

ORIGINAL
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Environmental Cost) DOCKET NO. 960007-EI
Recovery Clause.)
_____) FILED: August 12, 1996

STAFF'S PREHEARING STATEMENT

Pursuant to Order No. PSC-96-0816-PCO-EI the Staff of the Florida Public Service Commission files its Prehearing Statement.

a. All Known Witnesses

None.

b. All Known Exhibits

None.

c. Staff's Statement of Basic Position

Staff takes no basic statement of position pending the evidence developed at hearing.

Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions stated herein.

d. Staff's Position on the Issues

GENERIC ENVIRONMENTAL COST RECOVERY ISSUES

ISSUE 1: What are the appropriate final environmental cost recovery true-up amounts for the period ending March 31, 1996?

STAFF:

FPL: No position at this time pending resolution of a company-specific issue.

GULF: \$686,617 overrecovery.

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08380 AUG 12 96
FPSC-RECORDS/REPORTING

ISSUE 2: What are the estimated environmental cost recovery true-up amounts for the period April 1996 through September 1996?

STAFF:

FPL: No position at this time pending resolution of a company-specific issue.

GULF: \$399,066 overrecovery.

ISSUE 3: What are the total environmental cost recovery true-up amounts to be collected during the period October 1996 through September 1997?

STAFF:

FPL: No position at this time pending resolution of a company-specific issue.

GULF: \$1,085,683 net overrecovery.

ISSUE 4: What are the appropriate projected environmental cost recovery amounts for the period April 1996 through September 1996?

STAFF:

FPL: No position at this time pending resolution of company-specific issues.

GULF: No position at this time pending resolution of company-specific issues.

ISSUE 5: What should be the effective date of the new environmental cost recovery factors for billing purposes?

STAFF: The factor should be effective beginning with the specified environmental cost recovery cycle and thereafter for the period October 1996 through September 1997. Billing cycles may start before October 1, 1996, and the last cycle may be read after September 30, 1997, so that each customer is billed for twelve months regardless of when the adjustment factor became effective.

ISSUE 6: What depreciation rates should be used to develop the depreciation expense included in the total environmental cost recovery true-up amounts to be collected during the period October 1996 through September 1997?

STAFF: The depreciation rates used to calculate the depreciation expense should be the rates that are in effect during the period the allowed capital investment is in service.

ISSUE 7: How should the newly proposed environmental costs be allocated to the rate classes?

STAFF:

FPL: The costs of the Noncontainerized Liquid Waste should be allocated on a demand basis using the 12 CP and 1/13 AD method.

GULF: The costs of the Crist 6 CEM Flow Monitors should be allocated on an energy basis.

ISSUE 8: What are the appropriate Environmental Cost Recovery Factors for the period October 1996 through September 1997 for each rate group?

STAFF:

FPL: No position at this time pending resolution of company-specific issues.

GULF: No position at this time pending resolution of company-specific issues.

ISSUE 9: Should the Environmental Cost Recovery Clause be changed from a six-month cost recovery period to an annual cost recovery period?

STAFF: Yes. In Order No. PSC-94-0044-FOF-EI, issued January 12, 1994, the Commission found that six-month periods should be established initially since neither the Commission or the company (Gulf Power Company) had much experience in administering the clause. However, the Commission continued to say that this does not preclude us from establishing annual periods after some experience is gained. The Commission as well as Gulf Power Company and

Florida Power & Light Company presently have over two years of experience with the Environmental Cost Recovery Clause.

Staff believes that annual cost recovery periods will levelize customer's rates since rates will not reflect seasonal fluctuations. It will also reduce the administrative costs to the companies associated with filing twice a year as opposed to filing once a year. Likewise, the Commission will benefit from an annual cost recovery period as the costs associated with administering the clause should decrease, and it will save the Commission time which could be spent on other matters.

COMPANY - SPECIFIC ENVIRONMENTAL COST RECOVERY ISSUES

Gulf Power Company

ISSUE 10: Should the Commission approve Gulf Power Company's request for recovery of costs of Crist 6 CEMs Flow Monitors through the Environmental Cost Recovery Clause?

STAFF: No position at this time pending receipt of outstanding discovery.

ISSUE 11: Should the company retire the installed costs of replaced units of property?

STAFF: No position at this time.

ISSUE 12: Should the company capitalize the replacement cost of minor items of depreciable property?

STAFF: No position at this time.

ISSUE 13: Should legal expenses incurred to challenge Department of Environmental Protection (DEP) proposals be recovered through the Environmental Cost Recovery Clause?

STAFF: No position at this time pending receipt of outstanding discovery.

Florida Power & Light Company

ISSUE 14: Should the Commission approve Florida Power & Light's request to recover the cost of the St. Lucie Plant Sea Turtle Barrier through the Environmental Cost Recovery Clause?

STAFF: No. This issue was deferred from the February 21, 1996 hearing. Prior to the February hearing, Florida Power & Light (FPL) provided documentation which showed that installation of the five inch mesh barrier net at St. Lucie likely would be required in the near future; however, the documents did not show that this project currently is required by an environmental law or regulation as defined in Section 366.8255, Florida Statutes. Staff was provided a "draft" copy of the Nuclear Regulatory Commission's Biological Opinion which calls for the new five inch mesh barrier net. This document resulted from an Endangered Species Act Section 7 Consultation which was conducted by the National Marine Fisheries Service. FPL anticipated that this report would be issued before the August hearing. However, this report still has not been issued. For this reason, staff believes it is reasonable for the Commission to disallow further cost recovery of this project until all of the criteria for recovery have been met. Staff also believes that it is necessary to back out any costs recovered for this project in prior cost recovery periods.

ISSUE 15: Should the Commission approve Florida Power & Light's request to recover the cost of the Disposal of Noncontainerized Liquid Waste through the Environmental Cost Recovery Clause?

STAFF: No position at this time pending receipt of outstanding discovery.

ISSUE 16: Should the Commission approve Florida Power & Light's request to reserve the right to submit expenditures for the St. Johns River Power Park NO_x project for recovery through the Environmental Cost Recovery Clause?

STAFF: No. Staff believes that the Commission's approval of a project before costs are projected is premature. According to Section 366.8255, Florida Statutes, a utility must file projected costs as well as a description of the proposed environmental compliance activities. When Florida Power & Light files projected costs for this project, then the Commission should determine whether the project is appropriate for recovery through the Environmental Cost Recovery Clause. Florida Power & Light Company may file projections for the St. Johns River Power Park NO_x project as soon as it determines that this project will be implemented.

Tampa Electric Company

ISSUE 17: What are the appropriate initial Environmental Cost Recovery Factors for the period October 1996 through September 1997 for each rate group?

STAFF: No position at this time pending resolution of Docket No. 960688-EI in which Tampa Electric Company petitioned for approval of certain environmental compliance activities for purposes of cost recovery.

e. **Pending Motions**

None.

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f. Compliance with Order No. PSC-96-0816-PCO-EI.

Staff has complied with all requirements of the Order Establishing Procedure entered in this docket.

Respectfully submitted this 12th day of August, 1996.

Vicki D. Johnson

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that one true and correct copy of Staff's Prehearing Statement has been furnished by U.S. Mail to this 12th day of August, 1996, to the following:

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