

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 160001-EI
FILED: October 4, 2016

PREHEARING STATEMENT OF THE FLORIDA RETAIL FEDERATION

The Florida Retail Federation ("FRF"), pursuant to the Order Establishing Procedure in this docket, Order No. PSC-16-0109-PCO-EI, issued March 17, 2016, hereby submits its Prehearing Statement in this docket.

APPEARANCES:

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On behalf of the Florida Retail Federation

1. WITNESSES:

The Florida Retail Federation does not intend to call any witnesses for direct examination, but reserves its rights to cross-examine all witnesses and to rely upon the prefiled testimony of witnesses in this docket, as well as testimony on their cross-examination.

2. EXHIBITS:

The Florida Retail Federation will not introduce any exhibits on direct examination, but reserves its rights to introduce exhibits through cross-examination of other parties' witnesses.

3. STATEMENT OF BASIC POSITION

Fuel Cost Hedging Issues

Based on the evidence presented by the Citizens' witnesses, the Commission should order Florida's investor-owned utilities ("IOUs") to discontinue their financial hedging practices. The testimony of the Citizens' witnesses provides compelling evidence that hedging is not in the best interests of electric utility customers in Florida. Accordingly, the Commission should also reject the IOUs' Risk Management Plans

Other Issues

All of the investor-owned electric utilities bear the burden of proving the reasonableness and prudence of their expenditures for which they seek recovery through their Fuel and Purchased Power Cost Recovery Charges.

4. STATEMENT OF FACTUAL 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?

FRF: No. For the facts and reasons described in the testimonies of OPC witnesses Noriega and Lawton, it is not in the best interests of Florida's electric customers for the IOUs to continue natural gas financial hedging activities. The cost to Florida electric customers, \$6.6 billion and counting, greatly outweighs any benefits to the customers in fuel price volatility reduction or the shareholders in liquidity risk reduction. Further, customers should not be paying to reduce shareholder liquidity risks.

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

FRF: The Commission should reject the IOUs' proposed Risk Management Plans and order the IOUs to cease the practice of natural gas financial hedging at this time.

FIPUG (Contested Issues)

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

FRF: Duke (\$225,543,645) loss
FPL (\$504,393,229) loss
Gulf (\$50,572,362) loss
TECO (\$39,842,325) loss
Total (\$820,351,561) loss

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

FRF: Duke (\$114,900,000) loss
FPL (\$190,763,980) loss
Gulf (\$37,505,696) loss
TECO (\$17,877,735) loss
Total (\$361,047,411) loss

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 2016 and August 2016 hedging reports?

FRF: No.

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

FRF: The Commission should reject DEF's proposed Risk Management Plan and order DEF to cease the practice of natural gas financial hedging at this time. The Commission should not do anything to impair any valid hedging contracts already entered into by DEF, but it should order DEF not to enter into any new hedging contracts.

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?

FRF: 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?

FRF: No.

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

FRF: The Commission should reject FPL's proposed Risk Management Plan and order FPL to cease the practice of natural gas financial hedging at this time. The Commission should not do anything to impair any valid hedging contracts already entered into by FPL, but it should order FPL not to enter into any new hedging contracts.

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?

FRF: 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?

FRF: 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?

FRF: 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?

FRF: 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?

FRF: 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?

FRF: 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?

FRF: 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?

FRF: 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?

FRF: 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?

FRF: No.

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

FRF: The Commission should reject Gulf's proposed Risk Management Plan and order Gulf to cease the practice of natural gas financial hedging at this time. The Commission should not do anything to impair any valid hedging contracts already entered into by Gulf, but it should order Gulf not to enter into any new hedging contracts.

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?

FRF: No.

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

FRF: The Commission should reject TECO's proposed Risk Management Plan and order TECO to cease the practice of natural gas financial hedging at this time.

The Commission should not do anything to impair any valid hedging contracts already entered into by TECO, but it should order TECO not to enter into any new hedging contracts.

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?

FRF: 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?

FRF: 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?

FRF: 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?

FRF: 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?

FRF: 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?

FRF: 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

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?

FRF: 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?

FRF: 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?

FRF: 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?

FRF: No position at this time.

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

FRF: 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?

FRF: 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?

FRF: No position at this time.

II. CAPACITY COST RECOVERY FACTOR 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. 160009-EI?

FRF: 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?

FRF: 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?

FRF: No position at this time.

Gulf Power Company

No company-specific CCR 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 CCR 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?

FRF: 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?

FRF: 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?

FRF: 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?

FRF: 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?

FRF: 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?

FRF: No position at this time.

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

FRF: 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?

FRF: 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?

FRF: No position at this time.

ISSUE 37: Should this docket be closed?

FRF: No.

5. STIPULATED ISSUES:

The FRF is not aware of any stipulated issues at this time.

6. PENDING MOTIONS:

The FRF has no pending motions before the Commission in this docket.

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

The FRF has no pending requests or claims for confidentiality.

8. OBJECTIONS TO QUALIFICATION OF WITNESSES AS AN EXPERT:

As of the time of filing its prehearing statement, the FRF does not expect to challenge the qualification of any witness. However, the FRF believes that each party that intends to rely upon a witness's testimony as expert testimony should be required to identify the field or fields of expertise of such witness and to provide the basis for the witness's claimed expertise.

9. STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE:

There are no requirements of the Order Establishing Procedure with which the Florida Retail Federation cannot comply.

Respectfully submitted this 4th day of October, 2016.



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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been served by electronic mail on this 4th day of October, 2016.

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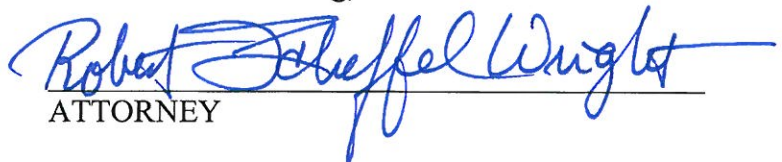
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