

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power
cost recovery clause with
generating performance incentive
factor.

DOCKET NO. 020001-EI

FILED: OCTOBER 24, 2002

STAFF'S PREHEARING STATEMENT

Pursuant to Order No. PSC-02-0377-PCO-EI, filed March 20, 2002, the Staff of the Florida Public Service Commission files its Prehearing Statement.

a. All Known Witnesses

Matthew Brinkley - Determination of Incremental Costs
and Treatment of Security Costs

b. All Known Exhibits

Staff has no known exhibits to identify at this time.

c. Staff's Statement of Basic Position

Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions stated herein.

d. Staff's Position on the Issues

GENERIC FUEL ADJUSTMENT ISSUES

ISSUE 1: What are the appropriate final fuel adjustment true-up amounts for the period January 2001 through December 2001?

POSITION: No position pending review of discovery.

DOCUMENT NUMBER-DATE

11661 OCT 24 02

FPSC-COMMISSION CLERK

ISSUE 2: What are the appropriate estimated fuel adjustment true-up amounts for the period January 2002 through December 2002?

POSITION: No position pending review of discovery.

ISSUE 3: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2003 to December 2003?

POSITION: No position pending resolution of Issues 1 and 2.

ISSUE 4: What are the appropriate levelized fuel cost recovery factors for the period January 2003 to December 2003?

POSITION: No position pending resolution of several outstanding issues.

ISSUE 5: What should be the effective date of the fuel adjustment charge and capacity cost recovery charge for billing purposes?

POSITION: The new factors should be effective beginning with the first billing cycle for January 2003, and thereafter through the last billing cycle for December 2003. The first billing cycle may start before January 1, 2003, and the last billing cycle may end after December 31, 2003, so long as each customer is billed for twelve months regardless of when the factors became effective.

ISSUE 6: What are the appropriate fuel recovery line loss multipliers to be used in calculating the fuel cost recovery factors charged to each rate class/delivery voltage level class?

POSITION:

FPC:	Delivery	Line Loss
	<u>Group</u>	<u>Voltage Level</u>
		<u>Multiplier</u>
	A.	Transmission
		0.9800
	B.	Distribution Primary
		0.9900
	C.	Distribution Secondary
		1.0000
	D.	Lighting Service
		1.0000

FPL: See Issue 7.

FPUC:	<u>Marianna</u>	<u>Multiplier</u>
	All Rate Schedules	1.0000
	<u>Fernandina Beach</u>	
	All Rate Schedules	1.0000

GULF: See table below:

Group	Rate Schedules*	Line Loss Multipliers
A	RS, GS, GSD, GSDT, SBS, OSIII, OSIV	1.00482
B	LP, LPT, SBS	0.98404
C	PX, PXT, SBS, RTP	0.97453
D	OSI, OSII	1.00469

*The multiplier applicable to customers taking service under Rate Schedule SBS is determined as follows: customers with a Contract Demand in the range of 100 to 499 KW will use the recovery factor applicable to Rate Schedule GSD; customers with a Contract Demand in the range of 500 to 7,499 KW will use the recovery factor applicable to Rate Schedule LP; and customers with a Contract Demand over 7,499 KW will use the recovery factor applicable to Rate Schedule PX.

<u>TECO:</u>	<u>Group</u>	<u>Multiplier</u>
	Group A	1.0043
	Group A1	n/a*
	Group B	1.0005
	Group C	0.9745

*Group A1 is based on Group A, 15% of On-Peak and 85% of Off-Peak.

ISSUE 7: What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?

POSITION: No position pending resolution of Issue 4.

ISSUE 8: What is the appropriate revenue tax factor to be applied in calculating each investor-owned electric utility's levelized fuel factor for the projection period of January 2003 to December 2003?

POSITION:

FPC:	1.00072
FPL:	1.01597
FPUC-Fernandina Beach:	1.01597

FPUC-Marianna: 1.00072
Gulf: 1.00072
TECO: 1.00072

ISSUE 9: What are the appropriate benchmark levels for calendar year 2002 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

POSITION: FPC: No position pending review of discovery.
FPL: No position pending review of discovery.
Gulf: \$ 1,197,565
TECO: \$ 2,129,628

ISSUE 10: What are the appropriate estimated benchmark levels for calendar year 2003 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

POSITION: FPC: \$ 8,238,615
FPL: No position pending review of discovery.
Gulf: \$ 1,174,292
TECO: \$ 1,640,452

ISSUE 11: Should the Commission authorize each utility to recover voluntary payments of the Gas Research Institute (GRI) surcharge through the fuel and purchased power cost recovery clause?

POSITION: No. Each utility should treat voluntary payments to GRI, if any, as a non-fuel operation and maintenance expense for possible future recovery in a base rate proceeding.

ISSUE 12: Should the Commission require recovery of incremental security costs incurred in response to the terrorist acts committed on and after September 11, 2001, through base rates beginning January 1, 2006, or the effective date of a final order from

each utility's next base rate proceeding, whichever comes first?

POSITION: The Commission should open a docket to determine whether and to what extent the Commission should require a utility to recover incremental security costs through base rates beginning January 1, 2006, or the effective date of a final order from each utility's next base rate proceeding, whichever comes first.

COMPANY-SPECIFIC FUEL ADJUSTMENT ISSUES

Florida Power Corporation

ISSUE 13A: Has Florida Power Corporation confirmed the validity of the methodology used to determine the equity component of Progress Fuels Corporation's capital structure for calendar year 2001?

POSITION: Yes. The annual audit of EFC's revenue requirements under a full utility-type regulatory treatment confirms the appropriateness of the "short-cut" methodology used to determine the equity component of EFC's capital structure.

ISSUE 13B: Has Florida Power Corporation properly calculated the market price true-up for coal purchases from Powell Mountain?

POSITION: Yes. Florida Power has calculated the market price in accordance with the methodology approved by the Commission in Docket No. 860001-EI-G.

ISSUE 13C: Has Florida Power Corporation properly calculated the 2001 price for waterborne transportation services provided by Progress Fuels Corporation?

POSITION: Yes. Florida Power Corporation has calculated the market price in accordance with the methodology approved by the Commission in Docket No. 930001-EI.

ISSUE 13D: What is the appropriate interpretation of the term "fuel savings" as contemplated in paragraph nine of the stipulation approved by Order No. PSC-02-0655-AS-EI, in Docket Nos. 000824-EI and 020001-EI, issued May 14, 2002?

POSITION: The Commission should define "fuel savings" as follows: the difference between estimated jurisdictional fuel and net power transaction costs under a change case scenario and the actual jurisdictional fuel and net power transaction costs. In the instant case, the change case represents a scenario in which Florida Power's Hines Unit 2 becomes unavailable at least one day prior to the unit's projected commercial in-service date until December 31, 2005.

ISSUE 13E: What is the appropriate interpretation of the term "recovery period" as contemplated in paragraph nine of the stipulation approved by Order No. PSC-02-0655-AS-EI, in Docket Nos. 000824-EI and 020001-EI, issued May 14, 2002?

POSITION: In the instant case, the Commission should define "recovery period" as follows: a period commencing with the commercial in-service date of Florida Power's Hines Unit 2 until December 31, 2005.

ISSUE 13F: Should the Commission authorize Florida Power to recover, through the fuel and purchased power cost recovery clause, expenditures of \$7,825,500 for incremental 2002 and 2003 operation and maintenance expenses associated with security costs?

POSITION: No position pending receipt and review of discovery.

ISSUE 13G: Is Florida Power's expenditure of \$3 million for incremental 2002 and 2003 operation and maintenance expenses associated with its hedging program prudent?

POSITION: No position pending receipt and review of discovery.

ISSUE 13H: Is Florida Power's recovery of \$4,955,620 for the depreciation and return associated with its Hines Unit 2 reasonable?

POSITION: Yes. Under the terms of the stipulation among Florida Power and several parties, the Commission, by Order No. PSC-02-0655-AS-EI, in Docket Nos. 000824-EI and 020001-EI, issued May 14, 2002, has authorized Florida Power to recover an amount equal to the depreciation expense and a return of 8.37 percent on Florida Power's average investment for Hines Unit 2, up to the cumulative fuel savings for Hines Unit 2 during the recovery period. Although staff anticipates the fuel savings to be less than the depreciation and return for Hines Unit 2 for 2003, staff believes that fuel savings during the recovery period, as defined in staff's position for Issue 13E in this docket, are expected to be greater than the depreciation and return on Hines Unit 2 during this period.

ISSUE 13I: Should the Commission open a docket to evaluate whether the market price proxy for Florida Power's waterborne transportation services provided by Progress Fuels Corporation is still valid?

POSITION: Yes. Florida Power currently receives coal transportation services by an affiliate with no competitive bidding. The Commission established the current method to calculate the market price proxy by Order No. PSC-93-1331-FOF-EI, in Docket No. 930001-EI, issued September 13, 1993. Since 1993, the Commission has not compared Florida

Power's costs with costs for other Florida electric utilities such as Tampa Electric Company, Gulf Power Company, JEA, and the City of Lakeland that also receive waterborne coal shipments.

Florida Power & Light Company

ISSUE 14A: Should the Commission authorize FPL to recover, through the fuel and purchased power cost recovery clause, expenditures of \$11.6 million for incremental 2002 and 2003 operation and maintenance expenses associated with security costs?

POSITION: No position pending receipt and review of discovery.

ISSUE 14B: Is FPL's expenditure of \$3,448,147 for incremental 2002 and 2003 operation and maintenance expenses associated with its hedging program prudent?

POSITION: No position pending receipt and review of discovery.

ISSUE 14C: What is the appropriate regulatory treatment for the \$32.6 million in additional operation and maintenance expense associated with the inspection and repair of the reactor pressure vessel heads at FPL's four nuclear units?

POSITION: FPL would recover the total cost of inspection and repair of the reactor pressure vessel heads at its four nuclear units in base rates by amortizing the cost over a five year period. This regulatory treatment would result in no change to FPL's existing base rates during the period of FPL's current rate stipulation. This amortization would begin in 2002 based on the current estimate of the total inspection and repair costs of \$67.3 million for 2002 through 2004. FPL would adjust this estimate based on actual and updated cost estimates, with the amortization changing beginning

in the month of the updated estimate. FPL would not accumulate AFUDC on the unamortized portion of the inspection and repair costs.

Florida Public Utilities Company

No company-specific issues for Florida Public Utilities Company have been identified at this time. If such issues are identified, they shall be numbered 15A, 15B, 15C, and so forth, as appropriate.

Gulf Power Company

ISSUE 16A: Did Gulf Power correctly calculate its one-time adjustment of \$73,471 concerning Gulf Power's revenue sharing plan per Order No. PSC-99-2131-S-EI, in Docket No. 990250-EI, issued October 28, 1999?

POSITION: No position pending receipt and review of discovery.

ISSUE 16B: Will the two additional agreements for the sale of wholesale firm capacity and associated energy described on pages 5-6 of H. Homer Bell's direct testimony, prefiled September 20, 2002, produce ratepayer benefits?

POSITION: No position pending receipt and review of discovery.

ISSUE 16C: Is Gulf Power's expenditure of \$79,240 for incremental 2003 operation and maintenance expenses associated with its hedging program prudent?

POSITION: No position pending receipt and review of discovery.

Tampa Electric Company

ISSUE 17A: What is the appropriate 2001 waterborne coal transportation benchmark price for transportation

services provided by affiliates of Tampa Electric Company?

POSITION: \$25.13/ton.

ISSUE 17B: Has Tampa Electric Company adequately justified any costs associated with transportation services provided by affiliates of Tampa Electric Company that exceed the 2001 waterborne transportation benchmark price?

POSITION: Tampa Electric Company's actual costs did not exceed its benchmark of \$25.13 per ton. This issue is moot.

ISSUE 17C: Should the Commission authorize Tampa Electric to recover, through the fuel and purchased power cost recovery clause, expenditures of \$1,204,598 million for incremental 2001, 2002, and 2003 operation and maintenance expenses associated with security costs?

POSITION: No position pending receipt and review of discovery.

ISSUE 17D: Is Tampa Electric's expenditure of \$450,000 for incremental 2003 operation and maintenance expenses associated with its hedging program prudent?

POSITION: No position pending receipt and review of discovery.

ISSUE 17E: Should the Commission open a docket to evaluate whether the waterborne coal transportation benchmark price for transportation services provided by affiliates of Tampa Electric Company is still valid?

POSITION: Yes. Tampa Electric Company currently receives coal transportation services by an affiliate with no competitive bidding. The Commission re-affirmed the current method to calculate the market price proxy by Order No. PSC-93-0443-FOF-EI, in Docket No. 930001-EI, issued March 23, 1993. Since 1993, the Commission has not compared Tampa Electric's costs with costs for other Florida electric utilities such as Florida Power Corporation, Gulf Power Company, JEA, and the City of Lakeland that also receive waterborne coal shipments.

ISSUE 17F: What action should the Commission take to protect retail customers from fuel cost increases that result from the sale of the Polk Unit 1 gasifier?

POSITION: No position pending receipt and review of discovery.

GENERIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

ISSUE 18: What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period January 2001 through December 2001 for each investor-owned electric utility subject to the GPIF?

POSITION: No position at this time.

ISSUE 19: What should the GPIF targets/ranges be for the period January 2003 through December 2003 for each investor-owned electric utility subject to the GPIF?

POSITION: No position at this time.

COMPANY-SPECIFIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

Florida Power Corporation

No company-specific issues for Florida Power Corporation have been identified at this time. If such issues are identified, they shall be numbered 20A, 20B, 20C, and so forth, as appropriate.

Florida Power & Light Company

No company-specific issues for Florida Power & Light Company have been identified at this time. If such issues are identified, they shall be numbered 21A, 21B, 21C, and so forth, as appropriate.

Gulf Power Company

No company-specific issues for Gulf Power Company have been identified at this time. If such issues are identified, they shall be numbered 22A, 22B, 22C, and so forth, as appropriate.

Tampa Electric Company

ISSUE 23A: Should the actual 2000 heat rates for Big Bend Units #1 and #2 be adjusted for the flue gas desulfurization's (FGD) impact on Tampa Electric's 2000 reward/penalty?

POSITION: No position at this time.

ISSUE 23B: Should the heat rate targets for the year 2003 for Big Bend Units #1 and #2 be adjusted for the FGD's impact on Tampa Electric's eventual 2003 reward/penalty?

POSITION: No position at this time.

GENERIC CAPACITY COST RECOVERY FACTOR ISSUES

ISSUE 24: What are the appropriate final capacity cost recovery true-up amounts for the period January 2001 through December 2001?

POSITION: FPC: \$7,787,524 underrecovery.
FPL: \$2,528,058 underrecovery.
GULF: \$819,509 underrecovery.
TECO: \$2,416,932 overrecovery.

ISSUE 25: What are the appropriate estimated capacity cost recovery true-up amounts for the period January 2002 through December 2002?

POSITION: FPC: \$3,022,637 overrecovery.
FPL: \$49,140,148 overrecovery.
GULF: \$353,333 overrecovery.
TECO: \$3,944,986 underrecovery.

ISSUE 26: What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2003 through December 2003?

POSITION: FPC: \$4,764,887 underrecovery.
FPL: \$46,612,090 overrecovery.
GULF: \$466,176 underrecovery.
TECO: \$1,528,054 underrecovery.

ISSUE 27: What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2003 through December 2003?

POSITION: No position pending receipt and review of discovery.

ISSUE 28: What are the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the recovery factor for the period January 2003 through December 2003?

POSITION: No position pending receipt and review of discovery.

ISSUE 29: What are the appropriate capacity cost recovery factors for the period January 2003 through December 2003?

POSITION: No position pending resolution of Issues 27 and 28.

COMPANY-SPECIFIC CAPACITY COST RECOVERY FACTOR ISSUES

Florida Power Corporation

No company-specific issues for Florida Power Corporation have been identified at this time. If such issues are identified, they shall be numbered 30A, 30B, 30C, and so forth, as appropriate.

Florida Power & Light Company

No company-specific issues for Florida Power & Light Company have been identified at this time. If such issues are identified, they shall be numbered 31A, 31B, 31C, and so forth, as appropriate.

Gulf Power Company

No company-specific issues for Gulf Power Company have been identified at this time. If such issues are identified, they shall be numbered 32A, 32B, 32C, and so forth, as appropriate.

Tampa Electric Company

No company-specific issues for Tampa Electric Company have been identified at this time. If such issues are identified, they shall be numbered 33A, 33B, 33C, and so forth, as appropriate.

STAFF'S PREHEARING STATEMENT
DOCKET NO. 020001-EI
PAGE 16


e. Pending Motions

Staff has no pending motions.

f. Compliance with Order No. PSC-02-0377-PCO-EI

Staff has complied with all requirements of the Order Establishing Procedure entered in this docket.

Respectfully submitted this 24th day of October, 2002.



WM. COCHRAN KEATING IV
Senior Attorney
FLORIDA PUBLIC SERVICE COMMISSION
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850
(850)413-6193

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power
cost recovery clause with
generating performance incentive
factor.

DOCKET NO. 020001-EI

FILED: OCTOBER 24, 2002

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of STAFF'S
PREHEARING STATEMENT has been furnished to the following, by U.S.
Mail, this 24th day of October, 2002:

Ausley & McMullen Law Firm
James Beasley/Lee Willis
P. O. Box 391
Tallahassee, FL 32302

Florida Power & Light Co.
Bill Walker
215 South Monroe Street,
Ste. 810
Tallahassee, FL 32301-1859

Florida Industrial Power Users
Group
c/o John McWhirter, Jr.
McWhirter Reeves Law Firm
400 N. Tampa Street, Ste. 2450
Tampa, FL 33602

Florida Public Utilities Co.
George Bachman
P. O. Box 3395
West Palm Beach, FL 33402-3395

Gulf Power Company
Susan D. Ritenour
One Energy Place
Pensacola, FL 32520-0780

McWhirter Law Firm
Joe McGlothlin/Vicki Kaufman
117 S. Gadsden Street
Tallahassee, FL 32301

Messer Law Firm
Norman H. Horton, Jr.
P. O. Box 1876
Tallahassee, FL 32302-1876

Office of Public Counsel
Jack Shreve/Rob Vandiver
c/o The Florida Legislature
111 W. Madison Street, #812
Tallahassee, FL 32399-1400


Steel, Hector & Davis Law Firm
John T. Butler, P. A.
200 South Biscayne Blvd.
Suite 4000
Miami, FL 33131-2398

Tampa Electric Company
Angela Llewellyn
Regulatory Affairs
P. O. Box 111
Tampa, FL 33601-0111

CERTIFICATE OF SERVICE
DOCKET NO. 020001-EI
PAGE 2

Beggs & Lane Law Firm
Jeffrey Stone & Russell Badders
P. O. Box 12950
Pensacola, FL 32591-2950

Florida Power Corporation
James McGee
P. O. Box 14042
St. Petersburg, FL 33733-4042



WM. COCHRAN KEATING IV
Senior Attorney
FLORIDA PUBLIC SERVICE COMMISSION
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850
(850) 413-6193