

State of Florida



Public Service Commission

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JS
MCB

DATE: April 26, 2012

TO: Office of Commission Clerk (Cole)

FROM: Division of Economic Regulation (Slemkewicz) *JS*
Office of the General Counsel (Young, Brown, Klancke, Harris) *MCB*

RE: Docket No. 120015-EI – Petition for increase in rates by Florida Power & Light Company.

AGENDA: 05/08/12 – Regular Agenda – Decision on Suspension of Rates – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Graham

CRITICAL DATES: 05/18/12 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\120015.RCM.DOC

Case Background

This proceeding commenced on March 19, 2012, with the filing of a petition for a permanent rate increase by Florida Power & Light Company (FPL or Company). The Company is engaged in business as a public utility providing electric service as defined in Section 366.02, Florida Statutes (F.S.), and is subject to the jurisdiction of the Commission. FPL provides electric service to more than 4.5 million retail customers in all or parts of 35 Florida counties.

FPL has requested an increase in its retail rates and charges to generate \$516.5 million in additional gross annual revenues, effective January 2, 2013. This increase would allow the Company to earn an overall rate of return of 7.00 percent or an 11.50 percent return on equity (ROE) which includes a 25 basis point ROE performance adder. The Company based its request

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on a projected test year ending December 31, 2013. FPL stated that this test year is the appropriate period to be utilized because it best represents expected future operations in the period immediately after any new base rates go into effect. FPL has also requested a \$173.9 million base rate step increase for the Canaveral Modernization Project effective upon the commercial in-service date of the unit (projected to be June 1, 2013). In total, the Company is requesting a \$690.4 million base rate increase. It is estimated that the monthly base rate would increase by \$6.97 for a typical residential customer. However, FPL projects that the monthly total bill increase would be \$2.48 due to lower fuel costs and other reductions. FPL did not request any interim rate relief.

In FPL's most recent base rate proceeding in Docket No. 080677-EI, the Commission authorized a \$75.5 million base rate increase¹ and approved a subsequent stipulation and settlement agreement.² The agreement provided that retail base rates, with certain exceptions, would be frozen through the last billing cycle in December 2012.

The Office of Public Counsel, Florida Industrial Power Users Group, Florida Retail Federation, and South Florida Hospital and Healthcare Association have intervened in this proceeding. In addition, Mr. John W. Hendricks and Mr. and Mrs. Daniel R. and Alexandria Larson have intervened in this proceeding as individual FPL ratepayers. Mr. Thomas Saporito also has filed a petition to intervene in this docket. A hearing has been scheduled for August 20-24 and 27-31, 2012.

This recommendation addresses the suspension of the requested permanent rate increase. The Commission has jurisdiction over this matter pursuant to Sections 366.06(2) and (4), F.S.

¹ See Order No. PSC-10-0153-FOF-EI, issued March 17, 2010, in Docket No. 080677-EI, In re: Petition for increase in rates by Florida Power & Light Company.

² See Order No. PSC-11-0089-S-EI, issued February 1, 2011, in Docket No. 080677-EI, In re: Petition for increase in rates by Florida Power & Light Company.

Discussion of Issues

Issue 1: Should Florida Power & Light Company's request for a \$516.5 million permanent base rate increase, a \$173.9 million base rate step increase, and the associated tariff revisions be suspended pending a final decision in this docket?

Recommendation: Yes. The \$516.5 million permanent base rate increase, the \$173.9 million base rate step increase, and the associated tariff revisions requested by Florida Power & Light Company should be suspended pending a final decision in this docket. (Slemkewicz)

Staff Analysis: FPL filed its petition, testimony, and minimum filing requirements on March 19, 2012. The Company has requested a total permanent base rate increase of \$516.5 million based on a projected test year ending December 31, 2013. In addition, FPL has requested a \$173.9 million base rate step for the Canaveral Modernization Project effective upon the commercial in-service date of the unit (projected to be June 1, 2013).

Historically, the Commission has suspended requested permanent rate schedules in order to adequately and thoroughly examine the basis for the new rates. The suspension of the rate increase is authorized by Section 366.06(3), F.S., which provides:

Pending a final order by the commission in any rate proceeding under this section, the commission may withhold consent to the operation of all or any portion of the new rate schedules, delivering to the utility requesting such increase, within 60 days, a reason or written statement of good cause for withholding its consent.

Staff recommends that the Commission suspend the requested permanent rate schedules to allow staff and any intervenors sufficient time to adequately investigate whether the request for permanent rate relief is appropriate.

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Issue 2: Should this docket be closed?

Recommendation: No, this docket should remain open to process the Company's revenue increase request. (Young, Brown, Klancke, Harris)

Staff Analysis: This docket should remain open pending the Commission's final resolution of the Company's requested permanent base rate increase.