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FPL's Response to Staff's Ninth Interrogatories Nos. 157-167.

QUESTION:
Please refer to FPL Witness Cohen's testimony, page 22, lines 10 through 15 and describe the methodology the utility used to calculate the proposed maximum demand charge for commercial/industrial time-of-use customers and what type of costs the maximum demand charge is designed to recover.

RESPONSE:
The proposed maximum demand charges for FPL's commercial and industrial time of use rate schedules are designed to recover distribution-related costs. The proposed rates are set at 15% of total distribution unit costs, which are shown on MFR E-6B Attachment 2, page 1, lines 33-38 and page 2, lines 1-4, respectively. The otherwise on-peak demand charges are reduced by this maximum demand charge to account for the addition of the new charge. An initial target of 15% of total distribution costs was chosen to allow the maximum demand charge to be introduced gradually and to mitigate the impact on customers with high off-peak usage.

As noted in the direct testimony of FPL witness Cohen, implementing a maximum demand charge ensures that all demand customers contribute to the recovery of fixed distribution costs regardless of when the usage occurs.

QUESTION:

Referring to witness Cohen's testimony, page 20, lines 20-22, which states that Gulf's existing voluntary Fixed Rate (FLAT-1) tariff will be made available as a new pilot program available to residential and General Service FPL customers (proposed tariff 8.202.) After review, the proposed tariff does not reference the tariff as a pilot. If the FLAT-1 tariff is supposed to be a pilot tariff, please state the duration of this pilot program and how the company will implement and evaluate the program.

RESPONSE:

The Flat-1 tariff will be offered as a permanent program, not a pilot. An errata will be filed to correct page 20, line 21 and page 36, line 17 of the direct testimony of Tiffany Cohen to reflect this modification.

As stated in the direct testimony of Tiffany Cohen pages 20-21, FPL is proposing to extend Gulf Power's existing voluntary Flat-1 tariff to residential and General Service FPL customers with several clarifications and modifications. We anticipate the program to go into effect once billing system modifications are complete, which is currently estimated to be in the first half of 2023.

QUESTION:
Please state the number of Gulf customers currently taking service under its voluntary Fixed Rate (FLAT-1) tariff (legacy Gulf tariff sheet No. 6.40.)

RESPONSE:
As of June 30, 2021, there were 12,126 customers taking service from Gulf's Fixed Rate tariff.

QUESTION:
Please refer to witness Cohen's direct testimony, page 28, lines 16-17, and discuss in detail all the reasons for the initial cost of service differential between the former FPL and Gulf systems.

RESPONSE:
FPL has designed the transition rider to represent the difference in the overall system average costs between FPL and Gulf in 2021 for base rates and all clauses including fuel, capacity, environmental, conservation, and storm protection plan, but excluding storm surcharges for historical storm cost recovery expenses. The initial cost to serve differential between the FPL and Gulf systems is primarily due to the difference in the two Companies' historical investments over the past several decades, which have affected the level of rates that each Company's customers pay in both base rates and clauses.

QUESTION:
Referring to witness Cohen's testimony, pages 29-31 regarding the proposed five-year transition period, please respond to the following questions

a. The system averages for the former FPL and Gulf systems are calculated based on forecasted 2021 revenues and sales. If actual 2021 revenues and sales differ from forecasted numbers, please discuss if FPL plans on adjusting the proposed 5-year rider and credit amounts to customers.

b. Please explain how the step down transition rider and credits for the years 2023 through 2026 were calculated.

c. How does the proposed transition riders ensure that all current costs incurred by the legacy Gulf system are appropriately recovered from the Northwest customer base without the use of a true-up mechanism? Please explain.

RESPONSE:
a. No. In order to unify base rates while recognizing historic cost of service differences between the former FPL and Gulf systems, FPL is proposing a transition rider and credit designed to represent the difference in the overall system average costs between the two Companies in 2021. Similar to how base rates are established, FPL relied upon forecasted 2021 revenues and sales to project the difference in the overall system average costs between FPL and Gulf in 2021. Again, similar to how base rates operate, FPL is not proposing a true up of the forecasted 2021 revenues and sales for the transition rider and credit.

b. The transition rider and credit were calculated to represent the difference in the overall system average costs between the two Companies in 2021 and FPL proposes to simply step the rider and credit down ratably over a period of five years. As explained on pages 30-31 of the direct testimony of FPL witness Cohen, FPL calculated a total revenue requirement of $197.3 million that will be charged to customers in Northwest Florida and credited to customers in the former FPL service area under a consolidated rate structure. The revenue requirements for the transition rider and credit were allocated to the rate classes by using each rate class' share of the 2021 total retail system revenues as shown on Exhibit TCC-8, page 2. The rates for the transition rider and credit then step down by 1/5 each year for the years 2023 through 2026 as shown on MFR E-14, Attachment 1, Sixth Revised Sheet No. 8.030.2. Also, see FPL's supplemental response to OPCs First Request for Production of Documents No. 35.

c. The proposed transition riders are not structured to operate as a form of clause recovery in an effort to isolate legacy costs that are being incurred by a combined electric system that is being operated and dispatched as a combined system in all respects. Such an effort at best would be imprecise. Unlike a clause mechanism that is designed to recover actual costs incurred through the use of projections and true-up mechanisms for costs that are readily identifiable and allocable, FPL is proposing a transition rider and credit designed to unify base rates for a combined electric system while recognizing an initial historic cost of service differences between the former FPL and Gulf systems. The transition rider and credit is intended to approximate and mitigate the impacts of historic costs to provide service to the former FPL and Gulf customers under the proposed unified tariffs, while recognizing the reality that going forward customers will be receiving service from one functionally integrated company and from a common set of assets and employees, without geographical distinction, through payment of consolidated, equally applicable rates. Additionally, capturing the system average rate differential at a point in time and stepping it down ratably over a five-year period is a fair and administratively efficient proposal that avoids the need for annual true-up filings.

QUESTION:
MFR E-14, Attachment 1, pages 46 to 50 includes proposed revisions to Tariff Sheets 6.300 6.301, 6.310, 6.320, and 6.330. The proposed revisions to Tariff Sheet 6.300 delete the Governmental Adjustment Factor (GAF) waiver, which the Commission approved in Order No. PSC-2018-0050-TRF-EI. Proposed revisions to Tariff Sheets 6.301, 6.310, 6.320, and 6.330 delete references to the Underground Facilities Conversion Agreement – Governmental Adjustment Factor Waiver. Please discuss in detail why FPL is proposing to delete the GAF waiver provision from its tariff.

RESPONSE:
As noted by the Commission in Order No. PSC-07-0442-TRF-EI, FPL experienced during the busy hurricane seasons of 2004 and 2005 that underground facilities experienced fewer interruptions than overhead facilities. In September of 2006, FPL filed an amended petition for revised tariff sheets to implement its proposed GAF waiver. Based on the information available at that time, the Commission approved FPL's GAF waiver, finding it to be "an important first step in encouraging the installation of underground facilities." It should be noted that while Order No. PSC-2018-0050-TRF-EI issued in Docket No. 20170148-EI, referenced in Staff's interrogatory, reaffirmed the continuing availability of the GAF waiver approved in 2007, the principal focus of Docket No. 20170148-EI was FPL's request to modify the criteria used in the calculation of the Contribution in Aid of Construction ("CIAC") for underground conversions of existing overhead facilities.

In the years that have passed since the Commission's 2007 issuance of Order No. PSC-07-0442-TRF-EI, FPL and Gulf have experienced numerous hurricanes and tropical storms, and have obtained significantly more data regarding the benefits of undergrounding and the associated increase in avoided storm restoration costs ("ASRC") incurred when facilities are underground. Additionally, §366.96, Florida Statutes, adopted in 2019, recognized that "it is in the state's interest to strengthen electric utility infrastructure to withstand extreme weather conditions by promoting the overhead hardening of electrical transmission and distribution facilities, the undergrounding of certain electrical distribution lines, and vegetation management."

With the additional data to calculate ASRC, and a greater understanding of the benefits of underground electric service, Gulf's 2020 petition for approval of revisions to its URD tariff in Docket No. 20200113-EI incorporated the then-current ASRC to determine CIAC, as required by the Commission's rules. FPL's proposed revisions to Tariff Sheets 6.300, 6.301, 6.320, and 6.330 included in MFR E-14, Attachment 1, adopt that same methodology such that any applicant seeking to convert overhead facilities to underground, provided they meet the requirements of the tariff, are afforded the same reductions in CIAC based upon the calculated ASRC. FPL's analysis suggests that the reduction in costs under the tariffs proposed in this proceeding are comparable to the credit provided under the GAF waiver. As a result, FPL has proposed deletion of the GAF waiver to more equitably treat all qualifying customers who convert overhead to underground facilities, consistent with Commission rules and the methodology approved by the Commission in Docket 20200113-EI.

QUESTION:
Referring to Witness Cohen's testimony on page 38, lines 5-7, regarding Gulf's Community Solar (CS) Rider which was approved by Order No. PSC-16-0119-TRF-EG, please explain why the rider never had any participating customers.

RESPONSE:
Gulf proposed the Community Solar (CS) Rider in 2015 as a way for interested customers to voluntarily contribute to the construction and operation of a 1 megawatt (MW) solar facility through annual subscriptions. Gulf intended to enroll customers and begin charging the annual subscription fee once the facility was constructed and in operation. Ultimately, the Company did not construct the facility; therefore, the Rider never had any participating customers.

QUESTION:
Witness Cohen’s direct testimony, on page 24 line 10-12, states that the proposed Economic Development Rider (‘EDR’) tariff is for 1 MW load with a minimum of 40 jobs as a middle layer between the current EDR at 350 kW and the CISR at 2 MW Please explain how FPL decided that 40 jobs is the appropriate “middle layer.” Please provide any economic data in support and any research undertaken by FPL to support the 40 job requirement.

RESPONSE:
The determination of 40 jobs and 1MW as a new program was based on actual companies that the FPL and Gulf economic development teams have worked with on location decisions. Based on our review of all available project data, the average number of jobs for projects with at least 1 MW of demand is 42. Additionally, as we unify the rate structure and prospectively eliminate Gulf’s Business Incentive Riders (BIRs), the 1MW program allows the economic development team to encourage and incentivize larger loads that surpass current FPL EDR parameters, but do not rise to the 2MW CISR level. Adding a job requirement that exceeds the standard EDR to the 1MW program ensures Florida’s job opportunities are growing in addition to FPL’s system load. These jobs are indicative of the types of companies we have seen interested in Florida that carry the minimum energy demand required.

QUESTION:
In Witness Cohen's direct testimony, on page 24, line 12-14 states "Adding one additional incentive rider will assist in attracting companies with higher demand the regular EDR customer while encouraging job creation." Has FPL been contacted by the types of companies referred to in this statement? If so, how many and what is a synopsis of the ongoing discussion with such companies?

RESPONSE:
We have been contacted by at least 195 companies that would fit into this structure. The status of these discussions is varied. Some of these companies chose a location other than Florida. In other cases, companies are still open to considering the state and we are continuing to showcase Florida's overall low cost, low tax environment, and availability of outstanding talent in order to persuade them to locate here.

QUESTION:
Referring to MFR No. E-14, Attachment 1, proposed tariff sheet No. 6.100—Underground Distribution Facilities for Residential Subdivisions—the cost per above ground pad mounts switch package increased from $25,716.84 to $29,911.04. Please explain why this package increased and if the increase is based on labor or materials cost.

RESPONSE:
The increase associated with the pad-mount switch package is mainly due to rises in material costs since the last approved underground filing[1] for FPL. Sixty percent of the total costs difference identified is due to material costs increases, which have gone up by approximately 10%. The remainder of the cost escalation is due to labor and overheads.

[1] Docket No. 20190081-EI. Florida Public Service Commission's Order No. PSC-2019-0360-TRF-EI approved the utilities proposed URD-UCD tariffs and associated charges effective September 5, 2019

QUESTION:
Referring to MFR No. E-14, Attachment 1, proposed tariff sheet No. 8.910, Commercial/Industrial Service Rider tariff, please discuss the reasons for the 300 to 1,000 MW increase and the increase to the number of contracts for the from 50 to 75.

RESPONSE:
With the addition of Gulf Power, FPL brings 8 additional counties, an additional population base of nearly 878,000 and 476,000 additional customers into its footprint for the purposes of economic development. This expansion of service area, local governments and customers who stand to benefit from CISR agreements support the proposed expansion of the CISR MW and number of contracts caps. In addition to FPL's 300MW under the CISR program, Gulf was allowed 200MW, for a total of 500MW. Of this, 154MW is currently under contract. While job creation is not a requirement of this program, companies taking service under a CISR contract represent over 4,800 jobs in FPL service territory, a clear reflection of the program's full beneficial impact. Combining the two programs and expanding the cap will allow the combined economic development team to compete for larger loads. Currently, the teams are actively working with 18 companies representing at least 1,224MW of total new load that will require CISR agreements in order to secure this growth in Florida. These "active" projects are in addition to 16 "leads" representing an additional 437MW of load. ("Leads" are much earlier stage projects and less likely to materialize, although some will progress to "active" status.)