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June 26, 1996

ORIGINAL
FILE COPY

HAND-DELIVERED

Blanca S. Bayo, Director
Division of Records and Reporting
Gunter Building
2540 Shumard Oak Boulevard
Tallahassee, FL. 32399-0870

Re: Prudence review to determine regulatory treatment of Tampa Electric
Company's Polk Unit - Docket No. 960409-EI

Dear Ms. Bayo:

Enclosed for filing and distribution are the original and sixteen copies of The
Florida Industrial Power Users Group's Prehearing Statement in the above docket.
Also enclosed is a disk containing the referenced document, named Teco.PHS.

Please acknowledge receipt of the above on the extra copy enclosed herein and
return it to me. Thank you for your assistance.

Yours truly,

Vicki Gordon Kaufman
Vicki Gordon Kaufman

ACK 3
AFA _____
APP _____
CAF _____
CMU _____
GTR _____
EAG VGK/pw
LEG 1 Encls.
LIN 5
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RECEIVED & FILED

[Signature]
EPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

06876 JUN 26 96

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Prudence review to)
determine regulatory treatment) DCKET NO. 960409-EI
of Tampa Electric Company's Polk)
Unit.) FILED: June 26, 1996
_____)

THE FLORIDA INDUSTRIAL POWER USERS GROUP'S
PREHEARING STATEMENT

Pursuant to Order No. PSC-96-0567-PCO-EI, the Florida Industrial Power Users Group (FIPUG) files its Prehearing Statement in this docket.

A. APPEARANCES:

JOHN W. MCWHIRTER, JR, McWhirter, Reeves, McGlothlin, Davidson, Rief and Bakas, P.A., P.O. Box 3350, Tampa, Florida 33601-3350 and JOSEPH A. MCGLOTHLIN and VICKI GORDON KAUFMAN, McWhirter, Reeves, McGlothlin, Davidson, Rief and Bakas, P.A., 117 South Gadsden Street, Tallahassee, Florida 32301

On Behalf of the Florida Industrial Power Users Group.

B. WITNESSES:

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
Randall J. Falkenberg	Rate treatment for Polk IGCC	2-12, 14-16

C. EXHIBITS:

<u>Exhibit</u>	<u>Witness</u>	<u>Description</u>
RFJ-1	Falkenberg	Qualifications
RFJ-2	Falkenberg	Cost Difference Between Polk IGCC & CC
RFJ-3	Falkenberg	Correspondence from Gillette
RFJ-4	Falkenberg	Load Duration Curves

DOCUMENT NUMBER-DATE

06876 JUN 26 96

FPSC-RECORDS/REPORTING

D. STATEMENT OF BASIC POSITION:

The Florida Industrial Power Users Group's Statement of Basic Position:

Because the Polk IGCC Unit has a very high initial capital cost with minimal, if any, fuel savings in the short term, if the Commission approves TECO's investment in the plant, a phased-in approach should be used so that the high initial costs are mitigated. The cost of the combined cycle portion of the plant should be allowed in rate base; however, investment in the gasifier should be phased in on the schedule set forth in Mr. Falkenberg's testimony.

The Commission should not permit TECO to apply any future stranded cost recovery or exit fee to the Polk IGCC unit nor should the Commission establish any type of performance-based ratemaking for the Polk IGCC Unit.

E. STATEMENT OF ISSUES AND POSITIONS:

LEGAL ISSUE

1. ISSUE: What is the appropriate legal standard of review in a prudence proceeding?

FIPUG: TECO has the burden of proof in this case. TECO must show that its initial decision to construct the Polk IGCC Unit, as well as its decision to continue construction of the Unit, was prudent.

PLANNING ISSUES

2. ISSUE: Was the continued construction of the Polk IGCC unit by Tampa Electric Company reasonable and prudent?

FIPUG: The evidence will show whether TECO made an mistake in continuing with the construction of the Polk IGCC Unit. FIPUG has offered no evidence on this issue. However, if a mistake has been made, the issue then becomes who must bear the risk of the mistake--TECO's ratepayers or TECO's stockholders. FIPUG's position is that the logical way to share the risk of any mistake is through the mechanism set forth in Mr. Falkenberg's testimony. (Falkenberg)

3. ISSUE: Were Tampa Electric Company's assumptions regarding sunk costs in each of its annual cost-benefit analysis reasonable?

FIPUG: See Issue 2.

4. ISSUE: Were Tampa Electric Company's assumptions regarding variable operations and maintenance expense in each of its annual cost-benefit analysis reasonable?

FIPUG: See Issue 2.

5. ISSUE: Were Tampa Electric Company's assumptions regarding tax credits in its 1994 and 1995 Polk IGCC cost-benefit analysis reasonable?

FIPUG: See Issue 2.

6. ISSUE: Did Tampa Electric Company adequately address its declining demand and energy forecasts in each of its annual cost-benefit analysis?

FIPUG: See Issue 2.

FUEL ISSUES

7. ISSUE: Has Tampa Electric Company demonstrated that its 1992, 1993, 1994, and 1995 fuel price forecasts were reasonable and prudent?

FIPUG: See Issue 2.

8. ISSUE: Has Tampa Electric Company demonstrated that petcoke is a reliable and viable fuel for the Polk IGCC Unit?

FIPUG: See Issue 2.

9. ISSUE: 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?

FIPUG: See Issue 2.

10. ISSUE: 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?

FIPUG: See Issue 2.

RATE BASE TREATMENT

11. ISSUE: What is the appropriate amount of the Polk IGCC Unit's cost to be included in rate base?

FIPUG: The appropriate amount to be included in rate base is the cost of the combined cycle portion of the IGCC plant. If the Commission finds the gasifier portion of the plant to be a prudent investment, it should be phased in pursuant to the schedule set forth in Mr. Falkenberg's testimony. The Commission should not recognize any portion of the Polk plant as eligible for future stranded cost recovery or for an exit fee nor should the Commission establish performance-based rate indexing for any portion of the plant. (Falkenberg)

12. ISSUE: What is the appropriate amount of the Polk IGCC Unit's cost to be included in the calculation of NOI?

FIPUG: The entire cost of the IGCC plant should be included for NOI purposes but the gasifier portion should receive a deferred return as illustrated on the schedule included in Mr. Falkenberg's testimony. (Falkenberg)

13. ISSUE: What are the appropriate capital structure components associated with the Polk IGCC unit?

FIPUG: No position at this time.

OTHER

14. ISSUE: What is the appropriate regulatory treatment for the Port Manatee (HIL7) site?

FIPUG: The Port Manatee site should be excluded from rate base because it is not used and useful.

15. ISSUE: How should the capital, O&M, and fuel costs associated with wholesale sales made from the Polk IGCC unit be separated from the retail jurisdiction?

FIPUG: The Commission should assign all capacity which is not needed to serve retail ratepayers to the wholesale jurisdiction and should impute the allowed cost of the latest capacity addition to the wholesale market as the price of long term sales. (Falkenberg)

ALTERNATIVE RATEMAKING TREATMENTS

16. ISSUE: Should the Commission consider an alternative method of cost recovery for TECO's Polk IGCC unit?

FIPUG: FIPUG suggests that this issue be reworded as follows: "Should the Commission consider an alternative regulatory treatment for the Polk Unit?" FIPUG's position on that issue is that the alternative regulatory treatment discussed by Mr. Falkenberg should be used. (Falkenberg)

F. STIPULATED ISSUES:

None at this time.

G. PENDING MOTIONS:

TECO has a motion pending to exclude certain issues from this hearing; FIPUG has filed a response.

H. OTHER MATTERS:

None at this time.

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Attorneys for the Florida Industrial
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of The Florida Industrial Power Users Group's Prehearing Statement has been furnished by (*) hand delivery or by U.S. mail on this 26th day of June, 1996 to the following parties of record:

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a:polk (TECO.PHS)