

AUSLEY & McMULLEN

ATTORNEYS AND COUNSELORS AT LAW

ORIGINAL

RECEIVED-EPSC

227 SOUTH CALHOUN STREET  
P.O. BOX 391 (ZIP 32302)  
TALLAHASSEE, FLORIDA 32301  
(850) 224-9115 FAX (850) 222-7560

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RECORDS AND REPORTING

November 4, 1998

HAND DELIVERED

Ms. Blanca S. Bayo, Director  
Division of Records and Reporting  
Florida Public Service Commission  
101 East Gaines Street  
Tallahassee, Florida 32399-0850

Re: Environmental Cost Recovery Clause  
EPSC Docket No. 980007-E1

Dear Ms. Bayo:

Enclosed for filing in the above docket are the original and ten (10) copies of the Prehearing Statement of Tampa Electric Company.

Also enclosed is a diskette containing the above Prehearing Statement originally typed in Microsoft Word 97 format which has been saved in Rich Text format for use with WordPerfect.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning same to this writer.

- ACK \_\_\_\_\_
- AFA Handwritten
- APP \_\_\_\_\_
- CAF \_\_\_\_\_
- CMU \_\_\_\_\_
- CTR \_\_\_\_\_
- EGC Handwritten
- LEG \_\_\_\_\_
- LIN 3 JDB/pp Enclosures
- OPC \_\_\_\_\_
- RCH \_\_\_\_\_
- SEC 1
- WAS \_\_\_\_\_
- OTH \_\_\_\_\_

Thank you for your assistance in connection with this matter.

Sincerely,

James D. Beasley

cc: All Parties of Record (w/enc.)

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BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

12301 NOV -4 98

EPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental Cost )  
Recovery Clause. )  
\_\_\_\_\_ )

DOCKET NO. 980007-EI  
FILED: November 4, 1998

**PREHEARING STATEMENT OF TAMPA ELECTRIC COMPANY**

**A. APPEARANCES:**

LEE L. WILLIS  
JAMES D. BEASLEY  
Ausley & McMullen  
Post Office Box 391  
Tallahassee, Florida 32302  
On behalf of Tampa Electric Company

**B. WITNESSES:**

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
(Direct)		
1. Karen O Zwolak (TECO)	Final true-up for period ending March 31, 1998 and estimated true-up for period April-September 1998; projections for period October 1998 through December 1998	1,2,3,4,5,6,7,7A,10,10A, 10B,10C,10D,10E,10F, 10G,10H,10I,10J,10K, 10L,10M,10N,10O
2. Gregory M. Nelson (TECO)	Explanation of proposed environmental compliance activities	10,10B,10D,10F,10H, 10J,10L,10N

DOCUMENT NUMBER-DATE

12381 NOV-4 98

FPSC-RECORDS/REPORTING

**C. EXHIBITS:**

<u>Exhibit</u>	<u>Witness</u>	<u>Description</u>
<u>      </u> (KOZ-1)	Zwolak	Final true-up Environmental Cost Recovery, Commission Forms 42-1A through 42-8A for the period October 1997 through March 1998.
<u>      </u> (KOZ-2)	Zwolak	Final true-up Environment Cost Recovery Commission Forms 42-1P through 42-7P for the period October 1998-December 1998 and 42-1E through 42-8E for the period April 1998 - September 1998
<u>      </u> (KOZ-3)	Zwolak	Form 42-1P for the Projected Period October 1998 - December 1998
<u>      </u> (KOZ-4)	Zwolak	Form 42-1E2 for the period April 1998 to December 1998

**D. STATEMENT OF BASIC POSITION**

**Tampa Electric Company's Statement of Basic Position:**

The Commission should approve for environmental cost recovery the new compliance programs described in the testimony and exhibits of Tampa Electric Witnesses Nelson and Zwolak. The Commission should also approve Tampa Electric's calculation of its environmental cost recovery final true-up for the period April 1998 through December 1998, the company's projected ECRC revenue requirement and the company's proposed ECRC factors for the period January 1999 through December 1999.

## E. STATEMENT OF ISSUES AND POSITIONS

### Generic Environmental Cost Recovery Issues

**ISSUE 1A:** What are the appropriate final environmental cost recovery true-up amounts for the period April 1998 through December 1998?

**TECO:** An overrecovery of \$1,611,209. (Witness: Zwolak)

**ISSUE 2:** What are the appropriate projected environmental cost recovery amounts for the period January 1999 through December 1999?

**TECO:** An underrecovery of \$6,128,265. (Witness: Zwolak)

**ISSUE 3:** What is the appropriate recovery period to collect the total environmental cost recovery true-up amounts?

**TECO:** January 1999 through December 1999. (Witness: Zwolak)

**ISSUE 4:** What should be the effective date of the environmental cost recovery factors for billing purposes?

**TECO:** The factors should be effective beginning with the specified fuel cycle and thereafter for the period January 1999 through December 1999. Billing cycles may start before January 1, 1999 and the last cycle may be read after December 1, 1999, so that each customer's bill for twelve months regardless of when the adjustment factors began effective. (Witness: Zwolak)

**ISSUE 5:** What depreciation rates should be used to develop the depreciation expense included in the total environmental cost recovery true-up amounts to be collected?

**TECO:** The company should use the Commission approved depreciation rates applicable to each asset according to the company's last depreciation rate order, Order No. PSC-96-0399-FOF-EI, issued on March 21, 1996 in Docket No. 950499-EI.

(Witness: Zwolak)

**ISSUE 6:** What are the appropriate Environmental Cost Recovery Factors for the period January 1999 through December 1999 for each rate group?

**TECO:** The appropriate factors are the current rates approved in PSC Order No. PSC-98-0408-FOF-EI, as follows:

<u>Rate Class</u>	<u>Factor (¢/kWh)</u>
RS, RST	0.029
GS, GST, TS	0.029
GSD, GSDT	0.028
GSLD, GSLDT, SBF, SBFT,	0.028
IS1, IST1, SBI1,	
SBIT1, IS3, IST3,	
SBI3, SBIT3	0.026
SL, OL	0.028

(Witness: Zwolak)

**ISSUE 7:** Should the Commission require utilities to petition for approval of recovery of new projects through the Environmental Cost Recovery Clause at least three months prior to the due date for projection filing testimony?

**TECO:** No. A three month lead time on petitioning for approval of recovery of new compliance projects would unduly constrain the utilities in their environmental compliance decision making and lessen the accuracy of cost projections. The minimum filing requirements mentioned in Issue 7A, if adopted, would obviate the need for a three month lead time on petitioning for approval of cost recovery for new projects. (Witness: Zwolak)

**ISSUE 7A:** Should the Commission set minimum filing requirements for utilities upon a petition for approval of recovery of new projects through the Environmental Cost Recovery Clause:

**TECO:** Tampa Electric believes it would be reasonable for the Commission to set minimum filing requirements for petitions for approval of recovery of new projects through the ECRC and would want an opportunity to participate in the formulation of such requirements. The adoption of reasonable minimum filing requirements would obviate the need for the three month lead time on petitions for approval of ECRC recovery referenced in Issue 7. Witness: (Zwolak)

**Company – Specific Environmental Cost Recovery Issues**

**Florida Power & Light Company**

**ISSUE 8:** Should the Commission approve Florida Power & Light Company's request for recovery of costs of the Wastewater/Stormwater Discharge Elimination Project through the Environmental Cost Recovery Clause?

**TECO:** No position.

**ISSUE 8A:** What is the appropriate method for calculating the return on average net investment for Environmental Cost Recovery Clause projects as established by Order No. PSC-97-1047-FOF-EI?

**TECO:** No position.

**Gulf Power Company**

**ISSUE 9:** Should the Commission approve Gulf Power Company's request for recovery of costs of the Crist Units 4-7 Ash Pond Diversion Curtains project through the Environmental Cost Recovery Clause?

**TECO:** No position.

**ISSUE 9A:** How should the newly proposed environmental cost for the Crist Units 4-7 Ash Pond Diversion Curtains project be allocated to the rate classes?

**TECO:** No position.

**ISSUE 9B:** Is it appropriate for Gulf Power Company to recover costs for low NOx burner tips on Plant Smith Units 1 and 2 through the Environmental Cost Recovery Clause?

**TECO:** No position.

**ISSUE 9C:** How should environmental costs for the low Nox burner tips on Plant Smith Units 1 and 2 be allocated to the rate classes?

**TECO:** No position.

**ISSUE 9D:** Is it appropriate for Gulf Power Company to recover costs for the purchase of an additional mobile groundwater treatment system through the Environmental Cost Recovery Clause?

**TECO:** No position.

**ISSUE 9E:** What adjust, if any, should be made to the Environmental Cost Recovery Clause to reflect an amount which may be in base rates for the costs of the underground fuel storage tanks which have been replaced by aboveground fuel storage tanks as reported in Audit Disclosure No. 1 of the Florida Public Service Commission's Environmental Cost Recovery Audit Report for the Period Ended September 30, 1997?

**TECO:** No position.

**Tampa Electric Company**

**ISSUE 10:** Should the Commission approve Tampa Electric Company's request for recovery of costs of the Big Bend Unit 1 Classifier Replacement project through the Environmental Cost Recovery Clause?

**TECO:** Yes. This project meets the standards for cost recovery set forth in prior orders of the Commission. (Witness: Nelson, Zwolak)

**ISSUE 10A:** How should the newly proposed environmental costs for the Big Bend Unit 1 Classifier Replacement project be allocated to the rate classes?

**TECO:** The Big Bend Unit 1 Classifier Replacement, which is a project being done to meet the requirements of the Clean Air Amendments of 1990, should be allocated at a rate classes on an energy basis as set forth in previous orders by the Commission. (Witness: Zwolak)

**ISSUE 10B:** Should the Commission approve Tampa Electric Company's request for recovery of costs of the Big Bend Unit 2 Classifier Replacement project through the Environmental Cost Recovery Clause?

**TECO:** Yes. This project meets the standards for cost recovery set forth in prior orders of the Commission. (Witness: Nelson, Zwolak)

**ISSUE 10C:** How should the newly proposed environmental costs for the Big Bend Unit 2 Classifier Replacement project be allocated to the rate classes?

**TECO:** The Big Bend Unit 2 Classifier Replacement, which is a project being done to meet the requirements of the Clean Air Amendments of 1990, should be allocated at a rate classes on an energy basis as set forth in previous orders by the Commission. (Witness: Zwolak)

**ISSUE 10D:** Should the Commission approve Tampa Electric Company's request for recovery of costs of the Gannon Unit 5 Classifier Replacement project through the Environmental Cost Recovery Clause?

- TECO:** Yes. This project meets the standards for cost recovery set forth in prior orders of the Commission. (Witness: Nelson, Zwolak)
- ISSUE 10E:** How should the newly proposed environmental costs for the Gannon Unit 5 Classifier Addition project be allocated to the rate classes?
- TECO:** The Gannon Unit 5 Classifier Replacement, which is a project being done to meet the requirements of the Clean Air Amendments of 1990, should be allocated at a rate classes on an energy basis as set forth in previous orders by the Commission. (Witness: Zwolak)
- ISSUE 10F:** Should the Commission approve Tampa Electric Company's request for recovery of costs of the Gannon Unit 6 Classifier Replacement project through the Environmental Cost Recovery Clause?
- TECO:** Yes. This project meets the standards for cost recovery set forth in prior orders of the Commission. (Witness: Nelson, Zwolak)
- ISSUE 10G:** How should the newly proposed environmental costs for the Gannon Unit 6 Classifier Replacement project be allocated to the rate classes?
- TECO:** The Gannon Unit 6 Classifier Replacement, which is a project being done to meet the requirements of the Clean Air Amendments of 1990, should be allocated at a rate classes on an energy basis as set forth in previous orders by the Commission. (Witness: Zwolak)
- ISSUE 10H:** Should the Commission approve Tampa Electric Company's request for recovery of costs of the Gannon Coal Crusher project through the Environmental Cost Recovery Clause?
- TECO:** Yes. This project meets the standards for cost recovery set forth in prior orders of the Commission. (Witness: Nelson, Zwolak)
- ISSUE 10I:** How should the newly proposed environmental costs for the Gannon Coal Crusher project be allocated to the rate classes?
- TECO:** The Gannon Coal Crusher, which is a project being done to meet the requirements of the Clean Air Amendments of 1990, should be allocated at a rate classes on an energy basis as set forth in previous orders by the Commission. (Witness: Zwolak)
- ISSUE 10J:** Should the Commission approve Tampa Electric Company's request for recovery of costs of the Gannon Unit 5 Stack Extensions project through the Environmental Cost Recovery Clause?

- TECO:** Yes. This project meets the standards for cost recovery set forth in prior orders of the Commission. (Witness: Nelson, Zwolak)
- ISSUE 10K:** How should the newly proposed environmental costs for the Gannon Unit 5 Stack Extensions project be allocated to the rate classes?
- TECO:** The Gannon Unit 5 Stack Extensions, which is a project being done to meet the requirements of the Clean Air Amendments of 1990, should be allocated at a rate classes on an energy basis as set forth in previous orders by the Commission. (Witness: Zwolak)
- ISSUE 10L:** Should the Commission approve Tampa Electric Company's request for recovery of costs of the Gannon Unit 6 Stack Extensions project through the Environmental Cost Recovery Clause?
- TECO:** Yes. This project meets the standards for cost recovery set forth in prior orders of the Commission. (Witness: Nelson, Zwolak)
- ISSUE 10M:** How should the newly proposed environmental costs for the Gannon Unit 6 Stack Extensions project be allocated to the rate classes?
- TECO:** The Gannon Unit 6 Stack Extensions, which is a project being done to meet the requirements of the Clean Air Amendments of 1990, should be allocated at a rate classes on an energy basis as set forth in previous orders by the Commission. (Witness: Zwolak)
- ISSUE 10N:** Should the Commission approve Tampa Electric Company's request for recovery of costs of the National Pollutant Discharge Elimination System (NPDES) Annual Surveillance Fees through the Environmental Cost Recovery Clause?
- TECO:** Yes. This project meets the standards for cost recovery set forth in prior orders of the Commission. (Witness: Nelson, Zwolak)
- ISSUE 10O:** How should the newly proposed environmental costs for the National Pollutant Discharge Elimination System (NPDES) Annual Surveillance Fees be allocated to the rate classes?
- TECO:** The National Pollutant Discharge Elimination System (NPDES) Annual Surveillance Fees shall be allocated to the rate classes on a demand basis as specified in our last cost of service study which was approved in our last rate case. (Witness: Zwolak)

**E. STIPULATED ISSUES**

**TECO:** None at this time.

**G. MOTIONS**

**TECO:** None at this time.

**H. OTHER MATTERS**

**TECO:** None at this time.

DATED this 4<sup>th</sup> day of November, 1998.

Respectfully submitted,



LEE L. WILLIS  
JAMES D. BEASLEY  
Ausley & McMullen  
Post Office Box 391  
Tallahassee, Florida 32302  
(850) 224-9115

ATTORNEYS FOR TAMPA ELECTRIC COMPANY

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true copy of the foregoing Prehearing Statement filed on behalf of Tampa Electric Company has been furnished by hand delivery (\*) or U. S. Mail on this 4<sup>th</sup> day of November, 1998 to the following:

Ms. Leslie Paugh\*  
Staff Counsel  
Division of Legal Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Room 370, Gunter Building  
Tallahassee, FL 32399-0872

Mr. John Roger Howe  
Office of Public Counsel  
111 West Madison Street  
Suite 812  
Tallahassee, FL 32399-1400

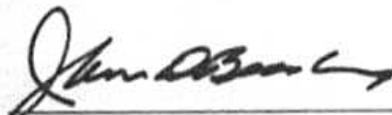
Mr. John W. McWhirter, Jr.  
McWhirter, Reeves, McGlothlin,  
Davidson, Rief & Bakas, P.A.  
P. O. Box 3350  
Tampa, FL 33601-3350

Ms. Gail Kamaras  
LEAF  
1114 Thomasville Road - Suite E  
Tallahassee, FL 32302-6390

Mr. Joseph A. McGlothlin  
McWhirter, Reeves, McGlothlin,  
Davidson, Rief & Bakas, P.A.  
117 South Gadsden Street  
Tallahassee, FL 32301

Mr. Matthew M. Childs  
Steel Hector & Davis  
Suite 601  
215 S. Monroe Street  
Tallahassee, FL 32301

Mr. G. Edison Holland  
Mr. Jeffrey A. Stone  
Beggs and Lane  
Post Office Box 12950  
Pensacola, FL 32576

  
\_\_\_\_\_  
ATTORNEY