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SCANNED

October 17, 2005

HAND DELIVERED

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

Re: Fuel and Purchased Power Cost Recovery Clause with Generating  
Performance Incentive Factor; FPSC Docket No. 050001-EI

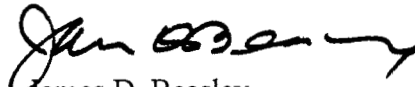
Dear Ms. Bayo:

Enclosed for filing in the above docket are the original and fifteen (15) copies of Tampa Electric Company's Rebuttal Testimony of William A. Smotherman.

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

Thank you for your assistance in connection with this matter.

Sincerely,

  
James D. Beasley

JDB/pp  
Enclosure

cc: All Parties of Record (w/enc.)

DOCUMENT NUMBER - DATE

10024 OCT 17 '05

FPSC-COMMISSION CLERK

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing Rebuttal Testimony of William A. Smotherman, filed on behalf of Tampa Electric Company, has been furnished by U. S.

Mail or hand delivery (\*) on this 17<sup>th</sup> day of October 2005 to the following:

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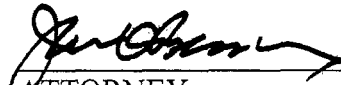
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\_\_\_\_\_  
ATTORNEY



TAMPA ELECTRIC

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 050001-EI

IN RE: FUEL & PURCHASED POWER COST RECOVERY

AND

CAPACITY COST RECOVERY

REBUTTAL TESTIMONY

OF

WILLIAM A. SMOTHERMAN

DOCUMENT NUMBER - DATE

10024 OCT 17 '83

COMMISSION CLERK

1                   BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2                                 PREPARED REBUTTAL TESTIMONY

3   OF

4   WILLIAM A. SMOTHERMAN

5

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

7

8     **A.**    My name is William A. Smotherman. My business address is  
9            702 North Franklin Street, Tampa, Florida 33602. I am  
10           employed by Tampa Electric Company ("Tampa Electric" or  
11           "company") as Director of the Resource Planning  
12           Department.

13

14    **Q.**    Are you the same William Smotherman who submitted  
15           prepared 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           direct testimony of Mr. Sidney W. Matlock, testifying on  
23           behalf of the Florida Public Service Commission ("FPSC")  
24           staff.

25

1 Q. Do you agree with the current GPIF methodology?  
2

3 A. Yes, I do. The existing GPIF methodology was established  
4 in 1981 by Commission Order No. 9558 in Docket No.  
5 800400-CI, issued September 19, 1980. The GPIF program  
6 was designed to "encourage the improvement of the  
7 productivity of base load generating units by focusing  
8 upon the areas of thermal efficiency (heat rate) and unit  
9 availability." (Order, page 1) The GPIF methodology  
10 provides for the utility to earn a reward or incur a  
11 penalty based on unit performance compared to historical  
12 performance and is limited to the associated projected  
13 fuel savings or costs. The GPIF program has a history of  
14 benefiting both the ratepayers and the utilities by  
15 providing a fair and symmetrical sharing of improvements  
16 or declines in unit performance.  
17

18 Q. Please address Mr. Matlock's statement on page 4, lines 7  
19 through 8, of his testimony, "The purpose of the [GPIF]  
20 incentive is to reward the utility for performance that  
21 exceeds reasonably expected performance, not to ensure  
22 that rewards offset penalties."  
23

24 A. Mr. Matlock's statement is not technically correct. The  
25 GPIF provides an incentive to improve unit performance.

1 By definition, an improvement is a positive change as  
2 compared to historical fact. The GPIF methodology  
3 provides for the incentive/penalty calculation to be  
4 based upon a comparison to targets or projected  
5 performance, and that the targets are calculated based on  
6 a rolling average of historical performance data. There  
7 is a very important distinction between this established  
8 methodology and Mr. Matlock's statement regarding its  
9 purpose. In establishing the incentive, the Commission  
10 considered data and methodology that would be measurable  
11 and would provide a reasonable and fair incentive for the  
12 utility to make improvements -- not a comparison to  
13 "reasonably expected performance."  
14

15 **Q.** Do you agree with Mr. Matlock's proposal to change the  
16 GPIF methodology by excluding months in which unit EFOR  
17 and EMOR are greater than 40 percent from the averages  
18 used to calculate Tampa Electric's 2006 EAF targets?  
19

20 **A.** No, I do not. Mr. Matlock's proposed adjustment is not  
21 supported or developed using the approved GPIF  
22 methodology. Section 4.3.1 of the GPIF methodology  
23 describes the circumstances under which unit availability  
24 may be adjusted, which include the following  
25 circumstances:

- 1 • Natural or externally caused disaster;
- 2 • Unforeseen shutdown or continued operation of a unit
- 3 pursuant to the actions of a regulatory agency;
- 4 • Rescheduling of planned maintenance into or out of the
- 5 review period;
- 6 • An identifiable and justifiable change affecting total
- 7 outage time; or
- 8 • A difference between actual and forecast reserve
- 9 shutdown hours, if reserve shutdown hours are used as
- 10 part of the equivalent availability target setting
- 11 methodology.

12  
13 In addition, the targets are based on a rolling average  
14 of historical data and by artificially setting the  
15 targets higher for a projected year, the resulting effect  
16 is to remove the natural reward/penalty correction that  
17 occurs over time as performance improves.

18  
19 Mr. Matlock's proposed adjustments do not adhere to any  
20 of the aforementioned conditions for adjustments and  
21 would result in an arbitrary, asymmetrical application of  
22 the GPIF incentive/penalty mechanism.

23  
24 **Q.** Has the actual availability of Tampa Electric's coal  
25 burning units included in the GPIF declined over the last



1 five years?

2  
3 **A.** No. The actual availability of two of Tampa Electric's  
4 five GPIF units, Big Bend Units 1 and 2, was lower in  
5 2004 than it was in 1999. However, the availability of  
6 these two units has improved since 2002.

7  
8 **Q.** Do you agree with Mr. Matlock's suggestion on page 2,  
9 lines 16 through 19, that Tampa Electric should make its  
10 coal burning units available for generation as much as  
11 possible due to the differential in the prices of coal  
12 and natural gas?

13  
14 **A.** Yes, I do. Tampa Electric continually strives to  
15 maximize the availability and generation of its coal  
16 burning units to lower the fuel and purchased power  
17 costs. In addition, appropriate maintenance and  
18 operation of coal units is performed by the company in an  
19 effort to maintain availability and generation of its  
20 units. The appropriate maintenance and operation is  
21 determined by a number of factors, including the  
22 following:

- 23 • Performing Preventative Maintenance ("PM") that  
24 incorporates the Original Equipment Manufacturer's  
25 maintenance specifications;

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- equipment monitoring; and,
- scheduling planned outages.

Tampa Electric does everything possible to ensure the safe operation of its coal burning units and maintain its units for current and future reliable service.

**Q.** Please summarize your rebuttal testimony.

**A.** The existing GPIF methodology operates in a fair and symmetrical manner. The adjustment to the methodology proposed by Mr. Matlock is not appropriate because it does not adhere to the GPIF methodology as outlined in Section 4.3.1 and would result in an arbitrary, asymmetrical application of the GPIF incentive/penalty mechanism. In addition, Mr. Matlock has not demonstrated that Tampa Electric did not adhere to the approved GPIF methodology or that the company has improperly calculated its 2006 GPIF EAF targets. Tampa Electric believes that the GPIF should continue to operate in accordance with the approved methodology.

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

**A.** Yes, it does.