

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental cost  
recovery clause.

DOCKET NO. 030007-EI  
DATED: OCTOBER 14, 2003

STAFF'S PREHEARING STATEMENT

Pursuant to Order No. PSC-03-0114-PCO-EI, filed January 21, 2003, the Staff of the Florida Public Service Commission files its Prehearing Statement.

a. All Known Witnesses

None at this time.

b. All Known Exhibits

None 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 final environmental cost recovery true-up amounts for the period ending December 31, 2002?

POSITION:

FPL: \$205,349 over recovery  
PEF: \$38,833 under recovery

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Gulf: \$229,600 over recovery  
TECO: \$456,568 under recovery

**ISSUE 2:**

What are the estimated environmental cost recovery true-up amounts for the period January 2003 through December 2003?

**POSITION:**

FPL: \$850,933 over recovery  
PEFI: Based on the resolution of company specific issues  
(10A - D)  
Gulf: \$209,163 over recovery  
TECO: \$163,803 under recovery

**ISSUE 3:**

What are the total environmental cost recovery true-up amounts to be collected or refunded during the period January 2004 through December 2004?

**POSITION:**

FPL: \$1,056,282 over recovery  
PEFI: Based on the resolution of company specific issues  
(10A - D)  
Gulf: \$438,763 over recovery  
TECO: \$620,371 under recovery

**ISSUE 4:**

What are the projected environmental cost recovery amounts for the period January 2004 through December 2004?

**POSITION:**

FPL: Based on the resolution of company specific issues  
(9A - F)  
PEFI: Based on the resolution of company specific issues  
(10A - D)  
Gulf: Based on the resolution of company specific issues

(11A - F)  
TECO: \$26,200,066

**ISSUE 5:**

What depreciation rates should be used to develop the depreciation expense included in the total environmental cost recovery amounts for the period January 2004 through December 2004?

**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 6:**

What are the appropriate jurisdictional separation factors for the projected period January 2004 through December 2004?

**POSITION:**

PEFI: The energy jurisdictional separation factors are calculated for each month based on retail kWh sales as a percentage of projected total system kWh sales.

Production Demand Jurisdictional Factor - 91.848%

Transmission Demand Jurisdictional Factor 72.115%

Distribution Demand Jurisdictional Factor 99.529%

FPL: Energy Jurisdictional Factor - 98.75007%;  
CP Demand Jurisdictional Factor - 98.84301%;  
GCP Demand Jurisdictional Factor - 100.00000%.

TECO: The demand jurisdictional separation factor is 95.43611%. The energy jurisdictional separation factors are calculated for each month based on projected retail kWh sales as a percentage of projected total system kWh sales.

GULF: The demand jurisdictional separation factor is 96.50187%. The energy jurisdictional separation factors are calculated for each month based on projected retail kWh sales as a percentage of projected total system kWh sales.

**ISSUE 7:**

What are the appropriate environmental cost recovery factors for the period January, 2004, through December, 2004, for each rate group?

**POSITION:**

This is fallout issue and staff's position will be based on resolution of generic issues 1-6 and company issues.

**ISSUE 8:**

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 2004 through December 2004. Billing cycles may start before January 1, 2004, and the last cycle may be read after December 31, 2004, so that each customer is billed for twelve months regardless of when the adjustment factor became effective.

**Company Specific Environmental Cost Recovery Issues**

**Florida Power & Light**

**ISSUE 9A.**

Should the Commission approve FPL's request for recovery of costs for the Underground Storage Tank Replacement/Removal through the Environmental Cost Recovery Clause?

**POSITION:**

Yes. The project is required by Rule 62-761.500, Florida Administrative Code. Recovery through the Environmental Cost Recovery Clause of prudently incurred costs will not provide double recovery.

**ISSUE 9B:**

How should FPL's newly proposed environmental costs for the Underground Storage Tank Replacement/Removal be allocated to the rate classes?

**POSITION:**

The proposed O&M costs should be allocated to the rate classes on a 12 Coincident Peak basis.

**ISSUE 9C:**

Should the Commission approve FPL's request for recovery of costs for the Lowest Quality Water Source Project through the Environmental Cost Recovery Clause?

**POSITION:**

Under review. Staff has no position at this time.

**ISSUE 9D:**

How should FPL's newly proposed environmental costs for the Lowest Quality Water Source Project be allocated to the rate classes?

**POSITION:**

If approved, the proposed O&M costs should be allocated to the rate classes on a 12 Coincident Peak basis.

**ISSUE 9E:**

Should the Commission approve FPL's request for recovery of costs for the Port Everglades Electrostatic Precipitator Technology Project through the Environmental Cost Recovery Clause?

**POSITION:**

Yes. FPL's Title V permit for Port Everglades, No. 0110036-006-AV, effective January 1, 2004, expressly requires installation of an electrostatic precipitator.

**ISSUE 9F:**

How should FPL's newly proposed environmental costs for the Port Everglades Electrostatic Precipitator Technology Project be allocated to the rate classes?

**POSITION:**

The proposed capital costs should be allocated to the rate classes on an energy basis.

**ISSUE 9G:**

Should the Commission approve FPL's request for recovery of costs for the inclusion of the Manatee Plant in FPL's Wastewater/Stormwater Discharge Elimination & Reuse (WSDER) Project through the Environmental Cost Recovery Clause?

**POSITION:**

Under review. Staff has no position at this time.

**ISSUE 9H:**

How should FPL's newly proposed environmental costs for the WSDER Project be allocated to the rate classes?

**POSITION:**

If approved, the proposed O&M costs should be allocated to the rate classes on a 12 Coincident Peak basis.

Progress Energy Florida

**ISSUE 10A:**

How should PEFI's newly proposed environmental costs for the Pipeline Integrity Management Program be allocated to the rate classes?

**POSITION:**

If the Program is approved, the proposed capital and O&M costs should be allocated to the rate classes on a 12 Coincident Peak basis.

**ISSUE 10B:**

If the Aboveground Tank Secondary Containment Program is approved, should an adjustment be made for the level of costs currently being recovered through PEFI's base rates?

**POSITION:**

Under review. Staff has no position at this time.

**ISSUE 10C:**

If the Aboveground Tank Secondary Containment Program is approved, how should PEFI's newly proposed environmental costs be allocated to the rate classes?

**POSITION:**

If approved, the proposed capital costs should be allocated to the rate classes on a 12 Coincident Peak basis.

**ISSUE 10D:**

What are the appropriate weighted debt and equity rates of return for the recovery of capital investment costs for PEPI?

**POSITION:**

The appropriate weighted debt and equity rates of return for recovery of capital investment costs are as reflected in Order No. PSC-02-0655-AS-EI in Docket No. 000824-EI.

Gulf Power Company

**ISSUE 11A:**

Should the Commission approve Gulf's request for recovery of costs for the Plant Crist Unit 7 Scrubber Study through the Environmental Cost Recovery Clause?

**POSITION:**

No. The study is not required by an environmental law or regulation as defined in Section 366.8255(1)(c), Florida Statutes.

**ISSUE 11B:**

Should the Commission approve Gulf's request for recovery of costs for the Plant Crist Fourier Transform Infrared Spectrometer through the Environmental Cost Recovery Clause?

**POSITION:**

Yes. Gulf's air construction permit for Crist Unit 7, which was required by Gulf's Ozone Reduction Agreement with DEP, requires monitoring of ammonia slip emissions. The Fourier Transform Infrared Spectrometer is needed to measure ammonia slip emissions. Recovery through the Environmental Cost Recovery Clause of prudently incurred costs will not provide double recovery.

**ISSUE 11C:**



How should Gulf's newly proposed environmental costs for the Plant Crist Fourier Transform Infrared Spectrometer be allocated to the rate classes?

**POSITION:**

If approved, the proposed capital costs should be allocated to the rate classes on an energy basis.

**ISSUE 11D:**

Should the Commission approve Gulf's request for recovery of costs for the Plant Crist Stormwater Project through the Environmental Cost Recovery Clause?

**POSITION:**

Yes. This project is required by a revision made on July 17, 2002, to 40 CFR Part 112, commonly referred to as the Spill Prevention Control and Countermeasures (SPCC) regulation. Recovery through the Environmental Cost Recovery Clause of prudently incurred costs will not provide double recovery.

**ISSUE 11E:**

How should Gulf's newly proposed environmental costs for the Plant Crist Stormwater Project be allocated to the rate classes?

**POSITION:**

If approved, the proposed capital costs should be allocated to the rate classes on a 12 Coincident Peak and 1/13 Average Demand basis.

e. Pending Motions

None.

f. Pending Confidentiality Claims or Requests

None.

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g. Compliance with Order No. PSC-03-0114-PCO-EI

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

Respectfully submitted this 14th day of October,  
2003.

Marlene K. Stern

Marlene K. Stern  
Associate General Counsel  
FLORIDA PUBLIC SERVICE COMMISSION  
2540 Shumard Oak Boulevard  
Gerald L. Gunter Building - Room 370  
Tallahassee, Florida 32399-0863  
(850)413-6199

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing has been furnished by U.S. Mail, this 14th day of October, 2003, to the following:

Ausley Law Firm  
Lee Willis/James Beasley  
P.O. Box 391  
Tallahassee, FL 32302

Florida Industrial Power Users  
Group  
c/o John W. McWhirter, Jr.  
McWhirter Reeves  
400 North Tampa Street  
Suite 2450  
Tampa, FL 33602

Florida Power & Light Company  
Mr. R. Wade Litchfield  
700 Universe Blvd.  
Juno Beach, FL 33408-0420

Gulf Power Company  
Ms. Susan D. Ritenour  
One Energy Place  
Pensacola, FL 32520-0780

Office of Public Counsel  
Rob Vandiver  
c/o The Florida Legislature  
111 W. Madison St., #812  
Tallahassee, FL 32399-1400

Beggs & Lane Law Firm  
Jeffrey Stone/Russell Badders  
P.O. Box 12950  
Pensacola, FL 32591-2950

Florida Power & Light Company  
Mr. Bill Walker  
215 South Monroe Street  
Suite 810  
Tallahassee, FL 32301-1859

Florida Public Utilities  
Company  
Mr. John T. English  
P.O. Box 3395  
West Palm Beach, FL 33402-3395

McWhirter Law Firm  
Vicki Gordon Kaufman/Joseph A.  
McClothlin  
117 S. Gadsden St.  
Tallahassee, FL 32301

Progress Energy Florida, Inc.  
Paul Lewis, Jr./Bonnie Davis  
106 East College Avenue  
Suite 800  
Tallahassee, FL 32301-7740

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Progress Energy Florida, Inc.  
(St. Petersburg)  
James McGee  
P. O. Box 14042  
St. Petersburg, FL 33733-4042

Tampa Electric Company  
Ms. Angela Llewellyn  
Regulatory Affairs  
P. O. Box 111  
Tampa, FL 33601-0111

Steel Hector Law Firm (Miami)  
John T. Butler, P.A.  
200 South Biscayne Boulevard  
Suite 4000  
Miami, FL 33131-2398

Gary Perko  
Hopping Green & Sams  
P.O. Box 6526  
Tallahassee, FL 32314

*Marlene K. Stern*

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MARLENE K. STERN, Senior Attorney  
FLORIDA PUBLIC SERVICE COMMISSION  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850  
(850) 413-6193