

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental Cost Recovery Clause)
-- Tampa Electric Company's Petition to)
Recover \$90,000,000 Capital Costs Plus)
Additional O & M and Reagent Cost.)

Docket No. 980007-EI

Filed: May 26, 1998

**THE FLORIDA INDUSTRIAL POWER USERS GROUP'S
RESPONSE TO TAMPA ELECTRIC COMPANY'S PETITION
FOR APPROVAL OF COST RECOVERY FOR NEW ENVIRONMENTAL PROGRAM**

The Florida Industrial Power Users Group (FIPUG), by and through its undersigned counsel, responds to the Petition filed on May 15, 1998, by Tampa Electric Company (TECO) for recovery of costs related to construction and ongoing maintenance and operation of an FGD retrofit and says:

1. The name and address of the Respondent is:

The Florida Industrial Power Users Group
c/o McWhirter, Reeves, McGlothlin,
Davidson, Rief & Bakas, P.A.
100 North Tampa Street, Suite 2800
Tampa, Florida 33602-5126

2. The names and addresses of the persons who should receive notices, pleadings and other communications are as follows:

John W. McWhirter, Jr.
McWhirter, Reeves, McGlothlin,
Davidson, Rief & Bakas, P.A.
Post Office Box 3350
Tampa, Florida 33601-3350

Joseph A. McGlothlin
Vicki Gordon Kaufman
McWhirter, Reeves, McGlothlin,
Davidson, Rief & Bakas, P.A.
117 South Gadsden Street
Tallahassee, Florida 32301

DOCUMENT NUMBER-DATE

05742 MAY 26 88

FPSC-RECORDS/REPORTING

3. FIPUG is an ad hoc organization of industrial companies which are retail customers of TECO. FIPUG members consume approximately 11% of the electricity sold by TECO and will pay an equivalent portion of the surcharge levied for constructing, operating and maintaining the proposed Flue Gas Desulfurization (FGD) unit to serve Big Bend Units 1 and 2.

4. In this proceeding, TECO has requested authority to recover the costs of building, operating and maintaining the FGD through the environmental cost recovery clause.

5. In Docket No. 960688-EI, the Commission approved Flue Gas Conditioning at an estimated annual cost of \$1,269,604, "as the most cost-effective and reliable option for compliance" (with the Clean Air Act Amendments [CAAA]). FIPUG demands strict proof that the substitution of an FGD at an estimated annual surcharge to customers of more than \$21,000,000 per year is a more effective way to deal with the issue.

6. FIPUG, after considering the evidence filed, may suggest methods for ameliorating the cost impact of the proposed FGD, if it is deemed the most cost effective way to deal with this environmental issue. To assist TECO in the preparation of its testimony and to save time for discovery, TECO is requested to address the following issues:

- A. The petition contemplates increasing the cost of the FGD by \$7.6 million to cover an allowance for funds used during construction (AFUDC). As of December 1996, TECO held \$77,670,075 in over

collections from customers which it classifies as "deferred revenues." (Customers like to think of the sum as "money subject to refund.") Everyone agrees that the sum represents 1995 and 1996 overearnings. The Commission recently determined that customers should pay interest on this money being held for their benefit at the rate of 5.46% or \$4.2 million a year. It would save customers \$7.6 million plus a return on this sum for the life of the FGD, if the Commission recognizes that as long as deferred revenues are being held, it is unnecessary for TECO to book AFUDC and in fact to do so enables TECO to realize an unjustified arbitrage on the overpayments collected from customers.

- B. Section 366.8255(5), Florida Statutes, provides ". . . any costs recovered in base rates may not also be recovered in the environmental cost-recovery clause." The base rates allowed by the Commission in 1993 set TECO's range of authorized return between 7.75% and 8.74%. At year end 1997, TECO was earning 8.80% on a declining rate base. It would appear that base rates are sufficient to cover the cost of the FGD, should it be determined to be the most cost-effective method to meet the CAAA without imposing on customers the additional rate increase this surcharge will represent.

- C. The Commission has determined that the appropriate way to charge for certain environmental costs is on the basis of KWH consumed. Order No. PSC-96-1048-FOF-EI. It is projected that about 12% of TECO's electric output will be sold to the competitive wholesale market. An analysis should be performed in this docket to ensure that the appropriate share of the environmental cost is allocated to the wholesale jurisdiction. This is especially true since wholesale firm customers have first call on Big Bend 1 and 2 and up to 1000 MW of Gannon 5 and 6 and Big Bend 4 for their total demand plus whatever back-up power is required should any of these plants be unavailable for service. Currently, TECO is surcharging FIPUG members to buy third-party power so that its system can be available for committed sales to the wholesale market. It would be indeed ironic if these customers and TECO's other load management customers were to be burdened with an additional surcharge to support the FGD for those plants from which they receive no current benefit.
- D. FIPUG demands strict proof that a 10-year write off for the FGD is appropriate when the capital investment has a 30-year useful life.
- E. FIPUG demands strict proof that the cumulative present worth revenue methodology used by TECO to justify the FGD option

does not place a higher cost burden on current customers than it will on future customers. If the methodology calls for current customers to pay more, FIPUG suggests that the surcharge be "normalized" to avoid intergenerational inequity.

WHEREFORE, FIPUG requests that TECO address these concerns in its forthcoming testimony and that the Commission consider them and such other issues as FIPUG may raise after discovery when it addresses the subject.

Vicki Gordon Kaufman

John W. McWhirter, Jr.
McWhirter, Reeves, McGlothlin,
Davidson, Rief & Bakas, P.A.
100 North Tampa Street, Suite 2800
Post Office Box 3350
Tampa, Florida 33601-3350
Telephone: (813) 224-0866

Joseph A. McGlothlin
Vicki Gordon Kaufman
McWhirter, Reeves, McGlothlin,
Davidson, Rief & Bakas, P.A.
117 South Gadsden Street
Tallahassee, Florida 32301
Telephone: (850) 222-2525

Attorneys for Florida Industrial
Power Users Group

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of The Florida Industrial Power Users Group's Response to Tampa Electric Company's Petition for Approval of Cost Recovery for New Environmental Program has been furnished by hand delivery (*) or by U.S. Mail to the following parties of record this 26th day of May, 1998:

Leslie Paugh*
Division of Legal Services
Florida Public Service Commission
Gerlad L. Gunter Building, Room 390Q
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

John Roger Howe
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, Florida 32399-1400

Gail Kamaras, Director
Energy Advocacy Program
Legal Environmental Assistance Foundation
1115 North Gadsden Street
Tallahassee, Florida 32303-6327

Lee L. Willis
James Beasley
Ausley & McMullen
Post Office Box 391
Tallahassee, Florida 32302

Matthew M. Childs
Steel Hector & Davis
215 South Monroe Street
Suite 601
Tallahassee, Florida 32301-1804

Jeffrey A. Stone
Beggs and Lane
Post Office Box 12950
Pensacola, Florida 32576-2950


Vicki Gordon Kaufman