BEFORE THE 1 FLORIDA PUBLIC SERVICE COMMISSION 2 DOCKET NO. 031033-EI 3 In the Matter of 4 REVIEW OF TAMPA ELECTRIC COMPAN 2004-2008 WATERBORNE TRANSPORTATIO 5 CONTRACT WITH TECO TRANSPORT AND ASSOCIATED BENCHMARK. 6 7 ELECTRONIC VERSIONS OF THIS TRANSCR 8 A CONVENIENCE COPY ONLY AND ARE NOT THE OFFICIAL TRANSCRIPT OF THE HEARING, 9 THE .PDF VERSION INCLUDES PREFILED TESTIMONY. 10 CONFIDENTIAL 11 VOLUME 2 12 Pages 102 through 265 13 14 DEPOSITION OF: JOANN T. WEHLE 15 TAKEN AT THE INSTANCE OF: The Staff of the Florida 16 Public Service Commission 17 PLACE: Ausley & McMullen Law Firm Main Building, Downstairs Conference Room 18 227 South Calhoun Street Tallahassee, Florida 19 20 TIME: Commenced at 9:00 a.m. Concluded at 8:05 p.m. 21 Wednesday, May 12, 2004 DATE: 22 REPORTED BY: JANE FAUROT, RPR Official FPSC Reporter 23 (850) 413-6732 24 25

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| 1 | WITNESS | |
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| 2 | NAME: | PAGE NO. |
| 3 | JOANN T. WEHLE | |
| 4 | Cross Examination by Mr. Vandiver | 115 12 9 |
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STIPULATION

IT IS STIPULATED that this deposition was taken pursuant to notice in accordance with the applicable Florida Rules of Civil Procedure; that objections, except as to the form of the question, are reserved until hearing in this cause; and that reading and signing was not waived.

IT IS ALSO STIPULATED that any off-the-record. conversations are with the consent of the deponent.

PROCEEDINGS

| | MR | . KE | ATING | 3 : | Let's | go | back | on. | Before | the ! | break |
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| created. | If | Ιc | ould | go | ahead | and | l have | thos | e marke | ed as | |
| Depositi | on Ex | xhib | it 4. | _ | | | | | | | |

(Deposition Exhibit 4 marked for identification.)
BY MR. KEATING:

- Q Have you had the opportunity to look through those documents?
 - A I have.

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- Q If you could turn to the document -- there are two documents that have language in the last paragraph that's stricken through.
 - A Yes.
- Q If you could turn to the one that has the longer of the two paragraphs?
 - A Okay.
- Q Would Tampa Electric consider a proposal or any variation of a proposal similar to what is stated in this document prior to signing its contract with TECO Transport for 2004 through 2008?
- A I am just refreshing, reading through this. We received a proposal that was similar to this.
 - Q Who did you receive the proposal from?
- 25 A CSX.

Q Why was that proposal rejected?

A The costs, we determined that the costs associated with the CSX proposal were higher than the costs derived from the combination of Mr. Dibner's models results and the RFP results. At a minimum they were higher, and then at the point at which you continued to add in additional costs, such as, like I say in my testimony, trucking costs to get to the railhead and then any additional capital infrastructure costs, it is much, much higher. In fact, I have an exhibit to my direct testimony that outlines exactly why that option would be more expensive.

Q If the Commission were to approve a proposal -- if the Commission were to approve this proposal as part of a resolution of this docket, how would Tampa Electric respond from an operations perspective to minimize the impact on its financial condition?

A I don't understand. How would we respond from an operational perspective to minimize our financial condition? I don't understand your question.

Q If the Commission were to approve this proposal as a resolution of this docket, how would Tampa Electric respond from an operational perspective in terms of whether it would, perhaps, for lack of a better phrase, eat any additional costs proposed by the CSX deal, to the extent there are any, or take rail as the option?

A I don't -- first of all, I'm not sure why the Commission would approve such a proposal, given the fact that my testimony outlines, and we prove in all of our exhibits that the CSX proposal was not the least cost alternative for Tampa Electric.

Secondly, under the scenario, we could be -- we could have to assume potentially, you know, dead freight penalties and -- are you asking -- I think you are asking me would we eat the difference? Why would we eat the difference when we actually have a cheaper alternative with our TECO Transport affiliate. That just wouldn't make sense. It wouldn't be in the best interest of the ratepayers to do that.

- Q Let me have you look at the second of those three documents. And I'm looking at the second one that has language stricken through at the bottom of the paragraph. Have you had a chance to look through that document?
 - A I have briefly.
- Q Did Tampa Electric consider this proposal or any similar proposal prior to signing its contracts with TECO Transport?
 - A This particular proposal as written here?
 - Q Yes.

A We didn't get a proposal from an unaffiliated ocean barge company to deliver offshore coal. We have received quotes, as I mentioned, in December of this year to deliver

offshore coal which were not competitive to domestic sources.

- Q Can you identify any drawbacks to this scenario, this proposal from Tampa Electric's perspective?
- A Yes. Just like I said, we have received quotes for delivery of offshore coal both directly into Big Bend, as well as into the Port of Tampa, and neither of those are the most cost-effective approach for offshore coal. The other thing that is not assumed in here is the quantities that you would be required to burn, and/or take under this delivery scenario. And as I have noted in the test-burn information notes, the results actually point out that we can burn a very limited amount of foreign coal at our generating facilities. So I think there is both financial impacts to the ratepayers as well as operational concerns.
- Q If you could look at the third of those three documents. Have you reviewed that document?
 - A Yes.

- Q Do you believe that that proposal as stated in the document would be consistent with Commission Order 20298?
- A No, I do not, because as our expert, Mr. Dibner, and I believe Mr. Murrell both testified, there are actually markets for all three segments of the waterborne and there are competitors that compete with all of those businesses, including the railroad. So this would not be consistent with that.

| | Q | Do | you | have | any | opi: | nion | regar | ding | whet | her | TECO |
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- A I don't have knowledge as to their cost structure.
- Q Let me go back to Order Number 20298. I believe that is attached in its entirety to your direct testimony?
 - A Yes.

- Q I want to turn to the paragraph that we were discussing earlier, and that is at Page 13 -- I'm sorry, Page 12 of the order. It's Page 13 of 25 of Document Number 1 in your Exhibit JTW-1.
 - A Yes.
- Q Okay. And I am referring to the fourth full paragraph in the page. It starts there is another reason for switching.
 - A Okay.
- Q The order states there that there is another reason for switching to a market pricing system that was alluded to in TECO's statement that the current system, no matter how outstanding the results, there are lingering suspicions that it resulted in higher cost. What is your understanding of what the current system was at the time that this order was issued?
- A Again, I wasn't in the department. I wasn't even working for Tampa Electric at the time. It was a cost-plus

arrangement. How it was allocated and all of those different parameters, I'm not aware of.

- Q Moving down a couple of sentences, would you agree that the order indicates that nonaffiliated contracts typically result in competitive bidding systems in which the contract is awarded to the qualified bidder submitting the lowest bid?
 - A That is what this says.

- Q At the time that this order was issued, isn't it correct that the Commission had been engaged in cost of service review for those contracts?
 - A I believe that is correct.
- Q Would you agree that it is at least a possible interpretation of that order that the purpose of the excerpt of the Commission order, this particular paragraph that you referred to in your rebuttal testimony, is to show that it is acceptable to rely on negotiations between affiliates in setting price as long as cost of service regulation is in force, but when a market pricing system is used that competitive bidding is a better approach?
- A I don't know where it says that negotiation is used in a cost of service, but I do agree with your second part of that statement where market pricing is concerned competitive bidding is a better alternative. I don't see where it says the first part of your question.
 - Q Under the 2003 RFP process, were issuance of the RFP

and a receipt of the bids in response to the RFP distinct stages from the negotiation stage?

A Yes.

- Q Did the stipulation that was approved by the Commission in that order explicitly say that affiliates -- excuse me, affiliates to Tampa Electric were not expected to bid or did it simply give Tampa Electric the flexibility to negotiate specific contract format and pricing indices?
 - A Read your question again, I'm sorry.
- Q Did the stipulation approved by the Commission in Order 20298 explicitly say that affiliates to Tampa Electric were not expected to bid or did it simply give Tampa Electric flexibility to negotiate specific contract format and pricing indices?
- A It offered bidding as an alternative to determine what market pricing was, and it also provided the flexibility to negotiate contracts, as well.
- Q I just have a couple more questions. I'm going to pull out a document here. I'm going to hand you a document that was shown to Mr. Dibner yesterday. It is a response to staff's second set of interrogatories, Number 43, from the 2002 fuel docket. And I would like you to look at the column 2001 dollars per ton for Gannon rail and Gannon waterborne.

MR. BEASLEY: This is from the 2002 docket?

MR. KEATING: Yes. And the response provides 2001

dollars per ton.

BY MR. KEATING:

- Q Based on that document, would you agree that the rail rate for shipments of coal to Gannon was lower for that year than the waterborne transportation rate for shipments of coal to Gannon?
 - A It appears that it was.
- Q Do you know if there are any adjustments that would need to be made to those numbers to ensure that that was a fair comparison?
- A I do not know if there are any adjustments to be made. I think I can shed some light on why the difference existed. The rail contract that serviced the small number of tons that are shown in the left-hand column was a spot contract that was negotiated after our final agreement, I believe, ended in 1999 with CSX. And so it really is not comparable to the waterborne contract, which is a long-term agreement for a lot more tons.
- Q Did that amount, the 2001 dollars per ton for Gannon rail, is that representative of an entirely spot contract rate?
 - A Yes.
- Q Do you know if for 1998 and 1999 the rates for shipment of coal by rail to Gannon would have been higher or lower than the rate for shipments of coal by water to Gannon?
 - A I don't know the answer to that.

| 1 | Q | Is that something that you could provide in a |
|----|------------|--|
| 2 | late-file | d exhibit? |
| 3 | A | Yes. |
| 4 | Q | It would be the dollars per ton 1998 and 1999 rail |
| 5 | shipments | to Gannon and waterborne shipments to Gannon. And |
| 6 | could I ad | dd the year 2000 to that request? |
| 7 | A | Sure. |
| 8 | | (Late-filed Deposition Exhibit 5 marked for |
| 9 | identifica | ation.) |
| 10 | | MR. KEATING: Thank you. |
| 11 | | CROSS EXAMINATION |
| 12 | BY MR. VAI | NDIVER: |
| 13 | Q | Good afternoon, Ms. Wehle. |
| 14 | A | Good afternoon. |
| 15 | Q | As you know, my name is Rob Vandiver, and I am with |
| 16 | the Office | e of Public Counsel. I have very, very few questions |
| 17 | for you to | oday. |
| 18 | A | Okay. |
| 19 | Q | Earlier I believe you testified that there was a |
| 20 | shipper tl | hat had called Tampa Electric and complained that they |
| 21 | were gett: | ing calls from the staff. When was that call made? |
| 22 | A | By that particular carrier? |
| 23 | Q | Yes. |
| 24 | A | It was during the open RFP process. |
| 25 | Q | And who made that call? |

A You know, I can't recall who it was, but it is probably in that call log.

Q That was my next question. It is in the call log.

All right. I believe you said that as a shipper you would not negotiate for backhaul, is that correct? I think you were asked a question, and you said as a shipping client, as a shipper, you would not negotiate.

A That is correct. Right, because it is irrelevant to a market rate.

- Q Okay. Doesn't that leave money on the table?
- A No.

Q Why not?

A Because, again, you don't even know if a backhaul necessarily exists. If it does exist, if it is going to continue. And you would have to make assumptions that even for that backhaul business if that person is actually making money on it. You don't know that.

- Q Okay. So, it is your --
- A It is none of my business what other business that shipper or that carrier is actually doing on behalf of his or her other customers.
- Q Okay. So you don't believe that it would obtain more value for your client to try to get the most value for that dollar out of that backhaul, knowing that it exists?
 - A I believe that the market rates that we receive under

Mr. Dibner's model are appropriate and backhaul was irrelevant to include in this exercise.

- Q Could we go to Page 28 of your testimony, please.
- A The direct?
 - Q The rebuttal, please.
- A Okay.

- Q Okay. And I want to talk about this 30 percent figure for the test burn thing. And I would also like to talk in conjunction with that about Staff Exhibit 1, I believe it was. And I think that is at Bates stamp -- I'm not sure exactly which one, but this is that Big Bend Colombian coal test burn final report.
 - A Yes.
 - Q Is your testimony here based on this report?
- A Yes.
 - Q Is it based on anything else? I am referring specifically to your sentence there at Lines 22 through 24.
 - A It is based primarily on this. It is also based on the fact that I know that high ash fusion temperature coals do not work in the boilers at Big Bend in vast quantities of them. In other words, you can't put a lot in there without having operational difficulties.
 - Q Okay. The sentence that I am referring to says -- it says recent test burns have shown that the maximum amount of South American coal that can be used in Big Bend boilers is 30

percent, is that correct?

- A That is correct.
- Q And this report doesn't say that, does it?
- A It says it is 30 percent in Big Bend Units 1 through 3 and 60 percent in Big Bend 4.
 - Q That's what I was getting at. So there is a different percentage for Big Bend 4, is there not?
 - A However, the Big Bend 4 already is under contract for its own coal.
 - Q Okay. Explain that to me.
 - A Big Bend 4 is under contract for its own coal from a domestic supplier of which it exclusively is used in that particular unit. And that particular contract has the ability to be extended for up to an additional ten years.
 - O What contract is that?
 - A That is the Zeigler contract.
- 17 Q Okay. So the --
 - A So there is not a lot of room to put another type of coal in the Big Bend 4 boiler and that's why we reference just Big Bends 1 through 3, knowing that fact.
 - Q Okay. And this report is generally favorable for the foreign coal, is it not? I mean, I am looking at Bates stamped 2 where it talks about the reduced O&M cost. I'm looking there in the second paragraph under coal analysis parameters about the chlorine levels?

A Okay.

Q Would you agree with that? Do you see significantly reduce the risk associated with FGG chlorine levels?

A Yes. Again, it is this particular coal. There are a variety of coals from South American that may not yield anywhere near these results.

Q Have you tested other South American coals, given the favorable report from this coal?

A No. This study was just done recently, and so we have not purchased any foreign coals because of the price volatility of those coals.

Q Okay. Do you plan more tests of South American coals?

A We wouldn't test South American coals until we knew that we could buy them cost-effectively and reliably. There is a lot of factors other than does it work in your boiler to consider. Price is one of them, reliability of supply is another. And I don't know if you have been keeping up with the political climate in South America, but strikes are very common. The fact that transportation supply could be blown up routinely, which happens a lot in Colombia and Venezuela, which means that you don't have a steady, reliable supply of coal.

And, in fact, if you all remember, and I think I brought this up in one of our fuel discussions, the ports in Venezuela were shut down for quite some time due to political

unrest. So for a prudent fuel buyer to go out and buy a vast quantity of South American supply, knowing all these parameters, as well as the price volatility, would be questionable, I think.

- Q Do you monitor the buying habits of other Florida utilities?
 - A At times we will review their 423 data.
 - Q Have you done that recently?

- A We have been pretty much focused on this case.
- Q Okay. But would it surprise you to learn that other Florida utilities have significantly gone to foreign coal?
- A If their boiler designs allow them to do that. I believe as well that if they were buying it right now they would be paying through the nose for it.
- Q But you would agree with me that longer term contracts would yield lower prices if they had gotten in earlier?
- A If they had gotten in earlier, they might have more favorable pricing than current supply.
- Q Okay. Another thing, this report -- and that is why I had asked you if this report was the sole source for your supply. This report doesn't talk about minimums. It talks about -- this report just talks about 30 percent. It doesn't talk about we can't do more than that. It talks about that 30 percent was a favorable mix, is that correct?

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- than 30 percent? 3
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- No, I wouldn't say that. Α
- Could you direct me to where it says we can't do more 0
- It said under the slag tapping on the second page of this, we did -- or it might actually be the third page, we did not expect or experience any slaq tapping issues in Big Bend 1 through 3 because we deliberately held the Colombian coal fraction to no more than 30 percent. This effectively raised the ash fusion temperatures only 100 degrees. They knew that had they actually raised or included more than 30 percent, they know that the ash fusion temperature would have raised even higher than that, and it would have caused slagging problems.
- Right. But that is nowhere in this report, is it? 0 mean, there is no --
- But it is the knowledge of the combustion engineers that work at our station. They're not -- they know what works in their boilers.
 - 0 Okay.
- Right. And it says the test burn confirmed, on the Α first page, it could be consumed at up to 60 percent in Big Bend 4 and up to 30 percent in Units 1 through 3.
- Okay. And so those tests have been performed that you all know that this is the maximum amount that can be burned in --
 - Of this particular type of fuel.

1 0 Okay. They expected problems above those, so that is why Α 2 3 Q 4 5 start doing business with CTL Trucking? Α 6 7 8

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- they kept them at those levels. Okay. You talked about CTL Trucking. When did you
- We started doing business with them once we started taking deliveries of trucked coal to our Polk Power Station. In 1996, maybe. I think that is when we started taking our first deliveries.
 - You all signed a contract with them at that time?
- Α Yes.
- You just renewed that contract, I think that is what 12 13 you said?
 - Yes. Yes. Α
 - Okay. And so they are another transportation partner with Tampa Electric?
 - They are one of our suppliers.
 - Yeah. And when you all renewed that contract with 0 that transportation partner, that did not include a right of first refusal.
 - No, but one of the reasons why we actually continued Α to do business with them is because they had specially designed trucks for our use that were not -- were not used for any other service of theirs with any other customer.
 - Q Excuse me?

| A | Their | r bottom | dump t | rucks, the | eir tandem | trailer | trucks |
|---------|----------|-----------|---------|------------|------------|---------|---------|
| that ar | e actua: | lly used | at our | Polk Pow | er Station | . And b | ecause |
| of that | fact, v | we actua: | lly had | designed | our system | m to be | able to |
| receive | those t | types of | traile | r trucks. | | | |

- Q The trucks that CTL uses are specifically designed for Tampa Electric?
 - A Yes.

- Q Well, that would seem to be that they have invested significant capital equipment for Tampa Electric's service?
 - A Yes.
- Q Wasn't that the exact same rationale that you all have used for the right of first refusal?
- A It is. However, we have actually modified our plant to be able to receive dump trucks, as well. So we opened up that market to allow others to be able to participate in that market.
- Q But wouldn't the same rationale apply on the barge side? I mean, that is the same right -- I mean, that's the same rationale that you used to --
- A I wasn't a party to the original contract. I'm not sure why a right of first refusal was not negotiated at that time.
 - Q Do you understand that --
 - A Yes, I do.
- Q -- the logic on one side would seemingly apply,

because the specialized equipment on the barge side and on the truck side --

- A I suppose you could say that the truckers should have actually pushed to have that in there.
- Q Right. And the corporate philosophy would seem to apply with equal force from one to the other, wouldn't you agree?
 - A Whose corporate philosophy?
 - Q Tampa Electric's?
- A Why would I be the one pushing for a right of first refusal? It is usually the supplier that actually wants a right of first refusal for their capital investment. So they should be the one actually trying to get that to continue the business for their capital investment.
 - Q And CTL is not an affiliated company?
- A No, they are not.
 - Q Okay. All right, moving on. At Page 25, and all of these, Ms. Wehle, are in your rebuttal testimony.
 - A Okay.

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- Q Page 25, Line 22. Let's see, did you test the validity of the Dibner report?
 - A What do you mean by test the validity of it?
- Q Did you check any comparative prices?
- 24 A Comparative to --
- 25 Q Did you do --

Α -- market to marketplace? 1 Yes. Did you call any other suppliers? 2 0 The suppliers wouldn't share what their prices are. Α 3 That is confidential information. 4 So you did no market surveys where --5 Well, the RFP was the market survey. Mr. Dibner is Α 6 the expert in that area. I'm not sure I would be qualified to 7 double-check his work. 8 Okay. So you didn't call any shippers or anything 9 like that? 10 11 Α No. If we could go to Page 29, Line 8. Oh, I'm sorry, 12 Ms. Wehle, can we go back to Page 26? I have a note here. 13 14 Α Sure. On Page 26, there at Lines 11 and 12, how many days 15 are you allowed to operate on scrub, do you know offhand? 16 17 It is minimal. Each unit has its own specific number of days, and at most it is 30 on an annual basis. 18 19 0 Okay. But they do decline according to the consent decree. 20 I just don't know the actual range that it does decline from 21 there. 22 So Big Bend 1 would have a set number of days, Big 23 Bend 2 would have a set number of days? 24

Right. And at most any of them have 30.

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Α

1 Q Thirty per year? 2 Α Yes. 3 Q Okay. And, again, what I do know is that that changes as 4 Α the consent decree is enforced further. 5 6 And would those 30 days per year decline in time as 0 7 we move forward in time? Α Yes. 8 9 0 Okay. That is my understanding of the consent decree. 10 I understand. So it is 30 this year, and it may be 11 Q 12 25 next year? 13 Right, but I just don't know that for a fact. Α 14 I think we were at -- let me see, Page 29, Line 8, if Q 15 we could go there, please. Let's see. Let's see. And there 16 you state that results indicate that foreign coal delivered to 17 Big Bend was not the lowest cost on a fully delivered cents per ton. Did you do a study on that? 18 19 Α Cents per million basis? 20 0 Yes. 21 We evaluated that bid on a delivered cents per Α 22 million basis. 23 Is there a written study on that? 24 We have provided the results of that RFP in our

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numerous POD requests.

| 1 | Q | All right. If we could go to Page 55, Line 21, |
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| 2 | please. | Do you know how much further it is from Tampa to |
| 3 | Jacksonv | ille by the water route? |
| 4 | A | Further than what? |
| 5 | Q | From the Texas Gulf Coast locations? |
| 6 | A | I don't know that total mileage, no. |
| 7 | Q | You would agree it is a lot further? |
| 8 | A | It is further. |
| 9 | Q | How did you get the petroleum coke quote? |
| 10 | A | I called that particular broker and asked him if he |
| 11 | would pr | ovide in a confidential document that quote. |
| 12 | Q | How did you know to call that broker? |
| 13 | A | Because we have done business with them in the past, |
| 14 | and I kn | ow that he from time to time will utilize TECO |
| 15 | Transpor | t, so I inquired as to whether he had a current |
| 16 | arrangem | ent with them. |
| 17 | Q | How did you know that? |
| 18 | A | I called him and asked him. |
| 19 | Q | How did you happen to have that information? |
| 20 | | MR. BEASLEY: Which information? |
| 21 | A | I called the broker and asked him if he had a current |
| 22 | arrangem | ent with TECO Transport. |
| 23 | Q | So you have done business with the broker in the |
| 24 | past? | |

A Yes.

| 1 | Q | Okay. Did you contact anyone else? |
|----|------------|---|
| 2 | A | No. |
| 3 | Q | Did you contact TECO Transport? |
| 4 | A | No. |
| 5 | Q | Okay. Did you discuss this rate with Mr. Dibner? |
| 6 | Α | I don't believe so. I don't recall discussing it |
| 7 | with him. | |
| 8 | Q | Did you make any notes of your conversation with the |
| 9 | broker? | |
| 10 | A | No, it was a very short telephone call. |
| 11 | Q | Okay. Why did he request confidentiality for that |
| 12 | document? | |
| 13 | A | This is a competitive rate, as all rates that we deal |
| 14 | with are, | that should remain confidential, and he didn't want |
| 15 | it to be | revealed to the marketplace. |
| 16 | Q | And is it your experience that the confidential rates |
| 17 | are more | competitive? |
| 18 | А | No. That confidential rates are more competitive? |
| 19 | No, not no | ecessarily. |
| 20 | Q | Okay. And did he give a reason why he wanted it to |
| 21 | be confid | ential? |
| 22 | A | Because he probably maintains a confidentiality |
| 23 | agreement | with TECO Transport to not reveal those rates. |
| 24 | | MR. VANDIVER: That's all the questions I have. |
| 25 | Thank you | • |

129 (Off the record.) 1 CROSS EXAMINATION 2 BY MR. PERRY: 3 Good afternoon, Ms. Wehle. My name is Timothy Perry. I represent the Florida Industrial Power Users Group. I've got 5 a few questions for you today. 6 7 Α Okay. We are going to start by looking at your direct 8 testimony, so if you would get that in front of you and turn to 9 Page 13, please. 10 MR. TWOMEY: This is Mike. Could you guys move the 11 telephone louder? 12 MR. PERRY: I'll speak up. 13 MR. TWOMEY: That's a little better, but you're 14 drifting away, as well. 15 MR. PERRY: Okay. I'll speak up. 16 17 BY MR. PERRY: On Page 13, Line 13, you characterize the RFP as an 18 information gathering tool. Okay. Let me back up. 19 On Page 13, Line 12, you say that Tampa Electric is 20 not required to issue an RFP. What was the purpose of doing so 21 in this case, of you issuing the RFP? 22

I think as I state further in my testimony, that we used it as a means to gather market price data.

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Was there any other outside factors that influenced

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you such as staff recommendations or anything like that?

A In our conversations earlier in the year, staff had been very interested to understand what we were going to be doing and asking -- and suggesting that an RFP would be appropriate.

- Q And was that considered when you made the decision to issue the RFP?
 - A Sure.

- Q On Line 13, like you said, you characterized the RFP as an information gathering tool. What do you mean by that?
- A In light of the fact that TECO Transport had a right of first refusal, we wanted to determine what market prices were in order to offer those to our affiliate in the meet or beat scenario.
- Q Did you think that in the end, though, the contract would be awarded to anyone other than TECO Transport?
- A Again, as I answered earlier, I didn't have expectations one way or the other.
- Q Page 14. On Lines 13 to 14, you said that the RFP gathered relevant -- or helped you obtain relevant and timely waterborne transportation market data. Can you explain what you mean by that?
- A What that -- what I state there is that we have decided to issue an RFP as part of our good faith efforts to obtain the most relevant and timely market data available. In

other words, that is a means of testing the market. That was the best means at which we felt we could actually do that.

- Q Okay. And when did the prior contract with TECO Transport expire?
 - A December 31, 2003.

- Q Why did TECO wait until June to issue the RFP if the contract was to expire in December?
- A I believe I covered that some in both my direct and rebuttal testimony, but we were, you know, involved in a lot of different activities, deciding how the consent decree was going to impact us and our ability to stay on coal. We were very involved at that point in all of our Gannon Station shutdown activities, and the potential for the significant amount of dead freight dollars with TECO Transport, and so --
 - Q When did the -- excuse me.
- A So all of those factors taken into consideration.

 And the other thing we were determining was whether we should just extend the contract or, you know, what would be the terms of the RFP, especially in light of the consent decree and so forth.
- Q When did the planning process for the contract renewal start to take place?
 - A The planning process for the RFP?
- Q Yes, for the RFP, or for obtaining the waterborne transportation services for once the contract expired?

- A I believe in the June time frame, for the most part.
- Q Okay. Maybe you misunderstood my question.
- A Okay.
- Q The RFP was issued in June.
- A Yes.

- Q When did you begin to discuss?
- A In the spring time we had -- management had these types of discussions.
 - Q March, April, somewhere around there you just --
- A Yeah, March, April, May, probably ongoing discussions in light of how I just responded.
- Q Can you turn to Page 16, please? Turn to Page 22.

 On Line 8, you say that the right of first refusal encourages the vendor to provide these highly capital intensive transportation services while protecting the buyer, Tampa Electric, as well as its ratepayers through a periodic reassessment of the competitive market prices for these services. Can you plain how it protects the ratepayer?
- A It requires that incumbent supplier to meet or beat the lowest price offered, let's say from an RFP mechanism. And so the ratepayer is never harmed. In some cases if the incumbent vendor decides to actually beat the price, they can even benefit further.
- Q In your experience, how often has that happened where rather than meeting the price they beat the price?

| 1 | A In my experience they have not beaten the price. |
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| 2 | They typically meet the price. |
| 3 | Q Do you know of any other are you aware of any |
| 4 | other outside instance where the entity with the right of first |
| 5 | refusal has beaten the price rather than met it? |
| 6 | A You know, it is hard for me to say for other entities |
| 7 | because those are typically confidential type arrangements. |
| 8 | Q Okay. |
| 9 | A But, again, in those instances the ratepayer is no |
| 10 | worse off than they would have been dealing with another |
| 11 | supplier as far as being the lowest bidder in that RFP. |
| 12 | Q You also say that it protects the buyer. How does it |
| 13 | protect the buyer? |
| 14 | A It encourages the continued service and the continued |
| 15 | investment, if you will, of that supplier. |
| 16 | Q Does the buyer usually raise the right of first |
| 17 | refusal in the contract negotiation? |
| 18 | A Typically, the supplier is the one who wants the |
| 19 | right of first refusal, because they are the ones who are |
| 20 | making that capital investment. |
| 21 | Q Do you know who raised the right of first refusal for |
| 22 | this contract? |
| 23 | A That would have probably gone way back to other |
| 24 | contracts, you know, that we have had with TECO Transport, and |
| 25 | the initial outlay and the continued outlay of capital for our |

services.

- Q Was the right of first refusal renegotiated in this go around?
- A It was. It was renegotiated. I'm sure it was TECO Transport that raised it.
 - Q Were you involved in the negotiations?
- A I was involved in the negotiations, but not every negotiation session was I involved in.
- Q Do you remember what the negotiations revolved around, to the extent that you were involved in the negotiations for the right of first refusal?
- A I don't remember that coming up in those sessions that I actually sat in, so I don't know that I can answer that question.
- Q What other people were involved on the part of Tampa Electric?
 - A My boss at the time, Mr. Christmas.
- Q In your opinion, does a right of first refusal or does an RFP result in the lowest price or negotiations?
 - A Both of those can end up --
- Q In your opinion, is there a combination that, in your experience, has resulted in the lowest price, a combination of those three that I identified, the right of first refusal, RFP, and negotiation?
 - A I have not been involved in a negotiated contract,

because every single contract that I have been involved with has been part of some kind of RFP process. So it would have to be -- I would have to answer based on the other two. And I believe both of those can yield the lowest cost result.

- Q Earlier you characterized the RFP as an information gathering tool?
 - A Uh-huh.
- Q Do you think that it would yield beneficial information if TECO Transport were to have to submit a bid in response to the RFP, regardless of whether or not it also had the right of first refusal?
 - A If they were required to bid?
- Q Yes.

- A I'm not sure that it would have yielded any different results, or if they know that they have the last look, so to speak, I'm not sure how they would have responded if they were required to bid.
- Q But would it have been informative had they been required to bid?
- A It possibly could have shown us what they were determining what they felt the market was at that point. But they still have the opportunity to meet or beat, so it is really not -- it is sort of a moot point.
- Q Except if they were to bid a lower price than everyone else?

- A And if I were in TECO Transport's shoes, I'm not sure that -- why would you do that? I question that.
- Q Do you think that TECO Transport generally knows what other people charge for the same transportation services?
- A They are in that business, I would think that they would know what the marketplace would charge.
 - Q Okay.

- A As would any supplier who would be facing the same type of scenario that you are talking about.
 - Q So do you think that they would inflate their bid?
- A I'm not saying whether they would or wouldn't, because they weren't required to bid in this. I am just looking at it from a business person's perspective of if I were required to bid my services, yet I knew I still had a last look at what the lowest supplier was, I'm not sure I would put out a really spectacular offer and, quote, unquote, left money on the table.
- Q On Page 23, Lines 7 and 8, you say that the rail bids were nonconforming. What do you mean by that?
 - A We had a water transportation RFP.
 - Q In other words, you only asked for water carriers?
- A Right.
 - Q And since they were a rail carrier, it didn't --
- 24 A Right.
- 25 Q Okay. Did you send an RFP to the railroad?

Once we received their request, we did. 1 Α 2 Was there a reason why you didn't send it to them Q 3 initially? It was a water transportation bid, and I didn't think 4 that they could supply water transportation. 5 6 Okay. Do you know when the contract was awarded, 7 what date? I think we had this discussion earlier. 8 I think in late September we offered the prices to TECO Transport to meet 9 10 or beat, and then on October 6th the contract was finalized. So it was --11 Somewhere in between? 12 13 -- somewhere in between that, I guess. If you mean 14 awarded, we finally inked the contract on October 6th. 15 How long did it take TECO Transport to respond to the 16 letter that was sent, as I understand it? 17 It was almost immediately that they responded and we began negotiations, because, again, it was a very short window 18 of time. 19 20 Who did TECO Transport contact when they decided to 21 accept the rates that were proposed? 22 Α I believe it was my boss, Mr. Christmas. 23 And just you and Mr. Christmas participated in the 24 negotiations?

Myself, Karen Bramley at times participated, I

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participated at times, and so did Mr. Christmas.

- Q Did you meet in person or discuss over the telephone, by e-mail, what was --
 - A We met in person.

- Q And how many meetings were there?
- A Golly, at least two, maybe three.
- Q Did you at any time attempt to negotiate lower rates than the ones that you proposed to them?
- A That was not the arrangement. The arrangement was to meet or beat.
- Q Let me have you look at your rebuttal testimony. On Page 3, towards the bottom, you say that the intervenors have ignored the existing policies by criticizing the content of Tampa Electric's June 27, 2003 RFP. I think by existing policies you are referring to Order 20298?
 - A Yes.
- Q Would you agree that since TECO took it -- made the decision to issue an RFP, that it should also take on the responsibility of making it the best possible RFP to solicit the most responses?
 - A Yes. We feel like we did that.
- Q Is it your opinion that you don't have to issue an RFP according to the Commission's policies?
 - A Yes. I think we have stated that several times.
 - Q Given your opinion, do you think that Tampa

Electric's decision to issue the RFP is beyond criticism by intervenors in this case?

- A Beyond criticism. I don't understand your question.
- Q Beyond criticism in that you didn't have to do it in the first place, but you decided to do so anyways?
- A I believe that knowing what I know about the RFP and knowing about what Tampa Electric requires for our operations, I believe that -- and knowing what I know about what is required under the order, I don't see how folks can necessarily criticize what we did. It was a good faith effort to test the market.
- Q Do you understand that one of the issues that was deferred from the prior case, the 2003 fuel adjustment case, specifically related to the RFP?
 - A Yes.

- Q Do you know who bears the burden of proof in this case for approval of the fuel adjustment charges?
 - A Tampa Electric.
 - Q Okay. Let me have you turn to Page 5, please?
- A Uh-huh.
- Q On Line 22 you mention the retroactive application of a new and yet undefined policy. And I believe that this testimony relates to the benchmark, the issue of the benchmark in this case?
- A Can I just read this section, please?

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- O Sure.
- A I'm ready.
- Q Do you know when the issue regarding the benchmark in this case was first identified?
 - A I believe in last year's fuel docket.
- Q Do you know if that was an issue before Tampa Electric entered into the contract with TECO Transport?
 - A Yes.
- Q Let me have you look at Page 8, Line 18. You state that it has been conservatively estimated that the transportation system has saved Tampa Electric's customers over \$500 million in cost alone during the years that it has been in operation. Over what span is that \$500 million?
- A Since the inception of the benchmark, which was 1988, and the system I am referring to has been in existence since the 1950s. So this is -- the \$500 million is just since we have been calculating and keeping track, since the benchmark mechanism was put in place.
 - O And who made this conservative estimate?
- A It is something that Tampa Electric files and calculates every year and reports to the Commission.
 - Q How is the calculation performed?
- A The benchmark methodology, the calculation? It is a cumulative savings, if you will, which recognizes the difference between our current rate and the actual benchmark

calculation year after year.

- Q Are the past savings an issue in this case?
- A I don't believe they are. I don't know that they have been raised by anyone. We're just pointing out the fact that there have been savings over the years by using our transportation supplier.
- Q Isn't what a carrier can do in the future also relevant to the Commission's decision with regards to the price of providing a service?
- A It should be something that they should consider.

 However, I am a believer in the fact that past performance can predict future performance, and I believe that given the efficiencies that we have developed over time, that these savings will continue into the future.
 - Q Okay.
 - A There is nothing to suggest otherwise.
- Q Is your title the Director of Wholesale Marketing and Fuels?
 - A Yes.
- Q Do your duties include the bidding and negotiating of other procurement contracts?
 - A Yes.
 - Q What kinds of other contracts do you deal with?
- A All other. Solid fuel, petroleum coke, oil contracts, trucking contracts related to -- as well as on the

wholesale marketing side would be negotiating wholesale power arrangements.

- Q In your opinion, do you generally get the best price for those contracts when you engage in an RFP process?
- A That has been our practice, and I would say it has worked well over the years. Do I know that I get the absolute lowest price that is out there? No one will ever know that for sure. But I believe that the RFP mechanism is one of the best ways to test the marketplace.
 - Q That is the method that you prefer?
 - A Yes.

- Q Or that Tampa Electric prefers?
- A Yes. And I believe that is a very common methodology used by other procurement agents in the industry.
- Q On the last line of Page 10, which is Line 25, continuing to Page 11, Line 22, there is a question to you that states: Under the Commission's Order Number 20298, is Tampa Electric obligated to negotiate with its affiliate at arm's-length? What is your opinion? Is it your opinion that you have an obligation to negotiate at arm's-length?
- A The order states that we are free to negotiate with our affiliate in any manner we deem fair and reasonable. We have negotiated with our supplier in an arm's-length fashion, just like I would with any supplier.
 - Q So you think that the fair and reasonable thing to do

is to negotiate at arm's-length?

A I do.

- Q On Page 11, Lines 17 and 18, you say that Tampa

 Electric went well beyond the requirements of the Commission's policies by conducting the RFP and strictly followed these policies in arriving at a contract price. To what policies specifically are you referring to?
- A The policies under which we guide ourselves under an RFP process, our own internal policies.
 - Q Those are your internal policies?
 - A Uh-huh. And I believe -- strike that.
 - Q Are those policies formed from Commission orders?
 - A Or they foreign from them?
 - O Formed?
- A Oh. I believe that the Commission has provided guidance on procurement activities and those are in line with those guidance documents.
- Q And are they in part guided by Tampa Electric's duty to its shareholders, as well?
- A They are guided by good business practices, which actually benefit all that we deal with, shareholders, ratepayers.
- Q In your opinion is there any other company that can meet Tampa Electric's transportation needs, other than TECO Transport?

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| 1 | A I believe that there are companies that can provide |
| 2 | water transportation service, maybe not on the complete |
| 3 | journey. I believe that there are those companies out there, |
| 4 | and I believe that the railroad could potentially provide |
| 5 | transportation services to Tampa Electric Company. |
| 6 | Q Have they done so in the past? |
| 7 | A The railroad has, yes. |
| 8 | Q On Page 14, Lines 4 to 7, you identify several |
| 9 | recently negotiated contracts that contain right of first |
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refusal clauses. Do you know if those contracts were negotiated with affiliates of those utilities or companies?

Again, I have provided those documents as part of my POD request, but I don't recall that they were. I recall that for the most part they were either transportation companies or other coal companies that were not affiliated with these organizations.

Do you know what the length of the relationship between the organizations were?

I don't know. Again, the reason why I chose to put this in was to demonstrate that right of first refusal clauses are common in the coal and coal transportation industry.

And you don't purport to know anything else other than that?

I know that they exist. I don't know all the parameters or the terms of each of those arrangements.

| 1 | Q On Page 14 in the first full Q and A there, it says |
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| 2 | that the bid prices were not unduly impacted by external |
| 3 | circumstances. Do you know if they were impacted at all by any |
| 4 | external circumstances? |
| 5 | A The Q and A that starts on Line 9? |
| 6 | Q Yes, ma'am. |
| 7 | A I can't say for sure if they were or were not. I |
| 8 | don't know the answer to that. |
| 9 | Q Have you compared the provisions of the recent RFP |
| 10 | with the RFP that was issued, I guess, back in '98 for the last |
| 11 | contract? |
| 12 | A I have that as an exhibit to my testimony. |
| 13 | Q Okay. On Page 16, Line 3, you discuss Tampa |
| 14 | Electric's preference for the payment schedule requirement, is |
| 15 | that correct? |
| 16 | A Yes. |
| 17 | Q Were bidders told how the preference would be |
| 18 | weighted when evaluating the RFP? |
| 19 | A No, they were not. |
| 20 | Q Was there any way for them to tell the importance of |
| 21 | this preference? |
| 22 | A No, there was not. However, they were free to offer |
| 23 | an alternative if they did not like what was considered in the |

Q In your testimony, you cite to the fact that one of

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RFP.

Gulf's contracts, Gulf Power's contract contains a right of 1 first refusal clause. 2 3 Α Yes. Do you know of any other Florida utilities that have 4 right of first refusal clauses in their contracts? 5 That is confidential data. I wouldn't be privy to 6 7 that. 8 0 You also said earlier that you didn't ask the 9 railroad to make a proposal. Was this because you weren't interested in a proposal from the railroad? 10 No, it was because it was a waterborne transportation 11 Α 12 RFP. And, again, I didn't think that the railroad had the 13 ability to respond to a waterborne bid proposal. 14 Q In response to some earlier questioning you said that 15 Mr. Hugh Smith was your prior boss? 16 Α Yes. 17 And that he was involved with the RFP process until 0 about September? 18 19 Α Yes. 20 Q Do you know if Mr. Smith's separation from Tampa 21 Electric was voluntary or involuntary? 22 I believe it was involuntary. 23 Do you know if his separation was related at all to 24 the RFP process?

I do not think it was at all related to the RFP

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process.

Q In response to some earlier questioning, I believe that you said that the RFP, the number of RFP responses may have been reduced because of the level of scrutiny that the case was receiving?

- A That is my opinion.
- Q Why do you think that the scrutiny would scare off bidders?

A Because I think that bidders wouldn't want their confidential numbers to be potentially revealed in a public proceeding. Whether or not that might have happened or not, it is their perception of it, and so it is very unusual to be contacted by a governmental agency in another state encouraging people to bid and inquiring about it. And so I think that they were just leery of preparing. They didn't know where this would all end up or go.

- Q Do you have any reason to believe that those bidders were contacted based on confidential information?
 - A What kind of confidential information?
- Q In other words, you cited that it was unusual for the bidders to be contacted by a public official?
 - A Uh-huh.
- Q And you also said that the companies, in your opinion, were leery to bid because of public disclosure of confidential information?

| 1. | İΑ | Uh-huh |
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- Q Do you think that the public official used confidential information to contact the bidders?
- A No. I believe they contacted them -- what I understand to be the case is they were contacted and encouraged to bid and asked a lot of questions about the bid process. And I don't believe there was any confidential information shared, I just believe that there was a general inquiry made and people didn't want any part of it.
- Q Did all the bidders that you sent an RFP to respond to you, respond to Tampa Electric in the form of a denial letter or a bid?
- A I don't remember that all of them did. We did receive denial letters, though, saying that they weren't interested in bidding or could not bid at this time, which is -- it is standard that you don't get -- necessarily get responses from everyone that you actually include in an RFP.
- Q Did any of the letters identify PSC, Florida Public Service Commission, or press scrutiny as a reason for not bidding?
 - A I don't believe they did in writing, no.
- Q In fact, only one of the letters identified a reason for not bidding, and the reason given was that the author conveyed that the right of first refusal clause would prohibit them from being able to win the business that was being

offered, isn't that correct?

A That was their opinion. But it is interesting that that particular party also maintains a right of first refusal clause with one of their actual customers. I found that quite ironic.

- Q Was TECO Transport provided with a copy of the RFP at the same time that the other potential bidders were?
 - A Yes, they were.
- Q Wouldn't it be fair to say that it was TECO
 Transport's choice not to bid on the RFP?
 - A Certainly.
- Q Who made the decision to hire Mr. Dibner in relation to this case?
- A I believe the ultimate decision was made between Mr. Smith and myself.
- Q How much experience does TECO have in issuing RFPs for waterborne transportation service?
- A The current staff has experience with the prior waterborne transportation RFP that went out, and by utilizing Mr. Dibner's long-standing expertise in the industry, we felt confident that the joint experience would be a good match.
- Q Let me ask you to turn to Page 10 in your rebuttal.

 And on Lines 4 to 6, you say that Tampa Electric is free to negotiate its contracts with its affiliate in any manner it deems to be fair and reasonable?

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| Q | Isn't | there | a | caveat | to | that? | Doesn't | the | Public |
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Service Commission have to approve the price is reasonable?

I'm not an expert in that area. I don't know that. I mean, ultimately they review that, the prudency of those prices via audit and otherwise. And, certainly, the benchmark is another mechanism where they actually review those rates on an after-the-fact basis.

Do you receive any regular reports on the locations of TECO Transport's vessels and what cargo they are carrying?

- Α Daily, sometimes more than once a day.
- Don't those reports show both head haul and backhaul movements?

They show movements for other customers, as well as our movements.

Do those reports contain such data as the tonnages 0 that are being transported by the ships?

That I don't know. I think we have provided some of Α those reports in our PODs. We would have to actually look at those particular reports. Again, I don't deal with TECO Transport on a day-to-day basis.

- 0 How often do you receive those reports?
- They are received in our group by our transportation coordinator daily, if not more. Any time there is a change in the actual projection, they would receive that updated report.

Q Before Mr. Dibner's rates were given to TECO

Transport to meet or beat, did you ever consider including

A No, we did not consider that.

- Q Did anyone else in your group raise that as an issue?
- A No.

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Q In conducting the RFPs, whether they are for waterborne transportation services or fuel procurement RFPs, do you ever ask for bidder feedback on the back end of the RFP?

backhaul amounts to reduce the prices of Mr. Dibner's rates?

- A Bidder feedback?
- Q Yes. In other words, do you solicit any feedback from the bidders at the conclusion of the RFP?
 - A What kind of feedback? I'm not sure.
- Q Any type of feedback with regards to the terms and conditions or the process?
- A Oftentimes we have questions throughout the process where people will call and ask questions as to different terminology that we use. We typically use a very standard document that has been run through our legal department, and so it is very self-explanatory. If someone doesn't understand anything, they are certainly free to call. We do have folks call to try and understand where we are in our decision process, if we have made a decision, if they are the winning bidder, you know, all of those kinds of things. I have looked -- and just so you know, I have looked at other RFPs

that are done by other utilities, and I think ours is right in line with the best of them.

Q Can you describe to me how the shipping reports that you receive feed into the fuel management system?

A They are directly entered by TECO Barge Line, as well as people at the terminal, and Tampa Electric folks actually enter any vessels that are received at Big Bend Station. So they are directly linked, but it is via information gathered, and then this is gone through a compiler of sorts. I am not a computer guru by any stretch of the imagination. And then it feeds into the fuels management system.

- Q Does it just show the fuel that is being transported?
- A Yes. It shows the tonnage, it shows the vessel, it shows the contract that it was being shipped on, it shows the weights, you know the dates, all the relevant information that you would need to upload and input into our fuels management computer system.
- Q Does your system compile any information for nonfuel movements or movements that are made for other TECO Transport clients?
 - A No, we wouldn't be privy to that.
- Q Who set the minimum and maximum tonnages for the TECO Transport contract?
- A The minimum and maximums were actually set in the RFP.

- Q So Tampa Electric set the tonnages?
- A Yes, we did.

- Q In response to several questions you have noted that recently Tampa Electric has had the possibility of being exposed to dead freight charges for not having the minimum amount of tons being transported?
 - A Uh-huh.
- Q Is there a reason why you didn't reduce the minimum tonnage to zero to avoid such charges?
- A No one would take the business at zero. I mean, you have to guarantee them at least some movement. And, again, similar to the right of first refusal, you would have to guarantee them some activity for their investment. The contract wouldn't be attractive. You would be operating at spot rates. I mean, similar to like -- a coal supplier would not -- they are going to want to know how much they are going to sell you. It is not going to be at our whim when we choose to take deliveries or not. I'm not sure --
- Q So it is your opinion they only work on, say, a take or pay arrangement? Isn't that essentially what it is?
- A Up to a certain volume. I mean, obviously for the dollars that are associated with that, the consideration given for that movement, there is alternate consideration given and at least a minimum amount of volume.
 - Q Is a million tons the absolute minimum that you will

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A No, the absolutely minimums were what we had dentified in the RFP.

Q You also mentioned that ACBL visited Tampa Electric to discuss the RFP after the -- after they had received the denial letter?

A Yes. I believe it was after they received that, because we had continued to contact them throughout the bidding process while the bid was still open to try to get financial data from them, and had not received it. And so I remember those conversations, and then I believe their visit was actually after the bid closed.

Q Was it before Tampa Electric contacted TECO Transport with regard to the right of first refusal clause?

A I don't recall if it was. Again, remember, that was a very short window of time, so I don't remember.

Q Do you remember what your thinking was when you decided not to meet with the ACBL representatives?

A I wasn't available to meet with the ACBL representative. He actually came into Tampa, and so other members of my staff actually met with him.

Q Do you know who met with him?

A I believe it was at least Marty Duff, and I don't know if there was anybody else that actually met with him.

 ${\tt MR.\ PERRY:}\ {\tt Thank\ you,\ Ms.\ Wehle.\ That\ is\ all\ of\ my}$

1 questions. 2 (Brief recess.) CROSS EXAMINATION 3 BY MR. TWOMEY: 4 Ms. Wehle, good afternoon. Can you hear me? 5 Yes. 6 Α Okay. I will try to make this short, and I apologize 7 8 if I ask anything at all that was previously asked. Although I tried to pay close attention, it was very difficult to hear all 9 10 the questions. So, I will ask you to start with is it TECO's 11 position that the current contractual rates paid to TECO 12 Transport are affirmed by the rail benchmark, two, Mr. Dibner's 13 model or both? Mike, we need to ask you to repeat it. Myself and 14 Α the court reporter, we both did not hear it. 15 16 I'll take the phone off speaker and see if it works 17 better. MR. BEASLEY: That's much better. 18 That's much better, Mike. 19 THE WITNESS: 20 MR. TWOMEY: Okay. Now I can't hear, but that is okay. 21 BY MR. TWOMEY: 22 23 Is it TECO's position that the current contractual 24 rates paid to TECO Transport are affirmed by, one, the rail 25 benchmark, two, Mr. Dibner's model, or, three, both of those?

| A W | Well, Mr. | Dibner's | model, | yes. ' | The ben | chmark | |
|-------------|-----------|------------|---------|---------|---------|---------|------|
| calculation | n isn't d | one until | an afte | er-the- | fact lo | ook. In | fact |
| the benchma | ark for 2 | 003 hasn't | even h | oeen ca | lculate | d yet, | and |
| that was ur | nder the | last year | of the | prior a | agreeme | ent. | |

Q Okay. Stated differently, if you had to actually select the rates that you were going to ask the Commission to be allowed to pay TECO Transport, would you use the rail benchmark or Mr. Dibner's model?

A Mr. Dibner's model.

Q Okay. As being most representative of a fair and reasonable rate?

A Yes.

Q As most representative of a, quote, unquote, market rate?

A Yes.

Q Now, as I understand your rebuttal testimony, you are saying that TECO is taking the position that there are, quote, unquote, markets for all three legs or components of the waterborne transportation system, is that correct?

A Yes. I say that in my testimony, and I believe Mr. Dibner also says the same in his.

Q Right. Now, as I understand it, you are saying that there is competition for a market to include the Gulf transportation leg, and tell me if I am correct or not.

Apparently, you are basing that conclusion primarily on the

fact that you see competition from the railroad, is that correct?

A It is not just competition from the railroad; it is also the fact that there are other providers, Gulf providers that could compete even for portions of the business, but have chosen not to. They are just off busy doing what we assume is other business.

Q I see. So that it doesn't -- in your estimation, it doesn't take responsive bids so long as there are other people out there doing that type of business, to go ahead and construct or show the existence of a market, correct?

A That is correct. We know that those parties do exist, and that if the circumstances were right, that they actually would and -- could and would bid on the business and possibly have the business.

Q Okay. But at least in part, you are basing your conclusion that there is a market for the Gulf transportation based in part on the fact that there is competition from the railroad, correct?

A That is correct.

Q Okay. Now, I think I heard Mr. Keating ask you earlier this morning if you were a CPA, and I think you said yes, is that correct?

A Yes.

Q Okay. At Page 4 of your rebuttal testimony, you

discuss the outrageousness of one of Dr. Hochstein's conclusions that the water transportation rates could be excessive by 40 million a year, and you say starting at Line 22, put into perspective how outrageous these allegations are, according to TECO Energy's 2000 annual report, TECO Transport's total net income for 2003 was only 15.3 million, and revenues from Tampa Electric accounted for about 38 percent of the business's total revenues. Do you see that?

A Yes.

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- Q Now, I know that somebody, I think it was Cochran Keating, asked you some questions about the annual report, and I didn't hear all of the discussion. But my question to you is that, would you agree that -- would you concede that the amount of TECO Transport's total revenues might play a role in ascertaining whether or not the \$40 million figure would be sustainable?
 - A Actually, no, I don't agree with that.
- Q Well, if you would, tell me what your point is in comparing a \$40 million amount or adjustment, if you will, to what TECO's total net income for the year is. Net income is profit, right?
 - A That is correct.
- Q Okay. And the net income is what is generally left after you deduct your expenses from your gross income, right, your revenues?

A Right.

Q Okay. So what is the relevance of comparing the profit to the \$40 million figure?

A It was to just show the fact that the profit that they make from all of their revenue streams is only \$15.3 million. And to sort of say that they are overcharging us by 40 million, it just doesn't compute. The revenue stream that they receive from us, and I don't have the number in front of me, but I believe it was in the \$96 million range.

Mr. Hochstein, or Dr. Hochstein's allegation would be that they are overcharging us by half of our rates, and that just seems ludicrous to me.

Q Okay. But you reach that by discussing what the revenues are there versus what the profit is, right?

A But the profit here is for all their revenues. It is only \$15 million. I don't know how he derives the fact that they are overcharging us by 40 million. You would think that the net income would then exceed \$40 million, just on our piece alone, if they are overcharging us.

Q Okay. I think perhaps staff asked you this. When you all signed the most recent contract with TECO Transport, you knew that there were questions by at least the staff concerning the validity, the ongoing validity of the benchmark, correct?

A That is correct.

| 1 | Q Okay. At Page 11 have you submitted any changes |
|----|--|
| 2 | to your testimony, yet? |
| 3 | A I have. We actually passed those out today, this |
| 4 | morning, before the deposition began. |
| 5 | Q Okay. On Page 11, Line 23, did you |
| 6 | A We thought Dr. Hochstein wrote that order. |
| 7 | Q You mean you thought I voted on it and Dr. Hochstein |
| 8 | wrote it? |
| 9 | A That's right. |
| LO | Q Good. Good. Now, in connection with that, I'm |
| ll | curious |
| 12 | A Well, let me just say, Mike, that we actually struck |
| 13 | that particular sentence from my |
| 14 | Q I was curious, though. Looking at the first page |
| 15 | after the cover of your Document Number 1, and I see in the |
| 16 | excerpts from Order Number 20298 that you identify me again as |
| 17 | the staff attorney in Order Number 20298 written by Mr. Twomey |
| 18 | You are not suggesting that I had any ownership in that order |
| 19 | or was responsible for the vote, are you? |
| 20 | A I think just by the sheer token that all we are |
| 21 | saying is that or all I am saying is that you wrote it as a |
| 22 | summary document, as an item that was a result of all of the |
| 23 | discussions. |

probably write the order for the Commission that comes at the

Right. Not to belabor this, but Mr. Keating will

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conclusion of this hearing. And would you agree with me that what he will write will reflect what the Commission votes on and not his own conclusions, right?

A That is probably the case.

Q Okay. Now, at Page 17 of your rebuttal testimony, just briefly, beginning at Line 20, you talk about some of the reasoning why TECO Transport wasn't required to bid. And you go on to say, starting at Line 20, if TECO Transport was interested in continuing to perform the services, their obligation was to, quote, unquote, meet or beat market price for such services.

Now, given their druthers, if they were -- if they were presented with a number as a result of other bids or whatever, what would be the motivation for TECO Transport to beat a number, that is to undercut it, as opposed to merely meeting the bid offer by another?

A I think I was asked that question before this afternoon by somebody. I don't remember exactly who.

- Q I'm sorry, I didn't hear it.
- A That's okay.
- Q What was your answer?
- A I believe that in order for them to probably beat that price, there would probably have to be some other negotiated item that would be presented by the buyer, by Tampa Electric. That would be the only thing I can think of.

Q But isn't it true, or if it is not, tell me why, that their contractual obligation is solely to meet that price, the bid of the others, so that TECO can claim that it is getting at least as good a deal as if the competitive bid was used?

A There is nothing -- it is not a so-called claim as you characterize it. Their obligation is to meet or beat the price. The established price, the lowest bid out of the RFP is presented to them. They can choose to take it or leave it.

There is not a claim of anybody on anybody's part of why we are doing this. We are doing this to provide the ratepayers with the lowest cost alternative.

Q Okay. Would you agree with me that if TECO Transport were required to bid with other vendors in a competitive bid, that their goal would have to be to try and submit -- if they wanted to keep the business, their goal would have to be to submit a bid that was low enough to actually beat the other qualified respondents and not merely meet one?

- A If there was no right of first refusal clause?
- Q Yes, if there were no right of first refusal.
- A That would be true.
- Q Okay.

- A Again, all things considered in that bid process.
- Q Sure. On Page 29 of your rebuttal testimony -- let me see where it is. Starting at the question and answer starting at Line 3, you discuss -- the question is: Have you

received recent bid solicitations for imported coal in the last year, if so, what were the results. And I believe I heard pieces of questioning on this either this morning or this afternoon, is that correct?

A Yes.

Q Okay. I don't want to overdo this, but, again, I had a hard time hearing some of the questions. How many respondents did you get to the import coal bid solicitation?

A It was not an import coal bid solicitation. It was a general bid solicitation of which both foreign and domestic suppliers actually responded.

- Q I see. Are those responses in the discovery?
- A Yes.
 - Q They are?
- A Yes.
- 16 Q Do you recall where? If you don't, that's fine.
 17 I'll find it.
- 18 A No, I don't.

Q Okay. At Line 8 of that page you say the results of that solicitation indicate that foreign coal delivered directly to Big Bend Station was not the lowest cost on a fully delivered cents her million basis when compared to domestic coal. And you go on to say those solicitations were made before the run-up of prices in foreign coal. How many solicitations do you have to deliver coal to Big Bend Station?

| 1 | A How many do we have? |
|----|--|
| 2 | Q Yes. You say the results of that solicitation |
| 3 | indicate that foreign coal delivered directly to Big Bend |
| 4 | Station. |
| 5 | A This is the only pending solicitation that we still |
| 6 | have open at this time. |
| 7 | Q Okay. And how many suppliers or vendors offered to |
| 8 | bring foreign coal directly to Big Bend? |
| 9 | A I'm thinking of one. I don't recall if there was |
| 10 | more than one. |
| 11 | Q Okay. Is that shown in the discovery response? |
| 12 | A Yes. |
| 13 | Q Okay. And you say it was not the lowest cost on a |
| 14 | fully delivered cents per million Btu? |
| 15 | A Yes. |
| 16 | Q Was the coal that was offered to you in those bid |
| 17 | responses, the foreign coal, was the fact that it wasn't the |
| 18 | lowest cost on a million Btu basis because the price was high, |
| 19 | the Btus were low, there was some other coal quality problem, |
| 20 | or a combination of those? |
| 21 | A No. It was because on a delivered basis evaluation, |
| 22 | the total transportation and coal commodity price was not the |
| 23 | lowest. |

Q Okay. Not on a dollars per ton, but on a million

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Btus?

- A Exactly. We do it on a cents per million basis to have all of the respondents on a comparative basis.
- Q Right. It's like kind of a miles per gallon basis, right?
 - A Exactly.

- Q But I'm asking a little bit further. The fact that it wasn't the lowest cost on a million Btu basis, was it due, if you recall, to the fact that the price per ton was high or that the Btu value per ton was low, or both?
- A This actual solicitation was for a low Btu product, and so I had a variety of responses from those that did respond. What I recall from this particular instance was that the Btus were not low in comparison to others, and it was, again, a fully delivered product by the actual supplier.
- Q Okay. Let me see where I have the -- one of your -- let me see where your document is here. I wanted to ask you about that. Document 6, your rebuttal testimony?
 - A Yes.
 - Q It is on Page 99 of your testimony.
 - A Yes.
 - Q Do you have that?
- 22 A Yes.
 - Q Those are Colombian and Venezuelan spot prices, and I just wanted to ask you, I was curious. What are the mine or vendor codes at the bottom there for each of -- the symbology

- for each of the lines. One of them, VN, is for Venezuela, I assume, right?
 - A Yes. Santa Marta, which is another port. Puerto Bolivar (phonetic).
 - Q The SMRGA?
 - A Is Santa Marta.
 - Q Which country is that in?
- A I don't recall. I believe it is in Venezuela. It is one or the other.
- 10 Q Okay. PBV?
 - A Puerto Bolivar.
- 12 O Uh-huh.

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- 13 A And then --
- 14 Q Where is that?
- 15 A That is in Colombia.
- 16 Q Colombia. Okay.
 - A And Puerto Bolivar/DRMD is Puerto Bolivar for a Drummond product.
 - Q Okay. The Venezuelan coal is a little bit higher Btu value than the Colombian apparently. But if you recall, was the coal offered to you in this most recent solicitation in that range of Btus?
- 23 A Yes.
- Q Okay. Let's see here. On Page 56 of your rebuttal testimony.

1 A Okay.

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- Q You start at -- well, the question is at Line 6, about Dr. Hochstein saying that the coal from the midwest fields can only rationally be transported to Tampa Electric's Big Bend Station by water. Do you recall that?
 - A Yes.
 - Q Okay. Now, did you listen to or read his deposition?
- A I listened to a very small part of it.
- Q Okay. Did you hear enough or would you agree with me that in his deposition Dr. Hochstein made some effort to clarify that he meant that statement to be applicable to mines that are close to the rivers?
 - A Mike, I didn't hear that.
 - O You didn't hear that?
 - A No, I didn't.
- Q Okay. Let's see. Now, on Page 62, you say in your answer starting at Line 12, TECO Transport offers the most efficient, reliable and cost-effective means of transporting coal to Tampa Electric, even Dr. Hochstein acknowledges this. Is it your testimony there that Dr. Hochstein unqualifiably said that TECO Transport offers the most efficient, reliable and cost-effective means of transporting coal to Tampa Electric without any caveats?
- A I don't know that he had any caveats. I was just -it was just a general statement that Dr. Hochstein acknowledges

that waterborne transportation is a logical choice for Tampa Electric and that TECO -- for Tampa Electric.

Q Okay. On Page 58 -- I'm sorry. Let's go back to

Page 57 for a second. At Page 57, Line 2, you state that many

of the foreign fuels have high ash fusion temperatures, which

cause operational problems in the Big Bend boilers. Do you see

that?

A Yes.

Q And I just took it that when you said many of the foreign fuels have high ash fusion, that you recognized, had it in your mind that there were some that don't, is that correct?

A That is correct.

Q Okay. And how do you distinguish which of the fuels, I mean, which fuels have high ash fusion temperatures versus those that don't, if you know off the top of your head?

A For the most part, South American fuels tend to have high ash fusion temperatures. There are those that don't. For instance, Indonesian fuels tend to not have high ash fusion temperatures. It is just going to be really symptomatic of how that mine was formed over the millions of years as the coal seam was formed. And how we do -- how we determine what those are is by requiring official lab analysis to be performed with the ash fusion temperature results to be reported by those particular mines that are trying to provide fuel to us.

Q Right. And then you just compare those to what the

||boiler --

- A Design.
- Q -- requirements are?
- A Exactly.
- Q Let me see. Now, you may have answered this a minute ago. In Line 4, in talking about the most recent bid analysis results.
 - A Yes.
 - Q Is that in the discovery, as well?
 - A That is the same bid analysis we just talked about.
- Q The same one, okay. On Page 58, Line 4, you discuss the fact that at the time Tampa Electric's waterborne transportation RFP -- at the time of the RFP, Marigold-Drummond was planning to build a terminal, but had no permits in place, correct?
 - A That is correct.
- Q I have either read someplace in the discovery, I think, or heard in a deposition recently that either Marigold-Drummond, or perhaps I am confused, Kinder Morgan had been supplying coal to Lakeland and others, foreign coal from Lakeland and others, through the Port of Tampa for a number of years?
- A I don't know that that was for a number of years.

 They did operate, as I mention further down on in Line 9, it

 was Kinder Morgan who was operating through the port's Peer 219

facility. But there they were required to unload a vessel directly into trucks. So it was not a very convenient or simple facility. And to my knowledge, it has not been operating that way for several years. It has just been a recent phenomenon.

- Q If you are aware, is the new facility at Kinder Morgan situated such that they can operate more efficiently now?
 - A Yes, it is.

- Q Okay. So they might be better situated to serve your needs in the future than they were in the past?
 - A It could be.
- Q Okay. How about the Marigold-Drummond terminal, is it -- did you say it is in operation now?
- A I don't know if it has been operating or not. It was still under construction in March.
 - Q March of this year?
- A March of this year. I believe they have all of their permits and whatnot that would allow them to actually accept vessels and unload vessels. I just don't know what the level of activity is that is going on there.
- Q Okay. Let's see. On Page 64, I think I heard you all talking about this earlier today.
 - A Yes.
 - Q And it may have been Rob Vandiver asking you this.

Whose quote is that?

- A I believe it was Mr. Jenkins.
- Q Joe Jenkins?
- A Yes.

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- Q Okay. And, let's see. Okay. Ms. Wehle, do you consider that there is -- with respect to the three different components or legs of the existing waterborne transportation route, do you consider that there is significant competition for the river borne leg?
 - A I don't know what you mean by significant.
- Q Well, do you consider that there is competition on the river?
 - A Yes.
 - Q Okay. And Mr. Dibner's recognizes that, right?
- A Right.
- 16 Q That there are other carriers?
- 17 A Yes.
 - Q That there are a sufficient number of boats, at least at the time of his testimony, enough vessels that the supply, apparently -- his conclusion was greater than the demand?
 - A I believe that is what he said. You would have to go back and check his testimony.
 - Q Okay. Now, how about for the transloading area, as opposed to just the market, is there, in fact, competition for transloading?

| 1 | A Yes. |
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| 2 | Q Okay. And that is evidenced by what, the IMT bid? |
| 3 | A Yes. |
| 4 | Q Okay. |
| 5 | A And there are a variety of other ports in the Gulf. |
| 6 | Q Okay. None of whom apparently chose to respond, |
| 7 | right? |
| 8 | A That is correct. |
| 9 | Q Am I correct in my recollection that the use you |
| 10 | all used the IMT bid as the place marker to establish the |
| 11 | market rate for transloading services, right? |
| 12 | A That is correct. |
| 13 | Q And am I correct in recalling as well that that |
| 14 | resulted in the transloading rate to increase, vis-a-vis what |
| 15 | it had been before? |
| 16 | A On the average. It is really not fair to say because |
| 17 | the other rate was broken out in two different components. |
| 18 | Q Which components were those? |
| 19 | A Those were direct transfer rate and then a storage to |
| 20 | ground rate. And those two were different in the prior |
| 21 | contract. If you averaged those two on a 50/50 basis, you |
| 22 | could say that the rate went up. But you would have to make |
| 23 | that assumption. |

I see. Now, on the Gulf leg --

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Yes.

- Q -- aside from there being a market, quote, unquote, as established by the existence of other vessels capable of performing that service, and/or the railroad being able to transfer or carry the same coal, is there, in fact, any, quote, unquote, competition?
 - A I believe that there is competition.
 - Q Okay. And do you think that is significant?
 - A I don't know what you mean by significant.
- Q Well, that's a fair question. I'm not sure how to define it. I guess a lot, mucho competition.
 - A Mucho competition.

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- Q That is Mr. Dibner's testimony.
- 13 A I would have to defer to Mr. Dibner --
 - Q Of course, that's why I said that.
- 15 A -- to say whether there was significant competition or not.
 - Q Do you recall, though, who the vessel competition would be for the --
 - A It would be those carriers that we actually solicited in our RFP that actually could serve the waterborne leg.
 - Q Okay. Let me --
 - A Excuse me, the ocean leg.
 - Q Okay. Let me check my notes here quickly and see if

 I've got -- I forget the reference in your testimony now, but

 do you recall how many tons of foreign coal you received at Big

Bend in 2003? 1 I don't. I don't know that we've -- I referenced it 2 Α in my testimony. I believe I probably provided that 3 information either in -- in an interrogatory response. 4 Okay. Irrespective of whether it is in your 5 testimony, do you recall what the number is approximately? 6 I don't actually. 7 Α For last year? 0 8 I don't. The vast majority of the foreign coal that 9 Α we have purchased has been used at our Polk Power Station. 10 was minimal. Probably this test burn that we have continued to 11 talk about was probably the biggest piece that was used at Big 12 13 Bend. MR. TWOMEY: Okay. That's all I have. Thank you 14 15 much. THE WITNESS: Okay. 16 CROSS EXAMINATION 17 BY MR. WRIGHT: 18 19 Good afternoon, Ms. Wehle. Good afternoon. 20 My name is Shef Wright. And as you know, I am an 21 Q 22 attorney for CSX Transportation in this proceeding. 23 Α Yes. Q And I've got some questions for you. 24

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Α

Okay.

| 1 | Q | Your testimony was prepared under your direction and |
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| 2 | supervisio | on, is that correct? |
| 3 | A | That's correct. |
| 4 | Q | Who, if anyone, assisted you in writing that |
| 5 | testimony | ? |
| 6 | A | The people that I am going to list really were more |
| 7 | of a revi | ew than an assistance, per se. |
| 8 | Q | Okay. |
| 9 | A | Ms. Bramley, Mr. Duff, folks from the regulatory |
| 10 | group rev | iewed it before it was finally sent out, my boss, Mr. |
| 11 | Christmas | |
| 12 | Q | Did your attorneys review it before it was sent out? |
| 13 | A | I believe they reviewed it. |
| 14 | Q | Did I understand your testimony this afternoon that |
| 15 | you basic | ally wrote almost all of this yourself? |
| 16 | A | Yes. |
| 17 | Q | Good. Are you being tendered as an expert witness in |
| 18 | this proc | eeding? |
| 19 | A | I am being tendered as the company witness who can |
| 20 | answer on | behalf of Tampa Electric. |
| 21 | Q | Do you know whether you are being tendered as an |
| 22 | expert wi | tness? |
| 23 | | MR. BEASLEY: We have not discussed that. We will |
| 24 | prior to | the hearing and will certainly let you know. |
| 25 | II. | MR. WRIGHT: Okay. |

BY MR. WRIGHT:

Q I'm not going to ask you how much money, what your salary is, but I want to ask you about how your compensation structure and how your total compensation is determined as you are employed by Tampa Electric Company. You are employed by Tampa Electric Company itself, are you not?

- A That is correct.
- Q Do you receive a base salary?
- A Yes.
- Q Do you receive a bonus typically?
- A Yes, if one is awarded through our bonus compensation program.
 - Q What determines whether bonuses are awarded through the bonus compensation program at Tampa Electric?
 - A At my level?
 - Q Yes, please.
 - A There are predetermined goals that are set at either the prior -- end of the prior year or the beginning of the current year that are again set and determined specifically for me. And after the year is complete, it is decided by myself with my input whether or not I have actually achieved those goals or not. And there are certain percentages given to the variety of different categories of goals. And that is consistent throughout the company.
 - Q Are these goals like objectives in a management by

objectives culture, do you know?

A The types of goals are, some of it, is whether or not the company actually achieves its financial performance overall. Setting net income targets, and I have -- whether or not there is any safety goals that are achieved and environmental goals, as well as personal goals specifically for me.

Q Okay. What are your personal specific goals that you are required to meet?

A For 2004, I have a variety of personal goals which comprise about 40 percent of my overall bonus structure, and those are from a variety of -- attracting talent to the organization when there are opportunities for that, attending training programs. Let me see, succession planning for others in our group, communication and interaction with other departments that I work with. It is those types of goals.

Sometimes meeting with vendors, meeting with -- I also am a vendor, meeting with customers a certain number of times. It is those types of goals.

Q You mentioned at the beginning of that response that those represent about 40 percent of your bonus structure?

- A Yes.
- Q What is the other 60 percent?
- A Those company goals that I had talked about earlier, like whether or not we have achieved net income targets, safety

goals, and the like.

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- Q Thank you. In your response a minute ago you mentioned that you are also a vendor; what do you sell?
 - A We sell wholesale power.
 - Q Do you sell fuel?
- A No, not typically. Only on a very rare occasion do we sell fuel.
- Q Does any part of your bonus depend on minimizing the total delivered cost of fuel to Tampa Electric's power plants?
- A I don't know that that is specifically spelled out in my bonus structure.
 - Q Is your boss still Mr. Christmas?
- 13 A Yes.
 - Q Is that Bruce Christmas?
 - A Yes.
- 16 Q I know him from the gas business.
- 17 A Okay.
 - Q Do you know whether any part of his bonus depends on minimizing the total delivered cost of fuel to Tampa Electric's power plants?
 - A I have not seen his goals.
 - Q Do you know whether the bonus for anyone in your group, as you used that term a little while ago, has a bonus that depends on minimizing the total delivered cost of fuel?
 - A Not to my knowledge.

Q Thank you.

- A I believe that particular item is a general objective that the department holds. I don't know that we -- you know, we don't have specific individual goals for that.
- Q You have been asked a number of questions around the issue I am about to ask you about.
 - A Okay.
 - Q I don't think I heard the question asked this way.
 - A Okay.
- Q I'm trying not to be duplicative. You were asked a number of questions about the fact that Tampa Electric presents TECO Transport and Trade with a proposed price?
 - A That is correct.
- Q And then TECO Transport -- is it TECO Transport and Trade, is that right?
 - A It is no longer and Trade. It's just TECO Transport.
- Q Thank you. And that TECO Transport can either accept it, meet it, or beat it, or reject it, is that accurate?
 - A Right.
- Q Here is my question: Why doesn't Tampa Electric ask
 TECO Transport to submit a price proposal to Tampa Electric
 first?
- A That wasn't the terms of the arrangement. I am back to that same argument of providing them with a last look and asking them to bid seemed somewhat inconsistent to me, okay?

1 0 Yes.

A And so by requiring them to bid, I'm not sure that they would necessarily be incented to provide an extremely aggressive proposal when they also have the opportunity to meet or beat the lowest price.

- Q And is it your understanding that the last look, right of first refusal, meet or beat provisions, are simply a given to you as part of the contract with TECO Transport?
 - A I don't know what you mean by a given.
- Q You just take that as given as part of the existing arrangement as you used the term a moment ago?
- A It was a part of the agreement that I assumed when I became director of fuels, if that is what you are referring to.
- Q Have you personally tried to negotiate that out of there, such that TECO Transport would be required to submit a price proposal?
 - A No, I have not.
- Q Has anyone else at Tampa Electric attempted to do so, to your knowledge?
 - A I don't know that answer.
- Q Just to be clear, would it be fair to say that you are not aware of anyone at Tampa Electric having attempted to do so?
 - A That would be correct.
 - Q Am I correct to understand that the meet or beat

prices that -- price or prices that Tampa Electric proposed to 1 TECO Transport were those derived by Mr. Dibner? 2 Mr. Dibner on the river, and Mr. Dibner's model 3 Α results as well on the ocean piece. And the terminal was the 4 IMT bid. 5 Thank you. What other types of contracts have you 0 6 administered in your career since becoming, I think, a senior 7 contracts administrator at Tampa Electric in about 1995? 8 9 For the most part, coal contracts and petroleum coke 10 contracts, which were the bulk of Tampa Electric's fuel supply. 11 At the time we were 98 percent coal-fired, so --To the extent that you know, how many of those 1.2 contracts have a last look or a meet or beat type provision in 13 them? 14 Currently, do you mean? 15 Α Let's qo for today, please? 16 Q I can think of two. 17 Α Okay. And which are those? I think everybody in the 18 19 room is in the confidentiality club. There's a Peabody contract that we currently have and 20 21 our Zeigler agreement.

Q Are you aware of other contracts that have had those terms since 1995? I've got it right that it was 1995 you became a senior contracts administrator?

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A 1995, yes. I believe there may have been one other

Peabody contract that actually has since expired.

- Q Along this same line, you were asked a number of question regarding rights of first refusal in contracts like the questions I have just asked you. What I want to ask you about is what your knowledge base is for that? How many other utility coal contracts are you aware of, other than those that you are familiar with for Tampa Electric specifically?
- A I think, again, I referenced the information from reading media articles. Utility contracts are confidential in nature, and unless I were to actually either work for the supplier or work for that utility, I'm not sure I would be privy to any of those.
- Q And I understand that, but I just want to be clear that -- I just want to be clear that I understand what your frame of reference is.
 - A Okay.

- Q Is it fair to say that it is the contracts that you know about from working with Tampa Electric and then general information you have read in the media?
- A General information in the marketplace, that's correct.
- Q And from that, is it your understanding that barge contracts frequently have rights of first refusal in them?
- A I don't think I can say that they frequently have them.

| 1 | Q Do you know whether it is typical for coal contracts |
|------------|--|
| 2 | to have rights of first refusal or last looks in them? |
| 3 | A I think it is typical for long-term agreements to |
| 4 | have rights of first refusals in them. I know that every coal |
| 5 | supplier that comes to visit me that wants to negotiate a |
| 6 | long-term agreement, or put a new panel in, or develop a new |
| 7 | section of a mine wants to be able to continue to provide that |
| 8 | service if they are going to invest in that mine. |
| 9 | Q But, again, you don't know about any specific |
| 10 | contracts outside of your personal experience? |
| l1 | A No, sir. |
| 12 | Q The same question with regard to rail contracts? |
| L3 | A I don't know. |
| L 4 | Q Truck contracts? |
| L5 | A I don't know. |
| 16 | Q Other than your contract with CTL? |
| L7 | A Other than my contracts, exactly. |
| 18 | Q I think you have is it correct that Tampa Electric |
| 19 | currently has more than one contract with Peabody? |
| 20 | A Yes. |
| 21 | Q Which of those contracts has the right of first |
| 22 | refusal, to the best of your knowledge? |
| 23 | A It is our Black Beauty contract. |
| 24 | Q Do you in your present job have primary |

responsibility for selecting -- for making the final decision

- on coal transportation for Tampa Electric?
 - A Within my approval levels.
- Q I apologize. I think I didn't word my question the way I meant to. Would it be more correct that you have primary authority for making recommendations to higher level management?
- A Yes, I do.

- Q Okay. Is the same general proposition true with respect to Tampa Electric's coal supply decisions?
 - A Yes, that is correct.
- Q Are those decisions ultimately made at the board level or are they made by Mr. Christmas or somebody between Mr. Christmas and the board?
- A It depends on the term and the amount of dollars.

 Mr. Christmas can make some of those decisions.
 - Is this direct testimony?
 - Q Yes. I am going to go chronologically and by page, I hope, beginning with your direct testimony.
- Does Tampa Electric blend any fuel for its Polk generating station at Big Bend?
 - A No, it does not.
- Q So it is your testimony that all of Polk's fuel comes in and goes to one stack and from that stack straight to the trucks?
 - A It is preblended before it gets to Big Bend.

And just to be clear, the answer to my question was 1 Q yes? 2 Α Yes. 3 I would like to ask if you would, please, look at 4 Page 23 of your direct testimony. Beginning at Line 18 on that 5 page, you make the statement that, secondly, the company 6 7 recognized that there could be additional transportation costs, 8 such as trucking costs from existing coal supply sources to rail loading facilities that needed to be taken into account. 9 My first question is, did you only look at that with respect to 10 existing coal supply sources? 11 12 Α Yes. 13 So would I be correct to conclude from that answer 14 that you did not look at it from any other potential coal 15 supply sources in this context? We looked at the current existing contracts that we 16 17 had in place. 18 And so wouldn't it be correct that you did not look 19 at the costs to get coal by rail from any source other than 20 your existing coal supply sources? 21 There still could be additional transportation costs to get other costs that are not rail served to a railhead. 22 23 I understand that. My question was did you look at

No, because we would have to assume what that coal

that with respect to any other coal supply source?

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supply source would be.

Q The next sentence continuing there at Line 22 on Page 23, says that, third, Tampa Electric needed to evaluate the impact on cost-effectiveness of acquiring coal from different supply locations in the event that rail service were used instead of water transportation services. Did you evaluate any coal supply locations, coal supply sources, other than your existing coal supply sources in that part of whatever analysis you did?

A We looked at what other rail served regions coal pricing was at the time and whether or not those qualities actually met our boiler design.

- Q What other regions did you look at?
- A Well, Central Appalachia obviously was one where rail is served most often out of, but those boiler designs -- those fuels don't typically work in our Big Bend boilers. And then we looked at whether or not Pittsburg 8 would have been cost-effective.
- Q Is it correct that Pittsburg 8 will work in your boilers?
 - A Yes, and we have bought Pittsburg 8 in the past.
- Q Is it also correct that some western Kentucky coals, including that from the Dotiki Mine will work in Tampa Electric's boilers?
 - A Yes, and we've bought Dotiki in the past, as well.

| 1 | Q Do you know whether Patiki coal will work in your |
|----|--|
| 2 | boilers? |
| 3 | A I don't know. |
| 4 | Q Did you look at Patiki? |
| 5 | A We have looked at them in the past. I'm not sure why |
| 6 | it hasn't been a fuel selection. |
| 7 | Q What specific evaluation of the impact on |
| 8 | cost-effectiveness of acquiring coal from different supply |
| 9 | locations did you perform in evaluating the CSXT rail |
| 10 | transportation proposals? |
| 11 | A We just reviewed what the prices were in those |
| 12 | regions. We didn't do a formal evaluation. |
| 13 | Q When you say you reviewed what the prices were in |
| 14 | those regions, what sources of information did you look at for |
| 15 | those prices? |
| 16 | A Typically, those prices as reported in the coal |
| 17 | media. I don't recall specifically. |
| 18 | Q You mean like the Argus (phonetic) Coal Trader and |
| 19 | Coal Transportation Report and publications like that? |
| 20 | A Coal Daily and others, uh-huh. |
| 21 | Q And during what time period, like month, if you |
| 22 | could, did you do that evaluation? |
| 23 | A I don't remember. It would have had to have been |
| 24 | around about the times that we were evaluating this rail |
| 25 | proposal. |

| _ | Q | Did | that | eval | uat | ion | resul | t in | the | pro | duct | ion | of | any | |
|-----|----------|-------|-------|-------|------|------|-------|------|------|-----|------|------|-----|-----|---|
| 2 | document | refle | ectin | g tha | t e | valu | ation | ? | | | | | | | |
| 3 | A | No, | it d | id no | t. | The | eval | uati | on t | hat | did | resu | ılt | in | a |
| . I | document | is ac | tual | lv at | tacl | hed | as mv | exh | ibit | | | | | | |

Q Document Number 3?

- A JTW-1, Document Number 3, right.
- Q And when was that prepared?
- A When was that prepared?
- Q That is my question, yes, ma'am.
- A After we received the bids, August of 2003. It was filed with my direct testimony and -- it was actually filed in my direct testimony in September of last year in the '03 docket and then resubmitted in this docket.
- Q I have a redacted version, but that is not a problem for the question I want to ask you.
 - A Okay.
- Q The question I want to ask you is this: Isn't it true that all of the sources listed on Document Number 3, Page 2 of 3 are, in fact, existing Tampa Electric sources?
 - A Yes.
- Q And so would I be correct to conclude from that you did not look, did not perform the same analysis for any new alternative sources other than these?
- A I didn't have any direct pricing from anybody else to do an evaluation, and all of our 2004 needs were actually

purchased already. So I had to look at what we already had under contract.

Q Turning to Page 25 of your direct testimony, toward the bottom at Line 21, you make the statement that you reviewed the data utilized and the methods of analysis employed by Sargent and Lundy.

A Yes.

Q Tell me specifically what data utilized by Sargent and Lundy you reviewed?

A They provided quite a bit of work papers associated with their final report, and I just really reviewed those. I didn't review any kind of source documents. I relied on our generation engineering folks who had direct contact with Sargent and Lundy to review the methodologies since they are really more in that business than I am.

Q And who would those persons be?

A I believe the contact person at Tampa Electric was Ralph Painter and possibly individuals on his staff.

Q You make the statement you also reviewed the methods of analysis employed by Sargent and Lundy. Exactly what methods of analysis did you review?

A I looked at whether or not they reviewed some of the schematics and things like that. It was a very high-level review. Again, I left the detailed review and discussions to our generation engineering group.

| 1 | Q And when you say high level, you are talking about |
|----|---|
| 2 | something in the range of 40 or 50,000 feet, as we might say? |
| 3 | A That would be it. I'm not an expert in that field, |
| 4 | so |
| 5 | Q Did you inquire as to whether Sargent and Lundy |
| 6 | utilized any vendor quotes for the equipment that they assumed |
| 7 | for their estimates? |
| 8 | A No, I did not. I didn't inquire one way or the |
| 9 | other. |
| 10 | Q Thanks. If you would turn to Page 27. There, |
| 11 | beginning at Line 19, you make the statement that in addition |
| 12 | to evaluating the capital costs for rail infrastructure, Tampa |
| 13 | Electric also considered the impact on cost-effectiveness of |
| 14 | acquiring coal from different supply locations in the event |
| 15 | that rail transportation were used instead of waterborne |
| 16 | transportation. Was that the general look at regional prices |
| 17 | that you mentioned a little while ago? |
| 18 | A Regional prices and the fact that we would no longer |
| 19 | be able to take petroleum coke via waterborne transportation |
| 20 | cost-effectively. |
| 21 | Q When you say you would no longer be able to take |
| 22 | petroleum coke by waterborne cost-effectively, what do you mean |
| 23 | by that? |
| 24 | A Well, that and Mr. Murrell talks about this in his |

testimony. To our knowledge, there are no refineries that are

| 1 | rail served. And so the bid that was provided by CSX required |
|----|---|
| 2 | a minimum of one million tons to be from rail served origins, |
| 3 | and so this could preclude the use of petroleum coke at, say, |
| 4 | our at Big Bend as well as our Polk Power Station where up |
| 5 | to 60 percent of our fuel mix is petroleum coke. |
| 6 | Q What is the total solid fuel burn or consumption at |
| 7 | Polk per year? |
| 8 | A About 750,000 tons. |
| 9 | Q And that is out of a total of approximately how many |
| 10 | tons of total solid fuel consumed by Tampa Electric per year? |
| 11 | A About five million. |
| 12 | Q Why or how would taking one million tons of coal by |
| 13 | rail out of a total of five million tons preclude Tampa |
| 14 | Electric's ability to obtain 60 percent of 750,000, that is |
| 15 | about 450,000 tons per year, petroleum coke cost-effectively? |
| 16 | A We were looking at using rail as being the full |
| 17 | alternative for us. |
| 18 | Q So do I understand your immediately previous response |
| 19 | is that you evaluated rail as an all or nothing proposal, the |
| 20 | CSXT bids? |
| 21 | A We evaluated both proposals. What we looked at was |
| 22 | |
| 23 | Q Go ahead. |
| 24 | A Okay and your comment here is we looked at all |

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the impacts associated with the cost-effectiveness of acquiring

192 our fuel supply, and we determined -- we were trying to factor 1 whether there would be any pet coke impact at all. 2 Well, I understood the remark you made a minute ago 3 0 that you -- I think you used approximately these words, that 4 you considered rail as a full alternative and evaluated it as 5 6 such? 7 Right. And actually if we took direct rail into Polk Α 8 Power Station that would preclude the ability for us to take some petroleum coke in there. It could, it could preclude 9 that. 10 Did you evaluate taking exactly one million tons a 11 Q year of coal for Big Bend as part of your overall fuel 12 13 procurement strategy? 14 Α No, because we didn't have any room for that one 15 16 was where we stood with rail given our 2004 supply portfolio.

million tons in the 2004 supply portfolio, so what we evaluated

- And this evaluation is performed when, again?
- Α August.

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- Did you have room for Polk fuel supply as of that Q point in time?
 - I don't understand your question.
- Well, I think you just made the remark that you didn't have any room at all in your coal procurement --
 - Right. All of our coal procurement --Α
 - -- for 2004 when you did this evaluation?

A Right. We looked at the evaluation on a long-term basis if we were to have rail infrastructure built, and what the impacts would be to our fuel supply.

1.3

- Q So when you say you looked at it on a long-term basis, did you look at it for 2005?
- A No, because I didn't know where I was going to buy all of my fuel. We were just saying theoretically. We were trying to understand the impacts theoretically of what it could do to our fuel supply going into the future. But the actual analysis that I performed as my exhibit was on 2004 fuel.
- Q Okay. Did you do any specific analyses of different amounts of coal by rail factoring in the offered prices and terms and conditions provided to Tampa Electric by CSX Transportation?
 - A Yes, we did, as far as this exhibit is concerned.
- Q Now, did you consider specifically a million tons a year?
- A No, we didn't even factor that in there. That would have been -- we would have been subjected to dead freight penalties because our coal supply doesn't have direct rail origins for 2004.
- Q What about for 2005? When you said you made a theoretical consideration for long-term, did you make a theoretical evaluation of taking, say, a million tons a year from CSX?

| A No, because it well, we looked at what the pricing |
|---|
| would have been for 2004, and given the fact that it was more |
| expensive given our current fuel supply portfolio, we didn't |
| even go beyond that. It was a more expensive alternative in |
| the immediate year. |
| O So you didn't look at two million tons or three |

- Q So you didn't look at two million tons or three million tons or any other specific portfolio mix?
 - A Right.

- Q Did you personally review CSX's bid submitted to Tampa Electric?
 - A Yes.
 - Q Where in that bid do you see dead freight penalties?
 - A I don't have the bid with me. Thank you.
- Q You're welcome. I will aver to you that that is a copy of the bid as I understand that to be the document that I just removed from my personal copy of the testimony of Bob White.
 - A We can probably use Jim's copy if you would rather.
- Q I would actually prefer that, but we can do it however you want.
- A And I think the question was where do I see dead freight penalties?
 - Q Dead freight penalties, yes.
- A I think dead freight penalties -- dead freight rates are listed on Attachment B, Page 16 of 59.

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| 1 | Q I will be with you in a minute. Okay. | | | | | | |
| 2 | A Okay. At \$5.33 per net ton below minimum annual | | | | | | |
| 3 | volumes. | | | | | | |
| 4 | Q Do you know whether CSX agreed to waive dead freight | | | | | | |
| 5 | penalties for 2004 as part of its proposal? | | | | | | |
| 6 | A They agreed to no annual volume requirements for | | | | | | |
| 7 | 2004. | | | | | | |
| 8 | Q Would that be the equivalent? | | | | | | |
| 9 | A That would be the equivalent of that. However, there | | | | | | |
| 10 | would be there are minimums established for 2005 through | | | | | | |
| 11 | 2008. So if we had if we had not achieved the million tons, | | | | | | |
| 12 | net tons at Big Bend of direct served origin mines per year in | | | | | | |
| 13 | 2005 through 2008, we would have we would have been | | | | | | |
| 14 | subjected to dead freight penalties. | | | | | | |
| 15 | Q Does Tampa Electric face the possibility of dead | | | | | | |
| 16 | freight charges in its contract with TECO Transport? | | | | | | |
| 17 | A Certainly. Except I have a whole host, a variety of | | | | | | |
| 18 | places where I can actually buy my coal. It doesn't have to be | | | | | | |
| 19 | just direct of rail-served mines, which are few and far between | | | | | | |
| 20 | in western Kentucky, to my knowledge. | | | | | | |
| 21 | Q Are you familiar with the document titled, CSX | | | | | | |
| 22 | Transportation Directory of Origin Coals? | | | | | | |

A I don't know that I have actually read through the entire document. I know it exists.

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Q Do you recall whether you have actually held a copy

in your hand?

- A I think I have.
- Q Okay.

A From my understanding of reading that document is there is only one company that actually has direct origin mines in western Kentucky, and that would be Alliance. And that is typically where we buy our Illinois Basin coal out of, is the western Kentucky market.

Q Do you know whether Tampa Electric buys more of its coal from western Kentucky, from Illinois, or from Indiana, or from another region?

A I don't know the exact breakdown of all the mine locations. I would say we buy a fair amount from western Kentucky and from Illinois, and it changes from time to time based on who actually provides us a bid and who actually has supply available.

- Q Say for 2004, what percentage of Tampa Electric's coal will come from western Kentucky?
 - A I don't have those percentages readily available.
 - Q And you don't have even a ballpark in your mind?
 - A No, I don't.
 - Q The same question with regard to Illinois Basin coal?
 - A Well, that is all Illinois Basin coal.
- Q Okay. And then the same question with regard to specific Illinois sources? Don't know?

A I believe we have provided that kind of information in our interrogatory responses, so someone could actually do the math.

- Q Have you personally been to western Kentucky to the coal fields there?
 - A Yes, I have.

- Q Have you visited rail origin mines there?
- A I have visited mines that have rail origin in Indiana, in Illinois, but I have not been to the Alliance mines in western Kentucky.
 - Q Which mines have you been to in Indiana and Illinois?
- A I have been to the Summerville Mine. I have been to the Zeigler Mine. I have been to -- I'm trying to think, the Sugar Camp Mine in Illinois. I have been to the Arclar Mines in -- I'm not sure if they are actually in Illinois or not. I have been to the Galatia Mine in Illinois, and I have been to a variety of -- I have been to TECO Coal's mines in eastern Kentucky, and I've been to Pittsburg mines, as well. As well as Powder River Basin mines. I think that covers my coal mine journeys.
 - Q Do you recall which Pittsburg mines you have been to?
- A I was to the Blackswell Mine and the Humphrey Mine.

 Actually went underground at Humphrey.
- Q Cool. I have been to some surface mines, but I've never been underground. It's pretty neat.

Isn't it true that as of January 1st, 2004 Tampa

Electric Company documents show that at that point Tampa

Electric had 500,000 tons of uncommitted spot coal for Big Bend and/or Polk in 2004?

A I don't know when those documents were produced. There could be as much as 500,000 tons. There also could not be as much as 500,000 tons, as well. We just make our buying decisions given our burn, our actual burn. That is not a lot of burn that can actually swing one way or the other, as well as the fact that that might actually be filled with petroleum coke purchases.

- Q Do you know whether the Galatia Mine loads rail direct?
 - A It does.

- O Which railroad?
- A The Illinois Central.
- Q Same question with Zeigler?
- A Zeigler loads on the UP, the Union Pacific.
- 19 Q Summerville?
 - A I want to say the Indiana -- it is an Indiana railroad, I believe. I can't recall the exact name of it.
 - Q Sugar Camp?
 - A To my knowledge it does not have rail service.
 - Q Do you know whether the Cardinal or Cardinal Voyer (phonetic) Mine in western Kentucky loads direct rail?

I do not. 1 Α The same question for the Cimarron Mine (phonetic)? Q 2 I do not. I'm not familiar with those mines. Α 3 Charlay (phonetic)? Q 4 5 Α I don't know. LoadStar? Q 6 I don't even know if -- LoadStar was in bankruptcy. 7 Α I'm not sure if they have actually emerged or not. I'm not 8 sure. 9 Do you know whether -- do you know whether they have 10 direct rail loading capability? 11 Α I do not know. 12 The same question, the Blackswell Mine. 13 Q The Blackswell Mine does have direct rail. Α 14 And the Humphrey mine? 15 I'm not sure if the Humphrey Mine is still 16 Α 17 operational. 18 (Brief recess.) 19 BY MR. WRIGHT: Okay. My next question for you is regarding the 20 current coal contracts. When does the Zeigler contract expire? 21 The Zeigler contract expires at the end of 2004. 22 Α However, it has a possibility of being extended an additional 23 24 ten years.

And is that possibility up to Zeigler?

Α It is a right of first refusal. 1 In favor of Zeigler, right? Q 2 They have the right. 3 Α Is that up to the fuel tonnage of the contract? 0 4 That is 150,000 tons, which is not the full 5 commitment that we currently have. 6 When does the Illinois fuel contract expire? Q 7 Α I believe at the end of this year. 8 Is there a similar right of first refusal in favor of 9 10 the supplier in that contract? 11 Α No. The same question for the Peabody Patriot? 12 Can I ask what you are looking at, because it might 13 Α actually help me. 14 Certainly. Maybe not, but you certainly may. I am 15 looking at a table from Dr. Sansom's that he derived from --16 That is helpful. I believe this contract is up at 17 Α 18 the end of this year. And by "this contract," you mean the Peabody Patriot? 19 Q 20 Α Yes. The same question for the Dodge Hill contract there. 21 Q The Dodge Hill contract goes through at least 2007, 22 Α and has a market reopener at that time. And I believe it 23 goes -- it could go as far -- as long as 2010, if I remember 24

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correctly, but --

Thank you. And the same question --0 1 It actually -- excuse me. It may have a reopener in 2 Α 2005 and it could go as long as 2007, I believe, is what I 3 meant to say. 4 Thank you. And, finally, the same question with 5 respect to the Dodge -- the next question, the Dodge Hill put 6 7 contract. The put contract is right in line with the Dodge Hill 8 9 contract. Thank you. Does Tampa Electric presently have a 10 Q long-term contract with Alliance? 11 12 Α No. I didn't think so. I knew that you had bought some 13 Q 14 of their coal. I just wanted to inquire. 15 We have seen references in some documents to a coal supplier identified as Contractor Number One. Can you tell us 16 who that is? 17 18 That is a spot contractor that has a mine in Nebo, Α Kentucky. It is a brand new supplier that we have not used in 19 20 the past. 21 And you said that is a spot supplier? Q Yes. 22 Α 23 Is there a long-term contract with that supplier? Q

When did you sign the contract with that supplier,

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Q

No.

| | Number One? |
|------------|--|
| A | I believe we started taking shipments either late |
| last year | or early 2004. |
| Q | In terms of duration of the supply, how does that |
| spot conti | ract work? |
| A | What is the term of the contract? |
| Q | Well, it is confusing. Well, let's ask that question |
| first. Wh | nat is the term of the contract? |
| A | It is an 18-month agreement. |
| Q | Is there a specified volume that Contractor Number |
| One is to | deliver over that 18-month period? |
| A | Yes. |
| Q | Does it have a minimum and a maximum? |
| A | No, it is just a specified volume. |
| Q | And what is that volume? |
| A | I believe it's 350,000 tons. |
| Q | Thank you. |
| A | So it is about it is minimal. |
| Q | And you do have where does Contractor Number One |
| load? | |
| A | I don't recall the exact river dock location. |
| Q | Is it one of the river docks listed in your exhibit |
| document? | |
| A | Yes. |
| | last year Q spot contr A Q first. Wh A Q One is to A Q A Q A Q Ioad? A Q document? |

Q Do you know whether Contractor Number One has the

| | 203 |
|----|--|
| 1 | capability to load rail? |
| 2 | A I do not know that. |
| 3 | Q Do you have a long-term contract with Black Beauty or |
| 4 | coal from the Black Beauty Mine? |
| 5 | A We have a long-term agreement. Black Beauty has |
| 6 | several different components with Arclar. We have an agreement |
| 7 | with them. We call it Black Beauty. But, you know, they own |
| 8 | several different mines. |
| 9 | Q When does that contract expire? |
| 10 | A 2007. |
| 11 | Q What is the minimum tonnage under that contract? |
| 12 | A I believe it is 500,000 tons. I wish I had my coal |
| 13 | contract matrix with me. I didn't know I was going to get |
| 14 | asked questions about that. We have provided all of this |
| 15 | information in production of documents to interrogatories. |
| 16 | Q Is the Black Beauty contract with the entity known |
| 17 | as I think you said Arclar? |
| 18 | A Yes. |
| 19 | Q When was that contract signed? |
| 20 | A It might have been as much as a year or two ago. I |
| 21 | don't recall the exact time frame. |
| 22 | Q Thank you. |

moment.

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MR. WRIGHT: Certainly. If you need to take a break

MR. BEASLEY: I need to confer with my client for a

and speak to your client privately, that's completely okay. 1 MR. BEASLEY: Okay. Good. Thank you. 2 MR. WRIGHT: Anytime. I know you would do the same 3 for me. 4 (Off the record.) 5 MR. WRIGHT: We can go back on. 6 7 BY MR. WRIGHT: Ms. Wehle, do you participate in preparing any forms 8 that are filed with the Federal Energy Regulatory Commission 9 regarding Tampa Electric's coal supply arrangements? 10 No, I do not. Α 11 Are you aware of a routine report known as FERC Form 12 580? 13 Yes, I am. I am aware of that. 14 Α And it is my information that that is filed every two 15 Q years in Docket Number IN79-6. Does that sound right to you? 16 17 That sounds right. Α Who files the Form 580? Q 18 I believe our regulatory group probably files it. 19 Α And it is filed in the name of Tampa Electric 20 0 21 Company? That is correct. Α 22 Isn't it true that what is filed in that form 23 includes the minimum tonnages and the term in years of the 24 utility's coal contracts? 25

| A | I don't recall t | he | specif | ics o | ρf | what | is | in | that |
|---------|------------------|----|--------|-------|----|-------|------|----|------|
| filing. | I haven't looked | at | one in | quit | te | somet | ∶im∈ | €. | |

- Q Do you what, if any, information in that FERC Form
 580 is protected as confidential under the applicable rules or
 orders of the Federal Energy Regulatory Commission?
 - A I don't know the answer to that.
 - Q Are you aware that the form is filed every two years?
- A I believe that that was the calendar rotation.

 However, for some reason it seems as though the last filing was delayed, so it might have actually gone longer than two years.
- Q In your job do you normally review those when they are filed?
- A Again, it goes to our regulatory group. I think there might -- there is some participation by the folks on my staff to help provide some of the data that is ultimately filed. But I think it is -- it is sort of a concerted effort, because if I recall correctly, it is a very thick filing.
 - Q Does it actually include the contracts themselves?
 - A The physical contracts?
 - O Yes.

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- A I don't think so. I don't know.
- Q Okay. When you said it was very thick, I thought it might have been.
 - A There are lots and lots of pages of data.
 - Q Okay. Moving on, how much syn-fuel does Tampa

| 1 | Electric l | ouy as a proportion of its total plus or minus five |
|----|------------|--|
| 2 | million to | ons a year? |
| 3 | A | I believe we are in the neighborhood of 10 to 20 |
| 4 | percent, | in that range. |
| 5 | Q | And then there is another, say, plus or minus 450,000 |
| 6 | tons of pe | et coke out of the five million total? |
| 7 | A | Again, give or take. It just depends on the given |
| 8 | year. | |
| 9 | Q | Well, I was using 60 percent of 750,000 tons which |
| LO | are numbe | rs that you gave me, and that's why |
| L1 | A | That is just for Polk Power Station. We do burn pet |
| L2 | coke at B | ig Bend. |
| L3 | Q | And do the syn-fuels come from the sources identified |
| 14 | in your e | xhibit? |
| 15 | A | Which exhibit? |
| 16 | Q | Document Number 3, Page 2 of 2. I'm not asking |
| 17 | specifica | lly which one. |
| 18 | A | I believe that is correct. |
| 19 | Q | When you analyzed the CSX rail bid, how much did |
| 20 | you ho | w much of the company's total solid fuel did you apply |
| 21 | the syn-f | uel adder in adjusting the rail rate? |
| 22 | A | To a million tons. |
| 23 | Q | One million tons? |
| 24 | A | Uh-huh. |

Q And what value did you use for total expected

| 1 | demurrage | charges per year? |
|----|-------------|---|
| 2 | A | I believe it is calculated in Footnote Number 2. |
| 3 | Q | If you could just tell me. I have the blacked out |
| 4 | version, s | so I would appreciate it. |
| 5 | A | On a per ton basis we looked at 6 cents additional, |
| 6 | and by us: | ing the demurrage rates that were in the tariff at |
| 7 | \$300 per 1 | nour. |
| 8 | Q | And so that 6 cents per ton was the total estimated |
| 9 | demurrage | impact in your analysis, is that accurate? |
| 10 | A | That's correct. |
| 11 | Q | Who prepared this exhibit? |
| 12 | A | It was prepared under my direction. |
| 13 | Q | Do you remember who specifically prepared it? |
| 14 | A | I think, again, it was a concerted effort by my |
| 15 | staff. | |
| 16 | Q | Did Mr. Duff participate in preparing this exhibit? |
| 17 | A | I don't believe he did. |
| 18 | Q | And was that 6 cents then on five million tons? |
| 19 | A | Yes. It is actually 5.5 million tons, the full |
| 20 | amount of | the higher proposal. |
| 21 | Q | On Page 31 of your testimony |
| 22 | A | Which testimony are we back to? |
| 23 | Q | I am still on the direct. |
| 24 | | MR. BEASLEY: 31 you said? |

MR. WRIGHT: Yes.

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- Q There is a concluding clause, part of a bigger sentence, it begins at Line 9 and continues to Line 10 that says, Tampa Electric determines that the bidders' proposals were not competitive. And my question for you is who personally made that determination?
- A Again, based on the analysis that was performed, I recommended to my management that those proposals be rejected.
- Q So would I be correct to understand that the determination was made by someone higher than you in the company based on your recommendation?
 - A Yes.
- Q And who would that have been? Would that have included Mr. Christmas?
 - A Yes.
 - O Would it also have included Ms. Jordon?
- 17 A No.
- 18 Q Anybody else besides Mr. Christmas?
- 19 A No.
 - Q Would there have been anyone from regulatory affairs or regulatory relations involved in that decision?
 - A No. They would have been apprised of it.
- Q I would like to ask you to look at Page 38 of your testimony, please?
 - A Okay.

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- Q At Lines 16 through 18 there is a reference to the average of the lowest costs paid by Florida Municipal Utilities for coal deliveries by rail. Would it be more accurate for that to state the average of the lowest publicly available costs paid by Florida Municipal Utilities?
- A Of those that we have identified that we regularly poll. I believe the order says publicly available rates.
- Q And so inserting the word publicly available costs there would actually make that a more accurate statement, wouldn't it?
 - A Yes.
- Q You don't actually know for a fact what the lowest rates paid by municipal utilities in Florida for coal transportation are, do you?
 - A We poll them and they provide those rates to us.
- Q Do they provide you their actual confidential information?
- A They provide us what their rates are, their actual rates that they pay.
- Q And is that broken down into publicly available information and nonpublicly available information? Are all of those rates publicly available?
- A I don't know the answer to that, because we go directly to the municipality and ask them for those, and they respond. We don't actually have to do a public records search

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Q Do you know whether volume discounts are included in the values that they report to you?

A No, I do not.

Q Do you treat all of the rates quoted to Tampa

Electric or reported to Tampa Electric by the subject

municipalities as being publicly available for purposes of

selecting those that are used to calculate the benchmark?

A Yes.

Q That is one bit of good news. I am done with the direct testimony.

A The bad news is you have a lot of yellow tabs on the other.

Q Yes. I know that you have been asked -- I am now looking at Page 4 of your rebuttal testimony.

A Okay.

Q And I know that you have been asked some questions about the information contained at the bottom there already, but I think I am going to ask you a different question --

A Okay.

Q -- than what you have been asked so far. And that is what exactly is the nexus between TECO Transport's net operating income and true market-based prices?

A I don't understand the question.

Q Well, as I understand some of the intervenors

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testimony, for example, that I think by Dr. Hochstein, they assert that Tampa is overpaying for waterborne transportation by as much as \$40 millions a year, to which you respond that you believe that is ludicrous, to use your word, because TECO Transport's earnings, its net income are only \$15.3 million.

- A For all of its business.
- Q For all of its business. But my question for you is what, if anything, is the nexus between TECO Transport's net income and true market-based costs?
- A The best I can answer that is with the -- I don't know what their market-based costs are. I know what their market-based rates are. And the best I can say is the allegations that we're being overcharged by \$40 million a year, given the revenue stream that we provide to them, and given the fact that that would represent nearly half, just for 2003, seems incredible to me. I don't know what the nexus is.
- Q Would you agree that a company's earnings are a direct function of its revenues and its costs?
 - A Yes.

- Q Okay. So if costs are what they are and revenues are less, the earnings are going to be less, correct, for any given company?
 - A If all other things remain equal, that is correct.
- Q And isn't it true that companies have, you know, in a given year a significant number of corporations in the United

States actually have negative earnings?

A Yes.

Q And wouldn't you agree that that is because the prices that they are able to charge for their goods or services in the market are not sufficient to produce revenues to produce positive earnings?

A It is either that or their costs are too high. It is one or the other.

Q Right. But wouldn't you agree that it would have to be -- it would have to be -- given costs, wouldn't you agree that the revenues are insufficient to produce earnings at the prices they are able to charge in the market?

A Yes, that would be correct.

Q Referring to the benchmark again, briefly, you have criticized the intervenors for not offering -- and I think this comes to the end of your testimony, but I'm going to jump to it. You criticize the intervenors for not offering an alternative. Are you aware of Dr. Sansom's suggestion that the actual rail bid should provide an appropriate benchmark?

A I believe that he had that in his testimony.

Q Leaving aside for the moment your positions, your company and your personal positions with regard to the accuracy of what the real rail cost would be, wouldn't you agree that the actual rail bid, the actual cost of obtaining services by rail appropriately adjusted would, in fact, be an appropriate

benchmark against which to measure waterborne transportation costs?

A It could serve as one of the alternatives. However, I think you would have to take it into consideration with the other municipalities and the state and what they are charged. Again, it is the benchmark that allows for rail service into the State of Florida.

- Q Well, wouldn't a more appropriate benchmark for Tampa Electric Company be the cost of rail service to Tampa Electric Company?
 - A It could be.

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- Q If the Public Service Commission were to decide to go that particular route, again, leaving aside the disagreements we have over the actual calculation of the rail cost, would you have any reason to quarrel with such a decision?
- A I really haven't thought about it enough to actually form an opinion at this point.
- Q Okay. Just a question about the RFP process. Did
 Tampa Electric send an RFP to International Marine Terminal?
 - A We sent an RFP to Kinder Morgan, who owns IMT.
- Q Was there any personal contact between you or anyone else at Tampa Electric Company and Kinder Morgan or anyone at IMT regarding their bid before it was submitted?
 - A I believe we discussed that earlier today.
 - Q I apologize for the duplication.

- A That's okay. And, again, it is in the call log, and I don't know what the date was.
- Q Thank you. But is the answer to my question yes as far as you recall?
 - A I don't know what the date was.
- Q Oh, you don't know what the date was, so you don't know where it was relative to when the bid was received?
 - A Right.

- Q I understand. Thank you. On Pages 21 and 22 of your rebuttal testimony at which you discuss the proposals submitted to Tampa Electric by CSX Transportation on October 23rd, 2002.

 Do I understand your testimony correctly to be that you did not consider this to be serious?
- A That was one of the -- I don't know that I would say that it wasn't serious. I believe CSX was serious at the time, that they wanted to recapture their market share, our market share of revenues. I'm not sure that the bid was bona fide, though, given the reasons I cite here.
- Q Okay. We will come back to that in a second. You just said you thought CSX was serious, but I have a little trouble comparing that to the statement on Page 22, Line 11, where you say Tampa Electric did not consider it a serious proposal. Can you help me out?
- A Well, I don't think -- the proposal may not have been serious. I do think that they wanted to seriously recapture

our business.

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Q Do you believe that CSX was ready and willing to sit and talk with you toward negotiating a contract based on the proposal they tendered to you on October 23rd, 2002?

A I don't know whether they were or they weren't. I know that we told them time and team again that we had a current contract and that actually had minimum tonnage deliveries through 2003, yet they provided us this particular proposal.

- Q Well, when you told them time and time again that you had a contract, does that indicate that they continued to ask you time and time again for the opportunity to present a proposal and to negotiate with Tampa Electric toward a coal transportation contract?
 - A Restate your question.
- Q Were they relatively persistent in trying to negotiate with Tampa Electric toward a coal transportation contract?
 - A They were very persistent.
- Q Do you know whether the entire proposal was conditioned on CSXT's board approval or only the rail facilities piece of it?
 - A I don't recall.
- Q There were specific prices included in that proposal, were there not?

| 1 | A Yes. |
|----|---|
| 2 | Q Did you regard those prices as serious price |
| 3 | proposals? |
| 4 | A I regarded those prices as extremely aggressive. |
| 5 | Q You never entered into any negotiations with CSX, die |
| 6 | you? |
| 7 | A I have not, no. |
| 8 | Q Did anyone else at Tampa Electric? |
| 9 | A In prior times when we have actually taken rail |
| 10 | delivery from them. |
| 11 | Q Thank you. In response to or following on their |
| 12 | October 23rd, 2002 proposal? |
| 13 | A No, we did not. |
| 14 | Q You didn't. When were the coal-fired boilers at |
| 15 | Gannon Station closed? |
| 16 | A The actual boilers closed themselves? It was |
| 17 | staggered dates during 2003. |
| 18 | Q I have some other information that indicates that |
| 19 | they were staggered dates, all of which occurred before |
| 20 | December 31st, 2002. Are you telling me that that is |
| 21 | inaccurate? |
| 22 | MR. BEASLEY: You said 2002? |
| 23 | MR. WRIGHT: Correct. That is my question. |
| 24 | THE REPORTER: I don't recall that. I mean, I don't |
| 25 | know that your information is accurate. |

BY MR. WRIGHT:

Q I'm asking.

A Oh, okay. No, we continued to burn coal there, again, staggered dates.

O Until when?

A I believe the last unit that actually fired coal was in October of 2003.

Q When was the decision made by Tampa Electric to close Gannon as a coal-fired plant and recreate it as the repowered natural gas fired Bayside generating station?

A That was part of the consent decree decision. When the actual decision to take it off line and actually create a schedule?

Q That is my real question.

A Okay. I believe in either late January or early February of 2003.

Q Thank you. I am looking at what appears to be an unofficial transcript of a deposition that I think perhaps was taken in the 030001 docket. And I want to ask you a couple -- it does relate also to your testimony on Page 23 --

A Okay.

Q -- regarding dead freight impacts that Tampa Electric was facing relative to its TECO Transport contract during that time frame. Do I understand your testimony at Page 23 of your rebuttal to indicate that Tampa Electric was facing potential

| 1 | dead freight charge impacts totalling over 15 million |
|----|---|
| 2 | associated with its relationship with TECO Transport? |
| 3 | A Right, related to our Gannon our early shutdown of |
| 4 | the Gannon Station. |
| 5 | Q Thank you. I apologize for interrupting. |
| 6 | What did Tampa Electric's final dead freight |
| 7 | liability, if anything, turn out to be in connection with that |
| 8 | closure? |
| 9 | A There was a dead freight total at the end of 2003. I |
| 10 | don't recall what it was. I believe it was less than the 15 |
| 11 | million, but it was it might have been in the neighborhood |
| 12 | of 10 to 12 million, but that figure was waived. |
| 13 | Q And it was waived by TECO Transport? |
| 14 | A TECO Transport. |
| 15 | Q If you recall, when did TECO Transport agree to waive |
| 16 | the dead freight liability, whatever it was? |
| 17 | A Well, it would have had to have been after the year |
| 18 | was complete and the total minimums, the total shipments would |
| 19 | have been known. So I believe it was in early 2004. |
| 20 | Q Looking at your rebuttal testimony at the bottom of |
| 21 | Page 24, you make this statement: The company seeks full |
| 22 | supply contracts that optimize the company's needs. To what |
| 23 | extent does Tampa Electric seek proposals from rail source coal |

A Again, in the past when we have sought coal, we have

suppliers?

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| 1 | asked for | it to be delivered to the river because we had a |
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| 2 | transport | ation contract. And so if a rail-served mine chose to |
| 3 | either tr | uck or rail to the river, they certainly could have |
| 4 | done that | • |
| 5 | Q | If you know, how much of Tampa Electric's solid fuel |
| 6 | initially | loads on rail on it's to way to the river? |
| 7 | A | I don't know that. Didn't you ask me that already? |
| 8 | Q · | I don't think that I did. I think I asked you about |
| 9 | various m | ines, but I don't think I asked you that question |
| 10 | about the | proportion or the number of tons? |
| 11 | A | I don't know those percentage off the top of my head. |
| 12 | Q | Is it substantial, do you know? |
| 13 | A | Well, I know the Zeigler contract, off the top of my |
| 14 | head, rep | resents 20 percent of our commitment. |
| 15 | Q | Do I understand correctly that Zeigler loads directly |
| 16 | to Union | Pacific? |
| 17 | A | That is correct. Galatia is another one which is |
| 18 | Illinois | Central. |
| 19 | Q | And am I also correct that Dotiki loads direct to |
| 20 | CSX? | |
| 21 | A | That's correct. |
| 22 | Q | Can you think of any others off the top of your head |
| 23 | that do l | oad rail direct that you buy? |
| 24 | A | That we currently have under contract or that we buy? |

Q Well, let's do currently under contract first.

A I think I have listed the ones that we currently have under contract.

Q Okay.

A And, obviously, any of the other suppliers certainly would have an opportunity to provide rail service or actually truck to the river as an alternative.

Q Referring to Page 27 of your testimony at Lines 6 through 10, you make the statement that CSXT might be a partial transportation solution if they were willing to make an all inclusive legitimate proposal for delivery to Big Bend, and if you were able to solve certain blending and storage limitations. My question for you is what would be the characteristics of an "all inclusive legitimate proposal," as you use the term in your testimony?

A One in which at a time at which we actually are not under any kind of minimum contract with another supplier, one where we could discuss and talk about all of the capital improvements and capital that would have to be decided between the two parties. And then, obviously, just other terms and parameters that would be included in a normal transportation proposal.

Q As you sit here today, off the top of your head -- or actually it shouldn't be off the top of your head, because I think you have thought about this a fair amount. Were there any specific other parameters as you just used the term that

Tampa Electric's July 31st, 2003 bid did not address, CSXT's

July 31st, 2003 bid did not address?

A I can't think of what they would be off the top of my head.

Q Is it your position that approaching Tampa Electric in October of 2002 for rail deliveries beginning in 2004 was not an appropriate time?

A Remember, at the time we still had a contract with TECO Transport, and we had to offer them the right of first refusal. So I believe it was premature at that time to add anything with CSX.

Q Well, couldn't you, at that point in time, have negotiated with CSX, obtained a contract for deliveries, obtained a -- as you use the term, an all inclusive legitimate proposal for services to begin January 1, 2004 after the TECO Transport contract then in effect would have expired, and then take that to TECO Transport and say meet or beat it?

A Well, that particular proposal was not what we considered to be a legitimate proposal, and, again, a bona fide offer. And we felt like we needed to conduct an RFP of other waterborne transportation suppliers in order to determine the best offer to offer to TECO Transport at the time.

Q Had you made the determination in October of 2002 to conduct an RFP?

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A No.

Q You didn't make that until May or June of 2003, did you?

A Right.

Q Couldn't, i.e., would it not have been possible for Tampa Electric to have negotiated a legitimate proposal with CSX's understanding that TECO Transport had a right of first refusal during that general time frame and then used that in an RFP process or any other evaluation of alternatives?

A Well, again, we would have probably chosen to survey the market, as well, not just use CSX's offer as the meet or beat proposal, and based on the fact that in my calculations of our supply portfolio -- or, excuse me, our coal portfolio this was not the cheapest alternative. And so the offer that we did present to TECO Transport to meet or beat was actually the cheapest alternative.

Q I understand your position, but my question is couldn't Tampa Electric have accomplished that negotiation of a proposal that would satisfy your all inclusive legitimacy concerns during a time beginning about 14 months before the TECO Transport contract was due to expire?

A We were not prepared to do it at that time. That was CSX's time frame, and I think I allude to the fact they were ready to do that. We were not prepared to do it at that time, and we had not chosen, like you say, to actually issue an RFP.

Q Well, relative to the December 31, 2003 expiration of

the previous contract with TECO Transport, what would have been an appropriate time for CSXT to have presented to Tampa

Electric an all inclusive legitimate proposal?

A Well, they did actually present one during our RFP process and we utilized that, we evaluated it.

Q So your testimony is that five months in advance of the expiration is an appropriate time for CSX to make that proposal?

A You know, CSX knew what our timing was and we were going to do it according to our terms, not according to what suited CSX's timetable. And that determination, again, was made in the springtime.

Q Why do you say that CSXT's offer was not a bona fide offer?

A For the reasons I list in my testimony. The fact that it -- I don't recall exactly which page.

0 21.

A That it was conditioned on their board approval, that it acknowledges that it would serve as a negotiating item by stating it would serve as a framework for further discussions, and we would be subjected to potential dead freight liabilities under the parameters in that proposal even though they knew that we had a contract that actually extended through 2003.

Q Other than the four items that you list beginning at the bottom of Page 21 of your testimony, are there any other

reasons that you considered CSXT's October 23rd, 2002 proposal not to have been a bona fide offer?

A No, I don't think so. Not any that I can recall at this moment.

Q On Page 28 of your testimony you have a statement beginning at Line 13 that the other remaining utilities in Florida purchased large amounts of low sulfur foreign coal because their generating units lack scrubbers. Let's just run the list. I think it is true that Gulf Power does not have any scrubbed units at the present time, is that true?

- A I believe that is true.
- Q And I think it is also true that Progress Energy Florida, Inc. has four coal units at Crystal River, none of which are scrubbed, is that correct?
 - A That is correct.

- Q JEA and FPL together run the St. Johns River Power Park units, and those are scrubbed, are they not?
 - A One is a fluidized bed boiler. Again --
 - O At Power Park is a fluidized bed?
 - A I'm not sure if it is at Power Park or not.
- Q So, is the answer you don't know about St. Johns River Power Park?
 - A I do not know.
 - Q What about Seminole's Palatka units?
- A I believe those are scrubbed.

- O What about OUC's Stanton units?
- A I'm not sure about that. They may have actually installed scrubbers, whether or not they actually use them I'm not sure.
- Q And the only other two coal-fired power plants I am aware of are Indiantown and Cedar Bay, and I believe that Indiantown is scrubbed. Do you know?
 - A I do not know.

- Q Okay. And I believe Cedar Bay is, in fact, a fluidized bed plant. Do you know whether that is true?
 - A I don't know.
- Q I would like to ask you to look at the bottom of Page 31 of your testimony. At Line 23 at the conclusion of a sentence there you have been talking about potential cost impacts associated with a rail transportation arrangement, and then at the very end of the sentence you say to name a few. My question for you is can you name any others for us today other than the four items that you have listed immediately prior to that to name a few statement?
 - A If I can have a minute to read it.
 - Q You bet.
 - A Off the top of my head, I can't name any others.
- Q Okay, thank you.
- A Perhaps you can ask Ms. Guletsky tomorrow if you have an opportunity if she knows of any others.

Q Did you understand CSXT's July 31, 2003 bid to offer to carry fuel to Polk Station strictly as an option separate from carrying coal to Big Bend?

- A In terms of it has a Polk option, I'm not sure
 what -- I mean, the two options that are offered are both means
 to get coal to Polk Power Station either by shuttle car from
 Big Bend or direct rail option.
- Q Let's just say if Tampa Electric were to have accepted either of CSXT's bids, the one to two million tons a year or the two to five and a half million tons a year bid, wouldn't it have been possible for Tampa Electric to keep its existing transportation and supply arrangements for Polk intact and just take one or two million tons as a minimum for CSX for Big Bend?
 - A We could have negotiated that.
- Q And did you understand the bid to contemplate that optional arrangement relative to the Polk supply, that is my question?
 - A I don't recall that being very explicit in the bid.
- Q Do you recall anything in the bid explicitly saying you had to take solid fuel for Polk pursuant to either of the options offered in the bid?
- A What it said was that the commitment was that they wanted 80 percent of the total Polk fuel receipts annually for both the shuttle car option and the direct rail option.

Was that not in association with agreeing to put in 1 Q the rail handling facilities at Polk? 2 Α Yes. 3 And did you understand the bid to give Tampa Electric 4 the option just to say, okay with respect to some coal at Big 5 Bend, but no thanks on Polk? 6 I believe that we could have done that. 7 Α If you would look at Page 42 of your testimony. 8 9 looking at relatively --Α Okay. 10 I am looking at a relatively long sentence that 11 begins at Line 7 and concludes at Line 13, but I only want to 12 ask you about what I characterize as the second half of that 13 sentence beginning at Line 10, in which as I read your 14 testimony you characterize that Doctor Sansom's testimony on 15 16 behalf of CSXT suggests that Tampa Electric should breach its existing coal contracts. Is that an accurate characterization 17 of your testimony? 18 19 Α Yes. Where in Doctor Sansom's testimony does he suggest 20 Q that you should breach a contract? 21 I don't know that he specifically says the words 22 Α breach, but I don't have his testimony in front of me. 23

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MR. WRIGHT: Do you have it, Jim?

Guess what, I do.

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1 MR. BEASLEY: Yes. THE REPORTER: I do actually have it in front of me. 2 It's going to take me a minute to find it. 3 MR. WRIGHT: That's fine. 4 BY MR. WRIGHT: 5 6 I think the pending questions was that I had asked 0 7 you to tell me where in Doctor Sansom's testimony you believe that he suggests that Tampa Electric breach its existing coal 8 9 contract? On Page 27 of his testimony, Mr. Sansom cites an 10 example of our Galatia coal, which should have been terminated 11 and TECO should not have bought Galatia coal in 2004 when it 12 could have purchased less expensive rail origin coal in the 13 1.4 second quarter of 2003. And that is what you were relying on for your 15 0 statement in your testimony? 16 17 Α If we had in essence terminated that agreement we would have -- one of the allegations could have been breach. 18 Isn't it true that that contract includes a specific 19 right to terminate running in favor of Tampa Electric Company? 20 And that right expired before this time frame. 21 Α wouldn't have had the opportunity to. 22 Exactly when did that right expire? 23 0

On what date?

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Q

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I believe it expired in 2002.

| 1 | A I don't remember exactly, but I believe we have |
|----|---|
| 2 | provided you with the contracts. |
| 3 | Q You have provided us with parts of the contracts. I |
| 4 | don't recall whether by agreement we agreed to let you all |
| 5 | redact certain parts of it and I don't recall whether that |
| 6 | particular piece was in there. |
| 7 | A I want to say it was July of 2002, and it might have |
| 8 | actually been extended to August of 2002. |
| 9 | MR. WRIGHT: Jim, could I just ask that you furnish |
| LO | that answer to me in a letter. |
| L1 | MR. BEASLEY: Sure. Okay. |
| L2 | MR. WRIGHT: We don't need a late-filed. And if you |
| L3 | could cite me to the contract where that right to terminate |
| L4 | expiration shows, okay? |
| L5 | MR. BEASLEY: Okay. |
| 16 | BY MR. WRIGHT: |
| L7 | Q It is true that Tampa Electric did not terminate the |
| L8 | Galatia contract in accordance with its rights under that |
| L9 | contract, yes? |
| 20 | A That is correct. |
| 21 | Q Do you have any quarrel with Doctor Sansom's |
| 22 | testimony regarding the Zeigler contract? |
| 23 | A I would have to go back and read it. Can you |
| 24 | reference me a particular page? |

Q Page 31.

- What specifically? 1 Α Do you agree with Doctor Sansom's testimony that 2 Q Zeigler has the right to match any bid in the context of 3 Zeigler's right of first refusal on a fully delivered cost per 4 5 million Btu basis? I believe that is what the contract actually states, 6 7 subject to check. Could Tampa Electric Company in giving Zeigler its 8 right of first refusal select a rail origin bid and ask Zeigler 9 to match the rail bid or to bid against a bid on a rail origin 10 basis? 11 We could. But they don't have direct rail facilities 12 Α and it would have to be railed to the river. 13 Q Excuse me, what did you say? 14 It would have to be railed to the river. 15 Α MR. BEASLEY: She said they don't have rail 16 facilities. 17 You don't have rail facilities at Big Bend? 0 18 To accept that coal. 19 Α Again, assuming what we all know not to be the 20 reality, if there were rail delivery and handling facilities 21 for coal at Big Bend, could Tampa Electric ask Zeigler to 22
 - A If there were existing rail facilities?

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delivered?

exercise its right of first refusal relative to a rail bid,

| 1 | Q That is the question, yes. |
|----|---|
| 2 | A Yes. |
| 3 | Q Has Tampa Electric done whatever it needs to do to |
| 4 | present Zeigler with its right of first refusal? |
| 5 | A We have presented them with a right of first refusal. |
| 6 | Q On what basis in terms of where the coal is delivered |
| 7 | such as FOB mine, FOB rail, FOB barge, whatever, on what basis |
| 8 | did Tampa Electric present its ROFR to Zeigler? |
| 9 | MR. BEASLEY: That would be beyond 2004, Shef, so we |
| 10 | would need to defer on that. |
| 11 | MR. WRIGHT: Okay. |
| 12 | BY MR. WRIGHT: |
| 13 | Q With the understanding that if we nail down that it |
| 14 | really does end at 2004 we will strike this. Does the right of |
| 15 | first refusal kick in in 2005? |
| 16 | A Yes. |
| 17 | Q Say in terms of months, what is the typical duration |
| 18 | of a spot coal purchase contract? |
| 19 | A We typically look at spot as being roughly a year or |
| 20 | less. The other contract I mentioned was 18 months, I wouldn't |
| 21 | consider that long-term, so it is in that range. |
| 22 | Q How far in advance of the first delivery date under a |
| 23 | spot coal supply contract does Tampa Electric typically execute |
| 24 | such a spot coal supply contract? |
| | |

A It can vary. If there is an immediate needed, it

would be more immediate, and so it could be very close to when delivery commences.

- Q So it could be as little as a few days hypothetically?
 - A Hypothetically.

- Q How far in advance of the first delivery of the current spot contract does Contractor Number One did TECO execute that contract?
 - A Three to four months in advance.
- Q And can you give me a typical lead time. Is it like typically three to six months?
- A Again, it is going to depend on the immediacy of the need and how much we are looking for. If we are looking for just a few barges to fill a particular need, a lot of times, you know, sometimes we will get offers from a variety of parties that have coal at a river dock that is already waiting and ready to load. And so they may actually approach us and it might be a one-time loading.
- Q I understand that it can vary with at least all the factors that you have mentioned. I'm really just trying to ask is there a typical lead time for a spot contract from the date of execution to the date of the first delivery. And if the answer is no, that is okay.
 - A I can't say that there is a typical amount of time.
 - Q Have you signed spot contracts as much as a year in

- A I'm trying to think of one. No, I can't think of one.
- Q Just as you sit here right now without asking you to review any further documents, what is the longest lead time from contract execution date to initial delivery that you can recall?
 - A That Tampa Electric has experienced or that I can --
- Q Well, that Tampa Electric has executed in your personal experience?
 - A For a spot delivery?
 - Q For a spot contract.
 - A It could be six months in advance.
- Q Are you familiar with the coal procurement practices of other utilities vis-a-vis the timing of their contracting and deliveries?
 - A No, I'm not.
- Q Do you interact with other coal buyers, say, at conventions, socially, anything like that?
 - A Certainly.
- Q Do you ever talk about things like that? When I say like that, I mean what we have been talking about, lead times between the time they execute a spot contract and when they start taking delivery?
 - A I can't recall a specific conversation where we

discussed that particular topic.

Q Do you have any reason to believe that Tampa Electric is unique in having the spread being from a few days to maybe six months?

A I wouldn't imagine that we would be unique. I would anticipate that there is a variety of parameters that utilities face and have opportunities presented with very short windows and longer windows.

Q This doesn't really relate to any particular passage in your testimony. How often do you personally in your position evaluate future coal prices?

A We receive the regular media publications that the coal industry provides of which they list their coal prices that they have been able to determine at least once a week if not more often than that, so I review those.

- Q And do those publications typically include information regarding spot contracts as well as long-term contracts?
 - A Typically it is spot contracts.
- Q Do any of those publications include information regarding long-term contracts?

A I can't recall off the top of my head. I do know though that we have gotten -- you know, we do engage consultants in the business and have bought forecasts that go out quite a few more years than that.

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| 17 | Q |
| 18 | summarize |
| 19 | A |
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| 22 | Doctor Sar |
| 23 | shipment : |

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And when you say you bought forecasts, do they what it would cost you to -- what it would cost for a ore or less in Tampa Electric's situation to enter ng-term, say three to five-year contract at a certain time in the future?

Yes, they provide their estimate of coal pricing from n 10 and 15 years for what coal prices would be on an sis for the different basins.

And do those projections include both projections for es and long-term contract prices?

I don't recall that they actually delineate that in

And do you normally review those forecasts that you from these consultants, you personally in your job?

I will review them in a cursory fashion. Again, my iews them in more detail.

And in reviewing them do your staff routinely them and let you know what is going on in the market?

Yes.

I'm looking at your testimony at the bottom of Page ntinuing on to Page 51 at which point you criticize nsom's testimony regarding losses of coal via barge relative to what he testified to are much lesser losses associated with rail shipment. You make the statement at Line 19 that Doctor Sansom's assertions are incorrect.

my question or questions for you are what are the bases for your statement there?

A That those particular assertions are that Mr.

Sansom -- excuse me, Doctor Sansom states that there is a two

percent Btu loss of coal that is transloaded for barge shipment

due to multiple handling, and that there is an additional

25-cent per ton Btu loss for coal that is transloaded for, I

assume, moisture gain. That has not been our experience.

Q Have you conducted specific analyses of coals purchased in -- purchased by Tampa Electric and delivered to Tampa Electric of this issue, losses?

A A very long time ago back in the early to mid-80s there was an analysis done. We tried to get our hands on it, but could not find it, and my recollection of having read that was not in line with Doctor Sansom's assertions. That has not been our experience, it has been guite a bit less than that.

Q When you say at Lines 23 and 24 that the quantity and quality of coal is measured when it is loaded onto a barge, I want to ask you a couple of questions about that.

A Sure.

Q Is it measured when it is loaded onto a barge at the river dock?

A Yes.

Q Is it on the basis of those measurements that Tampa Electric pays for the coal?

| 1 | A | Yes |
|---|---|-----|
| | | |

Q Yes?

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- A Yes.
- Q Does Tampa Electric subsequently measure the quantity and quality of coal when it is delivered to the coal pile at Big Bend?
- A No, because it is commingled at Electro-Coal in Davant, Louisiana at our terminal.
 - Q Do you measure it at Electric Coal?
- A On occasion depending on the needs of, for instance, our Polk Power Station to understand exactly what we are going to be blending for Polk, so we will take samples of different piles.
 - Q But you don't do it on a routine basis?
- A Actually, I can't say routinely we do it, but we do measure it. And our quality assurance engineer on our staff visits with Electric Coal as well as the river dock locations on a routine basis to make sure that the scales are calibrated and that the sampling devices are bias tested and calibrated, and that he actually does a program of round-robin testing with the various outside labs that we use.
- Q You stated in a response a minute or two ago that your experience has been that losses are quite a bit less than asserted by Doctor Sansom?
- A Yes.

| Q | Do | you | have | a | number | that | you | can | attach | to | that |
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| , A | Ιd | do no | ot. | | | | | | | | |

- Q I want to ask you some questions about your testimony at Lines 10 through 13 on Page 51.
 - A Uh-huh.

- Q In which you are challenging Doctor Sansom's testimony regarding additional as he characterizes it and you characterize it, additional inventory costs?
 - A Uh-huh.
- Q You make the statement that Tampa Electric is reimbursed for only the cost of fuel purchased and associated transportation at the time of consumption. Now, that only applies to fuel burned, does it not?
 - A Yes.
- Q Isn't it true that your fuel cost-recovery charge or fuel purchased power cost-recovery charge, if you wish, also includes a working capital cost for all Tampa Electric Company's inventory, coal inventory?
 - A I don't know. I don't calculate that.
- Q Well, if it did include it as -- if your rate actually did include costs for coal inventory, then your statement would not be correct, would it?
- A Actually as I understand your question we have an allowable amount of inventory that we are allowed to actually

- include up to a 98 days supply. So this dollar for extra inventory I'm not sure actually applies.
- Q Well, that may be true relative to your position vis-a-vis 98 days of inventory, but if a lesser amount of inventory were determined to be reasonable and prudent, then wouldn't you agree that the difference between whatever that number of days is, say 50, and 98 would imply an extra working capital cost for such inventory?
- A There would be additional working capital cost associated with maintaining up to a 98-day supply.
- Q And regardless you will agree that Tampa Electric's fuel cost recovery charge does include costs associated with the inventory as well as the cost of coal burned, will you not?
- A Yes. It is the carrying costs associated with that inventory, which I think it is rather minimal. I'm not sure it is a dollar a ton.
 - Q Do you know what it is?
 - A No, I do not, but I don't think it is a dollar a ton.
- Q Did you personally participate in negotiating the contract by which CSX carried those train loads of coal to --
 - A No, I did not.

- Q Have you ever participated in negotiating a contract for transportation of coal by rail?
- A My tenure within the fuels department never coincided with that, so, no, I did not.

Do you monitor publicly available data regarding the 1 0 coal inventories maintained by other utilities in Florida? 2 No, I do not. 3 So you don't know whether utilities that have dual 4 delivery, i.e., barge and rail delivery to their plants 5 typically have a lesser inventory requirement than those with 7 only one mode of delivery, do you? No, I don't know that. 8 Α Are you familiar with inventory data that is reported 9 by utilities on EIA Form 759? 10 No, I'm not. 11 Α Do you have knowledge of other Florida utilities' 12 13 coal transportation and coal supply practices? No, I do not. 14 Α Well, what if anything do you know about the tonnages 15 that are delivered to other coal burning utilities by rail and 16 by barge in Florida? 17 On occasion I have looked at their 423 reports. 18 Are you aware that Progress Energy delivers in the 19 range of 67 to 70 percent of its coal to Crystal River by rail 20 and the balance by barge? 21 I don't know those percentages. 22 Are you aware that Seminole Electric Cooperative used 23

to take all of its coal at its Palatka plants by, I guess,

barge to rail and now it takes it all rail direct?

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| 1 | | MR. BEASLEY: Object to the form. |
|-----|-----------|--|
| 2 | Q | You can answer if you understood the question. |
| 3 | A | Can you repeat the question, please. |
| 4 | Q | I will try to break it up. |
| 5 | | MR. BEASLEY: Try to make it a question. |
| 6 | | MR. WRIGHT: I started with are you aware. |
| 7 | BY MR. WR | IGHT: |
| 8 | Q | Are you aware that in the earlier days of Seminole's |
| 9 | Palatka p | lants operations they received their coal |
| LO | | MR. BEASLEY: Off the record. |
| L1 | | (Off-the-record discussion.) |
| .2 | BY MR. WR | IGHT: |
| L3 | Q | Do you know whether Seminole used to take its coal by |
| L4 | barge to | a rail delivery and then on to Palatka? |
| L 5 | A | That is my understanding. |
| L6 | Q | And do you know whether in approximately 1998 they |
| L7 | ceased th | at practice and now take all of their coal by rail? |
| L8 | A | I don't know the date specifically. I understand |
| 19 | they do t | ake their coal by rail, though. |
| 20 | Q | Thank you. During his deposition yesterday on |
| 21 | numerous | occasions Mr. Dibner asserted that Tampa Electric |
| 22 | Company, | it was his impression, was afraid if CSXT started |
| 23 | carrying | some coal, in fact, started carrying all the coal that |
| 24 | CSXT woul | d then basically put the barge company out of TECO's |

business, in any event, and then seek to raise its rates. Did

you ever discuss that issue with Mr. Dibner?

- A I don't recall discussing that with him.
- Q Do you share that opinion?
- A I believe it is a possibility.
- Q Are you aware of any such instance in which anything like that has ever occurred with respect to CSXT and any of its customers?
- A I don't know all of CSXT's customers, so I'm not aware of their entire population of customers and whether or not that occurred.
- Q Well, are you aware of any instance in which you would assert that it occurred?
 - A I think I just answered that, that I'm not aware.
- Q Ms. Wehle, I understand that you reviewed and to some degree, at least, relied on deposition testimony given by Mr. Herbert Russell Ball I think on behalf of -- it was on behalf of Gulf Power, is my understanding, in Docket Number 030001?
 - A Yes.

- Q At what would have been stamped as Bate's Pages 230 and 231 of that deposition transcript the following questions and answers occur. And I am going to read them one pair at a time and then ask you if you agree with Mr. Ball's answer.
- The first question is, "Are there certain instances in which you would expect rail to be cheaper?" Mr. Ball's answer: "There are certain instances that rail is cheaper,

yes."

Do you agree with that statement?

A There could be certain instances where rail may be cheaper.

Q The next question and answer are as follows: Are there certain instances that -- or, excuse me, "Are there certain circumstances under which rail would usually be cheaper?"

Answer: "Under which they would usually be cheaper?"

The following question, "Yes. And perhaps if you

could just give an example of where it might be cheaper to ship

by rail than by water." And here comes the substantive answer.

- A Okay.
- Q I won't read this to you, I will hand this to you.
- A Okay.
- Q Fair enough?
- 17 A Thank you.

Q His answer is, "Well, you know, in most cases, like in the case of the Galatia coal, that coal is loaded onto rail initially at the mine. So you would expect that if you had a plant that could be served by rail that it would be cheaper. If the coal is loaded into rail cars at the mine, then it would be cheaper to deliver that coal all the way to the plant by rail rather than taking it off the rail, transload it onto barges and then shipping it by water. I mean, that is one

| 1 | instance where I guess that rail could be cheaper." |
|----|---|
| 2 | And most of this is highlighted. It begins at Line |
| 3 | 21. Do you have it? |
| 4 | A No, no, no. Okay. |
| 5 | Q It begins at Line 21 there and continues to the end |
| 6 | of the highlighted material on the next page. |
| 7 | A I'm actually looking at if I can recall. |
| 8 | Q Just to make it clear, my question is: Do you agree |
| 9 | with that statement by Mr. Ball? |
| LO | A He kind of delivers this scenario and he says that is |
| L1 | one instance where I would guess that rail could be cheaper. |
| L2 | It could be cheaper if the rail rates were cheaper than the |
| L3 | waterborne rates. |
| L4 | MR. WRIGHT: I'm done. |
| L5 | THE WITNESS: Thank you. |
| L6 | MR. WRIGHT: You're welcome. Thank you. |
| L7 | MR. BEASLEY: Could we take a couple of minutes for |
| 18 | redirect? |
| L9 | MR. WRIGHT: Certainly. |
| 20 | (Off the record.) |
| 21 | CROSS EXAMINATION |
| 22 | BY MR. BEASLEY: |
| 23 | Q Ms. Wehle, you were asked some questions regarding |
| 24 | Mr. Dibner's models and whether there were any assumptions in |
| 25 | his modeling and in his recommendation that favored Tampa |

| 1 | Electric or its customers. Do you recall those questions? |
|----|--|
| 2 | A Yes. |
| 3 | Q Did you listen to Mr. Dibner's deposition yesterday? |
| 4 | A Some of it I did. |
| 5 | Q Did you listen to the portion of his deposition where |
| 6 | he stated that he was conservative with his inputs into his |
| 7 | models? |
| 8 | A Yes. |
| 9 | Q That he included little, if any, allowances for |
| 10 | contingencies, and strived to come up with a rate that was |
| 11 | significantly below a market rate as opposed to at or just |
| 12 | pennies below a market rate? |
| 13 | A Yes. |
| 14 | Q Did you hear his testimony that his recommended rate |
| 15 | is on the order of two dollars, approximately, below the |
| 16 | applicable market? |
| 17 | A Yes. |
| 18 | Q Do you think his efforts in this regard favor the |
| 19 | interests of Tampa Electric and its ratepayers? |
| 20 | A Yes, I believe that is very favorable to ratepayers. |
| 21 | Q There was some discussion about call log references |
| 22 | and handwritten notes, and whether Tampa Electric informed any |
| 23 | of the respondents that would accept less than a full |
| 24 | requirements bid. Do you recall those questions? |
| 25 | A Yes. |

Did CSXT, in fact, submit a bid for less than Tampa 1 0 2 Electric's full requirements? Yes. 3 Α You were shown a 2002 fuel adjustment chart where the 4 rail rate was shown as being less than the waterborne rate 5 6 during that time frame. Do you recall that? 7 Α Yes. Does that say anything to you about Tampa Electric's 8 willingness to rely on rail transportation when it, in fact, is 9 10 a less expensive option and good for the ratepayers' economic 11 interests? Α Yes. 12 What does that tell you? 13 That had we been presented with a rail option that 14 was less expensive, we would have chose to either pursue it or 15 actually provide it to TECO Transport under the right of first 16 refusal clause to meet or beat. 17 18 Did the Florida Commission approve Tampa Electric's waterborne coal transportation costs as reasonable for 2002? 19 2.0 Α Yes. 21 You were asked some questions about Order Number 22 20298 and whether it required or favored bidding. Did that 23 order require Tampa Electric to bid its waterborne coal 24 transportation needs?

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No, it did not.

| 1 | Q Did the order expressly contemplate, instead, that |
|----|--|
| 2 | Tampa Electric would negotiate a rate with TECO Transport for |
| 3 | its waterborne needs? |
| 4 | A I'm sorry? |
| 5 | Q Did the order assume that Tampa Electric would |
| 6 | negotiate a rate with its affiliate |
| 7 | MR. WRIGHT: I object to this line of questioning. |
| 8 | The order speaks for itself. |
| 9 | MR. BEASLEY: She was asked questions about the |
| 10 | order. |
| 11 | MR. WRIGHT: You can ask her if she understands it or |
| 12 | applies it, but I don't think you can ask her to interpret it, |
| 13 | Jim. |
| 14 | MR. BEASLEY: All right. |
| 15 | BY MR. BEASLEY: |
| 16 | Q Do you understand the order as contemplating that |
| 17 | Tampa Electric would negotiate a transportation contract with |
| 18 | its affiliate as opposed to bidding for that work? |
| 19 | A I understand that to be that could be an option |
| 20 | that we would enter into with our affiliate. |
| 21 | MR. WRIGHT: Could we go off the record for a second? |
| 22 | (Off-the-record discussion.) |
| 23 | BY MR. BEASLEY: |
| 24 | Q Okay. Let's plow forward. Mr. Perry asked you some |
| 25 | questions about burden of proof in these proceedings. Who do |

you believe should have the burden of proof when it comes to 1 demonstrating the need to modify or reject any existing 2 Commission-approved methodology? Should it be the proponent of 3 any change in that methodology, or the parties who are relying 4 on that methodology as the Commission has prescribed it? 5 It should be the proponent of changing that 6 methodology. 7 Is Tampa Electric free to ignore any approved policy 0 8 of the Commission? 9

A No.

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Q Do you believe any other party that comes before the Commission is free to ignore or disregard existing Commission-approved policy?

A No.

Q You were asked whether you had any type of goal built into your personal goals concerning minimizing the cost of fuel and purchased power. Do you recall those questions?

A Yes.

Q Do you, in fact, have any type of goal that is expected of you within your company that you can tell us about?

A Actually I do, I just couldn't recall it at the time.

Q What is that?

A It is a goal of review of all of the clauses, if you will, including the fuel and purchased power clause, and it is set on the expected expenditures in those clauses and whether

or not we actually save money within those clauses. So it would include minimizing any fuel and purchased power costs.

- Q And who would be the beneficiary of any successful results in that regard?
 - A The ratepayers.
- Q You were asked some questions regarding whether the CSXT proposal might be used or serve as a benchmark as opposed to simply being considered as a bid. Do you recall that?
 - A Yes.

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- Q What would suggest to you that the CSXT proposal should not be treated as a benchmark?
- A Well, it just is a bid currently. And actually we have provided or actually evaluated the bid, and you would have to consider all of the additional costs associated with that particular bid, including the additional surcharges for fuel, the additional RCFAF charges, and the like in order to actually consider that bid in its totality.
- Q You have a document attached to your testimony that addresses some of those things that were left out or not reflected in the bid?
 - A Yes.
- Q When that subject came up today, and specifically when the staff gave their three proposed potential resolution scenarios, you provided me a document I believe that you have the original of and I made copies to share with the parties?

- A We're losing documents.
- Q There's one. Do you recognize that document?
- A Yes, I do.

Q What is it, if you would tell me, and how does it relate to the exhibit attached to your testimony?

A It is an expansion of the exhibit attached to my testimony. It actually provides more detailed information, but it does arrive at the same summary and numbers, if you will.

It provides additional detailed information on the different components of the transportation agreement.

Q With all those components added in, what does the comparison show in the far right-hand side relative to the rail proposal as adjusted with the Tampa Electric/TECO Transport contract rate?

A It shows that just with these items associated with these additional charges added to make a comparable evaluation to the TECO Transport bid that the rail proposal is more expensive, given our 2004 tonnage requirements, by \$1.06 per ton.

Q Does this include any capital costs that would be required in order to receive coal by rail at Big Bend Station or Polk Station?

A No, it does not. And it also doesn't include any additional costs, as I reference in my testimony, of the 2 to \$6 a ton that we would incur to bring existing supply sources

to a rail head.

MR. BEASLEY: I would like to have this marked as a deposition exhibit.

(Confidential Exhibit 6 marked for identification.)

BY MR. BEASLEY:

Q Ms. Wehle, you were asked some questions about the effect of the Gannon shutdown and the potential for dead freight charges that Tampa Electric would have to pay to TECO Transport in connection with that event. Do you recall those?

A Yes.

Q Is it your understanding that Tampa Electric was obligated to pay dead freight to TECO Transport?

A Yes.

- Q Do you recall the amount that was discussed earlier?
- A I believe it was in the neighborhood of 10 to 12 million, that was my recollection at the time.
 - Q And what occurred with respect to that obligation?
- A TECO Transport actually waived that particular obligation. But had they -- I believe what would have occurred is if we had entered, possibly entered into an agreement with someone else, another supplier let's say, they probably would not have waived that particular obligation and it would have been borne by the ratepayers.
- Q Does the relationship between Tampa Electric and its affiliate pay off for the ratepayers where it might not be if

it were a third party you were dealing with in that circumstance?

A Absolutely.

- Q You were asked some questions about back in the fall of 2002 when CSXT approached Tampa Electric regarding the potential for rail service to one or both of Tampa Electric Company's generating stations. Do you recall that?
 - A Yes.
- Q Were there any particular factors, constraints, or concerns at that time that affected Tampa Electric and its ability to consider entering into proposals of that nature?
- A Yes. We had a lot of uncertainty that was facing us, much of which I touch on in my testimony. The Gannon Station shutdown that we had to comply with in the consent decree by December 31, 2004; further consent decree requirements related to Big Bend and how, and if -- how we were going to be complying with those were really two big uncertainties at the time.
- Q I believe Mr. Wright asked you a question concerning whether working capital cost recovery is recovered through the cost-recovery clause with respect to an inventory cost component. Do you recall that question?
 - A Yes.
 - Q Do you wish to correct your answer?
 - A I do. After further consultation with Mr. Aldazabal,

| 1 | who is intimately familiar with that clause, there is no |
|----|---|
| 2 | inventory cost component related to the fuel clause. |
| 3 | Q Also, staff handed out an exhibit which shows a |
| 4 | schedule reflecting the capital structure of TECO Energy with |
| 5 | Tampa Electric and Peoples Gas removed. Do you recall that? |
| 6 | A Yes. |
| 7 | Q And on Page 49 of the annual report of Tampa Electri |
| 8 | Company that was also handed out as part of that exhibit, do |
| 9 | you know where TECO Transport would be reflected in the |
| -0 | long-term debt section of that report? |
| .1 | A I believe it would be in the diversified companies |
| .2 | outside of TECO wholesale generation. |
| -3 | Q And what is the amount for that? |
| _4 | A For 2003 it is 118.2 million. |
| .5 | Q Okay. The amount shown on the cap structure chart |
| .6 | that was supplied shows for TECO Energy minus Tampa Electric |
| .7 | Company, including Peoples Gas, it shows a long-term debt |
| -8 | component of |
| .9 | A I believe these are billions. 2.069.4 billion. |
| 20 | Q Okay. And the 118 million that you referred to is |
| 21 | only a component of that, right? |
| 22 | A That is correct. That is for all diversified |
| 23 | companies. |

Including --

Including TECO Transport.

Q

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24

So it is only a very small amount of the total 0 referred to in that chart provided by staff? That is correct. You were given three scenarios by staff, the first of which I will call the foreign coal by unidentified barge hypothetical. Do you recall looking at this document? Α Yes. In your view, would this proposal be more economical for Tampa Electric's customers than your existing contract with TECO Transport? No, it would not. Well, if it were approved, what would you think the effect would be on Tampa Electric's customers? They would experience an increase in transportation costs. Can you say that this proposal relying on foreign Q coal by an unidentified and as yet determined barge provider would offer Tampa Electric the same reliability as the existing coal transportation agreement with TECO Transport? Α No, I do not believe that to be the case. Would this proposal be consistent with the coal handling, storage, and blending needs of your company?

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The next hypothetical that was presented to you was

No, I do not think it would be.

-- I will call it the railroad movement hypothetical. Do you

- think this would be more economical for your customers than 1 your existing arrangement with TECO Transport? 2 No, I do not. А 3 On what do you base that conclusion? 4 0 If I could see the components of that. 5 Α 6 Sure. 7 Well, initially, you know, our analysis showed that the rail movement was not the cheapest alternative to barge 8 movement. So right off the bat it wouldn't be the most 9 economical choice for our ratepayers. 10 Q And what would be the impact of going with this 11 proposal from the standpoint of your ratepayers? 12 Increased transportation costs to the ratepayer. 13 The other, I guess, is the ocean segment cost of 14 service hypothetical. Do you recall that one? 15 16 Α Yes. And that is the one where you would have market rates 17 for the first two segments, the river and the transloading and 18 then the cost of service proposal for the cross-Gulf portion of 19 the transit, right? 20 21 That is correct. Α 22 In your view, is this statement refuted in any way by Q 23 CSXT's preparation in this docket?
 - A Yes.
 - Q How?

24

| 1 | A CSXT is a competitor in the marketplace, and as such |
|----|---|
| 2 | the associated cost-of-service hypothetical scenario should not |
| 3 | be applied because there is a relevant market for the ocean |
| 4 | component. |
| 5 | Q Is this proposal and the conclusion upon which it is |
| 6 | based, that there is no market for the ocean barge service, |
| 7 | refuted by Mr. Dibner's testimony? |
| 8 | A Yes, it is. |
| 9 | Q Do you believe that this approach would be consistent |
| 10 | with the observations in Order Number 20298 regarding the |
| 11 | difficulties associated with administering a cost-of-service |
| 12 | based method of regulation? |
| 13 | A No, I do not think that. |
| 14 | MR. BEASLEY: Thank you. |
| 15 | MR. VANDIVER: Jim, could I ask one or two quick |
| 16 | questions? I have heard something new that I haven't heard |
| 17 | before. It will just take a second. |
| 18 | MR. BEASLEY: Sure. |
| 19 | RECROSS EXAMINATION |
| 20 | BY MR. VANDIVER: |
| 21 | Q Ms. Wehle, is it your testimony that did I |
| 22 | understand you to say that had Tampa Electric changed |
| 23 | suppliers, TECO Transport would not have forgiven the dead |
| 24 | freight issue for the Gannon? |

FLORIDA PUBLIC SERVICE COMMISSION

A I believe that would have been the case.

| 1 | Q And what do you base that belief on? |
|----|---|
| 2 | A They are no longer servicing our needs. They were |
| 3 | contractually due those monies. |
| 4 | Q And so your belief is that I thought that debt was |
| 5 | forgiven in January 2004? |
| 6 | A That's correct, after the contract was signed and |
| 7 | after we knew exactly what the dead freight would have been |
| 8 | calculated to be. It was forgiven after the dead freight |
| 9 | liability was actually established. |
| 10 | MR. BEASLEY: So it was really forgiven. |
| 11 | BY MR. VANDIVER: |
| 12 | Q So the contract when was the freight contract |
| 13 | signed? |
| 14 | A October 6th, 2003. |
| 15 | Q Was there an explicit quid pro quo? |
| 16 | A No, there was not an explicit quid pro quo. |
| 17 | Q And it never came up in conversation? |
| 18 | A Oh, it came up in conversation quite a bit, quite a |
| 19 | bit. We were constantly reminded of the fact that there was |
| 20 | dead freight liability established. |
| 21 | Q Who specifically mentioned it for TECO Transport? |
| 22 | A I have heard that term and those numbers used by the |
| 23 | president. |
| 24 | Q Mr. Rankin. |
| 25 | A Mr. Rankin. Their CFO, Mr. Bresnahan, and others in |

| 1 | the organiza | tion. | | | |
|----|------------------|---|--|--|--|
| 2 | Q An | d did that affect your decision to award the | | | |
| 3 | contract to | TECO Transport? | | | |
| 4 | A No | t at all. | | | |
| 5 | MR | . VANDIVER: That's all the questions I have. | | | |
| 6 | Thank you. | | | | |
| 7 | MR | . BEASLEY: We would like to read and sign. | | | |
| 8 | MR | . WRIGHT: I have recross, I'm sorry, but you | | | |
| 9 | raised somet | hing new. | | | |
| 10 | | RECROSS EXAMINATION | | | |
| 11 | BY MR. WRIGH | Т: | | | |
| 12 | Q Th | is relates to your goals. | | | |
| 13 | A Ye | s. | | | |
| 14 | Q Do | those goals exist in writing? | | | |
| 15 | A Ye | s. | | | |
| 16 | MR | . WRIGHT: May we have those as a late-filed | | | |
| 17 | deposition e | xit, please. | | | |
| 18 | (L | ate-filed Exhibit Number 7 marked for | | | |
| 19 | identification.) | | | | |
| 20 | BY MR. WRIGH | T': | | | |
| 21 | QI | have a couple of questions about Deposition Exhibit | | | |
| 22 | 6. | • | | | |
| 23 | MR | . BEASLEY: It would be cost-recovery reduction | | | |
| 24 | goals. | | | | |
| 25 | MR | . WRIGHT: I want to see her total, the goals for | | | |

FLORIDA PUBLIC SERVICE COMMISSION

| 1 | her. I assume they are all in one document. Is that a fair | | | | |
|----|--|--|--|--|--|
| 2 | assumption? | | | | |
| 3 | THE WITNESS: Yes. | | | | |
| 4 | MR. BEASLEY: I'm just saying that cost-recovery | | | | |
| 5 | reduction is what the nature of the goal is. | | | | |
| 6 | MR. WRIGHT: Well, I would characterize it as her | | | | |
| 7 | performance bonus goals. | | | | |
| 8 | MR. BEASLEY: I don't know that it is performance | | | | |
| 9 | bonus; it's just a goal. | | | | |
| 10 | MR. WRIGHT: Employee performance goals, does that | | | | |
| 11 | work for you all? | | | | |
| 12 | MR. BEASLEY: It is? | | | | |
| 13 | THE WITNESS: Uh-huh. | | | | |
| 14 | MR. BEASLEY: Certainly. Late-filed 7. | | | | |
| 15 | Shef, this is already covered in her exhibit. | | | | |
| 16 | MR. WRIGHT: Sorry? | | | | |
| 17 | MR. BEASLEY: This is already covered in her exhibit. | | | | |
| 18 | MR. WRIGHT: Well, I think I am entitled to ask about | | | | |
| 19 | this. | | | | |
| 20 | BY MR. WRIGHT: | | | | |
| 21 | Q Do the barge charges shown here include any charges | | | | |
| 22 | for demurrage? | | | | |
| 23 | A No. | | | | |
| 24 | Q Do they include any fuel surcharges that might be | | | | |
| 25 | applicable to barge transport? | | | | |

| 1 | A Yes. |
|----|---|
| 2 | Q Where do those show up specifically? |
| 3 | A They are embedded in the rate. The rate is comprised |
| 4 | of a fixed variable and fuel component. |
| 5 | Q Including a fuel surcharge? |
| 6 | A No, there is no surcharge on the January 1, 2004 |
| 7 | rates. The fuel is already embedded in that rate. |
| 8 | Q And these are '04 rates? |
| 9 | A These are January 1, '04, rates compared to January |
| 10 | 1, '04, rail rates. |
| 11 | Q Does it include any costs to get coal either by rail |
| 12 | or truck to the river docks indicate in the left-hand column? |
| 13 | A No. |
| 14 | Q Does it include any discounts associated with the |
| 15 | rail offer? |
| 16 | A No, it does not. You would have to assume that we |
| 17 | would be entitled to those discounts given our coal supply |
| 18 | locations and the actual tonnages. |
| 19 | MR. WRIGHT: I understand. Okay. Thank you. |
| 20 | MR. BEASLEY: One last question. |
| 21 | RECROSS EXAMINATION |
| 22 | BY MR. BEASLEY: |
| 23 | Q Why did you consider the demurrage on the rail to be |
| 24 | an incremental cost? |
| 25 | A Because the Sargent and Lundy reports indicated that |

the facilities as built would have us incur demurrage for every single train load that we received at Big Bend Station to the tune of, I believe, six hours on the four-hour facility. And so you had to assume that for every single shipment that we would receive we would actually be incurring demurrage. reason why we didn't include it on the river component is because there is no such restriction. We do not experience that restriction, and so you couldn't assume that in this scenario. MR. BEASLEY: Thank you. (The deposition concluded at 8:05 p.m.)

IN RE:

ERRATA SHEET

DO NOT WRITE ON TRANSCRIPT - ENTER CHANGES HERE

DOCKET NO. 031033-EI NAME: JOANN T. WEHLE

DATE: May 12, 2004

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Under penalties of perjury, I declare that I have read my deposition and that it is true and correct subject to any changes in form or substance entered here.

DATE

JOANN WEHLE

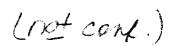
FLORIDA PUBLIC SERVICE COMMISSION

| 1 | STATE OF FLORIDA) : CERTIFICATE OF OATH |
|----|--|
| 2 | COUNTY OF LEON) |
| 3 | |
| 4 | I, the undersigned authority, certify that JOANN T |
| 5 | WEHLE personally appeared before me and was duly sworn. |
| 6 | WITNESS my hand and official seal this 19th day of |
| 7 | May, 2004. |
| 8 | |
| 9 | |
| 10 | - Jone Samot |
| 11 | JANE FAUROT Notary Public - State of Florida |
| 12 | |
| 13 | Jane Faurot MY COMMISSION # DD033610 EXPIRES July 16, 2005 |
| 14 | BONDED THRU TROY FAIN INSURANCE, INC. |
| 15 | |
| 16 | |
| 17 | |

| 1 | STATE OF FLORIDA) : CERTIFICATE OF REPORTER |
|----|--|
| 2 | COUNTY OF LEON) |
| 3 | T TANK TANKE OFFICIAL TROOP CONTRACT PROPERTY AND THE PRO |
| 4 | I, JANE FAUROT, Official FPSC Commission Reporter, do hereby certify that I was authorized to and did stenographically report the foregoing deposition at the time |
| 5 | and place herein stated. |
| 6 | I FURTHER CERTIFY that this transcript constitutes a true record of the testimony given by the witness. |
| 7 | I FURTHER CERTIFY that I am not a relative, employee, |
| 8 | attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel |
| 9 | connected with the action, nor am I financially interested in the action. |
| 10 | DATED THIS 19th day of May, 2004. |
| 11 | Qu. A. |
| 12 | JANE FAUROT, RPR |
| 13 | Chief, Office of Hearing Reporter Services FPSC Division of Commission Clerk and |
| 14 | Administrative Services (850) 413-6732 |
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TAMPA ELECTRIC COMPANY DOCKET NO. 031033-EI OPC'S 1ST SET OF INTERROGATORIES INTERROGATORY NO. 1 PAGE 1 OF 1 FILED: JANUARY 5, 2004

- 1. Who in the Tampa Electric chain of command decided to issue the Request for Proposals? State the date, purpose and persons attending discussions regarding the issuance of the RFP.
 - a. When was the decision made?
 - b. Was the decision subject to approval by John Ramil and/or a committee of managers? If so, give the date of approval and attendees at the meeting granting such approval.
 - c. Were minutes kept of the meeting?
- A. The decision to issue the RFP was ultimately made by John Ramil, then President of Tampa Electric. The company had been evaluating options for negotiating waterborne transportation needs once the existing contract expired. Under the existing settlement agreement with the Florida Public Service Commission, as described in Commission Order No. 20298, "Tampa Electric may negotiate its contracts with its affiliate in any manner it deems reasonable."
 - a. The decision to issue an RFP was made in June 2003.
 - b. The decision was made by John Ramil after he received input from the Wholesale Marketing and Fuels Department and the Regulatory Affairs Department.
 - c. No minutes were kept.





TAMPA ELECTRIC COMPANY DOCKET NO. 031033-EI OPC'S 1ST SET OF INTERROGATORIES INTERROGATORY NO. 8 PAGE 1 OF 1 FILED: JANUARY 5, 2004

- 8. How do cost models compare to actual costs to provide a given service?
- A. In general, the closeness of a cost prediction from a model to actual costs to provide a service is dependent on the absence of chaotic events, the quality of the model's construction, the accuracy of the data used and the skill, knowledge and judgment of the modeler. One purpose of a cost model is to provide a basis for understanding the drivers that bidders use. These drivers are operational, unit costs, asset-based, and financial. Sharp differences between spot rates and long-term contract rates exist. Spot rates reflect short-term cash flow maximization under a wide range of returns on assets. In the worst of times these rates provide minimal and sometimes negative returns on assets, sometimes in desperate attempts to avoid laying off personnel and de-activating equipment. In the best of times, they provide returns that exceed the costs of new equipment by substantial margins. By contrast, long-term contract rates tend to closely approximate the full costs of doing business, with appropriate margins for risks and uncertainties. An appropriate cost model, e.g., a model that is accurate, comprehensive and appropriately detailed, that considers full operating costs, including the returns or earnings on the assets and working capital employed that are needed to incent a company to operate in a particular trade route or region or to bid for business that may entail various risks, will provide a reasonable cost as compared to actual costs to provide a given service.

TAMPA ELECTRIC COMPANY DOCKET NO. 031033-EI OPC'S 1ST SET OF INTERROGATORIES INTERROGATORY NO. 9 PAGE 1 OF 2 FILED: JANUARY 5, 2004

- 9. Given Mr. Dibner's conclusion in the testimony filed on September 25, 2003, regarding the ocean segment at page 20, line 21-25, does TECO Transport have a de facto monopoly over the coal transportation at issue in this proceeding?
- A. No, TECO Transport does not have "a de facto monopoly over the coal transportation at issue in this proceeding." A monopoly is a situation of extreme market power in which one provider has exclusive control over or possession of a commodity or service. This description is not apt for any segment of the transportation network that TECO Transport provides for Tampa Electric's waterborne coal movements. There is a market for each segment of waterborne transportation services used by Tampa Electric.

First, there are five large companies that could potentially serve Tampa Electric's inland river transportation needs, if those companies chose to do so in the locations where Tampa Electric requires service. Second, there are at least two terminals that could serve Tampa Electric's needs, as demonstrated by the fact that Tampa Electric received a valid terminal services bid from a provider other than the incumbent. Third, with regard to the ocean segment, Mr. Dibner's statement in his testimony filed in Docket No. 030001-El on September 25, 2003, was the following:

As a result of my analysis, I concluded that no existing fleet or combination of Jones Act dry bulk barges or ships other than the TECO Transport fleet is capable of competitively serving Tampa Electric's needs from a capacity and price standpoint. [page 20, lines 21-25]

Mr. Dibner then directly proceeded to explain as follows.

All of the other fleets and combinations of vessels are committed to hauling other products in the dry bulk market and the government-impelled preference trades. Therefore, my analysis has determined that the appropriate market rates for the ocean segment are based upon the continued use of the TECO Transport fleet and reflect the capital, operating and opportunity costs of those vessels. [page 20, line 25 – page 21, line 7]

Mr. Dibner's statement was intended to convey the fact that, given the supply of ocean-going vessels and their current availability, it should not be a surprise that no ocean segment bids were submitted in response to Tampa Electric's RFP. Tampa Electric's contractual relationship with TECO Transport benefits Tampa Electric and has for more than forty years. Tampa Electric's ocean shipping need is unique. Given Tampa Electric's continuing use of coal and associated growth in shipments over the years, there are now no other companies that need as much large-scale and efficient seaborne bulk coal coastwise transportation. The TECO Transport core fleet is dedicated to serving Tampa Electric's needs, and as a result, it is the most efficient

TAMPA ELECTRIC COMPANY DOCKET NO. 031033-EI OPC'S 1ST SET OF INTERROGATORIES INTERROGATORY NO. 9 PAGE 2 OF 2

FILED: JANUARY 5, 2004

and least cost option for the company's ocean-going coal movements. The fact that the present supply of vessels in the market does not include a second fleet of the size and capacity to serve Tampa Electric does not reflect a TECO Transport monopoly; rather it reflects the competitive and efficient use of the market's available operating capacity.

Mr. Dibner's testimony describes the existing supply of ocean-going vessels operated by companies other than TECO Transport and demonstrates that it is not structured for efficient provision of ocean transportation for the volumes of coal that Tampa Electric moves. While scores of other barges and ships operate in the ocean-going fleet, no single operator controls more than one large vessel, and almost all operable equipment is busy. Tugs, barges, and ships that exist in the ocean-going trade are generally smaller, specialized or limited in numbers and are otherwise occupied in domestic coastwise or preference cargo trades (Jones Act trades). However, TECO Transport is clearly not a monopoly because, as in the case of the inland river transportation providers, if one or more operators of vessels engaged in the ocean-going trades chose to modify its operations to provide the services required by Tampa Electric, they could do so, and TECO Transport would not be able to prevent that.

TAMPA ELECTRIC COMPANY DOCKET NO. 031033-EI OPC'S SECOND SET OF INTERROGATORIES INTERROGATORY NO. 27 PAGE 1 OF 1

FILED: FEBRUARY 2, 2004

- 27. Referring to Bates Stamp 134, 135 and 136, does the fuel cost included in this estimate include the total cost of fuel for the return voyage to Davant? Likewise, do the fixed and variable costs include an assumption that the total costs of ocean transport vessels shall be recovered from ratepayers with no allocation of expenses or revenues as a result of backhaul? Please discuss the reasons why no allocation of backhaul expenses or revenues is appropriate in this instance.
- A. Tampa Electric understands that the aforementioned Bates stamp pages refers to Mr. Dibner's testimony and exhibit and therefore answers as such. Yes, fuel cost for a return to Davant is included in Mr. Dibner's model. Mr. Dibner estimated the costs for voyages that will be required to serve Tampa Electric's volume and type of transportation needs. He based his calculation on the estimated average cost of service for the core fleet that serves Tampa Electric, without allocation for backhaul revenues or expenses. Mr. Dibner determined that there is no marginal backhaul business. Therefore, backhaul does not affect the market for transportation services, and it would not be appropriate to include backhaul in setting rates.

INTERROGATORY NO. 33 PAGE 1 OF 1 FILED: FEBRUARY 2, 2004

- 33. Has Tampa Electric or Mr. Dibner inquired as to why Ingram did not bid on TECO's solicitation? If so, what was the result of the inquiry?
- A. No, neither Tampa Electric nor Mr. Dibner has contacted Ingram or any other recipient of Tampa Electric's 2003 RFP for waterborne transportation services to ask why the companies did not submit a bid in response to the RFP.

TAMPA ELECTRIC COMPANY
DOCKET NO. 031033-EI
STAFF'S 1St SET OF INTERROGATORIES
INTERROGATORY NO. 1
PAGE 1 OF 3

FILED: JANUARY 6, 2004

1. Please provide the results of Tampa Electric's most recent test burn of South American coal at the Big Bend Station. In your response, please identify the fusion temperature of the South American coal test burned.

A. Attached are the results from Tampa Electric's most recent test burn of South American coal at Big Bend Station. The fusion temperature of the coal tested was 2,663° Fahrenheit, H=W, in a reducing atmosphere.

Big Bend Station Colombian Coal Test Burn Final Report

Summary

During the period April through June 2003, Big Bend Units 1-4 consumed approx. 80K tons of Colombian Coal. The bulk of the coal (68K tons) was consumed by BB4 at blends of up to 60 percent. BB Units 1-3 consumed the remaining 22K tons at 20-30 percent blends. No significant operational issues were observed throughout the tests. This includes slag tapping, fouling, slagging, LOI, opacity, and NOx.

The Colombian coal tested was a high BTU coal with low ash. The chlorides were also very low (0.03%) which is a benefit for the FGD system and the station chloride balance. One limitation is the percentage of Colombian in BB1-3 should be held to 30 percent or less because of slag tank freezing concerns due to the high ash fusion temperatures.

In conclusion, the Colombian coal appears to be an acceptable alternative coal. The test burn confirmed it could be consumed at up to 60% in BB4 and up to a 30% in units BB1-3.

Discussion

Coal Analysis Parameters

As seen in the analysis below, the Colombian coal is similar to Big Bend's normally consumed coals. (An ash mineral analysis was not available) The notable exceptions include the Chlorine, SO2, and the ash fusion temperatures.

A very beneficial component is the 0.03 percent chlorine level, which is only 15-30 percent of our typical coals. Since currently over 80% of the chlorides entering the station come from the coal, the use of Colombian coal would significantly reduce the risk associated with FGD chloride levels and also proportionately reduce the blowdown requirements and 0&M. (Reduced lime, dibasic acid, defoamer, filter cake disposal)

The second parameter, the sulfur content, is only 1.1 lbs SO2/MBTU which approx. 75 percent of our typical fuels for FGD use. Normally, the low Sulfur content adversely affects fly ash resistivity, which results in precipitator performance issues. However, we experienced no significantly precipitator performance issues throughout the test.

The final parameter, the ash fusion temperatures, is 300-400 deg-F higher than our highest typical coal. This could result in slag tapping issues in the BB Units 1-3. For this reason, the Colombian was limited to 30 percent in these units. This is not an issue in BB4, a dry bottom unit.

The coal analysis was received from a Colombian lab: Inspectorate Colombia LTDA Cert. # 01-8677 from Duke Energy Merchants, LLC. An ash mineral analysis was not available.

| Property, units | <u>Value</u> | Comparisons to BB Typical Coals |
|------------------|--------------|---|
| BTU/lb, as-fired | 12,400 | similar to STD-H |
| lbs SO2/MBTU | 1.1 | very low, (4.5 typical for BB) |
| Ash, % | 6.0 | little low |
| Moisture, % | 9.0 | normal |
| Volatiles, % | 36 | normal |
| Chlorine, % | 0.03 | low (0.10 more typical); help control chlorides |
| Fluorine, ppm | 20 | normal / low |
| HGI | 46 | slightly lower (50's more typical); harder to grind |
| Ash Fusion Temps | • | 300-400 deg-F higher than ZGLR; thickens slag in wet bottom units |

TAMPA ELECTRIC COMPANY PAGE 3 OF 3

Colombian Coal Test Burn Report Page Two

Chronology of Test Burns

Below are the test burn start/stop times and percentages during the evaluated periods:

BB1&2: Start 6/4 @ 20 %

BB3: Start 6/15 @ 30 %

BB4: Start 4/22 @ 20 %

End 6/6 @ 20 %

End 6/22 @ 30 %

Start 4/28 @ 50 %

End 5/08 @ 50 %

Tons Consumed

4,153

7,476

67,830

Total Consumed BB1-4: 79,459

Test Observations

As seen in the test chronology, BB4 consumed the majority of the Colombian Coal because of slag tap issues in the wet bottom BB1-3. Comments regarding slag tapping, fouling, slagging, LOI, Opacity, and NOx are as follows:

Slag Tapping

We did not expect or experience any slag tapping issues in BB1-3 because we deliberately held the Colombian coal fraction to no more than 30%. This effectively raised the ash fusion temperatures only 100 deg-F.

Fouling & Slagging

As evidenced by PI system steam temperature charts, there was no evidence of fouling or slagging in the boiler areas.

Because of the volatile nature of the LOIs, no significant trends were detectable in the routine W&Fs LOI tabulations during the test burns in any of the units

Opacity

The PI system did not indicate any significant variations in opacity in any of the test burns. The Colombian coal content was held to 50% (3 lb SO2/MBTU) to avoid possible fly ash resistivity / opacity issues.

NOx

The PI system indicated no significant NOx variations in any of the test burns

TAMPA ELECTRIC COMPANY
DOCKET NO. 030001-EI
STAFF'S 3rd SET OF INTERROGATORIES
INTERROGATORY NO. 13
PAGE 1 OF 3
FILED: AUGUST 21, 2003

- 13. Please identify all individuals, including consultants, who developed or provided assistance in developing Tampa Electric's current request for proposals for coal transportation service beginning in 2004 (RFP). For each individual identified please provide name, business address, employer, and qualifications and experience, including experience in developing RFPs for the transportation of coal or other bulk commodities.
- A. The individuals listed below developed or provided assistance in developing Tampa Electric's Request for Proposals (RFP) for coal transportation service beginning in 2004. Their qualifications and experience are also provided below.
 - Hugh W. Smith, Vice President Energy Trading and Services Tampa Electric Company
 P.O. Box 111
 Tampa, FL 33601
 - Joann T. Wehle, Director Wholesale Marketing and Fuels Tampa Electric Company
 P.O. Box 111
 Tampa, FL 33601
 - Karen L. Bramley, Manager Coal Supply Tampa Electric Company
 P.O. Box 111
 Tampa, FL 33601
 - Martin C. Duff, Fuels Strategist Tampa Electric Company
 P.O. Box 111
 Tampa, FL 33601
 - Brent Dibner, President
 Dibner Maritime Associates, LLC
 151 Laurel Road
 Chestnut Hill, MA 02467

Qualifications

Hugh Smith has extensive knowledge of the coal industry and possesses significant experience in negotiating all types of fuel supply and fuel transportation agreements. Since 1990, he has held positions of increasing responsibility overseeing Tampa

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Electric's fuel procurement activities. As Vice President of Energy Trading and Services, he is responsible for the areas of Asset Management, Wholesale Marketing and Fuels, Resource Planning and Environmental Affairs, as well as the Human Resources and Financial responsibilities of Energy Supply. In 1995 he was promoted to Director of the Environmental and Fuels Department after leading the Fuels Department from 1990 to 1995. He graduated from the University of Florida in 1978 with a Bachelor of Science degree and began his career with Tampa Electric in 1979 as a chemist in the Production Department.

Joann Wehle has considerable fuel procurement experience. She has been responsible for directing all activities associated with the procurement and delivery of coal, gas, oil and petroleum coke to Tampa Electric generating stations since taking the position of Director of the Fuels Department in 2001. She also oversees the evaluation of proposals for the Wholesale Marketing and Fuels Department, which she heads. She was employed in the Fuels Department as a Senior Contract Administrator from 1995 to 1998 and returned as Director in 2001. In 2002, the Fuels and Wholesale Marketing departments merged and she assumed the Director's position. Prior to assuming the Fuels directorship she served as Director of Audit Services for TECO Energy, reporting to the Audit Committee of the Board of Directors. She holds a Bachelor's degree in Business Administration with a concentration in Accounting from St. Mary's College in Notre Dame, Indiana. She is a certified public accountant and certified internal auditor.

Karen Bramley has worked in Tampa Electric's Wholesale Marketing and Fuels Department since 1999, and she is experienced in the fuel procurement process, including soliciting competitive proposals and evaluating proposal results. Since 2002, she has been Manager of Coal Supply. During her tenure in the department she has been primarily responsible for solicitation, preparation, evaluation, negotiation, issuance and administration of fuel supply contracts. Her evaluation of solicitation responses considers the responsiveness of an offer to the stated bid specification, terms and the expected reliability of potential suppliers. Her evaluation also includes an analysis of commercial terms that takes into account historical and projected inflation factors, cost of money, escalation terms, and market trends. She makes recommendations for the solicitation response that will provide the greatest reliability and value for Tampa Electric's ratepayers. She completed her Master's degree in Public Administration from the University of South Florida in 1993. She received a Bachelor of Arts degree in 1990, also from the University of South Florida, and has been employed by the company since 1996.

Martin Duff also has experience with fuel procurement and transportation services. Since 2002, he has been employed as a Fuels Strategist in the Wholesale Marketing and Fuels Department, where he develops strategies to reduce oil and coal costs

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while balancing inventory and transportation needs and maintaining an optimal ratio between long-term and spot-market coal contracts. He joined the Fuels Department in 1996 as Coordinator of Fuels Transportation to direct solid fuel shipments that included river transportation, the use of terminal services, and Gulf transportation. He was also responsible for procuring residual and distillate oil and all fuel trucking contracts. He has been employed by Tampa Electric since 1980.

Brent Dibner is President of Dibner Maritime Associates, LLC. An acknowledged expert in the field of bulk transportation and logistics, his clients include many of the world's largest integrated oil companies, leading independent ship owners, shipyards and the financial institutions that serve marine transportation industries. During a 25-year consulting career at Mercer Management Consulting, Inc., he directed all consulting activities related to the maritime industry. In 2002, he founded Dibner Maritime Associates, LLC, and he continues to consult for Mercer Management Consulting. He assists clients in developing effective strategies and operational programs to compete and grow in global and domestic transportation, logistics, and commodity based marketplaces. He has testified before the United States Senate, the Federal Maritime Commission and in various admiralty and civil marine proceedings. He holds a Master's degree in Business Administration from the Harvard Graduate School of Business Administration and a Bachelor of Science degree in naval architecture and marine engineering from the University of Michigan.

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14. Please describe the process by which Tampa Electric developed its current RFP. In your response, please identify the individual(s) responsible for each particular stage of the development process.

A. Listed below are the significant tasks completed as part of the process for developing and reviewing Tampa Electric's RFP. Responsible individuals are also listed. The individuals who developed the RFP have significant experience in issuing solicitations for proposals, evaluating proposals and negotiating contracts. They also have extensive industry and market knowledge gained through participation in fuel supply and transportation markets as described in the company's response to Interrogatory No. 13.

| Task: Assessed transportation market trends and developed information requirements for the RFP | Individual(s) Responsible: Joann Wehle Karen Bramley Martin Duff Brent Dibner |
|---|---|
| Reviewed Ten-Year Site Plan for minimum annual quantities for the 2004-2008 time period | Karen Bramley Martin Duff |
| Reviewed Consent Decree to develop timeline for possible reductions in coal burn | Karen Bramley |
| Prepared draft solicitation | Joann Wehle Karen Bramley Martin Duff |
| Prepared bid list | Joann Wehle Karen Bramley Martin Duff Brent Dibner |
| Prepared letters to bidders | Karen Bramley Martin Duff |

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 Reviewed solicitation package including all quantities, terms and conditions by management and consultant Hugh Smith Joann Wehle Brent Dibner

Updated company management about solicitation status

Hugh Smith Joann Wehle

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- 15. Please identify all individuals, including consultants, who will assist in evaluating responses to Tampa Electric's current RFP. For each individual identified please provide name, business address, employer, and qualifications and experience, including experience in evaluating responses to RFPs for the transportation of coal or other bulk commodities.
- A. The following individuals are expected to assist in evaluating responses to Tampa Electric's current RFP:
 - Hugh Smith
 - Joann Wehle
 - Karen Bramley
 - Martin Duff

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Brent Dibner

Each individual's business address, employer, and qualifications and experience are identified in the company's response to Interrogatory No. 13.

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- 16. Please describe the process by which Tampa Electric will evaluate responses to its current RFP. In your response, please identify the individual(s) responsible for each particular stage of the evaluation process.
- A. Listed below are the significant tasks Tampa Electric will complete as part of its process for evaluating responses to its current RFP. Responsible individuals are provided for each particular stage of process. As described in the company's response to Interrogatory No. 13, the individuals listed have significant experience in issuing solicitations for proposals, evaluating proposals, negotiating contracts and extensive industry and market knowledge gained through participation in fuel supply and transportation markets.
 - 1. Evaluate bids to determine compliance with bid requirements. Bids that are submitted late are disqualified and returned unopened to bidder. Disqualification or knockout criteria are categorized as financial or operation related, which are defined as follows:

Financial related:

- Active bankruptcy by the transportation provider
- Pending or incomplete reorganization plan to emerge from bankruptcy
- Credit rating/ financial condition of the company/ alternative credit support capability

Operation related:

J

- Lack of sufficient capacity to perform the services requested in the RFP
- Inability to perform coal and/or petroleum coke blending— Tampa Electric requires a precise blending and storage of multiple coal types
- Limits on operations Tampa Electric requires a seven day a week, twentyfour hour a day operation
- Inadequate storage capacity/pile maintenance Tampa Electric requires that a facility have enough capacity for storage in distinct locations of multiple coal types

Individual(s) Responsible: Joann Wehle, Karen Bramley, Martin Duff and Brent Dibner

TAMPA ELECTRIC COMPANY DOCKET NO. 030001-EI STAFF'S 3'd SET OF INTERROGATORIES INTERROGATORY NO. 16 PAGE 2 OF 4 FILED: AUGUST 21, 2003

2. Follow-up by Tampa Electric with individual suppliers to clarify any outstanding questions on proposals and request additional information, if needed, to fully evaluate bids.

Individual(s) Responsible: Joann Wehle, Karen Bramley and Martin Duff

3. If bid responses do not address the bid requirements or bid response terms and conditions vary, adjustments will be made to put each bid response on a comparative basis. Such potential adjustments may be made to the following:

| comparative basis. Oddit potential adjustments may be made to the following. | |
|--|---|
| • Volume | In the event the bidder can provide a substantial portion, but not the full volume of the required services |
| Vessel loading/ unloading rates | The tonnage rate at which a bidder is able to load or unload vessels or barges |
| Demurrage rates | Detention of a vessel during loading or unloading beyond the scheduled time of departure and the compensation paid for such detention based upon the proposed tonnage rate or "free time" allowed |
| Despatch | Speed in performance of or completion of a vessel loading or unloading ahead of the scheduled time of departure and the compensation for such prompt loading or unloading based upon the proposed tonnage rate or "free time" allowed |
| Sampling/analysis costs | Cost at a terminal to obtain and analyze coal samples for compliance with contract or environmental specifications |
| Weighing costs | Cost of weighing the tonnage of a vessel if a facility does not have certified belt scales |
| Dust suppression costs | The cost of adding dust suppression to either coal or petroleum coke. Dust suppression is required on all vessels brought to the generating stations for environmental purposes |
| Fleeting | Cost associated with available space to essentially |

"park" barge tows prior to unloading

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| • | Tug assistance charges | The number of tugs used to assist arriving vessels/barge tows based on several factors such as local weather conditions, vessel maneuverability, and vessel's draft. These items are also important to ensure that minimum safety standards are met |
|---|---------------------------------------|---|
| • | Barge cleaning | Cost of cleaning barges |
| • | Early pay discounts | Any discount Tampa Electric would receive for early payment |
| • | Fuel comparison | Comparable comparison of fuel base or base dollar amount, location and timing |
| • | Bid price components | Allocation of fixed, variable and fuel |
| • | Escalation indices | How proposed escalation indices have changed historically |
| • | Insurance limits and coverage | Acceptable limits and coverage, especially if the bidder is self-insured |
| • | IT/Interface | The cost to provide an interface with our existing IT systems |
| • | Taxes, fees or subcontracted services | Includes any applicable taxes, environmental fees, governmental impositions, and charges for stevedoring |

Individual(s) Responsible: Joann Wehle, Karen Bramley, Martin Duff and Brent Dibner, as necessary, to provide advice to Tampa Electric on making the necessary adjustments

4. In the event that Tampa Electric does not receive an adequate response for the bid requirements for each segment, the company and its consultant will utilize inland, terminal and ocean transportation models to determine an appropriate market rate for a five-year contract given Tampa Electric's tonnage requirements and length of move. The consideration of market rates will include traffic trends, supply/demand trends, fuel costs, utilization

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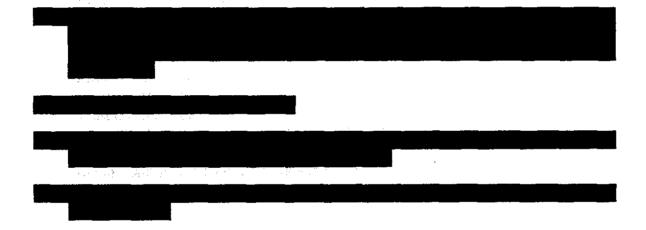
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of open hopper barges, cost of capital, costs, operating conditions, capacity requirements, rates of return, taxes, and market conditions.

Individual(s) Responsible: Joann Wehle, Karen Bramley, Martin Duff and Brent Dibner

5. Provide management a complete analysis of evaluated bids and an assessment of the market.

Individual(s) Responsible: Joann Wehle, Karen Bramley and Brent Dibner.



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- 20. Please define "integrated waterborne transportation services" as that term is used in Tampa Electric's RFP. Based on this definition, please identify all potential bidders known to Tampa Electric (or its consultants in this RFP process) that provide "integrated waterborne transportation services."
- A. Integrated waterborne transportation services as used in Tampa Electric's RFP include coordinated river transportation, terminal and ocean transportation services. Combining transportation services reduces direct and indirect costs to the buyer by providing seamless services between various transportation providers. Tampa Electric's RFP clearly states, "Tampa Electric prefers proposals for integrated waterborne transportation services, however proposals for segmented services will be considered." In addition, there is nothing in Tampa Electric's RFP that precludes any transportation provider from partnering with other transportation provider(s) to provide an integrated package. Therefore, any company could combine its efforts with those of one or more companies to create an integrated waterborne transportation services proposal that would be evaluated by Tampa Electric.

The list below represents the entities that Tampa Electric is aware of that provide waterborne transportation and terminal services. With the exception of its current provider, Tampa Electric is not aware if any of the potential bidders have provided a fully integrated waterborne transportation services package as defined above, from the Midwest to Tampa, Florida.

Mr. Tom Waters
American Commercial Barge Line
P.O. Box 610
Jeffersonville, IN 47131
812/288-0100 (wk.)
812/288-0256 (fax)

Mr. Ned Smith
American Steamship
Centerpoint Corporate Park
500 Essjay Rd.
Williamsville, NY 14221
716/635-0222 (wk.)
716/635-1396 (fax)

1

Mr. Sinclair Dameron Burnside Terminal 4258 Hwy. 44 Darrow ,LA 70725 225/474-3792 (wk.) 225/474-3719 (fax)

Mr. Larry Barbish Canal Barge Company 835 Union St. New Orleans, LA 70112 504/584-1535 (wk.) 504/584-1505 (fax)

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Mr. Jim Baldwin Central Gulf Lines, Inc. 650 Poydras St., Suite 1700 New Orleans, LA 70130 504/586-0500 (wk.) 504/525-7792 (fax)

Mr. Ed Laurendine Cooper/T. Smith P.O. Box 242 Darrow, LA 70725 225/473-4288 (wk.) 225/473-6161(fax)

Mr. Stephen Little Crounse Corporation 2626 Broadway Paducah, KY 42001 270/444-9611 (wk.) 270/444-9615 (fax)

Mr. Tom Johnson Dixie Carriers, Inc. 333 WPA Rd. Belle Chasse, LA 70037 504/392-7800 (wk.) 713/435-1055 (fax)

Mr. Robert Dammers EAST Shipbrokers 2807 Busch Blvd. Tampa, FL 33612 813/931-3003 (wk.) 813/932-5963 (fax)

Mr. Richard Walling Express Marine 29th St. at the Delaware Camden NJ, 8105 856/541-4600 (wk.) 856/541-0338 (fax)

,

Mr. James DeSimone Great Lakes 1800 Terminal Tower Cleveland, OH 44113 216/621-4854 (wk.) 216/621-7616 (fax)

Mr. John Crane IC RailMarine Terminal 7790 Louisiana Hwy. 44 Convent ,LA 70723 225/562-5208 (wk.) 225/562-9948 (fax)

Mr. Tom Vorholt Ingram Barge Company P.O. Box 23049 Nashville, TN 37202 615/298-8200 (wk.) 615/298-8242 (fax)

Mr. Gene Taft International Marine Terminals 18559 Hwy. 23 Port Sulphur, LA 70083 504/656-7341 (wk.) 504/656-2071 (fax)

Mr. Joe Payne Kirby P.O. Box 1745 Houston, TX 77251 713/435-1000 (wk.) 713/435-1010 (fax)

Mr. James Andrasick Matson Navigaiton Co. 333 Market St. San Francisco, CA 94105 415/957-4000 (wk.) 415/957-4234 (fax)

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Mr. Keith Darling MEMCO 16090 Swingley Ridge Rd. Suite 600 Chesterfield, MO 63017 304/675-6300 (wk.) 304/675-4734 (fax)

Mr. Jack Lordo M/G Transport Services, Inc. 7000 Midland Blvd. Amelia, OH 45102 513/943-7300 (wk.) 513/947-4659 (fax)

Mr. George Manders Mobile Bay Towing P.O. Box 1644 Mobile, AL 36633 251/432-2611 (wk.) 251/433-8772 (fax)

Mr. Ted Trequaltia Moran Towing Two Greenwich Plaza Greenwich, CT 6830 203/625-7800 (wk.) 203/625-7857 (fax)

Mr. Lawrence Squyers North Star Steel Texas 100 Old Hwy. 90 W. Vidor, TX 77662 409/769-1066 (wk.) 409/769-1091 (fax) Mr. Richard Kienitz Parker Towing P.O. Box 20908 Tuscaloosa, AL 35402 205/349-1677 (wk.) 205/758-0061 (fax)

Mr. Craig Roberts
Tampa Port Authority
11011 Channelside Dr.
Tampa, FL 33602
813/905-7678 (wk.)
813/204-2606 (fax)

Mr. Jeff Rankin TECO Transport 702 N. Franklin St. Tampa, FL 33602 813/209-4244 (wk.) 813/273-0248 (fax)

TAMPA ELECTRIC COMPANY DOCKET NO. 030001-EI STAFF'S 3rd SET OF INTERROGATORIES INTERROGATORY NO. 21 PAGE 1 OF 1 FILED: AUGUST 21. 2003

- 21. Please describe the conditions under which a bidder that does not provide integrated waterborne transportation services may overcome Tampa Electric's stated preference for integrated waterborne transportation services.
- A. As described in the response to Interrogatory No. 20 and as stated in the RFP, "Tampa Electric prefers proposals for integrated waterborne transportation services, however proposals for segmented services will be considered." Therefore, the company will evaluate integrated packages, the individual components and segment bids to determine the overall best rate that meets all of Tampa Electric's requirements. The conditions under which a bidder can overcome the company's preference for an integrated supplier is to provide, with all other things being equal, a more attractive competitive proposal.

TECO.

(not conf)

Segment Information (1)

| (millions) | mornation | Tampa Electric | Peoples Gas | TWG Merchant | TECO Transport | TECO Coal | Other Unregulated | Eliminations & Other | Total TECO Energy |
|------------|--|-------------------|----------------------|--------------------|-------------------|----------------|-------------------------|-------------------------|-------------------------|
| 2003 | Revenues - outsiders | \$ 1.582.7 | \$ 408.4 | \$ 95.9 | \$ 162.2 | \$ 296.3 | \$194.0 | \$ 0.5 | \$ 2,740.0 |
| ZIRKS | Sales to affiliates | 3.4 | # 400r4 | φ <i>33.3</i> – | 98.4 | \$ 250kg | 69.5 | (171.3) | # 2, 140.0 |
| | | \$ 1,586.1 | \$ 408.4 | \$ 95.9 | \$ 260.6 | \$ 296.3 | \$263.5 | \$(170.8) | \$ 2 740 0 |
| | Total revenues | 210.3 | 32.7 | a 93.9 12.3 | 3 200.6 20.6 | 34.2 | 15.9 | \$(170.0) | \$ 2,740.0 326.0 |
| | Depreciation | 9.9 | 4.1 | 0.4 | 1.7 | - 34.2 | 5.9 | 2.6 | 326.0 24.6 |
| | Restructuring costs # Interest charges # | | | 50.6 | | | | | |
| | | 85.0 48.1 | 15.6 15.2 | (27.0) (4) | 4.9 9.7 | 11.0 | 34.7 | 118.9 | 320.7 |
| | (Benefit) provision for taxes | 46.1 | 10.2 | (27.0) ** | 9.7 | (64.4) | (85.6) | (31.2) | (135.2 |
| | Net (loss) income from | \$ 98.9 | \$ 24.5 | \$ (147.6) (6) | \$ 15.3 | \$ 77.1 | \$ (5.4) ⁽⁷⁾ | ¢ (77 °) | \$ (14.7 |
| | continuing operations 3 | ф 90.9°° | φ 24.0 | \$ (147.0) | ф 13.5 | <u>\$ 77.1</u> | | \$ (77.5) | |
| | Goodwill, net | - | _ | _ | _ | - | 71.2 | _ | 71.2 |
| | Investment in | | | 158.9 | | | 104.0 | | 243.5 |
| | unconsolidated affiliates | _ | _ | 138.9 | - | - | 184.6 16.5 | _ | 343.5 16.5 |
| | Other non-current investments | 4,178.6 | 651.5 | 3,398.7 | 315.8 | - 340.8 | 958.7 | | 10,462.3 |
| | Total assets | 4,178.6 289.1 | 42.6 | 194.3 | 19.6 | 20.6 | 24.3 | 618.2 0.1 | 10,462.3 590.6 |
| 2000 | Capital expenditures | | | | | | | | |
| 2002 | Revenues - outsiders | \$ 1,548.9 | \$ 318.1 | \$ 111.1 | \$ 143.9 | \$ 316.4 | \$ 226.5 | \$ - | \$ 2,664.9 |
| | Sales to affiliates | 34.3 | | ~ | 110.7 | 0.7 | 71.2 | (216.9) | - |
| | Total revenues | \$ 1.583.2 | \$ 318.1 | \$ 111.1 | \$ 254.6 | \$ 317.1 | \$ 297.7 | \$ (216.9) | \$ 2,664.9 |
| | Depreciation | 189.8 | 30.5 | 12.0 | 22.3 | 31.4 | 17.2 | - | 303.2 |
| | Restructuring costs 22 | 16.6 | - | - | | - | 1.2 | - | 17.8 |
| | Interest charges (3) | 51.5 | 14.8 | 24.3 | 6.3 | 8.2 | 37.1 | 29.4 | 171.6 |
| | (Benefit) provision for taxes | 85.7 | 14.7 | 5.8 ⁽⁴⁾ | 10.8 | (22.9) | (9.7) | (136.1) | (51.7) |
| | Net income (loss) from | | | • (=0) | | | | | |
| | continuing operations ⁽⁵⁾ | \$ 171.8 | \$ 24.2 | \$ (7.9) | \$ 21.0 | \$ 76.4 | \$ 27.8 | \$ (36.1) | \$ 277.2 |
| | Goodwill, net | _ | - | 95.1 | - | - | 98.6 | - | 193.7 |
| | Investment in | | | | | | | | |
| | unconsolidated affiliates | - | - | (38.2) | | - | 187.4 | - | 149.2 |
| | Other non-current investments | - | - | 795.8 | _ | - | 49.2 | 0.3 | 845.3 |
| | Total assets | 4,119.4 | 629.9 | 2,020.1 | 355.1 | 283.5 | 1,167.3 | 503.1 | 9,078.4 |
| | Capital expenditures | 632.2 | 53.4 | 223.1 | 25.2 | 48.2 | 79.9 | 3.2 | 1,065.2 |
| 2001 | Revenues - outsiders | \$ 1,380.1 | \$ 352.9 | \$ 81.8 | \$ 151.7 | \$ 298.4 | \$218.4 | \$ - | \$ 2,483.3 |
| | Sales to affiliates | 32.6 | | _ | 123.2 | 5. l | 80.4 | (241.3) | _ |
| | Total revenues | \$ 1,412.7 | \$ 352. 9 | \$ 81.8 | \$ 274.9 | \$ 303.5 | \$298.8 | \$ (241.3) | \$ 2,483.3 |
| | Depreciation | 173.4 | 27.9 | 9.8 | 24.1 | 28.3 | 21.1 | - | 284.6 |
| | Restructuring costs | - | - | - | - | - | _ | - | - |
| | Interest charges ** | 60.8 | 14.3 | 17.3 | 8.9 | 7.6 | 39.1 | 30.5 | 178.5 |
| | (Benefit) provision for taxes | 83.5 | 14.2 | 4.6(4) | 14.2 | (19.0) | (6.1) | (98.7) | (7.3) |
| | Net income (loss) from | | | | | | | | |
| | continuing operations 55 | \$ 154.0 | \$ 23.1 | \$ 0.5 | \$ 27.6 | \$ 59.0 | \$ 22.1 | \$ (20.8) | \$ 265.5 |
| | Goodwill, net | - | - | 70.0 | | - | 95.8 | - | 165.8 |
| | Investment in | | | | | | | | |
| | unconsolidated affiliates | - | - | (14.1) | - | - | 187.0 | | 172.9 |
| | Other non-current investments | - | - | 124.1 | - | | 85.7 | 0.6 | 210.4 |
| | Total assets | 3,674.5 | 582.6 | 1,129.7 | 333.1 | 258.5 | 1,101.3 | 96.5 | 7,176.2 |
| | Capital expenditures | 426.3 | 73.0 | 368.4 | 38.8 | 25.8 | 29.0 | 4.6 | 965.9 |

⁽¹⁾ From continuing operations. All periods have been adjusted to reflect the reclassification of results from operations to discontinued operations for the Union and Gila River projects (formerly part of TWG); and TECO Coalbed Methane. Prior Energy and substantially all of TECO Cas Services (formerly part of Other Unregulated).

Other Unregulated).
(2) See Note 11 for a discussion of restructuring charges in 2003 and 2002.
(3) Segment net income is reported on a basis that includes internally allocated financing costs. Internally allocated costs for 2003, 2002 and 2001 were at pretax rates of 8%, 7% and 7%, respectively, based on the average investment in each subsidiary.
(4) Taxes have been allocated, for segment reporting purposes, to TWG based on the weighted-average tax rates of the TWG components.
(5) Net income for 2003 includes a \$48.9 million after-tax (\$79.6 million pre-tax) asset impairment charge related to the turbine purchase cancellations (see Note 10).
(6) Net income for 2003 includes a \$48.9 million after-tax charge (\$40.7 million pre-tax) related to a continuous arbitration proceeding (see the Legal).

 <sup>10).
 (6)</sup> Net income for 2003 includes a \$25.9 million after-tax charge (\$40.7 million pre-tax) related to a contingent arbitration proceeding (see the Legal Contingencies section of Note 20), a \$61.2 million after-tax charge (\$95.2 million pre-tax) for goodwill impairment (see Note 3), and a \$15.3 million after-tax asset impairment charge (\$24.5 million pre-tax) related to the turbine purchase cancellations (see Note 10).
 (7) Net income for 2003 includes a \$40.9 million after-tax asset impairment charge (\$65.5 million pre-tax).

| Effective Income Tax Rate (millions) For the years ended Dec. 31, | 2003 | 2002 | 2001 |
|---|-------------------|-----------------|----------------|
| Net (foss) income from continuing operations before minority interest Plus: minority interest | \$ (63.5) 48.8 | \$ 277.2 - | \$265.5 |
| Net (loss) income from continuing operations Total income tax provision (benefit) | (14.7) (135.2) | 277.2 (51.7) | 265.5 (7.3) |
| (Loss) income from continuing operations before income taxes | (149.9) | 225.5 | 258.2 |
| Income taxes on above at federal statutory rate of 35% | (52.4) | 78.9 | 90.4 |
| Increase (decrease) due to | | | |
| State income tax, net of federal income tax | (0.8) | 3.4 | 6.8 |
| Foreign income taxes | 7.5 | 1.0 | _ |
| Amortization of investment tax credits | (4.7) | (4.8) | (4.9) |
| Permanent reinvestment – foreign income | (12.3) | (8.1) | (7.2) |
| Non-conventional fuels tax credit | (66.0) | (107.3) | (86.2) |
| AFUDC Equity | (6.9) | (8.7) | (2.3) |
| Other | 7.6 | (6.1) | (3.9) |
| Total income tax provision from continuing operations | \$(135.2) | \$ (51.7) | \$ (7.3) |

⁽¹⁾ This calculation is not necessarily meaningful as a result of the interaction between tax losses and tax credits for the period.

Provision for income taxes as a percent of income from continuing operations, before income taxes

During 2003, pre-tax losses from continuing operations, Sec. 29 credits and the reclassification of results of operations to discontinued operations as described in Note 14, caused variations in the overall effective income tax rate throughout the year and at yearend.

The provision for income taxes as a percent of income from discontinued operations was 36.2%, 12.3% and -8.0%, respectively, in 2003, 2002 and 2001. The total effective income tax rate differs from the federal statutory rate due to state income tax, net of federal income tax, the non-conventional fuels tax credit and other miscellaneous items. The actual cash paid for income taxes as required by the alternative minimum tax rules in 2003, 2002, and 2001 was \$58.8 million, \$71.9 million and \$52.4 million, respectively.

14. Discontinued Operations and Assets Held for Sale

Union and Gila River Project Companies (TPGC)

In October 2003, the company, the bank financing group and the Union and Gila River project companies entered into a suspension agreement (see Note 20) in order to continue discussions regarding the operating budgets and performance of the two power plants. In late December 2003, a stand-still agreement was entered into by the same parties to continue to facilitate the discussions (see Note 20). See Note 23 for a discussion of subsequent events which impact both the suspension and the stand-still agreements. As of Dec. 31, 2003, management was committed to a plan to sell TECO Energy's ownership of the equity or net assets of the project companies. The company expects to complete the transfer of TPGC in 2004. The Union and Gila River project companies comprised part of the TWG operating segment until designated as assets held for sale in December 2003.

See Note 23 regarding subsequent events relating to the Union and Gila River project companies.

As an asset held for sale, the assets and liabilities that are expected to be transferred as part of the sale, as of Dec. 31, 2003, have been reclassified, respectively, in the balance sheet, Furthermore, the company has determined that TPGC meets the criteria of a discontinued operation. Results from operations for the Union and Gila River project companies have been reclassified to "Discontinued operations" for all periods presented. For the years ended Dec. 31, 2002 and 2001, TPGC was a development stage company. The following table provides selected components of discontinued operations for TPGC.

Components of income from discontinued operations -Union and Gila River Project Companies

| (millions) | | | |
|---|------------|-----------|--------|
| For the years ended Dec. 31, | 2003 | 2002 | 2001 |
| Revenues | \$ 319.4 | - \$ - | \$ - |
| Asset impairment ⁿ | (1.185.7) | _ | _ |
| (Loss) income from operations | (1,239.8) | - | - |
| (Loss) on joint venture termination | (153.9) | - | - |
| (Loss) income before provision for income taxes | (1,441.4) | 27.4 | 13.1 |
| (Benefit) provision for income taxes | (522.7) | 10.6 | 5.0 |
| Net (loss) income from discontinued operations | \$ (918.7) | \$ 16.8 | \$ 8.1 |

90.2% 0

-22.9%

-2.8%

(1) Includes charges recognized in accordance with FAS 133.

Asset impairment charge

The pre-tax asset impairment charge of \$1,185.7 million (\$762.0 million after tax) is comprised of an impairment in long-lived assets and a related charge to reflect the impacts of hedge accounting. The pre-tax asset impairment charge of \$1,099.3 million was recognized in accordance with FAS 144. The recognition of the asset impairment effectively accelerated the recognition of previously capitalized interest. As a result, in accordance with cash flow hedge accounting under FAS 133, a reversal from OCI of \$22.6 million of pre-tax losses on the interest rate swaps was required to give effect in the income statement to the previously hedged interest which was capitalized during construction.

In addition, the change in future expectations regarding the probability of the company retaining the long-term, non-recourse debt resulted in the reversal of an additional \$63.8 million pre-tax losses which were previously deferred in OCI and related to the future recognition of capitalized interest amortization and future interest expense on the non-recourse debt, anticipated to be recognized in periods subsequent to 2004. See Note 10 for a full description of the asset impairment component and Note 2 for additional details on the hedge accounting (OCI reversal) compo-

Loss on joint venture termination

As discussed in greater detail in Note 12, the consolidation of TPGC on Apr. 1, 2003 resulted in the recognition of a pre-tax charge of \$153.9 million (\$94.7 million after tax) which was record-

Consolidated FINANCIAL STATEMENTS

Consolidated Balance Sheets

| Assets | | |
|--|------------|-----------|
| Assets (millions, except share amounts) Dec. 31, | 2003 | 2002 |
| (minores, escept state unatures, esce. 34, | 200,7 | 2002 |
| Current assets | | |
| Cash and cash equivalents | \$ 108.2 | \$ 411.1 |
| Restricted cash | 51.4 | 1.6 |
| Receivables, less allowance | 51.4 | 1.0 |
| for uncollectibles of \$4.5 | | |
| and \$6.6 at Dec. 31, 2003 | | |
| and 2002, respectively | 280.4 | 422.7 |
| | 200.4 | 235.1 |
| Current notes receivable | 21.1 | |
| Current derivative assets | 21.1 | 12.5 |
| Inventories, at average cost | 00.0 | 110.7 |
| Fuel | 88.2 | 113.7 |
| Materials and supplies | 82.5 | 96.1 |
| Prepayments and other current assets | 68.6 | 30.4 |
| Assets held for sale | 169.4 | |
| Total current assets | 869.8 | 1,323.2 |
| | | |
| | | |
| | | |
| | | |
| Property, plant and equipment | | |
| Utility plant in service | | |
| Electric | 5,245.6 | 5,054.4 |
| Gas | 778.1 | 746.7 |
| Construction work in progress | 1,193.3 | 1,556.8 |
| Other property | 823.2 | 857.4 |
| Property, plant and equipment. | | |
| at original cost | 8,040.2 | 8,215.3 |
| Accumulated depreciation | (2,361.2) | (2,310.7) |
| Total property, plant and | | 7 |
| equipment (net) | 5,679.0 | 5,904.6 |
| | - | |
| | | |
| | | |
| | | |
| Other assets | | |
| Deferred in come taxes | 1.051.5 | 340.2 |
| Other investments | 16.5 | 845.3 |
| Regulatory assets | 188.3 | 163.2 |
| Investment in unconsolidated affiliates | 343.5 | 149.2 |
| Goodwill | 71.2 | 193.7 |
| Deferred charges and other assets | 165.1 | 159.0 |
| Assets held for sale | 2,077.4 | 155.0 |
| Total other assets | 3,913.5 | 1,850.6 |
| Total Office Rosers | 9,910.3 | 1,050.0 |
| Fotal assets | \$10,462.3 | \$9,078.4 |
| | 77-7-210 | 40,000 |

| Liabilities and capital | | |
|---|------------|------------|
| (millions, except share amounts) Dec. 31, | 2003 | 2002 |
| | | |
| Current liabilities | | |
| Long-term debt due within one year | | |
| Recourse | \$ 6.1 | \$ 106.3 |
| Non-recourse | 25,5 | 20.8 |
| . Notes payable | 37.5 | 360.5 |
| Accounts payable | 313.8 | 377.4 |
| Customer deposits | 101.4 | 94.6 |
| Current derivative liabilities | 12.0 | 3.9 |
| Interest accrued | 56.6 | 49.8 |
| Taxes accrued | 149.9 | 95.9 |
| Liabilities associated with assets | | |
| held for sale | 1,544.4 | _ |
| Total current liabilities | 2,247.2 | 1,109.2 |
| Other liabilities | | 11100.1 |
| Deferred income taxes | 498.0 | 495.0 |
| Investment tax credits | 22.8 | 27.5 |
| Regulatory liabilities | 560.2 | 538.7 |
| Deferred credits and other liabilities | 364.1 | 321.7 |
| Liabilities associated with assets | 304.1 | 341.7 |
| held for sale | 697.8 | |
| Long-term debt, less amount due | 037.0 | _ |
| within one year | | |
| Recourse | 3,660.3 | 3.112.7 |
| Non-recourse | 83.2 | 211.6 |
| Preferred securities | 649.1 | 211.0 |
| Minority interest | 1.9 | 1.2 |
| Total other liabilities | 6,537.4 | 4.708.4 |
| Total other habilities | 0,337.4 | 4.700.4 |
| Commitments and contingencies | | |
| Preferred securities | - | 649.1 |
| rieierieu securities | - | 045.1 |
| Called | | |
| Capital | | |
| Common equity (400 million shares | | |
| authorized; par value \$1: 187.8 million | | |
| shares and 175.8 million shares | | |
| outstanding at Dec. 31, 2003 and | 107.0 | 175.0 |
| 2002, respectively) | 187.8 | 175.8 |
| Additional paid in capital | 1,220.8 | 1.094.5 |
| Retained earnings | 339.5 | 1.413.7 |
| Accumulated other | (== =: | |
| comprehensive income | (55.8) | (41.2) |
| Common equity | 1,692.3 | 2.642.8 |
| Unearned compensation | (14.6) | (31.1) |
| Total capital | 1,677.7 | 2,611.7 |
| | | |
| Total liabilities and capital | \$10,462.3 | \$ 9.078.4 |

At Dec. 31, 2003 and 2002, TECO Energy had the following long-term debt outstanding:

| Long-Term Debt (millio | | Due | 2003 | 2002 |
|----------------------------|--|-----------|-----------|-----------|
| TECO Energy | Notes: 7.2% (effective rate of 7.38%) (i) | 2011 | \$ 600.0 | \$ 600.0 |
| | 6.125% (effective rate of 6.31%) ³³ | 2007 | 300.0 | 300.0 |
| | 7% (effective rate of 7.08%) (1) | 2012 | 400.0 | 400.0 |
| | 10.5% (effective rate of 12.37%) ⁽¹⁾⁽³⁾ | 2007 | 380.0 | 380.0 |
| | 7.5% (effective rate of 7.85%) (1)(5) | 2010 | 300.0 | - |
| | Preferred securities: 8.50% (| 2041 | 200.0 | _ |
| | 9.50%(*) | 2007 | 449.1 | _ |
| | | | 2,629.1 | 1,680.0 |
| Tampa Electric | First mortgage bonds (issuable in series): | | | |
| | 7.75% (effective rate of 7.96%) | 2022 | 75.0 | 75.0 |
| | 6.125% (effective rate of 6.61%) | 2003 | - | 75.0 |
| | Installment contracts payable: [5] | | | |
| | 6.25% Refunding bonds (effective rate of 6.81%) ** | 2034 | 86.0 | 86.0 |
| | 5.85% Refunding bonds (effective rate of 5.88%) | 2030 | 75.0 | 75.0 |
| | 5.1% Refunding bonds (effective rate of 5.77%) (*) | 2013 | 60.7 | 60.7 |
| | 5.5% Refunding bonds (effective rate of 6.34%) ** | 2023 | 86.4 | 86.4 |
| | 4% (effective rate of 4.22%) (%) | 2025 | 51.6 | 51.6 |
| | 4% (effective rate of 4.17%) ⁽⁸⁾ | 2018 | 54.2 | 54.2 |
| | 4.25% (effective rate of 4.44%) (** | 2020 | 20.0 | 20.0 |
| | Notes: 6.875% (effective rate of 6.98%) (9) | 2012 | 210.0 | 210.0 |
| | 6.375% (effective rate of 7.35%) (a) | 2012 | 330.0 | 330.0 |
| | 5.375% (effective rate of 5.59%) ⁽¹⁾ | 2007 | 125.0 | 125.0 |
| ± | 6.25% (effective rate of 6.31%) ⁽¹⁾ | 2016 | 250.0 | |
| | | | 1,423.9 | 1,248.9 |
| Peoples Gas System | Senior Notes: 2 10.35% | 2007 | 3.4 | 4.2 |
| | 10.33% | 2008 | 4.8 | 5.6 |
| | 10.3% | 2009 | 6.4 | 7.2 |
| | 9.93% | 2010 | 6.6 | 7.4 |
| | 8% | 2012 | 23.3 | 25.4 |
| | Notes: 6.875% (effective rate of 6.98%) (1) | 2012 | 40.0 | 40.0 |
| | 6.375% (effective rate of 7.35%) (1) | 2012 | 70.0 | 70.0 |
| | 5.375% (effective rate of 5.59%) ⁽¹⁾ | 2007 | 25.0 | 25.0 |
| | 10 TO THE PARTY OF | | 179.5 | 184.8 |
| TECO Wholesale | Non-recourse secured facility notes. Series A: 7.8% | 2003 | - | 111.0 |
| Generation | Non-recourse secured facility notes, variable rate: | | | |
| | 4.38% for 2003 and 4.36% for 2002 ⁽⁹⁾ | 2004-2007 | 36.7 | 50.1 |
| | 6.63% for 2003 and 6.88% for 2002 ⁽⁹⁾ | 2004-2009 | 16.0 | 16.0 |
| | 4.75% for 2003 and 5.00% for 2002 ^(c) | 2004-2009 | 14.0 | 14.0 |
| | Non-recourse secured facility notes: 10.1% | 2004-2009 | 15.3 | 16.4 |
| | 9.629% | 2004-2009 | 19.1 | 24.8 |
| | Non-recourse secured facility note, variable rate: 3,00% weighted average (9)(10) | 2004-2006 | 1,395.0 | - |
| | Non-recourse financing facility - Union County: 7.5% (\$\sqrt{9}\)(10) | 2004-2021 | 692.3 | |
| | | | 2,188.4 | 232.3 |
| Diversified companies | Dock and wharf bonds, 5% ⁽⁶⁾ | 2007 | 110.6 | 110.6 |
| | Non-recourse mortgage notes: 4.45% (effective rate of 4.62%) (a) | 2004 | 4.6 | - |
| | 3.95% (effective rate of $4.16%$) (11) | 2004 | 3.0 | - |
| | Capital lease: implicit rate of 8.5% | 2003 | _ | 25.3 |
| | | | 118.2 | 135.9 |
| Unamortized debt prem | ium (discount), net | | (27.6) | (30.5) |
| | | | 6,511.5 | 3,451.4 |
| Less amount due within | one year ⁽¹²⁾ | | 31.6 | 127.1 |
| Less long-term liabilities | held for sale (10) | | 2,087.3 | - |
| Total long-term debt | | | \$4,392.6 | \$3,324.3 |

- (1) These notes are subject to redemption in whole or in part, at any time, at
- the option of the company.

 These long-term debt agreements contain various restrictive covenants, such as limitations on restricted payments, liens and indebtedness (see Note 20).
- (3) These securities may be redeemed in whole or in part, by action of the company on or after Dec. 20, 2005.
- (4) These securities are comprised of two components—an equity contract which pays a coupon of 4.39%, adjusted quarterly, and a note obligation which pays a coupon of 5.11% (effective rate of 5.85%). The note obligation is subject to a potential rate reset on Oct. 15, 2004.
- Tax-exempt securities.

 Proceeds of these bonds were used to refund bonds with an interest rate of 9.9% in February 1995. For accounting purposes, interest expense has been recorded using a blended rate of 6.52% on the original and refund-
- ing bonds, consistent with regulatory treatment.
- (7) Proceeds of these bonds were used to refund bonds with interest rates of 5.75%-8%.
- (8) The interest rate on these bonds was fixed for a five-year term on Aug. 5.
- (9) Composite year-end interest rate.
 (10) This obligation is expected to be transferred in the disposition of the Union and Gila River power plants. As a result, the liability has been reclassified to "Liabilities associated with assets held for sale". See Note 14 for additional details.
- (11) These notes represent 100% of the debt for BT-One. LLC, an 80-percent owned unconsolidated affiliate. In total, the company has a \$1.0 million guarantee on these notes. (12) Of the amount due in 2004, \$0.8 million may be satisfied by the substitu-
- tion of property in lieu of cash payments.

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TECO ENERGY INC filed this 10-K on 03/15/2004.

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549

FORM 10-K

Manual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2003

OR

| | For the transition period from | to | _ _ |
|------------------------|---|---------------|---|
| Commission File No. | Exact name of each Registrant as charter, state of incorporation principal executive offices, telep | n, address of | I.R.S. Employer Identification Number |
| 1-8180 | TECO ENERGY, (a Florida corporation TECO Plaza 702 N. Franklin Stro Tampa, Florida 336 (813) 228-4111 | on) eet | 59-2052286 |
| 1-5007 | TAMPA ELECTRIC C (a Florida corporation TECO Plaza 702 N. Franklin Stre | on) eet | 59-0475140 |

Securities registered pursuant to Section 12(b) of the Act:

(813) 228-4111

Title of each class

TECO Energy, Inc.
Common Stock, \$1.00 par value
Common Stock Purchase Rights
Equity Security Units

Name of each exchange on which registered

New York Stock Exchange
New York Stock Exchange
New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

YES ☒ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K.

Indicate by check mark whether TECO Energy, Inc. is an accelerated filer (as defined in Exchange Act Rule 12b-2). YES ⊠ NO □

http://ccbn.tenkwizard.com/print.php?repo=tenk&ipage=2669661&doc=1&attach=&num=&mda=&size=3

| Regulatory assets Other | 188.3 0.1 | 163.2 5.6 |
|----------------------------|--------------|--------------|
| Total deferred debits | 345.1 | 325.8 |
| Total assets | \$ 4,839.7 | \$ 4,778.3 |

The accompanying notes are an integral part of the consolidated financial statements.

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TAMPA ELECTRIC COMPANY CONSOLIDATED BALANCE SHEETS (continued)

| Liabilities and capital (millions) Dec. 31, | 2003 | 2002 |
|---|-----------|-----------|
| Capital Common stock | \$1.376.8 | \$1,535.1 |
| Retained earnings | 274.9 | 302.9 |
| Total capital | 1,651.7 | 1,838.0 |
| Long-term debt, less amount due within one year | 1,590.9 | 1,345.6 |
| Total capitalization | 3,242.6 | 3,183.6 |
| Current liabilities | | |
| Long-term debt due within one year | 6.1 | 81.0 |
| Notes payable | | 10.5 |
| Accounts payable | 167.9 | 178.8 |
| Customer deposits | 101.4 | 94.6 |
| Interest accrued | 26.7 | 18.3 |
| Taxes accrued | 82.9 | 46.9 |
| Total current liabilities | 385.0 | 430.1 |
| Deferred credits | | |
| Deferred income taxes | 474.5 | 483.1 |
| Investment tax credits | 22.6 | 27.1 |
| Regulatory liabilities | 560.2 | 538.7 |
| Other | 154.8 | 115.7 |
| Total deferred credits | 1,212.1 | 1,164.6 |
| Total liabilities and capital | \$4,839.7 | \$4,778.3 |
| | | |

The accompanying notes are an integral part of the consolidated financial statements.

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TAMPA ELECTRIC COMPANY CONSOLIDATED STATEMENTS OF INCOME

(millions)
For the years ended Dec. 31,

2003

2002

2001

10k Wizard: SEC Filings

of 232 employees at Tampa Electric Company, including officers and other personnel from operations and support services.

In 2002, TECO Energy initiated a restructuring program that impacted approximately 182 employees at Tampa Electric. This program included retirements, the elimination of positions and other cost control measures. The total costs associated with this program included severance, salary continuation and other termination and retirement benefits.

Tampa Electric recognized a pre-tax expense of \$14.0 million and \$16.6 million for accrued benefits and other termination and retirement benefits for the years ended Dec. 31, 2003 and 2002, respectively. Tampa Electric Company completed these restructuring activities as of Dec. 31, 2003. As of Dec. 31, 2003 and 2002, respectively, no adjustments were made to the benefits initially accrued for and \$8.4 million and \$16.6 million, respectively, of the accrued benefits were paid or otherwise settled.

9. Income Tax Expense

Tampa Electric Company is included in the filing of a consolidated federal income tax return with TECO Energy and its affiliates. Tampa Electric Company's income tax expense is based upon a separate return computation. Income tax expense consists of the following components:

Income Tax Expense

| (millions) | Federal State | Total |
|--|----------------|---------|
| 2003 | | |
| Currently payable | \$ 74.9 \$17.6 | |
| Deferred | (16.0) (7.9) | , , |
| Amortization of investment tax credits | (4.6) — | (4.6) |
| Total income tax expense | \$ 54.3 \$ 9.7 | 64.0 |
| Included in other income, net | | (30.0) |
| Included in operating expenses | | \$ 94.0 |
| 2002 | | - |
| Currently payable | \$ 66.7 \$14.9 | \$ 81.6 |
| Deferred | 23.2 0.4 | 23.6 |
| Amortization of investment tax credits | (4.4) | (4.4) |
| Total income tax expense | \$ 85.5 \$15.3 | 100.8 |
| Included in other income, net | | 0.5 |
| Included in operating expenses | | \$100.3 |
| 2001 | | |
| Currently payable | \$ 88.6 \$15.7 | \$104.3 |
| Deferred | (1.3) (0.7) | (2.0) |
| Amortization of investment tax credits | (4.4) — | (4.4) |
| Total income tax expense | \$ 82.8 \$15.0 | 97.9 |
| Included in other income, net | | 0.2 |
| Included in operating expenses | | \$ 97.7 |

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Deferred taxes result from temporary differences in the recognition of certain liabilities or assets for tax and financial reporting purposes. The principal components of the company's deferred tax assets and liabilities recognized in the balance sheet are as follows:

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TECO Energy Consolidated (excluding non-recourse debt) (1)

| <u>Capital</u> | <u>Amount</u> | <u>Ratio</u> |
|-----------------|---------------|--------------|
| Common Equity | 1,677.7 | 27.82% |
| Preferred Stock | 649.1 | 10.76% |
| Long-term Debt | 3,660.3 | 60.69% |
| Short-term Debt | 43.6 | 0.72% |
| | 6,030.7 | 100.00% |

Tampa Electric Company (including PGS) (2)

| <u>Capital</u> | <u>Amount</u> | <u>Ratio</u> |
|-----------------|---------------|--------------|
| Common Equity | 1,651.7 | 50.84% |
| Preferred Stock | 0.0 | 0.00% |
| Long-term Debt | 1,590.9 | 48.97% |
| Short-term Debt | 6.1 | 0.19% |
| | 3,248.7 | 100.00% |

TECO Energy Cons. (less Tampa Elec. Co.) (1)-(2)

| <u>Capital</u> | <u>Amount</u> | <u>Ratio</u> |
|-----------------|---------------|--------------|
| Common Equity | 26.0 | 0.93% |
| Preferred Stock | 649.1 | 23.33% |
| Long-term Debt | 2,069.4 | 74.39% |
| Short-term Debt | 37.5 | 1.35% |
| | 2,782.0 | 100.00% |

Sources:

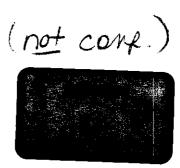
- (1) 2003 TECO Energy Annual Report to Shareholders, p. 36
- (2) 2003 Tampa Electric Company SEC 10K Report, p. 28

| Deposition Ex | nibit No | | | |
|-----------------|----------------|---------------------|-------------------|-------------------|
| Deposition of 3 | Joann T. Wehle | , witness on behalf | of Tampa Electric | Company, by Staff |
| Docket No. 03 | 1033-EI | | - | • • • |
| May , 2004 | ļ | | | |

Tampa Electric signed an agreement with TECO Transport for the provision of transportation and terminal services from January 1, 2004 through December 31, 2008 with conditions similar to those conditions set forth in Tampa Electric's June 27, 2003, Request for Proposals for Solid Fuel Transportation and Terminal Services (2003 RFP).

As an alternative to the status quo, consider the following scenario as a basis to determine the appropriate amount of costs that Tampa Electric should recover for coal transportation:

For the period 2004 through 2008, Tampa Electric accepts delivery of coal by water from TECO Transport at the annual minimum quantities set forth in the 2003 RFP. Tampa Electric signs an agreement with CSX Transportation to accept delivery of coal by rail for the balance of Tampa Electric's coal requirements. Tampa Electric and CSX Transportation would cooperatively identify those coal sources which are compatible with Tampa Electric's operational and environmental constraints and create maximum fuel cost savings compared with water transportation. CSX Transportation would construct the necessary infrastructure at Big Bend Station and/or Polk Station for Tampa Electric to accept delivery of coal by rail as set forth in the testimonies of CSX Transportation's witnesses. Assume that Tampa Electric pays TECO Transport and CSX Transportation market rates for water and rail transportation, respectively, as approved by the Commission.



| Deposition Exhibit No | |
|--------------------------------------|---|
| Deposition of Joann T. Wehle, witnes | s on behalf of Tampa Electric Company, by Staff |
| Docket No. 031033-EI | |
| May, 2004 | |

Tampa Electric signed an agreement with TECO Transport for the provision of transportation and terminal services from January 1, 2004 through December 31, 2008 with conditions similar to those conditions set forth in Tampa Electric's June 27, 2003, Request for Proposals for Solid Fuel Transportation and Terminal Services (2003 RFP).

As an alternative to the status quo, consider the following scenario as a basis to determine the appropriate amount of costs that Tampa Electric should recover for coal transportation:

For the period 2004 through 2008, Tampa Electric accepts delivery of coal by water from TECO Transport at the annual minimum quantities set forth in the 2003 RFP. Tampa Electric signs an agreement with an unaffiliated ocean barge to deliver offshore coal directly in Tampa for the balance of Tampa Electric's coal requirements. Tampa Electric and this unaffiliated party would cooperatively identify those coal sources which are compatible with Tampa Electric's operational and environmental constraints and create maximum fuel cost savings compared with the status quo. Assume that Tampa Electric pays TECO Transport and the unaffiliated provider market rates for water and rail transportation, respectively, as approved by the Commission.

Deposition Exhibit No. _____ Deposition of Joann T. Wehle, witness on behalf of Tampa Electric Company, by Staff Docket No. 031033-EI May ____, 2004

Tampa Electric signed an agreement with TECO Transport for the provision of transportation and terminal services from January 1, 2004 through December 31, 2008 with conditions similar to those conditions set forth in Tampa Electric's June 27, 2003, Request for Proposals for Solid Fuel Transportation and Terminal Services (2003 RFP). Tampa Electric has requested that the Commission approve for cost recovery the rates set forth in its contract with TECO Transport.

As an alternative, consider the following scenario as a basis to determine the appropriate amount of costs that Tampa Electric should recover for coal transportation:

At least two witnesses, Mr. Dibner and Dr. Hochstein, have testified that the inland river barge and terminal segments are competitive markets (i.e., two or more providers in a given segment). However, Mr. Dibner and Dr. Hochstein have also testified that only TECO Transport has the barges with the size, available capacity, and cost structure to transport Tampa Electric's full requirements between and among U.S. ports. Because the markets for inland river barge and terminal services are arguably competitive, the Commission should authorize Tampa Electric to recover approved market rates as set forth by Order No. 20298, issued November 10, 1988. However, the market for the ocean barge service is not competitive; therefore, the Commission should set cost recovery of the ocean barge segment on either a cost allocation method or cost-of-service method as set forth by Order No. 20298.