

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Prudence review to ) DOCKET NO. 960409-EI  
determine regulatory treatment ) ORDER NO. PSC-96-0567-PCO-EI  
of Tampa Electric Company's Polk ) ISSUED: April 30, 1996  
Unit. )  
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ORDER ESTABLISHING PROCEDURE

A hearing has been scheduled for Wednesday and Thursday, July 17 and 18, 1996, in this docket to determine the prudence of and appropriate regulatory treatment for Tampa Electric Company's Polk Unit.

The scope of this proceeding shall be based upon the issues raised by the parties and Commission staff (staff) up to and during the prehearing conference, unless modified by the Commission. The hearing will be conducted according to the provisions of Chapter 120, Florida Statutes, and the rules of this Commission.

Discovery

- a. Due to the expedited time schedule for this proceeding, all discovery requests and responses shall be served either by next-day express or hand delivery. All discovery responses shall be served within twenty (20) days of receipt of the discovery request. There shall be no extra time for mailing.
- b. When discovery requests are served and the respondent intends to object to or ask for clarification of the discovery request, the objection or request for clarification shall be made within ten days of service of the discovery request. This procedure is intended to reduce delay in resolving discovery disputes.
- c. The hearing in this docket is set for Wednesday, July 17 and Thursday, July 18, 1996. Unless authorized by the Prehearing Officer for good cause shown, all discovery shall be completed by Wednesday, July 10, 1996. All interrogatories, requests for admissions, and requests for production of documents shall be numbered sequentially in order to facilitate their identification. The discovery requests will be numbered sequentially within a set and any subsequent discovery requests will continue the sequential numbering system. Unless subsequently modified by the Prehearing Officer, the following shall apply: interrogatories, including all

DOCUMENT NUMBER-DATE

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subparts, shall be limited to 200, and requests for production of documents, including all subparts, shall be limited to 200.

- d. Any information provided pursuant to a discovery request for which proprietary confidential business information status is requested shall be treated by the Commission and the parties as confidential. The information shall be exempt from Section 119.07(1), Florida Statutes, pending a formal ruling on such request by the Commission, or upon the return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been made a part of the evidentiary record in the proceeding, it shall be returned expeditiously to the person providing the information. If a determination of confidentiality has been made and the information was not entered into the record of the proceeding, it shall be returned to the person providing the information within the time period set forth in Section 366.093, Florida Statutes.

#### Diskette Filings

See Rule 25-22.028(1), Florida Administrative Code, for the requirements of filing on diskette for certain utilities.

#### Prefiled Testimony and Exhibits

Pursuant to Rule 25-22.048, Florida Administrative Code, each party shall prefile, in writing, all testimony that it intends to sponsor. Such testimony shall be typed on 8 1/2 inch x 11 inch transcript-quality paper, double spaced, with 25 numbered lines, on consecutively numbered pages, with left margins sufficient to allow for binding (1.25 inches).

Each exhibit intended to support a witness' prefiled testimony shall be attached to that witness' testimony when filed, identified by his or her initials, and consecutively numbered beginning with 1. All other known exhibits shall be marked for identification at the prehearing conference. After an opportunity for opposing parties to object to introduction of the exhibits and to cross-examine the witness sponsoring them, exhibits may be offered into evidence at the hearing. Exhibits accepted into evidence at the hearing shall be numbered sequentially. The pages of each exhibit shall also be numbered sequentially prior to filing with the Commission.

An original and fifteen copies of all testimony and exhibits shall be prefiled with the Director, Division of Records and Reporting by the close of business, which is 5:00 p.m., on the date due. A copy of all prefiled testimony and exhibits shall be served by mail or hand delivery to all other parties and staff no later than the date filed with the Commission. Failure of a party to timely prefile exhibits and testimony from any witness in accordance with the foregoing requirements may bar admission of such exhibits and testimony.

Prehearing Statement

Pursuant to Rule 25-22.038(3), Florida Administrative Code, a prehearing statement shall be required of all parties in this docket. Staff will also file a prehearing statement. The original and fifteen copies of each prehearing statement shall be prefiled with the Director of the Division of Records and Reporting by the close of business, which is 5:00 p.m., on the date due. A copy of the prehearing statement shall be served on all other parties and staff no later than the date it is filed with the Commission. Failure of a party to timely file a prehearing statement shall be a waiver of any issue not raised by other parties or by the Commission. In addition, such failure shall preclude the party from presenting testimony in support of its position. Such prehearing statements shall set forth the following information in the sequence listed below.

- (a) the name of all known witnesses that may be called by the party, and the subject matter of their testimony;
- (b) a description of all known exhibits that may be used by the party, whether they may be identified on a composite basis, and the witness sponsoring each;
- (c) a statement of basic position in the proceeding;
- (d) a statement of each question of fact the party considers at issue, the party's position on each such issue, and which of the party's witnesses will address the issue;
- (e) a statement of each question of law the party considers at issue and the party's position on each such issue;
- (f) a statement of each policy question the party considers at issue, the party's position on each such issue, and which of the party's witnesses will address the issue;

- (g) a statement of issues that have been stipulated to by the parties;
- (h) a statement of all pending motions or other matters the party seeks action upon; and
- (i) a statement as to any requirement set forth in this order that cannot be complied with, and the reasons therefore.

Prehearing Conference

A prehearing conference will be held in this docket at 9:30 a.m., Tuesday, July 2, 1996 in Room 148 of the Betty Easley Conference Center, 4075 Esplanade Way, Tallahassee, Florida. The conditions of Rule 25-22.038(5)(b), Florida Administrative Code, shall be observed. Any party who fails to attend the prehearing conference, unless excused by the Prehearing Officer, will have waived all issues and positions raised in that party's prehearing statement.

Prehearing Procedure: Waiver of Issues

Any issue not raised by a party prior to the issuance of the prehearing order shall be waived by that party, except for good cause shown. A party seeking to raise a new issue after the issuance of the prehearing order shall demonstrate that: it was unable to identify the issue because of the complexity of the matter; discovery or other prehearing procedures were not adequate to fully develop the issue; due diligence was exercised to obtain facts touching on the issue; information obtained subsequent to the issuance of the prehearing order was not previously available to enable the party to identify the issue; and introduction of the issue could not be to the prejudice or surprise of any party. Specific reference shall be made to the information received, and how it enabled the party to identify the issue.

Unless a matter is not at issue for that party, each party shall diligently endeavor in good faith to take a position on each issue prior to issuance of the prehearing order. When a party is unable to take a position on an issue, it shall bring that fact to the attention of the Prehearing Officer. If the Prehearing Officer finds that the party has acted diligently and in good faith to take a position, and further finds that the party's failure to take a position will not prejudice other parties or confuse the proceeding, the party may maintain "no position at this time" prior to hearing and thereafter identify its position in a post-hearing statement of issues. In the absence of such a finding by the Prehearing Officer, the party shall have waived the entire issue.



When an issue and position have been properly identified, any party may adopt that issue and position in its post-hearing statement.

Document Identification

To facilitate the management of documents in this docket, exhibits will be numbered at the Prehearing Conference. Each exhibit submitted shall have the following in the upper right-hand corner: the docket number, the witness's name, the word "Exhibit" followed by a blank line for the exhibit number and the title of the exhibit.

An example of the typical exhibit identification format is as follows:

Docket No. 12345-TL  
J. Doe Exhibit No. [REDACTED]  
Cost Studies for Minutes of Use by Time of Day

Tentative Issues

Attached to this order as Appendix "A" is a tentative list of the issues which have been identified in this proceeding. Prefiled testimony and prehearing statements shall address the issues set forth in Appendix "A".

Controlling Dates

The following dates have been established to govern the key activities of this case.

- 1) Utility's direct testimony and exhibits May 7, 1996
- 2) Intervenor's direct testimony and exhibits June 3, 1996
- 3) Staff's direct testimony and exhibits June 7, 1996
- 4) Rebuttal testimony and exhibits June 24, 1996
- 5) Prehearing Statements June 26, 1996
- 6) Prehearing Conference July 2, 1996

- 7) Hearing July 17 - 18, 1996
- 8) Briefs August 5, 1996

Use of Confidential Information At Hearing

It is the policy of this Commission that all Commission hearings be open to the public at all times. The Commission also recognizes its obligation pursuant to Section 366.093, Florida Statutes, to protect proprietary confidential business information from disclosure outside the proceeding. Any party wishing to use any proprietary confidential business information, as that term is defined in Section 366.093, Florida Statutes, shall notify the Prehearing Officer and all parties of record by the time of the Prehearing Conference, or if not known at that time, no later than seven (7) days prior to the beginning of the hearing. The notice shall include a procedure to assure that the confidential nature of the information is preserved as required by statute. Failure of any party to comply with the seven day requirement described above shall be grounds to deny the party the opportunity to present evidence which is proprietary confidential business information.

When confidential information is used in the hearing, parties must have copies for the Commissioners, necessary staff, and the Court Reporter, in envelopes clearly marked with the nature of the contents. Any party wishing to examine the confidential material that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any appropriate protective agreement with the owner of the material. Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise the confidential information. Therefore, confidential information should be presented by written exhibit when reasonably possible to do so. At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the Court Reporter shall be retained in the Division of Records and Reporting's confidential files.

Post-hearing procedures

Rule 25-22.056(3), Florida Administrative Code, requires each party to file a post-hearing statement of issues and positions. A summary of each position of no more than 50 words, set off with

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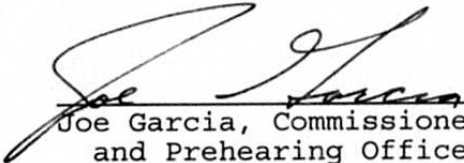
asterisks, shall be included in that statement. If a party's position has not changed since the issuance of the prehearing order, the post-hearing statement may simply restate the prehearing position; however, if the prehearing position is longer than 50 words, it must be reduced to no more than 50 words. The rule also provides that if a party fails to file a post-hearing statement in conformance with the rule, that party shall have waived all issues and may be dismissed from the proceeding.

A party's proposed findings of fact and conclusions of law, if any, statement of issues and positions, and brief, shall together total no more than 60 pages, and shall be filed at the same time. The prehearing officer may modify the page limit for good cause shown. Please see Rule 25-22.056, Florida Administrative Code, for other requirements pertaining to post-hearing filings.

Based upon the foregoing, it is

ORDERED by Commissioner Joe Garcia, as Prehearing Officer, that the provisions of this Order shall govern this proceeding unless modified by the Commission.

By ORDER of Commissioner Joe Garcia, as Prehearing Officer, this 30th day of April, 1996..

  
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Joe Garcia, Commissioner  
and Prehearing Officer

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice

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should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code, if issued by a Prehearing Officer; (2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or (3) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.



Docket No. 960409-EI  
Prudence Review to Determine Regulatory Treatment  
of Tampa Electric Company's Polk Unit

Preliminary Issues

PLANNING ISSUES

1. Was the continued construction of the Polk IGCC unit by Tampa Electric Company reasonable and prudent?
2. Were the year-to-year changes made to Tampa Electric Company's planning assumptions for the Polk IGCC unit since the 1991 need determination reasonable?
3. Were Tampa Electric Company's assumptions regarding sunk costs in each of its annual cost-benefit analysis reasonable?
4. Were Tampa Electric Company's assumptions regarding variable operations and maintenance expense in each of its annual cost-benefit analysis reasonable?
5. Were Tampa Electric Company's assumptions regarding tax credits in its 1994 and 1995 Polk IGCC cost-benefit analysis reasonable?
6. Did Tampa Electric Company adequately address its declining demand and energy forecasts in each of its annual cost-benefit analysis?

FUEL ISSUES

7. Has Tampa Electric Company demonstrated that its 1992, 1993, 1994, and 1995 fuel price forecasts were reasonable and prudent?
8. Has Tampa Electric Company demonstrated that petcoke is a reliable and viable fuel for the Polk IGCC Unit?

9. Were Tampa Electric Company's assumptions regarding the combined use of as-available natural gas and light oil as the primary fuels for a combined cycle alternative in its 1994, 1995, and 1996 Polk IGCC cost-benefit analysis reasonable?
10. Was it reasonable for Tampa Electric Company to assume as-available natural gas transportation rather than firm gas transportation in its 1992, 1993, 1994, and 1995 Polk IGCC cost-benefit analysis?

RATE BASE TREATMENT

11. What is the appropriate amount of the Polk IGCC Unit's cost to be included in rate base?
12. What is the appropriate amount of construction work in progress (CWIP) for the Polk IGCC Unit?
13. What is the appropriate depreciation rate and annual depreciation expense for the Polk IGCC Unit?
14. What is the appropriate amount of fuel inventory for the Polk IGCC Unit?
15. What is the appropriate amount of accrued taxes in working capital for the Polk IGCC Unit?
16. What is the appropriate amount of operations and maintenance (O&M) expense for the Polk IGCC Unit?
17. What is the appropriate amount of income taxes for the Polk IGCC Unit?
18. What is the appropriate amount of land and development costs for the Polk IGCC Unit?
19. What is the appropriate regulatory treatment for the Port Manatee (HIL7) site?

20. Should a portion of the Polk IGCC unit be directly assigned to wholesale ratebase?
21. Should the Polk IGCC unit be used as the basis for computing the cost of incremental off-system sales?
22. What are the appropriate capital structure components associated with the Polk IGCC unit?

ALTERNATIVE RATEMAKING TREATMENTS

23. To help reduce stranded cost exposure, should Tampa Electric Company be required to use actual revenues above its authorized return on equity low-point as additional depreciation to mitigate the cost of the Polk IGCC unit?
24. Should the Commission establish performance based rate indexing as a method of cost recovery for Tampa Electric Company's Polk IGCC unit?
25. Should Tampa Electric Company's Polk IGCC unit's cost be recovered as if it were a conventional high-efficiency natural gas-fired combined cycle unit?
26. Irrespective of any ratemaking treatment, should the Polk IGCC unit's cost be included in any future stranded cost or exit fee calculation in the event retail wheeling becomes a reality?