

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Environmental Cost) DOCKET NO. 960007-EI
Recovery Clause.) ORDER NO. PSC-96-1171-FOF-EI
_____) ISSUED: September 18, 1996

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON
JOE GARCIA
JULIA L. JOHNSON

APPEARANCES:

Matthew Childs, Esquire, Steel Hector & Davis, 215 South Monroe Street, Suite 601, Tallahassee, Florida 32301
On behalf of Florida Power & Light Company.

Jeffrey A. Stone, Esquire, and Russell A. Badders, Esquire, Beggs & Lane, Post Office Box 12950, Pensacola, Florida 32576-2950
On behalf of Gulf Power Company.

James D. Beasley, Esquire, and Lee L. Willis, Esquire, Ausley & McMullen, Post Office Box 391, Tallahassee, Florida 32301
On behalf of Tampa Electric Company.

Joseph A. McGlothlin, Esquire, and Vicki Gordon Kaufman, Esquire, McWhirter Reeves McGlothlin Davidson Rief and Bakas, 117 South Gadsden Street, Tallahassee, Florida 32301
On behalf of Florida Industrial Power Users Group.

John Roger Howe, Esquire, Office of Public Counsel, c/o the Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400
On behalf of the Citizens of the State of Florida.

Vicki D. Johnson, Esquire, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
On behalf of the Commission Staff.

BY THE COMMISSION:

ORDER APPROVING PROJECTED EXPENDITURES AND TRUE-UP AMOUNTS FOR ENVIRONMENTAL COST RECOVERY FACTORS

As part of the Commission's continuing fuel and environmental cost recovery proceedings, hearings are held semi-annually. Pursuant to a notice, a hearing was held in this docket on August 29, 1996. The hearing addressed the issues set out in

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FPSC-RECORDS/REPORTING

the Prehearing Order, Order No. PSC-96-1097-PHO-EI, issued August 27, 1996. The participating parties stipulated to a resolution of all issues presented, and we hereby approve the stipulations of all the issues as described below.

GENERIC ENVIRONMENTAL COST RECOVERY ISSUES

The parties agreed to and we approve as appropriate, the following final environmental cost recovery true-up amounts for the period ending March 31, 1996:

FPL: \$58,047 underrecovery.
GPC: \$686,617 overrecovery.

The parties agreed to and we approve as appropriate, the following estimated environmental cost recovery true-up amounts for the period April 1996 through September 1996:

FPL: \$8,298 underrecovery.
GPC: \$399,066 overrecovery.

The parties agreed to and we approve as appropriate, the following total environmental cost recovery true-up amounts to be collected during the period October 1996 through September 1997:

FPL: \$66,345 underrecovery.
GPC: \$1,085,683 overrecovery.

The parties agreed to and we approve as appropriate, the following projected environmental cost recovery amounts for the period October 1996 through September 1997:

FPL: \$12,631,502
GPC: \$9,974,077

The parties agreed and we find that the appropriate depreciation rates to 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 are the rates that will be in effect during the period the allowed capital investment is in service.

The parties agreed and we find that the newly proposed environmental costs will be allocated to the rate classes as follows:

- FPL: The costs of the Noncontainerized Liquid Waste will be allocated on a demand basis using the 12 CP and 1/13 AD method.
- GPC: The costs of the Crist 6 CEM Flow Monitors will be allocated on an energy basis.

With respect to FPL and Gulf, the parties agreed and we find that the Environmental Cost Recovery Clause should be changed from a six-month cost recovery period to an annual cost recovery period. 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 Gulf Power Company had much experience in administering the clause. 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.

In addition, annual cost recovery periods will levelize customers' 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. Thus, for these reasons, we approve an annual cost recovery period for FPL and Gulf.

With respect to FPL and Gulf, we find the new environmental cost recovery factors 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.

The parties agreed to and we approve as appropriate, the following Environmental Cost Recovery Factors for the period October 1996 through September 1997 for each rate group:

FPL:

<u>Rate Class</u>	<u>Environmental Recovery Factor</u> <u>(\$/KWH)</u>
RS1	0.00017
GS1	0.00016
GSD1	0.00015
OS2	0.00014
GSLD1/CS1	0.00015
GSLD2/CS2	0.00015
GSLD3/CS3	0.00015
ISST1D	0.00012
SST1T	0.00018
SST1D	0.00013
CILC D/CILC G	0.00014
CILC T	0.00014
MET	0.00016
OL1/SL1	0.00011
SL2	0.00014

Gulf:

<u>Rate Class</u>	<u>Environmental Recovery Factor</u> <u>(¢/KWH)</u>
RS, RST	0.124
GS, GST	0.122
GSD, GSDT	0.109
LP, LPT	0.103
PX, PXT, RTP	0.095
OSI, OSII	0.081
OSIII	0.100
OSIV	0.136
SBS	0.103

COMPANY - SPECIFIC ENVIRONMENTAL COST RECOVERY ISSUES

Florida Power & Light Company

Florida Power & Light Company requested recovery of the cost of the St. Lucie Plant Sea Turtle Barrier through the Environmental Cost Recovery Clause. The parties agreed that the costs of this project not be recovered at this time. We approve that agreement. This issue was deferred from the February 21, 1996 hearing. Prior to the February hearing, 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. FPL 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, it is reasonable for the Commission to disallow further cost recovery of this project until all of the criteria for recovery have been met. On August 22, 1996, the company refiled its schedules to remove the project costs for prior recovery periods and the projected period.

We approve Florida Power & Light Company's request to recover the cost of the Disposal of Noncontainerized Liquid Waste through the Environmental Cost Recovery Clause. This activity includes capital costs for a mobile ash dewatering system and the associated O&M costs for processing the ash sludge. This activity is a requirement of Rule 62-701.300, Florida Administrative Code, and all expenses requested for recovery were incurred after April 13, 1993. Based on FPL's cost analysis, we find this project is a cost-effective option for compliance. The purchase of the mobile ash dewatering system for \$270,000 is projected to result in an annual savings of approximately \$300,000 in O&M expenses as FPL will no longer be paying a vendor to dewater the ash for them. Finally, FPL maintains that the costs of this project are not presently recovered in base rates or any other cost recovery mechanism. We believe that the requirements for ash sludge disposal have changed since FPL's last rate case. Therefore, the costs for the scope change are appropriate for recovery and will be addressed in the audit for the true-up period.

Florida Power & Light Company requested 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. We find this request should be denied. 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 FPL files the projected costs for this project, then we will determine whether the project is appropriate for recovery through the Environmental Cost Recovery Clause. FPL may file projections for the St. Johns River Power Park NO_x project when it determines that this project will be implemented.

Gulf Power Company

We approve Gulf Power Company's request for recovery of costs of Crist 6 CEMS Flow Monitors through the Environmental Cost Recovery Clause. Although this upgrade to the Crist 6 CEM system is not specifically required by an environmental law or regulation, the CEM system itself is a requirement of the Clean Air Act Amendments of 1990 (CAAA). Gulf's decision to upgrade the flow monitors is based on a cash flow analysis which compares the existing flow monitor to the proposed upgraded flow monitor. This analysis supports Mr. Vick's testimony that "the expected savings from upgrading the system outweigh the expected maintenance costs that would be incurred through maintenance of the existing system over the next four years." Based on review of this analysis, we believe this project is a cost effective alternative for compliance with the CAAA. 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. Final disposition of the costs incurred in this activity will be subject to audit.

At the hearing, Gulf advised that the plant expenditure item for the Crist 6 CEMS flow monitors was being revised to include an upgrade to the Crist 7 flow monitors. Gulf stated that the existing Crist 7 monitors are showing signs of failure and the upgrade is used to comply with the CAAA. The company filed revised schedules which show that the additional projected expenditures for the Crist 7 upgrade has no effect on the factors for this period. No parties objected to the inclusion of the additional expenditures in Gulf's projections. The actual expenditures will be addressed in the true-up for the next cost recovery period.

We find that Gulf should retire the installed costs of replaced units of property. According to Rule 25-6.0142 (4) (b), Florida Administrative Code, the retirement entry shall be recorded no later than one month following the transfer of expenditures from

Construction Work in Progress (Account 107) to Electric Plant in Service (Account 101/106). Gulf was found to be in violation of this rule in the June 23, 1996 FPSC Audit Report. Gulf has since made the correcting entries, and these adjustments will have no effect on the recovery amount.

We find that Gulf should not capitalize the replacement cost of minor items of depreciable property. According to 18 CFR 101, Electric Plant Instructions 10, C. (3), when a minor item of depreciable property is replaced independently of the retirement unit of which it is a part, the cost of replacement shall be charged to the maintenance account appropriate for that item. Gulf was found to be in violation of this rule in the June 23, 1996 FPSC Audit Report; therefore, Gulf made the appropriate adjustments for Plant-In-Service and Accumulated Depreciation in the month of July.

The parties agreed to and we approve Gulf's request to recover legal expenses incurred to challenge Department of Environmental Protection (DEP) proposals through the Environmental Cost Recovery Clause. We note that the parties offered different justification for recovery of these expenses.

Our staff and Gulf took the position legal expenses directly associated with environmental compliance activities approved by the Commission that are incurred in order to benefit the company's ratepayers should be recovered through the ECRC. However, the Commission will continue to examine each such expenditure on a case-by-case basis in order to determine the prudence of its recovery through the clause.

It is FIPUG's position that such legal expenses should not go through the clause because they are normal operating expenses of the utility. FIPUG understands that it is Gulf's and staff's position that such expenses should go through the clause because the activities are directly associated with environmental compliance. However, because the flow-through of these expenses will not affect the factor, FIPUG agrees with Gulf and staff to inclusion of the expenses in the clause at this time. No other party took a position on this issue.

Tampa Electric Company

By Order No. PSC-96-1048-FOF-EI, issued August 14, 1996, in Docket No. 960688-EI, the Commission approved Tampa Electric Company's petition for approval of certain environmental compliance activities for recovery through the Environmental Cost Recovery Clause.

The parties agreed to and we approve as appropriate the following initial Environmental Cost Recovery Factors for Tampa Electric Company the period October 1996 through March 1997 for each rate group:

Rate Class	Factor (cents per kWh)
RS, RST	0.041
GS, GST, TS	0.041
GSD, GSDT, EVX	0.041
GSLD, GSLDT, SBF, SBFT	0.040
IS1, IST1, SBI1, SBIT1, IS3, IST3, SBI3, SBIT3	0.039
SL, OL	0.041

In consideration of the foregoing, it is

ORDERED by the Florida Public Service Commission that the findings and stipulations set forth in the body of this Order are hereby approved. It is further

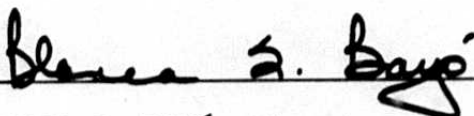
ORDERED that Florida Power & Light Company and Gulf Power Company are hereby ordered to apply the environmental cost recovery factors set forth herein during the period October, 1996, until September, 1997, and until such factors are modified by subsequent Order. It is further

ORDERED that Tampa Electric Company is hereby ordered to apply the environmental cost recovery factors set forth herein during the period October, 1996, until March, 1997, and until such factors are modified by subsequent Order. It is further

ORDERED that the estimated true-up amounts contained in the above environmental cost recovery factors are hereby authorized subject to final true-up, and further subject to proof of the reasonableness and prudence of the expenditures upon which the amounts are based.

ORDER NO. PSC-96-1171-FOF-EI
DOCKET NO. 960007-EI
PAGE 9

By ORDER of the Florida Public Service Commission, this 18th
day of September, 1996.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900 (a), Florida Rules of Appellate Procedure.