1 lb SO2/MBTU
3 / 100% CONTRACT
4 / ILLINOIS BASIN 4.0 lb SO2/MBTU

Exhibit No. ___ (LGS-4)

Staff Sensitivity Analysis Cases

Summary of FPC/OCL Buyout Cost Effectiveness
FPSC Staff Sensitivity Analysis Cases

		(1)	(2)	(3)
			FPC Results	
	Case Description	FPSC Staff Results	FPSC Fuel Forecast	FPC Fuel Forecast
1	Market Case (Petition) FCP 9601 forecast	32,954	32,954	32,954
2	CC Case FCP 9601 forecast	31,048	31,048	31,048
3	CC Case Base 96 TYSP forecast	20,075	20,075	20,280
4	CC Case High 96 TYSP forecast	3,258	3,258	14,711
5	Market Case (Petition) FCP 9601 forecast 1% inflation increase	24,995	26,090	26,090
6	Market Case (Petition) FCP 9601 forecast Historic Cost of Capital	21,893	21,893	21,893
7	CC Case High 96 TYSP forecast 1% inflation increase	(2,763)	(2,763)	7,935
8	CC Case High 96 TYSP forecast Historic Cost of Capital	(2,973)	(2,973)	6,600

Exhibit No. __ (LGS-5)

FPC's Response to Staff Questions

dated November 22, 1996

Florida Power
CORPORATION

November 22, 1996

Ms. Judy Harlow
Florida Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Blvd.
Tallahassee, FL. 32399-0850

Subject: FPC's petition for approval of the OCL contract buydown
Response to questions regarding petition

Dear Ms. Harlow:

I am providing below, answers to questions raised at the meeting of November 20, 1996 relative to the above petition.

1) Please explain the difference between the fuel forecast assumptions used in FPC's April 1996 Ten Year Site Plan document as compared to the fuel forecast assumptions used in the cost justification for the OCL contract buyout.

A. The fuel forecast data included in the April 1996 Ten Year Site Plan document was from FPC's Fuel Cost Projection (FCP) 9501 which was issued on May 1, 1995. The more recent fuel forecast, FCP 9601 issued on January 16, 1996, was not available when the ten year site plan development process began in late 1995. As a result, fuel forecast FCP 9501 was used as the basis of the ten year site plan. At the time that FPC performed the economic evaluation of the OCL contract buyout and filed this data with the Commission on October 1, 1996 the most recent long term fuel forecast was FCP 9601. Since that time, a new long term fuel forecast (FCP 9603, see attached copy) was issued on October 28, 1996. The effect of this more recent forecast is addressed as a sensitivity analysis below.

2) Why does the net prese. value (NPV) calculation of the custo. savings include a factor which adjusts the NPV upwards by an amount representing a one-half year adjustment in the NPV result?

A. The NPV function in Excel 5.0 uses an end of period convention for the calculation of the net present value of a series of values. All of the values in the future series that the NPV function is applied to are discounted back to an NPV at time zero, including the first value of the series. In the present analysis, the annual customer savings have been assumed to be approximately evenly distributed throughout each year. Therefore, these values have been interpreted as being mid-year values. Applying the NPV function to this series of mid-year values for 1997-2023 results in an NPV value at mid-year of 1996. This result was then adjusted from 6/30/96 to the planned transaction date of 1/1/97 and the result was described in Exhibit D as the "Net present value as 1/1/97".

3) How does the cost of the OCL contract plus the cost of the contract buyout during 1997-2001 compare with the cost to customers if FPC had provided this capacity to customers from a coal-fired power plant owned by FPC with costs recovered from customers using traditional revenue requirements methods (straight line depreciation, etc.).

A. The attached analysis compares the annual capacity cost of the OCL contract to the capacity cost for an equivalent amount of coal-fired generation under traditional revenue requirements. As shown in column (3) of this analysis, the OCL contract has a lower cost than coal generation prior to 2003. When this difference is compared to the buyout cost for the OCL contract of $9,881,000 per year during 1997-2001, the total cost to customers for the OCL contract including the buyout is lower than the coal generation alternative during 1997 and higher during 1998-2001 (columns 4 and 5). However, in this comparison, the OCL contract has already provided a cost reduction for customers during 1993-1996. When this benefit is recognized, the cost of the OCL contract including the proposed contract buyout is lower than the coal generation alternative. The total NPV difference between the OCL contract (excluding the buyout cost) and coal generation for 1993-2001 as of 1/1/97 is $77.7 million (column 4) as compared to the NPV of the contract buyout cost of $40.4 million (column 5). As a result, after considering the cost of the proposed OCL contract buyout, the cost to present customers is $37.3 million lower on an NPV basis as compared to the coal-fired alternative.

4) Please provide a sensitivity analysis for the calculation of the NPV customer benefit resulting from the OCL contract buyout, including a calculation based on fuel forecast FCP 9603 and other cases discussed at the meeting of November 20, 1996.

A. The results of the sensitivity analysis cases are summarized below. Following this summary is a description of each case. The supporting data for each case will also be provided in hard copy and on computer disk for your review.

Case Description	($000) NPV Customer Benefit	($000) Change
Base Case as filed October 1, 1996	$ 32,954	
Case #1: Fuel Forecast FCP 9603	$ 32,188	($ 766)
Case #2: FPC 9603 fuel costs up 20%	$ 34,102	$ 1,148
Case #3: FPC 9603 fuel costs down 20%	$ 30,274	($ 2,680)
Case #4: FCP 9603 & 100% marginal cost	$ 29,957	($ 2,997)
Case #5: FCP 9603 gas up 20%, 100% marginal cost	$ 24,089	($ 8,865)
Case #6: FCP 9603 gas down 20%, 100% marginal cost	$ 35,825	$ 2,871

Case #1: This case uses natural gas and coal price forecast data from FCP 9603. In the transition from fuel forecast #9601 to #9603 the coal price forecast was reduced. The natural gas price forecast was increased in the near term, with the cross-over point between the two forecasts in 2005. Note that the natural gas price forecast used in this analysis is slightly higher than the forecast contained in FCP 9603. The reason for this is that FCP 9603 used a blend of natural gas transportation on the Florida Gas Transmission (FGT) pipeline between lower cost FTS-1 and higher cost FTS-2 gas transportation rates. Due to the marginal nature of the present analysis, only the higher cost FTS-2 transportation rate was used as a component of the natural gas price forecast. This case uses the same weights for the component parts of the replacement cost forecast (contract, marginal and regional) as was used in the base case.

Case #2: This case uses natural gas and coal price forecast data from FCP 9603. In addition, this fuel price data has been increased by a factor of 20% by increasing each fuel price for each year by a factor of 20%. This case uses the same weights for the component parts of the replacement cost forecast (contract, marginal and regional) as was used in the base case.

Case #3: This case uses natural gas and coal price forecast data from FCP 9603. In addition, this fuel price data has been decreased by a factor of 20% by decreasing each fuel price for each year by a factor of 20%. This case uses the same weights for the component parts of the replacement cost forecast (contract, marginal and regional) as was used in the base case.

Case #4: This case uses n. ∙al gas and coal price forecast data . n FCP 9603 This case changes the weights applied to the components of the replacement cost forecast (contract, marginal and regional) by increasing the weight on the marginal cost component to 100%. As a result, the replacement cost forecast is determined exclusively by the marginal cost forecast based on a natural gas fired combined cycle unit.

Case #5: This case uses natural gas and coal price forecast data from FCP 9603. As in Case #4, the weighting factor for the marginal cost component is 100%. As a result, the replacement cost forecast is determined exclusively by the marginal cost forecast based on a natural gas fired combined cycle unit. In addition, the natural gas price forecast was increased from the forecast in FCP 9603 by a factor of 20%. This was done by increasing the price for each year by a factor of 20%. Coal prices were taken directly from FCP 9603 without modification.

Case #6: This case uses natural gas and coal price forecast data from FCP 9603. As in Case #4 and #5, the weighting factor for the marginal cost component is 100%. As a result, the replacement cost forecast is determined exclusively by the marginal cost forecast based on a natural gas fired combined cycle unit. In addition, the natural gas price forecast was decreased from the forecast in FCP 9603 by a factor of 20%. This was done by decreasing the price for each year by a factor of 20%. Coal prices were taken directly from FCP 9603 without modification.

Sincerely,

Lee Schuster

Lee G. Schuster

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Comparision of OCL Contract Buyout to Coal-fired Generation

	(1)	(2)	(3)	(4)	(5)
	OCL Contract Annual Capacity Cost	Coal Generation Annual Capacity Cost	Annual Ratepayer Benefit/(Cost)	Annual Ratepayer Benefit/(Cost)	Cost of OCL Contract Buyout
NPV at 11/1/93	$194,677,280	$194,677,280			
NPV at 1/1/97				$77,701,572	$40,410,536
1993	$2,131,525	$4,224,526	$2,093,001	$2,093,001	
1994	13,435,493	25,347,156	11,911,663	11,911,663	
1995	14,113,625	28,592,458	14,478,833	14,478,833	
1996	14,834,141	27,483,250	12,649,109	12,649,109	
1997	15,597,040	26,418,814	10,821,774	10,821,774	$9,881,000
1998	16,381,129	25,399,150	9,018,021	9,018,021	9,881,000
1999	17,218,182	24,418,465	7,200,283	7,200,283	9,881,000
2000	18,097,652	23,475,366	5,377,714	5,377,714	9,881,000
2001	19,019,487	22,565,468	3,545,981	3,545,981	9,881,000
2002	19,994,303	21,674,346	1,680,043		
2003	21,011,501	20,786,112	(225,389)		
2004	22,092,274	19,897,879	(2,194,395)		
2005	23,215,431	19,929,646	(4,285,785)		
2006	24,391,966	18,121,411	(6,270,555)		
2007	25,641,872	17,233,178	(8,408,694)		
2008	26,945,157	16,344,944	(10,600,213)		
2009	28,333,209	15,456,710	(12,876,499)		
2010	29,763,644	14,568,477	(15,195,167)		
2011	31,289,442	13,608,243	(17,681,199)		
2012	32,889,410	12,792,009	(20,097,401)		
2013	34,552,953	11,903,776	(22,649,177)		
2014	36,322,454	11,113,755	(25,208,699)		
2015	38,176,721	10,520,048	(27,656,673)		
2016	40,115,755	10,089,541	(30,026,214)		
2017	42,171,343	9,519,486	(32,651,857)		
2018	44,311,698	9,048,429	(35,263,269)		
2019	46,579,282	8,557,373	(38,021,909)		
2020	48,952,668	8,064,873	(40,887,795)		
2021	51,453,277	7,573,817	(43,879,460)		
2022	54,070,444	7,082,761	(46,987,683)		
2023	56,835,951	6,590,260	(50,245,691)		

File: OCL1.wk

Sensitivity Analysis for Savings to PPC Customers
Due to OCL Contract Buyout
($000)

Sensitivity Analysis Assumptions

Fuel cost projection [illegible] for coal and natural gas

Total generation cost forecast uses weighted average cost forecast (contract, marginal, regional)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Contract Case			Replacement Case				
			(1)+(2)				(4)+(5)+(6)	(3)-(7)
						Buyout		Customer
Year	Capacity	Energy	Total	Capacity	Energy	Cost	Total	Savings
1997	0	0	0	0	0	9,861	9,861	(9,861)
1998	0	0	0	0	0	9,861	9,861	(9,861)
1999	0	0	0	0	0	9,861	9,861	(9,861)
2000	0	0	0	0	0	9,861	9,861	(9,861)
2001	0	0	0	0	0	9,861	9,861	(9,861)
2002	0	0	0	0	0	0	0	0
2003	0	0	0	0	0	0	0	0
2004	0	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0	0
2006	0	0	0	0	0	0	0	0
2007	0	0	0	0	0	0	0	0
2008	0	0	0	0	0	0	0	0
2009	0	0	0	0	0	0	0	0
2010	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0	0
2014	36,322	23,478	[illegible]	9,011	16,846	0	25,856	34,244
2015	38,177	24,291	62,467	9,249	16,738	0	25,982	36,456
2016	40,116	25,140	[illegible]	9,516	[illegible]	0	26,361	38,896
2017	42,171	25,911	[illegible]	9,769	16,997	0	26,766	41,298
2018	44,312	26,782	[illegible]	10,032	17,183	0	27,216	43,878
2019	46,579	[illegible]	74,282	10,341	17,316	0	27,657	46,606
2020	[illegible]	[illegible]	77,846	10,681	[illegible]	0	28,081	49,567
2021	51,488	[illegible]	[illegible]	[illegible]	17,875	0	28,536	52,500
2022	54,070	[illegible]	[illegible]	11,169	17,830	0	29,027	55,631
2023	[illegible]	31,027	[illegible]	11,476	18,025	0	29,501	58,961

Total 2014-2023 =	$732,738	$274,704	$458,034
Net present value at 1/1/97 =	$117,[illegible]	$85,293	$32,168

File: OCL2.wk

Sensitivity Analysis for Savings to FPC Customers
Due to OCL Contract Buyout
($000)

Sensitivity Analysis Assumptions:
Fuel cost projection 9603 for coal and natural gas
Coal and natural gas price forecasts increased by 20%
Total generation cost forecast uses weighted average cost forecast (contract, marginal, regional)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Contract Case			Replacement Case				
			(1)+(2)				(4)+(5)+(6)	(3)-(7)
Year	Capacity	Energy	Total	Capacity	Energy	Buyout Cost	Total	Customer Savings
1997	0	0	0	0	0	9,881	9,881	(9,881)
1998	0	0	0	0	0	9,881	9,881	(9,881)
1999	0	0	0	0	0	9,881	9,881	(9,881)
2000	0	0	0	0	0	9,881	9,881	(9,881)
2001	0	0	0	0	0	9,881	9,881	(9,881)
2002	0	0	0	0	0	0	0	0
2003	0	0	0	0	0	0	0	0
2004	0	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0	0
2006	0	0	0	0	0	0	0	0
2007	0	0	0	0	0	0	0	0
2008	0	0	0	0	0	0	0	0
2009	0	0	0	0	0	0	0	0
2010	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0	0
2014	36,322	26,419	62,741	9,011	18,491	0	27,501	35,240
2015	38,177	27,288	65,465	9,243	18,730	0	27,973	37,490
2016	40,116	[illegible]	68,377	9,515	18,884	0	28,399	39,979
2017	42,171	29,114	71,285	[illegible]	19,082	0	28,871	42,414
2018	44,312	30,076	74,388	10,062	19,289	0	29,351	45,037
2019	46,579	31,073	77,652	10,341	19,502	0	29,843	47,809
2020	48,963	32,182	81,145	10,581	19,739	0	30,320	50,825
2021	51,453	33,173	84,626	[illegible]	[illegible]	0	30,830	53,796
2022	54,070	34,279	88,349	11,169	20,185	0	31,374	56,975
2023	56,836	35,424	92,260	11,476	20,428	0	31,904	60,356

Total 2014-2023 =	$766,287		$296,366	$469,921
Net present value at 1/1/97 =	$122,916		$88,814	$34,102

File: OCL3.wkw

Sensitivity Analysis for Savings to FPC Customers
Due to OCL Contract Buyout
($000)

Sensitivity Analysis Assumptions:

Fuel cost projection 9603 for coal and natural gas

Coal and natural gas price forecasts decreased by 20%

Total generation cost forecast uses weighted average cost forecast (contract, marginal, regional)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Contract Case			Replacement Case				
			(1)+(2)				(4)+(5)+(6)	(3)-(7)
Year	Capacity	Energy	Total	Capacity	Energy	Buyout Cost	Total	Customer Savings
1997	0	0	0	0	0	9,881	9,881	(9,881)
1998	0	0	0	0	0	9,881	9,881	(9,881)
1999	0	0	0	0	0	9,881	9,881	(9,881)
2000	0	0	0	0	0	9,881	9,881	(9,881)
2001	0	0	0	0	0	9,881	9,881	(9,881)
2002	0	0	0	0	0	0	0	0
2003	0	0	0	0	0	0	0	0
2004	0	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0	0
2006	0	0	0	0	0	0	0	0
2007	0	0	0	0	0	0	0	0
2008	0	0	0	0	0	0	0	0
2009	0	0	0	0	0	0	0	0
2010	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0	0
2014	36,322	20,537	56,859	9,611	14,000	0	23,611	33,248
2015	38,177	21,236	59,412	9,248	14,748	0	23,991	35,420
2016	40,116	22,019	62,135	9,815	[illegible]	0	24,323	37,811
2017	42,171	22,709	64,880	9,789	14,911	0	24,699	40,181
2018	44,312	23,487	67,799	10,082	15,018	0	25,080	42,718
2019	46,570	24,303	70,873	10,341	15,129	0	25,470	45,402
2020	48,963	25,198	74,161	10,591	[illegible]	0	25,843	48,308
2021	51,463	25,987	77,450	[illegible]	[illegible]	0	26,246	51,204
2022	54,070	26,886	80,957	11,169	15,482	0	26,680	54,298
2023	56,836	27,829	84,665	11,470	[illegible]	0	27,098	57,567
Total 2014-2023 =			$690,160				$268,949	$446,147
Net present value at 1/1/97 =			$112,048				$81,772	$30,274

File: OCL4.xlw

Sensitivity Analysis for Savings to FPC Customers
Due to OCL Contract Buyout
($000)

Sensitivity Analysis Assumptions:

Fuel cost projection 9803 for coal and natural gas

Total generation cost forecast has 100% weight on marginal cost forecast

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Contract Case			Replacement Case				
			(1)+(2)				(4)+(5)+(6)	(3)-(7)
Year	Capacity	Energy	Total	Capacity	Energy	Buyout Cost	Total	Customer Savings
1997	0	0	0	0	0	9,881	9,881	(9,881)
1998	0	0	0	0	0	9,881	9,881	(9,881)
1999	0	0	0	0	0	9,881	9,881	(9,881)
2000	0	0	0	0	0	9,881	9,881	(9,881)
2001	0	0	0	0	0	9,881	9,881	(9,881)
2002	0	0	0	0	0	0	0	0
2003	0	0	0	0	0	0	0	0
2004	0	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0	0
2006	0	0	0	0	0	0	0	0
2007	0	0	0	0	0	0	0	0
2008	0	0	0	0	0	0	0	0
2009	0	0	0	0	0	0	0	0
2010	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0	0
2014	36,322	23,478	[illegible]	9,011	16,917	0	25,927	33,873
2015	38,177	24,281	62,457	[illegible]	17,[illegible]	0	[illegible]	[illegible]
2016	40,116	25,140	[illegible]	9,516	17,[illegible]	0	27,221	38,036
2017	42,171	25,911	[illegible]	9,[illegible]	18,116	0	27,904	40,179
2018	44,312	26,782	71,[illegible]	[illegible]	[illegible]	0	[illegible]	42,495
2019	46,579	27,983	74,[illegible]	10,341	[illegible]	0	[illegible]	44,954
2020	48,983	[illegible]	77,845	10,[illegible]	19,410	0	29,891	47,957
2021	51,463	[illegible]	81,[illegible]	[illegible]	[illegible]	0	30,727	50,311
2022	54,070	30,[illegible]	84,[illegible]	11,180	[illegible]	0	31,519	53,139
2023	56,836	31,027	[illegible]	11,476	[illegible]	0	32,295	56,178
Total 2014-2023 =			$732,738				[illegible]	$442,798
Net present value at 1/1/97 =			$117,459				$87,833	$29,987

File: OCL5.xlw

Sensitivity Analysis for Savings to FPC Customers
Due to OCL Contract Buyout
($000)

Sensitivity Analysis Assumptions:

Fuel cost projection 9603 for coal and natural gas

Natural gas price forecasts increased by 20% (coal price forecast unchanged from FCP 9603)

Total generation cost forecast has 100% weight on marginal cost forecast

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Contract Case			Replacement Case				
			(1)+(2)				(4)+(5)+(6)	(3)-(7)
Year	Capacity	Energy	Total	Capacity	Energy	Buyout Cost	Total	Customer Savings
1997	0	0	0	0	0	9,881	9,881	(9,881)
1998	0	0	0	0	0	9,881	9,881	(9,881)
1999	0	0	0	0	0	9,881	9,881	(9,881)
2000	0	0	0	0	0	9,881	9,881	(9,881)
2001	0	0	0	0	0	9,881	9,881	(9,881)
2002	0	0	0	0	0	0	0	0
2003	0	0	0	0	0	0	0	0
2004	0	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0	0
2006	0	0	0	0	0	0	0	0
2007	0	0	0	0	0	0	0	0
2008	0	0	0	0	0	0	0	0
2009	0	0	0	0	0	0	0	0
2010	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0	0
2014	36,322	23,478	59,800	9,011	20,158	0	29,169	30,631
2015	38,177	24,281	62,457	9,243	20,644	0	29,886	32,570
2016	40,116	25,149	65,265	9,515	21,102	0	30,617	34,638
2017	42,171	25,911	68,082	9,788	21,592	0	31,380	36,702
2018	44,312	26,782	71,094	10,082	22,075	0	32,157	38,936
2019	46,579	27,683	74,262	10,341	22,611	0	32,952	41,310
2020	48,983	28,666	77,649	10,581	23,140	0	33,722	43,927
2021	51,483	29,765	81,248	10,863	23,984	0	34,847	46,401
2022	54,070	30,588	84,658	11,188	24,242	0	35,430	49,228
2023	56,836	31,627	88,463	11,476	24,814	0	36,290	52,173
Total 2014-2023 =			$732,738				$328,132	$404,606
Net present value at 1/1/97 =			$117,480				$93,391	$24,089

File: OCL6.xlw

Sensitivity Analysis for Savings to FPC Customers
Due to OCL Contract Buyout
($000)

Sensitivity Analysis Assumptions:

Fuel cost projection [illegible] for coal and natural gas

Natural gas price forecasts decreased by 20% (coal price forecast unchanged from FCP 9603)

Total generation cost forecast has 100% weight on marginal cost forecast

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Contract Case			Replacement Case				
			(1)+(2)				(4)+(5)+(6)	(3)-(7)
						Buyout		Customer
Year	Capacity	Energy	Total	Capacity	Energy	Cost	Total	Savings
1997	0	0	0	0	0	9,881	9,881	(9,881)
1998	0	0	0	0	0	9,881	9,881	(9,881)
1999	0	0	0	0	0	9,881	9,881	(9,881)
2000	0	0	0	0	0	9,881	9,881	(9,881)
2001	0	0	0	0	0	9,881	9,881	(9,881)
2002	0	0	0	0	0	0	0	0
2003	0	0	0	0	0	0	0	0
2004	0	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0	0
2006	0	0	0	0	0	0	0	0
2007	0	0	0	0	0	0	0	0
2008	0	0	0	0	0	0	0	0
2009	0	0	0	0	0	0	0	0
2010	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0	0
2014	36,322	23,478	[illegible]	9,011	13,675	0	22,686	37,115
2015	38,177	24,291	62,467	9,249	13,983	0	23,232	39,206
2016	40,116	25,149	65,265	9,516	14,309	0	23,824	41,431
2017	42,171	25,911	[illegible]	9,788	14,639	0	24,427	43,656
2018	44,312	26,782	71,096	10,062	14,977	0	25,039	46,054
2019	46,579	27,683	74,262	10,341	15,324	0	25,665	48,597
2020	48,953	28,695	77,648	10,601	15,660	0	26,261	51,387
2021	51,459	29,585	81,039	10,866	16,045	0	26,908	54,130
2022	54,070	30,683	84,663	11,189	16,419	0	27,608	57,050
2023	56,836	31,627	88,463	11,476	16,804	0	28,280	60,183

Total 2014-2023 =	$732,730	$253,920	$478,810
Net present value at 1/1/97 =	$117,489	$81,665	$35,825

Florida Power
CORPORATION

INTEROFFICE CORRESPONDENCE

Fuels Supply Department | C2B | 231-4532
OFFICE | MAC | TELEPHONE

SUBJECT: **Fuel Cost Projection**
FCP 9603

TO: Mr. M. D. Rib
Mr. K. H. Wieland

DATE: October 28, 1996

Please find attached a summary of FCP 9603. This forecast updates the long range fuel cost projection.

The format for providing the forecast has been changed to facilitate input into PROMOD. Attached is an Assumption Summary, and a chart comparing FCP 9603 and FCP 9601, and a graph of FCP 9603. A more detailed spreadsheet has been provided to Larry Welch for PROMOD input. This spreadsheet can be provided, if needed, to others, upon request.

If you have any questions or require additional information, please advise.

Dale Williams

Dale Williams

Attachment:

DDW/jv

xc:
J. W. Agee
G. A. Aldazabal
L. D. Brousseau
M. L. Daley
R. D. Dolan
D. G. Edwards
J. A. Hancock
J. M. Kennedy
J. R. Lindquist
G. E. Matzke
P. Z. McGovern
W. C. Micklon
R. D. Niekum
D. M. OShea
G. L. Peterson
J. M. Quinlivan
J. R. Rocha
L. G. Schuster
J. L. Simpson
P. E. Toomey
T. L. Waldmann
L. A. Welch
File
Forecast Book

LONG RANGE FUEL FORECAST

FCP 9603

ASSUMPTIONS SUMMARY

Coal

Coal price projections are provided by EFC and are based on the assumption that the Crystal River units continue to burn the same quality of coal that they currently use and that the current transportation mix between barge and rail is maintained. EFC has projected out the cost of coal and transportation based on the terms of existing contracts and has used market forecasts from Hill & Associates and RDI as guidelines for future contract and spot prices. Over the ten year period from 1997 to 2006, medium sulfur coal increases in price from about $43/ton to about $49/ton and low sulfur coal increases in price from about $51/ton to about $55/ton. Coal prices are expected to escalate at a rate of about 1% per year.

Natural Gas

Natural Gas prices are based on forecasted Gulf Coast market prices for gas supply and estimated Florida Gas Transmission Company tariffs for transportation. The market price forecast for natural gas supply is based in part on information from PIRA, the futures market and the physical market place. Transportation estimates are based on current tariffs and estimates of future changes in those tariffs over time. Delivered natural gas to the University of Florida Project, for example, is expected to cost about $2.87/MMBtu in 1997 decreasing to $2.76/MMBtu by 2000 and then increasing to $2.96/MMBtu by 2006, an increase of around 3% over the ten year period.

Hines Plant gas should average slightly higher in price due to higher firm transportation costs.

Oil

Residual Fuel Oil (#6) prices are based on forecasted Gulf Coast market prices plus barge transportation costs to Florida. Distillate Fuel Oil (#2) prices are also based on the Gulf Coast market plus barge transportation to Florida. In addition, inland freight and handling costs need to be added to produce a delivered price to each location [illegible]formation from PIRA, futures ma[illegible]t prices for Crude and #2 oil and physical market intelligence is utilized to develop the #2 and #6 oil price forecast. Over the period high sulfur #6 oil prices increase from about $16/bbl in 1997 to about $17.50/bbl in 2006 for an average change of less than 1% per year. #2 oil goes from about 63¢/gallon in 1997 to about 66¢/gallon by 2006. Like natural gas, a decrease is expected over the next couple of years down to about 62¢/gallon in 1998. The overall change in #2 oil over the ten years is about 4%.

Key Market Drivers

Coal

- In the short and medium term the coal price forecast is primarily driven by EFC's cost structure and contract commitments. Longer term market drivers include the expectation that coal mine productivity improvements and abundant supply will continue to keep Appalachian low and medium sulfur coals from increasing in price significantly. FPC's transportation costs will be controlled by the ongoing competition between the rail and barge modes.

Natural Gas

- Technology improvements in exploration and production will continue to moderate cost increases for natural gas supply especially in the Gulf of Mexico. Producers continue to find ways to economically develop reserves offshore in deeper waters and further underground. Competition between #6 fuel oil and natural gas will be a relatively minor factor in natural gas markets nationwide due to the relatively few dual-fuel plants remaining in the Northeast, Mid-Atlantic and Florida areas. Natural gas transportation prices will continue to be constrained through federal rate regulations.

Oil

- International market forces play a major part in determining the price of #6 oil and #2 oil. OPEC's control of the crude oil market is expected to be limited by the continued growth of Non-OPEC crude oil production. Worldwide, the growth in oil production is being facilitated by the same technological innovations seen in the U.S. natural gas market; deeper, faster and cheaper are the expectations. In addition, as more government controlled oil producers open up to private investment, productivity and supply will also increase. # 6 oil production in the U.S. Gulf will continue to be a limited market with relatively few buyers, sellers and transporters. This will make for a very volatile market when supply and demand get out of balance. #2 oil prices will be driven more by national and international trends because of its worldwide use as a transportation and heating fuel.

Fuel Forecast Comparison FCP9001 Vs.FCP9003

Year	U of F Gas 9001UF	U of F Gas 9003UF	Polk Gas 9001Polk	Polk Gas 9003Polk	High Sulfur Oil 9001 2.5% Oil	High Sulfur Oil 9003 2.5%Oil	Low Sulfur Oil 9001 1.0% Oil	Low Sulfur Oil 9003 1.0%Oil	Distillate Oil 9001 #2 Oil	Distillate Oil 9003 #2 Oil	Crystal River 1 & 2 9001 CR1&2	Crystal River 1 & 2 9003 CR1&2	Crystal River 4 & 5 9001 CR4&5	Crystal River 4 & 5 9003 CR4&5
1997	2.[illegible]	2.87	2.[illegible]	2.[illegible]	2.[illegible]	2.[illegible]	2.[illegible]	2.[illegible]	4.[illegible]	4.57	1.71	1.7[illegible]	2.0[illegible]	2.0[illegible]
1998	2.55	2.82	2.55	2.[illegible]	2.25	2.[illegible]	2.[illegible]	2.[illegible]	4.[illegible]	4.45	1.72	1.71	2.04	2.03
1999	2.[illegible]	2.76	2.[illegible]	2.84	2.25	2.[illegible]	2.[illegible]	2.85	4.10	4.40	1.77	1.73	2.07	2.0[illegible]
2000	2.65	2.76	2.65	2.84	2.25	2.[illegible]	2.65	2.73	4.10	4.40	1.81	1.74	2.12	2.10
2001	2.70	2.81	2.70	2.[illegible]	2.25	2.[illegible]	2.65	2.81	4.10	4.[illegible]	1.84	1.77	2.15	2.12
2002	2.[illegible]	2.[illegible]	2.[illegible]	2.94	2.25	2.[illegible]	2.65	2.81	4.20	4.[illegible]	1.87	1.81	2.19	2.0[illegible]
2003	2.[illegible]	2.[illegible]	2.[illegible]	2.94	2.35	2.61	2.75	2.85	4.40	4.63	1.[illegible]	1.84	2.22	2.11
2004	3.00	2.91	3.00	2.[illegible]	2.45	2.61	2.[illegible]	2.85	4.85	4.63	1.[illegible]	1.87	2.19	2.15
2005	3.10	2.95	3.10	3.04	2.[illegible]	2.[illegible]	3.00	2.[illegible]	4.75	4.70	2.01	1.91	2.22	2.19
2006	3.20	2.[illegible]	3.20	3.04	2.65	2.70	3.10	2.[illegible]	4.95	4.77	2.04	1.94	2.28	2.21

Year	U of F Gas: U of F Gas 9003 - 9001	Polk Gas: Polk Gas 9003 - 9001	High Sulfur Oil: 2.5% Oil 9003 - 9001	Low Sulfur Oil: 1.0% Oil 9003 - 9001	Distillate Oil: #2 Oil 9003 - 9001	Crystal River 1 & 2: CR1&2 9003 - 9001	Crystal River 4 & 5: CR4&5 9003 - 9001
1997	0.3[illegible]	0.3[illegible]	0.3[illegible]	0.1[illegible]	0.57	-0.01	0.00
1998	0.27	0.35	0.35	0.10	0.45	-0.01	-0.01
1999	0.16	0.24	0.35	0.16	0.30	-0.04	-0.01
2000	0.11	0.19	0.35	0.16	0.30	-0.07	-0.02
2001	0.11	0.19	0.33	0.26	0.45	-0.07	-0.03
2002	0.05	0.14	0.33	0.16	0.35	-0.06	-0.11
2003	-0.04	0.04	0.26	0.10	0.23	-0.1	-0.11
2004	-0.09	-0.01	0.16	-0.05	0.08	-0.11	-0.03
2005	-0.14	-0.06	0.05	-0.11	-0.05	-0.1	-0.04
2006	-0.24	-0.16	0.05	-0.17	-0.18	-0.1	-0.05

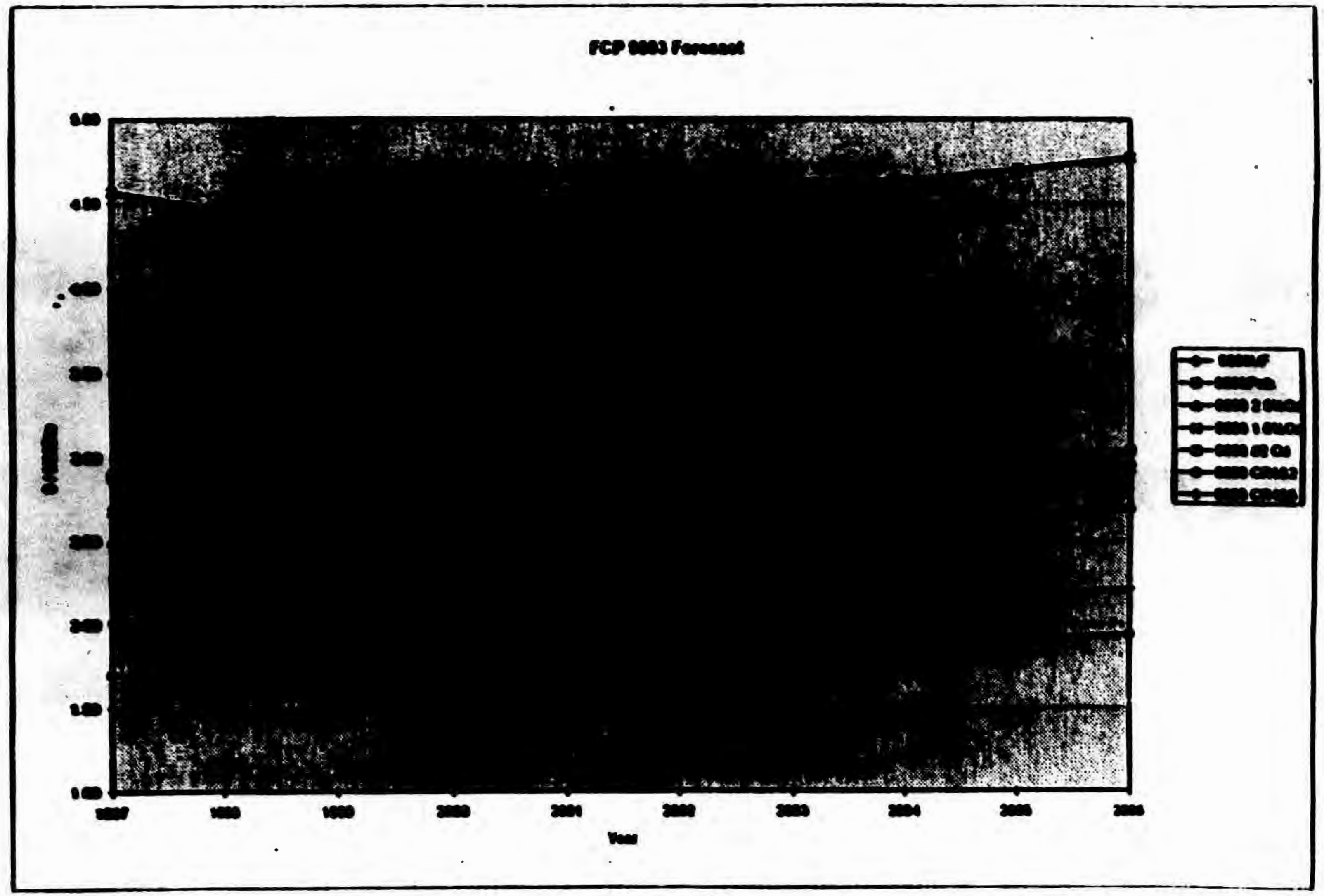
FCP 0083 Forecast
2001
2004
Year

Exhibit No. ___ (LGS-6)

FPC's Response to Staff Questions

dated November 26, 1996

Florida Power
CORPORATION

November 26, 1996

Ms. Judy Harlow
Florida Public Service Commission
Capital Circle Office Center
2540 Shumark Oak Blvd.
Tallahassee, FL. 32399-0850

Subject: FPC's petition for approval of the OCL contract buydown
Response to questions regarding petition

Dear Ms. Harlow:

As we discussed today, I am providing one additional sensitivity case for your review. This case is labeled OCL7 and is based on inflation assumptions (CPI-U and GDP implicit price deflator) from DRI/McGraw Hill's November 1996 TrendLong1196 forecast.

Sincerely,

Lee Schuster

Lee G. Schuster

cc: J. A. McGee
J. Rocha

File: OCL7.wk

Sensitivity Analysis for Savings to FPC Customers
Due to OCL Contract Buyout
[illegible]

Sensitivity Analysis Assumptions:

Fuel cost projection [illegible] for coal and natural gas

Total generation cost forecast uses weighted average cost forecast (contract, marginal, regional)

Inflation assumptions from DRI/McGraw Hill November 1996 TrendLong1196 Forecast

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Contract Case			Replacement Case				
			(1)+(2)				(4)+(5)+(6)	(3)-(7)
						Buyout		Customer
Year	Capacity	Energy	Total	Capacity	Energy	Cost	Total	Savings
1997	0	0	0	0	0	9,881	9,881	(9,881)
1998	0	0	0	0	0	9,881	9,881	(9,881)
1999	0	0	0	0	0	9,881	9,881	(9,881)
2000	0	0	0	0	0	9,881	9,881	(9,881)
2001	0	0	0	0	0	9,881	9,881	(9,881)
2002	0	0	0	0	0	0	0	0
2003	0	0	0	0	0	0	0	0
2004	0	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0	0
2006	0	0	0	0	0	0	0	0
2007	0	0	0	0	0	0	0	0
2008	0	0	0	0	0	0	0	0
2009	0	0	0	0	0	0	0	0
2010	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0	0
2014	[illegible]	[illegible]	[illegible]	[illegible]	16,101	0	25,725	33,696
2015	38,177	[illegible]	[illegible]	[illegible]	[illegible]	0	26,156	35,846
2016	40,116	[illegible]	[illegible]	[illegible]	[illegible]	0	26,532	38,223
2017	42,171	[illegible]	[illegible]	[illegible]	[illegible]	0	26,966	40,983
2018	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	27,386	43,076
2019	[illegible]	[illegible]	[illegible]	11,1[illegible]	[illegible]	0	27,830	45,728
2020	[illegible]	27,9[illegible]	[illegible]	11,4[illegible]	[illegible]	0	28,257	48,011
2021	[illegible]	[illegible]	[illegible]	11,[illegible]	[illegible]	0	28,725	51,456
2022	[illegible]	[illegible]	[illegible]	12,[illegible]	[illegible]	0	29,226	54,491
2023	[illegible]	[illegible]	[illegible]	12,[illegible]	17,[illegible]	0	29,722	57,717
Total 2014-2023 =			[illegible]				$276,614	$449,407
Net present value at 1/1/97 =			[illegible]				[illegible]	$30,847

Description of calculations:

Column(1) = Column(1[illegible]) * Input([illegible]) * Input([illegible]) *(Input([illegible]) / Input ([illegible])) * Input(31)

Column(2) = Column([illegible]) + Column(17)

Column(3) = Column(1) + Column(2)

Column(4) = Column(1[illegible]) * Input([illegible]) * Input([illegible])

Column(5) = Column(21) * Column(1[illegible]) / 1000

Column(6) = Buyout payments per Contract Amendment dated September 2[illegible], 1996

Column(7) = Column(4) + Column(5) + Column(6)

Column(8) = Column(3) - Column(7)

Florida Power Corporation
Supporting Information to Exhibit D, FPC Petition Dated October 1, 1996
Savings to FPC Customers Due to OCL Contract Buyout

	(9) Contract Fuel Cost $000	(10) Delivered Energy [illegible]	(11) Energy Rate [illegible]	(12) Perform. Adjust. [illegible]	(13) Contract Fuel Cost $/MMBTU	(14) CR1&2 Coal Cost $/MMBTU	(15) Projected Inflation Rate Percent	(16) Contract Capacity Cost $/KW-mo
1997	0	0	0.00	1.34	1.781	1.70	3.0%	14.72
1998	0	0	0.00	1.35	1.791	1.71	2.8%	15.46
1999	0	0	0.00	1.37	1.812	1.73	2.9%	16.25
2000	0	0	0.00	1.39	[illegible]	1.74	3.0%	17.08
2001	0	0	0.00	1.40	[illegible]	1.77	3.2%	17.95
2002	0	0	0.00	1.41	[illegible]	1.81	3.4%	18.87
2003	0	0	0.00	1.43	[illegible]	1.84	3.5%	19.83
2004	0	0	0.00	1.44	[illegible]	1.87	3.6%	20.86
2005	0	0	0.00	1.45	2.001	1.91	3.7%	21.91
2006	0	0	0.00	1.47	[illegible]	1.94	3.6%	23.02
2007	0	0	0.00	1.48	[illegible]	1.98	3.6%	24.20
2008	0	0	0.00	1.50	2.137	2.04	3.6%	25.43
2009	0	0	0.00	1.51	2.102	2.09	3.6%	26.74
2010	0	0	0.00	1.53	2.247	2.15	3.6%	28.09
2011	0	0	0.00	1.54	[illegible]	2.20	3.6%	29.53
2012	0	0	0.00	1.55	[illegible]	2.25	3.6%	31.04
2013	0	0	0.00	1.58	[illegible]	2.31	3.6%	32.61
2014	15,341	[illegible]	24.84	1.59	[illegible]	2.37	3.6%	34.28
2015	15,710	[illegible]	24.62	1.61	2.548	2.43	3.6%	36.03
2016	16,146	640,687	25.22	1.62	2.613	2.49	3.6%	37.86
2017	16,484	[illegible]	[illegible]	1.64	[illegible]	2.55	3.6%	39.80
2018	16,888	[illegible]	26.47	1.65	2.740	2.62	3.6%	41.82
2019	17,312	[illegible]	27.12	1.67	2.816	2.69	3.6%	43.96
2020	17,765	640,687	27.79	1.69	[illegible]	2.76	3.6%	46.20
2021	18,171	[illegible]	28.47	1.71	[illegible]	2.83	3.6%	48.56
2022	18,617	[illegible]	29.17	1.72	[illegible]	2.90	3.6%	51.03
2023	19,074	[illegible]	29.89	1.74	3.110	2.97	3.6%	53.64

Description of calculations:

Column(9) = Column(10) * Column(11) / 1000
Column(10) = Input([illegible]) * Input([illegible]) * ([illegible] hours/year) (adjusted for leap years)
Column(11) = Column(13) * Input([illegible]) * ((Input([illegible]) * Input([illegible]) + Input([illegible])) / 24) + Column(12)
Column(12) = Estimate of projected performance adjustment by Purchased Power Resources Dept.
Column(13) = Base value of 1.7[illegible] in 199[illegible] per Settlement Agreement indexed to Column(14)
Column(14) = From FPC Fuel Forecast [illegible] dated January [illegible], 199[illegible]
Column(15) = CPI-U from DRI TrendLong[illegible]
Column(16) = From Contract Appendix C, Schedule 4, Option A

Florida Power Corporation
Supporting Information to Exhibit [illegible], FPC Petition Dated October 1, [illegible]
Savings to FPC Customers Due to OCL Contract Buyout

	(17)	(18)	(19)	(20)	(21)	(22)
	Contract Variable O&M Cost $000	Variable O&M Rate $/MWH	Replace Capacity Cost $/kW-mo	Replace Capacity Cost $/kW-year	Replace Energy Cost $/MWH	Total Replace Cost $/MWH
1997	0	6.28	6.09	73.02	21.68	31.16
1998	0	6.54	6.10	73.35	21.28	31.58
1999	0	6.84	6.19	74.25	21.55	32.13
2000	0	7.14	6.26	75.12	20.69	32.38
2001	0	7.46	6.36	76.28	20.91	30.93
2002	0	7.80	6.48	77.78	21.52	31.30
2003	0	8.15	6.58	78.95	21.92	33.65
2004	0	8.52	7.63	91.58	23.05	34.67
2005	0	8.90	7.86	94.37	23.27	35.24
2006	0	9.30	8.14	97.64	23.48	35.64
2007	0	9.72	8.38	100.62	23.64	36.10
2008	0	10.16	8.46	101.47	23.64	36.71
2009	0	10.62	8.71	104.50	24.12	37.37
2010	0	11.09	8.98	107.85	24.41	38.08
2011	0	11.59	9.22	110.60	24.70	38.74
2012	0	12.11	9.49	113.85	25.00	39.44
2013	0	12.65	9.78	117.32	25.15	40.05
2014	7,788	13.25	10.06	120.75	25.25	40.64
2015	8,107	13.82	10.35	124.20	25.65	41.22
2016	8,405	14.45	10.70	128.38	25.84	41.82
2017	8,605	15.10	11.04	132.45	25.80	42.60
2018	9,201	15.78	11.30	135.56	25.65	43.25
2019	9,607	16.49	11.74	140.89	26.12	43.89
2020	10,130	17.23	12.06	144.71	26.31	44.67
2021	10,607	18.00	12.44	149.30	26.40	45.41
2022	11,082	18.81	12.88	154.52	26.62	46.22
2023	11,520	19.66	13.29	159.45	26.78	47.00

Description of calculations:

Column(17) = Column([illegible]) * Column([illegible]) * ((Input([illegible]) * Input([illegible]) + Input([illegible])) / 24) / 1000
Column(18) = From Settlement Agreement dated February 2, [illegible]
Column(19) = Column(20) / 12
Column(20) = From FPC generation cost forecast dated June [illegible], [illegible]
Column(21) = 1997-[illegible] = FPC on-system replacement cost from Column([illegible])
2004-2023 = capacity and energy replacement cost
= Column(22) - (Column(20) / (8,760 hours/year * Capacity Factor))
Column(22) = From FPC generation cost forecast dated June [illegible], [illegible]

Florida Power Corporation
Supporting Information to Exhibit D, FPC Petition Dated October 1, 1996
Savings to FPC Customers Due to OCL Contract Buyout

	(23)	(24)	(25)	(26)	(27)
	Marginal Energy Cost $/MWH	Combined Cycle Unit Fuel Cost $/MWH	Natural Gas Cost $/MMBTU	Gas Transport Cost $/MMBTU	Average Variable O&M $/MWH
1997	21.59	20.70	2.16	0.88	0.89
1998	21.28	20.38	2.11	0.88	0.90
1999	21.95	20.04	2.16	0.88	0.91
2000	20.89	19.97	2.05	0.88	0.92
2001	20.91	19.97	2.05	0.88	0.94
2002	21.52	20.57	2.10	0.97	0.95
2003	21.92	20.96	2.15	0.98	0.96
2004	21.93	20.95	2.15	0.98	0.98
2005	22.28	21.29	2.20	0.98	0.99
2006	22.63	21.62	2.25	0.98	1.00
2007	22.84	21.82	2.25	0.98	1.02
2008	23.10	22.07	2.31	0.99	1.03
2009	23.97	22.93	2.37	1.00	1.04
2010	24.65	23.60	2.43	1.01	1.05
2011	24.55	23.48	2.40	1.02	1.07
2012	25.06	23.97	2.55	1.03	1.09
2013	25.56	24.47	2.61	1.04	1.10
2014	26.09	24.98	2.68	1.05	1.11
2015	26.63	25.51	2.75	1.06	1.12
2016	27.10	25.94	2.82	1.07	1.13
2017	27.74	26.59	2.89	1.08	1.15
2018	28.32	27.16	2.95	1.09	1.16
2019	28.91	27.73	3.04	1.10	1.17
2020	29.51	28.32	3.11	1.11	1.19
2021	30.13	28.93	3.10	1.12	1.20
2022	30.75	29.54	3.27	1.13	1.21
2023	31.40	30.18	3.28	1.15	1.22

Description of calculations:

Column(23) = Column(24) + Column(27)
Column(24) = (Column(25) + Column(26)) * Input(20) / 1000
Column(25) = From FPC Fuel Forecast #9601 dated January 16, 1996
Column(26) = From FPC Fuel Forecast #9601 dated January 16, 1996
Column(27) = Projection by FPC Purchased Power Resources Dept.

Florida Power Corporation
Supporting Information to Exhibit D, FPC Petition Dated October 1, 1996
Savings to FPC Customers Due to OCL Contract Buyout

Input Data	Description	Value
(28)	FPC cost of capital (discount rate)-B107	8.67%
(29)	Contract committed capacity - MW	79.2
(30)	Overall capacity factor	92.0%
(31)	Capacity payment discount factor	0.996
(32)	Minimum on-peak capacity factor	83.0%
(33)	Contract committed on-peak capacity factor	93.0%
(34)	Off-peak energy payment discount factor	0.86
(35)	Contract Heat rate BTU/KWH	9,830
(36)	Combined Cycle Unit Heat rate BTU/KWH	6,780
(37)	On-peak hours per day	13
(38)	Off-peak hours per day	11
(39)	Months per year	12

Description of calculations:

Input(28) = From FPC Engineering Economy Manual, Table 1, Page 1 dated November 7, 1995
Input(29) = From Section 7.1 of Contract, as amended by side letter dated September 27, 1990
Input(30) = Annual composite capacity factor (on-peak and off-peak)
Input(31) = From Contract Section 8.4
Input(32) = From Appendix C, Schedule 3 of Contract
Input(33) = From Section 7.1 of Contract
Input(34) = From Settlement Agreement, Attachment 2, Appendix G, dated February 3, 1995
Input(35) = From Contract Appendix C, Schedule 3
Input(36) = From FPC generation cost forecast dated June 28, 1996
Input(37) = From Contract Appendix C, Schedule 3
Input(38) = From Contract Appendix C, Schedule 3

Florida Power Corporation
Supporting Information to Exhibit D, FPC Petition Dated October 1, 1996
Savings to FPC Customers Due to OCL Contract Buyout

	(1)	(2)	(3)	(4)	(5)	(6)
	Cost Inflation Rate Percent	Technology Efficiency Index Percent	Combined Cycle Cost $/KW	Fixed Charge Rate Percent	Replace Capacity Cost $/KW-year	Marginal Analysis Cost $/MWH
1997	2.2%	[illegible]	434.7	[illegible]	73.02	30.84
1998	2.3%	[illegible]	442.0	[illegible]	73.25	30.86
1999	2.4%	[illegible]	450.0	[illegible]	74.25	30.97
2000	2.6%	[illegible]	459.5	[illegible]	75.12	30.42
2001	2.8%	[illegible]	470.0	[illegible]	76.25	30.90
2002	2.8%	[illegible]	481.3	0.1916	77.70	31.30
2003	2.9%	[illegible]	492.6	0.1914	79.55	32.01
2004	15.0%	[illegible]	564.3	[illegible]	91.50	33.05
2005	3.1%	[illegible]	579.0	[illegible]	94.37	34.25
2006	3.2%	[illegible]	592.1	[illegible]	97.04	35.01
2007	3.3%	[illegible]	614.2	0.1912	99.02	35.30
2008	3.3%	[illegible]	[illegible]	[illegible]	101.47	36.57
2009	3.3%	[illegible]	[illegible]	[illegible]	104.50	36.50
2010	3.3%	[illegible]	672.2	[illegible]	107.55	37.70
2011	3.3%	[illegible]	682.7	[illegible]	110.60	38.60
2012	3.3%	[illegible]	713.6	[illegible]	113.65	39.40
2013	3.3%	[illegible]	725.6	[illegible]	117.32	40.40
2014	3.3%	[illegible]	750.0	[illegible]	120.75	41.41
2015	3.3%	[illegible]	761.1	[illegible]	124.30	42.40
2016	3.3%	[illegible]	[illegible]	0.1891	128.30	43.46
2017	3.3%	[illegible]	[illegible]	[illegible]	132.46	44.54
2018	3.3%	[illegible]	851.6	[illegible]	136.55	45.64
2019	3.3%	[illegible]	[illegible]	0.1884	140.50	46.76
2020	3.3%	[illegible]	912.6	0.1876	144.71	47.87
2021	3.3%	[illegible]	942.1	0.1873	149.30	48.60
2022	3.3%	[illegible]	[illegible]	0.1876	154.52	50.35
2023	3.3%	[illegible]	1012.6	0.1874	159.42	51.62

Description of calculations:

Column(1) = Capital cost inflation assumption = GDP implicit price deflator from DRI TrendLong1196
Column(2) = Combined cycle technology improvement assumption
Column(3) = Combined cycle capital cost assumption
1996 = $[illegible]/KW
After 1996 = (Previous year value) * (1 + Column(1) - Column(2))

Column(4) = Annual fixed charge rate assumption
Column(5) = Column (3) * Column(4)

Florida Power Corporation
Supporting Information to Exhibit B, FPC Petition Dated October 1, 1998
FPC Fuel Forecast Comparison Data

	(1)	(2)	(3)	(4)	(5)	(6)
	Delivered Natural Gas Cost FCP 9801	Delivered Natural Gas Cost FCP 9808	Gas Cost $/MMBTU FCP 9808	FGT-2 Transport Cost $/MMBTU FCP 9808	CR1&2 Coal Cost FCP 9801	CR1&2 Coal Cost FCP 9808
1997	2.54	3.00	2.10	0.85	1.71	1.70
1998	2.59	3.04	2.11	0.85	1.72	1.71
1999	2.65	3.05	2.16	0.85	1.77	1.73
2000	2.70	2.88	2.05	0.85	1.81	1.74
2001	2.70	2.98	2.05	0.85	1.84	1.77
2002	2.87	3.07	2.10	0.87	1.87	1.81
2003	2.98	3.13	2.16	0.88	1.94	1.84
2004	3.00	3.13	2.16	0.88	1.98	1.87
2005	3.10	3.18	2.20	0.88	2.01	1.91
2006	3.25	3.25	2.25	0.88	2.05	1.94
2007	3.33	3.28	2.28	0.88	2.10	1.98
2008	3.40	3.29	2.31	0.99	2.16	2.04
2009	3.48	3.38	2.37	1.00	2.21	2.09
2010	3.55	3.48	2.40	1.01	2.27	2.16
2011	3.65	3.58	2.49	1.02	2.32	2.20
2012	3.71	3.60	2.55	1.03	2.38	2.26
2013	3.79	3.65	2.61	1.04	2.44	2.31
2014	3.87	3.73	2.68	1.05	2.51	2.37
2015	3.98	3.81	2.75	1.06	2.57	2.43
2016	4.05	3.89	2.82	1.07	2.64	2.49
2017	4.13	3.97	2.89	1.08	2.70	2.55
2018	4.23	4.05	2.98	1.09	2.77	2.62
2019	4.32	4.14	3.04	1.10	2.84	2.69
2020	4.41	4.28	3.11	1.11	2.91	2.76
2021	4.51	4.32	3.19	1.12	2.98	2.83
2022	4.61	4.41	3.27	1.13	3.07	2.90
2023	4.71	4.50	3.35	1.15	3.14	2.97

TABLE 2

Annual Summary for the U.S. Economy: 1995-2007 (TRENDLONG1196)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Composition of Real GDP (Annual percent change)													
Gross Domestic Product	2.0	2.4	2.4	2.4	2.0	2.2	1.7	1.8	1.9	2.3	2.3	2.2	2.1
Final Sales	2.1	2.6	2.2	2.4	2.0	2.1	1.8	1.6	1.9	2.2	2.3	2.2	2.1
Gross National Product	2.0	2.4	2.2	2.3	2.0	2.1	1.8	1.6	1.9	2.2	2.3	2.1	2.1
Total Consumption	2.3	2.5	2.7	2.6	2.0	2.0	1.8	1.5	1.8	1.9	2.0	2.0	2.1
Nonresidential Fixed Investment	5.5	6.9	4.8	4.8	3.8	3.3	3.2	2.8	3.8	5.2	5.4	4.4	3.9
Producers' Durable Equipment	12.4	8.2	5.8	6.5	4.8	3.3	3.3	3.8	4.7	5.8	5.5	4.9	4.5
Office and Computing Equipment	20.6	20.3	21.5	17.3	14.1	13.9	14.1	13.6	15.1	16.7	16.9	16.0	15.5
Autos	-7.2	-1.9	-2.8	1.5	0.8	3.3	1.4	2.4	3.3	4.2	3.7	[illegible]	[illegible]
Other	9.5	3.9	3.5	4.8	2.2	1.2	1.3	2.1	2.9	3.7	3.7	3.1	[illegible]
Private Nonresidential Structures	7.3	3.2	1.9	0.5	0.5	3.4	2.7	-0.3	[illegible]	4.1	[illegible]	3.3	[illegible]
Buildings and Other	8.2	1.8	0.4	-0.1	-0.8	4.2	4.1	-0.3	1.4	5.2	[illegible]	3.2	2.5
Residential Fixed Investment	-2.3	5.4	0.0	-0.4	0.4	1.8	0.8	-0.4	0.5	[illegible]	[illegible]	1.6	1.5
Exports	8.8	5.7	6.7	6.5	6.5	6.3	7.4	7.1	6.8	7.9	[illegible]	6.8	6.4
Imports	6.8	6.6	7.2	7.1	6.7	6.3	5.8	5.4	5.8	[illegible]	6.8	6.3	6.1
Federal Government	-3.0	-1.1	-2.2	-2.2	-2.5	-2.3	-2.1	-1.7	[illegible]	-0.8	-0.4	-0.4	-0.4
State and Local Governments	2.4	1.9	2.5	2.5	2.4	2.5	2.2	2.1	2.1	[illegible]	2.4	2.2	2.1
Billions of Dollars													
Real GDP (1992 chained $)	6742.0	6901.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7763.6	7905.2	8114.9	8301.4	8489.5	8680.6
Gross Domestic Product	[illegible]	7571.6	7921.5	[illegible]	[illegible]	[illegible]	[illegible]	9914.4	[illegible]	[illegible]	[illegible]	12167.0	12652.8
Prices and Wages (Annual percent change)													
GDP Price Index (Chain-Wt.)	2.5	2.1	2.4	2.3	2.4	2.8	2.8	2.9	2.9	3.0	3.2	3.2	3.3
GDP Implicit Price Deflator (Chain-Wt.)	2.5	2.0	2.2	2.3	2.4	2.8	2.8	2.8	2.9	3.0	3.1	3.2	3.3
CPI—All Urban Consumers	2.8	3.0	3.0	2.8	3.0	3.0	3.3	3.4	3.5	3.0	3.7	3.8	3.8
Producer Price Index—Finished Goods	1.9	2.5	1.5	1.3	1.7	1.9	2.2	2.4	2.5	2.5	2.6	2.8	2.7
Employment Cost Index - Total Comp.	2.8	2.8	3.4	3.5	3.8	3.5	3.8	3.6	3.7	3.6	3.9	4.0	4.1
Output per Hour	0.8	0.8	0.8	1.5	1.4	1.4	1.8	1.1	1.2	1.2	1.2	1.1	1.2
Production and Other Key Measures													
Industrial Production (%ch)	3.3	2.1	3.0	2.7	2.7	4.0	4.0	4.4	4.0	5.0	6.3	6.5	6.7
Nonfarm Invent. Accumulation (Billion 1992 chained $)	37.2	28.1	27.3	[illegible]	[illegible]	32.0	30.0	28.0	30.0	37.0	30.5	30.3	30.1
Consumer Confidence Index	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.881	0.868
Housing Starts (Mil units)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.327	[illegible]	[illegible]	[illegible]	1.410	1.430	1.436	1.453
Total Light Vehicle Sales (Mil units)	14.8	15.1	14.8	15.2	15.4	15.6	15.7	15.7	15.8	16.2	16.5	16.8	17.0
Unit Car Sales (Mil units)	8.7	8.8	8.8	8.8	8.8	8.2	8.1	8.0	8.0	8.1	8.2	8.2	8.2
Unemployment Rate (%)	5.6	5.4	5.5	5.5	5.7	6.0	6.0	6.0	6.1	6.0	5.9	5.8	5.8
Nonfarm Employment (Estab. survey, % ch)	2.7	2.0	1.8	1.4	1.5	1.4	1.2	0.9	0.9	1.2	1.3	1.2	1.1
Federal Budget Surplus (Unified, FY, bil. $)	[illegible]	-107.3	-104.4	[illegible]	[illegible]	[illegible]	-111.3	[illegible]	-138.7	-128.3	-121.3	-125.8	-133.9
Foreign Trade													
Current Account Balance (Billion $)	-148.2	[illegible]	[illegible]	-214.1	[illegible]	-227.7	-231.4	[illegible]	[illegible]	-204.3	-213.8	-222.4	-231.1
Merch. Trade Balance (f.a.s., bil. $)	-183.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-241.6	-262.1	-283.4	-306.8
Foreign Crude Oil ($ per barrel)	17.16	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	20.01	21.07	23.42	24.97	26.02	26.37
U.S. $ Exch Rate - [illegible] (% ch)	-4.7	4.0	0.0	-0.6	-0.8	-0.7	-0.8	-0.7	-0.8	-0.8	-0.8	-0.8	-0.8
Foreign Consumption (% ch)	1.7	3.0	2.7	3.1	2.8	2.9	3.0	3.0	3.0	3.0	2.9	2.7	2.5
Foreign Investment (% ch)	0.9	5.0	3.2	3.9	3.0	3.4	3.2	3.2	3.2	3.2	3.1	2.9	2.7
Financial Markets													
Money Supply (M2, billion $)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5278.4	[illegible]	[illegible]	6110.0	6430.5
Percent Change vs Year Ago (Q4/Q4)	3.9	3.9	4.8	4.7	4.8	4.9	5.0	4.9	4.9	5.0	5.1	5.1	5.2
AA Corp Utility Rate (%)	[illegible]	[illegible]	[illegible]	7.86	7.80	7.82	7.80	7.81	7.71	7.73	7.71	7.72	7.78
Thirty-Year Treasury Bond Yield (%)	6.88	6.75	[illegible]	[illegible]	[illegible]	6.65	6.61	6.57	6.62	6.61	6.60	6.60	6.63
Treasury Bill Rate (%)	5.49	5.01	5.24	5.20	5.20	5.04	4.78	4.77	4.78	4.78	4.77	4.78	4.78
Federal Funds Rate (%)	5.84	5.30	5.55	5.72	5.50	5.31	5.00	5.00	5.00	5.00	[illegible]	5.00	5.00
Prime Rate (%)	8.83	8.27	8.55	8.72	8.50	8.31	8.00	8.00	8.01	8.01	[illegible]	8.00	8.00
S&P Index of 500 Common Stocks	542	680	780	711	740	787	854	888	960	[illegible]	[illegible]	1126	1196
Incomes													
Personal Income (% ch)	6.3	5.5	5.1	4.8	4.8	4.9	4.7	4.8	5.1	5.4	5.8	5.8	5.8
Real Disposable Income (% ch)	3.5	2.5	2.8	2.4	1.9	2.0	1.8	1.8	1.8	2.0	2.1	2.1	2.0
Saving Rate (%)	4.7	4.8	4.9	4.8	4.4	4.4	4.4	4.6	4.7	4.8	4.9	5.0	4.9
Profits After Tax (% ch from yr. ago)	13.2	4.7	-0.8	6.5	4.4	5.3	3.6	3.5	4.7	6.2	5.9	4.7	5.1
Post-Tax Corp Cash Flow: Billions of Dollars	[illegible]	[illegible]	910.3	[illegible]	1014.2	[illegible]	1111.8	1158.4	[illegible]	1262.4	1325.4	1380.0	1400.0
Percent Ch. vs Year Ago	6.0	7.8	2.7	5.9	8.2	5.1	4.3	4.8	4.2	4.8	5.0	4.6	5.1

Note: Unless otherwise stated, all real data are in 1992 chained dollars.

Exhibit No. ___ (LGG-7)

Savings to FPC's Customers Due to the OCL Contract Buyout

Docket No. 961184-EQ
Exhibit No. 7

Savings to FPC Customers
Due to OCL Contract Buyout
Based on Fuel Forecast FCP 9702
($000)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Contract Case			Replacement Case				
			(1)+(2)				(4)+(5)+(6)	(3)-(7)
						Buyout		Customer
Year	Capacity	Energy	Total	Capacity	Energy	Cost	Total	Savings
1997	0	0	0	0	0	9,881	9,881	(9,881)
1998	0	0	0	0	0	9,881	9,881	(9,881)
1999	0	0	0	0	0	9,881	9,881	(9,881)
2000	0	0	0	0	0	9,881	9,881	(9,881)
2001	0	0	0	0	0	9,881	9,881	(9,881)
2002	0	0	0	0	0	0	0	0
2003	0	0	0	0	0	0	0	0
2004	0	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0	0
2006	0	0	0	0	0	0	0	0
2007	0	0	0	0	0	0	0	0
2008	0	0	0	0	0	0	0	0
2009	0	0	0	0	0	0	0	0
2010	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0	0
2014	36,322	21,686	58,008	5,859	16,026	0	21,885	36,123
2015	38,177	22,238	60,415	5,876	16,264	0	22,140	38,275
2016	40,116	22,872	62,988	5,807	16,606	0	22,413	40,575
2017	42,171	23,401	65,572	5,935	16,751	0	22,685	42,887
2018	44,312	24,012	68,324	5,969	16,990	0	22,959	45,365
2019	46,579	24,645	71,224	5,958	17,282	0	23,239	47,985
2020	48,953	25,368	74,321	5,939	17,558	0	23,497	50,824
2021	51,453	25,976	77,429	6,018	17,767	0	23,785	53,645
2022	54,070	26,677	80,748	6,065	18,031	0	24,096	56,652
2023	56,836	27,403	84,239	6,094	18,298	0	24,392	59,847
Total 2014-2023 =			703,270	59,690	171,400	0	231,090	472,179
Net present value at 1/1/97 =			112,914	9,830	28,026	40,411	78,267	34,647