

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 120103

PETITION OF PROGRESS ENERGY  
FLORIDA, INC. TO MODIFY SCOPE  
OF EXISTING ENVIRONMENTAL  
PROGRAM.

COMMISSION  
CLERK

12 SEP 18 PM 12:48

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PROCEEDINGS: COMMISSION CONFERENCE  
ITEM NO. 9

COMMISSIONERS  
PARTICIPATING: CHAIRMAN RONALD A. BRISÉ  
COMMISSIONER LISA POLAK EDGAR  
COMMISSIONER ART GRAHAM  
COMMISSIONER EDUARDO E. BALBIS  
COMMISSIONER JULIE I. BROWN

DATE: Thursday, August 14, 2012

PLACE: Betty Easley Conference Center  
Room 148  
4075 Esplanade Way  
Tallahassee, Florida

REPORTED BY: JANE FAUROT, RPR  
Official FPSC Reporter  
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## P R O C E E D I N G S

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2           **CHAIRMAN BRISÉ:** Okay. Moving forward to  
3 Number 9. Mr. Dowds.

4           **MR. DOWDS:** Commissioners, Dave Dowds on  
5 behalf of staff. Item 9 pertains to Progress Energy's  
6 request to recover the cost of converting its Anclote  
7 Units 1 and 2 to 100 percent natural gas through the  
8 Environmental Cost-Recovery Clause. Staff recommends  
9 approval.

10           **CHAIRMAN BRISÉ:** Okay. Anyone want to hear  
11 from the company if you are interested.

12           **MR. PERKO:** Thank you, Mr. Chairman.

13           Gary Perko on behalf of Progress Energy, and  
14 with me is Dianne Triplett. We support staff's  
15 recommendation, and we are here along with other  
16 representatives of Progress Energy to answer any  
17 questions you may have regarding the project. I also  
18 understand that Mr. Rehwinkel may have some comments,  
19 and we would request the opportunity to respond to  
20 those.

21           **CHAIRMAN BRISÉ:** Okay.

22           Mr. Rehwinkel.

23           **MR. REHWINKEL:** Thank you, Mr. Chairman.  
24 Charles Rehwinkel with Office of Public Counsel. We  
25 don't appear here today to object to this specific

1 recommendation and proposal to include these costs in  
2 the Environmental Cost-Recovery Clause. Our purpose  
3 here today is to state that -- I think the  
4 Commissioners talked some yesterday about this  
5 stipulation, and part of that stipulation that the  
6 intervenors have with Progress involves a base rate  
7 increase that starts the beginning of next year. And  
8 the intent of the parties is that base rates be frozen  
9 for a four-year period.

10 Today on an earlier item you approved a  
11 stipulation that recognized an exception to the  
12 weighted average cost of capital recommendation with  
13 respect to some assets that were moved from  
14 environmental cost-recovery into base rates beginning  
15 next year. That is an exception. Another exception  
16 would be that base rate -- would be that items that  
17 would affect base rates, that would affect customer  
18 bills and customer rates that are ordinarily and  
19 customarily included in clause recovery are to be  
20 allowed.

21 So what we would just like to do is to ask  
22 that as we go forward considering items like this, that  
23 they be evaluated as far as whether they are  
24 appropriate for base rate recovery or clause recovery  
25 with regard to the fact that base rates are intended to

1 be frozen and that customer bills should not be  
2 impacted on clause recovery for items that are in base  
3 rate recovery. And we think there are benefits to the  
4 customers, again, in the fuel savings as well as  
5 environmental cost compliance areas based on this  
6 repowering of Anclote, and we commend the company for  
7 making these steps.

8 Thank you.

9 **CHAIRMAN BRISÉ:** Mr. Perko.

10 **MR. PERKO:** Thank you, Mr. Chairman.

11 I would simply point out that the settlement  
12 agreement that Mr. Rehwinkel referred to expressly  
13 states that nothing shall preclude the company from  
14 requesting the Commission to approve recovery of costs  
15 that are of the type which traditionally and  
16 historically have been or are presently recovered  
17 through cost-recovery clauses. That provision is  
18 consistent with how things have worked under the prior  
19 rate settlements that Progress Energy has had over the  
20 years. Those included rate freezes, but we still had  
21 the opportunity to come forward with projects that were  
22 necessitated by environmental regulations that came  
23 about or were triggered after the rate case settlement.

24 And that is essentially the situation we are  
25 in here. So it's really nothing new, and it is fully

1 consistent with the settlement agreement.

2 **CHAIRMAN BRISÉ:** Thank you.

3 Commissioner Balbis.

4 **COMMISSIONER BALBIS:** Thank you, Mr.

5 Chairman.

6 And I'm not sure which settlement agreement  
7 you're speaking of, but -- I'm just kidding.

8 (Laughter.)

9 I have a couple of questions for staff on  
10 this. You know, obviously there are different  
11 mechanisms for Progress to recover the costs for this  
12 project. What are the other options that we have  
13 before us, and why is staff recommending the ECRC  
14 clause?

15 **MR. WILLIS:** Commissioner, in staff's view  
16 this project has demonstrated significant fuel savings.  
17 Staff believes that it actually could be run through  
18 the fuel clause or the Environmental Cost-Recovery  
19 Clause. It does meet the requirements of the  
20 Environmental Cost-Recovery Clause, as requested by the  
21 company. They do have to go through a repowering to  
22 meet the MATS rule requirement. But once the  
23 repowering is done, MATS will not be a problem here  
24 because it will not actually be under the MATS Rule  
25 anymore because it will be powered by gas.

1           Because of the significant fuel savings, it  
2 could actually go through the fuel clause, as well.  
3 Staff has no problem with the company's request to flow  
4 it through the Environmental Cost-Recovery Clause.

5           **COMMISSIONER BALBIS:** Okay. And I appreciate  
6 what the Office of Public Counsel has indicated. And I  
7 think, as Commissioner Edgar mentioned, we look at  
8 everything on a case-by-case basis. And I think in  
9 this case with the fuel savings, I don't think the  
10 concerns of pulling it out of base rates, et cetera,  
11 are as valid for this docket as maybe other ones. But  
12 I'm glad you made those comments because, you know, if  
13 we're going to start to see these types of projects  
14 that maybe should be included in base rates coming  
15 through the clauses, that's something that I know that  
16 we will focus on and make sure that it's appropriate.  
17 Especially now that as we are seeing these new EPA  
18 rules move forward, I think we're going to see a lot  
19 more of these projects and costly projects come  
20 forward. And fortunately this is one where the  
21 customers will receive pretty significant fuel savings  
22 in the future.

23           **CHAIRMAN BRISÉ:** Any further comments or  
24 questions? Okay. We're ready to entertain a motion.

25           **COMMISSIONER BALBIS:** Mr. Chairman, I move

1 staff's recommendation on all issues for this item.

2 **COMMISSIONER EDGAR:** Second.

3 **CHAIRMAN BRISÉ:** Okay. It has been moved and  
4 seconded.

5 Any further comments? Okay. All in favor  
6 say aye.

7 (Vote taken.)

8 **CHAIRMAN BRISÉ:** All right. Let the record  
9 reflect that Item Number 9, or Docket Number 120103-EI,  
10 has been approved by the Commission.

11 Thank you for your participation today. We  
12 stand adjourned.

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STATE OF FLORIDA )

: CERTIFICATE OF REPORTER

COUNTY OF LEON )

I, JANE FAUROT, RPR, Chief, Hearing Reporter Services Section, FPSC Division of Commission Clerk, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 18th day of September, 2012.

  
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JANE FAUROT, RPR  
FPSC Official Commission Reporter  
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