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October 15, 2003

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.: 030001-EI and Docket No.: 030002-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 Prehearing Statement, Docket 030001-EI, and
- 10070-03 ▶ Florida Industrial Power Users Group's Prehearing Statement, Docket 030001-EI.
2 new/bae

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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MCWHIRTER, REEVES, MCGLOTHLIN, DAVIDSON, KAUFMAN & ARNOLD, P.A. 10069 OCT 15 8

FPSC-COMMISSION CLERK

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 15, 2003

**FLORIDA INDUSTRIAL POWER USERS GROUP'S
PREHEARING STATEMENT**

The Florida Industrial Power Users Group (FIPUG), pursuant to Order No. PSC-03-0358-PCO-EG, hereby files its Prehearing Statement.

A. APPEARANCES:

JOHN W. MCWHIRTER, JR., McWhirter Reeves McGlothlin Davidson Kaufman & Arnold, P.A., 400 North Tampa Street, Suite 2450, Tampa, Florida 33601-3350 and **VICKI GORDON KAUFMAN**, McWhirter Reeves McGlothlin Davidson Kaufman & Arnold, P.A., 117 South Gadsden Street, Tallahassee, Florida 32301.

On Behalf of the Florida Industrial Power Users Group.

B. WITNESSES:

<u>Witness</u>	<u>Proffered by</u>	<u>Issues</u>
Sheree L. Brown	FIPUG and FRF	3, 5, 17I, 17J, 17K, 17L, 17M, 17N, 17O

C. EXHIBITS:

<u>Exhibit</u>	<u>Witness</u>	<u>Description</u>
Exhibit No. __ (SLB-1)	Sheree L. Brown	Resume of Sheree L. Brown
Exhibit No. __ (SLB-2)	Sheree L. Brown	Credit Analysis Regarding TECo Energy, Inc.
Exhibit No. __ (SLB-3)	Sheree L. Brown	Excerpt from TECo Energy Form 8-K
Exhibit No. __ (SLB-4)	Sheree L. Brown	Excerpt from TECo Energy Form 10Q

Exhibit No. __ (SLB-5)	Sheree L. Brown	Consent Decree between TECo and EPA
Exhibit No. __ (SLB-6)	Sheree L. Brown	Calculation of Replacement Fuel Costs
Exhibit No. __ (SLB-7)	Sheree L. Brown	Excerpt from TECo Dismantling Study
Exhibit No. __ (SLB-8)	Sheree L. Brown	TECo work force reduction

D. STATEMENT OF BASIC POSITION:

TECo is seeking an extraordinary increase in fuel costs. Much of the increase is attributable to TECo's efforts to improve the cash position of its parent, TECO Energy. The Commission should take steps to protect TECo ratepayers from subsidizing TECO Energy's poor decisions. The Commission should protect the credit worthiness of TECo by limiting the free flow of cash from the healthy regulated utility to its affiliates and parent. In particular, the early shut down of the Gannon units was a decision motivated by the financial difficulties of the holding company and results in ratepayers paying higher fuel costs than if the Gannon units continued to run. Therefore, TECo's estimated fuel adjustment amount should be reduced by the amount of O&M savings resulting from the shutdown of the Gannon Units as discussed in the prefiled direct testimony of Sheree L. Brown.

The Commission should determine whether any portion of the 2003 and 2004 O&M costs are attributable to dismantlement costs which have been funded by the ratepayers, and if so, the fuel adjustment should be further reduced to reflect lower O&M costs funded from base rate revenues.

The Commission should also investigate whether: the amounts paid to Hardee Power Partners under the purchase power contract to ensure such costs were cost-based due to the gain on the sale of the Hardee Power Station (HPS); whether the change in ownership of the HPS will affect ratepayer costs; and whether TECo's acquisition and subsequent cancellation of turbine purchase rights was a cost-effective decision.

As to the market price proxy for coal transportation, the Commission should examine this benchmark in a separate docket opened for that purpose.

Finally, the Commission should not consider the TECo proposals for coal transportation in the November hearing but should consider it in a separate docket. There has been inadequate time to conduct discovery and do analysis of this issue, given TECo's 11th hour filing of supplemental testimony.

E. STATEMENT OF ISSUES AND POSITIONS:

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: 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?

FIPUG: 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?

FIPUG: TECo's estimated fuel adjustment 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 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: 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 factor for the period January 2004 through December 2004?

FIPUG: TECo's estimated fuel adjustment 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: 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?

FIPUG: 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?

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: 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?

FIPUG: No position at this time.

ISSUE 12: What is the appropriate base level for operation and maintenance expenses for each investor-owned electric utility's non-speculative financial and/or physical hedging program to mitigate fuel and purchased power price volatility?

FIPUG: No position at this time.

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: No position at this time.

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

FIPUG: 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?

FIPUG: 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?

FIPUG: No. FIPUG suggests that the competitive price for water transportation is the appropriate benchmark. This should be examined in a separate docket.

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 in Order No. PSC-93-1331-FOF-EI, issued September 13, 1993, in Docket No. 930001-EI?

FIPUG: Yes. The Commission should open a separate docket to investigate this.

ISSUE 13F: Were Progress Energy Florida'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?

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 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 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?

FIPUG:

No position at this time.

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?

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 Issue14A.

ISSUE 14C: Should the Commission approve Florida Power & Light's request to recover the cost for 137 additional rail cars to deliver coal to Plant Scherer?

FIPUG: No position at this time.

Florida Public Utilities Company

ISSUE 15A: When should the Commission approve the consolidation of the fuel rates for the Marianna and Fernandina Beach Divisions?

FIPUG: No position at this time.

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?

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: No position at this time.

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: 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?

FIPUG: 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?

FIPUG: 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?

FIPUG: 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?

FIPUG: There has been inadequate time to review and investigate this issue. TECo filed unauthorized supplemental testimony on September 25, 2003, including an extensive confidential study prepared by an outside consultant. 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, including an extensive confidential study prepared by an outside consultant. 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: No. 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 17O: 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 will 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: 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?

FIPUG: No position at this time.

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: No position at this time.

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: No position at this time.

ISSUE 25: What are the appropriate estimated capacity cost recovery true-up amounts to be collected/refunded during the period January 2003 through December 2003?

FIPUG: 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?

FIPUG: 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?

FIPUG: 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 factor for the period January 2004 through December 2004?

FIPUG: No position at this time.

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

FIPUG: 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?

FIPUG: 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?

FIPUG: No position at this time.

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?

FIPUG: No position at this time.

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.

FIPUG: No position at this time.

F. STIPULATED ISSUES:

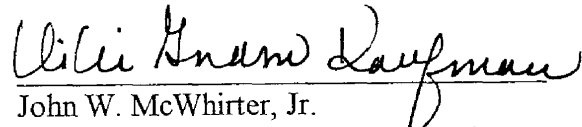
None.

G. PENDING MOTIONS:

FIPUG has no pending motions.

H. OTHER MATTERS:

None at this time.


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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 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 15th day of October 2003, to the following:

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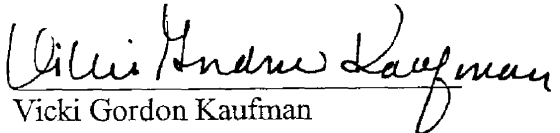
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