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ORIGINAL

OCT -2 PM 3:00

October 2, 1998

Ms. Blanca S. Bayó, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0870

RE: Docket No. 980693-EI

Dear Ms. Bayó:

Enclosed is an original and fifteen copies each of the Brief of the Office of Public Counsel and Post-Hearing Statement of the Office of Public Counsel for filing in the above-referenced docket.

Also Enclosed is a 3.5 inch diskette containing both the Brief of the Office of Public Counsel and the Post-Hearing Statement of the Office of Public Counsel in WordPerfect for Windows 6.1 format. Please indicate receipt of filing by date-stamping the attached copy of this letter and returning it to this office. Thank you for your assistance in this matter.

Sincerely,

John Roger Howe
Deputy Public Counsel

PH Statement

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ACK 2
AFA 2
APP _____
CPE _____
CPL _____
CJ _____
CR _____
JRH/dsb
Enclosures
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C: ROGER\980693-BAYO\LTR

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DOCUMENT NO. OF DATE
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ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Tampa Electric
Company for approval of cost
recovery for a new environmental
program, the Big Bend Units 1 & 2
Flue Gas Desulfurization System.

DOCKET NO. 980693-EI

FILED: October 2, 1998

POST-HEARING STATEMENT OF THE OFFICE OF PUBLIC COUNSEL

The Citizens of the State of Florida, through the Office of Public Counsel, pursuant to Order No. PSC-98-0864-PCO-EI, the Order Establishing Procedure in this docket, and Rule 25-22.056, Florida Administrative Code, file their post-hearing statement of issues and positions.

STATEMENT OF BASIC POSITION

Tampa Electric Company's petition for prior approval of the stand-alone scrubber for Big Bend Units 1 and 2 should be denied. It's too late for prior approval and too early for a final evaluation. The company is already implementing its SO₂ compliance plan and building the scrubber. All relevant matters can be addressed at the subsequent proceeding when costs are known. Tampa Electric should only accrue AFUDC on the scrubber project in those years in which the thirteen-month average of CWIP for that project exceeds the \$36,171,000 of CWIP already included in rate base pursuant to Order No. PSC-93-0664-FOF-EI.

The Commission should not ignore the dictates of Section 366.825 and misuse Section 366.8255 to evaluate an incomplete plan to achieve partial compliance with Phase II of the Clean Air Act Amendments of 1990 and declare the project eligible for environmental cost recovery. The company settled on the scrubber in the late-1996 or early-1997 time frame. If the company was really interested in prior approval for its plan, it would have filed a petition last year which addressed all the requirements of Section 366.825, Florida Statutes (1997). It's too late now for the company to adopt another approach for SO₂ compliance for year 2000 implementation. The company has not identified any harm which might flow from a Commission decision not to address the company's SO₂ compliance plan at this time.

The claimed cost-effectiveness of the scrubber is predicated on fuel savings from burning lower cost, high-sulfur coal and petroleum coke which purportedly offsets the capital and O&M costs of the scrubber. The derivation of fuel savings, however, is not developed in the record in sufficient detail to support a Commission finding that the scrubber is the least cost alternative and eligible for prior approval.

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10858 OCT-2 98

POST HEARING REPORTING

Allowing Tampa Electric to charge AFUDC on the entire project would be inconsistent with Rule 25-6.0141. Tampa Electric has not requested a waiver or variance from the rule. AFUDC on the entire project would also violate Order No. 93-0664. Tampa Electric has not asked to be released from its terms. AFUDC on the entire project would also violate fundamental regulatory principles. It would require the utility's customers to pay a double return, once through CWIP-in-rate-base and again as AFUDC. It would allow Tampa Electric to recover the same costs twice, once in base rates and again as an additional \$7.2 million in environmental cost recovery charges. In the mean time, it would permit the company to artificially report higher earnings to shareholders.

ISSUES AND POSITIONS

ISSUE 1: Has Tampa Electric Company (TECO) adequately explored alternatives to the construction of a Flue Gas Desulfurization (FGD) system on the Big Bend Units 1 and 2?

OPC: *No. Alternatives have been explored, but Tampa Electric's conclusion is largely unexplained on the record. No other coal-fired utility has chosen the scrubber option. Fuel savings are not adequately quantified. Information the Commission must consider under Section 366.825, Florida Statutes (1997), has not been provided.*

ISSUE 2: Is the fuel price forecast used by TECO in its selection of a CAAA Phase II Compliance Plan reasonable?

OPC: *No. Cost-effectiveness of the scrubber depends on fuel savings from burning high-sulfur coal and petroleum coke. Fuel savings, in turn, depend on the reasonableness of the fuel price forecast. There is, however, no detailed fuel price forecast suitable to evaluate the company's SO₂ compliance plan in the record.*

ISSUE 3: Are the economic and financial assumptions used by TECO in its selection of a CAAA Phase II Compliance Plan reasonable?

OPC: *The assumptions, other than AFUDC, used in making the SO₂ compliance comparisons do not appear to be unreasonable. Tampa Electric, however, has apparently not adopted a comprehensive compliance plan at this time. The AFUDC assumption is unreasonable. See OPC's position on Issue 6.*

ISSUE 4: Did TECO reasonably consider the environmental compliance costs for all regulated air, water and land pollutants in its selection of the proposed FGD system on Big Bend Units 1 and 2 for sulfur dioxide (SO₂) compliance purposes?

OPC: *No.*

ISSUE 5: Has TECO demonstrated that its proposed FGD system on Big Bend Units 1 and 2 for SO₂ compliance purposes is the most cost-effective alternative available?

OPC: *No. Tampa Electric has not explained why its result differs from other coal-fired utilities which have apparently opted for fuel switching with allowance purchases. Fuel savings are not adequately quantified. Section 366.825, Florida Statutes (1997), precludes piecemeal consideration of Clean Air Act compliance plans for purposes of prior approval.*

ISSUE 6: Should the Commission approve TECO's request to accrue allowance for funds used during construction (AFUDC) for the proposed FGD system on Big Bend Units 1 and 2?

OPC: *Tampa Electric has not made a formal request to accrue AFUDC. Tampa Electric should accrue AFUDC only to the extent that its CWIP balance for this project on a thirteen-month average basis exceeds the amount of CWIP allowed in rate base in the company's last rate case.*

ISSUE 7: Should TECO's petition for cost recovery for a FGD system on Big Bend Units 1 and 2 through the Environmental Cost Recovery Clause (ECRC) be granted?

OPC: *No. It's too late for prior approval and too early for final approval. The Commission cannot evaluate, grant prior approval and authorize future cost recovery for an incomplete plan to achieve partial compliance with Phase II of the CAAA when the requirements of Section 366.825 have not first been satisfied.*

ISSUE 8: Should this docket be closed?

OPC: *Yes.*

Respectfully submitted,

Jack Shreve
Public Counsel


John Roger Howe
Deputy Public Counsel

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Attorneys for the Citizens
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**CERTIFICATE OF SERVICE
DOCKET NO. 980693-EI**

I HEREBY CERTIFY that a true and correct copy of the foregoing POST-HEARING STATEMENT OF THE OFFICE OF PUBLIC COUNSEL has been furnished by U.S. Mail or

*Hand-delivery to the following parties on this 2nd day of October, 1998.

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