54

FPL's response to OPC's second set of interrogatories No. 48-51

QUESTION:
Refer to the Direct Testimony of Renae B. Deaton at page 8, lines 10-15 which reads:

Thus, effective January 1, 2022, all O&M and capital costs, with the exception of the cost of removal for assets existing prior to 2021, associated with the 2022 SPP programs have been and will be booked to and tracked through the SPPCRC. As stated in Docket No. 20210010-EI approving the 2022 SPPCRC Factors, the cost of removal and retirements associated with the SPP programs for assets existing prior to 2021 will continue to be recovered through base rates.

a. Explain all reasons how and why the cost of removal and retirements associated with the assets prior to 2021 will continue to be recovered through base rates instead of through the SPPCRC.

b. If an asset existed prior to 2021 and is retired in 2022, explain how the retirement and related depreciation expense savings will be reflected in both base rates and the SPPCRC.

RESPONSE:
a. As explained by FPL witness Fuentes on pages 15-16 of her direct testimony filed in Docket No. 20210015-EI (FPL's most recent base rate filing), "Cost of removal and retirements associated with FPL's SPP programs for assets existing prior to 2021 will continue to be recovered through base rates." This treatment was approved by the Commission in Order No. PSC-2021-0446-S-EI, which approved new base rates for FPL effective January 1, 2022. FPL submits that this treatment of the cost of removal and retirements is appropriate and consistent with cost causation principles because the costs for assets installed prior to 2021 were booked to and recovered through base rates and not the SPPCRC.

   In regard to how FPL will continue base rate treatment for these items, FPL has unique master data in its accounting system to identify and record cost of removal and retirements associated with the removal of existing assets resulting from FPL's SPP programs as base rate recoverable items separate and apart from those costs recovered through its SPPCRC.

b. If an asset existing prior to 2021 is retired in 2022 as a result of one of FPL's SPP programs, the retirement and related depreciation expense savings would be reflected when FPL's base rates are next reset. Therefore, there would be no impact to FPL's SPPCRC in this example.

QUESTION:
Refer to the Excel workbook entitled "RBD-3 FPL 2022 Actual/Estimated SPPCRC" and further to each of the individual Form 7E revenue requirement tabs for capital investment programs such as tab "603-Distribution Feeder Hardeni". Refer finally to line 8a for each Form 7E tab which depicts the depreciation expense on plant in service for each month for each program. The amounts are keyed as value inputs.

a. Provide the calculation of the depreciation expense amounts.

b. Indicate whether the depreciation expense amounts reflect any reductions in expense associated with plant retirements. If no such reductions were made, explain why not.

c. Confirm that the Company ceases depreciation expense on plant retirements for accounting purposes. If this is not correct, then provide a corrected statement and a copy of all documentation relied on for your response.

d. Provide the depreciation expense the Company would have recorded on plant retirements since the SPP was adopted each month, including the calculations of the depreciation expense on the cumulative retirements each month.

RESPONSE:
a. Please refer to FPL's response to Staff's Second Set of Interrogatories No. 5.

b. The depreciation expense for the SPP programs reflected in FPL's 2022 Actual/Estimated SPPCRC filing does not reflect reductions in expense associated with plant retirements. As indicated in FPL's response to OPC's Second Set of Interrogatories No. 48, plant retirements associated with existing assets resulting from FPL's SPP programs are currently recorded in FPL's base rates. Therefore, depreciation expense savings associated with the retirements of existing plant are reflected in base rates and not in FPL's SPPCRC.

c. Correct. FPL stops recording depreciation expense when plant is retired.

d. FPL has not performed a calculation to determine the amount of depreciation expense savings related to the retirement of existing plant resulting from its SPP programs. Therefore, FPL is unable to provide the requested information.

QUESTION:
Refer to the Excel workbook entitled "RBD-3 FPL 2022 Actual/Estimated SPPCRC" and further to the individual Form 7E revenue requirement tab "603-Distribution Feeder Hardeni." Refer finally to line 1c which depicts small amounts of plant retirements in January and February 2022. Explain the amounts listed for January and February and explain why there are no projected retirements for the remaining months in 2022.

RESPONSE:
The small amount of plant retirements reflected on line 1c for January and February of 2022 were generated as a result of assets systematically selected for retirement through the application of the survivor curve process in FPL's PowerPlan fixed asset subledger system. Survivor curves take into account that assets included in each plant account, especially transmission and distribution plant, have different service lives and frequency of historical retirements. The current survivor curves applied in FPL's PowerPlan system were approved as part of the Commission's approval of FPL's depreciation rates in the most recent base rate proceeding in Order No. PSC-2021-0446-S-EI, and are applied across all of FPL's plant accounts which includes both base and cost recovery clause assets. Therefore, plant retirements within a particular plant account may be recorded for FPL's base rate and cost recovery clause assets as a result of this process.

As indicated in FPL's response to OPC's First Set of Interrogatories No. 48, FPL does not currently include retirements in its SPPCRC resulting from its SPP programs, which is why FPL did not include any retirements in its projected months in its 2022 Actual/Estimated Filing. However, since FPL's PowerPlan system identifies and records retirements as part of the survivor curve process, FPL must reclass any retirements recorded in its SPPCRC from SPPCRC to base rates. Therefore, the small amounts of retirements for January and February 2022 reflected in SPPCRC programs 601, 603, 604, and 605 in FPL's 2022 Actual/Estimated Filing were reclassed from SPPCRC to base rates on FPL's books and record subsequent to the filing and will not be included in FPL's 2022 Final True-Up Filing.

QUESTION:
Refer to the Excel workbook entitled "RBD-3 FPL 2022 Actual/Estimated SPPCRC" and further to the individual Form 7E revenue requirement tabs for capital investment programs such as tab "603-Distribution Feeder Hardeni". Refer finally to note (a) that reads "(a) Excludes Cost of Removal on the retirement of existing plant" referring to the Expenditures/Additions amount on line 1(a). Explain how the Cost of Removal would otherwise be recovered in rates if not through the SPPCRC.

RESPONSE:
Cost of removal is included as a component of FPL's depreciation rates, and is therefore, included in the amount of depreciation expense recovered from customers through either FPL's base rates or cost recovery clauses. When FPL records depreciation expense, it also records a corresponding increase to its depreciation reserve. Therefore, when FPL retires an asset and incurs cost of removal, the removal costs are charged against the depreciation reserve. Typically, any under recovery of assets or cost of removal associated with retired assets are addressed the next time FPL files a depreciation study and the Commission approves new depreciation rates.

In regard to the cost of removal associated with the retirement of existing assts resulting from FPL's SPP programs, the removal costs are recorded to the portion of FPL's depreciation reserve associated with FPL's base rate assets since that is where the related depreciation expense was collected from customers.

DECLARATION

I, Renae Deaton, co-sponsored the answers to Interrogatory Nos. 48-52 and 54-55 from **OPC's Second Set of Interrogatories (Nos. 48-56)** to Florida Power & Light Company in Docket No. 20220010-EI, and the responses are true and correct based on my personal knowledge.

Under penalties 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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Renae Deaton

Date: ____________________________

DECLARATION

I, Liz Fuentes, co-sponsored the answers to Interrogatory Nos. 48-56 from **OPC's Second Set of Interrogatories (Nos. 48-56)** to Florida Power & Light Company in Docket No. 20220010-EI, and the responses are true and correct based on my personal knowledge.

Under penalties 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

Liz Fuentes

Date: 7/6/2022