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June 25, 2012

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COMMISSION  
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Ms. Ann Cole, Director  
Division of Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Re: Petition for approval of new environmental program for cost recovery  
through Environmental Cost Recovery Clause by Tampa Electric Company;  
Docket No. 110262-EI

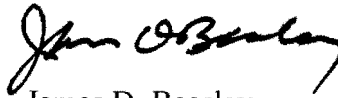
Dear Ms. Cole:

We enclose for filing in the above docket the original and seven copies of Tampa Electric Company's Interim Report – Gypsum Disposal.

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

Thank you for your assistance in connection with this matter.

Sincerely,



James D. Beasley

JDB/jh

cc: Charles Murphy (w/encls.)

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 110262-EI

FILED: June 25, 2012

**TAMPA ELECTRIC COMPANY'S  
INTERIM REPORT – GYPSUM DISPOSAL**

Tampa Electric Company ("Tampa Electric" or "the company") offers the following information as an Interim Report to the Commission regarding the company's efforts to seek out cost-effective means of disposing of the gypsum by-product from the operation of Tampa Electric's flue gas desulfurization ("FGD") equipment serving the coal-fired units at Big Bend Station:

1. On August 29, 2011 Tampa Electric Company filed its Petition in this docket proposing what represented Tampa Electric Company's considered best judgment on how to deal with certain pressing realities. They included the company's continued production of over 700,000 tons of gypsum per year from the operation of its scrubbers at Big Bend Station, an increasing shortage of working storage space on site at Big Bend Station for that gypsum and the compounding effect of a housing market decline of historic proportions.

2. This matter came before the Commission at its March 13 and May 8, 2012 Agenda Conferences, during which the Commission expressed concern regarding the cost of the new gypsum storage handling facility which is the subject of this docket. At the conclusion of the May 8 Agenda Conference discussion of this matter, the Commission suggested that Tampa Electric inquire of potential third party off-takers as to their potential need or willingness to

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accept additional commercial grade gypsum by-product in their manufacturing processes. The Commission's suggestion and guidance were well received. Tampa Electric agreed to a deferral of its proposed project and set about to canvass potential additional off-takers as suggested by the Commission.

3. In response to its inquiries, Tampa Electric has received three invitations to negotiate on various amounts of gypsum that will require further evaluations to determine if they are commercially viable and compliant alternatives. Tampa Electric has requested deferral of this matter until the Commission's August 14, 2012 Agenda Conference, citing the need for additional time to pursue due diligence with respect to the three parties in question. Tampa Electric continues to pursue potential gypsum off-takers in Latin America and is also considering options for reducing the cost of the project.

4. Subsequent to the filing of Tampa Electric's Petition in August 2011, there have been changes in the circumstances involving the operation of the gypsum storage facility. The production of gypsum has been within Tampa Electric's expected range; however, the consumption by the company's primary off-taker has been less than expected. National Gypsum is consuming gypsum at a rate below the annual minimum quantity and it is unlikely that National Gypsum will meet the minimum amount in 2012 and subsequent years until 2017. As a result, the gypsum inventory in storage has grown faster than anticipated. Additionally, due to the increase in inventory, the company has received complaints regarding dusting from residents immediately south of the storage pile.

5. Tampa Electric is in discussions with a Florida landfill to utilize up to approximately 350,000 tons of lesser quality gypsum by-product as "valley fill," to fill in gaps created during the deposition of bulk waste materials as part of the process of closing a lined area

within the landfill. This non-manufacturing reuse of the lesser quality gypsum has enabled the landfill operator to offer Tampa Electric a reduced tipping fee of \$18 a ton to accept this type of gypsum for a limited time while they have a need for this material. With transportation included, Tampa Electric's total cost is approximately \$26 a ton to place this lesser quality gypsum with the landfill operator. This opportunity is beneficial to Tampa Electric and its customers in several important ways:

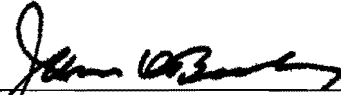
- At this time the lesser quality gypsum cannot be sold to wallboard manufacturers, cement manufacturers or agricultural interests because it does not meet quality specifications required for those uses.
- The use of the lesser quality gypsum as valley fill will enable the landfill operator to offer a significant tipping fee discount to Tampa Electric.
- Removal of the lesser quality gypsum will provide Tampa Electric more working storage area at Big Bend Station.
- Removal of the lesser quality gypsum will allow Tampa Electric to reconfigure the height and general arrangement of the gypsum pile to address the concerns of nearby residents.
- Removal of the lesser quality gypsum is consistent with Tampa Electric's response to the Environmental Protection Commission of Hillsborough County on May 31, 2012 related to the Company's mid-term plan of action to minimize fugitive dust emissions from the gypsum storage area.

6. Tampa Electric offers the above as an Interim Report to the Commission on the company's efforts to mitigate the cost of disposing of gypsum by-product from the operation of

Big Bend Units 1 through 4. The company will update this Interim Report as the results of its due diligence efforts become known.

DATED this 25<sup>th</sup> day of June 2012.

Respectfully submitted,



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JAMES D. BEASLEY  
J. JEFFRY WAHLEN  
Ausley & McMullen  
Post Office Box 391  
Tallahassee, Florida 32302  
(850) 224-9115

ATTORNEYS FOR TAMPA ELECTRIC COMPANY

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing Interim Report, filed on behalf of Tampa Electric Company, has been served by hand delivery (\*) or U. S. Mail on this 25<sup>th</sup> day of June, 2012 to the following:

Mr. Charles Murphy\*  
Senior Attorney  
Office of the General Counsel  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

  
\_\_\_\_\_  
ATTORNEY