

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 000001-EI
ORDER NO. PSC-00-2169-PHO-EI
ISSUED: November 15, 2000

Pursuant to Notice and in accordance with Rule 28-106.209, Florida Administrative Code, a Prehearing Conference was held on November 3, 2000, in Tallahassee, Florida, before Commissioner Lila A. Jaber, 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, Steel Hector & Davis LLP, 215 South Monroe Street, Suite 601, Tallahassee, FL 32301
On behalf of Florida Power & Light Company (FPL).

NORMAN H. HORTON, JR., ESQUIRE, Messer, Caparello & Self, P.A., Post Office Box 1876, Tallahassee, Florida 32302-1876
On behalf of Florida Public Utilities Company (FPUC).

JEFFREY A. STONE, ESQUIRE, AND RUSSELL A. BADDERS, ESQUIRE, Beggs & Lane, 700 Blount Building, 3 West Garden Street, Post Office Box 12950, Pensacola, Florida 32576-2950
On behalf of Gulf Power Company (GULF).

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

VICKI GORDON KAUFMAN, ESQUIRE, McWhirter, Reeves, McGlothlin, Davidson, Decker, Kaufman, Arnold & Steen, P.A., 117 South Gadsden Street, Tallahassee, Florida 32301
On behalf of Florida Industrial Power Users Group (FIPUG).

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FPSC-RECORDS/REPORTING

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STEPHEN C. BURGESS, ESQUIRE, Deputy Public Counsel,
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Legislature, 111 West Madison Street, Room 812,
Tallahassee, Florida 32399-1400
On behalf of the Citizens of the State of Florida.

WM. COCHRAN KEATING IV, ESQUIRE, Florida Public Service
Commission, 2540 Shumard Oak Boulevard, Tallahassee,
Florida 32399-0850
On behalf of the Commission Staff (STAFF).

PREHEARING ORDER

I. CONDUCT OF PROCEEDINGS

Pursuant to Rule 28-106.211, Florida Administrative Code, this Order is issued to prevent delay and to promote the just, speedy, and inexpensive determination of all aspects of this case.

The parties may make opening statements if they wish. Opening statements, if any, shall not exceed ten minutes.

II. CASE BACKGROUND

As part of the Commission's continuing fuel and purchased power cost recovery clause and generating performance incentive factor proceedings, an administrative hearing is set for November 20-22, 2000, to address the issues set forth in the body of this Prehearing Order. The parties have stipulated to several issues as shown in Section VIII of this Order. Staff is prepared to present the panel with a recommendation at hearing for approval of the stipulated positions set forth herein and will be prepared to make a recommendation at hearing on all other issues. The Commission has the option to render a bench decision on any or all of the issues set forth herein.

III. 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, 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.

1. Any party intending to utilize confidential documents at hearing for which no ruling has been made, must be prepared to present their justifications at hearing, so that a ruling can be made at hearing.

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

- a) 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.
- b) 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.
- c) 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.

- d) 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.
- e) 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.

IV. POST-HEARING PROCEDURES

Each party shall 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. If a party fails to file a post-hearing statement, that party shall have waived all issues and may be dismissed from the proceeding.

Pursuant to Rule 28-106.215, Florida Administrative Code, 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 40 pages and shall be filed at the same time.

V. PREFILED TESTIMONY AND EXHIBITS; WITNESSES

Testimony of all witnesses to be sponsored by the parties 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. Summaries of testimony, if any, will be limited to five minutes. 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.

VI. ORDER OF WITNESSES

As a result of discussions at the prehearing conference, each witness whose name is preceded by an asterisk (*) has been excused from this hearing if no Commissioner assigned to this case seeks to cross-examine the particular witness. Parties shall be notified by Monday, November 13, 2000, as to whether any such witness shall be required to be present at hearing. The testimony of excused witnesses will be inserted into the record as though read, and all exhibits submitted with those witnesses' testimony shall be identified as shown in Section IX of this Prehearing Order and be admitted into the record.

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
<u>Direct</u>		
*John Scardino, Jr.	FPC	1, 3, 16, 18
Karl H. Wieland	FPC	2-10, 12A-12F, 17-21
*Rebecca J. McClintock	FPC	14, 15
*G. Yupp	FPL	1, 2, 3, 4, 5, 6, 7, 8

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
*R. L. Wade	FPL	1, 2, 3, 4, 5, 6, 7, 8, 11d
K. M. Dubin	FPL	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11a- 11c, 16, 17, 18, 19, 20, 21
*R. Silva	FPL	14, 15
*George M. Bachman	FPUC	1, 2, 3, 4, 5, 6, 7, 8
*M. F. Oaks	GULF	1, 2, 4
T. A. Davis	GULF	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 16, 17, 18, 19, 20, 21
*J. R. Douglas	GULF	14, 15
*M. W. Howell	GULF	1, 2, 4, 9, 10, 16, 17, 19
J. Denise Jordan	TECO	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 13e, 13f, 16, 17, 18, 19, 20, 21
*Brian S. Buckley	TECO	4, 14, 15
*W. L. Brown	TECO	2, 4, 10
*Rod Burkhardt	TECO	13a, 13b, 13c, 13d

VII. BASIC POSITIONS

FPC: None necessary.

FPL: None necessary.

FPUC: Florida Public Utilities Company 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 January 2001 through December 2001 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 and projection calculations, including the proposed fuel adjustment factor of 2.500 cents per KWH before application of factors which adjust for variations in line losses; the proposed capacity cost recovery factor of 0.199 cents per KWH before applying the 12CP and 1/13th application methodology; a GPIF penalty of \$1,151,236 and approval of the company's proposed GPIF targets and ranges for the forthcoming period. Tampa Electric also requests approval of its proposed seasonal fuel factor program and the company's proposed implementation of the wholesale incentive benchmark mechanism and the calculated benchmark of \$4,648,490 for calendar year 2001.

FIPUG: None.

OPC: None.

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.

VIII. ISSUES AND POSITIONS

GENERIC FUEL ADJUSTMENT ISSUES

STIPULATED

ISSUE 1: What are the appropriate final fuel adjustment true-up amounts for the period January, 1999 through December 1999?

POSITION:

FPC: \$6,442,734 overrecovery
FPL: \$96,356,314 underrecovery
FPUC-Fernandina Beach: \$302,631 overrecovery
FPUC-Marianna: \$43,609 overrecovery
GULF: \$4,015,661 overrecovery
TECO: \$8,662,661 underrecovery

STIPULATED

ISSUE 2: What are the estimated/actual fuel adjustment true-up amounts for the period January through December 2000 based upon seven months actual and five months revised estimates?

POSITION:

FPC: \$61,660,541 underrecovery
FPL: \$518,005,376 underrecovery
FPUC-Fernandina Beach: \$314,792 overrecovery
FPUC-Marianna: \$104,942 overrecovery
GULF: \$8,668,391 underrecovery
TECO: \$34,058,660 underrecovery

STIPULATED

ISSUE 3: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded during the period January, 2001 through December, 2001?

POSITIONS:

FPC: \$55,217,807 underrecovery. If the Commission approves the stipulated position in Issue 12D, Florida Power should collect \$27,608,904 during calendar year 2001.

FPL: \$518,005,376 underrecovery. If the Commission approves the stipulated position in Issue 11A, FPL should collect \$259,002,688 during calendar year 2001.

FPUC-Fernandina Beach: \$617,423 overrecovery to be refunded.
FPUC-Marianna: \$148,551 overrecovery to be refunded.
GULF: \$4,652,730 underrecovery to be collected.
TECO: \$42,721,321 underrecovery to be collected.

*This issue was stipulated at the prehearing conference. As noted in the Section XI, "Pending Motions", FIPUG subsequently filed a Motion to Amend Prehearing Position on Issue 11A. The resolution of Issue 11A, if different than the position shown as stipulated for Issue 11A, will have a fall-out effect on the amounts in this issue. This issue remains shown as stipulated pending resolution of FIPUG's motion.

ISSUE 4: What are the appropriate levelized fuel cost recovery factors for the period January, 2001 through December, 2001?

POSITIONS:

FPC: 2.521 cents per kWh (adjusted for jurisdictional losses), based on FPC's 50% true-up recovery proposal under Issue 3 above. (Wieland)

FPL: 2.925 cents/kwh is the levelized recovery charge to be collected during the period January, 2001 through December, 2001. (Dubin)

FPUC: Marianna: 2.204 cents/kwh
Fernandina Beach: 1.875 cents/kwh

GULF: 1.820¢/KWH. (Oaks, Howell, Davis)

TECO: The appropriate factor is 2.500 cents per KWH before the normal application of factors that adjust for variations in line losses. (Brown, Buckley, Burkhardt, and Jordan)

FIPUG: No position.

OPC: Accept staff's position.

STAFF: FPC: 2.520 cents per kWh
FPL: 2.925 cents per kWh

FPUC-Marianna: 2.204 cents per kWh.
FPUC-Fernandina Beach: 1.875 cents per kWh.
GULF: 1.820 cents per kWh.
TECO: 2.500 cents per kWh.

*This issue is not disputed. However, the resolution of Issue 10 may have a fallout effect on the factors set forth in this issue. Therefore, this issue is not shown as stipulated.

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 January, 2001, and thereafter through the last billing cycle for December, 2001. The first billing cycle may start before January 1, 2001, and the last billing cycle may end after December 31, 2001, so long as each customer is billed for twelve 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?

POSITION:

FPC:

<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

FPL: See Issue 7.

FPUC: Fernandina Beach
All Rate Schedules 1.0000
Marianna
All Rate Schedules 1.0000

GULF: See table below:

Group	Rate Schedules*	Line Loss Multipliers
A	RS, GS, GSD, GSDT, SBS, OSIII, OSIV	1.01228
B	LP, LPT, SBS	0.98106
C	PX, PXT, SBS, RTP	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	1.0035
	Group A1	n/a*
	Group B	1.0009
	Group C	0.9792

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

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

POSITIONS:

FPC:

Delivery	<u>Fuel Cost Factors (cents/kWh)</u>			
	<u>Time of Use</u>			
<u>Group</u>	<u>Voltage Level</u>	<u>Standard</u>	<u>On-Peak</u>	<u>Off-Peak</u>
A.	Transmission	2.475	3.388	2.064
B.	Distribution Primary	2.500	3.423	2.085
C.	Distribution Secondary	2.525	3.457	2.106
D.	Lighting Service (Wieland)	2.358		

FPL:

<u>Rate Class</u>	<u>Rate Schedule</u>	<u>Average Factor</u>	<u>Fuel Recovery Loss Multiplier</u>	<u>Fuel Recovery Factor</u>
A	RS-1,GS-1,SL-2	2.925	1.00198	2.931
A-1*	SL-1,OL-1,PL-1	2.864	1.00198	2.870
B	GSD-1	2.925	1.00191	2.930
C	GSLD-1 & CS-1	2.925	1.00077	2.927
D	GSLD-2,CS-2,OS-2 & MET	2.925	0.99503	2.910
E	GSLD-3 & CS-3	2.925	0.95800	2.802
A	RST-1,GST-1			
	On-Peak	3.213	1.00198	3.219
	Off-Peak	2.798	1.00198	2.803
B	GSDT-1, CILC-1(G)	3.213	1.00191	3.219
	On-Peak	2.798	1.00191	2.803
	Off-Peak			

C	GSLDT-1 & CST-1			
	On-Peak	3.213	1.00077	3.215
	Off-Peak	2.798	1.00077	2.800
D	GSLDT-2 & CST-2			
	On-Peak	3.213	0.99503	3.197
	Off-Peak	2.798	0.99503	2.784
E	GSLDT-3, CST-3/CILC-1 (T) & ISST-1 (T)			
	On-Peak	3.213	0.95800	3.078
	Off-Peak	2.798	0.95800	2.680
F	CILC-1 (D) & ISST-1 (D)			
	On-Peak	3.213	0.99431	3.195
	Off-Peak	2.798	0.99431	2.782

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

(Dubin)

FPUC:

Marianna:

<u>Rate Schedule</u>	<u>Adjustment</u>
RS	3.859 cents/kWh
GS	3.845 cents/kWh
GSD	3.472 cents/kWh
GSLD	3.317 cents/kWh
OL, OL-2	2.413 cents/kWh
SL-1, SL-2	2.421 cents/kWh

Fernandina Beach:

<u>Rate Schedule</u>	<u>Adjustment</u>
RS	3.464 cents/kWh
GS	3.357 cents/kWh
GSD	3.192 cents/kWh
OL	2.476 cents/kWh
SL, CSL	2.476 cents/kWh

GULF: See table below: (Davis)

		Fuel Cost Factors ¢/KWH		
		Standard	Time of Use	
Group	Rate Schedules*		On-Peak	Off-Peak
A	RS, RSVP, GS, GSD, SBS, OSIII, OSIV	1.842	2.361	1.622
B	LP, SBS	1.786	2.289	1.572
C	PX, RTP, SBS	1.751	2.245	1.542
D	OSI, OSII	1.808	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	2.509	3.494	2.080
Group A1	2.292	N/A	N/A
Group B	2.502	3.485	2.075
Group C (Jordan)	2.448	3.410	2.030

FIPUG: No position.

OPC: No position.

STAFF:

FPC:		<u>Fuel Cost Factors (cents/kWh)</u>		
<u>Group</u>	<u>Delivery Voltage Level</u>	<u>Time Of Use</u>		
		<u>Standard</u>	<u>On-Peak</u>	<u>Off-Peak</u>
A.	Transmission	2.474	3.387	2.063
B.	Distribution Primary	2.499	3.421	2.084
C.	Distribution Secondary	2.524	3.455	2.105
D.	Lighting Service	2.358		

FPL:

<u>Group</u>	<u>Rate Schedule</u>	<u>Average Factor</u>	<u>Fuel Recovery Loss Multiplier</u>	<u>Fuel Recovery Factor</u>
A	RS-1, GS-1, S1-2	2.925	1.00198	2.931
A-1	SL-1, OL-1, PL1	2.864	1.00198	2.870
B	GSD-1	2.925	1.00191	2.930
C	GSLD-1, CS-1	2.925	1.00077	2.927
D	GSLD-2, CS-2, OS-2, MET	2.925	0.99503	2.910
E	GSLD-3, CS-3	2.925	0.95800	2.802
A	RST-1, GST-1			
	ON-PEAK	3.213	1.00198	3.219
	OFF-PEAK	2.798	1.00198	2.803
B	GSDT-1, CILC-1(G)			
	ON-PEAK	3.213	1.00191	3.219
	OFF-PEAK	2.798	1.00191	2.803
C	GSLDT-1, CST-1			
	ON-PEAK	3.213	1.00077	3.215
	OFF-PEAK	2.798	1.00077	2.800
D	GSLDT-2, CST-2			
	ON-PEAK	3.213	0.99503	3.197
	OFF-PEAK	2.798	0.99503	2.784
E	GSLDT-3, CST-3,			

CILC-1(T), ISST-1(T)
 ON-PEAK 3.213 0.95800 3.078
 OFF-PEAK 2.798 0.95800 2.680

F CILC-1(D), ISST-1(D)
 ON-PEAK 3.213 0.99431 3.195
 OFF-PEAK 2.798 0.99431 2.782

FPUC-Fernandina Beach:

<u>Rate Schedule</u>	<u>Adjustment</u>
RS	3.464 cents/kWh
GS	3.357 cents/kWh
GSD	3.192 cents/kWh
OL	2.476 cents/kWh
SL, CSL	2.476 cents/kWh

FPUC-Marianna:

<u>Rate Schedule</u>	<u>Adjustment</u>
RS	3.859 cents/kWh
GS	3.845 cents/kWh
GSD	3.472 cents/kWh
GSLD	3.317 cents/kWh
OL, OL-2	2.413 cents/kWh
SL-1, SL-2	2.421 cents/kWh

GULF: See table below:

Group	Rate Schedules*	Fuel Cost Factors ¢/KWH		
		Standard	Time of Use	
			On-Peak	Off-Peak
A	RS, GS, GSD, GSDT, SBS OSIII, OSIV	1.842	2.361	1.622
B	LP, LPT, SBS	1.786	2.289	1.572
C	PX, PXT, SBS, RTP	1.751	2.245	1.542

D	OSI, OSII	1.808	N/A	N/A
<p>*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.</p>				

TECO:	<u>Standard</u>	<u>On-Peak</u>	<u>Off-Peak</u>
Group A	2.509	3.494	2.080
Group A1	2.292	n/a	n/a
Group B	2.502	3.485	2.075
Group C	2.448	3.410	2.030

*This issue is not disputed. However, the resolution of Issue 10 may have a fallout effect on the factors set forth in this issue. Therefore, this issue is not shown as stipulated.

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 January, 2001 through December, 2001?

POSITION:

FPC: 1.00072
 FPL: 1.01597
 FPUC-Fernandina Beach: 1.01597
 FPUC-Marianna: 1.00072
 GULF: 1.01597
 TECO: 1.00072

ISSUE 9: How should the Commission's decision as set forth by Order No. PSC-00-1744-PAA-EI, in Docket No. 991779-EI, issued September 26, 2000, concerning the application of incentives to wholesale power sales, be implemented?

POSITIONS:

FPC: Agree with staff position. (Wieland)

FPL: FPL believes that the methodology for implementing the application of incentives to wholesale power sales as proposed by Staff and described in Staff's memorandum dated September 20, 2000 is appropriate. (Dubin)

GULF: Gulf agrees with the method proposed by Commission Staff in its letter dated September 20, 2000. (Davis, Howell)

TECO: Agree with staff memorandum. (Jordan)

FIPUG: FIPUG filed a motion for reconsideration and protest on October 11, 2000. The order should not be implemented until these matters are resolved.

OPC: Any incentive mechanism which creates the potential for a protected monopoly to generate additional earnings above the established ROE should also create the symmetrical potential that the monopoly could suffer an earnings reduction, in the event of subpar performance.

STAFF: The methodology set forth in Staff's September 20, 2000, memorandum to the parties is an appropriate method for implementing Order No. PSC-00-1744-PAA-EI. The memorandum is attached hereto as Attachment A.

ISSUE 10: What is the appropriate estimated benchmark level for calendar year 2001 for gains on non-separated wholesale energy sales eligible for a shareholder incentive as set forth by Order No. PSC-00-1744-PAA-EI, in Docket No. 991779-EI issued September 26, 2000, for each investor-owned electric utility?

POSITIONS:

FPC: For FPC, the estimated benchmark level is \$11,061,127, which is the three-year rolling average annual gain on non-separated wholesale energy sales based on actual data for 1998 and 1999 and estimated data for 2000, subject to true-up in future proceedings. (Wieland)

FPL: \$47,377,541, subject to adjustments in the April, 2001 filing. (Dubin)

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GULF: \$830,000. (Davis, Howell)

TECO: \$4,648,490. (Jordan)

FIPUG: FIPUG filed a motion for reconsideration and protest on October 11, 2000. The order should not be implemented until these matters are resolved.

OPC: Agree with FIPUG position.

STAFF: Based on the methodology set forth in Staff's September 20, 2000, memorandum to the parties, the appropriate estimated benchmark levels for calendar year 2001 are as follows:

FPC:	\$11,061,127
FPL:	\$47,377,541
GULF:	\$830,000
TECO:	\$4,648,490

COMPANY-SPECIFIC FUEL ADJUSTMENT ISSUES

Florida Power & Light Company

STIPULATED

ISSUE 11A: How should the Commission authorize Florida Power & Light to collect its estimated underrecovery balance projected for December 31, 2000?

POSITION: The Commission should authorize Florida Power & Light to collect its estimated underrecovery balance of \$518,005,376 projected for December 31, 2000, over a two-year period commencing calendar year 2001.

*This issue was stipulated at the prehearing conference. As noted in the Section XI, "Pending Motions", FIPUG subsequently filed a Motion to Amend Prehearing Position on Issue 11A. This issue remains shown as stipulated pending resolution of FIPUG's motion.

ISSUE 11B: What is the appropriate regulatory treatment for Florida Power & Light's estimated underrecovery balance projected for December 31, 2000?

POSITIONS:

FPL: FPL proposes to include the remainder of the estimated/actual true-up underrecovery in the fuel factor for the January 2002 through December 2002 period. Additionally, FPL proposes to treat the unrecovered portion of the \$518,005,376 as a base rate regulatory asset in 2001 and 2002, rather than the current practice of recovering the commercial paper rate of return through the fuel clause. FPL believes that this treatment is appropriate. (Dubin)

FIPUG: No position.

OPC: Agree with FPL position.

STAFF: Florida Power & Light should classify the unrecovered portion of its estimated underrecovery balance of \$518,005,376 projected for December 31, 2000, as a regulatory asset for the two-year period commencing calendar year 2001.

ISSUE 11C: What is the appropriate regulatory treatment for the \$222.5 million payment to settle litigation between FPL and Okeelanta Cogen and Osceola Cogen as approved by the Commission in Order No. PSC-00-1913-PAA-EI, in Docket No. 000982-EI, issued October 19, 2000?

POSITIONS:

FPL: The appropriate regulatory treatment was approved by the Commission in Order No. PSC-00-1913-PAA-EI. Consistent with this Order, the \$222.5 million payment should be reflected as a base rate regulatory asset until December 31, 2001. Additionally, the Order approved that commencing January 1, 2002, the settlement payment would be recovered over a term of five years as follows: 79% through the capacity clause; and 21% through the

fuel adjustment clause. Any unamortized amounts during the five-year term would earn interest at the commercial paper rate rather than the overall rate of return. (Dubin)

FIPUG: No position.

OPC: Accept staff position.

STAFF: If Order No. PSC-00-1913-PAA-EI becomes final, this issue should be withdrawn. If only the portion of Order No. PSC-00-1913-PAA-EI addressing recovery of the settlement amount is protested, this issue should be resolved, if necessary, in this docket. If the issue remains, Florida Power & Light should reflect the \$222.5 million payment to settle litigation as a base rate regulatory asset from January 1, 2001 to December 31, 2001. Further, Florida Power & Light should begin collection of the settlement payment on January 1, 2002 over a term of five years as follows: 79 percent through the capacity clause; and 21 percent through the fuel clause. Any unamortized amounts during the five-year term would earn interest at the commercial paper rate rather than the higher overall rate of return.

Florida Power Corporation

STIPULATED

ISSUE 12A: Has Florida Power Corporation confirmed the validity of the methodology used to determine the equity component of Electric Fuels Corporation's capital structure for calendar year 1998?

POSITION: Yes. The annual audit of EFC'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 EFC's capital structure.

STIPULATED

ISSUE 12B: Has Florida Power Corporation properly calculated the market price true-up for coal purchases from Powell Mountain?

POSITION: Yes. The calculation has been made in accordance with the market pricing methodology approved by the Commission in Docket No. 860001-EI-G.

STIPULATED
ISSUE 12C: Has Florida Power Corporation properly calculated the 1998 price for waterborne transportation services provided by Electric Fuels Corporation?

POSITION: Yes. The calculation has been made in accordance with the market pricing methodology approved by the Commission in Docket No. 930001-EI.

STIPULATED
ISSUE 12D: How should the Commission authorize Florida Power Corporation to collect its estimated underrecovery balance projected for December 31, 2000?

POSITION: The Commission should authorize Florida Power Corporation to collect its estimated underrecovery balance projected for December 31, 2000, over a two-year period commencing calendar year 2001. The remainder of the estimated/actual true-up underrecovery should be included in the ongoing true-up balance.

STIPULATED
ISSUE 12E: Should the Commission approve Florida Power Corporation's proposed regulatory treatment for its 50 megawatt (MW) wholesale power sale, commencing April 1, 2001?

POSITION: Yes. This 50 MW wholesale power sale is a firm sale of wholesale capacity and energy with a duration longer than one year. The Commission stated in Order No. 97-0262-FOF-EI, issued March 11, 1997, in Docket No. 970001-EI, that firm wholesale sales one year or longer should be separated on a system average basis. Consistent with Commission policy, Florida Power should separate the capital and O&M costs associated with this 50 MW from the retail rate base on a system average basis. However, because Florida Power will generate this 50 MW at a higher than system average fuel cost, Florida Power should credit the fuel

clause an amount equal to the incremental fuel costs of making this 50 MW wholesale sale.

Tampa Electric Company

STIPULATED

ISSUE 13A: What is the appropriate 1999 benchmark price for coal Tampa Electric Company purchased from its affiliate, Gatliff Coal Company?

POSITION: \$45.07/ton

STIPULATED

ISSUE 13B: Has Tampa Electric Company adequately justified any costs associated with the purchase of coal from Gatliff Coal Company that exceed the 1999 benchmark price?

POSITION: Yes. Tampa Electric Company's actual costs are below the benchmark as calculated by both Staff and the company; therefore, this issue is moot.

STIPULATED

ISSUE 13C: What is the appropriate 1999 waterborne coal transportation benchmark price for transportation services provided by affiliates of Tampa Electric Company?

POSITION: \$25.85/ton

STIPULATED

ISSUE 13D: Has Tampa Electric Company adequately justified any costs associated with transportation services provided by affiliates of Tampa Electric Company that exceed the 1999 waterborne transportation benchmark price?

POSITION: Yes. Tampa Electric Company's actual costs are below the benchmark as calculated by both Staff and the company; therefore, this issue is moot.

ISSUE 13E: Should the Commission approve Tampa Electric's request to implement an experimental pilot program

that offers optional seasonally-differentiated fuel factors for customers on interruptible rate schedules?

POSITIONS:

TECO: Yes, for the reasons stated and in the manner described in the prepared direct testimony of Tampa Electric witness J. Denise Jordan. (Jordan)

FIPUG: Yes.

OPC: No position at this time.

STAFF: Yes.

STIPULATED

ISSUE 13F: If the Commission approves Tampa Electric's request to implement an experimental pilot program in Issue 13E, what are the appropriate seasonal fuel and purchased power cost recovery factors by rate schedule for January, 2001 through December, 2001?

POSITION:

Seasonal Fuel Charge Factors (cents per kWh)

<u>Rate Schedule</u>	<u>Non-Summer</u>	<u>Summer</u>
IS-1, IS-3, SBI-1, SBI-3	2.345	2.626
IST-1, IST-3 (on-peak)	2.777	4.020
IST-1, IST-3 (off-peak)	2.173	1.941

ISSUE 13G: If the Commission approves Tampa Electric's request to implement an experimental pilot program in Issue 13E, what is the appropriate regulatory treatment of any revenue differential that may occur during the pilot program?

POSITIONS:

TECO: Any differential should be recovered through the normal true-up process. (Jordan)

FIPUG: Agree with TECO position.

OPC: Agree with staff position.

STAFF: The Commission should not allow Tampa Electric at this time to recover any revenue shortfall from the general body of ratepayers through the normal true-up process. The Commission should review the information provided by Tampa Electric in the April 2002 true-up filing and determine in the November 2002 fuel hearing whether the general body of ratepayers benefited from the pilot program and whether Tampa Electric should be allowed to recover any revenue shortfall from the general body of ratepayers commencing January 1, 2003. Any amounts accrued as a result of a revenue shortfall during the two-year pilot would earn interest at the commercial paper rate.

GENERIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

STIPULATED

ISSUE 14: What is the appropriate Generation Performance Incentive Factor (GPIF) reward or penalty for performance achieved during the period of January, 1999 through December, 1999?

POSITION:

FPC: \$2,183,063 reward
FPL: \$6,973,751 reward
GULF: \$183,842 reward
TECO: \$1,151,236 penalty

STIPULATED

ISSUE 15: What should the GPIF target/ranges be for the period of January 2001 through December 2001?

POSITION: See Attachment B.

GENERIC CAPACITY COST RECOVERY ISSUES

STIPULATED

ISSUE 16: What are the appropriate final capacity cost recovery true-up amount for the period January, 1999 through December, 1999?

POSITION:

FPC: \$4,479,766 underrecovery
FPL: \$16,458,284 overrecovery
GULF: \$884,622 overrecovery
TECO: \$94,943 underrecovery

STIPULATED

ISSUE 17: What are the appropriate estimated/actual capacity cost recovery true-up amounts for the period January, 2000 through December, 2000, which is based upon seven months actual costs and five months revised estimates?

POSITION:

FPC: \$4,336,561 overrecovery
FPL: \$42,411,275 overrecovery
GULF: \$331,059 underrecovery
TECO: \$2,072,182 overrecovery

STIPULATED

ISSUE 18: What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January, 2001 through December, 2001?

POSITION:

FPC: \$143,205 underrecovery
FPL: \$58,869,559 overrecovery
GULF: \$553,563 overrecovery
TECO: \$1,977,239 overrecovery

STIPULATED

ISSUE 19: What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January, 2001 through December, 2001?

POSITION:

FPC: \$325,662,492
FPL: \$427,597,309
GULF: \$17,867,016
TECO: \$34,032,212

STIPULATED

ISSUE 20: What are the appropriate jurisdictional separation factors to be applied to determine the capacity costs to be recovered during the period January, 2001 through December, 2001?

POSITION:

FPC: Base - 97.232%, Intermediate - 70.241%,
Peaking - 85.056%
FPL: 99.01014%
GULF: 96.50747%
TECO: 95.93944%

STIPULATED

ISSUE 21: What are the projected capacity cost recovery factors for each rate class for the period January, 2001 through December, 2001?

POSITION:

FPC:

<u>Rate Class</u>	<u>Capacity Recovery Factor (cents/kWh)</u>
Residential	1.108
General Service Non-demand	0.834
@Primary Voltage	0.826
@Transmission Voltage	0.817
General Service 100% Load Factor	0.598
General Service Demand	0.703
@Primary Voltage	0.695
@Transmission Voltage	0.688
Curtaillable	0.621
@Primary Voltage	0.614
@Transmission Voltage	0.608
Interruptible	0.584
@Primary Voltage	0.578
@Transmission Voltage	0.573
Lighting	0.191

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FPL:

<u>Rate Class</u>	<u>Capacity Recovery Factor (\$/kW)</u>	<u>Capacity Recovery Factor (\$/kWh)</u>
RS1	-	.00527
GS1	-	.00492
GSD1	1.86	-
OS2	-	.00305
GSLD1/CS1	1.87	-
GSLD2/CS2	1.86	-
GSLD3/CS3	1.98	-
CILCD/CILCG	1.96	-
CILCT	1.95	-
MET	1.92	-
OL1/SL1/PL-1	-	.00191
SL2	-	.00340

<u>Rate Class</u>	<u>Capacity Recovery Factor (Reservation Demand Charge) (\$/kW)</u>	<u>Capacity Recovery Factor (Sum of Daily Demand Charge) (\$/kW)</u>
ISST1D	.24	.11
SST1T	.23	.11
SST1D	.23	.11

GULF:

<u>Rate Class</u>	<u>Capacity Recovery Factor (cents/kWh)</u>
RS, RST, RSVP	.208
GS, GST	.206
GSD, GSDT	.160
LP, LPT	.140
PX, PXT, RTP, SBS	.120
OS-I, OS-II	.025
OS-III	.126
OS-IV	.058

TECO:

<u>Rate Class</u>	<u>Capacity Recovery Factor (\$/kWh)</u>
RS	.00256
GS, TS	.00237
GSD, EV-X	.00182
GSLD, SBF	.00165
IS-1, IS-3, SBI-1, SBI-3	.00015
SL/OL	.00028

IX. EXHIBIT LIST

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
<u>Direct</u>			
John Scardino, Jr.	FPC	(JS-1)	True-up Variance Analysis
John Scardino, Jr.	FPC	(JS-2)	Schedules A1 through A13
Karl H. Wieland	FPC	(KHW-1)	Forecast Assumptions (Parts A-C), and Capacity Cost Recovery Factors (Part D)
Karl H. Wieland	FPC	(KHW-2)	Schedules E1 through E10 and H1
Rebecca J. McClintock	FPC	(RJM-1)	Standard Form GPIF S c h e d u l e s (Reward/Penalty, January-December 1999)
Rebecca J. McClintock	FPC	(RJM-2)	Standard Form GPIF S c h e d u l e s (Targets/Ranges, January-December 2001)
G. Yupp	FPL	(GY-1)	Appendix 1/Fuel Cost Recovery Forecast Assumptions
K. M. Dubin	FPL	(KMD-1 & KMD-2)	Appendix I and II Fuel Cost Recovery and Capacity Cost Recovery - Final True-Up Calculation - January, 1999 through December, 1999

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
K. M. Dubin	FPL	(KMD-3 & KMD-4)	Appendix I and II/Fuel Cost Recovery and Capacity Cost and Recovery Estimated/Actual True-up for January 2000 through December 2000
G. Yupp, K. M. Dubin, R. L. Wade	FPL	(KMD-5)	Appendix II/Fuel Cost Recovery E Schedules, Levelized Fuel Cost Recovery Factors for January 2001 through December 2001
K. M. Dubin	FPL	(KMD-6)	Appendix III / Capacity Cost Recovery Factors for January, 2001 through December, 2001
R. Silva	FPL	(RS-1)	GPIF, Performance Results January 1999 through December 1999
R. Silva	FPL	(RS-2)	GPIF, Targets and Ranges, January 2001 through December 2001
George M. Bachman	FPUC	(GMB-1)	Schedules E1, E1-A, E1-B, E1-B1, E2, E7, and E10 (Marianna Division)
George M. Bachman	FPUC	(GMB-2)	Schedules E1, E1-A, E1-B, E1-B1, E2, E7, and E10 (Fernandina Beach Division)

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
M. F. Oaks	GULF	(MFO-1) _____	Coal Suppliers January 1999 - December 1999
M. F. Oaks	GULF	(MFO-2) _____	Projected vs. actual fuel cost of generated power- March 1991- December 2001
T. A. Davis	GULF	(TAD-1) _____	Calculation of Final True-Up for Fuel and Capacity-January 1999 - December 1999
T. A. Davis	GULF	(TAD-2) _____	Calculation of Estimated True-Up for Fuel and Capacity for 2000
T. A. Davis	GULF	(TAD-3) _____	Calculation of Projected Cost for Fuel and Capacity - January 2001 - December 2001
J. R. Douglas	GULF	(JRD-1) _____	Gulf Power Company GPIF Results - January 1999 - December 1999
J. R. Douglas	GULF	(JRD-2) _____	Gulf Power Company GPIF Targets and Ranges - January 2001-December 2001
M. W. Howell	GULF	(MWH-1) _____	Gulf Power Company Projected Purchased Power Contract Transactions - January 2001- December 2001
J. Denise Jordan	TECO	(JDJ-2) _____	Fuel Cost Recovery January 2000 - May 2000

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<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
J. Denise Jordan	TECO	(JDJ-3)	Fuel Adjustment Projection January 2000 - December 2000
J. Denise Jordan	TECO	(JDJ-3)	Capacity Cost Recovery, January 2000-December 2000
J. Denise Jordan	TECO	(JDJ-4)	Capacity Cost Recovery, Projected January 2001- December 2001
Brian S. Buckley	TECO	(BSB-1)	Generating Performance Incentive Factor Results January 1999-December 1999
Brian S. Buckley	TECO	(BSB-2)	Generating Performance Incentive Factor Estimated January 2001-December 2001
Rod Burkhardt	TECO	(RB-1)	Transportation Benchmark Calculation- Coal Benchmark Calculation
Various	Staff	Staff-1	Staff's September 20, 2000, memorandum to the parties concerning implementation of the incentive mechanism approved by the Commission in Order No. PSC-00- 1744-PAA-EI.

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Various	Staff	Staff-2	Specified responses to Staff discovery: Interrogatories 1-3 and 11, and Document Request 3 from FPC; Interrogatories 12-14 and Document Request 2 from FPL; Document Request 2 from Gulf; Interrogatories 16-17 and Document Requests 2-3 from TECO; Deposition of FPL witness Yupp

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

X. PROPOSED STIPULATIONS

The parties have stipulated to several issues, as shown in Section VIII of this Order. In addition, the parties have stipulated to the following:

FPL will be incurring costs beginning in 2001 necessary for the St. Lucie Spent Fuel Storage Project. However, FPL is in the process of exploring which alternative or alternatives to use to accomplish this project. All parties agree that FPL is not precluded from seeking recovery of costs associated with the St. Lucie Spent Fuel Storage Project at a later date. However, this does not and is not intended to prejudge the merits of the costs or the appropriate recovery mechanism.

XI. PENDING MOTIONS

The Florida Industrial Power Users Group's Motion for Oral Argument and to Strike Testimony and Motion to Amend Prehearing Position, filed November 9, 2000, is pending.

XII. PENDING CONFIDENTIALITY MATTERS

Tampa Electric Company's Request for Confidential Classification of witness Rod Burkhardt's Exhibit RB-1 is pending.

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Based on the foregoing, it is

ORDERED by Commissioner Lila A. Jaber, 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 Lila A. Jaber as Prehearing Officer, this 15th Day of November, 2000.



LILA A. JABER
Commissioner and Prehearing Officer

(S E A L)

WCK

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.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

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 25-22.0376, 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 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.

State of Florida



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: September 20, 2000
TO: All Parties of Record
FROM: Cochran Keating, Senior Attorney
Todd Bohrmann, Regulatory Analyst IV
RE: 000001-EI - Fuel and purchased power cost recovery clause
and generating performance incentive factor.

Via Facsimile

This memorandum is to confirm and delineate the Commission Staff's proposed methodology, as presented at our September 12, 2000, meeting with the parties, to implement the Commission's recent decision in Docket No. 991779-EI concerning the appropriate application of incentives to wholesale power sales. As stated at the meeting, although the Commission has not yet issued its final order in this docket, Staff believes that implementation of the Commission's decision remains an open issue which should be resolved at this November's fuel hearing.

To implement the Commission's decision in Docket No. 991779-EI, Staff believes that the following issues are appropriate for resolution at this November's fuel hearing:

1. How should the Commission's decision in Docket No. 991779-EI, concerning the application of incentives to wholesale power sales, be implemented?
2. What is the appropriate estimated benchmark level for calendar year 2001 for gains on non-separated wholesale energy sales eligible for a shareholder incentive pursuant to the Commission's decision in Docket No. 991779-EI?

As discussed at the meeting, Staff proposes the following methodology to address the first issue:

1. In its Actual/Estimated True-Up filing and testimony, each utility shall include an estimated value of gains on eligible non-separated wholesale energy sales for the current calendar year (2000) based on actual and estimated data;

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2. In its Projection filing, each utility shall include a forecasted value of gains on eligible non-separated wholesale energy sales for the next calendar year (2001);
3. Each utility shall compare its forecasted value of gains from eligible sales for the next calendar year (2001) to an estimated three-year moving average of such gains. This estimated three-year moving average, or estimated benchmark, will be based on actual gains from eligible sales for each of the previous two calendar years (1998 and 1999) and the estimated gains from eligible sales for the current calendar year (2000). This comparison will be one of numerous inputs that each utility will use to calculate its levelized fuel cost recovery factor for the next calendar year (2001);
4. In its April True-Up filing in the next calendar year (2001), each utility shall indicate its actual gains on eligible non-separated wholesale energy sales for the previous calendar year (2000). Each utility will then re-calculate its three-year moving average based on the actual gains from eligible sales for each of the previous three years (1998, 1999, and 2000) to establish an actual benchmark.
5. Each utility shall record its actual gains from eligible non-separated wholesale energy sales on its Schedule A-6 filed monthly with the Commission. When these actual gains are equal to or less than the utility's actual benchmark, the utility shall credit 100 percent of these gains to its ratepayers through its fuel and purchased power cost recovery clause (fuel clause). When these actual gains are greater than the utility's actual benchmark, the utility shall credit 80 percent of the gains above the benchmark to its ratepayers through its fuel clause. The utility shall credit the remaining 20 percent to its shareholders;
6. Each utility shall reflect any differences between its actual and forecasted gains from eligible sales through its monthly true-up calculations in Schedule A-2;

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7. The first estimated benchmark for gains on eligible non-separated wholesale energy sales shall be established at the November 2000 fuel hearing for purposes of calculating a levelized fuel cost recovery factor for 2001. The shareholder incentive shall apply to actual gains on eligible sales made over the actual benchmark for 2001. On a going-forward basis, the difference between actual and forecasted gains on eligible sales shall be "trued-up" at each fuel hearing.

For illustrative purposes, this methodology, using hypothetical data, is presented in table form in the attached document.

If have any questions or comments concerning Staff's proposal, please contact Todd Bohrmann at (850) 413-6445 or Cochran Keating at (850) 413-6193.

WCK

Attachment

cc: Division of Regulatory Oversight
Division of Economic Regulation
i: 000001m6.wck

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Proposed Shareholder Incentive Implementation Methodology
Hypothetical Example

Part I	A	1998 Actual Gains *	\$100.00	
Nov '00	B	1999 Actual Gains *	\$110.00	
	C	2000 Actual/Estimated Gains	\$120.00	
	D	2001 Forecasted Benchmark	\$110.00	(A+B+C) / 3
	E	2001 Forecasted Gains *	\$130.00	
	F	2001 Forecasted Ratepayer Credit	\$126.00	D + ((E-D) * .8)
Part II	G	2000 Actual Gains *	\$75.00	
Apr '01	H	2001 Actual Benchmark	\$95.00	(A+B+G) / 3
Part III	I	2001 Actual/Estimated Gains *	\$128.00	
Nov '01	J	2001 Actual/Estimated True-Up	(\$4.60)	L-F
	K	2002 Forecasted Benchmark	\$104.33	(B+G+I) / 3
	L	2001 Estimated Ratepayer Credit	\$121.40	H + ((I-H) * .8)
Part IV	M	2001 Actual Gains *	\$140.00	
Apr '02	N	2001 Final True-up	\$9.60	O-L
	O	2001 Actual Ratepayer Credit	\$131.00	H + ((M-H) * .8)
	P	2002 Actual Benchmark	\$108.33	(B+G+M) / 3

Note: Items marked with an asterisk (*) are values that would be found in a utility filing, but are hypothetical for this example.

GPIF REWARDS/PENALTIES

January 1999 to December 1999

<u>Utility</u>	<u>Amount</u>	<u>Reward/Penalty</u>
Florida Power Corporation	\$2,183,063	Reward
Florida Power and Light Company	\$6,973,751	Reward
Gulf Power Company	\$183,842	Reward
Tampa Electric Company	(\$1,151,236)	Penalty

<u>Utility/ Plant/Unit</u>	<u>EAF</u>		<u>Heat Rate</u>	
	<u>Target</u>	<u>Adjusted Actual</u>	<u>Target</u>	<u>Adjusted Actual</u>
<u>FPC</u>				
Anclote 1	83.8	80.1	10,006	10,135
Anclote 2	94.9	92.1	9,912	9,934
Crystal River 1	76.2	71.3	9,841	9,829
Crystal River 2	85.2	90.9	9,764	9,680
Crystal River 3	80.4	84.8	10,404	10,295
Crystal River 4	90.2	94.1	9,395	9,483
Crystal River 5	83.8	82.1	9,330	9,336

<u>FPL</u>	<u>EAF</u>		<u>Heat Rate</u>	
	<u>Target</u>	<u>Adjusted Actual</u>	<u>Target</u>	<u>Adjusted Actual</u>
Cape Canaveral 2	93.6	94.8	9,602	9,774
Fort Lauderdale 4	93.2	95.5	7,290	7,272
Fort Lauderdale 5	93.2	95.4	7,289	7,242
Fort Myers 2	90.0	86.0	9,188	9,211
Manatee 2	88.8	90.9	10,138	10,205
Martin 3	92.3	94.3	7,016	6,792
Martin 4	93.6	85.4	6,926	6,722
Port Everglades 3	80.4	77.7	9,786	9,703
Port Everglades 4	96.0	97.4	9,836	9,839
Riviera 3	94.4	92.3	9,770	9,984
Sanford 4	91.0	93.7	9,737	10,155
Sanford 5	89.9	92.0	9,939	10,347
Scherer 4	86.6	88.8	10,120	10,271
St. Lucie 1	83.6	86.4	10,879	10,804
St. Lucie 2	93.6	96.6	10,895	10,812
Turkey Point 3	93.6	99.1	11,047	11,064
Turkey Point 4	84.3	90.1	11,166	11,076

<u>Gulf</u>	<u>EAF</u>		<u>Heat Rate</u>	
	<u>Target</u>	<u>Adjusted Actual</u>	<u>Target</u>	<u>Adjusted Actual</u>
Crist 6	88.4	90.1	10,624	10,528
Crist 7	82.5	85.7	10,232	10,202
Smith 1	75.9	73.3	10,190	9,963
Smith 2	88.8	90.9	10,263	10,085
Daniel 1	81.0	78.1	10,455	10,415
Daniel 2	74.7	71.0	10,264	10,256

GPIF REWARDS/PENALTIES
January 1999 to December 1999

<u>Utility/ Plant/Unit</u>	<u>EAF</u>		<u>Heat Rate</u>	
	<u>Target</u>	<u>Adjusted Actual</u>	<u>Target</u>	<u>Adjusted Actual</u>
<u>TECO</u>				
Big Bend 1	79.8	77.4	10,230	10,083
Big Bend 2	82.2	81.1	10,247	9,983
Big Bend 3	72.5	68.5	9,992	9,826
Big Bend 4	85.0	79.1	9,938	10,014
Gannon 5	73.6	71.9	10,150	10,670
Gannon 6	71.5	63.7	10,401	10,836

GPIF TARGETS

January 2001 to December 2001

<u>Utility/ Plant/Unit</u>	<u>EAF</u>			<u>Staff</u>	<u>Heat Rate</u>	
	<u>EAF</u>	<u>Company POF</u>	<u>EUOF</u>		<u>Company</u>	<u>Staff</u>
<u>FPC</u>						
Anclote 1	78.8	15.6	5.6	Agree	10,091	Agree
Anclote 2	92.8	0.0	7.2	Agree	10,083	Agree
Bartow 3	93.9	0.0	6.1	Agree	10,105	Agree
Crystal River 1	76.4	13.4	10.2	Agree	9,831	Agree
Crystal River 2	84.2	0.0	15.8	Agree	9,788	Agree
Crystal River 3	85.5	11.5	3.0	Agree	10,247	Agree
Crystal River 4	95.4	0.0	4.6	Agree	9,389	Agree
Crystal River 5	87.6	9.6	2.8	Agree	9,360	Agree
Tiger Bay	78.7	15.3	6.0	Agree	7,190	Agree
<u>FPL</u>						
Cape Canaveral 1	84.5	7.9	7.6	Agree	9,581	Agree
Cape Canaveral 2	94.5	0.0	5.5	Agree	9,721	Agree
Ft Lauderdale 4	93.2	3.0	3.8	Agree	7,337	Agree
Ft Lauderdale 5	93.2	3.0	3.8	Agree	7,336	Agree
Manatee 1	78.3	14.2	7.5	Agree	10,066	Agree
Manatee 2	90.1	0.8	9.1	Agree	10,216	Agree
Martin 1	87.7	4.1	8.4	Agree	9,734	Agree
Martin 2	90.9	0.0	9.1	Agree	9,876	Agree
Martin 3	92.5	3.4	4.1	Agree	6,874	Agree
Martin 4	93.1	1.1	5.9	Agree	6,797	Agree
Port Everglades 3	84.5	10.4	5.3	Agree	9,447	Agree
Port Everglades 4	93.7	0.0	6.3	Agree	9,632	Agree
Scherer 4	87.9	8.5	3.6	Agree	10,043	Agree
St Lucie 1	85.7	8.5	5.8	Agree	10,817	Agree
St Lucie 2	85.7	8.5	5.8	Agree	10,821	Agree
Turkey Point 1	92.4	0.0	7.6	Agree	9,319	Agree
Turkey Point 3	86.0	8.5	5.8	Agree	11,121	Agree
Turkey Point 4	93.6	0.0	6.4	Agree	11,095	Agree
<u>Gulf</u>						
Crist 6	78.1	17.8	4.1	Agree	10,502	Agree
Crist 7	76.4	14.0	9.6	Agree	10,184	Agree
Smith 1	88.7	8.8	2.5	Agree	10,113	Agree
Smith 2	87.5	8.8	3.7	Agree	10,058	Agree
Daniel 1	74.5	16.4	9.1	Agree	10,075	Agree
Daniel 2	75.2	16.2	8.6	Agree	9,872	Agree

GPIF TARGETS

January 2001 to December 2001

<u>Utility/ Plant/Unit</u>	<u>EAF</u>			<u>Heat Rate</u>	
<u>FPC</u>	<u>EAF</u>	<u>Company</u> <u>POF</u>	<u>Staff</u> <u>EUOF</u>	<u>Company</u>	<u>Staff</u>
Big Bend 1	69.9	13.4	16.7 Agree	10,118	Agree
Big Bend 2	77.9	5.8	16.3 Agree	9,895	Agree
Big Bend 3	71.8	5.8	22.4 Agree	9,932	Agree
Bif Bend 4	83.9	3.8	12.3 Agree	9,944	Agree
Gannon 5	68.4	7.7	23.9 Agree	10,762	Agree
Gannon 6	67.4	7.7	24.9 Agree	10,596	Agree
Polk 1	78.5	7.7	13.8 Agree	10,146	Agree