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October 2, 1998

ORIGINAL

BY HAND DELIVERY

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

10-2-98
10:00 AM

Re: Petition by Tampa Electric Company for Approval of Cost Recovery For a new Environmental Program, the Big Bend Units 1 and 2 Plus Gas Desulfurization System, Docket No. 980693-EJ

Dear Ms. Bayo:

Enclosed for filing in the above docket are the original and fifteen (15) copies of each of the following:

- (1) Tampa Electric Company's Post-Hearing Statement of Issues and Positions
- (2) Tampa Electric Company's Post-Hearing Brief

Also enclosed are diskettes containing the above referenced documents originally typed in Microsoft Word 97 format which has been saved in Rich Text format for use with WordPerfect.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning the same to this writer.

Thank you for your assistance in this matter.

Sincerely,

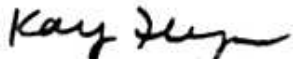

James D. Beasley

Fee

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Enclosures

cc All Parties of Record (w/encls.)



PH Statement
DOCUMENT NUMBER DATE
10859 OCT-2 88

Brief
DOCUMENT NUMBER DATE
10860 OCT-2 88

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Tampa Electric)
Company for Approval of Cost Recovery)
for a new Environmental Program, the)
Big Bend Units 1 and 2 Flue Gas)
Desulfurization System.)

DOCKET NO. 980693-EI
FILED: October 2, 1998

**TAMPA ELECTRIC COMPANY'S
POST-HEARING STATEMENT OF ISSUES AND POSITIONS**

Tampa Electric Company ("Tampa Electric" or "the company"), pursuant to the Prehearing Order issued in this docket on August 28, 1998, submits the following as its Post-Hearing Statement of Issues and Positions:

Basic Position

Tampa Electric has a definitive obligation to comply with the legal requirements of Phase II of the Clean Air Act Amendments of 1990 (CAAA) which prescribe certain SO₂ emission limitations for Tampa Electric's generation system beginning January 1, 2000. After an exhaustive review of available compliance alternatives, the most cost-effective compliance alternative is the construction of a \$90 million FGD system on Big Bend Units 1 and 2. Tampa Electric's cost-effectiveness study shows a system present worth revenue requirement savings for the FGD option of \$18 million over the first 10 years, \$80 million over the first 20 years and \$96 million over the first 25 years.

It is critical that the Commission now confirm that, on the basis of circumstances at the time the decision to build the FGD system is made, the FGD project is a reasonable compliance option, that it is a project which qualifies for environmental cost recovery, and that the prudent and

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FILED IN PREHEARING

reasonable costs associated with implementing the project will be recoverable through the Environmental Cost Recovery Clause (ECRC) mechanism.

Consistent with the Guidelines in Order No. PSC-94-0044-FOF-EI, the FGD system related costs (a) will be incurred after April 13, 1993; (b) will be incurred on the basis of the legal requirement of the CAAA; and (c) are not currently being recovered through base rates or any other cost recovery mechanism. Accordingly, under the principles applied by this Commission for recovery under the ECRC, the proposed FGD system is clearly eligible for recovery under that mechanism. The investment in equipment such as an FGD system, which has the sole purpose of complying with environmental law in the most cost-effective way, is precisely the type of cost which the ECRC was designed by the Legislature to cover.

The Commission has encouraged the parties to come in early for determinations involving capital expenditures for environmental cost recovery so that timely guidance can be provided by the Commission with respect to that investment. Consequently, the Commission should find that the FGD project is the most cost-effective alternative and is eligible for ECRC recovery at the earliest possible time so that all parties may plan accordingly.

The Commission should also approve Tampa Electric's tracking and accumulation of project costs in AFUDC until the FGD system goes into service. Prior to seeking the actual recovery of costs associated with this project, Tampa Electric will file additional supporting testimony and exhibits for consideration at the hearing in which the ECRC factors will be set for the cost recovery period when the FGD system will be placed in service.

Issues and Positions

Issue 1: **Has Tampa Electric Company (TECO) adequately explored alternatives to the construction of a Flue Gas Desulfurization (FGD) system on Big Bend Units 1 and 2?**

TECO: *Yes. Tampa Electric has carefully and prudently explored all reasonable alternatives to the construction of its proposed FGD system for Big Bend Units 1 and 2. The alternatives included build and non-build options. The proposed FGD system was clearly the most viable and cost-effective alternative.*

Issue 2: **Is the fuel price forecast used by TECO in its selection of a CAAA Phase II Compliance plan reasonable?**

TECO: *Yes. The company's fuel price forecast is based on a thorough and continuing analysis of numerous fuel price information resources, input from various consultants, actual buying experience and continuous monitoring of all fuel prices on a regular basis.*

Issue 3: **Are the economic and financial assumptions used by TECO in its selection of a CAAA Phase II Compliance reasonable?**

TECO: *Yes. The economic and financial assumptions Tampa Electric used are both viable and reasonable and are consistent with other business planning activities, including the development of the company's 10-Year Site Plan. The company adopted conservative assumptions and tested the sensitivity of key assumptions.*

Issue 4: **Did TECO reasonably consider the environmental compliance costs for all regulated air, water and land pollutants in its selection of the proposed FGD system on Big Bend Units 1 and 2 for sulfur dioxide (SO₂) compliance purposes?**

TECO: *Yes. The record reflects the company's careful determination to comply with all environmental limitations in the most cost-effective way possible.*

Issue 5: **Has TECO demonstrated that its proposed FGD system on Big Bend Units 1 and 2 for SO₂ compliance purposes is the most cost-effective alternative available?**

TECO: *Yes. Tampa Electric has demonstrated that its proposed FGD system will provide the greatest savings to ratepayers of all available alternatives, on a cumulative present worth revenue requirement basis, and will provide nearly twice the expected savings of the next most economical option.*

Issue 6: Should the Commission approve TECO's request to accrue allowance for funds used during construction (AFUDC) for the proposed FGD system on Big Bend Units 1 and 2?

TECO: *Yes. The Commission should authorize Tampa Electric to accrue AFUDC, for eventual recovery through the ECRC for the entire FGD Project because this decision will further the environmental policies of this state, best match customer savings with cost and prevent under recovery of expenditures required by law for a project clearly demonstrated to be the least cost option. *

Issue 7: Should TECO's petition for cost recovery of a FGD system on Big Bend Units 1 and 2 through the Environmental Cost Recovery Clause (ECRC) be granted?

TECO: *Yes. The proposed project is the most cost-effective alternative for meeting CAAA Phase II limitations and meets the Commission's established three-pronged test for cost recovery. The Commission should approve the reasonableness and prudence of the project and confirm that prudently incurred costs will be eligible for ECRC cost recovery. *

Issue 8: Should this docket be closed?

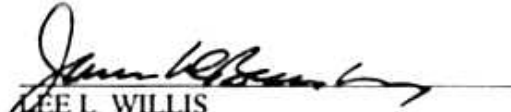
TECO: *Upon final disposition of the foregoing issues, this docket should be closed. *

DATED this 2nd day of October, 1998.

Respectfully submitted,

HARRY W. LONG, JR.
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and


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ATTORNEYS FOR TAMPA ELECTRIC COMPANY

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing Post-Hearing Statement, filed on behalf of Tampa Electric Company, has been furnished by hand delivery (*) or U. S. Mail on this 2nd day of October 1998 to the following:

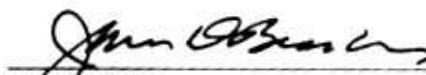
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