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August 12, 1996

HAND DELIVERED

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Fuel and Purchased Power Cost Recovery Clause
with Generating Performance Incentive Factor;
FPSC Docket No. 960001-EI

Dear Ms. Bayo:

Enclosed for filing in the above docket are the original and
ACK 1 fifteen (15) copies of Tampa Electric Company's Prehearing
AFA 3 Statement.


APP _____ Also enclosed is the a 3.5" diskette containing the above
CAF _____ document which was generated on a DOS computer in WordPerfect 5.1
CMU _____ format.

CTR _____ Please acknowledge receipt and filing of the above by stamping
EAG 1 the duplicate copy of this letter and returning same to this
writer.

LEO 1 Thank you for your assistance in connection with this matter.
LIR 3

Sincerely,


James D. Beasley

RECEIVED & FILED

EPSC-BUREAU OF RECORDS

JDB/pp
Enclosures

cc: All Parties of Record (w/enc.)

DOCUMENT NUMBER-DATE

08419 AUG 12 1996

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. 960001-EI
FILED: August 12, 1996

PREHEARING STATEMENT OF TAMPA ELECTRIC COMPANY

A. APPEARANCES:

LEE L. WILLIS
JAMES D. BEASLEY
Ausley & McMullen
Post Office Box 391
Tallahassee, Florida 32302
On behalf of Tampa Electric Company

B. WITNESSES:

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
<u>(Direct)</u>		
1. Mary Jo Pennino (TECO)	Fuel Adjustment True-up and Projections; Capacity Cost Recovery True-up and Projections	1, 2, 3, 4, 6, 7, 8, 10, 13e, 19, 20, 21, 22, 23
2. G. A. Keselowsky (TECO)	GPIF Reward/Penalty and Targets/Ranges	14, 15, 18
3. W. N. Cantrell (TECO)	Affiliated Coal Trans- portation Costs	13a, 13b, 13c, 13d
4. John B. Ramil	Off-System Sales	9

C. EXHIBITS:

<u>Exhibit</u>	<u>Witness</u>	<u>Description</u>
_____ (MJP-1)	Pennino	Levelized fuel cost recovery and capacity cost recovery final true- up, October 1995 - March 1996
_____ (MJP-2)	Pennino	Fuel adjustment projection, October 1996 - March 1997
_____ (MJP-3)	Pennino	Capacity cost recovery projection, October 1996 - March 1997

DOCUMENT NUMBER-DATE

08419 AUG 12 96

FPSC-RECORDS/REPORTING

<u>(MJP-4)</u>	Pennino	Deferred Revenue Plan \$25 Million Refund - October 1996 - September 1997
<u>(GAK-1)</u>	Keselowsky	Generating Performance Incentive Factor Results, October 1995 - March 1996
<u>(GAK-2)</u>	Keselowsky	GPIF Targets and Ranges for October 1996 - March 1997
<u>(GAK-3)</u>	Keselowsky	Estimated Unit Performance Data, October 1996 - March 1997
<u>(WNC-1)</u>	Cantrell	Transportation Benchmark Calculation, FPSC Order 93-0443-FOF-EI and FPSC Order No. 20298

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 and capacity cost recovery factors, including the proposed fuel adjustment factor of 2.401 cents per KWH before application of factors which adjust for variation in line losses and the proposed capacity cost recovery factor of .149 cents per KWH before applying the 12 CP and 1/13 allocation methodology; the company's calculation of a GPIF penalty of \$104,014; and Tampa Electric's proposed GPIF targets and ranges.

The Commission should adhere to its previous determinations in the fuel adjustment docket and in Tampa Electric's 1992 rate case that it is appropriate for Tampa Electric to utilize lower cost incremental fuel pricing in the company's separated off-system sales.

E. STATEMENT OF ISSUES AND POSITIONS

Generic Fuel Adjustment Issues

ISSUE 1: What are the appropriate final fuel adjustment true-up amounts for the period October, 1995 through March, 1996?

TECO: An underrecovery of \$5,676,277. (Pennino)

ISSUE 2: What are the estimated fuel adjustment true-up amounts for the period April, 1996 through September, 1996?

TECO: An overrecovery of \$1,157,170. (Pennino)

ISSUE 3: What are the total fuel adjustment true-up amounts to be collected during the period October, 1996 through March, 1997?

TECO: An underrecovery of \$4,519,107. (Pennino)

ISSUE 4: What are the appropriate levelized fuel cost recovery factors for the period October, 1996 through March, 1997?

TECO: 2.401 cents per KWH before application of the factors which adjust for variations in line losses. (Pennino)

ISSUE 5: What should be the effective date of the new fuel adjustment charge and capacity cost recovery charge for billing purposes?

TECO: The factor should be effective beginning with the specified fuel cycle and thereafter for the period October, 1996 through March, 1997. Billing cycles may start before October 1, 1996, and the last cycle may be read after March 31, 1997, so that each customer is billed for six months regardless of when the adjustment factor became effective.

ISSUE 6: What are the appropriate fuel recovery line loss multipliers to be used in calculating the fuel cost recovery factors charged to each rate class?

<u>TECO:</u>	<u>Multiplier</u>
Group A	1.00720
Group A1	NA
Group B	1.00130
Group C	0.96870

*Group A1 is based on Group A, 15% of On-Peak and 85% of Off-Peak. (Pennino)

ISSUE 7: What are the appropriate Fuel Cost Recovery Factors for each rate group adjusted for line losses?

TECO:

	<u>Standard</u>	<u>On-Peak</u>	<u>Off-Peak</u>
Group A	2.418	2.841	2.258
Group A1	2.345	NA	NA
Group B	2.404	2.825	2.245
Group C	2.326	2.733	2.172

(Pennino)

ISSUE 8: What is the appropriate revenue tax factor to be applied in calculating each company's levelized fuel factor for the projection period of October, 1996 through March, 1997?

TECO: 1.00083

ISSUE 9: Should an electric utility be permitted to include, for retail fuel cost recovery purposes, fuel costs of generation at any of its units which exceed, on a cents-per-kilowatt-hour basis, the average fuel cost of total generation (wholesale plus retail) out of those same units?

TECO: The issue is unclear and easily misunderstood as it is worded. However, based on the Office of Public Counsel's Prehearing Statement from the February 1996 fuel hearing, discussions with OPC and OPC witness Larkin's testimony, Tampa Electric has come to realize that the intent of OPC's issue is to question whether it is appropriate to price off-system sales at incremental cost.

Tampa Electric believes that wholesale sales at incremental cost are in the best interest of retail customer, so long as there are overall system benefits. For example, the pricing of economy broker transactions throughout the state is based on incremental cost. OPC's contrary view fails to consider the entire economic benefit from off-system sales on retail customers and is based on an erroneous and artificial distinction between short-term sales and longer term separated off-system sales.

In point of fact, the Commission has previously specifically reviewed and approved Tampa Electric's use of incremental fuel cost in off-system sales transactions in prior fuel adjustment proceedings. In

addition, the Commission reviewed the overall treatment of Tampa Electric's wholesale sales in the company's last rate case.

Based on the foregoing and the other considerations discussed in the direct and rebuttal testimony of Tampa Electric witness, Mr. John B. Ramil, OPC's position on this issue, as set forth in the testimony of witness Larkin, should be rejected. (Witness: Ramil)

ISSUE 10: Should the investor-owned electric utilities continue to file Fuel Cost Recovery Forms, PSC/EAG8(10/94) as required by Commission Directive issued April 24, 1980?

TECO: Yes. (Pennino)

Company Specific Fuel Adjustment Issues

ISSUE 13a: What is the appropriate 1995 benchmark price for coal Tampa Electric Company purchased from its affiliate, Gatliff Coal Company?

TECO: \$41.12/Ton. (Cantrell)

ISSUE 13b: Has Tampa Electric Company adequately justified any costs associated with the purchase of coal from Gatliff Coal Company that exceed the 1995 benchmark price?

TECO: Yes. TECO's actual costs are below the benchmark as calculated by both Staff and the company, and therefore this issue is moot. (Cantrell)

ISSUE 13c: What is the appropriate 1995 waterborne coal transportation benchmark price for transportation services provided by affiliates of Tampa Electric Company?

TECO: The 1995 transportation benchmark for affiliated waterborne coal transportation services is \$27.08. (Cantrell)

ISSUE 13d: Has Tampa Electric Company adequately justified any costs associated with transportation services provided by affiliates of Tampa Electric Company that exceed the 1995 waterborne transportation benchmark price?

TECO: Yes. TECO's actual costs are below the benchmark as calculated by both Staff and the company, and therefore this issue is moot. (Cantrell)

ISSUE 13e: Has Tampa Electric Company appropriately calculated its proposed refund factors for refunding the \$25 million in excess earnings as required by Order No. PSC-96-0670-S-EI?

TECO: Yes. The Commission should approve a refund credit factor to refund \$25,000,000 plus interest over a one year period. All customer bills beginning with the new fuel adjustment charge in October 1996 should reflect a refund credit. The company has calculated that the retail average refund credit factor beginning in October 1996 is 0.173 cents per kwh before application of the factors which adjust for variations in line losses. Tampa Electric proposes to reflect the refund credit as a line item credit on customers' bills. (Witness: Pennino)

Generic Generating Performance Incentive Factor Issues

ISSUE 14: What is the appropriate GPIF reward or penalty for performance achieved during the period October, 1995 through March, 1996?

TECO: Penalty of \$104,014. (Keselowsky)

ISSUE 15: What should the GPIF targets/ranges be for the period October, 1996 through March, 1997?

TECO: As set forth in Attachment "A" attached to the Prepared Direct Testimony of George A. Keselowsky. (Keselowsky)

Company-Specific GPIF Issues

ISSUE 18: Should the additional generation due to scrubbing be removed from Tampa Electric Company's heat rate calculation for Big Bend Unit 3?

TECO: Yes. This type of adjustment was stipulated to and approved in the February 1996 fuel adjustment hearing. Such an adjustment will insure continuity of data, both before and after the scrubber integration of Big Bend Units 3 and 4, until sufficient operational history has been developed. (Keselowsky)

Generic Capacity Cost Recovery Issues

ISSUE 19: What is the appropriate final capacity cost recovery true-up amount for the period October, 1995 through March, 1996?

TECO: An overrecovery of \$785,067. (Pennino)

ISSUE 20: What is the estimated capacity cost recovery true-up amount for the period April, 1996 through September, 1996?

TECO: An overrecovery of \$318,287. (Pennino)

ISSUE 21: What is the total capacity cost recovery true-up amount to be collected during the period October, 1996 through March, 1997?

TECO: An overrecovery of \$1,103,354. (Pennino)

ISSUE 22: What is the appropriate projected net purchased power capacity cost recovery amount to be included in the recovery factor for the period October, 1996 through March, 1997?

TECO: \$10,226,956. (Pennino)

ISSUE 23: What are the projected capacity cost recovery factors for the period October, 1996 through March 1997?

TECO: The appropriate factors are as follows:

<u>Rate Schedules</u>	<u>Factor</u>
RS	.198 cents per KWH
GS, TS	.191 cents per KWH
GSD	.146 cents per KWH
GSLD, SBF	.130 cents per KWH
IS-1 & 3, SBI-1 & 3	.011 cents per KWH
SL, OL	.024 cents per KWH
(Pennino)	

Company-Specific Capacity Cost Recovery Issues

TECO: None at this time.

F. STIPULATED ISSUES

TECO: Issue 5 should be stipulated.

G. MOTIONS

TECO: None at this time.

H. OTHER MATTERS

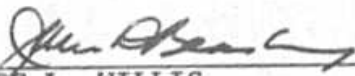
TECO: None at this time.

I. STATEMENT OF ANY REQUIREMENT SET FORTH IN ORDER PSC-96-0816-PCO-EI THAT CANNOT BE COMPLIED WITH

TECO: Tampa Electric knows of no such requirement that cannot be complied with at this time.

DATED this 12th day of August, 1996.

Respectfully submitted,



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ATTORNEYS FOR TAMPA ELECTRIC COMPANY

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of Tampa Electric Company's Prehearing Statement has been furnished by U. S. Mail or hand delivery (*) on this 12th day of August, 1996 to the following:

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