

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 980001-EI
ORDER NO. PSC-98-0309-PHO-EI
ISSUED: February 23, 1998

Pursuant to Notice, a Prehearing Conference was held on Monday, February 16, 1998, in Tallahassee, Florida, before Commissioner Susan F. Clark, as Prehearing Officer.

APPEARANCES:

JAMES A. MCGEE, Esquire, Post Office Box 14042, St. Petersburg, Florida 33733-4042
On behalf of Florida Power Corporation (FPC).

MATTHEW M. CHILDS, Esquire, P.A., Steel Hector & Davis LLP, 215 South Monroe Street, Suite 601, Tallahassee, Florida 32301
On behalf of Florida Power & Light Company (FPL).

KENNETH A. HOFFMAN, Esquire, Rutledge Ecenia Underwood Purnell & Hoffman, P.A., Post Office Box 551, Tallahassee, Florida 32302-0551
On behalf of Florida Public Utilities Company (FPU).

JEFFREY A. STONE, Esquire and RUSSELL A. BADDERS, Esquire, Beggs & Lane, 700 Blount Building, 3 West Garden Street, P.O. Box 12950, Pensacola, Florida 32576-2950
On behalf of Gulf Power Company (Gulf).

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

JOHN W. McWHIRTER, Esquire, McWhirter Reeves McGlothlin Davidson Rief & Bakas, P.A., 100 North Tampa Street, Suite 2800, Post Office Box 3350, Tampa, Florida 33601-3350; JOSEPH A. MCGLOTHLIN, Esquire and VICKI GORDON KAUFMAN, Esquire, McWhirter Reeves McGlothlin Davidson Rief & Bakas, P.A., 117 South Gadsden Street, Tallahassee, Florida 32301
On behalf of Florida Industrial Power Users Group (FIPUG).

JOHN ROGER HOWE, Esquire, Office of Public Counsel c/o The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400
On behalf of the Citizens of the State of Florida (OPC).

DOCUMENT NUMBER-DATE

02483 FEB 23 1998

FPSC-RECORDS/REPORTING

LESLIE J. PAUGH, Esquire, Florida Public Service Commission,
2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
On behalf of the Commission Staff (STAFF).

PREHEARING ORDER

I. CASE BACKGROUND

As part of the Commission's continuing fuel cost, energy conservation cost, purchased gas cost, and environmental cost recovery proceedings, a hearing is set for February 25 - 27, 1998, in this docket and in Docket Nos. 980002-EG, 980003-GU, and 980007-EI. The hearing will address the issues set out in the body of this Prehearing Order. As noted in Section VII of this Prehearing Order, the parties have proposed stipulations to all of the issues except those relating to FPL in Issues 4, 7, 10C, and 21E and those addressed by the ruling of the Prehearing Officer.

II. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

A. Any information provided pursuant to a discovery request for which proprietary confidential business information status is requested shall be treated by the Commission and the parties as confidential. The information shall be exempt from Section 119.07(1), Florida Statutes, pending a formal ruling on such request by the Commission, or upon the return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been used in the proceeding, it shall be returned expeditiously to the person providing the information. If a determination of confidentiality has been made and the information was not entered into the record of the proceeding, it shall be returned to the person providing the information within the time periods set forth in Section 366.093(2), Florida Statutes.

B. It is the policy of the Florida Public Service Commission that all Commission hearings be open to the public at all times. The Commission also recognizes its obligation pursuant to Section 366.093, Florida Statutes, to protect proprietary confidential business information from disclosure outside the proceeding.

In the event it becomes necessary to use confidential information during the hearing, the following procedures will be observed:

- 1) Any party wishing to use any proprietary confidential business information, as that term is defined in Section 366.093, Florida Statutes, shall notify the Prehearing Officer and all parties of record by the time of the Prehearing Conference, or if not known at that time, no later than seven (7) days prior to the beginning of the hearing. The notice shall include a procedure to assure that the confidential nature of the information is preserved as required by statute.
- 2) Failure of any party to comply with 1) above shall be grounds to deny the party the opportunity to present evidence which is proprietary confidential business information.
- 3) When confidential information is used in the hearing, parties must have copies for the Commissioners, necessary staff, and the Court Reporter, in envelopes clearly marked with the nature of the contents. Any party wishing to examine the confidential material that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any appropriate protective agreement with the owner of the material.
- 4) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise the confidential information. Therefore, confidential information should be presented by written exhibit when reasonably possible to do so.
- 5) At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the Court Reporter shall be retained in the Division of Records and Reporting's confidential files.

Post-hearing procedures

Rule 25-22.056(3), Florida Administrative Code, requires each party to file a post-hearing statement of issues and positions. A summary of each position of no more than 50 words, set off with asterisks, shall be included in that statement. If a party's position has not changed since the issuance of the prehearing order, the post-hearing statement may simply restate the prehearing position; however, if the prehearing position is longer than 50 words, it must be reduced to no more than 50 words. The rule also provides that if a party fails to file a post-hearing statement in conformance with the rule, that party shall have waived all issues and may be dismissed from the proceeding.

A party's proposed findings of fact and conclusions of law, if any, statement of issues and positions, and brief, shall together total no more than 60 pages, and shall be filed at the same time. The prehearing officer may modify the page limit for good cause shown. Please see Rule 25-22.056, Florida Administrative Code, for other requirements pertaining to post-hearing filings.

III. PREFILED TESTIMONY AND EXHIBITS; WITNESSES

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

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

The Commission frequently administers the testimonial oath to more than one witness at a time. Therefore, when a witness takes

the stand to testify, the attorney calling the witness is directed to ask the witness to affirm whether he or she has been sworn.

IV. ORDER OF WITNESSES

Witnesses whose names are preceded by an asterisk (*) have been excused. The parties have stipulated that the testimony of those witnesses will be inserted into the record as though read and cross-examination will be waived. The parties have also stipulated that all exhibits submitted with those witnesses' testimony shall be identified as shown in Section VII of this Prehearing Order and admitted into the record.

<u>Witness</u>	<u>Appearing For</u>	<u>Issue #</u>
<u>Direct</u>		
* John Scardino, Jr.	FPC	1, 9B, 9D, 16
* Karl H. Wieland	FPC	2 - 9E, 17 - 20
* Dario B. Zuloaga	FPC	14 - 15
R. Silva	FPL	1 - 8
R. L. Wade	FPL	1 - 8
K. M. Dubin	FPL	1 - 8, 10B, 10C, 21A - 21E, 22
* George M. Bachman	FPU	1 - 8, 22
* M. F. Oaks	Gulf	1, 2, 4
* S. D. Cranmer	Gulf	1 - 8, 12A, 22
* G. D. Fontaine	Gulf	14, 15
* M. W. Howell	Gulf	1, 2, 4, 12A
* Karen O. Zwolak	TECO	1 - 8, 13A, 13B, 13C, 16 - 20, 22
* G. A. Keselowsky	TECO	14, 15

<u>Witness</u>	<u>Appearing For</u>	<u>Issue #</u>
* Tom Ballinger	Staff	15

Rebuttal

* K. Adjemian	FPL	15
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V. BASIC POSITIONS

FPC: None necessary.

FPL: None necessary.

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

Gulf: It is the basic position of Gulf Power Company that the proposed fuel factors present the best estimate of Gulf's fuel expense for the period April 1998 through September 1998 including the true-up calculations, GPIF and other adjustments allowed by the Commission.

TECO: The Commission should approve Tampa Electric's calculation of its fuel adjustment, capacity cost recovery and GPIF true-up calculations, including the proposed fuel adjustment factor of 2.337 cents per KWH before application of factors which adjust for variation in line losses; the proposed capacity cost recovery factor of .147 cents per KWH before applying the 12 CP and 1/13 allocation methodology; and a GPIF penalty of \$363,850.

FIPUG: None at this time.

OPC: None necessary.

STAFF: Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the

parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions.

VI. ISSUES AND POSITIONS

GENERIC FUEL ADJUSTMENT ISSUES

STIPULATED

ISSUE 1: What are the appropriate final fuel adjustment true-up amounts for the period April, 1997 through September, 1997?

POSITION: FPC: \$8,219,498 underrecovery.
FPL: \$64,381,785 underrecovery.
FPUC: Marianna: \$78,655 overrecovery.
Fernandina Beach: \$106,547 overrecovery.
Gulf: \$2,886,443 overrecovery.
TECO: \$6,042,407 underrecovery.

STIPULATED

ISSUE 2: What are the estimated fuel adjustment true-up amounts for the period October, 1997 through March, 1998?

POSITION: FPC: \$10,226,809 overrecovery.
FPL: \$71,127,379 underrecovery.
FPUC: Marianna: \$52,624 overrecovery
Fernandina Beach: \$162,900 overrecovery
Gulf: \$1,127,041 underrecovery.
TECO: \$10,415,528 overrecovery.

STIPULATED

ISSUE 3: What are the total fuel adjustment true-up amounts to be collected/ refunded during the period April, 1998 through September, 1998?

POSITION: FPC: \$2,007,311 overrecovery.
FPL: \$135,509,164 underrecovery.
FPUC: Marianna: \$131,279 overrecovery
Fernandina Beach: \$269,447 overrecovery
Gulf: \$1,759,402 overrecovery.
TECO: \$4,373,121 overrecovery.

STIPULATED
(EXCEPT AS TO FPL)

ISSUE 4: What are the appropriate levelized fuel cost recovery factors for the period April, 1998 through September, 1998?

POSITIONS:

FPC: Agree with Staff.

FPL: 1.972 cents per kwh.

FPUC: Agree with Staff.

Gulf: Agree with Staff.

TECO: Agree with Staff.

FIPUG: No position.

OPC: No position.

STAFF:

FPC:	2.015 cents per kwh (adjusted for jurisdictional losses). 2.122 cents per kwh if CR3 returns to service before the April - September 1998 period.
FPL:	1.972 cents per kwh.
FPUC:	Marianna: 2.365 cents per kwh. Fernandina Beach: 2.326 cents per kwh.
Gulf:	1.626 cents per kwh.
TECO:	2.337 cents per kwh

STIPULATED

ISSUE 5: What should be the effective date of the new 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 April, 1998, and thereafter through the last billing cycle for September, 1998. The first billing cycle may start before April 1, 1998, and the last billing cycle may end after September, 1998, so

long as each customer is billed for six months regardless of when the factors became effective.

STIPULATED

ISSUE 6: 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:

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

FPL:

<u>GROUP</u>	<u>RATE SCHEDULE</u>	<u>LINE LOSS MULTIPLIER</u>
A	RS-1, GS-1, SL-2, RST-1, GST-1	1.00213
A-1*	SL-1, OL-1	1.00213
B	GSD-1, GSdT-1, CICL-1(G)	1.00212
C	GSLD-1, CS-1, GSLDT-1, CST-1	1.00179
D	GSLD-2, CS-2, OS-2, MET, GSLDT-2, CST-2	0.99591
E	GSLD-3, CS-3, GSLDT-3, CST-3, CICL-1(T) & ISST-1(T)	0.95658
F	CICL-1(D), ISST-1(D)	0.99785

* Weighted Average 16% on-peak and 84% off-peak.

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FPUC: Marianna: Rate Schedule Multiplier
 All Rate Schedules 1.0000

Fernandina Beach
 All Rate Schedules 1.0000

GULF:

Group	Rate Schedules*	Line Loss Multipliers
A	RS, GS, GSD, SBS, OSIII, OSIV	1.01228
B	LP, SBS	0.98106
C	PX, PXT, SBS, RTP, CSA	0.96230
D	OSI, OSII	1.01228

*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.

TECO:	<u>Group</u>	<u>Multiplier</u>
	Group A	1.0072
	Group A1	n/a*
	Group B	1.0013
	Group C	0.9687

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

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STIPULATED
(EXCEPT AS TO FPL)

ISSUE 7: What are the appropriate Fuel Cost Recovery Factors for each rate class/delivery voltage level class adjusted for line losses?

FPC: Agree with Staff.

FPL:

GROUP	RATE SCHEDULE	AVERAGE FACTOR	FUEL RECOVERY LOSS MULTIPLIER	FUEL RECOVERY FACTOR
A	RS-1, GS-1, SL-2	1.972	1.00213	1.976
A-1*	SL-1, OL-1	1.942	1.00213	1.946
B	GSD-1	1.972	1.00212	1.976
C	GSLD-1 & CS-1	1.972	1.00179	1.975
D	GSLD-2, CS-2, OS-2 & MET	1.972	0.99591	1.963
E	GSLD-3 & CS-3	1.972	0.95658	1.886
A	RST-1, GST-1 ON-PEAK	2.099	1.00213	2.103
	OFF-PEAK	1.912	1.00213	1.916
B	GSDT-1 ON-PEAK CILC-1(G)	2.099	1.00212	2.103
	OFF-PEAK	1.912	1.00212	1.916
C	GSLDT-1 & ON-PEAK	2.099	1.00179	2.102
	CST-1 OFF-PEAK	1.912	1.00179	1.915

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GROUP	RATE SCHEDULE	AVERAGE FACTOR	FUEL RECOVERY LOSS MULTIPLIER	FUEL RECOVERY FACTOR
D	GSLDT-2 &			
	ON-PEAK	2.099	0.99591	2.090
	CST-2 OFF-PEAK	1.912	0.99591	1.904
E	GSLDT-3, CST-3			
	ON-PEAK	2.099	0.95658	2.007
	CILC-1(T) & ISST-1(T) OFF-PEAK	1.912	0.95658	1.829
F	CILC-1(D) &			
	ON-PEAK	2.099	0.99785	2.094
	ISST-1(D) OFF-PEAK	1.912	0.99785	1.908

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

FPU: Marianna: Agree with Staff.
Fernandina: Agree with Staff.

Gulf: Agree with Staff.

TECO: Agree with Staff.

FIPUG: No position.

OPC: FPC: No position.
 FPL: No position.
 FPUC: Fernandina: No position.
 Marianna: No position.
 GPC: No position.
 TECO: No position.

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STAFF:

FPC:		Fuel Cost Factors (cents/kWh)		
<u>Group</u>	<u>Delivery Voltage Level</u>	<u>Standard</u>	<u>Time Of Use</u>	
			<u>On-Peak</u>	<u>Off-Peak</u>
A.	Transmission	1.978	2.554	1.665
B.	Distribution Primary	1.998	2.579	1.682
C.	Distribution Secondary	2.018	2.605	1.699
D.	Lighting Service	1.869		

FPL:

GROUP	RATE SCHEDULE	AVERAGE FACTOR	FUEL RECOVERY LOSS MULTIPLIER	FUEL RECOVERY FACTOR
A	RS-1,GS-1, SL-2	2.112	1.00213	2.116
A-1	SL-1,OL-1	2.076	1.00213	2.080
B	GSD-1	2.112	1.00212	2.116
C	GSLD-1 & CS-1	2.112	1.00179	2.116
D	GSLD-2,CS-2, OS-2 & MET	2.112	0.99591	2.103
E	GSLD-3 & CS-3	2.112	0.95658	2.020
A	RST-1,GST-1 ON-PEAK	2.250	1.00213	2.254
	OFF-PEAK	2.043	1.00213	2.048
B	GSDT-1 CILC-1(G) ON-PEAK	2.250	1.00212	2.254
	OFF-PEAK	2.043	1.00212	2.048
C	GSLDT-1 & CST-1 ON-PEAK	2.250	1.00179	2.254
	OFF-PEAK	2.043	1.00179	2.047

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D	GSLDT-2 & CST-2			
	ON-PEAK	2.250	0.99591	2.240
	OFF-PEAK	2.043	0.99591	2.035
E	GSLDT-3, CST-3 CILC-1(T) & ISST-1(T)			
	ON-PEAK	2.250	0.95658	2.152
	OFF-PEAK	2.043	0.95658	1.954
F	CILC-1(D) & ISST-1(D)			
	ON-PEAK	2.250	0.99785	2.245
	OFF-PEAK	2.043	0.99785	2.039

FPUC: Marianna

RS	4.232¢/kwh
GS	4.167¢/kwh
GSD	3.716¢/kwh
GSLD	3.587¢/kwh
OL, OL-2	2.815¢/kwh
SL1-2, SL-3	2.814¢/kwh

Fernandina Beach

<u>Rate Schedule</u>	<u>Adjustment</u>
RS	4.025¢/kwh
GS	3.863¢/kwh
GSD	3.565¢/kwh
OL, OL-2	2.591¢/kwh
SL-2, SL-3, CSL	2.591¢/kwh

GULF:

Group	Rate Schedules*	Fuel Cost Factors ¢/KWH		
		Standard	Time of Use	
			On-Peak	Off-Peak
A	RS, GS, GSD, SBS, OSIII, OSIV	1.646	2.169	1.395
B	LP, SBS	1.595	2.102	1.352
C	PX, RTP, SBS, CSA	1.565	2.062	1.326
D	OSI, OSII	1.463	N/A	N/A

*The recovery factor 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.

TECO:	<u>Standard</u>	<u>On-Peak</u>	<u>Off-Peak</u>
Group A	2.354	3.334	1.883
Group A1	2.101	n/a	n/a
Group B	2.340	3.314	1.872
Group C	2.264	3.206	1.811

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STIPULATED

ISSUE 8: What is the appropriate revenue tax factor to be applied in calculating each company's levelized fuel factor for the projection period of April, 1998 through September, 1998?

POSITION:

FPC:	1.00083	
FPL:	1.01609	
FPUC Marianna:		1.00083
Fernandina Beach:		1.01609
GULF:	1.01609	
TECO:	1.00083	

COMPANY-SPECIFIC FUEL ADJUSTMENT ISSUES

Florida Power Corporation

STIPULATED

ISSUE 9A: Should the Commission approve Florida Power Corporation's request to recover the cost of converting Suwannee Unit 3 to burn natural gas?

POSITION:

Yes. Florida Power Corporation's conversion of its Suwannee Unit 3 to burn natural gas is estimated to save FPC's ratepayers approximately \$3.25 million over the next five years at a cost of approximately \$2.45 million. Order No. 14546, issued July 08, 1985, allows a utility to recover fossil-fuel related costs which result in fuel savings when those costs were not previously addressed in determining base rates. FPC should be allowed to recover the projected conversion costs through its fuel clause beginning April 01, 1998. FPC should depreciate the Suwannee Unit 3 conversion over the next five years using the straight line depreciation method. FPC should also be allowed to recover a return on average investment at the rate authorized in Docket No. 910890-EI, 8.37%, as well as applicable taxes. Staff will request an audit of actual costs once the conversion is complete to true-up original projections and to verify the prudence of the individual cost components included for recovery. Staff recommends that if fuel savings during any annual period are less than the amortization and return costs, FPC

should limit cost recovery to actual fuel savings and defer recovery of the difference to future periods.

STIPULATED

ISSUE 9B: Has Florida Power Corporation excluded the replacement fuel costs associated with the Crystal River Unit 3 outage as directed by Order No. PSC-97-0840-S-EI?

POSITION: Yes. CR3's replacement fuel costs have been properly excluded from the April - September 1997 true-up period in Mr. Scardino's testimony and from actual data for the months of October through December 1997 in the current period in Mr. Wieland's testimony. In addition, the replacement fuel costs stipulated for recovery have been included in FPC's contingent fuel cost factors for April - September 1998 (Wieland Exhibit, Part G) if CR3 returns to service before the period begins.

ISSUE 9C: Deleted as subsumed under Issue 9F.

STIPULATED

ISSUE 9D: Has Florida Power Corporation properly removed the costs associated with the Lake Cogen settlement which had been previously included in fuel underrecovery balances in Florida Power's monthly "A" Schedules?

POSITION: Yes. The costs associated with the Lake Cogen settlement have been properly excluded from the April - September 1997 true-up period in Mr. Scardino's testimony and from actual data for the months of October through December 1997 in the current period in Mr. Wieland's testimony.

STIPULATED

ISSUE 9E: Has Florida Power Corporation properly calculated the transmission revenue associated with economy, Schedule C, broker energy sales between itself and directly interconnected utilities as directed by Order No. PSC-98-0073-FOF-EI, in Docket No. 980001-EI, issued January 13, 1998?

POSITION: Yes, however, on January 28, 1998, Florida Power Corporation and Florida Power & Light Company separately filed with the Commission Motions for Reconsideration on Order No. PSC-98-0073-FOF-EI. The Commission has not ruled on either motion. A Commission ruling on either motion may impact the regulatory treatment of transmission revenue associated with economy, Schedule C, broker energy sales between two directly interconnected utilities. Any necessary adjustments due to a Commission decision on either motion should be included in the filings for the next fuel and purchased power cost recovery hearing.

STIPULATED

ISSUE 9F: Should the Commission approve Florida Power Corporation's levelized fuel cost recovery factor which is contingent upon Crystal River Unit 3 being fully operational by March 27, 1998, as defined in the stipulation approved by the Commission in Order No. PSC-97-0840-S-EI, in Docket No. 970261-EI, issued July 14, 1997?

POSITION: Yes. If the Crystal River Unit 3's operational status can not be confirmed by February 25, 1998, the Commission should conditionally approve Florida Power's contingent fuel cost factor identified in Issue 4. Under this conditional approval, the contingent fuel cost factor would become effective for the April-September, 1998 period only if Florida Power files a notice with the Commission by March 27, 1998 (the first day of the April cycle billings) which certifies that Crystal River Unit 3 has satisfied the operational requirements of the stipulation approved by the Commission in Order No. PSC-97-0840-S-EI, in Docket No. 970261-EI, issued July 14, 1997.

Florida Power & Light Company

STIPULATED

ISSUE 10A:

Has Florida Power & Light Company properly calculated the transmission revenue associated with economy, Schedule C, broker energy sales between itself and directly interconnected utilities as directed by Order No. PSC-98-0073-FOF-EI in Docket No. 980001-EI, issued January 13, 1998?

FPL: Agree with Staff.

FIPUG: No position.

OPC: No position.

STAFF: Yes, however, on January 28, 1998, Florida Power Corporation and Florida Power & Light Company separately filed with the Commission Motions for Reconsideration on Order No. PSC-98-0073-FOF-EI. The Commission has not ruled on either motion. A Commission ruling on either motion may impact the regulatory treatment of transmission revenue associated with economy, Schedule C, broker energy sales between two directly interconnected utilities. Any necessary adjustments due to a Commission decision on either motion should be included in the filings for the next fuel and purchased power cost recovery hearing.

ISSUE 10B: Should Florida Power & Light's (FPL's) Fuel Cost Recovery period be changed to the twelve calendar months in a year beginning January, 1999?

FPL: Yes, In support of FPL's proposed change, FPL believes the twelve month recovery period offers significant cost reduction benefits and, facilitates customer planning for cost of electricity by having the fuel cost estimates for a longer term than currently and on a calendar year basis.

FIPUG: No.

OPC: No position.

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STAFF: Pursuant to the ruling of the Prehearing Officer, this issue will be addressed in a separate docket.

ISSUE 10C: Is it appropriate to establish Florida Power & Light's proposed fuel cost recovery factors for the period April through December, 1998 to accomplish a transition to a recovery period of twelve calendar months?

FPL: Yes. To facilitate the transition to a twelve calendar month annual cost recovery period, FPL believes the most efficient way is to implement a nine month factor. Therefore, FPL is presenting the fuel factor for the period April 1998 through December 1998. FPL also presents in the Testimony and Exhibits of K.M. Dubin the factor on a six month basis.

FIPUG: FIPUG has no position.

OPC: No position.

STAFF: No. This issue will be considered in a separate docket in order to afford all of the parties in this docket an opportunity to address it. Until an order is issued regarding establishing and implementing an annual fuel hearing, FPL should continue with a six month cost recovery period. Refer to Issue 22.

Florida Public Utilities Company

ISSUE 11A: Issue deleted as subsumed under Issue 4.

Gulf Power Company

STIPULATED

ISSUE 12A:

Has Gulf Power Company properly calculated the transmission revenue associated with economy, Schedule C, broker energy sales between itself and directly interconnected utilities as directed by Order No. PSC-98-0073-FOF-EI in Docket No. 980001-EI, issued January 13, 1998?

POSITION: Yes, however, on January 28, 1998, Florida Power Corporation and Florida Power & Light Company separately filed with the Commission Motions for Reconsideration on Order No. PSC-98-0073-FOF-EI. The Commission has not ruled on either motion. A Commission ruling on either motion may impact the regulatory treatment of transmission revenue associated with economy, Schedule C, broker energy sales between two directly interconnected utilities. Any necessary adjustments due to a Commission decision on either motion should be included in the filings for the next fuel and purchased power cost recovery hearing.

Tampa Electric Company

STIPULATED

ISSUE 13A:

Has Tampa Electric Company properly calculated the transmission revenue associated with economy, Schedule C, broker energy sales between itself and directly interconnected utilities as directed by Order No. PSC-98-0073-FOF-EI in Docket No. 980001-EI, issued January 13, 1998?

POSITION: Yes, however, on January 28, 1998, Florida Power Corporation and Florida Power & Light Company separately filed with the Commission Motions for Reconsideration on Order No. PSC-98-0073-FOF-EI. The Commission has not ruled on either motion. A Commission ruling on either motion may impact the regulatory treatment of transmission revenue associated with economy, Schedule C, broker energy sales between two directly interconnected utilities. Any necessary adjustments due to a Commission decision on either motion should be included in the

filings for the next fuel and purchased power cost recovery hearing.

STIPULATED
ISSUE 13B:

How should Tampa Electric continue the temporary base rate reduction pursuant to the stipulation approved by the Commission in Order No. PSC-96-1300-S-EI in Docket No. 960409-EI, issued October 24, 1996?

POSITION: Tampa Electric should reflect the \$25 million temporary base rate reduction as a line-item credit on customers' bills over a 15 month period which commenced October 1, 1997, with the reduction netted against 1999 refunds which may have otherwise been made pursuant to the stipulation reached in Docket No. 950379-EI and approved in Order No. PSC-96-1300-S-EI. The temporary base rate reduction is 0.130 cents/kwh on average and should be adjusted for each rate class according to the line loss factors calculated in Issue 6.

STIPULATED
ISSUE 13C:

Did Tampa Electric properly calculate the true-up adjustment of the refund credit factor as agreed to in the stipulation approved in Order No. PSC-96-0670-S-EI, in Docket No. 950379-EI, issued May 20, 1996?

POSITION: Yes. The true-up adjustment of the refund credit factor as agreed to in the stipulation approved in Order No. PSC-96-0670-S-EI, in Docket No. 950379-EI, issued May 20, 1996 was properly calculated and was reflected on customers' bills as a Revenue Credit Refund Factor. This Refund Factor was terminated with the last billing cycle in September, 1997. An overrecovery of \$329,229 was identified in the October, 1997 actual fuel adjustment filing.

GENERIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

STIPULATED

ISSUE 14: What is the appropriate GPIF reward or penalty for performance achieved during the period April, 1997 through September, 1997?

POSITION:

GPIF REWARDS/PENALTIES
 April 1997 to September 1997

Florida Power Corporation	\$1,172,147	Reward
Gulf Power Company	(\$300,745)	Penalty
Tampa Electric Company	(\$363,850)	Penalty

Utility/ Plant/Unit	EAF		Heat Rate	
	Target	Adj. Actual	Target	Adj. Actual
<u>FPC</u>				
Anclote 1	91.3	92.0	9,719	9,795
Anclote 2	95.3	93.0	9,669	9,746
Crystal River 1	88.7	92.3	9,766	9,758
Crystal River 2	83.5	88.3	9,763	9,711
Crystal River 4	94.1	98.7	9,289	9,430
Crystal River 5	75.5	77.9	9,267	9,390

Gulf	Target	Adj. Actual	Target	Adj. Actual
Crist 6	84.4	86.2	10,833	10,846
Crist 7	80.0	81.2	10,499	10,408
Smith 1	96.2	94.4	10,244	10,175
Smith 2	82.6	88.6	10,406	10,139
Daniel 1	87.8	84.5	10,253	10,523
Daniel 2	91.9	89.3	10,062	10,387

TECO	Target	Adj. Actual	Target	Adj. Actual
Big Bend 1	67.8	66.0	9,968	10,164
Big Bend 2	84.9	87.4	10,079	9,991
Big Bend 3	84.3	84.1	9,969	9,988
Big Bend 4	91.5	82.8	9,992	9,970
Gannon 5	90.0	74.7	10,448	10,564
Gannon 6	86.3	78.9	10,471	10,465

STIPULATED

ISSUE 15: What should the GPIF targets/ranges be for the period April, 1998 through September, 1998?

POSITION:

GPIF TARGETS

April 1998 to September 1998

Utility/ <u>Plant/Unit</u>	<u>Equivalent Availability</u>			<u>Heat Rate</u>
	<u>EAF</u>	<u>POF</u>	<u>EUOF</u>	
<u>FPC</u>				
Anclote 1	95.5	0.0	4.5	9,785
Anclote 2	95.5	0.0	4.5	9,846
Crystal River 1	73.3	19.7	7.1	9,805
Crystal River 2	85.5	2.2	12.3	9,773
Crystal River 3	92.9	0.0	7.2	10,463
Crystal River 4	80.5	13.7	5.8	9,438
Crystal River 5	96.9	0.0	3.2	9,344
<u>Gulf</u>				
Crist 6	85.2	8.7	6.1	10,584
Crist 7	87.0	2.7	10.3	10,291
Smith 1	83.4	13.7	2.9	10,197
Smith 2	72.8	21.8	5.4	10,311
Daniel 1	67.9	25.7	6.4	10,508
Daniel 2	91.1	4.9	4.0	10,270
<u>TECO</u>				
Big Bend 1	78.3	7.7	14.0	10,267
Big Bend 2	86.4	0.0	13.6	10,225
Big Bend 3	68.8	18.0	13.2	9,778
Big Bend 4	91.9	0.0	8.1	9,831
Gannon 5	84.8	0.0	15.2	10,377
Gannon 6	81.1	7.7	11.3	10,527

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GENERIC CAPACITY COST RECOVERY FACTOR ISSUES

STIPULATED

ISSUE 16: What is the appropriate final capacity cost recovery true-up amount for the period April, 1997 through September, 1997?

POSITION: FPC: overrecovery \$1,768,376
TECO: underrecovery \$642,312

STIPULATED

ISSUE 17: What is the estimated capacity cost recovery true-up amount for the period October, 1997 through March, 1998?

POSITION: FPC: overrecovery \$2,238,788
TECO: overrecovery \$343,530

STIPULATED

ISSUE 18: What is the total capacity cost recovery true-up amount to be collected during the period April, 1998 through September, 1998?

POSITION: FPC: overrecovery \$4,007,164
TECO: underrecovery \$298,782

STIPULATED

ISSUE 19: What is the appropriate projected net purchased power capacity cost recovery amount to be included in the recovery factor for the period April, 1998 through September, 1998?

POSITION: FPC: \$141,034,828
TECO: \$12,431,829

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STIPULATED

ISSUE 20: What are the projected capacity cost recovery factors for the period April, 1998 through September, 1998?

POSITION:

FPC:

	CAPACITY RECOVERY FACTOR (CENTS/KWH)
RESIDENTIAL	1.004
GENERAL SERVICE NON-DEMAND	.795
@PRIMARY VOLTAGE	.787
@TRANSMISSION VOLTAGE	.779
GENERAL SERVICE 100% LOAD FACTOR	.548
GENERAL SERVICE DEMAND	.662
@PRIMARY VOLTAGE	.655
@TRANSMISSION VOLTAGE	.648
CURTAILABLE	.555
@PRIMARY VOLTAGE	.549
@TRANSMISSION VOLTAGE	.544
INTERRUPTIBLE	.519
@PRIMARY VOLTAGE	.514
@TRANSMISSION VOLTAGE	.509
LIGHTING	.192

TECO:

	CAPACITY RECOVERY FACTOR (CENTS/KWH)
RS, RST	.188
GS, GST, TS	.181
GSD, GSDT, EV-X	.139
GSLD, GSLDT, SBF, SBFT	.123
IS-1&3, IST-1&3, SBI-1&3, SBIT-1&3	.011
SL/OL	.022

COMPANY-SPECIFIC CAPACITY COST RECOVERY ISSUES

Florida Power & Light Company

STIPULATED

ISSUE 21A:

Should FPL's original projections for capacity payments to Osceola and Okeelanta Qualifying Facilities for the period June, 1997, through September, 1998, be excluded?

POSITION: Yes. Due to ongoing litigation between FPL and the Osceola and Okeelanta Qualifying Facilities, FPL is not currently making capacity payments to these qualifying facilities. Therefore, these costs should not be included in the projected capacity payments.

STIPULATED

ISSUE 21B:

Should Florida Power & Light's request for a midcourse correction to its currently authorized Capacity Cost Recovery factors be approved?

POSITION: Yes. FPL has experienced an over-recovery of \$63,445,498 due primarily to lower than expected capacity payments to the Okeelanta and Osceola Qualifying Facilities from October 1997 through September 1998. This midcourse correction is appropriate due to the magnitude of the overrecovery.

STIPULATED
ISSUE 21C:

What are the appropriate Capacity Cost Recovery Factors for each rate group?

POSITION:

RATE SCHEDULE	CAPACITY RECOVERY FACTOR (\$/KW)	CAPACITY RECOVERY FACTOR (\$/KWH)
RS1	-	0.00469
GS1	-	0.00408
GSD1	1.49	-
OS2	-	0.00242
GSLD1/CS1	1.53	-
GSLD2/CS2	1.54	-
GSLD3/CS3	1.49	-
CILCD/CILCG	1.56	-
CILCT	1.47	-
MET	1.64	-
OL1/SL1	-	0.00075
SL2	-	0.00286

	CAPACITY RECOVERY FACTOR (RESERVATION DEMAND CHARGE) (\$/KW)	CAPACITY RECOVERY FACTOR (SUM OF DAILY DEMAND CHARGE) (\$/KW)
ISST1D	.20	.10
SST1T	.19	.09
SST1D	.20	.09

ISSUE 21D: Should Florida Power & Light's Capacity Cost Recovery period be changed to the twelve calendar months in a year beginning January, 1999?

POSITION: Pursuant to the ruling of the Prehearing Officer, this issue will be addressed in a separate docket.

ISSUE 21E: Is it appropriate to establish Florida Power & Light's proposed Capacity Cost Recovery Factors for the period April through December, 1998 to accomplish a transition to a recovery period of twelve calendar months?

FPL: Yes. To facilitate the transition to a twelve calendar month annual cost recovery period, FPL believes the most efficient way is to implement a nine month factor. Therefore, FPL is proposing as a transition to calendar year, to extend the capacity factor by three months through December 1998.

FIPUG: No.

OPC: No position.

STAFF: No. This issue will be considered in a separate docket in order to afford all of the parties in this docket an opportunity to address it. Until an order is issued regarding establishing and implementing an annual fuel hearing, FPL should continue with a six month cost recovery period.

OTHER ISSUES

ISSUE 22: Should the Commission approve a change in the frequency of the fuel and purchased power cost recovery hearings from semi-annual hearings to annual hearings? If a change is approved, what 12 month period (fiscal or calendar) should be used and how should the change be implemented?

POSITION: Pursuant to the ruling of the Prehearing Officer, this issue will be addressed in a separate docket.

VII. EXHIBIT LIST

Witnesses whose names are preceded by an asterisk (*) have been excused. All exhibits submitted with those witnesses' testimony shall be admitted into the record.

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
<u>Direct</u>			
* Scardino	FPC	<u> </u> (JS - 1)	True-up Variance Analysis
* Scardino	FPC	<u> </u> (JS - 2)	Schedules A1 through A13
* Wieland	FPC	<u> </u> (KHW - 1)	Forecast Assumptions (Parts A-C), Capacity Cost Recovery Factors (Part D), Suwannee 3 Gas Conversion (Part E), Exclusion of CR3 Replacement Fuel and Lake Cogen Settlement Costs (Part F), and Calculation of Contingent Fuel Cost Factors for Recovery of Stipulated Replacement Fuel Costs (Part G)
* Wieland	FPC	<u> </u> (KHW - 2)	Schedules E1 through E10 and H1
* Zuloaga	FPC	<u> </u> (DBZ - 1)	Standard Form GPIF S c h e d u l e s (Reward/Penalty)
* Zuloaga	FPC	<u> </u> (DBZ - 2)	Standard Form GPIF S c h e d u l e s (Targets/Ranges)
Dubin	FPL	<u> </u> (KMD - 1)	Appendix I/Fuel Cost Recovery True-Up Calculation
Silva	FPL	<u> </u> (RS - 1)	Appendix I/Fuel Cost Recovery Forecast Assumptions

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Dubin	FPL	<u> </u> (KMD - 2)	Appendix II/Fuel Cost Recovery E-Schedules (April to December 1998)
Dubin	FPL	<u> </u> (KMD - 3)	Appendix III/Fuel Cost Recovery E-Schedules (April to September 1998)
Dubin	FPL	<u> </u> (KMD - 4)	Appendix IV/Capacity Cost Recovery Midcourse Correction
* Bachman	FPU	<u> </u> (GMB - 3) Composite	Schedules E1, E1-A, E1-B, E-1B-1, E2, E7 and E10 (Marianna Division) Schedules E1, E1-A, E1-B, E-1B-1, E2, E7, E8 and E10 (Fernandina Beach Division)
* Oaks	Gulf	<u> </u> (MFO - 1)	Gulf Power Company Coal Suppliers April 1997 - September 1997
* Oaks	Gulf	<u> </u> (MFO - 2)	Projected vs. actual fuel cost of generated power March '89 - September '98)
* Cranmer	Gulf	<u> </u> (SDC - 1)	Calculation of Fuel Cost Recovery Final True-up 4/97 through 9/97
* Cranmer	Gulf	<u> </u> (SDC - 2)	Schedules E-1 through E-12 and H1
* Fontaine	Gulf	<u> </u> (GDF - 1)	Gulf Power Company GPIF Results April 1997 - September 1997

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
* Fontaine	Gulf	<u> </u> (GDF - 2)	Gulf Power Company GPIF Targets and Ranges April '98 - Sept. '98
* Zwolak	TECO	<u> </u> (KOZ - 1)	Fuel cost recovery and capacity cost recovery final true-up April 1997 - September 1997
* Zwolak	TECO	<u> </u> (KOZ - 2)	Fuel adjustment projection, April 1998 - September 1998
* Zwolak	TECO	<u> </u> (KOZ - 3)	Capacity cost recovery projection, April 1998 - September 1998
* Zwolak	TECO	<u> </u> (KOZ - 4)	Deferred Revenue Plan \$25 million refund - April 1998 - December 1998
* Keselowsky	TECO	<u> </u> (GAK - 1)	Generating Performance Incentive Factor Results, April 1997 - September 1997
* Keselowsky	TECO	<u> </u> (GAK - 2)	GPIF Targets and Ranges Estimated for April 1998 - September 1998
* Keselowsky	TECO	<u> </u> (GAK - 3)	Estimated Unit Performance Data April 1997 - September 1997

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
<u>Rebuttal</u>			
* Adjemian	FPL	<u> </u> (KA - 1)	Appendix I/Table I Comparison of Equivalent Availability Between FRCC Study and GPIF Targets

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

VIII. PROPOSED STIPULATIONS

All issues have been stipulated or have been ruled upon except the following: Generic Issues 4 and 7 with respect to FPL; Company-Specific Fuel Adjustment Issue 10C, FPL; and Company-Specific Capacity Cost Recovery Issue 21E, FPL.

All parties except FPL stipulate that the testimony of all witnesses whom no one wishes to cross examine be inserted into the record as though read, cross examination be waived, and the witness's attendance at the hearing be excused.

IX. PENDING MOTIONS

On January 28, 1998, FPL and FPC filed separate Requests for Oral Argument and Motions for Reconsideration of Order No. PSC-98-0073-FOF-EI. The motions will be addressed by the Commission panel that heard the transmission testimony during the August, 1997, fuel hearing.

X. RULINGS

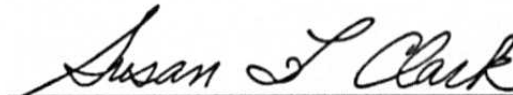
The Commission will establish a separate docket to consider a change in the frequency of the hearings as well as the period to be used and the manner of implementation in this Docket and Docket Nos. 980002-EG, 980003-GU and 980007-EI.

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It is therefore,

ORDERED by Commissioner Susan F. Clark, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

By ORDER of Commissioner Susan F. Clark, as Prehearing Officer, this 23rd day of February, 1998.



SUSAN F. CLARK, Commissioner
and Prehearing Officer

(S E A L)

LJP

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: 1) reconsideration within 10 days pursuant to Rule 25-22.038(2), Florida Administrative Code, if issued by a Prehearing Officer; 2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or 3) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for

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reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.