

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-**

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**DATE:** June 23, 2016

**TO:** Office of Commission Clerk (Stauffer)

**FROM:** Division of Accounting and Finance (Barrett, Lester) *MCB PL ALM*  
Division of Engineering (Matthews) *MT*  
Office of Industry Development and Market Analysis (Bremner) *JB CH DS*  
Office of the General Counsel (Janjic) *RT JS*

**RE:** Docket No. 160001-EI – Fuel and purchased power cost recovery clause with generating performance incentive factor.

**AGENDA:** 07/07/16 – Regular Agenda – Parties May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Graham

**CRITICAL DATES:** None

**SPECIAL INSTRUCTIONS:** None

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### Case Background

On June 2, 2016, Florida Power & Light Company (FPL) and the Office of Public Counsel (OPC) (collectively referred to as “Signatories”) jointly filed a request for approval of a Stipulation and Settlement Agreement (Joint Motion) that addresses the resolution of two issues concerning the recovery of replacement power costs incurred during outage events that occurred at FPL’s St. Lucie Unit 2 in 2014 and 2015. Signatories are bringing this Settlement Agreement before the Commission because they believe it is reasonable and in the public interest, as it will avoid the time and expense of protracted litigation of disputes over the April 2014, February 2015 and April 2015 outages in this or future proceedings. Although these issues were raised at different times in the Fuel Cost Recovery Clause docket (Fuel Clause), the proposed resolution of these issues will be included in this year’s (2016) Fuel Clause proceeding, which is scheduled

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for November 2-4, 2016. The Signatories state that all current parties in the Fuel Clause either take no position, or do not object to the Joint Motion.<sup>1</sup> The Stipulation and Settlement Agreement (Settlement Agreement) is attached as Exhibit 1.

The Commission has jurisdiction to consider this matter pursuant to Section 366.06, Florida Statutes (F.S.).

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<sup>1</sup>Duke Energy Florida LLC, Gulf Power Company, Tampa Electric Company, Florida Public Utilities Company, and the Florida Industrial Power Users Group take no position on this Joint Motion, while PCS Phosphate – White Springs has no objection to it, and the Florida Retail Federation supports the Joint Motion.

## Discussion of Issues

**Issue 1:** Should the Joint Motion For Approval of Settlement Agreement between FPL and OPC be approved?

**Recommendation:** Yes. (Barrett, Lester, Breman, Matthews)

**Staff Analysis:** FPL's St. Lucie Nuclear Station is located on Hutchinson Island, near Fort Pierce, Florida. The station features two baseload generating units, Unit 1 and Unit 2, with Net Summer Capacity ratings of 981 and 987 megawatts, respectively. Generally, when an outage event occurs, other resources in the fleet of generating plants are dispatched to make up for the load not being supplied by the off-line unit. Based upon the duration of an outage and the capacity reduction attributable to the outage, replacement power costs for an out-of-service unit can be calculated. The Commission has historically allowed for cost recovery of replacement power costs, unless it is determined that the outage resulted from an imprudent action by the utility.

As noted previously, the Joint Petition is a comprehensive settlement that resolves open issues in the Fuel Clause related to outage events that occurred at St. Lucie Unit 2 in 2014 and 2015, as described below.

### March 2014 Outage (Issue 3J, previously identified as Issue 2N)

In March 2014, St. Lucie Unit 2 entered a planned outage for refueling and for other maintenance activities. During the start-up for bringing the unit back into service, FPL discovered foreign material in one of the unit's steam generators, necessitating an 18 day extension of the outage.<sup>2</sup> OPC proposed Issue 2N in the 2014 Fuel Clause proceeding to address the cost recovery of the replacement power due to the extension of the planned outage at St. Lucie Unit 2. By Order No. PSC-14-0439-PCO-EI,<sup>3</sup> the Commission deferred consideration of Issue 2N to the 2015 Fuel Clause, when the final true up of 2014 fuel costs would be addressed.

In the 2015 Fuel Clause proceeding, a revised list of issues meant that Issue 2N from the 2014 Fuel Clause proceeding was then identified as Issue 3J. FPL stated that it was in negotiations with its vendor regarding the March 2014 outage at St. Lucie Unit 2, but those negotiations would not be concluded in time to be presented at the 2015 Fuel Clause hearing. Therefore, by Order No. PSC-15-0586-FOF-EI,<sup>4</sup> the Commission again deferred considering the cost recovery of the replacement power due to the extension of the planned outage at St. Lucie Unit 2.

### February 2015 Outage (Part 1 of Issue 3O)

An unplanned outage occurred at St. Lucie Unit 2 in February 2015 that lasted about 4 days. This outage was triggered when condenser tube chemistry limits were exceeded due to seawater

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<sup>2</sup>Based on FPL's response to an interrogatory, the planned refueling outage was extended for 17.94 days. St. Lucie Unit 2 was off-line for a total of 52 days.

<sup>3</sup>Order No. PSC-14-0439-PCO-EI, issued August 22, 2014, in Docket No. 140001-EI, *In re: Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor*.

<sup>4</sup>Order No. PSC-15-0586-FOF-EI, issued December 23, 2015, in Docket No. 150001-EI, *In re: Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor*.

leakage in a hotwell. In the Joint Motion, FPL states that the leaking condenser tube and an additional 187 other tubes were repaired.

### **April 2015 Outage (Part 2 of Issue 30)**

The April 2015 outage involved work repairing a leak identified in the safety injection tank discharge header. Engineering analysis determined that vibration fatigue was the source of the leak, and FPL replaced the affected piping, modified the support structure for the piping in order to prevent future problems, and also revised the engineering standard to include more detail for piping supports.

In preparing for the 2015 Fuel Clause hearing, a single issue, Issue 30, was added to address the cost recovery of replacement power due to the February and April outages. As reflected in Order No. PSC-15-0512-PHO-EI (Prehearing Order), the parties agreed to drop Issue 30 with the understanding that any party could raise it again in this year's (2016) Fuel Clause proceeding.<sup>5</sup>

### ***Analysis of the Joint Motion***

Staff and OPC served discovery requests to FPL in order to learn more about all of the outage events at St. Lucie Unit 2. In the Joint Motion, OPC stated it reviewed FPL's prepared testimony and exhibits and has conducted both formal and informal discovery regarding the causes of all 3 outages before it entered into the Settlement Agreement with FPL. As the Settlement Agreement states, FPL reached a confidential agreement with one of the vendors that performed work at St. Lucie Unit 2 during the March 2014 planned outage. As a result of the FPL vendor settlement, FPL will credit \$8 million to the Fuel Clause for the purpose of calculating the fuel cost recovery factors for 2017, which will be set in the November hearing for Docket No. 160001-EI. The Signatories believe the \$8 million credit as part of the Settlement Agreement resolves Issue 3J from Docket No. 150001-EI in its entirety, such that FPL's recovery of replacement power costs associated with the extended refueling outage in March 2014 will not be disputed in Docket No. 160001-EI or any other Commission proceeding. FPL and OPC agree that each entered into the Settlement Agreement voluntarily, that it fairly and reasonably balances the various positions of the parties on issues in these proceedings, and that it serves the best interests of the customers they represent and the public interest in general. The Signatories believe that the Settlement Agreement is reasonable and in the public interest.

For Issue 30, the Signatories assert that cost recovery for replacement power associated with the February and April 2015 outage events will not be disputed in this year's (2016) Fuel Clause proceeding, or in any other Commission proceeding. Based on testimony and discovery responses in this docket, staff concurs.

The Joint Motion is a comprehensive settlement that resolves open issues in the Fuel Clause related to the three outage events described above. Due to the fact that the Signatories were able to reach the proposed stipulation on these issues well in advance of the hearing, and in order to provide greater certainty as to the scope of issues to be addressed in this year's Fuel Clause hearing, the Signatories have requested that the Commission consider the Joint Motion at the first available Agenda Conference and approve it at that time. The Joint Motion further states

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<sup>5</sup>Order No. PSC-15-0512-PHO-EI, issued October 29, 2015, in Docket No. 150001-EI, *In re: Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor*.

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that the parties to the Docket No. 160001-EI should be permitted to address the Settlement Agreement at the Agenda Conference. Staff believes the Joint Motion presents an opportunity to fully resolve these matters in advance of the November hearing in Docket No. 160001-EI, and therefore avoid the time and expense of protracted litigation of disputes over the April 2014, February 2015 and April 2015 outages in this or future proceedings. As set forth in the Joint Motion, FPL will credit \$8 million to the Fuel Clause for the purpose of calculating the 2017 Fuel Clause factors, which will be approved in the hearing for Docket No. 160001-EI. Staff notes that the Settlement Agreement results in FPL's customers being refunded for replacement power costs that were incurred in 2014, notwithstanding that there has been no finding of imprudence with respect to any portion of these outages.

Staff believes it is reasonable and appropriate to approve the Joint Motion, because approval will avoid the time and expense of litigating these issues in Docket No. 160001-EI or future proceedings. The Signatories assert that the Settlement Agreement resolves Issues 3J and 3O from Docket No. 150001-EI in their entirety, and staff agrees. Upon approval, cost recovery for replacement power associated with these outage events will not be disputed in this year's (2016) Fuel Clause proceeding, or in any other Commission proceeding. The Signatories believe that the Settlement Agreement is reasonable and in the public interest. Staff agrees.

### **Summary**

The Joint Motion is a comprehensive settlement that resolves open issues in the Fuel Clause. Staff and OPC thoroughly reviewed the materials FPL provided about these outages. Staff believes FPL took appropriate and reasonable actions to restore St. Lucie Unit 2 from these outage events, and staff acknowledges that no active party in Docket No. 160001-EI has asserted a contrary position on this Joint Motion.

Therefore, staff recommends that the Joint Motion between FPL and OPC be approved.

**Issue 2:** Should this docket be closed?

**Recommendation:** No. The fuel docket is on-going and should remain open. (Janjic)

**Staff Analysis:** The fuel docket is on-going and should remain open.

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# EXHIBIT 1

Date: June 23, 2016

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Fuel and purchase power cost recovery  
clause with generating performance incentive  
factor

Docket No: 160001-EI

Date: April 22, 2016

**STIPULATION AND SETTLEMENT**

WHEREAS, Florida Power & Light Company ("FPL" or the "Company") and the Office of Public Counsel ("OPC") have signed this Stipulation and Settlement (the "Agreement"); unless the context clearly requires otherwise, the term "Party" or "Parties" means a signatory to this Agreement); and

WHEREAS, FPL's Petition for Approval of Its Fuel Cost Recovery and Capacity Cost Recovery Actual/Estimated True-Ups for the Period January 2014 through December 2014 (filed July 25, 2014 in Docket No. 140001) sought recovery of fuel costs prudently incurred in 2014. Included in that request were replacement power costs resulting from an extended refueling outage that occurred at FPL's St. Lucie Unit 2 in April 2014. \$8,001,909 of the replacement power costs were associated with the extended outage duration resulting from discovery of foreign material in one of the steam generators during start up. By Order No. PSC-14-0439-PCO-EI, dated August 22, 2014, the Commission deferred OPC's issue concerning recovery of these replacement power costs to the 2015 Fuel Clause hearing, when the final true-up for 2014 fuel costs would be addressed; and

WHEREAS, pursuant to Order No. PSC-14-0701-FOF-EI, dated December 19, 2014, FPL was authorized to recover, and did recover, the above-described \$8,001,909 fuel replacement costs in the fuel factors reflected in FPL customer bills effective January 2015, subject to refund; and

WHEREAS, in Order No. PSC-15-0586-FOF-EI, dated December 23, 2015, the Commission agreed to defer again OPC's issue concerning the 2014 St. Lucie-related replacement



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power costs (Issue 3J) to 2016 in order to allow FPL to continue negotiations with vendors for potential reimbursement of replacement power costs; and

WHEREAS, FPL has reached a confidential settlement with one of the vendors that performed work at St. Lucie Unit 2 during that outage; and

WHEREAS, FPL's Petition for Approval of Its Fuel Cost Recovery and Capacity Cost Recovery Actual/Estimated True-Ups for the Period January 2015 through December 2015 (filed August 4, 2015 in Docket No. 150001) sought recovery of prudently incurred fuel costs, including replacement power costs resulting from two unplanned outages at FPL's St. Lucie Unit 2 in February and April 2015; and

WHEREAS, the February 2015 event involved a four-day outage related to a manual shutdown of Unit 2 after condenser chemistry action level limits were exceeded due to seawater leakage in the 2A1 Condenser Hotwell. The leaking condenser tube and an additional 187 selected tubes were plugged; and

WHEREAS, the April 2015 outage event involved a 10-day outage related to a leak identified in the safety injection tank discharge header. Analysis showed that the cause of the leak was vibration fatigue coming from the reactor coolant system. FPL replaced the affected piping and modified the support for the piping to prevent future problems and also revised the engineering standard to include more detail related to piping supports; and

WHEREAS, the prehearing order for Docket No. 150001-EI included an issue regarding whether the replacement power costs related to the unplanned outages at St. Lucie Unit 2 in February and April 2015 should be recovered through the fuel cost recovery clause (Issue 3O). The parties to Docket No. 150001 agreed to drop Issue 3O with the understanding that any party could raise it again in the 2016 Fuel Clause proceeding; and

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WHEREAS, the Parties have filed prepared testimony with accompanying exhibits and conducted both formal and informal discovery regarding the causes of the above-described outage events;

NOW THEREFORE, in consideration of the foregoing and the covenants contained herein, the Parties hereby stipulate and agree:

1. In light of its vendor settlement, FPL will credit \$8 million to the Fuel Clause for the purpose of calculating the 2017 Fuel Clause factors to be approved in Docket No. 160001-EI.
2. Inclusion of this credit as part of this comprehensive settlement resolves Issue 3J from Docket No. 150001-EI in its entirety, such that FPL's recovery of replacement power costs associated with the extended refueling outage in April 2014 will not be disputed in Docket No. 160001-EI or any other Commission proceeding.
3. This comprehensive settlement also resolves issue 3O from Docket No. 150001-EI in its entirety, such that FPL's recovery of replacement power costs associated with the unplanned outages in February and April 2015 will not be disputed in Docket No. 160001-EI or any other Commission proceeding.
4. No Party will assert in any proceeding before the Commission that this Agreement or any of the terms in the Agreement shall have any precedential value because all Parties agree that the terms of the Agreement are specific to the facts and circumstances of this case. The Parties' agreement to the terms in the Agreement shall be without prejudice to any Party's ability to advocate a different position in future proceedings not involving the Agreement.
5. Issues 3J and 3O from Docket No. 150001-EI will be resolved as of the date the

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Commission Order approving this Agreement is final, and no Party shall seek appellate review of any order approving this Agreement.

6. The provisions of this Agreement are contingent on approval of this Agreement in its entirety by the Commission without modification. The Parties further agree that they will support this Agreement and will not request or support any order, relief, outcome, or result in conflict with the terms of this Agreement in any administrative or judicial proceeding relating to, reviewing, or challenging the establishment, approval, adoption, or implementation of this Agreement or the subject matter hereof.
7. This Agreement may be executed in counterpart originals, and a facsimile of an original signature shall be deemed an original.
8. Any person or entity that executes a signature page to this Agreement shall become and be deemed a Party with the full range of rights and responsibilities provided hereunder, notwithstanding that such person or entity is not listed in the first recital above and executes the signature page subsequent to the date of this Agreement, it being expressly understood that the addition of any such additional Party(ies) shall not disturb or diminish the benefits of this Agreement to any current Party.
9. This Agreement will become effective on the date the Commission Order approving this Agreement is final.


Date: June 23, 2016

In Witness Whereof, the Parties evidence their acceptance and agreement with the provisions of this Agreement by their signature.

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