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P R O C E E D I N G S

CHAIRMAN BRISÉ: Moving on to Item Number
10.

You may proceed.

MS. WU: Good morning, Mr. Chairman and
Commissioners.

CHAIRMAN BRISÉ: Good morning.

MS. WU: Item 10 is TECO's petition to
construct a gypsum storage facility and recover the
associated cost through the environmental
cost-recovery clause. The item was deferred from
the March 13th and March 29th Agenda Conference.
Staff has obtained and analyzed the additional
information and filed a revised recommendation.
Staff recommends TECO's petition should be approved
because it satisfies the statutory requirement and
meet the criteria for the ECRC cost-recovery.

Staff is available to answer your
questions. Also, TECO's technical experts,
regulatory manager, directors, and attorneys are
here to address any questions you may have.

CHAIRMAN BRISÉ: Thank you very much.
Commissioners? Commissioner Graham.

COMMISSIONER GRAHAM: Thank you, Mr.
Chairman.

1 I have to apologize to TECO for deferring
2 this as much as we have. This is one of those
3 things -- even back in the meeting that we first
4 had, I still can't -- I guess I still can't get my
5 mind around why we are doing it this way.

6 You guys have been a great company for a
7 long time. One of the things -- if you have been
8 paying attention the past year and a half, we focus
9 up here on customer service and how we are relating
10 to the customer. And you guys, I think, do a great
11 job with customer service. I think your company
12 does a good job of being innovative. I know the
13 staff says you guys are always very responsive to
14 them when they have questions, but this for some
15 reason -- and maybe I'm just trying to make it too
16 simplistic. I guess I don't understand what's going
17 on.

18 The best way for me is I did a simple
19 illustration -- and does staff have a copy of this?
20 What it appears to me is we have the fear that the
21 current site that we have is going to get overrun,
22 because for some reason or another we are not moving
23 the gypsum the way we were in the past back when
24 boon construction was up and that sort of thing.
25 And so for \$55 million we are looking to build about

1 870,000 tons of capacity. Now to me it seems kind
2 of simple. Right now we have a current site that is
3 about a million tons that -- I'm sorry, its capacity
4 is a million tons, it currently has got 550,000 tons
5 sitting on it.

6 Now, it seemed to me for just under
7 \$20 million we can landfill or scrape that
8 550 million off -- I'm sorry, 550,000 off and start
9 from ground zero with a million tons capacity. And
10 it's not one of those things that has to be done in
11 one year; you can scrape 100,000 tons off every
12 single year until you get what you need. And this
13 is worst-case scenario, because this is having to
14 landfill the stuff, and this is assuming that you
15 can't give it away, or sell it, or do something else
16 with it.

17 Please.

18 **MR. BEASLEY:** Mr. Chairman, Commissioners,
19 I'm James Beasley with Ausley & McMullen in
20 Tallahassee. I appreciate your questions. With me
21 today is Mr. Mark Hornick, who is Director of
22 Planning, Engineering, and Construction with Tampa
23 Electric Company. Also with us is Mr. Howard
24 Bryant, Manager of Rates for Tampa Electric. We
25 appreciate the opportunity to address you and answer

1 your questions this morning.

2 Following the March 13th agenda, we
3 received a significant and comprehensive list of
4 questions from the staff designed to help you
5 understand what we're about with this project and
6 what alternatives that we considered. We think they
7 were very good questions. They were
8 well-thought-out and they were very similar to the
9 questions that the company asked itself when it was
10 considering the alternatives before it.

11 We have done our best to answer these
12 questions as fully, completely, and as detailed as
13 we could. We think the staff has done a very good
14 job in analyzing those responses in the staff
15 recommendation before you today. We are here to
16 support the staff recommendation. We believe that
17 construction of the working storage area at Big Ben
18 Station remains the most cost-effective alternative
19 for the company, and we will be happy to detail that
20 in our responses to your specific questions.

21 We urge you to approve the staff
22 recommendation. And I would turn to Mr. Hornick to
23 respond to your specific questions, Commissioner
24 Graham.

25 **COMMISSIONER GRAHAM:** Thank you.

1 **MR. HORNICK:** Commissioner, I appreciate
2 the opportunity to address this. And I understand,
3 I guess, the intricacy of this or the complex nature
4 of working storage versus permanent storage and just
5 how we do business at Tampa Electric.

6 And just a little bit of a background. I
7 think since we have been producing gypsum we have
8 probably produced about 12 million tons of material
9 over the years, and we have been successful at
10 beneficially recycling and reusing that material
11 using our existing storage area to kind of manage
12 the ebbs and flows between production and demand.

13 As we said before, the existing site was
14 built really with one unit in mind, Big Bend 4.
15 Since that time we have added three additional
16 units, and what we see is that we really could use
17 more working storage to more fully take advantage of
18 the recycle opportunities.

19 To your point of what we do, why don't we
20 just clear the site one time, the current site, you
21 are correct, has about one million tons of capacity.
22 The number that is on there currently through the
23 end of March is about 940,000 tons. So the 550 --
24 it's actually higher than that. I didn't try to
25 duplicate the math, but when we look at the option

1 between landfilling material and a third-party
2 landfill, we don't own the landfill so we would go
3 to a third-party. Where we have landfilled similar
4 materials is in Okeechobee. That landfill is rated
5 to take the material. It needs to be appropriately
6 lined, et cetera. That current disposal rate is
7 about \$40 a ton.

8 In addition to that, once you dispose of
9 the material in the landfill, it's there forever.
10 It can't be reclaimed and beneficially reused, so
11 there is actually an opportunity cost, if you will.
12 The revenue that that material could generate is no
13 longer available. So when we look at this, the
14 total cost of permanently landfilling material is
15 about \$45 in total. The \$40 disposal, the \$5
16 opportunity cost.

17 So if you look at it on that basis, the
18 940,000 tons versus the 550 that is currently in the
19 storage pile, if we were to landfill all of that it
20 would be, in round numbers, 41 or \$42 million. So
21 why would we not do that versus building a
22 \$55 million additional storage facility? I think
23 the bottom line is it is because it is used more
24 than one time. We can get the value of this
25 additional storage to manage ebbs and flows in the

1 market. And what we have seen right now with the
2 current downturn and the rather dramatic reduction
3 in construction use of the material of the last few
4 years that has really -- our storage amount has
5 increased, as you can see in some of the staff's
6 responses that we gave.

7 We expect that that gypsum demand is
8 cyclical, that it will -- it's at the bottom now,
9 construction. Most all gypsum goes into the
10 construction market, either wallboard or cement,
11 portland cement, they are both obviously
12 construction-related demand. As construction
13 builds, as the demand builds we should be able to
14 and expect to be able to not have to landfill that
15 material, but actually beneficially reuse it,
16 recycle it and reuse it.

17 So I think two things -- a long-winded
18 explanation, but there is more material on the site
19 now than the 550 represents, and we really could use
20 the additional material or working storage capacity
21 to take advantage of ebbs and flows, appropriately
22 manage ebbs and flows in the future. When we looked
23 at this, you know, with the site being sized
24 originally for one unit's worth of production, if
25 you will, we didn't feel like we needed to quadruple

1 the size because we added three additional units.
2 We felt like, as we evaluated it, that this 27
3 additional acres was appropriate for the market
4 swings that we expect to have in the future.

5 **COMMISSIONER GRAHAM:** Mr. Chairman.

6 **CHAIRMAN BRISÉ:** Sure, go right ahead.

7 **COMMISSIONER GRAHAM:** Once again, the
8 landfilling, in my opinion, is the worst-case
9 scenario. And now, granted, I'm not sure where the
10 550 tons came from, that's what I thought we
11 currently had on there, but even if it is 900, we
12 don't have to completely clear off the site. You
13 can pull off 100,000 tons at a time and that way you
14 are managing your ebbs and flows. I mean, so you
15 are not going and pushing it all into a landfill
16 now. You pull a piece off now as you need to deal
17 with the surges, you pull another piece off next
18 year if you need to also deal with the surges. So
19 you can still manage what you are currently doing
20 now and it's only the little bit that you stick into
21 the landfill that is going to be there and it's
22 going to be gone. But, you know, once again, you
23 don't have to completely clear the site off. And
24 basically the whole project is so that you have an
25 extra 870,000 tons of capacity. I mean, I think you

1 can still get there.

2 And, once again, the landfill is
3 worst-case scenario. There are other places where
4 you guys are trying to look to sell this stuff. I
5 don't know if you have looked at some of the other
6 utilities out there. I have dealt with by-products
7 before. We have dealt with moving turpentine
8 around. And a commodity is a commodity. And if you
9 can fill somebody else's order for a year or two, if
10 they have extra capacity on whatever they are doing
11 with their gypsum, I mean, that's just one of those
12 things that you guys internally can do that. And to
13 me, I think that makes it -- it's not making sense
14 to me yet that we have to go this path. I'm not
15 looking to be a obstructionist, I'm not looking to
16 get in the way, I just -- unless I hear something
17 else different out here, I just can't get on board
18 on this.

19 **MR. HORNICK:** I guess another way to look
20 at it is if you look at the cost of the facility,
21 \$55 million, and you do present value revenue
22 requirements analysis on it, on average over the
23 life of the facility it's about \$3.6 million a year
24 in revenue requirements on average. So if we
25 landfill more than \$3.6 million per year worth of

1 material then we have, in effect, spent more money
2 than the equivalent value of the new storage, and
3 that is one way to look at it.

4 I think last year in 2011, which we are
5 nearing capacity if we had to landfill the entire
6 surplus, which was 350 -- yes, 359 million tons --
7 I'm losing the math here, but I think that's over
8 \$7 million in one year of expense that we would
9 incur. So, true, we could landfill, but the
10 landfill is not inexpensive, and when you compare it
11 to the annual revenue requirements, it still looks
12 like it's a better thing to do for our customers.
13 Not to mention environmentally. I mean, Tampa
14 Electric has for 30 years focused on recycle and
15 reuse as our approach to by-products, and that has
16 served us and our customers very well, and the
17 environment well. So we think that, you know,
18 continuing that approach will be the most
19 cost-effective and the best thing for the
20 environment, our customers, and our company.

21 **COMMISSIONER GRAHAM:** Well, I guess the
22 big question here is should this be used for the
23 environmental recovery clause. I guess the
24 question, even if I approve of your project, is if
25 it should be used for that clause, and if I agree

1 that it should be used for that clause. The problem
2 you run into is by giving you that approval now
3 it's, in essence, saying that we are approving the
4 project. And I'm not necessarily approving the
5 prudence of this project.

6 So I guess as we go through this I can
7 kind of figure out where I need to stand and where I
8 need to land on this, but I want to hear from the
9 rest of the Commissioners before we move on.

10 Yes, sir.

11 **MR. HORNICK:** I think I missed one of your
12 questions earlier. Have we asked other utilities,
13 you know, could they take some of our material?
14 Yes, we have asked some of the ones that are closest
15 to us. We are aware that Lakeland has a very small
16 -- Lakeland Electric has a very small storage pad.
17 Really no opportunity to use it. When they have
18 excess gypsum, they mix it with other materials and
19 landfill it.

20 Progress Energy at Crystal River, similar
21 situation in that they have a very small pad. No
22 real room to take additional -- relevantly small --
23 no real room to take additional material for us. If
24 they can't beneficially reuse it, they immediately
25 landfill it. So we did not find any opportunity and

1 it makes sense because as the construction market is
2 down all the utilities are basically facing the same
3 issue.

4 **COMMISSIONER GRAHAM:** Actually what I was
5 speaking of is not necessarily hauling your gypsum
6 over and putting on their pad, but basically if they
7 have orders that need to be filled, you fill those
8 orders rather than them filling the orders. It
9 doesn't make any sense of dragging this stuff over
10 there and putting it on their pad, but you just
11 basically filling their orders for them.

12 **MR. HORNICK:** Agreed. We didn't think it
13 particularly made sense unless there was some
14 unusual circumstance. The three main producers of
15 synthetic gypsum, if you will, that go to wallboard
16 are really immediately adjacent to wallboard
17 manufacturing facilities in the state. Big Ben
18 Station, which is our unit, is immediately adjacent
19 to National Gypsum. LaFarge is immediately adjacent
20 to JEA and -- excuse me, LaFarge is immediately
21 adjacent to Progress Energy, and U.S. Gypsum is
22 immediately adjacent to JEA. They are running into
23 the same issue. There is not orders outstanding
24 that can't be filled. There is just no slack in the
25 market in terms of demand.

1 **COMMISSIONER GRAHAM:** Okay.

2 **CHAIRMAN BRISÉ:** Commissioner Balbis.

3 **COMMISSIONER BALBIS:** Thank you, Mr.

4 Chairman. I have a few questions for TECO. And
5 before I get started, one thing I'm realizing is
6 that the City of Tallahassee is very small, and I
7 have to disclose a -- not exactly an ex parte
8 communication, but Mr. Beasley and I were, I think,
9 an aisle over in Costco on Sunday, and we may have
10 made eye contact, so I would like to disclose that.
11 (Audience laughter.) Which actually, it brings to
12 an analogy that when I first looked at this item,
13 you know, I thought it might be a good one, and it
14 has to do with Costco. If Costco is in a situation
15 where there is not a demand for their product, I
16 doubt that what they would do is build another
17 Costco right next to it to store more product.

18 So at first glance when you look at this
19 item that seems to be what it is. So in digging
20 into this further and the additional information
21 that TECO has provided, I think I'm getting closer,
22 but I do have some similar concerns that
23 Commissioner Graham has.

24 But I'd like to focus -- since
25 Commissioner Graham really covered continuing to

1 utilize the existing storage capacity -- looking at
2 the comparison between off-site takers and the new
3 facility. And staff has put together for us a
4 revenue requirement and the O&M expenses, and it
5 also calculated using 700,000 tons per year, which
6 would be, I assume, an estimate on the full amount
7 of gypsum produced, so essentially 100 percent
8 excess gypsum that the cost per ton is \$13.24 per
9 ton for the new facility on staff's estimation. I
10 don't know if you have that spreadsheet or not. And
11 I'm not sure if using -- that's assuming you can't
12 sell any of it. So you have one price of \$13.24,
13 but then if you look at what the last five-year
14 average of excess gypsum, which is 134,000 tons, the
15 cost goes up to \$68 a ton, almost \$69. And if you
16 look at the 2011 production which everyone agrees is
17 indicative of or indicator of the market for gypsum
18 wallboard going down of 358,000 tons, that lowers
19 the price to \$25.84.

20 And if we look at the least conservative
21 estimate, which is looking at the ten-year average
22 of excess gypsum, which according to the
23 recommendation is 63,000 tons, which I think is on
24 the other end of the spectrum, your cost for the new
25 facility is \$147 a ton.

1 So now compare that to TECO's response to
2 staff's third data request where you assess the nine
3 potential takers of excess gypsum, and TECO
4 estimated just the hauling costs which range from
5 \$24 a ton all the way up to \$39 a ton. So the
6 problem I have, we have this range of the new
7 facility costs all the way from \$13 a ton to \$147 a
8 ton, and then we have TECO estimating what the
9 hauling costs would be to another facility with a
10 wide range of 24 all the way up to \$39. You know,
11 depending on what the true number is, this facility
12 could or could not be cost-effective. And I'm not
13 sure with the additional information that TECO has
14 provided that -- well, I know I'm not comfortable
15 with it at this point.

16 So the question I have for you is what
17 annual amount of excess gypsum was the new facility
18 designed to handle in lieu of taking it to an
19 off-site taker or landfilling for TECO?

20 **MR. HORNICK:** I will try my best, and
21 obviously you can help me. The design of the
22 facility is for 27 acres, right, which will store
23 870,000 tons maximum, but there will be throughput
24 through the material, so it won't be 870,000 tons
25 statically. Over the life of the facility there

1 will be arguably millions of tons that will flow
2 through, be temporarily stored in working storage
3 and then moved through.

4 The way we look at the value of each ton,
5 per se, is that it would, in essence, eliminate the
6 need for landfill, which in terms of trucking and
7 tipping fees has typically been about \$40 a ton, and
8 it will also permanently eliminate the opportunity
9 for the revenue of about \$5. So the value -- not
10 the cost of production, but the value provided by
11 the facility is 870,000 tons times \$45 a ton, or
12 about \$39 million tons of value provided by not
13 having to landfill and having the opportunity to
14 sell it or beneficially reuse in the future.

15 If you look at the total cost of the
16 facility of \$55 million, \$39 million of value,
17 \$55 million of expense. If we were going to use
18 that inventory storage one time, it would not pay
19 for itself, per se. But as material moves through
20 and the cycles occur over time and we are building
21 this facility for the life of the plant through
22 2050, there will be multiple cycles. If we use that
23 inventory 1.4 times, it will breakeven, rough
24 economics.

25 Every time we use it in ebb and flow past

1 that point, it begins to generate savings over the
2 landfill option. So I think the key is to think
3 about it not in terms of a one-time transaction, but
4 in terms of a facility that can serve that purpose
5 multiple times as we go through time and we
6 experience ebbs and flows in the market. And, you
7 know, from that basis, if we use it -- if we turn
8 over that inventory twice or three times or four
9 times, it will well pay for itself in terms of the
10 value provided of that inventory.

11 **COMMISSIONER BALBIS:** Thank you.

12 And if we can just go back to -- and I
13 wasn't comparing it to the landfill options. And I
14 understand the number of times you use the inventory
15 the greater the savings. I completely agree with
16 you. But in the design of the facility you have the
17 material coming in, the material coming out, and the
18 difference you have to store. So what did you
19 estimate for the material coming in and the material
20 coming out in order to design this facility?

21 **MR. HORNICK:** Okay. We estimate, and it's
22 in the answers to the staff recommendation, or
23 request for information, roughly between 600,000 and
24 700,000 tons per year of production from the
25 facility. And, you know, with regard to a retail

1 operation, you know, we don't really have a
2 cost-effective way to reduce the production. We did
3 look at that, so that movement of material is what
4 we expect.

5 Our contract with National Gypsum, there
6 is a minimum take of that, and maybe I should state
7 it a different way. I think we assumed 550,000 tons
8 per year of consumption from our adjacent wallboard
9 facility, and then we assumed additional sales
10 beneficial reuse from agricultural uses. And we
11 actually have somewhere in our responses a forecast
12 all the way out through 2049 that shows production
13 and consumption, I believe, over time. And I know
14 I'm not directly answering your question, but I'm
15 trying to do the best I can.

16 **COMMISSIONER BALBIS:** No, actually you
17 did. And just to make sure I understand, so you're
18 assuming 550,000 tons of gypsum being taken
19 off-site.

20 **MR. HORNICK:** To wallboard as a minimum.

21 **COMMISSIONER BALBIS:** As a minimum. So,
22 therefore, you are really only dealing with an
23 excess of between 50,000 and 150,000 tons.

24 **MR. HORNICK:** Correct. That's our
25 assumption. Last year it was significantly less

1 than that, but that is what we used for our estimate
2 going forward.

3 **COMMISSIONER BALBIS:** Which that matches
4 the last five-year average, which is 134,761 tons,
5 somewhere within that range.

6 **MR. HORNICK:** Per year, yes.

7 **COMMISSIONER BALBIS:** Per year.

8 **MR. HORNICK:** Last year, 2011, the actual
9 surplus was 358,000, the previous year it was 128.
10 You've got those numbers, yes, sir.

11 **COMMISSIONER BALBIS:** Okay. And then
12 using staff's estimation on revenue requirements,
13 including capital and O&M, because I do have a
14 number for the 134,000 tons per year, that comes up
15 to \$68.80 per ton for the new facility. And using
16 your estimates on what off-site takers, their costs
17 would be, that ranges from 24 to \$39 a ton. So it
18 seems to me that maybe the possibility of having an
19 off-site taker for the additional material might be
20 more cost-effective than building the facility.

21 The other question, in responding to
22 staff's third data request, it's listed that the
23 company estimated, did you contact these nine
24 potential off-site takers to determine what they
25 would pay for it or alternatively be paid to take it

1 from your facility, or is it just your experience
2 and your understanding of the market?

3 **MR. HORNICK:** I know we have contacted
4 several, I don't know which ones. I can't tell you
5 sitting here which ones were contacted. I think we
6 know very well what the wallboard market can take
7 and the situation there. The portland cement market
8 is a smaller market. I think it is 200,000 tons in
9 total in Florida.

10 Howard, do you have that?

11 All right. I'm going by memory from what
12 I have heard, but I believe that we have contacted
13 certainly National Gypsum, they are adjacent to us,
14 I believe LaFarge, CEMEX in Brooksville. Some of
15 the others, but I'm not positive, Commissioner.

16 **MR. BEASLEY:** Commissioner Balbis -- if I
17 may, Mr. Chair, provide a little perspective. We
18 are continuing with this proposal the philosophy
19 that we have had to try to beneficially reuse as
20 much of this material as possible. And I think the
21 chart on Page 12 of the staff recommendation reveals
22 some important numbers that over the last 13 years
23 covered on that chart the company has been able to
24 sell 7.4 million tons of gypsum out of the 2.2
25 million that have been produced as byproduct for the

1 Big Bend units, which is 90 percent of all
2 production has been beneficially reused, sold, and
3 gotten off-site without landfill costs, and that has
4 saved a ton of money.

5 The landfill costs and the opportunity
6 costs added together, to landfill that amount of
7 gypsum would have come to some \$360 million over
8 that 13-year period. So this proposal is designed
9 to do the same thing that we've done. If you look
10 at the excess gypsum production, in eight of the 13
11 years on that chart the company produced
12 1.25 million tons in excess of the sales that it was
13 able to do. If it had to landfill that, it would
14 have cost \$50 million. In addition, approximately
15 \$6-1/4 million in lost revenues from sales that
16 could have been made of that gypsum for a total of
17 \$56.25 million over those eight years out of the 13.
18 That is the cost of the -- and that exceeds the cost
19 of the proposed new gypsum working storage area that
20 we have before you.

21 So we're continuing that effort. We have
22 saved a lot of money for ratepayers, and this is
23 consistent with that effort going forward. That's
24 just for background information.

25 **COMMISSIONER BALBIS:** And thank you for

1 that. And I believe Commissioner Graham mentioned
2 in the staff's latest coal combustion residual
3 report TECO was listed as having the highest
4 percentage of beneficial reuse, and we applaud TECO
5 for that. And this might be one of those instances
6 where no good deed goes unpunished. But what we're
7 faced with today is a \$55 million expense and
8 whether or not that is the most cost-effective
9 method. And I just go back to the numbers here, and
10 if we have a cost per ton that is estimated at
11 \$68.80 and we have just the transportation costs for
12 these potential off-site takers being half of that,
13 it may warrant exploring the off-site takers a
14 little further.

15 And I don't know if in your industry or in
16 your experience, you know, an invitation to bid or
17 some sort of process so they can commit in writing
18 what they would pay for it and what amount they
19 would take. Or alternatively, you know, if they
20 would need to be paid for it. But some sort of
21 range, that way when you come to us we can look
22 at -- and this is just the off-site taker option.
23 And, as I said, Commissioner Graham handled the
24 other option. That way we would know the
25 \$55 million expenditure is the most cost-effective

1 option, because I think everyone agrees this is a
2 transient issue. I mean, I don't think there is one
3 person in this room that is going to think that the
4 economy is going to stay where it is. I think most
5 people agree it has bottomed out and coming up. So
6 we are dealing with possibly a temporary situation,
7 but we have to make the best planning decisions
8 possible.

9 So in your experience have you ever used
10 some sort of invitation to bid or request for
11 proposals to take a certain amount, that 50 to
12 150,000 tons that this new facility will need to
13 handle?

14 **MR. HORNICK:** No, Commissioner, I'm not
15 aware that we have done that explicitly. But I know
16 we have got folks that are in the market daily and
17 understand, you know, supply and demand and what
18 could be taken. The issue, I think, largely goes to
19 it's very difficult to incent a user or an off-taker
20 to take additional material that they really have no
21 market or end use for. So what that implies is that
22 they would have to build up inventory on their site.
23 They are not going to produce additional wallboard
24 on the basis of the gypsum raw material being a
25 lower cost. It just doesn't work that way.

1 And our understanding is most of these
2 wallboard manufacturers, which is the primary
3 off-taker for cement, they are basically at max in
4 terms of storage. I know the adjacent National
5 Gypsum is essentially at max. We have had
6 conversations with them in terms of lowering the
7 price. They really can't swallow more gypsum or
8 store more gypsum because the price is low. They
9 really have to have a demand on their demand-side
10 for the wallboard product in order for them to store
11 more material, you know, take advantage of a lower
12 price, per se.

13 **COMMISSIONER BALBIS:** And, Mr. Chairman,
14 with your indulgence. I don't disagree with you,
15 and that very likely is the case. But we don't have
16 anything here from those companies indicating that.
17 If they do not have room for it or cannot commit to
18 it, they will not respond. If they have to build an
19 additional storage facility on their site, they will
20 have a cost for that and they will make the
21 decision, financial decision is it cheaper to store
22 it on our site for whatever reason than the \$68 a
23 ton that you would incur.

24 So, again, I don't disagree with you, I
25 just think I would feel more comfortable if we have

1 documented responses from these nine off-site takers
2 that either provide a number or indicate lack of
3 interest, so now we can weigh that against
4 continuing to use the existing facility that
5 Commissioner Graham discussed. Because we are only
6 dealing with 50 to 150,000 tons a year by your
7 estimate, so --

8 **MR. HORNICK:** 150,000, you know, by our
9 best estimate, correct.

10 **COMMISSIONER BALBIS:** And how much time
11 would it take if, again, the Commission decides that
12 may be the best course of action? How much time
13 would it take to go through that process? Does it
14 limit the opportunity to have this facility
15 constructed in time?

16 **MR. HORNICK:** It would have an impact. As
17 the existing facility -- it's actually continuing to
18 accumulate material at a fairly rapid pace. We
19 think that if things proceed the way they have been
20 recently we will run out of storage room on the
21 existing site sometime later this year. So it looks
22 like we are going to have to landfill some material
23 before the new gypsum storage area is placed into
24 service. And we are working very hard to find other
25 markets, and we have had some success in

1 agriculture.

2 So there would be -- in terms of a delay,
3 we will just incur that much more landfilling
4 expense. And we are pursuing the project. We're in
5 the middle of permitting. We have done preliminary
6 engineering. We are starting detailed engineering,
7 but we have not committed procurement of materials
8 kind of pending this proceeding.

9 **COMMISSIONER BALBIS:** Okay. And then if
10 you were to go through an RFP or ITB process, how
11 much time would that take? Two weeks, 30 days?

12 **MR. HORNICK:** Just speculating, I would
13 think something like a 30-day to 45-day turnaround
14 for bidders, perhaps less than that since they don't
15 have to prepare a lot of engineering that would go
16 into a bid. There would be an evaluation period, so
17 --

18 **COMMISSIONER BALBIS:** And, again --

19 **MR. HORNICK:** Two to three months,
20 perhaps.

21 **COMMISSIONER BALBIS:** Okay. I mean,
22 hopefully you understand the position we are in that
23 what the Commission as an agency receives, I would
24 assume, is the tip of the iceberg of the amount of
25 work that has gone into deciding to move forward

1 with this facility. So, you know, I'm sure this
2 information is there and can be provided, or
3 additional information can be obtained, but we have
4 to deal with what is before us.

5 And I personally am not comfortable that
6 enough information has been provided to us that
7 going in this direction is the most cost-effective
8 means. And at least from my concerns, I think going
9 through an RFP or ITB process and getting that
10 information would kind of close that gap. And as
11 far as the concerns about just taking off 150,000
12 tons per year at the existing facility, what's the
13 cost for that, how does that compare to the new
14 facility? I think with those two information gaps
15 filled, I would be personally comfortable with
16 making a decision on this. So I'll turn it over to
17 the other Commissioners on this issue.

18 **CHAIRMAN BRISÉ:** Thank you, Commissioner
19 Balbis.

20 Commissioner Brown.

21 **COMMISSIONER BROWN:** Thank you.

22 And I am actually on the opposite side
23 here of the engineers. Looking at the alternatives,
24 including what was proposed and what FIPUG proposed
25 regarding retrofitting the existing facility, to me

1 it seems that the new proposed facility is most
2 cost-effective and environmentally considerate
3 solution. But the ideas that were mentioned by
4 Commissioner Graham and Commissioner Balbis, I would
5 like to hear from staff whether you considered those
6 options and what you think of those.

7 **MR. DOWDS:** With respect to Commissioner
8 Graham's proposal, we just heard about it yesterday,
9 so we haven't had a lot of time to give it full
10 thought. My immediate reaction was it seemed to be
11 a one-shot deal. In other words, at best you would
12 remove all the gypsum on the current facility, so
13 that gives you about a year and a half solution,
14 because it will be refilled back up unless you can
15 successfully sell it. Other than that, we haven't
16 really had a chance to evaluate it.

17 With respect to the RFP process that
18 Commissioner Balbis was proposing, if I understand
19 correctly, is it seems to be a viable option.
20 However, the data requests provided by the company
21 indicate that they have dedicated four full-time
22 staffers that are constantly marketing the market
23 for disposing of gypsum and similar products in
24 Florida, so it's an RFP on the one hand versus the
25 representation and their data requests if they are,

1 in fact, monitoring this. I don't know which is the
2 preference. That would be at the discretion of the
3 Commission.

4 **COMMISSIONER BROWN:** Thank you.

5 **CHAIRMAN BRISÉ:** Commissioner Graham.

6 **COMMISSIONER GRAHAM:** Thank you, Mr.
7 Chairman.

8 Mr. Dowds, you have confused me.

9 **MR. DOWDS:** I do that.

10 **COMMISSIONER GRAHAM:** If TECO is looking
11 to build capacity for 870,000 tons, and you're
12 saying that that capacity for 870,000 tons is going
13 to help or last for 35 or 40 years, why is it that
14 my idea of capacity for a million is only going to
15 last for a year and a half?

16 **MR. DOWDS:** Well, this is why I didn't
17 understand your proposal, to be quite honest.
18 Assume -- okay, the existing facility holds a
19 million tons. If you remove all of it, it will fill
20 back up unless you build the new one. If they are
21 producing, worst-case scenario, 700,000 tons of
22 gypsum a year from Big Bend Station, then that
23 equates to roughly a year and a half before you fill
24 it up again, and then you have to landfill it unless
25 there is a -- you're envisioning a program whereby

1 they have a steady schedule of amounts each year
2 that they landfill. I couldn't discern the full set
3 of assumptions that were implicit in your analysis,
4 this is what I was struggling with, that's why I was
5 just kind of winging it.

6 **COMMISSIONER GRAHAM:** The assumptions are
7 basically if you go back to where Commissioner
8 Balbis was, you only have an excess of 100 to
9 150,000 tons a year, so that's what's going to be
10 accumulating. You will put 700 on there, and you're
11 going to sell 550 off. You'll put 700 on there, and
12 you're going to sell 550 off every single year. So
13 it doesn't last a year and a half, it lasts however
14 that long that adds up to.

15 I mean, basically what this comes down to,
16 and I guess this is where my problem is, you're
17 looking for a pad for 870,000 tons. And my
18 suggestion is you still get that pad, that capacity.
19 Basically, you're just swiping off what's currently
20 there, get that out of the way and start new. And
21 so now you still have -- you still have a million
22 tons of surge capacity.

23 All you're doing, what they're proposing
24 is you are adding 870,000 tons of surge capacity.
25 And my suggestion is rather than build a new

1 facility, get that stuff out of the way and deal
2 with what you have currently got it at. And top of
3 all of that, now you don't have to add the extra O&M
4 costs because you're just going with the original
5 pad rather than adding a new one on there. Once
6 again, it doesn't matter, I'm done fighting this.

7 **CHAIRMAN BRISÉ:** Commissioner Balbis.

8 **COMMISSIONER BALBIS:** Thank you, Mr.
9 Chairman.

10 I'd just like to respond to Mr. Dowds.
11 And I understand your position that they have four
12 full-time staff members that can assess what the
13 costs would be. But I will point out, once again,
14 that they are only dealing with 150,000 tons. That
15 is \$68.80 per ton. Every one of the off-site
16 takers' costs that were estimated by these four
17 full-time employees are less than that. Would you
18 agree with that?

19 **MR. DOWDS:** I'll take your word for it. I
20 don't have the information in front of me, but that
21 sounds about right.

22 **COMMISSIONER BALBIS:** Okay. Thank you.

23 **CHAIRMAN BRISÉ:** Commissioner Edgar.

24 **COMMISSIONER EDGAR:** Thank you.

25 I have a question from a slightly

1 different angle. If we're talking about the
2 possibility of landfilling, is it 150,000 a year?
3 And it's just 150,000 tons a year, but that still
4 sounds like a significant impact to landfill
5 capacity to me. So I'm wondering, to TECO, if you
6 have information or have done any analysis as to the
7 availability of landfill space at that rate? And I
8 realize this is perhaps a little far afield, but
9 first from landfill availability at that rate, and
10 then, secondly, the impact potentially on that
11 landfill space as to its future projections for what
12 they were planning to take in and accommodate, and
13 if there would be -- again, I realize this is a few
14 steps out and a little bit removed, but I am curious
15 as to potentially other land use planning aspects
16 if, indeed, that type of capacity addition were not
17 in those long-term plans.

18 **MR. HORNICK:** Commissioner, we haven't, to
19 my knowledge, asked landfills if they could take
20 that quantity over an extended period of time. We
21 use the Okeechobee landfill for other products. I
22 feel pretty confident that 700,000 tons a year would
23 be a substantial impact on that site. It's just a
24 large amount of material, so I think that concern is
25 appropriate. I don't have the exact detail to

1 support that.

2 **COMMISSIONER EDGAR:** Thank you.

3 **CHAIRMAN BRISÉ:** I have a few questions of
4 my own unless you have a few questions? Okay.

5 What is the status of the current
6 facility? I know that it has been there for awhile.
7 Are there challenges that exist with the current
8 facility which would necessitate a new facility?

9 **MR. HORNICK:** Well, the existing facility
10 is nearing being full. It's 950,000 tons currently
11 stored on it, so that's certainly an issue. There
12 are some ancillary issues around that. If you
13 looked at the site map, the existing storage area is
14 on the extreme south of our property, pretty close
15 to the property boundary. There are residential
16 communities very close by, so we are cognizant of
17 dusting issues and environmental impacts that could
18 potentially occur there. This facility was put in
19 service in 1985. We have done routine maintenance
20 on it. It is getting older, if you will.

21 Having a new, kind of a separated -- a
22 primary and a secondary storage area would allow us
23 to operate in a primary mode. The new facility with
24 a closed belt conveyor that is not subject to
25 dusting. It is also immediately adjacent to the

1 National Gypsum facility, so there is a
2 transportation savings. Currently the transport
3 from the existing pile to the National Gypsum
4 facility is about \$2.50 a ton. If we use -- if we
5 build the new facility, which is immediately
6 adjacent, and use that as the primary, we should be
7 able to save that \$2.50 a ton, and flow that back to
8 the customers as a savings on this. There's another
9 benefit from that perspective.

10 In the future we may need to reline the
11 existing facility. When it was built in 1984 it was
12 built subject to the environmental requirements at
13 the time. Those requirements have changed, so it
14 may need to be relined in the future. It certainly
15 cannot be relined with a million tons of storage.
16 So that's not a primary driver, but it is another
17 side benefit, I guess, of potentially being able to
18 manage this with two different facilities and have
19 that additional working storage.

20 **CHAIRMAN BRISÉ:** You probably don't have
21 these numbers with you or have probably not looked
22 into it as of yet, but what do you think it would
23 cost to reline the current facility? What would be
24 the price tag on that?

25 **MR. HORNICK:** I'm trying to remember.

1 There has been some discussion about it. I'm not
2 really sure, Commissioner.

3 **CHAIRMAN BRISÉ:** Ballpark.

4 **MR. HORNICK:** Yes, let me ballpark it. We
5 did a similar kind of reline out at Polk Power
6 Station where I was. I'm going to say 2 to
7 3 million, maybe up to 5 million depending on --
8 it's 37 acres. It would need to be double-lined and
9 a base put on it.

10 **CHAIRMAN BRISÉ:** Okay. And that's all the
11 questions I have for now.

12 Commissioner Edgar.

13 **COMMISSIONER EDGAR:** Thank you, Mr.
14 Chairman.

15 I'm going to switch a little bit from the
16 engineering aspects, and I have a process question.
17 And, Mr. Murphy, I think I'm going to pose this to
18 you, first off, and then to TECO, as well.

19 Just for discussion purposes at this point
20 from where we are in the process today with the item
21 that is before us, if this were not to be approved,
22 then what? Does that remove this option from future
23 consideration, does it force another option, does it
24 put us in a holding pattern? If you can help me
25 think through as the issue before us is worded.

1 **MR. MURPHY:** As I understand it today, we
2 are simply looking at whether you are going to run
3 this through the clause docket. One element of that
4 is whether the expenditure -- your criteria that you
5 set forth in older orders, there are three. One of
6 them is whether all expenditures will be prudently
7 incurred after a date. So the part that we are hung
8 up on here is whether this is prudently incurred.

9 Now as far as whether you are going
10 forward now under the clause, it appears to me it
11 seems like they could still go forward. It wouldn't
12 be under the clause and then they could try to
13 recover it in a rate case, but you would have sent a
14 signal that you didn't think it was prudent. And
15 I'm not sure what -- I believe there was a question
16 to the company on would they still go forward, and I
17 believe the answer was it would depend upon what our
18 order says. So it's just chasing its tail.

19 **COMMISSIONER EDGAR:** I'm a little unclear
20 as in -- and, again, hindsight always 20/20, so it's
21 not a criticism, but it seems as if we have two
22 issues in one almost. One being are the costs for
23 treatment, whether it be storage, or landfill, or
24 other transport, or whatever that is, but whether
25 the cost for treatment of this acknowledged

1 byproduct is appropriate for ECRC treatment. And
2 then either the second issue or a subissue being
3 what that particular treatment should be and what
4 the associated costs are.

5 So can you help me think through under the
6 statutory scheme and our rules and procedures, are
7 these two separate issues? Not completely separate,
8 but two discreet issues that are combined into one?

9 **MR. MURPHY:** It seems that this byproduct
10 is a result of federal regulation that they have to
11 run these scrubbers, so we would seem to be within
12 the clause. The question then becomes is this
13 treatment of how to handle it, is that prudent.
14 That seems to be a separate question. You're going
15 to have to do something with the gypsum because it's
16 required, and so whatever the cost is could be
17 recovered through the clause. And I'm looking for
18 any technical staff to jump in here because --
19 (Laughter.)

20 So, yes, then you're down to in the
21 criteria set forth in the order all expenditures
22 will be prudently incurred, so it is a little bit of
23 both.

24 **COMMISSIONER EDGAR:** And if I may continue
25 that line of thought?

1 **CHAIRMAN BRISÉ:** Sure.

2 **COMMISSIONER EDGAR:** Thank you, Mr.

3 Chairman.

4 If -- again, for discussion purposes -- if
5 the item were to be approved today, or subsequently,
6 but let's go with today. If the item were to be
7 approved today, walk me through the steps that our
8 agency would take as far as the prudence review
9 and/or determination of those costs, realizing that
10 many of them will have yet to have been incurred as
11 of today.

12 **MR. MURPHY:** I think it's clear that you
13 can still look at the prudence of the cost in the
14 rate case. But, again, there are rate case experts
15 here, and I will look to them.

16 **COMMISSIONER EDGAR:** And when you say rate
17 case, you mean the ECRC, at the end of -- the annual
18 ECRC review?

19 **MR. MURPHY:** No, I believe you could still
20 look at these costs in an eventual rate case, the
21 expenditures here.

22 **COMMISSIONER EDGAR:** I think you're
23 getting a technical assist over here because -- I'm
24 not sure I completely agree with that, but if we can
25 just kind of follow this line of discussion, and

1 maybe we'll all understand it better.

2 **MR. WILLIS:** Commissioner Edgar, if I
3 could add a little light to that. If you did
4 approve this to go through the environmental
5 cost-recovery clause, the costs would be looked at
6 in the environmental cost-recovery clause.

7 At this point you don't have the prudence
8 of the numbers before you. I think it's inherent
9 that if you were to decide that this project should
10 go forward through the environmental cost-recovery
11 clause, you are, in essence, saying it's a project
12 that ought to be done. You're not saying the
13 dollars are right. That comes after the fact when
14 the company is ready to go into commercial service
15 with this aspect of this storage facility. That's
16 the point in time where we'll audit the numbers,
17 we'll make sure the numbers are prudent. So maybe
18 that helps out a little bit.

19 **COMMISSIONER EDGAR:** That does help me a
20 little bit. And, Mr. Chair, Commissioners, I felt
21 like we were maybe getting a little far ahead down
22 the road beyond some of what is before us for
23 decision today. And, again, I'll just kind of kick
24 this through.

25 And, Mr. Murphy, did you have something to

1 add?

2 **MR. MURPHY:** Yes. Sub 5 of the
3 environmental cost-recovery statute is that recovery
4 of environmental compliance costs under this section
5 does not preclude inclusion of such costs in base
6 rates and subsequent rate procedures if that
7 inclusion is necessary and appropriate. However,
8 any costs recovered in base rates may not also be
9 recovered in the environmental cost recovery clause.
10 So they're together.

11 **COMMISSIONER EDGAR:** Thank you.

12 And I would like to pose that same line of
13 discussion to Mr. Beasley and TECO if you have
14 anything to add or comment.

15 **MR. BEASLEY:** Yes, ma'am, Commissioner.

16 It certainly would be subject to
17 Commission audit. All of the costs that would be
18 incurred in building this project would be reviewed,
19 scrutinized, subject to audit. It would not say
20 Haines until you said it said Haines as far as
21 cost-recovery.

22 **COMMISSIONER EDGAR:** Thank you.

23 **CHAIRMAN BRISÉ:** Commissioner Graham.

24 **COMMISSIONER GRAHAM:** Thank you, Mr.
25 Chairman.

1 A couple of things. I know where I got
2 the 500,000 tons from. I pulled the transcript from
3 April 13th, and Commissioner Balbis asked a
4 question, "How much capacity is currently existing
5 on the site?" Mr. Hornick, "Currently we have --
6 I'm going to go by memory. I believe it's about
7 500,000 tons stored." So I just wanted to make sure
8 I didn't make that number up.

9 We seem to be going around and around in a
10 circle. Commissioner Edgar kind of hit on where I
11 want to go with a question I wanted to ask, and I
12 guess I will go back to Mr. Murphy. I think that
13 the environmental recovery clause is where gypsum
14 and these sorts of things should be funded, so if
15 the question is here if we think it should be funded
16 by that clause, then that's a simple one. But by
17 saying that are we also saying that I approve this
18 project, or how do we separate these two?

19 Because I don't have a problem moving
20 forward, but as Commissioner Balbis said earlier,
21 I'm sure there's enough information out there, I
22 just haven't seen it yet, and I haven't felt
23 comfortable yet. So is there a way of separating
24 these two, or are they just one in the same, or I
25 guess I'm looking for you guys to tell me how do we

1 rectify that situation.

2 **MR. MURPHY:** I think you are saying that
3 this is a prudent thing to do. How does that shake
4 out in a subsequent rate case if this is put into --
5 I don't know that I know the answer to this. I
6 think whoever is a rate case expert will have to
7 tell you, because you are approving it to go
8 through. When they come in for the next case and
9 they want to move this into base rates, I don't know
10 what happens with that.

11 **CHAIRMAN BRISÉ:** Can I jump in?

12 Can we do this, can we take a five-minute
13 break and give y'all an opportunity to confer so you
14 all can give us a good answer?

15 **MR. MURPHY:** Thank you.

16 **CHAIRMAN BRISÉ:** Thank you.

17 (Recess.)

18 **CHAIRMAN BRISÉ:** All right. We will
19 reconvene at this time. And hopefully that time was
20 helpful to everyone.

21 We will go back to Commission Graham's
22 question. I think there was a response in the
23 making.

24 **MR. MURPHY:** If you approve this, you are
25 saying that this is a prudent project forevermore.

1 That would be that this is a prudent project.
2 You're approving it at an estimated cost. Should
3 that overrun, you could after-the-fact have a look
4 that they didn't do a good job in building it and
5 spent too much money, spent more. So that would
6 still be on the table, the oversight of the
7 construction.

8 **CHAIRMAN BRISÉ:** Commissioner Graham.

9 **COMMISSIONER GRAHAM:** Thank you, Mr.
10 Murphy.

11 **MR. MURPHY:** Thank you.

12 **COMMISSIONER GRAHAM:** TECO, I applaud you
13 guys for what you have done, what you have done with
14 your gypsum program. I think -- I can't put words
15 in the mouth of the other Commissioners, but I think
16 you probably have enough support to move forward. I
17 can't support it at this time, but that's just
18 because maybe I just don't have enough detail in
19 front of me to make that judgment, but that's fine.
20 I think there's enough people that are comfortable
21 enough, but I don't want for you to take this back
22 as I disagree with the path you guys -- I wouldn't
23 have gone about doing it this way, but I appreciate
24 what you guys have done leading up to all this with
25 your marketing of the gypsum and rather than just

1 landfilling it all from day one. I mean, I think
2 it's a better way of going, and I don't want for my
3 negative vote on this to make it sound like I'm
4 against what your total program was. I just
5 wouldn't have gone down this path.

6 **CHAIRMAN BRISÉ:** Commissioner Balbis.

7 **COMMISSIONER BALBIS:** Thank you, Mr.
8 Chairman.

9 And, you know, I too want to thank TECO
10 for their work on beneficial use of these residuals,
11 and you do have the highest percentage of other
12 utilities in the state. And I'm not saying this is
13 not a good project. All I'm saying is that from the
14 information we have this is actually the highest
15 cost method as compared to off-site takers to
16 dealing with this product. And one of our charges
17 is to make sure that all of these costs are
18 prudently incurred and projects are prudent,
19 especially when they use ratepayer dollars.

20 So I do not want to deny this project. I
21 think that, if possible, even if it just means a
22 month's delay, maybe a month of incurring additional
23 landfilling costs, which may in the grand scheme of
24 things be insignificant, I would feel more
25 comfortable -- I hate to say it, but deferring this

1 item to giving TECO enough time to either go through
2 an RFP process or somehow put a more accurate
3 estimate on the off-site takers' cost so that we can
4 compare it. Because I think in the end it will
5 flesh itself out.

6 So, again, I disagree with staff's
7 recommendation, however, I do not want to deny it
8 and close the docket if there is a way, and if the
9 Commission is willing that we could defer this to
10 give TECO enough time. I mean, we are dealing with
11 \$55 million. We're dealing with a 35-year project,
12 and I think a month is warranted to get this
13 additional information so that we can determine
14 whether or not this project is prudent, especially
15 if this is our one shot at it.

16 Thank you.

17 **MR. BEASLEY:** Mr. Chair, Commissioner
18 Balbis, we appreciate the break. We had an
19 opportunity to talk about this. We want you to be
20 happy with our project, and, you know, we want to do
21 whatever it takes to make that happen. We have come
22 in with a project that we have calculated that is
23 going to cost on average about \$3.6 million in
24 revenue requirements per year. We are seeking your
25 guidance. We do know that if we were to landfill

1 approximately 150 or 155,000 tons of gypsum per year
2 that would be in the range of 6 to \$7 million. If
3 we look at, like, last year, for example, with over
4 300,000 tons, that would be in the range of
5 \$14 million landfill cost, and that would be, that
6 year alone, not -- as compared to 3.6 million
7 through cost recovery.

8 Maybe a little time would help to give us
9 the opportunity to find the information,
10 Commissioner Balbis, that you're interested in and
11 all of you are interested in regarding the other
12 off-takers and whether they have any interest, which
13 we don't think they would, but we would be happy to
14 pursue that and then come back to you here in the
15 near future. This is a project that we need to move
16 forward on, but we understand your interest and your
17 concerns, and we want to address those as best we
18 can.

19 **COMMISSIONER BALBIS:** And how much time
20 would you need to come back in the near future?

21 **MR. BEASLEY:** Approximately one month,
22 30 days. I'm not sure how agenda conferences come
23 out. I don't have my calendar right here. In that
24 range.

25 **COMMISSIONER BALBIS:** And with that, Mr.

1 Chairman, if it is appropriate, I would move that we
2 defer this item one month to allow TECO to gather
3 this information for the reasons stated previously.

4 **CHAIRMAN BRISÉ:** I heard the motion. Can
5 you give us a second? I think Commissioner Edgar
6 wanted to say something before we got to the motion
7 stage, so we will get there and then I will going
8 back to you for the motion.

9 **COMMISSIONER BALBIS:** Sure.

10 **COMMISSIONER EDGAR:** Thank you to both of
11 you.

12 You know, one of the things that's
13 interesting about numbers is that although it's
14 supposed to be kind of black and white, like-minded
15 people could still look at different numbers and see
16 that they say different things. And, Commissioner
17 Balbis, you mentioned that this looks to be the or
18 one of the most expensive alternatives, and when I
19 look at all of the information we have, that is not
20 what I see. I see it as if not the, one of the
21 least expensive alternatives, especially when you're
22 looking at the projected lifetime of the project,
23 which I estimate at around, from the information we
24 have now, about 35 years.

25 I don't know what a crisp RFP process, of

1 course, what information would come back, but what I
2 do know is that the buyers/users of this type of
3 byproduct are, again, a fairly finite group, and the
4 alternative uses in our region are known and finite.
5 So my concern with some of the alternatives that
6 have been expressed here is that in my experience,
7 estimates of -- the estimates of costs that involve
8 trucking, transportation, alternative storage,
9 temporary storage, short-term storage often, often
10 end up being higher than the numbers you have at the
11 time. And that with some of the alternatives we
12 have had there are to me unknown costs, whereas the
13 proposal that is before us to me seems to be a known
14 cost, again, over many, many years.

15 And we know that gypsum is a byproduct of
16 the operation of this facility and that this
17 facility is central to the work that the utility
18 does, which is to produce power for its ratepayers
19 and its consumers. Yet we have put this project off
20 a couple of different times, each time asking for a
21 little more information, and I always support that
22 if there is not an immediate deadline that causes a
23 reason that we can't have additional information.
24 But at some point you either accept the information
25 from our staff and all that we have reviewed that

1 this is a known cost for a known issue that needs to
2 be addressed or not.

3 So, you know, I open it up to the board if
4 additional information would be helpful, but I do
5 believe that as we delay, delay there are probably
6 some additional costs that will be incurred. And
7 long-term landfill does not strike me as the best
8 alternative, and I do believe that there would be
9 additional transport and storage costs with that,
10 whether it be partial or all, and that concerns me.
11 Because I do believe that we would be directing
12 unknown costs, and that we would perhaps lose some
13 of our ability to review and keep a handle on those.

14 **CHAIRMAN BRISÉ:** Okay. Commissioner
15 Balbis and then Commissioner Brown.

16 **COMMISSIONER BALBIS:** Thank you, Mr.
17 Chairman.

18 And thank you, Commissioner Edgar, and I
19 agree with you on several points. And I think that
20 you're right, we do have accurate information that
21 this is the most cost-effective option with three of
22 the alternatives: Going to a low-sulfur coal,
23 building an on-site permitted facility, or long-term
24 landfiling. And I don't feel that there were any
25 questions from the Commission on those alternatives.

1 I think we are all in agreement that this is the
2 best cost option.

3 The other option which I personally feel
4 that we do not have a firm grasp on are off-site
5 takers, and that is the only information that I
6 require. And if the company is willing to delay the
7 30 days and provide that information to make some of
8 us comfortable, I don't see this as being a project
9 that will continue to be deferred.

10 I think that we have expertise at TECO.
11 We have expertise with staff. I think that, you
12 know, they know inherently what the most
13 cost-effective option is, we just need that
14 information. I think if we close the gap on that
15 fourth option, that the other three have been
16 adequately addressed, I would be more comfortable
17 with that.

18 **CHAIRMAN BRISÉ:** Commissioner Brown.

19 **COMMISSIONER BROWN:** Thank you. And I
20 completely agree with all of Commissioner Edgar's
21 earlier comments and was willing to and was eager to
22 support this at the last agenda conference that got
23 deferred, so I am ready to vote. However, because
24 the utility has made the comment that they would be
25 willing to accommodate Commissioner Balbis' request

1 to defer, I would be okay with the deferral simply
2 because Tampa Electric -- but we do understand that
3 that is going to increase costs for the utility and
4 the ratepayers. So -- (Inaudible; microphone off.)

5 **CHAIRMAN BRISÉ:** All right. So at this
6 time let me see to our Executive Director where we
7 are in terms of scheduling if that were to be the
8 will.

9 **MR. BAEZ:** I think we are looking at the
10 19th of June.

11 **CHAIRMAN BRISÉ:** 19th of June. Okay.
12 Would that provide sufficient time, TECO?

13 **MR. BEASLEY:** I believe so; yes, sir.

14 **MR. BAEZ:** Mr. Chairman.

15 **CHAIRMAN BRISÉ:** Yes, sir.

16 **MR. BAEZ:** If I can just interject before
17 we go forward?

18 **CHAIRMAN BRISÉ:** Sure.

19 **MR. BAEZ:** It seems like everyone is
20 starting to get comfortable with a deferral to the
21 19th. If we can get confirmation, or some kind of
22 confirmation from the company that they are
23 understanding exactly what kind of information they
24 are to provide. I want to make sure that everyone
25 is working off the same page and with the same

1 expectation.

2 **CHAIRMAN BRISÉ:** Sure.

3 **MR. BAEZ:** Just a suggestion.

4 **CHAIRMAN BRISÉ:** We were going to get
5 there. So the 19th works in terms of a date for
6 y'all to be able to have that information so that we
7 can work backwards from that date? Okay. I think I
8 got that confirmation from TECO.

9 **MR. BEASLEY:** Yes.

10 **CHAIRMAN BRISÉ:** Okay. Commissioner
11 Balbis and Commissioner Graham, what are the items
12 that -- or what information do we need at this point
13 to move forward? I think if that's clear for our
14 staff and for TECO so that we are all working off of
15 the same notebook.

16 **COMMISSIONER BALBIS:** Thank you.

17 And from my standpoint, I think an
18 accurate assessment on the cost per ton for an
19 off-taker to take the gypsum at the minimum amount,
20 which would be the 150,000 tons that was used to
21 design the new facility so that we are dealing with
22 apples-to-apples, and then can compare with the
23 capital and O&M costs per ton. And hopefully that
24 is clear. Or an indication from the other off-taker
25 that they are not interested for whatever reason.

1 So instead of TECO estimating what the costs would
2 be, the off-taker providing an assurance or a bid,
3 if you will.

4 **MR. BAEZ:** Mr. Chairman?

5 **CHAIRMAN BRISÉ:** Yes.

6 **MR. BAEZ:** Sorry, again. And just a
7 little bit further clarification as to the timing.
8 The next agenda for us would be the 19th, and that
9 is the date that we are working with. I just
10 wanted --

11 **CHAIRMAN BRISÉ:** The information would
12 have to be on the 7th.

13 **MR. BAEZ:** Exactly. We've got a filing
14 date of the 7th for the recommendation, just so
15 everybody remembers.

16 **CHAIRMAN BRISÉ:** I don't know if
17 Commissioner Balbis got an answer to his question
18 from TECO?

19 **COMMISSIONER BALBIS:** I didn't hear the
20 question, I'm sorry.

21 **CHAIRMAN BRISÉ:** No. I don't know if you
22 got an answer to your question from TECO. I got a
23 little distracted in managing.

24 **COMMISSIONER BALBIS:** Yes. Actually, I
25 just wanted to ask are you clear at least as to what

1 my expectations are, and is that the type of
2 information you could provide?

3 **MR. HORNICK:** Let me repeat back, to the
4 best of my ability, and see if I've got it right.
5 What I heard was you were looking for an accurate
6 price for an off-taker to accept in the range of
7 150,000 tons per year or indicate that they were not
8 interested in that.

9 And would you expect a binding offer at
10 that point in terms of, you know, a contract or
11 requirement that they would actually transact at
12 that price or an indicative price?

13 **COMMISSIONER BALBIS:** I think for my --
14 I'm sorry for interrupting, but I think for my
15 purposes, I think something as simple as a letter of
16 interest or something that just kind of brackets in
17 the price. I mean, I think with the time
18 constraints we're dealing with, expecting a company
19 to come up with a contracted price is a little
20 unreasonable. But I think that at least an initial
21 correspondence from the off-taker as to what their
22 price would be, and then, of course, that's
23 negotiated.

24 **MR. HORNICK:** I'm thinking through this a
25 little bit on the fly. Some of these off-takers --

1 well, we know they do have existing contracts with
2 other suppliers that may or may not include, you
3 know, an exclusivity kind of term so that might be a
4 complication.

5 The other thing that comes to mind is if
6 they indicated a price that was lower than the
7 current price that they are paying with the
8 expectation that they would shift the business to
9 Tampa Electric, there's a second round of that which
10 might be that the existing supplier would, in turn,
11 try to beat that price. And I haven't thought that
12 all the way through, but that might be the case with
13 an indicative pricing. And we know that there's
14 limited suppliers and limited off-takers.

15 **COMMISSIONER BALBIS:** I understand your
16 concern, and I'm confident that the free market will
17 work and competition is good. But, I think, again,
18 in your experience and Staff's experience, and when
19 you prepared the response to that data request, you
20 know, I think the response will be as you expect it,
21 that this is the most cost-effective option. But,
22 you know, I don't want to think too far down the
23 line when it comes to that, but I think we'll see
24 what happens. But I think that certainly not a
25 contracted price or guaranteed price, but some sort

1 of indication or letter of interest that states what
2 their price would be, that way we compare
3 apples-to-apples.

4 **MR. HORNICK:** Yes, sir. I think we can do
5 that.

6 **CHAIRMAN BRISÉ:** Commissioner Graham.

7 **COMMISSIONER GRAHAM:** I told myself I was
8 going to stay quiet. (Laughter.) I guess it gives
9 me a little concern, a little pause that we're
10 talking about somebody coming back and beating our
11 price or beating our best price, because I would
12 think at this point give it away. I mean, it
13 doesn't come down to the point of you have to sell
14 it. I mean, even if you have to pay the shipping
15 costs, it's better than having to landfill it, or do
16 some of these other options. I mean, if you pay the
17 shipping costs, we have got 900,000 tons right now
18 that's ready to go. We will give it to somebody.

19 I mean, so, you know, this whole thing
20 about somebody coming back and beating the deal, I
21 don't think that's the question. I think we're
22 looking for best alternatives. And actually, quite
23 honestly, I'm kind of surprised that those
24 numbers -- that someone hasn't already asked that
25 question and those numbers don't already exist. And

1 that's the kind of information I'm talking about I
2 don't have.

3 I mean, because right now it's a byproduct
4 we are trying to move. If we can sell it for \$3 a
5 ton, then, God, that's awesome. But we just want to
6 get rid of it. We don't want to move it off the
7 place. We don't want to have to landfill it for \$40
8 a ton, or \$36 a ton, whichever number we're using;
9 we just want to move it.

10 So, I think, make sure one of those
11 options you're looking at is, yes, you're answering
12 the question for Commissioner Balbis. You know, now
13 I understand you have got to find the people that
14 can actually use it, I mean, but there's other
15 markets out there. There's agricultural markets out
16 there. You know, I guess I'm sure somebody in your
17 company has done this due diligence, has looked at
18 these numbers, I would just like to see them.

19 **CHAIRMAN BRISÉ:** Sure.

20 **MR. HORNICK:** Yes, sir. I guess I wasn't
21 trying to give the impression that being a penny
22 less would give us the business and it would stay
23 there. I guess our concern, my concern is that
24 there's a market price now for gypsum that's largely
25 set based on the other opportunity product which the

1 manufacturers have which is natural gypsum rock,
2 which is typically more expensive than the synthetic
3 gypsum price, and that is pretty much how that price
4 is established.

5 There is a potential that if there was a
6 ratcheting down of prices because other suppliers
7 that are going to be in the same situation that we
8 are in at that price would just ratchet down to
9 essentially the other option, which would be
10 landfilling cost, and that would -- competition is
11 good, but it's not necessarily good for ratepayers
12 in this circumstance. That was more the concern,
13 because dropping the price doesn't really increase
14 the total demand, it just potentially could move it
15 between producers, and then ultimately just depress
16 the market.

17 **CHAIRMAN BRISÉ:** Commissioner Graham.

18 **COMMISSIONER GRAHAM:** Maybe this is where
19 my research has gone too far, but the United States
20 is a net importer of gypsum. So it's not like we
21 produce more gypsum than we know what to do with.
22 We are actually bringing it into this county. I
23 mean, so we don't have to worry about flooding the
24 market. There is a market out there. Because, if
25 not, we wouldn't be bringing it into this country.

1 I mean, so I think this is where the
2 process is inefficient. Because if we could sit
3 down in a room for about three or four hours and go
4 through all this stuff, we wouldn't be going back
5 and forth through all of this, and this is the part
6 that is kind of frustrating. But you have got to
7 stay within the legal boundaries of where you've got
8 to stay. And I guess our attorneys over there are
9 going to get me to where I need to be so I can stay
10 legal but still get the answers I'm looking for.

11 **CHAIRMAN BRISÉ:** All right. Thank you,
12 Commissioner Graham.

13 I think there is a motion on the floor to
14 defer. Procedurally that could be a decision by the
15 Chair, but I think since there is a motion I need a
16 second to the motion for a deferral to the 19th.

17 **COMMISSIONER GRAHAM:** Second.

18 **CHAIRMAN BRISÉ:** Okay. There is a second.
19 Commissioner Balbis.

20 **COMMISSIONER BALBIS:** Thank you.

21 Just a little bit of discussion on this to
22 Commissioner Graham's point, and I think maybe if
23 there is a way to tweak the RFP and instead of, you
24 know, what you will pay for it, alternatively what
25 TECO would have to pay them to take it. And then it

1 kind of breaks in -- that encompasses everything.
2 Whether you give it away or whether you have to pay
3 someone to take it. Because there is a cost for
4 building this new facility, and I think that would
5 cover at least some of Commissioner Graham's
6 concerns, but my motion is still on the table.

7 **CHAIRMAN BRISÉ:** All right. So it has
8 been moved and seconded. All in favor say aye.

9 (Vote taken.)

10 **CHAIRMAN BRISÉ:** Any opposed?

11 Seeing none, this item has been deferred
12 to the 19th of June.

13 I want to thank all the Commissioners for
14 the thoughtful discussion, to TECO for your
15 thoughtful discussion and participation, and our
16 staff for your thoughtful discussion, as well, on
17 this issue. And we hope that everyone has a good
18 rest of the day.

19 We'll see those of you who are interested
20 tomorrow at 9:30 for Internal Affairs. We stand
21 adjourned.

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STATE OF FLORIDA)
 :
 : CERTIFICATE OF REPORTER
COUNTY OF LEON)

I, JANE FAUROT, RPR, Chief, Hearing Reporter Services Section, FPSC Division of Commission Clerk, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 11th day of May, 2012.



JANE FAUROT, RPR
Official FPSC Hearings Reporter
(850) 413-6732

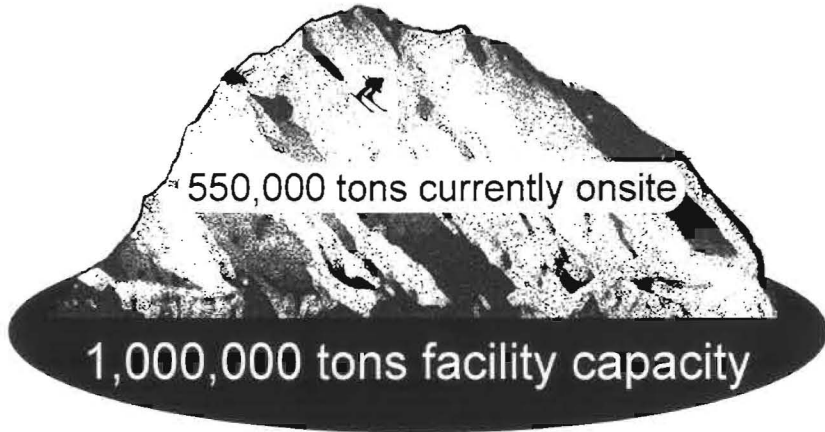
DN 110262-EI calculation
\\110262-calc.xls

| | | |
|-----------------------------|--------------------|-----------|
| Storage Facility Investment | \$54,976,700 | P.7 (rec) |
| DN 080317 ROR | <u>8.11%</u> | |
| | <u>\$4,458,610</u> | |
| DN 080317 NOI multiplier | 1.63490 | |
| Annual revenues | \$7,289,382 | |
| Annual O&M | <u>365,000</u> | P.7 (rec) |
| Total annual cost | \$7,654,382 | |
| | | |
| In-service date of facility | 2015 | |
| EOL - BB station | 2049 | |
| Years left | 34 | |
| Annual depreciation | \$1,616,962 | |
| | | |
| TOTAL COST | \$9,271,344 | |
| | | |
| BB gypsum tons/year | 700,000 | |
| | | |
| Cost/year/ton | \$13.24 | |

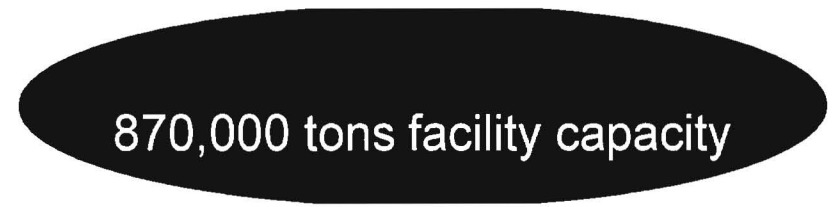
Parties/Staff Handout
Internal Affairs/Agenda
on 5/8/12
Item No. 10
110262-EI

Cost and capacity comparison

*Clear existing
storage capacity*



*Build new
storage capacity*



Landfill the existing 550,000 tons

COST: \$19.8 million

Makes 1 million tons working storage available
(Landfill cost reduced if less than 1 million tons capacity needed)

Build a new storage facility

COST: \$55 million

Makes 1.3 million tons working storage available
(Includes available 450,000 tons in existing facility)