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July 14, 2021

**VIA ELECTRONIC FILING**

Adam Teitzman, Commission Clerk  
Division of the Commission Clerk and Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Re: Docket No. 20210015-EI  
Petition by FPL for Base Rate Increase and Rate Unification

Dear Mr. Teitzman:

Attached for filing on behalf of Florida Power & Light Company ("FPL") in the above-referenced docket are the Rebuttal Testimony and Exhibits of FPL witness Keith Ferguson.

Please let me know if you should have any questions regarding this submission.

(Document 6 of 15)

Sincerely,

A handwritten signature in black ink, appearing to read "Wade Litchfield", written in a cursive style.

R. Wade Litchfield  
Vice President & General Counsel  
Florida Power & Light Company

RWL:ec  
Attachment  
cc: Counsel of Record

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**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

**FLORIDA POWER & LIGHT COMPANY**

**REBUTTAL TESTIMONY OF KEITH FERGUSON**

**DOCKET NO. 20210015-EI**

**JULY 14, 2021**

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1 **I. INTRODUCTION**

2

3 **Q. Please state your name and business address.**

4 A. My name is Keith Ferguson, and my business address is Florida Power & Light  
5 Company (“FPL” or the “Company”), 700 Universe Boulevard, Juno Beach,  
6 Florida 33408.

7 **Q. Did you previously submit testimony in the proceeding?**

8 A. Yes.

9 **Q. Are you sponsoring or co-sponsoring any exhibits as part of your rebuttal**  
10 **testimony?**

11 A. Yes. I am sponsoring the following exhibits:

- 12 • KF-9 – Comparison of Dismantlement Accruals at Different Discount  
13 Rates  
14 • KF-10 – FPL’s 2021 EEI Invoice

15 I am co-sponsoring the following exhibits:

- 16 • LF-10 – FPL’s Notice of Identified Adjustments filed May 7, 2021 and  
17 Witness Sponsorship, filed with the rebuttal testimony of FPL witness  
18 Fuentes  
19 • LF-11– FPL’s Second Notice of Identified Adjustments filed May 21,  
20 2021 and Witness Sponsorship, filed with the rebuttal testimony of FPL  
21 witness Fuentes

22 **Q. What is the purpose of your rebuttal testimony?**

23 A. The purpose of my rebuttal testimony is to address the following topics:

- 1                   – Office of Public Counsel (“OPC”) witness Dunkel’s recommendation  
2                   to use a higher annual discount rate in the calculation of dismantlement  
3                   accruals; and,
- 4                   – Florida Rising, Inc. (“FL Rising”), the League of United Latin  
5                   American Citizens of Florida (“LULAC”), and the Environmental  
6                   Confederation of Southwest Florida, Inc. (“ECOSWF”) witness  
7                   Rábago’s proposal that FPL’s request for capital recovery regulatory  
8                   assets be denied and his proposal that the Florida Public Service  
9                   Commission (“Commission”) deny recovery of Edison Electric Institute  
10                  (“EEI”) dues.

11   **Q.    Please summarize your rebuttal testimony.**

12   A.    My rebuttal testimony will demonstrate that the Company’s request on the  
13           items identified above is reasonable and the intervenors’ recommendations are  
14           flawed and should be rejected by the Commission.  Specifically, I will  
15           demonstrate that:

- 16           •    OPC witness Dunkel’s recommendation to change the discount rate to  
17                calculate the dismantlement accrual is unsupported, unreasonable, out  
18                of line with accepted practice, and will result in higher accruals for  
19                future customers.
- 20           •    FL Rising/ECOSWF/LULAC witness Rábago’s suggestion that the  
21                Commission should deny FPL’s request for regulatory assets for early  
22                retirements based on an alleged failure to demonstrate prudence ignores  
23                prior Commission orders and testimonies of current FPL witnesses

1                   which do just that. In addition, his assertion that EEI dues should be  
2                   denied recovery is based on unfounded speculation and ignores the way  
3                   that FPL allocates and books these fees.

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## II. DISMANTLEMENT ACCRUALS

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7   **Q.    What is the purpose of the dismantlement accrual?**

8    A.    The purpose of the dismantlement accrual is to collect the estimated cost of  
9           dismantling generation facilities at the time of retirement over the life of the  
10          facility. Per Rule 25-6.04364, Electric Utilities Dismantlement Studies, Florida  
11          Administrative Code (“F.A.C.”), (the “Dismantlement Rule”), “[t]he  
12          dismantlement annual accrual shall be calculated using the current cost  
13          estimates escalated to the expected dates of actual dismantlement. The future  
14          costs less amounts recovered to date shall then be discounted in a manner that  
15          accrues the costs over the remaining life span of the unit.” As required under  
16          the Dismantlement Rule, dismantlement studies are conducted typically every  
17          four years to reflect the latest cost estimates for dismantlement and life spans  
18          and revise annual dismantlement accruals accordingly.

19   **Q.    Please explain the Commission’s policy regarding the discount rate to be**  
20          **utilized when calculating dismantlement accruals in a utility’s**  
21          **dismantlement study.**

22    A.    Although the Dismantlement Rule does not explicitly state what discount rate  
23          should be applied, FPL has consistently utilized the compound inflation rate as

1 the discount rate when calculating dismantlement accruals in its dismantlement  
2 studies for over 30 years. In addition, the same treatment has also been  
3 consistently utilized by other Florida investor-owned utilities (“IOUs”), most  
4 recently by Duke Energy Florida and Tampa Electric Company in their  
5 dismantlement studies filed in late 2020. To my knowledge, the Commission  
6 has consistently approved accrual calculations that utilize the compound  
7 inflation rate.

8 **Q. Did FPL utilize a compound inflation rate as the discount rate to calculate**  
9 **dismantlement accruals in its 2021 Dismantlement Study?**

10 A. Yes. FPL utilized a compound inflation rate for each component of  
11 dismantlement costs (labor, materials, etc.) at each unit, which results in an  
12 overall average of 2.82% discount rate in FPL’s corrected 2021 Dismantlement  
13 Study filed on May 7, 2021. Please note OPC witness Dunkel’s testimony  
14 referenced FPL’s average inflation of 3.39%, which was derived from the  
15 original study rather than the corrected study. In addition, OPC witness  
16 Dunkel’s recommendation to utilize an overall cost of capital of 6.40% is  
17 inappropriate and fails to recognize the Commission practice discussed above  
18 and the fact that the dismantlement reserve is an unfunded reserve. By nature,  
19 the amount of dismantlement costs FPL collects from its customers are not  
20 segregated and invested in a restricted account as a funded reserve would  
21 require. Instead, the amounts collected from customers are used to fund current  
22 operations, including any current dismantlement activities. The amounts  
23 collected help FPL avoid the need to raise incremental debt and equity in the

1 period collected. In addition, the compound inflation rate is used to calculate  
2 the cost in future dollars needed at the time of dismantlement. Therefore, to  
3 appropriately allocate the dismantlement cost to customers over the life of the  
4 plant, it should also be used in the discount calculation.

5 **Q. Has the Commission previously addressed the funding of a dismantlement**  
6 **reserve?**

7 A. Yes. The Commission addressed whether a dismantlement reserve should be  
8 funded in Docket No. 890186-EI, which established the methodology for  
9 accruing dismantlement costs for fossil-fueled production plants and rejected  
10 the concept of a funded reserve for dismantlement costs. As stated in Order No.  
11 24741 in the referenced Docket, "...it is in the best interest of the utility and its  
12 ratepayer to continue to provide for this dismantlement cost for the investor  
13 own[ed] utilities in this docket as an unfunded reserve."

14 **Q. Can you please elaborate on why it is inappropriate to utilize an overall**  
15 **cost of capital to calculate dismantlement accruals?**

16 A. Yes. As reflected on Exhibit KF-9, utilizing an overall cost of capital to  
17 calculate dismantlement accruals results in lower dismantlement accruals for  
18 current customers and much higher dismantlement accruals for future  
19 customers. In addition, it is unrealistic to assume that FPL's dismantlement  
20 reserve grows due to earnings on investments that do not actually exist. In  
21 contrast, customers are only funding the growth in dismantlement costs over  
22 time as a result of inflation, which is why it is appropriate to utilize a compound



1 inflation rate to calculate dismantlement accruals as Florida IOUs have done  
2 for many years.

3

4

### III. CAPITAL RECOVERY SCHEDULES

5

6 **Q. Please explain the Commission’s policy regarding the establishment of**  
7 **capital recovery schedules.**

8 A. Per part (7)(a) of Rule 25-6.0436, Depreciation, F.A.C., (the “Depreciation  
9 Rule”), “[p]rior to the date of retirement of major installations, the Commission  
10 shall approve capital recovery schedules to correct associated calculated  
11 deficiencies where a utility demonstrates that (1) replacement of an installation  
12 or group of installations is prudent and (2) the associated investment will not be  
13 recovered by the time of retirement through the normal depreciation process.”  
14 Although the Depreciation Rule does not address how a utility should petition  
15 for the establishment of capital recovery schedules, it has generally been FPL’s  
16 practice to present them for Commission approval in either a base rate  
17 proceeding or separate docket.

18 **Q. Does the Depreciation Rule address how a utility should demonstrate**  
19 **whether early retired generating plant is reasonable and in the best interest**  
20 **of customers?**

21 A. No, it does not. However, it has been FPL’s practice to provide evidence either  
22 through economic analyses and/or reliability considerations on the prudence of

1 early retired generating plant to the Commission for their review when  
2 establishing capital recovery schedules.

3 **Q. Has FPL demonstrated that the early retired plants included in the**  
4 **proposed capital recovery schedules reflected in Exhibit KF-4 are**  
5 **reasonable and in the best interest of customers?**

6 A. Yes. Contrary to FL Rising/LULAC/ECOSWF witness Rábago's assertion that  
7 FPL has not presented evidence related to each early asset retirement and its  
8 benefits to customers, please see below as to where FPL has in fact provided  
9 such evidence in this proceeding similar to the information provided in a prior  
10 docket involving the early retirement of the Martin and Lauderdale units, where  
11 the Commission found those retirements to be prudent:

- 12 • Martin Units 1 and 2 – Docket No. 20180155; Order No. PSC-2019-  
13 0045-PAA-EI
- 14 • Lauderdale Units 4 and 5 – Docket No. 20180155; Order No. PSC-  
15 2019-0045-PAA-EI
- 16 • Gulf Clean Energy Center Coal-to-Gas Conversion – FPL witness Sim  
17 (Exhibit SRS-7)
- 18 • Manatee Units 1 and 2 – FPL witness Sim (Exhibit SRS-3)
- 19 • Scherer Unit 4 – FPL witness Bores (Exhibit SRB-11)
- 20 • 500 kV Transmission – FPL witness Spoor (pages 21 and 22 of direct  
21 testimony)

22

1 In addition, because each of the retirements listed above is being replaced by  
2 assets that provide significant benefits both to current and future customers, it  
3 is appropriate for the Commission to conceptually consider the recovery of the  
4 remaining book value of the early retired assets as part of the investment in the  
5 replacement assets even though they are accounted for separately. Therefore,  
6 FPL's proposed ten-year recovery period balances cost recovery and bill  
7 impacts between current and future customers.

8

9

#### IV. EEI MEMBERSHIP DUES

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11 **Q. Please explain how the EEI membership benefits customers.**

12 A. EEI is a time-honored and recognized industry association that, among other  
13 things, helps electric utilities keep in contact, learn best practices from each  
14 other, stay current in training, and it provides research and information for its  
15 members. EEI also offers a variety of industry related conferences where  
16 electric utilities exchange ideas, discuss, and develop best practices.

17 **Q. How are EEI membership fees billed?**

18 A. The Company receives an annual bill for its membership with EEI. This bill is  
19 outlined in detail and it segregates the portion of dues related to policy making,  
20 which FPL records below-the-line to FERC Account 426.4, (Expenditures for  
21 Certain Civic, Political and Related Activities), and charitable contributions,  
22 which FPL records below-the-line to FERC Account 426.1, (Donations). Since  
23 these FERC accounts are below-the-line, they are not included in the

1 Company's cost of service or costs recovered from customers. I have included  
2 a copy of FPL's most recent EEI membership invoice as Exhibit KF-10 to my  
3 testimony which reflects the percentages of each amount on the bill that are  
4 considered policy making or charitable contributions that the Company booked  
5 to FERC Account 426.4 or 426.1, respectively. The remaining amount of the  
6 bill was recorded above-the-line and the net amount after allocations to affiliates  
7 as discussed below is included in FPL's cost of service.

8 **Q. Has the Commission allowed recovery of EEI membership dues in the**  
9 **past?**

10 A. Yes. The Company has historically included in its cost of service the  
11 recoverable amount related to its membership with EEI. To my knowledge, the  
12 Commission has never disallowed the costs of this membership.

13 **Q. Do you agree that FPL customers pay for EEI Political Speech?**

14 A. No. On pages 27 through 28 of FL Rising/LULAC/ECOSWF witness Rábago's  
15 testimony, he incorrectly claims that customers are forced to pay for the portion  
16 related to political and policy advocacy work that EEI conducts. As explained  
17 above, the Company removes the component of the bill related to policy and  
18 political activities as well as charitable contributions and charges them to  
19 shareholders instead of including them in the cost of service paid by customers.  
20 In addition, approximately 30% of the membership fees are allocated out of  
21 FPL to its affiliates via the Corporate Service Charge, which further ensures

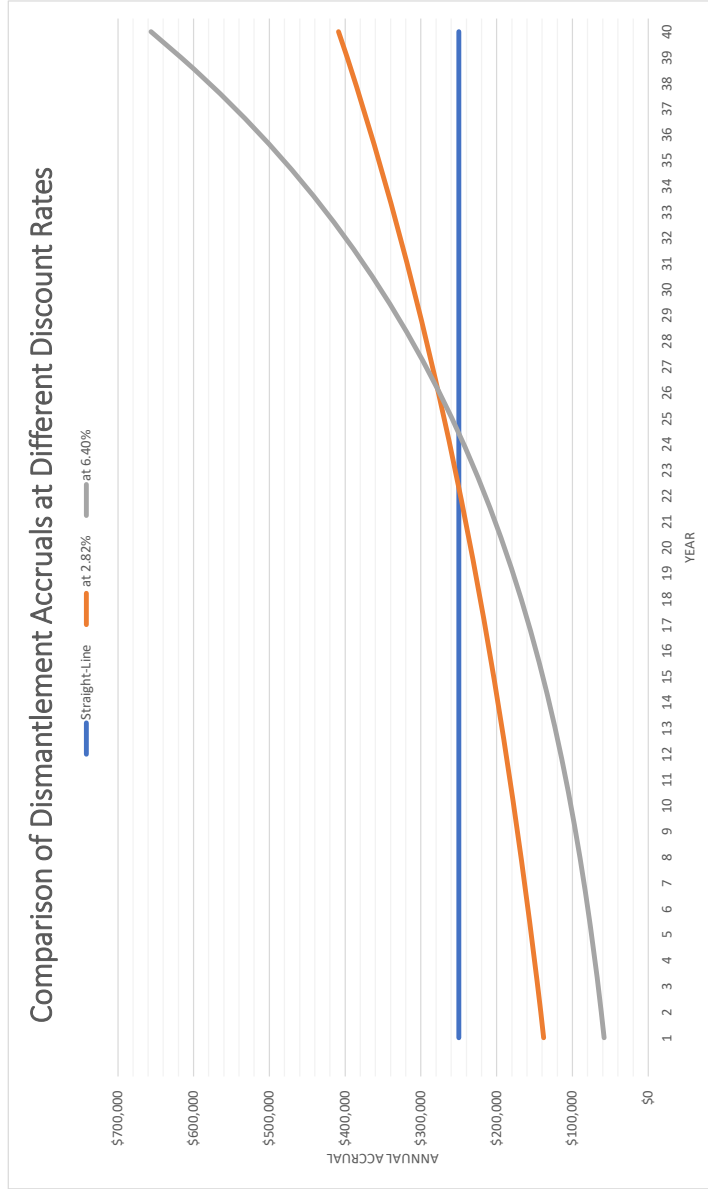
1           that FPL customers only pay for the portion of the membership that benefits  
2           FPL activities.

3   **Q.    Does this conclude your rebuttal testimony?**

4   **A.    Yes.**

**Florida Power & Light Company**  
**Comparison of Dismantlement Accruals at Different Discount Rates**

Dismantlement Cost (at Year 40)	\$10,000,000			
Dismantlement Study Discount Rate Dunkel (OPC) Discount Rate	2.82% 6.40%			
Year 40 / Year 1	1.00	2.96		11.24
Year	Annual Accrual Straight-Line	Accrual at 2.82%	Accrual at 6.40%	
1	\$250,000	\$138,126	\$58,404	
2	250,000	142,021	62,142	
3	250,000	146,026	66,119	
4	250,000	150,144	70,350	
5	250,000	154,378	74,853	
6	250,000	158,732	79,643	
7	250,000	163,208	84,741	
8	250,000	167,810	90,164	
9	250,000	172,543	95,934	
10	250,000	177,408	102,074	
11	250,000	182,411	108,607	
12	250,000	187,555	115,558	
13	250,000	192,844	122,954	
14	250,000	198,283	130,823	
15	250,000	203,874	139,195	
16	250,000	209,623	148,104	
17	250,000	215,535	157,582	
18	250,000	221,613	167,668	
19	250,000	227,862	178,398	
20	250,000	234,288	189,816	
21	250,000	240,895	201,964	
22	250,000	247,688	214,890	
23	250,000	254,673	228,643	
24	250,000	261,855	243,276	
25	250,000	269,239	258,845	
26	250,000	276,832	275,412	
27	250,000	284,638	293,038	
28	250,000	292,665	311,792	
29	250,000	300,918	331,747	
30	250,000	309,404	352,979	
31	250,000	318,129	375,570	
32	250,000	327,101	399,606	
33	250,000	336,325	425,181	
34	250,000	345,809	452,392	
35	250,000	355,561	481,345	
36	250,000	365,588	512,152	
37	250,000	375,897	544,929	
38	250,000	386,498	579,805	
39	250,000	397,397	616,912	
40	250,000	408,603	656,395	
<b>Total</b>	<b>\$10,000,000</b>	<b>\$10,000,000</b>	<b>\$10,000,000</b>	



**Invoice for  
 Membership Dues**



Edison Electric  
 INSTITUTE

Mr. JAMES L. ROBO  
 CHAIRMAN & CEO  
 NEXTERA ENERGY  
 700 UNIVERSE BLVD  
 JUNO BEACH, FL 33408

Date	Invoice Number
11/11/2020	00000000

Payment due on or before 1/31/2021

Description	Total
<b>2021 EEI Membership Dues for:</b>	
Regular Activities of Edison Electric Institute <sup>1</sup>	\$3,109,676
Industry Issues <sup>2</sup>	\$310,968
Restoration, Operations, and Crisis Management Program <sup>3</sup>	\$15,000
<b>2021 Contribution to The Edison Foundation, which funds IEI <sup>4</sup></b>	<b>\$50,000</b>
<b>Total</b>	<b>\$3,485,644</b>

1 The portion of 2021 membership dues relating to influencing legislation, which is not deductible for federal income tax purposes, is estimated to be 13%.  
 2 The portion of the 2021 industry issues support relating to influencing legislation is estimated to be 22%.  
 3 The Restoration, Operations, and Crisis Management Program is related to improvements to industry-wide responses to major outages (e.g. National Response Event); continuity of industry and business operations; and EEI's all hazards (storms, wildfires, cyber, etc.) support and coordination of the industry during times of crises. No portion of this assessment is allocable to influencing legislation.  
 4 The Edison Foundation is an IRC 501(c)(3) educational and charitable organization. Contributions are deductible for federal income tax purposes to the extent provided by law. Please consult your tax advisor with respect to your specific situation.

**PLEASE NOTE INFORMATION FOR ELECTRONIC PAYMENT**

The following instructions should be used when transferring funds electronically (ACH or wire) to Edison Electric Institute:

██████████ ██████████  
 ██████████ ██████████  
 ██████████: ██████████  
 ██████████ ██████████  
 ██████████ ██████████  
 ██████████ ██████████

Beneficiary Reference: 2021 Membership Dues

Approved for Payment  
  
 Jim Robo  
 Chairman & CEO  
 NextEra Energy, Inc.

Please refer any questions to Terri Oliva, Executive Director, Human Resources and Assistant Treasurer: (202) 508-5541 or memberdues@eei.org