BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 010001-EI

In the Matter of

FUEL AND PURCHASED POWER COST RECOVERY CLAUSE AND GENERATING PERFORMANCE INCENTIVE FACTOR.
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PROCEEDINGS: WORKSHOP

CONDUCTED BY: COCHRAN KEATING

DATE: Wednesday, June 27, 2001

TIME: Commenced at 9:30 a.m.
Concluded at 11:30 a.m.

PLACE: Betty Easley Conference Center
Room 152
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: JANE FAUROT, RPR
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IN ATTENDANCE:

COCHRAN KEATING, BILL McNULTY, TODD BOHRMANN, representing the FPSC Commission Staff.

MATTHEW M. CHILDS and KORY DUBIN, representing Florida Power and LIght Company.

JAMES BEASLEY, PENELOPE RUSS, JOANN WHEATLY and DENISE JORDAN, representing Tampa Electric Company.

RUSSELL BADDERS and TERRY DAVIS, representing Gulf Power Company.

JAVIER PORTUONDO, representing Florida Power Corporation.

ROBERT VANDIVER AND AVIS PAYNE, representing the Office of Public Counsel.

JOHN McWHIRTER, representing Florida Industrial Power Users Group.

PROCEEDINGS

MR. McNULTY: My name is Bill McNulty, and I would like to welcome everyone to today's staff workshop. Today's workshop is to discuss the alternative fuel cost-recovery factor revision schedules. The purpose of the workshop is to discuss the proposals and allow presentations from the parties to the fuel docket concerning the appropriate length and timing of the cost-recovery period for the fuel and purchased power cost-recovery clause.

Notices were sent on June 6th to all parties. And copies of the staff memorandum, the notice of today's agenda, parties' comments can all be found on the table. If you haven't picked up your copy, feel free to go over and get one now. We also need to remind people to be sure to sign in on the sign-in sheet that should be circulating. So if you would please make sure to sign that in before leaving today.

I thought we would start with introductions. And since we don't have that many people here today, I think we should able to go through that fairly quickly. We may have someone who has -- I believe FIPUG has called in, and if you could identify yourselves.

MR. McWHIRTER: My name is John McWhirter, and I am in Tampa.

MR. McNULTY: Okay. And maybe we will start with staff.

MR. BOHRMANN: Todd Bohrmann, Commission staff.

MR. KEATING: Cochran Keating, Commission staff.

MR. CHILDS: Matt Childs appearing on behalf of Florida Power and Light.

MS. DUBIN: Kory Dubin, Florida Power and Light.

MR. BEASLEY: Hello, John McWhirter. Jim Beasley with Tampa Electric Company. And also with me is Penelope Russ, Joann Wheatley, and Denise Jordan from Tampa Electric.

MR. BADDERS: Russell Badders with the law firm of Beggs and Lane appearing on behalf of Gulf Power. I have with me Terry Davis of Gulf Power.

MR. PORTUONDO: Javier Portuondo, Florida Power Corp.

MR. VANDIVER: Rob Vandiver and Avis Payne with the Office of Public Counsel.

MR. KEATING: Just before Bill goes on, is there anyone else in the room who hasn't introduced themselves that may be speaking this morning? Okay. Thank you. And if anyone who is speaking could come up to one of the microphones because we are having this recorded and transcribed.

MR. McNULTY: Okay. We will be following the agenda that is attached to the notice this morning. And I want to emphasize that the point of this workshop is feedback and encourage people to engage at any time. But, of course, you know, if there is anyone from the audience who hasn't identified themselves that finds the need to speak, please come to the microphone and identify yourself. But don't speak from out in the audience because it won't be recorded.

First allow me to summarize the current fuel cost recovery schedule and 2 it was adopted by the Commission. In Docket 980269-PU, which was issued on May 19th, 1998, the Commission established an annual calendar year cost-recovery period for all cost-recovery clauses for all electric and gas utilities within the Commission's jurisdiction. Prior to that time, the Commission had approved seasonal six-month recovery factors that commenced in April and October of each year. The new schedule was implemented January 1, 1999.

The reasons for switching to an annual calendar year cost-recovery were several. They included, number one, more efficient use of Commission and parties resources, and that basically addressed the ease of administration and allowing greater time for analysis of fuel docket issues.

The second reason was reduce number of midcourse corrections, which as we know, hasn't necessarily come true, but the rationale was that if we instituted an annual calendar year period that the ups and downs would smooth themselves over over time, and midcourse corrections would be fewer in number.

Thirdly, more certain and stable electricity prices were expected for ratepayers budgeting processes. So customers were expecting to be able to handle their budgets knowing what that fuel cost was going to be for an entire calendar year.

And that would shift us away from what had previously been experienced, which was three different price changes during the year. One in April, October, and then also in January with the other clauses.

Number four was the ease of analysis of fuel cost information. Annual analysis is easier than analyzing fuel costs than over three different periods and it is consistent with the way most of the data are accumulated and reported to the FERC, to the Department of Energy, and to other reporting agencies.

And, finally, the final reason for shifting to this annual calendar year period was that it would simplify Commission audits. Commission audits require accessing utilities' general ledger for two different calendar years when you have a seasonal factor in place, and this was seen to simplify that process.

Since the new fuel cost-recovery schedule was adopted, there have been several midcourse corrections as everyone knows, and this was due mostly to fuel price volatility. The Commissioners have expressed concerns during the last midcourse correction as to whether the reasons just discussed for implementing an annual calendar year fuel cost-recovery period is still valid today, and this kind of reflected on the prospects -- the experience of the past, the last two years, and the prospects for prices in the future, and the ability of the utilities to control or exert some influence over what those prices will be.

This workshop is being conducted in order to allow staff to gather feedback and comments so that we can bring a recommendation pertaining to this issue to the Commission perhaps in August. And we will be going over procedural aspects of this towards the end of the meeting as you can see on your schedule. Staff remains neutral on the outcome of this issue, and is soliciting feedback today through post-workshop comments.

With that, Todd Bohrmann, who has been coordinating the fuel docket analysis for several years will describe staff's first alternative and solicit your feedback.

MR. BOHRMANN: Thank you, Bill. As Bill said, my name is Todd Bohrmann, and I will be discussing the first alternative that appears on Page 2 of Attachment 1 of the memo that was sent to the parties in Docket Number 010001 on May 25th. Essentially, under this alternative, utilities which have a fuel and purchased power cost-recovery clause would -- the recovery period would go from 12 months to 6 months commencing in January and July of each year.

If the utility chose to, and subject to the Commission approval, the utility could petition to remain on a 12-month recovery period. Although there are two caveats to keep in mind for choosing a 12-month recovery period. Number one, that choice -- under this proposal, that choice would be effective for five years, and it would not renew each year. It would be a five-year period, and then when you got to the end of that five-year period, then you could choose to remain on for another five years or you could go to a six-month period if that was your choosing.

And, number two, any true-ups that occurred between the fuel hearings would be deferred until the following recovery period. As a matter of an example, I have set out a schedule which shows how the Commission and the utilities and other parties to the fuel docket would transition from a 12-month recovery period to a six-month recovery period. Those utilities which remain on a 12-month --

(Interruption.)

MR. KEATING: Are you still with us, Mr. McWhirter?

(Off the record.)

MR. KEATING: I think we can go back on. We are working on the technical problems. And if Mr. McWhirter joins us again, I think we can give him the opportunity to address anything that we have -- any of the proposals that we have gone over at that point.

MR. BOHRMANN: Okay. Where was I? The schedule for the 12-month -- for the utilities in the 12-month recovery period would remain the same from how they are right now. So I will just highlight the changes that would take place for the six-month utilities. The filings for this fall for the November hearing would remain the same, and then we would have a hearing in mid to late May of 2002 to set factors for the July through December 2002 period. And final true-up testimony would be due approximately March 4th with the estimated actual data and projected testimony for July through December 2002 would be due approximately March 20th, with the Commission having a hearing and setting factors for that time period approximately around May 20th. And then the cycle would continue on the same schedule for the next six-month period of time.

The audit schedule would remain the same. We would audit on an annual basis. We looked at the benefits of going to a six-month recovery period. And primarily what we came up with was a shorter regulatory lag and more current fuel price forecasts, and more timely price signals. You know, being more responsive to changes, changes in market prices of fuel and purchased power. And we also looked at the drawbacks of a six-month recovery period. And they include a greater regulatory cost for both the Commission and the parties with greater price uncertainty for customers and more frequent price changes. Those are the ones that we looked at as being most significant.

We have several discussion questions that we raised for the first alternative that are listed here on Page 3 of the memo and continue on to Page 4. And perhaps during the feedback we can address some of the comments that were made to these questions that were filed prior to the workshop. With that, I would like to open it up to the parties' feedback on the first alternative.

MR. KEATING: And just before we get started on that, I would like to make sure that that is Mr. McWhirter on the line.

MR. McWHIRTER: Yes, I am on the line.

MR. KEATING: Mr. McWhirter, this is Cochran Keating with the Commission staff. And just to let you know, since we lost you, I don't know if you could hear us for awhile there, but we have just gone over the first alternative presented in staff's memorandum that was sent out on May 25th.

MR. McWHIRTER: Cochran, I heard the first part, but I am distressed that I for some reason disconnected to hear the last part of your stirring presentation. I will try to catch up.

MR. KEATING: We had it transcribed and it is probably just as moving on paper as it was over the phone.

MR. McWHIRTER: Good.

MR. KEATING: But in essence it was just a summary of what is on Pages 2 and 3 of staff's May 25th memorandum.

MR. McWHIRTER: Thank you. If you want me to start out, our only comment is the same as they were when the program was introduced; to wit, that it makes sense to us from a conservation approach to change the fuel factors commensurate with the time that fuel costs go up. We even think that the six-month program would not be as good as one that perhaps the factor began in May and ran through October or through September.

But having said that, I think that is readily apparent as to how things work and would be more suitable to give people realtime warnings of the true cost of electricity, and perhaps would invoke some conservation that does not necessarily exist when people don't get price signals.

On the other side of the coin, we like the annual reporting because it gives you the picture of an entire year's cost rather than a six-month projection. So also like the fact that with the annual -- the theory with annual changes is that you don't have so many hearings and don't have so many reports to file. And we thought that was worthwhile. But on balance, it would seem that shorter time periods for fuel factors would be better.

That concludes the FIPUG statement.

MR. KEATING: Thank you. Any of the other parties that are present would like to comment on that alternative.

MR. BEASLEY: I had a couple of questions about it. There appears to be in the alternative where you have an annual recovery period, a minimum sign-up time frame of five years.

And we don't have that now, and I wondered what the purpose was of having the five-year minimum period. And in addition to that, midcourse corrections occur, or the need for midcourse corrections occurs, and I wondered 2 that would be precluded for any utility that under this option chose an annual recovery period. It might be counter-productive from the standpoint of the utility's stability or the ratepayers' service to have preclusion of any kind of midcourse correction.

MR. BOHRMANN: I understand your concerns, and those are two factors that we considered deeply when we were designing these alternatives. Speaking first to the five-year minimum, we wanted the decision to go to a 12-month recovery period to be something that had a semblance of long-term, long-term in nature. Not something that you could switch back and forth to between six and 12 months, depending upon the circumstances. We wanted something that was made -- a decision that was made based upon long-term factors and not short-term factors.

And if you chose, if you chose to take the six-month option, there is no minimum period of time in which you can remain on the six-month option. A year or two down the road you may choose to go to the 12-month option at your discretion. The five-year minimum only applies to the 12-month recovery period. As opposed to deferring the true-up balance to the following recovery period instead of allowing a large true-up balance to be recovered in the current recovery period.

What I can say is that a 12-month recovery period is taken at the company's option. And if the company felt that midcourse corrections, you know, most likely would be called upon in the future to address any true-up, that would be factor for remaining on the six-month option. We chose to have an optional 12-month period because although there have been some utilities who have requested a midcourse correction, you know, most recently there has been other utilities which have not needed to call upon a midcourse correction. And we wanted to give those utilities the option of staying put where they were right now.

MR. BEASLEY: Would you look favorably upon saying that if you choose a 12-month recovery period you are stuck with that until you can justify otherwise, and, you know, present just cause for changing the recovery period, and that a true-up needs to be justified in the same way that they have in the past? I mean, that would -- with the annual option that would seem to give you some permanence until shown otherwise, you know, justified otherwise. And then, of course, the utility would have the burden to show that the true-up is indeed necessary. I mean, that is kind of what we have now.

MR. BADDERS: And I guess to add to that, I think what he is proposing seems logical to me in that right now we have already been through some hearings, we have agreed that the 12-month is the status quo. And I'm just saying you will continue that as, I guess, the base, the default, and let the six-month be optional, and don't penalize if you want to stay on 12-month. Allow the midcourse corrections, you still have to make the same showings that you have to make now, and that way if you do have utilities who might, you know, for whatever reason decide they want to go to six months, some want to stay on 12, you will at least get the benefit of having both go at the same time.

And we can probably see the whole picture, let this go out a few more years. I don't know if there is an issue of whether or not two years is enough really to show where we are going here and where we should be. You may end up with some utilities on 12, some on six. A little bit administrative difficulty there, but it is manageable. You would get a bigger picture. And I think as written this option really almost prohibits staying with 12 month. I mean, there is a lot of risk there if you can't do a midcourse, and if you are just locking in for five years. A lot of things can change.

MR. PORTUONDO: I would agree with that statement. I would also add that to preclude the midcourse correction would increase the overall cost to the customer by waiting until the following year and therefore additional interest is accruing on the unrecovered balance. And it also increases rate shock to the customer in the following period. So, I guess I would agree with this alternative if we were able to strike the preclusion from the midcourse correction.

MR. BOHRMANN: I understand the comments that have been made. And another factor that we wanted to -- another factor that went into developing this alternative was the recognition that a midcourse correction, the amount of time that staff and the parties have to evaluate a midcourse correction versus an evidentiary hearing is shorter, and the amount of information that is provided is not as extensive. And we do not want to give the perception of having a -- we do not want to give the perception that a person could, you know, a utility could stay on a 12-month recovery period and then have the midcourse correction sort of as a substitute for, you know, an evidentiary hearing, you know, midway through the year. We did not want to give that perception that that was the intent of this alternative.

MR. BADDERS: And mindful of that, I mean, one thing to consider, I mean, all of this is still subject to audit. I mean, that is really where the highest level of scrutiny is is in the audit. And clearly I think the Commission and staff can spot when it appears that a utility is doing that. I don't really think the Commission would be rushed to a decision. If they didn't feel they had enough time and enough information, I believe they would say no. And I really don't -- I think it would be hard for the utilities to come in here repeatedly.

You might do it once, and, you know, it might get through. You are not going to do that routinely. And while that may be a concern, I think structuring the rule like this alternative, I mean, you are going to do away with it obviously, I mean, people will just go to six. And all the reasons that we have stated for going to the calendar year, annual calendar year are still applicable. And I guess we would come to the conclusion if they are no longer valid, I just don't think that is true.

I guess our biggest comment is to see, or at least hope that this will just remain neutral as far as allow the choice. I agree, maybe the choice to go to six month should be an option, and I don't think someone should be penalized for going that direction. But mindful, we go through the audit process, you have good auditors, there is a lot of scrutiny at that level. So I think the Commission could probably be made comfortable with keeping midcourse corrections. We have had the rule since '84, or the order, and I don't really see that it has been abused.

MR. BEASLEY: One additional safeguard is that the Commission and the Supreme Court of Florida have indicated that fuel adjustment is more or less like an interim thing, and the Commission can look back and make adjustments on prudency, so it's not like it is cast in concrete.

MR. BOHRMANN: I understand.

MR. PORTUONDO: I guess I would add that we really haven't had enough time to see if the annual period is truly working. Unfortunately we implemented it just before some unusual pricing volatility. I think staff needs to take a step back and allow this to run a little longer before coming to the conclusion that it is not working or that every year we are going to be in a midcourse situation.

MR. BOHRMANN: One question that I have is that admittedly it is very difficult to forecast short-term fuel prices anywhere from, you know, up to two years out into the future, you know, for all intents and purposes. Our short-term fuel prices two years out into the future, I mean, is there a reliable source of information out there that utilities can call upon to serve as an input into their factor as opposed to having a shorter time period of, you know, if you a run a six-month factor you would probably be under 15 months.

MS. DUBIN: Todd, I think it depends on the amount of volatility that is out there. I mean, some of the volatility that we saw, some of the spikes that we saw in fuel prices occurred very quickly. So it just really depends. You know, we have a situation where we had a very, very volatile year and a half here. And prior to that, the last ten years, I think, were a whole lot easier to forecast.

I would like to ask one question, though, and I think there may be confusion here on the first alternative the way the title reads. But if a utility was to go to six months there would still be the midcourse correction?

MR. BOHRMANN: Yes. If the utility chose to be on the six-month recovery period the midcourse would still be in effect.

MR. PORTUONDO: Todd, could you explain that2, why if the utility -- if you are saying that their ability to forecast is enhanced by being on a short six month period2, why would they be allowed a midcourse correction when the 12-month period utility would not be allowed?

MR. BOHRMANN: Primarily because there would be no corrective measure at either the Commission's or the utilities' disposal between that six-month period of time. If the utility chose -- if the utility chose to remain on the 12-month recovery period and the Commission approved it, that would be done with the knowledge that a six-month option was out there, and both the utility, all the parties, and the Commission agreed that the 12-month option was best for that utility.

And, like I said, we did not want to give the perception that a midcourse correction for a 12-month utility would serve as a substitute for a hearing, you know, on a six-month basis. We wanted to eliminate that perception to the public.

MR. PORTUONDO: But I guess I'm still a little lost. If you are assuming that a six-month utility is able to forecast more precisely, but yet it still experiences volatility in fuel prices that were not foreseen, how could you require an even higher hurdle for the 12-month utility?

MR. BOHRMANN: I understand that comment. And we can take it under advisement, you know, while we are formulating the staff recommendation.

MR. McNULTY: One of the things that I might mention here is that there might be a dichotomy in the volatility that is experienced by different utilities. Some utilities may have a much higher degree of volatility because of fuel mix and a variety of reasons. And for those utilities, they may opt for a shorter period, a six-month period. And they may want and need a mechanism in place. And that need and that mechanism may not be as important for the utilities. And I think that maybe some of that went into the thinking behind it as well as to 2 you would allow a recovery period even within the six-month period but for not for a whole 12-month period.

MR. CHILDS: Is it correct to view the -- in this discussion about no midcourse correction under your first alternative, no midcourse correction for the 12-month period because there is a procedure in your second alternative to address changes if you have an annual factor, and that is where you came out as the way to address the change for the 12-month period.

MR. BOHRMANN: The two alternatives are mutually exclusive, at least as they are designed right here. But in the second alternative we have designed a way that if a significant true-up is built up, that the Commission and the utility and the parties in the docket can address that and send the proper price signals to the customers in a faster way than currently it is being done. But Cochran will speak more about the second alternative in a few moments.

MR. CHILDS: Okay. What I'm trying to understand is I did not see 2 they were really mutually exclusive, that's where I had -- I read it to say that the staff's view was it was probably preferable with a 12-month period to have changes, if necessary, addressed as is set out for the second alternative in that --

MR. BOHRMANN: Well, as these alternatives were designed for the purpose of this workshop they are mutually exclusive. This doesn't mean that in a staff recommendation that some hybrid would not appear. But that would be based upon discussions here at the workshop and in the deliberative process that takes place when developing the staff recommendation.

MR. KEATING: And I would just add that I think the alternatives that are in staff's memorandum were thrown out simply for what we are doing now just for discussion purposes, and we aren't wedded to any particular manner of doing this. So, you know, based on what we have heard today, we will think about it more. And I assume that based upon what the parties hear today, they may address or come up with their own alternative, if any, in post-workshop comments.

MR. BEASLEY: Do you all think that either of these alternatives are better than the status quo?

MR. KEATING: I don't know that anybody -- I don't have an opinion on it. But I'm not sure if anybody else up here does. I don't think that -- when we say we aren't wedded to either alternative, I think that includes the status quo, but I will let Bill or Todd say something different if they have a different opinion.

MR. McNULTY: As we said at the outset of this, we really don't. We are here to gather the feedback and to look at all of that before making a determination, so we really do want to consider what you have to say today and in your post-workshop comments. And what you have already submitted has been, you know, very helpful. I have, I guess, a question for Florida Power and Light along the lines of switching from the status quo to a six-month or semi-annual process.

I kind of got from the comments that you submitted that it sounded pretty much like you were looking at this on balance saying, you know, there are several things that are included in the previous order as the reasons for going to a calendar year annual factor that are still valid and still important to pursue. But on balance, we have the issue of price volatility, and we think that a six-month evidentiary hearing would be better. Yet maybe some other utilities are looking at the continued availability of the midcourse correction tool as a method to make the adjustments.

2 do you feel as though the midcourse correction tool is not appropriate for the utility at this time where this switch should be made, you know, 2 and why is that tool not appropriate anymore?

MS. DUBIN: Although I think the midcourse corrections are appropriate, but I think in our situation where we have significant fuel costs, they run about between 2.5 billion to almost $3 billion a year, so that our potential over and underrecoveries can be of very significant magnitude. And because of that, we are thinking that a six-month fuel adjustment would be better suited for Florida Power and Light. Originally we had looked at this over the years. And when fuel costs were more stable, we had looked at this. And we had a lot of customers saying we wanted to be able to do our budgets for the year.

And a lot of customers like condo associations and small businesses, and even large businesses, they wanted to be able to be able to project what their electric charges were going to be for the year. So taking into account that desire among those customers, as well as how stable prices had been for quite awhile, that's 2 we were supporting an annual filing.

The other efficiencies that you gain by going to the annual filings still exist. I mean, being able to have data on a calendar basis the same way we report to DOE and FERC is a great efficiency for us. Now, if the six-month factors also follow that same -- you know, there are two six-month periods, but they add up to a calendar, you still gain some of that efficiency. And also the bill changes not three times a year, but twice a year. So you are at least giving some customers what their change is in January so that it only changes twice a year.

So, there are things that the six-month fuel adjustment on the January and July factor still gain. But we just feel like because of the potential magnitude of our over and underrecoveries, six months would work better for us. Not to say we think the midcourse corrections also have worked well in the past.

MR. KEATING: And I think in your comments also you had indicated that even if we were on a six-month period, with the volatility that has been experienced the last couple of years, that there still could have been or would have been the need for a midcourse correction.

MS. DUBIN: Yes.

MR. McNULTY: So the opinion is out there then that the fuel price volatility that has been experienced in the recent past will continue in the future, and that it is an outlook. Basically your outlook is that fuel price volatility -- and I'm asking this as a question, not as your statement, as a question. Is it your outlook that fuel price volatility will continue in the future? Not the shift. I think you also mentioned in your comments that there was a shift upward in cost, specifically for natural gas. But outside of that shift, that that volatility will remain that has been seen in the last few years.

MS. DUBIN: I'm not sure that we are predicting any other spikes like we have been seeing, but with fuel there is always the possibility of large fluctuations in fuel prices.

MR. CHILDS: But it is kind of a combination of volatility and the high level of the prices. Because, you know, looking at it if the price were much lower as sort of a base level, you know, the same sort of volatility wouldn't produce the same effect on dollars for a change in the fuel adjustment factor. And that is kind of what has happened in the last year and a half is we went to a higher level.

MR. McNULTY: My other question was for FPC and that was to the extent of what is your position. I think I identified it, Javier, as being that you are okay with the status quo, but I'm not certain that that is the position of the utility.

MR. PORTUONDO: Yes, I think our position is that we are okay with the status quo. We would support staff's first alternative if we were able to strike the preclusion from using the midcourse correction.

MS. DAVIS: I have a question. Your comment about staying on the 12-month factor would be subject to Commission approval, do you foresee any standard that we would have to meet to get the Commission approval? Would it be purely discretionary? Is it subject to how many midcourse corrections you have asked for recently, or any comment on that?

MR. BOHRMANN: I would think that as we evaluated the utility's request to stay on the 12-month factor that we would look at the volatility of the fuel and purchased power costs that the utility has incurred, especially over the pass two to three years. And then have our analysis, you know, lead us in whatever direction it does from that point. The number of midcourse corrections would definitely play a factor in evaluating that request.

MS. DAVIS: If you are considering that alternative then you sort of need to know what the standard is going to be to make a determination about whether that is a viable alternative for the company or not.

MR. BOHRMANN: You know, based on how this alternative is structured, if, you know, the utility would make the decision, you know, can it -- you know, can it be in a position where any true-up can be deferred to the next year without, you know, substantial -- without substantial harm. And if the answer came back that the possibility for true-ups were too great, that a six-month recovery period would be the better alternative, you know, that would lead you to make the decision to go to the six month. But if it came back that the true-ups in the past have not been very large and they have not, you know, broken through the ten percent barrier, and, you know, caused a midcourse correction to be requested, you know, the utility would probably make a decision to stay on the 12-month factor.

And we would look at that decision, you know, to request a 12-month factor as something within the utility's discretion, and a decision that is made given the option of going to the six-month factor. So that is what we would look at is that it was within the utility's discretion to stay on the 12 months and go from there.

MR. KEATING: And just to make a note, that was something that we asked you all to respond to in the memorandum. That was a question that we did have was what criteria we should use. And if the parties have any thoughts on that, we would like to hear them, too.

MR. BEASLEY: Would you all consider possibly a third alternative in light of the recency of the adoption of the 12-month recovery period and the aberrational nature of the last couple of years on fuel volatility to keep -- to say, well, we will keep the status quo except for anybody who wants to go to a six-month period?

MR. KEATING: I mean, I think that option is open as far as we are concerned. I think all options are at this point.

MS. DUBIN: I just have one comment, too, about midcourse corrections I think you need to keep in mind. I know we have looked at the last number of years going back, and we have had just as many midcourse corrections to lower the bill as we have to increase the bill. So I think that is something to keep in mind, that midcourse corrections work both ways.

MR. KEATING: Yes.

MR. VANDIVER: Do you all foresee any problems in the Commission's ability to monitor this with the utilities getting on different schedules in terms of resources and keeping track of all of it with the utilities getting on perhaps different cycles with 12 and six-month, and getting on different schedules and whatnot?

MR. McNULTY: I don't personally think there would be as much difficulty with this format at this time, I'm open to ideas on it, than there were prior to January 1, 1999 when we had three different time frames during the year in which rates changed. I would think that this would be, perhaps, a bit simpler than that. But it would be an increase in requirements on staff and Commission resources. And we have a lot of stuff coming up in the next year with rate cases pending and so forth. So for at least the next year there would be some strain, but I can't say at this time that it's not something that would go beyond the resources of the Commission.

MR. BOHRMANN: And I would also add that that is one of the reason2s why we suggested the five-year minimum for staying on the 12-month recovery period so that all the parties and the Commission could have some idea of where to -- you know, how to plan their resources and how to use them in the most effective way.

And, finally, I would add that prior to January 1, 1999, we had two utilities -- for the capacity clause we had two utilities on a six-month factor and two on a 12-month factor, and one on a 12-month GPIF, and I believe three on a six month GPIF. So we have dealt with different recovery periods in the past and it wasn't that large of a problem.

MR. BEASLEY: Have you given any thought to a nine-month recovery period?

(Laughter.)

MR. BOHRMANN: No, we haven't.

MR. BADDERS: Or a 15?

MR. BOHRMANN: Are you making a suggestion?

(Laughter.)

MR. BOHRMANN: Actually we were thinking about a daily factor.

MR. KEATING: Did Mr. McWhirter hear that? I don't know if that is consistent with his position or not, but it would seem to be.

MR. BOHRMANN: Is there any other feedback on the first alternative? I will turn it over to Cochran to summarize the second alternative.

MR. KEATING: Staff's second alternative essentially would stick with an annual calendar year recovery period, but instead of just approving one factor to be recovered for that year, we would approve essentially a band based on high and low band forecasts of fuel, energy sales, and efficiencies. And I think as the memo states, any other assumptions that may be appropriate.

What this alternative contemplates is that any changes within the band, within the high and low band, could be approved expeditiously. And I'm not sure if it is -- I can't remember if we used the term administratively in here or not, obviously an administrative approval would be just a staff approval without going to the Commission. And it may be that rather than that we would have an expedited Commission approval for anything within that approved band. And I would like to hear some feedback from the parties on whether or not they think if the Commission had approved a band, any further Commission approval of changes would be necessary.

The other part of the alternative is that any midcourse corrections that would go beyond the high and low bands would require an evidentiary hearing before the

Commission. So essentially it would be a little more -- it would be a little more involved than the current midcourse correction procedures. So with that we felt that perhaps some of the benefits of this alternative would include more timely price signals for changes within the band, smaller over and underrecoveries, shorter regulatory lag for changes made within the band, and perhaps some more efficient use of Commission and parties resources.

Some of the drawbacks that we saw with this option were perhaps greater price uncertainty. For outside band changes, obviously you have a little bit longer regulatory review and perhaps less timely price signals. And the last thing we have listed in our memo is potential negative customer feedback.

We put out a list of discussion questions on the second alternative. I don't believe that any of the parties in their comments filed prior to the workshop had said anything in support of this alternative. If you have any comments this morning, we would be glad to hear them, or if you have any thoughts on what we have proposed in here, or if you think perhaps there are some bits and pieces of this alternative that could work well with either what we are doing currently or what are was proposed in the first alternative.

MR. BEASLEY: It looks to me like the high band and low band alternative would be a surrogate for the plus or minus ten percent. And if so, how would we expect the Commission to allow administrative approval when we have hearings for midcourse corrections with the ten percent standard?

MR. KEATING: Let me make sure I follow the question, because it may be something that -- the question that I had had as we came up with this proposal, and that was, you know, how close will the high and low bands be to what has typically been the ten percent threshold for requiring a utility to come in and seek approval of a midcourse correction.

And I suppose that it would allow for some more flexibility before you got to the ten percent. And I don't think we viewed the ten percent as a threshold you have to cross to get a midcourse correction. I think if you look back to the specific language in the order approving the midcourse protection -- protection. Mr. McWhirter's language is in my mind. -- the midcourse correction procedures, it simply says that the ten percent is the point at which you notify the Commission that you expect over or underrecovery.

I suppose that this option would give some more flexibility within that ten percent so that factors could move up and down and perhaps that would reduce some of the over or underrecovery before you got above the ten percent, or before you got to the high or low end of the band.

MR. CHILDS: I had two questions on this as to how the band approach would work. First of all, I thought what you were talking about is that the band didn't necessarily have any connection to the ten percent, and that, for instance, if you had a band presentation to the Commission which would be approved and it was at the level of, let's say, seven percent above the midpoint, that if prices changed that you -- even up to ten percent, you could come in and use the band amount of seven percent and potentially still have some impact that was not picked up with a midcourse correction.

But you could then pursue the next step, that if you sought to get the full amount of what you thought was the change, you would go through your alternate procedures, as well, which would be to go to a hearing for the change beyond the band. But that the change up to the amount represented by the band would be on an expedited basis, and to go beyond would be, as you are saying here, require the hearing. But they are not necessarily mutually exclusive.

MR. KEATING: I don't know if I had thought about it that way, and I will defer to Todd or Bill to see if they have any thoughts on that.

MR. BOHRMANN: That is a correct characterization. The high and low bands, there are no strict correspondence to the ten percent up or down. And a utility could, or any party could, you know, could choose to request a change within the band administratively. But any change that was made outside of the band would have to be made -- or any incremental change outside the band would have to be made through an evidentiary hearing. So you characterized the alternative correctly.

MS. DAVIS: I have a follow-up question to that, then. So you anticipate the band would represent the worst case and the best case mand it's not necessarily a percentage, is that what you anticipate?

MR. BOHRMANN: That is correct. In your testimony you would file, you know, a low band, you know, the middle, and the high band. And the Commission would then -- or the staff would analyze both the low and the high band on the same basis as we have in the past, you know, for the most likely conditions. And then the Commission would approve both the low band and the high band in addition to, you know, the middle factor.

MS. DAVIS: And so that band could be more or less than ten percent.

MR. BOHRMANN: That is correct.

MS. DAVIS: Okay.

MR. FLOYD: Todd, I had a question. I guess I should have read this before. But what if we set some kind of band, and I don't know, you mentioned seven percent or whatever it is, and it goes -- it is seven percent and they file for some kind of staff administrative approval, and we fumble around with it like we do some things. I mean, we look at it and we say, well, yes, it's up to us, but we don't necessarily like it. And at what point do people know what we are going to do with it?

MR. BOHRMANN: It's important to keep in mind that the Commission would have already ruled that the low and the high band factors were reasonable given the assumptions that were used as inputs to come to those -- to come to those factors.

MR. FLOYD: So we are not approving anything, then, it's kind of an automatic.

MR. BOHRMANN: Those low and high band factors have been preapproved in a sense.

MR. FLOYD: Okay. I thought you meant staff would look at it and make some determination. But you are saying they would set some kind of band and you could automatically have a rate increase.

MR. BOHRMANN: Based upon the factors that have already been approved by the Commission.

MR. CHILDS: Well, you would, at least, I think, have to make some sort of a showing that the -- I am assuming, that the costs are now raised sufficiently as to be -- that it is more appropriate to go with the lower part of the band or the higher part of the band.

MR. BOHRMANN: Yes.

MR. CHILDS: You wouldn't just come in and say, we prefer the change. You would have to say, prices have gone up or gone down or whatever.

MR. BOHRMANN: Yes.

MR. KEATING: I assume that there would be some limit to the -- well, I guess to the number of changes, but I was thinking more along the lines of how often you would come in. Perhaps it would be something that would be done monthly. I'm not sure. It has some similarities to what is done in the purchased gas adjustment docket where there is a cap set and you can flex down from the cap. And I'm not crystal clear on how that works, but I have an understanding that we get the information from each utility, I guess, on a monthly basis. You know, we are going to charge this factor for this month.

MR. CHILDS: Uh-huh.

MS. JORDAN: Denise Jordan for Tampa Electric. Just so that I'm clear, I guess I saw it a little bit more static, but it sounded like you were making it a little bit more fluid. So, would you foresee the possibility of having monthly fuel factors for electric based on within the band?

MR. BOHRMANN: As this alternative is set up it is conceivable that if a utility was to incur an underrecovery in one month they could come in and make a change within the band. And then if they overrecovered the following month, it is conceivable that a party could come in and request a change down also within the band. And that is one of the questions that we had in our list of discussion questions is, you know, does the Commission have the authority to limit the number of within band midcourse corrections a party may request during a calendar year. That is something that we are going to have to give more thought to about how we can prevent, you know, a month-to-month almost change in the factors, at least conceivably as the alternative is set up.

MS. JORDAN: Having said that, keeping in mind, you know, from the agenda conference where we had the midcourse and some of the Commissioners comments about price stability, I guess I'm going to take a step back now and say what is our objective here. Are we really redesigning or are we trying to address specific issues that were put before us earlier. Because that fluid to me -- I mean, I'm not opposed to that, but it will definitely increase the price signals and what you are sending to the customer monthly if you did that.

MR. KEATING: I mean, the downside is that you could have possibly greater changes, greater price changes and more price changes for the customer, and that is -- on the plus side you give customers better price signals, and I'm not sure which way the --

MR. CHILDS: But you're not saying that -- I didn't read this to be that the staff was saying that they thought that that should be done, but that they were open to comments as to whether the extent to which you might limit it, either on the basis, I assume, of number of changes or criteria for a change.

MR. KEATING: Right.

MR. CHILDS: I mean, you might say, well, yes, theoretically it could go up to seven percent on a new forecast and then down to 6.5, but you wouldn't want to follow that kind of a change.

MR. BOHRMANN: I think that would run counter to what the Commissioners had said at the March 6th and March 13th agendas, you know, to incur that much more administrative cost.

MR. VANDIVER: And the citizens are not prepared to support administrative approval of price increases on a monthly or quarterly basis.

MR. BADDERS: I guess if we are looking at this back in '99 when the decision was made to go to an annual calendar recovery period, obviously some of the issues were regulatory costs, administrative costs. If we are coming up with dual bands, we are going to have issues on that, you know, every six months or every year. You're changing the -- I mean, if you can come in on a monthly basis and you changed the price, the customers are going to see that. I can't imagine the industrial customers liking that to any degree, and residential customers probably aren't going to understand 2 it keeps changing.

MR. BOHRMANN: Right.

MR. BADDERS: I think when you look at the scale, this is going the complete opposite direction of where we tried to go a couple of years ago. And if we are just trying to make some fixes as far as midcourse corrections and some price volatility for one or more utilities, I would hope we could get back a little more to what we have now and then trying to tweak that to give some options to people who need some options.

I mean, at the table today there is three utilities who like the annual status quo, and one utility who has a need for an option. And I'm not opposed to giving that option, I understand. I mean, their dollars are big. And a few percent matters when you are talking billions of dollars. So we would support something like that. But I think this is going the opposite direction of everything -- what the Commission found was important when we went to what we thought was status quo today.

MR. PORTUONDO: If you are trying to identify a way to introduce an expedited correction versus a full evidentiary hearing, couldn't you just apply what you are proposing here to the current midcourse correction? So if it is something within the ten percent it could go through on an expedited basis, something significantly above the ten percent would require an evidentiary hearing rather than making this so administratively burdensome and complex.

MR. McNULTY: What's to say that, you know, you don't have two nine percent changes, something below a midcourse correction that follow each other within a few months of each other? You know, which essentially would, you know, bust up the burden into two different buckets, yet sidestep an evidentiary proceeding in that case.

MR. PORTUONDO: It goes to the same issues that you are having to deal with here, is how frequently will the utility be allowed to increase or decrease its rates within that band.

MR. BOHRMANN: To address some of the comments that have been made, the purpose of this alternative was to facilitate discussion about the idea of having a more -- for two reasons, number one, because of the volatility in fuel prices that we have seen over the past couple of years, we want the ability to examine that fuel cost volatility in a more deliberate regular manner as would be provided in the fuel hearing, you know, each November.

And then once we examined the utility's assumptions about fuel cost volatility and the Commission said that these are reasonable lows and highs, then any -- you know, a change within those two numbers could be made on a more expeditious manner than what is currently being done right now. And it is at the parties' option to come in and request, you know, a change within the band.

If a utility, you know, had a five percent underrecovery, it could choose for the reasons of maintaining a stable price to its customers, could choose to defer that five percent underrecovery to the following year, like it has, you know, as it does right now. And we are not exactly, you know, in terms of how the within-band change would be made, you know, whether it could be done administratively through staff, or whether the prehearing officer could make that change, or whether we need to go to an agenda and get a panel or the full Commission to approve the change, we are not quite sure what the Commission's authority is in that regard. And that is something we are going to have to examine in more detail before we go to agenda, you know, with any sort of change that contemplates something like this. I hope I have addressed the most recent comments.

MR. CHILDS: One other question I wanted to ask about this as to how it would work. I think there was some comment about the potential for frequent changes and a comment which I don't know how the gas clause works, I don't know at all, but I assumed that we would be doing it this way. In other words, right now when you look at a ten percent factor, a ten percent change, I think what we're looking at is the realistic conclusion that there is going to be a change for the period of at least ten percent. I don't think you -- and if you looked at your banded forecast, I'm assuming that it is not that you would say, well, for the last month, you know, we are off. You would still ask yourself the question where are we going to be for the period, and make it on the basis of the cumulative or period estimate as opposed to the shorter term. So, you know, I thought that -- I don't think we have said this is what we want, but I'm trying to sort it out. I thought that is how you would implement it, that you wouldn't necessarily have all of those frequent changes unless you had really substantial changes in fuel costs because you would be looking at it over the whole period. Is that right?

MR. BOHRMANN: You know, it would be at the parties' discretion to request a change within the band. And one of the things that staff would be looking at during its expeditious review is do the current numbers -- do they represent a trend and are they borne out for the entire period of time. If it is a one-month anomaly, I think that it would be incumbent upon staff to recommend not allowing that within-band forecast -- within band change to take place. If it was a one-month anomaly, if it was not supported by, you know, the whole period.

MR. CHILDS: And I'm trying to go for the -- sort of look at the whole period and say that you would have to conclude that the cumulative change throughout the period was going to approach some sort of a threshold in the first instance for you to make a change. I mean, for instance, if you had a band that was seven percent higher was the top end of the band above the midpoint, and in month four you had a revised forecast that said you are going to be 4-1/2 percent off your midband forecast, I'm assuming that wouldn't meet the criteria for a change in the period of your factor. You just wouldn't do it.

MR. BOHRMANN: As this alternative is written out, you would be able to request --

MR. CHILDS: I couldn't request it.

MR. BOHRMANN: You could request it. No, you could choose not to, but that would be within your discretion under how this alternative is written.

MR. CHILDS: Then I'm confused again. I am thinking that when you have this alternative and you ask what a reaction is, is that you might say, well, that is the way the alternative is now, but that doesn't make sense to word it that way, so we are going to change the alternative somewhat, okay.

MR. BOHRMANN: Uh-huh.

MR. McNULTY: I thought that the alternative as it was written was basically saying you have the option to within a band come in and change regardless of what your changes in costs have been. And that only when it exceeds that band does an evidentiary hearing kick in. But it's an adjustment that takes place based upon the utility's discretion of coming in for an adjustment.

MR. CHILDS: And I guess I just never conceived of that. I thought that it would be that you have a banded forecast, you know, and it would say that here is our potential for fuel change or fuel costs during the period, and then after your sum experience you said, well, it has happened. We are up there at the top end of our forecast and so we can go in and ask for a change. But not that you could not experience a substantial change in fuel costs and come in and ask for a change to your factor nevertheless. We just thought you wouldn't do that, you wouldn't let anyone do that.

MR. KEATING: I'm not sure.

MR. CHILDS: And that you would write it so we couldn't.

MR. KEATING: Yes, I'm not sure that we would. I think Todd said earlier there would be have some showing.

MR. CHILDS: I mean, maybe it's written that way, but --

MR. KEATING: Some showing of -- that was my understanding of the alternative, was there would have to be some showing at least to staff that there was a reason for the change.

MR. PORTUONDO: I guess along those lines, what would staff expect to see in such a request for a change?

MR. BOHRMANN: We would expect to see that suppose you had requested a four percent change in your factor, which was within your band. We would expect to see some information to suggest that at the end of the period without any change in rates that you would have a four percent underrecovery.

MR. PORTUONDO: How does that differ from the current midcourse correction?

MR. BOHRMANN: It differs because under the current system, under the current system we are looking at all this fuel cost volatility almost from a fresh perspective. And whereas under this alternative we have already looked at -- we have already looked at the fuel cost volatility that the utility thinks will be there for the upcoming recovery period. And, you know, we are just trying to make -- you know, with that information that the utility would provide or party would provide, we are just trying to make sure that the change is justified based upon the facts that exist at the utility at that time.

MR. PORTUONDO: Isn't that what you do now? Aren't you having to look at the new forecasted data to determine its correctness, its prudency? I mean, I guess I'm a little confused as what would you be doing differently with the information that you get for a request to change within the band that you wouldn't be doing with a current request under the midcourse correction rule or order?

MR. KEATING: Are you asking what different information we would look at rather -- I mean, the only difference I see obviously is -- the procedural difference is the that way we are doing it now, we go to the Commission for any change in the factor. And under this alternative if it was within the forecast band that was approved by the Commission at the previous fuel hearing, then it wouldn't go to the Commission.

MR. BOHRMANN: You also have to keep in mind that the flip side of this alternative is that if there is a change outside the band there would be a Commission hearing to examine the changing conditions and to determine what the new rate would be. That is the flip side of that.

MR. VANDIVER: Have you all --

MR. PORTUONDO: I'm just still a little lost. If staff felt that it didn't have enough information, given the magnitude of the correction, which would demonstrate even in today's world that it would be outside a band possibly, as they did in the last midcourse you requested more data in order to perform your analysis. So I don't see the distinction.

MR. McNULTY: I think some consideration is that if we know a lot of the basic information about the variability of fuel costs that are expected in the coming year, and we know that in November, and then a utility comes in for a correction within the band, we have already done a lot of our analysis. And as you know, these requests come to Commission staff with generally very little time in which to do our analysis and to put together a recommendation. This allows us to have kind of like preanalyzed the situation to a certain extent so that staff will have the ability to process the request in a more timely fashion and with having already had some of that analysis taken care of. That is at least one aspect of, I think, that alternative.

MR. CHILDS: There is maybe one other difference. Keep in mind, I think, that as Kory said that the changes have been both up and down. And over the years from when the Commission first addressed this idea of midcourse correction, the idea of utilities telling the Commission was so that the utilities would tell the Commission of the change and not avoid a midcourse correction.

And at one time when we had the six month clause the question was, well, you know, if we have a change but it occurs towards the end of the six-month period, then there is a concern about whether it's worth it to try to implement it or whether you really can implement it.

And when the changes were implemented, one of the motivating factors was the avoidance of the interest on the clause charges that would carry over to the next period. So, although the Commission staff and the Commission had the -- wanted to look at information, they didn't treat it as though it was a brand new fuel adjustment proceeding that you started all over in the middle of the term.

So, I mean, I think there is a question as to how you implement it, but I believe that from the beginning there was a practicality concern about not letting the clause factor get too far out of hand and not making it so difficult for there to be a change that when you had substantial volatility you still couldn't do anything about it. So that is what I read your band, as being a way to say is it possible to address it so that there is some satisfaction about the reliability of numbers.

MR. VANDIVER: Would there be a prohibition on stacking or coming in and -- say if you came in in January with four percent, coming in May with a seven percent, would you limit the number of these--

MR. BOHRMANN: As this alternative is written, a party could request a change within the band. It would not -- the band would not shift up or down with each change.

MR. VANDIVER: How many band changes can you request?

MR. McNULTY: The band isn't changing for the year. So if the band gives you a seven percent leeway up and you come in for four percent and then you want to come in for another four percent, that is eight percent.

MR. VANDIVER: And another four percent.

MR. McNULTY: Well, that's what I'm saying, that second four percent would kick you into an evidentiary hearing because then you are above the original band that was set for the year.

MR. VANDIVER: Okay.

MR. KEATING: And, Rob, I think that was one of the questions we still had if we did go with an approach like this, how many times, how often could something like this or should something like this be approved. Are there any other comments or thoughts on the second alternative? I guess the fact that this was the second alternative instead of the first really meant something this time.

MR. McNULTY: That's 2 we gave it to you, Cochran.

MR. KEATING: Thank you.

MR. BOHRMANN: Next on our --

MR. KEATING: Let's go ahead and take just a ten-minute break. I don't think we have too much more to go through. We have on our agenda presentation in the alternative proposals, the only one we received was from Florida Public Utilities Company, who I don't believe is represented here today. And then I would like to discuss briefly procedural matters going forward from here. So I think if we took a short break we could still be out of here easily before noon, well before noon.

(Recess.)

MR. KEATING: Okay. Let's get started again. All that we have left on our agenda is discussion of any alternative proposals and any comments and feedback on alternative proposals and procedural matters. As I said before the break, the only alternative proposal we received is from

Florida Public Utilities Company, and I don't believe that they are here today. That proposal, and if you liked alternative two -- anyone? Anyone? -- you might like this one, too. It was to implement a cap similar to what is done in the purchased gas adjustment docket.

And all I can tell you about what is done in that docket and what they have set forth here is that the maximum factor is set and the gas companies can flex down from that rate as the gas market fluctuates throughout the year. But they can't go over that cap without seeking a midcourse correction. And I believe that that is just -- well, I know that it is not something that is approved by the Commission when they move underneath the cap. It's something that is sent to staff and I'm not sure even if administrative approval is given or exactly how that works.

But that is sort of the gist of Florida Public Utilities proposed alternative. And I don't know if anybody wants to make any comments on that at this time or if you would like to go forward. Okay.

Before we get to any procedural matters, I believe Mr. McNulty would like to float another idea based on some of the comments and feedback we received this morning.

MR. McNULTY: It's just a real simple change to what is alternative one. As regards Florida Power and Light's desire to go to a six month, if we were to have a semi-annual hearing process set up, and sometimes going to that July factor may not be necessary if there isn't volatility that would be experienced by the utility. And perhaps you would know by March of each year whether or not you have experienced the level of volatility that is unacceptable and need to do something about.

By the same token, the Commission staff in monitoring the A schedules can look and see what that volatility is, as well, at least as has been experienced up to that point in time. It may not know what forecast -- new forecasts may be of things that are changing in the fuel arena specifically. But if, in fact, you know, if in March it did not appear as though there is a looming change, material change in what the fuel factor should be, maybe we could address some level of optionality in pursuing that hearing in the middle of the year.

And this is just something that kind of occurred to me while we were talking during the last session. We discussed it a little bit, so it's just kind of a new idea, but we didn't know if maybe you had considered that yourselves and how you might think about that and other parties might think about that.

MR. BEASLEY: This would be the other parties remaining status quo?

MR. McNULTY: Your alternative proposal, proposal three, yes, would be considered in considering that option.

And that's not to say that it couldn't be exercised, we couldn't look at exercising it for everyone where everyone would have the option of proceeding to a mid-year hearing if they so felt, or if the Commission staff -- I think it would have to be both ways, I would think, that the Commission staff would be able to --

MR. KEATING: And I think to pull something like that off, like Bill said, I think we would need to be notified if the options could be exercised early enough where we can set up time for a hearing process somewhere in the time that we currently have for the November hearing, say for a hearing in May. And perhaps we would go ahead and reserve a hearing date each year under that alternative.

So we would probably be looking at some sort of notification in late February, early March. And that is, you know, roughly about six months from when the projection testimony is filed for the November hearing. So, it sort of -- so it would be based on the utility's knowledge roughly every six months.

MR. VANDIVER: Would you all set a firm date every year at which time the utilities would have to elect to pull the trigger as to make the election for the May hearing?

MR. KEATING: I think we would have to.

MR. McNULTY: And the five reasons for going to calendar year and annual hearing, one of them was administrative efficiency. If we put the optionality feature in there, at least it gets back some of that for those years where an adjustment isn't necessary. Then we are not having a hearing just to find out that the factor isn't changing.

MR. KEATING: And hopefully --

MR. FLOYD: You definitely would have a hearing annually.

MR. KEATING: Yes. Everyone would have their November hearing.

MR. FLOYD: And you may have a brief one or a briefer one semiannually.

MR. McNULTY: Well, one for FPL or other utilities if they either petition for a hearing, I guess in March or whatever date is set up, or if the Commission staff brings a recommendation to the Commissioners which is approved for bringing a particular utility to a hearing.

MR. KEATING: And I think -- and Bill can correct me if I'm wrong -- I think the alternative that has been floated would still include an option for a midcourse correction, and hopefully with the option of a hearing every six months. If you got past, say, March 1st, if that was the trigger date, and you got a couple of months further into the year and saw that there may be a need for a midcourse correction, hopefully that midcourse correction wouldn't be as large as it otherwise would have been without that. If you had seen something large coming, hopefully it was earlier in the year.

MR. McNULTY: That's what I had in mind. There is also -- I mean, again, I think some of the comments were maybe it's time for a six-month hearing. I think that comment by the Commissioners maybe was generic. And whether or not that should be applied to all utilities or not is something that we have to analyze, and I would think would make good material for comment and post-workshop comments is to say, to really kind of explain if you think for your particular utility that the six-month hearing is not appropriate, to really give your best defense on that.

MR. VANDIVER: I think I will go ahead and raise it now. Would the option be solely with the utility, or would it be for any party? For example, if the utilities did not believe it appropriate to come in, but if FIPUG, staff, or the Public Counsel were to say we believe it appropriate for --

MR. McNULTY: I would think that anybody could come in and make that request that is a party to the docket, and then I would assume that, again, it's getting into procedural, so I would check this with Cochran, but bring a PAA that would say is it appropriate to bring this to --

MR. VANDIVER: Yea or nay.

MR. McNULTY: Yes.

MR. KEATING: And there may be some similarity with the current midcourse correction procedures where in that case once we are notified, and I'm trying to remember, I don't have that order with me, but there is some language in the order that allows any party, I believe, to request a hearing. And I'm not sure if that is after the point where the utility has notified the Commission that they have reached that ten percent threshold and whether or not they think they need a correction or not, or if that is -- or if that is at any other time. I believe it is after the point that the utility provides notification, the utility decides they don't need a midcourse correction. I believe the party has the option of requesting a hearing. But that is something that we would have to think about more and think about the details of.

MR. McNULTY: FPL.

MS. DUBIN: Then let me just make sure I understand this. You would set a factor, for example, at the November hearing for the year. And then in March or so you would come in and say we would like to have a hearing, and make a filing and have a hearing in May for a possible change July through December. So that you have the option to have a six month, it's just like an estimated actual true-up or something like that, midstream?

MR. BOHRMANN: Just my first thought about it is that the utilities would do exactly what they have been doing now in preparation of the November hearing. They would file all their E schedules for all 12 months of the year, and then if the utility -- if the utility got to March 1st and said these rates no longer reflect, you know, costs to such an extent that we need a change in our rates effective July 1, then you would file E schedules for July through December. And then there would be a hearing about May 20th to set the factor for July 1 through December 31st. If you decided that you could live with the factor for the rest of the year, then you would do nothing.

MR. BEASLEY: What if you get to August or July or June?

MR. BOHRMANN: You would still have a midcourse at your discretion.

MR. McNULTY: I guess what this would really highlight if we went with something like that, you know, people would say, well, what is the difference between a midcourse and --

MR. FLOYD: That's what I was going to ask.

MR. McNULTY: And, I mean, that is the obvious issue that would arise there. And I think that, you know, well, FPL, you are a proponent of the six month, and I guess that may be partly because it has a greater level of analysis and, therefore, staff and the Commission is more behind the ultimate decision, there isn't the discussion that says the prudency of this will be reviewed in six to nine months. There is more support from the Commission behind that kind of decision. And I would assume that that is of some value, but I will leave it to you to comment on that.

MR. KEATING: And I would add, I think that would address some of the concern that the Commissioners had, which I read from their comments to be a concern with what we see in the last couple of years with midcourse corrections where we didn't have an evidentiary hearing. And I'm sure that the magnitude of those midcourse corrections had something to do with their concern, but that they would be more comfortable with doing it in an evidentiary proceeding.

MR. FLOYD: Could I ask Kory or Matt one, maybe Matt, is it true that a utility can petition for a midcourse correction at any time regardless of how much -- how far off the projections are? In other words, it doesn't have to be over ten percent as I understand. And, Cochran, maybe you know, or one of the lawyers here, if it were eight percent and you felt like that was the best thing to do for your ratepayers, you could come in and petition to have a change, right, but you are required to let us know if it is more than ten percent. Is that the status of things or not?

MR. CHILDS: That is what I understand. Plus, I mean, when it was first discussed there was a recognition that you may find out that it is ten percent with a six-month clause. You may find that out in month four. So you may be in the situation where technically you have a variation, but you're probably not going to do much about it.

MR. FLOYD: Right. So what I was wondering --

MR. CHILDS: People didn't do it. The point was that I think that the ten percent was considered as somewhat of a threshold. It didn't have to be ten percent, but it sure wasn't two percent.

MR. FLOYD: Right.

MR. CHILDS: You didn't come in with a two percent change and ask for a change in the factor.

MR. FLOYD: Well, what I was wondering 2 is why doesn't the annual -- the status quo give you the flexibility that you need now. In other words, you can come in if you see things are getting out of line and without having to have a --

MR. CHILDS: I think we would like to think through that a little more and comment on it. One of the things that is sort of a personal reaction was that, well, I think there is potentially some benefit knowing that you are on -- first of all, you are going to be forecasting for a year and then you are going to be trying to monitor and have been some sort of a procedure in place that you are going have to make an election, and if so, go forward with it.

You know, one of the things that is a practical problem is that when you file for midcourse there is the question of how much, you know, how much time do we have in putting the data together, and how much certainty do we have to have, and, gee, if we wait another week to be sure about this, that, or the other thing. And so it strikes me that there is some benefit of having a schedule that tells you what you can look to.

MS. DUBIN: Also notification to customers, those types of things.

MR. CHILDS: But my thought was it was a helpful suggestion, and we would like to kick it around and certainly will comment on it.

MR. KEATING: The option that was just brought up?

MR. CHILDS: Right.

MR. KEATING: And I don't won't to cut off any discussion on that option before we went forward, so I would ask if anybody else had any other comments to make on that or if you would just address it since it has just come up today, if you would just like to address it in any post-workshop comments that you might file? Well, I guess we are on to the -- getting to the end.

On the procedural matters, in our May 25th memorandum, I think it's at the bottom of the front page, we said that we intend to file a recommendation in the fuel docket regarding changes, if any, that come out of this workshop. What we would like to do is once we get post-workshop comments, and this is a tentative schedule at this point, would be to try to get to the August 14th agenda for a PAA decision.

Perhaps between now and then we can -- perhaps there will be some agreement on a way to go forward, and we could present it as such. But what I would like to try to do is to have the matter resolved at least as proposed agency action in time so that any protest of what the Commission might approve could be addressed in the November fuel hearing.

Now, to do that, I realize we would have to get to get any order out fairly quickly after the October 14th agenda to allow 21 days to run for a protest and to allow, if there is a protest, at least a couple of weeks for the parties to address it in their September 20th testimony, if they wish to address it. So it is a little more aggressive schedule than I think we originally thought when we put our intentions in this memorandum of having the protest heard during the fuel hearing this November, and it is still tentative. That is how we would like to try to go forward, though. I don't know if there is any other thoughts on that process.

MR. CHILDS: You have the 8/14 agenda, which means you need our comments before --

MR. KEATING: I believe we have asked for comments by -- post-workshop comments by July 13th. So we would be filing a recommendation on August 2nd, I believe. I believe there is an agenda the week before which would give us a little more time on the tail end, but I don't know that we -- after reviewing the various vacation schedules for some of the folks sitting 3 here, August 14th may be as aggressive as we can be hopeful for. But if we can, obviously we would try to get something on an earlier agenda.

Well, with that I guess we can close. I would ask staff, Bill and Todd, if they have any other comments, or the parties if they have any other comments? Okay. And I will take the opportunity that I may never get to take again to bang the gavel and adjourn the workshop.

(The hearing concluded at 11:30 a.m.)

STATE OF FLORIDA)

: CERTIFICATE OF REPORTER

COUNTY OF LEON)

I, JANE FAUROT, RPR, Chief, Office of Hearing Reporter Services, FPSC Division of Commission Clerk and Administrative Services, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 5th day of July, 2000.

Jane Faurot

JANE FAUROT, RPR
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