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State of Florida



Public Service Commission
-M-E-M-O-R-A-N-D-U-M-

DATE: June 20, 2001
TO: All Parties of Record
FROM: Wm. Cochran Keating, Senior Attorney *WCK*
RE: Docket No. 010283-EI - Calculation of Gains and Appropriate Regulatory Treatment for Non-Separated Wholesale Energy Sales by Investor-Owned Electric Utilities

After considering the parties' suggestions and concerns raised at this morning's issue identification meeting, staff has made some minor changes to its preliminary issue list for this proceeding. Staff's revised preliminary issue list is attached.

With respect to Issue 4, staff has not reworded the issue but has offered a proposed stipulation on the issue that we hope addresses any concerns the parties may have. The proposed stipulation is included in the attachment.

If you have any questions about staff's revised preliminary issue list or feedback on the proposed stipulation, please call me at (850) 413-6193.

WCK/jb
Attachment
cc: Division of Safety and Electric Reliability
Division of Economic Regulation
I:\010283m2.wck

DOCUMENT NUMBER-DATE
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FPSC-RECORDS/REPORTING

STAFF'S REVISED PRELIMINARY ISSUE LIST
DOCKET NO. 010283-EI
JUNE 20, 2001

- ISSUE 1: What is the appropriate regulatory treatment for Gulf Power Company's SO₂ emission allowances associated with its non-separated wholesale energy sales?
- ISSUE 2: What is the appropriate regulatory treatment for the cost of fuel and purchased power associated with non-separated wholesale energy sales?
- ISSUE 3: What is the appropriate regulatory treatment for the operation and maintenance (O&M) expenses associated with non-separated wholesale energy sales?
- ISSUE 4: How should the Commission implement Part II of Order No. PSC-00-1744-PAA-EI, in Docket No. 991779-EI, issued September 26, 2000, concerning the application of incentives to wholesale energy sales?

Proposed Stipulated Position:

By Order No. PSC-00-1744-PAA-EI, issued September 26, 2000, ("Order No. 00-1744") the Commission approved a shareholder incentive to apply to the gains from all non-separated wholesale power sales, firm and non-firm, excluding emergency sales, made under current or future FERC-approved schedules. The Commission ordered that a three year moving average of such gains shall be established each year as the threshold for application of the incentive, with all gains above the threshold being split 80%/20% between ratepayers and shareholders, respectively. In Docket No. 000001-EI, Commission staff raised an issue concerning implementation of the shareholder incentive approved in Order No. 00-1744, and proposed an implementation methodology by memorandum to the parties dated September 20, 2000. At the Commission's November 20, 2000, hearing in Docket No. 000001-EI, the parties agreed that the implementation issue would be addressed in this proceeding and agreed that any implementation methodology ultimately approved would be made effective January 1, 2001. The parties' agreement was approved in Order No. PSC-00-2385-FOF-EI, issued December 12, 2000.

The implementation methodology set forth in Commission staff's September 20, 2000, memorandum, incorporated herein by reference, is a reasonable and appropriate manner in which to implement the shareholder incentive approved in Order No. 00-

1744. This methodology allows the parties and Commission to address, on a going forward basis, the appropriate thresholds and shareholder incentive amounts within the existing filing/hearing/true-up schedule for the Fuel and Purchased Power Cost Recovery Clause ("Fuel Clause"). Consistent with the parties' agreement previously approved by the Commission, this methodology shall be effective January 1, 2001, i.e., the methodology shall apply so that gains on eligible wholesale sales beginning January 1, 2001, and above the three year moving average threshold, are eligible for the incentive approved in Order No. 00-1744. If the Commission's decision on Issues 1, 2, or 3 affect any utility's calculation of such gains, the Commission's decision shall govern such calculation for purposes of determining the shareholder incentive amount.

ISSUE 5: Should this docket be closed?