

Case no. 81,076

DOCKET NO. 920949-EU

STAFF COMPOSITE EXHIBIT 1

DEPOSITIONS AND LATE-FILED EXHIBITS OF  
DAGOSTINO, SOUTHWICK, NIXON, CALHOUN,  
HOLLOWAY, RUMOLO, WILLIAMS, AND WARREN

DOCUMENT NUMBER-DATE

14160 DEC -4 1992

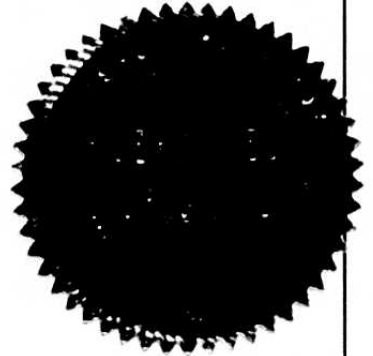
FPS-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Joint Petition of FLORIDA )  
POWER CORPORATION and SEBRING )  
UTILITIES COMMISSION for Approval )  
of Certain Matters in Connection )  
with the Sale of Assets by SEBRING )  
UTILITIES COMMISSION to FLORIDA )  
POWER CORPORATION. )

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DOCKET NO. 920949-EU



DEPOSITION OF:

HENRY I. SOUTHWICK

TAKEN AT THE INSTANCE OF:

The Commission Staff

DATE:

Tuesday, November 10, 1992

TIME:

Commenced at 9:30 a.m.  
Concluded at 11:20 a.m.

PLACE:

101 East Gaines Street  
Tallahassee, Florida

REPORTED BY:

JANE FAUROT  
Notary Public in and for the  
State of Florida at Large

ACCURATE STENOGRAPHIC REPORTERS, INC.  
100 SALEM COURT  
TALLAHASSEE, FLORIDA 32301  
(904) 878-2221

## APPEARANCES:

## REPRESENTING THE COMMISSION STAFF:

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## REPRESENTING FLORIDA POWER CORPORATION:

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\* \* \* \* \*

I N D E XWITNESSPAGE

HENRY I. SOUTHWICK  
 Direct Examination by Ms. Brown

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EXHIBITS:IDENTIFIED

- 1 Summary of 1993 Fuel Costs, With and Without the TECO Contract
- 2 (Late-filed) Backup to Exhibit No. 1

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CERTIFICATE OF REPORTER

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S T I P U L A T I O N S

The following deposition of HENRY I. SOUTHWICK was taken on oral examination, pursuant to notice, for purposes of discovery, for use in evidence, and for such other uses and purposes as may be permitted by the Florida Rules of Civil Procedure and other applicable law. Reading and signing of said deposition by the witness is waived. All objections, except as to the form of the question, are reserved until final hearing in this cause; and notice of filing is waived.

\* \* \* \* \*

MS. BROWN: We are here this morning for the deposition of Henry Southwick in Docket No. 920949-EU, in re, joint petition of Florida Power Corporation and Sebring Utilities Commission for approval of certain matters in connection with the sale of assets by Sebring Utilities Commission to Florida Power Corporation.

Thereupon,

HENRY I. SOUTHWICK

was called as a witness, and having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MS. BROWN:

Q Good morning.



1           A     Good morning.

2           Q     Would you state your name for the record, please,  
3     and your business address?

4           A     My name is Henry Irvin Southwick. My address is  
5     Box 14042, St. Petersburg.

6           Q     And you are employed by Florida Power Corporation?

7           A     Yes.

8           Q     In what capacity?

9           A     Director of Energy Control.

10          Q     You have submitted testimony in this docket?

11          A     Yes, I have.

12          Q     Would you just briefly describe that testimony for  
13     us?

14          A     My testimony was divided into primary subjects  
15     discussing the expected benefits to the Sebring ratepayers  
16     that would result from the proposed transaction, the  
17     prudence of the acquisition of the electric system, and the  
18     circumstances under which the power purchase agreement  
19     between Sebring and TECO arose and our assumption of that  
20     purchased power agreement.

21          Q     If you would turn to your testimony, Mr.  
22     Southwick. On Page 6, Lines 6 through 15, you have  
23     discussed the benefits to Sebring ratepayers of Florida  
24     Power Corporation's billing system?

25          A     Yes.

1 Q At present Sebring customers receive only one bill  
2 for all of their utility services, correct?

3 A I believe so.

4 Q And if the purchase is approved they will receive  
5 at least two bills, correct?

6 A Yes.

7 Q One for the water, from Sebring, the City of  
8 Sebring, and one from you all for electric service?

9 A Yes.

10 Q Okay. On Page 7 of your testimony you discuss the  
11 benefits of Florida Power Corporation's conservation  
12 programs to Sebring's customers?

13 A Yes.

14 Q We understand that Florida Power Corporation is  
15 currently attempting a survey of sorts to determine how many  
16 customers might be interested in those programs, is that  
17 correct?

18 A Yes, that is.

19 Q Do you have any results of that survey at the  
20 moment?

21 A No, I have not heard the results at all.

22 Q Do you have any idea when you will?

23 MR. FAMA: Martha, let me answer that. We will  
24 probably have it in about a week, and I would like to  
25 offer it as a late-filed exhibit for Dagostino.

1 MS. BROWN: Okay.

2 MR. FAMA: Not this witness.

3 MS. BROWN: All right. Late-filed exhibit for the  
4 hearing or --

5 MR. FAMA: Uh-huh.

6 MS. BROWN: Okay.

7 MR. FAMA: Or to the deposition, it's up to you,  
8 whatever your pleasure is. I was thinking that some  
9 late-filed exhibits would -- I hate to call them  
10 late-filed -- but some exhibits would arise between the  
11 time the depositions end and the time we go to hearing.  
12 And I was thinking about this one in particular would  
13 be one that you would want. And that maybe we could  
14 circulate it ahead of time, so you would be ready to  
15 question on it, and whatnot, knowing that I would want  
16 to introduce it, that sort of thing.

17 MS. BROWN: That is fine. Maybe we ought to  
18 mention it at the prehearing conference, though, so we  
19 could -- it wouldn't really be a late-filed, then. It  
20 would just be a supplemental --

21 MR. FAMA: A supplemental, yes.

22 MS. BROWN: -- exhibit, and everybody would have  
23 a chance to be aware that it was coming.

24 MR. FAMA: Okay. I'm just thinking there might be  
25 other ones that come up. Since we are on such a fast

1 track, I don't want to cut anything off. If you guys  
2 are interested in seeing something, and you think of it  
3 after the prehearing conference, we are happy to  
4 prepare an exhibit.

5 MS. BROWN: Well, I am just concerned that now  
6 that we have the intervenors, I want to make sure that  
7 everybody has the chance to see all of this stuff ahead  
8 of time.

9 MR. FAMA: Right. And I would take the exhibits  
10 and send them to all the intervenors and say that we  
11 intend to introduce these. Just like we did in our  
12 rate case, I sent Public Counsel the exhibits before I  
13 cross examined their witness that I intended to  
14 introduce, just to get over the hurdle.

15 MS. BROWN: Okay.

16 BY MS. BROWN:

17 Q Are you aware, Mr. Southwick, of any quantitative  
18 analysis that was done prior to the submission of the joint  
19 petition on the potential penetration or acceptance of  
20 Florida Power Corporation's conservation programs by  
21 Sebring's customers?

22 A No, I'm not.

23 Q In Mr. Nixon's deposition, we spoke briefly about  
24 testimony that had been received at the customer hearing  
25 with respect to energy conservation programs and the load

1 management program. One of the witnesses who testified  
2 there brought up the question of whether these energy  
3 conservation programs would really benefit Sebring customers  
4 because of the Sebring rider. If revenues decrease for  
5 Florida Power Corporation as a result of energy savings, the  
6 price of the Sebring rider would increase. Do you agree  
7 with that?

8 A You kind of asked two questions, I think, in one  
9 there. If you break them apart, I would agree that if sales  
10 go down due to whatever reason, that the per unit cost of  
11 the rider would go up. That is simple arithmetic. So, yes,  
12 clearly, I would agree with that. Will the conservation  
13 cause sales to go down compared to no conservation? Yes, I  
14 would hope it would. That would be the purposes of it. But  
15 the benefits of it in the form of reduced electric bills,  
16 particularly in the area of load management where you get a  
17 significant reduction in your electric bill, coupled with  
18 the fact they are getting a rate reduction to start with  
19 when they go with Florida Power, the price elasticity impact  
20 is going to have an upward effect. And how those two are  
21 going to interplay, I don't know. I personally think it  
22 might go up instead of down in total for the benefit of  
23 everybody.

24 Q I'm sorry. What would go up?

25 A Sales. But you are going to have one force that

1 is pushing it down for good reasons, and other forces that  
2 are pushing it up for good reasons. And how that is going  
3 to work out, we don't know. I know we have an RMI forecast  
4 that we are using that I think is reasonable. And I think  
5 Mr. Nixon testified to the fact you will have these  
6 offsetting forces, also.

7 Q You do agree there is a possibility that because  
8 of the existence of the Sebring rider that Sebring's  
9 ratepayers may not benefit as much as we might all like from  
10 your energy conservation programs?

11 A In a micro sense, I would agree with that. On an  
12 individual sense, the individual people, because they have a  
13 higher rate would have more incentive and see more benefits.

14 Q On Page 11 of your testimony you state that the  
15 retirement of the debt will improve the cost of capital for  
16 the Sebring area system. If the purchase is approved,  
17 wouldn't the cost of maintaining the segment of FPC's system  
18 simply be rolled into FPC's system costs and not separately  
19 identified?

20 A Would you repeat that, please?

21 Q If the purchase is approved, wouldn't the cost of  
22 maintaining this segment of FPC's system simply be rolled  
23 into the FPC's system costs and not separately identified?

24 A Yes.

25 Q Would you agree that a default on the bonds by

1 Sebring Utilities Commission would damage the credit rating,  
2 not only of the Utilities Commission, but also the City of  
3 Sebring?

4 A I'm not a financial expert. I have an opinion,  
5 but I'm surely not qualified to speak to that. The opinion  
6 is, yes, it would.

7 Q Then would you say the primary benefit of any  
8 reduced capital costs really is just a benefit to the City  
9 of Sebring?

10 A And its residents.

11 Q Well, you speak a lot about the benefits that  
12 Sebring customers will receive if your purchase is approved.  
13 There is little said in your testimony about the benefits of  
14 Florida Power Corporation's current body of ratepayers.  
15 What real benefits will your current body of ratepayers  
16 receive from this transaction?

17 A Okay. The first thing, let me say the reason we  
18 spent a lot of time talking about receiving benefits is  
19 because, based on our review of a lot of previous Commission  
20 cases and orders, you all spoke a lot about the benefits to  
21 the system being acquired. And we felt that was an area  
22 that needed a lot of attention, so we gave it to it. As far  
23 as our own benefits to the existing Florida Power customers  
24 as opposed to the future Florida Power customers, I believe  
25 Mr. Dagostino talked about that. But, yes, we obviously see

1 benefits or we wouldn't want to do this. Taken as a whole,  
2 we believe in the long-term this is going to be very good  
3 for us. It has got to be thought of as a whole. We feel  
4 that the ability to expand our system in a desirable area is  
5 a good thing. From a strategic type way of thinking for a  
6 utility, these opportunities don't come along very often. I  
7 have been there 25 years. This is the second time they have  
8 attempted to purchase another system. The first one was  
9 very small, so it's clearly not something that happens every  
10 day. We think that having a larger base system with more  
11 diversity is healthy. We think it makes us stronger. It  
12 makes us more resilient, a more robust company, so to speak.  
13 This particular system, Sebring, is right in kind of the  
14 heart of our Ridge division. It's a hole in our system, we  
15 like to call it. We drive through Sebring every day. We  
16 have districts on both side of it. We have offices on both  
17 sides of it. We spend a lot of our time riding through  
18 Sebring. It would give us a lot of efficiencies, we  
19 believe, over time, to be able to fill the hole,  
20 consolidated resources in that part of the state. We see  
21 benefits from that type -- the ability to do that.

22 Q Any specific benefits that you see to Power  
23 Corporation's ratepayers? Those certainly are --

24 A Well, all the benefits I just named will be  
25 benefits to the ratepayers.



1 Q And also to the shareholders of Power Corp?

2 A Yes, they will. They go hand-in-hand. But over  
3 time all of those benefits would be realized, and would pay  
4 dividends to the shareholders and ratepayers forever, I  
5 believe.

6 Q When you began your answer to that question, you  
7 said that you concentrated on the benefits to the system  
8 being acquired because your review of the Commission's  
9 previous pronouncements led you to believe that this was  
10 something you should concentrate on. What particularly are  
11 you referring to?

12 A There were several orders that I have read. I  
13 could find them and tell you what the numbers are. They  
14 dealt with gas company transactions, I believe, that this  
15 Commission had made rulings on in acquisition cases.

16 Q Uh-huh.

17 A Which I could probably find those in a few minutes  
18 if you would like for me to.

19 Q Like Chesapeake, perhaps, Peoples Gas? Well --

20 A I would have to look and see.

21 Q Okay. That would be fine. I would like for you  
22 to do that if you would.

23 A Okay.

24 Q Perhaps we can do it in a break.

25 MR. FAMA: Yes, we have some of those with us.

1 THE WITNESS: We have them with us.

2 MS. BROWN: Great.

3 BY MS. BROWN:

4 Q Now, the net book value of the tangible assets  
5 that Power Corp is going to purchase from Sebring has been  
6 determined by Sebring, is that correct?

7 A Yes.

8 Q And this value of 17.8 million represents a  
9 recalculated net book value, correct?

10 A Recalculated from numbers that they had earlier  
11 than that, yes.

12 Q And this recalculated net book value is probably  
13 higher than the net book value as reflected on Sebring's  
14 books and records, is that correct?

15 A I think that is the number. That is the only  
16 number they have, if I understood your question right.

17 Q Well, as I understand it, RMI reviewed Sebring's  
18 system and calculated a net book value of \$17.8 million. Is  
19 it your understanding that that number is probably higher  
20 than what the net book value was on Sebring's books and  
21 records before RMI did its study?

22 A Yes.

23 Q Okay.

24 A But once that study was accepted by Sebring, it's  
25 my understanding that that became the one. There is only

1 one number at that point in time. The old number was  
2 superseded with the new number, and that is now the number.  
3 There is only one number as approved by their auditors.

4 Q And you find that number acceptable, correct?

5 A Yes, we do. We think it's a reasonable number.

6 Q How did you go about determining the  
7 reasonableness of this recalculated net book value?

8 A Well, at the beginning of the process we were  
9 involved with it quite a bit. In the very important first  
10 stage of the inventories, we worked very closely with  
11 Sebring in the inventorying. And our people and their  
12 people formed teams to go out in the field, and we did  
13 extensive detailed physical inventory of the system, looking  
14 at all the poles and transformers and everything. We did  
15 that for a couple of reasons. One of them was because of  
16 expediency that Sebring -- that is a fairly big undertaking,  
17 they needed the manpower support. It also gave us the  
18 ability at the same time to give an eyeball view of the  
19 system, which led us to confidence that the system, in fact,  
20 is in good shape, and so forth. So, we were very involved  
21 in the development of the inventory, and we are very  
22 comfortable with those. Once the inventory was developed,  
23 the RMI study took the inventory and came up with an  
24 evaluation of it. I'm not an accountant. Our controller  
25 advised me that he felt it was a reasonable approach that

1 was used, and a reasonable conclusion that they arrived at,  
2 in particular -- what is the word -- a piece of that  
3 conclusion is based on the fact that Sebring's independent  
4 auditor accepted and endorsed the conclusion as being  
5 appropriate for Sebring, which gave it the accounting seal  
6 of approval.

7 Q Page 16 of your testimony, Mr. Southwick, Lines 20  
8 through 21, in answer to a question regarding the going  
9 concern value, you state -- and as I understand it Mr.  
10 Warren is the primary witness on going concern value. But  
11 what in your mind is the value beyond the physical assets of  
12 Sebring that you all are considering purchasing?

13 MR. FAMA: Martha, let me make a suggestion here.  
14 We need to be clear on what our role is on the net book  
15 value and the going concern versus what Sebring's role  
16 is in this case. And we worked up something that is  
17 half responsive to your question, and we wrote it down.  
18 And we agreed with Sebring to this language to make  
19 sure that we were clear on it and everybody was happy  
20 with it. And at some point, either in response to this  
21 question or another question, we would like to set the  
22 record straight on it.

23 MS. BROWN: Go ahead.

24 MR. FAMA: So, you ask about going concern. It  
25 kind of covers both going concern and net book value.

1 BY MS. BROWN:

2 Q Okay. Go ahead.

3 A The purchase by Florida Power Corporation of the  
4 rate base assets, including any going concern value that the  
5 Commission may determine, would be a prudent investment by  
6 Florida Power. The amount of 22,663,753, which is comprised  
7 of the sum of 17,813,753, the net book value of the rate  
8 base assets as of September 30th, 1991, plus an amount that  
9 Sebring has determined is a going concern value, would be  
10 prudent. While we have not calculated the going concern  
11 value, we believe that a purchase by Florida Power of the  
12 rate base assets at a price of 22,663,753 would be prudent,  
13 considering the net book value of the rate base assets and  
14 the benefits to Florida Power and it's customers from the  
15 purchase of the Sebring electric system, including the  
16 long-term benefits for the reasons outlined in  
17 Mr. Dagostino's testimony. The total amount of 22,663,753  
18 that I referred to here includes the net book value of  
19 17,813,753 that has been established as of September 30th,  
20 1991. Any changes to this net book value as of the date of  
21 closing will change the total amount accordingly.

22 Q Well, let me read you this sentence from your  
23 testimony, "Florida Power believes this," -- I'm sorry, Page  
24 16, Line 20. "Florida Power believes that the acquisition  
25 of the electric system has going concern value beyond the

1 physical assets."

2 A Yes.

3 Q Can you describe to me what you mean by that?  
4 What is specifically the value beyond the physical assets?

5 A Yes. I believe that Mr. Warren, in his testimony,  
6 pointed out several of those items and actually placed a  
7 value on those items that we agree with. And those are the  
8 examples that we are talking about here.

9 Q When you make this statement in your testimony,  
10 you are specifically referring to what Mr. Warren mentioned  
11 in his testimony regarding going concern value?

12 A Yes.

13 Q Okay. Given that Florida Power Corporation  
14 supports Sebring Utility Commission's valuation of its  
15 assets, would Florida Power Corporation be willing to write  
16 off any acquisition adjustment for going concern value below  
17 the line if an acquisition adjustment is not approved?

18 A No.

19 Q No?

20 A No.

21 Q Why not? If it's such a prudent investment, why  
22 would you not be willing to do that?

23 A Well, the only way that we can realize the  
24 benefits would be for them to be rate based. And these  
25 benefits, and the good things I was talking about earlier,

1 about filling the hole in the system, and so forth, those  
2 benefits over time will all flow to the ratepayers. And the  
3 benefits that Mr. Warren talked about, the specific items  
4 that we actually were able to place a value on, those  
5 benefits all flow to the ratepayers. They don't flow to the  
6 stockholders. And it would be equitable to put this above  
7 the line to the ratepayers and make it all balance out.

8 Q All right. If that is correct, why wouldn't it be  
9 appropriate to do that in the context of a rate case, rather  
10 than at this time in this proceeding?

11 A Well, there are several reasons why we need the  
12 approval now so we can proceed with the closure of the deal.  
13 The magnitude of it is such that for us to proceed and take  
14 the risk that it may not pass at the future hearing times,  
15 we feel is unacceptable.

16 Q I'm sorry. Would you go back and repeat that,  
17 "Take the risk that it may not --"

18 A Be approved. In other words, to go ahead and  
19 close the deal now, which will be an irreversible  
20 commitment, the money will flow, and then wait until, say,  
21 our next rate case, whenever that is, some future date, and  
22 then if you all decided it was not a prudent thing that we  
23 did, and forced us to write it off, we feel that it's too  
24 great a risk to take. We don't think that will happen, but  
25 even so, we think it's too great a risk to take. To make

1 the financial commitment to borrow the money to buy the  
2 system, to pay off the bonds, we need to know where we  
3 stand. We recognize, as well, as you all that this is not  
4 ordinary business as usual. It's once in 25 years, or at  
5 least in the last 25 years.

6 Q Well, I agree with you, it's not ordinary from the  
7 Commission's perspective either, is it?

8 A No, it's not.

9 Q Now, I think you have made yourself clear on that  
10 point. Let me just ask once more. You are asking the  
11 Commission in this proceeding to approve the prudence of the  
12 purchase of the SUC system, including the TECO purchased  
13 power contract, and that decision by the Commission would be  
14 binding on the Commission in all future proceedings,  
15 correct? Is that what you are asking?

16 A Yes.

17 Q Now, I understand that it's Power Corporation's  
18 intent to pass a portion of the demand costs of the  
19 purchased power contract through the capacity cost recovery  
20 factor, correct?

21 A Yes.

22 Q And the fuel will go through fuel?

23 A Yes.

24 Q And is it your testimony on Page 22 that this --  
25 let's see, Lines 8 through 13. On Line 8 you state, "In the



1 future, when new base rates are established for Florida  
2 Power, it is expected that any production components in  
3 Florida Power's base rates attributable to the power  
4 purchase agreement will be removed from base rates and the  
5 demand charges for the power purchase agreement with TECO  
6 will be fully recovered through the capacity cost recovery  
7 proceeding."

8 This reduction in the cost arising from the TECO  
9 contract is temporary. Is that what you are saying? And  
10 that the full cost will be paid by all ratepayers subsequent  
11 to Power Corp's next rate case?

12 A The reduction in the cost, and the way this is set  
13 up, is designed to make the ratepayer whole before the next  
14 rate case. If we didn't have the reduction, then Florida  
15 Power would actually be overcollecting, if we put the entire  
16 demand payment into the capacity cost recovery. By making  
17 the reduction, we have made the ratepayer whole. After the  
18 next rate case, the way I understand the next rate case is  
19 going to work for everybody, it will all get rearranged, and  
20 the ratepayer will still be made whole but in a different  
21 forum. And all the capacity payments for all power  
22 purchases, QFs and so forth, will all be pulled out of the  
23 base and placed over in this other area. And it will just  
24 be treated in the same way.

25 Q Okay. What cost impact will recovery of the

1 demand charges from the TECO power contract have on Power  
2 Corp's current ratepayers?

3 A The demand components?

4 Q Yes.

5 A We have shown you all, previously, an exhibit that  
6 showed the calculation for 1993, which has since been  
7 changed based on Mr. Nixon's, I believe, deposition. We may  
8 need to go off the record.

9 MS. BROWN: Okay.

10 (Off the record briefly).

11 BY MS. BROWN:

12 Q Mr. Southwick, you just handed us copies of  
13 deposition exhibits from Mr. Nixon's testimony, which do  
14 demonstrate that Florida Power Corporation's ratepayers will  
15 pay a little bit more if the TECO costs are included than  
16 they would if they were not, is that correct?

17 A Only when you look at the capacity components. In  
18 total you have to include the fuel component. When you look  
19 at the fuel and the capacity, you will see that they  
20 actually will pay less, because the savings in the fuel is  
21 greater than the increase in the capacity.

22 Q I'm not certain, you will have to help me with  
23 this. Do these exhibits demonstrate the fuel part of that?

24 A No, they do not. That is only the capacity side.  
25 We haven't gotten to the fuel yet.

1 Q Well, then, I think perhaps we need something  
2 more?

3 A Yes.

4 Q You have -- what do you have there?

5 (Witness hands document to Ms. Brown.)

6 MS. BROWN: This is a summary of 1993 fuel costs,  
7 with and without the TECO contract. Why don't we just  
8 make this Exhibit 1 to Mr. Southwick's deposition.

9 (Deposition Exhibit 1 marked for identification.)

10 THE WITNESS: This exhibit is based on the same  
11 case that the earlier exhibits from Mr. Nixon were  
12 based on. This is the fuel side of the same scenario.  
13 That is the capacity side, too, and you can see that  
14 fuel savings for the retail class in that particular  
15 case is a little over \$2 million, compared to the  
16 increase in capacity charges, I don't even remember the  
17 last number, it's on that exhibit of Mr. Nixon's.

18 MS. BROWN: Why don't we go off the record just a  
19 minute.

20 (Off the record briefly).

21 BY MS. BROWN:

22 Q Mr. Southwick, we started talking about that  
23 exhibit a little bit. I want to go back now and just go  
24 through the TECO contract generally. And then we will go  
25 back to that exhibit at the end and try to work through that

1 some.

2 Would you just briefly summarize the terms and  
3 conditions of the TECO contract that Florida Power  
4 Corporation would assume if the sale is approved?

5 A The contract is a full requirements contract.  
6 That means that TECO will sell to Sebring all of their net  
7 energy for load for the 20-year life of the contract, which  
8 approximately two years is already over, so it's 18 years to  
9 go. It's a FERC-approved tariff, full requirements, as I  
10 said. The rates are based on Tampa's average embedded  
11 capacity cost. The fuel would be Tampa's average fuel cost.  
12 And it would change periodically when they had a hearing at  
13 FERC. There was a five-year frozen period where TECO agreed  
14 to freeze the rate for five years. After that, it would be  
15 as any other wholesale tariff; it could be changed with FERC  
16 approval. That is basically it.

17 Q And it is designed only to serve the Sebring load,  
18 is that correct?

19 A It's a filed tariff at FERC. It's my  
20 understanding that the tariff was based on their knowledge  
21 of the Sebring load. But I don't know, to answer your  
22 question, if it could be used by TECO with somebody else or  
23 not. I don't know. You are talking about --

24 Q Well, how --

25 A -- the TECO/Sebring rates? Maybe I'm confused.

1 Q The contract itself, how --

2 A Well, the contract is between Sebring and Tampa.  
3 That applies only to Sebring or whoever buys Sebring.

4 Q Power Corp proposes to assume that contract,  
5 correct?

6 A Yes.

7 Q And how is Power Corp then going to use the  
8 capacity that it purchases from TECO under that contract?

9 A If the contract stays unchanged, we would take  
10 power from Tampa that would equal the Sebring area's load.

11 Q Okay.

12 A And that power would come into our system and be  
13 used by our customers.

14 Q Okay. But it would be tied to the Sebring load?

15 A Yes, that is the way the contract is set up, and  
16 that is the way it will have to stay. And, again, unless we  
17 change it, which we may or may not, but right now we are  
18 assuming the contract stands as it is.

19 Q Well, we will get back to potential changes in a  
20 minute. Let me ask you a couple of other questions about  
21 it. Now, correct me if I'm wrong. This is a very general  
22 question I'm going to ask you now. Is the underlying  
23 premise behind the structure of Power Corp's purchase of the  
24 Sebring system that Sebring customers will pay for the  
25 financing of the transaction and that Florida Power

1 Corporation's current ratepayers will be held harmless?

2 A In a very general sense. No, the words,  
3 "financing of the transaction," I don't --

4 Q Well --

5 A I don't think that fits.

6 Q Okay. Let's rephrase it. Is it the premise  
7 behind this transaction that Sebring customers will pay for  
8 the costs associated with the transaction rather than Power  
9 Corp's current ratepayers?

10 A I still don't like the way that that's -- that is  
11 not the way I would describe it.

12 Q Well, you do not intend, do you, to impose the  
13 cost of this transaction upon your current ratepayers?

14 A No.

15 Q Okay. You intend to keep them whole the way they  
16 are now, correct? And any specific costs that are  
17 associated with the transaction will be imposed upon the  
18 customers who are creating those costs, the Sebring  
19 customers?

20 A I still don't think that is the right way to think  
21 of it. That is not the way I think of it.

22 Q Well, how do you think of it?

23 A Sebring is, we keep coming back to the words like  
24 "unusual," "different," in that they have a quantity of debt  
25 that they owe that's larger than the real value of their

1 system. What we propose to pay them and assume and absorb  
2 into Florida Power, both short and long-term, is the real  
3 value of the system, not this component of debt they have  
4 above that value. Let's say that they didn't have this debt  
5 out there. Let's say they had virtually no debt at all, but  
6 they still wanted to sell their system to us. We would then  
7 look at the system. It would be a little different approach  
8 maybe, but the result would be we would come up with a fair  
9 value of the system, which in this case is looking like it's  
10 the 17.8 as of closing, plus the identified going concern  
11 value, the Tampa contract, what other things we would  
12 assume. We would pay that for the system, rate base the  
13 items, expense the items. It would go into our general body  
14 of rates and the Sebring customers would pay exactly the  
15 same as all the other customers, and there would be no  
16 difference. So, that piece of the deal is still true. We  
17 want to pull that piece out and say, "What is the real value  
18 of Sebring?" And that piece we'll pay, and we will rate  
19 base it, and we will roll it into our system. And as you  
20 said earlier, we will mesh the cost. We will probably never  
21 know five years from now exactly what Sebring cost compared  
22 to Avon Park. It will all be tied together. So, that piece  
23 is the one piece of it as I see it. The uniqueness in  
24 Sebring comes along in that that doesn't give them enough  
25 money to do what they have to do. So, after we do all of

1 that, they came up short. And as they said in their RFP,  
2 and they have said repeatedly, "We need to go ahead and pay  
3 off all this other debt that we owe." So, to handle that,  
4 that is the piece we say is unique to Sebring, and the  
5 Sebring customers should have to pay for, that piece above  
6 the real value. And that is the piece that we are going to  
7 put into this special area to be refunded by the rider. And  
8 that will be the amount of that debt, however it works out  
9 to be, plus our cost of financing that debt and the interest  
10 on it. All the costs associated with that piece is the  
11 unique piece that the Sebring people will pay that the other  
12 people won't pay. And that is the way I think of it.

13 Q How unique is it, really, Mr. Southwick, for a  
14 small electric utility to have some excess costs of debt or  
15 other costs that they can't -- that become burdensome to  
16 them? Can't you envision that this situation might arise  
17 again, and that it is really not quite as unique as you  
18 propose it to be?

19 A I think clearly it could arise again. But I don't  
20 think it has arisen anywhere else so far that I am aware of.  
21 So, I do think it is unique, yes. And, yes, it could happen  
22 again.

23 Q Okay. We will go back to that a little bit more  
24 later.

25 As I understand it, and as I think you mentioned a



1 little bit earlier, Power Corp and Tampa Electric Company  
2 are presently discussing the possibility of a renegotiation  
3 of this power sales agreement, is that correct?

4 A You said presently discussing the possibility?

5 Q Uh-huh.

6 A That's true, yes.

7 Q In fact, are you renegotiating the terms of this  
8 power sales agreement presently?

9 A We are talking about it, yes.

10 That may not be clear. We haven't committed to  
11 change it, nor have they. We have committed to sit down and  
12 explore ways that we might could change it that we would  
13 agree would be beneficial, so we are doing that. If we  
14 can't find such a way, then it will stay as it is.

15 Q I assume from your answer that you haven't reached  
16 any agreement on any ways to improve it or change it at the  
17 moment?

18 A Not yet.

19 Q If TECO has already separated the plant associated  
20 with the sale from its jurisdictional rate base, what  
21 incentive does TECO have to change the terms and prices of  
22 the contract in a manner that would be more favorable to  
23 Power Corp?

24 A Only if it were at least equal or more favorable  
25 to TECO, also.

1           Q     If you all were to negotiate a change to the  
2 contract, would the use characteristics change?

3           A     Possibly.

4           Q     Would they perhaps increase?

5           A     It could go either way.

6           Q     Why would it go either way?

7           A     Well, for example, and it's only an example,  
8 because we don't have an agreement for anything. But it's  
9 desirable to Florida Power to have the maximum flexibility  
10 in any contract, what we call dispatchability. We would  
11 like for it to be dispatchable, and that would give us the  
12 ability to truly optimize our fuel costs. And sometimes we  
13 will take a lot, and sometimes we may not take as much. It  
14 depends on what the alternatives are.

15          Q     Okay. If the use characteristics were to change  
16 so that the purchases that Power Corp made under the terms  
17 of the contract were more than what Sebring originally  
18 required, how would Florida Power Corp plan to justify these  
19 additional power purchases?

20          A     Our plan is that, as we have asked in the  
21 petition, that this term is part of the overall package,  
22 that we are asking for approval of the Tampa contract. And  
23 since we only have the existing contract, we, obviously, are  
24 asking for approval as it stands. Let's assume that by the  
25 end of the hearing that that is still where we are at, and

1 we have no other contract, we will ask for approval of this  
2 existing contract. If after that date, we, in fact, do  
3 change it, our thinking is that when we come into our first  
4 capacity cost recovery hearing, when we actually ask for  
5 recovery of the costs, that we will have to demonstrate to  
6 your satisfaction that the changes we made were prudent. We  
7 do not want to have to go back and revisit the original  
8 contract and the prudence of assuming that contract. That  
9 is part of the Sebring package that we are proposing here.  
10 When that is established, we want that to stand and not have  
11 to go back to square zero and justify the contract as a  
12 stand-alone. It's part of the package. But once that  
13 existing contract is approved, any changes that we make, we  
14 understand that we will have to show the changes and why  
15 they were given.

16 Q Okay. Let me make sure I understand exactly the  
17 process that you want the Commission to follow here. You  
18 want the Commission to review the prudence, review and  
19 approve the prudence of Power Corp's assumption of the TECO  
20 contracts in this proceeding. And then in subsequent fuel  
21 proceedings, you will propose recovery of the costs of the  
22 contract for that period, correct? And you understand that  
23 the Commission has continuing review over that piece in the  
24 fuel proceedings, correct?

25 A Yes.

1           Q     And you are not asking the Commission to, for all  
2 times, approve recovery of any particular costs associated  
3 with this contract on down the line in other fuel  
4 proceedings, is that right? I mean, it is possible, is it  
5 not, or wouldn't it be under the way the Commission  
6 operates, for the Commission to refuse to approve a  
7 particular cost associated with this contract if there was  
8 something else that happened; if the contract weren't  
9 managed properly or -- and you are not asking for approval  
10 for all times for all capacities?

11           A     No, that is correct. We are not.

12           Q     Okay. All right.

13           A     We recognize that we are still liable. We still  
14 have able be to show that we acted properly. We  
15 administered the contract correctly. We didn't do anything  
16 stupid, things of that nature. The burden is always on us,  
17 and this would be no different. We just don't want to go  
18 back and, say, three years from now, we don't like -- you  
19 shouldn't have done this, that is a bad thing, and throw it  
20 out, and all of a sudden we are stuck. That is what we  
21 don't want.

22           MR. FAMA: Martha, can I add in the legal sort of  
23 twist on this, that we think that in this case -- of  
24 course, if we enter into a new contract, and we can get  
25 it in front of the Commission in time, then these

1 problems go away; you will look at that contract and  
2 not the old one. But if we stick with the contract we  
3 have, and you approve it, the prudence of it, in our  
4 minds, you have approved a need for that power; you  
5 have approved that cost. And then if we change it, and  
6 we come into a capacity cost recovery proceeding, we  
7 will have the burden, not of demonstrating the need all  
8 over again, but we will have the burden of  
9 demonstrating that the cost in the renegotiated  
10 contract is equal to or less than the cost in the  
11 original contract. Okay? And we would like your order  
12 in this case to say that that's what our burden will be  
13 in the future if we renegotiate and come in, because we  
14 are proceeding on a renegotiation track right now. But  
15 we can live with the contract the way it is, but, I  
16 think, there is a fairly decent chance we will come in  
17 with a new one.

18 THE WITNESS: And it's not inconceivable we could  
19 go with the existing contract and two years from now  
20 wind up changing it.

21 BY MS. BROWN:

22 Q So, this is somewhat similar to a petition for  
23 approval of a cogeneration contract, a negotiated  
24 cogeneration?

25 A Yes, we think it is.

1 Q Okay. That is the position that you are taking?

2 A Yes.

3 Q If you are asking to recover the difference in  
4 costs between the power sales agreement and the retail cost  
5 of production, does this mean that there is an incremental  
6 cost to assuming the power sales agreement?

7 A There is an incremental capacity cost, yes, which  
8 is what the earlier exhibits demonstrate.

9 Q And those exhibits demonstrate, then, that Power  
10 Corp's current ratepayers will pay additional costs  
11 associated with the TECO contract?

12 A Only on the capacity side, they also demonstrate  
13 that on the fuel side there is a savings which is larger  
14 than the increase on the capacity side.

15 Q Right. If Power Corp were not to assume this  
16 power sales agreement, would it have enough capacity on its  
17 system to serve the additional Sebring load?

18 A That is a difficult question to address right now,  
19 but I will do the best I can. Number one, it's not an  
20 option, because we are required as part of the overall  
21 package to assume the contract. Number two, I guess we  
22 could say right now we are between forecasts in our company,  
23 as I think you all know. Our official forecast right now,  
24 if I were to pull it out and lay it on the table, it would  
25 demonstrate that, yes, we do need this capacity. Because

1 right now we are showing a short and long-term match between  
2 load and capacity, and this is an additional block of load  
3 that wasn't there before. So, it would have to be matched  
4 by an additional block of capacity. But right now, for  
5 whatever reason, the economy and everything else, I guess  
6 our sales are down, and we are going through a period of low  
7 sales. And if we were to add Sebring to our system  
8 tomorrow, I don't think we need to add generation to match  
9 it. How long could we go without having to catch back up, I  
10 don't know. Eventually, obviously, if you add another block  
11 of load growth into our forecast, we are going to have to  
12 have another block of capacity to offset it. And we see  
13 this playing that role. It's a good purchase. We think it  
14 fits very nicely. So, I think the answer is: Would we need  
15 it right now, no; would we need it eventually, yes.

16 Q Well, that would be the same with any other load  
17 growth, correct? I mean, if you can -- I think we need to  
18 look at it?

19 A Load growth above the norm, yes.

20 Q Now, the present agreement between TECO and  
21 Sebring involves wheeling charges that Sebring pays to Power  
22 Corp, is that correct?

23 A I'm not sure technically who pays who.  
24 Ultimately, the Sebring payers pay it and Power Corp  
25 collects it. But I'm not sure that they don't pay it to

1      TECO. I'm not sure exactly how that works.

2           Q     What sort of revenues that Power Corp receives  
3     from the wheeling charges are there -- I mean, how much are  
4     they, do you know?

5           A     That is included in the exhibits that we handed  
6     out earlier here this morning, the one from Mr. Nixon that  
7     has those figures on it.

8           Q     For 1993?

9           A     For 1993. I don't have it in my head, but it's on  
10    that exhibit. And the calculations on that exhibit, when we  
11    went back and modified the earlier sheets that only had a  
12    production capacity change, we went back and included a  
13    transmission capacity change. In the process of doing that,  
14    we recognized the ending of the wheeling revenues and that  
15    is adjusted into those numbers, which should take care of  
16    that issue.

17          Q     Where do those wheeling revenues go now that Power  
18    Corp receives? How are they treated?

19          A     They go back as a credit to the general body of  
20    ratepayers.

21          Q     Were they included in the last rate case?

22          A     Yes, I'm advised.

23          Q     With Power Corp's assumption of the agreement with  
24    TECO, Sebring won't be required to pay wheeling charges any  
25    more, correct?



1           A     Well, there would be no Sebring.

2           Q     Right. So, doesn't this mean that Sebring's  
3 customers are, would realize a benefit from the assumption  
4 of the TECO/Sebring agreement because they would no longer  
5 have to pay the costs of wheeling?

6           A     I think you could look at it that way, yes.

7           Q     Let's go back to the negotiations that are going  
8 on with TECO at present. Describe for me again the kinds of  
9 changes that you are looking at to make the contract more  
10 appropriate for the changed situation?

11          A     Okay. Again, let me say, I hate to talk too much  
12 about what we are talking about with Tampa, because that is  
13 an ongoing discussion. But I can give you examples of the  
14 kinds of things that we have talked about. They may or may  
15 not turn out to be good; we don't know yet.

16          Q     Uh-huh.

17          A     But, number one, the existing contract is  
18 described as a full requirements contract. Tampa will not  
19 be providing Florida Power's full requirements. It will  
20 only be a partial piece of Florida Power's requirements.  
21 That is probably a technicality, I'm advised. Our initial  
22 reaction is we can't do that. It's not going to be a full  
23 requirements, but we have been advised, well, that is okay.  
24 It will still work, although it's a little sloppy. We may  
25 want to clean that up. If we get a chance, we will. That

1 may be a technicality. We would like to see if we can make  
2 it work, and into the metering of the demands in Sebring,  
3 which will have to continue if we keep that contract in  
4 place exactly as it is. We could do that. It has been done  
5 ever since time began, but we would rather not do that. We  
6 would like to end that, the metering of the Sebring load  
7 area. It's just one more thing we have to do. If we can  
8 avoid it, we could save costs, and that would make it better  
9 for us. So, that's something else we would like to see  
10 done. There are several ways we can go about doing that.  
11 If we can make one of them work, that would be good. On the  
12 economic side, we have looked at taking more power. If we  
13 can make that work to our advantage and to Tampa's advantage  
14 to sell more power, we are exploring that alternative. We  
15 have explored changing the load shape, because under the  
16 contract its dictated to be the same as Sebring's actual  
17 load, and maybe there is advantages in making more power or  
18 less power. I mean, it can go either way, depending on how  
19 these variables play together. So, those are the kind of  
20 things we are looking at.

21 Q Anything else?

22 A Nothing comes to mind. It's a related issue; it's  
23 not part of the contract, but we have discussed with them  
24 our purchase of the transmission system that Tampa bought  
25 from Sebring. It's not a part of the contract. That was a

1 transaction that they did at a later date. But Tampa owns  
2 the 69 KV system within Sebring. And we have discussed the  
3 possibility of buying that 69 system from Tampa, which is  
4 not actually part of the contract, but it's a related type  
5 venture. Our reason to want to do that is it would give us  
6 a lot of operating flexibility, and we believe service  
7 reliability would ensue. We will have to see.

8 Q Okay. Now, back to your exhibit summary of 1992  
9 fuel costs with and without the TECO contract.

10 A Uh-huh.

11 Q What don't you describe this for us a little bit,  
12 what each of these lines mean and what you have attempted to  
13 show here?

14 A Okay. The top line is Florida Power's 1993 load,  
15 as our official company forecast, with the Sebring load  
16 that's forecasted by RMI added to the Florida Power load.

17 Q And served by your own generation?

18 A And served by our own generation and other  
19 available power sources that we have. And when you do that  
20 the total generation cost, as you see there, is 617 million.

21 Q And that is a projected number, right?

22 A That is a projected number, 1993, based on our  
23 official, what we call our official, which we published with  
24 you all, the sales forecast and our official fuel forecast,  
25 what the fuel costs are going to be.

1 Q Okay. And then the next --

2 A The next line is the exact same load model, with  
3 the same Florida Power resources available to serve it plus  
4 the addition of the Tampa/Sebring contract as it now exists,  
5 modeled just like it exists now.

6 Q Okay.

7 A So, the Tampa contract served the equivalent of  
8 the Sebring load addition, demand and energy.

9 Q Okay. And it's \$2 million less because of the  
10 fuel savings, is that correct?

11 A Well, the fuel and purchased power that was  
12 displaced by the TECO purchase resulted in the \$2 million  
13 sales.

14 Q Okay. Mr. Southwick, Staff has a request for a  
15 fairly extensive late-filed exhibit to go with this Exhibit  
16 1.

17 MR. FAMA: Martha, can I suggest we go over it off  
18 the record, and then when we agree to what it is, read  
19 it in?

20 MS. BROWN: Sure.

21 (Off the record briefly.)

22 BY MS. BROWN:

23 Q Mr. Southwick, we would like to have a late-filed  
24 deposition exhibit, I guess we would make that Exhibit 2,  
25 that supports your Exhibit 1. And we want included in that

1 exhibit a load forecast using both scenarios as demonstrated  
2 in Exhibit 1, with the TECO contract and without the TECO  
3 contract. We want you to identify the generation by plant  
4 for both of those scenarios, with and without Sebring, the  
5 fuel forecast used for both scenarios, and how the usage  
6 assumed for Sebring compares to the requirements of the  
7 Sebring contract, that is the purchases compared to the  
8 sales. And as I understand the discussion that you just had  
9 with Mr. Ballinger, you are going to give that to us as it  
10 relates to this Exhibit 1, and then give us another exhibit  
11 that takes those forecasts and projections out five years.  
12 Is that understood?

13 A Yes.

14 Q Okay. And we will call that backup to Exhibit 1.  
15 (Late-Filed Deposition Exhibit No. 2 identified.)

16 BY MS. BROWN:

17 Q On Page 11 of your testimony you state that the  
18 proposed Sebring transaction will eliminate Sebring's  
19 financial crisis by retiring the outstanding debt. How will  
20 this benefit Sebring's customers if they will still be  
21 paying the debt through the Sebring rider?

22 A Sebring customers are going to receive a  
23 significant rate reduction as a result of this transaction  
24 from where they are today. And it will be an even more  
25 significant rate reduction than what their rate will have to

1 be if they don't succeed with the settlement. I believe  
2 Ms. Holloway or one of the Sebring witnesses has testified  
3 to those numbers.

4 Q Sebring's customers will still be paying, if not  
5 the highest states in the state, among the highest rates in  
6 the state, won't they?

7 A Yes, I believe they will be among the highest.

8 Q Now, back to load management just for a minute. I  
9 think on Page 14 of your testimony you talk about the \$17  
10 per month that Sebring customers could save from load  
11 management. Isn't this overstating the benefit to Sebring  
12 customers quite a bit? Correct me if I'm wrong, but my  
13 understanding is that the \$17 a month is the maximum benefit  
14 that the perfect load management customer could receive, is  
15 that correct?

16 A Yes, and that is why I wrote the words, "will  
17 receive rates up to \$17 a month, depending on energy use."

18 Q I think we talked about studies you have done. Do  
19 you have any projections of how many perfect load management  
20 customers there are in Sebring, or how much Sebring  
21 customers really will benefit from this load management  
22 program?

23 MR. FAMA: Can we have a second, Martha?

24 MS. BROWN: Sure.

25 (Off the record briefly.)

1 MS. BROWN: Okay.

2 THE WITNESS: I do not have a direct answer to the  
3 question. I do have some statistics that may help you  
4 understand the situation a little bit, or it may not.  
5 I don't know, but let's try. Number one, the average  
6 Sebring customer uses 667 kilowatt hours a month.  
7 Within our Ridge Division, what we call our Ridge  
8 Division, which starts in Haines City and goes south  
9 through Lake Placid, which includes the Sebring area,  
10 our average residential consumption is 882 kilowatt  
11 hours a month, significantly higher. The saturation of  
12 load management in our Lake Placid district, which is  
13 immediately south of Sebring, and our Avon Park, which  
14 is immediately north, both of those in Highlands  
15 County. All three of those are in Highlands County.  
16 The average saturation in those two districts is 40  
17 percent. The average credit that they are receiving in  
18 Lake Placid is \$9.27 a month. And in Avon Park it is  
19 \$8.80 a month. Now, that's further, in my mind,  
20 complicated by the fact that that's the average that we  
21 are paying, the \$9.27. That doesn't mean that all of  
22 those customers signed up for the maximum amount. You  
23 have three levels you can choose from. So, to get the  
24 maximum, you have to sign up for the maximum amount and  
25 then consume -- 1100 a month?

1 MR. FAMA: A little over 1,000.

2 THE WITNESS: A little over 1,000 a month to get  
3 up to the \$17. So, this is just the way it fell out.  
4 That may help give you some insight.

5 BY MS. BROWN:

6 Q Okay. Just a few little cleanup questions here,  
7 and then I think we are almost done. Page 18, Line 13, you  
8 say that Florida Power's opinion is that the allocation of  
9 the purchase price to tangible assets based on net book  
10 value provides the greatest assurance of timely regulatory  
11 approval, based on past practices and statements of the  
12 Commission. What are you referring to there?

13 A That is an opinion based on what I've heard and  
14 understand to be true, and having read several of these  
15 former orders and spent a little time looking at that, and  
16 trying to understand what we thought would be acceptable to  
17 the Commission, and that was our conclusion.

18 MS. BROWN: Okay. So, we have really already  
19 talked about this a little bit.

20 That is all I have. Thanks.

21 Anybody else?

22 All right. We have to set a date for the  
23 late-filed exhibits. How long do you all need for  
24 that?

25 (Off the record briefly).



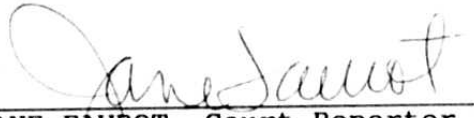
1 MS. BROWN: We have established November 30th as  
2 the date for the late-filed. Okay. Thanks very much.

3 (The deposition concluded at 11:20 a.m.)  
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## 1 CERTIFICATE OF REPORTER

2 STATE OF FLORIDA )

3 COUNTY OF LEON )

4 I, JANE FAUROT, Court Reporter, Notary Public in  
5 and for the State of Florida at Large:6 DO HEREBY CERTIFY that the foregoing proceedings  
7 was taken before me at the time and place therein  
8 designated; that before testimony was taken the  
9 witness/witnesses were duly sworn; that my shorthand notes  
10 were thereafter reduced to typewriting; and the foregoing  
11 pages numbered 1 through 44 are a true and correct record of  
12 the proceedings.13 I FURTHER CERTIFY that I am not a relative,  
14 employee, attorney or counsel of any of the parties, nor  
15 relative or employee of such attorney or counsel, or  
16 financially interested in the foregoing action.17 WITNESS MY HAND AND SEAL this 11<sup>th</sup> day of  
18 November, 1992, in the City of Tallahassee, County of Leon,  
19 State of Florida.20  
21   
22 JANE FAUROT, Court Reporter  
23 Notary Public in and for the  
24 State of Florida at Large  
2524 My Commission Expires: July 16, 1993  
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EXHIBITS SPONSORED  
BY  
HENRY I. SOUTHWICK

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TAMPA ELECTRIC COMPANY  
AGREEMENT FOR FULL REQUIREMENTS ELECTRIC SERVICE FOR RESALE TO  
SEBRING UTILITIES COMMISSION  
UNDER RATE SCHEDULE FR-1

THIS SERVICE AGREEMENT, made this 29<sup>TH</sup> day of January, 1991, by and between TAMPA ELECTRIC COMPANY, a Florida Corporation (the "Company"), and SEBRING UTILITIES COMMISSION, a Florida municipal corporation (the "Customer"),

W I T N E S S E T H :

In consideration of their mutual representations, warranties and covenants, and intending to be legally bound, the parties hereto agree as follows.

SECTION 1 - AGREEMENT OF PURCHASE AND SALE. Subject to the terms and conditions set forth herein, the Company agrees to sell and deliver to the Customer, and the Customer agrees to purchase and receive from the Company, all of the electric power and energy required by the Customer, for its own use and/or for resale to the Customer's retail customers, except to the extent that (1) the Public Utility Regulatory Policies Act of 1978 or any successor or similar law would require the Customer to purchase capacity or energy from another entity without giving effect to this clause, (2) the Customer as part owner is entitled to and does in fact receive electric power and energy corresponding to its 0.4473% ownership interest in Crystal River Unit 3, or (3) by reason of Florida Public Service Commission Order No. 23823 or any like order resolving duplication of facilities or a retail territorial dispute, the Customer is required to have its retail customers served by another entity; provided, however that if by reason of Florida Public Service Commission Order No. 23823 or any like order resolving duplication of facilities or a retail territorial dispute the Customer is required to serve the retail customers of another

applicable Demand Charge had been \$9.42 per kW of Billing Demand

energy delivered in any month, and such Demand Charge and Non-Fuel Energy Charges had been applied to the actual demand and energy billing determinants during such Contract Year ("Cap Aggregate Amount"). For the purposes of this subsection, "Contract Year" means the twelve (12) calendar month period commencing with the first full calendar month occurring after the effective date of this Service Agreement as provided in Section 6 hereof, and each successive twelve (12) calendar month period following thereafter. As soon as possible after the conclusion of each Contract Year, the Cap Aggregate Amount shall be calculated and subtracted from the aggregate amount of monthly Customer Charges, monthly Demand Charges and monthly Non-Fuel Energy Charges charged to the Customer based on the actual demand and energy billing determinants for such Contract Year. If the foregoing calculation results in a positive amount, said amount ("Overage Amount") shall be reported and credited (or refunded at the election of the Customer) by the Company to the Customer within forty-five (45) days after the close of such Contract Year, together with interest at the 30-Day CP Rate (as defined in Section 2.2 (C) (2) of the Rate Schedule). For purposes of calculating such interest, one twelfth of any such Overage Amount shall be deemed to have been paid in each month of the Contract Year, and interest shall commence to accrue on each such amount on the day next following the end of each such month. The Customer agrees, during the first five (5) year period of the term of this Service Agreement, beginning with the effective date specified below, that the Customer shall at no time during said period take any unilateral action which would have the purpose or effect of reducing in any Contract Year, the aggregate of monthly Customer Charges, monthly Demand Charges and monthly Non-Fuel Energy Charges chargeable by the Company in accordance with this Service Agreement to an amount less than the Cap Aggregate Amount. The parties hereto agree that the above cap on charges is just and reasonable under the current circumstances and reflect their expectations of what would be just and reasonable under future conditions reasonably contemplated by them to occur over the

initial five (5) year period of this Service Agreement. The cap on charges takes into account specific benefits that are achieved by the parties under this Service Agreement and under other agreements contemporaneously entered into by the parties and that are not otherwise available to the parties, and reflect the sharing of those benefits without undue discrimination against any current or future customer of the Company.

(c) Billing Demand. Notwithstanding any portion of Section 2.3 of the Rate Schedule, the Billing Demand for the Customer in any month shall be the maximum measured aggregate coincident 30-minute integrated kW demand (adjusted in Section 2.5 (B) of the Rate Schedule, if applicable, for load side metering transformation losses) established at all delivery points serving the Customer during that month, provided however, in the event of a continuous service outage of 72 hours or longer during any month, the Billing Demand for such month shall be prorated by an amount corresponding to the duration of such continuous service outage.

SECTION 4 - RETAIL RATE COVENANT. The Customer hereby agrees that, during the term hereof, it shall fix, prescribe and collect rates and charges for the electric services furnished by the Customer to its customers which, together with other income, are reasonably expected to yield revenues sufficient to satisfy the rates and charges prescribed herein as well as the other obligations of the Customer.

SECTION 5 - PROCUREMENT AND COSTS OF TRANSMISSION. During the term of this Service Agreement or any extension thereof, the Company (with the cooperation of, and in consultation with the Customer) shall use reasonable efforts to obtain, by contract, appropriate services for the transmission of electric power through the facilities of one or more third party utilities that are necessary to effect delivery of power under this Service Agreement from the facilities of the Company to the delivery point(s) set

forth in Exhibit "A". The Customer shall reimburse the Company for the cost of such third-party transmission, in accordance with the rate and billing procedures of Section 2.2 (B) (1) and Section 2.4 of the Rate Schedule. The Company's obligation to provide service hereunder shall at all times be subject to the availability of necessary wheeling services from such other third party utilities to the extent that the Company does not maintain transmission facilities directly interconnecting with the Customer's electric system. Except as otherwise provided by law, nothing in this section shall preclude the Company, during the term of this Service Agreement or any extension thereof, from interconnecting its own facilities with the delivery point(s), subject to the approval of the regulatory authorities with jurisdiction; provided that charges to the Customer, if any resulting from such extension shall be subject to credit or refund to the Customer in accordance with the cap on charges provisions of Section 3(b) hereof.

SECTION 6 - EFFECTIVE DATE. This Service Agreement shall become effective on February 28, 1991, or on such date as all of the following conditions are satisfied, whichever later occurs:

(a) This Service Agreement and the Rate Schedule are accepted for filing by the Federal Energy Regulatory Commission or any successor agency thereto, any statutory notice period shall have expired or have been waived, and the period for suspension, if any, under any applicable filing order shall have expired, and

(b) Closing shall have been effected on the purchase by the Company of the Customer's Phillips and Dinner Lake Plants, and an Operating Contract with respect to the Phillips and Dinner Lakes Plants, between the Company, as owner, and the Customer, as operator, in mutually agreeable form and substance shall have become effective, provided, however, that the Company and the Customer may waive this condition in whole



or in part by mutual agreement in writing.

SECTION 7 - TERM AND TERMINATION OF AGREEMENT. This Service Agreement shall be and remain in full force and effect for an initial period of twenty (20) years from and after the effective date thereof ("Initial Term"). The Customer shall have the option, exercisable by written notice given to the Company within three (3) years from the effective date hereof as provided in Section 6 hereof, to extend this Service Agreement for an additional term of up to ten (10) years from and after the expiration of the Initial Term ("Option Term"); provided that the Option Term shall not extend beyond the latest maturity date of any bonds issued by the Customer and outstanding during such three (3) year notice period. This Service Agreement shall be and remain in full force and effect from year-to-year after the Initial Term (or Option Term if the option was exercised) unless canceled by written notice given by either party to the other not less than five (5) years prior to the expiration of the Initial Term (or Option Term if the option was exercised) or any anniversary date of such expiration.

SECTION 8 - ASSIGNMENT AND BENEFIT. This Service Agreement shall inure to the benefit of, and shall bind, the successors of the parties hereto, but shall not be assignable by either party hereto without the prior written consent of the other party hereto, which the other party hereto may give or withhold in its reasonable discretion; provided, however, that the Company shall assign this Service Agreement in connection with the sale of all or substantially all of the Company's assets. The Customer agrees not to sell all or any material portion of its distribution system to any third party unless (1) said third party first expressly assumes, in writing, the obligations of the Customer hereunder relative to the portion of the system sold, (2) the Customer obtains the Company's written consent to such sale, which the Company may give or withhold in its reasonable discretion, (3) the current and projected creditworthiness of the third party is

demonstrated to the Company's reasonable satisfaction, and (4) the third party undertakes such covenants as will reasonably satisfy the Company that the demand and energy usage of the Customer's presale distribution system will not after such sale significantly deviate from usage patterns currently existing or as projected by the Company in consultation with the Customer, prior to such sale, subject to normal changes in retail usage patterns. A map of the Customer's distribution system as of the date above first written is attached hereto as Exhibit "B" and made a part hereof.

SECTION 9 - ADDITIONAL DELIVERY POINTS. Service may be provided at new delivery points as may be established directly on the Company's interconnected system, or indirectly through the interconnecting transmission facilities of other utilities as agreed upon by the Company and the Customer in accordance with the Rate Schedule. The parties hereto shall execute a separate Exhibit "A" for each new delivery point mutually agreed upon for service hereunder, and if more than one Exhibit "A" is entered into, each such Exhibit shall be numbered sequentially as Exhibit "A-1", Exhibit "A-2", and so forth.

SECTION 10 - DESIGNATED REPRESENTATIVE. To coordinate the operation of their respective facilities and in order to carry out the terms of this Agreement, the Company and the Customer shall each designate in a writing, delivered to the other party, the person who is to act as its representative under this Service Agreement (and the person or persons who may serve as an alternate whenever such representative is unable to act). Such representative and alternate or alternates shall each be persons familiar with the system facilities of such party by which he has been so designated, and each shall be fully authorized to cooperate with the other representative (or alternate). Such representatives or alternates shall, subject to the declared intentions of the parties herein set forth and to the terms and provisions hereof, be fully authorized to cooperate and agree upon all matters relative

to this Service Agreement which are not specifically provided for herein, provided, however, that any agreement that constitutes an amendment to this Service Agreement shall be effective only if first set forth in writing. A party may change its representative and its alternate(s) upon written notice given to the other party hereto.

SECTION 11 - NOTICES. All notices and other communications hereunder shall be in writing and shall be delivered by hand, by prepaid first class registered or certified mail, return receipt requested, by courier, by telex, or by facsimile, addressed as follows:

If to the Company: Tampa Electric Company  
702 North Franklin Street  
P.O. Box 111  
Tampa, Florida 33601-0111  
Facsimile:  
Attention:

If to the Customer: Sebring Utilities Commission  
P. O. Box 971  
Sebring, Florida 33871-0971.  
Facsimile:  
Attention:

Except as otherwise provided in this Agreement, all notices and other communications shall be deemed effective upon receipt. Each party shall have the right to designate a different address for notices to it by notice similarly given.

SECTION 12 - WAIVERS. At its option, either party may waive any or all of the obligations of the other party contained in this Agreement, but waiver of any obligation or of any breach of this Agreement by either party shall in no event constitute a waiver as to any other obligation or breach or any future breach, whether similar or dissimilar in nature, and no such waiver shall be binding unless in writing signed by the waiving party.

SECTION 13 - ENTIRE AGREEMENT; HEADINGS. This Service

Agreement, including the exhibits referred to herein which are a part hereof, together with the Rate Schedule, contains the entire understanding of the parties hereto with respect to the subject matter contained herein. There are no restrictions, promises, warranties, covenants or undertakings other than those expressly set forth herein. The section and paragraph headings contained in this Agreement are for reference purposes only and shall not affect, in any way, the meaning or interpretation of this Agreement.

SECTION 14 - COUNTERPARTS. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

SECTION 15 - GOVERNING LAW. This Agreement shall be construed and enforced in accordance with the laws of the State of Florida.

SECTION 16 - OPINION OF COUNSEL. Prior to the effective date hereof and as a condition of the Company's providing service hereunder, the Customer shall furnish the Company with an opinion of counsel reasonably acceptable to the Company to the effect that:

(a) Organization. The Customer is a statutory commission of the State of Florida duly organized, validly existing and in good standing under the laws of the State of Florida. The Customer has the requisite power and authority to execute and deliver this Service Agreement and to perform its obligations hereunder.

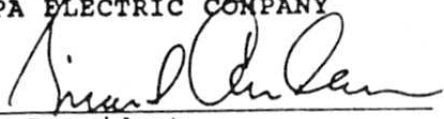
(b) Due Authorization, etc. The execution, delivery and performance by the Customer of this Service Agreement have been duly authorized by all necessary action on the part of the Customer and to the extent necessary by the Council of the City of Sebring, do not contravene any law, or any government

IN WITNESS WHEREOF, the parties hereto have caused this Supplement to be executed in their names and their seals hereunto affixed and attested by, respectively, their duly authorized representatives.

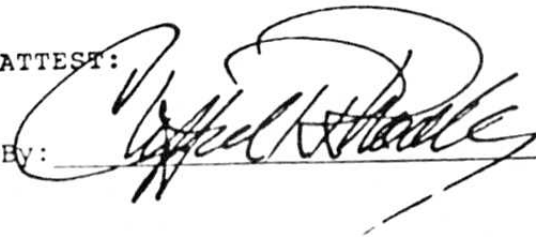
ATTEST:

By:   
Secretary

TAMPA ELECTRIC COMPANY

By:   
President

ATTEST:

By: 

SEBRING UTILITIES COMMISSION

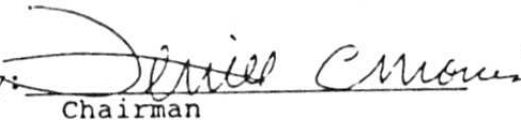
By:   
Chairman

EXHIBIT "A-4" OF SERVICE AGREEMENT  
SUPPLEMENTAL SERVICE SPECIFICATIONS

CUSTOMER: Sebring Utilities Commission

DELIVERY POINT NO: 4 - Dinner Power Plant

1. DATE OF THIS SUPPLEMENT: January 31, 1991
2. The characteristics of electricity supplied hereunder are as follows:  
Three phase, Four wire, (wye) (delta) at approximately 60 cycles and 69,000 volts.
3. The service facilities owned by the Company for the sole purpose of supplying electricity to the Customer are as follows:
  - (1) Transformer Capacity: 2,500
  - (2) Line facilities:  
and \_\_\_\_\_ (feet) (miles) \_\_\_\_\_ kV line,  
and \_\_\_\_\_ (feet) (miles) \_\_\_\_\_ kV line.
  - (3) Control and protective equipment:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
4. The delivery point location is 1246 N. Ridgewood, Sebring, Florida 33870
5. Electricity shall be metered at 69,000 volts.
6. Effective for electricity supplied on or after February 28, 1991.

EXHIBIT "A-1" OF SERVICE AGREEMENT  
SUPPLEMENTAL SERVICE SPECIFICATIONS

CUSTOMER: Sebring Utilities Commission

DELIVERY POINT NO: 1-SUN'N LAKES

1. DATE OF THIS SUPPLEMENT: January 31, 1991
2. The characteristics of electricity supplied hereunder are as follows:  
Three phase, Four wire, (wye) (delta) at approximately 60 cycles and 69,000 volts.
3. The service facilities installed by the Company for the sole purpose of supplying electricity to the Customer are as follows:
  - (1) Transformer Capacity: None
  - (2) Line facilities: None  
0 (feet) (miles) 0 kV line,  
and 0 (feet) (miles) 0 kV line.
  - (3) Control and protective equipment:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
4. The delivery point location is 1500 Bramblewood Road  
Sebring, Florida 33870
5. Electricity shall be metered at 69,000 volts.
6. Effective for electricity supplied on or after February 28, 1991.

IN WITNESS WHEREOF, the parties hereto have caused this Supplement to be executed in their names and their seals hereunto affixed and attested by, respectively, their duly authorized representatives.

ATTEST:

By: 

Secretary

TAMPA ELECTRIC COMPANY

By: 

President

ATTEST:

By: 

SEBRING UTILITIES COMMISSION

By: 

Chairman



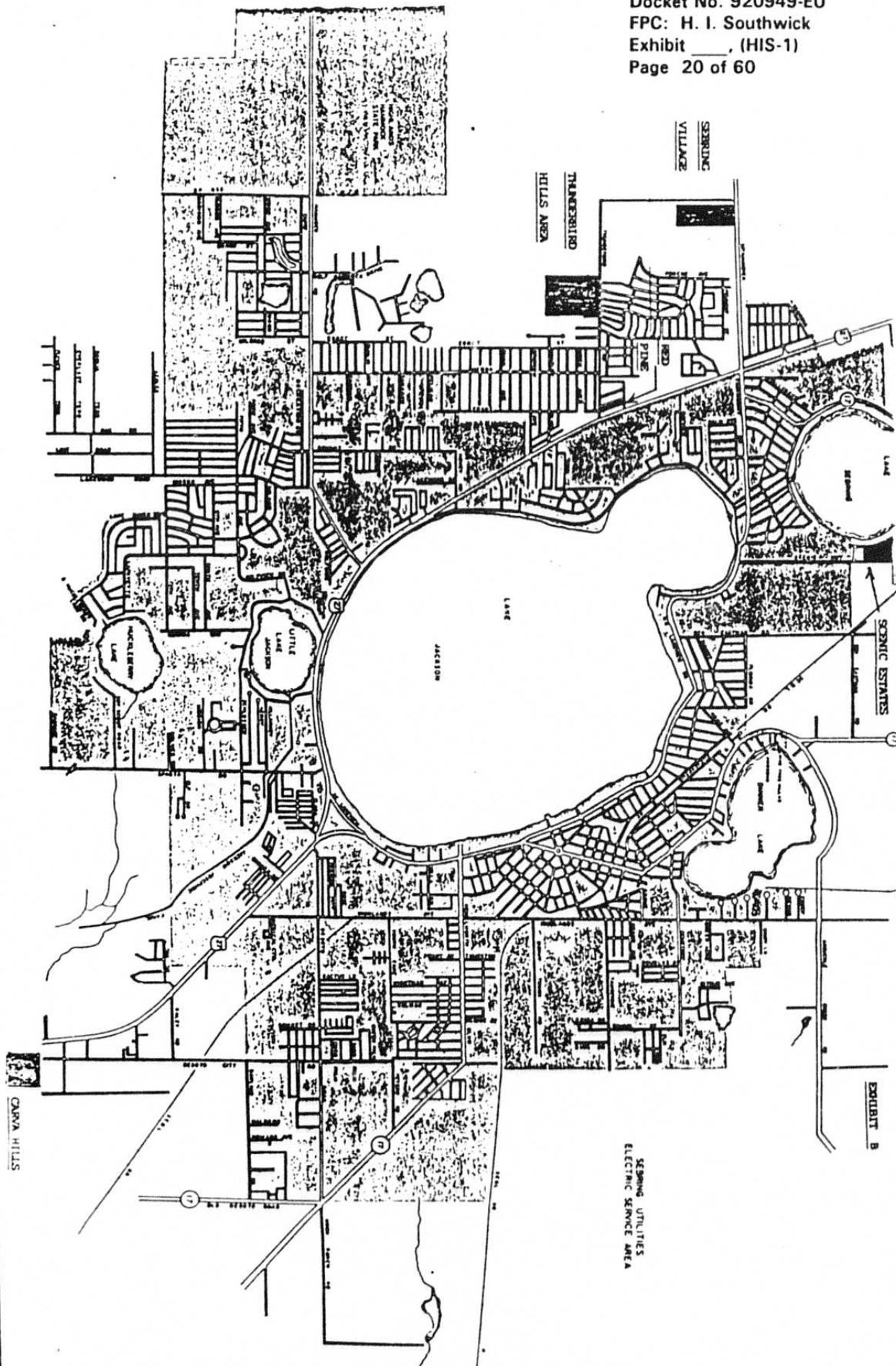


EXHIBIT "A-1" OF SERVICE AGREEMENT  
SUPPLEMENTAL SERVICE SPECIFICATIONS

CUSTOMER: Sebring Utilities Commission

DELIVERY POINT NO: 1 - Dinner Lake Substation

1. DATE OF THIS SUPPLEMENT: 3-25-92
2. The characteristics of electricity supplied hereunder are as follows:  
  
3 phase, 3 wire, (wye) (delta) at approximately 60 cycles and 69,000 volts.  
  
3 phase, 4 wire, (wye) (delta) at approximately 60 cycles and 13,800 volts.
3. The service facilities installed by the Company for the sole purpose of supplying electricity to the Customer are as follows:  
  
(1) Transformer Capacity: \_\_\_\_\_  
  
(2) Line facilities:  
\_\_\_\_\_ (feet) (miles) \_\_\_\_\_ kV line,  
and \_\_\_\_\_ (feet) (miles) \_\_\_\_\_ kV line.  
  
(3) Metering equipment in Dinner Lake Substation:  
2 - 69,000 volt metering stations  
2 - 13,800 volt metering stations  
\_\_\_\_\_  
\_\_\_\_\_
4. The delivery point location is 1246 N. Ridgewood, Sebring, FL, 33870
5. Electricity shall be metered at 69,000 and 13,800 volts.
6. Effective for electricity supplied on or after 3-25-92

IN WITNESS WHEREOF, the parties hereto have caused this Supplement to be executed in their names and their seals hereunto affixed and attested by, respectively, their duly authorized representatives.

ATTEST:

By: \_\_\_\_\_

Secretary

TAMPA ELECTRIC COMPANY

By: \_\_\_\_\_

Vice President

Energy Resources Planning

ATTEST:

By: \_\_\_\_\_

Secretary

SEBRING UTILITIES COMMISSION

By: \_\_\_\_\_

Chairman

EXHIBIT "A-2" OF SERVICE AGREEMENT  
SUPPLEMENTAL SERVICE SPECIFICATIONS

CUSTOMER: Sebring Utilities Commission

DELIVERY POINT NO: 2 - Switch 309 on Lakewood Tap

1. DATE OF THIS SUPPLEMENT: 3-25-92
2. The characteristics of electricity supplied hereunder are as follows:  
3 phase, 3 wire, (wye) (delta) at approximately 60 cycles and 69,000 volts.
3. The service facilities installed by the Company for the sole purpose of supplying electricity to the Customer are as follows:
  - (1) Transformer Capacity: \_\_\_\_\_
  - (2) Line facilities:  
\_\_\_\_\_ (feet) (miles) \_\_\_\_\_ kv line,  
and \_\_\_\_\_ (feet) (miles) \_\_\_\_\_ kv line.
  - (3) Metering equipment at Lakewood Substation:  
1 - 69,000 volt metering station  
\_\_\_\_\_  
\_\_\_\_\_
4. The delivery point location is at gang operated switch number 309
5. Electricity shall be metered at 69,000 volts.
6. Effective for electricity supplied on or after 3-25-92

IN WITNESS WHEREOF, the parties hereto have caused this Supplement to be executed in their names and their seals hereunto affixed and attested by, respectively, their duly authorized representatives.

ATTEST:

By: \_\_\_\_\_

Secretary

TAMPA ELECTRIC COMPANY

By: \_\_\_\_\_

Vice President

Energy Resources Planning

ATTEST:

By: \_\_\_\_\_

Secretary

SEBRING UTILITIES COMMISSION

By: \_\_\_\_\_

Chairman

FERC ELECTRIC TARIFF  
ORIGINAL VOLUME NO. 1  
of  
TAMPA ELECTRIC COMPANY  
Filed With The  
FEDERAL ENERGY REGULATORY COMMISSION

Communications Concerning this Tariff Should Be  
Addressed To:

John R. Rowe, Jr.  
Vice President -  
Regulatory Affairs  
Tampa Electric Company  
P. O. Box 111  
Tampa, Florida 33601

(813) 228-1746

Peter C. Lesch, Esq.  
Gallagher, Boland,  
Meiburger & Brosnan  
Suite 1100  
1000 Vermont Avenue N.W.  
Washington, D.C. 20005-4903

(202) 289-7200

Tampa Electric Company  
FERC Electric Tariff  
Original Volume No. 1

Original Sheet No. 1  
Effective:

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Tampa Electric Company  
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PRELIMINARY STATEMENT

Tampa Electric Company ("Tampa Electric" or "the Company") is an investor-owned public utility organized and existing under the laws of the State of Florida. Tampa Electric is engaged in the business of generating, distributing, and selling electric energy to retail customers in the City of Tampa, Florida and vicinity. Such retail sales are subject to the regulatory jurisdiction of the Florida Public Service Commission. Tampa Electric also sells electric energy at wholesale to investor-owned utilities, municipalities, municipal agencies, rural electric cooperatives and rural electric cooperative associations in the State of Florida. Such sales at wholesale are subject to the regulatory jurisdiction of the Federal Energy Regulatory Commission.



Tampa Electric Company  
FERC Electric Tariff  
Original Volume No. 1

Original Sheet No. 3  
Effective:

TAMPA ELECTRIC COMPANY  
RATE SCHEDULE FR-1  
FULL REQUIREMENTS ELECTRIC SERVICE FOR RESALE  
FOR MUNICIPALITIES, MUNICIPAL AGENCIES,  
RURAL ELECTRIC COOPERATIVES, AND RURAL ELECTRIC  
COOPERATIVE ASSOCIATIONS

ARTICLE I

SERVICE PROVISIONS

1.1 - Availability. Electric service under this Rate Schedule FR-1 (the "Rate Schedule") shall be made available by Tampa Electric Company (the "Company"), subject to the terms and conditions hereof, to any electric utility system owned and/or operated by any municipality, municipal agency, rural electric cooperative, or rural electric cooperative association (the "Customer") for its own use and/or for resale to the Customer's retail customers.

1.2 - Available Points of Delivery; Wheeling. Service under this Rate Schedule shall be available directly at existing points of delivery on the Company's interconnected transmission system and at such other points of delivery as may be established directly on such system, or indirectly through the interconnecting transmission facilities of other utilities, subject to the availability of wheeling services from such other utilities. Unless otherwise agreed to in an applicable Service Agreement between the Company and the Customer, the obtaining of wheeling services from such other utilities shall be the responsibility of the Customer. In all events the costs of wheeling shall be borne directly by, or shall be for the account of, the Customer.

Tampa Electric Company  
FERC Electric Tariff  
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Effective:

**1.3 - Applicability.** This Rate Schedule shall be applicable to electric service purchased from the Company by a Customer for its own use and for resale, provided that the Customer purchases from the Company the entire requirements of the Customer's electric system ("Full Requirements Service"), except to the extent that the Public Utility Regulatory Policies Act of 1978 or any successor or similar law would require the Customer to purchase capacity or energy from another entity without giving effect to this clause. This Rate Schedule is not applicable to standby, emergency or partial requirements services.

**1.4 - Application for Service.** Any Customer seeking service under this Rate Schedule shall submit a written application to the Company, describing the service requested and delivery points desired and furnishing such information as is necessary in the Company's reasonable judgment for the planning of the supply of power and necessary facilities, for evaluating the Customer's present and projected load and load characteristics, and for conducting adequate investigations into the present and projected credit standing of the Customer and into other matters pertinent to the service requested. Within 60 days of the receipt of the required information, or as soon as practicable thereafter, the Company shall make its response. The Company shall accept the request if the Company's power supply resources are sufficient within good utility planning margins to supply the Customer's present and projected load, if the Customer's present and projected creditworthiness is reasonably satisfactory to the Company and if provision of the requested service would not increase the Company's unit cost to serve its existing and projected retail and wholesale

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Tampa Electric Company  
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customers. In all other cases, the Company may decline to provide the service.

1.5 - Service Agreement. If the Company accepts the request of a Customer for service under this Rate Schedule, the Company and the Customer shall negotiate in good faith regarding the terms and conditions of a Service Agreement (essentially in the form of the Form of Service Agreement attached hereto and made a part hereof) setting forth, among other things, the points of delivery, delivery voltages, service facilities and protective equipment to be installed and/or maintained by the respective parties, transformer and transmission capacities, metering locations, provisions relating to duration and termination of the agreement, administrative matters, including provisions pertaining to credit terms and creditworthiness, and other provisions pertaining to service to be provided by the Company to that Customer. Service rendered hereunder shall be subject to the terms and conditions of this Rate Schedule, together with the terms and conditions of the Service Agreement executed by the Company and the Customer. In the event that any provisions of this Rate Schedule are inconsistent with the provisions of a Service Agreement between the Company and a Customer, the provisions of the Service Agreement shall control with respect to that Customer.

1.6 - Regulatory Control. Upon execution of the Service Agreement, the Company shall cause the Service Agreement to be filed with the Federal Energy Regulatory Commission or any successor agency thereto. The Service Agreement shall become effective on the date specified therein, subject to all required prior action by the Federal Energy Regulatory Commission or any

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Tampa Electric Company  
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successor agency thereto. In the event that any provisions of this Rate Schedule or of a Service Agreement hereunder are inconsistent with any applicable rule, regulation or order of the Federal Energy Regulatory Commission or any successor agency thereto, the provisions of said rule, regulation or order shall control.

1.7 - Character of Service. The service under this Rate Schedule is three-phase 60-cycle alternating current at the Company standard nominal voltage available at the delivery point or points most convenient to the Company for provision of the service requested. The Company shall not be required under this Rate Schedule to establish a new delivery point or change the voltage of an existing delivery point until written agreement is reached between the Company and Customer as to the share each shall bear in the cost of any new facilities that are necessary for such new delivery point or change in voltage.

1.8 - Amendment. The Company shall have the right at any time to amend any provision of its FERC Electric Tariff, Original Volume No. 1, including this Rate Schedule, or any Service Agreement by furnishing an appropriate statement of such amendment to each affected Customer and by unilaterally filing the same with the Federal Energy Regulatory Commission or any successor agency thereto pursuant to the provisions of Section 205 of the Federal Power Act. Nothing in this Rate Schedule shall be construed as affecting in any way the right of the Company to unilaterally make application to the Federal Energy Regulatory Commission or any successor agency thereto for a change in rates or in any other provision of this Rate Schedule or any Service Agreement hereunder pursuant to Section 205 of the Federal Power Act and pursuant to

Tampa Electric Company  
FERC Electric Tariff  
Original Volume No. 1

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Effective:

the Federal Energy Regulatory Commission's Rules and Regulations promulgated thereunder.

1.9 - Rights-of-Way. The obligations of the Company and the Customer are subject to and conditioned upon securing and retaining all rights-of-way, franchises, locations, permits, and other rights and approvals necessary in order to permit service hereunder, and each party agrees to use reasonable efforts to secure and retain all such rights-of-way, franchises, and other rights and approvals. The Company shall not be obligated in any way to extend its transmission or distribution system in order to provide service hereunder, provided, however, the Company reserves the right (subject to the approval of the regulatory authorities with jurisdiction), at its complete discretion, to extend its transmission system so as to avoid the need for obtaining wheeling services from other utilities, and, subject to mutual written agreement of the Company and the Customer, the Company may seek from said regulatory authorities such rate treatment for the cost of said extension and related interconnection as is deemed necessary and appropriate.

## ARTICLE II

### RATE, BILLING AND METERING PROVISIONS

2.1 - General. Service rendered hereunder shall be subject to the charges and rates set forth in Section 2.2 hereof, which charges shall be billed monthly as provided in Section 2.4 hereof. Such charges shall be determined (as applicable) from demand and from energy metered as provided in Section 2.5 hereof, as adjusted in Section 2.5 (B) for load side metering transformation losses.

Tampa Electric Company  
FERC Electric Tariff  
Original Volume No. 1

Original Sheet No. 8  
Effective:

2.2 - Charges and Rates.

A. Base Rates for Service. The charges described in items 1 through 4 below apply to Full Requirements Service delivered at 69 KV or higher.

1. Customer Charge  
\$367.00 per month
2. Demand Charge  
\$ 9.42 per kW of Billing Demand (as determined under Section 2.3 hereof)
3. Non-Fuel Energy Charge  
\$.00554 per kWh of energy delivered in any month
4. Base Fuel Energy Charge  
\$.02317 per kWh of energy delivered in any month

B. Additional Charges. The additional charges described in items 1 through 3 below apply to Full Requirements Service only under circumstances described below.

1. Wheeling Charge  
In the event that service for a Customer under this Rate Schedule requires transmission of electric power through the facilities of a third party in order to effect delivery, and the Service Agreement between the Company and the Customer requires that

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the Company provide for such transmission by contract with the third party, there shall be charged to the Customer such amounts as are invoiced to the Company by said third party for such transmission service (inclusive of all reactive power charges or other charges arising from such service and charged by said third party). If the transmission rate(s) that the Company passes through to the Customer has been suspended, subject to refund, by the regulatory authority with jurisdiction over such rate(s), and refunds are ultimately forthcoming to the Company from the third party, the Company shall, within fifteen (15) days following receipt thereof, refund to the Customer the amount of such refunds, including any interest component thereof, associated with the amounts previously billed to the Customer by the Company.

2. Substation Capacity Charge

\$.42 per kW for each kW of Billing Demand delivered in any month at less than 69 KV, where the substation capacity used to transform to that voltage is owned by the Company.

3. Excess Facilities Charge

One and three quarter percent (1.75%), per month, of the total cost of additional equipment installed by the Company for the purpose of facilitating the provision of transmission service to the Customer



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or to provide protection for the electric system of the Company or the wheeling utility. This charge shall not be applied to any facilities providing substation capacity for which a charge is made under Section 2.2 (B) (2) above or to billing metering equipment owned and installed by the Company.

C. Fuel Adjustment Clause. The purpose of this Fuel Adjustment Clause is to account for changes, if any, in the actual costs of fuel and purchased economic power per kWh during any current six-month (April through September or October through March) period, as measured against the costs of fuel and purchased economic power per kWh in the base period from which the Base Fuel Energy Charge was determined. The adjustment shall be accomplished in two steps, with the first step based upon projected data and the second step based upon actual data. The first step adjustment shall be determined semi-annually as provided below, based upon projected costs of fuel and purchased economic power during the current six-month period, which amount shall be charged or credited as the case may be during the current six-month period, as provided in Paragraph 1 below. The second step adjustment will account for the difference, if any, between such projected costs of fuel and purchased economic power and actual costs of fuel and purchased economic power, which difference shall be calculated and charged or refunded as the case may be, with interest, during the next following six-month period, as provided in Paragraph 2 below. This fuel clause is intended to comply with 18 CFR Section 35.14.



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1. Estimated Fuel Adjustment Charge or Credit.

There shall be charged or credited to each Customer an amount ("Estimated Fuel Adjustment Amount") equal to the arithmetic product of an adjustment factor, FA (expressed in dollars per kWh and determined as provided below to the nearest one-thousandth of a cent), multiplied by the quantity of energy, expressed in kWh, delivered to such Customer in any month, adjusted as necessary to reflect delivery voltage. The adjustment factor, FA, shall be determined from the formula:

$$FA = \frac{F_m}{S_m} - \$0.02317$$

Where:

$F_m$  = Fuel and Purchased Economic Power Costs (determined in accordance with 18 CFR Section 35.14, as amended from time to time, or as otherwise ordered by the Federal Energy Regulatory Commission) as projected semi-annually as provided in Section 2.2 (C) (3) below for the six-month period (April through September or October through March) in which the current month is included; and

$S_m$  = All kWh of energy sold by the Company (less inter-system sales) as projected for the six-month period (April through September or October through March) in which the current month is included

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(determined in accordance with 18 CFR Section 35.14, as amended from time to time, or as otherwise ordered by the Federal Energy Regulatory Commission).

2. Fuel Adjustment True-Up Charge or Refund.

As soon as possible after the conclusion of each six-month (April through September or October through March) period, there shall be calculated, for each month in such period, the amount ("Actual Fuel Adjustment Amount") that would have been charged under Section 2.2 (C) (1) above, as if  $F_m$  for that month had been based upon actual, rather than projected Fuel and Purchased Economic Power Costs for such month (determined in accordance with 18 CFR Section 35.14, as amended from time to time, or as otherwise ordered by the Federal Energy Regulatory Commission), and as if  $S_m$  for that month had been based upon actual, rather than projected, kWh of energy sold by the company (less inter-system sales) for such month (determined in accordance with 18 CFR Section 35.14, as amended for time to time, or as otherwise ordered by the Federal Energy Regulatory Commission). For each month in such period, there shall be subtracted the Estimated Fuel Adjustment Amount from the Actual Fuel Adjustment Amount ("Monthly Differential"). There shall then be calculated the sum of the Monthly Differentials for each of the months of said period, together with interest at the 30-Day CP Rate (defined below), compounded monthly ("True-Up Amount"). By "30-Day CP Rate" is meant the thirty (30)

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day commercial paper rate for high grade, unsecured notes sold through dealers by major corporations in multiples of \$1,000 as regularly published in the Wall Street Journal for the last day of the applicable month and the last day of the preceding month (in the event one or more of such reports indicates a range of such rate, the average of the two limits shall be used in the calculation). The True-Up Amount for each six-month period shall be charged monthly, if positive (or refunded monthly, if negative) to the Customer in equal principal amounts over the next following six-month period, together with interest at the 30-Day CP Rate on the principal remaining balance of the True-Up Amount (determined before the charge or refund for that month), until fully paid.

3. Projections. Projections of  $F_m$  and  $S_m$  shall be consistent with such projections and methodology as are accepted for filing and used by the Florida Public Service Commission (or as are modified or supplemented at the direction of the Florida Public Service Commission) to the extent not inconsistent with the regulations or orders of the Federal Energy Regulatory Commission. In the event that there are changes of ten percent (10%) or greater in the aforementioned projected fuel costs during any six month period,  $F_m$  and/or  $S_m$  shall be modified accordingly for the remainder of that six-month projection period.

4. Fuel Cost Data. The Company shall, upon

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reasonable notice and written request, and consistent with the orders and regulations of the Florida Public Service Commission and the Federal Energy Regulatory Commission, furnish to Customers being served under this Fuel Adjustment Clause projected fuel costs and supporting data filed with the Florida Public Service Commission and the Federal Energy Regulatory Commission and reports of actual fuel costs filed with the Florida Public Service Commission and the Federal Energy Regulatory Commission.

5. Purchase Charges. Purchase charges other than those for fuel and energy shall be included in fuel cost calculations under this clause, as permitted under 18 CFR Section 35.14, to the extent such purchases are not required to meet system reserve capacity criteria. System reserve capacity criteria shall be deemed to be satisfied when available power resources (exclusive of purchases for which recovery is sought) are equal to, or greater than, anticipated firm Customer peak loads plus the Company's share of State Operating Reserves, as established by the Florida Coordinating Group from time to time. Non-fuel purchased economic power costs included in fuel cost calculations shall not include any such charges reflected in base rates for service.

2.3 - Billing Demand. The Billing Demand for each delivery point for any month shall be the greater of:

A. The maximum measured 30-minute integrated kW demand

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(adjusted pursuant to Section 2.5 (B) for load side metering transformation losses) established for that delivery point during such month, or

B. Sixty percent (60%) of the highest such maximum demand (adjusted pursuant to Section 2.5 (B) for load side metering transformation losses) during the preceding twelve (12) months.

#### 2.4 - Payment of Invoices.

A. Invoices for service shall be rendered on a monthly basis by the Company for each delivery point and shall be due when rendered and payable within fifteen (15) days from the date of receipt. The Company may render invoices by means of facsimile, and receipt shall be deemed to have occurred upon transmission if confirmed verbally or in writing or by machine-generated message confirmation. Invoices not paid within fifteen (15) days from the date of receipt shall be termed delinquent and shall accrue interest daily at the 30-Day CP Rate as defined in Section 2.2 (C) (2) hereof. Interest hereunder shall be calculated on the basis of a 360 day year. The payment date shall be determined by the postmark of the remittance.

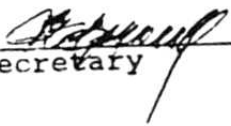
B. In the event any portion of the bill is in bona fide dispute, the entire amount shall be payable when due. Upon determination of the correct amount, a refund, if any, shall become due and payable to the Customer, with interest calculated as provided in this Section.

rule, regulation or order applicable to the Customer or its properties, or the Charter of the City of Sebring and do not and will not contravene the provisions of, or constitute a default under, any contract, resolution or other instrument to which the Customer or the City of Sebring is a party or by which the Customer or the City of Sebring is bound. All requisite governmental and regulatory approvals and consents for the execution, delivery and performance by the Customer of this Service Agreement have been obtained. This Service Agreement has been duly and validly executed and delivered by the Customer and constitutes a legal, valid and binding obligation of the Customer enforceable in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency or similar laws affecting the rights of creditors generally, or by generally applicable principles of equity.

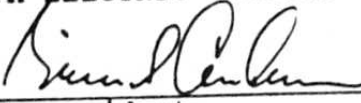
(c) Litigation. There are no actions, suits or proceedings pending against the Customer or, to the Customer's knowledge, threatened against or affecting the Customer before any court or administrative body or agency having jurisdiction over the Customer, nor are there any petitions for referendum known to the Customer to be pending, which might materially adversely affect the execution, delivery and performance by the Customer of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by their respective authorized officials.

ATTEST:

By:   
Secretary

TAMPA ELECTRIC COMPANY

By:   
President

ATTEST:

By: 

SEBRING UTILITIES COMMISSION

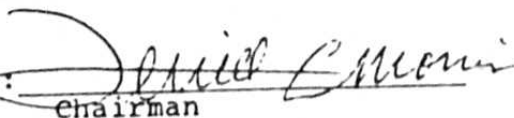
By:   
Chairman

EXHIBIT "A-2" OF SERVICE AGREEMENT  
SUPPLEMENTAL SERVICE SPECIFICATIONS

CUSTOMER: Sebring Utilities Commission

DELIVERY POINT NO: 2 - DESOTO CITY (B)

1. DATE OF THIS SUPPLEMENT: January 31, 1991
2. The characteristics of electricity supplied hereunder are as follows:  
Three phase, Four wire, (wye) (delta) at approximately  
60 cycles and 69,000 volts.
3. The service facilities installed by the Company for the sole  
purpose of supplying electricity to the Customer are as  
follows:
  - (1) Transformer Capacity: None
  - (2) Line facilities: None  
0 (feet) (miles) 0 kV line,  
and 0 (feet) (miles) 0 kV line.
  - (3) Control and protective equipment:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
4. The delivery point location is 7910 U. S. Highway 27  
South, Sebring, Florida 33870
5. Electricity shall be metered at 69,000 volts.
6. Effective for electricity supplied on or after February 28,  
1991.



IN WITNESS WHEREOF, the parties hereto have caused this Supplement to be executed in their names and their seals hereunto affixed and attested by, respectively, their duly authorized representatives.

ATTEST:

By: \_\_\_\_\_

Secretary

TAMPA ELECTRIC COMPANY

By: \_\_\_\_\_

President

ATTEST:

By: \_\_\_\_\_

SEBRING UTILITIES COMMISSION

By: \_\_\_\_\_

Chairman

EXHIBIT "A-3" OF SERVICE AGREEMENT  
SUPPLEMENTAL SERVICE SPECIFICATIONS

CUSTOMER: Sebring Utilities Commission

DELIVERY POINT NO: 3 - Phillips Power Plant (C)


1. DATE OF THIS SUPPLEMENT: January 31, 1991
2. The characteristics of electricity supplied hereunder are as follows:  
Three phase, Four wire, (wye) (delta) at approximately  
60 cycles and 69,000 volts.
3. The service facilities owned by the Company for the sole  
purpose of supplying electricity to the Customer are as  
follows:
  - (1) Transformer Capacity: 2,500 KVA
  - (2) Line facilities:  
\_\_\_\_\_ (feet) (miles) \_\_\_\_\_ kV line,  
and \_\_\_\_\_ (feet) (miles) \_\_\_\_\_ kV line.
  - (3) Control and protective equipment:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
4. The delivery point location is 7301 Airport Road, Sebring,  
Florida 33870  
\_\_\_\_\_
5. Electricity shall be metered at 69,000 volts.
6. Effective for electricity supplied on or after February 28,  
1991.

IN WITNESS WHEREOF, the parties hereto have caused this Supplement to be executed in their names and their seals hereunto affixed and attested by, respectively, their duly authorized representatives.

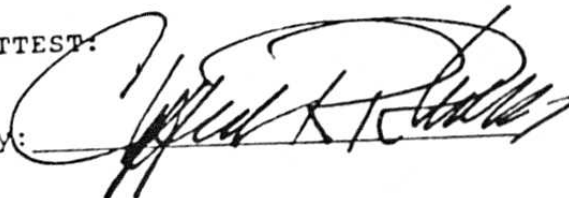
ATTEST:

By:   
Secretary

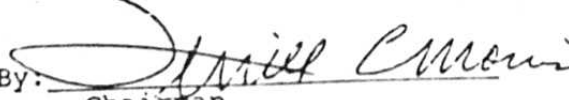
TAMPA ELECTRIC COMPANY

By:   
President

ATTEST:

By: 

SEBRING UTILITIES COMMISSION

By:   
Chairman

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2.5 - Metering.

A. The electric service demand and energy shall be measured by metering equipment to be furnished and installed by the Company at or adjacent to each point of delivery, or by other metering equipment mutually agreed upon in writing, which metering equipment shall constitute the basis for computation of invoices for demand and energy consumption.

B. The Company shall have the option of metering the service either on the load side or the input side of any transformation required to supply the Customer; provided, however, that when service is metered on the load side of any transformation required to supply the customer at a delivery voltage of less than 69 KV, the metered energy and demand will be adjusted upwards by one percent (1%) to reflect transformation losses.

C. When service is metered on the load side of a Customer-owned transformer, the Customer shall provide suitable location and space so that the Company can arrange for the economical installation of the required metering equipment.

D. The Customer, upon notice to the Company, shall have the right, in the presence of an officer, agent or designated employee of the Company, to read and check the Company's meters and/or metering equipment, should it so desire. Should there be any disagreement as to the correctness of the readings and/or accuracy of the said

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meters and/or metering equipment, the Company and the Customer shall jointly test said meters. In the event of disagreement as to the tests and/or the accuracy of same, the Company and the Customer shall have the right to have the said meters and metering equipment tested by a competent and impartial engineer mutually acceptable to the Company and the Customer, and the decision of said engineer shall be considered final as to the accuracy of the said meters and/or metering equipment, provided, however, that the said meters and metering equipment shall be considered accurate if calibration is within a deadband of plus or minus two percent (2%) of accuracy. Should any of said meters be beyond the said range of accuracy, an adjustment shall be made for the period of known inaccuracy, based on the average of the three (3) months' demand and energy consumption prior to the period in question, but no adjustment shall extend over a period of more than three (3) months. Any such adjustment shall disregard that portion of any inaccurate measurement falling within the above-described plus or minus two percent (2%) deadband. If the outcome of the tests does not compel an adjustment as provided above, the out-of-pocket costs and fees associated with the tests performed by the impartial engineer shall be borne by whichever of the Company or the Customer ordered the tests. If the outcome of the tests compels an adjustment as provided above, the out-of-pocket costs and fees associated with the tests performed by the impartial engineer shall be borne by whichever of the Company or the Customer did not order the tests.

2.6 - Dispute Resolution. Any dispute arising under this Rate

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Schedule with respect to the charges and rates prescribed herein shall be subject to the exclusive jurisdiction of the Federal Energy Regulatory Commission.

ARTICLE III  
GENERAL TERMS AND CONDITIONS

3.1 - Service Facilities. Each of the Company and the Customer shall furnish, install, maintain, own and operate at its sole cost and expense, all lands and equipment located on its side of the delivery point unless otherwise specified in the service agreement, provided, however, that if delivery of electric power is effected through the transmission facilities of a third party, neither the Company nor the Customer shall be responsible for lands or equipment of such third party. All wiring, poles, lines, conductors, transformers, meters, and other electrical equipment beyond the point of delivery shall be considered the distribution system of the Customer and shall be furnished and maintained by the Customer. Should the Company be requested to move the point of delivery to the load side of the transformation at one or more delivery points, a Substation Capacity Charge for Company transformer ownership as provided in Section 2.2 (B) (2) shall be applicable. The Customer shall construct, operate and maintain its electric system in accordance with specifications at least equal to the National Electric Safety Code of the U. S. Bureau of Standards, and shall install, operate and maintain suitable protective devices on its distribution system in order to afford reasonably adequate protection to the lines of the Company against trouble originating on the Customer's system, and such protective devices shall be in

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accordance with standard practices relating to such equipment.

**3.2 - Access for Company Employees.** The Company shall have the right, authority and privilege to enter upon the premises of the Customer at all reasonable times for the purpose of reading meters, inspecting or repairing apparatus, removing the Company's property and/or for any other purposes to carry on the work of the Company in connection with the delivery of electric power pursuant to the Service Agreement under this Rate Schedule, and to do all things necessary and expedient in the proper operation of its said business.

**3.3 - Reactive Power Requirement.** The Customer hereby specifically covenants, undertakes, and agrees to maintain and operate its distribution system load between a unity power factor and a 97% power factor, lagging, at all times, and to install, maintain, and operate, at its sole cost and expense, such additional capacitors or other corrective devices as may be required to develop and maintain a power factor between unity and 97%, lagging, on its electric distribution system. Should the Company need to install additional equipment to eliminate the non-beneficial flow of reactive power, the Customer agrees to pay the Company monthly the Excess Facilities Charge set forth in Section 2.2 (B) (3) hereof for said equipment.

**3.4 - Continuity of Service.** The Company shall exercise due care and reasonable diligence to supply electric service hereunder free from interruption; provided, however, the Company shall not be liable for any failure to supply electric service, nor for any interruption, reversal or abnormal voltage relating to any electric

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service supplied, if such failure, interruption, reversal or abnormal voltage is without negligence on its part or is due to an Event of Force Majeure as described in Section 3.5 herein. Whenever the integrity of the Company's system or the supply of electricity is threatened by conditions on its system or on the systems with which it is directly or indirectly interconnected, or whenever it is necessary or desirable to aid in the delivery or restoration of its service or the service of others, the Company, in conformance with sound operating and engineering practices and with the application of standards not more interruptive than those applicable to its retail customers in like circumstances, may curtail or interrupt electric service or reduce voltage to some or all of its Customers and any such curtailment, interruption or reduction shall not in and of itself constitute negligence by the Company.

3.5 - Force Majeure. In case either the Company or the Customer should be delayed in or prevented from performing or carrying out any of the covenants and obligations (other than the obligation to pay money) made by and imposed upon it by this Rate Schedule or in any Service Agreement hereunder by reason of any cause, whether or not foreseeable, beyond such party's reasonable control, including without limitation any strike, work stoppage or slowdown, failure of contractors or suppliers of materials, riot, fire, hurricane, tornado, drought, flood, ice condition, invasion, war, civil war, blockade, commotion, insurrection, military or usurped power, order of any court, order of any civil or military authority either de facto or de jure, explosion, act of God or the public enemies, failure or malfunction of system facilities, or unscheduled outage of generating units ("Event of Force Majeure"),

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then and in such case or cases, each party shall be excused from performance under the Service Agreement and shall not be liable to the other party for or on account of any loss, damage, injury, or expense (including consequential damages and cost of replacement power) resulting from or arising out of such delay or prevention; provided, however, that the party suffering such delay or prevention shall use due and reasonable diligence to remove the cause or causes thereof; and provided, further, that neither party shall be required by the foregoing provisions to settle a strike, work stoppage or slowdown except when, according to its own best judgment, such a settlement seems advisable. In the case of any Event of Force Majeure requiring the Company to curtail service to its retail or wholesale customers, the Company shall be entitled to allocate the curtailment or any portion thereof among one or more Customers taking service under this Rate Schedule as it deems appropriate under the circumstances, in conformance with sound operating and engineering practices and subject to applicable law.

3.6 - Limitation of Liability. In any action arising out of any claimed breach of this Rate Schedule or of any Service Agreement hereunder, the Company shall not be liable for loss of profit, loss of operation time, or loss of or reduction in use of any facilities or any portion thereof, increased expense of construction, operation (other than the increase expense of replacement power purchases made directly by the Customer), or maintenance, or for any special, indirect, incidental, or consequential damages. Nothing in this Section 3.6 shall be deemed a waiver of the Customer's right to seek relief under the Federal Power Act or any successor legislation.

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3.7 - Responsibility and Indemnification. The Company and the Customer shall each indemnify and save harmless and defend the other against all claims or demands by third parties for costs, expenses for losses or damages with respect to injury to persons or property, in any manner directly or indirectly connected with or growing out of the generation, transmission, or use of electric capacity and energy on its own side of the point(s) of delivery (except for any such claim or demand directly or indirectly connected with or arising out of transmission by a third party utility providing wheeling service), unless such claim or demand shall arise out of or result from the negligence or willful misconduct of the other, its agents, servants, or employees, provided, however, that neither party hereby assumes responsibility for damage or injury to employees of the other.

3.8 - Default. In the event of nonpayment of an invoice by Customer, the Company shall have the right to terminate service sixty (60) days subsequent to the date of the invoice. The Company shall be required to notify the Customer in writing of its intent to terminate service for nonpayment at least thirty (30) days prior to the actual date of termination of service. The Customer shall be entitled to reinstate service at any time prior to actual cutoff by payment of all charges then outstanding together with interest at the applicable rate, but the Company thereafter shall be entitled to require the Customer to keep on deposit with the Company for a reasonable period a sum equal to one-month's estimated charges or other comparable security. Nothing herein (other than the limitations expressed in Sections 2.6 and 3.6 hereof) shall limit in any way the remedies available to the Company or the Customer at law or equity for nonpayment of invoices

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or for breach by the Customer or the Company of any provision hereof.

3.9 - Planning and Cooperation. The Company and the Customer shall maintain close coordination with respect to the planning of future delivery points or other additional facilities in the interests of system reliability and overall economics. Each party shall endeavor, to the extent practicable, to keep the other party advised of significant developments related to its electric system. On or before October 1 of each year, the Customer shall furnish the Company with a forecast of projected demand and energy requirements for the five-year period commencing the next following January 1.

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**FORM OF SERVICE AGREEMENT**  
(For Use Under Tampa Electric Company Rate Schedule FR-1)

THIS SERVICE AGREEMENT, made this \_\_\_\_ day of \_\_\_\_\_, by  
and between TAMPA ELECTRIC COMPANY, a Florida Corporation (the  
"Company"), and \_\_\_\_\_, a \_\_\_\_\_  
(the "Customer"),

**W I T N E S S E T H :**

In consideration of their mutual representations, warranties  
and covenants, and intending to be legally bound, the parties  
hereto agree as follows.

**SECTION 1 - AGREEMENT OF PURCHASE AND SALE.** Subject to the  
terms and conditions set forth herein, the Company agrees to sell  
and deliver to the Customer, and the Customer agrees to purchase  
and receive from the Company, all of the electric power and energy  
required by the Customer, for its own use and/or for resale to the  
Customer's retail customers, except to the extent that the Public  
Utility Regulatory Policies Act of 1978 or any successor or similar  
law would require the Customer to purchase capacity or energy from  
another entity without giving effect to this clause.

**SECTION 2 - INITIAL POINTS OF DELIVERY.** Service under this  
Service Agreement shall be provided directly at the points of  
delivery described in Exhibit "A", attached hereto and made a part  
hereof, and shall have the characteristics set forth in said  
Exhibit "A".

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**FORM OF SERVICE AGREEMENT**  
(For Use Under Tampa Electric Company Rate Schedule FR-1)

**SECTION 3 - CHARGES, RATES AND TERMS AND CONDITIONS OF SERVICE.** Service rendered hereunder shall be subject to the terms and conditions set forth in this Service Agreement, together with the terms and conditions (including without limitation the applicable rate provisions) set forth in the Company's Rate Schedule FR-1 (the "Rate Schedule") as contained in the Company's FERC Electric Tariff, Original Volume No. 1, or as the same may be amended from time to time or superseded pursuant to the filing and other provisions of the Federal Power Act. The Rate Schedule is incorporated herein and made a part hereof. In the event that any provisions of the Rate Schedule are inconsistent with the provisions of this Service Agreement, the provisions of this Service Agreement shall control.

**SECTION 4 - RETAIL RATE COVENANT.** The Customer hereby agrees that, during the term hereof, it shall fix, prescribe and collect rates and charges for the electric services furnished by the Customer to its customers which, together with other income, are reasonably expected to yield revenues sufficient to satisfy the rates and charges prescribed herein as well as the other obligations of the Customer.

**SECTION 5 - PROCUREMENT AND COSTS OF TRANSMISSION.**

[If the Customer Is Obtaining Wheeling Services]

During the term of this Service Agreement or any extension thereof, the Customer (with the cooperation of the Company) shall be responsible for obtaining any services for the transmission of

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**FORM OF SERVICE AGREEMENT**  
(For Use Under Tampa Electric Company Rate Schedule FR-1)

electric power through the facilities of one or more third party utilities that are necessary to effect delivery of power under this Service Agreement from the facilities of the Company to the delivery point(s) set forth in Exhibit "A". The Customer shall make payment for any such transmission directly to the third party providing the transmission service. The Company's obligation to provide service hereunder shall at all times be subject to the availability of wheeling services from such other third party utilities to the extent that the Company does not maintain transmission facilities directly interconnecting with the Customer's electric system. Except as otherwise provided by law, nothing in this section shall preclude the Company, during the term of this Service Agreement or any extension thereof, from interconnecting its own facilities with the delivery point(s), subject to the approval of the regulatory authorities with jurisdiction.

[If the Company Is Obtaining Wheeling Services]  
During the term of this Service Agreement or any extension thereof, the Company (with the cooperation of the Customer) shall use reasonable efforts to obtain, by contract, any services for the transmission of electric power through the facilities of one or more third party utilities that are necessary to effect delivery of power under this Service Agreement from the facilities of the Company to the delivery point(s) set forth in Exhibit "A". The Customer shall reimburse the Company for the cost of such third-party transmission, in accordance with the rate and billing procedures of Section 2.2 (B) (1) and Section 2.4 of the Rate

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Schedule. The Company's obligation to provide service hereunder shall at all times be subject to the availability of wheeling services from such other third party utilities to the extent that the Company does not maintain transmission facilities directly interconnecting with the Customer's electric system. Except as otherwise provided by law, nothing in this section shall preclude the Company, during the term of this Service Agreement or any extension thereof, from interconnecting its own facilities with the delivery point(s), subject to the approval of the regulatory authorities with jurisdiction.

**SECTION 6 - EFFECTIVE DATE.** This Service Agreement shall become effective on \_\_\_\_\_.

**SECTION 7 - TERM AND TERMINATION OF AGREEMENT.** This Service Agreement shall be and remain in full force and effect for an initial period of \_\_\_\_\_ from and after the effective date hereof, and from year-to-year thereafter unless canceled by written notice given by either party to the other not less than \_\_\_\_\_ prior to the expiration of the initial term or any anniversary date of such expiration.

**SECTION 8 - ASSIGNMENT AND BENEFIT.** This Service Agreement shall inure to the benefit of, and shall bind, the successors of the parties hereto, but shall not be assignable by the Customer without the prior written consent of the Company, which the Company may give or withhold in its absolute discretion. The Customer



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agrees not to sell all or any material portion of its distribution system to any third party unless (1) said third party first expressly assumes, in writing, all of the obligations of the Customer hereunder, (2) the Customer obtains the Company's written consent to such sale, (3) the current and projected creditworthiness of the third party is demonstrated to the Company's reasonable satisfaction, and (4) the third party undertakes such covenants as will reasonably satisfy the Company that the demand and energy usage of the Customer's distribution system after such sale will not significantly deviate from usage patterns currently existing or as projected by the Company in consultation with the Customer, prior to such sale. A map of the Customer's distribution system as of the date above first written is attached hereto as Exhibit "B" and made a part hereof.

**SECTION 9 - ADDITIONAL DELIVERY POINTS.** Service may be provided at new delivery points as may be established directly on the Company's interconnected system, or indirectly through the interconnecting transmission facilities of other utilities as agreed upon by the Company and the Customer in accordance with the Rate Schedule. The parties hereto shall execute a separate Exhibit "A" for each new delivery point mutually agreed upon for service hereunder, and if more than one Exhibit "A" is entered into, each such Exhibit shall be numbered sequentially as Exhibit "A-1", Exhibit "A-2", and so forth.

**SECTION 10 - DESIGNATED REPRESENTATIVE.** To coordinate the



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operation of their respective facilities and in order to carry out the terms of this Agreement, the Company and the Customer shall each designate in a writing, delivered to the other party, the person who is to act as its representative under this Service Agreement (and the person or persons who may serve as an alternate whenever such representative is unable to act). Such representative and alternate or alternates shall each be persons familiar with the system facilities of such party by which he has been so designated, and each shall be fully authorized to cooperate with the other representative (or alternate). Such representatives or alternates) shall, subject to the declared intentions of the parties herein set forth and to the terms and provisions hereof, be fully authorized to cooperate and agree upon all matters relative to this Service Agreement which are not specifically provided for herein, provided, however, that any agreement that constitutes an amendment to this Service Agreement shall be effective only if first set forth in writing. A party may change its representative and its alternate(s) upon written notice given to the other party hereto.

**SECTION 11 - NOTICES.** All notices and other communications hereunder shall be in writing and shall be delivered by hand, by prepaid first class registered or certified mail, return receipt requested, by courier, by telex, or by facsimile, addressed as follows:

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If to the Company: Tampa Electric Company  
702 North Franklin Street  
P.O. Box 111  
Tampa, Florida 33601-0111  
Facsimile:  
Attention:

If to the Customer: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Facsimile:  
Attention:

Except as otherwise provided in this Agreement, all notices and other communications shall be deemed effective upon receipt. Each party shall have the right to designate a different address for notices to it by notice similarly given.

**SECTION 12 - WAIVERS.** At its option, either party may waive any or all of the obligations of the other party contained in this Agreement, but waiver of any obligation or of any breach of this Agreement by either party shall in no event constitute a waiver as to any other obligation or breach or any future breach, whether similar or dissimilar in nature, and no such waiver shall be binding unless in writing signed by the waiving party.

**SECTION 13 - ENTIRE AGREEMENT; HEADINGS.** This Service Agreement, including the exhibits referred to herein which are a part hereof, together with the Rate Schedule, contains the entire understanding of the parties hereto with respect to the subject matter contained herein. There are no restrictions, promises, warranties, covenants or undertakings other than those expressly

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set forth herein. The section and paragraph headings contained in this Agreement are for reference purposes only and shall not affect, in any way, the meaning or interpretation of this Agreement.

**SECTION 14 - COUNTERPARTS.** This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**SECTION 15 - GOVERNING LAW.** This Agreement shall be construed and enforced in accordance with the laws of the State of Florida.

**SECTION 16 - OPINION OF COUNSEL.** Upon the execution and delivery of this Service Agreement, the Customer shall furnish the Company with an opinion of counsel reasonably acceptable to the Company to the effect that:

(a) **Organization.** The Customer is a \_\_\_\_\_ duly organized, validly existing and in good standing under the laws of the State of \_\_\_\_\_. The Customer has the requisite power and authority to execute and deliver this Service Agreement and to perform its obligations hereunder.

(b) **Due Authorization, etc.** The execution, delivery and performance by the Customer of this Service Agreement have been duly authorized by all necessary action on the part of

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the Customer, do not contravene any law, or any government rule, regulation or order applicable to the Customer or its properties, or the Charter of the City of \_\_\_\_\_ and do not and will not contravene the provisions of, or constitute a default under, any contract, resolution or other instrument to which the Customer or the City of \_\_\_\_\_ is a party or by which the Customer or the City of \_\_\_\_\_ is bound. All requisite governmental and regulatory approvals and consents for the execution, delivery and performance by the Customer of this Service Agreement have been obtained. This Service Agreement has been duly and validly executed and delivered by the Customer and constitutes a legal, valid and binding obligation of the Customer enforceable in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency or similar laws affecting the rights of creditors generally, or by generally applicable principles of equity.

(c) Litigation. There are no actions, suits or proceedings pending against the Customer or, to the Customer's knowledge, threatened against or affecting the Customer before any court or administrative body or agency having jurisdiction over the Customer, nor are there any petitions for referendum known to the Customer to be pending, which might materially adversely affect the execution, delivery and performance by the Customer of this Agreement.

SECTION 17 - FURTHER PROVISIONS. [Write "None" or specify]

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IN WITNESS WHEREOF, the parties hereto have caused this instrument  
to be executed by their respective authorized officials.

ATTEST:

TAMPA ELECTRIC COMPANY

By: \_\_\_\_\_  
Secretary

By: \_\_\_\_\_  
[Title]

ATTEST:

[Name of Customer]

By: \_\_\_\_\_

By: \_\_\_\_\_  
[Title]

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EXHIBIT "A" OF SERVICE AGREEMENT  
SUPPLEMENTAL SERVICE SPECIFICATIONS

CUSTOMER: \_\_\_\_\_

DELIVERY POINT NO: \_\_\_\_\_

1. DATE OF THIS SUPPLEMENT: \_\_\_\_\_
2. The characteristics of electricity supplied hereunder are as follows:  
\_\_\_\_\_ phase, \_\_\_\_\_ wire, (wye) (delta) at approximately  
60 cycles and \_\_\_\_\_ volts.
3. The service facilities installed by the Company for the sole purpose of supplying electricity to the Customer are as follows:
  - (1) Transformer Capacity: \_\_\_\_\_
  - (2) Line facilities:  
\_\_\_\_\_ (feet) (miles) \_\_\_\_\_ kV line,  
and \_\_\_\_\_ (feet) (miles) \_\_\_\_\_ kV line.
  - (3) Control and protective equipment:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
4. The delivery point location is \_\_\_\_\_  
\_\_\_\_\_

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5. Electricity shall be metered at \_\_\_\_\_ volts.  
6. Effective for electricity supplied on or after \_\_\_\_\_.

IN WITNESS WHEREOF, the parties hereto have caused this Supplement to be executed in their names and their seals hereunto affixed and attested by, respectively, their duly authorized representatives.

ATTEST:

TAMPA ELECTRIC COMPANY

By: \_\_\_\_\_  
Secretary

By: \_\_\_\_\_  
[Title]

ATTEST:

[Name of Customer]

By: \_\_\_\_\_

By: \_\_\_\_\_  
[Title]