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RECORDS AND REPORTING

October 25 1999

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ORIGINAL

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Environmental Cost Recovery Clause
FPSC Docket No. 990007-EI

Dear Ms. Bayo:

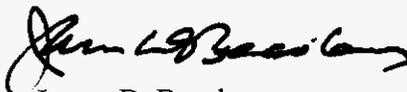
Enclosed for filing in the above docket are the original and fifteen (15) copies of Tampa Electric Company's Prehearing Statement.

Also enclosed is a diskette containing the above document generated in Word and 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.

Thank you for your assistance in connection with this matter.

Sincerely,


James D. Beasley

JDB/pp
Enclosures

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

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DOCUMENT NUMBER-DATE

13109 OCT 25 99

FPSC-RECORDS AND REPORTING

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental Cost)
Recovery Clause)
_____)

DOCKET NO. 990007-EI
FILED: October 25, 1999

**TAMPA ELECTRIC COMPANY'S
PREHEARING STATEMENT**

A. APPEARANCES:

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Tallahassee, Florida 32302

HARRY W. LONG, JR.
Tampa Electric Company
Post Office Box 111
Tampa, Florida 33601

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 December 31, 1998 and estimated true- up for period January 1, 1999-August 31, 1999; projections for period September 1999 through December 1999	1, 2, 3, 4, 5, 7, 14 14A, 14B, 14C, 14D, 14E, 16

DOCUMENT NUMBER-DATE

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FPSC-REGULATORY/REPORTING

- | | | | |
|----|-----------------------------|---|-------------------------------|
| 2. | Gregory M. Nelson
(TECO) | Explanation of proposed environmental compliance activities and projects' cost variances | 1, 2, 3, 4, 14B, 14D |
| 3. | Donald E. Pless
(TECO) | Flue gas desulfurization project and costs | 2, 3, 4, 14 |
| 4. | Phil L. Barringer
(TECO) | Minimum filing requirements; timing of ECRC filings; appropriate methodology for treatment of retirements of replaced plant-in-service items; appropriate methodology for reflecting payroll charges; other ECRC cost adjustments and impacts | 6, 8, 9, 10, 11, 14F, 14G, 15 |

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 April 1998-December 1998
<u> </u> (KOZ-2)	Zwolak	Final true-up Environmental Cost Recovery, Commission Forms 42-1P through 42-7P for the period September 1999-December 1999 and 42-1E through 42-8E for the period January 1999-August 1999
<u> </u> (KOZ-3)	Zwolak	Form 42-1P for the Projected Period September 1999-December 1999
<u> </u> (KOZ-4)	Zwolak	Form 42-1E2 for the period January 1999-December 1999
<u> </u> (GMN-1)	Nelson	Gannon Unit 5 and 6 stack extension supporting documents
<u> </u> (DEP-1)	Pless	Flue gas desulfurization project capital and O & M expenditures compared to original projections

D. STATEMENT OF BASIC POSITION

Tampa Electric Company's Statement of Basic Position:

The Commission should approve for environmental cost recovery the compliance programs described in the testimony and exhibits of Tampa Electric Witnesses Nelson, Pless, 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 actual/estimated environmental cost recovery true-up for the current period January 1999 through December 1999, and the company's projected ECRC revenue requirement and the company's proposed ECRC factors for the period January 2000 through December 2000.

E. STATEMENT 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 December 31, 1998?
- TECO:** The appropriate final environmental cost recovery true-up amount for this period is an underrecovery of \$1,053,356. (Witnesses: Nelson, Zwolak)
- Issue 2:** What are the estimated environmental cost recovery true-up amounts for the period January 1999 through December 1999?
- TECO:** The estimated environmental cost recovery true-up amount for the period is an underrecovery of \$2,122,250. (Witnesses: Nelson, Pless, Zwolak)
- 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?
- TECO:** The total environmental cost recovery true-up amount to be collected during this period is \$3,175,606. (Witnesses: Nelson, Pless, Zwolak)

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

TECO: The appropriate amount is \$22,215,483. (Witnesses: Nelson, Pless, Zwolak)

Issue 5: 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 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 12 months regardless of when the adjustment factors became effective. (Witness: Zwolak)

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?

TECO: The depreciation rates used to calculate the depreciation expense shall be the rates that are in effect during the period the allowed capital investment is in service. (Witness: Barringer)

Issue 7: What are the appropriate Environmental Cost Recovery Factors for the period January 2000 through December 2000 for each rate group?

TECO: The appropriate factors are:

<u>Rate Class</u>	<u>Factor (cents/kWh)</u>
RS, RST	\$0.135
GS, GST, TS	\$0.135
GSD, GSDT	\$0.134
GSLD, GSLDT, SBF, SBFT	\$0.132
IS1, IST1, SBI1, IS3, IST3, SBI3	\$0.127
SL, OL	\$0.133
Average Factor	\$0.133

(Witness: Zwolak)

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?

TECO: No. An earlier fixed due date is not necessary or appropriate. (Witness: Barringer)

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?

TECO: No. While Tampa Electric does not believe that fixed, minimum filing requirements are necessary, the company is willing to provide prompt and thorough support for new projects and associated costs it is seeking to recover through the ECRC. This process allows for specific and necessary information to evolve rather than be determined by more rigid minimum filing requirements. (Witness: Barringer)

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?

TECO: No adjustment is necessary for equipment that has been replaced due to new or more stringent environmental requirements. Continuing to recover the initial investment through base rates and recovering new environmental equipment through the ECRC is not double recovery of the same assets because the investment in replaced assets should be recovered, and the new investment should also be fully recovered. (Witness: Barringer)

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

TECO: Yes. No environmental project costs included in the last rate case are being recovered through the ECRC. (Witness: Barringer)

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?

TECO: No position.

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

TECO: No position.

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?

TECO: No position.

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

TECO: No position.

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?

TECO: No position.

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

TECO: No position.

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?

TECO: No position.

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

TECO: No position.

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?

TECO: No position.

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?

TECO: No position.

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?

TECO: Yes. The Commission found, in Order PSC-99-0075-FOF-EI that the proposed Flue Gas Desulfurization project qualifies for recovery through the ECRC. The costs associated with the project have been prudently incurred. (Witnesses: Pless, Zwolak)

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?

TECO: The recoverable costs for the Big Bend Unit 1 and 2 FGD project should be allocated to rate classes on an energy basis consistent with previous Commission orders for Clean Air Act Amendments of 1990 ("CAAA") projects. (Witness: Zwolak)

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?

TECO: Yes. The Commission voted and approved this project for recovery through the ECRC at agenda conference on October 5, 1999. The EPA Mercury Emission Information Collection Effort is a project which qualifies for recovery through the ECRC. (Witnesses: Nelson, Zwolak)

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

TECO: The recoverable costs for the EPA Mercury Emission Information Collection Effort, being done to meet the requirements of the CAAA, should be allocated to rate classes on an energy basis consistent with previous Commission orders. (Witness: Zwolak)

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?

TECO: Yes. The Commission voted and approved recovery of this project at agenda conference on October 5, 1999. The Gannon Electrostatic Precipitator Optimization Study is a project which qualifies for recovery through the ECRC. (Witness: Nelson, Zwolak)

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

TECO: The recoverable costs for the Gannon Electrostatic Precipitator Optimization Study being done to meet the requirements of the CAA, should be allocated to rate classes on an energy basis consistent with previous Commission orders. (Witness: Zwolak)

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?

TECO: Tampa Electric has adjusted the ECRC to correctly reduce the Gannon Ignition Oil Tank net investment by the amount projected to be incurred during the last rate case. Tampa Electric has also agreed to adjust the net investment of plant in-service for the Big Bend CEM project. Although the company's current position on replacement of assets due to new environmental requirements is not consistent with this adjustment agreed to in Order No. PSC-96-1048-FOF-EI issued August 14, 1996, the company agrees to abide by the decision reached in this order and adjust depreciation expense and associated return on investment for these items. (Witness: Barringer)

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

TECO: No. Tampa Electric's general ledger system does not easily facilitate for subaccounts for all items included in the environmental recovery factor. The company adequately and properly accounts for each project and associated costs. (Witness: Barringer)

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?

TECO: No adjustment should be made to reduce total ECRC project costs by the amount of payroll charges since they are incremental costs and, therefore, are not being recovered through base rates. (Witness: Barringer)

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

TECO: This is not an appropriate issue for this docket. (Witness: Zwolak)

F. STIPULATED ISSUES

TECO: None at this time.

G. MOTIONS

TECO: None at this time.

H. OTHER MATTERS

TECO: None at this time.

DATED this 25th day of October, 1999.

Respectfully submitted,



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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 25th day of October 1999 to the following:

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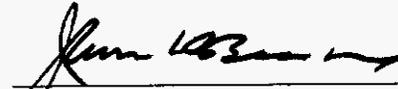
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