

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-03-0262-PAA-EI  
ISSUED: February 24, 2003

The following Commissioners participated in the disposition of  
this matter:

LILA A. JABER, Chairman  
J. TERRY DEASON  
BRAULIO L. BAEZ  
RUDOLPH "RUDY" BRADLEY  
CHARLES M. DAVIDSON

NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING RECOVERY SCHEDULE FOR GANNON UNITS 1 AND 2

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 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  
"the company") alleging TECO violated the Prevention of Significant  
Deterioration ("PSD") requirements of 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.

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

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 on 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 No. PSC-00-0603-PAA-EI, issued March 29, 2000, in Docket No. 990529-EI, and Order No. PSC-00-0817-PAA-EI, issued April 25, 2000, in Docket No. 992014-EI, this Commission revised TECO's depreciation rates, recovery schedules, and provision for dismantlement. The rates and recovery schedule we 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, in Docket No. 000686-EI, we approved revised depreciation rates and a revised recovery schedule for the Gannon Station. The revisions were necessitated by changes in TECO's planning to repower Units 5 and 6 rather than Units 3, 4, and 5. As a result, the recovery schedule we approved in Order Nos. PSC-00-0603-PAA-EI and PSC-00-0817-PAA-EI was revised to reflect the additional net investment associated with the Unit 6 assets subject to retirement by December 31, 2004.

On June 25, 2002, TECO filed a petition for a recovery schedule for Gannon Units 1 and 2. This petition reflects new engineering analyses by TECO which determined that Gannon Units 1 and 2 are not economically viable for natural gas repowering. Current plans are to retire these two units by December 31, 2004, coinciding with the date that coal will no longer be burned at the Gannon Station, as provided in the Consent Decree agreement with the EPA. To ensure that the company's Ten-Year Site Plan and its books and records accurately reflect operating conditions and generation planning considerations, TECO has requested that these two units be placed on a recovery schedule.

TECO requested preliminary implementation of its proposed recovery schedule as of January 1, 2002, in accordance with Rule 25-6.0436(5), Florida Administrative Code. By Order No. PSC-02-1236-PCO-EI, issued September 9, 2002, in this docket, we approved TECO's request for preliminary implementation, subject to true-up upon completion of our full review. We have completed our full review of TECO's petition and find that the recovery schedule we approved for preliminary implementation in Order No. PSC-02-1236-PCO-EI is the appropriate recovery schedule for Gannon Units 1 and 2. Accordingly, no true-up is required.

We recognize that TECO's current accumulated dismantlement provision for these units exceeds estimated dismantlement cost estimates by more than \$2 million. However, we believe that this matter can be sufficiently addressed in our upcoming review of TECO's comprehensive depreciation and dismantlement studies, which are due to be filed no later than April 28, 2003, pursuant to Rule 25-6.0436, Florida Administrative Code, which requires investor-owned utilities to file comprehensive depreciation studies at least once every four years.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Tampa Electric Company's petition for approval of a recovery schedule for its Gannon Units 1 and 2 is granted. It is further

ORDERED that the recovery schedule approved for Gannon Units 1 and 2 for preliminary implementation, as set forth in Order No.

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PSC-02-1236-PCO-EI, issued September 9, 2002, is the appropriate recovery schedule for those units. 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 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 24th day of February, 2003.

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 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.

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 March 17, 2003.

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.