

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

NOTICE OF STAFF WORKSHOP

TO

PARTIES OF RECORD

AND

ALL OTHER INTERESTED PERSONS

DOCKET NO. 20250032-EI

IN RE: REVIEW OF INCENTIVE MECHANISMS FOR
THE ELECTRIC INVESTOR-OWNED UTILITIES

ISSUED: January 26, 2026

NOTICE is hereby given that the staff of the Florida Public Service Commission will conduct a workshop in the above-referenced docket at the following time and place:

Thursday, February 5, 2026, at 10:00 a.m.
Gerald L. Gunter Building, Room 105
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

PURPOSE AND PROCEDURE

The purpose of this workshop is to present information gathered on the existing incentive mechanisms of electric investor-owned utilities, present a staff proposal for a generic incentive mechanism, and obtain public comment. A copy of Commission staff's presentation is included as Attachment A to this notice. One or more of the Commissioners of the Florida Public Service Commission may attend and participate in this workshop. The public may view a recording of this workshop online using the link: <https://www.floridapsc.com/watch-archive-psc-events>.

If you wish to provide public comment at the workshop, please contact Carlos Marquez, Office of the General Counsel, by phone at (850) 413-6212 or by e-mail at CMarquez@psc.state.fl.us no later than noon on Monday, February 2, 2026. If you wish to provide written comments, those comments must be filed with the Office of Commission Clerk, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-

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0850, by 5:00 p.m. on Friday, March 6, 2026, and should reference the docket and date of the workshop.

A copy of the agenda for this workshop is included below and may be obtained by writing to the Office of Commission Clerk, at the address previously noted.

In accordance with the Americans with Disabilities Act, persons needing a special accommodation to participate at this proceeding should contact the Office of Commission Clerk no later than five days prior to the workshop at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850 or (850) 413-6770 (Florida Relay Service, 800-955-8770 Voice or 800-955-8771 TDD). Assistive Listening Devices are available upon request from the Office of Commission Clerk, Gerald L. Gunter Building, Room 152.

JURISDICTION

Jurisdiction is vested in the Commission pursuant to Chapter 366, Florida Statutes. The workshop will be governed by the provisions of that Chapter and Chapters 25-22 and 28-102, Florida Administrative Code.

VISUAL AIDS

Workshop participants who plan to use visual aids during the course of their oral comments, such as PowerPoint, must provide an electronic copy and 21 hard copies of the presentation at least three business days prior to the workshop, to Phillip Ellis, Division of Engineering, who may be contacted at (850) 413-6626 or PEllis@psc.state.fl.us.

EMERGENCY CANCELLATION OF WORKSHOP

If a named storm or other disaster requires cancellation of the workshop, Commission staff will attempt to give timely direct notice to the parties. Notice of cancellation will also be provided on the Commission's website (<http://www.floridapsc.com>) under the Hot Topics link found on the home page. Cancellation can also be confirmed by calling the Office of the General Counsel at (850) 413-6199.

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FLORIDA PUBLIC SERVICE COMMISSION WORKSHOP

Docket No. 20250032-EI

**Thursday, February 5, 2026, at 10:00 a.m.
Gerald L. Gunter Building, Room 105
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850**

Agenda

- I. Opening Remarks by Commission Staff
- II. Presentation by Commission Staff
- III. Public Comments
- IV. Adjourn

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By DIRECTION of the Florida Public Service Commission this 26th day of January,
2026.



ADAM J. TEITZMAN
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

CMM

2/5/26 Staff Workshop Asset Optimization Mechanism (AOM) Review

DOCKET 20250032-EI



Introduction

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- ▶ Division of Engineering
 - ▶ Phillip Ellis – *Public Utilities Supervisor*
- ▶ Office of the General Counsel
 - ▶ Carlos Marquez II – *Senior Attorney*

Commission Directives

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► Order No. PSC-2025-0038-FOF-EI (TECO 2024 Rate Case Order)

We recognize the dissonance between the various AOMs for each IOU. Similar to the Commission-approved shareholder incentive program from 2000, the asset optimization activities the IOUs are engaging in apply to all electric IOUs. ...

Therefore, we will establish a generic proceeding which will allow this Commission to both consolidate the various AOMs and equally establish the allowable optimization activities and revenue-sharing thresholds for all IOUs.

A staff workshop will be the first step in this process to allow IOUs and interested parties to provide input for an all-encompassing AOM.

► Order No. PSC-13-0665-FOF-EI (2013 Fuel Clause Order)

However, we note that if FPL receives either a reward or penalty under the [Generating Performance Incentive Factor] for 2014, it is likely that the Company also would receive a credit towards its threshold goal under the Pilot Program. The Pilot Program may also be more comprehensive than the GPIF at targeting similar behavior, i.e. the efficient operation of base load generating units. Based on the current schedule, the initial two years of the Pilot Program will be at the end of 2014. FPL shall address these specific interrelationships when we review the Pilot Program during 2015.

- As this review did not occur due to subsequent Settlements, staff believes it is appropriate to consider it now that a similar common program is being proposed for all electric utilities

Current AOM Activities

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- ▶ Wholesale Purchases
- ▶ Wholesale Sales
- ▶ Asset Optimization Activities
 - ▶ “but not limited to” Language

Asset Optimization Activities	FPL	TECO	DEF
Asset Management Agreements	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Renewable Energy Credit Sales	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Electric Transmission Capacity Release			<input checked="" type="checkbox"/>
Gas Storage Utilization	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Gas Transportation Capacity Release	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Gas Delivered using Existing Transport	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Gas Sales Production Area (Upstream)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Coal Transportation Savings			<input checked="" type="checkbox"/>
All Fuel Source Supply and Capacity	<input checked="" type="checkbox"/>		

Current AOM Revenue Sharing

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- ▶ Number and Level of Revenue-sharing Thresholds
- ▶ Sharing Percentages of Each Threshold

AOM	Threshold Determination Methodology	Percent Shareholder Incentive by Threshold			
		0%	60%	50%	0%
FPL 2013	1 st : Projected Savings + \$10M 2 nd : Settlement Negotiations	\$46M	\$100M	>\$100M	-
FPL 2016	Settlement Negotiations	\$40M	\$100M	>\$100M	-
FPL 2021	Settlement Negotiations	\$42.5M	\$100M	>\$100M	-
FPL 2025	Settlement Negotiations	\$42.5M	\$100M	\$150M	>\$150M
DEF 2025	1 st : Historic 12 Year Average 2 nd : Double First Threshold	\$4.9M	\$9.8M	>\$9.8M	-
TECO 2016	1 st : Historic 4 Year Avg +\$1M 2 nd : Double First Threshold	\$4.5M	\$8M	>\$8M	-
TECO 2021	Settlement Negotiations	\$4.5M	\$8M	>\$8M	-
TECO 2025	Historic Performance	\$4.5M	\$8M	>\$8M	-

Current Incremental Costs

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- ▶ Inconsistent Recovery
 - ▶ FPL is allowed to recover Incremental AOM Costs and Incremental Variable O&M costs (excluding those covered in transactions) through Fuel Clause

Current Overlap with GPIF

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- ▶ Directive to consider Interactions in 2013 Fuel Clause Order

FPL responded to a staff interrogatory that "[F]rom a high-level perspective, performance improvements in availability and heat rate should increase FPL's ability to make off-system economy sales as these improvements drive lower marginal costs and therefore, improve FPL's competitive position in the power market." On the flip-side, FPL also stated that degradation in base load unit availability and heat rate increase FPL's opportunity to make off-system wholesale purchases. FPL witness Rote testified that theoretically, unit performance can impact FPL's position in the wholesale market. We find that the efficient operation of the utility's base load units are the foundation for any off-system sales or purchases.

- ▶ Incremental Activities

- ▶ Utilities have stated the GPIF rewards are not a primary consideration in maintenance of units and no incremental activities occur

Staff Proposal

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- ▶ Common Asset Optimization Mechanism for All Electric Investor-Owned Utilities
 - ▶ Allowable Activities
 - ▶ Revenue Sharing
 - ▶ Incremental Costs
 - ▶ Remove Overlap with GPIF

Staff Proposal

Allowable Activities

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- ▶ Energy Transactions
 - ▶ Wholesale Energy Sales
 - ▶ Wholesale Energy Purchases
- ▶ Asset Optimization Activities
 - ▶ Allow any asset optimization activity with existing utility assets, as long as reliability is maintained for ratepayers
 - ▶ Includes all fuel sources, both of transportation and storage infrastructure and stockpiles
 - ▶ Marketable assets associated with utility operations, such as emissions or renewable energy credits are included

Staff Proposal *Revenue Sharing - Option 1*

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- ▶ Establish 2 Annually Adjusted Thresholds for AOM
 - ▶ First Threshold - 3 Year rolling average of net gains of all AOM activities, above which utility shares 20 percent
 - ▶ Second Threshold - x2 First Threshold, above which utility shares 40 percent
- ▶ Advantages of Methodology
 - ▶ 3 Year Rolling Average previously used for wholesale sales and allows for automatic adjustment of threshold as activities change
 - ▶ 20 percent sharing increases benefits to ratepayers and is consistent with previous Commission established incentives for wholesale sales

Staff Proposal

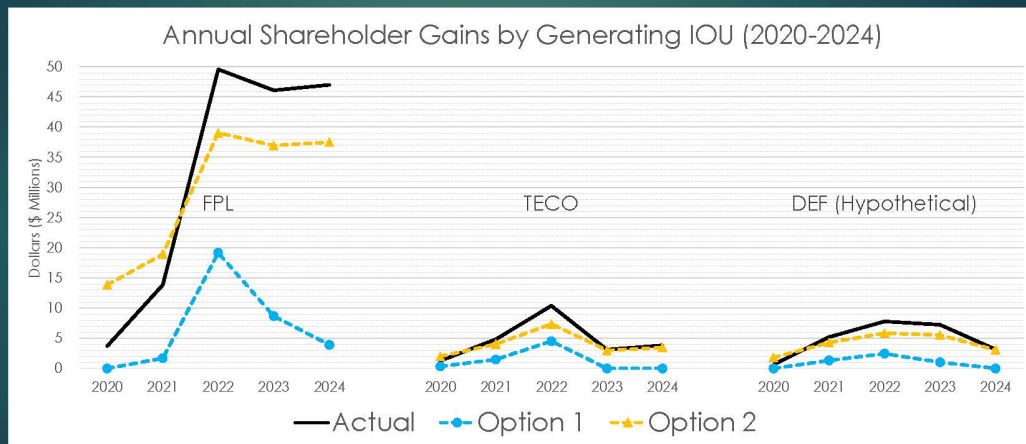
Revenue Sharing - Option 2

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- ▶ Eliminate Thresholds
 - ▶ Utility shares 30 percent of the total net gains of all AOM activities
- ▶ Advantages of Methodology
 - ▶ All activities are immediately incentivized, regardless of historic level
 - ▶ Sharing percentage based on maintaining the same results for the past five year period from the prior mechanisms

Staff Proposal Revenue Sharing

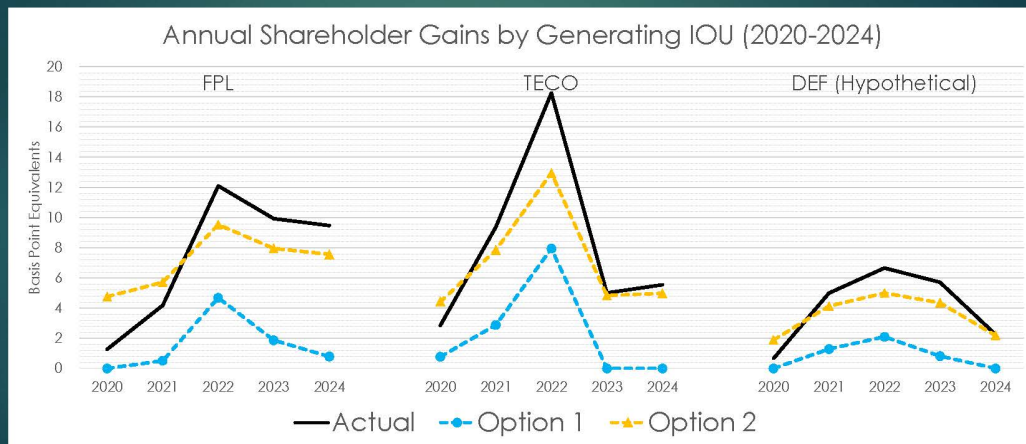
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Source: Utility Response to Staff's First Data Request, No. 23

Staff Proposal *Revenue Sharing*

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Source: Utility Response to Staff's First Data Request, Nos. 3, 23

Staff Proposal

Incremental Costs

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- ▶ Incremental AOM Costs should be recovered in base rates
 - ▶ These incremental costs would cover existing staffing and assets used to generate savings
- ▶ Variable O&M for wholesale energy transactions costs should be recovered through the Fuel Clause
 - ▶ These costs should be recovered as part of the determination of net gains for wholesale energy transactions

Staff Proposal

Remove Overlap with GPIF

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- ▶ GPIF Rewards and Penalties do not influence utility behavior, as the efficiency and availability improvements represent best practices
- ▶ AOM is a holistic approach; a generation-only mechanism is no longer necessary
- ▶ Recommend retaining reporting requirements of unit performance to allow Commission and parties to gather information for analysis for review during Fuel Clause and base rate cases

Request for Comments

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- ▶ Provide written comments by March 6, 2026. Please file responses electronically via the Commission's website at www.floridapsc.com, by selecting the Clerk's Office tab and Electronic Filing Web Form (Reference Docket No. 20250032-EI) and please also email the filed response with Carlos Marquez at CMarquez@psc.state.fl.us