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090001-EI

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Sent: Tuesday, October 06, 2009 5:03 PM
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Subject: Dkt 080001-EI FIPUG prehearing statement
Attachments: FIPUG Dkt 090001-EI 2009 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 9; and
4. The attached document is The Florida Industrial Power User Group's Prehearing Statement

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10/7/2009

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No. 090001-EI
Filed: October 6, 2009

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

The Florida Industrial Power Users Group (FIPUG) hereby files its Prehearing Statement, in compliance with PSC-09-0142-PCO-EI rendered March 6, 2009, establishing the prehearing procedure in this docket.

A. APPEARANCES:

John W. McWhirter, Jr., PO Box 3350, Tampa, Florida 33601-3350, Jon C. Moyle and Vicki Kaufman; Keefe Anchors Gordon & Moyle PA 118 N. Gadsden St. Tallahassee, FL 32301 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 more specially 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. Cost recovery clauses by their nature should deal with volatile and unusual costs rather than fixed costs. This is especially true now that utilities have redesigned their base rate structures to put more emphasis on collecting for fixed costs through energy consumption charges. Electric consumption falls in economically recessed times putting fixed cost recovery in peril unless new rate increases are granted or concepts, such as, revenue decoupling are introduced. When fixed costs are included in the energy charge it likewise discourages utilities from promoting fuel

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saving conservation. Utilities have no economic incentive to conserve fuel when all the fuel cost risk has been shifted to customers.

In the 2008 fuel docket forecasted fuel costs for 2009 were substantially overstated. FPL reduced its 2009 forecast and charges in late November 2008, TECo and PEF revised their fuel charges downward during the year. These reductions were contemporaneous with and partially offset base rate and other cost recovery increases that occurred during the year. In their September filings these three utilities dramatically reduced their forecasted 2010 fuel costs vis a vis 2009.

Should the Commission grant base rate and cost recovery increases sought in other dockets, which it should not do, such increases would take effect on or about January 1, 2010. The fuel cost reductions are welcome, but will mislead customers by giving the wrong impression that customers' bills are not dramatically affected by rate increases in other dockets. Should a minimum or no rate increase be authorized, ratepayers would realize the full beneficial impact of the projected fuel price decrease. Real power bill reductions will enable customers to retain funds that can be used to help weather the difficult economy confronting Florida.

For Gulf and FPUC 2010 projected fuel costs are only nominally reduced because anticipated wholesale revenue failed to materialize for Gulf and because FPUC is primarily a distribution company from a municipal utility that hasn't reduced its fuel charges.

Because fuel charges are now based more on forecasts than actual experience customers are disadvantaged. By Commission order midcourse corrections only occur when utilities opt to revise their forecasts. It appears to FIPUG that the new procedure gives utilities too much leeway in setting fuel charges based on internal forecasts that they are at liberty to accelerate or postpone. FIPUG recommends that fuel cost forecasts be mandated quarterly or that the Commission revert to basing fuel charges on actual rather than forecasted results.

In the last three years there is growing concern that the commodities markets may currently be governed more by derivative transactions than actual demand for the commodity. FIPUG suspects that when prices fell dramatically below forecasts in the fall of 2008 and 2009 that all the benefits customers received when prices were rising have been wiped out by utility hedging practices. FIPUG is concerned about billion dollar hedging losses but must continue to rely heavily on the Commission staff to protect consumer interest in connection with the derivative commodities markets because all of the utility hedging practices are deemed to be trade secrets unavailable to the general public.

E. STATEMENT OF ISSUES AND POSITIONS

COMPANY SPECIFIC FUEL ADJUSTMENT ISSUES

Progress Energy Florida, Inc.

ISSUE 1A: 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 2009 and August 2009 hedging reports?

FIPUG POSITION: No position at this time.

ISSUE 1B: Should the Commission approve PEF's 2010 Risk Management Plan?

FIPUG POSITION: No position at this time.

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 2009 and August 2009 hedging reports?

FIPUG POSITION: No position at this time.

ISSUE 2B: Should the Commission approve FPL's 2010 Risk Management Plan?

FIPUG POSITION: No position at this time.

ISSUE 2C: With respect to the February 26, 2008 outages, should FPL or its customers be responsible for \$6,086,178 in replacement power costs associated with the outages?

FIPUG POSITION: Pursuant to agreement between OPC and FPL, this issue should be considered in the 2010 fuel docket. FIPUG has no objection.

Florida Public Utilities Company

ISSUE 3A: Has FPUC pursued all reasonable avenues to protect its ratepayers from mid-course increases in fuel and demand charges from JEA in 2009?

FIPUG POSITION: No position at this time.

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 2009 and August 2009 hedging reports?

FIPUG POSITION: No position at this time.

ISSUE 4B: Should the Commission approve GULF's 2010 Risk Management Plan?

FIPUG POSITION: No position at this time.

ISSUE 4C: Should the Commission approve GULF's proposal to include the costs associated with construction and operation of the Perdido landfill Gas to Energy Facility in the fuel clause?

FIPUG POSITION: No position at this time.

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 2009 and August 2009 hedging reports?

FIPUG POSITION: No position at this time.

ISSUE 5B: Should the Commission approve TECO's 2010 Risk Management Plan?

FIPUG POSITION: No position at this time.

GENERIC FUEL ADJUSTMENT ISSUES

ISSUE 6: What are the appropriate actual benchmark levels for calendar year 2009 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

FIPUG POSITION: No position at this time.

ISSUE 7: What are the appropriate estimated benchmark levels for calendar year 2010 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

FIPUG POSITION: No position at this time.

ISSUE 8: What are the appropriate fuel adjustment true-up amounts for the period January 2008 through December 2008?

FIPUG POSITION: No position at this time.

ISSUE 9: What are the appropriate fuel adjustment true-up amounts for the period January 2009 through December 2009?

FIPUG POSITION: No position at this time.

ISSUE 10: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2010 to December 2010?

FIPUG POSITION: No position at this time.

ISSUE 11: 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 2010 through December 2010?

FIPUG POSITION: No position at this time.

ISSUE 12: 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 2010 through December 2010?

FIPUG POSITION: No position at this time.

ISSUE 13: What are the appropriate levelized fuel cost recovery factors for the period January 2010 through December 2010?

FIPUG POSITION: No position at this time.

ISSUE 14: 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 POSITION: No position at this time.

ISSUE 15: What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?

FIPUG POSITION: No position at this time.

ISSUE 16: What should be the effective date of the fuel adjustment charge and capacity cost recovery charge for billing purposes?

FIPUG POSITION: No position at this time.

COMPANY-SPECIFIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

Progress Energy Florida, Inc.

No company-specific issues for Progress Energy Florida, Inc. have been identified at this time. If such issues are identified, they shall be numbered 17A, 17B, 17C, 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 18A, 18B, 18C, 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 19A, 19B, 19C, 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 20A, 20B, 20C, and so forth, as appropriate.

GENERIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES

ISSUE 21: What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period January 2008 through December 2008 for each investor-owned electric utility subject to the GPIF?

FIPUG POSITION: No position at this time.

ISSUE 22: What should the GPIF targets/ranges be for the period January 2010 through December 2010 for each investor-owned electric utility subject to the GPIF?

FIPUG POSITION: No position at this time.

COMPANY-SPECIFIC CAPACITY COST RECOVERY FACTOR ISSUES

Progress Energy Florida, Inc.

ISSUE 23A: Has PEF included in the capacity cost recovery clause, the nuclear cost recovery amount ordered by the Commission in Docket No. 090009-EI?

FIPUG POSITION: 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. 090009-EI?

FIPUG POSITION: No position at this time.

Gulf Power Company

ISSUE 25A Gulf's filing demonstrates that during 2009 it has sold electricity through its interchange contract with affiliated companies for less than the cost of fuel to produce the power. There is no justification for the price differential in the record. Should the difference between the

fuel cost and the wholesale sales price be absorbed by Gulf rather than its retail customers?

FIPUG POSITION: Yes.

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 capacity cost recovery true-up amounts for the period January 2008 through December 2008?

FIPUG POSITION: No position at this time.

ISSUE 28: What are the appropriate capacity cost recovery true-up amounts for the period January 2009 through December 2009?

FIPUG POSITION: 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 2010 through December 2010?

FIPUG POSITION: 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 2010 through December 2010?

FIPUG POSITION: 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 2010 through December 2010?

FIPUG POSITION: No position at this time.

ISSUE 33: What are the appropriate capacity cost recovery factors for the period January 2010 through December 2010?

FIPUG POSITION: No position at this time.

F. STIPULATED ISSUES

FIPUG is not aware of any stipulated issues at this time except issue 2c

G. PENDING MOTIONS

FIPUG has no pending motions at this time.

H.. PENDING CONFIDENTIALITY CLAIMS OR REQUESTS

FIPUG has no pending requests for confidentiality at this time.

I. OBJECTIONS TO WITNESS QUALIFICATIONS AS AN EXPERT

FIPUG has no objections to any witnesses' qualifications at this time.

J. COMPLIANCE WITH ORDER NO. PSC-09-0142-PCO-EI

FIPUG has complied with all requirements of the Order Establishing Procedure entered in this docket.

Respectfully submitted

s/ *John W McWhirter, Jr.*

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 6th day of October, 2009:

FOIPUG PREHEARING STATEMENT
DOCKET NO. 090001-EI

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