



Jessica A. Cano
Senior Attorney
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408-0420
(561) 304-5226
(561) 691-7135 (Facsimile)

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VIA ELECTRONIC DELIVERY

Ms. Carlotta Stauffer
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 160009-EI; Nuclear Cost Recovery Clause

Dear Ms. Stauffer:

Please find enclosed FPL's responses to Staff's First Data Request, Nos. 1-9. Please contact me if there are any questions regarding this filing.

Sincerely,

s/ Jessica A. Cano

Jessica A. Cano
Fla. Bar No. 0037372

Enclosures
cc: Counsel for Parties of Record

QUESTION:

On page 1 of FPL's April 27 Petition for Waiver, FPL states that "this portion of the rule requires an annual feasibility analysis that serves no meaningful purpose at this stage of the Turkey Point 6 & 7 project." Please provide FPL's definition of "feasibility analysis."

RESPONSE:

Within the context of FPL's Petition for Waiver, FPL is focused on the quantitative economic "feasibility analysis" – the economic analyses that calculate a "break even cost" for Turkey Point Units 6 & 7 under a series of potential fuel cost, environmental compliance cost, and life of the nuclear units scenarios. Those break even costs are then compared to FPL's non-binding total project cost estimate range. FPL continues to conduct qualitative aspects of the broader long-term feasibility review, which are addressed throughout the April 27, 2016 testimony of Steven Scroggs. FPL is not seeking a waiver of any requirement to address qualitative aspects of long-term feasibility.

QUESTION:

If approved, would FPL's April 27 Petition for Waiver result in FPL withholding information from the Commission that FPL normally reviews, assesses and would otherwise make available to the Commission? If so, please identify the nature of such information and explain how such a withholding is consistent with Section 366.93 F.S., Rule 25-6.0423, F.A.C., and Order No. PSC-08-0237-FOF-EI.

RESPONSE:

No. FPL has not yet conducted the economic feasibility analysis and has sought a waiver from the Commission rule regarding the development of that analysis for the reasons set forth in its Petition for Waiver.

Recognizing the limitations associated with the Turkey Point 6 & 7 feasibility analysis at this time, as discussed in FPL's Petition for Waiver, it should be noted that the base economic assumptions and system information that would have been used for the analysis form the basis of FPL's Ten Year Power Plant Site Plan filed April 1, 2016. Assumptions such as fuel forecasts were made available through discovery related to the Site Plan (see Staff's Supplemental Data Request No. 1, Question No. 63). However, if the Commission determines that for purposes of this docket it requires information in addition to the economic assumptions and system information that support FPL's Ten Year Power Plant Site Plan (April 1, 2016), FPL would provide that information. Additionally, FPL has provided to staff a copy of Concentric Energy Advisors' 2016 AP1000 Project Cost Summary, which compares FPL's overnight cost estimate to the observed overnight cost of two U.S. AP1000 construction projects.

QUESTION:

In paragraph 20 of FPL's April 27 Petition for Waiver, FPL states that its "feasibility analysis process takes approximately 250 man-hours." Please provide corresponding calendar days FPL typically requires to complete the feasibility analysis.

RESPONSE:

After all inputs have been gathered, it typically takes about 31 working days to perform the analysis that generates the break even costs for the 14 scenarios that were evaluated and provided in pre-filed testimony in prior Nuclear Cost Recovery dockets.

QUESTION:

Please provide a chronology of the activities FPL undertook in 2015 to complete the feasibility analysis through the date FPL filed its May 2015 testimony. For purposes of this question, the activities are at a minimum, the activities identified in Order No. PSC-08-0237-FOF-EI, at page 29. FPL shall provide a long-term feasibility analysis as part of its annual cost recovery process which, in this case, shall also include updated fuel forecasts, environmental forecasts, breakeven costs, and capital cost estimates. In addition, FPL should account for sunk costs. Providing this information on an annual basis will allow us to monitor the feasibility regarding the continued construction of Turkey Point 6 and 7.

RESPONSE:

Sunk costs through 2014 were available in January 2015.

Inputs such as fuel cost forecasts, environmental compliance cost forecasts, capital cost estimates, etc. were gathered in January through mid-March 2015.

After all inputs were gathered, the following activities were taken in mid-March through mid-April to perform the analyses that create breakeven costs (some of the activities are done sequentially and others are done concurrently):

1. Develop resource plans (with and without Turkey Point 6 and 7)
2. Update revenue requirements for all capital projects
3. Update Appendix-H spreadsheet
4. Update system simulation model with all assumptions
5. Run system simulation model and validate
6. Run system simulation model for all scenarios (both with and without Turkey Point 6 and 7) and review
7. Extract fuel cost, variable operating and maintenance cost, and emission costs for all scenarios
8. Update fixed cost spreadsheet for all scenarios
9. Update transmission spreadsheet for all scenarios
10. Review results
11. Create testimony and exhibits. This typically is completed 1-2 weeks prior to filing.

QUESTION:

Please provide a chronology of the activities FPL undertook in 2016 to complete the feasibility analysis through the date FPL filed its April 2016 testimony. For purposes of this question, the activities are at a minimum the same activities identified in Question 4.

- a. Include in your response the date on which FPL stopped efforts to complete its feasibility analysis.
- b. Include in your response the current status of completion for each identified activity.
- c. Include in your response an estimate of the number of calendar days necessary to complete each identified activity.

RESPONSE:

Sunk costs through 2015 were available in January 2016.

Inputs such as fuel cost forecasts, environmental compliance cost forecasts, capital cost estimates, etc. were gathered in January through mid-March 2016.

- a. In late March, the Resource Assessment and Planning (RAP) department was notified that FPL was considering seeking a waiver of the feasibility filing requirement. RAP then stopped efforts on the feasibility analysis pending a final decision on the waiver request.
- b. At that time, FPL had completed activities 1-5 listed in its response to Staff First Data Request No. 4, and had generated preliminary results on a portion of one of the planned 18 economic scenarios that RAP intended to perform (i.e., part of activities 6 through 8 for one fuel /environmental/unit life scenario).
- c. If required to do so, FPL estimates that it could complete the feasibility analysis in approximately 3 to 4 weeks.

QUESTION:

Please provide a chronology of the activities FPL undertook in 2016 that resulted in FPL determining it should not file a feasibility analysis. Please identify in your response the FPL management staff that made the ultimate decision, and date to not file a feasibility analysis.

RESPONSE:

In March 2016, FPL began the process of assembling the testimony and exhibits for the April 27, 2016 filing of 2016 actual/estimated costs and 2017 projected costs. Based on a projection that licensing could be complete in 2017, a decision was required regarding FPL's actions following licensing, including whether FPL would include in its April 27, 2016 filing a request, as required by Florida law, for Commission approval to proceed to preconstruction work. It was determined that the most appropriate and prudent course of action for the project would be to seek FPSC preconstruction work approval after cost and schedule results from the first wave of construction of AP1000 units at Plant Vogtle in Georgia and V.C. Summer in South Carolina are available (expected 2020).

With the internal decision not to seek approval to begin preconstruction work activities in 2017, it was not clear that a feasibility study was necessary. The filing requirements were reviewed and it was identified that the economic feasibility analysis would not be meaningfully improved over prior years, until the results of the first wave construction cost and schedule experience would be available. FPL also determined that such an analysis was not necessary for the decision to continue to obtain the licenses and approvals needed, based on the incremental cost required relative to sunk costs. Moreover, it was determined that under Section 366.93, Florida Statutes, a feasibility study was not required until a petition to commence pre-construction work was filed. Statutory requirements for a rule waiver then were reviewed and the petition was drafted. By mid-April, it was determined that the Petition for Waiver would be filed. The decision was ultimately made by Eric Silagy, Ken Hoffman, and Wade Litchfield.

QUESTION:

In paragraph 23 of its April 27 Petition for Waiver, FPL requests the waiver be granted for the estimated period 2016 through 2020. Please provide an estimate of the earliest date on which an updated Level 1 Baseline Schedule and feasibility analysis can be filed with the Commission.

RESPONSE:

FPL could file an economic feasibility analysis and related testimony approximately 3 to 4 weeks from being ordered to do so. However, FPL is not planning to update its Level 1 Baseline Schedule at this time. If FPL were to perform a feasibility analysis, the current Level 1 baseline schedule in-service dates of 2027 and 2028 would be used. However, FPL has acknowledged it is highly unlikely those in-service dates will be maintained in light of its decision to postpone consideration of whether to begin preconstruction work. In fact, this is one of the limitations FPL discussed as a reason a feasibility study would be premature at this time.

QUESTION:

Has FPL updated its 2015 analysis of the estimated cost-effectiveness of the TP project using “updated fuel forecasts, environmental forecasts, breakeven costs, and capital cost estimates” consistent with the requirements of PSC-08-0237-FOF-EI at page 29?

- a. If so, please state whether such analysis was quantitative or qualitative, please explain why, and identify the documents that memorialize FPL’s analysis.
- b. If not, please explain what analysis, if any, has been undertaken to ensure the 2015 cost-effectiveness assessment would remain reasonable and current during the period requested in FPL’s April Petition for Waiver.

RESPONSE:

No, that is the subject of FPL’s rule waiver petition. However, it is important to recognize the robustness of the results from FPL’s 2015 economic feasibility analyses. In those analyses, 8 of the 14 break even cost scenarios presented in pre-filed testimony were clearly cost-effective, while the other 6 break even cost scenarios were within FPL’s non-binding project cost estimate range. In addition, 25 of the 28 additional scenarios requested in discovery by Staff (examining delays to the in-service dates) were cost-effective and the other 3 scenarios were within FPL’s non-binding project cost estimate range. Therefore, it is reasonable to expect that many scenarios will remain clearly cost-effective or “within the range.”

- a. See response above. There are no related documents.
- b. See response above. While the results may be helpful directionally, it is not necessary for FPL’s 2015 cost-effectiveness assessment to be deemed to remain reasonable for the Commission to assess the prudence of prior year costs and reasonableness of current and projected year costs that are limited to obtaining and maintaining licenses and approvals. Those are the costs that would be incurred during the period requested in FPL’s Petition for Waiver.

QUESTION:

In paragraph 5 of its April 27 Petition for Waiver, FPL discusses a pause between obtaining a license and commencement of preconstruction work. However, the Petition for Waiver does not state that FPL has currently paused all development of the TP Project. Instead, in paragraph 6, FPL asserts it is about one year from achieving key licensing milestones.

- a. Is the receipt of the COL by year-end 2017 a certainty? If not, why not?
- b. Under FPL's reasoning in paragraph 5, is FPL's Petition for Waiver premature since FPL has not yet paused the TP Project? If not, please explain.

RESPONSE:

FPL has not "paused all development of the TP Project." As discussed in FPL's response to Staff's First Data Request No. 6, FPL's April 27, 2016 filing is prospective, including projected expenses and activities for the year 2017. Estimating that the licensing phase of the project could be complete in 2017, FPL was required to consider if it would proceed past the licensing phase and begin preconstruction work. If so, it would be reasonable for FPL to project the activities and costs associated with such preconstruction work, and petition the Commission for approval. As discussed in Witness Scroggs's testimony, FPL is continuing work to obtain all licenses and approvals. During this time, FPL will maintain compliance with state and federal licenses and approvals obtained, and keep them current.

a. No. As an observer of this project will recognize, regulatory timelines provided by agencies charged with review and processing of various licenses, permits and approvals are not always maintained for reasons beyond FPL's control.

b. No. Because the April 27, 2016 filing includes the year 2017, and it is projected that at least a portion of that year would include activities following receipt of a Combined License, FPL was required to consider if it would petition for approval to incur preconstruction work related costs. The decision was made wait for important and relevant cost and schedule results from the first wave of AP1000 construction currently underway versus proceed immediately into preconstruction work, which therefore called into question the need or relevance of a quantitative feasibility analysis at this time.

As stated in its Petition for Waiver, a feasibility analysis will not inform the decision FPL made and communicated in this year's filing. This is the case because excellent quantitative feasibility results would not have convinced the Company to move immediately into preconstruction work in 2017. Similarly, poor quantitative feasibility results would not have convinced the Company to abandon its pursuit of a Combined License, particularly in light of the fact that it expects to receive its license in the near term, for limited incremental cost. This is because, as noted in its Petition for Waiver, key project data and economic assumptions will be significantly updated after all licenses and approvals are obtained and additional information is gathered from the current AP1000 construction projects referenced above. FPL did review qualitative feasibility factors to ensure no other indications were present that would call into question the decision to complete licensing.