

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application of Cargill Fertilizer, Inc.
to engage in self-service wheeling of waste
heat cogenerated power to, from and
between points within Tampa Electric
Company's service area.

Docket No. 020898-EQ

Filed: September 3, 2003

DIRECT TESTIMONY
OF
JACK HUSTON
ON BEHALF OF
CARGILL FERTILIZER, INC.

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7 Q. Please state your name, address and occupation

8 A My name is Jack Huston. My business address is 8813 Highway 41 South,
9 Riverview, Florida 33569. I work for Cargill as the Sulfur and Sulfuric Acid
10 Coordinator for our plants in Florida.

11 Q What is the purpose of your testimony?

12 A The purpose of my testimony is to provide an overview of Cargill's operations,
13 discuss what Cargill is seeking in this proceeding, describe Cargill's contributions
14 to the community and the state of Florida, discuss the benefits of cogeneration,
15 and describe a reasonable price for SSW

16 Q. Describe Cargill's business.

17 A Cargill is in the agricultural business producing food to meet the world's growing
18 population. In Florida, among other things, we convert phosphate rock, a natural
19 resource, into fertilizer to increase the productivity of agricultural land. Our
20 principal market presently is the Midwestern United States, South America and
21 the Far East.

22 Q Does Cargill have competition in its business?

1 A. Yes Phosphate fertilizer is not only produced next door in the Progress Energy
2 service area, but it is also produced around the world. All of the Florida
3 processors have been under pressure as China, India and Australia continue to
4 build new facilities

5 Q Does electricity constitute a major raw material cost for your industry?

6 A. Yes. Although electricity is not the major part of our cash cost, it is still several
7 million dollars per year. Cargill has invested a lot of capital dollars over the years
8 in cogeneration to insure that we are competitive on a world wide basis.

9 Q How does Cargill use electricity?

10 A. Roger Fernandez will get into more detail, but we use electricity for mining the
11 rock, grinding the rock, and pumping the sulfuric and phosphoric acid around, and
12 in the manufacture of finished products.

13 Q How long has your company and its predecessors produced electricity in Florida?

14 A We produced electricity to meet our needs before TECo, FPL and PEF had
15 service near our locations.

16 Q What is Cargill seeking in this proceeding?

17 A Cargill seeks a finding from this Commission that its current self service wheeling
18 (SSW) program with Tampa Electric Company (TECo) does not harm the general
19 body of TECo customers Cargill believes that for TECo to transport electricity
20 produced by Cargill over TECo wires not only does not harm other ratepayers,
21 but, as explained in the testimony of other witnesses, benefits them, so long as
22 Cargill pays a reasonable and fair price for the transmission service.

1 Q Does Cargill make a valuable contribution to the local community and to the state
2 of Florida?

3 A Yes, we believe we do

4 Q Describe the impact of Cargill's business on the local community.

5 A Our plants in Florida directly employ 1500 people. Cargill paid over \$25,000,000
6 in taxes last year. The last study completed by the Center for Economic
7 Development at the University of South Florida in 1998 estimated Cargill's
8 impact on the Tampa Bay area at \$258.7 million per year of goods and services
9 As our business grows, these positive effects will continue to increase.

10 Q What impact does Cargill's cogeneration have on the community?

11 A We can use waste heat from our primary operation to produce electricity without
12 burning fossil fuel. There is significant benefit that Cargill waste heat
13 cogeneration provides. It reduces the adverse environmental impact created by
14 conventional power generation.

15 Q Can you quantify the benefit cogeneration provides to TECo's customers?

16 A These benefits have been quantified in some detail in the testimony of Mr.
17 Kordecki. It is my understanding that our cogeneration operations have the effect
18 of reducing by millions of tons the amount of coal TECo must burn, which results
19 in actual fuel savings, as well as reducing the environmental impact from this
20 fossil fuel. In addition, it is my understanding that cogeneration contributes to
21 TECo's summer and winter DSM capability. Finally, as detailed by Mr
22 Kordecki, other customers receive fuel cost reductions due to our program.

1 Q Doesn't TECo conclude that the Cargill SSW program adversely effects
2 customers?

3 A. Yes. However, TECo framed its study to make the financial impact appear to be
4 adverse by including the money it keeps and doesn't pass through to other
5 customers. Our consultant, Mr. Kordecki, who compared the TECo SSW study to
6 the Commission Cost Effectiveness Manual will explain why this is simply not
7 the case

8 Q What does Cargill presently pay for SSW during the pilot study period?

9 A Cargill pays the tariff rate TECo has published for transmitting power over its
10 transmission system. This is the same amount we pay when we send power to
11 other utilities or out of state consumers. Cargill has no objection to paying a fair
12 and reasonable rate based on the cost to provide transmission service. However,
13 we do object to paying more than other transmission customers pay for the same
14 service

15 Q What do you believe would be a reasonable and fair price for TECo to charge
16 Cargill for SSW in the future?

17 A The monumental benefits provided to fuel conservation and environmental
18 protection should be given consideration in determining the rate for SSW.
19 Because Cargill already pays for the use of TECo transmission lines and because
20 it will continue to buy electricity from TECo and will continue to pay more than
21 \$1,000,000 a year for its services, we see no need to impose an additional charge.
22 The general body of TECo customers received benefits during the SSW pilot
23 study period. When Cargill conserves on the electricity it buys, TECo brings in

1 less revenue, but as other Cargill witnesses will explain, other customers aren't
2 affected until some speculative future date when TECo might have a general rate
3 case. To charge Cargill a higher price for transmission services than the charge
4 imposed on other users of that service would be unduly discriminatory in my
5 opinion

6 Q. Please summarize your thoughts.

7 A Mr Fernandez and I have reached the same conclusions

8 1 Cargill's electric generators **conserve large amounts of fossil fuel**
9 because they make electricity from the waste heat. TECo would burn this
10 fuel to serve Cargill if Cargill cogeneration didn't exist.

11 2. Cargill's electric generators add no additional pollutants to the air and
12 water. They **eliminate the air and water pollution** that would come from
13 TECo's power plants if they burned fossil fuels to make electricity to
14 serve Cargill.

15 3. Cargill's electric generators **use energy more efficiently than a stand**
16 **alone electric generator.** This is because the same energy created from
17 the catalytic conversion of elemental sulfur is used not only to make
18 electricity, but also to run mechanical devices and to provide heat where
19 our process needs it. This is cogeneration, and combined heat and power
20 technology (CHP). Both facilities are QFs under FERC rules. This is one
21 of the reasons that our application under the SSW rules is a very unique
22 and positive application that should be approved.

23

1 Q Does that conclude your direct testimony?

2 A Yes.

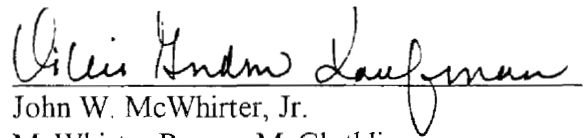
CERTIFICATE OF SERVICE

I HERBY CERTIFY that a true and correct copy of the foregoing Direct Testimony of Jack Huston on Behalf of Cargill Fertilizer, Inc. has been furnished by (*) hand delivery or U.S. Mail on this 3rd day of September, 2003 to the following:

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