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October 6, 2006

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. 060001-EI

Dear Ms. Bayo:

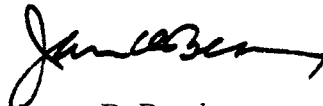
Enclosed for filing in the above docket are the original and fifteen (15) copies of Tampa Electric Company's Prehearing Statement.

Also enclosed is a CD containing the above Prehearing Statement using Word 2003 as the word processing software, and Windows XP as the operating system.

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

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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. 060001-EI  
FILED: October 6, 2006

**TAMPA ELECTRIC COMPANY'S  
PREHEARING STATEMENT**

**A. APPEARANCES:**

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JAMES D. BEASLEY  
Ausley & McMullen  
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Tallahassee, Florida 32302  
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, 12, 13
	Capacity Cost Recovery True-up and Projections	29, 30, 31, 32, 33, 34, 35
	Proposed Wholesale Incentive Benchmark	10, 11
	Credits for Emissions Allowances	14
2. William A. Smotherman (TECO)	GPIF Reward/Penalty and Targets/Ranges	20, 21, 22, 23, 24
3. Benjamin F. Smith (TECO)	Mitigation of Price Risk for Purchased Power	19C

4. Joann T. Wehle (TECO)	Natural Gas Storage	19A
	Pursuit of Rail Transportation for Coal	19B
	Mitigation of Price Risk for Natural Gas	19C

**C. EXHIBITS:**

<u>Exhibit</u>	<u>Witness</u>	<u>Description</u>
<u>(CA-1)</u>	Aldazabal	Fuel Cost Recovery January 2005 - December 2005
<u>(CA-1)</u>	Aldazabal	Capacity Cost Recovery January 2005 – December 2005
<u>(CA-2)</u>	Aldazabal	Fuel Cost Recovery, Projected January 2006 – December 2006
<u>(CA-2)</u>	Aldazabal	Capacity Cost Recovery, Projected January 2006 – December 2006
<u>(CA-3)</u>	Aldazabal	Fuel Cost Recovery, Projected January 2007 – December 2007
<u>(CA-3)</u>	Aldazabal	Capacity Cost Recovery, Projected January 2007 – December 2007
<u>(CA-3)</u>	Aldazabal	2007 Incremental Security Costs
<u>(WAS-1)</u>	Smotherman	Generating Performance Incentive Factor Results January 2005 – December 2005
<u>(WAS-2)</u>	Smotherman	Generating Performance Incentive Factor Estimated January 2007 – December 2007
<u>(JTW-1)</u>	Wehle	Calculation of 2005 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 5.897 cents per KWH before application of factors which adjust for variations in line losses; the proposed capacity cost recovery factor of 0.271 cents per KWH before applying the 12CP and 1/13<sup>th</sup> allocation methodology; a GPIF penalty of \$99,791 and approval of the company's proposed GPIF targets and ranges for the forthcoming period based on the new methodology agreed to by staff and intervenors in 2006. Tampa Electric also requests approval of its calculated wholesale incentive benchmark of \$1,165,220 for calendar year 2007.

## **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 2005 through December 2005?

TECO: \$106,516,837 under-recovery. (Witness: Aldazabal)

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

TECO: \$51,260,142 under-recovery. (Witness: Aldazabal)

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

TECO: \$157,776,979 under-recovery. (Witness: Aldazabal)

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?

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

Issue 5: What is the appropriate projected net fuel and purchased power cost recovery amounts to be included in the recovery factors for the period January 2007 through December 2007?

TECO: The projected net fuel and purchased power cost recovery amount to be included in the recovery factor for the period January 2007 through December 2007, adjusted by the jurisdictional separation factor, is \$1,019,138,160. 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 \$1,177,662,727. (Witness: Aldazabal)

Issue 6: What is the appropriate levelized fuel cost recovery factor for the period January 2007 to December 2007?

TECO: The appropriate factor is 5.897 cents per kWh before the normal application of factors that adjust for variations in line losses. (Witness: Aldazabal)

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	1.0042
RST and GST	1.0042

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	0.9742
IST-1, IST-3, SBIT-1, SBIT-3	0.9742

(Witness: Aldazabal)

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	5.897
RS, GS and TS	5.922
RST and GST	7.392 (on-peak)
	5.146 (off-peak)
SL-2, OL-1 and OL-3	5.483
GSD, GSLD, and SBF	5.899
GSDT, GSLDT, EV-X and SBFT	7.364 (on-peak)
	5.126 (off-peak)
IS-1, IS-3, SBI-1, SBI-3	5.745
IST-1, IST-3, SBIT-1, SBIT-3	7.171 (on-peak)
	4.992 (off-peak)

(Witness: Aldazabal)

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 specified billing cycle and thereafter for the period January 2007 and thereafter through the last billing cycle for December 2007. The first billing cycle may start before January 1, 2007, and the last billing cycle may end after December 31, 2007, so long as each customer is billed for 12 months regardless of when the factors became effective. (Witness: Aldazabal)

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?

TECO: \$1,037,744. (Witness: Aldazabal)

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?

TECO: \$1,165,220. (Witness: Aldazabal)

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?

TECO: As stated in the Commission Order Nos. 13694 and PSC-98-0691, an over or under recovery of projected fuel costs is based on the projected fuel revenues applicable to that period. (Witness: Aldazabal)

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?

TECO: Pursuant to Commission Order No. 13694, when the utility becomes aware that its projected fuel revenues will result in an over- or underrecovery in excess of 10%

of its projected fuel costs, it shall so advise the Commission through a filing promptly made. (Witness: Aldazabal)

Issue 14: What are the appropriate credits for emissions allowances for power sales for the years 2005 through 2007?

TECO: The appropriate credits for emissions allowances for non-separated power sales for 2005 through 2007 are \$6,593, \$35,443 and \$40,100 respectively. (Witness: Aldazabal)

### **Company-Specific Fuel Adjustment Issues**

#### **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?

TECO: Natural gas storage costs are a physical and financial hedge that help reduce fuel costs and should be recoverable through the fuel and purchased power cost recovery clause. Storage allows for risk mitigation when gas is not available on the market during an emergency. As a financial hedge it allows the utility to purchase lower priced summer gas and utilize storage to reduce the price volatility of winter gas. (Witness: Wehle)

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?

TECO: Yes. Tampa Electric has met with rail transportation providers and visited different terminal facilities to explore potential options for rail transportation of coal. In addition, Tampa Electric is in the process of hiring a consultant to assist in the development of an RFP to pursue rail transport as part of its coal



procurement strategy as required by Order No. PSC-04-0999-FOF-EI. (Witness: Wehle)

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

TECO: Yes. Physical hedges have been used to mitigate price risk of natural gas and purchased power between 2005 and 2007. Financial hedges were used to help reduce price volatility of natural gas. (Witness: Wehle/Smith)

**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?

TECO: A penalty in the amount of \$99,791. (Witness: Smotherman)

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?

TECO: No. The proposed dead band approach would modify the GPIF methodology in an asymmetrical way to favor penalties. It is inconsistent with the primary objective of the GPIF program which is to encourage improved performance through a fair and balanced application of the incentive/penalty mechanism. (Witness: Smotherman)

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?

TECO: No. Any amendment to the GPIF mechanism implemented by the Commission should be applied commencing January 1, 2008. (Witness: Smotherman)

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

TECO: No. OPC's proposed modification to the GPIF methodology is inconsistent with the primary objective of the GPIF program which is to encourage improved performance through a fair and balanced application of the incentive/penalty mechanism. (Witness: Smotherman)

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?

TECO: The appropriate targets and ranges are shown in Exhibit No. 1 of Mr. William A. Smotherman's testimony. 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 and later modified in 2006 after meeting with Staff and intervening parties at the request of the Commission. (Witness: Smotherman)

#### **Generic Capacity Cost Recovery Factor Issues**

Issue 29: What is the appropriate final capacity cost recovery true-up amount for the period January 2005 through December 2005?

TECO: \$156,806 under-recovery. (Witness: Aldazabal)

Issue 30: What is the appropriate estimated capacity cost recovery true-up amount for the period January 2006 through December 2006?

TECO: \$804,145 under-recovery. (Witness: Aldazabal)

Issue 31: What is the appropriate total capacity cost recovery true-up amount to be collected/ refunded during the period January 2007 through December 2007?

TECO: \$960,951 under-recovery. (Witness: Aldazabal)

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?

TECO: The purchased power capacity cost recovery amount to be included in the recovery factor for the period January 2007 through December 2007, adjusted by the jurisdictional separation factor, is \$53,038,052. The total recoverable capacity cost recovery amount to be collected, including the true-up amount and adjusted for the revenue tax factor, is \$54,037,882. (Witness: Aldazabal)

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

TECO: The appropriate factors are as follows:

<u>Rate Schedule</u>	<u>Capacity Cost Recovery Factor (cents per kWh)</u>
Average Factor	0.271
RS	0.325
GS and TS	0.311
GSD, EV-X	0.261
GSLD and SBF	0.222
IS-1, IS-3, SBI-1, SBI-3	0.020
SL-2, OL-1 and OL-3	0.042

(Witness: Aldazabal)

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?

TECO: The appropriate jurisdictional separation factor is 0.9666743. (Witness: Aldazabal)

Issue 35: What are the appropriate credits for transmissions allowances for power sales for the years 2005 through 2007?

TECO: The appropriate credits for transmission charges related to non-separated power sales for the years 2005 through 2007 are \$164,418, \$235,657, and \$61,600 respectively. (Witness: Aldazabal)

**F. STIPULATED ISSUES**

TECO: None at this time.

**G. MOTIONS**

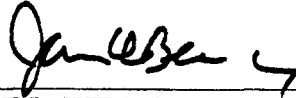
TECO: None at this time.

**H. OTHER MATTERS**

TECO: None at this time.

DATED this 6<sup>th</sup> day of October 2006.

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 6<sup>th</sup> day of October, 2006 to the following:

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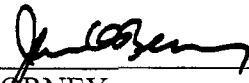
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