

In re: Petition for approval of  
new environmental program for  
cost recovery through  
environmental cost recovery  
clause by Tampa Electric  
Company.

DOCKET NO. 020726-EI  
ORDER NO. PSC-02-1445-PAA-EI  
ISSUED: October 21, 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

NOTICE OF PROPOSED AGENCY ACTION  
ORDER GRANTING PETITION FOR COST RECOVERY THROUGH THE  
ENVIRONMENTAL COST RECOVERY CLAUSE

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service  
Commission that the action discussed herein is preliminary in  
nature and will become final unless a person whose interests are  
substantially affected files a petition for a formal proceeding,  
pursuant to Rule 25-22.029, Florida Administrative Code.

On July 15, 2002, Tampa Electric Company ("TECO" or "Company")  
petitioned for approval of the Company's Nitrogen Oxides (Nox)  
Emissions Reduction Program (Polk NOx Program) for the Polk Power  
Station Integrated Gasification Combined Cycle Unit (Polk Unit 1)  
as a new activity for cost recovery through the Environmental Cost  
Recovery Clause ("statute" or "ECRC"). The Polk NOx Program  
consists of improvements to the existing facilities at Polk Unit 1  
and ongoing maintenance expenses of the facility improvements.

Section 366.8255, Florida Statutes, the ECRC, gives us the  
authority to review and decide whether a utility's proposed  
environmental compliance costs are recoverable through the ECRC

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factor. Electric utilities may petition to recover projected environmental compliance costs required by environmental laws or regulations. See Section 366.8255(2), Florida Statutes. Environmental laws or regulations include "all federal, state or local statutes, administrative regulations, orders, ordinances, resolutions or other requirements that apply to electric utilities and are designed to protect the environment." Section 366.8255(1)(c), Florida Statutes. If the utility's petition for cost recovery through this clause is approved, only prudently incurred costs shall be recovered. See Section 366.8255(2) Florida Statutes.

The proposed Polk NOx Program complies with the requirements of the Florida Department of Environmental Protection (DEP) Permit No. PSD-FL-194F, Specific Condition 2.H for Polk Unit 1. The prior permit required TECO, at Polk Unit 1, to comply with a 25 parts per million (ppm) NOx emission rate on a 30 day rolling average. TECO initiated permit renewal in November 2000 prior to the expiration of the prior permit. The ensuing dialog between TECO and the DEP centered on whether or not TECO should be required to install selective catalytic reduction (SCR) technology and achieve a five ppm NOx emission rate limit.

In a January 30, 2002, letter to the DEP, TECO presented the specific activities identified in this ECRC petition as its preferred alternative to maintain fuel flexibility at Polk Unit 1, achieve a 15 ppm emission rate limit, and avoiding costly SCR expenses. In February 2002, the DEP issued the new Polk Unit 1 permit requiring TECO to achieve a 15 ppm NOx emissions limit on a 30 day rolling average beginning July 1, 2003.

The proposed Polk NOx Program will result in capitalized expenses projected to be \$2,478,000 (system). The proposed Polk NOx Program will also have annual O&M expenses of approximately \$150,000 (system). TECO informed Commission staff that the O&M costs would be incurred for subcontractors to perform tests, inspections and equipment maintenance. After learning from subcontractors what this additional work consists of, TECO may decide that it may be able to do the work with its own employees without subcontractors. If so, TECO states it will not seek cost recovery through the clause. The projected capitalized system costs include: 1) addition of a syngas saturator (\$1,630,000); 2)

installing guide vanes to the main air compressor and associated piping (\$704,000); and, 3) modifications of the nitrogen supply to the turbine (\$144,000). TECO began implementing the Polk NOx Program in July 2002. To the extent possible, TECO will bid for services and equipment necessary to complete the project. The estimated Polk NOx Program in-service date is June 2003.

We find that TECO's proposal satisfies the requirements of Section 366.8255, Florida Statutes. Consequently, the prudently incurred costs that are not already being recovered though another cost recovery mechanism qualify for recovery through the ECRC.

Based on TECO's actions taken to date, it appears that TECO has been prudent with respect to relying on competitive bidding for necessary facilities and services to implement the Polk NOx Program. We will continue to monitor and evaluate the prudence of the activity in the annual ECRC dockets as TECO's actual costs and as other relevant information becomes available. The recoverable amount for 2002 and 2003 will be further examined in Docket No. 020007-EI. The actual expenses will be addressed in the appropriate true-up cycle and be subject to audit.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Tampa Electric Company's Petition for cost recovery, through the environmental cost recovery clause, for reduction of nitrogen oxide emissions at Polk Unit 1 is granted. It is further

ORDERED that if Tampa Electric Company uses its own employees to perform tests, inspections and equipment maintenance, then the costs of that work shall not be passed through the environmental cost recovery clause. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth

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in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 21st day of October, 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 )

MKS

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 that is available under Section 120.57, 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 will be granted or result in the relief sought.

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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.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on November 11, 2002.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.