



William P. Cox
Senior Attorney
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408-0420
(561) 304-5662
(561) 691-7135 (Facsimile)
E-mail: Will.P.Cox@fpl.com

December 14, 2020

-VIA ELECTRONIC FILING-

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

**RE: Docket No. 20200242-EI – Gulf Power Company’s Responses to Staff’s First
Data Request (Nos. 1-5)**

Dear Mr. Teitzman:

Please find enclosed for electronic filing Gulf Power Company’s responses to Staff’s First Data Request (Nos. 1-5).

If there are any questions regarding this filing, please contact me at (561) 304-5662.

Sincerely,

/s/ William P. Cox
William P. Cox
Fla. Bar No. 0093531

Enclosure

cc: Shaw Stiller, Sr. Attorney
Russell Badders, Esq., VP & Associate General Counsel, Gulf Power Company

QUESTION:

Please refer to Gulfs Petition for approval of regulatory assets related to the retirements of plant Crist 4-7 (Petition) and Exhibit 2, Attachment AE-1. Paragraph 13 of the Petition reads "[t]hrough this petition, Gulf seeks authority from the Commission to establish two regulatory assets, one for base and one for the ECRC, representing the unrecovered investments (i.e., remaining Net Book Value ("NBV")) associated with the early retirement of the coal generation assets for Crist 4-7." Paragraph 16 of the Petition reads "Attachment AE-1 - schedules presenting the estimated plant balances, accumulated depreciation reserve balances, and the calculation of the estimated remaining NBV for the coal generation assets for Crist 4-7 of approximately \$462 million as of the date of retirement. "

- a. Please confirm that the itemized cost amounts as of 10/15/2020 of the petitioned Regulatory Asset for Base, which represent the unrecovered/remaining Net Book Value of the early retired Crist 4-7, are presented in Attachment AE-1, Line Nos. 1 - 29. If not, please provide further explanation.
- b. Is it correct that the total dollar amount of the petitioned Regulatory Asset for Base, detailed in column (3) Total Unrecovered Cost of Attachment AE-1, does not include the cost of removal and salvage that are associated with the retirements of Crist 4-7? Please explain your response.
- c. If your response to Question No. 1.b. is affirmative, is it correct that those costs will be addressed through the dismantlement reserve, instead of the typical cost of removal or salvage treatment? Please explain your response.
- d. Please identify the dollar amount of remaining inventory balance, if any, associated with the retired Crist 4-7 as of the retirement date 10/15/2020.
- e. Has the amount discussed in Question No. 1.d, if non-zero, been included in the petitioned Regulatory Asset for Base? Please explain your response.
- f. Please identify all the environmental compliance devices, controls, and systems that are associated with the operations of Plant Crist 4-7.
- g. Please confirm that all the plant assets discussed in Question No. 1.f will be/have been retired with Crist 4-7. If not, please provide further explanation.
- h. Please confirm that the itemized cost amounts as of 10/15/2020 of the petitioned Regulatory Asset for the ECRC, which represent the unrecovered/remaining Net Book

Value of the Crist 4-7 environmental compliance plant assets, are presented in Attachment AE-1, Line Nos. 32 –58. If not, please provide further explanation.

- i. Is it correct that the petitioned Regulatory Asset for the ECRC, or column (3) Total Unrecovered Cost of Attachment AE-1, does not include the costs of removal and salvages that are related to the Crist 4-7 environmental compliance plant assets? Please explain your response.
- j. If your response to Question No. 1.i. is affirmative, is it correct that those costs will be addressed through the dismantlement reserve, instead of the typical cost of removal or salvage treatment? Please explain your response.
- k. Please identify the amount of remaining inventory balance, if any, associated with the Crist 4-7 environmental compliance plant assets as of 10/15/2020. 1. Has the amount discussed in Question No. 1.k, if non-zero, been included in the petitioned Regulatory Asset for the ECRC? Please explain your response.

RESPONSE:

- a. Yes, the itemized cost amounts as of 10/15/2020 of the petitioned Regulatory Asset for Base are presented in Attachment AE-1, Line Nos. 1-29. Amounts in column (3) represent the Net Book Value of the early retired Crist 4-7 coal generating assets.
- b. Yes, the unrecovered costs in column (3) do not include cost of removal and salvage that are associated with the retirements of Crist 4-7 Base coal generating assets.
- c. Yes, the costs of removal and salvage will be accounted for through the dismantlement reserve upon dismantlement of the units.
- d. The remaining coal inventory balance for Crist 4-7 at 10/31/2020 was approximately \$19M, including the coal at the plant site, state docks and coal in-transit.

The remaining materials and supply inventory for Crist 4-7 at 10/31/2020 was approximately \$17M. Gulf continues to analyze the inventory balance to determine items still usable in on-going operations associated with other generation.

- e. No, the remaining inventory balances that are no longer usable with the retirement of coal generating assets or cannot be salvaged will be charged to the dismantlement reserve.

- f. The primary Plant Crist air emission control equipment includes: a flue gas desulfurization (FGD) scrubber, electrostatic precipitators, hydrated lime injection and low-NO_x burner systems for all four units, Selective Non-Catalytic Reduction (SNCR) systems on Units 4-5, Selective Catalytic Reduction (SCR) systems on Units 6-7, and continuous emission monitoring systems (CEMs) for each stack. Associated equipment includes the urea, sodium bicarbonate, ammonia, limestone and gypsum handling and storage equipment as well as miscellaneous supporting equipment.

The primary water compliance equipment includes: Once-through helper cooling tower for Units 4 and 5, closed-loop cooling tower systems for Units 6 and 7, gypsum dewatering and handling systems, stormwater management systems, and industrial wastewater treatment systems and ponds, including the lined gypsum storage area. An underground injection control system is also utilized for wastewater management. Associated equipment includes chemical handling and storage equipment and miscellaneous supporting equipment.

Plant Crist utilizes a dry ash handling system for fly ash collection and a hydrobin system for bottom ash dewatering. Ash collected from the systems that is not marketed for reuse is stored in an onsite permitted ash storage area.

- g. The low NO_x burners will remain in-service, and the continuous emissions monitoring systems (CEMs) will remain in-service for all stacks other than the scrubber stack. Common equipment installed as part of the air emission control projects that will continue to be utilized for future operations, such as office buildings and stormwater managements systems, will remain in-service to support gas-fired operations.

The Plant Crist water compliance equipment noted in response to Question No. 1(f) will remain in service to support gas-fired operations of Units 4-7 and common equipment. The UIC wells will also be used for the new combustion turbine units currently under construction.

Gulf is in the process of developing a plan to close the gypsum storage area and associated ponds; however, the gypsum ponds need to remain in-service to provide stormwater and wastewater treatment for common areas until a new treatment system is designed for the common areas.

The ash handling systems and landfill area will be retired; however, the associated stormwater management systems will remain in-service.

- h. Yes, the itemized cost amounts as of 10/15/2020 of the petitioned Regulatory Asset for ECRC are presented in Attachment AE-1, Line Nos. 32-58. Amounts in column (3) represent the Net Book Value of the early retired Crist 4-7 assets.

- i. Yes, the unrecovered costs in column (3) do not include cost of removal and salvage that are associated with the retirements of Crist 4-7 environmental compliance plant assets.
- j. Yes, the costs of removal and salvage will be accounted for through the dismantlement reserve upon dismantlement of the units.
- k. Gulf does not identify inventory balances for materials and supplies as associated with base or environmental compliance plant assets until the time of issuance from inventory. The remaining inventory balance that is no longer usable with the retirement of coal generating assets or cannot be salvaged will be charged to the dismantlement reserve.

QUESTION:

Please explain the difference(s) Gulf envisions between the recovery process / mechanism/period applicable to the Regulatory Asset for Base and the Regulatory Asset for the ECRC, if any.

RESPONSE:

Gulf envisions petitioning for the recovery of both the Regulatory Asset for Base and the Regulatory Asset for ECRC in the next rate proceeding. The Regulatory Asset for Base will be recovered through base rates while the Regulatory Asset for ECRC will be recovered through Gulf's Environmental Cost Recovery Clause mechanism.

QUESTION:

Please elaborate as to why Gulf “anticipates that it will request future revisions be made to its depreciation rates to reflect the retirement of the Crist 4-7 coal generation assets.”

RESPONSE:

Plant Crist assets currently are depreciated at the same rate, which was determined based on the current mix of generating assets, including assets utilized only in coal generation, asset utilized only in gas generation and common assets. With the coal assets retired, the next Gulf Depreciation Study will determine if any changes to this rate are appropriate.

QUESTION:

When will Gulf start to dismantle Crist 4-7?

RESPONSE:

To clarify, Gulf has only retired the Crist 4-7 coal generation assets and assets associated with other generation remain in service. Gulf has not yet established the schedule for physical dismantlement of the coal generation assets.

QUESTION:

Paragraph 16 and Exhibit 2, Attachment AE-1 of the Petition indicate that the total amount of the petitioned Regulatory Assets, or the estimated remaining NBV for the coal generation assets for Crist 4-7 as of the retirement date 10/15/2020 is approximately \$462 million. Paragraph 3 of the Petition indicates that “Gulf had originally planned to [...] retire the coal generation assets and capacity of Crist 4-7 on or about December 31, 2021[.]” Assuming Gulf were to repair Crist 4-7 and continue with its original plan to retire these units after the fourth quarter of 2021, what would be the estimated remaining NBV for Crist 4-7 coal generation assets as of 12/31/2021?

RESPONSE:

The coal generation assets in service at Plant Crist prior to retirement had a Gross Book Value of approximately \$689 million, and, as noted, net book value was approximately \$462 million as of 10/15/2020. Assuming no further capital additions were made, these assets would have had a net book value of approximately \$429 million as of 12/31/2021.