

A BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 20170001-EI

FILED: October 2, 2017

PREHEARING STATEMENT OF THE OFFICE OF PUBLIC COUNSEL

The Citizens of the State of Florida, through the Office of Public Counsel, pursuant to the Orders Establishing Procedure in this docket, Order No. PSC- 17-0053-PCO-EI, issued February 20, 2017, and Order No. PSC- 17-0134-PCO-EI, issued April 13, 2017, submit this Prehearing Statement.

APPEARANCES:

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Associate Public Counsel
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, Florida 32399-1400
On behalf of the Citizens of the State of Florida.

1. **WITNESSES:**

The Citizens intend to call the following witnesses, who will address the issues indicated:

NAME

ISSUES

None

2. **EXHIBITS:**

None

3. STATEMENT OF BASIC POSITION

Following the approval of a joint stipulation by the parties in last year's Fuel and Purchased Power Cost Recovery Clause docket by Order No. PSC-2016-0547-FOF-EI, issued December 5, 2016, the Commission initiated Docket No. 20170057-EI to review the hedging practices of the four investor owned utilities (IOUs) which financially hedged natural gas. Pursuant to Order No. PSC-2017-0134-PCO-EI, issued April 13, 2017, revising the order establishing procedure, the IOUs did not file 2018 Risk Management Plans for the Commission's review and approval. In the last 12 months, the four IOUs have each entered into settlements to cease the financial hedging of natural gas pursuant to the terms of their respective settlement agreements. Two of the settlements have been approved and two are pending review and approval by the Commission. OPC continues to believe that financial hedging should be discontinued as a result of the substantial changes in the natural gas markets in recent years which have increased natural gas supply and decreased price volatility experienced by customers. If circumstances change substantially, then volatility mitigation mechanisms, like hedging, can be visited again in the future.

As a result of the Supreme Court's decision, the total amount collected for the Interconnection Line project should be refunded to FPUC's customers through the Fuel Clause.

To the extent that DEF has removed from this 2017 filing the estimated replacement power costs associate with the 2017 Bartow outage, no adjustment is needed. Once the root cause analysis is completed, DEF will not be precluded from submitting any replacement power costs for recovery if it meets its burden of proof to demonstrate that it acted prudently in the actions and inactions that led to the outage as well as its role in procuring replacement power.

I. FUEL ISSUES

COMPANY-SPECIFIC FUEL ADJUSTMENT ISSUES

Duke Energy Florida, Inc.

ISSUE 1A: 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 2017 and August 2017 hedging reports?

OPC: Pursuant to a joint stipulation approved by Order No. PSC-2016-0547-FOF-EI, issued December 5, 2016, DEF agreed to a hedging moratorium extending through calendar year 2017. As such, OPC takes no position on the financial hedging actions taken prior to the approval of the hedging moratorium, as reported in the Company's April 2017 and August 2017 hedging reports. OPC takes no position on Company's actions to mitigate the volatility of residual oil and purchased power prices.

ISSUE 1B: What adjustments, if any, are needed to account for replacement power costs associated with the February 2017 outage at the Bartow generating plant?

OPC: To the extent that DEF has removed from this 2017 filing the estimated replacement power costs associated with the 2017 Bartow outage, no adjustment is needed. Once the root cause analysis is completed, DEF will not be precluded from submitting any replacement power costs for recovery if it meets its burden of proof to demonstrate that it acted prudently in the actions and inactions that led to the outage as well as its role in procuring replacement power.

Florida Power & Light Company

ISSUE 2A: 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 2017 and August 2017 hedging reports?

OPC: Pursuant to the terms of the 2016 FPL rate case settlement agreement approved by Order No. PSC- PSC-2016-0560-AS-EI, issued December 15, 2016, FPL agreed to a hedging moratorium. As such, OPC takes no position on the financial hedging actions taken prior to the approval of the FPL settlement, as reported in the Company's April 2017 and August 2017 hedging reports. OPC takes no position on Company's actions to mitigate the volatility of residual oil and purchased power prices.

ISSUE 2B: What is the total gain in 2016 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?

OPC: No position at this time.

ISSUE 2C: 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?

OPC: No position at this time.

ISSUE 2D: 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?

OPC: No position at this time.

ISSUE 2E: What is the appropriate amount of actual/estimated Incremental Optimization Costs under the Incentive Mechanism approved by Order No. PSC-16-0560-AS-EI that FPL may recover through the fuel clause for the period January 2017 through December 2017?

OPC: No position at this time.

ISSUE 2F: What is the appropriate amount of actual/estimated variable power plant O&M expenses under the revised Incentive Mechanism that FPL may recover through the fuel clause for the period January 2017 through December 2017?

OPC: No position at this time.

ISSUE 2G: What is the appropriate amount of projected Incremental Optimization Costs under the revised Incentive Mechanism FPL may recover through the fuel clause for the period January 2018 through December 2018?

OPC: No position at this time.

ISSUE 2H: What is the appropriate amount of projected variable power plant O&M expenses under the revised Incentive Mechanism FPL may recover through the fuel clause for the period January 2018 through December 2018?

OPC: No position at this time.

ISSUE 2I: Have all Woodford-related costs been removed from FPL's requested true-up and projected fuel costs?

OPC: No position at this time.

ISSUE 2J: Are the 2017 SOBRA projects proposed by FPL (Horizon, Wildflower, Indian River, and Coral Farms) cost effective?

OPC: No position at this time.

ISSUE 2K: What are the revenue requirements associated with the 2017 SOBRA projects?

OPC: No position at this time.

ISSUE 2L: What is the appropriate base rate percentage increase for the 2017 SOBRA projects to be effective when all 2017 projects are in service, currently projected to be January 1, 2018?

OPC: No position at this time.

ISSUE 2M: Are the 2018 SOBRA projects proposed by FPL (Hammock, Bearfoot Bay, Blue Cypress and Loggerhead) cost effective?

OPC: No position at this time.

ISSUE 2N: What are the revenue requirements associated with the 2018 SOBRA projects?

OPC: No position at this time.

ISSUE 2O: What is the appropriate base rate percentage increase for the 2018 SOBRA projects to be effective when all 2018 projects are in service, currently projected to be March 1, 2018?

OPC: No position at this time.

ISSUE 2P: Should the Commission approve revised tariffs for FPL reflecting the base rate percentage increases for the 2017 and 2018 SoBRA projects determined to be appropriate in this proceeding?

OPC: No position at this time.

ISSUE 2Q: Has FPL properly reflected in the fuel and purchased power cost recovery clause the effects of the Indiantown Cogeneration L.P. (Indiantown) facility transaction approved by the Commission in Docket No. 160154-EI?

OPC: No position at this time.

ISSUE 2R: How should the effects on the 2018 Fuel and Capacity Clause factors of the St. Johns River Power Park Transaction (SJRPP), approved by the Commission September 25, 2017, be addressed?

OPC: No position at this time.

Florida Public Utilities Company

ISSUE 3A: What amount should be refunded through the Fuel Clause to customers as a result of the Florida Supreme Court's March 16, 2017 decision on the FPL Interconnection Line project?

OPC: The total amount collected for the Interconnection Line project should be refunded to customers through the Fuel Clause.

Gulf Power Company

ISSUE 4A: 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 2017 and August 2017 hedging reports?

OPC: Pursuant to a joint stipulation approved by Order No. PSC-2016-0547-FOF-EI, issued December 5, 2016, Gulf agreed to a hedging moratorium extending through calendar year 2017. As such, OPC takes no position on the financial hedging actions taken prior to the approval of the hedging moratorium, as reported in the Company's April 2017 and August 2017 hedging reports. OPC takes no position on Company's actions to mitigate the volatility of residual oil and purchased power prices.

Tampa Electric Company

ISSUE 5A: 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 2017 and August 2017 hedging reports?

OPC: Pursuant to a joint stipulation approved by Order No. PSC-2016-0547-FOF-EI, issued December 5, 2016, TECO agreed to a hedging moratorium extending through calendar year 2017. As such, OPC takes no position on the financial hedging actions taken prior to the approval of the hedging moratorium, as reported in the Company's April 2017 and August 2017 hedging reports. OPC takes no position on Company's actions to mitigate the volatility of residual oil and purchased power prices.

GENERIC FUEL ADJUSTMENT ISSUES

ISSUE 6: What are the appropriate actual benchmark levels for calendar year 2017 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

OPC: No position at this time.

ISSUE 7: What are the appropriate estimated benchmark levels for calendar year 2018 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

OPC: No position at this time.

ISSUE 8: What are the appropriate final fuel adjustment true-up amounts for the period January 2016 through December 2016?

OPC: No position at this time.

ISSUE 9: What are the appropriate fuel adjustment actual/estimated true-up amounts for the period January 2017 through December 2017?

OPC: No position at this time.

ISSUE 10: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2018 to December 2018?

OPC: No position at this time.

ISSUE 11: What are the appropriate projected total fuel and purchased power cost recovery amounts for the period January 2018 through December 2018?

OPC: 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 12A, 12B, 12C, and so forth, as appropriate.

Florida Power & Light Company

ISSUE 13A: What are the appropriate adjustments to FPL's 2017 GPIF targets/ranges to reflect the effects of the Indiantown transaction approved by the Commission in Docket No. 160154-EI?

OPC: 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 14A, 14B, 14C, 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 15A, 15B, 15C, and so forth, as appropriate.

GENERIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

ISSUE 16: What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period January 2016 through December 2016 for each investor-owned electric utility subject to the GPIF?

OPC: No position at this time.

ISSUE 17: What should the GPIF targets/ranges be for the period January 2018 through December 2018 for each investor-owned electric utility subject to the GPIF?

OPC: No position at this time.

FUEL FACTOR CALCULATION ISSUES

ISSUE 18: 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 2018 through December 2018?

OPC: No position at this time.

ISSUE 19: 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 2018 through December 2018?

OPC: No position at this time.

ISSUE 20: What are the appropriate levelized fuel cost recovery factors for the period January 2018 through December 2018?

OPC: No position at this time.

ISSUE 21: 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?

OPC: No position at this time.

ISSUE 22: What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?

OPC: No position at this time.

II. CAPACITY ISSUES

COMPANY-SPECIFIC CAPACITY COST RECOVERY FACTOR ISSUES

Duke Energy Florida, Inc.

ISSUE 23A: Has DEF included in the capacity cost recovery clause the nuclear cost recovery amount ordered by the Commission in Docket No. 170009-EI?

OPC: No position at this time.

Florida Power & Light Company

ISSUE 24A: Has FPL included in the capacity cost recovery clause the nuclear cost recovery amount ordered by the Commission in Docket No. 170009-EI?

OPC: The 2017 capacity cost recovery clause amount has not yet been determined by the Commission.

ISSUE 24B: Has FPL properly reflected in the capacity cost recovery clause the effects of the Indiantown transaction approved by the Commission in Docket No. 160154-EI?

OPC: No position at this time.

ISSUE 24C: What are the appropriate Indiantown non-fuel base revenue requirements to be recovered through the Capacity Clause pursuant to the Commission's approval of the Indiantown transaction in Docket No. 160154-EI for 2017 and 2018?

OPC: No position at this time.

ISSUE 24D: Is \$5,155,918 the appropriate refund amount associated with the Port Everglades Energy center (PEEC) GBRA true-up?

OPC: 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 25A, 25B, 25C, 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 26A, 26B, 26C, and so forth, as appropriate.

GENERIC CAPACITY COST RECOVERY FACTOR ISSUES

ISSUE 27: What are the appropriate final capacity cost recovery true-up amounts for the period January 2016 through December 2016?

OPC: No position at this time.

ISSUE 28: What are the appropriate capacity cost recovery actual/estimated true-up amounts for the period January 2017 through December 2017?

OPC: No position at this time.

ISSUE 29: What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2018 through December 2018?

OPC: No position at this time.

ISSUE 30: What are the appropriate projected total capacity cost recovery amounts for the period January 2018 through December 2018?

OPC: No position at this time.

ISSUE 31: What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2018 through December 2018?

OPC: No position at this time.

ISSUE 32: What are the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the recovery factor for the period January 2018 through December 2018?

OPC: No position at this time.

ISSUE 33: What are the appropriate capacity cost recovery factors for the period January 2018 through December 2018?

OPC: No position at this time.

III. EFFECTIVE DATE

ISSUE 34: What should be the effective date of the fuel adjustment factors and capacity cost recovery factors for billing purposes?

OPC: No position at this time.

ISSUE 35: Should the Commission approve revised tariffs reflecting the fuel adjustment factors and capacity cost recovery factors determined to be appropriate in this proceeding?

OPC: No position at this time.

ISSUE 36: Should this docket be closed?

OPC: No position at this time.

4. STATEMENT OF FACTUAL ISSUES AND POSITIONS

5. STIPULATED ISSUES:

None.

6. PENDING MOTIONS:

OPC has no pending motions.

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

OPC has no pending requests or claims for confidentiality.

8. OBJECTIONS TO QUALIFICATION OF WITNESSES AS AN EXPERT:

OPC has no objection to qualifications of witnesses.

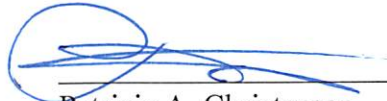
9. STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE:

There are no requirements of the Order Establishing Procedure with which the Office of Public Counsel cannot comply.

Dated this 2nd day of October, 2016

Respectfully submitted,

J.R. Kelly
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Prehearing Statement has been furnished by electronic mail on this 2nd day of October, 2017, to the following:

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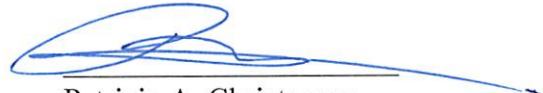
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