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Subject: Electronic Filing: Docket 080007-EI / FPL Preliminary List of Issues and Positions
Attachments: ECRC 2009 prelim list of issues FINAL.doc; ECRC 2009 prelim list of issues FINAL.pdf

Electronic Filing

a. Person responsible for this electronic filing:

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b. Docket No. 080007-EI

In Re: Environmental Cost Recovery Clause

c. The document is being filed on behalf of Florida Power & Light Company.

d. There are a total of 6 pages.

e. The document attached for electronic filing is Florida Power & Light Company's Preliminary List of Issues and Positions

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9/16/2008

DOCUMENT NUMBER-DATE
08646 SEP 15 08
FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Environmental Cost)
Recovery Clause)

DOCKET NO. 080007-EI
FILED: September 15, 2008

**FLORIDA POWER & LIGHT COMPANY'S
PRELIMINARY LIST OF ISSUES AND POSITIONS**

1. What are the final environmental cost recovery true-up amounts for the period January 2007 through December 31, 2007?

FPL: \$3,174,379 over-recovery. (DUBIN)

2. What are the estimated/actual environmental cost recovery true-up amounts for the period January 2008 through December 2008?

FPL: \$5,728,576 under-recovery. (DUBIN)

3. What are the projected environmental cost recovery amounts for the period January 2009 through December 2009?

FPL: \$91,077,343. (DUBIN)

4. What are the environmental cost recovery amounts, including true-up amounts, for the period January 2009 through December 2009?

FPL: The total environmental cost recovery amount, adjusted for revenue taxes, is \$93,698,955. This amount consists of \$91,077,343 of projected environmental cost for the period January through December 2009, net of the prior period true-up amounts and taxes. (DUBIN)

5. What depreciation rates should be used to develop the depreciation expense included in the total environmental cost recovery amounts for the period January 2009 through December 2009?

FPL: 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 as approved by the FPSC. (DUBIN)

6. What are the appropriate jurisdictional separation factors for the projected period January 2009 through December 2009?

FPL: Energy Jurisdictional Factor 98.69261%
CP Demand Jurisdictional Factor 98.76729%
GCP Demand Jurisdictional Factor 100.00000% (DUBIN)

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7. What are the appropriate environmental cost recovery factors for the period January 2009 through December 2009 for each rate group?

FPL: Rate Class	Environmental Recovery Factor (\$/kWh)
RS1/RST1	.00094
GS1/GST1	.00095
GSD1/GSDT1/HLFT1(21-499 kW)	.00084
OS2	.00077
GSLD1/GSLDT1/CS1/CST1/HLFT2 (500-1999 kW)	.00081
GSLD2/GSLDT2/CS2/CST2/HLFT3 (2000 kW+)	.00075
GSLD3/GSLDT3/CS3/CST3	.00071
ISST1D	.00067
ISST1T	.00068
SST1T	.00068
SST1D1/SST1D2/SST1D3	.00067
CILC D/CILC G	.00074
CILC T	.00070
MET	.00085
OL1/SL1/PL1	.00038
SL2/GSCU1	.00066
	(DUBIN)

8. What should be the effective date of the new environmental cost recovery factors for billing purposes?

FPL: The new environmental cost recovery factors should become effective with customer bills for January 2009 through December 2009. This will provide 12 months of billing on the environmental cost recovery factors for all customers. (DUBIN)

COMPANY-SPECIFIC ISSUES

9. Should the Commission approve FPL's proposed Greenhouse Gas (GHG) Reduction Project, such that reasonable costs incurred by FPL in connection with the Project subsequent to August 29, 2008 may be recovered through the ECR Clause?

FPL: Yes. Executive Order 07-127, signed into law by Governor Crist on July 13, 2008, requires immediate actions to reduce GHG emissions within Florida. In order to comply with reporting requirements per House Bill 7135, FPL will participate in "The Climate Registry" reporting program, which requires joining the Registry and reporting baseline data associated with GHG emissions. Future CO2 allowance and program management

costs would also be included in FPL's GHG Reduction Program. (LABAUVE)

10. How should the newly proposed environmental costs for the Greenhouse Gas (GHG) Reduction Program be allocated to the rate classes?

FPL: Capital costs for the Greenhouse Gas (GHG) Reduction Program should be allocated to the rate classes on an average 12 CP demand basis. Operating and maintenance costs should be allocated to the rate classes on an energy basis. (DUBIN)

11. How should the proposed environmental costs for the Martin Next Generation Solar Energy Center, DeSoto Next Generation Solar Energy Center and Space Coast Next Generation Solar Energy Center projects that the Commission approved for ECR Clause recovery in Order No. PSC-08-0491-PAA-EI be allocated to the rate classes?

FPL: Capital costs for the Martin, DeSoto and Space Coast Next Generation Solar Energy Center projects should be allocated to the rate classes on an average 12 CP demand and 1/13th energy basis. Operating and maintenance costs should be allocated to the rate classes on an energy basis. (DUBIN)

12. Are 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 April 2, 2008 supplemental filing reasonable and prudent?

FPL: Yes. FPL's supplemental filing explained that FPL has carefully evaluated its compliance options under CAIR and CAMR and determined that the projected activities and costs reflected in that filing represent the most cost-effective means of meeting FPL's compliance obligations. No party gave notice of objections to any of those projected activities or costs by the end of the second quarter of 2008 as they were required to do by the stipulation approved in Order No. PSC-06-0972-FOF-EI, Docket No. 060007-EI, dated November 22, 2006 (nor has FPL been notified of any such objection up to the date of this Preliminary List of Issues and Positions). Accordingly, the projected activities and costs reflected in the supplemental filing should be approved as reasonable and prudent. (LABAUVE)

13. Should FPL continue to recover Capital and O&M costs associated with its CAIR and CAMR compliance projects in light of the recent court orders vacating CAIR and CAMR?

FPL: Yes. As discussed in more detail below, completion of the CAIR and CAMR compliance projects is required by existing air-emission rules and

is prudent in light of the current uncertainty over the status of existing rules and the emergence of new regulatory requirements.

CAIR. The order vacating CAIR is not yet final. Rehearing and/or appeal to the US Supreme Court are possible. Until that process is concluded, CAIR remains in effect and there is no way of knowing whether it ultimately will be vacated or will remain in effect either in its current or modified form. If CAIR is vacated, the United States Environmental Protection Agency (EPA) will quickly have to devise alternative emission reduction rules to control impacts of upwind sources on downwind non-attainment areas. Georgia has adopted a Multi-Pollutant Rule that independently requires the same emission controls at Plant Scherer that would be used to comply with CAIR. The Florida Department of Environmental Protection (FDEP) may also adopt rules requiring the same emission controls at St. Johns River Power Park (SJRPP) that would be used to comply with CAIR. Installation of the emission controls at SJRPP is well advanced, and FPL would incur substantial termination and re-mobilization costs if it stopped the installation now and re-started the work later. The 800 MW Cycling project for Manatee Units 1 & 2 and Martin Units 1 & 2, in addition to providing annual and ozone season reductions in NOx emissions that are needed to comply with CAIR, also provide substantial fuel savings by allowing these large units to cycle off-line more frequently when not needed for system load. Projected fuel savings associated with the 800 MW Cycling Project are \$2.9 billion over the life of the project.

CAMR. The Court's order vacating CAMR also rejected EPA's delisting of coal-fired EGUs from the list of emission sources that are subject to section 112 of the Clean Air Act. Therefore, in lieu of CAMR, EPA must define Maximum Available Control Technology (MACT) for control of mercury (Hg) emissions on coal-fired EGUs. Hg controls must continue as planned on Plant Scherer Unit 4 in order to comply with the Georgia Multi-Pollutant rule. FPL also believes that those controls will meet any subsequent MACT requirements adopted by EPA. At SJRPP, FPL and JEA planned to comply with CAMR with co-benefits from the operation of the SCRs that are being installed to comply with CAIR, so there are no separate Hg emission controls. CAMR imposed distinct monitoring requirements, however, which required the installation of an Hg Continuous Emission Monitoring System (HgCEMS). The system was procured prior to the CAMR vacatur and has already been installed. Until required by rule, FPL does not intend to operate the HgCEMS and has not included O&M costs for that system in its ECRC recovery request. (LABAUVE)

WITNESSES AND SUBJECT MATTER

WITNESS	SPONSOR	SUBJECT MATTER	EXHIBIT
K. M. DUBIN	FPL	ECRC Final True-up for January through December 2007	KMD-1
		ECRC Estimated/Actual True- up for January through December 2008	KMD-2
		ECRC projections for January through December 2009	KMD-3
R.R. LABAUVE	FPL	Update of CAIR and CAMR and CAVR (BART) Projects	RRL-1
		Greenhouse Gas Reduction Program	RRL-2
E. SILAGY	FPL	Martin Next Generation Solar Energy Center, DeSoto Next Generation Solar Energy Center, and Space Coast Next Generation Solar Energy Center Projects	ES-1, ES-2, ES-3

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CERTIFICATE OF SERVICE
Docket No. 080007-EI

I HEREBY CERTIFY that a true and correct copy of Florida Power & Light Company's Preliminary List of Issues and Positions has been furnished by electronic delivery on September 15, 2008 to the following:

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