

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Environmental Cost Recovery Clause | Docket No. 20220007-EI

Filed: October 7, 2022

**DUKE ENERGY FLORIDA, LLC'S  
PREHEARING STATEMENT**

Pursuant to the Order Establishing Procedure No. PSC-2022-0055-PCO-EI, Duke Energy Florida, LLC (“DEF”), hereby submits its Prehearing Statement:

1. **Known Witnesses** – DEF intends to offer the Direct Testimony of:

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
Gary P. Dean	Final True-Up; Estimated True-up; Environmental Compliance Cost Projections and Final 2023 ECRC Factors	1-10, 16-17
Eric Szkolnyj	Final and Estimated True-Up variances and Environmental Compliance Cost Projections	1-3
Reginald Anderson	Final and Estimated True-Up variances and Environmental Compliance Cost Projections	1-3
Kim Spence McDaniel	Final and Estimated True-Up variances and Environmental Compliance Cost Projections, and Review of DEF’s Integrated Clean Air Compliance Plan	1-3, 16

2. **Known Exhibits** – DEF intends to offer the following exhibits:

<b>Witness</b>	<b>Proffered By</b>	<b>Exhibit #</b>	<b>Description</b>
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Gary P. Dean	DEF	GPD-1	Forms 42-1A - 42-9A January 2021 – December 2021
Gary P. Dean	DEF	GPD-2	Capital Program Detail January 2021– December 2021
Gary P. Dean	DEF	GPD-3	Forms 42-1E – 42-9E January 2022 – December 2022
Gary P. Dean	DEF	GPD-4	Forms 42-1P – 42-8P January 2023– December 2023
Eric Szkolnyj	DEF	GPD-4	Form 42-5P, page 23
Reginald Anderson	DEF	GPD-4	Form 42-5P, pages 7 and 20 through 22
Kim Spence McDaniel	DEF	KSM-1	Review of Integrated Clean Air Compliance Plan
Kim Spence McDaniel	DEF	GPD-4	Form 42-5P, pages 1-4, 6, 7, and 8-19

DEF reserves the right to identify additional exhibits for the purpose of cross-examination or rebuttal.

3. **Statement of Basic Position** – DEF’s positions to specific issues are listed below.
4. **Statement of Facts**

### **ISSUES**

#### **GENERIC ENVIRONMENTAL COST RECOVERY ISSUES**

DEF’s positions on the issues identified in this proceeding are as follows:

**ISSUE 1:** What are the final jurisdictional environmental cost recovery true-up amounts for the period January 2021 through December 2021?

**DEF:** \$447,153 over-recovery. (Dean, Anderson, Hill, McDaniel)

**ISSUE 2:** What are the actual/estimated jurisdictional environmental cost recovery true-up amounts for the period January 2022 through December 2022?

**DEF:** \$1,250,853 over-recovery. (Dean, Anderson, Hill, McDaniel)

**ISSUE 3:** What are the projected jurisdictional environmental cost recovery amounts for the period January 2023 through December 2023?

**DEF:** \$9,984,885. (Dean, Anderson, Hill, McDaniel)

**ISSUE 4:** What are the jurisdictional environmental cost recovery amounts, including true-up amounts, for the period January 2023 through December 2023?

**DEF:** \$8,286,879. (Dean)

**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 2023 through December 2023?

**DEF:** The depreciation rates used to calculate depreciation expense should be the rates that are in effect during the period the allowed capital investment is in service. (Dean)

**ISSUE 6:** What are the appropriate jurisdictional separation factors for the projected period January 2023 through December 2023?

**DEF:** The separation factors are below and are consistent with DEF's 2021 Settlement Agreement approved in Order No. PSC-2021-0202-AS-EI in Docket No. PSC-20210016-EI.

Transmission Demand – 72.042%  
Distribution Primary Demand – 100.000%

Production Demand:  
Production Base – 97.403%  
Production Intermediate – 92.637%  
Production Peaking – 95.110%  
(Dean)

**ISSUE 7:** What are the appropriate environmental cost recovery factors for the period January 2023 through December 2023 for each rate group?

**DEF:** The appropriate recovery factors are as follows: (Dean)

RATE CLASS	ECRC FACTORS
Residential	0.022 cents/kWh
General Service Non-Demand	
@ Secondary Voltage	0.021 cents/kWh
@ Primary Voltage	0.021 cents/kWh
@ Transmission Voltage	0.021 cents/kWh
General Service 100% Load Factor	0.018 cents/kWh
General Service Demand	
@ Secondary Voltage	0.020 cents/kWh
@ Primary Voltage	0.020 cents/kWh
@ Transmission Voltage	0.020 cents/kWh
Curtailable	
@ Secondary Voltage	0.016 cents/kWh
@ Primary Voltage	0.016 cents/kWh
@ Transmission Voltage	0.016 cents/kWh
Interruptible	
@ Secondary Voltage	0.018 cents/kWh
@ Primary Voltage	0.018 cents/kWh
@ Transmission Voltage	0.018 cents/kWh
Lighting	0.014 cents/kWh

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

**DEF:** The factors should be effective beginning with the specified environmental cost recovery cycle and thereafter for the period January 2023 through December 2023. Billing cycles may start before January 1, 2023 and the last cycle may read after December 31, 2023, 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. (Dean)

**ISSUE 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?

**DEF:** Yes. (Dean)

**ISSUE 10:** Should this docket be closed?

**DEF:** Yes. (Dean)

### **COMPANY-SPECIFIC ENVIRONMENTAL COST RECOVERY ISSUES**

#### **Florida Power & Light Company (FPL):**

**ISSUE 11:** Should the Commission approve FPL's Combustion Turbine National Emission Standards for Hazardous Air Pollutants Project for cost recovery through the Environmental Cost Recovery Clause?

**DEF:** No position.

**ISSUE 12:** How should any approved Environmental Cost Recovery Clause costs associated with FPL's Combustion Turbine National Emission Standards for Hazardous Air Pollutants Project be allocated to the rate classes?

**DEF:** No position.

**ISSUE 13:** Should FPL be allowed to recover, through the Environmental Cost Recovery Clause, prudently incurred costs associated with its proposed modification to its National Pollutant Discharge Elimination System Permit Requirements Project?

**DEF:** No position.

**ISSUE 14:** Should the Commission approve FPL's proposed treatment for the Environmental Cost Recovery Clause assets associated with the retirement of Martin Thermal Solar, as proposed in FPL's 2022 Actual/Estimated Filing?

**DEF:** No position.

**ISSUE 15:** How should the costs related to the regulatory asset for the unrecovered early retired investment associated with the Martin Thermal Solar facility be allocated to the rate classes?

**DEF:** No position.

**Duke Energy Florida, LLC (DEF):**

**ISSUE 16:** Should the Commission approve DEF’s National Emission Standards for Hazardous Air Pollutants (“NESHAP”) Project for cost recovery through the Environmental Cost Recovery Clause?

**DEF:** Yes. DEF’s proposed NESHAP Compliance project meets the recovery criteria established in Order No. 94-044-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 enacted, became effective, or whose effect was triggered after the Company’s last test year which rates are based; and
- c) None of the expenditures are being recovered through some other cost recovery mechanism or through base rates. (McDaniel, Dean)

**ISSUE 17:** How should any approved Environmental Cost Recovery Clause costs associated with DEF’s National Emission Standards for Hazardous Air Pollutants Project be allocated to the rate classes?

**DEF:** The NESHAP capital and O&M expenses should be allocated to rate classes based on demand. (Dean)

5. **Stipulated Issues** –

**ISSUE 1:** What are the final environmental cost recovery true-up amounts for the period January 2021 through December 2021?

FPL	\$10,886,811	Over-recovery
DEF	\$447,153	Over-recovery
TECO	\$1,187,656	Over-recovery

**ISSUE 2:** What are the actual/estimated environmental cost recovery true-up amounts for the period January 2022 through December 2022?

FPL	\$3,465,963	Under-recovery
DEF	\$1,250,853	Over-recovery
TECO	\$5,382,902	Over-recovery

**ISSUE 3: What are the projected environmental cost recovery amounts for the period January 2023 through December 2023?**

FPL	\$374,381,336
DEF	\$9,984,885
TECO	\$23,975,951

**ISSUE 4: What are the environmental cost recovery amounts, including true-up amounts, for the period January 2023 through December 2023?**

FPL	\$366,960,488
DEF	\$8,286,879
TECO	\$17,417,925

**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 2023 through December 2023?**

The depreciation rates used by DEF to calculate depreciation expense shall be the rates that are in effect during the period the allowed capital investment is in service. FPL will use the depreciation rates that are ultimately approved by the Commission in Docket No. 20210015-EI. Depreciation rates agreed to in TECO’s 2021 Settlement Agreement were applied to TECO’s 2023 projection.

**ISSUE 6: What are the appropriate jurisdictional separation factors for the projected period January 2023 through December 2023?**

The appropriate jurisdictional separation factors for the period January 2023 through December 2023 are as follows:

- FPL:**
- Retail Energy Jurisdictional Factor - Base/Solar 95.815941%
  - Retail Energy Jurisdictional Factor - Intermediate 94.506291%
  - Retail Energy Jurisdictional Factor - Peaking 95.705428 %
  - Retail Demand Jurisdictional Factor - Transmission 90.928225%
  - Retail Demand Jurisdictional Factor - Base/Solar 95.047826 %
  - Retail Demand Jurisdictional Factor - Intermediate 95.402795%
  - Retail Demand Jurisdictional Factor - Peaking 95.328464%
  - Retail Demand Jurisdictional Factor - General Plant 96.727003%

Retail Demand Jurisdictional Factor - Distribution 100.000000%

**DEF:** Transmission Average 12 CP Demand – 72.042%  
 Distribution Primary Demand – 100.000%

Production Demand:  
 Production Base – 97.403%  
 Production Intermediate – 92.637 %  
 Production Peaking – 95.110%

**TECO:** Energy: 100.00%  
 Demand: 100.00%

**ISSUE 7: What are the appropriate environmental cost recovery factors for the period January 2023 through December 2023 for each rate group?**

The appropriate environmental cost recovery factors for the period January 2023 through December 2023 for each rate group are as follows:

**FPL:**

<b>Rate Class</b>	<b>Environmental Cost Recovery Factor (cents/kWh)</b>
RS1/RTR1	0.312
GS1/GST1	0.323
GSD1/GSDT1/HLFT1/GSD1-EV	0.279
OS2	0.211
GSLD1/GSLDT1/CS1/CST1/HLFT2/GSLD1-EV	0.281
GSLD2/GSLDT2/CS2/CST2/HLFT3	0.244
GSLD3/GSLDT3/CS3/CST3	0.226
SST1T	0.292
SST1D1/SST1D2/SST1D3	0.565
CILC D/CILC G	0.234
CILC T	0.208
MET	0.258
OL1/SL1/SL1M/PL1	0.044
SL2/SL2M/GSCU1	0.207
Total	0.296

**DEF:**

<b>RATE CLASS</b>	<b>ECRC FACTORS</b>
Residential	0.022 cents/kWh
General Service Non-Demand @ Secondary Voltage @ Primary Voltage @ Transmission Voltage	0.021 cents/kWh 0.021 cents/kWh 0.021 cents/kWh
General Service 100% Load Factor	0.018 cents/kWh
General Service Demand @ Secondary Voltage @ Primary Voltage @ Transmission Voltage	0.020 cents/kWh 0.020 cents/kWh 0.020 cents/kWh
Curtable @ Secondary Voltage @ Primary Voltage @ Transmission Voltage	0.016 cents/kWh 0.016 cents/kWh 0.016 cents/kWh
Interruptible @ Secondary Voltage @ Primary Voltage @ Transmission Voltage	0.018 cents/kWh 0.018 cents/kWh 0.018 cents/kWh
Lighting	0.014 cents/kWh

**TECO:**

<b>Rate Class</b>	<b>Factors by Voltage Level (cents/kWh)</b>
RS Secondary	0.092
GS, CS Secondary	0.090
GSD, SBF	
Secondary	0.084
Primary	0.083
Transmission	0.082
GSLDPR	0.076
GSLDSU	0.075
LS1, LS2	0.066
Total	0.087

**ISSUE 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 2023 through December 2023.

Billing cycles may start before January 1, 2023 and the last cycle may read after December 31, 2023, 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.

**ISSUE 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.

**ISSUE 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**

**Florida Power & Light Company:**

**ISSUE 11:** **Should the Commission approve FPL's Combustion Turbine National Emission Standards for Hazardous Air Pollutants Project for cost recovery through the Environmental Cost Recovery Clause?**

In accordance with Section 366.8255(1)(d)9., F.S., FPL shall be allowed to recover, through the ECRC, prudently incurred costs associated with its proposed Combustion Turbine National Emission Standards for Hazardous Air Pollutants Project. FPL did not include any projected capital costs at this time because FPL believes that its combustion turbines will meet the NESHAP standards and will not need to install any capital equipment at this time. Operation and maintenance (O&M) expenses are projected to be approximately \$380,000 for annual testing. Thereupon, FPL shall be allowed to recover prudently incurred O&M expenses \$380,000 on an annual basis.

**ISSUE 12:** **How should the approved costs related to FPL's Combustion Turbine National Emission Standards for Hazardous Air Pollutants Project be allocated to the rate classes?**

O&M costs associated with FPL's proposed Combustion Turbine National Emission Standards for Hazardous Air Pollutants Project shall be allocated to rate classes based on 100% coincidental peak (CP) Demand.

**ISSUE 13: Should FPL be allowed to recover, through the ECRC, prudently incurred costs associated with its proposed modification to its National Pollutant Discharge Elimination System Permit Requirements Project?**

In Order No. PSC-2011-0553-FOF-EI, the Commission approved cost recovery of FPL's National Pollutant Discharge Elimination System Permit Requirements Project through the ECRC. The proposed modifications to the National Pollutant Discharge Elimination System Permit Requirements Project meets the criteria for recovery through the ECRC and the associated costs shall be approved.

**ISSUE 14: Should the Commission approve FPL's proposed treatment for the ECRC assets associated with the retirement of Martin Thermal Solar, as proposed in FPL's 2022 Actual/Estimated Filing?**

Yes. FPL's proposed treatment for the Martin Thermal Solar assets is consistent with prior Commission Order Nos. PSC-2021-0446-S-EI and PSC-2021-0446A-S-EI. FPL will establish a regulatory asset for the unrecovered early retired investment associated with Martian Thermal Solar of approximately \$285 million in Account 182.2 – Unrecovered Plant and Regulatory Study Costs and will amortized the regulatory assets to Account 407-Amortization for Property Losses, Unrecovered Plant and Regulatory Study Costs on a straight-line basis over a 20-year period beginning in February 2023.

**ISSUE 15: How should the approved costs related to the regulatory asset for the unrecovered early retired investment associated with the Martin Thermal Solar facility be allocated to the rate classes?**

Capital costs should be allocated to the rate classes on an average 12 CP demand and 1/13th energy basis, and O&M costs should be allocated to the rate classes on an average 12 CP demand basis.

**Duke Energy Florida, LLC:**

**ISSUE 16: Should the Commission approve DEF's National Emission Standards for Hazardous Air Pollutants Project for cost recovery through the Environmental Cost Recovery Clause?**

In accordance with Section 366.8255(1)(d)9, F.S., DEF shall be allowed to recover, through the ECRC, prudently incurred costs associated with its proposed National Emission Standards for Hazardous Air Pollutants Project. The total O&M costs are estimated to be \$60,000 in 2023 for compliance testing.

**ISSUE 17: How should the approved costs related to DEF's National Emission Standards for Hazardous Air Pollutants Project be allocated to the rate classes?**

Capital and O&M costs associated with DEF's National Emission Standards for Hazardous Air Pollutants Project should be allocated to rate classes based on demand.

6. **Pending Motions** – DEF does not have any pending motions at this time.
7. **Requests for Confidentiality** – DEF has no request for confidentiality pending at this time.
8. **Objections to Qualifications** – DEF has no objections to the qualifications of any expert witnesses in this proceeding at this time.
9. **Sequestration of Witnesses** – DEF has not identified any witnesses for sequestration at this time.
10. **Requirements of Order** - At this time, DEF is unaware of any requirements of the Order Establishing Procedure of which it will be unable to comply.

Respectfully submitted this 7<sup>th</sup> day of October, 2022.

*s/Stephanie A. Cuello*

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**CERTIFICATE OF SERVICE**

*Docket No. 20220007-EI*

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished via electronic mail to the following this 7<sup>th</sup> day of October, 2022.

s/ Stephanie A. Cuello

Attorney

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