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February 11, 2003

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Hon. Harold McLean
General Counsel
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0870

Re: Docket No. 020898-EQ

Dear Mr. McLean:

By letter dated February 6, 2003, Cargill Fertilizer, Inc. has requested that mediation be convened in the above-mentioned docket. Tampa Electric Company has been a strong and consistent supporter of the Commission's mediation efforts and is not averse to properly structured mediation in this proceeding. However, Cargill's reluctance, thus far, to consider the full range of settlement possibilities proposed by Tampa Electric, calls into question the usefulness of further settlement discussions or formal mediation of the matters at issue in this proceeding. To the extent that Cargill has difficulty with self-service wheeling that is structured in a manner designed to prevent ratepayer or shareholder subsidization of the service and, at the same time, is reluctant to discuss viable alternatives to self-service wheeling, there is little reason for optimism that formal mediation would serve any useful purpose. Therefore, rather than immediately committing Commission resources to formal mediation, a better use of the Commission's resources might be to convene an informal status conference to allow the staff and the parties to review the current status of settlement discussions and determine the extent to which properly structured mediation might bear fruit.

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As you may recall, Tampa Electric advised the Commission of its belief that any continuation of self-service wheeling to Cargill must be accompanied by permission from the Federal Energy Regulatory Commission ("FERC") to deviate from certain of the otherwise applicable provisions of the FERC jurisdictional Open Access Transmission Tariff ("OATT") pursuant to which the requested self-service wheeling must be provided. In an effort to secure the necessary FERC approvals, Tampa Electric filed a transaction specific Transmission Service Agreement ("TSA") with the FERC on October 9, 2002 covering self-service wheeling to Cargill and requesting the necessary waivers.

DOCUMENT NUMBER DATE

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On October 22, 2002, Tampa Electric filed a motion with this Commission requesting that the procedural schedule be held in abeyance to permit the parties to obtain clarification from FERC with regard to the terms on which self-service wheeling could be provided to Cargill and to explore the possibility of mediation in light of that clarification. In response to that motion, Commissioner Bradley issued Order No. PSC-02-1518-PCO-EQ on November 5, 2002, granting Tampa Electric's request to temporarily suspend the procedural schedule, including those dates pertaining to discovery. Commissioner Bradley urged the parties to proceed with mediation as soon as practicable after FERC acted on Tampa Electric's October 9, 2002 filing.

On November 14, 2002, FERC entered an order in its Docket No. ER03-27 accepting for filing and making effective as of October 1, 2002, the proposed Cargill-Tampa Electric TSA. With Commissioner Bradley's exhortation in mind, Tampa Electric and Cargill resumed settlement discussions shortly after issuance of the FERC order, in the hope that formal mediation and the resulting drain on Commission resources could be avoided.

Mr. McWhirter's February 6th letter is quite revealing in terms of explaining why settlement discussions have been unsuccessful thus far. Mr. McWhirter states that:

"Since November 14th the parties have been diligently working on additional suitable language to amplify the agreement to include additional provisions Tampa Electric says it requires before it will grant the permanent self-service wheeling mandated by Section 366.051, Florida Statutes. Cargill has accepted most of Tampa Electric's demands, but the parties have reached an impasse on several of the proposed covenants."

While Cargill has been working diligently toward the limited and narrow objective of achieving self-service wheeling with limited financial exposure, Tampa Electric has been working diligently and more broadly toward a solution that addresses Cargill's underlying objective – the flexibility to make use of self-generation in a way that would reduce reliance on optional provision purchases and exposure to service interruptions. To this end, during December 2002, Tampa Electric submitted two, distinctly different settlement proposals to Cargill, both of which were designed to achieve the above-mentioned underlying objective. While Cargill has negotiated and traded ideas with regard to the self-service wheeling proposal mentioned in Mr. McWhirter's February 6th letter, it has declined to discuss the alternative proposal advanced by Tampa Electric and has advanced no alternative proposals of its own. Now, Cargill has declared an impasse and requested formal mediation.

If the parties have truly reached an impasse, then Tampa Electric believes the most efficient course of action would be for the parties to put the matters at issue before the Commission for resolution. However, in order to assess the potential usefulness of formal mediation in this proceeding, Tampa Electric suggests that the Commission convene an informal status conference of Cargill, Tampa Electric and the Commission

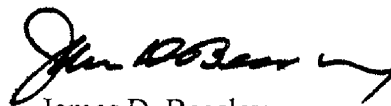
staff rather than immediately initiating formal mediation. The purpose of the conference would be to address the following topics:

1. Report by the parties on the status of settlement discussions
2. Expectations of results to be achieved through mediation
3. Identification of issues to be mediated
4. Ground rules for mediation
5. Schedule for mediation and time allowed to reach resolution
6. Identification of potential mediators

Tampa Electric would be prepared to participate in such a status conference at the Commission's earliest convenience. However, if settlement discussions are to continue, then Tampa Electric objects to Cargill's request that the procedural schedule be reinstated. Pursuant to Order No.PSC-02-1451-PCO-EQ, Cargill will continue to receive self-service wheeling, on an interim basis, until the Commission has acted on its request to make this service permanent. In addition, Cargill has agreed to make ratepayers whole for any net costs incurred as the result of self-service wheeling during this interim period. Since the status quo is maintained and ratepayers are protected during the interim, there is no reason to reinstate the procedural schedule prematurely and divert the energies of the parties from the possibility of settlement. If Cargill would prefer to have Tampa Electric use its resources to address pending discovery requests and prepare for litigation of this matter rather than pursue further settlement discussions and possible mediation, then, with regret, Tampa Electric would be prepared to follow that path. However, it is the Company's hope and preference that, at the very least, the possibility of settlement through negotiation and/or mediation could be explored in an informal status conference, as proposed above.

Thank you for your help and support in this matter.

Sincerely,



James D. Beasley

JDB/pp

cc: Chairman Lila A. Jaber
Prehearing Officer Rudolph "Rudy" Bradley
Rosanne Gervasi
Michael Haff
Blanca Bayo ✓
Harry Long
Roger Fernandez
John W. McWhirter, Jr.