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January 20, 1995

VIA FEDERAL EXPRESS

Florida Public Service Commission
Division of Records & Recording
101 East Gaines Street, Room 107
Tallahassee, FL 32399-0850

Re: Docket No. 950001-E1

In Re: Fuel and Purchased Power Cost Recovery Clause and
Generating Performance Incentive Factor

Dear Sir or Madam:

Enclosed please find an original and 15 copies of a Petition for
Leave to Intervene of Florida Steel Corporation. Thank you for
your assistance in filing this Petition.

Should you have any questions, please do not hesitate to contact
the undersigned.

Very truly yours,

SALEM, SAXON & NIELSEN, P.A.

Marian B. Rush

MBR/nr

Enclosures

cc: Peter J.P. Brickfield, Esq.
Stephen R. Yurek, Esq.

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EPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE
00820 JAN 23 1995
EPSC-RECORDS/REPORTING

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: FUEL AND PURCHASED POWER)
COST RECOVERY CLAUSE AND) DOCKET NO. 950001-E1
GENERATING PERFORMANCE INCENTIVE)
FACTOR)

**PETITION FOR LEAVE TO INTERVENE
OF FLORIDA STEEL CORPORATION**

Florida Steel Corporation ("Florida Steel") hereby moves for leave to intervene in the above-captioned proceeding, and in support of this petition states as follows:

1. The name and address of petitioner is as follows:

Florida Steel Corporation
1715 Cleveland Street
Tampa, Florida 33606

Documents related to this proceeding may be served on Florida Steel by serving them on the following individuals:

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2. Florida Steel has a substantial interest in the proceeding that will be directly affected by the Commission's determination herein. Florida Steel operates a steel recycling and manufacturing plant at Highway 217, Yellow Water Road, in Jacksonville, Florida (just outside of the City of Baldwin), within the electric service territory of Florida Power & Light Company ("FP&L"). The Jacksonville plant is classified in the steel industry as a "minimill," which is a steel mill that uses an electric arc furnace to melt scrap steel and cast the resulting molten steel into long strands called billets in a continuous casting process.¹ The plant produces rebar (used primarily to strengthen concrete in highway and building construction and other construction applications) and rods (used in the manufacture of welded wire fabric, nails and other such products). The rebar and rods are sold by Florida Steel in highly competitive commodity markets, wherein customer choices are driven by price and availability of products meeting industry grade standards. Cost and productivity advantages in the factory thus directly translate into competitive advantages in the market place. High costs in turn result in a competitive disadvantage. Indeed, in March 1994, the melt shop at Florida Steel's Tampa, Florida, rebar plant was closed in part because of uncompetitively high production costs, including the high cost of electricity supplied to the plant by Tampa Electric Company.

¹ In contrast, a so-called fully integrated steel mill makes steel from iron ore.

3. FP&L supplies electric power to Florida Steel's Jacksonville facility at 230,000 volts pursuant to FP&L's Commercial/Industrial Load Control Program (CILC-1) tariff. Florida Steel's Jacksonville plant is one of FP&L's largest industrial customers, with a load peaking at nearly 45 megawatts and annual energy consumption of around 220,000 megawatt-hours. Power supply to the Jacksonville facility above a three megawatt firm level is interruptible by FP&L for up to 150 hours annually (up to 25 interruptions lasting up to 6 hours each). Florida Steel pays FP&L more than \$8 million per year for electric service for the Jacksonville plant. Electric energy, which is used to melt, refine and shape scrap steel to produce the plant's output, is one of the plant's three most significant operating costs, the others being labor and scrap. The high cost of electricity at the plant is undercutting the plant's continuing ability to operate on a competitive and profitable basis.

4. This proceeding involves, for Florida's investor-owned utilities, including FP&L, determination of the appropriate fuel cost recovery factor, capacity cost recovery factor, oil blackout cost recovery, and generating performance incentive factor for the April 1995 to September 1995 period. Fuel charges represent over 40% of Florida Steel's payments to FP&L for power at the Jacksonville facility (in excess of \$3 million annually). The tariff's capacity payment recovery clause accounts for an additional 12% of Florida Steel's payments (close to \$1 million annually). As a major customer of FP&L, Florida Steel clearly has

a direct and substantial interest that will be affected by the Commission's determination in this proceeding. Any ruling which has a significant adverse impact on Florida Steel's electric costs could further impair Florida Steel's ability to compete effectively in the highly competitive markets in which it operates. Moreover, Florida Steel's interests will not be adequately represented by any other party to this proceeding.

5. Florida Steel submits that a number of significant issues relating to FP&L's rates warrant thorough review by this Commission at this time. Florida Steel believes that the rates it is charged by FP&L are, or may be, illegal or improper in a number of respects, as outlined below. While Florida Steel seeks to have these issues addressed as part of this fuel case, Florida Steel recognizes that the routine, abbreviated manner in which fuel cases normally are conducted by the Florida Public Service Commission -- with only limited issues addressed, limited opportunity for discovery, and a one or two day hearing for all investor-owned utilities combined -- may render a full examination of those issues difficult to achieve in this case in its present form and within the schedule presently proposed for the case. Accordingly, Florida Steel requests that the scope of this fuel proceeding be expanded, and the proposed schedule be revised, to the extent necessary to enable the issues outlined below to be properly addressed in this proceeding. In the event the Commission is unwilling to so modify this proceeding, Florida Steel proposes that these issues, all of which relate to FP&L's rates, be addressed in the proceeding which

is expected to be held later this year to examine FP&L's earnings pursuant to section 366.06(3)(a), Florida Statutes, with the rates FP&L collects between now and then being subject to refund. It is Florida Steel's understanding that FP&L's modified minimum filing requirements report is due to be filed with the Commission in April 1995. The rate proceeding expected to result from that filing would represent an appropriate vehicle for the examination of the rate issues outlined below.

6. The issues regarding FP&L's rates that Florida Steel submits should be heard as part of this proceeding include the following:

(a) Whether, as Florida Steel believes to be the case, the discount provided to it and other transmission level CILC-1 customers in the Capacity Payment Recovery Clause ("CPRC") factor, in relation to the CPRC factor imposed on non-transmission level customers and non-interruptible customers, is insufficient in light of the lower cost to FP&L of providing transmission level service to CILC-1 class customers, thereby resulting in rates that are unjust, unreasonable, unjustly discriminatory and in violation of law within the meaning of section 366.06, Florida Statutes.

(b) Whether, as Florida Steel believes to be the case, the non-fuel energy charge of 0.942¢/kwh imposed on transmission level CILC-1 customers pursuant to the CILC-1 tariff is excessive and results in rates that are unjust, unreasonable and unjustly discriminatory within the meaning of section 366.06, Florida Statutes.

(c) Whether, as Florida Steel believes to be the case, FP&L should be required to reduce its Fuel Adjustment Clause recovery because FP&L's estimated natural gas prices for the period April through September 1995 exceed FP&L's actual natural gas prices for October and November 1994 by 31% and exceed the natural gas prices being offered for the same period, thereby resulting in rates that are unjust, unreasonable and in violation of law within the meaning of section 366.06, Florida Statutes.

(d) Whether, as Florida Steel believes to be the case, FP&L should be required to capitalize and depreciate the \$2.8 million in improvements to generation facilities rather than expense it through the energy adjustment clause because FP&L's proposal violates the Commission's rules, is an attempt to recover a non-recurring cost without requesting a general rate increase, is a mismatch of revenues and expenses, and requires current ratepayers to pay for costs which are not used and useful for current service, thereby resulting in rates that are unjust, unreasonable and in violation of law within the meaning of section 366.06, Florida Statutes.

(e) Whether, as Florida Steel believes to be the case, the rate of return on equity of 12.8% (\pm 1.0%) currently allowed FP&L is excessive and results in rates that are unjust and unreasonable within the meaning of section 366.06, Florida Statutes and whether these excessive amounts should be deducted from the fuel charges.

(f) Whether, as Florida Steel believes to be the case, the rate of return on equity which FP&L in fact earned during 1994 and is expected to earn during 1995 is in excess of the currently allowed rate of return of 12.8% (\pm 1.0%), resulting in rates that are unjust, unreasonable and in violation of law within the meaning of section 366.06, Florida Statutes and whether these excessive amounts should be deducted from the fuel charges.

(g) Whether, as Florida Steel believes to be the case, the demand charge discount provided to it and other transmission level CILC-1 customers, in relation to the demand charge to non-transmission level customers and non-interruptible customers, is insufficient in light of the lower cost to FP&L of providing transmission level service to CILC-1 class customers, thereby resulting in rates that are unjust, unreasonable, unjustly discriminatory and in violation of law within the meaning of section 366.06, Florida Statutes.

(h) Whether, as Florida Steel believes to be the case, FP&L acted imprudently in delaying until 1993, and not implementing at an earlier time, its major cost reduction program, including a workforce reduction of some 1,700 positions, which resulted in a \$138 million pretax charge to its earnings as reflected in its December 31, 1993 financial statements, thereby resulting in rates that are unjust and unreasonable within the meaning of section 366.06, Florida Statutes.

(i) Such other issues regarding FP&L's rates as may warrant examination by the Commission.

**CERTIFICATE OF SERVICE
DOCKET NO. 950001-E1**

I HEREBY CERTIFY that a true and correct copy of the Petition for Leave to Intervene of Florida Steel Corporation has been furnished via Federal Express this 20th day of January 1995, to the following:

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