

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 150001-EI

DATED: October 9, 2015

COMMISSION STAFF'S PREHEARING STATEMENT

Pursuant to Order Nos. PSC-15-0096-PCO-EI, filed February 10, 2015, and PSC-15-0169-PCO-EI, filed May 4, 2015, the staff of the Florida Public Service Commission files its Prehearing Statement.

1. All Known Witnesses

<u>Witness</u>	<u>Subject</u>
Simon O. Ojada	Staff Audit Report Hedging Activities – Duke Energy Florida Inc.
Gabriela Leon	Staff Audit Report Hedging Activities – Florida Power & Light Company
Intesar Terkawi	Staff Audit Report Hedging Activities – Tampa Electric Company
George Simmons	Staff Audit Report Hedging Activities – Gulf Power Company

2. All Known Exhibits

<u>Exhibit</u>	<u>Title</u>
(SO-1)	Auditor's Report - Duke Energy Florida, Inc. Hedging Activities
(GL-1)	Auditor's Report - Florida Power & Light Company Hedging Activities
(IT-1)	Auditor's Report - Tampa Electric Company Hedging Activities
(GS-1)	Auditor's Report - Duke Energy Florida Inc. Hedging Activities

3. Staff's Statement of Basic Position

Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions stated herein.

4. Staff's Position on the Issues

I. FUEL ISSUES

HEDGING ISSUES

ISSUE 1A: Deleted per Order PSC-15-0354-PCO-EI, issued on September 3, 2015.

ISSUE 1B: Deleted per Order PSC-15-0354-PCO-EI, issued on September 3, 2015.

ISSUE 1C: Deleted per Order PSC-15-0354-PCO-EI, issued on September 3, 2015.

ISSUE 1D: Is it in the consumers' best interest for the utilities to continue natural gas financial hedging activities?

POSITION: Staff has no position at this time.

ISSUE 1E: What changes, if any, should be made to the manner in which electric utilities conduct their natural gas financial hedging activities?

POSITION: Staff has no position at this time.

COMPANY-SPECIFIC FUEL ADJUSTMENT ISSUES

Duke Energy Florida, Inc.

ISSUE 2A: Should the Commission approve as prudent DEF's actions to mitigate the volatility of natural gas, residual oil, fuel oil, and purchased power prices, as reported in DEF's April 2015 and August 2015 hedging reports?

POSITION: Staff has no position at this time.

ISSUE 2B: Should the Commission approve DEF's 2016 Risk Management Plan?

POSITION: Staff has no position at this time.

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ISSUE 2C: Has DEF made appropriate adjustments, if any are needed, to account for replacement costs associated with the July 2014 forced outage at the Hines plant? If appropriate adjustments are needed and have not been made, what adjustment(s) should be made?

POSITION: Staff has no position at this time.

Florida Power & Light Company

ISSUE 3A: Should the Commission approve as prudent FPL's actions to mitigate the volatility of natural gas, residual oil, fuel oil, and purchased power prices, as reported in FPL's April 2015 and August 2015 hedging reports?

POSITION: Staff has no position at this time.

ISSUE 3B: Should the Commission approve FPL's 2016 Risk Management Plan?

POSITION: Staff has no position at this time.

ISSUE 3C: What is the total gain in 2014 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?

POSITION: Staff has no position at this time.

ISSUE 3D: 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 for the period January 2014 through December 2014?

POSITION: Staff has no position at this time.

ISSUE 3E: 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 for the period January 2014 through December 2014?

POSITION: Staff has no position at this time.

ISSUE 3F: 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 for the period January 2015 through December 2015?

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POSITION: Staff has no position at this time.

ISSUE 3G: 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 for the period January 2015 through December 2015?

POSITION: Staff has no position at this time.

ISSUE 3H: 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 for the period January 2016 through December 2016?

POSITION: Staff has no position at this time.

ISSUE 3I: 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 for the period January 2016 through December 2016?

POSITION: Staff has no position at this time.

ISSUE 3J: Has FPL made appropriate adjustments, if any are needed, to account for replacement power costs associated with the extended refueling outage in 2014 at Saint Lucie Unit 2? If appropriate adjustments are needed and have not been made, what adjustment(s) should be made?

POSITION: Staff has no position at this time.

ISSUE 3K: What costs are appropriate for FPL's Woodford natural gas exploration and production project for recovery through the Fuel Clause?

POSITION: Staff has no position at this time.

ISSUE 3L: Deleted per Order No. PSC-15-0418-PCO-EI, issued on October 1, 2015.

ISSUE 3M: Deleted per Order No. PSC-15-0418-PCO-EI, issued on October 1, 2015.

ISSUE 3N: Should the Commission approve FPL's proposed generation base rate adjustment (GBRA) factor of 3.899 percent for the Port Everglades Energy Center (PEEC) expected to go in-service on June 1, 2016?

POSITION: Staff has no position at this time.

ISSUE 3O: Should the replacement power costs related to the unplanned outages at St. Lucie Unit 2 in February and April 2015 be recovered through the fuel recovery clause?

POSITION: Staff has no position at this time.

ISSUE 3P: Has FPL properly reflected in the fuel and purchased power cost recovery clause the effects of acquiring the Cedar Bay facility and terminating the existing Cedar Bay power purchase agreement consistent with the terms of the settlement agreement between FPL and OPC approved in Docket No. 150075-EI?

POSITION: Staff has no position at this time.

Florida Public Utilities Company

ISSUE 4A: Should FPUC be permitted to recover the cost (depreciation expense, taxes, and return on investment) of building an interconnection between FPL's substation and FPUC's Northeast Division through the fuel recovery clause?

POSITION: Staff has no position at this time.

ISSUE 4B: Should FPUC's request to recover consulting and legal fees through the fuel clause be approved?

POSITION: Staff has no position at this time.

Gulf Power Company

ISSUE 5A: Should the Commission approve as prudent Gulf's actions to mitigate the volatility of natural gas, residual oil, fuel oil, and purchased power prices, as reported in Gulf's April 2015 and August 2015 hedging reports?

POSITION: Staff has no position at this time.

ISSUE 5B: Should the Commission approve Gulf's 2016 Risk Management Plan?

POSITION: Staff has no position at this time.

Tampa Electric Company

ISSUE 6A: Should the Commission approve as prudent TECO's actions to mitigate the volatility of natural gas, residual oil, fuel oil, and purchased power prices, as reported in TECO's April 2015 and August 2015 hedging reports?

POSITION: Staff has no position at this time.

ISSUE 6B: Should the Commission approve TECO's 2016 Risk Management Plan?

POSITION: Staff has no position at this time.

ISSUE 6C: What is the appropriate amount of capital costs for the Big Bend fuel conversion project that TECO should be allowed to recover through the Fuel Clause for the period January 2015 through December 2015?

POSITION: Staff has no position at this time.

ISSUE 6D: What is the appropriate amount of capital costs for the Big Bend fuel conversion project that TECO should be allowed to recover through the Fuel Clause for the period January 2016 through December 2016?

POSITION: Staff has no position at this time.

ISSUE 6E: Are adjustments needed to account for replacement costs associated with the June 2015 forced outage at Big Bend Unit 2? If adjustments are needed, what adjustments should be made?

POSITION: Staff has no position at this time.

ISSUE 6F: Should TECO be allowed to recover through the fuel clause the costs associated with testing natural gas as a co-fired fuel at the Big Bend station?

POSITION: Staff has no position at this time.

GENERIC FUEL ADJUSTMENT ISSUES

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

POSITION: Staff has no position at this time.

ISSUE 8: What are the appropriate estimated benchmark levels for calendar year 2016 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

POSITION: Staff has no position at this time.

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

POSITION: Staff has no position at this time.

ISSUE 10: What are the appropriate fuel adjustment actual/estimated true-up amounts for the period January 2015 through December 2015?

POSITION: Staff has no position at this time.

ISSUE 11: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2016 to December 2016?

POSITION: Staff has no position at this time.

ISSUE 12: What are the appropriate projected total fuel and purchased power cost recovery amounts for the period January 2016 through December 2016?

POSITION: Staff has no position at this time.

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 13A, 13B, 13C, and so forth, as appropriate.

Florida Power & Light Company

ISSUE 14A: Has FPL properly reflected in its 2016 GPIF targets/ranges the effects of acquiring the Cedar Bay facility and terminating the existing Cedar Bay power purchase agreement consistent with the terms of the settlement agreement between FPL and OPC that was approved in Docket No. 150075-EI?

POSITION: Staff has 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 15A, 15B, 15C, 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 16A, 16B, 16C, and so forth, as appropriate.

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 2014 through December 2014 for each investor-owned electric utility subject to the GPIF?

POSITION: Staff has no position at this time.

ISSUE 18: What should the GPIF targets/ranges be for the period January 2016 through December 2016 for each investor-owned electric utility subject to the GPIF?

POSITION: Staff has no position at this time.

FUEL FACTOR CALCULATION ISSUES

ISSUE 19: 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 2016 through December 2016?

POSITION: Staff has no position at this time.

ISSUE 20: 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 2016 through December 2016?

POSITION: Staff has no position at this time.

ISSUE 21: What are the appropriate levelized fuel cost recovery factors for the period January 2016 through December 2016?

POSITION: Staff has no position at this time.

ISSUE 22: 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?

POSITION: Staff has no position at this time.

ISSUE 23: What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?

POSITION: Staff has no position at this time.

II. CAPACITY ISSUES

COMPANY-SPECIFIC CAPACITY COST RECOVERY FACTOR ISSUES

Duke Energy Florida, Inc.

ISSUE 24A: Has DEF included in the capacity cost recovery clause the nuclear cost recovery amount ordered by the Commission in Docket No. 150009-EI?

POSITION: Staff has no position at this time.

Florida Power & Light Company

ISSUE 25A: Has FPL included in the capacity cost recovery clause the nuclear cost recovery amount ordered by the Commission in Docket No. 150009-EI?

POSITION: Staff has no position at this time.

ISSUE 25B: What are the appropriate 2016 projected non-fuel revenue requirements for West County Energy Center Unit 3 (WCEC-3) to be recovered through the Capacity Clause?

POSITION: Staff has no position at this time.

ISSUE 25C: Has FPL properly reflected in the capacity cost recovery clause the effects of acquiring the Cedar Bay facility and terminating the existing Cedar Bay power purchase agreement consistent with the terms of the settlement agreement between FPL and OPC that was approved in Docket No. 150075-EI?

POSITION: Staff has 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 26A, 26B, 26C, 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 27A, 27B, 27C, and so forth, as appropriate.

GENERIC CAPACITY COST RECOVERY FACTOR ISSUES

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

POSITION: Staff has no position at this time.

ISSUE 29: What are the appropriate capacity cost recovery actual/estimated true-up amounts for the period January 2015 through December 2015?

POSITION: Staff has 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 2016 through December 2016?

POSITION: Staff has no position at this time.

ISSUE 31: What are the appropriate projected total capacity cost recovery amounts for the period January 2016 through December 2016?

POSITION: Staff has 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 2016 through December 2016?

POSITION: Staff has no position at this time.

ISSUE 33: What are the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the recovery factor for the period January 2016 through December 2016?

POSITION: Staff has no position at this time.

ISSUE 34: What are the appropriate capacity cost recovery factors for the period January 2016 through December 2016?

POSITION: Staff has no position at this time.

III. EFFECTIVE DATE

ISSUE 35: What should be the effective date of the fuel adjustment factors and capacity cost recovery factors for billing purposes?

POSITION: Staff has no position at this time.

IV. TARIFF APPROVAL

ISSUE 36: Should the Commission approve revised tariffs reflecting the fuel adjustment factors and capacity cost recovery factors determined to be appropriate in this proceeding?

POSITION: Yes. The Commission should approve revised tariffs reflecting the fuel adjustment factors and capacity cost recovery factors determined to be appropriate in this proceeding. The Commission should direct staff to verify that the revised tariffs are consistent with the Commission's decision.

ISSUE 37: Should this docket be closed?

POSITION: This docket is an on-going docket and should remain open.

5. Stipulated Issues

There are no stipulated issues at this time.

6. Pending Motions

There are no pending motions at this time.

7. Pending Confidentiality Claims or Requests

Staff has no pending confidentiality claims or requests.

8. Objections to Witness Qualifications as an Expert

Staff has no objections to witnesses' qualifications as experts.

9. Compliance with Order Nos. PSC-15-0096-PCO-EI, filed February 10, 2015, and PSC-15-0169-PCO-EI, issued on May 4, 2015.

Staff has complied with all requirements of the Orders Establishing Procedure entered in this docket.

Respectfully submitted this 9th day of October, 2015.

/s/ Suzanne Brownless

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

DOCKET NO. 150001-EI

DATED: October 9, 2015

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that STAFF'S PREHEARING STATEMENT has been filed with Office of Commission Clerk and one copy has been furnished to the following by electronic and mail, on this 9th day of October, 2015:

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