

Matilda Sanders

ORIGINAL

From: ROBERTS.BRENDA [ROBERTS.BRENDA@leg.state.fl.us]
 Sent: Friday, October 06, 2006 10:48 AM
 To: Filings@psc.state.fl.us
 Cc: Bill Feaster; Bill Walker; Cecilia Bradley; Cochran Keating; jack_shreve@oag.state.fl.us; John McWhirter; John_Butler@fpl.com; Lisa Bennett; Mike Twomey; Natalie F. Smith (Natie_Smith@fpl.com); Schef Wright; Tim Perry; Wade Litchfield
 Subject: E-filing (Dkt. 060362-EI)
 Attachments: 060362.prehearing statement.sversion.doc

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Electronic Filing

a. Person responsible for this electronic filing:

Patricia A. Christensen, Associate Public Counsel
 Office of Public Counsel
 c/o The Florida Legislature
 111 West Madison Street, Room 812
 Tallahassee, FL 32399-1400
 (850) 488-9330
 christensen.patty@leg.state.fl.us

b. Docket No. 060001-EI

In re: Petition to Recovery Natural Gas Storage Project Costs through Fuel Cost Recovery Clause by Florida Power & Light Company.

c. Document being filed on behalf of Office of Public Counsel

d. There are a total of 7 pages.

e. The document attached for electronic filing is the Prehearing Statement of the Office of Public Counsel.

(See attached file: 060362.prehearing statement.sversion.doc)

Thank you for your attention and cooperation to this request.

Brenda S. Roberts
 Office of Public Counsel
 Telephone: (850) 488-9330
 Fax: (850) 488-4491

DOCUMENT NUMBER-DATE

09245 OCT-6 8

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition to Recover Natural gas.)	DOCKET NO. 060362-EI
Storage Project Costs through Fuel)	
Cost Recovery Clause by Florida)	FILED: October 6, 2006
Power & Light Company)	
_____)	

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 Consolidating Dockets 060001-EI and 060362-EI for Purposes of Hearing, Order No. PSC-06-0788-PCO-EI, and the Orders Establishing Procedure in Docket No. 060001-EI, Order No. PSC-06-0207-PCO-EI, issued March 15, 2006, as amended by Order No. PSC-06-0710-PCO-EI, issued August 23, 2006, and submit this Prehearing Statement.

APPEARANCES:

CHARLES J. BECK, Esquire
 Deputy Public Counsel
 PATRICIA A. CHRISTENSEN, Esquire
 Associate Public Counsel
 JOSEPH A. MCGLOTHLIN, Esquire
 Associate Public Counsel
 Office of Public Counsel
 c/o The Florida Legislature
 111 West Madison Street, Room 812
 Tallahassee, Florida 32399-1400
On behalf of the Citizens of the State of Florida.

1. WITNESSES:

Citizens prefiled testimony by the following witness:

Patricia W. Merchant Ms. Merchant's testimony discusses the proper regulatory treatment of the gas storage costs which Florida Power & Light Company (FPL) seeks to

recover through the fuel cost recovery clause (fuel clause).

2. EXHIBITS:

Witness for Citizens prefiled the following exhibits:

Patricia W. Merchant

(PWM-1) Curriculum Vitae

(PWM-2) Gulf Power Company Rate Case MFRs -
Docket No. 010949-EI – Schedule of Fuel Inventory

3. STATEMENT OF BASIC POSITION

FPL's gas storage contract appears reasonable based on the information presented in FPL's petition. Charges for monthly storage reservation, injection/withdrawal and insurance are appropriate for inclusion in the fuel clause. Further, it is appropriate that the base gas associated with the natural gas storage be amortized over the life of the 15-year contract with the annual amortization expensed through the fuel docket. However, inclusion of the carrying costs on the MoBay and Bay Gas inventory balances and the unamortized balance of MoBay base gas in the fuel clause are inappropriate.

The estimated \$11 million in annual carrying charges are not appropriate to be recovered through the fuel clause for several reasons. First, these costs are carrying costs on fuel inventory, which are typically and historically base rate items and, as such, inappropriate to include in the fuel clause. Second, these costs do not result in any fuel savings, nor are they volatile or related to inventory adjustments, as required by Order No. 14546. Third, the physical hedging costs allowed by the Hedging Order were hedging transaction costs or incremental operating and maintenance expenses. The

Hedging Order did not provide for rate of return components on fuel inventory to be recovered through the fuel docket. Finally, requesting recovery of costs which would typically and historically be recovered in base rates violates the 2005 Rate Case Settlement approved by the Commission.

4. STATEMENT OF FACTUAL ISSUES AND POSITIONS

ISSUE 1: Should the Commission approve cost recovery through the fuel clause by Florida Power and Light for natural gas storage project costs and charges at both MoBay storage facility and Bay Gas Storage facility, including monthly storage reservation charges, fuel retention and commodity charges for injection and withdrawal, monthly insurance charges, base gas charges and carry costs on natural gas stored in inventory?

OPC: The monthly storage reservation charges, injection/withdrawal charges, the monthly inventory insurance charge and one-fifteenth of the total base gas should be recovered annually through the fuel clause. The carrying costs on the unamortized balance of the base gas and the gas inventory balances for MoBay or Bay Gas appropriately belong in base rates and should not be recovered through the fuel clause.

ISSUE 2: Should the Commission approve FPL's proposal to recover the MoBay Gas Storage Costs including Base (pad) Gas and Fuel Storage Carrying Costs through the Fuel Cost Recovery ("FCR") Clause beginning in 2008?

OPC: No. First, carrying costs on fuel inventory are typically and historically base rate items and inappropriate to include in the fuel clause. Second, these costs do not result in any fuel savings, nor are they volatile or related to inventory adjustments, as required by Order No. 14546. Third, the physical hedging costs allowed by the Hedging Order were hedging transaction costs or incremental operating and maintenance expenses and the Hedging Order did not provide for rate of return components on fuel

inventory to be recovered through the fuel docket. Finally, requesting recovery of costs which would typically and historically be recovered in base rates violates the 2005 Rate Case Settlement approved by the Commission.

ISSUE 3: **Should the Commission approve FPL's request to recover Carrying Costs on gas stored at the Bay Gas Facility through the FCR Clause commencing upon approval of FPL's petition?**

OPC: See Citizen's position on Issue 2 above.

ISSUE 4: **Should FPL be allowed to recover the costs for accessing and using the MoBay Gas Storage Facility?**

OPC: See Citizen's position on Issue 1.

ISSUE 5: **What is the appropriate regulatory treatment of the base gas requirement for the MoBay gas storage contract?**

OPC: Base gas should be recovered over the 15-year life of the contract and amortized through the fuel clause. The decision to expense or capitalize an item should be directly matched with the period in which the cost incurred provides a benefit. Because the gas has to remain in storage for the full length of the contract and cannot be burned it should be capitalized and amortized over that same time period. Moreover, base gas correlates closer with base coal than non-recoverable oil. Base coal is used to support the coal pile and is not burned. Non-recoverable oil is removed as often as the storage tank is cleaned, and represents a minimal amount of the total capacity of the storage tank.

Purchasing base gas is a capital asset similar to gas inventory. Consistent with Citizen's position in Issue 2 above, this unamortized asset is normally included in base rates as a component of the working capital calculation and included in rate base to which the company's rate of return is applied.

These carrying costs are normal base rate recovery items and should not be recovered through the fuel clause.

ISSUE 6: **What is the appropriate regulatory treatment for the carrying costs associated with any unamortized balance of MoBay base gas?**

OPC: See Citizen's position on Issue 2.

5. STIPULATED ISSUES:

None.

6. PENDING MOTIONS:

None.

7. STATEMENT OF PARTY'S PENDING REQUESTS OR CLAIMS FOR CONFIDENTIALITY:

Citizens have no pending requests for claims for confidentiality.

8. OBJECTIONS TO QUALLIFICATION OF WITNESSESAS AN EXPERT:

Citizens do not expect to challenge the qualification of any witness.

9. 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 6th day of October, 2005.

Respectfully submitted,

s/ Patricia A. Christensen
Patricia A. Christensen
Florida Bar No. 0989789
Associate Public Counsel
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
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(850) 488-9330

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic mail and U.S. Mail on this 6th day of October, 2006, to the following:

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Tallahassee, FL 32399-0850

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s/ Patricia A. Christensen
Patricia A. Christensen
Associates Public Counsel

Matilda Sanders

From: MAHARAJ-LUCAS.ASHA [MAHARAJLUCAS.ASHA@leg.state.fl.us]
Sent: Friday, October 06, 2006 10:56 AM
To: Filings@psc.state.fl.us
Cc: McGLOTHLIN.JOSEPH
Subject: 060001-EI
Attachments: Noticeofdeposition.doc

Electronic Filing

a. Person responsible for this electronic filing:

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b. Docket No. 060001-EI

In re: Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor

c. Document being filed on behalf of Office of Public Counsel

d. There are a total of 4 pages.

e. The document attached for electronic filing is Notice of Deposition.

(See attached file: Noticeofdeposition.doc)

Thank you for your attention and cooperation to this request.

Asha Maharaj-Lucas
Secretary to Joseph A. McGlothlin, Associate Public Counsel.
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Fuel and Purchased Power)
Cost Recovery Clause with) DOCKET NO. 060001-EI
Generating Performance Incentive)
Factor)
_____)
October 6, 2006

NOTICE OF DEPOSITION

TO: John Burnett
Progress Energy Florida
100 Central Avenue
St. Petersburg, FL 33701

NOTICE is hereby given that the undersigned or another attorney with the Office of Public Counsel will take the deposition of the following individual at the corporate offices of Progress Energy Florida, Inc, 215 S. Monroe Street, Suite 500, 32301.

NAME: Al Pitcher DATE: Wednesday, October 11, 2006 TIME: 11:00 a.m.

This deposition shall be taken upon oral examination before an official court reporter or other officer authorized by law to take depositions. The deposition are being taken for purposes of discovery, for use at trial, or for any other purposes allowed under the Florida Rules of Civil Procedure and the Rules of the Florida Public Service Commission.

PLEASE GOVERN YOURSELF ACCORDINGLY.

s/ Joseph A. McGlothlin
Joseph A. McGlothlin
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(850) 488-9330

Attorney for the Citizens
of the State of Florida

CERTIFICATE OF SERVICE

I **HEREBY CERTIFY** that a true and correct copy of the foregoing Notice of Deposition has been furnished by e-mail and U.S. Mail this 6th day of October, 2006, to the following:

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s/ Joseph A. McGlothlin
Joseph A. McGlothlin
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