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October 24, 2001

VIA HAND DELIVERY

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

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COMMISSION
CLERK

Re: Docket No.: 010001-EI

Dear Ms. Bayo:

On behalf of The Florida Industrial Power Users Group (FIPUG), enclosed for filing and distribution are the original, 15 copies and disk containing the following:

- ▶ The Florida Industrial Power Users Group's Prehearing Statement.

Please acknowledge receipt of the above on the extra copy of each and return the stamped copies to me. Thank you for your assistance.

Sincerely,

Vicki Gordon Kaufman
Vicki Gordon Kaufman

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MCWHIRTER, REEVES, MCGLOTHLIN, DAVIDSON, DECKER, KAUFMAN, ARNOLD & STEEN, P.A.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No. 010001-EI

Filed: October 24, 2001

The Florida Industrial Power Users Group's Prehearing Statement

The Florida Industrial Power Users Group (FIPUG), pursuant to Order No. PSC-01-0665-PCO-EI, 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 **JOSEPH A. MCGLOTHLIN, VICKI GORDON KAUFMAN and TIMOTHY J. PERRY**, 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	Issues Addressed
Brian Collins	21C - 21L
Jeffry Pollock	12, 15, 21C - 21L

C. EXHIBITS:

Witness	Exhibit	Title
Brian Collins ¹	BCC-1	Summary of Wholesale Contracts
	BCC-2	Average Fuel Costs
	BCC-3	Tampa Electric Schedules A6 and A7
	BCC-4	Wholesale Power Sales 1999 - 2000

¹Mr. Collins' Exhibits BCC-6, BCC-12 and BCC-16 contain information which Tampa Electric Company considers to be confidential.

BCC-5	Power Purchased 1999 - 2000
BCC-6	Purchased Power on Selected Days
BCC-7	System Outages and Wholesale Sales
BCC-8	System Outages and Wholesale Sales
BCC-9	System Outages and Wholesale Sales
BCC-10	System Outages and Wholesale Sales
BCC-11	TECO's Response to Interrogatories
BCC-12	Subsidy to Wholesale Customers
BCC-13	Calculation of Wholesale Subsidy
BCC-14	Equivalent Forced Outage Rates
BCC-15	Equivalent Availability Factors
BCC-16	Comparison of Power Purchased

Jeffrey Pollock	JP-1	History of Service Interruptions
	JP-2	History of Economic Interruptions

D. STATEMENT OF BASIC POSITION:

TECO has placed its own interests, and those of its long-term wholesale contract customers, ahead of the interests of its retail native load customers. While wholesale customers directly benefit from TECO's lowest cost generation and low-cost power purchases, its retail customers must bear the excessive costs of power that TECO must purchase in volatile deregulated wholesale markets to replace internal generation.

Since 1997, TECO's non-firm customers have experienced dramatic increases in both frequency and duration of interruptions. The result is a 200% increase in Optional Provision Purchases since 1997. In addition, the deteriorating reliability of TECO's internal generation has resulted in more frequent interruptions and an increase in off-system purchases for non-firm customers. Despite these circumstances, during which non-firm customers are being curtailed and TECO is having to purchase expensive replacement power, TECO's wholesale customers are continuing to receive their full entitlement to TECO's cheap coal-fired capacity.

Not only are retail customers receiving an inferior quality of service, they are paying excessively for it. Retail customers pay the fixed costs incurred by TECO to construct, operate and maintain its generating capacity, including several large relatively low operating cost coal-fired units, in their base rates. However, despite supporting the fixed costs of TECO's generation capacity, retail customers are paying significantly higher fuel costs. These higher costs may be attributed to the fact that the cost of all replacement purchases are allocated by TECO entirely to native retail customers. This practice is unfair. The retail customers who are supporting the fixed costs of generation capacity should be the beneficiaries of the lower operating costs of this capacity. To do otherwise would be tantamount to a forced subsidy by retail customers of TECO's long-term wholesale contracts.

FIPUG asserts that the Commission should take several steps to ensure that the interests of the ratepayers are protected. First, TECO's 2002 fuel rates should not be adjusted from current levels until a thorough investigation into the issues presented in this testimony is completed. Second, TECO should be ordered to cease its current practice of allocating 100% of replacement power costs to retail customers. Finally, the Commission should convene an investigation and require TECO to quantify the impact of its wholesale costing and pricing practices on retail customers. The goal of this investigation would be to quantify the subsidies provided by retail customers to help underwrite TECO's low-cost wholesale sales and to assure that TECO's wholesale purchases from affiliate companies were prudent.

E. STATEMENT OF ISSUES AND POSITIONS:

GENERIC FUEL ADJUSTMENT ISSUES

ISSUE 1: What are the appropriate final fuel adjustment true-up amounts for the period January, 2000 through December, 2000?

FIPUG: TECo should not be permitted to collect any of its true-up request pending the outcome of a Commission investigation into its wholesale practices.

ISSUE 2: What are the appropriate estimated/actual fuel adjustment true-up amounts for the period, 2001 through December, 2001?

FIPUG: TECo should not be permitted to collect any of its true-up request pending the outcome of a Commission investigation into its wholesale practices.

ISSUE 3: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January, 2002 to December, 2002?

FIPUG: FIPUG has no position at this time except the positions expressed on Issues 21C-21J and reserves the right to take a further position on this issue by the date of the prehearing conference.

ISSUE 4: What are the appropriate levelized fuel cost recovery factors for the period January, 2002 to December, 2002?

FIPUG: TECo's fuel factor should not be increased pending the outcome of a Commission investigation into its wholesale practices.

ISSUE 5: 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 2002 and thereafter through the last billing cycle for December 2002. The first billing cycle may start before January 1, 2002, and the last billing cycle may end after December 30, 2002, so long as each customer is billed for twelve months regardless of when the factors become effective.

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?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

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

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

ISSUE 8: What is the appropriate revenue tax factor to be applied in calculating each investor-owned electric utility's levelized fuel factor for the projection period January, 2002 to December, 2002?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

ISSUE 9: What is the appropriate benchmark level for calendar year 2001 for gains on non-separated wholesale energy sales eligible for a shareholder incentive as set forth by Order No. PSC-00-1744-PAA-EI, in Docket No. 991779-EI, issued September 26, 2000, for each investor-owned electric utility?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

ISSUE 10: What is the appropriate estimated benchmark level for calendar year 2002 for gains on non-separated wholesale energy sales eligible for a shareholder incentive as set forth by Order No. PSC-00-1744-PAA-EI, in Docket No. 991779-EI, issued September 26, 2000, for each investor-owned electric utility.

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

ISSUE 11: Has each investor-owned electric utility taken reasonable steps to manage the

risks associated with its fuel transactions through the use of physical and financial hedging practices?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

ISSUE 12: What is the appropriate regulatory treatment for gains and losses from hedging an investor-owned electric utility's fuel transactions through futures contracts?

FIPUG: It is premature to determine a methodology for recovery until a transparent electricity futures exchange is in place and the utilities have developed operating experience. Without such an exchange, unless utilities waive all claims to confidentiality for such transactions, meaningful regulation in the sunshine cannot take place.

ISSUE 13: What is the appropriate regulatory treatment for the premiums received and paid for hedging an investor-owned electric utility's fuel transactions through options contracts?

FIPUG: FIPUG endorses risk avoidance and potential profitability through the use of derivative contracts, but it is premature to determine a methodology for dealing with future contracts until derivative contracts are in place and utilities have actual operating experience for analysis.

ISSUE 14: What is the appropriate regulatory treatment for the transaction costs associated with an investor-owned electric utility hedging its fuel transactions?

FIPUG: Transaction costs should be dealt with after the fact rather than based on forecasts of a highly volatile market.

ISSUE 15: What is the appropriate regulatory treatment for capital projects with an in-service date on or after January 1, 2002, that are expected to reduce long-term fuel costs?

FIPUG: Such projects should be recovered through base rates, assuming the utility proves that its actions have been prudent.

ISSUE 16: What is the appropriate rate of return on the unamortized balance of capital projects with an in-service date on or after January 1, 2002, that are expected to reduce long-term fuel costs?

FIPUG: Capital costs should be recovered through base rates to avoid an unreasonable regulatory dichotomy which guarantees full recovery of some capital costs while the profitability of base rates is ignored. Carried to its logical extreme, investment in a more efficient power plant would be recoverable through the fuel cost recovery mechanism.

ISSUE 17: If an investor-owned electric utility exceeds the ceiling on its authorized return on common equity, can and/or should the Commission reduce by a commensurate amount recovery of prudently-incurred expenditures through the Commission's fuel and purchased power cost recovery clause?

FIPUG: No, but the Commission can enter a proposed agency action order which reduces rates in a manner similar to the enumerated cost recovery mechanisms. If a hearing is requested, it can be held in conjunction with the other cost recovery proceedings.

ISSUE 17A: Should voluntary funding of the Gas Research Institute (GRI) surcharge be recovered through the fuel and purchased power cost recovery clause?

FIPUG: No.

COMPANY-SPECIFIC FUEL ADJUSTMENT ISSUES

Florida Power & Light Company

ISSUE 18A: For the period March 1999, to March 2001, did FPL take reasonable steps to manage the risk associated with changes in natural gas prices?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

ISSUE 18B: Is FPL's aerial survey method of its coal inventory at Plant Scherer as stated in Audit Disclosure No. 1 of Audit Control No. 01-053-4-1 consistent with the method set forth in Order No. PSC-97-0359-FOF-EI, in Docket No. 970001-EI, issued March 31, 1997?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

ISSUE 18C: What is the appropriate regulatory treatment for sales of natural gas and transportation capacity made by FPL to an affiliated company?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position

on this issue by the date of the prehearing conference.

ISSUE 18D: What is the appropriate regulatory treatment for sales of natural gas and transportation capacity made by FPL to an unaffiliated company?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

ISSUE 18E: How should FPL allocate the costs associated with its sales of natural gas to Florida Power and Light Energy Services?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

ISSUE 18F: What is the appropriate regulatory treatment of Florida Power and Light Energy Services' revenues and costs made to customers within FPL's service area?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

ISSUE 18G: What is the appropriate regulatory treatment of Florida Power and Light Energy Services' revenues and costs made to customers outside of FPL's service area?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

ISSUE 18H: Are the costs associated with Florida Power & Light Company's purchase of 50 MW firm capacity and associated energy from Florida Power Corporation reasonable?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

ISSUE 18I: Are the costs associated with Florida Power & Light Company's purchase of approximately 1,000 MW of capacity and associated energy from Progress Energy Ventures, Reliant Energy Services, and Oleander Power Project L. P. reasonable?

FIPUG: No position.

ISSUE 18J: Should the Commission allow Florida Power & Light Company to recover

through the fuel and capacity cost recovery clauses payments made to Cedar Bay resulting from litigation between FPL and Cedar Bay?

FIPUG: No position.

ISSUE 18K: What is the status of Florida Power & Light Company's request to recover costs associated with the contract dispute with Cedar Bay through the fuel and Capacity Cost Recovery Clauses?

FIPUG: No position.

Florida Power Corporation

ISSUE 19A: 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 2000?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

ISSUE 19B: Has Florida Power Corporation properly calculated the market price true-up for coal purchases from Powell Mountain?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

ISSUE 19C: Has Florida Power Corporation properly calculated the 2000 price for waterborne transportation services provided by Electric Fuels Corporation?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

ISSUE 19D: For the period March 1999, to March 2001, did Florida Power take reasonable steps to manage the risk associated with changes in natural gas prices?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

ISSUE 19E: Were Florida Power's replacement fuel costs for the unplanned outage at Crystal River Unit 2, commencing on June 1, 2000, reasonable?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position

on this issue by the date of the prehearing conference.

ISSUE 19F: Should the Commission allow Florida Power to recover payments made to Lake Cogen, Ltd. resulting from litigation between Florida Power and Lake Cogen, Ltd.?

FIPUG: Payments should be recovered, but recovery should be amortized over more than one year. For example, if the litigation resulted in payments for a five-year period, the recovery should be made over a five-year period.

Florida Public Utilities Company

ISSUE 20A: As stated in Audit Disclosure No. 1 in Audit Control No. 01-053-4-2, did Florida Public Utilities Company charge its ratepayers in its GSD class a fuel cost recovery factor that was less than the Commission-approved fuel cost recovery factor for that class?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

ISSUE 20B: If Florida Public Utilities Company did charge its ratepayers in its GSD class a fuel cost recovery factor that was less than the Commission-approved fuel cost recovery factor for that class, what are the appropriate corrective actions Florida Public Utilities Company should take?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

Tampa Electric Company

ISSUE 21A: What is the appropriate 2000 waterborne coal transportation benchmark price for transportation services provided by affiliates of Tampa Electric Company?

FIPUG: On information and belief, the transportation benchmark rate used for waterborne coal transportation is the more expensive cost of rail transportation. This benchmark procedure results in excess charges to retail electric consumers. The excess payments may be used to subsidized Tampa Electric's competitive posture in the Mississippi River water transportation market. Tampa Electric should be required to prove that the amounts it pays to its transportation affiliate are competitive with rates charged by competitive water carriers where waterborne transportation competition is in place.

ISSUE 21B: Has Tampa Electric Company adequately justified any costs associated with transportation services provided by affiliates of Tampa Electric Company that exceed the 2000 waterborne transportation benchmark price?

FIPUG: FIPUG demands strict proof and respectfully suggests a re-evaluation of the waterborne transportation benchmark.

ISSUE 21C: For the period January 1998, to December 2000, were Tampa Electric Company's decisions regarding its wholesale energy purchases from and its wholesale energy sales to Hardee Power Partners reasonable?

FIPUG: No.

ISSUE 21D: For the period January 1998, to December 2000, were Tampa Electric Company's decisions regarding its wholesale energy purchases from and its wholesale energy sales to non-affiliated entities reasonable?

FIPUG: No.

ISSUE 21E: Is Tampa Electric's lease of 39 portable generators to provide 70 MW of peaking capacity reasonable?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

ISSUE 21F: Is Tampa Electric's proposal to refund \$6.37 million from 1999 earnings to its ratepayers from January 2002, to March 2002, reasonable?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

ISSUE 21G: Should TECo be ordered to cease its current practice of allocating 100% of replacement power costs to retail customers and be ordered to allocate a pro rata share of all replacement power purchases to wholesale operations?

FIPUG: Yes.

ISSUE 21H: Should separated wholesale sales be charged average system fuel costs and should non-separated sales be charged system incremental costs?

FIPUG: Yes.

ISSUE 21I: Should the Commission open a docket to require TECo to quantify the

magnitude of the past overcharges to retail customers due to its inappropriate management of its long-term wholesale contracts?

FIPUG: Yes.

ISSUE 21J: Should the Commission hold TECo's proposed \$86 million fuel true-up in abeyance pending the outcome of the new docket recommended in Issue 21I?

FIPUG: Yes.

ISSUE 21K: Should the Commission open a docket to conduct an investigation of TECo's affiliate transactions and its procurement of power for its wholesale customers to determine whether TECo's actions regarding affiliate transactions are prudent and beneficial to retail customers?

FIPUG: Yes.

ISSUE 21L: Should the Commission approve TECo's requested fuel factor?

FIPUG: No. The fuel factor should not be approved until after the Commission conducts a thorough investigation to TECo's wholesale pricing practices.

Gulf Power Company

ISSUE 22A: Were Gulf Power's replacement fuel costs for the unplanned outage at Crist Unit 2, commencing on August 2, 2000, reasonable?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

ISSUE 22B: As stated in Audit Disclosure No. 3 of Audit Control No. 01-053-1-1 and Audit disclosure No. 3 of Audit Control No. 01-023-1-1, did Gulf Power Company overstate Interchange Sales reported for the year ended December 31, 2000, by \$385,796?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

ISSUE 22C: If Gulf Power Company did overstate Interchange Sales reported for the year ended December 31, 2000, by \$385,796, what are the appropriate corrective actions that Gulf Power Company should take?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position

on this issue by the date of the prehearing conference.

GENERIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

ISSUE 23: What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period January, 2000 through December, 2000 for each investor-owned electric utility subject to the GPIF?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

ISSUE 24: What should the GPIF targets/ranges be for the period January, 2002 through December, 2002 for each investor-owned electric utility subject to the GPIF?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

COMPANY-SPECIFIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

Tampa Electric Company

ISSUE 24A: Should the actual 2000 heat rates for the Big Bend Units #1 and #2 be adjusted for the flue gas desulfurization's (FGD) impact on Tampa Electric's 2000 reward/penalty?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

ISSUE 24B: Should the heat rate targets for the year 2002 for Big Bend units #1 and #2 be adjusted for the FGD's impact on Tampa Electric's eventual 2002 reward/penalty?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

GENERIC CAPACITY COST RECOVERY FACTOR ISSUES

ISSUE 25: What are the appropriate final capacity cost recovery true-up amounts for the period January, 2000 through December, 2000?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

ISSUE 26: What are the appropriate estimated/actual capacity cost recovery true-up amounts for the period January, 2001 through December, 2001?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

ISSUE 27: What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January, 2002 through December, 2002?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

ISSUE 28: What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January, 2002 through December, 2002?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

ISSUE 29: What are the appropriate jurisdictional separation factors to be applied to determine the capacity costs to be recovered during the period January, 2002 through December, 2002?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

ISSUE 30: What are the projected capacity cost recovery factors for each rate class/delivery class for the period January, 2002 through December, 2002?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

COMPANY-SPECIFIC CAPACITY COST RECOVERY FACTOR ISSUES

Gulf Power Company

ISSUE 31: What is the appropriate adjustment to Gulf Power Company's total recoverable capacity payments to reflect the former capacity transactions embedded in the company's base rates, as reflected on line 8 of Schedule CCE-1?

FIPUG: Such transactions should be removed.

F. STIPULATED ISSUES:

None.

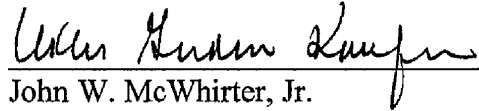
G. PENDING MOTIONS:

FIPUG has the following motion pending:

FIPUG's Third Motion to Compel Tampa
Electric to Respond to Discovery

H. OTHER MATTERS:

FIPUG's Objection to Tampa Electric
Company's Request for Confidential
Classification.



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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 FIPUG's Prehearing Statement has been served by (*) hand delivery, or U.S. Mail this 24th day of October 2001, to the following parties of record:

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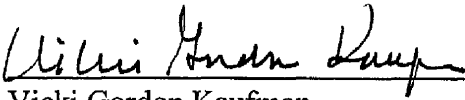
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