

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for base rate increase for extended power uprate systems placed in commercial service by Florida Power & Light Company.

DOCKET NO. 130245-EI
ORDER NO. PSC-14-0024-PAA-EI
ISSUED: January 10, 2014

The following Commissioners participated in the disposition of this matter:

RONALD A. BRISÉ, Chairman
LISA POLAK EDGAR
ART GRAHAM
EDUARDO E. BALBIS
JULIE I. BROWN

NOTICE OF PROPOSED AGENCY ACTION
ORDER GRANTING FLORIDA POWER & LIGHT COMPANY'S PETITION FOR BASE
RATE INCREASE FOR EXTENDED POWER UPRATE SYSTEMS

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

Background

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

By Order No. PSC-08-0021-FOF-EI,¹ we made an affirmative determination of need for Florida Power & Light Company's (FPL) Extended Power Uprate (EPU) project. The EPU

¹See Order No. PSC-08-0021-FOF-EI, issued January 7, 2008, in 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, F.A.C., and for cost recovery through the Commission's Nuclear Power Plant Cost Recovery Rule, Rule 25-6.0423, F.A.C.

project involved FPL's four nuclear units located at two nuclear generating plant sites in Florida: Turkey Point Units 3 and 4, and St. Lucie Units 1 and 2. The EPU projects have gone into commercial service at various points in time, with the majority of the costs going into plant in service when the modifications were completed in 2012 and 2013.

On October 4, 2013, FPL filed a petition to increase its base rates by the \$94,064,105 revenue requirements associated with the uprate of Turkey Point Unit 4 pursuant to Rule 25-6.0423(7), F.A.C. Furthermore, FPL has requested a base rate decrease of \$917,671 associated with the 5-year amortization of existing assets that are being retired during 2013 pursuant to Rule 25-6.0423(7)(e), F.A.C. FPL has also included a \$19,142,379 true-up of the 2012 base rate revenue requirement for the 2012 modifications made at the St. Lucie and Turkey Point nuclear units. In total, FPL has requested a net base rate increase of \$113,206,484. This represents a base rate increase of \$1.14 per month on a typical 1,000 kWh residential bill.

We have jurisdiction over this subject matter pursuant to Section 366.93, F.S., and other provisions of Chapter 366, F.S.

Decision

Base Rate Increase

FPL has requested approval to increase its base rates by \$94,064,105 for the EPU project modifications at Turkey Point Unit 4 that went into service during 2013.

Rule 25-6.0423(7), F.A.C., states the following:

(7) Commercial Service. As operating units or systems associated with the power plant and the power plant itself are placed in commercial service:

(a) The utility shall file a petition for Commission approval of the base rate increase pursuant to Section 366.93(4), F.S., separate from any cost recovery clause petitions, that includes any and all costs reflected in such increase, whether or not those costs have been previously reviewed by the Commission; provided, however, that any actual costs previously reviewed and determined to be prudent in the Capacity Cost Recovery Clause shall not be subject to disallowance or further prudence review except for fraud, perjury, or intentional withholding of key information.

(b) The utility shall calculate the increase in base rates resulting from the jurisdictional annual base revenue requirements for the power plant in conjunction with the Capacity Cost Recovery Clause projection filing for the year the power plant is projected to achieve commercial operation. The increase in base rates will be based on the annualized base revenue requirements for the power plant for the first 12 months of operations consistent with the cost projections filed in conjunction with the Capacity Cost Recovery Clause projection filing.

(c) At such time as the power plant is included in base rates, recovery through the Capacity Cost Recovery Clause will cease, except for the difference between actual and projected construction costs as provided in subparagraph (5)(c)4.

above.

(d) The rate of return on capital investments shall be calculated using the utility's most recent actual Commission adjusted basis overall weighted average rate of return as reported by the utility in its most recent Earnings Surveillance Report prior to the filing of a petition as provided in paragraph (7)(a). The return on equity cost rate used shall be the midpoint of the last Commission approved range for return on equity or the last Commission approved return on equity cost rate established for use for all other regulatory purposes, as appropriate.

(e) 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.

In compliance with Rule 25-6.0423(7), F.A.C., FPL submitted its calculation of the annualized base rate revenue requirements for the EPU project modifications for the first 12 months of operations. This calculation is shown in FPL's response to Commission staff's data request (See Schedule No. 1). In the process of completing its responses to Commission staff discovery, FPL identified certain adjustments to its projections, the transmission jurisdictional separation factor, the amount of salvage, and a work order error that resulted in a net increase of \$171,206 to the requested 2013 base rate revenue requirement. We have reviewed FPL's revised calculation of the jurisdictional annual revenue requirement. We find the revised annual revenue requirement of \$94,235,311 has been calculated in compliance with Rule 25-6.0423(7), F.A.C., and it is approved.

The 2013 expenditures related to the EPU project modifications are subject to review in the NCRC. A final determination of the reasonableness and prudence of the 2013 expenditures will be made during 2014. Based on FPL's revised calculations, the increase in Electric Plant in Service included in the calculation is \$738,740,557 (\$703,304,266 jurisdictional), net of joint owners. If the \$738,740,557 amount is revised based on a final audit and review of the 2013 expenditures, the annual revenue requirement will have to be recalculated. This would require a true-up of the revenues already collected and a revision of the related tariffs. Therefore, we find that the approval of the \$94,235,311 base rate increase shall be made subject to true-up and revision based on the final review of the 2013 EPU project modification expenditures at the St. Lucie and Turkey Point units in the NCRC.

Excess Amortization

FPL has requested approval to decrease its base rates by \$917,671 for a 5-year period. As a direct result of the EPU project modifications, certain existing assets have been replaced or are no longer necessary for the operation of the plant. Therefore, these assets are being retired pursuant to Rule 25-6.0423(7)(e), F.A.C.

However, due to an over-recovery through the NCRC of the amount associated with past retirements, a rate decrease is necessary in this instance. This results in a negative annual amortization of \$831,213 (\$792,405 jurisdictional) over the 5-year period. In addition, FPL has

proposed to adjust the annual amortization by annual depreciation expense and property tax expense credits of \$131,885 (\$125,267 jurisdictional), resulting in a net negative annual amortization of \$963,099 (\$917,671 jurisdictional).

Therefore, we approve \$917,671 as the appropriate base rate decrease for the 5-year amortization period to reverse the excess amortization associated with previously retired assets. In addition, base rates shall be increased by an amount equal to the decrease ordered here at the end of the 5-year amortization period.

True-up of the 2012 Base Rate Adjustment

Per Order No. PSC-12-0647-PAA-EI,² FPL was authorized to increase its base rates by \$243,978,281 for the 2012 modifications made at the St. Lucie and Turkey Point nuclear units. This approval was subject to true-up and revision based on the final review of the 2012 expenditures in the NCRC in Docket No. 130009-EI.

As shown on page 1 of Attachment D to FPL's Petition, the company is requesting a true-up to increase base rates by \$19,142,379. The primary reasons for the true-up are (1) the difference between the estimated amount of plant-in-service used in the previous calculation and the final amount used in the current calculation, and (2) the difference between the estimated amount of net book value of retirements, removal, and salvage used in the previous calculation and the final amount used in the current calculation.

In the process of completing its responses to Commission staff discovery, FPL identified adjustments related to incremental transmission asset salvage, salvage incorrectly included in plant-in-service, and an amount for the true-up of removal costs that resulted in a net \$346,996 reduction to its requested 2012 true-up base rate revenue requirement. We have reviewed the true-up calculation and approve an \$18,795,383 base rate increase.

Effective Date of the Revised Base Rate

The total retail revenue requirements are allocated among the various rate classes based on the allocations of nuclear revenue requirements in the Cost of Service study approved by us in Order No. PSC-13-0023-S-EI. The total base rate increase stated in this Order results in an increase of \$1.14 to the 1,000 kilowatt-hour residential bill.

The revised base rates shall be implemented with the first billing cycle for 2014, which falls on January 2, 2014. Furthermore, FPL shall file revised tariff sheets to reflect the revised base energy and demand charges to implement this Order, subject to administrative approval by Commission staff prior to their effective date.

²See Order No. PSC-12-0647-PAA-EI, issued December 11, 2012, in Docket No. 120244-EI, In re: Petition for approval for base rate increase for extended power uprate systems placed in commercial service by Florida Power & Light Company.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power & Light Company's petition is granted and we approve the \$94,235,311 base rate increase, subject to true-up and revision based on the final review of the 2013 EPU project modification expenditures at the St. Lucie and Turkey Point units in the NCRC. It is further

ORDERED that \$917,671 is the appropriate base rate decrease for the 5-year amortization period to reverse the excess amortization associated with previously retired assets. In addition, base rates shall be increased by an amount equal to the decrease ordered here at the end of the 5-year amortization period. It is further

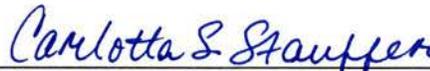
ORDERED that the approved 2012 true-up calculation results in an increase of \$18,795,383 to base rates. It is further

ORDERED that the revised base rates shall be implemented with the first billing cycle for 2014, which falls on January 2, 2014. Furthermore, FPL shall file revised tariff sheets to reflect the revised base energy and demand charges to implement this Order, subject to administrative approval by Commission staff prior to their effective date. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED, in the event no protest is filed, this docket shall remain open for Commission staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by Commission staff, after which this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 10th day of January, 2014.



CARLOTTA S. STAUFFER

Commission Clerk

Florida Public Service Commission

2540 Shumard Oak Boulevard

Tallahassee, Florida 32399

(850) 413-6770

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

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 that is available under Section 120.57, 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 will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on January 31, 2014.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.