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May 25, 2023

VIA ELECTRONIC FILING

Mr. Adam J. Teitzman
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. 20230045-EI
In re: Petition for approval of revisions to underground residential tariff, underground commercial differential tariff, and overhead to underground conversion tariff, by Florida Power & Light Company –
Response to Staff’s First Set of Data Requests

Dear Mr. Teitzman:

On behalf of Florida Power & Light Company (FPL), enclosed for filing in the above referenced matter are FPL’s responses to Staff’s First Set of Data Requests Nos. 1-10.

Copies of this filing are being served in accordance with the attached certificate of service. If you or your staff have any question regarding this filing, please contact me at (561) 691-7144.

Respectfully submitted,

/sChristopher T. Wright
Christopher T. Wright
Fla. Auth. House Counsel No. 1007055

Enclosures

cc: Ken Hoffman (ken.hoffman@fpl.com)
Certificate of Service

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copies of the foregoing have been furnished by Electronic Mail to the following parties of record this 25th day of May 2023:

Major Thompson Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399 MThomps@psc.state.fl.us <i>For Commission Staff</i>	Office of Public Counsel Charles Rehwinkel/Patricia A. Christensen c/o The Florida Legislature 111 West Madison Street, Room 812 Tallahassee, FL 32399-1400 rehwinkel.charles@leg.state.fl.us christensen.patty@leg.state.fl.us <i>For Office of Public Counsel</i>
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s/ Christopher T. Wright
Christopher T. Wright
Fla. Auth. House Counsel No. 1007055

Attorney for Florida Power & Light Company

QUESTION:

Please confirm that FPL's URD/UCD tariffs were revised as part of the rate case in Docket No. 20210015-EI. As part of your response, please state whether FPL updated its operational storm and non-storm calculations for the filing of the rate case tariffs.

RESPONSE:

Yes. As part of the 2021 Rate Case in Docket No. 20210015-EI, FPL revised its URD/UCD tariffs to reflect (i) the consolidation and unification of FPL and former Gulf Power Company, (ii) the elimination of the Governmental Adjustment Factor (GAF) waiver, and (iii) updated operational storm and non-storm calculations based on the most current information available at that time.

QUESTION:

Please provide a general discussion regarding changes in labor and material costs for overhead and underground construction. In your response, include approximate percentage increases or decreases.

RESPONSE:

In comparison to the 2021 Rate Case in Docket No. 20210015-EI, overhead material costs have increased on average 40%, and the overhead blended¹ labor rate has decreased by 0.05%. The underground material costs have increased on average 87%, and the underground blended labor rate has decreased by 1.74%. These changes in labor and material costs have resulted in generally higher overhead and underground construction costs, primarily driven by increased material costs.

¹ FPL defines blended labor rates as the average cost of FPL and contractor construction man hours (CMH).

QUESTION:

Referring to Appendix 1.3, page 3, please provide a detailed explanation for the price increases in Section 10.4.2 and 10.5.4 (A-D).

RESPONSE:

The increases in the charges in Sections 10.4.2 and 10.5.4 (A-D) primarily result from increases in underground material costs. This is due to the increase in the underground material (on average 98%) being greater than the increase in the overhead material (on average 64%).

**Section 10.4.2
Service Lateral Differential**

The service lateral differential cost was affected by the underground material cost increases. Overhead material increased by 79.66%, while underground material costs increased by 158.97%. Overall, the overhead cost increased by 12.37% while the underground cost increased by 18.16%. This led to an increase in the differential of 22.47%.

**Section 10.4.2
Pole-conduit cost**

There was a 4.34% increase in the average pole-conduit terminal cost.

**Section 10.4.2
Total cost**

(Service lateral differential + Pole-conduit cost) increased 14.23%.

**Section 10.4.2
URD riser to a handhole at the base differential cost**

The underground material cost is higher than the overhead costs leading to a smaller percent increase of material in the underground job, but the underground job cost went up by more than the overhead job. Overall, the overhead went up by 7.8% and the underground went up by 7.17%. This led to an increase in the differential of 6.96%.

Section 10.5.4 (A-D)

The labor for the conduit and trench went down due to decreases in the blended labor rate. The remaining value of existing service also increased on average 20%.

Most overhead and underground materials costs have increased since 2021. Please refer to FPL's response to Staff's First Data Requests No. 2 for a general discussion regarding changes in labor and material costs for overhead and underground construction.

QUESTION:

What overhead and underground activities are performed by in-house vs. contract employees? If this is a change from 2019, please describe any changes and provide the cost impact for the low and high density differentials.

RESPONSE:

Continually since 2019, distribution overhead and underground activities (*e.g.*, construction, maintenance, relocation, restoration, etc.) were performed by both FPL employees and outside contractors. There are no overhead or underground activities that are exclusively performed by either FPL employees or outside contractors. This remains unchanged since 2019. 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:

Given the combined former Gulf Power Company and FPL data and analysis for this petition, please confirm whether FPL used the same methodology approved in Order No. PSC-08-0774-TRF-EI for calculating the Net Present Value of operational costs.

RESPONSE:

Confirmed.

QUESTION:

Please discuss any changes in the assumptions (inflation rate, discount rate, book life) between the calculation of non-storm and storm operational costs filed in the instant petition and the last approved calculation.

RESPONSE:

The methodology utilized for determining the inflation rate, discount rate, and book life for the URD/UCD Tariff filed on March 31, 2023, is consistent with the 2019 URD/UCD Tariff filing, and the URD/UCD Tariffs revised as part of the 2021 FPL Rate Case. The assumptions were updated to reflect FPL's most up to date information through year end 2022. Furthermore, the current URD/UCD Tariff and the 2021 FPL Rate Case reflect a consolidated FPL system including the former Gulf Power Company service area integrated into FPL as the Northwest Region.

	2019	2021	2023
Inflation Rate/CPI	1.90%	2.62%	6.78%
Discount Rate	7.73%	7.52%	7.49%
Book Life/Depreciation	2.58%	2.58%	2.64%
FERC 5-Year Historical Average	2014-2018	2016-2020	2018-2022

Lastly, refer to FPL's response to Staff's First Data Requests, No. 7 for a list of the hurricane events whose costs were incorporated into the URD/UCD Tariff revision as part of the 2021 Rate Case and the 2023 URD/UCD Tariff filing.

QUESTION:

Please discuss any significant changes in the non-storm and storm operation costs, such as recent hurricane events, that impacted the costs filed in the instant petition.

RESPONSE:

The 2023 URD/UCD Tariff filing has been updated to reflect the cost impact of recent hurricane events (storm operation costs) when compared to the 2019 URD/UCD Tariff filing.

URD/UCD Tariffs revised as part of the 2021 FPL Rate Case incorporates costs from the following hurricane events:

- Michael (Gulf)
- Dorian (FPL)
- Isaias (FPL)
- Sally (Gulf)
- Zeta (Gulf)
- Eta (FPL)

2023 URD/UCD Tariff filing incorporates costs from the following hurricane events:

- Ian
- Nicole

Please refer to FPL's response to Staff's First Data Requests, No. 2 for an explanation regarding changes in labor and material costs for overhead and underground construction (non-storm operation costs).

QUESTION:

Please refer to Appendix 1.4, Operational Costs Differential for High Density, Low Density, and Meter Pedestal. Provide the excel spreadsheet, with formulas intact, for each. Please also include any work papers used to develop the operational costs differential for each.

RESPONSE:

Responsive documents have been sent to Staff and all parties of record.

QUESTION:

Regarding the credits provided to applicant's shown in Section 10.4.3, please discuss the reasons for the decrease in the credits.

RESPONSE:

Credits referenced in Section 10.4.3 provided to applicants are directly derived from labor blended rates, which are the average costs of FPL and contractor construction man hours (CMH). For the 2023 URD/UCD Tariff filing, labor blended rates decreased which resulted in a decrease in credits.

Please refer to FPL's response to Staff's First Data Requests, No. 2 for an explanation of distribution overhead and underground activities.

QUESTION:

Appendix 1.4, pages 3 and 4 of 40, shows the same information (underground material and labor costs for the 210 lot subdivision). Please provide the overhead material and labor costs for the 210 lot subdivision.

RESPONSE:

Due to an inadvertent copying and assembly error, pages 3 and 4 of Appendix 1.4 to FPL's March 31, 2023, filing were duplicates of the underground material and labor costs for the 210 lot subdivision. Attached to this response is a corrected page 3 of Appendix 1.4 that provides the overhead material and labor costs for the 210 lot subdivision.

COST PER SERVICE LATERAL OVERHEAD MATERIAL AND LABOR

Low Density 210 Lot Subdivision

ITEM	MATERIAL(1)	LABOR(4)	TOTAL
Service(2)	\$201.46	\$203.42	\$404.88
Primary	\$193.18	\$130.88	\$324.06
Secondary	\$59.79	\$120.31	\$180.10
Poles	\$240.43	\$397.33	\$637.76
Transformers	\$480.35	\$219.15	\$699.50
Sub-Total	\$1,175.21	\$1,071.09	\$2,246.30
Stores Handling(3)	\$61.11	-----	\$61.11
SubTotal	\$1,236.32	\$1,071.09	\$2,307.41
Engineering(5)	\$126.72	\$109.79	\$236.51
TOTAL(6)	\$1,363.04	\$1,180.88	\$2,543.92

1 - Includes Sales Tax.

2 - Includes Meters.

3 - 5.2 % of All Material.

4 - Includes Payroll, Taxes, Insurance, P&W, & Transportation.

5 - 10.25 % of All Material and Labor.

6 - Does not include storm or operational costs.