

# AUSLEY & MCMULLEN

ATTORNEYS AND COUNSELORS AT LAW

227 SOUTH CALHOUN STREET  
P.O. BOX 391 (ZIP 32302)  
TALLAHASSEE, FLORIDA 32301  
(904) 224-9115 FAX (904) 222-7560

ORIGINAL  
FILE COPY

July 7, 1997

HAND DELIVERED

Ms. Blanca S. Bayo, Director  
Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Re: Determination of appropriate cost allocation and regulatory treatment of total revenues associated with wholesale sales to Florida Municipal Power Agency and City of Lakeland by Tampa Electric Company;  
FPSC Docket No. 970171-EU

Dear Ms. Bayo:

Enclosed for filing in the above docket are the original and fifteen (15) copies of each of the following:

1. Tampa Electric Company's Brief. - 06820-97
2. Tampa Electric Company's Post-Hearing Statement of Issues and Positions. \_\_\_\_\_ 06821-97

Also enclosed is 3.5" diskette containing the above documents which were generated on a DOS computer in WordPerfect 5.1 format.

ACK  Please acknowledge receipt and filing of the above by stamping  
AFA  the duplicate copy of this letter and returning same to this  
writer.

APP \_\_\_\_\_ Thank you for your assistance in connection with this matter.  
CIE \_\_\_\_\_  
CIV \_\_\_\_\_  
C \_\_\_\_\_  
E \_\_\_\_\_

Sincerely,

  
James D. Beasley

5  
JDB/pp  
Enclosures

cc: All Parties of Record (w/encls.)

RECEIVED & FILED  
W  
O  
FPSC-BUREAU OF RECORDS

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Determination of appropriate  
Cost allocation and regulatory  
treatment of total revenues associated  
with wholesale sales to Florida Municipal  
Power Agency and City of Lakeland by  
Tampa Electric Company.

---

) DOCKET NO. 970171-EU  
) FILED: July 7, 1997  
)  
)  
)  
)  
)  
)

TAMPA ELECTRIC COMPANY'S BRIEF

LEE L. WILLIS  
JAMES D. BEASLEY  
KENNETH R. HART  
Ausley & McMullen  
Post Office Box 391  
Tallahassee, FL 32302  
(904) 224-9115

HARRY W. LONG, JR.  
TECO Energy, Inc.  
Post Office Box 111  
Tampa, FL 33601-0111  
(813) 228-1702

ATTORNEYS FOR TAMPA ELECTRIC COMPANY

DOCUMENT RECEIVED DATE  
06820 JUL-7 97  
FILED IN MICROFILMING

## I. Introduction (Relates to All Issues)

The matters at issue in this proceeding are not complicated. They are all subsumed in two simple questions: Do Tampa Electric's wholesale sales to the Florida Municipal Power Agency (FMPA) and the City of Lakeland (Lakeland) generate net benefits and, If so, how should these sales be treated for retail ratemaking purposes? In answer to these questions, Tampa Electric has proposed a regulatory treatment for these sales which: a) guarantees that ratepayers will enjoy an immediate, minimum benefit of \$2 million, to be credited through the fuel clause within two fuel clause periods (starting as soon as practicable), regardless of the actual level of revenue collected under the contracts; and b) guarantees that ratepayers will be completely shielded from any fuel cost risk, again, regardless of the actual level of revenue collected under the contracts.

The balance of Tampa Electric's projected total net benefit of approximately \$10 million<sup>1</sup> from these sales would inure to the benefit of ratepayers through a combination of credits to above-the-line operating revenue and additional credits to the fuel clause at the end of the contract period. Under this proposal, residential customers consuming 1,000 kilowatt hours per month will

---

<sup>1</sup>The total incremental costs associated with the FMPA sale is projected to be \$68.2 million present value and total revenues from the sale are projected to be \$77.2 million present value. Therefore, the benefits from this sale are equal to the difference between the total revenues and total incremental costs, or \$9.0 million. (Tr. 311, lines 18-23; Exhibit 10, Document No. 4)

The total incremental costs associated with the Lakeland sale is projected to be \$3.2 million present value and total revenues are projected to be \$4.2 million present value. This produces net benefits from this sale to retail customers of \$0.9 million present value. (Tr. 313, lines 1-5; Exhibit 10, Document No. 5)

see their monthly bills reduced by approximately sixty cents for the period October, 1997, through March, 1998. (Tr. 322, 17-25; Tr. 323, 1-3) The \$2 million guaranteed credit will further reduce Tampa Electric's fuel adjustment as soon as the guaranteed credit can be implemented. Consequently, under Tampa Electric's proposal, ratepayers would be assured of a benefit with no risk. Tampa Electric's shareholders would have a better opportunity to earn their authorized rate of return, but not one cent more. Tampa Electric respectfully submits that the alignment of ratepayer and shareholder interests inherent in its proposal is an outcome which this Commission should welcome and endorse.

**II. This Commission Has Encouraged Tampa Electric To Pursue Wholesale Sales And Has Stated Its Intention To Consider Alternatives To Separation At Average Cost Where The Existence Of Net Benefits From The Sales Has Been Demonstrated.**  
(Relates fo Issues 2,3,5,6 and 9)

It is no accident that Tampa Electric has vigorously pursued discretionary wholesale sales for the benefit of its general body of ratepayers. In Docket No. 850246-EI, Order No. 15451, the Commission applauded and encouraged Tampa Electric's efforts to market power from temporarily surplus generating capacity to wholesale customers. In fact, the Commission put in place an incentive mechanism designed to insure that Tampa Electric's wholesale power marketing efforts would continue on an aggressive basis. The Commission stated:

We believe that TECO has done an excellent job of marketing that portion of BB4's capacity that is not

presently needed to serve its current customers<sup>2</sup>. ...[We] believe that we have supplied TECO with adequate incentives for marketing temporarily unnecessary BB4 capacity through the methodology adopted for treating BB4's revenues and expenses.<sup>3</sup>

In Order No. PSC-970267 (Issued in Docket 970001-EI), this Commission established the prerequisite to consideration of alternative regulatory treatment for wholesale sales, recognizing that the increasingly competitive wholesale power market would not allow utilities to price wholesale sales on the basis of average embedded cost<sup>4</sup>. The Commission concluded that:

We have a long history of providing utilities with the flexibility needed to maximize retail benefits. However, the utility bears the burden of showing that deviation from established policy is in the public interest. Thus, a utility shall credit average system fuel revenues through the fuel adjustment clause unless it demonstrates on a case-by-case basis that each new sale does, in fact, provide overall benefits to retail ratepayers.

In 1987 the Commission reaffirmed the value of off-system sales to the general body of ratepayers by approving the use of incremental costs in order to consummate sales that otherwise would

---

<sup>2</sup> Order No. 15451, P. 7

<sup>3</sup> Order No. 15451, P. 24

<sup>4</sup> OPC's assertion that This Commission lacks authority to adopt Tampa Electric's proposed regulatory treatment of the FMPA and Lakeland sales on the grounds of federal preemption has no basis in law. The cases cited by OPC in the prehearing statement in support of its position on this issue are inapposite. In Public Utilities Commission of Rhode Island V. Attleboro Steam & Electric Co., 273 U.S. 83 (1927), the Court held that no individual state may regulate a wholesale sale of electric power in interstate commerce. It was this decision which led the Congress to enact the Federal Power Act in order to prevent such transactions from being left unregulated. In Federal Power Commission V. Southern California Edison Co., 376 U.S. 205 (1964), the Court clarified the extent of FERC jurisdiction under the Federal Power Act over wholesale power sales by further defining what constituted "interstate Commerce" within the meaning of the Federal Power Act. These cases do not suggest that this Commission lacks the power to determine how the FMPA and Lakeland sales should be treated for retail ratemaking purposes.

not have occurred. See Order No. 18136, page 10, issued in Docket No. 870001-EI on September 10, 1987.

As discussed below, the FMPA and Lakeland sales are projected to produce total net benefits of \$10 million and are guaranteed to produce immediate net benefits of at least \$2 million under Tampa Electric's proposed regulatory treatment.

**III. All Of The Benefits, Both Guaranteed And Forecasted, Associated With The FMPA And Lakeland Sales Inure to The Benefit Of Ratepayers Under Tampa Electric's Proposal (Relates to Issues 1 through 8)**

Tampa Electric proposes that the revenues and costs associated with the FMPA and Lakeland sales not be separated and remain above the line for the reasons discussed in Section IV below.

**Fuel Costs**

As set forth in Exhibit 18 (attached for convenience as Appendix I), Tampa Electric proposes to credit contract revenue first to the Fuel and Purchased Power Recovery Clause ("Fuel Clause"). Regardless of the level of actual fuel and non-fuel contract revenue or the projected level of system incremental fuel cost, the Fuel Clause would be credited with an amount equal to actual system incremental fuel cost. In so doing, average fuel cost charged to retail customers under the fuel clause will be the same as it would have been without these wholesale sales<sup>5</sup>. In other

---

<sup>5</sup>As Tampa Electric witness Bohi explained it is a matter of simple arithmetic that average fuel costs will remain unchanged if the fuel clause is credited with system incremental fuel costs for a new wholesale sale. (Tr. 260, 8-12) If, in the case of the Lakeland sale, for example, revenues equal to system average fuel cost were credited to the Fuel Clause as suggested by FIPUG witness Pollock, OPC witness Larkin and Staff, the retail customers would pay \$1 million net present value more through the Fuel Clause over the term of the Lakeland sales than they would in the absence of this sale, as shown in Document 5, Exhibit 10. (Tr. 481, 13-18)

words, Tampa Electric's proposed fuel clause treatment would completely insulate the general body of ratepayers from any fuel impact as the result of these wholesale sales.

Those intervenors who have tried to show that the general body of ratepayers are affected by Tampa Electric's proposal start their analysis by first lowering the average fuel cost by including the effect of these wholesale transactions in average fuel cost. They then try to show that removing the cost of fuel for these transactions from the average cost will cause the average to change. This analysis is clearly flawed. It merely compares: (A) average fuel cost with incremental fuel cost included in the average to; (B) average fuel cost without the incremental fuel costs. This (A) to (B) comparison does not compare average fuel cost without these wholesale transactions to average fuel cost with these transactions under Tampa Electric's proposal.

#### Environmental Costs

Next, contract revenue will be credited to the Environmental Cost Recovery Clause ("Environmental Clause") in an amount equal to the incremental SO<sub>2</sub> allowance costs associated with the sales, based on the current market price of replacement allowances. (Tr. 320, 19-25; Tr. 321, 1-4) As in the case of system incremental fuel, a credit equal to the actual incremental SO<sub>2</sub> allowance cost will be credited, regardless of the level of actual contract revenue, thereby insulating the general body of ratepayers from any risk with regard to these costs.

### Variable O&M Costs

The final component of the variable cost associated with these sales, variable operation and maintenance expense, will be covered through a credit to above-the-line operating revenue in an amount determined pursuant to the methodology approved by this commission for calculating the variable O&M component under Tampa Electric's cogeneration tariff. (Tr. 321, 8-14)

### Transmission Revenues

All remaining contract revenues, which comprise the net benefit from the FMPA and Lakeland sales, will be credited as follows. Revenue in an amount equal to the transmission charges computed under Tampa Electric's FERC jurisdictional open access transmission tariff will inure to the benefit of the general body of ratepayers through a credit to above-the-line operating revenue<sup>6</sup>. The Commission traditionally has treated Tampa Electric's transmission revenues in a manner consistent with this proposal. The remaining revenue would be divided equally, with 50% credited to above-the-line operating revenue<sup>7</sup> ("Op. Rev. Credit" on Exhibit 18) and 50% credited to ratepayers through the fuel clause ("Clause Credit" on Exhibit 18). (Tr. 53, 22-25; Tr. 54, 1-3)

---

<sup>6</sup> Tr. 322, 5-8. Ratepayers enjoy the benefit of this credit to above-the-line operating revenue in several ways. Such revenues have the dual effect of postponing the need for a rate adjustment and serve to reduce the revenue requirement resulting from any rate adjustment which might ultimately occur. More, immediately, such revenues increase the potential for additional refunds in 1999 and 2000 under Tampa Electric's current rate stipulation (Tr. 494, 1-6).

<sup>7</sup> Ratepayer benefit is the same as outlined in footnote 4.

### Projected Net Benefits

Although the Staff and Intervenors have offered no evidence directly challenging the correctness of Tampa Electric's projection of the net benefits resulting from these sales, they have attempted to make much of the possibility that net benefits may fail to materialize as the result of forecast error on the Company's part. As discussed in Section V below, Tampa Electric's projection of net benefits was based on conservative assumptions and accepted methodologies. While the evidence in this proceeding gives the Commission every reason to have confidence in Tampa Electric's net benefit calculations, the Company has proposed to take an extra step to render issues of forecast error and the certainty of net benefits moot.

Based on Tampa Electric's projections, The "Clause Credit" depicted on Exhibit 18 would amount to \$2.4 million of the \$10 million in total net benefits (net present value 1997 dollars) associated with these sales. Tampa Electric will guarantee and pay out through the Fuel Clause \$2 million of this projected \$2.4 million net benefit over the next two Fuel Clause periods beginning as early as October 1997, regardless of the level of actual contract revenues. To the extent that actual net benefits exceed \$4 million (\$2 million representing the guaranteed payment paid up front plus \$2 million credited to operating revenue) after actual variable costs and transmission revenues are covered, an additional credit with the 50% of the amount above \$4 million would still be flowed to ratepayers through an additional credit to the fuel

clause at the end of the contract term. Under this proposal, it is beyond dispute that the FMPA and Lakeland sales will, in fact, yield tangible net benefits to the general body of ratepayers.

**IV. The Existence Of Net Benefits Associated With Wholesale Sales Should Be Evaluated On The Basis Of Incremental Rather Than Average Cost (Relates to Issues 1 through 6)**

Separation of wholesale sales at average embedded cost is inappropriate at this time given the competitive conditions which prevail in the Florida market for wholesale power. (Tr. 50, 7-11) In this market, which is characterized by a large number of utility and non-utility competitors, Tampa Electric is a price taker and has no power to set prices. Tampa Electric's choice is simple: it must either compete to make wholesale power sales at the prevailing market prices or forgo making such sales altogether, with the resulting loss of net benefits. (Tr. 226, 6-13; Tr. 49, 24-25; Tr. 50, 1-6)

The fact of the matter is that Tampa Electric's average embedded cost is above prevailing wholesale power market prices. (Tr. 50, 12-15; Tr. 74, 21-25; Tr. 75, 1-3) Therefore, if the Commission were to separate the FMPA and Lakeland sales at system average cost, or through some other means impute system average cost to the sales as FIPUG and OPC recommend, the disincentive for Tampa Electric to make these sales or other new sales would be absolute. The Company could and should not engage in such

transaction where an ultimate shareholder loss would be guaranteed<sup>5</sup>. Since there is no legal obligation to make such sales, the fiduciary duty owed to shareholders would be violated.

Non-Requirements wholesale sales, in general, and the FMPA and Lakeland sales, in particular, are discretionary sales. The Company has no obligation to enter into new wholesale sales and wholesale customers have no obligation to buy from the Company. Retail sales, on the other hand, are non-discretionary and must be planned for and served. This distinction is of critical importance in understanding how basic economic principals should be applied in determining whether the FMPA and Lakeland wholesale sales produce net benefits to ratepayers.

To the extent that potential discretionary non-requirements power sales become actual sales subsequent to the retail cost allocation process, they become incremental sales which produce incremental revenue and to which no cost has yet been allocated. It would make no sense to impute average cost to these sales which, by definition, create only incremental costs. In the limited context of assessing the benefits of an incremental wholesale sale, the fixed costs already being borne by the general body of ratepayers must be paid, whether or not the incremental wholesale sale is made. Therefore, the decision to make wholesale sales must be based

---

<sup>5</sup>Tr. 50, 19-25; Tr. 51,1. This loss to shareholders would be both tangible and certain. If average cost were imputed to the sales in question, the current stipulation mechanism would act as an instant rate case. The mechanism would assume the existence of average cost revenue from these sales and would defer or refund revenues which Tampa Electric never received in the first place. Even in the absence of the current stipulation agreement, a Commission policy decision to impute average cost to these and similar sales would guarantee a long-term loss as the result of the next cost of service analysis and associated jurisdictional separation.

on a consideration of the new or incremental costs which would be incurred, not the pre-existing fixed costs which are sunk costs. (Tr. 258, 10-22) These same pre-existing fixed costs are ignored, for the same reasons, in pricing sales under the Florida Broker system. The Commission has already recognized the appropriateness of incremental rather than average cost pricing in a competitive market in its regulation of telecommunications companies. In that context, incumbent monopoly telecommunications companies are required to make parts of their system available to competitors at prices reflecting incremental cost. (Tr.292, 4-25; Tr. 293, 1-21)

It is axiomatic, as a matter of basic economic theory, that incremental wholesale sales produce net benefits to the general body of ratepayers if the incremental revenues received are sufficient to cover the incremental costs associated with the sale and contribute to defraying the fixed costs already being borne by the general body of ratepayers<sup>9</sup>.

As discussed below, Tampa Electric has established, through unrebutted evidence, that the FMPA and Lakeland sales will produce

---

<sup>9</sup> Tr. 230, 1-5, 9-23. The assertion by OPC and FIPUG that "captive" retail customers are subsidizing such wholesale sales, by merit of the fact that the wholesale customer is not paying average cost, defies both basic economic theory and plain common sense. The price paid by the wholesale customer is determined by the market, without regard to Tampa Electric's average embedded costs. If revenue from the incremental sale is sufficient to cover incremental cost and contribute to defraying the fixed cost already being borne by retail customers then retail customers are clearly better off with the sale than they would be without the sale. (Tr. 259, 6-20) Neither the Staff nor Intervenors dispute this last point. No party to this proceeding has suggested that the FMPA or Lakeland sales should not have been made. To the contrary, Staff, OPC and FIPUG all seem content to leave these sales unseparated, so long as all of the net benefits, which they argue may not exist, are flowed through the Fuel Clause to ratepayers.

significant net benefits to ratepayers. Through the crediting of incremental costs associated with making the sales to the appropriate cost recovery clauses and its guarantee of an immediate \$2 million credit to the Fuel Clause the Company has completely insulated ratepayers from any risk of forecast error in Tampa Electric's calculations.

V. Tampa Electric's Analysis Demonstrating The Existence Of Net Benefits From The FMPA And Lakeland Sales Is Reasonable And Unrebutted By Competent Evidence (Relates to Issues 1 and 4)

Consistent with the economic principles articulated by Tampa Electric witness Bohi, all of the expected incremental costs of making the FMPA and Lakeland sales have been accounted for in Tampa Electric's cost/benefit analysis. These incremental costs include costs for fuel and purchased power, loss of revenue associated with foregone economy energy sales and service of interruptible energy, SO<sub>2</sub> emission compliance, variable operating and maintenance expenses and variable capacity related cost, if any. (Tr. 325, 6-13)

Tampa Electric's estimate of incremental costs were projected using an industry standard production simulation model (PROMOD) which has been used by Tampa Electric and other Florida utilities for over 15 years. The assumptions used in the model are the same assumptions used by Tampa Electric for all long range planning studies, including Tampa Electric's 1997 ten-year site plan. (Tr. 325, 14-21)

The incremental fuel and SO<sub>2</sub> allowance costs were computed based on the changes in projected generation, net interchange

transactions and SO<sub>2</sub> allowance requirements for two production simulation analyses, one with and one without each off-system sale. The difference in cost between the two analyses represents the system incremental cost used in the cost benefit analysis. This analysis indicated that no incremental capacity cost would be incurred to make the FMPA and Lakeland sales. However, solely for the purpose of insuring that the projection of net benefits would be conservative, Tampa Electric assumed the existence of some incremental capacity cost for the Lakeland sale. (Tr. 317, 18-25; Tr. 318, 1-13) Tampa Electric is constantly striving to reduce fuel costs, improve unit efficiencies and maximize unit capacities. The effect of these efforts has the potential to lower actual incremental cost which will increase the overall benefit of these sales. (Tr. 319, 7-11)

VI. The Commission Should Encourage Wholesale Sales Such As FMPA And Lakeland Through Reasonable Incentives And Should Take Great Care To Avoid Creating Disincentives (Relates to Issues 2,3,5,6 and 7)

The only "benefit" that would inure to Tampa Electric if its proposed regulatory treatment of the FMPA and Lakeland sales is adopted by this Commission would be an improved opportunity to earn its authorized rate of return, but not one basis point higher. Clearly, this speculative and, therefore, modest benefit would provide some incentive for Tampa Electric to carry out the FMPA and Lakeland sales and actively compete for similar opportunities in the future. However, this limited incentive stands in sharp contrast to the incentive mechanism which the Commission has

established to encourage economy energy sales through the Florida Broker system. Under the Broker System, the selling utility's portion of the net benefit or margin would be divided, with 20% flowing directly to shareholders as a credit to below the line revenue and the remaining 80% flowing to ratepayers through the Fuel Clause. (Tr. 62, 15-17)

The irony is that Tampa Electric's proposal, which involves no below the line credit, is being challenged even though the margins on longer term wholesale sales, such as the sales to FMPA and Lakeland, are significantly higher than the margins earned on broker sales. (Tr. 62, 23-25; Tr. 63, 1-22) In lieu of a direct 20% below the line shareholder incentive which would have been earned if the same energy had been sold through the Broker, Tampa Electric is only proposing that it be given a better chance of earning its authorized rate of return, with all net benefits treated above the line. Tampa Electric's proposal also contributes to Tampa Electric's objective to keep its rates as low as possible.

As discussed above and acknowledged by Staff witness Wheeler, if the Commission were to adopt the FIPUG and OPC proposals to separate the FMPA and Lakeland sales at average cost, Tampa Electric would clearly be disincented to make these or similar sales<sup>10</sup>. (Tr. 464, 12-21) Instead, the only remaining incentive would be for the Company to confine itself to making lower margin sales over the Florida Broker, where the incentive is direct. This

---

<sup>10</sup> As discussed infra at P. 7, moreover, Tampa Electric could not make these sales even putting aside the issue of incentives.

outcome would be in no one's best interest.

The approach advanced by Staff and the alternate approach advocated by OPC and FIPUG - immediate credit of all net benefits through the Fuel Clause - would be equally counterproductive and unfair. Flowing all net benefits through the Fuel Clause would completely eliminate the enhancement of Tampa Electric's opportunity to earn its authorized rate of return, which, as discussed above, is the only benefit inuring to the Company as a result of these sales<sup>11</sup>. As in the case of separation at average cost, this regulatory treatment would leave Tampa Electric with a strong incentive to avoid such higher margin wholesale sales in favor of lower margin broker sales where there is a definite and direct incentive. (Tr. 96, 19-25; Tr. 97, 1-13) Again, this outcome would be in no one's best interest.

The Staff and Intervenors argue that Tampa Electric needs no incentive to make sales such as those to FMPA and Lakeland since its affiliates involved in the sale and transportation of coal will profit from these transactions in any event. (Tr. 19, 14-19; Tr. 207, 1-4) These assertions are unfair and, more importantly, groundless.

---

<sup>11</sup> Staff and Intervenors have argued, in particular, that the transmission-related contract revenue, which Tampa Electric proposes to credit to above the line operating revenue, should be flowed through the fuel clause since retail customers are already bearing the fixed cost associated with these facilities. The FERC, under Order 888, has required utilities such as Tampa Electric to charge themselves for transmission just as they would charge a third party user of the system. The Commission has traditionally treated third party transmission revenue as a credit to retail revenue requirements in the next rate proceeding as Tampa Electric has proposed in this instance. (Tr. 167, 16-25; Tr. 168, 1-15) Under these circumstances, the Commission's traditional treatment of third party transmission revenue should apply.

The Commission has moved to a standard of market based pricing in assessing the reasonableness of the prices paid by Tampa Electric to its coal and transportation affiliates. These prices are subject to review in each fuel clause proceeding. No evidence has been presented nor has any allegation been made that the price paid by Tampa Electric to these affiliates for goods and services is excessive or otherwise inappropriate. Therefore, the level of profits earned by such affiliates and even the fact of their existence is completely irrelevant to the matters at issue in this proceeding. Tampa Electric's proposal should be evaluated on its own merits, as would be the case for any other utility without coal or transportation affiliates, making the same proposal.

The above notwithstanding, the fact remains that Staff and intervenors are dead wrong with respect to the impact of these transactions on Tampa Electric's affiliates. As witness Ramil testified, the level of coal purchased and transported by Tampa Electric would have been essentially the same, with or without the FMPA and Lakeland sales. (Tr. 61, 7-22) The amount of coal consumed in making the FMPA and Lakeland sales would have been burned, instead, to make economy energy sales over the Florida Broker in the absence of the FMPA and Lakeland sales. In addition, since 1993, Tampa Electric's purchases from its coal affiliate have been steadily declining. In addition, the Company's fuel transportation contract will be put out for competitive proposals for deliveries beginning in 1999. (Tr. 64, 22-25; Tr. 65, 1-9) Therefore, the FMPA and Lakeland sales will have no effect on the

earnings of Tampa Electric's affiliates and the alleged incentive will not exist.

Even if one were to attempt to impute to Tampa Electric's affiliates some contribution to margin associated with the FMPA and Lakeland sale, as was done in late filed Exhibit 6 , it would be evident that the affiliate benefits would be de minimus.

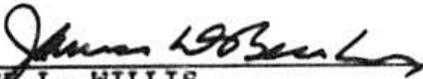
The regulatory treatment which Tampa Electric is seeking provides benefits to customers, avoids disincentives, and provides the Company with a modest but meaningful incentive to maximize ratepayer benefits.

#### **VII. Conclusion (Relates to All Issues)**

The FMPA and Lakeland sales will produce net benefits to the general body of ratepayers. Retail ratepayers will be completely insulated from any fuel cost risk associated with these sales. Ratepayers are clearly better off with these sales than they would be without them. At the very least, Tampa Electric should not be disincented from making these types of sales which provide net benefits to ratepayers. Tampa Electric respectfully submits that its proposed regulatory treatment of these sales is reasonable and should be adopted by this Commission.

DATED this 7<sup>th</sup> day of July, 1997.

Respectfully submitted,



LEE L. WILLIS  
JAMES D. BEASLEY  
KENNETH R. HART  
Ausley & McMullen  
Post Office Box 391  
Tallahassee, Florida 32302  
(904) 224-9115

HARRY W. LONG, JR.  
TECO Energy, Inc.  
Post Office Box 111  
Tampa, Florida 33601-0111

ATTORNEYS FOR TAMPA ELECTRIC COMPANY

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing Brief, filed on behalf of Tampa Electric Company, has been furnished by U. S. Mail or hand delivery (\*) on this 7<sup>th</sup> day of July, 1997 to the following:

Ms. Leslie Paugh\*  
Staff Counsel  
Division of Legal Services  
Florida Public Service  
Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

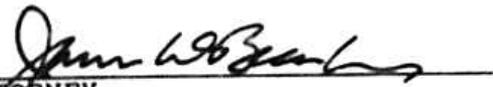
Mr. Gary Lawrence  
City of Lakeland  
501 East Lemon Street  
Lakeland, FL 33801-5079

Ms. Vicki Gordon Kaufman  
McWhirter, Reeves, McGlothlin,  
Davidson, Rief & Bakas, P.A.  
117 South Gadsden Street  
Tallahassee, FL 32301

Mr. John W. McWhirter  
McWhirter, Reeves, McGlothlin,  
Davidson, Rief & Bakas  
Post Office Box 3350  
Tampa, FL 33601

Mr. Robert Williams  
FMPA  
7201 Lake Ellinor Drive  
Orlando, FL 32809

Mr. John Roger Howe  
Office of Public Counsel  
c/o The Florida Legislature  
111 West Madison St., Room 812  
Tallahassee, FL 32399-1400

  
\_\_\_\_\_  
ATTORNEY

**APPENDIX I**  
**(Exhibit 18)**

# Revenue Treatment Under Proposal

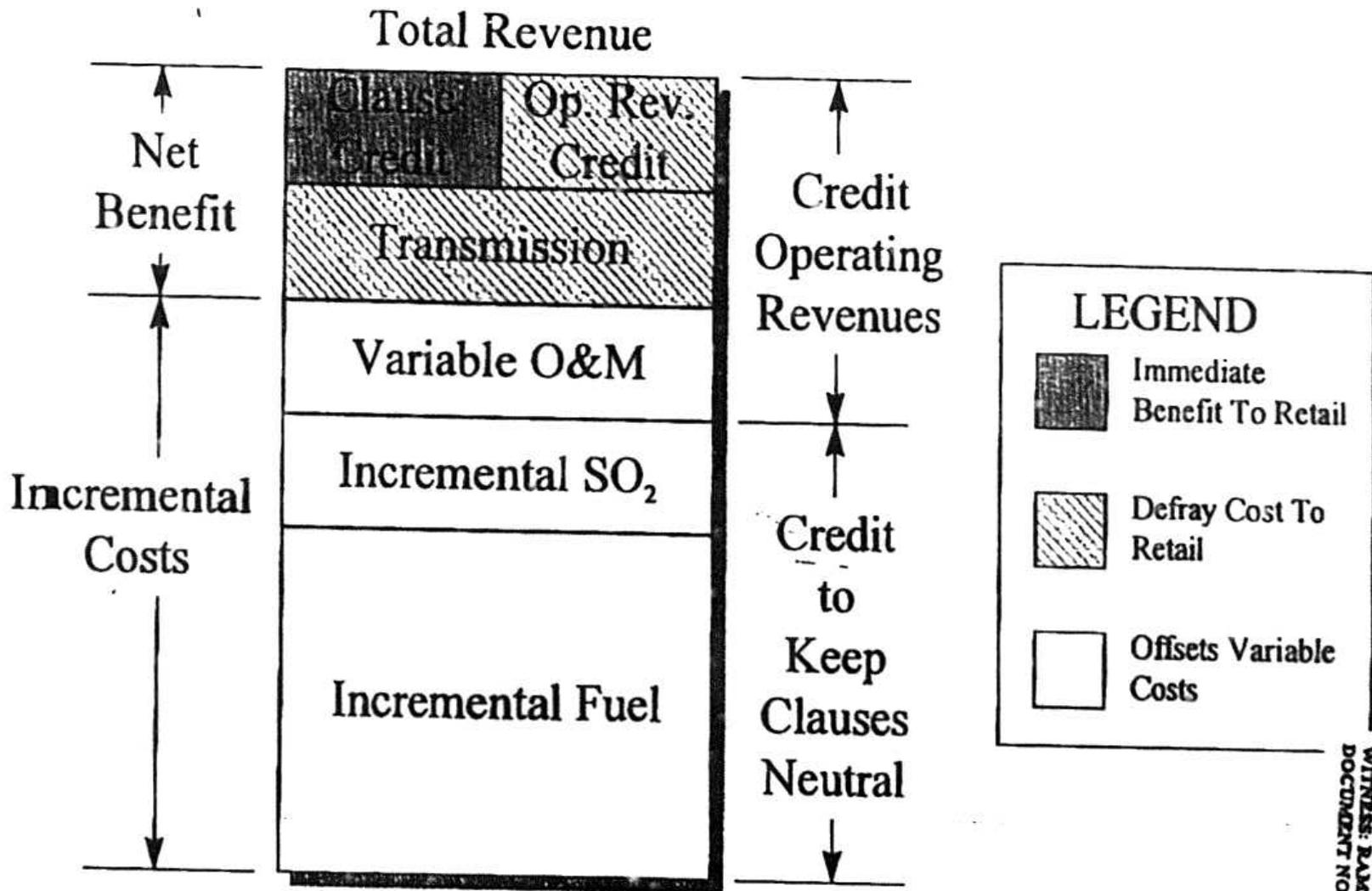


EXHIBIT NO. 18  
 TAMPA ELECTRIC COMPANY  
 DOCKET NO. 970171-EU  
 WITNESS: PAMIL (-JBR-1)  
 DOCUMENT NO. 1