

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Revised depreciation  
study for Gannon Station by  
Tampa Electric Company.

DOCKET NO. 000686-EI  
ORDER NO. PSC-00-2275-PAA-EI  
ISSUED: November 30, 2000

The following Commissioners participated in the disposition of  
this matter:

J. TERRY DEASON, Chairman  
E. LEON JACOBS, JR.  
LILA A. JABER  
BRAULIO L. BAEZ

NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING REVISIONS TO RECOVERY POSITION OF  
TAMPA ELECTRIC COMPANY'S GANNON STATION ASSETS

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 November 3, 1999, the United States Department of Justice, on behalf of the United States Environmental Protection Agency ("EPA"), filed a lawsuit against Tampa Electric Company ("TECO" or "Company") alleging TECO violated the Prevention of Significant Deterioration ("PSD") requirements at Part C of the Clean Air Act, 42 U.S.C. §§ 7470-7492. The EPA alleged that TECO was required to obtain a PSD permit and apply best available control technology before proceeding with various power plant modifications which TECO completed between 1991 and 1996. The power plant modifications in question were replacements of boiler equipment such as steam drum internals, high temperature reheater, water wall, cyclone, and furnace floor.

Subsequently, on December 7, 1999, the Florida Department of Environmental Protection ("DEP") filed a lawsuit against TECO which mirrored the EPA lawsuit. Shortly after the DEP filed its lawsuit,

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TECO and the DEP settled the suit by entering a Consent Final Judgment ("CFJ"). The CFJ became effective on December 16, 1999.

On February 29, 2000, TECO and the EPA signed a settlement agreement ("Consent Decree"). The Consent Decree was filed with the U.S. District Court in Tampa on February 29, 2000. The Consent Decree was entered October 5, 2000. Among other things, the Consent Decree and the CFJ require TECO to cease burning coal at the Gannon Station by year-end 2004 and repower some of the Gannon units with natural gas.

By Orders Nos. PSC-00-0603-PAA-EI and PSC-00-0817-PAA-EI, issued March 29, 2000, and April 25, 2000, respectively, in Docket Nos. 990529-EI and 992014-EI, depreciation rates, recovery schedules, and the provision for dismantlement for TECO were revised. The rates and recovery schedule approved for the Gannon Station reflected TECO's preliminary assessment of compliance with the Consent Decree and the CFJ. The Company's planning included the repowering of Gannon Units 3, 4, and 5. Once repowered, the original boilers of Units 1 through 5 and the station's coal handling system would be retired, and the Gannon Station would be natural gas fueled with fuel oil capability. Additionally, TECO planned to place Units 1, 2, and 6 on reserve standby to be used as emergency capacity to provide the operating flexibility needed to ensure reliability and possible future conversion to burn natural gas.

On May 18, 2000, TECO filed a proposed revision for the recovery position of the Gannon Station. The revision is necessitated by changes in TECO's planning to repower Units 5 and 6 rather than Units 1, 2, and 5. Upon review of the Company's study, we find that the current recovery position of TECO's Gannon Station assets shall be revised to reflect TECO's current planning to repower Units 5 and 6 rather than 1, 2, and 5, as discussed below. For this purpose, we approve the rates and recovery schedule expenses set forth in Attachment A to this Order, which is incorporated herein by reference. The revision results in an increase in annual depreciation expense of approximately \$3 million.

As part of TECO's last depreciation study, rates, recovery schedules, and the provision for dismantlement for the Gannon Station were predicated on the Company's preliminary engineering assessments for compliance with the Consent Decree and the CFJ. The current study reflects TECO's subsequent engineering analyses

which determined that repowering Gannon Unit 6 has more advantages than repowering Units 3 and 4. According to these analyses, Unit 6 will require less valving and piping arrangements, and there will be a slightly more simplified steam pipe route for repowering. Additionally, the physical location of Unit 6 will simplify construction. At the completion of repowering Units 5 and 6, the total station capacity will increase from about 1,150 MW to 1,828 MW. Furthermore, TECO does not plan to maintain the boiler and related equipment at Units 3 and 4 for emergency purposes.

In addition, TECO indicates that it does not plan to seek revenue recovery for the Gannon Station repowering through the Environmental Cost Recovery Clause. Although the requirements of the Consent Decree and the CFJ are environmentally driven, TECO projects the Gannon Station repowering will enhance its revenue stream.

#### Near-Term Retirements

The Company has estimated the additional investment and reserve associated with the plant currently anticipated to be retired by December 31, 2004, as a result of the repowering of Unit 6, to be \$44,656,351 and \$23,180,288, respectively, as of January 1, 2000. This results in the total investment subject to retirement due to the repowering and the CFJ being \$332,343,139, with an associated reserve of \$244,609,218. The Company has proposed the current approved recovery schedule be adjusted to recover the revised net investment of \$87,733,921 of the retiring assets to begin January 1, 2000, and conclude December 31, 2004, coinciding with the date coal will no longer be burned at the Gannon Station pursuant to the CFJ requirement. We find the Company's proposed recovery schedule revision appropriate.

There is no change in the Company forecast that approximately \$7.5 million in additions will be made to the Gannon Station prior to repowering. These short-lived additions are needed to maintain the reliability of the system and to protect the safety of the employees at the site. The Company proposes that these additions be recovered over the period the equipment will be serving the public; i.e., 2000 additions amortized over the 2000-2004 period, 2001 additions amortized over the 2001-2004 period, 2002 additions amortized over the 2002-2004 period, 2003 additions amortized over the 2003-2004 period, and 2004 additions amortized during 2004.

To assure full recovery of the net investment and any short-lived additions subject to retirement by year-end 2004, we find that the expense for each month shall be obtained by dividing net plant of each unit for that month by the months remaining in the amortization period. We believe this will be flexible in reacting to recovery of retirement in the event of changes in estimates.

Remaining Assets

Attachment A shows the depreciation factors we approve for the assets now expected to remain in-service with the repowering of Unit 6. TECO has utilized its continuing property record system to develop stratified categories expected to have homogeneous life characteristics. The life of the account is then determined by compositing the life expectations of the various strata. This approach provides a more accurate determination of the required depreciation components than the historical approach of arriving at the pattern of interim retirement and life expectancy of the generating plant without identifying the contents or quantifying the varying life characteristics of the contained assets.

The recommended lives for Units 3, 4, and 6 recognize the repowering of Unit 6 rather than Units 3 and 4. The recommended life for Unit 6 assumes that repowering will extend the life of the station by about 40 years while various stratified asset categories will continue to experience a shorter life. We find that the Company's proposed life and salvage factors are reasonable and shall be approved.

TECO has requested that the new deprecation rates and recovery schedules for the Gannon Station be implemented effective January 1, 2000. This is the earliest practical date for implementing the revised rates and recovery schedules. We find that the proposed January 1, 2000, implementation date is reasonable.

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Based on the foregoing, it is

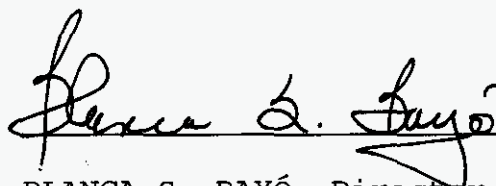
ORDERED by the Florida Public Service Commission that the current recovery position for Tampa Electric Company's Gannon Station assets shall be revised as set forth in Attachment A to this Order, which is incorporated herein by reference. It is further

ORDERED that the revised depreciation rates and recovery schedules for Tampa Electric Company's Gannon Station assets shall be implemented effective January 1, 2000. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the 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 Director, Division of Records and Reporting, 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 30th Day of November, 2000.



BLANCA S. BAYÓ, Director  
Division of Records and Reporting

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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 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 Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on December 21, 2000.

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 docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

ACCOUNT

GANNON STATION REMAINING ASSETS

COMMISSION APPROVED				
AVERAGE	NET	01/01/2000	REMAINING	
REMAINING	SALVAGE	RESERVE	LIFE	
LIFE	(%)	(%)	RATE	
(YRS.)			(%)	
- 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
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
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	11.1	(4.0)	48.57	5.0
314530 Turbogenerators	9.2	(6.0)	52.65	5.8
315530 Acces. Electric Equipment	8.8	(5.0)	60.97	5.0
316530 Miscellaneous	8.9	(8.0)	62.00	5.2
- Unit 4 -				
311540 Structures	14.2	(8.0)	47.81	4.2
314540 Turbogenerators	11.0	(6.0)	56.57	4.5
315540 Acces. Electric Equipment	11.6	(3.0)	56.52	4.0
316540 Miscellaneous	14.1	(6.0)	23.31	5.9
- 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	38.0	(5.0)	37.17	1.8
312560 Boiler Plant	40.0	(8.0)	39.48	1.7
314560 Turbogenerators	30.0	(10.0)	32.42	2.6
315560 Acces. Electric Equipment	34.0	(3.0)	34.19	2.0
316560 Miscellaneous	27.0	(16.0)	47.56	2.5

ACCOUNT		COMMISSION APPROVED			
		AVERAGE REMAINING LIFE (YRS.)	NET SALVAGE (%)	01/01/2000 RESERVE (%)	REMAINING LIFE RATE (%)
<b>GANNON OBO REMAINING ASSETS</b>					
	- Common -				
311700	Structures	45.0	(2.0)	29.21	1.6
312700	Boiler Plant	42.0	(5.0)	25.96	1.9
	- Unit 1 -				
311710	Structures	7.5	0.0	65.80	4.6
	- Unit 2 -				
311720	Structures	8.5	0.0	62.94	4.4
	- Unit 3 -				
311730	Structures	10.8	(2.0)	25.67	7.1
	- Unit 4 -				
311740	Structures	12.9	(2.0)	27.19	5.8

RECOVERY SCHEDULE	1/1/2000 INVESTMENT (\$000)	1/1/2000 RESERVE (\$000)	RECOVERY PERIOD (YRS.)	EXPENSES (\$000)
Gannon Repowering Retirements	332,343	244,609	5-Yrs.	18,170