

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 140032-EI

PETITION TO RECOVER CAPITAL  
COSTS OF BIG BEND FUEL COST  
REDUCTION PROJECT THROUGH  
THE FUEL COST RECOVERY CLAUSE,  
BY TAMPA ELECTRIC COMPANY.

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PROCEEDINGS: COMMISSION CONFERENCE AGENDA  
ITEM NO. 8

COMMISSIONERS  
PARTICIPATING: CHAIRMAN ART GRAHAM  
COMMISSIONER LISA POLAK EDGAR  
COMMISSIONER RONALD A. BRISÉ  
COMMISSIONER EDUARDO E. BALBIS  
COMMISSIONER JULIE I. BROWN

DATE: Thursday, June 5, 2014

PLACE: Betty Easley Conference Center  
Room 148  
4075 Esplanade Way  
Tallahassee, Florida

REPORTED BY: LINDA BOLES, CRR, RPR  
Official FPSC Reporter  
(850) 413-6734

## P R O C E E D I N G S

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2           **CHAIRMAN GRAHAM:** Okay. Let's skip on down to  
3 Number 8.

4           **MR. BARRETT:** Good morning, Commissioners.  
5 Item Number 8 is a Proposed Agency Action item  
6 addressing Tampa Electric Company's petition to recover  
7 \$24.7 million in capital costs through the fuel clause  
8 for a fuel conversion project at the Big Bend Station.

9           Big Bend Units 1 through 4 are baseload coal  
10 units that use Number 2 oil for startups and flame  
11 stabilization. By using natural gas in place of the  
12 Number 2 oil, the company projects net fuel savings of  
13 over \$30 million through 2020.

14           We have an oral modification to the body of  
15 the recommendation. On page 6, the last full sentence  
16 on the bottom of the page begins with "As noted  
17 previously." That full sentence, we are striking that  
18 sentence in its entirety.

19           Other than that, staff recommends approval of  
20 Tampa Electric's petition. James Beasley from the  
21 Ausley law firm is here with company officials, and I'm  
22 happy to address any of your questions.

23           **CHAIRMAN GRAHAM:** Thank you.

24           Commissioner Balbis.

25           **COMMISSIONER BALBIS:** Thank you, Mr. Chairman.

1 I have a quick question for staff. Obviously  
2 the effectiveness of this project relies on the fuel  
3 savings that are realized. And I know annually we  
4 review all the fuel costs for all of the investor-owned  
5 utilities. Is staff comfortable that for these four  
6 units and the fuel savings and expenditures are  
7 accurately tracked so that we can make sure that  
8 customers realize the benefit?

9 **MR. BARRETT:** Yes, Commissioner. The modeling  
10 that the company performed to demonstrate the fuel  
11 savings was based on using the, the full dispatch of  
12 their entire fleet with oil and then the full modeling  
13 with natural gas, and the fuel savings is calculated  
14 based on the difference between those runs.

15 **COMMISSIONER BALBIS:** Okay. Thank you.  
16 That's all I had.

17 **CHAIRMAN GRAHAM:** Commissioner Edgar.

18 **COMMISSIONER EDGAR:** Thank you, Mr. Chairman.  
19 Mr. Barrett, so is the cost recovery  
20 mechanisms and process as laid out in this item, is this  
21 the way these things are generally handled?

22 **MR. BARRETT:** This -- yes, ma'am. Yes,  
23 Commissioner. The -- this is the second similar project  
24 that this company has engaged in. Polk Unit 1 had a  
25 fuel conversion project, and that petition was -- or,

1 excuse me, the cost recovery of that project was over a  
2 five-year term. And so far the in-service date for that  
3 unit was in June of '13, and so far here today they are  
4 ahead of their cost recovery projections. So I believe  
5 this is -- that, that project at that time was the first  
6 we had encountered, but this is very similar to that,  
7 bigger, more units, but it is very similar. We've done  
8 this before.

9 **COMMISSIONER EDGAR:** So is it the opinion of  
10 staff that there is not risk to the customers for this  
11 process, for this cost recovery process?

12 **MR. BARRETT:** Well, there's risk because the  
13 commodities, the fuels, there are market risks, but  
14 their assumptions are based on the price differentials  
15 between oil and natural gas. And as long as the markets  
16 behave in a predictable manner, then we believe that --

17 **COMMISSIONER EDGAR:** Is that what markets  
18 generally do?

19 **MR. BARRETT:** I'm not here to answer that.

20 **COMMISSIONER EDGAR:** I understand.

21 (Laughter.)

22 **MR. BARRETT:** But their -- we, we evaluated  
23 their assumptions, and we do believe that the, the  
24 long-term customers will receive fuel savings over this.  
25 And we included a table of their projected fuel savings.

1           **COMMISSIONER EDGAR:** So would it be -- if I  
2 may.

3           **CHAIRMAN GRAHAM:** Sure.

4           **COMMISSIONER EDGAR:** Would it be accurate to  
5 say that as this item is before us, that the process is  
6 specific and unique to this project and that there are  
7 protections built in for the customers?

8           **MR. BARRETT:** Yes, Commissioner, there are.

9           **COMMISSIONER EDGAR:** All right. Thank you.

10          **COMMISSIONER BROWN:** Mr. Chairman, move staff.

11          **CHAIRMAN GRAHAM:** It's been moved and  
12 seconded, staff recommendation on Item Number 8.

13          Commissioner -- excuse me -- Brisé.

14          **COMMISSIONER BRISÉ:** Thank you.

15                 And I just want to make a comment about this.  
16 And I appreciate the questions by Commissioner Edgar,  
17 recognizing that the issues related to this particular  
18 case are unique to TECO and that is not sort of the  
19 broad practice at this point. So I just want to make  
20 sure that the record was clear with that. And that  
21 there isn't the expectation that all, that all of the  
22 other IOUs follow suit in this manner.

23          **CHAIRMAN GRAHAM:** Is there a comment from  
24 staff?

25          **MR. MOURING:** Yes. Curt Mouring with

1 Commission staff.

2 I just wanted to add, relating to Commissioner  
3 Edgar's question in terms of safeguards for the  
4 customers, that cost recovery is limited to actual fuel  
5 savings. So a customer's bill will not go up as a  
6 result of this, this project.

7 And in the Polk order, as Mr. Barrett stated,  
8 that was kind of a case of first impression for staff.  
9 We went into a lot more, is this project eligible for  
10 recovery through the fuel clause? There was a lot more  
11 discussion in that case. Because the general framework  
12 of this project is so similar to that, staff kind of  
13 just pointed to that order. And we didn't have the  
14 discussion in the body of this recommendation, but the  
15 analysis was done. It was -- the analysis was done to  
16 ensure that this project should be eligible for recovery  
17 through the fuel clause, limited actual fuel savings.

18 **CHAIRMAN GRAHAM:** Commissioner Edgar.

19 **COMMISSIONER EDGAR:** And so just to hopefully  
20 kind of round out that line of discussion that, again,  
21 this treatment is specific to the unique factors of  
22 this particular project, recognizing the prior order on  
23 a somewhat similar project, but that each project would  
24 be considered on its own unique circumstances. And  
25 I'm presuming that the motion to move the staff

1 recommendation, which I favor, would include the  
2 modification as well.

3 **CHAIRMAN GRAHAM:** Yes.

4 All right. It's been moved and seconded,  
5 staff recommendation with the modifications.

6 Any other discussion? Seeing none, all in  
7 favor, say aye.

8 (Vote taken.)

9 Any opposed? By your action, you've approved  
10 the modified staff recommendation on Item Number 8. All  
11 right.

12 **MS. BARRERA:** Thank you.

13 **CHAIRMAN GRAHAM:** Thank you, staff.

14 (Agenda item concluded.)  
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1 STATE OF FLORIDA )  
 : CERTIFICATE OF REPORTER  
2 COUNTY OF LEON )

3  
4 I, LINDA BOLES, CRR, RPR, Official Commission  
5 Reporter, do hereby certify that the foregoing  
6 proceeding was heard at the time and place herein  
7 stated.

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

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

18 DATED THIS 10th day of June, 2014.

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