

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. 150223-EI
ORDER NO. PSC-16-0068-PAA-EI
ISSUED: February 9, 2016

The following Commissioners participated in the disposition of this matter:

JULIE I. BROWN, Chairman
LISA POLAK EDGAR
ART GRAHAM
RONALD A. BRISÉ
JIMMY PATRONIS

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING NEW ENVIRONMENTAL PROGRAM FOR COST RECOVERY
THROUGH 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 (F.A.C.).

I. Background

On October 15, 2015, Tampa Electric Company (TECO or Company) filed a petition for our approval of its proposed Coal Combustion Residuals Compliance Program (CCR Compliance Program) for cost recovery through the Environmental Cost Recovery Clause (ECRC).

On April 17, 2015, the United States Environmental Protection Agency (EPA) published its Coal Combustion Residuals Rule (CCR Rule)¹, which establishes the minimum criteria for the safe disposal of CCR generated from the combustion of coal at electric utilities and independent power producers. The CCR Rule applies to new and existing active landfills and surface impoundments that are used by electric utilities for the purpose of solid waste management of CCR, including CCR units located off the site of the power plant and certain inactive CCR impoundments. Inactive impoundments are those that no longer receive CCR on or after

¹ 40 C.F.R. pts. 257 and 261 (2015).

October 19, 2015. The CCR Rule is self-implementing and became effective October 19, 2015. According to TECO's petition, its CCR Compliance Program was developed in response to and legally required by the CCR Rule.

Section 366.8255, Florida Statutes (F.S.), authorizes the recovery of prudently incurred environmental compliance costs through the environmental cost recovery factor. The method for cost recovery of such costs was first established by Order No. PSC-94-0044-FOF-EI issued on January 12, 1994.² We have jurisdiction over this matter pursuant to Section 366.8255, F.S.

II. Discussion

The EPA's CCR Rule sets forth the minimum criteria for the safe disposal of CCR in landfills and surface impoundments at sites where electric utilities use the combustion of coal as an energy source to fuel a steam generating unit, such as TECO's Big Bend Station.

TECO's CCR Compliance Program is substantially similar to plans for compliance with the CCR Rule approved for Florida Power & Light, Duke Energy Florida, and Gulf Power in the 2015 ECRC proceedings.³ TECO's CCR Compliance Program projects include groundwater monitoring, increased inspections, evaluations of impoundments and potential liner installations, enhancements of existing CCR units, and potential construction of additional CCR units. TECO's CCR Compliance Program includes capital expenditures beginning in 2016, and continuing in 2017. TECO has not yet determined whether additional capital expenses will be incurred in 2018. Operating and maintenance (O&M) expenses associated with CCR Rule compliance began in 2015 and will continue throughout the life of Big Bend Station. The estimated amounts for capital expenditures and O&M expenses for the period from October 15, 2015, through 2018 are shown in Table 1-1 below.

Table 1-1: Estimated Expenditures for CCR Rule Compliance

	Capital (\$)	O&M (\$)
2015	0	75,000
2016	700,000	2,000,000
2017	1,800,000	850,000
2018	TBD	500,000
Totals	2,500,000	3,425,000

² Order No. PSC-94-0044-FOF-EI, issued January 12, 1994, in Docket No. 930613-EI, *In re: Petition to establish an environmental cost recovery clause pursuant to Section 366.0825, Florida Statutes by Gulf Power Company.*

³ See Order No. PSC-15-0536-FOF-EI, issued November 19, 2015, in Docket No. 150007-EI.

The costs in Table 1-1 were developed by TECO based on previous experience with similar work performed at Big Bend Station, discussions with professionals knowledgeable in these areas, and from guidance obtained from the CCR Rule itself. These costs are consistent with the costs approved in the 2015 ECRC for the other Florida investor-owned utilities (IOUs).⁴ We note that TECO's estimates may be adjusted in future filings based on its receipt of detailed engineering and construction bids for planned work, and that estimates for future projects will be submitted as available in annual ECRC proceedings. Table 1-2 below, shows the estimated residential customer bill impacts resulting from the anticipated compliance activities associated with the CCR Rule.

Table 1-2: Estimated Residential Customer Bill Impacts

	\$/1,000 kWh	\$/1,200 kWh
2016	0	0
2017	0.0260	0.0312
2018	0.0337	0.0405

III. Decision

The criteria for ECRC recovery relevant to this docket, established by Order No., PSC-94-0044-FOF-EI, are:

- (1) The activities are 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
- (2) None of the expenditures are being recovered through some other cost recovery mechanism or through base rates.

The activities proposed in TECO's petition meet these criteria. Upon review, we find the proposed CCR Compliance Program is necessary for compliance with the EPA's CCR Rule. The CCR Compliance Program includes projects that would not be necessary but for TECO's obligation to comply with a government-imposed environmental regulation. Further, the need for these compliance activities was triggered after TECO's last test year upon which TECO's rates are currently based. The costs of the CCR Compliance Program are not currently being recovered through some other cost recovery mechanism or through base rates.

Therefore, we approve TECO's CCR Compliance Program for cost recovery through the ECRC. The capital costs associated with the CCR Compliance Program will be allocated to rate classes on a demand basis and the O&M costs will be allocated on an energy basis. We note that

⁴ Docket No. 150007-EI, Environmental Cost Recovery Clause, Hearing EXH 29; EXH 34; EXH 42.

the reasonableness and prudence of individual expenditures related to TECO's CCR Compliance Program will continue to be subject to the Commission's review in future ECRC proceedings.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Tampa Electric Company's Coal Combustion Residuals Compliance Program is hereby approved for cost recovery through the Environmental Cost Recovery Clause as set forth in the body of this Order. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final upon 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 Office of Commission Clerk, 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 9th day of February, 2016.



HONG WANG
Chief Deputy Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

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

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 Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on March 1, 2016.

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.