

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of
recovery schedule for two Gannon
Station generating units,
effective January 1, 2002, by
Tampa Electric Company.

DOCKET NO. 020566-EI
ORDER NO. PSC-02-1236-PCO-EI
ISSUED: September 9, 2002

The following Commissioners participated in the disposition of
this matter:

LILA A. JABER, Chairman
J. TERRY DEASON
BRAULIO L. BAEZ
MICHAEL A. PALECKI
RUDOLPH "RUDY" BRADLEY

ORDER APPROVING RECOVERY SCHEDULE FOR GANNON UNITS 1 AND 2
ON A PRELIMINARY BASIS

BY THE COMMISSION:

On November 3, 1999, the United States Department of Justice, on behalf of the United States Environmental Protection Agency ("EPA"), filed a lawsuit against Tampa Electric Company ("TECO" or "company") alleging TECO violated the Prevention of Significant Deterioration ("PSD") requirements at Part C of the Clean Air Act, 42 U.S.C. §§ 7470-7492. The EPA alleged that TECO was required to obtain a PSD permit and apply best available control technology ("BACT") before proceeding with various power plant modifications which TECO completed between 1991 and 1996. The power plant modifications in question were replacements of boiler equipment, such as steam drum internals, high temperature reheater, water wall, cyclone, and furnace floor.

Subsequently, on December 7, 1999, the Florida Department of Environmental Protection ("DEP") filed a lawsuit against TECO which mirrored the EPA lawsuit. Shortly after the DEP filed its lawsuit, TECO and the DEP settled the suit by entering a Consent Final Judgment ("CFJ"). The CFJ became effective on December 16, 1999.

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

On February 29, 2000, TECO and the EPA signed a settlement agreement ("Consent Decree"). The Consent Decree was filed with the U.S. District Court in Tampa on February 29, 2000. The Consent Decree was entered October 5, 2000. Among other things, the Consent Decree and CFJ require TECO to cease burning coal at the Gannon Station by year-end 2004 and repower some of the Gannon units with natural gas.

By Order Nos. PSC-00-0603-PAA-EI and PSC-00-0817-PAA-EI, issued March 29, 2000, and April 25, 2000, respectively, depreciation rates, recovery schedules, and the provision for dismantlement for TECO were revised. The depreciation rates and recovery schedule approved for the Gannon Station reflected TECO's preliminary assessment of compliance with the Consent Decree and the CFJ. The company's planning included the repowering of Gannon Units 3, 4, and 5. Once repowered, the original boilers of Units 1 through 5 and the station's coal handling system would be retired and the Gannon Station would be natural gas fueled with the capability of burning fuel oil as an alternative. Additionally, TECO planned to place Units 1, 2, and 6 on reserve standby to be used as emergency capacity to provide the operating flexibility needed to ensure reliability and possible future conversion to burn natural gas.

By Order No. PSC-00-2275-PAA-EI, issued November 30, 2000, revised depreciation rates and a recovery schedule for the Gannon Station were approved. The revision was necessitated by changes in TECO's planning to repower Units 5 and 6 rather than Units 3, 4, and 5. Engineering analyses showed that repowering Gannon Unit 6 had more advantages than repowering Units 3 and 4. According to the analyses, Unit 6 required less valving and piping arrangements, and had a slightly more simplified steam pipe route for repowering. Furthermore, TECO did not plan to maintain the boiler and related equipment at Units 3 and 4 for emergency purposes. With the repowering of Units 5 and 6, the total station capacity would increase from approximately 1,150 MW to 1,828 MW.

On June 25, 2002, TECO filed a request for a recovery schedule for Gannon Units 1 and 2. The instant request is necessitated by changes in TECO's planning to not repower the units. TECO has requested preliminary implementation of its proposed recovery schedule as of January 1, 2002, in accordance with Rule 25-

6.0436(5), Florida Administrative Code. The Commission is vested with jurisdiction over the subject matter of TECO's request by Chapter 366, Florida Statutes, including Sections 366.04, 366.05, and 366.06, Florida Statutes.

TECO has determined that Gannon Units 1 and 2 are not economically viable for natural gas repowering. Current plans are now to retire these two units effective December 31, 2004. To ensure that the company's Ten-Year Site Plan and the company's books and records accurately reflect operating conditions and generation planning considerations, TECO has requested that these two units be placed on a recovery schedule. The currently approved depreciation rates assume that Units 1 and 2 would be placed on reserve stand-by with an estimated average retirement date of 2007 and 2008, respectively.

Accordingly, TECO has proposed a recovery schedule in accordance with Rule 25-6.0436(10)(a), Florida Administrative Code, which states:

Prior to the date of retirement of major installations, the Commission shall approve capital recovery schedules to correct associated calculated deficiencies where a utility demonstrates that (1) replacement of an installation or group of installations is prudent and (2) the associated investment will not be recovered by the time of retirement through the normal depreciation process.

TECO's proposed recovery schedule, set forth in Attachment A to this Order, is designed to recover the net investment related to Gannon Units 1 and 2 over the remaining three year period the investment will be in service. The investment and associated reserve as of January 1, 2002, for Unit 1 are \$11,042,523 and \$8,892,954, respectively; for Unit 2, the investment and associated reserve are \$13,463,554 and \$10,431,131, respectively. The total net unrecovered amount is \$5,181,992 to be amortized over three years. The annual expenses for this schedule are about \$1,727,331, resulting in an increase in expenses of about \$700,000. We approve, on a preliminary basis, TECO's proposed recovery schedule.

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In accordance with Rule 25-6.0436(5), Florida Administrative Code, TECO has requested that it be allowed to implement its proposed recovery schedule on a preliminary basis. Preliminary implementation of the recovery schedule does not and should not imply that, upon completion of our review of TECO's petition, we will be in agreement with the company's proposal. In any case, expenses will be trued-up in accord with the recovery schedule ultimately approved by final Commission action in this docket.

Rule 25-6.0436(5), Florida Administrative Code, provides for preliminary implementation to permit a more accurate statement of expected expenses during the calendar year. The company has requested, and all data and calculations about, a January 1, 2002, implementation date. Accordingly, we approve a January 1, 2002, implementation date for preliminary booking of the requested recovery schedule.

In summary, we grant TECO's request to implement the recovery schedule for Gannon Units 1 and 2 as shown on Attachment A, which is attached hereto and incorporated herein by reference, on a preliminary basis. This will increase annual depreciation expense by approximately \$712,000 based on a January 1, 2002, investment and reserve. The resultant expense shall be trued-up in accord with the recovery schedule ultimately approved by final Commission action in this docket. This docket shall remain open to allow a complete analysis and thorough review of TECO's proposed recovery schedule for purposes of establishing, by final agency action, a recovery schedule for Gannon Units 1 and 2.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Tampa Electric Company's request to implement, as of January 1, 2002, a recovery schedule for Gannon Units 1 and 2, on a preliminary basis, is approved. It is further

ORDERED that the recovery schedule for Tampa Electric Company's Gannon Units 1 and 2, attached hereto as Attachment A and incorporated herein by reference, is approved. It is further

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ORDERED that expenses resulting from implementation of Tampa Electric Company's preliminary recovery schedule for Gannon Units 1 and 2 shall be trued-up in accord with the recovery schedule ultimately approved by final Commission action in this docket. It is further

ORDERED that this docket shall remain open to allow the Commission to establish, by final agency action, a recovery schedule for Gannon Units 1 and 2.

By ORDER of the Florida Public Service Commission this 9th day of September, 2002.

BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

By: Kay Flynn
Kay Flynn, Chief
Bureau of Records and Hearing
Services

(S E A L)

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by this order, which is preliminary, procedural, or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code, if issued by a Prehearing Officer; (2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or (3) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of the Commission Clerk and Administrative Services, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

Tampa Electric Company
 Gannon Units 1 and 2

			Commission Approved Preliminary Implementation
Acct. No.	Investment as of 12/31/01 (\$)	Depreciation Reserve as of 12/31/01 (\$)	3 Year Recovery Schedule Annual Expenses (\$)
Gannon Unit 1			
311	715,569	639,382	25,396
314	8,976,758	7,111,271	621,829
315	1,111,090	951,657	53,144
316	91,180	79,700	3,827
Gannon Unit 2			
311	1,355,647	986,078	123,190
314	11,074,200	8,623,093	817,036
315	828,669	667,907	53,587
316	37,578	33,923	1,219
Gannon OBO - Unit 1			
317	147,926	110,944	12,327
Gannon OBO - Unit 2			
317	167,460	120,130	15,777
Total	24,506,077	19,324,085	1,727,331