

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental Cost
Recovery Clause

DOCKET NO. 990007-EI

FILED: October 25, 1999

STAFF'S PREHEARING STATEMENT

Pursuant to Order No. PSC-99-0763-PCO-EI, issued April 20, 1999, establishing the prehearing procedure in this docket, the Staff of the Florida Public Service Commission hereby files its Prehearing Statement.

a. All Known Witnesses

Patricia S. Lee - Witness Lee's testimony addresses whether an adjustment to the ECRC project costs should be made to reflect the replacement and retirement of in-plant costs currently being recovered through base rates.

G. John Slemkewicz - Witness Slemkewicz's testimony addresses whether an adjustment for "costs currently being recovered through base rates" is required to environmental compliance costs submitted for recovery pursuant to Section 366.8255, Florida Statutes.

b. All Known Exhibits

PSL-1 - Witness Lee's exhibit consists of eight consecutively numbered pages. PSL-1 serves as an example of incremental expenses recoverable through ECRC when a new project results in the retirement of existing assets.

c. Staff's Statement of Basic Position

Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions stated herein.

- AFA _____
- APP _____
- CAF _____
- CMU _____
- CPA _____
- EAS _____
- LEG _____
- MPS 3 _____
- OPC _____
- PAI _____
- SEC 1 _____
- WAW _____
- OTH _____

DOCUMENT NUMBER-DATE

13051 OCT 25 99

FPSC-RECORDS/REPORTING

d. Staff's Position on the Factual Issues

Generic Environmental Cost Recovery Issues

ISSUE 1: **What are the appropriate final environmental cost recovery true-up amounts for the period ending December 31, 1998?**

POSITION:

Staff: FPL: This is a fall-out issue. Staff takes no position at this time pending resolution of generic issues and company specific issues at hearing.

GULF: This is a fall-out issue. Staff takes no position at this time pending resolution of generic issues and company specific issues at hearing.

TECO: This is a fall-out issue. Staff takes no position at this time pending resolution of generic issues and company specific issues at hearing.

ISSUE 2: **What are the estimated environmental cost recovery true-up amounts for the period January 1999 through December 1999?**

POSITION:

Staff: FPL: This is a fall-out issue. Staff takes no position at this time pending resolution of generic issues and company specific issues at hearing.

GULF: This is a fall-out issue. Staff takes no position at this time pending resolution of generic issues and company specific issues at hearing.

TECO: This is a fall-out issue. Staff takes no position at this time pending resolution of generic issues and company specific issues at hearing.

ISSUE 3: What are the total environmental cost recovery true-up amounts to be collected or refunded during the period January 2000 through December 2000?

POSITION:

Staff: FPL: This is a fall-out issue. Staff takes no position at this time pending resolution of generic issues one and two and the resolution of company specific issues at hearing.

GULF: This is a fall-out issue. Staff takes no position at this time pending resolution of generic issues one and two and the resolution of company specific issues at hearing.

TECO: This is a fall-out issue. Staff takes no position at this time pending resolution of generic issues one and two and the resolution of company specific issues at hearing.

ISSUE 4: What are the appropriate projected environmental cost recovery amounts for the period January 2000 through December 2000?

POSITION:

Staff: FPL: This is a fall-out issue. Staff takes no position at this time pending resolution of generic issues and company specific issues at hearing.

GULF: This is a fall-out issue. Staff takes no position at this time pending resolution of generic issues and company specific issues at hearing.

TECO: This is a fall-out issue. Staff takes no position at this time pending resolution of generic issues and company specific issues at hearing.

ISSUE 5: What should be the effective date of the 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 January, 2000, through December, 2000. Billing cycles may start before January 1, 2000, and the last cycle may be read after December 31, 2000, so that each customer is billed for twelve 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?

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: What are the appropriate Environmental Cost Recovery Factors for the period January, 2000, through December, 2000, for each rate group?

POSITIONS:

Staff: FPL: This is a fall-out issue. Staff takes no position at this time pending resolution of generic issues and company specific issues at hearing.

GULF: This is a fall-out issue. Staff takes no position at this time pending resolution of generic issues and company specific issues at hearing.

TECO: This is a fall-out issue. Staff takes no position at this time pending resolution of generic issues and company specific issues at hearing.

ISSUE 8: 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?

POSITION: By agreement, this issue was deferred from a prior ECRC hearing. No position at this time pending the evidence adduced at hearing.

ISSUE 9: 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?

POSITION: By agreement, this issue was deferred from a prior ECRC hearing. No position at this time pending the evidence adduced at hearing.

ISSUE 10: What is the appropriate methodology for making an adjustment to ECRC project costs to reflect retirements or replacements of plant-in-service that are being recovered through base rates?

POSITION: By agreement, this issue was deferred from a prior ECRC hearing. No position at this time pending the evidence adduced at hearing.

ISSUE 11: Have the companies made the appropriate adjustments to remove ECRC project costs that are being recovered through base rates?

POSITION: By agreement, this issue was deferred from a prior ECRC hearing. No position at this time pending the evidence adduced at hearing.

Company - Specific Environmental Cost Recovery Issues

Florida Power & Light Company

ISSUE 12: What effect does Florida Power & Light Company's stipulation have on the ECRC?

POSITIONS:

STAFF: No position at this time pending the evidence adduced at hearing.

ISSUE 12A: What adjustments, if any, should be made to the depreciation expense for the environmental compliance true-up?

POSITIONS:

STAFF: No position at this time pending the evidence adduced at hearing.

Gulf Power Company

ISSUE 13: Should the Commission approve Gulf Power Company's request for recovery of costs of the Gulf Coast Ozone Study project through the Environmental Cost Recovery Clause?

POSITIONS:

STAFF: No position at this time pending the evidence adduced at hearing.

ISSUE 13A: How should the newly proposed environmental costs for the Gulf Coast Ozone Study project be allocated to the rate classes?

POSITION:

No position at this time pending the evidence adduced at hearing.

ISSUE 13B: Should the Commission approve Gulf Power Company's request for recovery of costs of the Mercury Emissions Information Collection Effort through the Environmental Cost Recovery Clause?

POSITIONS:

STAFF: Yes. The Commission found, in Order PSC-99-0912-PAA-EI, that the proposed Mercury Emissions Information Collection Effort qualifies for recovery through the ECRC. However, the amounts to be recovered should be based on the resolution of issue 10 and 11.

ISSUE 13C: **How should the newly proposed environmental costs for the Mercury Emissions Information Collection Effort be allocated to the rate classes?**

POSITION: The recoverable costs for the Mercury Emissions Information Collection Effort 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.

ISSUE 13D: **Should the Commission approve Gulf Power Company's request for recovery of costs of the Plant Smith Sodium Injection System project through the Environmental Cost Recovery Clause?**

POSITIONS:

STAFF: Yes. The Commission found, in Order PSC-99-19542-PAA-EI, that the proposed Plant Smith Sodium Injection System project qualifies for recovery through the ECRC. However, the amounts to be recovered should be based on the resolution of issues 10 and 11.

ISSUE 13E: **How should the newly proposed environmental costs for the Plant Smith Sodium Injection System project be allocated to the rate classes?**

POSITION: The recoverable costs for the Plant Smith Sodium Injection System 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.

ISSUE 13F: What adjustment, 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 Clause Audit Report for the Period Ended September 30, 1997?

POSITION: By agreement, this issue was deferred from a prior ECRC hearing. The parties agree that the retroactive effect of an adjustment, if any, to ECRC recoverable plant investment that may occur as part of the ultimate resolution of this issue will extend back to September 1998. The methodology for determining the adjustment amount should be consistent with the resolution of Issue 10.

ISSUE 13G: Is Gulf in compliance with Order No. PSC-94-0044-FOF-EI, regarding the maintenance of separate subaccounts consistent with the Uniform System of Accounts for all items included in the environmental compliance cost recovery factor?

POSITION: No position at this time pending the evidence adduced at hearing.

Tampa Electric Company

ISSUE 14: Should the Commission approve Tampa Electric Company's request for recovery of costs of the Big Bend Unit 1 and 2 Flue Gas Desulfurization project through the Environmental Cost Recovery Clause?

POSITIONS:

STAFF: Yes. The Commission found, in Order PSC-99-0075-FOF-EI, that the proposed Flue Gas Desulfurization project qualifies for recovery through the ECRC. However, the amounts to be recovered should be based on the resolution of issues 10 and 11.

ISSUE 14A: How should the newly proposed environmental costs for the Big Bend Unit 1 and 2 Flue Gas

Desulfurization project be allocated to the rate classes?

POSITION: The recoverable costs for the Big Bend Unit 1 and 2 FGD 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.

ISSUE 14B: **Should the Commission approve Tampa Electric Company's request for recovery of costs of the EPA Mercury Emission Information Collection Effort through the Environmental Cost Recovery Clause?**

POSITIONS:

STAFF: Yes. The Commission voted on this matter at agenda conference October 5, 1999. The EPA Mercury Emission Information Collection Effort is a project which qualifies for recovery through the ECRC. However, the amounts to be recovered should be based on the resolution of issue 11.

ISSUE 14C: **How should the newly proposed environmental costs for the EPA Mercury Emission Information Collection Effort be allocated to the rate classes?**

POSITION: The recoverable costs for the EPA Mercury Emission Information Collection Effort 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.

ISSUE 14D: **Should the Commission approve Tampa Electric Company's request for recovery of costs of the Gannon Electrostatic Precipitator Optimization Study through the Environmental Cost Recovery Clause?**

POSITIONS:

STAFF: Yes. The Commission voted on this matter at agenda conference October 5, 1999. The Gannon Electrostatic Precipitator Optimization Study is a

project which qualifies for recovery through the ECRC. However, the amounts to be recovered should be based on the resolution of issue 11.

ISSUE 14E: How should the newly proposed environmental costs for the Gannon Electrostatic Precipitator Optimization Study be allocated to the rate classes?

POSITION: The recoverable costs for the Gannon Electrostatic Precipitator Optimization Study 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.

ISSUE 14F: What adjustments, if any, should be made to the ECRC to reflect the assets recovered through base rates that were replaced and retired in connection with the Big Bend CEM and Gannon Ignition Oil Tank ECRC projects?

POSITION: No position at this time pending the evidence adduced at hearing.

ISSUE 14G: Should TECO be required to maintain separate subaccounts for all items included in the environmental cost recovery factor?

POSITION: No position at this time pending the evidence adduced at hearing.

Issues raised by parties and not appearing on staff's preliminary list of issues

ISSUE 15: What is the appropriate methodology for making an adjustment to ECRC project costs to reflect payroll charges that are being recovered through base rates?

POSITION:

Gulf: No adjustment should be made to reduce total ECRC project costs by the cost of capitalized payroll charges.

Staff: No position at this time pending the evidence adduced at hearing.

ISSUE 16: What are the appropriate environmental cost recovery factors for the period January, 1999 through December, 1999, for each rate group?

POSITION:

FPL:

| Rate Class | Environmental Recovery Factor (\$/KWH) |
|---------------|--|
| RS1 | 0.00016 |
| GS1 | 0.00016 |
| GSD1 | 0.00014 |
| OS2 | 0.00019 |
| GSLD1/CS1 | 0.00014 |
| GSLD2/CS2 | 0.00014 |
| GSLD3/CS3 | 0.00011 |
| ISST1D | 0.00020 |
| SST1T | 0.00010 |
| SST1D | 0.00014 |
| CILC D/CILC G | 0.00013 |
| CILC T | 0.00010 |
| MET | 0.00015 |
| OL1/SL1 | 0.00014 |
| SL2 | 0.00013 |

Staff: No position at this time pending the evidence adduced at hearing.

ISSUE 17: Because projected savings from use of the scrubbers will not materialize for several years, should collections be postponed until the savings occur?

POSITION:

FIPUG: Yes.

Staff: No position at this time pending the evidence adduced at hearing.

ISSUE 18: Because recovery of the cost of TECO's scrubbers is on a kwh basis, should wholesale customers bear a portion of the cost responsibility based on their consumption?

POSITION:

FIPUG: Yes.

Staff: No position at this time pending the evidence adduced at hearing.

ISSUE 19: What ROE should be applied to the recovery of the scrubbers?

POSITION:

FIPUG: The low end of the range should be used.

Staff: No position at this time pending the evidence adduced at hearing.

e. Pending Stipulations

None

f. Pending Motions

None

g. Compliance with Order No. Order No. PSC-99-0763-PCO-EI, issued April 20, 1999

Staff has complied with all requirements of the Order Establishing Procedure entered in this docket.

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Respectfully submitted this 25th day of October, 1999.

A handwritten signature in cursive script, appearing to read "Grace A. Jaye", is written over a horizontal line.

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Florida Bar No. 0847143

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that one true and correct copy of Staff's Prehearing Statement has been furnished by U.S. Mail this 25th day of October, 1999, to the following:

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