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August 31, 2004

BY HAND DELIVERY

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: Review of Tampa Electric Company's Waterborne transportation
contract with TECO Transport and associated benchmark;
Docket No. 031033-EI

Dear Ms. Bayo:

Enclosed for filing is Tampa Electric's Motion to Hold Proceeding in Abeyance to explore with Staff and all parties its offer to immediately voluntarily rebid its request for coal transportation services as its Offer of Settlement to resolve all outstanding issues in this proceeding.

After review of the entire record in this case, it is abundantly clear that the central concern expressed by Staff and the parties is the process used by Tampa Electric in acquiring coal transportation services. This offer proposes engaging in a process designed to put new transportation contracts in effect by July 1, 2005 using procedures consistent with the recent Progress Energy Florida settlement approved in Order No. PSC-04-0713-AS-EI issued July 20, 2004.

The Company takes this step to put forth a proposal which Tampa Electric believes could not be ordered by the Commission at this time but can be voluntarily undertaken as the most reasonable solution under the circumstances. Holding the proceeding in abeyance will give the parties and Staff adequate time to review and consider the Company's offer.

Sincerely,


Lee L. Willis

LLW/bjd
Enclosures
cc: All Parties of Record (w/encl.)

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Review of Tampa Electric Company's)
Waterborne transportation contract with) DOCKET NO. 031033-EI
TECO Transport and associated benchmark.) FILED: August 31, 2004
_____)

**MOTION TO HOLD PROCEEDING IN ABEYANCE
AND OFFER OF SETTLEMENT**

Tampa Electric Company ("Tampa Electric" or the "Company") files this Motion to Hold Proceeding in Abeyance and offer to immediately voluntarily rebid its request for coal transportation services as its Offer of Settlement to resolve all outstanding issues regarding waterborne coal transportation services provided to Tampa Electric by TECO Transport currently pending before the Florida Public Service Commission (the "Commission") in the above-styled proceeding, and says:

Background

1. Beginning in the 1950s, Tampa Electric established a system for the waterborne delivery of coal from Midwestern coal sources to its generating plants in Tampa, Florida. This system was the beginning of what is now known as TECO Transport, an affiliate of Tampa Electric that provides inland river barge transportation of dry bulk commodities (including coal and petcoke); terminalling services for the unloading, blending, and loading of such commodities; and ocean barge shipping of such commodities. This system was established to provide Tampa Electric a cost-effective alternative to the railroad transportation rates that prevailed at the time.

2. Prior to 1988, the Commission determined the reasonableness of the rates paid by Tampa Electric to TECO Transport (then known as TECO Trade and Transport) based on TECO

Transport's cost to provide service to Tampa Electric. On November 10, 1988, in Docket No. 870001-EI-A, the Commission issued Order No. 20298 (referenced herein as Order No. 20298), replacing the "cost-plus" methodology with a policy favoring the use of competitive market rates, where market information is available, as the basis for determining the reasonableness of the rates paid by Tampa Electric to its affiliates. In that Order, the Commission approved a stipulation between Tampa Electric and the Office of Public Counsel (referenced herein as "OPC" or "Public Counsel") which established a benchmark by which the reasonableness of the rates paid by Tampa Electric to TECO Transport would be measured. The benchmark, which has remained unchanged since 1988, is calculated based on the average of the two lowest publicly-available rail transportation rates for municipal utilities in Florida and the cost of private rail cars. Rates paid by Tampa Electric to its affiliate below the benchmark would be presumed reasonable for purposes of cost recovery. Rates above the benchmark would require justification by Tampa Electric if it wished to recover such rates.

3. Tampa Electric's previous contract with TECO Transport was set to terminate at the end of 2003. In the 2003 fuel clause proceedings, the parties met informally to discuss, among other things, the issue concerning the benchmark and Tampa Electric's intentions as to how it would procure solid fuel transportation service beginning in 2004, including whether it would issue a request for proposals ("RFP") for such service. Tampa Electric issued an RFP for such service on June 27, 2003, for the five-year term from 2004 through 2008. On July 29, 2003, Staff notified the parties in writing of the preliminary issues it had identified for Docket No. 030001-EI, which included issues concerning (1) whether the RFP was sufficient to determine the market rate for solid fuel transportation services and (2) whether the costs to be

incurred by Tampa Electric under the resulting contract were reasonable for cost recovery purposes.

4. After reviewing the bids received pursuant to the RFP, Tampa Electric awarded the contract to TECO Transport on October 6, 2003. The specific RFP procedures used by the Company in its RFP raised questions among various transportation service providers, customers, Staff and Office of Public Counsel.

5. In its November 3, 2003, Agenda Conference, the Commission voted in Docket No. 030001-EI to defer consideration of the issues related to Tampa Electric's coal transportation arrangements to a separate proceeding. Subsequently Docket No. 031033-EI was opened, extensive discovery was obtained, and the Commission held administrative hearings on the matter on May 27-28 and June 10, 2004. Briefs were filed by all parties on July 12, 2004.

6. After numerous discussions among the parties both before and after the hearings, review of the evidence presented in the hearings held in this docket, and review of the post-hearing briefs, it is apparent that the central issues in this proceeding revolve around: (1) the process Tampa Electric used to solicit bids for transportation of coal; (2) the rate for coal transportation services that may be recovered by Tampa Electric for cost recovery purposes; and (3) the benchmark mechanism used to determine the appropriateness of waterborne coal transportation rates. In its August 26, 2004 recommendation, Staff found Tampa Electric's RFP "[in] sufficient to determine the market price for coal transportation" [Issue (1)]; offered five different possible recovery mechanisms for determining the market price [Issue (2)]; and proposed the elimination of the benchmark [Issue (3)]. This Offer of Settlement proposes to resolve all of these issues.

7. The Motion to Hold the Proceeding in Abeyance is designed to afford the parties and Staff an opportunity to review and respond to this offer and time to meet and discuss the reasonable schedule and procedures for a rebid.

Scope of Offer of Settlement

8. By this Offer of Settlement, Tampa Electric proposes to resolve all outstanding issues in this docket by immediately voluntarily issuing a new RFP for coal transportation services in which Tampa Electric will obtain coal transportation services under a new contract beginning July 1, 2005, three and one-half years earlier than it would otherwise be requesting such services. The Company further proposes a true-up for the period January 1, 2004 through June 30, 2005 based on the results of the new RFP.

Waterborne Coal Transportation Services Between January 1, 2004 and June 30, 2005

9. Between January 1, 2004 and June 30, 2005, the rates which Tampa Electric may recover under the fuel cost recovery clause shall be as provided in the existing contract but subject to true-up to the results of the RFP to be issued for coal transportation services beginning July 1, 2005. If the results of the RFP yield contract rates lower than those under the existing contract, Tampa Electric will true-up the fuel cost recovery clause as if the rates under the new contract took effect on January 1, 2004. If the results of the RFP yield contract rates higher than those under the existing contract, Tampa Electric will make no true-up adjustment for services rendered between January 1, 2004 and June 30, 2005.

Coal Transportation Beginning July 1, 2005

10. In advance of July 1, 2005, Tampa Electric will conduct a competitive bid process for coal transportation services which will be open, fair and non-discriminatory. Such bidding process will include but not be limited to the following elements:

- a. Consider all sources of coal, both foreign and domestic;
 - b. Consider all practical modes of transportation;
 - c. State its neutrality regarding a preference for integrated bids;
 - d. State that less than full requirements bids are acceptable;
 - e. Provide to the appropriate parties to this docket and Commission staff a copy of the RFP at least six weeks prior to its release to potential respondents to provide an opportunity for review and comment;
 - f. Conduct a pre-bid meeting with potential respondents;
 - g. Allow a minimum of eight weeks for filing a bid response to the RFP;
 - h. Require the incumbent carrier to submit a bid response to the RFP along with all other respondents;
 - i. Indicate how Tampa Electric will grade and evaluate the bid responses;
- and
- j. Justify any deviation from the above guidelines.

Tampa Electric will use reasonable efforts to conclude the competitive bidding process and execute any resulting contract by July 1, 2005.

11. If the above described process is conducted and does not produce any competitive bids or does not result in a valid market price for coal transportation services, Tampa Electric will petition the Commission for approval of an alternative regulatory mechanism.

12. Commission approval of each coal transportation services contract will be required to confirm that the bidding procedures, market proxy if applicable, and related provisions of this Stipulation and Settlement have been followed and that the contract rate is

reasonable and prudent. **Once approved by the Commission**, a coal transportation services contract will be deemed reasonable for cost recovery purposes.

Existing Benchmark

13 The existing transportation benchmark first established in 1988 in Order No. 20298 and reaffirmed in 1993 in Order No. PSC-93-0443-EI will not be applicable for review of the reasonableness of rates paid by Tampa Electric for coal transportation beginning January 1, 2004.

General Provisions

14. Upon approval of this Offer of Settlement by the Commission in accordance with paragraph 16 below, all outstanding and pending issues in Docket No. 031033-EI will be deemed resolved and the docket will be closed. All matters pending or scheduled in the docket will be held in abeyance pending approval of this Offer of Settlement.

15. Tampa Electric believes and, therefore represents that this Offer of Settlement fairly balances the respective interests of the parties, promotes administrative efficiency by avoiding costly adversarial litigation, facilitates the Commission's long-standing policy of encouraging compromise and settlement by parties to proceedings before it, and that approval by the Commission would therefore serve the public interest.

16. This Offer of Settlement is expressly conditioned upon approval by the Commission in its entirety. If not approved in its entirety, this Offer of Settlement is void unless otherwise ratified by Tampa Electric and Tampa Electric may pursue its interests as those interests exist, and will not be bound by this Offer of Settlement before the Commission or any court.

17. This Offer of Settlement is based on the unique factual circumstances of this case and shall have no precedential value in proceedings involving other utilities or in other proceedings involving Tampa Electric before this Commission. Tampa Electric reserves the right to assert different positions on any of the matters contained in this Offer of Settlement if it is not approved by the Commission in its entirety.


18. Tampa Electric states that this Offer of Settlement is being entered into for purposes of settlement only and that the Offer is made to avoid the expense and length of further legal proceedings and the uncertainty and risk inherent in any litigation. Neither this Offer of Settlement nor any action to reach, effectuate or further this Offer of settlement may be construed as, or may be used as an admission by Tampa Electric. Entering or carrying out this Offer of Settlement or any negotiations related thereto shall not in any event be construed as, or deemed to be evidence of, an admission or concession by Tampa Electric as a waiver of any applicable claim or defense, otherwise available.

19. As of the time of filing the Company has contacted all the parties regarding this filing and is advised that FIPUG will file a response after reviewing the filing. CSXT, Office of Public Counsel and Mike Twomey have the filing and may file responses.

WHEREFORE, Tampa Electric respectfully urges the Commission to grant the Motion to Hold Proceeding in Abeyance to enable the parties, the Commission Staff and the Commission to consider the Company's Offer of Settlement.

DATED this 31st day of August 2004.

Respectfully submitted,



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ATTORNEYS FOR TAMPA ELECTRIC COMPANY

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Motion to Hold Proceeding in Abeyance and Offer of Settlement, filed on behalf of Tampa Electric Company, has been furnished by hand delivery on this 31st day of August 2004 to the following:

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Senior Attorney
Division of Legal Services
Florida Public Service Commission
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Tallahassee, FL 32399-0863

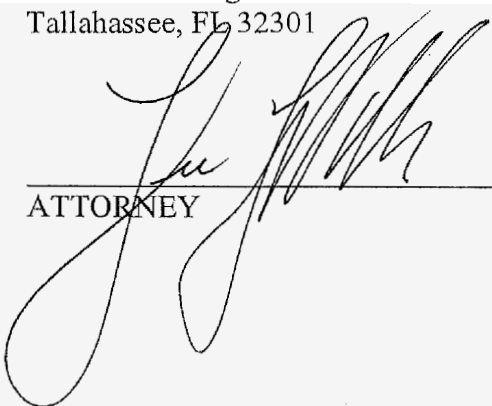
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