

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

ORIGINAL
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In Re: Environmental Cost) DOCKET NO. 950007-EI
Recovery Clause)
_____) FILED: JULY 7, 1995

STAFF'S PRELIMINARY LIST OF ISSUES AND POSITIONS

Pursuant to Order No. PSC-95-0771-PCO-EI, issued June 27, 1995, establishing the prehearing procedure in this docket, the Staff of the Florida Public Service Commission hereby files its Preliminary List of Issues and 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: No position at this time pending final audit report.

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?

POSITION:

ACK _____
AFA _____ FPL: No position at this time.

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

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

POSITION:

FPL: No position at this time.

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

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FPSC-RECORDS/REPORTING

STAFF'S PRELIMINARY LIST OF ISSUES AND POSITIONS
DOCKET NO. 950007-EI

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

POSITION:

FPL: No position at this time.

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.

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

POSITION:

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 17-76.820, 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?

POSITION:

FPL: No position at this time.

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

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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 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 the Company actually incurring clean-up 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.

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: No position at this time pending further discovery.

STAFF'S PRELIMINARY LIST OF ISSUES AND POSITIONS
DOCKET NO. 950007-EI

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.

STAFF'S PRELIMINARY LIST OF ISSUES AND POSITIONS
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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.

STAFF'S PRELIMINARY LIST OF ISSUES AND POSITIONS
DOCKET NO. 9500C7-EI

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.

Dated this 7th day of July, 1995.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that one copy of Staff's Preliminary List of Issues and Positions has been furnished by U.S. Mail this 7th day of July, 1995, to the following:

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