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LAW OFFICES

McWHIRTER, REEVES, MCGLOTHLIN, DAVIDSON, RIEF & BAKAS, P.A.

LYNWOOD F. ARNOLD, JR.
JOHN W. BAKAS, JR.
HARRY LEE COE, IV
LINDA DARSEY HARTLEY
C. THOMAS DAVIDSON
STEPHEN O. DECKER
LINDA E. JORGE
VICKI GORDON KAUFMAN
JOSEPH A. MCGLOTHLIN
JOHN W. McWHIRTER, JR.
RICHARD W. REEVES
FRANK J. RIEF, III
DAVID W. STEEN
PAUL A. STRASSE

100 NORTH TAMPA STREET, SUITE 2800
TAMPA, FLORIDA 33602-5126

MAILING ADDRESS: TAMPA
P.O. BOX 3350, TAMPA, FLORIDA 33601-3350

TELEPHONE (813) 224-0800

FAX (813) 221-1854

CABLE GRANDLAW

PLEASE REPLY TO:
TALLAHASSEE

TALLAHASSEE OFFICE
117 N. GADSDEN
TALLAHASSEE, FLORIDA 32301

TELEPHONE (904) 222-2525

FAX (904) 222-5606

March 21, 1997

HAND-DELIVERED

Blanca S. Bayo, Director
Division of Records and Reporting
Gunter Building
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0870

Re: Docket No. 970096-EQ

Dear Ms. Bayo:

Enclosed for filing and distribution are the original and fifteen copies of FIPUG's Prehearing Statement in the above docket. I have also enclosed a disk in WordPerfect 5.1 format. The Prehearing Statement is entitled FIPUG.PHS.

Please acknowledge receipt of the above on the extra copy enclosed herein and return it to me. Thank you for your assistance.

Sincerely,

Vicki Gordon Kaufman
Vicki Gordon Kaufman

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DOCUMENT NUMBER: DATE

03018 MAR 21 97

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for expedited approval)	
of agreement with Tiger Bay Limited)	Docket No. 970096-EQ
Partnership to purchase Tiger Bay)	
cogeneration facility and terminate)	Filed: March 21, 1997
related purchased power contracts by)	
Florida Power Corporation.)	

THE FLORIDA INDUSTRIAL POWER USERS GROUP'S PREHEARING STATEMENT

Pursuant to Order No. PSC-97-0173-PCO-EQ, the Florida Industrial Power Users Group (FIPUG) files its Prehearing Statement. FIPUG reserves the right to amend the positions listed herein and/or to take additional positions up to and including the time of the Prehearing Conference in this docket.

A. APPEARANCES:

JOHN W. McWHIRTER, JR., McWhirter, Reeves, McGlothlin, Davidson, Rief & Bakas, P.A., P.O. Box 3350, Tampa, Florida 33601-3350 and **VICKI GORDON KAUFMAN**, McWhirter, Reeves, McGlothlin, Davidson, Rief & Bakas, P. A., 117 South Gadsden Street, Tallahassee, Florida 32301

On Behalf of the Florida Industrial Power Users Group.

B. WITNESSES:

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
Randall J. Falkenberg	Benefits/detriments of proposed transaction; method of recovery	8-25, 27

C. EXHIBITS:

<u>Exhibits</u>	<u>Witness</u>	<u>Description</u>
Falkenberg resume	Falkenberg	Qualifications (RJF-1)
Economic Analysis of Tiger Bay Proposal	Falkenberg	Economic analysis of proposal (RJF-2)

DOCUMENT NUMBER-DATE
03018 MAR 21 97
FPSC-RECORDS/REPORTING

<u>Exhibits</u>	<u>Witness</u>	<u>Description</u>
Deferral and Recovery of Termination Costs	Falkenberg	Illustration of deferral & recovery of costs (RJF-3)
FPC Rate Cases & Surcharge Requests	Falkenberg	Comparison of FPC rate case & surcharge requests (RJF-4)

D. STATEMENT OF BASIC POSITION:

The Florida Industrial Power Users Group's Statement of Basic Position:

FPC's proposal to require ratepayers to finance the termination of several power purchase contracts with TBLP and buy the Tiger Bay facility for FPC over a short time period is not a good deal for ratepayers, as presently structured. It will take too long for ratepayers to receive any benefits from this transaction, if they ever do.

E. STATEMENT OF ISSUES AND POSITIONS:

1. **ISSUE:** Has Florida Power Corporation provided adequate assurances regarding the operational reliability of the Tiger Bay generating facility?

FIPUG: No position at this time.

2. **ISSUE:** Has Florida Power Corporation provided adequate assurances regarding the financial viability of the Tiger Bay generating facility?

FIPUG: No position at this time.

3. **ISSUE:** Are Florida Power Corporation's projections of non-fuel operating expenses reasonable?

FIPUG: No position at this time.

4. **ISSUE:** Has Florida Power Corporation provided adequate assurances that

sufficient natural gas pipeline capacity will be available to transport natural gas to the Tiger Bay facility?

FIPUG: No position at this time.

5. **ISSUE:** Is Florida Power Corporation's fuel price forecast reasonable?

FIPUG: No position at this time.

6. **ISSUE:** Are Florida Power Corporation's financial assumptions reasonable?

FIPUG: No position at this time.

7. **ISSUE:** What is the appropriate annual accrual amount for the provision of final dismantlement of the Tiger Bay facility?

FIPUG: No position at this time.

8. **ISSUE:** What is the appropriate remaining life, net salvage, reserve, and resultant depreciation rate for the Tiger Bay facility?

FIPUG: The multi-million dollar investment related to the purchase of the plant should be treated like any other plant investment. (Falkenberg)

9. **ISSUE:** Are the purchase power agreement termination payments properly classified as an acquisition adjustment?

FIPUG: No. (Falkenberg)

10. **ISSUE:** Is there an acquisition adjustment associated with the purchase of plant facilities?

FIPUG: No. (Falkenberg)

11. **ISSUE:** Should FPC be required to perform an original cost study for the Tiger Bay generating plant to determine the appropriate amount of investment and

reserve to include in Account 101?

FIPUG: Yes. (Falkenberg)

12. **ISSUE:** Is Florida Power Corporation's proposal to purchase the Tiger Bay facility and terminate the related power purchase agreements prudent?

FIPUG: No. As to the purchase, the price appears to be more than 50% higher than the costs of plants now under construction and it would be necessary for FPC to prove prudence in its next rate case. As to the contract buy out, the five-year purchase period through a surcharge is unfair to customers. (Falkenberg)

13. **ISSUE:** Should the Commission approve the purchase agreement for Florida Power Corporation to purchase the Tiger Bay facility and terminate the related power purchase agreements?

FIPUG: No, not as presently structured. If the Commission wants to approve this transaction, it should hold ratepayers neutral and ensure that the proposal is self-financed as outlined in Mr. Falkenberg's testimony. (Falkenberg)

14. **ISSUE:** Should the Commission approve recovery of the fuel costs associated with the Tiger Bay Facility through the Fuel and Purchased Power Cost Recovery Clause?

FIPUG: No, the post-acquisition costs of the Vastar gas contract are much higher than the cost of the coal-fired energy on which the contract is based. These additional costs should not be borne by ratepayers. (Falkenberg)

15. **ISSUE:** Should the Commission approve recovery of the natural gas transportation costs associated with the Tiger Bay Facility through the Fuel and Purchased Power Cost Recovery clause?

FIPUG: No. (Falkenberg)

16. **ISSUE:** What is the appropriate method for recovering the cost of the Tiger Bay generating facility?

FIPUG: The investment related to the purchase of the plant should be treated like any other rate base investment. (Falkenberg)

17. **ISSUE:** What is the appropriate method for recovering the cost of terminating the power purchase agreements?

FIPUG: Assuming the Commission approves this transaction, the costs of terminating the power purchase contracts, should be charged to ratepayers based on the current contract payments and any unrecovered termination charges should be deferred. (Falkenberg)

18. **ISSUE:** What is the appropriate method of recovering the cost of the Materials & Supplies Inventory?

FIPUG: Materials and supplies should be treated as they would with any other FPC power plant. (Falkenberg)

19. **ISSUE:** Should the revenue from the steam sales agreement be credited through the Fuel and Purchased Power Cost Recovery Clause?

FIPUG: Assuming the Commission approves the transaction in some form, yes. (Falkenberg)

20. **ISSUE:** What is the appropriate amortization period for recovering the cost of the Tiger Bay generating facility?

FIPUG: The appropriate amortization period for the plant is twenty-seven years (the remaining life of the plant). (Falkenberg)

21. **ISSUE:** What is the appropriate amortization period for recovering the cost of terminating the power purchase agreements?

FIPUG: The appropriate period for recovering contract termination charges is as long as it takes so that ratepayers remain indifferent to this transaction. (Falkenberg)

22. **ISSUE:** Should Florida Power be granted the latitude to manage the collection of the purchase price over the amortization period?

FIPUG: Assuming the transaction is approved in its present form, no. The Commission should delineate how the purchase price will be amortized at the outset of the transaction. (Falkenberg)

23. **ISSUE:** Will the contract buy out and plant purchase cause rate shock?

FIPUG: Yes, the shutdown of Crystal River 3 has added \$90 million to FPC's fuel recovery costs. This transaction will increase fuel costs further. The Tiger Bay transaction should be postponed until customers have had the opportunity to recovery from the shock of dealing with the nuclear disaster. (Falkenberg)

24. **ISSUE:** Will the proposal impact economic development within Florida Power Corporation's service area?

FIPUG: Yes. High load factor industrial and commercial customers will have to pay more now and wait at least 15 years to break even. When other utilities are considering load retention rates, this proposal will have a chilling competitive effect on economic development in the FPC service area. (Falkenberg)

25. **ISSUE:** What impact will this proposal have on competition in the electric industry?

FIPUG: This proposal is anti-competitive. FPC is asking current ratepayers to subsidize its competitive future by paying for this transaction on a greatly accelerated basis. (Falkenberg)

26. **ISSUE:** Whether it is premature for the Florida Public Service Commission (the "Commission") to consider the Petition filed by Florida Power Corporation ("FPC") until Tiger Bay Limited Partnership ("TBLP") has obtained VGM's consents as required by the terms of TBLP's Gas Sales and Purchase Contract with VGM (the "Gas Sales Contract")?

FIPUG: No position at this time.

27. **ISSUE:** Should this docket be closed?

FIPUG: If the Commission denies the petition or is inclined to approve this transaction, Mr. Falkenberg's proposal should be adopted and this docket should be closed. (Falkenberg)

F. STIPULATED ISSUES:

None at this time.

G. PENDING MOTIONS:

FIPUG has no pending motions.

H. OTHER MATTERS:

None at this time.



JOHN W. McWHIRTER, JR.
McWhirter, Reeves, McGlothlin,
Davidson, Rief & Bakas, P.A.
Post Office Box 3350
Tampa, Florida 33601-3350
Telephone: (813) 224-0866

VICKI GORDON KAUFMAN
McWhirter, Reeves, McGlothlin,
Davidson, Rief & Bakas, P.A.
117 South Gadsden Street
Tallahassee, Florida 32301
Telephone: (904) 222-2525

Attorneys for the Florida Industrial
Power Users Group

Certificate of Service

I HEREBY CERTIFY that a true and correct copy of the foregoing FIPUG Prehearing Statement has been furnished by *hand delivery or U.S. Mail to the following this **21st day of March, 1997:**

*Lorna Wagner
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Gunter Building, Room 370
Tallahassee, Florida 32399-0850

Patrick K. Wiggins
Wiggins & Villacorta
Post Office Box 1657
Tallahassee, Florida 32302

Roger Howe
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, Florida 32399-1400

James A. McGee
Florida Power Corporation
Post Office Box 14042
St. Petersburg, Florida 33733-4042

D. Bruce May
Karen D. Walker
Holland & Knight
Post Office Drawer 810
Tallahassee, Florida 32302


Vicki Gordon Kaufman