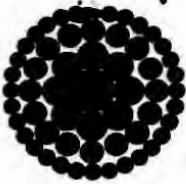


ORIGINAL



**Florida  
Power**  
CORPORATION

**JAMES A. MCGEE**  
SENIOR COUNSEL

**September 30, 1997**

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

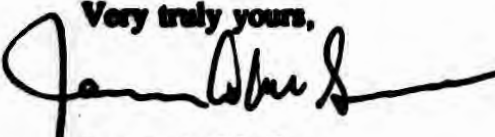
**Re: Docket No. 980684-BQ**

**Dear Ms. Bayó:**

**Enclosed for filing in the subject docket are an original and fifteen copies of Prehearing Statement 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 3  
APP \_\_\_\_\_  
CAF \_\_\_\_\_  
CMU \_\_\_\_\_  
CTR \_\_\_\_\_  
EAG 1 *Parties of Record*  
LEG 1  
LIN 2  
OFC \_\_\_\_\_  
RCH \_\_\_\_\_  
SEC 1  
WAS \_\_\_\_\_  
OTH \_\_\_\_\_

Very truly yours,  
  
James A. McGee

JAM/kp  
Enclosures  
Parties of Record

RECEIVED  
  
FPSC - BUREAU OF RECORDS

GENERAL OFFICE

DOCUMENT NUMBER-DATE

10056 OCT-15  
FPSC-RECORDS/REPORTING

**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:  
October 1, 1997**

**CERTIFICATE OF SERVICE**

**I HEREBY CERTIFY that a true copy of the enclosed the Prehearing Statement of  
Florida Power Corporation has been furnished to the following individuals by express  
delivery(\*) or U.S. Mail this 30th day of September, 1997:**

**Matthew M. Childs, Esquire  
Steel, Hector & Davis  
215 South Monroe Street  
First Florida Bank Bldg.  
Suite 601  
Tallahassee, FL 32301-1804**

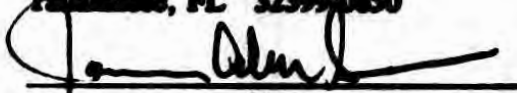
**J. Roger Howe, Esquire  
Office of the Public Counsel  
111 West Madison Street, Room 182  
Tallahassee, FL 32399-1400**

**Roger Yott, P.E.  
Thomas Donchez  
Air Products & Chemicals, Inc.  
2 Windsor Plaza  
2 Windsor Drive  
Allentown, PA 18195**

**Debra Swim, Esquire  
Legal Environmental Assistance  
Foundation, Inc.  
1115 N. Gadsden Street  
Tallahassee, FL 32303**

**Wm. Cochran Keating IV, Esquire\*  
Florida Public Service Commission  
2540 Sharnard Oak Boulevard  
Tallahassee, FL 32399-0850**

**Orlando Cogen Limited  
8275 Exchange Road  
Orlando, FL 32809**

  
\_\_\_\_\_  
**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: October 1, 1997

**PREHEARING STATEMENT OF FLORIDA POWER CORPORATION**

Florida Power Corporation (FPC), pursuant to Rule 25-22.038, Florida Administrative Code, hereby submits its Prehearing Statement in this matter and states as follows:

**A. APPEARANCES**

**JAMES A. MCGEE, Esquire, and JEFFERY A. FROESCHLE, Esquire,**  
Post Office Box 14042, St. Petersburg, FL 33733-4042  
**On behalf of Florida Power Corporation**

**B. WITNESSES**

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
Lee G. Schuster	Justification for approval of Early Termination Amendment between OCL and FPC	1 - 6

**C. EXHIBITS**

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
<u>(LGS-1)</u>	Schuster	December 26, 1996 Staff Recommendation

DOCUMENT NUMBER-DATE

**10056 OCT-15**

<u>(LGS-2)</u>	Schuster	FPC's Solicitation for Reverse Auction Bids
<u>(LGS-3)</u>	Schuster	Excerpt from FPC's 1996 Ten-Year Site Plan, Supplemental Filing
<u>(LGS-4)</u>	Schuster	Staff Sensitivity Analysis Cases
<u>(LGS-5)</u>	Schuster	FPC's Response to Staff Questions dated November 22, 1996
<u>(LGS-6)</u>	Schuster	FPC's Response to Staff Questions dated November 26, 1996

#### **D. STATEMENT OF BASIC POSITION**

Approval of the early termination amendment between OCL and FPC will provide customers over \$470 million in savings, while helping to alleviate the intergenerational inequity that resulted from approval of the original negotiated contract, which shifted substantial costs from current customers to future customers.

#### **E. STATEMENT OF ISSUES AND POSITIONS**

**Issue 1:** Are the economic risks associated with projected ratepayer savings resulting from the Amendment to the Negotiated Contract between Florida Power Corporation and Orlando Cogen Limited, Ltd., reasonable?

**FPC:** Yes. FPC 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 is important that sensitivity studies be performed in a balanced manner, *i.e.*, 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.

**Issue 2:** Are the intergenerational inequities among Florida Power Corporation's ratepayers, if any, associated with the Amendment to the Negotiated Contract between Florida Power Corporation and Orlando Cogen Limited, Ltd., reasonable?

**EPC:** There is no intergenerational inequity associated with the early termination amendment. To the contrary, the amendment helps correct the intergenerational inequity that resulted from approval of the original negotiated contract, which shifted significant costs from current customers to future customers. Even with the costs of the contract buyout, customers will pay less through 2001 (when the buyout costs have been completely recovered) than if the avoided unit had been built.

**Issue 3:** Does the Commission have a defined standard for intergenerational fairness, and if so, what is that standard?

**EPC:** No, the Commission has never attempted to objectively define intergenerational fairness. Moreover, to FPC's knowledge, the Commission has never rejected a proposal that provides positive net present value savings over the appropriate planning horizon because of intergenerational considerations. Instead, the Commission has approved projects for cost recovery that range from "front-end loading" significant costs on current customers under traditional revenue requirements ratemaking to "back-end loading" a disproportionate share of costs on future customers through value of deferral ratemaking, so long as the projects provided positive net present value savings.

**Issue 4:** Should the Amendment to the Negotiated Contract between Florida Power Corporation and Orlando Cogeneration Limited, Ltd., be approved for cost recovery?

**EPC:** 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 \$470 million in cumulative payments or net present value savings of \$32.5 million.

**Issue 5:** If approved, how should Florida Power Corporation recover the expenses associated with the Amendment to the Negotiated Contract between Florida Power Corporation and Orlando Cogeneration Limited, Ltd.?

**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.

**Issue 6:** Should this docket be closed?

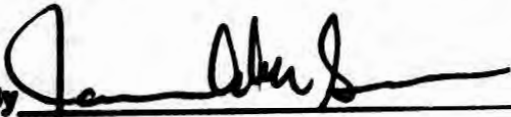
**FPC:** Yes.

**F. STIPULATED ISSUES:** None at this time.

**G. PENDING MOTIONS:** None.

Respectfully submitted,

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

By 

**James A. McGee  
Post Office Box 14042  
St. Petersburg, FL 33733-4042  
Telephone: (813) 866-5184  
Facsimile: (813) 866-4931**