

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of
new environmental program for
cost recovery through
Environmental Cost Recovery
Clause, by Tampa Electric
Company.

DOCKET NO. 021255-EI
ORDER NO. PSC-03-0469-PAA-EI
ISSUED: April 4, 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 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 December 20, 2002, Tampa Electric Company ("TECO") filed a Petition for Approval of a New Program for Cost Recovery Through the Environmental Cost Recovery Clause. The Petition seeks approval for consumables needed for selective catalytic reduction ("SCR") at the repowered Gannon Generation Station, which will be renamed the Bayside Generating Station. TECO requires the consumables to comply with settlement agreements entered into with regulatory agencies. This Order grants the Petition.

On December 16, 1999, TECO and the Florida Department of Environmental Protection ("DEP") entered into a Consent Final Judgement ("CFJ") resolving an alleged violation of the Clean Air

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TECO COMMISSION CLERK

Act. On February 29, 2000, the United States Environmental Protection Agency ("EPA") initiated a Consent Decree with TECO which settled similar alleged violations of the Clean Air Act. Both the CFJ and the Consent Decree require TECO to replace the direct coal fired technology at the Gannon Station with natural gas fired combined cycle technology. Section V.B. of the CFJ and Paragraph 26 of the Consent Decree direct TECO to achieve emissions of 3.5 ppm for oxides of nitrogen ("NO_x") from the repowered Gannon Generation station. We have jurisdiction pursuant to Section 366.8255, Florida Statutes.

Section 366.8255, Florida Statutes, the ECRC, gives the Commission the authority to review and decide whether a utility's environmental compliance costs are recoverable through an environmental cost recovery factor. Electric utilities may petition the Commission to recover project environmental compliance costs required by environmental laws or regulations. 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). The CFJ and Consent Decree qualify as orders. If the Commission approves the utility's petition for cost recovery through this clause, only prudently incurred costs shall be recovered. Section 366.8255(2), Florida Statutes.

The Bayside SCR Consumables activity is part of the SCR technology being installed at the Bayside Station to reduce air emissions of NO_x. The requirement to control NO_x emission appears in the air permit issued by the DEP for the Bayside Generating Station. In conditions No. 8, 14, and 22 of Air Permit No. PSD-FL-301A, the DEP establishes that SCR will be installed and that SCR consumables, such as ammonia, will be used to achieve the permitted NO_x emission rate of 3.5 ppm. TECO asserts that the Air Permit for Bayside was developed through consultation with the EPA and DEP to assure compliance with the Consent Decree and the CFJ. There is no other viable alternative that would achieve compliance with the applicable environmental requirements.

TECO requests that the cost of SCR consumables be approved for the life of the facility. The projected ammonia expenses for 2003

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are \$72,000 and will increase to \$252,000 as the Bayside Station becomes fully operational. The first full year of operation will be 2005. The estimated ammonia expenses are based on current ammonia market prices.

We find that TECO's Bayside SCR Consumables activity satisfies the requirements of Section 366.8255, Florida Statutes, and qualifies for recovery through the ECRC. The Consent Decree and Consent Final Judgement satisfy the definition of environmental law or regulation in Section 366.8255(1), Florida Statutes. The actual expenditures will be addressed in the up-coming ECRC true-up cycle and will be subject to audit. Issues that will determine the specific amount recoverable through the ECRC, such as whether specific costs were prudently incurred and whether they have already been recovered in other mechanisms, will be further examined and resolved in Docket 030007-EI. TECO is not requesting a change in the ECRC factors that have been approved for 2003. Based on the information currently available, it appears that there is no potential for a significant rate impact. Therefore, the review of TECO's expenses shall be addressed at the November 2003 ECRC hearing.

Based on the foregoing, it is

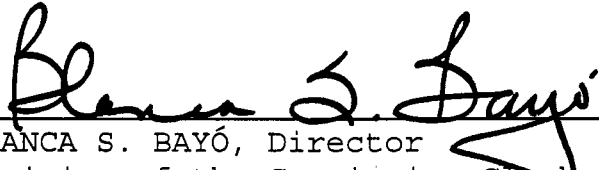
ORDERED by the Florida Public Service Commission that the Petition of Tampa Electric Company for cost recovery through the Environmental Cost Recovery Clause shall be granted. It is further

ORDERED that Tampa Electric Company shall seek true-up of expenses associated with this program through the ongoing, annual environmental cost recovery proceeding. It is further

ORDERED that this docket should be closed upon issuance of a Consummating Order unless a person whose substantial interests are affected by this decision files a protest with 21 days of the issuance of the proposed agency action.

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By ORDER of the Florida Public Service Commission this 4th Day
of April, 2003.



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

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

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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 April 25, 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.