

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost recovery)
clause with generating performance incentive) Docket No. 160001-EI
factor_____) Filed: October 4, 2016

**PREHEARING STATEMENT OF
WHITE SPRINGS AGRICULTURAL CHEMICALS, INC.
d/b/a PCS PHOSPHATE – WHITE SPRINGS**

Pursuant to the Florida Public Service Commission's Order No. PSC-16-0109-PCO-EI, White Springs Agricultural Chemicals, Inc. d/b/a PCS Phosphate – White Springs ("PCS Phosphate"), through its undersigned attorneys, files its Prehearing Statement in the above matter.

A. APPEARANCES

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B. WITNESSES

PCS Phosphate does not plan to call any witnesses at this time.

C. EXHIBITS

PCS Phosphate does not plan to offer any exhibits at this time, but may introduce exhibits during the course of cross-examination.

D. STATEMENT OF BASIC POSITION

The principal issue affecting the Florida utility fuel factors in this docket concerns the hedging losses that have been realized by virtue of the volume-targeted hedging practices being employed today. Concerns regarding the losses have been building for some time while the Florida

electric utilities have continued to incur substantial additional losses as they have hedged in declining cost natural gas markets. These losses have not been the result of poor market timing or an inaccurate assessment of market dynamics, but are instead the product of a hedging approach that is largely indifferent to market pricing trends, risk factors and related considerations.

Last year, the Public Counsel and other consumer parties urged the Commission to direct the utilities to discontinue hedging on the grounds that the current hedging practice does not serve the public interest, and OPC continues to advocate for suspension of hedging activities. In a proposal submitted earlier this year, the utilities collectively proposed to lower their hedging targets but not to alter the manner in which they conduct hedging. In PCS's view, the utility proposal was responsive to OPC's objections without being helpful and should not be adopted.

Notably, the Commission staff has submitted testimony that thoughtfully addresses the core concerns that are at stake. In short, Staff witnesses correctly explain that the existing volume-targeted fuel hedging approach aims to mitigate fuel cost volatility without creating a prudence (cost recovery) issue tied to utility fuel purchasing actions that are based on an actual appraisal of going forward fuel price trends. This existing approach hedges fuel prices badly and tends to induce actions designed more to avoid regulatory "second-guessing" than to benefit consumers.

As the generation fleets of Florida's utilities, and Duke Energy Florida's in particular, are becoming much more natural gas reliant, sound gas-purchasing strategies are essential to ensuring electric service at just and reasonable rates. PCS supports the Staff recommendations to abandon the current volume-targeted hedging approach and to require a more nuanced approach to fuel price risk assessment and purchasing that systematically evaluates pricing trends and risks.

Moreover, the heightened reliance on natural gas produces broader fuel and rate issues that the Commission should address. Specifically, as gas-fired units operate as both base-load and

peaking units, the differential between on and off peak fuel prices continues to shrink as marginal generation costs during both periods increasingly are tied to gas costs. This reduces the price signals that apply to peak period usage and is inconsistent with the Commission's obligations under FEECA, which stresses the importance of reducing and controlling growth in weather sensitive peak load. Sec. 366.81, F.S. PCS asks that the Commission direct DEF to set a minimum differential between on and off peak fuel prices and to address the issue further in the next fuel proceeding..

E. STATEMENT ON SPECIFIC ISSUES

I. FUEL ISSUES

HEDGING ISSUES

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

PCS Phosphate: No. Florida utilities should discontinue the current volume-targeted hedging method and develop methods that systematically address fuel price trends and risks.

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

PCS Phosphate: Florida utilities should discontinue the current volume-targeted hedging method and develop methods that systematically address fuel price trends and risks.

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, residual oil, and purchased power prices, as reported in DEF's April 2016 and August 2016 hedging reports?

PCS Phosphate: DEF has the burden of establishing the prudence of its actions.

ISSUE 2B: What action should the Commission take regarding DEF's 2017 Risk Management Plan?

PCS Phosphate: No position at this time.

ISSUE 2C: Has DEF made appropriate adjustments, if any are needed, to account for replacement costs associated with the May 2016 forced outage at the Hines plant? If appropriate adjustments are needed and have not been made, what adjustment(s) should be made?

PCS Phosphate: PCS agrees with the Office of Public Counsel.

Florida Power & Light Company

ISSUE 3A: Should the Commission approve as prudent FPL's actions to mitigate the volatility of natural gas, residual oil, and purchased power prices, as reported in FPL's April 2016 and August 2016 hedging reports?

PCS Phosphate: The utility has the burden of establishing the prudence of its actions.

ISSUE 3B: What action should the Commission take regarding FPL's 2017 Risk Management Plan?

PCS Phosphate: PCS agrees with the Office of Public Counsel.

ISSUE 3C: What is the total gain in 2015 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?

PCS Phosphate: No position.

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 2015 through December 2015?

PCS Phosphate: No position.

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 2015 through December 2015?

PCS Phosphate: No position.

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 2016 through December 2016?

PCS Phosphate: No position.

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 2016 through December 2016?

PCS Phosphate: No position.

ISSUE 3H: If the Commission approves FPL's petition to continue the Incentive Mechanism with modifications in Docket No. 160088-EI, 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 2017 through December 2017?

PCS Phosphate: No position.

ISSUE 3I: If the Commission approves FPL's petition to continue the Incentive Mechanism with modifications in Docket No. 160088-EI, 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 associated with wholesale economy sales and purchases for the period January 2017 through December 2017?

PCS Phosphate: No position.

ISSUE 3J: Is \$1,890,528 the appropriate refund amount associated with the Cape Canaveral Energy Center (CCEC) GBRA true-up?

PCS Phosphate: No position.

ISSUE 3K: What amount should be refunded to customers in the Fuel Clause as a result of the Florida Supreme Court's decision on the Woodford gas reserves project?

PCS Phosphate: PCS agrees with the Office of Public Counsel.

Florida Public Utilities Company

No company-specific issues for Florida Public Utilities Company have been identified at this time. If such issues are identified, they shall be numbered 4A, 4B, 4C, and so forth, as appropriate.

Gulf Power Company

ISSUE 5A: Should the Commission approve as prudent Gulf's actions to mitigate the volatility of natural gas, residual oil, and purchased power prices, as reported in Gulf's April 2016 and August 2016 hedging reports?

PCS Phosphate: The utility has the burden of establishing the prudence of its actions.

ISSUE 5B: What action should the Commission take regarding Gulf's 2017 Risk Management Plan?

PCS Phosphate: PCS agrees with the Office of Public Counsel.

ISSUE 5C: What fuel costs, if any, related to Scherer Unit 3 should be recovered through the fuel clause?

PCS Phosphate: No position.

Tampa Electric Company

ISSUE 6A: 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 2016 and August 2016 hedging reports?

PCS Phosphate: The utility has the burden of establishing the prudence of its actions.

ISSUE 6B: What action should the Commission take regarding TECO's 2017 Risk Management Plan?

PCS Phosphate: PCS agrees with the Office of Public Counsel.

GENERIC FUEL ADJUSTMENT ISSUES

ISSUE 7: What are the appropriate actual benchmark levels for calendar year 2016 for gains non-separated wholesale energy sales eligible for a shareholder incentive?

PCS Phosphate: PCS agrees with the Office of Public Counsel.

ISSUE 8: What are the appropriate estimated benchmark levels for calendar year 2017 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

PCS Phosphate: PCS agrees with the Office of Public Counsel.

ISSUE 9: What are the appropriate final fuel adjustment true-up amounts for the period January 2015 through December 2015?

PCS Phosphate: PCS agrees with the Office of Public Counsel.

ISSUE 10: What are the appropriate fuel adjustment actual/estimated true-up amounts for the period January 2016 through December 2016?

PCS Phosphate: PCS agrees with the Office of Public Counsel.

ISSUE 11: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2017 to December 2017?

PCS Phosphate: PCS agrees with the Office of Public Counsel.

ISSUE 12: What are the appropriate projected total fuel and purchased power cost recovery amounts for the period January 2017 through December 2017?

PCS Phosphate: PCS agrees with the Office of Public Counsel.

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

No company-specific issues for Florida Power & Light Company have been identified at this time. If such issues are identified, they shall be numbered 14A, 14B, 14C, and so forth, as appropriate.

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 2015 through December 2015 for each investor-owned electric utility subject to the GPIF?

PCS Phosphate: PCS agrees with the Office of Public Counsel.

ISSUE 18: What should the GPIF targets/ranges be for the period January 2017 through December 2017 for each investor-owned electric utility subject to the GPIF?

PCS Phosphate: 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 2017 through December 2017?

PCS Phosphate: PCS agrees with the Office of Public Counsel.

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 2017 through December 2017?

PCS Phosphate: No position at this time.

ISSUE 21: What are the appropriate levelized fuel cost recovery factors for the period January 2017 through December 2017?

PCS Phosphate: 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?

PCS Phosphate: 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?

PCS Phosphate: The shrinking differential between peak and off-peak fuel rates associated with DEF's increasing reliance on natural gas-fired generation is inconsistent with core statutory objectives set forth in FEECA to reduce and control growth rates in weather sensitive peak demand. Section 366.81, F.S. The Commission should direct DEF to establish a minimum on-peak/ off-peak fuel factor differential of \$0.025/kWh for the applicable service classifications.

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. 160009-EI?

PCS Phosphate: PCS agrees with the Office of Public Counsel.

ISSUE 24B: What is the appropriate amount of costs for the Dry Cask Storage Facility that DEF should be allowed to recover through the Capacity Cost Recovery Clause pursuant to the 3rd Amendment to the RRSSA?

PCS Phosphate: PCS agrees with the Office of Public Counsel.

Florida Power & Light Company

ISSUE 25: If the Commission does not approve recovery of the WCEC-3 revenue requirement through base rates in Docket No. 160021-EI, what are the appropriate 2017 projected non-fuel revenue requirements for West County Energy Center Unit 3 (WCEC-3) to be recovered through the Capacity Clause?

PCS Phosphate: No position.

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 2015 through December 2015?

PCS Phosphate: PCS agrees with the Office of Public Counsel.

ISSUE 29: What are the appropriate capacity cost recovery actual/estimated true-up amounts for the period January 2016 through December 2016?

PCS Phosphate: PCS agrees with the Office of Public Counsel.

ISSUE 30: What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2017 through December 2017?

PCS Phosphate: PCS agrees with the Office of Public Counsel.

ISSUE 31: What are the appropriate projected total capacity cost recovery amounts for the period January 2017 through December 2017?

PCS Phosphate: PCS agrees with the Office of Public Counsel.

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 2017 through December 2017?

PCS Phosphate: No position.

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 2017 through December 2017?

PCS Phosphate: PCS agrees with the Office of Public Counsel.

ISSUE 34: What are the appropriate capacity cost recovery factors for the period January 2017 through December 2017?

PCS Phosphate: PCS agrees with the Office of Public Counsel.

III. EFFECTIVE DATE

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

PCS Phosphate: No position.

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?

PCS Phosphate: No position.

ISSUE 37: Should this docket be closed?

PCS Phosphate: No position.

IV. CONTESTED ISSUES

FIPUG

ISSUE 1C: What were the financial results for each IOUs natural gas hedging activities for 2015?

PCS Phosphate: No position at this time.

ISSUE 1D: What were the financial results for each IOUs natural gas hedging activities for 2016 as of July 31, 2016?

PCS Phosphate: No position at this time.

F. PENDING MOTIONS

None.

G. PENDING REQUESTS OR CLAIMS FOR CONFIDENTIALITY

None.

H. OBJECTIONS TO QUALIFICATIONS OF WITNESS AS EXPERT

None at this time.

I. REQUIREMENTS OF ORDER ESTABLISHING PROCEDURE

There are no requirements of the Procedural Order with which PCS Phosphate cannot comply.

Respectfully submitted

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Dated: October 4, 2016

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing Prehearing Statement of PCS Phosphate has been furnished by electronic mail and/or U.S. Mail this 4th day of October 2016 to the following:

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