

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Environmental Cost Recovery Clause

Docket No. 20190007-EI

Filed: October 11, 2019

FLORIDA POWER & LIGHT COMPANY’S PREHEARING STATEMENT

Florida Power & Light Company (“FPL”), pursuant to Order No. PSC-2019-0072-PCO-EI, hereby submits its Prehearing Statement regarding the issues to be addressed at the hearing scheduled for November 5 - 7, 2019.

A. APPEARANCES

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B. WITNESSES

DIRECT WITNESSES	SUBJECT MATTER	ISSUES
Rena B. Deaton, FPL	Presents FPL’s Environmental Cost Recovery Clause (“ECRC”) final true-up for 2018, Actual/Estimated True-up for 2019, Projections for 2020, and ECRC factors for January through December 2020. Ms. Deaton is an expert in electric utility rates and rate regulation.	1-10
Michael W. Sole, FPL	Mr. Sole is an expert in Florida environmental regulation and policy. He supports FPL’s 2019 Supplemental CAIR/MATS/CAVR Filing and FPL’s Project Progress Report.	1-3

C. EXHIBITS

DIRECT EXHIBITS	WITNESS	DESCRIPTION
RBD-1	R.B. Deaton	Environmental Cost Recovery Final True-up January 2018 - December 2018 Commission Forms 42-1A through 42-9A
RBD-2	R.B. Deaton	Environmental Cost Recovery Actual/Estimated True-up January 2019 - December 2019 Commission Forms 42-1E through 42-9E
RBD-3	R.B. Deaton	Revised Environmental Cost Recovery Capital Schedules for Actual/Estimated True-up January 2019 – December 2019
RBD-4	R.B. Deaton	Appendix I - Environmental Cost Recovery Projections - January 2020 - December 2020 Commission Forms 42-1P through 42-8P Appendix II - Calculation of Stratified Separation Factors
MWS-1	M.W. Sole	FPL Supplemental CAIR/MATS/CAVR Filing

D. STATEMENT OF BASIC POSITION

FPL’s 2020 ECRC factors, including prior period true-ups, are reasonable and should be approved. Additionally, the Joint Motion to Modify Order No. PSC-2012-0425-PAA-EU Regarding Weighted Average Cost of Capital Methodology is consistent with Internal Revenue Service requirements and should therefore be approved.

E. STATEMENT OF ISSUES AND POSITIONS

GENERIC ENVIRONMENTAL COST RECOVERY ISSUES

ISSUE 1: What are the final environmental cost recovery true-up amounts for the period January 2018 through December 2018?

FPL: \$22,191,591 over-recovery. (Deaton, Sole)

ISSUE 2: What are the actual/estimated environmental cost recovery true-up amounts for the period January 2019 through December 2019?

FPL: \$7,117,811 over-recovery. (Deaton, Sole)

ISSUE 3: What are the projected environmental cost recovery amounts for the period January 2020 through December 2020?

FPL: \$191,146,927. (Deaton, Sole)

ISSUE 4: What are the environmental cost recovery amounts, including true-up amounts, for the period January 2020 through December 2020?

FPL: \$161,954,048, including prior period true-up amounts and revenue taxes. (Deaton)

ISSUE 5: What depreciation rates should be used to develop the depreciation expense included in the total environmental cost recovery amounts for the period January 2020 through December 2020?

FPL: The depreciation rates used to calculate the depreciation expense should be the rates that are in effect during the period the allowed capital investment is in service. For the period January 2020 through December 2020, FPL should use the depreciation rates approved by the Commission in FPL's 2016 rate case settlement agreement, Order No. PSC-16-0560-AS-EI. (Deaton)

ISSUE 6: What are the appropriate jurisdictional separation factors for the projected period January 2020 through December 2020?

FPL:	Retail Energy Jurisdictional Factor - Base/Solar	95.8799%
	Retail Energy Jurisdictional Factor - Intermediate	94.2430%
	Retail Energy Jurisdictional Factor - Peaking	95.1325%
	Retail Demand Jurisdictional Factor - Transmission	89.9387%
	Retail Demand Jurisdictional Factor - Base/Solar	95.7922%
	Retail Demand Jurisdictional Factor - Intermediate	94.1569%
	Retail Demand Jurisdictional Factor - Peaking	95.0455%
	Retail Demand Jurisdictional Factor - General Plant	96.9124%
	Retail Demand Jurisdictional Factor - Distribution	100.0000%

(Deaton)

ISSUE 7: What are the appropriate environmental cost recovery factors for the period January 2020 through December 2020 for each rate group?

FPL:

RATE CLASS	Environmental Cost Recovery Factor (cents/kWh)
RS1/RTR1	0.155
GS1/GST1	0.152
GSD1/GSDT1/HLFT1	0.139
OS2	0.084
GSLD1/GSLDT1/CS1/CST1/HLFT2	0.138
GSLD2/GSLDT2/CS2/CST2/HLFT3	0.120
GSLD3/GSLDT3/CS3/CST3	0.121
SST1T	0.106
SST1D1/SST1D2/SST1D3	0.161
CILC D/CILC G	0.119
CILC T	0.110
MET	0.128
OL1/SL1/SL1M/PL1	0.035
SL2/SL2M/GSCU1	0.111
Total	0.146

(Deaton)

ISSUE 8: What should be the effective date of the new environmental cost recovery factors for billing purposes?

FPL: The environmental cost recovery factors should be effective for meter readings that occur on or after January 1, 2020. These charges should continue in effect until modified by subsequent order of this Commission. (Deaton)

ISSUE 9: Should the Commission approve revised tariffs reflecting the environmental cost recovery amounts and environmental cost recovery factors determined to be appropriate in this proceeding?

FPL: Yes. The Commission should approve FPL's revised tariffs reflecting the environmental cost recovery amounts and environmental cost recovery factors as presented in this proceeding. (Deaton)

ISSUE 10: Should this docket be closed?

FPL: No. While a separate docket number is assigned each year for administrative convenience, this is a continuing docket and should remain open. (Deaton)

MOTION

ISSUE 17: Should the Joint Motion to Modify Order No. PSC-2012-0425-PAA-EU Regarding Weighted Average Cost of Capital Methodology be approved?

FPL: Yes. The proposed modifications to the Weighted Average Cost of Capital calculation methodology approved in Order No. PSC-2012-0425-PAA-EU are necessary in order to comply with the Internal Revenue Code (“IRC”) Treasury Regulation Section §1.167(1)-1(h)(6). This regulation requires public utilities to apply a consistency adjustment and proration formula to compute the depreciation-related Accumulated Deferred Federal Income Tax (“ADFIT”) balance to be included for ratemaking purposes when a forecasted test period is utilized to set rates unless the Limitation Provision is met or exceeded. The Limitation Provision in Treasury Regulation Section §1.167(1)-1(h)(6)(i) states that as long as the amount of depreciation-related ADFIT used in ratemaking is lower than the amount that would have been used under the Consistency Rule, then there is no violation of Normalization. The proposed modifications are in the public interest because the modified methodology will accurately align current costs with cost recovery while enabling compliance to IRC Treasury Regulation Section §1.167(1)-1(h)(6). (Deaton)

F. STIPULATED ISSUES

There are no stipulated issues at this time.

G. PENDING MOTIONS

FPL has no pending motions at this time.

H. PENDING REQUESTS FOR CONFIDENTIALITY

None at this time.

I. OBJECTIONS TO WITNESS QUALIFICATIONS AS AN EXPERT

FPL does not object to any witness’s qualifications as an expert at this time.

J. REQUEST FOR SEQUESTRATION

FPL does not request sequestration of any witnesses.

K. COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE

There are no requirements of the Order Establishing Procedure with which FPL cannot comply.

Respectfully submitted,

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By: s/ Maria Jose Moncada
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Florida Bar No. 0773301

CERTIFICATE OF SERVICE
Docket No. 20190007-EI

I **HEREBY CERTIFY** that a true and correct copy of FPL's Prehearing Statement has been furnished by electronic service this 11th day of October 2019 to the following:

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