

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. 150001-EI  
Filed: October 9, 2015

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

The Florida Industrial Power Users Group (FIPUG), pursuant to Order No. PSC-15-0096-PCO-EI, files its Prehearing Statement.

**A. APPEARANCES:**

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**B. WITNESSES AND EXHIBITS:**

FIPUG reserves the right to call witnesses listed by other parties in this docket.

**C. STATEMENT OF BASIC POSITION:**

Only costs legally authorized should be recovered through the fuel clause. FIPUG maintains that the respective utilities must satisfy their burden of proof for any and all monies or other relief sought in this proceeding.

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

**I. FUEL ISSUES**

**COMPANY-SPECIFIC FUEL ADJUSTMENT ISSUES**

**Florida Power & Light Company**

**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?

**FIPUG:** No. Hedging should be discontinued.

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

**FIPUG:** Hedging should be discontinued.

## **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, and purchased power prices, as reported in DEF's April 2015 and August 2015 hedging reports?

**FIPUG:** Hedging should be discontinued.

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

**FIPUG:** Hedging should be discontinued.

**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?

**FIPUG:** 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, and purchased power prices, as reported in FPL's April 2015 and August 2015 hedging reports?

**FIPUG:** Hedging should be discontinued. Otherwise, adopt the position of OPC.

- ISSUE 3B:** Should the Commission approve FPL's 2016 Risk Management Plan?
- FIPUG:** Hedging should be discontinued. Otherwise, adopt the position of OPC.
- 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?
- FIPUG:** FPL must meet its burden of proof on this issue.
- 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?
- FIPUG:** FPL must meet its burden of proof on this issue.
- 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?
- FIPUG:** FPL must meet its burden of proof on this issue.
- 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?
- FIPUG:** FPL must meet its burden of proof on this issue.
- 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?
- FIPUG:** FPL must meet its burden of proof on this issue.
- 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?
- FIPUG:** FPL must meet its burden of proof on this issue.

**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?

**FIPUG:** FPL must meet its burden of proof on this issue.

**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?

**FIPUG:** FPL must meet its burden of proof on this issue.

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

**FIPUG:** FPL must meet its burden of proof on this issue.

**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?

**FIPUG:** FPL must meet its burden of proof on this issue.

**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?

**FIPUG:** FPL must meet its burden of proof on this issue.

**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?

**FIPUG:** FPL must meet its burden of proof on this issue.

## **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?

**FIPUG:** No. Such costs should be recovered in base rates, not through the fuel clause.

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

**FIPUG:** No. Such costs should be recovered in base rates, not through the fuel clause. Furthermore, any lobbying-type expenses should not be recovered.

## **Gulf Power Company**

**ISSUE 5A:** 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 2015 and August 2015 hedging reports?

**FIPUG:** No. Hedging should be discontinued.

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

**FIPUG:** Hedging should be discontinued.

## **Tampa Electric Company**

**ISSUE 6A:** 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 2015 and August 2015 hedging reports?

**FIPUG:** No. Hedging should be discontinued.

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

**FIPUG:** Hedging should be discontinued.

**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?

**FIPUG:** TECO must meet its burden of proof on this issue.

**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?

**FIPUG:** TECO must meet its burden of proof on this issue.

**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?

**FIPUG:** TECO must meet its burden of proof on this issue.

**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?

**FIPUG:** TECO must meet its burden of proof on this issue.

#### **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?

**FIPUG:** The respective utilities must meet their burden of proof on this issue.

**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?

**FIPUG:** The respective utilities must meet their burden of proof on this issue.

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

**FIPUG:** The respective utilities must meet their burden of proof on this issue.

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

**FIPUG:** The respective utilities must meet their burden of proof on this issue.

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

**FIPUG:** The respective utilities must meet their burden of proof on this issue.

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

**FIPUG:** The respective utilities must meet their burden of proof on this issue.

## **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?

**FIPUG:** FPL must meet its burden of proof on this issue.

### **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?

**FIPUG:** The respective utilities must meet their burden of proof on this issue.

**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?

**FIPUG:** The respective utilities must meet their burden of proof on this issue.

## **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?

**FIPUG:** The respective utilities must meet their burden of proof on this issue.

**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?

**FIPUG:** The respective utilities must meet their burden of proof on this issue.

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

**FIPUG:** The respective utilities must meet their burden of proof on this issue.

**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?

**FIPUG:** The respective utilities must meet their burden of proof on this issue.

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

**FIPUG:** The respective utilities must meet their burden of proof on this issue.

## **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?

**FIPUG:** DEF must meet its burden of proof on this issue.



## **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?

**FIPUG:** FPL must meet its burden of proof on this issue.

**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?

**FIPUG:** FPL must meet its burden of proof on this issue.

**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?

**FIPUG:** FPL must meet its burden of proof on this issue.

## **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?

**FIPUG:** The respective utilities must meet their burden of proof on this issue.

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

**FIPUG:** The respective utilities must meet their burden of proof on this issue.

**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?

**FIPUG:** The respective utilities must meet their burden of proof on this issue.

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

**FIPUG:** The respective utilities must meet their burden of proof on this issue.

**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?

**FIPUG:** The respective utilities must meet their burden of proof on this issue.

**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?

**FIPUG:** The respective utilities must meet their burden of proof on this issue.

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

**FIPUG:** The respective utilities must meet their burden of proof on this issue.

### **III. EFFECTIVE DATE**

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

**FIPUG:** The respective utilities must meet their burden of proof on this issue.

### **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?

**FIPUG:** The respective utilities must meet their burden of proof on this issue.

**ISSUE 37:** Should this docket be closed?

**FIPUG:** Yes.

**E. STIPULATED ISSUES:**

None at this time.

**F. PENDING MOTIONS:**

None at this time.

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

None.

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

FIPUG objects to a witness being considered an expert witness unless the witness affirmatively states the subject matter area(s) in which he or she claims expertise, and voir dire, if requested, is permitted.

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

There are no requirements of the Order Establishing Procedure with which the Florida Industrial Power Users Group cannot comply at this time.

/s/ Jon. C. Moyle \_\_\_\_\_

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## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing response was furnished to the following by Electronic Mail, on this 9th day of October, 2015:

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*/s/ Jon C. Moyle* \_\_\_\_\_

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