

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 15, 2003

STAFF'S PREHEARING STATEMENT

Pursuant to Order No. PSC-03-0113-PCO-EI, filed January 21, 2003, and Order No. PSC-03-0427-PCO-EI, filed March 28, 2003, the Staff of the Florida Public Service Commission files its Prehearing Statement.

a. All Known Witnesses

- | | | |
|----------------------|---|--|
| Kathy L. Welch | - | Audit of FPL's Base Year Costs for Security and Hedging |
| Michael E. Buckley | - | Audit of Gulf Power's Base Year Costs for Hedging and 2002 Fuel Cost Recovery Audit |
| Jocelyn Y. Stephens | - | Audit of Tampa Electric's Base Year Costs for Security and Hedging and 2002 Capacity Cost Recovery Audit |
| Joseph W. Rohrbacher | - | Audit of Progress Energy's Base Year Costs for Security and Hedging, 2002 Fuel Cost Recovery Audit, and 2002 Capacity Cost Recovery Audit; Audit of Progress Energy's Waterborne Coal Transportation Costs |
| William B. McNulty | - | Appropriateness of Current Market Price Proxies for Progress Energy's Waterborne Coal Transportation |

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b. All Known Exhibits

KLW-1: Audit of Base Year Costs for Security and Hedging
MEB-1: Audit of Base Year Costs for Hedging
MEB-2: 2002 Fuel Cost Recovery Audit
JYS-1: Audit of Base Year Costs for Security and Hedging
JYS-2: 2002 Capacity Cost Recovery Clause Audit
JWR-1: Audit of Base Year Costs for Security and Hedging
JWR-2: 2002 Fuel Cost Recovery Clause Audit
JWR-3: 2002 Capacity Cost Recovery Clause Audit
JWR-4: Waterborne Transportation Audit
JWR-5: Selected Audit Work Papers
WBM-1: Comparison of Average Annual Growth Rates of Market
Price Proxy vs. Multimode Transportation Market
WBM-2: PFC's 2002 Domestic and Foreign WCTS Margins
WBM-3: Comparisons of Market Price Proxy Escalators to
Barge Industry Cost Profile

c. Staff's Statement of Basic Position

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

d. Staff's Position on the Issues

GENERIC FUEL ADJUSTMENT ISSUES

ISSUE 1: What are the appropriate final fuel adjustment true-up amounts for the period January 2002 through December 2002?

POSITION: FPL: No position pending resolution of outstanding issues.
FPUC- Fernandina Beach: \$1,167,570 over-recovery
FPUC- Marianna: \$78,631 under-recovery

Gulf: No position pending resolution of outstanding issues.
PEF: No position pending resolution of outstanding issues.
TECO: No position pending resolution of outstanding issues.

ISSUE 2: What are the appropriate estimated fuel adjustment true-up amounts for the period January 2003 through December 2003?

POSITION: FPL: No position pending resolution of outstanding issues.
FPUC- Fernandina Beach: \$135,130 over-recovery
FPUC- Marianna: \$265,146 under-recovery
Gulf: No position pending resolution of outstanding issues.
PEF: No position pending resolution of outstanding issues.
TECO: No position pending resolution of outstanding issues.

ISSUE 3: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2004 to December 2004?

POSITION: FPL: No position pending resolution of Issues 1 and 2.
FPUC- Fernandina Beach: \$1,302,700 over-recovery to be refunded.
FPUC- Marianna: \$343,777 under-recovery to be collected
Gulf: No position pending resolution of Issues 1 and 2.
PEF: No position pending resolution of Issues 1 and 2.
TECO: No position pending resolution of Issues 1 and 2.

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?

POSITION:
FPL: 1.01597
FPUC- Fernandina Beach: 1.01597
FPUC- Marianna: 1.00072
Gulf: 1.00072
PEF: 1.00072
TECO: 1.00072

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?

POSITION:
FPL: No position pending resolution of outstanding issues.
FPUC- Fernandina Beach: \$13,835,447
FPUC- Marianna: \$11,706,084
Gulf: No position pending resolution of outstanding issues.
PEF: No position pending resolution of outstanding issues.
TECO: No position pending resolution of outstanding issues.

ISSUE 6: What are the appropriate levelized fuel cost recovery factors for the period January 2004 through December 2004?

POSITION:
FPL: No position pending resolution of outstanding issues.
FPUC- Fernandina Beach: 1.569¢/kwh
FPUC- Marianna: 2.430¢/kwh
Gulf: No position pending resolution of outstanding issues.
PEF: No position pending resolution of outstanding issues.

TECO: No position pending resolution of outstanding issues.

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?

POSITION:

FPL:

GROUP	RATE SCHEDULE	FUEL RECOVERY LOSS MULTIPLIER
A	RS-1,GS-1,SL2	1.00206
A-1*	SL-1,OL-1,PL-1	1.00206
B	GSD-1	1.00199
C	GSLD-1 & CS-1	1.00083
D	GSLD-2,CS-2,OS-2 & MET	.99366
E	GSLD-3 & CS-3	.95529
A	RST-1,GST-1	
	ON-PEAK	1.00206
	OFF-PEAK	1.00206
B	GSDT-1,CILC-1(G)	
	ON-PEAK	1.00199
	OFF-PEAK	1.00199
C	GSLDT-1 & CST-1	
	ON-PEAK	1.00093
	OFF-PEAK	1.00093
D	GSLDT-2 & CST-2	
	ON-PEAK	.99497
	OFF-PEAK	.99497
E	GSLDT-3,CST-3	
	CILC-1(T)&ISST-1(T)	
	ON-PEAK	.95529
	OFF-PEAK	.95529

F CILC-1(D) &
 ISST-1(D)
 ON-PEAK .99317
 OFF-PEAK .99317

FPUC: Fernandina Beach Multiplier
 All Rate Schedules 1.0000

Marianna Multiplier
 All Rate Schedules 1.0000

GULF: See table below:

Group	Rate Schedules*	Line Loss Multipliers
A	RS, GS, GSD, GSDT, SBS, OSIII, OSIV	1.00526
B	LP, LPT, SBS	0.98890
C	PX, PXT, SBS, RTP	0.98063
D	OSI, OSII	1.00529

*The multiplier applicable to customers taking service under Rate Schedule SBS is determined as follows: customers with a Contract Demand in the range of 100 to 499 KW will use the recovery factor applicable to Rate Schedule GSD; customers with a Contract Demand in the range of 500 to 7,499 KW will use the recovery factor applicable to Rate Schedule LP; and customers with a Contract Demand over 7,499 KW will use the recovery factor applicable to Rate Schedule PX.

PEF:

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

TECO:

<u>Group</u>	<u>Multiplier</u>
Group A	1.0043
Group A1	n/a*
Group B	1.0005
Group C	0.9745

*Group A1 is based on Group A, 15% of On-Peak and 85% of Off-Peak.

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

POSITION: FPL: No position pending resolution of Issue 6.
FPUC-Fernandina:

<u>Rate Schedule</u>	<u>Adjustment</u>
RS	\$.02968
GS	\$.02941
GSD	\$.02765
CSL	\$.01956
OL	\$.01956
SL	\$.01956

FPUC-Marianna:

<u>Rate Schedule</u>	<u>Adjustment</u>
RS	\$.04056
GS	\$.04005
GSD	\$.03738
GSLD	\$.03536
OL	\$.02912
SL	\$.02903

Gulf: No position pending resolution of Issue 6.
PEF: No position pending resolution of Issue 6.
TECO: No position pending resolution of Issue 6.

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

POSITION: The new factors should be effective beginning with the first billing cycle for January 2004, and thereafter through the last billing cycle for December 2004. The first billing cycle may start before January 1, 2004, and the last billing cycle may end after December 31, 2004, so long as each customer is billed for twelve months regardless of when the factors became effective.

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?

POSITION: FPL: \$21,657,720
Gulf: \$1,405,575
PEF: \$8,283,799
TECO: \$1,546,058

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?

POSITION: FPL: \$11,540,569
Gulf: \$2,016,185
PEF: \$8,239,266
TECO: \$1,261,681

ISSUE 12: What is the appropriate base level for operation and maintenance expenses for each investor-owned electric utility's non-speculative financial and/or physical hedging program to mitigate fuel and purchased power price volatility?

POSITION: FPL: No position pending review of discovery.
Gulf: No position pending review of discovery.
PEF: No position pending review of discovery.
TECO: No position pending review of discovery.

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?

POSITION: Yes. The annual audit of Progress Fuels Corporation's revenue requirements under a full utility-type regulatory treatment confirms the appropriateness of the "short-cut" methodology used to determine the equity component of PFC's capital structure.

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

POSITION: Yes. Progress Energy Florida has calculated the market price in accordance with the methodology approved by the Commission in Docket No. 860001-EI-G.

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

POSITION: Yes. Notwithstanding staff's position for Issue 13H, Progress Energy Florida has calculated the market price in accordance with the methodology approved by the Commission in Docket No. 930001-EI.

ISSUE 13D: Is the waterborne coal transportation benchmark 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?

POSITION: No. Progress Energy Florida still uses the original \$23.00 per ton base price, subject to escalation to determine the price paid to Progress Fuels Corporation for waterborne coal transportation services. Staff does not believe that either the base price or the escalators are now appropriate. While prices for such services

throughout the industry trend have fallen, the escalators have increased significantly and have not followed trends seen by other state and regional utilities. Also, the base price, which was a sum of contractual prices of affiliates originally, now includes different contracts for a mix of affiliate and non-affiliate service providers. In addition, the base price was dependent not only on market trends, but also on location of mines relative to waterborne shipping terminals and distance of the shipping terminal from the destination. Since both contracts and supplier related costs have changed, the original base cost needs to be recalculated based on current contracts or the method needs to be replaced by an alternative method.

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?

POSITION: No position pending review of discovery and evidence adduced at hearing.

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?

POSITION: No position pending further discovery and evidence adduced at the hearing.

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?

POSITION: No position pending further discovery and evidence adduced at the hearing.

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?

POSITION: Yes. The Commission specifically references short-haul rail/truck transportation to the upriver dock in Order No. PSC-93-1331-FOF-EI, in Docket No. 930001-EI, issued September 13, 1993, as a component of the \$23.00 base price of the market proxy for waterborne coal transportation services. However, Progress Energy Florida should have adjusted the FOB Barge price for approximately 948,000 tons of coal purchased in 2002. Thus, the Commission should disallow approximately \$5,042,000 in upriver costs reflected in its coal commodity costs that Progress Energy Florida has already recovered through its market proxy for waterborne coal transportation services.

In addition, the Commission should audit Progress Energy Florida's coal purchases for the years 1993 through 2001 and 2003 to determine if the Commission should disallow similar costs for those years as well.

ISSUE 13I: How should Progress Energy Florida's baseline O&M expenses be established for purposes of determining its recoverable incremental costs in this proceeding?

POSITION: The Commission should address this issue as part of Issue 30.

No additional company-specific issues for Progress Energy Florida have been identified at this time. If such issues are identified, they shall be numbered 13J, 13K, 13L, 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?

POSITION: No position pending further discovery and evidence adduced at the hearing.

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?

POSITION: No position pending further discovery and evidence adduced at the hearing.

ISSUE 14C: Should the Commission approve FPL's request to recover the cost for 137 additional railcars to deliver coal to Plant Scherer?

POSITION: No position pending further discovery and evidence adduced at the hearing.

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

Florida Public Utilities Company

ISSUE 15A: When should the Commission approve the consolidation of the fuel rates for the Marianna and Fernandina Beach Divisions?

POSITION: The Commission should consolidate the fuel rates for the Marianna and Fernandina Beach divisions concurrent with revisions to Florida Public Utilities Company's base rates at the conclusion of Docket No. 030438-EI.

No additional company-specific issues for Florida Public Utilities Company have been identified at this time. If such issues are identified, they shall be numbered 15B, 15C, 15D, 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?

POSITION: No position pending further discovery and evidence adduced at the hearing.

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?

POSITION: No position pending further discovery and evidence adduced at the hearing.

No additional company-specific issues for Gulf Power Company have been identified at this time. If such issues are identified, they shall 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?

POSITION: \$23.87 per ton

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?

POSITION: Yes. This issue is moot because the actual cost of transportation services provided by TECO Transport were less than the benchmark.

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?

POSITION: No position pending further discovery and evidence adduced at the hearing.

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?

POSITION: No position pending further development of the record.

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

POSITION: No. Tampa Electric structured the June 27, 2003, request for proposals to limit participation from service providers who could only provide river barge, terminalling, or ocean barge service. Tampa Electric did not receive responses from any qualified companies that provide either river or ocean transportation. Thus, Tampa Electric received very little useful information regarding current market prices 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?

POSITION: No position pending further discovery and evidence adduced at the hearing.

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?

POSITION: No. The municipal rail benchmark never had any relevance to prices paid for waterborne coal transportation by TECO. Since the municipal rail Benchmark was enacted more than 10 years ago, the

price charged to Tampa Electric for waterborne coal transportation services has been consistently and significantly less than the benchmark. In addition, the prices that other state utilities pay that do not use affiliates for coal transportation have likewise been well below the benchmark.

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?

POSITION: No position pending further discovery and evidence adduced at the hearing.

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?

POSITION: No position pending further discovery and evidence adduced at the hearing.

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?

POSITION: If the Commission rules that Tampa Electric's decision to cease operations at Gannon Units was not prudent, then Tampa Electric should record any gain or loss on the re-sale of surplus coal "below the line". Otherwise, Tampa Electric should record any gain or loss on the re-sale of surplus coal as a credit or charge to the fuel clause.

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?

POSITION: If the Commission rules that Tampa Electric's decision to cease operations at Gannon Units was not prudent, then Tampa Electric should record any "dead-freight" coal transportation costs "below the line". Otherwise, Tampa Electric should charge any "dead-freight" coal transportation costs to the fuel clause.

ISSUE 17L: Should the Commission offset Tampa Electric's requested fuel cost increase by the O&M savings that resulted from its decision to cease operations at its Gannon Units 1 through 4 prior to December 31, 2004?

POSITION: No position pending further discovery and evidence adduced at the hearing.

ISSUE 17M: Should the Commission review the amounts paid to Hardee Power Partners (HPP) under the power purchase agreement to assure that the costs were cost-based due to the recognition of a gain on the sale of the Hardee Power Station which was supported by the power purchase agreement?

POSITION: This docket is not the appropriate forum to address this issue.

ISSUE 17N: Should the Commission review the HPP power purchase agreement to assure that the change of ownership will not affect ratepayer costs due to the revised costs of the new owner?

POSITION: This docket is not the appropriate forum to address this issue.

ISSUE 170: Should the Commission review Tampa Electric's acquisition and subsequent cancellation of turbine purchase rights from TECo-Panda generating company?

POSITION: This docket is not the appropriate forum to address this issue.

No additional company-specific issues for Tampa Electric Company have been identified at this time. If such issues are identified, they shall be numbered 17P, 17Q, 17R, 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?

POSITION: See Attachment A.

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?

POSITION: See Attachment A.

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 shall be numbered 20A, 20B, 20C, and so forth, as appropriate.

Progress Energy Florida

No company-specific issues for Progress Energy Florida have been identified at this time. If such issues are identified, they shall 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 shall 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?

POSITION: Tampa Electric Company's decision to cease operations at Gannon Units 1 through 4 caused the utility's net generation to decrease by 2,294,726 MWH from 2002 and it caused its capacity to decrease by 526 MW. The decision to cease operation at Gannon Units 1 through 4 affect the GPIF by reducing the total net generation by which the GPIF-Unit generation is divided to calculate the percentage of generation represented by GPIF units.

The decision to cease operations at the Gannon Station along with the new generation at Bayside has the effect of only 58 percent of the company's total net generation for 2004 being included in the GPIF. The Bayside units are excluded from the GPIF because of the absence of sufficient historical operations data on which targets may be based. Section 3.1 - General Selection Criteria - of the GPIF Manual requires that a minimum of 80 percent of a utility's generation be included, barring

circumstances listed in Section 3.2 - Exclusion of Units. Staff agrees with Tampa Electric Company that the 2004 GPIF units should be Big Bend Units 1 through 4 and Polk Unit 1.

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

POSITION:

FPL:	No position pending resolution of Issue 32A.
GULF:	\$193,696 overrecovery.
PEF:	\$4,497,883 overrecovery.
TECO:	\$314,462 underrecovery. Tampa Electric should provide further documentation for a 2003 audit of the two adjustments identified by disclosure Nos. 2 and 3 in staff audit and testimony.

ISSUE 25: What are the appropriate estimated capacity cost recovery true-up amounts for the period January 2003 through December 2003?

POSITION:

FPL:	\$16,048,425 overrecovery.
GULF:	\$ 1,058,876 overrecovery.
PEF:	\$ 1,188,735 underrecovery.
TECO:	\$ 1,847,047 underrecovery.

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?

POSITION: FPL: No position pending resolution of Issue 32A.
GULF: \$1,252,572 overrecovery.
PEF: \$3,309,148 overrecovery.
TECO: \$2,161,509 underrecovery.

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?

POSITION: FPL: No position pending resolution of Issues 30 and 32A.
GULF: \$17,619,376.
PEF: No position pending resolution of Issues 30 and 31A.
TECO: No position pending resolution of Issues 30 and 34A.

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?

POSITION: FPL: 98.84301%
GULF: 96.50187%
PEF: Base - 95.957%, Intermediate - 86.574%,
Peaking - 74.562%.
TECO: 95.43611%

ISSUE 29: What are the appropriate capacity cost recovery factors for the period January 2004 through December 2004?

POSITION: FPL: No position at this time.

GULF:

<u>Rate Class</u>	<u>Capacity Recovery Factor (cents/kWh)</u>
RS, RSVP	.194
GS	.188
GSD, GSDT, GSTOU	.157
LP, LPT	.135
PX, PXT, RTP, SBS	.118
OS-I, OS-II	.057
OS-III	.122
OS-IV	.056

PEF: No position at this time.

TECO: No position at this time.

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?

POSITION: No position at this time.

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?

POSITION: No position pending resolution of Issue 30 and review of outstanding discovery.

No additional company-specific issues for Progress Energy Florida have been identified at this time. If such issues are identified, they shall 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?

POSITION: No position pending resolution of Issue 30 and review of outstanding discovery.

No additional company-specific issues for Florida Power & Light have been identified at this time. If such issues are identified, they shall 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 shall 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?

POSITION: No position pending resolution of Issue 30 and review of outstanding discovery.

No additional company-specific issues for Tampa Electric Company have been identified at this time. If such issues are identified, they shall be numbered 34B, 34C, 34D, and so forth, as appropriate.

e. Pending Motions

Staff has no pending motions.

f. Pending Confidentiality Claims or Requests

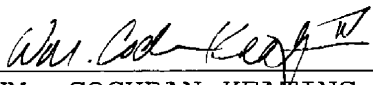
The testimony of the following staff witnesses contain information that is subject to claims of confidentiality by the utilities identified with each witness:

Kathy L. Welch	-	Florida Power & Light Company
Joseph W. Rohrbacher	-	Progress Energy Florida, Inc.
William B. McNulty	-	Progress Energy Florida, Inc.

g. Compliance with Order Nos. PSC-03-0113-PCO-EI and PSC-03-0427-PCO-EI

Staff has complied with all requirements of the Order Establishing Procedure entered in this docket, as revised.

Respectfully submitted this 15th day of October, 2003.



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GPIF REWARDS/PENALTIES

January 2002 to December 2002

<u>Utility</u>	<u>Amount</u>	<u>Reward/Penalty</u>
Florida Power and Light Company	\$ 7,449,429	Reward
Gulf Power Company	\$ 431,920	Reward
Progress Energy Florida	\$ 2,781,223	Reward
Tampa Electric Company	\$ 2,496,021	Penalty

<u>Utility/ Plant/Unit</u>	<u>EAF</u>		<u>Heat Rate</u>	
<u>FPL</u>	<u>Target</u>	<u>Adjusted Actual</u>	<u>Target</u>	<u>Adjusted Actual</u>
Cape Canaveral 1	90.3	90.8	9,727	9,207
Cape Canaveral 2	88.2	85.6	9,661	9,115
Fort Lauderdale 4	91.8	94.4	7,618	7,528
Fort Lauderdale 5	91.9	93.4	7,535	7,401
Manatee 1	81.5	89.8	10,415	9,865
Manatee 2	85.4	90.1	10,335	10,088
Martin 1	89.2	80.2	9,990	9,040
Martin 2	90.8	89.5	10,012	8,914
Martin 3	94.9	96.3	6,958	6,954
Martin 4	87.9	94.2	7,028	7,004
Port Everglades 3	94.3	92.3	9,929	9,388
Port Everglades 4	86.0	90.7	9,933	9,162
Putnam 1	84.7	86.9	9,261	8,836
Riviera 3	84.4	96.3	10,327	9,797
Riviera 4	93.1	96.5	9,762	9,366
Turkey Point 1	85.4	89.2	9,783	9,083
Turkey Point 2	94.3	98.7	9,645	9,332
Turkey Point 3	93.6	100.0	10,994	11,193
Turkey Point 4	86.0	91.6	11,069	11,117
St. Lucie 1	86.0	91.7	10,795	10,811
St. Lucie 2	93.6	100.0	10,836	10,850
Scherer 4	84.4	83.2	10,225	10,097

<u>Gulf</u>	<u>Target</u>	<u>Adjusted Actual</u>	<u>Target</u>	<u>Adjusted Actual</u>
Crist 4	90.9	93.1	10,499	10,979
Crist 6	77.3	78.3	10,546	10,649
Crist 7	79.7	85.8	10,196	10,255
Smith 1	90.7	92.0	10,054	10,206
Smith 2	86.6	58.2	10,050	10,309
Daniel 1	88.0	92.4	10,191	9,991
Daniel 2	70.7	73.9	9,906	9,850

GPIF REWARDS/PENALTIES
January 2002 to December 2002

<u>Utility/ Plant/Unit</u>	<u>EAF</u>		<u>Heat Rate</u>	
		Adjusted		Adjusted
	<u>Target</u>	<u>Actual</u>	<u>Target</u>	<u>Actual</u>
<u>PEF</u>				
Anclote 1	91.7	96.4	10,183	10,386
Anclote 2	81.7	84.3	10,090	10,124
Crystal River 1	86.8	92.9	9,750	9,725
Crystal River 2	65.1	66.4	9,619	9,656
Crystal River 3	96.2	98.6	10,283	10,288
Crystal River 4	76.5	76.3	9,413	9,441
Crystal River 5	94.5	98.5	9,376	9,463
Bartow 3	80.1	82.7	10,053	10,008
Tiger Bay	80.3	82.1	8,267	8,313
		Adjusted		Adjusted
<u>TECO</u>	<u>Target</u>	<u>Actual</u>	<u>Target</u>	<u>Actual</u>
Big Bend 1	77.3	71.1	10,111	10,519
Big Bend 2	66.7	52.4	9,815	10,398
Big Bend 3	67.5	53.8	10,036	10,275
Big Bend 4	82.6	84.3	10,089	10,488
Gannon 5	56.7	65.2	10,716	11,202
Gannon 6	63.9	61.6	10,704	11,192
Polk 1	78.0	84.6	10,087	10,565

GPIF TARGETS

January 2004 to December 2004

<u>Utility/ Plant/Unit</u>	<u>EA</u>			<u>Heat Rate</u>		
	<u>Company</u>	<u>Staff</u>	<u>Company</u>	<u>Staff</u>	<u>Staff</u>	
<u>FPL</u>	<u>EA</u>	<u>POF</u>	<u>EUOF</u>			
Cape Canaveral 2	89.8	0.0	10.2	Agree	9,528	Agree
Lauderdale 4	79.6	15.3	5.1	Agree	7,473	Agree
Lauderdale 5	89.5	4.6	5.9	Agree	7,467	Agree
Manatee 1	93.7	0.0	6.3	Agree	10,427	Agree
Manatee 2	75.2	20.5	4.3	Agree	10,384	Agree
Martin 1	91.5	0.0	8.5	Agree	10,130	Agree
Martin 2	92.1	0.0	7.9	Agree	10,086	Agree
Martin 3	94.6	1.4	4.0	Agree	6,885	Agree
Martin 4	92.0	4.0	4.0	Agree	6,844	Agree
Port Everglades 3	92.7	0.0	7.3	Agree	9,819	Agree
Port Everglades 4	89.7	3.8	6.5	Agree	9,859	Agree
Scherer 4	84.0	12.0	4.0	Agree	10,189	Agree
St Lucie 1	86.8	6.8	6.4	Agree	10,860	Agree
St Lucie 2	85.4	8.2	6.4	Agree	10,900	Agree
Turkey Point 3	75.8	17.8	6.4	Agree	11,140	Agree
Turkey Point 4	93.6	0.0	6.4	Agree	11,134	Agree
<u>Gulf</u>	<u>EA</u>	<u>POF</u>	<u>EUOF</u>			
Crist 4	97.9	0.0	2.1	Agree	10,388	Agree
Crist 5	96.8	0.0	3.2	Agree	10,232	Agree
Crist 6	86.7	6.3	7.0	Agree	10,501	Agree
Crist 7	70.1	21.6	8.3	Agree	10,223	Agree
Smith 1	90.1	8.2	1.7	Agree	10,114	Agree
Smith 2	82.8	8.2	9.0	Agree	10,024	Agree
Daniel 1	69.6	24.9	5.5	Agree	9,994	Agree
Daniel 2	81.1	12.0	6.9	Agree	9,828	Agree

GPIF TARGETS

January 2004 to December 2004

<u>Utility/ Plant/Unit</u>	<u>EAF</u>				<u>Heat Rate</u>	
	<u>Company</u>	<u>Staff</u>	<u>Company</u>		<u>Staff</u>	
<u>PEF</u>	<u>EAF</u>	<u>POF</u>	<u>EUOF</u>			
Anclote 1	94.4	0.0	5.6	Agree	10,407	Agree
Anclote 2	91.1	3.8	5.0	Agree	10,174	Agree
Crystal River 1	81.1	11.5	7.4	Agree	9,731	Agree
Crystal River 2	81.3	0.0	18.7	Agree	9,685	Agree
Crystal River 3	97.1	0.0	2.9	Agree	10,310	Agree
Crystal River 4	85.2	9.6	5.2	Agree	9,322	Agree
Crystal River 5	93.4	0.0	6.6	Agree	9,389	Agree
Hines 1	88.3	9.6	2.2	Agree	7,530	Agree
Tiger Bay	88.0	7.7	4.4	Agree	7,964	Agree
<u>TECO</u>	<u>EAF</u>	<u>POF</u>	<u>EUOF</u>			
Big Bend 1	67.2	5.7	27.1	Agree	10,708	Agree
Big Bend 2	66.7	5.7	27.6	Agree	10,384	Agree
Big Bend 3	67.6	5.7	26.7	Agree	10,278	Agree
Big Bend 4	78.2	5.7	16.0	Agree	10,272	Agree
Polk 1	85.6	4.4	10.0	Agree	10,569	Agree

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 15, 2003

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of STAFF'S PREHEARING STATEMENT has been sent via U. S. Mail to the following, this 15th day of October, 2003:

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