

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Review of incentive mechanisms for the
electric investor-owned utilities.

DOCKET NO. 20250032-EI
ORDER NO. PSC-2026-0291-PCO-EI
ISSUED: August 24, 2026

The following Commissioners participated in the disposition of this matter:

GABRIELLA PASSIDOMO SMITH, Chairman
GARY F. CLARK
MIKE LA ROSA
BOBBY PAYNE
ANA ORTEGA

ORDER CLOSING INCENTIVE MECHANISMS REVIEW DOCKET

BY THE COMMISSION:

Procedural Background

By Order No. PSC-2025-0038-FOF-EI (2025 TECO Order), as part of Tampa Electric Company's (TECO) 2024 base rate proceeding, we directed Commission staff to open a generic docket to allow us to evaluate the various Asset Optimization Mechanisms (AOMs) for all the electric investor-owned utilities (IOUs).¹ AOMs are broadly defined as incentive mechanisms to encourage utilities to produce gains from existing utility assets, such as through wholesale energy transactions or fuel stockpile transactions that do not impact system reliability. We directed Commission staff to conduct a workshop in the generic docket to allow the electric IOUs and interested parties to provide input on the AOMs.

On February 12, 2025, Docket No. 20250032-EI was established to review the various incentive mechanisms associated with utility assets supported by ratepayer funds. On February 13, 2025, the Office of Public Counsel (OPC) filed a Notice of Intervention, which was acknowledged by Order No. PSC-2025-0055-PCO-EI. Commission staff propounded one round of data requests to the electric IOUs, including Florida Power & Light Company (FPL), Duke Energy Florida, LLC (DEF), TECO, and Florida Public Utilities Company (FPUC). A second round of data requests was propounded to FPL, DEF, and TECO. FPUC was excluded from the second round because it is not a generating IOU, and therefore does not engage in wholesale energy transactions and does not have fuel or generation associated assets for asset optimization. For purposes of this Order, any future reference made herein to the electric IOUs does not include FPUC.

¹ See Order No. PSC-2025-0038-FOF-EI, issued February 3, 2025, in Docket No. 20240026-EI, *In re: Petition for rate increase by Tampa Electric Company*, pp. 176–77.

Commission staff conducted a workshop on February 5, 2026. The IOUs, OPC, and Florida Rising, Inc. (FL Rising) participated in the workshop and submitted post-workshop comments.²

We have jurisdiction over this matter pursuant to Sections 366.04, 366.041, and 366.05, Florida Statutes (F.S.).

Decision

I. Brief History

We first approved an asset optimization mechanism as part of FPL's 2013 base rate proceeding.³ In 2023, the Florida Supreme Court expressly recognized our statutory authority to approve asset optimization incentives.⁴ As of 2025, all the electric IOUs have a utility-specific, Commission-approved AOM. However, as this Commission recognized in the 2025 TECO Order, the approved AOMs are dissimilar in terms of allowable activities and revenue sharing thresholds. This is in part due to all prior AOMs being approved as part of comprehensive settlement agreements. Consequently, through the 2025 TECO Order, we determined that a generic proceeding should be established and a workshop should be held.

Before this Commission approved the first AOM in 2013, we relied upon the Generating Performance Incentive Factor (GPIF) program to optimize the efficiency and performance of the IOUs' base load generating units through the annual Fuel Clause proceeding. The GPIF was established as a performance-based incentive to promote efficient plant operations while helping control fuel costs for customers. When this Commission later adopted the first AOM for FPL in 2013, questions arose regarding the relationship between the AOM and the existing GPIF program, as incentives for generator efficiency and availability may impact their performance for wholesale energy sales or purchases. As such, as part of the 2013 Fuel Clause proceeding, we directed FPL, the sole utility with an AOM at the time, to review the interrelationship between the AOM and the GPIF program during 2015.⁵ However, this review was never completed due to subsequent settlement agreements. Therefore, as part of the 2026 workshop, Commission staff took the opportunity to also discuss and solicit comment on the GPIF because a similar relationship between AOMs incentives and GPIF could be evaluated for all the electric IOUs.

² FL Rising was added to this docket as an Interested Person on February 18, 2025. The Southern Alliance for Clean Energy was added to this docket as an Interested Person on February 21, 2025, but did not file post-workshop comments or otherwise participate in the workshop.

³ A detailed history of Commission actions regarding incentive mechanisms is provided in Order No. PSC-2025-0038-FOF-TP, beginning at page 173.

⁴ See *Floridians Against Increased Rates, Inc. v. Clark*, 371 So. 2d 905, 907 fn. 2 (Fla. 2023).

⁵ See Order No. PSC-13-0665-FOF-EI, issued December 18, 2013, in Docket No. 20130001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*.

II. Current Asset Optimization Mechanisms

As of 2026, gains attributed to AOMs include wholesales purchases, wholesales sales, and asset optimization activities, which vary by utility. Table 1 identifies the allowable asset optimization activities by electric IOU.

Table 1
Asset Optimization Activities by Utility

Asset Optimization Activities	FPL	TECO	DEF
Asset Management Agreements	✓	✓	✓
Renewable Energy Credit Sales	✓		✓
Electric Transmission Capacity Release			✓
Gas Storage Utilization	✓	✓	✓
Gas Transportation Capacity Release	✓		✓
Gas Delivered using Existing Transport	✓	✓	✓
Gas Sales Production Area (Upstream)	✓	✓	✓
Coal Transportation Savings			✓
All Fuel Source Supply and Capacity	✓		

Source: Responses to Commission staff's First Data Request.⁶

Similarly, as of 2026, the AOM revenue sharing for each electric IOU differs in the number and level of sharing thresholds, with each having their own sharing percentage. The current and former sharing thresholds for each of the electric IOUs are reflected in Table 2.

Table 2
Asset Optimization Mechanism Thresholds

Rate Case Order	Threshold Determination Methodology	Percent Shareholder Incentive by Threshold			
		0%	60%	50%	0%
FPL 2013	1st: Projected Savings + \$10M 2nd: Settlement Negotiations	\$46M	\$100M	>\$100M	\$46M
FPL 2016	Settlement Negotiations	\$40M	\$100M	>\$100M	-
FPL 2021	Settlement Negotiations	\$42.5M	\$100M	>\$100M	-
FPL 2025	Settlement Negotiations	\$42.2M	100M	\$150M	>\$150M
DEF 2024	1st: Historic 12 Year Average 2nd: Double First Threshold	\$4.9M	\$9.8M	>\$9.8M	-
TECO 2016	1st: Historic 4 Year Avg +\$1M 2nd: Settlement Negotiations	\$4.5M	\$8M	>\$8M	-
TECO 2021	Settlement Negotiations	\$4.5M	\$8M	>\$8M	-
TECO 2025	Historic Performance	\$4.5M	\$8M	>\$8M	-

Source: Prior Commission orders.

⁶ See Document Nos. 01372-2025, 01386-2025, and 01387-2025, in Docket No. 20250032-EI.

III. Commission Staff's Workshop

On February 5, 2026, Commission staff conducted a workshop to discuss the incentive mechanisms, including GPIF and AOM. To encourage discussion during the workshop, Commission staff presented a brief history of the AOMs and the following general framework to address the incentive mechanisms, including (1) allowable activities, (2) incremental costs, (3) two revenue sharing proposals, and (4) GPIF.

A. *Summary of Commission Staff's Workshop Proposal*

1. **Allowable Activities:** Wholesale energy sales, wholesale energy purchases, and any asset optimization activities including existing utility assets that do not interfere with reliability, for all fuel sources, with both fuel infrastructure and stockpiles eligible. Renewable energy credits, emissions credits, or similar attributes would be eligible.
2. **Incremental Costs:** Incremental costs associated with AOM activities would be recovered through base rates.
3. **Revenue Sharing:** Two options for revenue sharing of net gains:
 - **Option 1:** 20 percent above a three-year rolling average threshold, and 40 percent above twice the three-year rolling average.
 - **Option 2:** 30 percent with no thresholds.
4. **Generating Performance Incentive Factor:** While not explicitly addressed in the 2025 TECO Order, Commission staff also proposed ending GPIF in its generic 2026 workshop proposal to address the overlap with AOMs discussed in Order No. PSC-13-0665-FOF-EI. The proposal to end GPIF was due to the GPIF rewards and penalties not influencing utility behavior, as the efficiency and availability improvements represent best practices. Wholesale sales and purchases are two major categories in the AOMs which are impacted by generator availability and efficiency. Furthermore, due to the convergences of the incentives, Commission staff proposed retaining reporting requirements of unit performance to allow this Commission and parties to gather information for analysis and review during Fuel Clause and base rate cases.

IV. Post-Workshop Comments

In addition to the workshop, Commission staff also sought comment from participants on how changes, if any, should be implemented (i.e., a Commission Order similar to the current wholesale sales incentive established in the 2000 Wholesale Sales Incentive Order⁷ or rulemaking). After the workshop, each of the electric IOUs, OPC, and FL Rising submitted

⁷ See Order No. PSC-00-1744-PAA-EI, issued September 26, 2000, in Docket No. 19991779-IE, *In re: Review of the appropriate application of incentives to wholesale power sales by investor-owned electric utilities*.

comments, which are summarized below. Overall, the electric IOUs commented that no generic incentive mechanism was needed at this time and proposed allowing AOMs to continue based on each utility's unique characteristics. All three electric IOUs also disagreed with the proposed elimination of the GPIF. In addition, TECO and DEF provided suggestions for this Commission in case we sought to move forward with any part of Commission staff's workshop proposal. TECO expressed its preference for Commission staff's proposed list of eligible and revenue sharing Option 2. DEF also expressed a preference for Option 2, but with an increased fixed percentage of at least 35 percent.

OPC proposed freezing all AOM incentives pending the resolution of appeals associated with Commission Orders addressing the AOMs⁸ and the expiration of any applicable settlement agreements. This would be followed by a comprehensive evaluation to determine if the AOMs are resulting in net economic benefit for ratepayers through an evidentiary hearing. OPC further proposed that we consider adopting the concept of joint economic dispatch used in many states. OPC also adopted the comments of FL Rising on Commission staff's workshop proposal and advised against revenue sharing Option 1 and the usage of tiered incentives.

FL Rising commented that rulemaking is the appropriate venue for changes to end or implement any further AOMs. FL Rising also provided comments regarding its analysis of the possible correlation between higher utility bills and the incentive mechanism. Furthermore, FL Rising asserted that AOMs should be subject to constraints to ensure that rate base is not being inflated to support incentive mechanisms that increase utility profits. FL Rising proposed that under any rulemaking the electric IOUs should provide what assets would be in their individual AOMs every three years. During the proposed proceeding the IOUs would have the obligation to show that utility assets utilized for AOMs would: (i) have been prudently added to rate base, (ii) were used and useful for ratepayers, and (iii) their usage for AOM would be incidental to their service to ratepayers. Further, FL Rising proposed assets that did not require significant activity by the utility would not be eligible for AOMs, using the example of renewable energy credits.

V. Conclusion

Based on our review of the existing AOMs and comments received at the workshop, there appears to be no need at this time to establish all-encompassing standards for AOMs. Both FPL and DEF operate AOMs pursuant to Commission-approved settlement agreements with allowable activities and revenue sharing thresholds based on the characteristics of each utility and the circumstances presented in their respective rate cases. The points made in the electric IOU's post-workshop submissions regarding the downsides of a uniform approach as compared to individual mechanisms are well-taken by us. Additionally, imposing new standards to retroactively alter one term of a settlement agreement that has been approved as a whole by final order may raise procedural and substantive legal issues.

The specifics of each current AOM approval underscore the difficulties of considering and implementing revisions to the mechanisms at this time. The 2024 DEF Settlement

⁸ See fns. 11 and 13, *infra*.

Agreement that contains that utility's AOM was approved without opposition by Order No. PSC-2024-0472-AS-EI. OPC was a party to the 2024 DEF Settlement Agreement. Florida Rising did not oppose the 2024 DEF Settlement Agreement or the Joint Motion for Approval.⁹ The term of the 2024 DEF Settlement Agreement expires as early as December 2027. Because DEF is operating under an unopposed AOM that is part of settlement with a limited term, we feel that revisiting that particular AOM at this time would not be an efficient use of resources.

Turning to the remaining electric IOUs, FPL's AOM as proposed in its settlement agreement was contested by OPC and FL Rising.¹⁰ Both of those parties have filed appeals of our final order approving the settlement agreement.¹¹ Similarly, OPC and FL Rising contested TECO's AOM as proposed in its rate case.¹² Both have appealed certain aspects of our final order approving TECO's base rate increase.¹³ These procedural hurdles caution us from taking any further action regarding those AOMs while the two matters are on appeal and the mechanisms remain in place.

In addition, we are aware that TECO and OPC have proposed a settlement agreement in a separate docket that, while it does not directly impact AOM, includes a base rate freeze that could have implications if costs were shifted from the AOM established in 2025 to base rates.¹⁴

Because the procedural requirements of the 2025 TECO Order have been completed, no further action by Commission staff or the electric IOUs is needed. Therefore, this docket shall be closed because we are taking no action at this time. Our decision here does not preclude us from revisiting the matter later. This Commission, whether by petition or on its own motion, can convene a future proceeding to review the various shareholder incentive mechanisms for the electric IOUs when a need is demonstrated or when deemed appropriate by us.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that no further action regarding asset optimization activities and revenue-sharing thresholds appears needed at this time. It is further

ORDERED that this docket shall be closed.

⁹ See Order No. PSC-2024-0472-AS-EI, p. 36.

¹⁰ See Document Nos. 08082-2025 (FL Rising Response in Opposition to Motion to Approve Settlement Agreement) and 08105-2025 (OPC Letter Opposing FPL Rate Increase Settlement), in Docket No. 20240011-EI, filed August 20 & 21, 2025, respectively.

¹¹ Case Nos. SC2026-0259 (OPC) & SC2026-0281 (FL Rising).

¹² See Document Nos. 09619-2024 (OPC Post-Hearing Brief) at p. 85 and 09626-2024 (FL Rising Post-Hearing Brief) at pp. 25-26, in Docket No. 20240026-EI, filed October 21, 2024.

¹³ Case Nos. SC2025-0300 (OPC) & SC2025-0289 (FL Rising).

¹⁴ See Document No. 03550-2026, titled Motion to Approve 2026 Bayside Agreement, filed in Docket Nos. 20260001-EI, 20260053-EI, and 20260062-EI.

By ORDER of the Florida Public Service Commission this 24th day of August, 2026.



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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

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission (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. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, 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.