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June 25, 1997

ORIGINAL
FILE COPY

BY HAND DELIVERY

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

Re: Fuel and Purchased Power Cost Recovery Factor
and Generating Performance Incentive Factor
FPSC Docket No. 970001-EI

Dear Ms. Bayo:

Enclosed for filing in the above docket on behalf of Tampa Electric Company are fifteen (15) copies of each of the following:

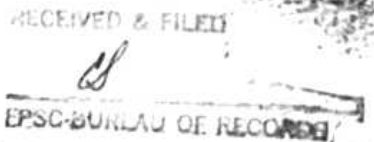
- 1. Supplement to Petition - 06401-97
- 2. Prepared Direct Testimony of Charles R. Black and Exhibit CRB-1 06402-97
- 3. Supplemental Testimony of Karen A. Branick and Exhibit KAB-5 06403-97
- Prepared Direct Testimony of Gerard J. Kordecki and Exhibit GJK-1 06404-97

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

Thank you for your assistance in this matter.

Sincerely,

James D. Beasley
James D. Beasley



ACK _____
 2 AFA Vandrey
 APP _____
 CAF _____
 CM _____
 C _____
 E Base
 LE _____
 LI 3+04
 CH _____
 RCH _____
 SEC _____
 WAS _____ JDB/bjm
 OTH _____ Enclosures
 cc: All Parties of Record (w/encls.)

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing, filed on behalf of Tampa Electric Company, has been furnished by U. S. Mail or hand delivery (*) on this 25th day of June, 1997 to the following:

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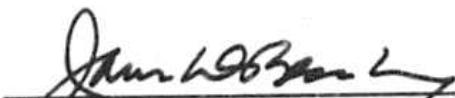
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ATTORNEY

1 BEFORE THE PUBLIC SERVICE COMMISSION

2 PREPARED DIRECT TESTIMONY

3 OF

4 GERARD J. KORDECKI

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

7
8 A. My name is Gerard J. Kordecki My business address is 702
9 North Franklin Street, Tampa, Florida 33602. I am employed
10 by Tampa Electric Company in the position of Senior
11 Regulatory Consultant.

12
13 Q. Have you testified previously before the Florida Public
14 Service Commission ("FPSC" or "the Commission")?

15
16 A. Yes. I have testified on behalf of Tampa Electric in a
17 number of proceedings before this Commission. I have
18 testified on conservation goals and program cost recovery
19 issues, load research, cost allocation, rates and planning
20 issues. A list of the dockets and testimony subjects is
21 attached to my testimony as Exhibit _____ (GJK-1).

22
23 Q. What is the purpose of your testimony?

24
25 A. My testimony is intended to identify the effects of the

DOCUMENT DATE
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FPSC-RECORDS/REPORTING

1 Federal Energy Regulatory Commission's (FERC) Order No's.
2 888 Final rule ("Open Access") and 888A (Order on
3 Rehearing) on ("Open Access") on the terms, conditions and
4 rates for transactions under the Florida Broker.

5
6 Q. Briefly describe how the recent "Open Access" rules require
7 changes in the treatment of economy interchange?

8
9 A. The "Open Access" rule requires that each Public Utility
10 unbundle the transmission and ancillary charges from its
11 economy sales to all new customers effective July 9, 1996
12 and to all prior existing interchange contracts on January
13 1, 1997. A Public Utility must take service under its own
14 unbundled transmission tariff for the purpose of
15 transmitting power from its production capacity to the edge
16 of its system for delivery to the buyer in the broker
17 transaction. The revenues from these charges are to be
18 recorded in separate revenue accounts. A utility must
19 sign a transmission service agreement with itself which
20 normally would be done between the company's bulk power
21 sales function and its transmission department. This
22 agreement covers all non-firm transactions of less than one
23 year.

24
25 Q. Why has FERC required Public Utilities to take transmission

- 1 service under their own tariff?
2
- 3 A. In order to facilitate the development of a competitive
4 wholesale market, the FERC is requiring transmission owners
5 to open up their transmission systems to potential users on
6 a non-discriminatory, comparable basis which requires the
7 owner to treat the use of its own transmission system for
8 sales transactions as if the utility were purchasing
9 transmission from a third party. The concept is to provide
10 a level playing field so that generation competes directly
11 against generation, thereby, denying a transmission owner
12 the ability to discriminate in favor of its own power
13 sales.
14
- 15 Q. Mr. Kordecki, has FERC specified how transmission revenue
16 from broker transactions must be treated for wholesale
17 transmission ratemaking purposes?
18
- 19 A. Yes. FERC requires that transmission revenues derived from
20 all short-term transactions of less than one year be
21 treated as a revenue credit.
22
- 23 Q. What does revenue crediting mean?
24
- 25 A. The revenues collected from short-term transmission

1 services are subtracted from the overall transmission
2 revenue requirements for purposes of determining FERC
3 jurisdictional long-term transmission rates.

4
5 Q. What is the effect of revenue crediting on long-term
6 transmission rates?

7
8 A. FERC revenue crediting effectively reduces the rate for all
9 long-term transmission users by subtracting the
10 transmission revenues received from short-term transmission
11 sales.

12
13 Q. Can you give an example of how the required revenue
14 crediting is accomplished?

15
16 A. Utility A has a transmission revenue requirement of \$1,000
17 with an annual transmission peak demand of 100kW or \$10 a
18 KW/year or \$0.83/KW/MO for firm long-term transmission
19 users. Let's say utility A makes "Broker" sales which have
20 a total transmission cost of \$30. At the next transmission
21 rate change the \$30 of Broker revenue would be subtracted
22 from \$1,000 which in turn would reduce the transmission
23 rate to \$0.81/KW/MO ($\$1000.00 - \30.00 divided 12 months).

24
25 Q. Mr. Kordecki does FERC permit the addition of transmission

1 charges to the sale quotes on the broker or transaction
2 prices?

3
4 A. No. This approach would be contrary to the current
5 position FERC has taken on split savings (page 204 of 888A)
6 transactions.

7 "In the cases cited by Utilities for Improved
8 Transition, the Commission prohibited the
9 utility from charging a split-savings rate plus
10 a contribution to fixed costs. The Commission
11 has long allowed utilities to set their
12 coordination rates by reference to their own
13 costs (cost-based ceilings) or by dividing the
14 pool of benefits (fuel cost differentials)
15 brought about by the transaction. Utilities
16 have been free to design a rate using either
17 method but not both." (emphasis added)

18
19 The precedent case citation is Illinois Power Company, 62
20 61,147 to 62,062 (1993) and the pertinent paragraph states:

21 "In Service Schedule F, Illinois Power proposes
22 to charge a rate for economy energy transactions
23 equal to a share of the savings plus its
24 transmission charge of 10 mills/kWh. This is
25 inappropriate. The Commission has long accepted

1 split-savings rates which disregard the fixed
2 costs of the seller, but which ensure that the
3 customer retains at least 50 percent of the
4 transaction savings. Such rates permit the
5 seller to obtain a contribution to fixed costs in
6 excess of 100 percent, as long as the customer
7 receives at least 50 percent of the savings.
8 Illinois Power's proposed economy energy rate
9 (allowing recovery of both a share of these
10 savings plus a separate transmission charge)
11 violates the Commission's pricing principles.
12 Illinois Power retains over 50 percent of the
13 savings, while Illinois Municipal receives less
14 than 50 percent of the savings. Accordingly,
15 Illinois Power is directed to revise Service
16 Schedule F to eliminate the additional
17 transmission charge."

18
19 It is clear that FERC will not allow a transaction which
20 uses split-savings plus an added transmission charge. The
21 FERC position also effectively requires a seller on the
22 Broker to cover its transmission costs from its share of
23 the split savings since the buyer must receive "at least 50
24 percent of the savings".
25

1 Q. Mr. Kordecki do you have any knowledge of any Florida
2 Broker transactions after January 1, 1997 in which some of
3 the transmission revenues are recorded above the line for
4 revenue requirements calculations?

5
6 A. Yes, at the Commission Staff's workshop, utilities stated
7 that third party transmission revenues are being treated
8 above the line for broker transactions.

9
10 Q. What are third party transactions?

11
12 A. Third party transactions take place when a seller must sell
13 through another transmission system to reach a buyer. For
14 instance, if Tampa Electric were making a Broker sale to
15 Utility C but must use Utility B's transmission system,
16 Utility B would require transmission wheeling revenues from
17 Utility C in order to facilitate the sale. In this case,
18 Utility B would receive the transmission revenue and that
19 revenue would be credited above the line.

20
21 Q. Does this conclude your testimony?

22
23 A. Yes, it does.

24
25

Testimonies of Gerard J. Kordecki
Before The Florida Public Service Commission

<u>Docket</u>	<u>Subject</u>
940345-EU	Describes TE's non-firm load programs and rates; how these compare with each other and with generating alternatives; and how non-firm loads should be treated within the context of interchange activities among utilities in Peninsula Florida
931011-EI	Addresses the treatment of investments in power generation and supply and the selection of such investments as addressed in the National Energy Policy Act
930551-EG (Rebuttal)	Addresses the appropriateness of the Florida Department of Community Affairs position that the "best practices" scenario from the Florida Energy Office study is the proper scenario for utility goal setting
930551-EG	Addressed the appropriate rate treatment of investments in conservation and demand management as addressed in the National Energy Policy Act
930759-EI (Rebuttal)	Discusses the allocation and collection of cost associated with conservation programs as advocated by Messrs. Wright and Baron testifying for LEAF and FIPUG respectively
930759-EI	Discusses the allocation and collection of costs associated with conservation programs
930002-EG	Conservation Cost Recovery
920606-EG	Comments on: Proposed rules on Conservation goals, Incentives, End-Use Data and Decoupling.
920324-EI	Rebuttal - Rate Case - Addresses proper allocation of DSM benefits and costs
920002-EG	Conservation Cost Recovery

Exhibit No. _____
Docket No. 970001-EI
Tampa Electric Company
(GJK-1)
Filed 06/25/97
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<u>Docket</u>	<u>Subject</u>
910883-EI (Rebuttal)	Addresses assertions made by Paul L. Chernick about effectiveness of TE's Demand Side Management programs
910883-EI	Describes TE's various conservation, load management and non-firm rate programs; their success in reducing peak demand, energy usage and increasing fixed plant utilization and the basis used for evaluation of conservation and load management programs
910002-EG	Conservation Cost Recovery
900739-EI	Comments of concern TE has with proposed rule
900002-EG	Conservation Cost Recovery
900002-EG	Supplemental to 12/21 testimony in 890002-EG providing an expanded explanation of the With and Without Conservation and Load Management Analysis plus 50 megawatt sensitivity case
891324-EU	NOTE: Prepared comments (this document not filed with Clerk's office; it was taken to hearing) Areas of concern TE has regarding the rule and technical parts of the manual.
890002-EG	Testimony to exclude application of ECCR factor for interruptible Customers thru March 1991
890002-EG	Conservation Cost Recovery
890002-EG	(Supplemental) FPSC stated Street & Outdoor Lighting should be phased out by 12/31/89 Tampa Electric requests to have continued through 9/30/90.
880002-EG	Conservation Cost Recovery
870002-EG	Conservation Cost Recovery

Exhibit No. _____
Docket No. 970001-EI
Tampa Electric Company
(GJK-1)
Filed 06/25/97
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<u>Docket</u>	<u>Subject</u>
860002-PU	Conservation Cost Recovery
850002-PU	Conservation Cost Recovery
840002-PU	Conservation Cost Recovery
840002-PU (Rebuttal)	Comments on Staff's proposed methodology for determining a reward or penalty for conservation efforts
830115-EU	Clarifications and changes to proposed rules and Tampa Electric's proposal
830108-EU	Conservation Evaluation Reporting Form
830012-EU	Rate Case - load research
830002-PU	Conservation Cost Recovery
820007-EU	Rate Case - Conservation
820015-EU	To address End Use Rule re: Tampa Electric's ability to comply and suggested changes to rule to make it more cost effective
820002-PU	Supports actual conservation costs and request Commission to move collection of Cogenerating Capacity credits <u>from</u> Conservation Cost Recovery to Fuel Adjustment Clause
810050-PU	Supports Tampa Electric request for authority to recover unreimbursed conservation costs incurred and estimated during Jan. - March 1981
800701-EU	Comments on whether conservation programs should be reviewed on cost effectiveness of individual elements as opposed to total program cost effectiveness
800522-EG	End use efficiency measures and use and need for financial incentives to help market various types of conservation programs