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August 12, 2016

STAFF'S FOURTH DATA REQUEST

-VIA ELECTRONIC FILING-

Ms. Bianca Y. Lherisson, Esq.
Attorney
Office of the General Counsel
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 160070-EQ - Florida Power & Light Company's Petition for Approval
of a Renewable Energy Tariff and Standard Offer Contract

Dear Ms. Lherisson:

Please find enclosed for filing a copy of Florida Power & Light Company's ("FPL")
responses to Staff's Fourth Data Request in the above mentioned docket.

Thank you for your assistance. Please contact me should you or your staff have any
questions regarding this filing.

Sincerely,

s/ William P. Cox

William P. Cox
Senior Attorney
Florida Bar No. 0093531

WPC/msw
Enclosures

FPL’s Responses to Staff’s 4th Data Request Nos. 1 - 4
Docket No. 160070 – 2016 Standard Offer Contract

1. Please describe the methodology that FPL has used to determine the appropriate level of completion/performance security to protect FPL and its customers.

- a. Please provide factors included in the consideration, such as probability of performance failure, the availability of replacement power in the event of performance failure, and the estimated replacement power costs.**
- b. Please provide any document(s) that demonstrates the reasonableness of the proposed level of adjustment.**

a) In the proposed 2016 Standard Offer Contract (“SOC”), FPL proposed to increase the completion/performance security required of vendors to better protect our customers from potential default. Initial security upon signing the contract is increased from \$30/kW to \$50/kW. Additionally, two years before the Committed Capacity date the security is increased to \$100/kW. This is the first increase to security in FPL’s SOC since 1999 and resulted from a periodic review of FPL’s SOC designed to ensure protection of FPL’s customers.

In October 2014, as part of the 2014-2015 Request for Proposals (“RFP”) process, FPL estimated the potential damage to customers of a vendor default in a purchase power agreement. It was estimated that from the time of default until a replacement unit could be constructed five years would potentially elapse, including necessary time for design, permitting, regulatory, and construction. The value of capacity was estimated as the avoided capacity cost for a simple cycle combustion turbine. As shown in the attached spreadsheet, damages vary by year, with the lowest cost associated with the earliest default, the highest damages associated with default closest to the date the capacity is needed. The table below compares the estimated damages, security required in the RFP, and security requested in the SOC.

Year	Damage (\$/kW)	RFP Security (\$/kW)	SOC Security (\$/kW)
-5	125.54	20.00	30.00
-4	198.08	185.00	30.00
-3	277.87	185.00	30.00
-2	365.49	185.00	100.00
-1	461.58	200.00	100.00

In Docket No. 150100-EI, DeSoto Generating Company challenged the terms of FPL’s 2014-2015 RFP, including specifically the amount of security required. In Order No. 15-0171, issued May 5, 2015, the Commission ruled that FPL’s RFP terms complied with the requirements of the Commission’s Bid Rule, and hence, complied with Rule 25-

22.082(5) F.A.C., as the terms of the RFP (including the security requirements) were determined to not be unfair, unduly discriminatory, onerous, or commercially infeasible.

The performance security proposed by FPL in the 2016 SOC is less than that used in the last RFP for new generation resources issued by FPL. As discussed above, a much higher level of security than has been requested for the SOC would be justified to fully protect customers' interests. The increased but relatively low level of security proposed for the SOC, however, is justified by the expressed desire of both the Florida Legislature and the Commission to encourage the development of renewable energy resources in the state of Florida. See, *e.g.*, §366.91(1), Fla. Stat.

Additionally, the RFP required that the bidders be at a minimum investment grade, while no such requirement is in place for the SOC. Finally, it may be significant to note that of the power purchase agreements for firm capacity and energy signed by FPL with renewable generators since 2005, 50% have defaulted on their obligations under the agreements.

b) See attached spreadsheet calculating potential damages to customers caused by default.

2. Please explain whether the proposed terms of completion/performance security would cause undue financial burden to sellers with good completion/performance records.

The proposed terms of completion/performance security would not cause undue financial burden to sellers with good completion/performance records. First, recognize that typically the seller would not provide cash for security, but rather security is typically provided in the form of a letter of credit ("LC"). Typically the LC would be one or two percent of the face value of the LC. So the cost of a \$30/kW LC for one year by the seller would be on the order of \$0.30 to \$0.60/kW. The LC cost would be a function of the seller's credit and performance history, which the issuing bank would be in a good position to evaluate and determine.

Secondly, the purpose of the security is to protect the customer. As shown in the response to Staff's Fourth Data Request, Interrogatory No. 1, the security requested of a renewable generator varies from a low of 15% to a high of 27% of the potential damages incurred by the customer if the seller defaults.

For both of these reasons, the proposed terms do not impose an undue financial burden on the seller.

3. Please provide the escalation factors and other financial assumptions used in the Standard Offer Contracts for the period 1999 through 2016.

Please see the attached spreadsheet.

- 4. Please provide the annual values of the Consumer Price Indexes and any other relevant measures for the period 1999 through 2016.**

Please see the attached spreadsheet.

160070 - FPL's Response to Staff's Fourth Data Request No. 1b - Attachment No. 1

	Value of Deferral
K	1.4043958
R	95.78%
In	\$ 903.36
ip	3.000%
io	2.500%
r	7.540%
L	30
On	\$ 18.06
F	\$ 569.45
t	
Ac	
Ao	
G	\$ 149.09

Calculation of LD for RFP

Avoided Capacity Cost Comes from Standard Offer Contract for 2019 Avoided CT unit

LD Based upon value of deferring project for next five years - i.e. time to build a replacement unit

Year	Avoided Capacity Cost		NPV of 5 Year Delay
	\$/kW-Mo	\$/kW-Year	\$/kW
1 2015	\$ -	\$ -	\$125.54
2 2016	\$ -	\$ -	\$198.08
3 2017	\$ -	\$ -	\$277.87
4 2018	\$ -	\$ -	\$365.49
5 2019	\$ 7.65	\$ 91.85	\$461.58
6 2020	\$ 7.88	\$ 94.51	
7 2021	\$ 8.10	\$ 97.26	
8 2022	\$ 8.34	\$ 100.08	
9 2023	\$ 8.58	\$ 102.98	
10 2024	\$ 8.83	\$ 105.97	
11 2025	\$ 9.09	\$ 109.05	
12 2026	\$ 9.35	\$ 112.22	
13 2027	\$ 9.62	\$ 115.48	
14 2028	\$ 9.90	\$ 118.83	
15 2029	\$ 10.19	\$ 122.28	
16 2030	\$ 10.49	\$ 125.84	
17 2031	\$ 10.79	\$ 129.49	
18 2032	\$ 11.10	\$ 133.26	
19 2033	\$ 11.43	\$ 137.13	
20 2034	\$ 11.76	\$ 141.12	
	\$62.4496		

160070 - FPL's Response to Staff's Fourth Data Request No. 3 - Attachment No. 1
 Financial Assumptions in Standard Offer Contracts

Year	1999	2000	2001	2002	2003 #	2004 &	2005 ^	2006 &	2007	2008	2009	2010	2011	2012	2012*	2013	2014	2015	2016
VAC _m	\$ 2.51	\$ 2.69	\$ 3.32	\$ 3.28	\$ 7.14		\$ 10.12		\$ 7.17	\$ 11.13	\$ 11.52	\$ 11.65	\$ 8.02	\$ 9.77	\$ 3.52	\$ 10.26	\$ 7.65	\$ 9.81	\$ 8.72
K	1.5539	1.5913	1.5933	1.5932	1.4512		1.3934		1.5437	1.5135	1.5142	1.5096	1.5133	1.5136	1.0000	1.4183	1.4044	1.5073	1.4532
I _n	\$ 295.23	\$ 312.24	\$ 372.11	\$ 379.93	\$ 507.27		\$ 1,218.00		\$ 746.34	\$ 1,105.10	\$ 1,116.12	\$ 1,321.27	\$ 929.91	\$ 1,108.35	\$ 42.27	\$ 1,250.69	\$ 903.36	\$ 923.15	\$ 818.11
O _n	\$ 5.15	\$ 3.06	\$ 1.40	\$ 1.43	\$ 31.30		\$ 11.71		\$ 11.10	\$ 15.10	\$ 18.46	\$ 27.82	\$ 16.76	\$ 23.14	\$ -	\$ 20.88	\$ 18.06	\$ 27.83	\$ 18.99
i _p	2.20%	2.20%	2.20%	2.20%	1.70%		3.00%		3.00%	2.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	2.00%	3.00%
i _o	2.70%	2.70%	2.40%	2.40%	0.79%		3.00%		1.81%	2.50%	2.50%	2.87%	2.65%	2.84%	28.40%	2.50%	2.50%	2.50%	2.50%
r	7.89%	7.78%	7.78%	7.78%	7.82%		8.37%		8.93%	8.35%	8.89%	7.30%	7.29%	7.29%	7.29%	7.45%	7.54%	7.51%	7.45%
L	30	30	30	30	25		25		25	25	25	30	30	30	1	30	30	30	30
n	2001	2001	2002	2003	2007		2015		2015	2014	2021	2025	2016	2021	2021	2025	2019	2023	2024

- * PPA based upon a single year purchase
- # FPL SOC Petition denied
- ^ FPL SOC Petition withdrawn
- & No FPL SOC Petition filed

- VAC_m = Company's value of avoided capacity and O&M, in dollars per kilowatt per month, during month m
- K = present value of carrying charges for one dollar of investment over L years with carrying charges computed using average annual rate base and assumed to be paid at the middle of each year and present valued to the middle of the first year
- I_n = total direct and indirect cost, in mid-year dollars per kilowatt including AFUDC but excluding CWIP, of the Company's Avoided Unit with an in-service date of year n
- O_n = total fixed operation and maintenance expense, for the year n, in mid-year dollars per kilowatt per year, of the Company's Avoided Unit
- i_p = annual escalation rate associated with the plant cost of the Company's Avoided Unit
- i_o = annual escalation rate associated with the operation and maintenance expense of the Company's Avoided Unit
- r = annual discount rate, defined as the Company's incremental after-tax cost of capital
- L = expected life of the Company's Avoided Unit
- n = year for which the Company's Avoided Unit is deferred starting with its original anticipated in-service date and ending with the termination of the Standard Offer Contract.

160070 - FPL's Response to Staff's Fourth Data Request No. 4 - Attachment No. 1

Table 1. Consumer Price Indexes (CPI) - all Urban Consumers

Monthly indexes

Year	January	February	March	April	May	June	July	August	September	October	November	December	Average
2016	236.916	237.111	238.132	239.261	240.236	241.038							
2015	233.707	234.722	236.119	236.599	237.805	238.638	238.654	238.316	237.945	237.838	237.336	236.525	237.017
2014	233.916	234.781	236.293	237.072	237.9	238.343	238.25	237.852	238.031	237.433	236.151	234.812	236.736
2013	230.28	232.166	232.773	232.531	232.945	233.504	233.596	233.877	234.149	233.546	233.069	233.049	232.957
2012	226.665	227.663	229.392	230.085	229.815	229.478	229.104	230.379	231.407	231.317	230.221	229.601	229.594
2011	220.223	221.309	223.467	224.906	225.964	225.722	225.922	226.545	226.889	226.421	226.23	225.672	224.939
2010	216.687	216.741	217.631	218.009	218.178	217.965	218.011	218.312	218.439	218.711	218.803	219.179	218.056
2009	211.143	212.193	212.709	213.24	213.856	215.693	215.351	215.834	215.969	216.177	216.33	215.949	214.537
2008	211.08	211.693	213.528	214.823	216.632	218.815	219.964	219.086	218.783	216.573	212.425	210.228	215.303
2007	202.416	203.499	205.352	206.686	207.949	208.352	208.299	207.917	208.49	208.936	210.177	210.036	207.342
2006	198.3	198.7	199.8	201.5	202.5	202.9	203.5	203.9	202.9	201.8	201.5	201.8	201.6
2005	190.7	191.8	193.3	194.6	194.4	194.5	195.4	196.4	198.8	199.2	197.6	196.8	195.3
2004	185.2	186.2	187.4	188	189.1	189.7	189.4	189.5	189.9	190.9	191	190.3	188.9
2003	181.7	183.1	184.2	183.8	183.5	183.7	183.9	184.6	185.2	185	184.5	184.3	183.96
2002	177.1	177.8	178.8	179.8	179.8	179.9	180.1	180.7	181	181.3	181.3	180.9	179.88
2001	175.1	175.8	176.2	176.9	177.7	178	177.5	177.5	178.3	177.7	177.4	176.7	177.1
2000	168.8	169.8	171.2	171.3	171.5	172.4	172.8	172.8	173.7	174	174.1	174	172.2
1999	164.3	164.5	165	166.2	166.2	166.2	166.7	167.1	167.9	168.2	168.3	168.3	166.6