

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

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

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DOCKET NO. 140001-EI

FILED: September 26, 2014

**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-14-0084-PCO-EI, issued February 4, 2014, and Order No. PSC-14-0439-PCO-EI, issued August 22, 2014 submit this Prehearing Statement.

**APPEARANCES:**

PATRICIA A. CHRISTENSEN, Esquire  
Associate Public Counsel  
CHARLES REHWINKEL, Esquire  
Deputy Public Counsel  
ERIK L. SAYLER, 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:**

None

2. **EXHIBITS:**

None

### 3. STATEMENT OF BASIC POSITION

The Public Counsel's basic position in this docket is that, in reviewing fuel and capacity related costs, the Commission should impose the level of scrutiny and burden of proof on the utilities for recovery of costs through the fuel clause as is required by Chapters 120 and 366, Fla. Stat.

In the 2014 clause hearings, the Public Counsel has taken the position that Duke should not recover the cost of replacement fuel for the outage caused by fires at the Bartow plant site. While Duke has also taken the same position, the Commission must insure that all the effects of the fire have been removed and that customers are not charged for the cost of this event. Any other unplanned outage cost impacts related to fire(s) should be evaluated in the 2015 hearing cycle. The OPC further submits that the Commission must also insure that 100% of the refunds due customers under the 2012 and 2013 Settlement agreements are flowed through to customers.

With respect to FPL, the Company has asked for the recovery of costs related to its proposed gas reserves investment. The Public Counsel has filed a motion to dismiss that petition on jurisdictional grounds and has filed testimony in opposition to FPL's request. A common theme of both filings is that the FPL gas reserves proposal does not qualify for recovery under the long-standing Commission policy governing costs eligible for fuel clause cost recovery. Consistent with our position in that portion of the case, the OPC objects to the Commission including the costs associated with the Gas Reserves Petition (GRP) in the factor for 2015. There should be no presumption in favor of inclusion merely because FPL has filed a petition. FPL has filed a revised petition with the cost of the GRP calculated both ways – in and out. The OPC supports the calculation of the fuel factor (assuming all other issues are resolved consistent with FPL's burden of proof) with the GRP costs "out" in accord with Appendix III of Witness Terry Keith's testimony. FPL and the OPC have agreed that any issues related to replacement power for any extended outage at the St. Lucie Unit No. 2 should be deferred to the 2015 hearing cycle.

### 4. STATEMENT OF FACTUAL ISSUES AND POSITIONS

#### I. FUEL ISSUES

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

#### **Duke Energy Florida, Inc.**

**ISSUE 1A: Should the Commission approve as prudent, DEF's actions to mitigate the volatility of natural gas, residual oil, and purchased power prices, as reported in DEF's April 2014 and August 2014 hedging reports?**

OPC: No position.

**ISSUE 1B: Should the Commission approve DEF's 2015 Risk Management Plan?**

OPC: No position

**ISSUE 1C: Has Duke made appropriate adjustments, if any are needed, to account for replacement power costs associated with April 2014 forced outage (transformer fire) at the Bartow Unit? If appropriate adjustments are needed and have not been made, what adjustment(s) should be made?**

OPC: At this time, the OPC is in agreement with the position taken by Duke that the costs associated with the replacement power associated with the Bartow transformer fire in April 2014 should not be passed on to the customers. Duke should demonstrate at the hearing that these costs have indeed been withheld from requested fuel cost recovery.

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

**ISSUE 2A: 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 2014 and August 2014 hedging reports?**

OPC: No position.

**ISSUE 2B: Should the Commission approve FPL's 2015 Risk Management Plan?**

OPC: No position.

**ISSUE 2C:** What is the total gain in 2013 under the Incentive Mechanism approved in Order No. PSC-13-0023-S-EI, and how is that gain to be shared between FPL and customers? *FPL*

OPC: No position at this time.

**ISSUE 2D:** What is the appropriate amount of Incremental Optimization Costs under the Incentive Mechanism that FPL should be allowed to recover through the fuel clause for Personnel, Software, and Hardware costs?

OPC: No position at this time.

**ISSUE 2E:** What is the appropriate amount of Incremental Optimization Costs under the Incentive Mechanism that FPL should be allowed to recover through the fuel clause for variable power plant O&M costs incurred to generate output for wholesale sales in excess of 514,000 megawatt-hours?

OPC: No position at this time.

**Florida Public Utilities Company**

**ISSUE 3A:** Should the Commission approve consolidation of the fuel factors for FPU's Northeast and Northwest Divisions for purposes of fuel cost recovery beginning in 2015?

OPC: No position.

**ISSUE 3B: If consolidation of fuel factors for FPU's Northeast and Northwest Divisions is not approved, should FPU be allowed to continue to allocate transmission costs consistent with the methodology approved by Order No. PSC-13-0665-FOF-EI?**

OPC: No position.

**ISSUE 3C: Should the Commission approve FPU's proposal to under-recover fuel costs in 2015 in order to mitigate rate increases to customers?**

OPC: No position.

**ISSUE 3D: If the Commission approves FPUC's request in Docket No. 140025-EI to consolidate the Company's current outdoor lighting (OL-2) and street lighting (SL-3) rate classes into a single Lighting Service (LS) rate class, what is the appropriate consolidated fuel rate for the new LS rate class?**

OPC: No position.

**Gulf Power Company**

**ISSUE 4A: Should the Commission approve as prudent, Gulf's actions to mitigate the volatility of natural gas, residual oil, and purchased power prices, as reported in Gulf's April 2014 and August 2014 hedging reports?**

OPC: No position.

**ISSUE 4B: Should the Commission approve Gulf's 2015 Risk Management Plan?**

OPC: No position.

**ISSUE 4C: Should the Commission approve the amended and restated contract between Gulf Power Company (Gulf) and Bay County, Florida, for purchase of the entire generation of the Bay County Resource Recovery Facility by Gulf?**

OPC: No position.

**Tampa Electric Company**

**ISSUE 5A: Should the Commission approve as prudent, Tampa Electric's actions to mitigate the volatility of natural gas, residual oil, and purchased power prices, as reported in Tampa Electric's April 2014 and August 2014 hedging reports?**

OPC: No position.

**ISSUE 5B: Should the Commission approve Tampa Electric's 2015 Risk Management Plan?**

OPC: No position.

**GENERIC FUEL ADJUSTMENT ISSUES**

**ISSUE 6: What are the appropriate actual benchmark levels for calendar year 2014 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?**

OPC: No position.

**ISSUE 7: What are the appropriate estimated benchmark levels for calendar year 2015 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?**

OPC: No position.

**ISSUE 8: What are the appropriate fuel adjustment true-up amounts for the period January 2013 through December 2013?**

OPC: The cost recovery amounts should reflect the position taken by OPC in the company specific issues.

**ISSUE 9: What are the appropriate fuel adjustment actual/estimated true-up amounts for the period January 2014 through December 2014?**

OPC: The cost recovery amounts should reflect the position taken by OPC in the company specific issues.

**ISSUE 10: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2015 to December 2015?**

OPC: The cost recovery amounts should reflect the position taken by OPC in the company specific issues. For FPL, the factors should, at a minimum, be based on the factors contained in Appendix III of the revised testimony of Terry Keith, filed on September 15, 2014. For Duke, the Commission must also insure that 100% of the refunds due customers under the 2012 and 2013 Settlement agreements are flowed through to customers. Further, the costs associated with the replacement power associated with the Bartow transformer fire in April 2014 should not be passed on to the customers. Duke should demonstrate at the hearing that these costs have indeed been withheld from requested fuel cost recovery.

**ISSUE 11: What are the appropriate projected total fuel and purchased power cost recovery amounts for the period January 2015 through December 2015?**

OPC: The cost recovery amounts should reflect the position taken by OPC in the company specific issues. For FPL, the factors should, at a minimum, be based on the factors contained in Appendix III of the revised testimony of Terry Keith, filed on September 15, 2014. For Duke, the Commission must also insure that 100% of the refunds due customers under the 2012 and 2013 Settlement agreements are flowed through to customers. Further, the costs associated with the replacement power associated with the Bartow transformer fire in April 2014 should not be passed on to the customers. Duke should demonstrate at the hearing that these costs have indeed been withheld from requested fuel cost recovery.

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

**Duke Energy Florida, Inc.**

No company-specific issues for Duke Energy Florida, Inc. have been identified at this time. If such issues are identified, they shall be numbered 12A, 12B, 12C, 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 13A, 13B, 13C, 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 14A, 14B, 14C, 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 15A, 15B, 15C, and so forth, as appropriate.



## **GENERIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES**

**ISSUE 16:** What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period January 2013 through December 2013 for each investor-owned electric utility subject to the GPIF?

OPC: No position at this time.

**ISSUE 17:** What should the GPIF targets/ranges be for the period January 2015 through December 2015 for each investor-owned electric utility subject to the GPIF?

OPC: No position at this time.

## **FUEL FACTOR CALCULATION ISSUES**

**ISSUE 18:** 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 2015 through December 2015?

OPC: The cost recovery amounts should reflect the position taken by OPC in the company specific issues.

**ISSUE 19:** 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 2015 through December 2015?

OPC: No position.

**ISSUE 20: What are the appropriate levelized fuel cost recovery factors for the period January 2015 through December 2015?**

OPC: No position.

**ISSUE 21: 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.

**ISSUE 22: What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?**

OPC: No position.

## **II. CAPACITY ISSUES**

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

#### **Duke Energy Florida, Inc.**

**ISSUE 23A: Has DEF included in the capacity cost recovery clause, the nuclear cost recovery amount ordered by the Commission in Docket No. 140009-EI?**

OPC: No position.

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

**ISSUE 24A: Has FPL included in the capacity cost recovery clause the nuclear cost recovery amount ordered by the Commission in Docket No. 140009-EI?**

OPC: No position.

**ISSUE 24B: What are the appropriate 2015 projected non-fuel revenue requirements for West County Energy Center Unit 3 (WCEC-3) to be recovered through the Capacity Clause?**

OPC: No position.

### **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 2013 through December 2013?**

OPC: No position.

**ISSUE 28: What are the appropriate capacity cost recovery actual/estimated true-up amounts for the period January 2014 through December 2014?**

OPC: No position.

**ISSUE 29:** What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2015 through December 2015?

OPC: No position at this time.

**ISSUE 30:** What are the appropriate projected total capacity cost recovery amounts for the period January 2015 through December 2015?

OPC: 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 2015 through December 2015?

OPC: No position.

**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 2015 through December 2015?

OPC: No position.

**ISSUE 33:** What are the appropriate capacity cost recovery factors for the period January 2014 through December 2014?

OPC: No position.

### **III. EFFECTIVE DATE**

**ISSUE 34: What should be the effective date of the fuel adjustment factors and capacity cost recovery factors for billing purposes?**

OPC: No position.

**ISSUE 35: Should this Docket be closed?**

OPC: No position.

5. **STIPULATED ISSUES:**

FPL and the OPC have stipulated that issues related to replacement power associated with the March/April 2014 extended outage at St. Lucie Unit #2 should be deferred until the 2015 hearing cycle.

6. **PENDING MOTIONS:**

OPC has no pending motions.

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

OPC has no pending request or claims for confidentiality.

8. **OBJECTIONS TO QUALIFICATION OF WITNESSES AS AN EXPERT:**

OPC has no objection to qualifications of witnesses.

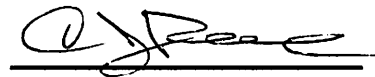
9. **STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE:**

There are no requirements of the Order Establishing Procedure with which the Office of Public Counsel cannot comply.

Dated this 26<sup>th</sup> day of September, 2014

Respectfully submitted,

J.R. Kelly  
Public Counsel



Charles J. Rehwinkel  
Deputy Public Counsel  
c/o The Florida Legislature  
Office of Public Counsel  
111 W. Madison Street  
Room 812  
Tallahassee, FL 32399-1400

Attorney for the Citizens  
of the State of Florida

**CERTIFICATE OF SERVICE**  
**140001-EI**

**I HEREBY CERTIFY** that a true and foregoing Prehearing Statement has been furnished by electronic mail on this 26<sup>th</sup> day of September, 2014, to the following:

Martha Barrera/Keino Young/  
Kyesha Mapp  
Office of General Counsel  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL32399-0850

James Beasley/Jeffrey Wahlen/  
A. Daniels  
Ausley Law Firm  
P.O. Box 391  
Tallahassee, FL 32302

Jon C. Moyle, Jr.  
c/o Moyle Law Firm  
118 North Gadsden Street  
Tallahassee, FL 32301

Cheryl M. Martin  
Florida Public Utilities Company  
1641 Worthington Road, Suite 220  
West Palm Beach, FL 33409-6703

John T. Butler  
Florida Power & Light Company  
700 Universe Boulevard  
Juno Beach, FL 33408-0420

Beth Keating  
Gunster Law Firm  
215 South Monroe St., Suite 601  
Tallahassee, FL 32301-1839

John T. Burnett/Dianne M. Triplett  
Duke Energy  
299 First Avenue North  
St. Petersburg, FL 33701

Matthew R. Bernier/Paul Lewis Jr.  
106 East College Avenue, Suite 800  
Tallahassee, FL 32301

Robert L. McGee, Jr.  
Gulf Power Company  
One Energy Place  
Pensacola, FL 32520-0780

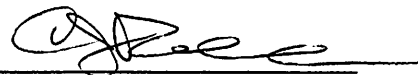
Jeffrey A. Stone/Russell Badders  
Steve Griffin  
Beggs & Lane Law Firm  
P.O. Box 12950  
Pensacola, FL 32591

Robert Scheffel Wright  
John T. LaVia  
Gardner Law Firm  
1300 Thomaswood Drive  
Tallahassee, FL 32308

James W. Brew/F. Alvin Taylor  
Brickfield Law Firm  
Eighth Floor, West Tower  
1025 Thomas Jefferson St., NW  
Washington, DC 20007

Paula K. Brown  
Tampa Electric Company  
Regulatory Affairs  
P.O. Box 111  
Tampa, FL 33601-0111

Ken Hoffman  
Florida Power & Light Company  
215 South Monroe St., Suite 810  
Tallahassee, FL 32301-1858



Charles J. Rehwinkel  
Deputy Public Counsel