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FPL

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March 14, 2012

**VIA HAND DELIVERY**



Judy Harlow
c/o Ann Cole
Commission Clerk
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. 110303-OT

Dear Ms. Harlow:

Enclosed for filing on behalf of Florida Power & Light Company ("FPL") are FPL's responses to Staff's Survey Questions dated February 24, 2012.

Please contact me if there are any questions regarding this filing.

Sincerely,

Jessica Cano

Enclosure

COM ___
APA ___
ECR 1
GCL 4
RAD 1
SRC 1
ADM ___
OPC ___
CLK ___

**Q.**

**Goal Setting** – Please provide the actual or estimated transactional costs for each of the 5 years, beginning July 1, 2011, to comply with Rule 25-17.0021, F.A.C., subparagraph 3. Also please specify which of these costs are recovered through base rates or a cost recovery clause. Include, for example, the following:

a. The cost of any studies, such as a technical potential study – the portion of the cost paid by your company of the ITRON Technical Potential Study for the last goal-setting proceeding may be used as a starting point, but should be time-shifted to approximately 2014 when the next goal-setting proceeding will commence.
b. Witness preparation and their appearances before the Commission.
c. Petition and testimony filings.
d. Discovery costs.
e. Other costs associated with the goal-setting process – please identify each.

**A.**

Under Rule 25-17.0021, F.A.C., the Goal Setting process is typically performed once every 5 years and can last approximately 16 months or more. For purposes of this response, FPL assumed that in order for a new DSM Plan and set of Program Standards to be filed, approved and implemented by January, 2015, the next Goal Setting process would need to begin in early 2013. FPL estimates the total transaction costs for all the activities involved in Goal Setting to be approximately $1.8 million. Based on the previously-mentioned timeframe, the 12-month transaction costs would be realized over the specified 5-year period as follows:

- July 1, 2011 – June 30, 2012 – $0
- July 1, 2012 – June 30, 2013 – approx. $0.7 million
- July 1, 2013 – June 30, 2014 – approx. $1.1 million
- July 1, 2014 – June 30, 2015 – $0
- July 1, 2015 – June 30, 2016 – $0

The above figures include projections for FPL's payroll and related costs. Also included is assumed third-party work for Technical Potential and Achievable Potential Studies and other support (such as testimony) – the cost of which is derived from that experienced in the 2009 Goal Setting proceeding.

Consistent with past practice, FPL assumes that all Goal Setting related costs would be recovered through the Energy Conservation Cost Recovery (ECCR) clause.

Q.

**DSM Plan** – Please provide the actual or estimated transactional costs for each of the 5 years, beginning July 1, 2011, to comply with Rule 25-17.0021, F.A.C., subparagraph 4. Also please specify which of these costs are recovered through base rates or a cost recovery clause. Include, for example, the following:

a. The cost of cost-effectiveness testing.
b. Witness preparation and appearances before the Commission.
c. Petition and testimony filings.
d. Discovery costs.
e. Other costs associated with developing the DSM plan - please identify each.

A.

Under Rule 25-17.0021, F.A.C., the DSM Plan process occurs subsequent to the Commission establishing goals during Goal Setting. Therefore, it also is typically performed once every 5 years. Typical duration is approximately 8 months, though this can extend further as seen subsequent to the 2009 Goal Setting proceeding. In this process, there are two major deliverables developed by utilities and then approved by the Commission and Staff – the DSM Plan itself and supporting Program Standards for each program. Consistent with the Goal Setting timeframe used in FPL's response to Question A.1., FPL has assumed a schedule whereby these documents would be filed and approved in time for programs to begin implementation by January, 2015. This would require all utility and Commission activities to begin during the 2nd quarter of 2014. FPL estimates the total transaction costs for all the activities related to filing one DSM Plan to be approximately $250,000. Based on the foregoing timeframe, the 12-month transaction costs would be realized over the specified 5-year period as follows:

- July 1, 2011 – June 30, 2012 – $0
- July 1, 2012 – June 30, 2013 – $0
- July 1, 2013 – June 30, 2014 – approx. $100,000
- July 1, 2014 – June 30, 2015 – approx. $150,000
- July 1, 2015 – June 30, 2016 – $0

The above figures include projections for FPL's payroll and related costs. Consistent with past practice, FPL assumes that all DSM Plan related costs would be recovered through the ECCR clause.

**Q.**

**Annual Report** – Please provide the actual or estimated transactional costs for each of the 5 years, beginning July 1, 2011, to comply with Rule 25-17.0021, F.A.C., subparagraph 5. Also please specify which of these costs are recovered through base rates or a cost recovery clause. Include, for example, the following:

a. The cost of data collection.
b. The cost of report preparation.
c. Other costs associated with the annual report - please identify each.

**A.**

Though costs associated with calculating, compiling and reporting the data specified in 25-17.0021, F.A.C. for the DSM Annual Report are not explicitly tracked, FPL estimates the annual transactional cost to be approximately $15,000 to $20,000. FPL does not expect these costs to vary significantly from year-to-year over the requested 5-year period. Please note that these amounts are essentially for FPL's payroll and related costs. Consistent with past practice, FPL assumes that all Annual Report related costs would be recovered through the ECCR clause.

**Q.**

**Plan Implementation Cost** – Please provide the actual or estimated transactional costs for each of the five years, beginning July 1, 2011, paid by residential and commercial/industrial customers to carry out the utility's DSM plan. Please separate these costs into those applicable to residential programs and commercial/industrial programs. Also please specify which of these costs are recovered through base rates or a cost recovery clause. Include, for example, the following:

a. The cost of advertising DSM programs.
b. The cost of informational and education materials.
c. The cost of energy surveys.
d. The cost of equipment and incentives provided to participating customers.
e. Administrative costs.
f. Other costs associated with implementing and conducting the DSM plan - please identify each.

**A.**

As discussed in FPL's responses to Questions A.1. through A.3., FPL has assumed that the Commission will reset goals according to the regular 5-year timeframe. This will result in a new DSM Plan, designed to implement the new Goals, being in place in 2015. Since the new Goals are currently unknowable, any estimate of the Plan Implementation transaction costs from 2015 forward would be speculative. Therefore, FPL has provided the following estimated costs for July 1, 2011 through December 31, 2014 (all estimated values in millions):

| | | $ Millions | |
|---|---|---|---|
| | **Residential** | **Commercial/Industrial** | **Total** |
| • July 1, 2011 – June 30, 2012 – | $158.0 | $69.8 | $227.8 |
| • July 1, 2012 – June 30, 2013 – | $152.2 | $77.6 | $229.8 |
| • July 1, 2013 – June 30, 2014 – | $162.1 | $78.9 | $241.1 |
| • July 1, 2014 – December 31, 2014 – | $ 84.2 | $39.9 | $124.1 |
| • July 1, 2015 – June 30, 2016 – | n/a | n/a | n/a |

It should be noted that the cost estimates above do not include the costs provided in FPL's responses to Questions A.1 through A.3. The above figures include projections for FPL's payroll and related costs, customer rebates and contractor costs. Consistent with past practice, FPL assumes that all Plan Implementation related costs would be recovered through the ECCR clause.

**Q.**

Of the costs provided above, please discuss which are likely to have an adverse impact on economic growth, private sector job creation or employment, or private sector investment.

**A.**

As discussed in FPL's responses to the previous questions, FPL's transactional costs to comply with this Rule are ultimately reflected in customers' electric rates through the ECCR clause. However, FPL does not project, capture, or track economic growth, private sector job creation or employment, or private sector investment impacts resulting from its ECCR charges. Additionally, FPL does not presently have the means to accurately estimate this information.

**Q.**

Of the costs provided above, which are likely to have an adverse impact on business competitiveness, including the ability of persons doing business in the state to compete with persons doing similar business in other states or domestic markets, productivity, or innovation.

**A.**

Please see FPL's response to Question A.5.

**Q.**

For the five year period beginning July 1, 2011, which requirements of this rule, if any, would be performed by the Company assuming the rule were not in effect? Please explain.

**A.**

The purpose of Rule 25-17.0021, F.A.C., is to implement specific provisions of the Florida Energy Efficiency and Conservation Act (FEECA) Sections 366.80-366.82, F.S. FPL assumes this question does not envision a repeal of FEECA. In the event that FEECA remained but the Rule did not, most of the requirements imposed by this Rule would theoretically still exist (as they are also requirements of FEECA), though they may be complied with in some different manner. There are also certain Rule provisions that go beyond the specific language of FEECA, such as the requirement to set Goals separately for the Residential and Commercial/Industrial sectors instead of at an overall company level. FPL cannot determine at this time how it would comply with FEECA absent this Rule, or estimate what the costs of such changed compliance would be.

**Q.**

For each of the requirements identified in B above, what are the transactional costs associated with such requirements for the five year period beginning July 1, 2011?

**A.**

Please see FPL's response to Question B.

**Q.**

What is the utility's estimate of the likely impact, stated in terms of costs and/or benefits, on small businesses (as defined by s. 288.703, F.S.) located in the Company's service territory, resulting from the implementation of 25-17.0021, F.A.C., for the five year period beginning July 1, 2011?

**A.**

FPL does not project, capture, or track impacts on small businesses from its DSM plan or individual DSM programs implemented as a result of Commission decisions under this Rule. Additionally, FPL does not presently have the means to accurately estimate this information. However, in general, customers who participate in the offered DSM programs (including small businesses and small counties or cities) will benefit from the FPL-provided rebates plus savings on their electric bills, and all customers (including small businesses and small counties or cities) pay the costs of such programs through the ECCR clause. If the DSM portfolio approved by the Commission under this Rule is comprised only of programs that pass the Rate Impact Measure (RIM) cost-effectiveness test, then all electric customers, both participating and non-participating, will benefit from lower long-term electric rates. Please also see FPL's response to Question B.

**Q.**

What is the utility's estimate of the likely impact, stated in terms of costs and/or benefits, on small counties and small cities (as defined in s. 120.52) located in the Company's service territory, resulting from the implementation of 25-17.0021, F.A.C., for the five year period beginning July 1, 2011?

**A.**

Please see FPL's response to Question D.

**Q.**

What is the utility's estimate of the likely impact, stated in terms of costs and/or benefits, on entities located in the Company's service territory other than those specifically identified in Questions D and E, resulting from the implementation of 25-17.0021, F.A.C., for the five year period beginning July 1, 2011?

**A.**

Please see FPL's response to Question D.

**Q.**

What does the utility believe is the expected impact of Rule 25-17.0021, F.A.C., on economic growth, private sector job creation or employment, and private sector investment for the five year period beginning July 1, 2011, in the utility's service territory?

**A.**

Please see FPL's response to Question A.5.

**Q.**

What does the utility believe is the expected impact of Rule 25- 17.0021, F.A.C., on business competitiveness, including the ability of persons doing business in the utility's service territory to compete with persons doing business in states other than Florida or other domestic markets, productivity, and innovation, for the five year period July 1, 2011?

**A.**

Please see FPL's response to Question A.5.

**Q.**

What are the benefits to your utility associated with Rule 25- 17.0021, F.A.C.?

**A.**

As mentioned in FPL's response to Question B, Rule 25-17.0021, F.A.C.'s purpose is to provide the specific Commission requirements designed to fulfill the statutory provisions and objectives of FEECA, 366.80-366.82, F.S. As such, it provides guidance regarding how FPL is to comply with FEECA.

**Q.**

What are the Company's estimated transactional costs resulting from the Company's compliance with Rule 25-22.032, F.A.C., for the five year period beginning July 1, 2011?

a. For the five year period beginning July 1, 2011, which requirements of Rule 25-22.032, F.A.C., if any, would be performed by the Company assuming the rule were not in effect? Please explain.

b. For each of the requirements identified in 1a., what are the estimated transactional costs associated with such requirements for the five year period beginning July 1, 2011.

c. What are your actual transactional costs resulting from your Company's compliance with Rule 25-22.032, F.A.C., for the period July 1, 2011 to December 31, 2011?

**A.**

Rule 25-6.094, F.A.C. ("Complaints and Service Requests"), requires "a full and prompt investigation of all customer complaints and other service requests". Because this requirement exists separate and apart from the requirements of Rule 25-22.032, F.A.C. ("Customer Complaints"), FPL believes the estimated transactional costs resulting from compliance with Rule 25-22.032 are limited to the additional processes/requirements (e.g., developing the required written responses to be submitted to the FPSC, as required by paragraph (6)(b)) identified in the Rule. While FPL does not specifically track these costs, FPL has developed the following compliance cost estimates for the five-year period beginning July 1, 2011:

For the 12 months ended June 30:

| 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|
| $253,000 | $261,000 | $270,000 | $280,000 | $290,000 |

Note: Estimates assume complaint levels are at the same level each year and include factors for CPI and customer growth based on calendar years.

a. The additional activities required by Rule 25-22.032, the costs of which are included in the costs estimated above, would no longer be performed in a formal manner, and as a result their associated costs would also be eliminated. However, FPL believes the costs associated with newly created voluntary activities and increased inefficiencies resulting from the elimination of the Rule's formal procedures and processes, while not quantifiable, would be greater than those currently incurred. FPL would continue to voluntarily respond to FPSC Staff's questions, verbally or in writing, for any informal investigations of complaints and attempts to resolve disputes between any customer and the Company.

b. As stated above, FPL does not specifically track these costs and is not able to quantify with any degree of specificity the costs associated with the voluntary processes it would likely create and the increased inefficiencies caused by the elimination of the additional requirements in Rule 25-22.032. However, FPL believes the costs it would incur if the Rule was eliminated could be greater than those currently incurred. See also FPL's response to Question No. 7.

c. The Company's estimated transactional costs for compliance with the Rule for this six month period are $134,000.

**Q.**

What is the Company's estimate of the likely impact, stated in terms of costs and/or benefits, on small businesses (as defined by Section 288.703, F.S.) located in the Company's service territory, resulting from the implementation of 25-22.032, F.A.C., for the five year period beginning July 1, 2011?

**A.**

While FPL is not in a position to identify or estimate other parties' total impacts (costs, benefits and other impacts) resulting from the implementation of Rule 25-22.032, FPL believes that based on the costs and benefits it can identify, the associated benefits outweigh the costs. As to costs, FPL believes the majority of other parties' costs (annually and over a 5-year period) would result from FPL's estimated costs provided in response to Question No. 1 being reflected in FPL's base rates and charges. The estimated costs spread across the more than 4.5 million FPL customers has a minimal impact on individual customer bills, including small businesses and small counties/cities. While FPL is unable to quantify the dollar value of the associated benefits, FPL has seen how "quickly, effectively, and inexpensively" complaints have been resolved since the current Rule was implemented eight years ago. These benefits have been realized by FPL as well as by the FPSC and our customers. See also FPL's response to Question No. 7.

**Q.**

What is the Company's estimate of the likely impact, stated in terms of costs and/or benefits, on small counties and small cities (as defined in Section 120.52, F.S.) located in the Company's service territory, resulting from the implementation of 25-22.032, F.A.C., for the five year period beginning July 1, 2011?

**A.**

See FPL's responses to Question Nos. 2 and 7.

**Q.**

What is the Company's estimate of the likely impact, stated in terms of costs and/or benefits, on entities located in the Company's service territory other than those specifically identified in Questions 2 and 3, resulting from the implementation of 25-22.032, F.A.C., for the five year period beginning July 1, 2011?

**A.**

See FPL's responses to Question Nos. 2 and 7.

**Q.**

What does the Company believe is the expected impact of Rule 25-22.032, F.A.C., on economic growth, private sector job creation or employment, and private sector investment for the five year period beginning July 1, 2011 in the Company's service territory?

**A.**
FPL does not project, capture or track economic growth, private sector job creation or employment, and private sector investment resulting from the impact of Rule 25-22.032, F.A.C. Additionally, FPL does not presently have the means to accurately estimate this information.

**Q.**

What does the Company believe is the expected impact of Rule 25-22.032, F.A.C., on business competitiveness, including the ability of persons doing business in the state to compete with persons doing business in other states or domestic markets, productivity, and innovation, for the five year period beginning July 1, 2011 in your service territory?

**A.**

FPL does not project, capture or track business competitiveness, including the ability of persons doing business in the state to compete with persons doing business in other states or domestic markets, productivity, and innovation resulting from the impact of Rule 25-22.032, F.A.C. Additionally, FPL does not presently have the means to accurately estimate this information.

**Q.**

What does the Company believe are the benefits associated with Rule 25-22.032, F.A.C.?

**A.**

FPL believes there are three primary benefits associated with this Rule. First, through established timelines and systems (e.g., "transfer-connect"), the Rule provides customers with a more streamlined and expeditious process for resolving their complaints/inquiries. Second, as a result of clearly established processes, it provides for an organized and efficient means for utilities and the FPSC to process and resolve customer complaints. Finally, the Rule provides customers with a choice as to how they would like to have their complaint handled through immediate and direct contact with the Company or though the FPSC's investigative processes.

It should be noted that in 2011 FPL customers chose the "transfer-connect" process 80% of the time. Without this efficient and effective process, costs to FPL, the FPSC and ultimately our customers could have been significantly higher.

**Q.**

Assuming Rule 25-22.032, F.A.C., is unchanged over the next five years, do you expect your Company's costs to comply with the rule, going forward, to increase, decrease, or remain the same. Please explain your response.

**A.**

FPL believes the costs to provide with the Rule will increase over the next five years. FPL has used annual forecasted CPI and customer growth increases to reflect its projected year-to-year increases, and assumed the complaint levels remained the same.

**Q.**

Does your Company currently have procedures/personnel in place to address complaints received directly from your consumers?

**A.**

Yes, FPL has procedures and personnel in place to address concerns received directly from our customers.

**Q.**

If Rule 25-22.032, F.A.C., were repealed would your Company continue to accept and address consumer complaints? Please explain your response.

**A.**

Yes, FPL believes that appropriately responding to customers' issues and complaints is our responsibility and duty. Additionally, FPL complies with other rules (e.g., Rule 25-6.094) that require electric utilities to receive and respond to consumer complaints.

**Q.**

Do you believe the costs, if any, incurred by your Company to comply with the records retention, reporting, and auditing requirements of Rule 25-22.032(10), F.A.C., for the five year period beginning July 1, 2011, if any, have an adverse impact on your Company? If so, please provide any and all data which supports your response.

**A.**

No, FPL does not believe the costs incurred to comply with the records retention, reporting and auditing requirements of Rule 25-22.032(10), F.A.C. have an adverse impact. See also FPL's response to Question No. 12b.

**Q.**

Of the transactional costs estimated to be associated with compliance with 25-22.032, F.A.C., what percentage is spent on the following items:

a. Staffing
b. Document storage and retention
c. Postage and shipping
d. Communications (dedicated phone lines, emails or faxes)
e. Other

**A.**

a. Staffing represents 99% of the total estimated transactional costs associated with 25-22.032, F.A.C.

b. FPL's record retention as it relates to Rule 25-22.032(10)(a) is electronic. While we do not have a readily available method of identifying these costs with any degree of specificity, the costs associated with this electronic storage and retention method are estimated to be minimal (significantly less than 1%).

c. Postage and shipping represents less than 1% of the total estimated transactional costs associated with 25-22.032, F.A.C.

d. Communications represents less than 1% of the total estimated transactional costs associated with 25-22.032, F.A.C.

e. "Other" activities represents less than 1% of the total estimated transactional costs associated with 25-22.032, F.A.C.

**Q.**

How many staff members at your Company are currently responsible for handling consumer complaints associated with 25-22.032, F.A.C.?

a. Are they full time employees?
b. Do these employees have responsibilities apart from handling complaints?

**A.**

27 staff employees are involved in handling complaints associated with this Rule.

a. 26 are full time and one is a part time employee.

b. Yes, they have other responsibilities apart from handling complaints to the FPSC.

**Q.**

Section 3 of Rule 25-22.032, F.A.C., states that a customer's service shall not be discontinued during the complaint resolution process. Have there been instances in 2010 through 2011, when your Company was uncompensated for service provided as a result of a billing dispute.

a. In the majority of these cases, is the Company able to recoup these costs after the complaint is resolved?

**A.**

Yes, there have been instances in 2010 through 2011 when a customer's service was not discontinued during the complaint resolution process in compliance with Section 3 of Rule 25-22.032, F.A.C., and later the account final billed and left with an unpaid balance that was written off as uncollectible.

a. Yes, in the vast majority of these instances, FPL is later able to recover the costs associated with the billing dispute.

**Q.**

Does your Company subscribe to the Florida Public Service Commission's telephone "transfer-connect" or email transfer system?

a. What are the annual costs associated with subscription to these systems, including costs due to additional requirements for staffing, operating hours and document retention?

**A.**

Yes, FPL subscribes to the Florida Public Service Commission's telephone "transfer-connect" and email transfer system.

a. As described in FPL's response to Question No. 1, Rule 25-6.094, ("Complaints and Service Requests") requires "a full and prompt investigation of all customer complaints and other service requests", separate and apart from the requirements of Rule 25-2.032, ("Customer Complaints"). Staffing requirements for the "transfer-connect" and email transfer systems allow FPL to fulfill the requirements of Rule 25-6.094, and as such, FPL does not believe any additional staffing, operating hours or document retention is required to subscribe to the systems necessary to fulfill the requirements of Rule 25-22.032. The annual cost associated with the telephone system is approximately $4,000.

**Q.**

Approximately what percentage of complaints are resolved prior to reaching the Informal Conference stage described in Section 8 of Rule 25-22.032, F.A.C.?

a. How many times has your Company had a consumer complaint that has escalated all the way to the informal conference stage in the previous two years?

b. How many times in 2010 through 2011 has your Company had a complaint process that was escalated beyond the informal conference stage?

**A.**

In 2010 through 2011, 100% of FPL's complaints were resolved prior to reaching the Informal Conference stage described in Section 8 of Rule 25-22.032.

a. During the previous two years, FPL did not have any consumer complaints that went through the Informal Conference stage. However, FPL had two consumer complaints that the Commission considered at Commission Conferences that were not previously considered at the Informal Conference process. These two consumer complaints were filed directly with the Clerk's office without going through the process outlined in Rule 25-22.032, F.A.C., thereby preventing FPL from having the opportunity to resolve these two complaints through the Informal Conference process.

b. During the previous two years, FPL did not have any consumer complaints that went through the Informal Conference stage and then escalated beyond the Informal Conference stage. However, FPL had two consumer complaints that the Commission considered at Commission Conferences that were not previously considered at the Informal Conference process. These two consumer complaints were filed directly with the Clerk's office without going through the process outlined in Rule 25-22.032, F.A.C., thereby preventing FPL from having the opportunity to resolve these two complaints through the Informal Conference process.

**Q.**

Approximately what percentage of complaints from your customers filed with the Florida Public Service Commission are successfully resolved within 30 days?

**A.**

In 2011, FPL was able to resolve approximately 95% of all filed complaints associated with this rule within 30 days.

**Q.**

How has Rule 25-22.032, F.A.C., affected the way your Company processes complaints?

a. Has the rule had a positive, negative, or neutral impact on your Company?

b. How has the rule affected the Company's cost of handling complaints?

**A.**

As discussed in previous responses, Rule 25-22.032 has provided for a "quick, effective and inexpensive" means for FPL (as well as the FPSC and customers) to receive and resolve customer complaints.

a. The Rule has had a positive impact on FPL.

b. The Rule results in minimal costs to FPL (and its customers) which are outweighed by the benefits. See FPL's responses to Question Nos. 1, 2 and 7.

**Q.**

What are the Company's estimated transactional costs resulting from the Company's compliance with Rule 25-6.0436, F.A.C., for the five year period beginning July 1, 2011?

**A.**

The requirements of Rule 25-6.0436, F.A.C., though specifically mandated by the Florida Administrative Code, detail many of the industry practiced processes, methods, and tasks necessary for a public utility company to manage depreciation-related items and ensure appropriate accounting, reporting, and recovery mechanisms are in place to serve various jurisdictional (FPSC, FERC, GAAP) needs and requirements. Due to the complex nature of the FERC requirements related to accounting and jurisdictional reporting for depreciation expense and associated reserve, as well as maintaining depreciation records, and determining investment recovery needs, the Company would incur costs regardless of the specific requirements of Rule 25-6.0436, F.A.C. That being the case, the Company does not have readily available an estimate of the costs of compliance with Rule 25-6.0436, F.A.C. Instead, the Company estimates that the direct costs for managing all depreciation-related items (including dismantlement and decommissioning) are between $650,000 and $950,000 annually, with the higher end of the range being more attributable to those years in which depreciation, dismantlement and/or decommissioning studies are performed that require additional assistance through the use of subject matter consultants. Indirect costs such as overhead (i.e. facilities, insurance, etc.) and system maintenance, and capitalized costs are not included in this estimate. These costs are based on the current economic and regulatory conditions that the company operates in and can change significantly should the economic and regulatory environment change during the next five years.

**Q.**
What are the Company's estimated recurring annual costs to maintain property records and to perform depreciation-related activities (including tracking additions, retirements, and adjustments, and determining associated reserves) for the FPSC jurisdiction?

**A.**
With respect to recurring annual costs to maintain property records, the Company estimates that the direct costs for managing all direct Property Accounting functions, which includes a substantial portion of the Company's property record asset management processes is between \$3.8M and \$4.1M annually, with the higher end of the range being more attributable to those years in which depreciation, dismantlement and/or decommissioning studies are performed.*1 Indirect costs such as overhead (i.e. facilities, insurance, etc.) and system maintenance, and capitalized costs are not included in this estimate.*2 These direct costs are based on the current economic and regulatory conditions that the company operates in and can change significantly should the economic or regulatory environments change during the next five years.

Please note that the Code of Federal Regulations, Title 18, Chapter 1, Subchapter B, Part 125 "*Preservation of Records of Public Utilities and Licensees*" details the requirements of record retention practices. This part, along with Part 101 "*Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act*" require public utilities to ensure processes and practices are in place to produce historical record information as requested by regulators or as part of rate and/or legal proceedings so generally, the Company would incur these costs regardless of Rule 25-6.0436, F.A.C. The Company's structural environment required to maintain all facets of the property records (beyond just Property Accounting records) is enormous and includes processes, methods, tasks, and systems (i.e. computer equipment and software) throughout the Company that feed into the Property Accounting records. Therefore, since the Company has physical assets numbering in the millions, residing at numerous locations, and managed and tracked through a number of departments and systems, an estimate of maintaining property records for FPSC purposes only is not readily available.

*1 This estimate includes the amounts estimated in the response to Question 1a.
*2 For example, the Company recently implemented a Multi-ledger tool in its asset management system (PowerPlant) to accommodate complexities resulting from jurisdictional reporting requirements (i.e. FERC requirements for treating theoretical reserve imbalance surplus flowback is different than the requirement imposed on the Company through the FPSC). A significant portion of these costs were capitalized and not included in the estimate provided herein, but they are still costs to the Company to meet regulatory requirements.

**Q.**

Is the quadrennial depreciation study prepared in-house or by an outside consultant?

**A.**

The Company has historically prepared depreciation studies filed with the FPSC using internal resources, but has also supplemented these resources on occasion with subject matter consultants.

**Q.**

If the answer to 1c. is "outside consultant," please respond to the following questions:

a. What was the cost of the most recent study prepared by an outside consultant, and on what date was the consultant paid for their services?

b. What is the utility's estimated cost to provide the necessary information required for the outside consultant to prepare a study, and when were these costs incurred?

c. Will an outside consultant be used to prepare the next study? If yes, what is the estimated cost to prepare the next study?

**A.**

a. The cost of the most recent study filed with the FPSC in 2009 was approximately $211,000. The consultant billed the Company monthly for its services in 2008 and 2009 and was paid on various dates for such services in 2009 and 2010. This amount includes preparation of the study; analysis, discussion, meetings, and review of the study with the Company; preparation of testimony and responding to discovery requests; and related travel expenses in performing the study (i.e. site visits) and attending hearings.

b. A number of internal resources were involved in gathering data, reviewing it for completeness and accuracy, formatting the data for consultant use, analyzing the data, answering consultant inquiries, and performing other tasks related to the preparation and support of the 2009 depreciation study. Using full-time equivalent ("FTE") factors, it is estimated that those internal costs were in the range of $250,000 to $400,000 over an approximated 2-year process (2007- 2009). Indirect costs such as overhead (i.e. facilities, insurance, etc.) and system maintenances, and capitalized costs are not included in this estimate.

c. Yes, an outside consultant will be assisting in the preparation of the Company's next depreciation study. The estimated cost of the consultant used to prepare the next depreciation study, required to be filed no later than March 2013, is in the range of $125,000 to $150,000.

**Q.**

If the answer to 1c. is "in-house," please respond to the following questions.

a. What was the utility's cost to prepare the most recent depreciation study, and over what time period were such costs incurred?

b. What is the utility's estimated cost to prepare the next depreciation study?

**A.**

a. Please refer to the response in Question 1c for the depreciation study filed with the FPSC in March 2009. Prior to that time frame, the Company used internal resources to prepare depreciation studies.

b. A number of Company employees will be involved in gathering data, reviewing it for completeness and accuracy, formatting data for use, analyzing the data, routinely monitoring select data, answering inquiries, and other tasks related to the preparation and support of the next depreciation study. It is estimated that those internal costs will be in the range of $300,000 to $400,000 over an approximated 2-year process (2012 – 2013). Indirect costs such as overhead (i.e. facilities, insurance, etc.) and system maintenances, and capitalized costs are not included in this estimate.

Q.

What is the Company's estimate of the likely impact, stated in terms of costs and/or benefits, on small businesses (as defined by Section 288.703, F.S.) located in the Company's service territory, resulting from the implementation of 25-6.0436, F.A.C., for the five year period beginning July 1, 2011?

A.

The Company believes that compliance with Rule 25-6.0436, F.A.C. has only a modest direct impact on costs and/or benefits to small businesses from strict compliance with the rule. As described in the answers above, without precise costs estimates on a rule-by-rule basis, we cannot accurately develop estimates for particular customer groups or classes. However, the outcome of the FPSC authorized depreciation rates from studies submitted for review may impact small businesses, as would be the case for any customers in the Company's service territory. In general, an FPSC depreciation rate authorization may impact future revenue requirements or related items such as depreciation expense, theoretical reserve, book reserves, rate base, and ROE. From the perspective of benefits, the rules should serve solely to facilitate understanding and compliance with the Commission directive and should endeavor in design to minimize costs of compliance.

**Q.**

What is the Company's estimate of the likely impact, stated in terms of costs and/or benefits, on small counties and small cities (as defined in Section 120.52, F.S.) located in the Company's service territory, resulting from the implementation of 25-6.0436, F.A.C., for the five year period beginning July 1, 2011?

**A.**

Please refer to the response in Question 2 above.

**Q.**

What is the Company's estimate of the likely impact, stated in terms of costs and/or benefits, on entities located in the Company's service territory other than those specifically identified in Questions 2 and 3, resulting from the implementation of 25-6.0436, F.A.C., for the five year period beginning July 1, 2011?

**A.**

Please refer to the response in Question 2 above.

**Q.**

What does the Company believe is the expected impact of Rule 25-6.0436, F.A.C., on economic growth, private sector job creation or employment, and private sector investment for the five year period beginning July 1, 2011 in the Company's service territory?

**A.**

The Company believes that compliance with Rule 25-6.0436, F.A.C. should have no substantial direct impact on economic growth, private sector job creation or employment, or private sector investment from strict compliance with the rule.

**Q.**

What does the Company believe is the expected impact of Rule 25-6.0436, F.A.C., on business competitiveness, including the ability of persons doing business in the Company's service territory to compete with persons doing business in states other than Florida or other domestic markets, productivity, and innovation, for the five year period beginning July 1, 2011?

**A.**

The Rule should not directly impact business competitiveness; application of the Rule however, could impact not just the Company but its customers if it is applied is such a way that introduces unnecessary rate volatility and uncertainty.

**Q.**

What does the Company believe are the benefits associated with Rule 25-6.0436, F.A.C.?

**A.**

The Company believes that compliance with Rule 25-6.0436, F.A.C. is beneficial because it documents specific requirements related to filing depreciation studies in accordance with expectations of the FPSC. Having specific regulatory guidance is instrumental in ensuring there is no confusion over expectations of what information is necessary in filing periodic studies so that review and FPSC determination can be thorough, prompt, and efficient. Preparing studies are very time intensive, yet they are a necessary and valued-added part of public utility practice to ensure plant investment is being appropriately recovered from customers utilizing the investment over time. Without guidance, there could be more subjective interpretation of what is needed in preparing studies and that could result in inconsistent and chaotic results from study to study and company to company. Rule 25-6.0436, F.A.C. details many of the industry practices that the Company already adheres to in compliance with FERC and general industry best practices, including guidance set forth by the National Association of Regulatory Utility Commissioners (NARUC) in "*Public Utility Depreciation Practices (August 1996)*." Therefore, the Company believes Rule 25-6.0436, F.A.C. and adherence to the general confines of the rule is beneficial for all parties (utilities, FPSC, and customers) because there is less likelihood of rate volatility resulting if consistent and routine practices are employed in preparing, submitting, and authorizing depreciation parameters through a well-defined process.