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SCANNED

October 17, 2005

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. 050001-EI

Dear Ms. Bayo:

Enclosed for filing in the above docket are the original and fifteen (15) copies of Tampa Electric Company's Prehearing Statement.

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.)

DOCUMENT NUMBER-DATE

10028 OCT 17 05

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. 050001-EI
FILED: October 17, 2005

**TAMPA ELECTRIC COMPANY'S
PREHEARING STATEMENT**

A. APPEARANCES:

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On behalf of Tampa Electric Company

B. WITNESSES:

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
(Direct)		
1. Carlos Aldazabal (TECO)	Fuel Adjustment True-up and Projections	1, 2, 3, 4, 5, 6, 7, 8, 9, 10
	Capacity Cost Recovery True-up and Projections	23, 24, 25, 26, 27, 28
	Wholesale Incentive Benchmark	11, 12
	Adjustments to Waterborne Coal Transportation Costs	17A, 17B
	Recovery of Replacement Fuel and Purchased Power Costs Prior to Exhausting all Avenues of Redress	17E, 17G

2.	William A. Smotherman (TECO)	GPIF Reward/Penalty and Targets/Ranges	18, 19
		Recovery of Replacement Fuel and Purchased Power Costs Associated With Polk Unit #1 Outage	17E
3.	Benjamin F. Smith (TECO)	Incremental Fuel and Purchased Power Costs Associated with the 2004 Hurricane Season	17C
		Mitigation of Price Risk with Natural Gas and Purchase Power	17F
4.	Joann T. Wehle (TECO)	Adjustments to Waterborne Coal Transportation Costs	17A, 17B
		Incremental Fuel Costs Associated With the 2004-2005 Hurricane Seasons	17C, 17D
		Mitigation of Price Risk with Natural Gas and Purchase Power	17F
		Recovery of Replacement Fuel Costs Associated with No. 1 Contractors Default	17G
		New Long-Term Firm Service Agreement with Natural Gas System, LLC	17H
		Incremental Hedging Amount	17I
		Prudence of Synthetic American Fuel, LLC Coal Purchase	17J

C. EXHIBITS:

<u>Exhibit</u>	<u>Witness</u>	<u>Description</u>
<u> </u> (CA-1)	Aldazabal	Fuel Cost Recovery January 2004 - December 2004
<u> </u> (CA-1)	Aldazabal	Capacity Cost Recovery January 2004 – December 2004
<u> </u> (CA-2)	Aldazabal	Fuel Cost Recovery, Projected January 2005 – December 2005
<u> </u> (CA-2)	Aldazabal	Capacity Cost Recovery, Projected January 2005 – December 2005
<u> </u> (CA-3)	Aldazabal	Fuel Cost Recovery, Projected January 2006 – December 2006
<u> </u> (CA-3)	Aldazabal	Capacity Cost Recovery, Projected January 2006 – December 2006
<u> </u> (DRK-1)	Knapp ¹	Generating Performance Incentive Factor Results January 2004 – December 2004
<u> </u> (WAS-1)	Smotherman	Generating Performance Incentive Factor Estimated January 2006 – December 2006
<u> </u> (JTW-1)	Wehle	Calculation of 2004 Incremental Hedging Operations and Maintenance Costs
<u> </u> (JTW-2)	Wehle	2004 Waterborne Transportation Cost Adjustment
<u> </u> (JTW-2)	Wehle	Calculation of 2006 Projected Incremental Hedging Operations and Maintenance Costs

D. STATEMENT OF BASIC POSITION

Tampa Electric Company's Statement of Basic Position:

¹ Adopted by Witness William A. Smotherman

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 5.413 cents per kWh before application of factors which adjust for variations in line losses; the proposed capacity cost recovery factor of 0.287 cents per kWh before applying the 12CP and 1/13th allocation methodology; a GPIF reward of \$729,534 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 \$1,188,811 for calendar year 2006.

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 2004 through December 2004?

TECO: \$5,106,655 over-recovery. (Witness: Aldazabal)

ISSUE 2: What are the appropriate estimated fuel adjustment true-up amounts for the period January 2005 through December 2005?

TECO: \$152,762,877 under-recovery. (Witness: Aldazabal)

ISSUE 3: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2006 to December 2006?

TECO: \$147,656,222 under-recovery. (Witness: Aldazabal)

ISSUE 4: Should the Commission revise the fuel cost recovery factors in April 2006, after the final 2005 true-up filing, if a utility's estimated 2005 under-recovery developed during the 2005 hurricane season exceeds the actual under-recovery?

TECO: The company does not believe a revision after the 2005 final true-up should be required given the existence of the mid-course correction mechanism, which already provides a procedure for notifying and modifying the fuel factor when fuel costs are going to be over or under by 10%. Maintaining the 10% threshold ensures that any change in the fuel factor will be driven by an over or under recovery of a material or substantive amount. (Witness: Aldazabal)

ISSUE 5: 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 2006 through December 2006?

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

ISSUE 6: 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, adjusted by the jurisdictional separation factor, is \$915,525,978. 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 \$1,064,677,224. (Witness: Aldazabal)

ISSUE 7: What are the appropriate levelized fuel cost recovery factor for the period January 2006 to December 2006?

TECO: The appropriate factor is 5.413 cents per kWh before the normal application of factors that adjust for variations in line losses. (Witness: Aldazabal)

ISSUE 8: 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: Aldazabal)

ISSUE 9: 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	5.413
RS, GS and TS	5.435
RST and GST	6.613 (on-peak) 4.811 (off-peak)
SL-2, OL-1 and OL-3	5.081
GSD, GSLD, and SBF	5.415
GSDT, GSLDT, EV-X and SBFT	6.589 (on-peak) 4.793 (off-peak)

IS-1, IS-3, SBI-1, SBI-3

5.280

IST-1, IST-3, SBIT-1, SBIT-3

6.424 (on-peak)

4.673 (off-peak)

(Witness: Aldazabal)

ISSUE 10: 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 2006 and thereafter through the last billing cycle for December 2006. The first billing cycle may start before January 1, 2006, and the last billing cycle may end after December 31, 2006, so long as each customer is billed for 12 months regardless of when the factors became effective. (Witness: Aldazabal)

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

TECO: \$1,024,322. (Witness: Aldazabal)

ISSUE 12: What are the appropriate estimated benchmark levels for calendar year 2006 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

TECO: \$1,188,811. (Witness: Aldazabal)

Company-Specific Fuel Adjustment Issues

Tampa Electric Company

ISSUE 17A: Pursuant to Order No. PSC-04-0999-FOF-EI, in Docket No. 031033.EI, issued October 12, 2004, has Tampa Electric Company made the appropriate adjustments to its 2004 waterborne coal transportation cost recovery purposes?

TECO: Yes. The company made the appropriate adjustments to its 2004 waterborne coal transportation costs. The adjustments have been reviewed by the Commission's division of Auditing and Safety staff, and the audit results concur with the company's position that the adjustment is appropriate. (Witnesses: Wehle, Aldazabal)

ISSUE 17B: Has Tampa Electric Company properly adjusted its waterborne coal transportation costs associated with transportation services provided by TECO Transport in the recovery factor for the period January 2006 through December 2006?

TECO: Yes. The company used Staff's estimated annual disallowance amount, which will be trued-up to reflect actual tons shipped. (Witnesses: Wehle, Aldazabal)

ISSUE 17C: Did Tampa Electric Company prudently incur the additional \$2,736,764 in incremental fuel and purchased power costs due to the impact of the 2004 hurricane season?

TECO: Yes. The \$2,736,764 of incremental fuel and purchased power costs were necessary to maintain reliability of fuel supply and electric reliability. (Witnesses: Wehle, Smith)

ISSUE 17D: Did Tampa Electric Company prudently incur its incremental fuel costs due to the impact of the 2005 hurricane season?

TECO: Yes. Incremental fuel costs were necessary to maintain reliability of fuel supply and electric reliability. (Witnesses: Wehle)

ISSUE 17E: Should Tampa Electric recover associated replacement fuel and purchased power costs prior to exhausting all avenues of redress against the party or parties which manufacturer, delivered, or installed the rotor at Polk Unit 1 which failed and caused an unplanned outage at Polk Unit 1, commencing January 18, 2005?

TECO: Yes. The replacement fuel and purchased power costs associated with the Polk Unit 1 outage were prudently incurred and appropriately included for cost recovery. (Witnesses: Aldazabal, Smotherman)

ISSUE 17F: Has Tampa Electric adequately mitigated the price risk of natural gas and purchases power for 2004 through 2006?

TECO: Yes. Tampa Electric has adequately mitigated the price risk of natural gas and purchase power for 2004 through 2006. The company has prudently managed its price risk by using physical and financial hedges. As a result, as of September 30, 2005, the company expects to generate \$118.7 million in savings for ratepayers during the 2004 through 2006 period. (Witness: Wehle)

ISSUE 17G: Should Tampa Electric recover associated replacement fuel costs prior to exhausting all avenues of redress against No. 1 Contractors for failure to deliver coal as set forth in its March 2004, contract with Tampa Electric?

TECO: Yes. The replacement fuel costs associated with the default of No. 1 Contractors were prudently incurred and appropriately included for cost recovery. (Witnesses: Aldazabal, Wehle)

ISSUE 17H: Is Tampa Electric's new long-term firm service agreement with Gulfstream Natural Gas System, LLC to provide natural gas transportation to Bayside Generating Station prudent?

TECO: Yes. The transportation agreement with Gulfstream Natural Gas System, LLC provides for reliability of supply at an economic price. The agreement provides for diversification of receipt points as well as pipeline storage tools to access lower cost supply. The pipeline adds a second pipeline to Tampa Electric's capacity portfolio and improves the company's ability to meet demand. (Witness: Wehle)

ISSUE 17I: Is Tampa Electric Company's incremental 2006 hedging O&M expense of \$235,798 reasonable and appropriate for recovery?

TECO: Yes. The \$235,798 projected incremental hedging and O&M costs are consistent with Order No. PSC-02-1484-FOF-EI, which allows for recovery of prudently incurred incremental O&M expenses incurred for the purposes of initiating and/or maintaining a new or expanded non-speculative financial and/or physical hedging program. (Witness: Wehle)

ISSUE 17J: Was Tampa Electric Company's decision to purchase synthetic coal from Synthetic American Fuel, LLC., commencing January 2005, prudent?

TECO: Yes. The purchase of synthetic coal from Synthetic American Fuel, LLC was prudent and justifiable given the information available at the time, and appropriate for cost recovery. (Witness: Wehle)

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 2004 through December 2004 for each investor-owned electric utility subject to the GPIF?

TECO: A reward in the amount of \$729,534. (Witness: Smotherman)

ISSUE 19: What should the GPIF targets/ranges be for the period January 2006 through December 2006 for each investor-owned electric utility subject to the GPIF?

TECO: The appropriate targets and ranges are shown in Exhibit No. 1 to the prefiled testimony of Mr. William A. Smotherman. Targets and ranges should be set according to the prescribed GPIF methodology established in 1981 by Commission Order No. 9558 in Docket No. 800400-CI. (Witness: Smotherman)

Company-Specific Generating Performance Incentive Factor Issues

Tampa Electric Company

No company-specific issues for Tampa Electric Company have been identified 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 2004 through December 2004?

TECO: \$542,557 over-recovery. (Witness: Aldazabal)

ISSUE 25: What are the appropriate estimated capacity cost recovery true-up amounts for the period January 2005 through December 2005?

TECO: \$1,499,869 under-recovery. (Witness: Aldazabal)

ISSUE 26: What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2006 through December 2006?

TECO: \$957,312 under-recovery. (Witness: Aldazabal)

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 2006 through December 2006?

TECO: The purchased power capacity cost recovery amount to be included in the recovery factor for the period January 2006 through December 2006, adjusted by the jurisdictional separation factor, is \$55,402,684. The total recoverable capacity cost recovery amount to be collected, including the true-up amount and adjusted for the revenue tax factor, is \$56,400,575. (Witness: Aldazabal)

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 2006 through December 2006?

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

ISSUE 29: What are the appropriate capacity cost recovery factors for the period January 2006 through December 2006?

TECO: The appropriate factors are as follows:

<u>Rate Schedule</u>	<u>Capacity Cost Recovery Factor (cents per kWh)</u>
Average Factor	0.287
RS	0.356
GS and TS	0.321

GSD, EV-X	0.263
GSLD and SBF	0.240
IS-1, IS-3, SBI-1, SBI-3	0.022
SL-2, OL-1 and OL-3	0.045
(Witness: Aldazabal)	

Company-Specific Capacity Cost Recovery Factor Issues

Tampa Electric Company

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

F. STIPULATED ISSUES

TECO: None at this time.

G. MOTIONS

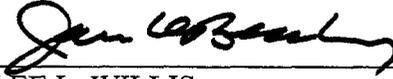
TECO: None at this time.

H. OTHER MATTERS

TECO: None at this time.

DATED this 17th day of October 2005.

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 17~~th~~ day of October, 2005 to the following:

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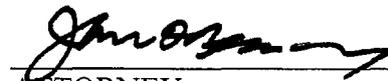
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