

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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RECORDS AND REPORTING

DATE: MARCH 23, 2000

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF ELECTRIC AND GAS (BREMANN) *ca*  
DIVISION OF AUDITING AND FINANCIAL ANALYSIS (LEE) *LEE*  
DIVISION OF LEGAL SERVICES (ELIAS) *RUE* *JGJ*

RE: DOCKET NO. 992014-EI - TAMPA ELECTRIC COMPANY'S PETITION FOR APPROVAL OF ITS PLAN TO BRING ITS GENERATING UNITS INTO COMPLIANCE WITH THE CLEAN AIR ACT.  
DOCKET NO. 990529-EI - PETITION FOR 1999 DEPRECIATION STUDY BY TAMPA ELECTRIC COMPANY

AGENDA: 04/04/00 - REGULAR AGENDA - PROPOSED AGENCY ACTION (ISSUES 3 AND 4 ONLY) - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\EAG\WP\992014.RCM  
R:\PSC\123\gannon10.123

CASE BACKGROUND

The United States Department of Justice, on behalf of the United States Environmental Protection Agency (EPA), filed a suit against Tampa Electric Company (TECO), November 3, 1999, alleging TECO violated the Prevention of Significant Deterioration (PSD) requirements at Part C of the Clean Air Act, 42 U.S.C. §§ 7470-7492. (Civil Action No. 99-2524 CIV-T-23F)

The Florida Department of Environmental Protection (DEP) which has a State Implementation Plan in place with the EPA and administers the Clean Air Act on behalf of the EPA in Florida, negotiated with TECO to settle the case. Pursuant to those efforts, DEP filed a lawsuit against TECO on December 7, 1999, for

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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. The CFJ requires, among other things, that the Gannon coal-fired units to be repowered as natural gas combined cycle units by December 31, 2004, with necessary controls to achieve a NO<sub>x</sub> emission rate of 3.5 ppm. TECO's self build estimate is \$673 million for the repowering of Gannon Station. TECO will be changing the name of the repowered Gannon Station to the Bayside Station. The other requirements of the CFJ were estimated to cost \$327 million by the year 2010.

However, the EPA's lawsuit against TECO was not resolved. Notwithstanding the pending litigation with EPA, on December 23, 1999, TECO filed a Petition for Approval of its Plan to bring its generating units into Compliance with the Clean Air Act pursuant to Section 366.825, Florida Statutes, in Docket No. 992014-EI. TECO's Plan was the implementation of the CFJ entered into with the DEP.

In order to comply with the 180 day clock in Section 366.825, Florida Statutes, this matter is currently set for hearing May 30 through June 2, 2000.

On January 18, 2000, staff recommended that TECO issue a Request For Proposal (RFP) for the shutdown and/or repowering of the Gannon Station. The Commission declined to require TECO to issue an RFP for alternative providers for the energy and capacity it has proposed to self-generate at its Bayside Power Station. (Order PSC-00-0270-PCO-EI, issued February 8, 2000.)

At the February 29, 2000, Agenda, the Commission approved, on a preliminary basis, a capital recovery schedule, dismantlement accruals, and depreciation rates for the Gannon Station reflecting TECO's planned implementation of the CFJ. Implementation of these provisions was January 1, 2000, with a provision for a true-up of resulting expenses and subject rates after the decision in Docket No. 992014-EI.

TECO and the EPA reached preliminary agreement with respect to the federal enforcement actions on February 29, 2000. The proposed agreement (Consent Decree) was filed with the U.S. District Court in Tampa on February 29, 2000. The notice of lodging of the Consent Decree was published in the Federal Register on March 20, 2000, Volume 65, No.54.

On March 1, 2000, TECO filed a Voluntary Dismissal and Withdrawal of Petition in Docket No. 992014-EI.

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**DISCUSSION OF ISSUES**

**ISSUE 1:** Should TECO's Voluntary Dismissal and Withdrawal of Petition in Docket No. 992014-EI be acknowledged?

**RECOMMENDATION:** Yes.

**STAFF ANALYSIS:** The Commission has previously considered the issue of whether an entity initiating a proceeding can subsequently voluntarily dismiss the petition. By Order No. PSC-94-0310-FOF-EQ, issued March 17, 1994, in Docket No. 920977-EQ, the Commission recognized that a party may voluntarily withdraw an initiating petition. But for the fact that the Commission took official action in declining to require the issuance of a Request for Proposals (Order No. PSC-00-0270-PCO-EI), it would be appropriate to handle this matter administratively. There are no pending matters which require Commission action. Therefore, TECO's Voluntary Dismissal and Withdrawal of Petition should be acknowledged.

**ISSUE 2:** Should Docket No. 992014-EI be closed?

**RECOMMENDATION:** Yes.

**STAFF ANALYSIS:** With the voluntary dismissal of the petition by TECO, there are no pending matters which require Commission action. Therefore, the docket should be closed.

**ISSUE 3:** Should the capital recovery schedule, fossil dismantlement accruals, and depreciation rates addressing the repowering of the Gannon Station approved for preliminary implementation at the February 29, 2000, Agenda Conference in Docket No. 990529-EI be revised?

**RECOMMENDATION:** No. Staff recommends final approval of the recovery schedule, fossil dismantlement accruals, and depreciation rates as shown on Attachment A, pages 6-7, reflecting the Gannon Station repowering, effective January 1, 2000. However, if significant changes occur with the estimated retirements, TECO should petition the Commission for recovery revisions as necessary. (LEE)

**STAFF ANALYSIS:** The recovery schedule, fossil dismantlement accruals, and depreciation rates for the Gannon Station the Commission approved on a preliminary basis at the February 29, 2000 Agenda reflect TECO's planned implementation of the Consent Final Judgement (CFJ) between TECO and the Florida Department of Environmental Protection (DEP). Also approved was the provision for a true-up of the related expenses and subject rates after the Commission decision in Docket No. 992014-EI.

As discussed previously, the Consent Decree, when finalized, will supersede the CFJ. According to TECO, nothing in the Consent Decree changes its current estimates of investments now subject to retirement by December 31, 2004 at the Gannon Station. Staff therefore recommends final approval of the recovery schedule, dismantlement accruals, and depreciation rates addressing the repowering of the Gannon Station shown on Attachment A.

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**ISSUE 4:** Should Docket No. 990529-EI be closed?

**RECOMMENDATION:** If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order. (ELIAS)

**STAFF ANALYSIS:** At the conclusion of the protest period, if no protest is filed, this docket should be closed upon the issuance of a consummating order.

TAMPA ELECTRIC COMPANY  
 GANNON REPOWERING  
 EFFECTIVE JANUARY 1, 2000

ACCOUNT		PRELIMINARY APPROVED AND STAFF RECOMMENDED			
		AVERAGE REMAINING LIFE (YRS)	NET SALVAGE (%)	01/01/2000 RESERVE (%)	REMAINING LIFE RATE (%)
<b>GANNON STATION</b>					
	- Common -				
311500	Structures	39.0	(5.0)	26.63	2.0
312500	Boiler Plant	42.0	(5.0)	30.02	1.8
314500	Turbogenerators	41.0	(3.0)	16.15	2.1
315500	Acces. Electric Equipment	26.0	(5.0)	33.30	2.8
316500	Miscellaneous	13.0	(19.0)	59.51	4.6
	- Unit 1 -				
311510	Structures	7.2	(1.0)	84.75	2.3
312510	Boiler Plant				
314510	Turbogenerators	6.5	(1.0)	71.21	4.6
315510	Acces. Electric Equipment	5.8	(1.0)	77.65	4.0
316510	Miscellaneous	7.3	(1.0)	82.41	2.5
	- Unit 2 -				
311520	Structures	8.4	(1.0)	63.94	4.4
312520	Boiler Plant				
314520	Turbogenerators	7.6	(1.0)	71.05	3.9
315520	Acces. Electric Equipment	7.3	(1.0)	72.78	3.9
316520	Miscellaneous	6.6	(2.0)	85.07	2.6
	- Unit 3 -				
311530	Structures	37.0	(4.0)	48.57	1.5
312530	Boiler Plant				
314530	Turbogenerators	24.0	(6.0)	52.65	2.2
315530	Acces. Electric Equipment	16.6	(5.0)	60.97	2.7
316530	Miscellaneous	22.0	(8.0)	62.00	2.1
	- Unit 4 -				
311540	Structures	33.0	(8.0)	47.81	1.8
312540	Boiler Plant				
314540	Turbogenerators	22.0	(6.0)	56.57	2.2
315540	Acces. Electric Equipment	15.1	(3.0)	56.52	3.1
316540	Miscellaneous	41.0	(6.0)	23.31	2.0
	- Unit 5 -				
311550	Structures	40.0	(5.0)	22.42	2.1
312550	Boiler Plant	11.1	(32.0)	90.30	3.8
314550	Turbogenerators	28.0	(8.0)	40.38	2.4
315550	Acces. Electric Equipment	21.0	(5.0)	40.68	3.1
316550	Miscellaneous	30.0	(15.0)	36.72	2.6
	- Unit 6 -				
311560	Structures	17.1	(1.0)	58.21	2.5
312560	Boiler Plant	15.8	(5.0)	42.47	4.0
314560	Turbogenerators	16.6	(2.0)	44.14	3.5
315560	Acces. Electric Equipment	13.3	(3.0)	51.85	3.8
316560	Miscellaneous	16.9	(2.0)	28.82	4.3

TAMPA ELECTRIC COMPANY  
 GANNON REPOWERING  
 EFFECTIVE JANUARY 1, 2000

ACCOUNT		PRELIMINARY APPROVED AND STAFF RECOMMENDED			
		AVERAGE REMAINING LIFE (YRS)	NET SALVAGE (%)	01/01/2000 RESERVE (%)	REMAINING LIFE RATE (%)
<b>GANNON OBO</b>					
311700	- Common - Structures	45.0	(2.0)	29.21	1.6
312700	Boller Plant	42.0	(5.0)	25.96	1.9
311710	- Unit 1 - Structures	7.5	0.0	65.80	4.6
311720	- Unit 2 - Structures	8.5	0.0	62.94	4.4
311730	- Unit 3 - Structures	45.0	(2.0)	25.67	1.7
311740	- Unit 4 - Structures	44.0	(2.0)	27.19	1.7

	RECOVERY SCHEDULE			
	1/1/2000 INVESTMENT	1/1/2000 RESERVE	RECOVERY PERIOD	EXPENSES @
	(\$)	(\$)	(Yr.)	(\$)
Gannon Retiring Assets	287,686,788	221,428,929	5 Years	13,874,690

@ To assure full recovery of the net to retirement by year-end 2004, the recovery schedule expenses for each month should be obtained by dividing the net plant for the month by the months remaining in the amortization period.

FOSSIL DISMANTLEMENT	PRELIMINARY APPROVED AND STAFF RECOMMENDED
	(\$)
Gannon Common	143,974
Gannon Unit 1	78,866
Gannon Unit 2	69,065
Gannon Unit 3	87,701
Gannon Unit 4	99,781
Gannon Unit 5	108,149
Gannon Unit 6	123,781
<b>TOTAL</b>	<b>711,297</b>