

M E M O R A N D U M

October 24, 2001

TO: DIVISION OF THE COMMISSION CLERK AND ADMINISTRATIVE SERVICES

FROM: DIVISION OF LEGAL SERVICES (STERN) *MKS RUE*

RE: DOCKET NO. 010007 - Environmental Cost Recovery Factors

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Attached is STAFF'S PREHEARING STATEMENT to be issued in the above-referenced docket.

MKS  
 Attachment  
 cc: Division of Safety and Electric Reliability  
 Division of Economic Regulation  
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DOCUMENT NUMBER-DATE

13456 OCT 24 01

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental Cost  
Recovery Factors.

DOCKET NO. 010007-EI  
DATED: OCTOBER 24, 2001

STAFF'S PREHEARING STATEMENT

Pursuant to Order No. PSC-01-0658-PCO-EI, issued March 16, 2001, the Staff of the Florida Public Service Commission files its Prehearing Statement.

a. All Known Witnesses

Staff has no witnesses at this time.

b. All Known Exhibits

Staff has no exhibits at this time.

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.

d. Staff's Position on the 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, 2000?

POSITION:

FPL: \$409,377 over recovery.  
TECO: \$677,727 over recovery.  
GULF: \$643,068 over recovery.

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FPSC-COMMISSION CLERK

**ISSUE 2:** What are the estimated environmental cost recovery true-up amounts for the period January 2001 through December 2001?

**POSITION:**

FPL: \$140,141 over recovery.  
TECO: \$ 33,526 over recovery.  
GULF: \$684,892 over recovery.

**ISSUE 3:** What are the total environmental cost recovery true-up amounts to be collected or refunded during the period January 2002 through December 2002?

**POSITION:**

FPL: \$0.  
TECO: \$ 711,253 to be refunded.  
GULF: \$1,327,960 to be refunded.

**ISSUE 4:** What are the appropriate projected environmental cost recovery amounts for the period January 2002 through December 2002?

**POSITION:**

FPL: \$0.  
TECO: Pending review of outstanding discovery.  
GULF: \$9,769,445 if Gulf's petition is approved.

**ISSUE 5:** What should be the effective date of the environmental cost recovery factors for billing purposes?

**POSITION:**

The factors should be effective beginning with the specified environmental cost recovery cycle and thereafter for the period January, 2002, through December, 2002. Billing cycles may start before January 1, 2002, and the last cycle may be read after December 31, 2002, 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 amounts for the period January 2002 through December 2002?

**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 jurisdictional separation factors for the projected period January 2002 through December 2002?

**POSITION:**

FPL: Energy Jurisdictional factor 98.96163%; CP Demand Jurisdictional Factor 99.03598%

GULF: The demand jurisdictional separation factor is 96.50747%. The energy jurisdictional separation factors are calculated for each month based on retail kWh sales as a percentage of projected total system kWh sales.

TECO: Pending review of outstanding discovery.

**ISSUE 8:** What are the appropriate environmental cost recovery factors for the period January, 2002, through December, 2002, for each rate group?

**POSITION:**

FPL: <u>RATE CLASS</u>	<u>ENVIRONMENTAL RECOVERY FACTOR (\$KWH)</u>
RS1	0.00000
GS1	0.00000

GSD1	0.00000
OS2	0.00000
GSLD1/CS1	0.00000
GSLD2/CS2	0.00000
GSLD3/CS3	0.00000
ISST1D	0.00000
SST1T	0.00000
SST1D	0.00000
CILC D/CILC G	0.00000
CILC T	0.00000
MET	0.00000
OL1/SL1/PL1	0.00000
SL2	0.00000

GULF:

If the Commission approves GULF's petition the ECRC factors should be as listed below.

RATE CLASS	ENVIRONMENTAL COST RECOVERY FACTORS ¢/KWH
RS, RST, RSVP	0.104
GS, GST	0.104
GSD, GSDT	0.094
LP, LPT	0.088
PX, PXT, RTP, SBS	0.083
OS-I, OS-II	0.067
OS-III	0.087
OS-IV	0.074

TECO: Pending review of outstanding discovery.

Company Specific Environmental Cost Recovery Issues

Florida Power & Light Company

**ISSUE 9:** What effect does Florida Power & Light Company's stipulation approved by Order No. PSC-99-0519-AS-EI have on the company's level of recovery for 2002?

**POSITION:**

Florida Power & Light Company should be required to follow the provisions of the stipulation. For 2002, the Stipulation does not allow FPL to recover a level of costs, including true-ups, in excess of \$0. The level of costs incurred above the cap will not be recovered through the ECRC in future periods.

Gulf Power Company

**ISSUE 10A:** Should the Commission approve Gulf Power Company's request for recovery of costs for Generic NO<sub>x</sub> Control Intelligent System (GNOCIS) through the Environmental Cost Recovery Clause?

**POSITION:**

The GNOCIS project is an environmental requirement by the DEP to meet air permit requirements for Smith Unit 3. The GNOCIS project satisfies the requirements of Section 366.8255, Florida Statutes, and qualifies for recovery through the ECRC. However, base rates is the more appropriate cost recovery method because the GNOCIS project is due to the siting of a new power plant, Smith Unit 3.

**ISSUE 10B:** Should the Commission approve Gulf Power Company's request for recovery of costs for Consumptive Use-Shield Water Substitution Project through the Environmental Cost Recovery Clause?

**POSITION:**

Yes. By Order PSC-01-1788-PAA-EI, the Commission found that Gulf's Shield Water Project satisfies the requirements of Section 366.8255, Florida Statutes, and qualifies for recovery through the ECRC.

**ISSUE 10C:** How should the newly proposed environmental costs for the Consumptive Use-Shield Water Substitution Project be allocated to the rate classes?

**POSITION:**

The recoverable costs for Consumptive Water Use Monitoring Activity should be allocated to the rate classes using the 12 Coincident Peak and 1/13 Average Demand method.

Tampa Electric Company

**ISSUE 11A:** Should the Commission approve Tampa Electric Company's request for recovery of costs for Gannon Thermal Discharge Study through the Environmental Cost Recovery Clause?

**POSITION:**

Yes. By Order PSC-01-1847-PAA-EI, the Commission found that TECO's Gannon Discharge Study project satisfies the requirements of Section 366.8255, Florida Statutes, and qualifies for recovery through the ECRC.

**ISSUE 11B:** How should the newly proposed environmental costs for the Gannon Thermal Discharge Study project be allocated to the rate classes?

**POSITION:**

Pending review of outstanding discovery.

e. Pending Motions

Staff has no pending motions at this time.

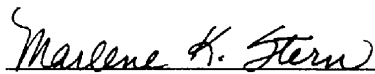
f. Pending Confidentiality Claims or Requests

Staff has no pending confidentiality requests at this time.

g. Compliance with Order No. PSC-01-0658-PCO-EI

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

Respectfully submitted this 24<sup>th</sup> day of October, 2001.



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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental Cost  
Recovery Factors.

DOCKET NO. 010007-EI

FILED: OCTOBER 24, 2001

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of STAFF'S PREHEARING STATEMENT has been furnished by U.S. MAIL this 24<sup>th</sup> day of October, 2001, to the following:

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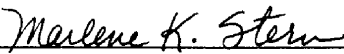
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