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August 10, 2015

-VIA ELECTRONIC DELIVERY –

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

Re: Docket No. 150075-EI

Dear Ms. Stauffer:

Enclosed for filing on behalf of Florida Power & Light Company are its responses to FIPUG's First Data Request, dated August 5, 2015.

Please contact me at 561-304-5639, if you or your Staff have any questions regarding this filing.

Sincerely,

/s/ John T. Butler

John T. Butler

Enclosures
cc: Counsel for Parties of Record (w/encl.)

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic delivery on the 10th day of August 2015, to the following:

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By: *<u>/s/ John T. Butler</u>*
John T. Butler
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Q.

Paragraph 2c of the Settlement Agreement states that $85 million of the $520.5 million will be recovered in base rates until the next test year for a general base rate proceeding.

a. State the date when the $85 million would be moved to base rates.

b. State the date when the unamortized portion of the $85 million would be moved from base rates to the CCR.

c. Quantify the revenue requirement impact of moving the $85 million from the CCR to base rates for the assumed starting date in part a to the ending date in part b and provide workpapers showing all of the calculations and assumptions used in a "live" EXCEL workbook.

d. Will FPL accrue any interest on the $85 million to be transferred to base rates? If so, how much interest will be accrued and how will this be done?

A.

a. If the proposed Cedar Bay Settlement Agreement is approved, the $85 million will be moved to base rates upon closure of the transaction, and will coincide with the $435.5 million being added to the CCR.

b. The unamortized portion of the $85 million will be moved from base rates to the CCR to coincide with the beginning of FPL's next test year, currently expected to be January 1, 2017.

c. There is no impact on the revenue requirement from moving the $85 million from CCR to base rates. However, as the base portion of customer bills is frozen, the customers receive a benefit on their bill versus having full recovery through the CCR.

d. Yes, as FPL is moving $85 million into rate base, which is funded with both debt and equity, FPL will incur $3 million of interest expense. The interest expense will be absorbed in base rates during such time as the $85 million is recovered through base rates.

Q.

Please state the meaning of the phrase: "…until the next test year for a general rate case proceeding (or the equivalent). Specifically,

a. When would recovery revert from base rates to the CCR?

b. What is "the equivalent" of a general rate proceeding?

A.

a. Recovery of the unamortized portion of the $85 million will be moved from base rates to the CCR to coincide with the beginning of FPL's next test year, currently expected to be January 1, 2017.

b. The equivalent of a general base rate proceeding could be any sort of proceeding that had the effect of reviewing and resetting all or a substantial portion of FPL's base rates, including a settlement of any such proceeding.

Q.

Please state the reason(s) for reducing the $400 million Reserve Amount that FPL is permitted to amortize under the stipulation and settlement approved in Order No. PSC-12-0023-EI by $30 million dollars.

A.

While parties agreed that FPL should be able to continue to utilize reserve surplus from the 2012 Settlement Agreement, through negotiations it was agreed that the reserve should be reduced by $30 million to account for the revenue requirement associated with recovering the $85 million in base rates.

Q.

Please provide the workpapers showing the derivation of the $30 million estimated impact of placing the $85 million in base rates in a "live" EXCEL workbook.

A.

Attachments I and II (provided in electronic format) show, respectively, (i) the calculation of the Base Revenue Requirement under FPL's original proposal to recover the full $520.5 million regulatory asset through the Capacity Clause and (ii) the proposal in the Cedar Bay Settlement Agreement for $85 million of that regulatory asset to be transferred to base rates until FPL's next rate case test year (assumed to be 2017). The $30 million estimated impact is the approximate difference in 2015-2016 nominal base rate revenue requirements between the $29 million in FPL's original proposal (Attachment I, line H) and the $62 million reflected in the Cedar Bay Settlement Agreement (Attachment II, line H). This increase in base rate revenue requirements of approximately $30 million under the Cedar Bay Settlement Agreement will not affect the base rates charged to customers during 2015-2016 because of the base rate freeze in effect under the 2012 Rate Case settlement Agreement. However, it results in a corresponding decrease of approximately $30 million in the amount to be collected from customers through the Capacity Clause during 2015-2016.

Attachment I

Modified Presentation of Results of FPL's Economic Evaluation[1]

	(dollars in millions)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Nominal Total	Present Value[10]
A	Discount Factor[2]	0.99	0.94	0.88	0.81	0.76	0.70	0.66	0.61	0.57	0.53		
	Retail Rate Base												
B	Amortization[3]	$ (0)	$ (1)	$ (1)	$ (1)	$ (1)	$ (1)	$ (1)	$ (1)	$ (1)	$ (1)	$ (5)	$ (4)
C	Operating Expenses[4]	8	17	1	1	1	1	1	1	1	1	30	27
D	Asset Retirement Obligation[5]	1	3	-	-	-	-	-	-	-	-	4	4
E	Interest Expense[6]	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
F	Return on Equity[7]	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(1)	(0)
G	Income Tax	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
H	**Base Revenue Requirement**	**9**	**20**	**(0)**	**(0)**	**(0)**	**(0)**	**0**	**0**	**0**	**0**	**29**	**27**
	Clause												
I	Amortization[8]	$ 30	$ 91	$ 91	$ 91	$ 91	$ 91	$ 91	$ 91	$ 91	$ 91	$ 847	$ 616
J	Interest Expense[6]	3	10	9	7	6	5	4	3	2	1	49	40
K	Return on Equity[7]	10	30	26	23	19	16	12	9	5	2	151	122
L	Income Tax	6	19	16	14	12	10	8	5	3	1	95	77
M	Subtotal	49	149	142	135	128	121	115	108	101	94	1,143	854
N	FPL System Impact[9]	3	9	3	15	11	9	15	18	22	22	127	86
O	Capacity Payment	(42)	(129)	(134)	(139)	(144)	(149)	(155)	(161)	(167)	(173)	(1,393)	(993)
P	Capacity Bonus	(2)	(6)	(6)	(6)	(6)	(7)	(7)	(7)	(7)	(8)	(62)	(44)
Q	Total Avoided Costs of PPA	(43)	(135)	(140)	(145)	(151)	(156)	(162)	(168)	(174)	(181)	(1,455)	(1,038)
R	**Clause Revenue Requirement**	**9**	**23**	**5**	**5**	**(11)**	**(25)**	**(32)**	**(42)**	**(51)**	**(65)**	**(185)**	**(98)**
S	**Net Customer Costs/(Savings)**	**17**	**43**	**5**	**5**	**(11)**	**(25)**	**(32)**	**(42)**	**(51)**	**(64)**	**(156)**	**(70)**

1) Totals may not sum due to rounding
2) Discount Factor is based on weighted average cost of capital of 7.51% discounted to September 1, 2015
3) Reflects amortization of the regulatory liability associated with the plant book/tax difference
4) Operating Expenses include operations and maintenance, land lease, rail lease, and change in net working capital
5) Reflects amortization of ARO Asset and accretion of ARO Liability
6) Interest expense assumes cost of debt of 5.05%
7) Assumes after-tax return on equity of 10.5%
8) Reflects amortization of the $520.5 million regulatory asset associated with loss on the PPA and respective income tax gross up
9) Includes incremental system fuel costs, start-up costs, variable O&M, environmental compliance costs, and short-term purchases
10) Present value is calculated as the sum the annual values multiplied by the respective discount factor

Attachment II

Assumes $85 MM of Regulatory Asset is Held in Retail Base through 2016

Results of FPL's Economic Evaluation[1]

	(dollars in millions)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Nominal Total	Present Value[10]
A	Discount Factor[2]	0.99	0.94	0.88	0.81	0.76	0.70	0.66	0.61	0.57	0.53		
	Retail Rate Base												
B	Amortization[3]	$ 5	$ 14	$ (1)	$ (1)	$ (1)	$ (1)	$ (1)	$ (1)	$ (1)	$ (1)	$ 15	$ 15
C	Operating Expenses[4]	8	17	1	1	1	1	1	1	1	1	30	27
D	Asset Retirement Obligation[5]	1	3	-	-	-	-	-	-	-	-	4	4
E	Interest Expense[6]	1	2	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	2	2
F	Return on Equity[7]	2	5	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	6	6
G	Income Tax	1	3	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	4	4
H	**Base Revenue Requirement**	**17**	**44**	**1**	**(0)**	**(0)**	**(0)**	**0**	**0**	**0**	**0**	**62**	**59**
	Clause												
I	Amortization[8]	$ 25	$ 76	$ 91	$ 91	$ 91	$ 91	$ 91	$ 91	$ 91	$ 91	$ 828	$ 597
J	Interest Expense[6]	3	8	8	7	6	5	4	3	2	1	47	38
K	Return on Equity[7]	8	25	26	23	19	16	12	9	5	2	144	115
L	Income Tax	5	16	16	14	12	10	8	5	3	1	91	72
M	Subtotal	41	124	141	135	128	121	115	108	101	94	1,110	823
N	FPL System Impact[9]	3	9	3	15	11	9	15	18	22	22	127	86
O	Capacity Payment	(42)	(129)	(134)	(139)	(144)	(149)	(155)	(161)	(167)	(173)	(1,393)	(993)
P	Capacity Bonus	(2)	(6)	(6)	(6)	(6)	(7)	(7)	(7)	(7)	(8)	(62)	(44)
Q	Total Avoided Costs of PPA	(43)	(135)	(140)	(145)	(151)	(156)	(162)	(168)	(174)	(181)	(1,455)	(1,038)
R	**Clause Revenue Requirement**	**1**	**(1)**	**4**	**5**	**(11)**	**(25)**	**(32)**	**(42)**	**(51)**	**(65)**	**(218)**	**(129)**
S	**Net Customer Costs/(Savings)**	**17**	**43**	**5**	**5**	**(11)**	**(25)**	**(32)**	**(42)**	**(51)**	**(64)**	**(156)**	**(70)**

1) Totals may not sum due to rounding
2) Discount Factor is based on weighted average cost of capital of 7.51% discounted to September 1, 2015
3) Reflects amortization of the $85 million regulatory asset associated with the loss on the PPA allocated to retail base rates through 2016 and respective income tax gross up, less the regulatory liability associated with the plant book/tax difference
4) Operating Expenses include operations and maintenance, land lease, rail lease, and change in net working capital
5) Reflects amortization of ARO Asset and accretion of ARO Liability
6) Interest expense assumes cost of debt of 5.05%
7) Assumes after-tax return on equity of 10.5%
8) Reflects amortization of the $435.5 million regulatory asset associated with loss on the PPA and respective income tax gross up
9) Includes incremental system fuel costs, start-up costs, variable O&M, environmental compliance costs, and short-term purchases
10) Present value is calculated as the sum the annual values multiplied by the respective discount factor

Q.

Please state when base rate recovery is assumed to cease in determining the estimated $30 million estimated base revenue requirement.

A.

Base rate recovery of the $85 million is assumed to cease, and CCR recovery is assumed to begin, at the expiration of FPL's 2012 Settlement Agreement, which is currently December 31, 2016.

Q.

Please quantify the ratepayer benefits, if any, of limiting the recovery of payments under the rail car lease for the Cedar Bay Facility to the lesser of actual net payments (after crediting sublease revenues) or 50% of the face amount of the lease payments at the existing or renegotiated rail car lease rate.

A.

Limiting the recovery of rail car lease payments to the lesser of actual net payments or 50% of the face amount of the contracted lease rates would provide customers approximately $4M in savings versus FPL recovering the full face amount of contracted lease payments.

Q.

Please quantify the ratepayer benefits if any of limiting the recovery of payments under the ground lease for the Cedar Bay Facility to the lesser of actual lease payments (after crediting sublease revenues) or 50% of the face amount of the lease payments at the existing or renegotiated ground lease rate.

A.

Our economic evaluation contemplated recovering costs through the end of 2024 to coincide with the remaining term of the PPA. Limiting the recovery of ground lease payments over that remaining term to the lesser of actual net payments or 50% of the face amount of the contracted lease rates would provide customers approximately $1M in savings versus FPL recovering the full face amount of contracted lease payments.

Q.

Please explain the additional ratepayer protections related to the limits on FPL's recovery of rail car lease and ground lease payments.

A.

FPL intends to vigorously explore and pursue available alternatives to minimize the amount of rail car and ground lease payments after the Cedar Bay facility is retired. This course of action is buttressed by the caps on recovery under the proposed Cedar Bay Settlement Agreement.

Q.

Please provide a projection of the annual rail car and ground lease payments that FPL would charge ratepayers for the duration of the settlement and explain how those charges would be recovered.

A.

Under the terms of the Ground Lease, the lease payments reset to a market rate in 2015. Cedar Bay and Rock-Tenn are currently in the process of negotiating the actual amount of the payment. Based upon a third party professional appraisal, FPL has budgeted annual lease payments for the remaining term of the lease in the amount referenced in FPL witness Thomas Hartman's July 1, 2015 deposition at page 72, line 20 (previously designated confidential). Since the payments are to be established at market, FPL estimates that once the plant is dismantled in 2017, the site can be subleased for the amount of the lease payment for the remaining term of the lease. Under Section 3(e) of the proposed Cedar Bay Settlement Agreement, lease payments will be recovered through base rates. After closure of the Facility, FPL's recovery will be limited to the amount of the lease net any sublease payments, capped at 50% of the existing or renegotiated lease amount.

Rail car lease payments per month through January 2025 are in the amount previously provided in FPL's Confidential response to OPC's First Set of Interrogatories No. 4 (Attachment I) (previously designated confidential). Under Section 3(d) of the proposed Cedar Bay Settlement Agreement, rail car lease payments shall be recovered through the fuel clause. Upon closure of the Facility, recovery of rail car lease payments shall be limited to the lesser of actual net payments (after crediting sublease payments) or 50% of the face amount of the lease payments.

Q.
Please explain what incentive FPL would have under the Settlement to maximize the sublease revenues for the rail car and ground leases.

A.
FPL will have the same incentives it always has to reduce the costs incurred to provide service and thus help keep FPL's customer bills low, which is a consistent goal for the Company.

Q.

Please explain whether the hold harmless provision in paragraph (c)(iii) of the Settlement Agreement would require FPL to absorb and not charge ratepayers for any costs incurred for environmental remediation in excess of the proceeds from the $40 million environmental liability insurance. Does this mean that FPL will not seek to recover from ratepayers any costs incurred for environmental remediation in excess of the proceeds from the $40 million environmental liability insurance? Please explain your response.

A.

To the extent any prudently incurred environmental cleanup costs are not covered by insurance or through indemnification provisions, FPL would seek recovery through base rates. However, FPL does not envision any scenarios whereby it would need to seek additional recovery for amounts not covered by insurance or indemnification provisions, other than possibly amounts incurred up to the $100,000 insurance deductible if they were for some reason not subject to indemnification.

Q.

Please quantify the additional equity return (both in dollars and as a percent of rate base) that FPL will earn under this settlement for each of the years that the regulatory asset is amortized using the $520.5 purchase price versus the equity return that FPL would earn if the top end purchase price recommended by OPC's expert witness Brunault, $370 million dollars, is adopted.

A.

FPL has not performed the specific analysis requested. The calculated required return on investment on a lower purchase price such as $370 million would naturally be lower than on the negotiated purchase price of $520.5 million. That mathematical calculation is irrelevant to review of the proposed Cedar Bay Settlement Agreement, however, because there never was an offer to sell FPL the equity interest in CBAS Power Inc. for $370 million. FPL and Carlyle engaged in extensive, arm's-length negotiations that resulted in the agreed purchase price of $520.5 million.

Q.

Please quantify the additional equity return (both in dollars and as a percent of rate base) that FPL will earn under this settlement for each of the years that the regulatory asset is amortized using the $520.5 purchase price versus the equity return that FPL would earn if it had not acquired Cedar Bay.

A.

This question appears to be asking for a comparison between the Cedar Bay Transaction and continuing to make payments under the unfavorable Cedar Bay PPA. FPL's Exhibit TLH-4 (hearing Exhibit 5) shows that comparison, including the return on equity that FPL would recover under the Cedar Bay Transaction (see Line F of the exhibit). There is no equity return on the payments FPL makes under the unfavorable Cedar Bay PPA, but if FPL were to continue making those payments for the remaining term of the PPA, Exhibit TLH-4 (hearing Exhibit 5) shows that customers would pay an additional $70 million NPV ($156 million nominal) than they would under the Cedar Bay Transaction.

Q.

Please detail the dollar savings ratepayers associated with the Settlement Agreement as compared to FPL's case as filed and explain the basis for the response.

A.

From a "perfect ratemaking" economic evaluation standpoint, customers continue to realize a benefit of $70 million associated with the proposed transaction. However, because the base portion of customer bills is frozen through the end of 2016, customers will receive an additional benefit on their bill associated with removing the $30 million in revenue requirements on the $85 million from CCR rates and shifting it to base rates which will not be increased. In addition, as addressed in the responses to FIPUG's First Data Request No. 6 and No. 7, it is possible that customers would benefit from reduced recovery of rail car and ground lease payments if sublease revenues did not equal at least 50% of those lease payments. Finally, in the remote possibility that FPL's liability for environmental cleanup, net of indemnification, exceeded the $20 million limit of the existing environmental liability insurance policy, customers would benefit from the $40 million insurance limit that FPL is required to maintain pursuant to proposed Cedar Bay Settlement Agreement.