

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In Re: Fuel and Purchased Power Cost    )  
Recovery Clause with Generation        )  
Performance Incentive Factor            )  
\_\_\_\_\_  )  
DOCKET NO. 050001-EI  
FILED: October 17, 2005

**THE FLORIDA RETAIL FEDERATION’S PREHEARING STATEMENT**

The Florida Retail Federation (“FRF”), pursuant to the Order Establishing Procedure in this case, hereby files its Prehearing Statement.

**A.    APPEARANCES:**

**ROBERT SCHEFFEL WRIGHT**, Landers & Parsons, P.A., 310 West College Avenue, Tallahassee, Florida 32301, and

**JOHN T. LAVIA, III**, Landers & Parsons, P.A., 310 West College Avenue, Tallahassee, Florida 32301.

**On Behalf of the Florida Retail Federation.**

**B.    WITNESSES:**

None.

**C.    EXHIBITS:**

The Florida Retail Federation has no pre-filed exhibits, but reserves its rights to introduce appropriate exhibits through the witnesses of the other parties to this proceeding.

**D.    STATEMENT OF BASIC POSITION:**

The investor-owned utilities whose fuel and purchased power cost recovery charges are to be determined in this docket bear the affirmative burden of proving that their proposed charges are fair, just, and reasonable. In view of the startling cost

overruns (or "under-recoveries") experienced by these utilities in 2005, the FRF questions whether the utilities' costs are fair, just, and reasonable.

**E. STATEMENT OF ISSUES AND POSITIONS:**

The following are the FRF's positions at this time on the issues identified in the consolidated issue list distributed by the Commission Staff on October 11, 2005. As indicated below, the FRF tentatively agrees with the Office of Public Counsel on all issues but will make known any differences with the Public Counsel's positions at the prehearing conference in this case.

**GENERIC FUEL ADJUSTMENT ISSUES**

**ISSUE 1:** What are the appropriate fuel adjustment true-up amounts for the period January 2004 through December 2004?

**FRF:** Tentatively agree with OPC.

**ISSUE 2:** What are the appropriate fuel adjustment true-up amounts for the period January 2005 through December 2005?

**FRF:** Tentatively agree with OPC.

**ISSUE 3:** What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2006 to December 2006?

**FRF:** Tentatively agree with OPC.

**ISSUE 4:** Should the Commission revise the fuel cost recovery factors in April 2006, after the final 2005 true-up filing, if a utility's estimated 2005 under-recovery developed during the 2005 hurricane season exceeds the actual under-recovery?

**FRF:** Tentatively agree with OPC.

**ISSUE 5:** 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 January 2006 through December 2006?

**FRF:** Tentatively agree with OPC.

**ISSUE 6:** What are the appropriate projected net fuel and purchased power cost recovery amounts to be included in the recovery factors for the period January 2005 through December 2006?

**FRF:** Tentatively agree with OPC.

**ISSUE 7:** What are the appropriate levelized fuel cost recovery factors for the period January 2006 through December 2006?

**FRF:** Tentatively agree with OPC.

**ISSUE 8:** 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?

**FRF:** Tentatively agree with OPC.

**ISSUE 9:** What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?

**FRF:** Tentatively agree with OPC.

**ISSUE 10:** What should be the effective date of the fuel adjustment charge and capacity cost recovery charge for billing purposes?

**FRF:** Tentatively agree with OPC.

**ISSUE 11:** What are the appropriate actual benchmark levels for calendar year 2005 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

**FRF:** Tentatively agree with OPC.

**ISSUE 12:** What are the appropriate estimated benchmark levels for calendar year 2006 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

**FRF:** Tentatively agree with OPC.

### **COMPANY-SPECIFIC FUEL ADJUSTMENT ISSUES**

#### **Progress Energy Florida**

**ISSUE 13A:** Has Progress Energy Florida confirmed the validity of the methodology used to determine the equity component of Progress Fuels Corporation's capital structure for calendar year 2004?

**FRF**: Tentatively agree with OPC.

**ISSUE 13B**: Has Progress Energy Florida properly calculated the 2004 price for waterborne transportation services provided by Progress Fuels Corporation?

**FRF**: Tentatively agree with OPC.

**ISSUE 13C**: Are PEF's proposed inverted residential fuel factors appropriate?

**FRF**: Tentatively agree with OPC.

**ISSUE 13D**: Did Progress Energy Florida appropriately refund to its ratepayers the overpayments of \$6.1 million made to 16 qualifying facilities between August 2003 and August 2004?

**FRF**: Tentatively agree with OPC.

**ISSUE 13E**: Did Progress Energy Florida prudently incur the additional \$17.5 million in incremental fuel costs due to the impact of the 2004 hurricane season?

**FRF**: Tentatively agree with OPC.

**ISSUE 13F**: Should the Commission grant Progress Energy Florida's petition for approval of waterborne coal transportation service contracts?

**FRF**: Tentatively agree with OPC.

**ISSUE 13G**: Are costs associated with Progress Energy Florida's contract with Virginia Power Energy Marketing for long term natural gas supply and transportation reasonable and appropriate for recovery?

**FRF**: Tentatively agree with OPC.

**ISSUE 13H**: Has Progress Energy Florida adequately mitigated the price risk for natural gas, residual oil, and purchased power for 2004 through 2006?

**FRF**: Tentatively agree with OPC.

**ISSUE 13I**: Is PEF's request for recovery of \$10,413,156 for coal car investment, carrying costs for coal in transit, and coal procurement reasonable?

**FRF**: Tentatively agree with OPC.

ISSUE 13J: Should the Commission approve PEF's request for recovery of capacity and energy costs associated with PEF's wholesale purchase contract with Central Power & Lime, commencing in December 2005, subject to subsequent review of the costs incurred pursuant to the contract for reasonableness and prudence?

**FRF:** Tentatively agree with OPC.

ISSUE 13K: Did PEF prudently incur its incremental fuel costs due to the impact of the 2005 hurricane season?

**FRF:** Tentatively agree with OPC.

ISSUE 13L: Were the prices that PEF paid to Progress Energy Fuels Corporation for coal reasonable in amount? If not, what adjustment should be made?

**FRF:** Tentatively agree with OPC.

ISSUE 13M: Should the Commission order PEF to collect its \$264.9 million under-recovery over a two-year period?

**FRF:** Tentatively agree with OPC.

No additional company-specific issues for Progress Energy Florida have been identified at this time.

#### Florida Power & Light Company

ISSUE 14A: Did Florida Power & Light prudently incur the additional \$50,162,000 in incremental fuel costs due to the impact of the 2004 hurricane season?

**FRF:** Tentatively agree with OPC.

ISSUE 14B: Is FPL's incremental 2006 hedging O&M expense of \$496,485 reasonable and appropriate for recovery?

**FRF:** Tentatively agree with OPC.

ISSUE 14C: Should the Commission authorize FPL to defer collecting \$384,681,845 of its 2005 actual/estimated true-up until 2007?

**FRF:** Tentatively agree with OPC.

ISSUE 14D: Has FPL adequately mitigated the price risk of natural gas, residual oil, and purchased power for 2004 through 2006?

FRF: Tentatively agree with OPC.

ISSUE 14E: Are the replacement fuel and purchased power costs associated with the unplanned outage at Turkey Point Unit 4, commencing on June 27, 2005, reasonable and appropriate for recovery at this time?

FRF: Tentatively agree with OPC.

ISSUE 14F: Should the Commission approve FPL's request to recover through the fuel clause approximately \$30 million for its St. Lucie Unit 2 Steam Generator Sleeving Project?

FRF: Tentatively agree with OPC.

ISSUE 14G: Should FPL credit the net proceeds of \$6,442,183 from the settlement between the U.S. Department of Energy and FPL, among other parties, to the fuel clause?

FRF: Tentatively agree with OPC.

ISSUE 14H: Are FPL's proposed inverted residential fuel factors appropriate?

FRF: Tentatively agree with OPC.

ISSUE 14I: Did FPL prudently incur its incremental fuel costs due to the impact of the 2005 hurricane season?

FRF: Tentatively agree with OPC.

No additional company-specific issues for Florida Power & Light Company have been identified at this time.

Florida Public Utilities Company

ISSUE 15A: Has Florida Public Utilities Company made the adjustments as noted in Audit Exception No. 1 to Audit No. 05-028-4-2 to its Northeast Division's fuel revenues?

FRF: Tentatively agree with OPC.

ISSUE 15B: What is the appropriate regulatory treatment for fees paid to Christensen and Associates to perform FPUC's request for proposals for wholesale capacity and energy commencing 2008 and develop a rate-smoothing surcharge for 2006 and 2007?

FRF: Tentatively agree with OPC.

ISSUE 15C: Should the Commission grant Florida Public Utilities Company's request to adopt a surcharge to its fuel factor(s) to phase in future higher wholesale capacity and energy costs, expected to begin in January 2008?

FRF: Tentatively agree with OPC.

ISSUE 15D: Should the Commission grant Florida Public Utilities Company's request to adopt a consolidated fuel factor for its two divisions?

FRF: Tentatively agree with OPC.

No additional company-specific issues for Florida Public Utilities Company have been identified at this time.

#### Gulf Power Company

ISSUE 16A: Should Gulf Power recover associated replacement fuel and purchased power costs prior to exhausting all avenues of redress against the party or parties which manufactured, delivered, or installed the turbine at the Smith Unit 3 which failed during 2005?

FRF: Tentatively agree with OPC.

ISSUE 16B: Has Gulf Power adequately mitigated the price risk of natural gas and purchased power for 2004 through 2006?

FRF: Tentatively agree with OPC.

ISSUE 16C: Did Gulf Power prudently incur its incremental fuel costs due to the impact of the 2005 hurricane season?

FRF: Tentatively agree with OPC.

ISSUE 16D: Is Gulf Power Company's incremental 2006 hedging O&M expense of \$28,080 reasonable and appropriate for recovery?

FRF: Tentatively agree with OPC.

No additional company-specific issues for Gulf Power Company have been identified at this time.

Tampa Electric Company

ISSUE 17A: Pursuant to Order No. PSC-04-0999-FOF-EI, in Docket No. 031033-EI, issued October 12, 2004, has Tampa Electric Company made the appropriate adjustments to its 2004 waterborne coal transportation costs for recovery purposes?

FRF: Tentatively agree with OPC.

ISSUE 17B: Has Tampa Electric Company properly adjusted its waterborne coal transportation costs associated with transportation services provided by TECO Transport in the recovery factor for the period January 2006 through December 2006?

FRF: Tentatively agree with OPC.

ISSUE 17C: Did Tampa Energy Company prudently incur the additional \$2,736,764 in incremental fuel and purchased power costs due to the impact of the 2004 hurricane season?

FRF: Tentatively agree with OPC.

ISSUE 17D: Did Tampa Electric Company prudently incur its incremental fuel costs due to the impact of the 2005 hurricane season?

FRF: Tentatively agree with OPC.

ISSUE 17E: Should Tampa Electric recover associated replacement fuel and purchased power costs prior to exhausting all avenues of redress against the party or parties which manufactured, delivered, or installed the rotor at Polk Unit 1 which failed and caused an unplanned outage at Polk Unit 1, commencing January 18, 2005?

FRF: Tentatively agree with OPC.

ISSUE 17F: Has Tampa Electric adequately mitigated the price risk of natural gas and purchased power for 2004 through 2006?

FRF: Tentatively agree with OPC.



ISSUE 17G: Should Tampa Electric recover associated replacement fuel costs prior to exhausting all avenues of redress against No. 1 Contractors for failure to deliver coal as set forth in its March, 2004, contract with Tampa Electric?

FRF: Tentatively agree with OPC.

ISSUE 17H: Is Tampa Electric's new long-term firm service agreement with Gulfstream Natural Gas System, LLC to provide natural gas transportation to Bayside Generating Station prudent?

FRF: Tentatively agree with OPC.

ISSUE 17I: Is Tampa Electric Company's incremental 2006 hedging O&M expense of \$235,798 reasonable and appropriate for recovery?

FRF: Tentatively agree with OPC.

ISSUE 17J: Was Tampa Electric Company's decision to purchase synthetic coal from Synthetic American Fuel, LLC, commencing January 2005, prudent?

FRF: Tentatively agree with OPC.

No additional company-specific issues for Tampa Electric Company have been identified at this time.

### **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 2004 through December 2004 for each investor-owned electric utility subject to the GPIF?

FRF: Tentatively agree with OPC.

ISSUE 19: What should the GPIF targets/ranges be for the period January 2006 through December 2006 for each investor-owned electric utility subject to the GPIF?

FRF: Tentatively agree with OPC.

### **COMPANY-SPECIFIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES**

Florida Power & Light Company

No company-specific issues for Florida Power & Light Company, other than those embedded in the generic GPIF issues listed above, have been identified at this time.

Progress Energy Florida

No company-specific issues for Progress Energy Florida, other than those embedded in the generic GPIF issues listed above, have been identified at this time.

Gulf Power Company

No company-specific issues for Gulf Power Company, other than those embedded in the generic GPIF issues listed above, have been identified at this time.

Tampa Electric Company

No company-specific issues for Tampa Electric Company, other than those embedded in the generic GPIF issues listed above, have been identified at this time.

**GENERIC CAPACITY COST RECOVERY FACTOR ISSUES**

**ISSUE 24:** What are the appropriate capacity cost recovery true-up amounts for the period January 2004 through December 2004?

**FRF:** Tentatively agree with OPC.

**ISSUE 25:** What are the appropriate capacity cost recovery true-up amounts for the period January 2005 through December 2005?

**FRF:** Tentatively agree with OPC.

**ISSUE 26:** What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2006 through December 2006?

**FRF:** Tentatively agree with OPC.

**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 2006 through December 2006?

**FRF:** Tentatively agree with OPC.

**ISSUE 28:** What are the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the recovery factors for the period January 2006 through December 2006?

**FRF:** Tentatively agree with OPC.

**ISSUE 29:** What are the appropriate capacity cost recovery factors for the period January 2006 through December 2006?

**FRF:** Tentatively agree with OPC.

### **COMPANY-SPECIFIC CAPACITY COST RECOVERY FACTOR ISSUES**

#### **Progress Energy Florida**

**ISSUE 30A:** Has PEF provided sufficient evidence to justify its increase in capacity costs?

**FRF:** Tentatively agree with OPC.

**ISSUE 30B:** Are PEF's actual and projected expenses for 2004 through 2006 for its post-September 11, 2001 security measures reasonable for cost recovery purposes?

**FRF:** Tentatively agree with OPC.

No additional company-specific issues for Progress Energy Florida, other than those embedded in the generic issues listed above, have been identified at this time. If such issues are identified, they shall be numbered 30C, 30D, 30E, and so forth, as appropriate.

#### **Florida Power & Light Company**

**ISSUE 31A:** Is FPL's requested post-9/11 security compliance cost for 2004, 2005, and 2006 (projected) at its nuclear power plants reasonable and appropriate for recovery?

**FRF:** Tentatively agree with OPC.

No additional company-specific issues for Florida Power & Light, other than those embedded in the generic issues listed above, have been identified at this time.

#### **Gulf Power Company**

No company-specific issues for Gulf Power Company, other than those embedded in the generic issues listed above, have been identified at this time.

Tampa Electric Company

No company-specific issues for Tampa Electric Company, other than those embedded in the generic issues listed above, have been identified at this time.

**F. STIPULATED ISSUES:**

None at this time.

**G. PENDING MOTIONS:**

The FRF is not aware of any pending motions other than motions for protection of confidential information.

**H. PENDING CONFIDENTIALITY CLAIMS OR REQUESTS:**

The FRF is not aware of any pending motions for protection of confidential information that it disputes.

**I. COMPLIANCE WITH ORDER NO. PSC-05-0281-PCO-EI:**

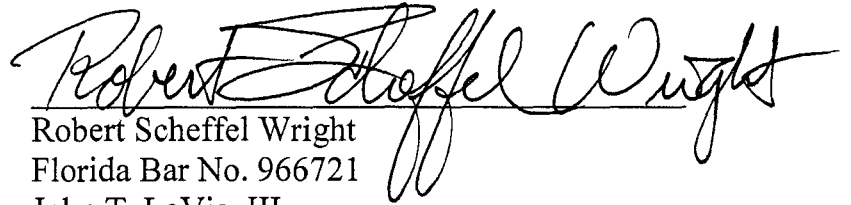
The FRF is not aware of any requirements of the procedural orders in this case with which the FRF cannot comply.

**J. OBJECTIONS TO WITNESSES' QUALIFICATIONS:**

The FRF reserves its rights to challenge the grounds for and substance of witnesses' opinions at the prehearing conference or at hearing.

Respectfully submitted this 17th day of October, 2005.

LANDERS & PARSONS, P.A.

A handwritten signature in black ink, reading "Robert Scheffel Wright". The signature is written in a cursive style with a horizontal line drawn through the middle of the text.

Robert Scheffel Wright  
Florida Bar No. 966721  
John T. LaVia, III  
Florida Bar No. 853666  
310 West College Avenue (32301)  
Post Office Box 271  
Tallahassee, Florida 32302  
Phone: 850/681-0311  
FAX: 850/224-5595

Attorneys for the Florida  
Retail Federation

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the above and foregoing has been furnished by e-mail and U.S. Mail to the following parties of record this 17<sup>th</sup> day of October, 2005:

Adrienne Vining, Esq.  
Jennifer Rodan, Esq.  
Division of Legal Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Harold McLean, Esq.  
Patricia A. Christensen, Esq.  
Office of Public Counsel  
111 West Madison Street, Room 812  
Tallahassee, FL 32399-1400

Lee L. Willis, Esq.  
James D. Beasley, Esq.  
Ausley & McMullen  
227 South Calhoun Street  
Tallahassee, FL 32301

John T. Butler, Esq.  
Steel Hector & Davis LLP  
200 S. Biscayne Blvd., Suite 4000  
Miami, FL 33131-2398

Jeffrey A. Stone, Esq.  
Russell Badders, Esq.  
Beggs & Lane  
P.O. Box 12950  
Pensacola, FL 32591

James A. McGee, Esq.  
Progress Energy Florida, Inc.  
100 Central Avenue, Suite CX1D  
St. Petersburg, FL 33701

Norman H. Horton, Esq.  
Floyd R. Self, Esq.  
Messer, Caparello & Self  
215 South Monroe Street, Suite 701  
Tallahassee, FL 32301

Ms. Cheryl Martin  
Florida Public Utilities Company  
P.O. Box 3395  
West Palm Beach, FL 33402

Jon Moyle, Esq.  
Moyle, Flanigan, Raymond & Sheean  
The Perkins House  
118 North Gadsden Street  
Tallahassee, FL 32301

Timothy J. Perry, Esq.  
McWhirter, Reeves & Davidson, P.A.  
117 South Gadsden Street  
Tallahassee, FL 32301

Florida Industrial Power Users Group  
c/o John W. McWhirter, Jr., Esq.  
McWhirter, Reeves & Davidson, P.A.  
400 North Tampa Street, Suite 2450  
Tampa, FL 33602

Mark Hoffman, Esq.  
CSX Transportation, Inc.  
500 Water St., 14th Floor  
Jacksonville, FL 32202

Mr. Bill Walker  
Florida Power & Light Company  
215 South Monroe Street, Suite 810  
Tallahassee, FL 32301-1859

R. Wade Litchfield, Esq.  
Florida Power & Light Company (Juno)700 Universe Blvd.  
Juno Beach, FL 33408

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

Gary V. Perko, Esq.  
Hopping Law Firm  
P.O. Box 6526  
Tallahassee, FL 32314-6526

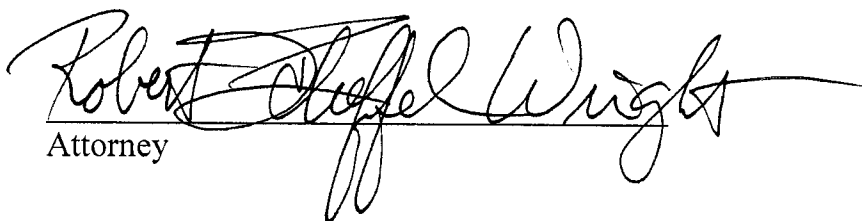
Ms. Angela Llewellyn  
Tampa Electric Company  
Administrator, Regulatory Coordination  
P. O. Box 111  
Tampa, FL 33602

Thomas K. Churbuck  
911 Tamarind Way  
Boca Raton, FL 33486

AARP  
c/o Mike B. Twomey, Esq.  
P. O. Box 5256  
Tallahassee, FL 32314-5256

Myron Rollins  
Black & Veatch  
11401 Lamar Avenue  
Overland Park, KS 66211

Lt. Col. K. White/Major C. Paulson  
Federal Executive Agencies  
c/o AFCESA/ULT  
139 Barnes Drive  
Tyndall Air Force Base, FL 32403

  
Attorney