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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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In re: Petition by Tampa Electric Company) for Approval of Cost Recovery for a New Environmental Program, the Big Bend Units) 1 and 2 Flue Gas Desulfurization System	) Docket No. 980693-EI	REPORTING
	) Filed: October 2,1998	

LEGAL ENVIRONMENTAL ASSISTANCE FOUNDATION
POST-HEARING BRIEF AND
STATEMENT OF ISSUES AND POSITIONS

Introduction

Tampa Electric Co. (TECO) has petitioned the Commission pursuant to 366.8255, Florida Statutes (F.S.) for approval of its proposal to comply with its obligations under the Clean Air Act Amendments (CAAA) of 1990 (42 U.S.C. §7401 et seq.) to reduce its system-wide sulfur dioxide (SO_2) emissions and for accrual of funds used during construction (AFUDC). TECO submitted a May 1998 "CAAA Phase II Compliance" report (Exh. 12, doc 2) and other materials in support of its proposal to construct a flue-gas desulfurization (FGD) system on its Big Bend 1and 2 coal-fired generation units.

Phase II of the "acid rain" provisions (Title IV) of the CAAA requires TECO to reduce its system SO_2 emissions as of January 2000 from its current level of approximately 167,000 tons per year (Exhibit 5, doc 5) to 83,882 tons per year (T. 35). TECO has four generators at Big Bend, six at Gannon, five at Hookers Point , one at Polk and two at Phillips (T. 49). Its addition of the FGD is intended to allow it to meet its CAAA obligations for SO_2 reductions, not including any tradable SO_2 allowances it may need to purchase (T. 52).

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While LEAF generally supports the use of FGD technology as a highly effective means to reduce SO_2 emissions, for the reasons addressed below, we believe that the choice made by TECO did not result from a fair review of alternatives, is not the most reasonable or cost-effective alternative, and is therefore not prudent for purposes of cost recovery eligibility. Further, LEAF renews its argument that TECO cannot seek a prudency determination under §366.8255 F.S. without having had its CAAA compliance plan approved pursuant to §366.8255 F.S.

I. Has TECO met its burden to show it adequately explored alternatives?

This section addresses the following issues:

Issue 1: Has TECO adequately explored alternatives to the construction of a FGD system on Big Bend Units 1 & 2?

LEAF: No. TECO has not fairly explored appropriate alternatives, including constructing a new gas-fired combined cycle facility, to reduce its SO_2 emissions. TECO's consideration of a staff-proposed hypothetical was skewed in favor of coal.

Issue 2: Is the fuel price forecast used by TECO in its selection of a CAAA Phase II compliance plan reasonable?

LEAF: No. TECO's fuel forecast unreasonably under-prices coal and over-prices natural gas, thereby allowing it to reach a coal-based choice.

A. TECO did not fairly explore appropriate alternatives, including a new gas option.

In its screening assessment for Phase II compliance, TECO started with options considered in its Phase I study to meet earlier CAAA SO_2 reduction requirements (Exh. 12, doc

1). After eliminating certain options because of technological feasibility problems (Exh. 6), TECO screened five options (Exh. 12, doc 2, pp. 115-116). Those options included fuel blending, FGD retrofit (various scenarios), natural gas replacement, coal/natural gas co-firing, and purchased power. Any of those options could, in theory, allow TECO to reduce its SO_2 emissions to meet CAAA regulations in 2000 and beyond. TECO's natural gas replacement option looked only at creating a gas generating option at Big Bend itself to replace some, but not all, coal units there (Exh. 12, doc 2, pg. 117). None of the narrative or tables provided in that section of TECO's May 1998 report show any screening or analysis of a new natural gas option (Ibid. pp. 117-127).

TECO did not, as part of its initial screening or cost-effectiveness assessment, review the possibility of a stand-alone natural gas alternative to adding a scrubber to Big Bend 1 & 2. It only conducted limited analysis in response to a PSC staff request during TECO witness Hernandez's deposition (Exh. 14, doc 1). In his responses to staff's cross-examination, witness Hernandez was forced to reveal several flaws in TECO's analysis of the staff hypothetical, including under-calculation of capacity factor (T. 266) and failure to include system-wide costs and benefits of the options to achieve system-wide compliance with CAAA requirements (T. 266-268, 272-273). In addition, TECO chose to assign a relatively high heat rate of 7,000 Btu for the hypothetical gas unit, thereby making it appear less efficient in comparison to TECO's 10,000 Btu coal units at Big Bend[1] (Exh. 14 doc 2, T. 261-262). Finally, as addressed below, TECO's fuel forecast over-priced natural gas and under-priced coal to make a gas option appear

[1]As a system alternative option, the gas alternative should have been compared against TECO's higher system heat rate (*See Exh. 11, pg. 11*).

even less cost-effective, even though TECO's 1998 Ten Year Site Plan (TYSP) proposed to construct several gas-fired combustion turbines, all of which are presumably contemplated to be cost-effective -- including the cost of natural gas fuel (Exh. 12, doc 4, pp. 220-223).

TECO failed to realistically consider a new natural gas alternative to its retrofit of Big Bend 1&2 with a FGD system in its screening and cost-effectiveness analyses leading to a decision which supports its coal-based operations. In responding to PSC staff's request for such an analysis, TECO skewed its review to ensure that a gas option would appear less cost-effective. For these reasons, the Commission should find that TECO did not fairly explore its reasonable alternatives.

B. TECO's fuel forecast unreasonably favors coal at the expense of gas.

TECO is overwhelmingly a coal-based electric utility (Exh. 12, doc 4, pg. 159) and part of TECO Energy which has other coal-based interests. It has a strategic interest in supporting coal-based "solutions" to its problems, which include the large environmental effects of coal generation (Exh. 5, doc 5). Listed among the "strategic considerations" of its potential investment in the FGD system is : "$80 million investment in coal fired assets." (Exh. 9, pg. 2593).

Whether by design or inherent institutional bias, TECO's fuel forecasts apply a thumb to the coal side of the scale. As noted by TECO witness Hernandez: "The fuel price forecast and availability and quality of the fuels is a key element in the cost-effectiveness studies . . .." (T. 175-6). Thus it is necessary to take a very close look at TECO's fuel price forecasting. LEAF is at a disadvantage in this regard since a substantial amount of information supplied by TECO in response to Staff requests was treated as confidential. However, based on what we know and

what we surmise the confidential submissions may show, we believe TECO has tilted the scale in its strategic favor.

TECO witness Black stated that TECO tracks fuel prices through periodicals, experience and market information provided by suppliers (T. 38). He also stated that the forecast used in assessing Phase II options was the same as was used in TECO's 1998 TYSP (Exhs. 11&12) as well as a review of information from the Energy Information Administration and other sources (T. 39).

In witness Black's pre-filed testimony, he stated that, for the base case (fuel blending), TECO would switch from high and medium sulfur coals to low sulfur coals (T. 39). However, on cross-examination, he described TECO's current coal handling as using lower sulfur coal at Big Bend 1, 2 and 3, medium sulfur coal at Big Bend 4 and Gannon, and medium-high only at Polk (T. 118-9). Thus it is not clear how using various sulfur-content coal will affect the cost of coal with the FGD in place. The fuel assumptions used in an early TECO analysis does not appear to include significant differences in coal types between the base case and the stand-alone scrubber (Exh. 8, pg. 4766). Witness Black also stated that TECO had the ability to blend coals at Big Bend but not at Gannon (T. 118). However, the fuel assumptions chart appears to assume multiple coal types in use at Gannon under the scrubber scenario (Exh. 8, pg. 4766).

More importantly, TECO's coal pricing and forecasts are inconsistent with current experience:

1) TECO's TYSP forecast of coal prices for 1998 (Exh. 11) is lower than and thus inconsistent with its 1997 costs as shown in its Federal Energy Regulatory Commission (FERC) Form 1 filing (Exh. 3). The TYSP forecast 1998 prices in cents/MBtu as

follows: 187.7 low sulfur; 145 medium sulfur; 134.95 high sulfur (Average - 155.8). TECO's FERC Form 1 showed the following 1997 costs in cents/MBtu: Big Bend (low-to-medium sulfur) 189; Gannon (medium sulfur) 210; Polk (medium-to-high sulfur) 181 (Ave rage -193). TECO's 1997 coal costs as reported to FERC are higher than those forecast for 1998 and are also consistent with those of other Florida coal-burning utilities. Florida Power Corp. (FPC) reported costs of 167 (Crystal River 1+2) and 201 (CR 4+5) (Average - 184); while Gulf reported costs of 215 (Crist) and 191 (Smith) (Average - 203). (Exh. 3).

2) TECO's 1998 through 2007 coal price forecasts are also lower than those of two Florida coal-burning utilities that filed forecasts with their TYSPs.

a) 1998: TECO's forecast prices for 1998 cited above are substantially different than FPC (203 low sulfur; 171 medium sulfur) and Lakeland (174 average). (Exh. 4).

b) 2007: Its future coal forecast for year 2007 is also somewhat lower than others (especially if its relatively higher price for low sulfur coal is reviewed with some skepticism). TECO predicts 2007 coal prices of 260 low sulfur; 191 medium sulfur; and 182 high sulfur coal. FPC's forecast (for 2006) is 221 low sulfur; and 194 medium sulfur coal. Lakeland's 2007 forecast averages 192 for all coals. (Exh. 4). TECO witness Black admitted that its coal forecast was somewhat lower than its actual fuel experience (T. 126).

Even larger and more questionable discrepancies are revealed when assessing TECO's forecasts of natural gas prices compared to that of other largely coal-based utilities in Florida.

The following is on a cents/MBtu basis (base case):

	1998	2007
TECO	278	356
FPC	211	225*
Lakeland	228	259

* projected through 2006 only (Exh. 4)

Even though it is somewhat tedious to go through this exercise, the comparison provides a reality check for the public portion of TECO's fuel pricing. As a key element of TECO's cost-effectiveness analysis, it is clear that the fuel price forecasting credibility falls short and that it is not a reasonable basis for determining the comparative cost-effectiveness of the proposed FGD system against a stand-alone new gas alternative.

For all of the reasons set forth above, TECO has not met its burden of showing that it adequately explored alternatives.

II. TECO has not met its burden to show that the proposed FGD on Big Bend Units 1 and 2 is the most cost-effective alternative.

This section addresses the following issues:

Issue 3: Are the economic and financial assumptions used by TECO in its selection of a CAAA Phase II Compliance plan reasonable?

LEAF: No. TECO's assumptions may result in a more expensive alternative than is reasonable.

Issue 4: Did TECO reasonably consider the environmental compliance costs for all regulated air, water and land pollutants in its selection of the proposed FGD system on Big Bend Units 1 and 2 for sulfur dioxide compliance purposes?

LEAF: No. TECO failed to reasonably consider the full range of Clean Air Act compliance costs to which it is likely to be subject, thereby limiting its choices to pursuing a coal-based option on units that will be operated well beyond their originally intended life.

Issue 5: Has TECO demonstrated that its proposed FGD system on Big Bend Units 1 and 2 for SO2 compliance purposes is the most cost-effective alternative available?

LEAF: No. TECO has not adequately considered all the costs of this project in the context of other actions it will likely have to take for environmental compliance purposes.

TECO's choice of adding a FGD system with a thirty year life on units constructed in 1970 and 1973 may not be the most cost-effective SO2 compliance alternative. TECO's choice fails to fully and adequately consider the merit of using Big Bend Units 1 and 2 as its compliance anchor in the context of the cumulative air compliance requirements and costs it will likely face. TECO has not adequately considered the costs of the FGD, the need for and cost of additional SO2 allowances, and the consequences of relying on aging plants.

a. **TECO has not adequately considered cumulative environmental compliance requirements and costs.**

As even TECO is willing to concede, environmental regulations generally tend to change and those changes tend to increase costs to regulated entities. (Exh. 5, p.28). The same Title IV provisions of the CAAA that require TECO to reduce its SO2 emissions by January 2000 also require reductions in nitrogen oxide (NOx) emissions at the same time. In addition, TECO is generally aware of U.S. Environmental Protection Agency (EPA) 1997 rule changes regarding ozone (a product of NOx emissions) and particulate emissions. (T 68-69, 128-131). It even recognized potential carbon dioxide regulation and future reductions in available SO2 emissions

as strategic considerations in its planning. (Exh. 9 p. 2593). However, in assessing its options for compliance with SO2 reduction requirements, TECO has not analyzed potential cumulative costs of continuing to rely on a coal-based investment strategy.

TECO's next near-term compliance obligation is to reduce NOx emissions. The same units affected by SO2 regulations will be affected by NOx reduction requirements (T. 72-73). TECO witness Black stated that TECO was negotiating with EPA to do combustion modifications only as its compliance strategy. (T. 62). He estimated the cost of such modifications at $8-10 million (T.64). The next level of compliance action is installation of selective catalytic reduction (SCR) equipment at an approximate cost of $20 million per unit (T. 63; Exh. 10, p. 1965). Such costs would be in addition to the $8-10 million spent on combustion modifications. (T. 67). TECO's NOx emission rate is currently 1.226 lbs. per Mbtu, although it has an agreement with Hillsborough County to reduce that rate to 1.03 lbs./MBtu by the end of 1998 (T. 65). However, EPA requires reductions to .86 lbs/MBtu for the type of boilers at Gannon 3 and 4 and .84 lbs/MBtu for the type of boilers at Gannon 5 and 6 and at Big Bend 1-3. (T. 66). The 30% reduction from current emission rates required is a substantial one; TECO has not shown that it can meet that obligation through combustion modifications alone or that it can avoid considerable potential expense in SCR investment.

It is interesting to note that Big Bend 1 and 2 are among the units needing to meet the stricter standard for NOx reductions. In addition, although TECO has estimated the cost of constructing SCR equipment, its analysis contains no estimates of the operating and maintenance costs of such equipment. The record does contain an estimate of the NOx cost impacts of the FGD system. According to TECO, incremental costs for NOx impacts will be $4.7 million over

ten years (Exh 8, p. 4771). This suggests, contrary to the evasive answer given by Witness Black (T. 117), that the addition of the scrubber will affect the operation of the affected units in a way that will increase NOx emissions.

In terms of pending implementation of other air pollution regulations, TECO appears to be keeping its fingers crossed. It has not made any cost estimates of compliance with EPA regulations affecting existing particulate emissions (PM 10 standard), nor does it have any plans for compliance with new PM 2.5 standards. (T. 68-69, 130-131). And, although it recognized carbon dioxide emissions as a strategic concern and concedes that its emissions will increase slightly with the FGD in place, it has no carbon dioxide reduction strategy. (T. Exh. 9, p. 2593; T 131-132).

Even though the equipment used to manage SO2, NOx, PM and CO2 emissions may be different, it is difficult to understand why TECO has not looked at the full implications of all its environmental compliance obligations and costs. The Commission must ask whether there is a better way than simply retrofitting existing plants with varieties of equipment all designed to resolve one single part of an overall problem. That overall problem is the high levels and rates of emissions from TECO's aging coal-fired units. An objective observer would certainly question the wisdom of spending increasing amounts of money to "fix" those highly polluting plants when a better solution might be to invest that money in alternative solutions. The amounts involved are not small: $81.8 million for the FGD itself; $3.5 million per year for O&M; $8-30 million or up to $100 million for NOx compliance; and unaccounted amounts for other compliance probabilities.

b. TECO has not adequately considered the full cost of the FGD system.

TECO states the cost of the FGD system to be approximately $81.8 million (plus almost $8 million in AFUDC) for construction and another $3.5 million per year for O&M. (T.48, Exh. 2, docs. 4, 5). The cost expressed in its initial filing and testimony is substantially higher than costs expressed less than six months before TECO signed contracts for the FGD. In October 1997, TECO's estimate of construction costs was $72 million rather than the $81.8 million project for which it seeks approval. (Exh. 5, doc 2).

The credibility of TECO's cost estimates for this project is also difficult to verify since it is currently the only utility proposing to construct an FGD system for compliance with year 2000 SO2 requirements. Thus, there is no current industry price comparison that can be made. (T. 88-89). The estimated cost of construction is significantly below the 1985 cost of the Big Bend 4 FGD of $150-160 million, also casting doubt on the current cost figures. (T. 74, 132). Cost overruns similar to those experienced with other projects such as Polk could drive up the cost of this project considerably.

For all these reasons, TECO has not shown it adequately considered the full cost of the FGD system.

c. TECO has not adequately accounted for the cost of SO2 allowances.

TECO has been rather nimble in its treatment of SO2 allowances and their associated costs in considering its compliance options. In describing its SO2 emissions reductions of approximately 89,000 tons, TECO witness Black stated that the reduction includes "any allowances that we may purchase." (T. 52) When asked how many allowances TECO would purchase, he responded it would be about 25,000, meaning actual SO2 reductions of about

64,000 tons from the FGD itself. (T. 52). Even if TECO's energy sales increase, its SO2 emissions are capped, but witness Black maintained that 25,000 allowances would be a maximum and that TECO would not anticipated using that much every year. (T. 54).

Although TECO considered different alternatives for compliance, it assumed the same levels of allowances would be needed under each scenario in its compliance study (Exh. 12, doc. 2, p. 118). However, its January 8, 1998 "compliance plan" provides for a maximum of 25,000 allowances per year. (Exh. 9, p. 2577). More confusingly, at least one of its scenarios presents the FGD option as offering the opportunity for negative allowance purchases (ie. sales). Thus it is not at all clear how many allowances TECO anticipates needing in conjunction with the FGD system, nor is it clear that the FGD option requires fewer allowance purchases than other options.

Further, although TECO states that it monitors the price of SO2 allowances regularly (T. 38) and that it projected the price of allowances used in its cost-effectiveness studies (T. 258), there is no specific break out of savings from or cost of allowances in TECO's filings. (T. 258-259). The base cost of allowances was assumed to be $130 and to escalate through time, but it is not at all clear how the conclusion was reached, for example, that the cost of SO2 allowances in Phase II is expected to be low compared to the cost of low sulfur coal. (Exh. 12, doc. 2 p. 134). That TECO conclusion is somewhat at odds with its strategic assumption that the number of allowances available would decrease -- such a decrease would likely make a scarce commodity more costly. (Exh. 9 p. 2593). Even for the present, the purchase of 25,000 allowances at a cost of $130 per allowance would be $3.2 million -- an additional expense not clarified in its project.

TECO has not fairly informed the Commission of the true level of its intended reliance on SO2 allowances in addition to the FGD, nor has it been consistent in its assumptions regarding allowances and the value they add to or subtract from various options.

d. TECO's FGD strategy relies on aging plants that may pose unreasonable environmental compliance and cost risks.

TECO proposes to meet its system-wide compliance requirements for SO2 reductions by adding FGD equipment with a 30-year life, costing $81.8 million, to two coal-fired units at Big Bend that are now 25 and 28 years old. (T. 55, 256). TECO witness Black responded to the question: "What is the average life of a coal plant boiler?" by responding that they would last "significantly beyond a 30-year period." (T. 133). The most interesting part of his answer to that very open-ended question is that he put the life of a boiler in the context of a thirty-year life -- not a forty or fifty year life. This shows that TECO thinks of coal boilers in the context of a thirty-year life as a benchmark. How long beyond a 30-year life coal boilers can operate efficiently and cost-effectively is unclear. TECO's FGD strategy relies on Big Bend Units 1 and 2 operating until they are 55 and 60 years old, respectively. (T. 257). TECO has no experience in operating units that age; in fact its oldest unit is 41 years old (Gannon Unit 1). (T. 256).

Although TECO has alleged that the Big Bend 1 and 2 units can operate with the same degree of efficiency regardless of age, that position has attached to it the caveat that they can do so if the units are properly operated and maintained. (T. 55). In fact, TECO stated that efficiency of the units is dependent on operation and maintenance. (T. 257). However, as noted above, TECO's only experience with a somewhat older unit is with Gannon Unit 1 which, according to TECO witness Black had some maintenance problems in 1997. (T. 56).

TECO's reliance on these aging units to meet its Clean Air Act compliance responsibilities for SO2 shows a determination to pursue coal-based strategies regardless of the risks involved.

TECO has not adequately considered the cumulative environmental costs and responsibilities it will have in the near term; has not adequately assured the Commission concerning the costs of the FGD system itself; has not sufficiently considered the cost of SO2 allowances; and has undertaken unnecessary risk in relying on aging plants as the centerpiece of its compliance strategy. For all the above reasons, TECO has not shown that the FGD system is the most cost-effective alternative.

III. The Commission is without authority to approve TECO's Clean Air Act compliance plan pursuant to 366.8255, Florida Statutes.

This section renews and supports LEAF's arguments in its motion to dismiss TECO's petition to preserve the issue for appeal if necessary.

TECO's proposal was made in the context of compliance with Phase II of the Clean Air Act Amendments. (T.34-37). Its petition was filed pursuant to 366.8255, F.S. for approval of a new environmental compliance program. (TECO Pet. intro. par.). At the time the petition was filed on May 15, 1998, TECO had already made the decision to proceed with the FGD system and expended funds in pursuit of that project. (Exh. 5, doc. 1).

Section 366.825, F.S. provides that a public utility may submit a plan to bring generating units into compliance with the Clean Air Act, and that such a plan must contain certain information (not provided in this proceeding). The statute also provides that if a plan is

submitted, the Commission must review it to determine if it is in the public interest and that approval of the plan by the Commission establishes its prudence. The statute further provides that the Commission retains jurisdiction to determine the reasonableness of actual costs in a further proceeding, but the statute does not include a specific provision relating to such further proceeding.

Section 366.8255, F.S., adopted the year after section 366.825, F.S. was enacted into law, provides the means for utility recovery of a broad range of environmental costs, including costs of Clean Air Act compliance not specifically provided for in the earlier statute. Subsection (2) provides that a utility may submit proposed activities and projected costs in addition to Clean Air Act activities and costs shown in 366.825, F.S. (emphasis added). For Clean Air Act activities, this statute complements the prior statute by providing the subsequent procedure for determining the reasonableness of costs.

It is not reasonable to conclude that the Legislature would have provided two avenues for utilities to inform the Commission of its Clean Air Act compliance activities, especially when the first statute was specific to those compliance activities exclusively and the information requirements to obtain Commission approval of prudence were so specifically and exhaustively set forth. In addition, a more specific statute covering a particular subject generally controls over a more general one. Cristo v. State Dept. Of Banking and Finance, 649 So.2d 318 (Fla. 1st. DCA 1995). It is doubtful that the Legislature decided in the very next session to provide utilities with a much more general avenue to obtain the very same prudence determination without the obligation to provide the detailed information required by the earlier enactment. Indeed, such a

reading of 366.8255, F.S. effectively renders 366.825, F.S. repealed by implication, a result not favored by Florida's courts. Oldham v. Rooks, 361 So.2d 140 (Fla. 1978).

If TECO's petition was brought under the wrong statute, the Commission lacked jurisdiction to consider it. In addition, intervenors' motions to dismiss were timely because a motion on grounds of lack of jurisdiction may be brought at any time. Fl. Rules Civ. Pro. 1.140(b); Schmauss v. Snoll, 245 So.2d 112 (Fla. 3rd DCA 1971).

For the above-stated reasons, TECO sought approval of its proposal under the wrong statute and the Commission is without authority to approve the proposal under 366.8255, F.S.

Conclusion

TECO has not made a convincing case that its proposal to construct a FGD system at Big Bend Units 1 and 2 is the prudent solution to its air pollution compliance obligations. TECO did not realistically consider a new natural gas alternative its its screening and cost-effectiveness analyses and weighted its decision in favor of its coal-based operations. TECO's fuel forecasts, a key piece of that alternatives analysis, was biased in favor of coal, thus preventing it from showing that it adequately explored alternatives.

TECO also did not look at its potential cumulative costs and responsibilities under the Clean Air Act and its regulations. Its near-term obligations will require additional costs for equipment as well as operation and maintenance. It has not even explored the potential cost of some pending environmental obligations, thus exposing its ratepayers to the risks of its uninformed decision. TECO's projected costs for the FGD system should also be viewed with some skepticism. Further, TECO's reliance on aging plants that may not be reliable or cost-

effective over the 30-year life of the FGD system adds environmental compliance and cost risks to this proposal.

Finally, TECO did not seek approval of its compliance plan under the proper statute and the Commission cannot consider its petition. For all of the above reasons, the Commission should deny approval of the project.

LEAF Statement of Issues and Positions

Statement of Position: *TECO did not fairly consider a new gas alternative and weighted its decision in favor of its coal-based operations. . TECO did not consider cumulative compliance costs and otherwise has failed to show it chose the most cost-effective alternative. TECO did not seek approval of its plan under the proper statute.*

Issue 1: Has TECO adequately explored alternatives to the construction of a FGD system on Big Bend Units 1 & 2?

LEAF: No. TECO has not fairly explored appropriate alternatives, including constructing a new gas-fired combined cycle facility, to reduce its SO_2 emissions. TECO's consideration of a staff-proposed hypothetical was skewed in favor of coal.

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Issue 5: Has TECO demonstrated that its proposed FGD system on Big Bend Units 1 and 2 for SO2 compliance purposes is the most cost-effective alternative available?

LEAF: No. TECO has not adequately considered all the costs of this project in the context of other actions it will likely have to take for environmental compliance purposes.

Issue 6: Should the Commission approve TECO's request to accrue allowance for funds used during construction (AFUDC) for the proposed FGD system on Big Bend Units 1 and 2?

LEAF: No position.

Issue 7: Should TECO's petition for cost recovery of a FGD system on Big Bend Units 1 and 2 through the Environmental Cost Recovery Clause (ECRC) be granted?

LEAF: No. For the reasons set forth in LEAF's Statement of Position, the Commission should deny TECO's petition.

Respectfully submitted October 2, 1998.

Gail Kamaras, Esq.
Legal Environmental Assistance
Foundation, Inc. (LEAF)
1114 Thomasville Road, Suite E
Tallahassee, FL 32303
(850) 681-2591

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Legal Environmental Assistance Foundation, Inc. (LEAF) Posthearing Brief and Statement of Issues and Positions has been furnished by hand delivery (*) or by U.S. Mail to the following parties of record on October 2, 1998:

Grace Jaye (*)
Florida Public Service Comm.
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

John Roger Howe
Office of Public Counsel
111 W. Madison St., Rm 812
Tallahassee, FL 32399-1400

Lee Willis
James Beasley
Ausley & McMullen
PO Box 391
Tallahassee, FL 32302

Vicki Kaufman
McWhirter Reeves
117 S. Gadsden Street
Tallahassee, FL 32301

John McWhirter
McWhirter Reeves
PO Box 3350
Tampa, FL 33601

Angela Llewellyn
Tampa Electric Co.
Regulatory Affairs
PO Box 111
Tampa, FL 33601-0111

Gail Kamaras
Legal Environmental Assistance
Foundation, Inc.
1114 Thomasville Rd, Suite E
Tallahassee, FL 32303