

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Environmental Cost) DOCKET NO. 950007-EI
Recovery Clause)
_____) FILED: JULY 12, 1995

FILE COPY

STAFF'S PREHEARING STATEMENT

Pursuant to Order No. PSC-95-0771-PCO-EI, the Staff of the Florida Public Service Commission files its Prehearing Statement.

A. All Known Witnesses:

None.

B. All Known Exhibits:

None at this time.

C. Staff's Statement of Basic Position:

Staff takes no position at this time.

D. Staff's Position on the Issues:

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.

GENERIC ENVIRONMENTAL COST RECOVERY ISSUES

ISSUE 1: What are the appropriate final environmental cost recovery true-up amounts for the period ending March 31, 1995?

POSITION:

FPL: \$419,418 overrecovery.

GULF: No position at this time pending the resolution of other issues.

ISSUE 2: What are the estimated environmental cost recovery true-up amounts for the period April, 1995 through September, 1995?

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POSITIONS:

FPL: \$686,372 underrecovery.

GULF: No position at this time pending the resolution of other issues.

ISSUE 3: What are the total environmental cost recovery true-up amounts to be collected during the period April, 1995 through September, 1995?

POSITIONS:

FPL: \$266,954 net underrecovery.

GULF: No position at this time pending the resolution of other issues.

ISSUE 4: What are the appropriate projected environmental cost recovery amounts for the period October, 1995 through March, 1996?

POSITIONS:

FPL: The appropriate projected environmental cost recovery amount to be collected during the period is \$7,681,233.

GULF: No position at this time pending the resolution of other issues.

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

POSITION: The factor should be effective beginning with the specified environmental cost recovery cycle and thereafter for the period October, 1995 through March, 1996. Billing cycles may start before October 1, 1995, and the last cycle may be read after March 31, 1996, so that each customer is billed for six 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, 1995 through March, 1996?

POSITION: 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: Should the Commission approve the recovery of the cost for dismantlement associated with investments for approved projects through the Environmental Cost Recovery Clause?

POSITION: Yes, provided that the dismantlement costs associated with the allowed capital investment are not being recovered in any other cost recovery mechanism, the dismantlement amount is supported by a dismantlement study, and the accrual is developed as prescribed in Order No. 24741, Docket No. 890186-EI.

ISSUE 8: How should the newly proposed environmental costs be allocated to the rate classes?

POSITIONS:

FPL: The costs of the National Pollutant Discharge Elimination System permit fees to the Florida Department of Environmental Protection should be allocated on a demand basis.

FPL: The costs of fuel discharge response and clean-up activities pursuant to Florida Department of Environmental Protection Rule 17-762.820, Florida Administrative Code, should be allocated on a demand basis for O&M costs and 12CP 1/13 for capital costs.

GULF: The costs of the National Pollutant Discharge Elimination System permit fees to the Florida Department of Environmental Protection should be allocated on a demand basis.

GULF: The costs of the mobile equipment purchase for Substation Contamination Investigation should be allocated on 12CP 1/13 energy basis.

GULF: The costs of the Florida Department of Environmental Protection Rule 17-551, Florida Administrative Code, Control of Lead and Copper should be allocated on a demand basis.

ISSUE 9: What are the appropriate Environmental Cost Recovery Factors for the period October, 1995 through March, 1996 for each rate group?

POSITIONS:

FPL:	<u>Rate Class</u>	<u>Environmental Recovery Factor (\$/KWH)</u>
	RS1	0.00023
	GS1	0.00023
	GSD1	0.00020
	OS2	0.00019
	GSLD1/CS1	0.00020
	GSLD2/CS2	0.00020
	GSLD3/CS3	0.00019
	ISST1D	0.00021
	SST1T	0.00021
	SST1D	0.00018
	CILC D/CILC G	0.00020
	CILC T	0.00019
	MET	0.00021
	OL1/SL1	0.00015
	SL2	0.00019

GULF: No position at this time pending the resolution of other issues.

COMPANY - SPECIFIC ENVIRONMENTAL COST RECOVERY ISSUES

Florida Power & Light Company

ISSUE 10a: Should the Commission approve Florida Power & Light's request to recover the cost of the National Pollutant Discharge Elimination System permit fees to the Florida Department of Environmental Protection pursuant to Rule 62-4.052, Florida Administrative Code, through the Environmental Cost Recovery Clause?

POSITION: Yes. This activity is a requirement of the Florida Department of Environmental Protection. All expenses were incurred after April 13, 1993, are not being recovered in any other cost recovery mechanism, and were not considered at the time of Florida Power & Light's last rate case.

ISSUE 10b: Should the Commission approve Florida Power & Light Company's request to recover the cost of fuel discharge response and clean-up activities pursuant to Florida Department of Environmental Protection Rule 17-762.820, Florida Administrative Code, through the Environmental Cost Recovery Clause?

POSITION: No. FPL is notifying the Commission of potential fuel spill remediation costs. FPL has not forecast that there will be any spills and has not projected any clean-up expenses. The Commission should not approve cost recovery prior to determining whether the Company has prudently and reasonably incurred such expenses. Upon notification of a discharge and a request to recover specific expenses, the Commission should then determine whether the Company has prudently and reasonably incurred such expenses. FPL has requested recovery of only those charges which do not qualify for reimbursement under either the state's Early Detection Incentive (EDI) or Petroleum Liability Insurance and Restoration Program (PLIRP) provisions. If charges are not qualified for recovery from EDI or PLIRP, it is questionable whether such charges are prudent and reasonable for recovery through the Environmental Cost Recovery Clause.

ISSUE 10c: Should the Commission approve Florida Power & Light Company's request to include the cost of fuel discharge response and clean-up activities pursuant to Florida Department of Environmental Protection Rule 17-762.820, Florida Administrative Code, within the scope of the Maintenance of Above Ground Fuel Storage Tanks activity?

POSITION: No. Fuel discharge response and clean-up is a new environmental compliance activity, therefore charges for this activity should be reported separate and apart from other approved activities. In addition, fuel discharge response and clean-up charges should be reviewed on a case by case basis. Showing the remediation charges separate from the fuel tank maintenance charges facilitates the review and administration of the Environmental Cost Recovery Clause.

Gulf Power Company

ISSUE 11a: What is the appropriate amount of dismantlement costs associated with Gulf Power Company's approved investments to be recovered through the Environmental Cost Recovery Clause?

POSITION: The appropriate amount of dismantlement costs is \$147,889 annually.

ISSUE 11b: Should the Commission approve Gulf Power Company's request to recover the cost of the National Pollutant Discharge Elimination System permit fees to the Florida Department of Environmental Protection pursuant to Rule 62-4.052, Florida Administrative Code, through the Environmental Cost Recovery Clause?

POSITION: Yes. This activity is a requirement of the Florida Department of Environmental Protection. All expenses were incurred after April 13, 1993, are not being recovered in any other cost recovery mechanism, and were not considered at the time of Gulf Power Company's last rate case.

ISSUE 11c: Should the Commission approve Gulf Power Company's request to recover the cost of compliance with the Florida Department of Environmental Protection Rule 17-551, Florida Administrative Code, Control of Lead and Copper through the Environmental Cost Recovery Clause?

POSITION: Yes in part. The abatement expenses to reduce and control lead and copper contaminants in the water at Plant Crist and Plant Smith, as well as the expenses for measurements and monitoring, are appropriate for recovery. These expenses were incurred after April 13, 1993, are not being recovered in any other cost recovery mechanism, and were not considered at the time of Gulf Power Company's last rate case.

No in part. The expenses associated with part of Rule 17-551 (17-551.800 through 17-551.850 and 17-551.940, F.A.C.) should not be recovered. These sections of the Rule require public education when a system exceeds the acceptable levels for copper and lead in drinking water. Gulf would not have incurred these expenses had the company complied with the drinking water standards; therefore, this type of activity and costs are not appropriate for recovery through the Environmental Cost Recovery Clause.

ISSUE 11d: Should the Commission approve Gulf Power Company's request to recover the costs of the mobile equipment purchase for Substation Contamination Investigation through the Environmental Cost Recovery Clause?

POSITION: Yes. The purchase of the equipment was the least cost option reviewed by GULF's management. This purchase is expected to reduce charges to O&M approved activities for groundwater investigation and remediation. The three options considered are:

1. Maintaining an existing contract and services:
Monthly cost \$73,000.
2. Purchase the treatment system and contract Southern Company Services for operator expenses:
Monthly cost \$45,670.
3. Purchase the treatment system and GULF subcontract for operator expenses:
Monthly cost \$42,670.

All expenses were incurred after April 13, 1993, are not being recovered in any other cost recovery mechanism, and were not considered at the time of Gulf Power Company's last rate case.

ISSUE 11e: Should the Commission approve recovery of Gulf Power Company's costs of Generation Steam Studies through the Environmental Cost Recovery Clause?

POSITION: No. PSC Audit Report for the six month period ending March 31, 1995, Disclosure No. 1, indicates GULF has allocated to at least one approved capital project, PE 1236-Crist Unit 7 Low NO_x Burners, costs for the development of GULF's share of the Southern Company's Clean Air Act Compliance Strategy. Strategic generation studies of this type are normal system planning functions and are not requirements for acquisition and installation of low NO_x burners once the Company has committed to such actions. Allocation of ongoing strategic system planning activities and other similar indirect charges to approved capital projects is not appropriate.

ISSUE 11f: Should the Commission approve recovery of Gulf Power Company's costs of Climate Challenge through the Environmental Cost Recovery Clause?

POSITION: No. PSC Audit Report for the six month period ending March 31, 1995, Disclosure No. 2, indicates that GULF has allocated to at least one approved capital project, PE 1236-Crist Unit 7 Low NO_x Burners, costs for a Climate Challenge program. GULF has

indicated that these charges should have been allocated to an approved O&M activity but has not indicated which one or why. Allocation of ongoing strategic system planning activities and other similar indirect charges to approved O&M activities is not appropriate.

ISSUE 11g: What adjustment, if any, should be made to address the resolution of the O&M expenses identified in Disclosure No. 3 of the PSC Audit Report for the six month period ending March 31, 1995?

POSITION: No position at this time pending additional discovery.

F. Stipulation

At this time, it appears that Gulf Power Company agrees with Staff's position on Issue 11b.

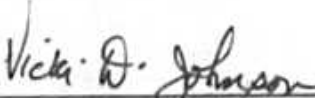
F. Pending Motions:

Staff has no pending motions at this time.

G. Compliance with Order No.

The Staff's Prehearing Statement is filed in compliance with Order No. PSC-95-0771-PCO-EI.

RESPECTFULLY SUBMITTED,



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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that one copy of Staff's Prehearing Statement has been furnished by U.S. Mail this 12th day of July, 1995, to the following:

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