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October 13, 2008

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Ms. Ann Cole, Director  
Division of Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

Re: Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor; FPSC Docket No. 080001-EI

Dear Ms. Cole:

Enclosed for filing in the above docket are the original and fifteen (15) copies of Tampa Electric Company's Prehearing Statement.

Also enclosed is a CD containing the above-referenced Prehearing Statement generated on a Windows 98 operating system and using Word 2000 as the word processing software.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning same to this writer.

*3 x CD forwarded*  
Thank you for your assistance in connection with this matter.

Sincerely,

  
James D. Beasley

JDB/cd  
Enclosure

cc: All Parties of Record (w/enc.)

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and Purchased )  
Power Cost Recovery Clause )  
And Generating Performance )  
Incentive Factor. )  
\_\_\_\_\_ )

DOCKET NO. 080001-EI  
FILED: October 13, 2008

**TAMPA ELECTRIC COMPANY'S  
PREHEARING STATEMENT**

**A. APPEARANCES:**

LEE L. WILLIS  
JAMES D. BEASLEY  
Ausley & McMullen  
Post Office Box 391  
Tallahassee, Florida 32302  
On behalf of Tampa Electric Company

**B. WITNESSES:**

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
(Direct)		
1. Carlos Aldazabal (TECO)	Fuel Adjustment True-up and Projections	1, 2, 3, 4, 5, 6, 7, 8, 9
	Capacity Cost Recovery True-up and Projections	19, 20, 21, 22, 23, 24
	Proposed Wholesale Incentive Benchmark	10, 11
	Adjustment to Waterborne Coal Transportation Rates	16D
	Inverted Fuel Factors	16E
	Fuel Factors by Voltage Level	16F

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2.	Brian S. Buckley (TECO)	GPIF Reward/Penalty and Targets/Ranges	17, 18
3.	Benjamin F. Smith (TECO)	Purchased Power Costs	5, 22
		Mitigation of Price Risk for Purchased Power	16A, 16B
4.	Joann T. Wehle (TECO)	Fuel Commodity and Transportation Costs	5
		Mitigation of Price Risk for Natural Gas	16A, 16B

**C. EXHIBITS:**

<u>Exhibit</u>	<u>Witness</u>	<u>Description</u>
<u>                    </u> (CA-1)	Aldazabal	Fuel Cost Recovery January 2007 - December 2007
<u>                    </u> (CA-1)	Aldazabal	Capacity Cost Recovery January 2007 – December 2007
<u>                    </u> (CA-2)	Aldazabal	Fuel Cost Recovery, Projected January 2008 – December 2008
<u>                    </u> (CA-2)	Aldazabal	Capacity Cost Recovery, Projected January 2008 – December 2008
<u>                    </u> (CA-3)	Aldazabal	Fuel Cost Recovery, Projected January 2009 – December 2009
<u>                    </u> (CA-3)	Aldazabal	Capacity Cost Recovery, Projected January 2009 – December 2009
<u>                    </u> (CA-3)	Aldazabal	Levelized and Tiered Fuel Rate
<u>                    </u> (DRK-1)*	Buckley	Generating Performance Incentive Factor Results January 2007 – December 2007
<u>                    </u> (BSB-1)	Buckley	Generating Performance Incentive Factor Estimated January 2009 – December 2009

\* The testimony and exhibit of David R. Knapp filed April 1, 2008 was adopted by GPIF witness Brian S. Buckley.

**D. STATEMENT OF BASIC POSITION**

**Tampa Electric Company's Statement of Basic Position:**

The Commission should approve Tampa Electric's calculation of its fuel adjustment, capacity cost recovery and GPIF true-up and projection calculations, including the proposed fuel adjustment factor of 6.766 cents per kWh before any application of time of use multipliers for on-peak or off-peak usage; the proposed average capacity cost recovery factor of 0.467 cents per KWH during the period January through April 2009 and modified factors that reflect rate design changes, to be effective coincident with the effective date of base rate modifications proposed in Docket No. 080317-EI; a GPIF penalty of \$849,634 and approval of the company's proposed GPIF targets and ranges for the forthcoming period based on the methodology agreed to by staff and intervenors in 2006. Tampa Electric also requests approval of its calculated wholesale incentive benchmark of \$816,969 for calendar year 2009.

**E. STATEMENT OF ISSUES AND POSITIONS**

**Generic Fuel Adjustment Issues**

Issue 1: What are the appropriate final fuel adjustment true-up amounts for the period January 2007 through December 2007?

TECO: \$21,121,127 under-recovery. (Witness: Aldazabal)

Issue 2: What are the appropriate estimated fuel adjustment true-up amounts for the period January 2008 through December 2008?

TECO: \$111,761,811 under-recovery. (Witness: Aldazabal)

Issue 3: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2009 to December 2009?

TECO: \$132,882,938 under-recovery. (Witness: Aldazabal)

Issue 4: 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 2009 through December 2009?

TECO: The appropriate revenue tax factor is 1.00072. (Witness: Aldazabal)

Issue 5: What are the appropriate projected net fuel and purchased power cost recovery amounts to be included in the recovery factors for the period January 2009 through December 2009?

TECO: The projected net fuel and purchased power cost recovery amount to be included in the recovery factor for the period January 2009 through December 2009, adjusted by the jurisdictional separation factor, is \$1,217,300,982. The total recoverable fuel and purchased power cost recovery amount to be collected, including the true-up and GPIF and adjusted for the revenue tax factor, is \$1,350,306,418. (Witness: Aldazabal, Smith, Wehle)

Issue 6: What are the appropriate levelized fuel cost recovery factors for the period January 2009 to December 2009?

TECO: The appropriate factor is 6.766 cents per kWh before any application of time of use multipliers for on-peak or off-peak usage. (Witness: Aldazabal)

Issue 7: 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?

TECO: The appropriate fuel recovery line loss multipliers are as follows:

<u>Metering Voltage Schedule</u>	<u>Line Loss Multiplier</u>
Distribution Secondary	1.0000
Distribution Primary	0.9900
Transmission	0.9800
Lighting Service	1.0000

(Witness: Aldazabal)

Issue 8: What are the appropriate fuel cost recovery factors for each rate class/metering voltage level?

TECO: The appropriate factors are as follows:

<u>Metering Voltage Level</u>	<u>Fuel Charge Factor (cents per kWh)</u>	
Secondary	6.766	
Tier I (Up to 1,000 kWh)	6.416	
Tier II (Over 1,000 kWh)	7.416	
Distribution Primary	6.698	
Transmission	6.631	
Lighting Service	6.485	
Distribution Secondary	8.290	(on-peak)
	6.116	(off-peak)
Distribution Primary	8.207	(on-peak)
	6.055	(off-peak)
Transmission	8.124	(on-peak)
	5.994	(off-peak)

(Witness: Aldazabal)

Issue 9: What should be the effective date of the fuel adjustment charge and capacity cost recovery charge for billing purposes?

TECO: For fuel, the new factors should be effective beginning with the specified billing cycle and thereafter for the period January 2009 and thereafter through the last billing cycle for December 2009. The first billing cycle may start before January 1, 2009, and the last billing cycle may end after December 31, 2009, so long as each customer is billed for 12 months regardless of when the fuel factors became effective. The capacity factors are annualized factors that are expected to apply for the period January through April 2009 with a revision to those factors coincident with the effective date of the base rate modifications. (Witness: Aldazabal)

Issue 10: What are the appropriate actual benchmark levels for calendar year 2008 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

TECO: \$811,478. (Witness: Aldazabal)

Issue 11: What are the appropriate estimated benchmark levels for calendar year 2009 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

TECO: \$816,969. (Witness: Aldazabal)

## Company-Specific Fuel Adjustment Issues

### Tampa Electric Company

Issue 16A: Should the Commission approve as prudent, TECO's actions to mitigate the volatility of natural gas, residual oil and purchased power prices, as reported in TECO's April 2008 and September 2008 hedging reports?

TECO: Yes. Tampa Electric prudently followed its 2007 and 2008 Risk Management Plans and accordingly utilized financial hedges to mitigate volatility of natural gas prices during the period January 2007 through July 2008. (Witness: Wehle, Smith)

Issue 16B: Should the Commission approve TECO's 2009 Risk Management Plan?

TECO: Yes. Tampa Electric's 2009 Risk Management Plan provides prudent, non-speculative guidelines for mitigating price volatility while ensuring supply reliability. (Witness: Wehle, Smith)

Issue 16C: In procuring transportation contracts, has TECO complied with the requirements of Order No. PSC-04-0999-FOF-EI, issued October 12, 2004, in Docket No. 031033?

TECO: Yes. Tampa Electric complied with all requirements of Order No. PSC-04-0999-FOF-EI in procuring its fuel transportation contracts that take effect beginning January 1, 2009. (Witness: Wehle)

Issue 16D: For 2007 and 2008, has TECO properly calculated the adjustment to coal transportation rates required by Order No. PSC-04-0999-FOF-EI, issued October 12, 2004, in Docket No. 031033?



TECO: Yes. Tampa Electric properly calculated the coal transportation rate adjustment described in Order No. PSC-04-0999-FOF-EI, issued October 12, 2004, in Docket No. 031033. (Witness: Aldazabal)

Issue 16E: Should the Commission approve TECO's proposed inverted fuel factors for the residential class?

TECO: Yes. The Commission should approve the proposed fuel factors for the residential class that include one rate for the first 1,000 kWh usage per month and a second rate for usage over the first 1,000 kWh per month. (Witness: Aldazabal)

Issue 16F: Should the Commission approve TECO's proposal to establish fuel factors by voltage level?

TECO: Yes. The Commission should approve the company's proposed fuel factors by voltage level. (Witness: Aldazabal)

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

Issue 17: What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period January 2007 through December 2007 for each investor-owned electric utility subject to the GPIF?

TECO: A penalty in the amount of \$849,634 . (Witness: Buckley)

Issue 18: What should the GPIF targets/ranges be for the period January 2009 through December 2009 for each investor-owned electric utility subject to the GPIF?

TECO: The appropriate targets and ranges are shown in Exhibit No. \_\_\_\_ (BSB-1) to the prefiled testimony of Mr. Brian S. Buckley. Targets and ranges should be set according to the prescribed GPIF methodology established in 1981 by

Commission Order No. 9558 in Docket No. 800400-CI and later modified in 2006 after meeting with Staff and intervening parties at the request of the Commission.  
(Witness: Buckley)

**Generic Capacity Cost Recovery Factor Issues**

Issue 19: What are the appropriate final capacity cost recovery true-up amounts for the period January 2007 through December 2007?

TECO: \$3,726,521 under-recovery. (Witness: Aldazabal)

Issue 20: What are the appropriate estimated capacity cost recovery true-up amounts for the period January 2008 through December 2008?

TECO: \$16,102,421 under-recovery. (Witness: Aldazabal)

Issue 21: What are the appropriate total capacity cost recovery true-up amounts to be collected/ refunded during the period January 2009 through December 2009?

TECO: \$19,828,942 under-recovery. (Witness: Aldazabal)

Issue 22: What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2009 through December 2009?

TECO: The purchased power capacity cost recovery amount to be included in the recovery factor for the period January 2009 through December 2009, adjusted by the jurisdictional separation factor, is \$49,013,796. The total recoverable capacity cost recovery amount to be collected, including the true-up amount and adjusted for the revenue tax factor, is \$65,926,774. (Witness: Aldazabal, Smith)

Issue 23: What are the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the recovery factor for the period January 2009 through December 2009?

TECO: The appropriate jurisdictional separation factor is 0.9639735. (Witness: Aldazabal)

Issue 24: What are the appropriate capacity cost recovery factors for the period January 2009 through December 2009?

TECO: The appropriate factors for January 2009 through April 2009 are as follows:

<u>Rate Schedule and Metering Voltage</u>	<u>Capacity Cost Recovery Factor (cents per kWh)</u>
RS Secondary	0.580
GS and TS Secondary	0.547
GSD	
Secondary	0.429
Primary	0.425
Transmission	0.420
GSLD and SBF	
Secondary	0.377
Primary	0.373
Transmission	0.369
IS-1, IS-3, SBI-1, SBI-3	
Secondary	0.035
Primary	0.035
Transmission	0.034

<u>Rate Schedule and Metering Voltage</u>	<u>Capacity Cost Recovery Factor (cents per kWh)</u>
SL-2, OL-1 and OL-3	
Secondary	0.089

The appropriate factors for May 2009 through December 2009 are as follows:

<u>Rate Class and Metering Voltage</u>	<u>Capacity Cost Recovery Factor</u>	
	<u>Cents per kWh</u>	<u>Cents per kW</u>
RS Secondary	0.534	
GS and TS Secondary	0.514	
GSD, SBF Standard		
Secondary		1.73
Primary		1.71
Transmission		1.70
GSD Optional		
Secondary	0.410	
Primary	0.406	
Transmission	0.402	
LS1 Secondary	0.166	

(Witness: Aldazabal)

### **Company-Specific Capacity Cost Recovery Factor Issues**

Issue 32A: Should the Commission approve TECO's projected capacity cost recovery factors effective in May 2009 based on TECO's rate design modifications proposed in Docket No. 080317-EI?

TECO: Yes, the Commission should approve Tampa Electric's projected capacity cost recovery factors effective in May 2009, concurrent with and based on proposed

rate design modifications proposed in Docket No. 080317-EI. (Witness: Aldazabal)

Issue 32B: Should the Commission approve TECO's proposal to recover capacity costs on a demand basis from demand-measured customers effective May 2009?

TECO: Yes, the Commission should approve Tampa Electric's proposal to recover capacity costs on a demand basis from demand-measured customers effective May 2009. (Witness: Aldazabal)

**F. STIPULATED ISSUES**

TECO: None at this time.

**G. MOTIONS**

TECO: None at this time.

**H. PENDING REQUEST OR CLAIMS FOR CONFIDENTIALITY**

TECO: Tampa Electric has pending several requests for confidential treatment of information relating to hedging practices, risk management strategies and fuel and fuel transportation contract matters.

**I. OBJECTIONS TO A WITNESS'S QUALIFICATION AS AN EXPERT**

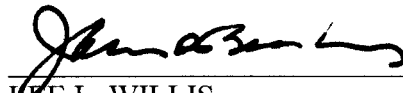
TECO: None at this time.

**J. OTHER MATTERS**

TECO: None at this time.

DATED this 13<sup>th</sup> day of October 2008.

Respectfully submitted,



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ATTORNEYS FOR TAMPA ELECTRIC COMPANY

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing Preliminary List of Issues and Positions, filed on behalf of Tampa Electric Company, has been furnished by U. S. Mail or hand delivery (\*) on this 13<sup>th</sup> day of October 2008 to the following:

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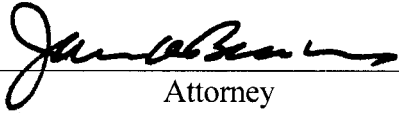
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