392

FPL's Response to Staff's Second Interrogatories Nos. 41-66.

(including attachments for 44, 52, 55, and 66)

QUESTION:
Referring to FPL witness Barrett's Direct Testimony, page 63, Lines 10-15.

a. Please elaborate on the statement that the "accounts comprising the Reserve Amount represent the cost of removal [COR] component of FPL's depreciation reserve in its various plant accounts."

b. Taking St. Lucie Unit 1 as an example, please provide a MS Excel worksheet(s), with formulas and calculations intact, to demonstrate how the COR component affects this Unit's theoretical reserve that was changed from the amount of $800,741,941 estimated by FPL depreciation expert witness Allis (Exhibit NWA-1, page 82 of 787) to the amount of $488,086,602 RSAM adjusted theoretical reserve proposed by FPL witness Ferguson (Exhibit KF-3(B), page 26 of 47).

RESPONSE:
a. Life, gross salvage and cost of removal reserve imbalances all factor into the calculation of the Reserve Amount and all three are components of the same account for FPSC-jurisdictional purposes – accumulated depreciation reserve. However, FPL is proposing to amortize the Reserve Amount through the cost of removal component of the accumulated depreciation reserve. The attribution of the Reserve Amount to the cost of removal component of the depreciation reserve simplifies the accounting and tracking of the Reserve Amount. This approach is consistent with FPL's approach to similar theoretical depreciation reserve imbalances since FPL's 2012 Settlement Agreement.

b. FPL did not calculate the specific change in the COR component from the Depreciation Study to the RSAM. Instead, the theoretical reserve was calculated at the account and location level and compared to the total book reserve. In the case of St. Lucie Unit 1, the increase in the estimated useful life as part of the RSAM is the primary driver in the change in the theoretical reserve imbalance. The theoretical reserve imbalance in the depreciation study for St. Lucie Unit 1 has been provided in Excel format in Table 3 of Exhibit NWA-1 and the theoretical reserve imbalance for the RSAM is provided in Excel format in Exhibit NWA-4. Both of these files were provided in the response to OPC's First Set of Production of Documents, No. 36. FPL's proposal for the RSAM is not based on the calculated components of the reserve. As discussed in part (a) of this response, FPL proposes to track the RSAM amortization as part of the COR component to simplify the accounting and to be consistent with the approaches resulting from prior cases.

QUESTION:
FPL witness Ferguson's Direct Testimony, page 11, Lines 6-10, stated the "parameters utilized in the 2021 Depreciation Study are based in part on the statistical analyses of …." Please identify all the other analyses on which the parameters are based apart from what the Witness has discussed.

RESPONSE:
In addition to the statistical analyses, the service life and net salvage estimates in the study were based on informed judgment which incorporated factors in addition to the statistical analyses, such as a review of Company practice and outlook as they relate to changes in technology, plant operation and retirement, and consideration of current practice in the electric industry including knowledge of service lives and net salvage estimates used for other electric companies. For further discussion of factors that were considered on an account-by-account basis, please refer to FPL witness Allis, Exhibit NWA-1, Part X beginning on page 659 of 787.

QUESTION:
Witness Ferguson's Direct Testimony, page 12, Lines 1-9, indicates that FPL used the currently approved depreciation rates and proposed depreciation rates for the Okeechobee plant as a proxy for the new Dania plant; and the currently approved depreciation rates and proposed depreciation rates for its 2021 solar plants as a proxy for the solar plants to be in service in 2022 and 2023. Please explain under what conditions a proposed rate, versus a currently approved rate, was used as the proxy for a account associated with a plant to be in-service in the future.

RESPONSE:
FPL has in the past proposed and gotten approval of the approach of reflecting depreciation rates for new plants by using the depreciation rates of the existing most comparable plant as a proxy. For example, in Docket 20160021-EI, FPL used the Port Everglades Clean Energy Center depreciation rates as a proxy for the Okeechobee Clean Energy Center ("OCEC") plant. Since FPL is proposing new rates for OCEC and Solar assets as part of this rate proceeding, the proposed rates were used for the new comparable assets such as the Dania Beach Clean Energy and 2022 and 2023 Solar projects, pending and subject to Commission approval.

QUESTION:
Please refer to witness Ferguson's Direct Testimony, page 14, Lines 7-21, and Exhibit KF-3(B), as well as FPL witness Allis' Direct Testimony, Exhibits NWA-1 and NWA-3, Schedule 1B, for the questions below with FPL proposed RSAM depreciation rates:

a. Referring to the statement on Lines 10-12 of witness Ferguson's Direct Testimony, is it correct that for the depreciation accounts that are not affected by what is listed on Lines 13-21 of page 14 (such as the accounts associated with steam plants and peaker plants), their RSAM-adjusted depreciation rates should be the same as the corresponding "original or non-RSAM adjusted" depreciation rates proposed by witness Allis? If your response is negative, please provide a detailed explanation.

b. If your response to Question (a) is affirmative, please explain why the RSAM adjusted depreciation rates associated with steam and peaker plant accounts, shown in Exhibit KF-3(B), pages 3-4 and pages 13-15 of 47, are different from their corresponding non-RSAM adjusted depreciation rates, shown in Exhibit NWA-3, pages 56 and 75-76 of 787. Taking steam plant Crist Unit 4 as an example, please provide a MS Excel worksheet(s), with formulas and calculations intact, to demonstrate how each account's depreciation rate and the total depreciation rates proposed for Unit 4 were derived.

c. On page 14 of his Direct Testimony, witness Ferguson indicated that nuclear and combined cycle plants' RSAM adjusted depreciation rates consist of the adjustments related to the increased lives of these plant, and did not addressed anything regarding these plants' net salvage (NS) percentage. Please provide detailed analyses with supporting historical and other data to justify each of the following changes in NS between the NS that is recommended by depreciation expert witness Allis (shown in Exhibits NWA-1, pages 57, 683-688 of 787 and NWA-3, Schedule 1B, page 23) to witness Ferguson proposed RSAM adjusted values (shown in Exhibit KF-3(B)) for nuclear and combined cycle generation plants:

Table A: FPL Proposed NS Percentage

Generation Facility	Plant Account No.	Account Description	Originally Proposed NS (%)	Proposed RSAM-adjusted NS (%)
Nuclear	323.00	Turbogenerator Units	1	2
	324.00	Accessory Electric Equipment	(2)	(3)
	325.00	Miscellaneous Equipment	(3)	(5)
Combined Cycle	341.00	Structures & Improvements	(4)	(6)
	342.00	Fuel Holders, Producers & Accessories	(1)	(2)
	344.00	Generators	(4)	(6)
	345.00	Accessory Electric Equipment	(2)	(3)

RESPONSE:

a. No. The depreciation rates calculated in these two scenarios should not be the same. The RSAM-adjusted depreciation rates shown in Exhibit KF-3(B) are adjusted such that the book reserve equals the theoretical reserve based on the RSAM parameters (i.e., effectively the whole life depreciation rates). Please refer to the response to Staff First Set of Interrogatory No. 35 for a detailed explanation for why the depreciation rates should differ between the two scenarios.

b. Not applicable.

c. The change in the weighted net salvage percentage for these accounts is due to the change in the life spans for St. Lucie nuclear plant and the combined cycle plants resulting in more interim retirements expected prior to the final retirement of the facilities. The interim net salvage estimates apply only to interim retirements and the composite net salvage is calculated based on the percentage of assets expected to retire as interim retirements and the percentage expected to retire as final retirements. Please see Table 4 of Exhibit NWA-1 for the calculation of weighted net salvage in the 2021 Depreciation Study (which has been provided electronically in the response to OPC's First Set of Production of Documents, No. 36) and the attachment to this response for the calculation of weighted net salvage based on the RSAM parameters.

QUESTION:
Please refer to witness Ferguson's Direct Testimony, page 15, Line 15 through page16, Line 14, for the questions below:

a. Is it correct that FPL believes that its combined cycle facilities (CCs) may have an average service life (ASL) of up to 50 years based on the company's record of performance, the significant plant upgrades in recent years, and the possibility of using a new fuel source? If the response is affirmative, is the 50-year ASL applicable to all of FPL's CCs, including Lansing Smith Unit 3? Please explain your response.

b. Witness Ferguson indicated that he believes a 35-year ASL for solar plants is reasonable, based on some energy experts' suggestion that a 35-year ASL is feasible. Please explain why it is acceptable to consider feasible ASL estimates as a reasonable basis for establishing depreciation rates for FPL's solar generating plants.

RESPONSE:
a. The RSAM depreciation rates incorporate a life span estimate of 50 years for combined cycle plants, not an average service life estimate of 50 years. It is correct that FPL believes that its CCs may have a life span of 50 years and that it is reasonable to assume a 50-year ASL for all of FPL's CCs in the context of the RSAM that FPL has proposed, for the policy reasons discussed by FPL witness Barrett starting on page 59 of his direct testimony. Outside of using this alternative life span in the context of the RSAM, however, FPL believes that the life span for its CCs is 40 years as discussed in Part X of FPL witness Allis' Exhibit NWA-1 (p. 691 of 787).

b. FPL believes that its solar plants may have a life span of 35 years and that it is reasonable to assume a 35-year ASL for all of FPL's solar plants in the context of the RSAM that FPL has proposed, for the policy reasons discussed by FPL witness Barrett beginning at page 59 of his direct testimony. Outside of using this alternative life span in the context of the RSAM, however, FPL believes that the life span for its solar plants is 30 years as discussed in Part X of FPL witness Allis' Exhibit NWA-1 (p. 694 of 787).

QUESTION:
Please refer to FPL witness Allis' Direct Testimony, page 26, and explain how the statement on Lines 10-12 relates to FPL's 2021 Depreciation Study.

RESPONSE:
The statement should reference the 2021 Depreciation Study as well as the prior studies. The reference will be corrected through an upcoming filing to identify errata in FPL's pre-filed direct testimony and supporting materials. Most of the life spans proposed in the 2021 Depreciation Study are as long or longer than the life spans from the prior two cases with depreciation studies (i.e., 2009 and 2016).

QUESTION:
Referring to witness Allis' Direct Testimony, page 30, Line 22, through page 31, Line 2:

(a) What is the range of life span estimates, and the source of that data, for the combined cycle power plants used in the industry? Please explain your response and elaborate on whether an estimate depends on the vintage or type of combined cycle plant, or other factors.

(b) Please provide witness Allis's expert opinion for using 50 years as the life span estimate for FPL's fleet of combined cycle power plants, as well as the basis for his opinion.

(c) What is the range of life span estimates, and the source of that data, for solar generating plants used in the industry?

(d) Please provide the witness' expert opinion for using 35 years as the life span estimate for FPL's solar plants, as well as the basis for his opinion.

RESPONSE:
(a) Life span estimates for combined cycle plants are most commonly 35 to 40 years, although there are estimates shorter than this range and longer than this range. Estimates for some facilities have been 45 years or more and at least one plant, Public Service of Oklahoma's Comanche, has been in service for close to 50 years. The source of these estimates is depreciation studies performed by Gannett Fleming.

(b) For each study, the life span estimates are based on the specifics of each plant (including the vintage and type of plant, as well as factors such as its operating profile and efficiency) as well as the outlook for the facility. The Company's operations and outlooks are an important factor considered in each study, as those who operate each facility typically have the best understanding of the outlook of the facility.

(c) FPL witness Allis does not agree with using a 50-year life span estimate for FPL's combined cycle power plants outside of the context of the RSAM that FPL has proposed in this case. FPL witness Allis has no opinion on its use within the context of the proposed RSAM.

(d) The most common life span estimates for solar plants are 25 to 30 years, although there have been some instances of life spans below or above this range. The source for this range is depreciation studies performed by Gannett Fleming.

FPL witness Allis does not agree with using a 35-year life span estimate for FPL's solar power plants outside of the context of the RSAM that FPL has proposed in this case. The basis of his opinion as to what life span estimate should be used for FPL's solar plants is set forth in Exhibit NWA-1 at pages 694 of 787. FPL witness Allis has no opinion on using a 35-year life span estimate within the context of the proposed RSAM.

QUESTION:
Referring to witness Allis' Direct Testimony, Exhibit NWA-1, page 667 of 787, please explain in detail how the estimate of (20) percent net salvage "is adjusted for interim retirements to a (2) percent composite net salvage percent."

RESPONSE:
To adjust for interim retirements, the interim survivor curve is used to project interim future and final retirements for the current plant balances for an account. The interim net salvage percentage estimate is then applied to the portion of the account projected to be retired as interim retirements to determine the total estimated interim net salvage. This amount is then divided by the total account balance to get the composite net salvage percent.

Please refer to the file "FPL - 2021 - Table 4.xlsx" supplied as part of FPL witness Allis' workpapers in response to OPC's First Set of Production of Document No. 36, for the calculation of the composite net salvage percentages for each account and to "POD 7-113 – FPL – Terminal and Interim Retirements.pdf" supplied in response to OPC's Seventh Set of Production of Document No. 113 for the calculation of expected interim and final retirements.

QUESTION:
In his Exhibit NWA-1, page 670 of 787, witness Allis recommended an increase in Account 314 Turbogenerator Units' average service life (ASL) from 55 to 65 years. What is the range of the ASL for this account used in the industry?

RESPONSE:
Because the interim survivor curve is truncated at the final retirement date, the number designated for an interim survivor curve estimate is not actual average service life (the ASL is necessarily shorter than the life span of each plant). Thus, a change in interim survivor curve from 55 to 65 years is not actually a 10-year increase in average service life. For example, for a vintage with a retirement date occurring at age 60, the 55-R0.5 forecasts a little less than 55% of assets to be retired by age 60 and a 65-R0.5 forecasts a little less than 45% percent to be retired by age 60.

For this reason, interim survivor curve estimates for life span accounts across companies are less comparable than survivor curve estimates for non-life span accounts. That said, the ASL designations for interim survivor curves for this account in the industry are typically in the 45 to 75-year range with low- to mid-mode Iowa type curves.

QUESTION:
Please refer to witness Allis' Exhibit NWA-1, page 681 of 787, for the questions below regarding Account 322 Reactor Plant Equipment:

a. Please provide further detail explaining why "[c]ertain retirements have been coded as outliers and are not expected to occur again."

b. For this account, what is the basis for the statement "…the overall average of the net salvage (NS) has trended less negative" which appears to be opposite to "a general trend to higher cost of removal for certain accounts [leading to more negative NS]" discussed on pages 37-39 of witness Allis' Direct Testimony?

RESPONSE:
a. Retirements coded as outliers include steam generator replacements, vessel head replacements related to the uprate projects and hurricane retirements. Capital recovery schedules had been established for certain of these retirements and they are not expected to occur again, at least not at the same rate as in the historical data. Each of these transactions had also been excluded from previous depreciation studies.

b. The statement regarding a general trend to more negative net salvage is true for many accounts and particularly for transmission and distribution plant accounts. However, it is not necessarily true for every account. For Account 322, the subject of the first statement, the net salvage has trended in the positive direction in recent years. One of the drivers of this trend for this account is more gross salvage in recent years.

QUESTION:
In his Exhibit NWA-1, pages 683-684 of 787, witness Allis provided NS analysis and recommended 1 percent as the composite NS for Account 323 Turbogenerator Units. In his Direct Testimony, pages 30-31, witness Allis stated "I have calculated the resultant depreciation if the life spans for the St. Lucie units were increased to 80 years, [….] The results […] are provided in Exhibit NWA-4." Please explain in detail how the composite NS for Account 323 is changed from 1 percent (Exhibit NWA-1, pages 57 and 684 of 787, Exhibit NWA-3, page 20 of 33) to 2 percent (Exhibit NWA-4, page 1 of 26) due to St. Lucie units' life span alteration.

RESPONSE:
Please refer to FPL's response to Staff's Second Set of Interrogatories No. 44, subpart c. The composite net salvage percent changes because of the longer life span for St. Lucie.

QUESTION:
Referring to witness Allis' Exhibit NWA-1, pages 711 and 717 of 787, please identify the corresponding type of plant assets associated with both Account 343 Prime Movers - General and Account 343 Prime Movers – General – Solar.

RESPONSE:
For a listing of corresponding type of plant assets associated with both Account 343 Prime Movers - General and Account 343 Prime Movers – General – Solar, please see Attachment No.1 to this response.

QUESTION:
Referring to witness Allis' Exhibit NWA-1, page 718 of 787, the Service Life Analysis, please explain how the witness' finding, "[m]ore recent bands indicate somewhat shorter average service life [ASL] than the overall band" leads to the recommendation of changing the current estimate of 60-year ASL to the proposed 65-year ASL for Account 344 Generators.

RESPONSE:
The referenced statement is based on a comparison of the more recent bands to the overall band, rather than comparing the overall band from the previous study to the current study. Additionally, the 60- and 65-year designations are not the actual average service lives. Account 344 is a life span account and the interim survivor curves are truncated at the life span date. Based on a 40-year life span, the 65-R1 interim survivor curve forecasts more retirements than the 60-R2 interim survivor curve and is reflective of a higher rate of interim retirements. The 65-R1 survivor curve is a good fit of the overall experience band for this account.

QUESTION:
The following questions are regarding FPL's proposed RSAM adjusted depreciation rates for production plant accounts:

Witness Allis' Direct Testimony, pages 30-31, reads:

> At the request of FPL witness Ferguson, I have calculated the resultant depreciation if the life spans for the St. Lucie units were increased to 80 years, the life spans of combined cycle plants were increased to 50 years, and the life spans of solar facilities were increased to 35 years. The results of these calculations are provided in Exhibit NWA-4.

a. Referring to witness Ferguson's Exhibit KF-3(B), by comparing column (6) "Annual Depreciation Rate (Consolidated with RSAM)" of this exhibit and witness Allis' Exhibit NWA-4, columns (10) and (12), it appears that FPL's proposed RSAM adjusted depreciation rates for each of the nuclear, combined cycle and solar plant accounts (shown in Exhibit KF-3(B)) are exactly the same as the corresponding accounts' whole life rates, rather than the remaining life rates, calculated by witness Allis "based on different nuclear, combined cycle and solar life spans" (shown in Exhibit NWA-4). Please explain.

b. By comparing witness Ferguson's Exhibit KF-3(B), column (6) "Annual Depreciation Rate (Consolidated with RSAM)" and witness Allis' Exhibit NWA-3, Schedule 1B, column (7) "Depreciation Rates Whole Life" and column (8) "Depreciation Rates Remaining Life," it appears that FPL's proposed RSAM adjusted depreciation rates for each of the steam and peaker plant accounts (shown in Exhibit KF-3(B)) are exactly the same as the corresponding accounts' non-RSAM adjusted whole life rates (shown in Exhibit NWA-3, Schedule 1B). Please explain.

c. Please provide all prior Commission Orders, if any, by which a whole life rate, rather than a remaining life rate, is approved to be used in determining a depreciable account's annual depreciation expense.

RESPONSE:
a. Please refer to FPL's response to Staff's First Set of Interrogatories No. 35.

b. Please refer to FPL's response to Staff's First Set of Interrogatories No. 35.

c. In FPL's 2009 Rate Case, the Commission ordered an amortization of the calculated theoretical reserve imbalance. Page 86 of Order No. PSC-10-0153-FOF-EI states that, as a result "each account's reserve is placed at its theoretically correct position. The theoretically correct reserve position is reflected in the depreciation rates contained in Table 3 and Table 6 above." By setting the book reserve to the theoretical reserve, the resulting remaining life depreciation rates would mathematically be the same as the whole life depreciation rates. Thus, by adjusting for the theoretical reserve imbalance, the Commission effectively adopted whole life depreciation rates in that case (in addition to the amortization of the theoretical reserve imbalance).

QUESTION:
Dismantlement

Please refer to witness Ferguson's Direct Testimony, page 22, for the questions below:

a. Please identify all the dismantlement activities completed between 2016 – 2021 including the information of the corresponding plant site and the entity who performed the activity.

b. For each of the activities discussed in Question (a), has FPL reviewed the variance in the costs between what was estimated in the prior dismantlement study and what was actually incurred for concluding the activity? If not, please explain why not.

c. Please identify all the ongoing dismantlement activities, including the information of the corresponding plant site, the entity who is performing the task, the timeline for completing the activity, and the entity who prepared the cost estimate.

d. Please identify all the dismantlement activities expected to be initiated in the near future including the information of the corresponding plant site, the entity who will perform the task, and whether the cost estimate is included in the 2021 Dismantlement Study.

e. Please identify the new facilities resulting from the acquisition of Indiantown as well as the relevant Commission orders, if any.

RESPONSE:
a.- d. Refer to Attachment No. 1 to this response for subparts a through d. Please note:

- FPL's 2016 dismantlement study performed by 1898 & Co. (Burns and McDonnell) assumes that the demolition of the facilities is performed utilizing controlled explosives to take down facilities once all units at the site are retired. This approach is not possible if there are units that continue to operate adjacent to the unit(s) being dismantled. The manual demolition required to be used for such situations, which is necessary to avoid impacting other operating units, is more costly. This was the case for Fort Myers Gas Turbines, Manatee Units 1 and 2, Martin Units 1 and 2 and Turkey Point Units 1 and 2.

- The 2016 dismantlement study assumes that all fuel is consumed prior to retirement of each site. This is not always feasible given the timing of fuel purchases and how the plants operate prior to shut down. Indiantown, Manatee Units 1 and 2 and Martin Units 1 and 2 all had remaining fuel that was written off (net of recoveries) through the dismantlement reserve as shown on Attachment No. 1.

- Coal ash pond closure regulations and permit requirements have continued to evolve both at a state and federal level over the last several years including the Coal Combustion Residuals Rule. These regulations have resulted in incremental closure costs at certain FPL sites. This applies to Crist, Daniel and Scherer dismantlement as reflected in Attachment No. 1. FPL's cost estimates in the 2021 dismantlement study reflect the cost to comply with the updated regulations.

- The Indiantown cogeneration facility was acquired in 2017, and therefore\ is not reflected in FPL's 2016 dismantlement study. Dismantlement activities will be performed by FPL.

e. FPL acquired the Indiantown cogeneration facility in January 2017 as a result of a transaction to mitigate an unfavorable power purchase obligation. The facility was a 330-megawatt coal-fired cogeneration facility that began commercial operations in 1995. The Indiantown transaction was approved in FPSC Order No. PSC-16-0506-FOF-EI. FPL retired the facility in December 2020.

QUESTION:
Please refer to witness Ferguson's Direct Testimony, page 24, for the following:

a. Referring to Lines 1-6, please explain whether FPL's 2021 Dismantlement Study conducted by 1898 & Co includes the cost information associated with the following:

   (i) all the dismantlement activities completed since FPL and Gulf's respective last dismantlement studies;

   (ii) all the ongoing or soon to be initiated dismantlement activities (if not, please specify the cost portions that have not been included); and

   (iii) projected future dismantlement activities through 2025.

b. Referring to Lines 5-6, please elaborate on the phrase "the remaining dismantlement costs," and explain why these costs have to be treated as an additional piece of information to the 2021 Dismantlement Study.

RESPONSE:
a. See the responses to the subparts below:

   i. To the extent that the dismantlement activities were completed, those specific costs incurred for dismantlement would not be included within the cost estimates or report provided by 1898 & Co. However, completed dismantlement cost activities would have a direct impact on the accumulated dismantlement reserve and therefore would be incorporated into the proposed accrual calculation.

   ii. As stated in FPL witness Ferguson's Direct Testimony on page 24, lines 4-6, "The Company has incorporated in the calculation of the dismantlement accrual its internal forecasts of the remaining dismantlement costs at each site to be incurred". The costs referenced in witness Ferguson's Direct Testimony correspond to the cost estimates found in tables 5-5 and 5-6 of FPL witness Kopp's Exhibit JTK-1.

   iii. The Dismantlement Study conducted by 1898 & Co included projected future dismantlement activities through 2025. To the extent FPL had estimates through 2025 or beyond, they were incorporated into the study (tables 5-5 and 5-6). For items that FPL did not have estimates in place, it relied on the expertise of 1898 & Co cost estimates.

b. Please see FPL's response to question a(i)-a(iii) above. The statement from FPL witness Ferguson's Direct Testimony (Page 24, Lines 1-6) was intended to delineate the source of the information contained within FPL witness Kopp's Exhibit JTK-1. It was not intended to imply specific treatment of the costs.

QUESTION:
Please refer to witness Ferguson's Direct Testimony, page 24, Line 19, through page 25, Line 2 for the following questions:

a. What is/was the total amount of dismantlement reserve available to FPL per the terms of its 2016 Stipulation and Settlement Agreement authorized by Order No. PSC-16-0560-AS-EI?

b. Please list the historical date and, if known, the journal entries for all dismantlement reserve amortization flow-back and reversals over the settlement term per Order No. PSC-16-0560-AS-EI, including the net reserve dollar amount after each entry.

c. Please elaborate on the statement on Lines 21-22 "FPL expects to amortize all of the remaining $146 million of dismantlement reserve […] by December 31, 2021," and explain how this reserve amortization will be achieved.

d. Please provide the page and line numbers of the existing schedule(s), and/or new schedule(s), if necessary, corresponding to the statement "this has been reflected in the projected reserve balance as of that date."

RESPONSE:
a. Order No. PSC-13-0023-S-EI authorized FPL to amortize the depreciation theoretical reserve surplus that remained as of December 31, 2012 from Commission Order No. PSC-10-0153-FOF-EI as well as a portion of FPL's fossil dismantlement reserve (collectively the Reserve Amount) over the period of the agreement, with the total Reserve Amount not to exceed $400 million. As of December 31, 2012, the total amount of dismantlement reserve available for amortization, after taking into account the amount of remaining depreciation theoretical reserve surplus, was $176 million. This amount was reduced to $146 million as stipulated in Order No. PSC-15-0402-AS-EI, Docket No. 150075-EI (Cedar Bay Transaction). Per Paragraph 12 of the Stipulation and Settlement Agreement approved by Order No. PSC-2016-0560-AS-EI, "FPL may amortize any reserve amount described in Paragraph 12(a) remaining at the end of 2016". The final amount of the 2012 "rollover" dismantlement reserve surplus balance was $146,014,234.

b. See Attachment No. 1 to FPL's response to FIPUG's First Set of Interrogatories No. 22.

c. FPL projects $346 million of Reserve Amount remaining at December 31, 2021. FPL first utilizes the surplus depreciation and the dismantlement reserve surplus remaining from the 2012 Settlement Agreement before utilizing the surplus approved in the 2016 Settlement Agreement. Therefore, the $146 million dismantlement reserve surplus is projected to be fully utilized as of December 2021 and the $346 million remaining reserve amortization includes only surplus depreciation established as part of the 2016 Settlement Agreement.

d. Please refer to FPL's response to Staffs First Set of Interrogatories No. 39. The question references a backup excel document "Copy of 2020 Dismantlement - Accrual Estimate (Combined) - FILED.xlsx". Within that file, on the "Reserve" tab (Cells H3 through H112) shows the impact the full dismantlement flowback mechanism has had on the accumulated dismantlement reserve as of 12/31/2016.

QUESTION:
Witness Ferguson's Direct Testimony, page 27, Lines 12-14, reads "transfer the proposed annual accrual of $9 million reflected on Exhibit KF-5 […] and its associated dismantlement reserve from base to the ECRC."

a. Please identify the page and line numbers in Exhibit KF-5 that relate to the $9 million annual accrual transfer.

b. Please identify the page and line numbers in Exhibit KF-5 that relate to the discussed "associated dismantlement reserve from base to the ECRC."

c. Please specify the amount of the dismantlement reserve associated with the $9 million annual accrual

RESPONSE:
Please refer to FPL witness Ferguson Exhibit KF-5 – Corrected filed with the Commission on May 10, 2021 as part of FPL's 1st Notice of Identified Adjustments ("NOIA"). Note, the amounts of the Scherer Unit 4 dismantlement accrual and associated dismantlement reserve have been revised per the corrected Dismantlement Study also filed with the Commission on May 10, 2021.

a. Please refer to page 1, line 23 of Exhibit KF-5 – Corrected.

b. Please refer to page 1, line 36 of Exhibit KF-5 – Corrected.

c. $62,821,861 of dismantlement reserve is associated with the annual accrual of $8,275,345 for Scherer Unit 4.

QUESTION:
Please refer to witness Ferguson's Direct Testimony, Exhibit KF-5, for the following:

a. Referring to Exhibit KF-5, page 2 of 3, please explain how each of the 3 numbers showing on Line 23 was derived, respectively.

b. Please explain why these total annual accrual amounts derived in the FPL-alone (as a separate ratemaking entity) scenario are much larger than the corresponding annual accrual amounts derived in the FPL and Gulf-consolidated scenario which are presented in Exhibit KF-5, page 1 of 3.

RESPONSE:
Please refer to FPL witness Ferguson Exhibit KF-5 – Corrected filed with the Commission on May 10, 2021 as part of FPL's First Notice of Identified Adjustments ("NOIA"). Note, the amounts referenced above have been revised per the corrected Dismantlement Study also filed with the Commission on May 10, 2021.

a. The amounts reflected on line 23 of page 2 of 3 of exhibit KF-5 – Corrected reflect the total increase in dismantlement accrual and are derived by adding the base and clause dismantlement accruals. Note, there was a formula error in the filed Exhibit KF-5 which has since been corrected.

b. As described above, FPL discovered a formula error on line 23 of page 2 of 3 on Exhibit KF-5. The total annual accrual amounts for FPL standalone are not larger than the accrual amounts derived in the FPL and Gulf-consolidated scenario, which is now reflected on Exhibit KF-5 – Corrected.

QUESTION:
FPL witness Kopp's Direct Testimony, Exhibit JTK-1, page 52, reads:

> The Gulf Plant Smith is located in Bay County, approximately 5 miles southwest of Southport. Florida. The facility has two (2) coal fired boilers (Unit 1 and Unit 2) with capacities of 125 MW and 180 MW. respectively. Unit 1 and Unit 2 each have a precipitator. The plant also includes a 2 on 1 combined cycle (Unit 3) with a combined capacity of approximately 660 MW. Retired early in 2016. Units 1 and 2 have been undergoing demolition activities. Gulf estimated removal costs for Smith separate to this Study. As such, 1898 & Co. did not estimate dismantlement costs for Smith .

a. Please explain how the retired Smith Unit 3 CC discussed above relates to the Lansing Smith combined cycle (CC) reported in Exhibit KF-3(B).

b. Please identify the dollar amount of the "estimated removal costs for Smith" discussed in the quotation above.

c. Please explain whether the amount identified in Question (b) is included in "FPL's internal forecast estimates for dismantlement activities" referenced in witness Ferguson's Direct Testimony, page 24, and Exhibit KF-5.

RESPONSE:
Note, in the above excerpt there was a coma missing. The passage from JTK-1 should read:

"The Gulf Plant Smith is located in Bay County, approximately 5 miles southwest of Southport. Florida. The facility has two (2) coal fired boilers (Unit 1 and Unit 2) with capacities of 125 MW and 180 MW, respectively. Unit 1 and Unit 2 each have a precipitator. The plant also includes a 2 on 1 combined cycle (Unit 3) with a combined capacity of approximately 660 MW. Retired early in 2016, *(inserted coma instead of period)* Units 1 and 2 have been undergoing demolition activities. Gulf estimated removal costs for Smith separate to this Study. As such, 1898 & Co. did not estimate dismantlement costs for Smith."

a. Plant Smith or "Lansing Smith" as it is referred to in Exhibit KF-3(B) is comprised of two steam units (Units 1 & 2), one combined cycle unit (Unit 3 CC) and one combustion turbine (Unit 3A CT). The steam units were retired during 2016 and are currently undergoing dismantlement activities. Units 3A (CT) and 3 (CC) are not retired and are estimated to retire in 2027 and 2042, respectively, including common facilities (Per Exhibit NWA-1). The 2021 dismantlement study inadvertently excluded Unit 3. Due to this omission, no 2021 cost estimates were generated for Smith Unit 3 (CC) and 3A (CT) and no new accruals are being proposed for those units as shown within the accrual comparison in Section 2 of Exhibit JTK-1 (page 11 of 173). FPL is not adjusting its proposed dismantlement accrual to add an accrual for Smith Unit 3 and instead will address dismantlement costs for that unit in its next dismantlement study.

b. The 2021 estimated dismantlement costs for Plant Smith Units 1 and 2 is $17,404,273 and is shown in table 5-6 of Exhibit JTK-1. Note that FPL proposed a reserve reallocation associated with Plant Smith Units 1 and 2, which resulted in no proposed dismantlement accrual for these units.

c. Yes. A total of $17,404,273 related to dismantlement costs associated with Plant Smith Units 1 and 2 is included in "FPL's internal forecast estimates for dismantlement activities" referenced in witness Ferguson's Direct Testimony, page 24 lines 1-6. The estimated costs of Plant Smith are one of several internal forecast items that can be found within tables 5-5 and 5-6 of Exhibit JTK-1. Note that FPL proposed a reserve reallocation associated with Plant Smith Units 1 and 2, which resulted in no proposed dismantlement accrual for these units.

Additionally, please note that FPL utilized the lives from Exhibit NWA-1 to support the 2021 dismantlement study rather than the lives in Exhibit KF-3(B).

QUESTION:
Please refer to witness Ferguson's Direct Testimony, Exhibits KF-(3B) and KF-5, as well as witness Kopp's Direct Testimony, Exhibit JTK-1, for the questions below regarding Smith generating facility:

a. It appears that no current and proposed dismantlement annual accrual information is provided in FPL's dismantlement-related Exhibits KF-5 and JTK-1for Lansing Smith CC plant. However, this plant's proposed new depreciation rates are presented in KF-3(B), page 12. Please explain the reason.

b. Please provide the operating status and confirm the expected retirement date of Lansing Smith CC plant.

c. Please identify all the in-service generating units and Commons at Smith facility.

d. Please identify the existing dismantlement cost (approved by Order No. PSC-17-0178-S-EI) and the resulting annual dismantlement accrual for the following:

   (i) The entire Smith facility,

   (ii) Smith CC plant, and

   (iii) Smith Common.

RESPONSE:
a - c. Please refer to FPL's response to Staff's 2nd Set of Interrogatories No. 60.

d. Please refer to table below, approved by Order No. PSC-17-0178-S-EI:

Smith Units	2016 Study Cost	2016 Accrual
Unit 1	$3,334,000	-
Unit 2	3,513,000	-
Common	4,069,000	-
Unit 3A (CT)	23,000	-
Unit 3 (CC)	393,000	-
Total	**$11,332,000**	**-**

QUESTION:
Please refer to witness Kopp's Direct Testimony, pages 11-17, and identify all the differences between FPL's instant and FPL's prior (including Gulf's) dismantlement studies in the following areas:

I. the approach used to develop the study (page 11);

II. the assumed level of dismantlement and demolition that will be performed at each site (page 12);

III. the cost components considered in determining the "direct cost" for each plant site (pages 13-14);

IV. the percentage of the indirect cost (page 15);

V. the "other costs" included in the dismantlement study (page 17).

RESPONSE:
Please note that 1898 & Co., Burns & McDonnell, did not prepare the 2016 Gulf dismantlement study. While the general scope and approach for the 2016 Gulf dismantlement study was similar to the 2021 dismantlement study, the details underlying the study are not directly comparable. Therefore, the responses below are primarily focused on the differences between FPL's 2021 dismantlement study and FPL's 2016 dismantlement study.

(i) The approach used to develop the current FPL study (including Gulf) is the same as the prior FPL study prepared by Burns & McDonnell, with the following exceptions:

- FPL and Gulf have either commenced or will soon commence demolition activities of select units and the environmental remediation of certain ponds and landfills. As part of this process, FPL and Gulf have provided 1898 & Co. with cost estimates internally developed for these activities as part of the current study, whereas in the prior study cost for all FPL units were developed by Burns & McDonnell. Refer to tables 5-5 and 5-6 of Corrected Exhibit JTK-1.

- For the current dismantlement study, a solar proxy estimate was developed by 1898 & Co. based on a generic solar facility and was applied to the solar facilities planned in 2021 and later. In the prior Burns & McDonnell dismantlement study, units that had commercial operation date between 2016 and mid-2019 were included based on Burns & McDonnell's experience with demolition of similar facilities. Estimates for those facilities in the current study are now based on as-built drawings of the facilities.

(ii) The assumed level of dismantlement and demolition in the current FPL dismantlement study (including Gulf) is the same as the prior FPL dismantlement study prepared by Burns & McDonnell, with the following exception:

- In the current dismantlement study, grading and seeding costs are not included for the open areas between the rows of solar panels. It is assumed these areas will not require grading and seeding. In the prior FPL dismantlement study, grading and seeding costs were included for the entire solar site areas.

(iii) The components considered in determining the direct costs in the current FPL study (including Gulf) are the same as the prior FPL study prepared by Burns & McDonnell.

(iv) 5% owner indirect costs were included in both the current FPL dismantlement study (including Gulf) and the prior FPL dismantlement study prepared by Burns & McDonnell.

(v) The other costs included in the current FPL study (including Gulf) are the same as the prior FPL dismantlement study prepared by Burns & McDonnell, which in both the prior and the instant study consists of the expense provided by FPL at the time of each study for remaining inventory balances at the time of retirement.

QUESTION:
Please briefly discuss the changes in scrap metal values between FPL/Gulf 's prior and the instant dismantlement studies.

RESPONSE:
Scrap metal values in the current FPL study (including Gulf) are based on a 12-month average of American Metal Market prices. In the prior FPL dismantlement study prepared by Burns & McDonnell, scrap values were based on the American Metals Market Monthly Report for October 2015. Pricing for scrap has decreased from the prior dismantlement study to the current dismantlement study, with scrap steel prices decreasing by approximately 25%, scrap copper pricing decreasing by approximately 10%, and scrap aluminum pricing decreasing by approximately 45%. On the other hand, scrap titanium pricing has increased significantly. See FPL's response to Staffs Second Set of Interrogatories No. 62 regarding Gulf's prior dismantlement study.

QUESTION:
Referring to witness Kopp's Direct Testimony, Exhibit JTK-1, pages 4-7 of 173, for the following:

a. Please list the total dollar amount and percentage variance between the estimated dismantlement cost in the last FPL/Gulf Dismantlement Studies (approved by Order Nos. PSC-16-0560-AS-EI and PSC-17-0178-S-EI, respectively) and the actual/currently estimated cost to dismantle each of the retired generating facilities identified in the instant Dismantlement Study.

b. Witness Kopp at JTK-1, page 7 indicated that the accrual on January 1, 2022 at $53.4 Million includes all plants, even those not built until 2025. Has the Commission previously allowed/authorized plant not yet in-service to be included for depreciation and/or dismantlement expense recovery in a projected test year for the purpose of determine rate**?** If so, please cite examples.

RESPONSE:
Please refer to FPL witness Kopp's Exhibit JTK-1 – Corrected filed with the Commission on May 10, 2021 as part of FPL's 1st Notice of Identified Adjustments ("NOIA"). Note, the total dismantlement costs and associated dismantlement accruals have been revised per the corrected Dismantlement Study also filed with the Commission on May 10, 2021.

a. Please see FPL's response and attachments to Staff's 2nd Set of Interrogatories, Question 55.

b. Yes.

- Order No. PSC-16-0560-AS-EI issued in 2016, which included Okeechobee Clean Energy Center that went into service in 2019

- Order No. PSC-10-0153-FOF-EI issued in 2010, which included West County Clean Energy Center, the last unit of which went into service in 2011 and the St. Lucie Wind Turbines, which were ultimately not constructed.

QUESTION:
Referring to witness Kopp's Direct Testimony, Exhibit JTK-1, page 7 of 173:

a. Please explain the reasons for changing FPL's currently approved 20% overall contingency allowance to 15% for fossil generation and 10% for solar generation in the 2021 Dismantlement Study.

b. Please identify the components of which the contingency allowance is composed, and explain the percentage of each component applicable to fossil generation and solar generation, respectively.

RESPONSE:
a. The contingency percentage was adjusted from 20% to 15% for fossil generation and 10% for solar generation to align with recent experience on dismantlement projects. These percentages align with cost estimate classification systems that are applied for engineering, procurement and construction by a number of cost estimate organizations in process industries. The lower percentage for solar generation is primarily a result of the more straightforward demolition approach for these assets that results in less unknowns required to be covered by contingency.

b. Contingency allowance is applied as a percentage to all components of fossil and solar generation unit dismantlement costs.

QUESTION:
Please refer to witness Ferguson's Direct Testimony, Exhibit KF-5, page 1 of 3, and witness Kopp's Direct Testimony, Exhibit JTK-1, and complete the tables below:

a. Table 1 Annual Dismantlement Accruals, to reflect the annual dismantlement accrual information similar to what are displayed on Exhibit KF-5, page 1, Lines 1-31.

Table 1: FPL's Annual Dismantlement Accruals

Plant Site (Consolidated)	Base/ Clause	Function	2021 Current Annual Accrual	Required Increase in Cost of Service	Proposed Accrual for 2022 Projected Test Year	Proposed Accrual for 2023 Subsequent Projected Test Year
			($)	($)	($)	($)
…						
…						
Subtotal - Base						
…						
…						
Subtotal - Clause						
Total						
Jurisdictional Separation Factor						
Base (Retail Amounts)						
Clause (Retail Amounts)						
Total (Retail Amounts)						

b. Table 2 Dismantlement Cost Estimates, for each plant site as well as the totals, similar in format (except containing costs rather than accruals) to what is displayed on Exhibit KF-5, page 1, Lines 1-31, to compare the dismantlement costs derived in the 2016 and the 2021 Dismantlement Studies.

Table 2 : FPL Dismantlement Cost Estimates

Plant Site (Consolidated)	Base/ Clause	Function	2016 Study Current Costs ($)	2021 Study Current Costs ($)
…				
…				
Subtotal (Base)				
…				
…				
Subtotal (Clause)				
Total				

c. Table 3 Dismantlement Reserves, for each plant site as well as the totals, similar in format (except containing reserve amounts rather than accruals) to what is displayed on Exhibit KF-5, page 1, Lines 1-31, to show the reserve positions.

Table 3: FPL Dismantlement Reserve Position							
Plant Site (Consolidated)	Base/ Clause	Function	Estimated Actual Reserves (12/31/2021)	Estimates of Reserve Excess/ Deficit	Proposed Transfers	Proposed Restated Reserve for 1/1/2022	Proposed Restated Reserve for 1/1/2023
			($)	($)	($)	($)	($)
…							
…							
Subtotal (Base)							
…							
…							
Subtotal (Clause)							
Total							
Jurisdictional Separation Factor							
Base (Retail Amounts)							
Clause (Retail Amounts)							
Total (Retail Amounts)							

RESPONSE:
Please see Attachment 1 to this response for the requested information for all subparts. Note, the information provided in the attached is based on FPL's corrected 2021 Dismantlement Study and associated corrected accruals reflected in FPL's Notice of Identified Adjustments ("NOIA") filed May 7, 2021.