



BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 010283-EI

IN RE: CALCULATION OF GAINS AND
APPROPRIATE REGULATORY TREATMENT FOR
NON-SEPARATED WHOLESALE ENERGY SALES
BY INVESTOR-OWNED ELECTRIC UTILITIES

TESTIMONY

OF

W. LYNN BROWN

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PREPARED DIRECT TESTIMONY

OF

W. LYNN 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 where I am responsible for short and long-term wholesale
24 power 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 regarding the appropriateness and prudence of
6 various purchased power agreements. I also testified in
7 Docket No. 991779-EI regarding the appropriate
8 application of incentives to wholesale power sales by
9 investor-owned electric utilities.

10

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

13

14 A. The purpose of my testimony in this proceeding is to
15 describe Tampa Electric's practices in making wholesale
16 sales and purchases of electricity. I also describe the
17 prudence of making concurrent wholesale sales and
18 purchases. Finally, I discuss the appropriateness of the
19 company's wholesale sales and purchased power practices
20 from the standpoint of retail customers in general and
21 interruptible customers in particular.

22

23 Q. Are there any general observations you wish to make
24 regarding the usefulness of selling and buying power at
25 wholesale?

1 A. Yes. Electricity is a unique commodity in that it is
2 produced and then immediately consumed. Electric
3 utilities are challenged to continuously match their
4 power production and purchases with sales. This
5 challenge is elevated by the fact that power production
6 facilities are added in large blocks which, from time to
7 time, result in a surplus or deficit of power. It is
8 more economical to add power plants of a size that
9 temporarily exceeds the marginal increase in system
10 demand. Because of this, utilities enter into wholesale
11 sales to make full use of their generating plants and,
12 from time to time, purchase from other utilities when
13 necessary or economical to do so. The overall goal in
14 making wholesale sales and purchases is to keep the
15 overall cost of electricity to retail customers as low as
16 practicable.

17

18 Tampa Electric's Wholesale Sales and Purchases

19 Q. What circumstances are considered when determining
20 whether to commit to a wholesale sale?

21

22 A. Tampa Electric evaluates its forecasted available
23 generating capacity in excess of installed reserve
24 requirements that could be offered in the marketplace.

1 Potential firm sales that appear beneficial are
2 identified and pursued.

3

4 Q. Please describe the types of wholesale sales Tampa
5 Electric makes.

6

7 A. Tampa Electric makes separated firm sales and non-
8 separated firm and non-firm sales. Currently Tampa
9 Electric has 320 megawatts of separated firm wholesale
10 sales. Of this amount, 145 megawatts are unit power
11 sales and 175 megawatts are requirements sales. These
12 sales comprise less than 10 percent of Tampa Electric's
13 firm load. These sales are longer than a year in
14 duration and, thus, under the Commission's established
15 policy, are separated from Tampa Electric's retail
16 jurisdiction. In essence, a sale is separated to remove
17 all generating plant and operating expenses associated
18 with the sale from the retail jurisdiction. Since the
19 proposed agency action portion of the Commission order
20 that gave rise to the present proceeding only addressed
21 the appropriate regulatory treatment for the revenues and
22 expenses associated with non-separated wholesale power
23 sales, separated firm sales are not being addressed in
24 this proceeding.

25

1 Q. Please describe Tampa Electric's non-separated wholesale
2 sales.

3

4 A. In accordance with the Commission's requirements, non-
5 separated sales are normally less than a year in duration
6 and may be firm or non-firm.

7

8 Q. What types of wholesale power purchases does Tampa
9 Electric make?

10

11 A. From time to time Tampa Electric purchases wholesale firm
12 and non-firm power to augment its existing generating
13 assets to economically and reliably meet the needs of its
14 customers. The company purchases power on a firm and
15 non-firm basis, as necessary, to meet reliability
16 requirements or to cover scheduled and unscheduled
17 generation outages. The company also purchases power on
18 a non-firm basis when it is less expensive than the cost
19 of operating its own generating units. In so doing,
20 Tampa Electric takes advantage of market opportunities
21 that lower the cost of power delivered to Tampa
22 Electric's customers.

23

24 Q. Does Tampa Electric make any other types of wholesale
25 power purchases?

1 A. Yes. In addition to the purchases I have described, the
2 company may, from time to time, make purchases that are
3 classified as optional provision or "buy-through"
4 purchases for non-firm retail customers taking service
5 under interruptible rates.

6
7 Q. Are there times when Tampa Electric is unable to purchase
8 "buy-through" power on behalf interruptible customers?
9

10 A. Yes. Occasionally Tampa Electric is unable to purchase
11 sufficient energy to maintain service to non-firm
12 customers and must interrupt their service. Non-firm
13 customers may also be interrupted to provide state
14 operating reserves as a result of the sudden loss of a
15 large generating unit located within the Florida
16 Reliability Coordinating Council ("FRCC") region.
17 Further, these customers may be interrupted to provide
18 emergency interchange service to FRCC member utilities
19 that are unable to serve firm native load requirements
20 due to insufficient generating capacity. These service
21 requirements are described in Tampa Electric's Commission
22 approved tariffs governing interruptible service.
23

24 The Prudence of Simultaneous Sales and Purchases of Wholesale
25 Power

1 Q. Are there times when Tampa Electric simultaneously
2 purchases capacity and energy for retail customers' needs
3 while it is making firm wholesale sales?
4

5 A. Yes. Tampa Electric currently is serving long-term
6 wholesale sales that are separated from the retail
7 jurisdiction which yield cost savings to retail
8 customers. There are occasions during the course of
9 serving these long-term sales when Tampa Electric
10 purchases power to meet reliability requirements and
11 lower the company's system operating costs. The fact
12 that Tampa Electric purchases power from time to time
13 does not detract from the overall beneficial nature of
14 its firm wholesale sales.
15

16 Q. Is it prudent for the company to make wholesale sales at
17 the same time that it is purchasing capacity and energy?
18

19 A. Yes. Tampa Electric's capacity and energy purchases have
20 augmented its system's generating resources to provide
21 reliable service to customers. Capacity and energy is
22 sometimes purchased for short periods of time to bridge
23 the gap between generating resource additions.
24 Additionally, Tampa Electric evaluates long-term purchase
25 opportunities against constructing generation to serve

1 native load. If an opportunity is advantageous, then the
2 company may elect to purchase, rather than build
3 generation.

4
5 Q. Is it prudent to make short-term, non-firm sales
6 concurrently with longer-term power purchases?

7
8 A. Yes. Many power purchases require a minimum energy take
9 or "energy put" which may, at times, cause a back down of
10 Tampa Electric's generation. At these times, short-term
11 wholesale sales are made to maintain native generation
12 output at optimum levels. The resultant sales price may
13 be more or less than the price for the purchased energy.
14 Revenues from short-term sales help defray the cost of
15 purchased power.

16
17 **Fair Treatment of Interruptible Customers**

18 Q. How are Tampa Electric's interruptible customers impacted
19 by wholesale sales and purchases?

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21 A. All of the company's retail customers, including
22 interruptible customers, benefit from the company making
23 wholesale sales and purchases. Short and long-term sales
24 increase utilization of generating capacity. Retail
25 customers benefit from the existence of separated sales

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since these sales relieve retail customers of the carrying costs of generating plant committed to these sales as well as the related operating expenses. Revenues from short-term sales are flowed back to retail ratepayers.

Q. Has Tampa Electric interrupted its interruptible customers to make any new firm separated or non-separated wholesale sales?

A. No. The only firm wholesale sales that the company is currently making have been in place for a number of years. In fact, these same sales were in place last year when the Commission concluded, in response to FIPUG's "motion for mid-course protection," that FIPUG had provided no factual support for a finding that Tampa Electric has made wholesale energy sales in violation of its interruptible service tariff or applicable law.¹ No new firm separated or non-separated sales have been entered into by Tampa Electric and, thus, the company has not interrupted interruptible customers to make any new sales.

¹ Order No. PSC-00-1266-PAA-EI issued in Docket No. 000001-EI on July 11, 2000.

1 Q. Does Tampa Electric have a policy of interrupting its
2 interruptible customers in order to make non-firm
3 wholesale sales?
4

5 A. No. Tampa Electric has a company policy of not making
6 non-firm wholesale power sales at the same time it is
7 interrupting its non-firm retail customers or making "buy
8 through" purchases for them. Whenever interruptions
9 appear imminent or "buy through" purchases are necessary,
10 existing non-firm sales are ramped out as quickly as
11 reasonably possible or power is bought for the purpose of
12 continuing the sale. If power is bought for the purpose
13 of continuing the sale, the cost is netted against the
14 sale's revenues and retail ratepayers are not impacted.
15

16 Q. Please summarize your testimony.
17

18 A. My testimony described Tampa Electric's policies and
19 practices as they relate to the company's sale and
20 purchase of wholesale electric power. I described the
21 purposes served by our sales and purchases and the
22 appropriateness of making wholesale purchases
23 contemporaneous with wholesale sales. Finally, I
24 described how the company makes these sales and purchases
25 to benefit Tampa Electric's general body of ratepayers

1 including customers taking interruptible service.

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3 Q. Does this conclude your testimony?

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5 A. Yes, it does.

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