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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

) Docket No. 031033-EI
)
)
) Filed: May 10, 2004

COMMISSION CLERK

RESIDENTIAL ELECTRIC CUSTOMERS' PREHEARING STATEMENT

Catherine L. Claypool, Helen Fisher, William Page, Edward A. Wilson, Sue E. Strohm, Mary Jane Williamson, Betty J. Wise, Carlos Lissabet, and Lesly A. Diaz (the "Residential Electric Customers"), by and through their undersigned attorney, pursuant to Order No. PSC-03-1398-PCO-EI, hereby file their Prehearing Statement.

A. APPEARANCES:

Michael B. Twomey
Post Office Box 5256
Tallahassee, Florida 32314-5256

B. WITNESSES:

Table with 3 columns: Witness, Proffered by, Issues. Row 1: Dr. Anatoly Hochstein, Residential Electric Customers, 1-3

C. EXHIBITS:

Table with 3 columns: Exhibit, Witness, Description. Row 1: Exhibit No. (AH-1), A. Hochstein, Davant - Tampa Required Freight Rates for U.S. Flag Vessels. Row 2: Exhibit No. (AH-2), A. Hochstein, TECOT Schedule in Tampa, FL (September 2003). Row 3: Exhibit No. (AH-3), A. Hochstein, Daily Time Charter Rates based on

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		Preference Trades and U.S. Army Corps of Engineers
Exhibit No. ___ (AH-4)	A. Hochstein	Texas – Jacksonville, FL Required Freight Rates for U.S. Flag Vessels
Exhibit No. ___ (AH-5)	A. Hochstein	Davant – Tampa Required Freight Rates for U.S. and Foreign Ships
Exhibit No. ___ (AH-6)	A. Hochstein	Present and Future Transport Options
Exhibit No. ___ (AH-7)	A. Hochstein	Columbia – Tampa and New Orleans Required Freight Rates for Foreign Ships
Exhibit No. ___ (AH-8)	A. Hochstein	Big Bend Channel Improvement Analysis
Exhibit No. ___ (AH-9)	A. Hochstein	Florida Utilities Coal Shipments for 2003

D. STATEMENT OF BASIC POSITION:

The rates which Tampa Electric has committed to pay to its sister company, TECO Transport, for the next five years to provide Tampa Electric with waterborne transportation service, and which it seeks to recover from ratepayers, are excessive and unreasonable. Such rates should be rejected and substantially reduced.

Tampa Electric’s Request for Proposals (RFP) issued in 2003 was fatally flawed primarily because it contained numerous industry non-standard requirements that either discouraged vendors from responding, or, if they did respond, would have necessarily increased the bids. These requirements clearly limited the number of responsive bids. Additionally, it is clear that some potential bidders declined to respond because of the perception that the contract would be awarded to TECO Transport no matter the level of unaffiliated bids. Although it was not publicly disclosed, the fact was that TECO Transport had a “meet or beat” provision in the prior contract that allowed it to “win” the new contract merely by meeting the price offering of any unaffiliated vendors. Furthermore, the RFP also stated a preference for integrated service and provided an unreasonably short period for responses. The integrated service preference necessarily limited the number of potential respondents who might have been capable of, and interested in, bidding on one or more legs of the service, but not the entire transportation route.

It is Dr. Hochstein's testimony, and the Residential Electric Customers' position, that Tampa Electric should be required to reissue the RFP without the burdensome non-industry standards and with a public statement that the TECO Transport will have to compete as well and that the contract will be awarded to the respondent submitting the lowest, qualified bid. The Commission should announce that it will referee the bid openings to ensure the fairness of the process. By reissuing the RFP, the Residential Electric Customers believe the Commission can ascertain for which of the three legs or components of the transportation route there are true "markets."

For those legs for which there is an actual "market," as represented by one or more RFP responses (the Residential Electric Customers believe that there are clearly markets for the river and transloading segments), the Residential Electric Customers believe the allowed cost recovery from Tampa Electric's customers should be limited by the lowest-cost bid for those segments. If there is not a market, as indicated by a lack of responsive bids, which may be the case for the Gulf leg, then the Residential Electric Customers believe the Commission should establish the allowable ceiling for that leg by a return to cost, plus regulation as measured by the actual reasonable and necessary costs of providing the Gulf transportation leg, plus a return on investment at the same level as currently being earned by Tampa Electric.

The Residential Electric Customers believe that any leg that does not have demonstrable markets should have rates established by the cost, plus, or cost of service, methodology, as opposed to any method, like Tampa Electric witness Dibner's, that relies upon "black box" modeling methods. Mr. Dibner's modeled rates are flawed for the reasons demonstrated in Dr. Hochstein's testimony and the use of his rates should be rejected out of hand.

E. STATEMENT OF ISSUES AND POSITIONS:

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

RES. CUSTS.: No. The RFP was flawed in numerous respects as was the evaluation of the few bids received. Thus, it cannot be used to determine the current market price 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?

RES. CUSTS.: No. Tampa Electric's proposed charges are excessive and inflated for the reasons stated in the basic position above. Additionally, especially for cost of service purposes, Tampa Electric gives no credit to customers for the backhaul revenues TECO Transport receives on any of the transportation route legs.

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?

RES. CUSTS.: Yes. The benchmark is out of date and highly overstated. This was illustrated by Mr. McNulty's testimony in Docket No. 030001-EI. The benchmark should be eliminated.

F. STIPULATED ISSUES:

None.

G. PENDING MOTIONS:

The Residential Electric Customers have the following motions pending:

Objection to TECO's notice of intent to seek confidential classification and motion for temporary protective order for confidential DNs 05111-04, 05112-04, 05113-04, and 05114-04, filed May 6, 2004.

Response to motion to compel and request for protective order, filed April 26, 2004.

H. OTHER MATTERS:

None at this time.

Respectfully submitted,

/s/ Michael B. Twomey
Michael B. Twomey
Attorney for Petitioner Residential
Customers of Tampa Electric Company
Post Office Box 5256
Tallahassee, Florida 32314-5256
Telephone: 850-421-9530

CERTIFICATE OF SERVICE

I **HEREBY CERTIFY** that a true and correct copy of this petition has been served by U.S. Mail or email this 10th day of May, 2004 on the following:

Wm. Cochran Keating, Esq.
Senior Attorney
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Robert Vandiver, Esq.
Associate Public Counsel
Office of Public Counsel
111 West Madison Street, Rm.812
Tallahassee, Florida 32399-1400

Joseph A. McGlothlin, Esq.
Vicki Gordon Kaufman
McWhirter, Reeves
117 South Gadsden Street
Tallahassee, Florida 32301

Lee L. Willis, Esq.
James D. Beasley, Esq.
Ausley & McMullen
Post Office Box 391
Tallahassee, Florida 32302

Robert Scheffel Wright, Esq.
Landers and Parsons
Post Office Box 271
Tallahassee, Florida 32302

/s/ Michael B. Twomey
Attorney