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100001-EI

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**Subject:** Docket No. 100001-EI: Fuel and Purchases Power Cost Recovery Clause and Generating Performance Incentive Factor  
**Attachments:** FIPUG Prehearing Statement 10.11.10.pdf

In accordance with the electronic filing procedures of the Florida Public Service Commission, the following filing is made:

- a. The name, address, telephone number and email for the person responsible for the filing is:

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- b. This filing is made in Docket No. 100001-EI.  
 c. The document is filed on behalf of Florida Industrial Power Users Group.  
 d. The total pages in the document are 12 pages.  
 e. The attached document is Florida Industrial Power Users Group's Prehearing Statement.

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10/11/2010

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**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Fuel and purchased power  
cost recovery clause and generating  
performance incentive factor.

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Docket No. 100001-EI  
Filed: October 11, 2010

**THE FLORIDA INDUSTRIAL POWER USERS GROUP'S  
PREHEARING STATEMENT**

The Florida Industrial Power Users Group (FIPUG) hereby files its Prehearing Statement, in compliance with PSC-10-0154-PCO-EI rendered March 18, 2009, establishing the prehearing procedure in this docket.

**A. APPEARANCES:**

JON C. MOYLE, JR.  
VICKI GORDON KAUFMAN  
Keefe, Anchors, Gordon & Moyle, PA  
118 North Gadsden Street  
Tallahassee, FL 32312

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

**B. WITNESSES:**

FIPUG will rely upon the prefiled testimony of witnesses in this docket and their responses to discovery and cross-examination.

**C. EXHIBITS:**

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

**D. STATEMENT OF BASIC POSITION:**

**FIPUG's Statement of Basic Position:**

Progress Energy Florida, Inc. (PEF) and Tampa Electric Company (TECo) have overstated their forecasts of natural gas prices. The NYMEX forward price is readily available, and is used by PEF and TECo in deriving their respective fuel cost estimates. The forecasts used by PEF, and apparently used by TECo, relies on NYMEX forward prices from mid-June. Consequently, the forecasts used are inflated. For example, the

NYMEX forward strip price used by PEF in this case is approximately 25% higher than the more recent price. These overstated projections, should they be adopted without modification, will cause consumers to overpay for fuel and deprive them of funds that could be used for other purposes during these difficult economic times.

Furthermore, as a matter of general principle, FIPUG contends that it would be in the interest of energy efficiency for the Commission to more specifically identify all fixed and non-volatile costs presently incorporated in the fuel clause and to require utilities to segregate these costs in fuel cost recovery dockets for appropriate action. Cost recovery clauses by their nature should deal with volatile and unusual costs rather than fixed costs. This is especially true now that utilities have redesigned their base rate structures to put more emphasis on collecting for fixed costs through energy consumption charges. Electric consumption falls in economically recessed times putting fixed cost recovery in peril unless new rate increases are granted or concepts, such as, revenue decoupling are introduced. When fixed costs are included in the energy charge it likewise discourages utilities from promoting fuel saving conservation. Utilities have no economic incentive to conserve fuel when all the fuel cost risk has been shifted to customers. Identifying fixed and non-volatile costs contained within the fuel clause will increase transparency.

Because fuel charges are now based more on forecasts rather than actual experience, customers are disadvantaged. By Commission order midcourse corrections only occur when utilities opt to revise their forecasts or when the forecasts are in error by more than 10 percent. It appears to FIPUG that the new procedure gives utilities too much leeway in setting fuel charges based on internal forecasts that they are at liberty to accelerate or postpone. FIPUG recommends that fuel cost forecasts be mandated quarterly or that the Commission revert to basing fuel charges on actual rather than forecasted results.

Finally, in recent years, there is growing concern that the commodities markets may currently be governed more by derivative transactions than actual demand for the commodity. FIPUG suspects that when prices fell dramatically below forecasts in the fall of 2008 and 2009 a significant amount of the benefits customers received when prices were rising have been wiped out by utility hedging practices. FIPUG remains concerned about significant hedging losses, but must continue to rely heavily on the Commission staff to protect consumer interest in connection with the derivative commodities markets because, in part, utility hedging practices are deemed to be trade secrets unavailable to the general public.

**E. STATEMENT OF ISSUES AND POSITIONS:**

**COMPANY SPECIFIC FUEL ADJUSTMENT ISSUES**

**Progress Energy Florida, Inc.**

**ISSUE 1A:** Should the Commission approve as prudent, Progress Energy Florida Inc.'s actions to mitigate the volatility of natural gas, residual oil, and purchased power

prices, as reported in Progress Energy Florida, Inc.'s April 2010 and August 2010 hedging reports?

**FIPUG:** No.

**ISSUE 1B:** Should the Commission approve Progress Energy Florida, Inc.'s 2011 Risk Management Plan?

**FIPUG:** No.

**ISSUE 1C:** Should the prudence of Progress Energy Florida, Inc.'s replacement power costs related to the extended outage at Crystal River Unit 3 be considered in a separate docket?

**FIPUG:** Yes. PEF has recently requested that the Commission open a separate docket to consider the issues related to the Crystal River 3 outage, including replacement power costs. FIPUG supports PEF's request that all matters related to the Crystal River 3 outage be considered in a separate docket. Such docket should consider all issues, including replacement power costs, adequacy of insurance, and appropriate engineering design issues related to the outage.

**ISSUE 1D:** Should Progress Energy Florida, Inc. be permitted to collect through the fuel clause, amounts related to replacement power due to the extended outage at Crystal River Unit 3 prior to the Commission's determination of the prudence of such costs in a separate docket?

**FIPUG:** No. Ratepayers should not be required to pay for such costs prior to the presentation of evidence and a determination by the Commission in the separate docket whether PEF's actions related to Crystal River 3 outage expenditures are reasonable and prudent. Due process suggests that the Commission make a determination of the reasonableness and prudence of PEF's actions before additional ratepayers' property interests, i.e., ratepayer monies, are adversely affected and they are saddled with an additional rate increase. Allowing recovery before the presentation of evidence related to actions associated with the Crystal River 3 outage is putting the cart before the horse.

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

**ISSUE 2A:** Should the Commission approve as prudent, Florida Power & Light Company's actions to mitigate the volatility of natural gas, residual oil, and purchased power prices, as reported in Florida Power & Light Company's April 2010 and August 2010 hedging reports?

**FIPUG:** No.

**ISSUE 2B:** Should the Commission approve Florida Power & Light Company's 2011 Risk Management Plan?

**FIPUG:** No.

**ISSUE 2C:** What are the appropriate projected jurisdictional fuel savings associated with West County Energy Center Unit 3 ("WCEC-3") for the period January 2011 through December 2011? (This issue would not be required if the Commission were to reject the Stipulation and Settlement that was entered into on August 20, 2010 by FPL and the Office of Public Counsel, the Attorney General of the State of Florida, the Florida Industrial Power Users Group, the Florida Retail Federation, the South Florida Hospital and Healthcare Association, the Federal Executive Agencies, and Associated Industries of Florida in Docket No. 080677-EI (the "Settlement Agreement")).

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

**ISSUE 2D:** What are the appropriate projected jurisdictional non-fuel revenue requirements associated with WCEC-3 for the period January 2011 through December 2011? (This issue would not be required if the Commission were to reject the Settlement Agreement).

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

**ISSUE 2E:** Should the Commission approve Florida Power & Light Company's proposal to recover the cost of the Scherer Unit 4 steam generator upgrade through the fuel cost recovery clause?

**FIPUG:** No.

**ISSUE 2F:** What is the appropriate time-of-use rate design for Florida Power & Light Company ratepayers?

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

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

**ISSUE 3A:** Has the bankruptcy filing of the Jefferson Smurfit Company had any effect on Florida Public Utilities Company's northeast division fuel factors?

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

#### **Gulf Power Company**

**ISSUE 4A:** Should the Commission approve as prudent, Gulf Power Company's actions to mitigate the volatility of natural gas, residual oil, and purchased power prices, as reported in Gulf Power Company's April 2010 and August 2010 hedging reports?

**FIPUG:** No.

**ISSUE 4B:** Should the Commission approve Gulf Power Company's 2011 Risk Management Plan?

**FIPUG:** No.

**ISSUE 4C:** Should the Commission approve Gulf Power Company's fuel clause recovery of the projected costs of landfill gas associated with the Perdido Landfill Gas to Energy Facility for the years 2010 and 2011?

**FIPUG:** No.

#### **Tampa Electric Company**

**ISSUE 5A:** Should the Commission approve as prudent, Tampa Electric Company's actions to mitigate the volatility of natural gas, residual oil, and purchased power prices, as reported in Tampa Electric Company's April 2010 and August 2010 hedging reports?

**FIPUG:** No.

**ISSUE 5B:** Should the Commission approve Tampa Electric Company's 2011 Risk Management Plan?

**FIPUG:** No.

#### **GENERIC FUEL ADJUSTMENT ISSUES**

**ISSUE 6:** What are the appropriate actual benchmark levels for calendar year 2010 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

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

**ISSUE 7:** What are the appropriate estimated benchmark levels for calendar year 2011 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

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

**ISSUE 8:** What are the appropriate fuel adjustment true-up amounts for the period January 2009 through December 2009?

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

**ISSUE 9:** What are the appropriate fuel adjustment true-up amounts for the period January 2010 through December 2010?

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

**ISSUE 10:** What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2011 to December 2011?

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

**ISSUE 11:** 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 2011 to December 2011?

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

**ISSUE 12:** What are the appropriate projected net fuel and purchased power cost recovery and Generating Performance Incentive amounts to be included in the recovery factor for the period January 2011 to December 2011?

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

**ISSUE 13:** What are the appropriate levelized fuel cost recovery factors for the period January 2011 to December 2011?

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

**ISSUE 14:** 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 15:** 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 16:** What should be the effective date of the fuel adjustment charge and capacity cost recovery charge for billing purposes?

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



**COMPANY-SPECIFIC GENERATING PERFORMANCE INCENTIVE FACTOR  
(GPIF) ISSUES**

**Progress Energy Florida, Inc.**

No company-specific issues for Progress Energy Florida, Inc. have been identified at this time. If such issues are identified, they shall be numbered 17A, 17B, 17C, 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 18A, 18B, 18C, 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 19A, 19B, 19C, 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 20A, 20B, 20C, and so forth, as appropriate.

**GENERIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES**

**ISSUE 21:** What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period January 2009 through December 2009 for each investor-owned electric utility subject to the GPIF?

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

**ISSUE 22:** What should the GPIF targets/ranges be for the period January 2011 through December 2011 for each investor-owned electric utility subject to the GPIF?

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

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

**Progress Energy Florida, Inc.**

**ISSUE 23A:** Has Progress Energy Florida, Inc. included in the capacity cost recovery clause, the nuclear cost recovery amount ordered by the Commission in Docket No. 100009-EI?

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

**Florida Power & Light Company**

**ISSUE 24A:** Has Florida Power & Light Company included in the capacity cost recovery clause, the nuclear cost recovery amount ordered by the Commission in Docket No. 100009-EI?

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

**ISSUE 24B:** Should Florida Power & Light Company's proposed cost recovery of West County Unit 3 (WCEC 3) based on its calculation of \$98,411,000 estimated fuel savings for 2011 be approved?

**FIPUG:** 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 25A, 25B, 25C, 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 26A, 26B, 26C, and so forth, as appropriate.

**GENERIC CAPACITY COST RECOVERY FACTOR ISSUES**

**ISSUE 27:** What are the appropriate capacity cost recovery true-up amounts for the period January 2009 through December 2009?

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

**ISSUE 28:** What are the appropriate capacity cost recovery true-up amounts for the period January 2010 through December 2010?

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

**ISSUE 30:** What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2011 through December 2011?

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

**ISSUE 31:** What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2011 through December 2011?

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

**ISSUE 32:** What are the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the recovery factor for the period January 2011 through December 2011?

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

**ISSUE 33:** What are the appropriate capacity cost recovery factors for the period January 2011 through December 2011?

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

**F. STIPULATED ISSUES:**

**FIPUG:** FIPUG is not aware of any stipulated issues at this time.

**G. PENDING MOTIONS:**

**FIPUG:** FIPUG has no pending motions at this time.

**H. PENDING CONFIDENTIALITY CLAIMS OR REQUESTS:**

**FIPUG:** FIPUG has no pending requests for confidentiality at this time.

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

**FIPUG:** FIPUG objects to any witness being designated as an expert witness unless the witness has clearly and affirmatively stated in pre-filed testimony their field or fields of expertise and the basis for such expertise.

**J. COMPLIANCE WITH ORDER NO. PSC-10-0154-PCO-EI:**

**FIPUG:** FIPUG has complied with all requirements of the Order Establishing Procedure entered in this docket.

s/Jon C. Moyle, Jr.

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## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of FIPUG's Prehearing Statement was furnished to the following, by electronic mail and U.S. Mail, on this 11th day of October, 2010:

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Jon C. Moyle, Jr.