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November 17, 2006

HAND DELIVERED

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

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06 NOV 17 PM 3:54  
COMMISSION  
CLERK

Re: Petition for approval of new environmental program for cost recovery through  
Environmental Cost Recovery Clause by Tampa Electric Company  
FPSC Docket No. 050958-EI

Dear Ms. Bayo:

Enclosed for filing in the above docket, on the behalf of Tampa Electric Company, are the original and fifteen (15) copies of each of the following:

1. Prepared Direct Testimony of Howard T. Bryant
2. Prepared Direct Testimony and Exhibit (GMN-1) of Gregory M. Nelson
3. Prepared Direct Testimony and Exhibit (JVS-1) of John V. Smolenski

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

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           \_\_\_\_\_ Enclosures  
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 SEC 1 \_\_\_\_\_  
 OTH \_\_\_\_\_

Thank you for your assistance in connection with this matter.

Sincerely,

James D. Beasley

cc: All Parties of Record (w/encls.)

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FPSC-COMMISSION CLERK

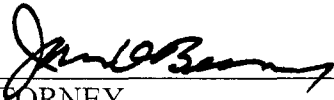
**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing Testimony, filed on behalf of Tampa Electric Company, has been furnished by U. S. Mail or hand delivery (\*) on this 17<sup>th</sup> day of November 2006 to the following:

Ms. Martha Carter Brown\*  
Office of General Counsel  
Florida Public Service Commission  
Room 370N – Gerald L. Gunter Building  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Mr. Myron Rollins  
Black & Veatch Corporation  
11401 Lamar Avenue  
Overland Park, KS 66211

Ms. Patricia A. Christensen  
Associate Public Counsel  
Office of Public Counsel  
c/o The Florida Legislature  
111 West Madison Street, Room 812  
Tallahassee, FL 32399-1400

  
\_\_\_\_\_  
ATTORNEY

ORIGINAL



BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION  
DOCKET NO. 050958-EI  
IN RE: Petition for Approval of New  
Environmental Program for Cost Recovery  
through Environmental Cost Recovery Clause  
TESTIMONY  
OF  
HOWARD T. BRYANT

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

1                   BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2                                   PREPARED DIRECT TESTIMONY

3   OF

4   HOWARD T. BRYANT

5  
6   **Q.**   Please state your name, address, occupation and employer.

7  
8   **A.**   My name is Howard T. Bryant. My business address is 702  
9           North Franklin Street, Tampa, Florida 33602. I am  
10           employed by Tampa Electric Company ("Tampa Electric" or  
11           "company") as Manager, Rates in the Regulatory Affairs  
12           Department.

13  
14   **Q.**   Please provide a brief outline of your educational  
15           background and business experience.

16  
17   **A.**   I graduated from the University of Florida in June 1973  
18           with a Bachelor of Science degree in Business  
19           Administration. I have been employed at Tampa Electric  
20           since 1981. My work has included various positions in  
21           Customer Service, Energy Conservation Services, Demand  
22           Side Management ("DSM") Planning, Energy Management and  
23           Forecasting, and Regulatory Affairs. In my current  
24           position I am responsible for the company's Energy  
25           Conservation Cost Recovery ("ECCR") clause, the

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Environmental Cost Recovery Clause ("ECRC"), and retail rate design.

**Q.** Have you previously testified before the Florida Public Service Commission ("Commission")?

**A.** Yes. I have testified before this Commission on conservation and load management activities, DSM goals and setting and DSM plan approval dockets, and other ECCR dockets since 1993, and ECRC activities since 2001.

**Q.** What is the purpose of your testimony in this proceeding?

**A.** My testimony supports approval of Tampa Electric's Big Bend Flue Gas Desulfurization System Reliability Program ("FGD Reliability Program") for cost recovery through the ECRC. I describe the program in general terms, why the company is pursuing it and how the project qualifies for cost recovery through the ECRC, and the three ways the company is seeking to recover the costs of the project. Finally, I address the timing of the recovery. I will also introduce the other Tampa Electric witnesses participating in this matter and briefly describe what they will address.

1 Q. What is the purpose of the FGD Reliability Program?

2

3 A. This program is designed to maximize the reliability of  
4 the flue gas desulfurization systems ("scrubbers") that  
5 serve Tampa Electric's Big Bend Units 1, 2 and 3. Such  
6 improvements are necessary in order for Tampa Electric to  
7 comply with environmental requirements of the United  
8 States Environmental Protection Agency Consent Decree  
9 ("CD"), issued February 29, 2000, and the Florida  
10 Department of Environmental Protection Consent Final  
11 Judgment ("CFJ"), entered December 16, 1999. Under these  
12 orders, Tampa Electric is prohibited from operating Big  
13 Bend Units 1, 2 and 3 unscrubbed at any time beginning in  
14 2010 (for Big Bend Unit 3) and 2013 (for Big Bend Units 1  
15 and 2). The reliability of these generating units, as  
16 well as Unit 4 that shares the Unit 3 FGD system, is  
17 limited by the reliability of their respective FGD  
18 systems.

19

20 Q. What does the FGD Reliability Program consist of?

21

22 A. The FGD Reliability program consists of 13 separate  
23 additions to and modifications of the FGD systems to  
24 maximize reliability of the individual scrubbers and to  
25 isolate scrubber components. Mr. John Smolenski, a

1 Senior Consultant for Tampa Electric and witness in this  
2 proceeding, will describe the components of the  
3 reliability program in greater detail. The individual  
4 activities are centered on improvements to FGD components  
5 which the company has identified as most likely to cause  
6 scrubber failure and, thus, generating unit outages.  
7

8 **Q.** When do you propose to implement the FGD Reliability  
9 Program?  
10

11 **A.** Tampa Electric performed modeling and cost benefit  
12 analyses to determine whether it would be more cost  
13 effective to implement this project in conjunction with  
14 already planned plant outages needed for the installation  
15 of selective catalytic reductions systems ("SCR") during  
16 the 2006 through 2009 period or wait until 2010 and 2013  
17 when the deadlines for not operating the Big Bend units  
18 unscrubbed occur. The analysis showed it is more cost  
19 effective and beneficial to customers to implement the  
20 FGD Reliability Program and the SCR installations  
21 simultaneously to avoid additional generating unit  
22 outages and additional replacement fuel costs that would  
23 have to be incurred if these projects were implemented  
24 separately.  
25

1 Q. What qualifies the FGD Reliability Program for cost  
2 recovery through the ECRC?

3  
4 A. The costs Tampa Electric will incur for the FGD  
5 Reliability Program meet the ECRC recovery criteria  
6 established by this Commission in Docket No. 930613-EI,  
7 Order No. PSC-94-004-FOF-EI in that:

8 (a) all expenditures will be prudently  
9 incurred after April 13, 1993;

10 (b) the activities are legally required  
11 to comply with a governmentally  
12 imposed environmental regulation  
13 enacted, became effective, or whose  
14 effect was triggered after the  
15 company's last test year upon which  
16 rates are based; and

17 (c) none of the expenditures are being  
18 recovered through some other cost  
19 recovery mechanism or through base  
20 rates.

21 All expenditures associated with the FGD Reliability  
22 Program clearly will occur after April 13, 1993. These  
23 expenditures would not have to be incurred but for the  
24 2010 and 2013 deadlines imposed by the CD and CFJ. Tampa  
25 Electric is not recovering and will not recover any of



1 the requested ECRC expenditures through base rates or any  
2 other cost recovery mechanism.

3  
4 **Q.** Has the Commission previously addressed the issue of  
5 whether costs of complying with the CD and CFJ qualify  
6 for cost recovery under the ECRC?

7  
8 **A.** Yes it has. In Order No. PSC-05-0502-PAA-EI, issued May  
9 9, 2005 in Docket No. 041376-EI, the Commission approved  
10 for ECRC cost recovery prudently incurred costs for the  
11 Big Bend Units 1 through 3 SCR and alkali injection  
12 systems. In so doing the Commission observed:

13 The costs of complying with the settlement  
14 agreements [approved in the CD and CFJ]  
15 qualify as environmental compliance costs  
16 under Sections 366.8255(1)(c) and (2)  
17 because the settlement agreements are  
18 court orders. The Commission has  
19 previously approved cost recovery for  
20 activities required by the settlement  
21 agreements.

22 Order No. 05-0502 went on to set forth a table listing ten  
23 other prior orders of the Commission approving CD and CFJ  
24 compliance projects for cost recovery under the ECRC.

25

- 1 Q. What costs do you seek to recover through the ECRC in  
2 connection with the FGD Reliability Program?  
3
- 4 A. The total estimated capital costs of the Big Bend FGD  
5 Reliability Program are \$21,651,000. These program costs  
6 are allocated into three components for cost recovery: 1)  
7 an estimated \$11,929,000 of capital investment costs  
8 associated with Big Bend Units 3 and 4 as the new ECRC  
9 Big Bend FGD Reliability Program; 2) an estimated  
10 \$7,096,000 of incremental capital costs associated the  
11 scrubber that is the major component of the company's  
12 existing ECRC Big Bend Units 1 and 2 FGD Program; and 3)  
13 an estimated \$2,626,000 in Big Bend Units 3 and 4 FGD  
14 costs which will be recovered through base rates. Only  
15 the incremental costs of this project, not already being  
16 recovered through base rates or through an existing ECRC  
17 program, are being sought for recovery through the ECRC.  
18
- 19 Q. How do you propose to calculate depreciation for the  
20 proposed capital investments?  
21
- 22 A. The depreciation rates used to calculate the depreciation  
23 expense for the proposed environmentally required capital  
24 investments should be the rates that are in effect during  
25 the period the capital investment is in service. Since

1 the proposed capital investments will have no salvage  
2 value once the generating plant retires, the controlling  
3 depreciable life is the remaining life of the generating  
4 plant. The proposed plant additions will be recovered on  
5 a schedule consistent with the remaining life of the Big  
6 Bend generating station.

7  
8 Q. How do you propose to allocate the FGD Reliability  
9 Program costs?

10  
11 A. Tampa Electric proposes that the FGD Reliability Program  
12 costs be allocated to all rate classes on an energy basis  
13 consistent with Commission policy set by Order No. PSC-  
14 94-0044-FOF-EI, issued January 12, 1994, in Docket No.  
15 930613-EI, In Re: Petition to establish an environmental  
16 cost recovery clause pursuant to Section 366.8255,  
17 Florida Statutes by Gulf Power Company. In that docket,  
18 the Commission ordered that costs associated with  
19 compliance with the Clean Air Act Amendments of 1990  
20 ("CAAA") be allocated to the rate classes in the ECRC on  
21 an energy basis, due to the strong nexus between the  
22 level of emissions which the CAAA seeks to reduce and the  
23 number of kilowatt hours generated.

24  
25 Q. Please identify the other witnesses for Tampa Electric

1           testifying in support of the company's petition in this  
2           proceeding.

3  
4       **A.**   Gregory M. Nelson, Director, Environmental Policy and  
5           Compliance, will present testimony demonstrating that the  
6           activities for which Tampa Electric seeks cost recovery  
7           through the ECRC for the FGD Reliability Program are  
8           activities necessary for the company to comply with the  
9           CD and the CFJ. Mr. Nelson's testimony will discuss the  
10          background of the CAAA, the company's agreement with EPA  
11          and DEP requirements, and details of the CD with a  
12          particular focus on the requirements and deadlines in  
13          2010 and 2013.

14  
15       Mr. John Smolenski, Senior Consultant II - Advanced  
16       Technology, Engineering and Construction Services for  
17       Tampa Electric will present testimony regarding the cost  
18       effectiveness evaluations performed in the Big Bend  
19       Station FGD System Reliability Study. He will discuss  
20       the various alternatives that the company considered to  
21       comply with the CD and CFJ, the results of the analysis  
22       and the net savings to customers by following the  
23       selected approach. Mr. Smolenski will also provide an  
24       update on the progress the company has made with the FGD  
25       Reliability Program.

1 Q. Please summarize your testimony.

2

3 A. Tampa Electric entered into the CD and the CFJ with the  
4 United States Environmental Protection Agency and the  
5 Florida Department of Environmental Protection,  
6 respectively. Under these orders, Tampa Electric is  
7 prohibited from operating Big Bend Unit 3 unscrubbed at  
8 any time beginning in 2010. Furthermore, the prohibition  
9 of operating Big Bend Units 1 and 2 unscrubbed begins in  
10 2013. In 2005, the company undertook a study and  
11 determined the most cost effective manner to meet these  
12 environmental requirements and associated deadlines was  
13 through the Big Bend FGD Reliability Program. This  
14 program would not have occurred but for the CD and CFJ.  
15 The Commission has previously approved for recovery  
16 through the ECRC prudent expenditures the company has  
17 incurred in meeting the CD and CFJ requirements. It is  
18 appropriate for the Commission to reaffirm its five-zero  
19 decision made at the June 20, 2006 Agenda Conference that  
20 approved the company's prudent costs associated with the  
21 Big Bend FGD Reliability Program for cost recovery  
22 through the ECRC.

23

24 Q. Does this conclude your testimony?

25

1 A. Yes it does.

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