

ORIGINAL

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 PREPARED DIRECT TESTIMONY

3 OF

4 VICTORIA L. WESTRA

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

7
8 A. My name is Victoria Westra. My business address is 702
9 North Franklin Street, Tampa, Florida 33602. I am the
10 Director, Marketing and Sales for Tampa Electric Company
11 ("Tampa Electric" or "the company").

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

15
16 A. I earned a Bachelor of Science Degree in Business
17 Marketing in 1995 from the University of Tampa. I have
18 been employed by Tampa Electric for the past 16 years.
19 During that time, I have worked in various departments
20 including Residential and Commercial Energy Audits, the
21 Energy Technology Resource Center, Residential and
22 Commercial New Services, and Account Management. In my
23 current position as Director of Marketing and Sales, I am
24 responsible for all of the account management functions,
25 new residential and commercial project management

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1 functions and the operations of the Energy Technology
2 Resource Center.

3
4 Q. What is the purpose of your testimony in this proceeding?

5
6 A. The purpose of my testimony is to demonstrate that Tampa
7 Electric negotiated with Odyssey Manufacturing Company
8 ("Odyssey") and Allied/CFI Universal/Chemical
9 Formulators, Inc. ("Allied/CFI") for service under Tampa
10 Electric's Commercial/Industrial Service Rider ("CISR")
11 tariff in a manner that was unbiased and in accordance
12 with the Commission-approved CISR tariff. In negotiating
13 with both customers, Tampa Electric followed the same set
14 of established procedures. These procedures were put in
15 place to ensure a fair, consistent and thorough
16 evaluation of the applicability of the CISR tariff in
17 each case and the prudence of any CISR rate ultimately
18 agreed upon. The resulting CISR agreement negotiated with
19 Odyssey is reasonable, prudent and fully justified by the
20 facts.

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1 Q. Have you prepared an exhibit supporting your testimony in
2 this proceeding?

3
4 A. Yes. My Exhibit No.____ (VLW-1) consists of three
5 documents, either prepared by me or under my direction.
6

7 Q. What is your understanding of the intent of Tampa
8 Electric's CISR tariff?

9
10 A. The CISR tariff is a negotiated rate intended to allow
11 Tampa Electric to retain or attract "at risk" customer
12 load and to avoid uneconomic bypass of its system.
13 Uneconomic bypass occurs when a customer leaves or avoids
14 the company's system to take advantage of a price for
15 electric service elsewhere that is lower than Tampa
16 Electric's normally applicable rate but above the
17 company's incremental cost to serve the customer in
18 question. The CISR tariff permits Tampa Electric to
19 negotiate a rate between its incremental cost to serve a
20 particular customer and the otherwise applicable rate in
21 order to preserve, for its general body of ratepayers, a
22 maximum contribution to fixed costs. Ratepayer benefits
23 are maximized by Tampa Electric's negotiating the highest
24 possible margin above the incremental cost to serve that
25 will secure the "at risk" load.

1 Q. Under the terms of the CISR tariff, or in accordance with
2 the company's established procedures, are there
3 expectations that every customer who qualifies for a CISR
4 tariff rate will be offered the same rate?

5
6 A. Of course not. The rate ultimately negotiated with a
7 customer who otherwise qualifies for a CISR rate, is a
8 function of many factors including, but not limited to,
9 that customer's alternative costs and the incremental
10 cost to serve that customer. Except for purposes of
11 defining the floor prices below which a rate cannot be
12 negotiated, Tampa Electric's costs are entirely
13 irrelevant to the CISR negotiation process. Since it
14 would be extremely unlikely that any two customers would
15 present exactly the same alternative cost and net
16 ratepayer benefit profile, one would not expect that
17 negotiated rates for these customers would be the same.
18 As discussed in the direct testimony of Mr. Ashburn,
19 these differences are especially clear in the case of
20 Odyssey and Allied/CFI.

21
22 Q. Has Tampa Electric developed and implemented internal
23 procedures or guidelines to ensure compliance with
24 conditions of its CISR tariff?

25

1 A. Yes. Upon approval of the CISR tariff, the company
2 developed detailed written procedures for the evaluation
3 and negotiation of Contract Service Agreements ("CSA")
4 with potential CISR customers. These procedures divided
5 the process into several major steps designed to ensure
6 that 1) the prospective CISR tariff customer is qualified
7 under it "at risk" load criteria, and 2) management
8 oversight of the process would assure consistent,
9 accurate and fair treatment to the customer as well as
10 the general body of ratepayers. Along with these
11 procedures, the company developed a checklist that
12 account managers are required to follow during the course
13 of this process. These procedures and the checklist are
14 included as Document No. 1 of my exhibit.

15
16 Q. Were these procedures used by Tampa Electric during
17 negotiations with Odyssey and Allied/CFI?

18
19 A. Yes. Although I was not in my current position in the
20 Marketing and Sales Department during the time that CISR
21 negotiations occurred with Odyssey, I have reviewed Tampa
22 Electric's records concerning the Odyssey negotiations.
23 Based on this review and my discussions with others
24 involved with the Odyssey negotiations, I am aware that
25 the procedures used for Allied/CFI and by the department

1 today are the same procedures used for the Odyssey
2 negotiations.

3
4 Q. How did Tampa Electric initiate the use of the CISR
5 procedures and checklist?

6
7 A. The CISR tariff was approved by the Commission in August
8 1998. At that time, the Marketing and Sales Department
9 held several meetings providing account managers with an
10 overview of the CISR tariff and its applicability.
11 Concurrently a memorandum was distributed to Marketing
12 and Sales account managers providing additional
13 guidelines on the CISR tariff applicability. This
14 memorandum is included as Document No. 2 of my exhibit.

15
16 During this time Patrick Allman, an account manager for
17 Tampa Electric, was the company's assigned account
18 manager for Odyssey. Since Odyssey was the first Tampa
19 Electric customer to qualify and, ultimately receive a
20 CISR tariff rate, detailed procedures and a checklist
21 were developed during the negotiations with Odyssey by
22 the Marketing and Sales and Regulatory Affairs
23 Departments in anticipation of approval of the CISR
24 tariff. These same procedures have been used since that
25 time for every CISR tariff negotiation, including that

1 with Allied/CFI.

2
3 Q. On what basis did Tampa Electric conclude that both
4 Odyssey and Allied/CFI represented "at risk" load to
5 which the CISR tariff applied?

6
7 A. According to the CISR tariff, "at risk" load can be new
8 customer load or existing customer load where the
9 customer has a viable alternative to take electric
10 service outside of Tampa Electric's territory. Patrick
11 Allman handled the Odyssey negotiations in 1998 and Larry
12 Rodriguez handled the Allied/CFI negotiations in 1999.
13 Both account managers had numerous discussions with
14 representatives from these companies during those
15 negotiations, obtained substantial documentation
16 describing their projects, and obtained documents
17 indicating viable alternatives to take electric service
18 from Tampa Electric. Through the company's established
19 procedures, it became apparent through the separate,
20 independent negotiations, that both customers appeared to
21 represent "at risk" load.

22
23 Q. In keeping with Tampa Electric's established procedures,
24 was it clearly evident that there was management
25 oversight over the processes with Odyssey and Allied/CFI?

1 A. Yes. Account managers in the Marketing and Sales
2 Department are responsible for CISR negotiations. When a
3 potential "at risk" customer approaches an account
4 manager for consideration of a special rate and the
5 account manager believes that the customer in question
6 may be a candidate for the CISR tariff rate, the first
7 step is for the account manager to obtain authorization
8 from a management-level individual to proceed. This
9 management-level individual becomes the project sponsor.
10 Additionally, an inter-departmental CISR review team is
11 assembled to assist the account manager and project
12 sponsor in developing and evaluating all necessary
13 documentation.

14
15 Ultimately, during the evaluation and negotiation
16 process, the account manager and project sponsor report
17 to a CISR steering committee, comprised of various TECO
18 Energy and Tampa Electric officers, for approval to
19 proceed with rate negotiations and offer a specific rate
20 and CSA under the CISR tariff. This decision is made
21 after a complete overview of the details of the
22 investigation and negotiation is provided. These
23 procedures were carefully followed in Tampa Electric's
24 negotiations with both Odyssey and Allied/CFI.

25

1 Q. According to Allied/CFI, Patrick Allman offered
2 preferential rates to Odyssey. Did Mr. Allman circumvent
3 Tampa Electric's procedures during negotiations with
4 Odyssey and avoid the scrutiny and overview you just
5 described?
6

7 A. No. Given the multiple review and approval requirements
8 associated with each CISR negotiation and in accordance
9 with the company's procedures, it is virtually impossible
10 for any account manager to grant undue preference to any
11 particular customer. Although I was not directly
12 responsible for the Marketing and Sales Department at the
13 time Mr. Allman was negotiating with Odyssey, I have
14 carefully reviewed all documents gathered, key dates
15 within the process, the checklist and related memos used
16 during the process, and meeting notes. The company's
17 procedures were closely followed during the Odyssey
18 negotiations and, as described by Tampa Electric witness
19 Rodriguez, during the Allied/CFI negotiations.
20

21 Q. What was your role during the Allied/CFI negotiations?
22

23 A. In May 1999, I was in my current position as Director of
24 Marketing and Sales. Larry Rodriguez approached me about
25 Allied/CFI, a customer he thought met CISR tariff

1 criteria. Mr. Rodriguez presented all the facts that
2 supported his belief. I reviewed the facts and concurred
3 that they supported continuing with the negotiations. At
4 that point, I became the project sponsor and instructed
5 Mr. Rodriguez to continue to work with the customer and
6 follow the procedures that had been established.

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8 Q. According to Allied/CFI, the process Tampa Electric
9 followed with Allied/CFI took much longer than that
10 followed with Odyssey. Is that true?

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12 A.



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22 Q. Please summarize your testimony.

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24 A. Tampa Electric negotiated with Odyssey and Allied/CFI for
25 service under Tampa Electric's CISR tariff in an unbiased

1 manner and in accordance with the CISR tariff. The
2 company established procedures to be used by account
3 managers within the Marketing and Sales Department to
4 help ensure a consistent process and that provided for
5 management oversight throughout. These procedures were
6 followed in the same manner with both Odyssey and
7 Allied/CFI.

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9 Q. Does this conclude your testimony?

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11 A. Yes it does.

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TAMPA ELECTRIC COMPANY
DOCKET NO. 000061-EI
WITNESS: VICTORIA L. WESTRA
EXHIBIT NO. _____ (VLW-1)

TAMPA ELECTRIC COMPANY
EXHIBIT OF VICTORIA L. WESTRA

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TAMPA ELECTRIC COMPANY
DOCKET NO. 000061-EI
WITNESS: VICTORIA L. WESTRA
EXHIBIT NO. _____ (VLW-1)
DOCUMENT NO. 1

DOCUMENT NO. 1
TAMPA ELECTRIC COMPANY'S
CISR TARIFF PROCEDURES AND PROJECT
REVIEW/APPROVAL CHECKLIST

INTERNAL PROCEDURE FOR CISR

1. During the course of a Customer contact (e.g. by a marketing, sales, co-generation or economic development rep) the need for rate relief in order to secure service is brought up:
 - CISR should not be the first alternative brought up by the rep to secure service
 - CISR is a choice of last resort and only to be applied when it provides benefits
 - CISR is limited in size and number of contracts and should be utilized sparingly - if either limit has already been reached and increases have not yet been granted by the Commission, this should be made clear to the Customer

2. If CISR is discussed as a possibility at this time, the following issues should be made clear:
 - The Customer will have to provide legal attestation and documentation that but for the price concession they would not be taking the new, increased or retained service from Tampa Electric
 - There are size thresholds for service (generally 1000 kW)
 - Tampa Electric cannot use CISR to shift load currently being served by another Florida electric utility away from that utility
 - An energy audit will have to be performed on the facility to identify alternative ways for the company to save energy costs before applying the CISR (physical audits will only be performed on existing facilities, prospective facilities will be have energy use reviewed from plans provided by the Customer)
 - Price will be negotiated only after Tampa Electric has evaluated the facility to determine the incremental cost to serve
 - The rep cannot extend a price offer until authorized to do so by higher management at Tampa Electric
 - The contract is subject to regulatory review on a confidential basis by the Commission and the Customer would be expected to support Tampa Electric during any such review

3. The potential CISR prospect is brought to the attention of appropriate Director level management for authorization to proceed with additional work on the project. A management level individual at this point shall be designated as the Sponsor of the project and shall be made responsible for assuring the process is followed and for presenting any proposal reached to the CISR Steering Committee (initially to be made up of John Ramil, Tom Hernandez, Hugh Smith, Skip Wilson and Bill Griffin)

4. If authorization is given to investigate CISR application to a Customer, the following activities must be completed before any price offer can be negotiated with the Customer:
 - Confirmation of the size of load to be served must be secured
 - The Customer must provide and the company verify a forecast of the Customer's demand, energy and coincident/peak demand for the term of the expected contract

- Legal attestation must be secured
 - Documentation as the existence of a viable lower cost alternative for the Customer must be secured
 - Results of an energy audit of the facility must be secured
 - Type of service to be provided must be determined (e.g. reliability, voltage, etc.)
 - The incremental cost of service for the facility must be calculated in a manner consistent with the method for identification and quantification of such costs for use in conservation and demand side management programs for cost effectiveness and the selection of cost-effective supply side resources
 - The method/model used to calculate the incremental cost of service will be consistent for all CISR analyses and will utilize appropriate data inputs as developed by Generation Planning, Regulatory and verified data acquired from the Customer
5. The results of Section 4 above will be prepared/reviewed by appropriate individuals from Legal, Regulatory, Marketing/Sales/Cogeneration (as appropriate), Generation Planning, Energy Delivery (as appropriate) to assure completeness and adequate support to pass muster at the Commission when reviews are performed as well as to determine whether there will be potential for a negative impact on reported earnings under the surveillance reporting mechanism associated with this tariff.
 6. If the results of Section 4, after review, provide sufficient basis for the Sponsor to direct that the company enter into negotiations for a CISR, then appropriate representatives from Marketing/Sales/Cogeneration in consultation with individuals from Legal and Regulatory will enter into negotiations as to price.
 7. When negotiations have reached a possible price and pricing mechanism with the Customer which is satisfactory to the negotiating team, the proposal will be presented to the Sponsor for review. If the Sponsor is satisfied with the proposal, it will be presented to the Director mentioned in Section 3 above for review. If the Director is satisfied, the proposal will be presented to the Steering Committee for their approval
 8. The following departments will be responsible for other required CISR activities:
 - Preparation of final contract - Legal
 - Reporting of CISR contract/proposal activity to Commission - Regulatory
 - Reporting of CISR revenues on Surveillance Report - General Accounting
 - Contract administration - Energy Services
 - Defense of CISR contracts when reviewed by Commission - Regulatory

**Commercial/Industrial Service Rider (CISR)
Project Review/Approval Checklist**

Step 1 _____ Customer Initiates Discussions Regarding Rate Relief

Step 2 _____ CISR is Discussed as a Possibility with the Customer.

At this point, the Account Representative should also notify Regulatory Affairs of the customer's request to aid in complying with Commission reporting requirements.

Step 3 Project Authorization and Assignment of Project Sponsor, CISR Review Team and CISR Steering Committee

_____ 3a. The prospective CISR customer is brought to the attention of appropriate level of management by the Account Manager for authorization to proceed with additional work on the project.

_____ 3b. A Management level individual is designated as the Sponsor of the project. The Management level individual and/or the Account Manager shall be made responsible for assuring the processes outlined in this checklist are followed and for presenting any proposal reached to the CISR Steering Committee.

_____ 3c. A CISR Review Team is designated to developing supporting documentation for the CISR project and will assist the Account Manager/Project Sponsor in presenting the proposal to the CISR Steering Committee. The Team shall consist of the Account Manager, Project Sponsor, Regulatory Affairs, Legal, Accounting and other departments as appropriate for the CISR project.

_____ 3d. The CISR Steering Committee, a standing committee of Tampa Electric officers, is comprised of: President of Tampa Electric Company, Vice-President-Regulatory Affairs, Vice President-Energy Services, Vice-President-Energy Delivery, and Vice President Controller. This standing committee will review and provide final authorization of the CISR proposal.

Step 4 Authorization Given by the Project Sponsor to Investigate CISR Application

The following Customer information and activities must be completed and documented before any price offer can be negotiated with the Customer:

_____ 4a. Customer provides confirmation of the size of load to be served.

_____ 4b. Customer provides and the company verifies a forecast of the Customer's demand, energy and coincident/peak demand for the term of the expected contract

_____ 4c. Customer provides type and character of service to be provided (e.g. reliability, voltage, et cetera).

_____ 4d. Customer provides an affidavit for the application of the CISR indicating the load subject to the rider would have been provided by a source other than Tampa Electric's system.

_____ 4e. Customer provides documentation demonstrating to Tampa Electric's satisfaction that a viable lower cost alternative to the taking of electric service from the company does exist.

_____ 4f. Customer agrees to provide a copy of a recent comprehensive energy audit of the Customer's physical facility or request that Tampa Electric perform such an audit, identifying cost-effective energy efficiency potential available for the facility. During the course of the audit, the services of a process design engineer with experience in the

**Commercial/Industrial Service Rider (CISR)
Project Review/Approval Checklist**

particular manufacturing process employed by the customer is included as part of the audit team.

Step 5 Review and Analysis of Customer Information

The following activities must be completed and documented before any price offer can be negotiated with the Customer:

- _____ 5a. Determines the incremental cost of service for the facility. This will be calculated consistent with the conservation Rate Impact Measure (RIM) Test. The RIM method/model used to calculate the incremental cost of service will be consistent for all CISR analyses and will utilize appropriate data inputs and verified data acquired from the Customer.
- _____ 5b. Document information and perform an analysis on the information contained in the surveillance reporting mechanism associated with this tariff .
- _____ 5c. Competitive assessment of the proposed CISR contract performed.
- _____ 5d. CISR Review Team reviews information collected in Step 4 and Steps 5a-5c assure completeness and adequate documentation.

Step 6 CISR Rate Negotiations with Customer

- _____ 6a. After completion of Step 5, members of the CISR Steering Committee are consulted to obtain preliminary approval of the proposed contract.
- _____ 6b. Upon receipt of preliminary approval of the proposed contract, the Project Sponsor directs the Account Manager and other appropriate representatives from Marketing/Sales/ Cogeneration, in consultation with the CISR Review Team, to enter into price negotiations with the Customer.
- _____ 6c. Account Manager, with assistance CISR Review Team if necessary, shall negotiate with Customer to include a proposed contract.

Step 7 Management Review/Approval

- _____ 7a. Account Manager, with assistance from the CISR Review Team if necessary, presents proposed contract to the Project Sponsor and/or the appropriated level of management for review and approval.
- _____ 7b. Project Sponsor, with assistance from the CISR Review Team if necessary, presents proposed contract to the CISR Steering Committee for review/approval .

Responsibility Assignments

The following departments will be responsible for other required CISR activities:

- Preparation of final contract - Legal
- Review of Customer documentation - Legal/Regulatory
- Reporting of CISR contract/proposal activity to Commission - Regulatory
- Reporting of CISR revenues on Surveillance Report - General Accounting/Regulatory
- Contract administration - Energy Services
- Support of CISR contracts when reviewed by Commission - Regulatory

TAMPA ELECTRIC COMPANY
DOCKET NO. 000061-EI
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DOCUMENT NO. 2

DOCUMENT NO. 2
MARKETING AND SALES MEMORANDUM
TO ACCOUNT MANAGERS ON CISR

Memo

To: Marketing and Sales Account Managers
From: Paul Gates
CC: Hugh Smith
William Ashburn
Date: September 10, 1998
Re: Commercial Industrial Service Rider

On July 21, the Florida Public Service Commission (FPSC) on a vote of 5-0 approved a Commercial Industrial Service Rider (CISR) Tariff for Tampa Electric Company. The CISR is a supplement to our existing firm Tariffs which provides us the capability to negotiate electric rates in those business situations where specific conditions exist and certain criteria are met (e.g., provides the flexibility to negotiate an economic development, business expansion and load retention rate). Our CISR closely mirrors that of Gulf Power which was approved about two years ago. Earlier this year, Florida Power & Light had an economic development Tariff approved and more recently, Florida Power Corporation has filed an economic development Tariff for approval.

We are currently working with the Regulatory Department on a procedure for the mechanics of the "when" and the "how-to" to apply the CISR to a prospective Customer. In the meantime, the following guidance applies. First, we do not want to "advertise" to our Customers that we have this Tariff. The CISR is designed to be a last resort (e.g., the Customer would definitely leave our system or not locate their proposed facility otherwise). It should not be the first thing that the Account Manager offers up when a Customer threatens us or complains about the level of their rates. If a situation arises where an Account Manager believes the CISR may be applicable, the Account Manager should gather as much information as possible from the Customer and then approach management with the potential CISR application. For example, recently the Stroh Brewery lost one of their major accounts (Pabst). The Account Manager was approached with this news and the potential for closing the plant and asked if there was anything that we could do to help them. The Account Manager made no specific commitment or even specifically mentioned the CISR but suggested that there may be ways that Tampa Electric could help the Customer with their situation and requested specific information on the Customer's situation so that we could assess potential assistance solutions. The situation may arise where the Customer is familiar with the CISR and wants it applied to their business situation. In this case, it should emphasize that the CISR applies only to customers who meet specific criteria and is a last resort option requiring the Customer to sign an affidavit indicating business closure, forego plant expansion or otherwise relocate the plant without the CISR. This situation is no different from the earlier situation in that the first step is to tell the Customer that "fact-finding" or "information gathering" is required.

The following summarizes the major features of the CISR:

- Not effective until January 1st of 2000 (contracts may be negotiated prior to this date but they would not take effect until after this date)
- Applies to Customers who are either taking firm service or are eligible to take firm service (e.g., cannot be applied to Customers who currently receive interruptible service)
- The Customer must pay a \$250 per month Customer Charge but the Rate is negotiable as long as it is above Tampa Electric's incremental cost to serve
- Pilot Program limited to 25 contracts or 300 MW of electric load
- Applicable to new Customers greater than 1000 kW
- Applicable to existing Customers (i) for loads greater than 500 kW or 20% of the highest metered demand in the previous 12 months, whichever is greater; (ii) for loads over 2,000 kW for 10 MW or greater total Customers
- Customer must sign affidavit to the effect that, but for the application of the CISR, the load subject to the rider would have been provided by a source other than Tampa Electric's system.
- Customer must provide documentation demonstrating to Tampa Electric's satisfaction that a viable lower cost alternative to the taking of electric service from Tampa Electric exists.

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DOCUMENT NO. 3

DOCUMENT NO. 3
ODYSSEY/ALLIED CISR TIMELINES

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