

ORIGINAL

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May 12, 2004

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COMMISSION CLERK

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

Re: Review of Tampa Electric Company's waterborne transportation contract with
TECO Transport and associated benchmark; FPSC Docket No. 031033-EI

Dear Ms. Bayo:

Enclosed for filing in the above docket, on behalf of Tampa Electric Company, are the
original and fifteen (15) copies of each of the following:

- 1. Revised Document No. 2 of Exhibit (JTW-2) of Joann T. Wehle, Bates stamp pages
75 and 76.
2. Revised pages 11, 34 and 35 of the Rebuttal Testimony of Joann T. Wehle.

Please substitute the above pages with those originally filed with your office on May 3,
2004.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this
letter and returning same to this writer.

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Thank you for your assistance in connection with this matter.

Sincerely,

[Handwritten signature]

James D. Beasley

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DOCUMENT NUMBER - DATE

05494 MAY 12 04

FPSC-COMMISSION CLERK

1 obligated to negotiate with its affiliate at "arms length"
2 as suggested by Mr. Majoros on page 17 of his testimony?

3
4 A. Order No. 20298 states Tampa Electric shall "be free to
5 negotiate its contracts with its affiliates in any manner it
6 deems to be fair and reasonable." This Order also plainly
7 states:

8
9 . . . the typical affiliate contract is let
10 without the benefit of competitive bidding.
11 Instead, confident that the contract will be
12 given to the affiliate, representatives of
13 the two companies negotiate the rate at
14 which the product or service will be
15 purchased.

16
17 Tampa Electric went well beyond the requirements of the
18 Commission's policies by conducting the RFP and strictly
19 followed these policies in arriving at a contract price
20 which is at or below the market price for coal
21 transportation services.

22
23
24
25 Not only did Tampa Electric test the market

1 legitimacy of his analysis.
2

3 TAMPA ELECTRIC'S STORAGE AND BLENDING CAPABILITIES

4 Q. Both CSXT's witnesses and Dr. Hochstein make certain
5 allegations that Big Bend Station is underutilized for
6 storing and blending coal. Please describe Tampa Electric's
7 policy regarding coal inventory storage.
8

9 A. Tampa Electric maintains its coal inventory at levels
10 necessary to protect against potential interruptions in the
11 supply of fuel and to provide for generation contingencies
12 such as unanticipated changes in load. The company also
13 considers supply system reliability, anticipated fuel
14 supply, market conditions, weather and economics.
15

16 Q. What has Tampa Electric and the Commission deemed to be an
17 appropriate level of coal inventory?
18

19 A. While it may be common for Midwestern utilities to store 30
20 to 45 days of inventory, the Commission determined in Order
21 No. PSC-93-0165-FOF-EI that it is appropriate for Tampa
22 Electric to maintain up to 98 days of system inventory. In
23 making its decision, the Commission recognized the distance
24 between Tampa Electric's generating stations and coalfields.
25

1 Furthermore, the Commission has approved the
2 company's *Long-Term Energy Emergency Plan* requires exact
3 actions in the event that system-wide inventory levels dip
4 below a 50-day supply with expected continuing declines.
5 There is a strong relationship between low inventory levels
6 and price volatility. Utilities' low inventory levels
7 certainly contributed to the cost run-ups in the market in
8 late 2000 and 2001. Given these circumstances, Tampa
9 Electric maintains its inventory levels for reliability and
10 to insulate itself from price volatility.

11
12 **Q.** What is Big Bend Station's typical coal storage capacity and
13 how does that translate to days on hand of inventory for the
14 station?

15
16 **A.** Big Bend Station's typical storage capacity is approximately
17 750,000 tons which translates to about 50 days of demand.
18 About 60,000 tons of the coal inventory are stored at Big
19 Bend Station for Polk Power Station that portion needs to be
20 excluded. Additionally, approximately 80,000 tons of medium
21 sulfur coal must be maintained for Big Bend units operating
22 in an "unscrubbed" or de-integrated mode. Once those two
23 amounts are subtracted, the maximum storage of Big Bend
24 Station coal is about 610,000 tons, which equates to about
25 40 days of demand.



TAMPA ELECTRIC

EXHIBIT NO. _____
TAMPA ELECTRIC COMPANY
DOCKET NO. 031033-EI
(JTW-2)
FILED: MAY 3, 2004
REVISED: MAY 12, 2004
DOCUMENT NO. 2

July 16, 2003

Mr. Timothy J. Devlin, Director
Division of Economic Regulation
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 030001-EI – Fuel and Purchased Power Cost Recovery Clause and GPIF

Dear Mr. Devlin:

This is in response to your letter of July 11, 2003 concerning Tampa Electric's request for proposals (RFP) for waterborne coal transportation. Following the July 1 meeting with Staff and interested parties, Tampa Electric promptly notified recipients of its RFP of the misprint contained in the "Required Terminal Transportation Services" portion of the RFP. Having made that correction, Tampa Electric reaffirms its belief that the RFP the company has issued is fully descriptive of Tampa Electric's waterborne coal transportation needs, particularly for those who compete in the waterborne transportation industry. Based on its own knowledge and experience and the advice of its expert consultant, Tampa Electric is confident that its RFP will generate a significant interest and consideration from potential transportation providers, and the resulting proposals will be afforded careful consideration as is stated in the RFP.

Tampa Electric believes that any further modification or purported clarification of the RFP at this time would not stimulate greater participation of potential service providers but could, in fact, confuse the RFP process and discourage proposals that might otherwise be forthcoming. Accordingly, the company will adhere to its pending RFP. The company believes that, as this

TAMPA ELECTRIC COMPANY
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process is concluded, the Staff and the Commission will be satisfied that the company's RFP was, in fact, informative and productive.

Sincerely,



Deirdre A. Brown
Vice President, Regulatory Affairs
TECO Energy

cc: Mary Bane
Harold McLean
Commissioner Braulio Baez, Docket Prehearing Officer
Parties of Record
Division of Commission Clerk & Administrative Services