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October 7, 2003

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VIA HAND DELIVERY

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

Re: Docket No.: 030001-EI and Docket No.: 030007-EI

Dear Ms. Bayo:

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

- ▶ Florida Industrial Power Users Group's Preliminary List of Issues and Positions, Docket 030001-EI, and
- ▶ Florida Industrial Power Users Group's Preliminary List of Issues and Positions, Docket 030007-EI.

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030007
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Please acknowledge receipt of the above on the extra copy and return the stamped copy to me. Thank you for your assistance.

Sincerely,

Vicki Gordon Kaufman
Vicki Gordon Kaufman

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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. 030001-EI
Filed: October 7, 2003

**FLORIDA INDUSTRIAL POWER USERS GROUP'S
PRELIMINARY LIST OF ISSUES AND POSITIONS**

Pursuant to the Case Assignment and Scheduling Record (CASR) in this docket, the Florida Industrial Power Users Group (FIPUG) files its Preliminary List of Issues and Positions. FIPUG reserves the right to amend this preliminary issue list.

PRELIMINARY ISSUES

GENERIC FUEL ADJUSTMENT ISSUES

- ISSUE 1:** What are the appropriate final fuel adjustment true-up amounts 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 2:** What are the appropriate estimated fuel adjustment true-up amounts for the period January 2003 through December 2003?
- 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 3:** What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2004 to December 2004?
- FIPUG:** TECo's estimated fuel adjustment true-up amount should be reduced by the amount of O&M savings from the shutdown of the Gannon Units as discussed in the prefiled direct testimony of Sheree L. Brown. With respect to the other investor owned utilities, 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.

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ISSUE 4: 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 2004 through December 2004?

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 5: What are the appropriate projected net fuel and purchased power cost recovery amounts to be included in the recovery factor for the period January 2004 through December 2004?

FIPUG: TECo's estimated fuel adjustment true-up amount should be reduced by the amount of O&M savings from the shutdown of the Gannon Units as discussed in the prefiled direct testimony of Sheree L. Brown. With respect to the other investor owned utilities, 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 6: What are the appropriate levelized fuel cost recovery factors for the period January 2004 through December 2004?

FIPUG: TECo's factor should be adjusted to account for the early shut down of the Gannon units as described in Ms. Brown's testimony. With respect to the other investor owned utilities, 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 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 8: 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 9: 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 2004 and thereafter through the last billing cycle for December 2004. The first billing cycle may start before January 1, 2004,

and the last billing cycle may end after December 30, 2004, so long as each customer is billed for twelve months regardless of when the factors become effective.

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

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: What are the appropriate estimated benchmark levels for calendar year 2004 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

ISSUE 12: What is the appropriate base level for operation and maintenance expenses for non-speculative financial and/or physical hedging programs to mitigate fuel and purchased power price volatility?

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 FUEL ADJUSTMENT ISSUES

Progress Energy Florida

ISSUE 13A: Has Progress Energy Florida confirmed the validity of the methodology used to determine the equity component of Progress Fuels Corporation's capital structure for calendar year 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 13B: Has Progress Energy Florida 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 13C: Has Progress Energy Florida properly calculated the 2002 price for waterborne transportation services provided by Progress 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 13D: Should the Commission modify or eliminate the method for calculating Progress Energy Florida's market price proxy for waterborne coal transportation that was established in Order No. PSC-93-1331-FOF-EI, issued September 13, 1993, in Docket No. 930001-EI?

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 13E: Were Progress Energy Florida's purchases of synthetic coal during 2002 cost effective?

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 13F: Were Progress Energy Florida's actions through July 31, 2003, to mitigate fuel and purchased power price volatility through implementation of its non-speculative financial and/or physical hedging programs prudent?

FIPUG: The utility has only included the cost of operating its hedging program and the estimated customer savings without sufficient detail to enable a prudence audit of the hedging actions. The results of the program are merely folded into general fuel costs. The specific activities are trade secrets not available to FIPUG or the general public. FIPUG respectfully suggests that the Commission staff examine the transactions to ascertain any relationship between utility hedging and the hedging activities of affiliated companies to ensure that ratepayers are not assuming the risk of loss on hedging transactions without receiving a commensurate share of any hedging gain. FIPUG reserves the right to take a position on this issue by the date of the prehearing conference and during the forthcoming calendar year as transactions occur.

ISSUE 13G: Are Progress Energy Florida's actual and projected operation and maintenance expenses for 2002 through 2004 for its non-speculative financial and/or physical hedging programs to mitigate fuel and purchased power price volatility reasonable for cost recovery purposes?

FIPUG: The Progress Energy risk management plan is quite broad and open to interpretation and very flexible application. FIPUG is not privy to the specifics of the utility's hedging program and cannot take a position except for the general proposition that hedging activities of the utility should be reported separately in the fuel docket in accordance with the provisions of FAS 133 and not folded into general fuel costs. FIPUG respectfully suggests that the Commission staff examine the transactions at the end of the calendar year to ascertain any relationship between utility hedging and the hedging activities of affiliated companies to ensure that ratepayers are not assuming the risk of loss on hedging transactions

commensurate share of any hedging gain. FIPUG reserves the right to take a position on this issue by the date of the prehearing conference and during the forthcoming calendar year as transactions occur.

Florida Power & Light Company

ISSUE 14A: Were Florida Power & Light's actions through July 31, 2003, to mitigate fuel and purchased power price volatility through implementation of its non-speculative financial and/or physical hedging programs prudent?

FIPUG: The utility has only included the cost of operating its hedging program and the estimated customer savings from wholesale power transactions. There is no information to enable a prudency audit of the hedging actions in fuel transactions. The results of the program are merely folded into general fuel costs. The specific activities are trade secrets not available to FIPUG or the general public. FIPUG respectfully suggests that the Commission staff examine the transactions to ascertain any relationship between utility hedging and the hedging activities of affiliated companies to ensure that ratepayers are not assuming the risk of loss on hedging transactions without receiving a commensurate share of any hedging gain. FIPUG reserves the right to take a position on this issue by the date of the prehearing conference and during the forthcoming calendar year as transactions occur. It would be beneficial to the general public if the utility reported its fuel cost hedging transactions in accordance with FAS 133 in the fuel docket, as of a date specified by the Commission, such as July 31.

ISSUE 14B: Are Florida Power & Light's actual and projected operation and maintenance expenses for 2002 through 2004 for its non-speculative financial and/or physical hedging programs to mitigate fuel and purchased power price volatility reasonable for cost recovery purposes?

FIPUG: See response to 14A.

ISSUE 14C: Were the replacement fuel costs associated with the unplanned outage at St. Johns River Power Park Unit 1 during March, 2003, prudently incurred?

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 14D: Were the replacement fuel costs associated with the unplanned outage at St. Lucie Unit 2 during May, 2003, prudently incurred?

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.

Florida Public Utilities Company

FIPUG: None at this time.

Gulf Power Company

ISSUE 16A: Were Gulf Power's actions through July 31, 2003, to mitigate fuel and purchased power price volatility through implementation of its non-speculative financial and/or physical hedging programs prudent?

FIPUG: Unlike the other utilities, Gulf has identified its loss on the "fuel cost of hedging settlement" in a manner that will enable an auditor can focus on the fuel cost of hedging. It does not provide public information on the details, but does provide sufficient information for Commission staff to commence the prudency audit. The Commission should investigate why Gulf shows a loss.

ISSUE 16B: Are Gulf Power's actual and projected operation and maintenance expenses for 2002 through 2004 for its non-speculative financial and/or physical hedging programs to mitigate fuel and purchased power price volatility reasonable for cost recovery purposes?

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 17A: What is the appropriate 2002 waterborne coal transportation benchmark price for transportation services provided by affiliates of Tampa Electric 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 17B: Has Tampa Electric Company adequately justified any costs associated with transportation services provided by affiliates of Tampa Electric Company that exceed the 2002 waterborne transportation benchmark price?

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 17C: Were Tampa Electric's actions through July 31, 2003, to mitigate fuel and purchased power price volatility through implementation of its non-speculative financial and/or physical hedging programs prudent?

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 and during the forthcoming calendar year as transactions occur.

ISSUE 17D: Are Tampa Electric's actual and projected operation and maintenance expenses for 2002 through 2004 for its non-speculative financial and/or physical hedging programs to mitigate fuel and purchased power price volatility reasonable for cost recovery purposes?

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 17E: Is Tampa Electric's June 27, 2003, request for proposals sufficient to determine the current market price for coal transportation?

FIPUG: There has been inadequate time to review and investigate this issue. TECo filed supplemental testimony on September 25, 2003. This issue should be deferred for consideration next year or in a separate docket.

ISSUE 17F: Are Tampa Electric's projected coal transportation costs for 2004 under the winning bid to its June 27, 2003, request for proposals for coal transportation reasonable for cost recovery purposes?

FIPUG: There has been inadequate time to review and investigate this issue. TECo filed supplemental testimony on September 25, 2003. This issue should be deferred for consideration next year or in a separate docket.

ISSUE 17G: Is the waterborne coal transportation benchmark that was established in Order No. PSC-93-0443-FOF-EI, issued March 23, 1993, in Docket No. 930001-EI, still a relevant and sufficient means for assessing the prudence of transportation costs paid by Tampa Electric Company to its affiliate, TECO Transport?

FIPUG: No. FIPUG suggests that the competitive price for water transportation is the appropriate benchmark and that the justification for using rail transportation cost should be reexamined in a separate docket if Tampa Electric awards the bid for transportation services to an affiliated company.

ISSUE 17H: Should the Commission modify or eliminate the waterborne coal transportation benchmark that was established for Tampa Electric in Order No. PSC-93-0443-FOF-EI, issued March 23, 1993, in Docket No. 930001-EI?

- FIPUG:** Yes. FIPUG suggests that the competitive price for water transportation is the appropriate benchmark and that the justification for using rail transportation cost should be reexamined in a separate docket if Tampa Electric awards the bid for transportation services to an affiliated company.
- ISSUE 17I:** Are the replacement fuel costs associated with Tampa Electric's decision to cease operations at its Gannon Units 1 through 4 prior to December 31, 2004, reasonable?
- FIPUG:** The replacement fuel costs should be reduced by the amount of O&M savings from the shutdown of the Gannon Units as discussed in the prefiled direct testimony of Sheree L. Brown.
- ISSUE 17J:** What is the appropriate regulatory treatment for any gain or loss on the resale of surplus coal due to Tampa Electric's decision to cease operations at its Gannon Units 1 through 4 prior to December 31, 2004?
- FIPUG:** Ratepayers should bear no risk of loss with respect to surplus coal orders.
- ISSUE 17K:** What is the appropriate regulatory treatment for any "dead-freight" coal transportation costs due to Tampa Electric's decision to cease operations at its Gannon Units 1 through 4 prior to December 31, 2004?
- FIPUG:** No "dead-freight" coal transportation costs should be borne by the ratepayers.
- ISSUE 17L:** Should the Commission offset Tampa Electric's requested fuel cost increase by the O&M savings that resulted from its decision to cease operations at its Gannon Units 1 through 4 prior to December 31, 2004?
- FIPUG:** Yes. Tampa Electric's requested fuel cost increase should be reduced by the amount of O&M savings that resulted from its decision to cease operations at its Gannon Units 1 through 4 prior to December 31, 2004 as discussed in the prefiled direct testimony of Sheree L. Brown.
- ISSUE 17M:** Should the Commission review the amounts paid to Hardee Power Partners (HPP) under the power purchase agreement to assure that the costs were cost-based due to the recognition of a gain on the sale of the Hardee Power Station which was supported by the power purchase agreement?
- FIPUG:** Yes. As discussed in the prefiled direct testimony of Sheree L. Brown, the Commission should review the HPP transaction to ensure that the amounts paid under the purchase power agreement were cost-based and prudently

incurred. The Commission preserved its authority to conduct such a review in Order No. PSC-99-2513-FOF-EI.

ISSUE 17N: Should the Commission review the HPP power purchase agreement to assure that the change of ownership will not affect ratepayer costs due to the revised costs of the new owner?

FIPUG: Yes. As discussed in the prefiled direct testimony of Sheree L. Brown, the Commission should review the HPP transaction to ensure that the costs under the purchase power agreement are prudently incurred, in light of the new ownership of the facility. The Commission preserved its authority to conduct such a review in Order No. PSC-99-2513-FOF-EI.

ISSUE 17N: Should the Commission review Tampa Electric's acquisition and subsequent cancellation of turbine purchase rights from TECo-Panda generating company?

FIPUG: Yes. As discussed in the prefiled direct testimony of Sheree L. Brown, the Commission should review the transaction to ensure that the decision was prudent and did not result in higher costs to Tampa Electric's ratepayers.

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 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.

ISSUE 19: What should the GPIF targets/ranges be for the period January 2004 through December 2004 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

Florida Power & Light Company

FIPUG: None at this time.

Progress Energy Florida

FIPUG: None at this time.

Gulf Power Company

FIPUG: None at this time.

Tampa Electric Company

ISSUE 23A: What impact did Tampa Electric's decision to cease operations at its Gannon Units 1 through 4 prior to December 31, 2004, have on Tampa Electric's GPIF targets and ranges?

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 24: What are the appropriate final capacity cost recovery true-up amounts 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 25: What are the appropriate estimated capacity cost recovery true-up amounts for the period January 2003 through December 2003?

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 total capacity cost recovery true-up amounts to be collected/refunded during the period January 2004 through December 2004?

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 projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2004 through December 2004?

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 jurisdictional separation factors for capacity revenues and costs to be included in the recovery factor for the period January 2004 through December 2004?

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 capacity cost recovery factors for the period January 2004 through December 2004?

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 is the appropriate period to establish a base line for incremental post-September 11, 2001, security expenses?

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 31: What is the appropriate base line for operational and maintenance expenses for post-September 11, 2001, security measures?

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

Progress Energy Florida

FIPUG: None at this time.

Florida Power & Light Company

FIPUG: None at this time.

Gulf Power Company

FIPUG: None at this time.

Tampa Electric Company

FIPUG: None at this time.

(Allis Gordon) Kaufman

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Power Users Group

CERTIFICATE OF SERVICE

I **HEREBY CERTIFY** that a true and correct copy of the foregoing The Florida Industrial Power Users Group's Preliminary List of Issues and Positions has been furnished by (*) hand delivery, or U.S. Mail this 7th day of October 2003, to the following:

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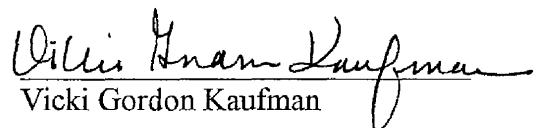
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