

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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COMMISSION
CLERK

DATE: November 18, 2015

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Higgins) *DH*
Office of the General Counsel (Villafrate) *WBMV*
WJC

RE: Docket No. 150208-EI – Petition for base rate reduction reflecting end of amortization period for retired plant, by Florida Power & Light Company.

AGENDA: 12/03/15 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brisé

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On September 18, 2015, Florida Power and Light Company (FPL or company) filed a petition to reduce its jurisdictional annual revenue requirement by \$222,192 in accordance with the Nuclear Cost Recovery (NCR) process set forth in Section 366.93, Florida Statutes (F.S.). FPL states that this proposed revenue requirement reduction reflects the end of the Commission-authorized five-year amortization of the true-up of the final net book value of plant retired in 2009, as well as the actual/estimated net book value of plant retired in 2010, associated with FPL's Extended Power Uprate Project (EPU).¹ The amortization for both of these costs began in March 2011. FPL is requesting to implement its revised annual revenue requirement on March 1, 2016.

¹ Order No. PSC-08-0021-FOF-EI, issued January 7, 2008, Docket No. 070602-EI, In re: Petition for determination of need for expansion of Turkey Point and St. Lucie nuclear power plants, for exemption from Bid Rule 25-22.082, Florida Administrative Code (F.A.C.), and for cost recovery through the Commission's Nuclear Power Plant Cost Recovery Rule, Rule 25-6.0423, F.A.C.

In 2006, the Florida Legislature adopted legislation, Section 366.93, F.S., encouraging the development of nuclear energy in the state. In that section, the Legislature directed the Commission to adopt rules providing for alternative cost recovery mechanisms that would encourage investor-owned electric utilities to invest in nuclear power plants. The Commission adopted Rule 25-6.0423, Florida Administrative Code (F.A.C.), which provides for an annual cost recovery proceeding to consider investor-owned utilities' requests for cost recovery for nuclear plants.

By Order No. PSC-08-0021-FOF-EI,² the Commission made an affirmative determination of need for FPL's proposed EPU project to expand all four of its nuclear units: Turkey Point Units 3 and 4 and St. Lucie Units 1 and 2. Staff notes this work has been performed and all four EPU projects are complete.

Pursuant to Rule 25-6.0423(8)(e), F.A.C.,³ FPL requested to increase its base rates in 2009 to recover the costs of assets retired that same year because of the EPU Project. The Rule states:

The jurisdictional net book value of any existing generating plant that is retired as a result of operation of the power plant shall be recovered through an increase in base rate charges over a period not to exceed 5 years. At the end of the recovery period, base rates shall be reduced by an amount equal to the increase associated with the recovery of the retired generating plant.

By Order No. PSC-10-0207-PAA-EI,⁴ the Commission authorized FPL to increase its base rates for recovering costs associated with the turbine gantry crane phase of the EPU project at St. Lucie Unit 2. This authorization and approval was subject to true-up and revision based on a final review of the associated expenditures in the Nuclear Cost Recovery Clause, Docket No. 100009-EI.

By Order No. PSC-11-0078-PAA-EI⁵ the Commission approved FPL's request for a 5-year amortization to recover the net book value of retired plant related to the company's EPU Project in the amount of \$198,307 (jurisdictional). Order No. PSC-11-0078-PAA-EI also directed the company to include the true-up revision required by Order No. PSC-10-0207-PAA-EI. This true-up resulted in an additional increase to base rates of \$48,335. Of this amount \$23,885 related to recovery of retirement, removal, and salvage of plant equipment costs under Rule 25-

² Ibid.

³ Rule 25-6.0423, F.A.C., Nuclear or Integrated Gasification Combined Cycle Power Plant Cost Recovery, was last amended on 1/29/2014. The Rule amendment occurred subsequent to FPL's petition in Docket No. 100419-EI. In its petition, FPL requested, and the Commission ultimately ordered in Order No. PSC-11-0078-PAA-EI, recovery under Rule 25-6.0423(7), F.A.C. Due the January 2014 amendment, Rule 25-6.0423(7), F.A.C., was re-numbered to Rule 25-6.0423(8), F.A.C. Staff refers to the current numbering of Rule 25-6.0423, F.A.C., throughout this recommendation, however, has left intact the original docket names/references in footnotes.

⁴ Order No. PSC-10-0207-PAA-EI, issued April 5, 2010, in Docket No. 090529-EI, In re: Petition to include costs associated with the extended power uprate project in base rates, by Florida Power & Light Company.

⁵ Order No. PSC-11-0078-PAA-EI, issued January 31, 2011, in Docket No. 100419-EI, In re: Petition for approval of base rate increase for extended power uprate systems placed in commercial service, pursuant to Section 366.93(4), F.S., and Rules 25-6.0423(7) and 28-106.201, F.A.C., by Florida Power & Light Company.

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6.0423(8)(e), F.A.C., was set for 5-year amortization. The combined amount of \$198,307 and \$23,885, or \$222,192, began being amortized March 1, 2011.⁶ The company now requests authorization in the instant docket to reflect conclusion of the amortization by reducing its annual revenue requirement by \$222,192.

The Commission has jurisdiction over these matters through several provisions of Chapter 366, F.S., including Sections 366.05 and 366.06, F.S.

⁶ Ibid.

Discussion of Issues

Issue 1: Should the Commission approve FPL's request to decrease its annual revenue requirement by \$222,192 to reflect the conclusion of the 5-year asset amortization, which began in March 2011, for recovery of assets retired in 2009 and 2010 because of the company's EPU project?

Recommendation: Yes. The Commission should approve FPL's request to decrease its annual revenue requirement by \$222,192 to reflect the conclusion of the 5-year asset amortization, which began in March 2011, for recovery of assets retired in 2009 and 2010 because of the company's EPU project. (Higgins)

Staff Analysis: By Order No. PSC-11-0078-PAA-EI,⁷ the Commission approved FPL's request to increase its base rates by \$222,192 for the 5-year asset amortization, which began in March 2011, for recovery of assets retired in 2009 and 2010 because of the company's EPU project. FPL's petition in this docket requesting the Commission approve a decrease of its annual revenue requirement by \$222,192 is consistent with that order.

Due to the pending conclusion of the 5-year amortization period, staff recommends the Commission approve FPL's request to reduce its revenue requirement by \$222,192. If approved, staff notes that FPL's newly revised revenue requirement will not require any tariff revisions, or change in rates, due to the minimal decrease when appropriately allocated across all of FPL's rate classes.⁸ A summary of FPL's proposed revised annual revenue requirement allocated across all rate classes is contained on Attachment B to its petition, which as previously mentioned lists no change in rates for all customer classes.

Conclusion

Staff recommends the Commission approve FPL's request to decrease its annual revenue requirement by \$222,192 to reflect the conclusion of the 5-year asset amortization, which began in March 2011, for recovery of assets retired in 2009 and 2010 because of the company's EPU project.

⁷ Order No. PSC-11-0078-PAA-EI, issued January 31, 2011, in Docket No. 100419-EI, In re: Petition for approval of base rate increase for extended power uprate systems placed in commercial service, pursuant to Section 366.93(4), F.S., and Rules 25-6.0423(7) and 28-106.201, F.A.C., by Florida Power & Light Company.

⁸ The total revenue requirements were allocated based on the nuclear revenue requirements in the Cost of Service Study approved by Order No. PSC-13-0023-S-EI, issued January 14, 2013, in Docket No. 120015-EI, In re: Petition for increase in rates by Florida Power & Light Company.

Issue 2: What is the effective date of FPL's revised revenue requirement?

Recommendation: If the Commission approves the staff recommendation in Issue 1, the revised revenue requirement for FPL should be implemented beginning March 1, 2016. (Higgins)

Staff Analysis: By Order No. PSC-11-0078-PAA-EI⁹ the Commission approved FPL's request to increase its base rates for a period of 5 years via amortization to recover the net book value of retiring plant related to the Company's EPU Project. The 5-year amortization period began March 1, 2011. Under Commission rule,¹⁰ the net book value of any existing generating plant that is retired shall be recovered through an increase in base rate charges over a period not to exceed 5 years. Staff notes that the five-year period from inception ends March 1, 2016, which is also the date FPL is requesting to implement its revised revenue requirement. Therefore, staff believes the appropriate date for FPL to revise its revenue requirement by \$222,192 is March 1, 2016.

Conclusion

If the Commission approves the staff recommendation in Issue 1, the revised revenue requirement for FPL should be implemented beginning March 1, 2016.

⁹ Order No. PSC-11-0078-PAA-EI, issued January 31, 2011, in Docket No. 100419-EI, In re: Petition for approval of base rate increase for extended power uprate systems placed in commercial service, pursuant to Section 366.93(4), F.S., and Rules 25-6.0423(7) and 28-106.201, F.A.C., by Florida Power & Light Company.

¹⁰ Rule 25-6.0423(8)(e), F.A.C.

Issue 3: Should this docket be closed?

Recommendation: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order. (Villafrate)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order.