

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental Cost Recovery Clause

Docket No. 20220007-EI

Filed: October 7, 2022

FLORIDA POWER & LIGHT COMPANY’S PREHEARING STATEMENT

Florida Power & Light Company (“FPL”), pursuant to Order No. PSC-2022-0055-PCO-EI, hereby submits its Prehearing Statement regarding the issues to be addressed at the hearing scheduled for November 1-3, 2022.

1. WITNESSES

WITNESS	SUBJECT MATTER	ISSUE No.
Direct		
Renaë B. Deaton	Presents Environmental Cost Recovery Clause (“ECRC”) final true-ups for pre-consolidated FPL and pre-consolidated Gulf Power Company (“Gulf”) for 2021, FPL’s Actual/Estimated True-up for 2022, FPL’s Projections and ECRC factors for January through December 2023, and supports FPL’s Project Progress Report. Ms. Deaton is an expert in electric utility rates and rate regulation.	1-10, 12, 15
Katharine MacGregor	Supports pre-consolidated FPL and pre-consolidated Gulf O&M and capital variances for 2021; FPL’s O&M and capital variances for 2022; FPL’s Project Progress Report; recovery of prudently incurred costs associated with FPL’s proposed Combustion Turbine National Emission Standards for Hazardous Air Pollutants Project (“CT NESHAP Project”); and modification to its National Pollutant Discharge Elimination System Permit Requirements Project. Ms. MacGregor is an expert in Florida environmental regulation and policy.	1-4, 11, 13
Matthew Valle	Addresses FPL’s experience with its Martin Thermal Solar facility and the recommendation to retire the facility.	14

WITNESS	SUBJECT MATTER	ISSUE No.
Scott R. Bores	Presents the results of the economic analysis and describes key assumptions used in the economic analysis for early retirement of the Martin Thermal Solar facility, FPL's proposal to establish and recover a regulatory asset associated with early retirement of Martin Thermal Solar.	14

2. **EXHIBITS**

WITNESS	PROFFERED BY	EXHIBIT No.	DESCRIPTION	ISSUE No.
Direct				
Rena B. Deaton	FPL	RBD-1	Environmental Cost Recovery Final True-up January 2021 - December 2021 Commission Forms 42-1A through 42-9A – Pre-consolidated FPL	1
Rena B. Deaton	FPL	RBD-2 (REVISED)	Environmental Cost Recovery Final True-up January 2021 - December 2021 Commission Forms 42-1A through 42-9A – Pre-consolidated Gulf Power Company	1
Rena B. Deaton	FPL	RBD-3 (REVISED)	Environmental Cost Recovery Actual/Estimated True-up January 2022 - December 2022 Commission Forms 42-1E through 42-9E	2
Rena B. Deaton	FPL	RBD-4	Environmental Cost Recovery Projections - January 2023 - December 2023 Commission Forms 42-1P through 42-8P	4-15
Rena B. Deaton	FPL	RBD-5	Calculation of Stratified Separation Factors	6
Katharine MacGregor	FPL	KM-1	NPDES Permit No. FL0001562	13
Scott R. Bores	FPL	SRB-1	CPVRR Benefit of Martin Thermal Solar Retirement	15

3. STATEMENT OF BASIC POSITION

FPL's 2023 ECRC factors are reasonable and should be approved. The Commission also should approve FPL's (1) proposed CT NESHAP Project; (2) proposal to establish and recover a regulatory asset associated with the early retirement of the Martin Solar Thermal facility; and (3) modification to its National Pollutant Discharge Elimination System Permit Requirements Project.

4. STATEMENT OF ISSUES AND POSITIONS

GENERIC ENVIRONMENTAL COST RECOVERY 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, which consists of \$6,314,841 over-recovery by pre-consolidated FPL and \$4,571,970 over-recovery by Gulf. (Deaton, MacGregor)

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. (Deaton, MacGregor)

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

FPL: \$374,381,336. (Deaton, MacGregor)

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. (Deaton, MacGregor)

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?

FPL: The depreciation rates used to calculate the depreciation expense should be the rates that are in effect during the period the allowed capital investment is in service. For the period January 2023 through December 2023, FPL will use the depreciation rates that were approved by the Commission in Order No. PSC-2021-0446-S-EI. (Deaton)

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

FPL:

ENERGY

Retail Energy Jurisdictional Factor - Base/Solar	95.815941%
Retail Energy Jurisdictional Factor - Intermediate	94.506291%
Retail Energy Jurisdictional Factor - Peaking	95.705428%

DEMAND

Retail Demand Jurisdictional Factor - Transmission	89.928225%
Retail Demand Jurisdictional Factor - Base/Solar	96.047826%
Retail Demand Jurisdictional Factor - Intermediate	95.402795%
Retail Demand Jurisdictional Factor - Peaking	95.328464%
Retail Demand Jurisdictional Factor - Distribution	100.0000%

GENERAL PLANT

Retail General Plant Jurisdictional Factor - Labor	96.727003% (Deaton)
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ISSUE 7: What are the appropriate environmental cost recovery factors for the period January 2023 through December 2023 for each rate group?

FPL: FPL’s ECRC factors for the period January 2023 through December 2023 are:

RATE CLASS	Environmental Cost Recovery Factor (cents/kWh)
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

(Deaton)

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

FPL: The environmental cost recovery factors should be effective for meter readings that occur on or after January 1, 2023. These charges should continue in effect until modified by subsequent order of this Commission. (Deaton)

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?

FPL: Yes. The Commission should approve FPL's revised tariffs reflecting the environmental cost recovery amounts and environmental cost recovery factors as presented in this proceeding. (Deaton)

ISSUE 10: Should this docket be closed?

FPL: No. This is a continuing docket and should remain open. (Deaton)

FPL COMPANY-SPECIFIC ISSUES

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?

FPL: Yes. On March 9, 2022, the United States Environmental Protection Agency published in the Federal Register, at 87 Fed. Reg. 13,183, a final rule to amend the NESHAP for Stationary Combustion Turbines ("Final Rule") at 40 C.F.R. Subpart YYYYY, stating that it was taking final action to remove the stay of the standards for new lean premix and diffusion flame gas-fired turbines. The Final Rule requires that FPL conduct emission stack testing of its affected combustion turbines and demonstrate compliance with the emission standards for formaldehyde emissions no later than September 5, 2022. FPL will thereafter be required to conduct annual emission testing of affected units to demonstrate continued compliance with the NESHAP Final Rule. If an affected unit cannot meet the emission standard for formaldehyde it must install pollution control equipment to achieve compliance. FPL has completed initial testing of all affected units and has found them to be in compliance with the newly established standards. 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 \$116,086 for annual testing. (MacGregor)

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?

FPL: The O&M costs associated with FPL’s proposed CT NESHAP Project should be allocated to the applicable rate classes based on 100% CP Demand. Capital costs, if any, incurred in the future should be allocated on a 12CP&1/13 basis. (Deaton)

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?

FPL: Yes. On May 10, 2022, the Florida Department of Environmental Protection issued NPDES Permit Renewal No. FL0001562 (“Permit”) to FPL for the Turkey Point Power Plant, which includes a new condition related to the development and implementation of a Best Management Practices Plan (“BMP Plan”). The Permit also includes new requirements for impoundment inspections. The BMP Plan must include a review of industrial wastewater, stormwater, and waste minimization components to prevent or minimize the potential release of pollutants. FPL is required to implement the developed BMP Plan and identify areas for improvement within 30 months of the effective date of the Permit. FPL is also required to submit a summary of the plan three years following the effective date of the Permit and must comply with new requirements for impoundment inspections. The estimated 2022 costs associated with developing the BMP Plan for the Turkey Point plant is \$87,000. (MacGregor)

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?

FPL: Yes. The Martin Thermal Solar facility entered service at the end of 2010 and has served customers since that time. Over that time, FPL has learned that the cost to maintain and operate a thermal solar facility outweigh the benefits, and that PV solar is the more cost-effective choice for customers. Compared to continuing to incur additional operating costs, the early retirement of the Martin Thermal Solar facility is projected to result in a benefit of approximately \$157.8 million (CPVRR). FPL should be permitted to establish a regulatory asset for the unrecovered early retired investment associated with Martin Thermal Solar of approximately \$285 million over a 20-year period beginning in February 2023. (Valle, Bores)

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?

FPL: Amortization associated with the regulatory asset and capital recovery schedule related to the early retirement of the Martin Thermal Solar Facility should be allocated to the rate classes in the same manner as the existing asset, on a 12CP&1/13 basis. (Deaton)

5. STIPULATED ISSUES

Yet to be determined. FPL is willing to stipulate that the testimony of each witness whom no one wishes to cross examine be inserted into the record as though read, cross examination be waived, and the witness's attendance at the hearing be excused.

6. PENDING MOTIONS

FPL has no pending motions at this time.

7. PENDING REQUESTS FOR CONFIDENTIALITY

FPL has no pending requests at this time.

8. OBJECTIONS TO WITNESS QUALIFICATIONS AS AN EXPERT

FPL does not object to any witness's qualifications as an expert at this time.

9. REQUEST FOR SEQUESTRATION

FPL does not request sequestration of any witnesses.

10. **COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE**

There are no requirements of the Order Establishing Procedure with which FPL cannot comply.

Respectfully submitted,

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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

by electronic service on this 7th day of October 2022 to the following:

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