

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental cost recovery clause.

DOCKET NO. 160007-EI
ORDER NO. PSC-16-0535-FOF-EI
ISSUED: November 22, 2016

The following Commissioners participated in the disposition of this matter:

JULIE I. BROWN, Chairman
LISA POLAK EDGAR
ART GRAHAM
RONALD A. BRISÉ
JIMMY PATRONIS

APPEARANCES:

R. WADE LITCHFIELD, ESQUIRE, Vice President and General Counsel, JOHN T. BUTLER, ESQUIRE, Assistant General Counsel – Regulatory, and MARIA J. MONCADA, ESQUIRE, Senior Attorney, 700 Universe Boulevard, Juno Beach, Florida 33408-0420

On behalf of Florida Power & Light Company (FPL)

DIANNE M. TRIPLETT, ESQUIRE, Associate General Counsel, 299 First Avenue North, St. Petersburg, Florida 33701, and MATTHEW R. BERNIER, ESQUIRE, Senior Counsel, 106 East College Avenue, Suite 800, Tallahassee, Florida 32301

On behalf of Duke Energy Florida, LLC. (DEF)

JAMES D. BEASLEY, ESQUIRE, J. JEFFRY WAHLEN, ESQUIRE, and ASHLEY M. DANIELS, ESQUIRE, Ausley McMullen, P. O. Box 391, Tallahassee, Florida 32302

On behalf of Tampa Electric Company (TECO)

JEFFREY A. STONE, ESQUIRE, RUSSELL A. BADDERS, ESQUIRE, and STEVEN R. GRIFFIN, ESQUIRE, Beggs & Lane, P. O. Box 12950, Pensacola, Florida 32591-2950

On behalf of Gulf Power Company (Gulf)

JON C. MOYLE, JR., ESQUIRE, and KAREN PUTNAL, ESQUIRE, Moyle Law Firm, P.A., 118 North Gadsden Street, Tallahassee, FL 32312

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

J. R. KELLY, ESQUIRE, Public Counsel, PATRICIA A. CHRISTENSEN, ESQUIRE, CHARLES REHWINKEL, ESQUIRE, ERIK SAYLER, ESQUIRE, and STEPHANIE MORSE, ESQUIRE c/o The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400
On behalf of the Citizens of the State of Florida (OPC)

JAMES W. BREW, ESQUIRE, and LAURA A. WYNN, ESQUIRE, Stone Mattheis Xenopoulos & Brew, P.C., 1025 Thomas Jefferson Street, N.W., Eighth Floor, West Tower, Washington, D.C. 20007,
On behalf of White Springs Agricultural Chemicals, Inc., d/b/a PCS Phosphate – White Springs (PCS Phosphate)

CHARLES W. MURPHY, ESQUIRE, and BIANCA LHERISSON, 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, ESQUIRE, Deputy General Counsel, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
Advisor to the Florida Public Service Commission.

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

BY THE COMMISSION:

BACKGROUND

As part of the Public Service Commission's continuing Environmental Cost Recovery Clause proceedings, a hearing was held in this docket on November 2, 2016. We are vested with jurisdiction over the subject matters by the provisions of Section 366.8255, Florida Statutes (F.S.).

DECISION

The parties have resolved all issues by stipulation as follows: DEF, FPL, Gulf, and TECO support the stipulations. OPC supports stipulation for the deferral of stipulations 9A (addressing Gulf's Scherer Unit 3) and 10 (addressing FPL's projected 2017 costs for its Turkey Point Cooling Canal Monitoring Plan project). OPC does not support or oppose stipulations on all remaining issues. PCS Phosphate and FIPUG do not support or oppose stipulation of all issues.

**1. Final Environmental Cost Recovery True-Up Amounts:
January 2015 Through December 2015**

The final environmental cost recovery amounts for the period ending December 31, 2015, are:

FPL	\$17,817,012	Over-Recovery
Duke	\$1,951,488	Over-Recovery
TECO	\$1,721,184	Over-Recovery
Gulf	\$3,061,120	Over-Recovery

**2. Actual/Estimated Environmental Cost Recovery True-Up Amounts:
January 2016 Through December 2016**

The actual/estimated environmental cost recovery true-up amounts for the period January 2016, through December 2016, are:

FPL	\$6,424,842	Under-Recovery
Duke	\$6,606,430	Over-Recovery
TECO	\$5,755,973	Over-Recovery
Gulf	\$7,840,455	Over-Recovery

**3. Projected Environmental Cost Recovery Amounts:
January 2017 Through December 2017**

The projected environmental cost recovery amounts for the period January 2017, through December 2017, are:

FPL*	\$256,332,720	12 CP and 25% allocation
FPL*	\$256,370,332	12 CP and 1/13th allocation
Duke	\$66,227,010	
TECO	\$81,235,918	
Gulf	\$218,646,595	

*Based on the 12 CP and 25% cost allocation for Production Plant proposed by FPL in Docket 1600021-EI, the projected environmental cost recovery amounts for the period January 2017 through December 2017 is \$256,332,720. On October 6, 2016, FPL, the Office of Public Counsel, the South Florida Hospital and Healthcare Association and the Florida Retail Federation jointly moved for approval of a proposed stipulation and settlement of FPL's rate case in Docket No. 160021-EI and consolidated dockets (the "Proposed Settlement Agreement"). The Proposed Settlement Agreement would provide for FPL to continue using the 12 CP and 1/13th production cost methodology. If the

Commission approves the Proposed Settlement Agreement or otherwise declines to accept FPL's proposed cost allocation methodology, the amount calculated using 12CP and 1/13th is \$256,370,332. Upon approval of this stipulation by the Commission, FPL will file and serve tariff sheets that reflect the 2017 ECRC factors under the two alternative methodologies so that the Commission may direct Staff to approve administratively whichever set corresponds to the Commission's decision on the allocation methodology in Docket No. 160021-EI and consolidated dockets.

**4. Environmental Cost Recovery Amounts, Including True-Up Amounts And Revenue Taxes:
January 2017 Through December 2017**

The environmental cost recovery amounts, including true-up amounts and revenue taxes, for the period January 2017, through December 2017 are:

FPL *	\$245,116,908	12 CP and 25% allocation
FPL *	\$245,154,547	12 CP and 1/13th allocation
Duke	\$57,710,613	
TECO	\$73,811,867	
Gulf	\$207,894,596	

*Based on the 12 CP and 25% Production Plant cost allocation method proposed by FPL in Docket 1600021-EI, the projected environmental cost recovery amounts for the period January 2017 through December 2017 is \$245,116,908. If the Commission approves the Proposed Settlement Agreement or otherwise declines to accept FPL's proposed cost allocation methodology, the amount calculated using 12CP and 1/13th is \$245,154,547. Upon approval of this stipulation by the Commission, FPL will file and serve tariff sheets that reflect the 2017 ECRC factors under the two alternative methodologies so that the Commission may direct Staff to approve administratively whichever set corresponds to the Commission's decision on the allocation methodology in Docket No. 160021-EI and consolidated dockets.

**5. Depreciation Rates:
January 2017 Through December 2017**

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.

**6. Jurisdictional Separation Factors:
January 2017 Through December 2017**

The appropriate jurisdictional separation factors for the projected period January 2017, through December 2017 are:

FPL

Retail Energy Jurisdictional Factor	94.89172%
Retail CP Demand Jurisdictional Factor	95.04658%
Retail GCP Demand Jurisdictional Factor	100.00000%

DEF

The Energy separation factor is calculated for each month based on retail kWh sales as a percentage of projected total kWh sales. The remaining separation factors are below, consistent with the Revised Stipulation and Settlement Agreement approved in Order No. PSC-13-0598-FOF-EI, at p. 54.

Transmission Average 12 CP Demand – 70.203%
Distribution Primary Demand – 99.561%

Production Demand:

Production Demand (2012) – 91.683%
Production Base – 92.885%
Production Intermediate – 72.703%
Production Peaking – 95.924%
Production A&G – 93.221%

TECO

The demand jurisdictional separation factor is 99.58992%. The energy jurisdictional separation factors are calculated for each month based on retail kWh sales as a percentage of projected total system kWh sales. These are shown on the schedules sponsored by witness Rusk.

GULF

The demand jurisdictional separation factor is 97.21125%. Energy jurisdictional separation factors are calculated each month based on retail KWH sales as a percentage of projected total territorial KWH sales.

**7. Environmental Cost Recovery Factors By Rate Group:
 January 2017 Through December 2017**

The appropriate environmental cost recovery factors for the period January 2017 through December 2017 for each rate group are:

FPL

FPL's environmental cost recovery factors based on 12 CP & 25% Production Plant cost allocation methodology proposed by FPL in Docket 160021-EI are as follows:*

Proposed Cost Allocation Methodology - 12 CP and 25%	Environmental Cost Recovery Factor (cents/KWH)
RS1/RTR1	0.241
GS1/GST1	0.230
GSD1/GSDT1/HLFT1	0.217
OS2	0.200
GSLD1/GSLDT1/CS1/CST1/HLFT2	0.216
GSLD2/GSLDT2/CS2/CST2/HLFT3	0.197
GSLD3/GSLDT3/CS3/CST3	0.194
SST1T	0.180
SST1D1/SST1D2/SST1D3	0.206
CILC D/CILC G	0.197
CILC T	0.188
MET	0.213
OL1/SL1/PL1/SL1-M	0.126
SL2/ GSCU1/SL2-M	0.191
Total	0.228

*If the Commission approves the Proposed Settlement Agreement or otherwise declines to accept FPL's proposed cost allocation methodology, the amounts calculated using 12CP and 1/13th are set forth below. Upon approval of this stipulation by the Commission, FPL will file and serve tariff sheets that reflect the 2017 ECRC factors under the two alternative methodologies so that the Commission may direct Staff to approve administratively whichever set corresponds to the Commission's decision on the allocation methodology in Docket No. 160021-EI and consolidated dockets.

Proposed Cost Allocation Methodology - 12 CP and 1/13th	Environmental Cost Recovery Factor (cents/KWH)
RS1/RTR1	0.244
GS1/GST1	0.230
GSD1/GSDT1/HLFT1	0.215
OS2	0.194
GSLD1/GSLDT1/CS1/CST1/HLFT2	0.214
GSLD2/GSLDT2/CS2/CST2/HLFT3	0.192
GSLD3/GSLDT3/CS3/CST3	0.188
SST1T	0.172
SST1D1/SST1D2/SST1D3	0.203
CILC D/CILC G	0.192
CILC T	0.182
MET	0.211
OL1/SL1/PL1/SL1-M	0.106
SL2/ GSCU1/SL2-M	0.185
Total	0.228

DEF

Rate Class	ECRC Factors
Residential	0.151 cents/kWh
General Service Non-Demand	
@ Secondary Voltage	0.147 cents/kWh
@ Primary Voltage	0.146 cents/kWh
@ Transmission Voltage	0.144 cents/kWh
General Service 100% Load Factor	0.139 cents/kWh
General Service Demand	
@Secondary Voltage	0.144 cents/kWh
@ Primary Voltage	0.143 cents/kWh
@ Transmission Voltage	0.141 cents/kWh
Curtable	
@ Secondary Voltage	0.168 cents/kWh
@ Primary Voltage	0.166 cents/kWh
@ Transmission Voltage	0.165 cents/kWh
Interruptible	
@ Secondary Voltage	0.137 cents/kWh
@ Primary Voltage	0.136 cents/kWh
@ Transmission Voltage	0.134 cents/kWh
Lighting	0.144 cents/kWh

TECO

<u>Rate Class</u>	<u>Factor (¢/kWh)</u>
RS	0.389
GS, TS	0.388
GSD, SBF	
Secondary	0.386
Primary	0.382
Transmission	0.378
IS	
Secondary	0.379
Primary	0.375
Transmission	0.371
LS1	0.381
Average Factor	0.387

GULF

RATE CLASS	ENVIRONMENTAL COST RECOVERY FACTORS ¢/KWH
RS, RSVP, RSTOU	2.158
GS	1.988
GSD, GSDT, GSTOU	1.761
LP, LPT	1.549
PX, PXT, RTP, SBS	1.480
OS-I/II	0.580
OSIII	1.383

8. Effective Date For New Environmental Cost Recovery Factors

The factors shall be effective beginning with the specified environmental cost recovery cycle and thereafter for the period January 2017 through December 2017. Billing cycles may start before January 1, 2017 and the last cycle may be read after December 31, 2017, so that each customer is billed for twelve months regardless of when the adjustment factor became effective. These charges shall continue in effect until modified by subsequent order of this Commission.

9A. Carve Out Of Issues Related To Gulf's Recovery Of Its Identified Environmental Compliance Investment And Expenses Associated With Gulf's 25% Ownership Interest In Scherer Unit 3

Issues related to Gulf's recovery of its identified environmental compliance investment and expenses associated with Gulf's 25% ownership interest in Scherer Unit 3 shall be carved out and deferred for resolution in Gulf's rate case ending in Docket No. 160186-EI.

In order to preserve the relative positions of the parties pending the final decision in Docket No. 160186-EI, and in recognition that all other issues for Gulf in this ECRC proceeding are not contested by any party, Gulf may recover in its 2017 ECRC factors \$2,626,661 of O&M expense (\$963,913 estimated/actual true-up for 2016 and \$1,662,748 projected for 2017) and \$22,695,829 of capital investment recoverable costs (\$10,296,496 estimated/actual true-up for 2016 and \$12,399,333 projected for 2017) for environmental compliance activities associated with that portion of Gulf's 25% ownership interest in Scherer Unit 3 not committed to long-term off-system sales after December 31, 2015. Accordingly, Gulf's proposed 2017 cost recovery rates in the ECRC mechanism are approved, without change. The portion attributable to Scherer 3, -- up to 100%, however, is subject to future true-up as set forth below.

Qualification for ECRC Recovery. There is no dispute that (a) all of the environmental compliance investment and expenses for Scherer Unit 3 identified by Gulf for recovery through the ECRC mechanism were incurred after April 13, 1993 (the effective date of the ECRC enabling statute); (b) all such costs are for activities that are legally required to comply with a governmentally imposed environmental regulation that was created, became effective, or whose effect was triggered after 1990, which was the last test year in which any portion of Gulf's investment in Scherer Unit 3 was considered in setting Gulf's base rates; and (c) none of the environmental compliance investment and expenses for Scherer Unit 3 identified by Gulf for recovery through the ECRC mechanism are currently being recovered by Gulf through base rates or some other cost recovery mechanism. Therefore, subject to the ultimate ruling on the issue of whether any of the costs associated with the ongoing ownership and operation of Scherer 3 are recoverable from Gulf's retail customers (the "threshold issue"), these costs qualify for recovery through the ECRC. These costs remain subject to a potential Commission determination to roll them into base rates on a prospective basis in accordance with the ECRC enabling statute.

Admission of Testimony and Exhibits. The testimony and exhibits of Gulf witnesses Boyett, Burluson, Deason, Liu, Markey and Vick shall be inserted into the record of this proceeding, without objection, as a basis for recovery of all costs identified therein, including the environmental compliance costs associated with Scherer Unit 3, through the ECRC mechanism. That testimony shall also be admitted in Docket No. 160186-EI, subject to appropriate cross-examination, as a basis for Gulf's positions on the carved out

and deferred issues and any position that Gulf takes with respect to base rate recovery of Scherer Unit 3 environmental costs.

Eligibility for Base Rate Recovery. In the event Gulf prevails on the threshold issue, the Commission retains the authority to determine whether recovery of the Scherer 3 environmental compliance costs on a prospective basis shall continue through the ECRC or shall be included in base rates. The fact that these costs are not included in the 2017 test year revenue requirements requested through the petition, minimum filing requirements, testimony and exhibits submitted by Gulf in Docket No. 160186-EI, and are not included in the proposed base rates filed in that docket, shall not disqualify the annualized amount of such costs from being considered or incorporated in the base rates established in Docket No. 160186-EI. The statutory time frames otherwise applicable to Docket No. 160186-EI shall not be affected by consideration of the deferred issues in that docket, the potential for base rate recovery of those costs, or Gulf's submission of supplemental information necessary to identify the annualized test year amount of Scherer 3 investment and expenses to be included in the ultimate determination of prospective base rates.

Future True-up. In the event that Gulf prevails on the threshold issue, and the Commission decides that any portion of the Scherer Unit 3 environmental compliance costs should be recovered prospectively through base rates established in Docket 160186-EI rather than through the ECRC mechanism, then the portion of the environmental compliance costs included in prospective base rate recovery shall be excluded from the actual expenditures addressed through the ECRC mechanism beginning with the effective date of the new base rates. Any over-recovery through the ECRC mechanism that results from such prospective base rate recovery shall be credited to customers with interest in accordance with and through the normal true-up mechanism associated with the ECRC.

In the event that Gulf does not ultimately prevail on the threshold issue, the amounts related to Scherer 3 collected through the 2017 cost recovery rates in the ECRC mechanism will be credited to customers with interest, in accordance with and through the normal true-up mechanism associated with the ECRC.

9B. Gulf's Recovery Of Prudently Incurred Costs Associated With Its Plant Scholz CCR Unit Closure Project

Gulf shall be allowed to recover, through the ECRC, prudently incurred costs associated with its Plant Scholz CCR Unit Closure project.

The Plant Scholz CCR Unit Closure project meets the criteria for cost recovery set forth in Section 366.8255, Florida Statutes and the Commission's Order No. PSC-94-0044-FOF-EI. This project is necessary for Gulf to meet new legally mandated requirements under a governmentally imposed environmental regulation. These new legal requirements are found in the National Pollutant Discharge Elimination System (NPDES) renewal

permit for Plant Scholz (FL0002283-005) issued by the Florida Department of Environmental Protection (FDEP) on October 20, 2015 and in the draft NPDES permit modification issued on August 25, 2016. NPDES permit FL0002283-005 requires closure of the existing on-site ash pond at Plant Scholz during the 2015-2020 permit cycle. Pursuant to the permit, Gulf was required to submit a closure plan to the FDEP for its review and approval. After completion of engineering design work, the Plant Scholz closure plan was submitted to FDEP on May 26, 2016, and Gulf received approval of the closure plan on August 26, 2016. The Plant Scholz closure plan requires the construction of an industrial wastewater pond, a groundwater cut-off wall, a wastewater treatment system, a stormwater management system, removing the coal combustion residuals (CCR) material from portions of the pond, transferring CCR material upland to a dry stack area primarily within the footprint of pond, and installing new groundwater monitoring wells at Plant Scholz. The costs for this activity are \$845,000 O&M expenses for 2016 and \$26,191,933 O&M expenses for 2017. These costs are not recovered through any other cost recovery mechanism or through base rates.

9C. Allocation Of Costs Associated With Gulf's Plant Scholz CCR Unit Closure Project

The Plant Scholz CCR Unit Closure project shall be allocated to the rate classes on a demand basis.

10. Deferral Of Issues Related To FPL's Recovery Of Its Projected 2017 Costs For The Turkey Point Cooling Canal Monitoring Plan Project

Issues related to FPL's recovery of its projected 2017 costs for the Turkey Point Cooling Canal Monitoring Plan project shall be deferred for resolution in the 2017 ECRC docket.

FPL may recover in its 2017 ECRC factors the projected \$73,776,441 of O&M expense shown on Form 42-2P and \$1,449,647 of capital investment recoverable costs shown on Form 42-3P, filed on September 6, 2016 as part of FPL's 2017 projection filing, with both amounts subject to refund through the ECRC true-up mechanism, including interest calculated as provided therein. FPL will file its direct testimony in support of the 2017 TPCCMP project costs as part of its 2017 actual/estimated true-up filing. It is the parties' desire that, to the extent possible, the order establishing procedure for Docket 170007-EI reflect a schedule for the TPCCMP project issues that provides intervenor and Staff no fewer than five weeks to file testimony after FPL's direct testimony; and provides FPL no fewer than three weeks thereafter to file its rebuttal testimony.

11. DEF's Proposed Treatment For Bartow-Anclote Pipeline And Turner CT Projects, As Proposed In DEF's 2016 Estimated Actual And 2017 Projection Filings

The Commission shall approve DEF's proposed treatment for Bartow-Anclote Pipeline and Turner CT projects, as proposed in DEF's 2016 Estimated Actual and 2017 Projected Filings.

DEF's proposed treatment for the Bartow-Anclote Pipeline and Turner CT projects is consistent with prior Commission approvals in Order No. PSC-11-0553-FOF-EI and PSC-13-0381-PAA-EI.

12. Approval Of Revised Tariffs Reflecting The Environmental Cost Recovery Amounts And Environmental Cost Recovery Factors

The Commission approves the revised tariffs reflecting the environmental cost recovery amounts and environmental cost recovery factors determined to be appropriate in this proceeding. Staff is directed to verify that the revised tariffs are consistent with the Commission's decision.

Based on the foregoing, it is

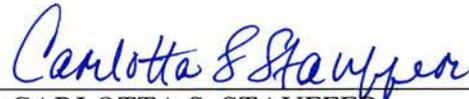
ORDERED by the Florida Public Service Commission that the stipulations and findings set forth in the body of this order are hereby approved. It is further

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 2017. The first billing cycle may start before January 1, 2016, 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 22nd day of November, 2016.



CARLOTTA S. STAUFFER
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
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.

BYL

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.