BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of Determination of appropriate cost allocation and regulatory treatment with wholesale sales to Florida Municipal Power Agency and City of Lakeland by Tampa Electric Company	DOCKET NO. 970171-EU

FIRST DAY - AFTERNOON SESSION

VOLUME III

PAGE 295 through 410

PROCEEDINGS: HEARING

BEFORE: CHAIRMAN JULIA L. JOHNSON
COMMISSIONER J. TERRY DEASON
COMMISSIONER SUSAN F. CLARK
COMMISSIONER DIANE K. KIESLING
COMMISSIONER JOE GARCIA

DATE: Wednesday, June 11, 1997

TIME: Commenced at 4:35 p.m.

PLACE: Betty Easley Conference Center
Room 148
4075 Esplandade Way
Tallahassee, Florida

REPORTED BY: NANCY S. METZKE, RPR, CCR

APPEARANCES:

(As heretofore noted.)

WITNESSES - VOLUME III

EXHIBITS - VOLUME III

P R O C E E D I N G S

(Hearing reconvened at approximately 4:30 p.m.)

(Transcript follows in sequence from Volume II)

CHAIRMAN JOHNSON: Are we ready?

MS. PAUGH: I thought I had it pushed, I apologize. Chairman Johnson, if I may interject here before we commence with Witness Branick, if it's perceived that this proceeding is going to be continued, for purposes of continuity of this case, I believe that this would be a better breaking point than somewhere in the middle of Ms. Branick's cross. It looks like perhaps I am speaking out of school.

I believe staff's cross will be at least two hours, to give you an idea. I don't know how late we want to run tonight. But in terms of what is before us in this case, this might be a better stopping point, if we are going to stop. I just throw that out for consideration of the parties.

MR. LONG: Chairman Johnson, we would very much like to finish this proceeding today. We have done everything we can to expedite, and we will continue to do that. It's probably true we are going to run over beyond five o'clock, but we would appreciate any additional effort that you are in a position to make to help us get this done today.

From our perspective, to the extent that this issue remains unresolved, it leaves us with a great deal of uncertainty as to what to do in the wholesale market; and as you know, opportunities don't wait. They appear, and they go to the party that is prepared. So for that reason, we would ask you to give any consideration that you could to finishing this proceeding today.

MS. PAUGH: May I respond to that, please?

CHAIRMAN JOHNSON: Sure.

MS. PAUGH: I'd like to point out to the Commission that their witness has testified -- it was Witness Ramil -- that the company is already not separating these sales, so in terms of the treatment of the sales, it's already in retail jurisdiction; and even if it weren't, if the company were to receive any detriment for having separated and then a decision at a later time, that could be trued up in the fuel hearings. There is no real push for this case because it could be trued up at a later time.

The company requested and received an accelerated docket; and frankly, staff and all the parties have worked very hard to accommodate the company. You reach a point of absurdity, though, with pushing a hearing. This is a very, very important issue because it is a policy issue, and staff would prefer not to be in a position to rush through their cross of two very important witnesses from the company. Thank you.

MR. LONG: Madam Chairman --

CHAIRMAN JOHNSON: Let me take a poll of how much longer it's going to take with respect to the witnesses to see if it is even realistic. Certainly we are willing to go late, but we aren't willing to stay here all night.

Staff, you said that on Branick you had about two hours?

MS. PAUGH: That's correct, Chairman Johnson.

CHAIRMAN JOHNSON: Okay. FIPUG, any --

MR. McWHIRTER: I estimate 43 minutes on cross examination plus 11 minutes for each discussion on an objection with respect to any question I ask, and if questions are evasive, it would add another 72 minutes.

CHAIRMAN JOHNSON: Okay. About an hour and a half.

Public counsel.

MR. HOWE: For me about half an hour.

CHAIRMAN JOHNSON: What about the OPC's witness, TECO?

MR. HART: We don't anticipate it to be long, 15 to 25 minutes, maybe less. That's how we have done so far.

CHAIRMAN JOHNSON: I'll put 25 here.

COMMISSIONER CLARK: Mr. Hart, the way they work here is the light has to be off.

CHAIRMAN JOHNSON: FIPUG.

MR. HART: We may have no questions. If it is a factor in getting this proceeding through, we won't have any cross examination questions for Mr Larkin.

MS. KAUFMAN: We will not have any for Mr. Larkin.

CHAIRMAN JOHNSON: Staff.

MS. PAUGH: Staff will not have any for Mr. Larkin.

CHAIRMAN JOHNSON: Well, that is one we can stipulate.

MR. HOWE: Can we put Mr. Larkin's testimony in the record and he can leave?

CHAIRMAN JOHNSON: Yeah, well, we may get there real quick.

Mr. Wheeler -- Did you have something on Larkin?

MR. HART: What we said was if it was going to be a factor in getting it over today we would forego cross examination, if the hearing is going to be completed today. If the hearing is not going to be completed today, then we may have some questions today. And if it's not a factor in whether or not we get to complete today, we may have a few; but if that is a part of the decision --

CHAIRMAN JOHNSON: I understand. Mr. Wheeler?

MR. HART: Same thing.

CHAIRMAN JOHNSON: Okay. 25 or zero?

MR. HART: Yes.

CHAIRMAN JOHNSON: FIPUG.

MS. KAUFMAN: We would be willing to stipulate Mr. Wheeler into the record.

MR. HOWE: We would stipulate his testimony also.

CHAIRMAN JOHNSON: And -- oh, Mr. Ramil's rebuttal, right? FIPUG.

MR. McWHIRTER: 30 Minutes.

CHAIRMAN JOHNSON: About 30 minutes you said?

MR. McWHIRTER: Yes, ma'am.

CHAIRMAN JOHNSON: Okay.

MR. HOWE: About 30 minutes for me also.

MS. PAUGH: Two hours.

CHAIRMAN JOHNSON: Let's see, that's four, five -- It's about seven hours worth, and that's not counting your 25, your two 25 minutes. I might have been wrong. Let's see, two hours, two hours; that's four, five -- Nope, seven hours.

COMMISSIONER GARCIA: Regardless, Madam Chairman, even if we schedule another day, we should put in a few more hours so that we don't end up in this same box if we do reschedule; and who knows, maybe it will start moving along.

CHAIRMAN JOHNSON: And I don't want to rush staff, and I understand we are at Branick now. We have no problem with you taking two hours. I don't want you to feel rushed to complete her cross.

MS. PAUGH: Thank you. We will do everything we can to expedite, but this is a very important policy issue.

CHAIRMAN JOHNSON: Sure. So we'll go ahead and try to continue and see how far we get.

MS. PAUGH: Thank you.

CHAIRMAN JOHNSON: And again, don't feel rushed.

CHAIRMAN JOHNSON: TECO, did you have an opportunity to get those copies?

MR. WILLIS: Yes, I think they are in your -- I know they are in your packet.

(DOCUMENTS DISTRIBUTED TO THE COMMISSION MEMBERS)

CHAIRMAN JOHNSON: Often times we don't -- They probably should have been.

CHAIRMAN JOHNSON: TECO, are we prepared?

MR. LONG: Yes.

CHAIRMAN JOHNSON: Mr. Long, we are ready.

MR. LONG: Thank you.

* * * *

Whereupon,

KAREN A. BRANICK

was called as a witness on behalf of Tampa Electric Company and, having been duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. LONG:

Q Are you the Karen A. Branick that has filed direct testimony in this proceeding?

A I am.

Q Was that testimony prepared by you under your direction and supervision?

A It was.

MR. LONG: Madam Chairman, Ms. Branick has a number of corrections to her testimony. The corrected pages have been filed with the Commission on May 16th and May 28th, and copies of those filings, I believe, have been distributed to the parties and to the commissioners.

CHAIRMAN JOHNSON: Yes.

MR. LONG: With those corrected pages in mind, I would ask that we dispense with having the witness go through line by line and note her corrections, but instead, simply have the corrected pages inserted at the appropriate time into the record as though read.

CHAIRMAN JOHNSON: Certainly.

MR. LONG: Thank you.

BY MR. LONG:

Q Ms. Branick, do you have any corrections or changes beyond those which have been filed with the Commission on May 16th and May 28th to your direct testimony?

A I have one. Page 12 of my direct testimony, line 21, the date of 2002 should read 2001.

COMMISSIONER GARCIA: What page was that?

WITNESS BRANICK: Page 12.

Q Ms. Branick, if I were to ask you the questions as they appear in your direct testimony today while you are under oath, would your answers be the same?

A They would.

Q Do you adopt this testimony as your sworn testimony in this proceeding?

A Yes.

Q Ms. Branick, did you also cause to be prepared and filed an exhibit entitled Exhibit of Karen A. Branick?

A I'm sorry?

Q Exhibit of Karen A. Branick which consists of 63 Bate stamped pages?

A Yes.

MR. LONG: Chairman Johnson, I ask that this exhibit be marked for purposes of identification.

CHAIRMAN JOHNSON: It will be marked as exhibit

10, and short title, Karen A. Branick Exhibit.

MR. LONG: And I ask that Ms. Branick's direct testimony with the corrections noted be read into the record as though given.

CHAIRMAN JOHNSON: The testimony will be inserted into the record with the corrected filings as though read.

BEFORE THE PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

KAREN A. BRANICK

Q. Please state your name, address, employer and occupation.

A. My name is Karen A. Branick. My business address is 702 North Franklin Street, Tampa, Florida 33602. My position is Manager - Energy Issues in the Regulatory and Business Strategy Department of Tampa Electric Company.

Q. Please provide a brief outline of your educational background and business experience.

A. I received a Bachelor of Science Degree in Chemical Engineering and Chemistry from the University of Pittsburgh, Pittsburgh, Pennsylvania in 1986. In 1987, I was employed as a chemist for Florida Power & Light Company (FPL). In 1990, I became a performance engineer; in 1991 a lab supervisor; and in 1992 an operations supervisor for FPL. My career in Tampa Electric Company began in 1992 in the Production Department at Gannon Station. My responsibilities included assurance of proper boiler chemistry and chemical engineering support during normal operations and maintenance outages of the units. I led projects related to alternate fuel test burns and waste water management.

In 1994, I transferred to the Bulk Power & Market Development Department where I managed the customer accounts of approximately 30 of Tampa Electric's large industrial retail customers. My experience with wholesale sales in this department includes the development of proposals to serve long-term capacity and energy to wholesale customers, and the evaluation of the net benefits from these sales versus the incremental variable and fixed costs associated with making the sales.

In October of 1996, I was promoted to Manager - Energy Issues in the Regulatory and Business Strategy Department. My present responsibilities include the areas of fuel adjustment filings, capacity cost recovery filings and rate design.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to describe in detail the wholesale sales to the Florida Municipal Power Agency (FMPA) and to the City of Lakeland (Lakeland), and to support the analysis that shows these sales provide net benefits to Tampa Electric's general body of rate payers. I will show how I have applied the economic concepts described by Dr. Bohi to the analysis of these sales, and I will support the detailed implementation of Tampa Electric's proposed treatment of the revenues associated with the FMPA and Lakeland sales which is provided in the testimony of Mr. Ramil.

Q. What exhibits are you sponsoring as part of your testimony in this proceeding?

A. My Exhibit No. ___________ (KAB-1), consisting of seven documents. It consists of: a summary of contracted capacity for these wholesale sales, the interchange contracts to the Florida Municipal Power Agency and the City of Lakeland, Cost vs. Benefit analyses of these sales and the proposed treatment of the revenues and costs associated with these sales.

Q. Ms.Branick, please describe the Tampa Electric wholesale sale to FMPA.

A. Tampa Electric and FMPA entered into a Letter of Commitment on October 2, 1996 for Tampa Electric to provide base load long-term firm capacity and energy. The capacity and energy sold is from the combined resources of Big Bend Units 2 and 3, and its Gannon Units 5 and 6. Service under this Letter of Commitment began on December 16, 1996 and will continue through March 15, 2001. The amount of base contracted capacity associated with this sale is 35 megawatts through December 15, 1997, and increases to 150 megawatts on December 16, 1999. Document No. 1 of my Exhibit shows the base capacity to be served by Tampa Electric during the term of the agreement. A copy of the agreement is included as Document No. 2 of my Exhibit.

The base capacity is available to FMPA any time the generating resources supplying this sale are available and capable of producing the requested capacity. Tampa Electric may supply supplemental capacity and energy to FMPA from these generating resources by mutual, written agreement of the parties. Supplemental service is an option in this agreement to enable FMPA to increase the capacity purchased from Tampa Electric for periods of time when the base contracted capacity would not cover their needs. The supplemental capacity would be served at an equivalent reliability level of the base capacity, once scheduled. To date, Tampa Electric has agreed to supply 20 MW of such supplemental capacity during the months of

January and February, and 35 MW during the months of June, July, August and September in 1997.

Q. Ms. Branick, please describe the wholesale sale between Tampa Electric and Lakeland.

A. Tampa Electric began service to Lakeland, on November 4, 1996 for 10 MW of peaking capacity. Subsequent to the commencement of service, Lakeland determined that it desired a greater degree of firmness than the agreement originally afforded. The parties began discussions to amend this agreement in February, 1997. As a result, a new Letter of Agreement executed by Tampa Electric will be recommended for approval before the City Council on May 5, 1997 by the City of Lakeland's Electric Department. Tampa Electric will ask FERC for a November 4, 1996 effective date when it files the new agreement. This new agreement will replace the original agreement signed on November 4, 1996. Tampa Electric will now supply Lakeland with 10 MW of firm peaking capacity and energy. The firm peaking capacity and energy to Lakeland has the same service priority as Tampa Electric's firm native load customers. Document No. 1 of my Exhibit shows the capacity and annual minimum energy levels for the term of the agreement.

Tampa Electric will also serve Lakeland up to 10 MW of supplemental service if it projects it would not be required to curtail native retail load and spinning reserve requirements, commitments for unit and/or station power sales, firm wholesale service commitments or other power sales having equivalent priority that were scheduled prior to this request. Tampa Electric may supply optional supplemental service to Lakeland by mutual, written agreement of the parties. This sale is supported by Tampa Electric's system resources. A copy of the agreement is included as Document No. 3 of my exhibit.

SUMMARY OF BENEFITS

Q. What are the benefits associated with the off-system sales to FMPA and Lakeland?

A. The total incremental cost associated with the FMPA sale is projected to be $68.2 million present value. The total revenues from the FMPA sale are projected to be $77.2 million present value. Therefore the benefits from this sale are equal to the difference between total revenues and total incremental costs, or $9.0 million. This cost versus benefit analysis is detailed in Document No. 4 of my Exhibit.

The total incremental cost associated with the Lakeland sale is projected to be $3.2 million present value and total revenues are projected to be $ 4.2 million dollars present value. The benefits from this sale are therefore, $0.9 million present value. Document No. 5 of my Exhibit details the costs versus benefit associated with the Lakeland sale. These benefits versus costs analyses were done considering only the base contracted amounts of capacity and energy plus any committed supplemental service. To the extent, additional supplemental service is supplied, the benefits will increase as well.

ECONOMIC ANALYSIS

Q. How did you determine the benefits associated with the wholesale sales to FMPA and Lakeland?

A. The economic analysis was performed using production simulation models, to quantify the differential revenue requirements with and without the sales. The difference in total projected total revenue requirements include system fuel, operating and maintenance and capital revenue requirements when the sale is included minus the total revenue requirement without the sale defined as the incremental costs associated with making each sale individually.

Q. What expenses are included in your incremental cost analysis?

A. As Dr. Bohi testifies, total incremental costs include variable costs and may or may not include incremental capacity costs. The potential incremental variable costs associated with these off-system sales are fuel, SO_2 allowances, and operation and maintenance expense. The incremental capacity costs if any are expansion plan impacts.

INCREMENTAL VARIABLE COSTS

Q. What method did you use to compute the incremental fuel costs used in your cost versus benefit analysis for the FMPA and Lakeland sales?

A. The incremental fuel cost is equal to the differential fuel expense between the two production simulation analyses runs, one with the off-system sale and one without. In each case the simulation minimizes the fuel expense by economically dispatching the lowest variable cost units first. The incremental fuel cost is comprised of additional generation from the coal units, oil at Hookers Point station, natural gas at Hardee Power station, oil at the combustion turbines or off-system purchases. The incremental fuel expense was computed first for the FMPA sale.

The incremental fuel expense for the Lakeland sale was derived in the same manner. However, the analysis for the Lakeland sale was performed with the inclusion of the FMPA sale in the simulation runs.

Q. What method did you use to compute the incremental SO_2 allowance for each sale?

A. The incremental generation by unit was derived by taking the difference in generation between the two previously defined production simulation analysis. An initial replacement cost for SO_2 allowances was assumed to be \$99.45 per ton of SO_2 emitted per unit and was computed according to the sulfur content of the coal used in the unit and the heat content of the coal for each unit. The total incremental SO_2 allowance cost for the incremental SO_2 emissions for each unit was summed to get the total incremental SO_2 allowance cost for the sale. This method was used for both the FMPA sale and the Lakeland sale.

Q. Please describe the method used to compute variable operation and maintenance cost for each sale.

A. The current variable operation and maintenance rate paid to qualifying facilities as part of the as-available cogeneration payments was used to compute the costs for these sales in 1997. This value was then escalated at 3% per year. The total megawatt hours generated for each sale was multiplied by this variable operation and maintenance rate for each year yielding an estimate of the variable operation and maintenance expense. This methodology was used for both sales.

INCREMENTAL CAPACITY COSTS

Q. Please describe the methodology used to quantify the incremental capacity costs included in your analysis of the FMPA sale.

A. The methodology used to quantify the incremental capacity costs is to take the difference in the capital and fixed operation and maintenance revenue requirements between two optimized generation expansion plans. The first run as a base case, which assumes the sale is not made, and the second run does include the new sale.

For the sale to FMPA, there was no change to the expansion plan due to the addition of FMPA. Intuitively, this makes sense because the FMPA sale ends in March 2001 while Tampa Electric's next generation unit is planned for January 2003. This is demonstrated in Tampa Electric's Ten Year Site Plan filed on April 1, 1997 with the Commission. With no change in the expansion plan, there is no differential revenue requirement. Therefore, there are no incremental capacity costs associated with the sale to FMPA.

Q. How is the incremental capacity cost for the sale to Lakeland determined?

A. Lakeland is analyzed with the same methodology as the FMPA sale except the FMPA sale is included in the base case because the FMPA, sale was made prior to the new Lakeland sale.

The Lakeland sale terminates in September 2006. This is after the planned addition of combustion turbines in 2003 and 2004. Analysis of two cases, a base case without the Lakeland sale and another with the 10 megawatt sale included for the entire term, 1996-2006, showed no change to the base case expansion plan. Thus, like the FMPA sales, no incremental capacity costs would be expected using this methodology and assumptions. Because the

Lakeland sale does span a period of time during which the company expects to add new capacity, a much more conservative approach to the projection of the incremental costs during this time period would be to assume that enough new load occurs to move the expansion plan and then prorate this impact to the Lakeland sale. If a prorated allocation of the revenue requirements of the new units required is assigned as the incremental fixed cost of this sale, this would result in $0.8 million present value in fixed costs for accelerated of the expansion plan. So depending on the methodology employed, the incremental capacity costs associated with this sale are between $0 and $0.8 million.

Q. Are there any unique provisions of the Lakeland agreement that would impact the incremental fixed cost in the Lakeland analysis.

A. Yes, there are. The Lakeland agreement provides Tampa Electric with the opportunity to terminate the contract no earlier than December 31, ~~2002~~ 2001 by providing Lakeland with a one-year notice. While it is not Tampa Electric's plan to exercise this option, should incremental fixed or variable costs rise above the current projected values, Tampa Electric could terminate the sale prior to the addition of the planned generation expansion in 2003.

Q. Are there risks that the incremental costs may vary above what you have projected?

A. Yes. Incremental costs could be higher or lower than projected. Tampa Electric is constantly striving to reduce fuel costs, improve unit efficiencies and maximize unit capacities. The effect of these efforts has the potential to lower actual incremental cost which will increase the overall benefit of these sales.

Beyond that, should incremental costs exceed the levels projected, ratepayers are protected. Tampa Electric's proposal for the treatment of the sales credits all variable fuel and SO_2 allowance costs to the corresponding retail clauses. Therefore, retail customers will be no worse off than had Tampa Electric never made the sale.

PROPOSAL IMPLEMENTATION

Q. Please describe how the proposal presented by Mr. Ramil will be implemented by Tampa Electric.

A. Below is a description of the implementation of the proposal by component.

SYSTEM INCREMENTAL FUEL

The commission has approved the as-available avoided generation energy rate computation for paying qualifying facilities for the "incremental" generation cost on Tampa Electric's system. This factor derived by a commission approved methodology would be used to compute the system incremental fuel cost on an actual basis. This hourly incremental fuel rate, adjusted for losses, would be multiplied by the hourly average demand for each sale yielding an hourly incremental fuel cost. These hourly incremental fuel costs will be summed to get the monthly incremental fuel expense associated with each sale.

INCREMENTAL SO_2 ALLOWANCES

Each compliance unit will be assigned an "adder" rate which is equal to the replacement cost of SO_2 allowances based on the current market. This adder will be on a dollar per megawatt hour basis on the sulfur content, heat content and unit heat rate for each compliance unit. The incremental generation for each compliance unit will be estimated as part of the computation of the incremental fuel expense.

The incremental generation for each compliance unit will be multiplied by the SO_2 allowance replacement cost adder to derive the total incremental SO_2 allowance costs recovered through the Environmental Cost Recovery Clause.

VARIABLE OPERATION AND MAINTENANCE

The as-available cogeneration energy rate also contains a variable operation & maintenance rate derived annually according to an EPRI Technical Advisory Group methodology. The Commission approved this methodology as part of approving Tampa Electric's cogeneration tariffs. This factor would be applied by multiplying by the megawatt hours sold for each sale, adjusted for losses.

TRANSMISSION CHARGES

The transmission charges associated with the sale will be computed per the appropriate Tampa Electric Open Access Transmission tariff in effect at the time of the sale.

NET NONFUEL REVENUES

On a monthly basis, we will start with the total revenues collected from the sale. The monthly incremental fuel expense will be deducted from the total revenues and credited to the retail Fuel and Purchased Power Cost Recovery Clause. Similarly, the SO_2 allowance cost will be deducted from the total revenues and credited to the retail Environmental Cost Recovery Clause. The transmission charges and variable operation and maintenance costs will be deducted from the total revenues and credited to Tampa Electric's operating revenues.

The remaining revenues after deducting the items listed above, will be shared equally between the retail Fuel and Purchased Power Cost Recovery Clause and Tampa Electric's operating revenues. Documents 6 and 7 of my exhibit illustrates the projected allocation of revenues of the sale to FMPA and the sale to Lakeland, respectively.

Q. How would the benefits from these sales affect the residential bill for a customer consuming 1,000 kilowatt hours per month for the period October, 1997 through March, 1998 under this proposed regulatory treatment?

A. I calculate that a customer's bill for 1,000 kilowatt hours of residential usage including true-up effects would be approximately sixty cents lower during that period with these sales than it would have been had the sales not been made. And, of course, retail customers will benefit additionally by the long term offset to fixed costs that these sales will provide.

Q. Does this conclude your testimony?

A. Yes, it does.

BY MR. LONG:

Q Ms. Branick, would you summarize your testimony?

A Yes. Good afternoon, Commissioners. The off-system sales of capacity and energy to the City of Lakeland and Florida Municipal Power Agency are expected to yield 10 million dollars of net benefits to Tampa Electric's system and its retail customers. These net benefits are equal to the revenues collected over and above the incremental costs incurred to make these sales.

As Mr. Ramil has explained, Tampa Electric has proposed a fair, simple and reasonable proposed treatment of costs and revenues associated with these sales which provides the company's general body of ratepayers with significant benefits. For fuel costs, Tampa Electric will use the methodology approved by the Commission in the avoided cogeneration fuel rate calculated on an actual hour-by-hour basis to assign the hourly incremental fuel costs for these sales.

For S02 allowance costs, Tampa Electric will compute the incremental increase in emission allowance cost based on the market replacement cost of S02 allowances. For variable operating and maintenance costs, Tampa Electric will use the Commission-approved variable O&M payment rate used for the payment of cogenerators to compute actual incremental O&M expense. The incremental fuel expense and incremental emission compliance expense will be calculated on a real-time basis and credited to the appropriate clauses month to month so the clauses are kept neutral as to whether these off-system sales are made or not.

Consistent with the economic principles articulated by Doctor Bohi, all of the expected incremental costs of making these sales have been accounted for in the cost versus benefit analyses. These incremental costs include costs for fuel and purchase power, loss of revenue associated with economy sales and service of interruptible energy, S02 emission compliance, variable operating and maintenance expenses and production capacity expansion.

The estimates of incremental costs were conducted using an industry standard production cost simulation model which has been in use by Tampa Electric and other utilities throughout Florida and the United States for over 15 years. The assumptions used in the model are the same assumptions used by Tampa Electric for all long-term range planning studies, including the studies for Tampa Electric's 1997 ten-year site plan.

The incremental fuel and S02 allowance costs were computed based on the changes in projected generation, net interchange transactions and S02 allowance requirements for two production simulation analyses, one with and one without each off-system sale. The difference in cost between the two analyses represents the system incremental cost. This is the appropriate methodology for calculating or capturing incremental fuel and S02 allowance expenses.

Tampa Electric has demonstrated that each of these sales provides overall net benefits to the general body of ratepayers. Total incremental revenues exceed incremental costs with benefits flowing through the fuel clause and credited to operating revenue. Thank you.

MR. LONG: Chairman Johnson, the witness is available for cross examination.

CHAIRMAN JOHNSON: Thank you.

CROSS EXAMINATION

BY MR. McWHIRTER:

Q Mrs. Branick, Ms. Branick.

A Yes, sir.

Q You have before you Exhibit 9?

A Yes.

Q And you see that there are three tabs on Exhibit 9, and you'll see that what this exhibit is is excerpts from the fuel and purchase power cost reports that you filed beginning in April of '96 and ending in September of '97. The third is your estimated period. And you recognize each of these documents, do you not?

A Yes.

Q I'd like, first, to address your attention to tab 1, the page that is numbered 11. On line 1 of that, you have the fuel cost of system net generation, and that number is for the cents per kilowatt hour, and I'm going to convert this to megawatt hours. It's $21.09 for the generation of your plants on the system; is that correct?

COMMISSIONER GARCIA: Mr. McWhirter, could you tell me where you are reading from just so that I can follow you?

MR. McWHIRTER: At tab one the page that has 11 on the side.

COMMISSIONER GARCIA: Right.

MR. McWHIRTER: Look at line 1 under cents per kilowatt hour, the column that says "Actual."

COMMISSIONER GARCIA: Got you.

BY MR. McWHIRTER:

Q Is 2.109 cents, but translated into megawatt hours to make it parallel to the other column you have, it would be $21.09 or ten cents per megawatt hour; is that correct?

A Yes.

Q And that's the average cost to operate the generators that are in your installed capacity; is that correct?

A Yes.

Q And that price includes fuel only or fuel plus something else?

A These are fuel costs.

Q That is, the price that you pay for coal only?

A No, sir, these are fuel, total fuel costs.

Q The question was, that's the price that you pay for coal without any coal handling or without any coal transportation, just the price you pay for coal?

A For total fuel. Fuel is not just coal, but you're correct, that's correct.

Q Well, all fuel, all right.

A All fuel.

Q Now is it your testimony that there is no charge in the fuel clause for those elevators that carry the fuel up from the coal pile to the generating plant?

A That's correct. This is fuel.

Q Fuel only. And there is no charge in there for the transportation of coal or other fuel from the point where it's mined or produced to Tampa Electric Company?

A This is a cost of fuel received at Tampa Electric.

Q And the sole cost is the price that you pay your coal company and other coal companies FOB the mine or the delivered price at the plant?

A This is the delivered price.

Q So it does include the cost of transportation?

(WITNESS REVIEWED DOCUMENT)

A Yes.

Q All right. Now are you familiar with Uniform System of Accounts, Account Number 501?

A No.

Q All right. Assume, subject to check, that that account includes the equipment that moves the coal from the barge to the coal pile and from the coal pile to the boiler where the fuel is burned.

MR. LONG: Madam Chairman, perhaps counsel has a copy of the code of federal regulations where that provision appears. Rather than speculate, I submit that it would be appropriate to have the witness look at the language.

MR. McWHIRTER: That would be fine. I don't have a copy of it, however. Do you have one you can supply her?

MR. LONG: No, I didn't know that you were interested in this.

BY MR. McWHIRTER:

Q Well, assume this subject to check, which is something we frequently do, and if it's incorrect, I want you to report to the Commission that the question was improper, but assume that that includes that elevator, the cranes and so forth that move the coal from the barge.

A Assume what includes that?

Q That Account 501 includes that. And do you know whether or not the items in that account are included in your cost to burn fuel?

A Could you repeat the question, please?

Q Do you know whether that price on line 1 includes the cost of those elevators and cranes and tractors and other devices that move the coal around the coal pile and into the boiler?

A No, these are fuel costs.

Q You don't know whether they include that or they --

A My understanding is these are total fuel costs.

Q I know that's a total fuel cost, but I'm trying to find out what is included in that; and do these cranes and elevators, are they included in total fuel cost?

A I believe what you are describing is an O&M expense.

Q And is it your testimony from your knowledge of your fuel charges to your customers that the O&M expense and the physical equipment, the investment in that equipment, to use -- to move the coal from the barge to the pile to the generator is not included in just fuel charge to customers?

A That's correct.

Q All right. Now go down to line 17, which is the fuel cost of Schedule D jurisdictional sales taken from subsequent Schedule A6, and we see there that the fuel cost that goes into these Schedule D sales is $13, $8 less than the system cost and --

MR. LONG: Madam Chairman, at the risk of engaging Mr. McWhirter in another long dialogue, if he wants to ask the witness about the numbers that appear on the page and ask her what the significance of those numbers is, I think that that is entirely appropriate; but Mr. McWhirter is interpreting this page for the Commission. I think that is entirely inappropriate.

MR. McWHIRTER: I will try not to interpret, and I will honor that objection.

BY MR. McWHIRTER:

Q But by the same token, the price on line 17 that you charge customers for -- or that you credit the fuel clause for is $13 in round numbers for each kilowatt hour produced; is that correct, or sold to those customers?

A That's what is here, $13 for Schedule D jurisdictional.

Q All right. Do you know the component parts of that charge, what is included?

A For the Schedule D jurisdictional sales?

Q Yes, ma'am.

A I couldn't be certain of every component.

Q All right. Would it be fair to say that that is the incremental cost, or is that some other price?

A No, I believe it would be the revenues associated with those sales.

Q So you think that's the revenue you receive. Does that revenue have any relationship to the costs for total delivered coal costs and other fuel costs that are in line 1?

A Repeat your question, please.

Q Yes. Does that number on line 17 have any relationship to the line (sic) on line 1? Are the costs included in that number the same as the costs included in line 1?

A No. I don't know that they are related.

Q Okay. Well, are the same costs included, or are some costs excluded?

A The same costs are not included.

Q I see. Which costs are excluded from the schedule on line 17?

A As I said, line 17 would be the revenues of the fuel associated with those sales.

Q Is the incremental cost of those sales in your opinion, and to your knowledge, if you know, greater or less than the $13 a megawatt hour?

A I don't have knowledge of these sales.

Q Okay. Have you set up a specific report that will track incremental costs that you are going to provide to the Commission in connection with the FMPA and Lakeland sales?

A A report that will track incremental costs?

Q Yes, ma'am.

A We will credit back incremental fuel costs that are equal to the rate that we pay the as-avoided cogen payment, the same rate that is paid to that payment.

Q My question was is there a report that you plan to prepare that will demonstrate to the Commission and to interested members of the public what your hourly incremental costs are or period incremental costs are so that interested parties can examine that report and verify the fact that you are, in fact, crediting the fuel clause with incremental costs?

A The as-avoided cogen payment is calculated every month after the month is concluded. What we pay in that payment is subject to review and auditing.

Q All right. Let's go to Schedule A8 under tab 1 and each of the subsequent ones, but we'll look at Schedule 8A. Now that is the price that you pay to cogenerators; is that right, and that's the price you are talking about that you will credit?

A Yes, the energy payment made to qualifying facilities, that's correct.

Q Okay. So on this Schedule 8, at the bottom where it says total, for the 237,000 megawatt hours that you bought from these cogenerators, you paid them $15.40?

COMMISSIONER CLARK: Mr. McWhirter, what page are we supposed to be on?

MR. McWHIRTER: It's the page that says 29 under tab 1.

COMMISSIONER CLARK: Thank you.

BY MR. McWHIRTER:

Q Is that correct?

A This is the rate that was paid, yes, for that period above.

Q So in the future, if we wanted to know what incremental costs were that you're charging for these wholesale transactions to FMPA and Lakeland, we could derive that cost by looking at Schedule 8, and whatever you pay cogenerators is what you would charge to FMPA and Lakeland and give the customers, the retail customers credit for?

A That's correct. These costs are calculated on the highest increment each hour, therefore, they would be the rate that would approximate the incremental cost of the

FMPA and Lakeland sale.

Q All right. If instead of crediting that incremental cost to the wholesale sales you credited it to the retail sales, would the average cost of retail sales go down or go up?

A Let me understand your question. If we credited $15.40 for all retail sales?

Q Yes, if you said the energy that we are charging retail customers will include our system generating cost plus the QF amount we pay and we factor that into the retail average cost, would it bring the average down or up?

A Retail customers are charged average, system average fuel, and they have to -- they are charged for all the components that go into providing them energy. The cost associated with making these sales is an incremental cost above that.

Q I see.

A These are discretionary sales. We choose to enter into these, and that cost is incremental cost which is, in our approximation, the same as the rate we are paying to QFs.

Q All right. Ms. Branick, go to page 17. That's Schedule A4, and we see there the net capability of -- and that's on Line B -- we see the net capability of Gannon 5 and Gannon 6 and Big Bend 2 and Big Bend 3; and if you add up that megawatt capability, you'll see that it's 1499 megawatts of capacity that is contained in those plants.

A Gannon 5 and 6 and Big Bend 2 and 3?

Q Yes, ma'am.

A Column B?

Q Yes. Did you come up with a different number?

A Yes.

Q What did you come up with?

A 1440.

Q 1440, all right. That varies from year to year and from period to period, doesn't it?

A Yes, it does.

Q All right. So let's use the 1440 number. Now you have pledged first call on those plants to FMPA and Lakeland; is that correct?

A That's correct.

Q Would it be fair to say that for that 150 megawatts you have a reserve margin of the difference between 1440 and 150, about a 900% reserve margin?

A I don't agree with that.

Q All right. Explain to me what kind of reserve margin those people have, what security they have that their transactions will be consummated.

A Their security is as long as one of these units is up and running they will be served their energy. And to the extent that the unit is capable of supplying the contract at a capacity, they will receive that capacity.

Q If any one of them is up and running?

A That is correct.

Q All right. Now do you have available to you FIPUG Exhibit 3?

A I don't think I do.

Q Would you hand that to her, please?

(MS. KAUFMAN TENDERED TO WITNESS BRANICK EXHIBIT 3)

Q Now look at the very last page of that, page 52 from your annual report, and under Tampa Electric you'll see a line that says "Net System Capability." Do you see that line?

A Yes.

Q And in the year 1996 you had a capability of 3650 megawatts?

A Yes.

Q And in the year 1996 you had a peak demand of 3349 megawatts; is that correct?

A Yes.

Q All right. If Gannon -- if Big Bend 2 or Big Bend 3 were down at the time of peak demand on your system, you would not be able to meet the peak demand of your customers, and I guess that's nonfirm, firm and wholesale customers, at that time; is that correct, if either one of the Big Bend 2 or 3 were down?

(WITNESS REVIEWED DOCUMENTS)

A I'm sorry, state your question again.

Q All right. Your system net capability is 3650.

A That's correct.

Q And your peak demand in 1996 was 3349.

A Yes.

Q My question was that if either Big Bend 2 or Big Bend 3 were down you wouldn't be able to meet the demand on your system from whatever customers you have, firm, nonfirm and wholesale, with your installed capability, would you?

A From our installed capabilities, that's correct.

Q That's correct. And you would have to go off line to buy power?

A That is correct.

Q And the same would be true with respect to Gannon 6, if it were down, you would have to go off line to buy power?

A That's correct.

Q All right. Now --

A There was an estimate made for going off to purchase power. I mean those costs and those projections of costs associated with doing that are in the cost of these two sales.

Q Okay. Good. But these wholesale customers would have a superior claim to the other plants, and to provide your retail customers with load, you would have to buy power off your system, either emergency power or some other kind of power?

A For the rare occasions when that would happen, that's correct. But the revenues associated with these sales far exceeds the cost of doing that.

Q All right. We'll get to that.

Let's look at Schedule 7, which is page 28 under that same tab; and if you bought that power from Hardee Power Partners to meet your native load, the total cost of that power, if it had occurred in the months of April through September '96, would be $34.45; is that correct?

A That is correct.

Q Okay. Now --

A Hardee is a resource that is utilized in establishing the cost of these sales. I mean it is dispatched along with all of the other units on our system.

Q Okay. Well, that is the point that I want to get to because you said the wholesale customers would always be charged the highest incremental cost, or the incremental cost, whatever it is. Would the wholesale customers in that event, if one of the Gannon plants was down or one of the Big Bend plants were down, would the wholesale customers be charged the $34.45 that it costs to serve them, or would they be charged the $15.40 that you have on Schedule A?

A The $15.40 on Schedule A is an average over many months and many hours, and to the extent that it required Hardee Power Station to serve FMPA or Lakeland, the costs or the revenues that would be credited to the fuel clause to serve that sale would be equivalent for those hours that that unit was needed to serve the FMPA and Lakeland sale. If it took one hour in a month to serve FMPA and Lakeland with the Hardee Power Station, for that hour, the cost associated with that sale would be the cost of Hardee Power Station.

Q In fact, anytime Hardee Power Station is running, that charge, under your definition of incremental cost, would be charged to -- or be credited to the fuel clause for Lakeland and FMPA, would it not?

A If it were the unit on the increment; that's correct.

Q Well, since it's purchased power and your native load is available, why wouldn't the purchase power always be the price it was charged to the fuel clause for FMPA and Lakeland?

A There are many hours in the day that FMPA -- or FMPA in particular, would be served from coal units.

Q But if Hardee is on, then that's an incremental plant. You wouldn't have run Hardee if there wasn't a demand for the power, right?
A No, we wouldn't run Hardee unless there was a demand for the power, that's correct.
Q So based on -- it's my understanding, and if this is not accurate, please tell me, my understanding is that in those hours when Hardee Power is running, whatever price that Tampa Electric Company pays would be charged or would be credited to the fuel clause for the Seminole and Lakeland sales?
A That's not exactly correct. If Hardee is on the increments and that's the price of that hour, that would be credited back to these sales. If it isn't, then the appropriate cost or the appropriate unit or the appropriate purchase would be credited back to the clauses for these sales.
Q But for all practical purposes, Schedule A is a good proxy for that all-hour incremental cost?
A Which Schedule A?
Q I'm sorry, Schedule A8, which is on page 29.
A This is -- that is correct. This is the methodology that Tampa Electric is proposing to use to credit back to the fuel clause.
Q And that's because during the off-peak hours, in

the middle of the night when a cogenerating plant is running, then that is the incremental cost. So that would be low cost and FMPA would get the benefit of that low cost plant; is that right?

A That's not exactly correct.

Q Okay.

A There are hours in this period that could be as high as 80. It depends. I mean if there are purchases being made and the costs are $80 or $60, those hours that those costs are that high are averaged into this QF rate. I mean you have $15.40 there. That happens to be the average over that period.

Q Well, my concern was from an auditing view that an interested member of the public, for your regulated power, could come to the Commission or some other public agency --

MR. LONG: Chairman Clark, I apologize for interrupting again, but I really have to object.

CHAIRMAN JOHNSON: John, it's a first, but that's fine.

MR. LONG: I apologize. Mr. McWhirter has continued to testify, and I hesitate to interrupt this because I want the information to get to the Commission as efficiently as possible, but I think the record is going to end up being very distorted because half of what you are going to have is Mr. McWhirter's testimony.

MR. McWHIRTER: Can I briefly address that? That seems to be a repetitive nature of their objection, but there is a difference between direct testimony and cross examination as Your Honor knows, and the difference is that you have the right to ask leading questions. These leading questions would call for a yes or no answer, and implicit in asking a leading question is making a statement of fact and getting a yes or no response from the witness; and the reason behind that is that typically with an adverse witness they are not going to volunteer, with respect to a narrative type question, the information you are looking for. So to expedite the proceedings, you ask a question that calls for a yes or no answer. I'm not testifying. She is testifying. And if what I have said is incorrect, then she can say no, and then she can give the correct answer. But I am not testifying; it's her testimony, and I'm asking for a yes or no answer. And I think that is very simple, and it's the basic component of leading questions, and these are leading questions.

COMMISSIONER KIESLING: Mr. McWhirter, let me ask you a question.

MR. McWHIRTER: Yes, ma'am.

COMMISSIONER KIESLING: If you are asking questions by stating facts that are not in the record that you are trying to get in the record, then there is no proper foundation for those statements.

MR. McWHIRTER: Thank you very much, but Exhibit 9 is admitted into evidence as part of Exhibit 1. It's in the record. Her testimony is that the proxy used for incremental cost is Schedule A, and she seems to be changing the statement she made earlier; and I'm trying to figure out what the nature of that change is.

COMMISSIONER KIESLING: My problem --

MR. McWHIRTER: Yes, ma'am.

COMMISSIONER KIESLING: -- and I think it may be the same one that they have --

MR. McWHIRTER: Yes, ma'am.

COMMISSIONER KIESLING: -- is that you intersperse things that are in Exhibit 9 with other statements of fact, or I assume they are statements of fact that are not contained in Exhibit 9 so that they all get jumbled up in a big ball by the time you do your little narrative before the question.

MR. McWHIRTER: Yes, ma'am.

COMMISSIONER KIESLING: And it makes it extremely difficult to figure out which of those statements are based on things that are already in the record, which of them are based on things that are within your knowledge but not within mine; and then you, then it's all one big ball and we can't sort it out.

MR. McWHIRTER: I'll try to make it a smaller ball, but the way you get it into the record is you ask the question and let her determine. So if there are too many components in my ball, I apologize for that, but all I'm -- it's a very simple thing. I want to know if Schedule 8A is a good proxy for what we may see as incremental cost. Now there's not too much in that question.

CHAIRMAN JOHNSON: Is that your question?

MR. McWHIRTER: Yes, ma'am.

A Schedule 8A is a good proxy for the months of April through September, 1996.

BY MR. McWHIRTER:

Q All right. Let's look at Schedule 8A for the succeeding period, that's at tab 2.

COMMISSIONER DEASON: Let me ask a clarifying question -- I think it's Schedule A8; is that right?

MR. McWHIRTER: A8, yes, I'm sorry.

COMMISSIONER DEASON: A8, okay. Is it your testimony that those exact numbers are good proxies of the incremental cost of serving the contracts in question, or are you saying that the methodology used to calculate these specific numbers is the methodology you use in calculating the incremental cost associated with the contracts in question?

WITNESS BRANICK: That's the methodology.

COMMISSIONER DEASON: It's not the numbers; it's the methodology?

WITNESS BRANICK: That is correct.

COMMISSIONER DEASON: Okay. Thank you.

BY MR. McWHIRTER:

Q And if you apply that methodology to QFs and you apply that same methodology to your wholesale sales, will you come up with substantially the same answer?

A Yes. We are going to use this rate to credit back through the fuel clause for these sales.

Q All right.

COMMISSIONER CLARK: But then I don't understand. It sounds like the answer to Commissioner Deason's question should have been yes to both.

WITNESS BRANICK: But for whatever the actual is, for the period that we -- every month we will know every hour what the incremental cost, the highest incremental cost is for every hour. We take the average of that with qualifying facilities included and then with qualifying facilities excluded, and that incremental dollar per megawatt hour is what we propose -- was what we pay QFs, is what we propose to credit back through the fuel clause. So if I was unclear, I apologize.

COMMISSIONER CLARK: So not only is the number a good proxy -- not only is the methodology a good proxy, the number is a good proxy?

WITNESS BRANICK: That is correct. I have an exhibit prepared that would clarify how we plan to credit the clause.

BY MR. McWHIRTER:

Q You have an exhibit to that?

A Yes.

Q You finished your testimony. When is your exhibit going to come in?

A It's a clarifying sheet on how we would calculate the QF payment for these sales.

Q All right. Why don't you save that for redirect examination.

Let's go back to the --

MR. LONG: Well, Chairman Clark, the witness is offering to clarify a point that is obviously of interest. If the purpose is to provide a clear and complete record, I would submit that it's appropriate to look at that exhibit and see if it helps to clarify this.

CHAIRMAN JOHNSON: It probably would be appropriate, but we'll let you do it on redirect.

MR. McWHIRTER: Thank you, Madam Chairman.

BY MR. McWHIRTER:

Q Let's go back to Schedule A4, if you will, and on

Schedule A4 you'll see the lines that pertain to Gannon 5 and Gannon 6 and Big Bend 2 and Big Bend 3, and over the period that these plants are running and for its 35 to 150 megawatts, FMPA is getting power every hour of the day and every day of the year, it would appear that the price is somewhere between $1.98 or $19.70 and $20.70 a megawatt hour.

A I don't see those numbers.

Q All right. Look in Column M.

A Yes.

Q And by Gannon 5 we see that the price is $2.02 cents.

A I'm sorry, I'm on page 17.

Q Yes, Schedule A4. Are you still at -- are you at tab 1 or another tab?

A I was on tab 2.

Q All right.

A Okay.

Q Gannon 5, Column M cost $20.70 a megawatt hour to operate that plant on average, and it burns coal. Is there a great change in the cost of that plant since it's a base load plant in its operation?

A I don't understand your question.

Q Well, the fuel cost connected with Gannon 5 is the average fuel cost contained on Column M?

A That's correct, for the month of September.

Q All right. Now does that cost go down to somewhere around $13 a megawatt hour?

A I would say this is the average for September. The average will vary month to month.

Q That's the average for the period, the six-month period ending in September?

A That's correct.

Q And briefly look at those other tabs on Schedule A4 and see if you see any time when the price to operate those plants on average is less than $19 a megawatt hour?

A For Gannon 5 and 6?

Q Yes, ma'am.

A No, I don't see that.

Q All right. Now that would cover an 18-month period; is that correct?

A What pages specifically would you like me to look at?

Q A4 at tab 1, tab 2 and tab 3, that is an 18-month period?

(WITNESS REVIEWED DOCUMENTS)

A A4 behind tab 1 and tab 2 do not show Gannon 5 or 6 going below 19.

Q Yes.

A That's correct.

Q All right. Now during that period of time, if we look at Schedule A8, you will find that at no time does the price charged, or if that's a good proxy, does the price charged for FMPA's use of those plants go up to $19?

A FMPA is not charged the average fuel price of Gannon 5 and 6 and Big Bend 2 and 3.

Q Would customers be better off if FMPA were charged, or at least the fuel costs were credited with the average cost of operating the plant that is dedicated to FMPA?

A If the average cost were credited to the fuel clause for operating FMPA, that would be an unfair cost or an unfair rate to credit. It's the incremental cost associated with serving FMPA and Lakeland that should be credited for that sale.

Q Well, would you explain to me, Ms. Branick, why it's unfair, if you are dedicating those four plants with first priority to FMPA, why it would -- and they use 8760 megawatt hours a year, why it would be unfair to charge FMPA the average cost for the plant that is dedicated to their exclusive use to the detriment of the load management customers and the interruptible customers.

A Are we talking about the plant or the fuel?

Q We are talking about the plant and the fuel it cost to operate the plant dedicated to them.

A FMPA has a capacity payment that it pays associated with those units. It pays the average production embedded cost of those four units.

Q But it doesn't pay the fuel cost attributable to those units?

A It pays the incremental -- The price associated with the FMPA sale is based on the spot price for those four units.

Q Right. But when you credit the fuel cost -- fuel clause for those sales, you don't use the price of the dedicated plants, you use this incremental price which turns outs to be lower; is that correct?

A We would use the highest incremental cost to serve those sales.

COMMISSIONER CLARK: The answer to his question was yes, was it not?

WITNESS BRANICK: Yes.

COMMISSIONER CLARK: Okay. I just ask you that because sometimes the question and answer use different words, and I'm not always sure it's a yes or no. I mean I'm not sure what the answer was.

CHAIRMAN JOHNSON: Mr. McWhirter, while we are at a breaking point, how much more do you have?

MR. McWHIRTER: I've got one more question.

CHAIRMAN JOHNSON: Okay.

MR. McWHIRTER: Unless the question -- the answer doesn't work out just right.

CHAIRMAN JOHNSON: Okay.

BY MR. McWHIRTER:

Q Before your testimony, you placed in the record the change -- you filed your testimony, I believe, originally on April 19th or something. What day did you file it?

A April 25th.

Q April 21st.

A 25th.

Q 25th. And then on May 23rd, you filed some revised exhibits pertaining to the costs and the benefits attributable to these sales; is that correct, the thing that was passed out?

A I don't remember the exact date.

Q Up in the right-hand corner, what does it say the date is?

CHAIRMAN JOHNSON: Is that a question?

MR. McWHIRTER: Yes.

A There was a revision filed May 16th and May 28th.

Q All right. Between April 25th when you filed your testimony and May 16th, that's a three-week period, correct?

A Yes.

Q And during that period of time the net benefit from the FMPA sales dropped 182 thousand dollars?

A Yes.

Q All right. Would it be fair to say that this benefit number is a fairly volatile number if it can change that much in three weeks?

A No. The supplemental service associated with the FMPA sale was not included in the initial filing, the cost to serve that; and upon answering interrogatories, that error was discovered, and we resubmitted the corrected pages.

Q I see. So in addition to the firm 150 megawatts, you are selling supplemental power, and the effect of those supplemental sales drives the benefits downward, correct?

A No. As a matter of fact, the benefits -- there would be more benefits to ratepayers as we make supplemental sales.

Q What is the benefit shown in your original testimony from the FMPA sale?

A Nine million 182 thousand.

Q I'm talking about the benefit to the customers.

(WITNESS REVIEWED DOCUMENTS)

A Nine million 182 thousand.

Q Okay. The benefit that is flowed through the fuel clause to the customers.

(WITNESS REVIEWED DOCUMENTS)

A I'm sorry, which one did you want?

Q Give it to me on April 25th and the benefit on May 16th.

A One million 795 thousand and then one million and 582 thousand.

Q And the lower number was attributable to what date, the later date or the earlier date?

A The later date, but there were calculation errors. Just to say that the benefits dropped two hundred thousand just because we added supplemental is not a correct statement.

Q Oh, I see.

MR. McWHIRTER: I have no further questions, Madam Chairman.

CHAIRMAN JOHNSON: Thank you. Public counsel.

MR. HOWE: Thank you, Chairman Johnson.

CROSS EXAMINATION

BY MR. HOWE:

Q Ms. Branick, I would like to distribute a document here, and I'm afraid I'm going to have to ask you to stay in with the A schedules.

MR. HOWE: Let me tell you what I did here, Commissioners. I took a copy of the first page of the April 1997 A Schedule, and on the second page, I just blew up the columns I needed so we could read them. So what that is just the first page.

WITNESS BRANICK: Of the first page?

MR. HOWE: Yeah, the first three columns from the first page.

MR. HOWE: Could I have an exhibit number for that, please?

CHAIRMAN JOHNSON: It will be identified as Exhibit 11. And the short title?

MR. HOWE: Schedule A1, month of April, 1997.

CHAIRMAN JOHNSON: It will be, the short title will be Schedule A1, April '97.

BY MR. HOWE:

Q Ms. Branick, are you familiar with this document? This is the company's A schedules -- this is from the company's A Schedules that were filed by Tampa Electric Company with the Commission on May 27th, 1997.

A Yes.

Q And if you would, please, refer to the second page of Exhibit 11, and as I described, all page 2 is is taking the first page of Exhibit 11 and blowing up the left side of it so it's a little more legible. And I would like to first talk about just how the fuel adjustment docket works, and where this will be tying into your testimony is where you talk about how the proposal the company is making will be implemented by component, and that appears in your prefiled testimony, page 13 and 14 and so on.

Would you agree that the approach the Commission takes with the A Schedule and the way the company files it is if we take line 5, add line 12 and subtract line 22, that gets us to line 26? Do you have that? Take line 5 --

A Yes. Yes.

Q -- add line 12, subtract line 22, equals line 26, which is the total fuel and net power transaction. Is that how it works?

A That's correct.

Q Now up at the top of the page, line 1, where it refers to fuel cost of system net generation, would you agree that that's a weighted average inventory cost?

A Based on the units?

Q Yes.

A Yes.

Q I mean what the company recovers through the fuel adjustment clause and what leads down to eventually become a fuel adjustment factor is a weighted average inventory cost, is it not?

A Yes.

Q And so up at the top, that would necessarily have to be a weighted average inventory cost, would it not, to end up down at the bottom resulting in a fuel adjustment factor that allows you to recover weighted average inventory cost?

A Yes.

Q Okay. Now does weighted average inventory cost of your total system include transportation?

A Yes.

Q Now to digress for just a moment, on the fuel adjustment filing we have weighted average inventory cost. Would you agree that that is not the way that Tampa Electric dispatches its units?

A Tampa Electric -- I would agree with that.

Q And how does Tampa Electric dispatch its generating units?

A Based on the incremental cost.

Q And how is incremental cost determined for dispatch purposes?

A It's the incremental fuel cost associated with that unit.

Q And I guess what I'm asking is how do you determine incremental cost? Is it, for example, the spot price of fuel for that unit?

A That is correct.

Q It's not the price of the coal back in the yard for the unit, is it?

A That's correct.

Q And would you agree that after the company, for fuel adjustment purposes, has simulated the dispatch of its units kind of turns it over to the accountants to figure out what the weighted average inventory cost for dispatching those units in an economical way will be reflected in the fuel adjustment filing?

A Yes.

Q Okay. Now we start up at the top with weighted average inventory cost. Would you agree that the weighted average inventory cost for the total system includes the weighted average inventory cost for fuel burned for all your -- well, let me be specific -- for FMPA and Lakeland?

A Will you say it again, please?

Q Yes. Would you agree that the weighted average inventory cost for fuel burned to provide the sales to FMPA and Lakeland are included in that top line?

A No.

Q Why are they not?

A The fuel burned to provide the energy to FMPA and Lakeland is the spot coal purchases.

Q Oh, that's the price, is it not? But what I mean is when your accountants generate the schedules for what you seek to recover through the fuel clause, they use weighted average inventory cost for all generation out of all units for all sales, do they not?

A That's how the accounta[illegible] that, but the cost associated -- you asked me the cost associated with the FMPA and Lakeland sale?

Q No, I'm asking you if that top line which is the weighted average inventory cost for all your sales, the fuel cost of system net generation, includes all your sales, including the sales to FMPA and to Lakeland?

A Yes.

Q And it would include the weighted average fuel cost for other sales such as separated Schedule Ds associated with Reedy Creek, would it not?

A Yes.

Q And it would include the sales you were talking about with Mr. McWhirter shown on line 17 the fuel cost of Schedule D jurisdictional sales; isn't that correct?

A Yes.

Q Now when we come down to that subtraction where the total is on line 22, on lines 16, 17, 18, 19, 20 -- well, let's just for right now stay with lines 16 and 17, 17 in particular. Would you agree that that line, although it says, "Fuel cost of Schedule D jurisdictional sales," that Tampa Electric does not subtract fuel costs on that line, that it instead subtracts fuel revenues?

A That's correct.

Q So on line 1 we, for example, with line seven --

also referring to line 17 dealing with the fuel cost of Schedule D jurisdictional sales, on line 1, would you agree Tampa Electric includes the weighted average inventory cost for those Schedule D jurisdictional sales, but it only subtracts out the revenues received from those Schedule D jurisdictional sales in calculating the retail fuel cost responsibility?

A Yes.

Q To the extent that the revenues for Schedule D jurisdictional sales might be less than the weighted average inventory cost associated with those sales shown in line 1, would you agree that the total fuel and net power transaction shown on line 26 picks up the difference?

A Yes, I would agree. Those Schedule D sales were approved and entered into based on the fact that total revenues exceeded total costs, and the revenues associated with those sales exceeds any costs associated with those sales.

Q I'm not really disputing -- right now I'm trying to establish the structure of this, of the way the company calculates its fuel adjustment factor, which I understand is going to be impacted by how the Commission acts on the company's proposal in this case. Would you agree that still looking on this Schedule A1 that on lines 30 and 31, particularly line 31, the company subtracts out the kilowatt hour wholesale sales; is that correct?

A Yes.

Q Now which wholesale sales are those? Are those just the full requirements associated with Sebring?

A I believe we have several others. Wauchula and Fort Meade are growing into requirement sales.

Q Oh, I see. But it does not include the wholesale sales shown above on lines 16, 17, 18 and 19, does it?

A That's correct.

Q Okay. Now would you agree that on this Schedule A1 probably -- well, you tell me where, but somewhere in lines 16, 17, 18 and 19, the company is including its fuel cost treatment proposed for FMPA and Lakeland?

A Repeat your question, please.

Q Would you agree that the fuel adjustment effect of the FMPA and Lakeland sales are included on this Schedule A1 and somewhere in lines 16, 17 or 18? And my guess would be on line 16.

A Well, currently, the FMPA and Lakeland sale we are crediting the fuel revenues only through the fuel clause; so yes, somewhere on there the fuel revenues associated with the FMPA and Lakeland sale are here.

Q Okay.

A But we are proposing to go back and true up and credit back the actual cost of making those sales.

Q All right. So for right now for the month of April, which this reflects, on line 1 we've got weighted average inventory costs of the fuel associated with the sale to FMPA; is that correct?

A It's in there.

Q Okay. And somewhere, probably in line 16, although you don't plan to continue this practice, you have subtracted out the revenues received for fuel from the sale to FMPA?

A Yes.

Q Now in your discussion with Mr. McWhirter, you referred to a pricing of the FMPA sale, and I believe you stated that was on an incremental cost basis associated with the four units committed to that sale, those being Big Bend 2 and 3 and Gannon 5 and 6; is that correct?

A That's correct.

Q Now that's just the pricing, is it not?

A That is correct.

Q For fuel cost recovery purposes, that's not what you are proposing, is it not?

A That is correct.

Q What you're proposing is to assume that the cost of serving FMPA is a system average fuel cost; is that correct?

A No.

Q I'm sorry. A system incremental fuel cost?

A The actual cost of FMPA and Lakeland is system incremental cost, that's correct. Repeat your question.

Q Okay. I guess I'm trying to tie, or learn, really, what the -- as I understand it, in the fuel docket, we perhaps have three or four things going on. Sometimes we use weighted average inventory cost, sometimes we use revenues, but the actual pricing of the sale in the wholesale jurisdiction, as I understand it, use the incremental fuel costs associated with the four units, the two Big Bend and the two Gannon committed to the FMPA sale; is that correct?

A For pricing, that's correct.

Q For pricing. Now for fuel adjustment purposes, am I correct that Tampa Electric does not intend to use, for the FMPA sale, weighted average inventory cost or the actual price; it has a third alternative?

A Right, the actual cost associated with making the sale.

Q All right. The actual cost, but not the actual cost that is being charged to FMPA which is reflected in the price; is that correct?

A That is correct.

Q All right. So has the -- so would you agree that Tampa Electric is proposing to include in the fuel adjustment cost recovery factor calculations a hypothetical cost unrelated to the weighted average inventory cost shown on line 1 or the price actually charged to FMPA?

A I disagree that it's hypothetical.

Q Well, do you agree it's not a measure of fuel cost currently used in the company's calculation of its fuel cost recovery factor?

A It's the methodology used for QF payment, so it is used.

Q I see. And where would that be reflected on Schedule A1?

A I don't believe -- I don't know. I don't believe it's on Schedule A1.

Q Would that perhaps be though in the total cost of purchase power where on line 11 you use payments to qualifying facilities?

A Yeah. That is correct, line 11.

Q Okay. So you want to use the same methodology that is used on line 11?

A That is correct.

Q Okay. Would you agree that if the system incremental cost used for QFs on average is less than the weighted average inventory cost shown on line 1 for the FMPA sale that retail customers would be required to make up the difference just by virtue of the way the map on the schedule works?

A No, the retail customers are harm -- or paid the same rate they would be paid with or without the sales if that's the rate we credit back.

Q Well, for example, let's just use some round numbers not related to, you know, exact costs, but let's assume, for example, that the weighted average inventory cost for the sale to FMPA during the month of April of 1997 that appeared in line 1 was a hundred dollars, all right? Just assume that is the weighted average inventory cost for that sale included in line 1. Can we do that?

A The cost to serve FMPA is not what you're describing.

Q No, I'm just asking -- I think we established previously, did we not, that in line 1 the company includes fuel cost for all generation of all sales, wholesale and retail, on a weighted average inventory basis for fuel cost recovery purposes?

A The cost associated with serving FMPA and Lakeland is an incremental cost, not the system average fuel cost.

Q I understand you're referring to the cost. I'm here referring to what your accountants include in their calculation.

A Okay.

Q A weighted average inventory fuel cost that ends up in line 1, and FMPA's weighted average -- the weighted average inventory cost of the fuel used to meet the FMPA sale is included in line 1, is it not?

A I believe so.

Q All right. To the extent that the system incremental cost for any time period -- let's assume for the month of April, 1997 -- should come out less than the weighted average inventory cost included in line 1, would you agree that the total fuel and net power transactions shown on line 26 will increase to make up the difference?

A No. The system average fuel for retail customers will remain unchanged.

Q I'm not talking about the system average fuel. I'm talking about the weighted average inventory fuel cost included in line 1, and the question is rather simple, would you agree that to the extent you put in a number, and it's a hypothetical -- I said assume that the number that was put in was a hundred -- and later you take out a lower number less than a hundred, but the math inherent in the schedule would necessarily lead to line 26 going upward to make up the difference?

A Line 26 would increase under your hypothetical.

Q Yes. And that would then be allocated to the retail and the wholesale jurisdiction as shown on lines 30 through 34, would it not?

A Repeat your question, please. Line 26 is a fuel cost. These are energy.

Q No, I just said -- I think I can rephrase my question. I was asking would you agree that that total fuel cost would then be allocated --

A Yes.

Q -- to jurisdictional and wholesale as shown on lines 30 through 34?

A Yes.

Q Now going back, if you would, to the first page, which is the full schedule, if we use the methodology Tampa Electric is proposing and we compare line 1 where it shows a cents per kilowatt hour charged of the total fuel cost of system net generation, we see a cost of slightly over two cents per kilowatt hour; is that correct, for the actual, for the month of April?

A Line 26?

Q Line 1.

A Yes.

Q Under the actual 2.00614.

A Yes.

Q And that's the actual cost on a cents per kilowatt hour basis of all the fuel burned by Tampa Electric on a weighted average inventory basis for its full system, is it not?

A Yes.

Q And if we look at line 11 and follow it over to that same column, would this not indicate that for FMPA and Lakeland that Tampa Electric is proposing to assume a cost of only 1.44342 cents per kilowatt hour, an amount less than is being included in line 1 as the weighted average inventory cost of the fuel used to generate the electricity for FMPA?

A Yes.

Q Ms. Branick, I just have a couple more questions. One --

COMMISSIONER DEASON: Mr. Howe, are you about to leave that?

MR. HOWE: Yes, I am.

COMMISSIONER DEASON: Okay. Because I've got some clarifying questions. You may have some follow-up questions.

MR. HOWE: I would prefer that you not.

COMMISSIONER DEASON: I'm going to do it anyway, Roger, you know me better than that.

Ms. Branick, you testified earlier that line 1, fuel cost to system net generation, includes all of the cost for all of the generation and that that is an average number; is that right?

WITNESS BRANICK: Yes.

COMMISSIONER DEASON: Okay. So included within that average is the actual incremental fuel cost used to generate the power that actually serves the two contracts in question; is that correct?

MR. HOWE: Commissioner Deason, I'm reluctant to object to a Commissioner's question, but as you phrase the question, you ask the actual cost; and I think we have established that what is in line 1 is a weighted average inventory cost not necessarily related to either the cost or the price charged to either FMPA or Lakeland.

COMMISSIONER DEASON: Okay. Well, to the extent that the incremental cost of the fuel used to burn -- that is burned to provide service to the two contracts in question, is it included in line 1 in any way? Because that is what I'm hung up on.

WITNESS BRANICK: The total cost of all of the fuel in Tampa Electric is included in line 1.

COMMISSIONER DEASON: Including the fuel used to serve the two contracts in question?

WITNESS BRANICK: Yes. They are spot coal purchases, so they are from spot coal contracts, or spot coal is used -- that is the type of coal used to serve the FMPA and Lakeland sale, not long-term firm contract coal.

COMMISSIONER DEASON: Okay. And it's your testimony that the cents per kilowatt hour amount shown on line 11 is a good representation of what that spot coal cost would be to serve those two contracts?

WITNESS BRANICK: That is correct.

COMMISSIONER DEASON: But it's also your testimony that's spot price of coal and that that may not be the same as the weighted average inventory cost?

WITNESS BRANICK: That is correct, yes.

COMMISSIONER DEASON: Okay. But to the extent that the coal is burned to provide service for those two contracts, that coal has to be replaced in some manner, does it not?

WITNESS BRANICK: Replaced? I don't understand.

COMMISSIONER DEASON: If you burn the coal you've still got to have a coal inventory, so you have to buy more coal?

WITNESS BRANICK: Yes. Yes, and we purchase more spot coal to replace that.

COMMISSIONER DEASON: And you purchase spot coal to replace it?

WITNESS BRANICK: To replace the coal for off-system sales; that is correct.

COMMISSIONER DEASON: So through time, to the extent that you burn coal and replace it and the spot price is less, your average inventory cost shown on line 1 would be less because of that transaction?

WITNESS BRANICK: Yes. Based on what you just said, yes.

COMMISSIONER DEASON: I mean just don't agree with me because you want to agree with me. I mean is that right?

WITNESS BRANICK: Yes, that's correct.

COMMISSIONER DEASON: So there are benefits associated with these sales because the spot price of coal is less than the average inventory, and that -- when that coal is purchased and then is included, it will have an effect over time to reduce the average inventory price lower than what it would have been otherwise?

WITNESS BRANICK: Well, let me clarify. There are fixed coal prices and fixed -- well, fixed coal amounts that we must purchase because of the contract and we do, in fact, do that; and that coal is used to serve --

COMMISSIONER DEASON: And when you say because of the contract, because of coal contracts or because of the contracts with these two?

WITNESS BRANICK: Because of the fixed long-term coal contracts.

COMMISSIONER DEASON: Okay.

WITNESS BRANICK: And we purchase the required amounts in those contract area?

COMMISSIONER DEASON: But you have to purchase that regardless of whether you entered into the contracts that are in question here?

WITNESS BRANICK: Absolutely. That's correct.

COMMISSIONER DEASON: The wholesale contracts?

WITNESS BRANICK: That is correct. And above those fixed coal requirements, we purchase supplemental coal or spot coal. Some of that spot coal was required even for our native load, so only spot coal is utilized to serve the FMPA and Lakeland sale.

COMMISSIONER DEASON: And to the extent that spot coal price is less than your average inventory price, through time those spot purchases will be captured within that average inventory price?

WITNESS BRANICK: They will.

COMMISSIONER DEASON: And that average inventory price over time then would be lower than it would be otherwise had you not entered into the sales to FMPA and to the other one, whatever?

WITNESS BRANICK: Lakeland?

COMMISSIONER DEASON: Yes. Is that correct?

WITNESS BRANICK: What we are using we are replacing, I mean kind for kind perhaps, and I would submit that the average fuel cost would go unchanged as a result of making these sales.

COMMISSIONER DEASON: The average fuel cost, but you are indicating inventory cost and not what is actually flowed through the clause in any given one period?

WITNESS BRANICK: Yes.

COMMISSIONER DEASON: But it's also your testimony that it is unchanged -- that the retail customer is unaffected because you are crediting the incremental cost in recognizing the incremental revenue so that it is a wash?

WITNESS BRANICK: That is correct.

COMMISSIONER DEASON: Okay. Have at it, Roger.

MR. HOWE: Thanks a lot, Commissioner Deason.

BY MR. HOWE:

Q Ms. Branick, would you agree that Tampa Electric has long-term contract coal for Gannon Units 5 and 6?

A Yes.

Q And what percentage of the total generation out of those units is met by long-term contract coal?

A I don't know.

Q Would you agree that it's a substantial percentage probably? By substantial I mean approaching 50%. I mean doesn't the company have kind of a policy of 60 to 70% under long-term contract?

A Approximately, yes.

Q And would you agree that generally the long-term contract price of coal is higher than the spot price, certainly under today's market?

A Yes.

Q Ms. Branick, who, which entity, FMPA or the retail customers, have the claim to the first kilowatt hour generated out of Gannon 5?

A FMPA would.

Q With reference to --

A May I clarify? FMPA would if it were the only unit running in the system.

Q I'm sorry, I should have said that's what I was assuming, if that was the only unit running. With reference to your prefiled testimony, beginning on page 13, you refer to the --

MR. HOWE: Excuse me, if I might shift gears for a second. May I ask how long we are going to be going tonight? Because I want to tell Mr. Larkin what kind of travel arrangements, either get a room or go ahead and catch a flight.

CHAIRMAN JOHNSON: Sure. How much more do you have?

MR. HOWE: I have about another 15 minutes.

CHAIRMAN JOHNSON: And staff estimates about two hours; that would take us to about eight.

MS. PAUGH: Chairman Johnson, if I could revise that downward. Some of our questions have been answered, so I think we will be roughly an hour instead, and that's probably an outside figure.

CHAIRMAN JOHNSON: An hour is?

MS. PAUGH: Yes.

CHAIRMAN JOHNSON: It's kind of up to Mr. Larkin. If he wants to wrap up tonight, we can wrap him up at least. I mean we are not going to be able to finish everybody.

MR. HOWE: All right. That's fine.

COMMISSIONER CLARK: Just so I'm clear, we are going to finishing Mr. Branick and go to Mr. Larkin?

CHAIRMAN JOHNSON: And go to Mr. Larkin. Well, wait a minute. Is he next? I have him listed next on my handout. Yeah, he is next.

MR. WILLIS: He is next.

CHAIRMAN JOHNSON: He is next. So at a minimum, we will be able to get through those two. If we go a little quicker, we may be able to finish Wheeler also, but I don't think we will be able to finish everyone. And staff, you have two hours for --

COMMISSIONER CLARK: So we are planning at least going until eight?

CHAIRMAN JOHNSON: Yeah, we are going to go at least until eight.

MS. PAUGH: For Witness Branick?

CHAIRMAN JOHNSON: No, for the last witness -- The last TECO witness on rebuttal you said you had two hours, didn't you?

MS. PAUGH: Yes, that's correct.

CHAIRMAN JOHNSON: Okay.

BY MR. HOWE:

Q Ms. Branick, with reference to your prefiled direct testimony, beginning on page 13 where you speak of proposal implementation, under system incremental fuel costs on page 14, lines 13 through 15, you refer to these hourly incremental fuel costs will be summed, but you did not say how they will end up in the fuel filing. I think we've established that with the discussion on Schedule A1, have we not?

A Yes.

Q With reference to the return, the profit earned on those portions of Big Bend 3 and 4 and Gannon -- or I'm sorry, Big Bend 2 and 3 and Gannon 5 and 6 committed to the FMPA sale, where will Tampa Electric earn its return? That is not referred to here in your proposal.

A I don't understand the question.

Q Well, you are going to have some generating assets, Big Bend 2 and 3, Gannon 5 and 6, committed up to

150 megawatts to meet the sale to FMPA; and my question is, where does Tampa Electric intend to account for the return on those assets?

A Are you talking about the revenues that we will credit above the line?

Q No, I mean the profit, the return for stockholders that will be earned on those assets to the extent that they are committed to the FMPA sale.

A I'm not an accountant. I don't know where we'll show those.

Q Well, wouldn't you necessarily have to address those as part of the proposal implementation, where the profit is coming from? I mean just --

A By profit, what are you referring to as the profit?

Q Well, I mean just speaking in general terms under regulation, rates are set to cover expenses, such as operating expenses, fuel and so forth, and what is -- and with enough left over to earn a reasonable return on the assets devoted to that service. Now the company is currently earning a return in the sense that they have Big Bend 2 and 3 and Gannon 5 and 6 in the retail rate base.

A Yes.

Q Now does Tampa Electric intend to make any adjustment to the retail rate base, or do they intend to continue earning a retail return on that portion of Big Bend 2 and 3 and Gannon 5 and 6 devoted to the FMPA sales?

A Well, Big Bend 2 and 3 and Gannon 5 and 6, those portions used to make the sale will remain in the retail jurisdiction.

Q And would you agree that if they remain in the retail jurisdiction and if there is no separation on your surveillance report, that basically the company will be allowed to earn a return on that portion of Big Bend 2 and 3 and Gannon 5 and 6 devoted to the FMPA sale through retail rates?

A Yes.

Q Mr. Ramil referred in some questions from Commissioner Clark to -- I don't know if he meant an offset. I'm not trying to put words in his mouth, but let me just ask it this way: How has Tampa Electric taken into consideration economy sales that it won't make because it has instead elected the higher margins associated with the FMPA and Lakeland sales?

A There has been an estimate or a projected estimate of sales that would not be made on the broker as a result of making these sales.

Q And have you factored those into your cost benefit analyses?

A We have.

Q Are they reflected in any of the documents you are sponsoring?

A They are part of the incremental fuel costs, so they would be reflected in line 2 of Exhibit KAB-1, document 4.

Q Document 4?

A That's correct. Bate stamp number 60.

Q Well, then is system incremental fuel cost as shown on line 60 -- you tell me -- is it higher or lower before the adjustment or before consideration of economy sales?

A This incremental fuel cost considers the fact that we will not be making economy sales, therefore, it does include the fact that that 80% will not be credited back through the fuel clause.

Q And could you tell me without considering the fact that that 80% will not flow back to the fuel clause, if you had not considered it, would that number be larger or smaller than is shown on --

A It would have been smaller.

Q Okay. Do you know how much they are, how much is included in that number? By that I mean how much of the foregone 80% being on economy sales?

A Just over three and a half million dollars.

Q All right. Thank you. Is the 80% then the amount that would have flown through to the customers through the current fuel adjustment practices?

A That would have, yes.

Q Are the customers being asked to give up three and a half million dollars for a guarantee of two million?

A The customers are, would realize the benefit of 10 million dollars associated with these sales.

Q And I think my question remains. I'm comparing the 80% gain on economy sales versus the guarantee that is being offered by the company. Would you agree that that compared is three and a half million versus two and that the two is only being offered for one year?

A The two is the guarantee that Mr. Ramil offered. There is the potential for more than two million dollars to flow back.

Q And the guarantee though, am I correct, was for two fuel adjustments for one year?

A That is correct.

Q And the three and a half million dollars for the gain on economy sales would be an approximation that would be year by year; is that correct?

A Oh, no, no, that's a total over the four -- that's over the entire period.

Q Okay. Okay.

A And again, it is an approximation, and

Mr. Ramil's was a guarantee.

Q But the numbers are comparable. Then the two million is related to the term of the agreement?

A That is correct.

Q Okay.

MR. HOWE: I have no further questions. Thank you very much.

CHAIRMAN JOHNSON: Staff.

CROSS EXAMINATION

BY MS. PAUGH:

Q Ms. Branick, are you certain that the QF methodology captures the final incremental of cost for all generation?

A It does just prior to economy sales.

Q Thank you. We would like to distribute a graph and ask a few questions on cross from that graph related to your QF methodology.

CHAIRMAN JOHNSON: We'll mark this as Exhibit 12 for identification purposes.

MS. PAUGH: Thank you.

CHAIRMAN JOHNSON: And short title it "Dispatch cost curve."

BY MS. PAUGH:

Q This exhibit is a hypothetical. The purpose of this series of questions is to glean some understanding of your QF methodology. Do you determine the QF as-available energy rate with the FMPA and Lakeland sales included or removed from the dispatch cost?

A I'm sorry, say that again.

Q Do you determine the QF as-available energy rate with the FMPA and Lakeland sales included or removed in the dispatch cost?

A I don't see you asking a question.

Q The answer would be included or removed.

A Oh. Oh, I'm sorry. And say it again, please.

Q Are FMPA and Lakeland included or removed in the dispatch cost?

A Of what?

Q This is in terms of your calculation of your QF methodology.

A Okay. The FMPA and Lakeland sale are included. Would you like me to explain how that would happen?

Q Certainly.

A The FMPA and Lakeland sale on your graph that you have given me would be the last two increments or megawatt -- or blocks size served on this graph, therefore, it would be the highest cost or the cost on the increment; and that would be the rate that would be credited back through the fuel clause.

Q What is the current size of your QF contracts?

A 8 to 15 megawatts. That's as-available cogen.

Q Is that expected -- is that number expected to be the same in the future?

A No, I'm sure we have it expected to grow somewhat. I don't know exactly what.

Q With reference to TECO's dispatch, I would like to walk you through a hypothetical, that which we have just handed you. The illustration shows that there is 100 megawatt of retail load, 10 megawatts of QF purchases and 20 megawatts of wholesale sales. Would you agree that TECO would dispatch in the following manner: You would dispatch to 90 megawatts and use the 10 megawatts of QF power to meet the requirements of your retail load of 100 megawatts? To meet the wholesale load of 20 megawatts, you would dispatch the system from 90 megawatts up to 110 megawatts?

A No.

Q Would you please explain that answer?

A Yes. I would say that the 100 megawatts of the retail load are dispatched. The 20 megawatts of the sale are dispatched, and then the QF 10-megawatt decrement would be utilized or would be evaluated to determine the cost after dispatching the sale -- I mean the retail load in the sale.

Q How would TECO account for any cost difference if the size of the wholesale sales is different than the QF block size?

A Well, the way it's currently done, the block size for the QF is smaller than the sale, but because that block size is evaluated at the top of the block of the sale, Tampa Electric would actually be crediting back the highest dollar per megawatt hour to the fuel clause and, in fact, it would be a very conservative estimate to this because the retail customers would be getting back through the fuel clause a rate higher than the actual cost associated with the FMPA and Lakeland sale.

Q Staff would request a late-filed exhibit demonstrating that answer if possible.

A I have an exhibit demonstrating that answer with me.

Q Could you produce that, please?

A Yes.

(DOCUMENT TENDERED TO THE COMMISSION AND THE PARTIES).

MR. LONG: Chairman Johnson, the exhibit that has just been handed out, may we have it marked for purposes of identification?

CHAIRMAN JOHNSON: Yeah, we'll mark it as Exhibit 13 and call it "Avoided cogen fuel cost computed at FMPA and LKD increment."

MR. LONG: Thank you.

A Would you like me to go through my exhibit?

Q Would you please explain your exhibit?

A Yes. This is a demonstration of how Tampa Electric currently calculates the QF rate. If you imagine for a moment that the FMPA and Lakeland sale are not there, the QF rate is calculated after retail load and existing firm wholesale sales. It's the very top block of that firm wholesale sale. Tampa Electric will run its system without the benefit of QFs and establish a fuel cost, then Tampa Electric will rerun a model with the benefit of the QF, and that would be something less. That difference in dollar per megawatt hour fuel cost is what is paid back to the qualifying facilities.

Now when we add in the FMPA and Lakeland sale, that moves up the point at which we calculate the payment that we make to QFs. And by virtue of the fact that it is smaller than the FMPA and Lakeland block size, we would actually be crediting back through the fuel clause for the FMPA and Lakeland sale a dollar per megawatt hour at higher than the actual amount associated with the FMPA and Lakeland sale. So to that, I would say that the retail ratepayers are actually benefiting from this methodology.

Q Ms. Branick, have you done any calculations to determine whether by using the QF rate the projected incremental fuel cost from the FMPA and Lakeland sales fairly represent the cost incurred over the life of the contracts?

A What I have done is based on historical QF rates and the rates that we have projected or the costs we have projected for the FMPA and Lakeland sale, I would say we have projected them higher than they actually will be.

Q Would it be possible or have you run any calculations using actual numbers for, say, last month that would answer this question, calculations to determine?

A No, I haven't.

Q Would it be possible for you to do that and file it as a late-filed exhibit with consent of your counsel?

A Let me understand. You want me to use the QF payment methodology for last month, what that rate would actually have been to serve the FMPA and the Lakeland sale?

Q We are just concerned if that rate fairly represents the cost incurred, yes, and a one-month example will go a long way to our understanding.

A Okay. But by definition it would, in fact, be the cost incurred because these two sales are the last megawatt hours served on the system each hour, or that's where we put them; so the highest cost each hour on our system is what we would credit back to these sales.

Q What we are looking for is a comparison with your pro-mod projections.

A Okay, I can do that.

MS. PAUGH: Will counsel agree to the late-filed?

MR. LONG: I have no objection.

MS. PAUGH: Thank you.

CHAIRMAN JOHNSON: We'll identify that as 14. And what is a short title?

MS. PAUGH: Fuel cost comparisons.

CHAIRMAN JOHNSON: Fuel cost comparisons. Okay.

MS. PAUGH: Thank you.

BY MS. PAUGH:

Q What fuel type, contract or spot, does the QF methodology use in order to determine the as-available rate?

A It would use the spot prices.

Q Would you agree that historically spot coal prices have been cheaper than long-term contract coal?

A I'm not aware. I don't know the historical trend of spot price coal.

Q Ms. Branick, we are about to provide you with an interrogatory response.

A Could you tell me what interrogatory it is? I may have it.

Q It was Interrogatory Number 20. I apologize, we thought we had all the copies made.

A I have it.

Q If we can just provide you with a copy of the response, perhaps that will be sufficient -- or did you say you had it?

A I said I have it.

Q Oh, excellent. Thank you. On page 2 of 3, it appears on this page that one out of 24 contract prices were lower than spot. The highest differences appeared to be in July of 1994. Did I say contract was lower than spot?

A Yes, you did.

Q I meant to say spot was -- The reverse. I think the hour is late.

A I would agree that spot coal prices on a historical basis are lower than contract.

Q Okay. Thank you. With reference to TECO's dispatch -- I'm sorry, according to your testimony, on pages 4 and 5, both the FMPA and Lakeland sales are firm sales. What is the priority of these sales?

A The FMPA sale will be served as long as one of the four units assigned to that sale is available and capable of providing that power. The Lakeland sale has the same priority as Tampa Electric's native load.

Q Thank you. Given the firmness of these sales, isn't it appropriate to purchase at least some contract coal in order to ensure reliability?

A No, contract coal is purchased for native load only.

Q I understand that you will still have to supply these sales even if spot coal is unavailable. Doesn't that mean that retail customers will be affected at the same time as FMPA and Lakeland if spot coal is not available for production? And by affected, I'm referring to perhaps rolling outages or a monetary effect.

A You said if spot coal were not available. If spot coal were not available, we would not even be able to serve all of our native load from coal because we don't -- our fixed contracts alone are not our entire native load requirement. We have spot purchases to serve native load as well.

Q I understand that. But if spot coal is not available, will that not have a ripple effect not only as to the contracts but as to your retail customers?

A If spot coal were not available, it would have many effects, yes.

Q Thank you.

COMMISSIONER DEASON: Let me ask a question about that. What is the likelihood of spot coal not being available?

WITNESS BRANICK: Very, very unlikely.

COMMISSIONER DEASON: Isn't the real issue the price at which you would have to pay to get spot coal?

WITNESS BRANICK: It may be.

COMMISSIONER DEASON: Well, do you think that is an issue, is the price you would have to pay for spot coal?

WITNESS BRANICK: No, I think spot coal -- we have some contracts for spot coal which extend more than just the next month or -- They are for longer periods. We --

COMMISSIONER DEASON: Your cost benefit analysis is based upon an assumption on what you pay for spot coal?

WITNESS BRANICK: It is, and that spot coal will be available through the term of these sales.

COMMISSIONER DEASON: Now what if your -- in your cost benefit analysis, what if the price of spot coal proves to be inaccurate and that in reality in the future spot price of coal goes upward and it causes your cost benefit analysis to no longer be cost beneficial, is the result that the customers will get at least a two-million-dollar benefit, the guarantee which Mr. Ramil testified to earlier?

WITNESS BRANICK: That is correct, and that the fuel clause would be unaffected. We would credit back revenues equal to the incremental fuel cost associated with making this sale.

COMMISSIONER DEASON: And that's a risk on the stockholders; is that correct?

WITNESS BRANICK: That is correct.

COMMISSIONER DEASON: But now isn't the customer at risk for losing the 3.5 million which you've projected would be the benefit of the 80% share of the broker sales?

WITNESS BRANICK: Those sales would not be made; that is correct.

COMMISSIONER DEASON: But then the question comes up, would those broker sales be made if the spot price of coal had gone up to the extent that your price benefit analysis --

WITNESS BRANICK: That is a good question, yes.

BY MS. PAUGH:

Q Ms. Branick, on page 14 of your testimony you indicate that TECO will determine the S02 allowance cost of making the FMPA and Lakeland sales based on the replacement cost of S02 allowances according to the current market.

A That's correct.

Q How will TECO determine the current market cost of S02 allowances?

A S02 allowance costs are published on broker systems daily. They are traded, or they're -- They are traded. There are publications that list what the actual prices are and what they are projected to be, numerous publications; so the, I think right now they are at about

$95, so we would know what the cost of the S02 allowances were.

Q When will the purchases of allowances be made for these sales? In other words, will TECO purchase enough to offset the next month's emissions, or will the allowances be trued up on an annual basis?

A The allowances will be trued up month to month through the environmental cost recovery clause, the allowance costs associated with making these sales.

Q Are those trued up every six months or every month?

A Every six months.

Q Thank you.

A Sorry.

Q Ms. Branick, how are the revenues from the FMPA sale currently being accounted for in TECO's fuel capacity environmental clauses and TECO's rate base?

A The fuel revenues associated with the FMPA and Lakeland sale are credited through the retail fuel clause, adjusted for AR sales; and the remaining revenues are credited above the line to operating revenue.

Q How are the revenues from the Lakeland sale currently being accounted for in TECO's fuel capacity, environmental clauses and TECO's rate base?

A In the same way as the FMPA sale.

Q Has the Commission approved these treatments in the past?

A I don't know that they have approved these types of treatments. We are doing this in lieu of not knowing how we will ultimately credit the revenues associated with these sales.

Q Isn't it correct that any revenues from the wholesale sales that are retained on the retail side are always credited to recovery clauses?

A I'm sorry, say that again.

Q Revenues from wholesale sales that are retained on the retail side are always credited to recovery clauses?

A And in specific, what type of wholesale sales?

Q Other wholesale sales that TECO has.

A Well, we have various types of sales. They are credited, you know, through the fuel clause, that's correct.

COMMISSIONER CLARK: Would it be correct to say that those sales that aren't separated, that those revenues go to cost recovery clauses?

WITNESS BRANICK: For example, J-type sales are credited back, that's correct.

COMMISSIONER CLARK: I guess what I'm trying to understand is are all those wholesale sales except those that are separated run back through a cost recovery clause?

WITNESS BRANICK: I can speak to the J sales. I would just have to --

COMMISSIONER CLARK: And you don't know about the others?

WITNESS BRANICK: I can't say for certain.

BY MS. PAUGH:

Q I would like to discuss the transmission implications of these sales for a few minutes. Please refer to stamped page 39 of your direct testimony. I believe that under section 3 of that page it is shown the transmission arrangement for the Lakeland sale; is that correct?

A One moment, please. Did you say page 29?

Q 39.

A And that's Bate stamp 39?

Q Yes.

A Okay. Repeat your question, please.

Q Can you please explain TECO's transmission service agreement with Lakeland for this sale?

A Yes. Tampa Electric will serve as the transmission customer in this sale and will charge itself the transmission and ancillary service rate from its tariff, and those charges are on page 40 at the top.

Q Is this a firm or nonfirm transmission agreement?

A This is a nonfirm point-to-point transmission service with ancillary services.

Q Why does this contract provide for nonfirm transmission even though it's a firm sale?

A It's the transmission service selected by the wholesale customer.

Q In other words, Lakeland requested it?

A That is correct.

COMMISSIONER CLARK: Why is that fair? I guess it seems to me if you are delivering firm capacity, why aren't you -- I mean if you have to deliver it you need firm transmission. Why is it all right for them to take nonfirm transmission?

WITNESS BRANICK: As per FERC they are allowed to choose the transmission service that they want, and it's their risk. I mean they would evaluate the risk associated with choosing firm or nonfirm; and in this particular case, I would assume that they thought the risk was very, very low, that there would not be capacity at the interface for us to deliver this power.

COMMISSIONER CLARK: So you're saying that under the contract that if you need -- But you're not going to need that transmission line for firm capacity.

WITNESS BRANICK: There is capacity in excess on the transmission system, so the risk of them not being served is very, very low. Lakeland did have -- Let me just clarify. At one point, there was an hourly firm rate, and that was the initial selection of Lakeland. And during the time of negotiating this sale, the FERC had eliminated the firm hourly rate, and the only thing remaining was the nonfirm rate that was in the same price range, and the price had already been set for Lakeland on this sale, so they made the decision to continue the sale at approximately the same rate with nonfirm transmission service.

COMMISSIONER CLARK: What transmission do you charge Fort Meade and Wauchula? Do they get firm or nonfirm transmission?

WITNESS BRANICK: Firm, and it would be based on our tariff.

BY MS. PAUGH:

Q Ms. Branick, do you agree with Lakeland's conclusion that there will be adequate transmission capability for the entire length of the Lakeland sale?

A I do.

Q Under this arrangement then, isn't Lakeland a free rider banking on the surplus transmission capacity to avoid interruption and thereby getting firm transmission capability at nonfirm rates?

A Any customer on the system could choose to want to wheel across Tampa Electric's system at whatever rates or whatever level of service they choose, and they would pay the rate applicable with that, and then they assume that risk, so -- I'm sorry, I didn't answer your question yes or no, so please ask it again.

Q Under this arrangement, isn't Lakeland a free rider banking on the surplus transmission capacity to avoid interruption and thereby getting firm transmission capability at nonfirm rates?

A I would not agree that they are a free rider. They are paying for a service that they are receiving.

Q Are they paying for all of the service that they receive?

A They are indeed.

COMMISSIONER DEASON: Let me ask you this question. What if you sign up another wholesale customer and they choose firm, then that lessens the reliability that Lakeland has chosen?

WITNESS BRANICK: It does, yes.

COMMISSIONER CLARK: Well, let me ask a question about that. How is that affected by your commitment in terms of the generation? If you commit to that second wholesale buyer that they will be served after FMPA or Lakeland in terms of generation, then in effect that firm transmission they paid for will not displace the nonfirm?

WITNESS BRANICK: Are you talking about Lakeland in particular?

COMMISSIONER CLARK: If you sign up another wholesale customer --

WITNESS BRANICK: Yes.

COMMISSIONER CLARK: -- and the commitment to them in terms of generating is after you serve either Lakeland or FMPA, then the fact that they have firm transmission doesn't help them because they're not going to be served?

WITNESS BRANICK: No, I disagree. If we have ten megawatts to serve to Lakeland and we sign another ten megawatt sale and Lakeland has nonfirm transmission, the new sale has firm transmission, the new sale -- and the constraint is on transmission and not capacity, the new sale would be served.

COMMISSIONER CLARK: All right. Assume the constraint is on capacity. If in terms of capacity that FMPA and Lakeland have a priority over the next wholesale customer, then is there an issue on the transmission line?

WITNESS BRANICK: Lakeland would have priority over the next sale, so we would serve at capacity.

COMMISSIONER CLARK: And since you didn't have the capacity to serve the next wholesale customer, there is no issue of firm transmission, the transmission line, capacity will be there because you have no obligation to serve that firm customer because you don't have the generation?

WITNESS BRANICK: I'm sorry, but I'm confused by your question.

COMMISSIONER CLARK: I guess what I'm suggesting is to the extent the next wholesale customer's claim to generation comes after Lakeland or FMPA, if you don't have the generation to serve them, you don't have to serve them; is that right?

WITNESS BRANICK: It would depend on the sale, I mean the terms of that sale.

COMMISSIONER CLARK: Well, I asked you to assume that their claim came after, their right to generation is after those two sales.

WITNESS BRANICK: Okay. And something happens on our system and we don't have the ten megawatts to serve them?

COMMISSIONER CLARK: Right.

WITNESS BRANICK: Okay.

COMMISSIONER CLARK: So the fact that they have firm transmission won't bump the nonfirm transmission of FMPA and Lakeland?

WITNESS BRANICK: I would say, no, it wouldn't, because we don't have the capacity to serve them, therefore, we would not serve them.

COMMISSIONER CLARK: Okay.

COMMISSIONER DEASON: The constraint on the transmission, that is not triggered unless you have the capacity to serve, so you don't even argue faced with the question unless there is capacity, right?

WITNESS BRANICK: That's correct. I mean if we don't have the ten megawatts to serve, then the sale won't get made.

COMMISSIONER CLARK: Well, I'm just suggesting that even if you make the next sale, the nonfirm nature of their transmission doesn't appear to be at risk. I could be wrong. I assume that you know a lot more about this than I do.

BY MS. PAUGH:

Q Ms. Branick, in your deposition you stated that there is approximately 30 cents per megawatt hour difference between firm and nonfirm transmission. Is this still your testimony?

A What I'm going to do is give you the actual difference. I didn't have the tariff with me that day.

(WITNESS REVIEWED DOCUMENTS)

CHAIRMAN JOHNSON: While she is looking that information up, how much more do you have? And this is just for purposes of giving the court reporter a break.

MS. PAUGH: 10 or 15 minutes.

CHAIRMAN JOHNSON: All right. We'll continue.

A It is my testimony.

Q Thank you.

A I'm sorry, excuse me, the difference between the firm and the nonfirm is 29 cents, just for the record.

Q Thank you. Did Tampa Electric Company have to upgrade or improve any transmission facilities to provide the service to FMPA and Lakeland?

A No.

Q Is the cost of existing transmission facilities being supported by TECO's existing base rates?

A It is.

Q How?

A At the last time that rates were calculated for transmission, the total transmission system was included in an average cost, or a rate for that system was established.

Q And TECO proposes to credit its operating revenues with transmission revenues as documents 6 and 7 of your exhibits to your testimony indicate; is that correct?

A That is correct, to keep in line with how they've traditionally been treated.

Q Will crediting transmission revenues to TECO's operating revenues reduce current rates?

A Potentially at the next rate proceeding it will.

Q How likely is another rate proceeding?

A I don't know.

Q Would crediting transmission revenues through one of the clauses reduce TECO's ratepayers' total rates today?

A Crediting transmission revenues through a clause?

Q Yes.

A It would.

Q And that reduction would be dollar for dollar, would it not?

A Yes. Spread over the retail customers, yes.

Q In other words, that would be an immediate benefit to the ratepayers as opposed to the projected benefit of the possibility of less likelihood of a rate case; is that correct?

A Yes. If it were passed through a clause, yes.

Q Thank you.

COMMISSIONER CLARK: Ms. Branick, can I ask you a question? When you make sales to wholesale customers, you can't tell them what transmission service to take, can you?

WITNESS BRANICK: No, they have a choice.

COMMISSIONER CLARK: You can't say to them, because you have, are taking firm capacity, you also have to take firm transmission?

WITNESS BRANICK: No.

COMMISSIONER CLARK: Okay. Is that under FERC order 888?

WITNESS BRANICK: I believe so, yes.

BY MS. PAUGH:

Q All right. Staff would like to distribute an exhibit, please. The next series of questions will deal with the reserve margin for Tampa Electric Company.

(DOCUMENT TENDERED TO WITNESS BRANICK, COMMISSIONERS AND PARTIES).

MS. PAUGH: We would request that this exhibit be marked.

CHAIRMAN JOHNSON: It will be identified as Exhibit 15. And the short title will be?

MS. PAUGH: Reserve margin information.

CHAIRMAN JOHNSON: Reserve margin information.

BY MS. PAUGH:

Q Ms. Branick, would you please identify the documents contained in the exhibit marked number 15?

A The first sheet is page 4-6 schedule 7.2, table 4-2. I presume from -- okay, Tampa Electric's ten-year site plan, 1997 ten-year site plan. The next page is Bate stamp number 5 which is an answer to an interrogatory from staff's second set, Interrogatory Number 12. The next page, Bate stamp number 6, is an answer to question 13 in the staff's second set of interrogatories. And the last page is page 3 of 3 from a Late-filed Deposition Exhibit

Number 5 from my deposition.

Q Thank you. Did you include expansion costs in your calculations of net benefits for either the FMPA or Lakeland sales as a result of your projected 2000 to 2001 reserve margin as shown on Late-filed Exhibit Number 5 in this package?

A And your question was did we include expansion costs?

Q In your calculations of net benefits for either the FMPA or Lakeland contracts, yes, that is my question.

A We did, indeed, and there were no expansion costs. For the Lakeland sale we were a bit conservative though and did include some costs only to the -- only to not overstate any benefits or just to be conservative with the benefits associated with Lakeland, but there are no expansion costs associated with either of these sales.

Q There are no expansion costs associated with the sales?

A That is correct.

Q I would like to refer you to the year 2000 to 2001 on Late-filed Exhibit Number 5 under the firm winter reserve.

A And you said 2000?

Q 2000 to 2001.

A The reserve?

Q Firm winter reserve before the Lakeland sale is what percentage?

A 17%.

Q And the firm winter reserve after the sale is what percentage?

A 17%.

COMMISSIONER DEASON: I think she wants the next year.

A 2001?

Q Yes.

A It is 15% before the sale and 14% after the sale.

Q What month are you referring to in the 2001 date?

A For winter reserve?

Q What months are involved in that calculation?

A January.

Q Thank you. To your knowledge has TECO ever projected a reserve margin below its criterion and not planned for expansion?

A I wouldn't have any knowledge of that.

Q Okay.

A You mean historically?

Q Yes.

A No, I wouldn't know.

Q If FMPA were to request supplemental capacity above levels currently included in these calculations, would TECO's winter reserve margin be further reduced?

A In what years?

Q Well, let's take the year 2000, 2001 that we have been discussing.

A It would if Tampa Electric agreed to serve it. Tampa Electric is not obligated to serve a request for supplemental capacity.

Q Given TECO's projected reserve margins, do you believe that TECO will be able to add new firm sales if supplemental capacity is requested by either FMPA or Lakeland?

A Tampa Electric would not add sales to the detriment of its retail customers.

Q Is that a no?

A Would not -- Will you ask your question again, please? I'm sorry.

Q Given the projected reserve margins which we have established are at 15% and below that at 14% which violates your criterion, do you believe that TECO would be able to add new firm sales if supplemental capacity is requested by either FMPA or Lakeland?

A It would be unlikely that Tampa Electric could add new firm sales with a reserve margin of 14%, but I disagree with your statement of violating our criteria. I mean we have criteria that we go by to maintain a safe, what we consider a safe reserve for our native load, and we maintain those criteria.

Q Would you agree that the addition of the FMPA and Lakeland sales increases your EUE?

A Just a minute, please.

(WITNESS REVIEWED DOCUMENTS)

A I would, yes.

Q And EUE means expected unserved energy; is that correct?

A It is.

Q Doesn't this increase the chance that TECO will not have sufficient capacity to meet its ultimate load and will either have to interrupt both interruptible and firm customers or purchase emergency power for firm sales?

A The first part of your question, does it --

Q Does this not, this increase in the EUE, also increase the chance that TECO will not have sufficient capacity to meet its ultimate load and will either have to interrupt both the interruptible and firm customers or purchase emergency power?

A There is a limit on the EUE, and Tampa Electric would not exceed that limit; and as a result of making these sales, there are increases in purchases of emergency and optional provision, as you've mentioned, as a result of making these sales.

Q So is your answer that it does increase the chance of purchasing emergency power?

A It does, and those costs are included in the cost of these sales. They were taken into account.

Q In determining the projected cost of these sales, did TECO project the level of EUE?

A Yes, that is what is in Late-filed Exhibit Number 5.

Q In your net benefit analysis, were any additional costs added to the amount of recoverable fuel and purchase power costs?

A Did I account for those in my cost analyses; is that your question?

Q Yes.

A Yes.

Q Does the QF methodology for determination of the as-available energy rate include emergency purchases?

A It does.

Q Please explain your answer.

(WITNESS REVIEWED DOCUMENTS)

A Referring to Tampa Electric's tariff for calculation of QF payments, if Tampa Electric purchases the last increment on our -- or the last increment that is required to serve native load or firm sales as per the exhibit I had showed you earlier, that bar, if the requirement to serve those was a purchase of emergency power, that is the rate that would be paid back to QFs for that hour, or the time that emergency power was purchased.

Q Would the fuel recovery paid by retail customers be increased by emergency purchases?

A They would, and those costs were considered in the cost benefit analysis of these sales.

MS. PAUGH: We have another exhibit.

CHAIRMAN JOHNSON: Mark it as exhibit 16.

MS. PAUGH: It can be titled POD Response Number 9.

CHAIRMAN JOHNSON: Short title, POD Response 9.

BY MS. PAUGH:

Q Ms. Branick, will you please read the last sentence from TECO's POD Response Number 9 as just handed to you as 16?

A Tampa Electric did not perform any risk analyses and/or sensitivity analyses with respect to the Florida Municipal Power Agency transaction.

Q Thank you.

MS. PAUGH: We have no further questions.

CHAIRMAN JOHNSON: We are going to go ahead and take a 10-minute break.

MR. WILLIS: We move the exhibits.

CHAIRMAN JOHNSON: Oh, you don't have any redirect?

MR. LONG: We do have redirect.

CHAIRMAN JOHNSON: I'm sorry?

MR. WILLIS: I'm sorry.

MR. LONG: I'm sorry, Commissioner, let's take the break, and we'll come back afterwards.

CHAIRMAN JOHNSON: Okay.

(Transcript continues in sequence in Volume IV)

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