

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 130001-EI

DATED: October 7, 2013

COMMISSION
CLERK

COMMISSION STAFF'S PREHEARING STATEMENT

Pursuant to Order No. PSC-13-0069-PCO-EI, filed February 4, 2013, Order No. PSC-13-0104-PCO-EI, filed February 27, 2013, and Order No. PSC-13-0115-PCO-PU, filed March 7, 2013, the Staff of the Florida Public Service Commission files its Prehearing Statement.

a. All Known Witnesses

<u>Witness</u>	<u>Subject</u>
Ileana H. Piedra	Staff Audit Report Hedging Activities – Florida Power & Light Company
Simon O. Ojada	Staff Audit Report Hedging Activities – Duke Energy Florida Inc.
Debra M. Dobiac	Staff Audit Report Hedging Activities – Gulf Power Company
Ronald A. Mavrides	Staff Audit Report Hedging Activities – Tampa Electric Company.

b. All Known Exhibits

<u>Exhibit</u>	<u>Title</u>
IHP-1	Direct testimony of Ileana H. Piedra
SOO-1	Direct testimony of Simon O. Ojada
DMD-1	Direct testimony of Debra M. Dobiac
RAM-1	Direct testimony of Ronald A. Mavrides

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

I. FUEL ISSUES

COMPANY-SPECIFIC FUEL ADJUSTMENT ISSUES

Duke Energy Florida, Inc.

ISSUE 1A: Should the Commission approve as prudent, DEF's actions to mitigate the volatility of natural gas, residual oil, and purchased power prices, as reported in DEF's April 2013 and August 2013 hedging reports?

POSITION: Staff has no position at this time.

ISSUE 1B: Should the Commission approve DEF's 2014 Risk Management Plan?

POSITION: Staff has no position at this time.

ISSUE 1C: Has DEF correctly reflected necessary refunds and adjustments pursuant to either the Settlement approved in Order No. PSC-12-0104-FOF-EI or the Revised and Restated Stipulation and Settlement Agreement filed in Docket 130208, as appropriate, in the calculation of the 2014 factors?

POSITION: Staff has no position at this time.

Florida Power & Light Company

ISSUE 2A: Should the Commission approve as prudent, FPL's actions to mitigate the volatility of natural gas, residual oil, and purchased power prices, as reported in FPL's April 2013 and August 2013 hedging reports?

POSITION: Staff has no position at this time.

ISSUE 2B: Should the Commission approve FPL's 2014 Risk Management Plan?

POSITION: Staff has no position at this time.

ISSUE 2C: What is the appropriate amount of Incremental Optimization Costs for Personnel, Software, and Hardware Costs that FPL should be allowed to recover through the Fuel Clause?

POSITION: Staff has no position at this time.

ISSUE 2D: What is the appropriate amount of Incremental Optimization Costs for Variable Power Plant Operations and Maintenance Costs over the 514 Megawatt Threshold that FPL should be allowed to recover through the Fuel Clause?

POSITION: Staff has no position at this time.

Florida Public Utilities Company

ISSUE 3A: Is FPUC's proposed method to allocate transmission costs appropriate?

POSITION: Staff has no position at this time.

ISSUE 3B: How should the lump sum payment made by Gulf Power Company (Gulf) to Florida Public Utilities Company (FPUC) to true-up capacity payments upon the reinstatement of Amendment No. 1 to FPUC's Agreement for Generation Services with Gulf be addressed?

POSITION: Staff has no position at this time.

FPUC: Agree with OPC.

OPC: Pursuant to the Stipulation filed on September 3, 2013, in Docket No. 130233-EI, and submitted for approval by the Commission at the October 24, 2013, the lump sum payment will be applied to reduce the regulatory asset established by Order No. PSC-12-600-PAA-EI, issued in Docket No. 120227-EI.

Gulf Power Company

ISSUE 4A: Should the Commission approve as prudent, Gulf's actions to mitigate the volatility of natural gas, residual oil, and purchased power prices, as reported in Gulf's April 2013 and August 2013 hedging reports?

POSITION: Staff has no position at this time.

ISSUE 4B: Should the Commission approve Gulf's 2014 Risk Management Plan?

POSITION: Staff has no position at this time.

Tampa Electric Company

ISSUE 5A: Should the Commission approve as prudent, Tampa Electric's actions to mitigate the volatility of natural gas, residual oil, and purchased power prices, as reported in Tampa Electric's April 2013 and August 2013 hedging reports?

POSITION: Staff has no position at this time.

ISSUE 5B: Should the Commission approve Tampa Electric's 2014 Risk Management Plan?

POSITION: Staff has no position at this time.

ISSUE 5C: What is the appropriate amount of capital costs for the Polk Unit One ignition oil conversion project that Tampa Electric should be allowed to recover through the Fuel Clause?

POSITION: Staff has no position at this time.

GENERIC FUEL ADJUSTMENT ISSUES

ISSUE 6: What are the appropriate actual benchmark levels for calendar year 2013 for gains on non-separated wholesale energy sales eligible for a shareholder incentive? (Not applicable to FPL).

POSITION: Staff has no position at this time.

ISSUE 7: What are the appropriate estimated benchmark levels for calendar year 2014 for gains on non-separated wholesale energy sales eligible for a shareholder incentive? (Not applicable to FPL).

POSITION: Staff has no position at this time.

ISSUE 8: What are the appropriate fuel adjustment true-up amounts for the period January 2012 through December 2012?

POSITION: Staff has no position at this time.

ISSUE 9: What are the appropriate fuel adjustment actual/estimated true-up amounts for the period January 2013 through December 2013?

POSITION: Staff has no position at this time.

ISSUE 10: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2014 to December 2014?

POSITION: Staff has no position at this time.

ISSUE 11: What are the appropriate projected total fuel and purchased power cost recovery amounts for the period January 2014 through December 2014?

POSITION: Staff has no position at this time.

COMPANY-SPECIFIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

Duke Energy Florida, Inc.

No company-specific issues for Duke Energy Florida, Inc. have been identified at this time. If such issues are identified, they shall be numbered 12A, 12B, 12C, 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 13A, 13B, 13C, 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 14A, 14B, 14C, 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 15A, 15B, 15C, and so forth, as appropriate.

GENERIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

ISSUE 16: What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period January 2012 through December 2012 for each investor-owned electric utility subject to the GPIF?

POSITION: Staff has no position at this time.

ISSUE 17: What should the GPIF targets/ranges be for the period January 2014 through December 2014 for each investor-owned electric utility subject to the GPIF?

POSITION: Staff has no position at this time.

ISSUE 18: Should the Commission consider modification of the existing GPIF mechanism at this time?

POSITION: Yes. Staff proposes a modification of the method for calculating the GPIF's incentive cap of 50 percent of the fuel savings, as demonstrated by the revision of the Original Sheet No. 3.516 of the GPIF Manual (see below). The reward and penalty amounts at different performance levels would then be calculated as a linear interpolation from the maximum allowed GPIF reward (line 23), thereby preserving the symmetrical relationship between rewards and penalties.

The setting of performance targets should be kept the same for all companies except for FPL. Due to the inception of FPL's Asset Optimization program, the setting of GPIF targets and rewards/penalties may obscure the impact of the pilot project. Therefore, FPL should be excluded from the GPIF program for the duration of the pilot program. This will ensure there will be no overlap between the GPIF and Asset Optimization programs. FPL should continue to collect performance data in the event the Asset Optimization pilot program is discontinued.

FUEL FACTOR CALCULATION ISSUES

ISSUE 19: What are the appropriate projected net fuel and purchased power cost recovery and Generating Performance Incentive amounts to be included in the recovery factor for the period January 2014 through December 2014?

POSITION: Staff has no position at this time.

ISSUE 20: 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 2014 through December 2014?

POSITION: Staff has no position at this time.

ISSUE 21: What are the appropriate levelized fuel cost recovery factors for the period January 2014 through December 2014?

POSITION: Staff has no position at this time.

ISSUE 22: 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: Staff has no position at this time.

ISSUE 23: What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?

POSITION: Staff has no position at this time.

II. CAPACITY ISSUES

COMPANY-SPECIFIC CAPACITY COST RECOVERY FACTOR ISSUES

Duke Energy Florida, Inc.

ISSUE 24: Has DEF included in the capacity cost recovery clause, the nuclear cost recovery amount ordered by the Commission in Docket No. 130009-EI?

POSITION: Staff has no position at this time.

Florida Power & Light Company

ISSUE 25A: Has FPL included in the capacity cost recovery clause, the nuclear cost recovery amount ordered by the Commission in Docket No. 130009-EI?

POSITION: Staff has no position at this time.

ISSUE 25B: Are costs (O&M and Capital Costs) related to Nuclear Regulatory Commission requirements stemming from the Fukushima incident that exceed the levels of such costs that FPL included in its 2013 test year in Docket No. 120015-EI eligible for recovery through the capacity cost recovery clause?

POSITION: Staff has no position at this time.

ISSUE 25C: What is the appropriate amount of Incremental Nuclear Regulatory Commission (Fukushima) Compliance O&M and capital costs that FPL should be allowed to recover through the Capacity Clause?

POSITION: Staff has no position at this time.

ISSUE 25D: What are the appropriate 2014 projected non-fuel revenue requirements for West County Energy Center Unit 3 (WCEC-3) to be recovered through the Capacity Clause?

POSITION: Staff has no position at this time.

ISSUE 25E: Should the Commission approve FPL's proposed generation base rate adjustment (GBRA) factor of 4.565 percent for the Riviera Beach Energy Center (RBEC)?

POSITION: Staff has no position at this time.

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 26A, 26B, 26C, 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 27A, 27B, 27C, and so forth, as appropriate.

GENERIC CAPACITY COST RECOVERY FACTOR ISSUES

ISSUE 28: What are the appropriate capacity cost recovery true-up amounts for the period January 2012 through December 2012?

POSITION: Staff has no position at this time.

ISSUE 29: What are the appropriate capacity cost recovery actual/estimated true-up amounts for the period January 2013 through December 2013?

POSITION: Staff has no position at this time.

ISSUE 30: What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2014 through December 2014?

POSITION: Staff has no position at this time.

ISSUE 31: What are the appropriate projected total capacity cost recovery amounts for the period January 2014 through December 2014?

POSITION: Staff has no position at this time.

ISSUE 32: What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2014 through December 2014?

POSITION: Staff has no position at this time.

ISSUE 33: What are the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the recovery factor for the period January 2014 through December 2014?

POSITION: Staff has no position at this time.

ISSUE 34: What are the appropriate capacity cost recovery factors for the period January 2014 through December 2014?

POSITION: Staff has no position at this time.

III. EFFECTIVE DATE

ISSUE 35: What should be the effective date of the fuel adjustment factors and capacity cost recovery factors for billing purposes?

POSITION: The new factors should be effective beginning with the first billing cycle for January 2014 and thereafter through the last billing cycle for December 2014. The first billing cycle may start before January 1, 2014, and the last cycle may be read after December 31, 2014, so that each customer is billed for twelve months regardless of when the recovery factors became effective. The new factors should continue in effect until modified by this Commission.

ISSUE 36: Should this Docket be closed?

POSITION: This docket is an on-going docket and should remain open.

e. Stipulated Issues

At this time there are no stipulated issues.

f. Pending Motions

There are no pending motions.

g. Pending Confidentiality Claims or Requests

Staff has no pending confidentiality claims or requests.

h. Objections to Witness Qualifications as an Expert

Staff has no objection to witnesses' qualifications as experts.

i. Compliance with Order No. PSC-13-0069-PCO-EI

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

Respectfully submitted this 7th day of October, 2013.

A handwritten signature in blue ink, appearing to read "Martha F. Barrera", is written over a horizontal line.

MARTHA F. BARRERA
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DATED: October 7, 2013

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the original of STAFF'S PREHEARING STATEMENT has been filed with Office of Commission Clerk and one copy has been furnished to the following by electronic and U.S. Mail, on this 7th day of October, 2013:

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