

VOICE SHEET

JANUARY 20, 1998

RE: DOCKET NO. 961184-EQ - Petition for approval of early termination amendment to negotiated qualifying facility contract with Orlando Cogen Limited, Ltd. by Florida Power Corporation.

Issue 1: Are the economic risks associated with the projected ratepayer savings resulting from the Amendment to the Negotiated Contract between Florida Power Corporation and Orlando Cogen Limited, Ltd., reasonable?

Primary Recommendation: Yes. FPC's most recent estimate of the net present value (NPV) of benefits from the proposed OCL contract buyout is \$32.4 million. FPC's estimate of the benefits may be overstated, but the benefits appear to remain positive when analyzed under a variety of pessimistic and optimistic economic scenarios. Therefore, the risks associated with the expected benefits from the proposed buyout are reasonable.

Vote for lack of a unanimous vote

COMMISSIONERS ASSIGNED: CL GR

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

01104 JAN 21 8

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Done for lack of a unanimous vote

COMMISSIONERS ASSIGNED: CL OR

COMMISSIONERS' SIGNATURES

MAJORITY

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FPSC-RECORDS/REPORTING

VOTE SHEET

JANUARY 20, 1998

DOCKET NO. 961184-EQ - Petition for approval of early termination amendment to negotiated qualifying facility contract with Orlando Cogen Limited, Ltd. by Florida Power Corporation.

(Continued from previous page)

Alternative Recommendation: No. FPC's basis for requesting approval of the OCL buyout relies on inappropriate economic and financial assumptions. Furthermore, even when one uses reasonable assumptions, the buyout results in only \$0.8 million of savings under a base-case analysis and requires customers to wait more than 20 years to see a positive benefit.

Issue 2: Are the intergenerational inequities among Florida Power Corporation's ratepayers, if any, associated with the Amendment to the Negotiated Contract between Florida Power Corporation and Orlando Cogen Limited, Ltd., reasonable?

Primary Recommendation: Yes. The intergenerational inequities are reasonable given the expected benefits. As discussed in Issue 1, these benefits appear to be positive under a variety of sensitivities. In addition, ratepayers in the early years of the contract have already benefitted at the expense of ratepayers in the future. The proposed buyout mitigates this existing inequity to some degree.

Alternative Recommendation: No. When the effects of the buyout are appropriately compared to the existing contract, pursuant to Rule 25-17.0836(6), F.A.C., the buyout results in unreasonable intergenerational inequities.

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JANUARY 20, 1998

DOCKET NO. 961184-BQ - Petition for approval of early termination amendment to negotiated qualifying facility contract with Orlando Cogen Limited, Ltd. by Florida Power Corporation.

(Continued from previous page)

Issue 1: Will the proposed buyout of the OCL contract provide net benefits sooner than 22 years into the future?

Recommendation: No. The year in which net benefits, defined as the cumulative present value of the savings exceeding the cumulative present value of the costs, occurs is dependent on the assumptions made in the net present value calculation. Florida Power Corporation's most current calculation does not project net benefits prior to the year 2019. In addition, under the current structure of the buyout, there are no savings prior to the year 2014.

Issue 4: Should the Amendment to the Negotiated Contract between Florida Power Corporation and Orlando Cogen Limited, Ltd., be approved for cost recovery pursuant to Rule 25-17.0036, Florida Administrative Code?

Primary Recommendation: Yes. FPC's most recent estimate of the net present value (NPV) of benefits from the proposed OCL contract buyout is \$32.4 million. These benefits may be overstated, but appear to be positive under varying economic assumptions. The buyout also provides an adequate after-tax return of approximately 12 percent on ratepayers' investment. Also, the intergenerational inequities appear to be reasonable.

Fail for lack of unanimous vote.

Alternative Recommendation: No. The buyout requires FPC's ratepayers to assume all financial risks involved in return for receiving only \$0.8 million NPV of savings over 26 years. The buyout places FPC in a more competitive position for the future while failing to recognize strandable cost from a utility-wide perspective. Lastly, when appropriately compared to the existing contract, the buyout results in significant intergenerational inequities requiring customers to wait at least 22 years before seeing a positive benefit from their investment.

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JANUARY 20, 1998

DOCKET NO. 961184-EQ - Petition for approval of early termination amendment to negotiated qualifying facility contract with Orlando Cogen Limited, Ltd. by Florida Power Corporation.

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Issue 5: If approved, how should Florida Power Corporation recover the expenses associated with the Amendment to the Negotiated Contract between Florida Power Corporation and Orlando Cogen Limited, Ltd.?

Primary Recommendation: If the Settlement Agreement is approved, the buyout payments should be recovered from the ratepayers over a period of approximately five years, the same time period over which OCL will receive payment. Seventy-seven percent of the buyout payments should be recovered through the Capacity Cost Recovery Clause and 23 percent should be recovered through the Fuel and Purchased Power Cost Recovery Clause. The recovery of payments made prior to their inclusion for recovery through the adjustment clauses should include interest from the date the payments were made.

First Alternative Recommendation: If the Settlement Agreement is approved, the buyout payments should be recovered from the ratepayers over a period of 10 years. Seventy-seven percent of the buyout payments should be recovered through the Capacity Cost Recovery Clause and 23 percent should be recovered through the Fuel and Purchased Power Cost Recovery Clause. The recovery of payments made prior to their inclusion for recovery through the adjustment clauses should include interest from the date the payments were made.

Second Alternative Recommendation: FPC should fund the buyout creating a regulatory asset to be recovered accordingly beginning in year 2014. If FPC is not required to delay recovery of the buyout costs until the year in which benefits begin to accrue, the year 2014, then the buyout costs should be recovered over the remaining life of the contract.

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JANUARY 20, 1998

DOCKET NO. 961184-EQ - Petition for approval of early termination amendment to negotiated qualifying facility contract with Orlando Cogen Limited, Ltd. by Florida Power Corporation.

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Third Alternative Recommendation: If the primary recommendation to Issue 4 is approved, then \$44,405,000 of the \$49,405,000 total buyout costs should be recovered through the Capacity and Fuel Clauses as recommended in the primary recommendation to this Issue, and the remaining \$5,000,000 be recovered through current base rate earnings over a five-year period.

**Issue 6: Should the Office of Public Counsel's renewed motion to dismiss Florida Power Corporation's petition on proposed agency action be granted?
Recommendation: No. The Commission previously denied a motion to dismiss filed by the Office of Public Counsel in this docket. OPC's renewed motion reargues the same points raised in its original motion and should be denied on the same grounds.**

Issue 7: Should this docket be closed?

Recommendation: Yes. If no party files a Motion for Reconsideration or Notice of Appeal of the Commission's Final Order, no further action will be required in this docket, and it should be closed.

VOICE SHEET

JANUARY 20, 1998

RE: DOCKET NO. 9810000 - Petition for approval of early termination amendment to negotiated qualifying facility contract with Orlando Cogen Limited, Ltd. by Florida Power Corporation.

Issue 1: Are the economic risks associated with the projected ratepayer savings resulting from the Amendment to the Negotiated Contract between Florida Power Corporation and Orlando Cogen Limited, Ltd., reasonable?

Primary Recommendation: Yes. FPC's most recent estimate of the net present value (NPV) of benefits from the proposed OCL contract buyout is \$32.4 million. FPC's estimate of the benefits may be overstated, but the benefits appear to remain positive when analyzed under a variety of pessimistic and optimistic economic scenarios. Therefore, the risks associated with the expected benefits from the proposed buyout are reasonable.

NO VOTE TAKEN

COMMISSIONERS ASSIGNED: CL OR

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

REMARKS/DISSENTING COMMENTS: No vote was taken on Issues 1-3 and 5-7. The motion on Issue 4 died for lack of a second. In accordance with Rule 25-21.005, F.A.C., the matter will be referred to the Chairman for vote at a subsequent agenda.

DOCUMENT NO.
01/21/98

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JANUARY 20, 1998

DOCKET NO. 961184-EQ - Petition for approval of early termination amendment to negotiated qualifying facility contract with Orlando Cogen Limited, Ltd. by Florida Power Corporation.

(Continued from previous page)

Alternative Recommendation: No. FPC's basis for requesting approval of the OCL buyout relies on inappropriate economic and financial assumptions. Furthermore, even when one uses reasonable assumptions, the buyout results in only \$0.8 million of savings under a base-case analysis and requires customers to wait more than 20 years to see a positive benefit.

Issue 2: Are the intergenerational inequities among Florida Power Corporation's ratepayers, if any, associated with the Amendment to the Negotiated Contract between Florida Power Corporation and Orlando Cogen Limited, Ltd., reasonable?

Primary Recommendation: Yes. The intergenerational inequities are reasonable given the expected benefits. As discussed in Issue 1, these benefits appear to be positive under a variety of sensitivities. In addition, ratepayers in the early years of the contract have already benefitted at the expense of ratepayers in the future. The proposed buyout mitigates this existing inequity to some degree.

NO VOTE TAKEN

Alternative Recommendation: No. When the effects of the buyout are appropriately compared to the existing contract, pursuant to Rule 25-17.0836(6), F.A.C., the buyout results in unreasonable intergenerational inequities.

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JANUARY 20, 1998

DOCKET NO. 961184-EQ - Petition for approval of early termination amendment to negotiated qualifying facility contract with Orlando Cogen Limited, Ltd. by Florida Power Corporation.

(Continued from previous page)

Issue 3: Will the proposed buyout of the OCL contract provide net benefits sooner than 22 years into the future?

Recommendation: No. The year in which net benefits, defined as the cumulative present value of the savings exceeding the cumulative present value of the costs, occurs is dependent on the assumptions made in the net present value calculation. Florida Power Corporation's most current calculation does not project net benefits prior to the year 2019. In addition, under the current structure of the buyout, there are no savings prior to the year 2014.

NO VOTE TAKEN

Issue 4: Should the Amendment to the Negotiated Contract between Florida Power Corporation and Orlando Cogen Limited, Ltd., be approved for cost recovery pursuant to Rule 25-17.0836, Florida Administrative Code?

Primary Recommendation: Yes. FPC's most recent estimate of the net present value (NPV) of benefits from the proposed OCL contract buyout is \$32.4 million. These benefits may be overstated, but appear to be positive under varying economic assumptions. The buyout also provides an adequate after-tax return of approximately 12 percent on ratepayers' investment. Also, the intergenerational inequities appear to be reasonable.

MOTION DIED FOR LACK OF A SECOND

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NO VOTE TAKEN

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NO VOTE TAKEN

Issue 7: Should this docket be closed?

Recommendation: Yes. If no party files a Motion for Reconsideration or Notice of Appeal of the Commission's Final Order, no further action will be required in this docket, and it should be closed.

NO VOTE TAKEN