

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

 In the Matter of : DOCKET NO. 960001-EI
 Fuel and Purchased Power :
 Cost Recovery Clause and :
 Generating Performance :
 Incentive Factor. :



VOLUME 2

Pages 184 through 315

PROCEEDINGS: HEARING

BEFORE: COMMISSIONER J. TERRY DEASON
 COMMISSIONER JULIA L. JOHNSON
 COMMISSIONER DIANE K. KIESLING

DATE: Wednesday, February 21, 1996

TIME: Commenced at 12:10 p.m.
 Concluded at 3:28 p.m.

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

REPORTED BY: JOY KELLY, CSR, RPR
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APPEARANCES:

(As heretofore noted.)

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1 BY MR. BEASLEY:

2 Q Ms. Townes, did you prepare and submit in
3 this proceeding a document entitled "Prepared Direct
4 Testimony of Elizabeth Townes," consisting of eight
5 pages?

6 A Yes, I did.

7 Q If I were to ask you the questions contained
8 in that testimony, would your answers be the same?

9 A Yes, they would.

10 MR. BEASLEY: I'd ask that Ms. Townes'
11 testimony be inserted into the record as though read.

12 COMMISSIONER DEASON: Without objection, it
13 will be so inserted.

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1 BEFORE THE PUBLIC SERVICE COMMISSION

2 PREPARED DIRECT TESTIMONY

3 OF

4 ELIZABETH A. TOWNES

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

7
8 A. My name is Elizabeth A. Townes. My business address is 702
9 N. Franklin Street, Tampa, Florida 33602. I am the
10 assistant controller of Tampa Electric Company.

11
12 Q. Please describe your educational background and business
13 experience.

14
15 A. I received a Bachelor of Business Administration degree in
16 Accounting from Florida International University in 1978,
17 and a Master of Business Administration degree from the
18 University of Tampa in 1982. I am a Certified Public
19 Accountant licensed in the State of Florida and a member of
20 the Florida and the American Institute of CPAs. I am also
21 currently a member of the Edison Electric Institute's
22 Accounting Standards Committee.

23
24 Prior to joining Tampa Electric Company in January 1982, I
25 was employed by General Telephone Company of Florida in

1 various accounting and regulatory functions. I was hired
2 by Tampa Electric Company in January 1982, in the position
3 of regulatory accountant. In September 1983, I was
4 promoted to Manager - Regulatory Control and subsequently
5 in February 1991, I was promoted to my current position as
6 assistant controller.

7
8 My current responsibilities include accounting for fuel
9 activities, conservation, oil backout and other regulatory
10 accounting areas, the revenue and financial reporting
11 functions, preparation of budgeted financial statements and
12 the monthly surveillance report. I am also responsible
13 for disbursement and bank reconciliation processes.

14

15 Q. Have you testified before this Commission in other
16 proceedings?

17

18 A. Yes. I have provided written testimony in Docket No.
19 920001-EI, 930001-EI, and 940001-EI related to the
20 company's oil backout clause and in Docket No. 920324-EI
21 which is Tampa Electric Company's most recent full rate
22 proceeding. I also testified in Docket No. 930987-EI,
23 Investigation into currently authorized return on equity
24 of Tampa Electric Company.

1 Q. What is the purpose of your testimony?

2

3 A. The purpose of this testimony is to discuss the issue which
4 was raised by the Florida Public Service Commission Staff
5 regarding jurisdictional separation applied to the Oil
6 Backout Cost Recovery Tariff. To be specific, this was
7 Issue 11E contained in Order No. PSC-95-096-PHO-EI which
8 was the Prehearing Order issued August 4, 1995 in the fuel
9 adjustment docket.

10

11 Q. Have you testified on this issue previously?

12

13 A. No. This issue was raised by the Commission Staff in their
14 3rd set of Interrogatories in Docket 950001-EI which were
15 dated June 30, 1995. Testimony for this docket was filed
16 on June 23, 1995 and the issue was subsequently deferred
17 from the August 1995 fuel adjustment hearing. Tampa
18 Electric has received approval for its treatment of oil
19 backout cost recovery every six months since 1983 and
20 jurisdictional separation has never been an issue. In
21 addition, in June 1995, Tampa Electric made a significant
22 concession in conjunction with the negotiation process
23 regarding 1995 earnings and agreed to collapse the Oil
24 Backout Cost Recovery Tariff. Effective January 1, 1996,
25 Tampa Electric is no longer receiving direct recovery for

1 the oil conversion expenses and the issue of jurisdictional
2 separation is of no consequence going forward.

3

4 Q. If the Oil Backout Cost Recovery Tariff were still in
5 existence, should oil backout costs be separated prior to
6 calculating the appropriate Oil Backout Cost Recovery
7 Factor?

8

9 A. No. The oil-to-coal conversion was initiated - and the
10 project was financed - with the agreement that all costs
11 would be recovered from retail ratepayers.

12

13 Q. Please discuss the history related to Tampa Electric's
14 unique Oil Backout financing arrangement.

15

16 A. In December 1982, the company filed a petition with the
17 Commission to seek approval of the Oil Backout Cost
18 Recovery Tariff (the Tariff) and a proposed "project
19 financing" agreement designed to finance the completion of
20 the oil to coal conversion of Tampa Electric's Gannon Units
21 1 through 4 (the project). PSC Order No. 11658 states that
22 "The Commission... hereby approves the Tariff and the
23 project financing. In so approving, the Commission
24 recognizes the substantial benefits to the ratepayers and
25 the lenders' legitimate reliance on the Tariff remaining in

1 effect until the repayment of the project financing."
2

3 Q. Explain the project financing that was proposed by Tampa
4 Electric and subsequently approved by the Florida Public
5 Service Commission.
6

7 A. Essentially the transaction involved off-balance sheet
8 financing with debt repayment relying specifically on the
9 Tariff. The Gannon Project Trust was created to own and
10 finance the project and the company assigned to the Trust
11 the rights to revenues with respect to the project. The
12 acquisition and construction of the project was financed
13 100% by debt of which one-half was tax-exempt commercial
14 paper issued by the Hillsborough County Industrial
15 Development Authority. This meant that the project could
16 be financed by short-term debt without the need to incur
17 long-term debt and equity support. This low-cost financing
18 mechanism would not have been executed without the
19 guaranteed revenue stream the Commission promised would be
20 recovered from retail ratepayers.
21

22 Q. Did retail ratepayers benefit from this financing?
23

24 A. Yes. The interest rate on the Trust debt has fluctuated
25 from 2% to 7.6% since 1983. The Company's weighted cost of

1 capital during this same time frame was between 7.9% and
2 9.9%. Over the life of the project, this translates into
3 an interest cost savings to the retail ratepayers' benefit
4 of more than \$40 million.

5
6 Q. Should separation have been considered at the time Tampa
7 Electric's first wholesale customer was added in March
8 1991?

9
10 A. No. At that time the oil backout assets and costs did not
11 reside on Tampa Electric books. They were contained in the
12 Gannon Project Trust, separate from Tampa Electric's
13 balance sheet and income statement. The pledged tariffed
14 revenue stream was essential to the continued existence of
15 the Trust as discussed in PSC Order No. 11658.

16
17 Q. Did this arrangement change subsequently?

18
19 A. Yes. In 1992, Tampa Electric had an opportunity to
20 preserve the Gannon Trust low cost pollution control debt
21 for the benefit of our retail customers by discontinuing
22 the application of the Oil Backout Tariff revenue to debt
23 repayment and transferring the debt to the company. This
24 meant that the debt could be retained for the benefit of
25 ratepayers as opposed to being paid down as was required by

1 the Gannon Project Trust. The company filed a petition
2 with this Commission to modify the project financing. The
3 Company's petition was approved in PSC Order No. PSC-92-
4 0837-FOF-EI. This transaction caused the Trust to be
5 dissolved and the debt and assets from the conversion to be
6 placed on Tampa Electric Company's balance sheet on October
7 27, 1992. The administrative costs related to the Gannon
8 Trust were eliminated resulting in additional savings for
9 retail ratepayers as well as reduced interest expense due
10 to the pollution control debt retention. The Company's
11 petition was approved in PSC Order No. PSC-92-0837-FOF-EI.

12
13 Q. Did this impact the Oil Backout Cost Recovery clause?

14
15 A. No. Upon approval of the company's petition the assets and
16 debt previously recorded on the books of the Gannon Project
17 Trust were transferred to Tampa Electric's books. There
18 was no change to the Oil Backout clause as a result of this
19 action. However, there was an immediate benefit to
20 ratepayers in the form of reduced interest expense due to
21 the pollution control debt retention. This lower cost to
22 ratepayers was included in the base rates set by this
23 Commission in the company's last rate case.

24
25 Q. Have there been other occasions since the addition of Tampa

1 Electric's first wholesale customer in March 1991 for the
2 Commission to review the treatment of oil backout costs and
3 recovery?

4
5 A. Yes. The Commission has conducted annual audits of the Oil
6 Backout clause filings 3 times since that date, and has
7 approved the projections and true-ups six times.

8
9 Q. Can you summarize your position on this issue?

10
11 A. Yes. Tampa Electric believes separation of Oil Backout
12 costs is not appropriate because of the original regulatory
13 promise to allow full recovery of costs from retail
14 ratepayers. This same promise enabled Tampa Electric to
15 secure low-cost financing which has saved - and will
16 continue to save - interest expense for retail ratepayers.
17 Finally, the Company has agreed to eliminate the Oil
18 Backout tariff as part of the 1995 earnings level agreement
19 and, therefore, we believe this issue is moot at this time.

20
21 Q. Does this conclude your testimony?

22
23 A. Yes, it does.
24
25

1 Q (By Ms. Beasley) Would you please summarize
2 your testimony?

3 A Yes. Good morning, Commissioners. The
4 purpose of my testimony here today is to address the
5 issue of separation related to Tampa Electric
6 Company's oil backout cost recovery tariff. This
7 issue was raised by the Public Service Commission
8 Staff back in the summer of '95.

9 Tampa Electric's oil to coal conversation
10 project was initiated and the project was financed
11 with the agreement that all costs would be recovered
12 from retail ratepayers. The Florida Public Service
13 Commission approved a very unique financing
14 arrangement for this project which resulted in
15 substantial benefits for retail ratepayers. This was
16 an off-balance-sheet financing agreement in which the
17 project was financed with low cost debt and the stream
18 of revenues from the oil backout tariff was assigned
19 to the Gannon Project Trust for repayment of the debt.
20 The interest savings to retailed customers over the
21 life of this financing arrangement has amounted to in
22 excess of \$40 million.

23 In March of 1991, Tampa Electric Company
24 acquired its first wholesale customer. At that time
25 the Gannon Project Trust was still in existence, and

1 the pledge revenue stream was essential to the
2 continued existence of the trust.

3 In 1992 Tampa Electric Company had the
4 opportunity to retain some low cost pollution control
5 debt for the benefit of our customers by collapsing
6 the oil backout trust and transferring the debt to the
7 Company. The Company filed a petition with this
8 Commission to modify the project financing without any
9 change to the oil backout clause calculation. The
10 petition was approved by the Commission in August of
11 '92.

12 This resulted in an immediate benefit to
13 retail ratepayers due to the retention of low cost
14 debt as opposed to issuing new long debt at higher
15 cost rates. This Commission has conducted annual
16 audits of the oil backout clause and has approved
17 true-ups and projections over the course of the
18 project, and the subject of separation was not raised
19 until now.

20 In summary, Tampa Electric believes the
21 separation of oil backout costs is not appropriate
22 because of the original regulatory promise to allow
23 full recovery of all the costs from retail ratepayers.
24 This same promise enabled Tampa Electric Company to
25 secure low cost financing which has saved, and now

1 will continue to save, interest expense for retail
2 ratepayers. Finally, the Company has agreed to
3 eliminate the oil backout tariff as part of our 1995
4 earnings level agreement and, therefore, we believe
5 this issue is moot at this time.

6 Q Does that conclude your summary?

7 A Yes, it does.

8 MR. BEASLEY: Submit Ms. Townes for cross
9 examination.

10 COMMISSIONER DEASON: Mr. Howe.

11 CROSS EXAMINATION

12 BY MR. HOWE:

13 Q Hello, Ms. Townes.

14 A Good morning.

15 Q Which units were subject to the oil backout
16 project?

17 A This was Gannon Units 1 through 4, I
18 believe.

19 Q And what kind of a conversion was
20 undertaken?

21 A This was an oil backout conversion where the
22 units were burning oil at that time, and they were
23 converted to burn coal.

24 Q Essentially, they were converted back to
25 burning coal, were they not?

1 A I believe that at one time they had burned
2 coal previously.

3 Q Are the Gannon units which were converted
4 back to coal as part of the oil backout project, were
5 those in any way devoted or committed to provide
6 energy or capacity solely to the retail jurisdiction?

7 A At the time that this project was
8 undertaken, there was no wholesale jurisdiction; there
9 was only retail jurisdiction.

10 Q And did you say it was in 1991 that Tampa
11 Electric obtained its first wholesale customer?

12 A That is correct.

13 Q How are you defining "wholesale customer"
14 for those purposes?

15 A This was when we obtained Sebring, the city
16 of Sebring, as a full requirements customer.

17 Q When you refer to 1991 as the date, I
18 believe you used the date of March 1991 as the date
19 when Tampa Electric obtained its first wholesale
20 customer, you're referring to a full requirements
21 wholesale customer, are you not?

22 A That's correct.

23 Q Did Tampa Electric before that time make
24 sales to other electric utilities, municipalities, and
25 so forth, pursuant to contracts or schedules that were

1 approved by the Federal Energy Regulatory Commission?

2 A I believe that we did, but I prefer that you
3 ask those types of questions of Ms. Pennino. I'm not
4 sure who we were serving as far as what type of an
5 entity they were.

6 Q Do you know whether the generation out of
7 the Gannon units since 1991 have been used to meet the
8 loads of both the wholesale and the resale
9 jurisdictions?

10 A Yes, they have.

11 Q In your summary, Ms. Townes, and also in
12 your prefiled testimony at Page 4, Line 10, you refer
13 to an agreement that all costs would be recovered from
14 retail ratepayers. What is that agreement?

15 A That agreement is the approval of this
16 Commission for the Company to undertake the specific
17 unique financing related to the project.

18 Q Is it your position that the Commission's
19 approval of the financing of the project was an
20 explicit approval for total retail cost recovery?

21 A It was our understanding, yes.

22 Q Are there any words in an order or
23 communication from Commissioners or anything of that
24 nature upon which you ground that interpretation?

25 A Yes, there are.

1 Q Could I ask you what those are?

2 A Well, I believe I've referred to them on the
3 bottom of Page 4 of my testimony where I've quoted
4 some language from the order, PSC Order No. 11658.
5 There's also some additional language in that order,
6 which I did not quote the remaining language in the
7 order, but basically it says: "The Commission hereby
8 approves the tariff and the product financing. In so
9 approving, the Commission recognizes the substantial
10 benefits to ratepayers and lenders' legitimate
11 reliance on the Tariff remaining in effect until the
12 repayment of the project financing."

13 And if you continue in the order, it says,
14 "Accordingly, the Commission finds that any action to
15 cut back or discontinue Oil Backout Cost Recovery
16 shall properly apply only to future projects and not
17 to this Project."

18 Q Is there any order or other communication
19 from the Commission to Tampa Electric Company where
20 the Commission explicitly stated that the Gannon oil
21 coal conversion project would not be subject to a
22 jurisdictional separation?

23 A No, there's no specific language because the
24 separation issue was never raised until now.

25 Q Ms. Townes, is it Tampa Electric's position

1 that the Commission has the authority to approve
2 recovery of wholesale costs through retail rates?

3 A I'm not sure I understand your question.

4 Well, for example, is it Tampa Electric's
5 position that -- let's use another generating unit,
6 say Big Bend 4. I understand that unit is subject to
7 a jurisdictional separation, is it not, from Tampa
8 Electric's last rate case?

9 A Not that unit specifically, but a contract
10 that we have that is a unit contract.

11 Q Well, let's just speak then to your units in
12 general. Did the Commission apply a jurisdictional
13 separation factor in the Company's last case?

14 A Yes, they did.

15 Q And did that jurisdictional allocation
16 assign certain retail revenue responsibility -- did it
17 assign certain revenue responsibility for, in this
18 example the generator units, to the retail
19 jurisdiction and assume that other revenue
20 responsibility would be taken care of by the wholesale
21 jurisdiction?

22 A Well, I'm not sure that I can answer that
23 and say, yes, they assumed that. There was separation
24 that took place in our last rate case. Certain
25 transactions were deemed to be separable in the

1 context of the case.

2 Q Is it Tampa Electric Company's position that
3 with regard to operating expenses, plant assets,
4 capital structure, and the like, that are committed to
5 both retail and wholesale jurisdictions -- by that I
6 mean sales to customers in both jurisdictions -- that
7 the Florida Public Service Commission could if it
8 chose, assign all of those expenses, cost and
9 investment to the retail jurisdiction?

10 A It could, except for in the case of this
11 unique financing arrangement for this particular
12 project.

13 Q Your answer confuses me, Ms. Townes. Are
14 you saying it could or it could not except for this
15 financing?

16 A No, the Commission could do what you
17 described earlier in your question. They could
18 separate assets and costs and whatever between the
19 wholesale and retail jurisdictions, except that in
20 this particular case, this project had a unique
21 financing arrangement with a requirement that the
22 stream of revenue be pledged against this
23 off-balance-sheet financing trust. And I believe in
24 that situation that they could not have separated
25 those costs.

1 Q All right. Ms. Townes, Perhaps I've phrased
2 my question improperly, but my question was going to
3 the issue of whether the Commission could choose to
4 assign expenses, investment and capital that were
5 committed to serve both the wholesale and retail
6 jurisdiction. Could they assign those categories of
7 cost to only the retail jurisdiction?

8 A I believe they could if they wanted to.

9 Q Essentially, do you believe that the
10 Commission, if it chose to do so, could assign all of
11 Tampa Electric's wholesale and retail costs to the
12 retail jurisdiction?

13 A I believe that is kind of a farfetched
14 question. They probably could. It's a judgmental
15 decision when you are -- my understanding of it
16 anyway, when you go through these rate cases and do
17 cost of service and separation studies, that you are
18 looking for a fair and equitable split of the cost and
19 assets.

20 Q Would it be fair to say, Ms. Townes, from
21 your testimony and from your position here that you
22 are really not addressing the Commission's legal
23 authority to impose wholesale costs on retail
24 customers?

25 A No. Essentially, what I'm addressing is the

1 fact that this particular project, because of its
2 unique nature of financing, is handled in a different
3 manner from what you are describing.

4 Q Ms. Townes, I don't know if things have
5 changed over the years, but I kind of remember a few
6 years ago when the issue came up in other utilities'
7 rate cases that the federal commission would not allow
8 for the recovery of construction work in progress
9 through wholesale rates. Is that still true?

10 A I would have to double-check the answer on
11 that. My recollection is that there is construction
12 in progress allowed for some environmental-related
13 items.

14 Q Let me ask the question this way. If we
15 were to assume that not all CWIP was allowed in rate
16 base at the wholesale level, would you agree that the
17 Florida Power Service Commission if they allowed Tampa
18 Electric 100% of their CWIP in rate base would still
19 apply a jurisdictional separation factor to that CWIP
20 for ratemaking purposes?

21 A I believe they could.

22 Q Ms. Townes, are you familiar with the oil
23 backout rule?

24 A Somewhat, yes.

25 Q Would you agree that that rule allows for

1 oil backout costs to be rolled into a utility's base
2 rates in a subsequent base rate case after approval of
3 the oil backout project?

4 A I don't recall that specific language, but
5 I'll agree with you, subject to check.

6 MR. HOWE: Commissioner Deason, Ms. Kaufman
7 is distributing a copy of Commission Rules 25-17.016
8 through -- well, I guess the oil backout rule is one
9 rule. It's a several page document. I would just
10 like to have the rule before the witness.

11 Q (By Mr. Howe) Does this rule look familiar
12 to you, Ms. Townes?

13 A Yes, it does.

14 Q And is this the rule pursuant to which the
15 Commission approved Tampa Electric's oil backout
16 project?

17 A I believe it is.

18 Q Would you refer to Page 17-17. The page
19 numbers are at the bottom of the page. It would be
20 the third page.

21 A Yes, I have that.

22 Q And if you would look in Paragraph D.

23 A Uh-huh.

24 Q And in particular if you would look at that
25 second sentence -- well, I should say both the first

1 and the second sentence. Would you agree that this
2 indicates that pursuant to the Commission rule, that
3 the intent of the Commission was to allow a utility to
4 recover its oil backout cost through a separate cost
5 recovery factor until the utility's next rate case, at
6 which it may have been rolled into the utility's base
7 rates?

8 A That's the way this rule reads.

9 Q And is it Tampa Electric Company's position
10 that if the Gannon oil backout project had been rolled
11 into Tampa Electric's base rates, that the Commission
12 could not have applied a jurisdictional separation
13 factor to the assets, the expenses, and the investment
14 associated with the Gannon project?

15 A If it had been rolled into base rates, I
16 agree with your statement. But this project was
17 financed through this unique agreement and it could
18 not be rolled into base rates.

19 Q And the reason it could not be rolled into
20 base rates, was that because of the off-income
21 statement and off-balance-sheet financing of the
22 Gannon Trust?

23 A Yes, that's correct.

24 Q And how were the costs to Tampa Electric
25 booked on the books of Tampa Electric Company?

1 A Now, you are taking me back into the history
2 a long ways, but the assets and the debt were not on
3 our books. There were some costs that were recorded
4 in the trust, some administrative costs that were
5 recorded on that side of the transaction. There was a
6 coal/oil differential that was calculated to indicate
7 the difference in maintenance costs between running a
8 coal unit and running an oil unit. I believe there
9 were some investment tax credits that actually were
10 recorded on Tampa Electric's books.

11 Q Was Tampa Electric the party that was
12 petitioning the Commission for rates through which
13 Tampa Electric would recover the cost of the oil
14 backout project?

15 A Yes.

16 Q So Tampa Electric actually received the
17 money from the imposition of the rate recovery
18 mechanism; is that true?

19 A Tampa Electric collected the revenues
20 related to the oil backout tariff.

21 Q And did Tampa Electric then remit those
22 revenues to the trustee of the Gannon Trust?

23 A Yes. That's the way that the financing
24 arrangement was set up to work. That those revenues,
25 that stream of revenues, would go to pay down the debt

1 associated with this project.

2 Q So would you agree that Tampa Electric's
3 customers paid through their retail rates for an oil
4 backout project, specifically the Gannon oil backout
5 project?

6 A They paid through the oil backout portion of
7 their rates for that project.

8 Q And is it your position that the Commission
9 did not have the authority to limit that rate recovery
10 to the retail portion of the Gannon assets actually
11 providing energy and capacity to the retail customers?

12 A It's my position that as long as this Gannon
13 Project Trust financing arrangement was in place, that
14 they could not roll into base rates, that they could
15 not reduce the stream of revenues going to that
16 particular arrangement.

17 Q Ms. Townes, if there had been no oil backout
18 project or no oil backout cost recovery rule with the
19 Public Service Commission, is there any way that Tampa
20 Electric could have recovered any of the costs through
21 base rates?

22 A No, the costs couldn't have been recovered
23 through base rates, but neither would the ratepayers
24 have enjoyed \$122 million worth of fuel savings over
25 the project.

1 Q Are you suggesting that the actual cost for
2 fuel incurred by Tampa Electric would not have been
3 flowed through the fuel adjustment clause?

4 A The actual cost would, but it would have
5 been much higher had the project not existed.

6 Q No. I'm asking if the project had been
7 undertaken, if Tampa Electric had, in fact, converted
8 its Gannon units from oil to coal, but the Commission
9 did not have an oil backout cost recovery rule such
10 that Tampa Electric would have had to recover any of
11 its conversion cost, O&M, investment, what have you,
12 through base rates, would the Commission have been
13 able to allow that recovery through base rates?

14 A If they hadn't approved this financing
15 arrangement, yes, they would. However, it would have
16 cost the ratepayers much more in terms of the
17 financing costs of the project, which over the course
18 of this project has resulted in more than a \$40
19 million interest savings. Those oil backout assets
20 would have had to earn at the overall cost of capital
21 for the Company when, in fact, they were financed with
22 very low cost, partially tax-exempt debt. And so the
23 carrying cost for those assets was very, very low
24 compared to what the overall costs would be had the
25 assets been on Tampa Electric's books and had the base

1 rates included the recovery of the assets and the
2 costs.

3 Q Is it your position then that the
4 Commission's approval of the financing arrangement,
5 that being the use of the trust instrument, was a
6 decision by the Public Service Commission to
7 relinquish any authority it had to make a retail
8 jurisdictional separation of those costs?

9 A No, that's not my position. My position is
10 that by approving the financing arrangement, they did
11 something that was in the best interest of ratepayers
12 in terms of interest cost savings over the life of the
13 project and in terms of the fuel savings over the life
14 of the project.

15 Q Would it be your position that the financing
16 arrangement of the Gannon project aside, that if the
17 Commission were to identify any project, any
18 investment of the utility that was deemed to have
19 an identifiable benefit to retail customers, that the
20 Commission could choose to allow the utility to
21 recover all costs? By that, I mean the costs
22 associated with both the retail and the wholesale
23 jurisdiction through retail rates.

24 A I don't propose to know all the legalities
25 of what the Commission could or could not do. So I

1 really can't answer the specific question that you've
2 asked.

3 MR. HOWE: I have no further questions.

4 Thank you, Ms. Townes.

5 COMMISSIONER DEASON: Ms. Kaufman.

6 MS. KAUFMAN: Thank you, Mr. Chairman.

7 CROSS EXAMINATION

8 BY MS. KAUFMAN:

9 Q Ms. Townes, you and Mr. Howe discussed the
10 oil backout rule, and you have a copy of it in front
11 of you now, and I'd like to look at that again. And
12 I'll try to use his copy since that's the one that
13 you've got before you.

14 I think you've already agreed, did you not,
15 that this is the rule under which the conversion
16 Gannon project was approved?

17 A Yes.

18 Q Okay. If you would look with me on Page
19 17-16 toward the bottom, No. 3 talks about
20 qualification procedures. Do you see that?

21 A Yes.

22 Q And am I correct that these are the criteria
23 that TECO had to meet in order to have its project
24 qualify for oil backout recovery?

25 A Yes, it is.

1 Q If you would look with me at 3A, No. 2,
2 which is one of the criteria. And it's correct, isn't
3 it, that one of the things that TECO had to
4 demonstrate was that there would be a positive
5 accumulative present net value of expected net savings
6 to the retail ratepayers; is that correct?

7 A That's correct.

8 Q And can we assume that TECO made that
9 showing since the project was approved by the
10 Commission?

11 A Yes.

12 Q And the next one, No. 3, says that TECO
13 needed to demonstrate that this project was the most
14 economical alternative available. Can we assume that
15 they made that showing as well?

16 A Yes.

17 Q Now, you quoted -- you say you quoted in
18 your testimony, and you discussed with Mr. Howe, Order
19 No. 11658, which is the order that approves the
20 financing that you've been discussing.

21 A That's correct.

22 Q Do you have that order in front of you?

23 A Just a minute. Let me figure out what tab
24 it's under. Yes.

25 MS. JOHNSON: Commissioner Deason, we have a

1 copy of the order that we had planned to hand out and
2 ask for official recognition of it, so we'll do so at
3 this time.

4 MS. KAUFMAN: Thank you.

5 COMMISSIONER DEASON: That will be fine.

6 Q (By Ms. Kaufman) Ms. Townes, you discussed
7 at some length, and I think we understand your
8 position, that the financing arrangement that the
9 Commission approved is what you base your position on
10 in this case.

11 Putting that aside for a moment, can you
12 point us to anything in this order that specifically
13 says there will not be a separation between the retail
14 and wholesale jurisdiction?

15 A There's no specific language in the order
16 that says retail. There is no specific language that
17 says wholesale. At the time this project was
18 undertaken, Tampa Electric did not have any wholesale
19 customers. They only had retail customers. The
20 interpretation that the Company has made relies on the
21 language that I quoted earlier, "that any such action
22 to cut back or discontinue oil backout cost recovery,"
23 that's basically the language that we are interpreting
24 and relying upon for our decision.

25 Q So the answer would be that there is no

1 specific reference that would prohibit a separation of
2 retail and wholesale?

3 A There is no specific language in this order.

4 Q Can we assume that since the oil backout
5 project was approved and the retail ratepayers paid
6 for this conversion from oil to coal, that this
7 resulted in lower fuel cost for the retail ratepayers?

8 A Yes, it did, substantially.

9 Q And it also resulted in lower cost for the
10 wholesale ratepayers, didn't it?

11 A From the time that we achieved our first
12 wholesale customer, there was minimal fuel savings
13 that they enjoyed because the coal and oil
14 differentials were very close together at that time.

15 Q But the wholesale ratepayers have enjoyed
16 some savings from this project, haven't they?

17 A Yes. My calculations show that over the
18 course of the project, or from the time that we got
19 our first wholesale customer, that they've enjoyed a
20 big whopping \$24,000 of fuel savings. And we're
21 talking in significant amounts compared to the whole
22 \$122 million of fuel savings that the project allowed
23 us to achieve.

24 Q And when did you say your first wholesale
25 customer came on line?

1 A In March of '91.

2 Q Okay. But any savings, be they minimal or
3 large, that the wholesale base has enjoyed has been
4 paid for by the retail customers; is that right?

5 A You can interpret it that way. However,
6 because of the insignificant dollar level that we are
7 talking about, it gets lost in the rounding of the oil
8 backout factor basically.

9 Q Okay. Let me ask the question one more
10 time.

11 A Okay.

12 Q I understand that you think it is not a
13 significant number, but be that as it may, any savings
14 that the wholesale customers have received as a result
15 of the Gannon conversation has been paid for by the
16 retail customers through the oil backout clause?

17 A No, they haven't paid for it. The savings
18 were split one-third/two-thirds between the customers
19 and the Company. So to the extent that they were
20 credited with savings, they didn't pay for these
21 savings that the wholesale customers participated in.
22 It would just have been that they were getting the
23 full credit for the savings.

24 Q In your answer when you are talking about
25 "they," you're talking about the retail ratepayers.

1 A Retail ratepayers, right.

2 Q And so if I'm understanding what you are
3 saying, you're saying that their savings would have
4 been less?

5 A Yes.

6 Q Okay. That's all I have. Thank you.

7 COMMISSIONER DEASON: Staff.

8 **CROSS EXAMINATION**

9 BY MS. JOHNSON:

10 Q Yes. In response to a question asked by
11 Ms. Kaufman, you indicated that the fuel savings for
12 wholesale customers was only 24,000; is that correct?

13 A That's correct.

14 Q What were the savings for retail customers?

15 A Well, it would have been the 122 million
16 over the life of the project plus the \$24,000.

17 Q The 24,000 that you referred to reflects the
18 amount saved since March of 1991, correct?

19 A That's correct.

20 Q During that same time period, since March of
21 1991, what have been the savings for Tampa Electric's
22 retail customers?

23 A I can calculate that number if you just bear
24 with me for a minute. (Pause) The retail ratepayers
25 would have had savings of \$6.3 million.

1 Q Could you turn to Page 6 of your testimony?

2 A Yes.

3 Q At Line 5 you testified that there was a
4 \$40 million savings in interest costs that the retail
5 customers enjoy. Can you tell me, did the wholesale
6 customers also share in that benefit as well? That
7 savings?

8 A No.

9 Q Can you explain why?

10 A Yes. That savings represents the fact that
11 we were able to finance the transaction with 100%
12 debt. At the time -- well, the \$40 million represents
13 the difference between the overall cost of capital
14 required for the utility and the cost of this low cost
15 debt.

16 At the time that we signed up our first
17 wholesale customer, the Gannon project trust was still
18 in existence and, therefore, there was no benefit to
19 the wholesale customers from this reduced interest
20 cost. Their rates were set based on a cost of capital
21 that did not assume any of the cost savings related to
22 this project.

23 Q Would you agree that the system average cost
24 for Sebring, your wholesale customers, were lower as a
25 result of the trust financing?

1 A The system average costs of what?

2 Q Would you agree that your system average
3 costs were lower because of the conversion of the
4 Gannon units? The fuel cost?

5 A Oh, fuel cost. System average fuel cost,
6 yes, as I said earlier there was a \$23,000 or \$24,000
7 benefit.

8 Q Then in essence, then -- in essence, the
9 wholesale customers did benefit from the financing
10 because of that?

11 A No, they benefited from the fuel savings.
12 They didn't benefit from the financing.

13 Q Do you agree that the fuel savings are a
14 direct result of the Gannon Project Trust financing?

15 A No, the financing was merely a mechanism to
16 reduce the costs of putting this project into place.
17 The fuel savings are what resulted as -- after the
18 conversion of the unit from burning oil to coal.

19 MS. JOHNSON: Can we go off the record for a
20 moment.

21 COMMISSIONER DEASON: Surely.

22 (Discussion off the record.)

23 MS. JOHNSON: Bear with me a moment,
24 please.

25 Q (By Ms. Johnson) The Sebring wholesale

1 customer I am referring to benefited from the system
2 averaged fuel cost because of the financing; isn't
3 that correct?

4 A No, that's not correct.

5 Q Staff is going to hand out Tampa Electric
6 Company's response to Interrogatory No. 18 that was
7 filed in Staff's Third Set of Interrogatories in
8 Docket 950001. We'd like to have these identified as
9 an exhibit.

10 COMMISSIONER DEASON: Is the next exhibit
11 number 30?

12 MS. JOHNSON: That's correct.

13 COMMISSIONER DEASON: This will be
14 identified as Exhibit 30.

15 (Exhibit No. 30 marked for identification.)

16 Q (By Ms. Johnson) Would you agree that this
17 interrogatory response is a calculation of the
18 jurisdictional amount of oil backout revenues
19 recovered for the period March 1991 through March
20 1995?

21 A Yes. This is the Company's response to the
22 requested calculation.

23 Q Okay. And that amount is \$498,160?

24 A Yes.

25 Q Okay. Does that figure include interest?

1 A I don't believe it does.

2 Q Have you calculated the amounts for the
3 period of March 1991 through December 1995?

4 A Yes, I have.

5 Q Can you tell us what that amount is?

6 A 537,179.

7 MS. JOHNSON: Staff has nothing further.

8 COMMISSIONER DEASON: Commissioners.

9 Redirect.

10 **REDIRECT EXAMINATION**

11 BY MR. BEASLEY:

12 Q Ms. Townes, how would you characterize the
13 benefits of the Gannon oil backout project to Tampa
14 Electric's retail customers?

15 A I think Tampa Electric's retail customers
16 have benefited to the tune of over \$120 million in
17 fuel savings. They have had over \$40 million in
18 interest savings related to this issue.

19 Q Over what period of time?

20 A That's from the inception of the project,
21 which began in 1982 through current, the end of 1995.

22 Q Prior to last summer, had any party to this
23 proceeding suggested that Tampa Electric should have
24 administered the project any differently than it was
25 administering it, and by that, I mean collecting the

1 oil backout charge for its retail customers only?

2 A No, this issue had never been raised until
3 last summer, and even in instances where there were
4 occasions for it to be raised, for example, in
5 discussions concerning the collapse of the trust
6 financing, and the oil backout was also addressed in
7 the Company's last full rate proceeding, so there were
8 opportunities but the issue was never raised.

9 Q When it was raised for the first time had
10 you already agreed to eliminate the oil backout cost
11 recovery mechanism?

12 A I'm not quite sure of the timing, but I
13 believe that that agreement had already been reached.

14 MR. BEASLEY: No further redirect.

15 COMMISSIONER DEASON: Exhibits.

16 MR. BEASLEY: Ms. Townes has no exhibits.

17 MS. JOHNSON: Staff moves Exhibit 30.

18 COMMISSIONER DEASON: Without objection,
19 Exhibit 30 is admitted.

20 (Exhibit No. 30 received in evidence.)

21 COMMISSIONER DEASON: Thank you, Ms. Townes.

22 We need to take an assessment as to where we
23 stand as far as time requirements to conclude this
24 hearing. We're past the noon hour. We have one more
25 witness; is that correct?

1 MS. JOHNSON: That's correct. We anticipate
2 only maybe 10 to 15 minutes of cross.

3 COMMISSIONER DEASON: Mr. Howe.

4 MR. HOWE: I would assume no more than 15
5 minutes of cross.

6 COMMISSIONER DEASON: Ms. Kaufman.

7 MS. KAUFMAN: No more than that, Mr. Deason.

8 COMMISSIONER DEASON: And then Staff is
9 going to need time to formulate its final
10 recommendations; is that correct?

11 MS. JOHNSON: That's correct.

12 COMMISSIONER DEASON: Well, if there's not a
13 strong desire, I'm going to go ahead and break for
14 lunch. I've been working nights, through lunch hours,
15 and everything, I'm going to take a lunch for one day.
16 So we're going to take an hour lunch break and we'll
17 reconvene as 1:15.

18 (Thereupon, lunch recess was taken at 12:15
19 p.)

20 - - - - -

21 COMMISSIONER DEASON: Call the hearing back
22 to order.

23 Mr. Beasley.

24 MR. BEASLEY: Call Mary Jo Pennino.

25 - - - - -

1 MARY JO PENNINO

2 was called as a witness on behalf of Tampa Electric
3 Company and, having been duly sworn, testified as
4 follows:

5 DIRECT EXAMINATION

6 BY MR. BEASLEY:

7 Q Have you been sworn, Ms. Pennino?

8 A Yes, I have.

9 Q Okay. Could you please state your name,
10 address, occupation and employer?

11 A My name is Mary Jo Pennino. My business
12 address is 702 North Franklin Street, Tampa, Florida
13 33602. And my position with Tampa Electric is Manager
14 of Energy Issues and Administration in the Regulatory
15 and Business Strategy Section.

16 Q Ms. Pennino, did you prepare and submit in
17 this docket a seven-page document entitled, "Prepared
18 Direct Testimony of Mary Jo Pennino"?

19 A Yes.

20 Q If I were to ask you the questions contained
21 in that prepared testimony, would your answers be the
22 same?

23 A Yes, it would.

24 Q I would ask that Ms. Pennino's testimony be
25 inserted into the record as though read.

1 COMMISSIONER DEASON: Without objection it
2 will be so inserted.
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1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 PREPARED DIRECT TESTIMONY

3 OF

4 MARY JO PENNINO

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

7
8 A. My name is Mary Jo Pennino. My business address is 702
9 North Franklin Street, Tampa, Florida 33602. My position
10 is Manager - Energy Issues and Administration in the
11 Regulatory Affairs Department of Tampa Electric Company.

12
13 Q. Please provide a brief outline of your educational
14 background and business experience.

15
16 A. I received a Bachelor of Science Degree in Chemical
17 Engineering from the University of South Florida, Tampa,
18 Florida in 1985. Upon graduation, I began my career at
19 Tampa Electric Company in the Production Department. My
20 responsibilities included heat rate testing, support
21 services for the Plant Chemical Engineers, and start-up
22 assistance for Hookers Point Station. In 1991, I
23 transferred to the Generation Planning Department where I
24 was responsible for annual expansion planning analyses,
25 alternative technology evaluation and several other

1 business planning activities. In 1993, I was promoted to
2 Administrator - Wholesale and Fuel in the Regulatory
3 Affairs Department and in 1995 to Manager - Energy Issues
4 and Administration, also in Regulatory Affairs. My present
5 responsibilities include the areas of fuel adjustment
6 filings, capacity cost recovery filings, and rate design.
7

8 Q. What is the purpose of your testimony in this proceeding?
9

10 A. The purpose of my testimony is to present the net true-up
11 amounts for the April 1995 through September 1995 period
12 for both the Fuel Cost Recovery and the Capacity Cost
13 Recovery Clauses.
14

15 FUEL COST RECOVERY CLAUSE

16

17 Q. What is the net true-up amount for the fuel cost recovery
18 clause for the period April 1995 through September 1995.
19

20 A. An over/(under) - recovery of (\$437,285). The actual fuel
21 cost over/(under) - recovery, including interest, is
22 (\$3,398,646) for the period April 1995 through September
23 1995 (Schedule A2, page 2 of 3, of September 1995 monthly
24 filing, in Document No. 4, reflects an end of period total
25 net true-up of (\$9,362,440). Subtracting the beginning of

1 period deferred true-up of (\$5,963,794) yields the
2 (\$3,398,646). This (\$3,398,646) amount, less the
3 actual/estimated over/(under) - recovery approved in the
4 August 1995 fuel hearings of (\$2,961,361) results in a
5 final over/(under) - recovery for the period of (\$437,285).
6 This over/(under) - recovery amount of (\$437,285) will be
7 carried over and applied in the calculation of the fuel
8 recovery factor for the period April 1996 through September
9 1996.

10

11 Q. How much effect will this (\$437,285) over/(under) -
12 recovery in the April 1995 through September 1995 period,
13 have on the April 1996 through September 1996 period?

14

15 A. The (\$437,285) over/(under) - recovery will cause a 1,000
16 KWH residential bill to be approximately \$0.06 higher.

17

18 Q. Have you prepared an Exhibit in this proceeding?

19

20 A. Yes. Exhibit No. (MJP-1, Fuel Cost Recovery and Capacity
21 Cost Recovery) which contains four documents. Document No.
22 3 is used to explain the capacity cost recovery clause
23 which is discussed later in my testimony. Document No. 4
24 contains Commission Schedules A-1 through A-9 for the
25 months of April 1995 through September 1995. Included with

1 the September 1995 monthly filing is a six months summary
2 for each of Commission Schedules A6, A7, A8, and A9 for the
3 period April 1995 through September 1995.
4

5 Q. Please explain Document No. 1.
6

7 A. Document No. 1, entitled "Tampa Electric Company Final Fuel
8 Over/(Under) - Recovery for the period April 1995 through
9 September 1995" shows the calculation of the final fuel
10 over/(under) - recovery for the period of (\$437,285) which
11 will be applied to jurisdictional sales during the period
12 April 1996 through September 1996.
13

14 Line 1 shows the total company fuel costs of \$191,978,244
15 for the period April 1995 through September 1995. The
16 jurisdictional amount of total fuel costs is \$194,087,806
17 as shown on line 2. This amount is compared to the
18 jurisdictional fuel revenues applicable to the period on
19 line 3 to obtain the actual over/(under) - recovered fuel
20 costs for the period, shown on line 4. The resulting
21 (\$3,215,971) over/(under) - recovered fuel costs for the
22 period, combined with (\$182,675) of interest shown on line
23 5, constitute the actual over/(under) - recovery of
24 (\$3,398,646) shown on line 6. The (\$3,398,646) less the
25 actual/estimated over/(under) - recovery of (\$2,961,361)

1 shown on line 7, which was approved in the August 1995 fuel
2 hearings, results in the final over/(under) - recovery of
3 (\$437,285) shown on line 8.

4

5 Q. What does Document No. 2 show?

6

7 A. Document No. 2, entitled "Tampa Electric Company
8 Calculation of True-Up Amount Actual vs. Original Estimates
9 for the period April 1995 through September 1995," shows
10 the calculation of the actual over/(under) - recovery as
11 compared to the original estimate for the same period.

12

13 Q. What was the variance in jurisdictional fuel revenues for
14 the period April 1995 through September 1995?

15

16 A. As shown on line C1 of my Document No. 2, the company
17 collected \$2,515,482 or 1.4% more jurisdictional fuel
18 revenues than originally estimated.

19

20 Q. What was the total fuel and net power transaction cost
21 variance for the period April 1995 through September 1995?

22

23 A. As shown on line A7 of Document No. 2, the fuel and net
24 power transactions cost variance is \$6,061,780 or 3.3%.

25

1 Q. What are the reasons for the total fuel and net power
2 transactions cost being higher by \$6,061,780 or 3.3%?

3
4 A. The primary reason for the 3.3% increase is due to Net
5 Energy for Load being up 203,532 MWH or 2.5%. This 2.5%
6 combined with the ¢/KWH for Total Fuel and Net Power
7 Transaction being greater than estimated by 0.8%, accounts
8 for the 3.3% increase.

9

10 **CAPACITY COST RECOVERY CLAUSE**

11

12 Q. What is the net true-up amount for the capacity cost
13 recovery clause for the period April 1995 through September
14 1995?

15

16 A. An over/(under) - recovery of \$179,568. The actual
17 capacity cost over/(under) - recovery, including interest,
18 is \$133,949 for the period April 1995 through September
19 1995 (Document No. 3, pages 2 and 3 of 5). This amount,
20 less the actual/estimated over/(under) - recovery approved
21 in the August 1995 fuel hearings of (\$45,619) results in a
22 final over/(under) - recovery for the period of \$179,568
23 (Document No. 3, page 5 of 5). This over/(under) -
24 recovery amount of \$179,568 will be carried over and
25 applied in the calculation of the capacity cost recovery

1 factor for the period April 1996 through September 1996.

2

3 Q. How much effect will this \$179,568 over/(under) - recovery
4 in the April 1995 through September 1995 period, have on
5 the April 1996 through September 1996 period?

6

7 A. The \$179,568 over/(under) - recovery will approximately
8 cause a \$0.02 decrease in a 1,000 KWH residential bill.

9

10 Q. Does this conclude your testimony?

11

12 A. Yes.

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **PREPARED DIRECT TESTIMONY**

3 **OF**

4 **MARY JO PENNINO**

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

7
8 **A.** My name is Mary Jo Pennino. My business address is 702
9 North Franklin Street, Tampa, Florida 33602. My title is
10 Manager - Energy Issues and Administration. I work in the
11 Regulatory and Business Strategy Department of Tampa
12 Electric Company.

13
14 **Q.** Please provide a brief outline of your educational
15 background and business experience.

16
17 **A.** I graduated from the University of South Florida with a
18 Bachelor of Science Degree in Chemical Engineering in 1985.
19 Upon graduation, I began my career with Tampa Electric
20 Company as an Engineer in the Production Department. In
21 1991, I transferred to the Generation Planning Department
22 where I was responsible for annual expansion planning
23 analyses, alternative technology evaluation and several
24 other business planning activities. In 1993, I was
25 promoted to Administrator - Wholesale and Fuel in the

1 Regulatory Affairs Department and in 1995 to Manager -
2 Energy Issues and Administration, also in Regulatory
3 Affairs which has recently been renamed to Regulatory and
4 Business Strategy. My present responsibilities include the
5 areas of fuel adjustment filings, capacity cost recovery
6 filings, and rate design.

7
8 Q. What is the purpose of your testimony in this proceeding?

9
10 A. The purpose of my testimony is to present to the Commission
11 the proposed Total Fuel and Purchased Power Cost Recovery
12 factors for the period of April 1996 - September 1996, and
13 the proposed Capacity Cost Recovery factors for the same
14 period.

15
16 Fuel and Purchased Power Cost Recovery Factors / Capacity Cost
17 Recovery Clause

18
19 Q. Did you review the projected data necessary to calculate
20 the Total Fuel and Purchased Power Cost Recovery factors
21 for the period April 1996 - September 1996?

22
23 A. Yes I have.

24
25 Q. Do you wish to sponsor an exhibit consisting of Schedules

1 H-1 (April - September, 1993 through 1996) and Schedules E-
2 1 through E-10 (April 1996 - September 1996)?

3
4 A. Yes. Also contained in this exhibit are Schedules E-2, E-
5 3, E-5, E-6, E-7, E-8 and E-9 for the prior period October
6 1995 - March 1996. These schedules are furnished as back-
7 up for the projected true-up for this period and consist of
8 two actual months and four projected months.

9
10 (Have identified as Exhibit No. ____ (MJP-2), Fuel
11 Projection.)

12
13 Q. Does Schedule E-1 of Exhibit No. ____ (MJP-2), Fuel
14 Projection, show the proper value for the Total Fuel and
15 Purchased Power Cost Recovery Clause as projected for the
16 period April 1996 - September 1996?

17
18 A. Yes.

19
20 Q. What is the proper value for the new period?

21
22 A. The proper value for the new period is 2.390 cents per kwh
23 before the application of the factors that adjust for
24 variations in line losses.

25

- 1 Q. Please describe the information provided on Schedule E-1C.
2
- 3 A. The GPIF and True-up factors are provided on Schedule E-1C.
4 We propose that a GPIF reward of \$376,230 be included in
5 the projection period. The True-up amount for the October
6 1995 - March 1996 period is an overrecovery of \$599,902.
7 This overrecovery is comprised of a final True-up
8 underrecovery amount of (\$437,285) for the April 1995 -
9 September 1995 period and an estimated overrecovery in the
10 amount of \$1,037,187 for the October 1995 - March 1996
11 period.
12
- 13 Q. Please describe the information provided on Schedule E-1D.
14
- 15 A. Schedule E-1D presents the company's on-peak and off-peak
16 fuel charge factors for the April 1996 - September 1996
17 period.
18
- 19 Q. What is the purpose of Schedule E-1E?
20
- 21 A. The purpose of Schedule E-1E is to present the standard,
22 on-peak and off-peak fuel charge factors after adjusting
23 for variations in line losses.
24
- 25 Q. Please recap the proposed Fuel and Purchased Power Cost

1 Recovery factors for the April 1996 - September 1996
2 period.

3	A.	Fuel Charge
5	<u>Rate Schedule</u>	<u>Factor (cents per kwh)</u>
7	Average Factor	2.390
8	RS, GS and TS	2.405
9	RST and GST	2.908 (on-peak)
10		2.166 (off-peak)
11	SL-2, OL-1 and OL-3	2.277
12	GSD, GSLD and SBF	2.393
13	GSDT, GSLDT and SBFT	2.893 (on-peak)
14		2.155 (off-peak)
15	IS-1, IS-3, SBI-1, SBI-3	2.323
16	IST-1, IST-3, SBIT-1, SBIT-3	2.809 (on-peak)
17		2.092 (off-peak)

18
19 Q. How does Tampa Electric Company's proposed average fuel
20 charge factor of 2.390 cents per kwh compare to the average
21 fuel charge factor for the October 1995 - March 1996
22 period?

23
24 A. The proposed fuel charge factor is 0.025 cents per kwh (or
25 25 cents per 1000 kwh) higher than the average fuel charge

1 factor of 2.365 cents per kwh for the October 1995 - March
2 1996 period.

3

4 Q. Are you also requesting Commission approval of the
5 projected Capacity Cost Recovery factors for the Company's
6 various rate schedules?

7

8 A. Yes.

9

10 Q. Have you prepared or caused to be prepared under your
11 direction or supervision an exhibit which supports this
12 request?

13

14 A. Yes. It consists of five pages indentified as Exhibit No.
15 _____ MJP-3, Capacity Cost Recovery.

16

17 Q. What payments are included in Tampa Electric's capacity
18 cost recovery factor?

19

20 A. Tampa Electric is requesting recovery, through the capacity
21 cost recovery factor, of capacity payments made pursuant to
22 cogeneration, small power production and purchased power
23 agreements to which we are a party.

24

25 Q. Please re-cap the proposed Capacity Cost Recovery Clause

1 factors for the April 1996 - September 1996 period.

2

3 **A.** Capacity Cost Recovery

4 Rate Schedule Factor (cents per kwh)

5

6	RS	0.193
7	GS and TS	0.179
8	GSD	0.135
9	GSLD and SBF	0.123
10	IS-1, IS-3, SBI-1, SBI-3	0.011
11	SL-2, OL-1 and OL-3	0.029

12

13 These factors can be seen in Exhibit No. ____ (MJP-3), page

14 3 of 5.

15

16 **Q.** What is the composite effect of the above changes on a

17 1,000 kwh residential Customer?

18

19 **A.** A residential bill for 1,000 kwh will decrease \$0.02

20 beginning April 1996. See table below.

	Oct. 95 Thru Dec. 95	Jan. 96 thru Mar. 96	Apr. 96 thru Sept. 96
<u>Type of Charge</u>			
Customer	\$ 8.50	\$ 8.50	\$ 8.50
Energy	43.42	43.42	43.42
Conservation	1.53	1.53	1.62
Oil Backout	0.58	0.00	0.00
Fuel	23.80	23.80	24.05
Capacity	2.29	2.29	1.93
FGR Tax	<u>2.05</u>	<u>2.04</u>	<u>2.04</u>
Total	\$ 82.17	\$ 81.58	\$ 81.56

21

22 Q. When should the new charges go into effect?

23

24 A. They should go into effect commensurate with the first
25 billing cycle in April 1996.

26

27 Q. Does this conclude your testimony?

28

29 A. Yes it does.

30

31

32

33

34

35

1 Regulatory Affairs Department and in 1995 to Manager -
2 Energy Issues and Administration, also in Regulatory
3 Affairs which has recently been renamed Regulatory and
4 Business Strategy. My present responsibilities include the
5 areas of fuel adjustment filings, capacity cost recovery
6 filings, and rate design.
7

8 Q. What is the purpose of your testimony?
9

10 A. The purpose of my testimony is to address an issue which
11 was deferred from the August 1995 fuel adjustment hearing.
12 I am referring to Issue 11F contained in Order No. PSC-95-
13 0946-PHO-EI which was the Prehearing Order issued August 4,
14 1995 in the fuel adjustment docket. The issue in question
15 is whether Tampa Electric should be required to refund a
16 portion of oil backout cost recovery revenues previously
17 recovered from its retail customers in the event the
18 Commission decides that, prior to the collapse of the Oil
19 Backout Cost Recovery Tariff effective January 1996, the
20 company should have separated oil backout cost recovery
21 costs by wholesale and retail jurisdiction.
22

23 Q. What is Tampa Electric's position regarding this issue?
24

25 A. We believe it would be unfair for Tampa Electric to be

1 required to be refund any of the revenues the company has
2 recovered in good faith from its retail customers. Costs
3 for wholesale transactions are under the jurisdiction of
4 the Federal Energy Regulatory Commission (FERC). It would
5 be impossible to obtain approval from FERC to recover any
6 of the expenses associated with the Gannon oil-to-coal
7 conversion from the wholesale customers retroactively.
8 Thus, a change that would require a refund to retail
9 customers would be paramount to a disallowance of recovery,
10 since the costs could not be recovered from wholesale
11 customers. It was the Florida Public Service Commission
12 and not the FERC who encouraged utilities to reduce
13 dependency on foreign oil and provided direct recovery of
14 conversion expenses through a separate tariff versus base
15 rates. Recovery of conversion expenses from a wholesale
16 customer would have to be accomplished through a FERC
17 approved wholesale base rate change. Requesting recovery
18 of past conversion expenses from a wholesale customer would
19 constitute retroactive ratemaking and would, therefore, not
20 be allowed. The separation issue has been raised at a very
21 late date, subsequent to the collapse of the Oil Backout
22 Tariff, and after the Commission has had several
23 opportunities in various dockets since the addition of
24 Tampa Electric's first wholesale customer in March 1991.
25 For the Commission to require any retroactive treatment at

1 this time would be to effectively penalize Tampa Electric
2 for its prudent implementation of an oil-to-coal
3 conversion.

4
5 Q. Are you aware of any recent cases where the Commission has
6 refrained from requiring retroactive refunds in
7 circumstances similar to the present?

8
9 A. Yes. In the first fuel adjustment docket subsequent to the
10 addition of Tampa Electric's first wholesale customer,
11 Docket No. 910001-EI, the issue was raised whether or not
12 Tampa Electric should be required to refund a portion of
13 previously approved buyout costs for the buyout of a coal
14 contract with Pyramid Mining, Inc. to the retail ratepayers
15 based on an allocation to the wholesale jurisdiction. The
16 order approving the Pyramid buyout and recovery of the
17 costs associated with it did not contemplate the question
18 of recovery from retail versus wholesale ratepayers. The
19 Commission reasoned that, under this circumstance, when
20 Tampa Electric acquired its wholesale customer, the company
21 could reasonably have interpreted the buyout order to apply
22 only to its jurisdictional customers. The Commission
23 agreed with Staff's recommendation and stated in Order No.
24 25148 that "the fairest resolution of the issue before us
25 is to apply our interpretation of the method of allocation

1 of contract buyout costs on a prospective basis." The
2 Commission and Commission Staff did not find it appropriate
3 to penalize the company for collecting revenues in good
4 faith from the retail customers by requiring a refund.

5

6 Q. Should this rationale apply in this case?

7

8 Yes. In this case, the Commission's original 1982 Oil
9 Backout order and subsequent orders and reviews did not
10 specify allocation of costs to wholesale ratepayers. Under
11 these circumstances, when Tampa Electric acquired its
12 wholesale customers, Tampa Electric reasonably interpreted
13 the orders to apply only to its jurisdictional customers.
14 It would be unfair to force the company to be penalized by
15 refunding a portion of revenues that the company collected
16 in good faith.

17

18 Q. Subsequent to the addition of Tampa Electric's first
19 wholesale customer, separation was addressed as it related
20 to the Pyramid coal buyout. Was it also addressed as it
21 related to oil backout cost recovery?

22

23 A. No. Although oil backout recovery was examined and
24 approved within the same docket as the Pyramid separation
25 issue, the same issue was not raised with respect to oil

1 backout cost recovery.

2

3 Q. Are there additional reasons not to require refunds?

4

5 A. Yes. Adjustment clause type recovery lends itself to
6 retroactive treatment due to the fact that "pass-through"
7 expenses are approved prior to their occurrence.
8 Retroactive adjustments enable the Commission to examine
9 actual expenses and make adjustments based on the prudence
10 of those expenses. In the present case, while we are
11 talking about an adjustment clause type recovery, we are
12 not talking about a prudency situation where, for example,
13 the prudency of prior fuel contract negotiations or
14 contract administration is being called into question.
15 This is not a prudency issue at all. Instead, it is one of
16 interpretation. Retroactive consideration should not be
17 abused to extend to other situations simply due to the fact
18 that recovery of oil backout expenses has been structured
19 in an adjustment clause. The application of retroactive
20 treatment in this case is simply not appropriate. Tampa
21 Electric has been applying a reasonable interpretation of
22 the oil backout related orders. Given the extensive
23 Commission review and consideration of Tampa Electric's
24 treatment of oil backout cost recovery, Tampa Electric has
25 had reason to believe its interpretation of the oil backout

1 orders coincided with the Commission's interpretation.

2

3 Q. Would you please summarize your testimony.

4

5 A. If the Commission concludes that there should be a
6 jurisdictional separation applied to the oil backout
7 tariff, such interpretation should be applied only on a
8 prospective basis. No refunds to jurisdictional customers
9 should be required based on the fairness considerations set
10 forth in this testimony and in Commission Order No. 25148
11 issued in the fuel adjustment docket back in 1991. This
12 issue is one of basic fairness and interpretation -- not
13 one of prudence.

14

15 Q. Does this conclude your testimony?

16

17 A. Yes it does.

18

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1 Q (By Mr. Beasley) Ms. Pennino, would you
2 please summarize your testimony?

3 A Yes. The purpose of my testimony is to
4 address the issue of whether or not it would be
5 appropriate to effectively disallow complete recovery
6 of the previously approved oil backout expenses
7 through requiring Tampa Electric to refund a portion
8 of the revenues previously collected from retail
9 customers based on the jurisdictional separation
10 between wholesale and retail.

11 As Ms. Townes stated, Tampa Electric
12 believes that separation of oil backout costs is not
13 appropriate because of the regulatory promise to allow
14 full recovery of costs from retail ratepayers.
15 However, if the Commission concludes that oil backout
16 costs should be recovered from retail and wholesale
17 ratepayers, such interpretation should only be applied
18 on a prospective basis.

19 Costs for wholesale transactions are under
20 FERC jurisdiction. It would be impossible to obtain
21 an approval from FERC to retroactively recover the
22 costs associated with the Gannon oil-to-coal
23 conversion. Recovery of conversion expenses from a
24 wholesale customer would have to be accomplished
25 through a wholesale base rate change. Requesting

1 recovery of past conversion expenses from a wholesale
2 customer would constitute retroactive ratemaking and
3 would, therefore, not be allowed. So requiring a
4 refund to retail customers would be paramount to
5 disallowance of complete recovery.

6 In addition, when the Commission was faced
7 with a similar situation regarding jurisdictional
8 separation of buyout costs for a coal contract they
9 ruled that the fairest resolution was to apply any
10 allocation to wholesale on a prospective basis only.

11 And finally, I'd like to add that
12 retroactive adjustments are appropriate when dealing
13 with the issue of prudence of expenses related to
14 adjustment clauses. The issue at hand, however, is
15 not one of prudence. It is one of interpretation and
16 fairness.

17 Tampa Electric has been applying a
18 reasonable interpretation of the oil backout related
19 orders that were silent to the issue of separation.
20 And given the extensive Commission review of Tampa
21 Electric's treatment of oil backout costs, Tampa
22 Electric has had every reason to believe its
23 interpretation of the oil backout orders coincided
24 with the Commission's interpretation.

25 To bring this issue forward at such a late

1 date after Tampa Electric has conceded to collapse the
2 oil backout clause and to further require a refund of
3 the portion of the costs they were allowed to recover
4 would be effectively penalizing Tampa Electric for its
5 prudent implementation of on oil to coal conversion
6 project.

7 MR. BEASLEY: We tender Ms. Pennino for
8 questions.

9 COMMISSIONER DEASON: Mr. Howe.

10 CROSS EXAMINATION

11 BY MR. HOWE:

12 Q Hello, Ms. Pennino. One question that was
13 referred to you by Ms. Townes, the issue of what type
14 of wholesale sales was Tampa Electric making before
15 they obtained Sebring as a full requirements customer.

16 A Well, we had the contract for the sale of
17 Big Ben 4 prior to the requirement sale to Sebring.

18 Q Those were unit power sales arrangements,
19 weren't they, with Florida Power and Light and, I
20 think, Florida Power Corporation?

21 A Florida Power and Light and it was the sale
22 of Big Bend 4 only.

23 Q What other types of wholesale sales does
24 Tampa Electric engage in besides full requirement
25 sales?

1 A Interchange sales.

2 Q What are those?

3 A Those are the emergency sales, economy
4 sales, the short-term negotiated sales, and we also
5 engage in the Schedule D firm sales.

6 Q How long has Tampa Electric been engaged in
7 making interchange sales?

8 A I'm not sure how far back that date is.
9 It's been quite a while.

10 Q Basically Tampa Electric was making economy
11 sales during the time period after the Gannon
12 conversion, was it not?

13 A Yes.

14 Q Did the Gannon conversion lower Tampa
15 Electric's fuel cost on a system basis?

16 A Yes.

17 Q Would the lowering of system average fuel
18 costs increase the likelihood that Tampa Electric
19 would have made economy sales?

20 A Yes.

21 Q Was Tampa Electric making economy sales out
22 of the converted Gannon units between the period 1983
23 and 1991 when it obtained its first full requirements
24 wholesale customer?

25 A Potentially.

1 Q What do you mean by "potentially"?

2 A I'm not positive, but I assume they were.

3 Q To make it clear in the record, would you
4 agree that economy sales are basically as available
5 interchanges based on the generating units Tampa
6 Electric has on their system at a particular time
7 versus what the cost of generation would be on other
8 utility systems?

9 A Yes.

10 Q And the sales were made on a split-the-
11 savings basis, are they not?

12 A That's right.

13 Q And those are pursuant to schedules that are
14 on file and approved by FERC; is that correct?

15 A I believe so.

16 Q Ms. Pennino, do you happen to know anything
17 about Florida Power and Light's oil backout cost
18 recovery project?

19 A No.

20 Q Do you happen to know whether Florida Power
21 and Light applied a jurisdictional separation factor
22 to their 500 kV transmission lines which were approved
23 for oil backout cost recovery purposes?

24 A I'm not positive what the oil backout
25 project was with Florida Power and Light, although

1 through our conversations with Staff as we've
2 discussed this issue, they've indicated to us that
3 Florida Power and Light does apply jurisdictional
4 separation.

5 MR. HOWE: I have no further questions.
6 Thank you.

7 COMMISSIONER DEASON: Ms. Kaufman.

8 CROSS EXAMINATION

9 BY MS. KAUFMAN:

10 Q Good afternoon, Ms. Pennino, I just have a
11 brief series of questions.

12 On Page 4 and then going over to Page 5 of
13 your testimony, you're talking about the TECO pyramid
14 buyout. Do you see that?

15 A Yes.

16 Q And you talk about the decision that was
17 made in that case and the fact that you think the same
18 rationale should apply here; is that right?

19 A I think the decision as it was applied to
20 the retroactive treatment should be applied here.

21 Q And then on Page 5, starting at about Line 8
22 you give your rationale, and part of that is the fact
23 that the original 1982 oil backout order and
24 subsequent orders did not specify separation; is that
25 correct?

1 A That's correct.

2 Q Isn't it true that your first wholesale
3 customer did not come on the system until about 1991?

4 A March of 1991 was the first all requirement
5 sale that we made to the city of Sebring. But since
6 then there have been many opportunities where the oil
7 backout recovery has been reviewed. Every six months
8 in this type of proceeding, audits. There's been
9 other opportunities for those costs and the recovery
10 has been approved in other proceedings.

11 Q I understand. But my point is that your
12 comments Line 8, about 8 through 10, dealing with the
13 fact that the '82 order didn't deal with the
14 separation, it's also true that really there was no
15 reason to since you didn't have any wholesale
16 customers at that time?

17 A In the original order. But Line 9 says in
18 subsequent orders and reviews, and those subsequent
19 orders and reviews occurred after our wholesale
20 customer, so that there's been ample opportunity for
21 the Staff to consider the separation issue.

22 MS. KAUFMAN: That's all I have.

23 COMMISSIONER DEASON: Staff.

24

25

1 CROSS EXAMINATION

2 BY MS. JOHNSON:

3 Q Ms. Pennino, in your testimony you state
4 that it would be unfair to require TECO to refund any
5 oil backout revenues recovered previously from its
6 retail customers, correct?

7 A That's right.

8 Q Any refunds would be related to costs
9 recovered since Sebring became a wholesale customer in
10 March of 1991, correct?

11 A We don't believe there should be a refund
12 back to that, back to March of 1991, but I believe
13 that's your position.

14 Q If the Commission decides that refunds are
15 appropriate in order to account for the jurisdictional
16 separation, then the refunds would go back to March of
17 1991, correct?

18 A That's your position.

19 Q You still haven't answered my question.

20 A Well, it's not our position that the refund
21 should go back to March of 1991. My position, my
22 whole testimony is speaking to the fact that it should
23 be applied prospectively and it should not go back to
24 March of 1991, so your position is that it should. If
25 the Commission rules, then it would.

1 Q In fact, isn't Sebring still the only
2 wholesale customer who has charged system average fuel
3 cost?

4 A Well, it's -- no, I don't think I can make
5 that -- it's the only separated wholesale customer
6 that's charged system average fuel cost.

7 Q You also state in your testimony that it was
8 the --

9 COMMISSIONER JOHNSON: Let me follow up on
10 that because I understood her to say what our position
11 was. But in your -- if you can give the answer, in
12 your professional opinion, if we were to decide the
13 refunds, how far back should we go? What should the
14 date be, if you can answer that.

15 WITNESS PENNINO: Well, I think they should
16 only be applied on a prospective. I don't think they
17 should go back in time. I don't think it would be
18 appropriate to require us to refund money that we have
19 no means of collecting at this point.

20 COMMISSIONER JOHNSON: So you have no
21 opinion, if we decide to go back, how far back we go,
22 If we pick 1980, if we pick 1975. I mean, you have no
23 opinion.

24 WITNESS PENNINO: The first opportunity you
25 would have had to apply jurisdictional separation

1 would have been the onset of the first customer, which
2 would have been March of 1991.

3 COMMISSIONER JOHNSON: Okay.

4 WITNESS PENNINO: So that would have been
5 the first time that a jurisdictional separation would
6 apply.

7 COMMISSIONER JOHNSON: Thank you very much.

8 Q (By Ms. Johnson) Could you turn to Page 3
9 of your testimony?

10 A Yes.

11 Q Looking at Line 10 you state that it was the
12 Florida Public Service Commission and not the Federal
13 Energy Regulatory Commission who encouraged utilities
14 to reduce dependency on foreign oil, correct?

15 A That's right.

16 Q Did the Commission require TECO to convert
17 the Gannon units?

18 A No, they didn't.

19 Q Wasn't a reason that TECO decided to convert
20 the units was to reduce its reliance on foreign oil
21 and to reduce the cost of system generation through
22 potential fuel savings?

23 A Tampa Electric was encouraged to take that
24 action by the Commission, and did take the action
25 based on potential savings associated with the

1 conversion.

2 Q Can you turn to Page 5 of your testimony?

3 A Yes.

4 Q You were asked the question earlier
5 regarding Order No. 25148. Looking at Line 5 on
6 Page 4, Staff would like the Commission to take
7 official recognition of Order 25148. We have copies
8 that we'll hand out. The copies we're handing out is
9 just the first page of the order and the relevant
10 pages rather than copying the entire order.

11 Look at Page 8 of the order, the second
12 paragraph from the bottom, doesn't it state that the
13 Commission ruled that TECO should recover the buyout
14 costs over total kilowatt sales because TECO's
15 wholesale customers enjoyed the benefits associated
16 with the pyramid buyout, and TECO's retail ratepayers
17 should not bear all the costs?

18 A It does state that in the order. But
19 there's differences between this situation and the
20 situation with the oil backout.

21 This was recovery of buyout costs. Tampa
22 Electric did not take this action as a result of state
23 action -- as a result of state initiative, such as we
24 did for oil backout. We didn't finance the buyout
25 cost with the guaranteed revenue stream from retail

1 ratepayers like we did for oil backout, so the
2 situation is different.

3 I believe that there are some parallels to
4 be drawn based on the fairness issue of how it should
5 be applied. But I don't think that the parallel
6 extends all the way to whether or not it should be
7 separated as Ms. Townes stated.

8 Q But you did state earlier that TECO's
9 wholesale customers do enjoy benefits from the
10 conversion of the plant Gannon units, correct?

11 A Yes, I did.

12 Q Should TECO's retail ratepayers then bear
13 the entire cost for projects which benefit both retail
14 and wholesale customers?

15 A The retail ratepayers have enjoyed the
16 benefits of the oil backout clause far in excess of
17 what the costs have been to them.

18 My point in my testimony is that whether or
19 not the Commission determines the separation is
20 appropriate, it should be applied on a prospective
21 basis. The retail customers, if a refund is required
22 at this time it is disallowing a portion of this
23 recovery that was previously approved, and that's the
24 fairness issue.

25 Q Are you saying that if a wholesale customer

1 enjoys a benefit, that they should not bear any of the
2 costs for that project?

3 A We have no means at this point for the
4 wholesale customer to bear the costs. The only action
5 that you can take is to have Tampa Electric bear the
6 cost. I think that's sending the wrong signal to the
7 utilities to make prudent decisions, to make an
8 investment based on an approved recovery when, in
9 fact, that approved recovery can be at risk.

10 Q At Page 5 of your testimony you state that
11 separation of oil backout costs was not addressed
12 during the time of the pyramid buyout; is that
13 correct?

14 A That's right.

15 Q As a result of the Commission raising the --
16 raising the issue in the pyramid case, did TECO ever
17 undertake a review to determine whether any other
18 recoverable costs should also be jurisdictionalized?

19 A As I stated, Tampa Electric does not view
20 the buyout situation the same as the oil backout
21 situation. The oil backout was a retail recovery
22 mechanism that we had no means to recover from the
23 wholesale customers. The buyout was a different
24 situation. Tampa Electric was not aware of -- that
25 this would even be an issue. We were quite surprised

1 that it would be an issue, especially at this late
2 date.

3 Q But after Order 25148 was issued, did Tampa
4 Electric ever undertake any review to decide whether
5 or not other recoverable costs should be
6 jurisdictionalized?

7 A We never considered that it would even be a
8 possibility or an issue.

9 Q Is that a no?

10 A No.

11 Q No that's not a no?

12 A I'm trying to think what your question --
13 you asked if we ever reviewed it. No, we never
14 reviewed it.

15 Q Okay. On Page 6 of your testimony you
16 testified that the Commission does have authority to
17 make retroactive adjustments, correct?

18 A Related to adjustment-clause type recovery,
19 and I believe related to prudence or arithmetic
20 errors.

21 Q Are you aware of any Commission order which
22 would preclude the Commission from requiring TECO to
23 refund the nonjurisdictional portion of its oil
24 backout cost?

25 A I'm not aware of a specific order.

1 MS. JOHNSON: That's all that we have.

2 COMMISSIONER DEASON: Do you have a complete
3 copy of Order 25148?

4 MS. JOHNSON: No, we don't have one with us
5 today. That's a fuel hearing order. And the only
6 relevant pages are the ones that are attached along
7 with the cover sheet, the first page.

8 COMMISSIONER DEASON: Well, I need to know
9 if there was a dissent.

10 MS. JOHNSON: There was not.

11 COMMISSIONER DEASON: There was no dissent
12 in this order?

13 MS. JOHNSON: No.

14 (Hands copy to Commissioner.)

15 COMMISSIONER DEASON: Thank you.

16 Redirect. I'm sorry, Commissioners,
17 questions? Redirect.

18 CROSS EXAMINATION

19 BY MR. BEASLEY:

20 Q Ms. Pennino, your Company no longer has an
21 oil backout cost recovery clause mechanism, does it?

22 A No, the oil backout cost recovery clause was
23 collapsed effective at the end of 1995.

24 Q If the Commission were addressing the issue
25 of whether to have a jurisdictional separation of the

1 oil backout costs in this proceeding and you still had
2 an ongoing oil backout cost recovery mechanism, you
3 could make that separation on a going-forward basis,
4 could you not?

5 A If the Commission determined it was
6 appropriate to make the separation, we could do it on
7 an ongoing moving-forward basis.

8 Q And you would be able to comply with that
9 directive and still be made whole insofar as your oil
10 backout costs are concerned; is that correct?

11 A There would be some lag between the time
12 that the Commission would order that and the time we
13 could recover it from our wholesale ratepayers, but we
14 would have a means to do it.

15 Q Would that be more analogous to the
16 situation involved with the contract buyout referred
17 to earlier by Staff?

18 A I think that's the only analogous point with
19 the contract buyout, that it was ruled that it should
20 be on a prospective basis.

21 Q Were you in the room earlier when Ms. Townes
22 testified regarding the level of fuel savings
23 experienced on the wholesale side since Sebring became
24 a customer of your company?

25 A I was.

1 Q Do you recall what that amount was?

2 A I believe it was \$24,000.

3 Q And do you recall any testimony by

4 Ms. Townes regarding any interest savings during that
5 time period?

6 A I do.

7 Q What was that response?

8 A It was \$40 million related to the financing
9 associated with the project.

10 Q Was that for the retail customers or the
11 wholesale customers?

12 A To the benefit of the retail customers.

13 Q Do you recall her testimony regarding any
14 benefit to the wholesale customers as far as interest
15 savings are concerned?

16 A I don't recall.

17 COMMISSIONER JOHNSON: Could you go back
18 to -- what was your question to which she replied the
19 \$24,000 amount?

20 MR. BEASLEY: The amount of fuel savings
21 that have inured to the benefit of the wholesale
22 customers since Tampa Electric began serving back in
23 1991.

24 COMMISSIONER JOHNSON: Okay.

25 MR. BEASLEY: And your answer was?

1 COMMISSIONER JOHNSON: And your answer was?

2 WITNESS PENNINO: \$24,000.

3 COMMISSIONER JOHNSON: I'm trying to just
4 connect up some confusion in my notes. When Staff
5 counsel asked you if there was no way for the -- maybe
6 you replied this -- that there was no way for the
7 wholesale customers to bear the cost, even if there
8 was a benefit -- were you talking about the fuel
9 savings and the benefit, if there was one, was that
10 \$24,000. Is that the -- did that confuse you totally?

11 WITNESS PENNINO: The benefit -- when
12 Ms. Townes calculated the fuel savings benefit, what
13 she did was she looked at the differential since we've
14 had our customer between the oil and coal cost, and
15 then she applied the jurisdictional separation factor
16 to say this portion could have benefited our wholesale
17 customer.

18 What I was referring to is if we allocate
19 costs retroactively to the wholesale customers, we
20 have no means to go back to the FERC and say, "Now we
21 need to get this from our wholesale customers." So
22 going backwards is in effect telling Tampa Electric,
23 "Eat these dollars. You have no means of recovering
24 them," when we were just trying to effectively
25 administer this oil backout conversion project.

1 COMMISSIONER JOHNSON: Okay.

2 WITNESS PENNINO: So it's a penalty to the
3 Company when we're not even talking about significant
4 fuel savings that the wholesale customers realize.

5 COMMISSIONER JOHNSON: Okay. Thank you.

6 Q (By Mr. Beasley) Ms. Pennino, in view of
7 the fact that the wholesale customers benefited at
8 most \$24,000 over the time frame in question, are you
9 familiar with the amount of refund that the Staff is
10 suggesting may be appropriate in this docket?

11 A Well, I heard Ms. Townes state going back to
12 1991 it was approximately a \$537,000 jurisdictional
13 separation.

14 Q And that would be over a half million
15 dollars absorbed by the Company in view of a \$24,000
16 benefit to wholesale customers?

17 A That's correct.

18 Q In your view, would that be fair?

19 A I think it's inappropriate and unfair.

20 MR. BEASLEY: No further questions.

21 MS. JOHNSON: Commissioner Deason, Staff
22 wanted to ask one final question relating to something
23 that came up on redirect.

24 COMMISSIONER DEASON: Please proceed.

25

REDIRECT EXAMINATION

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BY MS. JOHNSON:

Q Did TECO seek and receive recovery of the pyramid buyout cost after Order 25148 was issued, that is recovery from FERC?

A I'm sorry, I'm not sure.

Q Who would know?

A I'm not sure. Surely somebody does.

Probably -- I'm not sure.

Q Can you find out?

A Yes.

Q Can we have a short recess?

COMMISSIONER DEASON: Sure. Before we do --

A You know, I think I can answer that question. As it relates to the wholesale customer, we have not asked for an increase in base rates based on that separation. But if we were to redo base rates, that, I believe, would be included in the cost used to calculate the base rates.

Q And how could that be done if you're not recovering the costs anymore?

A I don't understand the question.

Q Since you're not recovering the costs of the pyramid buyout, your opportunity to recover them in base rates is gone; is that --

1 A Okay. I do understand your question.

2 If we had gone in for a wholesale base rate
3 increase in the time that we were recovering those
4 pyramid buyout costs, it could have been rolled in
5 there. We could have asked for recovery of that. But
6 given that that time has expired, we could not go back
7 and do it, certainly. That's been my point throughout
8 this testimony.

9 MS. JOHNSON: Staff withdraws the request
10 for the recess. We just wanted to find out if this
11 witness had that information.

12 COMMISSIONER DEASON: Let me ask a question.
13 When did Tampa Electric first become aware of this
14 issue?

15 WITNESS PENNINO: The first time we became
16 aware was in an interrogatory addressed to us in June
17 of 1995.

18 COMMISSIONER DEASON: And when was it first
19 raised formally as an issue in a fuel adjustment
20 proceeding?

21 WITNESS PENNINO: In the August fuel
22 hearing, August 1995.

23 COMMISSIONER DEASON: And that would be for
24 collection of revenues for the period October '95,
25 beginning October '95.

1 WITNESS PENNINO: That's right.

2 COMMISSIONER DEASON: Just so the record is
3 clear, there is a dissent in Order 25148, but it
4 pertains to a different issue, I believe, a buyout.

5 COMMISSIONER JOHNSON: Madam Chairman, did
6 they ask for closing arguments on this one?

7 COMMISSIONER DEASON: No one asked for any
8 closing arguments.

9 Exhibits? I believe it's 23 through 25.

10 MR. BEASLEY: We have a fundamental
11 difference in the way that Tampa Electric has treated
12 the closure of its oil backout cost recovery compared
13 with what the Staff has done, and let me locate the
14 order.

15 Order No. 950580, the Commission indicated
16 that projected oil backout costs for the period
17 October 1, 1995, through December 31, 1995, will be
18 recovered during that period. Any remaining true-up
19 dollars related oil backout costs for 1995 will be
20 recovered as a line item adjustment to fuel cost
21 through the fuel and purchased power cost recovery
22 clause during the period April 1, 1996, through
23 September 30, 1996.

24 And Tampa Electric has been in the process
25 of finally calculating their oil backout true-up

1 amount and had interpreted this order to permit it to
2 book that to the fuel adjustment clause as a line item
3 during the period, April 1 through September 30, 1996,
4 which would then become part of the true-up amount
5 going into the next hearing.

6 And the Staff has a different
7 interpretation, I'm sure they will be happy to explain
8 it to you, but we did what we thought was appropriate
9 pursuant to the order approving the closure of the oil
10 backout cost recovery factor and the impact would be,
11 I believe, based on Staff calculation -- the fuel
12 adjustment factor under their interpretation would be
13 about 2 cents per thousand kilowatt-hours higher
14 during the upcoming April through September 1996
15 period. So it's not a large amount of dollars we're
16 talking about. But our approach would be to have that
17 treated as a true-up item during the coming period,
18 which will, of course, fall out as part of the true-up
19 in the next hearing. And Staff may want to address
20 their point. That's why we had the difficulty with
21 the testimony of the other witnesses going in because
22 they wanted to reserve the right to address this issue
23 and I think they're entitled to.

24 COMMISSIONER DEASON: Ms. Johnson.

25 MS. BASS: Commissioners, if I might, the

1 order that Mr. Beasley referred to is the one that the
2 Commission ordered establishing return on equity and
3 deferring revenues for Tampa Electric Company. This
4 was done as a result of a settlement agreement. The
5 statement that's included in the order, as far as I'm
6 concerned, is very clear on how the Commission
7 intended the final dollars associated with oil backout
8 to be treated.

9 It's my opinion that Tampa Electric Company
10 is not in compliance with this order and how they have
11 suggested recovery of those final oil backout dollars.
12 I think the order speaks for itself.

13 It says any remaining true-up dollars would
14 be included during the period April 1, 1996, through
15 September 30, 1996, which is included in the fuel
16 factor that goes into effect April 1, 1996, and it
17 specifically addressed the remaining true-up dollars
18 for 1995. It's Staff's opinion that those dollars
19 should be included in the current filing, as was
20 indicated in this order, and that the true-up factor
21 should reflect the inclusion of those true-up dollars
22 in compliance with the Commission Order.

23 COMMISSIONER DEASON: Is it just a question
24 of timing as to when the dollars are going to be
25 passed through the clause?

1 MS. BASS: It's a question of timing but it
2 is also a timing concern in that it's an underrecovery
3 that we're talking about, and those dollars should be
4 paid by the customers. I mean it's a timing of the
5 revenues and the costs that I think that there's a
6 matching principle here, and that I don't think it
7 should be deferred for an additional six-month period.
8 The ratepayers who should pay those costs are the ones
9 that will pay it during the upcoming six-month period
10 and not spread it for another -- or essentially it's
11 deferring it for a year.

12 MR. BEASLEY: Commissioner, we're
13 sympathetic to the Staff's interpretation of that
14 order. And the Company's different interpretation was
15 that this is a relatively small amount. And given the
16 projected nature of the fuel adjustment clause and the
17 many millions of dollar swings we have in fuel
18 adjustment over a six-month period, that handling this
19 as a normal true-up item, and booking it during the
20 April through September and having it be a part of the
21 true-up in the following period would be an
22 unacceptable approach. But we're sympathetic to
23 Staff's position. We don't think there's a lot
24 involved. The factor would be, as I said, about two
25 cents a kilowatt-hour less during the upcoming

1 six-month period using the Company's approach versus
2 the Staff's approach, and it will all come out in the
3 wash.

4 COMMISSIONER JOHNSON: Well, what I hear
5 Staff saying is it's not simply just timing; that
6 there is a question of whether there are going to be
7 some dollars that are going to be recovered through
8 the clause at all, or if it's going to be some dollars
9 that are going to be just part of TECO's general
10 operations and would be considered to be recovered
11 through base rate, and at some point that line has to
12 be drawn. And it's a question of what dollars you
13 include before you draw that line and what dollars are
14 going to be after that line. Am I interpreting that
15 correctly or not?

16 MS. BASS: No, I don't believe you're
17 interpreting it correctly.

18 COMMISSIONER DEASON: Okay.

19 MS. BASS: The dollars that we're talking
20 about are recoverable oil backout dollars. My point
21 is that in the discussions that we had with the
22 Company we talked about this as part of this
23 settlement agreement and we very specifically
24 identified how those dollars should be recovered. We
25 thought that those specific instructions were

1 memorialized in this order.

2 We included this same language when we
3 collapsed the oil backout cost recovery clause for
4 Florida Power and Light Company and they appropriately
5 interpreted the order as Staff intended it to be.

6 It's more of a tracking mechanism that the
7 1995 dollars should be recovered during the April 1st
8 through September 30, 1996, period. I understand what
9 Mr. Beasley is saying, it's not a large amount, and I
10 would counter that by saying it's not a large amount;
11 why not recover them during the period that they were
12 intended to be recovered, as indicated in the
13 Commission Order.

14 MR. HOWE: Commissioners, excuse me, could I
15 ask basically for clarification from Staff to see if
16 my understanding is correct.

17 It appears to me that because of the nature
18 of the fuel adjustment, the true-ups and the
19 projections and everything get mixed in every six
20 months and you come with a factor. Is Staff's point
21 that there's money left over from 1995 that needs to
22 be trued up and Staff's position is that during the
23 period, April of 1996 through September of 1996 it
24 should be trued up and it's over with. There's
25 nothing to continue on to a future period? Whereas,

1 Tampa Electric's position is they will include that as
2 a factor, but because of the nature of the projections
3 and all of that, that at the end of the six-month
4 period they may not have exactly recovered that
5 true-up and they want to then continue it into its
6 succeeding period. So is the difference Staff wants
7 it over and done with in the first six months and
8 Tampa Electric wants the latitude to continue it into
9 the succeeding six months if there is an over- or
10 underrecovery?

11 MR. BEASLEY: No, I think -- and I stand to
12 be corrected -- I believe our position is that this
13 final true-up amount would go into the fuel adjustment
14 calculation during the April through September 30,
15 1996 period, and become as any other part of the fuel
16 adjustment from that point forward, and would be --
17 you know, would have some influence, not a great
18 influence, on the true-up amount in the following
19 period. But it would not be collected in perpetuity
20 or any kind of -- I mean, it would be done with the
21 six-month period the way we interpreted the order to
22 require. It would be lost forever in the fuel
23 adjustment clause, if you will.

24 MR. HOWE: I see. It would be lost forever
25 and in Staff's case, am I correct, it would be over

1 recess and reconvene at 2:30.

2 (Brief recess.)

3

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4 COMMISSIONER DEASON: Call the hearing back
5 to order. Okay. Who has the unenviable job of
6 explaining this to us?

7 MS. BASS: I guess that's me.

8 Okay. Let me see if I can explain this.

9 What Staff is proposing is that the \$184,613
10 underrecovery is the final amount for the oil backout
11 costs and it represents the underrecovery for the
12 April '95 through December '95 period.

13 COMMISSIONER DEASON: Let me get one thing
14 straight. This is the last amount that is ever going
15 to be recovered under the name of oil backout; is that
16 correct?

17 MR. DUDLEY: Aside from what TECO has told
18 me approximately \$200 or so worth of backbilling in
19 January because customers' bills aren't collected on
20 the 1st and through finishing being collected on the
21 30th of that month. Some of them run into the next
22 month.

23 COMMISSIONER DEASON: Other than that, this
24 is going to be the end of oil backout and everyone
25 agrees, Staff and TECO, and I don't think any of the

1 other parties take exception to that, that the
2 underrecovery for 1995 is the \$184,000.

3 MR. DUDLEY: Yes, sir.

4 COMMISSIONER DEASON: Okay. Go ahead.

5 MS. BASS: We're proposing that that
6 underrecovery be included in the factor for the April
7 through September 1996 period. That would result in
8 the factor of the 2.392 cents per kWh. The Company is
9 proposing a factor of 2.390 cents per kWh, it does not
10 include any true-up dollars associated with oil
11 backout for 1995. They're proposing that the
12 underrecovery for that period be booked in April of
13 1996 and not recognized until then.

14 COMMISSIONER DEASON: Well, my question,
15 Mr. Beasley, is if we know what this dollar amount is,
16 why don't we include it and be done with it? And then
17 my earlier question was why is this just a question of
18 timing and not dollars? And I was told that it's not
19 simply timing; it is dollars, and I want to know where
20 that comes in because both of you are saying it's
21 \$184,000.

22 MR. BEASLEY: It's my understanding that --
23 and the Company's position that it is a matter of
24 timing, that only this amount and perhaps the \$200
25 that was referred to earlier will be ultimately

1 recovered by Tampa Electric through the fuel
2 adjustment clause as a line item adjustment. Now, the
3 \$184,000 may be offset by some other overrecovery in
4 some other area. Of course, the fuel cost projection
5 is that, a projection, and the \$184,000 is a very
6 minor portion of the total amount. But the Company's
7 interpretation was that in light of the nature of the
8 fuel adjustment clause, that it could be booked in
9 April and become part of the clause much the same as
10 any other expense that's incurred during the period.

11 COMMISSIONER DEASON: You're saying it is
12 just timing.

13 MR. BEASLEY: Yes, sir.

14 COMMISSIONER DEASON: Okay. Staff has told
15 me earlier it's not just timing. So why is it not
16 just timing?

17 MS. BASS: Well, I think it is timing. I
18 think it's also the interpretation of the Commission's
19 order.

20 One of my concerns I have with timing is if
21 the Company were to actually realize their
22 projections, there was no difference in the fuel,
23 which is where this line item will appear, if the
24 actuals were exactly what their projections were, the
25 only over- or underrecovery you would have would be

1 this \$184,000, and then that would be what would be --
2 go into the October '96 through March '97 factor. I
3 think it's more appropriate, we have the numbers, we
4 know what they are, they are 1995, that we put those
5 in the earliest factor available to collect them or
6 refund them and dispose of the oil backout
7 over/underrecovery. That was what the intent was in
8 the agreement, and what I believe was in the
9 Commission's order.

10 COMMISSIONER KIESLING: And when you're
11 saying "order," it's the one that you handed out, PSC
12 95-0580-FOF-EI.

13 MS. BASS: Yes, ma'am.

14 COMMISSIONER KIESLING: And we're talking
15 about what's on Page 2 at the bottom.

16 MS. BASS: The last paragraph.

17 COMMISSIONER DEASON: Okay. Now, in
18 response to Mr. Howe's question and when he was trying
19 to get clarification of what his understanding was, he
20 asked the question does this mean that if we go ahead
21 and do it Staff's way, that we go ahead and we get
22 this finished, so that we will not have any oil
23 backout related costs in the next period of fuel
24 adjustment? And I understood Staff to say, no, that
25 wasn't the correct understanding, but that's the way I

1 interpret what you're telling me right now.

2 MS. BASS: If I said that was not correct,
3 then I misspoke because this is a way to finalize it
4 and be through with it.

5 COMMISSIONER KIESLING: When you say
6 "finalize it and be through with it," you're talking
7 about finalize it and be through with it by recovering
8 it during the period April 1, '96 to September 30,
9 1996, as it sets forth in this order?

10 MS. BASS: That's correct.

11 COMMISSIONER DEASON: Mr. Beasley, is there
12 any administrative reason why the Company is
13 requesting the treatment that you're requesting? Or
14 is it just your interpretation of the order?

15 MR. BEASLEY: Simply the interpretation of
16 the order and a recognition of the nature of the
17 clause, the Company determined that it would be better
18 to get a final calculation of the thing, be done with
19 it, book it in April and it would just flow through
20 the clause as part of the true-up amount and again
21 recognizing the small amount involved and the large
22 size of fuel as an item of expense.

23 COMMISSIONER DEASON: But you do agree that
24 this is the correct number, this is the final number,
25 the 184,613?

1 MR. DUDLEY: Commissioner, like I said
2 earlier, it is except for the additional backbilling
3 which I have been instructed is a couple of hundred
4 dollars which was recovered in January.

5 MR. BEASLEY: That's correct. There will
6 still be a little bit that has to be adjusted because
7 of the backbilling.

8 COMMISSIONER DEASON: Under your proposed
9 methodology, Mr. Beasley, then it would be booked but
10 it would accrue interest as well; is that correct?
11 For inclusion in the next period?

12 MR. BEASLEY: It could. I mean, it would be
13 given the normal treatment of expenses that are booked
14 to fuel.

15 COMMISSIONER DEASON: And that's interest,
16 is it not?

17 MR. BEASLEY: Yes, sir.

18 COMMISSIONER JOHNSON: Mr. Beasley, you said
19 something that I didn't understand. You said one of
20 the reasons you wanted to do -- well, you stated one
21 reason, you said, "in recognition of the nature of
22 these kind of clauses," and I guess I just didn't
23 understand "the nature of these kind of clauses."

24 MR. BEASLEY: The fuel adjustment clause, of
25 course, is one where you project out over a six-month

1 period what you're going to spend on fuel and there
2 are going to be things that influence that. You're
3 not going to be right, number one, on your estimate.
4 You're either going to be high or low for any number
5 of factors. And so we felt that there's no real
6 urgency to get this in because it could be offset by
7 errors in estimates in other directions or with
8 respect to other components of the fuel cost. So I
9 guess our approach was do it all together at one time
10 and book it in April, including this \$200 or
11 approximately \$200 amount that is still yet to come
12 in, do it all at once and be done with it rather than
13 try to get this part in this period and a little bit
14 next period that we weren't able to do with this
15 factor.

16 But to answer your question, just the
17 projected nature of the clause means that you're going
18 to have variances up or down from what you project.
19 This could be easily offset by an error in the other
20 direction or an overrecovery on some other item of
21 expense. Does that answer it?

22 COMMISSIONER JOHNSON: Uh-huh.

23 COMMISSIONER DEASON: Well, is there any
24 undue administrative burden or additional incremental
25 expense that's going to be incurred by Tampa Electric

1 if it is done the way Staff suggests?

2 MR. BEASLEY: I think the only thing we'd
3 have to do is redo our fuel filing to have the filing
4 itself that we submitted match up with the way it has
5 been adjusted.

6 COMMISSIONER DEASON: But that would just be
7 a matter of including these dollars and making the
8 calculation; is that correct?

9 MR. BEASLEY: That's my understanding.

10 COMMISSIONER JOHNSON: I'm still just having
11 problems understanding the need to alter -- well,
12 under Staff's interpretation of what the order meant
13 and the conversations that occurred before the order
14 was issued, and the order just being a codification
15 what you all agreed on and "Florida Power Corp and
16 everyone else did it this way" kind of argument. And
17 what I was trying to really understand is what
18 benefits are being gained, if any, really, by us
19 perhaps deviating from what Staff had thought they
20 negotiated. And you just made one comment about,
21 "Well, we don't have to break these things up and deal
22 with the oil backout costs that are left over later
23 on." But that looks as big benefit for you all, so
24 I'm really not seeing the need to do this.

25 MR. BEASLEY: There's no real benefit to us

1 to do it this way. There's an administrative
2 convenience of getting it all done at one time. It's
3 going to go through the fuel clause regardless of
4 whether it's done the Staff's way, our way. We didn't
5 necessarily see fit -- see a need to add two cents per
6 thousand kilowatt-hours this period. I mean, if we
7 were going to do something from the standpoint of gain
8 we would have perhaps done that. But our goal is to
9 keep rates as low as we can and this is certainly
10 consistent with that goal.

11 COMMISSIONER DEASON: But you do agree it's
12 the legitimate expense that's going to be paid now or
13 later.

14 MR. BEASLEY: That's correct, yes, sir.

15 COMMISSIONER DEASON: Any further questions?
16 I think what precipitated this discussion was I had
17 asked if there were any exhibits you wanted admitted
18 into the record.

19 COMMISSIONER KIESLING: That's true.

20 MR. BEASLEY: The reason I raised this
21 discussion when the Staff mentioned this to us, it had
22 some problem with whether our testimony and exhibits
23 could go ahead and be admitted into evidence and
24 become part of the record subject to the disposition
25 of this issue that the Staff brought to our attention.

1 I would like to go ahead and formally move all of our
2 exhibits and all of the testimony of our witnesses
3 that have not been entered into the record thus far,
4 and then have these issues resolved based on what
5 you've heard today.

6 COMMISSIONER DEASON: If there's any doubt,
7 all of your prefiled testimony is being inserted into
8 the record as though read. And the Exhibits 23, 24
9 and 25 are being admitted into the record without
10 objection. That doesn't mean just because they're
11 being admitted that the Commission is bound by your
12 calculations. Obviously, there's disagreement and
13 we'll resolve that.

14 MR. BEASLEY: Certainly.

15 (Exhibit No. 23, 24 and 24 received in
16 evidence.)

17 COMMISSIONER DEASON: Okay. I'm trying to
18 get all of the housekeeping done at this point. Is
19 there any other housekeeping we need to take care of?
20 I think all of the testimony, all of the exhibits are
21 in the record at this point. Okay.

22 Now, we do have some issues that need to be
23 resolved and then we'll have some fallout calculations
24 as a result of those resolutions and then we'll have
25 some stipulated issues that we need to address also.

1 So perhaps what we need to do in this docket is the
2 same as we did in the 02 docket and go ahead and
3 address those issues which are in dispute and have
4 those resolved. And I believe that that would be
5 Issues 18, 19A and 19B; is that correct?

6 MR. BEASLEY: That's right.

7 COMMISSIONER DEASON: Okay. Is there any
8 particular order that you prefer, Ms. Johnson, as far
9 as addressing these issues, 18, 19A and 19B?

10 MS. JOHNSON: I think we have had quite a
11 discussion on Issue 18. Actually, the analysis that
12 Staff provided affects that issue. Kenneth Dudley
13 will give Staff's recommendations on Issues 19A and
14 19B.

15 COMMISSIONER DEASON: Do you need any
16 additional time or are you all prepared to go ahead
17 with your recommendations for these contested issues?
18 We're all set to go --

19 MS. JOHNSON: We're all set to go.

20 COMMISSIONER DEASON: Okay. Great. All
21 right. Staff, you go ahead and make your
22 recommendations.

23 MR. DUDLEY: Commissioners, Staff believes
24 that both retroactive and prospective costs, that when
25 incurred, provide benefits to both retail and

1 wholesale customers, should not be recovered
2 exclusively from one type of customer.

3 Since March of 1991 TECO's nonjurisdictional
4 customers have enjoyed the benefit of reduced
5 electricity cost resulting from the conversion project
6 at the expense of the retail ratepayers.

7 Ms. Townes stated that the oil backout
8 project -- had the oil backout project been
9 jurisdictionalized, wholesale customers would have
10 received \$24,000 in fuel savings. She also indicated
11 that had the project been jurisdictionalized,
12 wholesale customers would have paid over \$500,000.
13 This amount was inappropriately recovered from retail
14 ratepayers.

15 Both witnesses have indicated that the
16 Commission approved recovery from quote/unquote
17 "retail ratepayers" in Order No. 11658. As indicated
18 by the record, the order does not differentiate
19 between retail and wholesale customers. Therefore,
20 Staff believes that TECO should refund all
21 nonjurisdictional oil backout costs with interest
22 recovered since March of 1991.

23 COMMISSIONER DEASON: Okay. This addresses
24 Issues 19A and 19B; is that correct?

25 MR. DUDLEY: Yes, sir.

1 COMMISSIONER DEASON: I assume Issue 18 is
2 what we have been discussing as far as this handout
3 that was provided during the break.

4 MR. DUDLEY: 18 is how it will be recovered.

5 COMMISSIONER DEASON: Okay. Commissioners.

6 COMMISSIONER JOHNSON: Yeah. I'm probably
7 still confused. I wish you guys would have done
8 closing arguments for me.

9 But with respect to those benefits and the
10 arguments that TECO's witness made regarding the
11 inability to actually recover those costs from the
12 wholesale customers, how do you respond to that?

13 MR. DUDLEY: TECO's inability to recover it?

14 COMMISSIONER JOHNSON: Yes.

15 MR. DUDLEY: I think TECO was made aware a
16 long time ago that this Commission felt that their
17 costs should be jurisdictionalized. That became
18 evident in the pyramid buyout order.

19 COMMISSIONER JOHNSON: When was that?

20 MR. DUDLEY: Excuse me?

21 COMMISSIONER JOHNSON: When was the pyramid
22 buyout?

23 MR. DUDLEY: The point at which it was
24 addressed was October of 1991. TECO's Sebring
25 customer came on line in March of 1991. So the

1 Commission looked at the cost that could have been
2 jurisdictionalized from March to October, they made a
3 ruling that, "No, we shouldn't go back and do it
4 retroactively as Ms. Pennino did, but from that point
5 forward you should jurisdictionalize those costs. I
6 don't know what the other point is I'm supposed to
7 address. I'm sorry.

8 What we tried to determine from Ms. Pennino,
9 they had made the indication that these costs are
10 finished being recovered, they have no opportunity to
11 recover these from FERC. Well, what our question was
12 directed at, the same instance, a similar instance for
13 the pyramid buyout. TECO was put on notice in October
14 of '91. Well, they had from October of '91 to March
15 of '92 to seek recovery from FERC. Ms. Pennino
16 indicated that there's not been a change in base
17 rates. It would be my opinion, then, that would mean
18 those costs were not sought for recovery.

19 COMMISSIONER JOHNSON: That those -- I'm
20 sorry, that those --

21 MR. DUDLEY: That the nonjurisdictional
22 portion of the buyout costs were not recovered from
23 wholesale customers.

24 COMMISSIONER JOHNSON: Okay.

25 COMMISSIONER DEASON: Is it Staff's position

1 that because of the raising of the issue with the
2 pyramid buyout and the question of the jurisdictional
3 separation for those buyout costs that the Company was
4 effectively put on notice?

5 MR. DUDLEY: I think TECO should have
6 considered it at that point in time. What other types
7 of costs do we have that is being recovered from the
8 retail ratepayer and yet is benefiting all of TECO's
9 customers. That order clearly states the buyout
10 benefited all of TECO's customers. They should
11 recover the cost over total kilowatt-hour sales. It's
12 been clearly established since March of '91 TECO's
13 wholesale customers have benefited from the Gannon
14 conversion. Well, those costs should be distributed
15 over total kilowatt-hour sales.

16 MR. BEASLEY: Commissioner, could I address
17 that one point?

18 COMMISSIONER DEASON: Commissioners, any
19 objection to having --

20 COMMISSIONER JOHNSON: Actually, it might
21 help me.

22 MR. BEASLEY: I think our point is the oil
23 backout was justified and approved back in 1983, and
24 as was pointed out earlier today, the rule in question
25 on oil backout cost recovery requires that it be shown

1 to be cost beneficial to the retail customers of Tampa
2 Electric. Wholesale customers, frankly, weren't even
3 in the picture back then, and it always considered by
4 the Company to be a program envisioned by the
5 Commission and carried out by the Company for the
6 benefit of its retail customers. I think you heard
7 that the quantum dollars mentioned earlier when
8 Ms. Townes testified, about the \$40 million in savings
9 and interest costs alone, not to mention another
10 \$120 million in fuel savings. You know, the absolute
11 lion's share of that went to the retail customers.

12 The testimony showed that there were \$24,000
13 worth of -- approximately \$24,000 worth of benefits to
14 the wholesale customers, which is really just a tiny
15 fraction of the vast number of dollars that flowed
16 through to the retail customers, to the retail
17 customers. And we just think it would be unfair for
18 the Company, with no other means of recouping this
19 money, to be required to absorb itself, the \$600,000
20 amount of cost plus interest that the Staff has
21 suggested to you. We think it would send a wrong
22 signal, because innovative things like oil backout
23 cost recovery are good. They are good in principle.
24 This was a good project and that's what we hoped to
25 appeal to you on.

1 COMMISSIONER KIESLING: Let me say that I
2 share what I think the concern that Commissioner
3 Deason just expressed.

4 I think that to go back at this point in
5 time and retroactively make these changes requires
6 some clearer notice than just what was in that pyramid
7 order. And I have trouble -- you know, here we are
8 five years later and it wasn't ever raised with TECO
9 overtly as to this exact oil buyout program --

10 MR. HOWE: Commissioner -- I'm sorry, I
11 thought you were done.

12 COMMISSIONER KIESLING: No. I stopped in
13 the middle of a sentence.

14 I just think that it ought not to be -- how
15 we have treated it all along up until now shouldn't be
16 changed absent some much clearer notice to TECO that
17 they should look at this program in the same way that
18 we treated the pyramid, and I don't think that that
19 was clear. So I have a real problem with that.

20 MR. HOWE: Commissioners, given that
21 Mr. Beasley has had an opportunity to summarize the
22 Company's position, I'd ask that we be allowed to
23 summarize ours.

24 COMMISSIONER DEASON: I'll give you that
25 opportunity.

1 MR. HOWE: Everything you've heard here is
2 pretty much turning on the facts when things happened
3 and so forth.

4 I would suggest that the threshold issue
5 should be whether you had the jurisdiction. In other
6 words, if this Commission believes today that they
7 allowed Tampa Electric Company to recover
8 nonjurisdictional costs through jurisdictional rates,
9 then basically you've made a legal mistake, and it
10 isn't just a question of notice, it isn't a question
11 of whether the Company should have applied a
12 separation factor or not. So I think that's the
13 threshold question. If this Commission believes that
14 Tampa Electric was, in fact, allowed to recover
15 nonjurisdictional cost through jurisdictional rates, I
16 would suggest that you must remedy the legal error and
17 that should be your first question. Then if you find
18 there was no error, I think the rest falls out
19 accordingly, too.

20 COMMISSIONER DEASON: Any further questions?

21 COMMISSIONER KIESLING: I'll be happy to
22 make a motion if we are at that stage.

23 COMMISSIONER JOHNSON: Let ask Staff. Do I
24 agree with Public Counsel's method?

25 MR. DUDLEY: Yes, ma'am.

1 COMMISSIONER JOHNSON: Legal staff agrees
2 with it?

3 MR. DUDLEY: I'm sorry.

4 COMMISSIONER JOHNSON: With that analysis?

5 MS. JOHNSON: Our position is that those
6 costs were, in fact, nonjurisdictional. I think that
7 the pyramid order in that case the Commission decided
8 that it was not necessary to make a retroactive
9 adjustment and that the Commission has that latitude
10 to balance whether or not it would be fair or unfair
11 based solely upon the pyramid order. I think that on
12 one hand the pyramid order did put TECO on some notice
13 that the Commission thought it was appropriate to not
14 allow them to recover all costs from only retail
15 ratepayers. However, that order also stands for the
16 proposition that the Commission can decide whether or
17 not it's fair or not to go back.

18 COMMISSIONER DEASON: I think that we need
19 to keep in mind that this was a fairly unique
20 arrangement which was devised, I think, with the
21 customer's best interest in mind, that being
22 off-balance sheet financing the entire arrangement,
23 the entire concept of oil backout, and I think it has
24 been shown and proven that it has benefited customers.
25 I think it has benefited both retail customers and

1 wholesale customers. But the fact remains that it was
2 fairly unique. I know that TECO raises the position
3 that because of the this unique situation and because
4 of the financing arrangements that resulted from that
5 unique situation that they feel like that they were
6 obligated to treat it as they did and that it would be
7 unfair at this point to go back and to make an
8 adjustment based upon a jurisdictional separation
9 factor.

10 I would point out that to the extent an item
11 is included in rate base and is treated for normal
12 rate base purposes, and rates are adjusted in a rate
13 proceeding, you set jurisdictional factor and you set
14 your rates and rates stay that way. And we have
15 pointed out that these oil backout investments, if
16 they had been financed by a traditional means, would
17 have been at the earliest possible point put in rate
18 base, and we would have lost this opportunity now to
19 be looking at whether there should have been a
20 jurisdictional separation factor applied in previous
21 periods. We do have the luxury in fuel adjustment
22 proceedings to make these type of quote/unquote
23 "retroactive" adjustments. If this had been put in
24 rate base we would not have.

25 I guess what I'm trying to say is that if it

1 had been put in rate base we would not now have the
2 luxury of going back and saying "Well, was the
3 jurisdictional factor correct? If it was or was not,
4 was it applied correctly? If it's not, well, let's go
5 back and adjust base rates, and let's either surcharge
6 customers or let's give them a refund based upon --"
7 we don't do that in base rate proceedings.

8 Jurisdictional separation factors can change; they do
9 change, but we don't go back and adjust things.

10 That fact compounded with the fact that,
11 along with Commissioner Kiesling, I'm not so sure that
12 just identifying the pyramid contract was adequate
13 notice to TECO. I think that perhaps we should have
14 made it an issue before now. It wasn't made an issue.
15 For whatever reason, that is what has happened. I
16 think that it appears that we're trying to do some
17 Monday morning quarter-backing here at this late point
18 and I'm not so comfortable with that.

19 Perhaps TECO should have asked themselves
20 the question as a result of the pyramid buyout and the
21 issue concerning jurisdictional factor, "Are there
22 other costs out there that we need to go ahead and
23 apply a jurisdictional factor to? And if there are
24 such costs, do we need to make a filing at the
25 wholesale level to get all of the costs and all of the

1 pots, where all of the dollars go, get everything
2 right." And perhaps they should have. But they
3 didn't do it. But neither did we at that point tell
4 them that it was going to be an issue, and that we
5 wanted such an adjustment made. And here we are some
6 few years down the road -- in fact, we're at the point
7 to where the oil backout, entire mechanism is being
8 disbanded, and I just feel uncomfortable at this
9 point. But I'm still open to some discussion.
10 Perhaps Commissioner Johnson has some ideas.

11 I think this was an issue that we need to
12 address, and I think that Staff has done an
13 outstanding job in raising the issue in presenting us
14 with their position and what the issue is. I'm just a
15 little uncomfortable at this point making an
16 adjustment. I do realize that it is an issue, it was
17 raised as an issue, but according to Exhibit 30, the
18 dollars, the effect of the dollars in these latter
19 years just trail off until it's rather insignificant.
20 The bulk of the dollars were in the earlier years,
21 basically in the years '91, '92 and '93 and to some
22 extent '94. But according to the testimony of the
23 Company, this was not presented as an issue until June
24 of 1995, that was the first time it was raised as an
25 issue. And that it would -- the first time it would

1 have applied to an actual fuel adjustment factor would
2 have been starting with the October 1995 fuel
3 adjustment. And at that point the dollar seemed to
4 just trail away to practically nothing. That's where
5 I find myself. But I'll be glad to entertain any
6 other ideas as to how we should handle it. That's
7 just the thought I have at this point.

8 COMMISSIONER JOHNSON: No. I share your
9 concerns. I was very interested in Ms. Pennino's -- I
10 hope I didn't pronounce your name wrong -- testimony.
11 And I had just the same discomfort with the notice
12 issue, although the argument made by Staff was well
13 noted and I think they were accurate -- or it was a
14 proper argument to make. But given the uniqueness of
15 the issue, and as one of TECO's witnesses stated, the
16 substantial savings that have occurred given this --
17 the mechanism that we put in place, whether they
18 should have had the foresight, whether it would have
19 been within reasonable diligence for them to go back
20 and say, "A-ha, now we need to readjust that," I
21 didn't necessarily feel as if they were on notice and
22 this was such a clear-cut case. And although I was a
23 bit confused on some of the testimony with respect to
24 what the actual benefit would be -- but I think I
25 finally got that right -- to the wholesale users

1 versus the costs that would have to be incurred by
2 TECO in a way that given those windows are closed for
3 them to recover it any other way, there was no
4 mechanism for them to recover it from the wholesale
5 customers, I think I agree with what both of you all
6 are saying. It's hard not to.

7 COMMISSIONER DEASON: Well, let me ask one
8 further clarification. I think that we do have in the
9 record that, at least it's TECO's position, that this
10 was first identified as an issue in June of 1995; is
11 that correct?

12 COMMISSIONER JOHNSON: She testified to that
13 I know orally at least.

14 MS. JOHNSON: Yes, that's correct.

15 COMMISSIONER DEASON: Okay. And Staff's
16 interpretation when it was raised in June 1995, what
17 period of time did that apply to? Would that be
18 beginning with the fuel adjustment factor collections
19 for October of 1995?

20 MR. DUDLEY: If you could reask that again,
21 I didn't --

22 COMMISSIONER DEASON: Okay. The June 1995
23 issue was raised. What would be the first period of
24 time -- if it's not going to be retroactive, what
25 would be the first period of time that that would

1 apply to?

2 MR. DUDLEY: If we raised it in June, we
3 were looking at estimated actuals for April through
4 September, so it would go back to October of '94.

5 COMMISSIONER DEASON: So you're saying it
6 would go back to October of '94.

7 MR. DUDLEY: At that point in time we would
8 be looking at actual costs for October through
9 March -- October '94 through March of '95, we would
10 look at actual estimated for April through September
11 '95 and then projected costs for October through March
12 '96.

13 COMMISSIONER DEASON: Yes. But the original
14 estimates for the period beginning October '94 the
15 Company would not have known it was going to be an
16 issue when they made their original estimates.

17 MR. DUDLEY: No, sir. When it was addressed
18 the only costs we would have been looking at, we could
19 have addressed it in the final true-up numbers for
20 October through March, October '94 through March of
21 '95.

22 COMMISSIONER DEASON: Yes, the true up
23 numbers for that period.

24 MR. DUDLEY: Yes, sir.

25 COMMISSIONER DEASON: But the Company would

1 not have been put on notice to have incorporated that
2 in making their original projections upon which the
3 true-up would subsequently be based.

4 MR. DUDLEY: Correct. The only projections
5 that would have been made at that point in time would
6 have been June '95 through March '96. Did I tell you
7 right? June, July, August, September and then October
8 through March, yes.

9 CHAIRMAN DEASON: Based upon Exhibit No. 20
10 -- I'm sorry, Exhibit No. 30, do we have the numbers
11 to calculate what that would be from June 1995 to the
12 end of 1995?

13 MR. DUDLEY: I couldn't do it with just this
14 exhibit. TECO recovered costs through the oil backout
15 clause after March of '95 all the way through
16 December. I have done a schedule that broke it up
17 into six-month periods.

18 In the revised projections that were
19 submitted in June or so, that would be the April
20 through September '94, we know how much would have
21 been nonjurisdictional that six-month period and each
22 six-month period after that.

23 COMMISSIONER DEASON: Well, I guess what I'm
24 trying to get at is that I think that when it was
25 raised, officially raised as an issue by Staff in this

1 proceeding, that that would constitute adequate
2 notice. And that if we felt like it was proper to
3 make a jurisdictional separation that we could go to
4 that point. I'm uncomfortable going to a time before
5 then. I don't know if we have the information to make
6 that calculation. If it's going to be some few
7 thousand dollars, but I don't know if it's going to be
8 significant. But, me personally, as one Commissioner,
9 would be willing to capture whatever jurisdictional
10 separation should have been made from that point
11 forward.

12 MR. DUDLEY: You have the numbers from July
13 of -- it would be approximately \$38,000, which should
14 be refunded to the retail ratepayers.

15 COMMISSIONER KIESLING: Could you tell me
16 how you -- I'm looking at that same Exhibit 30.

17 MR. DUDLEY: That why I said it's not on
18 here. At the time this issue was raised we only had
19 numbers -- projections that went out through March.

20 COMMISSIONER DEASON: Mr. Beasley, do we
21 have here in the room today the monthly allocations
22 for 1995 like we have for all of the previous years
23 for each month on a monthly basis?

24 MR. BEASLEY: Yes, sir, we do.

25 COMMISSIONER DEASON: Commissioners, I'd

1 like to have that information, if it's necessary to
2 recall the witness and have her sponsor that
3 information. I'm not saying that's the adjustment we
4 need to make, but if we do want to make it, Staff
5 needs to have that information.

6 MR. DUDLEY: Oh, you're wanting the monthly
7 oil backout costs that were recovered?

8 COMMISSIONER KIESLING: No. What the
9 nonjurisdictional amount was.

10 MS. JOHNSON: Commissioner Deason, if I
11 recall correctly, Witness Townes testified as to the
12 total amount which was \$537,179.

13 COMMISSIONER KIESLING: 537,179.

14 MS. JOHNSON: Right. I don't know if it's
15 possible to extrapolate from that number to get to
16 where we're trying to get with what we have in the
17 record. And Ken has indicated it is.

18 COMMISSIONER DEASON: Mr. Beasley, do you
19 have an understanding of what information you do have
20 available?

21 MR. BEASLEY: Yes, sir, I do.

22 COMMISSIONER DEASON: Do you have monthly
23 information available?

24 MR. BEASLEY: I do. I do. For 1995, the
25 nonjurisdictional amount.

1 COMMISSIONER DEASON: On a monthly basis.

2 MR. BEASLEY: That's correct, I do.

3 COMMISSIONER DEASON: Okay. Let me ask, do
4 we need to recall the witness or do the parties agree
5 to let Mr. Beasley just read that information into the
6 record? No objection. Mr. Beasley, what is that
7 information.

8 MR. BEASLEY: For what period, sir?

9 COMMISSIONER DEASON: On a monthly basis.
10 We have it for January, February and March, so we need
11 it on a monthly basis for the rest of 1995.

12 MR. BEASLEY: Can I say this as a preface to
13 that, Commissioner, that the Company, by getting an
14 interrogatory from the Staff in June of '95 had no
15 real basis for changing the way it was doing anything
16 until any issue subsequently identified by the Staff
17 was ultimately resolved. And so the first time we
18 would have been able to do that would have been
19 October -- effective for October of '95 through March
20 of '96.

21 COMMISSIONER DEASON: I know, Mr. Beasley,
22 but some people would say that you should have been
23 put on notice in 1991, but I just need the
24 information.

25 MR. BEASLEY: Okay. For April the

1 nonjurisdictional amount is \$402. For May '95, the
2 amount is \$8,725.

3 COMMISSIONER KIESLING: Could you repeat
4 that number?

5 MR. BEASLEY: 8,725. For June 1995, the
6 number is \$4,149. For July 1995, it's \$5,344. For
7 August 1995, it's \$8,407. September is \$4,246.
8 October is \$4,333. November is \$1,366. And December
9 of 1995 is \$2,047.

10 COMMISSIONER DEASON: And, Staff, you have
11 those numbers; is that correct?

12 MR. DUDLEY: I missed April.

13 COMMISSIONER DEASON: Okay. April, \$402.

14 What I'd like for to you do is add up those
15 monthly numbers for June through December and give me
16 that total please.

17 MR. DUDLEY: 29,892.

18 COMMISSIONER DEASON: 29,892.

19 MR. DUDLEY: Yes, sir.

20 COMMISSIONER DEASON: Okay. Commissioners,
21 any further questions? I would be willing to
22 entertain a motion or just have further discussion if
23 that's necessary.

24 COMMISSIONER KIESLING: Well, on Issues 19
25 -- it's hard to separate 19A and B, but I would just

1 on Issues 19A and 19B move that we deny Staff and that
2 we leave things as they were for that time period.

3 COMMISSIONER DEASON: And make no adjustment
4 at all.

5 COMMISSIONER KIESLING: Make no adjustment
6 at all and no refund then.

7 COMMISSIONER DEASON: Okay. That's the
8 motion for Issues 19A and B.

9 COMMISSIONER JOHNSON: Let me ask one
10 question first. With respect to this 29,892 dollar
11 figure, would you suggest --

12 COMMISSIONER DEASON: I wanted that
13 information -- I would suggest that when it was raised
14 as an issue in this docket, specifically pertaining to
15 oil backout and the question of jurisdiction, that at
16 that point I'm comfortable with making an adjustment.

17 First of all, if you assume that there
18 should be a jurisdictional adjustment made. I'm
19 comfortable making it at that point. I would be
20 uncomfortable going before that point. Now, I do
21 understand Staff's argument concerning the pyramid
22 buyout. And quite honestly, I think there is some
23 merit to that argument. I think it could be argued
24 that that should have been enough notice to TECO for
25 them to have taken some steps to recognize that there

1 may be a problem, and to address that. It wasn't
2 done. Neither did we raise it as an issue
3 specifically until June of 1995. Other parties didn't
4 raise it as an issue either. And given the rather
5 unique nature of the financing of this arrangement,
6 I'm just -- putting that all together I would be
7 uncomfortable going before that. But I would be
8 comfortable making an adjustment for the 29,892. Here
9 again, that's assuming that you think that there needs
10 to be a jurisdictional factor applied to these costs
11 and it's just a question of when you would apply that
12 adjustment.

13 COMMISSIONER KIESLING: What I intended by
14 my motion was to not apply a jurisdictional factor,
15 but to leave it as it has been handled up until this
16 point despite it having been raised, I guess, in an
17 interrogatory question in June of '95.

18 COMMISSIONER JOHNSON: Are you kind of
19 thinking perhaps that still wasn't sufficient to put
20 them on notice?

21 COMMISSIONER KIESLING: That's my view.

22 COMMISSIONER JOHNSON: Yeah. I second the
23 motion.

24 COMMISSIONER DEASON: Okay. We have a
25 motion and a second. All in favor say aye.

1 COMMISSIONER JOHNSON: Aye.

2 COMMISSIONER KIESLING: Aye.

3 COMMISSIONER DEASON: Opposed nay. Nay.

4 And I would make the \$29,000 adjustment. I do agree
5 that we should not go back before that point.

6 All right. That disposes of Issues 19A and
7 19B. Now we need to address Issue 18, is it?

8 COMMISSIONER KIESLING: I guess I'm
9 confused, because we have a number now in 18 that I
10 thought was \$23,001 underrecovery from both parties.
11 Am I missing something here?

12 MS. JOHNSON: There's still a dispute as to
13 how those dollars will be recovered. That is included
14 in the 184 that we were discussing earlier, 613.

15 COMMISSIONER JOHNSON: Okay. That is this
16 issue?

17 MS. JOHNSON: Yes.

18 COMMISSIONER KIESLING: And I thought it was
19 a fallout issue. Okay.

20 COMMISSIONER DEASON: So we do have the
21 number, and it is agreed to be \$184,000 and there
22 needs to be no adjustment consistent with the decision
23 we just made on Issues 19A and 19B, correct?

24 MS. JOHNSON: That's correct.

25 COMMISSIONER KIESLING: And that's the total

1 of the 161,612 plus the 2,301.

2 MS. JOHNSON: Yes.

3 COMMISSIONER KIESLING: That's why I thought
4 it was already in here.

5 COMMISSIONER DEASON: If we had -- let me
6 just make sure I'm correct. If we had adopted Staff's
7 position, there would need to be an adjustment of some
8 sort to recognize the jurisdictional issue and that
9 \$184,000 number would have changed; is that correct?

10 MR. DUDLEY: The \$600,000 figure that we had
11 put forth did make an adjustment for the cost during
12 that period, also. Had you decided that this \$29,000
13 figure, by including that in fuel, that would have, in
14 a sense, jurisdictionalized this 184, but as you did
15 not vote that way --

16 COMMISSIONER DEASON: So instead of it being
17 184 underrecovery, it would have been something less,
18 something in the order of 150-something-thousand
19 underrecovery.

20 MR. DUDLEY: Yes, the difference between
21 that and 29,000.

22 COMMISSIONER DEASON: Okay.

23 COMMISSIONER JOHNSON: On this issue, and
24 I'm not certain as to what I'm moving, but I'd like to
25 move the Staff position as I think -- the order in the

1 record, did we not, that stated the mechanism by which
2 this would be calculated?

3 MS. JOHNSON: We discussed the order, but we
4 did not take official recognition.

5 COMMISSIONER JOHNSON: Didn't we take
6 official --

7 MS. JOHNSON: No, we didn't.

8 COMMISSIONER JOHNSON: Well, given that it's
9 in Order 95-0580, is that the correct -- and it seems
10 pretty unambiguous to me. And I can see no reason why
11 we would deviate from that order and that policy that
12 has been used in other cases also. So for those
13 reasons I would move Staff in the mechanism or the
14 mechanism in this -- did we file this as an exhibit,
15 too, Terry, or was it demonstrative?

16 COMMISSIONER DEASON: No, it was not
17 identified as an exhibit. It's just -- it's like a
18 Staff recommendation, as I read it, clarifying an
19 issue. We can identify it as an exhibit.

20 COMMISSIONER JOHNSON: I'll just move
21 Staff's recommendation then.

22 COMMISSIONER DEASON: Do you understand the
23 motion, Commissioner Kiesling?

24 COMMISSIONER KIESLING: I think I do. I'm
25 just trying to make sure that the numbers that we do

1 recognize that we voted not to make any of it
2 nonjurisdictional, so is that what this is going
3 doing?

4 COMMISSIONER DEASON: The 184,000 was the
5 amount before there was any jurisdictional adjustment.

6 COMMISSIONER KIESLING: Right.

7 MS. JOHNSON: That's correct. Then I second
8 that.

9 COMMISSIONER DEASON: Okay. That's been
10 moved and seconded. All in favor as aye.

11 COMMISSIONER KIESLING: Aye.

12 COMMISSIONER DEASON: Aye.

13 COMMISSIONER JOHNSON: Aye.

14 COMMISSIONER DEASON: That carries
15 unanimously. Okay. That addresses all of the
16 contested issues.

17 MR. BEASLEY: Commissioner, for purposes of
18 having certainty on a factor going forward, do I
19 correctly interpret your vote to mean that the 2.392
20 cents per kWh is what you're approving for Tampa
21 Electric's fuel adjustment factor?

22 COMMISSIONER DEASON: That's my
23 understanding, Mr. Beasley. Is that correct, Staff?

24 MS. JOHNSON: That's correct and that should
25 also be reflected as Issue 4.

1 COMMISSIONER DEASON: I assume there's going
2 to be some fallout calculations as a result.

3 MR. BEASLEY: We would offer to submit for
4 Staff's administrative approval a refileing of our
5 schedules carrying out this 2.392 cents per kWh and
6 all of the other -- anything else affected by that
7 adjustment for Staff's administrative approval.

8 COMMISSIONER DEASON: Yes. That would be
9 sufficient. Obviously, these factors need to be in
10 place early enough so that they can be included in the
11 next billing cycle consistent with this fuel
12 adjustment proceeding.

13 MR. BEASLEY: Yes, sir, that's why I wanted
14 to have something to carry away today.

15 COMMISSIONER DEASON: Now, we have addressed
16 the contested issues. We need to address the
17 remaining issues, those that are stipulated and those
18 that fallout as a result of the decisions on the
19 contested issues.

20 COMMISSIONER KIESLING: I move all of those
21 stipulated issues and the fallout issues.

22 COMMISSIONER JOHNSON: Second.

23 COMMISSIONER DEASON: Does Staff understand
24 the motion at this point?

25 MS. JOHNSON: Yes.

1 COMMISSIONER DEASON: The motion has been
2 made and it's been seconded. All in favor say aye.

3 COMMISSIONER KIESLING: Aye.

4 COMMISSIONER JOHNSON: Aye.

5 COMMISSIONER DEASON: Aye. That motion
6 carries unanimously. That should dispose, then, of
7 all issues in the 01 docket. Is that correct?

8 MS. JOHNSON: That's correct.

9 COMMISSIONER DEASON: Okay. Where are we at
10 this point? I think we should be concluded unless
11 there are any other matters.

12 MS. JOHNSON: No. Nothing we're aware of.

13 COMMISSIONER DEASON: Before we end, let me
14 say that I appreciate Staff bringing this issue before
15 us and doing all the research necessary to bring the
16 jurisdictional issue. I think that's definitely the
17 type of analysis and research and thinking that we can
18 be doing in this docket, and present to us and we have
19 to make the decision. But I appreciate all of the
20 work and thought that went into that process. You did
21 a good job. This hearing is adjourned. Thank you
22 all.

23 (Thereupon, the hearing concluded at 3:28
24 p.m.)

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

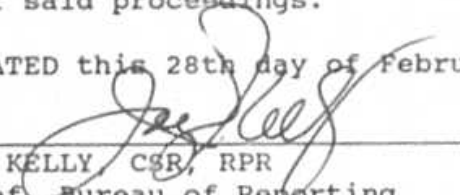
CERTIFICATE OF REPORTERS

4 We, JOY KELLY, CSR, RPR, Chief, Bureau of
5 Reporting, and ROWENA NASH HACKNEY, Official
6 Commission Reporters,

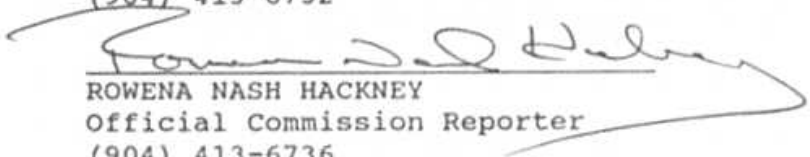
7 DO HEREBY CERTIFY that the HEARING in Docket
8 No. 960001-EI was heard by the Florida Public Service
9 Commission at the time and place herein stated; it is
10 further

11 CERTIFIED that we stenographically reported
12 the said proceedings; that the same has been
13 transcribed under our direct supervision; and that
14 this transcript, consisting of 314 pages, inclusive of
15 Volumes 1 and 2, constitutes a true transcription of
16 our notes of said proceedings.

DATED this 28th day of February, 1996.

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