

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental cost recovery clause.

DOCKET NO. 20220007-EI
ORDER NO. PSC-2022-0424-FOF-EI
ISSUED: December 14, 2022

The following Commissioners participated in the disposition of this matter:

ANDREW GILES FAY, Chairman
ART GRAHAM
GARY F. CLARK
MIKE LA ROSA
GABRIELLA PASSIDOMO

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

APPEARANCES:

MARIA JOSE MONCADA and JOEL BAKER, ESQUIRES, 700 Universe
Boulevard, Juno Beach, Florida 33408-2863
On behalf of FLORIDA POWER & LIGHT COMPANY (FPL).

DIANNE M. TRIPLETT, ESQUIRE, 299 First Avenue North, St. Petersburg,
Florida 33701 and MATTHEW R. BERNIER, and STEPHANIE CUELLO
ESQUIRES, 106 East College Avenue, Suite 800, Tallahassee, Florida 32301
On behalf of DUKE ENERGY FLORIDA, LLC (DEF).

MALCOLM N. MEANS, J. JEFFRY WAHLEN, and VIRGINIA PONDER
ESQUIRES, Post Office Box 391, Tallahassee, Florida 32302
On behalf of TAMPA ELECTRIC COMPANY (TECO).

RICHARD GENTRY, CHARLES REHWINKEL, PATRICIA A.
CHRISTENSEN, STEPHANIE A. MORSE, and, MARY A. WESSLING,
ESQUIRES, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-
1400
On behalf of OFFICE OF PUBLIC COUNSEL (OPC).

JON C. MOYLE, JR. and KAREN PUTNAL, ESQUIRES, 118 North Gadsden
Street, Tallahassee, Florida 32312
On behalf of FLORIDA INDUSTRIAL POWER USERS GROUP (FIPUG).

JAMES W. BREW, and LAURA WYNN BAKER, ESQUIRES, 1025 Thomas Jefferson Street, NW, Eighth Floor, West Tower, Washington, D.C. 20007

On behalf of White Springs Agricultural Chemicals, Inc. d/b/a PCS Phosphate – White Springs (PCS).

PETER J. MATTHEIS, MICHAEL K. LAVANGA, and JOSEPH R. BRISCAR, ESQUIRES, 1025 Thomas Jefferson Street, NW, Eighth Floor, West Tower, Washington D.C. 20007

On behalf of Nucor Steel Florida, Inc. (NUCOR).

JACOB IMIG, ESQUIRE and ADRIA HARPER, 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.

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 the Florida Public Service Commission's (Commission) continuing Environmental Cost Recovery Clause (ECRC) proceeding, undertaken pursuant to Section 366.8255, Florida Statutes (F.S.), a hearing was held in this Docket on November 17, 2022. The ECRC proceeding allows investor-owned electric utilities to seek recovery of their costs for approved environmental programs on an annual basis.

DECISION

We approve the Type 2¹ stipulations for all issues except Issue 11, as set forth below, as reasonable and supported by competent and substantial evidence. Duke Energy Florida, LLC (DEF), Florida Power & Light Company (FPL), Tampa Electric Company (TECO), and Commission staff supported the proposed stipulations. The Office of Public Counsel (OPC) took no positions on the issues. The OPC position on each Type 2 stipulation is as follows:

¹ A Type 2 stipulation occurs on an issue when the utility and the staff, or the utility and at least one party adversarial to the utility, agree on the resolution of the issue and the remaining parties (including staff if they do not join in the agreement) do not object to the Commission relying on the agreed language to resolve that issue in a final order.

OPC takes no position on these issues nor does it have the burden of proof related to them. As such, the OPC represents that it will not contest or oppose the Commission taking action approving a proposed stipulation between the Company and another party or staff as a final resolution of the issue. No person is authorized to state that the OPC is a participant in, or party to, a stipulation on these issues, either in this docket, in an order of the Commission, or in a representation to a Court.

Florida Industrial Power Users Group (FIPUG), White Springs Agricultural Chemicals, Inc. d/b/a PCS Phosphate – White Springs (PCS Phosphate, and Nucor Steel Florida, Inc. (Nucor) have adopted the position of OPC on each Type 2 stipulation.

Generic Issues

- 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

- 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

- 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

- 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

- 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.

- 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 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 - 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%

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:

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

DEF:

RATE CLASS	ECRC FACTORS
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:

Rate Class	Factors by Voltage Level (cents/kWh)
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

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.

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

Florida Power & Light Company Specific Issues:

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. Capital costs incurred in the future, if any, should be allocated on a 12CP&1/13 basis.

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.

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 Martin 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.

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.

Duke Energy Florida, LLC:

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.

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.

FPL's Combustion Turbine National Emission Standards for Hazardous Air Pollutants Project

The sole remaining issue, Issue 11, is whether we should approve FPL's Combustion Turbine National Emission Standards for Hazardous Air Pollutants Project for cost recovery through the Environmental Cost Recovery Clause.

At the hearing held on November 17, 2022, FPL presented the testimony of witness Katherine MacGregor to provide support for FPL's Combustion Turbine National Emission Standards for Hazardous Air Pollutants Project. FPL witness MacGregor was cross-examined by OPC and FIPUG. The parties waived the filing of briefs on Issue 11, and instead gave closing arguments.

During closing arguments, OPC conceded that FPL's Combustion Turbine National Emission Standards for Hazardous Air Pollutants Project met the requirements for cost recovery through the ECRC, but expressed concerns about potential future capital costs of the project being potentially approved without a prudence determination by us. Similarly, FIPUG warned against prospective rate making by this Commission pre-approving future costs arising from the project. FIPUG was concerned about this Commission binding actions of future Commissions.

FPL argued in its closing argument that its Combustion Turbine National Emission Standards for Hazardous Air Pollutants Project was eligible for cost recovery through the ECRC, that it should be approved, and that this Commission maintains its oversight responsibility to determine the prudence of future costs arising from this project.

We find that FPL's new project meets the Commission's criteria and is eligible for ECRC recovery. This is consistent with Order No. PSC-2022-0286-PAA-EI approving a similar project for TECO, and DEF's National Emission Standards for Hazardous Air Pollutants Project, for which the parties reached a Type 2 Stipulation in this docket. In addition, FPL testified that its combustion turbines meet the emission standards and the utility will not need to install any capital equipment at this time. Operation and maintenance (O&M) expenses are projected to be approximately \$114,000 for annual testing.

In summary, we find that there is sufficient evidence in the record to support approval of the proposed project being eligible for cost recovery through the ECRC. FPL, like all utilities, has the burden of proof to demonstrate that the proposed compliance activities are the most cost-effective alternative available. As discussed earlier, any future project costs will be reviewed by this Commission on an annual basis in the ECRC docket to determine the prudence and reasonableness of costs requested for recovery. Said another way, if we find that this project is eligible for the ECRC today, that does not mean that all future costs associated with this project are pre-approved for recovery, nor does it mean that all costs associated with this project will automatically be determined to be prudent in future clause proceedings.

Docket to Remain Open

While a separate docket number is assigned each year, this is a continuing docket and shall remain open for administrative convenience.

Based on the foregoing, it is

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

ORDERED that Florida Power and Light Company's Combustion Turbine National Emission Standards for Hazardous Air Pollutants Project is approved for cost recovery through the Environmental Cost Recovery Clause. 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 2023. The first billing cycle may start before January 1, 2023, 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 14th day of December, 2022.



ADAM J. TEITZMAN
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

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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.