



TAMPA ELECTRIC COMPANY
BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 000001-EI

TESTIMONY OF
W. L. BROWN

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

W. L. BROWN

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

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8 A. My name is Lynn Brown. My business address is 702 North
9 Franklin Street, Tampa, Florida 33602. I am employed by
10 Tampa Electric Company ("Tampa Electric" or "company") as
11 Director-Wholesale Marketing and Sales.

12
13 Q. Please provide a brief outline of your educational
14 background and business experience.

15
16 A. I received a Bachelors degree in Electrical Engineering
17 from Louisiana State University in 1972 and subsequently
18 joined Tampa Electric. I held various engineering,
19 operations and managerial positions in Energy Delivery
20 from 1973 through 1997. I became Manager of Short Term
21 Wholesale Trading in April 1997 and was promoted to
22 Director-Wholesale Marketing and Sales in August of 1998.
23 I am responsible for short and long-term wholesale power
24 purchases and sales.
25

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

3

4 A. Yes. I testified before this Commission in Docket No.
5 990001-EI, the last annual fuel and purchased power cost
6 recovery hearing. I also testified in Docket No. 991779-
7 EI regarding the appropriate application of incentives to
8 wholesale power sales by investor-owned electric
9 utilities.

10

11 Q. What is the purpose of your testimony in this proceeding?

12

13 A. The purpose of my testimony is to provide an overview of
14 the purchased power agreements that Tampa Electric has
15 entered into and is seeking to recover through the Fuel
16 and Purchased Power Cost Recovery and Capacity Cost
17 Recovery Clauses. I will also provide an overview of the
18 wholesale energy market and quantify the purchased power
19 cost of the Gannon Unit 6 generating unit outage.

20

21 Q. Has Tampa Electric entered into any firm purchased power
22 agreements this year?

23

24 A. Yes. Tampa Electric has signed several agreements for
25 the purchase of firm capacity and energy for 2000. The

1 company is also in the process of negotiating for
2 additional firm capacity and energy for the remainder of
3 the year and beyond to achieve desired operating
4 reserves.

5
6 The company has entered into purchased power contracts
7 with nine suppliers of capacity and energy this year.
8 These contracts are both short- and long-term. Four of
9 the suppliers are qualifying facilities. One of the
10 contracts is a long-term agreement with Hardee Power
11 Partners Limited ("HPP"), which was presented to this
12 Commission and approved in Docket No. 990001-EI
13 proceedings. HPP began supplying Tampa Electric 75 MW of
14 capacity under this agreement in May 2000. Finally,
15 Tampa Electric entered into several contracts with power
16 marketers for capacity and energy in 2000 and 2001. The
17 company continues to evaluate firm and non-firm power
18 purchase opportunities for 2001.

19
20 **Q.** In addition to these nine suppliers, did Tampa Electric
21 secure any other firm power?

22
23 **A.** Yes, Tampa Electric contracted to lease 10 completely
24 self-contained portable generators from May 2000 through
25 September 2000. These units were placed in substations

1 where they were directly connected to the electric grid.
2 The generators were operated on an as-needed basis,
3 supplying up to 20 MW of peaking power to retail
4 customers.

5
6 Q. Why did Tampa Electric enter into these purchased power
7 agreements?

8
9 A. Tampa Electric entered into these agreements in order to
10 maintain overall system reliability for its retail
11 ratepayers. As the company reported in its Ten-Year Site
12 Plan, retail load has increased since 1997 at a higher
13 than expected rate causing a significant increase in the
14 use of demand-side management programs. Accordingly, the
15 company has modified its planning criteria to not only
16 plan for a minimum 20 percent reserve margin but to
17 improve the quality of its reserve margin by planning for
18 a minimum of seven percent supply-side resources. The
19 company plans to achieve the desired system reliability
20 for its retail customers by accelerating new generating
21 unit construction and acquiring firm capacity purchases.

22
23 Q. Please describe the availability and price of purchased
24 power during the year 2000.

25

1 **A.** The 2000 wholesale market has been quite different from
2 1999 in many respects. First, summer 1999 price spikes
3 resulted in very high monthly forwards market pricing for
4 the summer of 2000. However, no severe price spikes were
5 experienced in the eastern United States this summer due
6 to moderate weather. This resulted in lower spot market
7 prices than had been predicted by the forwards market.
8 Secondly, high fuel prices have pushed shoulder month
9 market prices very high this year. For example, No. 2
10 fuel oil was \$16.05/barrel in March 1999 and
11 \$32.81/barrel one year later. The above issues have
12 caused a convergence of peak and shoulder month market
13 prices. Overall, Tampa Electric has paid an average
14 \$63.42/MWH for spot market energy year-to-date through
15 August 31, 2000 compared to \$87.67/MWH for short-term
16 capacity and energy purchases. Tampa Electric's year
17 2000 purchase strategy includes a mixture of capacity and
18 energy purchases and spot market purchases. This
19 strategy has worked well to manage purchased power costs
20 and provide customers with reliable electric service

21
22 **Q.** What was the cause of the Gannon Unit 6 outage?
23

24 **A.** On July 18, 2000, Gannon Unit 6 tripped off due to a
25 generator failure resulting in an unplanned outage. The

1 unit was shut down following the trip and immediately
2 inspected and assessed by the company. Repairs are under
3 way to return the unit to service as expeditiously as
4 possible, which is expected to be before year-end.

5
6 **Q.** What impact has the Gannon Unit 6 outage had on Tampa
7 Electric's fuel and purchased power costs?

8
9 **A.** Although the Gannon Unit 6 experienced an untimely mid-
10 summer outage, Tampa Electric has been able to purchase
11 sufficient replacement power from the wholesale market.
12 As discussed previously, the summer spot market prices
13 have been lower than forecasted. The Florida market has
14 also moderated during the last half of the summer due to
15 afternoon rains. This has resulted in excess available
16 energy from numerous sources. Tampa Electric forecasts a
17 net impact of \$20.3 million to the fuel and purchased
18 power costs for the Gannon Unit 6 outage.

19
20 **Q.** Please summarize your testimony.

21
22 **A.** The volatile wholesale power market has experienced a
23 price convergence this year due to high fuel prices and
24 moderate summer weather in the eastern United States.
25 This has resulted in higher priced shoulder month energy

1 and lower than expected peak month prices. Tampa
2 Electric has entered into numerous firm capacity and
3 energy purchased power agreements and continues to
4 aggressively canvass the spot market for short-term
5 purchases to provide retail customers with reliable cost-
6 effective electric service. Tampa Electric has also
7 contracted to lease 20 MW of portable generation for
8 peaking service purposes. The untimely outage of Gannon
9 Unit 6 has resulted in a higher volume of purchased power
10 but weather and market conditions have helped mitigate
11 the cost. Tampa Electric currently has several firm
12 purchase agreements in place for 2001 and continues to
13 evaluate other offers to provide our customers with
14 reliable service at the lowest possible price.
15

16 Q. Does this conclude your testimony?
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18 A. Yes, it does.
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