

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of base rate  
adjustment for extended power uprate project  
by Florida Power & Light Company.

DOCKET NO. 140197-EI  
ORDER NO. PSC-14-0686-PAA-EI  
ISSUED: December 10, 2014

The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING FLORIDA POWER & LIGHT COMPANY'S BASE RATE REVENUE  
REQUIREMENT REDUCTION

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.

Background

In 2006, the Florida Legislature enacted Section 366.93, Florida Statutes (F.S.), encouraging the development of nuclear energy in the state. In that section, the Legislature directed 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, Florida Administrative Code (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,<sup>1</sup> we made an affirmative determination of need for Florida Power & Light Company's (FPL or Company) Extended Power Uprate (EPU) project. The EPU project involved FPL's 4 nuclear units located at 2 nuclear generating plant sites in Florida: Turkey Point Units 3 and 4, and St. Lucie Units 1 and 2. The EPU projects have gone into commercial service at various points in time, with the majority of the costs going into plant in service when the modifications were completed in 2012 and 2013.

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<sup>1</sup> See 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.

By Order No. PSC-14-0024-PAA-EI,<sup>2</sup> we approved a \$94,235,311 base rate increase, subject to true-up and revision based on the final review of the 2013 EPU project modification expenditures for the St. Lucie and Turkey Point units in the Nuclear Cost Recovery Clause (NCRC). In that order, we also approved a \$917,671 base rate decrease for the 5-year amortization period to reverse the excess amortization associated with previously retired assets and approved a 2012 true-up calculation resulting in an increase of \$18,795,383 to base rates.

On October 7, 2014, FPL filed a petition requesting us to enter an order approving a base rate revenue requirement reduction of \$761,690 associated with the final true-up of the Company's EPU project and approving its tariff revisions with an effective date of January 2, 2015.

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

#### Decision

In its petition, FPL requested us to approve a base rate revenue requirement reduction of \$761,690 associated with the final true-up of the Company's EPU project. The Company states its request reflects the final true-up of the EPU project costs, consistent with the final true-up of NCRC recoverable costs in Docket No. 140009-EI. FPL provided detailed schedules for its calculated base rate revenue requirement reduction of \$761,690, which includes the following four components: 1) a \$19,640 revenue requirement reduction to reflect reduced capital costs associated with the settlement of certain EPU warranty refund claims; 2) an \$830,593 revenue requirement reduction to reflect the true-up of plant placed in service in 2013 and related net book value of retirements, removal costs, and salvage; 3) a \$95,678 revenue requirement increase associated with the true-up of previously estimated 2013 post-in-service costs for plant placed in service in 2012 and related net book value of retirements, removal costs, and salvage; and 4) a \$7,135 revenue requirement reduction associated with the end of the five-year amortization period for the recovery of net book value of retirements, removal costs, and salvage approved by Order No. PSC-10-0207-PAA-EI. In its petition, the Company states that the effect of a base rate revenue requirement reduction of \$761,690 is approximately a 1 cent decrease on a typical 1,000 kWh monthly residential bill.

In a our data request, FPL was asked to reconcile the base rate revenue requirement reduction of \$796,243 in the Docket No. 140009-EI with its \$761,690 reduction in the instant docket. In its response, the Company stated the difference was attributable to: 1) the effect of a full year's warranty refund associated with its Turkey Point Unit 4 plant cost; 2) the amortization of the 2013 net book value retirements, removal costs, and salvage; 3) the removal of a sales and use tax credit that was erroneously included in Docket No. 130245-EI; 4) the amortization of the 2012 true-up of net book value retirements, removal costs, and salvage; and 5) the removal of the amortization of the 2009 net book value retirements, removal costs, and salvage that will

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<sup>2</sup> See Order No. PSC-14-0024-PAA-EI, issued January 10, 2014, In Docket No. 130245-EI, In re: Petition for base rate increase for extended power uprate systems placed in commercial service by Florida Power & Light Company.

terminate in February 2015. The detailed reconciliation provided by FPL in its response to our data request is shown in Attachment A to this Order.

We have reviewed the Company's detailed schedules for its calculated base rate revenue requirement reduction of \$761,690. We find the Company's final true-up calculation is consistent with the final true-up of NCRC recoverable costs in Docket No. 140009-EI. Based on the above, we approve FPL's base rate revenue requirement reduction of \$761,690 associated with the final true-up of the Company's EPU project.

Effective Date of FPL's Revised Bate Rates

The total retail revenue requirements are allocated among the various rate classes based on the allocations of nuclear revenue requirements in the Cost of Service study approved by us in Order No. PSC-13-0023-S-EI.<sup>3</sup> The base rate revenue requirement reduction approved above results in a decrease of 1 cent on the 1,000 kilowatt-hour residential bill. The magnitude of the revenue requirement reduction does not change the base demand charges. Therefore, FPL allocated the decrease to the base energy charges only.

The revised base rates approved herein shall be implemented with the first billing cycle for 2015, which falls on January 2, 2015. We find that base rate revenue requirement reduction shall be allocated among the various rate classes consistent with the Cost of Service study approved by us in Order No. PSC-13-0023-S-EI. Furthermore, FPL shall file revised tariff sheets to reflect the revised base energy charges to implement by our approval stated above for administrative approval by Commission staff prior to their effective date.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power & Light Company's base rate revenue requirement reduction of \$761,690 associated with the final true-up of the Company's EPU project is approved. It is further

ORDERED that the revised base rates shall be implemented with the first billing cycle for 2015, which falls on January 2, 2015. We find that base rate revenue requirement reduction shall be allocated among the various rate classes consistent with the Cost of Service study approved by us in Order No. PSC-13-0023-S-EI. It is further

ORDERED that FPL shall file the revised tariff sheets to reflect the revised base energy charges to be implemented based upon our approval stated above. It is further

ORDERED that Commission staff shall have authority to administratively approve the revised tariff sheets prior to their effective date. It is further

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<sup>3</sup> See 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.

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 administratively upon filing and verification of revised tariff sheets.

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



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HONG WANG  
Chief Deputy Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399  
(850) 413-6770  
[www.floridapsc.com](http://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.

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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 December 31, 2014.

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

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

Florida Power & Light Company  
 Docket No. 140197-EI  
 Staff's First Set of Data Requests  
 Interrogatory No. 1, Attachment 1

Interrogatory 1:

In Exhibit 71, Column 5, Line 33, filed in Docket No. 140009-EI, FPL provided a schedule supporting negative \$796,243 in base rate revenue requirement for the Extended Power Uprate (EPU). In this docket, FPL requested a final true-up reduction of \$761,690 to base rate revenue requirement for the EPU (See Attachment A). Please explain and reconcile the differences, if any, in FPL's filings in Docket Nos. 140009-EI and 140197-EI regarding the final true-up of base rate revenue requirement for the EPU.

	<u>Revenue</u> <u>Requirements</u>
<u>Base Rate Revenue Requirements filed in Docket No. 140009-EI</u>	<u>(\$796,243)</u>
<u>Reconciling Items</u>	
1 The 2014 base rate decrease includes a reduction to Turkey Point Unit 4 plant cost (P767) for the capital portion of warranty claims refunded to FPL by its vendors. The base rate revenue requirements included in Docket No. 140009-EI calculate the return of warranty refunds and a return on the refund from time the refund was received through the end of the year. The base rate revenue requirements included in Docket No. 140197-EI represent a full year's refund of and return on warranty refund from the beginning of the year (associated with the reversal of plant previously placed in service). The difference in the calculation creates an approximate (\$9.7k) change in revenue requirements.	
<u>Revenue Requirements associated with difference in calculation of Annualized Rate Base:</u>	(\$9,709)
2 The revenue requirement calculated in Docket No. 140009-EI does not include amortization of 2013 True-Up of Net Book Value of Retirements, Removal and Salvage. The revenue requirement calculated in Docket No. 140197-EI includes such amortization for 2013.	
<u>Revenue Requirements associated with the amortization of NBV of retirements, removal and salvage:</u>	(\$50,634)
3 The original 2012 base rate increase true-up, as filed in Docket 130245-EI, erroneously included a sales and use tax credit adjustment to plant in-service that is being reversed in this docket.	
<u>Revenue Requirements associated with difference in plant in-service:</u>	\$1,154
4 The revenue requirement calculated in Docket No. 140009-EI does not include amortization of 2012 True-Up of Net Book Value of Retirements, Removal Costs and Salvage. The revenue requirement calculated in Docket No. 140197-EI includes such amortization for 2012.	
<u>Revenue Requirements associated with the amortization of NBV of Retirements, Removal Costs and Salvage:</u>	\$100,877
5 The revenue requirement calculated in Docket No. 140009-EI does not include the amortization of the 2009 Net Book Value of Retirements, Removal Costs and Salvage that will terminate in February 2015, necessitating a base rate decrease as authorized by Order No. PSC-10-0207-PAA-EI.	
<u>Revenue Requirements associated with the roll-off of the 2009 Net Book Value of Retirements, Removal Costs and Salvage:</u>	(\$7,135)
<u>Base Rate Revenue Requirements filed in Docket No. 140197-EI</u>	<u>Total</u> <u>(\$761,690)</u>