

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Environmental cost recovery clause.

DOCKET NO. 040007-EI
ORDER NO. PSC-04-1187-FOF-EI
ISSUED: December 1, 2004

The following Commissioners participated in the disposition of this matter:

BRAULIO L. BAEZ, Chairman
J. TERRY DEASON
RUDOLPH "RUDY" BRADLEY
CHARLES M. DAVIDSON

APPEARANCES:

JOHN T. BUTLER, ESQUIRE, Steel Hector & Davis LLP, 200 South Biscayne Boulevard, Suite 4000, Miami, Florida 33131-2398 and R. WADE LITCHFIELD, ESQUIRE, 700 Universe Boulevard, Juno Beach, Florida 33408-0420

On behalf of Florida Power & Light Company (FPL)

GARY V. PERKO, ESQUIRE, Hopping, Green & Sams, P.A., Post Office Box 6526, Tallahassee, Florida 32314

On behalf of Progress Energy Florida (PEF)

JAMES D. BEASLEY, ESQUIRE, and LEE L. WILLIS, ESQUIRE, Ausley & McMullen, Post Office Box 391, Tallahassee, Florida 32302

On behalf of Tampa Electric Company (TECO)

VICKI GORDON KAUFMAN, ESQUIRE, McWhirter Reeves McGlothlin Davidson Decker Kaufman & Arnold, P.A., 117 South Gadsden Street, Tallahassee, Florida 32301

On Behalf of the Florida Industrial Power Users Group (FIPUG)

PATRICIA A. CHRISTENSEN, ESQUIRE, Room 812, 111 W. Madison Street, Tallahassee, Florida, 32399-1400

On behalf of the Citizens of the State of Florida (OPC)

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FPSC-COMMISSION CLERK

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**

BY THE COMMISSION:

I. CASE BACKGROUND

As part of the Commission's ongoing environmental cost recovery proceedings, a hearing was held on November 8, 2004, in this docket. The hearing addressed the issues set out in the body of Order No. PSC-04-1073-PHO-EI, the Prehearing Order. The parties stipulated to all issues, and we accept and approve the stipulations as reasonable and supported by competent, substantial evidence of record.

II. STIPULATED GENERIC ENVIRONMENTAL COST RECOVERY ISSUES

A. Final environmental cost recovery true-up amounts for the period ending December 31, 2003

We approve as reasonable the following stipulated final environmental cost recovery true-up amounts for the period ending December 31, 2003:

FPL: \$ 43,877 over recovery
PEF: \$ 951,437 over recovery
TECO: \$ 260,351 under recovery
GULF: \$ 631,135 over recovery

FIPUG and OPC took no position.

B. Estimated environmental cost recovery true-up amounts for the period January 2004 through December 2004

We approve as reasonable the following stipulated estimated environmental cost recovery true-up amounts for the period January 2004 through December 2004:

FPL: \$103,793 under recovery
PEF: \$19,027,266 under recovery

GULF: \$113,651 under recovery

TECO: \$7,329,011 over recovery

FIPUG and OPC took no position.

C. Projected environmental cost recovery amounts for the period January 2005 through December 2005

We approve as reasonable the following stipulated projected environmental cost recovery amounts for the period January 2005 through December 2005:

FPL: \$ 24,476,832

PEF: \$30,504,449

TECO: \$26,845,492

GULF: \$25,771,942

FIPUG and OPC took no position.

D. Environmental cost recovery amounts, including true-up amounts, for the period January 2005 through December 2005

We approve as reasonable the following stipulated environmental cost recovery amounts including true-up amounts for the period January 2005 through December 2005:

FPL: \$24,928,600 adjusted for taxes

PEF: \$48,615,256 adjusted for taxes

TECO: \$19,791,071 adjusted for taxes

GULF: \$25,272,642 adjusted for taxes

FIPUG and OPC took no position.

E. Depreciation rates that should be used to develop the depreciation expense included in the total environmental cost recovery amounts for the period January 2005 through December 2005

We approve as reasonable the following stipulation regarding the depreciation rates that should be used to develop the depreciation expense included in the total environmental cost recovery amounts for the period of January 2005 through December 2005:

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.

FIPUG and OPC took no position.

F. Jurisdictional separation factors for the projected period January 2005 through December 2005

We approve as reasonable the following stipulated jurisdictional separation factors for the projected period of January 2005 through December 2005:

FPL: Energy Jurisdictional factor - 98.56595%;
CP Demand Jurisdictional Factor - 98.6339%;
GCP Demand Jurisdictional Factor - 100%.

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

Production Demand Jurisdictional Factors

Base 95.957%,

Intermediate 86.574%,

Peaking 74.562%

Transmission Demand Jurisdictional Factor 72.115%

Distribution Demand Jurisdictional Factor 99.529%

TECO: The demand jurisdictional separation factor is 96.41722%. 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.

GULF: The demand jurisdictional separation factor is 96.64872%. 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.

FIPUG and OPC took no position.

G. Environmental cost recovery factors for the period January 2005 through December 2005, for each rate group

We approve as reasonable the following stipulated environmental cost recovery factors for the period off January 2005 through December 2005, for each rate group:

FPL:

Rate Class	Environmental Recovery Factor (\$/kWh)
RS-1/RST1	0.00025
GS-1/GST1	0.00024
GSD1/GSDT1	0.00023
OS2	0.00023
GSLD1/GSLDT1/CS1/CST1	0.00023
GSLD2/GSLDT2/CS2/CST2	0.00022
GSLD3/GSLDT3/CS3/CST3	0.00021
ISST1D	0.00021
ISST1T	0.00022
SST1T	0.00022
SST1D1/SST1D2/SST1D3	0.00021
CILC D/CILC G	0.00022
CILC T	0.00021
MET	0.00024
OL1/SL1/PL1	0.00016
SL2	0.00021

PEF:

Rate Class	ECR Factor (cents/kWh)
Residential	0.127
General Service Non-Demand	
@ Secondary Voltage	0.124
@ Primary Voltage	0.123
@ Transmission Voltage	0.122
General Service 100% Load Factor	0.103
General Service Demand	
@ Secondary Voltage	0.115
@ Primary Voltage	0.114
@ Transmission Voltage	0.113
Curtable	
@ Secondary Voltage	0.125

Rate Class	ECR Factor (cents/kWh)
@ Primary Voltage	0.124
Interruptible	
@ Secondary Voltage	0.106
@ Primary Voltage	0.105
@ Transmission Voltage	0.104
Lighting	0.115

Rate Class	Factor (cents/kWh)
RS, RST	0.104
GS, GST, TS	0.104
GSD, GSDT	0.103
GSLD, GSLDT, SBF	0.102
IS1, IST1, SBII, SBIT1, IS3, IST3, SBI3	0.100
SL, OL	0.101
Average Factor	0.103

GULF:

RATE CLASS	ENVIRONMENTAL COST RECOVERY FACTORS ¢/KWH
RS, RSVP	.235
GS	.234
GSD, GSDT, GSTOU	.229
LP, LPT	.221
PX, PXT, RTP, SBS	.214
OS-I/II	.210
OSIII	.220

FIPUG and OPC took no position.

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

We approve as reasonable the following stipulated 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 2005 through December 2005. Billing cycles may start before January 1, 2005, and the last cycle may be read after December 31, 2005, 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

A. **Florida Power & Light (FPL)**

1. Allocation to the rate classes of FPL's environmental costs for the Comprehensive Demonstration Study for Cooling Water Intake structures

We approve as reasonable the following stipulated allocation to the rate classes of FPL's environmental costs for the Comprehensive Demonstration Study for Cooling Water Intake structures:

The proposed O&M costs should be allocated to the rate classes on an average 12 coincident peak demand basis.

OPC took no position.

2. Approval of FPL's request for recovery of costs for SCR Consumables at Plant Manatee Unit 3 and Plant Martin Unit 8

We approve as reasonable the following stipulated approval of FPL's request for recovery of costs for SCR Consumables at Plant Manatee Unit 3 and Plant Martin Unit 8:

Prudently incurred costs for SCR consumables at Plant Manatee Unit 3 and Plant Martin Unit 8 are appropriate for recovery through the ECRC.

FIPUG and OPC took no position.

3. Allocation to the rate classes of FPL's newly proposed environmental costs for SCR Consumables at Plant Manatee Unit 3 and Plant Martin Unit 8

We approve as reasonable the following stipulated allocation to the rate classes of FPL's newly proposed environmental costs for SCR Consumables at Plant Manatee Unit 3 and Plant Martin Unit 8:

The proposed O&M and capital costs should be allocated to the rate classes on an energy basis.

FIPUG and OPC took no position.

4. The method for calculating the return on average net investment for Environmental Cost Recovery Clause projects on a going forward basis

We approve as reasonable the following stipulated method for calculating the return on average net investment for Environmental Cost Recovery Clause projects on a going forward basis:

Based on FPL's 2002 Rate Agreement, and until FPL's next rate case, FPL will use the 2002 capital cost and capital structure from the December 2002 Surveillance Report to calculate the return on assets included in FPL's Environmental Cost Recovery Clause.

FIPUG and OPC took no position.

B. Progress Energy Florida, Inc. (PEF)

1. Allocation to the rate classes of PEF's environmental costs for the Comprehensive Demonstration Study for Cooling Water Intake structures

We approve as reasonable the following stipulated allocation to the rate classes of PEF's environmental costs for the Comprehensive Demonstration Study for Cooling Water Intake structures:

The proposed O&M costs should be allocated to the rate classes on a 12 coincident peak demand basis and 1/13th average demand basis.

OPC took no position

C. Tampa Electric Company (TECO)

1. Allocation to the rate classes of TECO's environmental costs for the Big Bend Unit 4 SCR and Pre SCR retrofit activities on Big Bend Units 1, 2, and 3

We approve as reasonable the following stipulated allocation to the rate classes of TECO's environmental costs for the Big Bend Unit 4 SCR and Pre SCR retrofit activities on Big Bend Units 1, 2, and 3:

The proposed costs should be allocated to the rate classes on an energy basis.

FIPUG and OPC took no position.

D. Gulf Power Company (Gulf)

1. Approval of Gulf's request for recovery of costs for precipitator upgrades for compliance assurance monitoring of particulate air emissions and flue-gas opacity at Plant Smith Unit 2

We approve as reasonable the following stipulated approval of Gulf's request for recovery of costs for precipitator upgrades for compliance assurance monitoring of particulate air emissions and flue-gas opacity at Plant Smith Unit 2:

The precipitator upgrades are required to comply with the new requirements in Gulf's Title V Permit which is expected to become final in December 2004. Title V requires continuous monitoring of particulate emissions. Opacity monitoring is an acceptable surrogate for particulate emissions monitoring. Gulf will monitor opacity in lieu of particulate emission monitoring. As a result, Gulf must upgrade the precipitators on certain of its generating units to meet the new opacity requirements in its new Title V Permit.

Although the final Title V permit has not yet been issued, several factors provide assurance that approval of this project at this time is appropriate. First, issuance of the final permit is expected imminently, in January 2005. Second, neither Gulf nor staff is aware of any controversy surrounding the issuance of the final permit. Finally, if for any reason the final permit does not contain a new opacity standard, then any money passed through the clause for this project will be refunded to the customers with interest.

FIPUG and OPC took no position.

2. Allocation to the rate classes of Gulf's newly proposed environmental costs for the precipitator upgrades for compliance assurance monitoring at Plant Smith Unit 2

We approve as reasonable the following stipulated allocation to the rate classes of Gulf's newly proposed environmental costs for the precipitator upgrades for compliance assurance monitoring at Plant Smith Unit 2:

The capital costs associated with this project should be allocated to the rate classes on an energy basis.

FIPUG and OPC took no position.

3. Approval of Gulf's request for recovery of Cooling Water Intake Studies pursuant to Section 316(b) of the Clean Water Act

We approve as reasonable the following stipulated approval of Gulf's request for recovery of Cooling Water Intake Studies pursuant to Section 316(b) of the Clean Water Act:

Gulf must comply with new performance standards of Section 316(b) of the Clean Water Act. The studies will enable Gulf to determine the best compliance strategy and implementation schedule for achieving compliance with these new standards. Prudently incurred costs for biological sampling and data collection for the Comprehensive Demonstration Project are appropriate for recovery through the ECRC. Costs for anything other than the Comprehensive Demonstration Project are not appropriate for recovery at this time.

FIPUG and OPC took no position.

4. Allocation to the rate classes of Gulf's newly proposed environmental costs for the Cooling Water Intake Studies

We approve as reasonable the following stipulated allocation to the rate classes of Gulf's newly proposed environmental costs for the Cooling Water Intake Studies:

The operation and maintenance costs associated with his project should be allocated to the rate classes on a 12 Coincident Peak demand basis.

OPC took no position.

5. Approval of Gulf's request for recovery of costs for compliance studies due to the new arsenic standard, Rule 62-550.310(1)(c), Florida Administrative Code

We approve as reasonable the following stipulated approval of Gulf's request for recovery of costs for compliance studies due to the new arsenic standard, Rule 62-550.310(1)(c), Florida Administrative Code:

The Florida Department of Environmental Protection has adopted a new groundwater standard for arsenic, which lowers the standard from 0.05 mg/L to 0.01 mg/L. The rule states that the new standard becomes effective on January 1, 2005. Gulf must conduct a groundwater study during 2005 at Plant Scholz and Plant Crist due to projected groundwater impacts in excess of the new arsenic standard. The study is necessary to determine the nature of the impacts on the aquifer and identify the appropriate strategy for compliance with the new arsenic standards.

FIPUG and OPC took no position.

6. Allocation to the rate classes of Gulf's newly proposed environmental costs for compliance studies due to the proposed new arsenic standard

We approve as reasonable the following stipulated allocation to the rate classes of Gulf's newly proposed environmental costs for compliance studies due to the proposed new arsenic standard:

The operation and maintenance costs for the compliance studies should be allocated on a 12 Coincident Peak demand basis.

OPC took no position.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the stipulations 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 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 2005 through December 2005. Billing cycles may start before January 1, 2005, and the last cycle may be read after December 31, 2005, 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 1st day of December, 2004.

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

By: 
Kay Flynn, Chief
Bureau of Records

(S E A L)

MKS

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.