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October 4, 2016

VIA: ELECTRONIC FILING

Ms. Carlotta S. Stauffer
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Fuel and Purchased Power Cost Recovery Clause with Generating
Performance Incentive Factor; FPSC Docket No. 160001-EI

Dear Ms. Stauffer:

Attached for filing in the above docket is Tampa Electric Company's Prehearing Statement.

Thank you for your assistance in connection with this matter.

Sincerely,


James D. Beasley

JDB/pp
Attachment

cc: All Parties of Record (w/attachment)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and Purchased)
Power Cost Recovery Clause)
And Generating Performance)
Incentive Factor.)
_____)

DOCKET NO. 160001-EI

FILED: October 4, 2016

**TAMPA ELECTRIC COMPANY'S
PREHEARING STATEMENT**

A. APPEARANCES:

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Post Office Box 391
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On behalf of Tampa Electric Company

B. WITNESSES:

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
(Direct)		
1. Penelope A. Rusk (TECO)	Generic Fuel Adjustment Issues Adjustment Factors	7, 8, 9, 10, 11, 12
	Fuel Factor Calculation Issues	19, 20, 21, 22, 23
	Generic Capacity Cost Recovery Factor Issues	28, 29, 30, 31, 32 33, 34
	Effective Date	35, 36, 37
2. Brian S. Buckley (TECO)	Generic Generating Performance Incentive Factor Issues	17, 18
	Fuel Factor Calculation Issues	19

3.	Benjamin F. Smith (TECO)	Fuel Factor Calculation Issues	19
		Generic Capacity Cost Recovery Factor Issues	32
4.	Brent C. Caldwell (TECO)	Hedging Issues	1A, 1B
		Company-Specific Fuel Adjustment Issues	6A, 6B
		Fuel Factor Calculation Issues	19

C. EXHIBITS:

<u>Exhibit</u>	<u>Witness</u>	<u>Description</u>
<u> </u> (PAR-1)	Rusk	Final True-up Capacity Cost Recovery January 2015 - December 2015
<u> </u> (PAR-1)	Rusk	Final True-up Fuel Cost Recovery January 2015 – December 2015
<u> </u> (PAR-1)	Rusk	Actual Fuel True-up Compared to Original Estimates January 2015 – December 2015
<u> </u> (PAR-1)	Rusk	Schedules A-1, A-2 and A-6 through A-9 and A-12 January 2015 – December 2015
<u> </u> (PAR-1)	Rusk	Capital Projects approved for Fuel Clause Recovery January 2015 – December 2015
<u> </u> (PAR-2)	Rusk	Actual/Estimated True-Up Fuel Cost Recovery January 2016 – December 2016
<u> </u> (PAR-2)	Rusk	Actual/Estimated True-Up Capacity Cost Recovery January 2016– December 2016
<u> </u> (PAR-2)	Rusk	Capital Projects Approved for Fuel Clause Recovery January 2016 – December 2016
<u> </u> (PAR-3)	Rusk	Projected Capacity Cost Recovery January 2017 – December 2017
<u> </u> (PAR-3)	Rusk	Projected Fuel Cost Recovery January 2017 – December 2017

<u> </u> (PAR-3)	Rusk	Levelized and Tiered Fuel Rate January 2017 – December 2017
<u> </u> (PAR-3)	Rusk	Capital Projects Approved for Fuel Clause Recovery January 2017 – December 2017
<u> </u> (BSB-1)	Buckley	Final True-Up Generating Performance Incentive Factor January 2015 – December 2015
<u> </u> (BSB-1)	Buckley	Actual Unit Performance Data January 2015 – December 2015
<u> </u> (BSB-2)	Buckley	Generating Performance Incentive Factor January 2017 – December 2017
<u> </u> (BSB-2)	Buckley	Summary of Generating Performance Incentive Factor Targets January 2017 – December 2017
<u> </u> (JBC-1)	Caldwell	Final True-Up Hedging Activity Report January 2015 – December 2015
<u> </u> (JBC-2)	Caldwell	Risk Management Plan January 2017 – December 2017
<u> </u> (JBC-3)	Caldwell	Natural Gas Hedging Report January 2016 – July 2016

D. STATEMENT OF BASIC POSITION

Tampa Electric Company's Statement of Basic Position:

The Commission should approve Tampa Electric's calculation of its fuel adjustment, capacity cost recovery and GPIF true-up and projection calculations, including the proposed fuel adjustment factor of 2.951cents per kWh before any application of time of use multipliers for on-peak or off-peak usage; the company's proposed capacity factor for the period January through December 2017; a GPIF reward of \$969,593 for performance during 2015; and approval of the

company's proposed GPIF targets and ranges for 2017. Tampa Electric also requests approval of its calculated wholesale incentive benchmark of \$1,337,579 for calendar year 2017.

E. STATEMENT OF ISSUES AND POSITIONS

I. FUEL ISSUES

HEDGING ISSUES

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

TECO: Yes, it is in the consumers' best interest for the utilities to continue their natural gas financial hedging activities. (Witness: Caldwell)

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

TECO: Tampa Electric remains open to consideration of alternatives to the manner in which utilities conduct natural gas financial hedging. The company believes that the prospective 25 percent reduction in maximum hedging volume targets and the proposed change in hedging duration, as described in the joint petition of the four investor-owned utilities on April 22, 2016, remains the best alternative at this time. While Tampa Electric does not recommend approval of the risk-responsive approach to hedging, if the Commission decides to approve the protocol suggested by witness Gettings, then time is needed to develop definitions of terms, measurement tools, appropriate actions and reporting requirements. Detailed guidelines governing the risk-responsive approach to hedging would be needed so that all parties understand the standards under which prudence would be determined. (Witness: Caldwell)

COMPANY-SPECIFIC FUEL ADJUSTMENT ISSUES

Tampa Electric Company

ISSUE 6A: Should the Commission approve as prudent, Tampa Electric's actions to mitigate the volatility of natural gas, residual oil, fuel oil, and purchased power prices, as reported in Tampa Electric's April 2016 and August 2016 hedging reports?

TECO: Yes. Tampa Electric prudently followed its 2015 and 2016 Risk Management Plans and accordingly utilized financial hedges to mitigate volatility of natural gas prices during the period January 2015 through July 2016. (Witness: Caldwell)

ISSUE 6B: What action should the Commission take regarding Tampa Electric's 2017 Risk Management Plan?

TECO: If the Commission decides not to make changes to the hedging guidelines that affect the 2017 utility risk management plans, then the Commission should approve Tampa Electric's 2017 Risk Management Plan as it provides prudent, non-speculative guidelines for mitigating price volatility while ensuring supply reliability. If the Commission decides that changes should be made to the manner in which electric utilities conduct their natural gas financial hedging activities and those changes affect the 2017 utility risk management plans, then Tampa Electric will provide a revised 2017 Risk Management Plan that complies with those changes. The Commission should grant its staff the administrative authority to review, and if in compliance, approve such revised Risk Management Plan following the hearing. (Witness: Caldwell)

GENERIC FUEL ADJUSTMENT ISSUES

ISSUE 7: What are the appropriate actual benchmark levels for calendar year 2016 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

TECO: \$1,563,273. (Witness: Rusk)

ISSUE 8: What are the appropriate estimated benchmark levels for calendar year 2017 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

TECO: \$1,337,579. (Witness: Rusk)

ISSUE 9: What are the appropriate final fuel adjustment true-up amounts for the period January 2015 through December 2015?

TECO: \$18,058,299 over-recovery. (Witness: Rusk)

ISSUE 10: What are the appropriate fuel adjustment actual/estimated true-up amounts for the period January 2016 through December 2016?

TECO: \$104,581,497 over-recovery. (Witness: Rusk)

ISSUE 11: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2017 to December 2017?

TECO: \$122,639,796 over-recovery. (Witness: Rusk)

ISSUE 12: What are the appropriate projected total fuel and purchased power cost recovery amounts for the period January 2017 through December 2017?

TECO: The total recoverable fuel and purchased power recovery amount to be collected, adjusted by the jurisdictional separation factor, excluding GPIF and the revenue tax factor, but including the true-up amount, is \$562,715,593. (Witness: Rusk)

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 2015 through December 2015 for each investor-owned electric utility subject to the GPIF?

TECO: A reward in the amount of \$969,593. (Witness: Buckley)

ISSUE 18: What should the GPIF targets/ranges be for the period January 2017 through December 2017 for each investor-owned electric utility subject to the GPIF?

TECO: The appropriate targets and ranges are shown in Exhibit No. ____ (BSB-2) to the prefiled testimony of Mr. Brian S. Buckley. Targets and ranges should be set

according to the prescribed GPIF methodology established in 1981 by Commission Order No. 9558 in Docket No. 800400-CI and modified in 2006 by Commission Order No. PSC-06-1057-FOF-EI in Docket No. 060001-EI.
(Witness: Buckley)

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 2017 through December 2017?

TECO: The projected net fuel and purchased power cost recovery amount to be included in the recovery factor for the period January 2017 through December 2017, adjusted by the jurisdictional separation factor, is \$685,342,648. The total recoverable fuel and purchased power cost recovery amount to be collected, including the true-up and GPIF and adjusted for the revenue tax factor, is \$564,090,341. (Witness: Rusk, Caldwell, Buckley, Smith)

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 2017 through December 2017?

TECO: The appropriate revenue tax factor is 1.00072 (Witness: Rusk)

ISSUE 21: What are the appropriate levelized fuel cost recovery factors for the period January 2017 through December 2017?

TECO: The appropriate factor is 2.951 cents per kWh before any application of time of use multipliers for on-peak or off-peak usage. (Witness: Rusk)

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?

TECO: The appropriate fuel recovery line loss multipliers are as follows:

<u>Metering Voltage Schedule</u>	<u>Line Loss Multiplier</u>
Distribution Secondary	1.0000
Distribution Primary	0.9900
Transmission	0.9800
Lighting Service	1.0000

(Witness: Rusk)

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

TECO: The appropriate factors are as follows:

<u>Metering Voltage Level</u>	<u>Fuel Charge Factor (cents per kWh)</u>	
Secondary	2.956	
RS Tier I (Up to 1,000 kWh)	2.642	
RS Tier II (Over 1,000 kWh)	3.642	
Distribution Primary	2.926	
Transmission	2.897	
Lighting Service	2.916	
Distribution Secondary	3.166	(on-peak)
	2.865	(off-peak)
Distribution Primary	3.134	(on-peak)
	2.836	(off-peak)
Transmission	3.103	(on-peak)
	2.808	(off-peak)

(Witness: Rusk)

II. CAPACITY ISSUES

GENERIC CAPACITY COST RECOVERY FACTOR ISSUES

ISSUE 28: What are the appropriate final capacity cost recovery true-up amounts for the period January 2015 through December 2015?

TECO: \$2,449,694 under-recovery. (Witness: Rusk)

ISSUE 29: What are the appropriate capacity cost recovery actual/estimated true-up amounts for the period January 2016 through December 2016?

TECO: \$536,366 under-recovery. (Witness: Rusk)

ISSUE 30: What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2017 through December 2017?

TECO: \$2,986,060 under-recovery. (Witness: Rusk)

ISSUE 31: What are the appropriate projected total capacity cost recovery amounts for the period January 2017 through December 2017?

TECO: The projected total capacity cost recovery amount for the period January 2017 through December 2017 is \$11,049,153. (Witness: Rusk)

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 2017 through December 2017?

TECO: The total recoverable capacity cost recovery amount to be collected, including the true-up amount and adjusted for the revenue tax factor, is \$14,045,318. (Witness: Rusk, Smith)

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 2017 through December 2017?

TECO: The appropriate jurisdictional separation factor is 0.9958992. (Witness: Rusk)

ISSUE 34: What are the appropriate capacity cost recovery factors for the period January 2017 through December 2017?

TECO: The appropriate factors for January 2017 through December 2017 are as follows:

<u>Rate Class and Metering Voltage</u>	<u>Capacity Cost Recovery Factor</u>	
	<u>Cents per kWh</u>	<u>\$ per kW</u>
RS Secondary	0.088	
GS and CS Secondary	0.076	
GSD, SBF Standard Secondary		0.27
Primary		0.27
Transmission		0.26

<u>Rate Class and Metering Voltage</u>	<u>Capacity Cost Recovery Factor</u>	
	<u>Cents per kWh</u>	<u>\$ per kW</u>
GSD Optional		
Secondary	0.063	
Primary	0.062	
IS, SBI		
Primary		0.14
Transmission		0.14
LS1 Secondary	0.017	
(Witness: Rusk)		

III. EFFECTIVE DATE

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

TECO: The new factors should be effective beginning with the specified billing cycle and thereafter for the period January through the last billing cycle for December 2017. The first billing cycle may start before January 1, 2017, and the last billing cycle may end after December 31, 2017, so long as each customer is billed for 12 months regardless of when the fuel factors became effective. (Witness: Rusk)

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?

TECO: Yes. (Witness: Rusk)

ISSUE 37: Should this docket be closed?

TECO: Yes.

F. CONTESTED ISSUES

FIPUG

ISSUE 1C: What were the financial results for each IOU's natural gas hedging activities for 2015?

TECO: Tampa Electric does not believe it is necessary or appropriate to include this issue. Tampa Electric will provide a position at or shortly following the prehearing conference if the Prehearing Officer concludes that this issue should be included.

ISSUE 1D: What were the financial results for each IOU's natural gas hedging activities for 2016 as of July 31, 2016?

TECO: Tampa Electric does not believe it is necessary or appropriate to include this issue. Tampa Electric will provide a position at or shortly following the prehearing conference if the Prehearing Officer concludes that this issue should be included.

G. STIPULATED ISSUES

TECO: None at this time.

H. MOTIONS

TECO: None at this time.

I. PENDING REQUEST OR CLAIMS FOR CONFIDENTIALITY

TECO: Tampa Electric has pending a number of requests for confidential treatment of information relating to hedging practices, risk management strategies and fuel and fuel transportation contract matters.

J. OBJECTIONS TO A WITNESS'S QUALIFICATION AS AN EXPERT

TECO: None at this time.

K. OTHER MATTERS

TECO: None at this time.

DATED this 4th day of October 2016.

Respectfully submitted,



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ATTORNEYS FOR TAMPA ELECTRIC COMPANY

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Prehearing Statement, filed on behalf of Tampa Electric Company, by hand delivery (*) or electronic mail on this 4th day of October, 2016 to the following:

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