16

FPL's Response to Staff's Third Set of Interrogatories No. 17

<u>QUESTION</u>:
Please refer to the Direct Testimony of Witness Floyd, Exhibit JNF-2, filed on August 6, 2021 and Direct Testimony of Witness Floyd, Exhibit JNF-3, filed on August 5, 2022, to answer the following:

a. Schedule C3 [2022 Actual/Estimated Schedule], Page 15 of 35, which reflects that the Residential Ceiling Insulation Program projects to incur actual and estimated rebate costs of $298,580 in 2022. In Schedule C2 [2023 Projection Schedule], Page 5 of 35, the same program has estimated that rebate costs will be $1,133,000 in 2023. Please provide an explanation why the Company anticipates that its projected costs for rebates will rise in 2023 compared to 2022. Describe in your response what promotional activities are planned in 2023 to enhance participation for this program.

b. Schedule C3 [2022 Actual/Estimated Schedule], Page 15 of 35, which reflects that the Residential Load Management ("On Call") Program projects to incur actual and estimated outside services costs of $2,603,375 in 2022. In Schedule C2 [2023 Projection Schedule], Page 5 of 35, the same program has estimated outside services costs of $3,637,141. Please provide an explanation why the Company anticipates that its projected costs for outside services to support his program will rise in 2023 compared to 2022.

c. In Schedule C2 [2023 Projection Schedule], Page 5 of 35, the Residential Load Management ("On Call") Program includes an entry for ($1,309,027) for "Other" costs. Please provide an explanation of this projected credit.

d. In Schedule C3 [2022 Actual/Estimated Schedule], Page 15 of 35, the Residential Low-Income Weatherization Program includes an entry for actual expenses of ($321,703) for "Outside Services." Please provide an explanation of this credit.

e. Schedule C3 [2022 Actual/Estimated Schedule], Page 16 of 35, which reflects that the Business Efficient Lighting Program projects to incur actual and estimated rebate costs of $121,297 in 2022. In Schedule C2 [2023 Projection Schedule], Page 5 of 35, the same program has estimated that rebate costs will be $382,283 in 2023. Please provide an explanation why the Company anticipates that its projected costs for rebates will rise in 2023 compared to 2022.

f. Schedule C3 [2022 Actual/Estimated Schedule], Page 16 of 35, which reflects that the Business Heating, Ventilation & A/C Program projects to incur actual and estimated rebate costs of $4,263,046 in 2022. In Schedule C2 [2023 Projection Schedule], Page 5 of 35, the same program has estimated that rebate costs will be $6,488,089 in 2023. Please provide an explanation why the Company anticipates that its projected costs for rebates will rise in 2023 compared to 2022.

g. In Schedule C2 [2022 Projection Schedule], Page 6 of 21, the Company projected $0 expense for Advertising in the "Common Expense" cost category, yet in Schedule C3[2022 Actual/Estimated Schedule], on Page 17 of 35, FPL has recorded an actual expense of ($154,935) for Advertising in the "Common Expense" cost category. Please provide an explanation of this credit.

RESPONSE:

a. The increase in projected rebate costs for 2023 is a result of higher projected participation. The 2022 rebate projection is based on a year-end projection of 1,380 participants, whereas the 2023 projection is based on 5,150 participants, consistent with FPL's DSM Plan. Planned promotional activities for the Residential Ceiling Insulation program in 2023 include a mix of direct issuance of incentive certificates during in-home residential surveys and direct program specific campaigns to targeted customers living in homes meeting the program criteria.

b. The projected increase in 2023 for expenses associated with outside services for Residential Load management is the result of lower than projected 2022 expenses. The costs in this category include expenses for transponder repairs, substation maintenance, advertising campaign development, and measurement & verification. In 2022, the transponder repair work was less than projected due to contractor resource constraints, as a result this repair work will need to be completed in 2023.

c. The entry for ($1,309,027) for "Other" costs for Residential Load Management program reflects pre-capitalized labor costs associated with the installations of transponders. This credit is a function of the way FPL's SAP budget system reflects the pre-capitalized labor cost for FPL's Residential Load Management program. At the time of purchase, FPL pre-capitalizes the contractor labor cost associated with installing load control transponders (LCTs) in customers' homes and FPL books a credit for the associated labor costs in the Other category. Once an LCT is removed from inventory and installed in a customer's home, the original credit entry is reversed and recorded in the Payroll & Benefits category.

d. The Residential Low-Income Weatherization Program includes a credit for an accrual which was incorrectly categorized as "Outside Services". However, the actual expense was correctly processed in the rebate category.

e. The increase in projected rebate costs for 2023 is a result of higher projected participation. The 2022 rebate projection is based on a year-end projection of 1,726 KW, whereas the 2023 projection is based on 5,090 KW consistent with FPL's DSM Plan. The 2022 program participation is significantly lower than expected due to supply chain issues being experienced by business customers. In 2023, the supply chain issue is projected to improve.

f. The increase in projected rebate costs for 2023 is a result of higher projected participation. The 2022 rebate projection is based on a year-end projection of 8,107 KW, whereas the 2023 projection is based on 12,660 KW consistent with FPL's DSM Plan. The 2022 program participation is significantly lower than expected due to supply chain issues being experienced by the business customers.

g. After FPL and Gulf's books and records were merged on January 1, 2022, FPL completed a detailed review of purchase orders and determined that adjustments were required to previously recorded O&M expense and accounts payable balances in order to accurately reflect that such balances already had been paid. Therefore, purchase orders related to certain ECCR projects and applicable categories were adjusted, resulting in a net reduction to O&M expense of $154,945 for the Advertising expense category.