BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

IN RE: DOCKET NO. 010001-EI - Fuel and purchased power cost recovery clause and generating performance incentive factor.

BEFORE: CHAIRMAN E. LEON JACOBS, JR.
COMMISSIONER J. TERRY DEASON
COMMISSIONER LILA A. JABER
COMMISSIONER BRAULIO L. BAEZ
COMMISSIONER MICHAEL A. PALECKI

PROCEEDINGS: AGENDA CONFERENCE

ITEM NUMBER: 23

DATE: Tuesday, March 6, 2001

PLACE: 4075 Esplanade Way, Room 148
Tallahassee, Florida

REPORTED BY: MARY ALLEN NEEL
Registered Professional Reporter

ACCURATE STENOTYPE REPORTERS
100 SALEM COURT
TALLAHASSEE, FLORIDA 32301
(850)878-2221

PARTICIPANTS:

TODD BOHRMANN, Commission Staff.
MATTHEW CHILDS, on behalf of Florida Power & Light Company.
KORY DUBIN, Florida Power & Light Company.
ROBERT ELIAS, on behalf of the Commission Staff.
JOEL FLEMING, Lafarge Corporation.
JOE JENKINS, Commission Staff.
PAUL JOHNSTON, DuPont Mining.
COCHRAN KEATING, on behalf of the Commission Staff.
BILL McNULTY, Commission Staff.
JOHN McWHIRTER, on behalf of FIPUG.
GENE UNGER, Florida Power & Light Company.
DAVID WHEELER, Commission Staff.
GERRY YUPP, Florida Power & Light Company.

STAFF RECOMMENDATION

<u>Issue 1</u>: Should the Commission approve a mid-course correction to Florida Power & Light Company's (FPL) authorized fuel and purchased power cost recovery factors to collect FPL's actual $76.8 million under-recovery for 2000?
<u>Recommendation</u>: Yes. The Commission should approve FPL's petition for a mid-course correction to collect FPL's actual $76.8 million under-recovery for 2000. This approval would mitigate the rate impact of FPL collecting this amount during 2002.

<u>Issue 2</u>: Should the Commission approve a mid-course correction to Florida Power & Light Company's (FPL) authorized fuel and purchased power cost recovery factors to collect FPL's projected $431.5 million under-recovery in 2001?
<u>Recommendation</u>: Yes. The Commission's approval of a mid-course correction to collect FPL's projected $431.5 million under-recovery for 2001 will avoid a more severe rate impact that will result if collection of the under-recovery is deferred until 2002. Any over-recovery that FPL collects due to the proposed fuel cost recovery factors will be refunded to FPL's ratepayers with interest.

Issue 3: If the Commission approves FPL's petition, in whole or in part, for a mid-course correction to FPL's fuel cost recovery factors, what should be the effective date of the mid-course correction?
Recommendation: If the Commission does not approve staff's recommendation in Issues 1 and 2, this issue is moot. If the Commission approves staff's recommendations in Issue 1, Issue 2, or both, the effective date should be April 2, 2001.

Issue 4: Should this docket be closed?
Recommendation: No.

CHAIRMAN JACOBS: Item 23.

Commissioners, I've been informed that a couple of the parties want to make media presentations along with this docket item, and those presentations, it's my understanding, at least for one party, has impact on at least Item 23 and 24. Let me ask, what would be your pleasure? Would you want to have those presentations in advance of Item 23?

COMMISSIONER DEASON: I guess I'm a little confused. What presentation are you referring to?

CHAIRMAN JACOBS: PowerPointe. It's my understanding that Florida Power & Light has a PowerPointe and FMPA has a PowerPointe presentation that they would like to give in advance of Item 23 at least, and then FMPA's presentation also has effect for Item 24 as well. Is that correct, Mr. McWhirter?

MR. McWHIRTER: Mr. Chairman, I represent the Florida Industrial Power --

CHAIRMAN JACOBS: I'm sorry.

MR. McWHIRTER: -- Users Group, and --

CHAIRMAN JACOBS: That was a Freudian slip.

MR. McWHIRTER: We're a consumer group, and two of our people want to make a brief PowerPointe presentation because it explains their circumstances a little bit better. And it's with respect to Item 23 and Item 25, not 24.

CHAIRMAN JACOBS: I'm sorry.

MR. McWHIRTER: But we can do it after the utility makes its -- Florida Power & Light makes its initial presentation in this case, and then we would do the consumers part like we normally would.

COMMISSIONER PALECKI: Mr. Chairman, with regard to the presentation addressing both Items 23 and 25, I would point out that they are both fuel issues. They're somewhat related because they relate to the increases in fuel prices that utilities have been facing. And I would think it will not cause any difficulty to hear them both at the same time, so I would have no objection to that.

COMMISSIONER DEASON: I have no problem with that. I was a little -- when you indicated there was a media presentation, I thought it was a press conference kind of thing and you were wanting us to delay our decision until after a press conference, and I was thinking, no, we shouldn't do that.

CHAIRMAN JACOBS: No. We have more than enough media attention in that regard probably than we would like.

Given that, I understand we need a couple of minutes to get our facilities connected, so why don't we take a 10-minute break and come back.

MR. McWHIRTER: All right.

(Short recess.)

CHAIRMAN JACOBS: Call the agenda to order.

Staff, do you want to introduce this?

Commissioners, I guess we should also discuss briefly how you want to vote on this. Would you like to do it item by item?

COMMISSIONER PALECKI: Yes, I would like to vote item by item on these.

CHAIRMAN JACOBS: Because the three dockets, 23, 24, and 25, have some common issues, I would like to avoid duplication. But at the same time, if an issue comes up in the discussion outside of that docket that applies to you and you want to address it, I would give you the opportunity in a very narrow and concise way to address that issue if you think it has bearing on your interests in a particular docket.

So having said that, staff.

MR. BOHRMANN: Commissioners, Item 23 is staff's recommendation regarding FPL's petition for a mid-course correction to its fuel cost recovery factors. The Commission approved FPL's current fuel cost recovery factors at last November's fuel hearing based upon information and assumptions known at that time. However, since last November, FPL has experienced a sharp, unexpected increase in natural gas prices, and to a lesser extent, oil prices. FPL experienced a $76.8 million under-recovery for 2000 and projects a $431.5 million under-recovery for 2001. FPL requests to collect both under-recovery amounts over the last nine months of 2001, with an effective date of April 2, 2001. Staff recommends approval of FPL's petition.

Staff would like to point out to the Commission that FPL's projected 2001 under-recovery balance is largely based on assumptions about future events. Although fuel prices have drifted downward from their highs from two months ago, prices are still significantly above their historic averages and above FPL's previous projections. Staff compared FPL's assumptions with independent sources and believes FPL's assumptions are reasonable.

As always, the Commission will true up the fuel clause in the next two November fuel hearings as actual data becomes available. Any over-recoveries that result from implementing these proposed fuel cost recovery factors will be refunded to FPL's ratepayers with interest.

After staff filed its recommendation on FPL's petition for a mid-course, staff discovered the following errors in its recommendation:

On page 8, the last line of page 8, the word "files" should be "filed." And page 15 --

COMMISSIONER DEASON: Excuse me. Don't we -- we have this, do we not? Is it necessary to go item by item on these?

MR. BOHRMANN: I was just making these corrections for those who don't have that sheet.

COMMISSIONER DEASON: Oh, okay.

MR. BOHRMANN: And page 15, Table 3, the phrase "dollars per million BTU" should be inserted in the title.

I believe that parties are here to address the Commission, as well as answer any questions that the Commissioners may have.

CHAIRMAN JACOBS: Very well. Mr. Childs.

MR. CHILDS: Commissioners, my name is Matthew Childs. I represent Florida Power & Light Company. We thank you for the opportunity to address you concerning the company's request for a mid-course correction.

Because of the significant but unforeseeable increase in the cost of fuel for the forecast period, FPL notified the Commission in January that it appeared that its costs were going to be out of line and then petitioned for a mid-course correction, all, we believe, in accordance with established Commission procedures.

Your staff requested and reviewed a substantial amount of information, detailed information, and did, we think, a -- prepared a thorough recommendation for you. We do appreciate that thorough review, and we do support the recommendation of the staff.

However, because of the size of the requested mid-course correction, we thought that it was appropriate to be here before you today to give you an indication of the major factors that make the mid-course correction necessary, as well as make knowledgeable people available to you to answer Commission questions about the tremendous changes that have been experienced in the fuel costs that affect Florida Power & Light Company.

In that regard, I'm now going to have passed out some charts that I will be referring to and I will talk to. And while these are being distributed, I would like to introduce three people that we make available here to respond to your questions. First is Gerry Yupp, who is Manager of Regulated Wholesale Power Trading. Next is Gene Unger, who is forecaster in the Energy Marketing and Trading Division for Florida Power & Light. And finally is Kory Dubin, who is the Manager of Regulatory Affairs, who is also passing out the documents that she may be answering questions about. We'll give just a moment for those to be passed out, and then I'll start to refer to them.

I want to go to page 2 first, entitled "History of Residual Fuel Oil Prices," and call several things to your attention. First, you'll see on the horizontal line that the ten-year average price is $15.66 a barrel. And I'll also point out that this market price was slightly below that average for the years '97 and '98 and the first portion of 1999. Then, as you can see, the chart reflects the substantial and dramatic escalation in oil prices continued with not only escalation, but volatility in those prices.

If you turn to page 3, this is a similar chart relating to natural gas. Here we see had the average price is reflected -- and this is a market price only, the commodity price. The average is $2.30 per million BTU. This chart also is intended to reflect the substantial escalation that has in fact occurred in natural gas prices.

And just for some perspective, I would point out that a price of $5 per million BTU is over two times greater than the average, which was close to the average for a number of years.

That was the price that was charged Florida Power & Light and the price that was reflected in its fuel adjustment factor.

CHAIRMAN JACOBS: Mr. Childs, that's interesting, because what I had heard is that the $2 price, or $2.30 price was kind of out of the ordinary, but this says that it's not. In fact, it was a bit above the average.

MR. CHILDS: I'm sorry.

CHAIRMAN JACOBS: My information, where that came from is probably much less credible than your chart. I was just interested to see your chart. I think it's good information.

MR. CHILDS: I'm not sure I have your point, Commissioner.

CHAIRMAN JACOBS: No. I was just bringing out the point -- it was my -- one of the reasons why it was explained that the upturn, the recent upturn in the gas market was so unexpected --

MR. CHILDS: Right.

CHAIRMAN JACOBS: -- is that this $2.30 average price --

MR. CHILDS: Right.

CHAIRMAN JACOBS: -- was -- people were expecting that to go up some, but not to the level that it did.

MR. CHILDS: Not to the level --

CHAIRMAN JACOBS: And the reason for that is that the $2.30 price was somewhat below its historical average, that there was a price point where -- three or four dollars, somewhere in there, which was more close to the historical average, so there was an expectation for some --

MR. CHILDS: Some play.

CHAIRMAN JACOBS: Some play, but not as much as came about.

MR. CHILDS: Not as much. Now, if you look, one of the points I think that's -- and it's identified here for you to see. In March of '99, the price was $1.69 per million BTU, and the price is now many multiples of that today.

COMMISSIONER PALECKI: Do you have the current price today? I noticed you have 9.79 in January. Where have we gone since January?

MR. CHILDS: My understanding is that the price has declined from January. This was January, and these were charts that we prepared in talking to staff and when we filed our petition in January. The price has declined.

Mr. Unger can give you that information. He is the one who has prepared forecasts and compared them and answered questions, and if that's acceptable, I would like to have him answer that.

Turning to page 4, what we've tried to do is summarize here for you some of the significant areas of costs that affect Florida Power & Light, that is, the oil and gas prices. And you'll see that, first of all, we have our original projection, which is what we filed for the period with our forecast. And then next to that, to do the comparison, is the revised projection, which is where -- we think it's a more current estimate of what the fuel prices are going to be. The last column simply represents the percentage change.

The significant one -- the most significant number is the gas price, 46%. But also, if you look at the oil price with a 12 percent increase, with the substantial amount of oil generation, you will see a significant change in the fuel factor.

Mr. Yupp is also going to be able -- is here to talk about some of the fuel switching options and other steps that have been taken by FPL to mitigate the impact of these price changes.

The next page, page 5, is to set forth for you the components of FPL's requested mid-course correction. This is what we identified in our petition, and basically the two parts are the difference of the 76.8, which is the final under-recovery for the year 2000 above what our estimate was, and the revision of the 431.5 million reflecting the increased prices in 2001. So we have a combination. We had fuel prices that had actually gone up in the latter part of the year 2000 that affected the accuracy of our estimates when we were last before you.

The last page --

COMMISSIONER JABER: Mr. Childs, may I ask you a question --

MR. CHILDS: Excuse me.

COMMISSIONER JABER: -- on that point? We did the fuel adjustment hearing in November, and you filed your testimony, remind me, probably around August or September.

MR. CHILDS: I think so.

COMMISSIONER JABER: So the projections and

-- you end your projections with your testimony, don't you?

MR. CHILDS: We end them?

COMMISSIONER JABER: Yes. What is the period of time used for your projections?

MR. CHILDS: Well, we have 12 months of projections for the period. If you mean when we filed testimony in year 2000, we had some estimates for -- I think it was September, October, November, December were estimates. But Ms. Dubin can give you the exact amount.

COMMISSIONER JABER: Okay. And my specific question, Ms. Dubin, when it's time, is: That 76.8 million -- where is she? The 76.8 million is for what period of time over the projection? Does that make sense?

MR. CHILDS: It is for -- okay. She can answer it, but I believe it's for the year 2000, and it is the actual cost, now that we have actual figures for the year 2000, compared to what we presented to you at the hearing in November, which included four months of estimated data.

It is not the last page, but page 6 summarizes notification that Florida Power &

Light Company has been providing its customers through various means. And I would like to make sure that you know that we had started a bill insert with customers on the 28th of February. And because of the cycle nature billing and the distribution of bills that way, all customers will have received a notice of 30 days at least, or approximately, before they are billed under any new factor. But this is not traditional in terms of giving notice, but we have done it because we thought it was appropriate at this time.

The next page, page 7 -- and I mentioned this earlier -- is a matter that Mr. Yupp is here to address to you. It simply identifies various steps or various areas in which FPL has acted in attempting to mitigate the impact of the significant and unforeseeable change in fuel prices. Now that we've seen those changes and know that there's a difference, the company has taken steps to reduce the impact on customers, and we think with some success, although the numbers are still very large.

Once again, we do thank you for this opportunity to be here, and we hope to answer questions that you may have. We also thank the staff for a really thorough review in a short period of time.

I would like to point out that the mid-course correction procedure has been in effect for -- well, I guess since the mid 1980s. It has served to increase the factor from time to time, as well as decrease the factor from time to time. Had we known these prices when we were before you last year, we would have been asking you to establish a factor that reflected the reasonable prices in the future during the period that the factor would be charged. We didn't know it, and so now we're coming to you to ask you for this mid-course correction now, because we believe it's appropriate and mitigates the impact on the customers over the long term.

We do have those three individuals available to respond to questions. And, Commissioners, if it's appropriate, perhaps they could sit over there to my left -- most of the seats are taken -- and respond.

CHAIRMAN JACOBS: Very well. Commissioners, would you like to pose those questions now or go through the other presentations?

COMMISSIONER DEASON: Mr. Chairman, I have no questions.

CHAIRMAN JACOBS: Okay.

COMMISSIONER PALECKI: I just have the question previously of where have we come with regard to the fuel prices since January. What do things look like now?

MR. UNGER: Commissioner, my name is Gene Unger.

Specifically, this is a graph of the last three-day average settlement of the natural gas on the NYMEX exchange that you were referring to. The February contract, which is not on this graph, has expired, and that expired at $6.94. And the March contract has expired at $5.09. The April contract, as well as the balance of the year, of course, is still trading, and the April contract settled at $5.34 yesterday.

COMMISSIONER PALECKI: Thank you.

CHAIRMAN JACOBS: On page 14 of staff's recommendation -- do you have access to that?

MS. DUBIN: I'm sorry, Commissioner. Page 14?

CHAIRMAN JACOBS: Yes.
MS. DUBIN: Yes.
CHAIRMAN JACOBS: Now, as I understand it, Table 2 is sort of a step-by-step walk-through of how you came up with your projected under-recovery. Is that a fair description?
MR. UNGER: Yes.
CHAIRMAN JACOBS: Okay. And so the first question that comes to me is: How close did we come to what you're seeing now in the markets as you're closing these contracts? In your projected under-recovery, how close were your initial projections to what you're now seeing in the marketplace? And if there's a significant difference, does that call for any change in the overall projection that you gave for under-recovery? Do you understand?
MR. UNGER: Yes, I do, Commissioner. Commissioner, in the months of February and March, we were not projected to burn any sizable amount of natural gas. In fact, our natural gas burns can be relatively small in those months.
CHAIRMAN JACOBS: Mr. Unger, could I get you to speak a little bit close into the microphone? I think you're on. Just get a

little bit closer.

MR. UNGER: It's on. Is that better?

CHAIRMAN JACOBS: Yes. Thank you.

MR. UNGER: Yes. In the months of February and March, we were projected to burn very little natural gas, because oil is significantly lower priced than that. The actual NYMEX settlements were below what we had projected. However, for the months of May through December, when we do plan to burn quite a bit of natural gas, the current market is very close, in fact, essentially the same as what we filed as a mid-course correction for fuel forecasts.

CHAIRMAN JACOBS: Is there any significant impact to your overall projection?

MR. UNGER: No, there's no significant impact.

CHAIRMAN JACOBS: Okay. And that circumstance seems to be -- now, forgive me. Distillate oil is the primary fuel that's your generation fuel.

MR. UNGER: Residual fuel oil.

CHAIRMAN JACOBS: Residual fuel. That one, I didn't see that one.

Okay. So that's not -- here it is. Here it is. I'm sorry. No, I guess that's not. I don't have that same kind of chart for residual oil. I have it for distillate oil. But I can just ask you. I'm sure you probably have that information available to you.

It's interesting, because in the table, in distillate oil, there seems to be -- the oil prices seem to be normalizing and coming back into form in the latter part of the year. Does that trend also apply for residual oil? In other words --

MR. UNGER: Our current view for residual fuel oil is essentially unchanged from our view back in early January.

CHAIRMAN JACOBS: Okay.

COMMISSIONER JABER: Ms. Dubin, did you agree with Mr. Childs' response to me with respect to the period of time for the under-recovery?

MS. DUBIN: Yes. We didn't see the changes in the market until -- the hearing was November 21st, I believe. We started seeing a lot of change in November and then in December. And, of course, we were evaluating whether or not to make a change at that time.

COMMISSIONER JABER: And those changes were associated with changes in weather?

MS. DUBIN: The weather really has impacted the month of January when -- excuse me, for South Florida weather. But the price increases that we saw in November and December were due primarily to the increases in the oil and gas markets because of the unusually cold weather in the United States nationwide, I guess. I believe that the weather -- I think it's the Climatic Weather Service. They said in the 105 years of collecting weather data, it was the coldest November and December on history, in history.

COMMISSIONER JABER: Okay. And then has anyone done an analysis, staff or the company, on what the impact would have been had you not been able to use these four mechanisms to mitigate? What was the analysis, and I'm talking dollar amounts, with respect to impact to the customer had you not been able to use shifting generation to different sources, the four mechanisms that staff describes that FP&L used to mitigate the impact?

MS. DUBIN: I believe staff's calculation shows about $100 million in switching from the original oil projection and gas burns to the projections that we have now. But Mr. Yupp may be better off explaining some of the things that we've done as far as fuel mix.

MR. YUPP: Would you like to hear specifics on what we have been doing? I do have some dollar volumes tied to some specific things that we did in December as fuel prices came up, some approximate dollar volume or dollar amounts.

But I guess I would just first start by categorizing what we've been trying to do on the fuel side into three separate categories that were on the last page of our slides, and that is energy portfolio diversification, asset optimization and, of course, fuel hedging.

Under energy portfolio diversification, I think what's important to note there is, we do have a wide variety of generation mix. We're not specifically tied to one fuel source and captive to that source. So as fuel prices change, we're able to adjust and be a little bit more flexible in how we dispatch our system for the cheapest cost.

And along those lines also is our diversification even within our purchased power contracts and within our fuel contracts. Not everything is tied into one basket, so to speak. We do have long-term gas contracts, mid-term. We do spot buying. And it's the same in our purchased power contracts, our long-term coal contracts and for purchased power, and being in the spot market, economy type purchases, and purchases from some coal units also.

But moving on to asset optimization, there are standard day-to-day mechanisms that we use always, no matter what prices are, to mitigate the impact and to procure the lowest cost fuel and cost minimization to our customers. When we've seen this big disparity now between gas and oil prices, what we've really tried to do and have accomplished is in our fuel switching capability. Roughly 68% of our assets are capable of switching between oil and gas, and that includes distillate and residual. We are able to burn distillate in our combined cycle units. Kory alluded to the $100 million in savings that staff had put in their recommendation.

And then some other areas of asset optimization would be, of course, purchasing power in the spot market lower than we can generate it at and then providing that savings back to our customers, and also in selling our excess oil-fired generation, which in December, given the colder weather across the United States, we were able to switch to burning lower cost oil and take advantage of a power market that was in need and while we had a good bit of excess.

I have here some approximate numbers, that we were able to sell about 550,000 megawatt-hours into the market at roughly $16 million in profit that we were able to pass back through to our customers. So that's one way we've been able to mitigate some of the impact of these fuel prices.

And then moving on into fuel hedging, which I guess is the main area here, again, on some day-to-day things, given the forecast that we now have that oil really will be cheaper than gas for the balance of the year, we've begun to maximize our oil inventory, and along those lines, securing the necessary oil transportation that we will need to burn those kind of volumes of oil. We are looking at fixing -- possibly fixing some gas prices, maybe on a smaller volume that we may need for the summer, taking a look at where we think the market could go on the downside versus what the upside potential of the market is. We have begun to financially fix a smaller portion of oil, which we did here in the first three months as we saw prices favorable for our customers.

CHAIRMAN JACOBS: A quick question. Do I take it then that you didn't have any real fixed contracts prior to December?

MR. YUPP: No, we did not. That's a safe assumption. Most of our contracts are index-based contracts. We have talked before -- our goal is to procure fuel at below market prices, and so many of our contracts are index-based. But as we saw these highly volatile swings, we've begun to take a closer look at possibly fixing more volume of our fuel as we think prices are favorable.

Going back to December of 2000 for a couple more numbers, in December, as fuel prices ran, we were able also not only to sell power, but as we burned our oil and sold that into the market, we were also able to sell off the excess gas then that we had every day, which resulted in a fuel savings again of about $10 million in December with the volumes that we were able to sell. And it's important to note along those lines that the volumes were really higher than we have ever seen, the amount of fuel or gas that we were selling into the market.

And then my final point would be that given the entire fuel market right now, we've had to be much more creative in our approach to mitigating this impact as this price relationship has widened so much. And a couple of the things that we were able to do specifically in January and February have really had an impact on lower costs. As gas prices in the forward months that we saw running up for January, we -- a first for the utility was to utilize gas storage. So in December not only were we selling gas into the market, but we also began injecting it into a storage facility.

And the intent of that was, in January, given the price relationship, we knew that we wanted to have a base load quantity of gas at a minimum, the minimum amount of gas we would need every day, but yet also then to have a backup for those peak demand days when we know we would need more gas to meet our demand. That worked out very well for us. We were able to pull gas out of storage on some peak demand days, and we did have a few. And we were able to reliably meet our needs, while also really figuring out for the long term what our minimum gas requirements are, because, again, we have not dispatched our system in this manner in -- possibly ever, given the price disparity between gas and oil.

COMMISSIONER JABER: On that note, on page 6 of staff's recommendation, they make the point that the low storage actually contributed to some of the rise in the prices. Explain to me, is that an issue on your end, or was it the ability of the state to receive the oil and gas? Was that a supply problem on FP&L's part?

MR. YUPP: As far as the quantities that we needed? No, it was not.

COMMISSIONER JABER: Can you explain that to me a little bit?

MR. UNGER: Yes. Let me explain it, Commissioner. The storage that they were referring to was the storage on a national basis, that ever since April or so of last year when we started the summer injection season, we have moved from an average historical level in storage to when we got through with the summer, we just did not have as much injection. And we entered the winter last year, the winter of 2000-2001, at all-time record lows on a national basis. And we continue such that we're still there today setting all-time records on a national basis, which has impacted -- you know, provided opportunities where if there ever was a disruption in gas on the national scene, that the storage was very low.

What Mr. Yupp is referring to is specific storage that FPL has, which was not impacted the same way.

CHAIRMAN JACOBS: Going back to Commissioner Jaber's question, it was my understanding, and would you confirm for me that the absence of storage injection last summer was not so much that supply wasn't there; it was the idea that prices for last summer were felt to be out of line, and therefore, the whole theory of injecting storage when prices are down for use later in the heating season didn't seem to apply. Is that a correct analysis?

MR. YUPP: That is correct, yes.

MR. UNGER: That's correct, sir.

CHAIRMAN JACOBS: And then one other point that was raised. Is it the case that you have storage facilities, or are those reflective of storage in the pipeline as a whole?

MR. YUPP: We have never had storage facilities, but in December as we saw this price relationship changing, we decided that if we could locate a storage facility and utilize it -- and, of course, it's on an interruptible basis -- that it would benefit us in the long run, because we could then take base load volumes of gas down in January, but yet have a backup, like I mentioned, for those peak days.

COMMISSIONER JABER: That was another mitigation mechanism used.

MR. YUPP: Yes, it was. Yes, it was.

And just briefly on a couple of -- actually, one last point on another mitigation strategy. I alluded to long-term gas contracts, and we do have some must-take volumes of gas that are tied to an index. We were able in January to take those must-take contracts down to a lower level, and basically by exchanging the gas. We did not take it in January, and we exchanged it for summer gas, which has -- we know we are going to be burning gas. So we have effectively again lowered costs for our customers.

COMMISSIONER JABER: Would you agree with the previous number that -- I'm just looking for a bottom line number on what all of the mitigation resulted in a dollar -- savings isn't the right word, but I'm looking for what the impact could have been had you not used all of the mitigation techniques.

MR. YUPP: In what I have here -- and again, this would be very approximate, but added in with the fuel switching, I would say 150 million to 200 million I believe is fairly accurate.

COMMISSIONER JABER: Okay. Thank you.

CHAIRMAN JACOBS: I'm sorry. We interrupted you. Feel free to go ahead and complete your presentation.

MR. YUPP: I'm pretty much finished. If you have more questions, I'm --

CHAIRMAN JACOBS: Okay.

MR. YUPP: -- here to answer them.

CHAIRMAN JACOBS: Commissioners, any other questions?

Let me just do a brief announcement. Commissioner Deason has some jury obligations. He is going to leave us now, but we're going to go ahead and proceed, and then we'll have a vote, and we have procedures in place in case his official vote is needed today. But absent that, he has indicated his preference on this docket to Mr. McLean, and we can deal with that at the time if it's called for. So no problem. We're okay.

COMMISSIONER DEASON: Mr. Chairman, I just want to avoid the possibility of a split vote, a 2-2 vote, and then no decision being made. And I don't think that's going to happen, but we want to make sure that that doesn't happen. And I will be available, and I can take care of that situation.

CHAIRMAN JACOBS: All right. So we're covered on that.

Now, you're done with yours?

MR. YUPP: Yes.

CHAIRMAN JACOBS: Now Mr. McWhirter.

MR. McWHIRTER: Mr. Chairman, my name is John McWhirter, and I represent the Florida Industrial Power Users Group. And needless to say, the people that I represent were put into a state of shock when they found out what was going to happen to them.

For instance, Florida Power & Light within a year has increased its fuel costs by over a billion dollars in less than a year. And we recognize the increases in fuel costs, but we wondered if there were some ways that things could be done to fine-tune this presentation from the consumers' viewpoint.

And in that regard, I brought with me one large industrial customer, IMC Phosphate company, one large commercial company, and Mr. Jim McDowell with Publix, which has stores in all three utilities' service areas. IMC has operations in both Tampa Electric and Florida Power. And then I brought two small industrial customers who are more reflective of the smaller loads, but maybe not as reflective, DuPont, a company which is located -- has a mine located between Starke and Jacksonville, Florida, and Lafarge Cement Company, which has cement plant operations in the Florida Power & Light and the Tampa Electric service territory. Each one of them is going to tell you -- we're only going to have two presentations, and these two companies are going to tell you what has happened to their business. And we think these are typical of industrial impacts.

And then we're going to suggest to you several things. I'm going to tell them to you now, and then I'm going to tell them to you again at the conclusion of their presentation, which will be shorter than the Florida Power & Light presentation.

The first observation we had is, the gas bubble is obviously at an end, but the thing that created the gas bubble to begin with is now rebirthing. The gas bubble came about because natural gas prices went to $6 in MMBTU back in 1978, and for the next almost 20 years, the price of gas went down because more producers came into that competitive marketplace and did things. So we think that's something that needs to be thought about.

We would suggest to you that because things may change -- Mr. Unger just pointed out a very dramatic change. Forecasting is very difficult. And this presentation that's made to you today is based on what's going to happen nine to 12 months in the future. His original presentation, which is in staff's Attachment A, showed that the price for natural gas in March of 2001 was going to be $8.64. He said now those contracts have closed at $5.09.

So forecasts are tough. And we don't criticize the forecasts, but we suggest to you that since customers bear all the risk in a situation where cost recovery is guaranteed, that perhaps it would be wise to move a little bit more slowly. So what we're going to recommend to you is that this increase -- what they've done, you know, they have one increase that the forecast is $441 million short, and then the other $76 million comes from the fact that in the year 2000, they collected less than they thought they would. And normally that's taken care of in November and not at this time of the year, but they just lumped the two together and say, "Rather than extending it out over two years as we did before, let's collect it all as quickly as possible using the current factor," which would be a little over a year.

Our suggestion to you is the same as the suggestion we made to you in November, and that is that you project this over three years. But your staff presentation is inconsistent with that. They say, "Look, we're better off -- the customer will be better off if we load all the high costs on now so that they won't be hit in 2002." But the customer looks not just at the gas -- or not just at the fuel component of his electric bill, but his total bill. And you need to recognize some other things that are going to happen in 2002 that are going to offset these fuel cost increases, even if they stay as high as projected.

COMMISSIONER JABER: Mr. McWhirter?

MR. McWHIRTER: Ma'am?

COMMISSIONER JABER: Projecting it over three years or extending the time period even until next November would add on an interest expense as well; correct?

MR. McWHIRTER: We think that the interest factor pales into insignificance when you consider the other things that come into play. And the main thing that's going to come into play with respect to Florida Power & Light is that you may realize that right now, they're under a rate freeze which refunds $350 million to the customers in their base rates. That rate freeze expires next year, and at that point in time, the Commission can re-evaluate base rates. The rate freeze was based on a settlement which came in, in the ideas of some, less than the full amount of the base rate reduction that should have been in place.

So I would think that the amount of money that's contained in what's going to happen to their base rates if the Commission does its job next year pales into insignificance. And that flows through to all three utilities.

Now I've already taken more time than I anticipated in my introduction. I would first like to introduce to you Mr. Paul Johnston. He's here all the way from Starke, Florida, and he's going to tell you a little bit about the DuPont mining operation in that area.

MR. JOHNSTON: I'm Paul Johnston. I'm from the DuPont mine in Starke, Florida, as John has mentioned. We're a mining operation that started up in 1948. We're located in primarily Clay County, but we also go into Bradford, Duval, and Baker County. The primary operations in Clay County have been at the Florida National Guard base at Camp Blanding.

We're a heavy minerals mining operation. We mine titanium dioxide, which is used in white paints, pigments, plastics. Just about anything that's white probably has the titanium dioxide as the material that made the white pigment. We also have zircon heavy minerals, which are used in foundries, in vestment casting. Items such as your titanium golf heads are made from that product or used in that product. We also have a heavy mineral, staurolite, which is an abrasive sand used for blasting. It's used in things such as your space shuttles when they blast those rockets. They use them 30 times. Using our materials, they can reuse those booster rockets.

We employ 217 DuPont employees and 94 contractors at the present time. The impact financially is around $20 million in payroll and benefits, $29 million in goods and services, and $3 million in state and local taxes.

Some of our electrical facts, we use 87,000 and 90,000 megawatt-hours a year. We run 24 hours a day, 365 days a year. We'll average 25% peak and 75% off-peak, with an 80% average load factor. The majority of our shutdowns are taken in the off-peak hours to maximize the savings from those lower -- or give us lower costs by using the off-peak hours. We're also an interruptible service contract, and we have no cogeneration potential. We're an electric plant. We have no steam or other fuel that could generate power.

This graphing here, this is, I'm sure, nothing new to you folks. This is the fuel charge history that I've taken off of the FPL billings. You can see the very close relationship between on-peak and off-peak. They've both risen. I guess one of our questions, you know, do we get any value for the 75% of our operations that are running at off-peak hours versus on-peak.

The economic impact to our site from 2000 to 2001 as I've calculated it based on these projected increases would be a 31% increase, which is over a $1 million increase in the one-year period, 2000 to 2001.

These costs will then directly relate to an increase in cost per ton to our pigment plants. We're all DuPont, but they do buy most of their ore from overseas suppliers of their raw material, and we are judged as to what's the cost of our material versus what they can buy it on the open market. So this obviously makes us less competitive when we add the large burden to the cost of the material.

COMMISSIONER JABER: Mr. Johnston, let me interrupt you for a minute. You may see us look down. We're not ignoring you. We can watch that here on our computers.

MR. JOHNSTON: Okay. Where we're concerned I guess is the dramatic forecast increase. We run on budgets like most businesses, and this obviously was not in our budget.

I know the Public Service Commission, FP&L, I guess we all thought we were going to be in good shape several years ago. The budgeting process was set up in November so we would know going into the year what the fuel increases would be hopefully for the coming year. Of course, last year as these fuels increased, we had an increase in June, I believe it was, and another one in November that went into effect this year, and now we're going in for the third one in roughly a year. So we have problems just adjusting to our budget, and I think that's why John McWhirter mentioned that stretching some of these out helps us. We may not stay within our budget, but we stay a lot closer than if we see the full impact.

One question we had was the FP&L fuel forecast. Based on what my corporation has -- our longer range forecast, we see that F&PL appeared to be approximately 20 percent higher on the natural gas I guess against NYMEX as we project it out.

A question, why such a small delta between on-peak and off-peak fuel cost.

And we really need time to adjust to these rapid increases. The dramatic changes, again going back to our budgets, are devastating. When I mention this to people, I get phone calls from our corporate headquarters immediately when we pass on this type of increase.

Requested considerations to the Commission would be could you extend or look at, consider extending the recovery time, and not for this particular hearing, but more into the future, looking into real-time hourly pricing and real-time seasonal pricing.

That's all I have. Thank you.

MR. McWHIRTER: Just to briefly supplement what he said, we also employed a consultant, and we've gotten a preliminary report from the consultant. The table attached to your staff memorandum shows the price per unit differentials, and that translates into what is the impact in the overall fuel cost.

We asked our consultant to look at the NYMEX and determine what the impact on fuel cost was, and their conclusion was that the $431 million is overly conservative, and actually the fuel cost based on current NYMEX projections is $143 million less than Florida Power & Light projects during its forecast period. If that proves to be the case, then loading these costs in the early months subject to refund at commercial paper rates later on is not necessarily the thing that's most beneficial to customers.

CHAIRMAN JACOBS: Which type of fuel -- which type of fuel is it that accounts for that difference? Is it distillate oil or the residual?

MR. McWHIRTER: It's primarily fuel or -- it's primarily gas and fuel oil.

CHAIRMAN JACOBS: Okay.

MR. McWHIRTER: And as you know, 30% of Florida Power & Light's generation is by nuclear, and 7 or 8% is by coal and coal-by-wire purchases, which constitutes better than half their purchases. And what we have is a situation in which the fuel cost of gas, really, only 23% of the generation comes from natural gas.

And the other good aspect to it is that the price of natural gas goes down in the summer months and goes up in the winter months, with this very, very high winter cost. So this mid-course protection or request for relief happened right at the highest point in the year, and you all have already observed that.

But our concern is, if the fuel cost of nuclear power is $2.99 a megawatt-hour -- that's

1,000 kilowatt-hours -- the price at $6.91 for natural gas is $69.10. Now, that's 2,000% higher than the cost of nuclear. We think that what happens during the off-peak period is that they're burning their base load plants.

And we think that one of the things that's not sending the right price signals to consumers at the present time is that -- to encourage people maybe to move to the off-peak periods is, the differential is very small. The differential between the on-peak and the off-peak price is only something less than 12% in their pricing mechanism.

Now, I'm not going to recommend, and I would not suggest remotely that you today look at real-time pricing and try to take some action on it, but I think that's something that's deserving of study. And California demonstrated to us that -- one of the real problems they had in California was, since consumers' prices didn't change, nobody really reacted, and that created a problem. So real-time pricing is something that may turn out to be very helpful. It would certainly be helpful to a commercial operation that could move to the off-peak period and avoid some of this.

So having interjected myself once again, for which I apologize, I now introduce to you Mr. Joel Fleming. Mr. Fleming came here from Southport, Michigan, out of the cold into the cold. And he's a national energy person for Lafarge Cement Company, which has operations both in the Florida Power & Light and in the Tampa Electric territory.

Mr. Fleming, you've got the floor.

MR. FLEMING: Thank you, John.

Good morning. I'm Joel Fleming. Again, I am Director of Purchasing for Lafarge Corporation, U.S. cement operations based in Southfield, Michigan. My area of control is all of North American, and also the Canadian plants.

Just a brief overview of Lafarge Corp. in case you're not familiar with who we may be. We are a cement and aggregate and wallboard corporation based in Herndon, Virginia. That's where our corporate headquarters are located. We basically work 45 states in the United States and all the provinces of Canada. We have some 16 cement plants and some 900 aggregate plants in North America. We are a part of Lafarge, S.A., which is our parent company, which owns 52% of our common shares, based in Paris, France. We are indeed global. They have in excess of 130 cement plants. And with the acquisition or pending acquisition of the Blue Circle organization, it will make Lafarge the number one cement plant, cement manufacturer in all the world, to give you a little taste for that.

In saying that, and we're very proud of that, we also realize that, in effect, we are also in the commodity business, if you will. Our products are basically commodities and goods and services, and we do not have the privilege to ratchet up the gross margins on those products, and we have to compete in the marketplace basically for all of our goods and services.

I wanted to talk a little bit this morning, if I could -- and I'll try to keep it short. We are concerned as a consumer. Here in Florida we operate two plants, one in Tampa, which is served by Tampa Electric, and the other in Port Manatee, which is served by Florida Power &

Light.

Getting into the presentation for a moment, we are a major supplier of cement in Florida. Again, we have plants in Tampa and Port Manatee. We have combined employment of 75 people and combined payroll of approximately 3.3 million.

Energy throughout basically our manufacturing process is in fact one of our largest single dollar expenditures. It makes no exception here in Florida. Low cement costs are vital to keep our new construction reasonably priced. Gas prices, fuel adjustment increases will cost Florida citizens at least a half a million dollars more in construction prices. And this is just based on our own Tampa and Port Manatee plants, not counting the other cement competitors that we face here and basically the Florida consumers that purchase from them. And the utilities' current energy buying strategies creates inflationary pressure, which basically affect Lafarge and all of the Florida consumers.

COMMISSIONER JABER: You know, I think you're making the argument that the energy prices are a direct impact on the prices you have to charge your customers for the price of cement. And in that regard, to keep the cement industry stable, there has to be an argument made that increases along the way are better than a massive increase once a year. And to me, if you're making the argument that it has a direct impact on prices of the commodity, the goods and services that you provide, then wouldn't you as a businessman rather have those prices spread over time than have them once a year and be quite large?

MR. FLEMING: Well, what I'm really saying here to you is the fact that I would like the spread to be even more. Okay? I think what we're faced here with is obviously a slowing economy overall which, in effect, affects large and small companies. I think we can look at our stock market and watch the evening reports, if you will, and reflect on that. Some of the companies will not make it. Okay? Some of the companies that we sell to will not make it. And obviously, there is a tightening. So this has a direct impact, if you will, right through the chain. And it is -- quite frankly, some of these charges are questionable. And again, we're concerned, and I would like to bring forth some of these points as I continue my presentation this morning.

Just talking a little bit about gas prices, I indicate -- my second bullet here is gas prices have been high, but they are now down significantly and are expected to moderate. This reflects back to the Florida Power & Light page 2 indication that they did hit an all-time high of almost $10 a million, but they have come dramatically down. And that was, I think, on the 9th day of January, so you can see that they're down around $5.33 as of the close of NYMEX yesterday.

I must remind the Commission too that these are spot prices. Okay? For instance, our prices for natural gas for the whole year in all the United States never got above $2.47. That's simply because we basically used hedge positions, and that's listed on the last page of the presentation by Florida Power & Light. But if you take the ten-year average on the third page, you can see that any of those spots, any of the dots, if you will, below the ten-year line when it has been an acceptable hedge. This is just to bring in light a different buying strategy that is currently prevailing in the utility.

More variation likely, but high prices are causing adjustments that bring lower prices. And future markets predict lower, more stable prices in the future. Again, I'll reflect back to the $2.30. This is a ten-year historic average on spot prices, not hedge positions again, but spot prices.

And I must say that listening to the Florida Power & Light representatives, they indicate that they used an indexed pricing mechanism, which is very acceptable in buying natural gas, but is also a purchasing default position. We also use that, but we only use it for a small portion of our gas, because this entails you basically relying on the settlement price of the NYMEX.

Looking at some prices, we reflect that prices over a period of time will remain above the ten-year history, but they are decreasing over time. And we have basically ambitious hopes that they will come back closer to the historic averages.

One of the things you have to take into consideration that spiked up prices in the year 2000 was that we came off quite a warm summer, and then we started a very cold winter in December. This was brought out by our representatives from the utilities. It is true this helped push those prices up, if you will, to higher levels. But there are many mechanisms. And I only say this as reference and as a suggestion. There are many ways to procure natural gas. And at these levels, some of those levels is, in effect, risk management, but it's highly advantageous compared to the volatility that we see in the marketplace in spot and default positions today.

What we would like to recommend for your consideration this morning, this Commission should not overreact to temporary conditions. Please do not impose a major additional economic burden on the Florida citizens as they fight off a possible recession. We're very alarmed and concerned about this. We feel that many of the smaller businesses will not make it based on the higher costs they will have to endure.

And then to spread any adjustments over a longer period of time to reduce impact. Quite frankly, we think that the impact presented to you this morning by the utilities is an error in forecasting, and we feel that the pricing will be somewhat better than that stretched over time.

We've talked about some of these, but natural gas on the NYMEX. We've talked about selective monthly firm prices in lieu of spot, selected collars for pricing windows, risk management procedures as a default position.

It's all, in effect, risk management. But with highly volatile markets, it is advantageous to take a position, at least a small position, to, in essence, nail down a price compared to a budget number.

We are very concerned. Basically, our budgets will be negatively impacted as we go forward if these increases are approved by the Commission.

Let's talk just a moment about coal. Utilities are obviously the larger -- the largest, if you will, purchasers of coal. And the reason I put this slide in is simply to indicate that they are also huge buyers of natural gas, and all fuels, for that matter.

We as basically a cement manufacturing company are also large, but we are only large as an industrial, not as a utility, in the size and breadth that we buy. Our overall costs, though, have not been impacted anything like the costs that have been suggested to you this morning by the utilities.

And it's simply a different strategy. And, in effect, if we make mistakes, our shareholders are directly and negatively impacted based on the share value of our stock. If the utilities are affected, in effect, make negative calls or mistakes in their procurement strategy, all of Florida is affected. And it does have a demeaning impact. I only bring this to your attention simply because in comparison, we were not affected anything like the utilities are at the chamber today.

We talked about alternative fuels. Just a suggestion. Some of these are already being sought out by the utilities. They're also being sought out by the industrial accounts such as Lafarge, and that is petroleum coke, obviously fuel oils, blends of various materials to run our kilns as well the boilers of the utilities.

Just to wrap up here, I wanted to mention one thing, unanswered procurement strategy questions, unplanned commodity purchases, being imprudent versus prudent in their fuel acquisitions, major cost impacts to all customers in the State of Florida, i.e., Lafarge, and the customers bear all the risk, and questions of why that is.

These comments are made only as suggestions to you this morning. They're only for you, and we hope that -- obviously, that you'll make the right call, make the right recommendation. And, in effect, they're made from best practices, sound best practices from a procurement standpoint and also in a forecasting standpoint.

I thank all of you for listening to me, and it was a great pleasure to come before you today to discuss this with you. Thank you.

COMMISSIONER JABER: Thank you.

CHAIRMAN JACOBS: Any questions?

COMMISSIONER JABER: No.

CHAIRMAN JACOBS: Thank you, Mr. Fleming.

Anyone else, Mr. McWhirter? Are you going to close out?

MR. McWHIRTER: Yeah, let me close out for our presentation.

As I told you at the start, I would tell you what we were going to ask you to do, and I'll tell you at the close what we're going to ask you to do. We're going to ask you to spread out this increase over a three-year period rather than the shorter period that is projected by Florida Power & Light, because we believe that conditions are going to change fairly dramatically over that three-year period, which will ameliorate the impact on the customers.

The second thing we ask you to do is to recognize that $76 million of this recovery is something that normally would happen at the end of the year, and there's no justification for throwing it in on top of a revised forecast which we find to be perhaps too high.

The final thing is, the justification for doing it all now is the fact that the impact on the customers in 2002 will be much greater if something isn't done now. And I suggest to you that the customers' bills in 2002 should come down dramatically as a result of base rate changes that may occur when the current rate freeze ends if legislation doesn't pass, and as a consequence, it will be better to postpone as much as we can into 2002, because the interest carryover will be insignificant compared to what the base rate reduction should be.

Thank you for your time. And we apologize for making a hearing type presentation in an agenda conference, but obviously, this was a matter of such major importance that we couldn't just let you think that the customers are really happy with what's going on.

CHAIRMAN JACOBS: Thank you.

Commissioners, any questions?

I have a couple of questions for staff.

The company indicated that their projections -- first of all, do you agree with the percentages that were given that oil I guess is about 40% of generation?

MR. BOHRMANN: I'm sorry. I didn't hear your --

CHAIRMAN JACOBS: I don't have the actual statistics in front of me, but based on the numbers that were represented, oil represents about close to 40% of the total generation, and gas was represented as 23%. Do those numbers --

do you agree with those numbers?

COMMISSIONER JABER: Page 4 of the presentation? Is that what you're talking about?

CHAIRMAN JACOBS: I don't have them in front of me, but I heard the numbers come out.

MR. BOHRMANN: Those sounds reasonable.

CHAIRMAN JACOBS: Okay. Now, in the company's presentation, they indicated that your table on page 15 of the recommendation, which goes to Table 3 --

MR. BOHRMANN: Yes.

CHAIRMAN JACOBS: Which goes to distillate oil.

MR. BOHRMANN: Yes.

CHAIRMAN JACOBS: As I understood from the company, their primary oil is residual oil.

MR. BOHRMANN: Yes.

CHAIRMAN JACOBS: Okay. Are you aware of to what extent the projection numbers for residual oil track the numbers here, that you have listed out here for distillate oil?

MR. BOHRMANN: Yes, we do have some information. The New York Mercantile Exchange does not have a market for residual oil, so we had to go to the United States Energy Information Agency's forecast, and their forecast for residual oil compared very favorably with FPL's forecast for the rest of the year. I think there's only like a dime's worth of difference between FPL's forecast and EIA's forecast on a per million BTU basis.

CHAIRMAN JACOBS: Okay. I think that was all of my questions.

Oh, on page 9 of the recommendation.

MR. BOHRMANN: Yes. We have our discussion about -- the comparison between the two forecasts is on page 8 of the recommendation.

CHAIRMAN JACOBS: Right. On page 9 of the recommendation you talk about the impact, and essentially what you say is that if there is no mid-course correction now, then there could be a more severe impact coming up in the next cycle.

MR. BOHRMANN: Yes.

CHAIRMAN JACOBS: And you base that on accepting this recovery -- I'm sorry, this projection for an under-recovery.

MR. BOHRMANN: Yes.

CHAIRMAN JACOBS: Plus the actual from 2000; correct?

MR. BOHRMANN: Yes.

CHAIRMAN JACOBS: Okay. Commissioners, do you have any questions?

COMMISSIONER PALECKI: No.

COMMISSIONER JABER: One final question, Todd. Have you all thought about the impact to the residential customer if we don't approve a mid-course correction now? And specifically I'm referring to carrying the interest.

MR. BOHRMANN: On page 9 of the recommendation, we state that if the mid-course correction is not approved, ratepayers will pay an additional $24 million in interest expense to the company on the under-recovery balance.

CHAIRMAN JACOBS: That's assuming that we come out at 430 million plus.

MR. BOHRMANN: Assuming the projects are correct, and assuming that the Commission does not approve the mid-course.

COMMISSIONER JABER: Right.

MR. BOHRMANN: It would be $24 million.

COMMISSIONER JABER: And Mr. McWhirter made a very good point about the volatility of the prices. And to the degree that the prices do go down or continue to go down, we'll capture that in the true-up proceeding?

MR. BOHRMANN: Yes.

CHAIRMAN JACOBS: What happens -- let's discuss for a moment the proposal to extend the recovery over another year. Of course, that picks up additional interest and amortization expenses; correct?

MR. BOHRMANN: Yes.

CHAIRMAN JACOBS: Is there any analysis that has been done to determine how that compares -- well, I assume -- do you have an idea of what the additional expense would be?

MR. BOHRMANN: No, we do not. Staff was just informed of FIPUG's suggestions at the same time the Commission was, so we haven't had a chance to discern what impact upon the ratepayers FIPUG's proposal would be.

CHAIRMAN JACOBS: Okay. Now, let's --

COMMISSIONER JABER: But if you know -- I'm sorry, Mr. Chairman. But if you know that there's an avoidance of interest of 24 million by allowing an increase now, six months -- what is it, from now until November.

MR. BOHRMANN: Right.

COMMISSIONER JABER: Then carrying it over three years has to be more than $24 million in interest; right?

MR. BOHRMANN: One would think so, but we just haven't had a chance to calculate the hard numbers and -- we've had not chance to do that.

COMMISSIONER BAEZ: And I wanted to note that we're also not taking into consideration that when 2002 comes, we're starting 270 million in the hole.

MR. BOHRMANN: That is correct.

COMMISSIONER JABER: Right.

COMMISSIONER BAEZ: I had a question. You said that the 431 million is 19% -- I guess the under-recovery is 19%. So what you're saying is, FP&L in this particular case, their miscalculation or their -- I don't want to say miscalculation, but I guess it's as good a word as any. They were off by roughly 20%; is that --

MR. BOHRMANN: Their forecast error was about 19%.

COMMISSIONER BAEZ: It was 20% short.

MR. BOHRMANN: Yes.

COMMISSIONER BAEZ: Have you ever seen a correction the other way that big? Maybe not you personally, but if anybody on staff has any recollection. I mean, do over-recoveries --

MR. BOHRMANN: I'm not getting any indication that anyone has seen anything like that in the past.

COMMISSIONER BAEZ: And I just want to understand all of this a little better. I had a friend who was a salesman, and in one month he made, you know, $2,000 in commission, and he immediately said, "I'm making $24,000 a year." The next month he would make $5,000, and all of a sudden his annualized salary was $60,000 a year. Is this what's going on here in terms of projections?

MR. BOHRMANN: I don't think so. We've seen unprecedented levels of increases in the cost of fuel over the past three months, and I think all over the country, you know, the utility companies are experiencing the same phenomenon.

COMMISSIONER BAEZ: And I think that's a good point, but I also listened to Mr. McWhirter, and I guess the suggestion that's being made is that since the market -- certainly the fuel market and the gas market is cyclical.

That to be basing it on, you know, the three previous months, if that's what we're using as a basis to project across the rest of the year, is perhaps not an accurate method of doing it if in fact we're seeing -- and I don't know what correlation the numbers have, but, you know, there were numbers thrown out for contracts that were decidedly going down, I mean, from 6.98 to 5-1/2 now. Is that a fair trend, taking into account, you know, that the summer is coming and --

MR. BOHRMANN: This morning we --

COMMISSIONER BAEZ: Or is it in fact the other way around? I'm sorry.

MR. BOHRMANN: This morning we compared FPL's forecast for natural gas to the futures prices on the New York Mercantile Exchange as they closed yesterday afternoon, and there's still a pretty good comparison between those two series of numbers. I think there's only about a $7 million difference over FPL's entire system. So I think these numbers are an accurate -- FPL's numbers fall within a reasonable range of future expectations of what natural gas prices will be, as of all the information we know of today.

COMMISSIONER BAEZ: I guess I just want to have some comfort that we are taking future -- our future expectations are either trending up or trending down appropriately and that we're not actually engaging in a snapshot and having that represent the rest of -- you know, the rest of --

MR. BOHRMANN: Yes.

COMMISSIONER BAEZ: The rest of the year.

MR. BOHRMANN: Yes.

CHAIRMAN JACOBS: Walk me through for a moment the -- let's talk about the 431. That is a sum looking at projected fuel costs per month, right, over the system, or is it looking at fuel costs out for the rest of the year?

MR. BOHRMANN: That's on a --

CHAIRMAN JACOBS: Let me be more specific. I'm trying to figure out how we come up with an average per unit price to attribute to this projection, because NYMEX is monthly; right?

MR. BOHRMANN: Yes.

CHAIRMAN JACOBS: Okay. So the projections would have to be monthly; correct?

MR. BOHRMANN: Yes.

CHAIRMAN JACOBS: Okay. So what we're looking at is the monthly accumulation, if you will, of fuel costs projected out over the year.

MR. BOHRMANN: Yes.

CHAIRMAN JACOBS: And as I understand it, the difference that started out in January and February, that $7 million difference you just mentioned was over $30 million; is that correct?

MR. BOHRMANN: Pardon me?

CHAIRMAN JACOBS: I may be mistaken, so correct me if I'm not, but you just mentioned that as of today when you did your assessment of how NYMEX works out for the rest of the year, you only came up with about a $7 million difference between what was projected and what NYMEX would project.

MR. BOHRMANN: That's correct.

CHAIRMAN JACOBS: Okay. At the beginning of the year, that was a larger delta, wasn't it?

MR. BOHRMANN: Yes.

CHAIRMAN JACOBS: Okay. And projections are that while we're coming back down, it's not -- do we know what those prices represent in real terms? Because this morning I heard the dollar amount was like $5.09, and I think I saw some projections that say we may be going down to 4.50, somewhere in that range. So these projections would anticipate that continual kind of a trend in the gas markets and oil markets?

Let me step back for a moment, because I didn't ask that question. What do you think -- or do you have any idea to what extent that trend would also appear in the oil markets? Does NYMEX give you that indication as well?

MR. BOHRMANN: NYMEX has a futures market for distillate oil, but not residual oil.

CHAIRMAN JACOBS: But not residual. So we still don't know to what extent -- for the projection purposes, we don't have a real strong sense of what's going to happen with regard to residual oil long term.

MR. BOHRMANN: The Energy Information Agency puts out forecasts of residual oil.

CHAIRMAN JACOBS: Long-term? Okay. Very well. Now I'll ask my other question. What was it?

Oh, I know. So that gap that existed which is now shrunk between what NYMEX said and what the company's projections were, is it your projection that we're now at a point in time where we can see a consistent narrowing of that gap, or will there be some projections -- I mean some swings back and forth?

MR. BOHRMANN: That $7 million was a snapshot in time, and it may swing back and forth, you know, tens of millions of dollars on a daily basis.

CHAIRMAN JACOBS: Okay.

MR. BOHRMANN: But based upon what we know at this time, I'm confident, to the degree that I can be, that the small difference will sustain itself over the rest of the year.

CHAIRMAN JACOBS: Now, we heard some -- and I know you can't give us real guidance on this, because you're not out there in the fuel markets. But the company indicated to us that they're undertaking some measures. I was particularly interested in for gas purposes the storage injection. And your analysis is that that can have an impact on the overall market.

MR. BOHRMANN: I think there was -- the term "storage" was being talked about in two different contexts. The context that it was being talked about in my recommendation was the storage market, you know, for the nation.

CHAIRMAN JACOBS: As opposed to the company.

MR. BOHRMANN: As opposed to FPL's own amount of gas in storage.

CHAIRMAN JACOBS: You just answered my question.

Now, if the projected under-recovery, whatever factor we set now to look at that, it's calculated to recover what's going out to the end of the year; is that correct? So we set --

MR. BOHRMANN: Yes.

CHAIRMAN JACOBS: -- a factor now, and that's looking at this total recovery.

MR. BOHRMANN: Yes.

CHAIRMAN JACOBS: Under-recovery, and looking to recover that projected under-recovery by the end of the year.

MR. BOHRMANN: Yes.

CHAIRMAN JACOBS: Okay. All right.

COMMISSIONER JABER: We're probably ready for a motion. I do want to just put some things out there that I would like incorporated into the order, one Commissioner speaking.

CHAIRMAN JACOBS: Before you begin,

Commissioner --

COMMISSIONER PALECKI: Before we have a motion, I would just like to bring a proposal or an idea up for discussion by the Commission.

COMMISSIONER JABER: Okay. I wasn't going to make a motion, but I very much want to throw some comments out there for you all to consider.

CHAIRMAN JACOBS: Well, since she -- she has first dibs, because she's a lady anyway, so she can go first.

COMMISSIONER JABER: The only girl.

The mitigation effort stuff I think are critical. I think that's where we need to be encouraging these companies to devote a lot of attention. And I think that the avoidance, regardless of what happens with these items, the amount associated with the avoidance of the impact I think is critical, and that's precisely my stand on the interest payments.

First of all, Mr. McWhirter, I always appreciate when you come and bring the impact to the industrial users to our attention. I think that's critical. But I also think the impact to the residential user is critical. And that's sometimes where there's a conflict in my mind between what you're asking us to do and what the residential user needs.

Spreading out the cost over an extended period of time I think has a greater impact on the residential user, and I can't be in favor of that for precisely that reason. I think that something over a three-year period has a greater impact on the average residential user, and I think regardless of what we do -- certainly if the Commission desires to support staff's recommendation, I would want those amounts highlighted in an order.

COMMISSIONER PALECKI: Statutorily, FPL is entitled to recover all fuel costs that are prudently incurred. The question is, how much do we need to add to the customer's bill now. We need to add enough that FPL is fairly compensated for fuel. But if we raise the component too high, we have rate shock that adversely affects our customers or their customers.

I would like to refer the Commission to page 18 of the staff recommendation, which is what indicates effects to the residential customers. And you'll see that the proposal made by Florida Power & Light would increase residential rates almost $7.50. That's a really steep increase. We're going from $8.55 a month to 87 and 98 cents a month. I would like to see an increase that is under $5 a month. And I've kind of tried to think what can be done to accomplish that, to bring down the rate shock to the customer.

Now, if we look on the exhibit that was handed out just earlier by Florida Power & Light Company, on page 5 they kind of break everything down. We have a known under-recovery for 2000 of 76.8 million. And under my proposal, they would be entitled to recover that entire amount. That does not tell the entire story with regard to the year 2000, however. There is deferred, based upon this Commission's past decision, an amount of $269,000 that will be recovered in the year 2002.

COMMISSIONER JABER: Million. I think it's million.

COMMISSIONER PALECKI: I'm sorry. I mean million.

The -- 259 million of that is fuel, and 10%

is a settlement of another issue that's not really pertinent here. What I would propose is that we take an amount equivalent to that deferred fuel shortfall of 259 million and that we allow for the year -- the estimated under-recovery for 2001, rather than the 431.5 million being proposed, 259 million. What we accomplish here by doing that is, we at least eliminate the entire amount of the known shortfall for the year 2000. We would --

COMMISSIONER JABER: Commissioner, help me understand before you leave that point. Are you eliminating it, or are you deferring the difference between 431 and 359?

COMMISSIONER PALECKI: Well, since that's a projected amount and we don't know exactly what it will be -- it may be one or the other. It will probably be somewhere in between. But I would like to make sure that all known shortfalls are taken care of and are taken care of quickly.

What that works out to, it works out to the estimated under-recovery for 2001. We would be -- and that would be Issue 2. We would be allowing $172.5 million less than has been requested by Florida Power & Light. But what we accomplish by doing this is a rate increase for residential customers at this time of $4.91, which is under $5, rather than almost 7.50. At the same time, I would -- under my proposal, we would invite Florida Power & Light to come back to the Commission in August and September when we see what fuel prices are doing.

You know, when I started working for the Commission staff, I worked under Commissioner Gunter, and Commissioner Gunter was the only Commissioner who was ever appointed to the Commission for four terms, and there was a reason for that, because he always focused on the rate shock issue. And I'm just concerned that a $7.50 increase, especially after the residential customers have already seen a substantial increase, is just too great.

Under my proposal there would be a smaller increase. At the same time, all known under-recoveries, for the year 2000 at least, would be taken care of.

So basically just to put my proposal in a nutshell, I would recommend that the staff recommendation on Issue be approved; on Issue 2 that the staff recommendation be changed from -- to allow collection of 259 million of FPL's projected 431.5 million under-recovery, which is a projected under-recovery. At the same time, I would recommend that we invite Florida Power & Light to come in before this Commission in August or September of this year to revisit these issues.

One thing that I think could happen if fuel prices don't come down is that we could be digging ourselves deeper and deeper into a hole with greater and greater under-recoveries, and I'm very concerned about that, and that's why I think it's important that we have a mechanism where Florida Power & Light could come back before this Commission, or we could ask them to come back if we see that things are going in the wrong direction.

COMMISSIONER JABER: Well, they come in for the fuel adjustment proceeding around that time anyway; right?

MR. BOHRMANN: Yes.

COMMISSIONER JABER: Testimony is filed around that time, and that's when there's a true-up.

COMMISSIONER PALECKI: That's correct.

MR. KEATING: And that's --

COMMISSIONER JABER: That's what you're referring to.

MR. KEATING: And that led me to a question if Commissioner Palecki's proposal for Florida Power & Light to perhaps come back in August or September would be having them come back in a similar context to where we are today, that is, in a mid-course correction context rather than at the time they're filing their testimony for the fuel hearing in November.

COMMISSIONER PALECKI: That's correct. I would anticipate that if we see that fuel prices are continuing to move up rather than come down, as many projections show they will, but if they don't come down and we see that this shortfall keeps getting larger and larger, we can take action then quickly. And I don't meant to wait until the Commission votes on the fuel docket. I mean that we take a mid-course correction immediately if it's necessary.

COMMISSIONER JABER: I guess my problem with that would be that's just another increase in August or September possibly, and we already have a mechanism in place that starts coincidentally around August or September for a November hearing which, as you know, is expedited. It's an expedited process.

Tell me, has staff had an opportunity to do an analysis on Commissioner Palecki's idea? Do we know if there would be a reverse impact on the customers if we were to support allowing a $259 million under-recovery versus the 400?

My concern is that I want to minimize that impact to the customer, but I don't want to surprise them with another rate increase come September.

COMMISSIONER BAEZ: Commissioner, what I'm hearing is that they would come -- I mean, the mid-course correction would just be subsumed into the true-up period. Or is that not what you're saying?

COMMISSIONER PALECKI: No, that's not what I'm saying. I would want to be able to act very quickly. And perhaps -- you know, I used the month of August or September as merely a suggestion. What I'm proposing is that more or less we sit on the edge of our seats, we all watch fuel prices, we see where they're going, and if we see that there's going to be a real problem and we have fuel prices continue to increase rather than coming down as projected, that we're ready and able to do something very quickly.

You know, one of the things that all of the parties has mentioned is how volatile fuel prices are, and they seem to spike up extremely quickly, but they also seem to come down extremely quickly. But the problem is, nobody really knows what they're going to do, and that's why I've made this proposal, because I want to take care of all known shortfalls. As far as the projected shortfalls, to me, by taking care of those projected shortfalls now, we're just causing too much rate shock, especially when we don't really know what's going to happen in the future.

COMMISSIONER BAEZ: Well, and I guess that's what I understood by your proposal, is that what we're doing -- keeping in mind that, as I had mentioned earlier, we have -- in 2002 we're starting off -- we've been carrying $270 million. So what I hear you proposing, and to just perhaps state it another way, is to actually go about the business of slotting or addressing those numbers that we know to be true, take them up first. Because this is more in the character of a projection, then we can -- you know, the number that we're fudging with is, by my count, about 170. I mean, is that --

COMMISSIONER PALECKI: Yes. It could be a different --

COMMISSIONER BAEZ: We don't know what it's going to come out to be. I mean, it could be more, or it could be less.

COMMISSIONER PALECKI: 172.5 based upon FPL's projections.

COMMISSIONER BAEZ: But that's what we're carrying forward. It's almost as if we're saying, all right, we'll take up -- we'll sort of reconsider on what we carried over earlier or back in November, take that 2002 deferment first. Basically taking them in order --

COMMISSIONER PALECKI: Yes.

COMMISSIONER BAEZ: -- is what you're saying to do. And the only thing that we're adding to 2002, in effect, is $170 million, which may or may not be there by November.

COMMISSIONER PALECKI: That's correct.

MR. CHILDS: Commissioner?

CHAIRMAN JACOBS: Mr. Childs.

MR. CHILDS: If it's inappropriate for me to comment at this time, please tell me. I know you're in your deliberations. But in connection with that suggestion, I wanted to at least tell you that there may be some information you might want to think about in evaluating it, that is, if Commissioner Palecki --

CHAIRMAN JACOBS: I hesitate, but --

COMMISSIONER JABER: I would like to hear it.

CHAIRMAN JACOBS: Because you didn't have the opportunity to address this. But if I give you a chance, I'm going to, of course, offer the same --

COMMISSIONER JABER: Right. And I would like to hear Mr. McWhirter talk about it, whether your concerns are alleviated somewhat by Commissioner Palecki's proposal.

MR. CHILDS: I think it goes without saying that we're all concerned about increasing the factor, and we are, and we're concerned about the interest charges on the under-recovery.

However, Commissioner Palecki's suggestion, if you followed it, I think you would need to keep in mind that the factor and the percentage change that we're talking about is based upon kilowatt-hour sales for the remainder of the year. If you -- I'm taking your number of 259 million and calling that approximately 50%. I know it's not. But if you are left with another 50% to then be applied commencing in September, you would then have to recover that over much fewer kilowatt-hours, and your impact is not going to be the same. It's going to be higher.

Finally, the --

COMMISSIONER JABER: The impact to the customer would be higher?

MR. CHILDS: I think so.

COMMISSIONER JABER: Okay. Walk me through that again. I want to --

MR. CHILDS: Because you would divide the under-recovery by a lesser number of kilowatt-hours.

COMMISSIONER BAEZ: Mr. Childs has a point, if what we would be contemplating is something prior to the normal true-up in November, that you have some intermediate hearing. And Commissioner Palecki is in fact --

that's what you're contemplating.

COMMISSIONER PALECKI: The only reason I suggest that is that if we wait until January 1st, which is when our fuel hearing --

COMMISSIONER BAEZ: Takes effect.

COMMISSIONER PALECKI: -- rate would take effect, I think we might be waiting too long, and we would actually aggravate further the situation that Mr. Childs is talking about, where we would be recovering things in fewer months.

But I guess the real reason that I've made my suggestion is that (1) I think the $7.50 increase on a residential bill is too high for the customers to swallow when they've already just had a fuel increase; and (2) I kind of want to see what happens with fuel prices, and this will give us an opportunity. It's possible with the way fuel prices are as volatile as they are right now that they could come down as fast as they spiked up, and we could see that this deficit of 172.5 million -- maybe it will never materialize, and maybe we'll have a situation where we don't even have to come back in August or September or whenever. But it might be that they spike up even higher, which means that we would have to take very fast action.

COMMISSIONER BAEZ: But I guess my question -- and for argument's sake, let's say that this kind of plays out. My question would be: why not wait and give yourself the benefit of 12 months of adjustment, no matter what the result is?

MR. CHILDS: And this is the second part I wanted to comment on. If you do that, please keep in mind, we're dealing with fuel forecasts, that's true. However -- and the staff has I think addressed this. I can't remember where in their recommendation.

The level of fuel prices -- first of all, we did not use the highest fuel price in our forecast. That's not there. But the fuel prices, even if they come down from the spike, they're going to have to come down from the average substantially to where they were in 1999. Otherwise, the prices in 2002, if everything remains the same, are going to be the same as we've now forecast them. So you'll see a step increase without any under-recovery just to get there in 2002, because prices are going to continue, I'm assuming, at a higher level than they were in the past. If you then defer another $250 million from 2001, I think you're not only back to a significant increase, Commissioner, I think it may make it worse.

CHAIRMAN JACOBS: Let me try to walk through that. We're only trying to minimize the under-recovery. If in November we had a projection -- and I guess I never did understand exactly, but it sounds like your projections at that time anticipated the year starting at about the $4, $5 range and kind of moderate increases. So it was that big blurp in the middle, bubble in the middle that was a big deal. My understanding is that we're going to get back to about $4, $5. I said barrel. I'm sorry. Is it decatherm?

COMMISSIONER PALECKI: Per million BTU.

CHAIRMAN JACOBS: Whatever.

MR. CHILDS: Per million BTU?

CHAIRMAN JACOBS: Per million BTU. And so then the under -- if we get back to the point in the market where your projections would have been traditionally, the under-recovery should not be going up. We should basically get back where -- we had this bubble in the middle that accounted for this big splurge, and then we should come pretty much back to where we shouldn't have any under-recovery for the rest of the year.

MR. CHILDS: Respectfully, I don't think so, and the reason is that the price level -- and incidentally, the price that I showed you on FPL's chart for the price for gas of 6.91, that's not just the NYMEX price. That's the transportation. That's the cost. That's not a market price. So that's a bigger number because it includes more components to deliver it to the power plant.

Okay. Then if you go back to the chart that I had early on on natural gas prices, page 3 of my handout, all we're trying to say is that in the recent past, the price was in the area of $3. Okay? Even if it goes to 5 or 6, which we're talking about, you're going to continue to have a -- you're going to have to have a step increase to catch up. If you catch up -- if you don't catch up now with the change that we're talking about, you will have to catch up in 2002 just to get up to the average prices. Then if you defer an under-recovery from 2001, you'll have to add that on top of the step increase that's coming anyway.

You know, one thing, I think staff has told you that they've done a review to try to determine whether our prices are reasonable, our forecast is reasonable, and they've said several times that it is. We're trying to do the best job we can. I think that even the chart that was distributed here by one of Mr. McWhirter's witnesses commented and shows that their estimate of the FGT average city gate gas price through 2001 is right at $6. And that's the commodity price. So I don't think there's a whole lot of dispute.

The Commission has had -- when we do this, Commissioner Palecki as well. And you're -- and I say this because we're trying to deal as well with a structure that we've used for many years. There's the 10% rule that tells us we have to come in. We're there. And so when you consider the suggestion, Commissioner, please keep in mind that it may be that there's a deferral of an impact as opposed to an avoidance.

COMMISSIONER JABER: Before we hear from

Mr. McWhirter, may I ask staff a question? Two questions, Mr. Chairman.

Help me understand the history with the fuel adjustment proceedings and when the mid-course corrections started. And perhaps this is Mr. McLean. It seems to me that by law, we have to allow the purchased power costs and the fuel costs through the clauses, and that does a couple of things. It ensures that the customers have perhaps one increase a year versus several, and then it also allows the companies what they're entitled to by law, because statutorily, we have to allow recovery of those costs through the clauses. And the protection to the customer is that there is a true-up mechanism that is revisited every year through those proceedings.

And then someplace along the way, the Commission decided that the 10% rule that Mr. Childs referred to provides a mid-course -- someone used earlier "protection," and to some degree it is a protection, that the company can readjust what the protections are during the year, and the customers are afforded again a protection in the sense that there's a true-up mechanism.

Is it time to start looking at the fuel adjustment clause every six months? I mean, I am not in favor of creating a mechanism that would allow for many mid-course corrections. I mean, I think it was called mid-course correction because it was contemplated that maybe in a six-month time period there would be a need to revisit prices. Can you comment on that historically?

MR. KEATING: I would like to answer a few of the questions. And first I wanted to clarify that the fuel cost recovery clause is not something that's statutory. By statute, they are permitted to recover their prudently incurred costs. The fuel cost recovery clause is something that was created by Commission order. And because we are exempted in the APA from the rulemaking requirements for our cost recovery clauses here, it has essentially been done by order.

It's my understanding that the mid-course correction procedures were adopted in roughly 1984, in that time period, give or take a few years, and at that time it was a six-month recovery period. It was only a couple of years ago that we moved to an annual period and set factors for a calendar year.

COMMISSIONER JABER: And, Cochran, was that because you could see prices stable out?

MR. KEATING: I'm trying to remember the reasons for that change. I know it was something that was I think initially proposed by FPL or FPL and some of the other utilities. One of the --

MR. JENKINS: Commissioner Jaber, the reason for -- the change from six months to annual was done a few years ago because fuel prices were relatively stable, and the belief was that customers, particularly large use industrial, large use commercial, wanted to have a price for the year in which to do their budgets. So that's why we went to that.

Also, there were some overtones of reducing the number of full-time equivalent employees by going from six months to annual. But the primary reason was to give a budgeted number to the large use customers for budgeting purposes.

COMMISSIONER JABER: Joe, you've done this for a long time. Give me a historical perspective. Is what we're seeing the exception rather than the rule?

MR. JENKINS: It's an exception in recent times, 10 or 15 years. In the '70s it was more the rule. The oil prices, of course, shot up from the Arab Oil Embargo in '73, as you know, from the Iran fiasco in '79. And I have a chart in my office that goes back to oil and gas prices from 1850. They declined for the first 50 years of their discovery and use, became quite stable, and from '73, it looks like a 60-cycle oscillation, up and down every couple of years.

COMMISSIONER JABER: If I want to take an approach that minimizes the impact to the customer in terms of rate shock, price impact, and the number of increases they will see during the year, what is the best approach?

MR. JENKINS: I can't give you an off-the-cuff question, but Commissioner Palecki's idea of reviewing this in August, I would suggest if you're going to go that approach, just maybe -- you know, I'm not 100% sure because of the billing units. We would probably want to set this thing for a hearing around June 1st. If you do that, I would suggest even that you have them effective the next day, not wait the 30 days, so we can get kilowatt-hours in the denominator to lower the price impacts.

COMMISSIONER JABER: That brings me back to my point about doing this every six months then, instead of once a year.

MR. JENKINS: That's right.

COMMISSIONER PALECKI: I guess the only other point I would like to make, Commissioners, is that if we did revisit fuel prices later on in the year and we saw that it was necessary to take quick and decisive action, at that time we would have the remaining months of the year to collect whatever fuel component increase we deem to be necessary, but we could also take Mr. McWhirter's suggestion to heart and perhaps spread whatever shortfall we saw into the next year, into the year 2002, so we wouldn't have a situation where we would have, you know, like four months in which to collect many, many millions of dollars, and we could change that from four months to four months plus 12. I'm sure that -- I'm certain from my experience with this docket that the law -- precedent would allow the Commission to do that.

CHAIRMAN JACOBS: Commissioners, I'm struck by the question that you asked, given last night Commissioner Jaber and I, and Commissioner Deason, participated in a customer hearing for St. Joe Natural Gas. It was a customer hearing in preparation for their petition for a rate increase. And probably half, probably more than half of the customers who came up indicated that they were taking -- now that they have this information in front of them about price, pricing of their natural gas, they were taking definite action. More than half of them said that they were changing back to electric.

I'm persuaded that we're at that moment in time where we've got to take similar decisive actions about how we're going to assess these markets going forward. I use that as an example only, and the example is that consumers understand this, and they understand how to respond to this. What they will not understand is if these prices continue to go up and there's nothing else they can do.

I think that we have to, as Commissioner

Palecki very appropriately said, sit on our chairs, pretty much on the edge of our chairs pretty much from now on and be very attentive and very closely scrutinize how -- first of all, how these markets are moving, and second of all, how we're approaching these markets to acquire fuel for this purpose.

There are some analyses out there that the natural gas markets would have spiked anyway. But there are some analyses out there that suggest that this rising demand in the gas markets has recently occurred due to the great reliance on gas generation in the electric industry had an additive effect on the natural gas markets.

What you're saying is that what we're doing today has an impact in and of itself on what prices we may be pay in the future. And so having said that, I don't see an approach of looking at these markets in a more time limited manner as being inappropriate. I think in fact it's probably more appropriate than before, given what we've seen particularly in the last three or four months, the kind of swings that we saw.

I understand the companies' concerns, and I understand Commissioner Palecki's concerns. I think perhaps we can find a balance here to proceed forward. But my point was and is that, yes, I think we are at a moment in time where we have to sit on the edge of our chairs and begin to kind of watch these markets very closely and scrutinize the conduct that we exercise towards them a little bit more carefully, not to impose any additional burdens. But I think -- I'm impressed with the measures that were discussed today, but I think more -- those are becoming more the rule than the exception, more so than settling back into a nice comfortable way of buying from these markets. Those kinds of measures are going to be more the rule than the exception from this point forward unless -- until I hear something different from what I've heard.

MR. McNULTY: Yes. I just want to be able to clarify the motion that was placed out there. The only reason I say this is because it's my understanding that maybe one of the parties may have misunderstood. So if I could take the liberty to go through, I believe, Commissioner

Palecki, you said --

COMMISSIONER PALECKI: Yes, but please understand before you do that that no motion has been made. I've just thrown that out for the Commission's consideration.

MR. McNULTY: The idea for consideration. Excuse me.

COMMISSIONER PALECKI: Yes.

MR. McNULTY: The under-recovery that would be considered for the year 2001 for recovery in this idea is 259 million. To that we would add the 76.8 million unaudited actual under-recovery for 2000, and that would give us a total of $335.8 million that would be within a motion that could be proper here.

COMMISSIONER PALECKI: I think that's pretty close. I would just make one small change. I would -- in looking at the issues as they're framed right now in the staff recommendation, my idea is that we would move staff on Issue 1, and on Issue 2, my idea is that we would approve a mid-course correction to collect 259 million of FPL's projected 431.5 million under-recovery in 2001.

CHAIRMAN JACOBS: I'm told, and I quite

frankly was not aware until this docket, that we've done mid-course corrections to do actual under-recoveries.

MR. McNULTY: We've done that once before.

MR. KEATING: I know we included in one of the utilities' mid-course corrections that was approved last summer --

CHAIRMAN JACOBS: What's the rationale?

MR. KEATING: There was a partial. Part of it was the under-recovery from the end of the prior year.

CHAIRMAN JACOBS: All right.

MR. KEATING: It wasn't addressed -- it wasn't brought up as a separate issue then. The issue was should we approve what they requested. So to my knowledge, the Commission has not expressly addressed the question of whether that separate little piece of that prior period under-recovery is something that should be allowed, even though it had been, at least to my knowledge, that one time.

CHAIRMAN JACOBS: I have a concern about setting a precedent for that. I don't think it's inappropriate because of this phenomenon that we've seen here in the last few months. But I would have a concern if we begin to recognize that as a common practice. It occurs to me that that was the whole reason for doing the annual fuel docket, was that the companies were comfortable with the idea that they could absorb this until their true-ups. Again, no one could have expected this last upturn, and that's why I -- I could accept it, and I could go along with the motion in this particular docket, because I think no one would have projected these last few months.

But I would have a pretty serious concern if what we're saying by doing this is that we now think it's reasonable to come in for mid-course corrections to begin looking at actuals, when we're supposed to do a true-up at the end of the cycle and look at actuals at that point in time.

MR. KEATING: This --

COMMISSIONER PALECKI: I would like to make one comment. I'm sorry.

MR. KEATING: I'm sorry. This wasn't necessarily in response to the Chairman's comments, but it was pointed out to me that we have in the past other than last year approved a mid-course correction to include part of a prior period under-recovery.

CHAIRMAN JACOBS: Is that --

MR. KEATING: That was I believe 1987. I think there were two instances that were referred to me.

CHAIRMAN JACOBS: Is that right?

COMMISSIONER JABER: Staff, Mr. Childs in his statement to us made the assertion that actually deferring what might be the difference between 431 and 259 can actually result in a worse impact to the customers. Have you done an analysis to confirm or reject that?

MR. BOHRMANN: No, we haven't.

MR. McWHIRTER: Could I react to that? He said he spoke out of turn, and I normally wouldn't.

CHAIRMAN JACOBS: Yes. I had agreed to offer a you opportunity to respond anyway. Go ahead, Mr. McWhirter.

MR. McWHIRTER: He's right. Consumption of electricity occurs at different times during the year. Florida Power & Light sells 89 million megawatt-hours of electricity. But the greater component of that is in the summertime, between the period of May and September. And as a consequence, what's going to happen is that they're going to over-collect using this new factor during the summer months.

If Mr. Palecki's approach comes in, essentially what you're going to see is that the collections during that period will be closer to actual costs, and the probabilities of a collection during the next four months is probably extremely remote. And the other aspect, of course, Mr. Palecki suggested that if you have to have -- that if fuel costs keep going up and not down, as we suspect they might be doing, then you do have to collect some more money. You don't necessarily have to collect it in that four-month period during soft sales. You would do it over a longer period of time to phase it in in a fair manner.

I would like to briefly respond to Mr. Jenkins' analysis that you went to an annual fuel factor as a result of complaints from industrial customers. That must have been from industrial customers that I didn't represent, because we were here strongly recommending that you stick to fuel factors that would change during different times of the year. I think probably the appropriate thing to do would be a summer fuel factor and then an off-peak fuel factor. The two six-month periods were melded. What happens with an annual fuel factor, people don't get the proper price signals, and as a consequence, they consume more electricity, which is good for people that are selling electricity, but it's not sending the proper price signals. And that's what happened in California.

CHAIRMAN JACOBS: Commissioners, we're pushing our poor court reporter to her very limits here. What's your pleasure? Do you want to move forward or give her a break and come back?

COMMISSIONER PALECKI: I would prefer to move forward. I think we can be through with this in the next ten minutes.

CHAIRMAN JACOBS: We'll take a break after this. Okay.

COMMISSIONER JABER: Let me throw this out there. It's not that I don't want to consider Commissioner Palecki's proposal. I want to consider it thoroughly, is the problem I'm having. I've expressed what my concerns are. I don't want our decision to have a reverse impact on the customers that we're trying to minimize the impact to, and what I heard staff say is they haven't had time to analyze that.

MR. BOHRMANN: If I could supplement my response.

COMMISSIONER JABER: Please do.

MR. BOHRMANN: We would have to look at what the proposed under-recovery would be. In August, we would have to know the recovery period time, whether it would be four months or 16 months. There's several unknowns sitting here today, March 6th, that we won't know until actual events occur. And that's why we were unable to discern, you know, what the rate impact would be if that would happen.

COMMISSIONER JABER: But you were able to give us at least an estimate of the rate impact on what the utility offered. Could you go back -- I know we have an agenda next week. Could you go back and consider the amounts that Commissioner Palecki is discussing and calculate an estimated impact on the residential ratepayer in particular?

COMMISSIONER BAEZ: And I think part of that is just the carrying cost of the difference.

COMMISSIONER JABER: Right.

COMMISSIONER BAEZ: I mean, that's where I would start. I'm sure it's -- at one point it was not as simple as that, but --

COMMISSIONER JABER: The interest calculation would be good to know.

MR. WHEELER: Commissioners --

CHAIRMAN JACOBS: Just a second.

MR. WHEELER: I think what we're struggling with here is understanding exactly when, if we put off recovery of this amount, when do we want it to start being recovered, and over what period of time, because unless you know that, you can't really do an impact, a rate impact. So we need some clarity in terms of exactly what we're going to assume, when we're going to assume we're going to start recovering this amount that we're putting off now, and over what period of time, because, you know, the rate impact is just simple dollars divided by kilowatt-hours. And obviously, if you're spreading those dollars over fewer kilowatt-hours, the rate impact is going to be higher. So really, you have to know those two pieces of the puzzle before you can come up with a meaningful rate impact number.

COMMISSIONER PALECKI: Well, can I make a suggestion? What we're seeing is $172.5 million less than FPL requested under my scenario. And what I guess I would like to see the staff work out is if that entire $172.5 million were recovered in the year 2002, but I would also like to see a scenario where a lesser amount, perhaps $100 million, would be recovered in the year 2002, just if fuel prices don't come up to FPL's projections, so we could see where we would be if they were $72.5 million less than what has been projected.

You know, the comment I wanted to make is, we're all trying to do the same thing here. We are trying to make sure that FPL's fuel costs are recovered, but at the same time, minimize the impact to the ratepayers.

And I guess it's my concern that if we try to correct the under-recoveries and projected under-recoveries all at one time right now, and we end up with this tremendous rate shock, that we have a situation that makes it very difficult on customers, but we also have a situation where we might have to bring it right back down. And it doesn't make sense to bring it up, cause all kind of trouble with customers, both commercial, industrial, and residential, and then just bring it down again.

So, you know, one thing I want to assure FPL is that, you know, the responsibility of seeing that your fuel costs are fairly recovered is one that weighs heavily on our shoulders, and we will make sure that your fuel costs are recovered. It's just the impact on customers that really causes the problem. And if we cause a tremendous impact on customers only to have to bring it down again, we're just -- we're not doing the right thing.

COMMISSIONER JABER: Commissioner Palecki, there was a point about your request that I think I would want to get clarified. It was my understanding either by your original motion to come back in August, or by Mr. Jenkins' proposal to come back in in June, that you would reassess where the under-recovery is at that point and start a new factor then, so it wouldn't be the total recovery during 2002.

COMMISSIONER PALECKI: That's correct. But I still would like to see if -- let's say that we don't have a real clear signal in the markets that tell us either to take quick decisive action or that tell us, well, we don't really have to do anything. I would like to see what would happen if we just take that entire $172.5 million, which is the difference between my proposal and Florida Power & Light's, and had to recover that entire amount in the year 2002.

CHAIRMAN JACOBS: I would suggest then to you that the concerns raised are probably going to be in that scenario more likely, because then you're going to have that recovery plus the actuals that staff has already indicated are going to be pretty clear, plus that was another amount, the Okeelanta issue, that are all going to come due in 2002. I guess if you -- and I don't want to put words into your mouth, but if there were an opportunity to get some recovery in the latter part of this year to achieve your objective to minimize the impact on consumers, I think you would probably want to seek that out.

COMMISSIONER PALECKI: Yes, especially if we see that fuel prices don't come down quickly. I think, you know, I guess I'm a very optimistic person, and sometimes I'm overly optimistic. But, you know, some of the projections that I've seen are that many of the exploration efforts that have been taking place in the gas fields over the last year or so are reaching fruition, that, you know, some of the experts believe that natural gas will become much more abundant, and as a result, we're going to see those prices come down in the summer. It may happen, and it may not. You know, it's just guesswork at this point. No projection is ever completely accurate. But we need to do the best that we can, and at the same time we need to make sure that we're not causing unnecessary pain to the ratepayers and then bringing these fuel components back down just a short period later.

CHAIRMAN JACOBS: Very well.

Commissioners, what's your pleasure?

COMMISSIONER JABER: I would like to know if staff can prepare an analysis on that sort of proposal to include in this sort of recommendation by next week? I know that you would have to file it late and, Mr. Chairman, I think you probably have to approve them bringing it back next time. But I would much rather make a decision knowing what the full impact will be on the consumer.

COMMISSIONER PALECKI: I know how important it is that this recovery start as soon as possible, and I would just like to ask the staff and the parties, is the additional week going to cause a problem?

COMMISSIONER BAEZ: I think you would still get in the billing cycle, or no?

MR. KEATING: Yes. I would just raise one concern. I think it's something that we've addressed in Issue 3 about the effective date of any changes.

In the past the Commission has done it both ways, requiring 30 days between the date of their decision and the date that any changes are implemented, or less than a 30-day period. Ideally, if they have more than -- if you have a 30-day period, customers are able to adjust their usage before they may be billed for any previous usage at the new rate. I just wanted to point that out. The Commission has done it both ways before, required 30 days and required less than 30 days.

COMMISSIONER JABER: So waiting a week would probably require us to expedite the noticing period?

CHAIRMAN JACOBS: I would think so.

COMMISSIONER JABER: That's fine. That's fine.

CHAIRMAN JACOBS: So you want to defer --

COMMISSIONER JABER: Yes, that would be a deferral until next week, where staff could address everything that came up today, Commissioner Palecki's idea. But also, I would like you all to include the impact from the deferrals that we know will take effect in 2002. And I think Chairman Jacobs and Commissioner Baez made reference to the Okeelanta deferral. All of that needs to be taken into effect so that -- into account so that we have the full and accurate impact on rates for 2001 and 2002.

MR. WHEELER: I would like to ask, presumably FPL would be willing to work with us on making sure we get the impact estimate right.

COMMISSIONER JABER: They're nodding their heads yes.

MR. WHEELER: Yes.

COMMISSIONER PALECKI: And I would second that if that's a motion, Commissioner Baez.

CHAIRMAN JACOBS: I don't think we need to move this.

COMMISSIONER JABER: It's a deferral.

CHAIRMAN JACOBS: If I may, Commissioner Palecki, I would like to see -- I know your preference is that the recovery period be looked at solely for 2002.

COMMISSIONER PALECKI: Yes.

CHAIRMAN JACOBS: If I might, as a friendly amendment, I would like to see additional -- a separate analysis on allowing recovery for either the six months, or I guess five months it would be if we came back, and if we allowed the new factor now and then came back to revisit the issue in either -- let's say June as a date, came back and revisited it in June and set an appropriate factor at that point in time and begin recovery then. Is that a terribly difficult analysis to do?

MR. WHEELER: You mean recovering the additional 172 million for the period June through December?

CHAIRMAN JACOBS: Well, that's going to be tough. Let's say 100. Let's put it at 100, because you're shooting in the dark anyway, so let's say 100. If it's more than 100, then the factor will be more. But what I want to do is get the idea into this analysis that if you do start that recovery this year, you'll knock that -- whatever that under-recovery is, you'll reduce it by some significant amount.

Now, what that amount is -- the 172 is based on the projection as it sits today. But if we come back and that projection is greater or lower, then that projection is going to be different. I don't have a problem with that. But what I want to get into this analysis is the idea that if we come back, if we chose to ask the companies to come back at some period of time, there will be some impact on recovery of that under-recovery, and I would like to have some idea what that is.

COMMISSIONER BAEZ: Can I ask staff something? Can we get a good picture with three months of information? I mean, if we come back in June, will we have enough?

MR. BOHRMANN: We'll have more --

COMMISSIONER BAEZ: Will we have enough information?

MR. BOHRMANN: We'll have more information than we do today.

COMMISSIONER BAEZ: I know you'll have more information. You'll have more information tomorrow, too; right? I'll have more information tomorrow I'm pretty sure. But, I mean, based on 30 days -- I'm not trying to be flip about it. I mean, is it -- and I guess I have to go back to this. You know, do we do a 16-month recovery, are you looking at 12 months, and all that. And I guess if we are going to really seriously consider holding -- you know, carrying money over and really gambling on what the impact to the ratepayer is going to be ultimately for 2002, then let us give ourselves a real good opportunity to get a good -- get some good information so we can see what we need to do.

And I guess where -- excuse me. Where I differ or where my concern over Commissioner Palecki's proposal is is that we're probably giving ourselves too short a time to come back and review something that we've put off. And that's my concern. I guess I'm a little -- I'm receptive to perhaps taking a chance and letting us get some hard evidence on some projected under-recovery in order to better figure out how to deal with it, and I'm also willing to take the heat for being wrong on that bet. But I would like to hedge it somehow so that, you know, we have -- you know, we give ourselves 12 months instead of four months, like Mr. Childs has, you know, properly warned us about, and still get good information. And that's why I think I would -- and I'm just again, as everyone else has been doing, throwing things out there.

Perhaps June is too soon a date to be reconsidering this or be revisiting it. And I just -- you know, I guess that goes back to my original question. Do we get good information in three months?

MR. BOHRMANN: Well, first I would like to say that I was responding sincerely. I wasn't trying to --

COMMISSIONER BAEZ: No, no. I know.

MR. BOHRMANN: And just so that I understand what you're saying, are you suggesting that the Commission deny the mid-course correction outright and then come back in June?

COMMISSIONER BAEZ: No. No, no, no. I'm not trying to put -- I'm not trying to wrinkle anything here right now. I guess my question is, I've heard -- you know, we're throwing out there a date, as Mr. Jenkins suggested, having to put it -- you know, set it for hearing June 1st. And I guess, you know, if we're going to use that as a date certain to be revisiting this, even though we're speaking in theory, you know, do we get -- is that as good as we can get, you know, for the information so that we can really make this decision?

MR. BOHRMANN: I think the really tough period of the year is going to be in the summertime when space cooling demand really starts to kick in. And I'm not sure if we're going to receive, you know, real --

COMMISSIONER BAEZ: Data reflective of --

MR. BOHRMANN: -- hard data come June. You know, we may have to wait until August or September to actually see what type of impact the space cooling demand is going to have.

COMMISSIONER BAEZ: So what I'm hearing

you saying is that June 1st is not a good --

MR. BOHRMANN: It may be --

COMMISSIONER BAEZ: Probably not your optimal date.

MR. BOHRMANN: It still may be a little premature to gauge how the rest of the year may turn out.

COMMISSIONER JABER: And if you wait until August, that's when that fuel proceeding starts anyway.

COMMISSIONER BAEZ: And I guess that's what I had suggested before. I mean, we can revisit it as part of an entire -- I don't see the purpose of creating all this motion if we're going to have to do it all over again in a bigger context.

COMMISSIONER JABER: Right. I agree.

COMMISSIONER BAEZ: If we can find some way for us to all be comfortable to deal with a proposal that folds this piece that we're talking out, to just fold it into the true-up, you know, it would seem to me -- and please feel free to speak up if I'm wrong -- that it would probably be better to deal with it all at that point than to have to chop it all up. You know, I don't think three months is enough time to get anything.

CHAIRMAN JACOBS: I don't --

COMMISSIONER JABER: Mr. Chairman, may I ask --

CHAIRMAN JACOBS: It came up because of my suggestion. I don't need to have that. I mean, let's not do a -- it would have been neat to see that, but if it will move this along, I'm happy just going along with the analysis as Commissioner Palecki described it, and then we can come back and see what -- my thought was that if we came back, we would have some additional cover that would drive the overall under-recovery down. But if we don't have good information to be able to come up with a reasonable projection of what the under-recovery will be, I agree, it probably wouldn't be a reasonable thing to do.

My thought was when I heard that they were already looking at contracts in April, if we come back in June, they're going to be looking at contracts in September at that time. But there's no problem at all with forgoing that part of it.

COMMISSIONER JABER: Let me get some direction from you, Mr. Chairman. The fuel adjustment hearing, as you know, I'm the prehearing officer on. Wold you all be interested in including an issue for this proceeding coming up with respect to whether -- an issue with respect to whether the fuel adjustment proceeding needs to happen in June and in November?

CHAIRMAN JACOBS: My suggestion would be that if we're going to look at that, we look at it like we did when we changed it the first time, and we looked at it in the context of overseeing -- if I'm not mistaken, that was an issue in the docket. Is that correct? If we're going to do that, I would suggest --

MR. KEATING: When we moved to the calendar year, annually?

CHAIRMAN JACOBS: Yes.

MR. KEATING: Actually, it was brought up in a separate docket. It was workshopped because all four --

CHAIRMAN JACOBS: No, initially it came up, and then we moved to it a separate proceeding. I may be wrong. It initially came up in the docket, and then we decided to take it up separately.

MR. ELIAS: Yes.

CHAIRMAN JACOBS: Okay. I would suggest we do it the same way.

COMMISSIONER JABER: Which would be what way?

CHAIRMAN JACOBS: It came up as just a separate issue in the regular docket. And then if we choose to vote on it in that docket or move it to a separate proceeding, we can do that as well, just as we did the last time.

COMMISSIONER JABER: In the fuel adjustment docket or in a separate docket?

CHAIRMAN JACOBS: No. Understand, it was only an issue in the fuel adjustment docket.

COMMISSIONER JABER: Right.

CHAIRMAN JACOBS: We chose to move that issue of that docket to take it up separately. So my suggestion is, procedurally, let's do the same thing. We can follow the same procedural context and vote it out separately again. I don't have a problem at all with doing it that way, but we ought to at least put it into the context of the docket itself.

MR. ELIAS: The reason it was spun out was because historically the fuel docket has been a panel of three, and it was felt like that was a policy issue, and typically the full Commission likes to address --

CHAIRMAN JACOBS: That's right.

COMMISSIONER JABER: It's full Commission now; right?

MR. ELIAS: It is -- the fuel hearing now is full Commission, so --

CHAIRMAN JACOBS: That's right. I knew I remembered --

MR. ELIAS: To handle it.

COMMISSIONER JABER: So would you like that issue added in the fuel adjustment proceeding?

CHAIRMAN JACOBS: Pursuant to your suggestion, yes. I can take a hint.

COMMISSIONER JABER: And with your direction.

CHAIRMAN JACOBS: I can take a hint. Don't say I can't.

All right. So where we are is, we have a deferral of this item to the next agenda. And then as I understood you, then we would also have that issue up as to whether or not we can expedite the noticing period so we can essentially begin with the billing cycle that's presently up; correct?

MR. KEATING: Yes. We've got that issue in all three of the recommendations, one for each of the utilities already. And I'm not sure if there's any updating that needs to be done. Obviously, the effect is that if you want to put any revised factors in place at the beginning of April, it's going to create an additional week of time in which customers may be billed at the new rate for usage prior to your decision.

CHAIRMAN JACOBS: Okay. Sounds good.

MR. BOHRMANN: If I may ask a question to seek direction, maybe just for my own personal benefit. What exactly is the additional analysis that should be in the recommendation?

CHAIRMAN JACOBS: You're talking about the one I requested?

MR. BOHRMANN: I think Commissioner Jaber suggested something.

COMMISSIONER JABER: I did?

Feeding off of what Commissioner Palecki has asked for, which is taking the $172.5

million difference --

MR. BOHRMANN: Yes.

COMMISSIONER JABER: My -- it's not additional analysis. I was encouraging you all to include, make sure you include every impact with respect to the Okeelanta deferral, for example. Everything that could come up in 2002, I want that included so that when we make a decision with respect to the appropriate route to take, we can analyze and think through thoroughly what the impact to the customer will be. Bob Elias is nodding, so it sounds like --

MR. BOHRMANN: Thank you very much.

CHAIRMAN JACOBS: Very well. Item 23 is deferred.

Do you want to take a -- Commissioners, let me ask your pleasure. We're probably if we take up the other two items going to be here for a while. Would you want to take a lunch break now and come back or push through?

MR. JENKINS: Commissioners, on Item 23, is there any interest in looking at a scenario of what happens if we recover the remaining -- I forget the number, 172 million over the six months of 2001?

CHAIRMAN JACOBS: That's what I -- that's where I got shot. I think we rejected that idea of trying to come back in 2001 and recast a new factor --

MR. JENKINS: Okay. Nothing --

CHAIRMAN JACOBS: -- to try and do some recovery.

MR. JENKINS: No more further scenario for 2001 then?

CHAIRMAN JACOBS: That was my understanding of the preference.

MR. JENKINS: Okay.

CHAIRMAN JACOBS: I -- never mind. That was it.

COMMISSIONER PALECKI: Mr. Chairman, with regard to the next two items, before you make a decision on whether to take a break, I don't have the same rate shock concerns on those items that I do on this particular one.

CHAIRMAN JACOBS: Well, we need to take a break now anyway, but I'm just trying to determine whether or not you would simply like to take a break for the benefit of the court reporter and come back and then try and finish up the last two dockets.

COMMISSIONER JABER: She said she doesn't care, but I need a break.

CHAIRMAN JACOBS: I was trying to blame it on you. It doesn't sound like you want to take a lunch break, so we'll break for 15 minutes and come back then.

(Conclusion of consideration of Item 23.)

CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, MARY ALLEN NEEL, do hereby certify that the foregoing proceedings were taken before me at the time and place therein designated; that my shorthand notes were thereafter transcribed under my supervision; and that the foregoing pages numbered 1 through 122 are a true and correct transcription of my stenographic notes.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, or relative or employee of such attorney or counsel, or financially interested in the action.

DATED THIS 14th day of March, 2001.

Mary Allen Neel

MARY ALLEN NEEL, RPR
100 Salem Court
Tallahassee, Florida 32301
(850) 878-2221