

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental cost recovery clause.

DOCKET NO. 070007-EI  
ORDER NO. PSC-07-0922-FOF-EI  
ISSUED: November 16, 2007

The following Commissioners participated in the disposition of this matter:

LISA POLAK EDGAR, Chairman  
MATTHEW M. CARTER II  
KATRINA J. McMURRIAN  
NANCY ARGENZIANO  
NATHAN A. SKOP

APPEARANCES:

R. WADE LITCHFIELD, ESQUIRE, Vice President and Associate General Counsel, and JOHN T. BUTLER, ESQUIRE, Senior Attorney, 700 Universe Boulevard, Juno Beach, FL 33408-0420  
On behalf of Florida Power & Light Company (FPL).

JOHN T. BURNETT, ESQUIRE, Associate General Counsel, and R. ALEXANDER GLENN, ESQUIRE, Deputy General Counsel, 299 1st Avenue North, St. Petersburg, FL 33701 and GARY PERKO, ESQUIRE, and VIRGINIA C. DAILEY, ESQUIRE, Hopping Law Firm, Post Office Box 6526, Tallahassee, FL 32314  
On behalf of Progress Energy Service Company, LLC (PEF).

JEFFREY A. STONE, ESQUIRE, RUSSELL A. BADDERS, ESQUIRE AND STEVEN GRIFFIN, Beggs & Lane Law Firm, Post Office Box 12950, Pensacola, FL 32591-2950  
On behalf of Gulf Power Company (Gulf).

LEE L. WILLIS, ESQUIRE and JAMES D. BEASLEY, ESQUIRE, Ausley Law Firm, Post Office Box 391, Tallahassee, FL 32302  
On behalf of Tampa Electric Company (TECO).

CHARLES J. BECK, ESQUIRE, JOSEPH E. MCGLOTHLIN, ESQUIRE, AND PATRICIA CHRISTENSEN, ESQ., c/o The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, FL 32399-1400  
On behalf of Office of Public Counsel (OPC).

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FPSC-COMMISSION CLERK

JOHN M. MCWHIRTER, JR., ESQUIRE, c/o McWhirter Law Firm, 400 North  
Tampa Street, Suite 2450, Tampa, FL 33602  
On behalf of Florida Industrial Power Users Groups (FIPUG).

MARTHA C. 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, 2007, in this docket. At the hearing, the parties addressed the issues set out in Order No. PSC-07-0886-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, 2006:

**FPL**: \$1,563,849 over-recovery including interest.

**PEF**: \$2,446,714 over-recovery including interest.

**GULF**: \$2,258,385 over-recovery including interest.

**TECO**: \$11,895,683 under-recovery including interest.

OPC and FIPUG took no position.

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

**FPL**: \$585,826 under-recovery including interest.

**PEF**: \$3,333,530 under-recovery including interest.

**GULF**: \$2,117,926 under-recovery including interest.

**TECO**: \$9,624,173 over-recovery including interest.

OPC and FIPUG took no position.

- C. We approve as reasonable the following projected environmental cost recovery amounts for the period January 2008 through December 2008:

**FPL**: \$44,712,161.

**PEF**: \$43,204,989.

**GULF**: \$49,861,194.

**TECO**: \$18,911,243.

OPC and FIPUG took no position.

- D. We approve as reasonable the following environmental cost recovery amounts, including true-up amounts for the period January 2008 through December 2008:

**FPL**: \$43,765,627, adjusted for prior period true-ups and revenue taxes.

**PEF**: \$44,123,551, adjusted for taxes.

**GULF**: \$49,720,735 excluding revenue taxes.

**TECO**: \$21,198,005 after the adjustment for taxes.

OPC and FIPUG took no position.

- E. We approve as reasonable the determination that the depreciation rates to be used to develop the depreciation expense included in the total environmental cost recovery amounts for the period January 2008 through December 2008 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 2008 through December 2008:

<b><u>FPL</u></b> :	Energy Jurisdictional Factor	98.58121%
	CP Demand Jurisdictional Factor	98.76048%
	GCP Demand Jurisdictional Factor	100.00000%

**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%.

**GULF:** The demand jurisdictional separation factor is 96.42160%. Energy jurisdictional separation factors are calculated each month based on retail KWH sales as a percentage of projected total territorial KWH sales.

**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 and FIPUG took no position.

G. We approve as reasonable the following environmental cost recovery factors for the period January 2008 through December 2008:

**FPL:** The appropriate factors are:

Rate Class	Environmental Recovery Factor (\$/kWh)
RS-1/RST1	0.00040
GS-1/GST1/WIES1	0.00040
GSD1/GSDT1/HLFT1(21-499 kW)	0.00038
OS2	0.00042
GSLD1/GSLDT1/CS1/CST1/ HLFT2 (500-1,999 kW)	0.00038
GSLD2/GSLDT2/CS2/CST2/ HLFT3 (2,000 +)	0.00035
GSLD3/GSLDT3/CS3/CST3	0.00034
ISST1D	0.00036
ISST1T	0.00031
SST1T	0.00031
SST1D1/SST1D2/SST1D3	0.00036
CILC D/CILC G	0.00035
CILC T	0.00034
MET	0.00039

OL1/SL1/PL1  
SL2/GSCU-1

0.00029  
0.00032

**PEF:** The appropriate factors are as follows:

<b>RATE CLASS</b>	<b>ECRC FACTORS</b>
Residential	0.118 cents/kWh
General Service Non-Demand @ Secondary Voltage @ Primary Voltage @ Transmission Voltage	0.109 cents/kWh 0.108 cents/kWh 0.107 cents/kWh
General Service 100% Load Factor	0.081 cents/kWh
General Service Demand @ Secondary Voltage @ Primary Voltage @ Transmission Voltage	0.094 cents/kWh 0.093 cents/kWh 0.092 cents/kWh
Curtable @ Secondary Voltage @ Primary Voltage @ Transmission Voltage	0.090 cents/kWh 0.089 cents/kWh 0.088 cents/kWh
Interruptible @ Secondary Voltage @ Primary Voltage @ Transmission Voltage	0.079 cents/kWh 0.078 cents/kWh 0.077 cents/kWh
Lighting	0.094 cents/kWh

**GULF:** See table below

<b>RATE CLASS</b>	<b>ENVIRONMENTAL COST RECOVERY FACTORS ¢/kWh</b>
RS, RSVP	.436
GS	.431
GSD, GSDT, GSTOU	.423
LP, LPT	.411
PX, PXT, RTP, SBS	.401
OS-I/II	.391
OSIII	.413

**TECO**: The appropriate factors are:

<b><u>Rate Class</u></b>	<b><u>Factor (cents/kWh)</u></b>
RS, RST	0.104
GS, GST, TS	0.104
GSD, GSdT	0.105
GSLD, GSLDT, SBF	0.104
IS1, IST1, SB11, SBIT1, IS3, IST3, SBI3	0.102
SL, OL	0.105
Average Factor	0.104

OPC and FIPUG took no position.

- H. For billing purposes, the new environmental cost recovery factors shall be effective beginning with the first billing cycle for January 2008, and thereafter through the last billing cycle for December 2008. The first billing cycle may start before January 1, 2008, and the last billing cycle may end after December 31, 2008, so long as each customer is billed for twelve months regardless of when the factors became effective.

III. **STIPULATED COMPANY SPECIFIC ISSUES**

OPC and FIPUG took no position on the company specific issues addressed below.

**Florida Power & Light (FPL)**

- A. We approve the following stipulation regarding whether FPL should be allowed to recover costs associated with its proposed St. Lucie Cooling Water System Inspection and Maintenance Project:

Yes. FPL must inspect and, as necessary, maintain the cooling water system at the St. Lucie Plant so that it remains in compliance with the federal Endangered Species Act, 16 U.S.C. Section 1531. FPL agrees that its recovery of project costs through the ECRC is subject to Commission audit to ensure such costs are not otherwise recovered in base rates.

- B. We approve the following stipulation regarding how the newly proposed environmental costs for the St. Lucie Cooling Water System Inspection and Maintenance Project should be allocated to the rate classes:

Capital costs for the St. Lucie Cooling Water System Inspection and Maintenance Project should be allocated to the rate classes on an average 12 CP demand and 1/13<sup>th</sup> energy

basis. Operating and maintenance costs should be allocated to the rate classes on an average 12 CP demand basis.

- C. We approve the following stipulation regarding whether FPL should be allowed to recover costs associated with its proposed Martin Plant Drinking Water System Compliance Project:

Yes. The Consent Order entered into by FPL and the Florida Department of Environmental Protection (FDEP) on September 22, 2006 requires FPL to implement a corrective action plan at the Martin Plant, which involves the implementation of a pilot test plan to determine the most cost-effective method to achieve compliance of levels of four certain trihalomethanes (THMs) and haloacetic acids (HAA5s) in the drinking water system. The projected and actual costs will be subject to the normal audit, true-up and review process that takes place annually in the ECRC proceedings. FPL agrees that its recovery of project costs through the ECRC is subject to Commission audit to ensure such costs are not otherwise recovered in base rates.

- D. We approve the following stipulation regarding how the newly proposed environmental costs for the Martin Plant Drinking Water System Compliance Project should be allocated to the rate classes?

Capital costs for the Martin Plant Drinking Water System Compliance Project should be allocated to the rate classes on an average 12 CP demand and 1/13<sup>th</sup> energy basis. Operating and maintenance costs should be allocated to the rate classes on an average 12 CP demand basis.

- E. We approve the following stipulation regarding whether FPL should be allowed to recover costs associated with its proposed Low Level Radioactive Waste Storage Project:

Yes. The Low Level Radioactive Waste Storage Project is required due to the Nuclear Regulatory Commission's (NRC) requirements and restrictions on how low level radioactive (LLW) waste may be disposed of, combined with FPL's loss of access to the LLW disposal facility in Barnwell South Carolina as a result of new provisions of South Carolina law that take effect on June 30, 2008. The projected and actual costs will be subject to the normal audit, true-up and review process that takes place annually in the ECRC proceedings. FPL agrees that its recovery of project costs through the ECRC is subject to Commission audit to ensure such costs are not otherwise recovered in base rates.

- F. We approve the following stipulation regarding how the newly proposed environmental costs for the Low Level Radioactive Waste Storage Project should be allocated to the rate classes:

Capital costs for the Low Level Radioactive Waste Storage Project should be allocated to the rate classes on an average 12 CP demand and 1/13<sup>th</sup> energy basis. Operating and

maintenance costs should be allocated to the rate classes on a 71% average 12 CP demand and 29% energy basis.

- G. We approve the following stipulation regarding whether the projected costs for FPL's Clean Air Interstate Rule (CAIR) and Clean Air Mercury Rule (CAMR) compliance projects that are reflected in FPL's March 30, 2007, supplemental filing are reasonable and prudent:

FPL's CAIR, CAMR and Clean Air Visibility Rules (CAVR) compliance plans as presented in its March 30, 2007, supplemental filing have been updated and modified in terms of proposed compliance actions and projected costs both in the Company's testimony of August 3, 2007 and again in the deposition of Company Witnesses LaBauve and Dubin on October 25, 2007. FPL's compliance plans, including the plan changes consisting of the 800 MW Unit Cycling Project and the "Similar Units" Continuing Emissions Monitoring Systems (CEMS) option implementation identified in the Company's testimony of August 3, 2007 and the scope changes associated with the installation of Wet Flue Gas Desulfurization (FGD) Unit and SCR with Ammonia Injection System on Scherer Unit 4 as identified in the deposition of witnesses LaBauve and Dubin on October 25, 2007, appear reasonable at this time. FPL shall file, as part of its annual ECRC final true-up testimony, a review of the efficacy of its CAIR and CAMR and CAVR plans, and the cost-effectiveness of its retrofit options for each generating unit in relation to expected changes in environmental regulations and ongoing state and federal CAIR legal challenges now being pursued by FPL. The reasonableness and prudence of individual expenditures, and the prudence of future decisions on the compliance plans made in light of subsequent developments, shall continue to be subject to the Commission's review in future proceedings on these matters.

### **Progress Energy Florida**

- A. We approve the following stipulation regarding whether we should approve PEF's updated Integrated Clean Air Compliance Plan as a reasonable and prudent means to comply with the Clean Air Interstate Rule ("CAIR"), Clean Air Mercury Rule ("CAMR") and Clean Air Visibility Rule ("CAVR") and related regulatory requirements:

Yes. PEF's updated Integrated Clean Air Compliance Plan represents the most cost-effective alternative for achieving and maintaining compliance with CAIR, CAMR, and CAVR, and related regulatory requirements, and it is reasonable and prudent for PEF to recover prudently incurred costs to implement the plan. PEF shall file as part of its true-up testimony in the Environmental Cost Recovery Clause a yearly review of the efficacy of its Plan D and the cost-effectiveness of PEF's retrofit options for each generating unit in relation to expected changes in environmental regulations.

Based on the foregoing, it is



ORDERED by the Florida Public Service Commission 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 2008 through December 2008. Billing cycles may start before January 1, 2008, and the last cycle may be read after December 31, 2008, 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 16th day of November, 2007.



ANN COLE  
Commission Clerk

( 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 Office of Commission Clerk, 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 Office of Commission Clerk, 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.