State of Florida

Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: July 23, 2026

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Engineering (Ellis, King, Ramirez-Abundez, Ramos) LK
Office of the General Counsel (Marquez, Stiller) SPS

RE: Docket No. 20250032-EI – Review of incentive mechanisms for the electric investor-owned utilities.

AGENDA: 08/04/26 – Regular Agenda –Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Clark

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

In Order No. PSC-2025-0038-FOF-EI (2025 TECO Order), as part of Tampa Electric Company's (TECO) 2024 base rate proceeding, the Commission directed staff to open a generic docket to allow the Commission 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. The Commission directed staff to conduct a workshop in the generic docket to allow the IOUs and interested parties to provide input on the AOMs.

On February 12, 2025, Docket 20250032-EI was established to review the various incentive mechanisms associated with utility assets supported by ratepayer funds. On February 13, 2025, the

[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.*

Office of Public Counsel (OPC) filed a Notice of Intervention, which was acknowledged by Order No. PSC-2025-0055-PCO-EI. Staff propounded one round of data requests to the 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 were propounded to FPL, DEF, and TECO. FPUC was excluded from this round as 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 recommendation, all future references to the IOUs excludes FPUC.

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

The Commission has jurisdiction over this matter pursuant to Sections 366.04, 366.041, and 366.05, Florida Statutes (F.S.).

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[2] FL Rising was added to this docket as an Interested Party on February 18, 2025. The Southern Alliance for Clean Energy was added to this docket as an Interested Party on February 21, 2025, but did not file post-workshop comments.

Discussion of Issues

Issue 1: What action, if any, should the Commission take regarding asset optimization activities and revenue-sharing incentives?

Recommendation: No further action is needed, and this docket should be closed as discussed in Issue 2. As required by the Order, staff established a docket to review allowable optimization activities and revenue-sharing incentives for all electric IOUs. Staff conducted a workshop and elicited post-workshop comments. Based upon review of the existing AOMs and comments received at and after the workshop, staff recommends there is no need at this time for the Commission to establish AOM standards for allowable activities or revenue sharing thresholds. (Ellis, Ramirez-Abundez, Marquez)

Staff Analysis: The Commission first approved an asset optimization mechanism as part of FPL's 2013 base rate proceeding.[3] In 2023, the Florida Supreme Court expressly recognized the Commission's statutory authority to approve asset optimization incentives.[4] As of 2025, all the electric IOUs have a utility-specific Commission-approved AOM. However, as the 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, the Commission through its 2025 TECO Order, determined that a generic proceeding be established, and a workshop be held.

Before the Commission approved the first AOM in 2013, it relied on 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 the 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, the Commission 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 staff took the opportunity to also discuss and solicit comment on GPIF since a similar relationship between AOMs incentives and GPIF could be evaluated for all the electric IOUs.

Current Asset Optimization Mechanisms

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

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[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.*

Table 1-1
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: Response to staff's first data request.[6]

Similarly, as of 2026, the AOM revenue sharing for each 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 IOUs are reflected in Table 1-2.

Table 1-2
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: Commission Orders

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

Staff Workshop

On February 5, 2026, staff conducted a workshop to discuss the incentive mechanisms, including GPIF and AOM. To encourage discussion during the workshop, 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.

Summary of Staff's Workshop Proposal

1. **Allowable Activities:** Wholesale energy sales, wholesale energy purchases, and any asset optimization activities including existing utility assets that does 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:** Staff presented 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, staff also proposed ending GPIF in its generic 2026 workshop proposal to address the overlap with AOMs discussed in the 2013 Fuel Order. 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, staff proposed retaining reporting requirements of unit performance to allow the Commission and parties to gather information for analysis and review during Fuel Clause and base rate cases.

Post Workshop Comments

In addition to the workshop, 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 Order[7] or rulemaking). After the staff workshop, each of the IOUs, OPC, and FL Rising submitted comments, which are summarized below. Overall, the 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 IOUs also disagreed with the proposed elimination of GPIF. In addition, TECO and DEF provided suggestions if the Commission sought to move forward with any part of staff's workshop proposal. TECO expressed its preference for staff's proposed list of eligible and revenue sharing option 2.

[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.*

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 AOMs[8] 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 the Commission consider adopting the concept of joint economic dispatch used in many states. OPC also adopted the comments from FL Rising on 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 their 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 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, (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.

Conclusion

Based upon staff's review of the existing AOMs and comments received at the workshop, staff recommends there is 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. Staff believes the points made in the IOU's post-workshop submission regarding the downsides of a uniform approach as compared to individual mechanisms are well-taken. 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.

Staff also believes 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 Agreement that contains the 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, staff recommends that revisiting that AOM at this time would not be an efficient use of resources.

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[8] See fns. 10 and 12, *supra.*
[9] See Order No. PSC-2024-0472-AS-EI, p. 36.

Turning to the other electric IOUs, FPL's AOM as proposed in its Settlement Agreement was contested by OPC and FL Rising.[10] Both have filed appeals of the Commission's 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 the Commission's Final Order approving TECO's base rate increase.[13] Staff recommends that the Commission not take any further action regarding those AOMs while the two matters are on appeal and the mechanisms remain in place.

Staff also notes 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]

As the procedural requirements of Order No. PSC-2025-0038-FOF-EI have been completed, no further action by staff or the utilities is needed. It is within the Commission's discretion whether to direct staff to take next steps with respect to establishing standards for AOMs. For the reasons set forth above, staff believes the Commission should not do so at this time, and this docket should be closed as discussed in Issue 2. The Commission, by petition or on its own motion, could convene a future proceeding to review the various shareholder incentive mechanisms for the electric IOUs, as needed.

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[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.

Issue 2: Should this docket be closed?

Recommendation: Yes. Because staff's recommendation is that the agency take no action, a procedural order closing this file should be entered. (Marquez)

Staff Analysis: Because staff's recommendation is that the agency take no action, a procedural order closing this file should be entered.