

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: November 21, 2013

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Accounting and Finance (Barrett, Lester, Mouring, Prestwood, Bulecza-Banks, Willis) ^{MCB PL}
Division of Economics (Draper, King) ^{EAD}
Division of Engineering (Ballinger, Graves) ^{J.W.D.}
Office of the General Counsel (Barrera, Gilcher) ^{TB JSC} ^{MB} ^{CSP} ^{CO}

RE: Docket No. 130001-EI – Fuel and purchased power cost recovery clause with generating performance incentive factor.

AGENDA: 12/03/13 – Regular Agenda – Post Hearing Decision – Participation is Limited to Commissioners and Staff

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Balbis

CRITICAL DATES: Decision must be rendered by 12/3/2013 in order to implement new factors with the first billing cycle in 2014 (January 2, 2014).

SPECIAL INSTRUCTIONS: None

Case Background

As part of the continuing fuel and purchased power adjustment and generating performance incentive clause proceedings, an administrative hearing was held by the Commission on November 4, 2013. At the hearing, the Commission ruled on most issues listed

in Order No. PSC-13-0514-PHO-EI¹ (Prehearing Order) by making bench decisions for all issues for Duke Energy Florida, Inc., Tampa Electric Company, Gulf Power Company, and Florida Public Utilities Company. Although some issues for Florida Power & Light Company (FPL) were decided by bench decisions at the November 4, 2013 hearing, briefs were requested for Issues 18B, 25B, and 25C. This post-hearing recommendation addresses those remaining issues, and several fall-out issues for capacity cost recovery.²

Issue 18B addresses whether FPL should be excluded from the Generating Performance Incentive Factor (GPIF) program for the duration of its pilot Asset Optimization program. Issues 25B and 25C are closely related, and pertain to the subject of cost recovery for operations and maintenance (O&M) expenses and capital costs related to Nuclear Regulatory Commission (NRC) requirements stemming from the Fukushima incident. Issue 25B addresses whether the Fukushima compliance costs, which are in excess of the level FPL included in its 2013 test year in Docket No. 120015-EI, should be eligible for recovery through the capacity cost recovery clause. Issue 25C addresses the amount of Fukushima compliance costs for 2013 (actual/estimated) and 2014 (projected) that should be allowed for recovery through the capacity cost recovery clause. As noted previously, Issues 29-32 and 34 are fall-out issues based upon the Commission's decision in Issues 25B and 25C.

On November 15, 2013, FPL filed a post hearing brief for Issues 18B, 25B, and 25C, and the Office of Public Counsel (OPC) filed a post hearing brief addressing Issues 18B and 25B. No other parties filed briefs. Interveners with agreed with OPC or took no position on these issues.

The Commission has jurisdiction over this subject matter pursuant to the provisions of Chapter 366, Florida Statutes (F.S.), including Sections 366.04, 366.05, and 366.06, F.S.

¹ Order No. PSC-13-0514-PHO-EI, issued October 28, 2013, in Docket No. 130001-EI, In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.

² Issues 29-32 and 34 are fall-out issues for FPL that are addressed in this recommendation. Although not a fall-out issue, Issue 36 addresses closing the docket.

Discussion of Issues

Issue 18B: Should FPL be excluded from the GPIF program for the duration of its Pilot Asset Optimization Program?

Recommendation: Not at this time. Since performance targets have previously been set for 2013, FPL should be eligible for any GPIF rewards/penalties associated with its 2013 unit performance. If FPL receives either a reward or penalty under the GPIF, it is likely that the Company also would receive a credit towards its threshold goal under the Pilot Program. The Pilot Program may also be more comprehensive than the GPIF at targeting similar behavior, i.e. the efficient operation of base load generating units. Based on the current schedule, the initial two years of the Pilot Program will be at the end of 2014. Staff recommends that FPL address these specific interrelationships when the Commission reviews the Pilot Program during 2015. (Ballinger)

Position of the Parties

FPL: No. Uncontroverted evidence shows that the Asset Optimization program does not overlap the GPIF program; rather, it complements the GPIF with incentives to generate customer benefits in other areas. This docket determines 2012 GPIF rewards/penalties; the Asset Optimization program was not in effect during that year.

OPC: OPC supports excluding FPL from the GPIF during the "asset optimization" pilot program. The programs are designed to instill the same incentive to operate efficiently. Customers should not bear the risks and potential costs of duplicative financial incentives.

Staff Analysis:

Parties' Arguments

FPL

FPL asserts that the GPIF does not overlap the Incentive Mechanism; rather, the Incentive Mechanism complements the GPIF program, by adding incentives in areas that are not addressed by the GPIF. (FPL BR 3) FPL claims the Asset Optimization program encourages FPL to create additional value for FPL customers from short-term wholesale sales, short-term wholesale purchases and asset optimization activities such as selling excess gas transportation capacity and or electric transmission capacity when it is not needed to serve FPL's native load. Such opportunities to create additional value for customers primarily result from factors such as the price relationship among different fuel types, the level of load that FPL and potential counterparties must serve, the types of generating units that FPL and the potential counterparties operate, and other mechanisms. FPL claims the only similarity between the two programs is that both, albeit in distinct ways, incent FPL to provide significant benefits to FPL customers. (FPL BR 3). The GPIF reward/penalty determination that is presently before the Commission is for generating unit performance in 2012, the results of which will be recovered in the 2014 Fuel Clause factors. FPL's Asset Optimization program did not go into effect until January 2013.

Therefore, all parties agreed that the outcome of Issue 18B will not affect FPL's entitlement to collect its 2012 GPIF reward through the 2014 Fuel Clause factors. (FPL BR 7)

OPC

OPC supports excluding FPL from the GPIF during the "asset optimization" pilot program. According to OPC, both programs are designed to instill the same incentive to operate efficiently, and customers should not bear the risks and potential costs of duplicative financial incentives. (OPC BR 9) OPC states the GPIF program provides a financial incentive for utilities to improve their generating units' heat rate and availability. FPL's "asset optimization" program rewards FPL for increasing wholesale sales. OPC states that an improvement in either heat rate or availability, of the type that would help FPL earn a GPIF incentive payment, would also render a generating unit more competitive in the wholesale market, thereby also enhancing its ability to keep a portion of wholesale gains under the "optimization program." Thus, absent the GPIF "time out," two separate mechanisms will be operating to provide the same incentive to operate more efficiently. (OPC BR 9)

Analysis

At issue is whether FPL should be temporarily excluded from the GPIF program based on a finding that the program provides a duplicate incentive contained in FPL's Pilot Program. FPL witness Rote discussed FPL's Pilot Program which was approved pursuant to Order No. PSC-13-0023-S-EI³(TR 533-534) As described in Order No. PSC-13-0023-S-EI, the Pilot Program involves the sharing of gains resulting from electric wholesale purchases and sales, and asset optimization. Asset optimization involves: gas storage utilization; city-gate gas sales using existing transport; production area gas sales; capacity release of gas transport and electric transmission; and the outsourcing of the optimization function. Annually, as part of the fuel cost recovery clause, FPL will file a final true-up schedule showing its gains in the prior calendar year on short-term wholesale sales, short-term wholesale purchases, and all forms of asset optimization it undertook in that calendar year. FPL customers would receive 100 percent of the gain from electric wholesale sales and purchases and asset optimization up to a threshold of \$36 million ("Customer Savings Threshold.") FPL customers would also receive 100 percent of the gain for the first \$10 million above the Customer Savings Threshold (termed "Additional Customer Savings"). Incremental gains above the Customer Savings Threshold and the Additional Customers Savings (totaling \$46 million) would be shared between FPL and customers.⁴

FPL's Asset Optimization program was first proposed as a permanent program as part of an overall rate case settlement in Docket No. 120015-EI. At the Special Agenda Conference on December 13, 2012, the signatories filed a revised Stipulation and Settlement which revised the Asset Optimization program into a Pilot Program. Page 7 of Order No. PSC-13-0023-S-EI approving the revised Stipulation and Settlement states:

³ 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

⁴ Id.

We also find that the pilot incentive mechanism is in the public interest. The pilot incentive mechanism is beneficial to both FPL's customers and FPL. We note that this is a four-year pilot program and we have the option to review it after two years. If we determine that the program is not providing the kinds of benefits that are anticipated, or if we determine the pilot program is otherwise unsatisfactory, we may terminate the program.

As mentioned above, the Pilot Program has certain dollar thresholds that must be obtained before FPL shareholders receive any compensation. Gains in wholesale sales and purchased power are included in calculating the thresholds. (TR 541) Based on the current schedule, the initial two years of the Pilot Program will be at the end of 2014. The Commission will review the results of the Pilot Program during 2015.

The Commission adopted the GPIF program by Order No. 9558, in Docket No. 800400-CI, issued September 19, 1980. The GPIF program provides incentives for Investor-owned utilities to optimize the efficiency of their base load units. Annual performance targets for unit availability and heat rate are set and actual performance is then compared to the targets in the following year. If the utilities participating in the GPIF program exceed their targets, shareholders are financially rewarded. If targets are not achieved, then shareholders are financially penalized. (TR 538-539) FPL witness Rote acknowledged that the GPIF program has operated effectively to incent utilities to strive for the efficient operation of base load units (TR 538-539; EXH 56). He also agrees that the GPIF mechanism is "an even handed, symmetric methodology." (TR 528-529)

FPL responded to a staff interrogatory that "[F]rom a high-level perspective, performance improvements in availability and heat rate should increase FPL's ability to make off-system economy sales as these improvements drive lower marginal costs and therefore, improve FPL's competitive position in the power market." (EXH 56) On the flip-side, FPL also agreed that degradation in base load unit availability and heat rate increase FPL's opportunity to make off-system wholesale purchases. (EXH 56) FPL witness Rote agreed that theoretically, unit performance can impact FPL's position in the wholesale market. (TR 542) Staff agrees with Witness Rote and suggests that the efficient operation of the utility's base load units are the foundation for any off-system sales or purchases.

If FPL's base load generating units perform poorly, they would likely be penalized under the GPIF program, but consequently, the Company's market position would be improved to make off-system purchases. (TR 541-542; EXH 56) Gains on these purchases would be included towards achieving or exceeding its threshold under the Pilot Program. Conversely, if FPL's units exceed their targets under the GPIF, the Company would likely receive a reward while also improving its market position for off-system sales. (TR 541-542; EXH 56) Gains from these transactions would also be included towards achieving or exceeding its threshold under the Pilot Program. (TR 541) In other words, if FPL receives either a reward or penalty under the GPIF program, it is likely that the Company also would receive a credit towards its threshold goal under the Pilot Program.

Conclusion

While it is true that the Pilot Program also includes other activities as mentioned above, gains from off-system sales and purchases are also included. Therefore, it seems that the Pilot Program may be more comprehensive than the GPIF at targeting similar behavior, i.e. the efficient operation of base load generating units. Since performance targets have previously been set for 2013, FPL should be eligible for any GPIF rewards/penalties associated with its 2013 unit performance. Based on the current schedule, the initial two years of the Pilot Program will be at the end of 2014. Staff recommends that FPL address these specific interrelationships when the Commission reviews the Pilot Program during 2015.

Issue 25B: Are costs (O&M and Capital Costs) related to Nuclear Regulatory Commission requirements stemming from the Fukushima incident that exceed the levels of such costs that FPL included in its 2013 test year in Docket No. 120015-EI eligible for recovery through the capacity cost recovery clause?

Recommendation: Yes. Based on the terms of the Settlement approved by the Commission in Docket No. 120015-EI, the Commission should grant FPL's requested recovery of Fukushima-related costs through the Capacity Clause. (Graves)

Position of the Parties

FPL: Yes. NRC compliance costs associated with the Fukushima event will be incurred in order to allow FPL's nuclear plants to continue operating and saving FPL customers substantial fossil fuel costs. The level of NRC compliance costs associated with the Fukushima event included in base rates does not address either: (a) the incremental increase in the compliance costs that FPL expects in 2013 and 2014; or (b) the high degree of uncertainty that exists as to the ultimate level of compliance costs. Both of these considerations make base rate recovery problematic and clause recovery appropriate.

OPC: No. FPL's attempt to increase customers' bills by equating costs of NRC's Fukushima-related evaluations with the extraordinary, unique clause treatment of post-9/11 security costs should be rejected. FPL's claim that it would otherwise have no opportunity to recover such base rate-related costs above MFR-projected levels is untrue. Further, whereas the immediate threat of additional terrorist attacks precipitated emergency wartime measures, FPL emphasizes that Fukushima-related initiatives present no safety emergency. FPL's rationale that such costs are eligible because they are necessary and uncertain would absurdly qualify every compliance measure and even equipment replacements for clause recovery

Staff Analysis:

Parties Arguments

FPL

FPL suggests that its requested recovery of Fukushima-related costs fall squarely within the Commission's parameters for Capacity Clause recovery. (FPL BR 10) FPL supports its request quoting Order No. PSC-05-0748-FOF-EI,⁵ which states:

The original purpose of recovery clauses was to address on-going costs which could fluctuate between rate cases and unduly penalize either the utility or customers, if such costs were included in base rates.

[A]ll four current clauses address costs that are unpredictable, volatile and irregular, due to forces outside the utility's control.

⁵ See Order No. PSC-05-0748-FOF-EI, issued July 14, 2005, in Docket No. 041272-EI, In re: Petition for approval of storm cost recovery clause for recovery of extraordinary expenditures related to Hurricanes Charley, Frances, Jeanne, and Ivan, by Progress Energy Florida, Inc.

(FPL BR 10)

FPL argues that its response to NRC mandated Fukushima-related actions are continuing to evolve and follow varying schedules ranging from 60 days to several years. FPL opines that the evolutionary and iterative process results in a high degree of uncertainty and volatility surrounding the Fukushima-related compliance costs. (FPL BR 11) FPL further contends that the Fukushima-related costs are driven by an external unanticipated event outside its control. (FPL BR 13)

FPL additionally supports its request citing Commission Order No. PSC-01-2516-FOF-EI,⁶ in which the Commission approved, for recovery through the Capacity Clause, incremental security costs associated with the events of September 11, 2001 (9/11).⁷ In that Order the Commission stated the following:

We find that recovery of this incremental cost through the fuel clause is appropriate in this instance because there is a nexus between protection of FPL's nuclear generation facilities and the fuel cost savings that result from the continued operation of those facilities.

(FPL BR 11) In a separate Order, the Commission ruled that clause recovery of 9/11 costs was appropriate based on an immediate need to protect the health, safety and welfare of the utility and its customers.⁸ (FPL BR 12-13) FPL argues that the Commission's approval of Capacity Clause recovery for 9/11 costs is analogous to its requested recovery of Fukushima-related costs which are driven by an external event outside of the Utility's control, expected to be recurring and volatile over time, and necessary to ensure the safety of FPL's nuclear plants. (FPL BR 12)

FPL also contends that its request for the recovery of costs incremental to the amounts included in base rates is consistent with the Commission's order regarding clause recovery for 9/11 costs. FPL asserts that this methodology of seeking only the incremental costs eliminates double recovery. (FPL BR 13)

OPC

OPC argues that the Commission should reject FPL's request for Capacity Clause recovery of Fukushima-related costs. (OPC BR 8) OPC asserts that the Fukushima-related costs are base rate-related and as long as base rates generate revenues that are sufficient to recover the cost of service and provide a fair return, FPL will have recovered all Fukushima-related costs. (OPC BR 5) OPC adds that a myriad of components of the ratemaking formula are subject to variances above and below projections, and if revenues become such that base rates do not produce an overall fair return, the remedy is a base rate proceeding. (OPC BR 6)

⁶ See Order No. PSC-01-2516-FOF-EI, issued December 26, 2001, in Docket No. 010001-EI, In re: Fuel and purchased power cost recovery clause and generating performance incentive factor.

⁷ 9/11 costs were first recovered through the fuel cost recovery clause and, subsequently, the capacity cost recovery clause.

⁸ See Order No. PSC-05-0748-FOF-EI, issued July 14, 2005, in Docket No. 041272-EI, In re: Petition for approval of storm cost recovery clause for recovery of extraordinary expenditures related to Hurricanes Charley, Frances, Jeanne, and Ivan, by Progress Energy Florida, Inc.

OPC also contends that the treatment of 9/11 costs does not provide a basis for granting FPL's request. (OPC BR 6) OPC elaborates that the events of 9/11 exposed an immediate threat to safety whereas FPL does not characterize the NRC's initiatives relative to the Fukushima incident as an emergency or an immediate danger. (OPC BR 6-7)

OPC additionally expresses concern with authorizing Capacity Clause recovery of Fukushima-related costs based on the characterization that the costs are uncertain, and are necessary for the continued operation of the Company's nuclear units. OPC further remarks that these characteristics would be true of any compliance costs as well as any replacement of necessary parts. (OPC BR 8)

Analysis

Background

On March 11, 2011, an earthquake occurred off the coast of Japan. The earthquake and resulting tsunami caused significant damage to nuclear units at Fukushima (Fukushima Event). (TR 454) The Fukushima Event raised concerns about the safety of the U.S. nuclear fleet and led to reviews by plant operators, the Nuclear Regulatory Commission (NRC), and the Institute of Nuclear Power Operations. (TR 454-455)

In its 2013 test year, FPL included forecasted Fukushima-related costs.⁹ (TR 403-404) FPL testified that the rate case forecast was developed in 2011 and at that time, there was insufficient information available to prepare a reasonable estimate for the Fukushima costs. FPL elaborated that it is now clear that the Fukushima-related costs will exceed the rate case forecast in the years to come. (TR 485-486) FPL is seeking to recover, through the Capacity Clause, the incremental NRC compliance costs that exceed the amounts included in its 2013 test year forecast.

Staff's Review

Staff concurs with OPC's argument that many base rate-related costs are subject to variances arising from powers outside of a utilities' control and the appropriate mechanism for addressing those variances is in a rate case proceeding. However, FPL's request to recover the incremental costs associated with the Fukushima Event through the Capacity Clause appears to be appropriate based on the language of Commission Order No. PSC-13-0023-S-EI. In that Order, the Commission approved a settlement (Settlement) which contains the following language:

It is further the intent of the Parties to recognize that an authorized governmental entity may impose requirements on FPL involving new or atypical kinds of costs (including but not limited to, for example, requirements related to cybersecurity or the requirements for seismic and flood protection at nuclear plants arising out of the Fukushima Daiichi event), and concurrently or in connection with the

⁹ By Order No. PSC-13-0023-S-EI, issued January 14, 2013, in Docket No. 120015-EI, the Commission approved a settlement which increased FPL's base rates based on the Company's forecasted 2013 test year.

imposition of such requirements, the Legislature and/or Commission may authorize FPL to recover those related costs through a cost recovery clause.

Staff believes that the language of the approved Settlement clearly allows FPL to seek clause recovery of Fukushima-related costs despite those costs being included in the Company's base rate projections. Therefore, it is staff's opinion that Capacity Clause recovery of Fukushima-related costs should be considered despite the fact that some of the costs have already been included in the Company's base rates.

Although the Settlement does not state a specific standard for which the Commission should allow recovery of Fukushima-related costs, it does indicate that the costs must be imposed by a governmental entity. FPL witness Grissette testified that the costs projected to be incurred are as a result of compliance with NRC requirements. (TR 492-493) The Settlement additionally requires that the costs must be new or atypical. To that point, witness Grissette testified that the Fukushima Event has resulted in new and evolving regulations. (TR 486) Furthermore, based on the timing of NRC orders and NRC information requests in response to the Fukushima Event (March 2012), it is reasonable to describe the costs being requested for recovery as new. (TR 484) Therefore, staff believes that the proposed costs satisfy the terms of the Settlement with respect to seeking recovery of Fukushima-related costs through a cost recovery clause.

Both FPL and OPC cited Commission Orders that the respective parties believed were relevant to the instant case. Specifically, both parties compared the Fukushima Event with the 9/11 event and the subsequent compliance costs that arose or are arising from those events. While staff believes there are notable similarities and differences between the two events and consequent requests for Capacity Clause recovery of associated costs, it is staff's opinion that such a comparison is not necessary in this case because the nature of the Fukushima Event was known when the Settlement was approved.

Conclusion

Many base rate-related costs are subject to variances arising from powers outside of a utilities' control and the appropriate mechanism for addressing those variances is in a rate case proceeding. Likewise, staff does not believe that nuclear compliance should serve as the sole basis for allowing cost-recovery through a clause. However, staff believes that the Settlement addresses these issues. Therefore, staff recommends that the Commission should approve FPL's request for recovery of Fukushima-related costs through the Capacity Clause.

Issue 25C: What is the appropriate amount of Incremental Nuclear Regulatory Commission (Fukushima) Compliance O&M and capital costs that FPL should be allowed to recover through the Capacity Clause?

Recommendation: The appropriate amount of Incremental Nuclear Regulatory Commission (Fukushima) Compliance O&M expense and capital costs that FPL should be allowed to recover through the Capacity Clause is \$116,265 for the period January-December 2013, and \$1,621,570 for the period January-December 2014. The estimated costs will be trued-up to actual costs and will be audited as part of the Commission's audit process for the capacity clause. (Lester, Barrett)

Position of the Parties

FPL: The amount of Incremental Nuclear Regulatory Commission (Fukushima) Compliance O&M and capital costs that FPL should be allowed to recover through the Capacity Clause is \$116,265 for the actual/estimated period January 2013 through December 2013 and \$1,621,570 for the projection period January 2014 through December 2014.

OPC: No post hearing position was provided in OPC's brief.

Staff Analysis: Consistent with staff's recommendation in Issue 25B, the appropriate amount of Incremental Nuclear Regulatory Commission (Fukushima) Compliance O&M expense and capital costs that FPL should be allowed to recover through the Capacity Clause is \$116,265 for the period January-December 2013, and \$1,621,570 for the period January-December 2014.

FPL projected the 2013 and 2014 costs for NRC compliance with post-Fukushima standards. The costs involve seismic and flooding evaluations, design modifications, instrumentation, and training for FPL's nuclear generating units. (TR 457, 492-493) The costs include estimated capital costs and O&M expenses and are incremental to costs included in FPL's 2013 test year in Docket No. 120015-EI. (TR 404, 407, 420, 439) The amounts are \$116,265 for 2013 and \$1,621,570 for 2014. (TR 407, 420; EXH 17)

Staff believes FPL has supported the amounts for compliance with NRC Fukushima standards included in the capacity cost recovery factors. The estimated costs will be trued-up to actual costs and will be audited as part of the Commission's audit process for the capacity clause.

Issue 29: What are the appropriate capacity cost recovery actual/estimated true-up amounts for the period January 2013 through December 2013?

Recommendation For FPL, the appropriate capacity cost recovery actual/estimated true-up amount for the period January-December 2013, is an under-recovery of \$25,357,191. If the Commission modifies staff's recommendations in Issues 25B and/or 25C, then FPL should file revised capacity cost recovery factors to reflect the Commission's decision for administrative approval by staff. (Lester, Barrett)

Position of the Parties

FPL: \$25,357,191 under-recovery.

OPC: No post hearing position was provided in OPC's brief.

Staff Analysis: As noted in the Case Background, this issue is a fall-out of the Commission's decisions in Issues 25B and 25C. This issue addresses whether the dollar amount of the 2013 actual/estimated costs discussed in Issue 25C should be included by FPL for cost recovery in the January-December 2013, true-up calculation.

Consistent with staff's recommendations in Issues 25B and 25C, staff recommends that the appropriate capacity cost recovery actual/estimated true-up amount for the period January-December 2013, for FPL is an under-recovery of \$25,357,191. If the Commission modifies staff's recommendations in Issues 25B and/or 25C, then FPL should file revised capacity cost recovery factors to reflect the Commission's decisions for administrative approval.

Issue 30: What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2014 through December 2014?

Recommendation For FPL, the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January-December 2014, is an under-recovery of \$33,270,675. If the Commission modifies staff's recommendations in Issues 25B and/or 25C, then FPL should file revised capacity cost recovery factors to reflect the Commission's decision for administrative approval by staff. (Lester, Barrett)

Position of the Parties

FPL: \$33,270,675 under-recovery.

OPC: No post hearing position was provided in OPC's brief.

Staff Analysis: As noted in the Case Background, this issue is a fall-out of the Commission's decisions in Issues 25B, 25C, and 29, as well as Issue 28, which was previously approved. This issue addresses the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January-December 2014.

Consistent with staff's recommendations in Issues 25B and 25C, staff recommends that the appropriate total capacity cost recovery true-up amount to be collected/refunded during the period January-December 2014, for FPL is an under-recovery of \$33,270,675. If the Commission modifies staff's recommendations in Issues 25B and/or 25C, then FPL should file revised capacity cost recovery factors to reflect the Commission's decision for administrative approval.

Issue 31: What are the appropriate projected total capacity cost recovery amounts for the period January 2014 through December 2014?

Recommendation For FPL, the appropriate projected total capacity cost recovery amount for the period January-December 2014, is \$510,012,148 (Jurisdictionalized, and excluding prior period true-ups, revenue taxes, nuclear cost recovery amounts, and West County Energy Center Unit-3 jurisdictional non-fuel revenue requirements). If the Commission modifies staff's recommendations in Issues 25B and/or 25C, then FPL should file revised capacity cost recovery factors to reflect the Commission's decision for administrative approval by staff. (Lester, Barrett)

Position of the Parties

FPL: Jurisdictionalized, \$510,012,148 for the period January 2014 through December 2014 excluding prior period true-ups, revenue taxes, nuclear cost recovery amount, and WCEC-3 jurisdictional non-fuel revenue requirements.

OPC: No post hearing position was provided in OPC's brief.

Staff Analysis: As noted in the Case Background, this issue is a fall-out of the Commission's decisions in Issues 25B and 25C. This issue addresses the appropriate projected total capacity cost recovery amounts for the period January-December 2014.

Consistent with staff's recommendations in Issues 25B and 25C, staff recommends that the appropriate projected total capacity cost recovery amount for the period January-December 2014, is \$510,012,148 (Jurisdictionalized, and excluding prior period true-ups, revenue taxes, nuclear cost recovery amounts, and WCEC-3 jurisdictional non-fuel revenue requirements) If the Commission modifies staff's recommendations in Issues 25B and/or 25C, then FPL should file revised capacity cost recovery factors to reflect the Commission's decision for administrative approval.

Issue 32: What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2014 through December 2014?

Recommendation: The appropriate projected net purchased power capacity cost recovery amount to be included in the recovery factor for the period January-December 2014, is \$746,376,916, which includes prior period true-ups, revenue taxes, the nuclear cost recovery amount and West County Energy Center Unit-3 revenue requirements. If the Commission modifies staff's recommendations in Issues 25B and/or 25C, then FPL should file revised capacity cost recovery factors to reflect the Commission's decision for administrative approval by staff. (Lester, Barrett)

Position of the Parties

FPL: The projected net purchased power capacity cost recovery amount to be recovered over the period January 2014 through December 2014 is \$746,376,916 including prior period true ups, revenue taxes, the nuclear cost recovery amount and WCEC-3 revenue requirements.

OPC: No post hearing position was provided in OPC's brief.

Staff Analysis: This issue is a fall-out of the Commission's decisions in Issues 25B and 25C, and incorporates an amount previously approved in Issue 25D. This issue addresses what is the projected net purchased power capacity cost recovery amount to be included in the recovery factor for the period January-December 2014.

Consistent with staff's recommendations in Issues 25B and 25C and acknowledging the previously-approved amount in Issue 25D, staff recommends that the appropriate projected net purchased power capacity cost recovery amount to be included in the recovery factor for the period January-December 2014, is \$746,376,916. This amount includes prior period true-ups, revenue taxes, the nuclear cost recovery amount and West County Energy Center Unit-3 revenue requirements. If the Commission modifies staff's recommendations in Issues 25B and/or 25C, then FPL should file revised capacity cost recovery factors to reflect the Commission's decision for administrative approval.

Issue 34: What are the appropriate capacity cost recovery factors for the period January 2014 through December 2014?

Recommendation: The appropriate capacity cost recovery factors for the period January-December 2014 are set forth in Table 34-1 below. If the Commission modifies staff's recommendations in Issues 25B and/or 25C, FPL should file revised capacity cost recovery factors to reflect the Commission's decision for administrative approval by staff. (Draper, King)

Position of the Parties

FPL: The January 2014 through December 2014 factors are as follows:

RATE SCHEDULE	Total January 2014 - December 2014 Capacity Recovery Factor			
	(\$/KW)	(\$/kwh)	RDC (\$/KW)	SDD (\$/KW)
RS1 / RTR1	-	0.00786	-	-
GS1 / GST1 / WIES1	-	0.00665	-	-
GSD1 / GSDT1 / HLFT1	2.32	-	-	-
OS2	-	0.00569	-	-
GSLD1 / GSLDT1 / CS1 / CST1 / HLFT2	2.60	-	-	-
GSLD2 / GSLDT2 / CS2 / CST2 / HLFT3	2.59	-	-	-
GSLD3 / GSLDT3 / CS3 / CST3	2.95	-	-	-
SST1T	-	-	0.33	0.15
SST1D1 / SST1D2 / SST1D3	-	-	0.34	0.16
CILC D / CICL G	2.80	-	-	-
CILC T	2.73	-	-	-
MET	2.98	-	-	-
OL1 / SL1 / PL1	-	0.00159	-	-
SL2, GSCU1	-	0.00530	-	-

OPC: No post hearing position was provided in OPC's brief.

Staff Analysis: This issue addresses what capacity cost recovery factors should be used for the period January-December 2014.

Witness Keith included FPL's projected capacity cost recovery factors for the period January 2014 through December 2014 in TJK-8. (EXH 17) Table 34-1 presents the January-December 2014, capacity cost recovery factors that staff recommends.

Table 34-1

RATE SCHEDULE	Total January-December 2014 Capacity Recovery Factor			
	(\$/KW)	(\$/kwh)	RDC (\$/KW)	SDD (\$/KW)
RS1 / RTR1	-	0.00786	-	-
GS1 / GST1 / WIES1	-	0.00665	-	-
GSD1 / GSDT1 / HLFT1	2.32	-	-	-
OS2	-	0.00569	-	-
GSLD1 / GSLDT1 / CS1 / CST1 / HLFT2	2.60	-	-	-
GSLD2 / GSLDT2 / CS2 / CST2 / HLFT3	2.59	-	-	-
GSLD3 / GSLDT3 / CS3 / CST3	2.95	-	-	-
SST1T	-	-	0.33	0.15
SST1D1 / SST1D2 / SST1D3	-	-	0.34	0.16
CILC D / CICL G	2.80	-	-	-
CILC T	2.73	-	-	-
MET	2.98	-	-	-
OL1 / SL1 / PL1	-	0.00159	-	-
SL2, GSCU1	-	0.00530	-	-

If the Commission modifies staff's recommendations in Issues 25B and/or 25C, FPL should file revised capacity cost recovery factors to reflect the Commission's decision for administrative approval by staff.

Docket No. 130001-EI
Date: November 21, 2013

Issue 36: Should this docket be closed?

Recommendation: No. The Fuel and Purchased Power Cost Recovery Clause is an on-going docket and should remain open. (Barrera)

Staff Analysis: The Fuel and Purchased Power Cost Recovery Clause is an on-going docket and should remain open.