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October 25, 1999
VIA Hand Delivery

Blanca S. Bayo, Director
Division of Records and Reporting
Betty Easley Conference Center
4075 Esplanade Way
Tallahassee, Florida 32399-0870

Re: Docket Nos. 990001-EI, 990002-EG, 990007-EI

Dear Ms. Bayo:

Enclosed for filing and distribution are the original and 15 copies of the following:

- FIPUG Prehearing Statement in Docket No. 990001-EI; 13087-99
- FIPUG Prehearing Statement in Docket No. 990002-EG; 13101-99
- FIPUG Prehearing Statement in Docket No. 990007-EI. 13107-99

Please acknowledge receipt of the above on the extra copy enclosed herein and return it to me. Also enclosed is a disk containing these filings. Thank you for your assistance.

Yours truly,

Vicki Gordon Kaufman

Vicki Gordon Kaufman

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DOCUMENT #:

13087-99

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost recovery clause and generating performance incentive factor.

Docket No. 990001-El

Filed: October 25, 1999

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The Florida Industrial Power Users Group's Prehearing Statement

The Florida Industrial Power Users Group (FIPUG) hereby files its Prehearing Statement.

A. APPEARANCES:

JOHN W. MCWHIRTER, JR., McWhirter Reeves McGlothlin Davidson Decker Kaufman Arnold & Steen, P.A., 400 North Tampa Street, Suite 2450, Tampa, Florida 33601-3350 and VICKI GORDON KAUFMAN, McWhirter Reeves McGlothlin Davidson Decker Kaufman Arnold & Steen, P.A., 117 South Gadsden Street, Tallahassee, Florida 32301

On Behalf of the Florida Industrial Power Users Group.

B. WITNESSES:

Witness	Subject Matter	Issues
Kent D. Taylor	uniformity of fuel factors, 80/20 split, wholesale transactions, affiliate transactions	4, 9-15, 19D, 19E, 19H, 19J, 19L, 19M, 19N, 19O, 29, 31

C. EXHIBITS:

Exhibit	Witness	Description
KDT-1	Taylor	Credentials
KDT-2	Taylor	OSHA Excerptss
KDT-3	Taylor	Wheeler testimony
KDT-4	Taylor	Excerpt from TECo rate case order

D. STATEMENT OF BASIC POSITION:

It is FIPUG's position that the 80/20 split should be eliminated. Utilities should not receive

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a reward for acting prudently on behalf of customers. TECo should not be permitted to foist the replacement fuel costs resulting from the Gannon accident onto ratepayers. These costs should be disallowed, unless and until, TECo proves neither it or its employees were at fault. TECo's proposed treatment for the FMPA wholesale transaction should not be permitted as it is not in the best interests of ratepayers. The Hardee Power Station contract should not be approved, as TECo has offered no proof that it is in consumers' interest for TECo to enter into a long-term contract with its affiliate.

E. STATEMENT OF ISSUES AND POSITIONS:

GENERIC FUEL ADJUSTMENT ISSUES

1. **ISSUE:** What are the appropriate final fuel adjustment true-up amounts for the period April, 1998 through December, 1998?
FIPUG: No position at this time.
2. **ISSUE:** What are the appropriate estimated fuel adjustment true-up amounts for the period January, 1999 through December, 1999?
FIPUG: No position at this time.
3. **ISSUE:** What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January, 2000 to December, 2000?
FIPUG: No position at this time.
4. **ISSUE:** What are the appropriate levelized fuel cost recovery factors for the period January, 2000 to December, 2000?
FIPUG: Fuel costs vary with demand on the system. An average annual factor discriminates against high load factor consumers. Fuel factors should track fuel costs at least seasonally to provide a conservation incentive during the summer peak season and to adequately reflect cost-causing behavior.
5. **ISSUE:** What should be the effective date of the fuel adjustment charge and capacity cost recovery charge for billing purposes?
FIPUG: The new factors should be effective beginning with the first billing cycle for January 2000 and thereafter through the last billing cycle for December 2000. The first billing cycle may start before January 1, 2000, and the last billing cycle may end after December 31, 2000, so long as each customer is billed for twelve months regardless of when the factors become effective.

6. **ISSUE:** What are the appropriate fuel recovery line loss multipliers to be used in calculating the fuel cost recovery factors charged to each rate class/ delivery voltage level class?
- FIPUG:** No position at this time
7. **ISSUE:** What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?
- FIPUG:** No position at this time.
8. **ISSUE:** What is the appropriate revenue tax factor to be applied in calculating each company's levelized fuel factor for the projection period of January, 2000 to December, 2000?
- FIPUG:** No position at this time.
9. **ISSUE:** What is the appropriate regulatory treatment for transmission revenue received from non-separated wholesale energy sales not made through the Energy Broker Network (EBN)?
- FIPUG:** All such revenues should be flowed back to ratepayers through the fuel clause.
10. **ISSUE:** What is the appropriate regulatory treatment for the generation-related gain on non-separated wholesale energy sales not made through the EBN?
- FIPUG:** All such revenues should be flowed back to ratepayers through the capacity clause.
11. **ISSUE:** Should the Commission eliminate the 20 percent shareholder incentive set forth in Order No. 12923, issued January 24, 1984, in Docket No. 83001-EU-B?
- FIPUG:** Yes. Utilities should not receive an additional incentive to act prudently on behalf of ratepayers.
12. **ISSUE:** If the Commission should decide to maintain the 20 percent shareholder incentive set forth in Order No. 12923, issued January 24, 1984, in Docket No. 83001-EU-B, what types of economy energy sales should be eligible for the 20 percent shareholder incentive?
- FIPUG:** The Commission should eliminate the 20% incentive.
13. **ISSUE:** When should the utilities subject to the Commission's fuel and purchased

power cost recovery clause submit their projection filings and testimonies to set their 2001 levelized fuel and capacity cost factors?

FIPUG: Such filings should be submitted at least three months prior to the hearing date to allow sufficient time for parties to conduct discovery and analyses of the utilities' proposals.

14. **ISSUE:** Do electric utilities provide uniform treatment to wholesale sales and purchases to ensure that retail ratepayers are not disadvantaged?

FIPUG: No. Retail ratepayers are currently disadvantaged by wholesale sales and purchases.

15. **ISSUE:** Should amounts that electric utilities pay to affiliated companies be publically disclosed if the utility seeks recovery through a cost recovery clause?

FIPUG: Yes.

COMPANY-SPECIFIC FUEL ADJUSTMENT ISSUES

Florida Power & Light Company

16A. **ISSUE:** Should the Commission allow Florida Power & Light Company (FPL) to amortize the cost of its nuclear units' "last core" of nuclear fuel over the remaining life of each plant and recover those costs in the fuel purchased and purchased power cost recovery clause?

FIPUG: No position at this time.

16B. **ISSUE:** What is the appropriate fuel price forecast for fuel oil and natural gas when determining FPL's appropriate levelized fuel cost recovery factor for the period January, 2000 to December, 2000?

FIPUG: No position.

16C. **ISSUE:** Should the Commission allow FPL to recover, through the fuel and purchased power cost recovery clause, its payment to Cedar Bay which resulted from the circuit court's resolution of a contract dispute over the energy pricing provision of a QF contract between the two parties?

FIPUG: No position.

Florida Power Corporation

17A. **ISSUE:** Has Florida Power Corporation confirmed the validity of the methodology used to determine the equity component of Electric Fuels Corporation's capital structure for calendar year 1998?

FIPUG: No position at this time.

17B. **ISSUE:** Has Florida Power Corporation properly calculated the market price true-up for coal purchases from Powell Mountain?

FIPUG: No position at this time.

17C. **ISSUE:** Has Florida Power Corporation properly calculated the 1998 price for waterborne transportation services provided by Electric Fuels Corporation?

FIPUG: No position at this time.

17D. **ISSUE:** Should the Commission allow Florida Power to recover the cost of purchasing 18,000 tons of SO₂ emission allowances in the year 2000 through the fuel and purchased power cost recovery clause?

FIPUG: No position at this time.

17E. **ISSUE:** Should the Commission allow Florida power to recover the payment made to Lake Cogen, Ltd. as ordered by a final judgement entered in a lawsuit brought against Florida Power by Lake Cogen, Ltd. regarding a dispute over the energy pricing provision of a negotiated contract between the two parties?

FIPUG: No position.

Gulf Power Company

18A. **ISSUE:** Is Gulf Power's proposal to burn low sulfur coal in its Smith Units 1 and 2 the most cost effective strategy to comply with Phase II of the 1990 Amendment to the Clean Air Act?

FIPUG: No position at this time.

18B. **ISSUE:** Is Gulf Power's proposal to burn bituminous coal at its Plant Daniel the most cost effective strategy to increase Gulf Power's capacity resources by 52MW?

FIPUG: No position at this time.

Tampa Electric Company

- 19A. **ISSUE:** What is the appropriate 1998 benchmark price for coal Tampa Electric Company purchased from its affiliate, Gatliff Coal Company?
- FIPUG:** No position at this time.
- 19B. **ISSUE:** Has Tampa Electric Company adequately justified any costs associated with the purchase of coal from Gatliff Coal Company that exceed the 1998 benchmark price?
- FIPUG:** No.
- 19C. **ISSUE:** What is the appropriate 1998 waterborne coal transportation benchmark price for transportation services provided by affiliates of Tampa Electric Company?
- FIPUG:** No position at this time.
- 19D. **ISSUE:** Has Tampa Electric Company adequately justified any costs associated with transportation services provided by affiliates of Tampa Electric Company that exceed the 1998 waterborne transportation benchmark price?
- FIPUG:** No.
- 19E. **ISSUE:** Should the Commission allow the incremental costs of replacement fuel and purchased power costs associated with the explosion that occurred at Gannon Unit 6 on April 9, 1999 to be recovered?
- FIPUG:** No. The OSHA finding indicate that TECo was at fault for the explosion, so ratepayers should not be responsible for the additional fuel costs.
- 19F. **ISSUE:** What is the appropriate true-up amount for the temporary base rate reduction as approved in Order No. PSC-96-1300-S-EI, in Docket No. 960409-EI, issued October 24, 1996?
- FIPUG:** No position at this time.
- 19G. **ISSUE:** What is the appropriate regulatory treatment for the true-up amount for the temporary base rate reduction as approved in Order No. PSC-96-1300-S-EI, in Docket No. 960409-EI, issued October 24, 1996?
- FIPUG:** No position at this time.

- 19H. **ISSUE:** Are the energy costs associated with five purchased power agreements between Tampa Electric Company and Okeelanta Corporation, Farmland Hydro, Auburndale Power Partners, and Hardee Power Partners Limited prudent and appropriate for recovery through the fuel and purchased power cost recovery clause?
- FIPUG:** TECo has the burden to prove the prudence of its actions in entering into these contracts. The Hardee contract is a long-term contract and TECo has not provided the contract for review nor has it demonstrated in any way that it is prudent to enter into this long-term contract with its affiliate. Therefore, the costs should not be approved for recovery.
- 19I. **ISSUE:** Are the costs associated with accelerating the commercial in-service date of Polk Unit 2, Tampa Electric Company's next generation unit, from January, 2001 to October, 2000 prudent?
- FIPUG:** No position at this time.
- 19J. **ISSUE:** Should the Commission approve Tampa Electric Company's proposed regulatory treatment for its wholesale power supply agreement with Florida Municipal Power Agency for January 1, 2000 through March 15, 2001?
- FIPUG:** No. It does not appear that consumers would benefit from TECo's proposal.
- 19K. **ISSUE:** How should Tampa Electric Company implement the \$11,226,598 combined refund as ordered by the Commission in Order No. PSC-99-1940-PAA-EI in Docket No. 950379-EI, issued October 1, 1999 and by the Commission's decision at the September 7, 1999 agenda?
- FIPUG:** No position at this time.
- 19L. **ISSUE:** In order to ensure that Tampa Electric Company makes prudent purchases on behalf of its retail ratepayers, should Tampa Electric Company's recovery of fuel costs be limited to an amount no greater than what it receives for fuel sales?
- FIPUG:** Yes. It appears that TECo's transactions with affiliated companies may not be competitively priced. Sums TECo pays affiliated companies should be publicly disclosed if they exceed the price the affiliated companies charge third parties. The excess payments should be disallowed. If TECo provides in camera proof that it pays the affiliated company less than the affiliate charges on all third party transactions, the sums paid need not be disclosed before they are recovered through the fuel clause.

- 19M. **ISSUE:** Should the Commission impose price restrictions on the amount Tampa Electric Company pays for coal purchase, handling, and transportation from affiliated companies?
- FIPUG:** Yes.
- 19N. **ISSUE:** Should all short-term wholesale sales be subject to interruption to assure that sufficient capacity is available for retail ratepayers?
- FIPUG:** Yes.
- 19O. **ISSUE:** Are Tampa Electric Company's wholesale revenues from third-party sales being treated correctly?
- FIPUG:** No. Interruptible customers are the first line of defense when third-party power is purchased to avoid interruption. They should be the first recipients of incremental revenues from third-party sales before it is included in general fuel clause revenues.

GENERIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

- 20A. **ISSUE:** What is the appropriate GPIF reward or penalty for performance achieved by Florida Power & Light Company during the period October, 1997 through September, 1998?
- FIPUG:** No position at this time.
- 20B. **ISSUE:** What is the appropriate GPIF reward or penalty for performance achieved by Florida Power Corporation, Tampa Electric Company, and Gulf power Company During the period April, 1998 through September, 1998?
- FIPUG:** No position at this time.
- 20C. **ISSUE:** What is the appropriate GPIF reward or penalty for performance achieved during the period October, 1998 through December 1998?
- FIPUG:** No position at this time.
21. **ISSUE:** What should the GPIF targets/ranges be for the period January, 2000 through December 2000?
- FIPUG:** All heat rates should be 9000 BTU/kwh or better before they are considered for reward. All heat rates over 10,000 BTU/kwh should be penalized.

COMPANY-SPECIFIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

Gulf Power Company

22. **ISSUE:** Should Gulf Power include a new Btu per pound independent variable in the Plant Daniel target heat equations?
- FIPUG:** No position at this time.

GENERIC CAPACITY COST RECOVERY FACTOR ISSUES

23. **ISSUE:** What is the appropriate final capacity cost recovery true-up amount for Florida Power & Light Company and Gulf Power Company for the period October, 1997, through December 1998?
- FIPUG:** No position at this time.
24. **ISSUE:** What is the appropriate final capacity cost recovery true-up amount for Florida Power Corporation and Tampa Electric Company for the period April, 1998 through December 1998?
- FIPUG:** No position at this time.
25. **ISSUE:** What is the appropriate estimated capacity cost recovery true-up amount for the period January, 1999 through December, 1999?
- FIPUG:** No position at this time.
26. **ISSUE:** What is the appropriate total capacity cost recovery true-up amount to be collected/refunded during the period January, 2000 through December, 2000?
- FIPUG:** No position at this time.
27. **ISSUE:** What is the appropriate projected net purchased power capacity cost recovery amount to be included in the recovery factor for the period January, 2000 through December, 2000?
- FLPUG:** No position at this time.
28. **ISSUE:** What are the projected capacity cost recovery factors for the period January, 2000 through December, 2000?
- FIPUG:** Computation of the factors depends on the resolution of company-specific

issues.

29. **ISSUE:** Should all revenue from wholesale power contracts utilities count as firm power supply be subject to public disclosure and scrutiny for prudence?

FIPUG: Yes, before payments can be recovered through the cost recovery clauses such contracts should be made public, especially long-term contracts with affiliated companies such as the proposed Hardee contract.

COMPANY-SPECIFIC CAPACITY COST RECOVERY CLAUSE ISSUES

Florida Power & Light Company

30. **ISSUE:** Should the Commission allow PPL to recover, through the capacity cost recovery clause, its payment to Cedar Bay which resulted from the circuit court's resolution of a contract dispute over the capacity pricing provision of a QF contract between two parties?

FIPUG: No position.

Tampa Electric Company

31. **ISSUE:** Are the capacity costs associated with five purchased power agreements between Tampa Electric Company and Okeelanta Corporation, Farmland Hydro, Auburndale Power Partners, and Hardee Power Partners Limited prudent and appropriate for recovery through the capacity cost recovery clause?

FIPUG: TECo has the burden to prove the prudence of its actions in entering into these contracts. The Hardee contract is a long-term contract and TECo has not provided the contract for review nor has it demonstrated in any way that it is prudent to enter into this long-term contract with its affiliate. Therefore, the costs should not be approved for recovery.

E. STIPULATED ISSUES:

None at this time.

G. PENDING MOTIONS:

FIPUG has no pending motions.

H. OTHER MATTERS:

None at this time.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing FIPUG Prehearing Statement has been furnished by *hand delivery, or U.S. Mail this 25th day of October, 1999, to the following:

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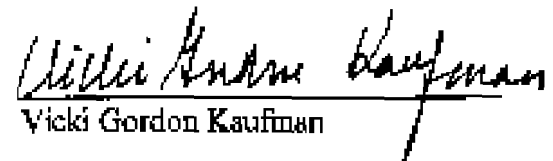
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