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## FPUC's Response to OPC's Third Set of Interrogatories Nos. 13-20

Interrogatory No. 13(a)

**INTERROGATORIES**

13. Please refer to the Cost/Benefit Comparison subsections for each program in Section 3.0 of the FPUC Storm Protection Plan and respond to the following:
  - a. Confirm that the Company has not presented dollar quantifications of the “benefits” in any of these sections for any of its proposed programs. If this is not correct, then provide all references, including page and line numbers to the FPUC Storm Protection Plan and/or the Direct Testimony of Mr. Mark Cutshaw, wherein the Company has presented such dollar quantifications of the “benefits” of the proposed programs.

**Response:** A specific monetary quantification of “benefits” was not provided as part of FPUC’s SPP proposal.

*Respondent: Mark Cutshaw*

Interrogatory No. 13(b)

- b. Confirm that the Company has not performed a dollar cost/benefit analysis whereby it compares the forecast dollar costs to the forecast dollar benefits of each proposed storm protection program.

**Response:** A dollar quantification of “benefits” was not provided as part of FPUC’s SPP proposal. Therefore, comparison between the forecasted costs and forecasted benefits noted in the plan was not presented in a dollar against dollar format but rather a quantitative (cost) against qualitative (benefits).

*Respondent: Mark Cutshaw*

Interrogatory No. 13(c)

- c. Confirm that Rule 25-6.030(3)(d), F.A.C. states that the utility is to provide “A description of each proposed storm protection program that includes: . . . 4. A comparison of the costs identified in subparagraph (3)(d)3. and the benefits identified in subparagraph (3)(d)1.” Explain how the Company interprets “costs” to mean dollars and “benefits” to mean narrative descriptions and not dollars.

**Response:** We believe FPUC’s proposed plan is in alignment with the requirements of the Rule requiring utilities to present a plan which “*will 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.*”

The 2022-2031 SPP plan submitted by FPUC is the company’s first SPP and contains proposed programs of similar scope as those proposed in prior SPP plans, and subsequently Commission approved, by the other Florida IOUs. Included in FPUC’s proposed plan, amongst other things, is the overhead hardening of the entire backbone (3 phase line) of distribution feeders. To date, FPUC does not have a fully hardened feeder, has had limited extreme weather event impact to its electric system, has limited post-storm forensic data, and thus cannot reasonably project costs savings associated with this effort. Previously provided forensic analysis performed post hurricane Michael showed approximately a 9.3% failure rate for wood distribution poles compared to an extrapolated 2.3% failure rate for hardened poles, a 75% performance improvement. While FPUC believes the full hardening of feeder backbones yields significant reliability

Interrogatory No. 13(c), cont.

improvements, we are cautious on extrapolating a 75% improvement based on the limited sample size. Additionally, FPUC is proposing the Undergrounding of certain single-phase laterals. Annual unadjusted (inclusive of extreme weather events) reliability data provided by FPUC consistently shows underground facilities account for between 2% and 5% of the total annual outage events and 0%-3% of the total annual CMI.

We believe that this data, along with conclusions drawn by PSC Staff as part of their prior review of Florida's Electric Utility Hurricane Preparedness and Restoration Actions, validates the benefits that can be expected from the implementation of these proposed storm protection programs and that any quantification of such benefits on the FPUC system would contain a mix of assumptions on both system performance and customer perceived value that may lead to erroneous calculations and conclusions.

*Respondent: Mark Cutshaw*

Interrogatory No. 14 and 14(a)

14. Rule 25-6.030(3)(d), F.A.C. states that the utility is to provide “A description of each proposed storm protection program that includes..... 5. A description of the criteria used to select and prioritize proposed storm protection programs.” Confirm that the Company did not use dollar cost/benefit analyses, ratios, or thresholds as decision criteria to “select and prioritize proposed storm protection programs.”

**Response:** As noted above, a dollar quantification of “benefits” was not provided as part of FPUC’s SPP proposal, however, as referenced in Sections 2 & 6 of FPUC’s SPP proposal, several variables were utilized in risk ranking and prioritizing FPUC’s system and the selection of specific projects. Additionally, as noted on the filed SPP, full implementation of the proposed programs spans beyond the initial ten-year planning period, thus analysis and thresholds were utilized as part of the decision criteria to determine the strategy and priority.

*Respondent: Mark Cutshaw*

- a. If this is correct, then provide all reasons why it did not do so.

**Response:** N/A

*Respondent: Mark Cutshaw*

Interrogatory No. 14(b)

- b. If this is not correct, then provide a description of each such decision criterion, how each such criterion was used to select and prioritize proposed storm protection programs and projects.

**Response:** Please refer to Section 2 of FPUC's SPP for information on the Resiliency Risk Model leveraged to prioritize the FPUC Distribution system at the feeder level. FPUC focused on the statistically worst performing feeders following the risk ranked list as part of the initial 10-year SPP proposal and adjusted and/or supplemented the list priority based on other factors (e.g., potential DOT work, intent to start small in early years of the plan, finalizing remaining coastline exposure on section of a feeder, etc.).

FPUC focused on the hardening of laterals within the selected feeders as a method of balancing cost (crew efficiencies from acquisition, mobilization, and demobilization efforts) and performance (focusing on highest risk ranked feeders at an aggregate level. Specific laterals to target were prioritized and thresholds set based on statistical unadjusted reliability data.

*Respondent: Mark Cutshaw*

Interrogatory No. 15

15. Please confirm that the Company uses a construction authorization initiation and approval process to budget and authorize capital expenditures, including capital expenditures for SPP programs and projects. If confirmed and there are differences between the initiation and approval process to budget and authorize capital expenditures for non-SPP programs and projects compared to SPP programs and projects, then identify and describe all such differences.

**Response:** The Company will use a construction management system to initiate and approve SPP projects in the same manner as all other construction projects.

*Respondent: Mark Cutshaw*



Interrogatory No. 16

16. Does the Company agree that the cost of some programs/projects may not provide an economic benefit when comparing dollar costs to dollar benefits? If not, then please provide all reasons why the Company does not agree. If so, does the Company agree that there is some threshold at which the costs do not justify the benefits? Explain your response.

**Response:** No, FPUC does not agree that some projects may not provide an economic benefit.

All proposed programs and subsequent projects provide an economic benefit in more than one way inclusive of reduced restoration costs from facilities which will not require repair following extreme weather events and economic benefits to customers whose power availability will either be uninterrupted or be restored more expeditiously because of these initiatives. The calculated or perceived financial benefit to specific customers because of the availability of power varies by individual customer, business/industry, individual circumstances, or personal choice/perception. It is not FPUC's intent to attempt to quantify the perceived economical value of reduced outages or outage restoration times for each of our more than 30,000 customers.

*Respondent: Mark Cutshaw*

Interrogatory No. 17

17. Does the Company agree that some programs/projects may provide greater economic benefits than other programs/projects when comparing dollar costs to dollar benefits? If not, then please provide all reasons why the Company does not agree. If so, does the Company agree that programs/projects that provide a greater economic benefit should be prioritized over those with a lesser economic benefit, all else equal? Explain your response.

**Response:** No, FPUC does not agree. As noted in the response to #16 above, individual preferences, uniqueness, circumstances, and perception for each individual customer adjusts the perceived benefit calculation. The degree of economic benefits depends not only upon the customer impacted, but also upon the scope of the economic impact considered, whether it be customer by customer, impact to the customer base as a whole, impact to a region or community, or impact to the state. Regardless of scope, the Company believes that the appropriate method of prioritizing investments that yield a benefit to our customer base should be and has been established as referenced in the response to #14b above.

*Respondent: Mark Cutshaw*

Interrogatory No. 18

18. For each SPP program and/or project, describe the specific quantitative decision criteria that were used and how each such criterion was used to select, size (physical quantities and dollar costs in total), allocate to each year (physical quantities and dollar spend), and prioritize the program and/or project. If none, then so state.

**Response:** Please reference Section 2 & 6 of FPUC's SPP detailing the criteria utilized to risk rank and prioritize FPUC's system and the selection of specific projects along with the previously provided "FPUC Model & Targets" worksheet from OPC's POD's 1-2.

FPUC implemented a systematic method of addressing and maintaining ongoing compliance with the requirements of the Rule. The Plan is grounded on a strategy that prioritizes feeders by leveraging the Risk Resiliency Model, focuses on feeders with the highest risk score, hardens the entire feeder backbone, hardens all multi-phase overhead laterals, and strategically undergrounds the worst performing single phase laterals.

As part of this process, FPUC:

- Collected data on the FPUC system and feeders.
- Risk ranked the feeders in a Risk Resiliency Model.
- Adjusted the deployment timing of the highest risk ranked feeders within the initial ten-year window based on several factors such as those discussed in 14b above.
- Calculated projected cost for identified projects based on cost estimates for programs of similar scope and known targeted units (mileage). In the cases for which specific mileage was not known, reasonable assumptions were drawn which were then updated as data was validated.

Interrogatory No. 18, cont.

- Divided project deployment into multiple phases to minimize the impact to customer rates within a calendar year and to achieve the desired investment ramp-up strategy noted on the Plan.
- Allocated costs within the 10-year period by aligning the Engineering and Construction of feeders and laterals of the same feeder within same calendar years to ensure resource efficiencies.
- Identified specific laterals to be hardened in the first year of the plan by establishing statistical thresholds and validating outage information against GIS data to group downstream fuses together.

The legacy programs are either cyclical (Inspections and VM) or demand driven (pole replacements) with estimates derived from historical costs as detailed in the previously provided spreadsheet labeled “Appendix A” from OPC’s POD’s 1-2.

*Respondent: Mark Cutshaw*

Interrogatory No. 19 (a) and (b)

19. Refer to the Estimated Rev Req – bs tab in the Estimated Storm Protection Cost Recovery Rate Impact - revised 4\_5\_2022\_FPUC-SPP (0773-0792)(15065474.1) Excel workbook.
- a. Explain why there are no projections for Construction Work In Progress (CWIP) reflected in Line 1 for Capital Investments, which is used to compute depreciation expense in line 4.

**Response:** Referring to Section 6 of the FPUC SPP Report Final – to file (15054585.1).pdf, the planned design activities initiated in the first year of the plan, 2022, were all projected to be completed by year end. The overall estimated revenue requirement schedule utilized the year end balances for each of the subsequent years. It was assumed that the CWIP projects would be closed out annually, which would have resulted in a zero CWIP balance. However, in the recently submitted 2022 E and 2023 P schedules, CWIP has been included in the computation of depreciation expense.

*Respondent: Mark Cutshaw*

- b. Explain why there are no projections for CWIP reflected in Line 2 in the determination of Estimated Average Net Qualified Investment, which is used to compute property tax expense in Line 4.

**Response:** See response to 9a above.

*Respondent: Mark Cutshaw*

Interrogatory No. 19 (c), (d) and (e)

- c. Explain why there are no reductions assumed in the calculation of depreciation expense associated with retirements of plant that presently is recovered in base rates.

**Response:** The schedule was designed as a high-level estimate of total investments. This item had been overlooked and has been subsequently included in the recently submitted 2022 E and 2023 P schedules.

*Respondent: Mark Cutshaw*

- d. Explain how the 2.0% for property taxes was determined associated with the computation of property taxes in line 4 and provide the source(s).

**Response:** The 2% property tax rate is computed using total ad valorem divided by the taxable value of the properties. The 2% is an average of the tax rates assessed by the various taxing authorities in our service area.

*Respondent: Mark Cutshaw*

- e. Explain why there are no reductions to the forecast O&M expense for savings in non-SPP O&M expense due to the SPP capital investments and incremental SPP O&M expense. Is it the Company's position that there will be no non-SPP expense savings? If this is not the Company's position, then provide the Company's forecast of these expense savings, including all assumptions, data, calculations, and electronic spreadsheets in live format with all formulas intact.

**Response:** This is the initial SPP filing for FPUC and there has been no study regarding the forecasted savings resulting from the SPP. As the SPP is further developed it should be possible to develop data to forecast future savings.

*Respondent: Mark Cutshaw*

Interrogatory No. 20(a)

20. Please refer to Paragraph No. 9 of the Company's Application wherein it states "[T]he SPP contains eight programs, three of which reflect the continuation of legacy Storm Hardening Distribution Wood Pole Inspection and Replacement, Transmission Structure Inspection and Hardening, and Vegetation Management Initiatives."
- a. Describe the Company's present recovery through base rates and/or a storm hardening surcharge for each of these three legacy programs that will be included in the SPP going forward.

**Response:** The Distribution Pole Inspection and Replacement and Transmission Inspection and Hardening programs are completely included in base rates at this time. This will be evaluated on a continuing basis and may change in future years. The Vegetation Management program as proposed is partially included in base rates and the remaining, unrecovered amount is proposed for recovery through the SPPCR.

*Respondent: Mark Cutshaw*

Interrogatory No. 20(b)

- b. Confirm that if the three legacy programs are approved for the SPP and the costs are approved for recovery through the SPPCRC, then the Company agrees that it should not be allowed also to continue recovery of those costs through base rates and/or storm hardening surcharge rates. If confirmed, then describe how the Company plans to ensure that costs recovered through base rates and/or storm hardening surcharge rates are not also recovered through the SPPCRC.

**Response:** FPUC will include the appropriate recovery mechanism in the SPPCR process to ensure there is no double recovery of programs within the SPP. FPUC will continue to seek recovery as described in 20(a) until such time that all recovery is moved into the SPPCR.

*Respondent: Mark Cutshaw*



Interrogatory No. 20(c)

- c. Provide the amounts included in rate base by component and the amounts included in expense by O&M expense account and each other operating expense account for each of the three legacy programs that are presently recovered in base rates. Provide a copy of the source documents relied on to provide these amounts.

**Response:** For this initial filing, the entire amounts shown in Appendix A of the SPP filing are included in the base rates for the Distribution Pole Inspection and Replacement and the Transmission Inspection and Hardening programs. For the Vegetation Management program which includes a total of \$1.2 M in expenses, \$685K is currently recovered through base rates.

*Respondent: Mark Cutshaw*

Interrogatory No. 20(d)

- d. Provide the amounts included in rate base by component and the amounts included in expense by O&M expense account and each other operating expense account for each of the three legacy programs that are presently recovered in storm hardening surcharge rates.

**Response:** For this initial filing, the entire amounts shown in Appendix A of the SPP filing are included in the base rates for the Distribution Pole Inspection and Replacement and the Transmission Inspection and Hardening programs. For the Vegetation Management program which includes a total of \$1.2 M in expenses, \$685K is currently recovered through base rates.

*Respondent: Mark Cutshaw*