

ORIGINAL

AUSLEY & McMULLEN

ATTORNEYS AND COUNSELORS AT LAW

227 SOUTH CALHOUN STREET
P.O. BOX 391 (ZIP 32302)
TALLAHASSEE, FLORIDA 32301
(850) 224-9115 FAX (850) 222-7560

December 7, 2004

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Ms. Blanca S. Bayo, Director
Division of Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Petition of Tampa Electric Company for approval of a new environmental programs for cost recovery through the Environmental Cost Recovery Clause

Dear Ms. Bayo:

Enclosed for filing in the above-styled matter are the original and fifteen (15) copies of Tampa Electric Company's Petition for approval of new environmental programs for cost recovery through the Environmental Cost Recovery Clause.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning same to this writer.


Thank you for your assistance in connection with this matter.

Sincerely,


James D. Beasley

JDB/pp
Enclosure

cc: Howard Bryant (w/enc.)
Angela L. Llewellyn (w/enc.)

RECEIVED & FILED

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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Tampa Electric Company)
for approval of new environmental)
programs for cost recovery through)
the Environmental Cost Recovery Clause.)
_____)

DOCKET NO. _____
FILED: December 7, 2004

**PETITION OF TAMPA ELECTRIC COMPANY FOR APPROVAL OF
NEW ENVIRONMENTAL PROGRAMS FOR COST RECOVERY
THROUGH THE ENVIRONMENTAL COST RECOVERY CLAUSE**

Tampa Electric Company (“Tampa Electric” or “the company”), by and through its undersigned counsel, and pursuant to Section 366.8255, Florida Statutes, and Florida Public Service Commission (“Commission”) Order Nos. PSC-94-0044-FOF-EI and PSC-94-1207-FOF-EI, hereby petitions this Commission for approval of four new environmental compliance programs – Big Bend Unit 1 Selective Catalytic Reduction (“SCR”), Big Bend Unit 2 SCR and Big Bend Unit 3 SCR - for cost recovery through the Environmental Cost Recovery Clause (“ECRC”). In support thereof the company says:

1. Tampa Electric is an investor-owned electric utility subject to the Commission’s jurisdiction pursuant to Chapter 366, Florida Statutes. Tampa Electric serves retail customers in Hillsborough and portions of Polk, Pinellas and Pasco Counties in Florida. The company’s principal offices are located at 702 North Franklin Street, Tampa, Florida 33602.

2. The persons to whom all notices and other documents should be sent in connection with this docket are:

Lee L. Willis
James D. Beasley
Ausley & McMullen
Post Office Box 391
Tallahassee, FL 32302
(850) 224-9115
(850) 222-7952 (fax)

Angela Llewellyn
Administrator, Regulatory Coordination
Tampa Electric Company
Post Office Box 111
Tampa, FL 33601
(813) 228-1752
(813) 228-1770 (fax)

3. On December 16, 1999 Tampa Electric and the Florida Department of Environmental Protection (“DEP”) entered into a Consent Final Judgment (“CFJ”). On February 29, 2000 the United States Environmental Protection Agency (“EPA”) initiated a Consent Decree (“CD”) with Tampa Electric in the Federal District Court. Both the CFJ and the CD (“Orders”) embody the resolutions between the agencies and Tampa Electric stemming from disputed issues surrounding Tampa Electric’s maintenance practices to its Big Bend and Gannon Stations that were alleged to be in violation of the EPA’s New Source Review rules and New Source Performance Standards currently codified in Title I of the Clean Air Act Amendments of 1990. The Orders have been previously provided to the Commission in Tampa Electric’s petition filed in Docket No. 000685-EI.

4. Section V.E. of the CFJ states:

“TAMPA ELECTRIC COMPANY shall add nitrogen oxide controls, repower or shut down Units 1 through 3 at Big Bend Station by May 2010 and at Unit 4 at Big Bend Station by May 2007. If SCRs [Selective Catalytic Reduction systems] or similar nitrogen oxide controls are installed, BACT [Best Available Control Technology] for nitrogen oxide will be .10 lbs./mmBTU on Unit 4 and .15 lbs./mmBTU on Units 1, 2, and 3.”

This establishes the long-term nitrogen oxides (“NO_x”) reduction target for Big Bend Station determined by the DEP.

5. Paragraph 36 of the CD requires Tampa Electric to declare in writing whether the Big Bend Station units shall continue combustion of coal, repower or shutdown. The declaration date for Big Bend Units 1 through 3 is May 1, 2007. Tampa Electric has complied with this requirement by submitting a declaratory letter to EPA dated August 19, 2004 indicating Big Bend Station will continue to be fired by coal. Attached as Exhibit A to this petition is a copy of the declaratory letter.

6. Paragraphs 37.A-E of the CD and a related amendment discuss the NO_x emission rates and cost requirements for Big Bend Units 1 through 3. Paragraph 37.B discusses the cost indexing to be used to obtain an emission rate of 0.10 lbs/mmBtu, the specifics of which state:

“Tampa Electric shall not be required to install SCR to limit the Emission Rate of NO_x at Units 1, 2 and/or 3 to 0.10 lbs/mmBTU if the “installation cost ceiling” contained in this Paragraph will be exceeded by such installation. If Tampa Electric decides to continue burning coal at Units 1, 2 and 3, the installation cost ceiling for SCR at Units 1,2, and 3 shall be three times the cost of installing SCR at Big Bend Unit 4 plus forty-five (45%) percent of the cost of installing SCR at Big Bend 4.”

7. Paragraphs 37.C and D of the CD discuss the required NO_x emission rates if the costs for the SCR systems exceed the “installation cost ceiling.” The salient portions of these paragraphs state:

“If, based on the contract proposals, Tampa Electric determines that the project cost will exceed the installation cost ceiling, Tampa Electric shall so advise EPA and provide EPA with the basis for Tampa Electric’s determination....”

and,

“Notwithstanding any provision of this Consent Decree, including the “installation cost ceiling,” Tampa Electric shall install NO_x control technology that is designed to achieve an Emission Rate no less stringent than 0.15 lbs/mmBTU.”

8. In summary, Tampa Electric is required to meet a maximum NO_x emission rate of 0.15 lbs/mmBtu for Big Bend Units 1 through 3 regardless of any installation cost ceiling, or must achieve an emission rate of 0.10 lbs/mmBtu if the SCR system cost is within the Big Bend Unit 4 “installation cost ceiling.” The compliance dates for these units are May 1, 2008 for the first unit, May 1, 2009 for the second unit, and May 1, 2010 for the last unit selected by Tampa

Electric to be retrofitted with an SCR system.

9. In order to meet the NO_x emission rates and timing requirements of the Orders, Tampa Electric engaged an experienced consulting firm, Sargent and Lundy, to assist with the performance of a comprehensive study designed to identify the long-range plans for the generating units at Big Bend Station. The Big Bend Technology Assessment Study and NO_x Compliance Plan (“Study”), which contains the results of the evaluation performed by Tampa Electric and Sargent & Lundy, was filed in Docket No. 040750-EI on July 15, 2004. The Study evaluated the options of: 1) remaining coal-fired, 2) repowering the facility, or 3) shutting down the station and replacing it with new generation. The results of the Study clearly indicate that the option to remain coal-fired at Big Bend Station is the most cost-effective alternative to satisfy the NO_x emissions reductions required by the Orders. This option will require Tampa Electric to install SCR reduction technologies to meet future NO_x emission rates.

10. In conjunction with the installation of SCR systems, certain pre-SCR technologies are necessary for a more cost-effective plant operation. These pre-SCR technologies for Big Bend Units 1 through 3 are integral to projects previously approved by the Commission in Docket No. 040750-EI, Order No. PSC-04-0986-PAA-EI, issued October 11, 2004.

11. This Petition seeks approval of recovery, through the ECRC, of costs associated with the SCR projects that are to be completed subsequent to the pre-SCR projects. These SCR projects are identified in the Study as necessary to cost-effectively meet the NO_x emissions requirements of the Orders, namely, Big Bend Unit 1 SCR, Big Bend Unit 2 SCR and Big Bend Unit 3 SCR. The Big Bend Units 1 through 3 SCR projects encompass the design, procurement, installation and annual operation and maintenance (“O&M”) expenses associated with an SCR system for each generating unit.

Qualifications and Estimated Expenditures for ECRC Recovery

12. Tampa Electric will incur costs for the Big Bend Unit 1 SCR, Big Bend Unit 2 SCR and Big Bend Unit 3 SCR programs in order to meet the compliance requirements specified in the Orders. The new programs meet the criteria established by this Commission in Docket No. 930613-EI, Order No. PSC-94-0044-FOF-EI in that:

- (a) all expenditures will be prudently incurred after April 13, 1993;
- (b) the activities are legally required to comply with a governmentally imposed environmental regulation enacted, became effective, or whose effect was triggered after the company's last test year upon which rates are based; and
- (c) none of the expenditures are being recovered through some other cost recovery mechanism or through base rates.

13. The costs for which Tampa Electric is seeking ECRC recovery are for the capital and O&M expenditures associated with the engineering, procurement, construction, start-up, tuning, operation and ongoing maintenance of the three programs. The expenditure projections for Big Bend Unit 1 SCR are \$78,086,000 for capital costs and \$2,500,000 annually for O&M expenses. The expenditure projections for Big Bend Unit 2 SCR are \$78,329,000 for capital costs and \$2,500,000 annually for O&M expenses. The expenditure projections for Big Bend Unit 3 SCR are \$77,330,000 for capital costs and \$2,100,000 annually for O&M expenses. The capital cost projections for these projects include the cost for the SO₃ emission mitigation component of the projects necessary to address increased concentrations of SO₃ emissions caused by SCR systems. The annual O&M estimates are for the first full year of service and may increase over time as the equipment ages. Exhibit B to this Petition details both the capital and O&M expenditures associated with the programs.

14. Tampa Electric expects to begin incurring costs associated with these programs in December 2004. Tampa Electric is not requesting a change in its ECRC factors that have been projected for calendar year 2005. Instead, the company proposes to include in its true up filing for 2005 all program costs incurred subsequent to the filing of this Petition through the end of 2005. The company would then include program costs projected for 2006 and beyond in the appropriate projection filing. All of this would be subject to audit by the Commission.

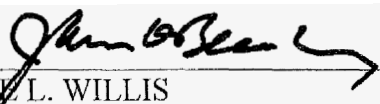
15. These programs are compliance activities associated with requirements of the Clean Air Act Amendments; therefore, expenditures should be allocated to rate classes on an energy basis.

16. Tampa Electric is not aware of any disputed issues of material fact relative to the matters set forth in this Petition.

WHEREFORE, Tampa Electric respectfully requests the Commission to approve the company's proposed Big Bend Unit 1 SCR, Big Bend Unit 2 SCR and Big Bend Unit 3 SCR programs and recovery of the costs of these programs through the ECRC in the manner described herein.

DATED this 7th day of December 2004.

Respectfully submitted,



LEE L. WILLIS
JAMES D. BEASLEY
Ausley & McMullen
Post Office Box 391
Tallahassee, FL 32302
(850) 224-9115

ATTORNEYS FOR TAMPA ELECTRIC COMPANY

Tampa Electric Company

Exhibit A

Declaratory Letter to EPA



August 19, 2004

Mr. Bruce Gelber - Chief
Environmental Enforcement Section
Environment and Natural Resources Division
U.S. Department of Justice
1425 New York Avenue, West - Room 13044
Washington, D.C. 20005
DJ# 90-5-2-1-06932

Via FedEx
Airbill No. 7913 1915 9760

Mr. Adam Kushner – Interim Director
Air Enforcement Division
Office of Enforcement and Compliance Assurance
U.S. Environmental Protection Agency
Ariel Rios Building
Mail Code 2242A, Room 1119
1200 Pennsylvania Avenue, N.W.
Washington, D.C. 20460

Via FedEx
Airbill No. 7902 4578 0770

Mr. Tom Hankinson - Regional Administrator
U.S. Environmental Protection Agency, Region IV
61 Forsyth Street, S.E.
Atlanta, Georgia 30303

Via FedEx
Airbill No. 7919 1453 3846

Re: Tampa Electric Company
Consent Decree
Civil Action No. 99-2524 CIV-T-23F
Notification of Continued Combustion of Coal

Dear Messrs. Gelber, Kushner and Hankinson:

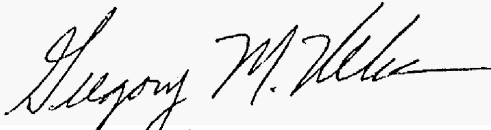
Per Paragraph 33 of the Consent Decree, Tampa Electric shall advise the United States Environmental Protection Agency (EPA) in writing, on or before May 1, 2005, whether Big Bend Unit 4 will be Shutdown, will be Re-Powered, or will continue to be fired on coal. Likewise, per Paragraph 36 of the Consent Decree, Tampa Electric shall also advise EPA in writing, on or before May 1, 2007, whether Big Bend Units 1, 2 or 3, or any combination of them will be Shutdown, will be Re-Powered, or will continue to be fired on coal. This correspondence serves as the required written notification that, based on the results of a recent comprehensive study performed on Big Bend Station, Big Bend Units 1, 2, 3 and 4 will continue to be fired on

Mr. Bruce Gelber - Chief
Mr. Adam Kushner - Interim Director
Mr. Tom Hankinson - Regional Administrator
August 19, 2004
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coal and as such will comply with the applicable provisions of the Consent Decree associated with this decision.

If you have any questions, please feel free to contact me at (813) 228-1763 or Laura Crouch at (813) 228-4104.

Sincerely,



Gregory M. Nelson
Director
Environmental, Health and Safety

EA/bmr/LRC104

c: Jerry Campbell (EPCHC)
Jerry Kissel (FDEP – SW)
Whitney Schmidt (US Attorney)
Trina Vielhauer (FDEP)

Tampa Electric Company

Exhibit B

Forecast of Expenditures for NO_x Reduction Programs

Forecast of Expenditures for NO_x Reduction Programs

(\$ 000)

Program	2004	2005	2006	2007	2008	2009	2010	Total Capital ⁽¹⁾	Annual O&M
Big Bend Unit 1 SCR	\$550	\$1,559	\$5,721	\$722	\$15,869	\$46,076	\$7,589	\$78,086	\$2,500
Big Bend Unit 2 SCR	\$550	\$4,391	\$3,365	\$15,192	\$44,567	\$10,264	\$0	\$78,329	\$2,500
Big Bend Unit 3 SCR	\$550	\$5,464	\$16,580	\$46,214	\$8,522	\$0	\$0	\$77,330	\$2,100
Total	\$1,650	\$11,414	\$25,666	\$62,128	\$68,958	\$56,340	\$7,589	\$233,745	\$7,100

Total Capital: \$233,745

Annual O&M⁽²⁾ \$7,100

⁽¹⁾ Includes estimates for the SO₃ emission mitigation component of the projects.

⁽²⁾ Estimate is for first full year of service. Some increase may occur annually as equipment ages.
