

AUSLEY & McMULLEN

ATTORNEYS AND COUNSELORS AT LAW

227 SOUTH CALHOUN STREET
P.O. BOX 391 (ZIP 32302)
TALLAHASSEE, FLORIDA 32301
(850) 224-9115 FAX (850) 222-7560

ORIGINAL

RECEIVED-1700
OCT 28 PM 3:36
COMMISSION
CLERK

October 28, 2004

HAND DELIVERED

Ms. Blanca S. Bayo, Director
Division of Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Fuel and Purchased Power Cost Recovery Clause with Generating
Performance Incentive Factor; **FPSC Docket No. 040001-EI**

Dear Ms. Bayo:

Enclosed for filing in the above proceeding are the original and ten (10) copies of Tampa Electric Company's revised Prehearing Statement reflecting a filing date of today's date. This Prehearing Statement is revised to reflect the waterborne coal transportation contract adjustment included in the revised testimony of witness J. Denise Jordan, also filed today, and to include stipulated language. We have underlined the changes in this Prehearing Statement to make it easy for the Commission and the parties to recognize what has changed.

Also enclosed is a high-density diskette containing the above-referenced revised Prehearing Statement generated on a Windows 98 operating system and using Word 2000 as the word processing software.

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

- CMP _____
- COM 5
- CTR _____
- ECR _____
- GCL _____
- OPC _____
- MMS _____
- RCA _____
- SCR _____
- SEC 1
- OTH _____

JDB/pp
Enclosures

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

RECEIVED & FILED

Man
FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

11673 OCT 28 04

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and Purchased)
Power Cost Recovery Clause) DOCKET NO. 040001-EI
And Generating Performance) FILED: October 28, 2004
Incentive Factor.)
_____)

**TAMPA ELECTRIC COMPANY'S
PREHEARING STATEMENT**

A. APPEARANCES:

LEE L. WILLIS
JAMES D. BEASLEY
Ausley & McMullen
Post Office Box 391
Tallahassee, Florida 32302
On behalf of Tampa Electric Company

B. WITNESSES:

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
(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, 11
	Proposed Capacity Schedules	12
	Adjustments to Waterborne Coal Transportation Costs	17C

		Calculated Interest Amount	17D
		Incremental Costs of Security Measures Following September 11, 2001 Attacks	33A
2.	David R. Knapp (TECO)	GPIF Reward/Penalty and Targets/Ranges	18, 19
3.	Benjamin F. Smith (TECO)	Tampa Electric's Wholesale Purchases and Sales Activities	17E, 17F
4.	Joann T. Wehle (TECO)	Affiliated Coal Transportation Costs	17A, 17B

C. EXHIBITS:

<u>Exhibit</u>	<u>Witness</u>	<u>Description</u>
_____ (JDJ-1)	Jordan	Fuel Cost Recovery January 2003 - December 2003
_____ (JDJ-1)	Jordan	Capacity Cost Recovery January 2003 – December 2003
_____ (JDJ-2)	Jordan	Fuel Cost Recovery, Projected January 2004 – December 2004
_____ (JDJ-2)	Jordan	Capacity Cost Recovery, Projected January 2004 – December 2004
_____ (JDJ-3)	Jordan	Fuel Cost Recovery, Projected January 2005 – December 2005
_____ (JDJ-3)	Jordan	Capacity Cost Recovery, Projected January 2005 – December 2005
_____ (JDJ-4)	Jordan	Incremental Security Costs

<u> </u> (WAS-1)	Smotherman ¹	Generating Performance Incentive Factor Results January 2003 – December 2003
<u> </u> (DRK-1)	Knapp	Generating Performance Incentive Factor Estimated January 2005 – December 2005
<u> </u> (JTW-1)	Wehle	Calculation of 2003 Incremental Hedging Operations and Maintenance Costs
<u> </u> (JTW-2)	Wehle	2003 Transportation Benchmark Calculation 2003 Transportation Market Price Application
<u> </u> (JTW-2)	Wehle	Calculation of 2005 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 3.776 cents per KWH before application of factors which adjust for variations in line losses; the proposed capacity cost recovery factor of 0.302 cents per KWH before applying the 12CP and 1/13th allocation methodology; a GPIF penalty of \$3,678,414 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 \$1,222,083 for calendar year 2005.

¹ Adopted by Witness David R. Knapp

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 2003 through December 2003?

TECO: \$39,039,043 over-recovery. (Witness: Jordan)

Issue 2: What are the appropriate estimated fuel adjustment true-up amounts for the period January 2004 through December 2004?

TECO: \$70,023,368 under-recovery. (Witness: Jordan)

Issue 3: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2005 to December 2005?

TECO: \$30,984,325 under-recovery. (Witness: Jordan)

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 2005 through December 2005?

TECO: The appropriate revenue tax factor is 1.00072. (Witness: Jordan)

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 2005 through December 2005?

TECO: The projected net fuel and purchased power cost recovery amount to be included in the recovery factor for the period January 2005 through December 2005, including the annual estimated waterborne coal transportation contract adjustment amount of \$30,630,000 for 2004 and 2005 and adjusted by the jurisdictional separation factor, is \$696,332,183. The total recoverable fuel and purchased

power cost recovery amount to be collected, including the true-up and GPIF and adjusted for the revenue tax factor, is \$724,161,762. (Witness: Jordan)

Issue 6: What is the appropriate levelized fuel cost recovery factor for the period January 2005 to December 2005?

TECO: The appropriate factor is 3.776 cents per KWH before the normal application of factors that adjust for variations in line losses. (Witness: Jordan)

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?

TECO: The appropriate fuel recovery line loss multipliers are as follows:

<u>Rate Schedule</u>	<u>Fuel Recovery Loss Multiplier</u>
RS, GS and TS	1.0041
RST and GST	1.0041
SL-2, OL-1 and OL-3	N/A
GSD, GSLD, and SBF	1.0004
GSDT, GSLDT, EV-X and SBFT	1.0004
IS-1, IS-3, SBI-1, SBI-3	0.9754
IST-1, IST-3, SBIT-1, SBIT-3	0.9754

(Witness: Jordan)

Issue 8: 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 as follows:

<u>Rate Schedule</u>	<u>Fuel Charge Factor (cents per kWh)</u>
Average Factor	<u>3.776</u>
RS, GS and TS	<u>3.791</u>
RST and GST	<u>4.695</u> (on-peak) <u>3.325</u> (off-peak)
SL-2, OL-1 and OL-3	<u>3.530</u>
GSD, GSLD, and SBF	<u>3.778</u>
GSDT, GSLDT, EV-X and SBFT	<u>4.678</u> (on-peak) <u>3.312</u> (off-peak)
IS-1, IS-3, SBI-1, SBI-3	<u>3.683</u>
IST-1, IST-3, SBIT-1, SBIT-3	<u>4.561</u> (on-peak) <u>3.230</u> (off-peak)

(Witness: Jordan)

Issue 9: 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 first billing cycle for January 2005, and thereafter through the last billing cycle for December 2005. The first billing cycle may start before January 1, 2005, and the last billing cycle may end after December 31, 2005, so long as each customer is billed for 12 months regardless of when the factors became effective. (Witness: Jordan)

Issue 10: What are the appropriate actual benchmark levels for calendar year 2004 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

TECO: \$1,178,388. (Witness: Jordan)

Issue 11: What are the appropriate estimated benchmark levels for calendar year 2005 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

TECO: \$1,222,083. (Witness: Jordan)

Issue 12: Should each investor-owned utility be required to report its capacity charges and costs, estimated and actual, for wholesale capacity sales and purchases in a schedule similar in format to Schedules E-6, A-6, E-7, A-7, E-8, A-8, E-9, and A-9?

TECO: The Commission should defer this issue to provide the parties and staff an opportunity to discuss in a workshop the form and substance of the information requested regarding actual and estimated capacity charges and costs. (Witness: Jordan)

Company-Specific Fuel Adjustment Issues

Tampa Electric Company

Issue 17A: **What is the** appropriate 2003 waterborne coal transportation benchmark price for transportation services provided by affiliates of Tampa Electric Company?

TECO: \$22.96 / 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 2003 waterborne transportation benchmark price?

TECO: This issue is moot. Tampa Electric's actual waterborne coal transportation costs were less than the waterborne transportation benchmark price. No justification is necessary. (Witness: Wehle)

Issue 17C: Based on the Commission's decision at the September 21, 2004, Agenda Conference in Docket No. 031033-EI, has Tampa Electric Company made the appropriate adjustments to its 2004 and 2005 waterborne coal transportation costs for recovery purposes?

TECO: Yes. The company filed revised testimony of witness J. Denise Jordan on October 28, 2004, which describes the appropriate fuel cost recovery amounts and factors including an estimated annual adjustment to the waterborne transportation contract rates of \$30,630,000 for 2004 and 2005, as prescribed by Order No. PSC-04-0999-FOF-EI, filed on October 12, 2004, in Docket No. 031033-EI. (Witness: Jordan)

Issue 17D: This issue was withdrawn.

Issue 17E: Are the fuel charges Tampa Electric expects to incur for its wholesale energy purchases from Hardee Power Partners for 2005 reasonable?

TECO: Yes. As reported in the testimony of Tampa Electric witness Benjamin F. Smith filed on September 12, 2003, in Docket No. 030001-EI, there were no changes to the contract under which Tampa Electric purchases wholesale energy from Hardee Power Partners when TECO Power Services sold its Hardee Power Partners capacity. Therefore, the expected 2005 fuel charges under this long-term power purchase agreement are still reasonable for cost recovery. (Witness: Smith)

Issue 17F: Should the Commission approve Tampa Electric's purchased power agreement for 150 MW of non-firm energy referenced in Benjamin F. Smith's direct testimony for cost recovery purposes?

TECO: The Commission should approve cost recovery of the contractual charges that Tampa Electric will incur for its 150 MW non-firm power purchase agreement. The purchase was evaluated for cost-effectiveness and is expected to provide \$7.1 million in customer savings during 2004 and 2005. (Witness: Smith)

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 2003 through December 2003 for each investor-owned electric utility subject to the GPIF?

TECO: A penalty in the amount of \$3,678,414. (Witness: Knapp)

Issue 19: What should the GPIF targets/ranges be for the period January 2005 through December 2005 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. David R. Knapp. (Witness: Knapp)

Generic Capacity Cost Recovery Factor Issues

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

TECO: Under-recovery of \$296,014. (Witness: Jordan)

Issue 25: What are the appropriate estimated capacity cost recovery true-up amounts for the period January 2004 through December 2004?

TECO: Under-recovery of \$7,372,965. (Witness: Jordan)

Issue 26: What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2005 through December 2005?

TECO: Under-recovery of \$7,668,979. (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 2005 through December 2005?

TECO: The purchased power capacity cost recovery amount to be included in the recovery factor for the period January 2005 through December 2005, adjusted by the jurisdictional separation factor, is \$50,159,408. The total recoverable capacity cost recovery amount to be collected, including the true-up amount and adjusted for the revenue tax factor, is \$57,870,023. (Witness: Jordan)

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 2005 through December 2005?

TECO: The appropriate jurisdictional separation factor is 0.9641722. (Witness: Jordan)

Issue 29: What are the appropriate capacity cost recovery factors for the period January 2005 through December 2005?

TECO: The appropriate factors are as follows:

<u>Rate Schedule</u>	<u>Capacity Cost Recovery Factor (cents per kWh)</u>
Average Factor	0.302
RS	0.377
GS and TS	0.338
GSD, EV-X	0.278
GSLD and SBF	0.254
IS-1, IS-3, SBI-1, SBI-3	0.023

SL-2, OL-1 and OL-3

0.047

(Witness: Jordan)

Company-Specific Capacity Cost Recovery Factor Issues

Tampa Electric Company

Issue 33A: Are Tampa Electric Company's actual and projected expenses for 2003 through 2005 for its post-September 11, 2001, security measures reasonable for cost recovery purposes?

TECO: Section IV of Order NO. PSC-03-1461-FOF-EI, issued December 22, 2003, approved a process proffered by PEF witness Portuondo. The order cited a 3-step process that starts from budgeted or actual costs of each incremental project, then removes any related costs that are reflected in base rates from (or credits any offsetting savings to) the project to reduce the recoverable incremental security costs. In addition, the order approved an adjustment method proposed by staff witness Brinkley that requires an applicable base rate component be adjusted for growth or decline in energy sales.

TECO identified an incremental project that requires armed security forces and quantified its associated savings in witness Jordan's testimony filed on August 10, 2004. TECO maintained that it is only seeking recovery of incremental guards service expenses of \$508,553 for 2004 and \$363,579 for 2005 that are based on projected armed guards expenses of \$1,461,097 and \$1,459,344 for 2004 and 2005 respectively. Further, TECO has clarified that the amounts of savings are

actual current amounts for 2004. The final recoverable amount is based on actual incremental expenses which will be subject to staff review and audit in the true-up process. The company's security measures taken in response to post 9/11/2001 security requirements are reasonable for cost recovery purposes. However, due to TECO's new disclosure that a few accounts were inadvertently excluded in the prior year audit, staff recommends a new audit for the 2003 incremental security costs in conjunction with the 2004 capacity cost audit to ensure that consistent accounts are used. (Witness: Jordan)

F. STIPULATED ISSUES

TECO: None at this time.

G. MOTIONS

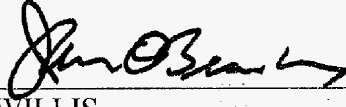
TECO: None at this time.

H. OTHER MATTERS

TECO: None at this time.

DATED this 28th day of October 2004.

Respectfully submitted,



LEE L. WILLIS
JAMES D. BEASLEY
Ausley & McMullen
Post Office Box 392
Tallahassee, Florida 32302
(850) 224-9115

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 28th day of October, 2004 to the following:

Mr. Wm. Cochran Keating, IV*
Ms. Adrienne E. Vining
Ms. Jennifer Rodan
Senior Attorneys
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0863

Mr. James A. McGee
Associate General Counsel
Progress Energy Florida, Inc.
Post Office Box 14042
St. Petersburg, FL 33733

Mr. Joseph A. McGlothlin
Ms. Vicki Gordon Kaufman
McWhirter, Reeves, McGlothlin,
Davidson, Kaufman & Arnold, P.A.
117 S. Gadsden Street
Tallahassee, FL 32301

Ms. Patricia Christensen
Associate Public Counsel
Office of Public Counsel
111 West Madison Street – Suite 812
Tallahassee, FL 32399-1400

Mr. Norman Horton
Messer Caparello & Self
Post Office Box 1876
Tallahassee, FL 32302

Mr. John T. Butler
Steel Hector & Davis LLP
200 South Biscayne Boulevard
Suite 4000
Miami, FL 33131-2398

Mr. William Walker
Florida Power & Light Company
215 South Monroe Street, Suite 810
Tallahassee, FL 32301-1859

Mr. R. Wade Litchfield
Florida Power & Light Company
700 Universe Blvd.
Juno Beach, FL 33408

Mr. John W. McWhirter, Jr.
McWhirter, Reeves, McGlothlin,
Davidson, Kaufman & Arnold, P.A.
400 North Tampa Street, Suite 2450
Tampa, FL 33601-5126

Ms. Susan Ritenour
Gulf Power Company
One Energy Place
Pensacola, FL 32520

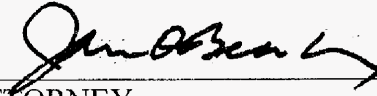
Mr. Jeffrey A. Stone
Mr. Russell A. Badders
Beggs & Lane
Post Office Box 12950
Pensacola, FL 32591-2950

Mr. Joe Regnery
Island Center
2701 North Rocky Point Drive, Suite 1200
Tampa, FL 33607

Mr. John C. Moyle, Jr.
Mr. Bill Hollimon
Moyle, Flanigan, Katz, Raymond &
Sheehan, P.A.
118 N. Gadsden Street
Tallahassee, FL 32301

Mr. Robert Scheffel Wright
Mr. John T. LaVia, III
Landers & Parsons, P.A.
310 West College Avenue
Tallahassee, FL 32301

Mr. Thomas Churbuck
911 Tamarind Way
Boca Raton, FL 33486



ATTORNEY