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 22, 2016

TO: Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk

FROM: Andrew L. Maurey, Director, Division of Accounting & Finance
Suzanne S. Brownless, Senior Attorney, Office of the General Counsel

ALM

RE: Docket No. 160021-EI - Petition for rate increase by Florida Power & Light Company
Docket No. 160061-EI - Petition for approval of 2016-2018 storm hardening plan by Florida Power & Light Company
Docket No. 160062-EI - 2016 Depreciation and Dismantlement Study by Florida Power & Light Company
Docket No. 160088-EI - Petition for limited proceeding to modify and continue incentive mechanism by Florida Power & Light Company

Please place the attached presentation in the above referenced docket files.

FPSC Staff Overview of

Settlement Agreement Proposal by Florida Power & Light Company, the Office of Public Counsel, South Florida Hospital and Healthcare Association, and the Florida Retail Federation

Docket No. 160021-EI

November 22, 2016

Revenue Requirement and Rates

- The term of the Settlement Agreement is four years
- Base rates would be increased as follows:

January 2017: $400 million
January 2018: $211 million
June 1, 2019: $200 million*

- No other base rate increases would occur before 2021 except for the Solar Base Rate Adjustments addressed later in this presentation

- Residential Base Rate portion of the bill based on 1,000 kWh of monthly usage during the term of the Settlement Agreement are as follows:

2017: $63.49 including a customer charge of $7.87
2018: $65.88 including a customer charge of $7.87

* Increase effective with the in-service date of the Okeechobee Unit.

Return on Equity

- The return on equity would be set at 10.55 percent
- The return on equity range would be 9.60 percent to 11.60 percent

Hedging

- FPL will refrain from engaging in any new financial hedges during the term of the agreement

Depreciation and Reserve Surplus

- FPL's 2017 depreciation expense, as modified, will be reduced by $125.8 million
- A $1.0 billion theoretical depreciation reserve surplus, plus the remainder of the current reserve amount as of 12/31/16, may be amortized during the 4-year agreement term
- The surplus must be used to maintain a minimum ROE of at least 9.60% but no higher than 11.60%
- FPL may not amortize any portion of the depreciation reserve past 12/31/20, unless it provides notice to the Parties, no later than 3/31/20, that it does not intend to seek a general base rate increase to be effective any earlier than 1/1/22

Tariff Changes

- Implementation of new meter tampering charges
- Implementation of metered rates for all new customer-owned street lighting and traffic signals
- Elimination of re-lamping options for customer-owned lighting
- Additional surety bond language added to ensure payment of electric service in the event of bankruptcy or other insolvency.

CILC and CDR Credits and Cost of Service

- Commercial Industrial Load Control and Commercial Demand Reduction Credits will remain at current levels.

- The Cost of Service Methodology to be applied would be the 12 CP and 1/13 methodology for production plant; 12 CP for transmission plant, and a new negotiated methodology for distribution plant

MDS Cost of Service Study Filing

- FPL will submit, for informational purposes, a cost of service study in its next general base rate case that compares revenue requirements by rate class implementing a minimum distribution system (MDS) methodology at the requested revenue requirement along with a cost of service study that does not apply the MDS methodology

Incentive Mechanism

- FPL's Incentive Mechanism sharing threshold would be set at $40 million and the threshold on economy sales of 514,000 MWh would be removed

- Economy sales and purchases would be netted each year to determine the impact of variable power plant O&M; the variable O&M rate would be @ $.065/MWh

Storm Damage and West County Energy Center

- Storm damage recovery will be based on the currently approved methodology – FPL may collect $4 per 1,000 kWh charge beginning 60 days after filing a petition; may petition to increase above $4 if costs exceed $800 million
- West County Energy Center's revenue requirements to be recovered in base rates instead of the Capacity Cost Recovery Clause

Okeechobee Limited Scope

- FPL is authorized to increase base rates by $200 million for its Okeechobee Unit beginning on the in-service date of the unit
- FPL will submit the Okeechobee Limited Scope Adjustment in its Capacity Cost Recovery Clause 2019 projection filing
- If actual capital expenditures are less than set forth in the Okeechobee Need Order,* the lower amount will be used to calculate revenue requirements and a one-time credit, with interest, will be made through the Capacity Cost Recovery Clause
- If actual capital expenditures are greater than set forth in the Okeechobee Need Order,* FPL may initiate a limited proceeding

*Order No. PSC-16-0032-FOF-EI

Solar Base Rate Adjustment

- FPL will undertake construction of approximately 300 MW per calendar year of solar photovoltaic generation that is determined to be cost effective and recover the costs through a Solar Base Rate Adjustment Mechanism (SoBRA)
- Solar projects shall not exceed $1,750 per kilowatt alternating current
- If approved by the Commission, base rates will be increased by the incremental annualized base revenue requirement but in no event before the facility is in service
- For projects that do not fall under the Power Plant Siting Act, FPL will file a request for approval of the solar project in the Fuel Cost Recovery Clause

Solar Base Rate Adjustment

- If the actual capital expenditures for a project are less than the projected costs used to develop the initial SoBRA, the lower amount shall be the basis for the full revenue requirement and a one-time credit, with interest, will be made through the Capacity Cost Recovery Clause
- If actual capital costs are higher than FPL projected, FPL may initiate a limited proceeding

Battery Storage and Demand-Side Management Opt-Out

- FPL will implement a 50 MW battery storage program; FPL will pursue cost recovery of the costs in its next general base rate proceeding

- FPL and interested Parties will jointly request a Commission workshop to address a Pilot Demand-Side Management Opt-Out Program

Martin-Riviera Pipeline Transfer

- FPL is authorized to transfer to its FERC-regulated affiliate, Florida Southeast Connection, the Martin-Riviera natural gas pipeline and all related equipment upon a showing that the transfer will result in customer savings on a Cumulative Present Value Revenue Requirement basis (CPVRR)
- If the transfer results in CPVRR savings to customers, FPL must file a petition to confirm the cost effectiveness to customers and to request approval to lower base rates