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June 17, 1996

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

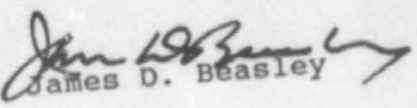
Re: Prudency Review to Determine Regulatory
Treatment of Tampa Electric Company's
Polk Unit; FPSC Docket No. 960409-EI

Dear Ms. Bayo:

Enclosed for filing in the above docket are the original and fifteen (15) copies of Tampa Electric Company's Objection to Staff's Interrogatory No. 68.

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

- ACK
- AFA 3
- APP JDB/pp
- CAF Enclosures
- CMU cc: All Parties of Record (w/encls.)
- CTR
- EAG
- LEG Elias
- LIN 5 RECEIVED & FILED
- OPC
- RCH 14
FPSC-BUREAU DE RECORDS
- SEC 1
- WAS
- OTH

DOCUMENT NUMBER-DATE
06517 JUN 17 96
FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Prudency Review to Determine
Regulatory Treatment of Tampa Electric
Company's Polk Unit.

) DOCKET NO. 960409-EI
)
) FILED: June 17, 1996
)

TAMPA ELECTRIC COMPANY'S OBJECTION
TO STAFF'S INTERROGATORY NO. 68

ORIGINAL
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Tampa Electric Company ("Tampa Electric" or "the company"), pursuant to Rule 25-22.034, Florida Administrative Code, and Rules 1.280 and 1.340, Florida Rules of Civil Procedure, hereby submits the following objection to Staff's Interrogatory No. 68 contained in Staff Fifth Set of Interrogatories to Tampa Electric Company. The interrogatory in question reads as follows:

68. Provide the system annual nominal and cumulative present worth revenue requirements for the polk County combined cycle unit, using the same assumptions for each study provided in Tampa Electric's amended response to interrogatory no. 3, Docket No. 950379-EI and in the same format as Mr. Hernandez's Late-Filed Deposition Exhibit No. 7. However, revenue requirements should be based on economic dispatch and firm natural gas transportation. Natural gas prices should be based on Tampa Electric's coal price forecast plus a constant \$.53, \$.52, \$.53, \$.51, and \$.51 differential for the 1991, 1993, 1994, 1995, and 1996 fuel price forecasts, respectively.

Tampa Electric's Objection:

Tampa Electric objects to Staff's Interrogatory No. 68 on the grounds that it is burdensome and oppressive. It would require Tampa Electric to perform numerous additional meaningless calculations which are not reasonably calculated to lead to the discovery of admissible evidence.

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FPSC-RECORDS/REPORTING

This interrogatory asks Tampa Electric to perform an unreasonable variation of the "acid test" Staff has put forth in recent cases purportedly to analyze sensitivities of fuel price forecasting. Tampa Electric has already prepared three acid test runs utilizing Staff's forecast. These calculations have been previously provided to Staff and show the Polk project to be cost-effective. In Interrogatory No. 68 Staff has clearly engaged in a search for some scenario, no matter how unreasonable, which conforms to its preexisting, but meaningless, conclusion that the project is not cost-effective.

Tampa Electric does not accept the reasonableness of the acid test itself, much less the variation requested in Interrogatory No. 68. Staff's so-called acid test assumes that a differential in price between coal and natural gas/oil will not widen over a sustained period of time. In the Staff Recommendation in the Polk Unit One Need Determination docket,¹ at page 12, Staff refers to the fuel price sensitivity case "in which the differential price between coal and natural gas/oil does not widen on a sustained basis over the life of the proposed project. . . ." With respect to such case Staff states that ". . . no energy expert forecasts this to occur. . . ." In its final order determining the need for Polk Unit One,² the Commission acknowledged that the Staff

¹Docket No. 910883-EI, Petition for Determination of Need for a Proposed Electrical Power Plant and Related Facilities in Polk County by Tampa Electric Company.

²Order No. PSC-92-0002-FOF-EI issued March 2, 1992 in Docket No. 910883-EI.

considered this assumption regarding fuel price differentials to be a "worst case" forecast.

In its order denying determination of need concerning a proposed plant by Florida Power & Light Company and Cypress Energy Partners, Limited Partnership,³ the Commission noted, at page 10 of the order, that the Staff had, likewise, applied an "acid test" which assumed a constant natural gas/coal price differential over 30 years. In its order denying reconsideration of such order,⁴ the Commission recognized that Staff's acid test is not, in and of itself, a means to determine cost-effectiveness. The Commission observed at page 4 of the order:

We do not view the test as a forecast and certainly do not believe that the gas prices and coal prices will maintain the constant differential reflected in the test. We may or may not choose to compare projects under such a fictional constant fuel differential in future need cases and, therefore, we do not view the 'acid test' as policy or precedent to be followed in future need cases.

The obvious shortcomings of Staff's so-called acid test have been previously recognized and Tampa Electric continues to believe that the results of this test in no way reflect reasonable expectations.

In the instant Interrogatory No. 68, instead of holding the differential between coal and oil/natural gas constant, Staff is asking Tampa Electric to make a calculation for use by the Staff

³Order No. PSC-92-1355-FOF-EQ issued November 23, 1992 in Docket N. 920520-EQ.


⁴Order No. PSC-92-1493-FOF-EQ issued December 28, 1992 in Docket No. 920520-EQ.

which would arbitrarily carve away and disregard more than half of the differential and assume the remainder will hold constant over time. Interrogatory No. 68 is predicated on assumed facts which are no more relevant than if the Staff had asked Tampa Electric to assume that natural gas will be free for the next 30 years while coal prices will quadruple. As noted above, we have already run Staff's worst case analysis and have provided these results. Now the Staff wants the analysis done for the fourth time in this proceeding using assumptions which are so arbitrary and unreasonable that they would render the result useless. These various arbitrary changes certainly don't prove anything other than the fact that one can assume anything for the purpose of making an arbitrary and meaningless calculation.

WHEREFORE, Tampa Electric submits the foregoing objection to Staff's Interrogatory No. 68 to Tampa Electric Company.

DATED this 17th day of June, 1996.

Respectfully submitted,



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ATTORNEYS FOR TAMPA ELECTRIC COMPANY

CERTIFICATE OF SERVICE

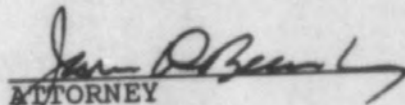
I HEREBY CERTIFY that a true copy of the foregoing Objection to Staff's Interrogatory No. 68, filed on behalf of Tampa Electric Company, has been furnished by U. S. Mail or hand delivery (*) on this 17th day of June, 1996 to the following:

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