

STAFF'S PREHEARING STATEMENT
DOCKET NO. 990001-EI
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POSITION: FPC: \$15,103,811 overrecovery
FPL: \$33,531,098 overrecovery
FPUC-Fernandina Beach: \$277,585 overrecovery
FPUC-Marianna: \$250,799 overrecovery
GULF: \$2,450,200 underrecovery
TECO: \$11,830,891 overrecovery

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

POSITION: FPC: No position pending resolution of other issues.
FPL: No position pending resolution of other issues.
FPUC-Fernandina Beach: \$467,151 overrecovery
FPUC-Marianna: \$101,570 underrecovery
GULF: No position pending resolution of other issues.
TECO: No position pending resolution of other issues.

ISSUE 3: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January, 2000 to December, 2000?

POSITION: FPC: No position pending resolution of other issues.
FPL: No position pending resolution of other issues.
FPUC-Fernandina Beach: \$744,736 overrecovery
FPUC-Marianna: \$149,219 overrecovery
GULF: No position pending resolution of other issues.
TECO: No position pending resolution of other issues.

ISSUE 4: What are the appropriate levelized fuel cost recovery factors for the period January, 2000 to December, 2000?

POSITION: FPC: No position pending resolution of other issues.
FPL: No position pending resolution of other issues.
FPUC-Fernandina Beach: 1.819 cents per kwh.

FPUC-Marianna: 2.209 cents per kwh;
GULF: No position pending resolution of other
issues.
TECO: No position pending resolution of other
issues.

ISSUE 5: What should be the effective date of the fuel adjustment charge and capacity cost recovery charge for billing purposes?

POSITION: 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.

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

POSITION:

FPUC:	Delivery	Line Loss
	<u>Voltage Level</u>	<u>Multiplier</u>
A.	Transmission	0.9800
B.	Distribution Primary	0.9900
C.	Distribution Secondary	1.0000
D.	Lighting Service	1.0000

FPL: See Issue 7.

FPUC: Rate Schedule

<u>Marianna</u>	<u>Multiplier</u>
All Rate Schedules	1.0000
<u>Fernandina Beach</u>	
All Rate Schedules	1.0000

GULF: See table below:

Group	Rate Schedules*	Line Loss Multipliers
A	RS, GS, GSD, GSDT, SBS, OSIII, OSIV	1.01228
B	LP, LPT, SBS	0.98106
C	PX, PXT, SBS, RTP	0.96239
D	OSI, OSII	1.01228

*The multiplier applicable to customers taking service under Rate Schedule SBS is determined as follows: customers with a Contract Demand in the range of 100 to 499 KW will use the recovery factor applicable to Rate Schedule GSD; customers with a Contract Demand in the range of 500 to 7,499 KW will use the recovery factor applicable to Rate Schedule LP; and customers with a Contract Demand over 7,499 KW will use the recovery factor applicable to Rate Schedule PX.

TECO:	<u>Group</u>	<u>Multiplier</u>
	Group A	1.0071
	Group A1	n/a*
	Group B	1.0016
	Group C	0.9681

*Group A1 is based on Group A, 15% of On-Peak and 85% of Off-Peak.

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

POSITION: FPC: No position pending resolution of other issues.
FPL: No position pending resolution of other issues.
FPUC-Fernandina Beach:
Rate Schedule
RS 3.526¢/kwh
GS 3.364¢/kwh
GSD 3.064¢/kwh
OL 2.102¢/kwh
SL, CSL 2.102¢/kwh
FPUC-Marianna:
Rate Schedule
RS 3.999¢/kwh
GS 3.936¢/kwh
GSD 3.504¢/kwh
GSLD 3.381¢/kwh
OL, OL-2 2.645¢/kwh
SL-1, SL-2 2.608¢/kwh
GULF: No position pending resolution of other issues.
TECO: No position pending resolution of other issues.

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

POSITION: FPC: 1.00072
FPL: 1.01597
FPUC-Fernandina Beach: 1.01597
FPUC-Marianna: 1.00072
GULF: 1.01597
TECO: 1.00072

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

POSITION: No position pending further discovery and evidence adduced at the hearing.

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

POSITION: No position pending further discovery and evidence adduced at the hearing.

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

POSITION: No position pending further discovery and evidence adduced at the hearing.

ISSUE 12: If the Commission should decide to maintain the 20 percent 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?

POSITION: No position pending further discovery and evidence adduced at the hearing.

ISSUE 13: 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?

POSITION: Utilities should file their projection filings and testimonies to set their 2001 levelized fuel and capacity cost factors on September 5, 2000. Order No. PSC-98-0691-POF-PU in Docket No. 980269-PU established the current schedule which requires utilities to file projection filings and testimonies in October of each year. Therefore, sufficient time does not exist for intervenors and staff to analyze each issue raised by each utility.

ISSUE 14: Do electric utilities provide uniform treatment to wholesale sales and purchases to ensure that retail ratepayers are not disadvantaged?

POSITION: No position pending further discovery and evidence adduced at the hearing.

ISSUE 15: Should amounts that electric utilities pay to affiliated companies be publicly disclosed if the utility seeks recovery through a cost recovery clause?

POSITION: No position pending further discovery and evidence adduced at the hearing.

COMPANY-SPECIFIC FUEL ADJUSTMENT ISSUES

Florida Power & Light Company

ISSUE 16A: Should the Commission allow Florida Power & Light Company (FPL) to amortize the cost of its nuclear units' "last core" of nuclear fuel over the remaining life of each plant and recover those costs in the fuel and purchased power cost recovery clause?

POSITION: No position pending further discovery and evidence adduced at the hearing.

ISSUE 16B: What is the appropriate fuel price forecast for fuel oil and natural gas when determining FPL's appropriate levelized fuel cost recovery factor for the period January, 2000 to December, 2000?

POSITION: No position pending further discovery and evidence adduced at the hearing.

ISSUE 16C: Should the Commission allow FPL to recover the payment made to Cedar Bay in the fuel and purchased power cost recovery clause as a result of a court's interpretation of a contract dispute over the energy pricing provision of a QF contract between the two parties?

POSITION: The full Commission has considered the policy implications of a similar dispute between Florida Power and Lake Cogen, Ltd. on several occasions in Docket Nos. 940771-EQ, 961477-EQ, and 980509-EQ. Staff recommends that the full Commission address this issue.

Florida Power Corporation

ISSUE 17A: Has Florida Power Corporation confirmed the validity of the methodology used to determine the equity component of Electric Fuels Corporation's capital structure for calendar year 1998?

POSITION: Yes. The annual audit of EFC's revenue requirements under a full utility-type regulatory treatment confirms the appropriateness of the "short-cut" methodology used to determine the equity component of EFC's capital structure.

ISSUE 17B: Has Florida Power Corporation properly calculated the market price true-up for coal purchases from Powell Mountain?

POSITION: Yes. The calculation has been made in accordance with the market pricing methodology approved by the Commission in Docket No. 960001-EI-G.

ISSUE 17C: Has Florida Power Corporation properly calculated the 1998 price for waterborne transportation services provided by Electric Fuels Corporation?

POSITION: Yes. The calculation has been made in accordance with the market pricing methodology approved by the Commission in Docket No. 930001-EI.

ISSUE 17D: Should the Commission allow Florida Power 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?

POSITION: No position pending further discovery and evidence adduced at the hearing.

ISSUE 17E: Should the Commission allow Florida Power to recover the payment made to Lake Cogen, Ltd. as ordered by a final judgment entered in a lawsuit brought against Florida Power by Lake Cogen, Ltd. regarding a dispute over the energy pricing provision of a negotiated QF contract between the two parties?

POSITION: The full Commission has considered the policy implications of the dispute between Florida Power and Lake Cogen, Ltd. on several occasions in Docket Nos. 940771-EQ, 961477-EQ, and 980509-EQ. Staff recommends that the full Commission address this issue.

Gulf Power Company

ISSUE 18A: Is Gulf Power's proposal to burn low sulfur coal in its Smith Units 1 and 2 the most cost effective strategy to comply with Phase II of the 1990 Amendment to the Clean Air Act?

POSITION: No position pending further discovery and evidence adduced at the hearing.

ISSUE 18B: Is Gulf Power's proposal to burn bituminous coal at its Plant Daniel the most cost effective strategy to increase Gulf Power's capacity resources by 52 MW?

POSITION: No position pending further discovery and evidence adduced at the hearing.

Tampa Electric Company

ISSUE 19A: What is the appropriate 1998 benchmark price for coal Tampa Electric Company purchased from its affiliate, Gatliff Coal Company?

POSITION: \$43.89 per ton.

ISSUE 19B: Has Tampa Electric Company adequately justified any costs associated with the purchase of coal from Gatliff Coal Company that exceed the 1998 benchmark price?

POSITION: Tampa Electric Company has agreed not to seek recovery of any costs associated with the purchase of coal from Gatliff Coal Company that exceed the 1998 benchmark price.

ISSUE 18C: What is the appropriate 1998 waterborne coal transportation benchmark price for transportation services provided by affiliates of Tampa Electric Company?

POSITION: \$28.14 per ton.

ISSUE 19D: Has Tampa Electric Company adequately justified any costs associated with transportation services provided by affiliates of Tampa Electric Company that exceed the 1998 waterborne transportation benchmark price?

POSITION: Yes. Tampa Electric Company's actual costs are below the benchmark as calculated by both Staff and the company; therefore, this issue is moot.

ISSUE 19E: Should the Commission allow the incremental costs of replacement fuel and purchased power costs associated with the explosion that occurred at Gannon Unit 6 on April 9, 1999 to be recovered?

POSITION: No position pending further discovery and evidence adduced at the hearing.

ISSUE 19F: What is the appropriate true-up amount for the temporary base rate reduction as approved in Order No. PSC-96-1300-S-EI, in Docket No. 960409-EI, issued October 24, 1996?

POSITION: \$435,939 over-recovery

ISSUE 19G: What is the appropriate regulatory treatment for the true-up amount for the temporary base rate reduction as approved in Order No. PSC-96-1300-S-EI, in Docket No. 960409-EI, issued October 24, 1996?

POSITION: As stated in Order No. PSC-96-1300-S-EI, Tampa Electric Company, the Office of Public Counsel, and the Florida Industrial Power Users Group agreed in their stipulation that any over- or under-recovery associated with the \$25 million temporary base rate

reduction would be handled as a true-up component of Tampa Electric Company's fuel cost recovery proceedings. However, the stipulation also calls for Tampa Electric Company to refund any revenues contributing to a net return on equity in excess of 12.75 percent for 1998. Because Tampa Electric Company is within the 100 percent sharing range for 1998, any additional revenues such as this true-up would ultimately be refunded to Tampa Electric Company's ratepayers. Therefore, Tampa Electric Company proposes not to recover this true-up. This proposal avoids collecting the true-up from ratepayers only to refund it back to the ratepayers under the deferred revenue calculation formula. Staff agrees with Tampa Electric Company, and recommends Commission approval.

ISSUE 19H: Are the energy costs associated with five purchased power agreements between Tampa Electric Company and Okeelanta Corporation, Farmland Hydro, Auburndale Power Partners, and Hardee Power Partners Limited prudent and appropriate for recovery through the fuel and purchased power cost recovery clause?

POSITION: No position pending further discovery and evidence adduced at the hearing.

ISSUE 19I: Are the costs associated with accelerating the commercial in-service date of Polk Unit 2, Tampa Electric Company's next generation unit, from January, 2001 to October, 2000 prudent?

POSITION: No position pending further discovery and evidence adduced at the hearing.

ISSUE 19J: Should the Commission approve Tampa Electric Company's proposed regulatory treatment for its wholesale power supply agreement with Florida Municipal Power Agency for January 1, 2000 through March 15, 2001?

POSITION: No position pending further discovery and evidence adduced at the hearing.

ISSUE 19K: How should Tampa Electric Company implement the \$11,226,598 combined refund as ordered by the Commission in Order No. PSC-99-194D-PAA-EI in Docket No. 950379-EI, issued October 1, 1999 and by the Commission's decision at the September 7, 1999 agenda?

POSITION: No position pending further discovery and evidence adduced at the hearing.

ISSUE 19L: In order to ensure that Tampa Electric Company makes prudent purchases on behalf of its retail ratepayers, should Tampa Electric Company's recovery of fuel costs be limited to an amount no greater than what it receives for fuel sales?

POSITION: No position pending further discovery and evidence adduced at the hearing.

ISSUE 19M: Should the Commission impose price restrictions on the amount Tampa Electric pays for coal purchase, handling, and transportation from affiliated companies?

POSITION: No position pending further discovery and evidence adduced at the hearing.

ISSUE 19N: Should all short-term wholesale sales be subject to interruption to assure that sufficient capacity is available for retail ratepayers?

POSITION: No position pending further discovery and evidence adduced at the hearing.

ISSUE 19O: Are Tampa Electric Company's wholesale revenues from third-party sales being treated correctly?

POSITION: No position pending further discovery and evidence adduced at the hearing.

GENERIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

ISSUE 20A: What is the appropriate GPIF reward or penalty for performance achieved by Florida Power & Light Company during the period October, 1997 through September, 1998?

POSITION: No position pending further discovery and evidence adduced at the hearing.

ISSUE 20B: What is the appropriate GPIF reward or penalty for performance achieved by Florida Power Corporation, Tampa Electric Company, and Gulf Power Company during the period April, 1996 through September, 1998?

POSITION: No position pending further discovery and evidence adduced at the hearing.

ISSUE 20C: What is the appropriate GPIF reward or penalty for performance achieved during the period October, 1998 through December, 1998?

POSITION: No position pending further discovery and evidence adduced at the hearing.

ISSUE 21: What should the GPIF targets/ranges be for the period January, 2000 through December, 2000?

POSITION: No position pending further discovery and evidence adduced at the hearing.

COMPANY-SPECIFIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

Gulf Power Company

ISSUE 22: Should Gulf Power include a new Btu per pound independent variable in the Plant Daniel target heat rate equations?

POSITION: No position pending further discovery and evidence adduced at the hearing.

GENERIC CAPACITY COST RECOVERY FACTOR ISSUES

ISSUE 23: What is the appropriate final capacity cost recovery true-up amount for Florida Power & Light Company and Gulf Power Company for the period October, 1997, through December, 1998?

POSITION: FPL: No position pending further discovery and evidence adduced at the hearing.
GULF: \$3,623,821 underrecovery

ISSUE 24: What is the appropriate final capacity cost recovery true-up amount for Florida Power Corporation and Tampa Electric Company for the period April, 1998 through December, 1998?

POSITION: FPC: \$222,119 overrecovery
TECO: \$442,999 overrecovery

ISSUE 25: What is the appropriate estimated capacity cost recovery true-up amount for the period January, 1999 through December, 1999?

POSITION: No position pending further discovery and evidence adduced at the hearing.

ISSUE 26: What is the appropriate total capacity cost recovery true-up amount to be collected/refunded during the period January, 2000 through December, 2000?

POSITION: No position pending further discovery and evidence adduced at the hearing.

ISSUE 27: What is the appropriate projected net purchased power capacity cost recovery amount to be included in the recovery factor for the period January, 2000 through December, 2000?

POSITION: No position pending further discovery and evidence adduced at the hearing.

ISSUE 28: What are the projected capacity cost recovery factors for the period January, 2000 through December, 2000?

POSITION: No position pending further discovery and evidence adduced at the hearing.

ISSUE 29: Should all revenue from wholesale power contracts that utilities count as firm power supply be subject to public disclosure and scrutiny for prudence?

POSITION: No position pending further discovery and evidence adduced at the hearing.

COMPANY-SPECIFIC CAPACITY COST RECOVERY CLAUSE ISSUES

Florida Power & Light Company

ISSUE 30: Should the Commission allow FPL to recover the payment made to Cedar Bay in the capacity cost recovery clause as a result of a court's interpretation of a contract dispute over the capacity pricing provision of a QF contract between the two parties?

POSITION: The full Commission has considered the policy implications of a similar dispute between Florida Power and Lake Cogen, Ltd. on several occasions in Docket Nos. 940771-EQ, 961477-EQ, and 980509-EQ. Staff recommends that the full Commission address this issue.

Tampa Electric Company

ISSUE 31: Are the capacity costs associated with five purchased power agreements between Tampa Electric Company and Okeelanta Corporation, Farmland Hydro, Auburndale Power Partners, and Hardee Power Partners Limited prudent and appropriate for recovery through the capacity cost recovery clause?

POSITION: No position pending further discovery and evidence adduced at the hearing.

e. Pending Motions

Staff has no pending motions at this time.

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f. Compliance with Order No. PSC-99-0762-PCO-E1

Staff has complied with all requirements of the Order Establishing Procedure entered in this docket.

Respectfully submitted this 23th day of October, 1999.



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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 990001-EI

FILED: OCTOBER 25, 1999

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that one true and correct copy of Staff's Prehearing Statement has been furnished by U.S. Mail this 25th day of October, 1999, to the following:

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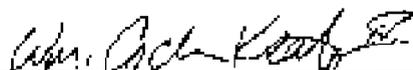
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