423

FPL's Response to OPC’s Third Interrogatories Nos. 143-146, 152-159.

Confidential Document No. 03704-2021

QUESTION:
North Florida Resiliency Connection ("NFRC"):

Please identify the current owner of the NFRC and the entity that is responsible for performing its construction? Also, identify any affiliation of the construction company with FPL's affiliates.

RESPONSE:
The NFRC project commenced under Gulf Power and remains on its books for regulatory purposes; however, because of the merger of Gulf Power into FPL on January 1, 2021, FPL is the current legal owner of the NFRC. FPL is responsible for the construction of the NFRC. FPL's common practice is to contract with third parties to perform the construction activities as is the case with the NFRC. Neither FPL nor any of its affiliates are an affiliate of any of the third parties involved in the NFRC construction.

QUESTION:
North Florida Resiliency Connection ("NFRC"):
Which entity originally owned the assets included in the NFRC when construction commenced? If it was one of FPL's affiliates, please provide all of the journal entries that transferred (or will transfer) the project and costs to FPL.

RESPONSE:
Gulf Power is the entity that originally owned the assets included in the NFRC when construction commenced and continues to maintain construction costs related to this project on its books and records.

Gulf Power is currently an operating division of FPL and maintains separate books and records for regulatory purposes. However, if the Commission approves the unification of FPL and Gulf rates beginning January 1, 2022 in this proceeding, there will no longer be the need to maintain separate books and records for Gulf Power. At that point in time, FPL will eliminate all Gulf Power intercompany balances and assume all assets, liabilities, and capitalization amounts on the Gulf Power division's books and records, including the NFRC assets.

QUESTION:
North Florida Resiliency Connection ("NFRC"):

Please provide all presentations made to any group, including but not limited to, any affiliated company concerning the approval of the NFRC project.

RESPONSE:
FPL objects to this Interrogatory 145 in that it requests FPL to produce documents. Notwithstanding and subject to this objection, FPL will respond as though it is a request for production of documents and will count this request toward OPC’s allowed number of Requests for Production of Documents.

Please see Attachment 1 document provided.

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Gulf Power: NFRC & Crist Combustion Turbines - Management Approval

June 19, 2019

Capital approval requested for the North Florida Resiliency Connection (NFRC) 161 kV line in conjunction with four new Combustion Turbines (CTs) at the Gulf Power Crist site

NFRC & Crist CTs Approval Request

- **Resource planning of the separate Gulf and FPL systems with NFRC in-place demonstrates $330 CPVRR savings above and beyond the cost of the CTs and the transmission line**
  - These analyses show a need for 4 CTs to meet Gulf Power's 20% Reserve Margin criteria by 2024
  - Alternative solutions were evaluated and CTs were determined to be the most cost-effective
  - NFRC line to be placed in-service by December 2021
  - N-1 planning criteria requires the CTs to be in-place when the line is in-service (i.e., December 2021)
- **Installed capital estimate for NFRC line is $411 MM**
- **Installed capital estimate for the CT project is $455 MM**
  - Includes necessary transmission upgrades; assumes Crist gas lateral is already in-service for Crist Unit conversion from coal to gas

Requesting $866 MM capital budget approval for the Crist and NFRC projects at Gulf Power

Connecting Gulf's system with FPL will deliver greater energy resiliency and save customers money

North Florida Resiliency Connection (NFRC)

- **$411 MM estimated CapEx**
  - 176 miles of 161 kV line
  - Crosses seven counties
- **Target in-service date of December 2021**
- **Supports Gulf Power's exit from Southern pool**
  - Provides low-cost generation supply from FPL
  - Creates additional system ties for greater resiliency

The new transmission line enables 850 MW of new generation transfer capability to Gulf Power from the FPL system

The Project is estimated to cost ~$411 MM with an in-service date of December 2021[1]

NFRC Cost & Schedule Overview

Capital Cost Est. ($ MM)

Business Unit	Total
E&C	258
CRE	80
Power Delivery	28
Env. Services	13
Legal	7
Dev./ EA / Other	2
AFUDC	23
Total	**411**

Project Schedule (No challenge)

Milestone	Date
File Environmental Permit Applications	Jun. 2019
Concrete Poles Order	Oct. 2019
Engineering Complete	Jan. 2020
ROW Acquisition Complete	May 2020
Permits Issued	Dec. 2020
Construction Start[1]	Dec. 2020
In-Service Date[1]	Dec. 2021

1) Construction start would be delayed to June 2021 if permits are challenged.

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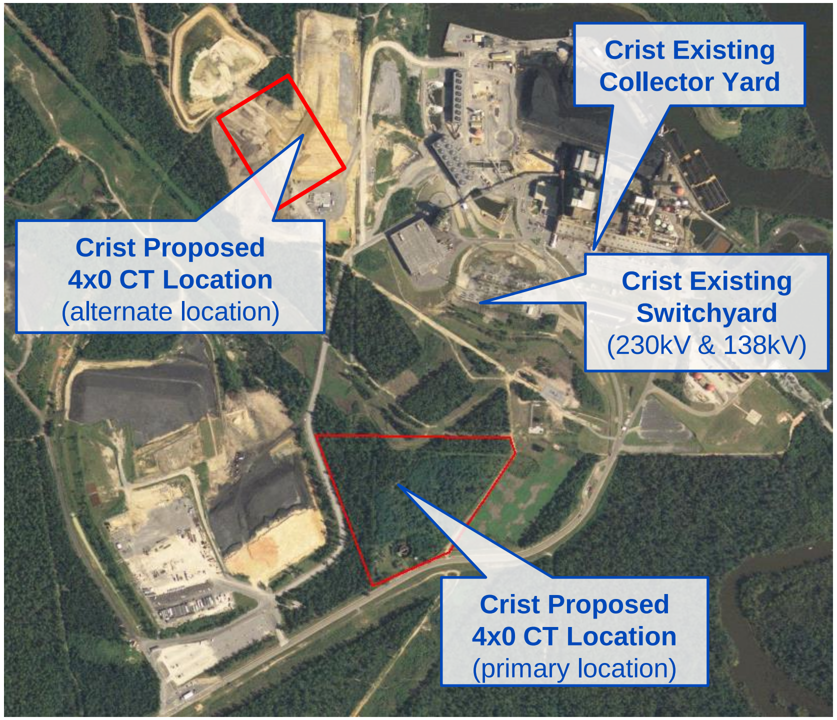
Additional fast-start generation will be required for reliable operation of the Gulf system when the NFRC line goes into service

Crist CT – Schedule

- **Construction of four simple-cycle CTs (4x0) at Plant Crist**
  - 938MW Summer Peak Capacity
  - Fuel gas from new 24-inch Plant Crist lateral (currently in development)
  - COD Dec 2021
- **Two potential footprint locations; to be finalized based on assessment of zoning and permit requirements**
- **Environmental permits to be submitted in July 2019**
  - Air permit likely to be challenged; should prevail based on reduced total emissions at site



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A deferred account has already been established with limited authorization to spend $500k through July 2019 on the Crist CT project

Crist Combustion Turbines (CTs) – Schedule and Cost

Capital Cost Est. ($ MM)

Business Unit	$MM
E&C	373
Power Delivery Integration	31
Power Delivery Interconnection	22
Dev./ EA / Other	1
CRE	0
AFUDC	28
TOTAL	**455**

Project Schedule

Milestone	Date
File Environmental Permit Applications	Jul. 2019
Permit application review and challenge period[1]	Jul. 2019- Sep 2020
Construction Start	Sep. 2020
Commercial Operation	Dec. 2021

1) Earlier schedule may be possible if permit challenge is avoided.

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The addition of the NFRC drives ~$330 MM CPVRR benefit including the incremental cost of accelerating CT build year

Gulf Power Analysis – NFRC Benefits

- **Tying the Gulf & FPL systems together with a transmission line providing 850 MW of transfer capability provides many benefits**
  - With ties to a larger system and a broader pool of generation resources, can justify a reduction in capacity reserve margin from 30% to 20%
  - An additional transmission tie provides additional system benefit in the form of lower line losses and resiliency during storms
  - Access to FPL's low-cost generators provides significant capital and fuel savings for Gulf Power's customers
- **While the NFRC provides several benefits, planning criteria require contingency plans to recover from the loss of 850 MW from a line-out condition within 15 minutes**
  - Requires acceleration of 4 CTs by 2024 to December 2021

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When the FPL TYSP resource plan remains unchanged and Gulf's resource plan is optimized for the inclusion of NFRC, there is a need for 4 CTs in Gulf by 2023-2024

Gulf Power IRP – Resource Plan

- **Gulf Resource Plan requires 4 CTs (938 MW) 2023-2024 to meet reserve margin criteria**
  - Lowest cost solution as compared to combined cycles, storage, etc.
  - 20% reserve margin
  - 4 CTs selected to meet RM
- **However, CTs are also needed concurrently with NFRC to meet N-1 criteria**
  - Requires COD acceleration to Dec. 2021

Year	FPL Resources	Gulf Resources
2020	745 MW Solar + SoBRA	Crist Conv. Lansing Smith Upg.
2021	447 MW Solar	150 MW Solar
2022	850 MW NFRC 894 MW Solar 469 MW Storage	850 MW NFRC
2023	894 MW Solar	469 MW CT
2024	745 MW Solar	Daniel 1 & 2 Retire 469 MW CT
2025	1043 MW Solar	--
2026	1886 MW CC	--

Acceleration of 4 CTs at Crist site incurs an incremental CPVRR cost of ~$50 MM CPVRR, but overall the addition of the NFRC is cost-effective

1) Resources in blue font are assumed as a "given" in the year shown

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The addition of the NFRC drives ~$330 MM CPVRR benefit including the incremental cost of accelerating CT build year

Gulf Analysis (Separate System) – CPVRR Results

Case	Incremental CPVRR ($ MM)	Cumulative CPVRR ($ MM)	Comment
1. Gulf modeled as a standalone separate system without NFRC and with 30% reserve margin (RM)	(650)	(650)	Optimization of Gulf resource plan as a stand-alone system yields ~$650 MM CPVRR benefit vs. Gulf 2019 TYSP
2. Case 1 + Savings from NFRC and lowering of Gulf RM to *20%*	(770)	(1,420)	Net benefit of NFRC: ~$330 MM [Case 2 – Case 5]
3. Case 2 + estimate of changes in system line losses	(35)	(1,455)	
4. Case 3 + Capital and O&M cost of NFRC	424	(1,031)	
5. Case 4 + cost of accelerating CTs from 2023/2024 to Dec. 2021	50	(981)	

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FPL's response to OPC's 3rd Set of Interrogatories No. 146, Attachment No. 1, Bates No. 027043, is confidential in its entirety

QUESTION:
North Florida Resiliency Connection ("NFRC"):

Please refer to Witness Sim's testimony, page 52, lines 2-10. Were any scenarios run using a 20% reserve margin rather than the 30% reserve margin chosen in Witness Sim's testimony in the Step 1 Analyses? If so, please provide the analyses.

RESPONSE:
FPL objects to this Interrogatory 146 in that it requests FPL to produce documents in part. Notwithstanding and subject to this objection, FPL will respond as though it is a request for production of documents in part and will count a portion of this request toward OPC's allowed number of Requests for Production of Documents.

In the initial Step 1 optimization analyses referred to on the testimony page cited in this interrogatory, only the appropriate 30% reserve margin criterion was used. However, for diagnostic purposes during the Step 2 analyses, there was a Step 1-type analysis in which a 20% reserve margin criterion was assumed.

All of the optimization work performed in the initial Step 1 analyses used a 30% reserve margin criterion because this was the appropriate reserve margin criterion for a standalone Gulf system without any additional transmission connection to FPL. In the Step 2 analyses, the reserve margin criterion was lowered to 20% because Gulf had access to FPL's much larger generation system via the NFRC.

As shown in Exhibit SRS-7, page 2 of 2, of FPL witness Sim's direct testimony, the projected CPVRR net savings in the initial Step 2 analyses was $194 million. Solely for the purpose of gauging what portion of that $194 million CPVRR savings may have come from the lower reserve margin criterion, a Step 1-type analysis was run. Case 7 shown in Exhibit SRS-7, page 1 of 2, was rerun assuming a 20% reserve margin criterion. The result was a lowering of the projected CPVRR cost for Case 7 by approximately $106 million. From this, FPL estimated that roughly $106 million of the projected Step 2 net savings of $194 million was due to the ability to lower the reserve margin criterion for a standalone Gulf system due to the NFRC.

The only file from this diagnostic analysis is an output file from AURORA and that file is attached to this response as confidential Attachment No. 1. As stated in FPL's supplemental response to OPC's First Request for Production of Documents No. 36, a working version of the AURORA software will be needed to open this file.

QUESTION:
Affiliate Transaction:

Please refer to the Direct Testimony of Keith Ferguson at page 30, Lines 7-9. Is it FPL’s position in this case that "ensur[ing] that unregulated activities are not subsidized by regulated customers" is the equivalent of fairly and accurately recording the shared corporate service activities embedded in FPL on the appropriate NEE affiliate’s (including FPL) books?

RESPONSE:
The FPL control structure ensures that shared corporate support provided to unregulated affiliates is properly excluded from FPL books and records, and therefore excluded from FPL’s cost of service. The books and records of NEE’s unregulated affiliates are the responsibility of those organizations, and FPL cannot provide information regarding how the shared corporate services are recorded in the affiliate’s books and records.

QUESTION:
Affiliate Transaction:
Please refer to the Direct Testimony of Keith Ferguson at page 30, Lines 7-9. Is it FPL's position in this case that "ensur[ing] that unregulated activities are not subsidized by regulated customers" means that FPL retail customers are not ultimately bearing any more than the minimum amount of the shared corporate service activities necessary for the provision of safe reliable and adequate electric service?

RESPONSE:
Yes. FPL customers are ultimately bearing only FPL's proportionate part of the shared corporate service activities.

QUESTION:
Affiliate Transaction:

Please refer to the Direct Testimony of Keith Ferguson at page 30, Lines 7-9. Is it FPL's position in this case that "ensur[ing] that unregulated activities are not subsidized by regulated customers" means that FPL has taken the proper steps to ensure that FPL retail customers are not incurring costs that are allocated or charged to them by default (through inclusion in retail rates) simply because the activities that cause them are embedded in FPL and are not charged, allocated or otherwise assigned to an affiliate of FPL?

RESPONSE:
FPL interprets this question to be asking about the controls in place to ensure that FPL customers do not pay (through inclusion in cost of service or retail rates) for any affiliate portion of the embedded corporate services that FPL provides across the NEE organization. Based on that interpretation, FPL confirms that its control structure ensures that FPL retail customers do not subsidize the operations of any affiliate.

QUESTION:
Affiliate Transaction:

Please refer to the Direct Testimony of Keith Ferguson at page 30, Lines 17-19. When Mr. Ferguson states: "The combination of these finance staff functions from across the organization streamlined processes and controls and eliminated duplication of some activities, all of which reduce the amount of costs ultimately borne by FPL and its customers," does this mean that there are some duplications of transactional accounting and Financial Planning and Analysis activities within the finance staff functions that is still occurring? If the answer is yes, please identify, quantify and explain such activities.

RESPONSE:
No. The activities that were centralized into the Finance Center of Excellence (“FCOE”) are no longer being performed in other areas of the organization, therefore there is no duplication of transactional accounting or Financial, Planning & Analysis activities within the finance staff function.

QUESTION:
Affiliate Transaction:

Please refer to the Direct Testimony of Keith Ferguson at page 31, Lines 2-3. Mr. Ferguson states: "In addition, FPL's CAM largely follows the published guidelines recommended by the National Association of Regulatory Utility Commissioners ("NARUC") …" Please state with specificity what guidelines of the NARUC are not followed by FPL's CAM and why such guidelines are not followed

RESPONSE:
Listed below are the NARUC's guidelines regarding a regulated entity's Cost Allocation Manual ("CAM"), along with FPL's response:

1. An organization chart of the holding company, depicting all affiliates, and regulated entities.

    - The organization chart of the NextEra Energy family of entities is not included in FPL's CAM due to the large size of the organization, however a detailed organization chart is filed annually with the Florida Public Service Commission ("FPSC") as part of its Diversification Report.

2. A description of all assets, services and products provided to and from the regulated entity and each of its affiliates.

    - FPL includes a description of the recurring services and assets provided to and from affiliates in its CAM. Detailed descriptions of actual activity are reported annually in FPL's Diversification Report filed with the FPSC.

3. A description of all assets, services and products provided by the regulated entity to non-affiliates.

    - FPL does not provide the services it provides to its affiliates to non-affiliate companies. Therefore, this recommendation is not applicable.

4. A description of the cost allocators and methods used by the regulated entity and the cost allocators and methods used by its affiliates related to the regulated services and products provided to the regulated entity.

    - FPL describes its cost allocation methods in the CAM. In addition, a list of each cost driver used to allocate affiliate charges is included as an exhibit to the CAM.

QUESTION:
Affiliate Transaction:

Please refer to the Direct Testimony of Keith Ferguson at page 31, Lines 16-17. Mr. Ferguson states: "FPL fully loads all direct charges to affiliates and uses this methodology whenever possible and practical." Please identify the instances or types of instances where such fully loading methodology is not possible or practical.

RESPONSE:
Certain services are performed on behalf of the entire NEE organization and it is difficult to identify the exact amount of time spent in support of a specific affiliate. Examples of such activities include the preparation of the consolidated NEE financial statements or security services that are performed on behalf of the entire nuclear fleet. For those services, FPL allocates the fully loaded costs to the benefitting affiliates using the Massachusetts Formula or specific cost drivers. Please refer to Exhibit KF-7 of Witness Ferguson’s direct testimony for FPL’s Cost Allocation Manual (“CAM”) that describes the services that are allocated in the Corporate Services Charge (“CSC”) and Nuclear Operations Support Charge.

QUESTION:
Affiliate Transaction:

Please refer to the Direct Testimony of Keith Ferguson at page 34, Lines 4-6. Please state what is meant in that question by the phrase: "**to ensure that FPL retail customers do not subsidize the operation of an affiliate."** In your answer, please address whether this is the same as "ensur[ing] that unregulated activities are not subsidized by regulated customers."

RESPONSE:
FPL controls are designed to ensure that FPL customers do not subsidize the activities of any affiliate, which includes both unregulated and regulated entities.

QUESTION:
Affiliate Transaction:

Please refer to the Direct Testimony of Keith Ferguson at page 34, Lines 7-13. Please state what incentive compensation metrics, if any, are in place that could increase the chances of incentive pay or rewards for employees in the "the Regulatory Accounting group within FPL" and "the legal and compliance teams" [within FPL] if FPL achieves a regulated rate of return above a certain benchmark.

RESPONSE:
Please refer to FPL's supplemental response to OPC's First Set of Interrogatories, Nos. 52 and 53 for a description of FPL's incentive compensation program. There are no incentive compensation metrics in place for the FPL Regulatory Accounting, Legal and Compliance teams that are based on FPL achieving a specific regulated rate of return above a certain benchmark.