

M E M O R A N D U M

OCTOBER 7, 2003

TO: DIVISION OF THE COMMISSION CLERK AND ADMINISTRATIVE SERVICES

FROM: OFFICE OF THE GENERAL COUNSEL (RODAN) *JAR*

RE: DOCKET NO. 030001-EI - FUEL AND PURCHASED POWER COST RECOVERY CLAUSE WITH GENERATING PERFORMANCE INCENTIVE FACTOR.

Attached is STAFF'S PRELIMINARY LIST OF ISSUES to be filed in the above-referenced docket.

DATE SENT TO CCA *10-7-03*

JAR/jb

I:030001\030001issues.wpd

DOCUMENT NUMBER-DATE

03722 OCT-7 8

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power
cost recovery clause with
generating performance incentive
factor.

DOCKET NO. 030001-EI

DATED: OCTOBER 7, 2003

STAFF'S PRELIMINARY LIST OF ISSUES

Staff proposes the following preliminary issues for the Commission's consideration in Docket No. 030001-EI:

GENERIC FUEL ADJUSTMENT ISSUES

- ISSUE 1:** What are the appropriate final fuel adjustment true-up amounts for the period January 2002 through December 2002?
- ISSUE 2:** What are the appropriate estimated fuel adjustment true-up amounts for the period January 2003 through December 2003?
- ISSUE 3:** What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2004 to December 2004?
- ISSUE 4:** What is the appropriate revenue tax factor to be applied in calculating each investor-owned electric utility's levelized fuel factor for the projection period January 2004 through December 2004?
- ISSUE 5:** What are the appropriate projected net fuel and purchased power cost recovery amounts to be included in the recovery factors for the period January 2004 through December 2004?
- ISSUE 6:** What are the appropriate levelized fuel cost recovery factors for the period January 2004 through December 2004?

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FPSC-COMMISSION CLEAR

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

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

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

ISSUE 10: What are the appropriate actual benchmark levels for calendar year 2003 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

ISSUE 11: What are the appropriate estimated benchmark levels for calendar year 2004 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

ISSUE 12: What is the appropriate base level for operation and maintenance expenses for non-speculative financial and/or physical hedging programs to mitigate fuel and purchased power price volatility?

COMPANY-SPECIFIC FUEL ADJUSTMENT ISSUES

Progress Energy Florida

ISSUE 13A: Has Progress Energy Florida confirmed the validity of the methodology used to determine the equity component of Progress Fuels Corporation's capital structure for calendar year 2002?

ISSUE 13B: Has Progress Energy Florida properly calculated the market price true-up for coal purchases from Powell Mountain?

ISSUE 13C: Has Progress Energy Florida properly calculated the 2002 price for waterborne transportation services provided by Progress Fuels Corporation?

ISSUE 13D: Is the waterborne coal transportation market price proxy that was established by Order No. PSC-93-1331-FOF-EI, issued September 13, 1993, in Docket No. 930001-EI, still a relevant and sufficient means for assessing the prudence of transportation costs paid by Progress Energy Florida to its affiliate, Progress Fuels?

ISSUE 13E: Should the Commission modify or eliminate the method for calculating Progress Energy Florida's market price proxy for waterborne coal transportation that was established by Order No. PSC-93-1331-FOF-EI, issued September 13, 1993, in Docket No. 930001-EI?

ISSUE 13F: Were Progress Energy Florida's actions through December 31, 2002, to mitigate fuel and purchased power price volatility through implementation of its non-speculative financial and/or physical hedging programs prudent?

ISSUE 13G: Are Progress Energy Florida's actual and projected operation and maintenance expenses for 2002 through 2004 for its non-speculative financial and/or physical hedging programs to mitigate fuel and purchased power price volatility reasonable for cost recovery purposes?

ISSUE 13H: In consideration of Order No. PSC-93-1331-FOF-EI, in Docket No. 930001-EI, issued September 13, 1993, should the Commission make an adjustment to Progress Energy Florida's 2002 waterborne coal transportation costs to account for upriver costs from mine to barge for coal commodity contracts which are quoted FOB Barge?

No additional company-specific issues for Progress Energy Florida have been identified at this time. If such issues are identified, they should be numbered 13I, 13J, 13K, and so forth, as appropriate.

Florida Power & Light Company

ISSUE 14A: Were Florida Power & Light's actions through December 31, 2002, to mitigate fuel and purchased power price volatility through implementation of its non-speculative financial and/or physical hedging programs prudent?

ISSUE 14B: Are Florida Power & Light's actual and projected operation and maintenance expenses for 2002 through 2004 for its non-speculative financial and/or physical hedging programs to mitigate fuel and purchased power price volatility reasonable for cost recovery purposes?

No additional company-specific issues for Florida Power & Light Company have been identified at this time. If such issues are identified, they should be numbered 14C, 14D, 14E, and so forth, as appropriate.

Florida Public Utilities Company

No company-specific issues for Florida Public Utilities Company have been identified at this time. If such issues are identified, they should be numbered 15A, 15B, 15C, and so forth, as appropriate.

Gulf Power Company

ISSUE 16A: Were Gulf Power's actions through December 31, 2002, to mitigate fuel and purchased power price volatility through implementation of its non-speculative financial and/or physical hedging programs prudent?

ISSUE 16B: Are Gulf Power's actual and projected operation and maintenance expenses for 2002 through 2004 for its non-speculative financial and/or physical hedging programs to mitigate fuel and purchased power price volatility reasonable for cost recovery purposes?

No additional company-specific issues for Gulf Power Company have been identified at this time. If such issues are identified, they should be numbered 16C, 16D, 16E, and so forth, as appropriate.

Tampa Electric Company

ISSUE 17A: What is the appropriate 2002 waterborne coal transportation benchmark price for transportation services provided by affiliates of Tampa Electric Company?

ISSUE 17B: Has Tampa Electric Company adequately justified any costs associated with transportation services provided by affiliates of Tampa Electric Company that exceed the 2002 waterborne transportation benchmark price?

ISSUE 17C: Were Tampa Electric's actions through December 31, 2002, to mitigate fuel and purchased power price volatility through implementation of its non-speculative financial and/or physical hedging programs prudent?

ISSUE 17D: Are Tampa Electric's actual and projected operation and maintenance expenses for 2002 through 2004 for its non-speculative financial and/or physical hedging programs to mitigate fuel and purchased power price volatility reasonable for cost recovery purposes?

ISSUE 17E: Is Tampa Electric's June 27, 2003, request for proposals sufficient to determine the current market price for coal transportation?

ISSUE 17F: Are Tampa Electric's projected coal transportation costs for 2004 through 2008 under the winning bid to its June 27, 2003, request for proposals for coal transportation reasonable for cost recovery purposes?

ISSUE 17G: Is the waterborne coal transportation benchmark that was established by Order No. PSC-93-0443-FOF-EI, issued March 23, 1993, in Docket No. 930001-EI, still a relevant and sufficient means for assessing the prudence of transportation costs paid by Tampa Electric Company to its affiliate, TECO Transport?

ISSUE 17H: Should the Commission modify or eliminate the waterborne coal transportation benchmark that was established for Tampa Electric by Order No. PSC-93-0443-FOF-EI, issued March 23, 1993, in Docket No. 930001-EI?

ISSUE 17I: Are the replacement fuel costs associated with Tampa Electric's decision to cease operations at its Gannon Units 1 through 4 prior to December 31, 2004, reasonable?

ISSUE 17J: What is the appropriate regulatory treatment for any gain or loss on the re-sale of surplus coal due to Tampa Electric's decision to cease operations at its Gannon Units 1 through 4 prior to December 31, 2004?

ISSUE 17K: What is the appropriate regulatory treatment for any "dead-freight" coal transportation costs due to Tampa Electric's decision to cease operations at its Gannon Units 1 through 4 prior to December 31, 2004?

No additional company-specific issues for Tampa Electric Company have been identified at this time. If such issues are identified, they should be numbered 17L, 17M, 17N, and so forth, as appropriate.

GENERIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

ISSUE 18: What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period January 2002 through December 2002 for each investor-owned electric utility subject to the GPIF?

ISSUE 19: What should the GPIF targets/ranges be for the period January 2004 through December 2004 for each investor-owned electric utility subject to the GPIF?

COMPANY-SPECIFIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

Florida Power & Light Company

No company-specific issues for Florida Power & Light Company have been identified at this time. If such issues are identified, they should be numbered 20A, 20B, 20C, and so forth, as appropriate.

Progress Energy Florida

No company-specific issues for Florida Power & Light Company have been identified at this time. If such issues are identified, they should be numbered 21A, 21B, 21C, and so forth, as appropriate.

Gulf Power Company

No company-specific issues for Gulf Power Company have been identified at this time. If such issues are identified, they should be numbered 22A, 22B, 22C, and so forth, as appropriate.

Tampa Electric Company

ISSUE 23A: What impact did Tampa Electric's decision to cease operations at its Gannon Units 1 through 4 prior to December 31, 2004, have on Tampa Electric's GPIF targets and ranges?

No additional company-specific issues for Tampa Electric Company have been identified at this time. If such issues are identified, they should be numbered 23B, 23C, 23D, and so forth, as appropriate.

GENERIC CAPACITY COST RECOVERY FACTOR ISSUES

- ISSUE 24:** What are the appropriate final capacity cost recovery true-up amounts for the period January 2002 through December 2002?
- ISSUE 25:** What are the appropriate estimated capacity cost recovery true-up amounts for the period January 2003 through December 2003?
- ISSUE 26:** What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2004 through December 2004?
- ISSUE 27:** What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2004 through December 2004?
- ISSUE 28:** What are the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the recovery factors for the period January 2004 through December 2004?
- ISSUE 29:** What are the appropriate capacity cost recovery factors for the period January 2004 through December 2004?
- ISSUE 30:** What is the appropriate methodology for determining the incremental costs of security measures implemented as a result of terrorist attacks committed on or since September 11, 2001?

COMPANY-SPECIFIC CAPACITY COST RECOVERY FACTOR ISSUES

Progress Energy Florida

ISSUE 31A: Are Progress Energy Florida's actual and projected expenses for 2002 through 2004 for its post-September 11, 2001, security measures reasonable for cost recovery purposes?

No additional company-specific issues for Progress Energy Florida have been identified at this time. If such issues are identified, they should be numbered 31B, 31C, 31D, and so forth, as appropriate.

Florida Power & Light Company

ISSUE 32A: Are Florida Power & Light's actual and projected expenses for 2002 through 2004 for its post-September 11, 2001, security measures reasonable for cost recovery purposes?

No additional company-specific issues for Florida Power & Light have been identified at this time. If such issues are identified, they should be numbered 32B, 32C, 32D, and so forth, as appropriate.

Gulf Power Company

No company-specific issues for Gulf Power Company have been identified at this time. If such issues are identified, they should be numbered 33A, 33B, 33C, and so forth, as appropriate.

Tampa Electric Company

ISSUE 34A: Are Tampa Electric Company's actual and projected expenses for 2002 through 2004 for its post-September 11, 2001, security measures reasonable for cost recovery purposes?

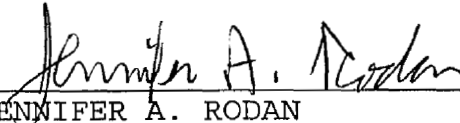
No additional company-specific issues for Tampa Electric Company have been identified at this time. If such issues are

STAFF'S PRELIMINARY LIST OF ISSUES
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identified, they should be numbered 34B, 34C, 34D, and so forth,
as appropriate.

Dated this 7th day of October, 2003.

Respectfully submitted,



JENNIFER A. RODAN

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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DATED: OCTOBER 7, 2003

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of STAFF'S
PRELIMINARY LIST OF ISSUES has been furnished to the following,
this 7th day of October, 2003:

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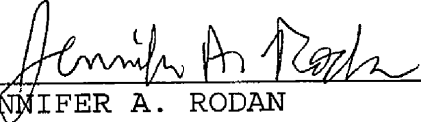
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