

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Environmental Cost)
Recovery Clause)

DOCKET NO. 100007-EI
FILED: September 13, 2010

FLORIDA POWER & LIGHT COMPANY'S
PRELIMINARY LIST OF ISSUES AND POSITIONS

1. What are the final environmental cost recovery true-up amounts for the period ending December 31, 2009?

FPL: \$4,500,429 over-recovery. (KEITH)

2. What are the estimated/actual environmental cost recovery true-up amounts for the period January 2010 through December 2010?

FPL: \$35,697,142 over-recovery. (KEITH)

3. What are the projected environmental cost recovery amounts for the period January 2011 through December 2011?

FPL: \$174,762,078. (KEITH)

4. What are the environmental cost recovery amounts, including true-up amounts, for the period January 2011 through December 2011?

FPL: The total environmental cost recovery amount, adjusted for prior period true-up amounts and revenue taxes, is \$134,661,393. (KEITH)

5. What depreciation rates should be used to develop the depreciation expense included in the total environmental cost recovery amounts for the period January 2011 through December 2011?

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. (KEITH)

6. What are the appropriate jurisdictional separation factors for the projected period January 2011 through December 2011?

FPL: Retail Energy Jurisdictional Factor 98.02710%
Retail CP Demand Jurisdictional Factor 98.03105%
Retail GCP Demand Jurisdictional Factor 100.00000% (KEITH)

7. What are the appropriate environmental cost recovery factors for the period January 2011 through December 2011 for each rate group?

FPL: <u>Rate Class</u>	Environmental Recovery <u>Factor (\$/kWh)</u>
RS1/RST1	.00143
GS1/GST1	.00138
GSD1/GSDT1/HLFT1 (21-499 kW)	.00123
OS2	.00137
GSLD1/GSLDT1/CS1/CST1/HLFT2 (500-1,999 kW)	.00119
GSLD2/GSLDT2/CS2/CST2/HLFT3 (2,000 kW+)	.00108
GSLD3/GSLDT3/CS3/CST3	.00102
ISST1D	.00127
ISST1T	.00078
SST1T	.00078
SST1D1/SST1D2/SST1D3	.00127
CILC D/CILC G	.00106
CILC T	.00098
MET	.00126
OL1/SL1/PL1	.00063
SL2/GSCU1	.00099
	(KEITH)

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

FPL: The factors should be effective beginning with the specified environmental cost recovery cycle and thereafter for the period January 2011 through December 2011, or until modified by the Commission. Billing cycles may start before January 1, 2011 and the last cycle may be read after December 31, 2011, so that each customer is billed for twelve months regardless of when the adjustment factor became effective. (KEITH)

COMPANY-SPECIFIC ISSUES

A. Should FPL be allowed to recover the costs associated with its proposed St. Lucie Turtle Net - Update Project?

FPL: Yes. The Incidental Take Statement contained in the Endangered Species Act Section 7 Biological Opinion, issued to Florida Power & Light (FPL) on May 4, 2001 by the National Marine Fisheries Service (NMFS) limits the number of lethal turtle takings FPL is permitted at its St. Lucie Power Plant. Also, Appendix B of the Facility Operating License for St. Lucie Unit 2, which was granted to FPL by the United States Nuclear Regulatory Commission (NRC), requires FPL to maintain a specified net system and

to limit lethal takes of sea turtles to prescribed levels. As a result of an unforeseen intrusion in 2009 of large quantities of algae that damaged the existing net support structure, FPL must create a more robust barrier structure in order to remain in compliance with Appendix B to the Facility Operating License. The costs for the St. Lucie Turtle Net - Update Project should be recovered in the same manner as costs for the St. Lucie Turtle Net Project are currently recovered. (KEITH, LABAUVE)

B. Should FPL be allowed to recover the costs associated with its proposed Martin Plant Barley Barber Swamp Iron Project?

FPL: Yes. Administrative Order AO-15-TL (AO) issued by the Florida Department of Environmental Protection as part of FPL's Martin Plant Industrial Wastewater Facility Permit No. FL0030988, requests that FPL conduct an engineering evaluation of methods for meeting the water quality standard at the outfall of the Martin Plant Barley Barber Swamp (BBS). The AO also requires FPL to comply with the Class III Fresh Water quality standard for iron and establishes an interim limitation of 4.8 mg/L, which will expire on June 11, 2011, the compliance deadline for the AO. From the compliance date forward, FPL will be required to maintain the iron levels at the BBS at or below 1.0 mg/L. Because of the engineering evaluation conducted at the BBS, FPL has determined that the BBS was above the allowable iron levels. For FPL to comply with the new requirements set forth by the AO it must turn the existing flow away from the BBS and back into the Martin plant's cooling pond. In order to achieve this, FPL plans to engineer and install a siphon and a new discharge piping system. (LABAUVE)

C. How should the costs associated with FPL's proposed Martin Plant Barley Barber Swamp Iron Project be allocated to the rate classes?

FPL: Capital and O&M costs for FPL's proposed Martin Plant Barley Barber Swamp Iron Project should be allocated to the rate classes on an average 12 CP demand basis. (KEITH)

D. Should FPL be allowed to recover the costs associated with its proposed 800 MW Unit ESP Project?

FPL: Yes. FPL expects that the MACT Rule will require Electrostatic Precipitators (ESPs) at its 800 MW units (Martin Units 1 and 2 and Manatee Units 1 and 2) if FPL wants to retain the option of burning a high percentage of fuel oil in those units. The proposed 800 MW Unit ESP Project (referred to in FPL's testimony and exhibits as the 800 MW Units MACT Compliance Project) consists of installing ESPs at each of the four 800 MW units. Without ESPs, FPL expects that it would only be permitted to burn a very low percentage of oil in the 800 MW units (likely

in the range of 10%), whereas FPL must burn at least 70% oil in order to achieve the full output of those units. Operating the 800 MW units on the fuel mix that would be permissible without ESPs would cause FPL to lose almost 1,000 MW of available generating capacity to serve customer load in peak periods, which would require FPL to add a comparable amount of expensive incremental capacity to its system. Additionally, retaining the option to burn a high percentage of oil in the 800 MW units would help maintain fuel diversity and hedge against natural gas supply and cost, provide greater reliability for FPL's electric generating system and reduce fuel costs to customers. (LABAUVE)

E. How should the costs associated with FPL's proposed 800 MW Unit ESP Project be allocated to the rate classes?

FPL: Capital costs for the 800 MW Units MACT Compliance Project should be allocated to the rate classes on an average 12 CP demand basis. Operating and maintenance costs should be allocated to the rate classes on an energy basis. (KEITH)

F. Should FPL be allowed to recover the costs associated with its proposed CAIR and CAMR Compliance - Update Project?

FPL: Yes. As a result of the installation of the baghouse, scrubber and selective catalytic reduction system on Scherer Unit 4 to comply with the CAIR and Georgia Multipollutant Rule requirements, approximately 35 MW of generation output is lost to station service. The upgrade to the steam turbine will substantially offset the additional parasitic loads imposed by the pollution control equipment at a cost of \$5 million to \$7 million and will result in fuel savings of approximately \$240 million on a net present value basis. (LABAUVE)

G. Should FPL submit to the Commission monthly schedules to report the operation status of its three Next Generation Solar Energy Centers?

FPL: FPL has no objection to submitting data monthly on the costs and output of the three Next Generation Solar Energy Centers. Staff has also requested FPL to provide information on the reduction in conventional fuel consumption by type and the emission reductions resulting from the output of the solar projects. This information is not directly ascertainable from operating data on the solar project or that FPL maintains in the ordinary course of business. Rather, the information must be projected based on simulated comparisons of operating FPL's system with and without the solar projects. Due to the output characteristics of the solar projects, these simulated comparisons are extremely time-consuming to prepare and thus are not realistically feasible for monthly reporting. FPL is endeavoring to identify a mechanism to provide accurate

approximations of the solar projects' impact on fuel consumption and emissions that could be prepared and provided monthly. (KEITH)

H. Should the Commission approve FPL's updated Clean Air Interstate Rule (CAIR), Clean Air Mercury Rule (CAMR) and Clean Air Visibility Rule (CAVR) / Best Available Retrofit Technology (BART) Projects that are reflected in FPL's April 1, 2010, supplemental filing as reasonable and prudent?

FPL: Yes. As discussed in more detail below, completion of the CAIR, CAMR and CAVR/BART compliance activities are required by existing air-emission rules and the project costs are reasonable and prudent.

CAIR. On December 23, 2008 the United States Circuit Court of Appeals for the District of Columbia Circuit (the Court) issued an opinion on rehearing of the July 11, 2008 opinion vacating EPA's CAIR. The new opinion remanded CAIR to the EPA without vacatur, instructing EPA to remedy CAIR's flaws in accordance with the Court's July 11 opinion. EPA has indicated that it plans to propose a new CAIR rule by Spring 2010. Because the Court did not vacate CAIR, FPL must continue to comply with its current requirements. Performance and acceptance testing has been completed for the Selective Catalytic Reduction System (SCR) at St. Johns River Power Park (SJRPP) Unit 1 and was placed into service in July 2009. Installation and testing of the SCR for SJRPP Unit 2 was completed earlier with the SCR being placed into service in January 2009. Installation of Scrubber and SCR for Scherer Unit 4 will be completed in 2012 and the installation of the support steel for the SCR is in progress. In addition, the 800 MW Cycling Project for Manatee Units 1 and 2 and Martin Units 1 and 2, are currently providing annual and ozone season reductions in NOx emissions that are needed to comply with CAIR, additionally substantial fuel savings are provided to customers by allowing these large units to cycle off-line more frequently when not needed for system load. Projected fuel savings associated with the 800 MW Cycling Project are \$2.9 billion over the life of the project. Finally, to keep in compliance with the CAIR FPL has installed and tested the Low Mass Emitting (LME) Continuous Emissions Monitoring Systems (CEMS). They are now in operation at the Fort Myers, Port Everglades and Fort Lauderdale Gas Turbine Parks, as required by the CAIR. Testing of the GT CEMS is required every five years at current operating conditions to maintain certification of the monitoring systems.

On July 6, 2010, EPA made public its proposed Transport Rule in response to the remand of CAIR by the U.S. Court of Appeals for the District of Columbia in December 2008. The Court's instructions to EPA included direction to remove the Fuel Adjustment Factors, which had been challenged by FPL as beyond EPA's authority. EPA proposes that the

Transport Rule be implemented on January 1, 2012 to comply with statutory requirements for implementation of several National Ambient Air Quality Standards (NAAQS). Until that date, EPA proposes to leave the existing CAIR compliance requirements in place to temporarily preserve the environmental benefits addressed by CAIR. FPL is currently evaluating impacts to its EGUs from the Transport Rule if promulgated as currently proposed. FPL must continue to comply with CAIR until the Transport Rule becomes effective on January 1, 2012. Some of FPL's activities in the CAIR Compliance Project, including construction and implementation of SCRs and FGDs at Scherer Unit 4 are required under state regulations and must continue regardless of changes that result from implementation of the Transport Rule. Additionally, installation of the pollution controls currently underway on Scherer Unit 4 would satisfy requirements for additional emission reductions that are proposed in the second phase of the Transport Rule.

CAMR. The Court's order vacating CAMR also rejected EPA's delisting of coal-fired Electric Generating Units (EGUs) from the list of emission sources that are subject to section 112 of the Clean Air Act. Therefore, in lieu of CAMR, EPA must define Maximum Available Control Technology (MACT) for control of mercury (Hg) emissions on coal-fired EGUs. In addition to implementation of CAIR and CAMR rulemaking in Georgia, the state developed and implemented a Georgia Multi-Pollutant rule requiring installation of NO_x, SO₂ and Mercury controls on coal-fired power plants within the state. FPL is in the process of installing Hg controls on Plant Scherer Unit 4 in order to comply with the Georgia Multi-Pollutant Rule. FPL believes that these controls will meet any subsequent MACT requirements adopted by EPA. For the SJRPP units, FPL and majority owner JEA, planned to comply with Phase I of the CAMR through the co-benefits from the operation of the SCRs that are being installed to comply with CAIR, so there are no separate Hg emission controls. FPL will evaluate the future mercury control requirements for Plant Scherer and SJRPP as the EPA reviews its MACT control options in response to the CAMR vacature. FPL and JEA will evaluate the appropriate technology for implementation at SJRPP to comply with a future mercury reduction requirement.

CAVR. At the conclusion of successful negotiations with the FDEP regarding Turkey Point Fossil Units 1 and 2 (PTF 1 and 2), the FDEP accepted FPL's proposed plan to comply with the BART requirements under the Regional Haze program. In order for FPL to remain in compliance with its agreement with the FDEP it must continue to move forward to meet the conditions set forth in the permit issued by FDEP on April 14, 2009. In addition to the compliance requirement under the BART rule, FPL will take actions to remain in compliance with FDEP's Regional Haze rule 62-296.341, Reasonable Progress Control Technology

(RPCT), which requires that an electric utility unit which had a “Significant Contribution to Regional Haze”, as evidenced by SO2 emissions in 2002 to address visibility impacts to the Class 1 areas. In 2007 FPL identified six generating units which it had determined are subject to the RPCT requirements. Although there are no projected costs to comply with RPCT in 2010, FPL may incur costs in subsequent years to comply with RPCT. (LABAUVE)

WITNESSES AND SUBJECT MATTER

WITNESS	SPONSOR	SUBJECT MATTER	EXHIBIT
T.J. KEITH	FPL	ECRC Final True-up for January through December 2009	TJK-1
		ECRC Estimated/Actual True-up for January through December 2010	TJK-2
		ECRC projections for January through December 2011	TJK-3
R.R. LABAUVE	FPL	Proposed design of new barrier structure	RRL-1
		EPA Transport Rule Fact Sheet	RRL-2
		Environmental Protection Agency – Proposed Consent Decree, Clean Air Citizen Suit, October 28, 2009	RRL-3
		EPA’s January 30, 2004 proposed National Emission Standards for Hazardous Air Pollutants (NESHAP) 40 CFR Parts 60 and 63	RRL-4
		FPL Letter to FDEP regarding Martin Plant Industrial Wastewater Facility Permit No. FL 0030988 – Administrative Order AO-15-TL – Engineering Feasibility Study Report dated July 16, 2009	RRL-5

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CERTIFICATE OF SERVICE

Docket No. 100007-EI

I HEREBY CERTIFY that a true and correct copy of Florida Power & Light Company's Preliminary List of Issues and Positions has been furnished by electronic delivery on September 13, 2010 to the following:

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