

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental cost
recovery clause.

DOCKET NO. 020007-EI
ORDER NO. PSC-02-1735-FOF-EI
ISSUED: December 10, 2002

The following Commissioners participated in the disposition of
this matter:

LILA A. JABER, Chairman
J. TERRY DEASON
BRAULIO L. BAEZ
MICHAEL A. PALECKI
RUDOLPH "RUDY" BRADLEY

APPEARANCES:

RICHARD D. MELSON, ESQUIRE, Post Office Box 6526,
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On behalf of Florida Power Corporation (FPC).

JAMES A. MCGEE, ASSOCIATE GENERAL COUNSEL, 100 Central
Avenue, St. Petersburg, Florida 33701-3324
On behalf of Florida Power Corporation (FPC).

JOHN T. BUTLER, P.A., Steel Hector & Davis LLP, 200 South
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33131-2398
On behalf of Florida Power & Light Company (FPL).

RUSSELL A. BADDERS, ESQUIRE, Beggs & Lane, Post Office
Box 12950, Pensacola, Florida 32591-2950
On behalf of Gulf Power Company (GULF).

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

VICKI GORDON KAUFMAN, ESQUIRE, McWhirter Reeves
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On Behalf of the Florida Industrial Power Users Group
(FIPUG).

DOCUMENT NUMBER-DATE

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FPSC-COMMISSIONER CLERK

ROBERT VANDIVER, ASSOCIATE PUBLIC COUNSEL, Room 812, 111
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On behalf of the Citizens of the State of Florida (OPC).

MARLENE K. STERN, ESQUIRE, Florida Public Service
Commission, 2540 Shumard Oak Boulevard, Tallahassee,
Florida 32399-0850
On behalf of the Florida Public Service Commission
(FPSC).

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

I. CASE BACKGROUND

As part of the Commission's ongoing environmental cost recovery proceedings, a hearing was held on November 20, 2002, in this docket. The hearing addressed the issues set out in the body of the Prehearing Order. The parties have stipulated to several of the issues. The stipulations are described below.

II. STIPULATED GENERIC ENVIRONMENTAL COST RECOVERY ISSUES

We approve as reasonable the stipulations on generic issues listed below.

A. Final environmental cost recovery true-up amounts for the period ending December 31, 2001

FPL: \$0 for purposes of setting ECRC factors for 2003.
TECO: \$1,001,138 under recovery
GULF: \$187,480 over recovery
FPC: \$0

B. Estimated environmental cost recovery true-up amounts for the period January 2002 through December 2002

FPL: \$7,271,601 under recovery
TECO: \$3,457,263 over recovery
GULF: \$445,767 over recovery
FPC: \$0

C. Total environmental cost recovery true-up amounts to be collected or refunded during the period January 2003 through December 2003

FPL: \$7,271,601 under recovery
TECO: \$2,456,125 net over recovery
GULF: \$633,247 net over recovery
FPC: \$0

D. Depreciation rates to be used to develop the depreciation expense included in the total environmental cost recovery amounts for the period January 2003 through December 2003

The depreciation rates used to calculate the depreciation expense should be the rates that are in effect during the period the allowed capital investment is in service.

E. Jurisdictional separation factors for the projected period January 2003 through December 2003?

FPC: The energy jurisdictional separation factors are calculated for each month based on retail kWh sales as a percentage of projected total system kWh sales.

12CP Transmission Demand Jurisdictional Factor
72.115%

12CP Distribution Demand Jurisdictional Factor
99.529%

FPL: Energy Jurisdictional Factor 98.97818%
CP Demand Jurisdictional Factor 99.01742%
GCP Demand Jurisdictional Factor 100.00000%

GULF: The demand jurisdictional separation factor is 96.50187%. The energy jurisdictional separation factors are calculated for each month based on projected retail kWh sales as a percentage of projected total system kWh sales.

TECO: The demand jurisdictional separation factor is 95.43611%. The energy jurisdictional separation factors are calculated for each month based on retail kWh sales as a percentage of projected total system kWh sales. These are shown on the schedules sponsored by witness Bryant.

F. Effective date of the environmental cost recovery factors for billing purposes

The factors should be effective beginning with the specified environmental cost recovery cycle and thereafter for the period January 2003 through December 2003. Billing cycles may start before January 1, 2003, and the last cycle may be read after December 31, 2003, so that each customer is billed for twelve months regardless of when the adjustment factor became effective.

III. STIPULATED COMPANY-SPECIFIC ENVIRONMENTAL COST RECOVERY ISSUES

We approve as reasonable the company-specific stipulations listed below.

A. Florida Power & Light

1. Effect of FPL's stipulation, approved by Order No. PSC-99-0519-AS-EI, on the company's level of recovery for 2003?

In Order No. PSC-01-2463-FOF-EI dated December 18, 2001, the Commission states "FPL should be required to follow the provisions of the stipulation in Order No. PSC-99-0519-AS-EI, which state: 'For 2002, FPL will not be allowed to recover any costs through the environmental cost recovery docket. FPL may, however, petition to recover in 2003 prudent environmental costs incurred after the expiration of the three-year term of this Stipulation and Settlement in 2002.' FPL is authorized to recover these prudently incurred environmental costs in 2003. Interest, however, will not accrue on these expenses." All of the costs FPL is seeking to recover in this docket are consistent with these provisions.

2. Allocation of the newly proposed environmental costs for the St. Lucie Turtle Net Project to the rate classes

The capital costs associated with the St. Lucie Turtle Net project should be allocated on a 12 Coincident Peak (CP) and 1/13 Average Demand (AD) basis.

3. Allocation of the newly proposed environmental costs for the Pipeline Integrity Management Project to the rate classes

The proposed capital costs for the Pipeline Integrity Management Project should be allocated to the rate classes on a 12 Coincident Peak (CP) and 1/13 Average Demand basis. The proposed O&M costs should be allocated to the rate classes on a 12 CP basis.

4. Allocation of the newly proposed environmental costs for Oil Spill Prevention, Control & Countermeasures activities to the rate classes

The proposed capital costs for the Oil Spill Prevention, Control & Countermeasures activities should be allocated to the rate classes on a 12 Coincident Peak (CP) and 1/13 Average Demand basis. The proposed O&M costs should be allocated to the rate classes on a 12 CP basis.

5. Allocation of the newly proposed environmental costs for the Manatee Reburn NOx Control Technology Project to the rate classes

Pursuant to Order No. PSC-94-0044-FOF-EI, the proposed costs should be allocated to the rate classes on an energy basis because the costs are required for compliance with the Clean Air Act.

B. Gulf Power Company

1. Allocation of the costs projected for 2003 associated with the implementation of the Ozone Agreement between Gulf and the Department of Environmental Protection

This issue has been rendered moot by the stipulation for Gulf Issue 2, below.

2. Implementation of Order No. PSC-02-1396-PAA-EI to allow Gulf to recover incremental depreciation expense for the revised depreciation schedule of Crist Units 1, 2 and 3 through the Environmental Cost Recovery Clause

The Commission's directives in Order No. PSC-02-1396-PAA-EI should be modified to allow Gulf to depreciate/amortize Crist Units 1, 2, and 3 to reflect a December 31, 2011, retirement date for the units. This change means that there will be no incremental increase in depreciation/amortization expense resulting from the early retirement of Crist Units 1, 2, and 3 and consequently no impact on the ECRC. This stipulation is in substitution for the directives set forth in Order No. PSC-02-1396-PAA-EI that require Gulf to (1) revise the depreciation schedule for Crist Units 1-3 to reflect retirements on or before December 31, 2006, and (2) to submit a new depreciation study for the entire Crist Plant within 90 days of the Consummating Order in Docket No. 020943-EI. As a result of the Commission's approval of this stipulation, Gulf will no longer be required to submit a new depreciation study for the entire Crist Plant within 90 days of the Consummating Order in Docket No. 020943-EI, and Gulf will be required to reflect the December 31, 2011, retirement date for Crist Units 1, 2, and 3 as the scheduled date to complete the depreciation or amortization of net unrecovered assets for Crist Units 1, 2, and 3 in all future depreciation studies filed by Gulf through 2011 as required pursuant to Rule 25-6.0436(8)(a).

C. Tampa Electric Company

1. Allocation of the environmental costs for the Polk NOx Emissions Reduction to the rate classes

The recoverable costs for the Polk NOx Emissions Reductions project should be allocated to the rate classes on an energy basis.

IV. COMPANY-SPECIFIC ISSUES FOR WHICH STIPULATIONS WERE NOT REACHED

A. FLORIDA POWER & LIGHT

1. Florida Power & Light Company's request for recovery of costs for the Pipeline Integrity Management Project through the Environmental Cost Recovery Clause

FPL is implementing the Pipeline Integrity Management Project ("PIM Project") to comply with the U.S. Department of Transportation's regulations in 49 CFR Part 195. The regulation requires operators with 500 or fewer miles of regulated pipelines to establish a program for managing the integrity of pipelines that could affect high consequence areas if a leak or rupture occurs. High consequence areas are defined in 49 CFR 195 and include populated areas, environmentally sensitive areas, and commercially navigable waterways.

FPL states that incremental costs of the PIM project are \$80,000 of incremental O&M for 2002, \$200,000 of incremental O&M in 2003, and the carrying costs on capital expenditures which amount to \$66,014.

We find that it is appropriate for FPL to recover the incremental costs of implementing the PIM Project. The incremental costs identified above are reasonable and necessary in order to comply with 49 CFR 195 and may be recovered through the Environmental Cost Recovery Clause.

2. Florida Power & Light Company's request for recovery of costs for Oil Spill Prevention, Control & Countermeasures through the Environmental Cost Recovery Clause?

FPL is implementing the Oil Spill Prevention, Control, and Countermeasures that comprise the SPCC Project to comply with the U.S. Environmental Protection Agency's amended regulations in 40 CFR Part 112. The amended regulations require certain facilities to prepare and implement SPCC Plans and address oil spill prevention requirements including the establishment of procedures, methods, equipment, and other requirements to prevent discharges of oil. We find that the SPCC Project costs are reasonable and

necessary in order to comply with these amended regulations, and may be recovered through the Environmental Cost Recovery Clause.

3. Florida Power & Light's request to recover costs for the Manatee Reburn NOx Control Technology Project through the Environmental Cost Recovery Clause

FPL has entered into an agreement with the Florida Department of Environmental Protection (FDEP) to implement the Manatee Reburn NOx Control Technology Project at the Manatee Units 1 and 2 for the exclusive purpose of ensuring compliance with ozone ambient air quality standards in the Tampa Bay Airshed. Per Section 366.8255(1)(d)7, Florida Statutes, FPL is entitled to recover the costs of this project through the Environmental Cost Recovery Clause. We find that the costs of this project are reasonable and necessary in order to fulfill the terms of the FDEP agreement, and may be recovered through the Environmental Cost Recovery Clause.

B. FLORIDA POWER CORPORATION

1. Florida Power Corporation's request for recovery of costs for Substation Environmental Investigation, Remediation, and Pollution Prevention

We find that these costs meet the requirements of Section 366.8255 for recovery through the Environmental Cost Recovery Clause.

2. Allocation of the newly proposed environmental costs for the Substation Environmental Investigation, Remediation, and Pollution Prevention to the rate classes

The costs should be allocated to the rate classes on a 12 Coincident Peak (CP) basis.

3. Florida Power Corporation's request for recovery of costs for Distribution System Environmental Investigation, Remediation, and Pollution Prevention

We find that these costs meet the requirements of Section 366.8255 for recovery through the Environmental Cost Recovery Clause.

4. Allocation of the newly proposed environmental costs for the Distribution System Environmental Investigation, Remediation, and Pollution Prevention to the rate classes

The costs should be allocated to the rate classes on a Class (Non-coincident Peak) basis.

IV. GENERIC ISSUES FOR WHICH STIPULATIONS WERE NOT REACHED

- A. Projected environmental cost recovery amounts for the period January 2003 through December 2003

FPC: \$4,083,711
 FPL: \$18,131,802
 GULF: \$10,237,375
 TECO: \$25,795,266

- B. Environmental cost recovery factors for the period January 2003 through December 2003 for each rate group?

FPC:

Rate Class	ECR Factor cents/kWh
Residential	0.014
General Service Non-Demand	
@ Secondary Voltage	0.012
@ Primary Voltage	0.012
@ Transmission Voltage	0.012
General Service 100% Load Factor	0.005
General Service Demand	
@ Secondary Voltage	0.008

@ Primary Voltage	0.008
@ Transmission Voltage	0.008
Curtailable	
@ Secondary Voltage	0.010
@ Primary Voltage	0.010
Interruptible	
@ Secondary Voltage	0.007
@ Primary Voltage	0.007
@ Transmission Voltage	0.007
Lighting	0.011

FPL:	Rate Class	Environmental Recovery Factor (\$/kWh)
	RS-1	0.00020
	GS-1	0.00020
	GSD1	0.00019
	OS2	0.00019
	GSLD1/CS1	0.00019
	GSLD2/CS2	0.00018
	GSLD3/CS3	0.00017
	ISST1D	0.00018
	SST1T	0.00017
	SST1D	0.00018
	CILC D/CILC G	0.00018
	CILC T	0.00016
	MET	0.00019
	OL1/SL1	0.00017
	SL2	0.00017

GULF:

RATE CLASS	ENVIRONMENTAL COST RECOVERY FACTORS ¢/KWH
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RS, RSVP	.105
GS	.104
GSD, GSDT, GSTOU	.097
LP, LPT	.092
PX, PXT, RTP, SBS	.088
OS-I/II	.077
OSIII	.090
OSIV	.077

TECO:

Rate Class	Factor (cents/kWh)
RS, RST	0.144
GS, GST, TS	0.144
GSD, GSDT	0.143
GSLD, GSLDT, SBF, SBFT	0.142
IS1, IST1, SBI1, SBIT1, IS3,	
IS3, IST3, SBI3, SBIT3	0.137
SL, OL	0.142
Average Factor	0.143

V. RULINGS ON MOTIONS

Gulf's Motion for Leave to File Supplemental Testimony, filed on November 8, 2002 was rendered moot by our approval of the stipulations in the Gulf-specific issues.

FPC's Motion for Leave to File Revised Exhibits, filed on November 13, 2002, shall be granted.

FPL's Motion for Leave to File Revised Testimony, filed November 15, 2002, shall be granted.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the

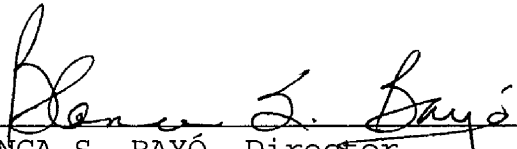
ORDER NO. PSC-02-1735-FOF-EI
DOCKET NO. 020007-EI
PAGE 12

stipulations, rulings, and findings set forth in the body of this Order are hereby approved. It is further

ORDERED that each utility that was a party to this docket shall abide by the stipulations, findings and rulings herein which are applicable to it. It is further

ORDERED that the utilities named herein are authorized to collect the environmental cost recovery amounts and use the factors approved herein beginning with the specified environmental cost recovery cycle and thereafter for the period of January 2003 through December 2003. Billing cycles may start before January 1, 2003, and the last cycle may be read after December 31, 2003, so that each customer is billed for twelve months regardless of when the adjustment factor became effective.

By ORDER of the Florida Public Service Commission this 10th Day of December, 2002.



BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

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ORDER NO. PSC-02-1735-FOF-EI
DOCKET NO. 020007-EI
PAGE 13

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 the Commission Clerk and Administrative Services, 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 the Commission Clerk and Administrative Services 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.