ORIGINAL

TAMPA ELECTRIC COMPANY
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BEFORE THE PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

GREGORY M. NELSON

Q. Please state your name, address, occupation and employer.

A. My name is Gregory M. Nelson. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric") in the position of Manager, Environmental Planning in the Energy Supply Department.

Q. Please provide a brief outline of your educational background and business experience.

A. I received a Bachelor Degree in Mechanical Engineering from the Georgia Institute of Technology in 1982 and a Masters of Business Administration from the University of South Florida in 1987. I am a registered Professional Engineer in the State of Florida. I began my engineering career in 1982 in Tampa Electric's Engineering Development Program. In 1983, I went to work in the Production Staff Department where I was responsible for power plant

performance projects. Since 1986 I have held various environmental permitting and compliance positions. In 1997, I was promoted to Administrator - Air Programs in the Environmental Planning Department. In this position, I was responsible for all air permitting and compliance programs. In 1998 I was promoted to Manager, Environmental Planning. My present responsibilities include the management of all Tampa Electric environmental permitting and compliance programs, with the exception of environmental auditing.

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

A. The purpose of my testimony is to present, for Commission review and approval, proposed projects and estimated project costs for cost recovery through the Environmental Cost Recovery Clause ("ECRC") for the period January 1, 1999 through December 31, 1999. My testimony will also address the actual/estimated project capital costs for the April 1998 through December 1998 period which are calculated in Schedules 42-4E through 42-8E sponsored by Tampa Electric witness Karen O. Zwolak (Ms. Zwolak). Finally, my testimony will provide an explanation of significant capital project variances.

Q. Please describe the nature of the new environmental compliance projects that Tampa Electric has included for cost recovery through the ECRC.

A. Tampa Electric is seeking cost recovery for eight new activities. Seven of these are projects that relate to compliance activities associated with the Clean Air Act Amendments of 1990 ("CAAA"). The remaining activity pertains to requirements of the Clean Water Act.

Five of the new projects are related to Tampa Electric's NO_x compliance strategy as required by the CAAA. In December 1996, the Environmental Protection Agency promulgated the final rule implementing the Phase II NO_x Reduction Program of the CAAA. This final rule established NO_x emission limits applicable to Gannon Units 3, 4, 5 and 6 and Big Bend Units 1, 2 and 3. Tampa Electric is implementing a strategy of combustion tuning and combustion modifications to meet the NO_x emission requirements. These modifications include classifier replacements at Big Bend Units 1 and 2, and classifier additions at Gannon Units 5 and 6. In addition to these boiler modifications, new coal crushers will be used at Gannon to ensure uniform coal particle size. The proper coal fineness is necessary for

uniform, staged combustion. The overall effect will result in lower NO_x emissions.

The sixth and seventh projects reflect costs associated with Gannon Units 5 and 6 stack extensions to be incurred as a result of SO_2 Title V permitting standards required by the Florida Department of Environmental Protection (FDEP).

The eighth activity pertains to the payment of annual surveillance fees to the FDEP for the administration of the National Pollutant Discharge Elimination System (NPDES). Chapter 62-4.052, Florida Administrative Code (F.A.C.), implements the annual regulatory program and surveillance fees for wastewater permits. The fees are in addition to the permitting fees already recovered through base rates. Tampa Electric's Big Bend, Gannon, Hookers Point, and Sebring Stations are affected by the rule.

Q. Are the projected costs associated with the eight new environmental compliance activities appropriate?

A. Yes. The identified activities and related project costs are legally required by environmental regulations that are either new or whose scope has changed to become more

stringent. The projected environmental compliance costs were developed by Tampa Electric's engineering and environmental staff and were provided to Ms. Zwolak for calculation of the environmental factors. As indicated in Ms. Zwolak's testimony for this proceeding, the nature of these expenditures are appropriate for recovery through the ECRC.

Q. How do the actual/estimated project capital expenditures for April 1998 through December 1998 period compare with the original projection?

A. As shown on Form 42-6E, overall actual/estimated capital expenditures were $1,469,151 or 3% less than originally projected.

Q. Please explain any project variances between the actual/estimated expenditures originally projected capital expenditures shown on Form 42-4E which exceeded 5%.

A. The Big Bend Fuel Oil Tank #1 Upgrade, Big Bend Fuel Oil Tank #2 Upgrade, Phillips Fuel Oil Tank #1 Upgrade, and Phillips Fuel Oil Tank #4 Upgrade actual/estimated expenditures were $14,523, $35,261, $1,770, and $1,906,

respectively, lower than originally projected. The decrease in expenditures for each of these Commission-approved projects is due to timing differences in construction.

The Gannon Ignition Oil Tank project has been completed and is in service, however, the actual expenditures exceeded the original projection by approximately $8,603. This expenditure occurred due to the need to relocate the truck unloading area and its associated containment facility.

Q. Does this conclude your testimony?

A. Yes, it does.