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October 12, 2012

HAND DELIVERED

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12 OCT 12 PM 3:13
COMMISSION
CLERK

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

Re: Tampa Electric Company's Petition to Determine Need for
Polk 2-5 Combined Cycle Conversion. Docket No. 120234-EI.

Dear Ms. Cole:

On September 12, 2012 we filed Tampa Electric Company's Petition and supporting documentation in the above proceeding. Since then the Company has determined the need to make certain corrections to that initial filing.

Enclosed are the original and fifteen (15) copies of each of the following:

Pages 28, 48, 49 and 61 of the Company's Need Study
Page 4 of the testimony of R. James Rocha
Bates stamp page 65 of Mr. Rocha's Exhibit (RJR-1)
Page 3 of the testimony of J. Brent Caldwell

The revised pages make the following corrections:

- Page 3 of Mr. Caldwell's testimony and page 4 of Mr. Rocha's testimony correct references to portions of the Need Study that these witnesses sponsor.
- Page 28 of the Need Study, at line 2, corrects a reference to a section in the Need Study.

COM	5
AFD	1
APA	1
ECO	1
ENG	6
GCL	1
IDM	1
TEL	1
CLK	1

- Pages 48 and 49 of the Need Study correct the identification of proposers who submitted modifications to their initial offering.

- Bates Stamp page 65 of Mr. Rocha's exhibit and page 61 of the Need Study correct a line item that had been linked to an incorrect data file, which did not affect the CPWRR which was correctly linked.

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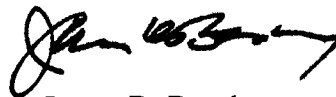
Ms. Ann Cole, Director
Page 2
October 12, 2012

We would ask that you distribute the revised pages to the recipients of the original filing so that they may substitute them in place of the corresponding ones in the original filing.

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,

A handwritten signature in black ink, appearing to read "James D. Beasley", written in a cursive style.

James D. Beasley

JDB/jh
Enclosures

cc: Office of Public Counsel (w\enc.)

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interpretation of existing regulations. An example is the expected Polk 2-5 environmental permitting requirements discussed in Section XI.C.

Future environmental requirements include currently promulgated rules that have future requirements defined, currently promulgated rules that have future requirements undefined and potential environmental requirements that are currently being considered in federal and/or state legislature. The primary requirements considered by Tampa Electric in this study include future water restrictions in the Southwest Florida Water Management District ("SWFWMD") Southern Water Use Caution Area ("SWUCA"), Mercury Air Toxic and Standards ("MACT"), Clean Air Interstate Rule ("CAIR"), Green House Gas New Source Performance Standards ("GHGNSPS"), New Source Performance Standards ("NSPS"), and 316 (b).

E. General Financial Assumptions

In addition to the fuel, load, environmental and other assumptions described, Tampa Electric utilized certain financial assumptions to conduct its detailed economic analysis. Major financial assumptions used in the Ten Year Site Plan ("TYSP") analysis include:

- Discount rate of 7.95 percent;
- Tax rate of 38.575 percent;
- Property tax of 1.27 percent;
- Escalation rate for capital expenditures of 3.0 percent;
- Escalation rate for fixed and variable O&M of 2.4 percent; and
- AFUDC rate of 8.16 percent.

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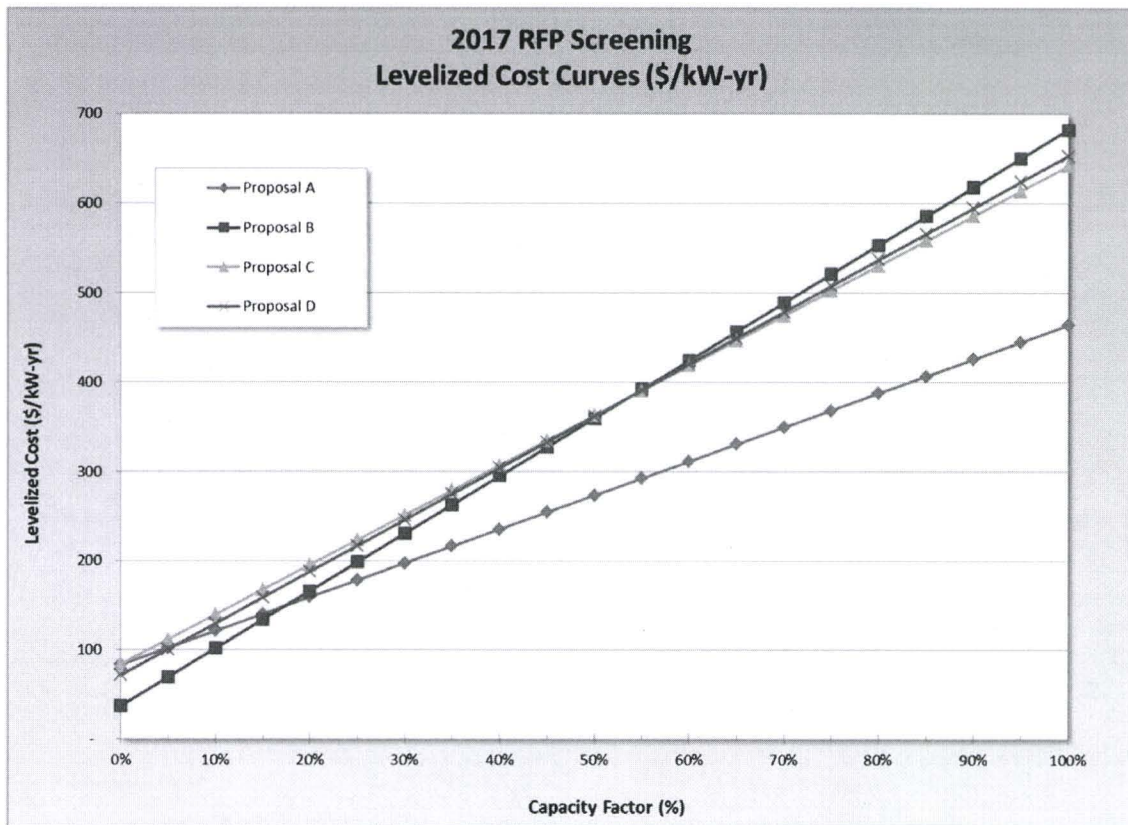


Figure 4: RFP – Initial Screening of Proposals

C. Present Value Economic Screen

Using preliminary system cost assumptions, all four bid proposals were passed to the present value economic screen evaluation process where each was evaluated using the CPWRR. This phase of the analysis took into account fixed and variable costs of production for the bid proposals as well as Tampa Electric system impacts. Neither proposal C or D met the 294 MW need in 2017 without the need to add peaking CTs in the 2017 time period.

D. Final Evaluation of Total System Costs

Tampa Electric short-listed all proposals and invited the bidders to submit their best and final offers to the company no later than July 13, 2012. Only proposals

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B, C, and D submitted modifications to their initial offers. Tampa Electric used the information provided in the best and final offers, as well as transmission integration cost estimates, net equity adjustment for purchase obligations, and fuel infrastructure costs to determine the final total system cost for each proposal.

Table 11: Resource Plans of RFP Portfolios

Year	Polk 2-5	Proposal A	Proposal B	Proposal C	Proposal D
2012					
2013			Proposal B		
2014					
2015					
2016					
2017	Polk 2-5	Proposal A		Proposal C 7FA CT	Proposal D 7FA CT
2018			Polk 2-5		
2019	7FA CT	7FA CT		(2) 7FA CTs	(2) 7FA CTs
2020					
2021					
2022	7FA CT	7FA CT			
2023				Polk 2-5	Polk 2-5
2024					
2025	7FA CT	7FA CT			
2026			7FA CT		
2027		Polk 2-5			
2028					
2029	7FA CT	7FA CT	7FA CT	7FA CT	
2030					
2031					
2032					7FA CT

Analyzing the above resource plans with the revised data provided by the bidders, yielded the following results:

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Table 13: Economic Evaluation with Consideration of June 2012 Updated Assumptions

CPWRR (\$ million)					
	Polk 2-5		Alternative 2		Proposal B
Capital	\$1,557.2		\$1,520.4		\$1,357.5
O&M	\$845.2		\$897.5		\$815.1
Fuel & Purchased Power	\$13,631.7		\$13,882.9		\$13,958.9
Total	\$16,034.1		\$16,300.8		\$16,131.5
Delta			\$266.7		\$97.4

As can be seen in the table, Polk 2-5 is still the best option compared to Alternative 2 and Proposal B, which are \$266.7 million and \$97.4 million more costly with the latest demand and energy and fuel cost forecasts considered.

XI. Adverse Consequences If Polk 2-5 Is Delayed Or Denied

In the event that Polk 2-5 is delayed by two years, project costs would increase, and customer fuel savings for 2017 and 2018 would not be realized. Tampa Electric would construct simple cycle peaking units in 2017 to cover the reserve margin requirement in 2017 and 2018. System energy requirements would be served by peaking capacity resulting in higher fuel costs. This would result in higher costs for customers of \$65.4 million on a CPWRR basis. Witness Hornick described the potential for an equipment demand spike scenario if there is a delay. If an equipment demand spike scenario materializes, this could result in higher costs for customers of \$100.0 million on a CPWRR basis.

If Tampa Electric's proposed Polk 2-5 is denied, Tampa Electric would not be able to satisfy its minimum 20 percent Reserve Margin and minimum 7 percent supply planning criteria by the summer of 2017 in the most reliable and cost-effective manner. This would expose Tampa Electric's customers to a greater

- 1 Document No. 9 IRP Sensitivity Analysis
- 2 Document No. 10 RFP Summary of Proposals
- 3 Document No. 11 RFP Resource Plans & Analysis
- 4 Document No. 12 RFP Qualitative Factors
- 5 Document No. 13 June 2012 Assumptions Update

6

7 **Q.** Are you sponsoring any sections of Tampa Electric's
8 Determination of Need Study for Electrical Power: Polk 2-5
9 Combined Cycle Conversion ("Need Study")?

10

11 **A.** Yes. I am sponsoring the following sections of the Need
12 Study: I. "Executive Summary", II. "Introduction and
13 Overview", III.A. "Description of Tampa Electric's System",
14 (except for III.A.1 and III.A.3), III.F.2. "Supply
15 Technologies", IV. "Need for Capacity in 2017" (except for
16 IV.A.1.), V. "Screening of Potential Technologies", VI.
17 "Detailed Economic Analysis", VII. "Sensitivity Analysis",
18 VIII RFP for Capacity as per Bid Rule, X. "June 2012
19 Assumptions Update", XI. "Adverse Consequences if Polk 2-5 is
20 Delayed or Denied" and XII. "Conclusion".

21

22 **DESCRIPTION OF EXISTING SYSTEM AND RESOURCE MIX**

23 **Q.** Please describe Tampa Electric's service area.

24

June 2012 Assumptions Update

Polk 2-5		Resource Plans Alternative 2		Proposal B	
Year	Portfolio Additions	Year	Portfolio Additions	Year	Portfolio Additions
2012		2012		2012	
2013		2013		2013	Proposal B
2014		2014		2014	
2015		2015		2015	
2016		2016		2016	
2017	(1) Polk 2-5 NGCC 463/459 MW	2017	(2) 7FA CT 354/298 MW	2017	
2018		2018		2018	
2019		2019	(1) 7FA CT 177/149 MW	2019	(1) Polk 2-5 NGCC 463/459 MW
2020	(1) 7FA CT 177/149 MW	2020	(1) 7FA CT 177/149 MW	2020	
2021		2021		2021	
2022		2022		2022	
2023	(1) 7FA CT 177/149 MW	2023	(1) 7FA CT 177/149 MW	2023	
2024		2024		2024	
2025		2025		2025	
2026	(1) 7FA CT 177/149 MW	2026	(1) Polk 2-5 NGCC 463/459 MW	2026	
2027		2027		2027	(1) 7FA CT 177/149 MW
2028		2028		2028	
2029	(1) 7FA CT 177/149 MW	2029		2029	(1) 7FA CT 177/149 MW
2030		2030		2030	
2031		2031		2031	
2032		2032		2032	

CPWRR (\$ million)

	Polk 2-5	Alternative 2	Proposal B
Capital	\$1,557.2	\$1,520.4	\$1,357.5
O&M	\$845.2	\$897.5	\$815.1
Fuel & Purchased Power	\$13,631.7	\$13,882.9	\$13,958.9
Total	\$16,034.1	\$16,300.8	\$16,131.5
Delta		\$266.7	\$97.4

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1 Proposals ("RFP") issued March 23, 2012 and the bids
2 received in response to the RFP.

3
4 **Q.** Have you prepared an exhibit to support your direct
5 testimony?

6
7 **A.** Yes, Exhibit No. _____ (JBC-1) was prepared under my
8 direction and supervision. It consists of the following
9 documents:

- 10 Document No. 1 Fuel Price Forecast
11 Document No. 2 Fuel Price Forecast Range Compared to
12 Independent Forecasts

13
14 **Q.** Are you sponsoring any sections of Tampa Electric's
15 Determination of Need Study for Electrical Power: Polk
16 2-5 Combined Cycle Conversion ("Need Study")?

17
18 **A.** Yes. I sponsor sections of the Need Study regarding the
19 fuel price forecasts. Specifically, I sponsor sections
20 III.C. "Fuel Forecast," III.A.2, "Firm Purchased Power
21 Agreements".

22
23 **FUEL SUPPLY FOR POLK UNITS 2-5 CC CONVERSION**

24 **Q.** Please describe the fuel supply needs for Polk 2-5?

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