

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition to include costs associated with the extended power uprate project in base rates, by Florida Power & Light Company. | DOCKET NO. 090529-EI
ORDER NO. PSC-10-0207-PAA-EI
ISSUED: April 5, 2010

The following Commissioners participated in the disposition of this matter:

NANCY ARGENZIANO, Chairman
LISA POLAK EDGAR
NATHAN A. SKOP
DAVID E. KLEMENT
BEN A. "STEVE" STEVENS III

NOTICE OF PROPOSED AGENCY ACTION
ORDER GRANTING PETITION TO INCREASE BASE RATES

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 adopted Section 366.93, Florida Statutes (F.S.), to encourage the development of nuclear energy in the state. In that section, the Legislature directed us 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 project will be accomplished at 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 will

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, F.A.C., and for cost recovery through the Commission's Nuclear Power Plant Cost Recovery Rule, Rule 25-6.0423, F.A.C.

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FPSC-COMMISSION CLERK

go into commercial service at various points in time, with the majority of the costs anticipated to go into plant in service when the modifications are completed in 2011 and 2012. There will also be interim in-service items, such as the modification to the St. Lucie 2 (PSL2) turbine gantry crane, which is the subject of this Order.

On December 4, 2009, FPL filed a petition to increase its base rates by the \$354,225 revenue requirements associated with the 2009 PSL2 turbine gantry crane project pursuant to Rule 25-6.0423(7), F.A.C. FPL also requested an additional \$16,924 base rate increase for the 5-year amortization of EPU assets retired during 2009 pursuant to Rule 25-6.0423(7)(e), F.A.C. In total, FPL requested a base rate increase of \$371,148. This base rate increase is less than \$0.01 per month on a typical 1,000 kWh residential bill.

Our staff originally filed its recommendation on January 13, 2010, for our consideration at the January 26, 2010, Agenda Conference. On January 22, 2010, FPL sent an e-mail² to the parties stating that the gantry crane revenue requirement was not sufficient by itself to change base rates. Based on the wording in the e-mail, it was not clear whether FPL's petition was being revised in some manner. In order to adequately evaluate the impact of FPL's e-mail on the recommendation, we deferred the recommendation at the January 26, 2010, Agenda Conference. An informal meeting was noticed and held on February 15, 2010, to discuss FPL's e-mail. FPL indicated that the gantry crane investment and expenses would be included in rate base and net operating income for earnings surveillance purposes. However, FPL proposed that the requested gantry crane operating revenue increase would not be implemented until it could be combined with other operating revenue increases in the next Nuclear Cost Recovery base rate filing. For the reasons discussed herein, we grant FPL's petition as originally filed, with adjustments.

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

ANALYSIS AND DECISION

FPL has requested approval to increase its base rates by \$354,225 for the turbine gantry crane phase of the EPU project at PSL2. During 2009, items associated with the turbine gantry crane phase of project have gone into service.

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

² Document No. 00585-10, filed in this proceeding in Docket No. 090529-EI.

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 turbine gantry crane phase for the first 12 months of operations. This calculation is shown on Schedule 1. We have reviewed the calculation of the \$354,225 jurisdictional annual revenue requirement and find that FPL's proposed annual revenue requirement has been calculated in compliance with Rule 25-6.0423(7), F.A.C.

The 2009 expenditures related to the turbine gantry crane phase are still under review in Docket No. 100009-EI, the Nuclear Cost Recovery Clause. A final determination of the reasonableness and prudence of the 2009 expenditures will be made during 2010. Per Attachment A to FPL's petition, the increase in Electric Plant in Service included in the calculation is \$2,455,535 (\$2,446,914 jurisdictional), net of joint owners. If the \$2,455,535 amount is revised based on a final audit and review of the 2009 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, our approval of the \$354,225 base rate increase is made subject to true-up and revision based on the final review of the 2009 turbine gantry crane phase expenditures in Docket No. 100009-EI.

FPL has also requested approval to increase its base rates by \$16,924 for the 5-year amortization of EPU assets that are being retired during 2009 pursuant to Rule 25-6.0423(7)(e), F.A.C., which 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.

Per Attachment A to FPL's petition, the net book value of the EPU asset retirements will be \$202,424 at December 31, 2009. This results in an annual amortization of \$40,485 over the 5-year period. In addition, FPL has proposed to offset the annual amortization by an annual depreciation credit of \$23,502, resulting in a net annual amortization of \$16,983 (\$16,924 jurisdictional).

In the Company's updated response to Staff's First Data Request,³ FPL filed a revision of the calculation of the 5-year amortization of the EPU assets that are being retired during 2009 (See Schedule 1). The revisions were an adjustment to recognize the participant's share of the EPU assets and an adjustment to recognize property taxes included in base rates. After making these adjustments, the 5-year amortization of \$40,485 was reduced to \$21,209, and the offsetting credits were revised to \$14,166. The resulting net annual amortization is \$7,043 (\$7,136 jurisdictional). We agree with these adjustments. Accordingly, we find that \$7,136 is the appropriate annual amount for the 5-year amortization of the EPU assets that are being retired during 2009.

FPL originally requested that any base rate increase approved in this docket be implemented on the same date as any approved base rate revision in its pending base rate proceeding in Docket No. 080677-EI.⁴ FPL asked that those costs be allocated to retail rate classes and developed into individual rates consistent with methods and billing determinants approved in the base rate proceeding. FPL has stated that it plans to file one complete set of tariff sheets with new rates to include the increase requested in this docket and that approved in Docket No. 080677-EI.

Rule 25-6.0423(7), F.A.C., requires that a utility file a petition for a base rate increase when any operating units or systems are placed in commercial service. In accordance with this provision, FPL filed a petition to include the gantry crane revenue requirements in base rates. By its January 22, 2010, e-mail and subsequent discussions at the February 15, 2010, noticed informal meeting, FPL effectively amended its petition to request that the implementation of its requested base rate increase be deferred until it is added to a future base rate increase. We find that Rule 25-6.0423(7), F.A.C., does not contemplate the deferral of the required base rate

³ Document No. 00264-10, FPL's Revised Responses to Staff's First Data Request, filed January 11, 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.

⁴ Docket No. 080677-EI, In re: Petition for increase in rates by Florida Power & Light Company.

increases until a sufficient dollar amount is accumulated that will result in a tariff change. Based on the amount and in-service date timing of the Nuclear Cost Recovery projects that give rise to any base rate increases, the deferral of the base rate increase could last for an indefinite and extended period of time.

We do not agree with FPL's revised proposal to defer the implementation of the proposed base rate increase until it is combined with other operating revenue increases in a future Nuclear Cost Recovery base rate filing. Instead, we agree with FPL's original proposal that any revenue increase granted in this docket be implemented at the same time as any revenue increase granted in the rate case. That insures that customers will not experience multiple rate changes which can lead to customer confusion and frustration. The effective date of any base rate change is an issue in the rate case docket. Because the approved base rate increase does not result in a change to any of the rate classes' base rate charge, no revision to the tariff sheets approved in Docket No. 080677-EI is required.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power & Light Company's request to increase its base rates by \$354,225 for the turbine gantry crane phase of the Extended Power Uprate project at St. Lucie Unit 2 is hereby approved. It is further

ORDERED that this approval shall be subject to true-up and revision based on the final review of the 2009 turbine gantry crane phase expenditures in Docket No. 100009-EI, the Nuclear Cost Recovery Clause. It is further

ORDERED that Florida Power & Light Company is hereby authorized to increase its base rates by \$7,136 for the 5-year amortization of the Extended Power Uprate assets that are being retired during 2009. It is further

ORDERED that Florida Power & Light Company's original proposal to implement any base rate increase approved herein on the same date as any approved base rate revision in its pending base rate proceeding in Docket No. 080677-EI is approved. It is further

ORDERED that because the approved base rate increase does not result in a change to any of the rate classes' base rate charge, the tariff sheets approved in Docket No. 080677-EI need not be revised. 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 5th day of April, 2010.



ANN COLE
Commission Clerk

(S E A L)

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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 April 26, 2010.

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.

Florida Power & Light Company
 St. Lucie Unit 2 Turbine Generator Core Modifications
 Base Rate Revenue Requirements

Line No.	In-Service Date	12/15/2005	Original System	Adjusted System Net of Participants	Difference (b) Perfil
1					
2	Annualized Base Rate - 13 Month Average				
3	Electric Plant in Service (Net of Joint Owners)	2,455,535	2,446,914		
4	Accumulated Reserve for Depreciation	(23,326)	(23,326)		
5	Fuel Inventory				
6	Working Capital - Income Taxes Payable	2,432,208	2,432,688		
7	Total Annualized Base Rate	(7,540)	(7,747)		
8	Rate Base Exclusion (c)	2,424,588	2,415,921		
9	Net Annualized Base Rate				
10	Net Annualized Base Rate				
11	Annualized MCR				
12	OCM				
13	Depreciation Expense	49,605	49,491		
14	Depreciation Exclusion (c)	(134)	(132)		
15	Net Depreciation Expense	49,501	49,359		
16	Property Taxes	44,497	44,334		
17	Property Tax Exclusion (c)	(146)	(144)		
18	Net Property Tax Expense	46,351	46,190		
19	Payroll Taxes & Benefits				
20	Income Taxes				
21	Direct Current & Deferred				
22	Imputed Interest	(36,816)	(36,602)		
23	Total Annualized MCR (Line 16 + Line 18 + Line 23 + Line 24)	(19,111)	(18,250)		
24		(40,823)	(40,402)		
25					
26					
27					
28	Calculation of Revenue Requirement				
29	Fully Adjusted Cost of Capital (d)	0.07303	0.07303		
30	MCR Requirement (Line 10 * Line 29)	177,052	176,435		
31	MCR Deduction (Line 30 Less Line 25)	317,875	218,617		
32	Net Operating Income Multiplier	1.632096604	1.632096604		
33					
34	Revenue Requirement (Line 31 * Line 23)	355,654	354,223		
35					
36	Annual Amount of Required BV	40,485	40,343		
37	Annual Deprec. Credit	(23,207)	(23,416)		
38	Annual Property Tax Expense				
39	Net Revenue Requirement (Line 34 + Line 36 + Line 37 + Line 37a)	372,246	371,145		
40					
41	Calculation of Treasury Imputed Interest				
42	Weighted Cost of Debt Capital (5)	1.52%	1.52%		
43	Long Term Debt Fixed Rate	0.00%	0.00%		
44	Long Term Debt Variable Rate	0.00%	0.00%		
45	Short Term Debt	0.20%	0.20%		
46	Customer Deposits	0.00%	0.00%		
47	JDC	1.75%	1.75%		
48					
49	Imputed Interest (Line 10 * Line 46)	42,543	42,395		
50	Home Taxes on Imputed Interest at 5.575%	(6,411)	(6,354)		
51					

* - Adjusted to reflect participant's share of refunds and depreciation expense (See Note b)
 ** - Adjusted to reflect property taxes on refunds included in base rates net of participants.

Notes:
 (a) Rate of return on capital investments is from FPL September 2009 Surveillance Report per Rule 25-8.0423 Section 7(d).
 (b) Participants share is Orlando Utilities Commission of 6.0863%, and Florida Municipal Power Agency of 6.808%.
 (c) To exclude from Rate Base, Depreciation and Property Tax Expense amounts included in base rates. Exclusions are at the jurisdictional separator factor of .0649182 which is the rate at which they were included in FPL's base rate filing in Docket No. 080577-EI.
 (d) Federal Income Tax rate of 35% & State Income Tax rate of 5.5%.
 (e) Property Tax Rate is the projected 2010 rate received from FPL's property tax department for St. Lucie County.
 (f) Per Rule 25-8.0423 7(d), payments associated with the Casey Crane Modifications are to be recovered over 5 yrs.
 (g) Electric Plant Inventory Amount Net of Joint Owners is the same as the above noted 13 month average Electric Plant Inventory Amount Net of Joint Owners.
 (h) In responding to these data requests, FPL, because aware that the related book value of net unrecouped costs and resulting depreciation expense adjustment related to that cost were not reduced for the participant share. Additionally as discussed in response to question 5, FPL, historically, did not reduce the unrecouped costs related to refunds for property tax (Net of Participants) expense also included in base rates.
 (i) This attachment is as filed in original data response, see attachment C for removal of Casey Crane Trukey