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July 24, 2000

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Blanca S. Bayo  
Director, Division of Records & Reporting  
Florida Public Service Commission  
Capital Circle Office Center  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

Re: In re: Complaint and petition by Lee County Electric Cooperative, Inc. for an investigation of the rate structure of Seminole Electric Cooperative, Inc., Docket No. 981827-EC

Dear Ms. Bayo:

Enclosed for filing on behalf of Lee County Electric Cooperative, Inc. ("LCEC") are the original and fifteen (15) copies of LCEC's Prehearing Statement. A diskette containing this filing in Microsoft Word format has been provided.

For our records, please acknowledge your receipt of these filings on the enclosed copy of this letter. Thank you for your consideration.

Sincerely,

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*Man*  
FPSC-BUREAU OF RECORDS

HOLLAND & KNIGHT LLP

*D. Bruce May*  
D. Bruce May

APP	_____
CAF	_____
CMP	_____
COM	DBM:chs
CTR	3 Enclosure
ECR	cc: Cochran Keating
LEG	1 Parties of Record
OPC	_____
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ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Complaint and petition by	)	
Lee County Electric Cooperative, Inc.	)	Docket No. 981827-EC
For an investigation of the rate structure	)	
of Seminole Electric Cooperative, Inc.	)	Filed: July 24, 2000
_____ /		

**LEE COUNTY ELECTRIC COOPERATIVE, INC.'S  
PREHEARING STATEMENT**

Lee County Electric Cooperative, Inc. ("LCEC"), by and through undersigned counsel, pursuant to the Order Establishing Procedure, Order No. PSC-00-0632-PCO-EC, issued on April 4, 2000, hereby submits its Prehearing Statement in this proceeding. LCEC expressly reserves the right to supplement and revise the matters contained in this Prehearing Statement.

**A. Witnesses**

LCEC intends to call the following witnesses:

1. William Steven Seelye. Mr. Seelye will describe Rate Schedule SECI-7b, the current wholesale rate schedule for Seminole Electric Cooperative ("Seminole"). Mr. Seelye's testimony will address whether SECI-7b is properly designed in accordance with accepted cost of service principles. Mr. Seelye will also recommend rate structure alternatives for Seminole that more appropriately reflect the cost of service.

2. Martin J. Blake. Dr. Blake's testimony will address whether Rate Schedule SECI-7b is properly designed and fair, just and reasonable. Dr. Blake will also testify as to the need for the Florida Public Service Commission (the

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"Commission") to exercise jurisdiction over Seminole's wholesale rate structure, and other policy considerations associated with the Commission's evaluation of Seminole's wholesale rate structure.

3. Pamela May. Ms. May will testify as to the relationship between LCEC and Seminole, the Wholesale Power Contract between LCEC and Seminole, and the process by which Rate Schedule SECI-7 and Rate Schedule SECI-7b were established.

**B. Exhibits**

At this time, LCEC intends to use the following exhibits at hearing:

Witness Sponsoring

Exhibit

William Steven Seelye

WSS-1: Burns & McDonnell Cost of Service Analysis.

WSS-2: LCEC Cost of Service Analysis.

WSS-3: Cost Recovery Under SECI-7b Compared to Actual Cost from Cost of Service Study.

WSS-4: Revenues Produced by LCEC's Proposed Rate Alternatives Compared to SECI-7b.

WSS-5: Individual Member Billings Under Proposed Rate Alternatives Compared to SECI-7b.

WSS-6: Slides From Mr. Midulla's Presentation to LCEC's Board of Directors.

WSS-7: Effective Demand Charge Based on Marginal Capacity and Peak Energy Cost.

Martin J. Blake

MJB-1: Rate Schedule SECI-7b.

MJB-2: Rate Schedule SECI-7.

MJB-3: Rate Schedule SECI-6b.

MJB-4: Wholesale Power Contract Dated March 22, 1975 Between LCEC and Seminole, As Amended.

Pamela M. May

PMM-1: Wholesale Power Contract Dated March 22, 1975 Between LCEC and Seminole, As Amended.

PMM-2: Rate Schedule SECI-7b.

PMM-3: Rate Schedule SECI-7.

PMM-4: Rate Schedule SECI-6b.

The above is a listing of all exhibits known at this time. LCEC may introduce additional exhibits, not identified herein, in its cross-examination of Seminole's witnesses. LCEC may also move the Commission for leave to introduce additional exhibits identified during the course of depositions that are scheduled to occur during the second week of August.

### **C. Basic Position**

The Commission should assert authority over Seminole's rate structure. Section 366.04(2)(b), Florida Statutes, authorizes the Commission to "prescribe a rate structure for all electric utilities." Seminole has admitted that it is an "electric utility" as that term is defined in Chapter 366, Florida Statutes. In addition, policy reasons dictate that the Commission exercise authority over Seminole's rate structure to ensure that it is fair, just and reasonable. Flaws in Seminole's rate

structure will ultimately effect Florida's retail electric ratepayers. Moreover, if the Commission does not ensure that Seminole's rate structure is fair, just and reasonable, no other person or entity will.

The Commission should disapprove Rate Schedule SECI-7b because it is not fair, just and reasonable. Rate Schedule SECI-7b was not designed in accordance with generally accepted ratemaking principles and is not supported by an appropriate cost-of-service analysis. Rate Schedule SECI-7b uses a three year ratchet with a one-year lag, incorporates an incomplete and one-sided view of marginal cost, and sends inaccurate and inappropriate price signals. Because of these structural flaws, Rate Schedule SECI-7b thus discourages Seminole's customers from pursuing viable and more efficient alternatives to purchasing capacity from Seminole, such as load management, energy conservation and distributed generation. The Commission should require Seminole to implement a rate structure that would recover all production fixed costs through the Production Demand Charge and would eliminate the Production Fixed Energy Charge.

**D. Questions of Fact**

LCEC is not aware of any issues in this proceeding that are purely questions of fact.

**E. Questions of Law**

See Stipulated Issues Nos. 1 and 2 below.

## **F. Questions of Policy**

LCEC is not aware of any issues in this proceeding that are purely questions of policy.

## **G. Mixed Questions of Fact, Law and Policy**

See Stipulated Issues Nos. 3, 4 and 5 below.

## **H. Statement of Issues Stipulated to by the Parties**

**Issue 1:** Does the Commission have jurisdiction over the subject matter of Lee County Electric Cooperative's Complaint and Petition?

**Position:** Yes. Section 366.04(2)(b), Florida Statutes, authorizes the Commission to "prescribe a rate structure for all electric utilities." Seminole has admitted that it is an "electric utility" as that term is defined in Chapter 366, Florida Statutes. Accordingly, the Commission has jurisdiction to prescribe a rate structure for Seminole, just as it does for all other electric utilities.

**Witness:** Martin J. Blake

**Issue 2:** What standard of review should the Commission apply to the wholesale rate structure at issue in this proceeding?

**Position:** The Commission should determine whether Seminole's wholesale rate structure is fair, just and reasonable.

**Witness:** Martin J. Blake

**Issue 3:** Is Seminole Electric Cooperative's wholesale rate structure in Rate Schedule SECI-7b fair, just and reasonable?

**Position:** No. Rate Schedule SECI-7b was not designed in accordance with generally accepted ratemaking standards, and is not supported by an appropriate cost-of-service analysis. Rate Schedule SECI-7b negatively impacts load management, energy conservation and economic development. Rate Schedule SECI-7b uses a three-year ratchet with a one-year lag, an incomplete and one-sided view of

marginal cost. Rate Schedule SECI-7b also sends inaccurate and inappropriate price signals. For these reasons, SECI-7b discourages Seminoles' customers from pursuing viable and more efficient alternatives to purchasing capacity from Seminole.

Witnesses: Martin J. Blake, William Steven Seelye, Pamela M. May

**Issue 4: Should the Commission prescribe a wholesale rate structure for Seminole Electric Cooperative to become effective January 1, 2001?**

Position: Yes.

Witnesses: Martin J. Blake, William Steven Seelye, Pamela M. May

**Issue 5: If the Commission determines that it should prescribe a wholesale rate structure for Seminole Electric Cooperative, what is the appropriate rate structure to prescribe?**

Position: The Commission should prescribe a wholesale rate structure for Seminole that is consistent with average embedded cost pricing principles. More specifically, LCEC has proposed three alternative rate structures for Seminole. The first alternative would consist of: (i) a monthly demand charge that recovers fixed production and transmission costs, (ii) an energy charge that recovers variable operation and maintenance expenses, and (iii) a distribution delivery charge that recovers the cost of distribution facilities on Seminole's system. The second alternative would consist of an unbundled rate with a seasonally differentiated production demand charge that recovers all fixed production costs during the eight peak months. The third alternative would allocate the Production Fixed Energy Charge on the basis of demand rather than energy.

Witness: William Steven Seelye

**Issue 6: Should this docket be closed?**

Position: No position at this time.

Witness: No witness on this issue at this time.

In addition to these issues, the parties have stipulated that any relief granted in this case will be prospective beginning January 1, 2001.

**I. Statement of All Pending Motions or Other Matters**

At this time, there are no pending motions or other matters that need to be resolved prior to hearing.


**J. Statement Identifying Pending Requests or Claims for Confidentiality**

At this time, there are no pending requests or claims for confidentiality.

**K. Statement of Requirements With Which LCEC Cannot Comply**

On July 18, 2000 the Commission issued an amended Case Assignment and Scheduling Record (CASR) in this proceeding which moved the hearing date in this matter from the originally scheduled date of August 22, 2000 to August 25, 2000. Both of LCEC's expert witnesses in this proceeding, Mr. Seelye and Mr. Blake, have prior hearing commitments for August 25, 2000. Because of that scheduling conflict, LCEC cannot comply with that new hearing date of August 25, 2000. Other than the scheduling conflict with the new hearing date, at this time LCEC can comply with all other requirements set forth in Order No. PSC-00-0632-PCO-EC.

Respectfully submitted,

  
\_\_\_\_\_  
D. Bruce May  
Florida Bar No. 354473

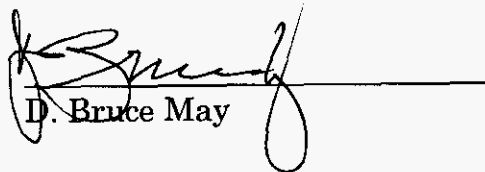


Karen D. Walker  
Florida Bar No. 0982921  
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(850) 224-7000

**Attorneys for Lee County Electric  
Cooperative, Inc.**

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing was furnished by hand delivery to Richard Melson, Hopping, Green, Sams & Smith, P.A., Post Office Box 6526, Tallahassee, Florida; and to William Cochran Keating and David Wheeler, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850; and by United States Mail to Robert A. Mora, Allen Law Firm, Post Office Box 2111, Tampa, Florida 33601; and Timothy Woodbury, Seminole Electric Cooperative, Inc., Post Office Box 272000, Tampa, Florida 33688-2000 all on this 24<sup>th</sup> day of July, 2000.

  
D. Bruce May