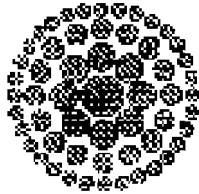


ORIGINAL



**Florida
Power**
CORPORATION

JAMES A. MCGEE
SENIOR COUNSEL

October 20, 1999

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

Re: Docket No. 990001-EI

Dear Ms. Bayó:

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

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

- AFA _____
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG _____
- LEG 1 _____
- MAS 3 _____
- OPC _____
- PAI _____
- SEC 1 _____
- WAW _____
- OTH _____

JAM/ams
Enclosure

cc: Parties of record

RECEIVED & FILED

FPSC BUREAU OF RECORDS

DOCUMENT NUMBER DATE

GENERAL OFFICE

12906 OCT 21 99

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:
October 21, 1999

**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 levelized fuel and capacity cost recovery factors and its Generating Performance Incentive Factor (GPIF) for the period of January through December 2000, and states as follows:

Generic Fuel Adjustment Issues

1. **ISSUE:** What are the appropriate final fuel adjustment true-up amounts for the period April through December 1998?

EPC: \$21,595,398 over-recovery. (Seardino)

2. **ISSUE:** What are the appropriate estimated fuel adjustment true-up amounts for the period January through December 1999?

EPC: \$28,941,574 under-recovery. (Wieland)

3. **ISSUE:** What are the total fuel adjustment true-up amounts to be collected from January through December 2000?

EPC: \$7,346,176 under-recovery. (Seardino/Wieland)

DOCUMENT NUMBER-DATE

12906 OCT 21 99

4. **ISSUE:** What is the appropriate levelized fuel cost recovery factor for the period of January through December 2000?

EPC: 2.050 cents per kWh (adjusted for jurisdictional losses). (Wieland)

5. **ISSUE:** What should be the effective date of the new fuel cost recovery factors for billing purposes?

EPC: The new factors should be effective beginning with the first billing cycle for January 2000, and thereafter through the last billing cycle for December 2000. The first billing cycle may start before January 1, 2000, and the last billing cycle may end after December 31, 2000, so long as each customer is billed for twelve months regardless of when the factors became effective.

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

EPC:

| Group | Delivery Voltage Level | Line Loss Multiplier | |
|-------|------------------------|----------------------|-----------|
| A. | Transmission | 0.9800 | |
| B. | Distribution Primary | 0.9900 | |
| C. | Distribution Secondary | 1.0000 | |
| D. | Lighting Service | 1.0000 | (Wieland) |

7. **ISSUE:** What are the appropriate fuel cost recovery factors for each rate/delivery voltage level group, adjusted for line losses?

EPC:

| Group | Delivery Voltage Level | Fuel Cost Factors (cents/kWh) | | |
|-------|------------------------|-------------------------------|---------|----------|
| | | Standard | On-Peak | Off-Peak |
| A. | Transmission | 2.012 | 2.539 | 1.781 |
| B. | Distribution Primary | 2.032 | 2.564 | 1.798 |
| C. | Distribution Secondary | 2.053 | 2.591 | 1.817 |
| D. | Lighting Service | 1.962 | | |

(Wieland)

8. **ISSUE:** What is the appropriate revenue tax factor to be applied in calculating each company's levelized fuel factor for the projection period of January through December 2000?

FPC: 1.00072 (Wieland)

9. **ISSUE:** What is the appropriate regulatory treatment for transmission revenue received from non-separated wholesale energy sales not made through the Energy Broker Network (EBN)?

FPC: The appropriate treatment is to include a jurisdictionally separated portion of such revenue with the utility's jurisdictional operating revenues. The jurisdictional portion of such revenue should be derived by a separation factor reflecting the cost responsibilities of the jurisdictional businesses for which transmission facilities are planned and built. A utility utilizes the unused capacity of these facilities when engaged in non-separated sales, and therefore the revenue generated from these sales should be credited in proportion to those jurisdictional businesses bearing the cost responsibilities for these facilities. (Wieland)

10. **ISSUE:** What is the appropriate regulatory treatment for the generation-related gain on non-separated wholesale energy sales not made through the EBN?

FPC: The jurisdictional portion of the generation-related gain of such sales should recognize that the revenues are a contribution toward the fixed costs of the facilities that enabled the transaction to take place. Fixed costs are generally apportioned in ratemaking proceedings to rate classes on the basis of their "demand" cost responsibility as contrasted to their "energy" responsibility. Since the Commission's practice is to pass the gains from non-separated sales through to customers via an adjustment clause, the appropriate adjustment clause for generation-related gains is the Capacity Cost Recovery (CCR) clause. This clause apportions items to rate classes on the basis of their "demand" responsibility, which is the more appropriate treatment for flowing gains from non-separated sales through to rate classes. (Wieland)

11. **ISSUE:** Should the Commission eliminate the 20% shareholder incentive set forth in Order No. 12923, issued January 24, 1984 in Docket No. 830001-EU-B?

EPC: No. In Order No. 12923, the Commission correctly acknowledged that "a positive incentive will preserve current levels of economy sales and may result in increased sales and that the 20% incentive is large enough to maximize the amount of economy sales and provide a net benefit to the ratepayer". The benefits of incentives are as great or greater today than they were when this order was written. As the generation market becomes more competitive, the case for incentives for regulated utilities becomes more compelling since they are competing with market entrants that retain 100% of profits for their shareholders. (Wieland)

12. **ISSUE:** If the Commission should decide to maintain the 20% shareholder incentive set forth in Order No. 12923, issued January 24, 1984 in Docket No. 830001-EU-B, what types of economy energy sales should be eligible for the 20 percent shareholder incentive?

EPC: All economy sales should be eligible for the 20% shareholder incentive that was set forth in Order No. 12923. Inconsistent application of incentives on economy sales could predispose utilities to favor sales that provide shareholder incentives over sales that maximize customer benefits.

13. **ISSUE:** When should the utilities subject to the Commission's fuel and purchased power cost recovery clause submit their projection filings and testimonies to set their 2001 levelized fuel and capacity cost factors?

EPC: A schedule for submitting projection filings and testimonies for the year 2001 similar to the schedule used for the year 2000 would be appropriate.

Company-Specific Fuel Adjustment Issues

15A ISSUE: Has FPC confirmed the validity of the methodology used to determine the equity component of Electric Fuels Corporation's capital structure for calendar year 1998?

EPC: Yes. Florida Power's Audit Services Department has reviewed the analysis performed by Electric Fuels Corporation. Florida Power continues to believe that this analysis confirms the appropriateness of the "short cut" method. (Wieland)

15B ISSUE: Has FPC properly calculated the market price true-up for coal purchases from Powell Mountain?

EPC: Yes. The calculation has been made in accordance with the market pricing methodology approved by the Commission in Docket No. 860001-EI-G. (Wieland)

15C ISSUE: Has FPC properly calculated the 1998 price for waterborne transportation services provided by Electric Fuels Corporation?

EPC: Yes. The 1998 waterborne transportation calculation has been properly made in accordance with the methodology used for prior years' calculations that have been approved by the Commission. (Wieland)

15D ISSUE: Should the Commission allow FPC to recover the cost of purchasing 18,000 tons of SO₂ emission allowances in the year 2000 through the fuel and purchased power cost recovery clause?

EPC: Yes. Florida Power projects the need for an additional 18,000 tons of SO₂ allowances in the year 2000 in order to comply with Phase II of the Clean Air Act. Commission Order No. 95-0450-FOF-EI states: "If a utility is not participating in the Environmental Cost Recovery Clause (ECRC), however, it would be appropriate to recover those dollars through the Fuel and Purchased Power Cost Recovery Clause". Florida Power does not participate in the ECRC, therefore the cost of emissions allowances should be recovered through the Fuel and Purchased Power Cost Recovery Clause.

15E **ISSUE:** Should the Commission allow FPC to recover the payment made to Lake Cogen, Ltd., as ordered by a final judgement entered in a lawsuit brought against FPC by Lake Cogen, Ltd., regarding a dispute over the energy pricing provisions of a negotiated QF contract between the two parties?

EPC: Yes. The payment made to Lake Cogen, as well as the projection of future energy payments to be made to Lake Cogen, are based on the final judgement of the Lake County circuit court interpreting the energy pricing provisions of the negotiated contract between FPC and Lake Cogen previously approved by the Commission for cost recovery purposes.

Generic Generating Performance Incentive Factor Issues

18B **ISSUE:** What is the appropriate GPIF reward or penalty for performance achieved during the period of April through September 1998?

EPC: \$340,289 reward. (McClintock)

18C **ISSUE:** What is the appropriate GPIF reward or penalty for performance achieved during the period of October through December 1998?

EPC: \$706,851 reward. (McClintock)

19. **ISSUE:** What should the GPIF targets/ranges be for the period of January through December, 2000?

EPC: See Attachment A. (McClintock)

Generic Capacity Cost Recovery Issues

22. **ISSUE:** What is the appropriate final capacity cost recovery true-up amount for the period of April through December 1998?

EPC: \$222,119 over-recovery. (Scardino)

23. **ISSUE:** What is the appropriate estimated capacity cost recovery true-up amount for the period of January through December 1999?

EPC: \$33,092,530 over-recovery. (Wieland)

24. **ISSUE:** What is the appropriate total capacity cost recovery true-up amount to be refunded during the period January through December 2000?

EPC: \$33,314,649 over-recovery. (Scardino/Wieland)

25. **ISSUE:** What is the appropriate projected net purchase power capacity cost recovery amount to be included in the recovery factor for the period January through December 2000?

EPC: \$274,665,906 (Wieland)

26. **ISSUE:** What are the projected capacity cost recovery factors for the period January through December 2000?

| EPC: | Rate Class | CCR Factor |
|-------------|----------------------------------|-------------------|
| | Residential | .972 cents/kWh |
| | General Service Non-Demand | .816 cents/kWh |
| | @ Primary Voltage | .808 cents/kWh |
| | @ Transmission Voltage | .800 cents/kWh |
| | General Service 100% Load Factor | .530 cents/kWh |
| | General Service Demand | .641 cents/kWh |
| | @ Primary Voltage | .634 cents/kWh |
| | @ Transmission Voltage | .628 cents/kWh |
| | Curtailable | .540 cents/kWh |
| | @ Primary Voltage | .534 cents/kWh |
| | @ Transmission Voltage | .529 cents/kWh |
| | Interruptible | .504 cents/kWh |
| | @ Primary Voltage | .499 cents/kWh |
| | @ Transmission Voltage | .494 cents/kWh |
| | Lighting | .184 cents/kWh |

(Wieland)

Respectfully submitted,

OFFICE OF THE GENERAL COUNSEL
FLORIDA POWER CORPORATION

By  _____

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GPIF TARGET AND RANGE SUMMARY

Company: Florida Power Corporation
 Period of: January, 2000 - December, 2000

| Plant/Unit | Weighting Factor (%) | EAF Target (%) | EAF RANGE | | Max. Fuel Savings (\$000) | Max. Fuel Loss (\$000) |
|--------------------|----------------------------|----------------------|-------------|-------------|---------------------------------|------------------------------|
| | | | Max. (%) | Min. (%) | | |
| ANCLOTE 1 | 4.71 | 92.38 | 94.15 | 88.68 | 1172 | (2,142.0) |
| ANCLOTE 2 | 5.88 | 83.84 | 88.96 | 77.78 | 1483 | (1,990.0) |
| BARTOW 3 | 1.68 | 82.84 | 85.39 | 75.71 | 418 | (2,028.0) |
| C.R. 1 | 3.48 | 90.28 | 94.81 | 81.24 | 850 | (3,595.0) |
| C.R. 2 | 10.89 | 75.25 | 79.85 | 68.34 | 2885 | (4,532.0) |
| C.R. 3 | 10.48 | 93.43 | 96.52 | 87.08 | 2508 | (7,790.0) |
| C.R. 4 | 9.88 | 75.85 | 78.97 | 69.01 | 2407 | (5,122.0) |
| C.R. 5 | 3.60 | 84.04 | 85.85 | 80.08 | 898 | (2,895.0) |
| TIGER BAY | 1.26 | 78.13 | 82.32 | 75.96 | 314 | (1,700.0) |
| GPIF System | 51.57 | | | | 12823 | (31,502.0) |

| Plant/Unit | Weighting Factor (%) | ANQHR Target (BTU/KWH) | NOF | ANQHR RANGE | | Max. Fuel Savings (\$000) | Max. Fuel Loss (\$000) |
|--------------------|----------------------------|---------------------------|-------|-------------|-------------|---------------------------------|------------------------------|
| | | | | Min. (%) | Max. (%) | | |
| ANCLOTE 1 | 5.16 | 10022 | 52.0 | 9744 | 10300 | 1281.8 | (1,281.8) |
| ANCLOTE 2 | 4.42 | 10026 | 53.2 | 9787 | 10283 | 1100.2 | (1,100.2) |
| BARTOW 3 | 2.16 | 10140 | 61.1 | 8860 | 10420 | 533.8 | (533.8) |
| C.R. 1 | 3.24 | 9851 | 82.4 | 9671 | 10032 | 805.5 | (805.5) |
| C.R. 2 | 2.63 | 8851 | 58.7 | 9887 | 10014 | 853.5 | (853.5) |
| C.R. 3 | 10.50 | 10357 | 100.2 | 10207 | 10507 | 2810.2 | (2,810.2) |
| C.R. 4 | 8.38 | 9422 | 89.8 | 9248 | 9896 | 1581.6 | (1,581.6) |
| C.R. 5 | 8.66 | 9384 | 91.5 | 9205 | 9582 | 2154.4 | (2,154.4) |
| TIGER BAY | 5.31 | 7698 | 90.0 | 7000 | 8180 | 1320.8 | (1,320.8) |
| GPIF System | 48.43 | | | | | 12041.5 | (12,041.5) |

Issued by: FPC

Filed:

Suspended:

Effective:

Docket No.:

Order No.:

CERTIFICATE OF SERVICE

Docket No. 990001-EI

I HEREBY CERTIFY that a true copy of Florida Power Corporation's Preliminary List of Issues and Positions has been furnished to the following individuals by U.S. Mail this 20th day of October, 1999:

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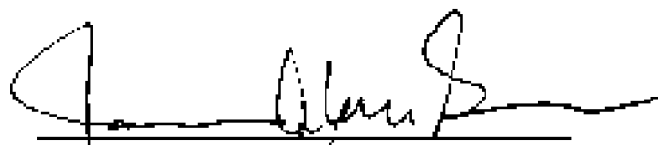
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