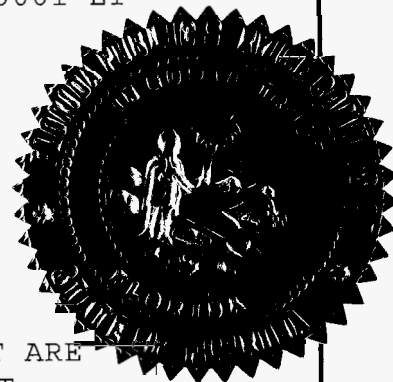


BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 040001-EI

In the Matter of

FUEL AND PURCHASED POWER  
COST RECOVERY CLAUSE WITH  
GENERATING PERFORMANCE INCENTIVE  
FACTOR.



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VOLUME 6

Pages 683 through 775

PROCEEDINGS: HEARING

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

DATE: Tuesday, November 9, 2004

TIME: Commenced at 9:30 a.m.  
Concluded at 5:32 p.m.

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

REPORTED BY: JANE FAUROT, RPR  
Official FPSC Reporter  
(850) 413-6732

APPEARANCES: (As heretofore noted.)

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## I N D E X

## WITNESSES

| NAME:  | PAGE NO. |
|--|----------|
| J. DENISE JORDAN   |          |
| Direct Prefiled Testimony (True-up) Inserted               | 711      |
| Direct Prefiled Testimony (Revised Projection)<br>Inserted | 721      |
| Prefiled Rebuttal Testimony Inserted                       | 735      |
| THOMAS L. HARTMAN (Continued)                              |          |
| Continued Cross Examination by Ms. Vining                  | 740      |
| Redirect Examination by Mr. Litchfield                     | 765      |

EXHIBITS

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

| NUMBER : |                                  | ID. | ADMTD. |
|----------|----------------------------------|-----|--------|
| 69       | Right of first refusal agreement | 746 | 774    |
| 41-44    |                                  |     | 710    |
| 13-18    |                                  |     | 773    |
| 66-68    |                                  |     | 774    |

## P R O C E E D I N G S

(Transcript follows in sequence from Volume 5.)

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

Ms. Vining, are we going to take care of some housekeeping matters before, or do we need to take them up as they come along? I know there are a couple of issues that we need to discuss in terms of recommendations and whatnot.

MS. VINING: Sure. We could talk -- staff would recommend that we have a written recommendation on Issue 14C. if you want to talk with that before we get into --

CHAIRMAN BAEZ: Okay. Why don't we talk about that, because I understand that there are some, that there are dates that become relevant.

MS. VINING: Yes.

CHAIRMAN BAEZ: First of all, lay out the briefing schedule, or the transcript schedule, briefing schedule, what you all would anticipate in terms of a written recommendation, and let's see where we are.

MS. VINING: Looking at the CASR as it stands now, the transcript is due on November 17th. And it is my understanding that that cannot be moved at this point in time. Based on that being the date for the transcript, we would propose that the brief be due on Issue 14C on December 1st. And then staff would have a rec due on December 21st for the agenda on January 4th.

1 COMMISSIONER DAVIDSON: Merry Christmas, Happy New  
2 Year.

3 CHAIRMAN BAEZ: You said January 4th agenda?

4 MS. VINING: Yes.

5 CHAIRMAN BAEZ: All right. Assuming that briefing  
6 schedule, what is the downside of that briefing schedule from  
7 your perspective, because then I will get input from the  
8 parties?

9 MS. VINING: There is no downside from our  
10 perspective. Of course we would prefer to go to the January  
18th agenda, that would give us additional time, but we can  
make the January 4th agenda.

CHAIRMAN BAEZ: All right. Mr. Litchfield and Mr.  
Moyle?

15 MR. BUTLER: We would not object to what staff has  
16 suggested.

17 CHAIRMAN BAEZ: As is.

18 MR. BUTLER: As is.

19 CHAIRMAN BAEZ: Mr. Moyle.

20 MR. MOYLE: I think --

21 CHAIRMAN BAEZ: It is truncated, I mean, and I  
22 recognize that.

23 MR. MOYLE: The January 18th agenda would work better  
24 on my end, from the standpoint of I think I'm supposed to not  
25 even be in town on the 4th, the 1/4 agenda conference.

1 MR. BUTLER: Chairman Baez.

2 CHAIRMAN BAEZ: Yes.

3 MR. BUTLER: The concern that we have about the  
4 January 18th agenda is that if you follow the same time  
5 sequence that was reflected in the CASR for this docket for  
6 issuing an order after the agenda, the order would not end up  
7 coming out until February 7, which is kind of a problem with  
8 respect to the deadlines that we have under the contract for  
9 making the decision. That's why we, at least, would prefer to  
10 go with January 4 rather than January 18th.

CHAIRMAN BAEZ: And I think maybe the order is  
something that we can probably work on.

14 MS. VINING: Yes. I mean, I can issue the order  
sooner than the usual 20 days.

15 THE WITNESS: My ultimate concern or my real concern  
16 is how do we process what the after-decision might be. I mean,  
17 if for whatever reason there is reconsideration, and, you know,  
18 that is not unheard of necessarily, how we can accommodate  
19 that, which is why the January 4th is more -- I think it would  
20 be better in light of the after-process.

21 MR. BUTLER: I agree.

22 CHAIRMAN BAEZ: That is really what is driving my  
23 concern. Mr. Moyle, I mean, I'm trying to recognize that that  
24 is as much an opportunity for all the parties involved, or as  
25 much a consideration for all the parties involved as it is --

1 MR. MOYLE: You know, as I am sitting here thinking,  
2 there is -- strike that.

3 CHAIRMAN BAEZ: Ms. Kaufman or Mr. McGlothlin, I know  
4 you had questions on this issue. Was it Mr. McGlothlin? I'm  
5 trying to remember. It seems like forever ago. I failed to  
6 ask you if you had any concerns or any issues with that, but  
7 now you have the benefit of at least some thought on it.

8 MR. MCGLOTHLIN: We believe that the proposed  
9 schedules that have been described would meet our needs in  
10 terms of an opportunity to distill the information into a  
11 memorandum supporting our position, that was our primary  
12 concern about the possibility of not having that opportunity.

13 CHAIRMAN BAEZ: Again, I realize, and everybody  
14 respect that it is a little truncated, but we are running out  
15 of time here if, in fact, we are to give credence or  
16 consideration --

17 MR. MCGLOTHLIN: We can meet the schedule that the  
18 staff described.

19 CHAIRMAN BAEZ: Very well. Then let's go with that.  
20 And just to repeat, the transcripts are due on the 17th of  
21 November. Briefs due the first of December. The  
22 recommendation, again, would be due the 21st.

23 MS. VINING: That's correct.

24 CHAIRMAN BAEZ: For a January 4th agenda conference,  
25 okay. That takes care of 14C.

1           Commissioners, as I had mentioned before, we're going  
2 to try and get some of the items that don't have factor impacts  
3 out of the way in order that we can start thinning the crowd.  
4 And the first one that I have up is 13B. Am I looking at the  
5 right list?

6           MS. VINING: That's correct.

7           CHAIRMAN BAEZ: Okay.

8           MR. WINDHAM: Commissioners, Issue 13B is whether  
9 Progress Energy Florida has properly calculated the 2003 price  
10 for waterborne transportation services provided by Progress  
11 Fuels Corporation. And staff's position is yes.

12           Historically this issue has been taken to mean  
13 whether the coal transportation proxy price has been correctly  
14 updated. No party has taken a position that the proxy was not  
15 properly updated. Staff already has confirmed that the 2003  
16 proxy price was properly updated.

17           CHAIRMAN BAEZ: Commissioners, questions or a motion.

18           COMMISSIONER DEASON: Move approval of staff's  
19 recommendation.

20           COMMISSIONER DAVIDSON: Second.

21           CHAIRMAN BAEZ: Motion and a second. All those in  
22 favor say aye.

23           (Unanimous affirmative vote.)

24           CHAIRMAN BAEZ: Show Issue 13B approved

25           The next one I have is Issue 13G.



1 MS. VINING: Yes.

2 MR. WINDHAM: Issue 13G is whether Progress Energy  
3 Florida has made the appropriate adjustments to its 2004 and  
4 2005 waterborne coal transportation costs for recovery purposes  
5 according to the stipulation in Order Number PSC-04-0713-AS-EI.

6 Staff's position is that the adjustments were  
7 actually not exactly right. So the answer is no. The company  
8 appears to have made the appropriate adjustment for 2004, but  
9 the company has indicated that the cost projections that were  
10 used for 2005 were too low. Further adjustments will be needed  
11 in the future. Any further such adjustments that are needed  
12 should be trued up in next year's fuel filing.

13 CHAIRMAN BAEZ: Commissioners, questions?

14 COMMISSIONER DEASON: Well, I think, just so I  
15 understand the recommendation it is that we can go ahead and  
16 use the filed information for recovery purposes in '05 with the  
17 understanding that we anticipate there would be a need for a  
18 true-up and that it could just go through the normal true-up  
19 procedure and get back to on a going-forward basis, it would be  
20 calculated correctly going forward.

21 MR. WINDHAM: Yes, that's correct.

22 COMMISSIONER DEASON: I move approval of staff's  
23 recommendation.

24 COMMISSIONER DAVIDSON: Second.

25 CHAIRMAN BAEZ: A motion and a second. All those in

1 favor say aye.

2 (Unanimous affirmative vote.)

3 CHAIRMAN BAEZ: Show Item 13G approved. Next is 13I.

4 MR. McNULTY: Yes. Commissioners, Issue 13I asks  
5 whether an adjustment should be made to Progress Energy  
6 Florida's 2001 through 2003 waterborne coal transportation  
7 costs to account for transloading for coal commodity contracts  
8 that are quoted FOB barge.

9 Staff has two alternative recommendations for you to  
10 consider. The first recommendation for you to consider is to  
11 make an adjustment to reduce coal transportation dollars paid  
12 by PEF, Progress Energy, to Progress Fuels Corporation in 2003  
13 by \$828,940, thereby offsetting Progress Fuel Corporation's  
14 best estimate of the amount of transloading cost that was  
15 included in the foreign coal proxy price for 2003. No  
16 adjustment is proposed for 2001 or 2002. This recommendation  
17 is aligned, at least as regards any 2003 adjustment, with the  
18 position taken by Public Counsel.

19 The second recommendation is to make no further  
20 adjustment to the commodity costs to reflect the cost of  
21 transloading beyond that which the company has already provided  
22 in 2003. Similar to the first recommendation, no adjustment is  
23 proposed for 2001 or 2002, thus this recommendation is in  
24 agreement with Progress Energy's position.

25 We are prepared to answer your questions at this

1 time.

2 COMMISSIONER BRADLEY: Mr. Chairman.

3 CHAIRMAN BAEZ: Go ahead, Commissioner.

4 COMMISSIONER BRADLEY: If there are no questions, I'm  
5 prepared to move staff's recommendation.

6 CHAIRMAN BAEZ: Which one would that be, sir?

7 COMMISSIONER BRADLEY: 13I.

8 CHAIRMAN BAEZ: I have a question, if you don't mind,  
9 before you do that.

10 Can you go over again why the alternatives, and how  
11 you get -- I know that as part of your recommendation you set  
12 up one alternative as no adjustment, which falls in line with  
13 what the company's request is, but can you go over more what  
14 the mechanics of the other alternative is.

15 MR. McNULTY: Certainly I think we can speak to that.  
16 I will present one recommendation. The recommendation that I  
17 will present is the recommendation that says that there should  
18 be no adjustment. And that is basically for those coal  
19 shipments which were purchased FOB/DFL, and that is freight on  
20 board Dixie Fuel Lines vessels. The evidence, I believe,  
21 presented in this case indicates that the utility made per ton  
adjustments to the commodity price to account for the  
transloading services that were provided, and that there was  
nothing offered in this case to controvert that such  
25 adjustments were not made.

1           Let me make sure I state that correctly. We believe  
2 that those adjustments were properly made. Witness Davis  
3 indicated that Progress Energy Florida provided a credit  
4 adjustment for transloading service equivalent to IMTs charged  
5 for such service. Progress thereby offset the transloading  
6 costs contemplated when the Commission adopted the FPC market  
7 price proxy for foreign waterborne coal transportation in 1994.

8           In last year's fuel hearing, the Commission declined  
9 to adjust Progress' recoverable amounts under the proxies, both  
10 the domestic and the foreign, for 2003 and 2002, as a matter of  
11 fundamentally fairness, despite concerns that the proxies may  
12 not be cost-based for those years. The domestic and the  
13 foreign waterborne coal transportation proxies were the result  
14 of settlements. Thus, staff makes the recommendation it does,  
15 a no recommendation on adjustments for that portion of that  
16 alternative recommendation that I just spoke of.

17           CHAIRMAN BAEZ: Commissioners.

18           COMMISSIONER DEASON: Let me ask a question.

19           MR. WINDHAM: In the other alternative --

20           COMMISSIONER DEASON: Well, let me ask the question  
21 first.

22           CHAIRMAN BAEZ: Hold on, there's a question.

23           COMMISSIONER DEASON: I can hold my question. Let me  
24 hear the other --

25           CHAIRMAN BAEZ: Go ahead. Sorry.

1 MR. WINDHAM: Progress Fuels Corporation is an  
2 affiliate company of Progress Energy Florida that manages coal  
3 procurement and transportation for PEF. Order PSC-94-0390  
4 established the coal transportation proxy price for foreign  
5 coal received at IMT, and stated that the proxy price was to  
6 include transloading and trans-Gulf barging costs.

7 On Page 2 of supplemental direct testimony of the PEF  
8 Witness Donna Davis, she confirms that the proxy amount  
9 included in the proxy price for domestic coal includes the cost  
10 of loading from river barges to ocean-going barges, and the  
11 same transloading price was used for the cost of unloading a  
12 foreign ship to a foreign barge in setting the coal  
13 transportation proxy price for foreign coal.

14 For the number of tons of foreign coal that are in  
15 question that came from Emerald in 2003, as denoted on the  
16 Office of Public Counsel Exhibit 62, the record in the hearing  
17 established that all transloading costs was paid by the  
18 shipper. And Progress Fuels neither provided nor paid for any  
19 transloading costs other than the transloading costs paid by  
20 shipper that was included in the commodity price.

21 During cross-examination, Progress Witness Donna  
22 Davis stated that the amounts given in columns of this exhibit  
23 under the headings transload and cross-Gulf were respectively  
24 Progress Fuels' best estimate of the respective transloading  
25 and cross-Gulf shipping portions of the 2003 proxy price. She

1 also stated that the transloading costs represented the effect  
2 of the escalators on the original transloading cost portion of  
3 the base coal transportation proxy price of \$23 that was  
4 escalated from 1993 to 2003.

5 On Page 4 of her supplemental testimony, Witness  
6 Davis stated that the price used by PFC to adjust the proxy  
7 price for the transaction in question was a price PFC has  
8 charged for transloading on the ground foreign coal purchases,  
9 which represents only a portion of the transloading costs for  
10 unloading a ship to an ocean barge.

11 Since the ratepayers are being charged full proxy  
12 price for cross-Gulf shipping and transloading, and PFC  
13 provided no transloading services, staff would adjust out the  
14 full proxy price, PFC's best estimate of the amount of  
15 transloading cost that was included in the foreign coal proxy  
16 price for 2003. This is the amount shown under the heading  
17 transload in OPC Exhibit 62 rather than the amount shown in the  
18 adjustment column that was adjusted out by Progress Fuels.

19 Multiplying the difference in these proposed  
20 adjustments times the number of tons, gives an adjustment of  
21 \$828,940.

22 COMMISSIONER DEASON: I'll ask my question. There is  
23 no issue that there should be an adjustment made. The question  
24 is is the adjustment that was made in Progress's filing, is  
25 that the correct amount or should it be a higher adjustment,

1 correct?

2 MR. McNULTY: That's correct.

3 COMMISSIONER DEASON: And as I recall the  
4 cross-examination of the witness, there was an amount shown  
5 that she agreed should be the adjustment. And as I recall her  
6 testimony, it was the -- I think she used the term actual, and  
7 I may be -- staff can correct me. It was her best  
8 determination as to what the actual cost of transloading is.  
9 But that there was an amount in another column, which was a  
10 higher number, which I think was confidential, or maybe that  
11 number wasn't, I forget, but I'm not going to say any number.  
12 It was a higher number. And as I recall her testimony, it was  
13 an amount that was included, that was required to be included  
14 on the -- was it the 423 reports? Some report.

15 MR. McNULTY: Yes, 423 is correct.

16 COMMISSIONER DEASON: And that it was, and I'm not  
17 trying to put words in her mouth, but the impression that I  
18 got, it was more of an arbitrary allocation of some sort to  
19 meet that reporting requirement. That was the impression that  
20 I got. Now, if I'm incorrect in that, or if either staff has a  
21 different impression of that, I wish you would clarify that for  
22 me.

23 MR. McNULTY: That was my impression of her  
24 testimony, as well.

25 MR. WINDHAM: Only to the extent, also, that she

1 testified, I believe, that that number was the escalated, the  
2 original proxy transloading cost as escalated from the original  
3 time in 1992 when it was set up, 1993 when it was set up until  
4 2003. So it represents the escalated transloading cost that  
5 was in the proxy.

6 COMMISSIONER DEASON: But the number that she used  
7 that was the basis for her adjustment, according to her  
8 testimony, that was under present day conditions the best  
9 determination of what transloading costs would be had they been  
10 incurred. Is that correct, or am I misunderstanding?

11 MR. McNULTY: Yes, Commissioner, I believe that was  
12 an amount that she indicated was the -- and she indicated this  
13 in her written testimony, was the amount that is currently  
14 normally paid for such services to IMT, which is the  
15 transloader entity in this case.

16 COMMISSIONER DEASON: So the question is do we use  
17 that number or the number that has been historically reported  
18 and escalated as part of the Form 423 report.

19 MR. McNULTY: That's exactly right.

20 MR. WINDHAM: Except the number may be a portion of  
21 the total transloading costs in question rather than the total.  
22 She indicated that that number was a number that they had  
23 applied to the on-the-ground coal as opposed to the full  
24 ship-to-shore-to-ship transloading.

25 COMMISSIONER DEASON: Let me ask another question.



1 Is this going to be a continuing issue with every fuel  
2 adjustment filing, or is this just a one-time issue that is  
3 going to be part of this proceeding this year?

4 MR. McNULTY: As far as I know, this should be the  
5 end of the line on this type of question. Because the market  
6 price proxies, we had a spin-out issue from last year that we  
7 dealt with, and this kind of metamorphosized from what that was  
8 into this new issue. And this is actually a fairly  
9 late-developing issue that has just really come up and been  
10 examined in just the last few weeks. But in answer to your  
11 question, Commissioner, we really don't see anything further as  
12 we have eliminated the market price proxies.

13 COMMISSIONER DEASON: That was my understanding, as  
14 well. I just wanted you to confirm that.

15 COMMISSIONER DAVIDSON: I was going to say,  
16 Commissioner Bradley was going to make a motion. I also,  
17 depending on what it is, I mean, just based on what I have  
18 heard here just based on sort of the entire record, the  
19 application of the proxy, and the recommendation from Mr.  
20 McNulty, I mean, I personally don't see a need for an  
21 additional adjustment. So I would support the recommendation  
22 as set forth by Mr. McNulty.

23 COMMISSIONER BRADLEY: That was going to be my  
24 motion, that we accept staff's initial recommendation.

25 COMMISSIONER DAVIDSON: As set forth by Mr. McNulty?

1 COMMISSIONER BRADLEY: Yes.

2 COMMISSIONER DAVIDSON: I'll second that.

3 CHAIRMAN BAEZ: A motion and a second. All those in  
4 favor say aye.

5 (Unanimous affirmative vote.)

6 CHAIRMAN BAEZ: 17E, is that correct?

7 MS. VINING: Yes.

8 COMMISSIONER BRADLEY: 17E.

9 CHAIRMAN BAEZ: 17E.

10 MR. BOHRMAN: Commissioners, Issue 17E reads, "Are  
11 the fuel charges Tampa Electric expects to incur for its  
12 wholesale energy purchases from Hardee Power Partners for 2005  
13 reasonable?"

14 Staff recommends, yes. Three years ago the  
15 Commission determined that Tampa Electric's costs under its  
16 wholesale energy purchase contract with Hardee Power Partners  
17 were reasonable. Tampa Electric indicated in Witness Benjamin  
18 Smith's direct testimony and Tampa Electric's response to  
19 FIPUG's Interrogatory Number 6 that no change occurred when  
20 TECO Power Services sold its Hardee Power Partners capacity  
21 last year.

22 FIPUG has not raised any additional changed  
23 circumstances that would warrant the Commission to analyze  
24 Tampa Electric's contract with Hardee Power Partners any  
25 further. Staff recommends that the Commission find that Tampa

1 Electric's fuel charges under its wholesale energy purchase  
2 contract with Hardee Power Partners for 2005 as reasonable.

3 CHAIRMAN BAEZ: Commissioners, questions or a motion.

4 COMMISSIONER BRADLEY: I will move staff's  
5 recommendation.

6 COMMISSIONER DAVIDSON: Second.

7 CHAIRMAN BAEZ: There is a motion and a second. All  
8 those in favor say aye.

9 (Unanimous affirmative vote.)

10 CHAIRMAN BAEZ: Thank you, Commissioners. Issue 19.

11 MR. MATLOCK: Commissioners, Issue 19 covers the GPIF  
12 targets for all the utilities, targets and ranges for all the  
13 utilities. The Office of Public Counsel and FIPUG have taken  
14 the position that the targets for Tampa Electric Company should  
15 not be approved because they are lower than those for 2003 in  
16 which the utility was penalized in the GPIF program, and  
17 because those targets and the general performance of the coal  
18 units for Tampa Electric don't compare favorably with the other  
19 similar units in the state. They have specifically talked  
20 about Progress Energy's coal units.

21 Staff's position is that although OPC and FIPUG have  
22 noted that TECO's 2005 availability targets are lower than  
23 those for 2003, that their heat rate targets are generally  
24 higher and that TECO's historical performance compares  
25 unfavorably with Progress Energy's coal unit performance.

1 Staff's position is that TECO's GPIF targets are set  
2 in accordance with the GPIF manual, and that those targets are  
3 correctly set.

4 CHAIRMAN BAEZ: Commissioners, questions or a motion.

5 COMMISSIONER DAVIDSON: I have a question. Staff, if  
6 you can go into a little bit more detail. Just as the  
7 statement is set forth in the prehearing statement, it strikes  
8 me as somewhat backwards that the targets for the period of  
9 January '05 through December '05 would be lower than what we  
10 approved for the 2003 target ranges. So help me understand the  
11 basis of staff's recommendation, if you can articulate the  
12 rationale in greater detail.

13 MR. MATLOCK: Well, sir, the reason that -- the  
14 reason that these targets are lower is because they are set  
15 primarily based on the company itself's historical performance.  
16 The performance for the period preceding the calendar year 2003  
17 was greater -- the performance during that period was good  
18 enough to set targets, which the company did not meet in 2003,  
19 and they were penalized in that year.

20 COMMISSIONER DAVIDSON: It seems to me, I mean,  
21 performance ought to be becoming better and stronger. Would  
22 there be a problem with just -- the targets for the '05 period  
23 are, indeed, lower than what the Commission approved for '03,  
24 is that correct?

25 MR. MATLOCK: Yes, sir.

1 COMMISSIONER DAVIDSON: What would be the fallout for  
2 '05 at least maintaining the '03 targets? And did we have --  
3 sorry, before I throw that, were there also separate '04  
4 targets that were different than the '03 targets?

5 MR. MATLOCK: Yes, sir.

6 COMMISSIONER DAVIDSON: And were those higher or  
7 lower than the '03 targets?

8 MR. MATLOCK: I believe that the '04 targets, I don't  
9 know, but I think that they would have been lower because of --

10 COMMISSIONER DAVIDSON: Lower than '03?

11 MR. MATLOCK: Lower than the '03 actual performance.  
12 Because of that, and because of the way that those targets are  
13 set based on historical performance going into the first half  
14 of 2003.

15 COMMISSIONER DAVIDSON: Well, rank, if you can, since  
16 we are sort of setting targets/range, rank the '03, the '04,  
17 and the '05 targets in terms of highest to lowest.

18 MR. MATLOCK: Well, those targets vary by unit, but I  
19 have those targets here.

20 COMMISSIONER DAVIDSON: Well, let me ask another  
21 question. Is it at all -- has the Commission dealt with this  
22 situation in the past? Is it not at all unusual for targets  
23 for one year to be, targets for, say, a later year to be lower  
24 than targets for a prior year, is that a regular occurrence?

25 MR. MATLOCK: That is -- I'm pretty sure that happens

1 from time to time. I don't know if it happens regularly, but I  
2 think it does happen from time to time just because things go  
3 up and down.

4 COMMISSIONER DAVIDSON: Well, I will defer to the  
5 other Commissioners on this issue.

6 COMMISSIONER DEASON: Well --

7 COMMISSIONER BRADLEY: Well --

8 COMMISSIONER DEASON: Go ahead, Commissioner.

9 COMMISSIONER BRADLEY: And I heard what Commissioner  
10 Davidson's line of questioning is, but it seems to me that what  
11 staff is indicating is that '05 may be somewhat more realistic  
12 than '03 in terms of their GFI conclusions. Sorry, GPIF  
13 conclusions. I'm sorry.

14 MR. MATLOCK: Beg your pardon, sir?

15 COMMISSIONER BRADLEY: I said GFI, but I meant GPIF  
16 conclusions.

17 MR. MATLOCK: GPIF, yes, sir.

18 In a way that is an interpretation that the targets  
19 are more realistic, even though they are -- even though they  
20 are lower and performance is declining from one year to the  
21 next, in a way that more realistic target is a way of looking  
22 at that difference.

23 COMMISSIONER BRADLEY: And maybe, probably, what '05  
24 can serve as -- maybe '05 can serve as a more realistic base  
25 line for future determinations, that's what I'm hearing.

1           COMMISSIONER DEASON: Staff, correct me if I'm wrong,  
2 but it is my understanding that GPIF was adopted by the  
3 Commission, and the purpose of it was to provide an incentive  
4 for efficient performance. And it set goals and penalties, and  
5 that in setting that it looked at historic performance, and it  
6 is not a static amount, it changes from year to year based upon  
7 what the historic performance has been. And this is the way it  
8 has been set up and the way it has operated for, I suppose,  
9 since its inception. And I think it has worked well.

10           What we have here is maybe -- maybe a lit bit of a  
11 quirk in the situation in which what was before considered to  
12 be a target in prior years, due to the intervening performance  
13 that was below that, then it has the effect of resetting the  
14 target downward. But I think that is what the GPIF, that is  
15 what the procedure calls for now. If we want to change that,  
16 I'm not saying that we shouldn't, I think if the Commission  
17 wants to take a look at that, that we can, and maybe we should  
18 do it on a prospective basis.

19           But I think what has been filed here, and it is the  
20 position that has been taken by TECO, is totally consistent  
21 with the rules, the rules of the game, and that those rules  
22 have been applied consistently since GPIF's inception. And I  
23 would be very hesitant to deviate from that, based upon the  
24 record that we have here. If it needs a review going forward,  
25 I'm not opposed to looking at it, but I just don't think it

1 would be appropriate to apply it here at this time based upon  
2 these facts. So unless there are further questions, I would  
3 move approval of staff's recommendation.

4 COMMISSIONER BRADLEY: Second.

5 CHAIRMAN BAEZ: There is a motion and a second. Just  
6 for the record, I would agree with you, Commissioner. And to  
7 the extent that this isn't a quirk, necessarily, or this is  
8 just one of those vagaries of the operation of the incentive  
9 rules, and it does need to be looked at, now is not the time.

10 To the extent that it seems like staff has been able  
11 to determine everything has been consistent with the rules, so  
12 I certainly would be hard pressed to be changing in midstream.  
13 But given that, there is a motion and a second. All those in  
14 favor say aye.

15 (Unanimous affirmative vote.)

16 COMMISSIONER DEASON: Let me clarify one thing. When  
17 I say taking look at it, I just wanted to make sure that, I'm  
18 not talking about maybe. I mean, perhaps if it is necessary,  
19 I'm not saying it is, and if it is, it would be just for the  
20 purpose of tweaking it.

21 CHAIRMAN BAEZ: Hear hear.

22 COMMISSIONER DEASON: I think GPIF has been a very  
23 fundamental, sound regulatory policy this Commission has  
24 instituted, and the ratepayers have been the big winners in  
25 this over the long-term.



1 CHAIRMAN BAEZ: Agree.

2 COMMISSIONER DEASON: If we need to tweak it some,  
3 I'm not opposed to that, but I'm not necessarily thinking that  
4 we need to throw out GPIF or undertake some type of a wholesale  
5 review. Because my opinion is that it is a process and a  
6 procedure that works quite well.

7 CHAIRMAN BAEZ: Even the question of reviewing the  
8 GPIF wasn't before us at this point.

9 COMMISSIONER BRADLEY: Are we finished?

10 CHAIRMAN BAEZ: Yes, we are done with the issue,  
11 Commissioner.

12 Ms. Vining, I have a list of issues here that seem to  
13 be fallout issues, is that correct?

14 MS. VINING: Yes. The remaining issues besides 14B  
15 and C would be fallout issues.

16 CHAIRMAN BAEZ: And those would be 1, 2, 3, 5, 6 and  
17 8.

18 COMMISSIONER BRADLEY: 14E and C.

19 CHAIRMAN BAEZ: No. Hold on, Commissioner Bradley.  
20 14B we are holding off to the end of the hearing.

21 COMMISSIONER BRADLEY: I thought I heard you say 14E  
22 and C.

23 CHAIRMAN BAEZ: 14C is the one that is subject to a  
24 written recommendation.

25 What we are left with, Commissioners, is Issues 1, 2,

1 3, 5, 6 and 8. And there is a way that we can dispense with  
2 all of them. Because if I heard you say correctly, they are  
3 fallout issues that are subject to calculations.

4 MS. VINING: Right. If you would grant staff the  
5 administrative authority to make the calculations for those  
6 issues based on your decision in the company-specific issues.

7 CHAIRMAN BAEZ: And I just have a question. Is this  
8 a way that we have dealt with it in prior fuel dockets?

9 MS. VINING: Yes.

10 CHAIRMAN BAEZ: It is. And we have to ask ourselves  
11 the same question in every fuel docket?

12 MS. VINING: Yes.

13 CHAIRMAN BAEZ: Commissioners, for purposes of this  
14 docket only, the issues that have been discussed, those being  
15 Issues 1, 2, 3, 5, 6 and 8 can be dealt with administratively.  
16 Those are fallout issues based on calculations. I would  
17 entertain a motion to allow staff to deal with this, to give  
18 staff the authority to deal with it administratively, if anyone  
19 is of a mind to do it.

20 COMMISSIONER DEASON: So moved.

21 COMMISSIONER BRADLEY: Second.

22 CHAIRMAN BAEZ: A motion and a second. All those in  
23 favor say aye.

24 (Unanimous affirmative vote.)

25 CHAIRMAN BAEZ: Thank you, Commissioners. And, thank

1 you, staff.

2 Now, just to clarify, the remaining Issues 14B and C,  
3 14B we are awaiting further testimony, or the closing of  
4 testimony on that issue. And 14C, as we have already discussed  
5 prior, is going to be subject to a written recommendation on a  
6 schedule that has already been established. And with that --

7 MR. BEASLEY: Mr. Chairman.

8 CHAIRMAN BAEZ: Mr. Beasley.

9 MR. BEASLEY: If I could, sir, at this juncture move  
10 the admission of the testimony of Ms. Denise Jordan. And that  
11 would include the February 23, 2004, true-up testimony, the  
12 October 28, 2004, revised projected testimony, and her October  
13 18, 2004, rebuttal testimony.

14 CHAIRMAN BAEZ: Without objection, show the direct,  
15 the supplemental, rebuttal --

16 MR. BEASLEY: Rebuttal and true-up projection and --

17 CHAIRMAN BAEZ: The rebuttal and true-up projections  
18 of Witness Denise Jordan admitted into the record as though  
19 read.

20 MR. BEASLEY: And the admission of her Exhibits 41,  
42, 43 and 44.

25 CHAIRMAN BAEZ: And I am paging quickly through my  
trusty -- yes, and also show without objection the attached  
exhibits, those being prenumbered Exhibits 41, 42, 43 and 44  
also admitted into the record.

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MR. BEASLEY: Thank you, sir.

CHAIRMAN BAEZ: Thank you, Mr. Beasley.

(Exhibits 41 through 44 admitted into the record.)

## 1                   BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

## 2                                   PREPARED DIRECT TESTIMONY

3   OF

4   J. DENISE JORDAN

5  
6   **Q.**   Please state your name, address, occupation and  
7           employer.

8  
9   **A.**   My name is J. Denise Jordan. My business address is 702  
10           North Franklin Street, Tampa, Florida 33602. I am  
11           employed by Tampa Electric Company ("Tampa Electric" or  
12           "company") in the position of Director, **Rates and**  
13           Planning in the Regulatory Affairs Department.

14  
15   **Q.**   Please provide a brief outline of your educational  
16           background and business experience.

17  
18   **A.**   I received a Bachelor of Mechanical Engineering degree  
19           in 1987 from Georgia Institute of Technology in Atlanta,  
20           Georgia. Prior to joining Tampa Electric, I accumulated  
21           13 years of electric utility experience working in the  
22           areas of rate design and administration, demand-side  
23           management implementation, commercial and industrial  
24           account management, customer service and marketing. In  
25           April 2000, I joined Tampa Electric as Manager, Electric

1 Regulatory Affairs. In February 2001, I was promoted to  
2 Director, Rates and Planning. My present  
3 responsibilities include the areas of fuel and purchased  
4 power, capacity, environmental and energy conservation  
5 cost recovery, corporate strategic planning, load  
6 research and forecasting and rate design.

7  
8 Q. Have you previously testified before the Florida Public  
9 Service Commission ("FPSC" or "Commission")?

10  
11 A. Yes. On behalf of Tampa Electric, I have testified  
12 before this Commission in Docket Nos. 010001-EI, 020001-  
13 EI and 030001-EI regarding cost recovery and regulatory  
14 treatment of capacity and fuel and purchased power  
15 expenses. I also testified in Docket No. 010283-EI,  
16 which addressed the calculation of gains and the  
17 appropriate regulatory treatment for non-separated  
18 wholesale energy sales. In addition, I have filed  
19 direct testimony and appeared before this Commission on  
20 behalf of the company in several other dockets.

21  
22 Q. What is the purpose of your testimony?

23  
24 A. The purpose of my testimony is to present, for the  
25 Commission's review and approval, the final true-up

1 amounts for the period from January 2003 through  
2 December 2003 for both the Fuel and Purchased Power Cost  
3 Recovery Clause ("fuel clause") and the Capacity Cost  
4 Recovery Clause ("capacity clause"). I also present the  
5 wholesale incentive benchmark for January 2004 through  
6 December 2004 as well as the actual incremental  
7 operation and maintenance ("O&M") security alert and  
8 hedging expenses for the period January 2003 through  
9 December 2003.

10

11 **Q.** What is the source of the data, which you will present  
12 by way of testimony or exhibits in this process?

13

14 **A.** Unless otherwise indicated, the actual data is taken  
15 from the books and records of Tampa Electric. The books  
16 and records are kept in the regular course of business  
17 in accordance with generally accepted accounting  
18 principles and practices, and provisions of the Uniform  
19 System of Accounts as prescribed by this Commission.

20

21 **Q.** Have you prepared an exhibit in this proceeding?

22

23 **A.** Yes. I have prepared Exhibit No.\_\_\_\_ (JDJ-1), Fuel and  
24 Purchased Power Cost Recovery and Capacity Cost Recovery  
25 that contains four documents as described in my

1 testimony.

2  
3 **CAPACITY COST RECOVERY CLAUSE**

4 **Q.** What is the final true-up amount for the Capacity Cost  
5 Recovery Clause for the period January 2003 through  
6 December 2003?

7  
8 **A.** The final true-up amount for the capacity clause for the  
9 period January 2003 through December 2003 is an under-  
10 recovery of \$296,014.

11  
12 **Q.** Please explain Document No. 1.

13  
14 **A.** Document No. 1, page 1 of 4 entitled "Tampa Electric  
15 Company Capacity Cost Recovery Clause Calculation of  
16 Final True-up Variances for the Period January 2003  
17 through December 2003" shows the calculation of the  
18 final true-up under-recovery of \$296,014. The actual  
19 capacity cost under-recovery, including interest was  
20 \$2,457,523 for the period January 2003 through December  
21 2003 as identified in Document No. 1, pages 1, 2 and 4  
22 of 4. This amount, less the actual/estimated under-  
23 recovery approved in FPSC Order No. PSC-03-1461-FOF-EI  
24 issued December 22, 2003 in Docket No. 030001-EI of  
25 \$2,161,509, results in a final under-recovery for the



1 period of \$296,014 as identified in Document No. 1,  
2 pages 1 and 4 of 4. This under-recovery amount will be  
3 applied in the calculation of the capacity cost recovery  
4 factors for the period January 2005 through December  
5 2005.

6  
7 **Q.** What is the estimated effect of this \$296,014 under-  
8 recovery in the January 2003 through December 2003  
9 period, on residential bills during the January 2005  
10 through December 2005 period?

11  
12 **A.** The \$296,014 under-recovery will cause a 1,000 kWh  
13 residential bill to be approximately \$0.02 higher.

14  
15 **Incremental Security Alert Expenses**

16 **Q.** What were Tampa Electric's actual 2003 incremental O&M  
17 costs for security alert expenses as a result of the  
18 events of September 11, 2001?

19  
20 **A.** As shown in Document No. 1, Page 2 of 4, line 4, Tampa  
21 Electric incurred \$214,722 for incremental O&M security  
22 expenses for measures taken by the company to protect its  
23 generating facilities for the period January 2003 through  
24 December 2003.

25

REVISED 8/4/04

## 1 FUEL AND PURCHASED POWER COST RECOVERY CLAUSE

2 . What is the final true-up amount for the Fuel and  
3 Purchased Power Cost Recovery Clause for the period  
4 January 2003 through December 2003?

5  
6 . The final fuel true-up for the period January 2003  
7 through December 2003 is an over-recovery of  
8 \$39,039,043. The actual fuel cost under-recovery,  
including interest, was \$51,968,402 for the period  
10 January 2003 through December 2003. This \$51,968,402  
11 amount includes the \$8,416,800 offset to the company's  
12 recoverable fuel costs due to O&M savings associated  
13 with the Gannon Station shutdown that the Commission  
14 voted to impose. Pursuant to generally accepted  
15 accounting principles, the \$8,416,800 offset was booked  
16 in December 2003 because the Commission's decision  
17 resulted in a probable expense for Tampa Electric and  
18 could be quantified. The offset is shown as a line item  
19 on Tampa Electric's December 2003 Schedule A2, filed  
20 January 26, 2004. The \$51,968,402 amount, less the  
21 actual/estimated under-recovery amount of \$91,007,445  
22 approved in Order No. PSC-03-1461-FOF-EI issued December  
23 22, 2003 in Docket No. 030001-EI results in a final  
24 over-recovery amount for the January through December  
25 2003 period of \$39,039,043.

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2. What is the estimated effect of the \$39,039,043 over-recovery from the January 2003 through December 2003 period on residential bills during the January 2005 through December 2005 period?

. The \$39,039,043 over-recovery will cause a 1,000 kWh residential bill to be approximately \$2.09 lower.

2. Please explain Document No. 2.

A. Document No. 2 is entitled "Tampa Electric Company Final Fuel Over/(Under)- Recovery for the Period January 2003 through December 2003". It shows the calculation of the final fuel over-recovery for the period of \$39,039,043.

Line 1 shows the total company fuel costs of \$646,244,377 for the period January 2003 through December 2003. The jurisdictional amount of total fuel costs is \$621,842,511 as shown on line 2. This amount is compared to the jurisdictional fuel revenues applicable to the period on line 3 to obtain the actual

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1 under-recovered fuel costs for the period, shown on line  
2 4. The resulting \$22,815,786 under-recovered fuel costs  
3 for the period, combined with the interest, true-up  
4 collected and the prior period true-up shown on lines 5,  
5 6 and 7, respectively, constitute the actual under-  
6 recovery of \$51,968,402 shown on line 8. The  
7 \$51,968,402 less the actual/estimated under-recovery of  
8 \$91,007,445 shown on line 9, results in a final over-  
9 recovery amount for the period of \$39,039,043 as shown  
10 on line 10.

11  
12  
13  
14  
15 Q. Please explain Document No. 3.

16  
17 A. Document No. 3 entitled "Tampa Electric Company  
18 Calculation of True-up Amount Actual vs. Original  
19 Estimates for the Period January 2003 through December  
20 2003", shows the calculation of the actual under-  
21 recovery as compared to the estimate for the same  
22 period.

23  
24 Q. What was the total fuel and net power transaction cost  
25 variance for the period January 2003 through December

1 2003?

2 A. As shown on line A7 of Document No. 3, the fuel and net  
3 power transaction cost variance is \$35,664,626 or 5.8  
4 percent more than originally estimated.

5

6 Q. What was the variance in jurisdictional fuel revenues  
7 for the period January 2003 through December 2003?

8

9 A. As shown on line C3 of Document No. 3, the company  
10 collected \$376,262 or 0.1 percent less jurisdictional  
11 fuel revenues than originally estimated.

12

13 Q. Please explain Document No. 4

14

15 A. Document No. 4 contains Commission Schedules A1 through  
16 A9 for the months of January 2003 through December 2003.  
17 Also included is a twelve-month summary detailing the  
18 transactions for each of Commission Schedules A6, A7,  
19 A8, and A9 for the period January 2003 through December  
20 2003.

21

22 **Wholesale Incentive Benchmark**

23 Q. What is Tampa Electric's wholesale incentive benchmark  
24 for 2003 as derived in accordance with Order No. PSC-01-  
25 2371-FOF-EI, Docket No. 010283-EI?

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**A.** The company's 2004 benchmark is \$1,178,388, which is the three-year average of \$1,512,133, \$838,302 and \$1,184,728 actual gains on the non-separated wholesale sales, excluding emergency, for 2001, 2002 and 2003, respectively.

**Hedging Transaction and Incremental O&M Costs**

**Q.** Did Tampa Electric prudently incur any transaction and incremental O&M expenses for initiating and/or maintaining its non-speculative financial hedging program in 2003?

**A.** Yes. Tampa Electric prudently incurred \$108,746 for incremental O&M hedging expenses. An itemization of the incremental O&M expenses by category will be provided as an exhibit to the April 1, 2004 direct testimony of Tampa Electric witness J. T. Wehle.

**Q.** Does this conclude your testimony?

**A.** Yes.

1                   BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2                                   PREPARED DIRECT TESTIMONY

3   OF

4   J. DENISE JORDAN

5  
6   **Q.**   Please state your name, address, occupation and employer.  
7

8   **A.**   My name is J. Denise Jordan. My business address is 702  
9           North Franklin Street, Tampa, Florida 33602. I am  
10          employed by Tampa Electric Company ("Tampa Electric" or  
11          "company") as Director, Rates and Planning in the  
12          Regulatory Affairs Department.  
13

14   **Q.**   Please provide a brief outline of your educational  
15          background and business experience.  
16

17   **A.**   I received a Bachelor of Mechanical Engineering degree in  
18          1987 from Georgia Institute of Technology in Atlanta,  
19          Georgia. Prior to joining Tampa Electric, I accumulated  
20          13 years of electric utility experience working in the  
21          areas of rate design and administration, demand-side  
22          management implementation, commercial and industrial  
23          account management, customer service and marketing. In  
24          April 2000, I joined Tampa Electric as Manager, Electric  
25          Regulatory Affairs. In February 2001, I was promoted to

1 Director, Rates and Planning. My present responsibilities  
2 include the areas of fuel and purchased power, capacity,  
3 environmental and energy conservation cost recovery  
4 clauses, rate design, strategic planning and load  
5 research and forecasting.

6  
7 **Q.** Have you previously testified before the Florida Public  
8 Service Commission ("Commission")?

9  
10 **A.** Yes. On behalf of Tampa Electric, I have testified  
11 before this Commission in the fuel and purchased power  
12 dockets regarding regulatory treatment and cost recovery  
13 of fuel and purchased power expenses since November 2000.  
14 I also testified in Docket No. 010283-EI, which addressed  
15 the calculation of gains and the appropriate regulatory  
16 treatment for non-separated wholesale energy sales. In  
17 addition, I have filed direct testimony and appeared  
18 before this Commission on behalf of the company in  
19 several other dockets.

20  
21 **Q.** What is the purpose of your testimony?

22  
23 **A.** The purpose of my testimony is to present, for Commission  
24 review and approval, the proposed annual capacity cost  
25 recovery factors, the proposed annual levelized fuel and



1 purchased power cost recovery factors and the projected  
2 wholesale incentive benchmark for January 2005 through  
3 December 2005. In addition, I will address the 2005  
4 projected incremental security costs due to increased  
5 security as a result of the September 11, 2001 attacks;  
6 the appropriate base amount and period for calculating  
7 incremental security costs; and the projected incremental  
8 operating and maintenance ("O&M") costs associated with  
9 Tampa Electric's hedging activities. I will also  
10 describe significant events that affect the factors and  
11 provide an overview of the composite effect from the  
12 various cost recovery factors for 2005.

13  
14 Q. Have you prepared any exhibits to support your testimony?

15  
16 A. Yes. My Exhibit No. \_\_\_\_ (JDJ-3), consisting of three  
17 documents, was prepared under my direction and  
18 supervision. Document No. 1 of Exhibit No. \_\_\_\_ (JDJ-3)  
19 is furnished as support for the projected capacity cost  
20 recovery factors. In support of the proposed levelized  
21 fuel and purchased power cost recovery factors, Document  
22 No. 2 is comprised of Schedules E1 through E10 for  
23 January 2005 through December 2005 and Schedule H1 for  
24 January through December, 2002 through 2005. Document  
25 No. 3 provides the composite effect of the proposed cost

1 recovery factors on a 1,000 kilowatt-hour ("kWh")  
2 residential bill.

3  
4 **Capacity Cost Recovery Clause**

5 **Q.** Are you requesting Commission approval of the projected  
6 capacity cost recovery factors for the company's various  
7 rate schedules?

8  
9 **A.** Yes. The capacity cost recovery factors, prepared under  
10 my direction and supervision, are provided in Exhibit No.  
11 \_\_\_\_ (JDJ-3), Document No. 1, Projected Capacity Cost  
12 Recovery.

13  
14 **Q.** What payments are included in Tampa Electric's capacity  
15 cost recovery factors?

16  
17 **A.** Tampa Electric is requesting recovery through the  
18 capacity cost recovery factor of capacity payments for  
19 purchases of power made for retail customers excluding  
20 optional provision purchases for interruptible customers.

21  
22 **Q.** Has Tampa Electric included costs for security alert  
23 expenses as a result of the events of September 11, 2001?

24  
25 **A.** Yes. The Commission has authorized in previous years'

1 fuel docket hearings, the recovery of incremental  
2 security O&M costs arising as a result of the  
3 extraordinary circumstances of the attacks of September  
4 11, 2001, through the capacity clause. Therefore, as  
5 shown on Exhibit \_\_\_\_\_ (JDJ-3), Document No. 1, Tampa  
6 Electric requests recovery of \$363,579, after  
7 jurisdictional separation, for estimated expenses in  
8 2005.

9  
10 **Q.** Were Tampa Electric's base year "post-9/11" security  
11 costs adjusted for retail energy sales growth as required  
12 by Order No. PSC-03-1461-FOF-EI, filed in Docket No.  
13 30001-EI on December 22, 2003?

14  
15 **A.** Yes. Tampa Electric's 2004 adjusted base year total  
16 security O&M costs were \$2,135,077. After adjusting this  
17 baseline for expected energy sales growth, a \$2,185,678  
18 baseline was used to calculate Tampa Electric's 2005  
19 incremental security costs. This calculation is shown on  
20 Exhibit \_\_\_\_\_ (JDJ-3), Document No. 1, page 4 of 4.

21  
22 **Q.** Please summarize the proposed capacity cost recovery  
23 clause factors by rate schedule for January 2005 through  
24 December 2005.

25

| 1 | A.                       | Capacity Cost Recovery        |
|---|--------------------------|-------------------------------|
| 2 | <u>Rate Schedule</u>     | <u>Factor (cents per kWh)</u> |
| 3 | Average Factor           | 0.302                         |
| 4 | RS                       | 0.377                         |
| 5 | GS and TS                | 0.338                         |
| 6 | GSD, EV-X                | 0.278                         |
| 7 | GSLD and SBF             | 0.254                         |
| 8 | IS-1, IS-3, SBI-1, SBI-3 | 0.023                         |
| 9 | SL-2, OL-1 and OL-3      | 0.047                         |

10

11 These factors are shown in Exhibit No. \_\_\_\_ (JDJ-3),  
 12 Document No. 1, page 3 of 4.

13

14 Q. How does Tampa Electric's proposed average capacity cost  
 15 recovery factor of 0.302 cents per kWh compare to the  
 16 factor for January through December 2004?

17

18 A. The proposed capacity cost recovery factor is 0.086 cents  
 19 per kWh (or \$0.86 per 1,000 kWh) higher than the average  
 20 capacity cost recovery factor of 0.216 cents per kWh for  
 21 the January 2004 through December 2004 period.

22

23 **Fuel and Purchased Power Cost Recovery Factors**

24 Q. What is the appropriate value of the base fuel and  
 25 purchased power cost recovery factor for the year 2005?

1 A. The appropriate value for the new period is 3.776 cents  
2 per kWh before the normal application of factors that  
3 adjust for variations in line losses. Schedule E1 of  
4 Exhibit No. \_\_\_ (JDJ-3), Document No. 2, Fuel Projection,  
5 shows the appropriate values for the total fuel and  
6 purchased power cost recovery factor as projected for the  
7 period January 2005 through December 2005.

8  
9 Q. Please describe the information provided on Schedule E1-  
10 C.

11  
12 A. The GPIF and true-up factors are provided on Schedule E1-  
13 C. Tampa Electric has calculated a GPIF penalty of  
14 \$3,678,414, which is to be included in the calculation of  
15 the total fuel and purchased power cost recovery factors.

16  
17 Additionally, E1-C indicates the net true-up amount for  
18 the January 2004 through December 2004 period. The net  
19 true-up amount for this period is an under-recovery of  
20 \$30,984,325.

21  
22 Q. Please describe the information provided on Schedule E1-  
23 D.

24  
25 A. Schedule E1-D presents Tampa Electric's on-peak and off-

1 peak fuel adjustment factors for January 2005 through  
2 December 2005.

3

4 **Q.** What is the purpose of Schedule E1-E?

5

6 **A.** The purpose of Schedule E1-E is to present the standard,  
7 on-peak and off-peak fuel adjustment factors after  
8 adjusting for variations in line losses.

9

10 **Q.** Please summarize the proposed fuel and purchased power  
11 cost recovery factors by rate schedule for January 2005  
12 through December 2005.

13

14 **A.**

|                            | <b>Fuel Charge</b>            |
|----------------------------|-------------------------------|
| <u>Rate Schedule</u>       | <u>Factor (cents per kWh)</u> |
| Average Factor             | 3.776                         |
| RS, GS and TS              | 3.791                         |
| RST and GST                | 4.695 (on-peak)               |
|                            | 3.325 (off-peak)              |
| SL-2, OL-1 and OL-3        | 3.530                         |
| GSD, GSLD, and SBF         | 3.778                         |
| GSDT, GSLDT, EV-X and SBFT | 4.678 (on-peak)               |
|                            | 3.312 (off-peak)              |
| IS-1, IS-3, SBI-1, SBI-3   | 3.683                         |

25



1 incentive benchmark?

2  
3 **A.** Yes. Tampa Electric anticipates that sales will exceed  
4 the projected benchmark by \$2,846,417 of which 80 percent  
5 or \$2,277,134 will flow back to ratepayers.  
6

7 **Incremental Hedging O&M Costs**

8 **Q.** Is Tampa Electric seeking to recover prudently incurred  
9 projected incremental O&M costs for initiating and/or  
10 maintaining its non-speculative financial hedging program  
11 in 2005?  
12

13 **A.** Yes. The projected incremental O&M expenses are shown on  
14 Exhibit No. \_\_\_\_ (JDJ-3), Document No. 2, Schedule E2,  
15 line 8c. Exhibit No. \_\_\_\_ (JTW-2) of the direct  
16 testimony of Tampa Electric witness J. T. Wehle itemizes  
17 the expected O&M expenses by functional category.  
18

19 **Events Affecting the Projection Filing**

20 **Q.** Are there any significant events reflected in the  
21 calculation of the 2005 fuel and purchased power and  
22 capacity cost recovery projections that were not  
23 reflected in last year's projections?  
24

25 **A.** Yes. There are three significant events. These are 1)



1 the company's fuel mix transition due to the repowering  
2 of Gannon Station to H. L. Culbreath Bayside Station  
3 ("Bayside Station"), 2) the company's wholesale purchases  
4 and 3) Order No. PSC-04-0999-FOF-EI ("Order No. 0999")  
5 issued October 12, 2004 in Docket No. 031033-EI regarding  
6 Tampa Electric's waterborne coal transportation contract  
7 costs.

8  
9 **Q.** Please describe the first event that affects the  
10 company's projection filing.

11  
12 **A.** Tampa Electric's resulting fuel mix due to the repowering  
13 of Gannon Station to Bayside Station is a significant  
14 event. As described in the direct testimony of Tampa  
15 Electric witness Wehle, Tampa Electric has completed its  
16 shift from a predominant reliance on coal-fired  
17 generation to a mix of coal and natural gas-fired  
18 generation and changed its procurement strategies to  
19 reflect that shift. Bayside Station became fully  
20 operational in January 2004, and the increased reliance  
21 on natural gas fired generation has resulted in increased  
22 fuel costs. Since the 2004 projection was filed, the  
23 average 2004 natural gas price increased 16 percent. The  
24 increase in the natural gas market is the key driver of  
25 Tampa Electric's increased fuel costs from the time of

1 the 2004 projection to its actual/estimated filing, and  
2 the higher pricing is expected to continue through 2005,  
3 resulting in an increase in Tampa Electric's fuel costs  
4 to be recovered through the Fuel and Purchased Power Cost  
5 Recovery Clause in 2005.

6  
7 **Q.** Please describe the second event.

8  
9 **A.** A purchase agreement was signed that results in an  
10 increase in projected costs that will be recovered  
11 through the capacity clause, compared to the 2004  
12 projection. In an effort to improve reliability of  
13 supply for retail ratepayers in 2004 and 2005 at  
14 reasonable and prudent costs, Tampa Electric explored  
15 numerous options. As a result, the company negotiated an  
16 economical purchased power agreement with another  
17 utility. The direct testimony of Tampa Electric witness  
18 B. F. Smith describes the purchase and demonstrates that  
19 the costs associated with the purchased power agreement  
20 are prudent and appropriate for recovery through the Fuel  
21 and Purchased Power and Capacity Cost Recovery Clauses.

22  
23 **Q.** Please describe the third event.

24  
25 **A.** The third event relates to the disallowance of costs

1 contemplated in Order No. 0999, which specifies that a  
2 portion of the costs incurred by Tampa Electric under  
3 the current contract with TECO Transport is not  
4 reasonable for cost recovery. As a result, the annual  
5 adjustment to the company's fuel cost recovery is an  
6 estimated \$15,315,000 annually. On October 27, 2004,  
7 the company filed a Motion for Reconsideration and/or  
8 Clarification requesting the Commission to reconsider  
9 Order No. 0999. However, pending the outcome of the  
10 Motion, the company has reduced its 2005 fuel cost  
11 recovery by \$30,630,000 to reflect the estimated annual  
12 adjustments for both 2004 and 2005. In the event the  
13 Commission's decision is reversed as a result of the  
14 company's Motion, appropriate adjustments will be made  
15 during the normal true-up process.

16  
17 **Cost Recovery Factors**

18 **Q.** What is the composite effect of Tampa Electric's proposed  
19 changes in its capacity, fuel and purchased power,  
20 environmental and energy conservation cost recovery  
21 factors on a 1,000 kWh residential customer's bill?

22  
23 **A.** The composite effect on a residential bill for 1,000 kWh  
24 is a decrease of \$0.94 beginning January 2005. These  
25 charges are shown in Exhibit \_\_\_\_ (JDJ-3), Document No. 3.

1 Q. When should the new rates go into effect?

2

3 A. The new rates should go into effect concurrent with the  
4 first billing cycle for January 2005.

5

6 Q. Does this conclude your testimony?

7

8 A. Yes, it does.

9

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## 1                   BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

## 2                               PREPARED REBUTTAL TESTIMONY

3   OF

4   J. DENISE JORDAN

5  
6    **Q.**    Please state your name, address, occupation and employer.7  
8    **A.**    My name is J. Denise Jordan. My business address is 702  
9            North Franklin Street, Tampa, Florida 33602. I am  
10           employed by Tampa Electric Company ("Tampa Electric" or  
11           "company") as Director, Rates and Planning in the  
12           Regulatory Affairs Department.13  
14   **Q.**    Are you the same Denise Jordan who submitted prepared  
15           direct testimony in this proceeding?16  
17   **A.**    Yes, I am.18  
19   **Q.**    What is the purpose of your rebuttal testimony?20  
21   **A.**    The purpose of my rebuttal testimony is to address the  
22           audit findings of Tampa Electric's incremental security  
23           expenses filed by Mr. Joseph W. Rohrbacher, testifying on  
24           behalf of the Florida Public Service Commission ("FPSC")  
25           staff.

1 Q. Have you prepared any exhibits to support your testimony?

2

3 A. Yes. My Exhibit No. \_\_\_(JDJ-4), consists of a calculation  
4 of the incremental security expenses for 2004 utilizing  
5 total company security expenses.

6

7 Q. Please address your overall assessment of Mr.  
8 Rohrbacher's testimony.

9

10 A. Mr. Rohrbacher's testimony fails to distinguish between  
11 appropriately recorded post-9/11 security expenses as  
12 provided by the Commission in Order No. PSC-02-1761-FOF-  
13 EI ("Order") and total company O&M security-related  
14 spending as requested by the FPSC audit staff. As a  
15 result, his use of both post-9/11 security expenses and  
16 total company security spending has resulted in  
17 inaccurate conclusions with regard to actual incremental  
18 security O&M expenses.

19

20 Q. Do you agree with the amount Mr. Rohrbacher has  
21 determined to be the incremental security expenses for  
22 2004?

23

24 A. No, I do not. To calculate incremental security costs  
25 for 2004 Mr. Rohrbacher uses a total company security

1 expenses for the 2000 baseline, which included expenses  
2 for guard services, employee salaries and benefits,  
3 vehicle expenses, materials, other contracted services  
4 and miscellaneous expenses. However, his 2004 expenses  
5 only reflect guard services expenses, while ignoring the  
6 aforementioned employee salaries and benefits, vehicle  
7 expenses, materials, other contracted services and  
8 miscellaneous expenses. Therefore, Mr. Rohrbacher's  
9 calculation was based on amounts that are not comparable  
10 because his calculation is not gross security expenses  
11 for 2004 minus adjusted gross security expenses for 2000  
12 or guard services expenses for 2004 minus adjusted guard  
13 services expenses for 2004, but a mismatch of guard  
14 services expenses for 2004 minus gross security expenses  
15 for 2000.

16  
17 As demonstrated in Exhibit No. \_\_\_ (JDJ-4), a calculation  
18 of incremental security expenses using the 2004 gross  
19 company security expenses, and following Mr. Rohrbacher's  
20 methodology, results in incremental expenses of \$930,410,  
21 which are actually higher than the 2004 incremental  
22 security expenses of \$508,553 Tampa Electric is seeking  
23 to recover. Mr. Rohrbacher's use of all FERC O&M  
24 security accounts to determine the total company security  
25 baseline distorted the calculation of incremental

1 security expenses because many of the expenses are not  
2 directly tied to post-9/11 activity. The determination  
3 of incremental security expenses should consider only  
4 FERC O&M accounts pertaining to Tampa Electric's guard  
5 services expenses, as the company's calculations do,  
6 because only these accounts reflect expenses that are  
7 related to post-9/11 security. That approach is  
8 consistent with the Order, which requires that only  
9 incremental post-9/11 security expenses be recovered  
10 through the capacity clause. The correct baseline and  
11 expense amounts for 2004 are shown in Document No. 2 of  
12 Exhibit \_\_\_ (JDJ-2), filed on August 10, 2004.

13  
14 **Q.** On pages 4 through 5 of his testimony, Mr. Rohrbacher  
15 suggests that incremental security expenses are  
16 decreasing. How do you respond?

17  
18 **A.** Mr. Rohrbacher concludes that incremental security  
19 expenses for 2004 should be lower due to historical  
20 trends and because budgeted total company security  
21 expenses in two accounts for 2003 decreased. However,  
22 that conclusion does not recognize that historical  
23 expenses do not reflect new legislative mandates and  
24 guidelines and the implementation of new countermeasures.  
25 In addition, Mr. Rohrbacher references a written response



1 provided by a company representative stating that  
2 incremental security expenses have decreased. While  
3 incremental security expenses for 2003 did decrease from  
4 2002, the audit response Mr. Rohrbacher referenced is  
5 specific to projected 2003 expenses in only two FERC  
6 accounts and should not to be confused with actual  
7 incremental security expenses which are separately  
8 identified in numerous FERC accounts.

9  
10 **Q.** Does this conclude your rebuttal testimony?

11  
12 **A.** Yes, it does.  
13  
14  
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1 CHAIRMAN BAEZ: And is there any -- I am wondering if  
2 there are any others that need doing, now that you are up here  
3 and we have --

4 MS. DAVIS: I think we are squared away.

5 CHAIRMAN BAEZ: We are squared away at this point?  
6 Okay. Where were we? We still had a witness on the stand, is  
7 that correct?

8 MS. VINING: Yes, Mr. Hartman.

9 CHAIRMAN BAEZ: I'm sorry to have to stop it in  
10 midtrack, but is there anything else before we continue with  
11 the cross-examination?

12 MS. VINING: I don't believe so.

13 CHAIRMAN BAEZ: Mr. Hartman, go ahead, sir.

14 Mr. Hartman, I will remind you that you have been  
15 sworn. Not sworn at, but just sworn.

16 THE WITNESS: Thank you.

17 CHAIRMAN BAEZ: Ms. Vining, continue.

18 THOMAS L. HARTMAN  
19 continues his testimony under oath from Volume 5:

20 CONTINUED CROSS EXAMINATION

21 BY MS. VINING:

22 Q All right. Mr. Hartman, Mr. Moyle had already asked  
23 you several questions both today and yesterday about the rights  
24 of first refusal for coal-fired capacity from the Miller and  
25 Scherer units. Are those rights spelled out in the purchased

1 power agreement that was filed with your testimony?

2 A The rights of first refusal are not spelled out in  
3 the PPAs. They are not mentioned at all in it. They are  
4 subject to separate agreements between ourselves and counter  
5 parties on the agreements that are one on Scherer, one on  
6 Miller.

7 Q And you were involved in the negotiation of those  
8 rights of first refusal?

9 A I was involved with the negotiation of both of them,  
10 yes.

11 Q And you list those rights of first refusal as a  
12 benefit to the Commission for approving these agreements,  
13 correct?

14 A That's correct, I do.

15 Q Now, since you do list these agreements as a basis  
16 for one of the benefits, is it possible for you to provide  
17 those agreements which address the rights of first refusal as a  
18 late-filed exhibit to this hearing?

19 A Yes, we will be happy to do so.

20 MR. LITCHFIELD: Mr. Chairman, FPL would agree to  
21 provide those as a late-filed exhibit. And we can, in fact,  
22 provide those in redacted form, as well. In anticipation of a  
23 conversation with Mr. Moyle last night, we went ahead and  
24 cleared certain portions of that document to be released  
25 through Southern Company, so we are prepared to do so.

1 CHAIRMAN BAEZ: Okay. And how soon can you do that?

2 MR. LITCHFIELD: We can probably have them filed  
3 tomorrow, at the latest.

4 MR. McGLOTHLIN: Would that apply to FIPUG also, sir?

5 CHAIRMAN BAEZ: Mr. McGlothlin is asking if the  
6 availability of the redacted version, I'm assuming will be  
7 available to FIPUG, as well.

8 MR. LITCHFIELD: The redacted version will be  
9 available to all parties.

10 CHAIRMAN BAEZ: To all parties.

11 MR. MOYLE: Is there any way to get a copy of it now  
12 so that we might ask questions of the witness about it?

13 MR. LITCHFIELD: Yes, we may be able to do that.

14 CHAIRMAN BAEZ: You might be able to do that?

15 MR. LITCHFIELD: We'll provide those before he  
16 retakes the stand.

17 MR. MOYLE: That would be fine, because it's not  
18 going to do me any good to get it after the witness is long  
19 gone.

20 CHAIRMAN BAEZ: I understand. So Mr. Hartman still  
21 has one more tour left on the stand. So if the company can  
22 provide that agreement to the parties before he retakes the  
23 stand and then it will be -- I guess it would be agreed that  
24 that is fair, the agreement is fair game for cross.

25 MR. LITCHFIELD: Yes.

1 MR. MCGLOTHLIN: Chairman Baez, before you leave  
2 that, I don't want to belabor this point, but without seeing  
3 the redacted version, FIPUG can't ascertain whether it is going  
4 to be sufficient for our needs. If the Commission and staff  
5 are going to rely on these documents, we may ask to see the  
6 unredacted versions and we would be willing to sign a  
7 confidentiality agreement to that end.

8 CHAIRMAN BAEZ: Well, this is starting to get a  
9 little complicated. The ball is in your court.

10 MR. LITCHFIELD: We would consider that at that time.  
11 I, frankly, am relatively confident that what we have redacted  
12 is not going to present any significant hurdles to FIPUG, so  
13 I'm willing to say that we will give them the redacted  
14 versions, let them look at it, and hope that that will suffice.  
15 And if not, we will certainly take up the issue of a  
16 confidentiality agreement at that time.

17 CHAIRMAN BAEZ: And I guess my question is is there  
18 enough time to make that determination and time to be able to  
19 question the witness, I guess. I'm assuming that is where your  
20 concern lies.

21 MR. MCGLOTHLIN: The timing is --

22 CHAIRMAN BAEZ: I want to get an appreciation for how  
23 soon this conversation and determination can be made.

24 MR. LITCHFIELD: I think they may be two-page  
25 documents each, and they are fairly identical one to the other.

1 CHAIRMAN BAEZ: Okay.

2 MR. MOYLE: Mr. Chairman, if it helps, and I kind of  
3 bear some responsibility for this having put this issue in play  
4 yesterday, part of what I was doing this morning when I  
5 withdrew that motion that I made the magic words may obviate  
6 the need for this coming in.

7 CHAIRMAN BAEZ: I'm sorry, you got past me.

8 MR. MOYLE: Yesterday we started this discussion on  
9 the right of first refusal. I pushed, I made a motion to  
10 strike on the grounds that it was not the best evidence. You  
11 denied that motion.

12 CHAIRMAN BAEZ: Yes.

13 MR. MOYLE: I followed that up with a motion to be  
14 able to see the document, which I subsequently withdrew this  
15 morning. So from the extent that I put this issue in play, I  
16 have withdrawn that motion. I don't, from my perspective, see  
17 that there is any kind of need to put the document in from my  
18 point of view.

19 CHAIRMAN BAEZ: Well, see, the staff is the one that  
20 has requested the document. Now, if what you are saying is  
21 that now all of a sudden you all don't have a need even to see  
22 a redacted version, I'm not sure that at this point it makes  
23 much difference that you withdrew.

24 MR. MOYLE: That's fine. If they requested it, I  
25 just want to see it.

1 CHAIRMAN BAEZ: I mean, I guess I recognize that you  
2 did that and the consideration behind it, but I think that we  
3 are way past that. I think it is staff's ball to run now. And  
4 as it stands right now, I think we have got it pretty well  
5 worked out that the redacted versions of a very brief document  
6 are going to be provided.

7 MR. MCGLOTHLIN: Yes, sir. For the record, our  
8 position is simply that as a party FIPUG would like to have  
9 access to anything that the staff or the Commissioners may rely  
10 on or base their recommendation or decision on. I'm willing to  
11 look at the redacted version to see if that satisfies our  
12 needs, but, for the record, that would be our position.

13 MR. LITCHFIELD: Mr. Chairman, perhaps we can, in the  
14 first instance, hand out the redacted version, and if staff is  
15 comfortable that that provides what it needs, then there may be  
16 no reason to go to a confidential version.

17 CHAIRMAN BAEZ: Back into it that way. Are you  
18 amenable to that?

19 MS. VINING: As a preliminary matter, we will take a  
20 look at it, and we will --

21 CHAIRMAN BAEZ: Why don't we do it that way. Since  
22 it is staff driving the train on the agreement at this point,  
23 you all can really make a determination as to what the natural  
24 limitations of the production is going to be, okay.

25 MS. VINING: Okay. I would also like that it be

1 marked. I don't think that we gave it a number.

2 CHAIRMAN BAEZ: Yes, we were just getting to that.  
My next exhibit number is 69.

4 MS. VINING: That comports with our list.

5 CHAIRMAN BAEZ: And that is a late-filed.

6 MS. VINING: Perhaps.

7 CHAIRMAN BAEZ: I'm sorry?

8 MS. VINING: Perhaps it would be late-filed, it  
9 depends on whether or not staff is -- because I assume you have  
10 the redacted right now.

MR. LITCHFIELD: Yes, I have been informed we have  
the redacted available.

CHAIRMAN BAEZ: Does that make it a filed? No.

15 MR. LITCHFIELD: And to be clear that would relate to  
both letter agreements, Exhibit Number 69.

16 MS. VINING: Yes.

17 CHAIRMAN BAEZ: Whether late or not, it is the right  
18 of first refusal agreement. And that will be marked as 69.

19 (Exhibit 69 marked for identification.)

20 MS. VINING: Okay.

21 BY MS. VINING:

22 Q Mr. Hartman, moving on from that, you stated earlier,  
23 again, during Mr. Moyle's cross-examination, that Southern did  
24 not make the Miller Plant available for the proposed contracts,  
25 correct?



1           A       That's correct.

2           Q       However, as we just talked about, FPL has the right  
3 of first refusal for the Miller and Scherer units. Now, how  
4 did FPL's customers benefit from these right of refusals, given  
5 Southern's reluctance to extend the current UPS agreements from  
6 Miller and Scherer, although Scherer it is for a lesser amount,  
7 so they are extending Scherer, just for a lesser amount?

8           A       Alabama Power through Southern Company Services as  
9 their agent told us that they were unwilling to commit to  
10 continue to sell the unit at wholesale as they currently were.  
11 They haven't done anything else with the unit as of this time,  
12 they have just not committed to continue a contract with us.  
13 Should they make the decision to put it into the wholesale  
14 market, which they haven't done yet, then we have the right of  
15 first refusal to it.

16                   They first have to negotiate with us. If we can  
17 reach agreement, then we have the right to go ahead and  
18 purchase the output. If we can't reach agreement, then they  
19 have the right to go talk to someone else about the unit. And  
20 if they come to an agreement that is materially different, then  
21 we have a choice to buy it at that price. The issue is one of  
22 the decision hasn't been made yet. They are unwilling to  
23 commit forward. And now when they do decide, if they decide to  
24 commit it into the wholesale market, then our customers can  
25 have that output.

1 MR. MOYLE: Mr. Chairman, just for the record, I had  
2 made an objection with respect to double hearsay yesterday and  
3 wanted to just continue to maintain that as a standing  
4 objection. I'm not going to interrupt his testimony, but he is  
5 talking about that same issue for which I objected yesterday.  
6 We want the record to be clear that we maintain an objection to  
7 his testifying based on double hearsay. Thank you.

8 BY MS. VINING:

9 Q Correct me if I'm wrong, but didn't -- if not Alabama  
10 Power, the service company that you negotiated these contracts  
11 with indicated that they weren't going to negotiate for the  
12 Miller Plant because they needed that to serve the native load  
13 in Alabama?

14 A The word that we had from Southern Company Services  
15 and what they explicitly went down to was they were not willing  
16 to commit to sell it long-term at the present time into the  
17 future. Now, maybe it goes to native load, maybe they decide  
18 to sell it long-term. The only thing that they have told us in  
19 our discussions at this point was they are unwilling to commit  
20 it into the wholesale market at this time.

21 Q So during the negotiations they never explicitly said  
22 to you, we are not going to negotiate over this because we need  
23 to serve native load?

24 A There was clearly some communications about what they  
25 were going to do with it, what was going to go on with it, but

1 ultimately they said we are unwilling to commit it to you at  
2 this present time. I might make a point that they haven't  
3 filed at the Alabama Public Service Commission or the Public  
4 Utilities Commission to take it into the rate base or anything  
5 else, either. It is basically just uncommitted at this point.

6 Q So would you have an opinion at this point in time as  
7 to what the likelihood is that FPL would be able to obtain any  
8 power from the Miller plant, Miller unit?

9 A I think it is quite likely we are going to obtain  
10 some power from the Miller plant if nothing else just as  
11 economy energy on a nonfirm basis. On a firm basis, I couldn't  
12 even guess. I don't know what Alabama Power is going to do.

13 Q Would that opinion also apply to Scherer?

14 A Scherer is a little bit different situation.  
15 Seventy-five megawatts was taken off the table for Scherer  
16 because Southern Company Services had committed to sell it to  
17 another customer while we were negotiating. That isn't an  
18 issue other than the fact that if that 75 megawatts, which was  
19 a deal on the table with somebody and we don't know who, goes  
20 through, then we don't get the 75 megawatts or any portion of  
21 the 75 megawatts.

22 If the deal does fall through, then there is a  
23 commitment that basically we get that on essentially the same  
24 terms as the Scherer agreement we have already negotiated.

25 Q The proposed contracts with Southern cost between 69

1 and \$93 million more than a self-build option, even with the  
2 inclusion of proposed savings from economy energy purchases, is  
3 that statement correct?

4 A That statement is correct. Let me just clarify one  
5 point, and I think we have talked about it in the past, is that  
6 comparison against our self-build unit is against the  
7 self-build unit that is not -- it is not fully developed, okay.  
8 It is preliminary engineering estimates. It isn't something  
9 that we are going out for an RFP on today.

10 The purpose of developing those numbers wasn't to say  
11 we do this or do that, the purpose of doing that was to say are  
12 the prices that we are getting in the Southern contract  
13 reasonable. It isn't, you know, A or B. It is a check on the  
14 prices using preliminary cost estimates, were they in the  
15 proper ballpark, and the answer was they were.

16 Q Okay. I am going to cover some ground that I think  
17 Mr. Moyle has also covered quite well, as well. Again, you  
18 listed several benefits for these purchased power agreements in  
19 your testimony, I believe there were six in all. And just for  
20 the record, you stated that these benefits are not easily  
21 quantified, correct?

22 A That's correct, they are not easy to quantify.

23 Q But you would ask that the Commission consider these  
24 benefits, even though they aren't easily quantified?

25 A That is correct, I would also ask them to do that.

1 The reason why they are difficult to quantify is many of them  
2 are tied to an unknowable future. Some of them, for example,  
3 some of the aspects of the gas and the electric transmission  
4 aspects of it are tied to reliability.

5 Now, there, perhaps, are ways of doing that, but I  
6 know of no way of balancing an increase in reliability against  
7 a cost whenever we are comparing two economic alternatives.  
8 You can sit there and say one is this cost, one is this, but  
9 this one is more reliable. How do you define a benefit to the  
10 customers on that? That is very difficult.

11 There are reliability aspects, there is also option  
12 value of rights of first refusal against uncertain futures.  
13 The fact that the contract allows us flexibility to develop  
14 other generation options in that five-year period of time to  
15 develop other solid fuel options, I don't know how to put a  
16 dollar figure on that, but it is clearly a value to our  
17 customers.

18 Q Well, is it our position then that these benefits  
19 which you said are not easily quantifiable, would offset the  
20 potential 69 and \$93 million in savings of a self-build option?

21 A I think they definitely outweigh the difference. As  
22 I pointed out, the purpose of doing that analysis was are we  
23 looking at a very -- is the prices on the PPAs, the prices of  
24 the contracts within reason, are they reasonable prices. On a  
25 busbar base the prices are very close, it is based on a

1 preliminary estimate on our self-build cost. Given those  
2 uncertainties, I think it is clear that the benefits outweigh  
3 any difference that might remain.

4 Q And that statement you just made, that is predicated  
5 on a total cost perspective?

6 A That is correct.

7 COMMISSIONER DEASON: Let me ask a question at this  
8 point. The estimate of your cost of the self-build option, is  
9 that based upon a net present value over what period of time?

10 THE WITNESS: It is a net present value looking at  
11 our system costs over a 25 to 30-year period of time.

12 COMMISSIONER DEASON: And I understand the necessity  
13 of doing that, since it is a self-build, and the unit would  
14 have a life at least that long or longer. But how do you  
15 compare that to a PPA that has a much shorter life?

16 THE WITNESS: As part of the analysis, you know, we  
17 have our load projections going on forward, so it assumes we  
18 have to build additional units. And there are so-called filler  
19 units that whenever this contract goes away a filler unit would  
20 go in place. And the same thing, as the load grows we would  
21 put in additional filler units. So the models, in essence,  
22 assume that we will build additional capacity or additional  
23 capacity will be put on the system to meet our load growth.

24 COMMISSIONER DEASON: So then the comparison is  
25 comparable time frames, it is just that with the PPA you have

1 to make assumptions as to how you would add additional capacity  
2 to your system after the PPA expires, is that the procedure?

3 THE WITNESS: That is very close to the procedure.  
4 But the assumptions, what we have to add are the same thing.  
5 Because even if we do the self-build unit, we have to add  
6 additional units. So the assumptions is the type of unit we  
7 would add and the cost impact are the same, we just add more or  
8 less in different time frames depending on what the model has  
9 to say.

10 One of the differences that the model doesn't reflect  
11 is the model assumes that at the end of these PPAs all aspects  
12 of them go away. One of the things that we want to maintain is  
13 the ability to keep the transmission, which means some other  
14 transaction, but in any case keep the transmission and the  
15 ability to arbitrage into the future. And none of any  
16 potential benefit from that is incorporated in the model.

17 BY MS. VINING:

18 Q Okay. Mr. Hartman, if you could now take a look at  
19 staff's composite stipulated exhibit, which I think you should  
20 have in front of you. Turn to Item 5 in that exhibit, which  
21 should be the Schedule A9s from FPL's annual filings for the  
22 years 2000 and 2003.

23 A Which number, again?

24 Q It is Item 5. It should be the Schedule A9s.

25 A I'm sorry, I can't find it here. Let's see, Item 5.

1 Oh, there it is.

2 Q Do you have it now?

3 A Yes, I have it now.

4 Q At the bottom of each of the A9 schedules is a line  
5 entitled, "NonFlorida economy OS purchases subtotal." Do you  
6 see that?

7 A I see that.

8 Q Now, do these values represent FPL's economy energy  
9 purchases from outside of Florida using interface with Southern  
10 Company?

11 A I do not know. I might point out that Schedule A9  
12 and the economy energy purchases, et cetera, are basically  
13 developed on trading handled by our energy marketing and  
14 trading group. I'm not part of that group.

15 Q Even with that, I'll proceed to my next question, and  
16 if you can tell me whether or not my next statement is correct,  
17 just from your observation of these schedules, okay. Now,  
18 looking at that line, which I just described, non-Florida  
19 economy purchases, if you take a look at each of the schedules  
20 for 2000, 2001, 2002, and 2003, would you agree that the actual  
21 amount of energy purchased from outside of Florida varied from  
22 737,000 megawatt hours in 2000 to around 1.4 million megawatt  
23 hours in 2002 and 2003?

24 A That is what the tables appear to reflect, yes.

25 Q Now, if you can now flip to FPL's Response to Staff



1 Interrogatory 44, which you should also have in that packet?

2 A Yes.

3 Q The annual and cumulative dollar savings associated  
4 with economy energy purchases are identified in that response,  
5 is that correct?

6 A That's correct.

7 Q Now, would you agree that economy energy purchases  
8 represent the primary quantifiable benefit of having the  
9 proposed contracts with Southern?

10 A It is clearly one of the benefits.

11 Q Of those benefits that are quantifiable, is it the  
12 primary benefit?

13 A Well, of course, the PPAs have some benefits just in  
14 and of themselves and associated costs in the sense that they  
15 are fairly cost-effective. In terms of things not included in  
16 the PPA as a negotiated contract provision that we get as part  
17 of this, yes, I would agree with that.

18 Q So to restate, you do agree that it is the primary  
19 quantifiable benefit from these proposed agreements?

20 A Well, it is --

21 Q Yes?

22 A Yes. And -- let's leave it at yes.

23 Q Okay. Now, if you could flip to FPL's Response to  
24 Staff Interrogatory 47, which you should also have?

25 A Yes.

1 Q That response provides information on FPL's  
2 forecasted economy energy purchases, is that correct?

3 A It provides a model of economy energy purchases and  
4 arbitrage associated with these contracts.

5 Q Now, I know that part of that response is  
6 confidential, so without disclosing confidential information,  
7 would you agree that the first two columns on the page  
8 represent the projected amount of economy energy purchases?

9 A Yes.

10 Q Now, still referring to that same interrogatory  
11 response, over the six-year period that is covered by that  
12 response, would you say that FPL expects to purchase a  
13 substantially higher amount of economy energy on an annual  
14 basis than it purchased annually over the past four years? And  
15 that is, again, referring to what we just talked about in the  
16 A9 schedules.

17 A Yes.

18 Q Now, given the historical amount of FPL's economy  
19 energy purchased from outside the state, why does FPL expect to  
20 be able to purchase such a substantially higher amount per year  
21 between 2010 and 2015?

22 A The energy we get under our existing UPS Agreement  
23 has bundled transmission with it, which means that the only  
24 place we can get the power and the energy under those contracts  
25 is from the Miller and Scherer unit. The new transmission we

1 will be getting as part of this contract is not bundled with  
2 the PPAs, it becomes FPL's, and we can redirect it to anybody  
3 in the market.

4 Q Now, if FPL's economy energy purchases were  
5 forecasted at the actual 2003 levels, which are listed in the  
6 A9 schedule you have in front of you, rather than what is shown  
7 in your response to Staff Interrogatory 47, i.e., what you  
8 forecasted for 2010 to 2015, would you agree that FPL's  
9 estimate of savings from these economy energy purchases would  
10 be less than projected?

11 A I don't know because I haven't looked at the --  
12 compared the megawatts on the 2003. To the extent that the  
13 megawatt hours matched what was in there, it would depend on  
14 where we were getting the pricing and other aspects of it. I  
15 believe that the numbers we have projected in this filing are  
16 conservative. We are not reflecting daily trading. What we  
17 are reflecting is the difference in monthly average pricing.  
18 You get more granular, and you get more volatility, you can get  
19 more value out of it.

20 Q Well, let me put the question another way. If you  
21 had used the actual -- and this is saying you haven't done  
22 this, but let's say you had used the actual 2003 numbers.  
23 Would you agree that your estimate of savings that you put in  
24 your model, firm economy energy purchases would be less than  
25 what is in your actual direct testimony?

1           A     Are you saying -- and let me just clarify if I  
2 understand. Are you saying that if we assumed that the  
3 arbitrage savings that we got under this contract was 2003  
4 actuals, which you have said is a lower number, that the answer  
5 would be a lower number, which is basically saying if you  
6 assumed that the answer is a lower number, is it a lower  
7 number? And that would clearly be true. The issue is is the  
8 number going to be higher or lower?

9           And as I think I have testified, the new transmission  
10 arrangements give us a lot more flexibility in terms of economy  
11 energy than the existing transmission agreements we have. So I  
12 don't expect that the volume of the transactions that take  
13 place, the megawatt hours that we can trade would be as low as  
14 they have been historically. I would expect that we had more  
15 flexibility and the numbers would go up.

16          Q     So this is all predicated on you assuming that the  
17 volume of transactions based on your firm transmission will  
18 increase?

19          A     No. Basically, the analysis was done independent of  
20 whatever the 2003 actuals were. The analysis is based on our  
21 capability of transmission capacity, and average monthly prices  
22 on our system and projected prices on Southern's system. The  
23 2003 numbers are based on some actual transactions.

24                There is a number of reasons why I think that the  
25 numbers we have in here are fairly conservative, and that is

1 the fact that we are using a monthly average number to base the  
2 transactions on. The other side of the coin that might make  
3 some differences are these units and the new agreements,  
4 including Scherer, are very dispatchable. We can turn them on  
5 and off basically a day ahead of time. I don't know what the  
6 arrangements are under the existing UPS in terms of  
7 dispatchability, but I know that they are not as flexible as  
8 what we have got here.

9 Q Let me ask you a more general question, then. If the  
10 volume of economy purchases that you projected does not occur,  
11 then would you agree that the proposed contracts would be even  
12 more costly, or would be even more over the 69 and \$93 million  
13 differential that you discuss in your direct testimony?

14 A Yes. I would agree that a key aspect of the  
15 economics is the economy purchase of energy. And should that  
16 not occur, the price difference would be different.

17 Q Thank you. Now, you stated earlier in response to  
18 Mr. Moyle's questioning that the self-build, a self-build  
19 gas-fired combined cycle unit and the gas-fired Franklin and  
20 Harris units that are included in the proposed PPAs have nearly  
21 the same cost. Is that a correct statement of what you said  
22 earlier?

23 A That is a correct statement.

24 Q Based upon that premise, then, could you attribute  
25 the 69 and \$93 million cost differential between self-build and

1 the proposed PPAs to the coal-fired portion of the contracts?

2 A No, I don't believe so. You can attribute it to a  
3 number of factors, one of which being transmission losses  
4 inside of Florida from the border on down against the  
5 self-build unit. Whenever I said they were the same cost, that  
6 is basically a busbar cost. So, you know, megawatt hours,  
7 dollars per megawatt price of the busbar on the Franklin and  
8 the Harris units are very comparable to what the dollars per  
9 megawatt would be on our self-build at its busbar, but the  
10 situations are different. You have transmission losses and  
11 costs in one that you don't necessarily have in the other.

12 Q So then you wouldn't view the 69 and \$93 million  
13 excess as a premium that FPL paid to get the small amount of  
14 coal capacity?

15 A No, I would not.

16 Q Now, FPL's current ten-year site plan has identified  
17 a need for generating capacity in 2009 that would require an  
18 RFP be issued by FPL prior to filing a determination of need,  
19 is that a correct statement?

20 A That is a correct statement.

21 Q Is it also correct that if the proposed contracts are  
22 not approved, then FPL would accelerate the construction of a  
23 gas-fired combined cycle plant from 2011 forward to 2010?

24 A Yes, that is the most likely thing we would do.

25 Q So then the approval of these contracts would defer

1 the construction of generating capacity for FPL?

2 A That's correct, I believe it would.

3 Q One of the benefits you have mentioned -- and, again,  
4 we have discussed this ad nauseam today -- is the flexibility  
5 that these contracts would allow FPL, meaning it would commit  
6 FPL for five years versus a 30-year commitment for a self-build  
7 option. Is that a correct summary of your position on that?

8 A This is a correct summary.

9 Q Now, would one way to quantify this benefit be to  
10 compare the contracts to the self-build option using a value of  
11 deferral method?

12 A I don't know. I had not previously thought of it and  
13 have not looked at it time that way.

14 Q So you haven't done any sort of analysis on that?

15 A No. Not on that basis, no. One of the things you  
16 wind up with is we are not necessarily deferring one. We might  
17 be deferring a gas unit, but it is only by a year. We are  
18 still building like crazy. I mean, over the time period we are  
19 talking about, even with this agreement we are going to have to  
20 add 3,000 megawatts or more according to our ten-year site  
21 plan.

22 So, whenever I looked at deferring a year and the  
23 value of it, we still have a load, we would have to build  
24 something then anyway. And I don't know that looking at it  
25 from a deferral basis would answer the question.

1 Q So does that mean that perhaps the benefit isn't as  
2 valuable as you would have us believe?

3 A No. The value of the deferral of making a decision  
4 on this capacity is the value of pursuing other options. We  
5 are now in a position that, I believe, if we wanted to build a  
6 coal plant, we are probably looking at -- you know, the company  
7 hasn't made that decision, the study hasn't been to the  
8 Commission, so practically we are probably looking at 2012  
9 before we could get a coal plant on line. Before we could look  
10 at other options that might be even farther out.

11 So by delaying that decision, we don't necessarily  
12 delay megawatts that we need to provide to our customers. The  
13 load still is there, and we still need to meet the load. But  
14 we have deferred locking in a decision based on gas technology  
15 and given us a cushion to explore other options.

16 MS. VINING: If you could give us a minute, I think  
17 we are just about done with our questions.

18 (Off the record.)

19 MS. VINING: I just want to let you know, Mr.  
20 Chairman, as a preliminary matter that staff has looked at the  
21 right of first refusal agreements, and we don't believe that we  
22 actually need the confidential version. The redacted version  
23 is sufficient for our purposes.

24 CHAIRMAN BAEZ: Very well. And that will fix the  
25 issue for you, Mr. McGlothlin?



1 MR. MCGLOTHLIN: Yes.

2 CHAIRMAN BAEZ: Based on your statements anyway.

3 MR. MCGLOTHLIN: Yes.

4 CHAIRMAN BAEZ: Okay.

5 MS. VINING: I was going to say I do have one more  
6 question.

7 BY MS. VINING:

8 Q Again, going back to the right of first refusal.  
9 Let's say you do exercise this right of first refusal, Southern  
10 Company lets you know that they do have capacity available.  
11 Does FPL believe that they would have to come in and ask for  
12 approval for cost-recovery purposes of that capacity, or would  
13 that be considered to be covered by the agreements that we are  
14 discussing today?

15 A The right of first refusal basically contemplate a  
16 new PPA for, say, the Miller unit. And I believe we would have  
17 to bring that into the Commission for approval on pass-through.

18 MS. VINING: With that we are done.

19 CHAIRMAN BAEZ: Commissioners, any questions of Mr.  
20 Hartman?

21 COMMISSIONER DEASON: I have a question.

22 CHAIRMAN BAEZ: Go ahead.

23 COMMISSIONER DEASON: Mr. Hartman, you may not be the  
24 right person for this question, and if that is the case, that  
25 is fine, just so indicate. The question I have is one of

1 motivation for reaching this agreement. And my understanding  
2 that if these agreements come to fruition, that is if the  
3 Commission approves them and they materialize, that you would  
4 be seeking cost-recovery of these through an adjustment  
5 mechanism dollar-for-dollar, but there would be no profit added  
6 on. Is that your understanding?

7 THE WITNESS: That is my understanding, Commissioner.

8 COMMISSIONER DEASON: And given that is the way the  
9 process would work, and that there is no profit for FPL in  
10 acquiring this 900-plus megawatts, what is your motivation in  
11 entering into these agreements? Is it just cost savings to the  
12 customers, or are there other considerations, as well?

13 THE WITNESS: You know, what motivations of others  
14 might be is an issue. I can tell you what my directions were.  
15 And my directions were that the existing UPS agreement has been  
16 very good for our customers and for the company, it has  
17 provided tremendous benefits in terms of reliability and cost,  
18 and go out and see what you can do about trying to keep those  
19 benefits for our customers. And that was as simple as it was  
20 put to me.

21 I was also directed that if we couldn't cut a good  
22 deal or what we thought was a good deal, fine, we wouldn't do  
23 it. But I know the motivation on the negotiating team, and  
24 what we were told was it was for the benefit of the customers.  
25 We are already building more than enough to keep anyone

1 satisfied. This provides some flexibility, it provides, you  
2 know, the transmission benefits, all of which I have talked  
3 about probably too much. But the goal was for the benefit of  
4 our customers in reducing their costs.

5 COMMISSIONER DEASON: Thank you.

6 CHAIRMAN BAEZ: Commissioners, any further questions?  
7 Mr. Litchfield, redirect.

8 REDIRECT EXAMINATION

9 BY MR. LITCHFIELD:

10 Q Mr. Hartman, you have been there a long time this  
11 afternoon and yesterday. I have just a few questions on  
12 redirect for you.

13 Earlier today Mr. Moyle asked you whether you had  
14 contacted the Southern Transmission entity in connection with  
15 identifying constraints on their system. Do you recall that  
16 question?

17 A Yes, I recall that question.

18 Q Why didn't you involve Southern Transmission in this  
19 part of your assessment?

20 A It wasn't appropriate use of the time. We had public  
21 information, we could talk to people on our transmission group  
22 and get an assessment and analysis. Going into Southern and  
23 asking for transmission studies on a preliminary investigation  
24 is just inappropriate. We had all the information we needed.

25 Q Mr. Moyle also asked you earlier today whether FPL

1 had an interest in an L&G project. Do you recall that  
2 question?

3 A I recall that question.

4 Q Now, when you answered that question, by FPL did you  
5 interpret that to mean Florida Power and Light Company?

6 A No, to the best of my knowledge Florida Power and  
7 Light doesn't have an interest in an L&G of any sort. The  
8 entity that does is up at the group level somewhere.

9 Q Now, yesterday Mr. McGlothlin asked you whether in  
10 the event of a self-build potential transmission revenues from  
11 non-network service customers had been factored into your  
12 assessment. Do you recall that question?

13 A I recall that question.

14 Q What fraction of energy flows on FPL's transmission  
15 system are point-to-point versus network?

16 A Less than 1 percent of the flows on our system use a  
17 point-to-point transmission agreement.

18 Q Had the incremental revenues that you discussed with  
19 Mr. McGlothlin been included in your assessment, what impact  
20 would that have had on the results of your recommendation?

21 A It would not have changed the recommendation.

22 Q Mr. Moyle asked you several questions regarding the  
23 rights of first refusal agreements yesterday, and again today,  
24 do you recall that discussion?

25 A Yes, I do.

1 Q And these are the first rights of refusal and the  
2 agreements that you reference in your direct testimony,  
correct?

4 A Correct.

5 Q Did you negotiate those agreements?

6 A Yes, I did.

7 Q Who were the parties to those agreements?

8 A The parties to the agreements were Florida Power and  
9 Light on one side, and then in the case of Scherer it was Gulf  
10 Power and Georgia Power with Southern Company Services acting  
11 as their agent on the signatory. And on the Miller plant it  
12 was Alabama Power with Southern Company Services as their  
13 agent.

14 Q And who signed for Florida Power and Light?

15 A Terry Morrison, Vice-president.

16 Q And do you know if that is his signature on the  
17 documents that have been identified as Exhibit 69?

18 A Yes, I do. I watched him sign them.

19 Q Now, Mr. Hartman, let me go back and let me ask you  
20 to, without disclosing the confidential terms of those first  
21 rights of refusal, can you describe the rights that FPL has  
22 under those two agreements?

23 A Under the Miller agreement, if the Miller units are  
24 ever sold -- well, during the period from now to 2015, if the  
25 Miller units are sold into the wholesale market for a long-term

1 deal, we get the first shot at trying to negotiate a deal. If  
2 we can't come to agreement with Southern Company and they offer  
3 it to someone else on better terms to that other entity, then  
4 they have to come to us and offer it to us on those same terms.  
5 If we don't come to agreement or we turn down the same terms,  
6 they were free to sell it.

7           The Scherer agreement is somewhat similar in the  
8 sense that there is -- part of the Scherer plant that is  
9 potentially under contract now, if that contract doesn't close,  
10 then we have the right to take a percentage of that output  
11 under a negotiated agreement very similar to the Scherer  
12 agreement we currently have.

13           Q     Mr. Moyle asked you about the impact on arbitrage  
14 opportunities if gas prices returned to the \$3 per MMBTU, do  
15 you recall that question?

16           A     I recall that question.

17           Q     What is your expectation regarding gas prices for the  
18 period in question, namely 2010 through 2015?

19           A     My personal expectation is we will never see gas  
20 prices anywhere near that low again. That is additionally  
21 reflected in EIA reports that indicate gas prices are going up  
22 and gas energy industries reports showing gas prices are going  
23 up.

24           MR. MOYLE: I am going to object and move to strike  
25 that last answer in terms of it being beyond the scope of

1 cross-examination. I don't think this witness has any  
2 expertise in gas prices and whatnot, and I think it is  
3 inappropriate for him to opine on projections of gas prices  
4 unless he has some expertise in them.

5 MR. LITCHFIELD: Well, first of all -- well, there  
6 were two objections there, let me address each one. First of  
7 all, I think the record will clearly reflect that Mr. Moyle  
8 discussed whether Mr. Hartman was aware as exactly what the gas  
9 price would be in the future, and I think Mr. Hartman said I  
10 don't know exactly what it will be. And I'm simply asking him  
11 what are his expectations.

12 Now, with respect to expertise, I can ask Mr. Hartman  
13 to establish his expertise, but I think as someone who has  
14 negotiated purchased power agreements many, many times, it  
15 would be absurd to think that when fuel prices are an essential  
16 component of those contracts, that he would not have some  
17 reasonable degree of proficiency, in fact, expertise in that  
18 area certainly sufficient for him to negotiate a purchased  
19 power agreement.

20 CHAIRMAN BAEZ: Well, I'm going to overrule on the  
21 scope objection, Mr. Moyle. You did inquire at length, or at  
22 least a few questions on what Mr. Hartman's expectations or  
23 what his knowledge may have been about projected fuel prices or  
24 gas prices into the future.

25 As to his expertise, I also am going to overrule, if

1 that is a specific objection that you have, in part because you  
2 also did inquire of him on cross as to how many agreements he  
3 has negotiated. So I think you have somehow established him as  
4 an expert on those types of negotiations, and I'm going to  
5 overrule on both of them.

6 Go ahead and ask your questions, Mr. Litchfield.

7 BY MR. LITCHFIELD:

8 Q Mr. Moyle asked you about the possible construction  
9 by Florida Power and Light of a coal power plant in Florida.  
10 Do you recall that question?

11 A Yes, I do.

12 Q Assume for me that Florida Power and Light were able  
13 to construct a coal plant in Florida at any time prior to the  
14 date that the existing UPS agreement with Southern Company  
15 expires. What impact would that have on your recommendation  
16 regarding the three UPS replacement contracts before this  
17 Commission?

18 A It would not change my recommendation. I would still  
19 recommend that we go ahead and approve this contract.

20 Q What impact would the construction of a coal unit  
21 have on the benefits that you articulate in your testimony as a  
22 result of these three contracts?

23 A It would change the benefits not at all. We would  
24 still be obtaining the same benefits from the contracts that we  
25 are talking about.



1 Q Mr. Moyle asked you a question regarding FPL's filing  
2 in this case, and I think he asked you whether September 9th  
3 was the first time FPL communicated its plans to seek approval  
4 of these contracts, do you remember that question?

5 A I remember that question.

6 Q And I believe you indicated that you had had prior  
7 discussions with staff, do you recall that answer?

8 A Yes, I recall that answer.

9 Q Could you describe the circumstances in which those  
10 discussions took place?

11 A There was a regularly scheduled conference call for  
12 all participants in the docket, I believe in late August, and  
13 at that point we said that we were going to be coming in with  
14 these agreements and looking for approval and looking for  
15 recovery under the purchased power clause.

16 Q Do you know who was present at those discussions?

17 A I know that staff was, I believe OPC was, I believe  
18 FIPUG was. It was open to anybody that was, you know, active  
19 in the docket at the time.

20 Q Now, you have been asked a couple of questions today  
21 regarding Alabama Power and Southern Company Services, am I  
22 right about that?

23 A That's correct.

24 Q What is your understanding as to the relationship  
25 between Southern Company Services and Alabama Power?

1           A       Southern Company Services, I understand, serves as an  
2 agents for Alabama Power and many of the other IOUs as part of  
3 the Southern Companies in wholesale transactions with their  
4 generation units.

5           Q       Who signed the contracts that are the subject of this  
6 proceeding?

7           A       The contracts were signed by an officer of Southern  
8 Company Services as agent for each of the entities that were  
9 involved in the individual contracts, including Gulf Power and  
10 Georgia Power in the Scherer contract.

11          Q       Okay. And without taking the time to turn to those,  
12 if we were to look in exhibits that have been marked -- well,  
13 if we were to look at the contracts attached to your testimony  
14 as TLH-1, 2, and 3, we would find those references?

15          A       In TLH-1, 2, and 3 you would find the references, you  
16 would find in the preamble to each one of the contracts that  
17 Southern Company Services was referred to as the agent for the  
18 actual corporate entity that owns the asset. In the case of  
19 Scherer, Gulf Power and Georgia Power. And I believe you would  
20 also find on the signature page at the back of the contract  
21 Southern Company Services signing as agent for those entities.

22               MR. LITCHFIELD: That's all I have, Mr. Chairman.

23               CHAIRMAN BAEZ: Exhibits. Mr. Litchfield, I'm  
24 showing 13 through 18 on the direct.

25               MR. LITCHFIELD: Pardon me, Mr. Chairman?

1 CHAIRMAN BAEZ: I am showing Exhibits 13 through 18.

2 MR. LITCHFIELD: 13 through 18.

3 CHAIRMAN BAEZ: On the direct.

4 MR. LITCHFIELD: We would move those at this time.

5 CHAIRMAN BAEZ: Without objection, show them entered  
6 into the record.

7 (Exhibit 13 through 18 admitted.)

8 CHAIRMAN BAEZ: Mr. Moyle, I am showing 66 and 67 to  
9 you. Did I cut you off?

10 MR. LITCHFIELD: We have 68, as well, which was a  
11 late-filed exhibit requested by Commissioner Deason.

12 CHAIRMAN BAEZ: And that will be moved in subject  
13 to --

14 MR. LITCHFIELD: And Composite Exhibit 69 comprising  
15 the two rights of first refusal.

16 MR. MOYLE: We object to the admission of those.

17 CHAIRMAN BAEZ: I'm sorry?

18 MR. MOYLE: We would object to the admission of  
19 those; 69, the two right of first refusals.

20 CHAIRMAN BAEZ: I am going to overrule and enter  
21 them. Mr. Moyle, I have 66 and 67 for you.

22 MR. MOYLE: Right. If my notes and recollection are  
23 correct, 66 was the interrogatory answers and 67 --

24 CHAIRMAN BAEZ: The interrogatory and then the FERC  
25 letter to Southern Company.

1 MR. MOYLE: Right.

2 CHAIRMAN BAEZ: Without objection, show those  
3 entered.

4 (Exhibit 66 through 69 admitted.)

5 CHAIRMAN BAEZ: Mr. Hartman, thank you, and you are  
6 excused. And let's take ten minutes.

7 (Recess.)

8 (Transcript continues in sequence with Volume 7.)

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1 STATE OF FLORIDA )  
2 :  
3 COUNTY OF LEON )

## CERTIFICATE OF REPORTER

4  
5 I, JANE FAUROT, RPR, Chief, Office of Hearing  
6 Reporter Services, FPSC Division of Commission Clerk and  
Administrative Services, do hereby certify that the foregoing  
proceeding was heard at the time and place herein stated.

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

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

13 DATED THIS 17th day of November, 2004.

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JANE FAUROT, RPR

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