## APPEARANCES:

MATTHEW M. CHILDS, Steel, Hector and Davis,
215 South Monroe Street, Suite 601, Tallahassee,
Florida 32301, appearing on behalf of Florida Power &
Light Company (FFL).

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

LEE I. WILLIS, JAMES D. BEASLEY and
HARRY W. LONG, Ausley & McMullen, Post Office Box 391,
Tallahassee, Florida 32302, appearing on behalf of
Tampa Electric Company (TECO).

VICKI GORDON KAUFMAN, McWhirter, Reeves,
McGlothlin, Davidson, Rief and Bakas, appearing on
behalf of Florida Industrial Power Users Group (FPIG).

## APPEARANCES CONTINUED:

JOHN ROGER HOWE, Deputy Public Counsel,
Office of Public Counsel, 111 West Madison Street,
Room 812, Tallahassee, Florida 32399-1400, appearing
on behalf of the Citizens of the State of Florida.

LESLIE J. PAUGH, Florida Public Service

Commission, Division of Legal Services, 2540 Shumard

Oak Boulevard, Tallahassee, Florida 32399-0870,

appearing on behalf of the Commission Staff.

## PROCEEDINGS

(Hearing convened at 1:30 p.m.)

COMMISSIONER CLARK: We'll call the

prehearings to order. Counsel, will you please read

the notice?

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MR. KEATING: Pursuant to notice issued

October 19th, 1998, this time and place have been set

for a prehearing in the following dockets: Docket

No. 980001-EI, fuel and purchased power cost recovery

clause and generating performance incentive factor;

Docket No. 980002-EG, energy conservation cost

recovery clause; Docket No. 980003-GU, purchased gas

adjustment true-up; and Docket No. 980007-EI,

environmental cost recovery clause.

COMMISSIONER CLARK: We'll take appearances.

MR. WILLIS: I'm Lee L. Willis, appearing together with James D. Beasley, Post Office Box 391, Tallahassee, Florida 32302, appearing together with Harry W. Long, Jr., P.O. Box 111, Tampa, Florida 33601, appearing on behalf of Tampa Electric Company in the 01 and the 07 docket.

MR. PALECKI: Michael Palecki, 955 East 25th Street, Hialeah, Florida 33013, appearing on behalf of City Gas Company of Florida in the 03 docket.

MR. McGEE: James McGee, Post Office

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1	Box 14042, St. Petersburg, 33733, appearing on behalf
2	of Florida Power Corporation in the 01 and 02 dockets.
3	MR. STONE: I'm Jeffrey A. Stone, and with
4	me is Russell Badders. We're of the law firm Beggs &
5	Lane. We're representing Gulf Power Company in the
6	01, 02 and 07 dockets.
7	MR. CHILDS: Commissioner, my name is
8	Matthew Childs of the firm of Steel Hector & Davis.
9	I'm appearing on behalf of Florida Power & Light
10	Company in the 01 and the 07 docket. I believe
11	Mr. Guyton will be here shortly in the 02 docket.
12	MR. HORTON: Norman H. Horton, Jr. of
13	Messer, Caparello & Self, appearing in the 03 on
14	behalf of Sebring Gas System and South Florida Natural
15	Gas.
16	MR. HOFFMAN: Commissioner, my name is
17	Kenneth A. Hoff an. My address is Post Office
18	Box 551, Tallahassee, Florida 32302, and I'm appearing
19	on behalf of Florida Public Utilities Company in the
20	01 and 03 dockets.
21	
	MR. SHIEFELDEIM: Wayne Schiefelbein, Ruden
22	McClosky Smith Schuster & Russell. I'm appearing on
23	behalf of Chesapeake Utilities Corporation in the 03
24	docket.

Box 1531, appearing on behalf of People's Gas System in the 03 docket.

MR. HOWE: Commissioner Clark, I'm Roger

Howe with the Public Counsel's Office. The address is
as shown in the prehearing orders. I'm appearing on
behalf of the citizens of the state of Florida in the
01, 02, 03 and 07 dockets.

MS. KAUFHAN: Vicki Gordon Kaufman of the McWhirter Reeves Law Firm, 117 South Gadsden, Tallahassee, Florida 32301. I'm appearing on behalf of the Florida Industrial Power Users Group in the 01, 02 and 07 dockets.

MS. PAUGH: Leslie Paugh on behalf of Staff in the 01 and 07 dockets.

MR. KEATING: Cochran Keating on behalf of Staff in the 02 and 03 dockets.

COMMISSIONER CLARK: Anyone else?

Mr. Guyton, Mr. Childs has entered your appearance.

We're glad you're here.

First of all, let me thank everyone for allowing us to move the prehearing conference to this afternoon. I really appreciated it. I'm sorry if it inconvenienced you. I had to take my mother for some tests, and she really appreciated having me there, so thank you all, and she thanks you.

Any preliminary matters? 1 2 MS. PAUGH: No preliminary matters, but we 3 do have a recommendation in terms of expeditiousness for the proceeding, what dockets we may wish to 5 consider first; and that would be the 03 docket and then the O2 docket, and the gas folks can then leave 7 if they do desire. COMMISSIONER CLARK: 03, 02, then what? 8 9 MS. PAUGH: 01 and 07. COMMISSIONER CLARK: Any objection to 10 11 following that order? (No response.) Seeing none, we'll follow that order. And I 12 13 need to tell you all that I apologize; I have not had an opportunity to read the prehearing orders and the 14 15 motions that are pending. It may take us a little longer, but I'm sure we'll get through it. 16 17 Starting with the 03. 18 (Whereupon other dockets were discussed.) 19 20 COMMISSIONER CLARK: Now we're on 07. 21 Staff, how do you want to proceed on this? 22 MS. PAUGH: I will have to recommend issue by issue for the 07 docket as well, Commissioner. And 23

Mr. Stone can note that we have noted the correction

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to his name.

COMMISSIONER CLARK: Any changes to Pages 1 1 through 5? (No response.) 3 Okay. Issue 1 on Page 6. MS. PAUGH: Staff has a position for FPL and 4 Gulf on Issue 1, and that has been handed out to the 6 parties. 7 MR. STONE: Gulf is in agreement with Staff's number that as handed out. MR CHILDS: FPL agrees on Issue 1 with 9 Staff's number. 10 MS. PAUCH: This issue can be stipulated. 11 COMMISSIONER CLARK: Issue 1A. 12 13 MS. PAUGH: Staff has supplied a position for TECO in Issue 1A in the handout that is different 14 from the position reflected in the draft prehearing 15 order. 16 17 COMMISSIONER CLARK: Is that change acceptable, or can you stipulate to it, Mr. Willis? 18 MR. WILLIS: We need to take that under 19 advisement. We can't at this point. 20 COMMISSIONER CLARK: Okay. All right. 21 Let's leave 1A pending. 22 23 Issue 2? MS. PAUGH: Staff has provided positions for 24 FPL, Gulf -- I'm sorry -- Gulf in Issue 2.

MR. STONE: We understand that that number reflects Staff's position on Issue 9, and we are 3 willing to agree to this position. MR. WILLIS: If we could go back to 5 Issue 1A, we will agree with Staff's number on 1A. COMMISSIONER CLARK: Okay. So Issue 1A is 6 7 stipulated; is that correct? 8 MR. WILLIS: Yes. 9 MS. PAUGH: Yes, that is correct, Commissioner. 10 11 COMMISSIONER CLARK: All right. Issue 2. 12 MS. PAUGH: With respect to Issue 2, Staff has not been able to take a position for FPL or TECO. 13 And the reason for that is, just for your information, 14 in the 07 docket we had to do extensive discovery in 15 the form of depositions and written discovery as well 17 for all three recovering utilities. The depositions were duces tecum notices 18 that had extensive documents, and there were a lot of 20 late-filed deposition exhibits, and we have furiously 21 been going through all of those documents, but we just simply could not get through all of it. 23

I would suggest that Staff will be able to take a position within, I would say, 48 hours and advise the companies, and if the companies can agree,

then we can move forward with a stipulated issue if that's acceptable to the Commissioner. 3 COMMISSIONER CLARK: That's acceptable. So, Gulf, have you had an opportunity to look at the number on Staff's handout? MR. STONE: We are in agreement with Staff's 6 7 number on the handout based on our understanding that it reflects their recommendation in Issue 9. 9 COMMISSIONER CLARK: And Staff will continue to work on Issue 2, and if possible, stipulate. 10 11 MS. PAUGH: That's correct. MR. HOWE: Commissioner Clark, Public 12 Counsel's position on Issue 2 would be that the 13 14 projected environmental cost recovery amounts should not be approved. See OPC position on Issue 11. 15 16 MR. CHILDS: May I ask a question on this Issue 2 for Staff? 17 As to Florida Power & Light Company, is the 18 only outstanding matter for Issue 2. Issue 8 and the 19 adjustment that the Staff now recommends be made there 20 plus the revenue expansion factor? I think we've 21 agreed on a revenue expansion factor. 22 23

I have read your position Issue 8. It seems to me that -- they have a revised position as to Florida Power & Light in Issue 8 which is -- affects

this projected period for Issue -- set forth in Issue 2.

If it's understood that as to the engineering cost which you address in that issue, that that can be brought up in true-up as a normal true-up item would be, then I think we can resolve it now.

MS. PAUGH: The short answer to your question is yes, it's based on what you see in Issue 8, and the tax factor. We just have to do the calculation.

MR. CHILDS: Well, what I wanted to indicate in case anybody else evan -- you know, Public Counsel or FIPUG, that, you know, as to that, we are agreeable to making that change recognizing that there's a mathematical computation that follows, that it's just a matter of math.

MS. PAUGH: That's correct.

MR. CHILDS: Okay. And then if I could inquire, Commissioner, as to Mr. Howe's Issue 11, I don't know how he proposes to address that, and I raise that as it relates to whether ultimately we're going to have the witnesses be here.

MR. HOWE: Well, Mr. Childs, the reason I raise that in the preliminary list of issues, and as stated in the position we've taken on Issue 11, is it

is our understanding that the Commission in its '94 order, that's Order No. PSC-94-0044-FOF-EI, made the specific finding that they will allow cost recovery if the utility is currently earning a fair rate of return.

I believe the onus is on the company to establish that they're earning a fair rate of return.

MR. CHILDS: Oh, I'm sorry. I didn't mean to address the merits of it. I meant you have this issue; did you mean that, you know, you have any position as to whether it should be argued, briefed, or whatever for the Commission to make a decision?

MR. HOWE: Oh, as to the procedural steps?

MR. HOWE: I'm --

MR. CHILDS: Yeah.

COMMISSIONER CLARK: I gather this is for the purpose of seeing if you need a witness here.

MR. CHILDS: I don't think this issue relates -- I mean, that it relates to a witness testifying, and I assume that ultimately we be going to, if we can stipulate, agree that our witnesses don't need to make the trip, and if he wants to pursue his issue, that's fine. I just wanted to clarify that.

MR. HOWE: Procedurally -- I guess the

1	opportunity for a short oral presentation to the
2	Commissioners would probably suffice. I mean, there's
3	not enough law argument to justify writing a brief,
4	I don't believe. So I think we could identify
5	Issue 11 as an issue of policy, for example.
6	COMMISSIONER CLARK: Needing no witness or
7	having
8	MR. HOWE: Needing no witness, yes.
9	COMMISSIONER CLARK: Okay. Well, let's just
10	go through the issues, and when we get through
11	Issue 11, we'll deal with how it should be
12	characterized.
13	Where are we?
14	MS. PAUGH: Issue 3, Commissioner.
15	MS. KAUFMAN: Commissioner Clark, on
16	Issue 2, FIPUG agrees with Public Counsel.
17	MS. PAUGH: So Issue 2 cannot be stipulated
18	in that case, regardless of what Staff works out for
19	the numbers.
20	COMMISSIONER CLARK: Because it will be
21	affected by Issue 11.
22	MS. KAUFMAN: (Nodding head.)
23	COMMISSIONER CLARK: Okay. Issue 3?
24	MS. PAUGH: This issue can be stipulated if
25	the companies will agree to use our wording.

1	MR. CHILDS: FPL agrees.
2	MR. STONE: Gulf agrees.
3	MR. WILLIS: Tampa Electric agrees.
4	COMMISSIONER CLARK: Issue 4.
5	MS. PAUGH: This issue can be stipulated if
6	the companies will agree to use our wording.
7	MR. CHILDS: FPL agrees.
8	MR. WILLIS: Tampa Electric agrees.
9	MR. STONE: Gulf agrees.
10	COMMISSIONER CLARK: Issue 5.
11	MS. PAUGH: The same is true of Issue 5, if
12	the companies will agree to use our wording.
13	MR. WILLIS: Tampa Electric agrees.
14	MR. CHILDS: We agree.
15	MR. STONE: It is the same. We agree.
16	COMMISSIONER CLARK: Issue 7.
17	MS. PAUGH: Issue 6. Staff has provided in
18	the handout document a revised position for Issue 6
19	with respect to Gulf. Staff has not been able to
20	formulate positions with respect to FPL and TECO at
21	this time for the same reasons as stated before, but
22	should within 48 hours.
23	COMMISSIONER CLARK: Say that again, please.
24	MS. PAUGH: Staff has submitted a revised
25	position on Issue 6 for Gulf Power Company. We have

1	not been able to resolve the FPL and TECO. We just
2	haven't finalized our position with respect to FPL and
3	TECO and will within 48 hours, and we'll advise the
4	companies of what that position is.
5	COMMISSIONER CLARK: Mr. Stone, do you agree
6	with the
7	MR. STONE: We agree with the numbers that
8	Staff has provided us today with regard to Issue 6.
9	MR. HOWE: Commissioner Clark, Public
10	Counsel's position would be that the proposed
11	environmental cost recovery factors should not be
12	approved. See OPC position on Issue 11.
13	COMMISSIONER CLARK: Issue 7.
14	MS. PAUGH: Issue 7, Staff position is
15	provided in the handout. It's essentially that the
16	matter should be deferred to a Staff workshop.
17	MR. STONE: If Staff would agree to strike
18	the word "Yes, however," Gulf would be in agreement.
19	That way it doesn't predecide the issue.
20	MR. CHILDS: And I guess the question is, do
21	we agree that it should be deferred as Staff proposed
22	it, that is
23	MS. PAUGH: Well, actually I probably

24 misspoke. Staff's position is that filing three

25 months in advance is appropriate. If the companies

don't agree with that, we're happy to have a Staff workshop on the issue.

There are a number of things we need to work out in the 07 docket anyway in terms of filing requirements and timing that just need work.

MR. CHILDS: Okay. Well, we don't agree with that, because we see that we've got a timing problem there in terms of when you file and when you know, so we would like to address that further in a workshop.

MS. PAUGH: That will be fine.

MR. WILLIS: Why don't we just TP these issues. There's no reason to leave issues here we know that we have those points to work out when we've just had that discussion with Staff, rather than have a specific wording in this order.

MS. PAUGH: My preference would be that the prehearing order indicate that a Staff workshop will be held, just so everyone is clear on the direction we're headed, if that is the decision.

COMMISSIONER CLARK: Well, evidently what I hear the company saying is they're not prepared at this point to agree to the three months prior to the due date for setting minimum filing requirements. I see no reason to keep it in the prehearing orders.

You can go to workshop on it. MS. PAUGH: Okay. 2 COMMISSIONER CLARK: You don't need it in an 3 order to do that. 4 MS. PAUGH: Okay. 5 COMMISSIONER CLARK: Just let the Chairman 6 know that's what you want to do. And as I understand it, we have a year to work that out. Maybe nine months, I suppose. MR. WILLIS: And we'll do the same thing in 10 7A? 11 COMMISSIONER CLARK: Yes. So 7 and 7A will 12 be taken out of the prehearing order. 13 14 Issue 8. MS. PAUGH: Staff has provided its position 15 on Issue 8 and provided that to Mr. Childs a little bit in advance of the prehearing. 17 MR. CHILDS: Commissioner, this is a lengthy 18 position by the Staff. Basically -- and I'm reading from it -- it recommends that there be a reduction of the forecast by \$996,000, and then there's some 21 explanation for that. 22 Florida Power & Light Company had in 23

discovery provided some information about engineering

costs. Staff's position notes that they're not

covered in the testimony. These are engineering costs, and my understanding was that they came about later on in the process; but nevertheless, we would agree that the forecasted expenses be reduced.

I would think that it's -- that as to the engineering costs that are associated with the program, that we would be able to -- that were not included in the original forecast, that we would be able to bring those forward in the true-up portion for consideration.

MS. PAUGH: That's appropriate.

COMMISSIONER CLARK: Any position from FIPUG
or Public Counsel?

MR. HOWE: Are we speaking here of Issue 8?

COMMISSIONER CLARK: Yes.

MR. HOWE: Public Counsel's position will be as stated, except the issue at the end of the second line should be Issue 11 instead of 7B.

MS. KAUFMAN: And FIPUG's position will be the same as Public Counsel's.

COMMISSIONER CLARK: Let me be clear. With respect to 8A, are you going to -- it's acceptable to Staff to have the engineering amounts be included in a future true-up so that will you be amending the position on Issue 8 to make that clear, and then we

1	can get a stipulation on Issue 8?
2	MS. PAUGF.: Staff could amend its position,
3	yes.
4	COMMISSIONER CLARK: Say that again.
5	MS. PAUGH: Staff could amend its position
6	to reflect that, yes. That doesn't address Public
7	Counsel's
8	COMMISSIONER CLARK: I understand that. But
9	so you will include in there the agreement you just
10	made with Mr. Childs with respect to future true-up so
11	that there can be a stipulation as to this issue,
12	except for the fact that it's dependent on Issue 11
13	for Public Counsel and FIPUG?
14	MS. PAUGH: That's correct.
15	COMMISSIONER CLARK: Okay. Issue 8.
1.6	MS. PAUGH: Issue 8A.
17	COMMISSIONER CLARK: Yes. I'm sorry.
18	MS. PAUGH: Staff has submitted its
19	position.
20	COMMISSIONER CLARK: Mr. Childs?
21	MR. CHILDS: On SA?
22	COMMISSIONER CLARK: Yes. Do you need more
23	time to look at it?
24	MR. CHILDS: I guess I hadn't realized that
25	we had a I'm sorry. (Pause)

I think we agree with it. We, I guess, 1 2 believe it's the same. (Pause) It is. We agree with 3 it. 4 COMMISSIONER CLARK: Okay. 5 MS. PAUGH: Does FPL agree to Staff's 6 wording? 7 MR. CHILDS: We will. 8 COMMISSIONER CLARK: So Issue 8A is stipulated. 9 10 Issue 9. MS. PAUGH: Staff has supplied a position on 11 Issue 9 to Gulf Power Company as well as Issue 9A. 12 MR. STONE: With regard to Staff's position 13 on Issue 9, there is a statement at the end of the 14 first paragraph that makes reference to in the event 15 16 that this particular O&M activity is not undertaken, because the requirement is not in the final permit 17 when it is issued, that the amounts shown in the 18 19 projection should be refunded to the customers. We just note for the record that that is a 20 21 feature of the true-up process and would happen as a matter of automatic calculation, and so it would not 22 be a separate line item of refund. 23 MS. PAUGH: That's correct, Commissioner. 24

COMMISSIONER CLARK: Okay.

1	MR. STONE: And with regard to I
2	understand that Staff is willing to make a change to
3	some language on Page 2, and it's the last full
4	paragraph under the quoted material after the comma
5	where it starts out "budget estimates". I think we've
6	agreed to strike that clause as it's worded and insert
7	"the estimate in this case is not appropriate."
8	MS. PAUGH: That's acceptable, Commissioner.
9	MR. STONE: With that change, we agree with
10	Staff's position.
11	COMMISSIONER CLARK: Okay.
12	MR. STONE: And we also agree with Staff's
13	position on 9A.
14	COMMISSIONER CLARK: Okay. We'll show those
15	stipulated.
16	MR. HOWE: Commissioner Clark, Public
17	Counsel's position on 9, 9A, 9B, 9C, 9D should all be
18	"No. An increase in Gulf's rates is not appropriate
19	at this time. See position statement on Issue 11."
20	COMMISSIONER CLARK: And FIPUG agrees with
21	is that; is that correct?
22	MS. KAUFHAN: Yes, with the exception of 9A.
23	I think our position on that would be that the project
24	should be allocated on 12 CP and 1/13 as opposed to
25	energy.

1	COMMISSIONER CLARK: So that would be an
2	addition.
3	MS. KAUPMAN: Yes, if it were to be approved
4	for recovery.
5	MR. STONE: So am I to understand that we
6	need to have a witness to address the cost allocation?
7	MS. KAUPMAN: Yes, sir.
8	MS. PAUGH: Staff has a different position
9	from Public Counsels on those issues, if you want to
10	take them one by one, or whatever, or not at all.
11	COMMISSIONER CLARK: Well, we've taken care
12	of 9 and 9A.
13	MS. PAUGH: 9A, we've resolved with Staff,
14	anyway.
15	COMMISSIONER CLARK: And then FIPUG's
16	position would be the same as Public Counsel with the
17	addition of how it should be allocated.
18	Okay. 9B.
19	MS. PAUGH: Staff's position on 9B is that
20	we can agree with their language.
21	While I have the floor, I'd like to take a
22	moment to publicly compliment Gulf Power's efforts to
23	comply with Staff's extensive discovery requests and
24	concerns both throughout the depositions and documents

25 afterward, and their issue statement clearly reflects

that they heard our cry and they answered it. So we thank you. 2 COMMISSIONER CLARK: Okay. So Issue 9B, at 3 least Gulf and Staff agree, but Public Counsel and OPC don't agree based on their position on Issue 11. 5 Issue 9. 6 7 MS. PAUGH: 9C? COMMISSIONER CLARK: Yes. 8 MS. PAUGH: If they will agree to our 9 language, at least with respect to Staff, we can 10 stipulate this issue. 11 MR. STONE: We agree with Staff's position 12 on 9C. 13 COMMISSIONER CLARK: 9D. 14 MS. PAUGH: Staff's position is that we can 15 stipulate to Gulf's language in 9D. 16 COMMISSIONER CLARK: Okay. 9E. 17 MS. PAUGH: We do not have agreement on 18 Issue 9E. 19 20 MR. HOWE: Commissioner Clark, on Public 21 Counsel's position on Issue 9E, the reference at the very end of the position should be to Issue 11, not to 22 Issue 7B. 23 24 COMMISSIONER CLARK: Okay. Issue 10. MS. PAUGH: This is one of the issues on 25

1	which we have not been able to take a position yet,
2	but we will just as soon as we can.
3	COMMISSIONER CLARK: Let me ask Public
4	Counsel, what is your position on 10, and FIPUG?
5	MR. HOWE: Public Counsel's position or.
6	issue which are we on?
7	COMMISSIONER CLARK: All right. You have a
8	position on 10. Nothing further needed?
9	MS. KAUPHAN: No, ma'am.
10	MR. HOWE: Basically the basis for the
11	opposition will be based on our position on Issue 11.
12	COMMISSIONER CLARK: Let's add that to their
13	position.
14	Issue 10A.
15	MR. WILLIS: Commissioner, we will also,
16	when Staff gives us their position, we will look at it
17	and see if we can work out language as well.
18	MS. PAUGH: Thank you.
19	COMMISSIONER CLARK: Any changes to 10A?
20	MS. PAUGH: Staff can stipulate to TECO's
21	language in 10A.
22	MS. KAUPHAN: Commissioner Clark, FIPUG will
23	take no position on that issue.
24	COMMISSIONER CLARK: Okay. So it's
25	stipulated

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MS. KAUFMAN: Commissioner Clark, we just want our position to be clear. We don't stipulate to that, but we recognize the prior decisions of this Commission on this issue.

COMMISSIONER CLARK: But it's stipulated between Star and TECO, so there's no need to put on -- well, there won't be cross-examination on this issue.

10B.

MR. STONE: Commissioner, if I might, I hate to make us jump backwards, but now that FIPUG has clarified its position on 10A, I wonder if they might offer the same clarification to their objection to the position on -- 9C and 9A, I believe, are the two allocation issues that were not --

MS. KAUFMAN: Mr. Stone, I don't think I objected to 9C. I take no position on that. But on 9A, my position is the same as what your position was originally.

MR. STONE: And I understand that. Our position was that when we thought it was a capital project. We've since determined that it's an O&M project, and consistent with the Commission's prior decisions on similar activities in the past, that is the reason for the change in our position to agree

1	with Staff.
2	MS. KAUPMAN: I understand, but I'm going to
3	stick with my position on 9A.
4	MR. STONE: But I noted your objection on
5	TECO's issue was a similar situation, and I thought
6	maybe you might offer the clarification that you don't
7	agree, but that you're willing to accept the prior
8	Commission decisions.
9	MS. KAUPHAN: I see a distinction between
10	TECO's projects and Gulf's, because TECO's are related
11	to the Clean Air Act. So I guess what I'm saying is
12	no, I don't agree.
13	MR. STONE: I thought it was worth a shot.
14	COMMISSIONER CLARK: Okay. 10B.
15	MS. PAUGH: Staff will provide a position as
16	soon as we can.
17	MR. WILLIS: And Tampa Electric will review
8.	it and see if we can come to an agreement.
19	COMMISSIONER CLARK: 10C.
20	MS. PAUGH: Staff can stipulate to TECO's
21	language in 10C.
22	MR. WILLIS: With respect to 10B, Mr. Howe,
23	is your position the same, that the basis of your
24	opposition is Issue 11?

MR. HOWE: Actually it's twofold on this

1	c 3. It's "No, based on FIPUG's position," and also
2	on issue on our position on Issue 11.
3	COMMISSIONER CLARK: Issue 10C.
4	MS. PAUGH: Staff agreed with TECO's
5	language on 10C.
6	COMMISSIONER CLARK: Okay. 10D.
7	MS. PAUGH: We have a correction to the
8	issue statement, and this correction arose out of the
9	depositions themselves.
10	We determined that these classifiers were
11	replacements, not additions. So on issues 10D, 10E,
12	10F and 10G, the word "addition" in the issue
13	statement should be changed to "replacement".
14	Staff is not able to take a position at this
15	time on the issue, but will as soon as possible.
16	COMMISSIONER CLARK: Are you speaking just
17	to 10E right now?
18	MS. PAUGH: Actually, I'm speaking to 10D.
19	COMMISSIONER CLARK: Okay. 10E.
20	MS. PAUGH: Staff agrees with TECO's
21	language in 10E.
22	COMMISSIONER CLARK: FIPUG and Public
23	Counsel?
24	MR. HOWE: Public Counsel takes no position.
25	MS. KAUPMAN: FIPUG takes no position.

1	COMMISSIONER CLARK: On 10E, you do have a
2	position.
3	MR. HOWE: I'm sorry. Oh, I'm sorry. You
4	were referring to FIPUG?
5	MS. KAUFMAN: I'm sorry. I thought we were
6	back on the allocation issue. On 10E, yes, our
7	position is correctly stated.
8	COMMISSIONER CLARK: Okay. 10F.
9	Ms. PAUGH: Staff will provide a position as
10	soon as possible.
11	COMMISSIONER CLARK: And FIPUG and OPC are
12	correct as stated?
13	MR. HOWE: Yes, ma'am.
14	COMMISSIONER CLARK: 10G.
15	MS. PAUGH: Staff accepts Tampa Electric
16	Company's language on Issue 10G.
17	MS. KAUFMAN: FIPUG has no position.
18	COMMISSIONER CLARK: And OPC?
19	MR. HOWE: Same for OPC; no position.
20	COMMISSIONER CLARK: 10H.
21	MS. PAUGH: Staff will provide a position as
22	soon as possible.
23	COMMISSIONER CLARK: Are FIPUG and OPC's
24	positions correct on this one?
25	MS. KAUPMAN: Yes, ma'am.

1	MR. HOWE: Yes, ma'am.
2	COMMISSIONER CLARK: Okay. 101.
3	MS. PAUJH: Staff agrees with TECO's wording
4	on Issue 10I.
5	MS. KAUFMAN: FIPUG takes no position.
6	MR. HOWE: Same for Public Counsel.
7	COMMISSIONER CLARK: Okay. 10J.
8	MS. PAUGH: Staff will provide a position as
9	soon as possible.
10	COMMISSIONER CLARK: FIPUG and OPC's
11	positions are correct?
12	MR. EOWE: Public Counsel's position on 10J
13	should be "no".
14	MS. KAUFMAN: FIPUG's position is correct.
15	COMMISSIONER CLARK: 10K.
16	MS. PAUGH: Staff can agree with TECO's
17	language on 10K.
18	MS. KAUPMAN: FIPUG takes no position.
19	MR. HOWE: Public counsel also takes no
20	position.
21	COMMISSIONER CLARK: 10L.
22	MS. PAUGH: I think that means 10K is
23	stipulated.
24	COMMISSIONER CLARK: Okay.
25	MS. PAUGH: We have to get them while we

can. (Laughter)
Staff will provide a position on 10L as soon
as possible.
MR. HOWE: Public Counsel's position on 10L
should be just "no".
COMMISSIONER CLARK: FIPUG, is yours
correct?
MS. KAUPHAN: It is.
COMMISSIONER CLARK: 10M.
MS. PAUGH: Staff agrees with TECO's
language on 10M.
MS. KAUFHAM: FIPUG takes no position.
COMMISSIONER CLARK: So it can be
stipulated? 10M can be stipulated?
MR. HOWE: Public Counsel takes no position
on 10M, also.
COMMISSIONER CLARK: Okay. 10N.
MS. PAUGH: Staff will provide a position as
soon as possible.
MR. HOWE: Public Counsel's position would
be just "no" on 10N.
COMMISSIONER CLARK: And FIPUG, yours is
correct on that one?
MS. KAUPHAN: Yes, ma'am.
COMMISSIONER CLARK: 100?

Public Counsel takes no position. 1 2 MS. KAUFMAN: And FIPUG would agree with 3 Tampa Electric. 5 language on 100. 6 7 stipulated. 8 Issue 11. 9 11

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MS. PAUGH: Staff can agree with TECO's

COMMISSIONER CLARK: So that can be

MR. WILLIS: Commissioner, Tampa Electric has provided a position on that issue, and we also have a concern with respect to the wording of that issue, and have suggested that the wording be changed to "Should the Commission continue its policy of considering earnings on rate base in its continuing surveillance program and at base rate proceedings?"

COMMISSIONER CLARK: You know, Mr. Willis, that really doesn't answer what's at issue for me. I suppose if you could say "Should the Commission consider whether approval of environmental cost recovery factor -- I suppose that could change -should consider its earnings position -- I guess I find neither one of them very acceptable.

MR. WILLIS: Well, they should be neutrally stated. "Should the Commission consider the company's earnings position with respect to cost recovery under

the environmental cost recovery clause?" 2 COMMISSIONER CLARK: Mr. Howe, haven't we decided this? 3 4 MR. HOWE: I don't believe so. MR. STONE: Commissioner Clark, with all due 5 respect, I believe that we have, and we have reflected that in our position on the issue, which we have just handed out. 9 COMMISSIONER CLARK: You just handed something out? 10 11 MR. STONE: Yes, Commissioner. A rep of the company was handing out Gulf's position on OPC's issue, and I believe everyone has been given a copy of it. 14 15 I would note for the record that we found a typographical error after we left Pensacola this morning, and I've crossed out a stray digit. 17 MR. WILLIS: Another suggested wording of 18 the issue, Commissioner Clark, may be "Should 19 environmental cost recovery under the ECRC be adjusted 20 to reflect current utility earnings?" 21 COMMISSIONER CLARK: Mr. Howe, I read your 22 23 position, and you seem to say that -- I mean, it's your argument that they're paying more than once, but

you acknowledge that we found that if the utility is

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currently earning a fair return, that it should be able to recover on a petition prudently incurred environmental costs through the ECRC if such costs were incurred after the effective date and if such costs were not being recovered through another cost recovery mechanism.

> MR. HOWE: Yes, ma'am.

COMMISSIONER CLARK: What's new?

MR. HOWE: I think the distinction is, the way -- from our view, the way the utilities have been filing these petitions under the environmental cost recovery docket has been that if they're earning within their last allowed return on equity range, that they're entitled to recover these costs.

In our view, if the Commission had wanted to use those terms in that order, they would have done so. The Commission didn't say, if the utilities are earning within their last allowed return on equity range." The Commission said, if they're earning a fair return. We think that makes it incumbent upon the Commission to consider what the companies' earnings are.

Now, one of the things we're going to be asking for the Commission to do in answering this issue for us is give us some guidance, for example,

whether there is any way to address the level of environmental costs a utility seeks to recover other than us filing a rate case or return on equity case.

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We would like guidance from the Commission and from the companies to tell us how they would prefer that we proceed to address this issue.

COMMISSIONER CLARK: Is it your position that even though we may allow it based on the fact that they are -- even if they are currently earning a fair return, is your issue really where they're earning above a fair return?

MR. HOWE: Where they're earning above a fair return as determined by current financial market conditions.

COMMISSIONER CLARK: Oh, I see. So your issue on 11 is as stated, but with the addition "and, if so, what should be done about it?" And "If so, what is the appropriate remedy?"

MR. HOWE: That would be fair, yes.

COMMISSIONER CLARK: I take it what you're looking for is a statement from the Commission that earnings are not at issue in environmental cost recovery factors.

MR. HOWE: No. I would say just the opposite, that earnings are at issue; that, for example, if a --

COMMISSIONER CLARK: You want a decision either way?

MR. HOWE: Yes. Yes. I mean, our basic position is that if a utility is earning a healthy return in today's environment, even after inclusion of the environmental costs they seek to recover, that it's not appropriate for the Commission to grant such a utility a rate increase.

MR. WILLIS: What that would involve is a mini rate case every time we had one of these hearings. And that was the point that I made with respect to stating this issue; that the Commission has a continuing policy of keeping a very vigorous continuous surveillance program, a position that — where either the Commission on its own motion or any party felt that that needed to be addressed, a separate petition was filed, but these proceedings would not be protracted to try to have three rate cases in the period of three days.

COMMISSIONER CLARE: How about this:
"Should the Commission continue its policy of
considering earnings on rate base in its continuing
surveillance programs?"

Actually I think it should be this way:

"Should the Commission consider a company's current earnings in determining whether to approve cost recovery under the environmental cost recovery -- what does the "C" stand for? 5 MR. HOWE: Clause, probably. COMMISSIONER CLARK: Thank you. "Or should 6 7 the Commission continue its policy of considering earnings on rate base in its continuing surveillance program and in base rate proceedings?" Is that acceptable. 10 MR. HOWE: I think just the first part of it 11 would get to it. I mean, could you read before you 12 13 got to the "and"? MR. WILLIS: That's before she balanced it. 14 CONMISSIONER CLARK: That's right. 15 MR. HOWE: Well, I guess that's the issue, 16 though. In other words, "Should the Commission 17 18 consider the company's current earnings in deciding whether --19 20 COMMISSIONER CLARK: Right. MR. HOWE: That's it. 21 COMMISSIONER CLARK: Or should it --22 MR. HOWE: Well, what I mean is I assume if 23

you reject that position, you're going to revert back

to your existing --

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COMMISSIONER CLARK: I'm just suggesting we put both propositions in the issue to make it put forth both types of handling it.

MR. HOWE: I guess I would have a little trouble, then, with the second part where you said "continue its existing policy."

I don't believe the Commission has ever differentiated between the last allowed return on equity and a fair return on equity, or even stated that they are one and the same under any of the orders issued under its current policy.

MR. SLEMKEWICZ: Commissioner Clark, I believe the big question here is what's standard. Or I think what Public Counsel is getting at is what standard do you use to evaluate whether the current return that they're earning is fair and reasonable. Do you go back to the authorized return, or do you look at a current market return, and I think that's the crux of his issue.

MR. HOWE: I think that's a fair statement.

COMMISSIONER CLARK: I understand that.

MR. STONE: Commissioner Clark, if that is, in fact, the Public Counsel's issue, that issue was, in fact, addressed in Docket 930613 as reflected in the Commission order and as discussed in our position

on the issue.

MR. HOWE: I guess that could be something we'd argue about.

"Should the Commission consider a company's current earnings in determining whether to approve cost recovery through the environmental cost recovery clause, or should the consideration of current earnings be through the surveillance program and in base rate proceedings?"

MR. HOWE: I don't think that will work, because, for example, I believe you -- I mean, here I'm going to have to speak for what I perceive is the company's positions -- but that if their current earnings properly compared to their last allowed return on equity, they would still want you to consider it.

I mean, current earnings are going to get considered either way. The standard -- the question is whether you consider -- compare their current earnings to what is a fair return on today's market.

COMMISSIONER CLARK: Well, your point -
MR. HOWE: Or I guess their last -
COMMISSIONER CLARK: -- is should the

current earnings be a factor in determining whether

you approve them. Their position is, no, it should be in the surveillance program or in base rates. And I assume you can flesh out your positions in your position.

MR. HOWE: Yes, ma'am. I guess the point

I'm trying to raise is, as I understand it, in the

company's testimony their witnesses routinely state

that the recovery of environmental costs will not

cause them to earn above their last allowed return on

equity.

you can put on a witness that says, so what, you should look at current earnings, or you can argue --

MR. HOWE: I'm just stating that the company -- I think we both are going to look at current earnings. It's just whether you compare those current earn; to either the last allowed or the current market conditions.

COMMISSIONER CLARK: Okay.

MR. HOWE: That's my only point, that current earnings are under consideration either way.

COMMISSIONER CLARK: Well, I'll be frank,
Roger. The more we get into it, it strikes me that
it's not a matter to be taken up in cost recovery, and
it's a matter you take up in another proceeding.

I think we have decided it, but I understand the nuance that you're presenting to base your opinion that we haven't decided it.

I'll tell you what. I'm going to allow you all to work out the language and the positions. If you can't, I'll resolve it. I'll be here tomorrow.

I'll be available Wednesday and Thursday.

MS. PAUGH: Okay. Thank you.

COMMISSIONER CLARE: Now, with respect to the 07, are there any witnesses that can be excused?

MR. CHILDS: I think that the Florida

Power & Light witnesses can be excused. I think we
have the outstanding issue that we've just been
discussing is not going to be addressed that way. And
I believe that the other matter was that Staff was
going to get with us and we would resolve something
within 48 hours, and I don't think that's going to
call for a witness, but if it does, I think we would
come back.

COMMISSIONER CLARK: How about Gulf's witnesses?

MR. STONE: Because of the outstanding issues, Gulf's witnesses will both be here.

COMMISSIONER CLARE: Okay. TECO's witnesses? At this point they'll be here; right?

MR. WILLIS: Right; unless we can work out -- we're going to discuss with the Staff after they take the positions, and hopefully they can be excused.

commissioner clark: Okay. Then why don't we just wait until when you have to issue the order to decide how to reflect in the order which witnesses are excused.

MS. PAUGH: I think we'll have to, Commissioner.

COMMISSIONER CLARK: And I'm going to be available throughout the week.

MS. PAUGH: Thank you. We do have one other matter, if I'm not interrupting.

COMMISSIONER CLARK: Okay.

MS. PAUGH: As I indicated, Staff took depositions of witnesses of all three companies, and Staff has requested of all three companies that the depositions, the duces tecum documents submitted by the companies, and all of the late-filed exhibits for all of the depositions be entered into the record.

I called the companies about a week ago.

Tampa Electric Company is ready to respond to our request. If the companies don't put those documents into the record, Staff is advising them that they will

at the time of the hearing.

The reason we're doing this is because without those documents we basically have no record on the recovery of these projects. That's where it all is. So it would help with potential evidentiary problems if the companies entered the documents.

However, if not, Staff will go ahead and enter them and take up the evidentiary concerns, if any, at that time.

COMMISSIONER CLARK: Okay. Do we know if there's any objection to your --

MR. WILLIS: No objection.

MR. CHILDS: I'm not sure. I think we've agreed on ours. I don't know why we -- I mean, I think that they're extensive, and I don't know why we put that into the record. I mean, discovery, I think we've agreed to do what their position is.

COMMISSIONER CLARK: So you see no need to put the discovery in the record?

MR. CHILDS: I don't think so.

MS. PAUGH: We feel we have no record without it.

Mr. Childs' point is you don't need a record if you've stipulated to the issue. Is that your point?

MR. CHILDS: Yes.

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MR. BREMAN: Commissioner Clark, if I may, you can look at Staff's position and see that the basis of our position is the documents that he's now somehow objecting to.

COMMISSIONER CLARK: No, he's not objecting to it; it's just that -- it's never been clear how to handle this. I mean, in theory it seems like if we stipulate all issues, you don't even have to call the witnesses. They're stipulated into the record, but I think we have done it that way.

MR. CHILDS: I think that we, years ago, got into the habit, particularly because we had the estimated actual true-up and the final true-up, and therefore the basic documents had set forth what had been filed were contained in those filings.

I just don't understand how that relates to the deposition, so that depositions or other discovery documents become as a matter of record sort of as routine.

MS. PAUGH: In this case our positions are based on the deposition, the duces tecum documents, and the late-filed exhibits. Therefore, our positions and your agreement to our positions cannot be separated. We don't have a record without them.

MR. WILLIS: With respect to Tampa Electric, we have no objection.

COMMISSIONER CLARK: You know, this has troubled me too, Mr. Childs, as to whether or not we need to dump all this stuff into the record if there's been an agreement.

I'm going to allow it in this case, but I would like to get that resolved; when we have something stipulated, is there even a reason to have the witnesses there.

If you stipulate the issues, doesn't -- I mean, courts, when you stipulate or settle cases, you don't move the evidence into the record. The parties have agreed there's no reason to have the record.

Staff, on the other hand, may find that there's a reason that they need things. And I'm just going to direct you, Leslie, to look at it from an overall basis and maybe have some research be done as to just what exactly has to be in the record for us to make a decision.

MS. PAUGH: I'll be happy to do that. For what it's worth, we're not suggesting that the witnesses need to appear, just that the documents need to be in the record. Did I understand Gulf to say they had no objection?

MR. STONE: We have no objection. We would like, when the deposition is entered into the record, that it contain the errata sheets that are submitted by the witnesses.

COMMISSIONER CLARK: Yes, they should contain the errata sheets.

MR. WILLIS: We just assumed that the errata sheets would be --

MS. PAUGH: TECO has been kind enough to make copies for us. So, yes, they will be with it.

Mr. Childs, will you be objecting to the entry of those documents into the record at the time of the hearing?

MR. CHILDS: Probably not. My concern is simply that as a matter of routine, it becomes burdensome when you're going out and buying the record; and, secondly, I would think that even if we were going to hearing, that the parties would have the opportunity to comment on whether a deposition was made a part of the record -- (inaudible) --

you.

MR. CHILDS: I'm just saying even if you went to hearing on a contested issue, that the issue of making a deposition a part of the record is a

decision that is taken up under the circumstances, and so as a routine, I just don't see why you would make it -- but principally it's a question of, you know, if you're going to do this, then you've raised the cost of doing so; plus the question of, well, why are we doing it. Because if you're going to make it part of the record, then maybe we ought to be asking other rebuttal or follow-up questions at the time the deposition was handled. I just want to avoid those concerns.

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MS. PAUGH: Well, my response is that we don't do this routinely. This is something we need in this case from all three companies because none of the companies filed sufficient information for Staff to make any evaluations.

I agree with you that if we anticipate in the future making a deposition part of the record, we will let you know as early as possible in case that changes your cross.

appreciate the concern. I don't think we're going to resolve it here. I think it is something that on a going-forward basis and with respect to what procedures we're going to need to file, it should be resolved.

I would note that I have noticed a trend that we tend to dump all the discovery into the record. I think we need to be more selective. 3 MS. PAUGH: Duly noted. 4 5 COMMISSIONER CLARK: Thank you. Anything else on 07? 6 MS. PAUGH: Not from Staff. 7 COMMISSIONER CLARK: Okay. Anything else on 8 any of these dockets? (No response.) Mr. Stone, you look like you want to say 10 something. Unless you hurry up, I'm going to adjourn 11 this. 12 MR. STONE: No, Commissioner. I was 13 thinking that if there was going to be an 01 hearing 14 with witnesses and there was going to be an 07 apparently with Gulf's witness, that we might be abla to get a time certain other than 9:30 Monday morning, 17 18 but I realize that's not practical. 19 So what you saw was a question that I 20 resolved in my own head. COMMISSIONER CLARK: Okay. There being 21 nothing further to take up at this time, before I adjourn it, I'll be available to resolve anything to

the end that we can shorten up this hearing on

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Thanksgiving week.

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And with that, this hearing is adjourned;
    prehearing is adjourned. Thank you.
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              (Thereupon, the hearing concluded at
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    3:40 p.m.)
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STATE OF FLORIDA) CURTIFICATE OF REPORTER 2 COUNTY OF LEON 3 I, H. RUTHE POTAMI, CSR, RPR, Official Commission Reporter, DO HEREBY CERTIFY that the Prehearing Conference in Docket No. 980007-EI was heard by the 5 Prehearing Officer at the time and place herein stated; it is further 7 CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript, consisting of 48 pages, constitutes a true transcription of my notes of said proceedings. DATED this 18th day of November, 1998. 10 11 12 H. RUTHE POTAMI, CSR, RPR 13 Official Commission Reporter (904) 413-6734 14 15 16 17 18 19 20 21 22 23 24

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION		
In the Matter of   DOCKET NO. 980007-EI  Environmental cost   recovery clause.		
9 10 PROCEEDINGS: 11 12 BEFORE:	PREHEARING CONFERENCE COMMISSIONER SUSAN F. CLARK Prehearing Officer	
A DATE:	Prehearing Officer Monday, November 16, 1998	
5 TIME:	Commenced at 1:30 p.m. Concluded at 3:40 p.m.	
7 PLACE:	Betty Easley Conference Center Room 148 4075 Esplanede Way Tallahassee, Florida	
REPORTED BY:	N. RUTHE POTAMI, CSR, RPR Official Commission Reporter	
25		

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