

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.	DOCKET NO. 050001-EI
	DATED: OCTOBER 17, 2005

STAFF'S PREHEARING STATEMENT

Pursuant to Order No. PSC-05-0281-PCO-EI, filed March 15, 2005, the Staff of the Florida Public Service Commission files its Prehearing Statement.

a. All Known Witnesses

Sidney W. Matlock

Alternative Equivalent Availability Factor Targets for Four of Tampa Electric Company's Five Generating Performance Incentive Factor Units

b. All Known Exhibits

None at this time. Staff reserves the right to identify additional exhibits at the Prehearing Conference and at hearing for purposes of cross-examination.

c. Staff's Statement of Basic Position

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

d. Staff's Position on the Issues**GENERIC FUEL ADJUSTMENT ISSUES**

ISSUE 1: What are the appropriate fuel adjustment true-up amounts for the period January 2004 through December 2004?

POSITION: FPL: No position pending resolution of outstanding issues.
 FPUC-Fernandina Beach: No position pending resolution of outstanding issues.
 FPUC-Marianna: No position pending resolution of outstanding issues.
 Gulf: No position pending resolution of outstanding issues.
 PEF: No position pending resolution of outstanding issues.
 TECO: No position pending resolution of outstanding issues.

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ISSUE 2: What are the appropriate fuel adjustment true-up amounts for the period January 2005 through December 2005?

POSITION: FPL: No position pending resolution of outstanding issues.
FPUC-Fernandina Beach: No position pending resolution of outstanding issues.
FPUC-Marianna: No position pending resolution of outstanding issues.
Gulf: No position pending resolution of outstanding issues.
PEF: No position pending resolution of outstanding issues.
TECO: No position pending resolution of outstanding issues.

ISSUE 3: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2006 to December 2006?

POSITION: FPL: No position pending resolution of outstanding issues.
FPUC-Fernandina Beach: No position pending resolution of outstanding issues.
FPUC-Marianna: No position pending resolution of outstanding issues.
Gulf: No position pending resolution of outstanding issues.
PEF: No position pending resolution of outstanding issues.
TECO: No position pending resolution of outstanding issues.

ISSUE 4: Should the Commission revise the fuel cost recovery factors in April 2006, after the final 2005 true-up filing, if a utility's estimated 2005 under-recovery developed during the 2005 hurricane season exceeds the actual under-recovery?

POSITION: This issue is premature. FIPUG does not challenge any utility's forecasts of fuel prices, consumption, or efficiency. Consistent with the procedures set forth in Order No. 13694, issued September 20, 1984, in Docket No. 840001-EI, FIPUG may petition for a mid-course correction when conditions warrant such a change.

ISSUE 5: 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 2006 through December 2006?

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

ISSUE 6: What are the appropriate projected net fuel and purchased power cost recovery amounts to be included in the recovery factors for the period January 2005 through December 2006?

POSITION: FPL: No position pending resolution of outstanding issues.
FPUC-Fernandina Beach: No position pending resolution of outstanding issues.
FPUC-Marianna: No position pending resolution of outstanding issues.
Gulf: No position pending resolution of outstanding issues.
PEF: No position pending resolution of outstanding issues.
TECO: No position pending resolution of outstanding issues.

ISSUE 7: What are the appropriate levelized fuel cost recovery factors for the period January 2006 through December 2006?

POSITION: FPL: No position pending resolution of Issue 6.
FPUC-Fernandina Beach: No position pending resolution of Issue 6.
FPUC-Marianna: No position pending resolution of Issue 6.
Gulf: No position pending resolution of Issue 6.
PEF: No position pending resolution of Issue 6.
TECO: No position pending resolution of Issue 6.

ISSUE 8: 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,GSCU-1	1.00196
A-1*	SL-1,OL-1,PL-1	1.00196
B	GSD-1	1.00189
C	GSLD-1 & CS-1	1.00095
D	GSLD-2,CS-2,OS-2 & MET	.99429
E	GSLD-3 & CS-3	.95824
A	RST-1,GST-1	

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	ON-PEAK	1.00196
	OFF-PEAK	1.00196
B	GSDT-1,CILC-1(G), HLFT(21-499kW)	
	ON-PEAK	1.00189
	OFF-PEAK	1.00189
C	GSLDT-1,CST-1, HLFT(500-1999kW)	
	ON-PEAK	1.00095
	OFF-PEAK	1.00095
D	GSLDT-2,CST-2, HLFT(2000+kW)	
	ON-PEAK	.99533
	OFF-PEAK	.99533
E	GSLDT-3,CST-3 CILC-1(T)&ISST-1(T)	
	ON-PEAK	.95824
	OFF-PEAK	.95824
F	CILC-1(D) & ISST-1(D)	
	ON-PEAK	.99374
	OFF-PEAK	.99374
	FPUC-Fernandina Beach: All Rate Schedules	1.0000
	FPUC-Marianna: All Rate Schedules	1.0000

GULF:

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

ISSUE 10: 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 2006, and thereafter through the last billing cycle for December 2006. The first billing cycle may start before January 1, 2006, and the last billing cycle may end after December 31, 2006, so long as each customer is billed for twelve months regardless of when the factors became effective.

ISSUE 11: What are the appropriate actual benchmark levels for calendar year 2005 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

POSITION: FPL: No position pending receipt and review of outstanding discovery.
Gulf: No position pending receipt and review of outstanding discovery.
PEF: No position pending receipt and review of outstanding discovery.
TECO: No position pending receipt and review of outstanding discovery.

ISSUE 12: What are the appropriate estimated benchmark levels for calendar year 2006 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

POSITION: FPL: No position pending receipt and review of outstanding discovery.
Gulf: No position pending receipt and review of outstanding discovery.
PEF: No position pending receipt and review of outstanding discovery.
TECO: No position pending receipt and review of outstanding discovery.

COMPANY-SPECIFIC FUEL ADJUSTMENT ISSUES

Progress Energy Florida

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 2004?

POSITION: No position pending receipt and review of outstanding discovery.

ISSUE 13B: Has Progress Energy Florida properly calculated the 2004 price for waterborne transportation services provided by Progress Fuels Corporation?

POSITION: No position pending receipt and review of outstanding discovery.

ISSUE 13C: Are PEF's proposed inverted residential fuel factors appropriate?

POSITION: No position pending receipt and review of outstanding discovery.

ISSUE 13D: Did Progress Energy Florida appropriately refund to its ratepayers the overpayments of \$6.1 million made to 16 qualifying facilities between August 2003 and August 2004?

POSITION: No position at this time.

ISSUE 13E: Did Progress Energy Florida prudently incur the additional \$17.5 million in incremental fuel costs due to the impact of the 2004 hurricane season?

POSITION: No position pending receipt and review of outstanding discovery.

ISSUE 13F: Should the Commission grant Progress Energy Florida's petition for approval of waterborne coal transportation service contracts?

POSITION: Yes.

ISSUE 13G: Are costs associated with Progress Energy Florida's contract with Virginia Power Energy Marketing for long term natural gas supply and transportation reasonable and appropriate for recovery?

POSITION: No position pending receipt and review of outstanding discovery.

ISSUE 13H: Has Progress Energy Florida adequately mitigated the price risk for natural gas, residual oil, and purchased power for 2004 through 2006?

POSITION: No position pending receipt and review of outstanding discovery.

ISSUE 13I: Is PEF's request for recovery of \$10,413,156 for coal car investment, carrying costs for coal in transit, and coal procurement reasonable?

POSITION: No position pending receipt and review of outstanding discovery.

ISSUE 13J: Should the Commission approve PEF's request for recovery of capacity and energy costs associated with PEF's wholesale purchase contract with Central Power & Lime, commencing in December 2005, subject to subsequent review of the costs incurred pursuant to the contract for reasonableness and prudence?

POSITION: Yes. The contract provides an in-state source of coal-fired capacity and energy. The contract is the most cost-effective alternative available to PEF to meet its short-term capacity needs. The Commission should review the costs incurred pursuant to the contract in future cost recovery proceedings.

ISSUE 13K: Did PEF prudently incur its incremental fuel costs due to the impact of the 2005 hurricane season?

POSITION: This issue is premature. The Commission should defer consideration of this issue until Docket No. 060001-EI. At that time, PEF's incremental fuel costs for the entire 2005 hurricane season will be known and can be thoroughly analyzed for prudence and reasonableness.

ISSUE 13L: Were the prices that PEF paid to Progress Energy Fuels Corporation for coal reasonable in amount? If not, what adjustment should be made?

POSITION: No position pending receipt and review of outstanding discovery.

ISSUE 13M: Should the Commission order PEF to collect its \$264.9 million under-recovery over a two-year period?

POSITION: No position at this time.

No additional company-specific issues for Progress Energy Florida have been identified at this time. If such issues are identified, they shall be numbered 13N, 13O, 13P, and so forth, as appropriate.

Florida Power & Light Company

ISSUE 14A: Did Florida Power & Light prudently incur the additional \$50,162,000 in incremental fuel costs due to the impact of the 2004 hurricane season?

POSITION: Yes.

ISSUE 14B: Is FPL's incremental 2006 hedging O&M expense of \$496,485 reasonable and appropriate for recovery?

POSITION: No position pending receipt and review of outstanding discovery.

ISSUE 14C: Should the Commission authorize FPL to defer collecting \$384,681,845 of its 2005 actual/estimated true-up until 2007?

POSITION: No position pending receipt and review of outstanding discovery.

ISSUE 14D: Has FPL adequately mitigated the price risk of natural gas, residual oil, and purchased power for 2004 through 2006?

POSITION: No position pending receipt and review of outstanding discovery.

ISSUE 14E: Are the replacement fuel and purchased power costs associated with the unplanned outage at Turkey Point Unit 4, commencing on June 27, 2005, reasonable and appropriate for recovery at this time?

POSITION: No position at this time.

ISSUE 14F: Should the Commission approve FPL's request to recover through the fuel clause approximately \$30 million for its St. Lucie Unit 2 Steam Generator Sleeving Project?

POSITION: No. By Order No. 14546, in Docket No. 850001-EI-B, issued July 8, 1985, the Commission set forth specific criteria for establishing whether a type of expense is eligible for recovery through the fuel and purchased power cost recovery clause. The type of expense that FPL's request contemplates is specifically excluded from recovery through the fuel and purchased power cost recovery clause. FPL should recover the actual costs of its St. Lucie Unit 2 Steam Generator Sleeving Project in base rates by amortizing these costs over a five year period. Furthermore, FPL should not accumulate AFUDC on the unamortized portion of these costs. This regulatory treatment is consistent with the stipulation reached among FPL, OPC, and FIPUG regarding inspecting and repairing FPL's reactor pressure vessel heads at its four nuclear units, which was approved by the Commission by Order No. PSC-02-1761-FOF-EI, in Docket No. 020001-EI, issued December 13, 2002.

ISSUE 14G: Should FPL credit the net proceeds of \$6,442,183 from the settlement between the U.S. Department of Energy and FPL, among other parties, to the fuel clause?

POSITION: No position pending receipt and review of outstanding discovery.

ISSUE 14H: Are FPL's proposed inverted residential fuel factors appropriate?

POSITION: No position pending receipt and review of outstanding discovery.

ISSUE 14I: Did FPL prudently incur its incremental fuel costs due to the impact of the 2005 hurricane season?

POSITION: This issue is premature. The Commission should defer consideration of this issue until Docket No. 060001-EI. At that time, FPL's incremental fuel costs for the entire 2005 hurricane season will be known and can be thoroughly analyzed for prudence and reasonableness.

No additional company-specific issues for Florida Power & Light Company have been identified at this time. If such issues are identified, they shall be numbered 14J, 14K, 14L, and so forth, as appropriate.

Florida Public Utilities Company

ISSUE 15A: Has Florida Public Utilities Company made the adjustments as noted in Audit Exception No. 1 to Audit No. 05-028-4-2 to its Northeast Division's fuel revenues?

POSITION: Yes.

ISSUE 15B: What is the appropriate regulatory treatment for fees paid to Christensen and Associates to perform FPUC's request for proposals for wholesale capacity and energy commencing 2008 and develop a rate-smoothing surcharge for 2006 and 2007?

POSITION: By Order No. 14546, in Docket No. 850001-EI-B, issued July 8, 1985, the Commission set forth specific criteria for establishing whether a type of expense is eligible for recovery through the fuel and purchased power cost recovery clause. The type of expense that FPUC's request contemplates is specifically excluded from recovery through the fuel and purchased power cost recovery clause. FPUC should defer this expense until its next base rate proceeding.

ISSUE 15C: Should the Commission grant Florida Public Utilities Company's request to adopt a surcharge to its fuel factor(s) to phase in future higher wholesale capacity and energy costs, expected to begin in January 2008?

POSITION: No position pending receipt and review of outstanding discovery.

ISSUE 15D: Should the Commission grant Florida Public Utilities Company's request to adopt a consolidated fuel factor for its two divisions?

POSITION: No position pending receipt and review of outstanding discovery.

No additional company-specific issues for Florida Public Utilities Company have been identified at this time. If such issues are identified, they shall be numbered 15E, 15F, 15G, and so forth, as appropriate.

Gulf Power Company

ISSUE 16A: Should Gulf Power recover associated replacement fuel and purchased power costs prior to exhausting all avenues of redress against the party or parties which manufactured, delivered, or installed the turbine at the Smith Unit 3 which failed during 2005?

POSITION: No position at this time.

ISSUE 16B: Has Gulf Power adequately mitigated the price risk of natural gas and purchased power for 2004 through 2006?

POSITION: No position pending receipt and review of outstanding discovery.

ISSUE 16C: Did Gulf Power prudently incur its incremental fuel costs due to the impact of the 2005 hurricane season?

POSITION: This issue is premature. The Commission should defer consideration of this issue until Docket No. 060001-EI. At that time, Gulf Power's incremental fuel costs for the entire 2005 hurricane season will be known and can be thoroughly analyzed for prudence and reasonableness.

ISSUE 16D: Is Gulf Power Company's incremental 2006 hedging O&M expense of \$28,080 reasonable and appropriate for recovery?

POSITION: No position pending receipt and review of outstanding discovery.

No additional company-specific issues for Gulf Power Company have been identified at this time. If such issues are identified, they shall be numbered 16E, 16F, 16G, and so forth, as appropriate.

Tampa Electric Company

ISSUE 17A: Pursuant to Order No. PSC-04-0999-FOF-EI, in Docket No. 031033-EI, issued October 12, 2004, has Tampa Electric Company made the appropriate adjustments to its 2004 waterborne coal transportation costs for recovery purposes?

POSITION: No position pending receipt and review of outstanding discovery.

ISSUE 17B: Has Tampa Electric Company properly adjusted its waterborne coal transportation costs associated with transportation services provided by TECO Transport in the recovery factor for the period January 2006 through December 2006?

POSITION: Yes.

ISSUE 17C: Did Tampa Electric Company prudently incur the additional \$2,736,764 in incremental fuel and purchased power costs due to the impact of the 2004 hurricane season?

POSITION: Yes.

ISSUE 17D: Did Tampa Electric Company prudently incur its incremental fuel costs due to the impact of the 2005 hurricane season?

POSITION: This issue is premature. The Commission should defer consideration of this issue until Docket No. 060001-EI. At that time, Tampa Electric's incremental fuel costs for the entire 2005 hurricane season will be known and can be thoroughly analyzed for prudence and reasonableness.

ISSUE 17E: Should Tampa Electric recover associated replacement fuel and purchased power costs prior to exhausting all avenues of redress against the party or parties which manufactured, delivered, or installed the rotor at Polk Unit 1 which failed and caused an unplanned outage at Polk Unit 1, commencing January 18, 2005?

POSITION: No position at this time.

ISSUE 17F: Has Tampa Electric adequately mitigated the price risk of natural gas and purchased power for 2004 through 2006?

POSITION: No position pending receipt and review of outstanding discovery.

ISSUE 17G: Should Tampa Electric recover associated replacement fuel costs prior to exhausting all avenues of redress against No. 1 Contractors for failure to deliver coal as set forth in its March, 2004, contract with Tampa Electric?

POSITION: No position pending receipt and review of outstanding discovery.

ISSUE 17H: Is Tampa Electric's new long-term firm service agreement with Gulfstream Natural Gas System, LLC to provide natural gas transportation to Bayside Generating Station prudent?

POSITION: Yes.

ISSUE 17I: Is Tampa Electric Company's incremental 2006 hedging O&M expense of \$235,798 reasonable and appropriate for recovery?

POSITION: No position pending receipt and review of outstanding discovery.

ISSUE 17J: Was Tampa Electric Company's decision to purchase synthetic coal from Synthetic American Fuel, LLC, commencing January 2005, prudent?

POSITION: No position pending receipt and review of outstanding discovery.

No additional company-specific issues for Tampa Electric Company have been identified at this time. If such issues are identified, they shall be numbered 17K, 17L, 17M, and so forth, as appropriate.

GENERIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

ISSUE 18: What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period January 2004 through December 2004 for each investor-owned electric utility subject to the GPIF?

POSITION: No positions pending receipt and review of outstanding discovery.

ISSUE 19: What should the GPIF targets/ranges be for the period January 2006 through December 2006 for each investor-owned electric utility subject to the GPIF?

POSITION: No positions pending receipt and review of outstanding discovery and evidence adduced at hearing.

COMPANY-SPECIFIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

Florida Power & Light Company

No company-specific issues for Florida Power & Light Company have been identified at this time. If such issues are identified, they shall be numbered 20A, 20B, 20C, and so forth, as appropriate.

Progress Energy Florida

No company-specific issues for Progress Energy Florida have been identified at this time. If such issues are identified, they shall be numbered 21A, 21B, 21C, and so forth, as appropriate.

Gulf Power Company

No company-specific issues for Gulf Power Company have been identified at this time. If such issues are identified, they shall be numbered 22A, 22B, 22C, and so forth, as appropriate.

Tampa Electric Company

No company-specific issues for Tampa Electric Company have been identified at this time. If such issues are identified, they shall be numbered 23A, 23B, 23C, and so forth, as appropriate.

GENERIC CAPACITY COST RECOVERY FACTOR ISSUES

ISSUE 24: What are the appropriate capacity cost recovery true-up amounts for the period January 2004 through December 2004?

POSITION: FPL: Agree with FPL.
Gulf: Agree with Gulf.
PEF: Agree with PEF.
TECO: Agree with TECO.

ISSUE 25: What are the appropriate capacity cost recovery true-up amounts for the period January 2005 through December 2005?

POSITION: FPL: Agree with FPL. Resolution of Issue 31A will not significantly change FPL's capacity factors. FPL should make any necessary adjustments in the true-up process in Docket No. 060001-EI.
Gulf: Agree with Gulf.

PEF: Agree with PEF. PEF has adjusted its incremental security costs to remove an additional \$789,620 of base rate expenses pursuant to Order No. PSC-03-1461-FOF-EI.

TECO: Agree with TECO.

ISSUE 26: What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2006 through December 2006?

POSITION: FPL: Agree with FPL. Resolution of Issue 31A will not significantly change FPL's capacity factors. FPL should make any necessary adjustments in the true-up process in Docket No. 060001-EI.

Gulf: Agree with Gulf.

PEF: Agree with PEF.

TECO: Agree with 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 2006 through December 2006?

POSITION: FPL: Agree with FPL. Resolution of Issue 31A will not significantly change FPL's capacity factors. FPL should make any necessary adjustments in the true-up process in Docket No. 060001-EI.

Gulf: Agree with Gulf.

PEF: \$355,862,570.

TECO: Agree with TECO.

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 2006 through December 2006?

POSITION: FPL: .9862224

Gulf: .9664872

PEF: Base: .93753

Intermediate: .79046

Peaking: .88979

TECO: .9641722

ISSUE 29: What are the appropriate capacity cost recovery factors for the period January 2006 through December 2006?

POSITION:

FPL:

RATE CLASS	Recovery Factor (per kWh)	Recovery Factor (per kW)
RS1 / RST1	\$0.00603	-
GS1 / GST-1	\$0.00573	-
GSD1 / GSDT1 / HLFT (21-499 kW)	-	\$1.94
OS2	\$0.00489	-
GSLD1/GSLDT1/CS1/CST1/HLFT (500-1,999 kW)	-	\$2.27
GSLD2/GSLDT2/CS2/CST2/HLFT (2,000+ kW)	-	\$2.19
GSLD3/GSLDT3/CS3/CST3	-	\$2.10
CILC D / CILC G	-	\$2.38
CILC T	-	\$2.27
MET	-	\$2.35
OL1 / SL1 / PL1	\$0.00175	-
SL2, GSCU-1	\$0.00402	-
	Reservation Charge (per kW)	Daily Demand Charge (per kW)
ISST-1D	\$0.29	\$0.14
ISST-1T	\$0.27	\$0.13
SST-1T	\$0.27	\$0.13
SST-1D1, SST-1D2, SST-1D3	\$0.28	\$0.13

GULF:

RATE CLASS	Recovery Factor (per kWh)
RS, RSVP	\$0.00272
GS	\$0.00263
GSD, GSDT, GSTOU	\$0.00233
LP,LPT	\$0.00202
PX,PXT, RTP, SBS	\$0.00169
OS-I, OS-II	\$0.00116
OS-III	\$0.00175

PEF:

RATE CLASS	Recovery Factor (per kWh)
RS-1, RST-1, RSL-1, RSL-2, RSS-1	\$.01001
GS-1, GST-1 – Transmission	\$.00889
GS-1, GST-1 – Primary	\$.00899
GS-1, GST-1 – Secondary	\$.00908
GS-2 100% Load Factor	\$.00578
GSD-1, GSDT-1, SS-1 - Transmission	\$.00782
GSD-1, GSDT-1, SS-1 - Primary	\$.00790
GSD-1, GSDT-1, SS-1 - Secondary	\$.00798
CS-1, 2 & 3 CST-1, 2 & 3, SS-3 - Transmission	\$.00701
CS-1, 2 & 3 CST-1, 2 & 3, SS-3 - Primary	\$.00708
CS-1, 2 & 3 CST-1, 2 & 3, SS-3 - Secondary	\$.00715
IS-1 & 2, IST-1 & 2, SS-2 - Transmission	\$.00600
IS-1 & 2, IST-1 & 2, SS-2 – Primary	\$.00606
IS-1 & 2, IST-1 & 2, SS-2 – Secondary	\$.00612
LS-1 - Lighting Service	\$.00178

TECO:

RATE CLASS	Recovery Factor (per kWh)
RS	\$0.00356
GS, TS	\$0.00321
GSD	\$0.00263
GSLD,SBF	\$0.00240
IS-1 & 3, SBI-1 & 3	\$0.00022
SL / OL	\$0.00045

COMPANY-SPECIFIC CAPACITY COST RECOVERY FACTOR ISSUES

Progress Energy Florida

ISSUE 30A: Has PEF provided sufficient evidence to justify its increase in capacity costs?

POSITION: No position pending receipt and review of outstanding discovery.

ISSUE 30B: Are PEF's actual and projected expenses for 2004 through 2006 for its post-September 11, 2001 security measures reasonable for cost recovery purposes?

POSITION: Yes. PEF has adjusted its incremental security costs to remove an additional \$789,620 of base rate expenses pursuant to Order No. PSC-03-1461-FOF-EI.

No additional company-specific issues for Progress Energy Florida have been identified at this time. If such issues are identified, they shall be numbered 30C, 30D, 30E, and so forth, as appropriate.

Florida Power & Light Company

ISSUE 31A: Is FPL's requested post-9/11 security compliance cost for 2004, 2005, and 2006 (projected) at its nuclear power plants reasonable and appropriate for recovery?

POSITION: As described in Section IV of Order PSC-03-1461-FOF-EI (Order No. 03-1461), in Docket No. 030001-EI, issued December 22, 2003, the Commission approved a process for determining the incremental costs of post-9/11 security measures. This order requires investor-owned electric utilities to demonstrate that any related project costs that are reflected in base rates are removed to reduce the incremental security costs recoverable through the capacity clause. FPL's requested amount includes a Briefing Room Expansion project that staff believes is an example of a cost reflected in base rates that should be removed pursuant to Order No. 03-1461. The project, while necessitated by an increased number of security officers, is a type of cost that is not generally incurred for security purposes. The Commission should consider this type of indirect cost (*e.g.*, parking lot improvement) a base rate item and remove this cost to reduce the incremental security costs recoverable through the capacity clause. In addition, while its itemized projection in response to discovery indicates a total of \$22,445,060, FPL's requested amount for 2006 is \$22,454,060. Staff attributes this difference to a clerical mistake. The adjustment for these two items is approximately \$85,000, not large enough to change the factors. Therefore, the company should make any necessary adjustments in the true-up process in Docket No. 060001-EI.

No additional company-specific issues for Florida Power & Light have been identified at this time. If such issues are identified, they shall be numbered 31B, 31C, 31D, and so forth, as appropriate.

Gulf Power Company

No company-specific issues for Gulf Power Company have been identified at this time. If such issues are identified, they shall be numbered 32A, 32B, 32C, and so forth, as appropriate.

Tampa Electric Company

No company-specific issues for Tampa Electric Company have been identified at this time. If such issues are identified, they shall be numbered 33A, 33B, 33C, and so forth, as appropriate.

e. Stipulated Issues

There are no issues that have been stipulated at this time.

f. Pending Motions

OPC's Motion to Establish Separate Docket, filed 9/30/05
PEF's Motion for Temporary Protective Order, filed 10/4/05
Gulf's Motion for Temporary Protective Order, filed 10/6/05
AARP's Motion to File Testimony One Day Out of Time, filed 10/6/05
Gulf's Motion for Temporary Protective Order, filed 10/12/05
FPUC's Motion for Protective Order, filed 10/13/05
FPL's Motion for Leave to File Supplemental Petition, filed 10/14/05
TECO's Motion for Leave to File Supplemental Testimony, filed 10/14/05
PEF's Motion for Leave to File Supplemental Testimony, filed 10/14/05

g. Pending Confidentiality Claims or Requests

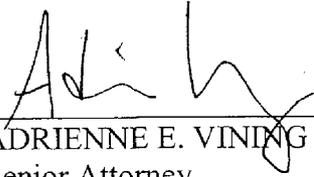
FPL's Request for Confidential Classification, filed 9/9/05
FPUC's Request for Confidential Classification, filed 9/9/05
TECO's Requests for Confidential Classification, filed 9/9/05 (3 requests)
PEF's Requests for Confidential Classification, filed 9/9/05 (3 requests)
Gulf's Request for Confidential Classification, filed 9/19/05
TECO's Request for Confidential Classification, filed 9/21/05
FPL's Request for Confidential Classification, filed 10/3/05
TECO's Request for Confidential Classification, filed 10/4/05
FPL's Request for Confidential Classification, filed 10/4/05
TECO's Requests for Confidential Classification, filed 10/13/05 (2 requests)
FPL's Request for Confidential Classification, filed 10/13/05

h. Compliance with Order No. PSC-05-0281-PCO-EI

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

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Respectfully submitted this 17th day of October, 2005.

A handwritten signature in black ink, appearing to read "Adrienne E. Vining", is written over a horizontal line.

ADRIENNE E. VINING
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BEFORE THE PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost recovery
clause with generating performance incentive
factor.

DOCKET NO. 050001-EI

DATED: OCTOBER 17, 2005

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Staff's Prehearing Statement was
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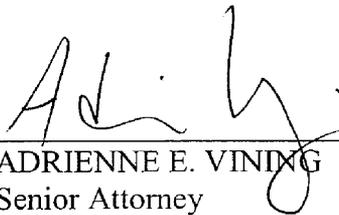
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