

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.	DOCKET NO. 050001-EI ORDER NO. PSC-05-1252-FOF-EI ISSUED: December 23, 2005
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The following Commissioners participated in the disposition of this matter:

BRAULIO L. BAEZ, Chairman
J. TERRY DEASON
RUDOLPH "RUDY" BRADLEY
LISA POLAK EDGAR
ISILIO ARRIAGA

APPEARANCES:

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On behalf of Florida Power & Light Company (FPL).

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On behalf of Florida Public Utilities Company (FPUC).

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On behalf of Gulf Power Company (GULF).

GARY V. PERKO, ESQUIRE, and CAROLYN S. RAEPPE, ESQUIRE, Hopping Green & Sams, P.A., P. O. Box 6526, Tallahassee, Florida 32314 and R. ALEXANDER GLENN, ESQUIRE, Progress Energy Service Company, LLC, 100 Central Avenue, St. Petersburg, Florida 33701-3324
On behalf of Progress Energy Florida, Inc. (PEF).

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On behalf of Tampa Electric Company (TECO).

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On behalf of Florida Retail Federation. (FRF).

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On behalf of the Citizens of the State of Florida (OPC).

ADRIENNE E. VINING, ESQUIRE, and JENNIFER A. RODAN, ESQUIRE, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
On behalf of the Florida Public Service Commission (STAFF).

FINAL ORDER APPROVING PROJECTED EXPENDITURES AND
TRUE-UP AMOUNTS FOR FUEL ADJUSTMENT FACTORS;
GPIF TARGETS, RANGES, AND REWARDS;
AND PROJECTED EXPENDITURES AND TRUE-UP AMOUNTS
FOR CAPACITY COST RECOVERY FACTORS

BY THE COMMISSION:

As part of this Commission's continuing fuel and purchased power cost recovery and generating performance incentive factor proceedings, a hearing was held on November 7-9, 2005, in this docket. The hearing addressed the issues set out in Order No. PSC-05-1106-PHO-EI, issued November 3, 2005 (Prehearing Order). Several of the positions on these issues were stipulated or not contested by the parties and were presented to us for approval, but some contested issues remained for our consideration. Our decision on each issue raised is set out below.

We have jurisdiction over this subject matter pursuant to the provisions of Chapter 366, Florida Statutes, including Sections 366.04, 366.05, and 366.06, Florida Statutes.

I. GENERIC FUEL COST RECOVERY ISSUES

A. Shareholder Incentive Benchmarks

The parties stipulated that the actual benchmark levels for calendar year 2005 for gains on non-separated wholesale energy sales eligible for a shareholder incentive pursuant to Order No. PSC-00-1744-PAA-EI are as follows:

FPL: \$15,370,850

Gulf: \$2,717,207

PEF: \$6,934,666

TECO: \$1,024,322

We approve this stipulation as reasonable.

The parties also stipulated that the estimated benchmark levels for the calendar year 2006 for gains on non-separated wholesale energy sales eligible for a shareholder incentive pursuant to Order No. PSC-00-1744-PAA-EI are as follows:

FPL: \$16,912,934

Gulf: \$3,151,487

PEF: \$5,972,207

TECO: \$1,260,234

We approve this stipulation as reasonable.

B. Automatic Revision of Fuel Factors in April 2006 for FPL, PEF, and TECO

FIPUG filed a petition on October 13, 2005, requesting that FPL, PEF, and TECO be directed to adjust their final fuel cost factor on March 1, 2006, if the actual fuel costs incurred in 2005 are less than the estimates filed in September 2005. FIPUG stated that the actual 2005 fuel costs will be known by March 1, 2006, when the utilities make their final true-up filing for 2005, and typically the final true-up amounts would be carried forward and rolled into the 2007 fuel factor. FPL, PEF, TECO, FIPUG, and FRF stipulated that the Commission should adopt FIPUG's proposal.

We decline to approve the stipulation. While we understand FIPUG's motivation in requesting this automatic adjustment to the fuel factors of FPL, PEF, and TECO is to ameliorate rate shock, we believe the benefit is questionable. The proposed procedure is a deviation from the normal procedures and protections we have in place in the fuel docket. There is a potential for unintended consequences that may arise from the implementation of this procedure, as well as a real potential that customers could be facing a rate increase in April 2006 if gas prices continue to rise. Finally, this would cause a change in rates midway through the year, whereby we would lose the benefit of stability in the rates that we gained when we went to yearly fuel hearings. For these reasons and based on the evidence in the record, we decline to adopt

FIPUG's proposal and find that the fuel factors for FPL, PEF, and TECO will not be automatically adjusted in April 2006 after the 2005 final true-up filing.

II. COMPANY-SPECIFIC FUEL COST RECOVERY ISSUES

A. Florida Power & Light Company

Deferral of Underrecovery

FPL requested that it be authorized to spread its total underrecovery equally over a two-year period, 2006 and 2007, which means that FPL would defer collecting \$486,367,268 until 2007. FPL maintains that spreading out the underrecovery would mitigate the impact on customer bills. While we understand FPL's concerns, we believe that it is not appropriate to defer any portion of FPL's 2004 final true-up or the 2005 actual (January-September) true-up to 2007, since these are known costs. The level of FPL's underrecoveries for the period of October through December of 2005 is estimated to be \$229,594,406. If a midcourse correction is warranted during 2006 these costs would be considered at that time, otherwise we will examine these costs during the annual fuel hearing to be conducted in November 2006. This approach balances the concerns FPL has regarding high bill impacts in 2006 with our concerns regarding high bill impacts in 2007, a concern that FPL itself recognizes as valid.

When rates increase dramatically, as is being proposed by FPL, we will sometimes approve step increases over a period of time to reduce rate shock to the extent we find the costs to be prudent and reasonable. We have taken such action at times when there is a reasonable expectation that fuel rates would stay the same or decline in the year to which costs are being deferred. We believe there is considerable risk that further bill increases may occur in mid-2006 and 2007 for FPL related to its request for storm cost recovery for Hurricanes Wilma and Katrina, storm reserve renewal, and the inclusion of Turkey Point Unit 5 revenue requirements into the fuel rates. These bill impacts may result in overall bills being higher in 2007 than 2006. Deferring collection of underrecovery amounts from 2005 would only serve to compound this problem. There is also the unquantified risk of hedging gains included in the 2007 fuel rates and whether or not they would be lower than the hedging gains in 2006. As a result, we do not believe that deferral of fuel costs to the extent proposed by FPL is advisable at this time.

We have other concerns, including the impact of interest rates on consumers when a deferral of this magnitude is made. There was an estimate provided during the hearing of approximately \$19 million in interest expense that would be associated with the deferral of \$486,367,268 as proposed by FPL. There are also intergenerational inequities, which is very important in this instance because of the size of the proposed deferral. In addition, it is important to send accurate price signals to customers. All of these concerns must be balanced against the customer impact of a very large immediate increase in fuel rates due to the dramatic increase in fuel costs if it were all recovered in one year, 2006. We believe allowing deferral of only the estimated October-December 2005 underrecoveries in this case will serve to mitigate the bill

impacts in early 2006, while at the same time allow the opportunity for us to consider the other recovery needs of FPL for late 2006 and 2007 at a time when more information is available.

Therefore, based on the evidence in the record, we find that FPL shall not defer its January-September 2005 actual underrecoveries and instead shall recalculate its 2006 fuel factors to reflect an increase of \$256,772,862 to its total jurisdictional fuel costs, thereby including all outstanding actual underrecoveries in the 2006 fuel factors. This amount is the increase required to bring FPL's total fuel adjustment true-up amount to be collected in 2006 to \$743,140,130, which reflects recovery of FPL's 2004 final true-up and 2005 actual true-up amounts.

Mitigation of Price Risk

The parties stipulated that FPL has adequately mitigated the price risk of natural gas, residual oil, and purchased power for 2004 through 2006. The parties further stipulated that FPL's actions to mitigate the price risk of natural gas, residual oil, and purchased power are reasonable and prudent. We approve these stipulations as reasonable.

Recovery for Costs of Sleeving Project at St. Lucie Unit 2

FPL requested recovery for the costs involved in the sleeving project for the steam generator at its St. Lucie Unit 2. Resleeving the tubes in the steam generator at this nuclear unit will allow St. Lucie Unit 2 to continue operating at its full rated output. Normally damaged tubes are plugged, but the steam generator in this unit is close to the 30% plugging limit imposed by the Nuclear Regulatory Commission (NRC). Unless FPL receives a license modification from the NRC to run the unit with a greater than 30% plugging rate, which is not likely, it is possible that at its next refueling outage FPL would not be able to restart the unit. Even if the license modification is granted, the unit would not be allowed to operate at 100% power because of the increased amount of plugged tubes. As a result, FPL believes that there are significant fuel savings associated with the project and that the project costs should be recovered through the fuel clause.

By Order No. 14546, issued July 8, 1985, in Docket No. 850001-EI-B, we set forth certain criteria for establishing the types of expenses that are eligible for recovery through the fuel clause. In particular, a utility must show that a cost will not be recognized or is not anticipated to be recovered in current base rates. Based upon the evidence in the record, we believe that FPL knew about the potential to sleeve the tubes when it filed its minimum filing requirements (MFRs) for its most recent rate case in March of this year. There is testimony to that effect in the rate case docket filed by Mr. Stahl. FPL's senior management approved the sleeving project in May 2005, three months prior to a settlement agreement that was reached by FPL and the other parties to the rate case docket.¹ FPL knew of the potential to sleeve the tubes when it filed its MFRs and rate case testimony. It is irrelevant if those dollars were negotiated away in the settlement or simply left on the table inadvertently. We cannot say definitively because we were not privy to the details of the settlement negotiations. Either way, the dollars associated with the sleeving project should have been anticipated to be recovered through current

¹ Docket No. 050045-EI, In re: Petition for a rate increase by Florida Power & Light Company.

base rates. We do not believe that FPL has carried its burden to demonstrate that these costs are not already contemplated, recognized, or anticipated within the company's current base rates. Therefore, based on the evidence in the record, we find that FPL shall not recover the cost of the sleeving project for the steam generator at its St. Lucie Unit 2 through the fuel clause. Instead, FPL shall recover the actual cost of the sleeving project through base rate revenues.

Inverted Residential Fuel Factors

The parties stipulated that FPL's proposed inverted residential fuel factors are appropriate as reflected on page 15 below. We approve this stipulation as reasonable.

Recovery of Hedging Costs

By Order No. PSC-02-1484-FOF-EI, issued October 30, 2002, in Docket No. 011605-EI, In re: Review of investor-owned utilities' risk management policies and procedures, we approved a settlement concerning hedging activities, which provided that each investor-owned utility (IOU) may recover prudently incurred hedging costs through the fuel clause until December 31, 2006, or the utility's next rate case, whichever comes first. FPL's most recent rate case, Docket No. 050045-EI, was resolved by Order No. PSC-0500902-S-EI, issued September 14, 2005, wherein we approved a settlement. The settlement that will become effective January 1, 2006 and remain in effect until at least December 31, 2009, and thereafter remains in effect until terminated on the date new base rates become effective pursuant to an order of the Commission. The rate case settlement is silent on how hedging costs will be recovered once it becomes effective, but the parties to the settlement intended for recovery of those costs to continue through the fuel clause during the term of the settlement. The parties memorialized this agreement in a proposed resolution of issue, which is appended to this Order as Attachment A, and is incorporated herein by reference. This stipulation allows for FPL's continued recovery of incremental hedging costs through the fuel clause during the term of the rate case stipulation. We approve this stipulation as reasonable.

B. Progress Energy Florida, Inc.

Methodology Used to Determine Equity Component of Progress Fuels Corporation's Capital Structure for 2004

The parties stipulated that PEF has confirmed the validity of the methodology used to determine the equity component of Progress Fuels Corporation's capital structure for calendar year 2004. The parties also stipulated that PEF's Audit Services Department reviewed the analysis performed by Progress Fuels Corporation (PFC) and confirmed the appropriateness of the "short cut" method we previously approved. We approve these stipulations as reasonable.

Calculation of the 2004 Price for Waterborne Transportation Services Provided by Progress Fuels Corporation

The parties stipulated that PEF properly calculated the 2004 price for waterborne transportation services provided by PFC. The parties also stipulated that the waterborne transportation calculation has been made in accordance with the methodology consistently used for previous calculations we have approved. We approve these stipulations as reasonable.

Inverted Residential Fuel Factors

The parties stipulated that PEF's proposed inverted residential fuel factors are appropriate as reflected on page 18 below. We approve this stipulation as reasonable.

Waterborne Coal Transportation Service Contracts

The parties stipulated that the Commission should grant PEF's petition for approval of its waterborne coal transportation service contracts. The parties also stipulated that, in accordance with the Settlement and Stipulation approved in Order No. PSC-04-0713-AS-EI, the waterborne transportation service contracts were the result of competitive bidding which resulted in valid market prices for the various components of waterborne coal transportation services provided to PEF. These contracts also ensure that PEF will be provided cost-effective river and gulf barge transportation services as well as cost effective and efficient terminal services. We approve these stipulations as reasonable.

Mitigation of Price Risk

The parties stipulated that PEF has adequately mitigated price risk for natural gas, residual oil, and purchased power by entering into long-term power and fuel purchase agreements, which helps reduce exposure to volatile spot power and fuel markets by locking in prices today for future delivery of the commodity. We approve this stipulation as reasonable.

Approval of Wholesale Purchase Contract Between PEF and Central Power & Lime

The parties stipulated that the Commission should approve PEF's request for recovery of capacity and energy costs associated with PEF's wholesale purchase contract with Central Power & Lime, commencing in December 2005, subject to a subsequent review of the costs incurred for reasonableness and prudence. The parties also stipulated that the contract provides an in-state source of coal-fired capacity and energy, and is the most cost-effective alternative available to PEF to meet its short-term capacity needs. We approve these stipulations as reasonable.

Collection of Underrecovery Over a Two-Year Period

FIPUG proposed that PEF should collect its underrecovery over a two-year period to lessen the rate shock to customers. PEF disagrees and maintains that ratepayers should see the impact on rates as close as possible to the time period that gave rise to that impact. According to

PEF, any deferral of this year's underrecovery could exacerbate rate impacts in future years. We agree with PEF that to defer any of this year's underrecovery is only going to delay the inevitable with natural gas prices remaining high and uncertainty over how much, if any, natural gas prices will fall in the coming year. It is also important to send a price signal to consumers and to not foster a complacency with the status quo in terms of what types of fuels are used to generate power within the state. Accordingly, based on the evidence in the record, we find that PEF's fuel adjustment factor shall be based upon the 2004 final true-up and the actual and estimated 2005 true-up as filed, which results in a \$315,692,056 underrecovery to be recovered in 2006.

C. Tampa Electric Company

Mitigation of Price Risk

The parties stipulated that TECO has adequately mitigated the price risk of natural gas and purchased power for 2004 through 2006. The parties also stipulated that TECO has prudently managed its price risk by using physical and financial hedges. As a result, as of September 30, 2005, the company expects to generate \$118.7 million in savings for ratepayers during the 2004 through 2006 period. We approve these stipulations as reasonable.

D. Gulf Power Company

Mitigation of Price Risk

The parties stipulated that Gulf's natural gas price hedging program has been administered in a reasonable and prudent manner resulting in savings to Gulf's customers of \$17,766,366 over the period 2004 through September 30, 2005. This savings compares favorably to the incremental hedging O&M expense of \$43,172 over the same period. For the remainder of 2005 and thus far for 2006, Gulf has 37% of its budgeted burn covered by fuel price hedges and Gulf continues to examine the market for reasonable hedging opportunities. We approve this stipulation as reasonable.

E. Florida Public Utilities Company

Appropriate Regulatory Treatment for Consultant Fees

By Order No. 14546, in Docket No. 850001-EI-B, issued July 8, 1985, we set forth specific criteria for establishing whether a type of expense is eligible for recovery through the fuel and purchased power cost recovery clause. We believe that the payments FPUC made to Christensen and Associates to design its Request for Proposals (RFP) and evaluate the responses thereto are appropriate for recovery through the fuel clause; however, we do not believe that fees paid to the consultant for developing FPUC's rate-smoothing surcharge for 2006 and 2007 are an expense appropriate for recovery through the fuel clause.

Based upon testimony and exhibits in the record, the total payments through December 2005 by FPUC to Christensen and Associates ranges from \$225,000 to \$275,000. Approximately 75% of these costs are associated with designing the RFP and evaluating the responses thereto; the remaining 25% is associated with developing the rate smoothing surcharge. Taking the midpoint of the range of total expenses, this would mean that approximately \$190,000 is apportioned to the fuel clause and approximately \$60,000 would be deferred over a five-year period as nonfuel O&M expenses. We believe this is the appropriate treatment for the portion of the consultant's fees related to designing the RFP and evaluating the RFP responses because, given FPUC's small size, it does not have the resources internally to put together an RFP and evaluate the responses, so the costs associated with this type of activity is not in base rates.

As for the portion of the consultant's fees related to developing the rate-smoothing surcharge, we believe that this is just a routine expense of appearing before the Commission. This type of expense is routinely recovered through base rates and, furthermore, there is no fuel savings associated with this type of activity. As a result, we believe that it is more appropriately recovered through base rates. Therefore, based on the evidence in the record, we find that FPUC may recover payments made to Christensen and Associates to design its RFP and evaluate the responses thereto through the fuel clause; however, those payments made to Christensen and Associates related to the design of FPUC's proposed rate-smoothing surcharge shall not be recovered through the fuel clause. FPUC shall defer the amount related to the proposed rate-smoothing surcharge and amortize it to nonfuel O&M expenses over a five-year period beginning January 1, 2006.

Surcharge to Phase In Future Higher Wholesale Capacity and Energy Costs

FPUC's current wholesale purchased power contracts will expire at the end of 2007 and the company is concerned that the costs of the new purchased power contracts will be significantly higher. As a result, FPUC requested the adoption of a surcharge to its fuel factors to phase in the higher future wholesale capacity and energy costs that the company expects to incur in January 2008. FPUC is proposing to charge its customers this surcharge in 2006 and 2007, and then credit back the monies collected during those two years in 2008-2010. We have some concerns about FPUC's proposal. Under FPUC's proposal it would charge customers a surcharge in 2006 and 2007 for costs that are not fully known at this point and will not begin to be incurred until January 2008. This is contrary to the primary purpose of cost recovery clauses, which is to better match cost recovery with the actual costs incurred to send appropriate price signals to customers. The surcharge as proposed sends the wrong price signals for five years. During cross-examination by OPC we heard that FPUC's proposal will result in intergenerational inequities to the extent that customers who paid a surcharge may not be the same customers who derive a benefit when the surcharge is credited back.

Furthermore, FPUC testified that its proposal is designed to benefit its customers by mitigating the rate shock projected for January 2008 when FPUC's new purchased power contracts will go into effect. However, the majority of customers who spoke at the Marianna and Fernandina Beach customer meetings objected to FPUC's proposal. We heard from two

customers during the hearing, and we have received numerous letters from customers, all of whom objected to FPUC's proposal. FPUC's witness admitted that they have not received a single positive comment on the proposal.

FPUC's customers have paid low bills as compared to the other IOUs in Florida as a result of FPUC's current contracts. The present 1,000 kilowatt-hour residential bill for Marianna is \$69.56, and \$62.32 for Fernandina Beach. We agree with FPUC that starting in January 2008 FPUC's fuel and purchased power costs will increase to more closely reflect expected market conditions at that time. FPUC testified that it expects a 1,000 kilowatt-hour residential bill in January 2008 to be approximately \$97. This amount is comparable to the current residential bills for the other four IOUs. Therefore, based on the evidence in the record, we hereby deny FPUC's request for the adoption of a surcharge to its fuel factor to phase in future higher wholesale capacity and energy costs.

Consolidation of Fuel Factor for Two Divisions

FPUC requested that the Commission adopt a consolidated fuel factor for its two electric operating divisions. We previously denied FPUC's request to implement consolidated fuel factors in Order No. PSC-04-0417-PAA-EI, issued April 22, 2004, in Docket No. 031135-EI, In re: Petition for approval to implement consolidated fuel adjustment surcharge by Florida Public Utilities Company. The facts on which we based our previous decision have not changed. FPUC's Northwest Division's wholesale provider continues to be Gulf Power Company, at least until the end of 2007. FPUC's Northeast Division's wholesale provider continues to be JEA, at least until the end of 2007. The purchased power costs from these two wholesale suppliers are different, resulting in different fuel factors for the two divisions. We previously found that consolidated fuel factors would result in subsidies and rates that are unduly discriminatory. We also found that any regulatory administrative cost savings resulting from consolidation would be minimal. FPUC testified that we approved FPUC's petition to consolidate its base rates and its conservation cost recovery factors. This is correct, but those rates were based on similar costs for the two divisions. We can revisit this issue once FPUC enters into new purchased power contracts. At that point in time we will be able to reevaluate the feasibility of consolidating FPUC's fuel factors. As a result, based on the evidence in the record, we deny FPUC's request for a consolidated fuel factor for its two electric operating divisions.

III. APPROPRIATE PROJECTED EXPENDITURES AND TRUE-UP AMOUNTS FOR FUEL COST RECOVERY FACTORS

Based on the evidence in the record, we approve the following as the appropriate final fuel adjustment true-up amounts for the period January 2004 through December 2004:

FPL:	\$7,707,142	under-recovery
FPUC-Fernandina Beach:	\$0	
FPUC-Marianna:	\$0	
Gulf:	\$18,641,731	over-recovery
PEF:	\$93,603,843	under-recovery, based on the deferral of
	\$79,157,270	we approved in Order No. PSC-04-1276-
		FOF-EI, and an additional under-recovery of \$14,446,573
TECO:	\$5,106,655	over-recovery

Based on the evidence in the record, we approve the following as the appropriate estimated/actual fuel adjustment true-up amounts for the period of January 2005 through December 2005:

FPL:	\$735,432,988	under-recovery (January-September actual) ²
FPUC-Fernandina Beach:	\$437,088	over-recovery
FPUC-Marianna:	\$688,291	under-recovery
Gulf:	\$30,102,348	under-recovery
PEF:	\$222,088,213	under-recovery
TECO:	\$152,762,877	under-recovery

Based on the evidence in the record, we approve the following as the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2006 through December 2006:

FPL:	\$743,140,130	under-recovery
FPUC-Fernandina Beach:	\$437,088	over-recovery
FPUC-Marianna:	\$688,291	under-recovery
Gulf:	\$11,460,617	under-recovery
PEF:	\$315,692,056	under-recovery
TECO:	\$147,656,222	under-recovery

² The estimated under-recovery for October-December 2005 of \$229,594,406 is deferred for consideration until the next evidentiary proceeding.

Based on the evidence in the record, we approve the following as the appropriate projected net fuel and purchased power cost recovery amounts to be included in the fuel cost recovery factors for the period January 2006 through December 2006:

FPL:	\$6,548,891,157
FPUC-Fernandina Beach:	\$15,095,137
FPUC-Marianna:	\$13,514,219
Gulf:	\$347,911,036
PEF:	\$2,136,482,049
TECO:	\$1,064,677,224

Based on the evidence in the record and stipulation of the parties we approve the following as the appropriate revenue tax factors to be applied in calculating each investor-owned electric utility's levelized fuel factor for the projection period January 2006 through December 2006:

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

Based on the evidence in the record and the resolution of the generic and company-specific fuel cost recovery issues discussed above, we approve the following as the appropriate levelized fuel cost recovery factors for the period January 2006 through December 2006:

FPL:	6.179¢/kWh
FPUC-Fernandina Beach:	1.851¢/kWh
FPUC-Marianna:	2.815¢/kWh
Gulf:	3.076¢/kWh
PEF:	5.321¢/kWh
TECO:	5.413¢/kWh

Based on the evidence in the record and the stipulation of the parties, we approve the following as 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:

FPL:

<u>GROUP</u>	<u>RATE SCHEDULE</u>	<u>LINE LOSS MULTIPLIER</u>
A	RS-1 first 1,000 kWh All additional kWh	1.00196 1.00196
A	GS-1,SL-2, GSCU-1	1.00196
A-1*	SL-1,OL-1,PL-1	1.00196
B	GSD-1	1.00189
C	GSLD-1 & CS-1	1.00095
D	GSLD-2,CS-2,OS-2 & MET	.99429
E	GSLD-3 & CS-3	.95824
	<u>TIME OF USE RATES</u>	
A	RST-1,GST-1 ON-PEAK OFF-PEAK	1.00196 1.00196
B	GSDT-1,CILC-1(G),HLTF(21- 499 kW) ON-PEAK OFF-PEAK	1.00189 1.00189
C	GSLDT-1 & CST-1, HLTF(500- 1,999 kW) ON-PEAK OFF-PEAK	1.00095 1.00095
D	GSLDT-2 & CST-2, HLTF (2,000+ kW) ON-PEAK OFF-PEAK	.99533 .99533
E	GSLDT-3,CST-3 CILC-1(T)&ISST-1(T) ON-PEAK OFF-PEAK	.95824 .95824
F	CILC-1(D) & ISST-1(D) ON-PEAK OFF-PEAK	.99374 .99374
* WEIGHTED AVERAGE 16% ON-PEAK AND 84% OFF-PEAK		

FPUC-Fernandina Beach: 1.0000 All Rate Schedules

FPUC-Marianna: 1.0000 All Rate Schedules

GULF:

<u>GROUP</u>	<u>RATE SCHEDULE</u>	<u>LINE LOSS MULTIPLIER</u>
A	RS, GS, GSD, SBS, OSIII	1.00526
B	LP, LPT, SBS	0.98890
C	PX, PXT, RTP, SBS	0.98063
D	OSI/II	1.00529

PEF:

<u>GROUP</u>	<u>DELIVERY VOLTAGE LEVEL</u>	<u>LINE LOSS MULTIPLIER</u>
A	Transmission	0.9800
B	Distribution Primary	0.9900
C	Distribution Secondary	1.0000
D	Lighting Service	1.0000

TECO:

<u>RATE SCHEDULE</u>	<u>FUEL RECOVERY LOSS MULTIPLIER</u>
RS, GS and TS	1.0041
RST and GST	1.0041
SL-2, OL-1 and OL-3	N/A
GSD, GSLD, and SBF	1.0004
GSDT, GSLDT, and SBFT	1.0004
IS-1, IS-3, SBI-1, SBI-3	0.9754
IST-1, IST-3, SBIT-1, SBIT-3	0.9754

Based on the evidence in the record and the resolution of the generic and company-specific fuel cost recovery issues discussed above, we approve the following as the appropriate fuel recovery factors for each rate class/delivery voltage level class adjusted for line losses:

FPL:

<u>GROUP</u>	<u>RATE SCHEDULE</u>	<u>FUEL RECOVERY FACTOR</u> (¢/kWh)
A	RS-1 first 1,000 kWh All additional kWh	5.841 6.841
A	GS-1,SL-2, GSCU-1	6.191
A-1*	SL-1,OL-1,PL-1	6.110
B	GSD-1	6.191
C	GSLD-1 & CS-1	6.185
D	GSLD-2,CS-2,OS-2 & MET	6.144
E	GSLD-3 & CS-3	5.921
	<u>TIME OF USE RATES</u>	
A	RST-1,GST-1 ON-PEAK OFF-PEAK	6.578 6.021

B	GSDT-1,CILC-1(G),HLFT(21-499 kW) ON-PEAK OFF-PEAK	6.577 6.020
C	GSLDT-1 & CST-1, HLFT(500-1,999 kW) ON-PEAK OFF-PEAK	6.571 6.015
D	GSLDT-2 & CST-2, HLFT (2,000+ kW) ON-PEAK OFF-PEAK	6.534 5.981
E	GSLDT-3,CST-3 CILC-1(T)&ISST-1(T) ON-PEAK OFF-PEAK	6.291 5.758
F	CILC-1(D) & ISST-1(D) ON-PEAK OFF-PEAK	6.524 5.971
*WEIGHTED AVERAGE 16% ON-PEAK AND 84% OFF-PEAK		

SEASONAL DEMAND TIME OF USE RIDER FUEL RECOVERY FACTORS
ON PEAK: JUNE 2006 THROUGH SEPTEMBER 2006 – WEEKDAYS 3:00 PM TO 6:00 PM
OFF PEAK: ALL OTHER HOURS

<u>GROUP</u>	<u>OTHERWISE APPLICABLE RATE SCHEDULE</u>	<u>SEASONAL DEMAND TIME OF USE RIDER FUEL RECOVERY FACTOR</u>
B	GSD(T)-1 ON-PEAK OFF-PEAK	6.557 6.076
C	GSLD(T)-1 ON-PEAK OFF-PEAK	6.551 6.071
D	GSLD(T)-2 ON-PEAK OFF-PEAK	6.514 6.037

NOTE: All Other Months Served Under The Otherwise Applicable Rate Schedule

FPUC- Fernandina Beach:

<u>RATE SCHEDULE</u>	<u>FUEL RECOVERY FACTOR (per kWh)</u>
RS	\$.03287
GS	\$.03216
GSD	\$.03093
GSLD	\$.02998
OL	\$.02263
SL	\$.02303

FPUC-Marianna:

<u>RATE SCHEDULE</u>	<u>FUEL RECOVERY FACTOR (per kWh)</u>
RS	\$.04529
GS	\$.04474
GSD	\$.04278
GSLD	\$.04102
OL, OL1	\$.03549
SL, SL2, SL3	\$.03556

Gulf:

<u>GROUP</u>	<u>RATE SCHEDULE*</u>	<u>FUEL RECOVERY FACTOR(¢/KWH)</u>
A	RS, GS, GSD, SBS, OSIII	Standard – 3.092 On-Peak – 3.615 Off-Peak – 2.869
B	LP, LPT, SBS	Standard – 3.042 On-Peak – 3.557 Off-Peak – 2.823
C	PX, PXT, RTP, SBS	Standard – 3.016 On-Peak – 3.527 Off-Peak – 2.799
D	OSI/II	Standard – 3.060 On-Peak – N/A Off-Peak – 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.

PEF:

Fuel Cost Factors (cents/kWh)						
Group	Delivery Voltage Level	First Tier Factor	Second Tier Factor	Levelized Factors	Time of Use	
					On-Peak	Off-Peak
A	Transmission	--	--	5.222	7.008	4.428
B	Distribution Primary	--	--	5.276	7.080	4.474
C	Distribution Secondary	4.979	5.979	5.329	7.152	4.519
D	Lighting	--	--	5.011	--	--

TECO:

<u>RATE SCHEDULE</u>	<u>FUEL RECOVERY FACTOR</u>
	(¢/kWh)
Average Factor	5.413
RS, GS and TS	5.435
RST and GST	On-Peak – 6.613 Off-Peak – 4.811
SL-2, OL-1 and OL-3	5.081
GSD, GSLD, and SBF	5.415
GSDT, GSLDT, and SBFT	On-Peak – 6.589 Off-Peak – 4.793
IS-1, IS-3, SBI-1, SBI-3	5.280
IST-1, IST-3, SBIT-1, SBIT-3	On-Peak – 6.424 Off-Peak – 4.673

IV. COMPANY-SPECIFIC CAPACITY COST RECOVERY ISSUES

A. Florida Power & Light Company

Post-9/11 Security Costs for 2004, 2005, and 2006

By Order No. PSC-03-1461-FOF-EI, Part IV, in Docket No. 030001-EI, issued December 22, 2003, we approved a process for determining the incremental costs of post-9/11 security measures. We required investor-owned electric utilities to demonstrate that any related project costs that are reflected in base rates are removed from the incremental security costs recoverable through the capacity clause. The parties stipulated that FPL and the other investor-owned utilities should follow the procedure established by Order No. PSC-03-1461-FOF-EI. FPL's requested amount included a Briefing Room Expansion project caused by an increased number of security officers that is due to a Nuclear Regulatory Commission requirement. FPL maintains the briefing room in question has been dedicated for security purposes. FPL agrees that if the briefing room had not been dedicated for security purposes, a percentage of the project costs would have been removed pursuant to Order No. PSC-03-1461-FOF-EI. In addition, FPL maintains that it has followed the process described in Section IV of Order No. PSC-03-1461-FOF-EI and will provide the amount that the company has excluded pursuant to Order No. PSC-03-1461-FOF-EI. FPL also agrees that its requested amount for 2006 contains a clerical mistake that has an effect of less than \$10,000, not large enough to change the factors. As a result, the company will make any necessary adjustments in the true-up process in Docket No. 060001-EI. We approve this stipulation as reasonable.

Inclusion of CILC-1 Load Control Demands in Capacity Factors

FEA proposed that CILC-1 load control demands should not be included in developing FPL's capacity cost recovery factors. As explained by FPL's witness Dubin, Commercial Industrial Load Control (CILC) customers pay discounted base rate charges that do reflect the avoided cost benefits that these non-firm customers provide to the ratepayers. If the demands of CILC customers were excluded in calculating the capacity cost recovery factors, these customers would receive an additional discount that we do not believe is justified. This additional discount of approximately \$21.8 million for the 2006 projection period would then inappropriately be recovered from the remaining ratepayers. Accordingly, we find that it is appropriate to include the full demand responsibility of the CILC customers in determining the appropriate factors. This is consistent with the method that has been filed by FPL and we have approved in the past. No evidence was presented at the hearing that supports a change in this method. Based on the evidence in the record, the demands of the CILC customers shall continue to be included when calculating the appropriate capacity cost recovery factors.

B. Progress Energy Florida, Inc.

The parties stipulated that PEF's actual and projected expenses for 2004 through 2006 for its post-September 11, 2001, security measures are reasonable for cost recovery purposes. The parties further stipulated that PEF has adjusted its incremental security costs to remove an additional \$789,620 of base rate expenses pursuant to Order No. PSC-03-1461-FOF-EI. We approve these stipulations as reasonable.

V. APPROPRIATE PROJECTED EXPENDITURES AND TRUE-UP AMOUNTS FOR CAPACITY COST RECOVERY FACTORS

Based on the evidence in the record and stipulation of the parties, we approve the following final capacity cost recovery true-up amounts for the period January 2004 through December 2004:

FPL:	\$5,177,060	over-recovery
Gulf:	\$428,009	over-recovery
PEF:	\$3,696,808	under-recovery
TECO:	\$542,557	over-recovery

Based on the evidence in the record and stipulation of the parties, we approve the following estimated/actual capacity cost recovery true-up amounts for the period January 2005 through December 2005:

FPL:	\$12,294,835	under-recovery
Gulf:	\$913,842	over-recovery
PEF:	\$7,919,656	under-recovery
TECO:	\$1,499,869	under-recovery

Based on the evidence in the record and stipulation of the parties, we approve the following total capacity cost recovery true-up amounts to be collected/refunded during the period January 2006 through December 2006:

FPL: \$7,117,775 under-recovery
 Gulf: \$1,341,851 over-recovery
 PEF: \$11,616,464 under-recovery
 TECO: \$957,312 under-recovery

Based on the evidence in the record and stipulation of the parties, we approve the following projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2006 through December 2006:

FPL: \$647,486,565
 Gulf: \$27,149,254
 PEF: \$352,879,007
 TECO: \$56,400,575

Based on the evidence in the record and stipulation of the parties, we approve the following jurisdictional separation factors to be applied to determine the capacity costs to be recovered during the period January 2006 through December 2006:

FPL: 98.62224%
 Gulf: 96.64872%
 PEF: Base – 93.753%, Intermediate – 79.046%, Peaking – 88.979%
 TECO: 96.41722%

Based on the evidence in the record, we approve the following projected capacity cost recovery factors for each rate class/delivery class for the period January 2006 through December 2006:

FPL:

RATE CLASS	CAPACITY RECOVERY FACTOR (\$/KW)	CAPACITY RECOVERY FACTOR (\$/KWH)
RS1/RST1	-	.00603
GS1/GST1	-	.00573
GSD1/GSDT1/HLFT(21-499 kW)	1.94	-
OS2	-	.00489
GSLD1/GSLDT1/CS1/CST1/HLFT(500-1,999 kW)	2.27	-

RATE CLASS	CAPACITY RECOVERY FACTOR (\$/KW)	CAPACITY RECOVERY FACTOR (\$/KWH)
GSLD2/GSLDT2/CS2 /CST2/HLFT(2,000+ kW)	2.19	-
GSLD3/GSLDT3/CS3 /CST3	2.10	-
CILCD/CILCG	2.38	-
CILCT	2.27	-
MET	2.35	-
OL1/SL1/PL1	-	.00175
SL2, GSCU1	-	.00402
ISST1D	.29	.14
SST1T	.27	.13
SST1D1/SST1D2 /SST1D3	.28	.13
ISST1T	.27	.13

Gulf:

RATE CLASS	CAPACITY COST RECOVERY FACTORS (¢/KWH)
RS, RSVP	0.272
GS	0.263
GSD, GSDT, GSTOU	0.233
LP, LPT	0.202
PX, PXT, RTP, SBS	0.169
OS-I/II	0.116
OSIII	0.175

PEF:

<u>RATE CLASS</u>	<u>CAPACITY COST RECOVERY FACTOR</u>
Residential	.993 cents/kWh
General Service Non-Demand @ Primary Voltage @ Transmission Voltage	.900 cents/kWh .891 cents/kWh .882 cents/kWh
General Service 100% Load Factor	.573 cents/kWh
General Service Demand @ Primary Voltage @ Transmission Voltage	.791 cents/kWh .783 cents/kWh .775 cents/kWh
Curtable @ Primary Voltage @ Transmission Voltage	.709 cents/kWh .702 cents/kWh .695 cents/kWh
Interruptible @ Primary Voltage @ Transmission Voltage	.607 cents/kWh .601 cents/kWh .595 cents/kWh
Lighting	.177 cents/kWh

TECO:

<u>RATE SCHEDULE</u>	<u>CAPACITY COST RECOVERY FACTOR (¢/kWh)</u>
RS	0.356

RATE SCHEDULE	CAPACITY COST RECOVERY FACTOR (<u>¢/kWh</u>)
GS and TS	0.321
GSD	0.263
GSLD and SBF	0.240
IS-1, IS-3, SBI-1, SBI-3	0.022
SL-2, OL-1 and OL-3	0.045

VI. GENERATING PERFORMANCE INCENTIVE FACTOR (GPIF) ISSUES

Based on the evidence in the record and stipulation of the parties, we approve the following as the appropriate GPIF rewards/penalties for performance achieved during the period January 2004 through December 2004:

FPL: \$10,816,748 reward
Gulf: \$441,988 reward
PEF: \$532,353 reward
TECO: \$729,534 reward

Based on the evidence in the record and stipulation of the parties, we approve the following as the appropriate GPIF targets/ranges for the period January 2006 through December 2006 for FPL, Gulf, and PEF:

FPL:

Equivalent Availability and Heat Rate/NOF Targets for FPL Units

Unit	FPL EAF/POF/EUOF Targets			FPL HR/NOF Targets
	EAF	POF	EUOF	
Ft. Myers 2	93.1	0.0	6.9	6,801 / 88.6
Lauderdale 4	93.3	2.7	4.0	7,690 / 79.5
Lauderdale 5	92.9	2.7	4.4	7,644 / 79.9
Martin 1	90.8	0.0	9.2	10,011 / 63.2
Martin 2	84.5	9.6	5.9	9,942 / 57.9
Martin 3	73.0	20.1	6.9	7,008 / 87.6
Martin 4	90.8	2.6	6.6	6,950 / 89.4
Sanford 5	91.3	0.4	8.3	6,879 / 86.8
Scherer 4	85.9	10.1	4.0	9,998 / 99.5
St. Lucie 1	93.6	0.0	6.4	10,870 / 100.0
St. Lucie 2	75.8	16.4	7.8	10,931 / 100.1
Turkey Point 3	86.0	6.8	7.2	11,078 / 99.8
Turkey Point 4	86.8	6.8	6.4	11,072 / 99.9

Gulf:

Equivalent Availability and Heat Rate/NOF Targets for Gulf Power Co. Units

Unit	Gulf EAF/POF/EUOF Targets			Gulf HR/NOF Targets
	EAF	POF	EUOF	
Crist 4	87.1	12.1	0.8	10,493 / 97.8
Crist 5	92.4	6.3	1.3	10,375 / 98.7
Crist 6	90.2	0.0	9.8	10,171 / 99.0
Crist 7	80.8	8.2	11.0	10,268 / 90.8
Smith 1	98.1	0.0	1.9	10,176 / 99.4
Smith 2	84.1	6.3	9.6	10,222 / 99.3
Daniel 1	93.6	2.5	3.9	10,181 / 99.7
Daniel 2	81.5	15.3	3.2	10,027 / 99.7

Note: NOF is not used for target setting for Gulf.

PEF:

Equivalent Availability and Heat Rate/NOF Targets for PEF Units

Unit	PEF EAF/POF/EUOF Targets			PEF HR/NOF Targets
	EAF	POF	EUOF	
Anclote 1	87.67	7.67	4.65	10,483 / 39.6
Anclote 2	84.31	11.51	4.18	10,352 / 40.8
Bartow 1	85.62	3.84	10.54	10,942 / 50.2
Bartow 2	92.62	3.84	3.54	10,890 / 59.6
Bartow 3	95.46	0.00	4.54	10,216 / 57.2
Crystal River 1	92.72	0.00	7.28	10,296 / 69.1
Crystal River 2	82.06	3.84	14.11	10,116 / 69.6
Crystal River 3	97.31	0.00	2.69	10,259 / 100.1
Crystal River 4	93.22	2.47	4.31	9,511 / 82.6
Crystal River 5	87.27	7.67	5.06	9,513 / 85.9
Hines 1	87.63	8.77	3.60	7,450 / 73.3
Tiger Bay	88.99	5.75	5.25	8,006 / 87.3

With regard to TECO, staff Witness Matlock proposed alternative equivalent availability factor (EAF) targets for four of TECO's five GPIF units for 2006. The EAF targets for TECO are based on actual 12-month averages adjusted for differences between the number of planned outage hours and number of reserve shutdown hours for the historic period and the projected target period. EAF targets should be based on recent historical performance to the extent that historical performance reflects what is expected in the near future. Mr. Matlock proposed that the monthly equivalent forced outage rates (EFOR) and equivalent maintenance outage rates (EMOR) that are greater than 40% be excluded from the averages used to calculate TECO's 2006 EAF targets. This method would exclude outages of greater length or frequency than one would reasonably expect in the coming period from the EAF target. In Mr. Matlock's view, this would result in more appropriate targets for TECO, since they are based on historical performance and recent trends.

TECO's Witness Smotherman disagreed with Witness Matlock's approach, and instead proposed EAF targets that were solely based on historical data for the last 12-month period, and did not include any adjustments for recent trends. Mr. Smotherman also testified that TECO has consistently interpreted the GPIF manual in this fashion, by not making any adjustments to historical data in calculating EAF targets.

After considering the testimony of both Mr. Matlock and Mr. Smotherman, we are uncomfortable with deviating from the consistent way in which the GPIF manual has been applied by TECO. As a result, we believe that it should be applied in the same way here. At the same time, we think that some significant relevant points have been raised, and we would suggest that before we actually open up the entire GPIF manual for review, TECO and our staff

should meet and see if they can come to an agreement on modifications to the manual. If a new methodology can be agreed upon and we approve it, then everyone will know what the rules are on a going-forward basis. We are hesitant in this instance to change the rules midstream here when penalties and rewards are at stake. We would rather have the procedures better defined on a going-forward basis so that all parties will know what those procedures are. Therefore, based on the evidence in the record, we approve the GPIF targets and ranges proposed by TECO. The approved GPIF targets and ranges for TECO are contained in the table below.

Equivalent Availability and Heat Rate/NOF Targets for Tampa Electric Co. Units

Unit	TEC EAF/POF/EUOF Targets			TEC HR/NOF Targets
	EAF	POF	EUOF	
Big Bend 1	63.6	15.3	21.0	10,841 / 75.9
Big Bend 2	77.3	3.8	18.9	10,510 / 84.2
Big Bend 3	56.2	9.6	34.2	10,923 / 69.1
Big Bend 4	71.9	5.8	22.4	10,672 / 81.6
Polk 1	60.3	4.4	35.3	10,497 / 88.9

VII. OTHER MATTERS

The parties stipulated that the new fuel adjustment charges and capacity cost recovery factors approved in this Order shall be effective beginning with the first billing cycle for January 2006, and thereafter through the last billing cycle for December 2006. The parties also stipulated that the first billing cycle may start before January 1, 2006, and the last billing cycle may end after December 31, 2006, so long as each customer is billed for twelve months regardless of when the factors became effective. We approve these stipulations as reasonable.

FPUC's Motion for Extension of Time, filed November 4, 2005, requesting additional time to provide discovery to our staff and to OPC is hereby granted. FPL's Motion for Protective Order, filed November 4, 2005, covering certain confidential information provided in response to OPC's Third Request for Production of Documents, and which OPC has indicated it would use at the hearing, is hereby granted. FIPUG's Request for Official Recognition, filed November 4, 2005, asking for official recognition of the November 4, 2005 NYMEX natural gas futures prices is hereby granted. FPUC's Motion for Temporary Protective Order, filed November 7, 2005, covering certain confidential information provided to OPC in response to OPC's Second Request for Production of Documents is hereby granted. FPUC's Request for Confidential Classification, filed November 7, 2005, covering certain confidential information responsive to Request for Production of Documents No. 6 of our staff's Second Request for Production of Documents is hereby granted.

Upon review of the pleadings and consideration of the arguments expressed both in writing and orally at the hearing, OPC's Motion to Defer Issue of Prudence and Reasonableness of PEF's Coal Costs, filed November 4, 2005, is granted. The attendant Motion for Oral

Argument was also granted at the hearing. OPC requested that the issue associated with the prudence and reasonableness of certain of PEF's coal procurement decisions and the related costs of coal be deferred from consideration at this year's fuel hearing. We agree with OPC and believe that it will be more efficient for us to have this issue in front of us in one coherent, consistent presentation where we can hear PEF's direct case as well as OPC's case. Additional time will also allow our staff and other parties to be involved in addressing this issue. Therefore, OPC's Motion to Defer is hereby granted.

Upon review of the pleadings and consideration of the arguments expressed both in writing and orally at the hearing, OPC's November 1, 2005, Motion for Summary Final Order, or in the alternative, Motion to Defer Ruling Until Service Hearing Held is denied in part. OPC argued that, with regard to the surcharge proposed by FPUC, there is no genuine issue of fact, and that because the plan on its face results in unjust and unreasonable rates, the Commission should issue a summary final order denying FPUC's requested surcharge. We do not agree with OPC and believe that there are questions of fact with regard to the surcharge upon which we need to hear testimony. Accordingly, OPC's request for a summary final order is denied. At the hearing, OPC withdrew its alternate request to defer ruling on FPUC's proposed surcharge until a service hearing could be held. As a result, no ruling is required on that portion of the motion. Therefore, OPC's Motion for Summary Final Order is hereby denied.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the stipulations and findings set forth in the body of this Order are hereby approved. It is further

ORDERED that Florida Power & Light Company, Florida Public Utilities Company, Gulf Power Company, Progress Energy Florida, Inc., and Tampa Electric Company are hereby authorized to apply the fuel cost recovery factors set forth herein during the period January 2006 through December 2006. It is further

ORDERED that the estimated true-up amounts contained in the fuel cost recovery factors approved herein are hereby authorized subject to final true-up, and further subject to proof of the reasonableness and prudence of the expenditures upon which the amounts are based. It is further

ORDERED that Florida Power & Light Company, Gulf Power Company, Progress Energy Florida, Inc., and Tampa Electric Company are hereby authorized to apply the capacity cost recovery factors as set forth herein during the period January 2006 through December 2006. It is further

ORDERED that the estimated true-up amounts contained in the capacity cost recovery factors approved herein are hereby authorized subject to final true-up, and further subject to proof of the reasonableness and prudence of the expenditures upon which the amounts are based. It is further

ORDERED that Attachment A is incorporated herein by reference. It is further

ORDERED that Florida Public Utility Company's Motion for Extension of Time, filed November 4, 2005, is hereby granted. It is further

ORDERED that Florida Power & Light Company's Motion for Protective Order, filed November 4, 2005, is hereby granted. It is further

ORDERED that the Florida Industrial Power Users Group's Request for Official Recognition, filed November 4, 2005, is hereby granted. It is further

ORDERED that Florida Public Utility Company's Motion for Temporary Protective Order, filed November 7, 2005, is hereby granted. It is further

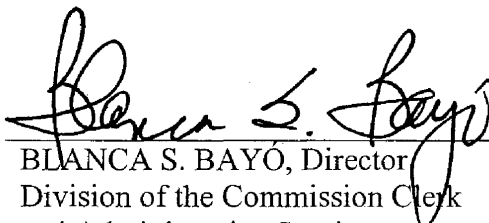
ORDERED that Florida Public Utility Company's Request for Confidential Classification, filed November 7, 2005, is hereby granted. It is further

ORDERED that the Office of Public Counsel's Motion for Oral Argument, filed November 4, 2005, is hereby granted. It is further

ORDERED that the Office of Public Counsel's Motion to Defer Issue of Prudence and Reasonableness of PEF's Coal Costs, filed November 4, 2005, is hereby granted. It is further

ORDERED that the Office of Public Counsel's Motion for Summary Final Order, or in the Alternative, Motion to Defer Ruling Until Service Hearing Held, filed November 1, 2005, is hereby denied as set forth in the body of this Order.

By ORDER of the Florida Public Service Commission this 23rd day of December, 2005.



BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

(S E A L)

AEV

DISSENT:

Commissioner Arriaga dissents from the Commission's decision to deny the stipulation between FPL, TECO, PEF, FIPUG, and FRF to support FIPUG's proposal to adjust rates in April 2006, as discussed in Part I. B. above. In addition, Commissioner Arriaga dissents from the Commission's decision to deny FPL's request to recover costs associated with the sleeving project at St. Lucie Unit 2, as discussed in Part II. A. above.

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

Any party adversely affected by the Commission's final action in this matter may request:

- 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or
- 2) 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 and/or wastewater utility by filing a notice of appeal with the Director, Division of the Commission Clerk and Administrative Services and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

PROPOSED RESOLUTION OF ISSUE
DOCKET NO. 050001-EI
OCTOBER 17, 2005

Background of Issue:

By Order No. PSC-02-1484-FOF-EI, issued in Docket No. 011605-EI on October 30, 2002, the Commission approved a Proposed Resolution of Issues concerning hedging activities (the "Hedging Resolution"), which provided in Paragraph 4 that "each investor-owned electric utility may recover through the fuel and purchased power cost recovery clause (the "Fuel Clause") prudently-incurred incremental [hedging expenses] ... each year until December 31, 2006, or the time of the utility's next rate proceeding, whichever comes first."

FPL petitioned for an increase in its base rates in Docket No. 050045-EI, which was resolved by the Commission's Order No. PSC-05-0902-S-EI, dated September 14, 2005, approving a Stipulation and Settlement (the "Rate Stipulation") to become effective January 1, 2006. The Rate Stipulation continues through at least December 31, 2009 and thereafter remains in effect until terminated on the date that new base rates become effective pursuant to an order of the Commission.

The Rate Stipulation is silent on how incremental hedging costs will be recovered once it becomes effective, but as noted on page 6 of Order No. PSC-05-0902-S-EI, the parties to the Rate Stipulation "intended for recovery of those costs to continue through the Fuel Clause during the term of the [Rate Stipulation]." Order No. PSC-05-0902-S-EI also states on page 6 that, because of the Rate Stipulation's silence, the parties will "memorialize their intent in the current Fuel Clause proceedings."

Components of Proposed Resolution

1. The undersigned parties hereby state their intention that, notwithstanding anything that may be expressed or implied to the contrary in the Hedging Resolution, FPL's incremental hedging costs should continue to be recovered through the Fuel Clause for the term of the Stipulation.
2. Each of the undersigned parties is a party of record to this Docket No. 050001-EI and agrees to support the identification and approval of the following stipulated issue and position, to be reflected in the final order issued in this docket:

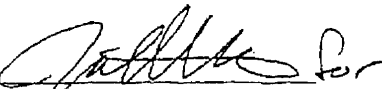
ISSUE: Should FPL be allowed to continue recovering incremental hedging costs through the Fuel and Purchased Power Cost Recovery Clause during the term of the Stipulation and Settlement (the "Rate Stipulation") that was approved in Order No. PSC-05-0902-S-EI, Docket No. 050045-EI, dated September 14, 2005, on the same basis as FPL has been recovering such costs pursuant to the Proposed Resolution of Issues that was approved in Order No. PSC-02-1484-FOF-EI, Docket No. 011605-EI, dated October 30, 2002?

POSITION: Yes. FPL's continued recovery of incremental hedging costs through the Fuel and Purchased Power Cost Recovery Clause during the term of the Rate Stipulation is reasonable and consistent with the intention of the parties to the Rate Stipulation.

3. Each undersigned party further agrees to take all steps reasonably necessary or desirable to ensure that the foregoing stipulated issue and position are identified and approved by the Commission in the final order in this Docket No 050001-EI.

Agreed and accepted on behalf of:

Florida Power & Light Company
700 Universe Boulevard
Juno Beach, Florida 33408

By: 
W.G. Walker, III

Date: October 17, 2005

Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Suite 812
Tallahassee, FL 32399-1400

By: _____
Harold A. McLean, Esq.

Date: _____

Florida Industrial Power Users Group

McWhirter, Reeves P.A.
400 North Tampa Street
Suite 2450
Tampa, Florida 33602

By: _____
John W. McWhirter, Esq.

Date: _____

POSITION: Yes. FPL's continued recovery of incremental hedging costs through the Fuel and Purchased Power Cost Recovery Clause during the term of the Rate Stipulation is reasonable and consistent with the intention of the parties to the Rate Stipulation.

3. Each undersigned party further agrees to take all steps reasonably necessary or desirable to ensure that the foregoing stipulated issue and position are identified and approved by the Commission in the final order in this Docket No 050001-EI.

Agreed and accepted on behalf of:

Florida Power & Light Company
700 Universe Boulevard
Juno Beach, Florida 33408

By: _____
W.G. Walker, III

Date: _____

Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Suite 812
Tallahassee, FL 32399-1400

By: 
Harold A. McLean, Esq.

Date: 10.14.2005

Florida Industrial Power Users Group

McWhirter, Reeves P.A.
400 North Tampa Street
Suite 2450
Tampa, Florida 33602

By: _____
John W. McWhirter, Esq.

Date: _____

POSITION: Yes. FPL's continued recovery of incremental hedging costs through the Fuel and Purchased Power Cost Recovery Clause during the term of the Rate Stipulation is reasonable and consistent with the intention of the parties to the Rate Stipulation.

3. Each undersigned party further agrees to take all steps reasonably necessary or desirable to ensure that the foregoing stipulated issue and position are identified and approved by the Commission in the final order in this Docket No 050001-EI.

Agreed and accepted on behalf of:

Florida Power & Light Company
700 Universe Boulevard
Juno Beach, Florida 33408

By: _____
W.G. Walker, III

Date: _____

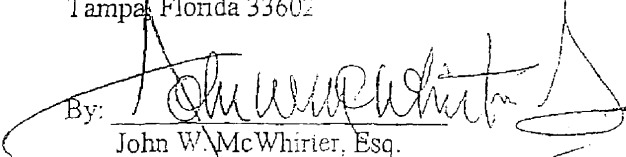
Office of Public Counsel
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111 West Madison Street, Suite 812
Tallahassee, FL 32399-1400

By: _____
Harold A. McLean, Esq.

Date: _____

Florida Industrial Power Users Group

McWhirter, Reeves P.A.
400 North Tampa Street
Suite 2450
Tampa, Florida 33602

By: 
John W. McWhirter, Esq.

Date: Oct 10, 2005

ORDER NO. PSC-05-1252-FOF-EI
DOCKET NO. 050001-EI
PAGE 35

ATTACHMENT A

Florida Retail Federation

Landers & Parsons, P.A.
310 West College Avenue
Tallahassee, Florida 32301

By: Robert Scheffel Wright
Robert Scheffel Wright, Esq.

Date: October 12, 2005

AARP

Michael B. Twomey, Esq.
P.O. Box 5256
Tallahassee, Florida 32314-5256

By: _____
Michael B. Twomey, Esq.

Date: _____

Federal Executive Agencies

Major Craig Paulson, Esq.
139 Barnes Drive
Tyndall Air Force Base, Florida 32403

By: _____
Major Craig Paulson, Esq.

Date: _____

Florida Retail Federation

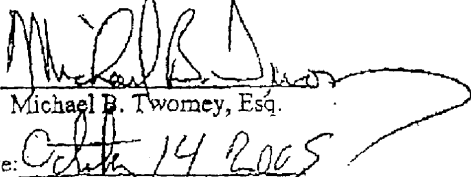
Landers & Parsons, P.A.
310 West College Avenue
Tallahassee, Florida 32301

By: _____
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Date: _____

AARP

Michael B. Twomey, Esq.
P.O. Box 5256
Tallahassee, Florida 32314-5256

By: 
Michael B. Twomey, Esq.

Date: October 14, 2005

Federal Executive Agencies

Major Craig Paulson, Esq.
139 Barnes Drive
Tyndall Air Force Base, Florida 32403

By: _____
Major Craig Paulson, Esq.

Date: _____

ORDER NO. PSC-05-1252-FOF-EI
DOCKET NO. 050001-EI
PAGE 37

ATTACHMENT A

Florida Retail Federation

Landers & Parsons, P.A.
310 West College Avenue
Tallahassee, Florida 32301

By: _____
Robert Scheffel Wright, Esq.

Date: _____

AARP

Michael B. Twomey, Esq.
P.O. Box 5256
Tallahassee, Florida 32314-5256

By: _____
Michael B. Twomey, Esq.

Date: _____

Federal Executive Agencies

Major Craig Paulson, Esq.
139 Barnes Drive
Tyndall Air Force Base, Florida 32403

By: Craig Paulson
Major Craig Paulson, Esq.

Date: 17 October 2005