

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental cost recovery clause.

DOCKET NO. 130007-EI  
ORDER NO. PSC-13-0606-FOF-EI  
ISSUED: November 19, 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

APPEARANCES:

JOHN T. BUTLER and KENNETH RUBIN, ESQUIRES,  
700 Universe Boulevard, Juno Beach, Florida 33408-0420  
On behalf of FLORIDA POWER & LIGHT COMPANY (FPL)

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On behalf of DUKE ENERGY FLORIDA, INC. (DEF)

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On behalf of Tampa Electric Company (TECO)

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On behalf of Gulf Power Company (Gulf)

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

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

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

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On behalf of the WHITE SPRINGS AGRICULTURAL CHEMICALS, INC.  
d/b/a PCS PHOSPHATE – WHITE SPRINGS (PCS)

ROBERT SCHEFFEL WRIGHT, AND JOHN T. LAVIA, II, ESQUIRES,  
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1300 Thomaswood Drive, Tallahassee, Florida 32308  
On behalf of the DeSoto County Generating Company, LLC (DeSoto)

CHARLES MURPHY, ESQUIRE, Florida Public Service Commission,  
2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850  
On behalf of the Florida Public Service Commission (Staff)

MARY ANNE HELTON, Deputy General Counsel, Florida Public Service  
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Advisor to the Florida Public Service Commission.

**FINAL ORDER APPROVING PROJECTED EXPENDITURES AND TRUE-UP  
AMOUNTS FOR ENVIRONMENTAL COST RECOVERY FACTORS**

BY THE COMMISSION:

**I. CASE BACKGROUND**

As part of its continuing environmental cost recovery clause proceedings, the Florida Public Service Commission (Commission) held a hearing in this docket on November 4, 2013. Pursuant to Order No. PSC-13-0490-PCO-EI, issued on October 16, 2013, a hearing also will be held in this docket on December 19-20, 2013, to address issues related to Florida Power & Light Company's (FPL) Proposed NO<sub>2</sub> Compliance Project. The December hearing will be a continuation of the November 4, 2013 hearing and will be based on the same prefiled testimony and record, with the addition of live testimony and exhibits that may be introduced. The instant Order addresses all issues in this docket that are not scheduled to be heard at the December hearing. FPL's environmental costs and factors, determined during our November hearing, shall be subject to "true up" based on our decisions regarding the FPL NO<sub>2</sub> Compliance Project, in accordance with the routine environmental cost recovery clause process.

We have jurisdiction over this matter pursuant to Section 366.8255, Florida Statutes (F.S.).

## II. DECISION

The parties have resolved all issues by stipulation, except those that have been set for the December 19-20, 2013 hearing in this docket. Some parties agreed to stipulations regarding the issues and others did not object but did not join in the stipulations. Each party's position on each issue is set forth in Section VIII of Order No. PSC-13-0513-PHO-EI, issued in this docket on October 28, 2013. We accept and approve the stipulations, set forth below, as reasonable and supported by competent and substantial evidence.

### A. Final Environmental Cost Recovery True-Up Amounts: Period January 2012, through December 2012

The final environmental cost recovery true-up amounts for the period ending December 31, 2012, are:

FPL	\$1,227,750	Over Recovery
DEF	\$2,001,164	Under Recovery
Gulf	\$3,704,022	Under Recovery
TECO	\$3,702,886	Under Recovery

### B. Estimated/Actual Environmental Cost Recovery True-Up Amounts: January 2013, through December 2013

The estimated/actual environmental cost recovery true-up amounts for the period January 2013, through December 2013, are:

FPL	\$3,614,555	Under Recovery
DEF	\$17,567,172	Under Recovery
Gulf	\$4,084,856	Under Recovery
TECO	\$1,243,352	Over Recovery

**C. Projected Environmental Cost Recovery Amounts:  
January 2014, through December 2014**

The projected environmental cost recovery amounts for the period January 2014, through December 2014, are:

FPL	\$218,223,346
DEF	\$67,232,968
Gulf	\$142,486,731
TECO	\$85,797,813

**D. Environmental Cost Recovery Amounts, Including True-Up Amounts:  
January 2014, through December 2014**

The environmental cost recovery amounts, including true-up amounts for the period January 2014, through December 2014, are:

FPL	\$220,768,991
DEF	\$86,863,801
Gulf	\$150,383,807
TECO	\$88,320,892

**E. Depreciation Rates:  
January 2014, through December 2014**

The depreciation rates used to calculate the depreciation expense shall be the rates that are in effect during the period the allowed capital investment is in service.

**F. Jurisdictional Separation Factors:  
Projected January 2014, through December 2014**

The appropriate jurisdictional separation factors for the projected period January 2014, through December 2014, are:

FPL	Retail Energy Jurisdictional Factor	95.56846%
	Retail CP Demand Jurisdictional Factor	95.20688%
	Retail GCP Demand Jurisdictional Factor	100%

DEF The jurisdictional energy separation factor is calculated for each month based on retail kWh sales as a percentage of projected total system kWh sales.

Transmission Average 12 CP demand jurisdictional factor –70.203%  
Distribution Primary demand jurisdictional factor – 99.561%  
Production Demand jurisdictional factors:  
Production Base – 92.885%  
Production Intermediate – 72.703%  
Production Peaking – 95.924%  
Production A&G – 93.221%

Gulf The demand jurisdictional separation factor is 97.07146%. Energy jurisdictional separation factors are calculated each month based on retail kWh sales as a percentage of projected total territorial kWh sales.

TECO The jurisdictional separation factor for demand and energy is 100.00%. The energy jurisdictional separation factors are calculated each month based on projected retail kWh sales as a percentage of projected total system kWh sales.

**G. Environmental Cost Recovery Factors, by Rate Group:  
 January 2014, through December 2014**

The appropriate environmental cost recovery factors for the period January 2014, through December 2014, for each rate group, are:

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	0.00165
GSLD3/GSLDT3/CS3/CST3	0.00160
SST1T	0.00178
SST1D1/SST1D2/SST1D3	0.00172
CILC D/CILC G	0.00159
CILC T	0.00151
MET	0.00187
OL1/SL1/PL1	0.00072
SL2, GSCU1	0.00155
Total	0.00209

DEF

Rate Class	ECRC Factors
Residential	0.243 cents/kWh
General Service Non-Demand	
@ Secondary Voltage	0.235 cents/kWh
@ Primary Voltage	0.233 cents/kWh
@ Transmission Voltage	0.230 cents/kWh
General Service 100% Load Factor	0.205 cents/kWh
General Service Demand	
@ Secondary Voltage	0.220 cents/kWh
@ Primary Voltage	0.218 cents/kWh
@ Transmission Voltage	0.216 cents/kWh
Curtable	
@ Secondary Voltage	0.293 cents/kWh
@ Primary Voltage	0.290 cents/kWh
@ Transmission Voltage	0.287 cents/kWh
Interruptible	
@ Secondary Voltage	0.201 cents/kWh
@ Primary Voltage	0.199 cents/kWh
@ Transmission Voltage	0.197 cents/kWh
Lighting	0.183 cents/kWh

Gulf

RATE CLASS	ENVIRONMENTAL COST RECOVERY FACTORS ¢/KWH
RS, RSVP	1.554
GS	1.402
GSD, GSDT, GSTOU	1.249
LP, LPT	1.114
PX, PXT, RTP, SBS	1.062
OS-I/II	0.419
OSIII	1.020

TECO

<u>Rate Class</u>	<u>Factor (\$/kWh)</u>
RS	0.483
GS, TS	0.483
GSD, SBF	
Secondary	0.482
Primary	0.477
Transmission	0.472
IS	
Secondary	0.472
Primary	0.468
Transmission	0.463
LS1	0.478
Average Factor	0.482



**H. Effective Date For New Environmental Cost Recovery Factors**

The new factors shall be effective beginning with the first billing cycle for January 2014, and thereafter through the last billing cycle for December 2014. The first billing cycle 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. The new factors shall continue in effect until modified by this Commission.

**I. Company Specific Issues--Florida Power & Light Company**

**FPL's Supplemental Clean Air Interstate Rule (CAIR), Mercury and Air Toxics Standards (MATS) and Clean Air Visibility Rule (CAVR)/ Best Available Retrofit Technology (BART) Filing**

Completion of the compliance activities discussed in FPL's Supplemental CAIR/MATS/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 shall continue to file, as part of its annual ECRC final true-up testimony, a review of the efficacy of its CAIR/MATS/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 this Commission's review in future ECRC proceedings on these matters.

**J. Company Specific Issues--Duke Energy Florida**

**1. DEF's Review of Integrated Clean Air Compliance Plan**

DEF's Review of its Integrated Clean Air Compliance Plan provides an adequate summary of its plan for timely compliance with applicable environmental regulations. DEF is continuing to evaluate future compliance options concerning the EPA's recently remanded Cross-State Air Pollution Rule (CSAPR), finalized Mercury & Air Toxics Standards (MATS), and other environmental regulatory developments affecting fossil fuel-fired generating units.

DEF shall continue to file, as part of its annual ECRC final true-up testimony, an update of its Integrated Clean Air Compliance Plan. The reasonableness and prudence of individual expenditures, and DEF's decisions on the future

compliance plans made in light of subsequent environmental rule developments, will continue to be subject to the Commission's review in future ECRC proceedings on these matters.

**2. Modification of DEF's Previously-Approved Integrated Clean Air Compliance Program to Encompass Alternative Coal Trials Associated with the Crystal River Units 1 and 2 MATS Compliance Project, and Recovery of Associated Costs through the ECRC**

We recognized in Order No. PSC-08-0775-FOF-EI, issued November 24, 2008, in Docket No. 080007-EI, *In re: Environmental Cost Recovery Clause*, that utilities are expected to take steps to control the level of costs that must be incurred for environmental compliance. DEF's proposed coal trials will allow the Company to evaluate whether firing alternative coals in Crystal River Units 1 and 2 would be a cost-effective means of complying with the requirements of MATS. Based on the evidence in the record, the proposed project meets the criteria for cost recovery established by this Commission in 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*.

**3. DEF's Revised Effluent Limitations Guidelines (ELG) and Standards Project and Recovery of the Associated Cost through the ECRC**

In April 2013, the U.S. Environmental Protection Agency (EPA) proposed revised effluent limitation guidelines and standards for the Steam Electric Generating Industry pursuant to the federal Clean Water Act. The proposed rule would establish new or additional requirements for wastewater streams from various processes and byproducts associated with steam electric power generation, including: flue gas desulfurization, fly ash, bottom ash, non-chemical metal cleaning wastes and flue gas mercury control. The EPA is considering several options in this rulemaking and has identified four preferred alternatives for regulation of discharges from existing sources. DEF is in the process of analyzing potential compliance options for affected units and expects to incur compliance costs in 2014.

By Order No. PSC-11-0553-FOF-EI, issued December 7, 2011, in Docket No. 110007-EI, *In re: Environmental cost recovery clause*, the Commission approved DEF's Maximum Achievable Control Technology Project. In that Order the Commission stated: "PEF's proposed activities are necessary for the Company to assess the proposed rule, prepare comments to the EPA, and develop compliance strategies within aggressive regulatory timeframes."

Similarly, in the instant case, the costs associated with DEF's Revised Effluent Limitations Guidelines and Standards Project are associated with engineering

studies that are needed in order for DEF to evaluate the proposed options and to develop compliance strategies or plans for potentially affected systems.

The reasonableness and prudence of individual expenditures, and DEF's decisions on future compliance plans made in light of subsequent environmental rule developments, will continue to be subject to the Commission's review in future ECRC proceedings on these matters. Based on the evidence in the record, the proposed project meets the criteria for cost recovery established by the Commission in 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.*

**4. Allocation of Costs, Associated with DEF's Proposed Revised Effluent Limitations Guidelines And Standards Project, to Rate Classes**

Capital costs for the ELG Project shall be allocated to rate classes on a demand basis. O&M costs for the project shall be allocated to the rate classes on an energy basis.

**I. Company Specific Issues—Gulf**

**1. Gulf's Environmental Compliance Program Update**

On October 10, 2013, this Commission issued Order No. 13-0454-PCO-EI. In this Order the Commission (among other things) granted OPC's Motion to Consolidate issues related to the proposed Plant Crist and Plant Smith transmission line upgrade projects that Gulf included in its Environmental Compliance Program Update with Docket No. 130140-EI, which is Gulf's pending petition for an increase in base rates. As ordered by this Commission, the regulatory treatment of Plant Crist and Plant Smith's transmission line upgrades shall be litigated as an issue in Docket No. 130140-EI. Accordingly, those transmission projects are no longer a part of this docket or Docket No. 130092-EI and are excluded from this decision.

On April 1, 2013, Gulf Power filed its annual environmental Compliance Program Update with this Commission. The document is an update of Gulf's original Compliance Plan set forth in the stipulation between OPC, FIPUG, and Gulf which we approved by Order No. PSC-07-0721-S-EI, issued September 5, 2007, in Docket No. 070007-EI, *In re: Environmental cost recovery clause.* The update reflects all of the changes to Gulf's Compliance Plan since the initial plan was approved. In the update, Gulf outlines ongoing compliance projects as well as new MATS compliance projects.

The update provides an adequate assessment of Gulf's compliance plan and strategies for meeting environmental regulations. The reasonableness and prudence of individual expenditures, and Gulf's decisions on future compliance plans made in light of subsequent environmental rule developments, will continue to be subject to the Commission's review in future ECRC proceedings on these matters.

**2. Gulf's Proposal to Allocate Costs Associated with the Clean Air Act Amendments of 1990 (CAAA) and Other Air Quality Capital Costs to the Rate Classes on a 12 Coincident Peak (CP) and 1/13 Energy Basis.**

The 12-MCP and 1/13<sup>th</sup> energy basis is an appropriate cost allocation for the investment-related (fixed) costs incurred to comply with CAAA and other air quality environmental regulations.

**J. Company Specific Issues –Tampa Electric Company**

There are no company-specific issues for TECO.

Based on the foregoing, it is

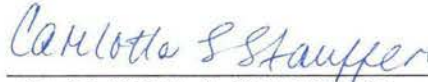
ORDERED by the Florida Public Service Commission that the stipulations and findings set forth in the body of this order are hereby approved. It is further

ORDERED that each utility that was a party to this docket shall abide by the stipulations and findings 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 first billing cycle for 2014. The first billing cycle may start before January 1, 2014, and thereafter, the environmental cost recovery factors shall remain in effect until modified by this Commission. It is further

ORDERED that the Environmental Cost Recovery Clause docket is an on-going docket and shall remain open.

By ORDER of the Florida Public Service Commission this 19th day of November, 2013.



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CARLOTTA S. STAUFFER  
Commission Clerk  
Florida Public Service Commission  
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Tallahassee, Florida 32399  
(850) 413-6770  
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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 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 Office of Commission Clerk, 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 Office of Commission Clerk, 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.