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FPL's Response to Staff's Fourth Interrogatories Nos. 99-
103.

(including attachments for Nos. 99 and 103)

QUESTION:
Dismantlement

Please refer to FPL's "Notice of Identified Adjustments," Attachment I, filed on May 7, 2021; FPL witness Ferguson's Direct Testimony, Exhibit KF-5; and witness Fuentes' Direct Testimony, Exhibit LF-4, for the following:

- a. Please provide an update to Exhibit KF-5 and the corresponding MFR Schedules the witness sponsored, based on the adjustments noted by FPL in Attachment I, Lines 16 and 22-24.
- b. Please provide an update to Exhibit LF-4, Lines 6-9, and the corresponding MFR Schedules the witness sponsored, based on the adjustments in Attachment I, Lines 16 and 22-24.

RESPONSE:

a.-b.

- For an updated Exhibit KF-5, please see FPL's response to OPC's Fifth Request for Production of Documents, Request No. 91 (folder labeled "Witness Ferguson KF-5 Corrected and Support").
- For an update to Lines 6-9 on Exhibit LF-4 based on the amounts reflected on Corrected Exhibit KF-5, please see Attachment 1 to this response.
- For an update to the Dismantlement Company adjustments reflected on MFR Schedules B-2, C-2, and C-3 for both 2022 and 2023 using the amounts reflected on Corrected Exhibit KF-5, please see Attachment 2 to this response.

Note, the adjustment noted on FPL's May 7, 2021 Notice of Identified Adjustments, Attachment I, Line 16, corrects the calculation of jurisdictional dismantlement cash activity reflected in FPL's forecast and is not included in Exhibit KF-5 or the Dismantlement Company adjustment reflected on the corresponding MFR Schedules B-2, C-2, and C-3.

QUESTION:
Dismantlement

Referring to FPL witness Ferguson's Direct Testimony, Exhibit KF-5, witness Kopp's Direct Testimony, Exhibit JTK-1, and FPL's "Notice of Identified Adjustments," Attachment I, please specify FPL's proposed amounts of annual accrual and reserve for dismantlement by completing Table 1 below:

Table 1: FPL's Proposed Amounts of Annual Accrual and Reserve for Dismantlement					
		Annual Dismantlement Accrual		Dismantlement Reserve	
		2022 Projected	2023 Subsequent	2022 Projected	2023 Subsequent
		Test Year	Projected Test Year	Test Year	Projected Test Year
		(\$)	(\$)	(\$)	(\$)
Consolidated	Total System				
	Jurisdictional Adjusted				
FPL Standalone	Total System				
	Jurisdictional Adjusted				
Gulf Standalone	Total System				
	Jurisdictional Adjusted				

RESPONSE:
Please see chart below for the requested information:

Table 1: FPL's Proposed Amounts of Annual Accrual and Reserve for Dismantlement ⁽¹⁾					
		Annual Dismantlement Accrual		Dismantlement Reserve ⁽²⁾⁽³⁾	
		2022 Projected	2023 Subsequent	2022 Projected	2023 Subsequent
		Test Year	Projected Test Year	Test Year	Projected Test Year
		(\$)	(\$)	(\$)	(\$)
Consolidated ⁽⁴⁾	Total System	\$ 40,222,107	\$ 40,222,107	\$ 151,070,751	\$ 152,703,415
	Jurisdictional Adjusted	\$ 38,398,126	\$ 38,386,501	\$ 144,408,629	\$ 145,872,898
FPL Standalone ⁽⁴⁾	Total System	\$ 36,299,668	\$ 36,299,668	\$ 104,944,995	\$ 114,718,529
	Jurisdictional Adjusted	\$ 34,597,690	\$ 34,571,664	\$ 99,890,313	\$ 109,372,444
Gulf Standalone	Total System	\$ 4,091,521	\$ 4,091,521	\$ 42,781,863	\$ 34,524,373
	Jurisdictional Adjusted	\$ 4,069,648	\$ 4,068,989	\$ 42,489,494	\$ 34,291,268

Notes:

- (1) Amounts are based on the proposed base rate dismantlement accrual reflected on Corrected Exhibit KF-5 filed on May 7, 2021 and do not include the proposed increase in the clause dismantlement accrual.
- (2) Amounts reflected are 13-month averages.

- (3) Amounts include the identified adjustment reflected in FPL's Notice of Identified Adjustments filed on May 7, 2021 to revise incorrect separation factors applied to dismantlement cash activity.
- (4) Amounts have been reduced to reflect the proposed transfer of the Scherer coal ash pond dismantlement reserve and related accrual from base to clause.

QUESTION:

Dismantlement

Please refer to witness Ferguson's Direct Testimony, page 25, Lines 16-18, where FPL proposed to transfer \$15 million of dismantlement reserve between base and clause; and page 27, Lines 10-14, where FPL proposed to transfer \$59 million Scherer ash pond dismantlement reserve and \$9 million annual dismantlement accrual from base to the ECRC clause.

- a. Please identify the plant sites associated with the proposed \$9 million base-to-the-ECRC annual accrual transfer, and specify the page and line numbers of witness Ferguson's Exhibit KF-5 and witness Kopp's Exhibit JTK-1, if available, where this accrual transfer can be identified.
- b. Please elaborate on the benefits, if any, of the proposed accrual and reserve transfers from base to the ECRC clause; as well as the detriment, if any, which would result from not performing the proposed transfers. Please also explain what Commission guidance incents FPL to propose these base-to-clause accrual and reserve transfers.
- c. Please provide any prior Commission Orders by which similar base to clause accrual and/or reserve transfers were approved.

RESPONSE:

- a. The \$9 million base-to-ECRC accrual transfer all relates to the Scherer coal ash pond dismantlement. The amount is shown on line 22 with a footnote explanation on line 50 of Exhibit KF-5, and line 9 of Exhibit LF-4, List of Company Adjustments for 2022 and 2023. Note, the Scherer coal ash pond base to ECRC accrual transfer is not reflected on Exhibit JTK-1.
- b. As discussed in FPL witness Ferguson's testimony on page 25 starting on line 3, FPL sought to minimize the increase in the dismantlement accrual by proposing reserve transfers between units, including transferring reserves from units that have excess amounts or are estimated to be dismantled further in the future to units that have reserve deficits or are estimated to be dismantled earlier. This optimization was performed irrespective of where the dismantlement accrual is recovered (base vs. clause) to minimize the overall increase to customers while establishing accruals that appropriately recover the dismantlement costs over the lives of the generating assets.

- c. Gulf Power 2016 Dismantlement Study and subsequent Settlement Agreement, approved by order No. PSC-17-0178-S-EI, stipulated that an accrual specifically to recover expected costs of compliance at retirement with the federal rules regarding coal combustion residuals be collected through the ECRC. Although not specifically called out in the settlement, the Prehearing Order No. PSC-17-0099-PHO-EI identifies Gulf Power's position that in order to reduce the costs to customers, it treat the accumulated dismantlement reserve as a "single reserve balance for funding needed dismantling activities" and that Gulf had "allocated" its dismantlement reserve (Exhibit 1 of Gulf's 2016 Dismantlement Study) in order to accomplish the proposed dismantlement accrual of \$658,328. This allocation of reserve by Gulf included moving dismantlement reserve dollars between base and clause. Witness Ferguson describes and presents this same activity as "transfers" rather than "allocations" in his direct testimony.

QUESTION:
Depreciation

Please refer to witness Ferguson's Direct Testimony, page 12. Lines 1-6 indicate that FPL used "the current approved depreciation rates and proposed depreciation rates" for the Okeechobee Clean Energy Center (OCEC) as a proxy for the new Dania Beach plant. Lines 6-9 indicate that FPL also used "the current approved depreciation rates and proposed depreciation rates" for its 2021 solar plants as a proxy for the solar plants that are expected to be placed into service in 2022 and 2023.

- a. Please explain how FPL determined when, and for which plant accounts, the currently approved depreciation rates should be used for the corresponding OCEC and solar generating plants, respectively.
- b. Please explain how FPL determined when, and for which plant accounts, the proposed depreciation rates should be used for the corresponding Dania Beach plant and the upcoming solar plants, respectively.

RESPONSE:

- a. The scope of the 2021 Depreciation Study included all plants in service as of December 31, 2021. The Dania Beach Clean Energy Center is projected to be placed in service in mid-2022, which is beyond the scope of the depreciation study. The same is true for the 2022 and 2023 solar plants. As discussed in FPL's response to Staff's Second Set of Interrogatories No. 43, FPL utilized the currently approved depreciation rates for its most comparable plants so that it could calculate the depreciation company adjustment. In the case of Dania Beach, this would be the Okeechobee Clean Energy Center and for the 2022 and 2023 solar plants, this would be the 2016 solar plants from the 2016 depreciation study (adopted in the 2016 settlement order).
- b. Please refer to part (a) above, with exception that part (b) reflects the proposed depreciation rates.

QUESTION:
Depreciation

Please refer to the MS Excel files specified below that FPL provided in its supplemental responses to OPC's First Request for Production, No. 36, for the following questions:

- (i) "Support - Exhibit KF-3(B).xlsx," tab "Theo Reserve Pg 25-47,"
 - (ii) "NWA-4 - Nuclear 80, CC 50, Solar 35.xlsx," tab "Table 2," and
 - (iii) "FPL - 2021 – Depr. Summary - Tables 1-3.xlsx," tab "Table 3."
- a. It appears that all of the amounts shown in column (3) "THEORETICAL RESERVE" of tab "Theo Reserve Pg. 25-47" and column (4) "THEORETICAL RESERVE" of both tabs "Table 2" and "Table 3" are hard number inputs only. Please explain how each of these theoretical reserve amounts in these columns was derived and provide workpapers to support your response.
- b. Column (5) "THEORETICAL RESERVE IMBALANCE" in tab "Table 3" shows that the total amount of theoretical reserve imbalance of FPL's entire depreciable plants is negative \$436,528,856 as of 12/31/2021. Column (4) "THEORETICAL RESERVE IMBALANCE" in tab "Theo Reserve Pg. 25-47" shows that the total amount of theoretical reserve imbalance of FPL's entire depreciable plants is \$1,480,203,041 as of 12/31/2021 for the scenario of "Consolidated with RSAM." Please identify all the factors that cause the \$1.9 billion difference in the theoretical reserve imbalance associated with the same depreciable plants between the depreciation study outcome with and without the application of the RSAM.

RESPONSE:

- (a) The theoretical reserve is calculated using the prospective method set forth in FPSC rule 25-6.0436(1)(k). The theoretical reserve is equal to the book investment less future accruals less future net salvage. This is equivalent to multiplying the original cost less net salvage by $(1 - RL / ASL)$, where RL is the average remaining life and ASL is the average service life. Because the remaining lives are calculated for each vintage from the estimated survivor curve for each depreciable group (i.e., account, subaccount or generating unit within an account), the theoretical reserve is calculated for each vintage and summed to get the total theoretical reserve for the depreciable group. Due to the computational requirements of these calculations, they have been performed using Gannett Fleming's depreciation software.

Please refer to Attachments 1 through 4 to this response for the output of Gannett Fleming's software that shows the remaining lives, average service lives and theoretical reserve for each vintage within each depreciation group for each of the scenarios identified in this interrogatory. The files have been provided in native MS Word format.

- (b) The factors that cause the change in the theoretical reserve imbalance are the different life spans, survivor curves and net salvage percentages used for the RSAM. These different parameters cause a change in the theoretical reserve, which in turn results in an equivalent change in the theoretical reserve imbalance. Please refer to Attachment 5 to this response for a comparison of the depreciation study and RSAM parameters and theoretical reserve amounts.

DECLARATION

I, Ned W. Allis co-sponsored answer to Interrogatory No. 103 from Staff's Fourth Set of Interrogatories to Florida Power & Light Company in Docket No. 20210015-EI, and the response is true and correct based on my personal knowledge.

Under penalty of perjury, I declare that I have read the foregoing declaration and the interrogatory answers identified above, and that the facts stated therein are true.

Ned W. Allis

Ned W. Allis

Date: 6/8/2021

DECLARATION

I, Keith Ferguson sponsored the answers to Interrogatory Nos. 101-102 and co-sponsored the answers to Interrogatory Nos. 99-100, and 103 from Staff's Fourth Set of Interrogatories to Florida Power & Light Company in Docket No. 20210015-EI, and the responses are true and correct based on my personal knowledge.

Under penalty of perjury, I declare that I have read the foregoing declaration and the interrogatory answers identified above, and that the facts stated therein are true.

A handwritten signature in blue ink, appearing to read "Keith Ferguson", is written over a horizontal line.

Keith Ferguson

Date: June 8, 2021

DECLARATION

I, Liz Fuentes co-sponsored the answers to Interrogatory Nos. 99-100 from Staff's Fourth Set of Interrogatories to Florida Power & Light Company in Docket No. 20210015-EI, and the responses are true and correct based on my personal knowledge.

Under penalty of perjury, I declare that I have read the foregoing declaration and the interrogatory answers identified above, and that the facts stated therein are true.



Liz Fuentes

Date: 6/7/2021