

**Matilda Sanders**

**From:** BURNS.DANA [BURNS.DANA@leg.state.fl.us]  
**Sent:** Monday, October 17, 2005 4:20 PM  
**To:** Filings@psc.state.fl.us  
**Cc:** CHRISTENSEN.PATTY  
**Subject:** FW: Docket No. 050001-EI  
**Attachments:** PREHEARING STATEMENT 050001(efile).doc

The attached document was filed earlier stating that there were three (3) pages in this filing. There are in fact sixteen (16) pages in this filing.

Dana Burns  
488-9330

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**Subject:** Docket No. 050001-EI

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1. This filing is to be made in Docket Number: 050001-EI, In Re: Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor

CMP 2 Attached for filing on behalf of Office of Public Counsel is a Prehearing Statement of the Office of Public Counsel.  
COM 5  
CTR 3 There are a total of three (3) pages for filing  
ECR \_\_\_\_\_  
GCL \_\_\_\_\_  
OPC \_\_\_\_\_  
RCA \_\_\_\_\_  
SCR \_\_\_\_\_  
SGA \_\_\_\_\_  
SEC 1  
OTH \_\_\_\_\_

10/17/2005

DOCUMENT NUMBER-DATE  
10056 OCT 17 08  
FPSC-COMMISSION CLERK

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 050001-EI  
FILED: October 17, 2005

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-05-0281-PCO-EI, issued March 15, 2005, submit this Prehearing Statement.

APPEARANCES:

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On behalf of the Citizens of the State of Florida.

A. WITNESSES:

None.

B. EXHIBITS:

None.

C. STATEMENT OF BASIC POSITION

None at this time.

D. STATEMENT OF FACTUAL ISSUES AND POSITIONS

**GENERIC FUEL ADJUSTMENT ISSUES**

**ISSUE 1:** What are the appropriate fuel adjustment true-up amounts for the period January 2004 through December 2004?

**OPC:** No position at this time.

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

**OPC:** No position at this time.

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

**OPC:** No position at this time.

**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?

**OPC:** No position at this time.

**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?

**OPC:** No position at this time.

**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 2006?

**OPC:** No position at this time.

**ISSUE 7:** What are the appropriate levelized fuel cost recovery factors for the period January 2006 through December 2006?

**OPC:** No position at this time.

**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?

**OPC:** No position at this time.

**ISSUE 9:** What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?

**OPC:** No position at this time.

**ISSUE 10:** What should be the effective date of the fuel adjustment charge and capacity cost recovery charge for billing purposes?

**OPC:** No position at this time.

**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?

**OPC:** No position at this time.

**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?

**OPC:** 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 2004?

**OPC:** No position at this time.

**ISSUE 13B:** Has Progress Energy Florida properly calculated the 2004 price for waterborne transportation services provided by Progress Fuels Corporation?

**OPC:** No position at this time.

**ISSUE 13C:** Are PEF's proposed inverted residential fuel factors appropriate?

**OPC:** No position at this time.

**ISSUE 13D:** Did Progress Energy Florida appropriately refund to its ratepayers the overpayments of \$6.1 million made to 16 qualifying facilities between August 2003 and August 2004?

**OPC:** No position at this time.

**ISSUE 13E:** Did Progress Energy Florida prudently incur the additional \$17.5 million in incremental fuel costs due to the impact of the 2004 hurricane season?

**OPC:** No position at this time.

**ISSUE 13F:** Should the Commission grant Progress Energy Florida's petition for approval of waterborne coal transportation service contracts?

**OPC:** No position at this time.

**ISSUE 13G:** Are costs associated with Progress Energy Florida's contract with Virginia Power Energy Marketing for long term natural gas supply and transportation reasonable and appropriate for recovery?



**OPC:** No position at this time.

**ISSUE 13H:** Has Progress Energy Florida adequately mitigated the price risk for natural gas, residual oil, and purchased power for 2004 through 2006?

**OPC:** No position at this time.

**ISSUE 13I:** Is PEF's request for recovery of \$10,413,156 for coal car investment, carrying costs for coal in transit, and coal procurement reasonable?

**OPC:** No position at this time.

**ISSUE 13J:** Should the Commission approve PEF's request for recovery of capacity and energy costs associated with PEF's wholesale purchase contract with Central Power & Lime, commencing in December 2005, subject to subsequent review of the costs incurred pursuant to the contract for reasonableness and prudence?

**OPC:** No position at this time.

**ISSUE 13K:** Did PEF prudently incur its incremental fuel costs due to the impact of the 2005 hurricane season?

**OPC:** No position at this time.

**ISSUE 13L:** Were the prices that PEF paid to Progress Energy Fuels Corporation for coal reasonable in amount? If not, what adjustment should be made?

**OPC:** PEF paid to Progress Energy Fuels Corporation (PFC) prices that were significantly higher than prices PEF paid to other vendors in the same time frame. In its testimony and exhibits PEF did not identify, much less justify, the differential in costs. OPC has filed a motion to spin off this subject into a separate proceeding, so that such matters as the type and breadth of solicitations that PFC issued prior to awarding the business to itself can be explored adequately. If the Commission denies the motion and proceeds to rule in this docket, OPC's position is that it should disallow the differential based on PEF's failure to meet its burden of proof.

**ISSUE 13M:** Should the Commission order PEF to collect its \$264.9 million under-recovery over a two-year period?

**OPC:** 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 shall be numbered 13N, 13O, 13P, and so forth, as appropriate.

### **Florida Power & Light Company**

**ISSUE 14A:** Did Florida Power & Light prudently incur the additional \$50,162,000 in incremental fuel costs due to the impact of the 2004 hurricane season?

**OPC:** No position at this time.

**ISSUE 14B:** Is FPL's incremental 2006 hedging O&M expense of \$496,485 reasonable and appropriate for recovery?

**OPC:** No position at this time.

**ISSUE 14C:** Should the Commission authorize FPL to defer collecting \$384,681,845 of its 2005 actual/estimated true-up until 2007?

**OPC:** No position at this time.

**ISSUE 14D:** Has FPL adequately mitigated the price risk of natural gas, residual oil, and purchased power for 2004 through 2006?

**OPC:** No position at this time.

**ISSUE 14E:** Are the replacement fuel and purchased power costs associated with the unplanned outage at Turkey Point Unit 4, commencing on June 27, 2005, reasonable and appropriate for recovery at this time?

**OPC:** No position at this time.

**ISSUE 14F:** Should the Commission approve FPL's request to recover through the fuel clause approximately \$30 million for its St. Lucie Unit 2 Steam Generator Sleaving Project?



**OPC:** No. FPL should not be allowed to recover through the fuel clause for its St. Lucie Unit 2 Steam Generator Sleeving Project.

**ISSUE 14G:** Should FPL credit the net proceeds of \$6,442,183 from the settlement between the U.S. Department of Energy and FPL, among other parties, to the fuel clause?

**OPC:** No position at this time.

**ISSUE 14H:** Are FPL's proposed inverted residential fuel factors appropriate?

**OPC:** No position at this time.

**ISSUE 14I:** Did FPL prudently incur its incremental fuel costs due to the impact of the 2005 hurricane season?

**OPC:** No position 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 shall be numbered 14J, 14K, 14L, and so forth, as appropriate.

#### **Florida Public Utilities Company**

**ISSUE 15A:** Has Florida Public Utilities Company made the adjustments as noted in audit Exception No. 1 to Audit No. 05-028-4-2 to its Northeast Division's fuel revenues?

**OPC:** No position at this time.

**ISSUE 15B:** What is the appropriate regulatory treatment for fees paid to Christensen and Associates to perform FPUC's request for proposals for wholesale capacity and energy commencing 2008 and develop a rate-smoothing surcharge for 2006 and 2007?

**OPC:** No. FPUC should be required to remove the costs for Christensen and Associates from its 2006 fuel adjustment factor. It is inappropriate to include such costs in the fuel adjustment factor. The fee for Christensen and Associates should be addressed in the same proceeding as the

proposed future surcharge.

**ISSUE 15C:** Should the Commission grant Florida Public Utilities Company's request to adopt a surcharge to its fuel factor(s) to phase in future higher wholesale capacity and energy costs, expected to begin in January 2008?

**OPC:** No. This matter should be addressed in a separate proceeding. It is a case of first impression. Further, based on the customers' objections to the implementation of a future surcharge at the customer meeting, service hearings with sworn customer testimony should be taken at any hearing. There has been no provision made for service hearings at the fuel hearing. Further, FPUC does not have signed contracts for the 2008 fuel contracts on which to base any proposed "future" surcharge. And FPUC is seeking to block review of any potential 2008 fuel contracts under its RFP.

**ISSUE 15D:** Should the Commission grant Florida Public Utilities Company's request to adopt a consolidated fuel factor for its two divisions?

**OPC:** No. The reasons stated by FPUC in its testimony fail to justify the need to change from its current, historical separate rates for its Northwest division (Marianna) and Northeast division (Fernandina Beach) to a consolidated rate for both divisions.

No additional company-specific issues for Florida Public Utilities Company have been identified at this time. If such issues are identified, they shall be numbered 15E, 15F, 15G, and so forth, as appropriate.

### **Gulf Power Company**

**ISSUE 16A:** Should Gulf Power recover associated replacement fuel and purchased power costs prior to exhausting all avenues of redress against the party or parties which manufactured, delivered, or installed the turbine at the Smith Unit 3 which failed during 2005?

**OPC:** No. Gulf should be required to exhaust all remedies against potential parties prior to seeking cost recovery from customers.

**ISSUE 16B:** Has Gulf Power adequately mitigated the price risk of natural gas and purchased power for 2004 through 2006?

**OPC:** No position at this time.

**ISSUE 16C:** Did Gulf Power prudently incur its incremental fuel costs due to the

impact of the 2005 hurricane season?

**OPC:** No position at this time.

**ISSUE 16D:** Is Gulf Power Company's incremental 2006 hedging O&M expense of \$28,080 reasonable and appropriate for recovery?

**OPC:** 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 shall be numbered 16E, 16F, 16G, and so forth, as appropriate.

### **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 costs for recovery purposes?

**OPC:** No position at this time.

**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?

**OPC:** No position at this time.

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

**OPC:** No position at this time.

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

**OPC:** No position at this time.

**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 manufactured, delivered, or installed the rotor at Polk Unit 1 which failed and caused an unplanned outage at Polk Unit 1, commencing January 18, 2005?

**OPC:** No. Tampa Electric should be required to exhaust all avenues of redress against potential parties prior to seeking recovery from customers.

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

**OPC:** No position at this time.

**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?

**OPC:** No. Tampa Electric should be required to resolve its claim against No. 1 Contractor for replacement coal costs and should not be allowed to recover those costs in the 2006 fuel adjustment factor.

**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?

**OPC:** No position at this time.

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

**OPC:** No position at this time.

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

**OPC:** 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 shall be numbered 17K, 17L, 17M, 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 2004 through December 2004 for each investor-owned electric utility subject to the GPIF?

**OPC:** No position at this time.

**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?

**OPC:** TECO: As TECO acknowledged, its EAF and Heat Rating have been negatively impacted by installation of the environmental equipment. So the Big Bend Coal Units 1-4 should be removed from the GPIF program until the problems associated with the environmental equipment have been identified and resolved.

## **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 Progress Energy Florida have been identified at this time. If such issues are identified, they shall 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 shall be numbered 22A, 22B, 22C, and so forth, as appropriate.

## **Tampa Electric Company**

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

### **GENERIC CAPACITY COST RECOVERY FACTOR ISSUES**

**ISSUE 24:** What are the appropriate capacity cost recovery true-up amounts for the period January 2004 through December 2004?

**OPC:** No position at this time.

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

**OPC:** 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 2006 through December 2006?

**OPC:** 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 2006 through December 2006?

**OPC:** 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 2006 through December 2006?

**OPC:** No position at this time.

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

**OPC:** No position at this time.

## COMPANY-SPECIFIC CAPACITY COST RECOVERY FACTOR ISSUES

### Progress Energy Florida

**ISSUE 30A:** Has PEF provided sufficient evidence to justify its increase in capacity costs?

**OPC:** No position at this time.

**ISSUE 30B:** Are PEF's actual and projected expenses for 2004 through 2006 for its post-September 11, 2001 security measures reasonable for cost recovery purposes?

**OPC:** 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 shall be numbered 30C, 30D, 30E, and so forth, as appropriate.

### Florida Power & Light Company

**ISSUE 31A:** Is FPL's requested post-9/11 security compliance cost for 2004, 2005, and 2006 (projected) at its nuclear power plants reasonable and appropriate for recovery?

**OPC:** 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 shall be numbered 31B, 31C, 31D, 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 shall be numbered 32A, 32B, 32C, and so forth, as appropriate.

### Tampa Electric Company

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

- E. STATEMENT OF LEGAL ISSUES AND POSITIONS: None at this time.
- F. STATEMENT OF POLICY ISSUES AND POSITIONS: None at this time.
- G. STIPULATED ISSUES: None.
- H. PENDING MOTIONS: OPC's Motion to Establish Separate "Spin-Off" Docket to Examine Certain Coal Purchase Transactions Between Progress Energy Florida and its Affiliate is pending in this docket.
- I. STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE:

There are no requirements of the Order Establishing Procedure with which the Office of Public Counsel cannot comply.

Dated this 17<sup>th</sup> day of October, 2005.

Respectfully submitted,

s/ Patricia A. Christensen  
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**CERTIFICATE OF SERVICE**

**I HEREBY CERTIFY** that a true and correct copy of the foregoing Prehearing Statement of the Office of Public Counsel has been furnished by electronic mail and U.S. Mail on this 17th day of October, 2005, to the following:

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s/ Patricia A. Christensen  
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