

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of base rate increase for extended power uprate systems placed in commercial service, pursuant to Section 366.93(4), F.S., and Rules 25-6.0423(7) and 28-106.201, F.A.C., by Florida Power & Light Company.

DOCKET NO. 100419-EI
ORDER NO. PSC-11-0078-PAA-EI
ISSUED: January 31, 2011

The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION
ORDER GRANTING FLORIDA POWER & LIGHT COMPANY PETITION FOR
APPROVAL OF BASE RATE INCREASE FOR EXTENDED POWER UPRATE SYSTEMS

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 legislation, 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, F.A.C., which provides for an annual cost recovery proceeding to consider investor-owned utilities' requests for cost recovery for nuclear plants.

By Order No. PSC-08-0021-FOF-EI,¹ we made an affirmative determination of need for Florida Power & Light Company's (FPL or Company) Extended Power Uprate (EPU) project.

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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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 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 2012 and 2013. There will also be interim in-service items, such as the modifications at the St. Lucie and Turkey Point units which are the subject of this Order

On October 7, 2010, FPL filed a petition to increase its base rates by the \$1,952,620 revenue requirements associated with the 2010 modifications made at the St. Lucie and Turkey Point units pursuant to Rule 25-6.0423(7), F.A.C. Further, FPL has requested an additional \$198,307 base rate increase for the 5-year amortization of EPU assets that are being retired during 2010 pursuant to Rule 25-6.0423(7)(e), F.A.C. FPL has also included a \$48,335 true-up of the 2010 base rate revenue requirement for the St. Lucie 2 (PSL2) turbine gantry crane.² In total, FPL has requested a base rate increase of \$2,199,261, which equates to \$0.02 per month on a 1,000 kWh residential bill.

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.

DECISION

Base Rates

FPL has requested approval to increase its base rates by \$1,952,620 for the EPU project modifications at the St. Lucie and Turkey Point units that went into service during 2010.

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 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

² Order No. PSC-10-0207-PAA-EI, issued April 5, 2010, in Docket No. 090529-EI, In re: Petition to include costs associated with the extended power uprate project in base rates, by Florida Power & Light Company.

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 EPU project modifications for the first 12 months of operations. This calculation is shown on Attachment A, Page 1 of 25, attached to FPL's petition. We have reviewed the calculation of the \$1,952,620 jurisdictional annual revenue requirement. We find that the annual revenue requirement calculation has been calculated in compliance with Rule 25-6.0423(7), F.A.C.

The 2010 expenditures related to the EPU project modifications are still under review in Docket No. 100009-EI. A final determination of the reasonableness and prudence of the 2010 expenditures will be made during 2011. Per Attachment A, Page 1 of 25, to FPL's petition, the increase in Electric Plant in Service included in the calculation is \$9,580,345 (\$9,467,123 jurisdictional), net of joint owners. If the \$9,580,345 amount is revised based on a final audit and review of the 2010 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, we further find that the approval of the \$1,952,620 base rate increase shall be made subject to true-up and revision based on the final review of the 2010 EPU project modification expenditures at the St. Lucie and Turkey Point units in Docket No. 100009-EI.

Amortization

FPL has requested approval to increase its base rates by \$198,307 for the 5-year amortization of EPU assets that are being retired during 2010 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 retirements³ will be \$1,394,393 at December 31, 2010. This results in an annual amortization of \$278,879 over the 5-year period. In addition, FPL has proposed to offset the annual amortization by an annual depreciation credit of \$50,966 and an annual property tax credit of \$16,445. This results in a net annual amortization of \$211,468 (\$198,307 jurisdictional).

We find that \$198,307 is the appropriate jurisdictional annual amount for the 5-year amortization of the EPU assets that are being retired during 2010.

Request to Increase Base Rates

Per Order No. PSC-10-0207-PAA-EI,⁴ FPL was authorized to increase its base rates by \$354,225 for the PSL2 turbine gantry crane phase of the EPU project. This approval was 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.

As shown on Page 22 of 25 of Attachment A to FPL's Petition, the Company is requesting a true-up to increase base rates by \$48,335. The primary reason for the true-up is a \$168,948 Electric Plant in Service difference between the estimated \$2,455,535 used in the previous calculation and the final amount of \$2,624,483 used in the current calculation. We have reviewed the true-up calculation and find that the \$48,335 base rate increase shall be approved.

Appropriate Effective Date

FPL proposed to revise base rates by increasing the energy charge for all rate classes. FPL has allocated the total increase of \$2,199,261 among the various rate classes with the energy and demand allocation factors FPL utilized in its calculation of the 2011 Capacity Cost Recovery factors (Docket No. 100001-EI). In response to our first set data requests, FPL explained that because of the comparatively small magnitude of the increase, changing the energy charges only, as opposed to changing the energy and demand charges, is expected to result in a more accurate recovery of the revenue requirement. The total base rate increase results in a \$0.02 increase in the 1,000 kilowatt-hour residential bill.

Having approved the rate increase and the appropriate amortization, we find that the revised base rates shall be implemented thirty days after our vote on this matter. Furthermore, FPL shall file revised tariff sheets to implement our decision for administrative approval by our staff prior to their effective date.

Based on the foregoing, it is

³ Pages 5, 8, 10, 12, 16, and 18 of Attachment A to FPL's Petition (Document No. 08409-10)

⁴ Order No. PSC-10-0207-PAA-EI, issued April 5, 2010, in Docket No. 090529-EI, In re: Petition to include costs associated with the extended power uprate project in base rates, by Florida Power & Light Company.

ORDERED by the Florida Public Service Commission that FPL's petition to increase its base rates by the \$1,952,620 revenue requirements associated with the 2010 modifications made at the St. Lucie and Turkey Point units pursuant to Rule 25-6.0423(7), F.A.C., is hereby granted. It is further

ORDERED that \$198,307 is the appropriate jurisdictional annual amount for the 5-year amortization of the EPU assets that are being retired during 2010. It is further

ORDERED that FPL request of a true-up to increase base rates by \$48,335 is approved. It is further

ORDERED that the revised base rates shall be implemented thirty days after our vote on this matter. It is further

ORDERED that FPL shall file revised tariff sheets to implement our decision for administrative approval by our staff prior to their effective date. It is further

ORDERED that if no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket shall be closed upon the issuance of a consummating order. 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 31st day of January, 2011.



ANN COLE
Commission Clerk

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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 February 21, 2011.

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.