BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.	DOCKET NO. 030001-EI ORDER NO. PSC-03-1264-PHO-EI ISSUED: November 7, 2003

Pursuant to Notice and in accordance with Rule 28-106.209, Florida Administrative Code, a Prehearing Conference was held on October 23, 2003, in Tallahassee, Florida, before Commissioner Braulio L. Baez, as Prehearing Officer.

APPEARANCES:

JOHN T. BUTLER, ESQUIRE, Steel, Hector & Davis LLP, 200 South Biscayne Blvd., Suite 4000, Miami, Florida 33131-2398
On behalf of Florida Power & Light Company (FPL).

NORMAN H. HORTON, JR., ESQUIRE, Messer, Caparello & Self, P. A., Post Office Box 1876, Tallahassee, Florida 32302-1876
On behalf of Florida Public Utilities Company (FPUC).

JEFFREY A. STONE, ESQUIRE, and RUSSELL A. BADDERS, ESQUIRE, Beggs & Lane, Post Office Box 12950, Pensacola, Florida 32591-2950
On behalf of Gulf Power Company (GULF).

JAMES A. MCGEE, ESQUIRE, Progress Energy Florida, Post Office Box 14042, St. Petersburg, Florida 33733-4042
On behalf of Progress Energy Florida (PEFI).

LEE L. WILLIS, ESQUIRE, and JAMES D. BEASLEY, ESQUIRE, Ausley & McMullen, Post Office Box 391, Tallahassee, Florida 32302
On behalf of Tampa Electric Company (TECO).

ROBERT SCHEFFEL WRIGHT, ESQUIRE, and JOHN T. LAVIA, III, ESQUIRE, Landers & Parsons, P.A., 310 West College Avenue, Tallahassee, Florida 32301
On behalf of CSX Transportation (CSX).

RONALD C. LAFACE, ESQUIRE, Greenberg Traurig, P.A., 101 East College Avenue, Tallahassee, Florida 32301
On behalf of Florida Retail Federation (FRF).

MICHAEL B. TWOMEY, ESQUIRE, Post Office Box 5256, Tallahassee, Florida 32314-5256
On behalf of Catherine L. Claypool, Helen Fisher, William Page, Edward A. Wilson, Sue E. Strohm, Mary Jane Williamson, Betty J. Wise, Carlos Lissabet, and Lesly A. Diaz (CLAYPOOL).

JOHN W. MCWHIRTER, Jr., ESQUIRE, McWhirter Reeves McGlothlin Davidson Kaufman & Arnold, P. A., 400 North Tampa Street, Suite 2450, Tampa, Florida 33601-3350
VICKI GORDON KAUFMAN, ESQUIRE, McWhirter Reeves McGlothlin Davidson Kaufman & Arnold, P. A., 117 South Gadsden Street, Tallahassee, Florida 32301
On behalf of Florida Industrial Power Users Group (FIPUG).

ROBERT D. VANDIVER, ESQUIRE, Associate Public Counsel, Office of Public Counsel, c/o The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400
On behalf of the Citizens of the State of Florida (OPC).

WM. COCHRAN KEATING IV, ESQUIRE, and JENNIFER A. RODAN, ESQUIRE, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
On behalf of the Florida Public Service Commission (STAFF).

PREHEARING ORDER

I. CONDUCT OF PROCEEDINGS

Pursuant to Rule 28-106.211, Florida Administrative Code, this Order is issued to prevent delay and to promote the just, speedy, and inexpensive determination of all aspects of this case.

II. CASE BACKGROUND

As part of the Commission's continuing fuel and purchased power cost recovery clause and generating performance incentive factor proceedings, an administrative hearing is set for November 12-14, 2003, to address the issues set forth in the body of this Prehearing Order. The Commission has the option to render a bench decision on any or all of the issues set forth herein. Opening statements, if any, shall not exceed ten minutes per party.

III. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

A. Any information provided pursuant to a discovery request for which proprietary confidential business information status is requested shall be treated by the Commission and the parties as confidential. The information shall be exempt from Section 119.07(1), Florida Statutes, pending a formal ruling on such request by the Commission, or upon the return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been used in the proceeding, it shall be returned expeditiously to the person providing the information. If a determination of confidentiality has been made and the information was not entered into the record of the proceeding, it shall be returned to the person providing the information within the time periods set forth in Section 366.093, Florida Statutes.

B. It is the policy of the Florida Public Service Commission that all Commission hearings be open to the public at all times. The Commission also recognizes its obligation pursuant to Section 366.093, Florida Statutes, to protect proprietary confidential business information from disclosure outside the proceeding.

1. Any party intending to utilize confidential documents at hearing for which no ruling has been made, must be prepared to present their justifications at hearing, so that a ruling can be made at hearing.

2. In the event it becomes necessary to use confidential information during the hearing, the following procedures will be observed:

a) Any party wishing to use any proprietary confidential business information, as that term is defined in Section 366.093, Florida Statutes, shall notify the Prehearing Officer and all parties of record by the time of the Prehearing Conference, or if not known at that time, no later than seven (7) days prior to the beginning of the hearing. The notice shall include a procedure to assure that the confidential nature of the information is preserved as required by statute.

b) Failure of any party to comply with 1) above shall be grounds to deny the party the opportunity to present evidence which is proprietary confidential business information.

c) When confidential information is used in the hearing, parties must have copies for the Commissioners, necessary staff, and the Court Reporter, in envelopes clearly marked with the nature of the contents. Any party wishing to examine the confidential material that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any appropriate protective agreement with the owner of the material.

d) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise the confidential information. Therefore, confidential information should be presented by written exhibit when reasonably possible to do so.

e) At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the Court Reporter shall be retained in the Division of Commission Clerk and Administrative Service's confidential files.

IV. <u>POST-HEARING PROCEDURES</u>

A bench decision may be made at the conclusion of the hearing, in which case post-hearing statements and briefs will not be necessary. If a bench decision is not made, each party shall file a post-hearing statement of issues and positions. A summary of each position of no more than 50 words, set off with asterisks, shall be included in that statement. If a party's position has not changed since the issuance of the prehearing order, the post-hearing statement may simply restate the prehearing position; however, if the prehearing position is longer than 50 words, it must be reduced to no more than 50 words. If a party fails to file a post-hearing statement, that party shall have waived all issues and may be dismissed from the proceeding.

Pursuant to Rule 28-106.215, Florida Administrative Code, a party's proposed findings of fact and conclusions of law, if any, statement of issues and positions, and brief, shall together total no more than 40 pages, and shall be filed at the same time.

V. <u>PREFILED TESTIMONY AND EXHIBITS; WITNESSES</u>

Testimony of all witnesses to be sponsored by the parties and Staff has been prefiled. All testimony which has been prefiled in this case will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and associated exhibits. All testimony remains subject to appropriate objections. Each witness will have the opportunity to orally summarize his or her testimony at the time he or she takes the stand. Summaries of testimony shall be limited to five minutes. Upon insertion of a witness' testimony, exhibits appended thereto may be marked for identification. After all parties and Staff have had the opportunity to object and cross-examine, the exhibit may be moved into the record. All other exhibits may be similarly identified and entered into the record at the appropriate time during the hearing.

Witnesses are reminded that, on cross-examination, responses to questions calling for a simple yes or no answer shall be so answered first, after which the witness may explain his or her answer.

The Commission frequently administers the testimonial oath to more than one witness at a time. Therefore, when a witness takes the stand to testify, the attorney calling the witness is directed to ask the witness to affirm whether he or she has been sworn.

VI. ORDER OF WITNESSES

As a result of discussions at the prehearing conference, each witness whose name is preceded by an asterisk (*) has been excused from this hearing if no Commissioner assigned to this case seeks to cross-examine the particular witness. Parties shall be notified as to whether any such witness shall be required to be present at hearing. The testimony of excused witnesses will be inserted into the record as though read, and all exhibits submitted with those witnesses' testimony shall be identified as shown in Section IX of this Prehearing Order and be admitted into the record.

Witness	Proffered By	Issues #
Direct		
G. Yupp	FPL	1, 2, 3, 4, 5, 6, 7, 8, 9, 12, 14a, 14b, 14c
J. R. Hartzog	FPL	1, 2, 3, 4, 5, 6, 7, 8, 9, 32a

Witness	Proffered By	Issues #
K. M. Dubin	FPL	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 14b, 14c, 24, 25, 26, 27, 28, 29, 30, 32a
*F. Irizarry	FPL	18, 19
*George M. Bachman	FPUC	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 15a
*H. R. Ball	GULF	1, 2, 12, 16a, 16b
T. A. Davis	GULF	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 24, 25, 26, 27, 28, 29
*L. S. Noack	GULF	18, 19
*H. Homer Bell, III	GULF	1, 2,,10, 11, 24, 25, 27
Javier Portuondo	PEFI	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13a, 13b, 13c, 13d, 13e, 13h, 13i, 24, 25, 26, 27, 28, 29, 30, 31a
*Pamela R. Murphy	PEFI	12, 13f, 13g
*Michael F. Jacob	PEFI	18, 19
William T. Whale	TECO	17i
William A. Smotherman	TECO	17I, 18, 19, 23a
Benjamin F. Smith	TECO	17c, 17i
Joann T. Wehle	TECO	12, 17a, 17b, 17c, 17d, 17e, 17f, 17g, 17h, 17i,

Witness	Proffered By	Issues #
Brent Dibner	TECO	17e, 17g
J. Denise Jordan	TECO	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 17i, 17j, 17k, 24, 25, 26, 27, 28, 29, 30, 34a
Sheree L. Brown	FIPUG/FRF	3, 5, 17i, 17j, 17k, 17l, 17m, 17n, 17o
Michael J. Majoros, Jr.	OPC	17i, 17j, 17k, 17l
William M. Zaetz	OPC	17i, 17j, 17k, 17l
Kathy L. Welch	STAFF	12, 14b, 30
*Michael E. Buckley	STAFF	12, 16b
*Jocelyn Y. Stephens	STAFF	12, 17d, 30
Joseph W. Rohrbacher	STAFF	12, 13c, 13g, 13h, 13i, 30
William B. McNulty	STAFF	13d, 13e, 17e, 17f, 17g, 17h
Matthew Brinkley	STAFF	30
Rebuttal		
K. M. Dubin	FPL	12, 30, 32a
William T. Whale	TECO	17i
J. Denise Jordan	TECO	17i, 17j, 17k, 17l, 17m, 30
Joann T. Wehle	TECO	17e, 17f, 17h

VII. BASIC POSITIONS

FPL: None necessary.

FPUC: FPUC has properly projected its costs and calculated its true-up amounts and purchased power cost recovery factors. Those amounts and factors should be approved by the Commission.

GULF: It is the basic position of Gulf Power Company that the fuel factors proposed by the Company present the best estimate of Gulf's fuel expense for the period January 2004 through December 2004 including the true-up calculations, GPIF and other adjustments allowed by the Commission.

PEFI: None necessary.

TECO: The Commission should approve Tampa Electric's calculation of its fuel adjustment, capacity cost recovery and GPIF true-up and projection calculations, including the proposed fuel adjustment factor of 3.967 cents per KWH before application of factors which adjust for variations in line losses; the proposed capacity cost recovery factor of 0.216 cents per KWH before applying the 12CP and 1/13th allocation methodology; a GPIF penalty of $2,496,021 and approval of the company's proposed GPIF targets and ranges for the forthcoming period. Tampa Electric also requests approval of its calculated wholesale incentive benchmark of $1,261,681 for calendar year 2004.

CSX: TECO's fuel and purchased power cost recovery amounts for 2004 should be subject to a true-up and also subject to refund based on what the Commission determines to be the reasonable and prudent costs associated with coal transportation to Big Bend station. CSX offered to deliver coal to TECO's Big Bend station, for delivery beginning in 2004, at prices that would save TECO's customers millions of dollars per year as compared to the purported "winning bid" as determined by TECO in its RFP process. Accordingly, TECO's projected coal transportation costs are neither reasonable nor prudent. CSX further agrees with the Citizens and FIPUG that this and related issues should be deferred to a separate proceeding.

FRF: Adopts FIPUG's Basic Position.

CLAYPOOL: Adopts FIPUG's Basic Position.

FIPUG: TECO is seeking an extraordinary increase in fuel costs. Much of the increase is attributable to TECO's efforts to improve the cash position of its parent, TECO Energy. The Commission should take steps to protect TECO ratepayers from subsidizing TECO Energy's poor decisions. The Commission should protect the credit worthiness of TECO by limiting the free flow of cash from the healthy regulated utility to its affiliates and parent. In particular, the early shut down of the Gannon units was a decision motivated by the financial difficulties of the holding company and results in ratepayers paying higher fuel costs than if the Gannon units continued to run. Therefore, TECO's estimated fuel adjustment amount should be reduced by the amount of O&M savings resulting from the shutdown of the Gannon Units as discussed in the prefiled direct testimony of Sheree L. Brown.

The Commission should determine whether any portion of the 2003 and 2004 O&M costs are attributable to dismantlement costs which have been funded by the ratepayers, and if so, the fuel adjustment should be further reduced to reflect lower O&M costs funded from base rate revenues.

The Commission should also investigate whether: the amounts paid to Hardee Power Partners under the purchase power contract to ensure such costs were cost-based due to the gain on the sale of the Hardee Power Station (HPS); whether the change in ownership of the HPS will affect ratepayer costs; and whether TECO's acquisition and subsequent cancellation of turbine purchase rights was a cost-effective decision.

As to the market price proxy for coal transportation, the Commission should examine this benchmark in a separate docket opened for that purpose.

Finally, the Commission should not consider the TECO proposals for coal transportation in the November hearing but should consider it in a separate docket. There has been inadequate time to conduct discovery and do analysis of this issue, given TECO's 11th hour filing of supplemental testimony.

OPC: Tampa Electric's decision to close the Gannon units early was an economic decision that benefits the company with O&M savings while customers are forced to pay higher fuel costs. The Commission should reduce fuel clause recovery from customers in order to share the advantages gained by the company with its customers.

The Commission should set aside and reexamine the existing water transportation benchmarks for Tampa Electric Company. PEF's current market price proxy should be discontinued effective December 31, 2002. For 2003 and 2004, coal transportation rates should be reset consistent with the staff audit per witness McNulty's testimony, Page 10 Lines 17-23. The Progress Energy Florida market price proxy should be reexamined in 2004.

STAFF: 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.

VIII. ISSUES AND POSITIONS

GENERIC FUEL ADJUSTMENT ISSUES

ISSUE 1: **What are the appropriate final fuel adjustment true-up amounts for the period January 2002 through December 2002?**

POSITIONS

FPL: $72,467,176 under-recovery. This amount was included in the midcourse correction that became effective in April 2003. (DUBIN)

FPUC-M: $78,631 (under-recovery)
FPUC-F: $1,167,570 (over-recovery)

GULF: Over recovery $1,056,921. (Ball, Bell, Davis)

PEFI: $66,271,472 under-recovery.

TECO: $28,662,327 under-recovery. (Witness: Jordan)

CSX: No position.

FRF: No position.

CLAYPOOL: No position.

FIPUG: No position.

OPC: No position.

STAFF: FPL: No position pending resolution of outstanding issues.
FPUC-Fernandina Beach: $1,167,570 over-recovery
FPUC-Marianna: $78,631 under-recovery
Gulf: No position pending resolution of outstanding issues.

PEFI: No position pending resolution of outstanding issues.
TECO: No position pending resolution of outstanding issues.

*This issue is stipulated with respect to FPUC.

ISSUE 2: **What are the appropriate estimated fuel adjustment true-up amounts for the period January 2003 through December 2003?**

POSITIONS:

FPL: $344,729,859 under-recovery. (DUBIN)

FPUC-M: $265,146 (under-recovery)
FPUC-F: $135,130 (over-recovery)

GULF: Under recovery $23,923,505. (Ball, Bell, Davis)

PEFI: $144,154,788 under-recovery.

TECO: $88,345,118 under-recovery. (Witness: Jordan)

CSX: No position.

FRF: No position.

CLAYPOOL: No position.

FIPUG: No position.

OPC: No position.

STAFF: FPL: No position pending resolution of outstanding issues.
FPUC-Fernandina Beach: $135,130 over-recovery
FPUC-Marianna: $265,146 under-recovery

Gulf: No position pending resolution of outstanding issues.
PEFI: No position pending resolution of outstanding issues.
TECO: No position pending resolution of outstanding issues.

*This issue is stipulated with respect to FPUC.

ISSUE 3: **What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2004 to December 2004?**

POSITIONS:

FPL: $344,729,859 under-recovery. (DUBIN)

FPUC-M: $343,777 (to be collected)
FPUC-F: $1,302,700 (to be refunded)

GULF: Under recovery $22,866,584. (Davis)

PEFI: $210,426,260 under-recovery.

TECO: Because the Commission authorized Tampa Electric to recovery $26,000,000 of its final 2002 true-up amount during the mid-course period April 2003 through December 2003, the appropriate total fuel adjustment true-up amount to be collected/refunded from January 2004 to December 2004 is $91,007,445 under-recovery. (Witness: Jordan)

CSX: No position.

FRF: Adopts FIPUG's position.

CLAYPOOL: Adopts FIPUG's position.

FIPUG: TECO's estimated fuel adjustment should be reduced by the amount of O&M savings from the shutdown of the Gannon Units as discussed in the prefiled direct testimony of Sheree L. Brown. **With respect to the other investor owned utilities, FIPUG has no position.**

OPC: No position at this time.

STAFF: FPL: No position pending resolution of Issues 1 and 2.
FPUC-Fernandina Beach: $1,302,700 over-recovery to be refunded.
FPUC-Marianna: $343,777 under-recovery to be collected
Gulf: No position pending resolution of Issues 1 and 2.
PEFI: No position pending resolution of Issues 1 and 2.
TECO: No position pending resolution of Issues 1 and 2.

*This issue is stipulated with respect to FPUC.

ISSUE 4: Proposed Stipulation. See Section X.

ISSUE 5: **What are the appropriate projected net fuel and purchased power cost recovery amounts to be included in the recovery factors for the period January 2004 through December 2004?**

POSITIONS:

FPL: $3,380,102,249 (DUBIN)

FPUC-M: $11,706,084
FPUC-F: $13,835,447

GULF: $259,212,752 (Davis)

PEFI: $1,344,114,962

TECO: The projected net fuel and purchased power cost recovery amount to be included in the recovery factor for the period January 2004 through December 2004, adjusted by the jurisdictional separation factor, is $655,445,508. The total recoverable fuel and purchased power cost recovery amount to be collected, including the true-up and GPIF amounts and adjusted for the revenue tax factor, is $744,494,377. (Witness: Jordan)

CSX: TECO's net fuel and purchased power cost recovery amounts for 2004 will be determined pursuant to evidence presented in the hearing. Any such amounts should be subject to a true-up and also subject to refund based on what the Commission determines to be the reasonable and prudent costs associated with coal transportation to Big Bend station, including (without limitation) the Commission's decisions with respect to Issues 17E and 17F.

FRF: Adopts FIPUG's position.

CLAYPOOL: Adopts FIPUG's position.

FIPUG: TECO's estimated fuel adjustment should be reduced by the amount of O&M savings from the shutdown of the Gannon Units as discussed in the prefiled direct testimony of Sheree L. Brown. TECO's projected coal transportation costs should be trued-up to whatever the Commission determines is reasonable as a result of Issue 17F. With respect to the other investor owned utilities, FIPUG has no position pending resolution of the company-specific issues.

OPC: TECO's net fuel and purchased power cost recovery amounts for 2004 should be reduced as discussed in the testimony of OPC witnesses Majoros and Zaetz.

STAFF: FPL: No position pending resolution of outstanding issues.
FPUC-Fernandina Beach: $13,835,447
FPUC-Marianna: $11,706,084

Gulf: No position pending resolution of outstanding issues.
PEFI: No position pending resolution of outstanding issues.
TECO: No position pending resolution of outstanding issues.

*This issue is stipulated with respect to FPUC.

ISSUE 6: **What are the appropriate levelized fuel cost recovery factors for the period January 2004 through December 2004?**

POSITIONS:

FPL: 3.742 cents/kWh. (DUBIN)

FPUC-M: 2.430¢/kWh
FPUC-F: 1.569¢/kWh

GULF: 2.459 cents per kWh. (Davis)

PEFI: 3.453 cents per kWh (adjusted for jurisdictional losses).

TECO: The appropriate factor is 3.967 cents per KWH before the normal application of factors that adjust for variations in line losses. (Witness: Jordan)

CSX: TECO's levelized fuel cost recovery factor for 2004 will be determined pursuant to evidence presented in the hearing. Any such amount should be subject to a true-up and also subject to refund based on what the Commission determines to be the reasonable and prudent costs associated with coal transportation to Big Bend station, including (without limitation) the Commission's decisions with respect to Issues 17E and 17F.

FRF: Adopts FIPUG's position.

CLAYPOOL: Adopts FIPUG's position.

FIPUG: TECO's factor should be adjusted to account for the early shut down of the Gannon units as described in Ms. Brown's testimony. With respect to the other investor owned utilities, FIPUG has no position pending resolution of the company-specific issues.

OPC: TECO's levelized fuel cost for 2004 recovery factors should be reduced as discussed in the testimony of OPC witnesses Majoros and Zaetz.

STAFF: FPL: No position pending resolution of outstanding issues.
FPUC-Fernandina Beach: 1.569¢/kWh
FPUC-Marianna: 2.430¢/kWh
Gulf: No position pending resolution of outstanding issues.
PEFI: No position pending resolution of outstanding issues.
TECO: No position pending resolution of outstanding issues.

*This issue is stipulated with respect to FPUC.

ISSUE 7: Proposed Stipulation. See Section X.

ISSUE 8: **What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?**

POSITIONS:

FPL:

GROUP	RATE SCHEDULE	AVERAGE FACTOR	FUEL RECOVERY LOSS MULTIPLIER	FUEL RECOVERY FACTOR
A	RS-1,GS-1,SL2	3.742	1.00206	3.750
A-1*	SL-1,OL-1,PL-1	3.670	1.00206	3.678
B	GSD-1	3.742	1.00199	3.749

C	GSLD-1 & CS-1	3.742	1.00093	3.745
D	GSLD-2,CS-2,OS-2 & MET	3.742	.99366	3.718
E	GSLD-3 & CS-3	3.742	.95529	3.575

GROUP	RATE SCHEDULE	AVERAGE FACTOR	FUEL RECOVERY LOSS MULTIPLIER	FUEL RECOVERY FACTOR
A.	RST-1,GST-1			
	ON-PEAK	4.081	1.00206	4.090
	OFF-PEAK	3.591	1.00206	3.599
B	GSDT-1,CILC-1(G)			
	ON-PEAK	4.081	1.00199	4.090
	OFF-PEAK	3.591	1.00199	3.598
C	GSLDT-1 & CST-1			
	ON-PEAK	4.081	1.00093	4.085
	OFF-PEAK	3.591	1.00093	3.595
D	GSLDT-2 & CST-2			
	ON-PEAK	4.081	.99497	4.061
	OFF-PEAK	3.591	.99497	3.573
E	GSLDT-3,CST-3 CILC-1(T)&ISST-1(T)	4.081	.95529	3.899
	ON-PEAK	3.591	.95529	3.431
	OFF-PEAK			
F	CILC-1(D) & ISST-1(D)			
	ON-PEAK	4.081	.99317	4.054
	OFF-PEAK	3.591	.99317	3.567

*WEIGHTED AVERAGE 16% ON-PEAK AND 84% OFF-PEAK (DUBIN)

FPUC-M:

Rate Schedule	Adjustment
RS	$.04056
GS	$.04005
GSD	$.03738
GSLD	$.03536
OL	$.02912
SL	$.02903

FPUC-F:

Rate Schedule	Adjustment
RS	$.02968
GS	$.02941
GSD	$.02765
CSL	$.01956
OL	$.01956
SL	$.01956

GULF: See table below: (Davis)

Group	Rate Schedules*	Fuel Cost Factors ¢/KWH		
		Standard	Time of Use	
			On-Peak	Off-Peak
A	RS, GS, GSD, SBS, OSIII, OSIV	2.472	2.866	2.304
B	LP, LPT, SBS	2.432	2.820	2.267
C	PX, PXT, RTP, SBS	2.411	2.796	2.248
D	OSI/II	2.449	N/A	N/A

*The recovery factor applicable to customers taking service under Rate Schedule SBS is determined as follows: customers with a Contract Demand in the range of 100 to 499 KW will use the recovery factor applicable to Rate Schedule GSD; customers with a Contract Demand in the range of 500 to 7,499 KW will use the recovery factor applicable to Rate Schedule LP; and customers with a Contract Demand over 7,499 KW will use the recovery factor applicable to Rate Schedule PX.

PEFI:

Group	Delivery Voltage Level	Fuel Cost Factors (cents/kWh) Standard	Time Of Use On-Peak	Time Of Use Off-peak
A.	Transmission	3.389	4.440	2.931
B.	Distribution Primary	3.423	4.484	2.961
C.	Distribution Secondary	3.458	4.530	2.991
D.	Lighting Service	3.279		

(Portuondo)

TECO: The appropriate factors are as follows:

Rate Schedule	Fuel Charge Factor (cents per kWh)
Average Factor	3.967
RS, GS and TS	3.984
RST and GST	4.999 (on-peak)
	3.460 (off-peak)
SL-2, OL-1 and OL-3	3.691
GSD, GSLD, and SBF	3.969
GSDT, GSLDT, EV-X and SBFT	4.980 (on-peak)
	3.447 (off-peak)
IS-1, IS-3, SBI-1, SBI-3	3.866
IST-1, IST-3, SBIT-1, SBIT-3	4.851 (on-peak)
	3.357 (off-peak)

(Witness: Jordan)

CSX: TECO's fuel cost recovery factors for each rate class and delivery voltage level for 2004 will be determined pursuant to evidence presented in the hearing. All such factors, and all amounts collected by TECO pursuant thereto, should be subject to a true-up and also subject to refund based on what the Commission determines to be the reasonable and prudent costs associated with coal transportation to Big Bend station, including (without limitation) the Commission's decisions with respect to Issues 17E and 17F.

FRF: No position.

CLAYPOOL: No position.

FIPUG: No position.

OPC: No position.

STAFF: FPL: No position pending resolution of Issue 6.

FPUC-Fernandina:

Rate Schedule	Adjustment
RS	$.02968
GS	$.02941
GSD	$.02765
CSL	$.01956
OL	$.01956
SL	$.01956

FPUC-Marianna:

Rate Schedule	Adjustment
RS	$.04056
GS	$.04005
GSD	$.03738
GSLD	$.03536
OL	$.02912
SL	$.02903

Gulf: No position pending resolution of Issue 6.
PEFI: No position pending resolution of Issue 6.
TECO: No position pending resolution of Issue 6.

*This issue is stipulated with respect to FPUC.

ISSUE 9: Proposed Stipulation. See Section X.

ISSUE 10: Proposed Stipulation. See Section X.

ISSUE 11: Proposed Stipulation. See Section X.

ISSUE 12: **What is the appropriate base level for operation and maintenance expenses for each investor-owned electric utility's non-speculative financial and/or physical hedging program to mitigate fuel and purchased power price volatility?**

POSITIONS:

FPL: There is no one general base level that would be appropriate for the expanded hedging program. Each category of cost requested for recovery must be evaluated on a case by case, item by item basis to determine what portion, if any, of that category of cost was included in FPL's 2002 MFRs. (DUBIN)

GULF: $0. (Davis, Ball)

PEFI: $0. PEF has not incurred nor is expecting to incur any charges for the implementation of its new financial hedging program until mid-2004. See response to Issue 13G.

TECO: $169,153. (Witness: Wehle)

FIPUG: No position at this time.

OPC: No position.

STAFF:

FPL:	No position pending evidence adduced at hearing.
Gulf:	$0
PEFI:	$0
TECO:	$169,153

*This issue is stipulated with respect to Gulf, PEFI, and TECO.

COMPANY-SPECIFIC FUEL ADJUSTMENT ISSUES

Progress Energy Florida

ISSUE 13A: Proposed Stipulation. See Section X.

ISSUE 13B: Proposed Stipulation. See Section X.

ISSUE 13C: Proposed Stipulation. See Section X.

ISSUE 13D: This issue is subsumed in Issue 13E.

ISSUE 13E: **Should the Commission modify or eliminate the method for calculating Progress Energy Florida's market price proxy for waterborne coal transportation that was established by Order No. PSC-93-1331-FOF-EI, issued September 13, 1993, in Docket No. 930001-EI?**

POSITIONS:

PEFI: Progress and staff agree in principle to a process that would change the current market price proxy mechanism. Progress expects that specific language to implement that process will be agreed to and presented to the Commissioners prior to the hearing.

FIPUG: Agree with Public Counsel.

OPC: Yes. The Commission should discontinue use of the current PEF market price proxy effective December 31, 2002. For 2003 and 2004, the Commission should order cost recovery for Progress Energy Florida coal transport consistent with the amounts determined through the staff audit as described in testimony of staff witness McNulty, Page 10 Lines 17-23. During 2004, the Commission should reexamine the terms and conditions of the market price proxy.

STAFF: Yes. Staff and PEFI agree in principle to a process that would change the current market price proxy mechanism. Staff expects that specific language to implement that process will be agreed to and presented to the Commissioners prior to the hearing.

ISSUE 13F: **Were Progress Energy Florida's actions through December 31, 2002, to mitigate fuel and purchased power price volatility through implementation of its non-speculative financial and/or physical hedging programs prudent?**

POSITIONS:

PEFI: Yes. (Murphy)

FIPUG: The utility has only included the cost of operating its hedging program and the estimated customer savings without sufficient detail to enable a prudency audit of the hedging actions. The results of the program are merely folded into general fuel costs. The specific activities are trade secrets not available to FIPUG or the general public. FIPUG respectfully suggests that the Commission staff examine the transactions to ascertain any relationship between utility hedging and the hedging activities of affiliated companies to ensure that ratepayers are not assuming the risk of loss on hedging transactions without receiving a commensurate share of any hedging gain. FIPUG reserves the right to take a position on this issue by the date of the prehearing conference and during the forthcoming calendar year as transactions occur.

OPC: No position.

STAFF: Yes. Based on staff's review of discovery in this docket and the testimony of PEFI witness Murphy for the final true-up period, the actions of PEFI to mitigate fuel and purchased power price volatility were prudent.

ISSUE 13G: **Are Progress Energy Florida's actual and projected operation and maintenance expenses for 2002 through 2004 for its non-speculative financial and/or physical hedging programs to mitigate fuel and purchased power price volatility reasonable for cost recovery purposes?**

POSITIONS:

PEFI: Progress Energy Florida will not incur any charges for the implementation of its new financial hedging program until phase 2 of the program's software system becomes operational, which is expected to be mid-2004. At this time, the Company's allocated share of these charges has not been finalized. Therefore, the Company proposes to book the charges when they are incurred and address their reasonableness in subsequent true-up testimony.

FIPUG: The Progress Energy risk management plan is quite broad and open to interpretation and very flexible application. FIPUG is not privy to the specifics of the utility's hedging program and cannot take a position except for the general proposition that hedging activities of the utility should be reported separately in the fuel docket in accordance with the provisions of FAS 133 and not folded into general fuel costs. FIPUG respectfully suggests that the Commission staff examine the transactions at the end of the calendar year to ascertain any relationship between utility hedging and the hedging activities of affiliated companies to ensure that ratepayers are not assuming the risk of loss on hedging transactions without receiving a commensurate share of any hedging gain. FIPUG reserves the right to take a position on this issue by the date of the prehearing conference and during the forthcoming calendar year as transactions occur.

OPC: No position.

STAFF: Yes. Based on staff's review of discovery in this docket and the testimony of PEFI witness Murphy concerning PEFI's Risk Management Plan, the actual and projected operation and maintenance expenses for 2002 through 2004 appear to be reasonable for cost recovery purposes.

ISSUE 13H: Proposed Stipulation. See Section X.

ISSUE 13I: **How should Progress Energy Florida's baseline O& M expenses be established for purposes of determining its recoverable incremental costs in this proceeding?**

POSITIONS:

PEFI: The baseline O&M expenses of PEF used to determine incremental costs found by the Commission to be recoverable in this proceeding should be established from PEF's 2002 MFRs, subject to any further adjustment necessary to ensure that recoverable incremental costs exclude all O&M expenses recovered through base rates.

FIPUG: No position at this time.

OPC: No position at this time.

STAFF: The Commission should address this issue as part of Issues 12 and 30.

Florida Power & Light Company

ISSUE 14A: **Were Florida Power & Light's actions through December 31, 2002, to mitigate fuel and purchased power price volatility through implementation of its non-speculative financial and/or physical hedging programs prudent?**

POSITIONS:

FPL: Yes. FPL prudently implemented hedging strategies throughout 2002 consistent with its market view in order to reduce fuel price volatility for FPL's customers. The primary objective of hedging is to reduce fuel price volatility. During 2002, because of the overall upward trend of the fuel market, FPL was also able to generate $47 million in fuel savings for its customers through its hedged positions. (YUPP)

FIPUG: The utility has only included the cost of operating its hedging program and the estimated customer savings from wholesale power transactions. There is no information to enable a prudency audit of the hedging actions in fuel transactions. The results of the program are merely folded into general fuel costs. The specific activities are trade secrets not available to FIPUG or the general public. FIPUG respectfully suggests that the Commission staff examine the transactions to ascertain any relationship between utility hedging and the hedging activities of affiliated companies to ensure that ratepayers are not assuming the risk of loss on hedging transactions without receiving a commensurate share of any hedging gain. FIPUG reserves the right to take a position on this issue by the date of the prehearing conference and during the forthcoming calendar year as transactions occur. It would be beneficial to the general public if the utility reported its fuel cost hedging transactions in accordance with FAS 133 in the fuel docket, as of a date specified by the Commission, such as July 31.

OPC: None at this time.

STAFF: Yes. Based on staff's review of discovery in this docket and the testimony of FPL witness Yupp, the actions of FPL to mitigate fuel and purchased power price volatility were prudent.

ISSUE 14B: **Are Florida Power & Light's actual and projected operation and maintenance expenses for 2002 through 2004 for its non-speculative financial and/or physical hedging programs to mitigate fuel and purchased power price volatility reasonable for cost recovery purposes?**

POSITIONS:

FPL: Yes. Since the inception of its expanded hedging program in 2002, FPL has prudently managed the program to increase the sophistication of its market analysis, forecasting, trade monitoring, and risk management capabilities. This is facilitating the expansion of FPL's hedging activities on a well-informed and well-controlled basis. None of the disclosures in Staff's audit warrants an adjustment to FPL's hedging program expenses. (YUPP, DUBIN)

FIPUG: See Issue 14A.

OPC: None at this time.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 14C: Proposed Stipulation. See Section X.

Florida Public Utilities Company

ISSUE 15A: Proposed Stipulation. See Section X.

Gulf Power Company

ISSUE 16A: **Were Gulf Power's actions through December 31, 2002, to mitigate fuel and purchased power price volatility through implementation of its non-speculative financial and/or physical hedging programs prudent?**

POSITIONS:

GULF: Yes. (Ball)

FIPUG: Unlike the other utilities, Gulf has identified its loss on the "fuel cost of hedging settlement" in a manner that will enable an auditor can focus on the fuel cost of hedging. It does not provide public information on the details, but does provide sufficient information for Commission staff to commence the prudency audit. The Commission should investigate why Gulf shows a loss.

OPC: No position.

STAFF: Yes. Based on staff's review of discovery in this docket and the testimony of Gulf witness Ball, the actions of Gulf Power Company to mitigate fuel and purchased power price volatility were prudent.

ISSUE 16B: Proposed Stipulation. See Section X.

Tampa Electric Company

ISSUE 17A: Proposed Stipulation. See Section X.

ISSUE 17B: Proposed Stipulation. See Section X.

ISSUE 17C: Proposed Stipulation. See Section X.

ISSUE 17D: Proposed Stipulation. See Section X.

ISSUE 17E: Pursuant to the Commission's vote at its November 3, 2003, Agenda Conference, this issue has been deferred for consideration in a subsequent proceeding.

ISSUE 17F: Pursuant to the Commission's vote at its November 3, 2003, Agenda Conference, this issue has been deferred for consideration in a subsequent proceeding.

ISSUE 17G: This issue is subsumed in Issue 17H.

ISSUE 17H: Pursuant to the Commission's vote at its November 3, 2003, Agenda Conference, this issue has been deferred for consideration in a subsequent proceeding.

ISSUE 17I: **Are the replacement fuel costs associated with Tampa Electric's decision to cease operations at its Gannon Units 1 through 4 prior to December 31, 2004, reasonable?**

POSITIONS:

TECO: Yes. Tampa Electric's units are operated to provide safe, reliable electric service to ratepayers, and the company procures the fuel to operate all units based on their economic dispatch. In addition, Tampa Electric follows its Commission-reviewed fuel procurement policies and procedures. Finally, Tampa Electric's decision to shut down Gannon Units 1 through 4 in 2003 was arrived at only after careful and deliberate evaluation of many dynamic and complex factors. Costs for replacement fuel due to the shutdown of Gannon Units 1 through 4 in 2003 were prudently incurred and are reasonable for cost recovery purposes. (Witness: Jordan, Smotherman, Smith, Whale, Wehle)

FRF: Adopts FIPUG's position.

CLAYPOOL: Adopts FIPUG's position.

FIPUG: No. The replacement fuel costs should be reduced by the amount of O&M savings from the shutdown of the Gannon Units as discussed in the prefiled direct testimony of Sheree L. Brown.

OPC: No. The Commission should offset such costs to the extent of the O & M savings realized by Tampa Electric, as well as losses incurred under Issues 17J and 17K. The reasons for such disallowance are explained in the testimony of citizens' witnesses Majoros and Zaetz.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 17J: **What is the appropriate regulatory treatment for any gain or loss on the re-sale of surplus coal due to Tampa Electric's decision to cease operations at its Gannon Units 1 through 4 prior to December 31, 2004?**

POSITIONS:

TECO: Tampa Electric currently expects the impact on ratepayers to be neutral, and there remains the potential for ratepayers to experience net gains. The company's projected 2004 fuel and purchased power costs do not include any gains or losses on the resale of surplus coal; however, if there are any gains or losses, the appropriate regulatory treatment would be to pass the gains or losses through the Fuel and Purchased Power Cost Recovery Clause. (Witness: Jordan)

FRF: Adopts FIPUG's position.

CLAYPOOL: Agree with Public Counsel.

FIPUG: Agree with Public Counsel.

OPC: Any gains should be credited to ratepayers through the fuel clause. To the extent incurred, losses should be absorbed by stockholders in that the early closure decision was a decision driven to the benefit of stockholders and the detriment of the ratepayers.

STAFF: If the Commission rules that Tampa Electric's decision to cease operations at its Gannon Units was not prudent, then Tampa Electric should record any gain or loss on the re-sale of surplus coal "below the line". Otherwise, Tampa Electric should record any gain or loss on the re-sale of surplus coal as a credit or charge to the fuel clause.

ISSUE 17K: **What is the appropriate regulatory treatment for any "dead-freight" coal transportation costs due to Tampa Electric's decision to cease operations at its Gannon Units 1 through 4 prior to December 31, 2004?**

POSITIONS:

TECO: Tampa Electric will not incur dead freight costs for coal transportation related to the shutdown of Gannon Units 1 through 4, and the company's projected 2004 fuel and purchased power costs did not include any dead freight costs. Therefore, this issue is moot. (Witness: Jordan)

FRF: Adopts FIPUG's position.

CLAYPOOL: Adopts FIPUG's position.

FIPUG: No "dead-freight" coal transportation costs should be borne by the ratepayers.

OPC: Dead freight is apparently not being claimed in this docket. (See Testimony of Denise Jordan at page 12). For the reasons expressed in Issue 17J, recovery of these costs should be denied.

STAFF: If the Commission rules that Tampa Electric's decision to cease operations at its Gannon Units was not prudent, then Tampa Electric should record any "dead-freight" coal transportation costs "below the line". Otherwise, Tampa Electric should charge any "dead-freight" coal transportation costs to the fuel clause.

ISSUE 17L: **Should the Commission offset Tampa Electric's requested fuel cost increase by the O&M savings that resulted from its decision to cease operations at its Gannon Units 1 through 4 prior to December 31, 2004?**

POSITIONS:

TECO: No. This issue was created by FIPUG as an erroneous effort to inject a base rate setting concept into the fuel and purchased power cost recovery proceeding. Tampa Electric's decisions regarding the shutdown dates for Gannon Units 1 through 4 were reasonable. To the extent there are replacement fuel costs resulting from a shutdown, these are reasonable and necessary costs of providing electric service and should be recoverable through the fuel adjustment clause, as is any other prudently incurred fuel and purchased power expense. (Witnesses: Jordan, Smotherman, Smith, Wehle and Whale)

FRF: Adopts FIPUG's position.

CLAYPOOL: Adopts FIPUG's position.

FIPUG: Yes. Tampa Electric's requested fuel cost increase should be reduced by the amount of O&M savings that resulted from its decision to cease operations at its Gannon Units 1 through 4 prior to December 31, 2004 as discussed in the prefiled direct testimony of Sheree L. Brown.

OPC: Tampa Electric's fuel cost increase should be reduced by the amount of O&M savings discussed in the testimony of witness Majoros.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 17M: **Should the Commission review the amounts paid to Hardee Power Partners (HPP) under the power purchase agreement to assure that the costs were cost-based due to the recognition of a gain on the sale of the Hardee Power Station which was supported by the power purchase agreement?**

POSITIONS:

TECO: No. This issue is an erroneous effort by FIPUG to examine a non-jurisdictional transaction for the sole purpose of delay. On numerous occasions, FIPUG has asked the Commission to review the Hardee Power Partners/Tampa Electric Power Purchase Agreement. The Commission has done so and has repeatedly determined that the Agreement is prudent and beneficial to Tampa Electric Company's customers. This position has been affirmed by the Supreme Court of Florida. The sale of Hardee Power Station has no effect on the amounts paid by Tampa Electric to Hardee Power Partners. The Power Purchase Agreement will not be amended, changed or assigned as a result of the sale. FIPUG has put forth no evidence to the contrary. (Witness: Jordan)

FRF: Adopts FIPUG's position.

CLAYPOOL: Adopts FIPUG's position.

FIPUG: Yes. As discussed in the prefiled direct testimony of Sheree L. Brown, the Commission should review the HPP transaction to ensure that the amounts paid under the purchase power agreement were cost-based and prudently incurred. The Commission preserved its authority to conduct such a review in Order No. PSC-99-2513-FOF-EI.

STAFF: Staff is not aware of any specific problem that needs to be addressed. This contract has previously been approved by the Commission for cost recovery purposes, and it is staff's understanding that the terms and conditions of this contract have not changed.

ISSUE 17N: This issue is subsumed in Issue 17M.

ISSUE 17O: This issue was withdrawn at the Prehearing Conference.

GENERIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

ISSUE 18: Proposed Stipulation. See Section X.

ISSUE 19: Proposed Stipulation. See Section X.

COMPANY-SPECIFIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

Florida Power & Light Company

Issue 20 was reserved for any company-specific GPIF issues for Florida Power & Light Company. No such issues were identified for hearing.

Progress Energy Florida

Issue 21 was reserved for any company-specific GPIF issues for Progress Energy Florida. No such issues were identified for hearing.

Gulf Power Company

Issue 22 was reserved for any company-specific GPIF issues for Gulf Power Company. No such issues were identified for hearing.

Tampa Electric Company

ISSUE 23A: This issue was withdrawn at the Prehearing Conference.

GENERIC CAPACITY COST RECOVERY FACTOR ISSUES

ISSUE 24: **What are the appropriate final capacity cost recovery true-up amounts for the period January 2002 through December 2002?**

POSITIONS:

FPL: $12,676,723 over-recovery. (DUBIN)

GULF: Over recovery of $193,696. (Bell, Davis)

PEFI: $4,497,883 over-recovery.

TECO: Under-recovery of $314,462. (Witness: Jordan)

FIPUG: No position.

OPC: No position.

STAFF:

FPL: No position pending evidence adduced at hearing.
GULF: $193,696 overrecovery.
PEFI: $4,497,883 overrecovery.
TECO: $314,462 underrecovery. Tampa Electric should provide further documentation for a 2003 audit of the two adjustments identified by disclosure Nos. 2 and 3 in staff audit and testimony.

*This issue is stipulated as to Gulf, PEFI, and TECO.

ISSUE 25: Proposed Stipulation. See Section X.

ISSUE 26: **What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2004 through December 2004?**

POSITIONS:

FPL: $28,725,148 over-recovery. (DUBIN)

GULF: $1,252,572 refund. (Davis)

PEFI: $3,309,148 over-recovery.

TECO: Under-recovery of $2,161,509. (Witness: Jordan)

FIPUG: No position.

OPC: No position.

STAFF:	FPL:	No position pending resolution of Issue 24.
	GULF:	$ 1,252,572 overrecovery.
	PEFI:	$ 3,309,148 overrecovery.
	TECO:	$ 2,161,509 underrecovery.

*This issue is stipulated as to Gulf, PEFI, and TECO.

ISSUE 27: **What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2004 through December 2004?**

POSITIONS:

FPL: $580,834,356 (DUBIN)

GULF: $17,619,376. (Bell, Davis)

PEFI: $301,641,556.

TECO: The purchased power capacity cost recovery amount to be included in the recovery factor for the period January 2004 through December 2004, adjusted by the jurisdictional separation factor, is $38,399,483. The total recoverable capacity cost recovery amount to be collected, including the true-up amount and adjusted for the revenue tax factor, is $40,590,196. (Witness: Jordan)

FIPUG: No position.

OPC: No position.

STAFF:	FPL:	No position pending resolution of outstanding issues.
	GULF:	$17,619,376.
	PEFI:	$301,641,556. As part of the 2003 true-up process, the Company should demonstrate that no double recovery of costs associated with security measures has occurred, consistent with the resolution of Issue 30, and should make

any necessary adjustments consistent with the resolution of Issue 31A.

TECO: $40,590,196. As part of the 2003 true-up process, the Company should demonstrate that no double recovery of costs associated with security measures has occurred, consistent with the resolution of Issue 30.

*This issue is stipulated as to Gulf, PEFI, and TECO.

ISSUE 28: Proposed Stipulation. See Section X.

ISSUE 29: **What are the appropriate capacity cost recovery factors for the period January 2004 through December 2004?**

POSITIONS:

FPL:

RATE CLASS	CAPACITY RECOVERY FACTOR ($/KW)	CAPACITY RECOVERY FACTOR ($/KWH)
RS1	-	.00625
GS1	-	.00613
GSD1	2.35	-
OS2	-	.00603
GSLD1/CS1	2.39	-
GSLD2/CS2	2.30	-
GSLD3/CS3	2.25	-
CILCD/CILCG	2.37	-
CILCT	2.33	-
MET	2.38	-
OL1/SL1/PL1	-	.00170
SL2	-	.00410

RATE CLASS	CAPACITY RECOVERY FACTOR (RESERVATION DEMAND CHARGE) ($/KW)	CAPACITY RECOVERY FACTOR (SUM OF DAILY DEMAND CHARGE) ($/KW)
ISST1D	.29	.14
SST1T	.27	.13
SST1D	.28	.13

(DUBIN)

GULF: See table below: (Davis)

RATE CLASS	CAPACITY COST RECOVERY FACTORS $/KWH
RS, RSVP	.194
GS	.188
GSD, GSDT, GSTOU	.157
LP, LPT	.135
PX, PXT, RTP, SBS	.118
OSI/II	.057
OSIII	.122
OSIV	.056

PEFI:

Rate Class	CCR Factor
Residential	.877 cents/kWh
General Service Non-Demand	.795 cents/kWh
@ Primary Voltage	.787 cents/kWh
@ Transmission Voltage	.779 cents/kWh
General Service 100% Load Factor	.506 cents/kWh
General Service Demand	.698 cents/kWh

@ Primary Voltage	.691 cents/kWh
@ Transmission Voltage	.684 cents/kWh
Curtailable	.628 cents/kWh
@ Primary Voltage	.621 cents/kWh
@ Transmission Voltage	.615 cents/kWh
Interruptible	.529 cents/kWh
@ Primary Voltage	.524 cents/kWh
@ Transmission Voltage	.518 cents/kWh
Lighting	.157 cents/kWh

TECO: The appropriate factors are as follows:

Rate Schedule	Capacity Cost Recovery Factor (cents per kWh)
Average Factor	0.216
RS	0.267
GS and TS	0.244
GSD, EV-X	0.210
GSLD and SBF	0.185
IS-1, IS-3, SBI-1, SBI-3	0.016
SL-2, OL-1 and OL-3	0.105

(Witness: Jordan)

FIPUG: No position.

OPC: No position.

STAFF:
FPL: No position pending resolution of Issue 27.
GULF: Agree with Gulf's position.
PEFI: Agree with PEFI's position.
TECO: Agree with TECO's position.

*This issue is stipulated as to Gulf, PEFI, and TECO.

ISSUE 30: **What is the appropriate methodology for determining the incremental costs of security measures implemented as a result of terrorist attacks committed on or since September 11, 2001?**

POSITIONS:

FPL: FPL did not include any incremental power plant security expenses resulting from the events of September 11, 2001, or from Homeland Security responses, in its 2002 MFRs; thus, the base year amount of such expenses is zero. FPL has established separate accounts to record and track its incremental power plant security expenses. FPL only records expenses to those separate accounts if the expenses result from specific, post-9/11 security requirements. Therefore, the full amounts recorded in those accounts are incremental power plant security expenses. There is no need to compare such expenses to a "base line" to determine the appropriate amount to be recovered through the Capacity Cost Recovery (CCR) Factor.

None of the disclosures in Staff's audit warrants an adjustment to the manner in which FPL determines incremental power plant security expenses.

Because FPL is presently seeking recovery through the CCR Factor only of incremental power plant security expenses, its tracking of recoverable expenses focuses on power plant security. Therefore, there would be no justification for adjusting FPL's incremental power plant security expenses to reflect differences between MFR projections and actual expenses incurred for other types of security that do not affect the level of activity required for power plant security. For example, FPL included T&D security expenses in its 2002 MFRs. However, T&D security has nothing to do with power plant security. Therefore, it would be inappropriate to deduct any difference between actual and projected T&D security expenses from FPL's recoverable power plant security expenses.

In any event, Staff's proposal to adjust a baseline annually for increased kWh sales would be improper. Such an adjustment would inappropriately interject the issue of base-rate revenue growth into the adjustment clause proceedings. And it would do so by unfairly looking at only one side of the revenue-expense relationship.

A sales-growth adjustment would be especially inappropriate for FPL because of the current Settlement and Stipulation that was approved by the Commission in Docket No. 001148-EI. That settlement reduced FPL's base rates by $250 million per year from the level anticipated by the 2002 MFR's filed in that docket, yet Staff suggests no downward adjustment to the initial baseline to reflect that revenue reduction. Moreover, the settlement contains a revenue-sharing mechanism that provides additional refunds to FPL's customers if base-rate revenues exceed prescribed thresholds. The settlement states that the revenue-sharing mechanism "will be the appropriate and exclusive mechanism to address earnings levels." Staff's proposal to increase baseline costs (and hence decrease recoverable security expenses) proportionately to increased kWh sales amounts to an indirect adjustment to earnings, which would be inconsistent with this provision of the settlement. (DUBIN)

GULF: Gulf is not seeking recovery through the fuel or capacity clause of any incremental costs related to security measures implemented as a result of terrorist attacks committed on or since September 11, 2001, and consequently takes no position on the issue.

PEFI: Progress Energy agrees with Staff's position except for the last sentence, which proposes an adjustment to "gross up" base year costs for sales growth. Such an adjustment would be an inappropriate and unsound departure from the methodology traditionally employed by the Commission to determine incremental costs and should be rejected for at least two reasons. First, the proposed adjustment to recognize increased revenues due to sales growth is asymmetrical because it ignores the corresponding adjustment that would be required to recognize offsetting increases in expenses due to inflation and the need to serve the higher level of sales. Second, the proposed adjustment is contrary to the revenue sharing mechanism in Progress Energy's Commission-approved rate settlement because it would require a reduction in the Company's recoverable incremental costs for a portion of the same base rate revenues that must be refunded to customers under the revenue sharing mechanism. (Portuondo)

TECO: Tampa Electric's incremental operations and maintenance costs incurred for security measures implemented to protect the company's generating facilities as a result of terrorist attacks committed on or since September 11, 2001 should continue to be separately recorded in accounts created specifically for capturing such expenses. With this treatment, incremental security operations and maintenance expenses are never commingled with the company's on-going security expenses. (Witness: Jordan)

FIPUG: No position.

OPC: No position.

STAFF: The Commission's long-standing policy for determining incremental costs recoverable in the clause is to remove any portion of project costs already reflected in base rates to ensure that costs are not recovered twice. PEFI removed $900,000 from its new power plant security project costs based on its most recent MFRs, which included $900,000 of post-9/11 security costs for the projected test year. Other than that, the evaluation process described on Pages 31 through 35 of Mr. Portuondo's projection testimony should be applicable to all companies. Staff witness Brinkley has suggested that the baseline should be adjusted by an escalation factor such as kWh sales to reflect normal growth of expenses. If such an adjustment method is adopted for determining incremental hedging costs, that method should be applied consistently for determining incremental security costs. To enhance staff's review and audit in the true-up process, companies should provide a breakdown of costs by project groups and identify any base rate items that were removed.

COMPANY-SPECIFIC CAPACITY COST RECOVERY ISSUES

Progress Energy Florida

ISSUE 31A: **Are Progress Energy Florida's actual and projected expenses for 2002 through 2004 for its post-September 11, 2001, security measures reasonable for cost recovery purposes?**

POSITIONS:

PEFI: Yes. Progress Energy's post-9/11 incremental security costs for 2002 through 2004 have been determined using the appropriate baseline O&M expenses and calculation methodology.

FIPUG: No position at this time.

OPC: No position.

STAFF: The company's security measures taken in response to post 9/11/2001 security requirements are reasonable for cost recovery purposes. Included in the 2004 projection is approximately 88% of an NRC fee increase attributable to Homeland Security costs. Staff recommends that the appropriate percentage to use is 62%. Because the difference in these amounts has a negligible effect on the capacity cost recovery factors, staff recommends that it be trued-up in the next annual fuel hearing. The final recoverable amount is subject to staff review and audit in the true-up process.

Florida Power & Light Company

ISSUE 32A: **Are Florida Power & Light's actual and projected expenses for 2002 through 2004 for its post-September 11, 2001, security measures reasonable for cost recovery purposes?**

POSITIONS:

FPL: Yes. All the post-September 11, 2001 security costs that FPL is seeking recovery for are required by NRC Orders, Coast Guard Rule and/ or recommendations from the Department of Homeland Security authorities. None of the disclosures in Staff's audit warrants an adjustment to the manner in which FPL determines incremental power plant security expenses. (DUBIN)

FIPUG: No position at this time.

OPC: No position.

STAFF: The company's security measures taken in response to post 9/11/2001 security requirements are reasonable for cost recovery purposes. Included in the 2004 projection is 62% of an NRC fee increase attributable to Homeland Security costs. Staff believes this is reasonable. The final recoverable amount is subject to staff review and audit in the true-up process.

Gulf Power Company

Issue 33 was reserved for any company-specific capacity cost recovery issues for Gulf Power Company. No such issues were identified for hearing.

Tampa Electric Company

<u>ISSUE 34A:</u> **Are Tampa Electric Company's actual and projected expenses for 2002 through 2004 for its post-September 11, 2001, security measures reasonable for cost recovery purposes?**

<u>**POSITIONS:**</u>

TECO: Yes. Tampa Electric included $722,441 for actual and projected incremental security operations and maintenance expenses for 2002 through 2004 that arose as a result of terrorist attacks committed on or since September 11, 2001. These expenses were directly caused by the extraordinary events of September 11, 2001 and the need for additional security measures to protect the company's facilities following the attacks. (Witness: Jordan)

FIPUG: No position at this time.

OPC: No position.

STAFF: The company's security measures taken in response to post 9/11/2001 security requirements are reasonable for cost recovery purposes. The final recoverable amount is subject to staff review and audit in the true-up process.

IX. EXHIBIT LIST

Witness	Proffered By	I.D. No.	Description
Direct			
G. Yupp	FPL	_______ (GY-1)	2002 Hedging Activity
G. Yupp	FPL	_______ (GY-2)	Fuel Cost Recovery Forecast Assumptions
K. M. Dubin	FPL	_______ (KMD-1)	Levelized Fuel Cost Recovery Final True-Up for January 2002 through December 2002
K M. Dubin	FPL	_______ (KMD-2)	Capacity Cost Recovery Final True-up for January 2002 through December 2002.
K. M. Dubin	FPL	_______ (KMD-3)	Fuel Cost Recovery Estimated/ Actual True-Up for January 2003 through December 2003
K. M. Dubin	FPL	_______ (KMD-4)	Capacity Cost Recovery Estimated/ Actual True-Up for January 2003 through December 2003.

Witness	Proffered By	I.D. No.	Description
K. M. Dubin	FPL	______ (KMD-5)	Levelized Fuel Cost Recovery Factors for January 2004 through December 2004.
K. M. Dubin	FPL	______ (KMD-6)	Capacity Cost Recovery Factors for January 2004 through December 2004.
K. M. Dubin	FPL	______ (KMD-7)	Rebuttal of Kathy Welch
F. Irizarry	FPL	______ (FI-1)	GPIF, Performance Results January 2002 through December 2002.
F. Irizarry	FPL	______ (FI-2)	GPIF, Incentive Factor Targets & Ranges January 2004 through December 2004.
George M. Bachman	FPU	______ (GMB-1)	Composite. Schedules E-1-A, E1-B, E1-B1 (for the Marianna and Fernandina Beach Divisions)

Witness	Proffered By	I.D. No.	Description
George M. Bachman	FPU	(GMB-2)	Schedules E1, E1-A, E2, E7, E8, and E10 (for the Marianna and Fernandina Beach Divisions)
H. R. Ball	GULF	(HRB-1)	Coal Suppliers January 2002 through December 2002.
H. R. Ball	GULF	(HRB-2)	Projected vs. actual fuel cost of generated power March 1994 through December 2004.
T. A. Davis	GULF	(TAD-1)	Calculation of Final True-Up January 2002 through December 2002.
T. A. Davis	GULF	(TAD-2)	Estimated True-Up January 2003 through December 2003. Schedules E-1a, E1b, E-1b-1, CCE-1a, CCE-1b.

Witness	Proffered By	I.D. No.	Description
T. A. Davis	GULF	______ (TAD-3)	Projection January 2004 through December 2004. Schedules E-1 through E-11, E-1a, E-1b, E-1b-1, E-1c, E-1d, E-1e, H1, CCE-1, CCE-1a, CCE-1b, CCE-2.
L. S. Noack	GULF	______ (LSN-1)	Gulf Power Company GPIF Results January 2002 through December 2002.
L. S. Noack	GULF	______ (LSN-2)	Gulf Power Company GPIF Targets and Ranges January 2004 through December 2004.
H. Homer Bell, III	GULF	______ (HHB-1)	Gulf Power Company Projected Purchased Power Contract Transactions January 2004 through December 2004.

Witness	Proffered By	I.D. No.	Description
Javier Portuondo	PEFI	_____ (JP-1)	True-Up Variance Analysis, Capacity Cost Recovery True-Up, Tiger Bay Amortization, and Schedules A1 through A9 (December 2002).
Javier Portuondo	PEFI	_____ (JP-2)	Reprojection Assumptions (Parts A-C), Capacity Cost Recovery Reprojections (Part D), and Schedules A1 through A9 (July 2003).
Javier Portuondo	PEFI	_____ (JP-3)	Forecast Assumptions (Parts A-C), Capacity Cost Recovery Factors (Part D), Hines 2 Depreciation & Return Calculations (Part E), Incremental Cost Evaluation Process (Part F), and Schedules E1 through E10 and H1(2004).

Witness	Proffered By	I.D. No.	Description
Pamela R. Murphy	PEFI	_______ (PRM-1)	2002 Risk Management Plan Results Summary, and Hedging Information Summary.
Pamela R. Murphy	PEFI	_______ (PRM-2)	2004 Risk Management Plan
Michael F. Jacob	PEFI	_______ (MFJ-1)	GPIF Reward/Penalty Schedules
Michael F. Jacob	PEFI	_______ (MFJ-2)	GPIF Targets/Ranges Schedules.
J. Denise Jordan	TECO	_______ (JDJ-1)	Fuel Cost Recovery January 2002 through December 2002. Capacity Cost Recovery January 2002 through December 2002.
J. Denise Jordan	TECO	_______ (JDJ-2)	Fuel Cost Recovery, Projected January 2003 through December 2003. Capacity Cost Recovery, Projected January 2003 through December 2003.

Witness	Proffered By	I.D. No.	Description
J. Denise Jordan	TECO	_____ (JDJ-3)	Fuel Cost Recovery, Projected January 2004 through December 2004. Capacity Cost Recovery, Projected January 2004 through December 2004.
J. Denise Jordan	TECO	_____ (JDJ-4)	Hardee Power Partners Transfer of Ownership; Gannon Replacement Fuel Costs
William A. Smotherman	TECO	_____ (WAS-1)	Generating Performance Incentive Factor Results January 2002 through December 2002.
William A. Smotherman	TECO	_____ (WAS-2)	Generating Performance Incentive Factor Estimated January 2004 through December 2004.
William T. Whale	TECO	_____ (WTW-1)	Gannon Station Performance and Reliability

Witness	Proffered By	I.D. No.	Description
William T. Whale	TECO	_____ (WTW-2)	2000-2003 Safety Budget; Response to Interrogatory No. 37
Joann T. Wehle	TECO	_____ (JTW-1)	2002 Incremental Hedging Operations and Maintenance Costs Calculation.
Joann T. Wehle	TECO	_____ (JTW-2)	2002 Transportation Benchmark Calculation. 2002 Coal Transportation Market Price Application.
Joann T. Wehle	TECO	_____ (JTW-3)	Comparison of 1997 and 2003 Bid Processes; Comparison of Waterborne and Rail Transportation Rates
Brent Dibner	TECO	_____ (BD-1)	Assessment of Market Waterborne Transportation Rates 3.
Sheree L. Brown	FIPUG/FRF	_____ (SLB-1)	Resume of Sheree L. Brown

Witness	Proffered By	I.D. No.	Description
Sheree L. Brown	FIPUG/FRF	_____ (SLB-2)	Credit Analysis Regarding TECO Energy, Inc.
Sheree L. Brown	FIPUG/FRF	_____ (SLB-3)	Excerpt from TECO Energy Form 8-K
Sheree L. Brown	FIPUG/FRF	_____ (SLB-4)	Excerpt from TECO Energy Form 10Q
Sheree L. Brown	FIPUG/FRF	_____ (SLB-5)	Consent Decree between TECO and EPA
Sheree L. Brown	FIPUG/FRF	_____ (SLB-6)	Calculation of Replacement Fuel Costs
Sheree L. Brown	FIPUG/FRF	_____ (SLB-7)	Excerpt from TECO Dismantling Study
Sheree L. Brown	FIPUG/FRF	_____ (SLB-8)	TECO Work Force Reduction
Michael J. Majoros, Jr.	OPC	_____ (MJM-1)	
Michael J. Majoros, Jr.	OPC	_____ (MJM-2)	
Michael J. Majoros, Jr.	OPC	_____ (MJM-3)	
Michael J. Majoros, Jr.	OPC	_____ (MJM-4)	
Michael J. Majoros, Jr.	OPC	_____ (MJM-5)	
Michael J. Majoros, Jr.	OPC	_____ (MJM-6)	

Witness	Proffered By	I.D. No.	Description
Michael J. Majoros, Jr.	OPC	______ (MJM-7)	
Michael J. Majoros, Jr.	OPC	______ (MJM-8)	
Michael J. Majoros, Jr.	OPC	______ (MJM-9)	
William M. Zaetz	OPC	______ (WMZ-1)	
William M. Zaetz	OPC	______ (WMZ-2)	
	OPC	______ (OPC-1)	Deposition of Buddy Maye
Kathy L. Welch	STAFF	______ (KLW-1)	Audit of Base Year Costs for Security and Hedging.
Michael E. Buckley	STAFF	______ (MEB-1)	Audit of Base Year Costs for Hedging.
Michael E. Buckley	STAFF	______ (MEB-2)	2002 Fuel Cost Recovery Audit.
Jocelyn Y. Stephens	STAFF	______ (JYS-1)	Audit of Base Year Costs for Security and Hedging.
Jocelyn Y. Stephens	STAFF	______ (JYS-2)	2002 Capacity Cost Recovery Clause Audit.
Joseph W. Rohrbacher	STAFF	______ (JWR-1)	Audit of Base Year Costs for Security and Hedging.

Witness	Proffered By	I.D. No.	Description
Joseph W. Rohrbacher	STAFF	_______ (JWR-2)	2002 Fuel Cost Recovery Clause Audit.
Joseph W. Rohrbacher	STAFF	_______ (JWR-3)	2002 Capacity Cost Recovery Clause Audit.
Joseph W. Rohrbacher	STAFF	_______ (JWR-4)	Waterborne Transportation Audit.
Joseph W. Rohrbacher	STAFF	_______ (JWR-5)	Selected Audit Work Papers.
William B. McNulty	STAFF	_______ (WBM-1)	Comparison of Average Annual Growth Rates of Market Price Proxy vs. Multimode Transportation Market.
William B. McNulty	STAFF	_______ (WBM-2)	PFC's 2002 Domestic and Foreign WCTS Margins.
William B. McNulty	STAFF	_______ (WBM-3)	Comparisons of Market Price Proxy Escalators to Barge Industry Cost Profile.
William B. McNulty	STAFF	_______ (WBM-4)	Comparative Rate Analysis
William B. McNulty	STAFF	_______ (WBM-5)	Differences between TECO's 1997 RFP and 2003 RFP

Witness	Proffered By	I.D. No.	Description
William B. McNulty	STAFF	________ (WBM-6)	Comparison of TECO's WCTS Benchmark to TECO's WCTS Cost
Matthew Brinkley	STAFF	________ (MGB-1)	Testimony of Korel M. Dubin, Docket No. 001148-EI
Matthew Brinkley	STAFF	________ (MGB-2)	Example Gross-Up Calculation
Matthew Brinkley	STAFF	________ (MGB-3)	Example Gross-Up Calculation with Refund

Parties and Staff reserve the right to identify additional exhibits for the purpose of cross-examination.

X. PROPOSED STIPULATIONS

ISSUE 4: **What is the appropriate revenue tax factor to be applied in calculating each investor-owned electric utility's levelized fuel factor for the projection period January 2004 through December 2004?**

POSITION:
FPL: 1.01597
FPUC-Fernandina Beach: 1.01597
FPUC-Marianna: 1.00072
Gulf: 1.00072
PEF: 1.00072
TECO: 1.00072

ISSUE 7: **What are the appropriate fuel recovery line loss multipliers to be used in calculating the fuel cost recovery factors charged to each rate class/delivery voltage level class?**

POSITION:

FPL:

GROUP	RATE SCHEDULE	FUEL RECOVERY LOSS MULTIPLIER
A	RS-1,GS-1,SL2	1.00206
A-1*	SL-1,OL-1,PL-1	1.00206
B	GSD-1	1.00199
C	GSLD-1 & CS-1	1.00093
D	GSLD-2,CS-2,OS-2 & MET	.99366
E	GSLD-3 & CS-3	.95529
A	RST-1,GST-1	
	ON-PEAK	1.00206
	OFF-PEAK	1.00206
B	GSDT-1,CILC-1(G)	
	ON-PEAK	1.00199
	OFF-PEAK	1.00199
C	GSLDT-1 & CST-1	
	ON-PEAK	1.00093
	OFF-PEAK	1.00093
D	GSLDT-2 & CST-2	
	ON-PEAK	.99497
	OFF-PEAK	.99497
E	GSLDT-3,CST-3 CILC-1(T)&ISST-1(T)	
	ON-PEAK	.95529
	OFF-PEAK	.95529
F	CILC-1(D) & ISST-1(D)	
	ON-PEAK	.99317
	OFF-PEAK	.99317

FPUC:

<u>Fernandina Beach</u>	<u>Multiplier</u>
All Rate Schedules	1.0000
<u>Marianna</u>	<u>Multiplier</u>
All Rate Schedules	1.0000

GULF: See table below:

Group	Rate Schedules*	Line Loss Multipliers
A	RS, GS, GSD, GSDT, SBS, OSIII, OSIV	1.00526
B	LP, LPT, SBS	0.98890
C	PX, PXT, SBS, RTP	0.98063
D	OSI, OSII	1.00529

* The multiplier applicable to customers taking service under Rate Schedule SBS is determined as follows: customers with a Contract Demand in the range of 100 to 499 KW will use the recovery factor applicable to Rate Schedule GSD; customers with a Contract Demand in the range of 500 to 7,499 KW will use the recovery factor applicable to Rate Schedule LP; and customers with a Contract Demand over 7,499 KW will use the recovery factor applicable to Rate Schedule PX.

PEFI:

Group	Delivery Voltage Level	Line Loss Multiplier
A.	Transmission	0.9800
B.	Distribution Primary	0.9900
C.	Distribution Secondary	1.0000
D.	Lighting Service	1.0000

TECO:

Group	Multiplier
Group A	1.0043
Group A1	n/a*
Group B	1.0005
Group C	0.9745

*Group A1 is based on Group A, 15% of On-Peak and 85% of Off-Peak.

ISSUE 9: **What should be the effective date of the fuel adjustment charge and capacity cost recovery charge for billing purposes?**

POSITION: The new factors should be effective beginning with the first billing cycle for January 2004, and thereafter through the last billing cycle for December 2004. The first billing cycle may start before January 1, 2004, and the last billing cycle may end after December 31, 2004, so long as each customer is billed for twelve months regardless of when the factors became effective.

ISSUE 10: **What are the appropriate actual benchmark levels for calendar year 2003 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?**

POSITION: FPL: $21,657,720
Gulf: $1,405,575
PEFI: $8,283,799
TECO: $1,546,058

ISSUE 11: **What are the appropriate estimated benchmark levels for calendar year 2004 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?**

POSITION: FPL: $13,554,731
Gulf: $2,016,185
PEF: $8,239,266
TECO: $1,261,681

ISSUE 13A: **Has Progress Energy Florida confirmed the validity of the methodology used to determine the equity component of Progress Fuels Corporation's capital structure for calendar year 2002?**

POSITION: Yes. The annual audit of Progress Fuels Corporation's revenue requirements under a full utility-type regulatory treatment confirms the appropriateness of the "short-cut" methodology used to determine the equity component of PFC's capital structure.

ISSUE 13B: **Has Progress Energy Florida properly calculated the market price true-up for coal purchases from Powell Mountain?**

POSITION: Yes. Progress Energy Florida has calculated the market price in accordance with the methodology approved by the Commission in Docket No. 860001-EI-G.

ISSUE 13C: **Has Progress Energy Florida properly calculated the 2002 price for waterborne transportation services provided by Progress Fuels Corporation?**

POSITION: The Commission should retain jurisdiction to make adjustments if deemed necessary as a result of the review envisioned in Issue 13H.

ISSUE 13H: **In consideration of Order No. PSC-93-1331-FOF-EI, in Docket No. 930001-EI, issued September 13, 1993, should the Commission make an adjustment to Progress Energy Florida's 2002 waterborne coal transportation costs to account for upriver costs from mine to barge for coal commodity contracts which are quoted FOB Barge?**

POSITION: To avoid double recovery of upriver transportation costs (i.e., costs to transport coal from mine to barge) through both its market price proxy and commodity costs for purchases made FOB Barge, PEFI indicates that it makes adjustments that reflect the ratio of FOB Barge purchases made at the time of the market price proxy's inception. The Commission staff's auditor found that Progress Fuels Corporation's contract for purchase of synfuel from KRT/Massey was FOB Barge by the terms of that contract. Based on this finding, staff believes that an adjustment may be necessary. The

Commission should allow the parties further time to review this matter to determine whether and to what extent an adjustment should be made to the costs incurred under that contract.

ISSUE 14C: **Should the Commission approve FPL's request to recover the cost for 137 additional railcars to deliver coal to Plant Scherer?**

POSITION: Yes. These railcars are necessary to provide transportation for low cost powder river basin coal for Plant Scherer Unit 4.

ISSUE 15A: **When should the Commission address the consolidation of the fuel rates for the Marianna and Fernandina Beach Divisions?**

POSITION: The Commission, pursuant to separate petition, should address consolidation of the fuel rates for the Marianna and Fernandina Beach divisions concurrent with revisions to Florida Public Utilities Company's base rates at the conclusion of Docket No. 030438-EI.

ISSUE 16B: **Are Gulf Power's actual and projected operation and maintenance expenses for 2002 through 2004 for its non-speculative financial and/or physical hedging programs to mitigate fuel and purchased power price volatility reasonable for cost recovery purposes?**

POSITION: Yes. The actual and projected operation and maintenance expenses for 2002 through 2004 appear to be reasonable for cost recovery purposes.

ISSUE 17A: **What is the appropriate 2002 waterborne coal transportation benchmark price for transportation services provided by affiliates of Tampa Electric Company?**

POSITION: $23.87 per ton

ISSUE 17B: **Has Tampa Electric Company adequately justified any costs associated with transportation services provided by affiliates of Tampa Electric Company that exceed the 2002 waterborne transportation benchmark price?**

POSITION: Because the actual affiliated coal transportation cost for 2002 fell below the waterborne transportation benchmark price, no such justification is necessary.

ISSUE 17C: **Were Tampa Electric's actions through December 31, 2002, to mitigate fuel and purchased power price volatility through implementation of its non-speculative financial and/or physical hedging programs prudent?**

POSITION: Yes. The actions of TECO to mitigate fuel and purchased power price volatility were prudent.

ISSUE 17D: **Are Tampa Electric's actual and projected operation and maintenance expenses for 2002 through 2004 for its non-speculative financial and/or physical hedging programs to mitigate fuel and purchased power price volatility reasonable for cost recovery purposes?**

POSITION: The actual and projected operation and maintenance expenses for 2002 through 2004 appear to be reasonable for cost recovery purposes.

ISSUE 18: **What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period January 2002 through December 2002 for each investor-owned electric utility subject to the GPIF?**

POSITION: The appropriate GPIF rewards/penalties for performance achieved during the period January 2002 through December 2002 by each investor-owned electric utility subject to the GPIF are set forth in Attachment A to this Order.

ISSUE 19: **What should the GPIF targets/ranges be for the period January 2004 through December 2004 for each investor-owned electric utility subject to the GPIF?**

POSITION: The appropriate GPIF targets/ranges for the period January 2004 through December 2004 for each investor-owned electric utility subject to the GPIF are set forth in Attachment A to this Order.

ISSUE 25: **What are the appropriate estimated capacity cost recovery true-up amounts for the period January 2003 through December 2003?**

POSITION:

FPL:	$16,048,425 overrecovery.
GULF:	$ 1,058,876 overrecovery.
PEFI:	$ 1,188,735 underrecovery.
TECO:	$ 1,847,047 underrecovery.

ISSUE 28: **What are the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the recovery factors for the period January 2004 through December 2004?**

POSITION:

FPL:	98.84301%
Gulf:	96.50187%
PEFI:	Base - 95.957%, Intermediate - 86.574%, Peaking - 74.562%.
TECO:	95.43611%

XI. PENDING MOTIONS

FIPUG's Motion to Compel, filed October 31, 2003, is pending.

TECO's Motion to Compel, filed November 4, 2003, is pending.

Sugarmill Woods Civic Association, Inc.'s petition to intervene, filed November 6, 2003, is pending.

XII. PENDING CONFIDENTIALITY MATTERS

The following confidentiality requests related to testimony and exhibits expected to be introduced into evidence at hearing are pending:

FPL: Fuel hedging information in Exhibit GJY-1 to the April 1, 2003, testimony of Gerard Yupp.

Portions of Exhibit KLW-1 to the October 9, 2003, testimony of Kathy L. Welch.

Gulf: Schedule 2 of Exhibit HRB-1 to the April 1, 2003, testimony of H. R. Ball.

PEFI: Portions of Risk Management Plan in Exhibit PRM-1 to the August 12, 2003, testimony of Pamela R. Murphy.

TECO: Portions of pages 17, 18, 19, 29, and 30 of the September 12, 2003, testimony of Joann T. Wehle and pages 4 and 8 of the September 12, 2003, testimony of Benjamin Smith.

Information contained in the October 2, 2003, testimonies and exhibits of OPC witnesses Michael J. Majoros, Jr. and William M. Zaetz and FIPUG/FRF witness Sheree L. Brown.

Additional information contained in the October 2, 2003, testimony and exhibit of OPC witness Michael J. Majoros, Jr.

XIII. RULINGS

Parties may file testimony concerning Issue 30, as identified at the Prehearing Conference, no later than Monday, November 3, 2003, and shall serve such testimony on all other parties by electronic mail, facsimile, or hand-delivery.

It is therefore,

ORDERED by Commissioner Braulio L. Baez, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

By ORDER of Commissioner Braulio L. Baez, as Prehearing Officer, this 7th day of November, 2003.

for Commissioner Braulio L. Baez

BRAULIO L. BAEZ
Commissioner and Prehearing Officer

(S E A L)

WCK

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida

Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of the Commission Clerk and Administrative Services, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

GPIF REWARDS/PENALTIES

January 2002 to December 2002

Utility	Amount	Reward/Penalty
Florida Power and Light Company	$ 7,449,429	Reward
Gulf Power Company	$ 431,920	Reward
Progress Energy Florida	$ 2,781,223	Reward
Tampa Electric Company	$ 2,496,021	Penalty

Utility/ Plant/Unit	EAF		Heat Rate	
FPL	Target	Adjusted Actual	Target	Adjusted Actual
Cape Canaveral 1	90.3	90.8	9,727	9,207
Cape Canaveral 2	88.2	85.6	9,661	9,115
Fort Lauderdale 4	91.8	94.4	7,618	7,528
Fort Lauderdale 5	91.9	93.4	7,535	7,401
Manatee 1	81.5	89.8	10,415	9,865
Manatee 2	85.4	90.1	10,335	10,088
Martin 1	89.2	80.2	9,990	9,040
Martin 2	90.8	89.5	10,012	8,914
Martin 3	94.9	96.3	6,958	6,954
Martin 4	87.9	94.2	7,028	7,004
Port Everglades 3	94.3	92.3	9,929	9,388
Port Everglades 4	86.0	90.7	9,933	9,162
Putnam 1	84.7	86.9	9,261	8,836
Riviera 3	84.4	96.3	10,327	9,797
Riviera 4	93.1	96.5	9,762	9,366
Turkey Point 1	85.4	89.2	9,783	9,083
Turkey Point 2	94.3	98.7	9,645	9,332
Turkey Point 3	93.6	100.0	10,994	11,193
Turkey Point 4	86.0	91.6	11,069	11,117
St. Lucie 1	86.0	91.7	10,795	10,811
St. Lucie 2	93.6	100.0	10,836	10,850
Scherer 4	84.4	83.2	10,225	10,097

Gulf	Target	Adjusted Actual	Target	Adjusted Actual
Crist 4	90.9	93.1	10,499	10,979
Crist 6	77.3	78.3	10,546	10,649
Crist 7	79.7	85.8	10,196	10,255
Smith 1	90.7	92.0	10,054	10,206
Smith 2	86.6	58.2	10,050	10,309
Daniel 1	88.0	92.4	10,191	9,991
Daniel 2	70.7	73.9	9,906	9,850

GPIF REWARDS/PENALTIES

January 2002 to December 2002

Utility/ Plant/Unit	EAF		Heat Rate	
PEF	Target	Adjusted Actual	Target	Adjusted Actual
Anclote 1	91.7	96.4	10,183	10,386
Anclote 2	81.7	84.3	10,090	10,124
Crystal River 1	86.8	92.9	9,750	9,725
Crystal River 2	65.1	66.4	9,619	9,656
Crystal River 3	96.2	98.6	10,283	10,288
Crystal River 4	76.5	76.3	9,413	9,441
Crystal River 5	94.5	98.5	9,376	9,463
Bartow 3	80.1	82.7	10,053	10,008
Tiger Bay	80.3	82.1	8,267	8,313
TECO	Target	Adjusted Actual	Target	Adjusted Actual
Big Bend 1	77.3	71.1	10,111	10,519
Big Bend 2	66.7	52.4	9,815	10,398
Big Bend 3	67.5	53.8	10,036	10,275
Big Bend 4	82.6	84.3	10,089	10,488
Gannon 5	56.7	65.2	10,716	11,202
Gannon 6	63.9	61.6	10,704	11,192
Polk 1	78.0	84.6	10,087	10,565

GPIF TARGETS

January 2004 to December 2004

Utility/ Plant/Unit	EAF				Heat Rate	
	Company			Staff	Company	Staff
FPL	EAF	POF	EUOF			
Cape Canaveral 2	89.8	0.0	10.2	Agree	9,528	Agree
Lauderdale 4	79.6	15.3	5.1	Agree	7,473	Agree
Lauderdale 5	89.5	4.6	5.9	Agree	7,467	Agree
Manatee 1	93.7	0.0	6.3	Agree	10,427	Agree
Manatee 2	75.2	20.5	4.3	Agree	10,384	Agree
Martin 1	91.5	0.0	8.5	Agree	10,130	Agree
Martin 2	92.1	0.0	7.9	Agree	10,086	Agree
Martin 3	94.6	1.4	4.0	Agree	6,885	Agree
Martin 4	92.0	4.0	4.0	Agree	6,844	Agree
Port Everglades 3	92.7	0.0	7.3	Agree	9,819	Agree
Port Everglades 4	89.7	3.8	6.5	Agree	9,859	Agree
Scherer 4	84.0	12.0	4.0	Agree	10,189	Agree
St Lucie 1	86.8	6.8	6.4	Agree	10,860	Agree
St Lucie 2	85.4	8.2	6.4	Agree	10,900	Agree
Turkey Point 3	75.8	17.8	6.4	Agree	11,140	Agree
Turkey Point 4	93.6	0.0	6.4	Agree	11,134	Agree
Gulf	EAF	POF	EUOF			
Crist 4	97.9	0.0	2.1	Agree	10,388	Agree
Crist 5	96.8	0.0	3.2	Agree	10,232	Agree
Crist 6	86.7	6.3	7.0	Agree	10,501	Agree
Crist 7	70.1	21.6	8.3	Agree	10,223	Agree
Smith 1	90.1	8.2	1.7	Agree	10,114	Agree
Smith 2	82.8	8.2	9.0	Agree	10,024	Agree
Daniel 1	69.6	24.9	5.5	Agree	9,994	Agree
Daniel 2	81.1	12.0	6.9	Agree	9,828	Agree

GPIF TARGETS

January 2004 to December 2004

Utility/ Plant/Unit	EAF				Heat Rate	
	Company			Staff	Company	Staff
PEF	EAF	POF	EUOF			
Anclote 1	94.4	0.0	5.6	Agree	10,407	Agree
Anclote 2	91.1	3.8	5.0	Agree	10,174	Agree
Crystal River 1	81.1	11.5	7.4	Agree	9,731	Agree
Crystal River 2	81.3	0.0	18.7	Agree	9,685	Agree
Crystal River 3	97.1	0.0	2.9	Agree	10,310	Agree
Crystal River 4	85.2	9.6	5.2	Agree	9,322	Agree
Crystal River 5	93.4	0.0	6.6	Agree	9,389	Agree
Hines 1	88.3	9.6	2.2	Agree	7,530	Agree
Tiger Bay	88.0	7.7	4.4	Agree	7,964	Agree
TECO	EAF	POF	EUOF			
Big Bend 1	67.2	5.7	27.1	Agree	10,708	Agree
Big Bend 2	66.7	5.7	27.6	Agree	10,384	Agree
Big Bend 3	67.6	5.7	26.7	Agree	10,278	Agree
Big Bend 4	78.2	5.7	16.0	Agree	10,272	Agree
Polk 1	85.6	4.4	10.0	Agree	10,569	Agree