

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for base rate reduction reflecting
end of amortization period for retired plant, by
Florida Power & Light Company.

DOCKET NO. 150208-EI
ORDER NO. PSC-16-0075-PAA-EI
ISSUED: February 17, 2016

The following Commissioners participated in the disposition of this matter:

JULIE I. BROWN, Chairman
LISA POLAK EDGAR
ART GRAHAM
RONALD A. BRISÉ
JIMMY PATRONIS

NOTICE OF PROPOSED AGENCY ACTION
ORDER REDUCING JURISDICTIONAL ANNUAL REVENUE REQUIREMENT

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

On September 18, 2015, Florida Power & 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 a 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.

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 this Commission to adopt rules providing for alternative cost recovery mechanisms that would encourage investor-owned electric utilities to invest in nuclear power plants. This Commission

¹ 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, 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.

adopted Rule 25-6.0423, 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 this 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. 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 we 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 we 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 25-6.0423(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

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 this 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. We refer to the current numbering of Rule 25-6.0423, F.A.C., throughout this order, however, we have 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.

⁶ Ibid.

authorization in the instant docket to reflect conclusion of the amortization by reducing its annual revenue requirement by \$222,192.

We have jurisdiction over these matters through several provisions of Chapter 366, F.S., including Sections 366.05 and 366.06, F.S.

Decision

By Order No. PSC-11-0078-PAA-EI,⁷ this 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 requesting this 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, we approve FPL's request to reduce its revenue requirement by \$222,192. FPL's newly revised revenue requirement do 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 revised annual revenue requirement allocated across all rate classes is contained on Attachment B to FPL's petition, which as previously mentioned lists no change in rates for all customer classes.

By Order No. PSC-11-0078-PAA-EI⁹ we 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 our rules,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. 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, we find the appropriate date for FPL to revise its revenue requirement by \$222,192 is March 1, 2016.

We therefore 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. The revised revenue requirement for FPL shall be implemented beginning March 1, 2016.

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.

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.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power & Light Company'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 is hereby approved. It is further

ORDERED that the revised revenue requirement for Florida Power & Light Company shall be implemented beginning March 1, 2016. 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 that in the event this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 17th day of February, 2016.



CARLOTTA S. STAUFFER

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.

JEV

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 March 9, 2016.

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.