

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.	DOCKET NO. 070001-EI ORDER NO. PSC-07-0881-PHO-EI ISSUED: October 31, 2007
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Pursuant to Notice and in accordance with Rule 28-106.209, Florida Administrative Code (F.A.C.), a Prehearing Conference was held on October 22, 2007, in Tallahassee, Florida, before Commissioner Matthew M. Carter II, as Prehearing Officer.

APPEARANCES:

R. ALEXANDER GLENN, ESQUIRE, and JOHN T. BURNETT, ESQUIRE, Progress Energy Service Company, LLC, 100 Central Avenue, St. Petersburg, Florida 33701-3323  
On behalf of Progress Energy Florida, Inc. (PEF).

R. WADE LITCHFIELD, ESQUIRE, and JOHN T. BUTLER, ESQUIRE, 700 Universe Boulevard, Juno Beach, Florida 33408  
On behalf of Florida Power & Light Company (FPL).

JEFFREY A. STONE, ESQUIRE, RUSSELL A. BADDERS, ESQUIRE, and STEVEN R. GRIFFIN, ESQUIRE, Beggs & Lane, Post Office Box 12950, Pensacola, Florida 32591-2950  
On behalf of Gulf Power Company (Gulf).

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

DAMUND E. WILLIAMS, MAJOR, KAREN WHITE, LIEUTENANT COLONEL, AFLSA/JACL-ULT, 139 Barnes Drive, Suite 1, Tyndall Air Force Base, FL 32403-5319  
On behalf of Federal Executive Agencies, (FEA).

JOHN W. MCWHIRTER, JR., ESQUIRE, McWhirter, Reeves & Davidson, P. A., 400 North Tampa Street, Suite 2450, Tampa, Florida 33602  
On behalf of Florida Industrial Power Users Group (FIPUG).

NORMAN H. HORTON, JR., ESQUIRE, Messer, Caparello & Self, P. A., Post Office Box 15579, Tallahassee, Florida 32317  
On behalf of Florida Public Utilities Company (FPUC).

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FPSC-COMMISSION CLEAR

CECILIA BRADLEY, ESQUIRE, Office of the Attorney General, The Capitol –  
PL01, Tallahassee, Florida 32399-1050  
On behalf of the Citizens of Florida (AG).

MICHAEL B. TWOMEY, ESQUIRE, P. O. Box 5256, Tallahassee, Florida  
32314-5256  
On behalf of AARP (AARP).

PATRICIA A. CHRISTENSEN, ESQUIRE, JOSEPH A. MCGLOTHLIN,  
ESQUIRE, and CHARLES J. BECK, ESQUIRE, Office of Public Counsel, c/o  
The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee,  
Florida 32399-1400  
On behalf of the Citizens of the State of Florida (OPC).

LISA C. BENNETT, ESQUIRE, and KEINO YOUNG, 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. CASE BACKGROUND**

As part of the continuing fuel and purchased power adjustment and generating performance incentive clause proceedings, an administrative hearing will be held by the Public Service Commission on November 6-8, 2007. The Commission will address those issues listed in this prehearing order. The commission has the option to render a bench decision on any or all of the issues listed below.

#### **II. CONDUCT OF PROCEEDINGS**

Pursuant to Rule 28-106.211, F.A.C., this Prehearing Order is issued to prevent delay and to promote the just, speedy, and inexpensive determination of all aspects of this case.

#### **III. JURISDICTION**

This Commission is vested with jurisdiction over the subject matter by the provisions of Chapter 366, Florida Statutes (F.S.). This hearing will be governed by said Chapter and Chapters 25-22, and 28-106, F.A.C., as well as any other applicable provisions of law.

#### **IV. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION**

Information for which proprietary confidential business information status is requested pursuant to Section 366.093, F.S., and Rule 25-22.006, F.A.C., shall be treated by the

Commission as confidential. The information shall be exempt from Section 119.07(1), F.S., pending a formal ruling on such request by the Commission or pending return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been made a part of the evidentiary record in this proceeding, it shall be returned to the person providing the information. If a determination of confidentiality has been made and the information was not entered into the record of this proceeding, it shall be returned to the person providing the information within the time period set forth in Section 366.093, F.S. The Commission may determine that continued possession of the information is necessary for the Commission to conduct its business.

It is the policy of this Commission that all Commission hearings be open to the public at all times. The Commission also recognizes its obligation pursuant to Section 366.093, F.S., to protect proprietary confidential business information from disclosure outside the proceeding. Therefore, any party wishing to use any proprietary confidential business information, as that term is defined in Section 366.093, F.S., at the hearing shall adhere to the following:

- (1) When confidential information is used in the hearing, parties must have copies for the Commissioners, necessary staff, and the court reporter, in red envelopes clearly marked with the nature of the contents and with the confidential information highlighted. 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.
- (2) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise confidentiality. Therefore, confidential information should be presented by written exhibit when reasonably possible.

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 Office of Commission Clerk's confidential files. If such material is admitted into the evidentiary record at hearing and is not otherwise subject to a request for confidential classification filed with the Commission, the source of the information must file a request for confidential classification of the information within 21 days of the conclusion of the hearing, as set forth in Rule 25-22.006(8)(b), F.A.C., if continued confidentiality of the information is to be maintained.

#### V. PREFILED TESTIMONY AND EXHIBITS; WITNESSES

Testimony of all witnesses to be sponsored by the parties (and Staff) has been prefiled and 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 timely and appropriate objections. Upon insertion of a witness' testimony, exhibits appended thereto may be marked for identification. 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.

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. After all parties and Staff have had the opportunity to cross-examine the witness, 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.

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 followed by a pound sign (#) may be 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, as shown in Section IX of this Prehearing Order, shall be identified and admitted into the record. Each witness whose name is followed by a plus sign (+) may be taken out of order. Each witness whose name is followed by an asterisk (\*) will have their prefiled testimony adopted by another witness.

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
<u>Direct</u>		
Will Garrett #	PEF	1, 23
Lori Cross #	PEF	2-11, 12A, 24-28
Joseph McCallister	PEF	12B
Robert M. Oliver #	PEF	17-18
G. J. Yupp	FPL	1-3, 5, 13B
T. O. Jones	FPL	1-3, 5, 13A
K. M. Dubin	FPL	1-11, 13A, 23-28
Pamela Sonnelitter*	FPL	

The testimony prefiled by Pamela Sonnelitter will be adopted by F. Irizarry

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
F. Irizarry #	FPL	17, 18
Cheryl Martin* The testimony prefiled by Cheryl Martin will be adopted by Mehrdad Khojasteh.	FPUC	
Mehrdad Khojasteh #	FPUC	1 – 11, 14A
H. R. Ball	GULF	1, 2, 10, 11, 15A, 23, 24, 26, 27
R. J. Martin #	GULF	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 23, 24, 25, 26, 27, 28
L. S. Noack #	GULF	17, 18
Benjamin F. Smith	TECO	16A
Joann T. Wehle	TECO	16A
Carlos Aldazabal #	TECO	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 16B, 23, 24, 25, 26, 27, 28,
David R. Knapp #	TECO	17, 18
Aaron L. Rothschild	OPC	13A

Rebuttal

W.E. Avera +	FPL	13A
K.M. Dubin	FPL	13A

VII. BASIC POSITIONS

**PEF:** None necessary.

**FPL:** It is the basic position of Florida Power & Light Company that the fuel and capacity cost recovery factors proposed by FPL should be approved because they present the best estimates of FPL's fuel and capacity expenses that should be recovered in the period January 2008 through December 2008 including the true up calculations, GPIF and other adjustments allowed by the Commission. FPL's actual expenditures reflected in the calculation of FPL's fuel and capacity cost recovery factors are accurately stated and were prudently incurred. The Commission should permit FPL to recover the replacement power costs associated with the outage extension at Turkey Point Unit 3 caused by a drilled

hole in the pressurizer piping, because FPL's actions with respect to that incident were unquestionably reasonable and prudent. Failure to apply the Commission's long-standing prudence standard to allow recovery of those replacement power costs would be unfair and inconsistent with established ratemaking principles, and it would create a major disincentive to future investment in any technology that has very low energy costs, including solar and wind as well as nuclear.

**FPUC:** FPUC 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 cost recovery factors proposed by the Company present the best estimate of Gulf's fuel and capacity expense for the period January 2008 through December 2008 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 5.219 cents per KWH before application of factors which adjust for variations in line losses; the proposed capacity cost recovery factor of 0.428 cents per KWH before applying the 12CP and 1/13<sup>th</sup> allocation methodology; a GPIF reward of \$1,439,819 and approval of the company's proposed GPIF targets and ranges for the forthcoming period based on the new methodology agreed to by staff and intervenors in 2006. Tampa Electric also requests approval of its calculated wholesale incentive benchmark of \$1,181,573 for calendar year 2008.

**AARP:** AARP adopts the positions of the Office of Public Counsel.

**AG:** The Office of the Attorney General adopts the positions of the Public Counsel.

**FEA:** FEA agrees with the basic position as stated by FIPUG.

**FIPUG:** FIPUG demands strict proof that previously filed projections are still reasonable in light of any changed circumstances. FIPUG recognizes that utilities benefit from hedging activities at customer expense, but customers appear to derive no benefit because the conversion to annual fuel factors already removes fuel cost volatility. After five years of operation the Commission has now had the opportunity to sufficiently observe operating experience to justify a detailed review of hedging activity effectiveness and the potential for affiliated company transaction abuse.

**OPC:** In its review of the utilities' pleadings and testimony, the Commission must protect customers by disallowing fuel costs that are imprudently incurred and/or

unreasonably high. Citizens will identify and address instances of such costs in company-specific issues below.

**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

**ISSUE 1:** What are the appropriate fuel adjustment true-up amounts for the period January 2006 through December 2006?

#### **POSITIONS**

**PEF:** \$28,864,616 over-recovery. (Garrett)

**FPL:** \$53,744,558 under-recovery. (Dubin)

**FPUC:** Marianna: \$74,131 (overrecovery)  
Fernandina Beach: \$272,928 (overrecovery)

**GULF:** Under recovery \$30,800,849. (Ball, Martin)

**TECO:** \$2,349,844 under-recovery. (Aldazabal)

**AARP:** No position.

**AG:** No position.

**FEA:** No position.

**FIPUG:** No position.

**OPC:** No position.

**STAFF:** PEF: No position pending resolution of outstanding issues.  
FPL: No position pending resolution of outstanding issues.  
FPUC- Marianna : No position pending resolution of outstanding issues.  
FPUC- Fernandina Beach: No position pending resolution of outstanding issues.  
GULF: No position pending resolution of outstanding issues.  
TECO: No position pending resolution of outstanding issues.

**ISSUE 2:** What are the appropriate fuel adjustment true-up amounts for the period January 2007 through December 2007?

**POSITIONS**

**PEF:** \$140,511,931 over-recovery. (Cross)

**FPL:** \$25,577,700 under-recovery. (Dubin)

**FPUC:** Marianna: \$77,987 (under-recovery)  
Fernandina Beach: \$277,968 (under-recovery)

**GULF:** Under recovery \$12,525,950. (Ball, Martin)

**TECO:** \$17,742,556 over-recovery. (Aldazabal)

**AARP:** No position.

**AG:** No position.

**FEA:** No position.

**FIPUG:** No position.

**OPC:** No position.

**STAFF:** PEF: No position pending resolution of outstanding issues.  
FPL: No position pending resolution of outstanding issues.  
FPUC- Marianna: No position pending resolution of outstanding issues.  
FPUC- Fernandina Beach: No position pending resolution of outstanding issues.  
GULF: No position pending resolution of outstanding issues.  
TECO: No position pending resolution of outstanding issues.

**ISSUE 3:** What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2008 to December 2008?

**POSITIONS**

**PEF:** \$169,376,547 over-recovery (Cross)

**FPL:** \$79,322,258 under-recovery. (Dubin)

**FPUC:** Marianna: \$3,856 (to be collected)  
Fernandina Beach: \$5,040 (to be collected)

**GULF:** Collection of \$43,326,799. (Martin)

**TECO:** \$15,392,712 over-recovery. (Aldazabal)

**AARP:** No position.

**AG:** No position.

**FEA:** No position.

**FIPUG:** No position.

**OPC:** No position.

**STAFF:** PEF: No position pending resolution of outstanding issues.  
FPL: No position pending resolution of outstanding issues.  
FPUC- Marianna: No position pending resolution of outstanding issues.  
FPUC- Fernandina Beach: No position pending resolution of outstanding issues.  
GULF: No position pending resolution of outstanding issues.  
TECO: No position pending resolution of outstanding issues.

**ISSUE 4:** **STIPULATED**

**ISSUE 5:** What are the appropriate projected net fuel and purchased power cost recovery amounts to be included in the recovery factor for the period January 2008 through December 2008?

**POSITIONS**

**PEF:** \$1,914,931,984. (Cross)

**FPL:** \$6,207,068,993. (Dubin)

**FPUC:** Marianna: \$27,061,406  
Fernandina Beach: \$31,882,724

**GULF:** \$462,344,509. (Martin)

**TECO:** The projected net fuel and purchased power cost recovery amount to be included in the recovery factor for the period January 2008 through December 2008, adjusted by the jurisdictional separation factor, is \$1,075,052,911. The total recoverable fuel and purchased power cost recovery amount to be collected, including the true-up and GPIF and adjusted for the revenue tax factor, is \$1,061,862,973. (Aldazabal)

**AARP:** No position.

**AG:** No position.

**FEA:** No position.

**FIPUG:** No position.

**OPC:** No position.

**STAFF:** PEF: No position pending resolution of outstanding issues.  
FPL: No position pending resolution of outstanding issues.  
FPUC- Marianna: No position pending resolution of outstanding issues.  
FPUC- Fernandina Beach: No position pending resolution of outstanding issues.  
GULF: No position pending resolution of outstanding issues.  
TECO: No position pending resolution of outstanding issues.

**ISSUE 6:** What are the appropriate levelized fuel cost recovery factors for the period January 2008 through December 2008?

**POSITIONS**

**PEF:** 4.604 cents per kWh (adjusted for jurisdictional losses). (Cross)

**FPL:** 5.553 cents/kWh. (Dubin)

**FPUC:** Marianna: 4.711¢/kwh  
Fernandina: 4.591¢/kwh

**GULF:** 3.954 cents/kWh. (Martin)

**TECO:** The appropriate factor is 5.219 cents per kWh before the normal application of factors that adjust for variations in line losses. (Aldazabal)

**AARP:** No position.

**AG:** No position.

**FEA:** No position.

**FIPUG:** No contest.

**OPC:** No position.

**STAFF:** PEF: No position pending resolution of outstanding issues.  
 FPL: No position pending resolution of outstanding issues.  
 FPUC- Marianna: No position pending resolution of outstanding issues.  
 FPUC- Fernandina Beach: No position pending resolution of outstanding issues.  
 GULF: No position pending resolution of outstanding issues.  
 TECO: No position pending resolution of outstanding issues.

**ISSUE 7: STIPULATED**

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

**POSITIONS**

**PEF:** (Cross)

Fuel Cost Factors (cents/kWh)						
Group	Delivery Voltage Level	First Tier Factor	Second Tier Factors	Levelized Factors	Time of Use	
					On-Peak	Off-Peak
A	Transmission	--	--	4.519	6.232	3.724
B	Distribution Primary	--	--	4.565	6.295	3.762
C	Distribution Secondary	4.278	5.278	4.611	6.359	3.799
D	Lighting	--	--	4.278	--	--

**FPL:** (Dubin)

FLORIDA POWER & LIGHT COMPANY

FUEL RECOVERY FACTORS - BY RATE GROUP  
(ADJUSTED FOR LINE/TRANSFORMATION LOSSES)

JANUARY 2008 - DECEMBER 2008

(1) GROUP	(2) RATE SCHEDULE	(3) AVERAGE FACTOR	(4) FUEL RECOVERY LOSS MULTIPLIER	(5) FUEL RECOVERY FACTOR
A	RS-1 first 1,000 kWh	5.553	1.00207	5.227
	all additional kWh	5.553	1.00207	6.227
A	GS-1, SL-2, GSCU-1	5.553	1.00207	5.565
A-1*	SL-1, OL-1, PL-1	5.459	1.00207	5.470
B	GSD-1	5.553	1.00201	5.564
C	GSLD-1 & CS-1	5.553	1.00091	5.558
D	GSLD-2, CS-2, OS-2 & MET	5.553	0.99379	5.519
E	GSLD-3 & CS-3	5.553	0.95688	5.314
A	RST-1, GST-1 ON-PEAK	6.011	1.00207	6.024
	OFF-PEAK	5.354	1.00207	5.365
B	GSDT-1, CILC-1(G), ON-PEAK	6.011	1.00201	6.023
	HLFT-1 (21-499 kW) OFF-PEAK	5.354	1.00201	5.364
C	GSLDT-1, CST-1, ON-PEAK	6.011	1.00103	6.017
	HLFT-2 (500-1,999 kW) OFF-PEAK	5.354	1.00103	5.359
D	GSLDT-2, CST-2, ON-PEAK	6.011	0.99551	5.984
	HLFT-3 (2,000+) OFF-PEAK	5.354	0.99551	5.330
E	GSLDT-3, CST-3, ON-PEAK	6.011	0.95688	5.752
	CILC -1(T) OFF-PEAK & ISST-1(T)	5.354	0.95688	5.123
F	CILC -1(D) & ON-PEAK	6.011	0.99302	5.969
	ISST-1(D) OFF-PEAK	5.354	0.99302	5.316

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

FLORIDA POWER & LIGHT COMPANY

DETERMINATION OF SEASONAL DEMAND TIME OF USE RIDER (SDTR)  
 FUEL RECOVERY FACTORS

ON PEAK: JUNE 2008 THROUGH SEPTEMBER 2008 - WEEKDAYS 3:00 PM TO 6:00 PM  
 OFF PEAK: ALL OTHER HOURS

(1) GROUP	(2) OTHERWISE APPLICABLE RATE SCHEDULE	(3) AVERAGE FACTOR	(4) FUEL RECOVERY LOSS MULTIPLIER	(5) SDTR FUEL RECOVERY FACTOR
B	GSD(T)-1 ON-PEAK	6.042	1.00201	6.054
	OFF-PEAK	5.403	1.00201	5.414
C	GSLD(T)-1 ON-PEAK	6.042	1.00106	6.049
	OFF-PEAK	5.403	1.00106	5.409
D	GSLD(T)-2 ON-PEAK	6.042	0.99565	6.015
	OFF-PEAK	5.403	0.99565	5.379

**FPUC:**

**Marianna:**

<u>Rate Schedule</u>	<u>Adjustment</u>
RS	\$.07945
GS	\$.07840
GSD	\$.07483
GSLD	\$.07151
OL, OL1	\$.06097
SL1, SL2, and SL3	\$.06146
Step Rate for RS	
RS with less than a 1,000 kWh/month	\$.07610
RS with more than a 1,000 kWh/month	\$.08610

**Fernandina:**

<u>Rate Schedule</u>	<u>Adjustment</u>
RS	\$.06963
GS	\$.06811
GSD	\$.06481
GSLD	\$.06533
OL	\$.05005
SL	\$.04961
Step Rate for RS	
RS with less than a 1,000 kWh/month	\$.06628
RS with more than a 1,000 kWh/month	\$.07628

**GULF:** See table below: (Martin)

Group	Rate Schedules*	Line Loss Multipliers	Fuel Cost Factors ¢/KWH		
			Standard	Time of Use	
				On-Peak	Off-Peak
A	RS, RSVP,GS, GSD, GSDT, GSTOU, OSIII, SBS(1)	1.00526	3.975	4.458	3.777
B	LP, LPT, SBS(2)	0.98890	3.910	4.386	3.716
C	PX, PXT, RTP, SBS(3)	0.98063	3.877	4.349	3.685
D	OSI/II	1.00529	3.952	N/A	N/A

\*The recovery factor applicable to customers taking service under Rate Schedule SBS is determined as follows: (1) customers with a contract demand in the range of 100 to 499 KW will use the recovery factor applicable to Rate Schedule GSD; (2) 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 (3) customers with a contract demand over 7,499 KW will use the recovery factor applicable to Rate Schedule PX.

**TECO:** The appropriate factors are as follows: (Aldazabal)

<u>Rate Schedule</u>	<u>Fuel Charge Factor (cents per kWh)</u>
Average Factor	5.291
RS, GS and TS	5.241
RST and GST	6.344 (on-peak) 4.668 (off-peak)
SL-2, OL-1 and OL-3	4.920
GSD, GSLD, and SBF	5.221
GSDT, GSLDT, EV-X and SBFT	6.320 (on-peak) 4.650 (off-peak)
IS-1, IS-3, SBI-1, SBI-3	5.084
IST-1, IST-3, SBIT-1, SBIT-3	6.154 (on-peak) 4.528 (off-peak)

**AARP:** No position.

**AG:** No position.

**FEA:** No position.

**FIPUG:** Agree with utility calculations.

**OPC:** No position.

**STAFF:** PEF: No position pending resolution of outstanding issues.  
FPL: No position pending resolution of outstanding issues.  
FPUC- Marianna: No position pending resolution of outstanding issues.  
FPUC- Fernandina Beach: No position pending resolution of outstanding issues.  
GULF: No position pending resolution of outstanding issues.  
TECO: No position pending resolution of outstanding issues.

**ISSUE 9:** STIPULATED

**ISSUE 10:** STIPULATED

**ISSUE 11:** STIPULATED

**COMPANY-SPECIFIC FUEL ADJUSTMENT ISSUES**

**Progress Energy Florida**

**ISSUE 12A: SPUN-OFF TO SEPARATE DOCKET**

**ISSUE 12B:** Has PEF adequately mitigated the price risk for natural gas, residual oil, and purchased power for the years 2006 through 2008?

**POSITIONS**

**PEF:** Yes, PEF has adequately mitigated the price risk for natural gas, residual oil, and purchased power for the years 2006 through 2008. (McCallister)

**AARP:** No position pending review of outstanding discovery.

**AG:** No position pending review of outstanding discovery.

**FEA:** No position.

**FIPUG:** Restates its basic position.

**OPC:** No position pending review of outstanding discovery.

**STAFF:** No position pending testimony and evidence presented at hearing.

**Florida Power & Light Company**

**ISSUE 13A:** With respect to the outage extension at Turkey Point Unit 3 which was caused by a drilled hole in the pressurized piping, should customers or FPL be responsible for the additional fuel cost incurred as a result of the extension?

**POSITIONS**

**FPL:** FPL's Replacement power costs constitute actual fuel and/or purchased power costs incurred in providing electric service to its customers. As such, they are properly recoverable through the FCR Clause just like any other power costs, unless they are shown to have been unnecessarily incurred because the utility could have avoided them had it acted prudently. There is nothing to suggest that FPL acted imprudently with respect to the deliberate bad act that led to the drilled hole. FPL complied fully with NRC requirements and industry standards in order to prevent improper access and deliberate criminal acts, and took extensive actions to swiftly and effectively investigate and inspect both Turkey Unit 3 and Unit 4 after the drilled hole in the pressurizer piping was discovered, enabling FPL to expeditiously return the plant to service with minimal disruption in

production. FPL's actions at each step in this process were unquestionably reasonable and prudent. To deny recovery of replacement power costs even where a utility has acted prudently would be completely inconsistent with the purpose of the FCR Clause and with fundamental principles of ratemaking. It would put the utility at risk of not recovering its actual fuel costs whenever a nuclear plant is unexpectedly offline, even for reasons beyond the utility's control, and it would provide the utility no corresponding reward for having to bear this large risk. Such a policy would create a major disincentive to investments in any technology that has very low energy costs, including solar and wind as well as nuclear generation, which investments are important to helping achieve the state's energy security, fuel diversity and environmental goals. (Dubin/Jones/Avera)

**AARP:** AARP adopts the positions of the Office of Public Counsel.

**AG:** The Office of the Attorney General adopts the positions of the Public Counsel.

**FEA:** No position.

**FIPUG:** No position.

**OPC:** Florida Statutes prohibit the Commission from authorizing charges that are not fair and reasonable. Given the specific factual circumstances surrounding this issue, it is clearly unfair and unreasonable to force customers to absorb the replacement fuel costs. The replacement fuel costs in question arose from an intentional act of sabotage committed by an employee who was screened by FPL and employed by a contractor hired by FPL. By Statute, the only way for those costs to be passed on to the customers is by an affirmative finding by the Commission that it is fair and that it is reasonable for customers to be forced to absorb these costs. OPC believes it is self-evident that it is neither fair nor reasonable for customers to pay for this intentional act of sabotage by this employee. Assuming the saboteur is not made to pay, there remain three involved parties: (1) the contractor which hired the saboteur; (2) FPL, which screened the employees and hired the contractor which employed the saboteur; and (3) the customers. Out of these three parties, the least fair result is forcing the customers to pay these costs.

Additionally, through the authorized return on equity, FPL's customers have compensated and continue to compensate FPL's shareholders to bear this type of risk.

**STAFF:** No position pending testimony and evidence presented at hearing.

**ISSUE 13B:** Has FPL adequately mitigated the price risk for natural gas, residual oil, and purchased power for the years 2006 through 2008?

**POSITIONS**

- FPL:** Yes. FPL's actions to mitigate the price risk of natural gas, residual oil and purchased power for 2006 through 2008 are reasonable and prudent. (Yupp)
- AARP:** No position pending review of outstanding discovery.
- AG:** No position pending review of outstanding discovery.
- FEA:** No position.
- FIPUG:** Restates its basic position.
- OPC:** No position pending review of outstanding discovery.
- STAFF:** No position pending testimony and evidence presented at hearing.

**Florida Public Utilities Company**

**ISSUE 14A: STIPULATED**

**Gulf Power Company**

- ISSUE 15A:** Has Gulf adequately mitigated the price risk for natural gas and purchased power for 2006 through 2008?

**POSITIONS**

- GULF:** Yes. Gulf had adequate natural gas financial hedges in place for 2006 to mitigate price risk. Gulf currently has gas and purchased power financial hedges in place for 2007 and 2008 and continues to look for opportunities to enter into financial hedges that we believe will be beneficial to the customer. Since the inception of the natural gas hedging program at Gulf in 2003, through August 31, 2007, the gas hedging program has accomplished its goal of reducing gas price volatility and protecting the customer from very large unanticipated increases in gas prices. The natural gas hedging program has also reduced recoverable fuel cost by \$9,242,872 for this same period. The strategic plan for gas hedging can be found in Gulf's "Risk Management Plan for Fuel Procurement" filed April 4, 2007 in this docket. Gulf hedging activities have adhered to its filed risk management plan in each of the years 2006 through 2008. (Ball)
- AARP:** No position pending review of outstanding discovery.
- AG:** No position pending review of outstanding discovery.

**FEA:** No position.

**FIPUG:** Restates its basic position.

**OPC:** No position pending review of outstanding discovery.

**STAFF:** No position pending testimony and evidence presented at hearing.

**Tampa Electric Company**

**ISSUE 16A:** Has TECO adequately mitigated the price risk for natural gas and purchased power for 2006 through 2008?

**POSITIONS**

**TECO:** Yes. Physical hedges have been used to mitigate price risk of natural gas and purchased power between 2006 and 2008. Financial hedges were used to help reduce price volatility of natural gas. (Wehle / Smith)

**AARP:** No position pending review of outstanding discovery.

**AG:** No position pending review of outstanding discovery.

**FEA:** No position.

**FIPUG:** Restates its basic position.

**OPC:** No position pending review of outstanding discovery.

**STAFF:** No position pending testimony and evidence presented at hearing.

**ISSUE 16B: STIPULATED**

**GENERIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES**

**ISSUE 17: STIPULATED**

**ISSUE 18: STIPULATED**

**COMPANY-SPECIFIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES**

**Progress Energy Florida**

**ISSUE 19:** No company-specific issues for Progress Energy Florida have been identified at this time. If such issues are identified, they shall be numbered 19A, 19B, 19C, and so forth, as appropriate.

**Florida Power & Light Company**

**ISSUE 20:** No company-specific issues for Florida Power & Light Company have been identified at this time. If such issues are identified, they shall be numbered 20A, 20B, 20C, and so forth, as appropriate.

**Gulf Power Company**

**ISSUE 21:** No company-specific issues for Gulf Power Company have been identified at this time. If such issues are identified, they shall be numbered 21A, 21B, 21C, and so forth, as appropriate.

**Tampa Electric Company**

**ISSUE 22:** No company-specific issues for Tampa Electric Company have been identified at this time. If such issues are identified, they shall be numbered 22A, 22B, 22C, and so forth, as appropriate.

**GENERIC CAPACITY COST RECOVERY FACTOR ISSUES**

**ISSUE 23:** What are the appropriate capacity cost recovery true-up amounts for the period January 2006 through December 2006?

**POSITIONS**

**PEF:** \$3,381,972 under-recovery. (Garrett)

**FPL:** \$4,030,283 under- recovery. (Dubin)

**GULF:** Over recovery of \$458,084. (Ball, Martin)

**TECO:** \$2,666,246 under-recovery. (Aldazabal)

**AARP:** No position.

**AG:** No position.

**FEA:** No position.

**FIPUG:** No position.

**OPC:** No position.

**STAFF:** PEF: No position pending testimony and evidence presented at hearing.  
FPL: No position pending testimony and evidence presented at hearing.  
GULF: No position pending testimony and evidence presented at hearing.  
TECO: No position pending testimony and evidence presented at hearing.

**ISSUE 24:** What are the appropriate capacity cost recovery true-up amounts for the period January 2007 through December 2007?

**POSITIONS**

**PEF:** \$11,417,892 under-recovery. (Cross)

**FPL:** \$15,561,009 under-recovery. (Dubin)

**GULF:** Over recovery of \$1,635,509. (Ball, Martin)

**TECO:** \$21,130,338 under-recovery. (Aldazabal)

**AARP:** No position.

**AG:** No position.

**FEA:** No position.

**FIPUG:** No position.

**OPC:** No position.

**STAFF:** PEF: No position pending testimony and evidence presented at hearing.  
FPL: No position pending testimony and evidence presented at hearing.  
GULF: No position pending testimony and evidence presented at hearing.  
TECO: No position pending testimony and evidence presented at hearing.

**ISSUE 25:** What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2008 through December 2008?

**POSITIONS**

**PEF:** \$14,799,865 under-recovery. (Cross)  
**FPL:** \$19,591,292 under-recovery. (Dubin)  
**GULF:** Refund of \$2,093,593. (Martin)  
**TECO:** \$23,796,584 under-recovery. (Aldazabal)

**AARP:** No position.

**AG:** No position.

**FEA:** No position.

**FIPUG:** No position.

**OPC:** No position.

**STAFF:** PEF: No position pending testimony and evidence presented at hearing.  
FPL: No position pending testimony and evidence presented at hearing.  
GULF: No position pending testimony and evidence presented at hearing.  
TECO: No position pending testimony and evidence presented at hearing.

**ISSUE 26:** What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2008 through December 2008?

**POSITIONS**

**PEF:** \$422,682,129. (Cross)

**FPL:** \$610,964,193. (Dubin)

**GULF:** \$26,894,321. (Ball, Martin)

**TECO:** The purchased power capacity cost recovery amount to be included in the recovery factor for the period January 2008 through December 2008, adjusted by the jurisdictional separation factor, is \$63,135,300. The total recoverable capacity cost recovery amount to be collected, including the true-up amount and adjusted for the revenue tax factor, is \$86,994,475. (Aldazabal)

**AARP:** No position.

**AG:** No position.

**FEA:** No position.

**FIPUG:** No contest.

**OPC:** No position.

**STAFF:** PEF: No position pending testimony and evidence presented at hearing.  
FPL: No position pending testimony and evidence presented at hearing.  
GULF: No position pending testimony and evidence presented at hearing.  
TECO: No position pending testimony and evidence presented at hearing.

**ISSUE 27:** **STIPULATED**

**ISSUE 28:** What are the appropriate capacity cost recovery factors for the period January 2008 through December 2008?

**POSITIONS**

**PEF:** (Cross)

<u>Rate Class</u>	<u>CCR Factor</u>
Residential	1.192 cents/kWh
General Service Non-Demand	1.009 cents/kWh
@ Primary Voltage	0.999 cents/kWh
@ Transmission Voltage	0.989 cents/kWh
General Service 100% Load Factor	0.691 cents/kWh
General Service Demand	0.852 cents/kWh
@ Primary Voltage	0.843 cents/kWh
@ Transmission Voltage	0.835 cents/kWh
Curtaillable	0.620 cents/kWh
@ Primary Voltage	0.614 cents/kWh
@ Transmission Voltage	0.608 cents/kWh
Interruptible	0.728 cents/kWh
@ Primary Voltage	0.721 cents/kWh
@ Transmission Voltage	0.713 cents/kWh
Lighting	0.169 cents/kWh

**FPL:** (Dubin)

Rate Schedule	Capacity Recovery Factor (\$/kw)	Capacity Recovery Factor (\$/kwh)
RS1/RST1	-	0.00546
GS1/GST1	-	0.00534
GSD1/GSDT1/HLFT(21-499 kW)	1.63	-
OS2	-	0.00584
GSLD1/GSLDT1/CS1/CST1/HLFT(500-1,999 kW)	2.05	-
GSLD2/GSLDT2/CS2/CST2/HLFT(2,000+ kW)	1.98	-
GSLD3/GSLDT3/CS3/CST3	1.86	-
CILC D/CILC G	2.15	-
CILC T	2.06	-
MET	2.18	-
OL1/SL1/PL1	-	0.00194
SL2, GSCU1	-	0.00297

RATE CLASS	CAPACITY RECOVERY FACTOR (RESERVATION DEMAND CHARGE) (\$/KW)	CAPACITY RECOVERY FACTOR (SUM OF DAILY DEMAND CHARGE) (\$/KW)
ISST1D	.25	.12
ISST1T	.24	.12
SST1T	.24	.12
SST1D1/SST1D2/SS T1D3	.25	.12

**GULF:** See table below: (Martin)

<b>RATE CLASS</b>	<b>CAPACITY COST RECOVERY FACTORS ¢/KWH</b>
RS, RSVP	0.271
GS	0.248
GSD, GSDT, GSTOU	0.212
LP, LPT	0.183
PX, PXT, RTP, SBS	0.154
OS-I/II	0.063
OSIII	0.165

**TECO:** The appropriate factors are as follows: (Aldazabal)

<u>Rate Schedule</u>	<u>Capacity Cost Recovery Factor (cents per kWh)</u>
Average Factor	0.428
RS	0.517
GS and TS	0.496
GSD, EV-X	0.415
GSLD and SBF	0.353
IS-1, IS-3, SBI-1, SBI-3	0.032
SL-2, OL-1 and OL-3	0.063

**AARP:** No position.

**AG:** No position.

**FEA:** No position.

**FIPUG:** No position.

**OPC:** No position.

**STAFF:** PEF: No position pending testimony and evidence presented at hearing.  
 FPL: No position pending testimony and evidence presented at hearing.  
 GULF: No position pending testimony and evidence presented at hearing.

TECO: No position pending testimony and evidence presented at hearing.

## **COMPANY-SPECIFIC CAPACITY COST RECOVERY FACTOR ISSUES**

### **Progress Energy Florida**

**ISSUE 29:** No company-specific issues for Progress Energy Florida have been identified at this time. If such issues are identified, they shall be numbered 29A, 29B, 29C, and so forth, as appropriate.

### **Florida Power & Light Company**

**ISSUE 30:** No company-specific issues for Florida Power & Light Company have been identified at this time. If such issues are identified, they shall be numbered 30A, 30B, 30C, and so forth, as appropriate.

### **Gulf Power Company**

**ISSUE 31:** No company-specific issues for Gulf Power Company have been identified at this time. If such issues are identified, they shall be numbered 31A, 31B, 31C, and so forth, as appropriate.

### **Tampa Electric Company**

**ISSUE 32:** No company-specific issues for Tampa Electric Company have been identified at this time. If such issues are identified, they shall be numbered 32A, 32B, 32C, and so forth, as appropriate.

IX. EXHIBIT LIST

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
<u>Direct</u>			
Will Garrett	PEF	WG-1T	Fuel Cost Recovery True-Up (Jan – Dec. 2006)
Will Garrett	PEF	WG-2T	Capacity Cost Recovery True- Up (Jan – Dec. 2006)
Will Garrett	PEF	WG-3T	Schedules A1 through A3, A6 and A12
Lori Cross	PEF	LC-1R	Estimated/Actual true-up Schedules for period 1/07 through 12/07.
Lori Cross	PEF	LC-1P	Projection factors for January to December 2008.
Joseph McCallister	PEF	JM-1T	2006 Hedging Information as required by Order No. PSC- 02-1484-FOF-EI
Joseph McCallister	PEF	JM-1P	2008 Risk Management Plan
Robert M. Oliver	PEF	RMO-1T	GPIF Reward/Penalty Schedules for 2006.
Robert M. Oliver	PEF	RMO-1P	GPIF Targets/Ranges Schedules (for Jan – Dec. 2008)
G. Yupp	FPL	GJY-1	2006 Hedging Activity
G. Yupp	FPL	GJY-2	Fuel Cost Recovery and Capacity Cost Recovery Projections

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
T.O. Jones	FPL	TOJ-1	Turkey Point Outage Extension
			Fuel Cost Recovery and Capacity Cost Recovery Projections
K. M. Dubin	FPL	KMD-1	Fuel Cost Recovery and Capacity Cost Recovery 2006 Final True-up
K. M. Dubin	FPL	KMD-2	Fuel Cost Recovery and Capacity Cost Recovery 2006 Final True-up
K. M. Dubin	FPL	KMD-3	Fuel Cost Recovery and Capacity Cost Recovery 2007 Estimated/Actual True-Up
K. M. Dubin	FPL	KMD-4	Fuel Cost Recovery and Capacity Cost Recovery 2007 Estimated/Actual True-Up
K. M. Dubin	FPL	KMD-5	Fuel Cost Recovery and Capacity Cost Recovery 2008 Projections
K. M. Dubin	FPL	KMD-6	Fuel Cost Recovery and Capacity Cost Recovery 2008 Projections
P. Sonnelitter*	FPL	PS-1	2006 GPIF Performance Results
* The exhibits filed by witness Sonnelitter will be adopted and sponsored by witness Irizarry			
F. Irizarry	FPL	FI-2	2008 GPIF Incentive Factor Targets and Ranges
Cheryl Martin*	FPUC	CMM-2	Schedules M1, F1, and E1-B (for the Marianna and Fernandina Beach Divisions)
* The exhibits filed by witness Martin will be adopted and sponsored by witness Khojasteh.			

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Cheryl Martin* * The exhibits filed by witness Martin will be adopted and sponsored by witness Khojasteh.	FPUC	CMM-2	Schedules E1-A, E1-B, and E1-B1(for the Marianna and Fernandina Beach Divisions)
Mehrdad Khojasteh	FPUC	MK-1	Schedules E1, E1-A, E2, E7 and E10 for the Marianna Division and Schedules E1, E1-A, E2, E7, E8 and E10 for the Fernandina Beach Division
H. R. Ball	GULF	HRB-1	Coal Suppliers and Hedging Transactions, January 2006 - December 2006
H. R. Ball	GULF	HRB-2	Projected vs. Actual Fuel Cost of Net Generation, March 1997 - December 2008
R. J. Martin	GULF	RJM-1	Calculation of Final True-Up January 2006 – December 2006
R. J. Martin	GULF	RJM-2	Estimated True-Up, January 2007 – December 2007
R. J. Martin	GULF	RJM-3	Projection, January 2008 – December 2008
L. S. Noack	GULF	LSN-1	Gulf Power Company GPIF Results, January 2006 - December 2006
L. S. Noack	GULF	LSN-2	Gulf Power Company GPIF Targets and Ranges, January 2008 - December 2008
Carlos Aldazabal	TECO	CA-1	Fuel Cost Recovery January 2006 - December 2006
Carlos Aldazabal	TECO	CA-1	Capacity Cost Recovery January 2006 - December 2006
Carlos Aldazabal	TECO	CA-2	Fuel Cost Recovery, Projected January 2007 – December 2007

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Carlos Aldazabal	TECO	CA-2	Capacity Cost Recovery, Projected January 2007 – December 2007,
Carlos Aldazabal	TECO	CA-3	Fuel Cost Recovery, Projected January 2008 – December 2008
Carlos Aldazabal	TECO	CA-3	Capacity Cost Recovery, Projected, January 2008 – December 2008
Carlos Aldazabal	TECO	CA-3	2008 Incremental Security Costs
David R. Knapp	TECO	DRK-1	Generating Performance Incentive Factor Results January 2006 – December 2006
David R. Knapp	TECO	DRK-2	Generating Performance Incentive Factor Estimated January 2008 – December 2008
Joann T. Wehle	TECO	JTW-1	Calculation of 2006 Incremental Hedging Operations and Maintenance Costs
Joann T. Wehle	TECO	JTW-2	2006 Waterborne Transportation Cost Adjustment
Aaron L. Rothschild	OPC	ALR-1	Resume of Aaron L. Rothschild

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

X. PROPOSED STIPULATIONS

A. The following stipulated issues reflect agreement among each investor-owned utility and Staff, with all other parties taking no position on the issue:

**ISSUE 4:** What is the appropriate revenue tax factor to be applied in calculating each investor-owned electric utility's levelized fuel factor for the projection period January 2008 through December 2008?

**POSITION**

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

**ISSUE 7:** What are the appropriate fuel recovery line loss multipliers to be used in calculating the fuel cost recovery factors charged to each rate class/delivery voltage level class?

**POSITION**

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

FPL: The appropriate Fuel Cost Recovery Loss Multipliers are:

FLORIDA POWER & LIGHT COMPANY

FUEL RECOVERY FACTORS – BY RATE GROUP  
 (ADJUSTED FOR LINE/TRANSFORMATION LOSSES)

JANUARY 2008 – DECEMBER 2008

GROUP	RATE SCHEDULE	FUEL RECOVERY LOSS MULTIPLIER
A	RS-1 first 1,000 kWh	1.00207
	all additional kWh	1.00207
A	GS-1, SL-2, GSCU-1	1.00207
A-1*	SL-1, OL-1, PL-1	1.00207
B	GSD-1	1.00201
C	GSLD-1 & CS-1	1.00091
D	GSLD-2, CS-2, OS-2 & MET	0.99379
E	GSLD-3 & CS-3	0.95688
A	RST-1, GST-1 ON-PEAK	1.00207
	OFF-PEAK	1.00207
B	GSDT-1, CILC-1(G), ON-PEAK	1.00201
	HLFT-1 (21-499 kW) OFF-PEAK	1.00201
C	GSLDT-1, CST-1, ON-PEAK	1.00103
	HLFT-2 (500-1,999 kW) OFF-PEAK	1.00103
D	GSLDT-2, CST-2, ON-PEAK	0.99551
	HLFT-3 (2,000+) OFF-PEAK	0.99551
E	GSLDT-3, CST-3, ON-PEAK	0.95688
	CILC -1(T) OFF-PEAK	0.95688
	& ISST-1(T)	
F	CILC -1(D) & ON-PEAK	0.99302
	ISST-1 (D) OFF-PEAK	0.99302

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

FLORIDA POWER & LIGHT COMPANY

DETERMINATION OF SEASONAL DEMAND TIME OF USE RIDER (SDTR)  
 FUEL RECOVERY FACTORS

ON PEAK: JUNE 2008 THROUGH SETPTEMBER 2008 – WEEKDAYS 3:00 PM TO 6:00 PM  
 OFF PEAK: ALL OTHER HOURS

GROUP	OTHERWISE APPLICABLE RATE SCHEDULE	FUEL RECOVERY LOSS MULTIPLIER
B	GSD(T)-1 ON-PEAK	1.00201
	OFF-PEAK	1.00201
C	GSLD(T)-1 ON-PEAK	1.00106
	OFF-PEAK	1.00106
D	GSLD(T)-2 ON-PEAK	0.99565
	OFF-PEAK	0.99565

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

GULF: See table below:

Group	Rate Schedules	Line Loss Multipliers
A	RS, RSVP,GS, GSD, GSDT, GSTOU, OSIII, SBS(1)	1.00526
B	LP, LPT, SBS(2)	0.98890
C	PX, PXT, RTP, SBS(3)	0.98063
D	OSI/II	1.00529

- (1) Includes SBS customers with a contract demand in the range of 100 to 499 KW
- (2) Includes SBS customers with a contract demand in the range of 500 to 7,499 KW
- (3) Includes SBS customers with a contract demand over 7,499 KW

TECO: The appropriate fuel recovery line loss multipliers are as follows:

<u>Rate Schedule</u>	<u>Fuel Recovery Loss Multiplier</u>
RS, GS and TS	1.0042
RST and GST	1.0042
SL-2, OL-1 and OL-3	N/A
GSD, GSLD, and SBF	1.0004
GSDT, GSLDT, EV-X and SBFT	1.0004
IS-1, IS-3, SBI-1, SBI-3	0.9742
IST-1, IST-3, SBIT-1, SBIT-3	0.9742

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

**POSITION**

The new factors should be effective beginning with the first billing cycle for January 2008, and thereafter through the last billing cycle for December 2008. The first billing cycle may start before January 1, 2008, and the last billing cycle may end after December 31, 2008, so long as each customer is billed for twelve months regardless of when the factors became effective.

**ISSUE 10:** What are the appropriate actual benchmark levels for calendar year 2007 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

**POSITION**

PEF: \$3,008,157  
FPL: \$19,672,897  
GULF: \$3,395,987  
TECO: \$895,111

**ISSUE 11:** What are the appropriate estimated benchmark levels for calendar year 2008 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

**POSITION**

PEF: \$2,451,211  
FPL: \$21,014,637  
GULF: \$3,489,256  
TECO: \$1,181,573

**ISSUE 14A:** Are FPUC's proposed inverted fuel factors for the residential class appropriate?

**POSITION:** Yes. FPUC's proposed inverted residential fuel factors are appropriate.

**ISSUE 16B:** What is the appropriate actual benchmark level for TECO for calendar year 2006 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

**POSITION** \$1,051,869

**ISSUE 17:** What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period January 2006 through December 2006 for each investor-owned electric utility subject to the GPIF?

**POSITION**

PEF: \$607,201 reward.  
 FPL: \$9,001,300 reward.  
 GULF: \$205,097 penalty.  
 TECO: \$1,439,819 reward.

**ISSUE 18:** What should the GPIF targets/ranges be for the period January 2008 through December 2008 for each investor-owned electric utility subject to the GPIF?

**POSITION**

PEF:

**Equivalent Availability and Heat Rate/NOF 2008 Targets for PEF Units**

Unit	PEF EAF/POF/EUOF Targets			PEF HR/NOF Targets
	EAF	POF	EUOF	
Anclote 1	91.62	4.37	4.01	10,213 / 47.4
Anclote 2	83.03	11.48	5.50	10,298 / 41.1
Crystal River 1	92.48	0.00	7.52	10,279/ 76.0
Crystal River 2	84.16	4.37	11.46	9,824 / 78.1
Crystal River 3	96.78	0.00	3.22	10,321 / 98.0
Crystal River 4	83.52	11.48	5.00	9,480 / 89.3
Crystal River 5	93.17	0.00	6.83	9,593 / 88.9
Hines 1	83.48	12.84	3.68	7,349 / 80.9
Hines 2	88.47	8.74	2.78	7,017 / 80.1
Tiger Bay	77.66	19.67	2.67	7,973 / 87.5

FPL:

**Equivalent Availability and Heat Rate/NOF 2008 Targets for FPL Units**

Unit	FPL EAF/POF/EUOF Targets			FPL HR/NOF Targets
	EAF	POF	EUOF	
Ft. Myers 2	86.6	4.7	8.7	6,808 / 87.9
Lauderdale 4	93.3	2.7	4.0	7,757 / 81.7
Lauderdale 5	91.9	4.1	4.0	7,641 / 82.7
Martin 2	94.9	0.0	5.1	9,892 / 67.4
Martin 3	93.8	1.0	5.2	7,031 / 88.6
Martin 4	82.4	13.4	4.2	6,973 / 88.2
Sanford 4	94.1	1.9	4.0	6,920 / 88.9
Sanford 5	85.5	6.2	8.3	6,915 / 88.4
Scherer 4	85.6	10.4	4.0	10,163 / 97.7
St. Lucie 1	82.4	11.2	6.4	10,881 / 97.4
St. Lucie 2	93.6	0.0	6.4	11,052 / 97.5
Turkey Point 3	90.9	0.0	9.1	11,125 / 97.5
Turkey Point 4	81.7	9.6	8.7	11,070 / 97.6

GULF:

**Equivalent Availability and Heat Rate/NOF 2008 Targets for Gulf Power Co. Units**

Unit	Gulf EAF/POF/EUOF Targets			Gulf HR/NOF Targets
	EAF	POF	EUOF	
Crist 4	78.9	19.7	1.4	10,696 / 94.1
Crist 5	89.0	8.2	2.8	10,552 / 94.4
Crist 6	84.9	8.2	6.9	10,365 / 92.3
Crist 7	82.1	8.2	9.7	10,375 / 97.7
Smith 1	97.0	0.0	3.0	10,238 / 96.0
Smith 2	83.9	8.2	7.9	10,314 / 94.3
Daniel 1	93.8	2.5	3.8	10,132 / 95.6
Daniel 2	77.6	19.1	3.2	10,016 / 96.2

**Note:** NOF is not used for target setting for GULF.

TECO:

**Equivalent Availability and Heat Rate/NOF 2008 Targets for Tampa Electric Co. Units**

Unit	TEC EAF/POF/EUOF Targets			TEC HR/NOF Targets
	EAF	POF	EUOF	
Big Bend 1	72.8	3.8	23.4	10,908 / 79.5
Big Bend 2	77.3	8.7	14.0	10,693 / 84.5
Big Bend 3	47.5	26.5	26.0	10,657 / 74.5
Big Bend 4	73.6	3.8	22.6	10,837 / 85.8
Polk 1	77.2	7.9	14.9	10,607 / 87.3
Bayside 1	84.5	3.8	11.7	7,320 / 83.8
Bayside 2	83.6	15.3	1.1	7,359 / 80.7

**ISSUE 27:** What are the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the recovery factor for the period January 2008 through December 2008?

**POSITION**

PEF: Base - 93.753%, Intermediate – 79.046%, Peaking – 88.979%  
 FPL: FPSC 98.76048%  
 FERC 1.23952%  
 GULF: 96.42160%.  
 TECO: 96.66743%

B. The following stipulated issues reflect agreement among all parties:

**ISSUE 33:** Should the Commission continue its fuel cost recovery and prudence review policies, as established by Order No. 12645, issued November 3, 1983, in Docket No. 830001-EU, In re: Investigation of Fuel Adjustment Clauses of Electric Utilities?

**POSITION:** This issue should be considered by the Commission at a later proceeding.

XI. PENDING MOTIONS

PEF's Motion for Protective Order dated May 14, 2007 regarding documents and information sought in discovery by OPC's First Request for Production of Documents (No. 1)

FPL's Motion for Temporary Protective Order dated May 14, 2007 related to OPC's First Request for Production of Document No. 1 that requests documents that were filed in this docket with the Commission on a confidential basis.

FPL's Motion for Temporary Protective Order dated June 22, 2007 related to OPC's Second Request for Production of Documents Nos. 2 -8.

FPL's Motion for Temporary Protective Order dated September 13, 2007 related to OPC's request for Exhibit TOJ-1 to prepared testimony of T.O. Jones.

## XII. PENDING CONFIDENTIALITY MATTERS

PEF has the following pending requests for confidential classification:

- April 24, 2006 – 423 Forms for February 2006.
- December 21, 2006 – 423 Forms for October 2006.
- March 29, 2007 – 423 Forms for January 2007.
- April 2, 2007 – Exhibit JM-1T to the testimony of Joseph McCallister.
- April 30, 2007 – 423 Forms for February 2007.
- May 25, 2007 – 423 Forms for March 2007.
- June 19, 2007 – 423 Forms for April 2007.
- July 2, 2007 – Responses to Staff's First Set of Interrogatories (1-10) and Staff's First Request for Production of Documents (1-6).
- July 30, 2007 – 423 Forms for May 2007.
- August 17, 2007 – Exhibit LC-1R (Part A, Page 2 of 2) to the testimony of Lori Cross
- September 4, 2007 – Exhibit LC-1P to the testimony of Lori Cross, Pages 2 and 3 to the testimony of Joseph McCallister, and Exhibit JM-1P to the testimony of Joseph McCallister.
- September 7, 2007 – 423 Forms for June 2007.
- September 14, 2007 – Responses to OPC's First Set of Interrogatories (1-8), specifically responses to Nos. 4, 5 and 6.
- September 14, 2007 – Responses to OPC's Second Request for Production of Documents (2-16), specifically responses to Nos. 2, 3, 4 and 9.
- September 20, 2007 – 423 Forms for July 2007.
- October 1, 2007 - Notice of Intent to Request Confidential Classification of OPC testimony of Robert Sansom.

FPL has the following pending requests for confidential classification:

- January 5, 2007 - First Request for Extension of Confidential Classification for audit materials (audit control no. 05-031-4-1).
- January 31, 2007 - First Request for Extension of Confidential Classification for audit materials (audit control no. 05-028-4-1).

- February 9, 2007 - Request for Confidential Classification for November 2006 Form 423.
- April 2, 2007 - Request for Confidential Classification of Exhibit GJY-1 to prepared testimony of G. Yupp.
- May 1, 2007 - First Request for Extension of Confidential Classification granted by Order No. PSC-05-1079-CFO-EI.
- May 30, 2007 - Request for Confidential Classification for audit materials (audit control no. 07-022-4-3).
- June 21, 2007 - First Request for Extension of Confidential Classification granted by Order No. PSC-05-1248-CFO-EI.
- June 26, 2007 - Request for Confidential Classification for audit materials (audit control no. 07-022-4-1), (request revised September 27, 2007).
- July 18, 2007 - 423 Forms for March 2007.
- August 30, 2007 – 423 Forms for April 2007.
- September 4, 2007 - 423 Forms for May 2007.
- September 4, 2007 - Request for Confidential Classification of Schedule E12, Pg. 7 of Exhibit KMD-6 to prepared testimony of K. M. Dubin and Exhibit TOJ-1 to prepared testimony of T.O. Jones.
- October 1, 2007 - Request for Confidential Classification of Response to Staff's Second Set of Interrogatories No. 12.
- October 22, 2007 – First Request for Extension of Confidential Classification granted by Order No. PSC-06-0312-CFO-EI.
- October 22, 2007 – First Request for Extension of Confidential Classification granted by Order No. PSC-06-0318-CFO-EI.
- October 22, 2007 – Request for Confidential Classification of Response to Staff's Third Set of Interrogatories No. 16.

GULF has the following pending requests for confidential classification:

- September 11, 2006 - Request for Confidential Classification of certain documents produced to Commission Staff in connection with Fuel Adjustment Clause Audit 06-046-1-1.
- February 28, 2007 - Request for confidentiality for Schedule CCA-4 of Exhibit RJM-1 to the Direct Testimony of Rhonda J. Martin.
- April 4, 2007 - Request for confidentiality for Gulf Power's Risk Management Plan for Fuel Procurement.
- May 14, 2007 - Request for Temporary Protective Order relating to journal voucher documents produced to Commission Staff and to the Office of Public Counsel.
- July 18, 2007 – Request for confidentiality for Responses to Staff Interrogatories 1, 2, 4, and 5.
- October 17, 2007 – Supplemental Request for Confidential Classification of Schedule 2 of HRB-1.

TECO has the following pending requests for confidential classification:

- February 9, 2007 – Request for Confidential Classification of AuditWorkpapers Supplementing 4/26/06 filing (DN 01374-07).
- April 2, 2007 - Request for Confidential Classification of Pages 3 and 5 of Risk Management Report (DN 02853-07).
- April 30, 2007 - Motion for Temporary Protective Order Relative to Providing Confidential Information to OPC (DN 03619-07).
- May 10, 2007 - Motion for Temporary Protective Order (information provided to OPC pursuant to 1<sup>st</sup> Request for PODs (No. 1) (DN 03939-07).
- July 2, 2007 - Request for Confidential Classification and Motion for Temporary Protective Order (portions of answers to Staff's 1<sup>st</sup> Set of Interrogatories Nos. 1 and 5) (DN 05555-07).
- July 2, 2007 - Request for Confidential Classification and Motion for Temporary Protective Order (portions of answers to Staff's 1<sup>st</sup> PODs Nos. 2 and 4) (DN 05557-07).
- July 27, 2007 - Request for Confidential Classification [of draft request for proposals (RFP)] DN 05684-07 (DN 06456-07).
- August 6, 2007 - Request for Confidential Classification of Schedule E12 (Bates stamp pg. 29) for 1/07 through 12/07 (DN 06751-07).
- August 15, 2007 - Request for Confidential Classification re: modified language in draft RFP submitted 7/6/07 at pages 12-13 (DN 07182-07).
- September 4, 2007 - Request for Confidential Classification of certain information contained in Carlos Aldazabal's Ex. CA-3, No. 2, Schedule E12 (DN 07989-07).
- September 4, 2007 - Request for Confidential Classification of Portions of pgs. 7 and 15 of Prepared Direct Testimony of Joanne T. Wehle and Portions of No. 1, pg. 1 of 1, of Exh JTW-2 (Bates stamp pg. 18) (DN 07992-07).

### XIII. POST-HEARING PROCEDURES

If no bench decision is made, 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 this Prehearing Order, the post-hearing statement may simply restate the prehearing position; however, if the prehearing position is longer than 50 words, it must be reduced to no more than 50 words. If a party fails to file a post-hearing statement, that party shall have waived all issues and may be dismissed from the proceeding.

Pursuant to Rule 28-106.215, F.A.C., 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.

XIV. RULINGS

Opening statements, if any, shall not exceed five minutes per party.

It is therefore,

ORDERED by Commissioner Matthew M. Carter II, 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 Matthew M. Carter II, as Prehearing Officer, this 31st day of October, 2007.

  
MATTHEW M. CARTER II  
Commissioner and Prehearing Officer

( S E A L )

LCB

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; 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 or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, 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.