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June 5, 2000
Via Hand Delivery

Robert V. Elias
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: FIPUG Petition for Mid-Course Protection , Docket No. 000001-EI

Dear Bob:

Enclosed as requested by Staff are FIPUG's preliminary answers to the informal questions Staff sent regarding FIPUG's petition. Unfortunately, John is in the hospital and has not had the opportunity to thoroughly look these over, so I hope you will forgive our delay in getting them to you as well as the fact that the answers are somewhat rough and we may need to elaborate or modify them in the future. We wanted to get you something as soon as we could.

If you have any questions, please give me a call.

Sincerely,

Vicki Gordon Kaufman

- APP _____ Encl.
- CAF _____
- CMP _____
- COM _____ Cc: Todd Bohrman
- CTR _____ Parties of record
- ECR _____
- LEG _____
- OPC _____
- PAJ _____
- PGO _____
- SEC 1
- SER _____
- OTH _____

MCWHIRTER, REEVES, MCGLOTHLIN, DAVIDSON, DECKER, KAUFMAN, ARNOLD & STEIN, P.A.

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FPSC-RECORDS/REPORTING

**ANSWERS TO STAFF'S INFORMAL QUESTIONS CONCERNING
FIPUG'S "MOTION FOR MID-COURSE PROTECTION"**

1. How did FIPUG calculate the \$35 million of the \$70 million in payments made to Tampa Electric by FIPUG members are attributable to the carrying costs of Tampa Electric's generation plants and transmissions lines?

Answer: FIPUG members consume approximately 1,700,000mwh of electricity per year. The average price is \$40.00/mwh. According to the fuel cost calculations filed by TECo in 1999, 69.67% of its sales were projected to be off peak at a fuel price of \$18.32/mwh and 30.33% were on peak at \$29.55/mwh. Using this information, fuel cost for 1,700,000 mwh would be \$36,934,300. The gross receipts tax on the total bill is \$1,750,000. The remaining \$ 31,315,700 is attributable to O&M and return on the utilities' generation and transmission system. FIPUG members generally take service at the transmission level and have no responsibility for the carrying costs attributable to the distribution system. During the twelve month period ending March 2000, interruptible customers paid \$19,285,574 for purchased power especially allocated to them plus 11% of the \$57,000,000 in purchased power included in the fuel clause for collection. It is estimated that TECo's wheeling charges for this power would make up the balance of the \$35,000,000 estimated carrying charges for TECo generating and transmission systems.

2. Discuss how capacity costs are allocated to Tampa Electric's interruptible customers.

Answer: The following extract from the 1993 rate order explains the methodology:

For demand classes, the off-peak non-fuel energy charge should be set at the class's energy unit cost, the maximum demand charge should recover the distribution unit costs, the on-peak demand charge should recover transmission and production costs, and the on-peak energy charge should recover the balance of the class's revenue requirements less the customer charge revenues.

Most FIPUG members incur no cost for distribution.

3. Provide examples in which FIPUG believes that Tampa Electric either interrupted interruptible customers or "bought through" on behalf of these interruptible customers for economic, not reliability, reasons.

Answer: This case has just begun. FIPUG filed its motion on May 18th. The allegations in the motion are based upon FIPUG's information and belief and on its observance of the market place as well as its review of TECo's fuel filings in this docket. However, discovery to identify specific instances is outstanding. On May 18th, FIPUG served 27 Requests for Admission on TECo. On May 19th, FIPUG served 11 Interrogatories and 2 Requests for Production.

FIPUG believes that its burden at this point in the case is the same burden as the utilities had when they came to the Commission recently for a mid-course correction. That is, to put forth the best information known at the time the request to the Commission is made. That is what FIPUG has done in its motion and it should be held to the same standard as the utilities.

4. Elaborate on how the ruling in Northern States Power Co. v. Federal Energy Regulatory Commission, 176 F.3d 1090 (8th Cir. 1999) is applicable to the actions described in FIPUG's petition.

Answer: The *Northern States* held that states retain authority in periods of curtailment to give preferential treatment to the retail customers over wholesale sales. FIPUG contends that when plant is not separated as a matter of public policy retail consumers should be preferred over wholesale sales. In that case, the Court made it clear that "Good Utility Practice requires that wholesale transactions be curtailed before a utility is forced to shed its native/retail load." FIPUG simply asks that the same practice be followed in this case.

5. Explain more completely the following relief requested in FIPUG's petition: direct Tampa Electric to reduce the buy-through power rate by the amount included in base rates for generating capacity.

Answer: This relief applies to all customers. In 1999, TECo paid \$56 million for purchased power. The sum was included in the fuel clause and included charges from other utilities in excess of fuel cost. To the extent that these charges duplicate the charges TECo included in customers bills for generation, the customers should receive relief in their base charges. Non-firm customers' bills may include itemized purchased power in addition to the purchase power included in the fuel charge. At this point, it appears that TECo may be giving credit for base rate charges to interruptible customers, but FIPUG is continuing to investigate this issue.

6. Discuss more completely the Commission's authority to grant the relief requested by FIPUG, in particular the following:

- a. Require Tampa Electric to curtail any wholesale sale if such sale would occur during the same hour in which Tampa Electric plans to interrupt interruptible customers;

Answer: Pursuant to the Commission's statutory authority (particularly, the Grid Bill), it has an obligation to ensure the reliability and adequacy of the state's power supply for native retail customers. To the extent that such customers' receive an inferior quality of service to enable TECo to serve wholesale load, the Commission has the authority to instruct TECo to cease from such behavior. The Commission has broad authority in the other statutory sections to provide customer relief on rate issues and experimental rate designs to deal with special situations such as the one at issue here.

- b. Enable Tampa Electric to avoid peak period emergency power purchases and other costly short-term purchases by adding a rider to the tariffs which contain buy-through provisions authorizing Tampa Electric's industrial customers receiving service under such tariffs to be relieved of the obligation to use Tampa Electric as their exclusive agent for buying power; and

Answer: TECo has a conflict of interest in purchasing power at the same time it is selling power. Currently the purchasing procedures increase the cost of purchased power. This request is for partial unbundling to allow interruptible customers to acquire power from other utilities and have TECo transport it similar to the unbundling procedure adopted by the Commission for Local Gas Distribution Companies.

- c. Authorize customers which produce power from self-generation in Florida, outside of Tampa Electric's service area, to wheel the power to their own sites within Tampa Electric's service area.

Answer: Some customers have several locations some of which produce power. They would prefer to chose which location will be interrupted and wheel power from the customer-owned generation to the locale where it is needed. This would enhance TECo's revenue in that it will receive a wheeling charge for the power being transported.

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