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October 1, 2003

HAND DELIVERED

Ms. Blanca S. Bayo, Director
Division of Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

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COMMISSION
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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 Territory; FPSC Docket No. 020898-EQ

Dear Ms. Bayo:

Enclosed for filing in the above docket are the original and fifteen (15) copies of Tampa Electric Company's Prehearing Statement.

Also enclosed is a diskette containing the above document generated in Word and saved in Rich Text format for use with WordPerfect.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning same to this writer.

Thank you for your assistance in connection with this matter.

Sincerely,


James D. Beasley

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Enclosure

cc: All Parties of Record (w/enc.)

DOCUMENT NUMBER-DATE

09477 OCT-18

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application of Cargill Fertilizer, Inc.)	Docket No. 020898-EQ
to engage in self-service wheeling of waste)	Filed: October 1, 2003
heat cogenerated power to, from and)	
between points within Tampa Electric)	
Company's service territory.)	
_____)	

**TAMPA ELECTRIC COMPANY'S
PREHEARING STATEMENT**

A. APPEARANCES

HARRY W. LONG, JR.
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Post Office Box 111
Tampa, FL 33601

LEE L. WILLIS
JAMES D. BEASLEY
Ausley & McMullen
Post Office Box 391
Tallahassee, Florida 32302
On behalf of Tampa Electric Company

B. WITNESSES:

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
William R. Ashburn	Cost-effectiveness of Cargill Self-Service Wheeling	1, 2, 3, 4, 5, 6, 7 and 8

C. EXHIBITS:

<u>Exhibit</u>	<u>Witness</u>	<u>Description</u>
Exhibit No. __ (WRA-1)	William R. Ashburn	Program Issues and Impact (13 Documents)

DOCUMENT NUMBER-DATE

09477 OCT-18

FPSC-COMMISSION CLERK

D. STATEMENT OF BASIC POSITION

Tampa Electric Company's Statement of Basic Position:

For the reasons discussed in more detail below, Tampa Electric Company urges the Commission to deny Cargill's request for continued self-service wheeling. By any reasonable measure it is clear that Cargill self-service wheeling is not cost-effective from a ratepayer perspective. The purpose of the self-service wheeling experiment authorized by the Commission in Order No. PSC-00-1596-TRF-EQ was to achieve a better understanding of the operational requirements associated with self-service wheeling and to ascertain the costs and benefits associated with the provision of that service. Data from the experiment established that the two-year experiment resulted in a net cost to ratepayers. The RIM and TRC analysis presented as part of Mr. Ashburn's testimony confirm that continuation of self-service wheeling in the manner proposed by Cargill will continue to be non-cost effective in all but the most wildly unrealistic scenarios. In attempting to justify its request for permanent continuation of self-service wheeling, Cargill has attempted to present the pre-existing benefits associated with its existing cogeneration as incremental benefits that will accrue as the result of self-service wheeling. However, the unalterable facts are that the availability of self-service wheeling did not expand the amount of Cargill cogeneration capacity or energy that was already available to the grid during the pilot program and there is no evidence to suggest that any expansion will occur in the future as the result of continued self-service wheeling. Therefore, there can be no reasonable expectation of incremental benefits due to the continuation of self-service wheeling. Furthermore, the misalignment between Cargill's incentives and ratepayer interests inherent in Cargill's request greatly diminishes the probability that

economic benefits would accrue to the general body of ratepayers as the result of a continuation of self-service wheeling. Self-service wheeling is beneficial to the general body of ratepayers only when the avoided marginal costs and transmission revenue resulting from self-service wheeling exceed Tampa Electric's retail energy charges. During such periods when no threat of interruption exists, Cargill is least incented to self-service wheel since it would be no better off than it would if it just sold its excess energy to Tampa Electric at the as-available price, thereby avoiding wheeling charges. Cargill's greatest incentive to self-service wheel is to avoid possible interruption or the cost of optional provision power. However, self-service wheeling during such periods would not result in fuel savings and the resulting significant benefit to other ratepayers. Therefore, it is not likely that Cargill's self-service wheeling incentives will ever be aligned with ratepayer interests. This misalignment of Cargill incentives and ratepayer interests is reflected in the net negative ratepayer impact associated with the pilot program and the low benefit-to-cost ratios projected for continued Cargill self-service wheeling. Based on the results of the quarterly reports, the RIM analyses and the TRC test, Cargill's self-service wheeling has resulted in increased cost and will continue to increase the cost of service for other ratepayers should it continue.

E. STATEMENT OF ISSUES AND POSITIONS

ISSUE 1: What cost based measures should be used to evaluate Cargill's self-service wheeling request?

TECO: In addition to evaluating the information contained in the Quarterly Reports submitted by Tampa Electric in compliance with Order No. PSC-00-1596-TRF-EQ, the Commission should consider the results of the Ratepayer Impact Measure ("RIM") and Total Resource ("TRC") tests submitted by Tampa Electric. As a general matter, only those programs with a benefit-to-cost ratio ("BCR") that

exceeds 1.2 are approved by the Commission. This 1.2 BCR level is used as a benchmark for approval to increase the probability that projected net benefits will accrue even when the risk of forecast error is taken into account. This same standard should be applied in this proceeding in evaluating the cost-effectiveness of Cargill self-service wheeling.

(Witness: Ashburn)

ISSUE 2: What factors, other than cost, should the Commission consider in evaluating Cargill's self-service wheeling request?

TECO: In Order No. 24745, the Commission determined that in addition to the RIM and TRC analysis used to evaluate the cost-effectiveness of other conservation programs, the evaluation of a proposed self-service wheeling program should include consideration of the type of fuel used to produce the power to be wheeled, the fuel efficiency of the generator used to produce the power to be wheeled, the likelihood of a cogenerator building its own transmission line and the materiality of any lost revenues indicated by the RIM test. However, fuel type and generator efficiency are irrelevant considerations in this proceeding since no additional cogeneration capacity or energy will result from continued Cargill self-service wheeling. Furthermore, there is no evidence to suggest that Cargill will construct its own transmission line linking its Riverview and Bartow facilities if its request for continued self-service wheeling is denied. In fact, there is reason to believe that construction of such a line would be impracticable from an environmental and an economic perspective. To the extent that the Commission chooses to evaluate the materiality of lost revenues indicated by the RIM analysis presented in this proceeding, it should apply the same standard of materiality that it routinely employs in rate proceedings in determining which costs are sufficiently material, from a ratepayer perspective, to warrant disallowance or adjustment.

(Witness: Ashburn)

ISSUE 3: Has TECO's pilot self-service wheeling program with Cargill resulted in materially higher cost electric service to TECO's general body of retail and wholesale customers?

TECO: Yes. Based on the Quarterly Reports filed by Tampa Electric pursuant to Order No. PSC-00-1596-TRF-EQ, self-service wheeling during the pilot program resulted in net costs in the amount set forth in Exhibit No. __ (WRA-1), Document No. 6 of Mr. William Ashburn's prepared testimony. The Commission should view this level of cost as material with respect to Tampa Electric's general body of retail and wholesale ratepayers.

(Witness: Ashburn)

ISSUE 4: Would approval of Cargill's request for permanent self-service wheeling be cost-effective from a ratepayer perspective?

TECO: No. The base case RIM analysis prepared by Tampa Electric resulted in a BCR of only .98. The TRC analysis presented by Tampa Electric resulted in a BCR of .97. Only three of the 27 cases in the RIM analysis matrix presented by Tampa Electric in this proceeding produced BCRs near 1.2 or better. 14 of the 27 are below 1.0, 20 of the 27 are below 1.1. None of the three cases above 1.2 represent likely outcomes given the improbable nature of the underlying assumptions for those cases. Absent some certainty as to how often and when Cargill will self-service wheel, or some mechanism to assure that ratepayers are not harmed, the expected BCR for continued Cargill self-service wheeling is materially lower than the 1.2 BCR threshold of acceptability generally applicable to conservation programs.

(Witness: Ashburn)

ISSUE 5: Has TECO's pilot self-service wheeling program with Cargill adversely affected the adequacy or reliability of electric service to all of TECO's customers?

TECO No, not during the pilot program. However, it is not clear what impact future self-service wheeling might have with regard to reliability or how the nature or scope

of Cargill's future demand for self-service wheeling might change. Cargill has presented no evidence in this proceeding addressing future reliability impacts of continued Cargill self-service wheeling.

(Witness: Ashburn)

ISSUE 6: If TECO's pilot self-service wheeling program with Cargill has resulted in higher cost electric service to TECO's general body of retail and wholesale customers since October 1, 2002, how much should Cargill be required to refund to TECO as a result of the pilot program pursuant to Order No. PSC-02-1451-PCO-EQ?

TECO Since October of 2002, Cargill has not made significant use of self-service wheeling due, in no small part, to the requirement established in Order No. PSC-02-1451-PCO-EQ that Cargill indemnify ratepayers for negative impacts of additional self-service wheeling between October 2002 and the date of final Commission action of Cargill's request for permanent self-service wheeling. Even so, from October 1, 2002 through the end of June 2003, Cargill self-service wheeling has resulted in net costs to ratepayers in the amount provided in Exhibit No. ___ (WRA-1), Document No. 12 of Mr. William Ashburn's prepared testimony. The final amount cannot be calculated until the Commission orders that interim self-service wheeling end.

(Witness: Ashburn)

ISSUE 7: Should TECO's self-service wheeling program with Cargill be approved as a permanent program?

TECO No. The relief requested by Cargill in this proceeding is no different than the relief requested by others and denied in previous Commission proceedings. Both on an historical basis, given the results of the self-service wheeling pilot program and on a projected basis, given the results of the RIM analysis presented in Mr. Ashburn's testimony, granting the relief requested by Cargill in this proceeding is likely to result in a net cost to Tampa Electric's general body of ratepayers. In

this case, granting Cargill's request for permanent self-service wheeling will not result in a net increase in cogeneration capacity, which might create ratepayer benefits to offset the costs associated with self-service wheeling. In the absence of adequately offsetting benefits to ratepayers, there is no reasonable basis for the Commission to deviate from the principles established in previous proceedings addressing self-service wheeling. Without a mechanism to assure that Cargill wheeling occurs at times when ratepayers are benefited or are not harmed, there are too many uncertainties to justify making a commitment to Cargill for the long-term arrangement that it requests.

(Witness: Ashburn)

ISSUE 8: Should this docket be closed?

TECO Yes.

(Witness: Ashburn)

F. STIPULATED ISSUES

TECO: None at this time.

G. MOTIONS

TECO: None at this time.

H. OTHER MATTERS

TECO: 1. Tampa Electric's September 13, 2003 request for confidential classification of pages 3, 22, 25 of Mr. Kordecki's direct testimony and pages 6 and 7 of the direct testimony of Mr. Fernandez.

2. Tampa Electric's September 19, 2003 request for confidential treatment of pages 88, 92, 109-132 of Mr. William Ashburn's Exhibit (WRA-1).

DATED this 1st day of October 2003.

Respectfully submitted,

HARRY W. LONG, JR
Assistant General Counsel - Regulatory
Tampa Electric Company
Post Office Box 111
Tampa, FL 33601
(813) 228-1702

and

A handwritten signature in black ink, appearing to read "Lee L. Willis", is written over a horizontal line.

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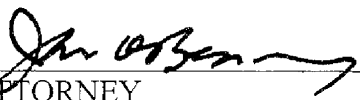
CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing Prehearing Statement, filed on behalf of Tampa Electric Company, has been furnished by U. S. Mail or hand delivery (*) on this 1st day of October 2003 to the following:

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