



**Florida Power**

A Progress Energy Company

**JAMES A. MCGEE**  
ASSOCIATE GENERAL COUNSEL

June 22, 2001

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

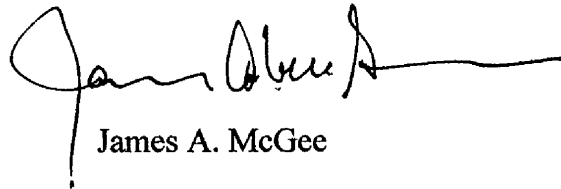
Re: Docket No. 010283-EI

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

JAM/scc  
Enclosure

cc: Parties of record

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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In re: Calculation of gains and appropriate regulatory treatment for non-separated wholesale energy sales by investor-owned electric utilities.

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Docket No. 010283-EI

Submitted for filing:  
June 25, 2001

**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>
Javier Portuondo	The appropriaten treatment of incremental costs in Item 1, Part III of Order No. PSC-00-1744-PAA-EI.	2 - 4

C. EXHIBITS

None.

D. STATEMENT OF BASIC POSITION

The modification to Item 1 in Part III of Order No. PSC-00-1744-PAA-EI proposed in FIPUG's protest of the order is completely unworkable and, in fact, counterproductive to the objective of properly recognizing the incremental cost of non-separated wholesale energy sales. Any uncertainty as to whether the incremental costs referred to in Item 1 include incremental costs associated with purchased power can be resolved by a simple amendment to that effect.

E. STATEMENT OF ISSUES AND POSITIONS

1. ISSUE: What is the appropriate regulatory treatment for Gulf Power Company's SO<sub>2</sub> emission allowances associated with its non-separated wholesale energy sales?

FPC: No position.

2. ISSUE: Item 1 in Part III of Order No. PSC-00-1744-PAA-EI states: "Each IOU shall credit its fuel and purchased power cost recovery clause for an amount equal to the incremental fuel cost of generating the energy for each such sale." Does Item 1 properly address the treatment of incremental costs for purposes of calculating the gain on non-separated wholesale energy sales?

FPC: Yes. However, if the Commission should conclude that the phrase "the incremental fuel cost of generating the energy" in Item 1 may not be understood to encompass the incremental cost of energy generated either by the utility or by another and then purchased by the utility, a simple modification of the phrase to read "the incremental energy cost of generating or purchasing the energy" would be sufficient. The modification proposed in FIPUG's protest to correct this possible ambiguity is unworkable and actually counterproductive to the objective of properly recognizing the incremental cost of non-separated wholesale sales. (Portuondo)

3. ISSUE: Item 3 in Part III of Order No. PSC-00-1744-PAA-EI states: "Each IOU shall credit its operating revenues for an amount equal to the incremental operating and maintenance (O&M) cost of generating the energy for each such sale." Does Item 3 properly address the treatment of incremental costs for purposes of calculating the gain on non-separated wholesale energy sales?

FPC: Yes. Any such incremental O&M cost is a base rate component and should therefore be excluded from the calculation of the gain on non-separated wholesale energy sales for fuel adjustment purposes. (Portuondo)

4. ISSUE: 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?

FPC: Part II of the order should be implemented in a manner consistent with Staff's memorandum dated September 20, 2000. (Portuondo)

F. STIPULATED ISSUES

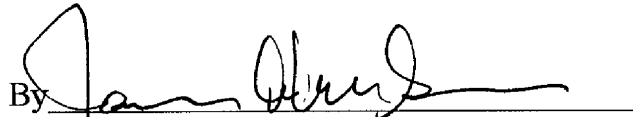
None at this time.

G. PENDING MOTIONS

None.

Respectfully submitted,

FLORIDA POWER CORPORATION

By 

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**FLORIDA POWER CORPORATION**

**DOCKET NO. 010283-EI**

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true copy of the Prehearing Statement of Florida Power Corporation has been furnished to the following individuals by regular U.S. Mail this 22 day of June, 2001.

W. Cochran Keating, Esquire  
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Florida Public Service Commission  
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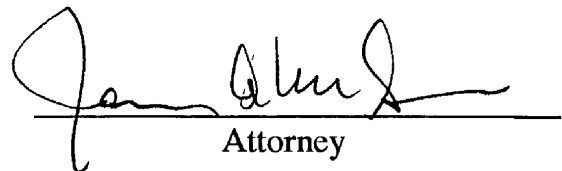
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Attorney