

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: March 23, 2023

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Accounting and Finance (Higgins, G. Kelley, Zaslow) *ALM*
Division of Economics (Hampson) *JGH*
Office of the General Counsel (Brownless, Sandy) *JSC*

RE: Docket No. 20230001-EI – Fuel and purchased power cost recovery clause with generating performance incentive factor.

AGENDA: 04/04/23 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: La Rosa

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On March 1, 2023, Florida Power & Light Company (FPL or Company), filed for a mid-course correction of its 2023 fuel cost recovery charges (MCC Petition).¹ The Company last filed for a mid-course correction of its fuel charges in January 2023. The January 2023 mid-course correction was approved at the March 7, 2023 Commission Conference. Following the January 2023 mid-course correction, the Company's projected fuel-related revenue requirement continued to shift downward. This projected cost shift prompted the Company to file for a subsequent mid-course correction (instant petition) to incorporate the reduction into customer rates.

¹Document No. 01638-2023.

Mid-Course Corrections

Mid-course corrections are used by the Florida Public Service Commission (Commission) between annual clause hearings whenever costs deviate from revenue by a significant margin. Under Rule 25-6.0424, Florida Administrative Code (F.A.C.), which is commonly referred to as the “mid-course correction rule,” a utility must notify the Commission whenever it expects to experience an under- or over-recovery of certain service costs greater than 10 percent. The notification of a 10 percent cost-to-revenue variance shall include a petition for mid-course correction to the fuel cost recovery or capacity cost recovery factors, or shall include an explanation of why a mid-course correction is not practical. The mid-course correction rule and its codified procedures are further discussed throughout this recommendation.

FPL’s Petition

In its MCC Petition, the Company estimates an approximate \$494 million reduction of fuel-related costs for the 2023 period relative to its previous estimate. FPL is proposing to apply approximately \$379 million of this amount to the period May 2023 through December 2023, and the remaining approximate \$115 million to be included in its 2024 fuel cost recovery factors. FPL states the purpose of implementing the cost reduction over this period is to partially offset the bill impact associated with the storm restoration costs approved for collection from April 2023 through March 2024 in Docket No. 20230017-EI.²

The Company is requesting that its revised fuel cost recovery factors and associated tariff become effective beginning with the May 2023 billing cycle. The proposed effective date is further discussed in both Issues 1 and 2.

The Commission is vested with jurisdiction over the subject matter of this proceeding by the provisions of Chapter 366, Florida Statutes (F.S.), including Sections 366.04, 366.05, and 366.06, F.S.

²Approved at the March 7, 2023 Commission Conference.

Discussion of Issues

Issue 1: Should the Commission modify FPL's currently-approved fuel cost recovery factors for the purpose of incorporating its projected 2023 fuel cost reduction?

Recommendation: Yes. Staff recommends the Commission approve adjustments to FPL's fuel cost recovery factors for the purpose of incorporating a portion of the Company's projected 2023 fuel cost reduction. Accordingly, FPL's currently-approved 2023 fuel cost recovery factors should be reduced by \$378,598,949. (Zaslow, G. Kelley, Higgins)

Staff Analysis: FPL submitted its prior 2023 mid-course correction petition on January 23, 2023, for the purposes of addressing its under-recovery of 2022 fuel costs. The Company's 2022 net under-recovery of fuel costs was approximately \$2.1 billion. Through the January mid-course correction, FPL proposed to account for approximately \$937 million of its 2022 under-recovery in the current, or 2023 period and defer approximately \$1.2 billion for collection in 2024. The request also included incorporating a reduction to FPL's then-estimated 2023 fuel-related costs in the amount of approximately \$1.0 billion. The January mid-course correction request was approved at the March 7, 2023 Commission Conference. The Company subsequently updated its 2023 fuel cost projection. The results of this update indicate FPL's projected 2023 fuel-related costs are approximately \$494 million lower than estimated in January 2023. This reduction is primarily due to lower assumed prices for natural gas. The main factor influencing the decline in natural gas prices in 2023 is mild winter weather across large parts of the country resulting in lower natural gas consumption.³

The Company developed its proposed mid-course correction amount using 11 months of forecasted sales data (May 2023 through March 2024). The factors proposed in this proceeding are currently contemplated to be charged for eight months in 2023. As is typical procedure, later this year newly developed 12-month-applicable factors will be proposed for authorization to begin with the first billing cycle of January 2024.

Projected 2023 Fuel Cost Recovery Position

FPL's estimated 2023 fuel-related costs have decreased substantially since the filing of its previous mid-course correction in January 2023.⁴ More specifically, the Company now estimates a reduction to its 2023 fuel-related costs in the amount of \$493,878,360. The Company proposes to apply \$378,598,949 of this amount to rates in 2023, and \$115,279,411 to rates in 2024.⁵

The primary factor driving the change in projected 2023 fuel costs is lower assumed pricing for natural gas. More specifically, the underlying market-based natural gas price data used for the previous or January mid-course correction was sourced on January 3, 2023.⁶ This underlying data was used to produce an estimated average 2023 delivered natural gas cost of \$5.70 per million British thermal unit (MMBtu).⁷ However, as indicated in its MCC Petition, FPL now

³March 2023 EIA Short-Term Energy Outlook, https://www.eia.gov/outlooks/steo/pdf/steo_full.pdf

⁴Document No. 00354-2023.

⁵Document No. 01638-2023.

⁶Document No. 00354-2023.

⁷*Id.*

estimates its average cost of delivered natural gas in 2023 will be \$4.95 per MMBtu, representing a decrease of (13.2) percent.⁸ The updated cost estimate was based on natural gas futures/prices sourced on February 1, 2023, or roughly one month later than the previous estimate used to set current rates.⁹

Mid-Course Percentage

Using the values shown on Schedule E1-B of the MCC Petition and following the methodology prescribed in Rule 25-6.0424(1)(a), F.A.C., the mid-course percentage is equal to the estimated end-of-period total net true-up, including interest, divided by the current period's total actual and estimated jurisdictional fuel revenue applicable to period, or $(\$707,462,276) / \$3,829,271,573$.¹⁰ This calculation results in a mid-course correction level of (18.5) percent at December 31, 2023.¹¹

Fuel Factor

FPL's currently-approved annual levelized fuel factor beginning with the first April 2023 billing cycle is 3.957 cents per kilowatt-hour (kWh).¹² The Company is requesting to decrease its currently-approved 2023 annual levelized fuel factor beginning May 2023 to 3.526 cents per kWh, or by (10.9) percent.

Bill Impacts

In Tables 1-1 and 1-2 below, staff displays the bill impacts of the mid-course correction proposal to typical residential customers using 1,000 kWh of electricity a month in FPL's Peninsular and Northwest (former Gulf Power Company) service territories. Following Tables 1-1 and 1-2, staff addresses the impact of the proposed MCC on non-residential customers:

⁸Document No. 01638-2023.

⁹*Id.*

¹⁰Document No. 01638-2023, Schedule E1-B.

¹¹Through its prior mid-course correction, FPL received authorization at the March 7, 2023 Commission Conference to defer (\$1,201,340,636) of its 2022 fuel cost under-recovery to 2024. Accounting for this deferral, the mid-course percentage is equal to $\$493,878,360 / \$3,829,271,573$, or 12.9 percent.

¹²Approved at the March 7, 2023 Commission Conference.

Table 1-1
FPL Peninsular Service Territory
Monthly Residential Billing Detail for the First 1,000 kWh

Invoice Component	Currently-Approved Charges April 2023 (\$)	Proposed Charges Beginning May 2023 (\$)	Difference (\$)	Difference (%)
Base Charge	\$80.11	\$80.11	\$0.00	0.0%
Fuel Charge	36.56	32.24	(4.32)	(11.8%)
Conservation Charge	1.22	1.22	0.00	0.0%
Capacity Charge	2.12	2.12	0.00	0.0%
Environmental Charge	3.12	3.12	0.00	0.0%
Storm Protection Plan Charge	3.82	3.82	0.00	0.0%
Storm Restoration Surcharge	15.30	15.30	0.00	0.0%
Transition Rider	(1.58)	(1.58)	0.00	0.0%
Gross Receipts Tax and Regulatory Assessment Fee	3.71	3.60	(0.11)	(3.0%)
Total	<u>\$144.38</u>	<u>\$139.95</u>	<u>(\$4.43)</u>	<u>(3.1%)</u>

Source: Document No. 01638-2023.

FPL’s currently-approved total residential charge for the first 1,000 kWh of usage for April 2023 is \$144.38.¹³ If the Company’s mid-course correction proposal is approved, then the current total residential charge for the first 1,000 kWh of usage beginning in May will be \$139.95, a decrease of approximately (3.1) percent. Concerning non-residential customers, FPL reported that bill decreases based on average levels of usage for small-sized commercial customers would range from approximately (3.0) to (3.9) percent, (3.9) percent for medium-sized commercial customers, (4.2) percent for large-sized commercial customers, and (6.8) percent for industrial customers.¹⁴

¹³Document No. 01638-2023.

¹⁴Document No. 02167-2023.

**Table 1-2
 FPL Northwest Service Territory
 Monthly Residential Billing Detail for the First 1,000 kWh**

Invoice Component	Currently-Approved Charges April 2023 (\$)	Proposed Charges Beginning May 2023 (\$)	Difference (\$)	Difference (%)
Base Charge	\$80.11	\$80.11	\$0.00	0.0%
Fuel Charge	36.56	32.24	(4.32)	(11.8%)
Conservation Charge	1.22	1.22	0.00	0.0%
Capacity Charge	2.12	2.12	0.00	0.0%
Environmental Charge	3.12	3.12	0.00	0.0%
Storm Protection Plan Charge	3.82	3.82	0.00	0.0%
Storm Restoration Surcharge	15.30	15.30	0.00	0.0%
Transition Rider	16.85	16.85	0.00	0.0%
Gross Receipts Tax and Regulatory Assessment Fee	<u>4.20</u>	<u>4.08</u>	<u>(0.12)</u>	<u>(2.9%)</u>
Total	<u>\$163.30</u>	<u>\$158.86</u>	<u>(\$4.44)</u>	<u>(2.7%)</u>

Source: Document No. 01638-2023.

FPL’s currently-approved Northwest total residential charge for the first 1,000 kWh of usage for April 2023 is \$163.30.¹⁵ If the Company’s mid-course correction proposal is approved, the current total Northwest residential charge for the first 1,000 kWh of usage beginning in May will be \$158.86, a decrease of approximately (2.7) percent. Concerning non-residential customers, FPL reported that bill decreases based on average levels of usage for small-sized commercial customers would range from approximately (2.6) to (3.4) percent, (3.5) percent for medium-size commercial customers, and (3.7) percent for large-size commercial customers. A figure associated with an industrial class for the Northwest service territory was not identified.¹⁶

Summary

FPL’s MCC Petition indicates a need for its fuel recovery factors to be revised. As shown in the MCC Petition, the Company’s projected 2023 fuel-related costs have been reduced by \$493,878,360. The Company proposes to account for \$378,598,949 of this fuel cost reduction in the current period and defer \$115,279,411 into 2024. The revised fuel cost recovery factors associated with staff’s recommendation are shown on Appendix A.

¹⁵Document No. 01638-2023.

¹⁶Document No. 02167-2023.

Conclusion

Staff recommends the Commission approve adjustments to FPL's fuel cost recovery factors for the purpose of incorporating a portion of the Company's projected 2023 fuel cost reduction. Accordingly, FPL's currently-approved 2023 fuel cost recovery factors should be reduced by \$378,598,949.

Issue 2: If approved by the Commission, what is the appropriate effective date for FPL's revised fuel cost recovery factors?

Recommendation: The fuel cost recovery factors, as shown on Appendix A, should become effective with the first billing cycle of May 2023. (Hampson, Brownless, Sandy)

Staff Analysis: Over the last 20 years in the Fuel Clause docket, the Commission has considered the effective date of rates and charges of revised fuel cost recovery factors on a case-by-case basis. The Commission has approved fuel cost recovery factor rate decreases effective sooner than the next full billing cycle after the date of the Commission's vote with the range between the vote and the effective date being from 25 to 2 days. The rationale for that action being that it was in the customers' best interests to implement the lower rate as soon as possible.¹⁷

In its MCC Petition, FPL proposes to lower its 2023 fuel factors beginning with the first billing cycle of May 2023. In the instant case, there are 27 days between the Commission's vote on April 4th and the beginning of FPL's May 2023 billing cycle (May 1st).¹⁸

Concerning advisement of the instant request, the Company has engaged in numerous outreach efforts regarding the potential bill impacts of its proposal. Specifically, FPL issued a press release on March 1, 2023, informing its customers of the mid-course correction proposal. Further, on March 1, 2023, and subsequently on March 7, 2023, the Company informed its customers of the future potential adjustments related to the mid-course correction through a web-based billing information portal titled "2023 Bills". The Company also sent emails to residential and small business customers on March 9, 2023, that included a description of the mid-course correction proposal. The Company also plans to separately contact numerous commercial, industrial, and governmental customers to inform them of its proposal and the potential impact on their bills.¹⁹

¹⁷Order No. PSC-08-0825-PCO-EI, issued December 22, 2008, in Docket No. 080001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*; Order No. PSC-09-0254-PCO-EI, issued April 27, 2009, in Docket No. 090001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*; Order No. PSC-11-0581-PCO-EI, issued on December 19, 2011, in Docket No. 110001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*; Order No. PSC-12-0342-PCO-EI, issued July 2, 2012, in Docket No. 120001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*; Order No. PSC-2012-0082-PCO-EI, issued February 24, 2012, in Docket No. 120001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*; Order No. PSC-15-0161-PCO-EI, issued April 30, 2015, in Docket No. 150001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*; Order No. PSC-2018-0313-PCO-EI, issued June 18, 2018, in Docket No. 20180001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*; Order PSC-2020-0154-PCO-EI, issued May 14, 2020, in Docket No. 20200001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*.

¹⁸Document No. 02167-2023.

¹⁹*Id.*

Conclusion

Staff recommends that the fuel cost recovery factors, as shown on Appendix A, become effective with the first billing cycle of May 2023.

Issue 3: Should this docket be closed?

Recommendation: No. The 20230001-EI docket is an on-going proceeding and should remain open. (Brownless, Sandy)

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

FLORIDA POWER & LIGHT COMPANY

~~Sixty-Second~~~~Sixty-Third~~ Revised Sheet No. 8.030
 Cancels ~~Sixty-Second~~, ~~Sixty-First~~ Revised Sheet No. 8.030

BILLING ADJUSTMENTS										
The following charges are applied to the Monthly Rate of each rate schedule as indicated and are calculated in accordance with the formula specified by the Florida Public Service Commission.										
RATE	FUEL			CONSERVATION		CAPACITY		ENVIRON- MENTAL	STORM PROTECTION	
	SCHEDULE	¢/kWh	¢/kWh	¢/kWh	¢/kWh	\$/kW	¢/kWh	\$/kW	¢/kWh	¢/kWh
	Levelized	On-Peak	Off-Peak							
RS-1, RS-1 w/RTR-1 1 st 1,000 kWh	3.6563 2.224			0.122			0.212		0.312	0.382
RS-1, RS-1 w/RTR-1 all addn kWh	4.6564 2.224			0.122			0.212		0.312	0.382
RS-1 w/RTR-1 All kWh		0.2860 0.379	(0.1270) 0.161	0.122			0.212		0.312	0.382
GS-1	3.9683 5.336			0.125			0.220		0.323	0.346
GST-1		4.2543 9.915	3.8453 3.775	0.125			0.220		0.323	0.346
GSD-1, GSD1-EV, GSD-1 w/SDTR (Jan - May)(Oct - Dec)	3.9683 5.336					0.43		0.72	0.279	0.70
GSD-1 w/SDTR (Jun-Sept)		4.8805 0.023	3.8533 3.446			0.43		0.72	0.279	0.70
GSDT-1, HLFT-1 GSDT-1w/SDTR (Jan - May)(Oct - Dec)		4.2543 9.915	3.8453 3.775			0.43		0.72	0.279	0.70
GSDT-1 w/SDTR (Jun-Sept)		4.8805 0.023	3.8533 3.446			0.43		0.72	0.279	0.70
GSLD-1, CS-1, GSLD1-EV GSLD-1w/SDTR (Jan - May)(Oct - Dec)	3.0643 5.332					0.47		0.80	0.281	0.73
GSLD-1 w/SDTR (Jun-Sept)		4.8755 0.018	3.8483 3.442			0.47		0.80	0.281	0.73
GSLDT-1, CST-1, HLFT-2, GSLDT-1 w/SDTR (Jan-May & Oct-Dec)		4.2403 9.910	3.8403 3.771			0.47		0.80	0.281	0.73
GSLDT-1 w/SDTR (Jun-Sept)		4.8755 0.018	3.8483 3.442			0.47		0.80	0.281	0.73
GSLD-2, CS-2, GSLD-2 w/SDTR (Jan - May)(Oct - Dec)	3.0223 5.05					0.49		0.80	0.244	0.66
GSLD-2 w/SDTR (Jun-Sept)		4.8304 9.980	3.8203 3.317			0.49		0.80	0.244	0.66
GSLDT-2, CST-2, HLFT-3, GSLDT-2 w/SDTR (Jan - May)(Oct - Dec)		4.2173 8.81	3.8123 3.44			0.49		0.80	0.244	0.66
GSLDT-2 w/SDTR (Jun-Sept)		4.8304 9.980	3.8203 3.317			0.49		0.80	0.244	0.66
GSLD-3, CS-3	3.8483 4.29					0.45		0.73	0.226	0.10
GSLDT-3, CST-3		4.1253 7.96	3.7283 2.73			0.45		0.73	0.226	0.10

(Continued on Sheet No. 8.030.1)

Issued by: Tiffany Cohen, Executive Director, Rate Development & Strategy
 Effective: ~~April 1, 2022~~

FLORIDA POWER & LIGHT COMPANY

~~Thirty-Ninth Thirty-Eighth~~ Revised Sheet No. 8.030.1
 Cancels ~~Thirty-Eighth Thirty-Seventh~~ Revised Sheet No. 8.030.1

(Continued from Sheet No. 8.030)

BILLING ADJUSTMENTS (Continued)

RATE	FUEL			CONSERVATION			CAPACITY			ENVIRON- MENTAL		STORM PROTECTION		
	SCHEDULE	e/kWh	e/kWh	e/kWh	e/kWh	\$/kW	\$/kW	e/kWh	\$/kW	\$/kW	e/kWh	e/kW	\$/kW	\$/kW
	Levelized	On-Peak	Off-Peak											
OS-2	3.0233 505			0.085				0.127			0.211	0.815		
MET	3.0233 505				0.42			0.69			0.258		0.74	
CILC-1(G)		4.2543 915	3.8453 375		0.51			0.81			0.234		0.68	
CILC-1(D)		4.2193 882	3.8133 347		0.51			0.81			0.234		0.68	
CILC-1(T)		4.1353 796	3.7283 273		0.51			0.79			0.208		0.11	
SL-1,OL-1, RL-1, PL-1/SL-1M, LT-1,OS I/II	3.0113 462			0.038				0.016			0.044	0.288		
SL-2, GSCU- 1/SL-2M	3.0683 536			0.090				0.137			0.207	0.316		
					<u>RDC</u>	<u>DDC</u>		<u>RDC</u>	<u>DDC</u>				<u>RDC</u>	<u>DDC</u>
SST-1(T)		4.1353 796	3.7283 273	0.05	0.03			0.09	0.04		0.292		0.01	0.01
SST-1(D1)		4.2543 915	3.8453 375	0.05	0.03			0.09	0.04		0.565		0.12	0.05
SST-1(D2)		4.2493 910	3.8403 371	0.05	0.03			0.09	0.04		0.565		0.12	0.05
SST-1(D3)		4.2173 881	3.8123 346	0.05	0.03			0.09	0.04		0.565		0.12	0.05
ISST-1(D)		4.2193 882	3.8133 347	0.05	0.03			0.09	0.04		0.565		0.12	0.05
ISST-1(T)		4.1353 796	3.7283 273	0.05	0.03			0.09	0.04		0.292		0.01	0.01

(Continued on Sheet No. 8.030.2)

Issued by: Tiffany Cohen, Executive Director, Rate Development & Strategy
 Effective: ~~April 1, 2022~~