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VIA ELECTRONIC FILING

Mr. Adam Teitzman
Commission Clerk
Florida Public Service Commission
Betty Easley Conference Center
2540 Shumard Oak Boulevard, Room 110
Tallahassee, FL 32399-0850

Re: Docket No. 20190081-EI – Petition for approval of 2019 revisions to underground residential and commercial differential tariffs, by Florida Power & Light Company – FPL’s Responses to Staff’s First Data Request (Nos. 1-10)

Dear Mr. Teitzman:

Enclosed for filing on behalf of Florida Power & Light Company (“FPL”) are FPL’s responses to Staff’s First Data Request (Nos. 1-10) in docket number 20190081-EI. FPL’s response to Staff’s First Data Request No. 6 includes an Excel attachment which is too large to include with this filing. FPL will serve a copy of this file in native format upon Staff via electronic mail.

If there are any questions regarding this filing, please contact me at (561) 691-2512.

Sincerely,

s/ Kenneth M. Rubin
Kenneth M. Rubin

Attachments

cc: Walt Trierweiler

QUESTION:

Referring to Appendix 3, Page 3, please provide a detailed explanation for the price increases in Section 10.4.2 and 10.5.4 (A-D).

RESPONSE:

Generally, the vast majority of overhead and underground materials and labor costs have increased since 2016. However, the increases in the charges in Sections 10.4.2 and 10.5.4 (A-D) primarily result from proportionally larger increases in underground labor costs. This is mainly due to the increase in the underground labor rate (16.7% over 3 years) being greater than the increase in the overhead labor rate (12.5% over 3 years). Labor rate changes result from contractual arrangements driven by market conditions.

QUESTION:

Referring to Appendix 4, URD Summary Sheet, please explain why the underground and overhead labor costs increased for both the low and high density subdivisions when compared to the 2016 filing.

RESPONSE:

As provided in FPL's response to Staff's First Data Request No. 1, the increase in underground and overhead labor costs (2019 vs. 2016) for low and high density subdivisions is primarily attributed to higher market driven labor rates.

QUESTION:

The following questions refer to Appendix 4, Exhibits II, III, VI, VII, IX, and X.

- a. Please explain the decrease in engineering overhead from 26.9% in 2016 to 20.7% applied to all Material and Labor.
- b. Please explain the increase in Stores Handling from 5.44% in 2016 to 5.82% of all material.

RESPONSE:

- a. The engineering overhead rate is a system generated calculation (divides year-to-date engineering and engineering support costs by year-to-date capital construction costs) that is applied to all open construction work orders. The mathematical relationship between engineering/engineering support costs and total capital construction costs fluctuates, reflecting changes in the level of engineering costs allocated to construction work orders. The decrease in the engineering overhead rate, current (based on 2018 costs) vs. 2016 (based on 2015 costs) results primarily from higher total capital construction costs (mainly due to increases in storm hardening capital costs).
- b. The stores loading rate is a system-generated calculation (divides year-to-date stores expense by the year-to-date cost of inventory issued) that is applied to all open construction work orders. The mathematical relationship between stores expense and the cost of inventory issued fluctuates, as it reflects actual changes in the level of stores expenses and inventory issued. While both stores expense and the cost of inventory increased vs. the 2016 filing, the % increase in stores expense was slightly higher than the % increase in the cost inventory issued, which caused the current rate to be slightly lower than the 2016 rate.

QUESTION:

What overhead and underground activities are performed by in-house vs. contract employees? If this is a change from 2016, please describe any changes and provide the cost impact for the low and high density differentials.

RESPONSE:

In 2019 (as well as 2016), distribution overhead and underground activities (e.g., construction, maintenance, relocation, restoration) are performed by FPL employees as well as contractors. There are no overhead or underground activities that are exclusively performed by FPL or its contractors. As a result, FPL's labor rates reflect a blended labor rate (i.e., reflects both FPL and contractor labor rates) for all overhead and underground activities.

QUESTION:

Please confirm whether FPL used the same methodology approved, in Order No. PSC-08-0774-TRF-EI, issued November 24, 2008, in Docket No. 070231-EI, for calculating the NPV of operational costs. For any changes in the methodology used, please provide a detailed description of the impact on the differential calculations from the prior docket.

RESPONSE:

FPL confirms that the methodology for calculating the NPV of operational costs remains the same as that approved in the referenced order and docket.

QUESTION:

Please refer to Appendix 4, Operational Costs Differential for High Density, Low Density, and Meter Pedestal. Provide the excel spreadsheet, with formulas intact, for each.

RESPONSE:

See attached spreadsheet.

QUESTION:

Please provide a detailed cost breakdown and explanation why the Low Density 30 year NPV Non-Storm Operational cost generated a credit of (\$2,103) in this filing, as compared to a charge of \$208 in the 2016 filing.

RESPONSE:

Below are summary level details of the components comprising FPL's total Low Density 30-year NPV of Non-Storm Operational Costs – Approved (2016 filing) vs. Current Filing. As can be seen below, the change results primarily from an increase in Overhead Non-Storm Operational Costs, mainly due to the increased capital investments associated with FPL's distribution storm hardening initiatives (e.g., feeder hardening).

<u>Low Density</u>	APPROVED Total 30-Year NPV / \$ Lot	CURRENT FILING Total 30-Year NPV / \$ Lot
Underground	1,206	1,918
Overhead (excl. VM & PIP)	-921	-3,715
Lost Pole Rental Revenue	106	161
Vegetation Management	-104	-105
Pole Inspection Program	-102	-112
Property Taxes	24	-250
Differential (Non-Storm)	208	-2,103

QUESTION:

Please provide a detailed cost breakdown and explanation why the High Density and Meter Pedestal 30 year NPV Non-Storm Operational cost generated a credit of (\$1,796) in this filing, as compared to a charge of \$192 in the 2016 filing.

RESPONSE:

Below are summary level details of the components comprising FPL's total High Density/Meter Pedestal 30-year NPV of Non-Storm Operational Costs – Approved (2016 filing) vs. Current Filing. As can be seen below, the change results primarily from an increase in Overhead Non-Storm Operational Costs, mainly due to the increased capital investments associated with FPL's distribution storm hardening initiatives (e.g., feeder hardening).

<u>High Density</u>	APPROVED Total 30-Year NPV / \$ Lot	CURRENT FILING Total 30-Year NPV / \$ Lot
Underground	1,038	1,650
Overhead (excl. VM & PIP)	-792	-3,197
Lost Pole Rental Revenue	91	139
Vegetation Management	-90	-90
Pole Inspection Program	-77	-84
Property Taxes	22	-214
Differential (Non-Storm)	192	-1,796

QUESTION:

Please explain for the approximate doubling of the avoided storm restoration Operation and Maintenance cost in this filing, as compared to the 2016 filing.

RESPONSE:

The significant increase in avoided storm restoration costs results from incorporating the storm restoration cost impacts (more than \$1.5 billion) from the 2016 and 2017 storms that impacted FPL's service territory (i.e., Matthew, Hermine and Irma).

QUESTION:

Please confirm whether the model low density and high density URD subdivision designs used in this docket are the same designs that were used in Docket No. 160071-EI. If applicable, please provide a detailed description of any differences (including design drawings) and included supporting documentation illustrating the impact to the “per lot” differentials caused by the design changes.

RESPONSE:

The model low and high density designs are the same as those used in the above-referenced docket.