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FLORIDA PUBLIC SERVICE COMMISSION

In Re: Prudence review to determine
regulatory treatment of Tampa Electric
Company's Polk Unit.)

) Docket 960409-EI
)

CORRECTED POST HEARING STATEMENT

Pursuant to Rule 25-22.056, Florida Administrative Code, the Florida Industrial Power Users Group (FIPUG) files its Post-Hearing Statement of Issues and Positions.

Issue 1

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

FIPUG: *The Commission should not be asked to micromanage the TEC's decision to either construct or terminate construction. It is premature to judge whether TEC's fuel cost assumptions will fail to materialize. The Commission can protect both TEC & customers by using the regulatory phase in set forth in Mr. Falkenberg's testimony.*

Issue 2

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

FIPUG: *See Issue 1.*

Issue 3

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

FIPUG: *See Issue 1.*

Issue 4

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

- ACK _____
- AFA 3
- APP _____
- CAF _____
- CMU _____
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- LAG _____
- LEG 3
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- OPC _____
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- SEC 1
- WAS _____
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FPSC-RECORDS/REPORTING

FIPUG: *Mr Rowe's rebuttal testimony eschewed consideration of retail competition because it will not happen "except by virtue of a change in the statutes." Using this standard TEC should not have assumed it would receive a \$98 million tax credit to be derived from amending §21 of the Internal Revenue Code.*

Issue 5

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

FIPUG: *See Issue 1.*

Issue 6

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

FIPUG: *See Issue 1.*

Issue 7

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

FIPUG: *See Issue 1.*

Issue 8

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 1.*

Issue 9

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

FIPUG: *Prudent portion less \$284.8 million. The \$191.7 million gassifier should be phased in over five years. \$93.1 million attributable to the Port

Manatee site, development costs of the Polk site for future use and portions of the Polk plant allowed in rate base in 1992 should be removed when Polk comes into rate base.*

Issue 10

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

FIPUG: *Polk expenses of the whole plant including the IGCC unit should be considered together with the remainder of the system expenses unless the energy from the plant is allocated to a wholesale customer in that event they expenses should be assigned to that customer.*

Issue 11

What are the appropriate capital structure components associated with the Polk IGCC unit?

FIPUG: *The equity component of TEC's capital structure is unusually high thus diminishing potential 1998 refund. FIPUG does not endorse addressing capital structure except to the extent that it provides further justification for phasing in the Polk gassifier. This approach will reduce TEC's risk of refund and customer's risk of rate increase*

Issue 12

What is the appropriate regulatory treatment for the Port Manatee (HIL7) site?

FIPUG: *The Port Manatee site is mostly underwater environmentally sensitive land that can't be used for power plant construction using any foreseeable technology. It should be excluded from rate base because it is not used and useful.*

Issue 13

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: *POLK will be the first dispatchable base load plant. It will not be available for wholesale sales. If TEC contracts to sell the energy from this plant to a wholesale customer the capacity

allocable to that sale should be separated from the retail rate base for surveillance purposes.*

Issue 14

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

FIPUG: *Circumstances warrant following Falkenburg's proposed regulatory treatment. A similar approach was used with TEC's Big Bend 4 unit. It will match costs with fuel savings and prevent inter-generational inequity. This is a concept the Commission presently follows in a variety of regulatory rulings that will be discussed in the FIPUG brief.

Issue 15

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.*

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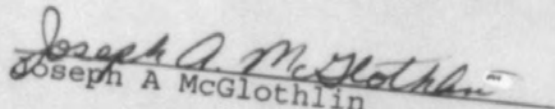
CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of The Florida Industrial Power Users Group's Post-Hearing Statement of Issues and Positions has been furnished by U.S. mail and FAX transmission on this 1st day of August 1996 to the following parties of record:

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