September 19, 2016

Via electronic filing and email

Carlotta Stauffer
Director, Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

Re: Docket No. 160021

Dear Ms. Stauffer:

Enclosed for filing in the above referenced docket, please find Sierra Club's Post-Hearing Brief. Should you have any questions regarding this filing, please contact me.

Sincerely,

/s/
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Qualified Representative for Sierra Club

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Florida Power & Light Company.	Docket No. 160021-EI
In re: Petition for approval of 2016-2018 storm hardening plan, by Florida Power & Light Company.	Docket No. 160061-EI
In re: 2016 depreciation and dismantlement study by Florida Power & Light Company.	Docket No. 160062-EI
In re: Petition for limited proceeding to modify and continue incentive mechanism, by Florida Power & Light Company.	Docket No. 160088-EI Filed: September 19, 2016

SIERRA CLUB'S
POST-HEARING BRIEF

Sierra Club hereby files with the Florida Public Service Commission (the Commission) its Post-Hearing Brief in the above-referenced, consolidated dockets pursuant to Order No. PSC-16-0341-PHO-EI[1] and Order No. Order No. PSC-16-0182-PCO-EI, [2] and states as follows:

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[1] Order No. PSC-16-0341-PHO-EI, issued on August 19, 2016, in Docket Nos. 160021-EI, In re: Petition for rate increase by Florida Power & Light Company.

[2] Order No. PSC-16-0182-PCO-EI, issued on May 4, 2016, in Docket Nos. 160021-EI, In re: Petition for rate increase by Florida Power & Light Company; Docket No. 160061-EI, In re: Petition for approval of 2016-2018 storm hardening plan by Florida Power & Light Company; Docket No. 160062-EI, In re: 2016 depreciation and dismantlement study by Florida Power & Light Company; and Docket No. 160088-EI, In re: Petition for limited proceeding to modify and continue incentive mechanism, by Florida Power & Light Company.

I. LEGAL BACKGROUND

1. Under Florida law, the Commission can only allow rate recovery for prudent electric utility expenses; that is, the expenses that meet ratepayer need and are the least cost based on a comparison of all available options in the market, especially renewables, energy efficiency, and conservation.

A. The Commission can only allow rate recovery for prudent electric utility expenses.

As the Florida Supreme Court has affirmed, the Commission can only allow rate recovery[3] for prudent electric utility expenses. *Florida Power Corp. v. Wenzel*, 113 So.2d 747, 749 (Fla. 1959); *Shevin v. Yarborough*, 274 So. 2d 505, 509 (Fla. 1973); *Gulf Power Co. v. Florida pub. Service Com'n*, 453 So.2d 799, 802, 806 (Fla. 1984) citing Section 366.06(2), Florida Statutes (F.S.) and Order No. 11936; *accord* Section 366.06(1), F.S. ("for ratemaking purposes" the utility's expense "shall be … honestly and prudently invested"—" as determined by the commission"). The applicable prudence standard is essentially a two part-test—whether the utility first considered, then "took every reasonably available prudent action" before incurring the expense at issue. *Gulf Power,* 453 So.2d 799 at 802.

B. Prudent expenses must meet the need of ratepayers for an adequate and reliable electricity supply <u>at the least cost</u>.

Commission rules require electric utilities to plan and provide for "an adequate and reliable supply of electricity at the **<u>lowest cost possible</u>**" [emphasis added]; i.e., **<u>least-cost planning</u>**. Rule 25-22.072(1), Florida Administrative Code (F.A.C.), incorporating by reference Form PSC/RAD 43-E (11/97), at 4; *cf.* Section 366.82(5)(b)(requiring "analysis of various policy options … to achieve least-cost strategy"). This requirement is at the core of the prudency standard. This comports with Commission practice—which the Florida Supreme Court has also affirmed—to review utility expenses "in light of conditions and circumstances which were known or reasonably should have

[3] "Rate recovery" refers to the reimbursement of public utility expenses through the rates the utility charges its customers—often referred to as "ratepayers." Section 366.041, F.S. (specifying Commission authority to fix rates for public utilities under its jurisdiction and for reviewing whether they make a sufficient showing to "recover capital costs").

been known at the time decisions were made" by the electric utility. *Southern Alliance for Clean Energy v. Graham*, 113 So.3d 742, 750 (Fla. 2013); *see also Gulf Power,* 453 So.2d 799 at 802 (concluding that utility "efforts" must be "timely" and responsive to Commission advisements on the errors in the utility's assessment of and plans for future market conditions).[4]

C. To meet the prudence standard, utilities necessarily must review <u>all available options</u> in the market; indeed, as the Commission has affirmed, such a robust options analysis is <u>routine</u> for electric utilities.

To make an informed decision as to what constitutes "every reasonably available prudent action," *Gulf Power,* 453 So.2d 799 at 802, and meet the least cost standard under Commission Rule 25-22.072(1), F.A.C., utilities must review all of the options available to them in the market. This is a matter of common sense and Commission precedent. The Commission has consistently emphasized and reiterated the requirements under Florida Statutes and Commission rules for robust options analysis. Order No. PSC-11-0547-FOF-EI, at 82;[5] *see also* Order No. PSC-11-0547-FOF-EI (redacted Final Order) (noting approval of utility's rate increase request upon finding "no practical alternative");[6] *cf.* Order No. PSC-11-0547-FOF-EI (redacted Final Order), at 6 (reviewing whether utilities properly considered "all available" demand-side and supply-side conservation and efficiency measures in the market at the time) citing pursuant to Section 366.82(3), F.S.[7] As the Commission

[4] Prudence is thus a foresight test. Order No. PSC-11-0547-FOF-EI (redacted Final Order), 3−4, issued on November 23, 2011, in Docket No. 11 0009-EI, <u>In re: Nuclear cost recovery clause</u>. The focus is on whether the utility's efforts comport with sound planning and actions that take into account present and future conditions in the market. *Gulf Power* (affirming Commission's denial of rate recovery for certain utility expenses that flowed from imprudent planning); *cf. Floridians United for Safe Energy, Inc. v. Pub. Serv. Comm'n*, 475 So. 2d 241, 242 (Fla. 1985) ("We long ago recognized that rates are fixed for the future and that it is appropriate for PSC to recognize factors which affect future rates." [citations omitted]).

[5] Order No. PSC-11-0547-FOF-EI, issued on November 23, 2011, in Docket No. 11 0009-EI, <u>In re: Nuclear cost recovery clause</u>.

[6] Order No. PSC-11-0547-FOF-EI (redacted Final Order), issued on November 23, 2011, in Docket No. 11 0009-EI, <u>In re: Nuclear cost recovery clause</u>.

[7] Order No. PSC-14-0696-FOF-EU, issued on December 16, 2014, in Docket No. 130205-EI, <u>In re: Commission review of numeric conservation goals (Florida Public Utilities Company)</u>.

has confirmed, the review of "**all available options**" is "**routine** procedure in the business world," especially in the electric utilty industry as it undertakes "long-term, complex project[s]." Order No. PSC-11-0547-FOF-EI, at 82.[8]

Options typically available to electric utilities include but are not limited to:

- Alternatives to conventional power plants, such as renewables,[9] energy efficiency, and conservation, *see, e.g.,* Order No. PSC-14-0696-FOF-EU, at 39 ("demand-side management is an alternative resource to generation plants and should be evaluated similarly for reliability and economic impacts.");[10] Order No. PSC-16-0032-FOF-EI, at 13−15;[11] *see also* Order No. PSC-11-0547-FOF-EI ("In 2006, we stated that utilities should not assume the automatic approval of natural gas-fired plants.");[12]
- Alternatives identified through a market assessment such as the request for proposal (RFP) process under Rule 25-22.082, F.A.C (i.e., the Commission's competitive "bid rule"), *see*, *e.g.*, Order No. PSC-06-0779-PAA-EI, at 3 ("the RFP process provides us with valuable

[8] Order No. PSC-11-0547-FOF-EI, issued on November 23, 2011, in Docket No. 11 0009-EI, In re: Nuclear cost recovery clause.

[9] Unless otherwise noted, the terms "renewables" and "renewable energy" refer to the same energy resources. *See generally* Section 366.91(2)(d), F.S, (defining "renewable energy" in pertinent part as "electrical energy produced from a method that uses one or more of the following fuels or energy sources: hydrogen produced from sources other than fossil fuels, biomass, solar energy, geothermal energy, wind energy, ocean energy, and hydroelectric power").

[10] Order No. PSC-14-0696-FOF-EU, issued on December 16, 2014, in Docket No. 130205-EI, In re: Commission review of numeric conservation goals (Florida Public Utilities Company).

[11] Order No. PSC-16-0032-FOF-EI, issued on January 19, 2016, in Docket No. 150196-EI, In re: Petition for determination of need for Okeechobee Clean Energy Center Unit 1, by Florida Power & Light Company.

[12] Order No. PSC-11-0547-FOF-EI, issued on November 23, 2011, in Docket No. 11 0009-EI, In re: Nuclear cost recovery clause.

information on the available capacity alternatives and is a valid tool for evaluating the cost-effectiveness of proposed generating units.");[13]

- Incremental capacity increases, *see*, *e.g.*,Order No. PSC-13-0505-PAA-EI, at 13, [14] States' Electric Resurfacing Activities;[15]
- Earlier or later extremes of commercial operations date, *see*, *e.g.*, Order No. PSC-11-0547-FOF-EI, at 82; and
- Retaining one vendor, retaining multiple vendors, or building the power plant itself ("self-build"). *See*, *e.g.*, Order No. PSC-08-0749-FOF-E, Order No. PSC-09-0783-FOF-EI, Order No. PSC-11-0547-FOF-EI.

In addition, the Commission has emphasized that better options may appear **after** the utility makes its initial decision, and that utilities should therefore investigate and make timely adjustments in response to changing market conditions such as declining demand or new and improved technology. Order No. PSC-16-0032-FOF-EI, at 25 ("it is prudent for a utility to continue to evaluate whether … to participate in a proposed power plant before, during, and after construction of a generating unit. If conditions change … then a prudent utility would be expected to respond appropriately."); *see also* Order No. PSC-12-0187-FOF-EI, at 17; *accord* Section 366.04(1) (Commission's ratesetting considerations include "the ability of the utility to improve [its] service and facilities"), F.S.; *cf. Gulf Power,* 453 So.2d 799, 802-03 citing favorably Order No. 11936 (reaffirming denial of rate recovery due to utility's failure to minimize costs after initial demand

[13] Order No. PSC-06-0779-PAA-EI, issued on September 19,2006, in Docket No. 060426-E1, In re: Petition for exemption under Rule 25-22.082(18), F.A.C., from issuing request for proposals (RFPs), by Florida Power & Light Company.

[14] Florida Public Service Commission, *States' Electric Resurfacing Activities* (1997). *See also* F.L. House of Representatives, Committee on Utilities and Communications, *Overview of the Electric Industry*, 27 (2000), *available at* http://www.leg.state.fl.us/data/Publications/2000/House/reports/interim_reports/pdf/elc-rpt.pdf.

[15] Order No. PSC-13-0505-PAA-EI, issued on October 28, 2013, in Docket No. 130198-EI, In re: Petition for prudence determination regarding new pipeline system by Florida Power & Light Company.

forecasts proved too high); Section 366.91(1), F.S. (finding "it is in the public interest to promote renewable energy development" as it can "help"—"make Florida a leader in new and innovative technologies"). The same is reinforced by the requirement for utilities to, at a "minimum," Form PSC/RAD 43-E (11/97), at 1, annually update their least cost plan. Rule 25-22.071(1), F.A.C.

D. Florida Statutes direct the Commission and the electric utilities to pursue investments in renewables, energy efficiency, and conservation because these are inherently prudent investments to diversify electric supply, and to hedge against the risks of the State's reliance on fuel imports, especially natural gas, to produce electricity from conventional power plants.

Florida Statutes brim with directives to diversify Florida's electricity supply with renewables, energy efficiency, and conservation. While it is beyond the scope of this brief to recite all such directives, those below exemplify the state legislature's unwaivering support for such diversification as an inherently prudent choice to hedge against risky fuel imports, with the added benefit of boosting the local economy.

First, the statutory framework governing the addition of electrical power plants in Florida expressly states as its premise "assur[ing]—that renewable energy sources and technologies, as well as conservation measures, are utilized to the extent reasonably available." Section 403.502(4), F.S. Furthermore, the Commission "shall take into account" the same—and the "need for fuel diversity and supply reliability"—as it determines whether to authorize another major power plant in Florida. Section 403.519(3), F.S. The Commission "shall also expressly consider the conservation measures taken by or reasonably available to … mitigate the need for the proposed plant." *Id.*

Similarly, when fixing rates, Florida Statutes direct the Commission to consider, again, whether the electric utility's "service and facilities" properly include "energy conservation and the efficient use of alternative energy resources."[16] Section 366.041, F.S.

[16] While Florida Statutes do not define "alternative energy resources" *per se*, the term is part of the "renewable energy" definition. Section 366.91(2)(d), F.S.

Likewise, the statutory framework governing electric utility planning requires the Commission to review "possible alternatives" to each utility's "proposed plan." Section 186.801(2), F.S. Fully one-third of the other nine criteria for the Commission's review of utility plans refer to renewables. *Id.* This is only reinforced—and expanded to include energy efficiency—by yet another criterion, which requires the Commission to review each plan for consistency with the State Comprehensive Plan. *Id.* The Plan is Florida's "direction-setting document." Section 187.101, F.S. It sets out the State's energy goal and policies—**all of them promote renewables, efficiency, and conservation**. Section 187.201(11), F.S.[17]

Additionally, the legislature has adopted a policy expressly dedicated to promoting renewables after it found that doing so is "in the public interest." Section 366.91(1), F.S. In the policy, the legislature averred that renewables can: "diversify fuel types to meet Florida's growing dependency on natural gas for electric production, minimize the volatility of fuel costs, encourage investment within the state, improve environmental conditions, and make Florida a leader in new and innovative technologies." *Id.* The policy expressly requires the Commission and the electric utilities to promote renewables such as solar power plants. Section 366.91(3)–(7), F.S.

As a final example, "to meet the complex [energy] problems" of the state, such as "reducing the growth rates of weather-sensitive peak demand," and "conserving expensive resources, particularly petroleum fuels," the legislature has authorized the Commission to develop "experimental rates, rate structures, or programs" that "encourage[]" the "use of solar energy, renewable energy sources, highly efficient systems, cogeneration, and load control systems." Section 366.81, F.S.

[17] N.B., subpart (11)(b)(10) refers to price and supply risks that are commonly associated with importing fuel for conventional power plants, and for which renewables, efficiency, and conservation are solutions.

Pursuant to such directives in Florida Statutes, it is all the more critical for the state's electric utilities to perform the robust, routine review of all available options, especially the renewables, energy efficiency, and conservation options in the market that are available to them.

2. Under the prudence standard, the burden of proof is on the utility and the standard of proof is the preponderance of the evidence.

As the Florida Supreme Court has affirmed, the burden is on the utility to prove that its expenses are prudent. *Gulf Power* at 802 (stating that the utility had the burden of proof to show "it took every reasonably available prudent action" before incurring expenses included in its rate increase request); *Florida Power Corporation v. Cresse*, 413 So.2d 1187, 1190 (Fla. 1982) (stating that the burden is on the utilities to justify changes to rates, quoting PSC Order No. 9273); *c.f.* Order No. PSC-09-0571-FOF-EI, at 15 (stating that the utility had the "burden to show that the conditions have been met" to recover the costs for five new gas combustion turbines);[18] Order No. PSC-01-2516-FOF-EI, at 25 (placing the burden of proof on multiple utility companies to prove the "reasonableness and prudence of the expenditures upon which the amounts are based."); Order No. 12645, issued November 3, 1983, ("the burden of proving the prudence of its actions will remain with the utility");[19] Section 366.04(4), F.S. ("No electric utility may collect impact fees designed to recover capital costs in initiating new service unless the utility can demonstrate and the commission finds that such fees are fair, just, and reasonable").

[18] Order No. PSC-09-0571-FOF-EI, issued on August 21, 2009, in Docket No. 080317-EI, In re: Petition for rate increase by Tampa Electric Company.

[19] Order No. PSC-01-2516-FOF-EI, issued on December 26, 2001, in Docket No. 030829-TP, In re: Complaint of Florida Digital Network, Inc. d/b/a FDN Communications against BellSouth Telecommunications, Inc. for resolution of certain billing disputes and enforcement of unbundled network element (UNE) orders and interconnection agreements.

The standard of proof is the preponderance of the evidence. Order No. PSC-II-0547-FOF-EI, at 61.[20] Specifically, it is the ultility's burden to prove with "substantial competent evidence" that its expenses satisfy each element of the prudency standard. Order No. PSC-09-0571-FOF-EI, at 11 (discussing the option to disallow rate recovery for expenses, in whole or in part, when the Commission "was not convinced that [the utility's] position was supported by "substantial competent evidence").[21]

II. FACTUAL BACKGROUND

In this case, Florida Power & Light Company (FPL) seeks nearly $1.4 billion for natural gas-burning combustion turbine projects.[22] FPL Petition at 13–14. This includes approximately $1.25 billion in capital expenses that would go into base rates, *id.* at 12–13, plus approximately $144 million as an 11.5% rate of return on those expenses, *id.* at 2. The relevant facts in the record[23] are as follows:

- FPL has committed "nearly $800 million" to add new gas turbines in Broward County, Florida by the end of 2016 ("peaker replacement project"), FPL Petition at 13, TR 813 (Kennedy), TR 1525–26 (Barrett), Ex. 502. As Witness Barrett[24] explains:

[20] Order No. PSC-11-0547-FOF-EI, issued on November 23, 2011, in Docket No. 11 0009-EI, In re: Nuclear cost recovery clause.

[21] Order No. PSC-09-0571-FOF-EI , issued on August 21, 2009, in Docket No. 080317-EI, In re: Petition for rate Increase by Tampa Electric Company, amended by Order No. PSC-09-0571A-FOF-EI (to reflect that the Intervenors' joint motion for reconsideration is denied), issued on August, 24, 2009.

[22] FPL intends the new gas turbines in its request to serve peak load, TR 813 (Kennedy), and thus refers to them as "peakers" or "peaking units." TR 813 (Kennedy). Alternatively, the record refers to the same technology (simple cycle combustion turbines) as "gas turbines"/"GTs," *see*, *e.g.*, TR 813 (Kennedy), or as "combustion turbines"/"CTs." *See*, *e.g.*, TR 812 (Kennedy); *see generally* TR 1501 (Barrett) (explaining simple versus combined cycle technology).

[23] The Hearing Officer and the Commission Staff confirmed that the record includes all of the filings in the docket. TR 6028-29.

[24] Witness Barrett's testimonies and the Prehearing Order identify him as the lead witness on Issues 57, 57A, and 59, which are the issues dedicated to the Commission's review of whether the projects are prudent. Prehearing Order at 7; TR 1399 (Barrett).

> In a nutshell, the plan is to replace the 1970s vintage gas turbines that are currently at Port Everglades, Ft. Lauderdale and Ft. Myers with state-of-the-art combustion turbines. 44 of the 48 would be retired. Four of the 48, two at Ft. Lauderdale, two at Ft. Myers, would be kept [online] . . . .

TR 1501-02 (Barrett).

- FPL committed "more than $450 million" to expand another 26 gas turbines by the end of 2017 (".05 project"), immediately following a similar expansion project (".04 project"). FPL Petition at 13, TR 812 (Kennedy), TR 1568-87 (Barrett).
- The two projects—the peaker replacement project and the .05 project—add more natural gas-burning capacity than any of FPL's other major gas capacity additions over the last 15 years—and FPL admits this. *Compare* TR 816 (Kennedy) ("From 2001 through 2017, FPL will have added more than 13,000 MW of combined cycle units at nine different sites") *and* Ex. 626 (reporting the nameplate capacity of each of those combined cycle additions is less than 1,700 MW), *with* TR 813 (Kennedy) (peaker replacements project adds "approximately 1,700 MW") *and* TR 880 (Kennedy) (.05 project adds "over 600 megawatts"—"at 75 degrees" and "like 26 megawatts"—"at summer peak").
  - Likewise, the two projects add more gas capacity than FPL's next major gas capacity addition, at Okeechobee. *Compare* TR 813 (Kennedy) (peaker replacement project adds "approximately 1,700 MW") *and* TR 880 (Kennedy) (.05 project adds "over 600 megawatts" – "at 75 degrees" and "like 26 megawatts" – "at summer peak" *with* TR 821-822 (Kennedy) (describing Okeechobee Unit as "1,633 MW" project).
- FPL started a full fact-finding docket before it began the build out if its peaker replacement project, withdrew from that docket and unilaterally built out the approximately 1,700 MW of gas combustion turbine capacity, and now has filed this petition for compensation for the work it has nearly completed, and thus this is the Commission's first opportunity to use its

fact-finding process to determine whether the $1.4 billion projects are prudent and least cost. Order No. PSC-16-0341-PHO-EI, 90 (identifying the prudence of the projects as disputed Issues 57 and 57A in this case).[25] FPL admits this, too:

> Q …did FPL obtain from this commission preconstruction approval for those plants?
>
> A No, we did not. That's why we are here today.

TR 286 (Silagy), *see also* FPL Petition at 13-14 (setting out FPL's request to recover its capital expenses for these projects without citing any prior Commission approval), *cf.*, FPL Petition at 20 (citing the Commission's final order on FPL's petition for need determination for the new Okeechobee combined cycle plant, Order No. PSC-16-0032-FOF-EI).

- Gas turbines, even the new models that FPL is installing, are inherently less efficient (hence burn more fuel and lead to higher fuel costs) than other natural gas-burning electric generating technology, such as combined cycle technology. TR 877, 952 (Kennedy), TR 1648-49 (Barrett) (cross-examination on Order No. PSC-16-0032-FOF-EI).
- FPL admits that its judgment is that gas turbine technology may be obsolete in four years—in 2020—because at that time "very likely, you'll just be building energy storage instead." TR 1635, Ex. 639.[26]
- FPL never conducted an options analysis, and therefore it has never provided the Commission an options analysis, instead, FPL only developed and disclosed a comparison of

[25] 165 disputed issues remain in this case. *Compare* Prehearing Order (identifying original 167 issues); TR 47-48 (identifying two stipulated issues). As discussed further in the Statement of Issues and Positions, below, the projects are relevant to several other issues.

[26] Witness Barrett "work[s] closely" with the CEO of FPL's parent company, NextEra, TR 1562-63 (Barrett), they serve on the same management committees/executive team with responsibility for FPL's major expenses, including the $1.4 billion gas turbine projects. TR 1396-97, 1562-63 (Barrett). Mr. Barrett took no issue with the accuracy and authenticity of Mr. Robo's quoted statements from September 2015 in Exhibit 639 about "his team['s]" assessment of gas peakers and battery storage, TR 1634 (Barrett), nor did his counsel on redirect. TR 1650-52.

its projects compared to the status quo. In response to an interrogatory for "a detailed explanation of why the gas turbines will be retired by the end of 2016," in May 2016 FPL cited only the comparison between doing nothing and replacing the existing peakers all at once. *Id.* at 2 (declaration signed by Kennedy on May 17, 2016); *see generally* TR 1396-1440 (Barrett) (providing only results of narrow comparison in prefiled direct testimony), TR 799-822 (Kennedy) (providing no other discussion or evidence of any analysis or consideration of other options).

- Many other options are available to FPL in the market. TR 868 (Kennedy) ("there are better alternatives for our customers"), TR 878 (Kennedy) (not denying that FPL could "stager [*sic*]" the existing turbine replacement, just "not part of the strategy put forward"), TR 1506 (Barrett) (not denying that FPL could convert the turbines into a more efficient combined cycle plant, stating it just was "not"—"the plan" of FPL).
- FPL admits that its options include solar. TR 1516 (Barrett)("So on the solar side, we believe that we could take to market quickly, leverage the vendors that we do business with at the levels if FPL's customers get the benefit from and bring those projects to market quickly, we think that's a good thing."); TR 302 (Silagy)("solar …. now cost-effectively [sic] on a large-scale we can make it work"), TR 1570 (Barrett) (stating that FPL's existing solar projects are "available to meet summer Peak [*sic*]"),
- FPL admits that its options include battery storage. Ex. 639 (quoting FPL's chairman that "battery storage" is one of "three growth platforms").
- FPL admits that its options also include energy efficiency, TR 1347, 1350 (Morley), and conservation measures such as interruptible rate programs, which are also referred to as "load management" and "demand response," TR 1347, 1350 (Morley), TR 4793, 4800-04 (Forrest).

- FPL characterized all of these other options as cost-effective and competitive. TR 302 (Silagy)("solar …. now cost-effectively [*sic*] on a large-scale we can make it work"), TR 611 (Reed)("Demand-side measures, especially energy efficiency and interruptible rate programs and programs like that, can be **very cost-effective**."), Ex. 639 ("expect energy storage prices to experience a similar **cost plunge** to that of solar costs over the last seven years. If that happens, energy storage will be competitive with gas peaker plants.").
- FPL admits that these options can address the purpose that it intends the gas peakers to address—help meet summer peak and reliability. TR 1570 (Barrett) (stating that FPL's existing solar projects are "available to meet summer Peak [*sic*]"), TR 1354-55 (Morley) (stating that demand-side resources such as energy efficiency and demand response are "among the drivers" of peak demand, but that FPL did not consider any incremental amounts of these resources beyond what is required based on analysis from more than two years ago), Ex. 639 (quoting FPL chairman's statement that battery storage "will be used in a variety of applications such as 'reliability purposes'.").
- FPL also admits that these options can address the purpose that it intends the .05 project to address: fuel cost savings and hedging against rising fuel costs. TR 1572 Barrett (stating that solar is already below FPL's avoided cost, allows gas plants to burn less fuel); *cf.* Ex. 751 ("By offering flat or even declining prices in real dollar terms over long periods of time, solar (and wind) power can provide a long-term hedge against the risk of rising fossil fuel prices [citation omitted].").
- FPL provided no documentation of any consideration of any of these options in the context of its decision to push ahead with its gas turbine projects. *Cf.* TR 1561 (Barrett) (stating that FPL's plan to wait until 2021 to add large-solar in 2021 is "really not the subject of this testimony").

- FPL did not develop basic facts necessary for such a fully informed comparison of solar, battery, conservation, or incremental peaker replacement versus the replacing all the gas peakers at once, because FPL never provided competent unit-level information on the existing gas turbines such as their operating characteristics and maintenance , and thus FPL has never provided this Commission with the basic facts to prove that its buildout of peakers was the prudent, least cost option. *See* Ex. 404, Ex. 502.
- FPL did not develop basic facts necessary such as the detailed, unit-level information on the parts issue it alleges it is having with its 48 existing gas turbine units, and those units' operating characteristics, and thus FPL has never provided this Commission with the basic facts to prove that its buildout of peakers was the prudent, least cost option. *See* Ex. 404, Ex. 502.
- In 2013, FPL petitioned the Commission to approve a project just like the peaker replacement project for environmental compliance purposes. TR 863-64 (Kennedy), *see also* TR 1580 (Barrett) (project now is "little bit bigger"), Order No. PSC-13-0687-FOF-EI, at 1. FPL withdrew its petition, however, before the Commission completed its fact-finding on FPL's proposal, Order No. PSC-13-0687-FOF-EI. at 2, including several alternatives proposed by FPL and other parties. TR 1582-84 (Barrett). FPL provided no documentation of how those alternatives compare to its projects. *See generally* FPL Petition, FPL Prefiled Testimonies.
- FPL admits there is "no longer an environmental reason to replace those peakers." TR 1505 (Barrett). FPL's monitoring showed it is not necessary to retire or add controls to the existing units under the applicable environmental requirements. TR 865 (Kennedy), TR 1504-5 (Barrett).

- There is no reliability study or other record evidence that the peaker replacement and .05 projects are required to meet FPL's reserve margin requirements. TR 1354 (Morley). Likewise, there is no analysis in the record to support the sizing of the new gas turbines, *see* TR 1580 (Barrett), or FPL's choice to retire some of the existing turbines but keep four of them online—and FPL admits this. *See* TR 1579 (Barrett).
- FPL admits the peaker replacement project "essentially has no impact" on reliability. TR 1581-82 (Barrett). FPL also admits that the existing turbines are not unreliable when called upon to generate; indeed, the witness who manages the turbine fleet averred "they can operate," and "dual fuel" so they can continue to do so even when FPL's gas supply is constrained. TR 870-71 (Kennedy). The load in Broward County to be served by the gas turbines is still "an evolving issue" that FPL is "continuing to look at" but FPL's load forecasting witness would not provide any details or results. TR 1352-53 (Morley).[27]
- FPL admits that the existing turbines can produce electricity in an emergency ("black start capability"), whereas the new turbines cannot; "[t]hey need auxiliary power to get them started." TR 1502 (Barrett).
- The 44 gas turbines that FPL is retiring by the end of the year, TR 1525 (Barrett), Ex. 502, could at a minimum operate through 2025—and FPL admits this, too:

> Q And your original CPVRR analysis looked at two scenarios;
>
> No. 1 is the base case continuing to operate FPL's 1970s-era gas turbines; and No. 2 is the company's preferred case, retiring 44 of those turbines and installing seven new combustion turbines instead?

[27] Dr. Morley is FPL's Director of Resource Assessment and Planning, TR 1164 (Morley), and she is responsible for FPL's load forecasts. TR 1247 (Morley).

A Correct.

Q Staff's discovery asked you to clarify and supplement your CPVRR analysis that we just described.

…

Q So, you're projecting replacements on the retiring gas turbines all the way up to 2025?

A Yes, I believe that was the retirement date we had thought would be there.

TR 4664 (Barrett).

- Also, 2028 is FPL's recommended "economic recovery date"—defined as the "estimate of the probable retirement date of a facility based on its anticipated operating life"—for the "the existing Lauderdale and Ft. Myers gas turbines." TR 1841 (Allis). FPL also admits to the "decline" in the "[energy] use per customer" in its service territory over the "last few years." TR 1275-76 (Morley).
- FPL admits that gas turbines are intended to serve customers for 30 years or more. *Id.*; *see also* Ex. 626 at 96-103 (listing book life of turbines as 30 years).[28]
- Relative to peer utilities to which FPL chooses to compare itself, FPL admits it relies more heavily on natural gas by "10 percentage points." TR 2501-02 (Dewhurst). The company's recently retired chief financial officer[29] also admits that this comes with serious financial risks:

> What I mean by our tail risk … is the really extreme event where we have multiple storms in succession, as we did in 2004. My nightmare event is you couple that with disruptions in natural gas supply, which

[28] "Book Life" refers to the economic life of the power plant. *See* TR 4789 (Forrest).
[29] *See* TR 2448 (Dewhurst).

> we, you know, saw the potential for back in 2004, 2005, and if that comes on top of a time when the capital markets are stressed. That's the core reason why I want to maintain that strong balance sheet.

TR 2636-37 (Dewhurst).

- FPL never looked at the economics of waiting one year, much less four years, TR 878 (Kennedy),[30] TR 1502 (Barrett), at which point FPL admits gas turbines may be obsolete: "Post-2020, there may never be another peaker built in the United States -- very likely you'll be just building energy storage instead." TR 1635, Ex. 639.

III. ARGUMENT

The Commission should deny FPL's request because FPL did not prove that the $1.4 billion gas turbine projects were prudent: FPL never proved the projects were the least-cost options in the market available to it, nor even that they were the prudent, least-cost option, relative to doing nothing at this time.

The record is so devoid of any evidence that FPL's $1.4 billion gas turbine projects could possibly be the prudent, least cost option that the Commission cannot grant FPL's request. As discussed above, under Florida law the Commission can only grant FPL's request if FPL proves the request is prudent and least cost by the preponderance of the evidence. FPL did not. FPL never performed the required, indeed, routine comparison of all available options at the time it made its decision nor at any point since then. In fact, the only alternative that FPL presented to the Commission is doing nothing. FPL thus failed to prove that it considered, let alone took every reasonably available prudent action, before it incurred expenses. This is not prudent. As explained further below, the record overwhelmingly shows that FPL had many practical alternatives. Moreover, FPL has admitted that the gas combustion turbine technology to which it already committed $1.25 billion will "very likely" be obsolete in just four years—by 2020. Ex. 639, at 2. At that point, FPL

[30] The witness responsible for the "overall management and direction of the non-nuclear power plants for the Company," TR 788, including all natural gas-burning power plants, *id.*, testified that she had no knowledge of any such study. TR 878.

expects that the electric utility industry will "be building energy storage instead"—storage being the "holy grail" to "deliver firm power" in the form of "cost-effective"--"renewables" such as solar "even faster." Ex. 639, at 2*, accord* TR 1635 (Barrett). Therefore, FPL did not, and cannot, carry its burden of proof.

Furthermore, FPL did not prove that its projects are the prudent, least cost option even relative to doing nothing at this time. Putting aside that this is a false choice foisted upon the Commission and ratepayers by FPL, the projects are inherently imprudent: FPL cites no legal mandate to act now, and admits that at a minimum it could have waited nine years to retire its existing gas turbines. Yet FPL did not provide any economic analysis of waiting one year, much less four years, at which point, FPL admits the gas turbine projects may be obsolete. This fails the prudent standard and defies common sense.

1. **FPL never put forward options that FPL admits are cost-effective and can serve the purposes that FPL intends its gas turbine projects to serve, and FPL even admits that gas turbine technology will "very likely" be obsolete in four years; FPL thus did not and cannot prove that its projects meet the prudence standard.**

The issue before the Commission is whether FPL proved, with sufficient evidence, that FPL's $1.4 billion request for its gas turbine projects—the peaker replacement project and the .05 project—is the prudent and least cost option to meet the need of ratepayers. *See* Section I, above. The Commission should deny the request because the record is devoid of such evidence, and FPL's admissions and other record evidence (set out in detail in Section II, above) show that FPL's unilateral action to move forward with these projects is imprudent.

   a. **FPL never put forward any options other than its projects and the status quo; therefore, FPL failed to prove that it reviewed "all available options" as is required and routine for electric utilities so that they may take actions that are in fact prudent and least-cost.**

There is no evidence to show that FPL performed the required, routine review of "all available options." Order No. PSC-11-0547-FOF-EI, at 82.[31] In response to an interrogatory for a "detailed" explanation of its decision to commit approximately $800 million to the peaker replacement project, FPL cited only its comparison of the project and the status quo. Ex. 502. At no other point in the record does FPL provide or cite other documentation of its consideration of alternatives to its projects in the context of making its decision to move forward with the same. *See generally* FPL Petition, FPL Prefiled Testimonies. FPL even admits it lacks such documentation, TR 292 (Silagy) ("You know, at Florida Power & Light, I don't know if we have that documentation"). FPL even admits it has not put on evidence regarding other options. TR 878 (Kennedy) (not denying that FPL could "stager [*sic*]" the existing turbine replacement, just "not part of the strategy put forward"), TR 1506 (Barrett) (not denying that FPL could convert the turbines into a more efficient combined cycle plant, just "not"—"the plan"); *cf.* TR 1561 (Barrett) (stating that FPL's plan to wait until 2021 to add large-solar in 2021 is "really not the subject of this testimony").

FPL's omission is even more glaring because FPL's last reported requests for renewable procurement—that is, the type of competitive bid process that the Commission has found "valuable" for assessing the options available to utilities in the market—were in 2007 and 2008. Ex. 552, at 74−75, 225. Yet it is exactly in the intervening "seven years" that FPL has admitted solar technologies experienced a "cost plunge." Ex. 639, at 2. This omission is only exacerbated by FPL's plan to wait until 2021 to add more large-scale solar to its system, Ex. 552, at 6 —without any justification whatsoever for waiting. *Id; cf.* TR 1561 (Barrett) (solar in plan only a "place holder"). FPL never reconciled its plan with its admission that solar can be added "quickly" to its system to achieve savings for customers, TR 1516 (Barrett). Nor with the steady news of other electric utilities

[31] Order No. PSC-11-0547-FOF-EI (redacted Final Order, issued on November 23, 2011, in Docket No. 11 0009-EI, In re: Nuclear cost recovery clause.

in the region, including FPL's neighbor, the Orlando municipal utility, signing "new utility-scale solar PPAs [power purchase agreements] … at competitive prices," in 2014 and 2015. Ex. 751, at 42 (cataloguing "notable announcements" of competitive solar contracts in the Southeast region).

In fact, these great solar deals in the region are conveniently catalogued and publicly available in a report by the renewables research arm of the federal government, *see* Ex. 751, at 1, 9, 42 , with which FPL admits it is familiar. TR 4804 (Forrest) ("I have not made a practice of studying the information provided by them, but I am familiar with who they are."). The report, dated September 2015, *id.*, at 1, "complements several other related studies and ongoing research activities, all funded as part of the Department of Energy's ("DOE") SunShot Initiative, which aims to reduce the cost of PV-generated electricity by about 75% between 2010 and 2020." *Id.* at 9 (also citing website where the latest research is published). The report also avers, with prices as good as the recent solar deals in the Southeast, other resource alternatives "may find it hard to compete" in today's market. *Ibid.* Moreover, these deals can "provide a long-term hedge against the risk of rising fossil fuel prices," *id.* at 40, whereas FPL admits that its current financial hedge program can only manage prices out one calendar year. TR 4802 (Forrest) ("Our hedging program is one year in advance.").

A prudent utility would have investigated not just all its solar options but, again, **all available options** in the market, including but not limited to all those typically available to electric utilities. *See* Section I, above (enumerating such options). The record shows that FPL failed to do so.

The record also shows that FPL's projects are inherently imprudent for many reasons, starting with the fact that gas combustion turbine technology, even the advanced forms available in the market today, are less efficient than other conventional power plants—and FPL admits this. CITE.[32] Furthermore, FPL admits it has many options, including solar, battery storage, energy

[32] FPL has also admitted that it has been to greatly reduce its peaking capacity from 1989 to 2015, TR 5879 (Deaton), and that this "resulted in significant energy cost savings for [its] customers. *Ibid*. It is also FPL's own

efficiency, and conservation. FPL also admits these options are all cost-effective and competitive. Yet, instead of a rigorous options analysis, FPL moved forward with imprudent projects, to which FPL has already committed 1.25 billion.

Moreover, FPL put forward no analysis of the economics of waiting one year, much less the nine years FPL admits it could have waited under the do-nothing scenario. See Section II, above, providing relevant excerpts from cross-examination on FPL Witness Barrett on Ex. 404, TR 4657−62. FPL did not even put forward the basic information—such as the detailed, unit-level data on its existing gas turbines—to allow for such a comparative economics analysis. *See generally* FPL Petition, FPL Prefiled Testimony, Ex. 404, Ex. 502. FPL has no excuse. As the Commission has confirmed, the review of "incremental capacity additions" and "later extremes" of any "commercial operations date" is "routine." See CITE above.

Further record evidence that FPL failed to carry its burden includes FPL's proffer of:

- Only a vague "place holder" for future solar. TR 1561 (Barrett).
- No plan to add battery storage or incremental energy efficiency (relative to the level that FPL is already required to meet). *See* Ex. 626, Chapter III (lacking consideration of storage and efficiency improvements), TR 1194, 1236 (Morley) (acknowledging that load forecast *only* accounts for energy efficiency as required for regulatory compliance).
- A proposal to end its load interruption/demand-response program—without any showing of how that program pencils out in comparison to the gas turbine projects.

b. It was critical for FPL to consider all available options because it is FPL's own judgment that the gas turbine technology, to which FPL has admitted it already committed $1.25 billion, will "very likely" be obsolete in 4 years.

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judgment that this "is an important consideration in choosing the type of generating unit to fill a capacity need." *ibid*. FPL never put forward any evidence that it took into consideration whether it could achieve further savings through, for example, changing the commercial operation date or nameplate capacity of its seven new gas turbine projects in the context of its decision to commit $800 million to them.

It was critical for FPL to consider all available options—especially as FPL admitted it has had the freedom to choose commercial operations dates nine or more years out—given the information that FPL knew by September 2015 and in fact helped develop: The gas turbine technology to which FPL has now committed $1.25 billion will, in FPL's own judgement, "very likely" be obsolete in **four years**, 2020, at which time FPL expects to "build[] energy storage instead." Ex. 639.

As this Commission has repeatedly advised electric utilities, it is their burden to investigate and properly respond to changing market conditions such as these, even after the utility makes it initial decision. FPL took no such action. It has admitted that its decision to incur much of the $1.25 billion for the gas turbine projects was finalized **after** FPL knew the projects would soon become obsolete. TR 1409 (Barrett) ("In September 2015, business unit executives discussed their budget presentations with the Review Committee … Final approvals were made in late 2015.").

c. FPL failed to consider critical options. FPL itself admits that battery storage, solar, energy efficiency, and conservation can address the need that FPL intends the gas turbine projects to address, and that these options are cost effective and competitive.

FPL's failure to put forward any robust options analysis is all the more indefensible because FPL admits many options can satisfy the purpose intended for the gas peakers— tohelp meet summer peak and reliability. TR 1570 (Barrett) (stating that FPL's existing solar projects are "available to meet summer Peak [*sic*]"), TR 1354-55 (Morley) (agreeing that demand-side resources such as energy efficiency and demand response help reduce peak load), Ex. 639 (quoting FPL chairman's statement that battery storage "will be used in a variety of applications such as 'reliability purposes'."). FPL also admits that these options can address the purpose that it intends the .05 project to address: savings due to avoided natural gas use. TR 1572 (Barrett) (stating that solar is already below FPL's avoided cost, allows gas plants to burn less fuel).

d. FPL necessarily failed to provide information—let alone sufficient information—to prove that among the available options, the gas turbine projects were the least cost and prudent option.

2. The Commission should also deny FPL's request because FPL could not even prove that the gas turbine projects were the prudent, least cost option between taking no action and committing $1.4 billion to the projects, which FPL admits it "very likely" would forgo four years from now.

The Commission should also reject FPL's request because FPL has failed to demonstrate that it incurred prudent, least cost, expenses even per the false choice[33] it presented the Commission of doing nothing now versus moving forward with the nearly $1.4 billion dollar gas turbine projects at this time. As discussed below, there was no reason for FPL to move forward with the projects. Moreover, moving forward with the $1.4 billion projects at this time is an inherently risky, imprudent, decision because the gas turbine technology in which FPL invested will—in FPL's own judgment—not be its preferred alternative in just four years:as FPL, again, freely admits, "[p]ost 2020" "very likely, you'll just be building energy storage instead," which FPL believes will have become preferable to installing natural gas combustion turbines. Ex. 639at 2, TR 1635 (Barrett).

While FPL points to the supposed cost savings from an increase in efficiency from the new peakers as compared to the peakers being replaced, FPL never provided the comparative, unit-level economic analysis that would substantiate those savings. To be more specific, FPL never conducted any economic analysis comparing: a) the finances of waiting four or more years, by which time FPL believes the gas peaker technology it is installing will be obsolete and superseded by other cheaper and more preferable technologies like storage; to b) the finances of rushing forward, as FPL has, to build out the largest single natural gas investment in its history using a technology—gas peakers—

[33] On cross-examination, FPL Witness Barrett explained that doing nothing is actually no longer an option because of the unilateral actions that FPL has already taken: "Q …[I]f this commission were to decide, no, I am not sure they need all the peakers, the new peakers, maybe they need half of them, and they issued that decision in January, you wouldn't have replaced all the peakers in January of 2017, correct? A We would have, yes. Q They would already be cranking up and new, you would already be done with that? A Yes, they are scheduled for in-service by the end of this year. Q Every one of them? A That's my understanding. Yes." TR 1525-26.

that FPL itself thinks will be obsolete in four years. Instead, FPL's economic analysis compares operating the existing gas infrastructure for nine more years to operating the new gas infrastructure for 30 more years.

A. FPL admits there was no legal mandate or reliability reason to build gas combustion technology—a technology whose obsolescence is imminent— at this time, and FPL could have waited at least four years to install technology that FPL admits is rapidly superseding gas turbines.

In this case, FPL seeks to recover a truly staggering amount of money—nearly $1.4 billion—for a project of immense scale—installing 7 new gas turbines and expanding another 26 turbines--totaling 1,726 MW (summer), 2,300 MW (winter). As Witness Barrett explained, FPL is moving forward with replacing 44 gas turbines in Port Everglades, Ft. Lauderdale and Ft. Myers, TR 1501-02 (Barrett), and expanding another 26 gas turbines by the end of 2017, which is referred to as the ".05" project. FPL Petition at 13, TR 812 (Kennedy), TR 1568-87 (Barrett). These two projects—the peaker replacement and the .05—add more natural gas-burning capacity than any of FPL's other major gas capacity additions over the last 15 years—and FPL admits this. *Compare* TR 816 (Kennedy) ("From 2001 through 2017, FPL will have added more than 13,000 MW of combined cycle units at nine different sites") and Ex. 662 (reporting the nameplate capacity of each of those combined cycle additions is less than 1,700 MW), with TR 813 (Kennedy) (peaker replacements project adds "approximately 1,700 MW") and TR 880 (Kennedy) (.05 project adds "over 600 megawatts").

But there was absolutely no reason for FPL to move forward with these projects at this time (nor as discussed above, was there a reason to act in the manner it did, adding so much capacity all at once). This project was not compelled by any environmental requirements. FPL admitted there is "no longer an environmental reason to replace those peakers." TR 1505 (Barrett). In fact, FPL's own monitoring showed it is not necessary to retire or add controls to the existing units under the

applicable environmental requirements. TR 865 (Kennedy), TR 1504-5 (Barrett). Nor did FPL identify any other legal mandate as reason to install the peakers at issue here.

Moreover, the record makes clear that there were no reliability concerns associated with continuing to operate the existing infrastructure. As a result, FPL could well have waited at least four years—that is, "[p]ost-2020," by which point in FPL's judgment "there may never be another peaker built in the United States -- very likely you'll be just building energy storage instead." TR 1635 (Barrett), Ex. 639 at 2. FPL presented no reliability study or other record evidence that the peaker replacement and .05 projects are required for reliability purposes, or to otherwise meet FPL's reserve margin requirements. TR 1354 (Morley). FPL's need for these new turbines is further undermined by the following admissions:

- ◊ FPL admits the peaker replacement project "<u>essentially has no impact</u>" on reliability. TR 1581-82 (Barrett).
- ◊ FPL admits that the existing turbines are not unreliable when called upon to generate; indeed, they did so many times this summer when FPL's load was at its peak. TR 1502 (Barrett).
- ◊ FPL admits that the 44 gas turbines that FPL is retiring, TR 1501-02 (Barrett), Ex. 502, could at a minimum operate through 2025. TR 4664 (Barrett).
- ◊ FPL's own estimate of the probable retirement date of the existing Lauderdale and Ft. Myers gas turbines based on [their] anticipated operating life is 2028—12 years from now. TR 1841 (Allis).

Nor can FPL point to supposed growth in load as a justification for the peaker replacement project or the 0.5 project. There is no load demand analysis in the record to support the sizing of the new gas turbines, *see* TR 1580-83 (Barrett), or for FPL's choice to retire some of the existing turbines but keep four of them online—and FPL admits this, too. *See* TR 1579 (Barrett). FPL even

characterized the load in Broward County, the area to be served by the new gas turbines, as "an evolving issue" that FPL is "continuing to look at." TR 1352-53 (Morley). Notably, FPL is so uncertain of its load that FPL's lead load forecasting witness would not provide any details or results from that analysis. *Id.*. Meanwhile, overall, FPL admits its "[energy] use per customer" is in "decline" in its service territory over the "last few years." TR 1275-76 (Morley).

Nonetheless, FPL built out, in a massive rush, more than 1,700 MW of generating capacity—$1.4 billion worth of natural gas combustion turbines—that FPL admits is likely to be obsolete in four years. TR 1635 (Barrett), Ex. 639. "Post-2020, there may never be another peaker built in the United States -- very likely you'll be just building energy storage instead" Ex. 639. This is the definition of imprudent. At the very least, FPL should have waited to see what options existed on the market four years from now.

B. FPL conducted no analysis of the economics of waiting one year, much less four years, by which point FPL admits that the $1.25 billion expense is likely to be obsolete.

The only argument that FPL can muster in support of its requested recovery of its $1.4 billion investment in natural gas peakers is that the peakers will supposedly save customers money because they are supposedly more efficient than the existing peakers being replaced. In support of this, FPL calculates what it believes are the costs of running its existing peaker infrastructure over the next nine years and compared that amount to the costs of running the new gas infrastructure over 30 years. Ex. 404.

However, the very premise of FPL's economic analysis is flawed. If FPL was convinced that the existing peaker infrastructure was so inefficient that replacing it would save customers money, and yet it believed that the replacement technology it was proposing would likely be obsolete in just four years, in 2020, FPL should have performed an economic analysis comparing: a) the finances of waiting four or more years, by which time FPL believes even its new gas peaker technology will be

obsolete and superseded; to b) the finances of building out the largest single natural gas investment in FPL's history using a technology whose obsolescence is imminent. But FPL never looked at the economics of waiting one year, much less four years. TR 878 (Kennedy), TR 1506 (Barrett). FPL's decision simply cannot be squared with that of a prudent decision maker.

IV. CONCLUSION

For all the foregoing reasons, based upon Florida law, the evidentiary record in this proceeding, and Commission precedent, Sierra Club respectfully requests that the Commission deny FPL's request.

V. ISSUES AND POSITIONS

LEGAL ISSUES

ISSUE 1: Does the Commission possess the authority to grant FPL's proposal to continue utilizing the storm cost recovery mechanism that was part of the settlement agreements approved in Order Nos. PSC-11-0089-S-EI and PSC-13-0023-S-EI?

POSITION: No position.

ISSUE 2: Does the Commission have the authority to approve FPL's requested limited scope adjustment for the new Okeechobee Energy Center in June of 2019?

POSITION: Sierra Club adopts OPC's position.

ISSUE 3: Does the Commission possess the authority to adjust FPL's authorized return on equity based on FPL's performance?

POSITION: Sierra Club adopts OPC's position.

ISSUE 4: Does the Commission have the authority to include non-electric transactions in an incentive mechanism?

POSITION: Sierra Club adopts OPC's position.

ISSUE 5: Does the Commission have the authority to approve proposed depreciation rates to be effective January 1, 2017, based upon a depreciation study that uses year-end 2017 plant balances?

POSITION: Sierra Club adopts OPC's position.

ISSUE 6: Are Commercial Industrial Load Control (CILC) and Commercial/Industrial Demand Reduction (CDR) credits subject to adjustment in this proceeding?

POSITION: No position.

STORM HARDENING ISSUES

ISSUE 7: Does the Company's Storm Hardening Plan (Plan) comply with the National Electric Safety Code (ANSI C-2) (NESC) as required by Rule 25-6.0345, F.A.C.?

POSITION: No position.

ISSUE 8: Does the Company's Plan address the extreme wind loading standards specified in Figure 250-2(d) of the 2012 edition of the NESC for new distribution facility construction as required by Rule 25-6.0342(3)(b)1, F.A.C.?

POSITION: No position.

ISSUE 9: Does the Company's Plan address the extreme wind loading standards specified by Figure 250-2(d) of the 2012 edition of the NESC for major planned work on the distribution system, including expansion, rebuild, or relocation of existing facilities, assigned on or after the effective date of this rule distribution facility construction as required by Rule 25-6.0342(3)(b)2, F.A.C.?

POSITION: No position.

ISSUE 10: Does the Company's Plan address the extreme wind loading standards specified by Figure 250-2(d) of the 2012 edition of the NESC for distribution facilities serving critical infrastructure facilities and along major thoroughfares taking into account political and geographical boundaries and other applicable operational considerations as required by Rule 25-6.0342(3)(b)3, F.A.C.?

POSITION: No position.

ISSUE 11: Is the Company's Plan designed to mitigate damages to underground and supporting overhead transmission and distribution facilities due to flooding and storm surges as required by Rule 25-6.0342(3)(c), F.A.C.?

POSITION: No position.

ISSUE 12: Does the Company's Plan address the extent to which the placement of new and replacement distribution facilities facilitate safe and efficient access for installation and maintenance as required by Rule 25-6.0342(3)(d), F.A.C.?

POSITION: No position.

ISSUE 13: Does the Company's Plan provide a detailed description of its deployment strategy including a description of the facilities affected; including technical design specifications, construction standards, and construction methodologies employed as required by Rules 25-6.0341 and 25-6.0342(4)(a), F.A.C.?

POSITION: No position.

ISSUE 14: Does the Company's Plan provide a detailed description of its deployment strategy as it relates to the communities and areas within the utility's service area where the electric infrastructure improvements, including facilities identified by the utility as critical infrastructure and along major thoroughfares are to be made as required by Rules 25-6.0342(3)(b)3 and 25-6.0342(4)(b), F.A.C.?

POSITION: No position.

ISSUE 15: Does the Company's Plan provide a detailed description of its deployment strategy to the extent that the electric infrastructure improvements involve joint use facilities on which third-party attachments exist as required by Rule 25-6.0342(4)(c), F.A.C.?

POSITION: No position.

ISSUE 16: Does the Company's Plan provide a reasonable estimate of the costs and benefits to the utility of making the electric infrastructure improvements, including the effect on reducing storm restoration costs and customer outages as required by Rule 25-6.0342(4)(d), F.A.C.?

POSITION: No position.

ISSUE 17: Does the Company's plan provide an estimate of the costs and benefits to third-party attachers affected by the electric infrastructure improvements, including the effect on reducing storm restoration costs and customers outages realized by the third-party attachers as required by Rule 25-6.0342(4)(e), F.A.C.?

POSITION: No position.

ISSUE 18: Does the Company's Plan include a written Attachment Standards and Procedures addressing safety, reliability, pole loading capacity, and engineering standards and procedure for attachments by others to the utility's electric transmission and distribution poles that meet or exceed the edition of the National Electrical Safety Code (ANSI C-2) that is applicable as required by Rule 25-6.0342(5), F.A.C.?

POSITION: No position.

WOODEN POLE INSPECTION PROGRAM

ISSUE 19: Does the Company's eight-year wooden pole inspection program comply with Order No. PSC-06-0144-PAA-EI, issued on February 27, 2006, in Docket No. 060078-EI,

and Order No. PSC-06-0778-PAA-EU, issued on September 18, 2006, in Docket No. 060531-EU?

POSITION: No position.

10 POINT STORM PREPAREDNESS INITIATIVES

ISSUE 20: Does the Company's 10-point initiatives plan comply with Order No. PSC-06-0351-PAA-EI, issued on April 25, 2006; Order No. PSC-06-0781-PAA-EI, issued on September 19, 2006; and Order No. PSC-07-0468-FOF-EI, issued on May 30, 2007, in Docket No. 060198-EI?

POSITION: No position.

APPROVAL OF STORM HARDENING PLAN

ISSUE 21: Should the Company's Storm Hardening Plan for the period 2016 through 2018 be approved?

POSITION: No position.

COSTS FOR STORM HARDENING AND 10 POINT INITIATIVES

ISSUE 22: What adjustments, if any, should be made to rate base associated with the storm hardening Rule 25-6.0342, F.A.C., and 10 point initiatives requirements?

POSITION: No position.

ISSUE 23: What adjustments, if any, should be made to operating expenses associated with the storm hardening Rule 25-6.0342, F.A.C., and 10 point initiatives requirements?

POSITION: No position.

TEST PERIOD AND FORECASTING

ISSUE 24: Is FPL's projected test period of the 12 months ending December 31, 2017, appropriate?

POSITION: Sierra Club adopts OPC's position.

ISSUE 25: Do the facts of this case support the use of a subsequent test year ending December 31, 2018 to adjust base rates?

POSITION: Sierra Club adopts OPC's position.

ISSUE 26: Has FPL proven any financial need for rate relief in any period subsequent to the projected test period ending December 31, 2017?

POSITION: Sierra Club adopts OPC's position.

ISSUE 27: Is FPL's projected subsequent test period of the 12 months ending December 31, 2018, appropriate?

POSITION: Sierra Club adopts OPC's position.

ISSUE 28: Are FPL's forecasts of Customers, KWH, and KW by Rate Schedule and Revenue Class, for the 2017 projected test year appropriate?

POSITION: Sierra Club adopts OPC's position.

ISSUE 29: Are FPL's forecasts of Customers, KWH, and KW by Rate Schedule and Revenue Class, for the 2018 projected test year appropriate, if applicable?

POSITION: Sierra Club adopts OPC's position.

ISSUE 30: Are FPL's forecasts of Customers, KWH, and KW by Rate Schedule and Revenue Class, for the period June 2019 to May 2020, appropriate, if applicable?

POSITION: Sierra Club adopts OPC's position.

ISSUE 31: Are FPL's projected revenues from sales of electricity by rate class at present rates for the 2016 prior year and projected 2017 test year appropriate?

POSITION: Sierra Club adopts OPC's position.

ISSUE 32: Are FPL's projected revenues from sales of electricity by rate class at present rates for the projected 2018 test year appropriate, if applicable?

POSITION: Sierra Club adopts OPC's position.

ISSUE 33: What are the appropriate inflation, customer growth, and other trend factors for use in forecasting the 2017 test year budget?

POSITION: Sierra Club adopts OPC's position.

ISSUE 34: What are the appropriate inflation, customer growth, and other trend factors for use in forecasting the 2018 test year budget, if applicable?

POSITION: Sierra Club adopts OPC's position.

ISSUE 35: Are FPL's estimated operating and tax expenses, for the projected 2017 test year, sufficiently accurate for purposes of establishing rates?

POSITION: Sierra Club adopts OPC's position.

ISSUE 36: Are FPL's estimated operating and tax expenses, for the projected 2018 subsequent year, sufficiently accurate for purposes of establishing rates, if applicable?

POSITION: Sierra Club adopts OPC's position.

ISSUE 37: Are FPL's estimated Net Plant in Service and other rate base elements, for the projected 2017 test year, sufficiently accurate for purposes of establishing rates?

POSITION: Sierra Club adopts OPC's position.

ISSUE 38: Are FPL's estimated Net Plant in Service and other rate base elements, for the projected 2018 subsequent year, sufficiently accurate for purpose of establishing rates, if applicable?

POSITION: Sierra Club adopts OPC's position.

QUALITY OF SERVICE

ISSUE 39: Is the quality of the electric service provided by FPL adequate taking into consideration: a) the efficiency, sufficiency and adequacy of FPL's facilities provided and the services rendered; b) the cost of providing such services; c) the value of such service to the public; d) the ability of the utility to improve such service and facilities; e) energy conservation and the efficient use of alternative energy resources; and f) any other factors the Commission deems relevant.

POSITION: No, FPL's billion-dollar, natural gas-burning power plant projects are not responsive to the above criteria. FPL has not shown that the projects will yield services that are of value to the public/customers. Specifically, FPL failed to show that the projects are even necessary for the provision of service to customers, much less reconcilable with the strategic imperative to mitigate Florida's over-reliance on natural gas imports. FPL has no excuse; there are abundantly available alternative clean, low cost, low risk alternatives and FPL has not offered any evidence to the contrary. Indeed, FPL offered virtually no alternatives analysis whatsoever, except for the narrow comparison of natural gas-burning options. The practical result is that FPL's projects and the associated requested rate impede the delivery of clean, low cost, low risk energy services to the public and FPL's customers.

DEPRECIATION STUDY

ISSUE 40: What, if any, are the appropriate capital recovery schedules?

POSITION: No position.

ISSUE 41: What is the appropriate depreciation study date?

POSITION: No position.

ISSUE 42: If the appropriate depreciation study date is not December 31, 2017, what action should the Commission take?

POSITION: No position.

ISSUE 43: Should accounts 343 and 364 be separated into subaccounts and different depreciation rates be set for the subaccounts using separate parameters? If so, how should the accumulated depreciation reserves be allocated and what parameters should be applied to each subaccount?

POSITION: No position.

ISSUE 44: What are the appropriate depreciation parameters (e.g., service lives, remaining lives, net salvage percentages, and reserve percentages) and resulting depreciation rates for the accounts and subaccounts related to each production unit?

POSITION: No position.

ISSUE 45: What are the appropriate depreciation parameters (e.g., service lives, remaining lives, and net salvage percentages) and resulting depreciation rates for each transmission, distribution, and general plant account, and subaccounts, if any?

POSITION: No position.

ISSUE 46: Based on the application of the depreciation parameters and resulting depreciation rates that the Commission deems appropriate, and a comparison of the theoretical reserves to the book reserves, what are the resulting imbalances?

POSITION: No position.

ISSUE 47: If the Commission accepts FPL's depreciation study for purposes of establishing its proposed depreciation rates and related expense, what adjustments, if any, are necessary?

POSITION: No position.

ISSUE 48: What, if any, corrective reserve measures should be taken with respect to the imbalances identified in Issue 46?

POSITION: No position.

ISSUE 49: What should be the implementation date for revised depreciation rates, capital recovery schedules, and amortization schedules?

POSITION: No position.

ISSUE 50: Should FPL's currently approved annual dismantlement accrual be revised?

POSITION: No position.

ISSUE 51: What, if any, corrective dismantlement reserve measures should be approved?

POSITION: No position.

ISSUE 52: What is the appropriate annual accrual and reserve for dismantlement

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position.

RATE BASE

ISSUE 53: Should the revenue requirement associated with West County Energy Center Unit 3 currently collected through the Capacity Cost Recovery Clause be included in base rates?

POSITION: Sierra Club adopts OPC's position.

ISSUE 54: Has FPL appropriately accounted for the impact of the Cedar Bay settlement agreement

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position at this time.

ISSUE 55: Has FPL made the appropriate adjustments to remove all non-utility activities from Plant in Service, Accumulated Depreciation and Working Capital

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: Sierra Club adopts OPC's position.

ISSUE 56: What is the appropriate amount of Plant in Service for FPL's Large Scale Solar Projects?

POSITION: Sierra Club adopts OPC's position.

ISSUE 57: Is FPL's replacement of its peaking units reasonable and prudent?

ISSUE 57A: Are FPL's .05 compressor upgrades reasonable and prudent?

POSITION: As discussed above, the Commission should deny FPL's request with respect to both Issues 57 and 57A because FPL did not prove that the $1.4 billion gas turbine

projects were prudent: FPL never proved the projects were the least-cost options in the market available to it, nor even that they were the prudent, least-cost option, relative to doing nothing at this time.

ISSUE 58: If adjustments are made to FPL's proposed depreciation and dismantling expenses, what is the impact on rate base

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: Sierra Club adopts OPC's position.

ISSUE 59: What is the appropriate level of Plant in Service (Fallout Issue)

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: The Commission should set these amounts consistent with the disallowance of FPL's expenses for its peaker replacement and .05 projects, and with OPC's position generally. See Sierra Club's positions on Issue 57 and Issue 57A.

ISSUE 60: What is the appropriate level of Accumulated Depreciation (Fallout Issue)

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: Sierra Club adopts OPC's position.

ISSUE 61: Are FPL's proposed adjustments to move certain CWIP projects from base rates to the Environmental Cost Recovery Clause appropriate?

POSITION: Sierra Club adopts OPC's position.

ISSUE 62: Are FPL's proposed adjustments to move certain CWIP projects from base rates to the Energy Conservation Cost Recovery Clause appropriate?

POSITION: Sierra Club adopts OPC's position.

ISSUE 63: Is the company's proposed adjustment to remove Fukushima-related costs from the rate base and recover all Fukushima-related capital costs in the Capacity Cost Recovery Clause appropriate?

POSITION: No position.

ISSUE 64: What is the appropriate level of Construction Work in Progress to be included in rate base

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: Sierra Club adopts OPC's position.

ISSUE 65: Are FPL's proposed reserves for Nuclear End of Life Material and Supplies and Last Core Nuclear Fuel appropriate

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: Sierra Club adopts OPC's position.

ISSUE 66: What is the appropriate level of Nuclear Fuel (NFIP, Nuclear Fuel Assemblies in Reactor, Spent Nuclear Fuel less Accumulated Provision for Amortization of Nuclear Fuel Assembilies)

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: Sierra Club adopts OPC's position.

ISSUE 67: What is the appropriate level of Property Held for Future Use

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: Sierra Club adopts OPC's position.

ISSUE 68: What is the appropriate level of fossil fuel inventories

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: Sierra Club adopts OPC's position.

ISSUE 69: Should the unamortized balance of Rate Case Expense be included in Working Capital and, if so, what is the appropriate amount to include

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year

POSITION: Sierra Club adopts OPC's position.

ISSUE 70: What is the appropriate amount of injuries and damages (I&D) reserve to include in rate base?

POSITION: Sierra Club adopts OPC's position.

ISSUE 71: What is the appropriate amount of deferred pension debit in working capital for FPL to include in rate base

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: Sierra Club adopts OPC's position.

ISSUE 72: Should the unbilled revenues be included in working capital

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: Sierra Club adopts OPC's position.

ISSUE 73: What is the appropriate methodology for calculating FPL's Working Capital

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: Sierra Club adopts OPC's position.

ISSUE 74: If FPL's balance sheet approach methodology for calculating its Working Capital is adopted, what adjustments, if any, should be made to FPL's proposed Working Capital

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: Sierra Club adopts OPC's position.

ISSUE 75: Should FPL's requested change in methodology for recovering nuclear maintenance outage costs from accrue-in-advance to defer-and-amortize be approved? If so, are any adjustments necessary

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: Sierra Club adopts OPC's position.

ISSUE 76: What is the appropriate level of Working Capital (Fallout Issue)

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: Sierra Club adopts OPC's position.

ISSUE 77: What is the appropriate level of rate base

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: Sierra Club adopts OPC's position.

COST OF CAPITAL

ISSUE 78: What is the appropriate amount of accumulated deferred taxes to include in the capital structure and should a proration adjustment to deferred taxes be included in capital structure

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position.

ISSUE 79: What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position.

ISSUE 80: What is the appropriate amount and cost rate for short-term debt to include in the capital structure

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position.

ISSUE 81: What is the appropriate amount and cost rate for long-term debt to include in the capital structure

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position.

ISSUE 82: What is the appropriate amount and cost rate for customer deposits to include in the capital structure

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position.

ISSUE 83: What is the appropriate equity ratio to use in the capital structure for ratemaking purposes

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position.

ISSUE 84: Should FPL's request for a 50 basis point performance adder to the authorized return on equity be approved?

POSITION: Sierra Club adopts OPC's position.

ISSUE 85: What is the appropriate authorized return on equity (ROE) to use in establishing FPL's revenue requirement

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: Sierra Club adopts OPC's position.

ISSUE 86: What is the appropriate weighted average cost of capital to use in establishing FPL's revenue requirement?

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position.

NET OPERATING INCOME

ISSUE 87: What are the appropriate projected amounts of other operating revenues

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position at this time.

ISSUE 88: What is the appropriate level of Total Operating Revenues

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position at this time.

ISSUE 89: Has FPL made the appropriate test year adjustments to remove fuel revenues and fuel expenses recoverable through the Fuel Adjustment Clause

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position at this time.

ISSUE 90: Has FPL made the appropriate test year adjustments to remove capacity revenues and capacity expenses recoverable through the Capacity Cost Recovery Clause

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position at this time.

ISSUE 91: Has FPL made the appropriate test year adjustments to remove environmental revenues and environmental expenses recoverable through the Environmental Cost Recovery Clause

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position at this time.

ISSUE 92: Has FPL made the appropriate test year adjustments to remove conservation revenues and conservation expenses recoverable through the Energy Conservation Cost Recovery Clause

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position at this time.

ISSUE 93: Has FPL made the appropriate adjustments to remove all non-utility activities from operating revenues and operating expenses

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position at this time.

ISSUE 94: What is the appropriate percentage value (or other assignment value or methodology basis) to allocate FPL shared corporate services costs and/or expenses to its affiliates

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position at this time.

ISSUE 95: What is the appropriate amount of FPL shared corporate services costs and/or expenses (including executive compensation and benefits) to be allocated to affiliates

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position at this time.

ISSUE 96: Should any adjustments be made to FPL's operating revenues or operating expenses for the effects of transactions with affiliated companies

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position at this time.

ISSUE 97: What is the appropriate amount of FPL's vegetation management expense

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position.

ISSUE 98: What is the appropriate level of generation overhaul expense

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: Sierra Club adopts OPC's position.

ISSUE 99: What is the appropriate amount of FPL's production plant O&M expense

A. For the 2017 projected test year?
B. If applicable, for the 2018 subsequent projected test year?

POSITION: Sierra Club adopts OPC's position.

ISSUE 100: What is the appropriate amount of FPL's transmission O&M expense

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position at this time.

ISSUE 101: What is the appropriate amount of FPL's distribution O&M expense

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position at this time.

ISSUE 102: Should the Commission approve FPL's proposal to continue the interim storm cost recovery mechanism that was part of the settlement agreements approved in Order Nos. PSC-11-0089-S-EI and PSC-13-0023-S-EI?

POSITION: No position.

ISSUE 103: What is the appropriate annual storm damage accrual and storm damage reserve

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position.

ISSUE 104: What is the appropriate amount of Other Post Employment Benefits expense

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position.

ISSUE 105: What is the appropriate amount of FPL's requested level of Salaries and Employee Benefits

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position.

ISSUE 106: What is the appropriate amount of Pension Expense

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position.

ISSUE 107: What is the appropriate amount and amortization period for Rate Case Expense

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position.

ISSUE 108: What is the appropriate amount of uncollectible expense and bad debt rate

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position at this time.

ISSUE 109: Has FPL included the appropriate amount of costs and savings associated with the AMI smart meters

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position.

ISSUE 110: If the proposed change in accounting to defer and amortize the nuclear maintenance reserve is approved, is the company's proposed adjustment to nuclear maintenance expense appropriate?

POSITION: No position.

ISSUE 111: What are the appropriate expense accruals for: (1) end of life materials and supplies and 2) last core nuclear fuel

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position.

ISSUE 112: What are the appropriate projected amounts of injuries and damages (I&D) expense accruals

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position.

ISSUE 113: What is the appropriate level of O&M Expense (Fallout Issue)

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position.

ISSUE 114: What is the appropriate amount of depreciation, amortization, and fossil dismantlement expense (Fallout Issue)

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position.

ISSUE 115: What is the appropriate level of Taxes Other Than Income (Fallout Issue)

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position.

ISSUE 116: What is the appropriate level of Income Taxes

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position.

ISSUE 117: What is the appropriate level of (Gain)/Loss on Disposal of utility property

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: Sierra Club adopts OPC's position.

ISSUE 118: What is the appropriate level of Total Operating Expenses? (Fallout Issue)

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position at this time.

ISSUE 119: Is the company's proposed net operating income adjustment to remove Fukushima-related O&M expenses from base rates and recover all Fukushima-related expenses in the capacity cost recovery clause appropriate?

POSITION: No position.

ISSUE 120: What is the appropriate level of Net Operating Income (Fallout Issue)

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position.

REVENUE REQUIREMENTS

ISSUE 121: Is the Section 199 Manufacturer's deduction properly reflected in the revenue expansion factor?

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: No position.

ISSUE 122: What are the appropriate revenue expansion factor and the appropriate net operating income multiplier, including the appropriate elements and rates for FPL

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: Sierra Club adopts OPC's position.

ISSUE 123: What is the appropriate annual operating revenue increase or decrease (Fallout Issue)

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

POSITION: Sierra Club adopts OPC's position.

OKEECHOBEE LIMITED SCOPE ADJUSTMENT

ISSUE 124: Should the Commission approve or deny a limited scope adjustment for the new Okeechobee Energy Center? And if approved, what conditions/adjustments, if any should be included?

POSITION: Sierra Club adopts OPC's position.

ISSUE 125: Has FPL proven any financial need for single-issue rate relief in 2019, based upon only the additional costs associated with the Okeechobee generating unit, and with no offset for anticipated load and revenue growth forecasted to occur in 2019?

POSITION: Sierra Club adopts OPC's position.

ISSUE 126: What are the appropriate depreciation rates for the Okeechobee Energy Center?

POSITION: Sierra Club adopts OPC's position.

ISSUE 127: What is the appropriate treatment for deferred income taxes associated with the Okeechobee Energy Center?

POSITION: Sierra Club adopts OPC's position.

ISSUE 128: Is FPL's requested rate base of $1,063,315,000 for the new Okeechobee Energy Center appropriate?

POSITION: Sierra Club adopts OPC's position.

ISSUE 129: What is the appropriate weighted average cost of capital, including the proper components, amounts and cost rates associated with the capital structure, to calculate the limited scope adjustment for the new Okeechobee Energy Center?

POSITION: Sierra Club adopts OPC's position.

ISSUE 130: Is FPL's requested net operating loss of $33.868 million for the new Okeechobee Energy Center appropriate?

POSITION: Sierra Club adopts OPC's position.

ISSUE 131: What is the appropriate Net Operating Income Multiplier for the new Okeechobee Energy Center? (Fallout)

POSITION: Sierra Club adopts OPC's position.

ISSUE 132: Is FPL's requested limited scope adjustment of $209 million for the new Okeechobee Energy Center appropriate?

POSITION: Sierra Club adopts OPC's position.

ISSUE 133: What is the appropriate effective date for implementing FPL's limited scope adjustment for the new Okeechobee Energy Center?

POSITION: Sierra Club adopts OPC's position.

ASSET OPTIMIZATION INCENTIVE MECHANISM

ISSUE 134: Should the asset optimization incentive mechanism as proposed by FPL be approved?

POSITION: Sierra Club adopts OPC's position.

COST OF SERVICE AND RATE DESIGN ISSUES

ISSUE 135: Is FPL's proposed separation of costs and revenues between the wholesale and retail jurisdictions appropriate?

POSITION: Sierra Club adopts OPC's position.

ISSUE 136: What is the appropriate methodology to allocate production costs to the rate classes?

POSITION: No position at this time.

ISSUE 137: What is the appropriate methodology to allocate transmission costs to the rate classes?

POSITION: No position at this time.

ISSUE 138: What is the appropriate methodology to allocate distribution costs to the rate classes?

POSITION: No position at this time.

ISSUE 139: Is FPL's proposal to recover a portion of fixed distribution costs through the customer charge instead of energy charge appropriate for residential and general service non-demand rate classes?

POSITION: No position at this time.

ISSUE 140: How should the change in revenue requirement be allocated to the customer classes?

POSITION: No position at this time.

ISSUE 141: What are the appropriate service charges (initial connection, reconnect for nonpayment, connection of existing account, field collection)

A. Effective January 1, 2017?

B. Effective January 1, 2018?

POSITION: No position at this time.

ISSUE 142: Is FPL's proposed new meter tampering penalty charge, effective on January 1, 2017, appropriate?

POSITION: No position at this time.

ISSUE 143: What are the appropriate temporary construction service charges

A. Effective January 1, 2017?

B. Effective January 1, 2018?

POSITION: No position at this time.

ISSUE 144: What is the appropriate monthly kilowatt credit for customers who own their own transformers pursuant to the Transformation Rider

A. Effective January 1, 2017?

B. Effective January 1, 2018?

POSITION: No position at this time.

ISSUE 145: What is the appropriate monthly credit for Commercial/Industrial Demand Reduction (CDR) Rider customers effective January 1, 2017?

POSITION: No position at this time.

ISSUE 146: What are the appropriate customer charges

A. Effective January 1, 2017?

B. Effective January 1, 2018?

POSITION: No position at this time.

ISSUE 147: What are the appropriate demand charges

A. Effective January 1, 2017?

B. Effective January 1, 2018?

POSITION: No position at this time.

ISSUE 148: What are the appropriate energy charges

A. Effective January 1, 2017?

B. Effective January 1, 2018?

POSITION: No position at this time.

ISSUE 149: What are the appropriate charges for the Standby and Supplemental Services (SST-1, ISST-1) rate schedules

A. Effective January 1, 2017?

B. Effective January 1, 2018?

POSITION: No position at this time.

ISSUE 150: What are the appropriate charges for the Commercial Industrial Load Control (CILC) rate schedule

A. Effective January 1, 2017?
B. Effective January 1, 2018?

POSITION: No position at this time.

ISSUE 151: What are the appropriate lighting rate charges

A. Effective January 1, 2017?

B. Effective January 1, 2018?

POSITION: No position at this time.

ISSUE 152: Is FPL's proposal to close the customer-owned street lighting service option of the Street Lighting (SL-1) rate schedule to new customers appropriate?

POSITION: No position.

ISSUE 153: Is FPL's proposal to close the current Traffic Signal (SL-2) rate schedule to new customers appropriate?

ISSUE 154: Is FPL's proposed new metered Street Lighting (SL-1M) rate schedule appropriate and what are the appropriate charges

A. Effective January 1, 2017?

B. Effective January 1, 2018?

POSITION: No position.

ISSUE 155: Is FPL's proposed new metered Traffic Signal (SL-2M) rate schedule appropriate and what are the appropriate charges

A. Effective January 1, 2017?

B. Effective January 1, 2018?

POSITION: No position.

ISSUE 156: Is FPL's proposed allocation and rate design for the new Okeechobee Energy Center limited scope adjustment, currently scheduled for June 1, 2019, reasonable?

POSITION: No position at this time.

ISSUE 157: **S**hould FPL's proposal to file updated base rates in the 2018 Capacity Clause proceeding to recover the Okeechobee Energy Center limited scope adjustment be approved?

POSITION: No position at this time.

ISSUE 158: Should the Commission approve the following modifications to tariff terms and conditions that have been proposed by FPL:

a. Close relamping option for customer-owned lights for Street Lighting (SL-1) and Outdoor Lighting (OL-1) customers;

b. Add a willful damage clause, require an active house account and clarify where outdoor lights can be installed for the Outdoor Lighting (OL-1) tariff;

c. Clarify the tariff application to pre-1992 parking lot customers and eliminate the word "patrol" from the services provided on the Street Lighting (SL-1) tariff;

d. Remove the minimum 2,000 Kw demand from transmission–level tariffs;

e. Standardize the language in the Service section of the distribution level tariffs to include three phase service and clarify that standard service is distribution level; and

f. Add language to provide that surety bonds must remain in effect to ensure payments for electric service in the event of bankruptcy or other insolvency.

POSITION: No position.

ISSUE 159: Should the Commission require FPL to develop a tariff for a distribution substation level of service for qualifying customers?

POSITION: No position at this time.

ISSUE 160: Should the Commission give staff administrative authority to approve tariffs reflecting Commission approved rates and charges effective January 1, 2017, January 1, 2018, and tariffs reflecting the commercial operation of the new Okeechobee Energy Center (June 1, 2019)?

POSITION: No position at this time.

ISSUE 161: What are the effective dates of FPL's proposed rates and charges?

POSITION: No position at this time.

OTHER ISSUES

ISSUE 162: Should the Commission approve FPL's proposal to transfer the Martin-Riviera pipeline lateral to Florida Southeast Connection?

POSITION: Sierra Club adopts OPC's position.

ISSUE 163: Should FPL be required to file, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, rate of return reports, and books and records which will be required as a result of the Commission's findings in this rate case?

POSITION: Sierra Club adopts OPC's position.

ISSUE 164: Did FPL's Third Notice of Identified Adjustments remove the appropriate amount associated with the Woodford project and other gas reserve costs?

POSITION: Sierra Club adopts OPC's position.

ISSUE 165: What requirements, if any, should the Commission impose on FPL as a result of its affiliation with Sabal Trail Transmission, LLC (Sabal Trail)?

POSITION: Sierra Club adopts OPC's position.

ISSUE 166: Should this docket be closed?

POSITION: Sierra Club adopts OPC's position.

ADDITIONAL INCLUDED ISSUES

SFHHA ISSUE: Should a mechanism be established to capture for the benefit of ratepayers savings, if any, that result from any mergers, acquisitions or reorganizations by NextEra Energy?

POSITION: Sierra Club adopts SFHHA's position.

1. **Stipulated Issues**

   Sierra Club stipulated issues 74 and 117.

2. **Pending Motions or Other Matters**

   Sierra Club has no pending motions or other matters as this time.

3. **Pending Requests or Claims for Confidentiality**

   Sierra Club has no pending confidentiality requests or claims.

4. **Objections to Witness' Qualifications as an Expert**

None at this time.

5. Compliance with Order Establishing Order, PSC-16-0125-PCO-EI

Sierra Club has complied with all applicable requirements of the Order Establishing Procedure in this docket.

6. Sequestration of Witnesses

Sierra Club is not requesting the sequestration of any witnesses.

RESPECTFULLY SUBMITTED this 19th day of September, 2016.

/s/
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Qualified Representative for Sierra Club

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy and correct copy of the foregoing was served electronically on this 19th day of September, 2016 on:

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This 19th day of September 2016.

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