

Florida Power
CORPORATION

ORIGINAL JAMES A. MCGEE
SENIOR COUNSEL

April 19, 2000

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RECORDS AND REPORTING

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. 991779-EI

Dear Ms. Bayó:

Enclosed for filing in the subject docket are an original and fifteen copies of the 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.

Very truly yours,

James A. McGee

- AFA _____
- APP _____
- CAF _____
- CMW _____
- OTR _____
- EAG Harlow
- LEG _____
- MAS 5
- OPC _____
- RRR _____
- SEC _____
- WAW _____
- OTH _____

JAM/kbd
Enclosure
cc: Parties of record

RECEIVED & FILED

FPSC-BUREAU OF RECORDS

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A Florida Progress Company

DOCUMENT NUMBER-DATE
05139 APR 26 8
FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Review of the appropriate application of incentives to wholesale power sales by investor-owned utilities.

Docket No. 991779-EI

Submitted for filing:
April 19, 2000

**PREHEARING STATEMENT OF
FLORIDA POWER CORPORATION**

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

A. APPEARANCES

JAMES A. MCGEE, 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>
Karl H. Wieland	Appropriateness of continuing the Commission's long standing practice of providing utilities an incentive for short-term economy sales.	1 - 3

C. EXHIBITS

None

DOCUMENT NUMBER-DATE

05139 APR 26 8

D. STATEMENT OF BASIC POSITION

When the Commission adopted the current 80/20 incentive for broker sales in 1984 it recognized that, in moving the treatment of economy sales out of base rates where utilities retained 100% of the gain, establishment of an incentive through the fuel adjustment clause was desirable to preserve the then-current level of economy sales and encourage additional sales. Now that the vast majority of economy sales have shifted off-broker and the incentive from retention of transmission revenues associated with these sales has recently been removed, a replacement incentive is needed -- as it was in 1984 -- to encourage off-broker economy sales for the benefit of ratepayers.

E. STATEMENT OF ISSUES AND POSITIONS

ISSUE 1: Should the Commission provide for stockholder incentives to encourage non-separated, non-firm, wholesale sales?

FPC: Yes, the Commission should continue its existing policy of providing stockholder incentives to encourage non-separated, non-firm wholesale sales. Now that the vast majority of these sales have shifted from broker to off-broker markets, the Commission's incentive policy should be updated accordingly. (Wieland)

ISSUE 2: If a stockholder incentive is approved in Issue 1, what types of non-separated, non-firm, wholesale sales should be eligible to receive the stockholder incentive?

FPC: In order to qualify for an incentive, a sale should meet three simple tests:

1. The sale is not separated, *i.e.*, less than one year in duration.
2. The sale is profitable (revenues exceed incremental fuel costs), *i.e.*, provides a net benefit to ratepayers.
3. The seller must be able to influence whether or not the sale takes place and the transaction price.

In the case of FPC's interchange schedules, all sales reported on Fuel Adjustment Schedule A-6 should qualify, with the exception of Schedule A (emergency), and Schedule B (short-term firm). Schedules A and B meet criteria 1 and 2 above, but are made upon request by a buyer, not marketed by the seller. (Wieland)

ISSUE 3: If a stockholder incentive is approved in Issue 1, how should the incentive be structured?

FPC: The Commission should apply the existing 80/20 sharing mechanism to all non-separated economy transactions. FPC proposes a symmetrical treatment for both profitable and unprofitable sales. In the same way that shareholders receive 20% of the gain when sales are profitable, they would absorb 20% of the loss when sales are unprofitable. (Wieland)

F. STIPULATED ISSUES

None at this time.

G. PENDING MOTIONS

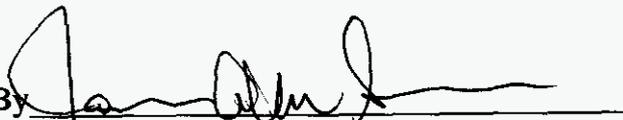
None at this time.

H. OTHER MATTERS

None at this time.

Respectfully submitted,

OFFICE OF THE GENERAL COUNSEL
FLORIDA POWER CORPORATION

By 

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Facsimile: (727) 820-5519

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing Prehearing Statement of Florida Power Corporation has been furnished by U. S. Mail on this 19th day of April 2000 to the following:

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