BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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| In re: Fuel and purchased power cost recovery clause with generating performance incentive factor. | DOCKET NO. 20230001-EI  ORDER NO. PSC-2023-0122-PCO-EI  ISSUED: April 11, 2023 |

The following Commissioners participated in the disposition of this matter:

ANDREW GILES FAY, Chairman

ART GRAHAM

GARY F. CLARK

MIKE LA ROSA

GABRIELLA PASSIDOMO

ORDER APPROVING FLORIDA POWER & LIGHT

COMPANY’S MID-COURSE CORRECTION

BY THE COMMISSION:

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]](#footnote-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 by Order No. PSC-2023-0108-PCO-EI. 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.

Mid-Course Corrections

We use mid-course corrections 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 us 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.

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]](#footnote-2) The Company is requesting that its revised fuel cost recovery factors and associated tariff become effective beginning with the May 2023 billing cycle.

We are 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.

DECISION

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 by Order No. PSC-2023-0108-PCO-EI. 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]](#footnote-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]](#footnote-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]](#footnote-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]](#footnote-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]](#footnote-7) However, as indicated in its MCC Petition, FPL now estimates its average cost of delivered natural gas in 2023 will be $4.95 per MMBtu, representing a decrease of (13.2) percent.[[8]](#footnote-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]](#footnote-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]](#footnote-10) This calculation results in a mid-course correction level of (18.5) percent at December 31, 2023.[[11]](#footnote-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]](#footnote-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 and 2 below, 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 are stated. Following Tables 1 and 2, the impact of the proposed MCC on non-residential customers is addressed:

| Table 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** | $144.38 | $139.95 | ($4.43) | (3.1%) |

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]](#footnote-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]](#footnote-14)

| Table 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 | 4.20 | 4.08 | (0.12) | (2.9%) |
| **Total** | $163.30 | $158.86 | ($4.44) | (2.7%) |

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]](#footnote-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]](#footnote-16)

Based on the information stated above, we find that FPL’s projected 2023 fuel-related costs have been reduced by $493,878,360 and that $378,598,949 of this fuel cost reduction shall be accounted for in the current period and $115,279,411 shall be deferred to 2024. The revised fuel cost recovery factors associated with our decision are shown on Appendix A.

Effective date

Over the last 20 years in the Fuel Clause docket, we have considered the effective date of rates and charges of revised fuel cost recovery factors on a case-by-case basis. We have approved fuel cost recovery factor rate decreases effective sooner than the next full billing cycle after the date of the our vote with the range between the vote and the effective date being from 25 to 2 days. The rationale for that action was that it was in the customers’ best interests to implement the lower rate as soon as possible.[[17]](#footnote-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 our vote on April 4th and the beginning of FPL’s May 2023 billing cycle (May 1st).[[18]](#footnote-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. FPL 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]](#footnote-19)

For these reasons, we find that the fuel cost recovery factors, as shown on Appendix A, shall become effective with the first billing cycle of May 2023.

Therefore, it is

ORDERED by the Florida Public Service Commission that adjustments to Florida Power & Light Company’s fuel cost recovery factors shall be made to reduce its currently-approved 2023 fuel cost recovery factors by $378,598,949. It is further

ORDERED that the fuel cost recovery factors, as shown on Appendix A to this order, shall become effective with the first billing cycle of May 2023. It is further

ORDERED that the fuel and purchased power cost recovery clause docket is an on-going proceeding and shall remain open.

By ORDER of the Florida Public Service Commission this 11th day of April, 2023.

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| --- | --- |
|  | /s/ Adam J. Teitzman |
|  | ADAM J. TEITZMAN  Commission Clerk |

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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

APPENDIX A





1. Document No. 01638-2023. [↑](#footnote-ref-1)
2. Order No. PSC-2023-0108-PCO-EI, issued March 23, 2023, in Docket No. 20230001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.*. [↑](#footnote-ref-2)
3. March 2023 EIA Short-Term Energy Outlook, <https://www.eia.gov/outlooks/steo/pdf/steo_full.pdf> [↑](#footnote-ref-3)
4. Document No. 00354-2023. [↑](#footnote-ref-4)
5. Document No. 01638-2023. [↑](#footnote-ref-5)
6. Document No. 00354-2023. [↑](#footnote-ref-6)
7. *Id*. [↑](#footnote-ref-7)
8. Document No. 01638-2023. [↑](#footnote-ref-8)
9. *Id*. [↑](#footnote-ref-9)
10. Document No. 01638-2023, Schedule E1-B. [↑](#footnote-ref-10)
11. Through its prior mid-course correction, FPL received authorization by Order No. PSC-2023-0108-PCO-EI 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. [↑](#footnote-ref-11)
12. Approved by Order No. PSC-2023-0108-PCO-EI. [↑](#footnote-ref-12)
13. Document No. 01638-2023. [↑](#footnote-ref-13)
14. Document No. 02167-2023. [↑](#footnote-ref-14)
15. Document No. 01638-2023. [↑](#footnote-ref-15)
16. Document No. 02167-2023. [↑](#footnote-ref-16)
17. Order 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.* [↑](#footnote-ref-17)
18. Document No. 02167-2023. [↑](#footnote-ref-18)
19. *Id*. [↑](#footnote-ref-19)