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October 4, 2006

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. 060001-EI

Dear Ms. Bayo:

On September 1, 2006, we submitted for filing in the above docket on behalf of Tampa Electric Company the original and fifteen copies of Tampa Electric Company's Petition along with Prepared Direct Testimony and Exhibits of its witnesses, including the Prepared Direct Testimony of Benjamin F. Smith. Enclosed herewith for filing are the original and fifteen (15) copies each of Pages 6 - 9 of Mr. Smith's testimony marked Revised 10/03/06. They effect the following changes: Line 1 of page 6, December 2006 was changed to March of 2007; lines 9-11 of page 7 were changed to include the 50 MW Progress Energy and the 170 MW Cargill purchases; lines 3-6 of page 9 were changed for the New Smyrna Beach call option of 20-40 MW and its associated savings of \$2.4 million not \$4.8 million. No substantive changes were on page 8 but it is included because the page break was modified by the above changes to pages 6, 7 and 9.

We would appreciate your distributing these revised pages to Mr. Smith's testimony to the recipients of the original filing so that they may be substituted in place of the corresponding pages in the original filing.

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

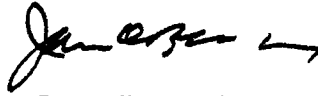
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FPSC-COMMISSION CLERK

Thank you for your assistance in connection with this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "James D. Beasley", with a stylized flourish at the end.

James D. Beasley

JDB/bjd
Enclosures

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

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing filed on behalf of Tampa Electric Company has been furnished by U. S. Mail or hand delivery (*) on this 4th day of October, 2006 to the following:

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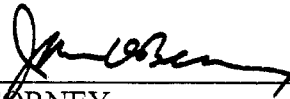
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ATTORNEY

1 January 2006 and continues through March 2007. It is a
2 firm purchase with a fuel charge equal to Progress
3 Energy Florida's system average fuel cost. Its
4 estimated savings to customers is projected to be \$3.9
5 million for 2006. The 100 MW purchase from Cargill
6 began June 2006 and continues through August 2006. It
7 is a firm, fixed-price must-take purchase with an
8 estimated customer savings of \$1.1 million. All of
9 these purchases provide both supply reliability and help
10 reduce price volatility.

11
12 Tampa Electric will continue to evaluate economic
13 combinations of forward and spot market energy purchases
14 during its spring and fall generation maintenance
15 periods and peak periods. This purchasing strategy
16 provides a reasonable and diversified approach to
17 serving customers.

18
19 **Q.** Please describe Tampa Electric's 2007 wholesale energy
20 purchases.

21
22 **A.** At this time, with the exception of existing purchases,
23 Tampa Electric has not entered into any agreements with
24 other entities for forward purchases beyond 2006. As
25 previously stated, Tampa Electric continues to evaluate

1 economic combinations of forward purchases to reduce the
2 overall cost to customers as well as make reliability
3 purchases whenever necessary.

4
5 For 2007, the company expects to meet approximately 13
6 percent of its customers' energy needs through purchased
7 power, which includes economy purchases, the existing
8 firm purchased power agreements with Hardee Power
9 Partners, qualifying facilities and 170 MW Calpine
10 purchase as well as a 50 MW purchase from Progress
11 Energy Florida.

12
13 **Q.** Does Tampa Electric plan to enter into any other new
14 purchased power agreements during its upcoming Big Bend
15 Station SCR installation outages?

16
17 **A.** For the upcoming seasonal Big Bend Station SCR
18 installation outages, beginning February 2007, Tampa
19 Electric is monitoring the marketplace for purchase
20 power opportunities. The company will evaluate economic
21 combinations of forward purchases during the outages to
22 reduce the overall cost to customers.

23
24 **Q.** Did the 2004 and 2005 hurricane seasons affect Tampa
25 Electric's 2006 purchased power procurement strategies?

1 **A.** Yes, they did. Prior to these hurricanes, it was part
2 of Tampa Electric's risk management strategy to monitor
3 storm activity using available storm tracking resources
4 and evaluate the impact of the storm on the wholesale
5 market and purchase power on the forward market, first
6 for reliability then for economics. In addition to the
7 price of power, the company evaluated important storm-
8 related aspects of these purchases such as geographic
9 location and transmission availability. Because of the
10 2004 and 2005 hurricane seasons the company increased
11 its focus on fuel-diversified purchases during
12 hurricanes and performs a detailed review of the
13 seller's fuel source and dual-fuel capability. Absent
14 the threat of a hurricane and for all other months of
15 the year, the company's purchased power strategy for
16 evaluating economic combinations of long- and short-term
17 purchase options remains unchanged.

18
19 **Q.** Please describe Tampa Electric's wholesale energy sales
20 for 2006.

21
22 **A.** Tampa Electric entered into various non-firm, non-
23 separated wholesale sales in 2006. Included in these
24 sales is a sale to New Smyrna Beach from January 2006 to
25 December 2006. This sale is a call option for up to 40

1 MW and provides a projected net benefit to customers of
2 \$2.4 million.

3
4 The gains from the non-separated sales are returned to
5 customers through the fuel adjustment clause, up to the
6 three-year rolling average threshold of \$1,037,634.

7
8 **Q.** Does Tampa Electric engage in physical or financial
9 hedging of its wholesale energy transactions to mitigate
10 wholesale energy price volatility?

11
12 **A.** Physical and financial hedges can provide measurable
13 market price volatility protection. Tampa Electric
14 purchases physical wholesale products and considers such
15 products to be physical hedges. The company has engaged
16 only in physical hedging for wholesale transactions
17 because the availability of financial instruments within
18 Florida is limited. The Florida market currently
19 operates through bilateral contracts between various
20 counterparties, and there is no Florida trading hub
21 where standard financial transactions can occur with
22 enough volume for a liquid market. Due to this lack of
23 liquidity, the appropriate financial instruments to meet
24 the company's needs do not currently exist. Tampa
25 Electric has not purchased any wholesale energy