

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval for base rate increase for Extended Power Uprate systems placed in commercial service by Florida Power & Light Company.

DOCKET NO. 120244-EI
ORDER NO. PSC-12-0647-PAA-EI
ISSUED: December 11, 2012

The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING 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.).

Case 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, 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

¹See 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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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 have gone 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.

On October 1, 2012, FPL filed a petition to increase its base rates by the \$243,978,281 revenue requirements associated with the uprates of St. Lucie Unit 1, St. Lucie Unit 2, and Turkey Point Unit 3 pursuant to Rule 25-6.0423(7), F.A.C. Further, FPL has requested an additional \$1,794,540 base rate increase for the 5-year amortization of existing assets that are being retired during 2012 pursuant to Rule 25-6.0423(7)(e), F.A.C. FPL has also included a \$280,473 true-up of the 2011 base rate revenue requirement for the 2011 modifications made at the St. Lucie and Turkey Point nuclear units. In total, FPL has requested a base rate increase of \$246,053,294. This represents a base rate increase of \$2.59 per month on a typical 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.

EPU Project Modifications

FPL requested approval to increase its base rates by \$243,978,281 for the EPU project modifications at the St. Lucie and Turkey Point units that went into service during 2012, pursuant to Rule 25-6.0423(7), F.A.C., which 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 we have previously reviewed those costs; 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 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 B, Page 1 of 76, attached to FPL's petition. We reviewed the calculation of the \$243,978,281 jurisdictional annual revenue requirement and find that the annual revenue requirement calculation has been calculated in compliance with Rule 25-6.0423(7), F.A.C.

The 2012 expenditures related to the EPU project modifications are still under review in the NCRC. A final determination of the reasonableness and prudence of the 2012 expenditures will be made during 2013. Per Attachment B, Page 1 of 76, to FPL's petition, the increase in Electric Plant in Service included in the calculation is \$1,837,353,370 (\$1,803,382,928 jurisdictional), net of joint owners. If the \$1,837,353,370 amount is revised based on a final audit and review of the 2012 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 \$243,978,281 base rate increase shall be made subject to true-up and revision based on the final review of the 2012 EPU project modification expenditures at the St. Lucie and Turkey Point units in the NCRC.

Five Year Amortization of Existing Assets

FPL requested approval to increase its base rates by \$1,794,540 for the 5-year amortization of existing assets that are being retired during 2012 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.

As a direct result of the EPU project modifications, certain existing assets have been replaced or are no longer necessary for the operation of the plant. Therefore, these assets are being retired pursuant to Rule 25-6.0423(7)(e), F.A.C. Per Attachment B to FPL's petition, the net book value of the asset retirements will be \$13,850,155 at December 31, 2012. This results

in an annual amortization of \$2,775,997 (\$2,707,976 jurisdictional) over the 5-year period. In addition, FPL has proposed to decrease the annual amortization by annual depreciation expense and property tax expense credits of \$934,718 (\$913,436 jurisdictional), resulting in a net annual amortization of \$1,841,279 (\$1,794,540 jurisdictional).

During review, several apparent errors that were made in the calculation involving the net book value of the assets were noted. FPL filed a revision of the calculation of the 5-year amortization of the existing assets that are being retired during 2012 (Schedule 1). The revision reflects the appropriate net book value amount in the calculation.² As shown on Schedule 1, line 58, the net amortization of the asset retirements decreased from \$1,841,279 (\$1,794,540 jurisdictional) to \$1,835,043 (\$1,788,416 jurisdictional), a reduction of \$6,236 (\$6,123 jurisdictional).

We find that FPL's revised calculation of the 5-year amortization amount for the assets that are being retired during 2012 is correct. Therefore, we approve \$1,788,416 as the appropriate base rate increase for the 5-year amortization of the assets that are being retired during 2012. In addition, base rates shall be reduced by an amount equal to the increase associated with the recovery of the retired generating plant at the end of the recovery period.

Increase of FPL Base Rates for the True-Up of The 2011 Base Rate Adjustment.

Per Order No. PSC-11-0575-PAA-EI,³ we authorized FPL to increase its base rates by \$20,068,628 for the 2011 modifications made at the St. Lucie and Turkey Point nuclear units. This approval was subject to true-up and revision based on the final review of the 2011 expenditures in the NCRC in Docket No. 120009-EI.

As shown on page 76 of Attachment B to FPL's Petition, the Company is requesting a true-up to increase base rates by \$280,473. The primary reasons for the true-up are (1) a \$2,027,920 Electric Plant in Service - Nuclear increase between the estimated \$130,347,450 used in the previous calculation and the final amount of \$132,375,370 used in the current calculation, and (2) a \$36,186 Electric Plant in Service - Transmission increase between the estimated \$18,496,957 used in the previous calculation and the final amount of \$18,533,143 used in the current calculation.

We have reviewed the true-up calculation and approve the \$280,473 base rate increase.

Effective Date

FPL proposed to revise base rates by increasing the energy charge for all rate classes. FPL explained that the fuel savings associated with the increased nuclear generation is better matched with costs by recovering the EPU base rate increase through the energy charge only. Further, in order to ensure all customers in a rate class realize the same net cost per kWh after

² Document No. 07058-12, filed October 16, 2012.

³ See Order No. PSC-11-0575-PAA-EI, issued December 14, 2011, in Docket No. 110270-EI, 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.

fuel savings, FPL explained that the EPU increase should be recovered through the energy charge. We have approved energy-only rate increases in other nuclear uprate projects.⁴

A total increase of \$246,047,170 shall be allocated among the various rate classes consistent with the Cost of Service study in place at the time the rates go into effect. The total base rate increase results in an approximate increase of \$2.59 to the 1,000 kilowatt-hour residential bill.

The revised base rates shall be implemented with the first billing cycle for 2013, which falls on January 2, 2013. Furthermore, FPL shall file revised tariff sheets to implement the approved base rates for administrative approval by 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 request to increase its base rates by \$243,978,281 for the 2012 EPU project modifications at the St. Lucie and Turkey Point nuclear units is hereby approved. This approval is subject to true-up and revision based on the final review of the 2012 modification expenditures in the Nuclear Cost Recovery Clause (NCRC). It is further

ORDERED that the base rate increase is \$1,788,416 for the 5-year amortization of the existing assets that are being retired during 2012. It is further

ORDERED that, 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. It is further

ORDERED that the appropriate base rate increase is \$280,473 for the true-up of the 2011 base rate adjustment. It is further

ORDERED that the revised base rates shall be implemented with the first billing cycle for 2013, which falls on January 2, 2013. It is further

ORDERED that the total increase shall be allocated among the various rate classes consistent with the Cost of Service study in place at the time the rates go into effect. It is further

ORDERED that Florida Power & Light Company shall file revised tariff sheets for administrative approval by staff prior to their effective date. It is further

⁴ See Order Nos. PSC-11-0575-PAA-EI, issued December 14, 2011, in Docket No. 110270-EI, 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 and PSC-11-0078-PAA-EI, issued January 31, 2011, in Docket No. 100419-EI, 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.

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 11th day of December, 2012.



ANN COLE

Commission Clerk

Florida Public Service Commission

2540 Shumard Oak Boulevard

Tallahassee, Florida 32399

(850) 413-6770

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 January 1, 2013.

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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.