

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 020001-EI
ORDER NO. PSC-02-1591-PHO-EI
ISSUED: November 18, 2002

Pursuant to Notice and in accordance with Rule 28-106.209, Florida Administrative Code, a Prehearing Conference was held on November 4, 2002, in Tallahassee, Florida, before Commissioner Michael A. Palecki, as Prehearing Officer.

APPEARANCES:

JAMES A. MCGEE, ESQUIRE, Florida Power Corporation, P. O. Box 14042, St. Petersburg, Florida 33733-4042
On behalf of Florida Power Corporation (FPC).

JOHN T. BUTLER, ESQUIRE, Steel Hector & Davis LLP, 200 South Biscayne Boulevard, Suite 4000, Miami, Florida, 33131-2939 and R. WADE LITCHFIELD, ESQUIRE, Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408-0420
On behalf of Florida Power & Light Company (FPL).

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

JEFFREY A. STONE, ESQUIRE, RUSSELL A. BADDERS, ESQUIRE, and R. ANDREW KENT, ESQUIRE, Beggs & Lane, P. O. Box 12950, Pensacola, Florida 32591-2950
On behalf of Gulf Power Company (GULF).

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

JOHN W. MCWHIRTER, JR., ESQUIRE, McWhirter Reeves McGlothlin Davidson Decker Kaufman & Arnold, P.A., 400 North Tampa Street, Suite 2450, Tampa, Florida 33601-3350

DOCUMENT NUMBER-DATE

12596 NOV 18 02

FPC-COMMISSION OF FRK

On behalf of the Florida Industrial Power Users Group (FIPUG).

ROBERT D. VANDIVER, ESQUIRE, Associate Public Counsel,
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).

WM. COCHRAN KEATING, IV, ESQUIRE, Florida Public Service
Commission, 2540 Shumard Oak Boulevard, Tallahassee,
Florida 32399-0850

On behalf of the Florida Public Service Commission (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.

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, 2002, to address the issues set forth in the body of this Prehearing Order. 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 Commission Clerk and Administrative Service'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; provided, however, that the parties do not need to file post-hearing statements as to any issue that is resolved by the Commission at the hearing.

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 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. Summaries of testimony shall 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 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>		
Javier Portuondo	FPC	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13A, 13B, 13C, 13D, 13E, 13F, 13G, 13H, 13I, 24, 25, 26, 27, 28, 29
*Michael F. Jacob	FPC	18, 19
G. Yupp	FPL	1, 2, 3, 4, 5, 6, 7, 8, 11, 14B
J. R. Hartzog	FPL	1, 2, 3, 4, 5, 6, 7, 8, 14A, 14C
K. M. Dubin	FPL	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 12, 14C, 24, 25, 26, 27, 28, 29
*F. Irizarry	FPL	18, 19
*George M. Bachman	FPU	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12
*M. F. Oaks	GULF	1, 2, 4, 11
T. A. Davis	GULF	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 16A, 16C, 24, 25, 26, 27, 28, 29
*L. S. Noack	GULF	18, 19
*H. Homer Bell, III	GULF	1, 2, 4, 9, 10, 16B, 24, 25, 27
J. Denise Jordan	TECO	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 12, 17C, 24, 25, 26, 27, 28, 29
*William A. Smotherman	TECO	18, 19, 23A, 23B
W. Lynn Brown	TECO	1, 2, 3

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
Joann T. Wehle	TECO	11, 17A, 17B, 17D, 17E,
Matthew A. Brinkley	Staff	12, 13F, 13G, 14A, 14B, 16C, 17C, 17D

Rebuttal

Javier Portuondo	FPC	12, 13F
K. M. Dubin	FPL	12, 14A
S. D. Ritenour	GULF	16C
J. Denise Jordan	TECO	12, 17C

VII. 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 fuel and capacity factors proposed by the Company present the best estimate of Gulf's fuel and capacity expense for the period January 2003 through December 2003 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 3.009 cents per KWH before application of factors which adjust

for variations in line losses; the proposed capacity cost recovery factor of 0.221 cents per KWH before applying the 12CP and 1/13th allocation methodology; a GPIF penalty of \$831,029 and approval of the company's proposed GPIF targets and ranges for the forthcoming period. Tampa Electric also requests approval of its calculated wholesale incentive benchmark of \$1,640,452 for calendar year 2003.

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

ISSUE 1: What are the appropriate final fuel adjustment true-up amounts for the period January 2001 through December 2001?

POSITIONS:

FPC: \$25,141,094 over-recovery. (Portuondo)

FPL: \$103,006,559 overrecovery. This amount was included in the midcourse correction for April 15, 2002 through December, 2002. (DUBIN)

FPU: Marianna: \$88,866 (under-recovery)
Fernandina Beach: \$133,516 (over-recovery)

GULF: Under recovery \$12,368,122. (Oaks, Bell, Davis)

TECO: \$8,984,160 under-recovery. (Witness: Jordan)

FIPUG: FIPUG contends that Tampa Electric Company's (TECo) true-up for 2001 fuel cost underrecoveries should be considered part of TECo's average fuel costs and be collected from wholesale as well as retail customers.

OPC: No position.

STAFF:

FPC:	\$25,141,094 overrecovery
FPL:	\$103,006,559 overrecovery
FPU-Marianna:	\$88,866 underrecovery
FPU-Fernandina Beach:	\$133,516 overrecovery
GULF:	\$12,368,122 underrecovery
TECO:	\$8,984,160 underrecovery

*This issue is stipulated with respect to FPC, FPL, FPU, and GULF.

ISSUE 2: What are the appropriate estimated fuel adjustment true-up amounts for the period January 2002 through December 2002?

POSITIONS:

FPC: \$5,261,851 over-recovery. (Portuondo)

FPL: \$15,080,676 underrecovery. (DUBIN)

FPU: Marianna: \$59,133 (under-recovery)
Fernandina Beach: \$194,807 (over-recovery)

GULF: Under recovery \$16,703,076. (Oaks, Bell, Davis)

TECO: \$5,818,569 over-recovery. (Witness: Jordan)

FIPUG: FIPUG contends that for the months of January and June through September, TECo's fuel cost revenues should be adjusted to credit retail customers with the difference between the fuel cost charged to Hardee Power Partners (HPP) and system average fuel

cost; or in the alternative, TECo should provide proof that retail customers are continuing to benefit from the sales to an unregulated affiliate at less than average fuel cost. FIPUG further contends that purchases from HPP should be adjusted to average fuel cost.

OPC: No position.

STAFF:

FPC:	\$5,261,851 overrecovery
FPL:	\$15,080,676 underrecovery
FPU-Marianna:	\$59,133 underrecovery
FPU-Fernandina Beach:	\$194,807 overrecovery
GULF:	\$16,703,076 underrecovery
TECO:	\$5,818,569 overrecovery

*This issue is stipulated with respect to FPC, FPL, FPU, and GULF.

ISSUE 3: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2003 to December 2003?

POSITIONS:

FPC: \$30,402,945 over-recovery. (Portuondo)

FPL: \$15,080,676 underrecovery. (DUBIN)

FPU: Marianna: \$147,999 to be collected
Fernandina Beach: \$328,323 to be refunded

GULF: Collect \$29,071,198. (Davis)

TECO: \$3,165,591 under-recovery. (Witness: Jordan)

FIPUG: The appropriate true-up for Tampa Electric will be a fall-out from the determinations made in Issues 1 and 2.

OPC: No position.

STAFF: FPC: \$30,402,945 overrecovery
FPL: \$15,080,676 underrecovery
FPU-Marianna: \$147,999 underrecovery
FPU-Fernandina Beach: \$328,323 overrecovery
GULF: \$29,071,198 underrecovery
TECO: \$3,165,591 underrecovery

*This issue is stipulated with respect to FPC, FPL, FPU, and GULF.

ISSUE 4: What are the appropriate levelized fuel cost recovery factors for the period January 2003 to December 2003?

POSITIONS:

FPC: 2.348 cents per kWh (adjusted for jurisdictional losses). (Portuondo)

FPL: 2.740 cents/kWh is the levelized recovery charge to be collected during the period January, 2003 through December, 2003. (DUBIN)

FPU: Marianna: 2.248¢/kwh
Fernandina Beach: 2.272¢/kwh

GULF: 2.348¢/KWH. (Oaks, Bell, Davis)

TECO: The appropriate factor is 3.009 cents per KWH before the normal application of factors that adjust for variations in line losses. (Witness: Jordan)

FIPUG: No position.

OPC: No position.

STAFF: FPC: No position pending resolution of Issues 13F and 13G.
FPL: No position pending resolution of Issues 14A and 14B.
FPU-Marianna: 2.248¢/kWh

FPU-Fernandina Beach: 2.272¢/kWh
 GULF: 2.348¢/kWh
 TECO: No position pending resolution of
 Issues 17C and 17D.

*This issue is stipulated with respect to FPU.

ISSUE 5: Proposed Stipulation. See Section X.

ISSUE 6: Proposed Stipulation. See Section X.

ISSUE 7: What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?

POSITIONS:

FPC:

Group	Delivery Voltage Level	Fuel Cost Factors (cents/kWh)		
		Time Of Use		
		Standard	On-Peak	Off-Peak
A.	Transmission	2.053	2.810	2.086
B.	Distribution Primary	2.328	2.838	2.107
C.	Distribution Secondary	2.352	2.867	2.129
D.	Lighting Service	2.267		

(Portuondo)

FPL:

GROUP	RATE SCHEDULE	AVERAGE FACTOR	FUEL RECOVERY LOSS MULTIPLIER	FUEL RECOVERY FACTOR
A	RS-1,GS-1,SL2	2.740	1.00206	2.746
A-1*	SL-1,OL-1,PL-1	2.689	1.00206	2.695
B	GSD-1	2.740	1.00199	2.746
C	GSLD-1 & CS-1	2.740	1.00083	2.743
D	GSLD-2,CS-2,OS-2 & MET	2.740	.99417	2.724
E	GSLD-3 & CS-3	2.740	.95413	2.615
GROUP	RATE SCHEDULE	AVERAGE FACTOR	FUEL RECOVERY LOSS MULTIPLIER	FUEL RECOVERY FACTOR
A	RST-1,GST-1			
	ON-PEAK	2.981	1.00206	2.987
	OFF-PEAK	2.633	1.00206	2.638
B	GSDT-1,CILC-1(G)			
	ON-PEAK	2.981	1.00199	2.987
	OFF-PEAK	2.633	1.00199	2.638
C	GSLDT-1 & CST-1			
	ON-PEAK	2.981	1.00083	2.983
	OFF-PEAK	2.633	1.00083	2.635
D	GSLDT-2 & CST-2			
	ON-PEAK	2.981	.99417	2.963
	OFF-PEAK	2.633	.99417	2.618
E	GSLDT-3,CST-3			
	CILC-1(T)&ISST-1(T)			
	ON-PEAK	2.981	.95413	2.844
	OFF-PEAK	2.633	.95413	2.512

F	CILC-1(D) & ISST-1(D)			
	ON-PEAK	2.981	.99300	2.960
	OFF-PEAK	2.633	.99300	2.615

*WEIGHTED AVERAGE 16% ON-PEAK AND 85% OFF-PEAK (DUBIN)

FPU:

Marianna:

<u>Rate Schedule</u>	<u>Adjustment</u>
RS	\$.03846
GS	\$.03797
GSD	\$.03533
GSLD	\$.03335
OL	\$.02707
SL	\$.02711

Fernandina Beach:

<u>Rate Schedule</u>	<u>Adjustment</u>
RS	\$.03745
GS	\$.03624
GSD	\$.03445
CSL	\$.02955
OL	\$.02955
SL	\$.02955

GULF:

See table below: (Davis)

Group	Rate Schedules*	Fuel Cost Factors ¢/KWH		
		Standard	Time of Use	
			On-Peak	Off-Peak
A	RS, RSVP, GS, GSD, SBS, OSIII, OSIV	2.359	2.749	2.193

B	LP, LPT, SBS	2.311	2.692	2.148
C	PX, PXT, RTP, SBS	2.288	2.666	2.127
D	OS-I/II	2.333	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:

The appropriate factors are:

<u>Rate Schedule</u>	<u>Fuel Charge Factor (cents per kWh)</u>
Average Factor	3.009
RS, GS and TS	3.022
RST and GST	3.840 (on-peak) 2.596 (off-peak)
SL-2, OL-1 and OL-3	2.783
GSD, GSLD, and SBF	3.011
GSDT, GSLDT, EV-X and SBFT	3.826 (on-peak) 2.586 (off-peak)
IS-1, IS-3, SBI-1, SBI-3	2.932
IST-1, IST-3, SBIT-1, SBIT-3	3.726 (on-peak) 2.519 (off-peak)

(Witness: Jordan)

FIPUG: No position.

OPC: No position.

STAFF: FPC: No position pending resolution of Issue 4.
FPL: No position pending resolution of Issue 4.
FPU-Marianna:

<u>Rate Schedule</u>	<u>Adjustment</u>
RS	\$.03846
GS	\$.03797
GSD	\$.03533
GSLD	\$.03335
OL	\$.02707
SL	\$.02711

FPU-Fernandina:

<u>Rate Schedule</u>	<u>Adjustment</u>
RS	\$.03745
GS	\$.03624
GSD	\$.03445
CSL	\$.02955
OL	\$.02955
SL	\$.02955

GULF: Staff agrees with Gulf Power's position.

TECO: No position pending resolution of Issue 4.

*This issue is stipulated with respect to FPU.

ISSUE 8: Proposed Stipulation. See Section X.

ISSUE 9: Proposed Stipulation. See Section X.

ISSUE 10: Proposed Stipulation. See Section X.

ISSUE 11: This issue has been withdrawn.

ISSUE 12: Should the Commission require recovery of incremental security costs incurred in response to the terrorist acts committed on and after September 11, 2001, through base rates beginning January 1, 2006, or the effective date of a final order from each utility's next base rate proceeding, whichever comes first?

POSITIONS:

FPC: No. It is premature and unnecessary to determine whether fuel cost recovery should continue in 2006 at this time. (Portuondo)

FPL: No. It is unnecessary and premature to make such a decision at this time. Whether to recover incremental security costs in base rates should be considered the next time base rates change. (DUBIN)

FPU: No position.

GULF: Gulf has not requested recovery of incremental security costs incurred in response to the terrorist acts committed on and after September 11, 2001 through the fuel cost recovery clause and therefore takes no position at this time on this issue.

TECO: It would not be reasonable to arbitrarily choose a date for a mandatory conversion from recovery through the fuel and purchased power cost recovery clause to base rate recovery. The key goal should be to ensure that any incremental security costs are, indeed, incremental and are not being recovered through base rates and a cost recovery mechanism. This can be accomplished without mandating a future conversion date to base rate recovery. The Commission has recently found that capitalized items currently approve for recovery through the Environmental Cost Recovery Clause (ECRC) need not be included in base rates. In that base rate proceeding, the Commission concluded that no benefits to customers had been shown by including such costs in base rates and that the impact on customers is essentially the same

whether the costs are recovered through base rates or through the ECRC. The Commission should not attempt to tie the hands of future Commissioners by adopting an arbitrary cost recovery clause to base rate recovery conversion date. (Witness: Jordan)

FIPUG: Yes. Security costs are appropriately recovered through base rates.

OPC: Yes. Security costs are appropriately recovered through base rates.

STAFF: The Commission should continue to monitor the nature and longevity of incremental security costs being recovered through a cost recovery clause to determine whether and to what extent such costs should be recovered through base rates. Security costs are currently and have traditionally been recovered through base rates, and are more appropriately recovered through base rates than a cost recovery clause.

COMPANY-SPECIFIC FUEL ADJUSTMENT ISSUES

Florida Power Corporation

ISSUE 13A: Proposed Stipulation. See Section X.

ISSUE 13B: Proposed Stipulation. See Section X.

ISSUE 13C: Proposed Stipulation. See Section X.

ISSUE 13D: Proposed Stipulation. See Section X.

ISSUE 13E: Proposed Stipulation. See Section X.

ISSUE 13F: Should the Commission authorize Florida Power to recover, through the fuel and purchased power cost recovery clause, expenditures of \$7,825,500 for incremental 2002 and 2003 security costs?

POSITIONS:

FPC: Yes. Recovery of these projected costs for FPC's implementation of post 9/11 security enhancements is appropriate and consistent with the Commission's decision at the prior fuel adjustment hearing to allow recovery of incremental security costs through the fuel clause. The amount of \$7,825,500 is FPC's revised incremental security cost as filed on October 8, 2002, which reflects a reduction of \$1.8 million to the amount originally filed based on security costs included in the Company's 2002 MFRs. (Portuondo)

FIPUG: Security costs are appropriately recovered through base rates.

OPC: Security costs are appropriately recovered through base rates.

STAFF: The Commission should authorize Florida Power to recover that portion of its incremental 2002 and 2003 security costs that represent incremental O&M expenses at its Crystal River nuclear generating facility as required by the Nuclear Regulatory Commission. That amount should be audited to determine whether any offsets should be recognized. Recovery of incremental security costs representing new capital items should not be permitted through a cost recovery clause, consistent with the provision in the Commission-approved Stipulation and Settlement in Docket No. 000824-EI which states that "FPC will not use the various cost recovery clauses to recover new capital items which traditionally and historically would be recoverable through base rates . . ." To the extent that incremental 2002 and 2003 security costs are authorized for recovery through a

cost recovery clause, such recovery should be made through the capacity cost recovery clause so that these costs are allocated through rates on a demand basis.

ISSUE 13G: Is Florida Power's estimated expenditure of \$554,312 for incremental 2003 expenses associated with its hedging program reasonable?

POSITIONS:

FPC: The revisions to FPC's 2002 and 2003 fuel cost recovery amounts filed October 23, 2002 reduce the projected incremental O&M expenses associated with FPC's hedging program to a total of \$554,312. These initial developmental expenses are necessary for the implementation of a sophisticated hedging program and related infrastructure required to effectively engage in complex financial and physical hedging transactions. (Portuondo)

FIPUG: No, as to dollar amounts.

OPC: No, as to dollar amounts.

STAFF: Pursuant to Order No. PSC-02-1484-FOF-EI, issued October 30, 2002, in Docket No. 011605-EI, the Commission authorized each investor-owned electric utility to recover prudently-incurred incremental operation and maintenance expenses incurred for the purpose of initiating and/or maintaining a new or expanded non-speculative financial and/or physical hedging program designed to mitigate fuel and purchased power price volatility for its retail customers. Florida Power expects to incur incremental expenses of \$554,312 during 2003 that meet these criteria. Subject to audit and true-up, the Commission should authorize Florida Power to recover this amount through the fuel and purchased power cost recovery clause.

ISSUE 13H: Is Florida Power's recovery of \$4,955,620 for the depreciation and return associated with its Hines Unit 2 reasonable?

POSITIONS:

FPC: Yes. Recovery of this amount, the calculation of which is shown in Part E of the exhibit to Mr. Portuondo's September 20, 2002 testimony, is consistent with paragraph 9 of the stipulation approved by the Commission in Order No. PSC-02-0655-AS-EI, in Docket Nos. 000824-EI and 020001-EI, and is ultimately subject to offsetting cumulative fuel savings from Hines 2 over the recovery period. (Portuondo)

FIPUG: No.

OPC: No position.

STAFF: Yes. Under the terms of the stipulation among Florida Power and several parties, the Commission, by Order No. PSC-02-0655-AS-EI, in Docket Nos. 000824-EI and 020001-EI, issued May 14, 2002, has authorized Florida Power to recover an amount equal to the depreciation expense and a return of 8.37 percent on Florida Power's average investment for Hines Unit 2, up to the cumulative fuel savings for Hines Unit 2 during the recovery period. Although staff anticipates the fuel savings to be less than the depreciation and return for Hines Unit 2 for 2003, staff believes that fuel savings during the recovery period, as defined in staff's position for Issue 13E in this docket, are expected to be greater than the depreciation and return on Hines Unit 2 during this period.

ISSUE 13I: Proposed Stipulation. See Section X.

Florida Power & Light Company

ISSUE 14A: Should the Commission authorize FPL to recover, through the fuel and purchased power cost recovery clause, expenditures of \$13.5 million for incremental 2002 and 2003 security costs?

POSITIONS:

FPL: Yes. Consistent with Order No. PSC-01-2516-FOF-EI, issued on December 26, 2001, FPL should be authorized to recover prudently incurred incremental security costs for its power plants. The incremental security costs for 2002 and 2003 are presently projected to be \$13.5 million. The amount to be ultimately recovered should be FPL's actual incremental security costs. (HARTZOG, DUBIN)

FIPUG: Security costs are appropriately recovered through base rates.

OPC: Security costs are appropriately recovered through base rates.

STAFF: The Commission should authorize FPL to recover that portion of its incremental 2002 and 2003 security costs that represent incremental O&M expenses at its St. Lucie and Turkey Point nuclear generating facilities as required by the Nuclear Regulatory Commission. That amount should be audited to determine whether any offsets should be recognized. Recovery of incremental security costs representing new capital items should not be permitted through a cost recovery clause, consistent with the provision in the Commission-approved Stipulation and Settlement in Docket No. 001148-EI which states that "FPL will not use the various cost recovery clauses to recover new capital items which traditionally and historically would be recoverable through base rates." To the extent that incremental 2002 and 2003 security costs are authorized for recovery through a cost recovery clause, such recovery should be made

through the capacity cost recovery clause so that these costs are allocated through rates on a demand basis.

ISSUE 14B: Is FPL's expenditure of \$3,278,147 for incremental 2002 and 2003 expenses associated with its hedging program prudent?

POSITIONS:

FPL: Yes. As adjusted, FPL's projected 2002 and 2003 projected incremental hedging program costs are \$3,278,147. Those costs are prudent. (YUPP)

FIPUG: No, as to dollar amounts.

OPC: No, as to dollar amounts.

STAFF: Pursuant to Order No. PSC-02-1484-FOF-EI, issued October 30, 2002, in Docket No. 011605-EI, the Commission authorized each investor-owned electric utility to recover prudently-incurred incremental operation and maintenance expenses incurred for the purpose of initiating and/or maintaining a new or expanded non-speculative financial and/or physical hedging program designed to mitigate fuel and purchased power price volatility for its retail customers. FPL has incurred or expects to incur incremental expenses of \$2,181,397 during 2002 and 2003 that meet these criteria. Subject to audit and true-up, the Commission should authorize FPL to recover this amount through the fuel and purchased power cost recovery clause.

ISSUE 14C: Proposed Stipulation. See Section X.

Florida Public Utilities Company

Issue 15 was reserved for any company-specific fuel adjustment issues for Florida Public Utilities Company. No such issues were identified for hearing.

Gulf Power Company

ISSUE 16A: Proposed Stipulation. See Section X.

ISSUE 16B: Proposed Stipulation. See Section X.

ISSUE 16C: Is Gulf Power's expenditure of \$79,240 for incremental 2003 expenses associated with its hedging program prudent?

POSITIONS:

GULF: Yes. In Docket No. 011605-EI, the Commission voted to allow the Gulf and the other electric utilities to engage in gas hedging activities in order to achieve fuel-related benefits for our customers. Gulf is requesting the recovery of the incremental costs of implementing a hedging program through the fuel clause. In calculating the amount of such expenses appropriate for fuel cost recovery, Gulf has evaluated whether there will be any offsetting base rate expense reductions and whether there are any such costs already reflected in its base rates. Gulf's projected test year upon which its new base rates were recently set included no hedging activities; therefore the amount included in the projected test year related to hedging activities is \$0. In addition, Gulf does not anticipate any reductions in base rate expenses as a result of engaging in hedging activities. (Davis, Ritenour)

FIPUG: Gulf Power has submitted no direct testimony to support the expenses associated with the hedging

program. There is no competent substantial evidence to support recovery of these costs.

OPC: Gulf Power has submitted no direct testimony to support the expenses associated with the hedging program. There is no competent substantial evidence to support recovery of these costs.

STAFF: Pursuant to Order No. PSC-02-1484-FOF-EI, issued October 30, 2002, in Docket No. 011605-EI, the Commission authorized each investor-owned electric utility to recover prudently-incurred incremental operation and maintenance expenses incurred for the purpose of initiating and/or maintaining a new or expanded non-speculative financial and/or physical hedging program designed to mitigate fuel and purchased power price volatility for its retail customers. Gulf Power expects to incur incremental expenses of \$79,240 during 2003 that meet these criteria. Subject to audit and true-up, the Commission should authorize Gulf Power to recover this amount through the fuel and purchased power cost recovery clause.

Tampa Electric Company

ISSUE 17A: Proposed Stipulation. See Section X.

ISSUE 17B: Proposed Stipulation. See Section X.

ISSUE 17C: Should the Commission authorize Tampa Electric to recover, through the fuel and purchased power cost recovery clause, expenditures of \$1,204,598 for incremental 2001, 2002, and 2003 security costs?

POSITIONS:

TECO: Yes. These costs were unanticipated prior to September 11, 2001 and are incremental in the true

sense of the word. In Order No PSC-01-2516-FOF-EI the Commission approved for recovery through the fuel adjustment clause post-September 11 increased security costs on the grounds that they (a) were incremental; (b) are tied to fuel cost savings from continued operation of generation facilities; and (c) are potentially volatile. In addition, the Commission found that the fuel adjustment true-up mechanism ensures that ratepayers pay no more than the actual costs incurred and that allowing recovery of these charges through the fuel and purchased power cost recovery clause provides a good match between the timing of the occurrence and the recovery of the cost. The Commission concluded that allowing recovery of these expenses through the fuel and purchased power cost recovery clause gives utilities appropriate encouragement to protect their generation assets. These grounds fully support Tampa Electric's proposed cost recovery of its incremental post-September 11 security costs. (Witness: Jordan)

FIPUG: Security costs are appropriately recovered through base rates.

OPC: Security costs are appropriately recovered through base rates.

STAFF: In Order No. PSC-01-2516-FOF-EI, issued December 26, 2001, in Docket No. 010001-EI, recovery of incremental security costs through a cost recovery clause was premised on the volatility of those costs. Because no authority has mandated that Tampa Electric take any additional security measures at its facilities, Tampa Electric controls the amount and timing of the expenses it has incurred and intends to incur to increase security at its facilities. Thus, these expenses are not volatile to Tampa Electric, and the Commission should not authorize Tampa Electric to recover these expenses through a cost recovery clause.

ISSUE 17D: Is Tampa Electric's expenditure of \$450,000 for incremental 2003 expenses associated with its hedging program prudent?

POSITIONS:

TECO: Yes. Tampa Electric's projected expenditures for 2003 are, indeed, prudent incremental operating and maintenance expenses incurred for the purpose of initiating and/or maintaining a new or expanded non-speculative physical and/or financial hedging program designed to mitigate fuel and purchased power price volatility for its retail customers. As such, these costs are recoverable pursuant to the August 9, 2002 proposed resolution of issues in Docket No. 011605-EI that was approved by the Commission at the outset of the August 12 hearing in that docket. (Witness: Wehle)

FIPUG: No, as to dollar amounts.

OPC: No, as to dollar amounts.

STAFF: Pursuant to Order No. PSC-02-1484-FOF-EI, issued October 30, 2002, in Docket No. 011605-EI, the Commission authorized each investor-owned electric utility to recover prudently-incurred incremental operation and maintenance expenses incurred for the purpose of initiating and/or maintaining a new or expanded non-speculative financial and/or physical hedging program designed to mitigate fuel and purchased power price volatility for its retail customers. Tampa Electric expects to incur incremental expenses of \$415,000 during 2003 that meet these criteria. Subject to audit and true-up, the Commission should authorize Tampa Electric to recover this amount through the fuel and purchased power cost recovery clause.

ISSUE 17E: Proposed Stipulation. See Section X.

ISSUE 17F: Proposed Stipulation. See Section X.

ISSUE 17G: Proposed Stipulation. See Section X.

GENERIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

ISSUE 18: Proposed Stipulation. See Section X.

ISSUE 19: Proposed Stipulation. See Section X.

COMPANY-SPECIFIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

Florida Power Corporation

Issue 20 was reserved for any company-specific GPIF issues for Florida Power Corporation. No such issues were identified for hearing.

Florida Power & Light Company

Issue 21 was reserved for any company-specific GPIF issues for Florida Power & Light Company. No such issues were identified for hearing.

Gulf Power Company

Issue 22 was reserved for any company-specific GPIF issues for Gulf Power Company. No such issues were identified for hearing.

Tampa Electric Company

ISSUE 23A: Proposed Stipulation. See Section X.

ISSUE 23B: Proposed Stipulation. See Section X.

GENERIC CAPACITY COST RECOVERY FACTOR ISSUES

ISSUE 24: Proposed Stipulation. See Section X.

ISSUE 25: Proposed Stipulation. See Section X.

ISSUE 26: Proposed Stipulation. See Section X.

ISSUE 27: What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2003 through December 2003?

POSITIONS:

FPC: \$357,252,657. (Portuondo)

FPL: \$567,561,227. (DUBIN)

GULF: \$8,395,872. (Bell, Davis)

TECO: The purchased power capacity cost recovery amount to be included in the recovery factor for the period January 2003 through December 2003, adjusted by the jurisdictional separation factor, is \$38,251,461. The total recoverable capacity cost recovery amount to be collected, including the true-up amount and adjusted for the revenue tax factor, is \$39,808,156. (Witness: Jordan)

FIPUG: No position.

OPC: No position.

STAFF: FPC: \$357,252,657, plus the amount, if any, of incremental security costs that the Commission approves for recovery through the capacity clause in Issue 13F.

FPL: \$567,561,227, plus the amount, if any, of incremental security costs that the Commission approves for recovery through the capacity clause on Issue 14A.

GULF: The projected net purchased power capacity cost recovery amount to be included in the recovery factor for the period January 2003 through December 2003 is \$8,395,872. This amount includes the projected net Southern Intercompany Interchange Contract (IIC) cost for 2003 of \$7,596,458, compared with the reprojected net IIC cost for 2002 of \$2,544,246. The company needs to demonstrate in the 2003 true-up process that the IIC cost is prudently incurred and is allocated to Gulf and its customers equitably.

TECO: \$39,808,156, plus the amount, if any, of incremental security costs that the Commission approves for recovery through the capacity clause on Issue 17C.

ISSUE 28: Proposed Stipulation. See Section X.

ISSUE 29: What are the appropriate capacity cost recovery factors for the period January 2003 through December 2003?

POSITIONS:

FPC:	<u>Rate Class</u>	<u>CCR Factor</u>
	Residential	1.163 cents/kWh
	General Service Non-Demand	.872 cents/kWh
	@ Primary Voltage	.863 cents/kWh
	@ Transmission Voltage	.855 cents/kWh
	General Service 100% Load Factor	.639 cents/kWh
	General Service Demand	.757 cents/kWh
	@ Primary Voltage	.750 cents/kWh
	@ Transmission Voltage	.742 cents/kWh
	Curtailed	.538 cents/kWh

@ Primary Voltage	.533 cents/kWh
@ Transmission Voltage	.528 cents/kWh
Interruptible	.629 cents/kWh
@ Primary Voltage	.622 cents/kWh
@ Transmission Voltage	.616 cents/kWh
Lighting	.185 cents/kWh
	(Portuondo)

FPL:

RATE CLASS	CAPACITY RECOVERY FACTOR (\$/KW)	CAPACITY RECOVERY FACTOR (\$/KWH)
RS1	-	.00638
GS1	-	.00586
GSD1	2.30	-
OS2	-	.00385
GSLD1/CS1	2.29	-
GSLD2/CS2	2.26	-
GSLD3/CS3	2.27	-
CILCD/CILCG	2.39	-
CILCT	2.30	-
MET	2.39	-
OL1/SL1/PL1	-	.00301
SL2	-	.00417

RATE CLASS	CAPACITY RECOVERY FACTOR (RESERVATION DEMAND CHARGE) (\$/KW)	CAPACITY RECOVERY FACTOR (SUM OF DAILY DEMAND CHARGE) (\$/KW)
ISST1D	.29	.14
SST1T	.28	.13
SST1D	.29	.14

(DUBIN)

GULF: See table below: (Davis)

RATE CLASS	CAPACITY COST RECOVERY FACTORS ¢/KWH
RS, RSVP	.095
GS, GSTOU	.092
GSD, GSDT	.077
LP, LPT	.066
PX, PXT, RTP, SBS	.058
OS-I/II	.028
OSIII	.060
OSIV	.027

TECO: The appropriate factors are:

<u>Rate Schedule</u>	<u>Capacity Cost Recovery Factor (cents per kWh)</u>
Average Factor	0.221
RS	0.269
GS and TS	0.246
GSD, EV-X	0.212
GSLD and SBF	0.187
IS-1, IS-3, SBI-1, SBI-3	0.017
SL-2, OL-1 and OL-3	0.109
(Witness: Jordan)	

FIPUG: No position.

OPC: No position.

STAFF:

FPC: No position pending resolution of Issue 27.

FPL: No position pending resolution of Issue 27.

GULF: Rate Class Capacity Cost Recovery Factor (cents/kWh)

RS, RST, RSVP	.095
GS, GST	.092
GSD, GSDT	.077
LP, LPT	.066
PX, PXT, RTP, SBS	.058
OS-I, OS-II	.028
OS-III	.060
OS-IV	.027

TECO: No position pending resolution of Issue 27.

*This issue is stipulated with respect to GULF.

COMPANY-SPECIFIC CAPACITY COST RECOVERY FACTOR ISSUES

Issues 30, 31, 32, and 33 were reserved for any company-specific capacity cost recovery issues for Florida Power Corporation, Florida Power & Light Company, Gulf Power Company, and Tampa Electric Company, respectively. No such issues were identified for hearing.

IX. EXHIBIT LIST

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
			<u>Direct</u>
Javier Portuondo	FPC	_____	True - up Variance Analysis
		_____	Schedules A1 through A13
		(JP-1)	
		(JP-2)	

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
		<u>(JP-3)</u>	Forecast Assumptions (Parts A-C), Capacity Cost Recovery Factors (Part D), and Hines 2 Depreciation & Return Calculations (Part E)
		<u>(JP-4)</u>	Schedules E1 through E10 and H1
Michael F. Jacob	FPC	<u>(MFJ-1)</u>	GP I F Reward/Penalty Schedules
		<u>(MFJ-2)</u>	GP I F Targets/Ranges Schedules
G. Yupp	FPL	<u>(GY-1)</u>	Appendix I / Fuel Cost Recovery Forecast Assumptions
		<u>(GY-2)</u>	Appendix I / Fuel Cost Recovery - Revised

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
K. M. Dubin	FPL	_____	Appendix I and II / Fuel Cost Recovery and Capacity Cost Recovery; Final Trueup Calculation- January, 2001 through December, 2001.
		(KMD-1)	

		(KMD-2)	

		(KMD-3)	Appendix I and II / Fuel Cost Recovery and Capacity Cost and Recovery Estimated/Actual True-up for January, 2002 through December, 2002

		(KMD-4)	Appendix II/ Fuel Cost Recovery E Schedules, Levelized Fuel Cost Recovery Factors for January, 2003 through December, 2003

		(KMD-5)	

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
		<hr/> (KMD-6)	Appendix III/Capacity Cost Recovery Factors for January, 2003 through December, 2003
		<hr/> (KMD-7)	Appendix II/Fuel Cost Recovery - Revised E-Schedules
		<hr/> (KMD-8)	Appendix III/Capacity Cost Recovery - Revised
F. Irizarry	FPL	<hr/> (FI-1)	G P I F , Performance Results January, 2001 through December, 2001
		<hr/> (FI-2)	G P I F , Targets and Ranges , January, 2003 through December, 2003

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
George M. Bachman	FPU	_____	Composite. Schedules E1, E1-A, E1-B, E1-B1, E2, E7, E8, and E10 (for the Marianna and Fernandina Beach Divisions.
		(GMB-1)	
M. F. Oaks	GULF	_____	C o a l Suppliers - J a n u a r y 2 0 0 1 - D e c e m b e r 2001
		(MFO-1)	
		_____	P r o j e c t e d vs. actual fuel cost of generated power March 1 9 9 3 - D e c e m b e r 2003
		(MFO-2)	
T. A. Davis	GULF	_____	Calculation of Final True-up for Fuel and Capacity for the period 1/01 - 12/01
		(TAD-1)	

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
		<hr/> (TAD-2)	Calculation of Estimated True-up for Fuel and Capacity for the period 1/02 - 12/02
		<hr/> (TAD-3)	Calculation of Projected Fuel and Capacity Costs for the period 1/03 - 12/03
L. S. Noack	GULF	<hr/> (LSN-1)	Gulf Power Company GPIF Results January 2001 - December 2001
		<hr/> (LSN-2)	Gulf Power Company GPIF Targets and Ranges January 2003 - December 2003

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
H. Homer Bell, III	GULF	<hr/> (HHB-1)	Gulf Power Company Projected Purchased Power Contract Transactions January 2003 - December 2003
J. Denise Jordan	TECO	<hr/> (JDJ-1)	Fuel Cost Recovery January 2001 - December 2001 . Capacity Cost Recovery January 2001 - December 2001
		<hr/> (JDJ-2)	Fuel Cost Recovery Reprojected- January 2002 - December 2002

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
		<hr/> (JDJ-3)	Fuel Cost Recovery, Projected January 2003 - December 2003. Capacity Cost Recovery, Projected January 2003 - December 2003.
William A. Smotherman	TECO	<hr/> (WAS-1)	Generating Performance Incentive Factor Results January 2001 - December 2001
		<hr/> (WAS-2)	Generating Performance Incentive Factor Estimated January 2003 - December 2003

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Joann T. Wehle	TECO	<hr/> (JTW-1)	2 0 0 1 Transportati on Benchmark Calculation 2001 Coal Transportati on Market P r i c e Application
		<hr/> (JTW-2)	2 0 0 3 Projected Incremental H e d g i n g Operations a n d Maintenance Costs

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

X. PROPOSED STIPULATIONS

ISSUE 5: What should be the effective date of the fuel adjustment charge and capacity cost recovery charge for billing purposes?

POSITION: The new factors should be effective beginning with the first billing cycle for January 2003, and thereafter through the last billing cycle for December 2003. The first billing cycle may start before January 1, 2003, and the last billing cycle may end after December 31, 2003, so long as each customer is billed for twelve months regardless of when the factors became effective.

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: FPL's position on Issue 7 shows the appropriate line loss multipliers for FPL.

FPU:	<u>Marianna</u>	<u>Multiplier</u>
	All Rate Schedules	1.0000
	<u>Fernandina Beach</u>	
	All Rate Schedules	1.0000

GULF: See table below:

Group	Rate Schedules*	Line Loss Multipliers
A	RS, GS, GSD, GSDT, SBS, OSIII, OSIV	1.00482
B	LP, LPT, SBS	0.98404
C	PX, PXT, SBS, RTP	0.97453
D	OSI, OSII	1.00469

*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.

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

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

ISSUE 8: What is the appropriate revenue tax factor to be applied in calculating each investor-owned electric utility's levelized fuel factor for the projection period of January 2003 to December 2003?

<u>POSITION:</u>		
	FPC:	1.00072
	FPL:	1.01597
	FPU-Fernandina Beach:	1.01597
	FPU-Marianna:	1.00072
	GULF:	1.00072
	TECO:	1.00072

ISSUE 9: What are the appropriate benchmark levels for calendar year 2002 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

FPC: \$11,052,574
FPL: \$38,143,278
GULF: \$1,197,565
TECO: \$2,129,628

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

FPC: \$8,238,615
FPL: \$21,165,387
GULF: \$1,174,292
TECO: \$1,640,452

ISSUE 13A: Has Florida Power Corporation confirmed the validity of the methodology used to determine the equity component of Progress Fuels Corporation's capital structure for calendar year 2001?

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.

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

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

ISSUE 13C: Has Florida Power Corporation properly calculated the 2001 price for waterborne transportation services provided by Progress Fuels Corporation?

POSITION: Yes. Florida Power Corporation has calculated the market price in accordance with the methodology approved by the Commission in Docket No. 930001-EI.

ISSUE 13D: What is the appropriate interpretation of the term "fuel savings" as contemplated in paragraph nine of the stipulation approved by Order No. PSC-02-0655-AS-EI, in Docket Nos. 000824-EI and 020001-EI, issued May 14, 2002?

POSITION: The Commission should define "fuel savings" as follows: the difference between estimated jurisdictional fuel and net power transaction costs under a change case scenario and the actual jurisdictional fuel and net power transaction costs. In the instant case, the change case represents a scenario in which Florida Power's Hines Unit 2 becomes unavailable at least one day prior to the unit's projected commercial in-service date until December 31, 2005. Florida Power should assume no material reduction in operational reliability takes place in the change case scenario.

ISSUE 13E: What is the appropriate interpretation of the term "recovery period" as contemplated in paragraph nine of the stipulation approved by Order No. PSC-02-0655-AS-EI, in Docket Nos. 000824-EI and 020001-EI, issued May 14, 2002?

POSITION: In the instant case, the Commission should define "recovery period" as follows: a period commencing with the commercial in-service date of Florida Power's Hines Unit 2 until December 31, 2005.

ISSUE 13I: Should the Commission open a docket to evaluate whether the market price proxy for Florida Power's waterborne transportation services provided by Progress Fuels Corporation is still valid?

POSITION: No. However, as part of the Commission's continuing fuel and purchased power cost recovery proceedings, the Commission should review the validity and reasonableness of the current market price proxy for Florida Power's waterborne transportation services provided by Progress Fuels Corporation.

ISSUE 14C: What is the appropriate regulatory treatment for the \$32.6 million in additional operation and maintenance expense associated with the inspection and repair of the reactor pressure vessel heads at FPL's four nuclear units?

POSITION: FPL would recover the total cost of inspection and repair of the reactor pressure vessel heads at its four nuclear units in base rates by amortizing the cost over a five year period. This regulatory treatment would result in no change to FPL's existing base rates during the period of FPL's current rate stipulation. This amortization would begin in 2002 based on the current estimate of the total inspection and repair costs of \$67.3 million for 2002 through 2004. FPL would adjust this estimate based on actual and updated cost estimates, with the amortization changing beginning in the month of the updated estimate. FPL would not accumulate AFUDC on the unamortized portion of the inspection and repair costs. This treatment has been stipulated by the parties, as set forth in greater detail in Attachment B to this Prehearing Order.

ISSUE 16A: Did Gulf Power correctly calculate its one-time adjustment of \$73,471 concerning Gulf Power's revenue sharing plan per Order No. PSC-99-2131-S-EI, in Docket No. 990250-EI, issued October 28, 1999?

POSITION: Yes. Gulf Power correctly calculated its one-time adjustment of \$73,471 pursuant to Gulf Power's revenue sharing plan per Order No. PSC-99-2131-S-EI, in Docket No. 990250-EI, issued October 28, 1999?

ISSUE 16B: Will the two additional agreements for the sale of wholesale non-firm capacity and associated energy described on pages 5-6 of H. Homer Bell's direct testimony, prefiled September 20, 2002, produce ratepayer benefits?

POSITION: Yes. Revenue that Gulf Power receives from these two wholesale non-firm capacity and associated energy contracts is expected to be greater than the incremental costs associated with these two contracts. The difference between revenue received and the incremental costs from these two contracts will be a contribution to Gulf Power's fixed costs. Gulf Power will account for the revenues from these two contracts consistent with Order Nos. PSC-99-2512-FOF-EI, PSC-00-1744-PAA-EI, and PSC-01-2371-FOF-EI.

ISSUE 17A: What is the appropriate 2001 waterborne coal transportation benchmark price for transportation services provided by affiliates of Tampa Electric Company?

POSITION: \$25.13/ton.

ISSUE 17B: Has Tampa Electric Company adequately justified any costs associated with transportation services provided by affiliates of Tampa Electric Company that exceed the 2001 waterborne transportation benchmark price?

POSITION: Tampa Electric Company's actual costs did not exceed its benchmark of \$25.13 per ton. This issue is moot.

ISSUE 17E: Should the Commission open a docket to evaluate whether the waterborne coal transportation benchmark price for transportation services provided by affiliates of Tampa Electric Company is still valid?

POSITION: No. However, as part of the Commission's continuing fuel and purchased power cost recovery proceedings, the Commission should review the validity and reasonableness of the current waterborne coal transportation benchmark price for transportation services provided to Tampa Electric by its affiliates.

ISSUE 17F: Is it ripe for the Commission to determine whether it should take any action to protect retail customers from fuel cost increases that result from the proposed sale of the Polk Unit 1 gasifier?

POSITION: The Commission need not address this issue in light of the proposed stipulation in Issue 17G.

ISSUE 17G: What action should the Commission take to protect retail customers from fuel cost increases that result from the proposed sale of the Polk Unit 1 gasifier?

POSITION: Tampa Electric's business plan includes taking financial advantage of Section 29 tax credits related to its Polk Power Station's coal gasification unit ("gasifier"). Because the syngas produced by the gasifier must be sold in an arm's length transaction in order for the seller to reap the Section 29 tax credit benefits, Tampa Electric cannot own the gasifier itself and achieve these benefits. The purpose of the transaction is to allow a third party to benefit from the tax credits, which are available through 2007. In turn, those tax benefits would be shared with Tampa Electric in connection with the price it will pay for the syngas as the fuel to run the Polk Unit One generator. In order for the third

party owner to qualify for the tax credits, coal will be the feedstock.

No sale of the Polk gasifier has occurred as of the date of this stipulation. If a sale occurs, it is expected to be completed during the first half of 2003 at which time impacts to the fuel and purchased power cost recovery clause will be reported on the company's monthly fuel filings. The fuel and purchased power cost recovery clause will include the third party charge for the cost of syngas less tax credit benefits. The fuel cost charged to customers for syngas shall not exceed the cost of feedstock to the gasifier. The Commission will have jurisdiction in the 2003 fuel adjustment proceeding to ensure that the interests of Tampa Electric's retail customers are appropriately protected. Tampa Electric contemplates that a sale of the Polk Unit One gasifier will not adversely impact the fuel and purchased power cost recovery factors for retail customers.

ISSUE 18: What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period January 2001 through December 2001 for each investor-owned electric utility subject to the GPIF?

POSITION: The appropriate GPIF rewards/penalties for performance achieved during the period January 2001 through December 2001 by each investor-owned electric utility subject to the GPIF are set forth in Attachment A to this Order.

ISSUE 19: What should the GPIF targets/ranges be for the period January 2003 through December 2003 for each investor-owned electric utility subject to the GPIF?

POSITION: The appropriate GPIF targets/ranges for the period January 2003 through December 2003 for each investor-

owned electric utility subject to the GPIF are set forth in Attachment A to this Order.

ISSUE 23A: Should the actual 2001 heat rates for Big Bend Units #1 and #2 be adjusted for the flue gas desulfurization's (FGD) impact on Tampa Electric's 2001 reward/penalty?

POSITION: Yes. The Commission approved similar adjustments to the actual data for Big Bend Unit 3 from July 1995 to March 1998, when Tampa Electric initiated flue gas desulfurization for that unit. In the next two fuel adjustment hearings, these adjustments will be necessary for the actual heat rate data for the years 2002 and 2003.

ISSUE 23B: Should the heat rate targets for the year 2003 for Big Bend Units #1 and #2 be adjusted for the FGD's impact on Tampa Electric's eventual 2003 reward/penalty?

POSITION: Yes. Adjustments to the heat rates for these units ensures comparability between heat rate targets, which are modeled using historical data, and the actual data for the same periods.

ISSUE 24: What are the appropriate final capacity cost recovery true-up amounts for the period January 2001 through December 2001?

POSITION:

FPC:	\$7,787,524 underrecovery.
FPL:	\$2,528,058 underrecovery.
GULF:	\$ 819,509 underrecovery.
TECO:	\$2,416,932 overrecovery.

ISSUE 25: What are the appropriate estimated capacity cost recovery true-up amounts for the period January 2002 through December 2002?

POSITION: FPC: \$ 3,022,637 overrecovery.
FPL: \$51,676,697 overrecovery.
GULF: \$ 353,333 overrecovery.
TECO: \$ 3,944,986 underrecovery.

ISSUE 26: What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2003 through December 2003?

POSITION: FPC: \$ 4,764,887 underrecovery.
FPL: \$ 49,148,639 overrecovery.
GULF: \$ 466,176 underrecovery.
TECO: \$ 1,528,054 underrecovery.

ISSUE 28: What are the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the recovery factor for the period January 2003 through December 2003?

POSITION: FPC: Base - 95.957%, Intermediate - 86.574%,
Peaking - 74.562%
FPL: 99.01742%
GULF: 96.50187%
TECO: 95.43611%

XI. PENDING MOTIONS

No motions are pending in this docket as of the date of issuance of this Prehearing Order.

XII. PENDING CONFIDENTIALITY MATTERS

Florida Power Corporation's requests for confidential classification of the following documents are pending:

- A. Document No. 10531-02 - Certain information from Section IV of Risk Management Plan, Fuel Procurement and Wholesale Purchased Power Plans for 2003
- B. Document No. 10609-02 - Response to Staff's Interrogatory No. 5
- C. Document No. 11296-02 - Responses to Staff's Interrogatories Nos. 41 and 59
- D. Document No. 12104-02 - Responses to Staff's Interrogatories Nos. 82, 100, and 101

Florida Power & Light Company's request for confidential classification of the following documents are pending:

- A. Document No. 12030-02 - Responses to Staff's Document Requests Nos. 7 and 9-11, and Staff's Interrogatories Nos. 34-36, 50, 54, 61-63, 65-67, and 79.

Gulf Power Company's requests for confidential classification of the following documents are pending:

- A. Document No. 10999-02 - Risk Management Plan for Fuel Procurement
- B. Document No. 11329-02 - Response to Staff's Interrogatory No. 6
- C. Document No. 11093-02 - Responses to Staff's Interrogatories Nos. 30 and 40
- D. Document No. 12245-02 - Responses to Staff's Interrogatories Nos. 50 and 59, and Staff's Document Request No. 4

Tampa Electric Company's requests for confidential classification of the following documents are pending:

- A. Document No. 10101-02 - Exhibit JTW-1, page 2 of 2, to Prefiled Direct Testimony of Joann T. Wehle

- B. Document No. 10102-02 - Certain information from pages 4, 7, 8, and 9 of Tampa Electric Company's Risk Management Plan
- C. Document No. 10491-02 - Responses to Staff's Interrogatories Nos. 6 and 25
- D. Document No. 11107-02 - Responses to Staff's Interrogatories Nos. 31, 35, 43, and 44
- E. Document No. 11421-02 - Responses to Staff's Interrogatories Nos. 49, 58, 69, and 79
- F. Document No. 12076-02 - Responses to Staff's Interrogatories No. 84

XIII. RULINGS

- A. Opening statements, if any, shall not exceed ten minutes per party.
- B. Tampa Electric Company's Motion to Shorten Time for Discovery Responses, filed October 23, 2002, is granted.

It is therefore,

ORDERED by Commissioner Michael A. Palecki, 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 Michael A. Palecki, as Prehearing Officer, this 18th day of November, 2002.



MICHAEL A. PALECKI
Commissioner and Prehearing Officer

(S E A L)

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 the Commission Clerk and Administrative Services, 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.

GPIF REWARDS/PENALTIES
 January 2001 to December 2001

<u>Utility</u>	<u>Amount</u>	<u>Reward/Penalty</u>
Florida Power Corporation	\$ 608,057	Reward
Florida Power and Light Company	\$ 7,049,431	Reward
Gulf Power Company	\$ 369,498	Penalty
Tampa Electric Company	\$ 831,029	Penalty

<u>Utility/ Plant/Unit</u>	<u>EAF</u>		<u>Heat Rate</u>	
		Adjusted		Adjusted
<u>FPC</u>	<u>Target</u>	<u>Actual</u>	<u>Target</u>	<u>Actual</u>
Anclote 1	78.8	79.5	10,091	10,126
Anclote 2	92.8	92.7	10,083	10,230
Crystal River 1	76.4	78.5	9,831	9,815
Crystal River 2	84.2	90.1	9,788	9,761
Crystal River 3	85.5	84.2	10,247	10,268
Crystal River 4	95.4	93.8	9,389	9,396
Crystal River 5	87.6	83.9	9,360	9,324
Bartow 3	93.9	84.5	10,105	10,270
Tiger Bay	78.7	81.3	7,190	7,138
		Adjusted		Adjusted
<u>FPL</u>	<u>Target</u>	<u>Actual</u>	<u>Target</u>	<u>Actual</u>
Cape Canaveral 1	84.5	83.3	9,581	9,524
Cape Canaveral 2	94.5	91.5	9,721	9,453
Fort Lauderdale 4	93.2	93.7	7,337	7,509
Fort Lauderdale 5	93.2	93.6	7,336	7,441
Manatee 1	78.3	80.1	10,066	10,029
Manatee 2	90.1	95.5	10,216	10,166
Martin 1	87.7	90.6	9,734	9,867
Martin 2	90.9	94.3	9,876	9,950
Martin 3	92.5	95.8	6,874	6,830
Martin 4	93.1	97.7	6,797	6,734
Port Everglades 3	84.5	85.4	9,447	9,441
Port Everglades 4	93.7	95.3	9,632	9,703
Turkey Point 1	92.4	96.9	9,319	9,422
Turkey Point 3	86.0	89.4	11,121	11,079
Turkey Point 4	93.6	98.4	11,095	11,075
St. Lucie 1	85.7	89.6	10,817	10,806
St. Lucie 2	85.7	89.0	10,821	10,831
Scherer 4	87.9	87.8	10,043	10,020

GPIF REWARDS/PENALTIES
 January 2001 to December 2001

<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>Gulf</u>				
Crist 6	78.1	76.6	10,502	10,811
Crist 7	76.4	65.3	10,184	10,285
Smith 1	88.7	90.8	10,113	10,073
Smith 2	87.5	88.6	10,058	10,037
Daniel 1	74.5	82.7	10,075	9,919
Daniel 2	75.2	80.7	9,872	10,106
<u>TECO</u>				
Big Bend 1	69.9	63.9	10,118	10,530
Big Bend 2	77.9	73.4	9,895	10,079
Big Bend 3	71.8	71.3	9,932	9,917
Big Bend 4	83.9	82.3	9,944	10,197
Gannon 5	68.4	61.2	10,762	10,790
Gannon 6	67.4	75.0	10,596	10,569
Polk 1	78.5	82.8	10,146	10,254

GPIF TARGETS

January 2003 to December 2003

<u>Utility/ Plant/Unit</u>	<u>EAF</u>			<u>Staff</u>	<u>Heat Rate</u>	
	<u>EAF</u>	<u>POF</u>	<u>EUOF</u>		<u>Company</u>	<u>Staff</u>
<u>TECO</u>						
Big Bend 1	69.9	5.8	24.4	Agree	10,533	Agree
Big Bend 2	63.0	3.8	33.2	Agree	10,111	Agree
Big Bend 3	67.3	3.8	28.9	Agree	10,132	Agree
Big Bend 4	77.7	9.6	12.7	Agree	10,028	Agree
Gannon 5	71.9	0.0	28.1	Agree	10,862	Agree
Gannon 6	75.9	0.0	24.1	Agree	10,775	Agree
Polk 1	74.6	12.1	13.4	Agree	10,382	Agree

**PROPOSED RESOLUTION OF ISSUE
DOCKET NO. 020001-EI
OCTOBER 10, 2002**

Components of Proposed Resolution:

1. As an alternative to collecting the incremental inspection and repair costs for the Reactor Pressure Vessel Head Project (the "Project") through the Fuel and Purchased Power Cost Recovery Clause (the "Fuel Clause"), FPL will recover the total cost of the Project in base rates by amortizing the cost over a 5-year period. No change to FPL's existing base rates will result from this amortization during the period of FPL's current rate stipulation. The amortization will begin in 2002 based on the current estimate of the total inspection and repair costs of \$67.3 million for 2002 through 2004. This estimate will be adjusted based on actual and updated estimates, with amortization changing beginning in the month of the updated estimate. In other words, the unamortized amount of the updated inspection and repair costs will be divided by the remaining months. FPL will not accumulate AFUDC on the unamortized portion of the inspection and repair costs.
2. FPL will withdraw its testimony and petition that concern the recovery of the Project costs through the Fuel Clause; provided, however, that in the event this proposed resolution is not approved by the Commission, FPL may renew its petition for recovery of Project costs through the Fuel Clause without prejudice to any party's rights to support or oppose said petition.
3. FPL understands that Staff will withdraw the following discovery requests: Staff's Second Request for Production of Documents, Nos. 12 - 18 and Staff's Third Set of Interrogatories Nos. 68, 73, 74, 75, 76, 81 and 82, without prejudice to its right to renew those discovery requests if FPL were to renew its petition for recovery of the Project costs through the Fuel Clause as contemplated in Paragraph 3.
4. FPL's current annual estimates for the Project are provided below:

Inspection and Repair Estimate (\$ millions)

2002	2003	2004	Total
\$13.5	\$39.1	\$14.7	\$67.3

5 Year Amortization of the Project
(Current Estimate: \$67.3 million)

2002	2003	2004	2005	2006	TOTAL
\$13.46	\$13.46	\$13.46	\$13.46	\$13.46	\$67.3

5. This proposed resolution may be executed in counterparts, and all such counterparts shall constitute one instrument binding on the signatories, notwithstanding that all signatories are not signatories to the original or the same counterpart. Facsimile transmission of an executed copy of this proposed resolution shall be accepted as evidence of a party's execution of the proposed resolution.


Agreed and accepted on behalf of:

Florida Power & Light Company
Steel Hector & Davis LLP
Suite 4000
200 South Biscayne Boulevard
Miami, Florida 33131-2398

By: 
John T. Butler, P.A.

Date: 10/10/02

Office of Public Counsel
111 West Madison Street, Suite 810
Tallahassee, FL 32399

By: 
Jack Shreve, Esq.

Date: 10/10/02

Florida Industrial Power Users Group
McWhirter, Reeves, McGlothlin,
Davidson, Decker, Kaufman,
Arnold & Steen, P.A.
P.O. Box 3350
Tampa, FL 33601-3350

By: _____
John W. McWhirter, Jr., Esq.

Date: _____

5. This proposed resolution may be executed in counterparts, and all such counterparts shall constitute one instrument binding on the signatories, notwithstanding that all signatories are not signatories to the original of the same counterpart. Facsimile transmission of an executed copy of this proposed resolution shall be accepted as evidence of a party's execution of the proposed resolution.

Agreed and accepted on behalf of:

Florida Power & Light Company
Steel Factor & Davis LLP
Suite 4000
200 South Biscayne Boulevard
Miami, Florida 33131-2398

By:


John T. Butler, P.A.

Date:

10/10/02

Office of Public Counsel
111 West Madison Street, Suite 810
Tallahassee, FL 32399

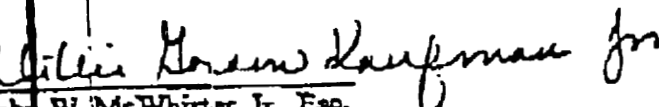
By:

Jack Shreve, Esq.

Date:

Florida Industrial Power Users Group
McWhirter, Reeves, McGlothlin,
Davidson, Decker, Kaufman,
Arnold & Steen, P.A.
P.O. Box 3350
Tampa, FL 33601-3350

By:


John W. McWhirter, Jr., Esq.

Date:

10/14/02