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RECORDS AND REPORTING

October 13, 1998

HAND DELIVERY

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

Re: Docket No. 980001-EI-TRANSMISSION RECONSIDERATION

Dear Ms. Bayo:

Enclosed for filing on behalf of Tampa Electric are the original and 15 copies of Prepared Direct Testimony of Gerard J. Kordecki.

Please acknowledge receipt and filing in 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.

- ACK _____
- AFA Handwritten
- APP _____
- CAF _____
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- LIN 3 JDB/lka
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- RCH _____
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- WAS _____
- OTH _____

Sincerely,

Handwritten Signature
James D. Beasley

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

Q. Please state your name, address, occupation and employer.

A. My name is Gerard J. Kordecki. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company in the position of Senior FERC Regulatory Consultant.

Q. Have you testified previously before the Florida Public Service Commission ("FPSC" or "the Commission")?

A. Yes. I have testified on behalf of Tampa Electric in a number of proceedings before this Commission. I have testified on conservation goals and program cost recovery issues, load research, cost allocation, rates, planning and transmission.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to identify a mechanism to properly allocate transmission revenues from Florida Broker

1 sales to retail and wholesale customers.

2

3 Q. Mr. Kordecki, why is it necessary to make such a
4 distinction?

5

6 A. Under the Federal Energy Regulatory Commission (FERC) Order
7 No. 888, FERC jurisdictional utilities must make all new
8 wholesale sales under their own transmission tariff. This
9 means that the utility must "charge" itself for
10 transmission the same as it would charge a third party.
11 The resultant effect on Florida Broker sales is that the
12 margin revenues from a sales transaction must be allocated
13 between transmission and generation functions.

14

15 Q. Does this allocation of revenues necessitate a change in
16 the method of allocating revenues to the fuel clauses?

17

18 A. If the use by long-term (one-year or longer) wholesale
19 customers of both the utility's transmission system and
20 generation assets is the same there is no problem caused by
21 the implementation of FERC Order No. 888. The revenues can
22 be separated in the same manner as the current retail and
23 wholesale separations.

24

25 The problem occurs when there is transmission use by third

1 parties without use of the utility's generation assets.
2 For example, Tampa Electric Company may have a cogenerator
3 on its transmission system who sells output on a long-term
4 contract to another utility. The cogenerator only buys
5 transmission service from Tampa Electric Company. This
6 cogenerator pays the costs associated with long-term
7 transmission service but the transaction requires no use of
8 Tampa Electric's generation assets except for reactive
9 power support.

10
11 In this example, the cogenerator "pays" for the
12 transmission use the same as retail and wholesale
13 requirements customers who are jurisdictionally separated
14 sales.

15
16 Q. How should the Commission deal with these revenue
17 allocation issues?

18
19 A. Transmission revenues should be allocated according to
20 transmission usage and generation revenues allocated
21 through the current energy allocation.

22
23 Q. How can the Commission determine what the transmission
24 usage is?

25

1 A. Each jurisdictional utility has on file with the FERC a
2 transmission rate design methodology which takes the
3 transmission revenue requirements (the numerator) and
4 divides by the long-term transmission kilowatt usage (the
5 denominator). Short-term firm and non-firm sales are
6 credits against the revenue requirements before a rate is
7 calculated. The denominator is comprised of retail load,
8 wholesale requirements loads and third party use of the
9 transmission system which includes non-requirements long-
10 term sales for which the utility is the transmission
11 customer.

12
13 This Commission could adopt the transmission allocations
14 used by the utilities in the calculation of their
15 transmission rates. The allocations would determine the
16 percentage of transmission revenues which would be
17 ultimately credited to the fuel clauses. These factors
18 could be updated each year in the same manner as the
19 Capacity Cost Recovery Clause.

20
21 Q. Would there be any effects on the revenues allocated to
22 generation?

23
24 A. No, except that one of the transmission ancillary services,
25 Reactive Supply and Voltage Support, should be allocated to

1 generation.

2

3 Q. Would there be any impact on the present incentives?

4

5 A. No. The 80% - 20% split would be the same except it would
6 be applied separately to the appropriate transmission and
7 generation revenue allocations instead of solely to the
8 retail wholesale energy separation.

9

10 Q. Does this conclude your testimony?

11

12 A. Yes, it does.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing testimony, filed on behalf of Tampa Electric Company, has been furnished by U. S. Mail or hand delivery (*) on this 13th day of October, 1998 to the following:

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