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March 4, 1997

VIA HAND DELIVERY

Mrs. Blanca Bayo  
Director of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0870

Re: Docket No. ~~970096~~-EQ

Dear Mrs. Bayo:

Enclosed for filing are the original and fifteen (15) copies of Tiger Bay Limited Partnership's Amended Direct Testimony of Charles C. Cook. This filing is being made to reformat the testimony to comply with the Commission's rule. There are no substantive changes.

Thank you for your assistance in this matter.

Sincerely,

*Patrick K. Wiggins*  
Patrick K. Wiggins

- ACK \_\_\_\_\_
- AFA 2
- APP \_\_\_\_\_
- CAF \_\_\_\_\_ PKW:plk
- CMU \_\_\_\_\_ Enclosures
- CTR \_\_\_\_\_
- EAG Dudley
- LEG 2
- LIN 5/12/97
- OPC \_\_\_\_\_
- RCH \_\_\_\_\_
- SEC 1
- WAS \_\_\_\_\_
- OTH \_\_\_\_\_

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for expedited )  
approval of agreement with Tiger )  
Bay Limited Partnership to )  
purchase Tiger Bay cogeneration )  
facility and terminate related )  
purchased power contracts by )  
Florida Power Corporation. )  

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DOCKET NO. 970096-EQ

FILED: 3-4-97

TIGER BAY LIMITED PARTNERSHIP'S  
AMENDED DIRECT TESTIMONY OF  
CHARLES C. COOK

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I. INTRODUCTION AND QUALIFICATIONS

- Q. Please state your name, employer and business address.
- A. My name is Charles C. Cook. My business address is 2500 CityWest Boulevard, Suite 150, Houston, Texas 77042.
- Q. By whom are you employed and in what capacity?
- A. I am employed as a Senior Business Manager by Destec Energy, Inc. ("Destec"). I also serve as Vice President of Destec Management Services, Inc. ("Destec Management"), and several other wholly and partially owned subsidiaries of Destec, including Central Florida DGE, Inc. I also serve as Vice President of Central Florida DGE, Inc., the general partner of Tiger Bay Limited Partnership ("Tiger Bay").
- Q. Please describe your duties and responsibilities in that position.
- A. I am officer of several wholly or partially owned subsidiaries of Destec, a majority of which is either a limited or general partnership. In my role as an officer of these entities, I fulfill management and fiduciary responsibilities of such limited or general partners. I provide oversight to a team of business managers who have profit and loss responsibilities of their assigned partnerships. Another part of my responsibilities includes oversight of the management

1 of various contractual agreements (e.g., purchase  
2 power agreements, gas supply and transportation  
3 agreements, lease agreements, and operations and  
4 maintenance agreements) between the partnerships and  
5 third parties to ensure that contract administration  
6 is conducted in an effective manner.

7 Q. Please describe your educational and business  
8 background.

9 A. I have a Bachelor of Science Degree in Architectural  
10 Engineering and a Master of Business Administration -  
11 Finance. Both degrees were obtained from the  
12 University of Texas at Austin. In June 1987, I was  
13 employed as a Project Engineer by L.F. Driscoll  
14 Company where I developed, implemented and managed  
15 project budgets and scheduling for commercial office  
16 space and hospital construction.

17 In 1990, I was employed by Austin Trust  
18 Company/Thornhill Securities. My duties included the  
19 analysis of bond portfolios with respect to credit and  
20 interest related risks. I also was responsible for  
21 preparing federal and state employment tax and State  
22 Banking Commission reporting.

23 In 1991, I was employed as a Business Manager at  
24 Destec Energy, Inc. In that capacity, I was directly  
25 responsible for the management of several

1 partnerships. These responsibilities included  
2 management of support staff, contract administration,  
3 interest rate and gas price hedging, regulatory  
4 activities, utility and steam host relations, and  
5 facility construction.

6 In 1995, I was appointed Senior Business Manager of  
7 Asset Management where I serve in the capacity of Vice  
8 President of Destec Management Services, Inc.

9 Q. Have you ever testified before the Florida Public  
10 Service Commission or any other utility regulatory  
11 body?

12 A. No, I have not.

13 II. PURPOSE AND ORGANIZATION OF TESTIMONY

14 Q. What is the purpose of your testimony?

15 A. I am testifying for Destec Management, for and on  
16 behalf of Tiger Bay in support of the Petition filed  
17 herein by Florida Power Corporation ("Florida Power")  
18 for approval by the Commission for the recovery by  
19 Florida Power of (i) the purchase price to be paid for  
20 its purchase of Tiger Bay's 220 megawatt generating  
21 facility located in Polk County, Florida (the "Tiger  
22 Bay Facility"), and (ii) the cost of natural gas  
23 purchased by Florida Power to fuel the Tiger Bay  
24 Facility pursuant to Tiger Bay's gas supply  
25 arrangements which are to be assigned to and assumed

1 by Florida Power. My testimony specifically deals  
2 with the operational reliability and economic  
3 viability of the Tiger Bay Facility, and with the  
4 sufficiency of the Tiger Bay Facility's fuel supply  
5 and transportation.

6 Q. What is the interest of each of Destec Management and  
7 Tiger Bay in this proceeding?

8 A. Destec Management provides business management  
9 services to the Tiger Bay Facility under a Business  
10 Management Agreement between Tiger Bay and Destec  
11 Management, an affiliate of Destec, the owner of a  
12 50.79% partnership interest in Tiger Bay. As  
13 previously indicated, Tiger Bay owns the Tiger Bay  
14 Facility, and on January 20, 1997, Tiger Bay, FPC  
15 Acquisition L.L.C., ("FPC"), a wholly owned limited  
16 liability company subsidiary of Florida Power, and  
17 Florida Power executed a Purchase Agreement (the  
18 "Purchase Agreement") pursuant to which Tiger Bay  
19 agreed to sell and FPC agreed to purchase the Tiger  
20 Bay Facility and certain other assets for a purchase  
21 price of \$445,000,000.00, subject to certain  
22 adjustments, and Florida Power agreed to guarantee the  
23 obligations of FPC.

24 III. THE PURCHASE AGREEMENT TRANSACTION

25 Q. Please describe the transaction contemplated by the

1           **Purchase Agreement.**

2    A.    Under the Purchase Agreement, in addition to and in  
3           connection with the sale of the Tiger Bay Facility,  
4           Tiger Bay agrees to assign to FPC certain material  
5           contracts, which include, but are not limited to: (i)  
6           five separate power purchase agreements (the "PPAs")  
7           under which Florida Power is currently obligated to  
8           purchase, and Tiger Bay is obligated to make available  
9           to Florida Power, the capacity of and energy generated  
10          by the Tiger Bay Facility, (ii) a steam sales  
11          agreement (the "Steam Agreement") for the sale of the  
12          steam generated by the Tiger Bay Facility to U.S.  
13          Agri-Chemicals Corporation; (iii) the Lease of the  
14          site on which the Tiger Bay Facility is located (the  
15          "Lease"); (iv) the contract with Destec Operating  
16          Company ("DOC") for the operation and maintenance of  
17          the Tiger Bay Facility (the "O&M Agreement"), which  
18          will be modified to provide that either party may  
19          terminate the O&M Agreement on or after nine months  
20          after the Purchase Agreement closing; and (v) Tiger  
21          Bay's contracts for the supply and transportation of  
22          natural gas to fuel the Tiger Bay Facility (the "Gas  
23          Agreements"). The Purchase Agreement provides for FPC  
24          to assume and perform Tiger Bay's obligations under  
25          the Steam Agreement, the Lease, the O&M Agreement and

1           the Gas Agreements.

2   **Q.   Are the obligations of the parties to the Purchase**  
3       **Agreement subject to any conditions?**

4   **A.   Yes.  Article VI sets out a number of conditions to**  
5       **the obligations of the parties.  Section 6.01**  
6       **specifies the conditions to FPC's and Florida Power's**  
7       **respective obligations, and Section 6.02 specifies the**  
8       **conditions of Tiger Bay's obligations.  These**  
9       **conditions include, but are not limited to, the**  
10      **issuance by the Commission of a final, non-appealable**  
11      **order approving the Purchase Agreement transactions in**  
12      **form and substance satisfactory to FPC and Florida**  
13      **Power.**

14   **Q.   Is there any time limit for the satisfaction of such**  
15      **conditions?**

16   **A.   Yes.  Article VIII specifies certain dates by which**  
17      **various conditions must be satisfied or waived by the**  
18      **parties.  In particular, under Sections 8.01 (d) and**  
19      **(h), either FPC and Florida Power or Tiger Bay may**  
20      **terminate the Purchase Agreement if the Commission's**  
21      **order approving the Purchase Agreement transaction has**  
22      **not been issued and become final and non-appealable by**  
23      **July 1, 1997.  These sections further provide that if**  
24      **the Commission has issued an order approving the**  
25      **Purchase Agreement transaction by July 1, 1997, and no**



1 party has by such date filed an appeal of such order  
2 but the time for the filing of appeals has not  
3 expired, then a party may terminate the Purchase  
4 Agreement only if an appeal of such order is filed  
5 within the time provided by law and regulation for the  
6 filing of such appeals.

7 Q. Why is there such a time limit?

8 A. Tiger Bay insisted on, and would not have entered into  
9 the Purchase Agreement without, the inclusion of such  
10 a time limit, because the actual value of the agreed  
11 upon purchase price is diminished if closing is  
12 delayed for an unreasonably long period of time, and  
13 a long period of uncertainty could very well have a  
14 detrimental effect on the operating efficiency of the  
15 Facility. Such a time limit was, and is, especially  
16 important to Destec, Tiger Bay's majority partner,  
17 which was itself then contemplating a sale of some  
18 other entity and has since agreed to a merger with NGC  
19 Corporation.

20 IV. OPERATIONAL RELIABILITY AND ECONOMIC VIABILITY OF,  
21 AND SUFFICIENCY OF FUEL AND TRANSPORTATION FOR,  
22 THE TIGER BAY FACILITY

23 Q. Please describe the Tiger Bay Facility and its  
24 operational characteristics.

25 A. The Tiger Bay Facility is a combined cycle generating

1 plant that was designed and built by a Destec  
2 affiliate, Destec Engineering, Inc., a company with  
3 extensive experience in the design and construction of  
4 combustion turbine power generation equipment, to the  
5 current state of the art in the electric power  
6 generation industry. It consists of a GE Frame 7001FA  
7 gas turbine generator with a Deltak heat recovery  
8 steam generator and a condensing GE 74.9 MW steam  
9 turbine. It has a combined cycle heat rate of less  
10 than 7500 Btus/Kwh. The Tiger Bay Facility was  
11 designed and built to operate as a base load generator  
12 of electric power, and has been so operated since its  
13 January 1, 1995 official in-service date under the  
14 PPAs.

15 **Q. Has the Tiger Bay Facility proven to be operationally**  
16 **reliable?**

17 **A. Absolutely.** During 1996, (the second year of  
18 operation), the Tiger Bay Facility's annual average  
19 availability factor was greater than 97% (excluding  
20 scheduled downtime) and it operated with a 12-month  
21 average (ending December 1996) capacity factor (as  
22 defined in the PPAs, as amended and/or clarified) of  
23 93.26%.

24 During 1995, (the first year of operation), the  
25 Plant's availability factor was approximately 75%.

1           The Tiger Bay Facility experienced several forced  
2           outages attributable to normal start up operations and  
3           events associated with GE's relatively new F-  
4           technology turbine and DLN-II dry low NO<sub>x</sub> control  
5           technology. The manufacturer conducted extensive root  
6           cause analysis and implemented design changes in a  
7           manner which minimized the length of such outages.  
8           Several warranty issues remain to be resolved;  
9           however, Tiger Bay is confident that these items will  
10          be resolved during the normal course of business.  
11          Routine operation and maintenance of the Tiger Bay  
12          Facility has been effectively problem-free, and the  
13          condition of the equipment is such that, assuming that  
14          it is maintained in accordance with the manufacturers'  
15          recommendations and good electric industry practice,  
16          the Tiger Bay Facility will have no difficulty  
17          achieving the capacity factor required under the PPAs  
18          over the full term of those contracts.

19   **Q.    Is the Tiger Bay Facility economically viable?**

20   **A.    Yes.**Since it went in-serve under the PPAs, the Tiger  
21    Bay Facility has achieved an annual average debt  
22    service coverage ratio approximately 0.55 points  
23    higher than that required by Tiger Bay's permanent  
24    financing arrangements. With our relatively low fixed  
25    costs and escalating capacity payments, the debt

1 service coverage ratio is projected to increase even  
2 further over the term of the PPAs. The Tiger Bay  
3 Facility has generated positive cash flow and the  
4 Tiger Bay partners have enjoyed consistent cash  
5 distributions during the two years the facility has  
6 operated under the PPAs. Because of construction and  
7 start up risks, the first two years of operation were  
8 the riskiest to the Tiger Bay partners under the terms  
9 of the PPAs and the permanent financing. Based upon  
10 (i) the provisions of the PPAs and Tiger Bay's  
11 permanent financing arrangements, and (ii) the quality  
12 of the Tiger Bay Facility and its operating history to  
13 date, the Tiger Bay partners anticipate that if the  
14 Purchase Agreement transaction does not close, the  
15 Facility will generate positive cash flow and annual  
16 cash distributions throughout the terms of the PPAs.

17 **Q. Are the terms of the Purchase Agreement consistent**  
18 **with the economic viability of the Tiger Bay Facility?**

19 **A. The Purchase Agreement clearly reflects that the Tiger**  
20 **Bay Facility is, and is anticipated to be over the**  
21 **long term, an economically viable investment for the**  
22 **Tiger Bay partners. The Tiger Bay Facility was not**  
23 **for sale when Florida Power approached Tiger Bay about**  
24 **the possibility of acquiring it. It is very unlikely**  
25 **that Tiger Bay would have agreed to sell the Tiger Bay**

1 Facility if its majority partner, Destec, had not  
2 itself been up for sale. It is for this reason that  
3 Tiger Bay's obligation to close the Purchase Agreement  
4 transaction is expressly conditioned on the prior  
5 closing of the sale of Destec. If that transaction is  
6 not consummated, Destec and the other Tiger Bay  
7 partners want the option of maintaining their  
8 investment in the Tiger Bay Facility. This vividly  
9 demonstrates the economic viability of the Tiger Bay  
10 Facility.

11 Q. Is there a sufficient supply of natural gas fuel and  
12 transportation committed to the Tiger Bay Facility?

13 A. The Gas Agreements, which as I have indicated will be  
14 assigned to FPC in the Purchase Agreement transaction,  
15 provide sufficient gas and transportation capacity for  
16 the operation of the Tiger Bay Facility on a base load  
17 basis when supplemented with gas spot market purchases  
18 of less than 10% of the Plant's total fuel  
19 requirements. The Gas Agreements include (i) service  
20 agreements between Tiger Bay, as shipper, and Florida  
21 Gas Transmission Company, as transporter, for 33,003  
22 MMBtus/day of firm transportation capacity to the  
23 Tiger Bay Facility, for terms (including extension  
24 rights) equivalent to the terms of the PPAs, and (ii)  
25 a long term contract between Tiger Bay, as buyer, and

1           Vastar Gas Marketing, Inc., as seller, for a supply of  
2           up to 31,000 MMBtus/day (plus applicable fuel  
3           retention for compression and line loss) of natural  
4           gas to the Tiger Bay Facility on a firm basis. These  
5           quantities of supply and transportation capacity were  
6           determined based on the operating requirements of the  
7           Tiger Bay Facility, and if they were not in fact  
8           sufficient, it is unlikely that Tiger Bay would have  
9           succeeded in obtaining permanent financing for the  
10          Tiger Bay Facility on a non-recourse basis.

11   Q.    Does this conclude your testimony?

12   A.    Yes, it does.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Amended Testimony of Charles C. Cook on behalf of Tiger Bay Limited Partnership has been furnished by U.S. Mail this 4th day of March, 1997, to the following:

James A. McGee  
Florida Power Corporation  
P.O. Box 14042  
St. Petersburg, FL 33733-4042

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Patrick K. Wiggins

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