

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: November 15, 2013
TO: Ann Cole, Commission Clerk, Office of Commission Clerk
FROM: Elisabeth J. Draper, Economic Supervisor, Division of Economics
RE: Docket No. 130223-E1

ED

Please place attached responses from Florida Power & Light Company to Staff's Second Data Request in the docket file.

COMMISSION
CLERK

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RECEIVED-FPSC



Kenneth M. Rubin
Senior Counsel
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408-0420
(561) 691-2512
(561) 691-7135 (Facsimile)
Ken.Rubin@fpl.com

November 13, 2013

-VIA HAND DELIVERY -

Ms. Ann Cole
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 130223-EI / Staff's Second Data Request


Dear Ms. Cole:

Enclosed for filing on behalf of Florida Power & Light Company ("FPL") are the original and five (5) copies of FPL's non-confidential responses to Staff's Second Data Request dated November 1, 2013, relating to FPL's Petition for Approval of Optional Non-Standard Meter Rider.

Also enclosed for filing on behalf of FPL is a Notice of Intent to Request Confidential Classification of a portion of FPL's response to Staff's Second Data Request No. 1. The confidential response is included on a compact disc marked "Confidential", enclosed with this filing.

If you should have any questions, please do not hesitate to contact me at (561) 691-2512 or ken.rubin@fpl.com.

Sincerely,


for Kenneth M. Rubin

Enclosures

cc: Michael T. Lawson, Esq.
Charles J. Rehwinkel, Esq.

QUESTION

For the questions 1-5, please refer to the Petition for Approval of Optional Non-Standard Meter Rider, Exhibit B, page 4 of 15, lines 1-8.

If in-house staff will be responsible for amending the Information System, please respond to the following questions:

- a) Are the staff who will perform the system changes salaried employees? Are they currently employed at FPL?
- b) Is amending the Information System, such as for the implementation of the Optional Non-Standard Meter Rider, considered to be part of the standard job responsibilities of such staffers?
- c) Will these staffers be paid for overtime?
- d) If the response to (c) is affirmative, is overtime pay included in the estimate of \$1,952,000?
- e) If the response to (d) is affirmative, please indicate the amount of overtime pay included in the estimate of \$1,952,000.

RESPONSE

As described in FPL's response to Staff's Second Data Request No. 1, both outsourcing and in-house staff are being used for these system changes. The work done by in-house staff to amend the Information System to accommodate the Optional Non-Standard Meter Rider has required FPL to delay work on other projects and to outsource work previously planned to be completed by in-house staff. In an effort to help ensure that the NSMR tariff remains a cost based program where the cost causer bears the costs, FPL has included both the in-house and outsourced staffing costs in its analysis.

- a) Are the staff who will perform the system changes salaried employees? Yes.
Are they currently employed at FPL? Yes.

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- b) At the time that FPL developed the test year forecast upon which rates have been established, amending the Information System for implementation of the Optional Non-Standard Meter Rider was not among the standard job responsibilities for this staff. However, amending the Information System to accommodate the development of the proposed NSMR has become part of the standard job responsibilities for these staffers as they possess the skills needed to complete this work. Some of their former responsibilities will now, by necessity, need to be outsourced.
- c) We do not anticipate paying any overtime to complete the system changes.
- d) Not applicable.
- e) Not applicable.

QUESTION

For the questions 1-5, please refer to the Petition for Approval of Optional Non-Standard Meter Rider, Exhibit B, page 4 of 15, lines 1-8.

Does the estimate of \$1,952,000 for Information System changes cover any ongoing maintenance expenses during the implementation period?

- b) If the response to is affirmative, please explain in detail the anticipated maintenance schedule and the associated costs related to the Information System upgrades.

RESPONSE

There are no projected ongoing maintenance expenses for Information System changes during the implementation period.

Note: Staff's Second Data request No. 3 does not contain a subpart a.

QUESTION

For the questions 1-5, please refer to the Petition for Approval of Optional Non-Standard Meter Rider, Exhibit B, page 4 of 15, lines 1-8.

When will the changes to the Information Systems begin?

RESPONSE

In order for the system to be ready for enrollment in January 2014 and billing in April 2014, Information Systems change work began in July 2013.

QUESTION

For the questions 1-5, please refer to the Petition for Approval of Optional Non-Standard Meter Rider, Exhibit B, page 4 of 15, lines 1-8.

How long will it take to program and test the changes to the Information System?

RESPONSE

FPL estimated that it would take nine (9) months to program and test the Information System changes. The work on this aspect of the project began in July of 2013. The Company remains on schedule to meet our target completion dates to be ready for enrollment in January 2014 and for billing in April 2014.

QUESTION

Please refer to FPL's response to Staff's First Set of Data Requests, No. 7, item b. Is FPL willing to add language to its tariff addressing the suspension of the Monthly Surcharge? If not, why not?

RESPONSE

Yes, the Company agrees to modify the tariff to include the following language:

Under normal operating conditions the use of a temporary standard meter should not exceed one full billing period. If the customer who is taking service pursuant to the NSMR tariff is required to have the standard meter for more than one full billing cycle, FPL will suspend the Monthly Surcharge until a non-standard meter is installed.

QUESTION

Please refer to FPL's responses to OPC's informal Question No. 3 and to Staff's First Set of Data Requests, No. 13. Provide support (testimony, MFR Schedule, discovery response, etc.) that the employees and their associated salaries identified in FPL's response to the above referenced data request were not included in the 2013 test year as submitted in Docket 120015-EI.

RESPONSE

When the 2013 test year data was prepared in 2011, the Company had less than 50 customers objecting to smart meters. Based upon the information available to FPL at that time, the Company did not plan for or project any costs associated with a non-standard meter option. As a result, FPL did not have any basis to include the costs associated with the non-standard meter option in testimony, the MFRs, or discovery responses submitted in connection with Docket 120015-EI.

QUESTION

Please refer to FPL's response to Staff's First Set of Data Requests, No. 24, Attachment No. 1, Page 2 of 3. Please describe in greater detail the nature of the charges associated with each of the Accounts shown below and explain why they should be included in the "Monthly Cost per Meter" O & M costs.

Account	Description of Charges	2013 Budget
5250000	PAYROLL EXPENSE: Other Earnings	\$156,600
5310000	EMPLOYEE WELFARE	\$17,162
5340000	EDUCATION AND TRAINING	\$3,628
5500500	CELLULAR TELEPHONE AND PAGERS	\$24,712
5600000	BUSINESS TRAVEL: Lodging	\$30,996
5600100	Meals & Entertainment – 50%	\$28,203
5600200	BUSINESS TRAVEL: Air	\$5,000
5600500	BUSINESS TRAVEL: Misc Expenses	\$14,259
5600700	BUSINESS TRAVEL: Occasional Use Mileage	\$1,192,006
5750700	OUTSIDE SERVICES: Other	\$23,490
5800000	OTHER EXPENSE	\$6,564
Sum		\$1,502,620

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RESPONSE

Account	Description of Charges	2013 Budget	Nature of Charges
5250000	PAYROLL EXPENSE: Other Earnings -	\$156,600	Meter Reading pay for performance program that awards exceptional performance semi-annually. This is paid in a lump sum bonus.
5310000	EMPLOYEE WELFARE -	\$17,162	Spend for employee/employer relationships geared towards employee motivation and morale. FPL uses employee relations for hydration stations, safety milestone celebrations, etc.
5340000	EDUCATION AND TRAINING	\$3,628	Education and Training for meter reading operations
5500500	CELLULAR TELEPHONE AND PAGERS	\$24,712	Cellular Telephone charges for meter reading operations
5600000	BUSINESS TRAVEL: Lodging	\$30,996	Hotel Charges for meter reading operations, primarily used for out of town training
5600100	Meals & Entertainment - 50%	\$28,203	Meals for meter reading operations
5600200	BUSINESS TRAVEL: Air	\$5,000	Airline Charges for meter reading operations
5600500	BUSINESS TRAVEL: Misc Expenses	\$14,259	Miscellaneous - tolls, parking, other for meter reading operations
5600700	BUSINESS TRAVEL: Occasional Use Mileage	\$1,192,006	Mileage Charges for meter reading routes
5750700	OUTSIDE SERVICES: Other -	\$23,490	Employee physicals, water delivery for the offices, facility management services, and courier services for meter readers
5800000	OTHER EXPENSE -	\$6,564	Expenses incurred that do not fall under another category - examples include: property damage claims and airport clearance IDs
Sum		\$1,502,620	

All of these expenses are appropriate, prudent and reasonable costs associated with the work performed by meter readers under normal meter reading operations.

QUESTION

Please make the appropriate revisions to Tab 2 and Tab 1 of FPL's response to Staff's First Set of Data Requests, No. 12 to illustrate the effect of recovering the revenue requirements over a five-year period rather than a three-year period.

RESPONSE

See Attachment No. 1 for requested revisions to Tabs 1 and 2 of Attachment No. 1 to FPL's response to Staff's First Data Request No. 12. Note, FPL believes the three year recovery period is reasonable to help ensure that the NSMR program remains cost based and costs are recovered from those customers who choose to participate in the NSMR tariff.

**FLORIDA POWER AND LIGHT COMPANY
SUMMARY OF NON-STANDARD METER FEES**

Line No.		3 Year Recovery
1	<u>Non-Standard Meter Program Costs</u>	
2	Cumulative Net Present Value of Up-Front System and Communication Costs	\$ 3,078,882
3	Projected Non-Standard Meter Customers	12,000
4	Total Up-Front System and Communication Costs Per Customer (Line 2 / Line 3)	\$ 256.57
5		
6	One Time Non-Standard Meter Cost Per Customer	\$ 105.35
7		
8	Total Up-Front and One Time Non-Standard Meter Cost Per Customer (Line 4 + Line 6)	\$ 361.92
9		
10	Enrollment Fee Per Customer Limited to \$105	\$ 105.00
11	Remaining Up-Front and One Time Cost Per Customer (Line 8 - Line 10)	256.92
12	Remaining Up-Front and One Time Cost to be paid in Monthly Surcharge over 36 months (Line 11 / 36)	\$ 7.14
13	<u>On-going Operations & Maintenance (O&M) Costs to be recovered in the Monthly Surcharge:</u>	
14	Monthly Non-Standard O&M Meter Costs Per Customer	\$ 8.76
15		
16	<u>Summary of Charges:</u>	
17	Enrollment Fee limited to \$105	\$ 105.00
18	Monthly Surcharge for time customer takes service pursuant NMSR (Line 14 + 12, rounded to nearest \$)	\$ 16.00
19	<u>Note:</u>	
20	Totals may not add due to rounding	
21		
22		
23		5 Year Recovery
24		
25		
26	<u>Non-Standard Meter Program Costs</u>	
27	Cumulative Net Present Value of Up-Front System and Communication Costs	\$ 3,352,312
28	Projected Non-Standard Meter Customers	12,000
29	Total Up-Front System and Communication Costs Per Customer (Line 27 / Line 28)	\$ 279.36
30		
31	One Time Non-Standard Meter Cost Per Customer	\$ 105.35
32		
33	Total Up-Front and One Time Non-Standard Meter Cost Per Customer (Line 29 + Line 31)	\$ 384.71
34		
35	Enrollment Fee Per Customer Limited to \$105	\$ 105.00
36	Remaining Up-Front and One Time Cost Per Customer (Line 33 - Line 35)	279.71
37	Remaining Up-Front and One Time Cost to be paid in Monthly Surcharge over 60 months (Line 36 / 60)	\$ 4.66
38	<u>On-going Operations & Maintenance (O&M) Costs to be recovered in the Monthly Surcharge:</u>	
39	Monthly Non-Standard O&M Meter Costs Per Customer	\$ 8.76
40		
41	<u>Summary of Charges:</u>	
42	Enrollment Fee limited to \$105	\$ 105.00
43	Monthly Surcharge for time customer takes service pursuant NMSR (Line 37 + 39, rounded to nearest \$)	\$ 13.00
44		
45		
46		
47		
48	<u>Note:</u>	
49	Totals may not add due to rounding	
50		

**FLORIDA POWER AND LIGHT COMPANY
NET PRESENT VALUE CALCULATION
UP-FRONT NON-STANDARD METER PROGRAM COSTS**

Line No.	Year	Rate Base Beg Bal ^(A)	Accum Depr	Rate Base End Bal	Average Rate Base	Pre-Tax COC ^(B)	Return on Rate Base	Depr Expense ^(C)	O&M ^(D)	Total Revenue Requirement	Net Present Value of Rev Req ^(E)	Annual Levelized 3 Year Rev Req	Annual Levelized 5 Year Rev Req	
		(1)	(2)	(3) = (1)+(2)	(4) = ((1)+(3))/2	(5)	(6) = (4)*(5)	(7)	(8)	(9) = (6)+(7)+(8)	(10)	(12)	(13)	
1	1	\$ 2,093,054	\$ (418,611)	\$ 1,674,443	\$ 1,883,748	9.48%	\$ 178,505	\$ 418,611	\$ 368,000	\$ 965,116	\$ 965,116	\$ 1,026,294	\$ 670,462	
2	2	1,674,443	(837,222)	1,255,832	1,465,138	9.48%	138,837	418,611		557,448	509,196	1,026,294	670,462	
3	3	1,255,832	(1,255,832)	837,222	1,046,527	9.48%	99,169	418,611		517,780	432,023	1,026,294	670,462	
4	4	837,222	(1,674,443)	418,611	627,916	9.48%	59,502	418,611		478,112	364,395		670,462	
5	5	418,611	(2,093,054)	0	209,305	9.48%	19,834	418,611		438,445	305,238		670,462	
							Totals	\$ 495,847	\$ 2,093,054	\$ 368,000	\$ 2,956,901	\$ 2,575,968	\$ 3,078,882	\$ 3,352,312

14 **Notes:**

- 15 (A) Support for upfront non-standard meter program capital costs is reflected on Page 3 and 4.
- 16 (B) Represents FPL's pre-tax weighted average cost of capital approved by the FPSC in Order PSC-13-0023-S-EI, Docket No. 120015-EI.
- 17 (C) One time capital costs for systems, infrastructure and communication equipment are estimated to be depreciated over five years.
- 18 (D) Support for upfront non-standard meter program operation and maintenance costs is reflected on Page 3 and 5.
- 19 (E) Net present value calculation utilizes a discount rate equal to FPL's pre-tax weighted average cost of capital reflected in column (5).

QUESTION

Please refer to the proposed NSMR tariff, special provisions (b). For customers who fail to cancel NSMR service within the 45 days grace period, and are billed NSMR charges, please state if those customers would be subject to disconnection if they only pay the portion of their electric bill that reflects the non-NSMR charges (i.e., customer refuses to pay NSMR charges). If yes, please explain the process by which FPL would disconnect those customers.

RESPONSE

Yes. Customers who take service pursuant to the NSMR, whether through active enrollment or because FPL has been prevented from installing the smart meter, who refuse to pay the associated tariff fees would be subject to normal collection processes, up to and including disconnection of service for non-payment.

QUESTION

Referring to Staff's First Set of Data Requests, No. 16, please list all the information FPL intends to include in the progress reports.

RESPONSE

Pursuant to Order No. PSC-10-0153-FOF-EI, issued in Docket No. 080677-EI on March 17, 2010, FPL files an annual Smart Meter Progress Report in March in the ECCR docket. The referenced order describes the requirements of the report as follows:

FPL shall provide annually a progress report on implementation of smart meters in the Energy Conservation Cost Recovery docket. The report shall include a detailed description of how FPL intends to utilize smart meters to allow customers to better manage their energy consumption, including new programs or rate offerings associated with smart meters.

See Order 10-0153 at pg. 96. In addition to other pertinent smart meter developments, FPL intends to provide information regarding the NSMR program including the number of enrolled opt out customers, associated revenues received (Enrollment Fees and Monthly Surcharge payments) from customers taking service pursuant to the NSMR tariff, and costs of the program to date.