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President of the Senate



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Public Counsel

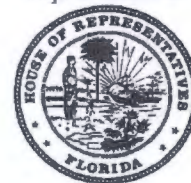
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FILED JUL 07, 2016
DOCUMENT NO. 04312-16
FPSC - COMMISSION CLERK

STEVE CRISAFULLI
*Speaker of the House of
Representatives*



July 7, 2016

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

Re: Docket No. 160021, 160061-EI, 160062-EI and 160088-EI

Dear Ms. Stauffer:

Please find enclosed for filing in the above referenced docket the Direct Testimony and Exhibits of **Kevin O'Donnell**. This filing is being made via the Florida Public Service Commission's Web Based Electronic Filing portal.

If you have any questions or concerns; please do not hesitate to contact me. Thank you for your assistance in this matter.

Sincerely,

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

Patricia A. Christensen
Associate Public Counsel

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Florida Power
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: July 7, 2016

DIRECT TESTIMONY

OF

KEVIN W. O'DONNELL, CFA

ON BEHALF OF THE CITIZENS OF

THE STATE OF FLORIDA

J.R. Kelly
Public Counsel

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c/o The Florida Legislature
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of the State of Florida

DIRECT TESTIMONY

OF

OF KEVIN W. O'DONNELL, CFA

On Behalf of the Office of Public Counsel

Before the

Florida Public Service Commission

Docket No. 160021-EI, et al (consolidated)

1 **Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS FOR**
2 **THE RECORD.**

3 A. My name is Kevin W. O'Donnell. I am President of Nova Energy Consultants, Inc. My
4 business address is 1350 Maynard Rd., Suite 101, Cary, North Carolina 27511.

5
6 **Q. ON WHOSE BEHALF ARE YOU PRESENTING TESTIMONY IN THIS**
7 **PROCEEDING?**

8 A. I am appearing on behalf of the Florida Office of Public Counsel, the representative of
9 FPL ratepayers before the Public Service Commission of Florida.

10
11 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**
12 **RELEVANT EMPLOYMENT EXPERIENCE.**

13 A. I have a Bachelor of Science in Civil Engineering from North Carolina State University
14 and a Master of Business Administration from the Florida State University. I earned the
15 designation of Chartered Financial Analyst (CFA) in 1988. I have worked in utility

1 regulation since September 1984, when I joined the Public Staff of the North Carolina
2 Utilities Commission (NCUC). I left the NCUC Public Staff in 1991 and have worked
3 continuously in utility consulting since that time, first with Booth & Associates, Inc. (until
4 1994), then as Director of Retail Rates for the North Carolina Electric Membership
5 Corporation (1994-1995), and since then in my own consulting firm. I have been accepted
6 as an expert witness on rate of return, cost of capital, capital structure, cost of service, rate
7 design, and other regulatory issues in general rate cases, fuel cost proceedings, and other
8 proceedings. I have been engaged in cases before the North Carolina Utilities
9 Commission, the South Carolina Public Service Commission, the Virginia State
10 Commerce Commission, the Minnesota Public Service Commission, the Public Service
11 Commission of Maryland, the New Jersey Board of Public Utilities, the Public Utilities
12 Commission of Colorado, and the Florida Public Service Commission. In 1996, I testified
13 before the U.S. House of Representatives' Committee on Commerce and Subcommittee
14 on Energy and Power, concerning competition within the electric utility industry.
15 Additional details regarding my education and work experience are set forth in Exhibit
16 KWO-1 to my direct testimony.

17
18 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

19 A. In this proceeding, FPL is asking this Commission to approve a capital structure that has
20 an equity ratio of 59.60%. FPL's request in this case puts an unnecessary costly burden
21 on ratepayers of Florida and should not be allowed. To be specific, FPL's requested
22 capital structure in this case will cost the typical residential customer of FPL an extra

1 \$40.97 per year as compared to a more normal capital structure of 50% common equity
2 and 50% debt.

3
4 A capital structure with a 59.60% equity ratio is higher than the equity ratio that has been
5 allowed by any state regulator in the past three years; higher than the average common
6 equity ratio of the comparable group of FPL's rate of return witness; and much higher
7 than the equity ratio of NextEra Energy.

8
9 My recommendation is the Commission adopt a capital structure that consists of 50%
10 common equity and 50% debt as this capital structure is comparable to other utilities as
11 well as the equity ratio granted by state regulators across the country.

12
13 **Q. HOW IS YOUR TESTIMONY STRUCTURED?**

14 A. I have outlined my testimony in the following manner:

15
16 I. Economic and Regulatory Policy Guidelines for a Fair Rate of Return

17 II. Capital Structure

18 A. Explanation of Capital Structure

19 B. FPL's Requested Capital Structure

20 C. Capital Structure Comparison

21 D. Recommendation and Impact on FPL Consumers

22 E. Summary

1 **I. Economic and Regulatory Policy Guidelines for A Fair Rate of Return**

2 **Q. PLEASE DESCRIBE THE REGULATORY FRAMEWORK USED TO DEVELOP**
3 **YOUR RECOMMENDATION THE FAIR RATE OF RETURN?**

4 A. The theory of utility regulation assumes that public utilities perform functions that are
5 natural monopolies. Historically, it was believed or assumed that it was more efficient for
6 a single firm to provide a particular utility service rather than multiple firms. Even though
7 deregulation for the procurement of natural gas and generation of electric power and
8 energy is spreading, as is the development of renewable energy production, delivery of
9 these products to end-use customers will most likely continue to be considered a natural
10 monopoly for the foreseeable future. This is because regulatory authorities regulate the
11 service areas in which regulated utilities provide service, particularly but not necessarily
12 limited to distribution. On this basis, state legislatures or commissions assign exclusive
13 franchised territories to public utilities or determine territorial boundaries where disputes
14 arise, in order for these utilities to provide services more efficiently and at the lowest
15 reasonable cost. In exchange for the protection within its monopoly service area, the
16 utility is obligated to provide adequate service at a fair, regulated price.

17
18 This naturally raises the question - what constitutes a just and reasonable price? The
19 generally accepted answer is that a prudently managed electric utility should be allowed
20 to charge prices that allow the utility the opportunity to recover the reasonable and prudent
21 costs of providing utility service and the opportunity to earn a fair rate of return on
22 invested capital. This just and reasonable rate of return on capital should allow the utility,
23 under prudent management, to provide adequate service and attract capital to meet future

1 expansion needs in its service area. Since public utilities are capital-intensive businesses,
2 the cost of capital is a crucial issue for utility companies, their customers, and regulators.
3 If the allowed rate of return is set too high, then consumers are burdened with excessive
4 costs, current investors receive a windfall, and the utility has an incentive to overinvest.
5 If the return is set too low, adequate service is jeopardized because the utility will not be
6 able to raise working capital on reasonable terms.

7
8 Since every equity investor faces a risk-return tradeoff, the issue of risk is an important
9 element in determining the fair rate of return for a utility.

10
11 Regulatory law and policy recognize that utilities compete with other firms in the market
12 for investor capital. In the often cited case of *Federal Power Commission v. Hope Natural*
13 *Gas Company*, 320 U.S. 591 (1944), the U.S. Supreme Court recognized that utilities
14 compete with other firms in the market for investor capital. Historically, this case has
15 provided legal and policy guidance concerning the return which public utilities should be
16 allowed to earn:

17
18 In *Hope Natural Gas*, the U.S. Supreme Court stated that the return to equity owners (or
19 shareholders) of a regulated public utility should be “commensurate” to returns on
20 investments in *other* enterprises whose “risks correspond” to those of the utility being
21 examined:

1 the return to the equity owner should be commensurate with returns on
2 investments in other enterprises having corresponding risks. That
3 return, moreover, should be sufficient to assure confidence in the
4 financial integrity of the enterprise, so as to maintain its credit and
5 attract capital. (320 U.S. at 603)
6

7 **Q. PLEASE EXPLAIN THE RELATIONSHIP BETWEEN THESE COURT RULING**
8 **AND ECONOMIC PRINCIPLES RELATING TO THE CAPITAL STRUCTURE**
9 **ISSUE NOW BEFORE THIS COMMISSION?**

10 A. As this Commission is aware, every equity investor faces a risk-return tradeoff. The more
11 risk the investor assumes, the higher the return the investor demands. The risks that a
12 regulated utility incurs can be stated as financial risk and business risk. As the amount of
13 debt relative to equity capital increases, the amount of money necessary to pay the interest
14 on debt increases, and financial risk increases. Similarly, as the amount of debt relative
15 to equity capital decreases, financial risk decreases. Thus, as the utility assumes more
16 debt or less debt, the risk of repayment of the debt increases or decreases accordingly.

17
18 Business risk is a measure of a company's ability to operate at a profit within its industry.
19 Given that FPL operates in a monopoly industry with no retail competition, its business
20 risk is relatively small.

21
22 One of the responsibilities of the utility is to employ prudent and reasonable levels of debt
23 and equity. Utility finance personnel will often attempt to employ different levels of debt
24 and equity in the Company's capital structure in order to maximize the return allowed by
25 state regulators. The related task of the regulator is to assess these levels of debt and

1 equity presented in general rate case proceedings to determine if the levels reflect the
2 actual, corresponding financial and business risks to the utility. Further, the regulator
3 should review the utility's capital structure and adjust, when necessary, the requested
4 levels of equity and debt, for ratemaking purposes, to prevent customers from paying rates
5 that are unreasonably high. Moreover, the relative amounts of equity and debt in the total
6 capital raised by the utility bear directly on the risk perceived by investors, and thus to the
7 rate of return that is commensurate with that risk.

8
9 **II. Capital Structure**

10 **A. *Explanation of Capital Structure***

11 **Q. WHAT IS A CAPITAL STRUCTURE AND HOW WILL IT IMPACT THE**
12 **REVENUES THAT THE UTILITY IS SEEKING IN A RATE CASE?**

13 A. The term "capital structure" refers to the relative percentage of debt, equity, and other
14 financial components that are used to finance a company's investments. For simplicity,
15 there are three financing methods that involve investor funds. The first method is to finance
16 an investment with common equity, which essentially represents ownership in a company
17 and its investments. Returns on common equity, which in part take the form of dividends to
18 stockholders, are not tax deductible. This feature makes equity financing about 40% more
19 expensive than debt financing on a pre-tax basis alone due to the gross-up for taxes required
20 to pay back this type of shareholder financing. The second form of corporate financing is
21 preferred stock, which is normally used to a much smaller degree in capital structures.
22 Dividend payments associated with preferred stock are also not tax deductible.

1 Corporate debt is the third major form of financing used in the corporate world. There are
2 two basic types of corporate debt: long-term and short-term. Long-term debt is generally
3 understood to be debt that matures in a period of more than one year. Short-term debt is
4 debt that matures in a year or less. Both long-term debt and short-term debt represents
5 liabilities on the company's books that must be repaid prior to any common stockholders
6 or preferred stockholders receiving a return on their investment.

7
8 **Q. HOW IS A UTILITY'S TOTAL RETURN CALCULATED?**

9 A. The utility's return is developed in a two-step process. First, the weighted cost of all
10 capital is developed. A utility's total return is developed by multiplying the percentage
11 of each component of the capital structure relative to the total financing on the company's
12 rate base, by the cost rates associated with each form of capital. For each component, the
13 mathematical product is referred to as a weighted average. The sum of the components'
14 weighted averages represents the weighted average overall cost of capital, sometimes
15 called the "WACC."

16
17 Second, the cost of capital is grossed-up for taxes, developing the revenue requirement
18 for capital. When the percentage ratios are applied to various cost rates, a total after-tax
19 rate of return is developed. An example of this cost allocation is shown later in this
20 testimony. Since the utility must pay dividends associated with common equity and
21 preferred stock with after-tax funds, the post-tax returns are then converted to pre-tax
22 returns by grossing up the common equity and preferred stock dividends for taxes. The
23 final pre-tax return is then multiplied by the Company's rate base in order to develop the

1 amount of money that customers must pay to the utility for its return on investment and
2 tax payments associated with that investment.

3
4 **Q. HOW DOES CAPITAL STRUCTURE IMPACT THIS CALCULATION?**

5 A. Costs to consumers are greater when the utility finances a higher proportion of its rate
6 base investment with common equity and preferred stock instead of less expensive long-
7 term debt. However, long-term debt, which is first in line for repayment, imposes a
8 contractual obligation to make fixed payments on a pre-established schedule, as opposed
9 to common equity where no similar obligations exist.

10
11 **Q. WHY SHOULD THE COMMISSION BE CONCERNED ABOUT HOW FPL
12 FINANCES ITS RATE BASE INVESTMENTS?**

13 A. There are two reasons that the Commission should be concerned about how FPL finances
14 its rate base investments. The first reason is that the cost of common equity is higher and
15 more expensive than the cost of long-term debt. A higher equity percentage, above an
16 optimal level, will translate into higher costs to FPL's customers but without any
17 corresponding improvement in quality of service for customers. Long-term debt is a
18 financial promise made by the company and is carried as a liability on the company's
19 books. Common stock is ownership in the company. Due to the nature of this investment,
20 common stockholders require higher rates of return to compensate them for the extra risk
21 involved in owning part of the company versus having a more senior claim against the
22 company's assets in the form of debt.

1 The second reason the Commission should be concerned about FPL's capital structure is
2 due to the tax treatment of debt versus common equity. Public corporations, such as FPL,
3 can expense interest payments associated with debt financing. Corporations are not,
4 however, allowed to deduct common stock dividend payments for tax purposes. All
5 dividend payments must be made with after-tax funds, which are more expensive than
6 pre-tax funds. Since the regulatory process allows utilities to recover reasonable and
7 prudent expenses, including taxes, customer rates must be set so that the utility pays all
8 its taxes and has enough left over to pay its common stock dividend. If a utility is allowed
9 to use a capital structure for ratemaking purposes that is top-heavy in common stock,
10 customers will be forced to pay the associated income tax burden, resulting in unjust,
11 unreasonable, and unnecessarily high rates. Setting rates through the use of capital
12 structure that is top-heavy in common equity violates the fundamental principles of utility
13 regulation that rates must be fair, but only high enough, to support the utility's provision
14 of safe, adequate, and reliable service at a fair price.

15
16 **Q. HOW IS SETTING A CAPITAL STRUCTURE FOR A REGULATED ELECTRIC**
17 **UTILITY COMPANY DIFFERENT THAN SETTING A CAPITAL STRUCTURE**
18 **FOR A NON-REGULATED COMPANY THAT OPERATES IN A**
19 **COMPETITIVE ENVIRONMENT?**

20 A. Unregulated companies in competitive markets must carefully weigh the risk of using
21 lower cost debt that can be used to leverage profits versus the use of the more expensive
22 common equity that dilutes profits (i.e. company issues additional stock so there are more

1 shares of stock which will share in any profits). Such capital sourcing decisions are based,
2 in large part, on the competitive nature of the business in which the entity operates.

3
4 In the case of a regulated electric utility with a licensed service territory that has little-to-
5 no retail competition in its service territory, there is actually a strong incentive for a
6 company to use common equity to build assets that can be placed in rate base. The utility
7 is guaranteed the opportunity to earn its allowed rate of return on plant investment and, as
8 such, can maximize profits by building plant and receiving favorable regulatory treatment
9 from state regulators.

10
11 For example, unregulated companies in competitive markets work to lower capital costs
12 through efficient capital cost decisions (i.e., profit motives that limits the Company's
13 desire to issue additional stock) whereas electric utility rate regulation can act as an
14 incentive for additional plant investment (i.e., profits are maximized through the issuance
15 of common equity).

16
17 **Q. PLEASE EXPLAIN HOW ONGOING CONSTRUCTION NEEDS ARE**
18 **IMPACTING UTILITIES AND THEIR CUSTOMERS.**

19 A. Utilities finance construction with three primary sources of capital: retained earnings;
20 common equity issuances; and long-term debt issuances. Financing construction with
21 retained earnings is preferable to the utility because using funds from ongoing operations
22 does not dilute common equity, as would an equity issuance, nor does it add debt leverage
23 to the utility's balance sheet. However, in most cases, financing a large asset with only

1 retained earnings may not be possible due to the sheer size of the plant investment. As a
2 result, utilities undergoing large construction projects often issue common equity or long-
3 term debt to finance these projects. Therefore, selecting the ratio of equity and debt is
4 important. Entities in unregulated, competitive markets have a profit motive that provides
5 an incentive for such entities to select the most efficient capitalization ratio. However,
6 franchised electric utilities operating in a regulated, noncompetitive market have an
7 incentive to maximize the amount of common equity in their capital structure so as to
8 increase rates and, correspondingly, the utility's profit. Franchised electric utilities should
9 only be allowed to recover in rates a revenue requirement derived from a capitalization
10 ratio that allows the utility to provide reliable service at the least cost. Thus, finding the
11 right balance between debt and equity is critical, especially if the franchised electric utility
12 is a subsidiary of a larger holding company.

13
14 **Q. PLEASE EXPLAIN THE RAMIFICATIONS OF RATES BEING SET AT AN**
15 **UNBALANCED DEBT/EQUITY LEVEL.**

16 A. If a utility issues too much common equity and not enough debt for a certain project, the
17 customer pays higher rates to support a capital structure that is neither prudent nor
18 reasonable. It is also important to recognize how utility rate levels affect economic
19 development. A utility with high rates will, all else being equal, cause its service territory
20 to lose out on economic development opportunities.

21
22 If, on the other hand, the utility incurs too much debt, the utility's capitalization ratios
23 present excess financial risk to the capital markets, thereby driving up the costs required

1 by the markets to compensate them for the added risk. In this case, the customer would
2 also lose since the cost it must pay the utility for accessing the capital markets is higher
3 than it would pay using a less debt-leveraged capital structure.

4
5 One role of regulation is to balance the needs of the capital markets, including utility
6 stockholders, with the needs of ratepayers. Too much equity or too much debt can harm
7 both the stockholders of the corporation as well as the public. Careful study of the risks
8 and costs of various capitalization ratios is important.

9
10 ***B. FPL Requested Capital Structure***

11 **Q. MR. O'DONNELL, HAVE YOU REVIEWED THE CAPITAL STRUCTURE**
12 **REQUESTED BY THE COMPANY IN THIS PROCEEDING?**

13 A. Yes, I have.

14
15 **Q. WHAT CAPITAL STRUCTURE IS FPL SEEKING IN THIS CASE?**

16 A. Based on Schedule D-1A of the minimum filing requirements (MFRs), FPL is asking for
17 the following capital structure:

Table 1: FPL Requested All Capital Sources
Capital Structure and Cost Rates

Source of Capital	Amount (\$)	Ratio (%)
	(000's)	
Long-Term Debt	\$9,358,417	28.76%
Preferred Stock	\$0	0.00%
Customer Deposits	\$407,328	1.25%
Common Equity	\$14,682,574	45.13%
Short-Term Debt	\$612,939	1.88%
Def. Income Taxes	\$7,368,582	22.65%
Inv. Tax Credits	<u>\$106,275</u>	<u>0.33%</u>
Total	\$32,536,115	100.00%

The above capital structure, however, includes all sources of capital for use by FPL to finance rate base operations. When only investor-sources of capital are included, the above capital structure translates into the following:

Table 2: FPL Requested Investor-Only Sources
Capital Structure and Cost Rates

Source of Capital	Amount (\$)	Ratio (%)
Long-Term Debt	\$9,358,417	37.96%
Common Equity	\$14,682,574	59.55%
Short-Term Debt	<u>\$612,939</u>	<u>2.49%</u>
Total	\$24,653,930	100.00%

Q. DO YOU AGREE THAT REVENUE REQUIREMENTS IN THIS CASE SHOULD BE SET USING A 59.6% COMMON EQUITY RATIO?

A. No. I believe FPL's requested equity ratio is excessively high and should not be allowed by the Commission for the following reasons:

1 1. The requested equity ratio of 59.60% is out-of-line with other electric utilities;
2 with allowed equity ratios from state regulators around the United States; as
3 compared to non-regulated subsidiaries of NextEra Energy; and as compared to
4 NextEra Energy;

5 2. The cost to support a 59.60% equity ratio represents a grossly unfair financial
6 burden to FPL consumers especially when compared with the equity ratio of its
7 parent NextEra Energy.

8 ***C. Capital Structure Comparison***

9 **Q. HOW DOES THE EQUITY RATIO REQUESTED BY FPL IN THIS CASE**
10 **COMPARE TO THE COMPARABLE GROUP OF THE COMPANY'S RATE OF**
11 **RETURN WITNESS, ROBERT HEVERT?**

12 A. The 59.60% equity ratio requested in this case is much higher than any company in Mr.
13 Hevert's comparable group and, as such, FPL has much less financial risk than Mr.
14 Hevert's comparable group. Table 3 below compares the requested FPL equity ratio to
15 Mr. Hevert's comparable group.

Table 3: Hevert Comparable
Group Equity Ratios

Allete	53.7%
Alliant Energy	51.4%
Ameren	49.7%
AEP	50.2%
Avista	50.0%
CMS Energy	31.4%
Dominion	34.9%
DTE Energy	49.8%
Great Plains Energy	49.1%
IDACORP	54.4%
NorthWestern Corp.	46.9%
OGE Energy	55.7%
Otter Tail	57.6%
Pinnacle West	57.0%
PNM Resources	45.6%
Portland General	52.2%
SCANA	48.1%
Westar Energy	52.5%
Xcel Energy	45.9%
Average	49.3%
Requested FPL Equity Ratio	59.6%

Q. HOW DOES THE 59.60% EQUITY RATIO REQUESTED BY FPL COMPARE TO THE EQUITY RATIO OF NEXTERA ENERGY?

A. According to data obtained from Schedule D-2, p. 1 of the MFRs filed in this case, NextEra Energy has a consolidated common equity ratio of 43.8%.

Q. HOW DOES THE FPL REQUESTED EQUITY RATIO COMPARE TO NON-REGULATED SUBSIDIARIES OF NEXTERA ENERGY?

1 A. The unregulated companies of NextEra Energy have an average equity ratio of 27.8%
2 (Schedule D-2, p. 1 of MFRs) which is, obviously, much lower than the excessively high
3 equity ratio requested by FPL.
4

5 **Q. WHY IS THE COMMON EQUITY RATIO OF NEXTERA’S UNREGULATED**
6 **SUBSIDIARIES SO MUCH LOWER THAN THE EQUITY RATIO OF FPL?**

7 A. The unregulated sister companies of FPL are leveraging their operations to the maximum
8 extent possible knowing that its parent company, NextEra Energy, has a strong cash flow
9 stream from the regulated operations of FPL which is protected from retail competition
10 due to regulation here in Florida. These strong cash flow payments go to the parent
11 company from FPL, in turn, support the unregulated operations of NextEra Energy.
12

13 **Q. CAN YOU PROVIDE THIS COMMISSION ANY EVIDENCE TO SUPPORT**
14 **YOUR CLAIM THAT INVESTORS EXPECT THE PARENT HOLDING**
15 **COMPANY, NEXTERA ENERGY, TO GUARANTEE THE PAYMENTS OF ITS**
16 **UNREGULATED SUBSIDIARIES?**

17 A. The following three statements can be found in the NextEra Energy Capital Holdings, Inc.
18 prospectus for \$325,000,000 Series H Junior Subordinated Debentures due June 15, 2072:

19 NEE Capital owns and provides funding for all of NEE’s operating
20 subsidiaries other than Florida Power & Light Company (“FPL”) and its
21 subsidiaries. NEE Capital was incorporated in 1985 as a Florida
22 corporation and is a wholly owned subsidiary of NEE. (p. S-1) NEE has
23 two principal operating subsidiaries, FPL and, indirectly through NEE
24 Capital, NextEra Energy Resources, LLC (“NEER”). FPL is a rate
25 regulated electric utility engaged primarily in the generation, transmission,
26 distribution and sale of electric energy in Florida. NEER is NEE’s
27 competitive energy subsidiary which produces the majority of its

1 electricity from clean and renewable sources. NEE is a holding company
2 incorporated in 1984 as a Florida corporation. (p. S-1)

3
4 **NEE Capital's corporate parent, NEE, has agreed to unconditionally**
5 **and irrevocably guarantee the payment of principal, interest and**
6 **premium, if any, on the Junior Subordinated Debentures.** The Junior
7 Subordinated Debentures will be issued in denominations of \$25 and
8 integral multiples thereof. (p. S-2, emphasis added)

9
10 **Q: IS THE CAPITAL STRUCTURE REQUESTED BY FPL IN THIS CASE DRIVEN**
11 **BY THE MARKETPLACE OR IS IT A HYPOTHETICAL?**

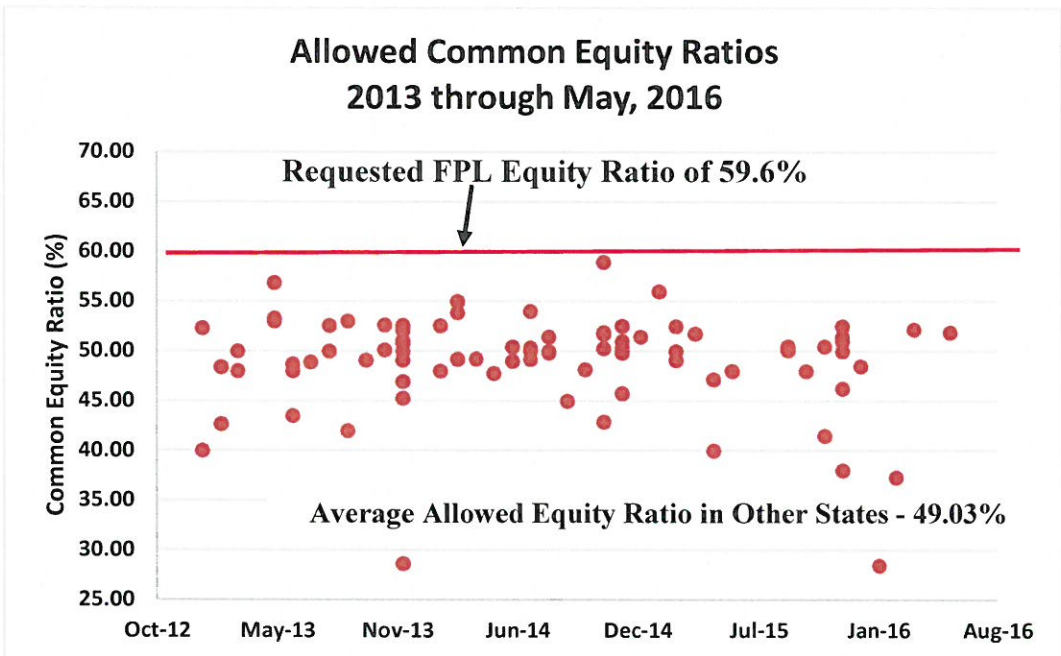
12 A: Any capital structure for a regulated utility in a parent/subsidiary structure is hypothetical
13 because NextEra Energy has pre-determined the capital structure ratios. Indeed, in his
14 prefiled testimony, Company Witness Dewhurst states the capital structure on which the
15 Company wants revenue requirements to be determined in this case is one with a 59.6%
16 equity ratio.

17
18 If the marketplace was driving the capital structures of the NextEra subsidiaries, the
19 unregulated subsidiaries would have an equity ratio much higher than 27.8% and FPL
20 would have an equity ratio much lower than the 59.6% requested in this case.

21
22 **Q. MR. O'DONNELL, HOW DOES THE FPL REQUESTED EQUITY RATIO IN**
23 **THIS CASE COMPARE TO THE AVERAGE COMMON EQUITY RATIO**
24 **GRANTED BY STATE REGULATORS ACROSS THE COUNTRY?**

1 A. According to data obtained from SNL Financial¹ (now known as S&P Global Market
 2 Intelligence, a division of S&P Global), there have been 92 electric utility rate cases
 3 decided since January, 2013. No other state regulatory body has allowed an equity ratio
 4 over 59% and the average equity ratio of all these 92 cases is 49.03%. This equity ratio
 5 comparison can be seen in Chart No. 1 below.

7 Chart 1: Allowed Common Equity Ratios from 2013 through Present



8
9

10 **Q. PLEASE SUMMARIZE YOUR FINDINGS AS TO HOW FPL'S REQUESTED**
 11 **EQUITY RATIO IN THIS CASE COMPARES TO THE EQUITY RATIOS OF**
 12 **OTHER ELECTRIC UTILITIES, NEXTERA ENERGY AND SISTER**
 13 **SUBSIDIARIES, AND THE NATIONAL AVERAGE ALLOWED COMMON**
 14 **EQUITY RATIO IN RATE CASE PROCEEDINGS.**

¹ SNL.com

1 A. Table 4 below provides this comparison and shows, without a doubt, that FPL’s requested
2 equity ratio in this case is grossly out-of-line with comparable utilities and what other state
3 regulator bodies have granted in rate case proceedings across the United States:

4
5 Table 4: Summary of Common Equity Ratio Comparisons

Entity for Comparison	Equity Ratio
FPL Requested Equity Ratio	59.6%
Hevert Comparable Group	49.3%
NextEra Energy	43.8%
Unregulated Subsidiaries of NextEra Energy	27.8%
National Average Allowed Equity Ratio	49.0%

6
7 ***D. Recommendation and Impact on Consumers***

8 **Q. WHAT CAPITAL STRUCTURE DO YOU RECOMMEND THIS COMMISSION**
9 **ADOPT FOR PURPOSES OF CALCULATING THE REVENUE**
10 **REQUIREMENT IN THIS CASE?**

11 A. The task of this Commission is to balance the interests of stockholders and ratepayers in
12 order to allow the Company to operate efficiently and earn a reasonable return for
13 shareholders. As can be seen in Table 4 above, the Company’s common equity ratio
14 request of 59.6% is simply and grossly out-of-touch with reality in utility regulation. In
15 the past four years, no regulatory commission in the United States has allowed rates to be
16 set on a capital structure with over 59% common equity.

17
18 In this case, however, FPL is asking this Commission to split from regulators across the
19 country and allow the Company to charge ratepayers for the most expensive capital

1 structure in the U.S. FPL’s request in this case is simply unreasonable and will place an
2 unfair burden on consumers.

3
4 My recommendation is this Commission employ a capital structure that is comparable to
5 other electric utilities and is also comparable to what other state commissions across the
6 country have deemed to be fair and reasonable. I would recommend a 50% equity ratio,
7 which is slightly above the 49.03% average allowed by other regulatory commissions
8 since 2013. My specific recommendation, along with OPC Witness Woolridge’s 8.75%
9 ROE recommendation, can be seen in Table 5 below:

10
11 Table 5: OPC Recommended Capital Structure

Capital Component	Ratio (%)	Cost Rates (%)
Long-Term Debt	46.93%	4.62%
Short-Term Debt	3.07%	1.85%
Common Equity	<u>50.00%</u>	8.75%
Total	100.00%	

12
13 **Q. IS YOUR RECOMMENDED CAPITAL STRUCTURE A HYPOTHETICAL**
14 **CAPITAL STRUCTURE?**

15 A. Yes. However, the capital structure requested by FPL is also a hypothetical in that it, too,
16 is not market driven. NextEra has set the FPL capital structure in the same manner that I
17 have set my recommended capital structure with a 50% equity ratio as stated above.

1 **Q. WHO ARE THE WINNERS AND LOSERS IF THE COMMISSION ALLOWS**
2 **FPL TO USE A 59.6% EQUITY RATIO IN ITS CAPITAL STRUCTURE FOR**
3 **RATEMAKING PURPOSES?**

4 A. The big winners are the shareholders. If rates are set with a capital structure at 59.6%
5 instead of a more reasonable 50% equity ratio, FPL shareholders will receive an additional
6 \$337 million annually. The customers lose because they will then be required to support
7 an unnecessarily expensive capital structure.

8

9 **Q. WHAT IS THE SIGNIFICANCE OF THE FACT THAT FPL'S REQUESTED**
10 **EQUITY RATIO IS SO MUCH MORE EXPENSIVE THAN OTHER**
11 **REGULATED UTILITIES?**

12 A. As stated previously, common equity is much more expensive than is long-term debt. As
13 such, captive ratepayers of FPL are being asked to support an equity ratio that cannot be
14 justified or explained based on any operational reason. The ratepayers of other utilities
15 are not being forced to support an excessively high equity ratio. In fact, in its pre-filed
16 testimony, no Company witness attempted to demonstrate a need for such an excessive
17 equity ratio or that any other regulatory commission has supported an equity ratio above
18 59%.

19

20 **Q. CAN YOU QUANTIFY THE INCREASED COST TO RATEPAYERS FOR**
21 **SUPPORTING THE EXCESSIVELY HIGH 59.60% COMMON EQUITY RATIO**
22 **REQUESTED BY FPL IN THIS PROCEEDING?**

1 A. Yes. The common equity ratio of NextEra Energy is a reasonable alternative to
2 excessively high common equity ratio requested by FPL. If FPL had used the 43.8%
3 common equity ratio of NextEra Energy in its application in this proceeding, the revenue
4 requirement in this case would be \$324 million instead of the \$866 million requested to
5 be effective January 2017 (Silagy pre-filed testimony, p. 26, 1.9).

6
7 **Q. WHAT WOULD BE THE IMPACT ON RATES IF THE COMMISSION**
8 **EMPLOYS A REASONABLE CAPITAL STRUCTURE FOR RATEMAKING**
9 **PURPOSES THAT IS COMPARABLE TO FPL PEERS, SUCH AS COMPANY**
10 **WITNESS HEVERT'S COMPARABLE GROUP OF COMPANIES, AND IN-LINE**
11 **WITH THE NATIONAL AVERAGE ALLOWED EQUITY RATIO?**

12 A. If FPL utilized a capital structure that consisted of 50% common equity, the revenue
13 requirement in this case would be approximately \$529 million instead of the requested
14 \$866 million.

15
16 **Q. CAN YOU QUANTIFY THIS IMPACT TO THE TYPICAL RESIDENTIAL**
17 **CONSUMER?**

18 A. Yes. Under the Company's current proposal, a residential consumer that uses 1,000 kWhs
19 per month will see a rate increase of \$8.78 per month (Schedule A-2, p. 1), which equates
20 to an additional \$105.36 per year. If FPL had used a capital structure that was reasonable
21 and comparable to the utilities utilized by FPL witness Hevert for his testimony, and to
22 equity ratios allowed by other regulatory commissions in other rate cases, the monthly
23 rate increase would have been \$40.97 per year lower than what FPL is herein requesting.

1 Table 6 below provides a summary of the impact to residential consumers of varying usage
 2 in using a 50% common equity ratio in this case.

3
 4 Table 6: Impact to Residential Consumers with 59.60% Equity Ratio

Monthly Usage	Monthly Increase (\$) with 59.60% Equity Ratio	Annual Increase (\$) with 59.60% Equity Ratio	Annual Savings with 50.00% Equity Ratio
[1]	[1]		
500	\$5.48	\$65.76	\$25.57
1000	\$8.78	\$105.36	\$40.97
1500	\$11.44	\$137.28	\$53.39
2000	\$14.09	\$169.08	\$65.76
2500	\$16.75	\$201.00	\$78.17
3000	\$19.40	\$232.80	\$90.54

5 Notes: 1. Source is MFR, Schedule A-2, p. 1 of 6

6 Florida has many senior citizens that live on fixed incomes as well as low income
 7 customers. A savings of \$40.97 per year would go a long way to helping seniors and low
 8 income customers make ends meet.

9
 10 **Q. WHAT WOULD BE THE IMPACT OF USING A CAPITAL STRUCTURE OF**
 11 **50% COMMON EQUITY TO A LARGE INDUSTRIAL CONSUMER?**

12 A. Table 7 below shows the impact to an industrial consumer (2,000) kW load) at various
 13 usages of using a 50% common equity ratio to set rates in this proceeding as opposed to
 14 FPL's excessively high common equity ratio.

Table 7: Cost Impact of Using 50% Common Equity Ratio

Load	Usage	Monthly Increase (\$) with 59.60% Equity Ratio	Annual Increase (\$) with 59.60% Equity Ratio	Annual Savings with 50.00% Equity Ratio
[1]	[1]	[1]		
2,000	548,000	\$8,285	\$99,420	\$38,665
2,000	876,000	\$9,417	\$113,004	\$43,948
2,000	1,095,000	\$10,257	\$123,084	\$47,868
2,000	1,314,000	\$11,115	\$133,380	\$51,872

Notes: 1. Source is MFR, Schedule A-2, p. 5 of 6

Q. HOW DO YOU THINK FPL WILL RESPOND TO THE ABOVE TABLES AND YOUR ARGUMENT THAT ITS REQUESTED EQUITY RATIO IS UNFAIR AND TOO EXPENSIVE FOR CAPTIVE CONSUMERS IN FLORIDA?

A. I expect FPL to argue that its bond ratings will be negatively impacted by this Commission’s decision to use a reasonable equity ratio (50%) for calculating revenue requirements in this case.

Q. DO YOU BELIEVE FPL’S CREDIT RATING WILL BE DOWNGRADED IF THIS COMMISSION DOES NOT GRANT THE COMPANY’S REQUESTED EQUITY RATIO OF 59.60% IN THIS PROCEEDING?

A. No, I do not. The rating agencies are used to analyzing utilities with reasonable equity ratios, if anything, FPL’s requested excessive equity ratio is an outlier.

1 While the market will definitely pay attention to the overall revenue change granted by
2 the Commission in this case, the capital structure used for calculating the revenue
3 requirement will have little bearing on FPL's credit rating. Instead, the credit markets are
4 going to primarily examine the actual capital structures of NextEra Energy and FPL as
5 opposed to how this Commission determines this matter in calculating the revenue
6 requirement in this case.

7
8 Furthermore, it is important to understand and quantify the impacts of a hypothetical and
9 speculative rating downgrade relative to the request for excessively high equity ratio.
10 According to published reports, FPL intends to invest \$16 billion in capital expenditures
11 in the near future. If FPL finances this CAPEX using a capital structure of 50%, the
12 amount it will finance with debt will be \$8 billion. Assuming arguendo that FPL's bonds
13 were downgraded, consumers may be asked to pay an additional 25 basis points in higher
14 interest expense associated with the hypothetical downgrade. When applied to the \$8
15 billion, the downgrade would cost consumers approximately \$20 million per year in
16 higher debt service costs. However, FPL's request in this case for a 59.60% equity ratio
17 will cost consumers \$314 million annually in higher costs. When given the choice, I am
18 quite confident consumers would choose to pay an annual interest expense of \$20 million
19 that may result from a hypothetical and speculative ratings downgrade instead of paying
20 an extra \$337 million annually to maintain FPL's excessively high equity ratio.

1 *E. Summary*

2 **Q. MR. O'DONNELL, PLEASE SUMMARIZE YOUR TESTIMONY IN THIS**
3 **PROCEEDING**

4 A. FPL's requested capital structure with a 59.6% common equity ratio in this proceeding is
5 grossly excessive relative to any standard. In fact, the Company's requested equity ratio
6 is:

- 7 • Higher and more expensive than any other common equity ratio granted by any
8 other state regulator in the United States over the past 4 years;
- 9 • Higher than the average common equity ratio of the comparable group of
10 companies relied upon by FPL witness Hevert, the Company's rate of return
11 witness;
- 12 • More than double the common equity ratio of NextEra's unregulated subsidiaries;
- 13 • Higher than the common equity ratio of NextEra Energy;
- 14 • Will cost the average residential consumer in Florida who uses 1,000 kWh per
15 month an extra \$40.97 per year as opposed to a capital structure more in-line with
16 national averages and the average of FPL witness Hevert's comparable group; and
- 17 • Will result in the typical industrial consumer paying higher rates in the range of
18 \$39,000 to \$52,000 per year.

19
20 To balance the interests of stockholders and consumers, I recommend the Commission
21 employ a fair, just, and reasonable capital structure that consists of 50% common equity
22 and 50% debt from investor sources of capital.

1 Q. DOES THIS COMPLETE YOUR TESTIMONY?

2 A. Yes, it does.

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Kevin W. O'Donnell, is the founder of Nova Energy Consultants, Inc. in Cary, NC. Mr. O'Donnell's academic credentials include a B.S. in Civil Engineering - Construction Option from North Carolina State University as well as a MBA in Finance from Florida State University. Mr. O'Donnell is also a Chartered Financial Analyst (CFA).

Mr. O'Donnell has over thirty-one years of experience working in the electric, natural gas, and water/sewer industries. He is very active in municipal power projects and has assisted numerous southeastern U.S. municipalities cut their wholesale cost of power by as much as 67%. On Dec. 12, 1998, *The Wilson Daily Times* made the following statement about O'Donnell.

Although we were skeptical of O'Donnell's efforts at first, he has shown that he can deliver on promises to cut electrical rates.

As of the start of 2015, Mr. O'Donnell has completed over 25 wholesale power projects for municipal and university-owned electric systems throughout North and South Carolina. In May of 1996 Mr. O'Donnell testified before the U.S. House of Representatives, Committee on Commerce, Subcommittee on Energy and Power regarding the restructuring of the electric utility industry.

Mr. O'Donnell has appeared as an expert witness in 80 regulatory proceedings before the North Carolina Utilities Commission, the South Carolina Public Service Commission, the Virginia Corporation Commission, the Minnesota Public Service Commission, the New Jersey Board of Public Utilities, the Colorado Public Service Commission, the Wisconsin Public Service Commission, the Maryland Public Service Commission, and the Florida Public Service Commission. His area of expertise has included rate design, cost of service, rate of return, capital structure, asset valuation analyses, fuel adjustments, merger transactions, holding company applications, as well as numerous other accounting, financial, and utility rate-related issues.

Mr. O'Donnell is the author of the following two articles: "Aggregating Municipal Loads: The Future is Today" which was published in the Oct. 1, 1995 edition of *Public Utilities Fortnightly*; and "Worth the Wait, But Still at Risk" which was published in the May 1, 2000 edition of *Public Utilities Fortnightly*. Mr. O'Donnell is also the co-author of "Small Towns, Big Rate Cuts" which was published in the January, 1997 edition of *Energy Buyers Guide*. All of these articles discuss how rural electric systems can use the wholesale power markets to procure wholesale power supplies.

Regulatory Cases of Kevin W. O'Donnell, CFA
Nova Energy Consultants, Inc.

Year	Name of Applicant	State Jurisdiction	Docket No.	Client/ Employer	Case Issues
1985	Public Service Company of NC	NC	G-5, Sub 200	Public Staff of NCUC	Return on equity, capital structure
1985	Piedmont Natural Gas Company	NC	G-9, Sub 251	Public Staff of NCUC	Return on equity, capital structure
1986	General Telephone of the South	NC	P-19, Sub 207	Public Staff of NCUC	Return on equity, capital structure
1987	Public Service Company of NC	NC	G-5, Sub 207	Public Staff of NCUC	Return on equity, capital structure
1988	Piedmont Natural Gas Company	NC	G-9, Sub 278	Public Staff of NCUC	Return on equity, capital structure
1989	Public Service Company of NC	NC	G-5, Sub 246	Public Staff of NCUC	Return on equity, capital structure
1990	North Carolina Power	NC	E-22, Sub 314	Public Staff of NCUC	Return on equity, capital structure
1991	Duke Energy	NC	E-7, Sub 487	Public Staff of NCUC	Return on equity, capital structure
1992	North Carolina Natural Gas	NC	G-21, Sub 306	Public Staff of NCUC	Natural gas expansion fund
1992	North Carolina Natural Gas	NC	G-21, Sub 307	Public Staff of NCUC	Natural gas expansion fund
1995	Penn & Southern Gas Company	NC	G-3, Sub 186	Public Staff of NCUC	Return on equity, capital structure
1995	North Carolina Natural Gas	NC	G-21, Sub 334	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
1995	Carolina Power & Light Company	NC	E-2, Sub 680	Carolina Utility Customers Assoc.	Fuel adjustment proceeding
1995	Duke Power	NC	E-7, Sub 559	Carolina Utility Customers Assoc.	Fuel adjustment proceeding
1996	Piedmont Natural Gas Company	NC	G-9, Sub 378	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
1996	Piedmont Natural Gas Company	NC	G-9, Sub 382	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
1996	Public Service Company of NC	NC	G-5, Sub 356	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
1996	Cardinal Extension Company	NC	G-39, Sub 0	Carolina Utility Customers Assoc.	Capital structure, cost of capital
1997	Public Service Company of NC	NC	G-5, Sub 327	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
1998	Public Service Company of NC	NC	G-5, Sub 386	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
1998	Public Service Company of NC	NC	G-5, Sub 386	Carolina Utility Customers Assoc.	Natural gas transportation rates
1999	Public Service Company of NC/SCANA	NC	G-5, Sub 400	Carolina Utility Customers Assoc.	Merger case
1999	Public Service Company of NC/SCANA	NC	G-43	Carolina Utility Customers Assoc.	Merger Case
1999	Carolina Power & Light Company	NC	E-2, Sub 753	Carolina Utility Customers Assoc.	Holding company application
1999	Carolina Power & Light Company	NC	G-21, Sub 387	Carolina Utility Customers Assoc.	Holding company application
1999	Carolina Power & Light Company	NC	P-708, Sub 5	Carolina Utility Customers Assoc.	Holding company application
2000	Piedmont Natural Gas Company	NC	G-9, Sub 428	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
2000	NUI Corporation	NC	G-3, Sub 224	Carolina Utility Customers Assoc.	Holding company application
2000	NUI Corporation/Virginia Gas Compan	NC	G-3, Sub 232	Carolina Utility Customers Assoc.	Merger application
2001	Duke Power	NC	E-7, Sub 685	Carolina Utility Customers Assoc.	Emission allowances and environmental compliance costs
2001	NUI Corporation	NC	G-3, Sub 235	Carolina Utility Customers Assoc.	Tariff change request.
2001	Carolina Power & Light Company/Prog	NC	E-2, Sub 778	Carolina Utility Customers Assoc.	Asset transfer case
2001	Duke Power	NC	E-7, Sub 694	Carolina Utility Customers Assoc.	Restructuring application
2002	Piedmont Natural Gas Company	NC	G-9, Sub 461	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
2002	Cardinal Pipeline Company	NC	G-39, Sub 4	Carolina Utility Customers Assoc.	Cost of capital, capital structure
2002	South Carolina Public Service Commiss	SC	2002-63-G	South Carolina Energy Users Committee	Rate of return, accounting, rate design, cost of service
2003	Piedmont Natural Gas/North Carolina ↑	NC	G-9, Sub 470	Carolina Utility Customers Assoc.	Merger application
2003	Piedmont Natural Gas/North Carolina ↑	NC	G-9, Sub 430	Carolina Utility Customers Assoc.	Merger application
2003	Piedmont Natural Gas/North Carolina ↑	NC	E-2, Sub 825	Carolina Utility Customers Assoc.	Merger application
2003	Carolina Power & Light Company	NC	E-2, Sub 833	Carolina Utility Customers Assoc.	Fuel case

**Regulatory Cases of Kevin W. O'Donnell, CFA
Nova Energy Consultants, Inc.**

Year	Name of Applicant	State Jurisdiction	Docket No.	Client/ Employer	Case Issues
2004	South Carolina Electric & Gas	SC	2004-178-E	South Carolina Energy Users Committee	Return on equity, capital structure, rate design, cost of service
2005	Carolina Power & Light Company	NC	E-2, Sub 868	Carolina Utility Customers Assoc.	Fuel case
2005	Piedmont Natural Gas Company	NC	G-9, Sub 499	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
2005	South Carolina Electric & Gas	SC	2005-2-E	South Carolina Energy Users Committee	Fuel application
2005	Carolina Power & Light Company	SC	2006-1-E	South Carolina Energy Users Committee	Fuel application
2006	IRP in North Carolina	NC	E-100, Sub 103	Carolina Utility Customers Assoc.	Submitted rebuttal testimony in investigation of IRP in NC.
2006	Piedmont Natural Gas Company	NC	G-9, Sub 519	Carolina Utility Customers Assoc.	Creditworthiness issue
2006	Public Service Company of NC	NC	G-5, Sub 481	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
2006	Duke Power	NC	E-7, 751	Carolina Utility Customers Assoc.	App to share net revenues from certain wholesale pwr trans
2006	South Carolina Electric & Gas	SC	2006-192-E	South Carolina Energy Users Committee	Fuel application
2007	Duke Power	NC	E-7, Sub 790	Carolina Utility Customers Assoc.	Application to construct generation
2007	South Carolina Electric & Gas	SC	2007-229-E	South Carolina Energy Users Committee	Rate of return, accounting, rate design, cost of service
2008	South Carolina Electric & Gas	SC	2008-196-E	South Carolina Energy Users Committee	Base load review act proceeding
2009	Western Carolina University	NC	E-35, Sub 37	Western Carolina University	Rate of return, accounting, rate design, cost of service
2009	Duke Power	NC	E-7, Sub 909	Carolina Utility Customers Assoc.	Cost of service, rate design, return on equity, capital structure
2009	South Carolina Electric & Gas	SC	2009-261-E	South Carolina Energy Users Committee	DSM/EE rate filing
2009	Duke Power	SC	2009-226-E	South Carolina Energy Users Committee	Return on equity, capital structure, rate design, cost of service
2009	Tampa Electric	FL	080317-EI	Florida Retail Federation	Return on equity, capital structure
2010	Duke Power	SC	2010-3-E	South Carolina Energy Users Committee	Fuel application - assisted in settlement
2010	South Carolina Electric & Gas	SC	2009-489-E	South Carolina Energy Users Committee	Return on equity, capital structure, rate design, cost of service
2010	Virginia Power	VA	PUE-2010-00006	Mead Westvaco	Rate design
2011	Duke Energy	SC	2011-20-E	South Carolina Energy Users Committee	Nuclear construction financing
2011	Northern States Power	MN	E002/GR-10-971	Xcel Large Industrials	Return on equity, capital structure
2011	Virginia Power	VA	PUE-2011-0027	Mead Westvaco	Capital structure, revenue requirement
2011	Duke Energy	NC	E-7, Sub 989	Carolina Utility Customers Assoc.	Accounting, cost of service, rate design, ROE, capital structure
2011	Duke Energy	SC	2011-271-E	South Carolina Energy Users Committee	Accounting, cost of service, rate design, ROE, capital structure
2011	Dominion Virginia Power	VA	PUE-2011-00073	Mead Westvaco	Rate design
2012	Town of Smithfield/Partners Equity Gr	NC	ES-160, Sub 0	Partners Equity Group	Rate design, asset valuation
2012	Florida Power & Light	FL	120015-EI	Florida Office of Public Counsel	Capital structure
2012	South Carolina Electric & Gas	SC	2012-218-E	South Carolina Energy Users Committee	Accounting, cost of service, rate design, ROE, capital structure
2013	Progress Energy Carolinas	NC	E-2, Sub 1023	Carolina Utility Customers Assoc.	Accounting, cost of service, rate design, ROE, capital structure
2013	Duke Energy Carolinas	NC	E-7, Sub 1026	Carolina Utility Customers Assoc.	Rate design
2013	Jersey Central Power & Light	NJ	BPU ER12111052	Gerdau Ameristeel	Return on equity, capital structure
2013	Duke Energy Carolinas	SC	2013-59-E	South Carolina Energy Users Committee	Accounting, cost of service, rate design, ROE, capital structure
2013	Tampa Electric	FL	130040-EI	Florida Office of Public Counsel	Capital structure and financial integrity
2013	Piedmont Natural Gas	NC	G-9, Sub 631	Carolina Utility Customers Assoc.	Accounting, cost of service, rate design, ROE, capital structure
2014	Dominion Virginia Power	VA	PUE-2014-00033	Mead Westvaco	Recoverable fuel costs, hedging strategies
2014	Public Service Company of Colorado	CO	14AL-0660E	Colorado Healthcare Electric Coordinating Council	Return on equity, capital structure
2015	WEC Acquisition of Integrys	WI	9400-YO-100	Staff of Wisconsin Public Service Commission	Acquisition analysis
2015	Dominion Virginia Power	VA	PUE-2015-00027	Federal Executive Agencies	Return on equity

**Regulatory Cases of Kevin W. O'Donnell, CFA
Nova Energy Consultants, Inc.**

Year	Name of Applicant	State Jurisdiction	Docket No.	Client/ Employer	Case Issues
2015	South Carolina Electric & Gas	SC	2015-103-E	South Carolina Energy Users Committee	Return on equity
2015	Western Carolina University	NC	E-35, Sub 45	Western Carolina University	Accounting, cost of service, rate design, ROE, capital structure
2016	Sandpiper Energy	MD	9410	Maryland Office of People's Counsel	Return on equity, capital structure

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing Direct Testimony of Kevin W. O'Donnell has been furnished by electronic mail on this 7th day of July, 2016, to the following:

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