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**Florida Power**  
CORPORATION

**JAMES A. MCGEE**  
SENIOR COUNSEL

July 25, 1997

Ms. Blanca S. Bayó, Director  
Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

Re: Docket No. 970001-EI

Dear Ms. Bayó:

Enclosed for filing in the subject docket are an original and ten copies each of the Rebuttal Testimony of Karl H. Wieland on behalf 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.

- ACK
- AFA Vander
- APP \_\_\_\_\_
- CAF \_\_\_\_\_
- CMU \_\_\_\_\_
- CTR \_\_\_\_\_
- EAG \_\_\_\_\_
- LEG 1
- LIN 3 + org
- OPC \_\_\_\_\_
- RCH \_\_\_\_\_
- SEC 1
- WAS \_\_\_\_\_
- OTH \_\_\_\_\_

JAM/kp  
Enclosure  
cc Parties of record

Very truly yours,  
  
James A. McGee

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**CERTIFICATE OF SERVICE**

**Docket No. 970001**

I **HEREBY CERTIFY** that a true and correct copy of the Rebuttal Testimony of Karl H. Wieland on behalf of Florida Power Corporation has been sent by regular U.S. mail to the following individuals this 25th day of July, 1997:

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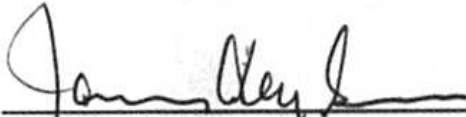
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**FLORIDA POWER CORPORATION  
DOCKET No. 970001-EI**

**REBUTTAL TESTIMONY OF  
KARL H. WIELAND**

- 1 **Q. Please state your name and business address.**
- 2 **A. My name is Karl H. Wieland. My business address is Post Office Box**
- 3 **14042, St. Petersburg, Florida 33733.**
- 4
- 5 **Q. By whom are you employed and in what capacity?**
- 6 **A. I am employed by Florida Power Corporation as Director of Business**
- 7 **Planning.**
- 8
- 9 **Q. Have you previously filed direct testimony in this proceeding?**
- 10 **A. Yes, my direct testimony was filed on July 2, 1997.**
- 11
- 12 **Q. What is the purpose of your rebuttal testimony?**
- 13 **A. The purpose of my testimony is to address the recommendation made**
- 14 **by staff witness Ballinger to eliminate the 20% stockholder sharing**
- 15 **of profits from economy broker sales.**
- 16
- 17 **Q. Do you agree with Mr. Ballinger that the electric utility industry has**
- 18 **undergone significant changes since 1984 when the 80/20 sharing**
- 19 **incentive was established?**
- 20 **A. Yes. The reasons cited by Mr. Ballinger, such as advances in**
- 21 **combined cycle technology, low natural gas prices, new contracts and**

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1 the energy markets such as IPPs and power marketers, and FERC's  
2 open access rules, have changed and will continue to change the  
3 electric utility industry from a highly regulated to a more competitive,  
4 market-based industry.

5  
6 **Q. Do these changes lead to the conclusion suggested by Mr. Ballinger**  
7 **that regulatory incentives, such as the 80/20 sharing of economy**  
8 **sales profits, should be discontinued?**

9 **A. Not necessarily. In fact, one can argue exactly the opposite.**  
10 **Competitive markets provide very strong financial incentives to**  
11 **companies that operate in them. Those companies also assume**  
12 **much greater risk. As the energy industry transitions from a fully**  
13 **regulated towards a less regulated, market-based competitive**  
14 **industry, regulatory policy should change as well.**

15 Florida Power agrees that Commission practices such as the  
16 80/20 sharing may need to be revisited and perhaps modified or  
17 replaced to make sure they make sense in today's environment.  
18 However, the issue of regulatory incentives is too complex to be  
19 properly debated in the limited time available in this proceeding.  
20 Consideration of restructuring, elimination, or expansion of regulatory  
21 incentives deserves a separate docket that allows sufficient time for  
22 a comprehensive evaluation and discussion of this issue.

23  
24 **Q. Is it necessary to address the elimination of the 80/20 sharing of**  
25 **gains from economy broker sales in order to resolve the issue**

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**identified for consideration in this proceeding regarding the proper treatment of transmission revenues related such sales?**

**A. No. Eliminating the sharing of economy broker sales profit would do nothing to resolve the issue of whether, and if so, how, transmission revenues from broker sales should be credited to the fuel clause.**

**Q. Does this conclude your rebuttal testimony?**

**A. Yes.**