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Subject: FIPUG Prehearing statement
Attachments: FIPUG Dkt 080001-EI 2008 prehearing statement.doc

1. John W. McWhirter, Jr., PO Box 3350 ,FI 33601-3350, jmcwhirter@mac-law.com is the person responsible for this electronic filing;
2. The filing is to be made in Docket 080001-EI, In re: Fuel cost recovery. The filing is made on behalf of the Florida Industrial Power Users Group;
3. The total number of pages is 11; and
4. The attached document is The Florida Industrial Power User Group's Prehearing Statement

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DOCUMENT NO. DATE

09648-08 10/13/08
FPSC - COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No. 080001-EI
Filed: October 13, 2008

**THE FLORIDA INDUSTRIAL POWER USERS GROUP'S
PREHEARING STATEMENT**

The Florida Industrial Power Users Group (FIPUG) hereby files its Prehearing Statement, in compliance with Order No. PSC-08-0148-PCO-EI rendered March 11, 2008, establishing the prehearing procedure in this docket.

A. APPEARANCES:

JOHN W. MCWHIRTER, JR., PO Box 3350, Tampa, Florida 33601-3350,
on Behalf of the Florida Industrial Power Users Group.

B. WITNESSES:

FIPUG will rely upon the prefiled testimony of witnesses in this docket and their responses to discovery and cross examination.

C. EXHIBITS:

None at this time. FIPUG reserves the right to utilize appropriate exhibits during cross-examination.

D. STATEMENT OF BASIC POSITION:

As a matter of general principle FIPUG contends that it would be in the interest of energy efficiency for the Commission to identify all fixed and non volatile costs presently incorporated in the fuel clause and to require utilities to segregate these costs in fuel cost recovery dockets for appropriate action.

The 2009 utility fuel costs sought in pending petitions are substantially overstated as a result of the change in fuel cost between the August and September filings and the present date. The utilities should be directed to forthwith update their fuel cost projections for 2009.

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FPSC - COMMISSION CLERK

E. STATEMENT OF ISSUES AND POSITIONS

GENERIC FUEL ADJUSTMENT ISSUES

ISSUE 1: What are the appropriate fuel adjustment true-up amounts for the period January 2007 through December 2007?

FIPUG: No position at this time.

ISSUE 2: What are the appropriate fuel adjustment true-up amounts for the period January 2008 through December 2008?

FIPUG: No position at this time.

ISSUE 3: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2009 to December 2009?

FIPUG: No position at this time.

ISSUE 4: 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 2009 through December 2009?

FIPUG: The factor proposed by the utilities.

ISSUE 5: What are the appropriate projected net fuel and purchased power cost recovery amounts to be included in the recovery factor for the period January 2009 through December 2009?

FIPUG: Utility fuel costs were substantially overstated in their petitions as a result of the change in fuel cost between the August and September filings and the present date. The utilities should be directed to forthwith update their fuel cost projections for 2009.

ISSUE 6: What are the appropriate levelized fuel cost recovery factors for the period January 2009 through December 2009?

FIPUG: No position at this time.

ISSUE 7: 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?

FIPUG: No position at this time.

ISSUE 8: What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?

FIPUG: No position at this time.

ISSUE 9: What should be the effective date of the fuel adjustment charge and capacity cost recovery charge for billing purposes?

FIPUG: First billing cycle in January 2009.

ISSUE 10: What are the appropriate actual benchmark levels for calendar year 2008 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

FIPUG: No position at this time.

ISSUE 11: What are the appropriate estimated benchmark levels for calendar year 2009 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

FIPUG: No position at this time.

COMPANY-SPECIFIC FUEL ADJUSTMENT ISSUES

Progress Energy Florida

ISSUE 12A: Should the Commission approve as prudent, PEF's actions to mitigate the volatility of natural gas, residual oil and purchased power prices, as reported in PEF's April 2008 and August 2008 hedging reports?

FIPUG: FIPUG must rely on staff analysis as relevant hedging information is withheld from the general public. Unfortunately the investigation period available to Public Service Commission staff is too short for meaningful analysis by staff or any other party.

ISSUE 12B: Should the Commission approve PEF's 2009 Risk Management Plan?

FIPUG: FIPUG must rely on staff analysis as essential hedging information is withheld from the general public.

ISSUE 12C: Does the fuel charge proposed by Progress Energy Florida contain items that do not change with the price of fuel, if so what is the amount included in its proposed fuel charge to cover these costs?

FIPUG: The fuel charge contains non volatile costs, such as, salaries, fixed assets upon

which the utility earns a profit and other non segregated and non volatile expenses covered by long term contracts which are not publicly disclosed. The Commission should order each utility to disclose these costs forthwith in order that a determination can be made as to whether the market volatility of these costs justifies the extraordinary regulatory treatment providing a guaranteed annual true ups irrespective of the utility's current return on equity in base rates.

Florida Power & Light Company

ISSUE 13A: 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 2008 and August 2008 hedging reports?

FIPUG: FIPUG must rely on staff analysis as relevant hedging information is withheld from the general public. Unfortunately the investigation period available to Public Service Commission staff is too short for meaningful analysis by staff or any other party.

ISSUE 13B: Should the Commission approve FPL's 2009 Risk Management Plan?

FIPUG: FIPUG must rely on staff analysis as essential hedging information is withheld from the general public.

ISSUE 13C: With respect to the outage extension at Turkey Point Unit 3 which was caused by a drilled hole in the pressurized piping, should customers or FPL be responsible for the additional fuel cost incurred as a result of the extension?

FIPUG: FPL.

ISSUE 13D: Should the Commission approve FPL's proposal to reduce the Generation Base Rate Adjustment (GBRA) factor for the Turkey Point Unit 5 from 3.271 percent to 3.129%?

FIPUG: Any reduction is beneficial to customers FIPUG takes no position with respect to the appropriate reduction amount.

ISSUE 13E: Is \$9,296,089 the appropriate true-up credit associated with the Turkey Point Unit 5 GBRA factor reduction?

FIPUG: No position at this time.

ISSUE 13F: Should the Commission approve FPL's proposed GBRA factor of 3.583 percent for

the West County Energy Center (WCEC) Unit 1?

FIPUG: No position at this time.

ISSUE 13G: Should the Commission approve FPL's proposed GBRA factor of 3.154 percent for the WCEC Unit 2?

FIPUG: No position at this time.

ISSUE 13H: What is the appropriate calculation of fuel savings associated with the addition of the WCEC Units 1 and 2?

FIPUG: No position at this time.

ISSUE 13I: Should the Commission approve FPL's proposal to levelize the Residential 1000 kWh Bill by offsetting the Generation Base Rate Adjustments (GBRAs) for West County Energy Center (WCEC) Units 1 and 2 with the fuel savings attributable to these new units?

FIPUG: No. This is an issue for a base rate case. There is no evidence in the record to justify subsidizing the rates of relatively small consumers, such as, vacant condominiums, unoccupied vacation homes, or requiring some residential customers to subsidize capital costs attributable to others. Residential rates should be restructured so that each connection should bear its fair share of the fixed costs of operating the utility similar to the base facility charge used for water and sewer utilities. When this is done consumers who operate efficiently or conserve electricity will derive the benefit of their conservation efforts and proper price signals will be dispatched to others. This procedure was not addressed in the settlement agreement accepting GBRAs and should be reserved for a base rate proceeding.

ISSUE 13J: Should the Commission approve FPL's Long-term Agreement for Full Requirement Electric Service with Lee County Electric Cooperative as prudent and consistent with the interests of FPL's retail customers?

FIPUG: Yes and the contract should be examined by Commission staff to insure that it has an appropriate capacity charge for the assets dedicated to the service along with a 20% reserve margin and that all revenue from the service is used to reduce the fuel charge to retail customers until a proper separation study can be conducted in FPL's forthcoming base rate case.

ISSUE 13K: May FPL recover incremental O&M costs associated with non-separated off-system sales from combined cycle and conventional steam units commencing January 1, 2009, as it currently recovers such costs associated with sales from gas turbine units?

FIPUG: No costs attributable to wholesale customers should be included in the retail fuel charge.

ISSUE 13L: Does the fuel charge proposed by FPL contain items that do not change with the price of fuel, if so what is the amount included in its proposed fuel charge to cover these costs?

FIPUG: The fuel charge contains non volatile costs, such as, salaries, fixed assets upon which the utility earns a profit and other non segregated and non volatile expenses covered by long term contracts which are not publicly disclosed. The Commission should order each utility to disclose these costs forthwith in order that a determination can be made as to whether the market volatility of these costs justifies the extraordinary regulatory treatment providing a guaranteed annual true ups irrespective of the utility's current return on equity in base rates.

Florida Public Utilities Company

ISSUE 14A: Should the Commission approve FPUC's proposal to allocate a portion of the costs for the substation in the Northwest division to both divisions?

FIPUG: No position at this time.

Gulf Power Company

ISSUE 15A: 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 2008 and August 2008 hedging reports?

FIPUG: FIPUG must rely on staff analysis as relevant hedging information is withheld from the general public. Unfortunately the investigation period available to Public Service Commission staff is too short for meaningful analysis by staff or any other party.

ISSUE 15B: Should the Commission approve Gulf's 2009 Risk Management Plan?

FIPUG: FIPUG must rely on staff analysis as essential hedging information is withheld from the general public.

Tampa Electric Company

ISSUE 16A: 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 2008 and August 2008 hedging reports?

FIPUG: FIPUG must rely on staff analysis as essential hedging information is withheld from the general public.

ISSUE 16B: Should the Commission approve TECO's 2009 Risk Management Plan?

FIPUG: FIPUG must rely on staff analysis as essential hedging information is withheld from the general public.

ISSUE 16C: In procuring transportation contracts, has TECO complied with the requirements of Order No. PSC-04-0999-FOF-EI, issued October 12, 2004, in Docket No. 031033?

FIPUG: FIPUG must rely on staff analysis as this information is withheld from the general public.

ISSUE 16D: For 2007 and 2008, has TECO properly calculated the adjustment to coal transportation rates required by Order No. PSC-04-0999-FOF-EI, issued October 12, 2004, in Docket No. 031033?

FIPUG: FIPUG must rely on staff analysis as this information is withheld from the general public.

ISSUE 16E: Should the Commission approve TECO's proposed inverted fuel factors for the residential class?

FIPUG: There is no evidence in the record to justify subsidizing the rates of relatively small consumers, such as, vacant condominiums, unoccupied vacation homes, or requiring some residential customers to subsidize capital costs attributable to others. Residential rates should be restructured so that each connection should bear its fair share of the fixed costs of operating the utility similar to the base facility charge used for water and sewer utilities. When this is done consumers who operate efficiently or conserve electricity will derive the benefit of their conservation efforts and proper price signals will be dispatched to others.

ISSUE 16F: Should the Commission approve TECO's proposal to establish fuel factors by voltage level?

FIPUG: Fuel factors should be designed so that line losses and voltage transformation losses are accurately allocated to the customer classes to avoid cross subsidization.

ISSUE 16G: Does the fuel charge proposed by Tampa Electric Company contain items that do not change with the price of fuel, if so what is the amount included in its proposed fuel charge to cover these costs?

FIPUG: The fuel charge contains non volatile costs, such as, salaries, fixed assets upon

which the utility earns a profit and other non segregated and non volatile expenses covered by long term contracts which are not publicly disclosed. The Commission should order each utility to disclose these costs forthwith in order that a determination can be made as to whether the market volatility of these costs justifies the extraordinary regulatory treatment providing a guaranteed annual true ups irrespective of the utility's current return on equity in base rates.

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 2007 through December 2007 for each investor-owned electric utility subject to the GPIF?

FIPUG: No position at this time.

ISSUE 18: What should the GPIF targets/ranges be for the period January 2009 through December 2009 for each investor-owned electric utility subject to the GPIF?

FIPUG: No position at this time.

COMPANY-SPECIFIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

Progress Energy Florida

No company-specific issues for Progress Energy Florida have been identified at this time. If such issues are identified, they shall be numbered 19A, 19B, 19C, 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 20A, 20B, 20C, 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 21A, 21B, 21C, 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 22A, 22B, 22C, and so forth, as appropriate.

GENERIC CAPACITY COST RECOVERY FACTOR ISSUES

ISSUE 23: What are the appropriate capacity cost recovery true-up amounts for the period January 2007 through December 2007?

FIPUG: No position at this time.

ISSUE 24: What are the appropriate capacity cost recovery true-up amounts for the period January 2008 through December 2008?

FIPUG: No position at this time.

ISSUE 25: What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2009 through December 2009?

FIPUG: Levy 1 & 2 preconstruction costs should be at least partially postponed until their prudence is proven in 2009 nuclear plant cost recovery proceedings.

ISSUE 26: What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2009 through December 2009?

FIPUG: No position at this time.

ISSUE 27: What are the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the recovery factor for the period January 2009 through December 2009?

FIPUG: No position at this time as to utilities without nuclear expansion plans. Utilities building nuclear plants that will meet statewide need, but that are more than 15% in excess of their forecasted retail demand should establish appropriate separation factors to protect retail customers from bearing the double burden of supporting power plants for future retail customers and future wholesale customers..

ISSUE 28: What are the appropriate capacity cost recovery factors for the period January 2009 through December 2009?

FIPUG: No position at this time.

COMPANY-SPECIFIC CAPACITY COST RECOVERY FACTOR ISSUES

Progress Energy Florida

ISSUE 29A: Has PEF included in the capacity cost recovery clause, the nuclear cost recovery amount ordered by the Commission in Docket No. 080009-EI?

FIPUG: Yes.

Florida Power & Light Company

ISSUE 30A: Has FPL included in the capacity cost recovery clause, the nuclear cost recovery amount ordered by the Commission in Docket No. 080009-EI?

FIPUG: Yes.

ISSUE 30B: What adjustments, if any, should be made to FPL's incremental security costs related to the performance of security guards at FPL's nuclear power plants? (Lester)

FIPUG: The cost of security guards are non volatile should be removed from the guaranteed cost recovery clause.

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 31A, 31B, 31C, and so forth, as appropriate.

Tampa Electric Company

ISSUE 32A: Should the Commission approve TECO's projected capacity cost recovery factors effective in May 2009 based on TECO's rate design modifications proposed in Docket No. 080317-EI?

FIPUG: No. These costs do not accurately reflect the cost of service. They charge non firm customers for power plants that are built to serve others and fail to provide sufficient credit for demand side management. There is no evidentiary basis in this case for the Commission to approve the cost of service changes TECo proposes in Docket NO. 080317. Such changes are highly contested and will be the subject of an evidentiary hearing in that case. The Commission should not give the appearance of approving such changes before it has even taken evidence on them and heard the numerous countervailing positions.

ISSUE 32B: Should the Commission approve TECO's proposal to recover capacity costs on a demand basis from demand-measured customers effective May 2009?

FIPUG: Yes, this is a partial correction of the defect recited in Issue 32A.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing pleading was furnished to the following, by electronic mail, on this 13th day of October, 2008:

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