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SPEAKER



October 15, 2003

Ms. Blanca S. Bayó, Director
Division of the Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0870

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RE. Docket No. 030001-EI

Dear Ms. Bayó.

Enclosed are an original and fifteen copies of the Office of Public Counsel's Prehearing Statement, together with a diskette containing the electronic version. The enclosed diskette is HD density, the operating system is Windows 2000, and the word processing software in which the document appears is Word 2000.

Please indicate receipt of filing by date-stamping the attached copy of this letter and returning it to this office. Thank you for your assistance in this matter.

Sincerely,

Robert Vandiver
Associate Public Counsel

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Enclosures

DOCUMENT NUMBER DATE
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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 030001-EI

FILED: October 15, 2003

PREHEARING STATEMENT OF THE OFFICE OF PUBLIC COUNSEL

The Citizens of the State of Florida, through the Office of Public Counsel,
pursuant to the Order Establishing Procedure in this docket, Order No. PSC-03-0113-
PCO-EI, issued January 21, 2003, submit this Prehearing Statement.

APPEARANCES:

ROBERT D. VANDIVER, Esquire
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c/o The Florida Legislature
111 West Madison Street, Room 812
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On behalf of the Citizens of the State of Florida

A. WITNESSES:

Michael J. Majoros, Jr.
William M. Zaetz

B. EXHIBITS:

Michael J. Majoros, Jr.
Exhibit MJM-1 September 2004 Gannon Shutdown
Exhibit MJM-2 Gannon Early Shutdown Issues Paper
Exhibit MJM-3 Whale August 26, 2003, Management Presentation
Exhibit MJM-4 Notes from September 9, 2002, Officer Meeting, 2003
Business Plan
Exhibit MJM-5 Scenario Analysis-Gannon Early Closure
Exhibit MJM-6 March 3, 2003 Gannon 85% & 60% Availability Costs
Exhibit MJM-7 Fuel Clause Impact – Gannon Early Closure

OFFICE OF PUBLIC COUNSEL

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Exhibit MJM-8 Gannon Savings, September 16, 2003
Exhibit MJM-9 O & M Savings

William M. Zaetz
Exhibit WMZ-1 Gannon Station Business Plan
Exhibit WMZ-2 Hazardous Energy Control Program

C. STATEMENT OF BASIC POSITION

Tampa Electric's decision to close the Gannon units early was an economic decision that benefits the company with O&M savings while customers are forced to pay higher fuel costs. The Commission should reduce fuel clause recovery from customers in order to share the advantages gained by the company with its customers.

The Commission should set aside and reexamine the existing water transportation benchmarks for Tampa Electric Company. The Progress Energy Florida market price proxy should be reexamined in 2004.

D. STATEMENT OF FACTUAL ISSUES AND POSITIONS

GENERIC FUEL ADJUSTMENT ISSUES

ISSUE 1: What are the appropriate final fuel adjustment true-up amounts for the period January 2002 through December 2002?

OPC POSITION: No position at this time.

ISSUE 2: What are the appropriate estimated fuel adjustment true-up amounts for the period January 2003 through December 2003?

OPC POSITION: No position at this time.

ISSUE 3: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2004 to December 2004?

OPC POSITION: No position at this time.

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 to December 2004?

OPC POSITION: No position at this time.

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

OPC POSITION: No position at this time.

ISSUE 6: What are the appropriate levelized fuel cost recovery factors for the period January, 2004 through December, 2004?

OPC POSITION: No position at this time.

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?

OPC POSITION: No position at this time.

ISSUE 8: What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?

OPC POSITION: No position at this time.

ISSUE 9: What should be the effective date of the fuel adjustment charge and capacity cost recovery charge for billing purposes?

OPC POSITION: No position at this time.

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?

OPC POSITION: No position at this time.

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?

OPC POSITION: No position at this time.

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?

OPC POSITION: No position at this time.

COMPANY-SPECIFIC FUEL ADJUSTMENT ISSUES

Florida Power Corporation

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?

OPC POSITION: No position at this time.

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

OPC POSITION: No position at this time.

ISSUE 13C: Has Progress Energy Florida properly calculated the 2002 price for waterborne transportation services provided by Progress Fuels Corporation?

OPC POSITION: No position at this time.

ISSUE 13D: Is the waterborne coal transportation market price proxy that was established by Order No. PSC-93-1331-FOF-EI, issued September 13, 1993, in Docket No. 930001-EI, still a relevant and sufficient means for assessing the prudence of transportation costs paid by Progress Energy Florida to its affiliate, Progress Fuels?

OPC POSITION: No. Citizens believe it is time to reexamine the terms and conditions of the market price proxy.

ISSUE 13E: Should the Commission modify or eliminate the method for calculating Progress Energy Florida's market price proxy for waterborne coal transportation that was established by Order No. PSC-93-1331-FOF-EI, issued September 13, 1993, in Docket No. 930001-EI?

OPC POSITION: Yes. Beginning in 2004, the Commission should reexamine the terms and conditions of the market price proxy.

ISSUE 13F: Were Progress Energy Florida's actions through December 31, 2002, to mitigate fuel and purchased power price volatility reasonable for cost recovery purposes?

OPC POSITION: No position at this time.

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?

OPC POSITION: No position at this time.

ISSUE 13H: In consideration of Order No. PSC-93-1331-FOF-EI, in Docket No. 930001-EI, issued September 13, 1993, should the Commission make an adjustment to Progress Energy Florida's 2002 waterborne coal transportation costs to account for upriver costs from mine to barge for coal commodity contracts which are quoted FOB Barge?

OPC POSITION: No position at this time.

No additional company-specific issues for Progress Energy Florida have been identified at this time. If such issues are identified, they should be numbered 13I, 13J, 13K, and so forth, as appropriate.

Florida Power & Light Company

ISSUE 14A: Were Florida Power & Light's actions through December 31, 2002, to mitigate fuel and purchased power price volatility through implementation of its non-speculative financial and/or physical hedging programs prudent?

OPC POSITION: None at this time.

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?

OPC POSITION: None at this time

No additional company-specific issues for Florida Power & Light Company have been identified at this time. If such issues are identified, they should be numbered 14C, 14D, 14E, and so forth, as appropriate.

Florida Public Utilities Company

No company-specific issues for Florida Public Utilities Company have been identified at this time. If such issues are identified, they should be numbered 15A, 15B, 15C, and so forth, as appropriate.

Gulf Power Company

ISSUE 16A: Were Gulf Power's actions through December 31, 2002, to mitigate fuel and purchased power price volatility through implementation of its non-speculative financial and/or physical hedging programs prudent?

OPC POSITION: No position at this time.

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?

OPC POSITION: No position at this time.

No additional company-specific issues for Gulf Power Company have been identified at this time. If such issues are identified, they should be numbered 16C, 16D, 16E, and so forth, as appropriate.

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?

OPC POSITION: No position at this time.

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?

OPC POSITION: No position at this time.

ISSUE 17C: Were Tampa Electric's actions through December 31, 2002, to mitigate fuel and purchased power price volatility through implementation of its non-speculative financial and/or physical hedging programs prudent?

OPC POSITION: No position at this time.

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?

OPC POSITION: No position at this time.

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

OPC POSITION: The commission and parties lack sufficient information at this time. There has been inadequate time to properly investigate and evaluate this issue. This issue should be deferred to a later proceeding.

ISSUE 17F: Are Tampa Electric's projected coal transportation costs for 2004 through 2008 under the winning bid to its June 27, 2003, request for proposals for coal transportation reasonable for cost recovery purposes?

OPC POSITION: The commission and parties lack sufficient information at this time. This issue should be deferred to a later proceeding.

ISSUE 17G: Is the waterborne coal transportation benchmark that was

established by 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?

OPC POSITION: No. The benchmark has become outdated by the passage of time and should be reexamined by the Commission.

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

OPC POSITION: Yes. The benchmark has become outdated by the passage of time and should be reexamined by the Commission.

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?

OPC POSITION: No. The Commission should offset such costs to the extent of the O & M savings realized by Tampa Electric, as well as losses incurred under Issues 17J and 17K. The reasons for such disallowance are explained in the testimony of Citizens' witnesses Majoros and Zaetz.

ISSUE 17J: What is the appropriate regulatory treatment for any gain or loss on the re-sale of surplus coal due to Tampa Electric's decision to cease operations at its Gannon Units 1 through 4 prior to December 31, 2004?

OPC POSITION: Any gains should be credited to ratepayers through the fuel clause. To the extent incurred, losses should be absorbed by stockholders in that the early closure decision was a decision driven to the benefit of stockholders and the detriment of the ratepayers.

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?

OPC POSITION: Dead freight is apparently not being claimed in this docket. (See Testimony of Demise Jordan at page 12) For the reasons expressed in Issue 17J, recovery of these costs should be denied.

No additional company-specific issues for Tampa Electric Company have been identified at this time. If such issues are identified, they should be numbered 17L, 17M, 17N, and so forth, as appropriate.

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?

OPC POSITION: No position at this time.

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?

OPC POSITION: No position at this time.

COMPANY-SPECIFIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

Florida Power & Light Company

No company-specific issues for Florida Power & Light Company have been identified at this time. If such issues are identified, they shall be numbered 20A, 20B, 20C, and so forth, as appropriate.

Progress Energy Florida

No company-specific issues for Florida Power & Light Company have been identified at this time. If such issues are identified, they should be numbered 21A, 21B, 21C, and so forth, as appropriate.

Gulf Power Company

No company-specific issues for Gulf Power Company have been identified at this time.

If such issues are identified, they should be numbered 22A, 22B, 22C, and so forth, as appropriate.

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?

OPC POSITION: No position at this time.

No additional company-specific issues for Tampa Electric Company have been identified at this time. If such issues are identified, they should be numbered 23B, 23C, 23D, and so forth, as appropriate.

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?

OPC POSITION: No position at this time.

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

OPC POSITION: No position at this time.

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?

OPC POSITION: No position at this time.

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?

OPC POSITION: No position at this time.

ISSUE 28: What are the appropriate jurisdictional separation factors for

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

OPC POSITION: No position at this time.

ISSUE 29: What are the appropriate capacity cost recovery factors for the period January 2004 through December 2004?

OPC POSITION: No position at this time.

ISSUE 30: What is the appropriate methodology for determining the incremental costs of security measures implemented as a result of terrorist attacks committed on or since September 11, 2001?

OPC POSITION: No position at this time.

COMPANY-SPECIFIC CAPACITY COST RECOVERY FACTOR ISSUES

Progress Energy Florida

ISSUE 31A: Are Progress Energy Florida's actual and projected expenses for 2002 through 2004 for its post-September 11, 2001, security measures reasonable for cost recovery purposes?

OPC POSITION: No position at this time.

No additional company-specific issues for Progress Energy Florida have been identified at this time. If such issues are identified, they should be numbered 31B, 31C, 31D, and so forth, as appropriate.

Florida Power & Light Company

ISSUE 32A: Are Florida Power & Light's actual and projected expenses for 2002 through 2004 for its post-September 11, 2001, security measures reasonable for cost recovery purposes?

OPC POSITION: No position at this time.

No additional company-specific issues for Florida Power & Light have been identified at this time. If such issues are identified, they should be numbered 32B, 32C, 32D, and so forth, as appropriate.

Gulf Power Company

No company-specific issues for Gulf Power Company have been identified at this time. If such issues are identified, they should be numbered 33A, 33B, 33C, and so forth, as appropriate.

Tampa Electric Company


ISSUE 34A: Are Tampa Electric Company's actual and projected expenses for 2002 through 2004 for its post-September 11, 2001, security measures reasonable for cost recovery purposes?

OPC POSITION: No position at this time.

No additional company-specific issues for Tampa Electric Company have been identified at this time. If such issues are identified, they should be numbered 34B, 34C, 34D, and so forth, as appropriate.

Dated this 15th day of October, 2003.

Respectfully submitted,


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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by U.S. Mail on this 15th day of October, 2003, to the following:

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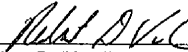
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