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FLORIDA POWER CORPORATION
DOCKET NO. 970096-EC

DIRECT TESTIMONY OF

I. INTRODUCTION AND QUALIFICATIONS

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Q. Please state your name and business address.

A. My name is Charles C. Cook. My business address is 2500 CityWest Boulevard, Suite 150, Houston, Texas 77042.

Q. By whom are you employed and in what capacity?

A. I am employed as a Senior Business Manager by Destec Energy, Inc. ("Destec"). I also serve as Vice President of Destec Management Services, Inc. ("Destec Management"), and several other wholly and partially owned subsidiaries of Destec, including Central Florida DGE, Inc. I also serve as Vice President of Central Florida DGE, Inc., the general partner of Tiger Bay Limited Partnership ("Tiger Bay").

Q. Please describe your duties and responsibilities in that position.

A. I am an officer of several wholly or partially owned subsidiaries of Destec, a majority of which is either a limited or general partner in a limited partnership. In my role as an officer of these entities, I fulfill management and fiduciary responsibilities of such limited or general partners. I provide oversight to a team of business managers who have profit and loss responsibilities of their assigned partnerships. Another part of my responsibilities includes oversight

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1 of the management of various contractual agreements (e.g., purchase power
2 agreements, gas supply and transportation agreements, lease agreements, and
3 operations and maintenance agreements) between the partnerships and third
4 parties to ensure that contract administration is conducted in an effective
5 manner.

6
7 **Q. Please describe your educational and business background.**

8 **A. I have a Bachelor of Science Degree in Architectural Engineering and a**
9 **Master of Business Administration - Finance. Both degrees were obtained from**
10 **the University of Texas at Austin. In June 1987, I was employed as a Project**
11 **Engineer by L.F. Driscoll Company where I developed, implemented and**
12 **managed project budgets and scheduling for commercial office space and**
13 **hospital construction.**

14
15 **In 1990, I was employed by Austin Trust Company/Thornhill Securities. My**
16 **duties included the analysis of bond portfolios with respect to credit and**
17 **interest related risks. I also was responsible for preparing federal and state**
18 **employment tax and State Banking Commission reporting.**

19
20 **In 1991, I was employed as a Business Manager at Destec Energy, Inc. In that**
21 **capacity, I was directly responsible for the management of several partnerships.**
22 **These responsibilities included management of support staff, contract**
23 **administration, interest rate and gas price hedging, regulatory activities, utility**
24 **and steam host relations, and facility construction.**

25

1 In 1995, I was appointed Senior Business Manager of Asset Management
2 where I serve in the capacity of Vice President of Destec Management
3 Services, Inc.
4

5 **Q. Have you ever testified before the Florida Public Service Commission or any**
6 **other utility regulatory body?**

7 **A. No, I have not.**
8

9 **II. PURPOSE AND ORGANIZATION OF TESTIMONY**
10

11 **Q. What is the purpose of your testimony?**

12 **A. I am testifying for Destec Management, for and on behalf of Tiger Bay in**
13 **support of the Petition filed herein by Florida Power Corporation ("Florida**
14 **Power") for approval by the Commission for the recovery by Florida Power of**
15 **(i) the purchase price to be paid for its purchase of Tiger Bay's 220 megawatt**
16 **generating facility located in Polk County, Florida (the "Tiger Bay Facility"), and**
17 **(ii) the cost of natural gas purchased by Florida Power to fuel the Tiger Bay**
18 **Facility pursuant to Tiger Bay's gas supply arrangements which are to be**
19 **assigned to and assumed by Florida Power. My testimony specifically deals**
20 **with the operational reliability and economic viability of the Tiger Bay Facility,**
21 **and with the sufficiency of the Tiger Bay Facility's fuel supply and**
22 **transportation.**
23

24 **Q. What is the interest of each of Destec Management and Tiger Bay in this**
25 **proceeding?**

1 A. Destec Management provides business management services to the Tiger
2 Bay Facility under a Business Management Agreement between Tiger Bay and
3 Destec Management, an affiliate of Destec, the owner of a 50.79% partnership
4 interest in Tiger Bay. As previously indicated, Tiger Bay owns the Tiger Bay
5 Facility, and on January 20, 1997, Tiger Bay, FPC Acquisition L.L.C. ("FPC"),
6 a wholly owned limited liability company subsidiary of Florida Power, and
7 Florida Power executed a Purchase Agreement (the "Purchase Agreement")
8 pursuant to which Tiger Bay agreed to sell and FPC agreed to purchase the
9 Tiger Bay Facility and certain other assets for a purchase price of
10 \$445,000,000.00, subject to certain adjustments, and Florida Power agreed
11 to guarantee the obligations of FPC.

12 13 **III. THE PURCHASE AGREEMENT TRANSACTION**

14
15 **Q. Please describe the transaction contemplated by the Purchase Agreement.**

16 **A.** Under the Purchase Agreement, in addition to and in connection with the
17 sale of the Tiger Bay Facility, Tiger Bay agrees to assign to FPC certain material
18 contracts, which include, but are not limited to: (i) five separate power
19 purchase agreements (the "PPAs") under which Florida Power is currently
20 obligated to purchase, and Tiger Bay is obligated to make available to Florida
21 Power, the capacity of and energy generated by the Tiger Bay Facility, (ii) a
22 steam sales agreement (the "Steam Agreement") for the sale of the steam
23 generated by the Tiger Bay Facility to U.S. Agri-Chemicals Corporation; (iii) the
24 Lease of the site on which the Tiger Bay Facility is located (the "Lease"); (iv)
25 the contract with Destec Operating Company ("DOC") for the operation and

1 maintenance of the Tiger Bay Facility (the "O&M Agreement"), which will be
2 modified to provide that either party may terminate the O&M Agreement on or
3 after nine months after the Purchase Agreement closing; and (v) Tiger Bay's
4 contracts for the supply and transportation of natural gas to fuel the Tiger Bay
5 Facility (the "Gas Agreements"). The Purchase Agreement provides for FPC to
6 assume and perform Tiger Bay's obligations under the Steam Agreement, the
7 Lease, the O&M Agreement and the Gas Agreements.

8
9 **Q. Are the obligations of the parties to the Purchase Agreement subject to any**
10 **conditions?**

11 **A. Yes.** Article VI sets out a number of conditions to the obligations of the
12 parties. Section 6.01 specifies the conditions to FPC's and Florida Power's
13 respective obligations, and Section 6.02 specifies the conditions to Tiger Bay's
14 obligations. These conditions include, but are not limited to, the issuance by
15 the Commission of a final, non-appealable order approving the Purchase
16 Agreement transactions in form and substance satisfactory to FPC and Florida
17 Power.

18
19 **Q. Is there any time limit for the satisfaction of such conditions?**

20 **A. Yes.** Article VIII specifies certain dates by which various conditions must
21 be satisfied or waived by the parties. In particular, under Sections 8.01 (d) and
22 (h), either FPC and Florida Power or Tiger Bay may terminate the Purchase
23 Agreement if the Commission's order approving the Purchase Agreement
24 transaction has not been issued and become final and non-appealable by July
25 1, 1997. These sections further provide that if the Commission has issued an

1 order approving the Purchase Agreement transaction by July 1, 1997, and no
2 party has by such date filed an appeal of such order but the time for the filing
3 of appeals has not expired, then a party may terminate the Purchase
4 Agreement only if an appeal of such order is filed within the time provided by
5 law and regulation for the filing of such appeals.

6
7 **Q. Why is there such a time limit?**

8 **A.** Tiger Bay insisted on, and would not have entered into the Purchase
9 Agreement without, the inclusion of such a time limit, because the actual
10 value of the agreed upon purchase price is diminished if closing is delayed for
11 an unreasonably long period of time, and a long period of uncertainty could very
12 well have a detrimental effect on the operating efficiency of the Facility. Such
13 a time limit was, and is, especially important to Destec, Tiger Bay's majority
14 partner, which was itself then contemplating a sale of some other entity and
15 has since agreed to a merger with NGC Corporation.

16
17 **IV. OPERATIONAL RELIABILITY AND ECONOMIC VIABILITY OF, AND**
18 **SUFFICIENCY OF FUEL SUPPLY AND TRANSPORTATION FOR, THE TIGER**
19 **BAY FACILITY**

20
21 **Q. Please describe the Tiger Bay Facility and its operational characteristics.**

22 **A.** The Tiger Bay Facility is a combined cycle generating plant that was
23 designed and built by a Destec affiliate, Destec Engineering, Inc., a company
24 with extensive experience in the design and construction of combustion turbine
25 power generation equipment, to the current state of the art in the electric

1 power generation industry. It consists of a GE Frame 7001FA gas turbine
2 generator with a Deltak heat recovery steam generator and a condensing GE
3 74.9 MW steam turbine. It has a combined cycle heat rate of less than 7500
4 Btus/Kwh. The Tiger Bay Facility was designed and built to operate as a base
5 load generator of electric power, and has been so operated since its January
6 1, 1995 official in-service date under the PPAs.

7
8 **Q. Has the Tiger Bay Facility proven to be operationally reliable?**

9 **A.** Absolutely. During 1996, (the second year of operation), the Tiger Bay
10 Facility's annual average availability factor was greater than 97% (excluding
11 scheduled downtime) and it operated with a 12-month average (ending
12 December 1996) capacity factor (as defined in the PPAs, as amended and/or
13 clarified) of 93.26%.

14
15 During 1995, (the first year of operation), the Plant's availability factor was
16 approximately 75%. The Tiger Bay Facility experienced several forced outages
17 attributable to normal start up operations and events associated with GE's
18 relatively new F-technology turbine and DLN-II dry low NO_x control technology.
19 The manufacturer conducted extensive root cause analysis and implemented
20 design changes in a manner which minimized the length of such outages.
21 Several warranty issues remain to be resolved; however, Tiger Bay is confident
22 that these items will be resolved during the normal course of business.

23
24 Routine operation and maintenance of the Tiger Bay Facility has been
25 effectively problem-free, and the condition of the equipment is such that,

1 assuming that it is maintained in accordance with the manufacturers'
2 recommendations and good electric industry practice, the Tiger Bay Facility
3 will have no difficulty achieving the capacity factor required under the PPAs
4 over the full term of those contracts.

5
6 **Q. Is the Tiger Bay Facility economically viable?**

7 **A.** Yes. Since it went in-service under the PPAs, the Tiger Bay Facility has
8 achieved an annual average debt service coverage ratio approximately 0.55
9 points higher than that required by Tiger Bay's permanent financing
10 arrangements. With our relatively low fixed costs and escalating capacity
11 payments, the debt service coverage ratio is projected to increase even further
12 over the term of the PPAs. The Tiger Bay Facility has generated positive cash
13 flow and the Tiger Bay partners have enjoyed consistent cash distributions
14 during the two years the facility has operated under the PPAs. Because of
15 construction and start up risks, the first two years of operation were the
16 riskiest to the Tiger Bay partners under the terms of the PPAs and the
17 permanent financing. Based upon (i) the provisions of the PPAs and Tiger
18 Bay's permanent financing arrangements, and (ii) the quality of the Tiger Bay
19 Facility and its operating history to date, the Tiger Bay partners anticipate that
20 if the Purchase Agreement transaction does not close, the Facility will generate
21 positive cash flow and annual cash distributions throughout the terms of the
22 PPAs.

23
24 **Q. Are the terms of the Purchase Agreement consistent with the economic**
25 **viability of the Tiger Bay Facility?**

1 A. The Purchase Agreement clearly reflects that the Tiger Bay Facility is, and
2 is anticipated to be over the long term, an economically viable investment for
3 the Tiger Bay partners. The Tiger Bay Facility was not for sale when Florida
4 Power approached Tiger Bay about the possibility of acquiring it. It is very
5 unlikely that Tiger Bay would have agreed to sell the Tiger Bay Facility if its
6 majority partner, Destec, had not itself been up for sale. It is for this reason
7 that Tiger Bay's obligation to close the Purchase Agreement transaction is
8 expressly conditioned on the prior closing of the sale of Destec. If that
9 transaction is not consummated, Destec and the other Tiger Bay partners want
10 the option of maintaining their investment in the Tiger Bay Facility. This vividly
11 demonstrates the economic viability of the Tiger Bay Facility.

12
13 **Q. Is there a sufficient supply of natural gas fuel and transportation committed**
14 **to the Tiger Bay Facility?**

15 A. The Gas Agreements, which as I have indicated will be assigned to FPC in
16 the Purchase Agreement transaction, provide sufficient gas and transportation
17 capacity for the operation of the Tiger Bay Facility on a base load basis when
18 supplemented with gas spot market purchases of less than 10% of the Plant's
19 total fuel requirements. The Gas Agreements include (i) service agreements
20 between Tiger Bay, as shipper, and Florida Gas Transmission Company, as
21 transporter, for 33,003 MMBtus/day of firm transportation capacity to the
22 Tiger Bay Facility, for terms (including extension rights) equivalent to the terms
23 of the PPAs, and (ii) a long term contract between Tiger Bay, as buyer, and
24 Vastar Gas Marketing, inc., as seller, for a supply of up to 31,000 MMBtus/day
25 (plus applicable fuel retention for compression and line loss) of natural gas to

1 the Tiger Bay Facility on a firm basis. These quantities of supply and
2 transportation capacity were determined based on the operating requirements
3 of the Tiger Bay Facility, and if they were not in fact sufficient, it is unlikely
4 that Tiger Bay would have succeeded in obtaining permanent financing for the
5 Tiger Bay Facility on a non-recourse basis.

6
7 **Q. Does this conclude your testimony?**

8 **A. Yes, it does.**