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August 30, 2002

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

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:

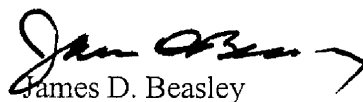
Enclosed for filing in the above docket are the original and fifteen (15) copies of each of the following:

1. Response of Tampa Electric Company to the Motion of Cargill Fertilizer, Inc. to Continue Self-Service Wheeling of Waste Heat Cogenerated Power During Resolution of Petition for Permanent Approval. 09209-02
2. Response of Tampa Electric Company to the Petition of Cargill Fertilizer, Inc. for Permanent Approval of Self-Service Wheeling Program and Request for Expedited Treatment. 09210-02

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

JDB/pp
Enclosures

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

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application of Cargill Fertilizer, Inc.) Docket No. 20898-EQ
to engage in self-service wheeling of waste) Filed: August 30, 2002
heat cogenerated power to, from and)
between points within Tampa Electric)
Company's service territory.)
_____)

**RESPONSE OF TAMPA ELECTRIC COMPANY TO THE PETITION OF
CARGILL FERTILIZER, INC. FOR PERMANENT APPROVAL OF SELF-
SERVICE WHEELING PROGRAM AND REQUEST FOR EXPEDITED
TREATMENT**

Tampa Electric Company ("Tampa Electric" or the "Company") hereby responds to the August 16, 2002 Petition filed by Cargill Fertilizer, Inc. ("Cargill"), requesting permanent approval to continue to transmit power generated by Cargill at its cogeneration sites to other Cargill retail delivery points located within Tampa Electric's service territory pursuant to Section 366.051, Florida Statutes and Section 25-17.0883, Florida Administrative Code.

Based on the experience gained during the two-year self-service wheeling experiment authorized by this Commission, Tampa Electric respectfully suggests that self-service wheeling by Cargill has not been cost-effective and, therefore, that it is not in the best interests of the general body of ratepayers to continue this service. In addition, continuation of self-service wheeling by Cargill in a manner recognizing Cargill's status as a retail customer whose bundled retail electric service is subject to the jurisdiction of this Commission would require certain waivers and/or approvals by the Federal Energy Regulatory Commission ("FERC"). In support whereof, Tampa Electric says:

DOCUMENT NUMBER DATE
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FPSC-COMMISSION CLERK

1. Cargill is an industrial enterprise taking retail electric service from Tampa Electric at several delivery points within Tampa Electric's service territory. Behind two of these retail delivery points, Cargill owns and operates cogeneration facilities. These plants have been classified as "qualifying facilities" under the relevant state and federal regulations. Cargill is engaged in mining operations and related activities at several locations and operates fertilizer plants at other locations. The fertilizer plants convert phosphate rock and other materials into a variety of agricultural products.

2. One such fertilizer plant is located near Riverview, Florida. Tampa Electric has designated the electric meter at this site as "New Millpoint". Cargill owns and operates the transformer substation and internal distribution system behind Tampa Electric's New Millpoint meter and is interconnected with the Tampa Electric transmission system at 69,000 volts. Cargill has self-generation and cogeneration at this site to serve the site and the surrounding vicinity. The most recent cogeneration plant expansion at this site was completed in early 2000.

3. The capacity of the New Millpoint cogeneration plant is normally adequate to meet the entire electrical demand of the New Millpoint fertilizer plant with sufficient surplus to permit occasional sales of energy in the wholesale market on an "as available" basis. Cargill currently takes standby interruptible service at New Millpoint under Tampa Electric's Rate Schedule SBIT-3.

4. A second fertilizer plant is located within Tampa Electric's service territory on Highway 60 near Bartow, Florida. Tampa Electric has designated the electric meter at this site as the "Ridgewood Master". As is the case at New Millpoint, Cargill owns and operates the transformer substation and internal distribution system behind

Tampa Electric's Ridgewood Master meter and is interconnected with the Tampa Electric transmission system at 69,000 volts. The Ridgewood Master site contains a fertilizer plant and cogeneration facility similar to the facilities located at the New Millpoint site. The combined capacity of Cargill's New Millpoint and Ridgewood Master cogeneration facilities is approximately 100 megawatts. The Ridgewood Master plant is served under Tampa Electric's Rate Schedule SBIT-1. This plant is also connected to Cargill's Hooker's Prairie mine by a 12-mile, 69,000-volt line owned by Cargill. Tampa Electric provides electric service to the Hooker's Prairie mine at 69,000 volts under its Rate Schedule IST-1.

5. Section 366.051, Florida Statutes, authorizes this Commission to approve self-service wheeling and states:

...Public Utilities shall provide transmission or distribution service to enable a retail customer to transmit electrical power generated by the customer at one location to the customer's facilities at another location if the Commission finds that the provision of this service, and the charges, terms, and other conditions associated with the provision of this service are not likely to result in higher cost electric service to the utility's general body of retail and wholesale customers or adversely affect the adequacy or reliability of electric service to all customers...

This statutory language is tracked closely in Section 25-17.0883, Florida Administrative Code.

6. On August 3, 2000, Cargill filed a Petition¹ with this Commission requesting an order authorizing Tampa Electric to provide self-service wheeling service between the New Millpoint, Ridgewood Master and Hooker's Prairie metering points. Tampa Electric responded on August 7, 2000 that it had no objection to providing the

¹ Florida Public Service Commission Docket No. 001048-EQ.

requested service on an experimental basis, with the understanding that self-service wheeling would be provided pursuant to the Company's Federal Energy Regulatory Commission ("FERC") Open Access Transmission Tariff ("OATT").

7. On September 6, 2000, this Commission issued Order No. PSC-00-1596-TRF-EQ granting Cargill's petition for self-service wheeling on an experimental basis, over a two-year period ending in September of 2002. As part of the experiment, Tampa Electric was directed to file quarterly reports with the Commission identifying the costs and revenues associated with the experiment in order to gauge the impact of the experimental service on system reliability and the cost to serve other ratepayers. As discussed below, Tampa Electric has filed these quarterly reports with the Commission, as directed.

8. On August 16, 2002, Cargill filed with this Commission a Petition For Permanent Approval Of Self-Service Wheeling Program And Request For Expedited Treatment and a Motion To Continue Self-Service Wheeling Of Waste Heat Cogenerated Power During Resolution Of Petition For Permanent Approval.

9. For the reasons discussed below and in Tampa Electric's separate response to the above-mentioned Motion, the Company respectfully submits that both Cargill's Petition and its Motion should be denied.

10. The quarterly analyses performed by Tampa Electric were sufficiently comprehensive to reach the valid conclusion that the impact of the self-service wheeling program on other ratepayers has been negative. The program costs reflected in the analyses was limited to lost energy revenue (i.e., base energy, fuel and other recovery clause revenue). The program benefits reflected in the quarterly analyses include avoided

fuel expense, wheeling revenue, the 10% gain on Generator-to-Schedule Imbalance (GSI) service, the gain on hourly opportunity sales attributed to having additional energy available on the system, and the re-allocation of applicable refunds. By comparing the net present value of the sums of the benefits and costs (lost energy revenue) reported in the above-mentioned quarterly analyses period-to-date, it is clear that the ratepayer cost has been greater than the ratepayer benefit. Theoretically, a program benefit-to-cost ratio (BCR) greater than 1.0 has a beneficial impact on ratepayers, while a program BCR less than 1.0 has a negative impact to ratepayers. A BCR is defined as the sum of the net present value of the benefits divided by the sum of the net present value of the cost. The benefit-to-cost ratio (BCR) calculated using the costs and benefits reported in quarterly analyses, period-to-date, is 0.85.

11. The quarterly ratepayer impact analyses captured the most significant, applicable and quantifiable components of the RIM test (*i.e.*, avoided fuel savings, lost revenue, additional revenue from transmission wheeling, gain on hourly opportunity sales attributed to having more energy available on the system). There were costs and benefits associated with the RIM test that were excluded from the quarterly analyses because they were not applicable to the program (*i.e.*, avoided transmission and generation capacity costs); not easily quantifiable (*i.e.*, reliability impact, administrative costs), or not deemed significant enough to warrant the additional administrative costs associated with quantifying the component. Administrative costs associated with a continuation of self-service wheeling would be expected to be higher than those experienced during the experiment period due to the need to acquire new software to more accurately manage the required billing.

12. Tampa Electric is at a loss to understand Cargill's claims of "material adverse operational and economic harm" if self-service wheeling is not continued. In its capacity as a cogenerator, Cargill will suffer no detriment due to the absence of self-service wheeling. Neither the market nor the price paid for its as-available energy would be affected by the unavailability of self-service wheeling. In its capacity as a retail electric customer, Cargill has voluntarily selected interruptible electric service, presumably due to the savings achieved over subscribing to firm service. Having accepted and enjoyed the relative savings associated with interruptible service, Cargill cannot now reasonably argue to this Commission that enduring the occasional interruptions that justify the savings in question or exercising the option to have Tampa Electric attempt to buy power in an effort to avoid interruption constitute adverse impacts that entitle Cargill to any particular or immediate relief in the form of self-service wheeling or otherwise. Even if one were to assume that occasional service interruption or the obligation to pay for optional provision purchases was an adverse impact entitling Cargill to relief, experience indicates that self-service wheeling would not be an especially useful remedy. Thus far during the experiment period, only 13 percent of Cargill's self-wheeled energy has been scheduled and delivered during periods when optional provision purchases were being made on behalf of interruptible customers on Tampa Electric's system.

13. The FERC has stated that it generally expects unbundled retail wheeling customers, including those that self-supply station power, to take service under the same

OATT that applies to wholesale customers². As a result of the experience gained during the experiment, Tampa Electric has come to realize that some departures from the provisions of the OATT would be necessary in order to continue self-service wheeling in a manner that recognizes that retail competition is not permitted under Florida law and that this Commission will retain full jurisdiction over the bundled retail service currently provided to Cargill. These deviations from the OATT would have to be effectuated through a transaction-specific Transmission Service Agreement to be filed with the FERC for approval, with uncertain outcome. The FERC process might well be more complicated than would otherwise be the case in light of the pending FERC Notice of Proposed Rulemaking on Standard Market Design, which may result in significant changes in the rates, terms and conditions pursuant to which FERC-jurisdictional transmission service will be provided³. The following waivers would be required from the FERC:

a. Since Cargill would continue to take bundled retail service from Tampa Electric, Generation to Schedule Imbalance Service, which under the OATT can be provided by any wholesale supplier of capacity and energy and is made available to wholesale customers under Schedule 4A of Tampa Electric's OATT, would be available to Cargill only on a limited basis in a manner consistent with state rate regulatory requirements.

² See, e.g., *PJM Interconnection, L.L.C., et al.*, 94 FERC ¶61,251 at 61,891 n. 60, *reh'g denied*, 95 FERC ¶61,333 (2001); *Washington Water Power Company*, 78 FERC 61,178 at 61,726 (1997).

³ Notice of Proposed Rulemaking, *Remedying Undue Discrimination through Open Access Transmission Service and Standard Electricity Market Design*, FERC Docket No. RM01-12-000, issued July 31, 2002.

b. The ancillary services that must be offered under Schedules 4, 5 and 6 of the OATT⁴ to customers serving load in Tampa Electric's control area would not be applicable to Cargill because, arguably, they are subsumed within the bundled retail service⁵.

Tampa Electric is not aware of any prior instance in which such waivers have been granted.

14. Tampa Electric has worked diligently with Cargill in an effort to develop a cost-effective means of continuing self-service wheeling. However, the valuable insights gained as a result of the two-year experiment authorized by this Commission suggest that a continuation of self-service wheeling in this instance is not in the best interests of retail ratepayers. As the moving Party, Cargill has the burden of proving otherwise. Tampa Electric respectfully submits that Cargill, on the strength of its pleadings thus far, has failed to carry that evidentiary burden.

WHEREFORE, Tampa Electric respectfully requests that the Commission issue an order denying Cargill's request for relief in this proceeding.

⁴ *I.e.*, Energy Imbalance Service (Schedule 4); Operating Reserve – Spinning Reserve Service (Schedule 5); and Operating Reserve – Supplemental Reserve Service (Schedule 6).

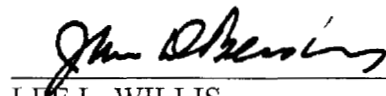
⁵ Scheduling, System Control and Dispatch Service (Schedule 1); Reactive Supply and Voltage Control from Generation Sources Service (Schedule 2); and Regulation and Frequency Response Service (Schedule 3), on the other hand, would continue to apply.

DATED this 30th day of August 2002.

Respectfully submitted,

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ATTORNEYS FOR TAMPA ELECTRIC COMPANY

CERTIFICATE OF SERVICE


I HEREBY CERTIFY that a true copy of the foregoing Response to Petition of Cargill Fertilizer, Inc., filed on behalf of Tampa Electric Company, has been served by hand delivery (*) or U. S. Mail on this 30th day of August 2002 to the following:

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