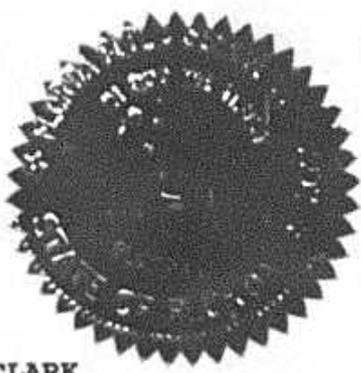


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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In the Matter of	:	DOCKET NO. 980007-EI
Environmental Cost	:	
Recovery Clause.	:	



PROCEEDINGS: HEARING

BEFORE: COMMISSIONER SUSAN F. CLARK
 COMMISSIONER JOE GARCIA
 COMMISSIONER E. LEON JACOBS, JR.

DATE: Wednesday, February 25, 1998

TIME: Commenced at 9:30 a.m.
 Concluded at 10:30 a.m.

PLACE: Betty Easley Conference Center
 Room 148
 4075 Esplanade Way
 Tallahassee, Florida

REPORTED BY: H. RUTHE POTAMI, CSR, RPR
 Official Commission Reporter

DOCUMENT NUMBER - DATE
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 FPSC-RECORDS/REPORTING

1 **APPEARANCES:**

2 **MATTHEW M. CHILDS**, Steel, Hector & Davis,
3 215 South Monroe Street, Suite 601, Tallahassee,
4 Florida 32301, appearing on behalf of Florida Power &
5 Light.

6 **JEFFREY A. STONE**, Beggs & Lane, 700 Blount
7 Building, 3 West Garden Street, Post Office Box 12950,
8 Pensacola, Florida 32576-2950, appearing on behalf of
9 Gulf Power Company.

10 **JAMES D. DEASLEY**, Ausley & McMullen, Post
11 Office Box 391, Tallahassee, Florida 32302, appearing
12 on behalf of Tampa Electric Company.

13 **VICKI GORDON KAUFMAN**, McWhirter, Reeves,
14 McGlothlin, Davidson, Rief & Bakas, P.A, 117 South
15 Gadsden Street, Tallahassee, Florida 32301, appearing
16 on behalf of Florida Industrial Power Users Group.

17 **JOHN ROGER HOWE**, Deputy Public Counsel,
18 Office of Public Counsel, 111 West Madison Street,
19 Room 812, Tallahassee, Florida 32399-1400, appearing
20 on behalf of the Citizens of the State of Florida.

21 **LESLIE J. PAUGH**, Florida Public Service
22 Commission, Division of Legal Services, 2540 Shumard
23 Oak Boulevard, Tallahassee, Florida 32399-0850,
24 appearing on behalf of the Commission Staff.

25

I N D E X

MISCELLANEOUS

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ITEM	PAGE NO.
CERTIFICATE OF REPORTER	31

WITNESSES

NAME	PAGE NO.
KAREN O. ZWOLAK Prefiled Direct Testimony Inserted Into the Record by Stipulation	10

EXHIBITS

NUMBER	ID.	ADMTD.
1 KOZ-1	29	29
2 KOZ-1	29	29

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P R O C E E D I N G S

(Hearing convened at 9:40 a.m.)

COMMISSIONER CLARK: Let's call the hearing to order. We'll have the notice read.

MR. KEATING: Pursuant to notice issued January 13th, 1998, this time and place have been set for a hearing in Docket Nos. 980001-EI, fuel and purchased power cost recovery clause and generating performance incentive factor; Docket No. 980002-EG, conservation cost recovery clause; Docket No. 980003-GU, purchased gas adjustment true-up, and Docket No. 980007-EI, environmental cost recovery clause.

COMMISSIONER CLARK: We'll take appearances starting with you, Mr. Stone.

MR. STONE: Thank you, Commissioner. My name is Jeffrey A. Stone. I'm with the law firm Beggs & Lane, representing Gulf Power Company in Dockets 980001, 98002, and 980007.

MR. MCGEE: James McGee, Post Office Box 14042, St. Petersburg 33733, on behalf of Florida Power Corporation in Docket 980001 and 0002.

MR. BEASLEY: I'm James D. Beasley with the law firm of Ausley & McMullen, P.O. Box 391, Tallahassee, Florida 32302, and I'm here on behalf of

1 Tampa Electric Company in Dockets 980001, 2, and 7.

2 **MR. HOFFMAN:** Commissioner Clark, my name is
3 Kenneth A. Hoffman of the law firm of Rutledge,
4 Ecenia, Underwood, Purnell and Hoffman. Our address
5 is P.O. Box 551, Tallahassee Florida 32302. I'm here
6 this morning on behalf of Florida Public Utilities
7 Company in Docket Nos. 980001, 0002, and 0003.

8 **MR. SCHIEFELBEIN:** Good morning,
9 Commissioners. Wayne Schiefelbein, Gatlin,
10 Schiefelbein & Cowdery, 3301 Thomasville Road,
11 Suite 300, Tallahassee 32312, appearing on behalf of
12 Chesapeake Utilities Corporation in the 02 and 03
13 dockets.

14 **MR. CHILDS:** Commissioners, my name is
15 Matthew Childs of the firm of Steel, Hector & Davis.
16 I'm appearing on behalf of Florida Power & Light
17 Company in the 01 and the 07 dockets.

18 **MR. HOWE:** Commissioners, I'm Roger Howe
19 with the Office of Public Counsel, appearing on behalf
20 of the citizens of the state of Florida in the 01, 02,
21 03 and 07 dockets.

22 **MS. KAUFMAN:** Vicki Gordon Kaufman of the
23 law firm McWhirter, Reeves, McGlothlin, Davidson,
24 Rief & Bakas. I'm appearing for the Florida
25 Industrial Power Users Group in the 01, 02 and 07

1 dockets.

2 **MS. PAUGH:** Leslie Paugh on behalf of
3 Commission Staff in the 01 and 07 dockets.

4 **MR. KEATING:** Cochran Keating on behalf of
5 Commission Staff in the 02 and 03 dockets.

6 **COMMISSIONER CLARK:** I'd like to indicate
7 for the record we yesterday had a phone call from
8 Ansley Watson who, I believe, represents People's Gas.
9 We indicated to him at that time that we didn't think
10 it was necessary for him to come to Tallahassee from
11 Tampa to attend this hearing because it appeared to us
12 that the testimony would be stipulated in and the
13 results stipulated. So he's been excused from this
14 hearing.

15 All right. Any other preliminary matters?
16 Ms. Paugh, do you want to sort of give us a road map
17 as to what we're going to do?

18 **MS. PAUGH:** Dockets 02, 03 and 07 are
19 completely stipulated with the exception of the
20 generic issue of annualization. It might be
21 appropriate to take those dockets first so that those
22 parties may be released, and then take up 01 last,
23 which has outstanding issues.

24 **COMMISSIONER CLARK:** Joe, I know you've done
25 this before, but for Commissioner Jacobs' benefit,

1 fortunately fuel adjustment and conservation cost
2 recovery and environmental cost recovery, that we are
3 usually able to work things out to the satisfaction of
4 all parties; and what we do is stipulate the testimony
5 into the record and then approve the stipulations that
6 have been agreed to by all the parties.

7 What makes these cases different is that
8 there has been a request to go to annual fuel
9 adjustment proceedings. I had indicated, as
10 prehearing officer, I thought that was an issue that
11 should go to the full Commission.

12 What remains to be decided by the panel is,
13 as I understand it, whether or not we should institute
14 a six-month or nine-month adjustment for FP&L in
15 anticipation of what the full Commission might do.

16 Have I characterized that correctly?

17 MS. FAUGH: That's correct. And with
18 respect to all of the generic issues, there has been a
19 ruling made to go to the full Commission, and a
20 separate docket has been set up and it has been set
21 for a workshop already.

22 COMMISSIONER CLARK: Okay. Well, if you
23 would, would you walk me through the dockets you
24 suggested? Was it 02, 03, and then 07?

25 MS. FAUGH: That's correct.

1 **COMMISSIONER CLARK:** All right. Let's walk
2 through those and get the testimony into the record
3 and approve the stipulations that were offered.

4 * * * * *

5 **COMMISSIONER CLARK:** Ms. Paugh, do we go to
6 0007?

7 **MS. PAUGH:** Staff would recommend that the
8 testimony in the 07 docket be moved into the record as
9 though read and that the exhibits be marked as,
10 likewise, moved into the record.

11 **COMMISSIONER CLARK:** I only have two
12 witnesses; is that correct?

13 **MS. PAUGH:** You have one witness. The 01
14 docket, Issues 1 through 15 relates -- I'm sorry --
15 the 007 docket, Issues 1 through 15 relate only to
16 TECO. Issue 16 is the generic issue.

17 **MR. STONE:** Commissioner Clark, Ms. Cranmer
18 did not file any prefiled testimony in 07. She was
19 available to testify to the issue which was spun off
20 into another docket.

21 **COMMISSIONER CLARK:** Got you. So we only
22 have one, and I can't pronounce that person's name.

23 **MS. PAUGH:** Zwolak. I've practiced it.

24 **COMMISSIONER CLARK:** All right. We will
25 show Ms. Zwolak's testimony admitted in the record as

1 though read.

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1 BEFORE THE PUBLIC SERVICE COMMISSION

2 PREPARED DIRECT TESTIMONY

3 OF

4 KAREN O. ZWOLAK

5
6 Q. Please state your name, address, occupation and employer.

7
8 A. My name is Karen O. Zwolak. My business address is 702
9 North Franklin Street, Tampa, Florida 33602. I am employed
10 by Tampa Electric Company in the position of Manager,
11 Energy Issues in the Electric Regulatory Affairs
12 Department.

13
14 Q. Please provide a brief outline of your educational
15 background and business experience.

16
17 A. I received a Bachelor of Arts Degree in Microbiology in
18 1977 and a Bachelor of Science degree in Chemical
19 Engineering in 1985 from the University of South Florida.
20 I began my engineering career in 1986 at the Florida
21 Department of Environmental Regulation and was employed as
22 a Permitting Engineer in the Industrial Wastewater Program.
23 In 1990, I joined Tampa Electric Company as an engineer in
24 the Environmental Planning Department and was responsible
25 for permitting and compliance issues relating to wastewater

1 treatment and disposal. In 1995, I transferred to Tampa
2 Electric's Energy Supply Department and assumed the duties
3 of the plant chemical engineer at the F. J. Gannon Station.
4 In this position, I was responsible for boiler chemistry,
5 water management, and maintenance of environmental
6 equipment and general engineering support. In 1997, I was
7 promoted to Manager, Energy Issues in the Electric
8 Regulatory Affairs Department. My present responsibilities
9 include the areas of fuel adjustment, capacity cost
10 recovery, environmental filings and rate design.

11
12 Q. What is the purpose of your testimony in this proceeding?

13
14 A. The purpose of my testimony is to present, for Commission
15 review and approval, the actual true-up amount and the
16 calculations thereof associated with the environmental
17 compliance activities for the period April 1997 through
18 September 1997.

19
20 Q. Do you wish to sponsor exhibits in support of your
21 testimony?

22
23 A. Yes. My Exhibit No. 1 (KOZ-1) consists of 8 forms which
24 were prepared under my direction and supervision. Form 42-
25 1A reflects the final true-up for the April 1997 -

1 September 1997 period; Form 42-2A consists of the final
2 true-up calculation for the period; Form 42-3A consists of
3 the calculation of the Interest Provision for the period;
4 Form 42-4A reflects the calculation of variances between
5 actual and projected costs for O & M Activities; Form 42-5A
6 presents a summary of actual monthly costs for the period
7 for O & M Activities; Form 42-6A reflects the calculation
8 of variances between actual and projected costs for Capital
9 Investment Projects; Form 42-7A presents a summary of
10 actual monthly costs for the period for Capital Investment
11 Projects and Form 42-8A consists of the calculation of
12 depreciation expense and return on capital investment.

13

14 Q. What is the source of the data which you will present by
15 way of testimony or exhibits in this processing?

16

17 A. Unless otherwise indicated, the actual data is taken from
18 the books and records of Tampa Electric Company. The books
19 and records are kept in the regular course of our business
20 in accordance with generally accepted accounting principles
21 and practices, and provisions of the Uniform System of
22 Accounts as prescribed by this Commission.

23

24 Q. Have the incremental costs for SO2 emission allowances
25 incurred by Tampa Electric's wholesale sales to the Florida

1 Municipal Power Agency (FMPA) and the City of Lakeland
2 (Lakeland) been identified and included in this true-up
3 filing?

4
5 A. Yes, they have. As per Commission Order No. PSC-97-1273-
6 FOF-EU, Docket No. 970171-EU, the incremental SO2
7 allowance costs incurred by the FMPA and Lakeland wholesale
8 sales have been identified and are included on line 10b of
9 Schedule 42-2A of this true-up filing.

10

11 Q. What are the incremental SO2 allowance costs of these two
12 wholesale sales and how are they being treated?

13

14 A. Tampa Electric has calculated the incremental SO2 allowance
15 costs incurred from making the FMPA and Lakeland wholesale
16 sales to be \$189,442 for the period December 1996 through
17 September 1997. This amount was then adjusted by \$29,013
18 to take into account the amount retail ratepayers were
19 being credited due to the FMPA and Lakeland wholesale sales
20 being included in the calculation of the jurisdictional
21 separation factor. A net amount of \$160,429 will be
22 credited to the retail ratepayers as shown on schedule 42-
23 2A, line 10b.

24

25 Q. How were the costs calculated?

- 1 A. As shown in my Exhibit No. ___ (KOZ-1), the tons of SO2
2 emissions caused by the additional generation from Tampa
3 Electric's system for the FMPA and Lakeland wholesale sales
4 for the period December 1996 through September 1997 were
5 calculated based on that percentage of generation which
6 served these sales. That percentage was applied to the
7 total tonnage of SO2 emitted by Tampa Electric's system.
8 The dollar per megawatt-hour (\$/Mwh) was determined by
9 applying the monthly incremental cost of an allowance to
10 that portion of emissions calculated for each sale.
11
- 12 Q. How was the adjusted amount of \$29,013 calculated?
13
- 14 A. The total monthly Mwh for the FMPA and Lakeland sales as a
15 percentage of total sales was determined. This percent was
16 applied to total monthly emission expense to determine the
17 amount of emission expense related to these sales.
18
- 19 Q. Is this method of calculation the same method that will be
20 used on a go-forward basis?
21
- 22 A. No, it is not. In the future, Tampa Electric will use the
23 actual data for the incremental SO2 allowance cost captured
24 on an hourly basis for these sales.
25

- 1 Q. Has Tampa Electric made the necessary adjustments to its'
2 Environmental Cost Recovery Clause (ECRC) in order to
3 comply with Audit Disclosure No. 3 of the Florida Public
4 Service Commission's (FPSC) Environmental Compliance Cost
5 Adjustment Audit Report for the period ending March 31,
6 1997?
7
- 8 A. Yes. As per Commission Order No. PSC-97-1047-FOF-EI,
9 Docket No. 970007-EI, Tampa Electric has agreed to remove
10 payroll charges associated with modifications and
11 expansions to employee workload due to the Big Bend Unit 3
12 Flue Gas Desulfurization Integration Project through the
13 ECRC. (See line 10a of Schedule 42-2A).
14
- 15 Q. What is the actual true-up amount which Tampa Electric is
16 requesting for the six-month period April 1997 through
17 September 1997?
18
- 19 A. Tampa Electric has calculated and is requesting approval of
20 an over/(under) - recovery of (\$227,193) as the actual
21 true-up amount for the six-month period.
22
- 23 Q. What is the adjusted net true-up amount which Tampa
24 Electric is requesting for the April 1997 through September
25 1997 period which is to be carried over and refunded/

- 1 recovered in the next projection period?
2
- 3 **A.** Tampa Electric has calculated and is requesting approval of
4 an over/(under) recovery of \$616,353 as the adjusted net
5 true-up amount for the six-month period. This adjusted net
6 true-up amount is the difference between the actual
7 over/(under) recovery of (\$227,193) for the period April
8 1997 through September 1997 and the actual/estimated true-
9 up for the same period of an over/(under) recovery of
10 (\$843,546) approved in FPSC Order No. PSC-97-1047-FOF-EI.
11 This is shown on form 42-1A.
12
- 13 **Q.** Is this true-up calculation consistent with the true-up
14 methodology used for other cost recovery clauses?
15
- 16 **A.** Yes, it is. The calculation of the true-up amount follows
17 the procedures established by this Commission as set forth
18 on Commission Schedule A-2 "Calculation of True-Up and
19 Interest Provisions" for the Fuel Cost Recovery Clause.
20
- 21 **Q.** Are all costs listed in Forms 42-4A through 42-8A
22 attributable to Environmental Compliance projects approved
23 by the Commission?
24
- 25 **A.** Yes, they are.

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Q. How did actual expenditures for April 1997 through September 1997 compare with Tampa Elect. 'c's actual/estimated projections as presented in previous testimony and exhibits?

A. Overall costs were \$102,790 lower than actual/estimated projections. The variance created by the removal of payroll expenses from the ECRC for the Big Bend 3 FGD system was offset by increased O & M expenses due to unplanned outages and additional maintenance expense for the Big Bend 3 FGD system.

Q. Does this conclude your testimony?

A. Yes, it does.

1 BEFORE THE PUBLIC SERVICE COMMISSION

2 PREPARED DIRECT TESTIMONY

3 OF

4 KAREN O. ZWOLAK

5
6 Q. Please state your name, address, occupation and employer.

7
8 A. My name is Karen O. Zwolak. My business address is 702
9 North Franklin Street, Tampa, Florida 33602. I am employed
10 by Tampa Electric Company in the position of Manager,
11 Energy Issues in the Electric Regulatory Affairs
12 Department.

13
14 Q. Please provide a brief outline of your educational
15 background and business experience.

16
17 A. I received a Bachelor of Arts Degree in Microbiology in
18 1977 and a Bachelor of Science degree in Chemical
19 Engineering in 1985 from the University of South Florida.
20 I began my engineering career in 1986 at the Florida
21 Department of Environmental Regulation and was employed as
22 a Permitting Engineer in the Industrial Wastewater Program.
23 In 1990, I joined Tampa Electric Company as an engineer in
24 the Environmental Planning Department and was responsible
25 for permitting and compliance issues relating to wastewater

1 treatment and disposal. In 1995, I transferred to Tampa
2 Electric's Energy Supply Department and assumed the duties
3 of the plant chemical engineer at the F. J. Gannon Station.
4 In this position, I was responsible for boiler chemistry,
5 water management, and maintenance of environmental
6 equipment and general engineering support. In 1997, I was
7 promoted to Manager, Energy Issues in the Electric
8 Regulatory Affairs Department. My present responsibilities
9 include the areas of fuel adjustment, capacity cost
10 recovery, environmental filings and rate design.

11

12 Q. What is the purpose of your testimony in this proceeding?

13

14 A. The purpose of my testimony is to present, for Commission
15 review and approval, both the calculation of the revenue
16 requirements and the development of the environmental cost
17 recovery factors for the billing period April 1998 through
18 September 1998. My testimony also addresses the recovery
19 of costs associated with the environmental compliance
20 activities for this period as well as the actual/estimated
21 costs for the October 1997 through March 1998 period.
22 Finally, my testimony provides an explanation of
23 significant project variances.

24

25 Q. Do you wish to sponsor exhibits in support of your

1 testimony?

2

3 A. Yes. My Exhibit No. 2 (KOZ-1) consisting of 38 documents,
4 was prepared under my direction and supervision. Form 42-
5 1P summarizes the costs being presented for recovery at
6 this time; Form 42-2P reflects the total jurisdictional
7 recoverable costs for O & M activities; Form 42-3P reflects
8 the total jurisdictional recoverable costs for capital
9 investment projects; Form 42-4P, pages 1 through 8,
10 consists of the calculation of depreciation expense and
11 return on capital investment for each project; Form 42-5P
12 gives the description and progress of environmental
13 compliance activities and projects to be recovered through
14 the clause for the projected period; Form 42-6P reflects
15 the calculation of the energy and demand allocation
16 percentages by rate class and Form 42-7P reflects the
17 calculation of the ECRC factors. In addition, Forms 42-1E
18 through 42-8E reflect the true-up and variance calculation
19 for the prior period.

20

21 Q. What is the source of the data which you will present by
22 way of testimony or exhibits in this proceeding?

23

24 A. Unless otherwise indicated, the actual data is taken from
25 the books and records of Tampa Electric Company. The books

1 and records are kept in the regular course of our business
2 in accordance with generally accepted accounting principles
3 and practices, and provisions of the Uniform System of
4 Accounts as prescribed by this Commission.

5

6 Q. What has Tampa Electric calculated as the total true-up to
7 be applied in the period April 1998 through September 1998?

8

9 A. The total true-up for this period is an over / (under)
10 recovery of \$137,563. This true-up consists of a final
11 true-up over / (under) recovery of \$616,353 as revised to
12 include interest provisions for the FMPA SO2 allowance
13 credit, and a two month actual/four month estimated true-up
14 over / (under) recovery of (\$478,790) for the October 1997
15 through March 1998 period. A detailed calculation
16 supporting the estimated true-up is shown on Schedules 42-
17 1E through 42-8E of my Exhibit.

18

19 Q. How do the actual/estimated project expenditures for
20 October 1997 through March 1998 period compare with the
21 original projection?

22

23 A. As shown on Form 42-4E, total O & M activities were
24 \$549,855 greater than projected. Significant O & M project
25 variances are explained below.

- 1 1. **Big Bend Units 1 and 2 Flue Gas Conditioning Project**
2 Project expenditures were \$3,643 less than projected,
3 a variance of -14.2%, as a result of the removal of
4 payroll expense recovery from the ECRC (Commission
5 Order No. PSC-97-1047-FOF-EI, Docket No. 970007-EI).
6
- 7 2. **SO2 Emission Allowance Project - Project expenditures**
8 were \$568,378 greater than projected, a variance of
9 40.2%. This variance is due to allowance purchases in
10 the month of August, 1997 that were not included in
11 the original projection; an increased SO2 allowance
12 consumption for the period October 1997 to March 1998
13 and expenses incurred from reimbursing Qualifying
14 Facilities for avoided SO2 allowance costs.
15
- 16 Q. Have the projected incremental costs for SO2 emission
17 allowances incurred by Tampa Electric's wholesale sale to
18 the Florida Municipal Power Agency (FMPA) been identified
19 and included in this projection filing?
20
- 21 A. Yes, they have. As per Commission Order No. PSC-97-1273-
22 FOF-EU, Docket No. 970171-EU, the incremental SO2
23 allowance costs projected to be incurred by the FMPA
24 wholesale sale for the period April 1998 through September
25 1998 have been identified and are included as a credit to

1 the retail ratepayers on line 1j of Schedule 42-2P of this
2 projection filing.

3

4 Q. What are the projected incremental SO2 allowance costs for
5 the FMPA wholesale sale for the period April 1998 through
6 September 1998?

7

8 A. Based on the PROMOD analysis, Tampa Electric has projected
9 SO2 costs for the FMPA wholesale sale for the period April
10 1998 through September 1998 to be \$20,000.

11

12 Q. How will be these costs be determined on an actual basis?

13

14 A. Tampa Electric will be able to determine the actual
15 incremental SO2 allowance costs incurred by FMPA on an
16 hourly, real time basis by using its' Dispatch quote. The
17 incremental costs will be based upon the difference between
18 the Dispatch quote which will include incremental SO2
19 allowance costs and a production run that does not include
20 any SO2 allowance costs.

21

22 Q. What environmental compliance costs is Tampa Electric
23 requesting for recovery through the Environmental Cost
24 Recovery Clause for the period April 1998 through September
25 1998?

1 A. Tampa Electric is requesting recovery for a total of nine
2 environmental compliance projects. Projected costs for
3 these projects are shown on Forms 42-1P through 42-7P.
4

5 Four of the nine projects were previously approved for cost
6 recovery through the ECRC and are on-going compliance
7 activities. The newly included five environmental
8 compliance projects are the Gannon Ignition Oil Tank
9 Upgrade, Big Bend Fuel Oil Tank Number 1 Upgrade, Big Bend
10 Fuel Oil Tank Number 2 Upgrade, Phillips Tank Number 1
11 Upgrade and Phillips Tank Number 4 Upgrade for FDEP.
12

13 The costs associated with the tank upgrade projects occur
14 as a result of compliance standards imposed by the
15 Department of Environmental Protection (DEP) Rule 62-762,
16 Aboveground Storage Tank Systems (AST) enacted on March 12,
17 1991, with a compliance deadline of December 31, 1999. The
18 rule requires various modifications to affected storage
19 tanks which include installation of spill and secondary
20 containment, cathodic protection and completion of tank
21 integrity inspections by December 31, 1999. A detailed
22 list of modifications are provided in Form 42-5P, Project
23 Descriptions, of my Exhibit.
24

25 Q. Are the costs associated with the five new environmental

1 compliance activities appropriate for recovery through the
2 Environmental Cost Recovery Clause?

3

4 A. Yes, they are. As per the requirements established in
5 Order No. PSC-94-0044-POF-EI, these costs were incurred
6 after April 13, 1993, were incurred on the basis of a legal
7 requirement of the FDEP and are not currently being
8 recovered through base rates or any other cost recovery
9 mechanism.

10

11 A project entitled Gannon 1 - 5A Tank Underground Piping
12 was included in Tampa Electric's last rate proceeding and
13 was originally estimated to cost \$266,000. The project
14 scope called for the existing piping system to be replaced
15 with an above ground system. In order to eliminate the
16 possibility of double recovery of the \$266,000 Tampa
17 Electric will not include this amount in its current
18 request for recovery.

19

20 Q. Please describe Form 42-1P.

21

22 A. Form 42-1P provides a summary of the costs being requested
23 for recovery through the ECRC. Total recoverable revenue
24 requirements associated with environmental activities,
25 adjusted for taxes, are projected to be \$2,748,383 for the

1 period April 1998 through September 1998.

2

3 Q. Please describe Forms 42-2P and 42-3P.

4

5 A. Form 42-2P presents the O & M activities to be recovered in
6 the projected period along with the calculation of total
7 jurisdictional recoverable costs for these activities,
8 classified as energy or demand.

9

10 Form 42-3P presents the capital investment projects to be
11 recovered in the projected period along with the
12 calculation of total jurisdictional recoverable costs for
13 these projects, classified as energy or demand.

14

15 Q. Please describe Form 42-6P.

16

17 A. Form 42-6P calculates the allocation factors for demand and
18 energy at generation. The demand allocation factors are
19 calculated by determining the percentage each rate class
20 contributes to the monthly system peaks. The energy
21 allocators are calculated by determining the percentage
22 each rate class contributes to total kWh sales, as adjusted
23 for losses, for each rate class.

24

25 Q. Please describe Form 42-7P.

- 1 A. Form 42-7P presents the calculation of the proposed ECRC
2 factors by rate class.
3
- 4 Q. What is the total amount of projected recoverable costs
5 related to the period April 1998 through September 1998?
6
- 7 A. The total projected jurisdictional recoverable costs for
8 the period April 1998 through September 1998 are \$2,883,658
9 as shown on line 1c of Schedule 42-1P. This includes cost
10 related to O & M activities of \$1,943,566 and costs related
11 to capital projects of \$940,092 as shown on lines 1a and
12 1b of Schedule 42-1P.
13
- 14 Q. What are the ECRC billing factor rates for which Tampa
15 Electric is seeking approval?
16
- 17 A. The computation of the billing factors is shown on Form 42-
18 7P of my Exhibit. In summary, the billing factors are:
19

20	<u>Rate Class</u>	<u>Factor (¢/kWh)</u>
21	RS, RST	0.033
22	GS, GST, TS	0.033
23	GSD, GSDT	0.033
24	GSLD, GSLDT, SBF	0.032
25	IS1, IST1, SBI1,	

1	SBIT1, IS3, IST3,	
2	SBI3, SBIT3	0.031
3	SL, OL	0.032
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5 Q. When should the new environmental charges go into effect?

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7 A. They should go into effect commensurate with the first
8 billing cycle in April 1998.

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10 Q. Does this conclude your testimony?

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12 A. Yes, it does.

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1 MS. PAUGH: The exhibits are listed on
2 Page 13 of the prehearing order for numbering.

3 COMMISSIONER CLARK: There are only two
4 exhibits; is that correct?

5 MS. PAUGH: That is correct.

6 COMMISSIONER CLARK: KOZ-1 will be Exhibit 1
7 and KOZ-1 -- I'm sorry.

8 MS. PAUGH: That's how it was filed.

9 COMMISSIONER CLARK: KOZ-1, which is the
10 final true-up, April 97 through September 1997, will
11 be 1, and KOZ, which also is marked 1, will be 2, and
12 that is the environmental cost recovery an estimated
13 true-up amount.

14 MS. PAUGH: Thank you.

15 COMMISSIONER CLARK: And show those two
16 exhibits admitted in the record.

17 (Exhibits 1 and 2 marked for identification
18 and received in evidence.)

19 COMMISSIONER CLARK: And is it appropriate
20 to entertain a motion to approve issues --

21 MS. PAUGH: 1 through 15; that's correct.

22 COMMISSIONER CLARK: Is there a second?

23 COMMISSIONER JACOBS: Second.

24 COMMISSIONER CLARK: Without objection,
25 Issues 1 through 15 for 0007 are approved.

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(Whereupon discussion of Docket
No. 980007-EI concluded.)
