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

Re: Docket No. 970171-EU

Dear Ms. Bayo:

Enclosed for filing and distribution are the original and fifteen copies of the testimony and exhibits of Jeffry Pollock on behalf of the Florida Industrial Power Users Group in the above docket.

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

VGK/pw
Encls.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Determination of appropriate cost allocation and regulatory treatment of total revenues associated with wholesale sales to Florida Municipal Power Agency and City of Lakeland by Tampa Electric Company.	)))))	Docket No. 970171-EU

Testimony of

Jeffry Pollock

On Behalf of

Florida Industrial Power Users Group

May 1997
Project 6744

Brubaker & Associates, Inc.
St. Louis, MO 63141-2000

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY

OF

JEFFRY POLLOCK

Q **PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A My name is Jeffry Pollock. My business address is 1215 Fern Ridge Parkway, Suite 208; St. Louis, Missouri 63141-2000.

Q **WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?**

A I am an energy and regulatory consultant and a principal in the firm of Brubaker & Associates, Inc. (BAI).

Q **PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

A I have a Bachelor of Science Degree in Electrical Engineering and a Masters in Business Administration from Washington University. Since graduation in 1975, I have been engaged in a variety of consulting assignments including energy and regulatory matters in both the United States and several Canadian provinces. More details are provided in Appendix A to this testimony.

Q **ON WHOSE BEHALF ARE YOU PRESENTING TESTIMONY IN THIS PROCEEDING?**

A I am appearing on behalf of the Florida Industrial Power Users Group (FIPUG). FIPUG members are customers of Tampa Electric Company (TECo). They purchase substantial quantities of electric power and energy under various firm and interruptible tariffs.

Q **WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

A I shall assess TECo's proposed retail regulatory treatment of its new wholesale sales to the Florida Municipal Power Agency (FMPA) and the City of Lakeland (Lakeland). I have also conducted a limited review of TECo's cost/benefit analysis, even though I firmly believe that such an analysis is irrelevant in determining the appropriate regulatory treatment of the new wholesale sales.

Q **HAVE YOU PREPARED ANY EXHIBITS IN CONNECTION WITH YOUR TESTIMONY IN THIS PROCEEDING?**

A Yes. I am sponsoring one exhibit consisting of two documents, a copy of which is appended to this testimony. These exhibits were prepared either by me or under my supervision and direction.

Summary and Recommendations

Q **SHOULD TECO'S PROPOSED RETAIL REGULATORY TREATMENT OF THE NEW WHOLESALE SALES BE ADOPTED?**

A No. TECo has not provided any assurances that retail customers will realize benefits that outweigh the costs associated with the new wholesale sales. Under its proposed regulatory treatment, TECo would retain 78% of the net benefits, while retail customers would retain only 22%. These minimal benefits could easily be offset by higher fuel costs because the dedication of coal-fired capacity to the wholesale market will make it unavailable to retail customers for an extended period. In other words, TECo may have to rely on more expensive resources to meet retail customers' needs.

However, even assuming that the projected benefits to retail customers were to outweigh the costs, the base portions of the transactions should be treated as separated sales for both the adjustment clause calculations and earnings monitoring reports. As discussed in more detail later:

- Retail customers are paying 100% of the embedded costs of the system resources (generation and transmission) being used to support the FMPA and Lakeland sales. Fairness demands that they also receive the benefits derived from the further use of these resources.

- Separation will prevent cost shifting, ensure that competitive wholesale sales are not being subsidized by regulated retail sales and create a more level competitive playing field. A regulated utility should not be permitted to gain a competitive advantage over other wholesale entities which do not have the luxury of using their "captive" customers to subsidize discounted wholesale rates while providing adequate returns to their shareholders.

Finally, as the electric industry becomes increasingly more competitive (both at the wholesale and at the retail level), this Commission should prevent attempts by regulated electric utilities to use their market power to thwart competition. This can be achieved only by requiring utility investors to bear the revenue shortfall between fully allocated embedded costs and the revenues derived from competitive sales.

<u>The Nature of the New Wholesale Sales</u>

Q IS THERE ANY DISPUTE THAT THE FMPA AND LAKELAND TRANSACTIONS QUALIFY AS "SEPARATED SALES" AS THE TERM HAS BEEN PREVIOUSLY DEFINED BY THIS COMMISSION?

A No. Both of the new wholesale sales are long-term (with a duration greater than one year); and according to the Interchange Contracts between TECo and FMPA and TECo and Lakeland, TECo is committing system resources to support these customers' base capacity and energy requirements. For example, under the FMPA agreement:

> Contracted capacity and contracted energy shall be served from all or any combination of the four (4) generating units that comprise the generating resources as long as sufficient capacity and energy is available from those resources that is not subject to existing prior commitments of Big Bend Station and Francis J. Gannon Station coal-fired resources that include the generating resource(s). [TECo Exhibit No. ____ (KAB-1), Document No. 2, Page 5]

Exhibit A of the FMPA agreement identifies the four generating units as including Big Bend Unit Nos. 2 and 3 and Gannon Units 5 and 6.

Supplemental capacity and associated energy will be provided to FMPA and Lakeland on an as-available basis. This portion of the new wholesale sales can be categorized as non-separated sales.

TECo is using its transmission system to deliver the contracted power and energy requirements under both the FMPA and Lakeland agreements. TECo is charging FMPA and Lakeland for the transmission and ancillary services but not sharing the revenue with retail ratepayers.

Q WHAT IS THE COMMISSION'S POLICY REGARDING SEPARATED WHOLESALE SALES?

A The Commission's policy was articulated in Docket No. 970001-EI, Order No. PSC-97-0262-FOF-EI, issued on March 11, 1997. The Commission found that:

> . . . as a generic policy, there shall be uniform cost allocation between the wholesale and retail markets for all prospective separable sales. Thus, we shall impute revenues in the fuel adjustment clause in the event the actual fuel revenues a utility receives from a separable sale are less than average system fuel costs. A utility's shareholders will, in effect, be required to pay for any shortfall associated with fuel revenues if the actual fuel revenues the utility collects are less than the average system fuel costs we impute. Imputation of fuel revenues will protect the retail ratepayer from automatic increases in fuel cost responsibility.

***

> This process protects the retail market from subsidizing the competitive wholesale market.

Id. at 3.

Q WILL THE COMMISSION ALSO CONSIDER ALTERNATIVE REGULATORY TREATMENTS OF NEW WHOLESALE SALES ON A CASE-BY-CASE BASIS?

A Yes. In the aforementioned order, the Commission indicated that, as an exception to the general rule, it would allow a utility to demonstrate ". . . on a case-by-case basis, that each new sale does, in fact, provide overall benefits to the retail ratepayers. (Id. at 4, emphasis supplied). However, it is clear that the utility has the burden to prove that the actual benefits of new wholesale sales would clearly outweigh the costs from the retail customers' perspective.

Cost/Benefit Analysis

Q HAS TECO SUBMITTED A COST/BENEFIT ANALYSIS IN THIS PROCEEDING?

A Yes. This analysis purportedly shows that retail customers would benefit from the new wholesale sales. Therefore, TECo is requesting a variance from this Commission's general practice of treating new long-term firm wholesale sales as separated for adjustment clause and regulatory monitoring purposes.

Q HAS TECO CONCLUSIVELY DEMONSTRATED THAT THE BENEFITS TO ITS RETAIL CUSTOMERS FROM THESE NEW WHOLESALE SALES WILL MORE THAN OUTWEIGH THE ASSOCIATED COSTS?

A No. First, based on TECo's own projections, retail customers would receive only 22% of the net benefits derived from the new wholesale sales or about $2.2 million net present value (NPV) over the duration of the agreements. This would translate into a benefit of only $0.00014 per kWh sold to retail customers. The customers' share of the projected benefits is small compared to the 73% that TECo's shareholders would retain. This sharing mechanism is virtually the opposite of the Commission's longstanding 20/80 sharing of margins from broker sales between the utility and its retail customers, respectively.

Second, and perhaps more importantly, whether any benefits will materialize at all will depend critically on the level of incremental fuel cost associated with the new wholesale sales. As the Commission is well aware, any forecast that depends on projections of fuel costs is speculative at best. It would not be good public policy to approve a proposed retail regulatory treatment for wholesale sales that relies so heavily on projected fuel costs that are subject to extreme fluctuation.

Q HOW DID YOU DETERMINE THAT RETAIL CUSTOMERS WOULD RECEIVE ONLY 22% OF THE NET BENEFITS FROM THE NEW WHOLESALE SALES?

A The analysis is provided in Exhibit ____ (JP-1), Document No. 1. All of the information presented in this exhibit was derived from TECo Exhibit ____ (KAB-1), Document Nos. 4, 5, 6 and 7. The amounts shown in Document No. 1 are stated on a net present value (NPV) basis.

The starting point for TECo's cost/benefit analysis is the assumption that the new wholesale sales will generate $81.4 million (NPV) of incremental revenues. TECo then proposes to determine the incremental cost of fuel, the cost of additional SO2 allowances consumed, and the variable O&M expense associated with these sales. These incremental costs total about $70.5 million (NPV). Fuel would comprise $65.9 million (NPV), or 93%, of the incremental costs of the new wholesale sales. In addition, because TECo is projecting to add peaking capacity during the duration of the Lakeland agreement. TECo has estimated the incremental cost of these capacity additions to be $0.8 million (NPV).

The total incremental cost of the new wholesale sales is projected by TECo to be $71.3 million (NPV). Thus, TECo would derive $10.1 million (NPV) of net benefits. Stated differently, the new wholesale sales would provide a contribution to fixed costs of $10.1 million (NPV), according to TECo's projections

Q **WHAT PORTION OF THE $10.1 MILLION OF NET BENEFITS IS TECO PROPOSING TO RETAIN FOR ITS SHAREHOLDERS?**

A TECo is proposing to retain 100% of the transmission revenue ($5.7 million NPV) and 50% of the net non-fuel revenue ($2.2 million NPV). Thus, TECo would retain $7.9 million, or 78% of the $10.1 million of net benefits derived from the new wholesale sales. This inequity is exacerbated by the fact that prior to the wholesale transaction, TECo's holding company, TECo Energy, will derive a profit from the transaction from its coal company, its coal transportation company and its non-regulated generating company. None of these profits will be shared with retail customers.

Q **HOW WOULD RETAIL CUSTOMERS BE AFFECTED IF TECO'S PROJECTIONS OF INCREMENTAL REVENUES AND ASSOCIATED INCREMENTAL FUEL COSTS WERE TOO OPTIMISTIC?**

A The benefits to retail customers could very well disappear if TECo's 10-year forecast projection of profitability either overstates the incremental revenues or understates the corresponding incremental fuel costs associated with the new wholesale sales. As can be seen in Document No. 1, retail customers would receive $2.2 million (NPV) in net benefits based on TECo's projections. These benefits are only 2.7% of the projected incremental revenues and only 3.3% of the projected incremental fuel costs. In other words, if either the projected incremental revenues are overstated by 2.7% and/or the incremental fuel costs are understated by 3.3%, the net benefits to retail customers would disappear.

Q **HAVE YOU HAD AN OPPORTUNITY TO EXAMINE EITHER THE REASONABLENESS OR THE SENSITIVITY OF TECO'S PROJECTIONS OF INCREMENTAL REVENUES AND FUEL COSTS ASSOCIATED WITH THE NEW WHOLESALE SALES?**

A No. I am awaiting receipt of discovery responses to determine the reasonableness and sensitivity of the projected annual costs and benefits, how these sales are being modeled and which resources would operate on the margin.

Q **WOULD A MORE IN-DEPTH ANALYSIS CHANGE YOUR RECOMMENDATIONS IN THIS PROCEEDING?**

A No. First, TECo has the burden of proof to demonstrate that retail customers will gain a real benefit from the new wholesale sales. It has failed to do so. TECo should have provided the Commission with a sensitivity analysis to determine the likelihood that benefits will materialize in each year that the new wholesale agreements are in effect.

Second, even if the sensitivity studies were to demonstrate that retail customers are likely to benefit, TECo has not provided any guarantee that retail customers will save money. Given the speculative nature of any long-term forecast, the Commission should not assume, absent a guarantee from the utility, that retail customers will ever see lower rates during the duration of the new wholesale agreements.

In summary, the Commission's policy on the regulatory treatment of separated wholesale sales should not be abandoned based on the results of a highly speculative cost-benefit analysis like the one submitted by TECo in this proceeding.

<u>**Regulatory Treatment**</u>

Q TECO HAS CHARACTERIZED ITS PROPOSED REGULATORY TREATMENT AS A 50/50 SHARING OF THE REMAINING SALES PROCEEDS BETWEEN TECO AND RETAIL CUSTOMERS, YET YOU HAVE CHARACTERIZED TECO'S PROPOSAL AS A 78/22 SHARING. HOW DO YOU RECONCILE THE TWO POSITIONS?

A TECo is assuming that it is entitled to retain all of the revenues associated with the cost of providing transmission and ancillary services to FMPA and Lakeland. In other words, TECo has characterized these transmission revenues as a cost which it is proposing to charge itself in accordance with its FERC Open Access Tariff.

Q IS IT APPROPRIATE TO CHARACTERIZE THE TRANSMISSION PORTION OF THE REVENUES DERIVED UNDER THE NEW WHOLESALE AGREEMENTS AS A COST INCURRED BY TECO?

A No. To my knowledge, TECo is not incurring any additional generation or transmission investment to provide service to FMPA and Lakeland. In other words, the new wholesale sales represent an incremental use of TECo's transmission system (and generation resources in the case of ancillary services).

The revenues derived from this incremental use of the transmission system, thus, can be used to defray fixed costs. Finally, because the FMPA and Lakeland agreements were consummated subsequent to TECo's last base rate case, none of the transmission-related and ancillary costs now being caused by these customers have been allocated either directly to these customers or to TECo.

For all of the above reasons, it would not be appropriate to characterize the transmission charges as additional costs incurred by TECo when those incremental revenues are clearly available to defray TECo's existing transmission and ancillary service costs. Consequently, the transmission revenues should be treated as net benefits derived from the new wholesale sales.

Q **WAS THE ENVIRONMENT IN WHICH TECO NEGOTIATED THE NEW WHOLESALE SALES DIFFERENT FROM ITS NEGOTIATIONS WITH OTHER WHOLESALE CUSTOMERS?**

A No. The wholesale market has been competitive for some time now. A good example of the competition TECo has faced occurred in 1991, when TECo participated in a competitive solicitation process for the opportunity to serve the cities of Fort Meade and Wauchula. TECo was ultimately successful in capturing these sales from Florida Power Corporation, and it has been increasing its market share ever since.

Q **IS TECO'S PROPOSAL TO SHARE THE BENEFITS DERIVED FROM THE NEW WHOLESALE SALES APPROPRIATE?**

A No. The sharing of the benefits associated with long-term firm (i.e., separated) wholesale sales is inappropriate because retail customers are supporting *100%* of the cost of system capacity resources (both generation and transmission) in their base rates and through the various adjustment clauses. The capacity costs associated with TECo's purchases from the Hardee Power Partners, which is owned by a TECo affiliate, TECo Power Services (TPS), are being fully recovered from retail customers in the Capacity Cost Recovery Factor.

Thus, retail customers are entitled to receive all of the benefits associated with the long-term use of the facilities for which they, and they alone, are paying. This means that any benefits derived from these sales should be used to reduce retail rates. To do otherwise would be tantamount to forcing retail customers to subsidize TECo's ventures in the more competitive wholesale market.

Q IS THERE ANY ISSUE THAT THE NEW WHOLESALE SALES ARE BEING PRICED BELOW TECO'S AVERAGE EMBEDDED COST?

A No. According to TECo's witness, Mr. John B. Ramil, the fully allocated embedded cost to serve the new wholesale sales will exceed the incremental non-fuel revenues derived from these sales (Testimony at page 11, beginning at Line 21). Thus, the wholesale sales are being priced below TECo's embedded cost.

Q WHAT ARE THE IMPLICATIONS OF ALLOWING A REGULATED ELECTRIC UTILITY TO SELECTIVELY OFFER BELOW-COST DISCOUNTED RATES TO SOME CUSTOMERS WITHOUT PROVIDING ASSURANCES THAT ITS CAPTIVE CUSTOMERS WILL DERIVE BENEFITS?

A TECo's proposed regulatory treatment would shift cost responsibility from competitive to regulated operations. That is, retail customers may experience adverse rate impacts as a result of the new wholesale sales. Such cost shifting will stifle competition because the utility, by virtue of forcing captive customers to underwrite its ventures in competitive wholesale markets, will gain an unwarranted competitive advantage over other market participants who do not have the luxury of using their captive customers to offer subsidized rates. Such an outcome, in my opinion, would be contrary to good public policy and to the goal of increasing competition in the electric utility industry.

Until retail customers can choose their generation supplier, regulation must remain a surrogate for competition. Thus, retail customers should pay only their fully allocated embedded cost of service and no more.

Q WOULD TREATING THE NEW WHOLESALE SALES AS SEPARATED SALES MINIMIZE SUCH COST SHIFTING BETWEEN COMPETITIVE AND REGULATED OPERATIONS?

A Yes, it would. However, in TECo's case, it would not completely solve the problem. This is illustrated in Document No. 2, which is a comparison between the retail fuel and purchased power costs, the cost of purchased power from the Hardee Power Partners and the fuel cost associated with Schedule D wholesale sales.

As can be seen, the retail fuel adjustment charges (Column 1) are consistently higher than the fuel costs derived from Schedule D sales (Column 3). This result may be primarily attributed to the fact that TECo is dedicating above-contract and spot market coal purchases primarily to its wholesale operations. It is also attributable, in part, to the fact that TECo is purchasing expensive electricity from its affiliate, TPS, and charging the full cost of these purchases to its captive retail customers. The energy portion of these purchases is shown in Column 2 of Document No. 2.

In other words, TECo is purchasing capacity and energy from its affiliate while, at the same time, it is selling system capacity and lower cost energy resources to its affiliate and to other wholesale market participants. This practice might be characterized as a further attempt to shift costs between competitive and regulated operations.

Q **IN A COMPETITIVE MARKET, COULD A SUPPLIER CHARGE DIFFERENT PRICES FOR THE SAME COMMODITY?**

A No. According to the testimony of TECo witness, Dr. Douglas R. Bohi, in a competitive market, ". . . it is not possible to charge different prices for the same commodity because of arbitrage." (Testimony at Page 11, Lines 12-14) On this point, I agree with Dr. Bohi.

Q **ARE YOU CONTESTING THE PRUDENCE OF TECO'S PURCHASED POWER AND SALES AGREEMENTS?**

A No. I am not suggesting that there is any impropriety in either TECo's purchased power or wholesale service agreements per se. What I am suggesting is that the Commission has an important role to play, as a surrogate for competition, to ensure that the dramatically different prices TECo is charging for retail and wholesale generation services is in the best interest of retail customers.

Q **DR. BOHI ASSERTS THAT IF THE INCREMENTAL COST OF WHOLESALE SALES ARE COVERED BY INCREMENTAL REVENUES, RETAIL CUSTOMERS WILL NOT BE SUBSIDIZING WHOLESALE SALES. HOW DO YOU RESPOND TO HIS ASSERTION?**

A Dr. Bohi's assertion is based on an erroneous assumption that a utility having low incremental operating costs is more efficient than a competing supplier that may have higher operating costs but lower total costs. This is reminiscent of the doctor who tells a patient that "you are in great shape for the shape you are in" when in fact the patient may be terminally ill.

Q IS IT APPROPRIATE TO MEASURE EFFICIENCY SOLELY BASED ON INCREMENTAL COST?

A No. A firm may have low incremental costs simply because it has invested capital to offset variable production costs in anticipation of operating at a sufficiently high load factor to earn an adequate return. This is not a measure of efficiency. It is the result of a strategic decision to employ operating leverage.

Electric utilities have chosen to invest (or over-invest as some analysts now contend) in capital because, in a regulated environment, all additions to rate base would produce a higher return for the utility's stockholders. Traditional cost of service regulation rewarded investment because revenue requirements are the sum of return on investment (i.e., profits) and operating expenses (i.e., revenues = profits + expenses). It is wrong to characterize a firm that was incentivized to invest as necessarily being more efficient than another firm that chose instead to minimize *overall* costs.

The regulatory equation is in stark contrast to conditions in a competitive market where profits equal revenues minus expenses. Because price is market determined, the most efficient supplier will have a strong incentive to minimize the *overall* cost of goods sold to maximize the opportunity for profit. No distinction will be made between fixed and variable costs, or between average and incremental costs, as suggested by Dr. Bohi, in determining efficiency.

Q HOW SHOULD THE COMMISSION PROTECT TECO'S RETAIL CUSTOMERS FROM UNWARRANTED COST SHIFTING?

A Any revenue shortfall between the embedded costs associated with the new wholesale sales and the revenues derived from these sales should be borne by TECo at least until such time as TECo is able to demonstrate that, based on actual data, retail customers will be "held harmless."

Therefore, I recommend that there be no sharing of margins from new separated wholesale sales, and that 100% of the non-fuel revenues should be returned to retail customers, including all transmission and ancillary service charges. Further, TECo should be ordered to perform a jurisdictional separation study in which embedded costs are appropriately allocated to all long-term separated wholesale sales. This jurisdictional separation study should be the basis for measuring the earnings derived from TECo's retail operations. To do otherwise would artificially depress earnings from retail operations and reduce the potential for future refunds under the earnings cap approved in Docket No. 960409-EI.

Q WOULD SUCH A POLICY DISCOURAGE UTILITIES FROM PARTICIPATING IN COMPETITIVE MARKETS?

A No. A prudently managed utility will use its best efforts to market surplus capacity and energy irrespective of whether it receives a specific monetary incentive for doing so. This is because maximizing off-system sales should enable a utility to minimize retail rates and, therefore, protect what many utilities are now realizing is their most valuable asset--their retail customers. Thus, a rate minimization strategy will be critical to the future success of incumbent electric utilities in a fully competitive retail customer choice environment.

Q **DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

A Yes, it does.

Qualifications of Jeffry Pollock

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Jeffry Pollock. My business mailing address is P. O. Box 412000, St. Louis, Missouri 63141-2000.

Q WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?

A I am a consultant in the field of public utility regulation and a principal in the firm of Brubaker & Associates, Inc., energy and regulatory consultants.

Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A I am a graduate of Washington University. I hold the degrees of Bachelor of Science in Electrical Engineering and Master of Business Administration. At various times prior to graduation, I worked for the McDonnell Douglas Corporation in the Corporate Planning Department; Sachs Electric Company; and L. K. Comstock & Company. While at McDonnell Douglas, I analyzed the direct operating cost of commercial aircraft.

Upon graduation, in June, 1975, I joined the firm of Drazen-Brubaker & Associates, Inc. Drazen Brubaker & Associates, Inc. (DBA) was incorporated in 1972 assuming the utility rate and economic consulting activities of Drazen Associates, Inc., active since 1937. Brubaker & Associates, Inc. (BAI) was formed in April, 1995. In the last five years, BAI and its predecessor firm has participated in more than 700 regulatory proceeding in forty states and Canada.

During my tenure at both DBA and BAI, I have prepared numerous financial and economic studies of investor-owned, cooperative and municipal utilities, including revenue requirements, cost of service studies, rate design, site evaluations and service contracts. Recent engagements have included advising clients on electric restructuring issues, developing responses to utility requests for proposals (RFPs), and managing RFPs for clients. I am also responsible for developing and presenting seminars on electricity issues.

I have worked on various projects in over twenty states and in two Canadian provinces, and have testified before the regulatory commissions of Alabama, Arizona, Colorado, Delaware, Florida, Georgia, Illinois, Iowa, Louisiana, Minnesota, Mississippi, Missouri, Montana, New Jersey, New Mexico, Ohio, Pennsylvania, Texas, Virginia and Washington. I have also appeared before the City of Austin Electric Utility Commission, the Board of Public Utilities of Kansas City, Kansas, the Bonneville Power Administration, Travis County (Texas) District Court, and the U.S. Federal District Court.

BAI provides consulting services in the economic, technical, accounting, and financial aspects of public utility rates and in the acquisition of utility and energy services through RFPs and negotiations, in both regulated and unregulated markets. Our clients include large industrial and institutional customers, some utilities and, on occasion, state regulatory agencies. We also prepare special studies and reports, forecasts, surveys and siting studies, and present seminars on utility-related issues.

In general, we are engaged in energy and regulatory consulting, economic analysis and contract negotiation.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Determination of appropriate cost allocation and regulatory treatment of total revenues associated with wholesale sales to Florida Municipal Power Agency and City of Lakeland by Tampa Electric Company.	)))))	Docket No. 970171-EU

Exhibit of

Jeffry Pollock

On Behalf of

Florida Industrial Power Users Group

May 1997
Project 6744

Brubaker & Associates, Inc.
St. Louis, MO 63141-2000

TAMPA ELECTRIC COMPANY

Analysis of TECO's Proposed Regulatory Treatment of the FMPA and Lakeland Sales (NPV $Millions)

Line	Description	Amount
1	Incremental revenues	$81.4
	Incremental costs:	
2	Fuel	$65.9
3	SO2 Allowances	$0.6
4	Variable O&M	$3.9
5	Capacity	$0.8
6	Subtotal	$71.3
7	Net Benefits	$10.1
	Benefits retained by TECo	
8	Transmission revenues	$5.7
9	50% of net non-fuel revenues	$2.2
10	Subtotal	$7.9
11	Percent of Benefits retained by TECo	78%
12	Benefits retained by retail customers	$2.2
13	Percent of Benefits retained by retail customers	22%

TAMPA ELECTRIC COMPANY

Comparison of Retail Fuel and Purchased Power Costs, Firm Purchased Power Energy Costs and Firm Sales for Resale

Reporting Month	Retail Fuel/ Purchased Power Cost (Cents/kWh) (1)	Hardee Power Partners Native Purchases (Cents/kWh) (2)	Schedule D Firm Sales For Resale (Cents/kWh) (3)
Oct 95	2.24	10.00	1.57
Nov	2.11	83.37	1.49
Dec	2.40	6.20	1.49
Jan 96	2.10	6.41	1.64
Feb	2.23	2 80	1.59
Mar	2.54	5.99	1.67
Oct 95 - Mar 96	2.26	6.97	1.59
Apr 96	2.13	-11.55	1.69
May	2.51	3.38	1.91
Jun	2.29	3.50	1.92
Jul	2.61	3.78	2.05
Aug	2.41	3.64	1.79
Sep	2.25	3.15	1.79
Apr-Sep 96	2.37	3.50	1.87
Oct	2.23	5.66	1.72
Nov	2.08	29.44	1.70
Dec	2.24	6.63	1.84
Jan 97	2.12	6.08	1.77
Feb	2.04	4.99	1.63
Mar	2.41	3.56	1.67
Oct 96 - Mar 97	2.19	4.84	1.73

Source: TECo Fuel Cost Recovery and Capacity Cost Recovery Filings:

	Schedule A1, L34	Schedule A7	Schedule A6

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing **Testimony and Exhibits of Jeffry Pollock on behalf of the Florida Industrial Power Users Group** has been furnished by *hand delivery or U.S. Mail to the following this **9th** day of **May, 1997**:

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