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May 21, 2014

Ms. Carlotta S. Stauffer
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 140070-EI / Staff's First Data Request

Dear Ms. Stauffer:

Enclosed for filing on behalf of Florida Power & Light Company ("FPL") are the original and five (5) copies of FPL's responses to Staff's First Data Request dated May 7, 2014, relating to FPL's Petition for Approval of a Voluntary Solar Partnership Pilot Program and Tariff.

If you should have any questions, please do not hesitate to contact me at (561) 304-5795 or maria.moncada@fpl.com.

Sincerely,

for Maria Jose Moncada

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AFD	_____
APA	_____
ECO	3
ENG	_____
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Q.

Please explain the differences and similarities between the proposed solar partnership (VSP) pilot program and FPL's terminated Sunshine Energy Program.

A.

FPL's new voluntary solar partnership (VSP) pilot proposal builds on the successes and failures of previous programs that FPL and other utilities have offered. Although both the VSP and Sunshine Energy Programs are voluntary renewable customer contribution programs, there are several key features of VSP that distinguish it from Sunshine Energy:

- The VSP program will focus solely on building new physical solar capacity in communities within FPL's service territory. The program will not purchase renewable energy generation or renewable energy credits, as was the case with Sunshine Energy and other programs.
- FPL will manage the program in-house and use Florida-based contractors to build the solar arrays. This will allow FPL to maintain close control over program expenses and project quality.
- To ensure customers that the proportion of their voluntary contributions spent on marketing and administrative costs is reasonable, FPL will cap these expenses at 20% of the annual contributions. Marketing and administrative costs above the 20% cap will be borne below-the-line.
- Over the three-year pilot period the net costs of the VSP program are covered only by the customers participating in the program, which was not the case with the Sunshine Energy Program as it was partially funded through the Energy Conservation Cost Recovery (ECCR) clause.
- To help encourage enrollment during the three-year pilot period, shareholders of NextEra Energy, Inc. (NEE), FPL's parent company, will contribute through the company's charitable foundation a total of \$200,000 per year to non-profit organizations dedicated to environmental protection and/or community development in Florida. There was no counterpart to this feature in the Sunshine Energy Program.

Q.

Referring to paragraph 13 of the petition, has FPL chosen any locations for the solar generation facilities that would be supported by this program? If yes, please state the locations and the kW size of the facilities to be built at the locations.

A.

FPL expects to build approximately 300 kW of new solar capacity during the first phase of the program (regardless of customer participation). This will be comprised of five individual projects each ranging from 50 kW to 100 kW in size. FPL has commitments from the five partner communities that will host these initial projects: the cities of Cutler Bay, Doral, Fort Lauderdale, Sarasota and West Palm Beach. Specific locations within those communities have not yet been finalized.

Q.

In regard to paragraph 15 of the FPL petition, will the \$200,000 contributed through the NEE Foundation be a one-time contribution or an annual contribution for the life of the VSP?

A.

Contributions totaling \$200,000 per year will be made during each year of the three-year pilot period. At the end of the pilot period, FPL will evaluate this and other customer outreach aspects of the program.

Q.

What is the anticipated life of the solar generation facilities that will be constructed pursuant to the VSP Program?

A.

Consistent with the Commission-approved service lives for Desoto Solar Energy Center, Space Coast Solar Energy Center and Martin Solar Energy Center in Order No. PSC-10-0153-FOF-EI, Docket Nos. 080677-EI and 090130-EI, FPL projects that the life of the solar facilities that will be constructed pursuant to the VSP Program is 30 years.

Q.

Paragraph 11 of the petition indicates that over the life of the pilot program, participants will cover FPL's net revenue requirements for the facilities in order that there will not be any remaining costs for the facilities to be borne by non-participating customers at the end of the program. If FPL chooses to terminate the VSP Program after the 3-year pilot, and there are remaining costs for the facilities, how will FPL ensure that those remaining costs are not being borne by non-participants?

A.

FPL is optimistic that the program will be successful and sustainable, such that it will be continued after the pilot period. If terminated at the end of the pilot period, FPL would cease active enrollment of customers, and would not invest in new VSP projects after termination, but would leave the tariff open for existing participants to remain in the program. The incremental revenue requirement of the constructed projects will decline over time, so the continuing participant contributions will likely cover the declining revenue requirements even with a modest attrition rate. Eventually, the avoided fuel/emission benefits of the solar energy production will be greater than the revenue requirements of the project, and so there would be no additional net costs thereafter. In the unlikely event that the continuing participant contributions and avoided fuel/emission benefits did not cover the remaining revenue requirements, FPL would absorb the difference below-the-line.

Q.

Referring to paragraph 17 of the petition, please provide the basis for proposing to record below the line any portion of marketing and administrative expenses that exceed 20 percent (as opposed to a different percent threshold) of revenues collected.

A.

Marketing and administration costs are necessary to grow and sustain customer enrollment. FPL believes that, over the long-term, using 20% of revenues for marketing and administration is a reasonable level to ensure sustainability for a mature program. Of course, in the early stages, there will be a greater need to market the new program, educating FPL's 4.7 million customers about the offering. Thus, in the early years, total initial marketing and administration expenses will likely exceed 20% of revenues in those years. FPL believes that allotting 20% of participant revenues to marketing and administration expenses strikes a reasonable balance as to the portion of contributions that are applied directly to building more projects (80%). Therefore, FPL has committed to recording below-the-line any marketing and administration expenses above the 20% threshold.

Q.

Please explain the basis for proposing \$9 as the monthly contribution amount.

A.

The intent of the program is to maximize the amount of solar energy projects that could be built while maintaining the opportunity for as many customers as possible to participate. Without actual program implementation data, it is impossible to conclude that \$8, \$9 or \$10 per month best strikes this balance. The pilot will help us determine this. FPL is proposing \$9 as an appropriate rate for purposes of the pilot, yielding the best balance of customer participation and total revenues.

Q.

Referring to Exhibit B of the petition, please show and explain the calculation of the numbers shown for VSP program average rate base, depreciation, O&M, Other (property taxes, insurance), Estimated Voluntary Customer Contribution, and Estimated Fuel & Emissions Savings.

A.

The attached document provides the calculations for the FPL Estimated VSP Program. The numbers provided correspond with the High and Low Participation Cases as shown in Exhibit B. Below are text descriptions of FPL's methodology:

Average Rate Base:

- Average Rate Base is calculated by using amount placed in service, adding capital additions, subtracting depreciation, and adding (or subtracting) the deferred tax asset (liability) for each period to calculate and ending balance. A two-point average is applied to the beginning and ending balance.

Depreciation:

- The book depreciable life for solar assets is 30 years and for billing software is 5 years. The model assumes a mid-year commercial start date.

O&M:

- FPL self-imposed a cap on G&A and M&C expenses of 20% for the purposes of calculating a tariff during the pilot period. Any amount over this cap will be treated as a below-the-line expense absorbed by FPL and will not be passed on to customers.
- Maintenance costs are assumed to be \$15 per average kW in service. An annual escalation factor of 2.5% is also assumed.

Other:

- Property tax costs are assumed to be 2% of the prior year's ending net asset placed in service balance. An annual escalation factor of 0.5% is also assumed.
- Insurance for generating assets in their first year of operations are assumed to be \$6,000 per MW installed. All subsequent years assume a cost of \$1,875 per MW installed. An annual escalation factor of 2.5% is also assumed.
- The investment tax credit (ITC) is normalized back to the customers over the depreciable life of the asset. The calculation assumes all generating assets are in service mid-year, at which time ITC is applied. In order for the customer to receive the full after-tax amount of the ITC, the normalized ITC is grossed-up to a pre-tax number and that pre-tax number is used to offset the revenue requirement.

Estimated Voluntary Contribution:

- The Estimated Voluntary Customer Contribution assumes that each participant will pay \$9 per month for this service. It also assumes that any participating customers joining or leaving the program do so at the midpoint of each year.

Estimated Fuel and Emission Savings:

- The savings per kWh is approximately \$.05. This was determined by calculating the difference between the fuel and emissions costs with and without a 100 MW solar asset (a substantial solar facility is assumed in order to calculate a measurable difference in projected fuel and emissions costs). This estimate for fuel and emission savings per kWh was then multiplied by the total annual production for each case in Exhibit B.

Staff's First Data Request #8 Attachment
Estimated VSP Program Low Participation Case

Rate Base		2015	2016	2017
A	Beginning Rate Base	\$850	\$990	\$1,036
B	Capital Additions	\$352	\$343	\$446
C	Book Depreciation	(\$176)	(\$187)	(\$201)
D	Deferred Taxes	(\$37)	(\$109)	(\$86)
E	Ending Rate Base	\$990	\$1,036	\$1,195
	<i>Formula</i>	<i>A+B+C+D</i>	<i>A+B+C+D</i>	<i>A+B+C+D</i>
F	Average Rate Base	\$920	\$1,013	\$1,115
	<i>Formula</i>	<i>(A+E)/2</i>	<i>(A+E)/2</i>	<i>(A+E)/2</i>
Depreciation		2015	2016	2017
		1	2	3
Billing Software				
A	Capital Additions	\$850	\$0	\$0
B	Depreciation Factor	<u>20.0%</u>	<u>20.0%</u>	<u>20.0%</u>
C	Depreciation	\$170	\$0	\$0
	<i>Formula</i>	<i>A*B</i>	<i>A*B</i>	<i>A*B</i>
D	Annual Depreciation	\$170	\$170	\$170
	<i>Formula</i>	<i>C1</i>	<i>C1+C2</i>	<i>C1+C2+C3</i>
Solar Generating Assets				
E	Capital Additions	\$352	\$343	\$446
F	Depreciation Factor	<u>3.3%</u>	<u>3.3%</u>	<u>3.3%</u>
G	Depreciation	\$12	\$11	\$15
	<i>Formula</i>	<i>E*F</i>	<i>E*F</i>	<i>E*F</i>
H	Mid Year In-Service Adjustment	<u>50.0%</u>	<u>50.0%</u>	<u>50.0%</u>
I	First Year Depreciation	\$6	\$6	\$7
	<i>Formula</i>	<i>G*H</i>	<i>G*H</i>	<i>G*H</i>
J	Annual Depreciation	\$6	\$17	\$31
	<i>Formula</i>	<i>I1</i>	<i>G1+I2</i>	<i>G1+G2+I3</i>
K	Total Depreciation	\$176	\$187	\$201
	<i>Formula</i>	<i>D+J</i>	<i>D+J</i>	<i>D+J</i>
O&M		2015	2016	2017
G&A and Marketing and Communications				
A	Annual Participant Contribution	\$86	\$414	\$704
B	Cap as a % of Contributions	<u>20.0%</u>	<u>20.0%</u>	<u>20.0%</u>
C	Total	\$17	\$83	\$141
	<i>Formula</i>	<i>A*B</i>	<i>A*B</i>	<i>A*B</i>
Maintenance				
D	Avg Annual kW in Service	50	150	275
E	O&M (\$/kW)	<u>\$15</u>	<u>\$16</u>	<u>\$16</u>
F	Total	\$1	\$2	\$4
	<i>Formula</i>	<i>D*E/1000</i>	<i>D*E/1000</i>	<i>D*E/1000</i>
G	Total O&M	\$18	\$85	\$145
	<i>Formula</i>	<i>C+F</i>	<i>C+F</i>	<i>C+F</i>
Other (property taxes, insurance, investment tax credit (ITC))		2015	2016	2017
		1	2	3
Property tax				
A	Prior Year NBV	\$850	\$1,026	\$1,181
B	Property Tax Rate Assumption	<u>2.0%</u>	<u>2.0%</u>	<u>2.0%</u>

C	Total Property Taxes	\$17	\$21	\$24
	<i>Formula</i>	$A*B$	$A*B$	$A*B$
	Insurance			
D	Annual kW Installed	100	100	150
E	First Year Premium (\$000/MW)	<u>\$6</u>	<u>\$6</u>	<u>\$6</u>
F	Total First Year Premium	\$1	\$1	\$1
	<i>Formula</i>	$D*E/1000$	$D*E/1000$	$D*E/1000$
G	Legacy Installed MW	0	100	200
H	Subsequent Years Premium (\$000/MW)	<u>\$2</u>	<u>\$2</u>	<u>\$2</u>
I	Total Subsequent Years Premium	\$0	\$0	\$0
	<i>Formula</i>	$G*H/1000$	$G*H/1000$	$G*H/1000$
J	Total Insurance	\$1	\$1	\$1
	<i>Formula</i>	$F+I$	$F+I$	$F+I$
	ITC Normalization			
K	ITC (Pre-tax to Customer)	\$123	\$119	\$56
L	Normalization Rate	<u>3.3%</u>	<u>3.3%</u>	<u>3.3%</u>
M	Normalization	\$4	\$4	\$2
	<i>Formula</i>	$K*L$	$K*L$	$K*L$
N	Mid-Year Adjustment	<u>50.0%</u>	<u>50.0%</u>	<u>50.0%</u>
O	First Year Normalization	\$2	\$2	\$1
	<i>Formula</i>	$M*N$	$M*N$	$M*N$
P	Annual Normalization	\$2	\$6	\$9
	<i>Formula</i>	$O1$	$M1+O2$	$M1+M2+O3$
Q	Total Other	\$16	\$15	\$16
	<i>Formula</i>	$C+J-P$	$C+J-P$	$C+J-P$
Estimated Voluntary Customer Contribution		2015	2016	2017
A	Monthly Voluntary Contribution	\$9.0	\$9.0	\$9.0
B	Annual Contribution	\$108.0	\$108.0	\$108.0
	<i>Formula</i>	$A*12$	$A*12$	$A*12$
C	Existing Customers	0	2383	5290
D	Net Change in Customers	<u>2383</u>	<u>2907</u>	<u>2460</u>
E	Year End Customers	2383	5290	7750
F	Anticipated 2015 Program Start Date	5/1/2015		
G	2015 Adjustment Factor	67%		
	<i>Formula</i>	$(12-4)/12$		
H	Mid-Period Adjustment Factor	<u>50.0%</u>	<u>50.0%</u>	<u>50.0%</u>
I	Total Adjustment Factor	33.3%	50.0%	50.0%
	<i>Formula</i>	$G*H$	H	H
J	Total Estimated Voluntary Contribution	\$86	\$414	\$704
	<i>Formula</i>	$B*E*1/1000$	$(C*B+D*B*H)/1000$	$(C*B+D*B*H)/1000$
Estimated Fuel and Emission Savings		2015	2016	2017
A	System Fuel & Emission Benefits (\$/kWh)	\$0.05	\$0.05	\$0.04
B	Production (MWh)	<u>76</u>	<u>226</u>	<u>414</u>
C	Total	\$4	\$12	\$19
	<i>Formula</i>	$A*B$	$A*B$	$A*B$

Staff's First Data Request #8 Attachment
Estimated VSP Program High Participation Case

Rate Base	2015	2016	2017
A Beginning Rate Base	\$850	\$2,081	\$3,651
B Capital Additions	\$1,612	\$2,284	\$2,175
C Book Depreciation	(\$197)	(\$262)	(\$336)
D Deferred Taxes	(\$184)	(\$452)	(\$477)
E Ending Rate Base	\$2,081	\$3,651	\$5,013
<i>Formula</i>	$A+B+C+D$	$A+B+C+D$	$A+B+C+D$
F Average Rate Base	\$1,465	\$2,866	\$4,332
<i>Formula</i>	$(A+E)/2$	$(A+E)/2$	$(A+E)/2$
Depreciation	2015	2016	2017
	1	2	3
Billing Software			
A Capital Additions	\$850	\$0	\$0
B Depreciation Factor	<u>20.0%</u>	<u>20.0%</u>	<u>20.0%</u>
C Depreciation	\$170	\$0	\$0
<i>Formula</i>	$A*B$	$A*B$	$A*B$
D Annual Depreciation	\$170	\$170	\$170
<i>Formula</i>	$C1$	$C1+C2$	$C1+C2+C3$
Solar Generating Assets			
E Capital Additions	\$1,612	\$2,284	\$2,175
F Depreciation Factor	<u>3.3%</u>	<u>3.3%</u>	<u>3.3%</u>
G Depreciation	\$54	\$76	\$73
<i>Formula</i>	$E*F$	$E*F$	$E*F$
H Mid Year In-Service Adjustment	<u>50.0%</u>	<u>50.0%</u>	<u>50.0%</u>
I First Year Depreciation	\$27	\$38	\$36
<i>Formula</i>	$G*H$	$G*H$	$G*H$
J Annual Depreciation	\$27	\$92	\$166
<i>Formula</i>	$I1$	$G1+I2$	$G1+G2+I3$
K Total Depreciation	\$197	\$262	\$336
<i>Formula</i>	$D+J$	$D+J$	$D+J$
O&M	2015	2016	2017
G&A and Marketing and Communications			
A Annual Participant Contribution	\$159	\$769	\$1,259
B Cap as a % of Contributions	<u>20.0%</u>	<u>20.0%</u>	<u>20.0%</u>
C Total	\$32	\$154	\$252
<i>Formula</i>	$A*B$	$A*B$	$A*B$
Maintenance			
D Avg Annual kW in Service	300	1050	1950
E O&M (\$/kW)	<u>\$15</u>	<u>\$16</u>	<u>\$16</u>
F Total	\$5	\$17	\$32
<i>Formula</i>	$D*E/1000$	$D*E/1000$	$D*E/1000$
G Total O&M	\$36	\$170	\$284
<i>Formula</i>	$C+F$	$C+F$	$C+F$
Other (property taxes, insurance, investment tax credit (ITC))	2015	2016	2017
	1	2	3
Property tax			
A Prior Year NBV	\$850	\$2,265	\$4,287
B Property Tax Rate Assumption	<u>2.0%</u>	<u>2.0%</u>	<u>2.0%</u>

C	Total Property Taxes	\$17	\$46	\$87
	<i>Formula</i>	$A*B$	$A*B$	$A*B$
Insurance				
D	Annual kW Installed	600	900	900
E	First Year Premium (\$000/MW)	<u>\$6</u>	<u>\$6</u>	<u>\$6</u>
F	Total First Year Premium	\$4	\$6	\$6
	<i>Formula</i>	$D*E/1000$	$D*E/1000$	$D*E/1000$
G	Legacy Installed MW	0	600	1500
H	Subsequent Years Premium (\$000/MW)	<u>\$2</u>	<u>\$2</u>	<u>\$2</u>
I	Total Subsequent Years Premium	\$0	\$1	\$3
	<i>Formula</i>	$G*H/1000$	$G*H/1000$	$G*H/1000$
J	Total Insurance	\$4	\$7	\$9
	<i>Formula</i>	$F+I$	$F+I$	$F+I$
ITC Normalization				
K	ITC (Pre-tax to Customer)	\$738	\$1,067	\$338
L	Normalization Rate	<u>3.3%</u>	<u>3.3%</u>	<u>3.3%</u>
M	Normalization	\$25	\$36	\$11
	<i>Formula</i>	$K*L$	$K*L$	$K*L$
N	Mid-Year Adjustment	<u>50.0%</u>	<u>50.0%</u>	<u>50.0%</u>
O	First Year Normalization	\$12	\$18	\$6
	<i>Formula</i>	$M*N$	$M*N$	$M*N$
P	Annual Normalization	\$12	\$42	\$66
	<i>Formula</i>	$O1$	$M1+O2$	$M1+M2+O3$
Q	Total Other	\$8	\$10	\$30
	<i>Formula</i>	$C+J-P$	$C+J-P$	$C+J-P$

Estimated Voluntary Customer Contribution		2015	2016	2017
A	Monthly Voluntary Contribution	\$9.0	\$9.0	\$9.0
B	Annual Contribution	\$108.0	\$108.0	\$108.0
	<i>Formula</i>	$A*12$	$A*12$	$A*12$
C	Existing Customers	0	4427	9810
D	Net Change in Customers	<u>4427</u>	<u>5383</u>	<u>3700</u>
E	Year End Customers	4427	9810	13510
F	Anticipated 2015 Program Start Date	5/1/2015		
G	2015 Adjustment Factor	67%		
	<i>Formula</i>	$(12-4)/12$		
H	Mid-Period Adjustment Factor	<u>50.0%</u>	<u>50.0%</u>	<u>50.0%</u>
I	Total Adjustment Factor	33.3%	50.0%	50.0%
	<i>Formula</i>	$G*H$	H	H
J	Total Estimated Voluntary Contribution	\$159	\$769	\$1,259
	<i>Formula</i>	$B*E*I/1000$	$(C*B+D*B*H)/1000$	$(C*B+D*B*H)/1000$

Estimated Fuel and Emission Savings		2015	2016	2017
A	System Fuel & Emission Benefits (\$/kWh)	\$0.05	\$0.05	\$0.04
B	Production (MWh)	<u>453</u>	<u>1583</u>	<u>2934</u>
C	Total	\$23	\$81	\$132
	<i>Formula</i>	$A*B$	$A*B$	$A*B$

Q.

Please explain the note below the table in Exhibit B.

A.

The note in Exhibit B, page 1 on the high participant case and page 2 on the low participant case, represent the average annual net income during the pilot in those two illustrative cases.

The footnote was provided to support paragraph 15 of the petition, which states that "FPL's parent company will contribute through the NEE Foundation a total of \$200,000 to non-profit organizations dedicated to environmental protection or community development. This amount approximates the average of the annual after-tax net income that the VSP program would generate assuming 13,500 participants."

The contribution amount was determined by taking the average net income available to common shareholders during the pilot period in the high participant case (Exhibit B, page 1) of \$186,000 and rounding it up to \$200,000 per year.