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**Subject:** INTERVENOR PARTIES' RESPONSES TO STAFF'S DATA REQUESTS  
**Attachments:** INTERVENOR PARTIES' RESPONSES TO STAFF'S DATA REQUESTS.pdf

## Electronic Filing

a. Person responsible for this electronic filing:

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b. Docket No. 080677-EI

In re: Petition for rate increase by Florida Power & Light Company.

Docket No. 090130-EI

In re: 2009 depreciation study by Florida Power & Light Company.

c. Document being filed on behalf of Office of Public Counsel

d. There are a total of 11 pages.

e. The document attached for electronic filing is INTERVENOR PARTIES' RESPONSES TO STAFF'S DATA REQUESTS.

(See attached file: INTERVENOR PARTIES' RESPONSES TO STAFF'S DATA REQUESTS)

Thank you for your attention and cooperation to this request.

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DOCUMENT NUMBER-DATE

07524 SEP-08

FPSC-COMMISSION CLERK

9/8/2010

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by  
Florida Power & Light Company.

DOCKET NO. 080677-EI

In re: 2009 depreciation and dismantlement  
Study by Florida Power &

DOCKET NO. 090130-EI

DATED: September 10, 2010

**INTERVENOR PARTIES' RESPONSES TO STAFF'S DATA REQUESTS**

The Florida Office of Public Counsel, the Attorney General of the State of Florida, the Federal Executive Agencies, the Florida Retail Federation, the Florida Industrial Power Users Group, and the South Florida Hospital and Health Care Association, comprising all of the Intervenor signatories to that certain Stipulation and Settlement Agreement submitted to the Commission by Florida Power & Light Company in these consolidated dockets on August 20, 2010, and hereinafter referred to as the "Intervenor Parties", provide their responses to the questions that the Commission Staff posed in Staff's Data Request of August 26, 2010.

**Paragraph 3 - Storm Cost Recovery**

1. Based on the monthly \$4.00/1,000 kWh cap for residential customers for storm cost recovery and projected sales for 2010, please provide the annual dollar amount that would be recovered from the residential customers and the total that would be recovered from all customers.

**The Intervenor Parties defer to FPL to provide the precise calculation and the answer to this question.**

2. For each of the 3 hypothetical scenarios in the following table, please provide the storm cost recovery amount that Florida Power & Light Company (FPL or Company) would seek to recover from its ratepayers.

**The following answers assume that the costs for which FPL seeks recovery satisfy the criteria of Rule 25-6.0143, F.A.C., as well as a demonstration by FPL that the costs were prudently incurred and reasonable in amount.**

DOCUMENT NUMBER PAGE

07524 SEP-8 e

FPSC-COMMISSION CASE

	Scenario 1	Scenario 2	Scenario 3
Storm Damage Reserve Level at Implementation Date	150,000,000	150,000,000	150,000,000
Storm Damage Reserve Level at Time of Storm	150,000,000	150,000,000	135,000,000
Recoverable Storm Damage Costs Charged to Reserve	360,000,000	40,000,000	100,000,000
Storm Damage Reserve Level After Storm	(210,000,000)	110,000,000	35,000,000
Storm Cost Recovery Amount	<b>360,000,000</b>	<b>-0-</b>	<b>-0-</b>

3. Assuming an Implementation Date of October 1, 2010, what is the projected level of the storm reserve on a retail and system basis?

**The Intervenor Parties defer to FPL to provide the precise calculation and answer to this question.**

4. In responding to the following two questions, please refer to the last sentence of paragraph 3 which reads:

**The Parties expressly agree that any proceeding to recover costs associated with any storm shall not be a vehicle for a “rate case” type inquiry concerning the expenses, investment, or financial results of operations of the Company and shall not apply any form of earnings test or measure or consider previously or current base rate earnings or level of theoretical depreciation reserve.**

**(emphasis added)**

a. In this sentence of the Settlement, it enumerates various prohibitions concerning “rate case” type inquires and earnings tests. Does this sentence mean that the Joint Movants agree that the Company’s actual earnings level at the time any request for storm damage cost recovery is made will not be at issue in the proceeding?

**Yes, as one aspect of the negotiation of an overall settlement of a variety of issues, the Intervenor Parties have agreed that, during the three year term of the Settlement, the calculation of the amount of allowable storm recovery costs would be performed without reference to the utility’s earnings level at the time.**

b. If the answer to (a) above is no, please explain what the parties intend by this sentence.

N/A

5. Please refer to the first full sentence on page 4 regarding the recovery of storm damage costs, please describe in detail how this provision of the proposed Settlement Agreement will operate.

**Consistent with the stipulation and agreement that PEF and certain Intervenor recently reached in Docket No. 090079-EI, the intent is to limit the amount that FPL may charge customers no more than \$4/1000 kWh for storm recovery costs for a calendar year, even if FPL experiences more than one severe storm during that calendar year period. The paragraph creates an exception to this limitation. The exception is that FPL may petition the Commission for permission to charge more than \$4/1000 kWh in a calendar year if FPL incurs more than \$800 million of recoverable storm-related costs within the same calendar year. In terms of operation, then, the Settlement contemplates that FPL may begin to charge storm costs within 60 days on an interim basis, subject to subsequent review for prudence and reasonableness, but those charges may not exceed \$4/1000 kWh unless and until FPL demonstrates that its storm recovery costs, whether as a result of a single storm or multiple storms, have exceeded \$800 million in the same calendar year. In that event, FPL cannot exceed the \$4/1000 kWh without first filing a petition with the Commission for authorization to also collect the increment above \$800 million during the same calendar year, and other Parties may intervene to oppose the request.**

**Paragraph 4 - Clause Recovery**

6. a. Would any increases in generation-related investments be precluded from recovery through a cost recovery clause? If not, please indicate what kinds of generation-related investments would be recoverable through a cost recovery clause, and which clause(s).

**The Intervenor Parties consider generation-related investments—especially new, conventional generating units--to be of the type that (in the absence of settlement to the contrary) traditionally and historically have been recovered through base rates, not cost recovery clauses. The Settlement states that the Parties recognize that FPL may incur “new or atypical” costs and the Legislature and/or Commission may authorize FPL to recover the new or atypical costs through a cost recovery clause. The Intervenor Parties do not regard generation-related investments to be “new or atypical” within the meaning of the Settlement. That said, the terms of the Settlement do not preclude FPL from asserting, on a case-by-case basis, that modifications to existing generating plants may qualify for cost recovery clauses, and do not preclude any of the Intervenor Parties from opposing such assertions.**

b. Page 4 of Order No. 14546 lists the appropriate expenses to be recovered through the fuel and purchased power cost recovery clause. Among the listed expenses is the following paragraph:

Fossil fuel-related costs normally recovered through base rates but which were not recognized or anticipated in the cost levels used to determine current base rates and which, if expended, will result in fuel savings to customers. Recovery of such costs should be made on a case by case basis after Commission approval.

How will Paragraph 4 of the stipulation affect current and future recovery of fuel-related costs as discussed in the above paragraph?

**As the question recites, the order established a case-by-case review. By its terms, the Settlement does not alter the case-by-case consideration of requests by FPL to recover such costs through the fuel clause and does not prevent any of the Intervenor Parties from challenging the merits of such requests by FPL as being beyond the scope and intent of the limited departure from base rate treatment contemplated by the order.**

c. Please refer to the first sentence of Paragraph 4. Does the definition of costs that are of a type “which traditionally and historically would be, have been, or are presently recovered through cost recovery clauses or surcharges” exclude the recovery of capital costs associated with future fuel-related capital projects through the fuel and purchased power cost recovery clause?

**The Intervenor Parties consider capital costs as among those that historically and traditionally have been and ought to be the subject of base rate treatment. That said, the terms of the Settlement do not preclude FPL from (on a case-by-case basis) requesting the Commission to permit FPL to recover capital costs through the fuel and purchased power cost recovery clause on the grounds that they are “fuel-related,” and the terms likewise do not prevent any of the Intervenor Parties from opposing such requests by FPL based on the merits of the specific circumstances.**

d. Does Paragraph 4 of the stipulation prevent or preclude FPL from recovering the capital costs associated with the Scherer Unit 4 uprate (high pressure turbine blades project) through the environmental cost recovery clause or the fuel and purchased power cost recovery clause? Please explain.

**As in (a) and (b) above, the terms of the Settlement do not attempt to predetermine the outcome of individual questions or issues that will be presented to the Commission on a case-by-case basis. The terms of the Stipulation and Agreement do not preclude FPL from seeking recovery of the turbine blades through a cost recovery clause and do not preclude any of the Intervenor Parties from opposing the request.**

7. Other than presumably transmission-related assets, what other categories of investments would be precluded from recovery through a cost recovery clause by this stipulation?

**The Joint Movants included the category of transmission investments to illustrate the Agreement’s concept of a type of investment that could easily increase in terms of the size and cost of the investment, but that would not qualify for clause recovery as a “new” or “atypical” kind of cost. The characteristics of the type and nature of transmission costs that led Joint Movants to agree to the illustration would be applied to other categories of costs to ascertain whether they would be eligible for clause recovery during the term of the Stipulation and Agreement. However, beyond establishing the criteria that would govern the determination, the Intervenor Parties and FPL did not attempt to address other specific categories of costs.**

8. a. Please define and give examples of what would constitute “incremental costs not currently recovered in base rates.”

**The distinction made in this paragraph of the Settlement is between increases in the magnitude or volume of costs currently in base rates, on the one hand, and the appearance on the scene of new costs that differ from any in base rates, on the other. Under the terms of the Stipulation and Agreement, the latter category can be the subject of cost recovery clauses if the Legislature and/or the Commission authorize such recovery. The example that the Settlement includes is the possibility of costs incurred to ensure cyber security. The characteristics that led Intervenor Parties and FPL to agree on and include this category would be applied to other costs to determine whether they qualify for clause recovery. Beyond establishing the criteria and an illustration of a category that meets the criteria, Intervenor Parties and FPL did not attempt to predetermine the status of other categories of costs.**

b. Referring to the incremental costs in question 8 (a) above, are there any costs that the Legislature could not, pursuant to the stipulation, subsequently deem to be clause-recoverable (either through an existing clause or a new clause)? If so, what would they be?

**The effect of the Stipulation and Agreement is not to limit the Legislature’s ability to act, but rather to contractually limit the extent to which FPL may avail itself of additional clause recovery during the term of the Agreement.**

c. Referring to the incremental costs in question 8 (a) above, are there any costs that the Commission could not, pursuant to the stipulation, subsequently deem to be clause-recoverable (either through an existing clause or a new clause)? If so, what would they be?

**Again, the effect of the Stipulation is not to limit the ability of the Commission, but rather to contractually limit the extent to which FPL may avail itself of additional clause recovery during the term of the Agreement.**

**Paragraph 5 - Revenue requirements and fuel savings associated with WCEC 3.**

9. a. Does FPL expect fuel savings to exceed the revenue requirement for West County 3 for every year of the stipulation – remainder of 2011, calendar year 2012? Please explain.

b. For the balance of the calendar year 2011, what is the projected non-fuel revenue requirement for West County Unit 3?

c. For calendar year 2012, what is the projected non-fuel revenue requirement for West County Unit 3?

d. For the balance of the calendar year 2011, what is FPL's current estimate of the fuel savings associated with the addition of West County Unit 3?

e. For calendar year 2012, what is FPL's current estimate of the fuel savings associated with the addition of West County Unit 3?

**The Intervenor Parties defer to FPL to provide precise answers to Questions 9(a) through 9(e).**

10. a. If the fuel savings which offset the revenue requirement associated with West County Unit 3 are based on a fuel forecast, is there a provision or understanding that the estimated fuel savings will be adjusted (trued-up) to actual fuel savings?

**No. (See answer to (b) below).**

b. Why is the fuel savings based on projected fuel costs and not actual fuel costs?

**For purposes of the Stipulation and Settlement, the Parties agreed that FPL will use the same fuel forecast, assumptions regarding plant availability and performance, projected load, and calculation methodology to derive projected fuel savings from WCEC 3 that it uses to prepare its overall estimate of fuel costs and fuel recovery factor. In terms of implementation, FPL will calculate projected fuel savings associated with WCEC 3 and develop a revised fuel cost recovery factor. FPL will submit the projected fuel savings to the Commission and also, pursuant to the Settlement Agreement, to the Intervenor Parties, who under the Settlement Agreement have the opportunity to review and challenge the calculated fuel savings (and thus the amount of recoverable capacity costs associated with West County Unit 3).**

11. Please provide the dollar allocation to each rate class for the total projected non-fuel annual revenue requirement associated with WCEC 3 for 2011 and for 2012.

**Intervenor Parties defer to FPL to provide the answer to #11.**

12. Please provide the dollar allocation of the total projected annual fuel savings associated with WCEC 3 for each rate class for 2011 and for 2012.

**Intervenor Parties defer to FPL to provide the answer to #12.**

13. What is the total impact on a 1,000 kwh residential bill of including WCEC 3 in rates for 2011? For 2012?

**Intervenor Parties defer to FPL to provide the answer to #13.**

14. a. Please refer to Paragraph 5 (c) of the Stipulation. Will FPL, in its projection testimony for Docket No. 100001-EI, state the pre-West County Unit 3 fuel factors and capacity cost recover factors and the post-West County Unit 3 fuel factors and capacity cost recovery factors?

**Yes. In addition, under the Settlement Agreement FPL will provide to the Intervenor Parties the information and data they need to assess FPL's projections of fuel savings.**

b. Other than Question 14 (a) above, how will the recognition of fuel savings associated with West County Unit 3 affect FPL's projection testimony, E Schedules, and exhibits in Docket No. 100001-EI?

**The Intervenor Parties defer to FPL to provide the answers regarding specific schedules and exhibits.**

**Paragraph 6 – Return on Equity**

15. Paragraph 6 of the Settlement states that the “FPSC actual, adjusted basis” and the “actual adjusted earned return” will reflect all adjustments to FPL's books required by Commission rule or order. Does this include the ratemaking adjustments regarding aviation costs and incentive compensation?

**Yes.**

**Paragraph 7 - Depreciation Reserve Surplus Amortization**

16. As clarification, what is the minimum amortization amount of the reserve surplus contemplated to be recorded in 2010?

**The Agreement provides that FPL may not amortize any of the reserve surplus if its actual, adjusted earned return on equity is 11% or more without the amortization. Therefore, the minimum amortization amount is zero in that circumstance. The Joint Movants anticipate that the more realistic scenario will be that FPL's actual, adjusted earned rate of return will be less than 11% without the amortization, and**

**that FPL will have the ability under the terms of the Settlement to amortize the amount of reserve surplus needed to reach 11% ROE.**

17. Part (c) of Paragraph 7 caps the amortization amount of the reserve surplus at \$267 million each year and limits the total amortization for the period of the Settlement to no more than \$776 million, unless a greater amount of amortization is needed for an FPSC actual adjusted return on equity of 9 percent. Assuming that \$776 million of the \$894 million reserve surplus identified in the Final Order is amortized during the Settlement period, \$118 million of the reserve surplus will remain in 2013. Does the Settlement contemplate that the remaining surplus amount of \$118 million would be amortized in 2013? If negative, please explain how the 4-year amortization of the \$894 million reserve surplus the Commission approved in the Final Order will be satisfied.

**Under the terms of the Settlement, FPL would satisfy the requirement that it amortize \$894 million of depreciation reserve surplus within four years unless the Commission requires a different result in a base rate proceeding prior to the expiration of the four year period.**

18. Excluding any discretionary amortization of the depreciation surplus discussed in paragraph 7, what is the annual depreciation expense FPL projects it will book for 2010?

**The Intervenor Parties defer to FPL to provide the answer to #18.**

19. How is depreciation expense recognized for WCEC 3? In the fuel clause? Or in a subsequent base rate proceeding? Explain.

**FPL will recognize and record the full depreciation expense associated with WCEC 3 on its books, financial statements, and reports as current expense during the period to which the depreciation expense relates in the normal fashion. The depreciation expense associated with WCEC 3 will be included in operating expenses and will be included in the calculation of earned return for the period to which the depreciation expense relates. The Settlement provides that there is to be no deferral of any of the costs of owning and operating WCEC 3, including depreciation expense.**

### **Other Questions**

20. For the purpose of this question, please refer to page 6 of FPL's Settlement, attached as Exhibit A to the August 20, 2010 Agreed Motion for Approval of Settlement Agreement.

a. Can FPL or any other party to this Settlement terminate it? Please explain your response.

**The Settlement cannot be terminated by FPL or another Party if FPL's actual, adjusted earned ROE remains within the range of 9% to 11%. If (1) the actual, adjusted ROE falls below 9% or exceeds 11%, (2) FPL or another Party seeks to increase base rates or reduce base rates, respectively, and (3) the Commission enters an order modifying base rates as a result of such a request, then the Settlement will terminate as of the effective date of the order modifying base rates.**

b. Please identify where in this Settlement the termination of this agreement is addressed.

**Paragraph 6 contains the provisions cited in the answer to (a) above.**

The Intervenor Parties have authorized the undersigned to submit this Response on their behalf.

J.R. Kelly  
Public Counsel

s/Joseph A. McGlothlin

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**DOCKET NOS. 080677-EI & 090130-EI**  
**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a copy of the foregoing **INTERVENOR PARTIES' RESPONSES TO STAFF'S DATA REQUESTS** has been furnished by electronic mail to the following parties on this 10<sup>th</sup> day of September, 2010.

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