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August 17, 2018

-VIA ELECTRONIC FILING-

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

Re: Docket No. 2018______
In re: Florida Power & Light Company's Petition for Approval of Regulatory Assets Related to the Retirements of Lauderdale Units 4 and 5 and Martin Units 1 and 2

Dear Ms. Stauffer:

Enclosed for filing on behalf of Florida Power & Light Company ("FPL") is FPL's Petition for Approval of Regulatory Assets Related to the Retirements of Lauderdale Units 4 and 5 and Martin Units 1 and 2, along with the exhibits, the declarations of Scott R. Bores and Keith Ferguson, which support the petition.

Please contact me should you or your Staff have any questions regarding this filing.

Sincerely,

s/ William P. Cox
William P. Cox
Senior Attorney
Florida Bar No. 0093531

WPC/msw
Enclosures

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Florida Power & Light Company's Petition for Approval of Regulatory Assets Related to the Retirements of Lauderdale Units 4 and 5 and Martin Units 1 and 2	Docket No: _________ Date: August 17, 2018

PETITION

Pursuant to Rule 25-6.0436(6) and (7), Florida Administrative Code ("F.A.C."), Florida Power & Light Company ("FPL" or the "Company"), respectfully petitions the Florida Public Service Commission ("FPSC" or the "Commission") for authority to create regulatory assets related to the retirements of Lauderdale Units 4 and 5 ("Lauderdale") and Martin Units 1 and 2 ("Martin") and defer the recovery of such regulatory assets until base rates are next reset in a general base rate proceeding, and in support thereof states:

I. Introduction and Overview

1. FPL has an ongoing program to modernize its fossil fuel generating units based on cost-effectiveness. These efforts are substantially improving system fuel efficiency and increasing capacity while also reducing system air emission rates (including greenhouse gas emission rates) and reducing fuel costs for FPL customers. FPL continues its investments to further improve the efficiency and capabilities of its fossil-fueled generation fleet in 2018 and beyond through the two retirements discussed below.

2. *Lauderdale Units 4 and 5.* On March 1, 2018, the Commission unanimously approved FPL's petition for determination of need for the Dania Beach Clean Energy Center ("DBEC") Unit 7, which included the modernization of the combined cycle ("CC") units at the Lauderdale Plant, Units 4 and 5, by retiring those two units in the fourth quarter of 2018 and

replacing them in 2022 with DBEC Unit 7 at the Lauderdale power plant site. See Order No. PSC-2018-0150-FOF-EI, issued March 19, 2018.

3. The DBEC Unit 7 modernization project with the retirement of Lauderdale Units 4 and 5 is projected to save FPL and its customers in excess of an estimated $300 million cumulative present value of revenue requirements ("CPVRR"). The FPSC based its approval on projections of significant economic savings for FPL's customers; enhanced reliability for both the FPL system and the Southeastern Florida region (Miami-Dade and Broward counties) of FPL's service territory; reduced use of natural gas system-wide; and reduced system emissions of sulfur dioxide ("SO2"), nitrogen oxides ("NOx"), and carbon dioxide ("CO2").

4. The Lauderdale power plant site currently contains two 442 MW CC units (for a total capacity of approximately 884 MW) referred to as Units 4 and 5, which include certain outdated plant components, including the steam turbine, that date back to the 1950s. FPL plans to retire these units in the fourth quarter of 2018 and replace them with a new, modern 1,163 MW 2x1 CC unit by mid-2022, DBEC Unit 7.

5. *Martin Units 1 and 2.* In April 2018, FPL included in its annual Ten Year Site Plan its plan to retire Martin Units 1 and 2.

6. FPL plans to retire two large (approximately 800 MW each) generating units and certain transmission equipment at its Martin plant site in the fourth quarter of 2018. These units, Martin Units 1 and 2, are steam generating units. Both units have been in commercial operation for approximately 38 years and are now relatively inefficient units in regard to converting natural gas or oil into electricity. The almost 1,600 MW of generating capacity that will be removed by the retirement of these two Martin units will be partially replaced by upgrading the combustion turbine components at various existing CC units. As documented in the declaration of Scott R.

Bores that is attached as Exhibit 1 to this petition and incorporated by reference herein, FPL projects that retiring these two units in the fourth quarter of 2018 will save FPL and its customers an estimated $491 million CPVRR.

7. As documented in the declaration of Keith Ferguson that is attached as Exhibit 2 to this petition, and incorporated by reference herein, the total unrecovered costs for the Lauderdale and Martin units at the time of retirement are estimated to be $293 million and $372 million, respectively.

8. *Request for Approval of Regulatory Assets.* FPL must make certain entries to its books and records to accurately reflect the early retirements of these units. In addition, Rule 25-6.0436(6), F.A.C., requires that a utility's annual report (as filed pursuant to Rule 25-6.135, F.A.C.) must include an annual depreciation status report showing changes to categories of depreciation that will require a revision of rates, amortization, or capital recovery schedules. By this Petition, supported by the declarations of Scott R. Bores and Keith Ferguson attached as Exhibits 1 and 2, FPL gives notice of such circumstances with regard to these units' retirements.

II. Petitioner and Jurisdiction

9. The Petitioner's name and address are:

Florida Power & Light Company
700 Universe Boulevard
Juno Beach, Florida 33408

Any pleading, motion, notice, order, or other document required to be served upon the petitioner or filed by any party to this proceeding should be served upon the following individuals:

William P. Cox	Kenneth A. Hoffman
Senior Attorney	Vice President, Regulatory Affairs
will.p.cox@fpl.com	ken.hoffman@fpl.com
Florida Power & Light Company	Florida Power & Light Company
700 Universe Boulevard	215 South Monroe Street, Suite 810
Juno Beach, FL 33408-0420	Tallahassee, FL 32301
Phone: (561) 304-5662	Phone: (850) 521-3919
Fax: (561) 691-7135	Fax: (850) 521-3939

10. The Commission has jurisdiction pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes.

11. FPL is a corporation organized and existing under the laws of the State of Florida and with headquarters at 700 Universe Boulevard, Juno Beach, Florida 33408. FPL is an electric utility as defined in section 366.02(2), Florida Statutes.

12. As of year-end 2017, FPL served approximately 5 million customer accounts throughout Florida. Its service area comprises about 27,650 square miles in 35 Florida counties. Approximately 10 million people live within the area FPL serves, which ranges from St. Johns County in the north to Miami-Dade County in the south, and westward to Manatee County, with the highest concentration of customer load in Miami-Dade, Broward, and Palm Beach Counties.

13. This Petition is being filed consistent with Rule 28-106.201, F.A.C. The agency affected is the FPSC, located at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399. This case does not involve reversal or modification of an agency decision or an agency's proposed action. Therefore, subparagraph (c) and portions of subparagraphs (b), (e), (f), and (g) of subsection (2) of that rule are not applicable to this Petition. In compliance with subparagraph (d), FPL states that it is not known which, if any, of the issues of material fact set forth in the body of this Petition may be disputed by any others who may plan to participate in this proceeding. The discussion below demonstrates how the petitioner's substantial interests will be affected by the agency determination.

III. Request for Authority to Create and Defer the Recovery of Regulatory Assets

14. Rule 25-6.0436(7)(a), F.A.C., provides that as follows:

> Prior to the retirement of major installations, the Commission shall approve capital recovery schedules to correct associated calculated deficiencies where a utility demonstrates that (1) replacement of an installation or group of installations is prudent and (2) the associated investment will not be recovered by the time of retirement through the normal depreciation schedule.

15. Through this petition, FPL seeks authority from the Commission to create regulatory assets representing the remaining Net Book Value of Lauderdale and Martin at retirement. FPL's current depreciation rates authorized in Order No. PSC-2016-0560-AS-EI ("2016 Settlement Agreement") are based on retirement dates for Lauderdale and Martin of 2033 and 2031, respectively. Therefore, the Net Book Value of these units will not be recovered by the time of retirement through the normal depreciation schedule.

16. FPL seeks to defer recovery of the regulatory assets and determination of the associated amortization period until FPL's base rates are next reset in a general base rate proceeding. Pursuant to paragraph 14 of the 2016 Settlement Agreement, "the depreciation rates and dismantlement accrual rates in effect as of the Implementation Date shall remain in effect until FPL's base rates are next reset in a general base rate proceeding." FPL is required to reflect the retirement of these units on its books and records and cease recording depreciation expense.

17. Because the 2016 Settlement Agreement does not allow FPL to request an amortization rate during the term of the Agreement, the early retirement of these units will require that future revisions be made to the depreciation rates, amortization, and capital recovery schedules. In Order No. PSC-2016-0361-PAA-EI approving Gulf Power Company's request to create a regulatory asset, the Commission notes that "the concept of deferral accounting allows

companies to defer costs and seek recovery through rates at a later time." The Commission found that it was appropriate for Gulf to create a regulatory asset for the amounts associated with the early retirement of its generation units and defer recovery until an amortization rate could be established. Consistent with Gulf's circumstance, because of the specific terms of FPL's 2016 Settlement Agreement related to continuing depreciation and amortization rates until base rates are next reset in a general base rate proceeding, the creation of a regulatory asset in this instance does not involve deferral of costs that would otherwise be recovered, in part, during the term of the Agreement. Therefore, creation of regulatory assets and deferral of cost recovery are appropriate in this instance.

18. Exhibit 2 to this petition, the declaration of Keith Ferguson, includes schedules presenting the estimated plant balances, accumulated depreciation reserve balances, and the calculation of the estimated Net Book Value as of the date of retirement for Lauderdale of $293 million and Martin of $372 million. Exhibit 2 presents base and clause retirements separately for informational purposes only. FPL's current depreciation rates are applicable to both base and clause retirements.

WHEREFORE, for the foregoing reasons in accordance with Rule 6.0436(6) and (7), F.A.C., Florida Power & Light Company respectfully requests authority to create regulatory assets to account for the early retirement of Lauderdale and Martin and to defer the recovery of such regulatory assets until base rates are next reset in a general base rate proceeding as provided in and consistent with this petition.

DATED this 17th day of August 2018

Respectfully submitted,

William P. Cox
Senior Attorney
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408
Telephone: (561) 304-5662
Facsimile: (561) 691-7135
Email: will.p.cox@fpl.com

By: *s/ William P. Cox*

William P. Cox
Florida Bar No. 0093531

EXHIBIT 1

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Florida Power & Light Company's) Petition for Approval of Regulatory Assets) Related to the Retirement of Lauderdale) Units 4 & 5 and Martin Units 1 & 2)	Docket No. ______________ Filed: August 17, 2018

DECLARATION OF SCOTT R. BORES

1. My name is Scott R. Bores, and my business address is Florida Power & Light Company ("FPL" or the "Company"), 700 Universe Boulevard, Juno Beach, Florida, 33408.

2. I am employed by FPL as the Senior Director of Financial Planning & Analysis. I am responsible for FPL's corporate budgeting, financial forecast, analysis of financial results and resource analytics.

3. I graduated from the University of Connecticut in 2003 with a Bachelor of Science degree in Accounting. I received a Master of Business Administration from Emory University in 2011. I joined FPL in 2011 and have held several positions of increasing responsibility, including Manager of Property Accounting, Director of Property Accounting, and my current position as Senior Director of Financial Planning and Analysis. Prior to FPL, I held various accounting roles with Mirant Corporation, which was an independent power producer in Atlanta, Georgia, as well as worked for PricewaterhouseCoopers, LLP. I am a Certified Public Accountant ("CPA") licensed in the State of Georgia and a member of the American Institute of CPAs.

4. The purpose of my declaration is to support the cumulative present value revenue requirements ("CPVRR") analysis for the prudent retirement of Plant Martin Units 1

and 2 ("Martin") as described in FPL's petition filed with this declaration on August 17, 2018.

5. As reflected on Attachment SRB-1, the CPVRR analysis demonstrates that retiring Martin Units 1 and 2 in the fourth quarter of 2018 and replacing with upgrades to FPL's combined cycle fleet provides for a $491 million customer benefit.

6. Under penalty of perjury, I declare that I have read the foregoing declaration and that the facts stated in it are true to the best of my knowledge and belief.

Scott R. Bores

Date: 8/16/18

Retirement of Plant Martin Units 1 & 2

CPVRR (Favorable) Unfavorable $ millions	**Martin 1 & 2**
<u>Total Net Revenue Requirement</u>	
Operations	$ (300.7)
Solar / Non-Solar Capital Generation, Fixed O&M	(48.1)
Gas Transport	(53.5)
Short Term PPA	(0.3)
Fuel, Start Up, VOM	(137.9)
Emissions	49.9
Total Net Revenue Requirement	**$ (490.7)**
<u>Total Net Revenue Requirement</u>	
Base	(330.6)
Clause	(160.1)
Total Net Revenue Requirement	**$ (490.7)**

EXHIBIT

2

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Florida Power & Light Company's Petition for Approval of Regulatory Assets Related to the Retirement of Lauderdale Units 4 & 5 and Martin Units 1 & 2	))))	Docket No. ______________ Filed: August 17, 2018

DECLARATION OF KEITH FERGUSON

1. My name is Keith Ferguson, and my business address is Florida Power & Light Company ("FPL" or the "Company"), 700 Universe Boulevard, Juno Beach, Florida, 33408.

2. I am employed by FPL as Vice President Accounting and Controller. I am responsible for all financial accounting, as well as internal and external reporting, for FPL. As a part of these responsibilities, I ensure that the Company's financial reporting complies with requirements of Generally Accepted Accounting Principles ("GAAP") and multi-jurisdictional regulatory accounting requirements.

3. I graduated from the University of Florida in 1999 with a Bachelor of Science Degree in Accounting and earned a Master of Accounting degree from the University of Florida in 2000. Beginning in 2000, I was employed by Arthur Andersen in their energy audit practice in Atlanta, Georgia. From 2002 to 2005, I worked for Deloitte & Touche in their national energy practice. From 2005 to 2011, I worked for Mirant Corporation, which was an independent power producer in Atlanta, Georgia. During my tenure there, I held various accounting and management roles. Most recently and prior to joining FPL in September 2011, I was Mirant's Director of SEC Reporting and Accounting Research. I am a Certified

Public Accountant ("CPA") licensed in the State of Georgia and a member of the American Institute of CPAs.

4. The purpose of my declaration is to support the proposed regulatory accounting treatment and unrecovered costs associated with the retirement of Plants Lauderdale Units 4 and 5 ("Lauderdale") and Martin Units 1 and 2 ("Martin") as described in FPL's petition filed with this declaration on August 17, 2018.

5. FPL plans to retire the Lauderdale units in the fourth quarter of 2018 and plans to retire the Martin units and certain transmission equipment at the Martin plant site in the fourth quarter of 2018.

6. FPL seeks authority from the Commission to create regulatory assets representing the remaining Net Book Value of the Lauderdale and Martin units at retirement. FPL's current depreciation rates authorized in Order No. PSC-2016-0560-AS-EI ("2016 Settlement Agreement") are based on retirement dates for Lauderdale and Martin of 2033 and 2031, respectively. Therefore, the Net Book Value of these units will not be recovered by the time of retirement through the normal depreciation schedule.

7. FPL also seeks to defer recovery of the regulatory assets and determination of the associated amortization period until FPL's base rates are next reset in a general base rate proceeding. Because the 2016 Settlement Agreement does not allow FPL to request an amortization rate during the term of the Agreement, the early retirement of these units will require that future revisions be made to the depreciation rates, amortization, and capital recovery schedules. The creation of a regulatory asset in this instance does not involve deferral of costs that would otherwise be recovered, in

part, during the term of the Agreement. Therefore, creation of regulatory assets and deferral of cost recovery are appropriate.

8. As reflected on Attachment KF-1 to this declaration, the total unrecovered costs for Lauderdale and Martin at the time of retirement are estimated to be $293 million and $372 million, respectively.

9. Under penalties of perjury, I declare that I have read the foregoing declaration and that the facts stated in it are true to the best of my knowledge and belief.

Keith Ferguson

Keith Ferguson

Date: 8/16/2018

Florida Power & Light Company
CAPITAL RECOVERY SCHEDULES

Line No.		(1) Original Cost	-	(2) Book Reserve	=	(3) Total Unrecovered Cost
1	**CAPITAL RECOVERY ACCOUNTS - BASE**					
2						
3	**Steam Plant Retirements**					
4	*Martin Common*					
5	311 Structures & Improvements	$ 31,548,028		$ 24,347,859		$ 7,200,169
6	312 Boiler Plant Equipment	8,877,260		3,713,818		5,163,442
7	314 Turbogenerator Units	23,848,350		12,804,612		11,043,738
8	315 Accessory Electric Equipment	6,397,721		3,571,956		2,825,766
9	316 Miscellaneous Equipment	3,882,371		2,223,943		1,658,428
10	316.3 Misc Power Plt Equipt - 3Yr	141,817		73,088		68,729
11	316.5 Misc Power Plt Equipt - 5Yr	754,231		475,545		278,686
12	316.7 Misc Power Plt Equipt - 7Yr	3,203,136		1,597,042		1,606,095
13	*Martin Common Total*	*78,652,914*		*48,807,862*		*29,845,052*
14						
15	*Martin Unit 1*					
16	311 Structures & Improvements	16,097,017		11,256,751		4,840,265
17	312 Boiler Plant Equipment	142,712,484		91,543,292		51,169,192
18	314 Turbogenerator Units	88,282,513		46,048,830		42,233,683
19	315 Accessory Electric Equipment	20,621,111		15,339,908		5,281,203
20	316 Miscellaneous Equipment	2,671,966		1,807,481		864,485
21	*Martin Unit 1 Total*	*270,385,089*		*165,996,262*		*104,388,828*
22						
23	*Martin Unit 2*					
24	311 Structures & Improvements	11,045,661		8,143,306		2,902,355
25	312 Boiler Plant Equipment	141,792,764		92,671,572		49,121,191
26	314 Turbogenerator Units	70,588,518		32,450,989		38,137,529
27	315 Accessory Electric Equipment	18,632,296		13,598,774		5,033,522
28	316 Miscellaneous Equipment	2,202,639		1,552,928		649,710
29	*Martin Unit 2 Total*	*244,261,878*		*148,417,570*		*95,844,308*
30	***Total for Martin Units 1 & 2***	***593,299,882***		***363,221,694***		***230,078,188***
31						
32	**Other Production Plant Retirements**					
33	*Lauderdale Unit 4*					
34	341 Structures and Improvements	4,917,714		3,627,768		1,289,947
35	342 Fuel Holders, Producers and Accessories	704,378		536,575		167,803
36	343 Prime Movers - General	133,829,691		31,546,214		102,283,477
37	343.2 Prime Movers - CSP	52,914,325		8,791,670		44,122,655
38	344 Generators	28,695,635		21,217,913		7,477,722
39	345 Accessory Electric Equipment	28,634,207		20,729,491		7,904,716
40	346 Misc. Power Plant Equipment	2,532,631		1,962,701		569,930
41	*Lauderdale Unit 4 Total*	*252,228,581*		*88,412,333*		*163,816,248*
42						
43	*Lauderdale Unit 5*					
44	341 Structures and Improvements	3,106,706		2,152,334		954,373
45	342 Fuel Holders, Producers and Accessories	721,517		541,554		179,963
46	343 Prime Movers - General	120,458,600		52,810,906		67,647,694
47	343.2 Prime Movers - CSP	45,274,277		(997,343)		46,271,620
48	344 Generators	30,716,320		24,115,144		6,601,177
49	345 Accessory Electric Equipment	23,917,132		16,846,161		7,070,971
50	346 Misc. Power Plant Equipment	1,747,219		1,359,363		387,856
51	*Lauderdale Unit 5 Total*	*225,941,772*		*96,828,118*		*129,113,654*
52	***Total for Other Production***	***478,170,353***		***185,240,451***		***292,929,902***
53						
54	**Transmission Plant Retirements**					
55	*Martin Transmission*					
56	353 Station Equipment	2,771,122		1,215,108		1,556,015
57	353.1 Station Equipment - Step-Up Transformers	15,297,137		9,625,783		5,671,353
58	*Martin Transmission Total*	*18,068,259*		*10,840,891*		*7,227,368*
59						
60	**TOTAL CAPITAL RECOVERY ACCOUNTS - BASE**	**$ 1,089,538,494**		**$ 559,303,035**		**$ 530,235,458**

Notes:
Estimated retirement date for Lauderdale Units 4 & 5 - October 1, 2018
Estimated retirement date for Martin Units 1 & 2 - December 1, 2018

Florida Power & Light Company
CAPITAL RECOVERY SCHEDULES

Line No.		(1) Original Cost	-	(2) Book Reserve	=	(3) Total Unrecovered Cost
1	**CAPITAL RECOVERY ACCOUNTS - CLAUSE**					
2						
3	**Steam Plant Retirements**					
4	*Martin Common*					
5	311 Structures & Improvements	$ 2,303,073		$ 677,356		$ 1,625,717
6	312 Boiler Plant Equipment	644,236		144,942		499,294
7	314 Turbogenerator Units	287,258		71,625		215,633
8	315 Accessory Electric Equipment	34,755		8,551		26,204
9	316 Miscellaneous Equipment	23,107		16,059		7,048
10	316.5 Misc Power Plt Equipt - 5Yr	58,207		71,859		(13,652)
11	316.7 Misc Power Plt Equipt - 7Yr	66,897		42,378		24,519
12	*Martin Common Total*	*3,417,532*		*1,032,771*		*2,384,761*
13						
14	*Martin Unit 1*					
15	311 Structures & Improvements	298,228		137,959		160,269
16	312 Boiler Plant Equipment	67,347,630		12,953,817		54,393,812
17	314 Turbogenerator Units	7,499,710		1,696,333		5,803,377
18	315 Accessory Electric Equipment	4,322,420		546,665		3,775,755
19	316 Miscellaneous Equipment	1,012,007		127,407		884,600
20	*Martin Unit 1 Total*	*80,479,994*		*15,462,181*		*65,017,813*
21						
22	*Martin Unit 2*					
23	311 Structures & Improvements	121,924		32,206		89,717
24	312 Boiler Plant Equipment	69,409,543		12,661,052		56,748,492
25	314 Turbogenerator Units	7,477,120		2,007,656		5,469,464
26	315 Accessory Electric Equipment	4,449,270		465,905		3,983,365
27	316 Miscellaneous Equipment	1,070,760		107,876		962,884
28	*Martin Unit 2 Total*	*82,528,616*		*15,274,695*		*67,253,921*
29	***Total for Martin Units 1 & 2***	***166,426,142***		***31,769,647***		***134,656,496***
30						
31	*Lauderdale Unit 4*					
32	343 Prime Movers - General	438,897		332,005		106,893
33	*Lauderdale Unit 4 Total*	*438,897*		*332,005*		*106,893*
34						
35	*Lauderdale Unit 5*					
36	343 Prime Movers - General	556,425		489,879		66,546
37	*Lauderdale Unit 4 Total*	*556,425*		*489,879*		*66,546*
38	***Total for Lauderdale Units 4 & 5***	***995,322***		***821,884***		***173,439***
39						
40						
41	**TOTAL CAPITAL RECOVERY ACCOUNTS - CLAUSE**	**167,421,465**		**32,591,530**		**134,829,935**
42	**CAPITAL RECOVERY ACCOUNTS - BASE**	**1,089,538,494**		**559,303,035**		**530,235,458**
43	**CAPITAL RECOVERY ACCOUNTS - TOTAL**	**$ 1,256,959,958**		**$ 591,894,566**		**$ 665,065,393**

Notes:
Estimated retirement date for Lauderdale Units 4 & 5 - October 1, 2018
Estimated retirement date for Martin Units 1 & 2 - December 1, 2018