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October 24, 2002

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Ms. Blanca S. Bayo, Director
Division of Commission Clerk
and Administrative Services
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. 020001-EI

Dear Ms. Bayo:

Enclosed for filing in the above docket are the original ten (10) 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

JDB/pp
Enclosure

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

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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. 020001-EI FILED: October 24, 2001

TAMPA ELECTRIC COMPANY'S PREHEARING STATEMENT

A. APPEARANCES:

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On behalf of Tampa Electric Company

B. WITNESSES:

	Witness	Subject Matter	Issues
(Direct)			
1.	J. Denise Jordan (TECO)	Fuel Adjustment True-up and Projections	1, 2, 3, 4, 5, 6, 7, 8, 9
		Capacity Cost Recovery True-up and Projections	24, 25, 26, 27, 28, 29
		Proposed Wholesale Incentive Benchmark	10
		Actual and Projected Incremental Security Alert Costs	12, 17C
2.	William A. Smotherman (TECO)	GPIF Reward/Penalty and Targets/Ranges	18, 19, 23A, 23B
3.	W. Lynn Brown (TECO)	Tampa Electric's Wholesale Purchases and Sales Activities	

4.	Joann T. Wehle (TECO)	GRI Surcharge	11
		Affiliated Coal Transportation Costs	17A, 17B, 17E
		2003 Fuel Mix Change	
		Projected Hedging Transaction and Incremental Operating and Maintenance Expenses	17D

C. EXHIBITS:

Exhibit	Witness	Description
______ (JDJ-1)	Jordan	Fuel Cost Recovery January 2001 - December 2001
______ (JDJ-1)	Jordan	Capacity Cost Recovery January 2001 – December 2001
______ (JDJ-2)	Jordan	Fuel Cost Recovery, Projected January 2002 – December 2002
______ (JDJ-3)	Jordan	Fuel Adjustment Results January 2002 – December 2002
______ (JDJ-3)	Jordan	Fuel Cost Recovery, Projected January 2003 – December 2003
______ (JDJ-3)	Jordan	Capacity Cost Recovery, Projected January 2002 – December 2002
______ (JDJ-3)	Jordan	Capacity Cost Recovery, Projected January 2003 – December 2003
______ (WAS-1)	Smotherman	Generating Performance Incentive Factor Results January 2001 – December 2001
______ (WAS-2)	Smotherman	Generating Performance Incentive Factor Estimated January 2003 – December 2003
______ (JTW-1)	Wehle	2001 Transportation Benchmark Calculation 2001 Coal Transportation Market Price Application

________ (JTW-2)	Wehle	2003 Projected Incremental Hedging Operations And Maintenance Costs

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 and projection calculations, including the proposed fuel adjustment factor of 3.009 cents per KWH before application of factors which adjust for variations in line losses; the proposed capacity cost recovery factor of 0.221 cents per KWH before applying the 12CP and 1/13th allocation methodology; a GPIF penalty of $831,029 and approval of the company's proposed GPIF targets and ranges for the forthcoming period. Tampa Electric also requests approval of its calculated wholesale incentive benchmark of $1,640,452 for calendar year 2003.

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 2001 through December 2001?

TECO: $8,984,160 under-recovery. (Witness: Jordan)

ISSUE 2: What are the appropriate estimated fuel adjustment true-up amounts for the period January 2002 through December 2002?

TECO: $5,818,569 over-recovery. (Witness: Jordan)

ISSUE 3: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2003 to December 2003?

TECO: $3,165,591 under-recovery. (Witness: Jordan)

ISSUE 4: What are the appropriate levelized fuel cost recovery factors for the period January 2003 to December 2003?

TECO: The appropriate factor is 3.009 cents per KWH before the normal application of factors that adjust for variations in line losses. (Witness: Jordan)

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 billing cycle and thereafter for the period January 2003 and thereafter through the last billing cycle for December 2003. The first billing cycle may start before January 1, 2003 and the last billing cycle may end after December 1, 2003, so long as each customer is billed for 12 months regardless of when the factors became effective. (Witness: Jordan)

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?

TECO:

Rate Schedule	**Fuel Recovery Loss Multiplier**
RS, GS and TS	1.0043
RST and GST	1.0043
SL-2, OL-1 and OL-3	N/A
GSD, GSLD, and SBF	1.0005
GSDT, GSLDT, EV-X and SBFT	1.0005
IS-1, IS-3, SBI-1, SBI-3	0.9745
IST-1, IST-3, SBIT-1, SBIT-3	0.9745

(Witness: Jordan)

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

TECO: The appropriate factors are:

Rate Schedule	**Fuel Charge Factor (cents per kWh)**
Average Factor	3.009

RS, GS and TS	3.022
RST and GST	3.840 (on-peak)
	2.596 (off-peak)
SL-2, OL-1 and OL-3	2.783
GSD, GSLD, and SBF	3.011
GSDT, GSLDT, EV-X and SBFT	3.826 (on-peak)
	2.586 (off-peak)
IS-1, IS-3, SBI-1, SBI-3	2.932
IST-1, IST-3, SBIT-1, SBIT-3	3.726 (on-peak)
	2.519 (off-peak)

(Witness: Jordan)

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 2003 to December 2003?

TECO: 1.00072 cents/KWH. (Witness: Jordan)

ISSUE 9: What are the appropriate benchmark levels for calendar year 2002 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

TECO: $2,283,019. (Witness: Jordan)

ISSUE 10: What are the appropriate estimated benchmark levels for calendar year 2003 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

TECO: $1,640,452. (Witness: Jordan)

ISSUE 11: Should the Commission authorize each utility to recover voluntary payments of the Gas Research Institute (GRI) surcharge through the fuel and purchased power cost recovery clause?

TECO: Although Tampa Electric is not currently proposing to recover any such surcharges, the company believes that such charges are appropriate for recovery through the Fuel and Purchased Power Cost Recovery Clause. (Witness: Wehle)

ISSUE 12: Should the Commission require recovery of incremental security costs incurred in response to the terrorist acts committed on and after September 11, 2001, through base rates beginning January 1, 2006, or the effective date of a final order from each utility's next base rate proceeding, whichever comes first?

TECO: It would not be reasonable to arbitrarily choose a date for a mandatory conversion from recovery through the fuel and purchased power cost recovery clause to base rate recovery. The key goal should be to ensure that any incremental security costs are, indeed, incremental and are not being recovered through base rates and a cost recovery mechanism. This can be accomplished without mandating a future conversion date to base rate recovery. The Commission has recently found that capitalized items currently approve for recovery through the Environmental Cost Recovery Clause (ECRC) need not be included in base rates. In that base rate proceeding, the Commission concluded that no benefits to customers had been shown by including such costs in base rates and that the impact on customers is essentially the same whether the costs are recovered through base rates or through the ECRC. The Commission should not attempt to tie the hands of future Commissioners by adopting an arbitrary cost recovery clause to base rate recovery conversion date. (Witness: Jordan)

Company-Specific Fuel Adjustment Issues

Florida Power Corporation

ISSUE 13A: Has Florida Power Corporation confirmed the validity of the methodology used to determine the equity component of Progress Fuels Corporation's capital structure for calendar year 2001?

TECO: No position.

ISSUE 13B: Has Florida Power Corporation properly calculated the market price true-up for coal purchases from Powell Mountain?

TECO: No position.

ISSUE 13C: Has Florida Power Corporation properly calculated the 2001 price for waterborne transportation services provided by Progress Fuels Corporation?

TECO: No position.

ISSUE 13D: What is the appropriate interpretation of the term "fuel savings" as contemplated in paragraph nine of the stipulation approved by Order No. PSC-02-0655-AS-EI, in Docket Nos. 00824-EI and 020001-EI, issued May 14, 2002?

TECO: No position.

ISSUE 13E: What is the appropriate interpretation of the term "recovery period" as contemplated in paragraph nine of the stipulation approved by Order No. PSC-02-0655-AS-EI, in Docket Nos. 000824-EI and 020001-EI, issued May 14, 2002?

TECO: No position.

ISSUE 13F: Should the Commission authorize Florida Power to recover, through the fuel and purchased power cost recovery clause, expenditures of $7,825,500 for incremental 2002 and 2003 operation and maintenance expenses associated with security costs?

TECO: No position.

ISSUE 13G: Is Florida Power's expenditure of $3 million for incremental 2002 and 2003 operation and maintenance expenses associated with its hedging program prudent?

TECO: No position.

ISSUE 13H: Is Florida Power's recovery of $4,955,620 for the depreciation and return associated with its Hines Unit 2 reasonable?

TECO: No position.

ISSUE 13I: Should the Commission open a docket to evaluate whether the market price proxy for Florida Power's waterborne transportation services provided by Progress Fuels Corporation is still valid?

TECO: No position.

Florida Power & Light Company

ISSUE 14A: Should the Commission authorize FPL to recover, through the fuel and purchased power cost recovery clause, expenditures of $11.6 million for incremental 2002 and 2003 operation and maintenance expenses associated with security costs?

TECO: No position.

ISSUE 14B: Is FPL's expenditure of $3,448,147 for incremental 2002 and 2003 operation and maintenance expenses associated with its hedging program prudent??

TECO: No position.

ISSUE 14C: What is the appropriate regulatory treatment for the $32.6 million in additional operation and maintenance expense associated with the inspection and repair of the reactor pressure vessel heads at FPL's four nuclear units?

TECO: No position.

Gulf Power Company

ISSUE 16A: Did Gulf Power correctly calculate its one-time adjustment of $73,471 concerning Gulf Power's revenue sharing plan per Order No PSC-99-2131-S-EI, in Docket No. 990250-EI, issued October 28, 1999?

TECO: No position.

ISSUE 16B: Will the two additional agreements for the sale of wholesale firm capacity and associated energy described on pages 5-6 of H. Homer Bell's direct testimony, prefiled September 20, 2002, produce ratepayer benefits?

TECO: No position.

ISSUE 16C: Is Gulf Power's expenditure of $79,240 for incremental 2003 operation and maintenance expenses associated with its hedging program prudent?

TECO: No position.

Tampa Electric Company

ISSUE 17A: What is the appropriate 2001 waterborne coal transportation benchmark price for transportation services provided by affiliates of Tampa Electric Company

TECO: $25.13/Ton. (Witness: Wehle)

ISSUE 17B: Has Tampa Electric Company adequately justified any costs associated with transportation services provided by affiliates of Tampa Electric Company that exceed the 2001 waterborne transportation benchmark price?

TECO: Because the actual affiliated coal transportation cost for 2001 fell below the waterborne transportation benchmark price, no such justification is necessary. (Witness: Wehle)

ISSUE 17C: Should the Commission authorize Tampa Electric to recover, through the fuel and purchased power cost recovery clause, expenditures of $1,204,598 million for incremental 2001, 2002, and 2003 operation and maintenance expenses associated with security costs?

TECO: Yes. These costs were unanticipated prior to September 11, 2001 and are incremental in the true sense of the word. In Order No PSC-01-2516-FOF-EI the Commission approved for recovery through the fuel adjustment clause post-September 11 increased security costs on the grounds that they (a) were incremental; (b) are tied to fuel cost savings from continued operation of generation facilities; and (c) are potentially volatile. In addition, the Commission found that the fuel adjustment true-up mechanism ensures that ratepayers pay no more than the actual costs incurred and that allowing recovery of these charges through the fuel and purchased power cost recovery clause provides a good match between the timing of the occurrence and the recovery of the cost. The Commission concluded that allowing recovery of these expenses through the fuel and purchased power cost recovery clause gives utilities appropriate encouragement to protect their generation assets. These grounds fully support Tampa Electric's proposed cost recovery of its incremental post-September 11 security costs. (Witness: Jordan)

ISSUE 17D: Is Tampa Electric's expenditure of $450,000 for incremental 2003 operation and maintenance expenses associated with its hedging program prudent?

TECO: Yes. Tampa Electric's projected expenditures for 2003 are, indeed, prudent incremental operating and maintenance expenses incurred for the purpose of initiating and/or maintaining a new or expanded non-speculative physical and/or financial hedging program designed to mitigate fuel and purchased power price volatility for its retail customers. As such, these costs are recoverable pursuant to the August 9, 2002 proposed resolution of issues in Docket No. 011605-EI that was approved by the Commission at the outset of the August 12 hearing in that docket. (Witness: Wehle)

ISSUE 17E: Should the Commission open a docket to evaluate whether the waterborne coal transportation benchmark price for transportation services provided by affiliates of Tampa Electric Company is still valid?

TECO: No. This issue was not raised prior to the due date for the submission of Tampa Electric's direct testimony, and no party has submitted any evidence that would call for a reevaluation of Tampa Electric's existing Commission-approved benchmark methodology. In addition, nothing has changed in the marketplace to require a review of the methodology or its application. Finally, any party seeking to reevaluate an existing Commission-approved program should have the affirmative burden of presenting justification of such an action to afford participants in the approved program due process and a fair opportunity to respond. (Witness: Wehle)

ISSUE 17F: What action should the Commission take to protect retail customers from fuel cost increases that result from the sale of the Polk #1 gasifier?

TECO: This should not be an issue for the upcoming fuel adjustment hearing. No action is warranted at this time as no sale has taken place, and there is no indication that Tampa Electric's retail customers will experience any fuel cost increase if such a sale does occur. In the event the gasifier is sold, the Commission would have jurisdiction in a future fuel and purchased power cost recovery hearing to address the fuel adjustment impact, if any. (Witness: Jordan)

Generic Generating Performance Incentive Factor Issues

ISSUE 18: What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period January 2001 through December 2001 for each investor-owned electric utility subject to the GPIF?

TECO: A penalty of $831,029. (Witness: Smotherman)

ISSUE 19: What should the GPIF targets/ranges be for the period January 2003 through December 2003 for each investor-owned electric utility subject to the GPIF?

TECO: The appropriate targets and ranges are shown in the Exhibit to the prefiled testimony of Mr. William A. Smotherman. (Witness: Smotherman)

Company-Specific Generating Performance Incentive Factor Issues

Tampa Electric Company

ISSUE 23A: 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?

TECO: Yes. (Witness: Smotherman)

ISSUE 23B: Should the heat rate targets for the year 2003 for Big Bend Units #1 and #2 be adjusted for the FGD's impact on Tampa Electric's eventual 2003 reward/penalty?

TECO: Yes. (Witness: Smotherman)

Generic Capacity Cost Recovery Factor Issues

ISSUE 24: What are the appropriate final capacity cost recovery true-up amounts for the period January 2001 through December 2001?

TECO: Over-recovery of $2,416,932. (Witness: Jordan)

ISSUE 25: What is the appropriate estimated/actual capacity cost recovery true-up amounts for the period January 2002 through December 2002?

TECO: Under-recovery of $3,944,986 (Witness: Jordan)

ISSUE 26: What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2003 through December 2003?

TECO: Under-recovery of $1,528,054. (Witness: Jordan)

ISSUE 27: What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2003 through December 2003?

TECO: The purchased power capacity cost recovery amount to be included in the recovery factor for the period January 2003 through December 2003, adjusted by the jurisdictional separation factor, is $38,251,461. The total recoverable capacity cost recovery amount to be collected, including the true-up amount and adjusted for the revenue tax factor, is $39,808,156. (Witness: Jordan)

ISSUE 28: What are the appropriate jurisdictional separation factors to be applied to determine the capacity costs to be recovered during the period January 2003 through December 2003?

TECO: The appropriate jurisdictional separation factor is 0.9543611. (Witness: Jordan)

ISSUE 29: What are the projected capacity cost recovery factors for each rate class/ delivery class for the period January 2003 through December 2003?

TECO: The appropriate factors are:

Rate Schedule	Capacity Cost Recovery Factor (cents per kWh)
Average Factor	0.221
RS	0.269
GS and TS	0.246
GSD, EV-X	0.212
GSLD and SBF	0.187
IS-1, IS-3, SBI-1, SBI-3	0.017

SL-2, OL-1 and OL-3 0.109

(Witness: Jordan)

Company-Specific Capacity Cost Recovery Factor Issues

Tampa Electric Company

TECO: No company-specific issues for Tampa Electric have been identified at this time.

F. STIPULATED ISSUES

TECO: None at this time.

G. MOTIONS

TECO: Tampa Electric has pending a Motion to Shorten Time for Discovery Responses.

H. OTHER MATTERS

TECO: None at this time.

DATED this 24th day of October 2002.

Respectfully submitted,

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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 24th day of October, 2002 to the following:

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