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FILE COPY

July 21, 1997

HAND DELIVERED

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Fuel and Purchased Power Cost Recovery Clause
with Generating Performance Incentive Factor;
FPSC Docket No. 970001-EI

Dear Ms. Bayo:

Enclosed for filing in the above docket, on behalf of Tampa Electric Company, are fifteen (15) copies of each of the following:

1. Rebuttal Testimony of Karen A. Branick.
2. Rebuttal Testimony of Gerard J. Kordecki.

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,

Lee L. Willis
Lee L. Willis

ACK ✓
AFA *Attarducci*
APP _____
CAF _____
CMU LLW/pp
Enclosures

CIR _____
EAG *Bayo* cc: All Parties of Record (w/encls.)

LEG _____
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SEC *T*
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Kordecki *Branick*
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Ms. Blanca S. Bayo
July 21, 1997
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing Rebuttal Testimony, filed on behalf of Tampa Electric Company, has been furnished by U. S. Mail or hand delivery (*) on this 21st day of July, 1997 to the following:

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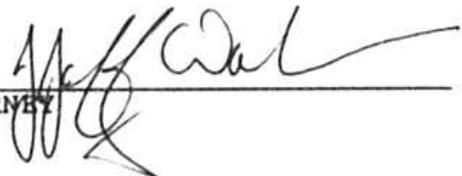
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BEFORE THE PUBLIC SERVICE COMMISSION
PREPARED REBUTTAL TESTIMONY
OF
GERARD J. KORDECKI

Q. Please state your name and business address.

A. My name is Gerard J. Kordecki My business address is 702 North Franklin Street, Tampa, Florida 33602.

Q. Are you the same Gerard J. Kordecki who submitted Testimony in this proceeding on June 25, 1997?

A. Yes, I am.

Q. What is the purpose of your testimony?

A. The purpose of my rebuttal testimony is to describe the inappropriate treatment of transmission costs proposed by Florida Power Corporation (FPC) and Florida Power and Light (FPL) for Schedule C Broker Sales. Each utility's proposal is inconsistent with Federal Energy Regulatory Commission (FERC) ratemaking policy and economic efficiency and may, possibly be discriminatory. I will also comment to the limited circumstance under which Gulf Power Company's (GPC)

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1 treatment of transmission costs is appropriate.

2

3 Q. Mr. Kordecki, how is FPC's treatment of the Transmission
4 pricing inconsistent and possibly discriminatory?

5

6 A. FPC wishes to separate Schedule C Broker Sales participants
7 into two categories -- those with agreements before January
8 1, 1997, and those who became members of the Florida Broker
9 after that date. FPC proposes to treat transmission costs
10 differently for "new" and "existing" participants. The net
11 effect for "new" Broker customers would be a smaller share
12 of the savings from a transaction than would accrue to an
13 "existing" customer with an identical sale. This different
14 treatment for "new" Broker customers has two significant
15 shortcomings.

16

17 First, FPC cannot have a cost based split-the-savings sale
18 in which the purchaser's benefits are less than 50 per cent
19 of the total savings. The FERC position on shared savings
20 is outlined in my direct testimony from line 5, page 5 and
21 lines 1 through 17 on page 6 which requires that the buyer
22 must receive "at least 50 percent of the savings" from the
23 "pool of benefits (fuel cost differentials) brought about
24 the the transaction."

25

1 Secondly, FPC wishes to discriminate between "new" and
2 "existing" Broker customers through the method of
3 allocating transmission costs when FPC is the seller. This
4 situation is inconsistent with the purpose of the Broker
5 matching system because it may lead to potential matches
6 which are less efficient based on the fact that a customer
7 is "new" instead of selection based on the difference in
8 generating costs.

9
10 Q. Please comment on Florida Power & Light's proposal with
11 respect to transmission pricing and treatment?

12
13 A. FPL wishes to treat the transmission it charges a Schedule
14 C sale as if FPL's transmission grid were a separate
15 company or a third party. This is accomplished by
16 "adjusting the buyer's costs in the Broker matching
17 algorithm just like it is done for transactions between
18 non-directly interconnected utilities." (Villar page 3,
19 lines 10 through 13.) Again, as in the FPC's proposed
20 "new" customer situation, FPL will retain more than 50 per
21 cent of the transaction savings which is contrary to FERC
22 regulations. This approach, moreover, raises the same
23 issues on economic efficiency noted above.

24
25 Q. Mr. Kordecki, is there any further problems in the FPL

1 proposed methodology?

2
3 A. Yes. FPL states that "through this methodology, FPL's
4 Broker sales are treated the same as Broker sales by other
5 users of FPL's transmission system." For pricing this
6 statement appears to be correct, but for transmission
7 revenue treatment, FPL does not treat its Broker sales and
8 the Broker sales of others symmetrically. In third party
9 transactions, FPL keeps transmission revenue as operating
10 income. With respect to its Broker transactions, FPL
11 proposes to flow transmission revenues through to the fuel
12 clause.

13
14 From the Staff workshop, it is also my understanding that
15 FPL's treatment of transmission for all other third party
16 non-Broker short-term sales is to credit these revenues to
17 operating income. This treatment is consistent with the
18 FERC required revenue crediting treatment but differs from
19 their Schedule C proposed treatment. In order to be
20 consistent with both transmission usages and ratemaking
21 principles, FPL should treat transmission revenues from
22 Broker sales as "above the line" so that transmission
23 revenues are treated comparably for all of FPL's short-term
24 transmission uses whether it be for FPL's use or a third
25 party's.

1 Q. What are your comments concerning Gulf Power's pricing
2 methodology for shared savings transactions?
3
4 A. Gulf Power, of course, is not a participant in the Florida
5 Broker system so its proposal is hypothetical only.
6 Southern Company (Southern) actually makes all transactions
7 under market based rates. The latter point is most
8 important. If Southern were making sales under a
9 (regulated) cost based regime, their proposed treatment
10 (split savings on generation plus full transmission
11 charges) would be contrary to FERC policy as stated
12 previously in my testimony. With market-based rate
13 authority, even if the negotiated price is based on a
14 shared savings methodology, Southern must treat its
15 transmission costs for the sales separate from the
16 generation price, no matter if Southern or the buyer is the
17 transmission customer.
18
19 In essence, Gulf Power's proposed treatment of transmission
20 revenues is proper only because it has market-based rate
21 authority, which none of the peninsular Florida public
22 utilities have acquired for off-system sales in Florida.
23 Therefore, Gulf Power's situation differs significantly
24 from the other Broker participants.
25

1 Q. Mr. Kordecki, does this conclude your rebuttal testimony?
2
3 A. Yes, it does.
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