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COMMISSION
CLERK

November 19, 2010

HAND DELIVERED

Ms. Ann Cole, Director
Division of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Fuel and Purchased Power Cost Recovery Clause with Generating
Performance Incentive Factor; FPSC Docket No. 100001-EI

Dear Ms. Cole:

Enclosed for filing in the above docket are the original and five copies of Tampa Electric Company's answers to the Florida Public Service Commission Staff's Data Request No. 1, propounded and served by U. S. Mail on November 12, 2010.

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

Thank you for your assistance in connection with this matter.

Sincerely,



James D. Beasley

JDB/pp
Enclosure

cc: Lisa Bennett (w/enc.)
Erik Sayler (w/enc/)
Pete Lester (w/enc.)
All Parties of Record (w/enc.)

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General Questions:

1. Do you believe there are problems with current hedging practices? If so, explain.
 - A. No. The objective of Tampa Electric's current hedging activity, in accordance with its approved risk management plan, is to mitigate major swings in commodity pricing. Tampa Electric believes that its current hedging strategies adequately reduce the overall price volatility for its customers.

2. Pursuant to Order No. PSC-02-1484-FOF-EI, in Docket No. 011605-EI, the Commission developed a checklist of guidelines for the utilities to follow in hedging (Exhibit TFB-4 of the order). Are there any items on that checklist that:

A: need to be revised, or refreshed.

B: need to be deleted, or are no longer applicable;

C: need to be added to the list?

A. No. Tampa Electric believes that the checklist is sufficient.

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- 3.** Do you believe certain aspects of current hedging practices should be modified to derive greater benefit for customers? If so, explain what should be modified and why.
 - A.** Tampa Electric believes its current hedging strategy derives benefit for its customers while adhering to a disciplined non-speculative risk management plan. Therefore, the company believes customers benefit most on a long-term basis from the decreased exposure to the volatile prices of fuel through the current plan guidelines approved by the Commission in Order No. PSC-02-1284-FOF-EI, in Docket No. 011605-EI.

4. Does the purpose of hedging include taking advantage of low market prices at any given time, or is hedging better accomplished by planning amounts to be hedged at designated intervals and then strictly adhering to that plan?
 - A. The objective of Tampa Electric's hedging strategy is to reduce uncertainty surrounding future commodity price movements, not to lock in what may be considered "low" prices at a given time. By implementing a hedging strategy, which allows hedging amounts within an authorized range up to 24 months into the future, Tampa Electric maintains an overall stratified hedged position that mitigates price volatility. As such, the company's overall stratified hedged position includes hedges at current "low" prices. Additionally, "low" is a relative term that varies with the market; therefore, if prices were to fall further, future hedges by the company will capture that pricing as well, thereby avoiding others second-guessing the company's decision if it were to deviate from its plan to take "advantage of low market prices".

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- 5.** Do you believe it would be appropriate for a utility to deviate from an approved hedging plan in order to take advantage of low market prices at any given time? Explain.
- A.** No. Tampa Electric does not believe it would be prudent to deviate from the approved hedge plan unless there were clear, specific provisions within the approved plan or Commission Order.

- 6.** Does Order No. PSC-08-0667-PAA-EI address a utility's ability to deviate from approved plans in order to take advantage of low market prices at any given time? Explain
 - A.** No. Tampa Electric believes that the guidelines set forth in Order No. PSC-02-1484-FOF-EI, in Docket No. 011605-EI, along with the clarification provided in Order No. PSC-08-0667-PAA-EI, allow the utilities to develop and implement appropriate risk management programs for fuel procurement. However, they do not provide the utility the ability to deviate from the Commission approved risk management plan unless the modifications are filed and approved by the Commission.

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7. If utilities were required to obtain Commission approval to deviate from hedging plans in order to take advantage of low market prices, how should that be accomplished procedurally?
 - A. Tampa Electric believes its hedging strategy is appropriate to meet its objective of mitigating fuel price volatility. In the event utilities were required to obtain Commission approval to deviate from hedging plans in order to take advantage of lower market prices, the utility should file a petition with a revised hedging plan, requesting Commission approval of its the proposed changes.

Questions for IOUs Only:

1. Do the techniques and principles of hedging include the ability to respond to market prices at any given time to hedge more or less? If so, explain. If not, should it?
 - A. No. A well designed risk management plan requires systematic hedging that is not driven by price speculation. Including flexibility to respond to market prices could lead to speculative trading that would result in increased risks to Tampa Electric's customers.

- 2.** Does your current hedging plan provide the flexibility to respond to current market prices by hedging more or less? Explain.
- A.** Yes. Tampa Electric designates ranges for hedging at given intervals and has the flexibility to hedge anywhere within this range.

- 3.** Do current hedging plans prohibit your utility from responding to low market prices or otherwise acting to take advantage of time sensitive opportunities that would benefit customers?
 - A.** As previously stated, the objective of Tampa Electric's current hedge plan is to mitigate major swings in commodity pricing and reduce the overall volatility by participating in the market; therefore, the company's plan does not prohibit the company from responding to all prices in the market. However, it does require the company to operate within its disciplined non-speculative plan to achieve the company's hedging objectives.

- 4.** Given that the utility's risk management plan specifies ranges for the volumes of natural gas to be hedged, what are the factors influencing the percentage within that range to be hedged?
 - A.** The factors influencing the percentage of natural gas to be hedged within the range include forecasted unit operations, weather projections and volumetric variability.