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November 10, 2008

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Ms. Ann Cole, Director
Division of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Fuel and Purchased Power Cost Recovery Clause with Generating Performance
Incentive Factor; FPSC Docket No. 080001-EI

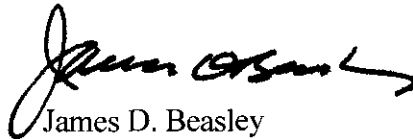
Dear Ms. Cole:

Enclosed for filing in the above docket are the original and fifteen (15) copies of the Brief
of Tampa Electric Company.

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

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JDB/pp
Enclosure

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

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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and Purchased)
Power Cost Recovery Factor)
and Generating Performance)
Incentive Factor.)
_____)

DOCKET NO. 080001-EI
FILED: November 10, 2008

BRIEF OF TAMPA ELECTRIC COMPANY

Tampa Electric Company ("Tampa Electric" or "the company") submits the following brief in response to a limited sub-issue under Issue 5 in this proceeding raised on behalf of the Florida Industrial Power Users Group ("FIPUG") during the November 4 through 6, 2008 hearing phase of this proceeding.

Summary of Tampa Electric's Position

The following key points support approval of the fuel factors contained in Tampa Electric's October 13, 2008 reforecast:

1. Tampa Electric filed a reduced fuel factor on October 13, 2008 due to changes in projected natural gas for its generation.
2. The net effect of this revised filing would produce a 2009 residential bill decrease of \$10.81 per KWH versus the level proposed in the company's September 2, 2008 petition, thus cutting in half the proposed fuel adjustment increase.
3. The maximum percentage of purchased power that could be impacted by natural gas prices is limited to 10 percent of \$157 million in purchases, with the assumption that all purchases are tied to natural gas, which is not the case.

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FPSC-COMMISSION CLERK

4. Since Tampa Electric's October 18, 2008 revised filing, the NYMEX 2009 forward price curve for natural gas has increased. Because of this, a reforecast including purchases power would increase the fuel factor for 2009.

5. Customers are fully protected by the Commission's system of checks and balances in the fuel clause, including the use of a levelized factor, true-ups to actual prices and mid-course correction, as necessary.

FIPUG's Issue

During the hearing that commenced on November 4, 2008 Tampa Electric witness Carlos Aldazabal explained that Tampa Electric had voluntarily made a downward revision to its forecasted cost of natural gas for power generation due to very recent and significant declines in natural gas market prices. That forecasted price reduction applies to the price of natural gas the company expects to utilize in generating electric power for the remainder of 2008 and all of 2009.

As explained in a motion and revised testimony and exhibits filed just three weeks prior to the commencement of the hearing in this docket, the downward revision will have the effect of cutting in half the proposed increase in customers' electric bills for 2009 compared to the company's original September 2, 2008 fuel adjustment filing.

Mr. Aldazabal further explained that attempting to go beyond the proposed reduction in the forecasted cost of natural gas associated with generation, to include the natural gas cost impacts for purchased power, would have required weeks of additional time to remodel the company's system operations including re-dispatching all of the company's generating units – something that could not be accomplished in time for consideration at the November 2008 fuel adjustment hearing.

As best as can be determined, FIPUG's issue is whether Tampa Electric acted properly in reducing its projected natural gas price forecast as it did, rather than attempting to do what Mr.

Aldazabal said was not possible in light of the time constraints associated with setting fuel cost recovery factors in accordance with stipulated Issue 9 (i.e., for use on bills rendered in January 2009 for power consumed in December 2008).

Tampa Electric asserts that its actions were taken in good faith, were entirely proper and will provide significant benefits to its customers. FIPUG's contrary position is little more than an unreasonable demand for the unachievable and an attempt to tweak what is already a forecast.

Facts

On September 2, 2008 Tampa Electric filed its petition and supporting testimony and exhibits of various witnesses requesting approval of the company's fuel and purchased power and capacity cost recovery factors for use during 2009, the company's calculated Generation Performance Incentive Factor ("GPIF") penalty for performance experienced during 2007, and the company's proposed GPIF targets and ranges for use during 2009.

Subsequent to the above filing, and as the November fuel adjustment hearing approached, Tampa Electric and other utilities witnessed a significant decline in the NYMEX forward curve commodity price for natural gas. As stated in the company's October 13, 2008 motion for leave to file updated testimonies and exhibits, 2009 natural gas prices as of October 3, 2008 were forecasted to be significantly lower than prices reflected in the company's original September 2, 2008 filing. Even though Tampa Electric did not have sufficient time to remodel its entire system operations to factor in the effect of expected lower natural gas prices on potential power purchases from other suppliers, the company was able to re-forecast the cost of its own natural gas-fired generation using the lower expected prices in time for consideration at the November fuel adjustment hearing. The natural gas price impact on purchased power is merely a fraction of that associated with the company's generation. Accordingly, Tampa Electric made the recalculations that it could

accomplish and submitted its October 13 2008 motion and revised testimony and exhibits to help ensure customers could benefit from a reduction in the proposed cost recovery factors for 2009. The net effect of this revised filing will produce a 2009 residential bill decrease of \$10.81 per 1,000 kWh versus the level proposed in the company's September 2, 2008 petition, thus cutting in half the proposed fuel adjustment increase. The updated and significantly reduced cost data was incorporated in revised pages of the prepared direct testimonies and exhibits of Mr. Aldazabal and included in the October 13, 2008 filing.

Reasonableness of Tampa Electric's Action

Although Tampa Electric could have adhered to the natural gas price forecasts incorporated in the company's September 2, 2008 filing, the company voluntarily took action in mid-October to pass on to its customers expected reductions in the price of natural gas as best the company could in light of the impending fuel adjustment hearing that convened on November 4, 2008. Although there was not sufficient time to recalculate the impact of lower natural gas prices on payments for purchased power, the company was able to factor the reductions into the cost of natural gas the company projects it will use to generate electricity during the remainder of 2008 and in 2009. Additionally, as stated by witness Aldazabal, the maximum percentage of purchased power that could have been impacted by revised natural gas prices was limited to approximately 10 percent of \$157 million in purchases, with the assumption that all of those purchases are tied to natural gas, which is not the case. Any hypothetical recalculation to include the effect on purchased power would also have to assume that the system dispatch was the same and would require the same amount of purchased power, which is also not the case. In essence, the company concluded that, from the standpoint of its customers, utilizing the most up-to-date forecast to adjust generation costs would be better than re-dispatching the system with a more

dated forecast in light of prevailing economic difficulties. Thus, the company set about to effect the reductions as quickly as possible and made its October 13 filing in an effort to leave time for a complete Commission review in this proceeding.

It should be noted that the 2009 forward price curve for natural gas utilized by Tampa Electric in its October 13 filing is below the current market price. Florida Power & Light witness, Gerard Yupp, testified in last week's hearing that the NYMEX forward curve natural gas price as of close of business November 4, 2008 was \$7.60 per mmbtu. Thus, Tampa Electric's October 13 reforecast is based on projected prices even lower than those prevailing on the actual date this hearing was commenced. Given this development, FIPUG's demand for further refinement in Tampa Electric's reforecast could actually produce an increase in the proposed fuel adjustment factors filed by Tampa Electric on October 13. After all, if Tampa Electric were required to perform a complete modeling reforecast for natural gas pricing to reflect not only the impact to its own generation but also to reflect the impact on its purchased power costs, it would use the most recent NYMEX forward curve pricing data available to it.

Further Protection of Tampa Electric's Customers

In addition to having the proposed fuel adjustment increase for 2009 cut in half by Tampa Electric's October 13, 2008 re-filing, the company's customers will be further protected by the fuel adjustment mechanism itself. First of all, the fuel adjustment charge is a levelized factor which helps mitigate against price volatility. To the extent prices turn out to be lower than forecasted, customers will be made whole through the true-up process including interest. The inevitability that projections will differ from actual results is the reason the true-up mechanism was built into the fuel adjustment clause when it was established. Moreover, the plus or minus 10 percent mid-course correction procedures adopted by the Commission provide further

protection by minimizing the amounts of interest required to be paid on unexpected under- or over-recoveries in the true-up process.

Conclusion

In view of the above considerations, Tampa Electric believes that it acted very responsibly and in its customers' best interests in volunteering a significant reduction in its fuel adjustment factor calculation only three weeks prior to the hearing scheduled to set those factors for 2009, rather than simply adhering to the projected costs incorporated into its September 2, 2008 projection filing. FIPUG's demand for further delay and for time-consuming and complex re-forecasting and system re-dispatching is unreasonable and inappropriate. Further refinement as suggested by FIPUG would have Tampa Electric including the latest NYMEX forward curve pricing for natural gas for its own generation as well as for expected purchased power. This change would have the effect of increasing the cost of fuel to customers, not decreasing it.

This is not a matter involving complex factual considerations or legal argument. Instead, it is a simple issue of reasonableness in light of the circumstances. Tampa Electric acted reasonably and in its customers' best interests. FIPUG's contrary argument appears grounded in the notion that no good deed should go unpunished.

Tampa Electric urges the Commission to approve the projected fuel adjustment factors flowing from the company's October 13, 2008 refiling.

Tampa Electric's Position on Issue 5

Subject to the foregoing, Tampa Electric's position on Issue 5 remains as follows:

ISSUE 5: What are the appropriate projected net fuel and purchased power cost recovery amounts to be included in the recovery factor for the period January 2009 through December 2009?

TECO: The projected net fuel and purchased power cost recovery amount to be included in the recovery factor for the period January 2009 through December 2009,

adjusted by the jurisdictional separation factor, is \$1,217,300,982. The total recoverable fuel and purchased power cost recovery amount to be collected, including the true-up and GPIF and adjusted for the revenue tax factor, is \$1,350,306,418. (ALDAZABAL, SMITH, WEHLE)

DATED this 10th day of November 2008.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Brief, filed on behalf of Tampa Electric Company, has been served by hand delivery (*), U. S. Mail and electronically on this 10th day of November, 2008 to the following:

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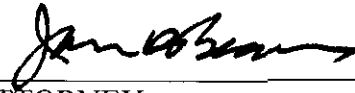
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