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Florida Power
CORPORATION

JAMES A. MCGEE
SENIOR COUNSEL

March 3, 1999

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

In Re: Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor
Docket No. 990001-EI

Dear Ms. Bayó:

Enclosed for filing in the subject docket is an original and fifteen (15) copies of Florida Power Corporation's Post-Hearing Statement.

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,

James A. McGee

JAM/kma
Enclosure
cc: Parties of Record

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GENERAL OFFICE
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A Florida Progress Company

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost recovery clause and generating performance incentive factor.

Docket No. 990001-EI
Transmission Reconsideration

Submitted for filing:
March 4, 1999

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of Florida Power Corporation's Post-Hearing Statement has been furnished to the following individuals by regular U.S. Mail the 4th day of March, 1999:

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ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor.

Docket No. 990001-EI

Submitted for filing:
March 4, 1999

TRANSMISSION RECONSIDERATION

POST-HEARING STATEMENT OF
FLORIDA POWER CORPORATION

Florida Power Corporation (FPC), pursuant to Rule 25-22.056, F.A.C., hereby submits its Post-hearing Statement on the Transmission Reconsideration issues presented to the Commission at the hearing held in this matter on February 12, 1999, and states as follows:

1. ISSUE: Does the FERC require that revenue from non-firm transmission services subject to FERC jurisdiction be reflected as a revenue credit in the derivation of firm transmission rates subject to FERC jurisdiction?

   ** FPC: Yes. FERC's cost of service and ratemaking practices have traditionally required the crediting of non-firm revenues on a functional basis to the fully allocated costs assigned to firm customers.

2. ISSUE: How should the transmission revenues associated with economy transactions over the Energy Broker Network be allocated between the retail and wholesale jurisdictions?

** FPC: FPC has for years consistently utilized a 12 CP methodology before the FERC and this Commission to establish jurisdictional transmission cost responsibility. A jurisdictional factor derived using this methodology should be used to allocate transmission revenues associated with economy transactions over the Energy Broker Network between the retail and wholesale jurisdictions.

Discussion

See discussion under Issue 3 below.

3. ISSUE: How should Florida Power Corporation allocate transmission revenues associated with economy transactions over the Energy Broker Network between the retail and wholesale jurisdictions?

** FPC: For sales under existing economy sales agreements (*i.e.*, entered before Order 888), where revenues have simply been unbundled into generation and transmission components, the appropriate jurisdictional portions of both the generation and transmission components of economy sales revenues should be treated as a credit to the retail customer's fuel charge.

Discussion

[Note: Because of their overlapping nature, Issues 2 and 3 are addressed together.]

In FPC's particular case, retail and wholesale customers utilize its transmission system in substantially different proportions than they utilize its production system. This is because two relatively large wholesale customers (Seminole Electric Cooperative and the Florida Municipal Power Authority) use FPC's transmission system to deliver electricity that is not generated by FPC's production system. As a result, retail customers are responsible for approximately 95% of the energy produced by FPC's production system and only 75% of the demand imposed on its transmission system, while wholesale customers are responsible for the reciprocal amount (5% and 25%) of each system's usage. For this reason, the retail and wholesale customers support the same proportions of the costs of FPC's production and transmission systems through their respective rates.

With respect to the transmission revenues subject to this proceeding, fairness to both customers and FPC requires a 75%-25% allocation of these revenues between the retail and wholesale jurisdictions, respectively. From the customers' perspective, since FPC's firm wholesale transmission customers support 25% of the cost of its transmission system, it would be patently unfair to credit them with only 5% of any incremental revenues produced by that system. Likewise, retail customers would receive an unwarranted windfall if they were to be credited with 95% of the incremental revenues produced by a transmission system for which they support only 75% of the costs.

From FPC's perspective, requiring that 95% of the transmission revenues from economy broker sales be credited to retail customers would be equally unfair. FPC is required by FERC to credit its wholesale customers with a share of these transmission revenues equal to the share of transmission cost responsibility supported by its wholesale business, *i.e.*, 25%. If FPC must also credit 95% of the same transmission revenues to its retail fuel clause based on a production-related allocation factor, it will obviously be forced to credit more revenues than it receives.

Results such as these to FPC and it customers would be contrary to the Commission's uncontested finding in the order now under reconsideration that "to the extent possible, stockholders and ratepayers should not be harmed by the FERC Order (888)." Order No. PSC-98-0073-FOF-EI, at page 6.

4. ISSUE: How should Florida Power & Light allocate transmission revenues associated with economy transactions over the Energy Broker Network between the retail and wholesale jurisdictions?

FPC: No position.

5. ISSUE: How should Gulf Power Company allocate transmission revenues associated with economy transactions over the Energy Broker Network between the retail and wholesale jurisdictions?

FPC: No position.

6. ISSUE: How should Tampa Electric Company allocate transmission revenues associated with economy transactions over the Energy Broker Network between the retail and wholesale jurisdictions?

FPC: No position.

Respectfully submitted,

OFFICE OF THE GENERAL COUNSEL
FLORIDA POWER CORPORATION

By

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