

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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COMMISSION CLERK

In re: Review of Tampa Electric Company's 2004-2008 waterborne transportation contract with TECO Transport and associated benchmark.

DOCKET NO. 031033-EI FILED: MAY 10, 2004

STAFF'S PREHEARING STATEMENT

Pursuant to Order No. PSC-03-1398-PCO-EI, filed December 11, 2003; Order No. PSC-04-0156-PCO-EI, filed February 16, 2004; and PSC-04-0195-PCO-EI, filed February 23, 2004, the Staff of the Florida Public Service Commission files its Prehearing Statement.

a. All Known Witnesses

None.

b. All Known Exhibits

None at this time, however staff may compile a set of documents that it hopes can be stipulated into the record at hearing and will work with the parties toward that end prior to hearing. Of course, staff may identify additional exhibits on cross-examination of the witnesses.

c. Staff's Statement of Basic Position

Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions stated herein.

d. Staff's Position on the Issues

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ISSUE 1: Is Tampa Electric's June 27, 2003, request for proposals sufficient to determine the current market price for coal transportation?

POSITION: No. By its restrictive terms and conditions, Tampa Electric's June 27, 2003, request for proposals does not appear to be sufficient to determine the market price, as of October 6, 2003, for coal transportation.

ISSUE 2: Are Tampa Electric's projected coal transportation costs for 2004 through 2008 under the winning bid to its June 27, 2003, request for proposals for coal transportation reasonable for cost recovery purposes?

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POSITION: No. The rates reflected in the contract between Tampa Electric Company and TECO Transport for waterborne coal transportation services, dated October 6, 2003, overstate the market prices at that time for such services.

Order No. 20298, in Docket No. 870001-EI-A, issued November 10, 1988, indicates to the extent that a competitive market exists, the Commission will rely upon a market-based mechanism to determine whether the costs that Tampa Electric incurs for waterborne coal transportation services from TECO Transport are reasonable. Order No. 20298 goes on to state that if a competitive market does not exist, the Commission will rely upon a cost-based mechanism to determine whether the costs for such services are reasonable.

Competitive markets appear to exist for solid fuel transportation by inland river barge on the Ohio and Mississippi Rivers downstream to New Orleans and for terminal services at facilities accessible to the Mississippi River and capable of receiving and discharging inland river barges from domestic suppliers and Panamax-sized vessels for offshore coal. However, the rates for these two services as reflected in the contract between Tampa Electric Company and TECO Transport for waterborne coal transportation services, dated October 6, 2003, appear to overstate the market prices at that time for such services. Staff has no further position at this time regarding the appropriate rate for cost recovery purposes for these two segments pending receipt and review of further discovery and evidence adduced at the hearing.

A competitive market, comprised of rail transportation or a combination of rail transportation, U.S.-flag vessels for domestic coal, and foreign flag vessels for offshore coal, also appears to exist to transport Tampa Electric's solid fuel requirements to Tampa, Florida. However, Tampa Electric's June 27, 2003 request for proposals contained restrictive terms and conditions which limited the number and type of bids. Also, Tampa Electric did not adequately evaluate and consider the two competitive rail bids it received. Hence, Tampa Electric has failed to reflect the effects of this competitive market in its market price, as of October 6, 2003, for coal transportation. Staff has no position at this time regarding the appropriate rate for cost recovery purposes for the ocean shipping segment pending receipt and review of further discovery and evidence adduced at the hearing.

ISSUE 3: **Should the Commission modify or eliminate the waterborne coal transportation benchmark that was established for Tampa Electric by Order No. PSC-93-0443-FOF-EI, issued March 23, 1993, in Docket No. 930001-EI?**

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POSITION: Yes. The benchmark that the Commission established for Tampa Electric Company by Order No. PSC-93-0443-FOF-EI, issued March 23, 1993, in Docket No. 930001-EI is no longer relevant. The Commission should eliminate the benchmark. The Commission should evaluate Tampa Electric's requests for recovery of costs associated with future contracts for waterborne coal transportation service based upon the results of a fairly constructed and implemented competitive bid process. Staff takes no further position pending receipt and review of further discovery and evidence adduced at hearing.

e. Pending Motions

None.

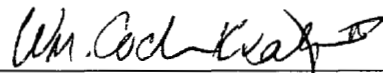
f. Pending Confidentiality Claims or Requests

None, however the parties have several pending confidentiality requests on which staff will work with the Prehearing Officer to resolve in a timely manner prior to hearing.

g. Compliance with Orders Nos. PSC-03-1398-PCO-EI, PSC-04-0156-PCO-EI, and PSC-04-0195-PCO-EI

Staff has complied with all requirements of the Order Establishing Procedure entered in this docket.

Respectfully submitted this 10th day of May, 20 .



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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Staff's Prehearing Statement was furnished to the following individuals by electronic mail and U.S. Mail, on this 10th day of May, 2004.

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