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**Subject:** FIPUG 060001-EI Prehearing Statement  
**Attachments:** FIPUG's Prehearing Statement - 10-6-06.doc

1. John W. McWhirter, Jr., McWhirter Reeves & Davidson, P.A., 400 N. Tampa St. Tampa, FL 33602, [jmcwhirter@mac-law.com](mailto:jmcwhirter@mac-law.com) is the person responsible for this electronic filing;
2. The filing is to be made in Docket 0600001-EI, In re: Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor Fuel and Cost Recovery Clause The filing is made on behalf of the Florida Industrial Power Users Group;
3. The total number of pages is 11; and
4. The attached document is The Florida Industrial Power User Group's Prehearing Statement.

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DOCUMENT NUMBER-DATE

09260 OCT-6 8

10/6/2006

FDSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No. 060001-EI  
Filed: October 6, 2006

THE FLORIDA INDUSTRIAL POWER USERS GROUP'S  
PREHEARING STATEMENT

The Florida Industrial Power Users Group (FIPUG), pursuant to Order No. PSC-06-0207-PCO-EI and PSC-06-0710-PCO-EI hereby files its Prehearing Statement:

**A. APPEARANCES:**

**JOHN W. MCWHIRTER, JR.,** McWhirter, Reeves & Davidson, P.A., 400 North Tampa Street, Suite 2450, Tampa, Florida 33601-3350,

**On Behalf of the Florida Industrial Power Users Group.**

**B. WITNESSES:**

None.

**C. EXHIBITS:**

None at this time. However, FIPUG reserves the right to utilize appropriate exhibits during cross-examination.

**D. STATEMENT OF BASIC POSITION:**

Significant changes in the NYMEX futures market reflect substantially lower fuel prices for calendar year 2007 than contained in each Utility's September 1<sup>st</sup> projections, FIPUG demands strict proof that previously filed projections are still reasonable in light of changed circumstances. FIPUG endorses the cost based revision of the CILC demand charge recommended by FEA. FIPUG recognizes that utilities benefit from hedging activities at customer expense, but customers appear to derive no benefit because the conversion to annual fuel factors already removes fuel cost volatility. After four years of operation the Commission has now had the opportunity to sufficiently observe operating experience to justify a detailed review of hedging activity effectiveness and the potential for affiliated company transaction abuse.

**E. STATEMENT OF ISSUES AND POSITIONS**

**GENERIC FUEL ADJUSTMENT ISSUES**

DOCUMENT NUMBER-DATE

09260 OCT-6 8

FPSC-COMMISSION CLERK

**ISSUE 1:** What are the appropriate fuel adjustment true-up amounts for the period January 2005 through December 2005?

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

**ISSUE 2:** What are the appropriate estimated/actual fuel adjustment true-up amounts for the period January 2006 through December 2006?

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

**ISSUE 3:** What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2007 to December 2007?

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

**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 2007 through December 2007?

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

**ISSUE 5:** What are the appropriate projected net fuel and purchased power cost recovery amounts factor to be included in the recovery factor for the period January 2007 through December 2007?

**FIPUG:** Significant changes in the NYMEX futures market reflect substantially lower fuel prices for calendar year 2007 than contained in each Utility's September 1<sup>st</sup> projections, FIPUG demands strict proof that previously filed projections are still reasonable in light of changed circumstances.

**ISSUE 6:** What are the appropriate levelized fuel cost recovery factors for the period January 2007 through December 2007?

**FIPUG:** Recommends revised factors based upon updated fuel cost projections.

**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:** January 1, 2007

**ISSUE 10:** What are the appropriate actual benchmark levels for calendar year 2006 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 2007 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 methodology for calculating over and under recoveries of projected fuel costs, pursuant to Commission Order Nos. 13694 and PSC-98-0691?

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

**ISSUE 13:** At what point in time should a utility notify the Commission that an over or under recovery exceeds 10% of the projected fuel costs?

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

**ISSUE 14:** What are the appropriate credits for emissions allowances for power sales for each investor-owned electric utility for the years 2005 through 2007?

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

## **COMPANY-SPECIFIC FUEL ADJUSTMENT ISSUES**

### **Progress Energy Florida**

**ISSUE 15A:** Has PEF adequately mitigated the price risk for natural gas, residual oil, and purchased power for the years 2005 through 2007?

**FIPUG:** Insufficient evidence of customer benefit has been presented in light of the fact that 2006 fuel costs passed through to customers exceeded market cost.

**\*ISSUE 15B:** Were the prices that PEF paid to Progress Fuels Corporation for coal reasonable in amount? If not, what adjustment should be made?

**STAFF POSITION:** This issue is part of the spin off docket and should be removed from the 060001 Docket Issue list.

**FIPUG:** Agree with staff.

**Florida Power & Light Company**

**ISSUE 16A:** Has FPL adequately mitigated the price risk for natural gas, residual oil, and purchased power for the years 2005 through 2007?

**FIPUG:** Insufficient evidence of customer benefit has been presented in light of the fact that 2006 fuel costs passed through to customers apparently exceeded market cost.

**ISSUE 16B:** Are the costs associated with FPL's proposed participation in the Southeast Supply Header Pipeline Project appropriate for recovery through the fuel cost recovery clause beginning in 2008?

**FIPUG:** Inadequate justification has been presented to demonstrate that this is not a base rate item.

**ISSUE 16C:** What is the appropriate calculation of fuel savings associated with the addition of Turkey Point Unit 5?

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

**ISSUE 16E:** Should the Commission approve FPL's proposal to levelize the Residential 1000 kWh Bill by offsetting the Generation Base Rate Adjustment (GBRA) for Turkey Point Unit 5 with the fuel savings attributable to this new unit?

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

**ISSUE 16F:** What was the additional fuel cost incurred as a result of the outage extension at Turkey Point Unit 3 in March and April, 2006?

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

**ISSUE 16G:** With respect to the outage extension at Turkey Point Unit 3 which was caused by a drilled hole in the pressurized piping, should customers or FPL be responsible for the additional fuel cost incurred as a result of the extension?

**FIPUG:** The cost should be borne by FPL if an FPL was negligent.

**\*ISSUE 16H:** What is the appropriate regulatory treatment of the base gas requirement for the MoBay gas storage contract?

**STAFF POSITION:** This issue is to be heard in Docket No. 060362

**FIPUG:** Agree with staff

**\*ISSUE 16I:** What is the appropriate regulatory treatment for the carrying costs associated with any unamortized balance of MoBay base gas?

**STAFF POSITION:** This issue is to be heard in Docket No. 060362

**FIPUG:** Fuel inventory should be included in rate base rather than fuel clause and then only if it is not available for sale to the wholesale market.

**\*ISSUE 16J:** What is the appropriate regulatory treatment for the carrying costs associated with the MoBay and Bay Gas inventory?

**STAFF POSITION:** This issue is to be heard in Docket No. 060362

**FIPUG:** Operating expenses are appropriate for fuel clause, return is appropriate for base rates.

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

**ISSUE 17A:** Are FPUC's purchased power costs as proposed for recovery in its 2007 fuel factor and as reflected in its purchased power agreements, prudent and reasonable?

**FIPUG:** No position.

#### **Gulf Power Company**

**ISSUE 18A:** What is the appropriate mechanism for recovery of the natural gas storage costs that are included in the calculation of Gulf's 2007 fuel factor?

**FIPUG:** Agree with OPC.

**ISSUE 18B:** Has Gulf adequately mitigated the price risk for natural gas and purchased power for 2005 through 2007?

**FIPUG:** Insufficient evidence of customer benefit has been presented in light of the fact that 2006 fuel costs passed through to customers apparently exceeded market cost.

**ISSUE 18C:** Has Gulf taken reasonable and prudent steps to find replacement fuel at reasonable costs in order to mitigate the coal shortfall caused by a contract dispute with a coal provider?

**FIPUG:** Agree with OPC

**Tampa Electric Company**

**ISSUE 19A:** What is the appropriate mechanism for recovery of the natural gas storage costs included in the calculation of TECO's 2007 fuel factor?

**FIPUG:** Fuel inventory should be included in rate base rather than fuel clause and then only if it is not available for sale to the wholesale market.

**ISSUE 19B:** Has TECO taken reasonable steps to date to pursue rail transport of coal as required by Order No. PSC-04-0999-FOF-EI?

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

**ISSUE 19C:** Has TECO adequately mitigated the price risk for natural gas and purchased power for 2005 through 2007?

**FIPUG:** Insufficient evidence of customer benefit has been presented in light of the fact that 2006 fuel costs passed through to customers apparently exceeded market cost.

**GENERIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES**

**ISSUE 20:** What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period January 2005 through December 2005 for each investor-owned electric utility subject to the GPIF?

**FIPUG:** No position at this time

**ISSUE 21:** Should the Commission amend or modify the existing GPIF mechanism so as to incorporate a "dead band" around the scale of Generating Performance Incentive Points in the amounts proposed by OPC?

**FIPUG:** Yes

**ISSUE 22:** If the "dead band" amendment to the GPIF mechanism is implemented by the Commission should it be applied for the current year so that the rewards or penalties are applied commencing January 1, 2007?

**FIPUG:** Yes

**ISSUE 23:** Should OPC's proposed modification to the GPIF methodology be approved?

**FIPUG:** Yes

**ISSUE 24:** What should the GPIF targets/ranges be for the period January 2007 through December 2007 for each investor-owned electric utility subject to the GPIF?

**FIPUG:** No position at this time

## **COMPANY-SPECIFIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES**

### **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 25A, 25B, 25C, and so forth, as appropriate.

### **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 26A, 26B, 26C, 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 27A, 27B, 27C, 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 28A, 28B, 28C, and so forth, as appropriate.

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

**ISSUE 29:** What are the appropriate capacity cost recovery true-up amounts for the period January 2005 through December 2005?

**FIPUG:** No position at this time

**ISSUE 30:** What are the appropriate estimated/actual capacity cost recovery true-up amounts for the period January 2006 through December 2006?

**FIPUG:** No position at this time

**ISSUE 31:** What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2007 through December 2007?

**FIPUG:** No position at this time

**ISSUE 32:** What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2007 through December 2007?

**FIPUG:** No position at this time

**ISSUE 33:** What are the appropriate capacity cost recovery factors for the period January 2007 through December 2007?

**FIPUG:** No position at this time

**ISSUE 34:** What are the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the recovery factor for the period January 2007 through December 2007?

**FIPUG:** No position at this time

**ISSUE 35:** What are the appropriate credits for transmissions allowances for power sales for each investor-owned electric utility for the years 2005 through 2007?

## **COMPANY-SPECIFIC CAPACITY COST RECOVERY FACTOR ISSUES**

### **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 36A, 36B, 36C, 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 37A, 37B, 37C, and so forth, as appropriate.

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

**ISSUE 38A:** Pursuant to the stipulation signed by all parties to the prior rate proceeding and approved in Order No. PSC-05-0902-S-EI, issued September 14, 2005, in Docket No. 050045-EI what is the appropriate Generation Base Rate Adjustment (GBRA) for Turkey Point Unit 5?

**FIPUG:** No position at this time

**ISSUE 38B:** Has FPL correctly calculated the GBRA as 3.271%?

**FIPUG:** No position at this time

**ISSUE 38C:** Should the Commission approve FPL's proposal to recover the projected security costs associated with the recently issued North American Reliability Council (NERC) Cyber Security Standards through the Capacity Cost Recovery Clause?

**FIPUG:** No position at this time

**ISSUE 38D:** Should CILC-1 Load Control (nonfirm) demands be included in developing capacity cost recovery factors?

**FIPUG:** Agree with FEA.

**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 39A, 39B, 39C, and so forth, as appropriate.

**F. STIPULATED ISSUES:**

None.

**G. PENDING MOTIONS OR OTHER MATTERS:**

None.

**H. PENDING CLAIMS OF CONFIDENTIALITY:**

None.

**I. OBJECTIONS TO WITNESS' QUALIFICATIONS AS AN EXPERT**

None.

**J. COMPLIANCE WITH PROCEDURAL ORDERS:**

FIPUG has not at this time identified any portion of the procedural orders that cannot be complied with.

## CERTIFICATE OF SERVICE

**I HEREBY CERTIFY** that a true and correct copy of the foregoing the Florida Industrial Power Users Group's Prehearing Statement has been furnished by e-mail and U.S. Mail this 6th day of October 2006, to the following:

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