

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Gulf Power Company to include the Plant Daniel Bromine and ACI Project, the Plant Crist Transmission Upgrades Project, and the Plant Smith Transmission Upgrades Project in the Company's program, and approve the costs associated with these compliance strategies for recovery through the ECRC.

DOCKET NO. 130092-EI
ORDER NO. PSC-13-0506-PAA-EI
ISSUED: October 28, 2013

The following Commissioners participated in the disposition of this matter:

RONALD A. BRISÉ, Chairman
LISA POLAK EDGAR
ART GRAHAM
EDUARDO E. BALBIS
JULIE I. BROWN

NOTICE OF PROPOSED AGENCY ACTION ORDER
APPROVING
PETITION BY GULF POWER COMPANY

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission (Commission) that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

Case Background

On April 1, 2013, in Docket No. 130007-EI, Gulf Power Company (Gulf or Company) filed a petition requesting that this Commission approve Gulf's inclusion of the Plant Daniel Bromine and Activated Carbon Injection (ACI) Project, the Plant Crist Transmission Upgrades Project, and the Plant Smith Transmission Upgrades Project in the Company's Compliance Program, and approve recovery of the costs associated with these projects, through the Environmental Cos: Recovery Clause (Petition). On April 29, 2013, Docket No. 130092-EI was established to address Gulf's Petition.

On August 16, 2013, the Office of Public Counsel filed a Motion to Consolidate Docket Nos. 130140-EI, 130151-EI, and 130092-EI for Purposes of Single Evidentiary Hearing

(Motion). On October 10, 2013, the prehearing officer issued Order No. PSC-13-0454-PCO-EI, granting the Motion,¹ which stated:

Docket No. 130092-EI shall remain open for disposition of the regulatory treatment of the Plant Daniel Bromide and ACI Project and the regulatory treatment of Plant Crist and Plant Smith's transmission line upgrades shall be litigated as an issue in [DN 130140-EI].

Therefore, this Order addresses only the Plant Daniel Bromine and ACI project. We have jurisdiction over this subject matter pursuant to the provisions of Section 366.8255, Florida Statutes (F.S.).

Decision

On February 16, 2012, the Environmental Protection Agency issued the Mercury and Air Toxics Standards (MATS) rule. The MATS rule imposes emissions limits for mercury, acid gases and particulate matter on coal and oil-fired electric utility generating units. Gulf's Plant Daniel units 1 and 2 are subject to the requirements of the MATS rule.² The MATS mercury emission limit that Plant Daniel will have to meet is 1.2 lbs/TBtu (pounds/trillion Btu). Compliance for existing sources is required by April 16, 2015, with provisions for one and two year extensions under limited circumstances.³

Based on Plant Daniel emissions data, as well as data from similar units, mercury emissions at Plant Daniel are estimated to be 6-8 lbs/TBtu. During 2010, the Company determined that, at a minimum, Plant Daniel units 1 and 2 would require the installation of scrubbers in order to comply with certain environmental regulations. We approved the Plant Daniel scrubbers for cost recovery through the ECRC in 2010.⁴ The scrubber projects are currently scheduled for completion in 2015.

In its Petition, Gulf asserts that the scrubbers will allow Plant Daniel to achieve compliance with the particulate matter limit of the MATS rule; however, additional environmental controls are necessary to achieve compliance with mercury limits.⁵ Gulf concludes that Bromine and ACI, in conjunction with the scrubbers, rather than more capital

¹ See Order No. PSC-13-0454-PCO-EI, issued October 10, 2013, in Docket Nos. 130140-EI, 130151-EI and 130092-EI, *In Re: Petition for rate increase by Gulf Power Company, In Re: 2013 depreciation and dismantlement study by Gulf Power Company, In Re: Petition of Gulf Power Company to include the Plant Daniel Bromine and ACI Project, the Plant Crist Transmission Upgrades Project, and the Plant Smith Transmission Upgrades Project in the Company's program, and approve the costs associated with these compliance strategies for recovery through the ECRC.*

² Gulf owns 50 percent of Daniel units 1 and 2. Plant Daniel is located in Mississippi and is operated by Mississippi Power.

³ National Emission Standards for Hazardous Air Pollutants, 77 Fed. Reg. 9304 (Feb.16, 2012) (codified at 40 C.F.R. pt. 63, subpart UUUUU).

⁴ See Order No. PSC-10-0683-FOF-EI, issued November 15, 2010, in Docket No. 100007-EI, *In re: Environmental cost recovery clause.*

⁵ See Petition, p. 7.

intensive controls such as baghouses with ACI, will be sufficient to comply with MATS rules.⁶ The capital cost of the Bromine and ACI project is projected to be approximately \$135 million less than the baghouse installation cost.⁷

The Bromine injection system will add Bromine to the coal supply, which will cause mercury to be oxidized after combustion. Oxidized mercury can then be collected in the scrubbers. The ACI system is based on injecting powdered activated carbon into the duct work where it mixes with flue gas to absorb elemental mercury which is then captured in the precipitator.

Engineering, procurement, and construction of the Plant Daniel Bromine and ACI systems are scheduled to begin in January 2014. Both injection systems will be placed in-service with the scrubbers during the fourth quarter of 2015. The planned addition of the scrubber plus the bromine injection and activated carbon injection are expected to reduce mercury emissions by up to 90 percent, allowing Gulf to operate the Plant Daniel Units in compliance with the MATS rule.

ECRC Eligibility

Based on the Petition and the Company's responses to our staff's data requests, we find that Gulf's proposed Bromine and ACI project is not discretionary or voluntary. Instead, it is an essential program that would not be carried out but for Gulf's obligation to comply with a government-imposed environmental regulation. The need for this compliance program has been triggered after the Company's last test year upon which rates are currently based. Moreover, the costs of the proposed compliance project are not recovered through some other cost recovery mechanism or through base rates. Thus, we find that the proposed program meets the criteria for ECRC cost recovery established by this Commission in Order No. PSC-94-0044-FOF-EI, in that:

- (a) All expenditures will be prudently incurred after April 13, 1993.
- (b) The activities are legally required to comply with a governmentally imposed environmental regulation that was created, became effective, or whose effect was triggered after the company's last test year upon which rates are based.
- (c) None of the expenditures are being recovered through some other cost recovery mechanism or through base rates.⁸

Upon review, we find that Gulf's decision to install Bromine and ACI appears to be the most cost-effective approach to meeting the compliance standards set forth in the MATS rule. Thus, we shall approve Gulf's proposed project for ECRC recovery pursuant to Section 366.8255, F.S.

⁶ See Gulf's 2013 Environmental Compliance Program Update, p. 21.

⁷ *Id.*

⁸ See Order No. PSC-94-0044-FOF-EI, issued January 12, 1994, in Docket No. 930613-EI, *In Re: Petition to establish an environmental cost recovery clause pursuant to Section 366.0825, Florida Statutes by Gulf Power Company.*

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Gulf Power Company's Petition to include the Plant Daniel Bromine and Activated Carbon Injection Project in its environmental compliance program and to recover the associated cost through the environmental cost recovery clause is hereby approved. It is further

ORDERED that if no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket shall be closed upon the issuance of a consummating order.

By ORDER of the Florida Public Service Commission this 28th day of October, 2013.



ANN COLE
Commission Clerk
Florida Public Service Commission
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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

CWM

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 that is available under Section 120.57, 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 will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal

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proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on November 18, 2013.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.