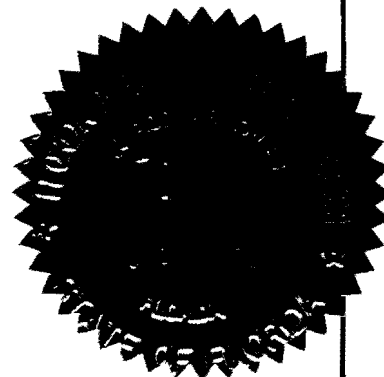


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 031033-EI

In the Matter of:

REVIEW OF TAMPA ELECTRIC
COMPANY'S 2004-2008 WATERBORNE
TRANSPORTATION CONTRACT WITH
TECO TRANSPORT AND ASSOCIATED
BENCHMARK.



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VOLUME 5

Pages 569 through 650

PROCEEDINGS: HEARING

BEFORE: CHAIRMAN BRAULIO L. BAEZ
COMMISSIONER J. TERRY DEASON
COMMISSIONER LILA A. JABER
COMMISSIONER RUDOLPH "RUDY" BRADLEY
COMMISSIONER CHARLES M. DAVIDSON

DATE: Friday, May 28, 2004

TIME: Commenced at 9:00 a.m.

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: TRICIA DEMARTE, RPR
Official FPSC Reporter
(850) 413-6736

APPEARANCES: (As heretofore noted.)

DOCUMENT NUMBER-DATE

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I N D E X

WITNESS

NAME:

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CERTIFICATE OF REPORTER

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5	86	(Confidential) 7/21/03 Letter	579	
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P R O C E E D I N G S

(Transcript follows in sequence from Volume 4.)

JOANN T. WEHLE

continues her testimony under oath from Volume 4:

CONTINUED CROSS EXAMINATION

BY MR. WRIGHT:

Q You included some escalation factors, a fuel surcharge for CSX?

A That's correct.

Q And it's your position that you did this just because this was as of January 1st; is that also correct?

A Again, it's to do an apples to apples comparison and show what the rate would be in effect as of January 1. The bid is very clear that as of January 1, we would have to add a fuel surcharge based on the tariff that's described in the bid. Dr. Sansom even uses the fuel surcharge in some of his analyses. So it is a proper number to actually include to get to that apples to apples comparison.

Q Wouldn't it also be fair to include the fuel surcharge and other escalation that you'd incur under the barge contract?

A That is the January 1, 2004 rate.

Q What's today?

A Today is May 28th, I believe.

Q It runs together, but I agree with you on that.

1 A Yes, it does.

2 Q You were present yesterday when I cross-examined
3 Mr. Dibner, and I showed him Tampa Electric's offer letter to
4 TECO Transport; correct?

5 A Yes.

6 Q And he and I discussed how the fuel surcharge was
7 calculated; correct?

8 A I don't know that -- I think you asked him how it was
9 calculated. I don't know if there was any discussion.

10 Q Well, isn't it true that under your barge rate there
11 is an adder to the rates shown in his transportation rates
12 based on the relationship of a current No. 2 fuel oil price at
13 New Orleans to a base price that is shown in the contract?

14 A There is only an adder that would -- there's only --
15 let me step back.

16 There's fuel embedded already in the TECO Transport
17 rate as of January 1. These are the true prices that I would
18 be invoiced for any of these moves. Again, in order to get it
19 to an apples to apples comparison, these would be the invoice
20 prices that I would be receiving from a comparable rail
21 component.

22 Now, back to your components on fuel. That is
23 correct. There is a base amount of fuel in the TECO Transport
24 rate. But if I can for just a second -- I know and I have it
25 somewhere else. Thank you. The way the fuel component works

1 on -- and the fuel component is embedded in both the river and
2 the ocean component for TECO Transport, so those that are under
3 Column D and under Column F. The fuel component is only a
4 portion of those rates. And I think I can say these numbers,
5 these percentages without revealing any confidential
6 information. Embedded in the river, fuel makes up 30 percent
7 of that rate. The terminal, as we talked about already, is a
8 fixed flat rate that stays the same for the five-year period.
9 The ocean component has a fuel rate percentage embedded already
10 in it of 11 percent. So as fuel moves over the quarters, those
11 rates will be reflected at those percentages. Unlike the rail
12 bid, the fuel component escalates on the entire amount of the
13 rail base amount. In other words, the rail bidder rate that's
14 shown, for instance, on the first line under Column H, the rail
15 surcharge, the fuel surcharge would actually -- and again, it
16 would be a difference of what's already embedded in there, but
17 it would be applied to the entire rate of that.

18 Q Okay. Now, isn't it true -- I think there's a number
19 of (confidential number), and I think yesterday Mr. Dibner said
20 that that was not confidential.

21 A No, it is confidential.

22 Q Sorry.

23 CHAIRMAN BAEZ: That number was part of a footnote,
24 as I recall, and I think Mr. Dibner did, but -- and again, if
25 we can try -- he was admonished.

1 MR. WRIGHT: Well, I thought he stated and I thought
2 he said it wasn't, but I apologize. That's all I can do.

3 CHAIRMAN BAEZ: I don't know that there was ever
4 agreement on it, honestly. So if we can refrain from --

5 MR. WRIGHT: Strike that number then. Sorry.

6 CHAIRMAN BAEZ: You can do that.

7 BY MR. WRIGHT:

8 Q Now, there is a number that is the base price for
9 fuel.

10 A Yes.

11 Q And isn't it true that the actual fuel piece of the
12 river barge component is escalated by the ratio of the
13 subsequently current fuel index, which is also stated in that
14 footnote, divided by that number that's shown there that I
15 unfortunately said out loud a minute ago; is that right?

16 A If I understand, trying to work around --

17 Q Let me put it this way. If the fuel cost relative to
18 the base price per the index stated there increases by
19 30 percent, then you recalculate the fuel piece of the river
20 barge component by multiplying the number that's shown there
21 times 1.3; is that right?

22 A For the component that makes up the fuel?

23 Q Yes.

24 A And maybe I can -- maybe an example, a very simple
25 example.

1 Q Sure.

2 A Okay. Let's say the fuel component was \$10.

3 Q Sure.

4 A Okay. And we know that at the end of the
5 first quarter the fuel rose to \$12. You would adjust it for
6 the differential, the percentage over the base.

7 Q Just to help out, if the fuel cost increased by
8 20 percent in your example, then the fuel component of the rate
9 would increase to \$12?

10 A I believe that's correct, Mr. Wright.

11 Q Well, from that base number, if it increased by
12 20 percent, it would be that 20 percent that would be
13 multiplied by the fuel piece; correct?

14 A Right. And again, there is a fixed component in each
15 of these rates that never moves.

16 Q I understand that.

17 A Okay.

18 Q Okay. Do you know what -- is the index itself
19 confidential?

20 A Yes, it's confidential.

21 Q The index that you actually use is confidential, just
22 the identity of the index, not the value?

23 A It's part of the contract, so I believe it is. I
24 would have to -- I would think it is.

25 Q Okay. Any subscriber to that can get that, can't

1 they?

2 A Subscriber to?

3 Q To the source.

4 A Of the index?

5 Q Yeah.

6 A Yeah, that's publicly available. That's published
7 information.

8 MR. WRIGHT: Okay. Mr. Chairman, this is by nature
9 of a proffer in terms of the next question I want to ask the
10 witness. The point is that fuel prices have escalated, and I
11 want to be able to show that it's substantial. I would like to
12 ask for a late-filed exhibit that shows the current value of
13 the index.

14 CHAIRMAN BAEZ: Which index?

15 MR. WRIGHT: The index that's shown in the footnote
16 that the identity of which may be confidential. If it's not --
17 and again, I thought Mr. Dibner said that the identity index
18 was not confidential, but if it is --

19 CHAIRMAN BAEZ: And just so that I'm clear, you want
20 an update of the value at that point?

21 MR. WRIGHT: Yes, sir.

22 THE WITNESS: Well, now that we know what we used as
23 the base amount and then we know now if we reveal what the
24 index is, I think everybody -- you reveal what your base fuel
25 price is. So it no longer --

1 MR. WRIGHT: I'm sorry?

2 THE WITNESS: If you reveal the index -- I'm not
3 saying that I wouldn't file a late-filed exhibit. I'm just
4 trying to say if I file one, it will be under confidential.

5 MR. BEASLEY: Mr. Chairman, we just need to
6 understand what Mr. Wright is asking for.

7 CHAIRMAN BAEZ: My understanding of what Mr. Wright
8 is requesting is a late-filed exhibit that merely updates what
9 the value of -- what the current -- the current number --

10 MR. WRIGHT: The current value of the -- relative to
11 the index value shown in the footnote to that table in
12 Exhibit 69.

13 CHAIRMAN BAEZ: And we'll mark that as confidential
14 Exhibit 85 to be late-filed.

15 (Late-Filed Exhibit 85 identified.)

16 BY MR. WRIGHT:

17 Q Ms. Wehle, I want to talk to you about escalation
18 factors in the contracts.

19 A Okay.

20 Q Isn't it true that the variable cost component of the
21 barge contract is subject to escalation pursuant to publicly
22 available -- actually, it's a combination of publicly available
23 indexes?

24 A Yes.

25 Q And I think we've just covered the way the fuel

1 component escalates.

2 A Yes. And if anyone is confused about how it works on
3 the TECO Transport contract, I would direct you to -- there's
4 some very good examples in the exhibits to the contract that
5 will walk you through it very succinctly.

6 MR. WRIGHT: Mr. Chairman, I'm asking Mr. Lavia to
7 distribute a document that is confidential that purports to be
8 a letter between TECO Transport and Tampa Electric regarding
9 escalation and rate adjustments. And I'd ask that this be
10 marked, please. I think it would be confidential 86.

11 CHAIRMAN BAEZ: Show TECO Transport letter regarding
12 rate adjustments dated July 21, 2003 marked confidential
13 Exhibit 86.

14 (Exhibit 86 marked for identification.)

15 BY MR. WRIGHT:

16 Q Ms. Wehle, I note that you're listed as an official
17 copy on this. Have you seen this?

18 A Yes.

19 Q Does it appear to accurately reflect the methodology
20 by which the escalation factors are applied?

21 A Yes.

22 Q Thank you. My question --

23 A Excuse me. It's the way the escalation factors were
24 applied in the old contract in the prior agreement.

25 Q Are they different in this agreement?

1 A Yes. The base year is changed on -- the base amount
2 on fuel changed. The base year is changed on the variable
3 component adjustment. So this is an actual adjustment
4 effective July 1st of 2003.

5 Q Am I correct that what changed was the base year
6 value for the published price indexes that go to make up the
7 variable cost index --

8 A Yes.

9 Q -- and the base price for fuel; right?

10 A Yes.

11 Q But the indexes themselves and the way they're
12 combined to calculate the escalation factor didn't change, did
13 it?

14 A That's correct. The only other change -- and I don't
15 know -- is if you flip over to the third page of this.

16 Q Is that Bates 163?

17 A Yes. Thank you.

18 Q Thank you.

19 A And further on down is the percentage to make up the
20 total of the fuel variable and other components, how those
21 percentages actually were here versus in the new contract. In
22 other words -- and I'd have to do that actual calculation on
23 the base amount. Under the TECO ocean shipping, the fuel
24 component, there's a base rate there. How much -- what is the
25 percentage that it makes up the total amount there, I don't

1 know if that's exactly reflective of the percentages I talked
2 about earlier.

3 Q I see. But as applied to the individual components,
4 that wouldn't have any effect. You'd multiply the variable
5 cost escalation factor times the variable cost component?

6 A That's correct. The same type of methodology works.
7 It's just the percentage breakdown may be different.

8 Q Because the component rates change.

9 A Exactly.

10 Q But that really doesn't affect the escalation
11 methodologies, does it?

12 A No, it does not, except it will affect the final
13 outcome of the total rate. In other words, if you have more of
14 a --

15 Q Sure. Yeah. If one number is \$5, one number is \$4
16 and you apply the same index, you're going to get a different
17 result.

18 A Right. I just wanted to be clear that this does not
19 mirror exactly, and I don't know without doing all the
20 calculations exactly what was done for the new contract.

21 COMMISSIONER JABER: Mr. Wright, just so you know, I
22 lose track of what the witness is saying when you speak over
23 her voice.

24 MR. WRIGHT: And I appreciate the instruction. I
25 apologize for so doing.

1 COMMISSIONER JABER: Thank you.

2 BY MR. WRIGHT:

3 Q Do you know anything about the escalators that were
4 in the rail bid?

5 A I do know some.

6 Q Do you know how they compare to the escalators in the
7 barge bid?

8 A They are different. The escalators in the barge bid
9 again apply to only certain components of each of the rates
10 because again there's a fixed component in each of the river
11 and the ocean, and there's a complete flat fixed component in
12 the terminal. The escalation rates in the rail bid apply to
13 the entire rate, be it, the fuel surcharge or the RCAF
14 unadjusted.

15 Q Do you know how the RCAF unadjusted compares to the
16 indexes that are used in the variable component -- that are
17 applied to the variable component of the barge rate over time?

18 A I did not do that analysis. I think Mr. Murrell
19 actually did that analysis. But it's my impression that the
20 RCAF actually escalates at a faster rate than the -- or has in
21 the past at a faster rate than what's shown by the other
22 components in the waterborne transportation contract. And
23 because it even escalates faster, it's applied again on the
24 whole bid price, whereas the river and the other transportation
25 components on the waterborne is only applied to a portion of

1 the price, if that makes sense. I'm struggling not to reveal
2 numbers here. It's very difficult to not reveal a number.

3 Q Ms. Wehle, how recently would there be a counterpart
4 to the letter that was dated July 21, 2003 that's now been
5 marked as Exhibit 86?

6 A How recent would --

7 Q How recently would a counterpart letter like this be
8 available?

9 A Under the new agreement?

10 Q Yes.

11 A Well, it would have been for effective April 1, 2004.
12 I'm not sure of the exact date of when the letter was issued.
13 It could have been in the last few weeks.

14 MR. WRIGHT: Okay. I'd like to request that as a
15 late-filed, please.

16 CHAIRMAN BAEZ: Do you understand what --

17 MR. BEASLEY: Yes.

18 CHAIRMAN BAEZ: Okay. Show that Late-Filed
19 Exhibit 87 confidential, and we'll call it -- I'm sorry.
20 Mr. Wright, you used the word. I see it as an update. Is it a
21 corresponding letter?

22 MR. WRIGHT: How about updated rate adjustment
23 letter?

24 CHAIRMAN BAEZ: Okay.

25 (Late-Filed Exhibit 87 identified.)

1 BY MR. WRIGHT:

2 Q Ms. Wehle, do you know whether railroad customers
3 typically pay the full RCAF?

4 A River customers?

5 Q Railroad.

6 A Oh, I'm sorry. No, I do not know whether they pay
7 the full RCAF or not.

8 Q There was no RCAF in CSX's last two contracts for
9 Gannon, was there?

10 A Which -- the two --

11 Q The last two extensions for 2000 and 2001.

12 A No. And I believe that was because it was a small
13 amount of tons and a spot business. This is a longer term
14 arrangement for a lot more tons.

15 Q Okay. And there wasn't a fuel surcharge in there
16 either, was there?

17 A No, there was not.

18 Q Okay. And you've already conceded that you never
19 entered into any negotiations with CSX on the escalation
20 factors or anything else; right?

21 A No. I took again their bid at their word that that's
22 exactly what they meant.

23 Q I want to talk to you about the shutdown of Gannon
24 briefly.

25 A Okay.

1 Q Isn't it true that as of April 1st, 2002, Tampa
2 Electric was planning to shut down Gannon 5 and repower it by
3 May 1st, 2003?

4 A I'm thinking of my -- I'm getting my calendar
5 straight. Mr. Wright, I can't recall what the date was that we
6 made that decision.

7 MR. WRIGHT: Mr. Chairman, permission to approach the
8 witness. I'm going to hand her a copy of the company's 2002
9 ten-year site plan.

10 CHAIRMAN BAEZ: Go ahead.

11 THE WITNESS: Can you ask your question again,
12 please?

13 MR. WRIGHT: Certainly.

14 THE WITNESS: Okay. Because I may actually have an
15 answer.

16 BY MR. WRIGHT:

17 Q At Ms. Wehle's request, I'm going to restate my last
18 question, which is, isn't it true that as of April 1st, 2002,
19 Tampa Electric had made the decision to repower Gannon 5 with
20 an in-service date of May 1st, 2003?

21 A Yes, and that's what's stated in our ten-year site
22 plan.

23 Q Thank you.

24 A I apologize. I was thinking of the entire Gannon
25 station shutdown, not just a single unit.

1 Can I ask for, like, a five-minute break? Would that
2 be okay?

3 CHAIRMAN BAEZ: If you need it, you get it.

4 THE WITNESS: I don't know how much more you have for
5 me, Mr. Wright. I think I can hang on for about another 10 or
6 15 minutes.

7 CHAIRMAN BAEZ: No, no. There will be no hanging on
8 in the Commission Chambers. Those are famous last words. Go
9 ahead. We'll break for five minutes.

10 THE WITNESS: Thank you.

11 (Brief recess.)

12 CHAIRMAN BAEZ: We'll go back on the record.

13 Ms. Wehle, are you okay now?

14 THE WITNESS: Thank you very much.

15 CHAIRMAN BAEZ: Not at all. It's our pleasure.

16 Mr. Wright, your witness.

17 MR. WRIGHT: Thank you, Mr. Chairman. Before we
18 proceed, I'm going to withdraw at least for now my proffer of
19 our answer to staff's interrogatories.

20 CHAIRMAN BAEZ: Very well. Thank you.

21 MR. WRIGHT: Thank you. Mr. Chairman, I had asked
22 Mr. Lavia to pass out another confidential exhibit. It's a
23 response of Tampa Electric Company to staff's first request for
24 production of documents.

25 CHAIRMAN BAEZ: Show TECO's coal bid evaluation forms

1 marked as confidential Exhibit 88.

2 MR. WRIGHT: 88, Mr. Chairman?

3 CHAIRMAN BAEZ: 88.

4 MR. WRIGHT: Thank you.

5 (Exhibit 88 marked for identification.)

6 BY MR. WRIGHT:

7 Q Ms. Wehle, for starters, it appears that the
8 documents at Bates Page Numbers 32 through 47 don't really
9 address what's stated in staff's request Number 13, do they?

10 A It's the -- this is the closest preparation of a
11 document. It says, "Please provide all documents that have
12 been prepared." And this is all that we had.

13 Q Thank you. I really wanted to go to -- just to
14 confirm the content of what's shown on Pages 32 through 47.
15 Isn't it true that this shows various responses to a
16 solicitation that Tampa Electric conducted and Tampa Electric's
17 actions with regard to whether they were conforming or
18 nonconforming?

19 A Actually, this is for a right of first refusal under
20 a coal contract.

21 Q Was it a solicitation to obtain information that was
22 then used in offering the other coal supplier the opportunity
23 to exercise the right of first refusal?

24 A That's correct. That was the purpose of this.

25 Q Thank you.

1 MR. WRIGHT: I'm asking Mr. Lavia to hand out a
2 confidential coal contract between Tampa Electric and the coal
3 company that's identified there. And I ask that this be marked
4 as confidential, I believe, 89.

5 CHAIRMAN BAEZ: Show the Tampa Electric coal contract
6 marked as confidential 89.

7 (Exhibit 89 marked for identification.)

8 BY MR. WRIGHT:

9 Q Ms. Wehle, you don't consider the identify of your
10 contract partner to be confidential here, do you?

11 A No. I believe we regularly report that on, like,
12 423 forms and so forth.

13 Q That's what I thought. I copied it on yellow just to
14 be safe. This is a contract between Tampa Electric and the
15 American Coal Company?

16 A That's correct.

17 Q And I think I understood from a previous answer that
18 that coal is Galatia?

19 A Galatia, yes.

20 Q Is that correct?

21 A Yes.

22 Q Thank you. Ms. Wehle, do you have with you a copy of
23 your deposition transcript?

24 A I do not.

25 MR. WRIGHT: May I approach?

1 CHAIRMAN BAEZ: Yes.

2 MR. WRIGHT: Mr. Chairman and Ms. Wehle, I'm going to
3 try to do this as efficiently as I can and not have to shuffle
4 pages, but Mr. Vandiver has been kind enough to lend me his
5 copy of Ms. Wehle's deposition transcript. I have just handed
6 her a copy of Volume 2 thereof, and I'm just going to ask her
7 some questions. If I need to refer to it, then she's got a
8 copy.

9 BY MR. WRIGHT:

10 Q Ms. Wehle, I'd like to ask you to look at Page 181 of
11 that transcript.

12 A 191?

13 Q 181.

14 A Sorry.

15 Q I believe that the answer here is confidential, and
16 that's why I'm asking you to look at the page.

17 A Okay.

18 Q Is it correct that your answer at Lines 20 and
19 21 there identify the coal contracts that have a last look type
20 provision in them; that is, Tampa Electric's coal contracts
21 that have a last look type provision in them?

22 A Yes. And if I may just look at another document to
23 answer that completely.

24 Q Certainly.

25 A Yes, that's correct.

1 Q Thank you. It is correct that Pitt 8 coals will work
2 in Tampa Electric's power plants, is it not?

3 A Yes.

4 Q And is it also correct that coal from the Dotiki mine
5 in western Kentucky will work in Tampa Electric's power plants?

6 A Yes.

7 Q Thank you.

8 A And we have purchased Dotiki and Pitt 8 coals when
9 they are the most cost-effective to buy at the time.

10 Q In your analysis reflected in your Deposition
11 Exhibit 6, you didn't look at any rail origin coals other than
12 your current coal sources, did you?

13 A My Deposition Exhibit 6?

14 Q Yes. The one we talked about earlier where you
15 compared rail charges and barge charges.

16 A I'm sorry.

17 Q It is not a trick question. You didn't look at any
18 sources other than your current coal sources, did you?

19 A That's right, because I had to look at exactly what I
20 had in my coal supply portfolio.

21 Q And without stating the number, there were some
22 uncommitted tonnages, weren't there?

23 A There were some minimal uncommitted tonnages for both
24 pet coke and possibly coal that were not included on there.

25 Q Will you agree that any review that you did of the

1 Sargent & Lundy Report was a very high-level and nontechnical
2 review?

3 A Yes.

4 Q In evaluating the rail bid as reflected in Deposition
5 Exhibit 6 or anywhere else, you didn't evaluate any partial
6 rail supply options, did you?

7 A Again, no, because the only rates I had before me
8 were for a full supply. I didn't know how to do that
9 comparison had it been for a different tonnage amount.

10 Q Isn't it true that CSXT's bids covered -- one bid
11 covered a range of 1 to 2 million tons a year and the other
12 covered a range of 2 to 5.5 million tons a year?

13 A That's correct.

14 Q So it's not quite accurate to say that it was for the
15 full tonnage, is it?

16 A Well, again, to do the comparison to the waterborne
17 coal transportation bids, I didn't have numbers for just 1 to 2
18 million for the smaller --

19 Q On the water side?

20 A -- on the water side to compare to.

21 Q And so it is --

22 A I did know what the rates were on the CSX for both.
23 They were basically the same.

24 Q I apologize. I did think you were finished.

25 But it is true that you did not conduct any analysis

1 trying to optimize any combination of rail and barge delivery
2 to Big Bend; correct?

3 A In order to do that -- again, in order to do that
4 evaluation, I'd have to know how the TECO Transport rates would
5 have been impacted for a lesser amount.

6 Q I understand your explanation. The answer to my
7 question --

8 A No, you're right.

9 Q No?

10 A That's correct.

11 Q Okay.

12 A However, I did look at the bid in its totality and
13 exactly what I would be up against for each successive year of
14 the contract.

15 Q With regard to the benchmark, do you know whether
16 volume discounts are included in the values that the utilities
17 that report information to you give you?

18 A Again, we ask for rates that they have been invoiced
19 for. I don't know whether they would be entitled to volume
20 discounts or not.

21 Q If you'd look at Page 210 of your deposition, please.

22 A 210?

23 Q Yes, ma'am.

24 A Okay.

25 Q I'd just like to ask you to read the question and

1 answer that are shown at Lines 1, 2, and 3 there, please.

2 A "Do you know whether volume discounts are included in
3 the values that they report to you?"

4 "No, I do not."

5 Q And you understand that the values that they report
6 to you, meaning the municipals?

7 A As in municipalities that participate in the
8 benchmark.

9 Q Okay. And is your answer today the same as it was
10 then?

11 A Yes.

12 Q Thank you. Would you agree that a more appropriate
13 benchmark for Tampa Electric Company could be the cost of rail
14 service to Tampa Electric Company?

15 A I believe that if we were to do that, we would have
16 to take the bid out in its totality and understand all the
17 associated costs that would be included, potentially including
18 capital costs, in order to do that as a fair assessment. But
19 yes, it could be.

20 Q Will you agree with me that you regarded CSX's
21 proposed prices in 2002 and 2003 as being extremely aggressive?

22 A Yes.

23 Q Will you agree with me that following the meeting on
24 October 23, 2002, CSXT was persistent in attempting to have
25 further meetings with Tampa Electric?

1 A Yes, they were persistent. And if I can add to my
2 prior answer. Yes, they were aggressive on their face.

3 Q And again, with the qualifications as it regards the
4 comparison that you mentioned a couple of minutes ago between
5 water and rail, I'm not trying to ask about that, you could
6 have taken either of CSXT's bids at its minimum value and not
7 taken any Polk fuel transportation from CSXT; isn't that true?

8 A That's correct.

9 (Pause.)

10 COMMISSIONER JABER: Today, Mr. Wright, today.

11 MR. WRIGHT: Thank you, Commissioner. I'm honestly
12 doing my best.

13 BY MR. WRIGHT:

14 Q I'd like to ask you a follow-up question regarding
15 what's been marked as confidential Exhibit 84, which was this
16 here document. You got it?

17 A Yes.

18 Q We talked earlier about the rail rate there and the
19 fact that you expected the railroad company that makes the haul
20 from Cora to the river, your expectation was that they'd want
21 to be paid?

22 A Yes.

23 Q Do you consider the name of that railroad to be
24 confidential?

25 A I think I already said it in my last response.

1 Q Okay.

2 A So I don't think it is anymore.

3 Q I don't either. It's the UP; right?

4 A Yes.

5 Q Wouldn't you expect that the UP -- if you were to
6 deliver by rail all the way, wouldn't you expect that the UP
7 would be the one to take the coal from the mine to whatever
8 transloading point at which it would transfer to CSX?

9 A Yes.

10 Q Do you know whether that would be a longer haul than
11 the haul to the river?

12 A I do not, sir.

13 Q So you don't know whether it would provide more
14 revenue to UP?

15 A No, I don't.

16 Q Did you ever ask UP?

17 A No, I did not.

18 Q Did you ever ask Ziegler?

19 A No, I have not.

20 Q So you just assumed that you'd have to pay whatever
21 the rail cost was to get to CSX plus the number that's shown in
22 the table?

23 A Right. And if you look at it, the terminal component
24 is rather large still that I would have to be paying. It
25 would -- based on a million fifty tons that are required to be

1 taken under that contract, it would be a very expensive dead
2 freight penalty.

3 Q In the coal contracts in which you have rights of
4 first refusal, do you have the ability to ask those suppliers
5 to match a rail source price?

6 A A rail source price, certainly.

7 Q FOB mine or FOB rail or cleaning plant as opposed to
8 FOB barge, that's what I'm getting at.

9 A Well, the contracts are written as FOB barge. So,
10 you know, again, depending on how we're going out to extend
11 that contract, they would have to be, but it doesn't preclude
12 rail-served mines from participating.

13 Q Does it preclude Tampa Electric Company from asking
14 the suppliers to match an FOB rail bid?

15 A I would have to actually go back and read each of
16 those contracts. I can't answer that.

17 Q Will you agree that bi-modal fuel delivery could
18 provide some benefits to Tampa Electric Company?

19 A It could provide benefits if the appropriate rates
20 were structured.

21 Q Would one of those benefits be enhanced reliability
22 of delivery?

23 A I'm not so sure given CSX's reliability situation as
24 of late. And again, I can only comment on what I read in the
25 press about CSX's reliability of late, which I think I've

1 attached several articles to my rebuttal testimony. So I don't
2 know that it would actually be -- provide more reliability.

3 Q Well, having two sources of supply is generally
4 regarded as enhancing reliability, isn't it?

5 A It could.

6 Q And isn't it true there have been some barge
7 problems? There was a barge that sank in New Orleans Harbor
8 recently that stopped river traffic for a while.

9 A Those are typically isolated instances that seem to
10 correct themselves within potentially a week's time.

11 Q Isn't it true that there's a lock that's going to be
12 closed or is closed on the Ohio near Louisville right about now
13 for a number of days?

14 A I don't know the answer to that, sir.

15 MR. WRIGHT: Mr. Chairman, I'm asking Mr. Lavia to
16 distribute copies of nonconfidential Late-Filed Deposition
17 Exhibit of Ms. Wehle Number 7. I think we called it, "Wehle
18 Performance Goals."

19 CHAIRMAN BAEZ: Show the document entitled, "Wehle
20 Performance Goals" marked as Exhibit 90.

21 (Exhibit 90 marked for identification.)

22 BY MR. WRIGHT:

23 Q Ms. Wehle, just briefly, I'd like to understand how
24 these work. Do these indicate that whether you meet or exceed
25 the goals stated are weighted according to the percentages

1 shown in the right-hand column in determining your bonus?

2 A That's correct.

3 Q So am I correct that 15 percent of the weight toward
4 your bonus has to do with TECO Energy's financial performance?

5 A That's correct.

6 Q And 25 percent has to do with Tampa Electric
7 Company's net income or ROE goal?

8 A Yes.

9 Q We had a conversation about this in your deposition,
10 that goal Number 4 at 10 percent includes six components. One
11 of which is to achieve total cost recovery clause charges of
12 \$41.51 a megawatt hour or less; is that accurate?

13 A That's correct, and that is a company goal as well.

14 Q And if you know, do those six components that are
15 listed there under Number 4 weight about equally each to the
16 other?

17 A Actually, no, they wouldn't weight equally.

18 Q Do you know how they weight?

19 A There's some subjectivity to it. The way it would be
20 reviewed is obviously the first three items there, safety,
21 customer favorability, and environmental, I have little to any
22 interaction with those components or influence on them. I have
23 more on the fourth and fifth bulletized item there. So those
24 would receive more weight.

25 Q Thank you. In that context, do I understand that

1 total cost recovery clause includes the fuel cost recovery
2 clause, capacity cost recovery clause, environmental, and
3 conservation?

4 A Yes.

5 Q I'd like to ask you to turn to the right and look at
6 the table that Mr. Twomey put up yesterday, he handed it out
7 during his opening statement. If my math is correct, if my
8 math is correct, right now, Tampa Electric's total cost
9 recovery charges are running a little bit north of \$45; is that
10 accurate?

11 A Yes, subject to check.

12 Q Go ahead and check.

13 A That seems about right.

14 Q Thank you.

15 CHAIRMAN BAEZ: Ms. Wehle, can you see the numbers?

16 THE WITNESS: Yes, I can.

17 (Mr. Wright tendering document to Ms. Wehle.)

18 THE WITNESS: Thank you.

19 CHAIRMAN BAEZ: Thank you, Mr. Wright.

20 MR. WRIGHT: Certainly.

21 THE WITNESS: Are you waiting on me?

22 MR. WRIGHT: I thought you were checking.

23 THE WITNESS: Oh.

24 BY MR. WRIGHT:

25 Q The answer is, it is a little bit north of \$45;

1 right?

2 A Actually, no, I didn't calculate north of 45.

3 Q Oh, I'm sorry. I thought that's what you were doing.

4 I apologize.

5 CHAIRMAN BAEZ: Mr. Wright, while she's performing
6 those calculations, how much longer do you have for this
7 witness?

8 MR. WRIGHT: Very little I am happy to tell you.

9 CHAIRMAN BAEZ: Okay. Because I'm looking for a
10 lunch break.

11 MR. WRIGHT: You will have one very soon --

12 CHAIRMAN BAEZ: And I thank you.

13 MR. WRIGHT: -- barring a force majeure.

14 THE WITNESS: I got south of 45.

15 BY MR. WRIGHT:

16 Q Okay. What number did you get since you did the
17 calculation?

18 A 44.61.

19 Q Thank you very much. Ms. Wehle, is it your
20 contention that you fear that Tampa Electric would become
21 captive to CSX Transportation as testified by other witnesses?

22 A I believe that that is a possibility. It would not
23 necessarily be something I think that would happen in the near
24 term. It certainly is in the realm of possibility in the
25 future.

1 Q Do you have any basis in the real world, any
2 real-world example involving CSX and any utility that you're
3 aware of where such a fear has been a reality?

4 A No, I do not.

5 Q Has anyone in this case, to your knowledge, advocated
6 converting all of Tampa Electric's coal transportation to rail?

7 A Well, there was a full requirements bid put before
8 us, so if you can call that as an advocacy, potentially.

9 Q Well, no witness in this case advocates that, does he
10 or she?

11 A Intervenor witness?

12 Q Correct.

13 A That's correct, other than what I know from the rail
14 bid that was received.

15 Q Well, in fact, Dr. Samson advocates intermodal
16 competition, doesn't he?

17 A He does.

18 MR. WRIGHT: One more exhibit. This one is
19 nonconfidential. We'll call it, "TECO Ocean Shipping Flyer."

20 CHAIRMAN BAEZ: We'll mark that as Exhibit 91.

21 (Exhibit 91 marked for identification.)

22 BY MR. WRIGHT:

23 Q Ms. Wehle, have you ever seen this document or
24 anything like it?

25 A No, I have not.

1 Q Really?

2 A Really.

3 Q You don't have any reason to think it's anything
4 other than what it appears to be, do you?

5 A I don't know the -- I can't say. I don't know the
6 genesis of this or what it's all about.

7 Q Do you, as fuels director for Tampa Electric, feel
8 like a captive shipper to TECO Transport?

9 A No.

10 Q How do you think your customers feel?

11 A Tampa Electric customers?

12 Q Yes, ma'am.

13 A I don't know that I can say how my customers feel.

14 MR. WRIGHT: Thank you. That's all I have.

15 CHAIRMAN BAEZ: Thank you, Mr. Wright. We're going
16 to break until 1:15, 45 minutes, and then we'll pick up with
17 Mr. Twomey.

18 (Lunch recess.)

19 CHAIRMAN BAEZ: We'll go back on the record. And,
20 Mr. Twomey, you're on.

21 MR. TWOMEY: Yes, sir, Mr. Chairman. If I may, sir,
22 we didn't get around to having our caucus, I'm afraid, before
23 we got back here. I'd like to suggest that you consider
24 recognizing that we're not going to finish by six o'clock, and
25 perhaps plan so that travel accommodations and so forth can be

1 accommodated.

2 Dr. Hochstein's situation, he's going to have to have
3 surgery the 17th. I don't know -- the other parties agree that
4 he might be able to get on out of order today. I don't think
5 we're going to make that either. He's got a 5:30 flight. To
6 make his flight, he'd have to leave here sometime to
7 accommodate security and so forth. If he missed his flight, I
8 think it's probably common with the rest of the folks with the
9 holiday and everything, it's going to be a hard time with
10 travel penalties and that kind of thing. So we've got eight
11 witnesses after Mr. Wehle (sic). So I would just urge that you
12 consider that we maybe make some plans now.

13 CHAIRMAN BAEZ: Well, the plans are being made. I
14 hadn't planned on doing it this soon. However, you're right
15 about one thing. I would have appreciated you all having
16 your -- I'm sure Mr. Hochstein is not -- or Dr. Hochstein is
17 not the only one that has travel plans, so those kinds of
18 things have to get made known earlier on. We're looking into
19 something next week. Okay. So in terms of your witness's
20 particular situation, I think we might be able to address the
21 long-term situation.

22 In terms of the travel time, I'm not familiar with
23 everyone else's situation, and that makes it kind of hard to
24 know how to juggle witnesses or make whatever accommodations
25 might be available at this point. But what I would do is once

1 we finish Witness Wehle's testimony, we'll take a brief break
2 and see if everybody can sort of get together on what those
3 particular issues are so that we can lay them out and try and
4 work them out. It is evident to me that we are not going to
5 get finished today and, you know, to everyone's regret, I'm
6 sure. But I'll have an announcement at the start of -- you
7 know, right after the next break that we take.

8 Okay. What I would appreciate is for you all to --
9 if you need to get together, get together, and let me know what
10 the issues are with your witnesses exactly to the extent that
11 you can.

12 MR. TWOMEY: Yes, sir. Thank you, Mr. Chairman.

13 CHAIRMAN BAEZ: Mr. Vandiver, you were poised.

14 MR. VANDIVER: I wondered if it might be possible to
15 release Mr. Wells at this time. I think it's obvious that
16 Mr. Wells will not go on today given the present schedule, and
17 we could surely do Mr. Wells next week. It's my understanding
18 of the present timing -- and if that's not possible, that's not
19 possible.

20 CHAIRMAN BAEZ: I'm not trying to deal on the
21 impossible right now, but, you know, Mr. Wells is up second
22 after Ms. Wehle's testimony. And if we plan on breaking it at
23 6:00 today, I guess barring some other issues, I had fully
24 hoped to get to him today because we have essentially four and
25 a half hours of hearing time left, discounting -- you know,

1 gross time, anyway. So are you -- by that, are you telling
2 me -- do you know something that I don't? And I'm sure that
3 you do. But, you know, we've got Mr. Majoros up and then
4 Witness Wells.

5 MR. VANDIVER: No, sir, only what I've been told.
6 We'll just go ahead and proceed and hope for the best.

7 CHAIRMAN BAEZ: Let's keep hoping right now, and
8 there will be a break in between that we can get a better idea
9 of where we are.

10 MR. VANDIVER: Yes, sir.

11 CHAIRMAN BAEZ: Okay. Unless there's anything else
12 to discuss at this point, let's get Mr. Twomey started on his
13 cross and see how quickly we can dispense with the witness.

14 MR. TWOMEY: Yes, sir, Mr. Chairman. Thank you.

15 CROSS EXAMINATION

16 BY MR. TWOMEY:

17 Q Good afternoon, Ms. Wehle.

18 A Good afternoon.

19 Q I have attempted to phrase my questions in a manner
20 that would allow you to answer just yes or no and in many cases
21 without an explanation unless you feel compelled to respond,
22 which I'm not trying to suggest you shouldn't. But I've gone
23 to some effort to try and allow you to answer yes or no if you
24 wish.

25 At Page 4 of your rebuttal testimony, I didn't put

1 the line down, but you accuse Dr. Hochstein of an outrageous
2 conclusion to the effect that TECO Transport could overcharge
3 TECO Electric as much as \$40 million per year based on your
4 observation that TECO Energy's 2003 annual report shows, quote,
5 TECO Transport's total net income was only 15.3 million and
6 revenues from TECO Energy accounted for about 38 percent of the
7 business -- the business's total revenues; that's correct?

8 A That's correct.

9 Q You are a certified public accountant, are you not?

10 A Yes, I am.

11 Q Will you concede that there's no obvious mathematical
12 relationship between TECO Transport's net profits and TECO
13 Electric's revenue contribution to TECO Transport?

14 A TECO Electric's -- I don't understand.

15 Q Let me say it again, and I'll read it slower. Will
16 you concede that there is no obvious mathematical relationship
17 between TECO Transport's net profits and TECO Electric's
18 revenue contribution to TECO Transport?

19 A You mean Tampa Electric's.

20 Q Tampa Electric, I'm sorry.

21 A Revenue contribution.

22 Q To TECO Transport.

23 A Yes.

24 Q Okay. Isn't it true that you have to know TECO
25 Transport's total revenues received from Tampa Electric in 2003

1 to know whether there is room for up to a \$40 million
2 overcharge?

3 A You would have to know more than just the revenues.
4 You'd have to understand the costs as well for an overcharge.
5 I think I answered this question on numerous occasions in my
6 deposition as well as earlier today. My point here was to just
7 say that if we were to assume that that up to \$40 million
8 overcharge, that supposed overcharge did not exist, that would
9 just say that TECO Transport would be operating in the red to
10 the tune of up to \$25 million, and that's just not the case.

11 I tried to show how small of a percentage of the
12 total revenues we also account for as part of TECO Transport's
13 business. And what I'm trying to just put into perspective
14 here for everybody is, the math does not compute to me. It
15 does not add up, that there's enough room in a \$96 million
16 revenue stream from Tampa Electric to have \$40 million of
17 overcharges, not when you end up with a \$15.3 million net
18 profit. It just doesn't work. That's my whole point.

19 Q I understand your point, but let's explore that for a
20 minute, okay? I asked your attorneys to -- you referenced the
21 2003 annual report in your testimony. I have a -- out of the
22 staff's exhibits that were stipulated to, I took a copy of the
23 Form 10K for that year. Do you have a copy of that?

24 A Yes, I was just handed it.

25 Q Okay. Thank you. Now, I calculated, Ms. Wehle, that

1 38 percent of TECO Transport's revenues for 2003, which were
2 \$260.6 million, produced 99 million in revenues that it would
3 have received from Tampa Electric; is that correct?

4 A Actually, I believe the annual report -- and I don't
5 have the exact reference page -- shows exactly what the
6 breakdown would be. I don't remember 99 million, I remember
7 less than that.

8 Q Okay. If you turn to Bates-stamped 122 of the 10K, I
9 guess the second page -- the third page, 122.

10 A Yes.

11 Q That shows total revenues of TECO Transport of
12 260.6 million for 2003; correct?

13 A Correct.

14 Q You said that --

15 A It's approximately 38 percent. There was some
16 rounding in that number. I remember it being, as I said
17 earlier, 96 million.

18 Q Yes, ma'am. I did the math, and if my math is
19 correct, the 38 percent of 206.6 is something a little bit
20 greater than 99 million. But take that as it is, would you
21 agree that at least mathematically revenues of \$99 million from
22 TECO -- from Tampa Electric to TECO Transport would accommodate
23 a \$40 million overcharge mathematically?

24 A Mathematically, 40 is less than 96.

25 Q Okay. Thank you. The \$99 million of Tampa Electric

1 revenue is a substantial contribution to TECO Transport's total
2 revenues for the year, is that correct; that is, it is
3 38 percent?

4 A It's 38 percent. And it has been higher in the past.

5 Q Ms. Wehle, that doesn't necessarily mean that Tampa
6 Electric's contribution to TECO Transport's net earnings or
7 profits is limited to 38 percent of that amount, does it?

8 A I don't understand your question.

9 Q The fact that Tampa Electric contributes 38 percent
10 of Transport's -- I'm just going to refer to it as Transport,
11 okay?

12 A Yes.

13 Q The fact that they contribute 38 percent to
14 Transport's total revenues for the year doesn't necessarily
15 mean that their contribution to overall profits is that same
16 percentage; right?

17 A That's correct.

18 Q It could be, in fact, more or less depending upon
19 what the cost to serve Tampa Electric is versus the revenues
20 taken in; right?

21 A It could be more or less, yes.

22 Q Okay. In fact, theoretically it's possible that all
23 of Transport's 15.3 million in profits could come from Tampa
24 Electric's \$99 million contribution if Transport were selling
25 the rest of its services at cost; correct?

1 A That very well could be the case, but why would they
2 do that? I mean, they are in the business to make money.
3 Again, I'm following your theoretical assumption. I'm not sure
4 why they would do that.

5 Q Ms. Wehle --

6 A I think that's highly unlikely.

7 Q -- isn't it true that the single example we have of
8 what Transport charges unaffiliated third-parties -- and I
9 think we saw that in the JEA Exhibit 79 which was introduced
10 by, I believe, Mr. Wright, that that exhibit reveals that JEA
11 got a rate that was roughly half the cents per ton mile rate
12 you, you being Tampa Electric, pay Transport?

13 A We discussed that earlier, yes.

14 Q Okay.

15 A And again, I said that was a spot rate versus a
16 contract at the time. Our contract rate had been established
17 several years earlier than that. That might have been
18 opportunity business that they were able to garner for that
19 rate if the market had so chosen.

20 Q And the \$9 rate we saw on the JEA-related
21 exhibit would be compared to -- potentially to the TT ocean
22 rate that was shown on Mr. Wright's confidential Exhibit 83;
23 would that be correct? Do you recall the confidential exhibit
24 that showed the breakdown for the river and the transloading --

25 A No, that would not be the same rate.

1 Q Pardon me?

2 A No, that would not be the same rate.

3 Q It wouldn't be the same rate?

4 A No, it would not.

5 Q But it would show the -- I'm sorry. On a mileage
6 basis, if you broke it down to a mileage basis, you could
7 compare dollars or cents per mile; right?

8 A No, you could not. The \$9 rate that you allude to is
9 from Texas, and the rate that that -- I believe if we're
10 talking about the same schedule is from the terminal in Davant,
11 Louisiana.

12 Q Yes, ma'am. And I think you're exactly correct in
13 your recollection, and my point is that to have an apples to
14 apples comparison of those two rates, one could take the
15 distance from Houston to Jacksonville around the horn and
16 compare that, and you could calculate a cents or dollars per
17 ton mile; right?

18 A You could.

19 Q And then you could do the same from Davant to Big
20 Bend and establish a cents per ton mile --

21 A You could.

22 Q -- and then have a head-to-head comparison; right?

23 A Well, I'm not sure it would be -- you know, what
24 other costs would be associated with it. I think Mr. Dibner
25 answered that question today. I'm not sure that would be the

1 complete head-to-head comparison. And that's why I included
2 another rate as part of an exhibit to my testimony that is
3 different than the -- it's higher than the \$9 rate to show that
4 rates do fluctuate in the marketplace, and that rate is higher
5 than what our new contract rate is out of the Texas area.

6 Q And if you know, isn't it true that Tampa Electric
7 and Transport have successfully avoided supplying any other
8 transport rates charged to third parties?

9 A That they have done what?

10 Q Successfully avoided supplying to any of the customer
11 parties in this case any third-party rates.

12 A I don't know of any other rates that have been asked
13 for or provided.

14 Q Okay.

15 A I think that answers your question.

16 Q Yes, ma'am. Ms. Wehle, would you agree with me that
17 even the 15.3 million in profits contributed by Transport is
18 significant to a parent corporation that reported a 2003 net
19 loss of over \$909 million?

20 A It is significant. However, that 900 million, or
21 whatever the number was that you used because I don't have it
22 in front of me, was really geared towards the wholesale
23 generation business that we're into. So I don't know that
24 that's necessarily a fair comparison. You could go back to
25 other years when -- that's a very isolated incident when you go

1 back to other years where TECO Energy has reported net profits
2 well exceeding that. You'd be looking at a different scenario.

3 Q Yes, ma'am. But it's -- you would agree that it's
4 still \$15.3 million?

5 A It's still \$15.3 million.

6 Q Now, Mr. Vandiver asked you a number of questions
7 related to the dead freight liability issue -- I believe it was
8 last evening -- and asked you if there was some potential quid
9 pro quo there. Do you recall that?

10 A Yes.

11 Q Would you agree, Ms. Wehle, that from the perspective
12 of TECO Energy, the parent corporation's bottom line, the clear
13 retention of \$99 million in revenues from Tampa Electric paid
14 through Transport would warrant the forgiveness of a \$10 to \$12
15 million debt?

16 A I don't know that I'm capable of answering that
17 question. That would have to be a question for TECO Transport.

18 Q Okay. I may have misunderstood you, but wasn't part
19 of your response to Mr. Vandiver last night, if I understood
20 it, was that you had, you TECO, Tampa Electric had to give the
21 contract to Transport irrespective of the forgiveness of the
22 dead freight issue?

23 A They have a right of first refusal. We don't have to
24 give the contract to them. It's up to them to choose whether
25 they want to continue to serve us or not.

1 Q So under a worst-case scenario, if you will, had
2 Transport not been so magnanimous, the parent corporation would
3 have gotten a continuation of the contract, which is
4 \$99 million of revenue, last year, and they could have taken
5 the \$10 or \$12 million of dead freight penalty had they wished?

6 A They could have charged us for that, that's correct.

7 Q Okay. But for your special relationship, they might
8 have?

9 A They might very well have.

10 Q Would you concede, Ms. Wehle, that some significant
11 portion of Transport's so-called -- strike that, Transport's
12 third-party business is directly tied to the headhaul coal
13 business with Tampa Electric?

14 A I don't know their third-party business, sir.

15 MR. TWOMEY: Well, and we may want to have some
16 reference to this -- Mr. Chairman, I asked Mr. Beasley if I
17 could use their --

18 MR. BEASLEY: Excellent chart.

19 MR. TWOMEY: -- one of their charts which I believe
20 was entered into evidence.

21 CHAIRMAN BAEZ: I don't know that it was, actually.

22 MR. TWOMEY: No?

23 MR. BEASLEY: No. It's demonstrative evidence, an
24 aid.

25 CHAIRMAN BAEZ: I think you can still refer to it

1 though.

2 MR. TWOMEY: Maybe we could mark it and use it if
3 TECO doesn't mind.

4 MR. BEASLEY: You're certainly welcome to refer to
5 it.

6 CHAIRMAN BAEZ: Why don't you refer to it for the
7 time being and let's see how much we need it.

8 MR. TWOMEY: Okay, Mr. Chairman. Thank you.

9 BY MR. TWOMEY:

10 Q Now, with respect to the backhaul and the other
11 business and on the 10K -- I apologize, Mr. Chairman, I forget
12 which number in the staff's stipulated exhibit list it was, but
13 at Bates-stamped 33, if you would turn there, Ms. Wehle.

14 A 133?

15 Q I meant to say 133, yes. Pardon me.

16 CHAIRMAN BAEZ: Are you talking about the annuals?

17 MR. TWOMEY: Sir?

18 CHAIRMAN BAEZ: Are you talking about the annuals or
19 the 10K?

20 MR. TWOMEY: The 10K.

21 CHAIRMAN BAEZ: It's Exhibit 2 for your reference.

22 MR. TWOMEY: Exhibit 2, sir?

23 CHAIRMAN BAEZ: Uh-huh.

24 MR. TWOMEY: Thank you.

25 BY MR. TWOMEY:

1 Q Ms. Wehle, there's the heading, "TECO Transport," on
2 that page?

3 A Yes.

4 Q Within that paragraph, there is a description, is
5 there not, that describes the fact that 38 percent of
6 Transport's business is with Tampa Electric and the remaining
7 62 percent with third-party customer; right?

8 A That's correct.

9 Q It goes on to state that, quote, most of the
10 third-party utilization of the oceangoing barges is for
11 domestic and international movements of other dry bulk
12 commodities and domestic phosphate movements. Do you see that?

13 A Yes.

14 Q Okay. I believe -- are you familiar with
15 Mr. Majoros's testimony exhibits?

16 A Again, I think I responded earlier. I did not
17 thoroughly read Mr. Majoros's testimony.

18 Q Are you aware sufficiently of his testimony exhibits
19 to know whether he included exhibits that would show the
20 records of the Port of Tampa purporting to show backhauls
21 related to -- for transport out of the Port of Tampa area?

22 A Yes, I remember there was discussion about that
23 yesterday.

24 Q Okay. Would you -- are you sufficiently
25 knowledgeable from that exhibit or the affiliate company's

1 business that you could concede that all or a large portion of
2 ocean backhauls from the Port of Tampa are related to
3 phosphates?

4 A I can't answer that.

5 Q Okay. Would you concede that Transport's loss of the
6 Tampa Electric coal headhauls in the contract from Davant to
7 Big Bend would likely result in the loss of the phosphate
8 backhaul revenues as well?

9 A I believe if they are under contract, that they would
10 possibly have to honor those agreements. I don't know that
11 that would necessarily be the case at all.

12 Q Okay. Do you know whether the phosphate backhauls
13 are charged at a rate that supplies to Transport a profit?

14 A I do not know the answer to that.

15 Q Okay. The same page, Ms. Wehle, on Exhibit 2, the
16 2003 10K, it states, "Bulk terminal operates the largest
17 transfer and storage terminal on the Gulf Coast. Demand for
18 the use of such terminals is dependent upon the customer's use
19 of water transportation versus alternate means of moving bulk
20 commodities and the demand for these commodities. Competition
21 consists primarily of midstream operators and other land-based
22 terminals." Do you see that?

23 A I do.

24 Q Would you agree that alternate means of moving bulk
25 commodities would include by rail?

1 A I believe that could be one of the alternate means.
2 I'm not the author of this statement, so I don't know what the
3 thought process was of who drafted this.

4 Q I'm sorry. I meant to only say, would you agree that
5 rail would be one of the alternate means?

6 A I believe rail could possibly be one of them.

7 Q Would you agree with me that other land-based
8 terminals, that phrase, could include landings directly to Big
9 Bend or the Tampa Bay area that skipped handling at Davant?

10 A It depends on where the people want to have their
11 commodity. That may or may not work for someone. When I read
12 that, I immediately thought of the terminal across the river
13 from TECO bulk terminal.

14 Q Yes, ma'am. But it could more than that; right?

15 A It could if it worked for the customer.

16 Q Okay. And there's also a statement on Bates-stamped
17 133 that says, "Ocean shipping transports products from the
18 Gulf of Mexico and worldwide, and TECO barge operates on the
19 Mississippi, Ohio, and Illinois Rivers and their tributaries."
20 Do you see that?

21 A Yes.

22 Q Now, Ms. Wehle, isn't it correct that all of your
23 domestic coal is carried by TECO barge and is handled at the
24 bulk terminal at Davant?

25 A Yes, currently that is correct. In the past, as we

1 had talked earlier with Mr. Wright, when we had rail unloading
2 facilities at Gannon, we did take domestic coal via rail.

3 Q Isn't it also true that all of your pet coke from
4 Texas is landed and handled at Davant as well?

5 A No, that is not true.

6 Q It's not?

7 A No. All of our coal -- excuse me, pet coke from
8 Texas goes directly to Big Bend. The pet coke that we buy that
9 we show especially on this exhibit is bought in the Louisiana
10 area.

11 Q And it goes straight to --

12 A It's about a hundred miles north of the Davant
13 terminal on the refineries right there in the Louisiana area.

14 Q So it skips the Davant transloading facility?

15 A No, that's not what I'm saying. I'm saying, we don't
16 bring Texas pet coke to Davant and then on to Big Bend. We
17 take it from Texas directly to Big Bend.

18 Q How does it get -- is it rail or how does it get from
19 the refinery to --

20 A The refineries are right there on the Gulf Coast of
21 Texas.

22 Q How is it transported to Davant?

23 A It's not transported to Davant.

24 Q It's right there?

25 A Okay. I'm sorry if I'm not being clear.

1 Q I'm not listening well enough clearly.

2 A The pet coke that we buy for Texas is for Big Bend's
3 use. It is transported from -- let's say, the Beaumont, Texas
4 area was one of the areas that we purchase it at. From the
5 refineries there, it's transported directly via TECO ocean
6 shipping directly to Big Bend. None of the pet coke that we
7 buy in Texas is taken anywhere other than Big Bend. The pet
8 coke that we currently buy for Polk Power Station, which meets
9 its very significant specific requirements, is bought in
10 Louisiana about a hundred miles or maybe even less than that,
11 50 miles from the Davant terminal, and it's brought there for
12 blending purposes. Does that make sense?

13 Q It does, it does. I had forgotten that clearly.
14 Thank you.

15 Ms. Wehle, isn't it also true that the limited
16 foreign coal you purchase passes by Tampa Bay and goes to
17 Davant?

18 A That's right. For blending purposes it has to go to
19 Davant.

20 Q Isn't it also true that all the coal, both foreign
21 and domestic, you purchase is then transloaded at Davant and
22 then transported by TECO ocean to Big Bend?

23 A State your question again for me, please.

24 Q Yes, ma'am. Isn't it true that -- I think you've
25 already said that all the domestic coke -- coal currently comes

1 down the river --

2 A Yes.

3 Q -- and is landed at Davant.

4 A Yes.

5 Q I think you also said all the foreign coal you
6 currently purchase is landed at Davant --

7 A That's correct.

8 Q -- and transloaded there.

9 A It is transloaded at Davant in order to make the
10 specific blend for our Polk Power Station. And I think I said
11 this in my opening statement, it's about 5 percent of our total
12 fuel mix of what we buy out of South America.

13 Q Right. But the result is, if I understand you
14 correctly, all of your coal that you purchase currently passes
15 through Davant where it's charged a fee and is then transported
16 to Big Bend by TECO ocean; is that correct?

17 A That's correct. Again, the vast majority of the
18 domestic product that we buy, which is the vast majority of our
19 coal supply is domestic, it can't get to Big Bend any other way
20 via the ocean unless it were to go through some kind of a
21 transfer facility to put it in ocean vessels to bring it across
22 what we call the ocean or the blue water. River barges cannot
23 come across the ocean.

24 Q Yes, ma'am. I'm not trying to be argumentative. I
25 just wanted to establish that as of now, post-Gannon

1 conversion, every ton of coal you carry -- you burn and
2 purchase goes through Davant and is in turn carried by your
3 oceangoing barges from Davant to Big Bend; is that correct?

4 A That's correct.

5 Q Okay. Now, consequently, isn't it necessarily true
6 that every ton of coal that is carried by the CSX or another
7 railroad would deprive your affiliate, TECO Transport, and your
8 parent corporation of revenue?

9 A I believe that it would displace any revenues under a
10 waterborne transportation agreement, so yes.

11 Q Isn't it true that you have a policy that dictates
12 purchasing coal that will necessarily utilize your affiliate
13 transportation system to the greatest extent possible?

14 A I don't know of such a policy. We have a contract
15 that has minimums and maximums.

16 Q Okay. Accepting that, policy or not, that is in fact
17 the reality today; correct?

18 A No, I don't believe that that is the reality.

19 Q I'm sorry. Not that you have a policy. The fact is,
20 is that all of the coal that you purchase does, in fact,
21 utilize your affiliate transportation system?

22 A Right, because that was the least-cost alternative.
23 That's why we made that decision.

24 Q And you know it's least-cost because you've compared
25 it to all of the other coals that you could burn at Big Bend,

1 either domestic coals or foreign?

2 A You asked me about the transportation is the
3 least-cost, and now you're asking me about comparing coals. I
4 don't understand your question.

5 Q I'm sorry. I thought you were giving me an answer
6 that says that you do it that way right now because it provides
7 the least-cost, and I may have mistakenly took that as the
8 least-cost transportation and coal overall policy. But you
9 meant transportation.

10 A I meant transportation. And then we buy coal
11 throughout the entire contract period again on a cost-delivered
12 basis review lining up with what we have under agreement with
13 our transportation suppliers, and then determine what's our
14 best cost fuel choice given all the parameters for our
15 generating stations.

16 Q If we look at the chart or the poster, if you took --
17 if you purchased any coal from the eastern Appalachians, let's
18 say, for example, where it would presumably be inconvenient or
19 not economically sound to ship by, would eastern Appalachian
20 coal be economical to ship by water through your transportation
21 system?

22 A It depends on which eastern Appalachian coal you're
23 talking about. If it's central Appalachian coal, we cannot
24 burn that in our boilers. So that takes that whole coal area
25 completely out of the mix for us. There -- as I discussed with

1 Mr. Wright earlier, if -- I don't know what you mean by eastern
2 Appalachia. Maybe you could define that for me.

3 Q I'm afraid I can't, as opposed to whatever is
4 described as western Appalachia.

5 A I don't know anything as western Appalachia either.
6 I'm not sure there is such a coal basin called western
7 Appalachia.

8 Q I may have misread it or just made it up, so I
9 apologize for that. But again, looking at the chart, if you
10 purchase coals that are not on the river system and there
11 are -- are there coals that you could burn in your boilers that
12 are not on the river system?

13 A Yes.

14 Q Okay. If the purchase price of the coal coupled with
15 the transportation involved showed that it was a least-cost
16 alternative for you and you purchased it and used another
17 transportation methodology, for example, rail, that would
18 necessarily deprive your affiliated company of the revenue from
19 the river component, the transloading component, and the ocean
20 component; correct?

21 A It would. However, I'd have to evaluate if there
22 were any dead freight liabilities associated with utilizing
23 that alternative transportation component.

24 Q I'm not suggesting that you should do it in breach of
25 the current contract.

1 A Right.

2 Q I'm saying as opposed to if you had the current
3 contract, hypothetically.

4 A Hypothetically if I give business to somebody else,
5 to another transportation supplier, it's going to take revenues
6 away from TECO Transport. I think that's your question.

7 Q Yes.

8 A Okay.

9 Q And the answer is yes?

10 A Yes.

11 Q Now, Ms. Wehle, likewise, isn't it true that every
12 ton of foreign coal you buy in lieu of domestic coal currently
13 also deprives Transport of any revenues?

14 A No, that's not correct.

15 Q I'm sorry. It would deprive them -- if you landed
16 them at Davant, it would deprive them of the river segment.

17 A That's correct.

18 Q Isn't it true that if you were capable of landing
19 foreign coal at Big Bend or in the Port of Tampa, that it would
20 deprive TECO Transport of not only the river leg but the
21 transloading rate or charge as well as the ocean rate?

22 A That's correct. However, and as I reiterate here,
23 and really what this chart was developed to demonstrate was how
24 we buy foreign coal for our Polk Power Station. This is not
25 representative of all the coal we buy from a perspective of a

1 blend. Again, the reason why we bring the coal from South
2 America to the Davant facility is because over two-thirds of
3 the product that we need to blend is already at Davant, and
4 they have the capability and the blending facilities to make
5 the very specified product that we need at Polk Power Station.
6 Big Bend Station does not have that capability.

7 And so in order for me to make the blend that I need
8 with the petroleum coke that I buy very, very inexpensively on
9 the river, I've got to buy and bring that South American
10 product to Davant to make the right blend to meet my
11 environmental specifications at Polk Power Station. I can't do
12 it at Big Bend.

13 Q But is it your testimony that it's not possible to --
14 if the savings were sufficient, if the savings were sufficient
15 on the taking -- landing coal directly at Big Bend or Tampa Bay
16 and by avoiding the ocean leg portion of it, is it your
17 testimony that it's not possible to -- with sufficient savings
18 to do blending at TECO -- at Big Bend?

19 A I have not done the analysis whether there are or are
20 not sufficient savings, but let me say this. We are attempting
21 to get our blending -- excuse me, our use of pet coke increased
22 at Polk Power Station such that I might not even be buying a
23 South American product in the future. So for me to actually
24 spend money to, as you say, create some kind of a blending
25 facility at Big Bend for the potential that there may not even

1 be a future need for blending I don't think would warrant that
2 kind of in-depth, you know, construction.

3 Q But isn't it true that there are South American
4 coals, either from Columbia or Venezuela, that you can burn --
5 that you've had test burns that show you could burn at Big Bend
6 irrespective of your needs at Polk?

7 A There are some South American coals that we can burn
8 in a very limited supply at Big Bend. We have done test burns
9 of them at low quantities. And I believe during my deposition
10 I was asked several questions about one in particular. The
11 types of coal that's typically in the South American area are
12 not the types of design fuel that we use at Big Bend. Big Bend
13 was built based on an Illinois basin domestic product. It is a
14 lower ash fusion temperature coal, and the types of coals that
15 you readily see available in the South American market are of a
16 higher ash fusion temperature.

17 Besides the fact that if you've checked South
18 American pricing of late, and I have an exhibit actually to my
19 rebuttal testimony, you can see how volatile the South American
20 prices have been. And I don't even remember the time period at
21 which I actually prepared that chart. But to put new blending
22 facilities, let's say, at the Big Bend Power Station or Big
23 Bend Station to accommodate the small amount of South American
24 coal that we buy just wouldn't be a prudent decision. I got a
25 quote yesterday for a South American product that was FOB or

1 FOBT South America for \$60 a ton. I mean, that's the reality
2 of the pricing in South America right now. That's actually
3 even higher than what I show in my chart. You know, we're
4 going to have to find something else to do there because I'm
5 not willing to pay those prices for that little amount of coal
6 that I buy.

7 Q Yes, ma'am. But you don't know, do you, that that
8 pricing is not a spike? What I'm saying is, you know that -- I
9 trust that what you're saying is true. You know that that's
10 the current price.

11 A That's right.

12 Q You don't know what it will be tomorrow or the next
13 day.

14 A I've got to believe that based on the chart that I
15 have seen and my experience over the last several months that
16 for that coal to then all of a sudden become competitive with
17 the domestic market, it has to come down substantially.

18 Q Now, with respect to the burns, I thought I read a
19 report that showed that at Big Bend you could take up to
20 60 percent of foreign coals in one of your boilers and as much
21 as 30 percent in the remaining three. Is that true or not?

22 A That is correct, yes. Of that one particular coal
23 that we test burned about -- I don't know if it was 60 or
24 80,000 tons, they held that particular coal to those types of
25 levels, and they did not see any significant performance

1 issues. However, the design engineers that I work with --
2 excuse me, the boiler engineers and the operational engineers
3 that I work with tell me that significant use of a high ash
4 fusion temperature coal will cause, for lack of a better term,
5 pluggage. It can potentially shut down the unit because the
6 ash will not flow out of the bottom of the boiler.

7 And so although that test burn for a very limited
8 number of days showed that there may not have been issues
9 associated with it, we don't know over time whether that would
10 continue to be the case or not.

11 The other issue on that -- the one unit where I have
12 a 60 percent potential on Big Bend Unit 4 I think you're
13 referring to there, right now that is -- the vast majority of
14 that coal -- actually, all the coal that goes into that unit is
15 by a domestic supplier of which they have the right of
16 first refusal on. I don't know that I'm going to be able to
17 buy anything else from anyone else for that unit. So that
18 limits my ability for South American coal.

19 Q Okay. Going back just to the transportation issue.
20 Would you agree that economically your parent corporation would
21 have no interest in seeing the utility, Tampa Electric, utilize
22 coals that would require either rail or -- first of all, rail?
23 Bottom line, it affects Transport and it affects your parent
24 corporation.

25 A I don't know that I can say that they wouldn't want

1 us to use rail. I think what they -- if I can characterize
2 your question, would they not want to have TECO Transport lose
3 business? Yes, I'm sure that that would be a concern.

4 Q And that's my question.

5 A Okay.

6 Q To the extent that they would -- economically isn't
7 it true that it would hurt their bottom line that if you shift
8 any transportation from TECO Transport to rail or other means?

9 A I don't know that it would hurt their bottom line.
10 It would potentially free them up to do some other lucrative
11 business that might be available. But back to your question,
12 would they be concerned about lost business? Yes. What are
13 they going to do about it? How are they going to recoup it?
14 What's their next strategy? I mean, it's a reality you face
15 every day. Every business faces that every day.

16 Q Okay. And again, so I can try to be clear on this,
17 does Tampa Electric, do you have an overall analysis that shows
18 the -- what would produce for you the least-cost generation for
19 your units based upon the coals you can possibly burn and the
20 available transportation methodologies?

21 A I don't know that we've done as full a comprehensive
22 view of what you're looking at. What I do know is an analysis
23 that was performed specifically for Polk Power Station to try
24 and maximize the use of petroleum coke in order to get it as
25 the least fuel cost for that particular generating station. We

1 continue to try and use petroleum coke as much as possible
2 because it is currently a third of the cost of coal. And it
3 maintains -- it has the same Btu value or if not higher than
4 some of the best Illinois basin coals that are out there. And
5 so we try to maximize our use of that as much as possible. Did
6 I answer your question?

7 Q Yes, ma'am. What I'm saying is, I thought I heard
8 you say then you have an analysis of that sort for Polk.

9 A Right.

10 Q You don't specifically have a -- I thought I heard
11 you say you don't specifically have a similar program for the
12 rest of your generation.

13 A You have to remember, Mr. Twomey, that I don't buy
14 all my coal and all my transportation at the same time. I have
15 contracts that I'm living with and under that were signed 20
16 years ago. I mean, to say that I have that kind of flexibility
17 to go out and buy 5 million tons at any given time frame, I
18 don't have that. We have a portfolio of short-term and
19 long-term agreements in order to hedge the market at the
20 appropriate prices at the time via, you know, aggressive bid
21 solicitations. And you know, to say what's the least-cost
22 alternative, we know what can burn in our units, and we go
23 after those coals vigorously to get the best prices when
24 there's an opportunity in the market.

25 Q And I guess, in conclusion, though, where it stands

1 today as a consequence of all those contracts that you as a
2 manager inherited, I guess, is that they just happen to be at
3 locations which compel the use of TECO Transport's services;
4 correct?

5 A And the reason why they -- I don't know if I want to
6 use compel the use of TECO Transport services, but at the time
7 we were probably -- we were under waterborne transportation
8 agreement, and we bought that recognizing that had we not --
9 had we gone completely to rail, I would be -- or the company
10 and the ratepayers would be subjected to dead freight
11 penalties. Does that make sense? I mean, we -- I hope I'm
12 answering your questions.

13 Q You are.

14 A Okay.

15 Q I'm not supposed to answer back, but I just did,
16 didn't I?

17 A I guess I'm not supposed to ask you questions then.

18 Q That's right. That's what I meant.

19 Did you ever negotiate with CSXT for delivery of pet
20 coke to Polk or Big Bend?

21 A No, we have not. I'm not aware of refineries that
22 are served by rail.

23 Q Are you aware of whether or not Seminole Electric
24 burns a substantial amount of pet coke?

25 A I know they burn pet coke, I don't know what the

1 amounts are.

2 Q Are you aware that they receive all of that pet coke,
3 if in fact they do, by rail?

4 A My understanding, and I could be completely off base
5 here, but my understanding is that they actually -- a piece or
6 a component of the journey from that refinery is waterborne,
7 and then it's transloaded I want to say it's either Port
8 St. Joe or I don't recall the exact name in Florida of where
9 they then transload it to rail and then it's delivered into
10 Palatka. So it's my understanding it's not all direct rail.

11 MR. TWOMEY: Okay. Thank you. That's all I have,
12 Mr. Chairman.

13 CHAIRMAN BAEZ: Thank you, Mr. Twomey.
14 Staff.

15 CROSS EXAMINATION

16 BY MR. KEATING:

17 Q Good afternoon, Ms. Wehle.

18 A Good afternoon.

19 Q I think you told Mr. Twomey that you're not familiar
20 with TECO Transport's third-party business; is that correct?

21 A That's correct.

22 Q But you have characterized the TECO Transport
23 contract with JEA that's been discussed a little bit over the
24 last couple of days as a spot rate; is that correct?

25 A Yes. It was a rate afforded to them for, I believe,

1 a year's time frame.

2 Q I'm sorry. For a year's time frame?

3 A For a year's time frame, yes.

4 Q Okay. Is that evident in the documents that were
5 produced as part of that transaction?

6 A The documents that were presented to me showed about
7 a 12-month period of invoices.

8 Q Okay. And that's how you come to the conclusion that
9 that's a spot rate?

10 A Yes.

11 Q Ms. Wehle, I want to hand out or have handed out some
12 portions of 423 forms that have been filed with the Commission
13 by Gulf Power Company.

14 A Okay.

15 MR. KEATING: And if I could have these marked for
16 identification when they make it around.

17 CHAIRMAN BAEZ: Mr. Keating?

18 MR. KEATING: Yes.

19 CHAIRMAN BAEZ: Are these the same forms that were
20 marked --

21 MR. KEATING: This is a different -- it represents
22 the same months, but they include additional pages. One of
23 Tampa Electric's concerns yesterday was that without the
24 additional pages, it didn't provide the context necessary to
25 make any conclusions about the rate set forth in the pages that

1 were presented.

2 CHAIRMAN BAEZ: Very well.

3 MR. KEATING: So I'm not going to ask that we do
4 anything with what was marked, I believe, as 71 yesterday.

5 CHAIRMAN BAEZ: Show these marked as Exhibit 92; show
6 them as "Revised Gulf Power Form 423."

7 (Exhibit 92 marked for identification.)

8 BY MR. KEATING:

9 Q Ms. Wehle, as director of wholesale marketing and
10 fuels for Tampa Electric, you are familiar with the PSC's 423
11 forms; correct?

12 A That's correct.

13 Q And these are forms that each investor-owned utility
14 in this state files at the PSC on a monthly basis?

15 A Yes.

16 Q The excerpts that I have handed you from Gulf Power's
17 filings are for the period January through April 2001, and then
18 there's, I believe, portions from January 2004. If you could
19 look at the first three pages of this exhibit, and I believe
20 those pages reflect Gulf's filing or the relevant portion for
21 purpose of my questions, Gulf's filing for January 2001.

22 A Okay.

23 Q Would you agree that these pages show data for coal
24 delivered in January 2001 to Gulf Power's Crist Power Plant?

25 A Yes.

1 Q Okay. And that plant is located in Pensacola;
2 correct?

3 A Yes.

4 Q Okay. Does the first page show what the title
5 implies, a monthly report of cost and quality of fuel oil,
6 origin, tonnage, delivered price, and as received quality?

7 A Yes.

8 Q And under Column D in the table in that form, it
9 shows a purchase type; correct?

10 A That's correct.

11 Q What do the Cs and the Ss signify in that column?

12 A Contract for C, and spot for S.

13 Q And how is a purchase distinguished between contract
14 and spot?

15 A I don't know how Gulf Power distinguishes them. I
16 know how we do.

17 Q Does this indicate whether the commodity itself was
18 purchased on a spot or contract basis?

19 A Yes, it relates to the commodity.

20 Q And if you could look at -- I'm sorry, let me turn
21 you to the second page for January 2001. And does that page
22 show what the title implies, the monthly report of cost and
23 quality of fuel oil, a detailed purchased coal invoice
24 information?

25 A Yes.

1 Q And do the Cs and Ss under purchase type, Column D,
2 represent the same things as they did on the previous page?

3 A I didn't prepare this, so I assume they do.

4 Q Okay. But this form is used by all of the utilities,
5 the electric utilities in Florida; correct?

6 A That's correct. I can't purport to know any details
7 behind what I see here.

8 Q Okay. And if you could turn to the third page for
9 January 2001. And does that page show what the title implies,
10 a detail of transportation charges?

11 A It shows -- yes, it shows some transportation
12 charges.

13 Q If you could look at Line 8 on this third page.
14 Would you agree that this line shows that coal was shipped from
15 the IMT terminal to Crist Power Plant for \$5.17 a ton in
16 January 2001?

17 A I can only assume that that's what they mean. Again,
18 I don't know how this was prepared to say -- I mean, that's
19 what it appears to be, but I can't tell you for sure if that's
20 what it says, if that's what the meaning is behind it.

21 Q When Tampa Electric prepares one of these forms and
22 they make an entry in Column K, rate per ton, does that reflect
23 the barge rate per ton that Tampa Electric is charged?

24 A I can say that that's how we report it. I cannot say
25 how Gulf Power interprets. I assume that that's what they mean

1 there, but I'm not privy to their information.

2 Q If you could turn back to the first page of the
3 exhibit, and again, look at Line 8, Column H, effective
4 transport charges. That line shows the same supplier name,
5 mine location as shown on Line 8 of the third page with an
6 effective transport charge of \$5.17 a ton. Do you see that?

7 A Yes.

8 Q Okay. And based on the way that Tampa Electric at
9 least has completed these forms, would you agree that that
10 should reflect the transport charges for shipping that coal?

11 A Yes.

12 Q Okay. That \$5.17 a ton would represent a transport
13 rate as opposed to a commodity cost or delivered cost; is that
14 correct?

15 A That is what should be represented in that column.

16 Q If you could briefly look through the pages that
17 follow those first three pages, and those will represent the
18 same three pages of information for February, March, and
19 April 2001. Starting with February 2001, if you could look at
20 Line 9 on each of those pages.

21 A Okay.

22 Q Would you agree that the February 2001 schedules show
23 that the same river barge rate, \$5.17 a ton, was paid for
24 shipping coal from the International Marine terminal to the
25 Crist Power Plant?

1 A Yes, that's what it says.

2 Q And is that the same for March 2001 for the shipment
3 shown on Line 9 of those schedules?

4 A Yes, that's what it says.

5 Q And for April 2001, looking at Line 11 of the three
6 pages provided for that month, would you agree that the rate is
7 shown as \$5.10 a ton?

8 A Yes, it appears on one page.

9 Q Okay.

10 A I don't see it on the other.

11 Q Yeah, I'm looking at Line 11 on the first page of the
12 April 2001 form.

13 A That's right. I didn't get -- I got one other page
14 for April that does not show --

15 Q Right. There are three pages for April, and I
16 believe the first and the third show -- the first shows an
17 effective transport charge, the second does not show, I
18 believe, any transportation charges, and the third shows a
19 river barge rate.

20 A Yeah, I only got two pages for April.

21 Q I'm give you the copy that I have which does show
22 three pages.

23 A Okay. Yes, it shows \$5.10.

24 Q Is there anything in those forms that indicates that
25 that transportation rate is a spot rate?

1 A The form doesn't address whether transportation is
2 spot or contract.

3 Q It simply shows rather the commodity --

4 A Is spot or contract.

5 Q -- transported was purchased spot or contract.

6 A I don't know if this is a spot rate or not.

7 Q Do you know if Gulf Power or Southern Company has a
8 subsidiary or affiliate that is involved in shipping coal?

9 A I don't know the answer to that question.

10 Q Assuming that they don't and that this transportation
11 was provided by a nonaffiliate, is there any question that this
12 rate, whether it be spot or a contract rate, reflects a market
13 rate developed through an arm's-length transaction?

14 A I can't say that.

15 MR. KEATING: I'd like to hand out or have handed out
16 another exhibit that's comprised of some of Tampa Electric's
17 A Schedules for 2002 and 2003. And if I could have that
18 marked.

19 CHAIRMAN BAEZ: Show the exhibit marked Number 93,
20 and show them as a composite exhibit of Tampa Electric
21 Company's Schedule A4 for various years.

22 (Exhibit 93 marked for identification.)

23 BY MR. KEATING:

24 Q Ms. Wehle, are you familiar with Tampa Electric's
25 A Schedules?

1 A I am familiar with them. I do not prepare them. I
2 may only be able to help you out just so far.

3 Q Well, these are, would you agree, monthly filings
4 that are made with the Public Service Commission?

5 A Yes.

6 Q And the schedules I've handed you are for the summer
7 months of 2002 and 2003, June, July, and August for each year.
8 If you could look on the first page of this exhibit, the A
9 Schedule -- and this is Schedule A4 for the month June 2001.

10 A Okay.

11 Q If you could look at the -- at Column I, fuel burned
12 units, and for the Big Bend station going down that column, it
13 shows a total of 381,039?

14 A Yes.

15 Q Is that tons of coal burned at Big Bend?

16 A I believe that's the units. Subject to check, I
17 believe that's the units reported there.

18 Q And going down that column to the amount shown for
19 the Polk Number 1 gasifier, does that represent the amount of
20 coal or blended coal and pet coke that's burned at the Polk
21 Unit?

22 A Yes.

23 Q And if I were to go through these schedules for the
24 remaining five months shown, if I looked at that column for the
25 Big Bend Station and Polk 1 gasifier, I would get combined the

1 total amount of coal and pet coke that the company burned in
2 those months?

3 A You'd have to add in Gannon Station.

4 Q Okay. Adding in the Gannon Station as well, and
5 that's shown in the same column just above the Big Bend
6 numbers?

7 A Yes. I believe there's a total coal line item
8 towards the bottom of the page.

9 Q And Gannon is not currently burning coal anymore; is
10 that correct?

11 A That's correct.

12 Q And they quit burning coal entirely as of January of
13 this year?

14 A October of 2003, I believe.

15 Q Well, looking forward, since Gannon won't be burning
16 coal anymore, if we take the sum of the Big Bend and Polk
17 numbers, we would get -- well, we would get the amounts burned
18 for those two units in 2002 and 2003 for those months, would
19 you agree?

20 A Yes.

21 Q Okay. Would you agree, subject to check, that the
22 total monthly coal and pet coke burned at Big Bend and Polk
23 units for those two summers was equal to or less than 424,694
24 tons?

25 A I have not done the math.

1 Q All I'm doing is adding the Big Bend and the Polk
2 numbers in each of these, and obviously it's just a
3 mathematical calculation.

4 A I trust that you're giving me the correct sum.

5 Q And I understand that your agreement is subject to
6 check.

7 A Subject to check.

8 Q And again, subject to check, would you agree that the
9 corresponding burn was equal to or less than 13,700 tons per
10 day for those units?

11 A Can I go back to your previous number that you said?

12 Q The previous number 424,000-- well, we'll round it up
13 to 425,000 tons.

14 A For those three months? That doesn't sound right.

15 Q For each month.

16 A Oh, okay. I'm sorry. I misunderstood. I'm sorry.
17 Ask your question again.

18 Q Would you agree, subject to check, that the
19 corresponding burn for each of those months was equal to or
20 less than 13,700 tons per day?

21 A That sounds about right. I typically in the summer
22 months utilize a 15,000-ton per day rate. It seems a little
23 bit low, but it may very well have been.

24 Q I want to refer to a confidential document that was
25 provided yesterday in staff's composite exhibit of confidential

1 documents that was identified as Exhibit 3. If you don't have
2 that, I can make sure you get a copy of that.

3 A Was it under my cross-examination?

4 Q It was a stipulated exhibit at the beginning of the
5 day.

6 A Oh, I don't know that I have it.

7 Q I'll have that handed to you. I think the
8 Commissioners and the parties should have a copy, but I'm not
9 sure if it was something that was provided to any of the
10 witnesses at the time.

11 And you have that in front of you now?

12 A Yes.

13 Q Would you agree that the number of tons per day
14 assumed in calculating the required storage at the New Orleans
15 area terminal for purposes of Tampa Electric's RFP is shown
16 where it says, "max burn" about five lines down on that table?

17 A That was used in part of the calculation to get to
18 that final number.

19 Q Is the number shown there on the fifth line down, and
20 I believe this is a confidential document which is why I'm not
21 referring to the number itself, does that -- are you agreeing
22 that that represents the number of tons per day that was used
23 to calculate the required storage at the New Orleans terminal?

24 A Yes.

25 Q Now, after going through the A Schedules for the

1 summers of 2002 and 2003, you agreed that for Big Bend and Polk
2 the burn would be about 13,700 tons per day for coal and pet
3 coke; is that correct?

4 A Yes. Again, I typically use around about a
5 15,000-ton round number.

6 Q If that's the case, why does the RFP -- why is the
7 amount calculated for required storage at the terminal service
8 for the RFP the amount shown in the schedule that you're
9 looking at?

10 A Okay. Again, this was to arrive at what would we
11 feel like would be the potential maximum amount that could
12 actually occur as far as storage requirements at the Davant
13 facility. And as you can see, we arrive at a number that's
14 higher than that. Again, these are using round numbers of how
15 high we feel like those rates actually could get to. And we
16 asked and included in our RFP of other terminal facilities if
17 in the event that we had some kind of a catastrophic event, be
18 it, a weather-related event, some kind of a terror attack, and
19 we could not bring coal to the Big Bend Station for an extended
20 period of time, what did we feel like would be the absolute
21 maximum storage capability that we would be required to have,
22 and this is how we came up with it. This is an estimate. As
23 you can see, we didn't even use the entirety of the number on
24 the bottom.

25 As an example, the number that's shown up top, and

1 it's not highlighted, I don't know if it's a confidential
2 number or not, that was used in the RFP to ask for the absolute
3 maximum, that would just be double what we typically are
4 working with, maybe even a little bit less than double what
5 we're typically working with at Davant right now. And so it's
6 conceivable that if we were to have significant issues such
7 that we could not take coal to Big Bend Station but yet still
8 did want to take coal because the pricing was right and we
9 chose not to force majeure our coal agreements, that we wanted
10 to make sure that we had the flexibility and the storage
11 capacity. Again, this is the absolute maximum. The other
12 thing to keep in mind is the terminal bid that we received said
13 that they could also do this same level.

14 Q Would you agree that the larger the tonnage required
15 by the RFP to be held at the terminal, that generally the
16 higher the terminal cost and bid would be?

17 A I don't believe that that's how they priced it, no.

18 MR. KEATING: I'm going to hand you one more set of
19 A Schedules. And if I could have this exhibit marked for
20 identification.

21 CHAIRMAN BAEZ: Composite exhibit of Tampa Electric
22 Company's Schedule A4 for the months of January 2001 through
23 December 2003, show it marked as Exhibit 94.

24 (Exhibit 94 marked for identification.)

25 BY MR. KEATING:

1 Q And, Ms. Wehle, in this exhibit I'm essentially
2 looking at the same information or would ask you to look at the
3 same information that we looked at in the previous set of
4 A Schedules under Column I for the Big Bend Station and Polk 1
5 gasifier.

6 A Okay. On Schedule A4?

7 Q Yes, these are Schedule A4s, I believe.

8 A Okay.

9 MR. BEASLEY: Cochran, which page? I'm sorry. Did
10 you reference a page number?

11 MR. KEATING: I'm looking at the first page.

12 BY MR. KEATING:

13 Q These schedules are for the months of January 2001
14 through December 2003 so that you'll have 36 months of Schedule
15 A4s in this exhibit. If we were to sum for each month in 2001
16 the tonnages shown under Column I, fuel burned units, for the
17 Big Bend Station and the Polk 1 gasifier, would you agree,
18 subject to check, that that total would be -- would show that
19 Tampa Electric burned at those facilities 4,673,000 tons in
20 2001?

21 A Absent the Gannon Station; correct?

22 Q Absent the Gannon Station.

23 A Subject to check, I would agree.

24 Q And would you agree, subject to check, that for 2002
25 that amount would be 4,530,000 tons?

1 A That sounds awful low to me, but subject to check.

2 Q And finally, would you agree that the amount shown --
3 excuse me, that the total amount for 2003 would be
4 4,470,000 tons? And this is just for the Big Bend and Polk
5 units.

6 A That could possibly be. It's subject to check.

7 Q Okay. Tampa Electric's RFP required bids for
8 shipment of minimum tonnages across the Gulf, or I guess better
9 put, it required a bidder to be able to move up to
10 5.5 million tons of coal across the Gulf; is that correct?

11 A That's correct.

12 Q Can you explain the difference -- or why would the
13 RFP require 5.5 million tons of the capacity to move that
14 amount if the burn at least for the last three years at Polk
15 and Big Bend is somewhere in the neighborhood of 4.4 to 4.6
16 million tons?

17 A I'm not, you know, exactly sure what maintenance and
18 other items that were being done or types of operational
19 difficulties that Big Bend may have been having. I do know now
20 though, and I think you addressed it in part of the ten-year
21 site plan yesterday, we expect to burn about 5 million tons of
22 coal between those two facilities going forward. And
23 5.5 deliveries -- okay. Your deliveries and your burn may not
24 always exactly match. And so I might be actually replenishing
25 stockpile beyond the burn and the like. So we gave ourselves

1 the flexibility of going up to 5.5 million tons. That's not
2 the minimums under the contract though. You have to remember
3 that.

4 (Transcript continues in sequence with Volume 6.)

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1 STATE OF FLORIDA)
2 COUNTY OF LEON)

CERTIFICATE OF REPORTER

3
4 I, TRICIA DeMARTE, RPR, Official Commission Reporter,
do hereby certify that the foregoing proceeding was heard at
5 the time and place herein stated.

6 IT IS FURTHER CERTIFIED that I stenographically
reported the said proceedings; that the same has been
7 transcribed under my direct supervision; and that this
transcript constitutes a true transcription of my notes of said
8 proceedings.

9 I FURTHER CERTIFY that I am not a relative, employee,
attorney or counsel of any of the parties, nor am I a relative
10 or employee of any of the parties' attorneys or counsel
connected with the action, nor am I financially interested in
11 the action.

12 DATED THIS 3rd DAY OF JUNE, 2004.

13 *Tricia Demarte*

14 TRICIA DeMARTE, RPR
15 FPSC Official Commission Reporter
(850) 413-6736

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