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October 2, 2017

VIA: ELECTRONIC FILING

Ms. Carlotta S. Stauffer, Director  
Office of Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Re: Fuel and Purchased Power Cost Recovery Clause with Generating  
Performance Incentive Factor; FPSC Docket No. 20170001-EI

Dear Ms. Stauffer:

Attached for filing in the above docket is Tampa Electric Company's Prehearing Statement.

Thank you for your assistance in connection with this matter.

Sincerely,

  
James D. Beasley

JDB/pp  
Attachment

cc: All Parties of Record (w/attachment)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and Purchased )  
Power Cost Recovery Clause )  
And Generating Performance )  
Incentive Factor. )  
\_\_\_\_\_ )

DOCKET NO. 20170001-EI

FILED: October 2, 2017

**TAMPA ELECTRIC COMPANY'S  
PREHEARING STATEMENT**

**A. APPEARANCES:**

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J. JEFFRY WAHLEN  
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On behalf of Tampa Electric Company

**B. WITNESSES:**

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
(Direct)		
1. Penelope A. Rusk (TECO)	Generic Fuel Adjustment Issues Adjustment Factors	6, 7, 8, 9, 10, 11
	Fuel Factor Calculation Issues	18, 19, 20, 21, 22
	Generic Capacity Cost Recovery Factor Issues	27, 28, 29, 30, 31, 32 33
	Effective Date	34, 35, 36
2. Brian S. Buckley (TECO)	Generic Generating Performance Incentive Factor Issues	16, 17
	Fuel Factor Calculation Issues	18
3. Benjamin F. Smith (TECO)	Fuel Factor Calculation Issues	18

	Generic Capacity Cost Recovery Factor Issues	31
4. Brent C. Caldwell (TECO)	Company-Specific Fuel Adjustment Issues	5A
	Fuel Factor Calculation Issues	18

**C. EXHIBITS:**

<u>Exhibit</u>	<u>Witness</u>	<u>Description</u>
<u>          </u> (PAR-1)	Rusk	Final True-up Capacity Cost Recovery January 2016 - December 2016
<u>          </u> (PAR-1)	Rusk	Final True-up Fuel Cost Recovery January 2016 – December 2016
<u>          </u> (PAR-1)	Rusk	Actual Fuel True-up Compared to Original Estimates January 2016 – December 2016
<u>          </u> (PAR-1)	Rusk	Schedules A-1, A-2 and A-6 through A-9 and A-12 January 2016 – December 2016
<u>          </u> (PAR-1)	Rusk	Capital Projects Approved for Fuel Clause Recovery January 2016 – December 2016
<u>          </u> (PAR-2)	Rusk	Actual/Estimated True-Up Fuel Cost Recovery January 2017 – December 2017
<u>          </u> (PAR-2)	Rusk	Actual/Estimated True-Up Capacity Cost Recovery January 2017– December 2017
<u>          </u> (PAR-2)	Rusk	Capital Projects Approved for Fuel Clause Recovery January 2017 – December 2017
<u>          </u> (PAR-3)	Rusk	Projected Capacity Cost Recovery January 2018 – December 2018
<u>          </u> (PAR-3)	Rusk	Projected Fuel Cost Recovery January 2018 – December 2018
<u>          </u> (PAR-3)	Rusk	Levelized and Tiered Fuel Rate January 2018– December 2018

<u>          </u> (PAR-3)	Rusk	Capital Projects Approved for Fuel Clause Recovery January 2018 – December 2018
<u>          </u> (BSB-1)	Buckley	Final True-Up Generating Performance Incentive Factor January 2016 – December 2016
<u>          </u> (BSB-1)	Buckley	Actual Unit Performance Data January 2016 – December 2016
<u>          </u> (BSB-2)	Buckley	Generating Performance Incentive Factor January 2018 – December 2018
<u>          </u> (BSB-2)	Buckley	Summary of Generating Performance Incentive Factor Targets January 2018 – December 2018
<u>          </u> (JBC-1)	Caldwell	Final True-Up Hedging Activity Report January 2016 – December 2016
<u>          </u> (JBC-2)	Caldwell	Natural Gas Hedging Activity Report January 2017 – July 2017

**D. STATEMENT OF BASIC POSITION**

**Tampa Electric Company's Statement of Basic Position:**

The Commission should approve Tampa Electric's calculation of its fuel adjustment, capacity cost recovery and GPIF true-up and projection calculations, including the proposed fuel adjustment factor of 3.127cents per kWh before any application of time of use multipliers for on-peak or off-peak usage; the company's proposed capacity factor for the period January through December 2018; a GPIF reward of \$47,392 for performance during 2016; and approval of the company's proposed GPIF targets and ranges for 2018. Tampa Electric also requests approval of its calculated wholesale incentive benchmark of \$881,855 for calendar year 2018.

**E. STATEMENT OF ISSUES AND POSITIONS**

**I. FUEL ISSUES**

**COMPANY-SPECIFIC FUEL ADJUSTMENT ISSUES**

**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 2017 and August 2017 hedging reports?

**TECO:** Yes. Tampa Electric prudently followed its 2016 Risk Management Plan, Commission Order No. PSC-2016-0547-FOF-EI, and Commission Order No. PSC-2017-0134-PCO-EI in utilizing financial hedges to mitigate volatility of natural gas prices during the period January 2016 through July 2017. (Witness: Caldwell)

**GENERIC FUEL ADJUSTMENT ISSUES**

**ISSUE 6:** What are the appropriate actual benchmark levels for calendar year 2017 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

**TECO:** \$1,493,095 (Witness: Rusk)

**ISSUE 7:** What are the appropriate estimated benchmark levels for calendar year 2018 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

**TECO:** The appropriate estimated benchmark level for calendar year 2018 for gains on non-separated wholesale energy sales eligible for a shareholder incentive is \$881,855. However, if approved by the Commission, the company's optimization mechanism described in Tampa Electric's amended and restated settlement agreement submitted on September 27, 2017 in Docket No. 20170210-EI will replace this non-separated wholesale energy sales incentive. (Witness: Rusk)

**ISSUE 8:** What are the appropriate final fuel adjustment true-up amounts for the period January 2016 through December 2016?

**TECO:** \$21,571,557 under-recovery (Witness: Rusk)

**ISSUE 9:** What are the appropriate fuel adjustment actual/estimated true-up amounts for the period January 2017 through December 2017?

**TECO:** \$38,652,694 over-recovery (Witness: Rusk)

**ISSUE 10:** What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2018 to December 2018?

**TECO:** \$17,081,137 over-recovery (Witness: Rusk)

**ISSUE 11:** What are the appropriate projected total fuel and purchased power cost recovery amounts for the period January 2018 through December 2018?

**TECO:** The total recoverable fuel and purchased power recovery amount to be collected, adjusted by the jurisdictional separation factor, excluding GPIF and the revenue tax factor, but including the true-up amount, is \$610,721,792. (Witness: Rusk)

#### **GENERIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES**

**ISSUE 16:** What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period January 2016 through December 2016 for each investor-owned electric utility subject to the GPIF?

**TECO:** A reward in the amount of \$47,392. (Witness: Buckley)

**ISSUE 17:** What should the GPIF targets/ranges be for the period January 2018 through December 2018 for each investor-owned electric utility subject to the GPIF?

**TECO:** The appropriate targets and ranges are shown in Exhibit No. \_\_\_\_ (BSB-2) to the prefiled testimony of Mr. Brian S. Buckley. Targets and ranges should be set according to the prescribed GPIF methodology established in 1981 by Commission Order No. 9558 in Docket No. 800400-CI and modified in 2006 by

(Witness: Buckley)

## **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 2018 through December 2018?

**TECO:** The projected net fuel and purchased power cost recovery amount to be included in the recovery factor for the period January 2018 through December 2018, adjusted by the jurisdictional separation factor, is \$627,802,929. The total recoverable fuel and purchased power cost recovery amount to be collected, including the true-up and GPIF and adjusted for the revenue tax factor, is \$611,208,904. (Witness: Rusk, Caldwell, Buckley, Smith)

**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 2018 through December 2018?

**TECO:** The appropriate revenue tax factor is 1.00072 (Witness: Rusk)

**ISSUE 20:** What are the appropriate levelized fuel cost recovery factors for the period January 2018 through December 2018?

**TECO:** The appropriate factor is 3.127 cents per kWh before any application of time of use multipliers for on-peak or off-peak usage. (Witness: Rusk)

**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?

**TECO:** The appropriate fuel recovery line loss multipliers are as follows:

<u>Metering Voltage Schedule</u>	<u>Line Loss Multiplier</u>
Distribution Secondary	1.0000

Distribution Primary	0.9900
Transmission	0.9800
Lighting Service	1.0000
(Witness: Rusk)	

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

**TECO:** The appropriate factors are as follows:

<u>Metering Voltage Level</u>	<u>Fuel Charge Factor (cents per kWh)</u>	
Secondary	3.132	
RS Tier I (Up to 1,000 kWh)	2.818	
RS Tier II (Over 1,000 kWh)	3.818	
Distribution Primary	3.101	
Transmission	3.069	
Lighting Service	3.095	
Distribution Secondary	3.330	(on-peak)
	3.047	(off-peak)
Distribution Primary	3.297	(on-peak)
	3.017	(off-peak)
Transmission	3.263	(on-peak)
	2.986	(off-peak)
(Witness: Rusk)		

## II. CAPACITY ISSUES

### GENERIC CAPACITY COST RECOVERY FACTOR ISSUES

**ISSUE 27:** What are the appropriate final capacity cost recovery true-up amounts for the period January 2016 through December 2016?

**TECO:** \$4,411,715 under-recovery. (Witness: Rusk)

**ISSUE 28:** What are the appropriate capacity cost recovery actual/estimated true-up amounts for the period January 2017 through December 2017?

**TECO:** \$1,648,777 over-recovery. (Witness: Rusk)

**ISSUE 29:** What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2018 through December 2018?

**TECO:** \$2,762,938 under-recovery. (Witness: Rusk)

**ISSUE 30:** What are the appropriate projected total capacity cost recovery amounts for the period January 2018 through December 2018?

**TECO:** The projected total capacity cost recovery amount for the period January 2018 through December 2018 is \$8,131,950. (Witness: Rusk)

**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 2018 through December 2018?

**TECO:** The total recoverable capacity cost recovery amount to be collected, including the true-up amount and adjusted for the revenue tax factor, is \$10,902,732. (Witness: Rusk, Smith)

**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 2018 through December 2018?

**TECO:** The appropriate jurisdictional separation factor is 1.0000000. (Witness: Rusk)

**ISSUE 33:** What are the appropriate capacity cost recovery factors for the period January 2018 through December 2018?

**TECO:** The appropriate factors for January 2018 through December 2018 are as follows:

<u>Rate Class and Metering Voltage</u>	<u>Capacity Cost Recovery Factor</u>	
	<u>Cents per kWh</u>	<u>\$ per kW</u>
RS Secondary	0.066	
GS and CS Secondary	0.060	
GSD, SBF Standard		
Secondary		0.20
Primary		0.20
Transmission		0.20
GSD Optional		
Secondary	0.047	

Primary	0.047	
IS, SBI		
Primary		0.14
Transmission		0.14
LS1 Secondary	0.016	
(Witness: Rusk)		

**III. EFFECTIVE DATE**

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

**TECO:** The new factors should be effective beginning with the first billing cycle for January 2018 through the last billing cycle for December 2018. The first billing cycle may start before January 1, 2018, and the last cycle may be read after December 31, 2018, so that each customer is billed for twelve months regardless of when the recovery factors became effective. The new factors shall continue in effect until modified by this Commission. (Witness: Rusk)

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

**TECO:** Yes. (Witness: Rusk)

**ISSUE 36:** Should this docket be closed?

**TECO:** Yes.

**F. STIPULATED ISSUES**

**TECO:** None at this time.

**G. MOTIONS**

**TECO:** None at this time.

**H. PENDING REQUEST OR CLAIMS FOR CONFIDENTIALITY**

**TECO:** Tampa Electric has pending a number of requests for confidential treatment of information relating to hedging practices, risk management strategies and fuel transportation contract matters.

**I. OBJECTIONS TO A WITNESS'S QUALIFICATION AS AN EXPERT**

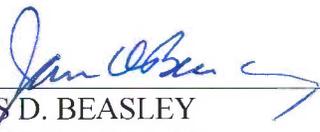
**TECO:** None at this time.

**J. OTHER MATTERS**

**TECO:** None at this time.

DATED this 2nd day of October 2017.

Respectfully submitted,

  
\_\_\_\_\_  
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ATTORNEYS FOR TAMPA ELECTRIC COMPANY

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Prehearing Statement, filed on behalf of Tampa Electric Company, has been served by electronic mail on this 2nd day of October, 2017 to the following:

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