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April 1, 2002

HAND DELIVERED

Ms. Blanca S. Bayo, Director
Division of Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Proposed amendments to Rule 25-17.0832, F.A.C., Firm Capacity and Energy
Contracts; FPSC Docket No. 001574-EQ

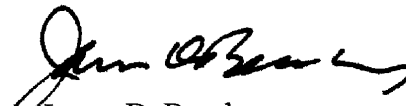
Dear Ms. Bayo:

Enclosed for filing in the above docket are the original and fifteen (15) copies of Responsive Comments of Tampa Electric Company.

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
Enclosure

cc: Richard Bellak (w/enc.)

DOCUMENT NUMBER-DATE

03693 APR-18

FPSC-COMMISSION CLERK

RESPONSIVE COMMENTS OF TAMPA ELECTRIC COMPANY

DOCKET NO. 001574-EQ

FILED: April 1, 2002

1 Tampa Electric Company ("Tampa Electric" or "the company"),
2 having participated in the March 12, 2002 informal workshop in
3 this matter, adheres to its previously submitted written
4 comments in support of Staff's proposed amendments to Rule 25-
5 17.0832, Florida Administrative Code. As a preliminary
6 matter, the Staff's proposed rule amendment is a
7 straightforward and simple one that addresses the minimum term
8 of a standard offer contract in light of recent decisions by
9 the Commission addressing that very subject. While Staff's
10 proposal focuses on a single issue, the Qualifying Facility
11 ("QF") Petitioners have launched an expansive effort to
12 readdress a number of unrelated issues that have been
13 considered and rejected in the past. Staff's laudable and
14 focused effort should prevail and the QF Petitioners' efforts
15 to convert this proceeding into an omnibus rulemaking should
16 be rejected. Tampa Electric offers the following additional
17 specific comments in response to the comments and testimony
18 submitted on behalf of the QF Petitioners:

19 1. Staff's proposed amendments conform the rule to what the
20 Commission has already approved four or five different
21 times since September 1999 due to uncertainty in the
22 market. The QF Petitioners propose, unnecessarily, to
23 "reinvent the wheel" with their amendments. Petitioners'
24 alleged need for their proposed amendments is newly
25 found. Petitioners did not see the need for them until

1 Staff proposed their unrelated amendment to conform the
2 standard offer contract term to a number of recent
3 rulings by the Commission.

4 2. The QF Petitioner's testimony infers that the uncertainty
5 in the wholesale market is not a reflection of the cost
6 of utility-built future generation costs, but the future
7 market cost for new generation being built in Florida
8 that is still in development and what, if any, effect the
9 establishment of RTO-controlled markets might have on
10 generation costs in Florida. Five-year terms have been
11 accepted by the FPSC multiple times now reflecting that
12 uncertainty over future market price.

13 3. The QF Petitioners inappropriately use the terms,
14 monopsony and monopsonist, to describe utilities. A
15 monopsony is defined as a market situation where there is
16 only one buyer. That is a completely inaccurate
17 description of the market available to QFs. A QF is not
18 precluded from selling to multiple buyers. The QF has, in
19 fact, a superior position to pure markets because there
20 are obligated buyers as well as non-obligated buyers to
21 whom the QF can sell. Example: A co-generator,
22 currently under firm contract can withhold capacity at
23 times of shortfall and instead make hourly sales in the
24 market, taking advantage of market conditions while still

1 remaining within the terms of the Standard Offer
2 contract.

3 4. The QF Petitioners' assertions regarding "avoided cost"
4 and "full avoided cost" and regulatory bias against QFs
5 are erroneous.

6 • The QF is offered an avoided cost contract wherein he
7 gets paid the utility avoided costs as defined by the
8 PSC. That cost does not have to be equal to the
9 avoided cost over the life of some avoided unit. It
10 can be the avoided cost during the term of a contract
11 entered into with the QF, including the capacity costs
12 during that term.

13 • QF Petitioners presume that the utility generation
14 should be subject to a market test, downward only, of
15 course. Utility generation is priced on a cost basis,
16 and is neither written-up to the market price when it
17 is below market nor written-down to the market price
18 when it is above market. QF power is only afforded
19 avoided cost status to the utility taking the power.
20 If the market price is higher the QF can test that
21 market price and sell at the end of five years to a
22 higher market price. The benefit is that they can
23 always seek a five-year deal at the utility avoided
24 cost, thus setting a floor against a potential market
25 upside.

1 • QFs are actually treated more favorably than the
2 utility investment because QF costs are not an issue in
3 determining the price to be paid. What is determinative
4 is the utility avoided cost, which might be
5 significantly higher than the QF cost, but the QF can
6 extract a price based on the utility cost and thus more
7 than recover its cost.

8 • The five-year term ends, but the utility is obligated
9 to continuously provide new avoided cost offers based
10 upon its generation expansion plan. QF's can take
11 advantage of these offers thus setting a floor for
12 tapping into the market with other buyers of wholesale
13 power.

14 5. QF Petitioners have asserted that utilities have
15 assurances of cost recovery. Utilities have no
16 assurances of cost recovery. Recovery of utility
17 generation costs over a 30 to 40-year life is always
18 subject to prudence review by the Commission in rate
19 proceedings and a "used and useful" test. Recovery of QF
20 contract costs is subject to a prudence test before they
21 can be recovered through the cost recovery process. In
22 addition, regulations and laws associated with
23 restructuring of the electricity market could change a
24 utility's market position overnight. A five-year

1 guarantee is as much as others in the business can get.

2 Why should a QF have more assurance than that?

3 6. Conservation and other demand side programs cannot be
4 built or stopped as quickly as a new generator. The
5 growth in those programs should not be removed when
6 determining the avoided unit or ratepayers will be harmed
7 who count on those programs to be available when they
8 make choices in home construction or energy conservation
9 measures.

10 7. QF Petitioners have asserted that without long-term
11 contracts financing for their projects would not be
12 available. Yet IPPs continue to secure financing for
13 merchant plants with no firm capacity contracts. Why
14 wouldn't financing be equally available to a municipality
15 or county government for a facility that receives its
16 primary revenues from solid waste disposal tipping fees
17 and taxes - not energy sales?

18 Tampa Electric appreciates the opportunity to submit the
19 foregoing responsive comments. The company is hopeful that
20 the rule amendments proposed by Staff will be approved as a
21 result of this process, and that the rule amendments proposed
22 by the QF Petitioners will be deemed unnecessary and
23 inconsistent with interests of retail utility customers in
24 this state.

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