

THE PUBLIC SERVICE COMMISSION

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

DOCKET NO. 050001-EI  
ORDER NO. PSC-05-1106-PHO-EI  
ISSUED: November 3, 2005

Pursuant to Notice and in accordance with Rule 28-106.209, Florida Administrative Code, a Prehearing Conference was held on October 24, 2005, in Tallahassee, Florida, before Commissioner Rudolph "Rudy" Bradley, as Prehearing Officer.

APPEARANCES:

JOHN T. BUTLER, ESQUIRE, Squire, Sanders & Dempsey LLP, 200 South Biscayne Blvd., Suite 4000, Miami, Florida 33131-2398 and R. WADE LITCHFIELD, ESQUIRE, 700 Universe Boulevard, Juno Beach, Florida 33408

On behalf of Florida Power & Light Company (FPL).

NORMAN H. HORTON, JR., ESQUIRE, Messer, Caparello & Self, P. A., P. O. Box 1876, Tallahassee, Florida 32302-1876

On behalf of Florida Public Utilities Company (FPUC).

JEFFREY A. STONE, ESQUIRE, RUSSELL BADDERS, ESQUIRE, and STEVEN R. GRIFFIN, ESQUIRE, Beggs and Lane, P. O. Box 12950, Pensacola, FL 32591-2950

On behalf of Gulf Power Company (GULF).

GARY V. PERKO, ESQUIRE, and CAROLYN R. RAEPPE, ESQUIRE, Hopping Green & Sams, P.A., P. O. Box 6526, Tallahassee, Florida 32314 and R. ALEXANDER GLENN, ESQUIRE, Progress Energy Service Company, LLC, 100 Central Avenue, St. Petersburg, Florida 33701-3324

On behalf of Progress Energy Florida, Inc. (PEF).

LEE. L. WILLIS, ESQUIRE and JAMES D. BEASLEY, ESQUIRE, Ausley & McMullen, P. O. Box 391, Tallahassee, Florida 32302

On behalf of Tampa Electric Company (TECO).

MICHAEL B. TWOMEY, ESQUIRE, P. O. Box 5256, Tallahassee, FL 32314-5256

On behalf of AARP (AARP).

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On behalf of Federal Executive Agencies (FEA).

JOHN W. MCWHIRTER, JR., ESQUIRE, McWhirter, Reeves & Davidson, P. A., 400 North Tampa Street, Suite 2450, Tampa, Florida 33601-3350 and  
TIMOTHY J. PERRY, ESQUIRE, McWhirter, Reeves & Davidson, P. A., 117  
South Gadsden Street, Tallahassee, Florida 32301

On behalf of Florida Industrial Power Users Group (FIPUG).

ROBERT SCHEFFEL WRIGHT, ESQUIRE, and JOHN T. LAVIA, III,  
ESQUIRE, Landers & Parsons, P. A., 310 West College Avenue, Tallahassee,  
Florida 32301

On behalf of Florida Retail Federation. (FRF).

PATRICIA A. CHRISTENSEN, ESQUIRE, JOSEPH A. MCGLOTHLIN,  
ESQUIRE, and CHARLES J. BECK, ESQUIRE, 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).

ADRIENNE E. VINING, 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 7-9, 2005, 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.

III. JURISDICTION

This Commission is vested with jurisdiction over the subject matter by the provisions of Chapter 366, Florida Statutes. This hearing will be governed by said Chapter and Chapters 25-22, and 28-106, Florida Administrative Code.

IV. 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 parties 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 a) 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.

#### V. POST-HEARING PROCEDURES

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 no bench decision is 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.

#### VI. PREFILED TESTIMONY AND EXHIBITS; WITNESSES

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, except for the FPUC panel which shall be limited to ten minutes total. 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.

## VII. 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 the 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 X of this Prehearing Order and be admitted into the record.

The Commission shall take testimony from customers of FPUC regarding the utility's proposed surcharge at a time certain of 11:00 a.m. on Tuesday, November 8, 2005.

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
<u>Direct</u>		
Gerard J. Yupp	FPL	1, 2, 3, 6, 14A, 14B, 14D, 14I,
W. E. Gwinn	FPL	1, 2, 3, 6, 14E, 14F, 14G, 31A
K. M. Dubin	FPL	1-10, 11, 12, 14C, 14F, 14G, 14H, 24, 25, 26, 27, 28, 29, 31A
*P. Sonnelitter	FPL	18, 19
Cheryl Martin	FPUC	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11
George Bachman Robert Camfield Mark Cutshaw Cheryl Martin	FPUC	Panel Testimony 14A, 14B, 14C, 14D
*H. R. Ball	GULF	1, 2, 11, 12, 16A, 16B, 16C, 16D, 24, 25, 27
*T. A. Davis	GULF	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 24, 25, 26, 27, 28, 29

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
*L. S. Noack	GULF	18, 19
Javier Portuondo	PEF	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13A, 13B, 13C, 13D, 13F, 13I, 13J, 13L, 13M, 24, 25, 26, 27, 28, 29, 30A, 30B
Pamela R. Murphy	PEF	13E, 13G, 13H, 13K
Albert W. Pitcher	PEF	13E, 13F, 13K, 13L
*Robert M. Oliver	PEF	13E, 13H, 13K
*Samuel S. Waters	PEF	13J
*Michael F. Jacob	PEF	18, 19
Carlos Aldazabal	TECO	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 17A, 17B, 17E, 17G, 23, 24, 25, 26, 27, 28, 29
*Benjamin F. Smith	TECO	17C, 17F
Joann T. Wehle	TECO	17A, 17B, 17C, 17D, 17F, 17G, 17H, 17I, 17J
William A. Smotherman	TECO	17E, 18, 19
Stephen A. Stewart	AARP	14F
Sidney W. Matlock	STAFF	19

Rebuttal

W. E. Gwinn	FPL	14F
K. M. Dubin	FPL	14F
William A. Smotherman	TECO	19

VIII. 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 2006 through December 2006 including the true-up calculations, GPIF and other adjustments allowed by the Commission.

**PEF:** 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 5.413 cents per kWh before application of factors which adjust for variations in line losses; the proposed capacity cost recovery factor of 0.287 cents per kWh before applying the 12CP and 1/13<sup>th</sup> allocation methodology; a GPIF reward of \$729,534 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 \$1,260,234 for calendar year 2006.

**AARP:** AARP adopts as its basic position the basic position stated by the Office of Public Counsel.

**FEA:** A statement of basic position in the proceeding; given the significant impact of the proposed costs on rate payers, only prudently incurred costs should be passed on to customers.

**FIPUG:** None.

**FRF:** The investor-owned utilities whose fuel and purchased power cost recovery charges are to be determined in this docket bear the affirmative burden of proving that their proposed charges are fair, just, and reasonable. In view of the startling cost overruns (or "under-recoveries") experienced by these utilities in 2005, the FRF questions whether the utilities' costs are fair, just, and reasonable.

**OPC:** None at this time.

**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.

IX.            ISSUES AND POSITIONS

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

**POSITIONS:**

**FPL:**            \$7,707,142 under-recovery. (DUBIN)

**FPUC:**            Marianna:            \$966,961            (underrecovery)  
Fernandina Beach:    \$466,181            (underrecovery)

**GULF:**            Over recovery \$18,641,731. (Ball, Davis)

**PEF:**            \$93,603,843 under-recovery, based on the deferral of \$79,157,270 approved in Order No. PSC-04-1276-FOF-EI and an additional under-recovery of \$14,446,573. (Portuondo)

**TECO:**            \$5,106,655 over-recovery. (Witness: Aldazabal)

**AARP:**            Agrees with OPC's position.

**FEA:**            No position.

**FIPUG:**            No position pending resolution of outstanding issues.

**FRF:**            No position pending resolution of outstanding issues.

**OPC:**            No position pending resolution of outstanding issues.

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

**POSITIONS:**

**FPL:**            \$965,027,393 under-recovery. (DUBIN)



**FPUC:** Marianna: \$246,528 (underrecovery)  
Fernandina Beach: \$489,390 (underrecovery)

**GULF:** Under recovery \$30,102,348. (Ball, Davis)

**PEF:** \$222,088,213 under-recovery. (Portuondo)

**TECO:** \$152,762,877 under-recovery. (Witness: Aldazabal)

**AARP:** Agrees with OPC's position.

**FEA:** No position.

**FIPUG:** No position pending resolution of outstanding issues.

**FRF:** No position pending resolution of outstanding issues.

**OPC:** No position pending resolution of outstanding issues.

**STAFF:** 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?**

**POSITIONS:**

**FPL:** The total fuel adjustment true-up amount is \$972,734,535. FPL proposes to spread this amount over a two-year period. Therefore, one-half of the total under-recovery or \$486,367,268 under-recovery should be collected from January 2006 through December 2006. (DUBIN)

**FPUC:** Consolidated: \$285,297 (to be collected)

**GULF:** Under recovery \$11,460,617. (Davis)

**PEF:** \$315,692,056 under-recovery (Portuondo)

**TECO:** \$147,656,222 under-recovery. (Witness: Aldazabal)

**AARP:** Agrees with OPC's position.

**FEA:** No position.

**FIPUG:** No position pending resolution of outstanding issues.

**FRF:** No position pending resolution of outstanding issues.

**OPC:** No position pending resolution of outstanding issues.

**STAFF:**  
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 automatically revise the fuel cost recovery factors of FPL, PEF and TECO in April 2006, after the final 2005 true-up filing, if estimated 2005 under-recoveries developed during the 2005 hurricane season exceed the actual under-recoveries?**

**POSITIONS:**

**FPL:** FPL does not object to this proposal so long as (1) it applies regardless of whether the 2005 actual under-recovery is above or below the 2005 estimated/actual under-recovery, and (2) the fuel cost recovery factors would be revised only if the 2005 actual under-recovery were more than 10% above or below the 2005 estimated/actual under-recovery.

**PEF:** PEF does not object to the suggested revision of the fuel factors in April 2006 so long as revisions also are made if a utility's estimated 2005 under-recovery is 10% less than the actual under-recovery. Although in accordance with the Commission's longstanding practice and procedure in this ongoing docket, any variance between projected and actual under-recoveries for 2005 should be accounted for in the fuel factors developed in the 2006 docket. Furthermore, the mid-course correction procedure approved in Order No. 13694, 9/20/84, requires utilities to notify the Commission, Staff and intervenors, via a filing, that a greater than ten percent over or under-recovery is projected to occur. If practical, the utility's filing would include a request for a hearing to revise the fuel factor at that time, but given the extraordinary nature of the events that have caused these increases, PEF can support this one-time departure from Commission practice. (Portuondo)

**TECO:** The company does not believe a revision after the 2005 final true-up should be required given the existence of the mid-course correction mechanism, which already provides a procedure for notifying and modifying the fuel factor when fuel costs are going to be over or under by 10%. Maintaining the 10% threshold ensures that any change in the fuel factor will be driven by an over or under recovery of a material or substantive amount. (Witness: Aldazabal)

**AARP:** Agrees with OPC's position.

**FEA:** No position.

**FIPUG:** Yes. By correcting any final 2005 true-up over recoveries at the time the utilities make their true-up filing, rather than waiting nine months until January 2007, the Commission may give customers a modicum of relief from the rate shock they will encounter come January 1, 2006.

**FRF:** Agrees with FIPUG.

**OPC:** As framed, the issue suggests such a modification can be "automatic" in nature. Generally, OPC's position is that a proposal to modify the fuel factor in mid-course is subject to an opportunity for a hearing. OPC takes no position on whether the factor should be modified under the scenario posed by the issue, but does not waive its right to request a hearing on any midcourse correction sought in the future.

**STAFF:** 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.

**STIPULATED**

**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. (DUBIN)

**FPUC:** Fernandina Beach: 1.00072  
Marianna: 1.00072

**GULF:** 1.00072. (Davis)

**PEF:** 1.00072 (Portuondo)

**TECO:** The appropriate revenue tax factor is 1.00072. (Witness: Aldazabal)

**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 2006 through December 2006?

**POSITIONS:**

**FPL:** \$5,844,519,808. (DUBIN)

**FPUC:** Consolidated: \$29,046,444

**GULF:** \$347,469,048. (Davis)

**PEF:** \$2,136,482,049 (Portuondo)

**TECO:** The projected net fuel and purchased power cost recovery amount to be included in the recovery factor for the period January 2005 through December 2005, adjusted by the jurisdictional separation factor, is \$915,525,978. The total recoverable fuel and purchased power cost recovery amount to be collected, including the true-up and GPIF and adjusted for the revenue tax factor, is \$1,064,677,224. (Witness: Aldazabal)

**AARP:** Agrees with OPC's position.

**FEA:** No position.

**FIPUG:** No position pending resolution of outstanding issues.

**FRF:** This is a fall-out issue, the resolution of which depends on the Commission's decisions on numerous other issues.

**OPC:** No position pending resolution of outstanding issues.

**STAFF:**  
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?

**POSITIONS:**

- FPL:** 5.960 cents/kWh. (DUBIN)
- FPUC:** Consolidated: 2.278¢/kwh
- GULF:** 3.076 (Davis)
- PEF:** 5.321 cents per kWh (adjusted for jurisdictional losses). (Portuondo)
- TECO:** The appropriate factor is 5.413 cents per kWh before the normal application of factors that adjust for variations in line losses. (Witness: Aldazabal)
- AARP:** Agrees with OPC's position.
- FEA:** No position.
- FIPUG:** No position pending resolution of Issue 6.
- FRF:** No position pending resolution of Issue 6.
- OPC:** No position pending resolution of Issue 6.
- STAFF:** 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

**STIPULATED**

**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:** The appropriate Fuel Cost Recovery Loss Multipliers are provided in response to Issue No. 9. (DUBIN)
- FPUC:** Fernandina Beach: All Rate Schedules 1.0000  
Marianna: All Rate Schedules 1.0000
- GULF:** See the table below: (Davis)

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

**PEF:**

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

(Portuondo)

**TECO:**

The appropriate fuel recovery line loss multipliers are as follows:

<u>Rate Schedule</u>	<u>Fuel Recovery Loss Multiplier</u>
RS, GS and TS	1.0041
RST and GST	1.0041
SL-2, OL-1 and OL-3	N/A
GSD, GSLD, and SBF	1.0004
GSDT, GSLDT, EV-X and SBFT	1.0004
IS-1, IS-3, SBI-1, SBI-3	0.9754
IST-1, IST-3, SBIT-1, SBIT-3	0.9754

(Witness: Aldazabal)

**ISSUE 9: What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?**

**POSITIONS:**

**FPL:**

(1) GROUP	(2) RATE SCHEDULE	(3) AVERAGE FACTOR	(4) FUEL RECOVERY LOSS MULTIPLIER	(5) FUEL RECOVERY FACTOR
A	RS-1 first 1,000 kWh	5.960	1.00196	5.622
	all additional kWh	5.960	1.00196	6.622
A	GS-1, SL-2, GSCU-1	5.960	1.00196	5.972
A-1*	SL-1, OL-1, PL-1	5.879	1.00196	5.891
B	GSD-1	5.960	1.00189	5.971
C	GSLD-1 & CS-1	5.960	1.00095	5.966
D	GSLD-2, CS-2, OS-2 & MET	5.960	0.99429	5.926
E	GSLD-3 & CS-3	5.960	0.95824	5.711
A	RST-1, GST-1 ON-PEAK	6.348	1.00196	6.360
	OFF-PEAK	5.789	1.00196	5.801
B	GSDT-1, CILC-1(G), ON-PEAK	6.348	1.00189	6.360
	HLTF (21-499 kW) OFF-PEAK	5.789	1.00189	5.800
C	GSLDT-1, CST-1, ON-PEAK	6.348	1.00095	6.354
	HLTF (500-1,999 kW) OFF-PEAK	5.789	1.00095	5.795
D	GSLDT-2, CST-2, ON-PEAK	6.348	0.99533	6.318
	HLTF (2,000+) OFF-PEAK	5.789	0.99533	5.762
E	GSLDT-3, CST-3, ON-PEAK	6.348	0.95824	6.083
	CILC -1(T) OFF-PEAK	5.789	0.95824	5.548
	& ISST-1(T)			
F	CILC -1(D) & ON-PEAK	6.348	0.99374	6.308
	ISST-1(D) OFF-PEAK	5.789	0.99374	5.753

\* WEIGHTED AVERAGE 16% ON-PEAK AND 84% OFF-PEAK

SEASONAL DEMAND TIME OF USE RIDER (SDTR)  
 FUEL RECOVERY FACTORS

ON PEAK: JUNE 2006 THROUGH SEPTEMBER 2006 - WEEKDAYS 3:00 PM TO 6:00 PM  
 OFF PEAK: ALL OTHER HOURS

(1) GROUP	(2) OTHERWISE APPLICABLE RATE SCHEDULE	(3) AVERAGE FACTOR	(4) FUEL RECOVERY LOSS MULTIPLIER	(5) SDTR FUEL RECOVERY FACTOR
B	GSD(T)-1	ON-PEAK	6.327	6.339
		OFF-PEAK	5.846	5.857
C	GSLD(T)-1	ON-PEAK	6.327	6.333
		OFF-PEAK	5.846	5.851
D	GSLD(T)-2	ON-PEAK	6.327	6.298
		OFF-PEAK	5.846	5.818

Note: All other months served under the otherwise applicable rate schedule.  
 See Schedule E-1E, Page 1 of 2.

(DUBIN)

**FPUC:** Consolidated:

<u>Rate Schedule</u>	<u>Adjustment</u>
RS	\$.03890
GS	\$.03839
GSD	\$.03576
GSLD	\$.03376
OL, OL1	\$.02737
SL, SL2, SL3	\$.02724



**GULF:** See table below: (Davis)

Group	Rate Schedules*	Line Loss Multipliers	Fuel Cost Factors ¢/KWH		
			Standard	Time of Use	
				On-Peak	Off-Peak
A	RS, GS, GSD, SBS, OSIII	1.00526	3.092	3.615	2.869
B	LP, LPT, SBS	0.98890	3.042	3.557	2.823
C	PX, PXT, RTP, SBS	0.98063	3.016	3.527	2.799
D	OSI/II	1.00529	3.060	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.

**PEF:**

Fuel Cost Factors (cents/kWh)						
Group	Delivery Voltage Level	First Tier Factor	Second Tier Factors	Levelized Factors	Time of Use	
					On-Peak	Off-Peak
A	Transmission	--	--	5.222	7.008	4.428
B	Distribution Primary	--	--	5.276	7.080	4.474
C	Distribution Secondary	4.979	5.979	5.329	7.152	4.519
D	Lighting	--	--	5.011	--	--

(Portuondo)

**TECO:** The appropriate factors are as follows:

<u>Rate Schedule</u>	<u>Fuel Charge Factor (cents per kWh)</u>
Average Factor	5.413
RS, GS and TS	5.435
RST and GST	6.613 (on-peak) 4.811 (off-peak)
SL-2, OL-1 and OL-3	5.081
GSD, GSLD, and SBF	5.415
GSDT, GSLDT, EV-X and SBFT	6.589 (on-peak) 4.793 (off-peak)
IS-1, IS-3, SBI-1, SBI-3	5.280
IST-1, IST-3, SBIT-1, SBIT-3	6.424 (on-peak) 4.673 (off-peak)

(Witness: Aldazabal)

**AARP:** No position pending resolution of Issue 7.

**FEA:** No position pending resolution of Issue 7.

**FIPUG:** No position pending resolution of Issue 7.

**FRF:** No position pending resolution of Issue 7.

**OPC:** No position pending resolution of Issue 7.

**STAFF:** FPL: No position pending resolution of Issue 7.  
FPUC-Fernandina Beach: No position pending resolution of Issue 7.  
FPUC-Marianna: No position pending resolution of Issue 7.  
Gulf: No position pending resolution of Issue 7.  
PEF: No position pending resolution of Issue 7.  
TECO: No position pending resolution of Issue 7.

**STIPULATED**

**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.

**STIPULATED**

**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:** \$15,370,850. (DUBIN)

**GULF:** \$2,717,207. (Ball, Davis)

**PEF:** \$6,934,666 (Portuondo)

**TECO:** \$1,024,322. (Witness: Aldazabal)

**STIPULATED**

**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:** \$16,912,934 (DUBIN)

**GULF:** \$3,151,487. (Ball, Davis)

**PEF:** \$5,972,207 (Portuondo)

**TECO:** \$1,260,234 (Witness: Aldazabal)

**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?

**POSITIONS:**

**PEF:** Yes. PE's Audit Services Department has reviewed PFC's comparison of revenue requirements under full regulatory treatment to revenue requirements using the "short cut" method as defined in Order No. PSC-92-0347-FOF-EI. The scope of the review was for the year ended December 31, 2004. Based on the results of the review, the revenue requirements comparison was effective. (Portuondo)

**AARP:** No position pending receipt and review of outstanding discovery.

**FEA:** No position pending receipt and review of outstanding discovery.

**FIPUG:** No position pending receipt and review of outstanding discovery.

**FRF:** No position pending receipt and review of outstanding discovery.

**OPC:** No position pending receipt and review of outstanding discovery.

**STAFF:** 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?

**POSITIONS:**

**PEF:** Yes. The waterborne transportation calculation has been properly made in accordance with the methodology consistently used for previous calculations that have been approved by the Commission. (Portuondo)

**AARP:** No position pending receipt and review of outstanding discovery.

**FEA:** No position pending receipt and review of outstanding discovery.

**FIPUG:** No position pending receipt and review of outstanding discovery.

**FRF:** No position pending receipt and review of outstanding discovery.

**OPC:** No position pending receipt and review of outstanding discovery.

**STAFF:** No position pending receipt and review of outstanding discovery.

**STIPULATED**

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

**POSITION:** Yes.

**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?

This issue was dropped at the Prehearing Conference.

**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?

This issue was dropped at the Prehearing Conference.

**STIPULATED**

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

**POSITION:** Yes. In accordance with Settlement and Stipulation approved in Order No. PSC-04-0713-AS-EI, the waterborne transportation service contracts were the result of competitive bidding which resulted in valid market prices for the various components of waterborne coal transportation services provided to PEF. These contracts ensure that PEF will be provided cost-effective river and gulf barge transportation services as well as cost effective and efficient terminal services. (Pitcher, Portuondo)

**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?

This issue was dropped.

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

**POSITIONS:**

**PEF:** Yes. PEF has adequately mitigated price risk for natural gas, residual oil, and purchase power by entering into long-term power and fuel purchase agreements.

These hedging strategies help reduce exposure to volatile spot power and fuel markets by locking in prices today for future delivery of the commodity.

(Murphy, Oliver)

**AARP:** No position pending receipt and review of outstanding discovery.

**FEA:** No position pending receipt and review of outstanding discovery.

**FIPUG:** No position pending receipt and review of outstanding discovery.

**FRF:** No position pending receipt and review of outstanding discovery.

**OPC:** No position pending receipt and review of outstanding discovery.

**STAFF:** 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?

This issue was dropped at the Prehearing Conference.

**STIPULATED**

**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?

This issue was dropped at the Prehearing Conference.

**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?

**POSITIONS:**

**PEF:** Yes, the prices that PEF paid to Progress Fuels Corporation (PFC) for coal were reasonable; therefore, no adjustment should be made. The prices paid to PFC were

the result of competitive bidding that resulted in valid market prices. Differences in prices paid to PFC and other coal suppliers are due to the fact that the purchases were made at different times under different market conditions.  
(Pitcher)

**AARP:** Agrees with OPC's position.

**FEA:** No position.

**FIPUG:** Agrees with OPC.

**FRF:** Agrees with OPC.

**OPC:** PEF paid to Progress Energy Fuels Corporation (PFC) prices that were significantly higher than prices PEF paid to other vendors in the same time frame. In its testimony and exhibits PEF did not identify, much less justify, the differential in costs. OPC has filed a motion to spin off this subject into a separate proceeding, so that such matters as the type and breadth of solicitations that PFC issued prior to awarding the business to itself can be explored adequately. If the Commission denies the motion and proceeds to rule in this docket, OPC's position is that it should disallow the differential based on PEF's failure to meet its burden of proof.

**STAFF:** No position pending receipt and review of outstanding discovery.

**ISSUE 13M:** Should the Commission order PEF to collect its \$315.7 million under-recovery over a two-year period?

**POSITIONS:**

**PEF:** No. Ratepayers should see the impact on rates as close to the time period that gave rise to that impact. Given last years deferral and the continued volatility of fuel prices, deferral of this year's under-recovery could exacerbate rate impacts in future years. PEF's under-recovery, as amended in Mr. Portuondo's revised supplemental direct testimony filed on October 14, 2005, is \$315.7 million.  
(Portuondo)

**AARP:** Agrees with FIPUG's position.

**FEA:** No position.

**FIPUG:** Yes. PEF's 2005 estimated under recovery is in addition to a projected increase for fuel and purchased power costs in 2006 and a surcharge for the 2004 hurricanes. By spreading the collection of the under recovery over two years, the Commission can help lessen the cumulative blow of these rate increases on

customers and avoid rate shock. FIPUG agrees with Mr. Portuondo's concept that cost recovery should be proximate to known cost occurrence, as FIPUG position on issue 4 demonstrates; but there are two factors that justify the two-year recovery period proffered by FPL in this case and PEF heretofore. First, the FPSC policy of moving to an annual factor to promote rate stability; and second, the fact that PEF's fuel cost projections demonstrate that its costs will ameliorate as the impacts of Katrina phase out. If PEF's own cost projections are correct, a two-year recovery period will provide less—not more—volatility to customers.

**FRF:** No position.

**OPC:** No position.

**STAFF:** No. Staff recommends that the entire amount of PEF's currently known fuel cost underrecovery (\$315.7 million) be included in the utility's 2006 fuel factors for the following reasons:

1. PEF and other utilities do not expect natural gas prices to decline significantly through the end of 2007. In the event underrecovered fuel costs are incurred during the remainder of 2005 and 2006 (and not otherwise collected via a mid-course correction), deferring these costs to 2007 would result in an additional step increase in rates in 2007 for costs incurred during 2005.
2. Such additional underrecoveries of PEF fuel costs for the remainder of 2005 and 2006 beyond those already identified by the utility are a strong possibility, because current nationally-accepted natural gas market indices for this period are above PEF's projected natural gas prices which form the basis for its 2006 fuel factors.
3. Deferring fuel costs from 2005 to 2007 introduces an unnecessary intergenerational inequity.
4. The proposed deferral of 2005 underrecovered fuel costs until 2007 would cause PEF ratepayers to pay for carrying costs they would otherwise avoid, at least in part, if such fuel costs were included in PEF's 2006 fuel factors.

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?

This issue was dropped at the Prehearing Conference.



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

This issue was dropped at the Prehearing Conference.

**ISSUE 14C:** Should the Commission authorize FPL to defer collecting \$486,367,268 of its 2005 actual/estimated true-up until 2007?

**POSITIONS:**

**FPL:** Yes. In order to mitigate the impact on customer bills, FPL proposes to spread the total under-recovery over a two-year period. (DUBIN)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Agrees with FPL.

**FRF:** No position pending receipt and review of outstanding discovery.

**OPC:** No position.

**STAFF:** No. Staff recommends that the entire amount of FPL's currently known fuel cost underrecovery (\$972 million, rather than \$486 million) be included in the utility's 2006 fuel factors for the following reasons:

1. FPL and other utilities do not expect natural gas prices to decline significantly through the end of 2007. In the event underrecovered fuel costs are incurred during the remainder of 2005 and 2006 (and not otherwise collected via a mid-course correction), deferring these costs to 2007 would result in an additional step increase in rates in 2007 for costs incurred during 2005.
2. Such additional underrecoveries of FPL fuel costs for the remainder of 2005 and 2006 beyond those already identified by the utility are a strong possibility, because current nationally-accepted natural gas market indices for this period are well above FPL's projected natural gas prices which form the basis for its 2006 fuel factors.
3. Deferring fuel costs from 2005 to 2007 introduces an unnecessary intergenerational inequity.
4. The proposed deferral of 2005 underrecovered fuel costs until 2007 would cause FPL ratepayers to pay for carrying costs they would otherwise avoid, at least in part, if such fuel costs were included in FPL's 2006 fuel factors.

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

**POSITIONS:**

**FPL:** Yes. FPL's actions to mitigate the price risk of natural gas, residual oil and purchased power for 2004 through 2006 are reasonable and prudent. (YUPP)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** No position.

**FRF:** No position pending receipt and review of outstanding discovery.

**OPC:** No position.

**STAFF:** 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?**

This issue was dropped at the Prehearing Conference.

**ISSUE 14F: Should the Commission approve FPL's request to recover through the fuel clause approximately \$25 million for its St. Lucie Unit 2 Steam Generator Sleeving Project?**

**POSITIONS:**

**FPL:** Yes. This treatment is consistent with Order No. 14546 in Docket No. 850001-EI-B issued July 8, 1985 which addressed costs that may be appropriately included in the calculation of recoverable fuel costs. The sleeving project was not recognized or anticipated in the cost levels used to determine base rates, it is not a routine O&M repair cost, and it is a fuel-related modification that results in fuel savings for FPL's customers.

FPL is undertaking the sleeving project so that St. Lucie Unit No. 2 can continue operating at its full rated output and thus continue to provide low cost nuclear generation to FPL's customers. Because of the large fuel savings that will result from the sleeving project, especially in these times of high fossil fuel costs, FPL believes that recovery of the costs associated with the project through the Fuel Cost Recovery Clause is appropriate. The replacement power cost in 2006 for a

single day offline is approximately \$1.26 million. For the period between the Spring 2006 refueling outage and the steam generator replacements in the Fall 2007 outage, having St. Lucie Unit 2 operating at 100% power will save customers \$586 million in replacement power costs compared to what customers would have to pay if the unit were offline throughout that period. If FPL were able to plug tubes in the St. Lucie Unit 2 steam generators in excess of the current 30% plugging limit and return the unit to operation without delay -- which there is no assurance presently that FPL would be able to do -- FPL would have to operate Unit 2 at a reduced power output (presently anticipated to be a reduction of at least 11%) for the next operating cycle. The replacement power costs resulting from this lost output would exceed the cost of the sleeving project by approximately \$34 million. (GWINN/DUBIN)

**AARP:** No. The approximately \$30 million sought by FPL as a fuel-related expense in this docket is a capital expenditure of the type that either was sought for recovery by the utility in its most recent base rate case, or, if it was not, should have been sought for recovery in that case. In any event, the \$30 million proposed expenditure is not of the type previously authorized by this Commission for recovery through the fuel adjustment clauses and it should not be allowed here.

**FEA:** Agrees with Staff.

**FIPUG:** No. This type of expense is not recoverable through the fuel and purchased power cost recovery clause.

**FRF:** No. Agree with Staff that the type of expense that FPL's request contemplates is specifically excluded from recovery through the fuel and purchased power cost recovery clause.

**OPC:** No. FPL should not be allowed to recover through the fuel clause for its St. Lucie Unit 2 Steam Generator Sleeving Project.

**STAFF:** 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?

This issue was dropped at the Prehearing Conference.

**STIPULATED**

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

**POSITION:** Yes.

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

This issue was dropped at the Prehearing Conference.

**STIPULATED**

**ISSUE 14J:** Should FPL be allowed to continue recovering incremental hedging costs through the Fuel and Purchased Power Cost Recovery Clause during the term of the Stipulation and Settlement (the "Rate Stipulation") that was approved in Order No. PSC-05-0902-S-EI, Docket No. 050045-EI, dated September 14, 2005, on the same basis as FPL has been recovering such costs pursuant to the Proposed Resolution of Issues that was approved in Order No. PSC-02-1484-FOF-EI, Docket No. 011605-EI, dated October 30, 2002?

**POSITION:** Yes. FPL's continued recovery of incremental hedging costs through the Fuel and Purchased Power Cost Recovery Clause during the term of the Rate Stipulation is reasonable and consistent with the intention of the parties to the Rate Stipulation. The parties to the Rate Stipulation that are also parties to the Fuel Clause have memorialized this intention in the Proposed Resolution of Issue appended to this Order as Attachment A.

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?

This issue was dropped at the Prehearing Conference.

**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?**

**POSITIONS:**

**FPUC:** The appropriate treatment for the fees paid to Christensen and Associates and other related expenditures should be for these charges to be recovered through the fuel clause since they directly relate to the fuel purchases and cost recovery clause. These costs are not normal recurring costs and they have not been recovered through base rates. The benefits and savings to FPUC customers from using this consultant will far outweigh the costs through lower fuel prices for our customers. To disallow these costs would penalize the company for acting in a prudent manner that benefits the customers through lower fuel prices. Order No. 14546 relates more to ongoing administrative costs associated with the fuel and not the types of costs that we are seeking to recover in this docket. As an alternative, FPUC proposes to defer these costs until the next rate proceeding and amortize them over a five-year period.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** No position.

**FRF:** Agrees with OPC.

**OPC:** No. FPUC should be required to remove the costs for Christensen and Associates from its 2006 fuel adjustment factor. It is inappropriate to include such costs in the fuel adjustment factor. The fee for Christensen and Associates should be addressed in the same proceeding as the proposed future surcharge.

**STAFF:** 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 and amortize it to non-fuel O&M expenses over a five year period, beginning January 1, 2006.

**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?**

**POSITIONS:**

**FPUC:** Yes, the Commission should approve the Company's request to adopt a surcharge to its fuel factors in order to phase-in future higher fuel costs. The company has demonstrated that even with the fuel surcharge amounts requested for 2006, the fuel costs for FPUC customers are still below market prices and other IOUs in the state of Florida. FPUC has also provided evidence that expected future prices when contracts expire at the end of 2007 would be significantly higher. To avoid future rate shock, it is appropriate to phase in the future increases expected in fuel over a two-year period beginning on 1/1/06. FPUC is not opposed to allowing the Commission to stop the surcharge or refund it at any time if conditions change in the fuel market and fuel costs do not increase as expected. If approved the additive proposed by FPUC for January-June 2006 would be \$.00254 per Kwh and for July-December 2006 would be \$.00526 per Kwh.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** No position.

**FRF:** Agrees with OPC.

**OPC:** No. This matter should be addressed in a separate proceeding. It is a case of first impression. Further, based on the customers' objections to the implementation of a future surcharge at the customer meeting, service hearings with sworn customer testimony should be taken at any hearing. There has been no provision made for service hearings at the fuel hearing. Further, FPUC does not have signed contracts for the 2008 fuel contracts on which to base any proposed "future" surcharge. And FPUC is seeking to block review of any potential 2008 fuel contracts under its RFP

**STAFF:** No. FPUC is seeking to recover projected costs that will not be incurred in the period the surcharge will be in effect. The proposed surcharge would be in effect for calendar years 2006 and 2007, while FPUC's new power supply contract(s) will not go into effect until January 2008. This will result in a substantial timing difference between the recovery of costs and their incurrence. Furthermore, the staff is unable to evaluate the reasonableness of the proposed surcharge because FPUC has not yet signed new purchased power contracts for its Northeast and Northwest divisions. In addition, FPUC has objected to providing to the Commission the responses to its request for proposal for wholesale power supply. Finally, the majority of customers objected to FPUC's proposal at the customer meetings held in Marianna and Fernandina Beach on October 5-6, 2005.

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

**POSITIONS:**

**FPUC:** Yes, the Commission should grant the Company's request to consolidate its fuel cost recovery clause and rates for its two electric operating divisions. The Company has shown that the two divisions and their customers will benefit from the ability to spread the risk associated with market price fluctuations and the timing of required additions and repairs of facilities associated with providing fuel needs to our customers. Consolidating these two divisions will be consistent with the practice of other IOUs in the State of Florida. Also, the actual costs of providing generating services to other IOU's like ourselves, are different for each time frame and for each of the various locations regardless of whether there are separate fuel contracts or one fuel contract servicing all customers. When only one fuel contract serves all customers for a utility, the prices in that contract has been weighted and averaged into one set of fuel rates, yet in reality, there are different costs associated with servicing customers located in different areas at any one given time. The biggest benefit of consolidation is the spread of risk, and over a longer period of time, this approach will not be unduly discriminatory.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** No position.

**FRF:** No. Agree with OPC and Staff.

**OPC:** No. The reasons stated by FPUC in its testimony fail to justify the need to change from its current, historical separate rates for its Northwest division (Marianna) and Northeast division (Fernandina Beach) to a consolidated rate for both divisions.

**STAFF:** No. The Commission previously denied FPUC's request to implement consolidated fuel factors in Docket No. 031135-EI, Order No. PSC-04-0417-PAA-EI, issued April 22, 2004. FPUC's Northwest division's wholesale provider is Gulf Power Company. FPUC's Northeast division's wholesale providers are JEA and Jefferson Smurfit Corporation. The purchased power costs from these wholesale suppliers are different, resulting in different fuel factors for the two divisions. The Commission therefore found in Order No. PSC-04-0417-PAA-EI that consolidated fuel factors would result in subsidies, rates that are unduly discriminatory, and that any regulatory administrative cost savings would be minimal. FPUC's two divisions continue to be served by separate wholesale suppliers and FPUC has not presented any new facts that justify consolidation of

its fuel factors. However, if the Commission approves FPUC's request for a consolidated fuel factor, the Commission should order FPUC to exclude each division's 2004 and 2005 true-up amounts from the calculation of the consolidated fuel factor. The final 2004 true-up and actual/estimated 2005 true-up amounts for each division should be refunded or collected separately from each division's ratepayers in 2006. The final 2005 true-up amount for each division should be refunded or collected separately from each division's ratepayers in 2007.

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?**

This issue was dropped at the Prehearing Conference.

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

**POSITIONS:**

**GULF:** Gulf's natural gas price hedging program has been administered in a reasonable and prudent manner resulting in savings to Gulf's customers of \$17,766,366 over the period 2004 through September 30, 2005. This savings compares favorably to the incremental hedging O&M expense of \$43,172 over the same period. For the remainder of 2005 and thus far for 2006, Gulf has 37% of its budgeted burn covered by fuel price hedges. Gulf continues to examine the market for reasonable hedging opportunities. (Ball)

**AARP:** No position pending receipt and review of outstanding discovery.

**FEA:** No position.

**FIPUG:** No position.

**FRF:** No position pending receipt and review of outstanding discovery.

**OPC:** No position pending receipt and review of outstanding discovery.

**STAFF:** 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?**

This issue was dropped at the Prehearing Conference.

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

This issue was dropped at the Prehearing Conference.

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?**

**POSITIONS:**

**TECO:** Yes. The company made the appropriate adjustments to its 2004 waterborne coal transportation costs. The adjustments have been reviewed by the Commission's division of Auditing and Safety staff, and the audit results concur with the company's position that the adjustment is appropriate. (Witnesses: Wehle, Aldazabal)

**AARP:** No position pending receipt and review of outstanding discovery.

**FEA:** No position.

**FIPUG:** No position pending receipt and review of outstanding discovery.

**FRF:** No position pending receipt and review of outstanding discovery.

**OPC:** No position pending receipt and review of outstanding discovery.

**STAFF:** 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?**

This issue was dropped at the Prehearing Conference.

**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?

This issue was dropped at the Prehearing Conference.

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

This issue was dropped at the Prehearing Conference.

**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?

This issue was dropped at the Prehearing Conference.

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

**POSITIONS:**

**TECO:** Yes. Tampa Electric has adequately mitigated the price risk of natural gas and purchase power for 2004 through 2006. The company has prudently managed its price risk by using physical and financial hedges. As a result, as of September 30, 2005, the company expects to generate \$118.7 million in savings for ratepayers during the 2004 through 2006 period. (Witness: Wehle)

**AARP:** No position pending receipt and review of outstanding discovery.

**FEA:** No position pending receipt and review of outstanding discovery.

**FIPUG:** No position pending receipt and review of outstanding discovery.

**FRF:** No position pending receipt and review of outstanding discovery.

**OPC:** No position pending receipt and review of outstanding discovery.

**STAFF:** 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?

This issue was dropped at the Prehearing Conference.

**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?

This issue was dropped at the Prehearing Conference.

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

This issue was dropped at the Prehearing Conference.

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

**POSITIONS:**

**TECO:** Yes. The purchase of synthetic coal from Synthetic American Fuel, LLC was prudent and justifiable given the information available at the time, and appropriate for cost recovery. (Witness: Wehle)

**AARP:** No position pending receipt and review of outstanding discovery.

**FEA:** No position.

**FIPUG:** No position pending receipt and review of outstanding discovery.

**FRF:** No position pending receipt and review of outstanding discovery.

**OPC:** No position pending receipt and review of outstanding discovery.

**STAFF:** No position pending receipt and review of outstanding discovery.

**GENERIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES**

**STIPULATED**

**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:**

**FPL:** \$10,816,748 reward. (SONNELITTER)

**GULF:** \$441,988 reward. (Noack)

**PEF:** \$532,353 (Jacob)

**TECO:** A reward in the amount of \$729,534. (Witness: Smotherman)

**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?

**POSITIONS:**

**FPL:** The targets and ranges should be as set forth in the Testimony and Exhibits of P. Sonnelitter, including the following:

PLANT/UNIT	EAF TARGET (%)	HEAT RATE HR. TARGET (BTU/KWH)
Ft. MYERS 2	93.1	6,801
LAUDERDALE 4	93.3	7,690
LAUDERDALE 5	92.9	7,644
MARTIN 1	90.8	10,011
MARTIN 2	84.5	9,942
MARTIN 3	73.0	7,008
MARTIN 4	90.8	6,950
SANFORD 5	91.3	6,879
SCHERER 4	85.9	9,998
ST. LUCIE 1	93.6	10,870
ST. LUCIE 2	75.8	10,931
TURKEY POINT 3	86.0	11,078
TURKEY POINT 4	86.8	11,072

(SONNELITTER)

**GULF:** See table below: (Noack)

Unit	EAF	POF	EUOF	Heat Rate
Crist 4	87.1	12.1	0.8	10,493
	92.4	6.3	1.3	10,375

Crist 5				
Crist 6	90.2	0.0	9.8	10,171
Crist 7	80.8	8.2	11.0	10,268
Smith 1	98.1	0.0	1.9	10,176
Smith 2	84.1	6.3	9.6	10,222
Daniel 1	93.6	2.5	3.9	10,181
Daniel 2	81.5	15.3	3.2	10,027
<p>EAF = Equivalent Availability Factor                      POF = Planned Outage Factor                      EUOF = Equivalent Unplanned Outage Factor</p>				

**PEF:**

GENERATING PERFORMANCE INCENTIVE FACTOR

REWARD/PENALTY TABLE

ESTIMATED

Progress Energy Florida  
 Period of: January 2006 - December 2006

Generating Performance Incentive Points (GPIF)	Fuel Saving/Loss (\$)	Generating Performance Incentive Factor (\$)
-----	-----	-----
10	\$95,865,141	\$11,074,256
9	\$86,278,627	\$9,966,831
8	\$76,692,113	\$8,859,405
7	\$67,105,599	\$7,751,979
6	\$57,519,085	\$6,644,554
5	\$47,932,571	\$5,537,128
4	\$38,346,057	\$4,429,702
3	\$28,759,542	\$3,322,277
2	\$19,173,028	\$2,214,851
1	\$9,586,514	\$1,107,426
0	\$0	\$0
-1	(\$7,197,314)	(\$1,107,426)
-2	(\$14,394,628)	(\$2,214,851)

-3	(\$21,591,942)	(\$3,322,277)
-4	(\$28,789,257)	(\$4,429,702)
-5	(\$35,986,571)	(\$5,537,128)
-6	(\$43,183,885)	(\$6,644,554)
-7	(\$50,381,199)	(\$7,751,979)
-8	(\$57,578,513)	(\$8,859,405)
-9	(\$64,775,827)	(\$9,966,831)
-10	(\$71,973,141)	(\$11,074,256)

**TECO:** The appropriate targets and ranges are shown in Exhibit No. 1 to the prefiled testimony of Mr. William A. Smotherman. Targets and ranges should be set according to the prescribed GPIF methodology established in 1981 by Commission Order No. 9558 in Docket No. 800400-CI. (Witness: Smotherman)

**AARP:** Agrees with OPC.

**FEA:** Agrees with OPC.

**FIPUG:** Agrees with OPC.

**FRF:** Agrees with OPC.

**OPC:** TECO: As TECO acknowledged, its EAF and Heat Rating have been negatively impacted by installation of the environmental equipment. So the Big Bend Coal Units 1-4 should be removed from the GPIF program until the problems associated with the environmental equipment have been identified and resolved.

**STAFF:** FPL: Agrees with FPL.  
Gulf: Agrees with Gulf.  
PEF: Agrees with PEF.  
TECO: No position pending evidence adduced at hearing.

This issue is stipulated with respect to FPL, Gulf, and PEF.

## **COMPANY-SPECIFIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES**

Florida Power & Light Company

There are no company-specific issues for Florida Power & Light Company.

Progress Energy Florida

There are no company-specific issues for Progress Energy Florida.

Gulf Power Company

There are no company-specific issues for Gulf Power Company.

Tampa Electric Company

There are no company-specific issues for Tampa Electric Company.

## **GENERIC CAPACITY COST RECOVERY FACTOR ISSUES**

### **STIPULATED**

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

### **POSITION:**

**FPL:** \$5,177,060 over-recovery. (DUBIN)

**GULF:** Over recovery of \$428,009. (Ball, Davis)

**PEF:** \$3,696,808 under-recovery. (Portuondo)

**TECO:** \$542,557 over-recovery. (Witness: Aldazabal)

### **STIPULATED**

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

### **POSITION:**

**FPL:** \$12,294,835 under-recovery. (DUBIN)

**GULF:** Over recovery of \$913,842. (Ball, Davis)

**PEF:** \$7,919,656 under-recovery. (Portuondo)

**TECO:** \$1,499,869 under-recovery. (Witness: Aldazabal)

### **STIPULATED**

**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:** \$7,117,775 under-recovery. (DUBIN)

**GULF:** \$1,341,851 refund. (Davis)

**PEF:** \$11,616,464 under-recovery. (Portuondo)

**TECO:** \$957,312 under-recovery. (Witness: Aldazabal)

**STIPULATED**

**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:** \$647,486,565 (DUBIN)

**GULF:** \$27,149,254. (Ball, Davis)

**PEF:** \$352,879,007. (Portuondo)

**TECO:** The purchased power capacity cost recovery amount to be included in the recovery factor for the period January 2006 through December 2006, adjusted by the jurisdictional separation factor, is \$55,402,684. The total recoverable capacity cost recovery amount to be collected, including the true-up amount and adjusted for the revenue tax factor, is \$56,400,575. (Witness: Aldazabal)

**STIPULATED**

**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:** The appropriate jurisdictional separation factors are:  
FPSC 98.62224%  
FERC 1.37776% (DUBIN)

**GULF:** 96.64872%. (Davis)

**PEF:** Base - 93.753%, Intermediate - 79.046%, Peaking - 88.979%. (Portuondo)

**TECO:** The appropriate jurisdictional separation factor is 0.9641722. (Witness: Aldazabal)



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

**POSITIONS:**

**FPL:**

Rate Schedule	Capacity Recovery Factor (\$/kw)	Capacity Recovery Factor (\$/kwh)
RS1/RST1	-	0.00603
GS1/GST1	-	0.00573
GSD1/GSDT1/HLTF(21-499 kW)	1.94	-
OS2	-	0.00489
GSLD1/GSLDT1/CS1/CST1/HLTF(500-1,999 kW)	2.27	-
GSLD2/GSLDT2/CS2/CST2/HLTF(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, GSCU1	-	0.00402

RATE CLASS	CAPACITY RECOVERY FACTOR (RESERVATION DEMAND CHARGE) (\$/KW)	CAPACITY RECOVERY FACTOR (SUM OF DAILY DEMAND CHARGE) (\$/KW)
ISST1D	.29	.14
ISST1T	.27	.13
SST1T	.27	.13
SST1D1/SST1D2/	.28	.13
SST		

(DUBIN)

**GULF:** See table below: (Davis)

RATE CLASS	CAPACITY COST RECOVERY FACTORS ¢/KWH
RS, RSVP	0.272
GS	0.263
GSD, GSDT, GSTOU	0.233
LP, LPT	0.202
PX, PXT, RTP, SBS	0.169

OS-I/II	0.116
OSIII	0.175

<b><u>PEF:</u></b>	<u>Rate Class</u>	<u>CCR Factor</u>
	Residential	0.993 cents/kWh
	General Service Non-Demand	0.900 cents/kWh
	@ Primary Voltage	0.891 cents/kWh
	@ Transmission Voltage	0.882 cents/kWh
	General Service 100% Load Factor	0.573 cents/kWh
	General Service Demand	0.791 cents/kWh
	@ Primary Voltage	0.783 cents/kWh
	@ Transmission Voltage	0.775 cents/kWh
	Curtable	0.709 cents/kWh
	@ Primary Voltage	0.702 cents/kWh
	@ Transmission Voltage	0.695 cents/kWh
	Interruptible	0.607 cents/kWh
	@ Primary Voltage	0.601 cents/kWh
	@ Transmission Voltage	0.595 cents/kWh
	Lighting	0.177 cents/kWh
		(Portuondo)

**TECO:** The appropriate factors are as follows:

<u>Rate Schedule</u>	<u>Capacity Cost Recovery Factor (cents per kWh)</u>
Average Factor	0.287
RS	0.356
GS and TS	0.321
GSD, EV-X	0.263
GSLD and SBF	0.240
IS-1, IS-3, SBI-1, SBI-3	0.022
SL-2, OL-1 and OL-3	0.045

(Witness: Aldazabal)

**AARP:** No position.

**FEA:** The capacity recover factor for FP&L's CILC-1 rate should be 0. If one assigns the energy related component of FP&L's projected 2006 purchased power capacity costs to CILC-1, the resulting capacity cost recovery factor for CILC-1 would be \$.23/kW.

**FIPUG:** No position.

**FRF:** No position.

**OPC:** No position.

**STAFF:**

FPL:

<b>RATE CLASS</b>	<b>Recovery Factor (per kWh)</b>	<b>Recovery Factor (per kW)</b>
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	-
	<b>Reservation Charge (per kW)</b>	<b>Daily Demand Charge (per kW)</b>
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: Agrees with Gulf's position.

PEF: Agrees with PEF's position.

TECO: Agrees with TECO's position.

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

**COMPANY-SPECIFIC CAPACITY COST RECOVERY FACTOR ISSUES**

Progress Energy Florida

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

This issue was dropped at the Prehearing Conference.

**STIPULATED**

**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.

Florida Power & Light Company

**STIPULATED**

**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 caused by an increased number of security officers that is due to NRC requirement. FPL maintains that the briefing room in question has been dedicated for security purposes. Staff believes that if the briefing room had not been dedicated for security purposes, a percentage of the project costs should be removed pursuant to Order No. 03-1461. FPL maintains that it has followed the process described in Section IV of Order No. 03-1461, therefore, the company should demonstrate this by providing the amount that the company has removed pursuant to the process. FPL agrees with staff that FPL's requested amount for 2006 contains a clerical mistake that has an impact of less than \$10,000, 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.

**ISSUE 31B: Should CILC-1 load control (nonfirm) demands be included in developing capacity cost recovery factors?**

**POSITIONS:**

**FPL:** Agrees with Staff.

**AARP:** No position.

**FEA:** No.

**FIPUG:** Agrees with FEA.

**FRF:** No position.

**OPC:** No position.

**STAFF:** Yes.

Gulf Power Company

There are no company-specific issues for Gulf Power Company.

Tampa Electric Company

There are no company-specific issues for Tampa Electric Company.

X. EXHIBIT LIST

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
<u>Direct</u>			
G. J. Yupp	FPL	<u>GJY-1</u>	2004 Hedging Activity
G. J. Yupp	FPL	<u>GJY-2</u>	2004 Light Oil Procurement Example
G. J. Yupp	FPL	<u>GJY-3</u>	2004 Solid Fuel Activity
G. J. Yupp	FPL	<u>GJY-4</u>	Evaluation of Petcoke Supply Bids for 2004 (SJRPP)
G. J. Yupp	FPL	<u>GJY-5</u>	Long Term PRB RFP Feb.- Mar. 2004 (Miller & Scherer)
G. J. Yupp	FPL	<u>GJY-6</u>	Long Term PRB RFP Aug.- Sept. 2004 (Scherer)
G. J. Yupp	FPL	<u>GJY-7</u>	Fuel Cost Recovery Forecast Assumptions

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
K. M. Dubin	FPL	<u>KMD-1</u>	Levelized Fuel Cost Recovery
K. M. Dubin	FPL	<u>KMD-2</u>	Capacity Cost Recovery Final True-Up for January 2004-December 2004
K. M. Dubin	FPL	<u>KMD-3</u>	Fuel Cost Recovery and Capacity Cost Recovery
K. M. Dubin	FPL	<u>KMD-4</u>	Estimated/Actual True-Up January 2005-December 2005
K. M. Dubin	FPL	<u>KMD-5</u>	Appendix II Levelized Fuel Cost Recovery Factors for January 2006-December 2006
K. M. Dubin	FPL	<u>KMD-6</u>	Capacity Cost Recovery Factors for January 2006-December 2006
K. M. Dubin	FPL	<u>KMD-7</u>	Fuel Cost Recovery Revised Estimated/Actual January 2005-December 2005 and Revised Factors for January 2006-December 2006
W. E. Gwinn	FPL	<u>WEG-1</u>	St. Lucie Unit 2 Steam Generators Tube Plugging
P. Sonnelitter	FPL	<u>PS-1</u>	GPIF, Performance Results January 2004-December 2004
P. Sonnelitter	FPL	<u>PS-2</u>	GPIF, Incentive Factor Targets & Ranges January 2006-December 2006
Cheryl Martin	FPUC	<u>GMB-1</u>	Composite. Schedules M1, F1, and E1-B (for the Marianna and Fernandina Beach Divisions)

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Cheryl Martin	FPUC	<u>CMM-2</u>	Revised Schedules E1-A, E1-B, and E1-B1 (for the Marianna and Fernandina Beach Divisions)
George Bachman Mark Cutshaw Cheryl Martin	FPUC	<u>CMM-3</u>	Schedules E1, E1-A, E2, E7 and E10 (for the Marianna Divisions) and Schedule E1, E1-A, E2, E7, E8 and E10 (for the Fernandina Division)
George Bachman Mark Cutshaw Cheryl Martin	FPUC	<u>CMM-4</u>	Redacted Projection of Surcharge
George Bachman Mark Cutshaw Cheryl Martin	FPUC	<u>CMM-5</u>	Schedule E-1 with Surcharge for Consolidated Electric Divisions
George Bachman Mark Cutshaw Cheryl Martin	FPUC	<u>CMM-6</u>	Schedules E1, E1-A, E2, E7, E8 and E10 for Consolidated Electric Divisions
George Bachman Robert Camfield Mark Cutshaw Cheryl Martin	FPUC	<u>BMCC-1</u>	Phase In Plan Summary and Anticipated Rate Shock Impacts, 2008 (for the Marianna and Fernandina Beach Divisions)
George Bachman Robert Camfield Mark Cutshaw Cheryl Martin	FPUC	<u>BMCC-2</u>	Projections of Wholesale Electricity Prices
George Bachman Robert Camfield Mark Cutshaw Cheryl Martin	FPUC	<u>BMCC-3</u>	Demand and Supply Summary
George Bachman Robert Camfield Mark Cutshaw Cheryl Martin	FPUC	<u>BMCC-4</u>	Central Appalachian Coal Futures

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
George Bachman Robert Camfield Mark Cutshaw Cheryl Martin	FPUC	<u>BMCC-5</u>	Capacity Margins of U. S. Regions
George Bachman Robert Camfield Mark Cutshaw Cheryl Martin	FPUC	<u>BMCC-6</u>	Comparison of Retail Electric Prices
George Bachman Robert Camfield Mark Cutshaw Cheryl Martin	FPUC	<u>BMCC-7</u>	Historical View of Primary Fuel Prices
H. R. Ball	GULF	<u>HRB-1</u>	Coal Suppliers January 2004-December 2004
H. R. Ball	GULF	<u>HRB-2</u>	Projected vs. actual fuel cost of generated power March 1996-December 2006
T. A. Davis	GULF	<u>TAD-1</u>	Calculation of Final True-Up January 2004-December 2004
T. A. Davis	GULF	<u>TAD-2</u>	Estimated True-Up January 2005-December 2005
T. A. Davis	GULF	<u>TAD-3</u>	Projection January 2006-December 2006
L. S. Noack	GULF	<u>LSN-1</u>	Gulf Power Company GPIF Results January 2004-December 2004
L. S. Noack	GULF	<u>LSN-2</u>	Gulf Power Company GPIF Targets and Ranges January 2006-December 2006
Javier Portuondo	PEF	<u>JP-1T</u>	True-Up Variance Analysis, Capacity Cost Recovery True-Up, Tiger Bay Amortization, and Schedules A1 – A9 (Dec. 2004).



<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Javier Portuondo	PEF	<u>JP-1R</u> (as revised by JP-1S)	Reprojection Assumptions (Parts A-C), Capacity Cost Recovery Reprojections (Part D), and Schedules A1 – A9 (July 2004).
Javier Portuondo	PEF	<u>JP-1P</u> (as revised by JP-1S)	Forecast Assumptions (Parts A-C), Capacity Cost Recovery Factors (Part D), Hines 2 Depreciation & Return Calculations (Part E), and Schedules E1 – E10 and H1 (2005).
Javier Portuondo	PEF	<u>JP-1S</u>	Revisions to Exhibit Nos. ____ (JP-1R) and (J-1P)
Pamela R. Murphy	PEF	<u>PRM-1T</u>	2004 Risk Management Plan Results Summary, and Hedging Information Summary.
Pamela R. Murphy	PEF	<u>PRM-1</u>	2004 Storm Natural Gas Costs
Pamela R. Murphy	PEF	<u>PRM-2</u>	2004 Storm Spot Natural Gas Purchases
Pamela R. Murphy	PEF	<u>PRM-3</u>	Incremental Oil Costs Due to 2004 Storms
Pamela R. Murphy	PEF	<u>PRM-4</u>	Mineral Management Report entitled “Hurricane Ivan Evacuation and Production Shut-In Statistics”
Pamela R. Murphy	PEF	<u>PRM-5</u>	2006 Risk Management Plan
Albert W. Pitcher	PEF	<u>AWP-1</u>	Storm Impacted Coal Inventories
Albert W. Pitcher	PEF	<u>AWP-2</u>	Incremental Coal Costs Due to 2004 Storms

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Albert W. Pitcher	PEF	<u>AWP-3</u>	Incremental Cross-Gulf Barge Storm Costs
Albert W. Pitcher	PEF	<u>AWP-4</u>	Coal Price Comparison
Albert W. Pitcher	PEF	<u>AWP-5</u>	PFC River Barge Solicitation
Albert W. Pitcher	PEF	<u>AWP-6</u>	Dry Bulk Fuel Transportation and Delivery Agreement between PFC and AEP MEMCO, LLC
Albert W. Pitcher	PEF	<u>AWP-7</u>	PFC Transloading Bid Solicitation
Albert W. Pitcher	PEF	<u>AWP-8</u>	DBF Transfer and Storage Agreement between PFC and International Marine Terminals Partnership
Albert W. Pitcher	PEF	<u>AWP-9</u>	PFC Transportation Bid Solicitation
Albert W. Pitcher	PEF	<u>AWP-10</u>	Affreightment Contract between PFC & Dixie Fuels
Albert W. Pitcher	PEF	<u>AWP-11</u>	Affreightment Contract between PFC & EMI-PA, Inc.
Robert M. Oliver	PEF	<u>RMO-1</u>	Summary of Incremental Reliability Purchases and Economic Dispatches attributable to 2004 Storms
Michael F. Jacob	PEF	<u>MFJ-1T</u>	GPIF Reward/Penalty Schedules
Michael F. Jacob	PEF	<u>MFJ-1P</u>	GPIF Targets/Ranges Schedules
Samuel S. Waters	PEF	<u>SSW-1</u>	Central Power & Line Power Purchase Agreement

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Carlos Aldazabal	TECO	<u>CA-1</u>	Fuel Cost Recovery January 2004-December 2004 Capacity Cost Recovery January 2004-December 2004
Carlos Aldazabal	TECO	<u>CA-2</u>	Fuel Cost Recovery, Projected January 2005-December 2005 Capacity Cost Recovery, Projected January 2005-December 2005
Carlos Aldazabal	TECO	<u>CA-3</u>	Fuel Cost Recovery, Projected January 2006-December 2006 Capacity Cost Recovery, Projected January 2006-December 2006
D. R. Knapp * Adopted by William A. Smotherman	TECO	<u>DRK-1</u>	Generating Performance Incentive Factor Results January 2004-December 2004
William A. Smotherman	TECO	<u>WAS-1</u>	Generating Performance Incentive Factor Estimated January 2006-December 2006
Joann T. Wehle	TECO	<u>JTW-1</u>	Calculation of 2004 Incremental Hedging Operations and Maintenance Costs
Joann T. Wehle	TECO	<u>JTW-2</u>	2004 Waterborne Transportation Cost Adjustment. Calculation of 2006 Projected Incremental Hedging Operations and Maintenance Costs

Rebuttal

W. E. Gwinn	FPL	<u>WEG-2</u>	St. Lucie Unit 2 Steam Generators Sleaving Timeline
W. E. Gwinn	FPL	<u>WEG-3</u>	St. Lucie 2006 Budget Comparison

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

XI. PROPOSED STIPULATIONS

The parties have stipulated to several issues, as shown in Section IX of this Order.

XII. PENDING MOTIONS

PEF's Motion for Temporary Protective Order, filed 10/31/05

XIII. PENDING CONFIDENTIALITY MATTERS

TECO's Request for Confidential Classification, filed 10/31/05  
PEF's Request for Confidential Classification, filed 10/31/05

XIV. RULINGS

OPC's Motion to Establish Separate "Spin-Off" Docket to Examine Certain Coal Purchase Transactions Between Progress Energy Florida and Its Affiliate, filed September 30, 2005, is hereby denied.

OPC's Motion to Address All Issues Relating to FPUC's Proposed Fuel Surcharge Included in This Docket in a Separate Proceeding, filed October 18, 2005, is hereby denied.


Any party wishing to use any proprietary confidential business information, as defined in Section 366.093, Florida Statutes, shall notify all parties of record no later than seven days prior to the beginning of the hearing. This notification shall identify each document containing confidential information that a party is planning to use at the hearing.

Opening statements, if any, shall not exceed ten minutes per party.

It is therefore,

ORDERED by Commissioner Rudolph "Rudy" Bradley, 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 Rudolph "Rudy" Bradley, as Prehearing Officer, this  
3rd day of November, 2005.

  
RUDOLPH "RUDY" BRADLEY  
Commissioner and Prehearing Officer

(SEAL)

AEV

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.

**PROPOSED RESOLUTION OF ISSUE  
DOCKET NO. 050001-EI  
OCTOBER 7, 2005**

Background of Issue:

By Order No. PSC-02-1484-FOF-EI, issued in Docket No. 011605-EI on October 30, 2002, the Commission approved a Proposed Resolution of Issues concerning hedging activities (the "Hedging Resolution"), which provided in Paragraph 4 that "each investor-owned electric utility may recover through the fuel and purchased power cost recovery clause (the "Fuel Clause") prudently-incurred incremental [hedging expenses] ... each year until December 31, 2006, or the time of the utility's next rate proceeding, whichever comes first."

FPL petitioned for an increase in its base rates in Docket No. 050045-EI, which was resolved by the Commission's Order No. PSC-05-0902-S-EI, dated September 14, 2005, approving a Stipulation and Settlement (the "Rate Stipulation") to become effective January 1, 2006. The Rate Stipulation continues through at least December 31, 2009 and thereafter remains in effect until terminated on the date that new base rates become effective pursuant to an order of the Commission.

The Rate Stipulation is silent on how incremental hedging costs will be recovered once it becomes effective, but as noted on page 6 of Order No. PSC-05-0902-S-EI, the parties to the Rate Stipulation "intended for recovery of those costs to continue through the Fuel Clause during the term of the [Rate Stipulation]." Order No. PSC-05-0902-S-EI also states on page 6 that, because of the Rate Stipulation's silence, the parties will "memorialize their intent in the current Fuel Clause proceedings."

Components of Proposed Resolution

1. The undersigned parties hereby state their intention that, notwithstanding anything that may be expressed or implied to the contrary in the Hedging Resolution, FPL's incremental hedging costs should continue to be recovered through the Fuel Clause for the term of the Stipulation.
2. Each of the undersigned parties is a party of record to this Docket No. 050001-EI and agrees to support the identification and approval of the following stipulated issue and position, to be reflected in the final order issued in this docket:

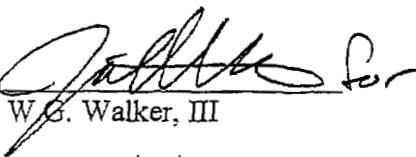
ISSUE: Should FPL be allowed to continue recovering incremental hedging costs through the Fuel and Purchased Power Cost Recovery Clause during the term of the Stipulation and Settlement (the "Rate Stipulation") that was approved in Order No. PSC-05-0902-S-EI, Docket No. 050045-EI, dated September 14, 2005, on the same basis as FPL has been recovering such costs pursuant to the Proposed Resolution of Issues that was approved in Order No. PSC-02-1484-FOF-EI, Docket No. 011605-EI, dated October 30, 2002?

POSITION: Yes. FPL's continued recovery of incremental hedging costs through the Fuel and Purchased Power Cost Recovery Clause during the term of the Rate Stipulation is reasonable and consistent with the intention of the parties to the Rate Stipulation.

3. Each undersigned party further agrees to take all steps reasonably necessary or desirable to ensure that the foregoing stipulated issue and position are identified and approved by the Commission in the final order in this Docket No 050001-EI.

Agreed and accepted on behalf of:

Florida Power & Light Company  
700 Universe Boulevard  
Juno Beach, Florida 33408

By:   
W.G. Walker, III

Date: October 17, 2005

Office of Public Counsel  
c/o The Florida Legislature  
111 West Madison Street, Suite 812  
Tallahassee, FL 32399-1400

By: \_\_\_\_\_  
Harold A. McLean, Esq.

Date: \_\_\_\_\_

Florida Industrial Power Users Group

McWhirter, Reeves P.A.  
400 North Tampa Street  
Suite 2450  
Tampa, Florida 33602

By: \_\_\_\_\_  
John W. McWhirter, Esq.

Date: \_\_\_\_\_

POSITION: Yes. FPL's continued recovery of incremental hedging costs through the Fuel and Purchased Power Cost Recovery Clause during the term of the Rate Stipulation is reasonable and consistent with the intention of the parties to the Rate Stipulation.

3. Each undersigned party further agrees to take all steps reasonably necessary or desirable to ensure that the foregoing stipulated issue and position are identified and approved by the Commission in the final order in this Docket No 050001-EI.

Agreed and accepted on behalf of:

Florida Power & Light Company  
700 Universe Boulevard  
Juno Beach, Florida 33408

By: \_\_\_\_\_  
W.G. Walker, III

Date: \_\_\_\_\_

Office of Public Counsel  
c/o The Florida Legislature  
111 West Madison Street, Suite 812  
Tallahassee, FL 32399-1400

By:   
Harold A. McLean, Esq.

Date: 10.14.2005

Florida Industrial Power Users Group

McWhirter, Reeves P.A.  
400 North Tampa Street  
Suite 2450  
Tampa, Florida 33602

By: \_\_\_\_\_  
John W. McWhirter, Esq.

Date: \_\_\_\_\_



POSITION: Yes. FPL's continued recovery of incremental hedging costs through the Fuel and Purchased Power Cost Recovery Clause during the term of the Rate Stipulation is reasonable and consistent with the intention of the parties to the Rate Stipulation.

3. Each undersigned party further agrees to take all steps reasonably necessary or desirable to ensure that the foregoing stipulated issue and position are identified and approved by the Commission in the final order in this Docket No 050001-EI.

Agreed and accepted on behalf of:

Florida Power & Light Company  
700 Universe Boulevard  
Juno Beach, Florida 33408

By: \_\_\_\_\_  
W.G. Walker, III

Date: \_\_\_\_\_

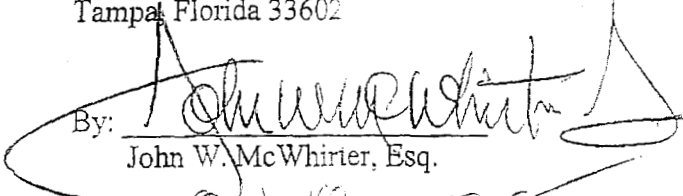
Office of Public Counsel  
c/o The Florida Legislature  
111 West Madison Street, Suite 812  
Tallahassee, FL 32399-1400

By: \_\_\_\_\_  
Harold A. McLean, Esq.

Date: \_\_\_\_\_

Florida Industrial Power Users Group

McWhirter, Reeves P.A.  
400 North Tampa Street  
Suite 2450  
Tampa, Florida 33602

By:   
John W. McWhirter, Esq.

Date: Oct 19, 2005

ORDER NO. PSC-05-1106-PHO-EI  
DOCKET NO. 050001-EI  
PAGE 58

ATTACHMENT A

Florida Retail Federation

Landers & Parsons, P.A.  
310 West College Avenue  
Tallahassee, Florida 32301

By: Robert Scheffel Wright  
Robert Scheffel Wright, Esq.  
Date: October 12, 2005

AARP

Michael B. Twomey, Esq.  
P.O. Box 5256  
Tallahassee, Florida 32314-5256

By: \_\_\_\_\_  
Michael B. Twomey, Esq.

Date: \_\_\_\_\_

Federal Executive Agencies

Major Craig Paulson, Esq.  
139 Barnes Drive  
Tyndall Air Force Base, Florida 32403

By: \_\_\_\_\_  
Major Craig Paulson, Esq.

Date: \_\_\_\_\_

ORDER NO. PSC-05-1106-PHO-EI  
DOCKET NO. 050001-EI  
PAGE 59

ATTACHMENT A

Florida Retail Federation


Landers & Parsons, P.A.  
310 West College Avenue  
Tallahassee, Florida 32301

By: \_\_\_\_\_  
Robert Scheffel Wright, Esq.

Date: \_\_\_\_\_

AARP

Michael B. Twomey, Esq.  
P.O. Box 5256  
Tallahassee, Florida 32314-5256

By:   
Michael B. Twomey, Esq.

Date: October 14, 2005

Federal Executive Agencies

Major Craig Paulson, Esq.  
139 Barnes Drive  
Tyndall Air Force Base, Florida 32403

By: \_\_\_\_\_  
Major Craig Paulson, Esq.

Date: \_\_\_\_\_

ORDER NO. PSC-05-1106-PHO-EI  
DOCKET NO. 050001-EI  
PAGE 60

ATTACHMENT A

Florida Retail Federation

Landers & Parsons, P.A.  
310 West College Avenue  
Tallahassee, Florida 32301

By: \_\_\_\_\_  
Robert Scheffel Wright, Esq.

Date: \_\_\_\_\_

AARP


Michael B. Twomey, Esq.  
P.O. Box 5256  
Tallahassee, Florida 32314-5256

By: \_\_\_\_\_  
Michael B. Twomey, Esq.

Date: \_\_\_\_\_

Federal Executive Agencies

Major Craig Paulson, Esq.  
139 Barnes Drive  
Tyndall Air Force Base, Florida 32403

By:   
Major Craig Paulson, Esq.

Date: 17 October 2005