

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: October 10, 2013
TO: Ann Cole, Commission Clerk, Office of Commission Clerk
FROM: Clyde D. Rome, Public Utility Analyst I, Division of Economics *CDR*
RE: Docket No. 130222-EI: Proposed amendment of Rule 25-6.0423, F.A.C., Nuclear or Integrated Gasification Combined Cycle Power Plant Cost Recovery.

Please file the attached data request response package received from FPL in the subject docket file. Thanks for your help.

Attachments (2)

Cc: Elisabeth Draper

COMMISSION
CLERK

13 OCT 10 AM 10:04

RECEIVED - FPSC

Don Rome

From: Adams, Lynne <Lynne.Adams@fpl.com>
Sent: Wednesday, October 09, 2013 3:14 PM
To: Don Rome
Cc: Elisabeth Draper
Subject: FPL Response - Data Request: Nuclear or Integrated Gasification Combined Cycle Power Plant Cost Recovery (Rule 25-6.0423, F.A.C.)
Attachments: 2013 LEG-PSC Rules Review -DR 1.pdf; AFUDC Comparison for Staff 1st Data Request.pdf; 2013 LEG-PSC Rules Review - DR 2.pdf; 2013 LEG-PSC Rules Review - DR 3.pdf

Hello Don,

Attached please find FPL's response to Staff's first data request in Docket No. 130222-EI regarding Proposed Revisions to Rule 25-6.0423, Florida Administrative Code, (F.A.C.) Nuclear or Integrated Gasification Combined Cycle Power Plant Cost Recovery.

Thank you and please contact me if you have any questions.

Lynne Adams
521-3904

From: Don Rome [mailto:DRome@PSC.STATE.FL.US]
Sent: Tuesday, September 24, 2013 3:34 PM
To: Adams, Lynne
Cc: Elisabeth Draper
Subject: Data Request: Nuclear or Integrated Gasification Combined Cycle Power Plant Cost Recovery (Rule 25-6.0423, F.A.C.)

Good afternoon, Lynne.

Florida Public Service Commission staff is in the process of preparing a Statement of Estimated Regulatory Costs (SERC) for proposed revisions to Rule 25-6.0423, Florida Administrative Code, "Nuclear or Integrated Gasification Combined Cycle Power Plant Cost Recovery." Revisions to this agency rule are being proposed to incorporate changes made to Section 366.93, Florida Statutes, during the 2013 legislative session.

Therefore, staff is collecting information related to impacts of the draft rule changes on utilities and their customers. The draft rule shown in legislative format is attached. Also attached are the questions that comprise the data request. Draft rule changes as a result of the statutory changes pertain to: changes in carrying cost rates to be used at the time cost recovery is sought and additional information to be submitted with Nuclear Cost Recovery Clause filings.

Please provide responses to the attached data request by October 9, 2013. Please direct any questions to Don Rome, Division of Economics, at drome@psc.state.fl.us or at (850) 413-6495. Thanks and regards,

Don Rome, Public Utility Analyst
Economics Division – Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850
(850) 413-6495 FAX: (850) 413-6496
drome@psc.state.fl.us

Q.

Commission Rule 25-6.0423(2)(j), F.A.C., is being proposed to implement changes to Subsection 366.93(2), Florida Statutes (F.S.). In accordance with the statutory changes, carrying costs shall be calculated using the utility's most recently approved pretax allowance for funds used during construction (AFUDC) rate at the time an increment of cost recovery is sought. The following questions pertain to the changes in the carrying costs allowed by statute.

- a. Please identify all projects for which the Company will apply a different pretax AFUDC rate as a result of the statutory change effective July 1, 2013.
- b. For each project identified in response to item a., above, please provide the pretax AFUDC rate that was applied in cost recovery proceedings prior to the statutory change.
- c. For each project identified in response to item a., above, please provide the current approved pretax AFUDC rate that would be applied if an increment of cost recovery were being sought at the present time.
- d. For each project identified in response to item a., above, please provide a monetary estimate of the difference in the amount of the carrying cost recovery hypothetically allowable to the Company due to the application of the different AFUDC rates provided in response to items b. and c., above. Please show the monetary estimates as annual totals over the next five-year period.

A.

Please see attached.

**Florida Power & Light Company
Docket No 130222
Staff's First Set of Interrogatories**

1. Commission Rule 25-6.0423(2)(j), F.A.C., is being proposed to implement changes to Subsection 366.93(2), Florida Statutes (F.S.). In accordance with the statutory changes, carrying costs shall be calculated using the utility's most recently approved pretax allowance for funds used during construction (AFUDC) rate at the time an increment of cost recovery is sought. The following questions pertain to the changes in the carrying costs allowed by statute.

a. Please identify all projects for which the Company will apply a different pretax AFUDC rate as a result of the statutory change effective July 1, 2013.

FPL will apply a different pretax AFUDC rate to the St. Lucie and Turkey Point Extended Power Uprate (EPU) and Turkey Point Units 6&7 projects.

b. For each project identified in response to item a., above, please provide the pretax AFUDC rate that was applied in cost recovery proceedings prior to the statutory change.

The pretax AFUDC rate applied to prior cost recovery proceedings is 11.04%.

c. For each project identified in response to item a., above, please provide the current approved pretax AFUDC rate that would be applied if an increment of cost recovery were being sought at the present time.

The current approved pretax AFUDC rate is 9.63 %.

d. For each project identified in response to item a., above, please provide a monetary estimate of the difference in the amount of the carrying cost recovery hypothetically allowable to the Company due to the application of the different AFUDC rates provided in response to items b. and c., above. Please show the monetary estimates as annual totals over the next five-year period.

1.) The following impact on carrying charges was calculated for 2013 and 2014 and previously filed in response to Staff's Sixth Set of Interrogatories No. 57 Docket No 130009-EI. These amounts are consistent with those stipulated to in Docket 130009-EI. Amounts for 2013 represent the period from July 1 - December 31, 2013 at the current approved pretax AFUDC rate.

Carrying Charges at 11.04% pretax AFUDC rate		
	<u>2013</u>	<u>2014</u>
TP 6&7	\$5,089,218	\$7,324,492
EPU	\$22,065,618	\$1,524,201
Total	<u>\$27,154,836</u>	<u>\$8,848,693</u>

Carrying Charges at 9.63% pretax AFUDC rate		
	<u>2013</u>	<u>2014</u>
TP 6&7	\$4,759,748	\$6,483,759
EPU	\$21,796,772	\$1,339,801
Total	<u>\$26,556,521</u>	<u>\$7,823,560</u>

Difference		
	<u>2013</u>	<u>2014</u>
TP 6&7	(\$329,470)	(\$840,733)
EPU	(\$268,845)	(\$184,400)
Total	<u>(\$598,316)</u>	<u>(\$1,025,133)</u>

- 2.) The following impacts on carrying charges for 2015 through 2018 were calculated based on the current TP 6&7 project cost estimates and represent carrying charges on deferred tax assets associated with estimated preconstruction costs. These estimates are subject to future revision and assume no (over)/ under recoveries for the periods 2015 through 2018. No EPU costs are presented below because the EPU project is completed.

Carrying Charges at 11.04% pretax AFUDC rate				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
TP 6&7	\$8,442,859	\$8,708,613	\$8,807,254	\$8,844,089

Carrying Charges at 9.63% pretax AFUDC rate				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
TP 6&7	\$7,450,223	\$7,684,544	\$7,771,498	\$7,804,002

Difference				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
TP 6&7	(\$992,636)	(\$1,024,068)	(\$1,035,755)	(\$1,040,087)

Q.

Revisions to Commission rules are being proposed to implement changes to Subsection 366.93(3), F.S. Effective July 1, 2013, Paragraph 366.93(3)(d), F.S., requires that "After a utility obtains approval to proceed with postlicensure or postcertification preconstruction work, it must petition the commission for approval of any preconstruction materials or equipment purchases that exceed 1 percent of the total projected cost for the project."

If the approval required pursuant to Paragraph 366.93(3)(d), F.S., for any preconstruction materials or equipment purchases that exceed 1 percent of the total projected cost for the project is anticipated to add additional costs to the Company's annual Nuclear Cost Recovery Clause (NCRC) filing in the year when the purchase approval information is submitted, please provide an estimate of these additional costs for each of the next five years including appropriate supporting documentation that describes the costs and shows how the estimates were derived.

A.

As stated, the above DR assumes that the request for approval (of materials or equipment purchases greater than one percent of the total project costs) will be made in the annual NCRC filing. The request may also be made in an independent filing, should circumstances indicate that such request would be beneficial to FPL customers.

For Commission approval to proceed with purchases pursuant to Paragraph 366.93(3)(d), F.S., FPL would incur costs associated with, but not limited to, a regulatory filing seeking Commission approval of a petition. The incremental costs associated with such a filing will depend on the nature and extent of the purchases and related regulatory proofs required (witnesses, documentation), the extent of discovery, and other Commission requirements. To the extent this approval is sought through the course of FPL's annual NCRC proceeding, some of these costs may be avoided. FPL is unable to provide an estimate of these costs at this time.

Q.

Proposed Rule 25-6.0423(3), F.A.C., provides that "a utility may file a petition for Commission approvals pursuant to Section 366.93(3), F.S., in the annual nuclear or integrated gasification combined cycle cost recovery proceeding, or in a separate proceeding limited in scope to address only the petition for approval."

a. Please provide illustrative descriptions of circumstances in which the Company might find it more advantageous to file a petition for a limited proceeding outside of the annual cost recovery proceeding.

b. If the approval required pursuant to Paragraph 366.93(3)(c), F.S., to proceed with preconstruction work is anticipated to add additional costs to the Company's annual NCRC filing in the year when the pre-construction approval information is submitted, please provide an estimate of these additional costs including appropriate supporting documentation that describes the costs and shows how the estimates were derived.

c. If the approval required pursuant to Paragraph 366.93(3)(e), F.S., to proceed with the construction phase is anticipated to add additional costs to the Company's annual NCRC filing in the year when the construction phase approval information is submitted, please provide an estimate of these additional costs including appropriate supporting documentation that describes the costs and shows how the estimates were derived.

d. If the proof of intent required pursuant to Subparagraph 366.93(3)(f)1.a., F.S., to demonstrate that the utility remains intent on building the plant is anticipated to add additional costs to the Company's annual NCRC filing in the year that is ten years subsequent to the receipt of the combined operating license, please provide an estimate of these additional costs including appropriate supporting documentation that describes the costs and shows how the estimates were derived.

e. If the demonstration required pursuant to Subparagraph 366.93(3)(f)(3), F.S., that the utility must show that "it has committed sufficient, meaningful, and available resources to enable the project to be completed and that its intent is realistic and practical" is anticipated to add additional costs to the Company's annual NCRC filing each year, please provide an estimate of these recurring annual costs including appropriate supporting documentation that describes the additional costs and shows how the estimates were derived.

A.

(a)

At this time, FPL sees two general sets of circumstances in which a limited proceeding outside of the annual cost recovery proceeding might be pursued. The first relates to the relative timing of the receipt of the final license or certification of a project with the annual NCRC docket, while the second relates to the relative duration of a limited proceeding in comparison to the annual NCRC docket.

First, because the granting of licenses including the Combined Operating License and other required certifications are not part of the FPSC's annual NCRC cycle, it is fairly likely that the grant of such licenses or certifications could be received out of synchronization with FPL's annual cost recovery filing, which could potentially require additional time and a separate regulatory filing to request approval to proceed. It is also possible that project benefits would be deferred by some period of time were FPL to wait for the next annual NCRC cycle, which might cause FPL to initiate a separate approval proceeding.

Second, even if a license or certification were to be received on a schedule enabling a request to proceed to be processed in the regular NCRC cycle, it is possible that there may be greater benefits for customers associated with obtaining approval to proceed sooner than would occur in course of the overall annual NCR process. In such a case FPL might pursue approval on a time frame that is shorter than but partially or in total parallel with annual NCRC proceedings. In deciding whether to initiate such a separate parallel proceeding, FPL would consider circumstances including whether it would be more advantageous for FPL's customers to proceed with a limited petition outside of the annual NCRC process.

(b)

For Commission approval to proceed with preconstruction work pursuant to Paragraph 366.93(3)(c), F.S., FPL would incur costs associated with, but not limited to, a regulatory filing seeking Commission approval of a petition. The incremental costs associated with such a filing will depend on the nature and extent of the request and related regulatory proofs required (witnesses, documentation), the extent of discovery, and other Commission requirements. To the extent this approval is sought through the course of FPL's annual NCRC proceeding, some of these costs may be avoided. FPL is unable to provide an estimate of these costs at this time.

(c)

For Commission approval to proceed with construction work pursuant to Paragraph 366.93(3)(e), F.S., FPL would incur costs associated with, but not limited to, a regulatory filing seeking Commission approval of a petition. The incremental costs associated with such a filing will depend on the nature and extent of the request and related regulatory proofs required (witnesses, documentation), the extent of discovery, and other Commission requirements. To the extent this approval is sought through the course of FPL's annual NCRC proceeding, some of these costs may be avoided. FPL is unable to provide an estimate of these costs at this time.

(d)

Under this section, the Commission's review of the utility's intent would follow nine to ten years of annual NCRC proceedings, in which a utility would demonstrate continued feasibility of the project. FPL does not believe that compliance with the "intent to build" provision of the Statute will require or result in material additional costs to FPL's annual NCRC filing.

(e)

Under this section, the Commission's review of the utility's intent would follow nine to ten years of annual NCRC proceedings, in which a utility would demonstrate continued feasibility of the project. FPL does not believe that maintaining compliance with the "intent to construct" provision of the Statute will require or result in material additional costs to FPL's annual NCRC filing.