



**Florida
Power**
CORPORATION

JEFFERY A. FROESCHLE
CORPORATE COUNSEL

May 9, 1997

**Ms. Blanca S. Bayó, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0830**

Re: Docket No. 96084-BQ

Dear Ms. Bayó:

Enclosed for filing in the subject docket are an original and fifteen copies of the Preliminary List of Issues and Positions of Florida Power Corporation.

Please acknowledge your receipt of the above filing on the enclosed copy of this letter and return to the undersigned. Also enclosed is a 3.5 inch diskette containing the above-referenced document in WordPerfect format. Thank you for your assistance in this matter.

Very truly yours,

Jeffrey A. Froeschle

- ACK
- AFA 2
- APP
- CAF
- CMU
- CTR
- EAG 1
- LEG 1
- LIN 5
- OPC
- RCH
- SEC 1
- WAS
- OTH

JAF/kp
Enclosures

cc: Parties of record

RECEIVED & FILED

EPSC-BUREAU OF RECORDS

GENERAL OFFICE

DOCUMENT NUMBER - DATE

04725 MAY 125

FPSC-RECORDS/REPORTING

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the enclosed Preliminary List of Issues and Positions of Florida Power Corporation has been furnished to the following individuals by U.S. Mail this 9th day of May, 1997:

**Joseph A. McGlothlin, Esquire
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Attorney

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Approval of Early Termination Amendment to Negotiated Qualifying Facility Contract with Orlando Cogen Limited, Ltd. by Florida Power Corporation.

Docket No. 961184-EQ
Submitted for filing:
May 12, 1997

**FLORIDA POWER CORPORATION'S
PRELIMINARY LIST OF ISSUES AND POSITIONS**

Florida Power Corporation (FPC), hereby submits its Preliminary List of Issues and Positions with respect to its Petition for approval of an early termination amendment to the negotiated qualifying facility contract with Orlando Cogen Limited, Ltd. and states as follows:

1. ISSUE: Should the Commission approve the Amendment to the negotiated contract between Florida Power and Orlando Cogen Limited, L.P. ("OCL")?

FPC: Yes. The Amendment provides for the early termination of the power purchase agreement with OCL in 2013 instead of 2023, and will produce net savings for Florida Power's customers of \$447 million in cumulative payments or net present value savings of \$30.5 million.

2. ISSUE: Given Commission approval to recover the early termination cost, how should the recovery of the buyout cost be allocated between Capacity Cost Recovery clause and the Fuel and Purchased Power Cost Recovery clause?

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EPC: The recovery of the buyout cost should be apportioned between the CCR and the fuel clause according to the established policy which preserves, as closely as possible, the ratio of cost recovery between the CCR and fuel clause that existed before the transaction. Such an allocation will result in approximately 77% of the buyout cost being recovered through the CCR and the remaining 23% of the buyout cost being recovered through the fuel clause.

3. **ISSUE:** Is the proposed buyout transaction with OCL consistent with the objectives of the reverse auction bid solicitation?

EPC: Yes. FPC stated in its solicitation that "Proposals will be judged according to their ability to reduce the long term cost of purchases under existing QF contracts in a manner that is cost effective to FPC's customers." The OCL buyout transaction is fully consistent with this objective.

4. **ISSUE:** Are the savings expected to be realized from the buyout transaction subject to undue risk?

EPC: No. EPC has performed balanced sensitivity studies to evaluate the risk of this buyout. These studies have all shown that the ratepayer benefits from this buyout. It should be remembered that when performing sensitivity studies, the sensitivities should be balanced. For instance, if studies are performed using a high fuel forecast then studies should also be performed using a low fuel forecast. A balanced approach will provide a complete evaluation from which a sound decision should be based.

5. **ISSUE:** Does the Commission have a defined standard for intergenerational fairness, and if so, what is that standard?

FPC: No. The Commission has neither stated nor provided a reference to an objective definition of intergenerational fairness.

6. **ISSUE:** If the Commission has a standard for intergenerational fairness, does the proposed OCL buyout transaction meet that standard?

FPC: Yes. FPC compared the buyout transaction to the cost of providing the same capacity and energy to customers from a coal plant using conventional accounting and rate recovery. This analysis demonstrated that the OCL contract including the buyout had a lower cost in the near term (1993-2001) than the coal alternative and therefore does not have an objectionable intergenerational impact.

7. **ISSUE:** Should this docket be closed?

FPC: Yes.

Respectfully submitted,

**OFFICE OF THE GENERAL COUNSEL
FLORIDA POWER CORPORATION**

By 

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