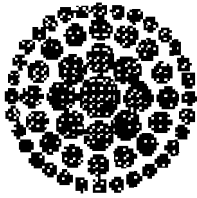


ORIGINAL



**Florida
Power**
CORPORATION

JAMES A. MCGEE
SENIOR COUNSEL

October 22, 1999

Ms. Blanca S. Bayó, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. 990001-E1

Dear Ms. Bayó:

Enclosed for filing in the subject docket are an original and fifteen copies of Florida Power Corporation's Prehearing Statement.

Please acknowledge your receipt of the above filing on the enclosed copy of this letter and return to the undersigned. Also enclosed is a 3.5 inch diskette containing the above-referenced document in WordPerfect format. Thank you for your assistance in this matter.

Very truly yours,

James A. McGee

ACR	<u>Yadine</u>	
APP	_____	
CAF	_____	
CMU	_____	
CS	_____	
ES	_____	JAM/ams
ESB	<u>1</u>	Enclosure
MAO	<u>3</u>	cc: Parties of record
OC	_____	
PAI	_____	
SEC	<u>1</u>	
WON	_____	
YSH	_____	

RECEIVED DIVISION OF RECORDS
13088 OCT 25 99
TALLAHASSEE, FLORIDA

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and Purchased Power Cost
Recovery Clause with Generating
Performance Incentive Factor.

Docket No. 990001-EI

Submitted for filing:
October 25, 1999

**PREHEARING STATEMENT OF
FLORIDA POWER CORPORATION**

Florida Power Corporation (FPC), pursuant to Rule 25-22.038, Florida Administrative Code, hereby submits its Prehearing Statement with respect to its levelized fuel and capacity cost recovery factors and its Generating Performance Incentive Factor (GPIF) for the period of January through December 2000, and states as follows:

A. APPEARANCES

JAMES A. MCGEE, Esquire, Post Office Box 14042, St. Petersburg, FL
33733-4042
On behalf of Florida Power Corporation

B. WITNESSES

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
John Scardino, Jr.	Fuel Adjustment True-up	1, 3, 22, 24
Karl H. Wieland	Fuel Adjustment Projections	2-13, 15A-15E, 23-36
Rebecca J. McClintock	GPIF: Reward/Penalty and Targets/Ranges	18B, 18C, 19

DOCUMENT NUMBER DATE

13083 OCT 25 99

C. EXHIBITS

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
<u>(JS-1)</u>	Scardino	True-up Variance Analysis
<u>(JS-2)</u>	Scardino	Schedules A1 through A13
<u>(KHW-1)</u>	Wieland	Forecast Assumptions (Parts A-C), and Capacity Cost Recovery Factors (Part D)
<u>(KHW-2)</u>	Wieland	Schedules E1 through E10 and H1
<u>(RJM-1)</u>	McClintock	Standard Form GPIF Schedules (Reward/Penalty, April - September 1998)
<u>(RJM-2)</u>	McClintock	Standard Form GPIF Schedules (Reward/Penalty, October - December 1998)
<u>(RJM-3)</u>	McClintock	Standard Form GPIF Schedules (Targets/Ranges, January - December 2000)

D. STATEMENT OF BASIC POSITION

None necessary.

E. STATEMENT OF ISSUES AND POSITIONS

Generic Fuel Adjustment Issues

(Note: The issue numbering sequence below corresponds to the issue numbers applicable to FPC in Staff's Final List of Issues.)

1. **ISSUE:** What are the appropriate final fuel adjustment true-up amounts for the period April through December 1998?

FPC: \$21,595,398 over-recovery. (Scardino)

2. **ISSUE:** What are the appropriate estimated fuel adjustment true-up amounts for the period January through December 1999?

EPC: \$28,941,574 under-recovery. (Wieland)

3. **ISSUE:** What are the total fuel adjustment true-up amounts to be collected from January through December 2000?

EPC: \$7,346,176 under-recovery. (Scardino/Wieland)

4. **ISSUE:** What is the appropriate levelized fuel cost recovery factor for the period of January through December 2000?

EPC: 2.050 cents per kWh (adjusted for jurisdictional losses). (Wieland)

5. **ISSUE:** What should be the effective date of the new fuel cost recovery factors for billing purposes?

EPC: 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 became 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/delivery voltage level group?

EPC:

<u>Group</u>	<u>Delivery Voltage Level</u>	<u>Line Loss Multiplier</u>	
A.	Transmission	0.9800	
B.	Distribution Primary	0.9900	
C.	Distribution Secondary	1.0000	
D.	Lighting Service	1.0000	(Wieland)

7. **ISSUE:** What are the appropriate fuel cost recovery factors for each rate/delivery voltage level group, adjusted for line losses?

FPC:

Group	Delivery Voltage Level	Fuel Cost Factors (cents/kWh)		
		Standard	Time Of Use	
			On-Peak	Off-Peak
A.	Transmission	2.012	2.539	1.781
B.	Distribution Primary	2.032	2.564	1.798
C.	Distribution Secondary	2.053	2.591	1.817
D.	Lighting Service	1.962		

(Wieland)

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 through December 2000?

FPC: 1.00072 (Wieland)

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)?

FPC: The appropriate treatment is to include a jurisdictionally separated portion of such revenue with the utility's jurisdictional operating revenues. The jurisdictional portion of such revenue should be derived by a separation factor reflecting the cost responsibilities of the jurisdictional businesses for which transmission facilities are planned and built. A utility utilizes the unused capacity of these facilities when engaged in non-separated sales, and therefore the revenue generated from these sales should be credited in proportion to those jurisdictional businesses bearing the cost responsibilities for these facilities.
(Wieland)

10. **ISSUE:** What is the appropriate regulatory treatment for the generation-related gain on non-separated wholesale energy sales not made through the EBN?

FPC: The jurisdictional portion of the generation-related gain of such sales should recognize that the revenues are a contribution toward the fixed costs of the facilities that enabled the transaction to take place. Fixed costs are generally apportioned in ratemaking proceedings to rate classes on the basis of

their "demand" cost responsibility as contrasted to their "energy" responsibility. Since the Commission's practice is to pass the gains from non-separated sales through to customers via an adjustment clause, the appropriate adjustment clause for generation-related gains is the Capacity Cost Recovery (CCR) clause. This clause apportions items to rate classes on the basis of their "demand" responsibility, which is the more appropriate treatment for flowing gains from non-separated sales through to rate classes. (Wieland)

11. **ISSUE:** Should the Commission eliminate the 20% shareholder incentive set forth in Order No. 12923, issued January 24, 1984 in Docket No. 830001-EC-B?

EPC: No. In Order No. 12923, the Commission correctly acknowledged that "a positive incentive will preserve current levels of economy sales and may result in increased sales and that the 20% incentive is large enough to maximize the amount of economy sales and provide a net benefit to the ratepayer". The benefits of incentives are as great or greater today than they were when this order was written. As the generation market becomes more competitive, the case for incentives for regulated utilities becomes more compelling since they are competing with market entrants that retain 100% of profits for their shareholders. (Wieland)

12. **ISSUE:** If the Commission should decide to maintain the 20% shareholder incentive set forth in Order No. 12923, issued January 24, 1984 in Docket No. 830001-EC-B, what types of economy energy sales should be eligible for the 20 percent shareholder incentive?

EPC: All economy sales should be eligible for the 20% shareholder incentive that was set forth in Order No. 12923. Inconsistent application of incentives on economy sales could predispose utilities to favor sales that provide shareholder incentives over sales that maximize customer benefits. (Wieland)

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?

EPC: A schedule for submitting projection filings and testimonies for the year 2001 similar to the schedule used for the year 2000 would be appropriate. (Wieland)

Company-Specific Fuel Adjustment Issues

- 15A **ISSUE:** Has FPC confirmed the validity of the methodology used to determine the equity component of Electric Fuels Corporation's capital structure for calendar year 1998?

FPC: Yes. Florida Power's Audit Services Department has reviewed the analysis performed by Electric Fuels Corporation. Florida Power continues to believe that this analysis confirms the appropriateness of the "short cut" method. (Wieland)

- 15B **ISSUE:** Has FPC properly calculated the market price true-up for coal purchases from Powell Mountain?

FPC: Yes. The calculation has been made in accordance with the market pricing methodology approved by the Commission in Docket No. 860001-E1-G. (Wieland)

- 15C **ISSUE:** Has FPC properly calculated the 1998 price for waterborne transportation services provided by Electric Fuels Corporation?

FPC: Yes. The 1998 waterborne transportation calculation has been properly made in accordance with the methodology used for prior years' calculations that have been approved by the Commission. (Wieland)

- 15D **ISSUE:** Should the Commission allow FPC 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?

FPC: Yes. Florida Power projects the need for an additional 18,000 tons of SO₂ allowances in the year 2000 in order to comply with Phase II of the Clean Air Act. Commission Order No. 95-0450-10F-E1 states: "If a utility is not participating in the Environmental Cost Recovery Clause (ECRC), however, it would be appropriate to recover those dollars through the Fuel and Purchased Power Cost Recovery Clause". Florida Power does not participate in the ECRC, therefore the cost of emissions allowances should be recovered through the Fuel and Purchased Power Cost Recovery Clause. (Wieland)

15E **ISSUE:** Should the Commission allow FPC to recover the payment made to Lake Cogen, Ltd., as ordered by a final judgement entered in a lawsuit brought against FPC by Lake Cogen, Ltd., regarding a dispute over the energy pricing provisions of a negotiated QF contract between the two parties?

EPC: Yes. The payment made to Lake Cogen, as well as the projection of future energy payments to be made to Lake Cogen, are based on the final judgement of the Lake County circuit court interpreting the energy pricing provisions of the negotiated contract between FPC and Lake Cogen previously approved by the Commission for cost recovery purposes. (Wieland)

Generic Generating Performance Incentive Factor Issues

18B **ISSUE:** What is the appropriate GPIF reward or penalty for performance achieved during the period of April through September 1998?

EPC: \$340,289 reward. (McClintock)

18C **ISSUE:** What is the appropriate GPIF reward or penalty for performance achieved during the period of October through December 1998?

EPC: \$706,851 reward. (McClintock)

19. **ISSUE:** What should the GPIF targets/ranges be for the period of January through December, 2000?

EPC: See Attachment A. (McClintock)

Generic Capacity Cost Recovery Issues

22. **ISSUE:** What is the appropriate final capacity cost recovery true-up amount for the period of April through December 1998?

EPC: \$222,119 over-recovery. (Scardino)

23. **ISSUE:** What is the appropriate estimated capacity cost recovery true-up amount for the period of January through December 1999?

EPC: \$33,092,530 over-recovery. (Wieland)

24. **ISSUE:** What is the appropriate total capacity cost recovery true-up amount to be refunded during the period January through December 2000?

EPC: \$33,314,649 over-recovery. (Scardino/Wieland)

25. **ISSUE:** What is the appropriate projected net purchase power capacity cost recovery amount to be included in the recovery factor for the period January through December 2000?

EPC: \$274,665,906 (Wieland)

26. **ISSUE:** What are the projected capacity cost recovery factors for the period January through December 2000?

EPC:	Rate Class	CCR Factor
	Residential	.972 cents/kWh
	General Service Non-Demand	.816 cents/kWh
	@ Primary Voltage	.808 cents/kWh
	@ Transmission Voltage	.800 cents/kWh
	General Service 100% Load Factor	.530 cents/kWh
	General Service Demand	.641 cents/kWh
	@ Primary Voltage	.634 cents/kWh
	@ Transmission Voltage	.628 cents/kWh
	Curtailable	.540 cents/kWh
	@ Primary Voltage	.534 cents/kWh
	@ Transmission Voltage	.529 cents/kWh
	Interruptible	.504 cents/kWh
	@ Primary Voltage	.499 cents/kWh
	@ Transmission Voltage	.494 cents/kWh
	Lighting	.184 cents/kWh

(Wieland)

F. STIPULATED ISSUES

None at this time.

G. PENDING MOTIONS

None.

Respectfully submitted,

OFFICE OF THE GENERAL COUNSEL
FLORIDA POWER CORPORATION

By 

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CERTIFICATE OF SERVICE

Docket No. 990001-RI

I **HEREBY CERTIFY** that a true copy of Florida Power Corporation's Prehearing Statement has been furnished to the following individuals by U.S. Mail this 22nd day of October 1999:

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Mr. Frank C. Cressman, President,
Florida Public Utilities Company
P.O. Box 3395
West Palm Beach, FL 33402-3395


Attorney

GPIF TARGET AND RANGE SUMMARY

Company: Florida Power Corporation

Period of: January, 2000 - December, 2000

Plant/Unit	Weighting Factor (%)	EAF Target (%)	EAF RANGE		Max. Fuel Savings (\$000)	Max. Fuel Loss (\$000)
			Max. (%)	Min. (%)		
ANCLOTE 1	4.71	82.36	84.15	80.58	1172	(2,142.0)
ANCLOTE 2	5.88	83.94	85.98	77.78	1483	(1,990.0)
BARTOW 3	1.68	82.84	88.39	75.71	418	(2,028.0)
C.R. 1	3.46	90.88	94.81	81.24	853	(3,535.0)
C.R. 2	10.80	75.25	79.85	88.34	2885	(4,532.0)
C.R. 3	12.48	83.43	88.52	87.09	2608	(7,730.0)
C.R. 4	9.88	75.86	78.97	89.01	2407	(5,122.0)
C.R. 5	3.80	94.04	95.98	90.09	896	(2,898.0)
TIGER BAY	1.28	79.13	82.32	75.96	314	(1,700.0)
GPIF System	51.57				12823	(31,502.0)

Plant/Unit	Weighting Factor (%)	ANDHR Target (BTU/MWH)	NOF	ANDHR RANGE		Max. Fuel Savings (\$000)	Max. Fuel Loss (\$000)
				Min. (%)	Max. (%)		
ANCLOTE 1	5.18	10022	92.0	9744	10300	1281.8	(1,281.8)
ANCLOTE 2	4.42	10025	83.2	9787	10283	1100.2	(1,100.2)
BARTOW 3	2.15	10148	81.1	9850	10420	533.8	(533.8)
C.R. 1	3.24	9851	82.4	9671	10032	805.5	(805.5)
C.R. 2	2.83	9851	88.7	9687	10014	853.5	(853.5)
C.R. 3	10.80	10957	100.2	10207	10907	2610.2	(2,610.2)
C.R. 4	8.38	8422	89.8	9248	8588	1581.6	(1,581.6)
C.R. 5	8.88	9384	91.5	9205	9582	2154.4	(2,154.4)
TIGER BAY	5.31	7590	88.0	7000	8180	1320.5	(1,320.5)
GPIF System	48.43					12041.5	(12,041.5)

Issued by: FPC

Filed:

Suspended:

Effective:

Docket No.:

Order No.: