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RECORDS AND REPORTING

May 1, 2001

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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. 010001-EI

Dear Ms. Bayo:

Enclosed on behalf of Tampa Electric Company, pursuant to Order No. PSC-99-2512-FOF-EI issued in Docket No. 990001-EI on December 22, 1999, are ten (10) copies of the company's final report on its now completed wholesale sale to the Florida Municipal Power Agency.

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,


James D. Beasley

JDB/pp
Enclosures
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Ms. Blanca S. Bayo
May 1, 2001
Page Two

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing report, filed on behalf of Tampa Electric Company, has been furnished by U. S. Mail or hand delivery (*) on this 15th day of May, 2001 to the following:

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ATTORNEY

Tampa Electric Company
Wholesale Power Supply Agreement
Florida Municipal Power Agency Report
January 1, 2000 Through March 15, 2001

Background

The wholesale power agreement between Tampa Electric and Florida Municipal Power Agency (FMPA) was a firm schedule D unit sale from Big Bend Units 2 and 3 and Gannon Units 5 and 6 for the term December 16, 1996 through March 15, 2001. Tampa Electric committed to provide FMPA 35 MW from December 16, 1996 through December 15, 1997, 85 MW from December 16, 1997 through December 15, 1998, 105 MW from December 16, 1998 through December 15, 1999 and 150 MW from December 16, 1999 through March 15, 2001.

On March 11, 1997, in Order No. PSC-97-0262-FOF-EI, the Commission issued its policy regarding the regulatory treatment for recovery of fuel costs of long term firm (separated) wholesale sales. The Commission required that a utility credit system average fuel cost during the sale period to the fuel clause unless the utility demonstrated, on a case-by-case basis, that the sale provided net benefits to retail ratepayers. In that event, incremental fuel cost, rather than system average fuel cost, could be credited to the fuel clause.

Under a stipulation approved in Order No. PSC-96-1300-S-EI, issued October 24, 1996, Tampa Electric was obligated to treat its sale to FMPA as a separated wholesale sale. However, since the company demonstrated that the sale would provide benefits to retail ratepayers, the Commission approved alternate accounting treatment of the sale's fuel cost and ordered that incremental, rather than system average, fuel cost be credited to the fuel cost recovery clause (Order No. PSC-97-1273-FOF-EU). Regulatory treatment of the FMPA contract, was as follows:

- (1) The Environmental Cost Recovery Clause (ECRC) was credited with system incremental SO₂ allowance cost;
- (2) The fuel clause was credited with system incremental fuel cost; and
- (3) Capital and operating and maintenance (O&M) costs were separated from retail jurisdiction at average embedded cost.

The stipulation expired December 31, 1999. Prior to this expiration date, Tampa Electric sought approval for alternate regulatory treatment of the FMPA contract so that Tampa Electric could continue to serve the FMPA contract while providing net benefits to ratepayers.

The Commission responded by approving a different treatment of the FMPA contract for the period January 1, 2000 through March 15, 2001, with the issuance of Order No. PSC-99-2512-FOF-EI on December 22, 1999. The Order required that revenues be credited to the cost recovery clauses so that the environmental and capacity clauses were made whole. Specifically, capacity and transmission revenues associated with the sale were required to be credited to the capacity clause, and Tampa Electric had to offset average SO₂ cost with revenue credited to the ECRC. Finally, the Commission stated that all remaining revenue would be credited to the fuel clause.

This Order also required that Tampa Electric compare total revenue from the FMPA sale to total cost, the sum of the items listed below. Tampa Electric was required to report this information to the Commission at the end of the sale.

- (1) Unit incremental fuel cost for Big Bend Units 2 and 3 and Gannon Units 5 and 6, in the relative weights that each unit was used to serve the FMPA sale;
- (2) SO₂ allowance cost to serve FMPA at system average cost; and
- (3) Variable O&M cost associated with the sale at system average variable O&M cost.

Tampa Electric Company
Wholesale Power Supply Agreement
Florida Municipal Power Agency Report
January 1, 2000 Through March 15, 2001

Methodology

To calculate fuel and SO₂ allowance costs, Tampa Electric ran the Historical Allocation Pricing (HAP) program each day. The model simulated the conditions of the previous day and dispatched all generation in the most efficient manner. The model calculated per unit production fuel cost for the base case.

HAP created another dispatch schedule using the available generation to serve the FMMPA sale. The model calculated per unit production fuel cost for this scenario. Then the incremental cost for each hour of the sale was calculated by comparing the hourly fuel cost under the two scenarios.

The SO₂ allowance cost was determined using the amount of sulfur contained in the different types of coal burned to serve FMMPA and the dollar-per-ton system average cost of allowances.

Description and Summary of Results

In accordance with Order No. PSC-99-2512-FOF-EI, revenue was credited to the cost-recovery clauses as follows:

- (1) Capacity and transmission revenues associated with the sale were credited to the capacity clause. The effective capacity and transmission revenues were \$5.61/kW-month.
- (2) Revenue to offset SO₂ cost was credited to the ECRC.
- (3) All remaining revenue was credited to the fuel clause.

Analysis validates that the regulatory treatment approved by the Commission for the FMMPA wholesale sale was beneficial to Tampa Electric retail ratepayers.

TAMPA ELECTRIC WHOLESALE POWER SUPPLY AGREEMENT WITH FMMPA			
(\$000)			
	<u>2000</u>	<u>2001</u>	<u>Period Total</u>
1. Total Revenue	\$ 31,509	\$ 6,634	\$ 38,143
2. Total Cost	<u>15,943</u>	<u>3,515</u>	<u>19,457</u>
3. Benefit to Retail Ratepayers (1-2)	\$ 15,566	\$ 3,120	\$ 18,686

As shown in the table above, sale revenue during 2000 and 2001 equaled approximately 38.1 million dollars. The cost to provide service was 19.5 million dollars, resulting in a retail ratepayer gain of 18.7 million dollars. The monthly revenues, costs, and net benefits to retail ratepayers associated with the FMMPA sale are shown on the following tables.

TAMPA ELECTRIC WHOLESALE POWER SUPPLY AGREEMENT WITH FMPA

BENEFIT TO RETAIL RATEPAYERS IN 2000

(\$000)

	<u>Jan 00</u>	<u>Feb 00</u>	<u>Mar 00</u>	<u>Apr 00</u>	<u>May 00</u>	<u>Jun 00</u>	<u>Jul 00</u>	<u>Aug 00</u>	<u>Sep 00</u>	<u>Oct 00</u>	<u>Nov 00</u>	<u>Dec 00</u>	<u>2000 Total</u>
Energy Charge	\$ 2,174.2	\$ 1,296.0	\$ 1,836.1	\$ 1,622.0	\$ 1,770.6	\$ 1,761.0	\$ 2,002.3	\$ 1,880.4	\$ 1,789.5	\$ 1,666.0	\$ 1,620.0	\$ 1,992.5	\$ 21,410.6
Capacity Charge	643.9	643.9	643.9	643.9	643.9	643.9	643.9	643.9	643.9	643.9	643.9	643.9	7,726.4
Transmission Charge	197.6	197.6	197.6	197.6	197.6	197.6	197.6	197.6	197.6	197.6	197.6	197.6	2,371.6
Total Revenue	3,015.7	2,137.5	2,677.6	2,463.5	2,612.1	2,602.5	2,843.8	2,721.9	2,631.0	2,507.5	2,461.5	2,834.0	31,508.6
Fuel Cost	1,320.9	762.3	1,035.7	881.9	1,095.6	1,064.3	1,333.6	1,204.3	1,106.2	1,099.6	971.0	1,192.9	13,068.4
O&M Cost	288.2	171.5	243.3	214.9	234.7	233.4	265.3	249.2	237.1	220.8	214.7	264.0	2,837.1
SO₂ Cost	1.9	1.5	3.6	2.4	2.9	2.5	6.2	2.2	3.5	4.9	3.6	1.9	37.1
Total Cost	1,611.0	935.3	1,282.6	1,099.3	1,333.2	1,300.2	1,605.1	1,455.7	1,346.8	1,325.3	1,189.3	1,458.8	15,942.6
Benefit to Retail Ratepayers	\$ 1,404.7	\$ 1,202.2	\$ 1,395.0	\$ 1,364.2	\$ 1,279.0	\$ 1,302.3	\$ 1,238.6	\$ 1,266.2	\$ 1,284.2	\$ 1,182.2	\$ 1,272.2	\$ 1,375.2	\$ 15,566.0

TAMPA ELECTRIC WHOLESALE POWER SUPPLY AGREEMENT WITH FMPA

BENEFIT TO RETAIL RATEPAYERS IN 2001

(\$000)

	<u>Jan 01</u>	<u>Feb 01</u>	<u>Mar 01</u>	<u>2001 Total</u>
Energy Charge	\$ 2,125.2	\$ 1,424.2	\$ 994.6	\$ 4,544.0
Capacity Charge	643.9	643.9	309.6	1,597.3
Transmission Charge	197.6	197.6	97.6	492.9
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Total Revenue	2,966.7	2,265.7	1,401.7	6,634.1
Fuel Cost	1,287.1	926.0	698.2	2,911.3
O&M Cost	281.6	188.7	131.8	602.2
SO ₂ Cost	0.4	0.5	0.2	1.1
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Total Cost	1,569.1	1,115.2	830.2	3,514.5
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Benefit to Retail Ratepayers	\$ 1,397.5	\$ 1,150.5	\$ 571.5	\$ 3,119.6
