

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Fuel and purchased power cost recovery )  
clause with generating performance incentive ) Docket No. 20190001-EI  
factor\_\_\_\_\_ ) Filed: October 1, 2019

**PREHEARING STATEMENT OF  
WHITE SPRINGS AGRICULTURAL CHEMICALS, INC.  
d/b/a PCS PHOSPHATE – WHITE SPRINGS**

Pursuant to the Florida Public Service Commission’s Order Establishing Procedure No. PSC-2019-0059-PCO-EI, issued February 13, 2019, White Springs Agricultural Chemicals, Inc. d/b/a PCS Phosphate – White Springs (“PCS Phosphate”), through its undersigned attorneys, files its Prehearing Statement in the above matter.

**A. APPEARANCES**

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**B. WITNESSES**

PCS Phosphate does not plan to call any witnesses at this time.

**C. EXHIBITS**

PCS Phosphate does not plan to offer any exhibits at this time but may introduce exhibits during the course of cross-examination.

**D. STATEMENT OF BASIC POSITION**

Florida electric utilities, including in particular Duke Energy Florida, Inc. (“DEF”), carry the burden of proving the reasonableness of any expenditures for which recovery or other relief is

sought in this proceeding. In this case, PCS agrees with the Office of Public Counsel (“OPC”) that Duke has not demonstrated the reasonableness of replacement power costs associated with the outage and prolonged de-rating of its Bartow gas combined cycle unit.

In Docket No. 20180001-EI, Duke acknowledged that the differential between on and off-peak fuel factors has been shrinking. This softens the price signals intended to help control the growth in peak demands, which is a key FEECA<sup>1</sup> objective. In this docket, DEF presented an assessment of alternative approaches (i.e., maintaining its marginal cost-based calculation, performing a calculation based on average peak and off-peak fuel costs, and establishing a minimum peak/ off-peak pricing differential comparable to its Residential 1<sup>st</sup> tier rate).<sup>2</sup> Duke proposes continuing the current use of marginal costs for TOU fuel factors. In brief, where the essential goal is to sustain or enhance price signals concerning peak period energy consumption, PCS agrees that an average cost-based approach is not suitable. Duke’s presentation, however, does not adequately address the potential benefits of maintaining a threshold differential price signal as its generation fleet becomes heavily gas-fired and DEF continues to expect sustained retail peak load growth.<sup>3</sup>

Finally, PCS Phosphate is a signatory to the 2017 Second Revised and Restated Settlement Agreement, approved by the Commission in Docket No. 20170183, *Application for Limited Proceeding to Approve 2017 Second Revised and Restated Settlement Agreement* in Order No. PSC-2017-0451-AS-EU on November 20, 2017. That agreement contains provisions that pertain to prior period fuel cost under-recoveries that are included in DEF’s filing in this docket. PCS

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<sup>1</sup> Florida Energy Efficiency and Conservation Act, F. S. § 366.82.

<sup>2</sup> Direct Testimony of Christopher A. Menendez at 8-11 (Mar. 1, 2019).

<sup>3</sup> See Duke Energy Florida 2019 Ten Year Site Plan, schs. 3.1 and 3.2.

Phosphate supports the recovery of prudently incurred Duke Energy Florida fuel costs that are consistent with that rate settlement agreement.

**E. STATEMENT ON SPECIFIC ISSUES**

**I. FUEL ISSUES**

**Duke Energy Florida, LLC.**

**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 2019 and August 2019 hedging reports?

**PCS Phosphate:** Agree with OPC.

**ISSUE 1B:** Was DEF prudent in its actions and decisions leading up to and in restoring the unit to service after the February 2017 forced outage at the Bartow plant and, if not, what action should the Commission take with respect to replacement power costs?

**PCS Phosphate:** Agree with OPC.

**ISSUE 1C:** Has DEF made prudent adjustments, if any are needed, to account for replacement power costs associated with any impacts related to the de-rating of the Bartow plant? If adjustments are needed and have not been made, what adjustment(s) should be made?

**PCS Phosphate:** Agree with OPC.

**Florida Power & Light Company**

**ISSUE 2A:** What is the appropriate revised SoBRA factor for the 2017 projects to reflect actual construction costs that are less than the projected costs used to develop the initial SoBRA factor?

**PCS Phosphate:** No position.

**ISSUE 2B:** What is the appropriate revised SoBRA factor for the 2018 projects to reflect actual construction costs that are less than the projected costs used to develop the initial SoBRA factor?

**PCS Phosphate:** No position.

**ISSUE 2C:** What is the appropriate total gain under FPL's Incentive Mechanism approved by Order No. PSC-2016-0560-AS-EI that FPL may recover for the period January 2018 through December 2018, and how should that gain to be shared between FPL

and customers?

**PCS Phosphate:** No position.

**ISSUE 2D:** What is the appropriate amount of Incremental Optimization Costs under FPL's Incentive Mechanism approved by Order No. PSC-2016-0560-AS-EI that FPL should be allowed to recover through the fuel clause for Personnel, Software, and Hardware costs for the period January 2018 through December 2018?

**PCS Phosphate:** No position.

**ISSUE 2E:** What is the appropriate amount of Variable Power Plant O&M Attributable to Off-System Sales under FPL's Incentive Mechanism approved by Order No. PSC-2016-0560-AS-EI that FPL should be allowed to recover through the fuel clause for the period January 2018 through December 2018?

**PCS Phosphate:** No position.

**ISSUE 2F:** What is the appropriate amount of Variable Power Plant O&M Avoided due to Economy Purchases under FPL's Incentive Mechanism approved by Order No. PSC-2016-0560-AS-EI that FPL should be allowed to recover through the fuel clause for the period January 2018 through December 2018?

**PCS Phosphate:** No position.

**ISSUE 2G:** If the Commission approves the FPL Solar Together Program and Tariff, what is the appropriate total FPL Solar Together Credit amount to be recovered through the fuel cost recovery clause for the period January 2020 through December 2020?

**PCS Phosphate:** No position.

**ISSUE 2H:** Are the 2020 SoBRA projects (Hibiscus, Okeechobee, Southfork, and Echo River) proposed by FPL cost effective?

**PCS Phosphate:** No position.

**ISSUE 2I:** What are the revenue requirements associated with the 2020 SoBRA projects?

**PCS Phosphate:** No position.

**ISSUE 2J:** What is the appropriate base rate percentage increase to be effective when all of the 2020 SoBRA projects are in service, currently projected to be May 1, 2020?

**PCS Phosphate:** No position.

**ISSUE 2K:** Should the Commission approve revised tariffs for FPL, reflecting the base rate

percentage increase for the 2020 SoBRA projects, determined to be reasonable in this proceeding?

**PCS Phosphate:** No position.

**ISSUE 2L:** Has FPL made prudent adjustments, if any are needed, to account for replacement costs associated with the April 2019 forced outage at Saint Lucie Unit 1 generating station? If adjustments are needed and have not been made, what adjustment(s) should be made? (DEFERRED)

**PCS Phosphate:** No position.

**ISSUE 2M:** What is the appropriate base rate percentage decrease associated with the true-up of the 2017 SoBRA projects approved by Order No. PSC-2018-0028-FOF-EI to be effective January 1, 2020?

**PCS Phosphate:** No position.

**ISSUE 2N:** Should the Commission approve revised tariffs for FPL to be effective January 1, 2020, reflecting the base rate percentage decrease for the true-up of the 2017 SoBRA projects determined to be reasonable in this proceeding?

**PCS Phosphate:** No position.

### **Florida Public Utilities Company**

No company-specific fuel issues for Florida Public Utilities Company have been identified at this time. If such issues are identified, they shall be numbered 3A, 3B, 3C, and so forth, as appropriate.

### **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 2019 and August 2019 hedging reports?

**PCS Phosphate:** No position.

### **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 2019 hedging report?

**PCS Phosphate:** No position.

**ISSUE 5B:** What was the total gain under TECO's Optimization Mechanism approved by

Order No. PSC-2017-0456-S-EI that TECO may recover for the period January 2018 through December 2018, and how should that gain be shared between TECO and customers?

**PCS Phosphate:** No position.

**GENERIC FUEL ADJUSTMENT ISSUES**

**ISSUE 6:** What are the appropriate actual benchmark levels for calendar year 2019 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

**PCS Phosphate:** Agree with OPC.

**ISSUE 7:** What are the appropriate estimated benchmark levels for calendar year 2020 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

**PCS Phosphate:** Agree with OPC.

**ISSUE 8:** What are the appropriate final fuel adjustment true-up amounts for the period January 2018 through December 2018?

**PCS Phosphate:** Agree with OPC.

**ISSUE 9:** What are the appropriate fuel adjustment actual/estimated true-up amounts for the period January 2019 through December 2019?

**PCS Phosphate:** Agree with OPC.

**ISSUE 10:** What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2020 through December 2020?

**PCS Phosphate:** Agree with OPC.

**ISSUE 11:** What are the appropriate projected total fuel and purchased power cost recovery amounts for the period January 2020 through December 2020?

**PCS Phosphate:** Agree with OPC.

**COMPANY-SPECIFIC GENERATING PERFORMANCE INCENTIVE FACTOR (GPIF) ISSUES**

**Duke Energy Florida, LLC.**

No company-specific GPIF 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**

No company-specific GPIF issues for Florida Power and Light Company have been identified at this time. If such issues are identified, they shall be numbered 13A, 13B, 13C, and so forth, as appropriate.

**Gulf Power Company**

No company-specific GPIF 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 GPIF 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 GPIF ISSUES**

**ISSUE 16:** What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period January 2018 through December 2018 for each investor-owned electric utility subject to the GPIF?

**PCS Phosphate:** Agree with OPC.

**ISSUE 17:** What should the GPIF targets/ranges be for the period January 2020 through December 2020 for each investor-owned electric utility subject to the GPIF?

**PCS Phosphate:** Agree with OPC.

**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 2020 through December 2020?

**PCS Phosphate:** Agree with OPC.

**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 2020 through December 2020?

**PCS Phosphate:** Agree with OPC.

**ISSUE 20:** What are the appropriate levelized fuel cost recovery factors for the period January 2020 through December 2020?

**PCS Phosphate:** Agree with OPC.

**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?

**PCS Phosphate:** Agree with OPC.

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

**PCS Phosphate:** PCS recommends that the Commission direct DEF to discuss alternative approaches for sustaining a minimally effective price signal (peak and off-peak energy price differential) with interested parties.

## **II. CAPACITY ISSUES**

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

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

**ISSUE 23A:** What amount has DEF included in the capacity cost recovery clause for nuclear cost recovery?

**PCS Phosphate:** Agree with OPC.

**ISSUE 23B:** What is the appropriate true-up adjustment amount associated with the Hamilton SoBRA project approved by Order No. PSC-2019-0159-FOF-EI to be refunded through the capacity clause in 2020?

**PCS Phosphate:** Agree with OPC.

#### **Florida Power & Light Company**

**ISSUE 24A:** What amount has FPL included in the capacity cost recovery clause for nuclear cost recovery?

**PCS Phosphate:** No position.

**ISSUE 24B:** What is the appropriate true-up adjustment amount associated with the 2017 SOBRA projects approved by Order No. PSC-2018-0028-FOF-EI to be refunded through the capacity clause in 2020?

**PCS Phosphate:** No position.

**ISSUE 24C:** What is the appropriate true-up amount associated with the 2018 SOBRA projects



approved by Order No. PSC-2018-0028-FOF-EI to be refunded through the capacity clause in 2020? (DEFERRED)

**PCS Phosphate:** No position.

**ISSUE 24D:** What are the appropriate Indiantown non-fuel based 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 2020?

**PCS Phosphate:** No position.

### **Gulf Power Company**

No company-specific capacity cost recovery factor 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 capacity cost recovery factor 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 2018 through December 2018?

**PCS Phosphate:** Agree with OPC.

**ISSUE 28:** What are the appropriate capacity cost recovery actual/estimated true-up amounts for the period January 2019 through December 2019?

**PCS Phosphate:** Agree with OPC.

**ISSUE 29:** What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2020 through December 2020?

**PCS Phosphate:** Agree with OPC.

**ISSUE 30:** What are the appropriate projected total capacity cost recovery amounts for the period January 2020 through December 2020?

**PCS Phosphate:** Agree with OPC.

**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 2020 through December 2020?

**PCS Phosphate:** Agree with OPC.

**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 2020 through December 2020?

**PCS Phosphate:** Agree with OPC.

**ISSUE 33:** What are the appropriate capacity cost recovery factors for the period January 2020 through December 2020?

**PCS Phosphate:** Agree with OPC.

### **III. EFFECTIVE DATE**

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

**PCS Phosphate:** No position.

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

**PCS Phosphate:** No position.

### **IV. MISCELLANEOUS ISSUES**

**ISSUE 36:** Should the Joint Motion to Modify Order No. PSC-2012-0425-PAA-EU Regarding Weighted Average Cost of Capital Methodology be approved?

**PCS Phosphate:** Agree with OPC.

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

**PCS Phosphate:** No position.

### **CONTESTED ISSUES**

**ISSUE 1E:** Should the Commission hold a separate “spin-off” hearing to determine the cause of the Bartow outage and the prudence of DEF’s decisions on all factors related to the cause(s) and duration of any outages and the de-rating of the Bartow plant?

**PCS Phosphate:** Agree with OPC.

**F. PENDING MOTIONS**

None.

**G. PENDING REQUESTS OR CLAIMS FOR CONFIDENTIALITY**

None.

**H. OBJECTIONS TO QUALIFICATIONS OF WITNESS AS EXPERT**

None at this time.

**I. REQUIREMENTS OF ORDERS ESTABLISHING PROCEDURE**

There are no requirements of the Procedural Orders with which PCS Phosphate cannot comply.

Respectfully submitted,

**STONE MATTHEIS XENOPOULOS &  
BREW, PC**

*/s/ James W. Brew* \_\_\_\_\_

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Dated: October 1, 2019

## CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing Prehearing Statement of PCS Phosphate has been furnished by electronic mail this 1st day of October 2019 to the following:

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*/s/ Laura A. Wynn*

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