BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Fuel and Purchased Power Cost	)	
Recovery Clause with Generating	)	DOCKET NO. 150001-EI
Performance Incentive Factor	)	FILED: October 9, 2015
	)	

PREHEARING STATEMENT OF THE FLORIDA RETAIL FEDERATION

The Florida Retail Federation ("FRF"), pursuant to the Order Establishing Procedure in this docket, Order No. PSC-15-0096-PCO-EI, issued February 10, 2015, and Order No. PSC-15-0169-PCO-EI, issued May 4, 2015, hereby submits its Prehearing Statement in this docket.

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On behalf of the Florida Retail Federation

1. WITNESSES:

The Florida Retail Federation does not intend to call any witnesses for direct examination, but reserves its rights to cross-examine all witnesses and to rely upon the prefiled testimony of witnesses in this docket, as well as testimony on their cross-examination.

2. EXHIBITS:

The Florida Retail Federation will not introduce any exhibits on direct examination, but reserves its rights to introduce exhibits through cross-examination of other parties' witnesses.

3. STATEMENT OF BASIC POSITION

Fuel Cost Hedging Issues

Based on the evidence presented by the Citizens' witnesses, the Commission should discontinue natural gas financial hedging practices in the State of Florida by the investor-owned utilities ("IOUs"). The testimony of the OPC's witnesses provides compelling evidence that hedging is not in the best interests of electric utility customers in Florida.

The stated purpose of natural gas financial hedging is to protect customers from fuel price volatility. However, the Commission's fuel and purchased power cost recovery proceedings and mid-course correction rule already effectively, efficiently, and economically mitigate and reduce fuel price volatility experienced by the customers on their monthly bills. Unlike financial hedging, the annual fuel adjustment clause and mid-course correction rule do not result in lost cost opportunities for customers, while still mitigating the impacts of fuel price volatility.

For these reasons, the Commission should deny the IOUs' risk management plans relating to natural gas financial hedging and should suspend and end the practice of natural gas financial hedging. The hedging transactions currently in place pursuant to Commission approved Risk Management Plans should be allowed to settle; however, the Commission should direct the IOUs not to enter into any additional financial hedging transactions until such time as one or more of the IOUs prove that financial hedging would provide a net benefit to the customers.

FPL Replacement Fuel Cost During St. Lucie 2 Outage

The Commission should disallow the $8,001,909 for replacement fuel costs sought by FPL due to the extended outage of St. Lucie 2 in 2014.

Other Issues

All of the investor-owned electric utilities bear the burden of proving the reasonableness and prudence of their expenditures for which they seek recovery through their Fuel and Purchased Power Cost Recovery Charges.

4. STATEMENT OF FACTUAL ISSUES AND POSITIONS

I. FUEL ISSUES

HEDGING ISSUES

ISSUE 1A: Deleted per Order PSC-15-0354-PCO-EI, issued on September 3, 2015.

ISSUE 1B: Deleted per Order PSC-15-0354-PCO-EI, issued on September 3, 2015.

ISSUE 1C: Deleted per Order PSC-15-0354-PCO-EI, issued on September 3, 2015.

ISSUE 1D: Is it in the consumers' best interest for the utilities to continue natural gas financial hedging activities?

FRF: No. For the facts and reasons described in the testimonies of OPC witnesses Noriega and Lawton, it is not in the best interest of the customers for the Companies to continue natural gas financial hedging activities.

ISSUE 1E: What changes, if any, should be made to the manner in which electric utilities conduct their natural gas financial hedging activities?

FRF: For the facts and reasons described in the testimonies of OPC witnesses Noriega and Lawton and in OPC's basic position, Commission should deny the Company's risk management plans as it relates to natural gas financial hedging activities and should suspend and end the practice of natural gas financial hedging.

COMPANY-SPECIFIC FUEL ADJUSTMENT ISSUES

Duke Energy Florida, Inc.

ISSUE 2A: Should the Commission approve as prudent DEF's actions to mitigate the volatility of natural gas, fuel oil, and purchased power prices, as reported in DEF's April 2015 and August 2015 hedging reports?

FRF: No position at this time.

ISSUE 2B: Should the Commission approve DEF's 2016 Risk Management Plan?

FRF: No. The plan should not be approved as filed inasmuch as it would authorize the company to continue the financial hedging of natural gas.

ISSUE 2C: Has DEF made appropriate adjustments, if any are needed, to account for replacement costs associated with the July 2014 forced outage at the Hines plant? If appropriate adjustments are needed and have not been made, what adjustment(s) should be made?

FRF: No position at this time.

Florida Power & Light Company

ISSUE 3A: Should the Commission approve as prudent FPL's actions to mitigate the volatility of natural gas, fuel oil, and purchased power prices, as reported in FPL's April 2015 and August 2015 hedging reports?

FRF: No position at this time.

ISSUE 3B: Should the Commission approve FPL's 2016 Risk Management Plan?

FRF: No. The plan should not be approved as filed because it would authorize the company to continue the financial hedging of natural gas.

ISSUE 3C: What is the total gain in 2014 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?

FRF: No position at this time.

ISSUE 3D: 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 2014 through December 2014?

FRF: No position at this time.

ISSUE 3E: 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 2014 through December 2014?

FRF: No position at this time.

ISSUE 3F: 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 2015 through December 2015?

FRF: No position at this time.

ISSUE 3G: 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 2015 through December 2015?

FRF: No position at this time.

ISSUE 3H: 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?

FRF: No position at this time.

ISSUE 3I: 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?

FRF: No position at this time.

ISSUE 3J: Has FPL made appropriate adjustments, if any are needed, to account for replacement power costs associated with the extended refueling outage in 2014 at Saint Lucie Unit 2? If appropriate adjustments are needed and have not been made, what adjustment(s) should be made?

FRF: No. $8,001,909 for replacement fuel costs for the St. Lucie 2 (April 2014) extended outage should be disallowed.

ISSUE 3K: What costs are appropriate for FPL's Woodford natural gas exploration and production project for recovery through the Fuel Clause?

FRF: No position at this time.

ISSUE 3L: Contested FIPUG issue.

FRF: No position at this time.

ISSUE 3M: Contested FIPUG issue.

FRF: No position at this time.

ISSUE 3N: Should the Commission approve FPL's proposed generation base rate adjustment (GBRA) factor of 3.899 percent for the Port Everglades Energy Center (PEEC) expected to go in-service on June 1, 2016?

FRF: No position at this time.

ISSUE 3O: Should the replacement power costs related to the unplanned outages at St. Lucie Unit 2 in February and April 2015 be recovered through the fuel recovery clause?

FRF: No position at this time.

Florida Public Utilities Company

ISSUE 4A: Should FPUC be permitted to recover the cost (depreciation expense, taxes, and return on investment) of building a transmission line to FPL's substation located in its Northeast Division through the fuel recovery clause?

FRF: No. Recovery of costs associated with transmission lines are not fossil fuel-related costs. Transmission costs are traditionally and historically recovered through base rates, not the fuel clause. Additionally, FPUC's request to recover these costs in the fuel clause violates the Company's rate case stipulation pursuant to Order PSC-14-0517-S-EI. Further, FPUC's argument that the transmission costs should be recovered as 2016 fuel costs should be rejected as the opportunity for potential "fuel savings" will not occur in 2016 because the current PPA does not expire until 2017 and this plant will not go into service until the end of 2017.

ISSUE 4B: Should FPUC's request to recover consulting and legal fees through the fuel clause be approved?

FRF: No. The requested consulting and legal fees are not fossil fuel-related costs. Consulting fees to research new opportunities for generation are costs that are traditionally and historically recovered through base rates. Additionally, FPUC's request to recover these costs in the fuel clause violates the Company's rate case stipulation pursuant to Order PSC-14-0517-S-EI. Further, these consulting costs are related to fuel procurement administration costs which, pursuant to Order No. 14546, are more appropriately recovered through base rates. Moreover, FPUC's argument that its consulting and legal fees for generation opportunities may produce fuel savings and, as such, should be recovered as 2016 fuel costs, should be rejected, as no "fuel savings" will occur in 2016.

Gulf Power Company

ISSUE 5A: Should the Commission approve as prudent Gulf's actions to mitigate the volatility of natural gas, fuel oil, and purchased power prices, as reported in Gulf's April 2015 and August 2015 hedging reports?

FRF: No position at this time.

ISSUE 5B: Should the Commission approve Gulf's 2016 Risk Management Plan?

FRF: No. The plan should not be approved as filed because it would authorize the company to continue the financial hedging of natural gas.

Tampa Electric Company

ISSUE 6A: Should the Commission approve as prudent TECO's actions to mitigate the volatility of natural gas, fuel oil, and purchased power prices, as reported in TECO's April 2015 and August 2015 hedging reports?

FRF: No position at this time.

ISSUE 6B: Should the Commission approve TECO's 2016 Risk Management Plan?

FRF: No. The plan should not be approved as filed because it would authorize the company to continue the financial hedging of natural gas.

ISSUE 6C: What is the appropriate amount of capital costs for the Big Bend fuel conversion project that TECO should be allowed to recover through the Fuel Clause for the period January 2015 through December 2015?

FRF: No position at this time.

ISSUE 6D: What is the appropriate amount of capital costs for the Big Bend fuel conversion project that TECO should be allowed to recover through the Fuel Clause for the period January 2016 through December 2016?

FRF: No position at this time.

ISSUE 6E: Are adjustments needed to account for replacement costs associated with the June 2015 forced outage at Big Bend Unit 2? If adjustments are needed, what adjustments should be made?

FRF: The $1.7 million cost of replacement fuel for the Big Bend Unit 2 outage should be disallowed if the bearing lube oil contamination was reasonably preventable. Any reimbursement of costs for replacement power should be credited to the fuel clause for the benefit of the ratepayers.

ISSUE 6F: Should TECO be allowed to recover through the fuel clause the costs associated with testing natural gas as a co-fired fuel at the Big Bend station?

FRF: No position at this time.

GENERIC FUEL ADJUSTMENT ISSUES

ISSUE 7: What are the appropriate actual benchmark levels for calendar year 2015 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

FRF: No position at this time.

ISSUE 8: What are the appropriate estimated benchmark levels for calendar year 2016 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

FRF: No position at this time.

ISSUE 9: What are the appropriate final fuel adjustment true-up amounts for the period January 2014 through December 2014?

FRF: No position at this time.

ISSUE 10: What are the appropriate fuel adjustment actual/estimated true-up amounts for the period January 2015 through December 2015?

FRF: No position at this time.

ISSUE 11: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2016 to December 2016?

FRF: No position at this time.

ISSUE 12: What are the appropriate projected total fuel and purchased power cost recovery amounts for the period January 2016 through December 2016?

FRF: 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 13A, 13B, 13C, and so forth, as appropriate.

Florida Power & Light Company

Contested Issue 14A

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 15A, 15B, 15C, 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 16A, 16B, 16C, and so forth, as appropriate.

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 2014 through December 2014 for each investor-owned electric utility subject to the GPIF?

FRF: No position at this time.

ISSUE 18: What should the GPIF targets/ranges be for the period January 2016 through December 2016 for each investor-owned electric utility subject to the GPIF?

FRF: No position at this time.

FUEL FACTOR CALCULATION ISSUES

ISSUE 19: 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 2016 through December 2016?

FRF: No position at this time.

ISSUE 20: 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 2016 through December 2016?

FRF: No position at this time.

ISSUE 21: What are the appropriate levelized fuel cost recovery factors for the period January 2016 through December 2016?

FRF: No position at this time.

ISSUE 22: 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?

FRF: No position at this time.

ISSUE 23: What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?

FRF: No position at this time.

II. CAPACITY ISSUES

COMPANY-SPECIFIC CAPACITY COST RECOVERY FACTOR ISSUES

Duke Energy Florida, Inc.

ISSUE 24A: Has DEF included in the capacity cost recovery clause the nuclear cost recovery amount ordered by the Commission in Docket No. 150009-EI?

FRF: No position at this time.

Florida Power & Light Company

ISSUE 25A: Has FPL included in the capacity cost recovery clause the nuclear cost recovery amount ordered by the Commission in Docket No. 150009-EI?

FRF: No position at this time pending the Commission determination in docket 150009-EI.

ISSUE 25B: What are the appropriate 2016 projected non-fuel revenue requirements for West County Energy Center Unit 3 (WCEC-3) to be recovered through the Capacity Clause?

FRF: 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 26A, 26B, 26C, 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 27A, 27B, 27C, and so forth, as appropriate.

GENERIC CAPACITY COST RECOVERY FACTOR ISSUES

ISSUE 28: What are the appropriate final capacity cost recovery true-up amounts for the period January 2014 through December 2014?

FRF: No position at this time.

ISSUE 29: What are the appropriate capacity cost recovery actual/estimated true-up amounts for the period January 2015 through December 2015?

FRF: 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 2016 through December 2016?

FRF: No position at this time.

ISSUE 31: What are the appropriate projected total capacity cost recovery amounts for the period January 2016 through December 2016?

FRF: No position at this time.

ISSUE 32: What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2016 through December 2016?

FRF: No position at this time.

ISSUE 33: What are the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the recovery factor for the period January 2016 through December 2016?

FRF: No position at this time.

ISSUE 34: What are the appropriate capacity cost recovery factors for the period January 2016 through December 2016?

FRF: No position at this time.

III. EFFECTIVE DATE

ISSUE 35: What should be the effective date of the fuel adjustment factors and capacity cost recovery factors for billing purposes?

FRF: No position at this time.

IV. TARIFF APPROVAL

ISSUE 36: Should the Commission approve revised tariffs reflecting the fuel adjustment factors and capacity cost recovery factors determined to be appropriate in this proceeding?

FRF: No position at this time.

ISSUE 37: Should this docket be closed?

FRF: No.

5. STIPULATED ISSUES:

The FRF is not aware of any stipulated issues at this time.

6. PENDING MOTIONS:

The FRF has no pending motions before the Commission in this docket.

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

The FRF has no pending requests or claims for confidentiality.

8. OBJECTIONS TO QUALIFICATION OF WITNESSESAS AN EXPERT:

As of the time of filing its prehearing statement, the FRF does not expect to challenge the qualification of any witness. However, the FRF believes that each party that intends to rely upon a witness's testimony as expert testimony should be required to identify the field or fields of expertise of such witness and to provide the basis for the witness's claimed expertise.

9. STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE:

There are no requirements of the Order Establishing Procedure with which the Florida Retail Federation cannot comply.

Respectfully submitted this 9th day of October, 2015.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been served by electronic mail on this 9th day of October, 2015.

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