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December 6, 2017

-VIA ELECTRONIC FILING-

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

RE: Docket No.: 20170231-EI
Petition for approval to transfer Martin-Riviera Lateral Pipeline to Florida Southeast Connection and implement associated rate adjustments, by Florida Power & Light Company

Dear Ms. Stauffer:

Please find enclosed for electronic filing a copy of Florida Power & Light Company's responses to Staff's First Data Request (Nos. 1-6) in the above mentioned docket.

If there are any questions regarding this transmittal, please contact me at (561) 304-5170.

Sincerely,

/s/ Kevin I.C. Donaldson
Kevin I.C. Donaldson
Fla. Bar No. 0833401

Enclosure

<u>QUESTION</u>:
Paragraph 12 states, in part, that the gas transportation contract at issue in this proceeding has an initial term of 24 years. Please address why a term of 24 years was chosen for this gas transportation contract.

<u>RESPONSE</u>:
A term of 24 years was chosen so that the FPL contract with the Florida Southeast Connection (FSC) pipeline for gas transportation on the Riviera Lateral would sync up with FPL's existing contract for gas transportation on FSC's existing pipeline from the central Florida hub to the Martin Plant. The term of FPL's existing central Florida hub to Martin Plant agreement with FSC is 25 years effective July 1, 2017. If the Riviera Lateral transfer is effective on July 1, 2018, both of these contracts would have identical remaining terms. In addition, both contracts include the right for FPL to exercise up to three successive five year extensions resulting in the possibility a total of 40 years for the existing contract and 39 years for the Riviera Lateral contract.

QUESTION:
Why was a term of 40 years chosen for the CPVRR analysis? Discuss in your response why the savings calculation (based on a 40 year period) was used in this proceeding when the initial term of the gas transportation contract is only 24 years.

RESPONSE:
For the CPVRR analysis, FPL chose a time horizon that covers the 24-year initial term of the contract, plus the three five-year extension options, in order to be consistent with the current useful life of the divested lateral asset. The 39-year total term of the contract was extended to 40 calendar years in order to capture the partial first year (July to December 2018) and the partial final year (January to June 2057).

QUESTION:
Referring specifically to row 13, please identify the cumulative Net Customer (Savings) / Costs for the years 2018-2040.

RESPONSE:
Row 13 refers to the foregone Operating Expenses of divesting the pipeline. For the period of 2018 to 2040, the Operating Expenses total $38.4 MM on a nominal basis and $17.4 MM on a Cumulative Present Value Revenue Requirement (CPVRR) basis.

The Net Customer (Savings) / Costs are reflected in row 23. For the period of 2018 to 2040, the Net Customer (Savings) total ($6.1) MM on a nominal basis and ($8.6) MM on a CPVRR basis.

QUESTION:
Referring specifically to row 13, please identify the Net Customer (Savings) / Costs for the year 2041 (which is the final year in the 24 year term).

RESPONSE:
Row 13 refers to the foregone Operating Expenses of divesting the pipeline. For the calendar year 2041, the Operating Expenses total $2.6 MM on a nominal basis and $0.5 MM on a present value basis.

The Net Customer (Savings) / Costs are reflected in row 23. For the calendar year 2041, the Net Customer Costs total [redacted] on a nominal basis and [redacted] on a present value basis.

QUESTION:
Column O in Attachment REB-1 shows a single set of data for the years 2028-2057 (in other words, years 11-40 of the 40 year period are collapsed and shown as a single data set). Please provide a version of Attachment REB-1 that shows year-by-year data for the years 2018-2057 (all of the years of the 40 year period)

RESPONSE:
Please see attached file, “Attachment REB-1 40-yr data - CONFIDENTIAL.xlsx”, for the year-by-year data for the entire 40 years.

Florida Power & Light Company
Docket No. 20170231-EI
Staff's First Data Request
Request No. 5
Attachment No. 1 - Redacted
Tab 1 of 1

Annualized Summary of CPVRR Analysis for Martin-Riviera Gas Lateral Transfer

(dollars in millions)	Nominal Total	**30-yr CPVRR**	**40-yr CPVRR**	1 2018	2 2019	3 2020	4 2021	5 2022	6 2023	7 2024	8 2025	9 2026	10 2027
Discount Factor[(2)]				0.98	0.93	0.86	0.80	0.75	0.69	0.65	0.60	0.56	0.52
Operating Expenses	$ (88.7)	$ (20.1)	**$ (22.7)**	$ (0.6)	$ (1.3)	$ (1.4)	$ (1.3)	$ (1.4)	$ (1.3)	$ (1.5)	$ (1.4)	$ (1.5)	$ (1.8)
Property Tax	(85.0)	(31.8)	**(33.0)**	(1.5)	(3.0)	(3.0)	(2.9)	(2.9)	(2.9)	(2.8)	(2.8)	(2.7)	(2.7)
Depreciation	(160.8)	(63.4)	**(64.1)**	(2.7)	(5.3)	(5.3)	(5.3)	(5.3)	(5.3)	(5.2)	(5.2)	(5.2)	(5.2)
Interest Expense[(3)]	(43.8)	(22.3)	**(22.5)**	(1.6)	(2.7)	(2.6)	(2.5)	(2.4)	(2.3)	(2.2)	(2.1)	(2.0)	(1.9)
Income Tax	(82.8)	(42.2)	**(42.6)**	(3.0)	(5.1)	(4.8)	(4.6)	(4.5)	(4.3)	(4.1)	(3.9)	(3.7)	(3.5)
After-Tax Earnings[(4)]	(131.8)	(67.3)	**(67.8)**	(4.8)	(8.1)	(7.7)	(7.4)	(7.1)	(6.8)	(6.5)	(6.2)	(5.9)	(5.6)
Reduction in FPL Revenue Requirements	(592.9)	(247.1)	**(252.8)**	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Tariff Payment to FSC[(5)]	649.2	239.8	**$ 249.9**	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Net Customer (Savings) / Costs	$ 56.3	**$ (7.3)**	**$ (2.8)**	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

(dollars in millions)	11 2028	12 2029	13 2030	14 2031	15 2032	16 2033	17 2034	18 2035	19 2036	20 2037
Discount Factor[(2)]	0.48	0.45	0.42	0.39	0.36	0.33	0.31	0.29	0.27	0.25
Operating Expenses	$ (1.6)	$ (1.7)	$ (1.6)	$ (1.9)	$ (1.8)	$ (1.8)	$ (2.2)	$ (1.9)	$ (1.9)	$ (2.0)
Property Tax	(2.6)	(2.6)	(2.5)	(2.5)	(2.4)	(2.4)	(2.3)	(2.3)	(2.3)	(2.2)
Depreciation	(5.2)	(5.2)	(5.2)	(5.2)	(5.2)	(5.2)	(5.2)	(5.2)	(5.2)	(5.2)
Interest Expense[(3)]	(1.8)	(1.7)	(1.6)	(1.5)	(1.4)	(1.3)	(1.2)	(1.1)	(1.0)	(1.0)
Income Tax	(3.3)	(3.1)	(3.0)	(2.8)	(2.6)	(2.4)	(2.2)	(2.1)	(2.0)	(1.8)
After-Tax Earnings[(4)]	(5.3)	(5.0)	(4.7)	(4.4)	(4.1)	(3.8)	(3.6)	(3.3)	(3.1)	(2.9)
Reduction in FPL Revenue Requirements	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Tariff Payment to FSC[(5)]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Net Customer (Savings) / Costs	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

(dollars in millions)	21 2038	22 2039	23 2040	24 2041	25 2042	26 2043	27 2044	28 2045	29 2046	30 2047
Discount Factor[(2)]	0.23	0.22	0.20	0.19	0.17	0.16	0.15	0.14	0.13	0.12
Operating Expenses	$ (2.0)	$ (2.2)	$ (2.2)	$ (2.6)	$ (2.4)	$ (2.3)	$ (2.5)	$ (2.5)	$ (2.6)	$ (2.7)
Property Tax	(2.2)	(2.1)	(2.1)	(2.0)	(2.0)	(1.9)	(1.9)	(1.8)	(1.8)	(1.7)
Depreciation	(5.2)	(5.2)	(5.2)	(5.2)	(5.2)	(5.2)	(5.2)	(5.2)	(5.2)	(5.2)
Interest Expense[(3)]	(0.9)	(0.8)	(0.8)	(0.7)	(0.6)	(0.6)	(0.5)	(0.5)	(0.4)	(0.3)
Income Tax	(1.7)	(1.6)	(1.5)	(1.3)	(1.2)	(1.1)	(1.0)	(0.9)	(0.7)	(0.6)
After-Tax Earnings[(4)]	(2.7)	(2.5)	(2.4)	(2.1)	(1.9)	(1.8)	(1.6)	(1.4)	(1.2)	(1.0)
Reduction in FPL Revenue Requirements	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Tariff Payment to FSC[(5)]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Net Customer (Savings) / Costs	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

(dollars in millions)	31 2048	32 2049	33 2050	34 2051	35 2052	36 2053	37 2054	38 2055	39 2056	40 2057
Discount Factor[(2)]	0.11	0.10	0.10	0.09	0.08	0.08	0.07	0.07	0.06	0.06
Operating Expenses	$ (3.1)	$ (3.4)	$ (2.8)	$ (2.9)	$ (3.2)	$ (3.1)	$ (3.4)	$ (3.8)	$ (3.5)	$ (3.6)
Property Tax	(1.7)	(1.6)	(1.6)	(1.5)	(1.5)	(1.4)	(1.3)	(1.3)	(1.2)	(1.2)
Depreciation	(5.2)	(0.5)	(0.3)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Interest Expense[(3)]	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Income Tax	(0.5)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
After-Tax Earnings[(4)]	(0.8)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
Reduction in FPL Revenue Requirements	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Tariff Payment to FSC[(5)]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Net Customer (Savings) / Costs	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

1) Totals may not sum due to rounding. 40-year horizon
2) Discount Factor is based on weighted average cost of capital of 7.57% discounted to July 1, 2018
3) Interest Expense assumes cost of debt of 5.17%
4) Assumes after-tax return on equity of 10.55%
5) Tariff rate provided to FPL based on 300,000 MDQ (Dth). The total tariff payment by FPL to FSC in 2018 [redacted]

QUESTION:
Footnote 2 (from Paragraph 13) also states that FPL performed a calculation of the CPVRR savings for customers based on a 30 year gas transportation contract. Please explain why the estimated CPVRR saving for a 30 year period is $7.3 million, and the estimated CPVRR saving for a 40 year period is $2.8 million.

RESPONSE:
Please refer to "Attachment REB-1 40-yr data - CONFIDENTIAL.xlsx", provided in response to Staff's First Data Request No. 5. As shown on row 23, *Net Customer (Savings) / Costs*, the customer savings of the proposed transaction are front-end loaded with net savings in the initial years followed by net costs in the outer years. Therefore, the cumulative present value revenue requirement results in more savings for the 30-year period than it does for the 40-year period.