

855
m

MACFARLANE AUSLEY FERGUSON & McMULLEN

ATTORNEYS AND COUNSELORS AT LAW

227 SOUTH CALHOUN STREET
P.O. BOX 391 (ZIP 32302)
TALLAHASSEE, FLORIDA 32301
904/274-9115 FAX 904/222-7560

111 MADISON STREET, SUITE 2300
P.O. BOX 1531 (ZIP 33601)
TAMPA, FLORIDA 33602
813/273-4200 FAX 813/273-4396

400 CLEVELAND STREET
P.O. BOX 1669 (ZIP 34611)
CLEARWATER, FLORIDA 34615
813/441-8906 FAX 813/442-8472

January 17, 1995 **ORIGINAL**
HAND DELIVERED **FILE COPY**

(IN REPLY REFER TO)

Tallahassee

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee, Florida 32399-0850

Re: Fuel and Purchased Power Cost Recovery Clause
with Generating Performance Incentive Factor;
FPSC Docket No. 950001-EI

ACK ✓
ALP
Dear Ms. Bayo:

Enclosed for filing in the above docket on behalf of Tampa
Electric Company are fifteen (15) copies of each of the following:

575-951. Petition of Tampa Electric Company.

Cuddeback 2.
Brown 576-95
Oristock 44
Prepared Direct Testimony of Mary Jo Pennino and Exhibit
(MJP-2) entitled Fuel and Purchased Power Cost Recovery
Clause Calculation Estimated for the Period of April 1995
thru September 1995; Exhibit (MJP-3) entitled Capacity
Cost Recovery, Projected, April 1995 - September 1995 and
Exhibit (MJP-4) entitled Description of Wholesale
Agreements.

1577-953.
Prepared Direct Testimony of George A. Keselowsky and
Exhibit (GAK-2) entitled Generating Performance Incentive
Factor, October 1995 - March 1995 and Exhibit (GAK-3)
entitled Generating Performance Incentive Factor, April
1995 - September 1995.

578-94 4. Prepared Direct Testimony of E. A. Townes and W. N.
Cantrell and Exhibit (WNC/EAT-2) entitled Schedules
Supporting Oil Backout Cost Recovery Factor, April 1995 -
September 1995 and Exhibit (WNC/EAT-3) entitled Gannon
Conversion Project, Comparison of Projected Payoff with
Original Estimate as of November 1994.

579-94 5. Prepared Direct Testimony of Elizabeth A. Townes
regarding accounting treatment of long-term firm Schedule
D sales.

RECEIVED & FILED
mas
FPSC-BUREAU OF RECORDS


Ms. Blanca S. Bayo
January 17, 1995
Page 2

- 550-94 6. Prepared Direct Testimony of D. M. Mestas, Jr. regarding option payment from Polk Power Partners, L.P.

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

Thank you for your assistance in connection with this matter.

Sincerely,



James D. Beasley

JDB/pp
Enclosures

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

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **PREPARED DIRECT TESTIMONY**

3 **OF**

4 **D. M. MESTAS, JR.**

5
6 **Q.** Will you please state your name, business address and
7 occupation?

8
9 **A.** My name is D. M. (Don) Mestas, Jr. My business address is
10 702 North Franklin Street, Tampa, Florida 33602, and I am
11 Assistant Director, Cogeneration, for Tampa Electric
12 Company, which is a Florida corporation with its principal
13 offices in Tampa, Florida.

14
15 **Q.** Would you please furnish a brief outline of your education
16 background and business experience?

17
18 **A.** I was educated in the public schools of Tampa, Florida and
19 the University of Florida in Gainesville, graduating in
20 1964 with a Bachelor of Industrial Engineering Degree. I
21 have been employed at Tampa Electric Company since May of
22 1964 and have experience in engineering, marketing and
23 other areas within the company. In August of 1980 I was
24 appointed to the position of Assistant Director of Load
25 Management in the company's Conservation and Load

DOCUMENT NUMBER-DATE

00580 JAN 17 95

FPSC-RECORDS/REPORTING

1 Management Department. I currently serve as Assistant
2 Director, Cogeneration in Tampa Electric's Energy Services
3 & Planning Department.
4

5 Q. Have you previously testified before this Commission?
6

7 A. Yes. I testified in the Commission proceeding which
8 resulted in Tampa Electric's currently approved
9 conservation programs. I have also testified in Docket No.
10 820165-EU, which resulted in Commission approval of Tampa
11 Electric's cogeneration agreement with Conserv, a
12 qualifying facility, as well as in Docket No. 830199-EU,
13 which resulted in this Commission's approval of Tampa
14 Electric Company's small power production agreement with
15 the City of Tampa. I have participated in the cogeneration
16 rules implementation proceedings in Docket No. 830377-EU,
17 which resulted in Order No. 13247. I testified in Docket
18 No. 840399-EU regarding the provision of self-service
19 wheeling and I have participated in a number of other
20 hearings and workshops on conservation and cogeneration
21 conducted by this Commission. I also testified in this
22 Commission's Docket No. 881005-EG regarding capacity and
23 energy payments to government solid waste facilities. I
24 testified in this Commission's Docket No. 891049-EU
25 involving revisions to the Commission's rules pertaining to

1 cogeneration and small power production and in Docket No.
2 910004-EU regarding Tampa Electric's proposed standard
3 offer contract for cogenerators and small power producers.
4 I have testified in Docket No. 910603-EQ on negotiating
5 contracts between QFs and electric utilities and in Docket
6 Nos. 921288-EU, the Bidding Rule, and 931186-EQ, regarding
7 amendments to the Cogeneration Rules to ensure consistency
8 with the Bidding Rule.

9
10 Most recently, I appeared before the Commission in Docket
11 No. 941155-EQ to request approval of certain assignments
12 and modifications to a 1989 Standard Offer contract between
13 Tampa Electric Company, Orange Cogeneration, L.P. and Polk
14 Power Partners, L.P.

15
16 Q. What is the purpose of your testimony?

17
18 A. On December 20, 1994 the Commission voted in Docket No.
19 941155-EQ (Joint Petition for Expedited Approval of
20 Contract Modifications to a 1989 Standard Offer Contract by
21 Tampa Electric Company, Orange Cogeneration Limited
22 Partnership and Polk Power Partners LP) to approve certain
23 assignments and modifications of a standard offer contract
24 Tampa Electric had entered into. One of the issues
25 included in the Staff Recommendation was whether a

1 \$1,106,760 option payment from Polk Power Partners LP
2 ("Polk") to Tampa Electric "should be examined during Tampa
3 Electric's next fuel adjustment proceeding." At this point
4 no specific issues relative to the option payment have been
5 raised in the fuel adjustment docket. Inasmuch as the CASR
6 for this docket calls for preliminary lists of issues and
7 positions several weeks after the utilities' testimony is
8 due, we do not at this point know what, if any, issues will
9 be raised concerning the option payment. Thus, the purpose
10 of my testimony is to address, in a general way, the
11 Staff's reference to the upcoming fuel hearing in its
12 Report and Recommendation in Docket No. 941155-EQ. An
13 additional purpose of my testimony is to make myself
14 available as a witness to respond to any questions
15 concerning the Polk option payment to Tampa Electric which
16 may be raised at the next fuel adjustment hearing.

17
18 Q. Do you think the fuel adjustment proceeding is an
19 appropriate forum in which to examine any issues relative
20 to the option payment from Polk to Tampa Electric?
21

22 A. No I do not. As I indicated during the Agenda Conference
23 discussion on December 20, 1994 regarding the Tampa
24 Electric/Orange Cogeneration/Polk assignments and contract
25 modifications, Tampa Electric believes that the option

1 payment was properly booked as "other electric revenues"
2 and should not be subject to further examination,
3 especially not in the context of a fuel adjustment
4 proceeding. The option payment represents a contribution
5 towards Tampa Electric's revenue requirement which might
6 otherwise be required of the company's electric customers.
7 This option payment of \$1.1 million was in addition to the
8 estimated \$1.5 to \$4.5 million in additional direct
9 benefits which Tampa Electric's customers will receive as
10 a result of modifications to the standard offer contract.

11
12 Q. In Staff's discussion under Issue 6 in the Tampa
13 Electric/Orange Cogeneration/Polk docket, the Staff
14 concluded that the option payment "may be more
15 appropriately credited to Tampa Electric's capacity
16 recovery clause because this is where the capacity payments
17 to Qfs are recovered." Do you agree?

18
19 A. No I do not. First of all, this was not a capacity payment
20 to a QF. It was a negotiated settlement amount and an
21 alternative to Tampa Electric constructing a temporary
22 interconnection with the Orange Cogeneration site at a cost
23 of approximately \$2 million. Had that construction been
24 performed, the payment Polk would have made to Tampa
25 Electric would have been booked as a contribution in aid of

1 construction ("CIAC") and would not have been included in
2 any recovery clause. Such a payment would not have been
3 properly flowed through a capacity cost recovery clause.
4 The mere fact that Tampa Electric agreed to a more cost
5 effective alternative than a CIAC of approximately \$2
6 million should not affect the regulatory treatment of the
7 consideration Tampa Electric received in exchange for its
8 consent to the assignments and modifications of the
9 standard offer contract.

10
11 Q. Does this conclude your testimony?

12
13 A. Yes it does.
14
15
16
17
18
19
20
21
22
23
24
25