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July 18, 2000

VIA HAND DELIVERY

Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

RECEIVED-FPSC
180 JUL 18 PM 3:59
RECORDS AND
REPORTING

Re: Docket No. 000061-EI
Allied/CFI v. Tampa Electric
Request for Confidential Classification

Dear Ms. Bayo:

On June 28, 2000, we filed on behalf of Odyssey Manufacturing Company a Notice of Intent to Seek Confidential Classification.

We are today filing a Request for Confidential Classification intended to perfect the June 28, 2000 filing. The previous Notice and this Request address:

1. Exhibit SWS-1 Contract Service Arrangement; and
2. Portions of the prefiled direct testimony of Stephen W. Sidelko

Enclosed herewith is a copy of #1 above, which we seek confidential classification in its entirety, and a copy of #2 above, on which we have highlighted those portions which we seek confidential classification.

Please acknowledge your receipt of the foregoing by stamping the duplicate copy of this letter.

Thank you.

Sincerely,

Wayne L. Schiefelbein

Wayne L. Schiefelbein

Request
DOCUMENT NUMBER-DATE
08669 JUL 18 8
FPSC-RECORDS/REPORTING

(x-ref. 07883-00)
Conf.
DOCUMENT NUMBER-DATE
08670 JUL 18 8
FPSC-RECORDS/REPORTING

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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In re: Complaint of Allied Universal Corporation)
Chemical Formulators, Inc. against Tampa Electric)
Company.)

DOCKET NO. 000061-EL
FILED: JULY 18, 2000 RECORDS AND REPORTING

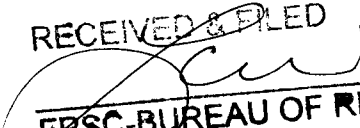
**ODYSSEY MANUFACTURING COMPANY'S
REQUEST FOR CONFIDENTIAL CLASSIFICATION
OF CONTRACT SERVICE ARRANGEMENT AND PORTIONS OF PREFILED
DIRECT TESTIMONY OF STEPHEN W. SIDELKO**

Odyssey Manufacturing Company ("Odyssey"), pursuant to Rule 25-22.006, Florida Administrative Code, and Section 366.093, Florida Statutes, files this its request for specified confidential treatment of certain documents and information being supplied under separate confidential cover letter this date and relating to the confidential Commerical/Industrial Service Rider ("CISR") Contract Service Arrangement ("CSA") negotiations Odyssey engaged in with Tampa Electric Company ("Tampa Electric") and, as grounds therefore, says:

1. This complaint proceeding was brought by Allied Universal Corporation ("Allied") and Chemical Formulators, Inc. ("CFI"), collectively referred to as Allied/CFI, against Tampa Electric. Allied/CFI has put forth various allegations of wrongdoing. Allied/CFI has also sought to obtain information relating to Tampa Electric's CSA negotiations with Allied/CFI on the one hand and Odyssey, a competitor of Allied/CFI, on the other hand.

Basis for Confidential Treatment

2. The CSA, and certain CSA related information supplied herewith to the Commission within the prefiled direct testimony of Stephen W. Sidelko is entitled to confidential protection. Tampa Electric's own

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Commission approved CISR tariff states that this information shall be made available for review by the Commission and its Staff only. In approving such tariff provision, the Commission no doubt recognized that public disclosure of CSA information can only do harm to the utility, its customers and the participating CISR customer or customers. This is particularly true here given the highly competitive nature of the bleach plant industry, as characterized in Allied/CFI's own pleadings. Both Allied/CFI and Odyssey have insisted upon having binding non-disclosure agreements with Tampa Electric before sharing any information with the company in CSA Negotiations.

3. Attempting to redact confidential information from the CSA would not be useful because Tampa Electric's Commission approved tariff specifically contemplates such document being treated confidentially when it is made available for review by the Commission and its Staff only. Consequently, Odyssey has submitted a single copy of this confidential document stamped "confidential" to reflect that all of this information should be treated confidentially.
4. This Commission has determined that CSAs are proprietary confidential documents on a number of occasions since the advent of CISR tariffs as a means of enabling electric utilities to attract or retain at risk commercial/industrial customers for the benefit of the general body of ratepayers. For example, in Order No. PSC-99-0274-CFO-EI, issued on February 11, 1999, in Docket No. 960789-EI, involving a confidentiality

classification request by Gulf Power pertaining to negotiated CSA provisions the Commission observed:

... Upon review, it appears that the information for which Gulf seeks confidential classification is proprietary, confidential business information which, if disclosed, would tend to harm the competitive interests of Gulf and the entity with which it has negotiated a CSA contract. It appears as if the public disclosure of this information may prevent Gulf from successfully negotiating CSAs with customers. This information is regarded as sensitive and confidential by the CISR customer because public disclosure of this information would impact the customer's ability to compete in its "native market". In the event such information is made public, it appears as if future potential CISR rider customers could avoid the risk of public disclosure of their confidential information by refusing to negotiate with Gulf. This may lead to uneconomic bypass of Gulf's facilities. Therefore, this information is entitled to confidential classification under Section 366.093(3), Florida Statutes. In accord with Section 366.093(4), Florida Statutes, this information shall be granted confidential classification for a period of 18 months from the date of the issuance of this order.

5. The specific portions of the prefiled direct testimony of Stephen W. Sidelko

which should be accorded confidential classification are as follows:

a) Page 18, lines 18 through 22 and page 19, lines 1 through 7

b) Page 19, beginning with the tenth word on line 9, through line 15

c) Page 19, lines 20 and 21

The portions of Mr. Sidelko's testimony identified as "a" and "c" hereinabove address specific information regarding the "concessions" or "incentives" made or given by Odyssey for the purpose of obtaining the CISR rate. The portions of Mr. Sidelko's testimony identified as "b" hereinabove addresses specific sensitive proprietary confidential information contained within Mr. Sidelko's

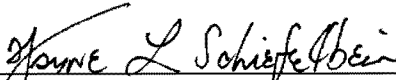
affidavit submitted during the CISR negotiations.

6. Odyssey has treated and intends to continue to treat the information for which confidential classification is sought as private.
7. Odyssey acknowledges that by Order No. PSC-00-1171-CFO-EI (the Order) issued on June 27, 2000, the Prehearing Officer addressed the confidentiality of the CSA to which Odyssey is a party, as previously submitted by Tampa Electric. Odyssey filed said CSA, and the prefiled direct testimony of Mr. Sidelko, on June 28, 2000, together with its Notice of Intent to Seek Confidential Classification. Odyssey filed a Motion for Reconsideration on June 30, 2000, seeking review of the Order by the full Commission.
8. In view of the foregoing, Odyssey asserts that public disclosure of the CSA and the aforesaid portions of the prefiled direct testimony of Stephen W. Sidelko submitted under separate confidential cover letter could only do harm to Odyssey and ultimately to Tampa Electric and its general body of ratepayers. Odyssey urges that the CSA and portions of said testimony be treated as confidential proprietary business information and exempt from public disclosure pursuant to the above referenced authority.
9. Odyssey requests that all of the confidential documents that are subject of this request be maintained by the Commission as confidential information pending the disposition of this proceeding and then promptly returned to Odyssey so that none of the documents are made public. This would be the most convenient for all concerned and would minimize the time and expense the Commission would incur in having to maintain the documents in a confidential manner. If for any reason the

Commission wishes to retain custody of any of the documents beyond the disposition of this proceeding, Odyssey requests that the CSA between Tampa Electric and Odyssey and all documents pertaining to that CSA, including information supplied by the parties during their negotiations, be classified as confidential for at least six months beyond the expiration of such CSA, which is a multi-year agreement.

WHEREFORE, Odyssey submits the foregoing in support of its request for confidential classification of the documents Odyssey is filing this date in the proceeding under separate confidential letter of transmittal for the duration requested herein.

DATED this 18th day of July, 2000.

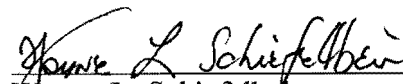


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Attorneys for Odyssey Manufacturing
Company

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Request for Confidential Classification of Contract Service Arrangement and Portions of Prefiled Direct Testimony of Stephen W. Sidelko has been furnished by facsimile and U.S. Mail to John R. Ellis, Esq. and Kenneth A. Hoffman, Esq., Rutledge, Ecenia, Purnell & Hoffman, 215 S. Monroe St., Suite 420, Tallahassee FL 32301, James D. Beasley, Esq. and Lee I. Willis, Esq., Ausley & McMullen, 227 South Calhoun St., Tallahassee, FL 32301, Marlene K. Stern, Esq., Florida Public Service Commission, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0850 and Harry W. Long, Esq., TECO Energy, Inc., P.O. Box 111, Tampa, FL, 33601, this 18th day of July, 2000.



Wayne L. Schiefelbein

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Complaint by Allied Universal)
Corporation and Chemical Formulators, Inc.)
against Tampa Electric Company.)
_____)

DOCKET NO. 000061-E1

Filed: June 28, 2000

PREFILED DIRECT TESTIMONY OF
STEPHEN W. SIDELKO

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Counsel for
Odyssey Manufacturing Company

1 Q. Please state your name, occupation, and business address.

2 A. My name is Stephen W. Sidelko. I am the President and Chief Executive
3 Officer of Sentry Industries, Inc. My business address is 5687 N.W. 36th
4 Avenue, Miami, Florida 33142. I also serve as the President and CEO of
5 Odyssey Manufacturing Company (Odyssey).

6 Q. Please describe your educational background.

7 A. I was awarded a Bachelor of Science degree in Chemical Engineering in
8 1973 from Rensselaer Polytechnic Institute, in Troy, New York. In 1974, I
9 received a Masters degree in Business Administration from Rensselaer
10 Polytechnic Institute.

11 Q. Please summarize your professional experience.

12 A. I was employed by Procter & Gamble from 1974 to 1980 on various
13 engineering and product development assignments. My work was
14 primarily in the area of soaps and detergents for the Latin American
15 market. From 1980 to early 1984, I served as General Manager of the
16 Kare Kemical Division of Eagle Discount Stores (Eagle), in Opalocka,
17 Florida. In such capacity, I was responsible for the sale of bulk sodium
18 hypochlorite to the local swimming pool industry, as well as packaged
19 household chemicals to Eagle stores, K-Mart, Home Depot and
20 Albertson's. In 1984, I founded U.S. Chlorine, Inc.. In 1993, that company
21 changed its name to Sentry Industries, Inc. (Sentry). Sentry's principal
22 business is the manufacture and distribution of bulk sodium hypochlorite.
23 In 1998, I founded Odyssey. Odyssey's principal business is the

1 manufacture and distribution of bulk sodium hypochlorite. Sentry is a
2 Florida corporation. Odyssey is a Delaware corporation. Both are closely
3 held corporations; the sources and extent of their capitalization, and their
4 production costs, sales, revenue and income are considered and treated
5 as proprietary confidential business information.

6 Q. Have you ever testified before this Commission?

7 A. No, this is my first time.

8 Q. What is the purpose of your testimony?

9 A. The purpose of my testimony is to provide the Commission information
10 that may be of use to it in addressing Allied/CFI's complaint against
11 TECO.

12 Q. What is your understanding of Allied/CFI's complaint?

13 A. First of all I am by training a chemical engineer and a business
14 professional, not an attorney. So I want to emphasize that my
15 understanding of Allied's complaint is not that of a lawyer. Based on my
16 reading of the Complaint and on the testimony of Mr. Namoff, Allied
17 makes several charges. Some of the charges seem to be against TECO
18 for discriminating against Allied/CFI by not giving it the same deal
19 negotiated with us. Other charges seem to be against us. Specifically, in
20 the Complaint and in the Testimony of Mr. Namoff, Allied appears to be
21 charging us and TECO with unethical behavior in the process by which we
22 negotiated a contract service arrangement under the
23 Commercial/Industrial Service Rider (CISR). Allied also seems to allege

1 that we are competing with them in some way that is unethical. But
2 looking at Allied's charges as an engineer and business professional, I
3 have to ask myself "what does Allied really want?" And from that
4 perspective, its complaint is easy to understand: I believe it wants to take
5 away the rate we negotiated in good faith, learn as much about our
6 position in the market as possible, and subject us to the administrative
7 burden of defending ourselves against its unfounded charges.

8 Q. What is your response to Allied's charges that TECO is discriminating
9 against them and in favor of Odyssey in its negotiations with Allied under
10 the CISR?

11 A. I have no way of knowing whether that is true or not. Moreover, I cannot
12 tell from Allied's allegations whether it contends that we received a
13 sweetheart deal or whether they were being forced to take a bad deal, or
14 both. But I would like to make four basic points in response. And on
15 these points I want to be absolutely clear.

- 16 • First, there was nothing exceptional about the process by which we
17 arrived at the contract service arrangement with TECO. We
18 conducted ourselves ethically and in good faith at all times, and I
19 believe that TECO did as well.
- 20 • Second, we were able to negotiate with TECO a good deal, but not
21 a great one. In fact, in our planning of the project our anticipated
22 electric energy rate was at times more favorable than we actually
23 obtained.

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- Third, I assume but do not know that TECO considers our contract a good deal, but not a great one. And,
- Fourth, with respect to Allied's deal with TECO, we do not care whether compared to us they get the same deal, a comparable deal, a better deal or a worse deal. It simply is not any of Odyssey's business. Our business is manufacturing and marketing the purest, competitively-priced sodium hypochlorite in our market area.

Q. Allied's complaint emphasizes that you are competing with it in the sodium hypochlorite market. What would the Commission need to know about the sodium hypochlorite market in order to evaluate Allied's charges?

A. Assuming that the Commission wishes to consider some of the characteristics of the sodium hypochlorite market, it would be useful for it to be aware of some basic facts about this remarkable compound. Sodium hypochlorite is the active ingredient found in household bleach. It is an extraordinary chemical compound that is ubiquitous in our lives as a safe but potent disinfectant and whitener. In fact, its presence is so common place and its use so widespread that we tend to take it for granted.

Q. What are some of the uses of sodium hypochlorite?

A. Around the home it is used as a laundry whitener, stain remover and hard surface disinfectant. It is also used to maintain sanitary swimming pools

1 both through daily applications and periodic shocking. In industrial and
2 commercial applications, it is used in disinfecting drinking water, treating
3 wastewater, reducing sewage odors, pressure cleaning mold and mildew
4 for painting, treating commercial swimming pools, sanitizing restaurant
5 kitchens and other food preparation areas, disinfecting hospital
6 equipment, bleaching pulp, and killing citrus canker, to name just a few.
7 Basically, wherever there is need to kill bacteria, viruses and fungi you will
8 find potential applications for sodium hypochlorite.

9 Q. What products does sodium hypochlorite compete with in the market as a
10 disinfectant and whitener?

11 A. There are basically two: chlorine and hydrogen peroxide. Chlorine gas is
12 even more ubiquitous than sodium hypochlorite. It has countless
13 applications. It's difficult to think of a manufactured or processed product
14 in which chlorine played no part in the process. As a highly toxic gas,
15 chlorine is also a powerful disinfectant. Nevertheless, from a market
16 perspective, sodium hypochloride is well positioned as a desirable
17 substitute for chlorine gas.

18 Q. Why is that?

19 A. Because chlorine gas is so dangerous. No one denies the usefulness of
20 chlorine in promoting the public's health. Chlorine gas is a very effective
21 disinfectant for water and wastewater. When municipal water treatment
22 started in the late 1800's, typhoid and cholera, which had been common to
23 the point of epidemic proportions, all but disappeared. Moreover, chlorine

1 is inexpensive. However, chlorine is also very dangerous. In the event of
2 a leak in a cylinder or a valve, everyone within a mile has to be evacuated
3 immediately. It's worth remembering that chlorine gas was the first gas
4 used by the Germans in its chemical warfare against the Allies in World
5 War I.

6 Q. But aren't there protocols to ensure safe use of chlorine?

7 A. Of course. Even so, every few years someone in Florida dies from
8 chlorine gas inhalation. In any event, government regulations for the
9 storage, transportation and use of chlorine gas are becoming increasingly
10 stringent.

11 Q. Please explain the difference between chlorine, chlorine gas and sodium
12 hypochlorite.

13 A. Certainly. Chlorine is one of the elements in the Periodic Table. At room
14 temperature and pressure it is a green poisonous gas. Chlorine is very
15 reactive and occurs in nature only as derivatives. The most common
16 derivative is sea salt, sodium chloride.

17 Chlorine is an important building block for the chemical industry.
18 PVC - polyvinyl chloride contains about 60% by weight chlorine. Like salt
19 and PVC, sodium hypochlorite is a chlorine derivative. The chemical
20 symbol is NaOCl. The swimming pool industry sometimes incorrectly
21 refers to sodium hypochlorite as "chlorine" or "liquid chlorine." When I
22 refer to chlorine or chlorine gas, I mean elemental chlorine, the poison.

1 Sodium hypochlorite looks like Clorox and is transported in 5,000
2 gallon tank trailers that look like gas tankers or milk trucks.

3 Chlorine can only be transported in special 90-ton railroad cars.
4 Regional distribution centers like those owned by Allied/CFI buy 90-ton
5 railroad cars and repackage the chlorine into 2,000 pound steel cylinders
6 called "tons" for delivery to water plants.

7 Q. How do chlorine and sodium hypochloride compare in their potency as
8 disinfectants?

9 A. Chlorine is measured in pounds. Sodium hypochlorite is distributed as a
10 solution. Each pound of chlorine provides the disinfection potential of one
11 gallon of 12.50 percent sodium hypochlorite solution. Of course, one
12 doesn't purchase just one pound of chlorine. As a stable liquid, sodium
13 hypochlorite solution can be more easily and safely distributed in smaller
14 amounts.

15 Q. If sodium hypochlorite is a viable substitute for chlorine gas, why does it
16 not have more market penetration where it competes with chlorine gas?

17 A. Historically, all water and wastewater treatment plants used chlorine gas.
18 When the "empty" cylinders were returned, the chlorine gas residue was
19 vacuumed into a scrubber tank of caustic soda, where it was absorbed.
20 After the cylinder was thoroughly empty, it was tested and refitted with
21 new valves, refilled, and shipped. By the end of the day, the vat of caustic
22 soda had turned into sodium hypochlorite. The quality control for this
23 operation was terrible. It wasn't until the 1960's, with the introduction of

1 the Powell continuous process, that sodium hypochlorite could be made in
2 large quantities with consistently high quality. As recently as ten (10)
3 years ago, water treatment plants had no real reason to change from
4 chlorine to sodium hypochlorite. Chlorine was viewed as "the product."
5 Sodium hypochlorite was an expensive alternative. Water treatment
6 managers were suspicious of the quality of the byproduct hypochlorite
7 and concerned that besides being more expensive than chlorine for
8 disinfection, sodium hypochlorite prices tended to cycle to a greater
9 extent. Today, however, because of strict environmental regulation, high
10 insurance and civil lawsuits, the water treatment industry is clamoring for a
11 suitable alternative to chlorine gas.

12 Q. Why does Odyssey believe it's sodium hypochlorite will not only win
13 market share from other producers of the product but from chlorine gas as
14 well?

15 A. Because of quality and price. We are producing a 12.50 percent sodium
16 hypochlorite we call "Ultra-Chlor." ("Ultra-Chlor" is a registered
17 trademark). The level of purity of Ultra-Chlor is unprecedented in a
18 hypochlorite product for bulk truckload delivery. Even better, Ultra-Chlor
19 can be produced at a lower unit cost than other methods of production.
20 The product is certified by the National Sanitation Foundation for use in
21 drinking water and approved by E.P.A. for sale and use as a disinfectant.

22 Q. How is sodium hypochlorite manufactured?

1 A. Sodium hypochlorite is made from chlorine, caustic soda and water. The
2 basic formula for commercial sodium hypochlorite is 8 parts water, 1 part
3 caustic soda, 1 part chlorine.

4 Sodium hypochlorite manufacturers are like regional Coca-Cola
5 bottlers that buy "Coke syrup" and add CO₂ and water near the point of
6 sale.

7 There are two principal ways to manufacture sodium hypochlorite.
8 First, there is the "Continuous Process." The machine used is also called
9 a "Powell Bleach Plant." Product quality and safety are far superior with
10 this continuous process. Powell also sells a titanium filter to further
11 improve product quality.

12 Second, there is the "Batch Process." A batch process requires
13 only a scrubber tank where chlorine is injected directly into a large vat of
14 caustic soda. The required investment is much less than that necessary
15 for a continuous process machine. Unfortunately, so are product quality
16 and safety. Companies that repackage chlorine gas into ton cylinders
17 must have a batch scrubber tank to purge the returned cylinders. If
18 additional sodium hypochlorite is required after refilling all of the tons,
19 chlorine can be added directly from the rail car.

20 Q. How does Odyssey manufacture Ultra-Chlor?

21 A. Odyssey uses a unique process. We produce 12.50 percent "Ultra-
22 Chlor" sodium hypochlorite from electricity and salt. Odyssey therefore
23 doesn't buy rail cars of chlorine and doesn't have the regulatory

1 headaches of storing them. Odyssey makes chlorine and caustic in an
2 electrochemical cell. The output from the cell is the input to the Powell
3 continuous bleach plant. At any given time, there are only a few pounds
4 of chlorine on the site.

5 There are three commercially available electrochemical cell
6 technologies. 1) Diaphragm cell, 2) Mercury cell, 3) Membrane cell. The
7 smallest diaphragm cell was too large for our requirement. The mercury
8 cell leaves a residue. Our only choice was membrane cell technology.
9 The salt is dissolved into brine and the brine is fed into the electrochemical
10 cell (which looks like a very large battery).

11 Extremely high amperage DC current breaks the salt molecule into
12 chlorine and caustic soda. We use our chlorine and caustic soda along
13 with deionized water from our process to make our registered trademark
14 "Ultra-Chlor" product.

15 Q. How does Odyssey's manufacturing process affect the viability of the
16 production of sodium hypochlorite as a substitute for chlorine gas?

17 A. There are four reasons that come to mind as to why, for example,
18 water treatment customers would view Odyssey as a viable long term
19 option.

20 Our economics are good. Large chlor-alkali plants in Louisiana or
21 Niagara Falls can produce chlorine and caustic cheaper than we can.
22 After factoring in investment costs and freight, we have an advantage in
23 our market.

1 Our quality is outstanding. The membrane caustic and deionized
2 water are so pure that filtration is not required.

3 Since we do not store chlorine, we have almost no regulatory
4 burden. Many water plants were concerned that if they switched to
5 sodium hypochlorite, the sodium hypochlorite company could later be
6 forced out of business because of new regulations for chlorine gas rail
7 cars.

8 Finally, we can offer our customers fixed pricing for longer term
9 contracts. Since we do not purchase caustic soda and chlorine, our
10 pricing to our customers is not directly related to current market
11 conditions.

12 Q. Is future pricing of sodium hypochlorite important to customers?

13 A. Yes, future pricing is very important. As I already noted, price instability
14 has impeded market penetration of industrial sodium hypochlorite. Many
15 pilot studies and a few full-scale conversions by customers are underway
16 for very expensive and complicated machinery for on-site generation, UV
17 radiation or reverse osmosis. I believe these machines are attractive only
18 because they lock in the disinfection costs. A typical water treatment plant
19 would consider investing \$1 million in on-site machinery to be able to
20 produce its own sodium hypochlorite for about the same price available in
21 today's market. Obviously, if a manufacturer and distributor itself could
22 provide sodium hypochlorite to these customers at a comparable price

1 under a long-term contract, these customers could avoid such substantial
2 capital outlays.

3 Q. What is the status of Odyssey's plant in Tampa?

4 A. Our plant went into operation on March 27, 2000.

5 Q. Are Odyssey and Sentry head-to-head competitors with Allied?

6 A. Yes, although the competition is somewhat akin to David versus Goliath.

7 In this case, however, its Goliath who is throwing the stones. Odyssey
8 produces one product - sodium hypochlorite - for distribution in Central
9 Florida. Its potential customers either use sodium hypochlorite or they use
10 chlorine gas. Allied sells sodium hypochlorite, chlorine, and a full line of
11 about 100 other chemical products in the Southeastern United States.

12 Allied and Sentry have been competitors for a long time. Sentry
13 installed a continuous process machine in Miami in 1984 and was able to
14 successfully market improved product quality and service to Allied's
15 customers. For years, Allied countered with a strategy of minimizing
16 expenses and undercutting our pricing. To this date, Allied has not
17 invested in Powell continuous process machines for their plants in Miami
18 and Fort Pierce, i.e., the market in which Allied competes directly with
19 Sentry. When Allied built its plant in Tampa four years ago, it installed a
20 Powell continuous process machine, a filter, and a barge terminal.
21 Receiving caustic by barge saves about half the freight and gave Allied a
22 significant cost advantage. It appears that Allied's plan was to make good
23 quality sodium hypochlorite and still undercut the market price. Please

1 keep in mind that the technology to build an Odyssey-style plant was
2 available to Allied in 1995. The Powell technology has been sold since the
3 1960s, and membrane cell technology has been available since the
4 1970s. Allied, however, chose not to construct an Odyssey-style plant.

5 Q. Do you have an opinion why Allied did not construct an Odyssey-style
6 plant?

7 A. I believe there are three plausible explanations. First, Allied conceivably
8 was uninformed about the technology. Second, Allied did not have the
9 capital available to invest. Third, Allied did not want to invest such capital.
10 I believe that the only reason Allied claims an interest in building such a
11 plant now is that Odyssey has built such a plant.

12 Q. Do you believe Allied has any intention of building such a plant in the
13 Tampa area?

14 A. No, I don't.

15 Q. Why not?

16 A. There are several reasons. First, the majority of Allied's sales and
17 profits in this market are from chlorine gas; to construct another Odyssey-
18 style sodium hypochlorite plant would undercut that product line.

19 Second, such significant investment would be inconsistent with
20 Allied's historical frugality on plant investment.

21 Third, Allied manufactures and distributes about one hundred
22 products through six branches or divisions: I do not believe it can justify

1 an investment on this scale to improve the competitive position of one
2 product at one location.

3 Fourth, interest rates are now higher than they were two years ago
4 when Odyssey launched its plan in earnest.

5 In any event, I believe there are two cities in the United States
6 where it would not make sense for Allied to construct an Odyssey-style
7 plant: Tampa, and Delaware City, Delaware. Those are the locations of
8 the two Odyssey-style plants that are operational in the country today. I
9 believe that in those two areas, a second plant could prevent the first plant
10 from making a profit, but would never turn a profit itself.

11 Q. Why then do you believe Allied has filed its complaint in this proceeding?

12 A. Based on the competitive economics mentioned above, I believe Allied's
13 true motivation is to attempt to strip Odyssey of its negotiated rate with
14 TECO, to gain access to Odyssey's confidential business information, and
15 to subject us to the costs of defending ourselves against its charges.

16 Q. Do you believe that Allied's primary motive is to eliminate any unjust
17 discrimination that may exist between Odyssey's rates and that offered to
18 Allied?

19 A. No. I believe that Allied would not be satisfied unless it deprives Odyssey
20 of its negotiated rate.

21 Q. When did you first seriously consider the construction of a sodium
22 hypochlorite plant by Odyssey in Florida?

1 A. I conceived of the project in Miami in 1995. I preferred a Miami location
2 given our existing Sentry operations and South Florida customers. FP&L
3 quoted us an unattractive rate of over \$60 per MWh in 1996 and showed
4 no interest in our project. I was under the misapprehension that FP&L
5 was the only major electric utility in the state! In 1997, I retained a
6 consultant with experience in the chlor-alkali business to investigate other
7 possibilities, including various potential locations outside of the State of
8 Florida.

9 Q. What did this consultant advise you?

10 A. This consultant advised us that a rate of \$36 per MWh exclusive of
11 applicable taxes for interruptible service might be available from TECO.
12 We would have liked to have had this arrangement, but unfortunately
13 there was a waiting list for interruptible power from TECO. Nevertheless,
14 we understood that one or more phosphate companies were getting ready
15 to close, so we might rise to the top of the waiting list.

16 Q. Did this occur?

17 A. No, and this created a problem. Waiting to be served under an existing
18 tariff is the not the same thing as being served. We needed to obtain a
19 commitment with respect to the cost of energy so that we could proceed
20 with capitalization of the project. If we could not obtain an acceptable rate,
21 we would have to build the plant elsewhere. Because of this, we also
22 entered into discussions with TECO about taking service under the
23 Commercial/Industrial Service Rider (CISR). At the time I remained

1 hopeful that ultimately we could to take service under the interruptible rate,
2 which was better than what we were able to achieve in negotiation. In
3 fact, I mentioned this to TECO at one point and was informed that TECO
4 closed or discontinued that class of service, eliminating that option.

5 Q. Let's be clear about the interruptible rate: would you have taken that
6 service had it been offered to Odyssey?

7 A. Yes.

8 Q. Would you still accept TECO's interruptible rate were it offered to you at
9 this time?

10 A. Yes.

11 Q. Who conducted the negotiations on behalf of Odyssey for an electric rate
12 from TECO?

13 A. I did. I was assisted in that regard by representatives of some of the key
14 vendors who would be assisting Odyssey in the possible construction of
15 the plant.

16 Q. Who was your primary contact at Tampa Electric Company during those
17 negotiations?

18 A. Patrick H. Allman. He was the Account Manager with TECO's Marketing
19 Department for our account. It was my understanding that Mr. Allman was
20 the go-between or liaison between Odyssey and various other
21 departments or representatives within TECO.

22 Q. Were you previously acquainted with Mr. Allman?

23 A. No.

1 Q. **When** did these negotiations begin?

2 A. I believe they began in March, 1998.

3 Q. **What** type of information did Odyssey provide to TECO during the CISR
4 negotiations?

5 A. I provided extensive financial and technical information about the
6 proposed plant to Mr. Allman. This included detailed site plans and other
7 plant information, and information regarding project funding. I also
8 provided an extensively documented business plan to help show we were
9 a viable company with a good future. I was surprised by the sheer volume
10 of information that they deemed necessary, but I supplied all of the
11 information they requested.

12 Q. **Did** you provide what you considered to be proprietary confidential
13 business information to TECO?

14 A. **Yes**, we provided extensive proprietary confidential business information
15 during those negotiations.

16 Q. **Weren't** you concerned about releasing such proprietary information to
17 them?

18 A. **Extremely** concerned. However, we were assured by Mr. Allman that
19 under the CISR provision of TECO's tariff, as approved by the Florida
20 Public Service Commission, such information would be handled on a
21 strictly confidential basis and would never be released to anyone outside
22 of that company, except, if required, to the Commission and its staff.

1 Q. Would you have provided the information to TECO absent such
2 assurances?

3 A. Absolutely not. As indicated previously, Odyssey and Sentry are closely
4 held corporations operating in a highly competitive market. Knowledge of
5 our proprietary information by competitors would interfere with our ability
6 to compete in our native market, as it would allow competitors to, for
7 example, engage in a price war to drive Odyssey's fledgling operations out
8 of business. Assurances of the strictest confidentiality as outlined above
9 were therefore included in the Contract that we eventually executed with
10 TECO.

11 Q. What concessions were required by TECO during the negotiations?

12 A. I don't really consider us as having made concessions. I viewed them as
13 incentives to motivate Mr. Allman, Mr. Allman's bosses, and their bosses,
14 to offer me a CISR rate that I could use to justify the project to my
15 investors and lenders. I believe I needed the rate more than they needed
16 the customer.

17 Q. What were those incentives?

18 A. [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]

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[REDACTED]

Q. Were you required to furnish a sworn affidavit to TECO?

A. I was, and I did. The affidavit confirmed that [REDACTED]

Q. Did Odyssey and TECO reach an agreement?

A. Yes. On September 4, 1998, Odyssey executed a Contract Service Agreement. We received the Contract as executed by TECO in late September, 1998. I will sponsor the executed contract as Exhibit SWS-1.

[REDACTED]

Q. Would Odyssey have agreed to receive service from TECO at a rate higher than that provided under the CISR?

A. No.

1 A. No.

2 Q. Why is that?

3 A. It would not have made good business sense. Odyssey is a for profit
4 company, and, as its CEO, my job is to ensure that our investors achieve
5 an acceptable return on investment. Further, the condition regarding the
6 electric rate set forth in our lender's loan commitment would not have been
7 satisfied.

8 Q. When did you first approach Mr. Allman about employing him?

9 A. The subject of his potential employment by Odyssey never arose in any
10 communication whatsoever between Mr. Allman and me or any other
11 representative of Odyssey prior to the September 4, 1998 execution of the
12 Contract Service Agreement. We first offered the General Manager
13 position to a former Occidental Chemical employee in the fall of 1998.
14 Our first candidate rejected our offer around Thanksgiving, 1998. Our first
15 contact with Mr. Allman regarding his possible employment was around
16 Christmas, 1998, when I telephoned Mr. Allman and asked if he would be
17 interested in the position of General Manager for Odyssey. He expressed
18 interest, and I made a formal employment offer to him shortly thereafter. It
19 took about two weeks to negotiate a mutually acceptable employment
20 agreement. Mr. Allman then gave three weeks notice to TECO, and his
21 last day of employment with the utility was January 31, 1999.

22 Q. Did you ever offer any personal reward to Mr. Allman for his efforts during
23 the CISR negotiations?

1 A. Absolutely not. Further, Mr. Allman was always very professional in his
2 dealings with us.

3 Q. Since his employment began with Odyssey, has Mr. Allman solicited
4 existing customers of Allied/CFI?

5 A. Yes. In approximately April, 1999, Odyssey began sales and marketing
6 efforts and contacted various sodium hypochlorite users to promote its
7 new product. Over the past year or so, our efforts have included dozens
8 of Allied's customers. I should mention that Allied has solicited our
9 customers as well.

10 Q. Mr. Sidelko, in the case of Odyssey, has the rate negotiated under the
11 CISR promoted economic development?

12 A. I believe so. The impact so far has been small but very positive. Odyssey
13 employs twenty-five (25) full-time people at the seven (7) acre site in
14 the Tampa East Industrial Park. We rent trucks and buy fuel, and
15 generally increase the level of local economic activity. Our local taxes
16 each year are roughly \$250,000. Over the next few years, we anticipate
17 having to double our production. If we do so, our electricity bill would
18 double, and our workforce would essentially double. If there is another
19 Odyssey plant in the future, we now anticipate that our headquarters
20 would be in Tampa. Procter & Gamble started the same way. The
21 commercial aspect should not be completely disregarded. To some
22 extent, we are also providing a service to the many Florida municipalities
23 who are interested in purchasing our product.

1 None of this would have been possible without the electricity rate
2 negotiated under the CISR.

3 Q. Does that conclude your prefiled direct testimony?-

4 A. Yes, thank you.

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Exhibit SWS – 1

Contract Service Arrangement

(Redacted in its entirety)

Please see Request for Confidential Classification

By Odyssey Manufacturing Company