

MCWHIRTER REEVES
ATTORNEYS AT LAW

ORIGINAL

TAMPA OFFICE:
400 NORTH TAMPA STREET, SUITE 2450
TAMPA, FLORIDA 33602
P. O. BOX 3350 TAMPA, FL 33601-3350
(813) 224-0866 (813) 221-1854 FAX

PLEASE REPLY TO:

TALLAHASSEE

TALLAHASSEE OFFICE:
117 SOUTH GADSDEN
TALLAHASSEE, FLORIDA 32301
(850) 222-2525
(850) 222-5606 FAX

October 14, 1999

VIA HAND DELIVERY

Blanca S. Bayo, Director
Division of Records and Reporting
Betty Easley Conference Center
4075 Esplanade Way
Tallahassee, Florida 32399-0870

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RECORDS AND REPORTING

Re: Docket Number 990001-EI; 990007-EI

Dear Ms. Bayo:

On behalf of Florida Industrial Power Users Group, enclosed for filing and distribution are the original and 15 copies of the following:

- ▶ Preliminary Issues in Docket No. 990001-EI
- ▶ Preliminary Issues in Docket No. 990007-EI

Please acknowledge receipt of the above on the extra copy of each and return the stamped copies to me in the envelope provided. Thank you for your assistance.

Yours truly,

Vicki Gordon Kaufman
Vicki Gordon Kaufman

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FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No. 990001-EI

Filed: October 14, 1999

FIPUG's Preliminary Issues

Pursuant to the Case Assignment and Scheduling Record (CASR) in this docket, the Florida Industrial Power Users Group (FIPUG) files its Preliminary List of Issues and Positions. FIPUG reserves the right to amend this preliminary statement.

PRELIMINARY ISSUES

Generic Fuel Issues

1. **ISSUE:** What are the estimated fuel adjustment true-up amounts for the period January 1999 through December 1999?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.
2. **ISSUE:** What are the appropriate levelized fuel cost recovery factors for the period January 2000 to December 2000?

FIPUG: Fuel costs vary with demand on the system. An average annual factor discriminates against high load factor consumers. Fuel factors should track fuel costs at least seasonally to provide a conservation incentive during the summer peak season and to adequately reflect cost-causing behavior.
3. **ISSUE:** What should be the effective date of the fuel adjustment charge and capacity cost recovery charge for billing purposes?

FIPUG: The new factors should be effective beginning with the first billing cycle for January 2000 and thereafter through the last billing cycle for December 2000. The first billing cycle may start before January 1, 2000, and the last billing cycle may end after December 31, 2000, so long as each customer is billed for twelve months regardless of when the factors become effective.
4. **ISSUE:** What are the appropriate fuel recovery loss multipliers to be used in calculating the fuel cost recovery factors charged to each rate class/delivery

voltage level class?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

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

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

6. **ISSUE:** What is the appropriate revenue tax factor to be applied in calculating each company's levelized fuel factor for the projection period of January 2000 to December 2000?

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

7. **ISSUE:** Should the 80/20 split for broker and economy sales be eliminated?

FIPUG: Yes. These transactions should be accomplished in the normal course of business with the utilities acting prudently on behalf of the ratepayers.

8. **ISSUE:** Are electric utilities giving uniform treatment to wholesale sales and purchases in a manner that ensures that retail customers are not disadvantaged?

FIPUG: It appears that they are not. The Commission should ensure that all revenues from unseparated wholesale sales to flow through the fuel clause. All unseparated wholesale sales should be recallable to meet the demands of retail customers.

9. **ISSUE:** Should amounts electric utilities pay to affiliated companies be publicly disclosed if the utility seeks recovery through a cost recovery clause?

FIPUG: Yes, there is no rational justification for keeping the information confidential and significant potential harm to the public will accrue if it is kept secret.

Company-Specific Fuel Adjustment Issues

TECo

10. **ISSUE:** Should TECo be permitted to recover from ratepayers the additional fuel costs

necessitated by the Gannon accident?

FIPUG: No. It appears that the accident was caused by TECo's negligence.

11. **ISSUE:** Should the plant serving the FMPA contract remain separated from retail rate base?

FIPUG: Yes. TECo's "alternative" regulatory treatment should not be adopted.

12. **ISSUE:** In order to ensure that TECo is making prudent purchases on behalf of retail customers, should TECo's recovery for fuel costs be limited to an amount no greater than what it receives for fuel sales?

FIPUG: Yes. TECo pays far more for the electricity it buys than what it pays for electricity it sells. To ensure that TECo is acting prudently, TECo's fuel recovery costs should be limited to the amount it receives for contemporaneous fuel sales.

13. **ISSUE:** Given the great disparity between the amount TECo pays for coal and the amount FPL and FPC pay for coal, should the Commission impose price restrictions on the amount TECo pays for coal purchase, handling, and transportation from affiliated companies?

FIPUG: Yes. It appears that TECo's transactions with affiliated companies may not be competitively priced. Sums TECo pays affiliated companies should be publicly disclosed if they exceed the price the affiliated companies charge third parties. The excess payments should be disallowed. If TECo provides in camera proof that it pays the affiliated company less than the affiliate charges on all third party transactions, the sums paid need not be disclosed before they are recovered through the fuel clause.

14. **ISSUE:** In order to assure that sufficient capacity is available for retail customers, should all short-term wholesale sales be subject to interruption?

FIPUG: Yes.

15. **ISSUE:** Are wholesale revenues from third-party sales being treated correctly?

FIPUG: No. Interruptible customers are the first line of defense when third-party power is purchased to avoid interruption. They should be the first recipients of incremental revenues from third-party sales before it is included in general fuel clause revenues.

Generic Generating Performance Incentive Factor Issues

16. **ISSUE:** What should the GPIF targets/ranges be for the period January 2000 through December 2000?
- FIPUG:** All heat rates should be 9000 BTU/kwh or better before they are considered for reward. All heat rates over 10,000 BTU/kwh should be penalized.

Company-Specific Generating Performance Incentive Factor Issues

None.

Generic Capacity Cost Recovery Factor Issues

17. **ISSUE:** What is the total capacity cost recovery true-up amount to be collected/refunded during the period January 2000 through December 2000?
- FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference
18. **ISSUE:** What is the appropriate projected net purchased power capacity cost recovery amount to be included in the recovery factor for the period January 2000 through December 2000?
- FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.
19. **ISSUE:** What are the projected capacity cost recovery factors for the period January 2000 through December 2000?
- FIPUG:** FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.
20. **ISSUE:** Should all revenue from wholesale power contracts utilities count as firm power supply be subject to public disclosure and scrutiny for prudence?
- FIPUG:** Yes, before payments can be recovered through the cost recovery clauses such contracts should be made public, especially long-term contracts with affiliated companies such as the proposed Hardee contract.

Company-Specific Capacity Cost Recovery Factor Issues

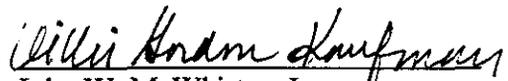
TECo

21. **ISSUE:** Should the plant serving the FMPA contract remain separated from retail rate base?

FIPUG: Yes. TECo's "alternative" regulatory treatment should be rejected.

22. **ISSUE:** Is TECo's proposal to enter into a 12-year long term power purchase contract with the Hardee Power Station prudent?

FIPUG: No. Customers have not been given the opportunity to review the contract. Before TECo enters into any such contract with a sister company the contract should be available for review by ratepayers. Further, before entering into any contract with an affiliate company, TECo should be required to competitively bid the contract.



John W. McWhirter, Jr.
McWhirter Reeves McGlothlin Davidson
Decker Kaufman Arnold & Steen, P.A.
400 North Tampa Street, Suite 2450
Tampa, Florida 33601-3350

Vicki Gordon Kaufman
McWhirter Reeves McGlothlin Davidson
Decker Kaufman Arnold & Steen, P.A.
117 South Gadsden Street
Tallahassee, Florida 32301

Attorneys for the Florida Industrial
Power Users Group

CERTIFICATE OF SERVICE

I **HEREBY CERTIFY** that a true and correct copy of the foregoing Preliminary Issues has been furnished by *hand delivery, or U.S. Mail this 14th day of October, 1999, to the following:

(*Wm.. Cochran Keating IV
Florida Public Service Commission
Division of Legal Services
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

John Roger Howe
Office of the Public Counsel
111 West Madison Street
Room 812
Tallahassee, Florida 32399

Matthew M. Childs
Steel Hector & Davis LLP
215 South Monroe Street
Suite 601
Tallahassee, Florida 32301

Lee L. Willis
James D. Beasley
Ausley & McMullen
227 S. Calhoun Street
Tallahassee, Florida 32302

Jeffrey A. Stone
Beggs & Lane
Post Office Box 12950
Pensacola, Florida 32576

James A. McGee
Post Office Box 14042
St. Petersburg, Florida 33733

Norman H. Horton
Messer, Caparello & Self
215 South Monroe Street
Suite 701
Tallahassee, Florida 32302

John T. English
Florida Public Utilities Company
Post Office Box 3395
West Palm Beach, Florida 33402

Suzanne Brownless
1311-B Paul Russell Road
Suite 201
Tallahassee, Florida 32301


Vicki Gordon Kaufman