

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition to determine need for Polk 2-5
combined cycle conversion, by Tampa Electric
Company.

DOCKET NO. 120234-EI
ORDER NO. PSC-13-0014-FOF-EI
ISSUED: January 8, 2013

The following Commissioners participated in the disposition of this matter:

RONALD A. BRISÉ, Chairman
LISA POLAK EDGAR
ART GRAHAM
EDUARDO E. BALBIS
JULIE I. BROWN

FINAL ORDER GRANTING DETERMINATION OF NEED
FOR POLK 2-5 COMBINED CYCLE CONVERSION

BY THE COMMISSION:

CASE BACKGROUND

On September 12, 2012, Tampa Electric Company (TECO or Company) filed a petition to determine need for Polk 2-5 combined cycle conversion and its associated facilities (Polk 2 to 5) pursuant to Sections 366.04 and 403.519, Florida Statutes (F.S.), and Rules 25-22.080, 25-22.081, 25-22.082, and 28-106.201, Florida Administrative Code (F.A.C.). TECO's proposal (Polk 2-5 or Project) consists of converting four existing combustion turbine generating units, Polk 2 through 5, at the Company's Polk Power Station into a modern natural-gas combined-cycle facility. The associated facilities of the Project include new and upgraded transmission facilities. The Project will allow the capability of generating an additional 459 megawatts (MW) of summer capacity.

On September 19, 2012, a Notice of Commencement of Proceedings was issued pursuant to Rule 25-22.080(3), F.A.C. An Order Establishing Procedure was issued on September 26, 2012. On November 14, 2012, DeSoto County Generating Company, LLC (DeSoto) filed a petition to intervene and its prehearing statement. DeSoto asserted in its prehearing statement that it was an unsuccessful bidder with TECO and that it was more cost-effective for TECO to purchase the DeSoto facility and delay TECO's proposed Polk 2-5 conversion from 2017 to 2018. DeSoto stated that it was capable of providing the required capacity to TECO from the year 2013 through 2017. DeSoto did not provide any witnesses or prefiled testimony in this docket.

On November 21, 2012, Order No. PSC-12-0627-PCO-EI granted DeSoto intervenor status in this docket. On November 27, 2012, the Office of Public Counsel (OPC) provided notice of its intervention in the docket and filed its prehearing statement. OPC did not have a

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basic position, but stated that it was supportive of the most cost-effective alternative. A prehearing conference was held on November 27, 2012. On December 5, 2012, the intervention of OPC was acknowledged in Order No. PSC-12-0642-PHO-EI.

A formal administrative hearing was held on December 12, 2012, and after the parties waived their rights to file post-hearing briefs, this Commission issued its decision at the conclusion of the hearing.

ISSUES PRESENTED

Pursuant to Section 403.519(3), F.S., we are the sole forum for the determination of need for an electrical power plant. In making our determination, we must consider the need for electric system reliability and integrity, the need for adequate electricity at a reasonable cost, the need for fuel diversity and supply reliability, whether the proposed plant is the most cost-effective alternative available, and whether renewable energy sources and technologies, as well as conservation measures, are utilized to the extent reasonably available. Based on the plain reading of the statute, a utility need not prevail on every consideration in order for us to determine that there is a need for a proposed electrical power plant.

After considering the evidentiary record, including witnesses' testimony and the positions of all the parties, we ruled on the following issues at the conclusion of the hearing.

A. Electric system reliability and integrity

We find that there is a need for Polk 2-5 as proposed by TECO to maintain electric system reliability and integrity as this criterion is used in Section 403.519(3), F.S. For planning purposes, TECO utilizes a 20 percent firm reserve margin reliability criteria above the system firm peak demand. After taking into account load growth, existing power plant unit capacity, firm purchased power agreements, and demand-side management (DSM), TECO's summer reserve margin is projected to fall below 20 percent in 2017. By providing up to approximately 459 MW of additional capacity, Polk 2-5 will help TECO meet its needs for additional capacity beginning in 2017.

B. Renewable energy and conservation

We find that there are no renewable energy resources or conservation measures taken by or reasonably available to TECO, which might mitigate Polk 2-5. TECO's initial supply-side resource screening process included several renewable technologies including wind, solar, and biomass. Ultimately, through its evaluation process, TECO identified Polk 2-5 as the best option to meet its customers' needs.

TECO additionally included in its analysis Commission-approved renewable DSM programs as well as all conservation programs currently approved by this Commission. Even when

the demand reduction from DSM programs is considered, we find that Polk 2-5 is needed to serve the needs of TECO's customers beginning in 2017.

C. Adequate electricity at a reasonable cost

We find that Polk 2-5, as proposed, is needed to ensure an adequate supply of electricity at a reasonable cost, as this criterion is used in Section 403.519(3), F.S. Polk 2-5 will utilize a proven technology that will enable TECO to meet the projected demand and energy requirements of its customers at a cost less than any available alternative. We find that savings will be achieved primarily because Polk 2-5 will take advantage of waste heat from the operation of existing combustion turbines at Polk Power Station to generate incremental power.

D. Fuel diversity and supply reliability

We find that there is a need for Polk 2-5, taking into account the need for fuel diversity and supply reliability, as this criterion is used in Section 403.519, F.S. Polk 2-5 will generate up to 352 MW of electric power without any additional fuel input thus increasing the efficiency of the existing units. Fuel diversity and supply reliability will also be improved by creating additional output from dual fueled units (Polk Units 2 and 3). Additionally, the Project is being designed with the ability to incorporate approximately 30 MW of solar energy in the form of steam from solar thermal collectors.

E. Cost-effectiveness

We find that Polk 2-5 is the most cost-effective alternative available as this criterion is used in Section 403.519(3), F.S. TECO evaluated Polk 2-5 against several alternative technologies to ensure that the proposed project was TECO's most cost-effective option for its customers. TECO's evaluation process considered a number of alternative scenarios (sensitivities) related to fuel pricing, load growth, and capital costs. Next, the company issued a request for proposals where various offers for the needed capacities were received and evaluated against Polk 2-5. These proposals were then evaluated based on technical and economic factors. The results of TECO's economic analyses demonstrate that Polk 2-5 would produce a net present value savings of at least \$75.4 million when compared to the next most cost-effective alternative, which was the purchase of the DeSoto facility.

F. Determination of Need

Based on the foregoing, we have determined that there is a need for TECO's Polk 2-5 conversion cycle conversion and its associated facilities as proposed. The conversion is needed to maintain electric system reliability and integrity. It incorporates the necessary renewable energy and conservation factors. It satisfies the requirement of ensuring an adequate supply of electricity at

a reasonable cost, and it is the most cost-effective means of providing fuel diversity and supply reliability. Therefore, we find it appropriate to grant TECO's petition to determine need for Polk 2-5 combined cycle conversion and its associated facilities.

DECISION

After careful consideration of the evidentiary record, including the testimony of the witnesses and the positions of the parties, we find that there is a need for the proposed Polk 2-5 combined cycle conversion and its associated facilities as proposed by TECO. Therefore, we hereby grant TECO's petition to determine the need for the Polk 2-5 combined cycle conversion and its associated facilities.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Tampa Electric Company's September 12, 2012, petition to determine need for Polk 2-5 combined cycle conversion and its associated facilities, is hereby granted as set forth in the body of this Order. It is further

ORDERED that the docket shall be closed.

By ORDER of the Florida Public Service Commission this 8th day of January, 2013.



ANN COLE
Commission Clerk
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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

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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 or judicial review of Commission orders that is available under Sections 120.57 or 120.68, 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 or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Office of Commission Clerk, and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.