

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 160001-EI

DATED: October 4, 2016

COMMISSION STAFF'S PREHEARING STATEMENT

Pursuant to Order No. PSC-16-0109-PCO-EI, filed March 17, 2016, 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 For Hedging Activities – Duke Energy Florida Inc.
Intesar Terkerkawi	Staff Audit Report For Hedging Activities – Tampa Electric Company
Iliana H. Piedra (Marissa N. Glover)	Staff Audit Report For Hedging Activities – Florida Power & Light Company
George Simmons (Donna D. Brown)	Staff Audit Report For Hedging Activities – Gulf Power Company
Michael A. Gettings	Expert Witness – Natural Gas Hedging Activities
Mark Anthony Cicchetti	Expert Witness – Natural Gas Hedging Activities

2. All Known Exhibits

<u>Exhibit</u>	<u>Title</u>
SOO-1	Staff Audit Report For Hedging Activities – DEF
IT-1	Staff Audit Report For Hedging Activities – TEC
MNG-1	Staff Audit Report For Hedging Activities - FPL
DDB-1	Staff Audit Report For Hedging Activities – GPC
MAG-1	Curriculum Vitae of Michael A. Gettings
MAG-2	Sample Quarterly Risk Report
MAG-3	Glossary of Terms
MAC-1	Curriculum Vitae of Mark Anthony Chicchetti
MAC-2	Henry Hub Spot Price (January, 1997 through August, 2016)
MAC-3	Proposed Resolution of Issues (from Order No. PSC-02-1484-FOF-EI)
MAC-4	Utility Hedging Practices summary
MAC-5	Hedging Under Scrutiny article

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

**POSITION:** Yes.

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

**POSITION:** The IOUs should implement a risk-responsive hedging protocol in 2017. If the IOUs cannot implement a risk-responsive hedging protocol in 2017, 2017 should be used as a transition year with full implementation in 2018. In addition, the modifications requested by the IOUs to their respective Risk Management Plans in Docket No. 160096-EI should be implemented in 2017.

**COMPANY-SPECIFIC FUEL ADJUSTMENT ISSUES**

**Duke Energy Florida, LLC**

**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 2016 and August 2016 hedging reports?

**POSITION:** Staff has no position at this time.

**ISSUE 2B:** What action should the Commission take regarding DEF's 2017 Risk Management Plan?

**POSITION:** The modifications requested by the IOUs to their respective Risk Management Plans in Docket No. 160096-EI should be implemented in 2017.

**ISSUE 2C:** Has DEF made appropriate adjustments, if any are needed, to account for replacement costs associated with the May 2016 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, and purchased power prices, as reported in FPL's April 2016 and August 2016 hedging reports?

**POSITION:** Staff has no position at this time.

**ISSUE 3B:** What action should the Commission take regarding FPL's 2017 Risk Management Plan?

**POSITION:** The modifications requested by the IOUs to their respective Risk Management Plans in Docket No. 160096-EI should be implemented in 2017.

**ISSUE 3C:** What is the total gain in 2015 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 2015 through December 2015?

**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 2015 through December 2015?

**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 2016 through December 2016?

**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 2016 through December 2016?

**POSITION:** Staff has no position at this time.

**ISSUE 3H:** If the Commission approves FPL's petition to continue the Incentive Mechanism with modifications in Docket No. 160088-EI, 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 2017 through December 2017?

**POSITION:** Staff has no position at this time.

**ISSUE 3I:** If the Commission approves FPL's petition to continue the Incentive Mechanism with modifications in Docket No. 160088-EI, 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 associated with wholesale economy sales and purchases for the period January 2017 through December 2017?

**POSITION:** Staff has no position at this time.

**ISSUE 3J:** Is \$1,890,528 the appropriate refund amount associated with the Cape Canaveral Energy Center (CCEC) GBRA true-up?

**POSITION:** Staff has no position at this time.

**ISSUE 3K:** What amount should be refunded to customers in the Fuel Clause as a result of the Florida Supreme Court's decision on the Woodford gas reserves project?

**POSITION:** Staff has no position at this time.

### **Florida Public Utilities Company**

No company-specific issues for Florida Public Utilities Company have been identified at this time. If such issues are identified, they shall be numbered 4A, 4B, 4C, and so forth, as appropriate.

### **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 2016 and August 2016 hedging reports?

**POSITION:** Staff has no position at this time.

COMMISSION STAFF'S PREHEARING STATEMENT

DOCKET NO. 160001-EI

PAGE 6

**ISSUE 5B:** What action should the Commission take regarding Gulf's 2017 Risk Management Plan?

**POSITION:** The modifications requested by the IOUs to their respective Risk Management Plans in Docket No. 160096-EI should be implemented in 2017.

**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 2016 and August 2016 hedging reports?

**POSITION:** Staff has no position at this time.

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

**POSITION:** The modifications requested by the IOUs to their respective Risk Management Plans in Docket No. 160096-EI should be implemented in 2017.

**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?

**POSITION:** Staff has no position at this time.

**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?

**POSITION:** Staff has no position at this time.

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

**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 2016 through December 2016?

**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 2017 to December 2017?

**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 2017 through December 2017?

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

**Duke Energy Florida, Inc.**

No company-specific issues for Duke Energy Florida, LLC 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**

No company-specific issues for Florida Power & Light Company have been identified at this time. If such issues are identified, they shall be numbered 14A, 14B, 14C, 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 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 2015 through December 2015 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 2017 through December 2017 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 2017 through December 2017?

**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 2017 through December 2017?

**POSITION:** Staff has no position at this time.

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

**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?

## **II. CAPACITY ISSUES**

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

#### **Duke Energy Florida, LLC**

**ISSUE 24A:** Has DEF included in the capacity cost recovery clause the nuclear cost recovery amount ordered by the Commission in Docket No. 160009-EI?

**POSITION:** Staff has no position at this time.

**ISSUE 24B:** What is the appropriate amount of costs for the Dry Cask Storage Facility that DEF should be allowed to recover through the Capacity Cost Recovery Clause pursuant to the 3rd Amendment to the RRSSA?

**POSITION:** Staff has no position at this time.

**Florida Power & Light Company**

**ISSUE 25:** If the Commission does not approve recovery of the WCEC-3 revenue requirement through base rates in Docket No. 160021-EI, what are the appropriate 2017 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.

**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 2015 through December 2015?

**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 2016 through December 2016?

**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 2017 through December 2017?

**POSITION:** Staff has no position at this time.

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

**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 2017 through December 2017?

**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 2017 through December 2017?

**POSITION:** Staff has no position at this time.

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

**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.

**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.

### **CONTESTED ISSUES**

#### **FIPUG**

**ISSUE 1C:** What were the financial results for each IOUs natural gas hedging activities for 2015?

**POSITION:** Staff has no position at this time.

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

**POSITION:** Staff has no position at this time.

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 No. PSC-16-0109-PCO-EI

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

Respectfully submitted this 4th day of October, 2016.

/s/ *Danijela Janjic*

DANIJELA JANJIC

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DATED: October 4, 2016

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the original of STAFF'S PREHEARING STATEMENT has been filed with Office of Commission Clerk and one copy has been furnished to the following by electronic and U.S. Mail, on this 4th day of October, 2016:

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CERTIFICATE OF SERVICE  
DOCKET NO. 160001-EI  
PAGE 2

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*/s/ Danijela Janjic*

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