

State of Florida



RECEIVED-FPSC  
AUG -4 PM 3:04  
COMMISSION  
CLERK

## Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

**-M-E-M-O-R-A-N-D-U-M-**

---

**DATE:** August 4, 2009  
**TO:** Ann Cole, Commission Clerk - PSC, Office of Commission Clerk  
**FROM:** Traci L. Matthews, Government Analyst I, Office of Strategic Analysis and Governmental Affairs  
**RE:** Docket Number 090146

---

A handwritten signature in black ink, appearing to be "T.M.", located to the right of the "FROM:" field.

Please place this document in the docket file.

DOCUMENT NUMBER-DATE

07984 AUG -4 09

FPSC-COMMISSION CLERK

**From:** Aldazabal, Carlos [mailto:cxaldazabal@tecoenergy.com]  
**Sent:** Monday, July 13, 2009 3:11 PM  
**To:** Traci Matthews  
**Subject:** Follow-up responses to questions from this morning.

Traci,

Below are the responses to the questions on the COT agreement that we discussed.

1) **What is the basis for the capacity charge?** The City of Tampa contract is designed to mirror the existing agreement in many aspects, one of which is the capacity charge. **Is it based on coal unit pricing?** The capacity charge is not based on a specific Tampa Electric unit. It is based on the company's then projected avoided costs and is priced below that cost. The avoided unit at the time of the analysis was not a coal unit but a combined cycle natural gas plant.

2) **What was the time of the fuel forecast used to develop pricing for the agreement?** The fuel forecast was based off of late 2007 fuel prices. **What is the change in the fuel forecast between the forecast at the time and a more recent fuel forecast.** A more recent fuel forecast was recently done as part of the 10-year site plan, which has fuel commodity prices that are slightly higher for both natural gas and coal. The company is also working on its 2009 and 2010 fuel forecast that will be used as part of the 2010 fuel filing and anticipates fuel commodity prices to be lower but it has not been finalized.

3) **A written reason behind the 70% capacity factor agreed to in the contract. It appears to be artificially low, why would the COT want it set at 70%?** The 70% availability level is an extension of the existing agreement where the City has consistently demonstrated an availability greater than 70% in prior years. This availability level has been in place since the initial small power production agreement between the City and Tampa Electric was created in 1982, and neither party saw a need to address or modify that provision of the agreement. One reason may have to do with the City's natural motivation to keep its MSW facility operating at all times in order to perform its primary function of solid waste disposal. The generation of electricity is a secondary function of the facility designed to defray some of the cost of the facility's operation. The City of Tampa wanted to maintain the 70% availability to account for any severe unit forced outage issues that could occur. Since the COT's primary function is to burn municipal solid waste and receive electric energy payments dependent on their availability, management felt comfortable that the City would be incented to maintain a high availability. Additionally, the parties agreed that excess energy could only be sold by the City to third parties if the monthly capacity factor exceeded 100 percent for that particular month and that either party could walk away from the agreement if availability levels fell below the anticipated levels.

Regards,

Carlos Aldazabal  
813-228-4715

DOCUMENT NUMBER-DATE  
07984 AUG-4 2  
FPSC-COMMISSION CLERK