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December 20, 2002

## BY HAND DELIVERY

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

021255-EI

Re: Petition of Tampa Electric Company for Approval of a New Environmental  
Program for Cost Recovery through the Environmental Cost Recovery Clause


Dear Ms. Bayo:

Enclosed for filing in the above-styled matter are the original and fifteen copies of Tampa Electric Company's Petition for Approval of a New Environmental Program for Cost Recovery through the Environmental Cost Recovery Clause.

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 connection with this matter.

Sincerely,



James D. Beasley

JDB/bjd  
Enclosures

DOCUMENT NUMBER DATE

13909 DEC 20 02

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Tampa Electric Company )  
for approval of a new environmental )  
program for cost recovery through )  
the Environmental Cost Recovery Clause. )  
\_\_\_\_\_ )

DOCKET NO. \_\_\_\_\_  
FILED: December 20, 2002

**PETITION OF TAMPA ELECTRIC COMPANY FOR APPROVAL OF  
A NEW ENVIRONMENTAL PROGRAM FOR COST RECOVERY  
THROUGH THE ENVIRONMENTAL COST RECOVERY CLAUSE**

Tampa Electric Company (“Tampa Electric” or “the company”), by and through its undersigned counsel, and pursuant to Section 366.8255, Florida Statutes, and Florida Public Service Commission (“Commission”) Order Nos. PSC-94-0044-FOF-EI and PSC-94-1207-FOF-EI, hereby petitions this Commission for approval of the company’s new environmental compliance program – Bayside Selective Catalytic Reduction (“SCR”) Consumables – for cost recovery through the Environmental Cost Recovery Clause (“ECRC”). In support thereof the company says:

1. Tampa Electric is an investor-owned electric utility subject to the Commission’s jurisdiction pursuant to Chapter 366, Florida Statutes. Tampa Electric serves retail customers in Hillsborough and portions of Polk, Pinellas and Pasco Counties in Florida. The company’s principal offices are located at 702 North Franklin Street, Tampa, Florida 33602.

2. The persons to whom all notices and other documents should be sent in connection with this docket are:

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Administrator, Regulatory Coordination  
Tampa Electric Company  
Post Office Box 111  
Tampa, FL 33601  
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3. On December 16, 1999 Tampa Electric and the Florida Department of Environmental Protection (“DEP”) entered into a Consent Final Judgment (“CFJ”). On February 29, 2000 the United States Environmental Protection Agency (“EPA”) initiated a Consent Decree with Tampa Electric in the Federal District Court. Both the CFJ and the Consent Decree (“Orders”) embody the resolutions between the agencies and Tampa Electric stemming from disputed issues surrounding Tampa Electric’s modifications to its Big Bend and Gannon Stations that were alleged to be in violation of the EPA’s New Source Review rules and New Source Performance Standards currently codified in Title I of the Clean Air Act Amendment. The Orders have been previously provided to the Commission in Tampa Electric’s petition filed in Docket No. 000685-EI.

4. Section V.A. of the CFJ states:

“Tampa Electric Company shall shut down coal-fired units 1, 2, and 6 at Gannon and repower units 3, 4, and 5 for gas to be phased-in between January 1, 2003 and December 31, 2004. The repowered units shall meet BACT [Best Available Control Technology] for nitrogen oxide applicable to combined cycle gas turbines with an emission rate of 3.5 ppm. This requirement shall be included as a permit condition issued through the normal process.”

Subsequent to the effective date of the CFJ, Tampa Electric requested from DEP a modification to the configuration of units planned for repowering at Gannon Station. Specifically, the company requested Gannon Unit 6 to be substituted in the initial repowering at the plant in lieu of Gannon Units 3 and 4. On April 20, 2000 DEP agreed to this modification.

5. Similarly, Section V.B. of the CFJ and Paragraph 26 of the Consent Decree detail the requirements of repowering Gannon Station and achieving a NO<sub>x</sub> emission rate of no greater than 3.5 ppm. As stated in these referenced sections, the NO<sub>x</sub> emissions rate could be achieved through “zero-ammonia” nitrogen control technology, other pollution control technology

approved in advance and in writing by EPA, or the installation and operation of SCR systems. Through the issuance of the final construction permit on March 30, 2001, the utilization of SCR systems was approved by DEP as the appropriate NO<sub>x</sub> emissions control technology for the repowered plant.

6. Once repowered, Tampa Electric intends to change the name of Gannon Station to Bayside Power Station.

7. This Petition seeks approval of recovery through the ECRC the cost of consumable goods (primarily anhydrous ammonia) necessary to operate the SCR systems on Bayside Units 1 and 2 (previously Gannon Units 5 and 6). The SCR systems are necessary to meet the NO<sub>x</sub> emissions limit of 3.5 parts per million established by the Orders for the Bayside facility.

8. An SCR system removes NO<sub>x</sub> emissions from the flue gas exhaust of generating units through the utilization of anhydrous ammonia and a catalytic bed comprised of vanadium penta-oxide. As flue gas exits the combustion turbine, it is mixed with gaseous anhydrous ammonia through a grid system of nozzles upstream from the catalyst bed. This high temperature flue gas mixture is then passed through the catalyst bed where the NO<sub>x</sub> constituents are reduced to elemental nitrogen and water vapor. The high temperature of the flue gas sustains the chemical reaction that occurs in the catalyst bed.

#### **Qualifications and Estimated Expenditures for ECRC Recovery**

9. Tampa Electric will incur costs for the Bayside SCR Consumables program in order to meet the compliance requirement specified in the Orders. The new program meets the criteria established by this Commission in Docket No. 930613-EI, Order No. PSC-94-0044-FOF-EI in that:

- (a) all expenditures will be prudently incurred after April 13, 1993;
- (b) 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
- (c) none of the expenditures are being recovered through some other cost recovery mechanism or through base rates.

10. The costs for which Tampa Electric is seeking ECRC recovery are for operation & maintenance ("O&M") associated with the consumption of anhydrous ammonia for the Bayside SRC Consumables program. The projection of the cost for anhydrous ammonia is \$252,000 annually. Bayside Unit 1 becomes commercially available in May 2003 and the projected expense in 2003 is \$72,000. Bayside Unit 2 becomes commercially available in May 2004 and the projected expense for both units in 2004 is \$204,000. The entire annual O&M expense of \$252,000 is anticipated in 2005 as Bayside Units 1 and 2 will be commercially available the entire year.

11. Exhibit A to this Petition details the annual projected O&M expense associated with the Bayside SCR Consumables program.

12. Tampa Electric is not requesting a change in its ECRC factors that have been approved for calendar year 2003. Instead, the company proposes to include in its true up filing for 2003 all program costs incurred subsequent to the filing of this Petition through the end of 2003. The company would then include program costs projected for 2004 and beyond in the appropriate projection filing. All of this would be subject to audit by the Commission.

13. This program is a compliance activity associated with the Clean Air Act Amendment that should be allocated to rate classes on an energy basis.

14. Tampa Electric is not aware of any disputed issues of material fact relative to the matters set forth in this Petition.

WHEREFORE, Tampa Electric respectfully requests the Commission to approve the company's proposed Bayside SCR Consumables program and recovery of the costs of this program through the ECRC in the manner described herein.

DATED this 20<sup>th</sup> day of December 2002.

Respectfully submitted,



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ATTORNEYS FOR TAMPA ELECTRIC COMPANY

**Tampa Electric Company**  
**Exhibit A**  
**Bayside SCR Consumables Expense**

### Bayside SCR Consumables O&M Expense

<u>Consumables - 2003</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
Anhydrous ammonia - Bayside 1*	\$0	\$0	\$0	\$0	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$72,000
Anhydrous ammonia - Bayside 2**	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total:	\$0	\$0	\$0	\$0	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$72,000

<u>Consumables - 2004</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
Anhydrous ammonia - Bayside 1*	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$108,000
Anhydrous ammonia - Bayside 2**	\$0	\$0	\$0	\$0	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$96,000
Total:	\$9,000	\$9,000	\$9,000	\$9,000	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$204,000

<u>Consumables - 2005</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
Anhydrous ammonia - Bayside 1*	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$108,000
Anhydrous ammonia - Bayside 2**	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$144,000
Total:	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$252,000

\* In-service May 2003; three SCR's

\*\* In-service May 2004; four SCR's