

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for expedited approval of agreement with Tiger Bay Limited Partnership to purchase Tiger Bay cogeneration facility and terminate related purchased power contracts by Florida Power Corporation.

DOCKET NO. 970096-EQ  
FILED: 3-21-97

TIGER BAY LIMITED PARTNERSHIP'S  
PREHEARING STATEMENT

Tiger Bay Limited Partnership (Tiger Bay), hereby files this prehearing statement pursuant to Rule 25-22.038, Florida Administrative Code.

- A. Witness: Direct Testimony of Charles C. Cook. Mr. Cook's testimony relates to Issues 1, 2, 3, 4, 5 and 6.
- B. Exhibits: At this time Tiger Bay does not plan to introduce exhibits, but reserves the right to introduce cross-examination exhibits if necessary.
- C. Tiger Bay's Basic Position: Tiger Bay supports Florida Power's (FPC's) petition for approval of the purchase agreement. Through its participation in this proceeding, Tiger Bay will provide to the Commission first-hand information about the operational reliability and economic viability of Tiger Bay's 220 megawatt generating facility located in Polk County, Florida (the "Tiger Bay Facility"), as well as the sufficiency of fuel supply and transportation for the facility.

More specifically, the Commission should approve recovery by FPC of (i) the purchase price to be paid for its purchase of , and (ii) the cost of natural gas purchased by FPC to fuel the Tiger Bay Facility pursuant to Tiger Bay's gas supply arrangements which are to be assigned to and assumed by FPC. The Tiger Bay Facility is operationally reliable and economically viable, with sufficient fuel supply and transportation.

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FPSC-RECORDS/REPORTING

D.

ISSUES

**ISSUE 1:** Has Florida Power Corporation provided adequate assurances regarding the operational reliability of the Tiger Bay generating facility?

**TIGER BAY'S POSITION:** Yes. During 1996 (the second year of operation), the Tiger Bay Facility's annual average availability factor was greater than 97% (excluding scheduled downtime) and it operated with a 12-month average (ending December 1996) capacity factor (as defined in the PPAs, as amended and/or clarified) of 93.26%. Routine operation and maintenance of the Tiger Bay Facility has been effectively problem-free, and the condition of the equipment is such that, assuming that it is maintained in accordance with the manufacturers' recommendations and good electric industry practice, the Tiger Bay Facility will have no difficulty achieving the capacity factor required under the PPAs over the full term of those contracts.

**ISSUE 2:** Has Florida Power Corporation provided adequate assurances regarding the financial viability of the Tiger Bay generating facility?

**TIGER BAY'S POSITION:** Yes. Financial viability is established by financial history of the Tiger Bay Facility. For example, it has achieved an annual average debt service coverage ratio approximately 0.55 points higher than that required by nonrecourse financing arrangements and the debt service coverage ratio is projected to increase even further over the term of the PPAs. Also, the Tiger Bay Facility has generated positive cash flow and the Tiger Bay partners have enjoyed consistent cash distributions during the two years the facility has operated under the PPAs. Moreover, the Tiger Bay partners anticipate that if the Purchase Agreement transaction does not close, the Facility will generate positive cash flow and annual cash distributions throughout the terms of the PPAs.

**ISSUE 3:** Are Florida Power Corporation's projections of non-fuel operating expenses reasonable?

**TIGER BAY'S POSITION:** Yes.

**ISSUE 4:** Has Florida Power Corporation provided adequate assurances that sufficient natural gas pipeline capacity will be available to transport natural gas to the Tiger Bay facility?

**TIGER BAY'S POSITION:** Yes. The Gas Agreements, which will be assigned to FPC in the Purchase Agreement transaction, include service agreements between Tiger Bay, as shipper, and Florida Gas Transmission Company, as transporter, for 33,003 MMBtus/day of firm transportation capacity to the Tiger Bay Facility, for the duration of the PPAs. This quantity of capacity is sufficient to meet the operating requirements of the Tiger Bay Facility.

**ISSUE 5:** Is Florida Power Corporation's fuel price forecast reasonable?

**TIGER BAY'S POSITION:** Yes.

**ISSUE 6:** Are Florida Power Corporation's financial assumptions reasonable?

**TIGER BAY'S POSITION:** Yes.

**ISSUE 7:** What is the appropriate annual accrual amount for the provision of final dismantlement of the Tiger Bay facility?

**TIGER BAY'S POSITION:** Adopt position of FPC.

**ISSUE 8:** What is the appropriate remaining life, net salvage, reserve, and resultant depreciation rate for the Tiger Bay facility?

**TIGER BAY'S POSITION:** Adopt position of FPC.

**ISSUE 9:** Are the purchase power agreement termination payments properly classified as an acquisition adjustment?

**TIGER BAY'S POSITION:** Adopt position of FPC.

**ISSUE 10:** Is there an acquisition adjustment associated with the purchase of plant facilities?

**TIGER BAY'S POSITION:** Adopt position of FPC.

**ISSUE 11:** Should FPC be required to perform an original cost study for the Tiger Bay generating plant to determine the appropriate amount of investment and reserve to include in Account 101?

**TIGER BAY'S POSITION:** Adopt position of FPC.

**ISSUE 12:** Is Florida Power Corporation's proposal to purchase the Tiger Bay facility and terminate the related power purchase agreements prudent?

**TIGER BAY'S POSITION:** Yes.

**ISSUE 13:** Should the Commission approve the purchase agreement for Florida Power Corporation to purchase the Tiger Bay facility and terminate the related power purchase agreements?

**TIGER BAY'S POSITION:** Yes.

**ISSUE 14:** Should the Commission approve recovery of the fuel costs associated with the Vastar natural gas supply contract through the Fuel and Purchased Power Cost Recovery Clause?

**TIGER BAY'S POSITION:** Yes.

**ISSUE 15:** Should the Commission approve recovery of natural gas transportation costs associated with the Tiger Bay Facility through the Fuel and Purchased Power Cost Recovery Clause?

**TIGER BAY'S POSITION:** Yes.

**ISSUE 16:** What is the appropriate method for recovering the cost of the Tiger Bay generating facility?

**TIGER BAY'S POSITION:** Adopt position of FPC.

**ISSUE 17:** What is the appropriate method for recovering the cost of terminating the power purchase agreements?

**TIGER BAY'S POSITION:** Adopt position of FPC.

**ISSUE 18:** What is the appropriate method of recovering the cost of the Materials & Supplies Inventory?

**TIGER BAY'S POSITION:** Adopt position of FPC.

**ISSUE 19:** Should the revenue from the steam sales agreement be credited through the Fuel and Purchased Power Cost Recovery Clause?

**TIGER BAY'S POSITION:** Yes.

**ISSUE 20:** What is the appropriate amortization period for recovering the cost of the Tiger Bay generating facility?

**TIGER BAY'S POSITION:** Adopt position of FPC.

**ISSUE 21:** What is the appropriate amortization period for recovering the cost of terminating the power purchase agreements?

**TIGER BAY'S POSITION:** Adopt position of FPC.

**ISSUE 22:** Should Florida Power be granted latitude to manage the FPC collection of the purchase price over the amortization period?

**TIGER BAY'S POSITION:** Yes.

**ISSUE 23:** Will the contract buyout and plant purchase cause rate FIPUG shock?

**TIGER BAY'S POSITION:** This is an improper issue in that it is designed to prejudice the Commission, not focus the Commission's inquiry. Moreover, this issue is unnecessary because the proposed transaction's effect on rates can be appropriately addressed under Issues 12 and 13. Thus, this issue should be struck.

**ISSUE 24:** Will the proposal impact economic development within FIPUG Florida Power Corporation's service area?

**TIGER BAY'S POSITION:** This issue should be struck because it does not focus the Commission's inquiry on matters germane to FPC's petition. All decisions of the Commission have some impact on economic development of some kind; to be germane the issue must be whether the reasonably predicted economic impact of the proposed transaction renders it not in the public interest. This area of inquiry can be addressed best under Issues 12 and 13.

**ISSUE 25:** What impact will this proposal have on competition in the electric industry?  
**FIPUG**

**TIGER BAY'S POSITION:** This issue should be struck because it does not focus the Commission's inquiry on matters germane to FPC's petition. All decisions of the Commission have some impact on competition in the electric industry; to be germane the issue must be whether the reasonably predicted effect on competition of the proposed transaction renders it not in the public interest. This area of inquiry can be addressed best under Issues 12 and 13.

**ISSUE 26:** Whether it is premature for the Florida Public Service Commission (the "Commission") to consider the Petition filed by Florida Power Corporation ("FPC") until Tiger Bay Limited Partnership ("TBLP") has obtained VGM's consents as required by the terms of TBLP's Gas Sales and Purchase Contract with VGM (the "Gas Sales Contract").  
**VASTAR**

**TIGER BAY'S POSITION:** No. Moreover, this issue is not properly before the Commission because it is premised on an alleged potential breach of contract, which is outside the Commission's jurisdiction to determine.

**ISSUE 27:** Should this docket be closed?

**TIGER BAY'S POSITION:** Yes, upon final approval of the purchase.

- E. Questions of law: None.
- F. Policy questions: None.
- G. Stipulated issues: None.
- H. Pending motions or other matters: The appropriateness of certain issues raised by the parties.
- I. Requirements that cannot be complied with: None.

Respectfully submitted this 21st day of March, 1997.

*Donna L. Canzano*

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**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by U.S. Mail or hand delivery\* this 21st day of March, 1997, to the following:

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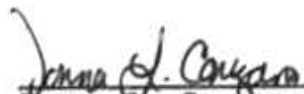
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