

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and Purchased Power	)	DOCKET NO. 890001-EI
Cost Recovery Clause and Generating	)	ORDER NO. 21742
Performance Incentive Factor.	)	ISSUED: 8/18/89
	)	

Pursuant to Notice, a Prehearing Conference was held on August 3, 1989, in Tallahassee, before Commissioner John T. Herndon, Prehearing Officer.

APPEARANCES:

JAMES A. MCGEE, Esquire, Office of the General Counsel, Florida Power Corporation, P. O. Box 14042, St. Petersburg, Florida 33733  
On behalf of Florida Power Corporation.

MATTHEW CHILDS, Esquire, and CHARLES GUYTON, Esquire, Steel, Hector and Davis, 310 W. College Ave., Tallahassee, Florida 32301-1406  
On behalf of Florida Power & Light.

JOHN T. BUTLER, Esquire, Steel Hector and Davis, 4000 Southeast Financial Center, Miami, Florida 33131  
On behalf of Florida Power & Light.

ROBERT S. GOLDMAN, Esquire, Messer, Vickers, Caparello, French & Madsen, P. A., P. O. Box 1876, Tallahassee, Florida 32301  
On behalf of Florida Public Utilities Company.

G. EDISON HOLLAND, Esquire, and JEFFREY A. STONE, Esquire, Beggs & Lane, P. O. Box 12950, Pensacola, Florida 32576-2950  
On behalf of Gulf Power Company.

JAMES D. BEASLEY, Esquire, Ausley, McMullen McGehee, Carothers & Proctor, P. O. Box 391, Tallahassee, Florida 32302  
On behalf of Tampa Electric Company.

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On behalf of the Florida Industrial Power Users Group.

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APPEARANCES:

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On behalf of the Coalition of Local Governments.

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On behalf of the Citizens of the State of Florida.

MARSHA E. RULE, Esquire, Florida Public Service Commission, 101 East Gaines Street, Tallahassee, Florida, 32399-0863  
On behalf of the Commission Staff.

PRENTICE P. PRUITT, Esquire, Office of General Counsel, Florida Public Service Commission, 101 East Gaines Street, Tallahassee, Florida, 32399-0861  
Counsel to the Commissioners.

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PREHEARING ORDER

Background

As part of the continuing fuel and energy conservation cost recovery proceedings, a hearing is set for August 22-24, 1989, in this docket and in Dockets Nos. 890002-EG and 890003-GU. The following subjects were noticed for hearing in such dockets:

1. Determination of the Proposed Levelized Fuel Adjustment Factors for all investor-owned utilities for the period October, 1989 through March, 1990;
2. Determination of the Estimated Fuel Adjustment True-Up Amounts for all investor-owned electric utilities for the period April, 1989 through September, 1989, which are to be based on actual data for the period April, 1989 through May, 1989, and revised estimates for the period June, 1989 through September, 1989;
3. Determination of the Final Fuel Adjustment True-Up Amounts for all investor-owned electric utilities for the period October 1988 through March, 1989, which are to be based on actual data for that period;
4. Determination of the Projected Conservation Cost Recovery Factors for certain investor-owned electric and gas utilities for the period October, 1989 through March, 1990;
5. Determination of the Estimated Conservation True-Up Amounts for certain investor-owned electric and gas utilities for the period April, 1989 through September, 1989, which are to be based on actual data for the period April, 1989 through May, 1989, and

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- revised estimates for the period June, 1989 through September, 1989;
6. Determination of the Final Conservation True-Up Amounts for certain investor-owned electric and gas utilities for the period October, 1988 through March, 1989, which are to be based on actual data for that period;
  7. Determination of any Projected Oil Backout Cost Recovery Factors for the period October, 1989 through March, 1990, for the cost of approved oil backout projects to be recovered pursuant to the provisions of Rule 25-17.16, Florida Administrative Code;
  8. Determination of the Estimated Oil Backout Cost Recovery True-Up Factors for the period April, 1989 through September, 1989, for the costs of approved oil backout projects to be recovered pursuant to the provisions of Rule 25-17.16, Florida Administrative Code, which are to be based on actual data for the period April, 1989 through May, 1989, and revised estimates for the period June, 1989 through September, 1989;
  9. Determination of the Final Oil backout True-up Amounts for the period October, 1988 through March, 1989, which are to be based on actual data for that period;
  10. Determination of Generating Performance Incentive Factor Targets and Ranges for the period October, 1989 through March, 1990;
  11. Determination of Generating Performance Incentive Factor Rewards and Penalties for the period October, 1988 through March, 1989; and

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12. Determination of the Purchased Gas Adjustment True-Up Amounts for the period October, 1988 through March, 1989, to be recovered during the period October, 1989 through March, 1990.

#### Use of Prefiled Testimony

All testimony which has been prefiled in this case will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and exhibits, unless there is a sustainable objection. All testimony remains subject to appropriate objections. Each witness will have the opportunity to orally summarize his testimony at the time he or she takes the stand.

#### Use of Depositions and Interrogatories

If any party desires to use any portion of a deposition or an interrogatory, at the time the party seeks to introduce that deposition or a portion thereof, the request will be subject to proper objections and the appropriate evidentiary rules will govern. The parties will be free to utilize any exhibits requested at the time of the depositions subject to the same conditions.

#### Order of Witnesses

The witness schedule is set forth below in order of appearance by the witness's name, subject matter, and the issues which will be covered by his or her testimony.

Witnesses whose names are preceeded by an asterisk (\*) have been excused. The parties have stipulated that the testimony of such witnesses will be inserted into the record as though read, and cross-examination will be waived.

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<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
<u>(Direct)</u>		
1. Karl A. Wieland (FPC)	Fuel Adjustment, true-up and projections	1-4, 7
*2. William C. Micklon (FPC)	GPIF, reward/penalty and targets/ranges	18, 19
3 Paul F. McKee (FPC)	Crystal River 3 outage	10
4. J. R. Heinicka (FPC)	EFC charges for admini- strative expenses and return on equity	9
5. D.L. Babka (FPL)	Levelized fuel cost recovery final true-up Oct. 1988 through March, 1989; levelized oil- backout cost recovery true-up, Oct. 1988 through March 1989; levelized fuel recovery factor Oct. 1989 through March 1990; levelized oil-backout cost recovery factor, Oct. 1989 through March 1990	1-4
6. S.S. Waters (FPL)	Levelized oil-backout cost recovery true-up, Oct. 1989 through March 1990; levelized oil- backout cost recovery factor Oct. 1989 through March 1990	1-4
*7. M. Barrios (FPL)	GPIF, Oct. 1988 through March 1989 and Oct. 1989 through March 1990	18, 19

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<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
<u>(Direct)</u>		
*8. R. Silva (FPL)	Levelized fuel recovery factor, Oct. 1989 through March 1990	4
*9. G.L. Whiting (FPL)	Levelized fuel recovery factor, Oct. 1989 through March 1990	4
*10. K.T. Martini (FPL)	Levelized fuel recovery factor, Oct. 1989 through March 1990	4
11. C.O. Woody (FPL)	Levelized fuel recovery factor, Oct. 1989 through March 1990	4, 11
12. J.K. Hays (FPL)	Levelized fuel recovery factor, Oct. 1989 through March 1990	4, 11
*13. G. Bachman (FPUC)	Purchased power cost recovery: true-up (Marianna and Fernandina Beach)	1-4, 7
14. D. Ranney (Gulf)	Fuel Adjustment True-Up and Projected Factors	1-4, 7, 15, 17
15. M.L. Gilchrist (Gulf)	Fuel Adjustment True-Up and Projected Factors	1-3, 14, 16
*16. G.D. Fontaine (Gulf)	GPIF Awards and Targets and Ranges	18, 19
*17. M.W. Howell (Gulf)	Economic Dispatch	13
*18. G.A. Keselowsky (TECO)	GPIF reward/penalty and target/range	18, 19

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<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
<u>(Direct)</u>		
*19. W.N. Cantrell (TECO)	Coal and coal transportation costs	1-4
*20. J.E. Mulder (TECO)	Fuel adjustment true-up and projections	1-4, 7
*21. R.F. Tomczak (TECO)	Oil backout cost recovery	20-23
*22. A.D. Remmers (TECO)	Oil backout cost recovery	20-23

EXHIBIT LIST

The parties have stipulated that exhibits marked with an asterisk (\*) will be inserted into the record by agreement.

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
EXHIBIT NUMBERS 101 - 199 have been assigned to FPC		
101	Wieland	<u>True-up</u> Variance Analysis Schedules A1 through A13
102	Wieland	<u>Projections</u> Forecast Assumptions (Parts A-C), Schedules E1 through E11, H1 and COG
*103	Micklon	<u>Reward/Penalty</u> Standard Form GPIF Schedules
*104	Micklon	<u>Targets/Ranges</u> Standard Form GPIF Schedules

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EXHIBIT NUMBERS 201-299 HAVE BEEN ASSIGNED TO FPL

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
201	Babka	A Schedules
202	Babka, Waters	OB Schedules
203	Silva, Whiting Babka, Martini Woody, Hays	Appendix A, A Schedules, April - May, 1989
204	Silva, Whiting Babka, Martini Woody, Hays	Appendix B, E Schedules, Oct. 1989 - March 1990
*205	Barrios	Document 1

EXHIBIT NUMBERS 301-399 HAVE BEEN ASSIGNED TO FPUC

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
*301	Bachman	Schedules E1, with attachment, E1b, E2, E4, E8, E10, E11, H1 and M1; also, Calculation of True-Up Surcharge (Exhibit "A") (Marianna)
<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
*302	Bachman	Schedules E1, E1b, E2, E4, E8, 8A, E10, E11, H1&F1; also Calculation of True-up Surcharge (Exhibit "A") (Fernandina Beach)

EXHIBIT NUMBERS 401-499 HAVE BEEN ASSIGNED TO GULF

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<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
401	Ranney	Calculation of True-Up Oct. 1988 - March 1989 (DR-1)
402	Ranney	Schedules E1 through E12; H1; Monthly Schedules A1 through A12 for Dec. 1988, Jan. - May 1989 - Support Schedules for Fuel Adjustment (DR-2)
403	Gilchrist	List of Coal Suppliers Oct. 1988 - March 1989; Cost Comparison Aluminum vs. Steel Railcars (MLG-1)
404	Gilchrist	Comparison of Projected and Actual Fuel Cost Sept. 1980 - March 1990 (MLG-2)
*405	Fontaine	GPIF Results and Proposed Targets - Support Schedules for Rewards (GDF-1) and Targets and Ranges (GDF-2)

EXHIBIT NUMBERS 501-599 HAVE BEEN ASSIGNED TO TECO

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
*501	Mulder	True-Up Fuel Costs; Exhibit (JEM1)
*502	Mulder	Projection Schedules H-1, E-1-E-11, A-2 and Revised Tariff Sheets; Exhibit (JEM2)
*503	Cantrell	(WNC-1) Revised 7-24-89
*504	Tomczak, Remmers	True-Up Schedules-Exhibit (RFT/ADR-1)

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EXHIBIT NUMBERS 501-599 HAVE BEEN ASSIGNED TO TECO

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
*505	Tomczak, Remmers	Projection Schedules-Exhibit (RFT/ADR-2)
*506	Keselowsky	True-up Exhibit (GAK1)
*507	Keselowsky	Projection Exhibit (GAK2)

EXHIBIT NUMBERS 601-699 HAVE BEEN ASSIGNED TO FIPUG  
 At this time, no exhibits have been identified.

EXHIBIT NUMBERS 701-799 HAVE BEEN ASSIGNED TO OCC  
 At this time, no exhibits have been identified.

EXHIBIT NUMBERS 801-899 HAVE BEEN ASSIGNED TO MC/ACC/APC  
 At this time, no exhibits have been identified.

EXHIBIT NUMBERS 901-999 HAVE BEEN ASSIGNED TO CLG  
 At this time, no exhibits have been identified.

EXHIBIT NUMBERS 1001-1099 HAVE BEEN ASSIGNED TO FEA  
 At this time, no exhibits have been identified.

EXHIBIT NUMBERS 1101-1199 HAVE BEEN ASSIGNED TO TAMPA  
 At this time, no exhibits have been identified.

EXHIBIT NUMBERS 1201-1299 HAVE BEEN ASSIGNED TO OPC  
 At this time, no exhibits have been identified.

EXHIBIT NUMBERS 1301-1399 HAVE BEEN ASSIGNED TO STAFF  
 At this time, no exhibits have been identified.

PARTIES' STATEMENT OF BASIC POSITION

Staff's Statement of Basic Position:

Staff's fuel adjustment positions for FPC, FPL and Gulf as shown herein do not reflect possible Commission adjustments on company-specific fuel issues. Additionally, Staff's oil

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backout positions for FPL as shown herein do not reflect possible Commission adjustments which may be made in Docket No. 890148-EI.

Florida Power Corporation's Statement of Basic Position:

FPC filed no statement of basic position with its prehearing statement.

Florida Power & Light Company's Statement of Basic Position:

The proposed Fuel Cost Recovery and Oil backout True-Up amounts and factors are reasonable and should be approved. The Generating Performance Incentive Factor and proposed availability and heat rate targets are reasonable and should be approved.

Florida Public Utility Company's Statement of Basic Position:

1) The Commission should approve the utility's end of period total net true-up amounts for the period October 1, 1988 through March 31, 1989 of \$310,444 overrecovery for the Marianna Division and \$386,144 underrecovery for the Fernandina Beach Division. (Bachman)

2) The Commission should approve the utility's estimated fuel adjustment true-up amounts for the period April 1, 1989 through September 30, 1989 of \$999 underrecovery for the Marianna Division and \$128,293 underrecovery for the Fernandina Beach Division, based upon two months actual and four months estimated data. (Bachman)

3) The Commission should approve the utility's levelized fuel adjustment factors as set forth herein for the Marianna Division of 4.723 cents per kwh and 6.331 cents per kwh for the Fernandina Beach Division, to be applied to customer bills during the period October 1, 1989 through March 31, 1990. (Bachman)

Gulf Power Company's Statement of Basic Position:

It is the basic position of Gulf Power Company that the proposed Fuel factors present the best estimate of Gulf's Fuel expense for the period October 1989 through March 1990 including the true-up calculations and other adjustments allowed by the Commission.

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Tampa Electric Company's Statement of Basic Position:

Tampa Electric Company submits that it has properly calculated its true-up amounts and projected cost recovery factors for fuel adjustment and oil backout cost recovery. In addition, the company has properly determined the GPIF reward to which it is entitled, as well as the GPIF targets and ranges for the forthcoming period. These proposals should be approved as submitted.

Florida Industrial Power User's Group's Statement of Basic Position:

With the exception of those issues relating to FPL's oil back-out charge, which have been consolidated for hearing with Docket No. 890148-EI, FIPUG takes no preliminary position on the issues in this docket. However, FIPUG reserves the right to take a position supporting and/or in opposition to the issues raised by other parties prior to or during the prehearing conference.

Occidental Chemical Corporation's Statement of Basic Position:

This party filed no prehearing statement.

Statement of Basic Position of Monsanto Company, American Cyanamid Company and Air Products & Chemicals:

These parties filed no prehearing statement.

Coalition of Local Governments' Statement of Basic Position:

CLG has no known statement at this time. CLG reserves the right to take a position on issues raised by other parties prior to or during the Prehearing Conference.

Federal Executive Agencies' Statement of Basic Position:

This party filed no prehearing statement.

City of Tampa's Statement of Basic Position:

This party filed no prehearing statement.

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Office of Public Counsel's Statement of Basic Position:

This party's prehearing statement contained no statement of basic position.

STATEMENT OF ISSUES AND POSITIONS

Stipulated issues have been indicated with an asterisk (\*).

Generic Fuel Adjustment Issues

- 1. ISSUE: What are the appropriate final fuel adjustment true-up amounts for the period October, 1988 through March, 1989?

STAFF: (Utilities whose figures are not disputed are marked with an asterisk.)

- FPC: Agree with utility.
- FPL: Agree with utility.
- \*FPUC: Agree with utility.
- GULF: Agree with utility.
- \*TECO: Agree with utility.

FPC: Underrecovery \$5,906,523.

FPL: Underrecovery \$36,107,659.

FPUC: Overrecovery \$310,444 (Marianna)  
Underrecovery \$386,144 (Fernandina Beach)  
(Bachman)

GULF: Underrecovery \$19,344. (Ranney)

TECO: Underrecovery \$1,244,598. (Mulder)

FIPUG: No position at this time.

OPC:  
FPC: \$5,906,523 underrecovery (Less an adjustment to remove replacement fuel cost for Crystal River No. 3. This amount cannot be determined by Public Counsel until outstanding interrogatories are received).

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FPL: \$36,107,658 underrecovery (Less an adjustment to remove replacement fuel cost for the NRC mandated Turkey Point 3 outage. This amount cannot be determined by Public Counsel until outstanding interrogatories are received).

FPUC:

Marianna Division: \$310,444 overrecovery.  
Fernandina Division: \$386,144 underrecovery.

GULF: \$188,040 overrecovery (Includes an adjustment to recover only the originally projected coal car investment cost of \$36,000 in the true-up period. This is subject to change based on outstanding interrogatories).

TECO: \$1,244,598 underrecovery.

- \*2. STIPULATED ISSUE: What are the estimated fuel adjustment true-up amounts for the period April, 1989 through September, 1989?

\*FPC: \$18,677,419 underrecovery.  
\*FPL: \$31,802,819 underrecovery.  
\*FPUC: \$999 underrecovery (Marianna).  
\$128,293 underrecovery (Fernandina Beach).  
\*GULF: \$702,024 underrecovery.  
\*TECO: \$4,750,934 overrecovery.

3. ISSUE: What are the total fuel adjustment true-up amounts to be collected during the period October, 1989 through March, 1990?

Staff: (Utilities whose figures are not disputed are marked with an asterisk.)

FPC: Agree with utility.  
FPL: Agree with utility.  
\*FPUC: Agree with utility.  
GULF: Agree with utility.  
\*TECO: Agree with utility.

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FPC: Underrecovery \$24,583,942.  
FPL: Underrecovery \$67,910,478.  
FPUC: Overrecovery \$309,445 (Marianna)  
Underrecovery \$514,437 (Fernandina Beach)  
GULF: Underrecovery \$721,368 (Ranney)  
TECO: Overrecovery \$3,506,336.  
FIPUG: No position at this time.

OPC:  
FPC: \$24,583,942 underrecovery (Less replacement fuel cost).  
FPL: \$67,910,477 underrecovery (Less replacement fuel cost).  
FPUC:  
Marianna Division: \$309,445 overrecovery.  
Fernandina Division: \$514,437 underrecovery.  
GULF: \$513,984 underrecovery (Subject to receipt and analysis of discovery).  
TECO: \$3,506,336 overrecovery.

4. ISSUE: What are the appropriate levelized fuel cost recovery factors for the period October, 1989, through March, 1990?

Staff: (Amounts not in disputed are marked with an asterisk.)

FPC: 2.458 ¢/KWH.  
FPL: Agree with utility.  
\*FPUC: 2.698 ¢/KWH (Marianna) (Excluding demand related fuel recovery).  
6.331 ¢/KWH (Fernandina)  
GULF: Agree with utility.  
\*TECO: Agree with utility.

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FPC: 2.458 cents/kwh.

FPL: 1.970 cents/KWH is the levelized recovery charge for non-time differentiated rates and 2.160 cents/KWH and 1.893 Cents/KWH are the levelized fuel recovery charges for the on-peak and off-peak periods, respectively, for the differentiated rates.

FPUC: 2.698 cents per kwh for the Marianna Division, excluding demand related fuel recovery and 6.331 cents per kwh for the Fernandina Beach Division (before adjustment for line losses).

GULF: 2.121 cents per KWH before application of the factors which adjust for variations in line losses. (Ranney)

TECO: 2.304 cents per KWH before application of the factors which adjust for variations in line losses. (Mulder)

FIPUG: No position at this time.

OPC: FPC: No position at this time.  
FPL: No position at this time.  
FPUC: Agree with Staff.  
GULF: No position at this time.  
TECO: Agree with Staff.

- \*5. STIPULATED ISSUE: What should be the effective date of the new fuel adjustment charge, oil backout charge and conservation cost recovery charge for billing purposes?

The factor should be effective beginning with the specified fuel cycle and thereafter for the period October, 1989, through March, 1990. Billing cycles may start before October 1, 1989, and the last cycle may be read after March 31, 1990, so that each customer is billed for six months regardless of when the adjustment factor became effective.

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- \*6. STIPULATED ISSUE: Have the utilities proposed the appropriate fuel recovery loss multipliers to be used in calculating the fuel cost recovery factors charged to each rate class?

Yes. The proposed multipliers should be approved.

7. ISSUE: Have the utilities proposed the appropriate Fuel Cost Recovery Factors for each rate group adjusted for line losses?

STAFF: Yes.

FPC: Yes. The fuel cost recovery factors on Schedule E1 (Final) in the exhibits of Karl H. Wieland should be approved.

FPL: Yes. The proposed line factors should be approved.

FPUC: Yes, as follows:

Marianna:

<u>Rate Class</u>	<u>Rate Schedule</u>	<u>Levelized Adjustment</u>
Residential	RS	4.783¢/KWH
Commercial	GS	4.450¢/KWH
Other	GSD	4.027¢/KWH
Other	OL	2.732 ¢/KWH
Other	SL	2.666¢/KWH

Fernandina Beach: The factor for all classes is 6.331¢/KWH. (Bachman)

GULF: Yes.

TECO: Yes.

FIPUG: No position.

OCC: FPUC and TECO have proposed appropriate factors. Public Counsel disagrees with the factors proposed by FPC, FPL, and Gulf.

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- \*8. STIPULATED ISSUE: Should coal benchmark and market price calculations be based upon calendar year data, to be reviewed by the Commission each August?

Yes. TECO's latest Market Based Coal Calculation and derivative calculations were based upon BOM District Data for Coal Index Value at March 31, 1989, rather than December 31, 1988. The calculation compares current coal prices to the previously established benchmark, which was based upon data for the year ended December 31, 1987. Comparative time periods should be used in this calculation. However, no modification by TECO is necessary at this time.

Data for the previous calendar year will have been audited by the August fuel hearings. Further, most coal contracts are based on a calendar year basis. Therefore, the calendar year-end data should be used by TECO in calculating its benchmark.

#### Company-Specific Fuel Adjustment Issues

##### Florida Power Corporation

9. ISSUE: Under the cost-plus arrangement between Electric Fuels Corporation and FPC, are the costs included as EFC overhead in "cost" and the investment base to which EFC's return on equity is applied in the "plus" component reasonable and properly included in the cost of coal charged to FPC's customers? (This issue was deferred from the February 1989 fuel hearing.) (OPC)

STAFF: No position at this time.

FPC: FPC's position pertains to the restated issue, below: Yes. Under the pricing methodology currently in effect, it is appropriate for FPC to recover the fuel costs paid to EFC for its business expenses incurred in supplying coal to FPC and a reasonable return on the equity invested in its FPC business. Contrary to the stated rationale of Public Counsel's position, the Commission has not yet implemented its policy decision to modify the current methodology with a market pricing methodology for EFC's affiliated fuel transactions.

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Furthermore, the market pricing methodology eventually adopted by the Commission might not apply to water transportation services if market prices for these transactions cannot be established, a possibility expressly recognized by the Commission. Moreover, even if the methodology does apply to water transportation, EFC will still need to recover a return on its rail car investment, as well as its expenses in procuring coal from unaffiliated suppliers. At this juncture, it would be premature and inappropriate to deny recovery of EFC's expenses and equity return without any knowledge of how or the extent to which they will be affected by the as-yet undetermined market pricing methodology. (Heinicka, Wieland)

OPC: Public Counsel raised this issue during the February 1989 fuel hearing as a spin-off from the cost-plus docket 860001-EI-G. Public Counsel would like to restate the issue as follows: (This issue may not be necessary based on the Commission's final decision on 860001-EI-G Phase I.)

Issue Restated: Is it appropriate for FPC to recover fuel procurement cost and a return on equity charged by EFC or any other affiliate?

OPC: No. With the implementation of market based pricing for affiliated fuel transactions it is no longer appropriate to allow a return on equity to be recovered through fuel adjustment as was allowed in cost-plus pricing. Fuel procurement costs incurred by a utility's own fuel department are normal operating expenses which are appropriate for base rate recovery.

Under cost-plus pricing, FPC was allowed to recover, through fuel adjustment, the cost that EFC incurred in providing coal to the Crystal River Plant for Units 1,2,4 and 5. This cost included EFC's cost incurred in procuring fuel for FPC. Also recovered under the cost-plus pricing was a return on equity calculated at FPC's authorized mid-point return on equity on the level of equity in EFC deemed to be invested by or for FPC business. EFC made the determination of how much equity was to be retained to support FPC business, and also what equity investments were deemed FPC investments.

500-B

With the implementation of market pricing as found appropriate by Commission Order No. 20604, the recovery of an equity return should no longer be allowed under any circumstances. Fuel procurement costs are not appropriate for recovery through fuel adjustment. If such charges are not duplicative of costs already incurred by FPC's fuel department, then it may be appropriate for FPC to seek authorization for recovery through base rates.

10. ISSUE (DECISION TO BE DEFERRED UNTIL FEBRUARY, 1990. SOME TESTIMONY WILL BE HEARD IN AUGUST, 1989.): Is it appropriate for FPC to recover replacement fuel cost for the Crystal River Unit 3 outages?

STAFF: Initial discovery indicates that some of FPC's fuel costs resulting from outages should not be recovered. However, this issue should be deferred until February, 1990 in order to allow sufficient time to conduct further discovery.

FPC: Yes. The additional fuel costs associated with the outages were prudently incurred. (McKee, Wieland)

CLG: No position at this time.

OPC: No. The amount of replacement fuel cost that should be disallowed cannot be determined until responses to pending interrogatories are received. Public Counsel agrees that this issue should be spun off or deferred so it may be addressed in more detail.

Florida Power & Light Company

11. ISSUE: Is it appropriate for FPL to recover replacement fuel cost for the Turkey Point Unit 3 shutdown and the Turkey Point Unit 4 extended refueling outages?

STAFF: Initial discovery indicates that some of FPL's fuel costs resulting from outages should not be recovered. However, it maybe necessary to defer this issue until February, 1990 in order to allow sufficient time to conduct further discovery.

FPL: Yes.

OPC: No. The amount of replacement fuel cost that should be disallowed cannot be determined until responses to pending interrogatories are received. This issue should be spun off or deferred so it may be addressed in more detail.

- \*12. STIPULATED ISSUE: What is the maximum avoidable variable O&M expenses rate for the computation of as-available energy payments to qualifying facilities?

.006 cents per kWh which was calculated in accordance with the methodology approved by the Commission in Docket No. 860001-EI-E.

Gulf Power Company

- 13. ISSUE TO BE DEFERRED UNTIL FEBRUARY, 1990: Should Gulf Power be required to dispatch its system on the incremental price of fuel, as defined in Order No. 19548? (Staff)

STAFF: Yes, Gulf should be required to dispatch its system on the incremental price of fuel, as defined in Order No. 19548.

GULF: No. At this time, there is insufficient evidence to warrant such a change in the economic dispatch methodology of the Southern electric system. Since Gulf is a member of the Southern electric system power pool, it is unrealistic to assume that Gulf could set the dispatch fuel costs for its units differently from other pool members. Regardless of the particular method used to determine fuel cost for economic dispatch, all pool members must use the same method. Practical and legal constraints exist which prevent Gulf from being able to make a unilateral change in its method of determining dispatch fuel costs, independently of the other parties to the Intercompany Interchange Contract.

The methodology used by the Southern electric system to set dispatch fuel costs is currently under study. It is anticipated that the study will be completed and a decision made as to the appropriate methodology to be used within the near future. This matter should be deferred until the study is completed. (Howell)

OPC: No position at this time.

14. ISSUE: Was Gulf's decision to sell the Plant Daniel steel railcars in the best interest of Gulf Power's ratepayers, and at the best price obtainable? (OPC)

STAFF: No position at this time, pending receipt of discovery.

GULF: Yes. The sale of the Plant Daniel steel railcars was instrumental in the Company's transition to aluminum railcars which produce lower net coal transportation costs. The aluminum railcars can carry more tons, dump easier and require less maintenance than the steel railcars formerly in service. As a result of this transition, Gulf's customers will save approximately \$1.20 per ton in coal transportation expenses during the first year of service. The savings to Gulf's customers on an average annual present value basis for the next ten years is projected to be \$1.71/ton or \$3,412,400. (Gilchrist)

OPC: No position at this time pending receipt of discovery.

15. ISSUE: Was the sale of the Plant Daniel steel railcars appropriately accounted for on the books and records of Gulf Power Company? (OPC)

STAFF: No position at this time, pending receipt of discovery.

GULF: Yes. (Ranney)

OPC: No position at this time pending receipt of discovery.

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16. ISSUE: Was Gulf's decision to lease the aluminum railcars to transport Plant Daniel coal prudent and in the best interest of Gulf Power's ratepayers? (OPC)

STAFF: No position at this time, pending receipt of discovery.

GULF: Yes. See response to Issue 14.

OPC: No position at this time pending receipt of discovery.

17. ISSUE: Are the expenses related to the lease of the aluminum railcars appropriately accounted for, and are they appropriate for recovery through fuel adjustment? (OPC)

STAFF: No position at this time pending receipt of discovery.

GULF: Yes. The lease related expenses are appropriate for recovery through the fuel adjustment factor because they are incurred solely for the specific purpose of fuel transportation. The Company's accounting treatment of these expenses is appropriate. (Gilchrist, Ranney)

OPC: No position at this time pending receipt of discovery.

Generic Generating Performance Incentive Factor Issues

\*18. STIPULATED ISSUE: What is the appropriate GPIF reward or penalty for performance achieved during the period October, 1988 through March, 1989?

- FPC: \$940,799 Penalty.
- FPL: \$373,685 Penalty.
- GULF: \$102,569 Reward.
- TECO: \$448,797 Penalty.

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\*19. STIPULATED ISSUE: What should the GPIF targets/ranges be for the period October, 1989 through March, 1990?

See Attachment A.

Oil Backout Issues

20. ISSUE: What is the final oil backout true-up amount for the October, 1988 through March, 1989 period?

Staff:

FPL: Agree with utility.  
TECO: Agree with utility.

FPL: Underrecovery \$5,649,478.

TECO: \$348,671 underrecovery. (Tomczak, Remmers)

FIPUG: In addition to the true-ups discussed herein, FIPUG's position is that the April, 1988 through September, 1988 true-up amount must be changed. (However, FIPUG's request for a refund is not limited to this period.) The amount suggested by FPL must include an adjustment to reflect a refund for those amounts which FPL has attributed to the "deferral savings" on the two 700 MW coal-fired Martin units. The collection of higher revenues due to Martin units 3 and 4 is improper because they represent capacity which is not presently, and which may never be, used and useful to provide service. To the extent that coal-by-wire purchases deferred construction of these units, ratepayers would effectively be paying twice for the same capacity. FPL should be allowed to recover the cost of the most economical generation plan, not a plan that was rejected in favor of more economical alternatives. Just as changes in fuel costs altered the projected fuel savings, changes in circumstances (load growth, capital and construction costs, timing of need and supply options) occurred affecting the deferral issue which FPL has ignored.

OPC: Agree with TECO. No position at this time with regard to FPL.

21. ISSUE: What is the estimated oil backout true-up amount for the period April, 1989 through September, 1989?

Staff:

FPL: Agree with utility.  
TECO: Agree with utility.

FPL: Overrecovery \$5,484,100.

TECO: \$99,809 underrecovery. (Tomczak, Remmers)

FIPUG: The amount suggested by FPL must include an adjustment to reflect a refund for those amounts which FPL has attributed to the "deferral savings" on the two 700 MW coal-fired Martin units. The collection of higher revenues due to Martin units 3 and 4 is improper because they represent capacity which is not presently, and which may never be, used and useful to provide service. To the extent that coal-by-wire purchases deferred construction of these units, ratepayers would effectively be paying twice for the same capacity. FPL should be allowed to recover the cost of the most economical generation plan, not a plan that was rejected in favor of more economical alternatives. Just as changes in fuel costs altered the projected fuel savings, changes in circumstances (load growth, capital and construction costs, timing of need and supply options) occurred affecting the deferral issue which FPL has ignored.

OPC: Agree with TECO. No position at this time with regard to FPL.

22. ISSUE: What is the total oil backout true-up amount to be collected during the period October, 1989 through March, 1990?

Staff:

FPL: Agree with utility.  
TECO: Agree with utility.

FPL: Underrecovery \$165,378.

TECO: Underrecovery \$448,480. (Tomczak, Remmers)

FIPUG: The amount suggested by FPL must include an adjustment to reflect a refund for those amounts which FPL has attributed to the "deferral savings" on the two 700 MW coal-fired Martin units. The collection of higher revenues due to Martin units 3 and 4 is improper because they represent capacity which is not presently, and which may never be, used and useful to provide service. To the extent that coal-by-wire purchases deferred construction of these units, ratepayers would effectively be paying twice for the same capacity. FPL should be allowed to recover the cost of the most economical generation plan, not a plan that was rejected in favor of more economical alternatives. Just as changes in fuel costs altered the projected fuel savings, changes in circumstances (load growth, capital and construction costs, timing of need and supply options) occurred affecting the deferral issue which FPL has ignored.

OPC: Agree with TECO. No position at this time with regard to FPL.

23. ISSUE: What is the projected oil backout cost recovery factor for the period October, 1989 through March, 1990?

Staff:

FPL: Agree with utility.

TECO: Agree with utility.

FPL: .661¢/KWH.

TECO: 0.144 cents per KWH. (Tomczak, Remmers)

FIPUG: FIPUG's position is that the projected oil backout cost recovery factor for the period October 1988 through March 1990 must be re-evaluated. FPL's application of the Oil Backout Cost Recovery Factor should be discontinued because the project has not achieved the economic displacement of oil. All accelerated depreciation amounts should be refunded and any recovery related to the cost of the lines should be disallowed for the projection period October 1988 through March 1990.

OPC: Agree with TECO. No position at this time with regard to FPL.

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STIPULATED ISSUES

Issues 2, 5, 6, 8, 12, 18 and 19 were stipulated.

MOTIONS

TECO has filed a Motion for a Protective Order, which will be decided by the prehearing officer subsequent to the prehearing.

OTHER MATTERS

Issues 10 and 13 will be deferred until February, 1990.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that these proceedings shall be governed by this order unless modified by the Commission.

By ORDER of Commissioner John T. Herndon, as Prehearing Officer, this 18th day of AUGUST, 1989.

John T. Herndon  
JOHN T. HERNDON, Commissioner  
and Prehearing Officer

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Attachment A

GPIF TARGETS  
10/89 - 3/90

Availability

FPL	EAJ	POF	EUOF	Heat Rate
Ft. Myers 2	88.0	9.3	2.7	9,430
Martin 1	77.2	17.6	5.2	9,506
Martin 2	96.7	0.0	3.3	9,857
Port Everglades 1	77.9	15.4	6.7	9,796
Port Everglades 2	91.4	0.0	8.6	9,897
Port Everglades 3	82.7	0.0	17.3	9,512
Turkey Point 1	75.7	19.8	4.5	9,441
Turkey Point 2	84.2	6.6	9.2	9,464
Turkey Point 3	55.9	23.6	20.5	10,882
Turkey Point 4	76.0	0.0	24.0	10,847
St. Lucie 1	63.3	33.0	3.7	10,729
St. Lucie 2	95.6	0.0	4.4	10,726

FPC	EAJ	POF	EUOF	Heat Rate
Anclote 1	77.8	7.7	14.6	9,989
Anclote 2	87.7	7.7	4.6	9,782
Crystal River 1	79.4	11.5	9.1	10,047
Crystal River 2	75.0	4.4	20.6	10,034
Crystal River 3	61.7	10.4	27.9	10,482
Crystal River 4	81.1	11.5	7.3	9,289
Crystal River 5	84.8	11.0	4.3	9,202

TECO	EAJ	POF	EUOF	Heat Rate
Gannon 5	57.2	30.8	12.0	10,056
Gannon 6	65.6	22.0	12.4	10,056
Big Bend 1	85.4	0.0	14.6	9,792
Big Bend 2	85.1	0.0	14.9	9,792
Big Bend 3	82.6	1.1	16.3	9,792
Big Bend 4	75.1	19.2	5.7	9,922

GULF	EAJ	POF	EUOF	Heat Rate
Crist 6	53.4	40.1	6.5	10,502
Crist 7	82.3	4.9	12.8	10,640
Smith 1	88.3	4.9	6.7	10,410
Smith 2	81.6	13.7	-4.7	10,372
Daniel 1	68.8	29.1	2.1	10,560
Daniel 2	70.6	25.3	4.1	10,614