

ORIGINAL

TAMPA ELECTRIC COMPANY  
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BEFORE THE PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

GREGORY M. NELSON

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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

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1 performance projects. Since 1986 I have held various  
2 environmental permitting and compliance positions. In  
3 1997, I was promoted to Administrator - Air Programs in the  
4 Environmental Planning Department. In this position, I was  
5 responsible for all air permitting and compliance programs.  
6 In 1998 I was promoted to Manager, Environmental Planning.  
7 My present responsibilities include the management of all  
8 Tampa Electric environmental permitting and compliance  
9 programs, with the exception of environmental auditing.

10  
11 Q. What is the purpose of your testimony in this proceeding?

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13 A. The purpose of my testimony is to present, for Commission  
14 review and approval, proposed projects and estimated  
15 project costs for cost recovery through the Environmental  
16 Cost Recovery Clause ("ECRC") for the period January 1,  
17 1999 through December 31, 1999. My testimony will also  
18 address the actual/estimated project capital costs for the  
19 April 1998 through December 1998 period which are  
20 calculated in Schedules 42-4E through 42-8E sponsored by  
21 Tampa Electric witness Karen O. Zwolak (Ms. Zwolak).  
22 Finally, my testimony will provide an explanation of  
23 significant capital project variances.

24

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

4  
5 A. Tampa Electric is seeking cost recovery for eight new  
6 activities. Seven of these are projects that relate to  
7 compliance activities associated with the Clean Air Act  
8 Amendments of 1990 ("CAAA"). The remaining activity  
9 pertains to requirements of the Clean Water Act.

10  
11 Five of the new projects are related to Tampa Electric's  
12 NO<sub>x</sub> compliance strategy as required by the CAAA. In  
13 December 1996, the Environmental Protection Agency  
14 promulgated the final rule implementing the Phase II NO<sub>x</sub>  
15 Reduction Program of the CAAA. This final rule established  
16 NO<sub>x</sub> emission limits applicable to Gannon Units 3, 4, 5 and  
17 6 and Big Bend Units 1, 2 and 3. Tampa Electric is  
18 implementing a strategy of combustion tuning and combustion  
19 modifications to meet the NO<sub>x</sub> emission requirements. These  
20 modifications include classifier replacements at Big Bend  
21 Units 1 and 2, and Classifier replacements at Gannon Units  
22 5 and 6. In addition to these boiler modifications, new  
23 coal crushers will be used at Gannon to ensure uniform coal  
24 particle size. The proper coal fineness is necessary for

1 uniform, staged combustion. The overall effect will result  
2 in lower NO<sub>x</sub> emissions.

3  
4 The sixth and seventh projects reflect costs associated  
5 with Gannon Units 5 and 6 stack extensions to be incurred  
6 as a result of SO<sub>2</sub> Title V permitting standards required by  
7 the Florida Department of Environmental Protection (FDEP).

8  
9 The eighth activity pertains to the payment of annual  
10 surveillance fees to the FDEP for the administration of the  
11 National Pollutant Discharge Elimination System (NPDES).  
12 Chapter 62-4.052, Florida Administrative Code (F.A.C.),  
13 implements the annual regulatory program and surveillance  
14 fees for wastewater permits. The fees are in addition to  
15 the permitting fees already recovered through base rates.  
16 Tampa Electric's Big Bend, Gannon, Hookers Point, and  
17 Sebring Stations are affected by the rule.

18  
19 Q. Are the projected costs associated with the eight new  
20 environmental compliance activities appropriate?

21  
22 A. Yes. The identified activities and related project costs  
23 are legally required by environmental regulations that are  
24 either new or whose scope has changed to become more

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

8  
9 Q. How do the actual/estimated project capital expenditures  
10 for April 1998 through December 1998 period compare with  
11 the original projection?

12  
13 A. As shown on Form 42-6E, overall actual/estimated capital  
14 expenditures were \$1,469,151 or 3% less than originally  
15 projected.

16  
17 Q. Please explain any project variances between the  
18 actual/estimated expenditures originally projected capital  
19 expenditures shown on Form 42-4E which exceeded 5%.

20  
21 A. The Big Bend Fuel Oil Tank #1 Upgrade, Big Bend Fuel Oil  
22 Tank #2 Upgrade, Phillips Fuel Oil Tank #1 Upgrade, and  
23 Phillips Fuel Oil Tank #4 Upgrade actual/estimated  
24 expenditures were \$14,523, \$35,261, \$1,770, and \$1,906,

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

5  
6       The Gannon Ignition Oil Tank project has been completed and  
7       is in service, however, the actual expenditures exceeded  
8       the original projection by approximately \$8,603.    This  
9       expenditure occurred due to the need to relocate the truck  
10      unloading area and its associated containment facility.

11  
12     Q.    Does this conclude your testimony?

13

14     A.    Yes, it does.