

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Environmental cost recovery clause.

DOCKET NO. 060007-EI
ORDER NO. PSC-06-0972-FOF-EI
ISSUED: November 22, 2006

The following Commissioners participated in the disposition of this matter:

LISA POLAK EDGAR, Chairman
J. TERRY DEASON
ISILIO ARRIAGA
MATTHEW M. CARTER II
KATRINA J. TEW

APPEARANCES:

JEFFREY A. STONE, ESQUIRE, RUSSELL BADDERS, ESQUIRE, and
STEVEN R. GRIFFIN, ESQUIRE, Beggs and Lane, P. O. Box 12950, Pensacola,
FL 32591-2950
On behalf of Gulf Power Company (GULF).

GARY V. PERKO, ESQUIRE, and CAROLYN R. RAEPPLE, ESQUIRE,
Hopping Green & Sams, P.A., P. O. Box 6526, Tallahassee, Florida 32314 and
JOHN T. BURNETT, ESQUIRE, and R. ALEXANDER GLENN, ESQUIRE,
Progress Energy Service Company, LLC, 100 Central Avenue, St. Petersburg,
Florida 33701-3324
On behalf of Progress Energy Florida, Inc. (PEF).

JOHN T. BUTLER, ESQUIRE, and R. WADE LITCHFIELD, ESQUIRE,
700 Universe Boulevard, Juno Beach, Florida 33408
On behalf of Florida Power & Light Company (FPL).

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

PATRICIA A. CHRISTENSEN, ESQUIRE, JOSEPH A. MCGLOTHLIN,
ESQUIRE, and CHARLES J. BECK, 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).

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

ROBERT SCHEFFEL WRIGHT, ESQUIRE, and JOHN T. LAVIA, III,
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Tallahassee, Florida 32301
On behalf of Florida Retail Federation. (FRF).

JOHN W. MCWHIRTER, JR., ESQUIRE, McWhirter Reeves & Davidson, P.A.,
400 North Tampa Street, Suite 2450, Tampa, Florida 33601-3350
On behalf of Florida Industrial Power Users Group (FIPUG).

MARTHA CARTER BROWN, ESQUIRE, Florida Public Service Commission,
2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
On behalf of the Florida Public Service Commission (STAFF)

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

BY THE COMMISSION:

I. CASE BACKGROUND

As part of the Commission's ongoing environmental cost recovery proceedings, a hearing was held on November 6, 2006, in this docket. At the hearing, the parties addressed the issues set out in Order No. PSC-06-0917-PHO-EI, the Prehearing Order. Part II of this Order addresses the stipulated generic issues in the case and Part III addresses the stipulated company-specific issues in the case

II. STIPULATED GENERIC ENVIRONMENTAL COST RECOVERY ISSUES

A. We approve as reasonable the following final environmental cost recovery true-up amounts for the period ending December 31, 2005:

GULF: \$1,659,043 over recovery including interest.
PEF: \$237,170 under-recovery including interest.
FPL: \$2,642,893 over recovery including interest.
TECO: (\$23,609,173) under-recovery including interest.

OPC, FIPUG and FRF took no position.

B. We approve as reasonable the following estimated environmental cost recovery true-up amounts for the period January 2006 through December 2006:

GULF: \$2,874,720 over recovery including interest.
PEF: \$16,770,646 under-recovery including interest.

FPL: \$13,409,744 over recovery including interest
TECO: \$58,347,408 over-recovery including interest.

OPC, FIPUG and FRF took no position.

- C. We approve as reasonable the following projected environmental cost recovery amounts for the period January 2007 through December 2007:

GULF: \$48,178,803.
PEF: \$36,759,254
FPL: \$40,688,413
TECO: (\$34,064,523)

OPC, FIPUG and FRF took no position.

- D. We approve as reasonable the following environmental cost recovery amounts, including true-up amounts for the period January 2007 through December 2007:

GULF: \$43,645,040, excluding revenue taxes.
PEF: \$53,805,782.
FPL: \$24,653,514, adjusted for prior period true-ups and revenue taxes.
TECO: (\$68,852,296).

OPC, FIPUG and FRF took no position.

- E. We approve as reasonable that the depreciation rates to be used to develop the depreciation expense included in the total environmental cost recovery amounts for the period January 2007 through December 2007 shall be the depreciation rates that are in effect during the period the allowed capital investment is in service.

- F. We approve as reasonable the following jurisdictional separation factors for the projected period January 2007 through December 2007:

GULF: The demand jurisdictional separation factor is 96.64872%. Energy jurisdictional separation factors are calculated each month based on retail KWH sales as a percentage of projected total territorial KWH sales.

PEF: The jurisdictional energy separation factor is calculated for each month based on retail kWh sales as a percentage of projected total system kWh sales.
Transmission Average 12 CP demand jurisdictional factor - 70.597%
Distribution Primary demand jurisdictional factor - 99.597%
Jurisdictional Separation Study factors were used for production demand jurisdictional factor as Production Base – 93.753%,
Production Intermediate – 79.046%, and Production Peaking – 88.979%.

FPL: Energy Jurisdictional Factor 98.59030%
 CP Demand Jurisdictional Factor 98.68536%
 GCP Demand Jurisdictional Factor 100.00000%

TECO: The demand jurisdictional separation factor is 96.66743%. 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. These are shown on the schedules sponsored by witness Bryant.

OPC, FIPUG and FRF took no position.

G. We approve as reasonable the following environmental cost recovery factors for the period January 2007 through December 2007:

GULF:

RATE CLASS	ENVIRONMENTAL COST RECOVERY FACTORS ¢/kWh
RS, RSVP	.387
GS	.385
GSD, GSDT, GSTOU	.379
LP, LPT	.367
PX, PXT, RTP, SBS	.357
OS-I/II	.354
OSIII	.367

PEF:

Rate Class	ECRC Factor cents/kWh
Residential	0.153
General Service Non-Demand	
@ Secondary Voltage	0.137
@ Primary Voltage	0.136
@ Transmission Voltage	0.134

General Service 100% Load Factor	0.088
General Service Demand	
@ Secondary Voltage	0.111
@ Primary Voltage	0.110
@ Transmission Voltage	0.109
Curtable	
@ Secondary Voltage	0.107
@ Primary Voltage	0.106
@ Transmission Voltage	0.105
Interruptible	
@ Secondary Voltage	0.089
@ Primary Voltage	0.088
@ Transmission Voltage	0.087
Lighting	0.111

FPL:

Rate Class	Environmental Recovery Factor (\$/kWh)
RS-1/RST1	0.00024
GS-1/GST1	0.00023
GSD1/GSDT1/HLFT(21-499 kW)	0.00022
OS2	0.00020
GSLD1/GSLDT1/CS1/CST1/ HLFT (500-1,999 kW)	0.00022
GSLD2/GSLDT2/CS2/CST2/ HLFT(2,000 +)	0.00021
GSLD3/GSLDT3/CS3/CST3	0.00020
ISST1D	0.00022
ISST1T	0.00017

SST1T	0.00017
SST1D1/SST1D2/SST1D3	0.00022
CILC D/CILC G	0.00021
CILC T	0.00020
MET	0.00022
OL1/SL1/PL1	0.00016
SL2/GSCU-1	0.00020

TECO:

Rate Class	Factor (cents/kWh)
RS, RST	(0.344)
GS, GST, TS	(0.345)
GSD, GSDT	(0.347)
GSLD, GSLDT, SBF	(0.345)
IS1, IST1, SBI1, SBIT1, IS3, IST3, SBI3	(0.340)
SL, OL	(0.358)
Average Factor	(0.345)

OPC, FIPUG and FRF took no position.

- H. For billing purposes, the new environmental cost recovery factors shall be effective beginning with the first billing cycle for January 2007, and thereafter through the last billing cycle for December 2007. The first billing cycle may start before January 1, 2007, and the last billing cycle may end after December 31, 2007, so long as each customer is billed for twelve months regardless of when the factors became effective.

III. STIPULATED COMPANY SPECIFIC ISSUES

Florida Power & Light (FPL)

- A. We approve the following stipulation regarding FPL's request for recovery of compliance costs relating to the Clean Air Mercury Rule as a project that qualifies for recovery through the ECRC:

FPL's reasonable and necessary, prudently incurred costs for compliance with the Clean Air Mercury Rule (CAMR) are appropriate for recovery through the ECRC as provided for in F.S. 366.8255 and past Commission orders implementing the ECRC. The costs impacting 2007 ECRC revenue requirements as outlined in FPL's petition, testimony and exhibits are appropriately incorporated in the Company's cost recovery factors for 2007 which have been submitted for approval in this proceeding, subject to the normal evaluation and true-up process that takes place in the ongoing ECRC proceedings. Given the magnitude and the scope of FPL's ongoing CAIR/CAMR Compliance Program, FPL agrees to make a supplementary filing in the ECRC docket during the first quarter of 2007 that will identify the timing and current estimates of costs for specific projects planned by the Company in order to comply with CAIR/CAMR requirements along with information regarding the relative value of the planned projects compared to other viable compliance alternatives, if any. This supplemental filing will include a description of the evaluation process used and the results of that process that lead FPL to conclude that the chosen control technology is both cost effective and that the affected generating units remain economically viable as a source of energy to FPL's retail customers with the addition of the controls. The parties to the ECRC (including the Commission Staff) will be allowed to submit normal requests for discovery in connection with the supplemental filing in order to determine whether there is any objection to any components of the CAIR/CAMR program with regard to the reasonableness or prudence of the proposed action. If there are any objections, the objecting party shall give notice to the Company before the end of the second quarter of 2007 such that testimony and exhibits addressing the resulting issue(s) can be filed in the normal time frame for the 2007 ECRC hearing and the issue(s) can be resolved by the Commission in the normal course of the ongoing ECRC proceedings. The deadlines set forth in this stipulation can be extended for good cause by mutual agreement of the parties. In the event the parties are unable to reach an agreement regarding a request for extension of a deadline, the request may be presented to the prehearing officer for resolution by motion showing good cause why the deadline should be extended.

- B. We approve the following stipulation regarding how the projected environmental costs for the CAMR Compliance Project should be allocated to the rate classes:

Proposed capital costs for the CAMR Compliance Project should be allocated to the rate classes on an average 12 CP demand basis. This is consistent with FPL's current cost of service methodology, as contemplated by the stipulation approved by Order No. PSC-05-0902-S-EI, in Docket No. 050045-EI. Projected operating and maintenance costs should be allocated to the rate classes on an energy basis.

OPC, FIPUG and FRF took no position.

- C. We approve the following stipulation on whether FPL's Legal Expenses for challenging implementation of the CAIR rule should be included in base rates:

No. FPL did not include any costs associated with its legal challenge of the CAIR rule in the MFRs that were filed in Docket No. 050045-EI. Those MFRs were prepared before the final CAIR rule was published by EPA, and FPL had no reason at the time to anticipate that it would need to pursue a legal challenge.

OPC, FIPUG and FRF took no position.

Progress Energy Florida, Inc. (PEF)

- A. We approve the following stipulation regarding PEF's request to include in the 2007 ECRC factors the costs of PEF's Modular Cooling Tower Project subject to refund including interest pending resolution of Docket No. 060162-EI:

The Commission should approve inclusion of the costs in the 2007 ECRC factors of PEF's Modular Cooling Tower Project subject to refund including interest pending resolution of Docket No. 060162-EI.

OPC, FIPUG and FRF took no position.

- B. We approve the following stipulation regarding the reasonableness and prudence of PEF's incurred costs related to the CAIR/CAMR Program for the years 2005 and 2006:

The costs incurred for CAIR/CAMR compliance for 2005 and 2006 are reasonable and prudent.

OPC, FIPUG and FRF took no position.

Tampa Electric Company (TECO)

- A. We approve the following stipulation regarding TECO's request to include in the 2007 ECRC factors the costs of TECO's Flue Gas Desulphurization Reliability Project subject to refund including interest pending resolution of Docket No. 050958-EI:

The Commission should allow inclusion of the costs in the 2007 ECRC factors of TECO's Flue Gas Desulphurization Reliability Project subject to refund including interest pending the resolution of Docket No. 050958-EI.

OPC, FIPUG and FRF took no position.

Gulf Power Company (Gulf)

- A. We approve the following stipulation regarding Gulf's request for recovery of compliance costs relating to the Clean Air Interstate Rule and the Clean Air Mercury Rule as a project that qualifies for recovery through the ECRC:

Gulf's reasonable and necessary, prudently incurred costs for compliance with the Clean Air Interstate Rule (CAIR) and Clean Air Mercury Rule (CAMR) are appropriate for recovery through the ECRC as provided for in F.S. 366.8255 and past Commission orders implementing the ECRC. The costs impacting 2007 ECRC revenue requirements as outlined in Gulf's petition, testimony and exhibits are appropriately incorporated in the Company's cost recovery factors for 2007 which have been submitted for approval in this proceeding, subject to the normal evaluation and true-up process that takes place in the ongoing ECRC proceedings. Given the magnitude and the scope of Gulf's ongoing CAIR/CAMR Compliance Program, Gulf agrees to make a supplementary filing in the ECRC docket during the first quarter of 2007 that will identify the timing and current estimates of costs for specific projects planned by the Company in order to comply with CAIR/CAMR requirements along with information regarding the relative value of the planned projects compared to other viable compliance alternatives, if any. This supplemental filing will include a description of the evaluation process used and the results of that process that lead Gulf to conclude that the chosen control technology is both cost effective and that the affected generating units remain economically viable as a source of energy to Gulf's retail customers with the addition of the controls. The parties to the ECRC (including the Commission Staff) will be allowed to submit normal requests for discovery in connection with the supplemental filing in order to determine whether there is any objection to any components of the CAIR/CAMR program with regard to the reasonableness or prudence of the proposed action. If there are any objections, the objecting party shall give notice to the Company before the end of the second quarter of 2007 such that testimony and exhibits addressing the resulting issue(s) can be filed in the normal time frame for the 2007 ECRC hearing and the issue(s) can be resolved by the Commission in the normal course of the ongoing ECRC proceedings. The deadlines set forth in this stipulation can be extended for good cause by mutual agreement of the parties. In the event the parties are unable to reach an agreement regarding a request for extension of a deadline, the request may be presented to the prehearing officer for resolution by motion showing good cause why the deadline should be extended.

- B. We approve the following stipulation regarding Gulf's request for approval of its General Water Sampling Quality Boat as a project that qualifies for recovery through the ECRC:

Gulf expects to incur capital expenditures of \$28,600 during 2007 to purchase a boat for new surface water sampling that is required by the Plant Crist and Plant Scholz National Pollutant Discharge Elimination System (NPDES) permits. Pursuant to Chapter 62 Part

302.520(1), Florida Administrative Code, the FDEP has included new biological evaluation requirements in Gulf's recently issued NPDES permits for both Plants Crist and Scholz. In addition, these NPDES permits, also have a condition that requires compliance with Chapter 40 of the Code of Federal Regulation (CFR) Parts 125.95(a)(1) and (2), also known as 316(b), which requires monitoring aquatic communities within each plant's once through cooling water systems. Purchasing a boat to conduct these studies in-house will reduce a portion of the compliance expenses. The costs associated with this project are being incurred to comply with new environmental legal requirements imposed on the Company and this compliance activity is not being recovered through base rates.

OPC, FIPUG and FRF took no position.

- C. We approve the following stipulation regarding how the projected environmental costs for Gulf's CAIR and CAMR Compliance Projects should be allocated to the rate classes:

The projected costs should be allocated to the rate classes on an energy basis consistent with Commission Order No. PSC-94-0044-FOF-EI, issued January 12, 1994, in Docket No. 930613-EI, In re: Petition to establish an environmental cost recovery clause pursuant to Section 366.825, F.S., by Gulf Power Company.

OPC, FIPUG and FRF took no position.

Based on the foregoing, it is

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

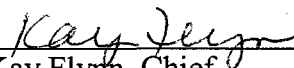
ORDERED that each utility that was a party to this docket shall abide by the stipulations and findings herein which are applicable to it. It is further

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 2007 through December 2007. Billing cycles may start before January 1, 2007, and the last cycle may be read after December 31, 2007, so that each customer is billed for 12 months regardless of when the adjustment factor became effective.

By ORDER of the Florida Public Service Commission this 22nd day of November,
2006.

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

By:



Kay Flynn, Chief
Bureau of Records

(S E A L)

MCB

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.