

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

MARK J. HORNICK

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

2
3
4 A. My name is Mark Hornick. My mailing address is P.O. Box
5
6
7 111, Tampa, Florida 33601, and my business address is
8
9 6944 U.S. Highway 41 North, Apollo Beach, Florida 33572.
10 I am employed by Tampa Electric Company in the position
11 of Director, Fuels in the Environmental and Fuels
12 Department.

13
14 Q. Please provide a brief outline of your educational
15 background and business experience.

16
17 A. I received a Bachelor of Science Degree in Mechanical
18 Engineering in 1981 from the University of South Florida.
19 I began my career with Tampa Electric Company in 1981 as
20 an Engineer Associate in the Production Department. I
21 have held a number of engineering positions at Tampa
22 Electric's power generating stations. In August 1990, I
23 was promoted to Manager - Operations at Hookers Point
24 Station. In September of 1991, I was transferred to Big

25
DOCUMENT NUMBER-DATE
11905 OCT-1 99
FPSC-RECORDS/REPORTING

1 Bend Station as Manager - Support. From September 1991
2 to July 1998, I had various managerial responsibilities
3 at Big Bend involving operations and maintenance of the
4 station. In July 1998, I was promoted to my current
5 position as Director - Fuels. I am responsible for
6 managing Tampa Electric's fuel-related activities
7 including planning, procurement, inventory, usage and
8 combustion by-product management.
9

10 Q. Please state the purpose of your testimony.
11

12 A. The purpose of my testimony is to report to the
13 Commission the actual 1998 costs of Tampa Electric's
14 affiliated coal transportation and coal transactions
15 compared to the benchmark prices calculated in accordance
16 with Order No. 20298 and Order No. PSC-93-0443-FOF-EI
17 ("Order No. 93-0443), respectively. I conclude that the
18 1998 prices paid by Tampa Electric to its affiliates TECO
19 Transport and Gatliff Coal are reasonable and prudent, as
20 adjusted.
21

22 Q. Have you prepared an exhibit that you sponsor in this
23 proceeding?
24

25 A. Yes. Exhibit No. ___ (MJH-1) titled "Exhibit of Mark

1 Hornick," consisting of two documents, was prepared under
2 my direction and supervision.

3
4 **Q.** Were Tampa Electric's actual affiliated coal
5 transportation prices for 1998 at or below the
6 transportation benchmark?

7
8 **A.** Yes, they were. This is reflected in Document No. 1 of
9 my exhibit.

10
11 **Q.** Were Tampa Electric's actual affiliated coal prices for
12 1998 at or below the benchmark?

13
14 **A.** No. As reflected in Document No. 2 of my exhibit, the
15 total cost of coal purchased from Gatliff Coal was in
16 excess of the benchmark for 1998. This amount has been
17 adjusted in a manner similar to that stipulated to in
18 Order No. PSC-98-1715-FOF-EI ("the Order") from Docket
19 No. 980001-EI and is addressed in the testimony of Tampa
20 Electric witness Karen O. Zwolak.

21
22 **Q.** Once the amount for coal prices is adjusted so that the
23 costs sought for recovery are at or below the benchmark,
24 is it appropriate for Tampa Electric to recover costs
25 paid to its affiliates for coal transportation and coal?

1 A. Yes. I demonstrated that the average 1998 prices for
2 TECO Transport coal waterborne transportation services
3 were at or below the appropriate benchmark calculations
4 as directed by Order No. 20298 of this Commission. In
5 addition, once adjusted in accordance with the Order, the
6 average prices paid for Gatliff Coal's coal were at or
7 below the appropriate benchmark calculations as ordered
8 in Order No. 93-0443 and Order No. 98-1715. Therefore,
9 it is appropriate for Tampa Electric to recover the
10 expenses for 1998 coal transportation and coal, as
11 adjusted.

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13 Q. Does this conclude your testimony?

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15 A. Yes, it does.

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EXHIBIT NO. _____
DOCKET NO. 990001-EI
TAMPA ELECTRIC COMPANY
(MJH - 1)

TAMPA ELECTRIC COMPANY
EXHIBIT OF MARK J. HORNICK

EXHIBIT NO. _____
DOCKET NO. 990001-EI
TAMPA ELECTRIC COMPANY
(MJH - 1)

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1998 TRANSPORTATION BENCHMARK CALCULATION

Average Rail Mileage to Tampa	1242	Miles	(Note 1)
X Average of Lowest Two Publicly Available Florida Rail Rates	2.125 26.39	¢/ton mile	(Note 2)
+ Costs of Privately Owned Rail Cars	1.75		(Note 3)
Transportation Benchmark for The Year Ended 12/31/98	28.14		(Note 4)

Notes

1/ Weighted average domestic rail miles from all Tampa Electric waterborne coal supplies to plants. Rail miles for imported coal sources are measured from port of entry.

2/ Cents per ton-mile for publicly available Florida utility rail coal transportation rates including discounts for volume and private rail cars. The current publicly available rail rates to Florida utilities on a cents per ton-mile basis for 1998 are as follows:

JEA	¢	2.29
Orlando	¢*	1.99
Lakeland	¢*	2.26
Gainesville	¢	2.61

* Average of Lowest Two ¢ 2.125

3/ The cost of Private rail cars was approved in the original stipulation as \$2.00 per ton. Subsequent negotiation between Tampa Electric and Public Service Commission Staff resulted in an agreed upon estimated cost of \$1.75 per ton.

4/ Calculated by multiplying average domestic rail mileage to Tampa by Florida rail coal market costs (cents per ton-mile), then adding the costs of privately-owned rail cars.

1998 TRANSPORTATION MARKET PRICE APPLICATION

Tampa Electric Weighted Average per ton Water Transportation Price from All Tampa Electric Coal Sources [REDACTED] divided by 6,391,305.11)	[REDACTED]
Transportation Benchmark	\$28.14
Over/(Under) Benchmark	[REDACTED]
Total Tons Transported in 1998	7,315,351.25
Total Transportation Cost in 1998	[REDACTED]
Total Amount Allowable for Recovery Using Benchmark (\$28.14 x 7,315,351.25)	\$205,872,272.55
Total Cost Over/(Under) Benchmark - 1998	[REDACTED]
Prior Years' Cumulative Benefit (1988 - 1997)	[REDACTED]
Net Benefit for 1988 - 1998	[REDACTED]

EXHIBIT NO. _____
DOCKET NO. 990001-EI
TAMPA ELECTRIC COMPANY
(MJH - 1)
DOCUMENT NO. 2
PAGE 1 OF 2

MARKET BASED COAL CALCULATION - 1998

Base Price of Coal As of 12/31/92	\$38.00
CPI-U Index Value at 12/31/92	141.9
CPI-U Index Value at 12/31/98	163.9
Percent Change in CPI-U From 12/31/92 To 12/31/98	15.5%
1998 Gatliff Coal Price Benchmark (38.00 x (1 + 0.155))	\$43.89

COAL MARKET PRICE APPLICATION - 1998

Tampa Electric Weighted Average per Ton Price of Coal Purchased	██████████
Coal Price Benchmark	\$43.89
Over/(Under) Benchmark	██████████
Total Tons Purchased in 1998	757,930
Total Cost in 1998	██████████
Total Amount Allowable for Recovery Using Benchmark (43.89 x 757,930)	\$33,265,547.70
Total Cost Over/(Under) Benchmark - 1998	██████████