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PLEASE REPLY TO
TALLAHASSEE

May 19, 1997

HAND-DELIVERED

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

Re: Docket No. 970171-EU

Dear Ms. Bayo:

Enclosed for filing and distribution are the original and fifteen copies of the Prehearing Statement of the Florida Industrial Power Users Group in the above docket.

I have also enclosed a disk in WordPerfect 5.1 format containing the Prehearing Statement. It is entitled FIPUG.PHS.

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

- ACK _____
- AFA 2 _____
- APP _____
- CAF _____
- CMU _____
- CTR _____
- (EAG) 2 _____ GK/pw
- LEG 1 _____ Encls.
- LIN 5 _____
- OPC _____
- RCH _____
- SEC 1 _____
- WAS _____
- OTH _____

Sincerely,

Vicki Gordon Kaufman
Vicki Gordon Kaufman

DOCUMENT NUMBER-DATE

04993 MAY 1997

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Determination of appropriate)
cost allocation and regulatory)
treatment of total revenues associated)
with wholesale sales to Florida)
Municipal Power Agency and City)
of Lakeland by Tampa Electric)
Company.)
_____)

Docket No. 970171-EU

Filed: May 19, 1997

PREHEARING STATEMENT OF THE FLORIDA INDUSTRIAL POWER USERS GROUP

The Florida industrial Power Users Group (FIPUG), pursuant to Order No. PSC -97-0350-PCO-EU, files its Prehearing Statement. FIPUG reserves the right to amend its Prehearing Statement up to and including the time of the Prehearing Conference in this matter.

A. APPEARANCES:

JOHN W. MCWHIRTER, JR., McWhirter, Reeves, McGlothlin, Davidson, Rief & Bakas, 100 North Tampa Street, Suite 2800, Tampa, Florida 33602-5125 and **JOSEPH A. MCGLOTHLIN** and **VICKI GORDON KAUFMAN**, McWhirter, Reeves, McGlothlin, Davidson, Rief & Bakas, 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>
Jeffry Pollock	Proper treatment of FMFA & Lakeland sales	1-8

C. EXHIBITS:

<u>Exhibit</u>	<u>Witness</u>	<u>Description</u>
JP-1	Pollock	Document 1: Analysis of TECO proposed regulatory treatment Document 2: Comparison of Retail & Purchased Power Costs

DOCUMENT NUMBER-DATE

04993 MAY 1997

FPSC-RECORDS/REPORTING

D. STATEMENT OF BASIC POSITION:

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

TECO's proposed treatment of its new wholesale sales should not be approved. TECO has not demonstrated that retail ratepayers will receive benefits commensurate with the adverse impact they will experience from this treatment. These longer term wholesale sales should be separated in accordance with Commission standard policy because retail ratepayers are paying 100% of the embedded costs of the resources used for the sales and because separation will prevent cost shifting and subsidization of the wholesale jurisdiction by the retail jurisdiction.

E. STATEMENT OF ISSUES AND POSITIONS:

1. **ISSUE:** Does the off-system sale agreement to the Florida Municipal Power Agency provide net benefits to Tampa Electric Company's general body of rate payers?

FIPUG: No. TECO has not demonstrated that the retail ratepayers will receive any benefits from this transaction. Further, TECO has reversed the traditional 80/20 sharing concept (with 80% going to ratepayers) to 78/22 sharing (with 78% going to TECO).

2. **ISSUE:** How should the non-fuel revenues and costs associated with Tampa Electric Company's wholesale schedule D sales to the Florida Municipal Power Agency be treated for retail regulatory purposes?

FIPUG: The non-fuel revenues and costs should be separated for regulatory purposes.

3. **ISSUE:** How should the fuel revenues and costs associated with Tampa Electric Company's wholesale schedule D sales to the Florida Municipal Power Agency

be treated for retail regulatory purposes?

FIPUG: Because the revenues are less than system average for this transaction, system average revenues should be credited to the retail jurisdiction. The power company and its related coal, transportation and exempt wholesale generating companies, which are the primary beneficiaries of the sales, should pay the difference between incremental and average cost.

4. **ISSUE:** Does the off-system sale agreement to the City of Lakeland provide net benefits to Tampa Electric Company's general body of rate payers?

FIPUG: No. TECO has not demonstrated that the retail ratepayers will receive any benefits from this transaction. Further, TECO has reversed the traditional 80/20 sharing concept (with 80% going to ratepayers) to 78/22 sharing (with 78% going to TECO).

5. **ISSUE:** How should the non-fuel revenues and costs associated with Tampa Electric Company's schedule D sales to the City of Lakeland be treated for retail regulatory purposes?

FIPUG: The non-fuel revenues and costs should be separated for regulatory purposes.

6. **ISSUE:** How should the fuel revenues and costs associated with Tampa Electric Company's wholesale schedule D sales to the City of Lakeland be treated for retail regulatory purposes?

FIPUG: Because the revenues are less than system average for this transaction, system average revenues should be credited to the retail jurisdiction. The power company and its related coal, transportation and exempt wholesale generating companies, which are the primary beneficiaries of the sales, should pay the difference between incremental and average cost.

7. **ISSUE:** How should the transmission revenues and costs associated with Tampa Electric Company's wholesale sales to the Florida Municipal Power Agency and

the City of Lakeland be treated for retail regulatory purposes?

FIPUG: If the wholesale sales are not separated, retail customers are entitled to receive all the benefits derived from the use of the transmission facilities for which they are paying the entire cost. Such benefits should be used to reduce TECO's retail rates. Otherwise, retail customers would be subsidizing TECO's wholesale activities.

8. **ISSUE:** Will the Commission's treatment of the City of Lakeland and Florida Municipal Power Agency wholesale sales have an impact on Tampa Electric Company's refund obligation under the stipulation in Docket No. 950379-EI, Order No. PSC-96-0670-S-EI, approved by the Commission?

FIPUG: Yes. If these transactions are not jurisdictionally separated, TECO's earnings will be artificially depressed and the potential for a refund will be reduced.

9. **ISSUE:** Would the Commission exceed its jurisdiction if it were to allow Tampa Electric Company to earn a return through retail rates for its wholesale sales to the Florida Municipal Power Agency and to the City of Lakeland?

FIPUG: The Commission has jurisdiction to prohibit TECO from requiring retail customers to pay a return on a plant dedicated to wholesale sales.

F. STIPULATED ISSUES:

None at this time.

G. PENDING MOTIONS:

FIPUG has no pending motions.

H. OTHER MATTERS:

None at this time.

Vicki Gordon Kaufman

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Attorneys for the Florida Industrial Power
Users Group

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing **Florida Industrial Power Users Group's Prehearing Statement** has been furnished by *hand delivery or U.S. Mail to the following this **19th day of May, 1997**:

***Leslie Paugh**
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