

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Fuel and Purchased Power)
Cost Recovery Clause with)
Generating Performance Incentive)
Factor)
_____)

DOCKET NO. 080001-EI

FILED: October 13, 2008

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-09-0148-PCO-EI, issued March 11, 2008, submit this Prehearing Statement.

APPEARANCES:

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On behalf of the Citizens of the State of Florida.

1. **WITNESSES:**

Citizens prefiled testimony by the following witnesses:

Hugh Larkin, Jr.: In his testimony, Mr. Larkin sets forth the ratemaking principles that form the basis on which the Commission should refund the approximately \$6.2 million of replacement power costs that resulted from an act of vandalism at Turkey Point Unit 3.

2. **EXHIBITS:**

Appendix I, entitled "Qualifications of Hugh Larkin, Jr., CPA," is attached to Mr. Larkin's testimony.

3. STATEMENT OF BASIC POSITION

At this point, the only issue in contention is whether FPL should be required to refund the \$6.2 million in replacement power cost that resulted from an act of vandalism at Turkey Point Unit 3. The vandalism was perpetrated on FPL property by a person employed by a contractor hired by FPL to perform work on that property. It is clearly unfair, unjust and unreasonable to require customers to pay the cost resulting from the vandalism. Florida Statutes prohibit any charge to customers that is unfair, unjust or unreasonable. Consistent with this statutory prohibition, the Commission should require FPL to refund the \$6.2 million, with interest, to its customers.

4. 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 2007 through December 2007?

OPC: No position at this time.

ISSUE 2: What are the appropriate fuel adjustment true-up amounts for the period January 2008 through December 2008?

OPC: No position at this time.

ISSUE 3: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2009 to December 2009?

OPC: 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 2009 through December 2009?

OPC: No position at this time.

ISSUE 5: What are the appropriate projected net fuel and purchased power cost recovery amounts to be included in the recovery factor for the period January 2009 through December 2009?

OPC: No position at this time.

ISSUE 6: What are the appropriate levelized fuel cost recovery factors for the period January 2009 through December 2009?

OPC: No position at this time.

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?

OPC: 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?

OPC: 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?

OPC: No position at this time.

ISSUE 10: What are the appropriate actual benchmark levels for calendar year 2008 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

OPC: No position at this time.

ISSUE 11: What are the appropriate estimated benchmark levels for calendar year 2009 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 12A : Should the Commission approve as prudent, PEF's actions to mitigate the volatility of natural gas, residual oil and purchased power prices, as reported in PEF's April 2008 and August 2008 hedging reports?

OPC: No position at this time.

ISSUE 12B: Should the Commission approve PEF's 2009 Risk Management Plan?

OPC: No position at this time.

ISSUE 12C: Does the fuel charge proposed by Progress Energy Florida contain items that do not change with the price of fuel, if so what is the amount included in its proposed fuel charge to cover these costs?

OPC: No position at this time.

Florida Power & Light Company

ISSUE 13A: Should the Commission approve as prudent, FPL's actions to mitigate the volatility of natural gas, residual oil and purchased power prices, as reported in FPL's April 2008 and August 2008 hedging reports?

OPC: No position at this time.

ISSUE 13B: Should the Commission approve FPL's 2009 Risk Management Plan?

OPC: No position at this time.

ISSUE 13C: With respect to the outage extension at Turkey Point Unit 3 which was caused by a drill hole in the pressurized piping, should customers of FPL be responsible for the additional fuel cost incurred as a result of the extension?

OPC: No. The vandalism was perpetrated on FPL property by a person employed by a contractor hired by FPL to perform work on that property. It is clearly unfair, unjust and unreasonable to require customers to pay the cost resulting from the

vandalism. Florida Statutes prohibit any charge to customers that is unfair, unjust or unreasonable. Consistent with this statutory prohibition, the Commission should require FPL to refund the \$6.2 million, with interest, to its customers.

ISSUE 13D: Should the Commission approve FPL's proposal to reduce the Generation Base Rate Adjustment (GBRA) factor for the Turkey Point Unit 5 from 3.271 percent to 3.129%?

OPC: No position at this time.

ISSUE 13E: Is \$9,296,089 the appropriate true-up credit associated with the Turkey Point Unit 5 GBRA factor reduction?

OPC: No position at this time.

ISSUE 13F: Should the Commission approve FPL's proposed GBRA factor of 3.154 percent for the West County Energy Center (WCEC) Unit 1?

OPC: No position at this time.

ISSUE 13G: Should the Commission approve FPL's proposed GBRA factor of 3.154 percent for the WCEC Unit 2?

OPC: No position at this time.

ISSUE 13H: What is the appropriate calculation of fuel savings associated with the addition of the WCEC Units 1 and 2?

OPC: No position at this time.

ISSUE 13I: Should the Commission approve FPL's proposal to levelize the Residential 1000 kWh by offsetting the Generation Base Rate Adjustments (GBRAs) for West County Energy Center (WCEC) Units 1 and 2 with the fuel savings attributable to these new units?

OPC: No position at this time.

ISSUE 13J: Should the Commission approve FPL's Long-term Agreement for Full Requirement Electric Service with Lee County Electric Cooperative as prudent and consistent with the interests of FPL's retail customers?

OPC: No position at this time.

ISSUE 13K: May FPL recover incremental O&M costs associated with non-separated off-system sales from combined cycle and conventional steam units commencing January 1, 2009, as it currently recovers such costs associated with sales from gas turbine units?

OPC: No position at this time.

ISSUE 13L: Does the fuel charge proposed by FPL contain items that do not change with the price of fuel, if so what is the amount included in its proposed fuel charge to cover these costs?

OPC: No position at this time.

Florida Public Utilities Company

ISSUE 14A: Should the Commission approve FPUC's proposal to allocate a portion of the costs for the substation in the Northwest division to both divisions?

OPC: No position at this time.

Gulf Power Company

ISSUE 15A: Should the Commission approve a prudent, GULF's actions to mitigate the volatility of natural gas, residual oil and purchased power prices, as reported in GULF's April 2008 and August 2008 hedging reports??

OPC: No position at this time.

ISSUE 15B: Should the Commission approve Gulf's 2009 Risk Management Plan?

OPC: No position at this time.

Tampa Electric Company

ISSUE 16A: Should the Commission approve as prudent, TECO's actions to mitigate the volatility of natural gas, residual oil and purchased power prices, as reported in TECO's April 2008 and August 2008 hedging reports?

OPC: No position at this time.

ISSUE 16B: Should the Commission approve TECO's 2009 Risk Management Plan?

OPC: No position at this time.

ISSUE 16C: In procuring transportation contracts, has TECO complied with the requirements of Order No. PSC-04-0999-FOF-EI, issued October 12, 2004, in Docket No. 031033?

OPC: No position at this time.

ISSUE 16D: For 2007 and 2008, has TECO properly calculated the adjustment to coal transportation rates required by Order No. PSC-04-0999-FOF-EI, issued October 12, 2004, in Docket No. 031033?

OPC: No position at this time.

ISSUE 16E: Should the Commission approve TECO's proposed inverted fuel factors for the residential class?

OPC: No position at this time.

ISSUE 16F: Should the Commission approve TECO's proposal to establish fuel factors by voltage level?

OPC: No position at this time.

ISSUE 16G: Does the fuel charge proposed by Tampa Electric Company contain items that do not change with the price of fuel, if so what is the amount included in its proposed fuel charge to cover these costs?

OPC: No position at this time.

GENERIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

ISSUE 17: What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period January 2007 through December 2007 for each investor-owned electric utility subject to the GPIF?

OPC: No position at this time.

ISSUE 18: What should the GPIF targets/ranges be for the period January 2009 through December 2009 for each investor-owned electric utility subject to the GPIF?

OPC: 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 19A, 19B, 19C, 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 20A, 20B, 20C, 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 21A, 21B, 21C, and so forth, as appropriate.

Tampa Electric 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.

GENERIC CAPACITY COST RECOVERY FACTOR ISSUES

ISSUE 23: What are the appropriate capacity cost recovery true-up amounts for the period January 2007 through December 2007?

OPC: No position at this time.

ISSUE 24: What are the appropriate capacity cost recovery true-up amounts for the period January 2008 through December 2008?

OPC: No position at this time.

ISSUE 25: What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2009 through December 2009?

OPC: No position at this time.

ISSUE 26: What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2009 through December 2009?

OPC: No position at this time.

ISSUE 27: What are the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the recovery factor for the period January 2009 through December 2009?

OPC: No position at this time.

ISSUE 28: What are the appropriate capacity cost recovery factors for the period January 2009 through December 2009?

OPC: No position at this time.

COMPANY-SPECIFIC CAPACITY COST RECOVERY FACTOR ISSUES

Progress Energy Florida

ISSUE 29A: Has PEF included in the capacity cost recovery clause, the nuclear cost recovery amount ordered by the Commission in Docket No. 080009-EI?

OPC: No position at this time.

Florida Power & Light Company

ISSUE 30A: Has FPL included in the capacity cost recovery clause, the nuclear cost recovery amount ordered in Docket No. 080009-EI?

OPC: No position at this time.

ISSUE 30B: What adjustment, if any, should be made to FPL's incremental security costs related to the performance of security guards at FPL's nuclear power plants? (Lester)

OPC: No position at this time.

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 31A, 31B, 31C, and so forth, as appropriate.

Tampa Electric Company

ISSUE 32A: Should the Commission approve TECO's projected capacity cost recovery factors effective in May 2009 based on TECO's rate design modifications proposed in Docket No. 080317-EI?

OPC: No position at this time.

ISSUE 32B: Should the Commission approve TECO's proposal to recover capacity costs on a demand basis from demand-measured customers effective May 2009?

OPC: No position at this time.

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.

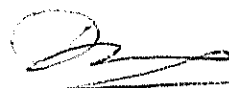
8. OBJECTIONS TO QUALIFICATION OF WITNESSES AS AN EXPERT:

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 13th day of October, 2008.



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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the **PREHEARING STATEMENT OF THE OFFICE OF PUBLIC COUNSEL** has been furnished by electronic mail and U.S. Mail on this 13th day of October, 2008, to the following:

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