

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental Cost  
Recovery Clause.

DOCKET NO. 980007-EI  
ORDER NO. PSC-98-0408-FOF-EI  
ISSUED: March 18, 1998

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK  
JOE GARCIA  
E. LEON JACOBS, JR.

APPEARANCES:

JEFFREY A. STONE, Esquire and RUSSELL A. BADDERS, Esquire, Beggs & Lane, 700 Blount Building, 3 West Garden Street, Post Office Box 12950, Pensacola, Florida 32576-2950  
On behalf of Gulf Power Company (Gulf).

LEE L. WILLIS, Esquire and JAMES D. BEASLEY, Esquire, Ausley & McMullen, Post Office Box 391, Tallahassee, Florida 32302  
On behalf of Tampa Electric Company (TECO).

JOHN W. MCWHIRTER, JR., Esquire, McWhirter Reeves McGlothlin Davidson Rief & Bakas, P.A., 100 North Tampa Street, Suite 2800, Post Office Box 3350, Tampa, Florida 33601-3350; JOSEPH A. MCGLOTHLIN, Esquire and VICKI GORDON KAUFMAN, Esquire, McWhirter Reeves McGlothlin Davidson Rief & Bakas, P.A., 117 South Gadsden Street, Tallahassee, Florida 32301  
On behalf of Florida Industrial Power Users Group (FIPUG).

JOHN ROGER HOWE, Esquire, Office of Public Counsel c/o The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400  
On behalf of the Citizens of the State of Florida (OPC).

LESLIE J. PAUGH, Esquire, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850  
On behalf of the Commission Staff (STAFF).

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FPSC-RECORDS/REPORTING

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ORDER APPROVING PROJECTED EXPENDITURES AND TRUE-UP  
AMOUNTS FOR ENVIRONMENTAL COST RECOVERY FACTORS

BY THE COMMISSION:

As part of the Commission's continuing fuel cost, energy conservation cost, purchased gas cost, and environmental cost recovery proceedings, a hearing was held on February 25, 1998, in this docket and in Docket Nos. 980001-EI, 980002-EG, and 980003-GU. The hearing addressed the issues set out in the Prehearing Order, Order No. PSC-98-0312-PHO-EI, issued February 23, 1998. All of the issues in this Docket have been stipulated. They are described below.

We approve as reasonable TECO's request for recovery of costs of the Gannon Ignition Oil Tank Upgrade through the Environmental Cost Recovery Clause. Costs associated with the Gannon Ignition Oil Tank Upgrade project were projected on the basis of meeting the requirements of Florida Department of Environmental Protection (DEP) Chapter 62-762, Florida Administrative Code, which pertains to existing field erected above ground storage tanks that contain a regulated pollutant, diesel fuel in this case. The DEP requirements call for various modifications including the installation of spill and secondary containment as well as the completion of tank integrity inspections by the compliance deadline of December 31, 1999.

All costs requested for recovery were projected for the period beginning December, 1997. TECO maintains that the costs of this project are not currently being recovered through base rates or any other cost recovery mechanism. However, TECO noted that one project, entitled Gannon 1-5A Tank Underground Piping, was included in the company's last rate case at an estimated cost of \$266,000. To eliminate the possibility of double recovery of this amount, TECO shall make a \$266,000 adjustment in every month it projects capital costs for the Gannon Ignition Oil Tank Upgrade project. With this adjustment, we find that the project and prudently incurred costs are appropriate for recovery through the Environmental Cost Recovery Clause. Final disposition of the costs incurred in this activity shall be subject to audit.

We approve as reasonable TECO's request for recovery of costs of the Big Bend Fuel Oil Tank Number 1 Upgrade, the Big Bend Fuel Oil Tank Number 2 Upgrade, the Phillips Tank Number 1 Upgrade, and the Phillips Tank Number 4 Upgrade, through the Environmental Cost

Recovery Clause. Costs associated with these upgrade projects were projected on the basis of meeting the requirements of DEP Chapter 62-762, Florida Administrative Code. The DEP requirements call for various modifications including the installation of spill and secondary containment as well as the completion of tank integrity inspections by the compliance deadline of December 31, 1999.

All costs requested for recovery were projected for the period beginning January, 1998. In addition, TECO maintains that the costs of these projects are not currently being recovered through base rates or any other cost recovery mechanism. Therefore, we find that the projects titled Big Bend Fuel Oil Tank Number 1 Upgrade, Big Bend Fuel Oil Tank Number 2 Upgrade, Phillips Tank Number 1 Upgrade, and Phillips Tank Number 4 Upgrade, and prudently incurred costs are appropriate for recovery through the Environmental Cost Recovery Clause. Final disposition of the costs incurred in these activities shall be subject to audit.

The issue regarding whether adjustments for SO<sub>2</sub> Allowances should be made to TECO's Environmental Cost Recovery Factor as a result of the Commission's decision in Docket No. 970171-EU was addressed in this proceeding. In Order No. PSC-97-1047-FOF-EI, this issue was deferred from the August, 1997, Environmental Cost Recovery Clause hearing to the subsequent August, 1998, hearing in order to implement the Commission's vote in Docket No. 970171-EU, which subsequently took place on September 23, 1997. Because Order No. PSC-97-1273-FOF-EU, which encompasses our decision in Docket No. 970171-EU, is now final, the parties agreed to take this issue up in the earlier proceeding.

Order No. PSC-97-1273-FOF-EU requires that incremental SO<sub>2</sub> Allowance costs incurred as a result of the Lakeland and FMPA wholesale sales be credited to the retail ratepayers through the Environmental Cost Recovery Clause. A retail rate class credit of \$160,429 was made to TECO's final true-up amount to adjust for the Lakeland and FMPA wholesale sales for the period December, 1996, through September, 1997. To adjust for the Lakeland and FMPA wholesale sales for the October, 1997, through March, 1998, period, a retail rate class credit of \$68,190 was made to TECO's estimated true-up amount.

We find that these true-up adjustments made by TECO to comply with our decision in Docket No. 970171-EU are reasonable to ensure that the retail ratepayers are credited for the costs of SO<sub>2</sub>

Allowances incurred as a result of the Lakeland and FMPA wholesale sales.

We approve as reasonable the stipulation as to 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. The methodology is as follows: the SO<sub>2</sub> Allowance costs required at the time the sales occur shall be recorded on an actual basis. Those allowances should be priced at the monthly average spot prices as reported by Clean Air Compliance Review, Air Daily, or Coal Weekly. The product of these two quantities (the number of allowances required at the time the sales occur and the reported monthly average spot price) shall result in the amount of the credit and should be shown as a separate line item from other SO<sub>2</sub> Allowance costs in the Environmental Cost Recovery Clause schedules.

The parties agreed to, and we approve as reasonable, TECO's final environmental cost recovery true-up amount of an overrecovery of \$616,353 for the period ending September 30, 1997.

The parties agreed to, and we approve as reasonable, TECO's estimated environmental cost recovery true-up amount of an underrecovery of \$478,790 for the period October, 1997, through March, 1998.

The parties agreed to, and we approve as reasonable, TECO's total environmental cost recovery true-up amount of an overrecovery of \$137,563 to be collected during the period April, 1998, through September, 1998.

The parties agreed to, and we approve as reasonable, TECO's projected environmental cost recovery amount of \$2,748,383 for the period April, 1998, through September, 1998.

We find that TECO's new environmental cost recovery factors for billing purposes shall 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.

In order 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, we find that TECO shall 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.

The parties agreed to, and we approve as reasonable, that the newly proposed environmental costs be allocated to the rate classes as follows:

The costs of the Gannon Ignition Oil Tank Upgrade shall be allocated on a demand (12 CP and 1/13 AD) basis.

The costs of the Big Bend Fuel Oil Tank Number 1 Upgrade shall be allocated on a demand (12 CP and 1/13 AD) basis.

The costs of the Big Bend Fuel Oil Tank Number 2 Upgrade shall be allocated on a demand (12 CP and 1/13 AD) basis.

The costs of the Phillips Tank Number 1 Upgrade shall be allocated on a demand (12 CP and 1/13 AD) basis.

The costs of the Phillips Tank Number 4 Upgrade shall be allocated on a demand (12 CP and 1/13 AD) basis.

The parties agreed to, and we approve as reasonable, the following Environmental Cost Recovery Factors for the period April, 1998, through September, 1998, for each rate group:

RS, RST	0.033
GS, GST, TS	0.033
GSD, GSDT	0.033
GSLD, GSLDT, SBF, SBFT	0.032
IS1, IST1, SBI1, SBIT1,	
IS3, IST3, SBI3, SBIT3	0.031
SL, OL	0.032

Based on the foregoing, it is


ORDERED by the Florida Public Service Commission that the stipulations set forth in the body of this Order are hereby approved. It is further

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ORDERED that Tampa Electric Company is hereby ordered to apply the environmental cost recovery factors set forth herein during the period April, 1998, through September, 1998, and until such factors are modified by subsequent Order. It is further

ORDERED that the estimated true-up amounts contained in the environmental cost recovery factors approved herein are hereby authorized, subject to final true-up, and further subject to proof of the reasonableness and prudence of the expenditures upon which the amounts are based.

By ORDER of the Florida Public Service Commission this 18th day of March, 1998.

  
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BLANCA S. BAYÓ, Director  
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Director, Division of Records and reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.