

# AUSLEY & MCMULLEN

ATTORNEYS AND COUNSELORS AT LAW

227 SOUTH CALHOUN STREET  
P.O. BOX 391 (ZIP 32302)  
TALLAHASSEE, FLORIDA 32301  
(850) 224-9115 FAX (850) 222-7560

ORIGINAL

February 6, 1998

HAND DELIVERED

Ms. Blanca S. Bayo, Director  
Division of Records and Reporting  
Florida Public Service Commission  
101 East Gaines Street  
Tallahassee, Florida 32399-0850

Re: Environmental Cost Recovery Clause  
FPSC Docket No. 980007-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, along with a diskette containing the above-referenced Prehearing Statement in WordPerfect 5.0 format.

Also enclosed are fifteen (15) copies of Prepared Direct Testimony of Karen O. Zwolak (Revised February 6, 1998). This revised testimony includes additional information requested by Staff regarding the calculation of the SO<sub>2</sub> emission costs for the FMPA sale, at pages 5 and 6. This testimony also changes certain amounts to reflect the inclusion of an interest provision that was left out in the initial testimony. We have bolded the revised numbers in Ms. Zwolak's testimony to make them easier to locate.

Also enclosed are fifteen (15) copies of revised schedules supporting Ms. Zwolak's testimony which reflect the revisions noted above.

ACK \_\_\_\_\_  
MFA Madres \_\_\_\_\_  
APP \_\_\_\_\_ We would appreciate your distributing the revised testimony  
GAF \_\_\_\_\_ and exhibits to the recipients of the initial filing with the  
CMU \_\_\_\_\_ Commission so they may substitute the revised materials in place of  
the originals.

CTR \_\_\_\_\_  
EAG Teu \_\_\_\_\_ Please acknowledge receipt and filing of the above by stamping  
LEG 1 \_\_\_\_\_ the duplicate copy of this letter and returning same to this  
writer.

LIN 3 \_\_\_\_\_

OPC \_\_\_\_\_

RCH \_\_\_\_\_

SEC 1 \_\_\_\_\_

WAS \_\_\_\_\_

OTH \_\_\_\_\_

*Revising State*  
DOCUMENT NUMBER-DATE

01964 FEB-6 88

FPSC-RECORDS/REPORTING

*testimony*  
DOCUMENT NUMBER-DATE

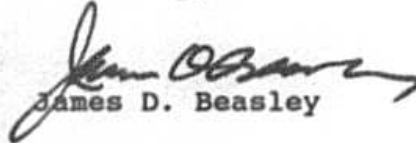
01965 FEB-6 88

FPSC-RECORDS/REPORTING

Ms. Blanca S. Bayo  
February 6, 1998  
Page Two

Thank you for your assistance in connection with this matter.

Sincerely,



James D. Beasley

JDB/pp  
Enclosures

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

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental Cost )  
 Recovery Clause. )  
 \_\_\_\_\_ )

DOCKET NO. 980007-EI  
 FILED: February 6, 1998

PREHEARING STATEMENT OF TAMPA ELECTRIC COMPANYA. APPEARANCES:

LEE L. WILLIS  
 JAMES D. BEASLEY  
 Ausley & McMullen  
 Post Office Box 391  
 Tallahassee, Florida 32302  
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 June 1996-September 1996	1 - 16

C. EXHIBITS:

<u>Exhibit</u>	<u>Witness</u>	<u>Description</u>
_____ (KOZ-1)	Zwolak	Final true-up April 1997 - September 1997
_____ (KOZ-1)	Zwolak	Environmental cost recovery actual/estimated true-up amount for the period October 1997 through March 1998, and projected ECRC revenue requirement and billing factor for the period April 1998 through September 1998.

D. STATEMENT OF BASIC POSITIONTampa Electric Company's Statement of Basic Position:

The Commission should approve Tampa Electric's calculation of its environmental cost recovery final true-up for the period June

DOCUMENT NUMBER-DATE  
 01964 FEB-6 8  
 FPSC-RECORDS/REPORTING

1997 through September 1997, its actual/estimated true-up amount for the period October 1997 through March 1998, and its projected ECRC revenue requirement and ECRC cost recovery factors for the period April 1998 through September 1998.

**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 September 30, 1997?

**TECO:** An overrecovery of \$616,353. (Zwolak)

**ISSUE 2:** What are the estimated environmental cost recovery true-up amounts for the period October 1997 through March 1998?

**TECO:** An underrecovery of \$478,790. (Zwolak)

**ISSUE 3:** What are the total environmental cost recovery true-up amounts to be collected during the period April 1998 through September 1998?

**TECO:** An overrecovery of \$137,563. (Zwolak)

**ISSUE 4:** What are the appropriate projected environmental cost recovery amounts for the period April 1998 through September 1998?

**TECO:** \$2,770,601. (Zwolak)

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

**TECO:** The factor should be effective beginning with the specified environmental cost recovery cycle and thereafter for the period April 1998 through September 1998. Billing cycles may start before April 1, 1998, and the last cycle may be read after September 30, 1998, so that each customer is billed for six months regardless of when the adjustment factor became effective. (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 during the period April 1998 through September 1998?

**TECO:** The company should use the Commission approved depreciation rates applicable to each asset according to the company's last depreciation rate order, Order No. PSC-96-0399-FOF-EI, issued on March 21, 1996 in Docket No. 950499-EI. (Zwolak)

**ISSUE 7:** How should the newly proposed environmental costs be allocated to the rate classes?

**TECO:** The Commission has directed in Order No. 94-0044 that costs required for compliance with the Clean Air Act Amendments of 1990 (CAAA) shall be allocated to the rate classes on a per kilowatt hour, or energy basis. This projected filing now includes additional charges associated with storage tank compliance costs. These costs are allocated using demand and energy factors. Demand allocation factors are calculated by determining the percentage each rate class contributes to the monthly system peaks. The energy allocators are calculated by determining the percentage each rate class contributes to total KWH sales, as adjusted for losses, for each rate class. (Zwolak)

**ISSUE 8:** What are the appropriate Environmental Cost Recovery Factors for the period April 1998 through September 1998 for each rate group?

<b>TECO:</b>	RS, RST	0.333
	GS, GST, TS	0.033
	GSD, GSDT	0.033
	GSLD, GSLDT, SBF	0.032
	IS1, IST1, SBI1, SBIT1,	
	IS3, IST3, SBI3, SBIT3	0.031
	SL, OL	0.032

(Zwolak)

#### Company - Specific Environmental Cost Recovery Issues

##### Tampa Electric Company

**ISSUE 9:** Should the Commission approve Tampa Electric Company's request for recovery of costs of the Gannon Ignition Oil Tank Upgrade through the Environmental Cost Recovery Clause?

**TECO:** Yes. As per Commission Order No. PSC-94-0044-FOF-EI, these costs were incurred after April 13 1993, were

incurred on the basis of a legal requirement of the Florida Department of Environmental Protection (FDEP) and are not currently being recovered through base rates or any other cost recovery mechanism. (Zwolak)

**ISSUE 10:** Should the Commission approve Tampa Electric Company's request for recovery of costs of the Big Bend Fuel Oil Tank Number 1 Upgrade through the Environmental Cost Recovery Clause?

**TECO:** Yes. As per Commission Order No. PSC-94-0044-FOF-EI, these costs were incurred after April 13 1993, were incurred on the basis of a legal requirement of the Florida Department of Environmental Protection (FDEP) and are not currently being recovered through base rates or any other cost recovery mechanism. (Zwolak.)

**ISSUE 11:** Should the Commission approve Tampa Electric Company's request for recovery of costs of the Big Bend Fuel Oil Tank Number 2 Upgrade through the Environmental Cost Recovery Clause?

**TECO:** Yes. As per Commission Order No. PSC-94-0044-FOF-EI, these costs were incurred after April 13 1993, were incurred on the basis of a legal requirement of the Florida Department of Environmental Protection (FDEP) and are not currently being recovered through base rates or any other cost recovery mechanism. (Zwolak)

**ISSUE 12:** Should the Commission approve Tampa Electric Company's request for recovery of costs of the Phillips Tank Number 1 Upgrade through the Environmental Cost Recovery Clause?

**TECO:** Yes. As per Commission Order No. PSC-94-0044-FOF-EI, these costs were incurred after April 13 1993, were incurred on the basis of a legal requirement of the Florida Department of Environmental Protection (FDEP) and are not currently being recovered through base rates or any other cost recovery mechanism. (Zwolak)

**ISSUE 13:** Should the Commission approve Tampa Electric Company's request for recovery of costs of the Phillips Tank Number 4 Upgrade through the Environmental Cost Recovery Clause?

**TECO:** Yes. As per Commission Order No. PSC-94-0044-FOF-EI, these costs were incurred after April 13 1993, were incurred on the basis of a legal requirement of the Florida Department of Environmental Protection (FDEP) and are not currently being recovered through base rates or any other cost recovery mechanism. (Zwolak)

**ISSUE 14:** What adjustment for SO<sub>2</sub> Allowances, if any, should be made to Tampa Electric Company's Environmental Cost Recovery Factor as a result of the Commission's decision in Docket No. 970171-EU?

**TECO:** A retail rate class credit of \$68,190 for the period October 1997 through March 1998. (Zwolak)

**ISSUE 15:** What is the appropriate methodology for determining the credit to the Environmental Cost Recovery Clause for the incremental SO<sub>2</sub> Allowance costs incurred as a result of the Lakeland and FMPA wholesale sales?

**TECO:** The appropriate methodology used to determine any incremental SO<sub>2</sub> Allowance costs incurred as a result of the FMPA wholesale sales will be accomplished by retaining the historical dispatch data which will enable Tampa Electric to identify the units which served the sale and thus allow the allocation of SO<sub>2</sub> costs. (Zwolak)

**ISSUE 16:** Should the Commission approve a change in the frequency of the environmental cost recovery clause hearings from semi-annual hearings to annual hearings? If the change is approved, what 12 month period (fiscal or calendar) should be used and how should the change be implemented?

**TECO:** Tampa Electric believes the Commission should approve a change in the frequency of all cost recovery clause hearings from semi-annual to annual hearings and that the 12 month period used should be based upon a fiscal year so that rates are effective from April through March. To effect this change, Tampa Electric recommends that annual projection filings be filed with the Commission in January of 1999 so that the rates become effective April 1999 through March 2000. (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 6<sup>th</sup> day of February, 1998.

Respectfully submitted,



---

LEE L. WILLIS  
JAMES D. BEASLEY  
Ausley & McMullen  
Post Office Box 391  
Tallahassee, Florida 32302  
(850) 224-9115

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 6<sup>th</sup> day of February, 1998 to the following:

Ms. Leslie J. Paugh\*  
Staff Counsel  
Division of Legal Services  
Florida Public Service Comm'n.  
2540 Shumard Oak Boulevard  
Room 370, Gunter Building  
Tallahassee, FL 32399-0872

Mr. John Roger Howe  
Office of Public Counsel  
111 West Madison Street  
Suite 812  
Tallahassee, FL 32399-1400

Mr. John W. McWhirter, Jr.  
McWhirter, Reeves, McGlothlin,  
Davidson, Rief & Bakas, P.A.  
P. O. Box 3350  
Tampa, FL 33601-3350

Mr. Joseph A. McGlothlin  
McWhirter, Reeves, McGlothlin,  
Davidson, Rief & Bakas, P.A.  
117 South Gadsden Street  
Tallahassee, FL 32301

Mr. Matthew M. Childs  
Steel Hector & Davis  
215 S. Monroe Street, Suite 601  
Tallahassee, FL 32301

Mr. G. Edison Holland  
Mr. Jeffrey A. Stone  
Beggs and Lane  
Post Office Box 12950  
Pensacola, FL 32576

  
ATTORNEY