

ORIGINAL



**Florida Power**

A Progress Energy Company

**JAMES A. MCGEE**  
ASSOCIATE GENERAL COUNSEL

October 24, 2002

Ms. Blanca S. Bayó, Director  
Division of the Commission Clerk  
and Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

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Re: Docket No. 020001-EI

Dear Ms. Bayó:

Enclosed for filing in the subject docket are an original and ten copies of Florida Power Corporation's Prehearing Statement.

Please acknowledge your receipt of the above filing on the enclosed copy of this letter and return to the undersigned. Also enclosed is a 3½ inch diskette containing the above-referenced document in WordPerfect format. Thank you for your assistance in this matter.

Very truly yours,

James A. McGee

JAM/scc  
Enclosure

cc: Parties of record

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DOCUMENT NUMBER - DATE

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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

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Docket No. 020001-EI

Submitted for filing:  
October 24, 2002

**PREHEARING STATEMENT OF  
FLORIDA POWER CORPORATION**

Florida Power Corporation (FPC), pursuant to Rule 25-22.038, Florida Administrative Code, hereby submits its Prehearing Statement with respect to its levelized fuel and capacity cost recovery factors and its Generating Performance Incentive Factor (GPIF) for the period of January through December 2002, and states as follows:

A. APPEARANCES

JAMES A. MCGEE, Esquire, Post Office Box 14042, St. Petersburg, FL  
33733-4042

On behalf of Florida Power Corporation

B. WITNESSES

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
Javier Portuondo	Final and Estimated True-up	1- 3, 24-26
Javier Portuondo	Fuel and Capacity Cost Projections	4-12, 13A-13I, 27-29
Michael F. Jacob	GPIF: Reward/Penalty and Targets/Ranges	18, 19

DOCUMENT NUMBER DATE

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C. EXHIBITS

<u>Exhibit No.</u>	<u>Witness</u>	<u>Description</u>
_____ (JP-1)	Portuondo	True-up Variance Analysis
_____ (JP-2)	Portuondo	Schedules A1 through A13
_____ (JP-3)	Portuondo	Forecast Assumptions (Parts A-C), Capacity Cost Recovery Factors (Part D), and Hines 2 Depreciation & Return Calculations (Part E)
_____ (JP-4)	Portuondo	Schedules E1 through E10 and H1
_____ (MFJ-1)	Jacob	GPIF Reward/Penalty Schedules
_____ (MFJ-2)	Jacob	GPIF Targets/Ranges Schedules

D. STATEMENT OF BASIC POSITION

None necessary.

E. STATEMENT OF ISSUES AND POSITIONS

(Note: The issue numbering sequence below corresponds to the issue numbers in Staff's Preliminary List of Issues.)

**Generic Fuel Adjustment Issues**

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

**FPC:** \$25,141,094 over-recovery. (Portuondo)

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

FPC: \$5,261,851 over-recovery. (Portuondo)

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

FPC: \$30,402,945 over-recovery. (Portuondo)

4. ISSUE: What is the appropriate levelized fuel cost recovery factor for the period of January through December 2003?

FPC: 2.342 cents per kWh (adjusted for jurisdictional losses). (Portuondo)

5. ISSUE: What should be the effective date of the new fuel cost recovery factors for billing purposes?

FPC: 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.

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

FPC:

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

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

FPC:

<u>Group</u>	<u>Delivery Voltage Level</u>	<u>Standard</u>	<u>Fuel Cost Factors (cents/kWh)</u>	
			<u>On-Peak</u>	<u>Off-Peak</u>
A.	Transmission	2.298	2.801	2.080
B.	Distribution Primary	2.322	2.831	2.101

C. Distribution Secondary	2.345	2.859	2.122
D. Lighting Service	2.260		
			(Portuondo)

8. ISSUE: What is the appropriate revenue tax factor to be applied in calculating each company's levelized fuel factor for the projection period of January through December 2003?

FPC: 1.00072 (Portuondo)

9. ISSUE: What is the appropriate benchmark level for calendar year 2002 for gains on non-separated wholesale energy sales eligible for a shareholder incentive as set forth by Order No. PSC-00-1744-PAA-EI, in Docket No. 991779-EI, issued September 26, 2000, for each investor-owned electric utility?

FPC: \$11,052,574 (Portuondo)

10. ISSUE: What is the appropriate estimated benchmark level for calendar year 2003 for gains on non-separated wholesale energy sales eligible for a shareholder incentive as set forth by Order No. PSC-00-1744-PAA-EI, in Docket No. 991779-EI, issued September 26, 2000, for each investor-owned electric utility?

FPC: \$8,238,615 (Portuondo)

11. ISSUE: 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?

FPC: This issue is not applicable to FPC, since it has not and will not make any such payments to GRI during the periods relevant to this proceeding. (Portuondo)

12. ISSUE: 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?

FPC: No. It is premature and unnecessary to determine whether fuel cost recovery should continue in 2006 at this time. (Portuondo)

### Company-Specific Fuel Adjustment Issues

- 13A. ISSUE: Has FPC confirmed the validity of the methodology used to determine the equity component of Electric Fuels Corporation's capital structure for calendar year 2001?

FPC: Yes. Florida Power's Audit Services Department has reviewed the analysis performed by Electric Fuels Corporation and has confirmed the appropriateness of the "short cut" method previously approved by the Commission. (Portuondo)

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

FPC: Yes. The calculation has been made in accordance with the market pricing methodology approved by the Commission in Docket No. 860001-EI-G. (Portuondo)

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

FPC: Yes. The waterborne transportation calculation has been properly made in accordance with the methodology consistently used for previous calculations that have been approved by the Commission. (Portuondo)

- 13D. ISSUE: 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?

FPC: As used in paragraph 9 of the stipulation, the term "fuel savings" is the difference in the total system cost of fuel and net power transactions based on the results of two production cost simulation model runs; a base case with Hines 2 in operation and a change case using the same assumptions and input data as the base case except for the unavailability of Hines 2. (Portuondo)

- 13E. ISSUE: 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?

FPC: As specified at the beginning of paragraph 9 in the stipulation, the term "recovery period" as used in that paragraph is the period "[b]eginning with the in-service date of Hines Unit 2 through December 31, 2005". (Portuondo)

- 13F. ISSUE: 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?

FPC: Yes. Recovery of these projected costs for FPC's implementation of post 9/11 security enhancements is appropriate and consistent with the Commission's decision at the prior fuel adjustment hearing to allow recovery of incremental security costs through the fuel clause. The amount of \$7,825,500 is FPC's revised incremental security cost as filed on October 8, 2002, which reflects a reduction of \$1.8 million to the amount originally filed based on security costs included in the Company's 2002 MFRs. (Portuondo)

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

FPC: The revisions to FPC's 2002 and 2003 fuel cost recovery amounts filed October 23, 2002 reduce the projected incremental O&M expenses associated with FPC's hedging program to a total of \$554,312. These initial developmental expenses are necessary for the implementation of a sophisticated hedging program and related infrastructure required to effectively engage in complex financial and physical hedging transactions. (Portuondo)

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

FPC: Yes. Recovery of this amount, the calculation of which is shown in Part E of the exhibit to Mr. Portuondo's September 20, 2002 testimony, is consistent with paragraph 9 of the stipulation approved by the Commission in Order No. PSC-02-0655-AS-EI, in Docket Nos. 000824-EI and 020001-EI, and is ultimately subject to offsetting cumulative fuel savings from Hines 2 over the recovery period. (Portuondo)



- 13I. ISSUE: 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?

FPC: No. Such an action would be premature and unnecessary at this time, since there has been no indication of changed circumstances or any other basis for questioning the continued validity of the waterborne transportation market proxy, which is updated annually to reflect current market conditions in accordance with a methodology developed through extensive negotiations with Staff, OPC and FPC, and ultimately approved by the Commission. (Portuondo)

#### **Generic Generating Performance Incentive Factor Issues**

18. ISSUE: What is the appropriate GPIF reward or penalty for performance achieved during the period of January through December 2001?

FPC: \$608,057 reward. (Jacob)

19. ISSUE: What should the GPIF targets/ranges be for the period of January through December, 2003?

FPC: See Attachment A (page 3 of Exhibit MFJ-1). (Jacob)

#### **Generic Capacity Cost Recovery Issues**

24. ISSUE: What is the appropriate final capacity cost recovery true-up amount for the period of January through December 2001?

FPC: \$7,787,524 under-recovery. (Portuondo)

25. ISSUE: What is the appropriate estimated capacity cost recovery true-up amount for the period of January through December 2002?

FPC: \$3,022,637 over-recovery. (Portuondo)

26. ISSUE: What is the appropriate total capacity cost recovery true-up amount to be collected during the period January through December 2003?

FPC: \$4,764,887 under-recovery. (Portuondo)

27. ISSUE: What is the appropriate projected net purchase power capacity cost recovery amount to be included in the recovery factor for the period January through December 2003?

FPC: \$357,252,657. (Portuondo)

28. ISSUE: What are the appropriate jurisdictional separation factors to be applied to determine the capacity costs to be recovered during the period January through December 2003?

FPC: Base - 95.957%, Intermediate - 86.574%, Peaking - 74.562%.  
(Portuondo)

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

<u>FPC</u> :	<u>Rate Class</u>	<u>CCR Factor</u>
	Residential	1.163 cents/kWh
	General Service Non-Demand	.872 cents/kWh
	@ Primary Voltage	.863 cents/kWh
	@ Transmission Voltage	.855 cents/kWh
	General Service 100% Load Factor	.639 cents/kWh
	General Service Demand	.757 cents/kWh
	@ Primary Voltage	.750 cents/kWh
	@ Transmission Voltage	.742 cents/kWh
	Curtaillable	.538 cents/kWh
	@ Primary Voltage	.533 cents/kWh
	@ Transmission Voltage	.528 cents/kWh
	Interruptible	.629 cents/kWh
	@ Primary Voltage	.622 cents/kWh
	@ Transmission Voltage	.616 cents/kWh
	Lighting	.185 cents/kWh

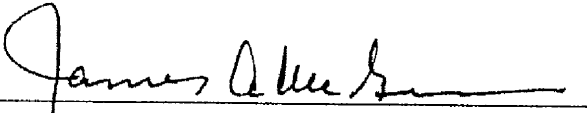
(Portuondo)

F. STIPULATED ISSUES: None at this time.

G. PENDING MOTIONS: None.

Respectfully submitted,

FLORIDA POWER CORPORATION

By 

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**FLORIDA POWER CORPORATION**

**DOCKET No. 020001-EI**

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true copy of Florida Power Corporation's Prehearing Statement has been furnished to the following individuals by regular U.S.

Mail the 24th day of October, 2002.

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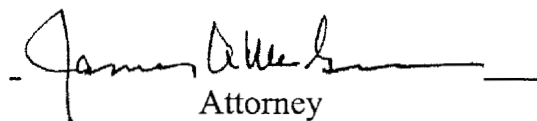
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