

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental cost recovery clause.

DOCKET NO. 20190007-EI  
ORDER NO. PSC-2019-0500-FOF-EI  
ISSUED: November 22, 2019

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman  
JULIE I. BROWN  
DONALD J. POLMANN  
GARY F. CLARK  
ANDREW GILES FAY

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

APPEARANCES:

MARIA JOSE MONCADA, R. WADE LITCHFIELD, and DAVID LEE,  
ESQUIRES, 700 Universe Boulevard, Juno Beach, Florida 33408  
On behalf of Florida Power & Light Company (FPL).

RUSSELL A. BADDERS, ESQUIRE, One Energy Place, Pensacola, Florida  
32520, STEVEN R. GRIFFIN, ESQUIRE, Beggs & Lane, P.O. Box 12950,  
Pensacola, Florida 32591  
On behalf of Gulf Power Company (Gulf).

DIANNE M. TRIPLETT, ESQUIRE, 299 First Avenue North, St. Petersburg,  
Florida 33701, MATTHEW R. BERNIER, ESQUIRE, 106 East College Avenue,  
Suite 800, Tallahassee, Florida 32301  
On behalf of Duke Energy Florida, LLC (DEF).

JAMES D. BEASLEY, J. JEFFRY WAHLEN, and MALCOLM N. MEANS,  
ESQUIRES, Ausley McMullen, P.O. Box 391, Tallahassee, Florida 32302  
On behalf of Tampa Electric Company (TECO).

JON C. MOYLE, and KAREN PUTNAL, ESQUIRES, Moyle Law Firm, P.A.,  
118 North Gadsden Street, Tallahassee, Florida 32301  
On behalf of Florida Industrial Power Users Group (FIPUG).

J.R. KELLY, PATRICIA A. CHRISTENSEN, STEPHANIE MORSE, THOMAS A. DAVID, and CHARLES J. REHWINKEL, ESQUIRES, Associate Public Counsels, Office of Public Counsel, c/o The Florida Legislature, 111 W. Madison Street, Room 812, Tallahassee, Florida 32399

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

ASHLEY J. WEISENFELD and CHARLES MURPHY, ESQUIRES, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850

On behalf of the Florida Public Service Commission (Staff).

LEE ENG TAN, ESQUIRE, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850

Advisor to the Florida Public Service Commission.

KEITH C. HETRICK, ESQUIRE, General Counsel, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850

Florida Public Service Commission General Counsel.

### BACKGROUND

As part of this Commission's continuing Environmental Cost Recovery Clause (ECRC) proceedings, a hearing was held in this docket on November 5, 2019. Both Sierra Club and White Springs Agricultural Chemicals, Inc. d/b/a PCS Phosphate – White Springs (PCS Phosphate) were excused from the hearing. We are vested with jurisdiction over the subject matter 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, FIPUG, and PCS Phosphate take no position on the stipulations. Sierra Club intervened to address Issue 14 only, and takes no position on the stipulation of that issue.

- 1. What are the final environmental cost recovery true-up amounts for the period January 2018 through December 2018?**

FPL	\$22,191,591	Over-recovery
DEF	\$1,988,942	Over-recovery
TECO	\$2,396,214	Over-recovery
Gulf	\$1,896,136	Over-recovery

2. **What are the actual/estimated environmental cost recovery true-up amounts for the period January 2019 through December 2019?**

FPL	\$7,117,811	Over-recovery
DEF	\$16,666,006	Over-recovery
TECO	\$4,108,435	Over-recovery
Gulf	\$4,609,567	Over-recovery

3. **What are the projected environmental cost recovery amounts for the period January 2020 through December 2020?**

FPL	\$191,146,927
DEF	\$49,255,523
TECO	\$53,963,728
Gulf	\$188,610,975

4. **What are the environmental cost recovery amounts, including true-up amounts, for the period January 2020 through December 2020?**

FPL	\$161,954,048
DEF	\$30,622,607
TECO	\$47,493,250
Gulf	\$182,236,387

5. **What depreciation rates should be used to develop the depreciation expense included in the total environmental cost recovery amounts for the period January 2020 through December 2020?**

The depreciation rates used to calculate depreciation expense shall be the rates that are in effect during the period the allowed capital investment is in service, with the following exception: TECO -- Big Bend Fuel Oil Tanks I & 2, which were retired in 2016, will be depreciated over a five-year period from the date of retirement.

6. **What are the appropriate jurisdictional separation factors for the projected period January 2020 through December 2020?**

The appropriate jurisdictional separation factors for the period January 2020 through December 2020 are as follows:

**FPL**

Retail Energy Jurisdictional Factor - Base/Solar 95.8799%  
Retail Energy Jurisdictional Factor - Intermediate 94.2430%  
Retail Energy Jurisdictional Factor - Peaking 95.1325%  
Retail Demand Jurisdictional Factor - Transmission 89.9387%  
Retail Demand Jurisdictional Factor - Base/Solar 95.7922%  
Retail Demand Jurisdictional Factor - Intermediate 94.1569%  
Retail Demand Jurisdictional Factor - Peaking 95.0455%  
Retail Demand Jurisdictional Factor - General Plant 96.9124%  
Retail Demand Jurisdictional Factor - Distribution 100.0000%

**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 and are consistent with DEF's 2017 Second Revised and Restated Stipulation and Settlement Agreement ("2017 Agreement") approved in Order No. PSC-2017-0451-AS-EU.

Transmission Average 12 CP Demand – 70.203%

Distribution Primary Demand – 99.561%

Production Demand:

Production Base – 92.885%

Production Intermediate – 72.703%

Production Peaking – 95.924%

Production A&G – 93.221%

**TECO**

Energy: 100.00%

Demand: 100.00%

**Gulf**

The demand jurisdictional separation factor is 97.23427%. Energy jurisdictional separation factors are calculated each month based on projected retail kWh sales as a percentage of projected total territorial kWh sales.

**7. What are the appropriate environmental cost recovery factors for the period January 2020 through December 2020 for each rate group?**

The appropriate environmental cost recovery factors for the period January 2020 through December 2020 for each rate group are as follows:

**FPL**

<b>Rate Class</b>	<b>Environmental Cost Recovery Factor (cents/kWh)</b>
RS1/RTR1	0.155
GS1/GST1	0.152
GSD1/GSDT1/HLFT1	0.139
OS2	0.084
GSLD1/GSLDT1/CS1/CST1/HLFT2	0.138
GSLD2/GSLDT2/CS2/CST2/HLFT3	0.120
GSLD3/GSLDT3/CS3/CST3	0.121
SST1T	0.106
SST1D1/SST1D2/SST1D3	0.161
CILC D/CILC G	0.119
CILC T	0.110
MET	0.128
OL1/SL1/SL1M/PL1	0.035
SL2/SL2M/GSCU1	0.111
Total	0.146

**DEF**

<b>RATE CLASS</b>	<b>ECRC FACTORS</b>
Residential	0.079 cents/kWh
General Service Non-Demand @ Secondary Voltage	0.079 cents/kWh
@ Primary Voltage	0.078 cents/kWh
@ Transmission Voltage	0.077 cents/kWh
General Service 100% Load Factor	0.075 cents/kWh
General Service Demand @ Secondary Voltage	0.076 cents/kWh
@ Primary Voltage	0.075 cents/kWh
@ Transmission Voltage	0.074 cents/kWh
Curtable @ Secondary Voltage	0.072 cents/kWh
@ Primary Voltage	0.071 cents/kWh
@ Transmission Voltage	0.071 cents/kWh
Interruptible @ Secondary Voltage	0.073 cents/kWh
@ Primary Voltage	0.072 cents/kWh
@ Transmission Voltage	0.072 cents/kWh
Lighting	0.070 cents/kWh

**TECO**

<u><b>Rate Class</b></u>	<u><b>Factor (¢/kWh)</b></u>
RS	0.244
GS, CS	0.244
GSD, SBF	
Secondary	0.243
Primary	0.241
Transmission	0.238
IS	
Secondary	0.239
Primary	0.237
Transmission	0.234
LS1	0.241
Average Factor	0.244

**Gulf**

<b>RATE CLASS</b>	<b>ENVIRONMENTAL COST RECOVERY FACTORS ¢/kWh</b>
RS, RSVP, RSTOU	1.886
GS	1.915
GSD, GSDT, GSTOU	1.543
LP, LPT	1.356
PX, PXT, RTP, SBS	1.333
OS-I/II	0.403
OS-III	1.229

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

The factors shall be effective beginning with the specified environmental cost recovery cycle and thereafter for the period January 2020 through December 2020. Billing cycles may start before January 1, 2020 and the last cycle may read after December 31, 2020, so that each customer is billed for twelve months regardless of when the adjustment factor became effective. These charges will continue in effect until modified by the Commission.

**9. Should the Commission approve revised tariffs reflecting the environmental cost recovery amounts and environmental cost recovery factors determined to be appropriate in this proceeding?**

Yes. The Commission shall approve revised tariffs reflecting the environmental cost recovery factors determined to be appropriate in this proceeding. Staff shall verify that the revised tariffs are consistent with the Commission's decision.

**10. Should this docket be closed?**

No. While a separate docket number is assigned each year for administrative convenience, this is a continuing docket and shall remain open.

COMPANY-SPECIFIC ENVIRONMENTAL COST RECOVERY ISSUES

Duke Energy Florida, LLC:

- 11. Should the Commission approve DEF's Crystal River Coal Combustion Residual Ash Landfill Project for cost recovery through the Environmental Cost Recovery Clause?**

Yes. In Order Nos. PSC-2015-0536-FOF-EI and PSC-2018-0594-FOF-EI, the Commission found that DEF's CCR Program (Project 18) met the criteria for recovery through the Environmental Cost Recovery Clause. DEF's CCR Ash Landfill project meets the criteria for recovery through the Environmental Cost Recovery Clause

- 12. How should any approved Environmental Cost Recovery Clause costs associated with DEF's Crystal River CCR Ash Landfill Project be allocated to the rate classes?**

Consistent with Order No. PSC-2015-0536-FOF-EI which approved the cost allocation methodology for DEF's CCR Program, Capital costs for the CCR Ash Landfill Project shall be allocated to the rate classes on a demand basis; O&M costs should be allocated to the rate classes on an energy basis.

- 13. Should the Commission approve DEF's proposed treatment for the ECRC assets associated with the retirement of Avon Park and Higgins, as proposed in DEF's 2020 Projection Filing?**

Yes. DEF's proposed treatment for the Avon Park and Higgins assets is consistent with prior Commission Order Nos PSC-2011-0553-FOF-EI, PSC-2013-0381-PAA-EI and PSC-2016-0535-FOF-EI.

Gulf Power Company:

- 14. Should the Commission approve the 2020 expenditures for Gulf's ownership portion of the Plant Daniel CCR projects for recovery through the Environmental Cost Recovery Clause?**

Gulf has discovered possible alternatives for CCR compliance that may be more cost-effective, and requested deferral of Issue 14 related to the recovery of certain Plant Daniel CCR costs through the ECRC mechanism. As such, this issue shall be deferred and \$23,234,491 associated with Plant Daniel CCR costs shall be



removed from the factors in this docket. Gulf's positions in other issues have been adjusted accordingly.

**15. Should the Commission approve Gulf's Crist Closed Ash Landfill Project for cost recovery through the Environmental Cost Recovery Clause?**

Yes. The Plant Crist industrial wastewater permit (FL0002275) and FDEP Order 17-1224 require Gulf to complete FDEP approved rehabilitation actions by July 23, 2023, for the Plant Crist Closed Ash Landfill (CAL). Gulf plans to regrade the surface of the CAL and then cap the CAL with a low permeability synthetic material to reduce water infiltration, to provide separation of ash and stormwater, and to provide stability improvements as recommended in the FDEP approved action plan. The capital expenditures associated with this project are projected to be \$10.1 million in 2020. Gulf has not projected O&M costs associated with the project in 2020; however, future O&M costs are expected after the project is completed in the 2021-2022 timeframe.

The proposed Crist CAL project meets the criteria for cost recovery established by the Commission in Order No. PSC-94-0044-FOF-EI.

**16. How should any approved Environmental Cost Recovery Clause costs associated with Gulf's Crist Closed Ash Landfill Project be allocated to the rate classes?**

Capital costs for the CAL project should be allocated to the rate classes on an average 12-MCP demand and 1/13th energy basis. O&M cost for the program should be allocated to the rate classes on a demand basis.

**MOTION**

**17. Should the Joint Motion to Modify Order No. PSC-2012-0425-PAA-EU Regarding Weighted Average Cost of Capital Methodology be approved?**

No. The normalization provisions of the Internal Revenue Code (IRC) Treasury Regulation Section 1.167(1)-1(h)(6) shall be applied to the Weighted Average Cost of Capital (WACC) in this docket, subject to true-up. The determination of the WACC to be applied in future clause dockets shall be the subject of a workshop to be held by Commission staff.

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 2020. The first billing cycle may start before January 1, 2020, 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, 2019.



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ADAM J. TEITZMAN  
Commission Clerk  
Florida Public Service Commission  
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Tallahassee, Florida 32399  
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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.

AJW

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.