

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: April 22, 2021

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Accounting and Finance (Mouring) *ALM*
Office of the General Counsel (Brownless) *JSC*

RE: Docket No. 20210015-EI – Petition for rate increase by Florida Power & Light Company.

AGENDA: 05/04/21 – Regular Agenda – Participation is at the Commission’s discretion

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Clark

CRITICAL DATES: 05/11/21 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

Case Background

This proceeding commenced on March 12, 2021, with the filing of a petition for a permanent rate increase by Florida Power & Light Company (FPL or Company). The Company is engaged in business as a public utility providing electric service as defined in Section 366.02, Florida Statutes (F.S.), and is subject to the jurisdiction of the Commission. FPL provides electric service to more than 5.6 million retail customers in much of the state.

FPL has requested an increase in its retail rates and charges to generate \$1.108 billion in additional gross annual revenue, effective January 1, 2022. The Company also has requested an increase in its retail rates and charges to generate \$607 million in additional gross annual revenue, effective January 1, 2023. FPL asserts that the combined increases will allow the Company to earn a return on equity (ROE) of 11.50 percent which includes a 50 basis point ROE performance incentive. The Company based its requests on projected test years ending December 31, 2022 and December 31, 2023. FPL stated that these test years are the appropriate periods to

be utilized because they best represent expected future operations in the period immediately after any new base rates go into effect. FPL has also requested Solar Base Rate Adjustments (SoBRAs) of approximately \$140 million for both 2024 and 2025. In total, the Company is requesting a \$1.995 billion base rate increase. The current proposal also includes a 5-year transition rider assessed to former Gulf Power Company customers (Northwest Florida) and credited to legacy FPL customers (Peninsula Florida). The rider is separate and apart from Gulf's recovery of storm restoration costs resulting from Hurricanes Michael and Sally, which will continue under a separate surcharge. FPL did not request any interim rate relief.

In FPL's most recent base rate proceeding in Docket No. 20160021-EI, the Commission approved a settlement agreement which authorized a revenue increase of \$400 million effective January 1, 2017, and a revenue increase of \$211 million effective January 1, 2018.¹ In addition, the settlement agreement provided for a generation base rate adjustment to coincide with the in-service date of the Okeechobee Clean Energy Center. The settlement agreement provided that retail base rates, with certain exceptions, would be frozen through the last billing cycle in December 2020. Section 12(c) of the settlement agreement permitted FPL to continue to amortize its theoretical depreciation reserve surplus beyond December 31, 2020, if the Company provided notice to the Parties of the settlement agreement, prior to March 31, 2020, that it did not intend to seek a base rate increase with an effective date prior to January 1, 2022.² FPL exercised this option.

On January 29, 2021, the Commission acknowledged the Office of Public Counsel's notice of intervention in this proceeding.³ On February 22, 2021, Florida Rising, Inc. (FL Rising), League of United Latin American Citizens of Florida (LULAC), and Environmental Confederation of Southwest Florida, Inc. (ECOSWF) filed a Motion to Intervene. On March 5, 2021, Florida Industrial Power Users Group (FIPUG) filed its Motion to Intervene. On March 10, 2021, Florida Retail Federation (FRF) filed its Motion to Intervene. On March 19, 2021, Florida Executive Agencies (FEA) filed its Motion to Intervene. On March 26, 2021, Southern Alliance for Clean Energy (SACE) filed its Motion to Intervene. On March 30, 2021, Daniel R. Larson and Alexandria Larson (Larsons) filed a Motion to Intervene. A hearing has been scheduled for August 16-20 and 23-27, 2021.

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

¹ Order No. PSC-2016-0560-AS-EI, issued December 15, 2016, in Docket No. 20160021-EI, *In re: Petition for rate increase by Florida Power & Light Company*; Docket No. 20160061-EI, *In re: Petition for approval of 2016-2018 storm hardening plan, by Florida Power & Light Company*; Docket No. 20160062-EI, *In re: 2016 depreciation and dismantlement study by Florida Power & Light Company*; Docket No. 20160088-EI, *In re: Petition for limited proceeding to modify and continue incentive mechanism, by Florida Power & Light Company*.

² *Id.*

³ Order No. PSC-2021-0062-PCO-EI, issued January 29, 2021, in Docket No. 20210015-EI, *In re: Petition for rate increase by Florida Power & Light Company*.

Discussion of Issues

Issue 1: Should Florida Power & Light Company's request for a \$1.108 billion permanent rate increase effective January 1, 2022, a \$607 million permanent rate increase effective January 1, 2023, SoBRAs of approximately \$140 million for both 2024 and 2025, and the associated tariff revisions be suspended pending a final decision in this docket?

Recommendation: Yes. The \$1.108 billion permanent rate increase effective January 1, 2022, a \$607 million permanent rate increase effective January 1, 2023, SoBRAs of approximately \$140 million for both 2024 and 2025, and the associated tariff revisions should be suspended pending a final decision in this docket. (Mouring)

Staff Analysis: FPL filed its petition, testimony, and minimum filing requirements on March 12, 2021. The Company has requested an increase in its retail rates and charges to generate \$1.108 billion in additional gross annual revenue, effective January 1, 2022. FPL also has requested an increase in its retail rates and charges to generate \$607 million in additional gross annual revenue, effective January 1, 2023. Further, FPL has requested SoBRAs of approximately \$140 million for both 2024 and 2025.

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

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

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

Issue 2: Should this docket be closed?

Recommendation: No, this docket should remain open to process the Company's revenue increase request. (Brownless, Mouring)

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