



BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION  
DOCKET NO. 080001-EI  
IN RE: FUEL & PURCHASED POWER COST RECOVERY  
AND  
CAPACITY COST RECOVERY

PROJECTIONS  
JANUARY 2009 THROUGH DECEMBER 2009

TESTIMONY AND EXHIBIT  
OF  
JOANN T. WEHLE

REDACTED

DOCUMENT NUMBER-DATE

08019 SEP-28

FPSC-COMMISSION CLERK

1                                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2                                   **PREPARED DIRECT TESTIMONY**

3                                   **OF**

4                                   **JOANN T. WEHLE**

5  
6   **Q.** Please state your name, address, occupation and employer.

7  
8   **A.** My name is Joann T. Wehle. My business address is 702 N.  
9       Franklin Street, Tampa, Florida 33602. I am employed by  
10       Tampa Electric Company ("Tampa Electric" or "company") as  
11       Director, Wholesale Marketing & Fuels.

12  
13   **Q.** Please provide a brief outline of your educational background  
14       and business experience.

15  
16   **A.** I received a Bachelor of Business Administration Degree in  
17       Accounting in 1985 from St. Mary's College in Notre Dame,  
18       Indiana. I am a CPA in the State of Florida and worked in  
19       several accounting positions prior to joining Tampa Electric.  
20       I began my career with Tampa Electric in 1990 as an auditor  
21       in the Audit Services Department. I became Senior Contracts  
22       Administrator, Fuels in 1995. In 1999, I was promoted to  
23       Director, Audit Services and subsequently rejoined the Fuels  
24       Department as Director in April 2001. I became Director,  
25       Wholesale Marketing and Fuels in August 2002. I am

1 responsible for managing Tampa Electric's wholesale energy  
2 marketing and fuel-related activities.

3  
4 **Q.** Please state the purpose of your testimony.

5  
6 **A.** The purpose of my testimony is to discuss Tampa Electric's  
7 fuel mix, fuel price forecasts, potential impacts to fuel  
8 prices, and the company's fuel procurement strategies. I  
9 will address steps Tampa Electric takes to manage fuel supply  
10 reliability and price volatility and describe projected  
11 hedging activities. I sponsor Tampa Electric's 2008 risk  
12 management plan submitted concurrently in this docket. I  
13 also present the calculation of waterborne transportation  
14 costs submitted for recovery. Finally, I describe the solid  
15 fuel transportation plan that will replace the contract that  
16 expires at the end of this year.

17  
18 **Q.** Have you previously testified before this Commission?

19  
20 **A.** Yes. I have testified or filed testimony before this  
21 Commission in several dockets, including Docket No. 011605-EI  
22 and 031033-EI as well as the annual fuel and purchased cost  
23 recovery dockets from 2001 through 2007. I recently filed  
24 testimony in Docket No. 080317-EI regarding Tampa Electric's  
25 request for an increase in base rates and service charges. My

1 testimony in these dockets described the appropriateness and  
2 prudence of Tampa Electric's fuel procurement activities,  
3 fuel supply risk management, fuel price volatility hedging  
4 activities, and fuel transportation costs.

5  
6 Q. Have you prepared an exhibit in support of your testimony?

7  
8 A. Yes. Exhibit No. \_\_\_\_ (JTW-2) describes the calculation of  
9 the 2007 waterborne transportation costs disallowance.

10  
11 **2009 Fuel Mix and Procurement Strategies**

12 Q. What fuels will Tampa Electric's generating stations use in  
13 2009?

14  
15 A. In 2009, Tampa Electric expects its fuel mix to be comparable  
16 to 2008. In 2009, natural gas-fired and coal-fired  
17 generation is expected to be 43 percent and 57 percent of  
18 total generation, respectively. Generation from No. 2 oil  
19 and No. 6 oil is less than one percent of the total expected  
20 generation.

21  
22 Q. How does Tampa Electric's natural gas procurement and  
23 transportation strategy achieve competitive natural gas  
24 purchase prices for long- and short-term deliveries?

25

1 A. Tampa Electric uses a portfolio approach to natural gas  
2 procurement. The company's portfolio consists of a blend of  
3 pre-arranged base load, intermediate and swing supply  
4 complemented with daily spot purchases. The contracts have  
5 various time lengths to help secure needed supply at  
6 competitive prices and maintain the ability to take advantage  
7 of favorable natural gas price movements. Tampa Electric  
8 purchases its physical natural gas supply from many approved  
9 counterparties, enhancing liquidity and diversification of  
10 its natural gas supply portfolio. The natural gas prices are  
11 based on monthly and daily price indices, further increasing  
12 portfolio pricing diversification.

13  
14 Tampa Electric has improved the reliability of the physical  
15 delivery of natural gas to its power plants by diversifying  
16 its pipeline transportation assets, including receipt points,  
17 and utilizing pipeline and storage tools to enhance access to  
18 natural gas supply during hurricanes or other events that  
19 constrain supply. On a daily basis, Tampa Electric strives  
20 to obtain reliable supplies of natural gas at favorable  
21 prices in order to minimize costs to its customers.  
22 Additionally, Tampa Electric's risk management activities  
23 improve the company's natural gas procurement activities by  
24 reducing natural gas price volatility.

25

1 Q. Please describe Tampa Electric's diversified natural gas  
2 transportation arrangements.

3  
4 A. Tampa Electric historically has received its natural gas at  
5 its plants via the Florida Gas Transmission ("FGT") pipeline.  
6 The company enhanced its natural gas transportation  
7 reliability through the acquisition of pipeline capacity on  
8 Gulfstream Natural Gas System, LLC ("Gulfstream") and the  
9 Bayside Lateral. The Bayside Lateral is a 28-mile pipeline  
10 that directly connects Bayside Station to Gulfstream in  
11 Manatee County. Tampa Electric began receiving natural gas  
12 on the Bayside Lateral in June 2008. The ability to deliver  
13 natural gas directly from two pipelines enhances the fuel  
14 delivery reliability of the largest natural gas unit on Tampa  
15 Electric's system.

16  
17 Q. What actions does Tampa Electric take to enhance the  
18 reliability of its natural gas supply?

19  
20 A. Tampa Electric has maintained natural gas storage capacity  
21 with Bay Gas Storage near Mobile, Alabama since 2005.  
22 Currently the company reserves 850,000 mmBtu of storage  
23 capacity, which enhances access to natural gas in the case of  
24 severe weather or other events that disrupt supply. Tampa  
25 Electric's storage capacity at Bay Gas Storage increases to

1 1,250,000 mmBtu when the fourth cavern is completed in 2010.

2  
3 In addition to storage, Tampa Electric maintains diversified  
4 natural gas supply receipt points in FGT Zones 1, 2 and 3.  
5 Diverse receipt points reduce the company's vulnerability to  
6 hurricane impacts in FGT Zone 3 and provide access to lower  
7 priced gas supply. Recently, Tampa Electric participated in  
8 the Southeast Supply Header ("SESH") project. SESH connects  
9 the receipt points of FGT and other Mobile Bay area pipelines  
10 with natural gas supply in the mid-continent. Mid-continent  
11 natural gas production has grown and continues to increase  
12 through non-conventional shale gas and the Rockies Express.  
13 Thus, SESH gives Tampa Electric access to secure on-shore gas  
14 supply for a small portion of its portfolio. This is  
15 beneficial because mid-continent gas supply is typically  
16 priced lower than gas supply around Mobile Bay.

17  
18 **Q.** What is Tampa Electric's coal procurement strategy?

19  
20 **A.** Tampa Electric's two coal-fired plants are Big Bend Station  
21 and Polk Station. Big Bend Station is a fully scrubbed plant  
22 whose design fuel is high-sulfur Illinois Basin coal. Polk  
23 Station is an integrated gasification combined cycle plant  
24 currently burning a mix of petroleum coke and low sulfur  
25 coal. The plants have varying operational and environmental

1 restrictions and require fuel with custom quality  
2 characteristics such as ash, fusion temperature and sulfur,  
3 heat and chlorine content. Since coal is not a homogenous  
4 product, fuel selection is based on these unique  
5 characteristics, along with price, availability, and  
6 creditworthiness of the supplier.

7  
8 Tampa Electric maintains a portfolio of bilateral, long-,  
9 intermediate-, and short-term contracts for coal supply.  
10 Tampa Electric monitors the market to obtain the most  
11 favorable prices from sources that meet the needs of the  
12 generating stations. The use of daily and weekly  
13 publications, independent research analyses from industry  
14 experts, discussions with suppliers, and coal solicitations  
15 aid the company in monitoring the coal market and shaping the  
16 company's coal procurement strategy to reflect current market  
17 conditions. This allows for stable supply sources while  
18 providing flexibility to take advantage of favorable spot  
19 market opportunities. The company's efforts to obtain the  
20 most favorable coal prices directly benefit its customers.

21  
22 **Q.** Has Tampa Electric entered into coal and natural gas supply  
23 transactions for 2009 delivery?

24  
25 **A.** Yes, Tampa Electric has contracted for a significant portion



1 of its expected coal needs through bilateral agreements with  
2 coal suppliers to mitigate price volatility and ensure  
3 reliability of supply. Over three quarters of the company's  
4 expected 2009 coal requirements are already under contract.  
5 Tampa Electric is also in the process of soliciting suppliers  
6 for about one-half of the company's expected natural gas  
7 needs for the winter of 2008 and through 2009.

8  
9 **Q.** Has Tampa Electric reasonably managed its fuel procurement  
10 practices for the benefit of its retail customers?

11  
12 **A.** Yes. Tampa Electric diligently manages its mix of long-,  
13 intermediate-, and short-term purchases of fuel in a manner  
14 designed to reduce overall fuel costs while maintaining  
15 electric service reliability. The company's fuel activities  
16 and transactions are reviewed and audited on a recurring  
17 basis by the Commission. In addition, the company monitors  
18 its rights under contracts with fuel suppliers to detect and  
19 prevent any breach of those rights. Tampa Electric  
20 continually strives to improve its knowledge of fuel markets  
21 and to take advantage of opportunities to minimize the costs  
22 of fuel.

23  
24 **Projected 2009 Fuel Prices**

25 **Q.** How does Tampa Electric project fuel prices?

1 A. Tampa Electric reviews fuel price forecasts from sources  
2 widely used in the industry, including PIRA Energy Group  
3 ("PIRA"), Wood Mackenzie (formerly Hill & Associates), the  
4 Energy Information Administration, the New York Mercantile  
5 Exchange ("NYMEX") and other energy market information  
6 sources. Futures prices for energy commodities as traded on  
7 the NYMEX, blended with current PIRA price forecasts, form  
8 the basis of the natural gas, No. 6 oil and No. 2 oil market  
9 commodity price forecasts. The commodity price projections  
10 are then adjusted to incorporate expected transportation  
11 costs and location differences.

12  
13 Coal prices and coal transportation prices are projected  
14 using contracted pricing and information from industry-  
15 recognized consultants and are specific to the particular  
16 quality and mined location of coal utilized by Tampa  
17 Electric's Big Bend Station and Polk Unit 1. Final as-burned  
18 prices are derived using expected commodity prices and  
19 associated transportation costs.

20  
21 Q. How do the 2009 projected fuel prices compare to the fuel  
22 prices projected for 2008?

23  
24 A. The entire industry, including Tampa Electric, has  
25 experienced dramatic increases in fuel prices in 2008, and

1 projected fuel prices for 2009 are expected to remain near  
2 these escalated levels. The global economy and the increasing  
3 industrialization of countries like China have affected the  
4 global balance of energy resources such as natural gas, oil,  
5 and coal. In particular, crude oil prices have soared to  
6 levels over \$145 per barrel, due to factors such as the  
7 weakened U.S. dollar, the turmoil in the Middle East, and  
8 fears of declining production and growth in demand for  
9 refined products. Currently, the projected price of crude oil  
10 on NYMEX is around \$115 per barrel for all of 2009.  
11 Additionally, transportation costs for the delivery of  
12 commodities have increased as the fuel used in transportation  
13 increased in price.

14  
15 **Q.** What are the market drivers of the expected 2009 price of  
16 natural gas?

17  
18 **A.** In addition to price pressures from crude oil, the market  
19 drivers for natural gas include increased demand from  
20 natural-gas fired generation, declining natural gas  
21 production in Canada and off-shore Gulf of Mexico, global  
22 competition for liquefied natural gas, and concerns about  
23 production losses due to tropical storm activity.  
24 Fortunately, higher than expected production of non-  
25 conventional gas supply from shale in and around Ft. Worth,

1 Texas has mitigated some of the price pressure.

2  
3 Q. What are the market drivers of the increase in the price of  
4 coal?

5  
6 A. During early 2008, published price curves for 2009 delivery  
7 of Illinois Basin coal increased over 50 percent. There are  
8 several factors driving this dramatic increase. First, many  
9 northeast utilities are replacing lower sulfur Northern or  
10 Central Appalachian coal that has been diverted into the  
11 export market with Illinois Basin coal. Demand for Illinois  
12 Basin coal has also increased as many utilities that  
13 historically burned lower sulfur coals are installing  
14 environmental equipment which allows them to burn Illinois  
15 Basin coal. Additionally, several producers in the Illinois  
16 Basin continue to experience significant geologic issues  
17 reducing available production.

18  
19 Coal prices correlate with the prices of other fuels since  
20 coal mining utilizes petroleum products, steel, and lumber in  
21 its production processes; therefore, coal prices have  
22 increased in conjunction with increases in the prices of  
23 these commodities and other fuels. The industry as a whole  
24 has experienced a severe labor shortage. Coal companies have  
25 had to increase compensation packages to attract or keep

1 their work forces, adding to the escalating mining costs.  
2 Thus, Tampa Electric expects higher coal prices to continue  
3 through 2009.

4  
5 **Q.** Did Tampa Electric consider the impact of higher than  
6 expected or lower than expected fuel prices?

7  
8 **A.** Yes. Tampa Electric prepared a scenario in which the  
9 forecasted fuel prices were 26 percent and 31 percent higher  
10 for natural gas and No. 2 oil, respectively. Similarly,  
11 Tampa Electric prepared a scenario in which the forecasted  
12 fuel prices were 23 percent and 41 percent lower for natural  
13 gas and No. 2 oil, respectively. These percentages were  
14 derived from the actual price variation of these fuels during  
15 the past five years. The causes of potential price  
16 uncertainty include weather, political turmoil, global  
17 economics, commodity demand and production, and  
18 transportation issues.

19  
20 **Risk Management Activities**

21 **Q.** Please describe Tampa Electric's risk management activities.

22  
23 **A.** Tampa Electric complies with its risk management plan as  
24 approved by the company's Risk Authorizing Committee. Tampa  
25 Electric's plan is described in detail in the Risk Management

1 plan filed simultaneously in this docket.

2  
3 Q. Does Tampa Electric's risk management strategy help to  
4 mitigate natural gas price risk?

5  
6 A. Yes. To help protect customers from price volatility, Tampa  
7 Electric's plan allows for purchases of over-the-counter  
8 natural gas swaps, options and collars. A swap is a  
9 financial derivative that provides a "fixed for floating"  
10 position. Tampa Electric, the buyer, pays a fixed price for  
11 the natural gas contract, compared to a floating value that  
12 settles in a future month when the gas supply is needed.  
13 Swaps allow Tampa Electric to lock in known natural gas  
14 prices and reduce price volatility and uncertainty. The  
15 transaction costs of swaps are embedded in the price of the  
16 commodity.

17  
18 Options give Tampa Electric the right, but not the  
19 obligation, to buy (call) or sell (put) natural gas at a  
20 predetermined price for a given future month. Tampa Electric  
21 pays a premium at the time of the option purchase for this  
22 right.

23  
24 Collars are combinations of call options (caps) and put  
25 options (floors) that limit prices within a certain range.

1 With a collar, the company knows that its future price will  
2 remain within predetermined boundaries.

3  
4 **Q.** Has Tampa Electric used financial hedging in an effort to  
5 help mitigate the price volatility of its 2008 and 2009  
6 natural gas requirements?

7  
8 **A.** Yes. Tampa Electric has hedged a significant portion of its  
9 2008 natural gas supply needs and a portion of its expected  
10 2009 natural gas supply needs. Tampa Electric will continue  
11 to take advantage of available natural gas hedging  
12 opportunities in an effort to benefit its customers, while  
13 complying with the company's approved Risk Management Plan.  
14 The current market position for natural gas hedges is  
15 provided in the Risk Management Plan.

16  
17 **Q.** Are the company's strategies adequate for mitigating price  
18 risk for Tampa Electric's 2008 and 2009 natural gas  
19 purchases?

20  
21 **A.** Yes, the company's strategies are adequate for mitigating  
22 price risk for Tampa Electric's natural gas purchases. Tampa  
23 Electric's strategies balance the desire for reduced price  
24 volatility and reasonable cost with the uncertainty of  
25 natural gas volumes. These strategies are described in

1 detail in Tampa Electric's Risk Management Plan filed  
2 concurrently in this docket.

3  
4 Q. How does Tampa Electric determine the volume of natural gas  
5 it plans to hedge?

6  
7 A. First, Tampa Electric projects the quantity or volume of  
8 natural gas expected to be consumed in its power plants. The  
9 volume hedged is driven primarily by the projected total gas  
10 levels by month and the time until that natural gas is  
11 needed. Based on those two parameters, the amount hedged is  
12 maintained within a range authorized by the company's Risk  
13 Authorizing Committee. The market price of natural gas does  
14 not affect the percentage of natural gas requirements that  
15 the company hedges since the objective is price volatility  
16 reduction, not price speculation.

17  
18 Next, Tampa Electric considers the quantity of natural gas  
19 that it is responsible to supply under a purchased power  
20 agreement ("PPA"). Tampa Electric has two agreements where  
21 the company is responsible for the fuel supply. Since these  
22 PPA's are recent additions to its portfolio, Tampa Electric  
23 is not currently including these volumes in its hedging  
24 portfolio. Once Tampa Electric has more experience with the  
25 PPA's, it will reassess whether to add the natural gas



1 volumes to the consumed natural gas volumes.

2  
3 Q. Were Tampa Electric's efforts through July 31, 2008 to  
4 mitigate price volatility through its non-speculative hedging  
5 program prudent?

6  
7 A. Yes. Tampa Electric has executed hedges according to the  
8 risk management plan filed with this Commission, which was  
9 approved by the company's Risk Authorizing Committee. On  
10 April 1, 2008, the company filed its 2007 hedging results as  
11 part of the final true-up process. Additionally, Order No.  
12 PSC-08-0316-PAA-EI, issued May 14, 2008, requires the  
13 utilities to file a Hedging Information Report showing the  
14 results of hedging activities from January through July of  
15 the current year. The Hedging Information Report facilitates  
16 prudence reviews through July 31 of the current year and  
17 allows for the Commission's prudence determination at the  
18 annual fuel hearing. Tampa Electric filed its Hedging  
19 Information Report showing the results of its prudent hedging  
20 activities from January through July 2008 in this docket on  
21 August 15, 2008.

22  
23 **Coal Transportation Costs**

24 Q. Did Tampa Electric calculate the waterborne transportation  
25 costs submitted for cost recovery in accordance with the

1 Commission's Order No. PSC-04-0999-FOF-EI ("Order No. 04-  
2 0999"), issued in Docket No. 031033-EI on October 12, 2004?

3  
4 **A.** Yes. The waterborne transportation costs that Tampa Electric  
5 is seeking to recover are the adjusted river rates per ton  
6 for each upriver terminal as well as the adjusted ocean barge  
7 transportation rate per ton. The company calculates the  
8 adjusted rates as described in Order No. 04-0999. The river  
9 rate is adjusted using the following formula:

10  
11 
$$\frac{\text{(Weighted average rate per ton for all upriver terminals - \$1/ton)}}{\text{Weighted average rate per ton for all upriver terminals}} \times \text{Contract rate for specific upriver terminal}$$

12  
13  
14 The ocean rate is reduced by \$2.41 per ton for shipments from  
15 the Davant, Louisiana terminal and \$4.08 per ton for  
16 petroleum coke shipments from Texas, as prescribed by the  
17 Commission order.

18  
19 For 2007, Tampa Electric's adjustment to its total waterborne  
20 transportation costs totaled \$15,142,720. The total 2007  
21 adjustment recorded in Tampa Electric's final true-up filing,  
22 submitted in this docket on March 1, 2008, was calculated  
23 using the actual tons of coal and petroleum coke shipped in  
24 2007 and the methodology required by Order No. 04-9999.  
25 These calculations are shown in Exhibit No. \_\_\_\_ (JTW-2).

1 Therefore, Tampa Electric's 2007 adjusted coal transportation  
2 costs are appropriate for recovery through the Fuel and  
3 Purchased Power Cost Recovery Clause.

4  
5 Likewise, the expected 2008 waterborne transportation costs  
6 have been adjusted using this same methodology according to  
7 Order No. 04-0999 and will be revised to reflect the actual  
8 tons shipped and associated calculated disallowances as part  
9 of the normal true-up process. Accordingly, it is also  
10 appropriate for Tampa Electric to recover its allowable 2008  
11 projected transportation expenses included in the fuel clause  
12 for coal transportation.

13  
14 The transportation contract and the recovery adjustment  
15 period will expire on December 31, 2008. Tampa Electric has  
16 complied with Order No. 04-0999 by adjusting the amount of  
17 the waterborne coal transportation contract costs recovered  
18 through the fuel clause for the entire period that the  
19 contract is in effect, from January 1, 2004 through December  
20 31, 2008. The company has consistently followed the  
21 prescribed methodology in Order No. 04-0999 in calculating  
22 the disallowance amount for both the river and ocean  
23 transportation contract rates. A final adjustment will be  
24 made to true up the actual tons shipped in 2008 and  
25 associated calculated disallowances as part of the final 2008

1 true-up.

2

3 Q. Did Tampa Electric enter into a new contract for coal  
4 transportation for 2009 and beyond?

5

6 A. Yes, Tampa Electric has selected three contracts to replace  
7 the expiring solid fuel transportation contract. Tampa  
8 Electric signed a six-year contract with United Marine Group  
9 ("UMG") for waterborne transportation and delivery of up to  
10 [REDACTED] tons of coal per year to Big Bend Station. The  
11 contract also provides the flexibility to increase UMG's  
12 waterborne transportation deliveries by [REDACTED] tons per  
13 year. UMG will begin delivery under the new contract on  
14 January 1, 2009. Tampa Electric is in the process of  
15 negotiating a second contract with CSX railroad. CSX will  
16 deliver approximately [REDACTED] tons of coal per year to  
17 Big Bend Station once construction of rail unloading  
18 facilities at Big Bend Station is completed in early 2010.  
19 The company is also negotiating with AEP Memco, LLC for river  
20 barging services beginning in 2009. This contract will be  
21 for transportation of up to [REDACTED] tons from locations on  
22 the Mississippi River to New Orleans.

23

24 Q. Please describe the RFP process that resulted in the  
25 selection of the transportation providers.

1 A. The RFP process was comprehensive, open and fair. Throughout  
2 the process, Tampa Electric's objective was to develop a  
3 comprehensive strategy to provide cost-effective solid fuel  
4 and transportation services for the benefit of its customers.  
5 Prior to and concurrent with the bid, site visits and  
6 meetings were held with various potential respondents. The  
7 RFP was published in several solid fuel industry publications  
8 and was sent to 41 potential bidders. The RFP was downloaded  
9 by 23 different transportation providers. The company hosted  
10 a post-release bid meeting on October 24, 2007 in Tampa to  
11 invite participation in the RFP and share information about  
12 Tampa Electric's need for solid fuel transportation services.  
13 The company developed a website for distribution of  
14 information to bidders, including the RFP process timeline,  
15 answers to frequently asked questions, and the bid documents.  
16  
17 Tampa Electric utilized an independent consultant, Energy  
18 Ventures Analysis, Inc. ("EVA"), to monitor the RFP process  
19 for effectiveness and review the selection results. Dr.  
20 Robert Sansom and Mr. Seth Schwartz of EVA collectively have  
21 over 40 years of experience in the coal and transportation  
22 consulting business. They are leaders in their field, and  
23 their firm has a variety of clients including utilities, coal  
24 companies, transportation providers, banks, and governmental  
25 and regulatory agencies. Dr. Sansom and Mr. Schwartz

1 provided the company with key data regarding the coal and  
2 transportation markets and assisted the company with  
3 strategic analysis of comprehensive solid fuel delivery  
4 packages for the next five years.

5  
6 Concurrent with the RFP for transportation, Tampa Electric  
7 issued an RFP for coal supply. The company evaluated the  
8 delivered costs of the combined transportation and coal  
9 offers. Each transportation segment included coal commodity  
10 costs, oil forecast and other price factors to evaluate  
11 prices over the term of the contracts. Collectively, these  
12 steps assured an open, fair and comprehensive solid fuel  
13 transportation selection process.

14  
15 **Q.** Did Tampa Electric make any other efforts to ensure the RFP  
16 process was open and fair?

17  
18 **A.** Yes, Tampa Electric provided a steady flow of information to  
19 the FPSC staff and docket parties throughout the process.  
20 The company met with Staff and parties to determine a proxy  
21 methodology early in the process in spring 2007. During fall  
22 2007, Tampa Electric provided draft RFP documents for review  
23 and informed all parties of plans for external bidder  
24 meetings, updates to the website and other communications.  
25 The company provided updates regarding preliminary RFP

1 results in April and June 2008, and the final decisions will  
2 be discussed with Staff and all parties at a meeting  
3 scheduled for September 3, 2008.

4  
5 **Q.** How did the winning bids compare to other proposals?

6  
7 **A.** The winning bids are the most cost-effective packages offered  
8 by the bidders that provide low cost, reliable solid fuel  
9 transportation. The selected bids also provide the ability  
10 to access a diverse supply of solid fuels in new supply  
11 basins. The winning packages of transportation provide  
12 strategic value for the company and its customers.

13  
14 **Q.** How do the 2009 transportation costs compare to costs under  
15 the previous contract in 2008?

16  
17 **A.** The solid fuel transportation rates under the three new  
18 contracts are expected to be higher than the rates under the  
19 expiring solid fuel transportation contract. On a total  
20 basis, 2009 transportation costs are expected to be  
21 approximately \$14 million greater than costs in 2008. The  
22 increase is driven by increases in fuel costs, particularly  
23 diesel, and also by the high level of demand for shipping in  
24 general. However, Tampa Electric believes dual  
25 transportation modes for solid fuel to Big Bend Station will

1 provide ongoing supply reliability enhancements, competitive  
2 transportation supply and cost savings opportunities that  
3 benefit customers.  
4

5 Q. What is your recommendation regarding the RFP process,  
6 analysis and selection of the winning providers?  
7

8 A. The process was comprehensive, fair and reasonable. Tampa  
9 Electric analyzed the bids and selected the most cost-  
10 effective options. Under the new contracts, Tampa Electric  
11 will accept solid fuel shipments at Big Bend Station by rail  
12 and water routes. The company's ability to ship fuel  
13 directly to the station by two different modes beginning in  
14 2010 will enhance supply reliability and provide long-term  
15 cost advantages. Tampa Electric requests that the Commission  
16 recognize the overall value of the winning contracts and  
17 authorize the company to recover those costs.  
18

19 Q. Does this conclude your testimony?  
20

21 A. Yes, it does.  
22  
23  
24  
25



DOCKET NO. 080001-EI  
FAC 2009 PROJECTION FILING  
EXHIBIT NO. \_\_\_\_\_ (JTW-2)

EXHIBIT TO THE TESTIMONY OF  
JOANN T. WEHLE

WATERBORNE TRANSPORTATION COSTS DISALLOWANCE  
JANUARY 2007 - DECEMBER 2007

REDACTED

25

REDACTED January - December 2007	(A)	(B)	(C)	(D)	(A*D)	(B*D)	(C*D)
	Contract \$/Ton <sup>(1) (3)</sup>	Adjusted \$/Ton <sup>(2)</sup>	Disallowance \$/Ton	Total Tons	Contract Total	Adjusted Total	Disallowed Total
<b>Inland River Docks</b>							
Pet Coke Refinery (M.P. 127)					\$ 948,678	\$ 821,188	\$ 127,490
Chester Dock					2,558,146	2,209,170	348,976
Overland/Camp					-	-	-
Hamilton					-	-	-
Empire Dock					-	-	-
Cora, Non-Zeigler					2,864,500	2,474,252	390,248
Yankeetown					-	-	-
Mount Vernon					2,669,943	2,305,859	364,083
Cook					283,433	245,041	38,391
Henderson River Port					-	-	-
Rigsby & Barnard (Arclar)					-	-	-
Patriot					-	-	-
Owensboro					-	-	-
New Hope					-	-	-
Dekoven					4,716,390	4,073,563	642,826
Jefferson					-	-	-
Powhatan					-	-	-
Caseyville					659,675	569,631	90,045
S. Indiana/Evansville					-	-	-
Pyramid					-	-	-
Ken Mine					-	-	-
GRT					-	-	-
Kentucky Lakes Dock					-	-	-
Calvert City					2,659,597	2,298,907	360,690
Sebree					2,734,548	2,362,100	372,448
Arnon					2,715,978	2,345,755	370,223
Shawneetown					6,215,289	5,366,505	848,784
<b>Total River</b>					<b>\$ 29,026,175</b>	<b>\$ 25,071,971</b>	<b>\$ 3,954,204</b>
<b>Ocean</b>							
Coal			\$ 2.41		37,047,453	25,858,937	11,188,516
Petcoke from Texas			\$ 4.08		-	-	-
<b>Total Ocean</b>					<b>\$ 37,047,453</b>	<b>\$ 25,858,937</b>	<b>\$ 11,188,516</b>
						<b>Total</b>	<b>\$ 15,142,720</b>

<sup>1</sup> Contract rate per contract signed with TECO Transport.  
<sup>2</sup> Adjusted rate based on methodology set forth in Order No. PSC-04-0999-FOF-EI, which takes the weighted average rate for all upriver terminals minus \$1 and divides it by the weighted average rate of all upriver terminals multiplied by the contract rate for that specific upriver terminal. Ocean rate based on the aforementioned Order.  
<sup>3</sup> Contract rate subject to quarterly escalation provisions in the contract. Therefore, ratio between total contract amount and adjustment will change moving forward.