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b. Docket No. 110007 - 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 11 pages

e. The document attached for electronic filing is Florida Power & Light Company's Prehearing Statement

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Environmental Cost)
Recovery Clause)

DOCKET NO. 110007-EI
FILED: OCTOBER 3, 2011

**FLORIDA POWER & LIGHT COMPANY'S
PREHEARING STATEMENT**

Pursuant to Order No. PSC-11-0150-PCO-EI, issued March 4, 2011 establishing the prehearing procedure in this docket, Florida Power & Light Company, ("FPL") hereby submits it's Prehearing Statement.

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B. WITNESSES

<u>WITNESS</u>	<u>SUBJECT MATTER</u>	<u>ISSUES</u>
T.J. KEITH	ECRC Final True-up for January 2010 Through December 2010	1
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R.R. LABAUVE	Approval of St. Lucie Plant Cooling	9A

	Water Discharge Monitoring Project	
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C. EXHIBITS

<u>EXHIBITS</u>	<u>WITNESS</u>	<u>DESCRIPTION</u>
(TJK-1)	T.J. KEITH	Appendix I Environmental Cost Recovery Final True-up January 2010 - December 2010 Commission Forms 42 - 1A through 42 - 9A
(Revised TJK-2)	T.J. KEITH	Appendix I Environmental Cost Recovery Actual/Estimated Period January 2011 - December 2011

Commission Forms 42-1E through 42-9E

(TJK-3)	T.J. KEITH	Appendix I Environmental Cost Recovery Projections January 2012 - December 2012 Commission Forms 42-1P through 42-8P
(RRL-1)	R.R. LABAUVE	Florida Department of Environmental Protection Industrial Wastewater Facility Permit No. FL0002208 St. Lucie Power Plant
(RRL-2)	R.R. LABAUVE	Florida Department of Environmental Protection Administrative Order No. AO022TL St. Lucie Power Plant
(RRL-3)	R.R. LABAUVE	FPL Supplemental CAIR/CAMR/CAVR Filing
(RRL-4)	R.R. LABAUVE	Changes and Anticipated Changes in WET Testing for FPL Facilities
(RRL-5)	R.R. LABAUVE	NPDES Permit No. FL0001538 – Port Everglades Plant
(RRL-6)	R.R. LABAUVE	Pertinent Excerpts from Final Industrial Boiler MACT Rule for Area Sources 40- CFR Part 63 Subpart DDDDD
(RRL-7)	R.R. LABAUVE	Pertinent Excerpts from Final Industrial Boiler MACT Rule for Area Sources 40- CFR Part 63 Subpart JJJJJ
(RRL-8)	R.R. LABAUVE	EPA Delay of Subpart DDDDD
(RRL-9)	R.R. LABAUVE	ERG Memorandum
(RRL-10)	R.R. LABAUVE	FPL IB MACT Cost Matrix

D. STATEMENT OF BASIC POSITION

None necessary.

E. STATEMENT OF ISSUES AND POSITIONS

GENERIC ENVIRONMENTAL COST RECOVERY ISSUES

- 1. What are the final environmental cost recovery true-up amounts for the period January 2010 through December 31, 2010?**

FPL: \$5,036,426 over-recovery. (KEITH)

- 2. What are the actual/estimated environmental cost recovery true-up amounts for the period January 2011 through December 2011?**

FPL: \$8,708,673 over-recovery. This amount has been adjusted from \$8,708,682 to include the correct 2010 end of year amount of non-interest-bearing CWIP for the Desoto Next Generation Solar Energy Center. (KEITH)

- 3. What are the projected environmental cost recovery amounts for the period January 2012 through December 2012?**

FPL: \$188,014,660. This amount has been adjusted from \$195,667,760 to remove projected 2012 costs associated with FPL's 800 MW ESP Project and to remove from the Industrial Boiler MACT Project the projected 2012 costs associated with Subpart DDDDD of the IB MACT rules. (KEITH)

- 4. What are the environmental cost recovery amounts, including true-up amounts, for the period January 2012 through December 2012?**

FPL: The total environmental cost recovery amount is \$174,395,035, including prior period true-up amounts and taxes. This amount has been adjusted from \$182,053,636 to include the revised 2010 actual/estimated true-up amount of \$8,708,673 (Issue 2) and to include the revised projected environmental cost recovery amount for the period January 2012 through December 2012 of \$188,014,660 (Issue 3). (KEITH)

- 5. What depreciation rates should be used to develop the depreciation expense included in the total environmental cost recovery amounts for the period January 2012 through December 2012?**

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. (KEITH)

6. What are the appropriate jurisdictional separation factors for the projected period January 2012 through December 2012?

FPL: Retail Energy Jurisdictional Factor 98.08128%
 Retail CP Demand Jurisdictional Factor 98.01395%
 Retail GCP Demand Jurisdictional Factor 100.00000% (KEITH)

7. What are the appropriate environmental cost recovery factors for the period January 2012 through December 2012 for each rate group?

FPL: <u>Rate Class</u>	<u>Environmental Recovery Factor (\$/kWh)</u>
RS1/RST1	.00192
GS1/GST1	.00154
GSD1/GSDT1/HLFT1 (21-499 kW)	.00150
OS2	.00096
GSLD1/GSLDT1/CS1/CST1/HLFT2 (500-1,999 kW)	.00151
GSLD2/GSLDT2/CS2/CST2/HLFT3 (2,000 kW+)	.00129
GSLD3/GSLDT3/CS3/CST3	.00125
ISST1D	.00098
ISST1T	.00171
SST1T	.00171
SST1D1/SST1D2/SST1D3	.00098
CILC D/CILC G	.00118
CILC T	.00113
MET	.00154
OL1/SL1/PL1	.00039
SL2/GSCU1	.00125
	(KEITH)

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

FPL: The factors should be effective beginning with the specified environmental cost recovery cycle and thereafter for the period January 2012 through December 2012. Billing cycles may start before January 1, 2012 and the last cycle may be read after December 31, 2012, so that each customer is billed for twelve months regardless of when the adjustment factor became effective. These charges should continue in effect until modified by subsequent order of this Commission. (KEITH)

COMPANY-SPECIFIC ISSUES

9A. Should FPL be allowed to recover the costs associated with its proposed St. Lucie Plant Cooling Water Discharge Monitoring Project?

FPL: Yes. This project is required to comply with Florida Department of Environmental Protection (FDEP) Administrative Order AO022TL and conditions in Industrial Wastewater Permit No. FL0002208, which became effective on December 23, 2010 and relate to operation and limitations for the St. Lucie Cooling Water System (CWS). As a result of the increased heat output from the extended power uprate ("EPU") project at St. Lucie Unit 1 and Unit 2, the discharge temperature of the PSL cooling water is expected to increase. This anticipated increase led FPL to submit to the FDEP a request to modify the IWW Permit, in order to authorize an increase above the permit's current discharge temperature limit. The FDEP has approved an increase in the discharge temperature limit, subject to FPL's complying with new study and monitoring requirements (and corrective action requirements if necessary) that are contained in the AO and IWW Permit. At this time, the Project consists of preparing and implementing plans for (1) monitoring the ambient and CWS discharge water temperature, and (2) biological monitoring to demonstrate that conditions allow for the existence of a balanced, indigenous community of fish, shellfish and wildlife near the CWS discharge of PSL. If any corrective actions are required as a result of the monitoring activities, FPL will petition the Commission to amend the Project at that time. (LABAUVE)

9B. How should the costs associated with FPL's proposed St. Lucie Plant Cooling Water Discharge Monitoring Project be allocated to the rate classes?

FPL: Capital and O&M costs for FPL's proposed St. Lucie Plant Cooling Water Discharge Monitoring Project should be allocated to the rate classes on an average 12 CP demand basis. (KEITH)

9C. Should FPL be allowed to recover the costs associated with its Industrial Boiler MACT Project?

FPL: Yes. This project is required by the United States Environmental Protection Agency (EPA), which regulates Hazardous Air Pollutants (HAPs) under Section 112 of the Clean Air Act (CAA) and promulgates emission standards for HAPs under 40 CFR Part 63 for stationary source categories. On February 21, 2011, the final Industrial/Commercial/Institutional Boiler Maximum Achievable Control Technology (IB MACT) rules were signed by the EPA Administrator. EPA's two rules address boilers and process heaters under Subpart DDDDD (40 CFR 63.7480) for affected units at major sources and Subpart JJJJJ (40 CFR 63.11193) for affected units at area sources. The IB MACT rules impose new emission limitations, work practice standards, and operating limits on the affected source categories to reduce the emissions of HAPs. FPL's plans to comply with

the requirements of these rules include developing site specific monitoring plans, conducting emission stack testing, performing fuel oil sampling and analyses, conducting biennial tune-up practices, performing one-time energy assessment, and installing emission controls or replacing existing units. Subpart JJJJJ became effective on March 21, 2011. EPA has stayed the effectiveness of Subpart DDDDD, but FPL anticipates that the stay will be lifted no later than Spring 2012. FPL expects to begin incurring compliance costs under Subpart JJJJJ in the near future. While FPL expects to begin incurring compliance costs under Subpart DDDDD promptly after the stay is lifted, FPL has removed the projected Subpart DDDDD costs from its 2012 ECRC projections and will petition to recover its reasonable and prudent 2012 compliance costs under Subpart DDDDD via ECRC true-up process for 2012. (LABAUVE)

9D. How should the costs associated with FPL's proposed Industrial Boiler MACT Project be allocated to the rate classes?

FPL: Capital and O&M costs for FPL's proposed Industrial Boiler MACT Project should be allocated to the rate classes on an average 12 CP demand basis. (KEITH)

9E. Should FPL be allowed to recover the costs associated with its proposed NPDES Permit Renewal Requirements Project?

FPL: Yes. This project is required by the Federal Clean Water Act, which requires all point source discharges to navigable waters from industrial facilities to obtain permits under the National Pollutant Discharge Elimination System (NPDES) program. See 33 U.S.C. Section 1342. NPDES permits must be renewed every five years. The Florida Department of Environmental Protection (FDEP) has delegated authority to implement the NPDES program in Florida. The FDEP has amended Rule 62-620.620 (3), F.A.C., to require that all new or renewed wastewater discharge permits for major facilities, including power plants, contain whole effluent toxicity (WET) limits. Additionally, FDEP has required that facilities prepare a Storm Water Pollution Prevention Plan (SWPPP) that conforms to Rule 62-620.100 (m), F.A.C. and 40 CFR Part 122.44(k) when their NPDES permits are renewed. This project is associated with these new requirements for WET monitoring and reporting, as well as for preparing Storm Water Pollution Prevention Plans that are or will be contained in the latest renewals for FPL's NPDES permits. (LABAUVE)

9F. How should the costs associated with FPL's proposed NPDES Permit Renewal Requirements Project be allocated to the rate classes?

FPL: Capital and O&M costs for FPL's proposed NPDES Permit Renewal Requirements Project should be allocated to the rate classes on an average 12 CP demand basis. (KEITH)

9G. Should FPL be allowed to include the costs associated with its 800 MW ESP Project in its 2012 ECRC factor?

FPL: The Environmental Protection Agency (EPA) issued the proposed rule requiring maximum achievable control technology for air toxics on March 16, 2011, which was published in the Federal Register on June 21, 2011 (the “MACT rule”). FPL believes that the installation of ESPs at the Martin and Manatee plants is the most effective method to comply with the requirements of the proposed MACT rule and has begun work on the first ESP installation in 2011. The D.C Circuit Court of Appeal has set a deadline of November 16, 2011 for EPA to finalize the MACT rule.

In Order No. PSC-11-0083-FOF-EI, issued in Docket No. 100007-EI on January 31, 2011, the Commission approved a stipulation concerning FPL’s 800 MW ESP Project (the “ESP Project”). Paragraph 3 of the stipulation provides that “[i]f the final MACT rule requires ESPs, then FPL would be authorized to transfer the balance of all reasonable and prudent costs from the non-ECRC construction accounts, which would include all accrued AFUDC, to ECRC-recoverable accounts and begin the normal process of ECRC recovery for those and future reasonable and prudent capital expenditures and O&M expenses associated with the ESP Project.”

FPL’s 2012 ECRC projection filing included costs associated with the ESP Project in its 2012 ECRC factors, because FPL expects that the MACT rule will be final before or during 2012 and will require ESPs, such that FPL will be eligible to begin recovering ESP Project costs through the ECRC during 2012. FPL proposed that, if the final MACT rule were significantly delayed or did not require ESPs, then FPL would make appropriate adjustments to the 2012 ECRC recovery via the true-up mechanism. FPL has agreed, however, to remove the projected ESP Project costs from the calculation of its 2012 ECRC factors, with the understanding that -- consistent with Paragraph 3 of the stipulation -- FPL will be entitled to recover reasonable and prudent ESP Project costs via the ECRC true-up mechanism for 2012 in the event that the final MACT rule is adopted before or during 2012 and requires ESPs. (LABAUVE)

9H. Should FPL be allowed to recover the costs associated with the additional activities required for the Manatee Temporary Heating System Project at its Cape Canaveral Plant?

FPL: Yes. As configured, the heating system installed at the Cape Canaveral Plant does not have enough thermal capacity to maintain the manatee embayment area at the necessary temperature to comply with permit requirements during periods of extreme cold. FPL determined that a light oil-fired water heating system (Supplemental Heating System) was the best solution to provide the incremental heating capacity needed in the event that the thermal capacity of the existing electric heating system is exceeded. Due to the approximately two-week

anticipated delivery time of the Supplemental Heating System, FPL also entered into a short-term lease for a smaller light oil-fired heater to be used at the Cape Canaveral Plant site during the extreme cold snap that Florida experienced in early December 2010. Once the reliability and effectiveness of the Supplemental Heating System was proven, FPL terminated the lease and returned the smaller heater. Other associated activities are the modification of discharge pipes in the primary heating system and the installation of booms to direct and control the flow of warm water in the embayment area. (LABAUVE)

9I. Should the Commission approve FPL's updated Clean Air Interstate Rule (CAIR), Clean Air Mercury Rule (CAMR) and Clean Air Visibility Rule (CAVR) / Best Available Retrofit Technology (BART) Projects that are reflected in FPL's April 1, 2011, supplemental filing as reasonable and prudent?

FPL: Yes. Completion of the compliance activities discussed in FPL's Supplemental CAIR/CAMR/CAVR Filing of April 1, 2011, is required by existing federal and state environmental rules and regulatory requirements for air quality control and monitoring; and the associated project costs appear reasonable and prudent. FPL will continue to file, as part of its annual ECRC final true-up testimony, a review of the efficacy of its CAIR/CAMR/CAVR compliance 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. The reasonableness and prudence of individual expenditures, and FPL's decisions on the future compliance plans made in light of subsequent developments, will continue to be subject to the Commission's review in future ECRC proceedings on these matters. (LABAUVE)

F. STATEMENT OF POLICY ISSUES AND POSITIONS

FPL: None at this time.

G. STIPULATED ISSUES

FPL: None at this time.

H. PENDING MOTIONS

FPL has no pending motions at this time.

I. PENDING REQUEST FOR CONFIDENTIALITY

To date, FPL has the following requests for confidentiality pending:

- Florida Power & Light Company's request for confidential classification of Audit No. 11-005-4-3, DN 3909-11, dated June 6, 2011.

- Florida Power & Light Company's request for extension of confidential classification of Audit for the year ended December 31, 2005, Audit No. 06-044-4-1, DN 3514-11, dated May 19, 2011.
- Florida Power & Light Company's request for extension confidential classification of Audit for the Historical Test Year ended December 31, 2007, Audit No. 08-029-4-1, DN 3349-11, dated May 13, 2011.
- Florida Power & Light Company's request for extension of confidential classification of Audit No. 07-071-4-1, DN 2779-11, dated April 22, 2011.
- Florida Power & Light Company's request for extension of confidential classification of Audit No. 05-033-4-1, DN 2020-11, dated March 28, 2011.

J. OBJECTIONS TO A WITNESS' QUALIFICATION AS AN EXPERT

FPL: None at this time.

I. STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE

There are no requirements of the Order Establishing Procedure with which FPL cannot comply.

Respectfully submitted,

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CERTIFICATE OF SERVICE
Docket No. 110007-EI

I HEREBY CERTIFY that a true and correct copy of Florida Power & Light Company's Prehearing Statement has been furnished by electronic delivery on October 3, 2011 to the following:

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