

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: November 30, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Accounting and Finance (Barrett, Vogel) *MCB*
Division of Economics (Draper, Guffey, Higgins, Stratis, Wu) *ALM*
Division of Engineering (Ellis, Wooten) *POE*
Office of the General Counsel (Brownless, Janjic) *WMB*

RE: Docket No. 20170001-EI – Fuel and purchased power cost recovery clause with generating performance incentive factor.

AGENDA: 12/12/17 – Regular Agenda – Post-Hearing Decision – Participation is Limited to Commissioners and Staff

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brisé

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

As part of the continuing fuel and purchased power adjustment and generating performance incentive factor clause proceedings, an administrative hearing was held on October 25, 2017. At the hearing, stipulated issues 1B, 2B-2I, 2Q, 2R, 3A, 6-11, 13A, 16-22, 23A, 24A-24D and 27-36 were approved by bench decision. Issues 1A, 2A, 4A and 5A, hedging issues contested by the Florida Retail Federation (FRF), the Office of Public Counsel (OPC) and the Florida Industrial Users Group (FIPUG), were also approved by bench decision. As a result of the bench decisions on these issues, all issues associated with Tampa Electric Company (TECO), Florida Public Utilities Company (FPUC), Gulf Power Company (Gulf), and Duke Energy Florida, LLC (Duke) have been decided. Testimony was taken on the remaining Florida Power & Light Company (FPL) issues, Issues 2J-2P, which address FPL's solar generation (SoBRA) projects. FIPUG and

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FPL filed briefs on the SoBRA issues on November 13, 2017. On November 16, 2017, FPL filed an Unopposed Motion for Leave to File Response to New Issue Raised in FIPUG's Post Hearing Brief with its response attached.

The Commission has jurisdiction over this subject matter pursuant to the provisions of Chapter 366, Florida Statutes (F.S.), including Sections 366.04, 366.05 and 366.06, F.S.

Discussion of Issues

Issue A: Should FPL's Unopposed Motion for Leave to File Response to New Issue Raised in FIPUG's Post Hearing Brief be granted?

Recommendation: Yes, the Commission should grant FPL's Unopposed Motion for Leave to File Response to New Issue Raised in FIPUG's Post Hearing Brief (Motion). (Brownless)

Staff Analysis: In its Brief, FIPUG argues that the Commission lacks jurisdiction to allow the recovery of the capital costs associated with FPL's solar energy projects through the fuel clause, citing the Florida Supreme Court decisions *Citizens v. Graham (Woodford)*, 191 So.3d 897 (Fla. 2016) and *Citizens v. Graham (FPUC)*, 213 So.3d 703 (Fla. 2017). FPL filed its Unopposed Motion for Leave to File Response to New Issue Raised in FIPUG's Post Hearing Brief on November 16, 2017, with its response to the jurisdictional issue attached. FIPUG does not object to granting this Motion. The other parties to this docket, having taken no position on the SoBRA issues, Issues 2J through 2P, did not file briefs or take a position on the Motion or the underlying jurisdictional issue.

FIPUG did not raise this issue on or before the Prehearing Conference as required by Order No. PSC-17-0053-PCO-EI, issued on February 20, 2017. However, Order No. PSC-17-0053-PCO-EI does not prohibit FIPUG from raising the jurisdictional issue for the first time in its Brief since lack of jurisdiction can be raised at any time. *Ruble v. Ruble*, 884 So. 2d 150 (Fla. 2d DCA 2004; *In re: D.N.H.W.*, 955 So. 2d 1236 (Fla. 1st DCA 2007). Notwithstanding that fact, due process requires that FPL be given reasonable notice and a fair opportunity to be heard on this issue before a decision is made. *Citizens v. Florida Public Service Commission*, 146 So. 3d 1143, 1154 (Fla. 2014). In this instance, due process requirements with regard to the jurisdictional issue are satisfied by granting FPL's Motion and staff recommends that the Commission do so.

Issue B: Does the Commission have jurisdiction to approve the SoBRA projects in this docket?

Recommendation: Yes. The Commission has the authority to approve the recovery of FPL's 2017 and 2018 solar projects through base rates in this docket. (Brownless)

Staff Analysis:

Parties' Arguments

FIPUG

FIPUG argues that the Commission lacks the jurisdiction to allow recovery in this docket of 2017 and 2018 solar base rate adjustment (SoBRA) charges. FIPUG cites the Florida Supreme Court decisions *Citizens v. Graham (Woodford)*, 191 So. 3d 897 (Fla. 2016) and *Citizens v. Graham (FPUC)*, 213 So. 3d 703 (Fla. 2017) as precedent supporting its conclusion. FIPUG characterizes the recovery of SoBRA charges as FPL's effort to again use the fuel clause to recover predictable capital costs contrary to the purpose of the fuel clause which is to address the volatility of fuel prices between base rate cases. (FIPUG BR 9) FIPUG points out that while the Legislature has created a clause for nuclear and environmental costs, it has not provided the Commission with express, or implied, authority for a solar energy capital cost recovery clause. (FIPUG BR 10) FIPUG acknowledges that the process for SoBRA cost recovery being followed here is included in FPL's 2016 Stipulation and Settlement (2016 Agreement), to which it did not object. However, FIPUG counters that jurisdiction cannot be conferred by agreement of the parties or by Commission approval of a rate case settlement agreement. (FIPUG BR 10)

FPL

FPL argues that FIPUG's reliance on the *Woodford* and *FPUC* decisions is misplaced for one simple reason: the capital and return on investment costs for the SoBRA projects are not being recovered through the 2017 and 2018 fuel cost recovery factors. These costs are instead being recovered through increases in FPL's base rate charge, beginning on the commercial operation date of each SoBRA project. (FPL Supp. BR 1-2) In fact, the fuel factors to be implemented from January 1 to March 1, 2018, have been stipulated to by the parties and approved by the Commission. These fuel factors cannot change no matter what the final Commission decision is on the SoBRA issues.

FPL notes that this cost recovery mechanism is similar to the generation rate base adjustment (GBRA) mechanism found in FPL's 2013 Settlement Agreement to which FIPUG was a signatory. The use of a GBRA mechanism for base rate adjustments in years beyond a test year was approved by the Florida Supreme Court in *Citizens v. Public Service Commission*, 146 So. 3d 1143, 1157 n.7 (Fla. 2014). Further, between 2013 and 2016, three separate generation projects (Cape Canaveral, Riviera Beach and Port Everglades) utilized the GBRA process in the fuel clause without objection by FIPUG.

FPL argues that filing for SoBRA recovery in the fuel docket is simply an administratively efficient process utilizing an existing docket with a known filing schedule to adjust its base rates for previously approved capital projects. (FPL Supp. BR 5-6) This eliminates finding and scheduling separate hearing dates each year as SoBRA projects come on line and synchronizes each SoBRA rate base increase with the associated reduction in fuel costs resulting from the

projects' commercial operation. Based on these facts, FPL concludes that no jurisdictional issue actually exists and that the Commission has the authority to approve SoBRA charges in this docket.

Analysis

There is one point on which the Commission staff and all parties agree: that the Commission derives its authority to act solely from the Legislature. *United Telephone Company of Florida v. Public Service Commission*, 496 So. 2d 116, 118 (Fla. 1986). In *Woodford*, FPL sought to recover through the fuel factor the capital, operation and maintenance, and return on investment costs for wells drilled in the Woodford Shale Gas Region in Oklahoma. The Court identified the Commission's authority as the ability to "regulate and supervise each public utility with respect to its rates and service and to prescribe a rate structure for all electric utilities." *Woodford*, 191 So. 3d at 900. An "electric utility" is defined as a municipal or investor-owned utility or a rural electric cooperative that "owns, maintains, or operates an electric generation, transmission, or distribution system within the state." Section 366.02(2), F.S.

Based on this definition, the Court found that the exploration, drilling and production of natural gas did "not constitute generating, transmitting, or distributing electricity in Florida as the meaning of those terms are plainly understood" and "falls outside the purview of an electric utility as defined by the Legislature." *Woodford*, 191 So. 3d at 901. Further, the Court found that the Woodford project was not a physical hedge of fuel costs which had previously been determined by the Court to be within the Commission's regulatory authority. *Id.* Having determined that the Woodford project was neither an electric utility activity contemplated by the Legislature nor a physical hedge, the Court found that the Commission had exceeded its authority in approving the project costs through the fuel clause. *Woodford*, 191 So. 3d at 902.

In *FPUC*, the Court found that the Commission exceeded its authority by allowing the recovery through the fuel factor of capital and return on capital investment costs associated with the construction of a transmission line connecting FPUC's electric system on Amelia Island with that of FPL. The Court focused on the historical purpose of the fuel clause as a means of "adjusting for volatile costs associated with fuel" finding that a transmission line failed to meet this test. *FPUC*, 213 So. 3d at 718. The Court also relied heavily upon the terms of FPUC's rate case stipulation and settlement agreement which specifically stated that FPUC could not seek recovery through the fuel clause of costs that had "traditionally and historically" been recovered through base rates and used "investment in and maintenance of transmission assets" as an example of such an expense. *FPUC*, 213 So. 3d at 708-10. Since no discussion of these settlement agreement terms was included in the Commission's final order, the Court found that the Commission had "failed to perform its duty to explain its reasoning" and reversed the Commission's decision. *FPUC*, 213 So. 3d at 710-11.

Both the *Woodford* and *FPUC* decisions discuss what types of costs are appropriately recovered through the fuel clause factor: fuel, purchased power and volatile fuel-related costs. The *FPUC* decision does not address the Commission's inherent authority to allow the recovery of the FPL transmission line. Further, if the reasoning in *Woodford* is applied to the *FPUC* facts, the Court would find the recovery of transmission lines through base rates appropriate since transmission is specifically listed as an activity engaged in by electric utilities. Section 366.02(2), F.S.

Likewise, applying the reasoning of *Woodford* to the facts here, there is no question that the Commission has the authority to allow recovery of the costs associated with solar generation projects. As with transmission, generation is listed specifically as an activity engaged in by electric utilities in Section 366.02(2), F.S. It is important to note that FIPUG is not arguing that FPL does not have the right to recover the solar project costs; it is arguing that solar project costs can't be recovered through fuel clause factors. Presumably, FIPUG would not object to FPL filing a separate docket seeking cost recovery for the 2017 and 2018 solar projects using an increase in base rates to do so. Indeed, FIPUG has agreed to such a mechanism to recover solar project capital costs as a signatory to Tampa Electric Company's 2017 Amended and Restated Stipulation and Settlement Agreement.¹

Since FPL is not requesting recovery through the fuel adjustment clause factor, but is requesting recovery of costs for its solar projects through increases in base rates, FIPUG's complaint does not raise a jurisdictional question at all. Recovery of these costs through base rates is clearly appropriate under both the *Woodford* and *FPUC* decisions. Staff agrees with FPL that placement of this issue in the fuel clause docket was purely administrative. Staff also agrees with FPL that to the extent possible, an increase in base rates associated with the solar projects coming on line should be timed to coincide with any fuel savings which result from that solar generation. Litigating the cost effectiveness issues associated with the solar projects, Issues 2J-2P, in this docket cost-effectively accomplishes this goal.

When dissected and examined closely, FIPUG's issue boils down to insisting that rate base cost recovery for the solar projects be filed in a separate docket. FIPUG has not alleged that it did not have adequate notice of the solar project issues, or that it has been harmed in any way by the inclusion of those issues in this docket. Nor could it. FPL filed direct testimony of four witnesses on this point,² Commission staff conducted extensive discovery on this issue,³ FIPUG cross examined FPL witnesses Enjamio and Brannen on this topic at hearing, and FIPUG filed a post hearing brief. Conducting these activities under a separate docket number does not change their nature or provide FIPUG any additional due process rights.

Conclusion

Based on the above, staff recommends that the Commission find that it has the authority to approve the recovery of FPL's 2017 and 2018 solar projects through base rates in this fuel clause docket.

¹ Document No. 07947-2017 at ¶ 6(f).

²Tiffany Cohen, Liz Fuentes, Juan Enjamio and William Brannen.

³EXH 84, 86, 87 and 89.

Issue 2J: Are the 2017 SoBRA projects proposed by FPL (Horizon, Wildflower, Indian River, and Coral Farms) cost effective?

Recommendation: Yes. Based on the evidence contained in the record, FPL's proposed solar projects are projected to produce savings under multiple scenarios. FPL also has met the terms of the 2016 Agreement in regards to keeping construction cost under the \$1,750 per kW_{ac} cost cap. (Wooten, Higgins, Stratis, Wu)

Position of the Parties

FPL: Yes. The 2017 and 2018 SOBRA projects are cost effective and are projected to result in \$106 million (CPVRR) of customer savings.

FIPUG: No.

Staff Analysis:

Parties' Arguments

FPL

FPL states that pursuant to the 2016 Stipulation and Settlement Agreement (2016 Agreement), FPL proposes to construct and operate 596 MW of solar generation by 2018. FPL further states that an economic analysis was performed to determine the technology with the greatest value for customers. (FPL BR 5) FPL claims that the choices made for equipment and technology lowered construction costs. (FPL BR 6)

FPL asserts that the costs for the 2017 and 2018 projects are reasonable and fall below the \$1,750 per kW_{ac} cost cap. FPL states that to ensure reasonable capital costs a competitive bidding process was completed for equipment to be installed and work to be performed. (FPL BR 7) FPL further asserts that updated efficient designs and reduced interconnection costs lowered the anticipated costs for the 2017 and 2018 projects. (FPL BR 8)

FPL employs two resource plans for the proposed solar generation: No Solar Plan and 2017-2018 Solar Plan. FPL further contends that based on the assumptions made in each plan there was an estimated cumulative present value revenue requirement (CPVRR) savings of \$38.6 million. (FPL BR 10) FPL asserts that updated tax law in August 2017 provided a reduction in costs, in the form of reduced property taxes, for three of the four 2018 solar project sites. FPL states that the efficient designs, reduced interconnection costs, and reduced property taxes updated the estimated CPVRR savings to \$106 million. (FPL BR 11) FPL asserts that the 2016 Agreement provides that the 2017 and 2018 projects are cost effective if they lower the system CPVRR without them, which FPL claims the 2017 and 2018 projects do. (FPL BR 7)

FIPUG

FIPUG argues that the solar projects are not needed to meet the Commission's 15 percent reserve margin or FPL's 20 percent reserve margin. (FIPUG BR 4)

FIPUG contends that FPL's efforts to prove that the SoBRA projects are cost effective are only supported by hearsay evidence. FIPUG adds that FPL customers will lose \$127.3 million if fuel

prices remain low and no carbon tax is imposed in the future. (FIPUG BR 5) FIPUG further asserts that the future cost of natural gas and the future cost of carbon resulting from a carbon tax is uncorroborated. (FIPUG BR 7)

Analysis

The SoBRA projects for 2017 and 2018 for which FPL is seeking approval and cost recovery are part of its 2016 Agreement approved by Order No. PSC-16-0560-AS-EI.⁴ The 2016 Agreement allows FPL to construct up to 300 MW per calendar year of solar capacity during the period 2017-2021 and to recover through base rates the incremental annualized base revenue requirement for those facilities for the first 12 months of operation commencing when the facilities are placed into service.⁵ There are several conditions that must be met for recovery in this case. First, FPL must request recovery for these projects during the term of the 2016 Agreement, or prior to December 31, 2020. Second, the cost of the components, engineering, and construction for any solar project is capped at \$1,750 per kilowatt alternating current (kW_{ac}). Third, for projects less than 75 MW (as are all of the projects proposed in this case): 1) the request for base rate recovery must be filed in the Fuel Clause docket as part of its final true-up filing; and 2) the issues are “limited to the cost effectiveness of each such project (i.e., will the project lower the projected system CPVRR as compared to each CPVRR without the solar project) and the amount of revenue requirements and appropriate percentage in base rates needed to collect the estimated revenue requirements.”⁶ If the project meets these requirements, the terms of the 2016 Agreement have been met.

With this consideration in mind, staff asserts that FIPUG’s consideration of a reliability need based on a reserve criterion is not relevant to this issue.

Project Description

FPL witnesses Brannen and Enjamio provided testimony and exhibits concerning FPL’s proposed 2017 solar generation projects, including cost effectiveness and the ability to meet the \$1,750 per kW_{ac} cost cap. As described in the testimony of witness Enjamio, FPL is proposing to construct and operate four PV centers with a total nameplate capacity of 298 MW_{ac} (74.5 MW_{ac} each) with an in-service date of December 31, 2017. (TR 426) Construction for the 2017 solar generation projects began on October 21, 2016. (EXH 42) The proposed solar generation projects are Fixed-Tilt Systems with an average projected first year net capacity factor of 26.6 percent. (EXH 41, EXH 28) There are no upgrades to existing transmission infrastructure required as part of the construction of the 2017 solar generation projects. (EXH 84, p. 122)

The four proposed sites for the 2017 solar project construction are Coral Farms, Horizon, Wildflower, and Indian River. The Wildflower site is already included in FPL’s rate base; therefore, Wildflower land costs are not included in any analysis. All other parcels are new purchases. (EXH 87, pp. 185-186) Staff recognized that not all land was being used in construction for the seven newly purchased sites, and in response to a staff interrogatory was informed that unused areas could include both usable and unusable areas for future solar

⁴Order No. PSC-16-0560-AS-EI, issued on December 15, 2016, in Docket No. 20160021-EI, *In re: Petition for rate increase by Florida Power & Light Company*.

⁵2016 Agreement at ¶ 10(a).

⁶2016 Agreement at ¶ 10(c).

development. (EXH 84, p. 135) To develop a better understanding of the ratio of land that could be used for future development, staff requested a more detailed breakdown of each site. This breakdown included four categories: total acreage, acreage used by the projects (Site Acreage), non-usable land, and residual land. Residual land consists of property that could possibly be used in future solar developments on the site, and for sites with adequate amounts of residual land, FPL will consider leasing land to parties for farming or cattle grazing activities. (EXH 87, pp. 187-188) The range of acreages of each site is illustrated in Table 2J-1 below:

**Table 2J-1
 Land Usage**

Site Name	Total Acreage (acres)	Site Acreage (acres)	Non-Usable Land (acres)	Residual Land (acres)
Coral Farms	587	541	0	46
Horizon	1316	552	178	587
Wildflower	721	466	12	244
Indian River	697	389	56	252

Source: EXHs 87-88

Cumulative Evaluation

The in-service date for the 2017 projects is December 31, 2017. The in-service date for the 2018 projects is March 1, 2018. Because of the minor timing difference between the in-service dates, staff recommends that it is appropriate to evaluate both 2017 and 2018 projects together. In addition, both the 2017 and 2018 solar generation projects were cumulatively evaluated in the initial filing of the docket.

FPL developed two resource plans to form the basis of the cost effectiveness analysis that it performed. These two resource plans are called the No Solar Plan and 2017-2018 Solar Plan. The No Solar Plan assumes that resource needs will be met by combined cycle units and short term purchase power agreements (PPAs) through the year 2030. The 2017-2018 Solar Plan takes into account the eight solar projects, which initially defers the 2025 combined cycle (cc) unit. (TR 426) The Okeechobee CC Unit is currently under construction. The resource plan filed in regards to FPL’s initial filing is shown in Table 2J-2 below:

**Table 2J-2
 Initial Resource Plan**

Year	No Solar Resource Plan	2017-2018 Solar Resource Plan
2017		298 MW Solar
2018		298 MW Solar
2019	Okeechobee 3x1 CC Unit	Okeechobee 3x1 CC Unit
2020		
2021		
2022		
2023		
2024	1-Year 33 MW PPA	
2025	1 Greenfield 3x1 CC Unit	1-Year 119 MW PPA
2026		1 Greenfield 3x1 CC Unit
2027		
2028	1-Year 20 MW PPA	
2029	1 Greenfield 3x1 CC Unit	1-Year 287 MW PPA
2030		1 Greenfield 3x1 CC Unit
2031	Turkey Point 6	Turkey Point 6
2032	Turkey Point 7	Turkey Point 7
2033	Equalizing 599 MW CC	Equalizing 291 MW CC

Source: EXH 84

In the process of staff's evaluation of the March 2017 initial filing, FPL filed the 2017 Ten Year Site Plan in April 2017, when staff was made aware of the planned Dania Beach Clean Energy Center. In August 2017, FPL filed revised testimony that updated the evaluation of the 2017 and 2018 solar projects. To reflect these new changes, staff requested a new resource plan that would incorporate both the revised filing and the Dania Beach Clean Energy Center. Table 2J-3 below reflects both of these revisions:

**Table 2J-3
 Revised Resource Plan**

Year	No Solar Resource Plan	2017-2018 Solar Resource Plan
2017		298 MW Solar
2018	1-Year 958 MW PPA	298 MW Solar; 1-Year 636 MW PPA
2019	Okeechobee 3x1 CC Unit; 1-Year 155 MW PPA	Okeechobee 3x1 CC Unit
2020	1-Year 182 MW PPA	
2021	1-Year 263 MW PPA	
2022	Dania Beach CC	Dania Beach CC
2023		
2024	1-Year 44 MW PPA	
2025	1 Greenfield 3x1 CC Unit	1-Year 149 MW PPA
2026		1 Greenfield 3x1 CC Unit
2027		
2028	1-Year 93 MW PPA	
2029	1 Greenfield 3x1 CC Unit	1-Year 363 MW PPA
2030		1 Greenfield 3x1 CC Unit
2031	Turkey Point 6	Turkey Point 6
2032	Turkey Point 7	Turkey Point 7
2033	Equalizing 574 MW CC	Equalizing 266 MW CC

Source: EXH 87

The revised resource plan shows that the addition of the 2017 and 2018 solar projects should reduce FPL’s need for purchased power agreements.

In completing the analysis, FPL considered multiple components to determine cost effectiveness: solar revenue requirements, avoided generation costs, and avoided system costs. For the proposed solar facilities, the revenue requirements included fixed operation and maintenance (O&M), equipment, installation, land cost, and transmission interconnection cost. The avoided generation cost component considered avoided generation capital, avoided fixed O&M, avoided transmission interconnection, avoided capital replacement, incremental gas transport, and short-term purchases. The avoided system cost component considers the factors of fuel savings, avoided variable O&M, and emission cost savings.

FPL stated that the emission cost savings consideration did not incorporate CO₂ pricing until 2028. (EXH 84, pp. 102-104) FPL witness Enjamio identified ICF’s CO₂ emission’s cost forecast as a major assumption in FPL’s economic analysis of its proposed solar PV generation projects. (TR 427) The CO₂ cost projections used in FPL’s cost-effectiveness analyses are based on ICF’s CO₂ emission cost forecast dated December 2016. (TR 427) ICF is a consulting firm with extensive experience in forecasting the cost of air emissions and is recognized as one of the industry leaders in this field. FPL has used ICF’s CO₂ emission cost forecasts in many of its filings in front of the Commission, including the recently approved 2017 Ten Year Site Plan. (TR 427, FPL BR 9) No intervenor offered testimony rebutting FPL’s CO₂ emission cost

forecast or provided any alternative emission cost forecast. Staff believes that the CO₂ cost projections FPL used in this docket are appropriate. FPL’s CPVRR analysis assumed that each project had an actual life of 33 years, with the analysis ending in 2050. (EXH 84, p. 124)

CPVRR Analysis - Initial Filing

Staff reviewed FPL’s original CPVRR for the 2017 and 2018 solar generation projects that produced a savings of \$38.6 million for the base fuel and environmental forecasts. (EXH 32) This calculation included the previously mentioned CO₂ pricing in 2028. FPL’s CPVRR analysis in support of its 2017-2018 Solar Plan included assumptions related to future fuel prices. The Company employed its standard fuel forecasting methodology to produce its long-term fuel price forecast. (TR 427, EXH 85, EXH 89) No alternative base fuel forecast was provided to the Commission for the purposes of valuing the Company’s 2017-2018 Solar Plan. Staff believes the forecasted fuel prices used in the Company’s CPVRR analysis associated with its current proposal are reasonable. (EXH 89) In response to staff interrogatory EXH 84, FPL provided a CPVRR analysis with both fuel and environmental compliance sensitivities. In FPL’s analysis, a Low, Medium, and High Fuel Forecast and ENV I, ENV II, and ENV III compliance costs were considered. ENV I assumes an annual \$0/ton cost for CO₂ pricing and low environmental compliance costs, ENV II assumes a most likely cost, and ENV III assumes high environmental compliance costs. (EXH 84, p. 104) The range of savings is illustrated in Table 2J-4 below:

**Table 2J-4
 Initial CPVRR Filing**

	Environmental Compliance Cost Forecast			
		ENV I	ENV II	ENV III
Fuel Cost Forecast	High	(\$63.5)	(\$136.4)	(\$291)
	Medium	\$35	(\$38.6)	(\$195.8)
	Low	\$127.3	\$53.6	(\$103.1)

Source: EXH 84

CPVRR Analysis - Revised Filing

FPL witness Enjamio filed revised testimony August 2, 2017, that provided updated economic analysis to reflect a change in cost effectiveness and cost assumptions of the 2017-2018 solar projects. Specifically, changes in tax law effective as of July 1, 2017, that allowed an exemption from property taxes for qualifying solar installations which applied to three of the planned 2018 solar generation project sites, resulted in a \$34 million CPVRR reduction. This revised testimony resulted in a revised \$106 million CPVRR base case scenario. (TR 434)

The terms of the 2016 agreement also require FPL to adhere to a \$1,750 per kW_{ac} cost cap for any solar project. This cost cap includes the cost of the components, engineering, and construction for each site. In the initial filing, the 2017 and 2018 solar generation projects had a total anticipated capital cost of \$435 million and \$457 million, respectively. The 2017 projects were projected to fall under the cost cap with an average cost of \$1,461 per kW_{ac} and a \$1,534 per kW_{ac} average cost for the 2018 projects. (EXH 43) In the revised testimony on August 2, 2017, witness Brannen stated that the completion of design competitive solicitations for the construction of the interconnection facilities for the solar energy centers reduced the projected

construction cost by \$16 Million for the 2017 solar construction projects. Witness Brannen stated that these same factors reduced the projected construction cost by \$14 million for the 2018 solar construction projects. (TR 538) For the 2017 projects, the new construction cost was a \$419 million total with a revised average \$1,405 per kW_{ac} cost. The new cost per kW_{ac} is \$56 per kW_{ac} less than the initially filed cost and \$345 per kW_{ac} less than the \$1,750 per kW_{ac} cost cap. For the 2018 projects, the new construction cost was a \$443 million total with a revised average \$1,485 per kW_{ac} cost. The new cost per kW_{ac} is \$49 per kW_{ac} less than the initially filed cost and \$265 per kW_{ac} less than the \$1,750 per kW_{ac} cost cap. (EX 44) Staff has reviewed the cost cap assumptions discussed above and believes them to be reasonable.

FPL’s revised testimony from August 2017 did not include the planned Dania Beach Clean Energy Center. As such, staff requested an updated CPVRR evaluation that included the planned Dania Beach Clean Energy Center and updated fuel and environmental compliance sensitivities evaluations. The result of this updated sensitivity analysis is illustrated in Table 2J-5 below:

**Table 2J-5
 Revised CPVRR Analysis**

	Environmental Compliance Cost Forecast			
		ENV I	ENV II	ENV III
Fuel Cost Forecast	High	(\$119)	(\$195)	(\$348)
	Medium	(\$24)	(\$96)	(\$249)
	Low	\$76	\$6	(\$147)

Source: EXH 87

Table 2J-5 above shows that in seven of the nine scenarios, the 2017 and 2018 solar projects are cost effective. Notably the base fuel case (medium), ENV I scenario contains no cost for CO₂, but is also cost effective. When comparing the change in savings on a CPVRR basis between the initial filing and the revised analysis, there is a substantial increase in savings for all forecasted scenarios. While examining the forecasted scenarios, staff observed that in all scenarios avoided fuel costs was the major driving force in producing overall savings for the projects. This fact manifested in even the “worst” case scenario of Low Fuel Cost, ENV I, where there are projected fuel savings in every forecasted year. When investigating the overall cost effectiveness of the projects, staff observed that the first cumulative benefit occurred in 2025. This benefit seems to be driven by the avoided capital that would be required for the Greenfield 3x1 CC Unit. Staff has reviewed the CPVRR assumptions discussed and believes them to be reasonable.

FIPUG questions the validity of CO₂ emission cost forecasts. However, FPL performed CO₂ emission and natural gas price sensitivities analyses, including zero carbon tax scenarios, to support its petition. Results of such sensitivity analyses show that the 2017 and 2018 solar projects are cost-effective in seven out of nine fuel and CO₂ sensitivity scenarios, including scenarios that assume zero CO₂ cost. (EXH 86) The CPVRR and construction cost analyses were performed in a consistent manner and no party presented substantial evidence disputing either the input assumptions or the analyses.

Conclusion

Based on the evidence contained in the record, FPL's proposed solar projects are projected to produce savings under multiple scenarios. FPL also has met the terms of 2016 Agreement in regards to keeping construction cost under the \$1,750 per kW_{ac} cost cap.

Issue 2K: What are the revenue requirements associated with the 2017 SoBRA projects?

Recommendation: The jurisdictional annualized revenue requirements associated with the 2017 SoBRA projects are \$60.52 million. (Barrett, Vogel)

Position of the Parties

FPL: \$60,523,000.

FIPUG: Less than \$60.52 million.

Staff Analysis:

Parties' Arguments

FPL

According to FPL witness Fuentes, FPL is authorized to seek recovery of the 2017 SoBRA projects pursuant to the Stipulation and Settlement Agreement reached in FPL's most recent rate case proceeding. (TR 174) In its brief, FPL asserted the Rate Settlement Agreement authorized the construction of up to 300 MWs of new solar generation each year between 2017 and 2020, if 3 requirements are satisfied:

1. The total costs of the solar projects do not exceed \$1,750/kW_{ac};
2. The construction, engineering, and component costs are reasonable; and
3. The solar projects are cost-effective additions to FPL's system.

(FPL BR 2, citing Order No. PSC-16-0560-AS-EI)⁷

The witness testified that the annualized jurisdictional revenue requirements for the first 12 months of operations related to the 2017 SoBRA projects are \$60,523,000. (TR 175; EXH 45, p. 1; FPL BR 17) Witness Fuentes further stated that the \$60,523,000 revenue requirement was calculated by following the methodologies approved by the Commission for FPL's generation base rate adjustments (GBRA) for Turkey Point Unit 5 and West County Energy Center Units 1 and 2 in Order No. PSC-05-0902-S-EI,⁸ West County Energy Center Unit 3 in Order No. PSC-11-0089-S-EI,⁹ and the modernization projects at Canaveral, Riviera Beach, and Port Everglades in Order No. PSC-13-0023-S-EI.¹⁰ Witness Fuentes also testified that the same methodology was also used with the recently approved 2019 Okeechobee Limited Scope Adjustment (Okeechobee LSA). (TR 176; FPL BR 17)

⁷Order No. PSC-16-0560-AS-EI, issued on December 15, 2016, in Docket No. 20160021-EI, *In re: Petition for rate increase by Florida Power & Light Company*.

⁸Order No. PSC-05-0902-S-EI, issued September 14, 2005, in Docket No. 20050045-EI, *In re: Petition for rate increase by Florida Power & Light Company*, and in Docket No. 20050188-EI, *In re: 2005 comprehensive depreciation study by Florida Power & Light Company*.

⁹Order No. PSC-11-0089-S-EI, issued February 1, 2011, in Docket No. 20080677-EI, *In re: Petition for increase in rates by Florida Power & Light Company*, and in Docket No. 20090130-EI, *In re: 2009 depreciation and dismantlement study by Florida Power & Light Company*.

¹⁰Order No. PSC-13-0023-S-EI, issued January 14, 2013, in Docket No. 20120015-EI, *In re: Petition for increase in rates by Florida Power & Light Company*.

The jurisdictional annualized revenue requirement calculation for the 2017 SoBRA projects used several inputs, including the most current estimated capital expenditures presented by FPL witness Brannen. (Fuentes, TR 177; EXH 43-45; Brannen, TR 537)

FIPUG

FIPUG did not sponsor a witness to address this issue, and waived cross-examination of FPL witness Fuentes. In its brief, FIPUG presented assertions about FPL's reserve margin, the overall cost effectiveness of the 2017 SoBRA projects, and the appropriate cost recovery mechanism for these projects, but did not specifically address this issue in its brief. (FIPUG BR 11)

Analysis

Issues 2J, 2K, and 2L all pertain to FPL's proposed Horizon, Wildflower, Indian River, and Coral Farms solar generation facilities currently being constructed (2017 SoBRA projects). This issue addresses the revenue requirements associated with the 2017 SoBRA projects. Staff believes FPL is authorized to seek recovery of the 2017 SoBRA projects pursuant to the 2016 Agreement. Staff reviewed the testimony, exhibits, and calculations used by FPL witness Fuentes for determining the amount of revenue requirement associated with the 2017 SoBRA projects and found them to be reasonable, and agrees with witness Fuentes' calculated revenue requirement. (TR 175; EXH 45, p. 1)

Conclusion

Staff recommends that the jurisdictional annualized revenue requirements associated with the 2017 SoBRA projects be set at \$60.52 million.

Issue 2L: What is the appropriate base rate percentage increase for the 2017 SOBRA projects to be effective when all 2017 projects are in service, currently projected to be January 1, 2018?

Recommendation: The appropriate base rate percentage increase (SoBRA Factor) for the 2017 SoBRA projects is 0.937 percent. (Barrett, Vogel)

Position of the Parties

FPL: 0.937%.

FIPUG: Less than 0.937%.

Staff Analysis:

Parties' Arguments

FPL

According to FPL witness Cohen, the SoBRA factors are incremental cost recovery factors that will be applied to base rate charges in order for the Company to collect the revenue necessary to recover the costs associated with building and operating the 2017 SoBRA projects. (TR 182) Witness Cohen testified that:

SoBRA factors are based on the ratio of (1) the Company's jurisdictional revenue requirements for each Project [by year] and (2) the forecasted retail base revenue from electricity sales for the first twelve months of each rate year, beginning January 1, 2018 for the 2017 Project and March 1, 2018 for the 2018 Project.

(Cohen, TR 182; FPL BR 19)

Witness Cohen also presented an exhibit to demonstrate the inputs and calculations performed to determine the resulting incremental cost recovery factor of 0.937 percent for the 2017 SoBRA projects. (EXH 47)

FPL asserted in its brief that even when all of the SoBRA projects are reflected in customer bills, FPL's typical residential bills will remain below national and statewide averages. (FPL BR 19) Table 2L-1 below reflects the base rate changes and fuel cost recovery changes that will occur for typical monthly residential bills for customers using 1,000 kWh of electricity. Column 3 in Table 2L-1 reflects a typical bill before the application of incremental cost recovery factors for any SoBRA projects. Column 4 in Table 2L-1 reflects a typical bill for a residential customer using 1,000 kWh of electricity when the incremental cost recovery factor of 0.937 percent for the 2017 SoBRA projects is applied, and Column 5 reflects a typical bill for a residential customer using 1,000 kWh of electricity when all of the projects are implemented.¹¹ (EXH 51, p. 1)

¹¹The estimates shown in Column 4 reflect the application of the incremental cost recovery factor of 0.937 percent for the Horizon, Wildflower, Indian River, and Coral Farms solar generation facilities (2017 SoBRA projects). The estimates shown in Column 5 reflect the data in Column 4 plus the application of the incremental cost recovery factor presented in Issue 2O for the Loggerhead, Barefoot Bay, Hammock, and Blue Cypress solar generation facilities (2018 SoBRA projects). Staff notes that the data presented in Table 2L-1 was prepared based on an exhibit FPL witness Cohen filed on March 1, 2017. That exhibit and this data do not reflect any storm-related charges attributable to named storms that impacted FPL's service territory in the 2017 hurricane season.

**Table 2L-1
 FPL Typical 1,000-kWh Residential Customer Bill Comparison For 2018**

(1)	(2)	(3)	(4)	(5)
Bill Components	Present (2017)	Approved in the 2016 Settlement Agreement (Jan, 2018)	Proposed for the 2017 SoBRA Projects (Jan & Feb, 2018)	Proposed for the 2017 & 2018 SoBRA Projects (March, 2018)
Base Rate Charges	\$63.49	\$65.88	\$66.49	\$67.10
Fuel Cost Recovery	\$24.91	\$23.35	\$23.17	\$22.97
Other Charges	<u>\$14.15</u>	<u>\$13.11</u>	<u>\$13.12</u>	<u>\$9.68</u>
TOTAL	<u>\$102.55</u>	<u>\$102.34</u>	<u>\$102.78</u>	<u>\$99.75</u>

Source: (EXH 51, Exhibit TCC-5, Page 1 of 5)

FIPUG

FIPUG did not sponsor a witness to address this issue, and waived cross-examination of FPL witness Cohen. In its brief, FIPUG presented assertions about FPL’s reserve margin, the overall cost effectiveness of the 2017 SoBRA projects, and the appropriate cost recovery mechanism for these projects, but did not specifically address this issue in its brief. (FIPUG BR 11)

Analysis

Issues 2J, 2K, and 2L all pertain to FPL’s proposed Horizon, Wildflower, Indian River, and Coral Farms solar generation facilities currently being constructed (2017 SoBRA projects). This issue addresses the proposed base rate percentage increase associated with the 2017 SoBRA projects. Staff believes FPL is authorized to seek recovery of the 2017 SoBRA projects pursuant to the 2016 Agreement, and apply the appropriate base rate percentage increase (SoBRA Factor) for the 2017 SoBRA projects.

Conclusion

Staff reviewed the testimony, exhibits, and calculations used by FPL witness Cohen for determining the appropriate incremental cost recovery factor associated with the 2017 SoBRA projects. Staff recommends that the appropriate base rate percentage increase (SoBRA Factor) for the 2017 SoBRA projects is 0.937 percent.

Issue 2M: Are the 2018 SoBRA projects proposed by FPL (Hammock, Barefoot Bay, Blue Cypress and Loggerhead) cost effective?

Recommendation: Yes. Based on the evidence contained in the record, FPL's proposed solar projects are projected to produce savings under multiple scenarios. FPL also has met the terms of 2016 Agreement in regards to keeping construction cost under the \$1,750 per kW_{ac} cost cap. (Wooten, Higgins, Stratis, Wu)

Position of the Parties

FPL: Yes. The 2017 and 2018 SoBRA projects are cost effective and are projected to result in \$106 million (CPVRR) of customer savings.

FIPUG: No.

Staff Analysis:

Parties' Arguments

FPL

FPL states that pursuant to the 2016 Stipulation and Settlement Agreement (2016 Agreement), FPL proposes to construct and operate 596 MW of solar generation by 2018. FPL further states that an economic analysis was performed to determine the technology with the greatest value for customers. (FPL BR 5) FPL claims that the choices made for equipment and technology lowered construction costs. (FPL BR 6)

FPL asserts that the costs for the 2017 and 2018 projects are reasonable and fall below the \$1,750 per kW_{ac} cost cap. FPL states that to ensure reasonable capital costs a competitive bidding process was completed for equipment to be installed and work to be performed. (FPL BR 7) FPL further asserts that updated efficient designs and reduced interconnection costs lowered the anticipated costs for the 2017 and 2018 projects. (FPL BR 8)

FPL employs two resource plans for the proposed solar generation: No Solar Plan and 2017-2018 Solar Plan. FPL further contends that based on the assumptions made in each plan, there was an estimated cumulative present value revenue requirement (CPVRR) savings of \$38.6 million. (FPL BR 10) FPL asserts that an updated tax law in August 2017 provided a reduction in costs in the form of reduced property taxes for three of the four 2018 solar project sites. FPL states that the efficient designs, reduced interconnection costs, and reduced property taxes updated the estimated CPVRR savings to \$106 Million. (FPL BR 11) FPL asserts that the 2016 Agreement provides that the 2017 and 2018 projects are cost effective if they lower the system CPVRR without them, which FPL claims the 2017 and 2018 projects do. (FPL BR 7)

FIPUG

FIPUG argues that the solar projects are not needed to meet the Commission's 15 percent reserve margin or FPL's 20 percent reserve margin. (FIPUG BR 4)

FIPUG contends that FPL's efforts to prove that the SoBRA projects are cost effective are only supported by hearsay evidence. FIPUG adds that FPL customers will lose \$127.3 million if fuel

prices remain low and no carbon tax is imposed in the future. (FIPUG BR 5) FIPUG further asserts that the future costs of natural gas and the future cost of carbon resulting from a carbon tax is uncorroborated. (FIPUG BR 7)

Analysis

The SoBRA projects for 2017 and 2018 for which FPL is seeking approval and cost recovery are part of its 2016 Agreement approved by Order No. PSC-16-0560-AS-EI.¹² The 2016 Agreement allows FPL to construct up to 300 MW per calendar year of solar capacity during the period 2017-2021 and to recover through base rates the incremental annualized base revenue requirement for those facilities for the first 12 months of operation commencing when the facilities are placed into service.¹³ There are several conditions that must be met for recovery in this case. First, FPL must request recovery for these projects during the term of the 2016 Agreement, or prior to December 31, 2020. Second, the cost of the components, engineering, and construction for any solar project is capped at \$1,750 per kilowatt alternating current (kW_{ac}). Third, for projects less than 75 MW (as are all of the projects proposed in this case): 1) the request for base rate recovery must be filed in the Fuel Clause docket as part of its final true-up filing; and 2) the issues are “limited to the cost effectiveness of each such project (i.e., will the project lower the projected system CPVRR as compared to each CPVRR without the solar project) and the amount of revenue requirements and appropriate percentage in base rates needed to collect the estimated revenue requirements.”¹⁴ If the project meets these requirements, the terms of the 2016 Agreement have been met.

With this consideration in mind, staff asserts that FIPUG’s consideration of a reliability need based on a reserve criterion is not relevant to this issue.

Project Description

FPL witnesses Brannen and Enjamio provided testimony and exhibits concerning FPL’s proposed 2018 solar generation projects, including cost effectiveness and the ability to meet the \$1,750 per kW_{ac} cost cap. As described in the testimony of witness Enjamio, FPL is proposing to construct and operate four PV centers with a total nameplate capacity of 298 MW_{ac} (74.5 MW_{ac} each) for an in-service date of March 1, 2018. (TR 426) Construction of the 2018 solar generation projects began on October 21, 2016. (EXH 42) The proposed solar generation projects are Fixed-Tilt Systems with an average projected first year net capacity factor of 26.6 percent. (EXH 41, EXH 28) There are no upgrades to existing transmission infrastructure required as part of the construction of the 2018 solar generation projects. (EXH 84, p. 122)

The four proposed sites for the 2018 solar project construction are Loggerhead, Barefoot Bay, Hammock, and Blue Cypress. All parcels are new purchases. (EXH 87, pp. 185, 186) Staff recognized that not all land was being used in construction for the four newly purchased sites, and in response to a staff interrogatory was informed that unused areas could include both usable and unusable areas for future solar development. (EXH 84, p. 135) To develop a better understanding of the ratio of land that could be used for future development, staff requested a

¹²Order No. PSC-16-0560-AS-EI, issued on December 15, 2016, in Docket No. 20160021-EI, *In re: Petition for rate increase by Florida Power & Light Company*.

¹³2016 Agreement at ¶ 10(a).

¹⁴2016 Agreement at ¶ 10(c).

more detailed breakdown of each site. This breakdown included four categories: total acreage, acreage used by the projects (Site Acreage), non-usable land, and residual land. Residual land consists of property that could possibly be used in future solar developments on the site, and for sites with adequate amounts of residual land, FPL will consider leasing land to parties for farming or cattle grazing activities. (EXH 87, pp. 187-188) The range of acreages of each site is illustrated in Table 2M-1 below:

**Table 2M-1
Land Usage**

Site Name	Total Acreage (acres)	Site Acreage (acres)	Non-Usable Land (acres)	Usable Land (acres)
Loggerhead	564	425	27	112
Barefoot Bay	462	384	52	25
Hammock	957	407	375	176
Blue Cypress	424	418	0	6

Source: EXHs 87-88

CPVRR Analysis

As discussed in Issue 2J, the CPVRR analysis of the 2018 solar projects was done cumulatively with the 2017 solar projects and consistent with that issue, is cost effective under a range of scenarios. Similarly discussed in Issue 2J is the \$1,750 per kW_{ac} cost cap for 2018 solar projects per the 2016 Agreement.

Conclusion

Based on the evidence contained in the record, FPL's proposed solar projects are projected to produce savings under multiple scenarios. FPL also has met the terms of 2016 Agreement in regards to keeping construction cost under the \$1,750 per kW_{ac} cost cap.

Issue 2N: What are the revenue requirements associated with the 2018 SoBRA projects?

Recommendation: The jurisdictional annualized revenue requirements associated with the 2018 SoBRA projects are \$59.89 million. (Barrett, Vogel)

Position of the Parties

FPL: \$59,890,000.

FIPUG: Less than \$59.89 million.

Staff Analysis:

Parties' Arguments

FPL

According to witness Fuentes, FPL is authorized to seek recovery of the 2018 SoBRA projects pursuant to the Stipulation and Settlement Agreement reached in FPL's most recent rate case proceeding. (TR 174; FPL BR 2) The witness asserted that the annualized jurisdictional revenue requirements for the first 12 months of operations related to the 2018 SoBRA projects are \$59,890,000. (TR 275; EXH 46, p. 1; FPL BR 17) Witness Fuentes further stated that the revenue requirement was calculated by following the methodologies approved by the Commission for FPL's generation base rate adjustments (GBRA) for Turkey Point Unit 5 and West County Energy Center Units 1 and 2 in Order No. PSC-05-0902-S-EI,¹⁵ West County Energy Center Unit 3 in Order No. PSC-11-0089-S-EI,¹⁶ and the modernization projects at Canaveral, Riviera Beach, and Port Everglades in Order No. PSC-13-0023-S-EI.¹⁷ Witness Fuentes also testified that the same methodology was used with the recently approved 2019 Okeechobee Limited Scope Adjustment (Okeechobee LSA). (TR 176; FPL BR 17)

The jurisdictional annualized revenue requirement calculation for the 2018 SoBRA projects used several inputs, including the most current estimated capital expenditures presented by FPL witness Brannen. (Fuentes, TR 177; Brannen, TR 537; EXHs 43-44, 46, p. 1)

FIPUG

FIPUG did not sponsor a witness to address this issue, and waived cross-examination of FPL witness Fuentes. In its brief, FIPUG presented assertions about FPL's reserve margin, the overall cost effectiveness of the 2018 SoBRA projects, and the appropriate cost recovery mechanism for these projects, but did not specifically address this issue in its brief. (FIPUG BR 11)

¹⁵Order No. PSC-05-0902-S-EI, issued September 14, 2005, in Docket No. 20050045-EI, *In re: Petition for rate increase by Florida Power & Light Company*, and in Docket No. 20050188-EI, *In re: 2005 comprehensive depreciation study by Florida Power & Light Company*.

¹⁶Order No. PSC-11-0089-S-EI, issued February 1, 2011, in Docket No. 20080677-EI, *In re: Petition for increase in rates by Florida Power & Light Company*, and in Docket No. 20090130-EI, *In re: 2009 depreciation and dismantlement study by Florida Power & Light Company*.

¹⁷Order No. PSC-13-0023-S-EI, issued January 14, 2013, in Docket No. 20120015-EI, *In re: Petition for increase in rates by Florida Power & Light Company*.

Analysis

Issues 2M, 2N, and 2O all pertain to FPL's proposed Loggerhead, Barefoot Bay, Hammock, and Blue Cypress solar generation facilities currently being constructed (2018 SoBRA projects). This issue addresses the revenue requirements associated with the 2018 SoBRA projects. Although the projects are different, staff believes this issue is similar in every respect to Issue 2K. Staff recommends that FPL is authorized to seek recovery of the 2018 SoBRA projects pursuant to the 2016 Agreement.

Conclusion

Staff reviewed the testimony, exhibits, and calculations used by FPL witness Fuentes for determining the amount of revenue requirement associated with the 2018 SoBRA projects, and recommends that the jurisdictional annualized revenue requirements be set at \$59.89 million.

Issue 2O: What is the appropriate base rate percentage increase for the 2018 SoBRA projects to be effective when all 2018 projects are in service, currently projected to be March 1, 2018?

Recommendation: The appropriate base rate percentage increase (SoBRA Factor) for the 2018 SoBRA projects is 0.919 percent. (Barrett, Vogel)

Position of the Parties

FPL: 0.919%.

FIPUG: Less than 0.919%.

Staff Analysis:

Parties' Arguments

FPL

According to FPL witness Cohen, the SoBRA factors are incremental cost recovery factors that will be applied to base rate charges in order for the Company to collect the revenue necessary to recover the costs associated with building and operating the 2018 SoBRA projects. (TR 182) Witness Cohen testified that:

SoBRA factors are based on the ratio of (1) the Company's jurisdictional revenue requirements for each Project [by year] and (2) the forecasted retail base revenue from electricity sales for the first twelve months of each rate year, beginning January 1, 2018 for the 2017 Project and March 1, 2018 for the 2018 Project.

(Cohen, TR 182)

Additionally, witness Cohen presented an exhibit to demonstrate the inputs and calculations performed to determine the resulting incremental cost recovery factor of 0.919 percent for the 2018 SoBRA projects. (EXH 47)

As noted in a prior issue (Issue 2L), FPL believes that even when the incremental cost recovery factors for all of the SoBRA projects are implemented, residential bills will remain below national and statewide averages. (FPL BR 19) Witness Cohen presented an exhibit to demonstrate the billing changes projected to occur for typical residential bills for customers using 1,000 kWh of electricity, which staff summarized in Table 2L-1. (EXH 51, p. 1)

FIPUG

FIPUG did not sponsor a witness to address this issue, and waived cross-examination of FPL witness Cohen. In its brief, FIPUG presented assertions about FPL's reserve margin, the overall cost effectiveness of the 2017 SoBRA projects, and the appropriate cost recovery mechanism for these projects, but did not specifically address this issue in its brief. (FIPUG BR 11)

Analysis

Issues 2M, 2N, and 2O all pertain to FPL's proposed Loggerhead, Barefoot Bay, Hammock, and Blue Cypress solar generation facilities currently being constructed (2018 SoBRA projects). This issue addresses the proposed base rate percentage increase associated with the 2018 SoBRA

projects. Although the projects are different, staff believes this issue is similar in every respect to Issue 2L. Staff recommends that FPL is authorized to seek recovery of the 2018 SoBRA projects pursuant to the 2016 Agreement, and apply the appropriate base rate percentage increase (SoBRA Factor) for the 2018 SoBRA projects.

Conclusion

Staff reviewed the testimony, exhibits, and calculations used by FPL witness Cohen for determining the appropriate incremental cost recovery factor associated with the 2018 SoBRA projects. Based on this review, staff recommends that the appropriate base rate percentage increase (SoBRA Factor) for the 2018 SoBRA projects should be set at 0.919 percent.

Issue 2P: Should the Commission approve revised tariffs for FPL reflecting the base rate percentage increases for the 2017 and 2018 SoBRA projects determined to be appropriate in this proceeding?

Recommendation: Yes. The Commission should approve revised tariffs for FPL reflecting the base rate percentage increases for the 2017 and 2018 SoBRA projects determined to be appropriate in this proceeding. (Guffey, Barrett)

Position of the Parties

FPL: Yes.

FIPUG: No.

Staff Analysis:

Parties' Arguments

FPL

FPL witness Cohen sponsored exhibits that summarize the tariff changes for all SoBRA projects. (EXHs 49-50) The 2017 SoBRA projects are scheduled to enter commercial service is December 31, 2017, and the 2018 SoBRA projects is March 1, 2018. Witness Cohen testified that:

If the SoBRA and the associated charges are approved for both [2017 and 2018] Projects, the Company will submit revised tariff sheets reflecting the Commission-approved charges.

(Cohen, TR 183)

Witness Cohen asserted that the Company will formally notify the Commission by letter of the specific in-service dates for each set of projects, and the base rate changes will become effective on or after that date. (TR 184) In its brief, FPL stated:

The economic analyses performed demonstrate that the 2017 and 2018 Projects generate \$106 million in customer savings (CPVRR) and are thus cost-effective. Finally, the revenue requirements and SoBRA factors for each Project were calculated as prescribed in the Rate Settlement Agreement. Accordingly, FPL should be authorized to implement revised tariffs reflecting the SoBRA factors when the 2017 and 2018 Projects enter commercial operation.

(FPL BR 20)

FIPUG

FIPUG did not sponsor a witness to address this issue, and waived cross-examination of FPL witness Cohen. In its brief, FIPUG asserted that FPL's Solar Projects are not needed to meet FPL's Reserve Margin, and spending the capital on these projects is not a prudent decision. FIPUG contends that the tariffs should not be approved. (FIPUG BR 3, 11)

Analysis

This issue addresses approving the tariffs for the 2017 and 2018 SoBRA projects. As set forth in the preceding issues, staff observes that FPL's 2016 Agreement states that the issues for determination are limited to three principle considerations:

1. Cost effectiveness, as discussed in Issues 2J (for the 2017 Projects) and 2M (for the 2018 Projects).
2. The amount of revenue requirements, as discussed in Issues 2K (for the 2017 Projects) and 2N (for the 2018 Projects).
3. The appropriate percentage increase in base rates needed to recover the revenue requirement amounts identified above. These percentage increases are reflected as recovery factors, as discussed in Issues 2L (for the 2017 Projects) and 2O (for the 2018 Projects).

Based on recommendations in Issues 2J-2O, staff recommends the Commission approve revised tariffs for FPL reflecting the base rate percentage increases for the 2017 and 2018 SoBRA projects determined to be appropriate in this proceeding.

Conclusion

Staff recommends the Commission approve revised tariffs for FPL reflecting the base rate percentage increases for the 2017 and 2018 SoBRA projects determined to be appropriate in this proceeding.

Issue 36: Should this docket be closed?

Recommendation: No. While a separate docket number is assigned each year for administrative convenience, this is a continuing docket and should remain open. (Brownless)

Staff Analysis: While a separate docket number is assigned each year for administrative convenience, this is a continuing docket and should remain open.