

**Shawna Senko**

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**From:** Wells, Kathy <Kathy.Wells@fpl.com>  
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**To:** Filings@psc.state.fl.us  
**Subject:** Electronic Filing / Docket 130007-EI / FPL's Preliminary List of Issues and Positions  
**Attachments:** 9.18.13 Dkt 130007 - FPL's Preliminary List of Issues.pdf

Electronic Filing

a. Person responsible for this electronic filing:

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b. Docket No. 130007 - 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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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Environmental Cost Recovery

Docket No. 130007-EI

Filed: September 18, 2013

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

**ISSUE 1: What are the final environmental cost recovery true-up amounts for the period January 2012 through December 2012?**

**FPL:** \$1,227,750 over-recovery. (Keith)

**ISSUE 2: What are the estimated/actual environmental cost recovery true-up amounts for the period January 2013 through December 2013?**

**FPL:** \$ 3,614,554 under-recovery. (Keith)

**ISSUE 3: What are the projected environmental cost recovery amounts for the period January 2014 through December 2014?**

**FPL:** \$ 218,221,525. (Keith)

**ISSUE 4: What are the environmental cost recovery amounts, including true-up amounts for the period January 2014 through December 2014?**

**FPL:** The total environmental cost recovery amount, including true-up amounts and adjusted for revenue taxes, is \$ 220,767,168. (Keith)

**ISSUE 5: What depreciation rates should be used to develop the depreciation expense included in the total environmental cost recovery amounts for the period January 2014 through December 2014?**

**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)

**ISSUE 6: What are the appropriate jurisdictional separation factors for the projected period January 2014 through December 2014?**

FPL: Retail Energy Jurisdictional Factor 95.56846%  
 Retail CP Demand Jurisdictional Factor 95.20688%  
 Retail GCP Demand Jurisdictional Factor 100.00000% (Keith)

**ISSUE 7: What are the appropriate environmental cost recovery factors for the period January 2014 through December 2014 for each rate group?**

FPL:

RATE CLASS	Environmental Cost Recovery Factor (\$/KWH)
RS1/RTR1	0.00230
GS1/GST1/WIES1	0.00196
GSD1/GSDT1/HLFT1	0.00190
OS2	0.00178
GSLD1/GSLDT1/CS1/CST1/HLFT2	0.00189
GSLD2/GSLDT2/CS2/CST2/HLFT3	0.00164
GSLD3/GSLDT3/CS3/CST3	0.00160
SST1T	0.00178
SST1D1/SST1D2/SST1D3	0.00172
CILC D/CILC G	0.00159
CILC T	0.00150
MET	0.00187
OL1/SL1/PL1	0.00071
SL2, GSCU1	0.00155
Total	0.00209

(Keith)

**ISSUE 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 2014 through December 2014. Billing cycles may start before January 1, 2014 and the last cycle may be read after December 31, 2014, 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**  
**Florida Power & Light (FPL)**

**ISSUE 9.**     **Should the Commission approve FPL's Supplemental Clean Air Interstate Rule (CAIR), Clean Air Mercury Rule (CAMR) and Clean Air Visibility Rule (CAVR)/ Best Available Retrofit Technology (BART) Filing as reasonable?**

**FPL:** Yes. Completion of the compliance activities discussed in FPL's Supplemental CAIR/CAMR/CAVR Filing of April 1, 2013, 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)

**ISSUE 10.**     **Should the Commission approve FPL's Petition for approval of the proposed NO<sub>2</sub> compliance project involving the retirement and installation of peaking generating units for cost recovery through the ECRC?**

**FPL:** Yes. The United States Environmental Protection Agency ("EPA") created a new 1-hour human National Ambient Air Quality Standard ("NAAQS") for NO<sub>2</sub> that became effective on April 12, 2010. The EPA has delegated authority to the Florida Department of Environmental Protection ("DEP") to implement the NAAQS in Florida. On January 22, 2013, DEP confirmed to EPA its authority to implement the new 1-hour NO<sub>2</sub> Standard

The new 1-hour NO<sub>2</sub> Standard has a particular impact on the operation of electric utilities' peaking generating units, which operate only at certain times to serve peak demands and do not operate continuously throughout the entire year. FPL has a total of 48 peaking gas turbines ("GTs") at the Lauderdale, Fort Myers and Port Everglades plant sites. In early 2013, FPL determined through stack testing, dispersion modeling, and other data analysis that emissions from the GTs that are allowed under applicable permits nonetheless will cause or contribute to ambient concentrations in excess of the 1-hour NO<sub>2</sub> Standard at the property boundary. Due to their quick start capability, these GTs are extremely important reliability resources for serving load in the South Florida area. FPL has agreed to a plan

with DEP that allows FPL to continue operating the GTs until the end of 2016, in exchange for FPL's commitment to meet the 1-hour NO<sub>2</sub> Standard at the plant property boundaries by that time.

FPL identified and investigated three compliance alternatives to meet the new 1-hour NO<sub>2</sub> Standard at the least cost to FPL's customers: retrofitting the GTs with emission control equipment; retiring all of the GTs and accelerating the next planned generating unit; and changing out the GT combustion technology at the Lauderdale and Fort Myers sites in favor of highly efficient combustion turbines ("CTs") that have much lower NO<sub>2</sub> emissions. FPL determined that the third alternative is the most cost-effective, with a cost to customers that is \$56 million lower on a cumulative present value of revenue requirements ("CPVRR") basis than the next-best alternative.

The cost for installing highly efficient and clean CTs at the Lauderdale and Fort Myers sites qualifies for ECRC recovery because the project meets the three established Commission criteria for cost recovery. In order to ensure that project costs are prudently incurred, FPL will use competitive bidding to select the vendors for the CTs, generator step-up transformers and engineering, procurement and construction contracts that comprise the majority of those costs. FPL also will draw on its years of experience in building and operating combustion turbines in both simple-cycle and combined cycle configurations. (DeBock, Domenech, Enjamio, Keith, LaBauve)

**ISSUE 10A. Is FPL required by current environmental regulations to reduce NO<sub>2</sub> emissions at the Lauderdale, Port Everglades and Ft. Myers sites and if so, when must the emissions be reduced?**

**FPL:** Yes. DEP agreed with FPL's conclusion that measures need to be taken to avoid off-site exceedances of the 1-hour NO<sub>2</sub> standard at the Lauderdale, Fort Myers and Port Everglades sites. DEP accepted FPL's proposal to modify the existing peaking unit technology with the installation of high-efficiency, low-emitting CTs as an appropriate means of reducing the NO<sub>2</sub> emissions, and agreed to allow FPL until December 31, 2016 to complete its implementation of that proposal. (LaBauve)

**ISSUE 10B. Is FPL's proposed installation of combustion turbines at the Lauderdale and Ft. Myers plants required by current environmental regulations?**

**FPL:** As is typically the case with environmental regulations, DEP requires that the 1-hour NO<sub>2</sub> Standard be met but does not attempt to specify a particular technical approach to meeting it. FPL evaluated available alternatives and concluded that replacing the combustion technology at the Lauderdale and Fort Myers sites with high-efficiency, low-emitting CTs is the most cost-effective

alternative to comply with the 1-hour NO<sub>2</sub> Standard. (LaBauve)

**ISSUE 10C. Do more cost effective alternatives exist as compared to FPL's proposed installation of combustion turbines at the Lauderdale and Ft. Myers plants?**

**FPL:** No, FPL has not identified any alternatives that are more cost-effective than its proposed installation of combustion turbines at the Lauderdale and Fort Myers sites. The projected cost to customers of the selected alternative is \$56 million lower (CPVRR) than the next-best alternative. Based on information being made available by LS Power, FPL is evaluating the DeSoto plant to determine whether it is capable of serving as a dependable source of quick-start capacity on economically attractive terms, such that it could substitute for a portion of the capacity to be provided by the new CTs at the Fort Myers site. (Enjamio)

**ISSUE 11. How should the costs associated with the NO<sub>2</sub> compliance project be allocated to the rate classes?**

**FPL:** Capital Costs FPL's proposed NO<sub>2</sub> compliance project should be allocated to the rate classes on an average 12 CP demand basis. At this time, there are no projected O&M costs associated with this project. (Keith)

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

**Docket No. 130007-EI**

I HEREBY CERTIFY that a true and correct copy of the foregoing Preliminary List of Issues and Positions has been furnished by electronic delivery this 18<sup>th</sup> day of September, 2013, to the following:

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