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October 25, 1999

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

Re: Fuel and Purchased Power Cost Recovery Clause  
with Generating Performance Incentive Factor;  
FPSC Docket No. 990001-LI

Dear Ms. Bayo:

Enclosed for filing in the above docket are the original and fifteen (15) copies of Tampa Electric Company's Prehearing Statement.

Also enclosed is a diskette containing the above document generated in Word and saved in Rich Text format for use with WordPerfect.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning same to this writer.

Thank you for your assistance in connection with this matter.

Sincerely,

  
James D. Beasley

*MS. VANDER*

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\_\_\_\_\_ Enclosure  
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cc: All Parties of Record (w/enc.)

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RECORDS AND PERFORMING

ORIGINAL

In re: Fuel and Purchased )  
 Power Cost Recovery Clause )  
 And Generating Performance )  
 Incentive Factor. )  
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DOCKET NO. 990001-EI  
 FILED: October 25, 1999

**TAMPA ELECTRIC COMPANY'S  
PREHEARING STATEMENT**

**A. APPEARANCES:**

LEE L. WILLIS  
 JAMES D. BEASLEY  
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 Ausley & McMullen  
 Post Office Box 391  
 Tallahassee, Florida 32302  
On behalf of Tampa Electric Company

**B. WITNESSES:**

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
<u>(Direct)</u>		
1. Karen O. Zwolak (TECO)	Fuel Adjustment True-up and Projections	1, 2, 3, 4, 5, 6, 7, 8, 13, 19B, 19F, 19K
	Capacity Cost Recovery True-up and Projections	24, 25, 26, 27, 28
2. G. A. Keselowsky (TECO)	GPIF Reward/Penalty and Targets/Ranges	4, 20B, 20C, 21
3. W. L. Brown (TECO)	Purchased Power Agreements; Wholesale Market Conditions	4, 19H, 19I, 31

RECORDED - 2098  
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 FPD - TALLAHASSEE, FLORIDA



Ward  
(MDW-1)

Total Fuel and Purchased Power Costs  
Due to the Cannon Unit 6 Accident

#### **D. STATEMENT OF BASIC POSITION**

##### **Tampa Electric Company's Statement of Basic Position:**

The Commission should approve Tampa Electric's calculation of its fuel adjustment, capacity cost recovery and GPIF true-up calculations, including the proposed fuel adjustment factor of 2.243 cents per KWH before application of factors which adjust for variations in line losses; the proposed capacity cost recovery factor of 0.204 cents per KWH before applying the 12CP and 1/13<sup>th</sup> application methodology; and a GPIF penalty of \$276,901. Tampa Electric is also proposing a refund of \$11,226,598, excluding interest, as the result of recent Commission PAA orders regarding the company's 1997 and 1998 earnings. Protests have been filed regarding the company's 1997 earnings.

#### **E. STATEMENT OF ISSUES AND POSITIONS**

##### **Generic Fuel Adjustment Issues**

- ISSUE 1:** What is the appropriate final fuel adjustment true-up amounts for the period April 1998 through December 1998?
- TECO:** \$7,879,936 overrecovery. (Witness: Zwolak)
- ISSUE 2:** What are the appropriate estimated fuel adjustment true-up amounts for the period January 1999 through December 1999?
- TECO:** \$11,546,819 underrecovery. (Witness: Zwolak)
- ISSUE 3:** What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2000 to December 2000?

TECO: \$3,666,883 under-recovery through December 31, 1999. (Witness: Zwolak)

ISSUE 4: What are the appropriate levelized fuel cost recovery factors for the period January 2000 to December 2000?

TECO: The appropriate factor is 2.243 cents per KWH before the normal application of factors that adjust for variations in line losses. (Witnesses: Black, Brown, Hernandez, Hornick, Keselowsky, Ward, and Zwolak)

ISSUE 5: What should be the effective date of the fuel adjustment charge and capacity cost recovery charge for billing purposes?

TECO: The new factors should be effective beginning with the specified fuel cycle and thereafter for the period 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 1, 2000, so long as each customer is billed for 12 months regardless of when the factors began effective. (Witness: Zwolak)

ISSUE 6: 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?

<u>TECO:</u>	<u>Multiplier</u>
Group A	1.0071
Group A1*	N/A
Group B	1.0016
Group C	0.9681

\*Group A1 is based on Group A, 15% of On-Peak and 85% of Off-Peak.  
(Witness: Zwolak)

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

<u>TECO:</u>	<u>Standard</u>	<u>On-Peak</u>	<u>Off-Peak</u>
Group A	2.259	3.074	1.905
Group A1	2.080	N/A	N/A
Group B	2.247	3.057	1.895
Group C	2.171	2.955	1.832

(Witness: Zwolak)

ISSUE 8: 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?

TECO: 1.00072 cents/KWh. (Witness: Zwolak)

ISSUE 9: What is the appropriate regulatory treatment for transmission revenue received from non-separated wholesale energy sales not made through the Energy Broker Network (EBN)?

TECO: The treatment should be the same as if the transaction were made through the EBN. Transmission revenues from economy sales should be separated on an energy basis. Eighty percent of those revenues should be credited to retail ratepayers through the Fuel Clause. The company should retain the remaining 20 percent. (Witness: Hernandez)

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

TECO: The treatment should be the same as if the transaction were made through the EBN. Eighty percent of those gains are assigned to the retail jurisdiction and should be credited to ratepayers through the Fuel Clause. The company should retain 20 percent of the gain from such sales. (Witness: Hernandez)

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

TECO: No. If anything, the incentive should be increased. Elimination of the 20 percent incentive will negatively impact both sellers and purchasers. The shareholder incentive should be retained to encourage sellers to offer their as-available energy within the state and provide mutual benefits for customers of both sellers and purchasers. (Witness: Hernandez)

ISSUE 12: 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. 830001-EC-B, what types of economy energy sales should be eligible for the 20 percent shareholder incentive?

TECO: The 20 percent shareholder incentive should apply to all types of economy energy sales regardless of whether they are made through the broker or off-broker. (Witness: Hernandez)

ISSUE 13: 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?

TECO: October 2, 2000. (Witness: Zwolak)

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

TECO: Tampa Electric provides uniform treatment to wholesale sales and purchases to ensure that retail ratepayers are not disadvantaged. (Witness: Hernandez)

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

TECO: Amounts that electric utilities pay to affiliated companies should not be publicly disclosed. However, these amounts should be presented to and determined by this Commission to be prudent and appropriate. By publicly disclosing all conditions of affiliated company transaction, the disclosure would harm the competitive interests of the utility and/or the affiliate and would impair the efforts of the utility and/or its affiliate to contract for goods and services on favorable terms. Under such circumstances this information is entitled to confidential protection under Section 366.093, Florida Statutes. (Witness: Hornick)

### Company-Specific Fuel Adjustment Issues

#### Florida Power & Light Company

ISSUE 16A: 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 and purchased power cost recovery clause?

TECO: No position.

ISSUE 16B: 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?

TECO: No position.

ISSUE 16C: Should the Commission allow FPL to recover the payment made to Cedar Bay in the fuel and purchased power cost recovery clause as a result of a court's interpretation of a contract dispute over the energy pricing provision of a QF contract between the two parties?

TECO: No position.

Florida Power Corporation

ISSUE 17A: 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?

TECO: No position.

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

TECO: No position.

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

TECO: No position.

ISSUE 17D: Should the Commission allow Florida Power to recover the cost of purchasing 18,000 tons of SO<sub>2</sub> emission allowances in the year 2000 through the fuel and purchased power cost recovery clause?

TECO: No position.

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

TECO: No position.

Gulf Power Company

ISSUE 18A: 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?

TECO: No position.

ISSUE 18B: 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 52 MW?

TECO: No position.



Tampa Electric Company

ISSUE 19A: What is the appropriate 1998 benchmark price for coal Tampa Electric Company purchased from its affiliate, Gatliff Coal Company?

TECO: \$43.89/Ton. (Witness: Hornick)

ISSUE 19B: Has Tampa Electric Company adequately justified any costs associated with the purchase of coal from Gatliff Coal Company that exceed the 1998 benchmark price?

TECO: No justification is necessary, as Tampa Electric is not seeking recovery of any costs associated with the purchase of coal from Gatliff that exceed the 1998 benchmark. (Witnesses: Hornick, Zwolak)

ISSUE 19C: What is the appropriate 1998 waterborne coal transportation benchmark prices for transportation services provided by affiliates of Tampa Electric Company?

TECO: \$28.14 per ton. (Witness: Hornick)

ISSUE 19D: 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?

TECO: No justification is necessary, as Tampa Electric is not seeking recovery of any costs associated with transportation services provided by affiliates that exceed the 1998 benchmark. (Witnesses: Hornick, Zwolak)

ISSUE 19E: 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 (sic) to be recovered?

TECO: Yes. Tampa Electric took reasonable precautions to guard against an explosion during the maintenance outage of Gannon Unit 6. The company had sufficient safety practices and procedures in place. In a timely manner, the company prudently repaired the Gannon units to minimize costs of replacement power. The company has adequately supported its calculation of the total cost of replacement fuel and purchased power. (Witnesses: Black, Ward)

ISSUE 19F: 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?

TECO: In Order No. PSC-96-1300-S-EI, in Docket No. 960409-EI, issued October 24, 1996, Tampa Electric agreed to provide a temporary base rate reduction to

customers in the total amount of \$25 million over 15 months beginning on October 1, 1997. The amount actually credited to customers was \$25,435,939 or \$435,939 more than agreed upon. Order No. PSC-96-0670-S-U states that over- or under-collection will be handled as a true-up component in the normal course of Tampa Electric's fuel cost recovery proceedings. However, due to the sharing plan approved in this order, Tampa Electric has agreed to refund any revenues contributing to a net ROE in excess of 12.75% for 1998. Because the company is within the 100% sharing range for 1998, any additional revenues such as this excess credit attributable to the temporary base rate reduction would ultimately be refunded to customers. Therefore, Tampa Electric proposes not to recover this excess amount in the true-up. (Witness: Zwolak)

ISSUE 19I: Are the energy costs associated with five purchased power agreements between Tampa Electric Company and Okaloosa Corporation, Farmland Hydro, Auburndale Power Partners, and Hialeah Power Partners Limited prudent and appropriate for recovery through the fuel and purchased power cost recovery clause?

TECO: Yes. Tampa Electric entered into these agreements in order to maintain overall system reliability for its retail ratepayers. Each purchase is for firm capacity and energy priced at the best available market price for the required periods of time. (Witness: Brown, Ward)

ISSUE 19J: 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?

TECO: Yes. The acceleration of Polk Unit 2 will provide operational reserves for Tampa Electric. (Witness: Brown, Ward)

ISSUE 19K: Should the Commission approve Tampa Electric Company's proposed regulatory treatment for its wholesale power supply agreement with Florida Municipal Power Agency from January 1, 2000 through March 15, 2001?

TECO: Yes. This transaction provides significant net benefits to ratepayers. This Commission should approve the company's proposed revenue flow through treatment of this sale which avoids harming the company while still providing significant benefits to Tampa Electric's customers. (Witness: Hernandez)

ISSUE 19L: How should Tampa Electric Company implement the \$11,226,598 combined refund as ordered by the Commission in Order No. PSC-99-1950-PAA-EI in Docket No. 950379-EI, issued October 1, 1999 and by the Commission's decision at the September 7, 1999 agenda?

TECO: If the amount to be refunded is finally determined prior to the hearing in this docket, it should be refunded to customers beginning in January 2000. (Witness: Zwolak)

ISSUE 19L: 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?

TECO: Tampa Electric does not believe that this is an appropriate issue for inclusion in this proceeding. The issue is inherently vague, as Tampa Electric is not in the business of selling fuel. This issue should be stricken from this proceeding. Tampa Electric reserves the right to submit supplemental testimony in the event this new identified issue remains in this proceeding.

ISSUE 19M: Should the Commission impose price restrictions on the amount Tampa Electric pays for coal purchase, handling, and transportation from affiliated companies?

TECO: This issue is inappropriate for this proceeding and should be stricken. The Commission has in place a process for determining the recoverable costs associated with coal purchases, handling and transportation by Tampa Electric to its affiliates. Tampa Electric reserves the right to submit supplemental testimony in the event this new identified issue remains in this proceeding.

ISSUE 19N: Should all short-term wholesale sales be subject to interruption to assure that sufficient capacity is available for retail ratepayers?

TECO: This issue is inappropriate for this proceeding. Tampa Electric reserves the right to submit supplemental testimony in the event this new identified issue remains in this proceeding.

ISSUE 19O: Are Tampa Electric Company's wholesale revenues from third party sales being treated correctly?

TECO: Yes. (Witness: Hernandez)

#### **Generic Generating Performance Incentive Factor Issues**

ISSUE 20A: What is the appropriate GPIF reward or penalty for performance achieved by Florida Power & Light Company during the period October, 1997, through September, 1998?

TECO: No position.

**ISSUE 20B:** 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?

**TECO:** A penalty of \$229,924. (Witness: Keselowsky)

**ISSUE 20C:** What is the appropriate GPIF reward or penalty for performance achieved during the period October, 1998 through December, 1998?

**TECO:** A penalty of 546,977. (Witness: Keselowsky)

**ISSUE 21:** What should the GPIF targets/ranges be for the period January, 2000 through December, 2000?

**TECO:** The appropriate targets and ranges are shown in Attachment "A" to the prefiled testimony of Mr. George A. Keselowsky, also attached hereto as Attachment "A". (Witness: Keselowsky)

#### **Company-Specific Generating Performance Incentive Factor Issues**

##### **Gulf Power Company**

**ISSUE 22:** Should Gulf Power include a new Btu per pound independent variable in the plant Daniel target heat rate equations?

**TECO:** No position.

#### **Generic Capacity Cost Recovery Factor Issues**

**ISSUE 23:** 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?

**TECO:** No position.

**ISSUE 24:** 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?

**TECO:** Overrecovery of 5442,999 for Tampa Electric Company. (Witness: Zwolak)

**ISSUE 25:** What is the appropriate estimated capacity cost recovery true-up amount for Florida Power Corporation and Tampa Electric Company for the period January, 1999 through December, 1999?

**TECO:** \$2,930,803 underrecovery for Tampa Electric Company. (Witness: Zwolak)

**ISSUE 26:** What is the appropriate total capacity cost recovery true-up amount to be collected/refunded during the period January, 2000 through December, 2000?

**TECO:** \$2,487,804 underrecovery. (Witness: Zwolak)

**ISSUE 27:** 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?

**TECO:** \$33,983,354. (Witness: Zwolak)

**ISSUE 28:** What are the projected capacity cost recovery factors for the period January, 2000 through December, 2000?

**TECO:** 0.204 cents per KWH before applying the 12 CP and 1/13 allocation methodology, and producing the capacity recovery factors by rate schedule. (Witness: Zwolak)

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

**TECO:** No. Amounts that electric utilities pay for wholesale power contracts should not be publicly disclosed. However, these amounts should be presented to and determined by this Commission to be prudent and appropriate. By publicly disclosing all conditions of wholesale power contracts, the disclosure would harm the competitive interests of the utility and/or the seller and would impair the efforts of the utility to contract for capacity and energy at favorable terms. Under such circumstances this information is entitled to confidential protection under Section 366.093, Florida Statutes. Tampa Electric reserves the right to submit supplemental testimony in the event this remains an issue in this proceeding.

### **Company-Specific Capacity Cost Recovery Clause Issues**

#### **Florida Power & Light Company**

**ISSUE 30:** Should the Commission allow FPL to recover the payment made to Cedar Bay in the capacity cost recovery clause as a result of a court's interpretation of a

contract dispute over the capacity pricing provision of a QF contract between the two parties?

TECO: No position.

Tampa Electric Company

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

TECO: Yes. For the same reasons stated above relative to the energy costs associated with these contracts. (Witness: Brown)

**E. STIPULATED ISSUES**

TECO: None at this time.

**G. MOTIONS**

TECO: None at this time.

**H. OTHER MATTERS**

TECO: None at this time.

DATED this 25th day of October, 1999.

Respectfully submitted,



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JAMES D. BEASLEY  
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Ausley & McMullen  
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(850) 224-9115

ATTORNEYS FOR TAMPA ELECTRIC COMPANY

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of Tampa Electric Company's Prehearing Statement has been furnished by U. S. Mail or hand delivery (\*) on this 25<sup>th</sup> day of October, 1999 to the following:

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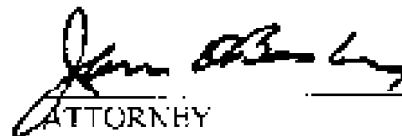
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ATTORNEY

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ATTACHMENT "A"  
October 1, 1999

TAMPA ELECTRIC COMPANY  
GPIF TARGETS  
January 1, 2000 - December 31, 2000

Unit	Availability			Heat Rate
	EAF	POF	EUOF	
Gannon 5	75.3	5.7	19.0	10,562 <sup>2</sup>
Gannon 6	72.2	5.7	22.1	10,507 <sup>2</sup>
Big Bend 1	78.1	5.7	16.1	10,127 <sup>2</sup>
Big Bend 2	80.6	4.9	14.5	10,061 <sup>2</sup>
Big Bend 3	76.3	5.7	18.0	10,197 <sup>2</sup>
Big Bend 4	84.4	1.9	13.7	9,976 <sup>2</sup>

<sup>2</sup> Original Sheet 8.401.99E, Pg. 13

<sup>3</sup> Original Sheet 8.401.99E, Pg. 14

<sup>4</sup> Original Sheet 8.401.99E, Pg. 15

<sup>5</sup> Original Sheet 8.401.99E, Pg. 16

<sup>6</sup> Original Sheet 8.401.99E, Pg. 17

<sup>8</sup> Original Sheet 8.401.99E, Pg. 18