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FPL’s Response to Staff’s Fourteenth Interrogatories

Nos. 183-196.

QUESTION:
Please refer to OPC Interrogatory No. 95.

Please explain if the amount of directors and officers liability (DOL) insurance included in the test years 2022 and 2023 reflect the full cost of the insurance or whether the amount reflects a reduction by 50 percent consistent with Commission practice in Order No. PSC-10-0131-FOF-EI, Order No. PSC-11-0256-PAA-WS, and Order No. PSC-13-0611-PAA-WS?

RESPONSE:
The amount of directors and officers liability (DOL) insurance included in the 2022 and 2023 test years reflects the full cost of the insurance, consistent with FPL's historical practice and current cost of service.

QUESTION:
Please provide the most recent actual and estimated rate case expense, including detailed explanations and calculations to justify estimated expense to complete this rate case.

RESPONSE:
Please refer to Attachment I for the most recent actual rate case expenses as of June 30, 2021 and the remaining estimated expenses including detailed explanations and calculations.

As shown in Attachment I, FPL's most recent forecast for total rate expenses are approximately $5.2 million with $3.3 million of actual expenses through June 30, 2021 and $1.9 million of remaining estimated expenses to complete this case. Note, this estimate is approximately $16 thousand lower than the amount reflected on MFR C-10.

The estimated $5.2 million in rate case expense for this case, which seeks unification of the FPL and Gulf rates, is approximately 44% lower than the combined total $9.2 million in rate case expense incurred by the utilities in their last rate case. Please refer to FPL's supplemental response to OPC's First Set of Interrogatories, Nos. 99 and 100 for FPL's and Gulf Power's historical rate case expenses, respectively.

QUESTION:
Incentive Mechanism

Please refer to FPL witness Forrest's direct testimony, page 6, lines 13-17. Please explain why it is necessary to continue the Incentive Mechanism when the Generating Performance Incentive Factor is already in place. As part of this response, please indicate whether or not there has been overlap in the incentives received for either.

RESPONSE:
The Generating Performance Incentive Factor ("GPIF") and the Incentive Mechanism are different programs that focus on different activities. GPIF rewards utilities for efficient operation of their generating fleet, specifically looking at two factors: unit availability and thermal efficiency. These performance elements directly benefit customers through lower fuel costs; thus, the GPIF encourages the investment in improvements that result in net savings to customers. The Incentive Mechanism, on the other hand, is designed to increase customer value by incentivizing FPL to search out opportunities to optimize its generation fleet by purchasing and selling around the margin and by optimizing idle fuel assets, such as gas transportation and storage. In short, one mechanism encourages fleet efficiency with direct fuel savings benefits for customers; the other encourages FPL to find additional value, independent of the general performance and efficiency objectives that comprise the GPIF. It is impossible to determine the net impact, if any, that higher availability and lower thermal efficiency has on Incentive Mechanism opportunities. In isolation, if higher availability and lower thermal efficiency lead to greater sales opportunities, the reverse also would be true. Higher availability and lower thermal efficiency lead to fewer opportunities to purchase power. While improvements to the generation fleet are great for customers and make sense from an investment perspective, the incentives for GPIF and the Incentive Mechanism do not overlap.

QUESTION:
Please refer to FPL witness Forrest's direct testimony, page 18, lines 5-17. Please explain how the sharing thresholds and percentages were determined for the Incentive Mechanism, and further detail why they should remain unchanged even though FPL is requesting expansions to the mechanism.

RESPONSE:
The sharing thresholds and percentages for the Incentive Mechanism were established as a framework intended to provide adequate incentives for the Company to find additional value in the use of its generation fleet, independent of the general efficiency objectives under the GPIF. They were approved in Order No. PSC-16-0560-AS-EI. The proposed expansion of activities to include the optimization of all fuel sources and renewable energy credits, along with the consolidation of the two FPL and Gulf utility systems into one, may provide additional opportunities to increase value for customers. However, given the uncertainty of future market conditions and the availability of assets to optimize at any point in time, there is no guarantee that there will be incremental customer savings. Furthermore, given the relative size of Gulf compared to FPL, the incremental opportunities afforded by the combined system will be limited. Finally, the proposed retirements of Manatee 1 and 2 and Scherer 4 will eliminate some past opportunities to purchase lower cost power, when compared to FPL's marginal unit. For these reasons, FPL believes the current approved sharing threshold of $40 million remains appropriate.

QUESTION:
Please refer to FPL's response to Staff's Third Set of Interrogatories, No. 75. Please detail how monetizing RECs will reduce costs for customers.

RESPONSE:
Monetizing Renewable Energy Credits (RECs) could provide an opportunity for FPL to sell unneeded RECs into the marketplace. If FPL is able to profit from the sale of these RECs, the income generated would be credited to the Fuel Cost Recovery Clause and reduce the overall fuel cost for customers.

QUESTION:
Please refer to FPL’s response to Staff’s Third Set of Interrogatories, No. 84. Please indicate whether or not there were any alternatives to the NFRC project, outside of wheeling, available to FPL. If so, please list each alternative and explain why each was not explored. If not, please explain.

RESPONSE:
The NFRC and wheeling alternatives mentioned in the question and discussed in FPL’s response to Staff’s Third Set of Interrogatories No. 84, are based on establishing an enhanced firm transmission linkage between the FPL and Gulf systems/areas.

The only other alternative would have been for Gulf to operate as a stand-alone utility system without enhanced transmission linkage to the FPL system and no committed support from Southern Company. This alternative was examined in FPL’s initial and current Step 1 analyses. The results of the current analyses showed that even after optimizing a Gulf stand-alone system (in Step 1), the NFRC alternative was projected to result in $677 million CPVRR net savings to customers (in Steps 2 and 3).

Therefore, the end result of the analyses of a stand-alone Gulf system, a linkage to FPL via wheeling, and a linkage to FPL via the NFRC, was that customers would be significantly better off economically with the NFRC option.

QUESTION:
Please refer to FPL witness Spoor's direct testimony, page 13, lines 3-20. Please explain in detail how denying cost recovery of the NFRC Project would affect FPL.

RESPONSE:
If the Commission denied cost recovery of the NFRC, such a denial would have to be based on competent and substantial evidence that the NFRC is not a reasonable and prudent investment. No such evidence has been offered by any party. To the contrary, the evidence presented thus far can be summarized as follows:

The NFRC will provide a new hardened transmission circuit from a different part of the state into Northwest Florida, providing additional redundancy to the bulk power system in the state. As discussed by FPL witness Forrest, the NFRC will also be beneficial to the integration of the FPL electric grid by allowing bi-directional energy transfer capabilities within the state and economic dispatch of the combined fleet of generation assets. Specifically, the NFRC will enable the transfer of up to 850 MW across FPL's combined service area. This connection will provide for cleaner, more reliable and lower cost energy for all customers. As detailed in the direct testimony of FPL witness Sim, the NFRC is directly or indirectly responsible for a projected customer savings of $677 million in CPVRR for FPL's customers.

QUESTION:
Please refer to FPL witness Broad's direct testimony, page 14, line 21. Please indicate the total dollar amount the 16 percent reduction in total non-fuel O&M per kilowatt results in.

RESPONSE:
FPL's current 25,000 MW Fossil/Solar fleet's NFO&M cost reduction, from $11.3/kW in 2017 to $9.4/kW in 2020, results in substantial savings of approximately $48 million in 2020 and $90 million cumulatively over this last three-year period.

QUESTION:
Please refer to FPL witness Bores' direct testimony, Exhibit SRB-9

Please provide a table showing the total actual O&M amounts for each "Functional O&M" category for the years 2011 through 2021 for both the FPL and Gulf systems.

RESPONSE:
Please see Attachment No. 1 to this response.

QUESTION:
Please refer to FPL witness Bores’ direct testimony, Exhibit SRB-9

Please provide data in the format of this exhibit for the 2023 test year. Please provide this information in Microsoft Excel format with formulas intact.

RESPONSE:
Please see Attachment No.1 to this response.

QUESTION:
Please refer to FPL witness Bores' direct testimony, Exhibit SRB-9

Please provide data in the format of this exhibit that includes the items that were said to be excluded in the note on this document. Please provide this information in Microsoft Excel format with formulas intact.

a. Please also provide this data for the 2023 test year.

RESPONSE:
Please refer to Attachment No.1 to this response for unadjusted O&M comparison for 2022 and Attachment No. 2 to this response for unadjusted O&M comparison for 2023.

QUESTION:
CILC/CDR Credits

Please refer to FPL witness Sim's direct testimony, page 32, lines 9-13. What would the incentive level be at a RIM benefits-to-cost ratio of 1.01? As part of your response, please discuss how FPL came to the conclusion that an incentive resulting in a RIM of 1.45 would provide sufficient level of assurance that the programs will remain cost-effective.

RESPONSE:
An incentive of $8.37/kW per month would be projected to result in a RIM ratio of 1.01. However, this is only accurate if one were to assume that CDR and CILC costs and benefits would not change over the life of the analysis; *i.e.*, through 2068.

However, during the last decade, CDR and CILC incentive payment levels have increased (thus increasing program costs) and DSM benefits have decreased (due to lower natural gas prices, enhanced efficiency of FPL's generation fleet, etc.) As a result, the benefit-to-cost ratios of the CDR program have steadily declined as shown below in Table SRS-2 which was originally presented in FPL witness Sim's direct testimony on page 26.

Table SRS-2
CDR Benefit-to-Cost Ratios for
Signing Up New Participants: 2010 - 2020
(with then current incentive levels)

Year of Analysis	Benefit-to-Cost Ratio	CDR Incentive ($/kW-month)
2010 (DSM Plan)	3.10	$4.68
2015 (DSM Plan)	1.62	$7.89
2020 (DSM Plan)	0.97	$8.71
2020 (New Analysis)	0.45	$8.71

What FPL sought in resetting the incentive level was to accomplish two objectives. The first was to have a resulting benefit-to-cost ratio that gave a reasonable likelihood that the programs would remain cost-effective for a 4 to 5 year period. The proposed new incentive level results in a projected benefit-to-cost ratio of 1.45. This ratio allows for some increase in program costs and/or continued decline in DSM program benefits before the programs are no longer cost-effective.

The second objective was to have an incentive level high enough to make it likely that new participants would sign up for the programs and existing participants would remain with the program. The proposed $5.80/kW monthly incentive is approximately 20% higher than the incentive level at which 100% of current CILC participants, and 75% of current CDR participants, signed up for the programs. It is also higher than the $5.57/kW incentive that customers are currently signing up for in Gulf’s commercial/industrial load management offering.

QUESTION:
Scherer Unit 4 Retirement

Please refer to OPC witness Smith's direct testimony, page 47, lines 4 -9. Explain how FPL customers receive benefits, if any, from the retirement of JEA's portion of the Scherer unit.

RESPONSE:
As discussed by FPL witness Forrest, FPL owns a 73.64% undivided interest in Scherer Unit 4 with the remaining 23.64% undivided interest owned by JEA. Without the agreement of JEA, FPL does not have the ability to retire its percentage ownership of Scherer and there would be no savings for customers. For this reason, the $100 million Consummation Payment to JEA was a necessary investment to allow for the retirement of Scherer Unit 4 and unlocks $583 million of projected CPVRR benefit for FPL customers as shown in Exhibit SRB-11.

QUESTION:
Scherer Unit 4 Retirement

Please refer to OPC witness Smith's direct testimony, page 47, lines 9-11. Explain whether or not FPL attempted to sell the FPL owned portion of the Scherer unit. If so, explain why it this effort was not successful. If not, explain why not.

RESPONSE:
FPL did pursue other alternatives to retirement, including a sale of its share of Scherer Unit 4. There was very limited interest from the market and the resulting economics of a sale made retirement the best option for customers.

DECLARATION

I, Scott R. Bores, sponsored the answers to Interrogatory Nos. 183, 191-193 and 195 from Staff's Fourteenth 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.

Scott R. Bores

Date: 7/29/2021

DECLARATION

I, Thomas Broad, sponsored the answer to Interrogatory No. 190 from Staff's Fourteenth 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 answer identified above, and that the facts stated therein are true.

Thomas Broad

Date: 7/28/21

DECLARATION

I, Keith Ferguson, sponsored the answers to Interrogatory Nos. 200 - 201 from Staff's Fourteenth 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.

Keith Ferguson
Keith Ferguson

Date: August 2, 2021

DECLARATION

I, Sam Forrest, sponsored the answers to Interrogatory Nos. 185-187 and 196 and co-sponsored the answer to Interrogatory No. 189 from the Staff's Fourteenth 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.

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Sam Forrest

Date: 7/30/2021

DECLARATION

I, Liz Fuentes, sponsored the answer to Interrogatory No. 184 from Staff's Fourteenth 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 answer identified above, and that the facts stated therein are true.

Liz Fuentes

Liz Fuentes

Date: 7/27/2021

DECLARATION

I, Steven R. Sim, sponsored the answers to Interrogatory Nos. 188 and 194 from Staff's Fourteenth 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.

Steven R. Sim

Steven R. Sim

Date: 7/28/2021

DECLARATION

I, Michael Spoor, co-sponsored the answer to Interrogatory No. 189 from Staff's Fourteenth 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 answer identified above, and that the facts stated therein are true.

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Michael Spoor

Date: 07/29/2021