

650

**FPL's Responses to Staff's
19th Set of Interrogatories,
Nos. 497-500, 504, 506, 515-517,
Supplemental Response to 517,
522-523, and 528-531**

Q.

For questions 497-500, please refer to paragraph 9(b) of the Stipulation and Settlement.

How does FPL intend to fund dismantlement activities at the time of plant shutdown if its dismantlement reserve is flowed-back to its current customers?

A.

Future dismantlement activities will be funded through current and future dismantlement accruals determined from dismantlement studies filed with the Commission. Authorized accruals are to be collected over the remaining life of the units to be dismantled.

Q.

For questions 497-500, please refer to paragraph 9(b) of the Stipulation and Settlement.

Please explain in detail whether FPL's proposal to flow-back its current dismantlement reserve violates the regulatory principle whereas service costs are borne by the customers who receive the benefits of investment and not passed to future a generation of customers.

A.

No, it will not. FPL's recent modernization projects have allowed for the construction of new generating plants at existing plant sites and thereby defer for 30 years or more the need to incur the full cost of green field dismantlement at those sites. Therefore, a portion of its currently accrued dismantlement reserve will not be needed until much later than previously anticipated, which would appropriately accommodate the dismantlement flow-back contemplated by the proposed settlement agreement.

Q.

For questions 497-500, please refer to paragraph 9(b) of the Stipulation and Settlement.

Please explain in detail whether FPL is aware of any other investor-owned electric utility that has been allowed to flow-back fossil plant dismantlement reserves.

A.

At this time, FPL has not identified other investor-owned utilities that have specifically used a flow-back of fossil plant dismantlement reserves but FPL notes that Progress Energy Florida is currently authorized to flow back a portion of the very similar reserve for cost of removal, under the settlement agreement approved in Docket No. 120022-EI.

Q.

For questions 497-500, please refer to paragraph 9(b) of the Stipulation and Settlement.

Does FPL currently have a theoretical reserve surplus in its Fossil Dismantlement Reserve? If yes, what is the calculated surplus amount?

A.

FPL estimates annual dismantlement accruals when filing periodic dismantlement studies that are reviewed by the Commission. After reviewing all the evidence in FPL's 2009 Rate Case, the Commission authorized approximately \$18.5 million in dismantlement annual accruals effective with 2010, and FPL continues to accrue that amount annually. During the term of the settlement, these accruals will add approximately \$74 million to the dismantlement reserve. Therefore, FPL expects no more than a net \$135 million reduction in the dismantlement reserve (i.e., \$209 million maximum flow-back during the settlement term pursuant to Paragraph 10(b) of the proposed settlement agreement, less \$74 million of accruals).

FPL has not performed a dismantlement study since 2009 and therefore, is unable to provide a precise calculation or updated estimate of the annual dismantlement accrual or any imbalances in the dismantlement reserve at this time; however, all other things equal, as indicated in FPL's response to Staff's Nineteenth Set of Interrogatories No. 498, FPL's construction of the modernization projects will have a downward effect on the level of the accrual and any calculation of a reserve imbalance, and thus, mitigate the use of \$135 million in fossil dismantlement.

Q.

For questions 501-506, please refer to paragraph 12(a)(i) of the Stipulation and Settlement.

Please provide a detailed explanation (including examples) of how a gain on a short-term wholesale purchase will be calculated.

A.

The savings associated with short-term wholesale purchases will be calculated through the same methodology that FPL currently utilizes for calculating gains on short-term wholesale sales and savings on short-term wholesale purchases. FPL utilizes two applications to determine marginal (incremental) pricing for sales and purchases. Marginal pricing for transactions greater than one hour in duration is developed utilizing GenTrader software. Marginal pricing for next-hour transactions is developed utilizing a program called "Economy A" which is part of FPL's EMS system. GenTrader and "Economy A" are unit commitment programs that provide optimal system dispatch output data based on numerous inputs including fuel prices, generation parameters and load data. These programs are used to determine the projected marginal costs for each transaction under consideration. The marginal cost data for each transaction is compared to the purchase or sale price of power to determine savings or gains. The marginal cost data for all transactions is shown in aggregate for each counterparty on Schedule A6 as the "Total \$ for Fuel Adjustment" and on Schedule A9 as the "Cost if Generated" in Docket No. 120001-EI. An example of the savings calculation for a short-term purchase is shown below:

Transaction Evaluated:

FPL is offered a next-day economy purchase of 100 MW from hour ending 0800 through hour ending 2300 at \$35 per MWh.

Projected Marginal Cost:

FPL runs its GenTrader program to determine that its average marginal cost of generation during these hours is \$55 per MWh.

Savings Calculation:

-Total cost of power = 16 hours * 100 MW * \$35 per MWh = \$56,000.

-The "Cost if Generated" = 16 hours * 100 MW * \$55 per MWh = \$88,000.

-FPL saves \$88,000 - \$56,000 = \$32,000 on this transaction versus its cost of generation.

Q.

For questions 501-506, please refer to paragraph 12(a)(i) of the Stipulation and Settlement.

FPL currently recovers the cost of gas storage - monthly storage reservation charges, fuel retention, commodity charges for injection and withdrawal, and monthly insurance charges - through the fuel cost recovery clause. In Docket No. 060392-EI, FPL represented that having firm gas storage will increase system reliability and reduce gas price volatility. How would these benefits be affected if FPL releases firm storage or sells gas in storage?

A.

FPL's primary focus is system reliability, and FPL will not engage in any activities that negatively impact system reliability. The benefits of increased system reliability and reduced gas price volatility will not be impacted if FPL releases firm storage or sells gas in storage. FPL is proposing to optimize its storage asset(s) during non-critical demand seasons when it does not plan to carry full inventory. FPL's primary intent would be to optimize, if possible, any unutilized capacity during the shoulder months. Additionally, optimization of FPL's storage capacity could potentially include the use of an Asset Management Agreement ("AMA") whereby the optimization function could be outsourced to a third party to help provide additional customer value while maintaining the current levels of system reliability and reduced volatility.

Q.

For questions 514-519, please refer to paragraph 12(a)(iii) of the Stipulation and Settlement.

Differentiate the impact on customer savings between the \$36 million "Customer Savings Threshold" and the incremental \$10 million "Additional Customer Savings."

A.

The impact on customer savings between the \$36 million and the \$10 million is the same. Customers will receive 100% of the benefit up to \$46 million (the combination of the \$36 million and \$10 million).

Q.

For questions 514-519, please refer to paragraph 12(a)(iii) of the Stipulation and Settlement. Does the "Customer Savings Threshold" and the "Additional Customer Savings" apply to the same customer classes?

A.

Yes.

Q.

For questions 514-519, please refer to paragraph 12(a)(iii) of the Stipulation and Settlement.

Does FPL anticipate new wholesale sales agreements, pipeline capacity, storage capacity, or gas sales opportunities that will contribute to reaching the thresholds in paragraph 12(a)(iii)? Please explain and identify these new activities.

A.

FPL is not currently aware of any anticipated new wholesale sales agreements, pipeline capacity, storage capacity, or gas sales opportunities that will contribute to reaching the threshold. FPL does not presently have any plans to enter into new agreements for the purpose of asset optimization. FPL will continue to evaluate and enter into agreements/transactions that benefit the reliability of fuel supply and help lower overall fuel costs for FPL's customers.

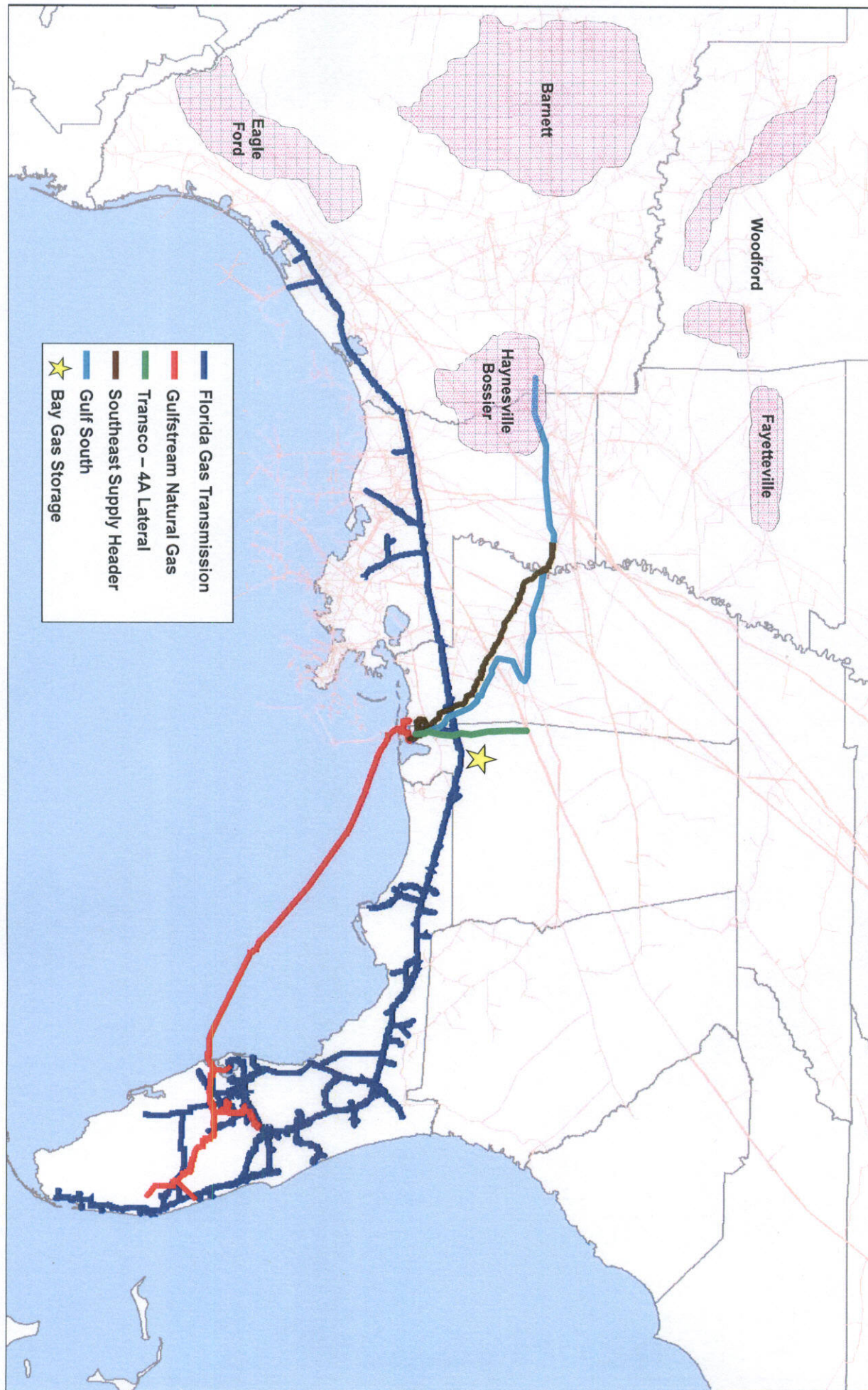
Q.

For questions 514-519, please refer to paragraph 12(a)(iii) of the Stipulation and Settlement.

Does FPL anticipate new wholesale sales agreements, pipeline capacity, storage capacity, or gas sales opportunities that will contribute to reaching the thresholds in paragraph 12(a)(iii)? Please explain and identify these new activities.

A.

As described in the original response, FPL will only enter into new agreements/transactions that benefit reliability, help lower overall fuel costs, or both. FPL consistently evaluates its natural gas requirements and considers potential transactions that could increase the reliability and/or economic benefit of its natural gas portfolio. FPL recently has entered into two new pipeline capacity agreements with Gulf South Pipeline Company ("Gulf South"). The first agreement is for seasonal firm transportation capacity from 2013 through 2017. The second agreement is associated with a Gulf South expansion and is for ten years of firm transportation capacity beginning in 2015. The primary benefits of this transportation capacity, consistent with FPL's goal, are increased reliability, receipt point diversification, and in the case of the second agreement, a new mainline interconnect with FGT. Moreover, the new pipeline capacity will allow FPL to take advantage of basis differentials in the purchase of gas for its generating fleet, and FPL expects the resulting fuel savings to help off-set the cost of the pipeline capacity agreements. It is also possible that this new transportation capacity will offer expanded asset optimization opportunities, the gains from which would benefit customers under the proposed incentive mechanism. Attachment No. 1 to this interrogatory is an exhibit showing FPL's current portfolio of natural gas assets, including the new Gulf South transportation.



Q.

For questions 520-523, please refer to paragraph 12(b) of the Stipulation and Settlement.

Regarding the O&M costs, please explain in detail how these costs will be reported in the fuel clause proceeding.

A.

As described in paragraph 12(b)(ii), FPL will recover variable power plant O&M costs if wholesale sales exceed 514,000 MWh. To the extent this occurs, FPL will report the variable power plant O&M costs on the "Total Gains Schedule" described in paragraph 12(a)(i) that FPL will file each year as part of its Fuel Cost Recovery Final True-Up filing.

Q.

For questions 520-523, please refer to paragraph 12(b) of the Stipulation and Settlement.

Please state in detail whether it is FPL's intent to recover the incremental O&M costs incurred in implementing its expanded short-term wholesale purchases and sales programs as well as the asset optimization measures, even if no gains as described in 12(a)(ii) are realized under the programs.

A.

Yes. FPL's intent is to recover the incremental O&M costs incurred for implementing its expanded optimization program regardless of the level of gains/savings achieved.

Q.

For questions 528-531, please refer to FPL's response to item 506 of Staff's Nineteenth Set of Interrogatories to Florida Power & Light. Also refer to paragraph 12(a)(ii) of the settlement and to the bullet on the Asset Management Agreement (AMA).

Please state whether the third party will be independent of FPL and Next Era Energy. Please explain and, as part of the response to this question, define "third party" as used in the stipulation and settlement.

A.

Yes. FPL intends the reference to a third party in paragraph 12(a)(ii) to be defined as an entity that is independent of FPL or NextEra Energy.

Q.

For questions 528-531, please refer to FPL's response to item 506 of Staff's Nineteenth Set of Interrogatories to Florida Power & Light. Also refer to paragraph 12(a)(ii) of the settlement and to the bullet on the Asset Management Agreement (AMA).

The AMA would allow the optimization of functions such as gas storage, gas deliveries, upstream gas purchases, gas transportation, electric transmission, and possibly other functions to be outsourced to a third party. This suggests that efficiencies would be gained with this outsourcing. Why hasn't FPL already sought to take advantage of these efficiencies and pass the benefits on to customers?

A.

FPL has had discussions with unaffiliated third parties regarding Asset Management Agreements within the past two years. Given the decrease in the volatility of natural gas prices, the overall lower level of natural gas prices, and the narrowing of basis differentials between geographic locations, to date FPL has not been able to reach commercially acceptable terms with a third party that are advantageous to FPL's customers. FPL anticipates that, if those market conditions changed in the future, however, that it may become beneficial to FPL and its customers to engage in an Asset Management Agreement.

Q.

For questions 528-531, please refer to FPL's response to item 506 of Staff's Nineteenth Set of Interrogatories to Florida Power & Light. Also refer to paragraph 12(a)(ii) of the settlement and to the bullet on the Asset Management Agreement (AMA).

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Q.

For questions 528-531, please refer to FPL's response to item 506 of Staff's Nineteenth Set of Interrogatories to Florida Power & Light. Also refer to paragraph 12(a)(ii) of the settlement and to the bullet on the Asset Management Agreement (AMA).

In addition to the above, please refer to FPL's response to item 507 of Staff's Nineteenth Set of Interrogatories to Florida Power & Light. Why does FPL not currently sell gas out of storage for gains and credit the gain to fuel costs?

A.

Selling natural gas out of storage is not currently part of an approved optimization program and is not part of the existing incentive mechanism. FPL's opportunity to engage productively in these forms of asset optimization is still evolving, so the potential to utilize them remains untested for the most part. FPL's gas utilization has increased in recent years and its portfolio of gas transportation and storage has grown to match, offering new opportunities when these assets are not needed to serve native load to deploy them in ways that reduce fuel expenses for FPL's customers. FPL also notes that, absent an approved program and associated incentive mechanism, FPL would bear the risk for the outcome of each transaction, with no prospect for sharing in the gain. Due to this asymmetrical risk, FPL has not entered into sales of natural gas from storage.

Q.

For questions 528-531, please refer to FPL's response to item 506 of Staff's Nineteenth Set of Interrogatories to Florida Power & Light. Also refer to paragraph 12(a)(ii) of the settlement and to the bullet on the Asset Management Agreement (AMA).

In addition to the above, please refer to FPL's response to item 508 of Staff's Nineteenth Set of Interrogatories to Florida Power & Light. Why does FPL not currently sell idle gas transportation and idle electric transmission and credit the gain to fuel costs?

A.

FPL does not currently sell idle gas transportation for the same reasons indicated in FPL's response to Staff's Nineteenth Set of Interrogatories No. 530.

FPL does engage in the sale of idle electric transmission. FPL owns long-term firm electric transmission service on the Southern Company system to support its UPS purchased power agreements. Under the terms of the UPS agreements, if FPL does not schedule UPS power by the day-ahead deadline defined in each agreement, FPL loses its scheduling rights for the next-day. If FPL determines that it does not require UPS power for a given day, it can re-post its electric transmission service on Southern Company's OASIS system for other entities to purchase. The revenues from any such sales of idle electric transmission capacity are credited to customers through the fuel clause and/or capacity clause.

AFFIDAVIT


(Robert E. Barrett, Jr.)

State of Florida)

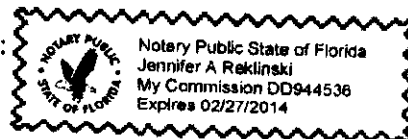
County of Palm Beach)

I hereby certify that on this 17th the day of October, 2012, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Robert E. Barrett, Jr, who is personally known to me, and he acknowledged before me that he sponsored the answer to Request Nos. 476-491 and 495-500 from Staff's Nineteenth Set of Interrogatories to Florida Power & Light Company in Docket No. 120015-EI, and that the responses are true and correct based on his personal knowledge.

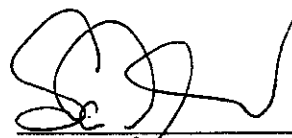
In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 17th day of October, 2012.


Notary Public, State of Florida

Notary Stamp:



AFFIDAVIT




Sam A. Forrest

State of Florida)

County of Palm Beach)

I hereby certify that on this 14 day of October, 2012, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Sam A. Forrest, who is personally known to me, and he acknowledged before me that he sponsored the answers to **Interrogatory Nos. Nos. 501-523, and 528-533**, from Staff's 19th Set of Interrogatories to Florida Power & Light Company in Docket No. 120015-EI, and that the responses are true and correct based on his personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 14 day of October, 2012.



Notary Public, State of Florida

Notary Stamp:



AFFIDAVIT



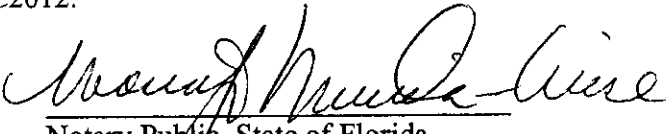
Sam A. Forrest

State of Florida)

County of Palm Beach)

I hereby certify that on this 12th day of November 2012, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Sam A. Forrest, who is personally known to me, and he acknowledged before me that he sponsored the answer to **Supplemental Interrogatory No. 517**, from Staff's 19th Set of Interrogatories to Florida Power & Light Company in Docket No. 120015-EI, and that the response is true and correct based on his personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 24th day of November 2012.



Notary Public, State of Florida

Notary Stamp:



651

**FPL's Responses to Staff's
20th Set of Interrogatories,
Nos. 534-545, 547, 549-556, 558-560,
564-565, 567-568, 572-573, 576,
591-594, and 596**

Q.

By their omission from Appendix B of the proposed settlement agreement, please confirm that the following tariff pages remain unchanged from the currently approved tariff sheets on file:

General Service Non Demand
Thirty-eight Revised Sheet No. 8.101
Twenty-sixth Revised Sheet No. 8.103

General Service Large Demand -3
Nineteenth Revised Sheet No. 8.551
Twenty-fifth Revised Sheet No. 8.552

Traffic Signals
Thirty-fifth Revised Sheet No. 8.730

Contract Provision
Fifteenth Revised Sheet No. 10.010

A.

Yes. Note that for Tariff Sheet 10.010, using an ROE of 10.7% results in an annual facility rental rate of 23% of the installed cost of facilities, which is the same rental rate under the currently approved tariff.

Q.

What was the estimated revenue impact included in FPL's 2013 rate case for the Extended Power Uprate Systems that FPL has now filed as a separate base rate increase in Docket No. 120244-EI? In your response, please state the bill impact on a 1,000 kWh residential bill based on the estimated revenue requirement.

A.

There is no revenue impact associated with the Extended Power Uprate Systems placed in service in 2012 (2012 EPU) included in FPL's 2013 rate case. All costs associated with the 2012 EPU were removed from rate base and net operating income through Commission adjustments as reflected on MFR B-2 and C-2, respectively. Page 1 of Exhibit RBD-12 includes the \$2.59 1000 kWh bill impact of the 2012 EPU as presented in attachment C to FPL's Petition for Base Rate Increase for Extended Power Uprate Systems Placed in Commercial Service filed in Docket No. 120244-EI on October 1, 2012. This bill impact accounts for the EPU base rate increase only and does not take into account the fuel and environmental savings that these projects provide to FPL's customers.

Q.

What is the revenue requirement for the Extended Power Uprate Systems included in Docket 120244-EI? In your response, please state the bill impact on a 1,000 kWh residential bill based on that revenue requirement.

A.

The 12 month retail jurisdictional revenue requirement for the Extended Power Uprate Systems placed into service in 2012 is \$246,047,170, including a true-up related to the 2011 base rate revenue requirement. (The original filed amount of \$246,053,294 was subsequently corrected in response to a data request in Docket No. 120244-EI.) The bill impact is \$2.59 on a typical 1,000 kWh monthly residential bill. This bill impact accounts for the EPU base rate increase only and does not take into account the fuel and environmental savings that these projects provide to FPL's customers.

Q.

When does FPL anticipate the filing of the final EPU System base rate increase? In your response, please state the effective date FPL anticipates for this base rate increase, and the expected base rate increase related to the uprate.

A.

FPL plans to file the final EPU System base rate increase in the third or fourth quarter of 2013 with a potential true-up filing in 2014. Rates are to be effective on the first billing cycle day of January 2014, with any true-up effective on the first billing cycle day of January 2015. FPL will not have all of the data needed to determine the expected base rate increase for assets that are placed into service in 2013 and any true-up related to the 2012 base rate revenue requirement until shortly before the filing is made.

Q.

Does FPL know of any other potential base rate increases that it plans on filing during the four year term of the stipulation and settlement agreement not already included within the agreement?

A.

No, there are no known additional base rate increases for the four year term of the stipulation and settlement agreement other than what is already included within the agreement.

Q.

For the four year term of the proposed stipulation beginning January 1, 2013, please provide the annual, total, and cumulative total revenue requirements to be collected pursuant to the proposed stipulation for the following units:

- a. Canaveral Modernization Project (projected to go into service June 2013);
- b. Riviera Modernization Project (projected to go into service June 2014);
- c. Port Everglades Modernization Project (projected to go into service June 2016).

A.

See FPL's response to Staff's Twentieth Set of Interrogatories No. 541.

Q.

For the four year term of the proposed stipulation beginning January 1, 2013, please provide the projected annual, total, and cumulative total revenue requirements for the following units:

- a. Canaveral Modernization Project (projected to go into service June 2013);
- b. Riviera Modernization Project (projected to go into service June 2014);
- c. Port Everglades Modernization Project (projected to go into service June 2016).

A.

See FPL's response to Staff's Twentieth Set of Interrogatories No. 541.

Q.

For the four year term of the proposed stipulation beginning January 1, 2013, please provide the annual, total, and cumulative total difference in actual revenue requirements and the revenue requirements to be collected pursuant to the proposed stipulation for the following units:

- a. Canaveral Modernization Project (projected to go into service June 2013);
- b. Riviera Modernization Project (projected to go into service June 2014);
- c. Port Everglades Modernization Project (projected to go into service June 2016).

A.

See Attachment No. 1 for the requested revenue requirement comparison. The assumptions for the revenue requirements reflected on the attachment are consistent with the amounts reflected on FPL witness Barrett's Exhibit REB-10, which was provided along with his direct testimony on the Proposed Settlement Agreement that was filed with the Commission on October 12, 2012. The revenue requirements calculated for the GBRA increase, shown on Attachment No. 1, are the amounts the Company expects to receive over the first 12 months of the operations of each plant. However, pursuant to the terms of the Proposed Settlement Agreement, if the capital costs of any of the plants is lower than that used in calculating the first 12 month revenue requirements, the Company will lower its revenue recovery and provide refunds to customers to reflect the lower capital costs. The Company can only provide the first year revenue requirements for each plant as it does not have a forecast beyond that to allow it to properly reflect other changes to the estimated costs including additional capital expenditures or growth in plant, operating expenses, insurance, property taxes, and other related costs.

**Theoretical Comparison of First Year Revenue Requirements
and Projected Revenue Requirements
(\$ millions)**

	First Year Annualized Revenue Requirements (GBRA)	Revenues to be Recovered ⁽⁴⁾	Difference
Cape Canaveral ⁽¹⁾	\$ 165.3	\$ 165.3	\$ -
Riviera ⁽²⁾	236.0	236.0	\$ -
Port Everglades ⁽³⁾	217.9	217.9	\$ -
Total	\$ 619.2	\$ 619.2	\$ -

Notes:

(1) Based on the following assumptions: the revised Cape Canaveral Modernization Project costs and expenses included in the Appendix to FPL's post hearing brief filed on September 21, 2012, the as-filed, incremental capital structure, the revised long term debt cost rate as described by FPL in its post hearing brief, and the settlement ROE of 10.7%. The projected in-service date for Canaveral is June 1, 2013.

(2) Based on the following assumptions: the projected capital costs and expenses included in the Riviera Modernization project need determination filing, the as filed and revised incremental capital structure and cost rates for the Canaveral Modernization Project, and the settlement ROE of 10.7%, consistent with Paragraph 8(c) of the Proposed Settlement Agreement. The projected in-service date for Riviera is June 1, 2014.

(3) Based on the following assumptions: the projected capital costs and expenses included in the Port Everglades Modernization project need determination filing, the as filed and revised incremental capital structure and cost rates for the Canaveral Modernization Project, and the settlement ROE of 10.7%, consistent with Paragraph 8(c) of the Proposed Settlement Agreement. The projected in-service date for Port Everglades is June 1, 2016.

(4) Based on the estimated step increase base rate filed methodology which is equivalent to GBRA.

Q.

Please describe in detail the actions taken by FPL to draft, introduce, and seek sponsorship of the amendment to CS for SB 2094 filed in the Florida Senate on February 10, 2012 entitled: "366.95 Certified generation Adjustment."

A.

See FPL's Objections to Staff's Twentieth Set of Interrogatories previously filed on October 22, 2012. Notwithstanding and without waiving those objections, FPL states that it did support the amendment to CS/SB 2094 proposed during the 2012 legislative session.

Q.

Please describe in detail the action taken by the Legislature on the proposed amendment.

A.

Consistent with FPL's general objection regarding the provision of publicly available information, detail regarding the action taken by the Legislature on the proposed amendment can be located at (<http://www.flsenate.gov/Session/Bill/2012/2094>).

Q.

Please complete the table below showing the year in which plant additions entered commercial service, the total capital costs of each plant, and each year that a general rate proceeding was concluded.

Year	Plant addition (Name)	Plant cost (\$)	Base rate proceeding
2000			
2001			
2002			
2003			
2004			
2005			
2006			
2007			
2008			
2009			
2010			
2011			
2012			

A.

See Attachment No. 1 for the requested plant additions, total plant costs, and each year that a general rate proceeding was concluded. Note, the total plant costs are stated as of when the plant began commercial operation and include any related land, distribution, transmission, and other costs directly associated with the generation plant addition. In addition, the listing excludes nuclear uprates and solar facilities as these are recovered through a mechanism other than a general base rate proceeding.

As reflected in Attachment No. 1, FPL's general base rate proceedings over the course of the requested period concluded with stipulation and settlement agreements. These settlement provisions included depreciation credits, the cessation of certain accruals, which, together with all other provisions of the respective agreements, were sufficient to mitigate the cost increases associated with the new plant additions. Further, please note that high sales growth can partially offset the increased revenue requirements associated with bringing new power plants into service. FPL's sales growth was very high from 1985 through 2005, but has slowed substantially thereafter.

Plant Additions from 2000 through 2012

Year	Plant Addition (Name)	Plant Cost (\$) ⁽¹⁾	Base Rate Proceeding
2000	None	\$ -	None - Operating Under Stipulation and Settlement Agreement - Order No. PSC-99-0519-AS-EI
2001	Martin Unit 8 Simple Cycle Operation of 2 CT's	\$ 97,214,790	None - Operating Under Stipulation and Settlement Agreement - Order No. PSC-99-0519-AS-EI
2002	Ft Myers Unit 2 Repowering Combined Cycle Operation	\$ 497,319,789	Stipulation and Settlement Agreement - Order No. PSC-02-0501-AS-EI ⁽⁵⁾
	Sanford Repowering Unit 5 Combined Cycle Operation ⁽²⁾	\$ 351,147,202	
2003	Sanford Repowering Unit 4 Combined Cycle Operation ⁽²⁾	\$ 348,447,094	None - Operating Under Stipulation and Settlement Agreement - Order No. PSC-02-0501-AS-EI
	Combustion Turbine Peaking Units Ft Myers	\$ 119,680,384	
2004	None	\$ -	None - Operating Under Stipulation and Settlement Agreement - Order No. PSC-02-0501-AS-EI
2005	Manatee Unit 3 Combined Cycle Operation	\$ 476,806,319	Stipulation and Settlement Agreement - Order No. PSC-05-0902-S-EI ⁽⁶⁾
	Martin Unit 8 Combined Cycle Operation	\$ 390,270,642	
2006	None	\$ -	None - Operating Under Stipulation and Settlement Agreement - Order No. PSC-05-0902-S-EI
2007	Turkey Point Unit 5 Combined Cycle Operation ⁽³⁾	\$ 546,599,306	None - Operating Under Stipulation and Settlement Agreement - Order No. PSC-05-0902-S-EI (GBRA)
2008	None	\$ -	None - Operating Under Stipulation and Settlement Agreement - Order No. PSC-05-0902-S-EI
2009	West County Unit 1 Combined Cycle Operation ^{(2),(3)}	\$ 727,784,082	None - Operating Under Stipulation and Settlement Agreement - Order No. PSC-05-0902-S-EI (GBRA)
	West County Unit 2 Combined Cycle Operation ^{(2),(3)}	\$ 592,431,224	
2010	None	\$ -	Order No. PSC-10-0153-FOF-EI, Docket No. 080677-EI ⁽⁷⁾
2011	West County Unit 3 Combined Cycle Operation ⁽⁴⁾	\$ 842,152,567	Stipulation and Settlement Agreement - Order No. PSC-11-0089-S-EI ⁽⁸⁾
2012	None	\$ -	None - Operating Under Stipulation and Settlement Agreement - Order No. PSC-11-0089-S-EI

Notes:

(1) Amounts reflected are as of the commercial operation date and include the cost of land, construction overheads and AFUDC. Costs associated with FPL's solar plants and nuclear unit uprates are excluded as these costs are recovered through a mechanism other than a general base rate proceeding. These are capital costs, not revenue requirements.

(2) Costs related to distribution plant, general plant, site common, intangible plant, and transmission plant were assigned the same budget activity code for both units at each site. For purposes of this request, the presentation of these costs have been allocated based on the ratio of generation costs to the total costs for the respective units.

(3) Base rates were increased commensurate with commercial operation of this unit via the GBRA mechanism approved by the Commission in Order No. PSC-05-0902-S-EI, Docket No. 050045-EI.

(4) Pursuant to Order No. PSC-11-0089-EI, Docket No. 080677-EI, FPL was authorized to recover the lower of revenue requirements or fuel savings through its capacity clause factor commensurate with the commercial operation of this unit.

(5) Settlement term was April 15, 2002 through December 31, 2005.

(6) Settlement term was January 1, 2006 through December 31, 2009.

(7) Order was superseded by stipulation and settlement agreement in note 8.

(8) Settlement term is February 1, 2011 through December 31, 2012.

QUESTION

For Interrogatory Nos. 545-548, please refer to paragraph 12(a)(ii) of the proposed stipulation and settlement.

Please describe in detail each form of asset optimization mentioned in this paragraph.

RESPONSE

Gas Storage Optimization - FPL may be able to either sub-lease a portion of its gas storage capacity or sell gas directly out of storage. FPL would seek to execute these types of transactions predominately during non-critical demand periods when full gas storage volumes are not required. The revenue that would be generated from either type of transaction, a lease payment or a gain on the sale of gas, would directly benefit customers by reducing overall natural gas expenses.

Delivered City-Gate Gas Sales - FPL may be able to make natural gas sales in the Market Area utilizing its natural gas transportation capacity when it is not needed for its own requirements. While the opportunity for these types of sales is limited due to FPL's high utilization of its firm gas transportation and the necessity to retain a portion of its gas transportation to cover forecast errors, if FPL was able to execute this type of sale, the gain would benefit customers by reducing overall natural gas expenses.

Production (Upstream) Area Gas Sales - FPL would engage in these types of gas sales when generation or consumption requirements change, forcing FPL to balance its natural gas supply with its demand. These types of sales are made in the Production Area and do not require FPL to use its natural gas transportation capacity. Opportunities could potentially exist outside of balancing requirements. Gains for these transactions would benefit customers by reducing overall natural gas expenses.

Capacity Release of Gas Transportation - FPL could directly sell a piece of its gas transportation capacity for short durations when it is not needed for its own requirements. While the opportunity for these types of sales is limited due to FPL's high utilization of its firm gas transportation and the necessity to retain a portion of its gas transportation to cover forecast errors, if FPL was able to execute this type of sale, the revenues would benefit customers by reducing overall natural gas expenses.

Electric Transmission Sales - FPL could engage in the resale of idle electric transmission service that it owns on a third party transmission system. FPL currently engages in the sale of idle electric transmission because it owns long-term firm electric transmission service on the Southern Company system to support its UPS purchased power agreements. Under the terms of the UPS agreements, if FPL does not schedule UPS power by the day-ahead deadline defined in each agreement, FPL loses its scheduling rights for the next day. If FPL determines that it does not require UPS power for a given day, it can re-post its electric transmission service on Southern Company's OASIS system for other entities to purchase.

Because the electric transmission service would otherwise go unutilized, the revenue received from this type of transaction directly reduces the cost of unutilized electric transmission service for FPL's customers.

AMA -- FPL could outsource a portion of the optimization of its natural gas storage or natural gas transportation capacity to a third party in exchange for a premium and potentially a share of optimization revenues generated by the third party. The third party would be independent of FPL or NextEra Energy, Inc. and would typically have an existing portfolio of assets that, when combined with FPL's asset(s), could be optimized to provide value to both entities. The third party would be better suited to extract the value of FPL's asset(s) from both a resource perspective (i.e., personnel, expertise, market presence...etc.) and from a portfolio of assets perspective.

Q.

For Interrogatory Nos. 545-548, please refer to paragraph 12(a)(ii) of the proposed stipulation and settlement.

Please provide a hypothetical Asset Management Agreement, as described in paragraph 12 of the Settlement, that FPL believes would be eligible for inclusion in the incentive mechanism.

A.

FPL has received several informal AMA proposals from certain potential counterparties, which will be provided in FPL's response to Staff's Fifteenth Request for Production of Documents No. 92. At this point, however, FPL does not have what it considers to be a standardized form of AMA that would be appropriate for execution. FPL will describe below the types of provisions that it would expect to see included in a form AMA:

AMA's are typically structured as follows: a shipper (FPL) holding firm transportation and/or storage capacity, temporarily releases a portion of its capacity to an asset manager (Third party marketing company) which uses the released capacity to serve the gas supply requirements of the releasing shipper (FPL). By permitting capacity holders to use third party experts to manage their gas supply arrangements and their pipeline capacity, AMA's can lower gas supply costs for releasing shippers. AMA's provide, in general, for lower gas supply costs, resulting in ultimate savings for end-use customers.

AMA's generally include provisions for the asset manager to share with the releasing shipper the value it is able to obtain from the releasing shipper's capacity and other assigned assets. The asset manager may share that value by: (1) paying a fixed "optimization" fee to the releasing shipper; (2) sharing with the releasing shipper the asset manager's profits from the use of the released capacity and other assigned assets pursuant to an agreed-upon formula (3) making gas sales to the releasing shipper at a below-market commodity price; or (4) in some other way mutually agreed to by the contracting parties.

Hypothetical example of an Asset Management Agreement (AMA):

FPL releases 100,000 MMBtu/day of its total 580,000 MMBtu/day of firm gas transportation on the Southeast Supply Header (SESH) pipeline to Company XYZ. Company XYZ agrees to pay FPL an annual premium of \$120,000. FPL receives 100,000 MMBtu/day of natural gas at Delivery Point A for a cost that is no greater than what FPL would have paid for gas at Delivery Point A utilizing the transportation on its own. Company XYZ also agrees to pay FPL 25% of any revenues it receives from its optimization activities related to the 100,000 MMBtu/day of firm gas transportation.

Under this example, the reliability of fuel supply and the cost of natural gas are not impacted by entering into the AMA. At a minimum, FPL's total gas expenses are reduced by \$120,000 and could potentially be reduced additionally through the 25% of profit sharing.

Q.

Just considering economy sales and economy purchases, will FPL have savings on economy purchases (short-term wholesale purchases) that, along with gains on economy sales (short-term wholesale sales), will exceed \$46 million for any of the years 2013 through 2016? In your response, please explain in detail the savings.

A.

At this time, FPL is not projecting that the combination of gains on wholesale sales and savings on wholesale purchases (including purchases that are reported on Schedule A7) will exceed \$46 million for any of the years from 2013 through 2016. While specific events could occur that drive gains on wholesale sales and savings on wholesale purchases above currently projected levels, it would be impossible to project those types of random events and the impact that they would have on sales and purchases. FPL will continue to, as it does today, capitalize on all wholesale power transactions that help reduce overall fuel costs for FPL's customers.

Q.

For Interrogatory Nos. 550-555, please refer to paragraph 12(a)(i) of the proposed stipulation and settlement.

Please explain in detail if FPL expects a decrease in economy purchases for 2013 to 2016 compared to 2009 to 2012.

A.

Future projections of economy purchases (and sales) are highly uncertain. Many factors collectively drive FPL's ability to make economy power purchases, including the relationship between fuel prices, load, generation availability, overhaul schedules, transmission availability and the condition of other utility systems. From 2009 through 2012 (actual data through September and estimates from October through December), FPL purchased approximately 5.45 million MWh of economy power. From 2013 through 2016, FPL is projecting to purchase approximately 4.2 million MWh of economy power. FPL expects this overall decrease from previous levels due to the addition of highly efficient, combined cycle units at Cape Canaveral (2013), Riviera (2014) and Port Everglades (2016). FPL is projecting that the addition of these units will help lower, on average, FPL's marginal cost against which economy purchases are made, somewhat reducing FPL's ability to find lower cost power in the market. Additionally, and more significantly, the expected lowering of FPL's marginal cost would also reduce the savings margins from prior years. Therefore, FPL expects that the more significant decrease will occur in the savings realized through economy purchases rather than in the volume of economy purchases.

Q.

For Interrogatory Nos. 550-555, please refer to paragraph 12(a)(i) of the proposed stipulation and settlement.

Do the additions of TP5 and WCEC 1, 2, and 3 decrease the need for economy purchases during 2013 to 2016? Please explain.

A.

The addition of more efficient units does not necessarily decrease the need for economy purchases. The benefits of economy purchases always exist, and to the extent lower cost power is available, it will be purchased. As stated in FPL's response to Staff's Twentieth Set of Interrogatories No. 550, FPL believes that the additions of Cape Canaveral, Riviera and Port Everglades modernizations will make it slightly harder for FPL to find economy power purchases that can be made on favorable terms and will lower the savings margins associated with economy purchases. These expectations seem intuitive and also would have applied when TP5 and WCEC 1, 2 and 3 were brought on-line. Actual data from 2006 through 2012 demonstrates the difficulty in projecting wholesale power transactions, particularly when bringing new units on-line, and the importance of the factors (referenced in FPL's response to Staff's Twentieth Set of Interrogatories No. 550) that drive a utility's ability to participate in the wholesale power market. As expected, the addition of Turkey Point Unit 5 in 2007 appears to have impacted economy purchases in both 2007 and 2008 as both volumes and savings were down in both years as compared to 2006. In contrast, however, FPL's volumes of economy purchases, as well as savings margins, increased substantially in 2009 and 2010 even as WCEC Unit 1 and WCEC Unit 2 were brought on-line. While the volume of economy purchases decreased in 2011 from 2010 levels, total savings continued to be significant even with the addition of WCEC Unit 3. A major factor contributing to this trend beginning in 2009 was the increasing gap between heavy fuel oil and natural gas prices. As natural gas prices continued to decline, heavy oil prices remained relatively high and even increased at times. Therefore, FPL's ability to make economy purchases when heavy oil was on the margin increased significantly. In summary, unanticipated market forces mitigated in part, the impact that the addition of new units had on FPL's participation in the wholesale power market.

Q.

For Interrogatory Nos. 550-555, please refer to paragraph 12(a)(i) of the proposed stipulation and settlement.

Does the shift away from fuel oil generation to gas-fired generation reduce the need for economy purchases or lessen the volume of economy purchases for the period 2013 through 2016? Please explain in detail how it lessens the volume of economy purchases or reduces the need for economy purchases for the period 2013 through 2016.

A.

The volume of economy purchases can be impacted by a shift to a lower cost fuel, because that shift can impact one's ability to find available power in the market that is at a lower cost than one's own generation. As described in FPL's response to Staff's Twentieth Set of Interrogatories No. 551, the addition of highly efficient, gas-fired generation does not always have the expected impact on economy purchases due to the numerous factors that collectively drive the opportunity for economy power purchases. In theory, however, the fact that oil-fired generation is now approximately five times the cost of combined cycle generation, additional gas-fired generation should impact to some extent the volume of economy purchases and savings margins if the additional gas-fired generation reduces the need for oil-fired generation. FPL's projections for the 2013 through 2016 time period take this into account with slightly lower purchase volumes and significantly reduced overall savings.

Q.

For Interrogatory Nos. 550-555, please refer to paragraph 12(a)(i) of the proposed stipulation and settlement.

Please explain in detail if the changes in Interrogatory No. 552 affect FPL's ability to increase economy sales.

A.

FPL's ability to make economy sales is driven by the same factors that impact its ability to make economy purchases and therefore, future projections are highly uncertain. If FPL's reliance on heavy fuel oil decreases, lowering its average marginal cost, the opportunities to participate in the economy sales market should increase. FPL's projections for the 2013 through 2016 time period take this into account with slightly higher economy sales volumes and slightly higher gains.

Q.

For Interrogatory Nos. 550-555, please refer to paragraph 12(a)(i) of the proposed stipulation and settlement. Refer to paragraph 12(a)(iii) of the settlement.

Please explain in detail if the \$36 million is based on projected economy sales for 2013 and projected fuel savings for economy purchases for 2013.

A.

Yes. FPL's first threshold of \$36 million ("Customer Savings Threshold") is based on its 2013 projections for power sales gains and purchased power savings that were filed on August 31, 2012 in Docket No. 120001-EI. For 2013, FPL projects power sales gains of \$4,238,116 and purchased power savings of \$30,907,083, or \$35,145,199 in total.

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Q.

For Interrogatory Nos. 550-555, please refer to paragraph 12(a)(i) of the proposed stipulation and settlement.

Please identify the Commission orders that specifically support and authorize the calculation of fuel savings on Schedules E9 and A9 filed in the fuel docket (current Docket No. 120001-EI).

A.

The Minimum Filing Requirements set forth in the Commission Directive dated April 24, 1980, and revised by the Commission Memorandum issued by the Division of Electric and Gas dated December 13, 1994, support and authorize the Fuel Savings calculations on Schedules E9 and A9. The Schedule E9 and Schedule A9 forms included with the Commission Memorandum show the fuel savings calculations in column 8 and column 7, respectively.

QUESTION

Please complete the table below summarizing FPL's actual and projected gains from asset optimization as described in paragraph 12 of the settlement.

	Short-Term Wholesale Sales	Short-Term Wholesale Purchases	Gas Storage Utilization	Delivered city-gate gas sales using existing transport	Production (upstream) area sales	Capacity Release of gas transport	Capacity Release of electric transmission	Asset Management Agreement	Other
2007									
2008									
2009									
2010									
2011									
2012									
2013									
2014									
2015									
2016									

RESPONSE

Year	Short-Term Wholesale Sales	Short-Term Wholesale Purchases	Gas Storage Utilization	Delivered City-Gate Gas Sales	⁽¹⁾ Production Area Sales	Capacity Release of Gas Transport	Capacity Release of Electric Transmission	Asset Management Agreement	Other	Total
2007	18,545,406	16,274,883	0	0	0	0	0	0	0	34,820,289
2008	17,001,482	14,887,826	0	0	0	0	0	0	0	31,889,308
2009	10,700,431	39,751,658	0	0	0	0	0	0	0	50,452,089
2010	4,421,987	78,316,363	0	0	0	0	0	0	0	82,738,350
2011	4,918,688	64,644,735	0	0	0	0	43,500	0	0	69,606,923
⁽²⁾ 2012	3,627,951	38,460,208	0	0	0	0	589,066	0	0	42,677,225
2013	4,238,116	30,907,083							0	35,145,199
2014	4,620,331	20,241,887							0	24,862,218
2015	4,620,331	20,537,303							0	25,157,634
2016	4,620,331	26,824,181							0	31,444,512

⁽¹⁾FPL has made Production Area Sales in the past due to unexpected load changes, however FPL has not calculated gains or losses associated with these sales.

⁽²⁾2012 wholesale power data reflects actuals through September and estimates from October through December (2012 Actual/Estimated True-Up filed on August 1, 2012). Capacity Release of Electric Transmission reflects actuals through October 23, 2012.

FPL has not projected gains from asset optimization measures other than wholesale power sales and purchases for future years. FPL has not engaged in these additional asset optimization measures (except for the resale of idle electric transmission) and has no reference for the potential benefits that can be achieved. FPL has engaged in wholesale power transactions for numerous years and has accumulated a significant amount of historical data. While historical data is not necessarily a great predictor of future results, the data can be used to identify trends over time and it can then be adjusted to incorporate system changes, such as unit additions, to yield estimates that have some merit. Except for minimal electric transmission resale data, FPL does not have any historical data for other asset optimization measures as it has not executed these types of transactions. Furthermore, these types of transactions are extremely dependent on real-time system and market conditions which are not known at this time. From a reliability perspective, it would be difficult for FPL to commit ahead of time to any type of transaction regarding natural gas supply, transportation or electric transmission. Typically, these types of transactions would be done on a short-term basis (i.e., daily) when there is a high degree of certainty regarding system requirements. Due to this fact, projections for gains on these types of asset optimization measures at this time would have very little credibility. As described in the FPL's response to Staff's Nineteenth Set of Interrogatories No. 532, given the relatively low volatility that currently exists in the natural gas market, FPL believes that it could be difficult to execute these types of transactions in 2013.

Q.

Please provide a sample of the Total Gains Schedule that FPL is proposing to file in the Fuel clause pursuant to paragraph 12 of the Settlement. For the purposes of this sample please assume the projected gains, for the year 2013, provided in response to Interrogatory No. 556 above.

A.

Please see Attachment No. 1, a sample of the Total Gains Schedule FPL is proposing to file in the Fuel Clause pursuant to paragraph 12 of the Proposed Settlement Agreement. The wholesale power data shown on the schedule represents the data that FPL filed as part of its 2013 Projection Filing in Docket No. 120001-EI on August 31, 2012. The data shown in Column (6) of Table 1 for Asset Optimization Savings is hypothetical as FPL has not projected these savings. Additionally, FPL has included an "Incremental Optimization Costs" Schedule (Table 3) for reference. The values shown in Column (2) and (3) of Table 3 are hypothetical. The values shown in Column (5) of Table 3 represent FPL's 2013 projections for wholesale sales as filed on August 31, 2012 (2013 Projection Filing, Docket No. 120001-EI).

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Sample - "Total Gains Schedule"

TOTAL GAINS SCHEDULE
Actual for the Period of: January 2013 through December 2013

TABLE 1										
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Month	Wholesale Sales (MWh)	Wholesale Sales Total Gains (\$)	Wholesale Purchases (MWh)	Wholesale Purchases Total Savings (\$)	Asset Optimization Savings (\$)	Monthly Gains (MG)	Cumulative Gains (CG)	Threshold 1 CO ≤ \$36M 100% Customer Benefit (\$)	Threshold 2 \$36M > CO ≤ \$46M 100% Customer Benefit (\$)	Threshold 1 and 2 Total Customer Benefit (\$)
January	65,200	888,156	600	8,166	490,000	1,386,322	1,386,322	1,386,322	0	1,386,322
February	66,100	641,976	14,500	133,400	420,000	1,195,376	2,581,698	1,195,376	0	1,195,376
March	26,400	232,510	52,000	761,778	430,000	1,424,288	4,005,986	1,424,288	0	1,424,288
April	17,400	192,428	143,300	2,682,940	330,000	3,185,368	7,191,354	3,185,368	0	3,185,368
May	13,100	132,846	167,600	4,133,035	410,000	4,675,881	11,867,235	4,675,881	0	4,675,881
June	20,900	207,652	71,800	581,580	150,000	939,232	12,806,467	939,232	0	939,232
July	16,900	179,359	87,600	2,207,520	100,000	2,486,879	15,293,346	2,486,879	0	2,486,879
August	24,000	276,415	259,900	9,852,401	100,000	10,228,816	25,522,162	10,228,816	0	10,228,816
September	12,000	117,119	195,800	9,056,850	230,000	9,403,969	34,926,131	9,403,969	0	9,403,969
October	23,700	215,230	43,500	1,177,540	230,000	1,622,770	36,548,901	1,073,869	548,901	1,622,770
November	50,500	510,215	16,700	268,663	350,000	1,128,878	37,677,779	0	1,128,878	1,128,878
December	57,200	644,210	6,700	63,210	500,000	1,207,420	38,885,199	0	1,207,420	1,207,420
Total	413,400	4,238,116	1,060,000	30,907,083	3,740,000	38,885,199	38,885,199	36,000,000	2,885,199	38,885,199

(1) Month	(2) Cumulative Gains (CG)	(3) Incremental Gains (IG) \$46M > IG ≤ \$75M	(4) Incremental Gains (IG) \$75M > IG ≤ \$100M	(5) Incremental Gains (IG) IG > \$100M	(6) Threshold 3 \$46M > IG ≤ \$75M 30% Customer Benefit (\$)	(7) Threshold 3 \$46M > IG ≤ \$75M 70% FPL Benefit (\$)	(8) Threshold 4 \$75M > IG ≤ \$100M 40% Customer Benefit (\$)	(9) Threshold 4 \$75M > IG ≤ \$100M 60% FPL Benefit (\$)	(10) Threshold 5 IG > \$100M 50% Customer Benefit (\$)	(11) Threshold 5 IG > \$100M 50% FPL Benefit (\$)
January	1,386,322	0	0	0	0	0	0	0	0	0
February	2,581,698	0	0	0	0	0	0	0	0	0
March	4,005,986	0	0	0	0	0	0	0	0	0
April	7,191,354	0	0	0	0	0	0	0	0	0
May	11,867,235	0	0	0	0	0	0	0	0	0
June	12,806,467	0	0	0	0	0	0	0	0	0
July	15,293,346	0	0	0	0	0	0	0	0	0
August	25,522,162	0	0	0	0	0	0	0	0	0
September	34,926,131	0	0	0	0	0	0	0	0	0
October	36,548,901	0	0	0	0	0	0	0	0	0
November	37,677,779	0	0	0	0	0	0	0	0	0
December	38,885,199	0	0	0	0	0	0	0	0	0
Total		0	0	0	0	0	0	0	0	0

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INCREMENTAL OPTIMIZATION COSTS
Actual for the Period of: January 2013 through December 2013

TABLE 3

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Month	Personnel Expenses *	Other Expenses **	Wholesale Sales (MWh)	Cumulative Sales Generation (MWh)	Sales Generation Threshold*** (MWh)	Sales Generation Above Threshold (MWh)	Weighted Average Variable O&M**** (\$/MWh)	Incremental Variable O&M (\$)	Total Incremental O&M Expenses (\$)
	(\$)	(\$)	(MWh)	(MWh)	(MWh)	(MWh)	(\$/MWh)	(\$)	(\$)
January	37,500	0	85,200	85,200	514,000	0	1.51	0	37,500
February	37,500	0	66,100	151,300	514,000	0	1.51	0	37,500
March	37,500	0	26,400	177,700	514,000	0	1.51	0	37,500
April	37,500	0	17,400	195,100	514,000	0	1.51	0	37,500
May	37,500	6,250	13,100	208,200	514,000	0	1.51	0	43,750
June	37,500	6,250	20,900	229,100	514,000	0	1.51	0	43,750
July	37,500	6,250	16,900	246,000	514,000	0	1.51	0	43,750
August	37,500	6,250	24,000	270,000	514,000	0	1.51	0	43,750
September	37,500	6,250	12,000	282,000	514,000	0	1.51	0	43,750
October	37,500	6,250	23,700	305,700	514,000	0	1.51	0	43,750
November	37,500	6,250	50,500	356,200	514,000	0	1.51	0	43,750
December	37,500	6,250	57,200	413,400	514,000	0	1.51	0	43,750
Total	450,000	50,000	413,400			0		0	500,000

Footnotes:

* Personnel expenses are for payroll and loadings for three additional trading personnel in 2013

** Other expenses are for a software license lease that began in May 2013

*** "Sales Generation Threshold" is the level of wholesale sales assumed in projecting power plant O&M costs for the 2013 test year MFR's.

**** "Weighted Average Variable O&M" reflects the monthly variable power plant O&M costs projected in the 2013 test year MFR's.

***** Column (7) Formula: If Column (5) - Column (6) > 0, then Column (7) equals the lower of Column (5) - Column (6) or Column (4)

Q.

Please refer to paragraph 12(a)(ii) of the proposed stipulation and settlement and to FPL's response to staff's second data request #1(b) and (c), which are now Interrogatory Nos. 529 and 530. Order No. PSC-06-1053-S-EI allows FPL to recover the cost of gas storage in fuel cost recovery. Given this, please explain how FPL currently bears the risk of a gas storage transaction with no prospect of sharing in a gain.

A.

Order No. PSC-06-1053-S-EI states that the appropriate avenue for cost recover of natural gas monthly storage reservation charges, fuel retention and commodity charges for injection and withdrawal and monthly insurance charges associated with FPL's participation in Bay Gas and MoBay natural gas storage facilities is through the fuel clause. The order does not pre-approve the execution of optimization measures that could potentially result in gains or losses and the associated regulatory treatment. Therefore, FPL bears the risk of being deemed imprudent if it executes an optimization measure that results in a loss.

Q.

Please provide and describe in detail three plausible, likely scenarios of what has to occur for the incentive mechanism gains to exceed \$46 million.

A.

FPL believes that the threshold level of \$46 million is a "stretch" goal. The actual levels of benefits that can be achieved are driven by numerous factors, including random events that significantly impact market conditions. FPL must be ready to capitalize on all opportunities that exist, regardless of what was projected for each optimization measure. For example, as described in FPL's response to Staff's Twentieth Set of Interrogatories No. 551, when FPL brought WCEC Units 1, 2 and 3 on-line, real-time system and market conditions presented opportunities to reduce fuel expenses by purchasing power. While this was not the expectation, FPL was able to capitalize on those opportunities and significantly reduce overall fuel expenses. As shown in the table provided in FPL's response to Staff's Twentieth Set of Interrogatories No. 556, FPL's projections for gains and savings on wholesale power sales and purchases is lower, in total, for 2014, 2015 and 2016 when compared with 2013. Specific events such as extreme cold weather in the southeast coupled with mild temperatures in Florida could have a large impact on FPL's opportunities to make power sales in the winter; however those types of events are impossible to predict. The severity and duration of that type of event would also be important factors in driving a significant increase in gains. Conversely, extremely hot weather in Southern Florida for an extended period of time could increase the opportunities for FPL to purchase power if heavy oil becomes the predominant marginal fuel, in turn increasing savings margins. Finally, while FPL projects that its opportunity to engage in an AMA is very limited due to current gas market stability, a continued decrease in Gulf of Mexico off-shore production coupled with continuing strong, on-shore production could widen the basis differential between FGT Zone 3 pricing and the Perryville Hub making the market conducive to entering into an AMA. This type of change could also increase the value of other types of asset optimization measures.

Q.

Please complete the table below summarizing FPL's projected Incremental Optimizations Costs, as defined in paragraph 12 of the settlement, from asset optimization.

	Incremental O&M
2013	
2014	
2015	
2016	
2017	

A.

Year	Incremental Optimization Costs	
	Personnel, Software, Hardware	Variable Power Plant O&M
2013	\$500,000	\$0
2014	\$515,000	\$0
2015	\$530,450	\$0
2016	\$546,364	\$0
*2017	\$0	\$0

As described in FPL's response to Staff's Nineteenth Set of Interrogatories No. 533, filed on October 19, 2012 in Docket No. 120015-EI, FPL has not definitively determined what level of personnel, software, and/or hardware costs would be required to support an expanded optimization program. The values shown in the table represent an initial estimate for three additional personnel as well as supporting computer hardware and software, escalated at 3% per year. These estimates are subject to change based on the opportunities that are identified over time.

*The term of the Proposed Settlement Agreement is from 2013 through 2016. Therefore, Incremental Optimization Costs are projected to be \$0 for 2017 excluding any true-up amount from 2016.

Q.

Please provide an example of a variable power plant O&M cost, as described in footnote 3 of the settlement, that FPL believes may be incurred as a result of short-term wholesale sales.

A.

Chemicals (ammonia and phosphates) are used continuously to maintain the water chemistry quality in a unit's boiler and closed cooling water system to protect tubing from corrosion. Acids are used in the on-line analyzers to test water quality pH, silica, and phosphates. The amount of chemicals used is a function of unit output. When a wholesale power sale is made and a unit's output increases, the use of chemicals increases.

Q.

Will any FIPUG, SFHHA, or FEA members or entities represented by these groups engage in (or be likely to engage in) transactions with FPL or a third party administrator involving the incentive mechanism in paragraph 12 of the proposed stipulation and settlement? Please identify the entity/entities.

A.

FPL is not aware of any FIPUG, SFHHA, or FEA members or entities represented by these groups that will engage in transactions with FPL or a third party administrator involving the proposed Incentive Mechanism.

Q.

For Interrogatory Nos. 568-575, please refer to paragraph 12(a)(ii) of the proposed stipulation and settlement.

Why does FPL propose a third party for the optimization function instead of creating the value in-house?

A.

FPL is not proposing to outsource the entire optimization function to a third party. Rather, FPL is proposing that it could outsource the optimization function of a portion of its storage capacity or transportation capacity for specific positions that it holds. For example, FPL holds 580,000 MMBtu of firm transportation capacity on the Southeast Supply Header (SESH) pipeline, which is one specific transportation position. Through an AMA, FPL could allocate a portion of this position to a third party in exchange for a premium and/or profit sharing. The third party would typically have an existing portfolio of assets that, when combined with FPL's asset(s) could be optimized to provide value to both entities. The AMA would facilitate the extraction of additional value that FPL could not achieve on its own. The third party would be better suited to extract the value of FPL's asset(s) from both a resource perspective (i.e., personnel, expertise, market presence...etc.) and from a portfolio of assets perspective.

Q.

For Interrogatory Nos. 568-575, please refer to paragraph 12(a)(ii) of the proposed stipulation and settlement.

Please identify and describe currently active companies that FPL has considered or evaluated to be top candidates to provide the asset optimization services.

A.

FPL has had preliminary discussions with several entities regarding the potential for an AMA. At that time, FPL's discussions with NJR Energy Services Company, Louis Dreyfus Energy Services L.P., and Chevron Natural Gas resulted in the most in-depth exchange of information.

Q.

For Interrogatory Nos. 568-575, please refer to paragraph 12(a)(ii) of the proposed stipulation and settlement.

Please name the top 8 holders of firm transportation capacity on the FGT pipeline and on the Gulfstream pipeline.

A.

The top eight (8) holders of firm transportation capacity on the FGT pipeline are: 1) Florida Power & Light Company; 2) Angola LNG Supply Services; 3) Peoples Gas System; 4) Florida Gas Utility; 5) Progress Energy Florida; 6) Tampa Electric Company; 7) Orlando Utilities Commission; and 8) RRI Energy Services. The top eight (8) holders of firm transportation capacity in the Market Area on the FGT pipeline are: 1) Florida Power & Light Company; 2) Peoples Gas System; 3) Florida Gas Utility; 4) Progress Energy Florida; 5) Tampa Electric Company; 6) Orlando Utilities Commission; 7) RRI Energy Services; and 8) Seminole Electric Cooperative.

The top eight (8) holders of firm transportation capacity on the Gulfstream pipeline are: 1) Florida Power & Light Company; 2) Progress Energy Florida; 3) Calpine Energy Services; 4) Tampa Electric Company; 5) Peoples Gas System; 6) Seminole Electric Cooperative; 7) City of Lakeland; and 8) Central Florida Gas Company, Florida Municipal Power Agency (tie). There are currently only nine (9) firm capacity holders listed on the Gulfstream natural gas pipeline Index of Customers.

Q.

Could the incentive mechanism create rates, credits, rebates, or incentives that will benefit specific customers and not the general body of ratepayers (or at the expense of the general body of ratepayers)? Please explain.

A.

No. All benefits of the Incentive Mechanism will be flowed back to customers through the fuel and/or capacity clause so the entire body of customers will share in the benefit.

Q.

Please refer to the last sentence of paragraph 12(a)(i) of the proposed stipulation and settlement. Does FPL intend for the Commission to make a prudent cost determination for each asset optimization measure as part of the final true-up review in the fuel docket? In your response, please explain the criteria for determining eligibility for inclusion in the incentive mechanism.

A.

Yes. FPL will provide the Commission with all necessary supporting documentation for all transactions executed for the Incentive Mechanism. To the extent that FPL executes a transaction(s) that is not listed in paragraph 12(a)(ii) of the Proposed Settlement Agreement, FPL will provide the Commission with additional documentation supporting the reasons for inclusion.

Q.

Please refer to paragraph 12(b) of the proposed settlement. FPL explains that the final true-up "Incremental Optimization Costs" would be provided for the prior year and subject to review and Commission approval. Would the Commission be required to approve annually the incremental optimization costs involving Asset Optimization? By what vehicle or docket would the Commission conduct this review?

A.

Yes. FPL will include estimates of the Incremental Optimization Costs associated with incremental personnel, software and hardware with its annual projection filing in the fuel clause each year. This will be identical to the manner in which FPL recovered incremental operating and maintenance expenses incurred for the purpose of initiating and/or maintaining a new or expanded hedging program. To the extent that FPL projects its power sales will exceed 514,000 MWh (the level of sales assumed for the purpose of forecasting 2013 test year power plant O&M costs in the MFRs filed with the 2012 Rate Petition), estimated variable power plant O&M costs will also be included in the annual projection filing as a charge to the "Fuel Cost of Power Sold" in the month they are projected to be incurred. All Incremental Optimization Cost estimates will be subject to the standard true-up mechanism. The review of these costs would be conducted in the fuel docket through the normal provisions the Commission utilizes to conduct reviews of any fuel clause data.

Q.

Currently, are personnel, software, and variable O&M costs associated with short-term wholesale power sales and purchases charged to base rates? In your response, please explain.

A.

Yes. Currently, personnel, software, and hardware costs associated with short-term wholesale power sales and purchases are charged to base rates. Expenses associated with short-term wholesale power sales and purchases are included in the Trade Floor, Accounting, Risk, and Systems Cost Centers. The costs accumulated in these Cost Centers then roll-up to Business Area AO1. Expenses summarized in AO1 are included as base costs. Likewise, variable power plant O&M costs associated with short-term wholesale power sales below the 514,000 MWh threshold level included in FPL's 2013 Test Year would be charged to base rates.

The "Incremental Optimization Costs" included in the Proposed Settlement Agreement are broken down into two categories: (1) incremental personnel, software and hardware costs associated with managing the various asset optimization activities; and (2) variable power plant O&M costs incurred to generate additional wholesale sales. Incremental personnel, software, and hardware costs are for the implementation of an expanded optimization program. Incremental variable O&M costs would be applied to power sales in excess of the 514,000 MWh level included in base rates.

Q.

Should the Commission consider the incentive mechanism/asset optimization part of the proposed settlement (paragraph 12) in a generic policy proceeding involving all Florida IOUs and intervenors? Please explain.

A.

The specific terms of the proposed Incentive Mechanism were negotiated as part of the settlement agreement and, accordingly, should be considered as part of the proceedings in Docket No. 120015-EI. Such a mechanism, in the way that other elements of a settlement agreement may be unique to a party, can be applied to one Florida IOU without the need to consider a broader application; moreover, this Incentive Mechanism was not negotiated on behalf of other Florida IOUs and FPL would not purport to speak on their behalf.

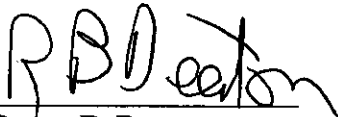
Q.

Please describe in detail the worst case for FPL customers regarding the incentive mechanism.

A.

The worst case for FPL's customers would be a situation where the additional value of the expanded optimization program does not off-set the Incremental Optimization Costs FPL incurs in implementing the expanded optimization program. FPL believes these costs (Please see FPL's response to Staff's Twentieth Set of Interrogatories No. 564) will be very modest, however, in comparison to the \$46 million of savings that customers will receive before FPL begins to share in the savings that it produces.

AFFIDAVIT


Renae B. Deaton

State of Florida

County of Palm Beach

I hereby certify that on this 24th day of Oct., 2012, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared **Renae B. Deaton**, who is personally known to me, and she acknowledged before me that she co-sponsored the answers to Interrogatory Nos. **535**, **536**, and sponsored the answers to Interrogatory Nos. **534** from **Staff's Twentieth** Set of Interrogatories to Florida Power & Light Company in Docket No. 120015-EI, and that the responses are true and correct based on her personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 24th day of Oct., 2012.


Notary Public, State of Florida

Notary Stamp:



AFFIDAVIT

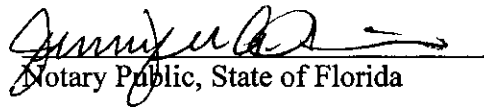

(Robert E. Barrett, Jr.)

State of Florida)

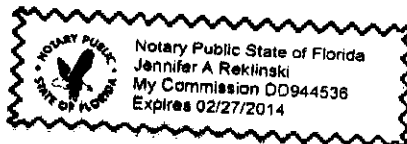
County of Palm Beach)

I hereby certify that on this 24th day of October, 2012, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Robert E. Barrett, Jr, who is personally known to me, and he acknowledged before me that he co-sponsored the answers to Request Nos. 535-536 and sponsored the answers to Request Nos. 537-541 and 544 from Staff's Twentieth Set of Interrogatories to Florida Power & Light Company in Docket No. 120015-EI, and that the responses are true and correct based on his personal knowledge.


In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 24th day of October, 2012.


Notary Public, State of Florida

Notary Stamp:



AFFIDAVIT




Sam A. Forrest

State of Florida)
County of Palm Beach)

I hereby certify that on this 24th day of October 2012, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared **Sam A. Forrest**, who is personally known to me, and he acknowledged before me that he sponsored the answers to **Interrogatory Nos. 545-596**, from Staff's 20th Set of Interrogatories to Florida Power & Light Company in Docket No. 120015-EI, and that the responses are true and correct based on his personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 24th day of October, 2012.



Notary Public, State of Florida

Notary Stamp:



652

**FPL's Responses to Staff's
21st Set of Interrogatories,
Nos. 597-606**

Q.

According to Order No. PSC-11-0381-PAA-EI, issued September 12, 2011, in Docket No. 100458-EI, In re: Petition for approval of 2010 nuclear decommissioning study, by Florida Power & Light, the Commission ordered FPL to file its next nuclear decommissioning study no later than December 13, 2015. Does FPL intend to file its next nuclear decommissioning study in accord with the order, i.e., no later than December 13, 2015? If not, please explain.

A.

Yes. The proposed settlement agreement does not address the filing of FPL's next nuclear decommissioning study. As such, per Order No. PSC-11-0381-PAA-EI and Rule No. 25-6.04365(3), Nuclear Decommissioning, FPL is required to file its next nuclear decommissioning study no later than December 13, 2015.

Q.

Please refer to paragraph 11 of the proposed settlement agreement. Please cite the specific subparts of Rules 25-6.0436 and 25-6.04364, Florida Administrative Code, that would not apply to FPL during the term of the proposed settlement agreement.

A.

The subparts of Rule 25-6.0436 (Depreciation Rule) that would not apply to FPL during the term of the settlement are those specifically related to filing a depreciation study and are subparts (4), (5), (6), (7), and (8). During the term of the settlement, FPL will continue compliance with the five remaining subparts of the rule that are not directly associated with filing requirements. Those remaining subparts are outlined as follows:

- Subpart (1) – definitions
- Subpart (2) - maintenance of depreciation rates
- Subpart (3) – maintenance of records
- Subpart (9) - annual reporting
- Subpart (10) - capital recovery schedules

Q.

Please refer to FPL witness Barrett's direct testimony (proposed settlement agreement), page 19, for the following questions.

- a. Referring to lines 5-7, please describe and explain the term "historical conditions" as it relates to the depreciation reserve surplus.
- b. Referring to lines 5-7, please explain how the historical conditions "are already fully reflected" in current depreciation rates.
- c. Referring to lines 5-8, please explain why "FPL does not expect those conditions to be repeated."

A.

- a. The term "historical conditions" is meant to summarize the results of cumulative events over a number of years that gave rise to the depreciation reserve surplus in the 2009 rate case. Those events include the depreciation rates and depreciation parameters approved (e.g. average service lives and net salvage rates) in previous filed studies, and differing calculation methodologies on certain items in the 2009 rate case order. One of the primary drivers of depreciation surplus was the extension of service lives of the nuclear units as a result of license extension.
- b. The 2009 rate case order and resulting ordered depreciation rates took into consideration "historical conditions" and adjusted FPL's reserve to account for underlying events discussed in response to part a, so that the resulting reserve as of December 31, 2009 would equal the calculated theoretical reserve prescribed in the order. Therefore, all else equal and ignoring the passage of time, using the 2009 rate case order authorized parameters and depreciation rates, FPL would not expect a net theoretical reserve surplus or a requirement to adjust its book reserve again to a calculated theoretical reserve in 2013.
- c. Please refer to the discussion in response to subpart (b). In addition to that response, with the addition of \$9 billion in plant investment in the period 2010 through 2013, and the utilization of current ordered parameters and depreciation rates, FPL would not expect a surplus in its theoretical reserve analysis as of December 31, 2013. Instead, FPL would expect a deficit trend in its theoretical reserve analysis at that date due to the significant increased spending on assets where remaining lives may have not lengthened significantly during that timeframe (e.g. nuclear license dates have not changed and therefore additional spending must be recovered over shorter remaining lives with the passage of each year if FPL is to recover all its investment by the end of the license dates).

Q.

For the purposes of the following Interrogatory, please refer to the Direct Testimony and Exhibits of Robert E Barrett, Jr. (Proposed Settlement Agreement), pages 16-17, lines 22 thru 1 on page 17. According to the testimony, an amortization of \$209 million would increase the annual dismantlement accrual by approximately \$7.0 million. Please explain in detail why table 2 Exhibit REB-11 used \$135.8 million compared to the \$209 million contained in written testimony.

A.

In this illustrative example, \$135.8 million was used because it reflected the net amount impacting dismantlement accruals over the 4-year settlement period 2013 through 2016. FPL would continue to accrue the 2009 rate case ordered \$18.3 million in dismantlement accruals annually between 2013 and 2016 because the settlement does not change authorized accrual amounts during the term of the settlement. FPL would also flowback back \$209 million over the four years under the terms of the settlement in this illustrative example. The 4-year net amount of these two items is \$135.8 million and is considered the net amount to be recovered in future periods in this illustrative example.

Q.

What is the estimated annual accrual beginning in 2017 if \$135.8 million is flowed back to the customers?

A.

As reflected in Table 3 of the illustrative example on Exhibit REB-11, the annual accrual beginning 2017 would be \$25.2 million, if both \$209 million is flowed back and \$73.2 million in current authorized dismantlement accruals continue to be accrued (see Table 1 on Exhibit REB-11) between 2013 and 2016.

Q.

What is the estimated annual accrual beginning in 2017 if \$209 million is flowed back to the customers?

A.

See FPL's response to Staff's Twenty-first Set of Interrogatories No. 601.

Q.

For the purposes of the following Interrogatory, please refer to the Direct Testimony and Exhibits of Robert E Barrett, Jr. (Proposed Settlement Agreement), page 17, lines 17-18. Of the total cost to dismantle a typical plant site, what percentage (rough estimate or range) of the total cost can be attributed to the "full cost of green field dismantlement." Please detail some of the activities and/or costs that can be solely attributed to full green field dismantlement of a plant site. As in, which functions of dismantling a plant site would only occur if the site is being returned to full green field status?

A.

As reflected in FPL's filed 2009 dismantlement study (the latest study for which an estimate exists), the estimated percentage of total dismantlement costs (in future dollars) attributable to known "green fielding" activities is 15% to 20%. At a minimum, the activities related directly to "green fielding" would include:

- Grading and seeding
- Removal of circulation and service water systems

Every site is unique, however, and there are a variety of other, site-specific activities that may be required in order to ensure the site is free of contamination or other risks to the public. Therefore, this estimated percentage may be lower than the ultimate cost required to return certain sites to green field conditions.

Q.

Given the Company's assertion that its "recent modernization projects have allowed for the construction of new generating plants at existing plant sites and thereby defer for 30 years or more the need to incur the full cost of green field dismantlement at those sites", is it conceivable that the currently authorized annual dismantlement accrual of \$18.5 million (system) could be reduced following a 2013 dismantlement study and accrual calculation if no reductions to the reserve are made?

A.

Yes.

Q.

If FPL's proposed stipulation is approved, will the amortization of \$191,000,000 in theoretical depreciation conclude the flow-back of the \$894 million as outlined in FPL's 2010 Rate Order and 2010 Rate Settlement?

A.

The amortization of the higher of \$191 million or the actual portion of the \$894 million net theoretical depreciation reserve surplus flowback ordered by the Commission in FPL's 2010 Rate Order and 2010 Rate Settlement that remains at the end of 2012 will conclude the flowback of the \$894 million.

Q.

Please state, by month, to the extent they have been determined, the actual monthly amounts of depreciation reserve surplus that FPL has amortized during 2012.

A.

See chart below for actual monthly amounts of net theoretical depreciation reserve surplus amortization recorded in 2012:

Date	Amount
Jan-12	\$ (89,436,266)
Feb-12	(25,848,063)
Mar-12	(49,332,642)
Apr-12	(19,168,797)
May-12	(78,062,178)
Jun-12	(67,553,547)
Jul-12	(23,415,154)
Aug-12	(44,809,934)
Sep-12	34,761,762
Total	\$ (362,864,819)

AFFIDAVIT



(Robert E. Barrett, Jr.)

State of Florida)

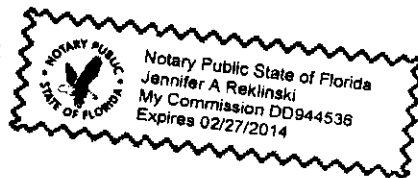
County of Palm Beach)

I hereby certify that on this 24th the day of October, 2012, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Robert E. Barrett, Jr, who is personally known to me, and he acknowledged before me that he sponsored the answer to Request Nos. 597-606 from Staff's Twenty First Set of Interrogatories to Florida Power & Light Company in Docket No. 120015-EI, and that the responses are true and correct based on his personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 24th day of October, 2012.


Notary Public, State of Florida

Notary Stamp:



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**FPL's Responses to Staff's
22nd Set of Interrogatories,
Nos. 608-612 and 617-618**

Q.

Please refer to page 6 of the testimony of Sam Forrest, lines 7 through 15, for interrogatories 608 through 611.

What are the risks to FPL retail customers of these transactions?

A.

First and foremost, as stated in previous Interrogatory responses, FPL does not intend to jeopardize the reliability of fuel supply or FPL's system with the execution of these asset optimization measures. FPL has participated in the power market for numerous years without impacting the reliability of FPL's system and will apply the same principles when evaluating potential asset optimization transactions to arrive at decisions that maintain reliability while helping to reduce overall fuel costs for customers. With that said, the asset optimization measures described in paragraph 12 of the Proposed Settlement Agreement have associated risks, including market risk, credit risk and operational risk. These types of risks introduce the possibility of monetary losses. While FPL will have safeguards in place to help mitigate some of the risks associated with these types of transactions, it is impossible to eliminate all risk. The safeguards that FPL will have in place are addressed in FPL's response to Staff's Twenty Second Set of Interrogatories No. 610.

Q.

Please refer to page 6 of the testimony of Sam Forrest, lines 7 through 15, for interrogatories 608 through 611.

What are the risks to FPL of these transactions?

A.

The risks to FPL are the same as described in FPL's response to Staff's Twenty Second Set of Interrogatories No. 608. To the extent that monetary losses were incurred, FPL's customers would experience less total benefits from the asset optimization measures than they otherwise would have, and FPL's ability to reach the threshold(s) and potentially share in the overall benefits would be impaired.

QUESTION

Please refer to page 6 of the testimony of Sam Forrest, lines 7 through 15, for interrogatories 608 through 611.

What safeguards are necessary to address the risks of these transactions?

RESPONSE

The execution of asset optimization transactions will be strictly governed by additional Risk Management policies and procedures that are reviewed by FPL's Risk Management department, with ultimate oversight by the Exposure Management Committee (EMC). Market risk limits (i.e., tenor, stop-loss, open positions...etc.) will be set to help mitigate market risk. FPL will manage credit risk, as it does today, through appropriate creditworthiness reviews, monitoring and the inclusion of contractual risk mitigation terms and conditions whenever possible. Operational risk due to weather uncertainty and changes in forecasts will be addressed through the retention of a portion of gas transportation or storage capacity to cover forecast errors. FPL will utilize forecasted and historical data to further determine if system conditions allow for the execution of optimization measures. Generally, given the uncertainty of weather and unit availability, FPL will execute transactions that are short-term in nature. Finally, contractual provisions, such as the ability to "call-back" delivered gas sales under certain conditions, will be used to help mitigate certain risks as much as possible while maintaining the value of the transaction(s).

The following table summarizes the safeguards that FPL has, or will have, in place to help mitigate the risks associated with asset optimization. As stated previously, these safeguards will help to mitigate some of the risks described in this response; however, it is impossible to eliminate all risk:

Asset Optimization Measure	Safeguard(s)
Gas Storage Optimization	
Sublease Capacity	Risk Management policies and procedures, retention of a portion of capacity to compensate for forecast errors, consumption of alternate fuels, short-term transactions, contractual provisions
Gas Sales	
From Gas Storage	Risk Management policies and procedures, retention of a portion of capacity/supply to compensate for forecast errors, consumption of alternate fuels, short-term transactions
Within Production Area	Risk Management policies and procedures
City-Gate Delivered	Risk Management policies and procedures, retention of a portion of capacity to compensate for forecast errors, consumption of alternate fuels, short-term transactions, contractual provisions
Capacity Release	
Natural Gas Transportation	Risk Management policies and procedures, retention of a portion of capacity to compensate for forecast errors, consumption of alternate fuels, short-term transactions
Electric Transmission	Risk Management policies and procedures
Asset Management Agreements	
Natural Gas Transportation	Risk Management policies and procedures, contractual provisions
Natural Gas Storage Capacity	Risk Management policies and procedures, contractual provisions

Q.

Please refer to page 6 of the testimony of Sam Forrest, lines 7 through 15, for interrogatories 608 through 611.

Could these transactions result in negative gains (losses), and what could cause such a result? Please explain by each form of asset optimization stated in paragraph 12 of the proposed settlement agreement.

A.

It is possible that these transactions could result in negative gains (losses). Monetary losses could be caused by any of the risks listed in FPL's response to Staff's Twenty Second Set of Interrogatories No. 608 and described in FPL's response to Twenty Second Set of Interrogatories No. 610. Causes could range from supplier delivery failure to changes in weather or unit availability that results in the consumption of higher-priced, alternate fuels.

Q.

On page 7, starting on line 8, FPL states that it would submit documentation to the Commission, on an annual basis, details regarding the asset optimization measures the Company proposes to utilize in the Incentive Mechanism. Would this documentation address all asset optimization measures FPL seeks to include in the Incentive Mechanism, or only new or modified asset optimization measure? Please state the timeline and proceedings implied by this statement.

A.

The documentation that FPL submits will include all asset optimization measures undertaken during the year that FPL seeks to include in the Incentive Mechanism. The "Total Gains Schedule" will provide a summary of the activity and FPL will also include specific documentation supporting each optimization measure executed. FPL will file the results of the Incentive Mechanism activities with its annual Final True-Up filing. The Commission will then have several months to review the data prior to FPL including any gains for collection from the Incentive Mechanism in its annual Projection Filing made for the subsequent year.

Q.

Starting on page 21, line 16, FPL discusses the estimated incremental optimization costs that it expects to incur in 2013, and states that it would include estimates of the incremental optimization costs with its annual projection filing in the fuel clause. Would these incremental optimization costs be subject to Commission review to determine eligibility for inclusion in the Incentive Mechanism, similar to asset optimization measures discussed earlier in witness Forrest's direct testimony?

A.

Yes. FPL will include estimates of the Incremental Optimization Costs associated with incremental personnel, software and hardware with its annual projection filing in the fuel clause each year. This will be identical to the manner in which FPL recovered incremental operating and maintenance expenses incurred for the purpose of initiating and/or maintaining a new or expanded hedging program. To the extent that FPL projects its power sales will exceed 514,000 MWh (the level of sales assumed for the purpose of forecasting 2013 test year power plant O&M costs in the MFRs filed with the 2012 Rate Petition), estimated variable power plant O&M costs will also be included in the annual projection filing as a charge to the "Fuel Cost of Power Sold" in the month they are projected to be incurred. All Incremental Optimization Cost estimates will be subject to the standard true-up mechanism. The review of these costs would be conducted in the fuel docket through the normal provisions the Commission utilizes to conduct reviews of any fuel clause data.

Q.

Please refer to page 19 of the testimony of Sam Forrest, lines 19 through 22 and to lines 1 and 2 of page 20. Does FPL contemplate calculating an Incentive Mechanism factor separately along with the level fuel factor and the GPIF calculations? Please explain.

A.

Yes. FPL will separately calculate an Incentive Mechanism factor as it does a GPIF factor. Identical to the manner in which rewards/penalties are reflected for GPIF in the calculation of fuel factors, shared Incentive Mechanism gains will be divided by projected retail sales for the period to arrive at the Incentive Mechanism factor, which will be included in the calculation of fuel factors for the period. The Incentive Mechanism factor will be shown on Schedules E1, E1-C and E2. Additionally, identical to the manner in which GPIF rewards/penalties are collected/refunded, shared Incentive Mechanism gains will be collected in equal monthly increments and shown on Schedule A2 under "Fuel Adjustment Revenues Not Applicable to Period."

AFFIDAVIT


Sam A. Forrest

State of Florida)

County of Palm Beach)

I hereby certify that on this 30th day of October, 2012, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Sam A. Forrest, who is personally known to me, and he acknowledged before me that he sponsored the answers to **Interrogatory Nos. 607 to 618**, from Staff's 22nd Set of Interrogatories to Florida Power & Light Company in Docket No. 120015-EI, and that the responses are true and correct based on his personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 30th day of October, 2012.


Notary Public, State of Florida

Notary Stamp:



654

**FPL's Responses to Staff's
23rd Set of Interrogatories,
Nos. 619-621**

Q.

Please provide by unit, by site, FPL's latest dismantlement reserve plant balances.

A.

See Attachment No. 1 for the requested dismantlement reserve plant balances as of October 31, 2012.

**Dismantlement Reserve
October 2012**

Site	Unit	Sum of End Reserve
Cape Canaveral	CapeCanaveral Comm	(5,795,515)
	CapeCanaveral U1	4,519,184
	CapeCanaveral U2	4,050,541
Cape Canaveral Total		2,774,210
Cutler	Cutler U5	5,166,761
	Cutler U6	7,352,863
Cutler Total		12,519,624
Desoto	Desoto Solar	206,006
Desoto Total		206,006
Ft Lauderdale	FtLauderdale GTs	501,744
	FtLauderdale U4	12,287,928
	FtLauderdale U5	9,588,108
Ft Lauderdale Total		22,377,779
Ft Myers	FtMyers Comm	11,041,790
	FtMyers GTs	3,273,655
	FtMyers U2	6,871,320
	FtMyers U3	2,072,072
Ft Myers Total		23,258,837
Manatee	Manatee Comm	21,158,952
	Manatee U1	16,520,109
	Manatee U2	16,458,425
	Manatee U3	8,913,838
Manatee Total		63,051,324
Martin	Martin Comm	34,113,283
	Martin U1	12,854,323
	Martin U2	12,738,709
	Martin U3	4,961,498
	Martin U4	3,331,155
	Martin U8	4,506,263
Martin Total		72,505,230
Martin Solar	Martin Solar	663,481
Martin Solar Total		663,481
Pt Everglades	PtEverglades Comm	16,717,669
	PtEverglades GTs	363,522
	PtEverglades U1	14,498,897
	PtEverglades U2	13,089,800
	PtEverglades U3	9,517,627
	PtEverglades U4	9,889,027
Pt Everglades Total		64,076,542
Putnam	Putnam Comm	10,507,502
	Putnam U1	1,099,651
	Putnam U2	1,106,778
Putnam Total		12,713,932
Riviera	Riviera Comm	(3,581,720)
	Riviera U3	3,518,538
	Riviera U4	3,518,795
Riviera Total		3,455,613
Sanford	Sanford Comm	9,560,849
	Sanford U3	5,686,719
	Sanford U4	5,414,721
	Sanford U5	6,057,486
Sanford Total		26,719,775
Scherer	Scherer Comm	18,329,677
	Scherer Comm U3&4	2,344,011
	Scherer U4	15,894,284
Scherer Total		36,567,971

Space Coast	Space Coast Solar	90,272
Space Coast Total		90,272
St Johns River Power Plant	SJRPP - Coal & Limestone	2,322,340
	SJRPP - Comm	9,587,145
	SJRPP - Gypsum	606,516
	SJRPP U1	4,813,489
	SJRPP U2	4,703,834
St Johns River Power Plant Total		22,033,326
Turkey Pt	Turkey Pt Comm	9,340,068
	Turkey Pt U1	5,201,596
	Turkey Pt U2	5,226,054
	Turkey Pt U5	2,072,991
Turkey Pt Total		21,840,709
WestCountyEC	WestCountyEC U1	1,436,976
	WestCountyEC U2	1,436,976
	WestCountyEC U3	477,018
WestCountyEC Total		3,350,970
Grand Total		388,205,601

Q.

For the purposes of estimating base dismantlement costs, does the company perform their own cost studies or does it retain the services of an independent cost estimator?

A.

The company prepares its own dismantlement studies.

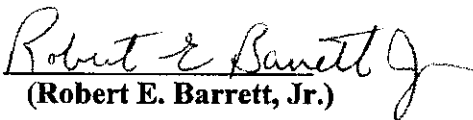
Q.

Please refer to the Direct Testimony and Exhibits of Robert E Barrett, Jr. (Proposed Settlement Agreement), page 16, lines 16-17, how did the Company determine that the \$135 million amount would be the highest possible reserve flow-back?

A.

In this illustrative example, FPL determined \$135.8 million as the net highest possible reserve flow-back amount by flowing back \$209 million under the terms of the Proposed Settlement offset by \$73.2 million in total dismantlement accruals (the product of currently authorized annual accruals of \$18.3 multiplied by 4-years). The \$209 million is derived from Section 10 of the Proposed Settlement and is calculated by reducing the Total Reserve Amount of \$400 million by the \$191 million of Depreciation Reserve Surplus. Please refer to FPL's response to Staff's Twenty-First Set of Interrogatories No. 600 for further discussion on this net amount of \$135.8 million. Of course, \$135 million is the highest possible net reserve flowback during the settlement term; to the extent more than \$191 million of Depreciation Reserve Surplus remains at the end of 2012, the level of the possible net reserve flowback would be less.

AFFIDAVIT

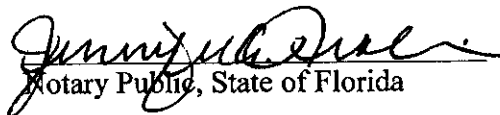

(Robert E. Barrett, Jr.)

State of Florida)

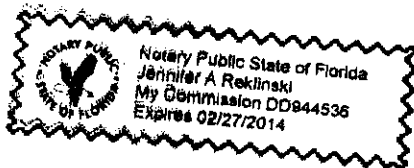
County of Palm Beach)

I hereby certify that on this the 7th day of November, 2012, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Robert E. Barrett, Jr, who is personally known to me, and he acknowledged before me that he sponsored the answer to Request Nos. 619-621 from Staff's Twenty Third Set of Interrogatories to Florida Power & Light Company in Docket No. 120015-El, and that the responses are true and correct based on his personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 7th day of November, 2012.


Notary Public, State of Florida

Notary Stamp:



655

**FPL's Responses to Staff's
24th Set of Interrogatories,
Nos. 622-623**

Q.

In its previous base rate proceeding, Docket No. 080677-EI, FPL filed testimony concerning the dismantlement of Ft. Lauderdale fossil Units 4 and 5, which occurred in 1992. The Company stated that the estimated cost to dismantle these plants was \$8.9 million, while the actual costs of dismantlement in order to re-power the units was \$9.8 million, thus underestimating the cost of dismantling the units by approximately \$900,000. FPL further claimed that the Company's estimated costs of partial dismantlement, in order to re-power a generating unit, are in line with actual costs. As an example, Witness Ousdahl referred to FPL's Ft. Myers steam units:

FPL's estimate of the cost to dismantle the Ft. Myers steam units and common facilities was \$20.7 million, of which \$5.4 million was for Unit 1 and \$9.3 million for Unit 2, totaling \$14.7 million. The actual cost for partial dismantlement (of Units 4 and 5 steam supply systems) in order to re-power the two units was \$12.9 million. This evidence demonstrates that in a partial dismantlement scenario, the company expended 88 percent of the full dismantlement estimate.

These two examples reflect an underestimate of dismantlement costs. Why does FPL expect its current cost estimation methodology will produce a reserve surplus given these two examples provided in support of its currently authorized annual accrual?

A.

The two examples cited from Witness Ousdahl's Rebuttal Testimony in the 2009 Rate Case with regard to dismantlement are not inconsistent with FPL's testimony in this proceeding that a significant portion of the total dismantlement costs will be deferred for many years with respect to the Modernization Projects because greenfielding will not be required while those projects are in service. The first example is simply an illustration that, in some instances, the total cost for dismantlement can exceed the dismantlement estimate. This says nothing about the portion of total dismantlement expense that greenfielding would represent. In the second example, the 88% ratio between partial dismantlement costs incurred to the full dismantlement estimate is supportive of FPL's estimate that approximately 15% to 20% of the total dismantlement estimate relates to greenfielding costs.

QUESTION

For the purposes of the following request, please refer to FPL's responses to Staff's Twenty-First Set of Interrogatories, No. 606.

- a. Why did the Company record a positive depreciation flow-back amount for the month of September 2012?
- b. Does FPL still anticipate flowing back \$526M of depreciation reserve surplus for calendar year 2012?
- c. If the Company does not anticipate flowing back \$526M of depreciation reserve surplus for calendar year 2012, what is the company's most current projection for the 2012 flow-back amount?
- d. How will the amount contained in the response to (c.) effect the flow-back of the full 894M as outlined in FPL's 2010 Rate Order and 2010 Rate Settlement?

RESPONSE

- a. The Earning Surveillance Report ROE is based on a rolling 12 month calculation for which surplus depreciation is used (increase or decrease) to allow FPL to maintain an 11% ROE. When September 2012 results were computed, it was determined that a positive \$34 million depreciation flow-back amount was needed for the month of September 2012, in order not to exceed the cap of 11.00% on regulatory ROE, as required by the settlement agreement.
- b. No.

c. & d. As reflected in FPL's response to OPC's Fourteenth Request for Production of Documents No. 108, the Company projects it will record \$488M of depreciation reserve surplus in the calendar year 2012 instead of the \$526M originally forecasted and included in FPL's March 2012 base rate petition. This revision in surplus amortization for 2012 is reflected below along with the revised surplus flowback breakdown, totaling the \$894M ordered by the Commission in FPL's 2010 Rate Order and 2010 Rate Settlement. Note that this projection for 2012 is still subject to the normal fluctuations in revenues and expenses for the balance of the year.

(\$ millions)			
As-Filed		Revised	
2010 (actual)	\$ 4.0	2010 (actual)	\$ 4.0
2011 (est)	173.0	2011 (actual)	187.0
2012 (est)	526.0	2012 (est)	488.0
2013 (est)	191.0	2013 (est)	215.0
Total	\$ 894.0	Total	\$ 894.0

If the currently projected higher level of depreciation reserve surplus remaining to be amortized in 2013 is realized, then the amount of dismantlement reserve available for amortization during the settlement term will be lower. Specifically, the amortization of dismantlement reserve would be capped at \$185M (\$400M total reserve amortization less \$215M of depreciation reserve surplus amortization), rather than the \$209M originally anticipated.

AFFIDAVIT

Robert E. Barrett Jr.
(Robert E. Barrett, Jr.)

State of Florida)

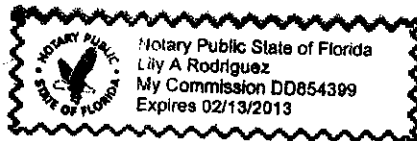
County of Palm Beach)

I hereby certify that on this the 13th day of November, 2012, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Robert E. Barrett, Jr, who is personally known to me, and he acknowledged before me that he sponsored the answer to Request Nos. 622-623 from Staff's Twenty-Fourth Set of Interrogatories to Florida Power & Light Company in Docket No. 120015-EL, and that the responses are true and correct based on his personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 13th day of November, 2012.

Lily A. Rodriguez
Notary Public, State of Florida

Notary Stamp:



656

**FPL's Responses to Staff's
13th Request for Production of
Documents, No. 90**

**See Staff's Hearing Exhibit CD
for this Excel file**

657

**FPL's Responses to
OPC's 16th Set of Interrogatories,
Nos. 271, 275, and 278**

Q.

For each of the modernization projects (Cape Canaveral, Riviera, and Port Everglades), please provide: (1) the date of the determination of need; (2) the date on which construction began; and (3) the currently estimated in-service-date.

A.

	Need Determination Date	Construction Start Date	Estimated In-Service Date
Cape Canaveral Energy Center	9/12/2008	3/1/2011	6/1/2013
Riviera Beach Energy Center	9/12/2008	11/4/2011	6/1/2014
Pt. Everglades Energy Center	4/9/2012	TBD	6/1/2016

Q.

Please refer to the Direct Testimony of Robert Barrett, Jr. (Proposed Settlement Agreement), page 8, lines 15 through 20, which indicates that historically FPL's "actual capital costs for plants placed into rates using GBRA have been no more than, and in most cases less than, the need determination revenue requirement which form the basis for the cumulative present value revenue requirements ("CPVRR") analysis upon which the need determination was based." For each of FPL's plants that have been placed into rates using GBRA referenced in this testimony, please provide the following:

- a. The projected plant in service amounts included in the need determinations by FPL and the actual plant in service amounts, by plant type.
- b. The projected rate base included in the need determinations by FPL and the actual rate base amount, by each component of rate base.
- c. The projected net operating income (loss) reflected in the need determinations by FPL and the actual net operating income (loss), by each component of net operating income (i.e., O&M expenses, depreciation expenses, property taxes, etc.).

A.

In response to this request, FPL has assumed that the period in question relates to the first year of operations for the units subject to the GBRA mechanism approved in the 2005 Rate Order (Order No. PSC-05-0902-S-EI), which are Turkey Point Unit 5 (TP5), West County Energy Center Unit 1 (WCEC1), and West County Energy Center Unit 2 (WCEC2).

As discussed in FPL's response to OPC's Sixteenth Set of Interrogatories No. 273, at the time a project is complete and transferred from FERC account 107 (CWIP) to account 106 (completed construction not classified) and then unitized to account 101 (plant-in-service), it is identifiable in the accounting records from a capital cost standpoint. This point in time is referred to as COD. However, after COD and once a project is in service, many of the cost components are not tracked separately such as deferred taxes, operating expenses and property taxes because base rates are set on a total system embedded cost basis and many support costs serve more than one asset. The assets associated with the units subject to the GBRA mechanism are included as part of FPL's jurisdictional adjusted rate base, and their operating expenses are included as part of FPL's jurisdictional adjusted net operating income. This treatment is consistent with how the units are reflected for monthly earnings surveillance reporting purposes. FPL has provided what is readily identifiable for the requested GBRA plants along with all need determination amounts in Attachment No. 1.

Turkey Point Unit 5 (TP5) and West County Energy Center (WCEC) Units 1 & 2
(\$ millions)

	Need Determination					Actuals					Notes
	TP5 as of 4/30/08	WCEC1 as of 7/31/10	WCEC2 as of 10/31/10	Total for WCEC1 and WCEC2		TP5 as of 4/30/08	WCEC1 as of 7/31/10	WCEC2 as of 10/31/10	Total for WCEC1 and WCEC2		
Rate Base	\$ 580.3	\$ 688.8	\$ 632.4	\$ 1,321.0		\$ 546.7	\$ 712.0	\$ 537.3	\$ 1,248.3		Amounts represent total project construction costs. The need amounts included transmission plant and such amounts were not specifically identified. The actual costs incurred for TP5, WCEC1 and WCEC2 are based on the underlying filed asset records of this company.
Production Plant											Actuals for TP5 are consistent with the actual costs incurred through June 30, 2008 as reported in the true-up calculation filed in on September 2, 2008 in Docket No. 080001-EI.
Transmission Plant	(23.2)	(27.5)	(25.3)	(52.8)		12.3	29.6	41.3	70.9		For actuals, see notes included in production plant above.
Production Reserve						(26.5)	(24.7)	(19.0)	(43.8)		Need amounts include transmission plant. Actual amounts are based on plant-in-service balances for these periods, which include retirements, not the total project construction costs as reported for plant above.
Transmission Reserve	-	-	-	-		N/A	N/A	N/A	N/A		FPL's depreciation expense and reserve are calculated at a depreciation group level and not at the individual asset level. For transmission assets, FPL's depreciation groups are not specific to site and unit, therefore, the transmission depreciation expense and reserve cannot be separated and reported at the level requested.
Deferred Taxes	12.3	7.2	0.5	7.7		N/A	N/A	N/A	N/A		FPL's actual deferred taxes are not calculated nor tracked at a unit/project level.
Rate Base	\$ 580.4	\$ 688.3	\$ 607.6	\$ 1,275.8							
Average Rate Base	\$ 583.8	\$ 686.1	\$ 627.6	\$ 1,313.7							Amounts represent the simple average of the estimated beginning rate base balance when the unit went into service and the ending rate base balance at the end of first year of operations
Interest Expense	16.8	21.3	19.5	40.8							
Income Tax - Interest Expense	(6.5)	(6.2)	(7.5)	(15.7)							

Turkey Point Unit 5 (TP5) and West County Energy Center (WCEC) Units 1 & 2
(\$ millions)

Florida Power & Light Company
Docket No. 120015-El
OPC's Sixteenth Set of Interrogatories
Interrogatory No. 275
Attachment No. 1
Page 2 of 2

	Need Determination					Actuals					
	TP5 5/1/07 - 4/30/08	WCEC1 8/1/09 - 7/31/10	WCEC2 11/1/09 - 10/31/10	Total for WCEC1 and WCEC2		TP5 5/1/07 - 4/30/08	WCEC1 8/1/09 - 7/31/10	WCEC2 11/1/09 - 10/31/10	Total for WCEC1 and WCEC2		
Operating Expenses											In regards to actuals for WCEC1 and WCEC2, FPL's accounting and budgeting systems have the capability to budget and track certain costs associated with operating and maintaining WCEC Units 1, 2 and 3. The company utilized this capability for tracking overhead expenditures. Overhead expenditures are unit specific. Whereas other components of the site's cost structure are shared across units. Daily work and variable operating and maintenance costs (i.e. chemicals, water) are utilized similarly for each unit at the site. The company does not believe the benefits of segregating similar non-overhead expenditures by unit outweigh the effort required to budget and track actual costs at this level of detail. For purposes of this request, FPL has split the cost of operations equally between the two units for daily work and variable O&M costs starting at the point in time when both units were in operation.
Operations and Maintenance	\$ 5.2	\$ 7.0	\$ 5.3	\$ 12.3		\$ 4.3	\$ 10.4	\$ 8.8	\$ 19.3		
Property Insurance	2.1	3.3	3.1	6.4		N/A	N/A	N/A	N/A		In regards to the actual amounts, the company purchases property insurance at the FPL level and does not allocate premium by FPL site. The only time there may be premium that is specific to a site is when it is initially added to an existing policy during the policy term. For TP5, the project was added during the policy period and received a nominal premium charge for one month of coverage of \$0.1 million until renewal. For WCEC1 and 2, the projects were included in the respective year's renewal and subject to changes in FPL's entire portfolio as well as market conditions at that time. As such, these projects were included in the respective year's renewal and no project specific premium was identified or allocated when these projects were added.
Capital Replacement Costs	7.5	8.6	8.7	17.3		-	-	-	-		All capital replacement costs are included as part of plant-in-service.
Depreciation	23.2	27.5	25.3	52.8		26.5	24.8	19.0	43.8		Need amounts include depreciation for both production and transmission plant. For actuals, amounts represent depreciation expense for production assets based on the amount included in plant-in-service, which includes retirements (not total project construction costs). For transmission assets, the depreciation groups are not specific to site and unit, therefore, the transmission depreciation expense cannot be separated and reported at the level requested.
Property Taxes	12.0	-	-	-		9.1	-	-	20.6		Actuals for TP5 represents what was paid in 2008 for the calendar year 2008. For WCEC1 and WCEC2 actuals, the amount paid was for both units, therefore, we can not split out the amount. The total paid in 2010 for the calendar year 2010 for both units was \$20,576,314.
Total Operating Expenses	\$ 50.1	\$ 46.5	\$ 42.3	\$ 88.8							
Net Operating Income (System)											
Operating Expenses	\$ (50.1)	\$ (46.5)	\$ (42.3)	\$ (88.8)							
Income Tax - Operating Expenses	19.3	17.9	16.3	34.2							
Income Tax - Interest Expense	6.5	8.2	7.5	15.7							
Other Income Taxes	(0.8)	(1.2)	(1.3)	(2.5)							
Total Net Operating Income (Loss)	\$ (25.1)	\$ (21.6)	\$ (19.8)	\$ (41.3)							

Q.

Please refer to the Direct Testimony of Robert Barrett, Jr. (Proposed Settlement Agreement), at page 7 lines 14-18. Please provide all assumptions and calculations underlying the "reduction in ROE of 103 bps, 148 bps, 136 bps..."

A.

See Attachment No. 1 for the details on all assumptions and calculations underlying the reduction in ROE of 103bps, 148bps and 136bps for the Canaveral, Riviera and Port Everglades Modernization Projects, respectively, if the GBRA mechanism was not approved.

Revenue Requirement Impact on FPL's 2013 Test Year ROE absent GBRA Mechanism (000)'s					
Line #	Description	Reference	Canaveral	Riviera	Port Everglades
1	First Year Revenue Requirements per Robert Barrett Jr.'s Exhibit REB-10 ¹		\$165,289	\$236,043	\$217,862
2	2013 Test Year Revenue Requirement change per 100 basis points ROE ²		\$160,000	\$160,000	\$160,000
3					
4					
5	ROE Basis Points (bps) Impact of Revenue Requirements	(Ln 1 / Ln 3) * 100	103 bps	148 bps	136 bps
6					
7					
8	Notes:				
9	1. Per Exhibit "REB-10 – MFR A-1 Canaveral, Riviera, and Port Everglades" of FPL Witness Bob Barrett's direct testimony (Proposed Settlement Agreement).				
10	2. \$160MM Revenue Requirement change represents approximately 100 Basis Points of ROE per calculation below:				
11	2013 Test Year Juris. Adj Utility Common Equity Balance per revised MFR D-1a included				
12	in Appendix II of FPL's post hearing brief:				
13	100 Basis Points	(Ln 11 * Ln 12)		\$9,768,463	1%
14				\$97,684,63	
15	2013 Test Year Net Operating Income Multiplier per MFR C-44:			1,63188	
16		(Ln 13 * Ln 14)		\$159,410	

AFFIDAVIT


(Robert E. Barrett, Jr.)

State of Florida)

County of Palm Beach)

I hereby certify that on this 31st day of October, 2012, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Robert E. Barrett, Jr, who is personally known to me, and he acknowledged before me that he sponsored the answers to Request Nos. 269-275 and 278 from OPC's Sixteenth Set of Interrogatories to Florida Power & Light Company in Docket No. 120015-EI, and that the responses are true and correct based on his personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 31st day of October, 2012.


Notary Public, State of Florida

Notary Stamp:



658

**FIPUG's Response to
Staff's Second Set of Interrogatories,
No. 5**

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Increase in Rates by
Florida Power & Light Company.

DOCKET NO. 120015-EI

SERVED: October 12, 2012

**FLORIDA INDUSTRIAL POWER USERS GROUP'S RESPONSE
TO STAFF'S SECOND SET OF INTERROGATORIES (NO. 5)**

The Florida Industrial Power Users Group (FIPUG), pursuant to rule 1.340, Florida Rules of Civil Procedure, submits the following response to Staff's Second Set of Interrogatories (No. 5).

INTERROGATORY RESPONSE

1. In Docket No. 080677-EI, FIPUG took the following position to Issue #8 (Should FPL be allowed to implement a GBRA mechanism, see page 31 of Order No. PSC-09-0573-PHO-EI)

"No. Capital additions, such as new generating plants, should not be automatically recovered through yet another recovery clause. If FPL believes that the addition of generating plant necessitates a rate change, it may petition the Commission for such a change in a full rate case where the Commission and the parties may examine all of FPL's revenues and expenses, rather than giving FPL guaranteed recovery of new plant in isolation from other factors that affect rates. This issue should not be considered in this rate case, but should be the subject of a generic docket or rulemaking."

Does FIPUG still support this position? If so, please explain how the incorporation of a GBRA mechanism that is part of the proposed settlement is in the best interest of FPL's ratepayers at this time. If not, what is the rationale for the change in FIPUG's position?

Response: The above quoted position was FIPUG's view in the context of a fully-litigated rate case, such as the one from which this quote was taken. In the context of the settlement in this case, there are many compromises and "gives and takes." As such, the settlement, taken as a whole, is fair to FPL ratepayers for a number of reasons. Those reasons

include, but are not limited to, the fact that the settlement provides rate stability for four years and provides appropriate incentives and signals to encourage the maintenance and development of jobs and economic growth as Florida attempts to emerge from a deep recession. The GBRA mechanism contemplated in the Settlement Agreement is limited to the term of the Agreement, and not applicable to future power plant additions. It was a negotiated term that was part of the "give and take" process. While FIPUG supports the negotiated GBRA mechanism contained within the Settlement Agreement because the Agreement, taken as a whole, is in the public interest, FIPUG's view expressed in Docket No. 080677-EI was set forth accurately, but in a materially different context.

AFFIDAVIT

STATE OF FLORIDA)

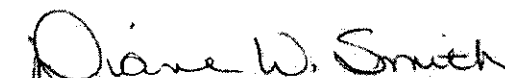
COUNTY OF Hillsborough

I hereby certify that on this 11th day of OCTOBER, 2012, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared STEVEN F. DAVIS, who is personally known to me, and he/she acknowledged before me that he/she provided the answers to interrogatory number(s) 1 from Staff's Second Set of Interrogatories to Florida Industrial Power Users Group (No. 5) in Docket No(s). 120015-EI, and that the responses are true and correct based on his/her personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 11th day of OCTOBER, 2012.



Steve Davis, President
Florida Industrial Power Users Group


Notary Public Diane W. Smith
State of Florida, at Large

My Commission Expires:

03/10/15

659

**FIPUG's Responses to
Staff's Third Set of Interrogatories,
Nos. 6 and 7**

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Increase in Rates by
Florida Power & Light Company.

DOCKET NO. 120015-EI

SERVED: October 12, 2012

**FLORIDA INDUSTRIAL POWER USERS GROUP'S RESPONSE
TO STAFF'S THIRD SET OF INTERROGATORIES (NO. 6-7)**

The Florida Industrial Power Users Group (FIPUG), pursuant to rule 1.340, Florida Rules of Civil Procedure, submits the following response to Staff's Third Set of Interrogatories (No. 6-7).

INTERROGATORY RESPONSES

6. Will any FIPUG members or entities engage in (or be likely to engage in) transactions with FPL or a third party administrator involving the incentive mechanism in paragraph 12? Please identify the entity or entities.

Response: To the best of FIPUG's knowledge, there are no present plans, agreements or understandings between FPL or a third party administrator and FIPUG or any of its members operating within FPL's service territory involving the incentive mechanism in paragraph 12 of the Settlement Agreement.

7. Does FIPUG believe the Commission should consider the incentive mechanism/asset optimization part of the proposed settlement (paragraph 12) in a generic policy proceeding involving all Florida IOUs and intervenors? Please explain.

Response: FIPUG believes that the Commission should consider the incentive mechanism/asset optimization matter as part of the proposed Settlement Agreement contained in paragraph 12 of

the Agreement. Specifically, FIPUG supports consideration of this issue during the evidentiary hearing currently scheduled for November 19-21, 2012. However, FIPUG does not and would not oppose consideration of this issue in a generic proceeding should that be will of the Commission.

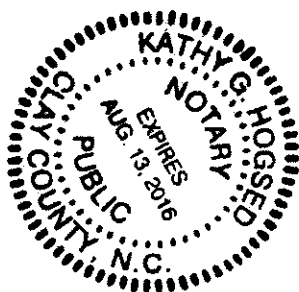
AFFIDAVIT

STATE OF ~~FLORIDA~~) N.C.

COUNTY OF Clay)

I hereby certify that on this 25 day of Oct, 2012, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Steve Davis, who has produced sufficient identification, and he acknowledged before me that he provided the answers to interrogatory number(s) 6 and 7 from Staff's Third Set of Interrogatories to Florida Industrial Power Users Group (No. 6-7) in Docket No(s). 120015-EI, and that the responses are true and correct based on his personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 25 day of Oct., 2012.



Steve Davis
Steve Davis, President
Florida Industrial Power Users Group

Kathy G. Hogged
Notary Public
State of North Carolina, at Large

My Commission Expires:

8-13-2014

660

**SFHHA's Response to
Staff's First Set of Interrogatories,
No. 1**

South Florida Hospital and Healthcare Association
Docket No. 120015-EI
Staff's First Set of Interrogatories
Interrogatory No. 1

Q. During Docket 080677-EI, SFHHA sponsored witness Kollen who criticized the GBRA mechanism because "it provides the Company an almost unfettered ability to automatically impose base rate increases to recover selective increases in certain costs without consideration of increases in revenues and reduction in all other costs." (See page 15-16 of Order PSC-10-0153-FOF-EI). Does the SFHHA still support witness Kollen's statement? If so, please explain why the SFHHA now believes that a GBRA mechanism is in the best interest of FPL's ratepayers. If not, please explain the rationale for the change in SFHHA's position.

A. A Generation Base Rate Adjustment ("GBRA") mechanism was first adopted, to SFHHA's knowledge, by the Settlement Agreement, dated August 22, 2005, that resolved Docket Nos. 050045-EI and 050188-EI. That Settlement Agreement, and the adoption of a GBRA mechanism, was supported by, among others, the Attorney General of the State of Florida and the Office of Public Counsel. The Commission approved that settlement, including adoption of the GBRA mechanism as part of the settlement, in an order issued September 14, 2005. See PSC Order No. PSC-05-0902-S-EI.

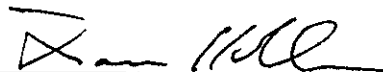
In Docket No. 080677-EI, Mr. Kollen and SFHHA opposed FPL's request for a GBRA mechanism as a stand-alone issue in the context of the litigated case for the reasons stated in Mr. Kollen's Direct Testimony in that proceeding. Mr. Kollen and SFHHA support the settlement in this proceeding that includes a GBRA in the context of a comprehensive settlement that provides benefits to all FPL ratepayers and to the South Florida economy. These benefits include a significant reduction from FPL's requested rate increase, which will be locked in for the next four years due to the four year stay out provision, and rate stability over the four-year period with increases only through the GBRA, which are limited to the costs already approved by the Commission. The settlement also specifies how the GBRA will be quantified.

The GBRA mechanism is an integral part of the proposed settlement and contributes to the benefits of the proposed settlement by allowing the parties to avoid the costs of litigating potential future requests by FPL to increase base rates as completes the Canaveral, Riviera and Port Everglades projects and they commence commercial operation and invests additional amounts in transmission and distribution. The Commission has approved the Canaveral, Riviera and Port Everglades projects in need determinations. In addition, unlike the proposed GBRA in the prior proceeding, the GBRA included in the settlement does not continue beyond the three specified modernization projects. As a result, acceptance of the GBRA mechanism with respect to the Canaveral, Riviera and Port Everglades projects in the context of the proposed settlement does not provide FPL unfettered ability to automatically impose base rate increases as was the case in Docket 080677-EI. Agreement to a GBRA mechanism reflects part of the inherent give and take inherent in the settlement process.

Although Mr. Kollen and SFHHA opposed FPL's proposed GBRA in the prior proceeding and still would oppose a similar GBRA on a standalone basis if it had been proposed in this

proceeding, Mr. Kollen and SFHHA support the GBRA mechanism in this settlement proceeding as an integral part of the proposed settlement.

AFFIDAVIT

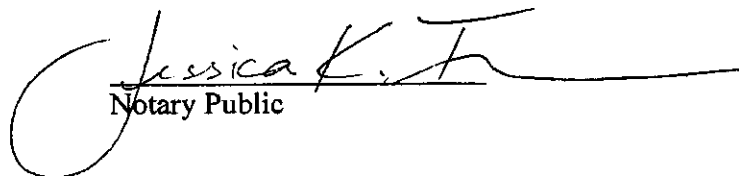

Lane Kollen

Roswell, GA

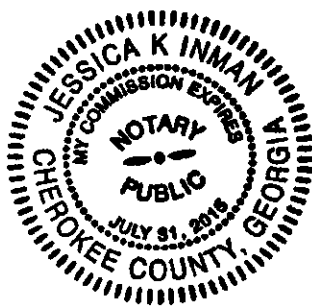
BEFORE ME, the undersigned authority, personally appeared Lane Kollen, who deposed and stated that he provided the answer to Interrogatory No. 1 served on South Florida Hospital and Healthcare Association by Florida Public Service Commission Staff ("Staff") on October 12, 2012 in Docket No. 120015-EI, and that the response is true and correct to the best of his information and belief.

DATED at Roswell, GA this 12th day of October, 2012.

Sworn to and subscribed before me this 12th day of October, 2012.


Notary Public

Notary Stamp:



661

**SFHHA's Responses to
Staff's Second Set of Interrogatories,
Nos. 2 and 3**

South Florida Hospital and Healthcare Association
Docket No. 120015-EI
Staff's Second Set of Interrogatories
Interrogatory No. 2
Page 1 of 1

- Q. Will any SFHHA members or entities represented by SFHHA engage in (or be likely to engage in) transactions with FPL or a third party administrator involving the incentive mechanism in paragraph 12 of the stipulation and settlement agreement? Please identify the entity or entities.
- A. SFHHA is not privy to the commercial transactions that are undertaken individually by its current or future members and therefore has no information concerning whether such members or entities represented by SFHHA will engage in (or be likely to engage in) transactions with FPL or a third party administrator involving the incentive mechanism in paragraph 12 of the stipulation and settlement agreement. As a result, at this time, SFHHA has no knowledge of such a potential arrangement.

Q. Does SFHHA believe the Commission should consider the incentive mechanism/asset optimization part of the proposed settlement (paragraph 12) in a generic policy proceeding involving all Florida IOUs and intervenors? Please explain.

A. SFHHA believes the Commission should consider the incentive mechanism/asset optimization part of the proposed settlement (paragraph 12) in the context of its consideration of the proposed settlement in this docket and not in a generic policy proceeding involving all Florida IOUs and intervenors. The incentive mechanism/asset optimization provides substantial benefits to all FPL ratepayers and was agreed to as part of the various compromises that resulted in the proposed settlement. The incentive mechanism/asset optimization provision therefore is an integral part of the proposed settlement, and the parties agreement to the proposed settlement is based upon the Commission's approval of the proposed settlement in its entirety, without modification.

Further, the particular levels of specific thresholds embodied in the incentive mechanism/asset optimization part of the proposed settlement may not align with other utilities' circumstances. Similarly, other Florida utilities' ability to dedicate resources to an incentive mechanism will vary depending upon, *inter alia*, individual utilities' fuel mix and contract circumstances. That being said, SFHHA has no objection to the Commission initiating a generic policy proceeding to consider the propriety of establishing incentive mechanism/asset optimization mechanisms for all Florida IOUs so long as such a proceeding (1) would not affect, alter, or negate in any way the operation of the specific incentive mechanism/asset optimization mechanism that is part of the proposed settlement during the term of the proposed settlement, or (2) result in any delay to the Commission's timely approval of the proposed settlement.

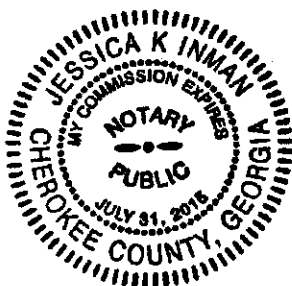
AFFIDAVIT

STATE OF GEORGIA)

COUNTY OF COBB)

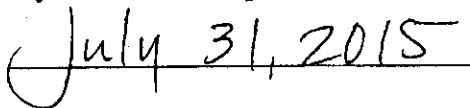
I hereby certify that on this 25th day of October, 2012, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Lane Kollen, who is personally known to me; and he/she acknowledged before me that he/she provided the answers to interrogatory number(s) 2-3 from Staff's Second Set of Interrogatories to South Florida Hospital and Healthcare Association in Docket No(s). 120015-EI, and that the responses are true and correct based on his personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 25TH day of October, 2012.




Notary Public
State of Georgia

My Commission Expires:



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**FEA's Responses to
Staff's First Set of Interrogatories,
Nos. 1 and 2**

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for Increase in Rates)
by Florida Power & Light Company)
_____)

Docket No. 120015-EI
Served: October 25, 2012

**FEDERAL EXECUTIVE AGENCIES' RESPONSE TO STAFF'S FIRST SET OF
INTERROGATORIES (NO. 1-2)**

The Federal Executive Agencies ("FEA") pursuant to rule 1.3.40(a) of the Florida Rules of Civil Procedure and in accordance with the Florida Public Service Commission's Order No PSC-12-0529-PCO-EI, hereby files its responses to the Commission Staff's ("Staff") First Set of Interrogatories (No. 1-2).

RESOPONSES TO INTERROGATORIES

1. Will any FEA members or entities engage in (or be likely to engage in) transactions with FPL or a third party administrator involving the incentive mechanism in paragraph 12? Please identify the entity or entities.

FEA RESPONSE

At this time FEA does not expect to engage in (or be likely to engage in) transactions with FPL or third party administrators involving the incentive mechanism in paragraph 12 (of the stipulation and settlement agreement).

2. Does FEA believe the Commission should consider the incentive mechanism/asset optimization part of the proposed settlement (paragraph 12) in a generic policy proceeding involving all Florida IOUs and intervenors? Please explain.

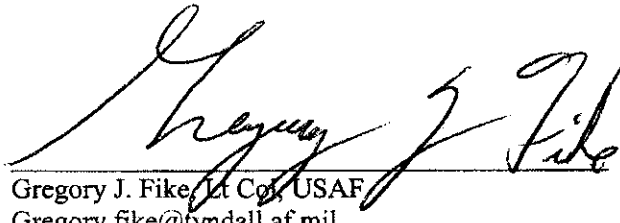
FEA RESPONSE

FEA believes the Commission should consider the incentive mechanism/asset optimization part of the proposed settlement (paragraph 12) as part of the proposed settlement in this docket (120015-EI). However, FEA has no objection to the Commission initiating a

separate generic policy proceeding involving all Florida IOUs and intervenors regarding the incentive mechanism/asset optimization so long as such a proceeding would not adversely impact the Commissions' ability to issue a timely decision with respect to the proposed settlement in the current docket (120015-EI).

Prepared by counsel.

Respectfully submitted this 25th day of October 2012.

A handwritten signature in black ink, appearing to read "Gregory J. Fike", is written over a horizontal line.

Gregory J. Fike, Lt Col, USAF

Gregory.fike@tyndall.af.mil

Karen White

Samuel Miller, Capt, USAF

Federal Executive Agencies

AFLOA/JACL-ULFSC

139 Barnes Drive, Suite 1

Tyndall Air Force Base, FL 32403

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**OPC's Response to
Staff's First Set of Interrogatories,
No. 1**

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No: 120015-EI

Filed: October 26, 2012

CITIZENS' RESPONSE TO FLORIDA PUBLIC SERVICE COMMISSION
FIRST SET OF INTERROGATORIES (No. 1)

Office of Public Counsel, ("Citizens"), by the requirements set forth in Commission Order No. PSC-12-0529-PCO-EI, Rule 1.340(a), Florida Rule of Civil Procedure, submit the following responses to the First Set of Interrogatories (No. 1) propounded by the Staff of the Florida Public Service Commission on October 16, 2012.

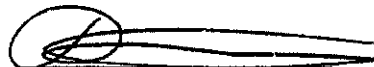
INTERROGATORIES

1. Does OPC believe the Commission should consider the incentive mechanism/asset optimization part of the proposed settlement (paragraph 12) in a generic policy proceeding involving all Florida IOU's and intervenors? Please explain.

Response: As phrased, the question may imply (whether or not intentionally) that the proposed mechanism should be considered either in a single utility's rate proceeding or in a generic proceeding. Citizens' position is that there is a threshold question as to whether the subjects of the proposal include activities that a utility exercising prudent stewardship of assets paid for by its customers should pursue diligently in the absence of a monetary incentive. This overarching policy consideration is not unique to FPL. Therefore, Citizens believe that, if the type of incentive mechanism/asset optimization which is part of the proposed settlement (Paragraph 12) is to be considered *at all*, such consideration should be part of a generic proceeding involving all Florida IOUs. Further, a generic proceeding would incorporate realistic and adequate time frames designed to allow the full

development of a record to determine if this type of mechanism can be created which benefits customers as well as utilities.

(response provided by Counsel)

A handwritten signature in black ink, appearing to read 'Patricia A. Christensen', written over a horizontal line.

**Patricia A. Christensen
Associate Public Counsel**

**Office of Public Counsel
c/o The Florida Legislature
111 W. Madison Street
Room 812
Tallahassee, FL 32399-1400**

**(850) 488-9330
Attorney for Florida's Citizens**

AFFADAVIT

STATE OF Florida

COUNTY OF Leon

BEFORE ME, the undersigned authority, personally appeared

Patricia A. Christensen, who deposed and stated that she

provided the answers to interrogatory No. 1

served on Office of Public Counsel by Commission Staff on

October 16, 2012 and that the responses are true and

correct to the best of his/her information and belief.


Patricia A. Christensen

DATED at October 26, 2012.

Sworn to and subscribed before me this 26th day of
October, 2012.


NOTARY PUBLIC

State of Florida at Large

My Commission Expires: _____



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**FRF's Response to
Staff's First Set of Interrogatories,
No. 1**

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for Increase In Rates)
By Florida Power & Light Company) DOCKET NO. 120015-EI
_____) FILED: OCTOBER 25, 2012

**THE FLORIDA RETAIL FEDERATION'S RESPONSES TO
STAFF'S FIRST SET OF INTERROGATORIES (NO. 1)**

The Florida Retail Federation ("FRF") hereby files its responses to the Commission Staff's First Set of Interrogatories (No. 1), which was propounded on October 16, 2012.

RESPONSES TO INTERROGATORIES

1. Does FRF believe the Commission should consider the incentive mechanism/asset optimization part of the proposed settlement (paragraph 12) in a generic policy proceeding involving all Florida IOUs and intervenors? Please explain.

FRF RESPONSE:

If the Commission intends to consider this proposal at all, it should do so generically in a rulemaking docket.

Prepared by counsel.

Respectfully submitted this 25th day of October 2012.


Robert Scheffel Wright
schef@gbwlegal.com

John T. LaVia, III
jlavia@gbwlegal.com

Gardner, Bist, Wiener, Wadsworth, Bowden, Bush,
Dee, LaVia & Wright, P.A.

1300 Thomaswood Drive
Tallahassee, Florida 32308
Telephone (850) 385-0070
Facsimile (850) 385-5416

Attorneys for the Florida Retail Federation

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**Pinecrest's Response to
Staff's First Set of Interrogatories,
No. 1**

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for Increase in Rates by)
Florida Power & Light Company)
_____)

DOCKET NO.: 120015-EI
FILED: October 26, 2012

**THE VILLAGE OF PINECREST'S RESPONSE
TO FLORIDA PUBLIC SERVICE COMMISSION STAFF'S
FIRST SET OF INTERROGATORIES (No. 1)**

The Village of Pinecrest ("Pinecrest") hereby files its response to Commission Staff's First Set of Interrogatories (No. 1), which was propounded on October 16, 2012.

RESPONSE TO INTERROGATORY

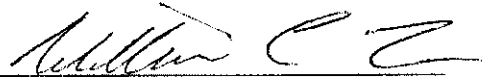
1. Does the Village of Pinecrest believe the Commission should consider the incentive mechanism/asset optimization part of the proposed settlement (paragraph 12) in a generic policy proceeding involving all Florida IOUs and intervenors? Please explain.

PINECREST'S RESPONSE:

If the Commission considers the proposal, it should be done in a generic proceeding. As a matter of fundamental fairness to the entire community of regulated utilities, the Commission's policies concerning incentives should be uniformly applied to all similarly situated utilities. Development and application of incentive mechanisms on an ad hoc basis fails to provide certainty that desired behaviors will be rewarded. The creation of rules, where possible, provides more certainty that behavior consistent with the generally applicable rule will be recognized and rewarded by the Commission, because the presence of a generally applicable rule reduces the potential for selective application of policy.

Prepared by counsel.

Respectfully submitted this 26th Day of October 2012.

A handwritten signature in black ink, appearing to read "William C. Garner", written over a horizontal line.

William C. Garner
Florida Bar No. 577189
Brian P. Armstrong
Florida Bar No. 888575
Nabors, Giblin & Nickerson, P.A.
1500 Mahan Drive, Suite 200
Tallahassee, Florida 32308
(850) 224-4070 Telephone
(850) 224-4073 Facsimile

Attorneys for the Village of Pinecrest

666

**Hendrick's Response to
Staff's First Set of Interrogatories,
No. 1**

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 120015-EI
DATED: OCTOBER 23, 2012

HENDRICKS' RESPONSE TO STAFF'S FIRST SET OF INTERROGATORIES

TO JOHN W. HENDRICKS (NO. 1)

John W. Hendricks submits the following response to Staff's First Set of Interrogatories (No. 1) dated October 16, 2012.

INTERROGATORY

1. Do you believe the Commission should consider the incentive mechanism/asset optimization part of the proposed settlement (paragraph 12) in a generic policy proceeding involving all Florida IOUs and intervenors? Please explain.

RESPONSE

No. The proposed incentive mechanism should not be considered in a generic policy proceeding.

The incentive mechanism and asset optimization part of the proposed settlement should be considered now in this case, in the context of the proposed settlement agreement, including the elements of the original FPL request that remain unchanged by the settlement proposal, and FPL's specific territory and assets to be managed. If consideration of this proposed settlement is terminated or this incentive mechanism is rejected, I would still recommend that incentives in this area be considered in the future, but only in the context of a specific utility.

FPL's size, sophistication and increasing deployment of combined cycle gas generation make it a good candidate for incentives to optimize management of assets related to power and fuel transactions. An incentive mechanism can be a powerful tool to improve performance in areas where rate of return regulation is less effective in delivering optimized results, but it is not a trivial matter to design a new incentive mechanism or assess a specific proposal, as in this case.

It will be a challenge to assess the likely effectiveness and efficiency of the specific incentives proposed if they are to operate in the specific decision context that FPL faces. It would be a serious mistake to add additional complications by trying to develop a generic incentive policy for optimization of a complex set of power and fuel decisions, across the broad range of companies and territories the Commission regulates, before observing the performance of a broad scope mechanism in this area at a single Florida utility. A "one size fits all" incentive mechanism for these functions is likely to "fit badly," and could do more harm than good.

That being said, the specific terms in the incentive mechanism as proposed in the settlement agreement are problematical. Determining if the proposed mechanism appropriately balances the interests of the utility and its ratepayers will require consideration of alternative values for key parameters, such as the benchmark, sharing thresholds and sharing percentages, as well as the scope and term of the mechanism. The commission should be should be prepared to adjust the incentive mechanism as necessary to improve the balance or overall savings, or mitigate potential unwanted consequences. We cannot determine if the proposed mechanism is in the public interest by treating it as a take-it or leave-it "black box."

In summary, the incentive mechanism described in the proposed settlement should be evaluated in this case to determine if, in whole or in part, as specified or with appropriate adjustments, it would be in the public interest. It should be subject to the same level of scrutiny as any other part of the rate case, and the commission should proactively consider adjustments as needed to make sure it is in the public interest. This would be much more likely to deliver an efficient and effective incentive mechanism than would either a take-it or leave-it choice in this case, or trying to create a one size fits all generic mechanism without sufficient experience with broad incentive mechanisms and the potential outsourcing of asset management.

s/ John W. Hendricks

John W. Hendricks
367 S Shore Drive
Sarasota, Florida 34234
Telephone: (941) 685-0223
Email: jwhendricks@sti2.com

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AFFIDAVIT

STATE OF FLORIDA)

COUNTY OF Sarasota)

I hereby certify that on this 23rd day of Oct, 2012, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared John W. Hendricks who is personally known to me, and he/she acknowledged before me that he/she provided the answers to interrogatory number(s) I from Staff's First Set of Interrogatories to John W. Hendricks (No. 1) in Docket No(s). 120015-El, and that the responses are true and correct based on his/her personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 23rd day of Oct, 2012.



Jacqueline Eosta
Notary Public
State of Florida, at Large

My Commission Expires:
9-10-18