

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: April 22, 2016

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Accounting and Finance (Fletcher) *BY ALM*
Office of the General Counsel (Brownless) *CRB*

RE: Docket No. 160021-EI – Decision on Suspension of Rates – Petition for rate increase by Florida Power & Light Company. *MAN*

AGENDA: 05/05/16 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Edgar

CRITICAL DATES: 05/14/16 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

Case Background

This proceeding commenced on March 15, 2016, with the filing of a petition for a permanent rate increase by Florida Power & Light Company (FPL or Company). The Company is engaged in business as a public utility providing electric service as defined in Section 366.02, Florida Statutes (F.S.), and is subject to the jurisdiction of the Commission. FPL provides electric service to more than 4.8 million retail customers in all or parts of 35 Florida counties.

FPL has requested an increase in its retail rates and charges to generate \$866 million in additional gross annual revenues, effective January 1, 2017. The Company also has requested an increase in its retail rates and charges to generate \$262 million in additional gross annual revenues, effective January 1, 2018. FPL asserts that the combined increases will allow the Company to earn a return on equity (ROE) of 11.50 percent which includes a 50 basis point ROE performance adder. The Company based its requests on projected test years ending December 31, 2017 and December 31, 2018. FPL stated that these test years are the appropriate periods to

be utilized because they best represent expected future operations in the period immediately after any new base rates go into effect. FPL has also requested a \$209 million base rate step increase for the Okeechobee Energy Center effective upon the commercial in-service date of the unit (projected to be June 1, 2019). In total, the Company is requesting a \$1.337 billion base rate increase. It is estimated that the monthly base rate would increase by \$13.28 for a typical residential customer. FPL did not request any interim rate relief.

In FPL's most recent base rate proceeding in Docket No. 120015-EI, the Commission approved a settlement agreement which authorized a revenue increase of \$378 million effective January 1, 2013.¹ In addition, the settlement agreement provided for generation base rate adjustments to coincide with the in-service dates of the Cape Canaveral Modernization Project, Riviera Beach Modernization Project, and Port Everglades Modernization Project power plants. The settlement agreement provided that retail base rates, with certain exceptions, would be frozen through the last billing cycle in December 2016.

On March 10, 2016, the Commission acknowledged the Office of Public Counsel's notice of intervention in this proceeding.² On March 11, 2016, Florida Industrial Power Users Group (FIPUG) filed its Motion to Intervene. On March 28, 2016, Wal-Mart Stores East, LP and Sam's East, Inc. (Walmart) filed their Petition to Intervene. On April 4, 2016, the Commission granted FIPUG's and Walmart's requests to intervene.³

On April 4, 2016, the Federal Executive Agencies (FEA) filed its Petition to Intervene. On April 8, 2016, the South Florida Hospital and Healthcare Association (SFHHA) filed its Petition to Intervene. On April 21, 2016, the Commission granted FEA's and SFHHA's requests to intervene.⁴ A hearing has been scheduled for August 22-26 and 29-31, 2016, as well as September 1-2, 2016.

This recommendation addresses the suspension of the requested permanent rate increase. The Commission has jurisdiction over this matter pursuant to Sections 366.06(2) and (4), F.S.

¹ 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*.

² Order No. PSC-16-0098-PCO-EI, issued March 10, 2016, in Docket No. 160021-EI, *In re: Petition for increase in rates by Florida Power & Light Company*.

³ Order Nos. PSC-16-0132-PCO-EI and PSC-16-0134-PCO-EI, issued April 4, 2016, in Docket No. 160021-EI, *In re: Petition for increase in rates by Florida Power & Light Company*.

⁴ Order Nos. PSC-16-0157-PCO-EI and PSC-16-0158-PCO-EI, issued April 21, 2016, in Docket No. 160021-EI, *In re: Petition for increase in rates by Florida Power & Light Company*.

Discussion of Issues

Issue 1: Should Florida Power & Light Company's request for a \$866 million permanent rate increase for January 1, 2017, a \$262 million permanent rate increase for January 1, 2018, a \$209 million base rate step increase, and the associated tariff revisions be suspended pending a final decision in this docket?

Recommendation: Yes. The \$866 million permanent rate increase for January 1, 2017, the \$262 million permanent rate increase for January 1, 2018, the \$209 million base rate step increase, and the associated tariff revisions should be suspended pending a final decision in this docket. (Fletcher)

Staff Analysis: FPL filed its petition, testimony, and minimum filing requirements on March 15, 2016. The Company has requested an increase in its retail rates and charges to generate \$866 million in additional gross annual revenues, effective January 1, 2017. FPL also has requested an increase in its retail rates and charges to generate \$262 million in additional gross annual revenues, effective January 1, 2018. Further, the Company requested a \$209 million base rate step increase for the Okeechobee Energy Center effective upon the commercial in-service date of the unit (projected to be June 1, 2019).

Historically, the Commission has suspended requested permanent rate schedules in order to adequately and thoroughly examine the basis for the new rates. Suspension of a requested rate increase is authorized by Section 366.06(3), F.S., which provides:

Pending a final order by the commission in any rate proceeding under this section, the commission may withhold consent to the operation of all or any portion of the new rate schedules, delivering to the utility requesting such increase, within 60 days, a reason or written statement of good cause for withholding its consent.

Staff recommends that the Commission suspend the requested permanent rate schedules to allow staff and any intervenors sufficient time to adequately investigate whether the request for permanent rate relief is appropriate.

Issue 2: Should this docket be closed?

Recommendation: No, this docket should remain open to process the Company's revenue increase request. (Brownless, Fletcher)

Staff Analysis: This docket should remain open pending the Commission's final resolution of the Company's requested permanent base rate increase.