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June 26, 1996

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Blanca S. Bayo, Director  
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 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 Response to Tampa Electric Company's Motion for an Order Declaring Certain Issues to Be Beyond the Scope of The Proceeding in the above docket.

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 1
- AFA 3
- APP \_\_\_\_\_
- CAF \_\_\_\_\_
- CMU \_\_\_\_\_
- CTR \_\_\_\_\_
- EAG Dudley
- LEG 1
- LIN 5 VGK/pw  
 Encls.
- OPC \_\_\_\_\_
- RCH \_\_\_\_\_
- SEC 1
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- OTH \_\_\_\_\_

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Prudency Review to Determine )  
Regulatory Treatment of Tampa Electric )  
Company's Polk Unit. )

Docket No. 960409-EI

Filed: June 26, 1996

The Florida Industrial Power Users Group's Response  
to Tampa Electric Company's Motion for an  
Order Declaring Certain Issues to Be  
Beyond the Scope of The Proceeding

The Florida Industrial Users Power Group (FIPUG), pursuant to rule 25-22.037, Florida Administrative Code, files its response to Tampa Electric Company's (TECO) Motion for an Order Declaring Certain Issues to Be Beyond the Scope of the Proceeding. It is FIPUG's position that TECO's motion should be denied and that Issue 16 should be reworded. As grounds therefore, FIPUG states:

1. In its motion, TECO argues that three issues (capital structure, jurisdictional separation and alternative methods of rate recovery) are beyond the scope of this proceeding. TECO's position is based on isolated language in the stipulation approved in Order No. PSC-96-0670-S-EI, which states that the parties' stipulation does not preclude Commission review of the investment and expenses related to the Polk IGCC Unit. From this language, TECO leaps to the conclusion that only investment and expense may be reviewed in this docket. The stipulation does not so limit this Commission's authority.

2. Further, TECO's pleading seems to assume that all of its investment in the Polk IGCC Unit will ultimately be placed in rate base pursuant to traditional ratemaking mechanisms. However, this issue, which TECO takes as a given, has not yet been decided.

3. Finally, even assuming that the only issues the

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Commission will review in this case relate to the prudence of the investment and expenses associated with the Polk IGCC Unit, the issues TECO seeks to exclude are directly related to this question and are issues the Commission must reach in this docket. FIPUG will address each issue below.

4. TECO says capital structure should not be an issue in this docket. However, if the Commission makes a determination that not all of the investment in the Polk IGCC Unit was prudent and makes an adjustment, it will be necessary to decide what effect the adjustment will have on TECO's capital structure. While any such adjustment may be made on a pro rata adjustment, as TECO suggests, the Commission is not foreclosed from making a different adjustment after evaluating the evidence of record. TECO's attempt to preclude the Commission from evaluating the possibilities must be rejected.

5. TECO also wants the Commission to ignore the separations issue which arises from the question of whom the Polk IGCC Unit will serve. The issue of which customers (wholesale or retail) the Polk Unit will serve is an important one. As Mr. Falkenberg points out in his testimony, TECO will increasingly be able to participate in the wholesale market. Retail ratepayers should not subsidize this participation.

6. As the testimony in this case shows, the Polk IGCC Unit has very high capital costs. If the Polk IGCC Unit is to be used to serve the wholesale jurisdiction, those customers should bear these high costs not the native retail ratepayers. The Commission

should ensure in this docket that all capacity not serving the retail jurisdiction is assigned to the wholesale jurisdiction.

7. Finally, TECO wants to delete the issue related to alternative ratemaking treatments. FIPUG agrees with TECO that rate design issues are not at issue in this hearing. And, based on the fact that a prior rate design issue was dropped from a preliminary issue list, FIPUG voluntarily withdrew the detailed rate design testimony it originally filed.

8. FIPUG believes that the controversy over this issue may stem from its wording which references "cost recovery." FIPUG believes that this issue is really intended to address possible alternative regulatory treatments for the Polk IGCC Unit, not cost recovery. Therefore, FIPUG suggests that Issue 16 be reworded as follows:

Should the Commission consider alternative regulatory treatment for the Polk IGCC Unit?

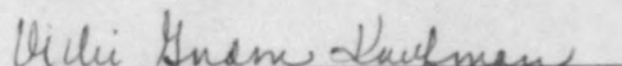
This rewording will allow the Commission to explore alternative regulatory treatment for the Polk IGCC Unit. While FIPUG has taken no position on the prudence of TECO's construction of the plant, should the Commission find its construction prudent, this issue will permit investigation of a more acceptable regulatory treatment for this high cost plant, such as the treatment proposed by Mr. Falkenberg.

9. The Commission's order approving the stipulation clearly provides the Commission with the opportunity to investigate alternative regulatory treatment for the Polk IGCC Unit.

10. The issues which the parties have identified (and

reworded Issue 16) are issues ripe for resolution in this case. A decision on these issues does not involve "conceptual acrobatics" as TECO claims, but rather flows from the Commission's consideration of the prudence of TECO's actions in deciding to construct, and then continuing construction of, the Polk IGCC Unit.

WHEREFORE, FIPUG requests that TECO's motion be denied and that Issue 16 be reworded as described in the body of this motion.

  
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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 U.S. mail on this 26th day of June, 1996 to the following:

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