Matilda Sanders

From: Pat Pottle [ppottle@ausley.com]
Sent: Friday, November 30, 2012 3:15 PM
To: Filings@psc.state.fl.us
Subject: TECO's Petition for Apprroval of a New Environmental Program for Cost Recovery through the ECRC
Attachments: MATS Petition.pdf

Electronic filing

a. Person responsible for this electronic filing:

120302-EI

James D. Beasley
Ausley & McMullen
P.O. Box 391 (32302)
227 S. Calhoun Street
Tallahassee, FL 32301
850 425-5485
jbeasley@ausley.com

b. Docket No. _____; In re: Petition of Tampa Electric Company for Approval of a New Environmental Program for Cost Recovery through the Environmental Cost Recovery Clause

c. The document is being filed on behalf of Tampa Electric Company

d. There are a total of 11 pages, including cover letter

e. The document attached for electronic filing is a cover letter and Tampa Electric Company's Petition for Approval of a New Environmental Program for Cost Recovery through the Environmental Cost Recovery Clause

James D. Beasley
Ausley & McMullen
(850) 425-5485
(850) 222-7952 (FAX)

jbeasley@ausley.com

11/30/2012

AUSLEY & MCMULLEN
ATTORNEYS AND COUNSELORS AT LAW
123 SOUTH CALHOUN STREET
P.O. BOX 391 (ZIP 32302)
TALLAHASSEE, FLORIDA 32301
(850) 224-9115 FAX (850) 222-7560

November 30, 2012

ELECTRONIC FILING

Ms. Ann Cole, Director
Division of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

120302-EI

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

Dear Ms. Cole,

Enclosed for filing in the above-styled matter is Tampa Electric Company's Petition for approval of a new environmental program 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,

/s/ James D. Beasley

James D. Beasley

JDB/pp
Enclosure

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Tampa Electric Company for approval of a new environmental program for cost recovery through the Environmental Cost Recovery Clause.	)))))	DOCKET NO. 120302-EI FILED: NOVEMBER 30, 2012

PETITION OF TAMPA ELECTRIC COMPANY FOR APPROVAL OF A NEW ENVIRONMENTAL PROGRAM 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-99-0044-FOF-EI and PSC-94-1207-FOF-EI, hereby petitions this Commission for approval of the company's proposed environmental compliance program – Mercury and Air Toxics Standards ("MATS") – for cost recovery through the Environmental Cost Recovery Clause ("ECRC").

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:

James D. Beasley
J. Jeffry Wahlen
Ausley & McMullen
Post Office Box 391
Tallahassee, FL 32302
(850) 224-9115
(850) 222-7560 (fax)
jbeasley@ausley.com
jwahlen@ausley.com

Paula K. Brown
Manager, Regulatory Coordination
Tampa Electric Company
Post Office Box 111
Tampa, FL 33601
(813) 228-1444
(813) 228-1770 (fax)
regdept@tecoenergy.com

Background

3. In March of 2005 the U. S. Environmental Protection Agency ("EPA") promulgated the Clean Air Mercury Rule ("CAMR"), which was challenged in court. On February 8, 2008 the Circuit Court of Appeals for the District of Columbia vacated CAMR and ordered EPA to propose a new rule by March 2011. On March 16, 2011 EPA proposed the new rule under the Clean Air Act ("CAA") National Emission Standards for Hazardous Air Pollutants under Maximum Achievable Control Technology criteria that included all Hazardous Air Pollutants ("HAPs").

4. On December 21, 2011 the U. S. EPA issued the final version of the rule, titled the Mercury and Air Toxics Standards, or MATS rule. The rule was published in the *Federal Register* on February 15, 2012, setting the compliance deadlines. The final rule comprises some 210 pages and may be viewed at http://www.epa.gov/mats/actions.html.

5. The final new rule applies to all coal and oil-fired electric generating units with a capacity of 25 MW or more and requires compliance by April 16, 2015, with a possible one year extension and a possible additional year if there are reliability issues.

6. The rule sets forth HAP standards for the following parameters:

- Mercury
- Non-mercury metal HAPs
- Acid Gases

Adherence to these standards must be determined using on-line monitoring or manual methods for monitoring and compliance.

7. The HAP standards are derived in the following manner. First, each emitting resource across the country has been collecting emissions data relative to each regulated

pollutant and providing the information to EPA. Second, EPA, pursuant to CAA Sections 112(d)(3)(A) and (B), then must utilize the data to rank the performance of all emitting resources and subsequently identify the best performing 12 percent of those resources. Third, once the best performing 12 percent resources have been identified, their emissions data for each pollutant is averaged across the group resulting in the HAP emission standard for each pollutant being established. The coal units at Big Bend Station and Polk Power Station as well as new coal and oil units are impacted by the rule, which sets limits and work practice standards relating to mercury, non-mercury HAPs and acid gases. Although some of the emission standards are more rigorous than current emission limits and current actual emission levels, preliminary evaluations have indicated that modest enhancement of current control devices should result in compliance with the standards.

Mercury

8. On November 6, 2006 the Commission approved Tampa Electric's CAMR Phase I Emission Monitoring Compliance Program for cost recovery through the ECRC.[1] Since 2007 Tampa Electric has been recovering costs for its mercury monitoring activities at Big Bend and Polk Power Stations. As anticipated, this monitoring data has been very valuable for evaluating whether or not Tampa Electric can comply with the recently finalized standards. The data collected provide confidence that applicable mercury requirements can be met using the company's current control and monitoring systems. Projected expenditures for this program have been included in the company's 2013 ECRC Projection Filing and are provided in attached Exhibit A.

[1] In re: Tampa Electric Company Order No. PSC-06-0926-PAA-EI, issued November 6, 2006 in Docket No. 060583-EI.

Non-mercury Metal HAPs

9. The final MATS rule requires compliance with at least one of three parameters relating to non-mercury metal HAPs:

- Individual non-mercury metal HAPs, or
- Total non-mercury metal HAPs, or
- Filterable particulate matter and continuous monitoring using a particulate matter continuous emissions monitoring system ("PM CEMS") or stack testing.

Engineering studies conducted by Tampa Electric indicate that the PM CEMS is the most technically feasible option to demonstrate compliance with the final MATS Rule at Big Bend Station. Therefore, Tampa Electric needs to install a PM CEMS unit and its necessary ports for operation on the common stack designated as CS0W1 serving Big Bend Units 1 and 2. It is prudent to install this unit now in order to allow for the optimization of Tampa Electric's compliance plan and to avoid potentially substantial cost increases that are expected to occur because of the very limited pool of manufacturers of this equipment, coupled with the fact that other utilities will be attempting to obtain the same units to meet the new MATS Rule requirements. Tampa Electric already has PM CEMS units installed on Big Bend Units 3 and 4 as part of Consent Decree requirements. These PM CEMS units have successfully met the objectives of the Consent Decree; therefore, Tampa Electric believes they will successfully demonstrate compliance with the MATS Rule and CAA requirements. Exhibit A details the company's forecast of these capital and O&M expenditures.

10. Polk Power Station will demonstrate compliance by obtaining low emitting EGU ("LEE") status on Polk Unit 1. LEE status is obtained by testing quarterly for three years and

meeting the LEE status for each test. Testing can start as early as one year before the compliance date. The LEE status is 50 percent of the applicable emissions limit. Once LEE status is obtained, Polk Unit 1 will only need to test for PM once every three years and continue to meet the LEE status during this testing. Polk Units 2 - 5 are natural gas combustion turbines and are not subject to the new MATS rule. Exhibit A details the company's forecast of these expenditures.

Acid Gases

11. To comply with the acid gases requirements of the new MATS rule, engineering studies conducted by Tampa Electric with regard to Big Bend Station indicate that achieving the SO_2 emission limit of 0.2 lbs. SO_2/MMBtu is the most technically feasible option to demonstrate compliance with the MATS Rule. To achieve this limit the SO_2 removal efficiencies of all of the Big Bend flue gas desulfurization ("FGD") systems must be increased with particular emphasis on the Big Bend Unit 4 system. The FGD absorber towers of all units will be modified with the addition of tower rings to deflect flue gas away from the walls of the towers and all spray nozzles will be replaced with a new double headed nozzle design. These modifications will increase gas liquid contact within the towers. The Big Bend Unit 4 FGD system will also receive additional modifications to further increase its removal efficiency. Specifically, the spray sections of its towers (C and D towers) will receive new redesigned spray headers to greatly increase the number of spray nozzles thereby increasing gas liquid contact, larger motors will be utilized on the spray headers' recycle pumps to provide the necessary higher head pressure requirements, and dual flow trays in each tower will be moved to a lower elevation to increase their effectiveness. Finally, to equalize the significantly uneven gas flow distribution between C and D towers, the C tower flue gas inlet duct will be replaced with ductwork having a lower pressure

drop design and the size of the C tower booster fan will be increased. Exhibit A details the company's forecast of these expenditures.

12. At Tampa Electric's Polk Power Station, engineering studies show that LEE status can also be obtained for acid gases and is the most feasible option to comply with the MATS rule. To obtain LEE status, Polk Unit 1 will need to be tested every quarter for three years and meet 50 percent of the applicable emissions limit. Once LEE status is obtained, the unit will need to be tested once every three years and continue to meet the LEE emissions limit during this testing. Exhibit A details the company's forecast of expenses associated with this testing.

CAMR Subsumed into MATS Program

13. As part of Tampa Electric's request for a comprehensive MATS program, the company is requesting the existing CAMR program be subsumed into the overall MATS program. This will better facilitate the execution of all MATS compliance activity as well as create a central collection point for all costs associated with the MATS program.

General ECRC Matters

14. Total expenditures for the MATS program are provided in Exhibit A and include the previously approved costs associated with the existing CAMR program.

15. The Commission's policy for initial cost recovery approval of an ECRC eligible project is set forth in Order No. PSC-94-0044-FOF-EI issued January 12, 1994 in Docket No. 930613-EI, In re: Gulf Power Company, (the Gulf Order) as follows:

> Upon petition, we shall allow the recovery of costs associated with an environmental compliance activity through the environmental cost recovery factor if:
>
> 1. such costs were prudently incurred after April 13, 1993;

> 2. the activity is 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,
>
> 3. such costs are not recovered through some other cost recovery mechanism or through base rates.

16. The Commission has interpreted the Gulf Order criteria to require that projects eligible for ECRC cost recovery must be required to comply with, or remain in compliance with, a governmentally imposed environmental regulation. (See, e.g., Order No. PSC-11-0080-PAA-EI, issued January 31, 2011 in Docket No. 100404-EI).

17. Tampa Electric will not be able to continue operating Big Bend Units 1 and 2 and demonstrate compliance consistent with the new MATS rule without installing a PM CEMS unit with supporting portals on its common stack serving Big Bend Units 1 and 2 and performing the above outlined modifications on the towers serving all units.

18. The new MATS program merits cost recovery under the Gulf Order criteria. All costs associated with the project will be prudently incurred after April 13, 1993. In addition, the continuation of the CAMR program, the installation of the PM CEMS unit with portals, the modifications to the Big Bend FGD systems and the LEE status testing on Polk Unit 1 are required in order for Tampa Electric to meet the requirements of the new MATS rule and that need has been triggered after the company's last test year upon which rates are currently based. Finally, the costs of the proposed new components of the overall proposed MATS program are not recovered through some other cost recovery mechanism or through base rates.

19. Collection of 2013 projected expenditures for the CAMR program is included in the ECRC factors for 2013. Tampa Electric expects to begin incurring costs associated with the other components of the proposed MATS program in 2012. These costs will be included in Tampa Electric's 2012 ECRC True-up, which is filed in April 2013. The company will include

program costs projected for 2013 and beyond in the appropriate projection filings. All of this would be subject to audit by the Commission.

20. The proposed installation of the components of the MATS program is a compliance activity associated with the requirements of the CAA; therefore, expenditures should be allocated to rate classes on an energy basis.

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

WHEREFORE, Tampa Electric Company respectfully requests the Commission to approve the company's proposed MATS program for Big Bend and Polk Stations and the company's recovery of the capital and O&M expenditures of this project through the ECRC as discussed above.

DATED this 30th day of November, 2012.

Respectfully submitted,

/s/ James D. Beasley

JAMES D. BEASLEY
J. JEFFRY WAHLEN
Ausley & McMullen
Post Office Box 391
Tallahassee, FL 32302
(850) 224-9115

ATTORNEYS FOR TAMPA ELECTRIC COMPANY

EXHIBIT "A"

MATS PROJECT COSTS

MATS CAPITAL EXPENDITURES

	CAMR		MATS Non-mercury		Acid Gas	
	Big Bend	*Polk*	*Big Bend*	*Polk*	*Big Bend*	*Polk*
2012	$0	$0	$0	$0	$1,550,000	$0
2013	$150,000	$30,000	$620,000	$0	$430,900	$0
2014	$0	$0	$0	$0	$5,850,000	$0
2015	$90,000	$30,000	$0	$0	$5,634,620	$0

MATS O&M EXPENSES**

	CAMR		MATS Non-mercury		Acid Gas	
	Big Bend	*Polk*	*Big Bend*	*Polk*	*Big Bend*	*Polk*
2013*	$47,250	$15,750	$86,000	$0	$0	$0
2014	$48,290	$16,097	$72,000	$40,000	$40,000	$40,000
2015	$49,352	$16,451	$73,584	$40,880	$212,500	$40,880

Total Capital Expenditures	***$14,385,520***
Total O&M Expenses	***$839,032***
Subtotal Capital & O&M	**$15,224,552**
MATS Engineering Study Cost	**$200,000**
Total Project Cost	**$15,424,552**

*2013 costs for CAMR include $20,000 filed in Tampa Electric's 2013 ECRC Projection Filing in Docket No. 120007-EI.

**These O&M expenses represent costs that will occur during the construction phase of the project.
Subsequent annual O&M expenses will occur at the 2015 level, escalated annually.

TAMPA ELECTRIC COMPANY
MERCURY AND AIR TOXICS STANDARDS
EXHIBIT A
FILED: NOVEMBER 30, 2012