

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 010283-EI

FILED: JUNE 25, 2001

STAFF'S PREHEARING STATEMENT

Pursuant to Order No. PSC-01-0517-PCO-EI, issued March 5, 2001, the Staff of the Florida Public Service Commission files its Prehearing Statement.

a. All Known Witnesses

Staff has no witnesses at this time.

b. All Known Exhibits

Staff has no exhibits at this time.

c. Staff's Statement of Basic Position

Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions stated herein.

d. Staff's Position on the Issues

ISSUE 1: What is the appropriate regulatory treatment for Gulf Power Company's SO₂ emission allowances associated with its non-separated wholesale energy sales?

POSITION: No position pending receipt and review of responses to staff discovery.

DOCUMENT NUMBER-DATE

07827 JUN 25 2001

FPSC-RECORDS/REPORTING

ISSUE 2: What is the appropriate regulatory treatment for the cost of fuel and purchased power associated with non-separated wholesale energy sales?

POSITION: No position pending evidence adduced at hearing.

ISSUE 3: What is the appropriate regulatory treatment for the operation and maintenance (O&M) expenses associated with non-separated wholesale energy sales?

POSITION: No position pending evidence adduced at hearing.

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?

POSITION: The shareholder incentive mechanism approved in Order No. PSC-00-1744-PAA-EI should be implemented as set forth in Staff's memorandum to the parties dated September 20, 2000, which is attached hereto as Attachment A. Consistent with the parties' agreement previously approved by the Commission, this methodology should be made effective as of January 1, 2001.

ISSUE 5: Should this docket be closed?

POSITION: Yes. This docket should be closed at the expiration of the time for filing an appeal of the Commission's final order in this docket, if no appeal is filed.

e. Pending Motions

Staff has no pending motions.

f. Pending Confidentiality Claims or Requests

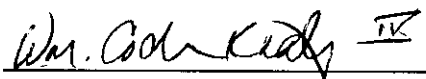
There are no pending requests for confidential classification.

STAFF'S PREHEARING STATEMENT
DOCKET NO. 010283-EI
PAGE 3

g. Compliance with Order No. PSC-01-0517-PCO-EI

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

Respectfully submitted this 25th day of June, 2001.



WM. COCHRAN KEATING IV
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State of Florida



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: September 20, 2000
TO: All Parties of Record
FROM: Cochran Keating, Senior Attorney *WCK*
Todd Bohrmann, Regulatory Analyst IV *TB*
RE: 000001-EI - Fuel and purchased power cost recovery clause
and generating performance incentive factor.

Via Facsimile

This memorandum is to confirm and delineate the Commission Staff's proposed methodology, as presented at our September 12, 2000, meeting with the parties, to implement the Commission's recent decision in Docket No. 991779-EI concerning the appropriate application of incentives to wholesale power sales. As stated at the meeting, although the Commission has not yet issued its final order in this docket, Staff believes that implementation of the Commission's decision remains an open issue which should be resolved at this November's fuel hearing.

To implement the Commission's decision in Docket No. 991779-EI, Staff believes that the following issues are appropriate for resolution at this November's fuel hearing:

1. How should the Commission's decision in Docket No. 991779-EI, concerning the application of incentives to wholesale power sales, be implemented?
2. What is the appropriate estimated benchmark level for calendar year 2001 for gains on non-separated wholesale energy sales eligible for a shareholder incentive pursuant to the Commission's decision in Docket No. 991779-EI?

As discussed at the meeting, Staff proposes the following methodology to address the first issue:

1. In its Actual/Estimated True-Up filing and testimony, each utility shall include an estimated value of gains on eligible non-separated wholesale energy sales for the current calendar year (2000) based on actual and estimated data;

SEPTEMBER 18, 2000, MEMORANDUM TO PARTIES
DOCKET NO. 000001-EI
PAGE 2

2. In its Projection filing, each utility shall include a forecasted value of gains on eligible non-separated wholesale energy sales for the next calendar year (2001);
3. Each utility shall compare its forecasted value of gains from eligible sales for the next calendar year (2001) to an estimated three-year moving average of such gains. This estimated three-year moving average, or estimated benchmark, will be based on actual gains from eligible sales for each of the previous two calendar years (1998 and 1999) and the estimated gains from eligible sales for the current calendar year (2000). This comparison will be one of numerous inputs that each utility will use to calculate its levelized fuel cost recovery factor for the next calendar year (2001);
4. In its April True-Up filing in the next calendar year (2001), each utility shall indicate its actual gains on eligible non-separated wholesale energy sales for the previous calendar year (2000). Each utility will then re-calculate its three-year moving average based on the actual gains from eligible sales for each of the previous three years (1998, 1999, and 2000) to establish an actual benchmark.
5. Each utility shall record its actual gains from eligible non-separated wholesale energy sales on its Schedule A-6 filed monthly with the Commission. When these actual gains are equal to or less than the utility's actual benchmark, the utility shall credit 100 percent of these gains to its ratepayers through its fuel and purchased power cost recovery clause (fuel clause). When these actual gains are greater than the utility's actual benchmark, the utility shall credit 80 percent of the gains above the benchmark to its ratepayers through its fuel clause. The utility shall credit the remaining 20 percent to its shareholders;
6. Each utility shall reflect any differences between its actual and forecasted gains from eligible sales through its monthly true-up calculations in Schedule A-2;

SEPTEMBER 18, 2000, MEMORANDUM TO PARTIES
DOCKET NO. 000001-EI
PAGE 3

7. The first estimated benchmark for gains on eligible non-separated wholesale energy sales shall be established at the November 2000 fuel hearing for purposes of calculating a levelized fuel cost recovery factor for 2001. The shareholder incentive shall apply to actual gains on eligible sales made over the actual benchmark for 2001. On a going-forward basis, the difference between actual and forecasted gains on eligible sales shall be "trued-up" at each fuel hearing.

For illustrative purposes, this methodology, using hypothetical data, is presented in table form in the attached document.

If have any questions or comments concerning Staff's proposal, please contact Todd Bohrmann at (850) 413-6445 or Cochran Keating at (850) 413-6193.

WCK

Attachment

cc: Division of Regulatory Oversight
Division of Economic Regulation

i: 000001m6.wck

SEPTEMBER 18, 2000; MEMORANDUM TO PARTIES
 DOCKET NO. 000001-EI
 PAGE 4

Proposed Shareholder Incentive Implementation Methodology
 Hypothetical Example

Part I	A	1998 Actual Gains *	\$100.00	
Nov '00	B	1999 Actual Gains *	\$110.00	
	C	2000 Actual/Estimated Gains	\$120.00	
	D	2001 Forecasted Benchmark	\$110.00	(A+B+C) / 3
	E	2001 Forecasted Gains *	\$130.00	
	F	2001 Forecasted Ratepayer Credit	\$126.00	D + ((E-D) * .8)
Part II	G	2000 Actual Gains *	\$75.00	
Apr '01	H	2001 Actual Benchmark	\$95.00	(A+B+G) / 3
Part III	I	2001 Actual/Estimated Gains *	\$128.00	
Nov '01	J	2001 Actual/Estimated True-Up	(\$4.60)	L-F
	K	2002 Forecasted Benchmark	\$104.33	(B+G+I) / 3
	L	2001 Estimated Ratepayer Credit	\$121.40	H + ((I-H) * .8)
Part IV	M	2001 Actual Gains *	\$140.00	
Apr '02	N	2001 Final True-up	\$9.60	O-L
	O	2001 Actual Ratepayer Credit	\$131.00	H + ((M-H) * .8)
	P	2002 Actual Benchmark	\$108.33	(B+G+M) / 3

Note: Items marked with an asterisk (*) are values that would be found in a utility filing, but are hypothetical for this example.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that one true and correct copy of Staff's Prehearing Statement has been furnished to the following by U. S. Mail this 25th day of June, 2001:

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CERTIFICATE OF SERVICE
DOCKET NO. 01283-EI
PAGE 2

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