

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental cost recovery clause.

DOCKET NO. 050007-EI

FILED: October 14, 2005

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Staff's Prehearing Statement was furnished to the following, by U.S. Mail, on this 14<sup>th</sup> day of October, 2005.

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BEFORE THE PUBLIC SERVICE COMMISSION

In re: Environmental cost recovery clause.

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STAFF'S PREHEARING STATEMENT

Pursuant to the Order Establishing Procedure, Order No. PSC-05-0264-PC0-EI, filed on March 10, 2005, the Staff of the Florida Public Service Commission files its Prehearing Statement.

a. All Known Witnesses

None at this time.

b. All Known Exhibits

Staff believes that the items listed below are needed to make the record complete. Items may be added to or deleted from this list.

FPL's Responses to Staff's 5th Set of Interrogatories Nos. 210, 211, 212 in  
Docket 050045-EI.

FPL's Responses to Staff's 1st Set of Interrogatories, Nos. 1-3, in Docket 050007-EI.

FPL's Responses to Staff's 2nd Set of Interrogatories, Nos. 4-9, in Docket 050007-EI.

FPL's Responses to Staff's 3rd Set of Interrogatories, Nos. 10-28, in Docket 050007-EI.

FPL's Responses to Staff's 4th Set of Interrogatories, Nos. 29-30, in Docket 050007-EI.

FPL's Responses to Staff's 3rd Request for Production of Documents, No. 8, in  
Docket 050007-EI.

FPL's Responses to Staff's 4th Request for Production of Documents, Nos. 10-11, in  
Docket 050007-EI.

PEF's Responses to Staff's Interrogatories Nos. 64, 65, and 77 in Docket 050078-EI.

PEF's Responses to Staff's 1st Set of Interrogatories, Nos. 1-7, in Docket 050007-EI.

PEF's Responses to Staff's 2nd Set of Interrogatories, Nos. 8-14, in Docket 050007-EI.

PEF's Responses to Staff's 3rd Set of Interrogatories, Nos. 15-19, in Docket 050007-EI.

PEF's Responses to Staff's 4th Set of Interrogatories, Nos. 20-23, in Docket 050007-EI.

PEF's Responses to Staff's 5th Set of Interrogatories, Nos. 24-31, in Docket 050007-EI.

PEF's Responses to Staff's 6th Set of Interrogatories, Nos. 32-34, in Docket 050007-EI.

PEF's Response to Staff's 5th Request for Production of Documents, No. 5, in  
Docket No. 050007-EI

PEF's Responses to Staff's 8th Request for Production of Documents, Nos. 8-9, in  
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Gulf's Response to Staff's 3rd Set of Interrogatories, Nos. 10-21, in Docket 050007-EI.  
Gulf's Response to Staff's 4th Set of Interrogatories, Nos. 22-29, in Docket 050007-EI.  
Gulf's Response to Staff's 5th Request for Production of Documents, Nos. 9-10, in  
Docket 050007-EI.  
Gulf's Response to Staff's 6th Request for Production of Documents, Nos. 11-12, in  
Docket 050007-EI.

TECO's Response to Staff's 3rd Set of Interrogatories, Nos. 6-8, in Docket 050007-EI.

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

**1. What are the final environmental cost recovery true-up amounts for the period ending December 31, 2004?**

FPL: \$ 505,074 over recovery including interest.  
PEF: \$5,961,886 over recovery including interest.  
TECO: \$ 35,849 over recovery including interest.  
Gulf: \$ 628,050 over recovery including interest.

**2. What are the estimated environmental cost recovery true-up amounts for the period January 2005 through December 2005?**

FPL: No position at this time.  
PEF: No position at this time.  
Gulf: \$ 646,587 over recovery including interest.  
TECO: \$ 101,061,442 over recovery including interest.

**3. What are the projected environmental cost recovery amounts for the period January 2006 through December 2006?**

FPL: No position at this time.  
PEF: No position at this time.  
Gulf: No position at this time.  
TECO: \$ 27,754,796.

**4. What are the environmental cost recovery amounts, including true-up amounts for the period January 2006 through December 2006?**

FPL: No position at this time.

PEF: No position at this time.

Gulf: No position at this time.

TECO: \$ 73,395,302 adjusted for taxes, to be refunded.

**5. What depreciation rates should be used to develop the depreciation expense included in the total environmental cost recovery amounts for the period January 2006 through December 2006?**

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.

**6. What are the appropriate jurisdictional separation factors for the projected period January 2006 through December 2006?**

FPL: Energy Jurisdictional factor - 98.553348%;  
CP Demand Jurisdictional Factor - 98.62224%;  
GCP Demand Jurisdictional Factor - 100%.

PEF: 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 Factors

Base 93.753%,

Intermediate 79.046%,

Peaking 88.979%

Transmission Demand Jurisdictional Factor 70.597%

Distribution Demand Jurisdictional Factor 99.597%

TECO: The demand jurisdictional separation factor is 96.41722%. 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 96.64872%. 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.

**7. What are the appropriate environmental cost recovery factors for the period January 2006 through December 2006, for each rate group?**

The factors are a mathematic calculation based on the resolution of company specific issues. Staff asks for administrative authority to review the calculations reflecting the Commission's vote and include the resultant factors in the Order.

**8. What should be the effective date of the environment cost recovery factors for billing purposes?**

The factors should be effective beginning with the specified environmental cost recovery cycle and thereafter for the period January 2006 through December 2006. Billing cycles may start before January 1, 2006, and the last cycle may be read after December 31, 2006, so that each customer is billed for twelve months regardless of when the adjustment factor became effective.

**COMPANY SPECIFIC ISSUES.**

Florida Power & Light Co. (FPL)

**9A: Should the Commission approve FPL's request for recovery of costs for a 10 year Hydrobiological Monitoring Program associated with FPL's makeup water withdrawals from the Little Manatee River for its Manatee Unit 3 generating unit?**

No position at this time pending review of discovery.

**9B: How should FPL's environmental costs for the Little Manatee River Hydrobiological Monitoring Program be allocated to the rate classes?**

If approved for recovery, the proposed operating and maintenance costs should be allocated to the rate classes on an average 12 coincident peak demand basis.

**9C: Should the Commission find that activities required to comply with the Clean Air Interstate Rule are eligible for recovery through the ECRC?**

No position at this time.

**9D: Should the Commission approve FPL's request for recovery of study costs and costs to retrofit various power plants to comply with the Clean Air Interstate Rule?**

No position at this time pending review of discovery.

**9E: How should FPL's environmental costs for compliance with the Clean Air Interstate Rule be allocated to the rate classes?**

If approved for recovery: 1) the proposed operating and maintenance costs should be allocated to the rate classes on an energy basis; and, 2) the proposed capitalized should be allocated to the rate classes on an average 12 coincident peak demand and 1/13 average demand consistent with Commission Order No. PSC-05-0902-S-EI, issued September 14, 2005, in Docket No. 050045-EI, In Re: Petition for rate increase by Florida Power & Light Company.

**9F: Should the Commission approve recovery of FPL's legal costs to challenge the Clean Air Interstate Rule?**

No position at this time.

**9G: How should FPL's legal costs to challenge the Clean Air Interstate Rule be allocated to the rate classes?**

If approved for recovery, the proposed operating and maintenance costs should be allocated to the rate classes on energy basis.

**9H: Should the Commission approve FPL's request for recovery of costs to model potential visibility degradation in any Class 1 Federal Area associated with air emissions from its electric generating units pursuant to the Regional Haze Rule?**

No position at this time pending review of discovery.

**9I: How should FPL's environmental costs for modeling potential visibility degradation pursuant to the Regional Haze Rule be allocated to the rate classes?**

If approved for recovery, the proposed operating and maintenance costs should be allocated to the rate classes on an energy basis.

Progress Energy Florida, Inc.

**10A: Should the Commission approve PEF's request for recovery of costs for certain Sea Turtle street lighting activities in Franklin County, Gulf County, and within the City of Mexico Beach?**

No position at this time pending review of discovery.

**10B: How should the costs for PEF's Sea Turtle street lighting activities be allocated to the rate classes?**

If approved for recovery, the proposed operating and maintenance costs and capitalized costs should be allocated to the rate classes on a non-coincident peak demand basis.

**10C: Should the Commission approve PEF's request for recovery of costs to assess groundwater arsenic levels and consultant costs for development of an arsenic remediation plan at Plants Anclote, Bartow, Hines, and Crystal River?**

No position at this time pending review of discovery.

**10D: How should the costs for PEF's arsenic groundwater monitoring and studies be allocated to the rate classes?**

If approved for recovery, the proposed operating and maintenance costs should be allocated to the rate classes on a 12 coincident peak demand and 1/13 average demand basis.

**10E: Should the Commission approve PEF's request for recovery of costs for installing secondary containment for certain underground storage tanks and small diameter piping at the Bartow and Crystal River Power Plant sites?**

No position at this time pending review of discovery.

**10F: How should the costs for PEF's secondary containment facilities at the Bartow and Crystal River Power Plant sites be allocated to the rate classes?**

If approved for recovery, the proposed capitalized costs should be allocated to the rate classes on a 12 coincident peak demand and 1/13 average demand basis.

**10G: Should the Commission approve recovery of costs associated with installation of SCR and FGD on four Crystal River units?**

No position at this time pending review of discovery.

**10H: Should the Commission approve recovery of costs associated with installation of NOx reduction activities at Anclote?**



Not at this time. PEF has not shown that this work is necessary or cost-effective SCR systems are installed on four units at Crystal River. Furthermore, PEF proposes to begin construction activities before adoption of the SIP and PEF has not provided sufficient information to show that pre-SIP construction is necessary in light of the guidance in the preamble to the CAIR rule that construction activities should be undertaken after the State adopts the SIP. Federal Register, vol. 60, No. 91, page 25217. If recovery is deferred now, and PEF begins construction, PEF can seek recovery of costs later, after the work is adequately justified.

Gulf Power Company

**11A: Should the Commission approve Gulf's request for recovery of costs for groundwater arsenic remediation activities at Plants Crist and Scholz?**

No position at this time pending review of discovery.

**11B: How should the costs for GULF's arsenic groundwater remediation activities at Plants Crist and Scholz be allocated to the rate classes?**

If approved for recovery, the proposed capitalized costs should be allocated to the rate classes on 12 coincident peak demand and 1/13 average demand basis.

**11C: Should the Commission approve GULF's request for recovery of costs for water conservation measures at Plant Crist?**

No position at this time pending review of discovery.

**11D: How should the costs for GULF's Plant Crist water conservation measures be allocated to the rate classes?**

If approved for recovery, the proposed capitalized costs should be allocated to the rate classes on 12 coincident peak demand and 1/13 average demand basis.

**11E: Should the Commission approve GULF's request for recovery of costs for replacement of the copper condenser tubes at Plant Crist with stainless steel condenser tubes?**

No position at this time pending review of discovery.

**11F: How should the costs for GULF's Plant Crist condenser tube replacement be allocated to the rate classes?**

If approved for recovery, the proposed capitalized costs should be allocated to the rate classes on 12 coincident peak demand and 1/13 average demand basis.

**11G: Should the Commission make any ruling on inclusion of the Plant Crist flue gas desulphurization unit in the ECRC when Gulf has intentionally not petitioned for inclusion of the project in the ECRC, and there are no costs to be recovered in 2005 and 2006?**

No. Gulf has not presented any issue for adjudication, and the testimony and exhibits related to the Plant Crist flue gas desulphurization unit should be stricken.

**11H: Should the Commission make any ruling on inclusion in the ECRC of the bag-house on the Plant Smith Unit 2 electric generation facility when Gulf has intentionally not petitioned for inclusion of the project in the ECRC, and there are no costs to be recovered in 2005 and 2006?**

No. Gulf has not presented any issue for adjudication, and the testimony and exhibits related to the Plant Smith Unit 2 electric generation facility should be stricken.

Tampa Electric Company

Staff has no issues regarding Tampa Electric Company's filings.

e. Pending Motions

None at this time.

f. Pending Confidentiality Claims or Requests

Gulf's Notice of Intent to Request Confidential Classification of Document No. 09664-05.

g. Compliance with Order Establishing Procedure

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

Respectfully submitted this 14<sup>th</sup> day of October, 2005.

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