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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20220048-EI

Review of Storm Protection Plan,
pursuant to Rule 25-6.030, F.A.C.,
Tampa Electric Company.

_____ /

DOCKET NO. 20220049-EI

Review of Storm Protection Plan,
pursuant to Rule 25-6.030, F.A.C.,
Florida Public Utilities Company.

_____ /

DOCKET NO. 20220050-EI

Review of Storm Protection Plan,
pursuant to Rule 25-6.030, F.A.C.,
Duke Energy Florida, LLC.

_____ /

DOCKET NO. 20220051-EI

Review of Storm Protection Plan,
pursuant to Rule 25-6.030, F.A.C.,
Florida Power & Light Company.

_____ /

VOLUME 5
PAGES 794 - 1088

PROCEEDINGS: HEARING

COMMISSIONERS
PARTICIPATING: CHAIRMAN ANDREW GILES FAY
COMMISSIONER ART GRAHAM
COMMISSIONER GARY F. CLARK
COMMISSIONER MIKE LA ROSA
COMMISSIONER GABRIELLA PASSIDOMO

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DATE: Wednesday, August 3, 2022

TIME: Commenced: 9:30 a.m.
Concluded: 4:56 p.m.

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: DEBRA R. KRICK
Court Reporter

APPEARANCES: (As heretofore noted.)

PREMIER REPORTING
112 W. 5TH AVENUE
TALLAHASSEE, FLORIDA
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I N D E X

WITNESSES

| NAME : | PAGE |
|---|------|
| LANE KOLLEN | |
| Examination by Ms. Morse | 823 |
| Prefiled Direct Testimony inserted (Docket No. 2022051) | 825 |
| Prefiled Direct Proffered Testimony inserted (Docket No. 20220051) | 855 |
| Examination by Mr. Rehwinkel | 885 |
| Prefiled Direct Testimony inserted (Docket No. 20220050) | 887 |
| Prefiled Direct Proffered Testimony inserted (Docket No. 20220050) | 918 |
| Examination by Ms. Wessling | 948 |
| Prefiled Direct Testimony inserted (Docket No. 20220048) | 950 |
| Prefiled Direct Proffered Testimony inserted (Docket No. 20220048) | 980 |
| Examination by Ms. Christensen | 1009 |
| Prefiled Direct Testimony inserted (Docket No. 20220049) | 1011 |
| Prefiled Direct Proffered Testimony inserted (Docket No. 20220049) | 1041 |

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EXHIBITS

NUMBER:

ID

ADMITTED

13-15

As identified in the CEL

1086

1 P R O C E E D I N G S

2 (Transcript follows in sequence from Volume
3 4.)

4 CHAIRMAN FAY: All right. Mr. Rehwinkel, when
5 you are ready, you are recognized.

6 MR. REHWINKEL: Thank you, Mr. Chairman.

7 The Public Counsel would ask that we be
8 allowed to make an ore tenus motion for
9 reconsideration of the order striking testimony of
10 Mr. Kollen in certain places, Order No. 2022-0292.

11 CHAIRMAN FAY: Okay. Any objections? And
12 with that, you are recognized.

13 MR. REHWINKEL: Thank you, Mr. Chairman.

14 Before I get into oral argument, the Public
15 Counsel wants to make it clear that this is not a
16 personal attack on the prehearing officer. We
17 recognize that he had a difficult task in front of
18 him. As a practitioner for 37 years at this
19 agency, I appreciate that he made a firm decision.
20 He didn't defer ruling, or take it under
21 advisement. He ruled, and the Public Counsel
22 respects that.

23 Nevertheless, we have a difference of opinion
24 on the law and are obligated on behalf of the eight
25 plus million customers that we represent to make

1 this objection. But that difference does not
2 diminish the respect we have for how he conducted
3 the prehearing process, and the courtesy he
4 extended to us in allowing us to be heard with
5 extra time, and listening to our argument. So we
6 appreciate that.

7 Commissioners, we think the cleanest and most
8 efficient way to resolve this case quickly would be
9 to set aside the decision in Order 2022-0292, which
10 I will call the order. If done, it will avoid a
11 messy record of proffers and streamline the
12 proceeding, we believe.

13 We recognize that the bar established by the
14 Commission in this practice of reviewing orders of
15 the prehearing officer is a high one. The movant
16 is required to bring to your attention some
17 material or relevant point in fact or law that the
18 prehearing officer overlooked or failed to consider
19 when taking the action in the nonfinal order.

20 Setting aside for the moment the fact that the
21 Public Counsel is concerned and the Commission may
22 lack expressed authority to dispose of motions
23 pursuant to Rule 25-22.0376 under this standard in
24 cases where the prehearing officer makes a ruling
25 substantively disposing of all or part of a party's

1 case in chief, the OPC asserts that the order
2 contains mistakes of law and fact, and we will
3 argue it on that point.

4 The application under that standard, the
5 application of the mistake of law or fact standard
6 when the full commission has not heard the motions
7 and responses places substantive disposition of a
8 case in the hands of the prehearing officer who is
9 traditionally designated to dispose of preliminary
10 and administrative matters about the conduct of the
11 hearing. We noted an objection on this point in
12 the prehearing conference, and we renew that
13 objection here today for the record.

14 I must also point out that the order contains
15 two material mischaracterizations of OPC's
16 argument. First, on page three of the order, it
17 incorrectly states that the OPC's response in
18 opposition argues that the plans and programs
19 proposed by FPL were not new. Instead, OPC
20 actually argued, starting on page one of its
21 response, that it is the well-established
22 principles of reasonableness and prudence that are
23 not new, such that FPL's misplaced argument about
24 alleged attempts to make new rules or inject new
25 standards into the regulatory process should be

1 rejected.

2 I would also refer you to the OPC response on
3 page two, where we asserted that quantitative
4 comparisons of costs and benefits is nothing new in
5 Commission precedent -- is not new in Commission
6 precedent.

7 On page one of its response, the Public
8 Counsel stated that the new aspect of this
9 litigation is the fact that it is the first time
10 that this SPP statute is truly before the
11 Commission. An accurate reading of OPC's response
12 shows it never discussed the projects in dispute,
13 but, instead, OPC only addressed the decades-old
14 standards discussing the utility regulation, the
15 text of the SPP statute and rule, and the
16 Commission's precedent regarding the application of
17 regulatory standards, and the relevance principle
18 as generally applied to witness testimony.

19 The second error in the order in terms of
20 description of the OPC's position is on page four,
21 where the order says that the Public Counsel -- the
22 OPC asserted that, because of OPC's vital role in
23 the process striking any portion of the OPC
24 expert's testimony violates due process.

25 We did not, in our response, describe our role

1 in the process as vital or otherwise. The OPC
2 merely said that striking the subject testimony
3 would be prejudicial to our case and the people's
4 right to be heard on a substantial issue in their
5 lives.

6 In the analysis portion of the order we submit
7 that there are three mistakes of fact. First, the
8 testimony that -- the statement that the testimony
9 is, quote, improper legal opinion and argument.

10 We assert to you that Mr. Kollen did not
11 provide legal opinions, but rather, he discussed
12 accounting requirements as applied to the facts of
13 this litigation. Mr. Kollen discussed his lay
14 understanding of the SPP statute and rule in the
15 context of accounting duties, requirements and --
16 and requirements. No new standards or rules were
17 asserted. He discussed application of the rule the
18 same way FPL's witness also discussed his
19 understanding of the statute and rule on direct,
20 that was also replete with references to the
21 requirements of the SPP rule.

22 Second, the notion in the order that the
23 testimony is irrelevant as being more appropriate
24 to the SBC. We assert that this is a mistake of
25 fact and that Mr. Kollen's testimony was stricken

1 because he indicated that SPP costs must not
2 displace base rate costs. It also struck testimony
3 regarding the methodologies for calculating the
4 revenue requirement and rates.

5 The SPP rate impacts required by the SPP rule
6 is another issue. The -- some companies compare
7 SPP rates to the overall bill. For such a
8 comparison to be valid, there can be no double
9 recovery.

10 For example, in the SPP filed by DEF, on page
11 56, this comparison of the SPP revenue requirement
12 is shown along with the overall revenue
13 requirements, and we believe that that is a
14 relevant inquiry that you should field testimony
15 on.

16 The SPP rule Section (3)(h) requires the SPPs
17 to contain an estimate of rate impacts. And this
18 cannot be done without referencing revenue
19 requirements. And FPL's SPP Section 6, page 56,
20 contains testimony and data regarding
21 jurisdictional revenue requirements. So it is
22 appropriate for Mr. Kollen to discuss -- to address
23 those. And, in our view -- well, Mr. --

24 Another error that we assert is that the
25 striking of Mr. Kollen's references to

1 reasonableness and prudence. Commissioners, there
2 is one statute, and the fact that the Commission
3 chose to promulgate two rules was not mandatory.
4 In fact, subsection (1) of the -- (11) of the
5 statute says that the Commission shall propose a
6 rule.

7 Merely using the term reasonable does not
8 restrict or transform testimony into solely cost
9 recovery litigation. The company decision-making
10 in the development of the plan and the deployment
11 of capital must be reasonable as in the actions of
12 a prudent or reasonable utility operator in all
13 other aspects of running a utility.

14 The public interest standard does not obviate
15 or eliminate prudence determinations, but, instead,
16 includes these, and other elements, as necessary
17 components of a prudence determination. The
18 Florida Supreme Court has endorsed this in Sierra
19 Club versus Brown, 243 So.2d, 90 -- So.3d., 903,
20 2018, as we cited in our opening.

21 Prudence cannot be brushed aside from -- in
22 the SPP determination by bundling everything up in
23 the public interest standard such that no one can
24 put on testimony or conduct cross about prudence
25 just because there is a public interest standard to

1 be determined. The public interest standard does
2 not allow the Commission to avoid its obligation to
3 determine prudence just by determining public
4 interest. At a high level, it does not mean that
5 you automatically, or by default, determine
6 prudence or any other element of rate-making. That
7 is a condition precedent to making a public
8 interest finding.

9 The Public Counsel would note that the SPP and
10 the SPP/CRC are not conducted sequentially, but in
11 parallel. The SPP rule demonstrates this by
12 recognizing in 25 -- in Rule 25-6.031(2) that
13 modification -- where modifications occur during
14 the pendency of the clause portion of the process,
15 those must be addressed with an amended petition.
16 So there is a recognition in your rules that there
17 is overlap.

18 The truncation of the Public Counsel's case
19 amounts to a form of administrative hearing prior
20 restraint, in that the customers are being barred
21 from putting on evidence. The Commission treads on
22 shaky ground, we believe, by prematurely adopting
23 one party's self-serving interpretation of a rule
24 that is essentially being litigated for the first
25 time.

1 As you have heard already in this hearing,
2 experts in their field, like Mr. Jarro and Mr.
3 Lloyd on behalf of FPL and TECO respectively, are
4 not lawyers, but they have practical expertise and
5 experience that allows, or even requires, them to
6 make interpretations and judgments about how to
7 implement the rules and the statute in this case,
8 specifically Rule 25-6.030 and Section 366.96. Mr.
9 Kollen's testimony is no different.

10 No one has a monopoly on ideas here. And FPL
11 and the other utilities have shown that they have
12 differing ideas about how to approach the
13 preparation and justification of their respective
14 SPP plans. The Public Counsel has put forth expert
15 evidence and an interpretational framework that
16 provides context within the broad statutory
17 framework that defines the Commission's rate-making
18 authority in Chapter 366.

19 The concepts of prudence, cost-effectiveness
20 and valuation of benefits and the public interest
21 are far from clearcut in their definition context
22 and usage in the statute and rule.

23 This agency has a long history of taking
24 expert opinion about the practical way to interpret
25 these kinds of words. The determinations you make

1 are not from only lawyers, but from taking facts on
2 the ground in the form of testimony and hearing
3 argument in briefs and making decisions in the
4 public interest.

5 In fact, the Florida Supreme Court has at
6 least two cases pending right now where they are
7 wrestling with how to define the public interest.
8 This issue, and what goes into it, is not settled
9 law in this state, and you should invite a robust
10 discussion and record on that very point. This
11 will provide a better record and withstand
12 appellate challenges. Given the uncertainty in the
13 Supreme Court on this issue, the Commission risks
14 reversal if you do not allow evidence on all
15 factors that make up the public interest.

16 Commissioners, we ask you to decide this issue
17 de novo because of the unique circumstances of this
18 case, and the striking of the testimony. We
19 believe that only the full commission should be
20 allowed to make the penultimate decision on
21 striking a party's substantive testimony. In the
22 hearing, the Chairman is the presiding officer
23 initially, but the full commission can participate
24 in that process by vote.

25 To the extent that the order relies on the

1 Palm Beach case cited on page four, that is a
2 decision based on the evidence code, which the
3 Supreme Court has expressly ruled does not apply in
4 PSC proceedings; and there was no notice given to
5 parties before this hearing that the Commission
6 intended to, nevertheless, rely on the evidence
7 code.

8 Witness Kollen has only taken the provisions
9 of the standards in the SPP rule and breathed life
10 into them in the form of relating them to known and
11 widely accepted accounting and regulatory standards
12 that govern the determination of allowable costs.
13 But even assuming arguendo that the Palm Beach case
14 cited in the order applies, Mr. Kollen is not
15 telling the Commission how to rule, but, instead,
16 providing a framework that the Commission can use
17 in making decisions in this docket.

18 As the Florida Supreme Court found
19 objectionable in the Palm Beach case, the trier of
20 fact is being directed to arrive at a conclusion
21 which it should be free to determine independently
22 from the facts presented, and nothing in the
23 testimony that is proposed to be stricken directs
24 your decision-making or ties your hands. If
25 anything, it gives you more options.

1 We believe the order is an error to the extent
2 that it concludes that the customers should be
3 prevented from demonstrating or providing testimony
4 on prudence, given the statutory provision in
5 366.96(7) that, quote, after a plan has been
6 approved, proceeding to implement the plan should
7 not be evidence of imprudence. The order clearly
8 misapprehends the statute on this point.

9 The mere fact that the approval of a plan
10 provides protection against a finding of imprudence
11 to the SPP once a utility begins to implement the
12 programs and projects unassailably means that the
13 approval of the plan necessarily means that
14 prudence was determined --

15 CHAIRMAN FAY: Mr. Rehwinkel, are you almost
16 done?

17 MR. REHWINKEL: I am just -- just very
18 briefly.

19 CHAIRMAN FAY: Okay. Go ahead.

20 MR. REHWINKEL: We believe this is an error in
21 interpretation of the law.

22 We would also note that yesterday, argument by
23 counsel in the FPL -- by FPL in the DEF docket
24 reinforces the fact that there are fundamentally
25 differing interpretations of the rule and how costs

1 and benefits should be compared, and that these two
2 stark differences, pro and con, should mean that
3 you take Mr. Kollen's evidence and hear it.

4 Finally, Commissioners, we ask you again to
5 set aside the order striking testimony and listen
6 to the evidence, and make a determination based on
7 all the evidence.

8 Thank you very much.

9 CHAIRMAN FAY: Great. Thank you.

10 And I will allow the utilities to respond, but
11 I did also want to make sure if any of the other
12 intervenors, just very briefly, wanted to comment.
13 Nope?

14 With that, I will move -- Mr. Cavros, you are
15 recognized, yes.

16 MR. CAVROS: Yes. Thank you. I wasn't really
17 planning to say anything, but as I looked at the
18 order, I did find, I think, a miscommunication, if
19 nothing else.

20 On page six, the first paragraph, it states
21 that SACE's argument made at the prehearing, that
22 all of the legal arguments made by Witness Kollen
23 should be allowed in the record so that it may
24 support the legal arguments in OPC's brief, are
25 rejected.

1 I think that's an incorrect characterization.
2 And if you look at the record of the prehearing,
3 you will find that I characterized Mr. Kollen's
4 testimony as a recommendation on how to interpret
5 rule provisions. I did not characterize it as
6 legal arguments.

7 And, you know, my understanding is that what a
8 legal argument is is applying the law to a set of
9 facts and then reaching a conclusion. And if
10 that's the definition that the Commission accepts,
11 then, you know, we've had witnesses up here already
12 that are essentially making legal arguments.

13 Thank you.

14 CHAIRMAN FAY: Sure. And we know they are not
15 lawyers.

16 All right. Mr. Wright --

17 MR. MOYLE: Mr. Chair, just --

18 CHAIRMAN FAY: Oh, Mr. Moyle, go ahead. I
19 didn't hear you. I apologize.

20 MR. MOYLE: That's all right.

21 We argued at the prehearing before the
22 prehearing officer. I am not going to repeat those
23 arguments, but just for the purposes of the record,
24 we would stand by those and put forward the
25 objection for the benefit of the four who were not

1 here the basic point made, much longer the other
2 day, but I will do it briefly, was that in an
3 administrative trial like this, that's evidentiary,
4 y'all are sitting in a fact-finding role, we think
5 if it's close call that the judgment ought to be
6 made, you know, to let it in because it's something
7 that you can consider. If you ultimately decide
8 it's not something that is going to sway you, you
9 can determine it's not probative. But to strike it
10 and not even consider it we think is not the
11 direction that should be taken in a proceeding like
12 this, so just that was it.

13 Thank you.

14 CHAIRMAN FAY: Okay. Great. Thank you.

15 Mr. Wright, you are recognized.

16 MR. BREW: Excuse me.

17 CHAIRMAN FAY: Oh, Mr. Brew, yes.

18 MR. BREW: Very briefly, sir, since we had
19 addressed this issue at the prehearing as well.

20 The SPP plans are spending plans. The basic
21 issue before the Commission is what's the proper
22 scope and cost of the plans. And as Mr. Rehwinkel
23 pointed out, the statute cuts off prudence reviews
24 of the plan -- programs based on the findings
25 regarding the plans. In my mind, that necessarily

1 brings in the testimony that was addressed in the
2 OPC testimony that's at stake. So I don't know how
3 you get past the provisions of the statute and get
4 to all of the issues needed to do to approve the
5 plans without accepting the testimony. As Mr.
6 Moyle mentioned, you certainly have more than
7 enough flexibility to consider that.

8 CHAIRMAN FAY: Great. Thank you.

9 Nobody else. All right, now you are
10 recognized, Mr. Wright.

11 MR. WRIGHT: Anyone else?

12 Thank you, Chairman.

13 I want to start with Mr. Rehwinkel's request
14 that this commission review his request for
15 reconsideration de novo. The prehearing order in
16 this case, much like every other case, lays out the
17 timing and the procedure for motions to strike, and
18 it's the prehearing officer who rules on that in
19 order to make sure that this hearing goes smoothly.
20 Unfortunately, that did not happen, but I submit
21 that the purpose of that requirement in the
22 prehearing order is so the prehearing officer can
23 make that determination.

24 I also want to touch on the standard of
25 review. I know Mr. Rehwinkel spoke about it, but I

1 want to quote from you from two recent orders from
2 this commission relying on Florida appellate
3 courts. It's PSC-2021-0364 and PSC-2021-0240,
4 where the Commission explained the standard of
5 review on reconsideration, and I will read that
6 into the record.

7 The appropriate standard of review in a motion
8 for reconsideration is whether the motion
9 identifies a point of fact or law that was
10 overlooked, or that the prehearing officer failed
11 to consider in rendering the order, citing 294
12 So.2d and 394 So.2d.

13 In a motion for reconsideration, it is not
14 appropriate to reargue matters that have already
15 been considered, citing 111 So.2d, 105 So.2d.

16 Furthermore, a motion for reconsideration
17 should not be granted based upon an arbitrary
18 feeling that a mistake may have been made, but
19 should be based upon specific factual matters set
20 forth in the record as susceptible to review, 294
21 So.2d 315.

22 OPC's request for reconsideration here has
23 failed to meet that standard. Other than a few
24 immaterial characterizations of statements in their
25 response to the motion to strike, they failed to

1 identify anything that was overlooked or missed by
2 Commissioner La Rosa in his order.

3 The parties submitted their motions, OPC filed
4 a response. We had lengthy argument on it.
5 Commissioner La Rosa's order is very thorough and
6 well-reasoned. Other than these very immaterial
7 characterizations, there is nothing that was
8 overlooked or missed.

9 I am not going to reargue our motion to
10 strike. That would not be appropriate to do so
11 based on the standard review for reconsideration.
12 We stand by the arguments in our motion to strike
13 and we request that Commissioner La Rosa's order
14 stand.

15 Thank you.

16 CHAIRMAN FAY: Great. Thank you.

17 I think the -- Commissioners, I think the
18 legal standard has been set out by both Mr.
19 Rehwinkel and Mr. Wright, but I do want to make
20 sure with our staff that we have the correct
21 standard to apply as far as issue of fact and law.

22 MS. HELTON: That has always been my
23 understanding, Mr. Chairman. I believe that Mr.
24 Rehwinkel and Mr. Wright both correctly stated it.
25 It's whether the prehearing -- whether you all find

1 whether the prehearing officer made a mistake of
2 fact or law in deciding to grant the motion to
3 strike -- motions to strike.

4 CHAIRMAN FAY: Okay. Great. Thank you.

5 And I didn't want to exclude if any of the
6 other utilities wanted to comment, but I know Mr.
7 Wright summed up their motion.

8 MR. BERNIER: No, sir. I don't -- I don't
9 think I have anything to add to what Mr. Wright
10 said.

11 CHAIRMAN FAY: Okay. Great.

12 Commissioners, discussion on this motion?
13 Comments?

14 Commissioner Clark.

15 COMMISSIONER CLARK: If I understand it right,
16 in order to reconsider, the Commission has to
17 determine that there was something that was not
18 considered by the prehearing officer that should
19 have been considered, is that a fair summary?

20 CHAIRMAN FAY: That's how I understand it. I
21 don't want to speak for legal, but that's the way
22 Mary Anne interpreted it, correct?

23 COMMISSIONER CLARK: Are you a lawyer? I am
24 sorry, Mr. Chair, that seems to be the question of
25 the day.

1 CHAIRMAN FAY: You don't want to pay my
2 hourly, Commissioner Clark.

3 Yeah. That is the way I think it's understood
4 at this point.

5 So with that, Commissioners, we can take up a
6 motion on this item.

7 MS. PASSIDOMO: I will put forward a motion.

8 CHAIRMAN FAY: Commissioner Passidomo, you are
9 recognized.

10 MS. PASSIDOMO: Thank you.

11 I think, you know, Commissioner La Rosa had
12 broad discretion as prehearing officer, my
13 understanding Rule 28-106.211, and we are reviewing
14 this right now, mistake of fact or law, in my
15 opinion, I do not think that he made a mistake of
16 fact or law, so I would support the denial of OPC's
17 motion for reconsideration.

18 CHAIRMAN FAY: Okay. We have a motion. Do we
19 have a second?

20 COMMISSIONER GRAHAM: Second.

21 CHAIRMAN FAY: Okay. We have a motion and a
22 second.

23 All that support say aye.

24 (Chorus of ayes.)

25 CHAIRMAN FAY: Any nays?

1 (No response.)

2 CHAIRMAN FAY: With that, the motion for
3 reconsideration is denied.

4 With that, I would like to then just set the
5 parameters for the upcoming Witness Kollen and then
6 the rebuttal witnesses.

7 So what we will do for procedural purposes is
8 we will take up Witness Kollen. If there is any
9 cross for Witness Kollen, which it sounds like you
10 have waived, based on the previous comments, that
11 won't be the case. We won't have cross on Witness
12 Kollen. When we get to Witness Jarro for rebuttal
13 testimony, what we will do is we will have the
14 cross on that presented within the current record,
15 and then, Mr. Rehwinkel, if there is testimony that
16 you would like to proffer for the record, we will
17 ask you to essentially close the door of testimony
18 in the record and then allow you to proffer it
19 after that so we don't cause any confusion as to
20 what's in or out, and that type of thing. And so
21 we will do that for each rebuttal witness. We will
22 take up one within the record, and then we will
23 allow it to be proffered.

24 And I do -- and I will let you comment. I do
25 just want to ask you to be mindful as far as

1 preserving that right, but just to the point that
2 we get to where the parties are really trying to
3 find these gray areas, where we have constant
4 objections as to what potentially would touch that,
5 I know we now know what language is stricken and
6 not stricken, so I would ask you to be really
7 mindful of the exceptions that might occur and when
8 to object, and with that take up accordingly and
9 move forward.

10 So with that, Mr. Rehwinkel, I will let you be
11 recognized for a comment.

12 MR. REHWINKEL: Yes. Thank you.

13 And first of all, let me thank the Commission
14 for entertaining my lengthy motion. I had to do it
15 that way because I didn't have time to make a
16 written motion, and I appreciate that.

17 Secondly, just so I am clear, what we are
18 going to do is we are going to put Mr. Kollen on,
19 and we are going to introduce for each of the
20 dockets the non-stricken portion of his testimony,
21 just like we've done with all the other witnesses,
22 and then what we will do is to proffer the stricken
23 testimony, so that will be separate from -- its --
24 its record status will be separate. There will be
25 -- the non-stricken part will be moved into the

1 record, and the stricken part will become part of
2 the proffered evidence that will be under the
3 120 -- I forget the standard -- it's on the record,
4 it's included for appellate purposes?

5 CHAIRMAN FAY: Correct. That's the easy one.
6 All right. Keep going.

7 MR. REHWINKEL: Yes. And I would -- and then
8 if there is rebuttal to the portions that were
9 stricken, we would, if we decide that we want to
10 cross that witness on the portion of the testimony
11 that has been withdrawn because it responded to a
12 stricken Kollen testimony, we will let you know,
13 and we probably need to come up with a process
14 where we bifurcate the cross only on proffered
15 withdrawn testimony, and then maybe we go and we
16 cross only on unwithdrawn testimony that doesn't
17 respond to those stricken proffered testimony.
18 Does that make sense?

19 CHAIRMAN FAY: It definitely doesn't make
20 sense, but I think I understand -- I think I
21 understand what you are trying to do, and so
22 essentially -- and I will make sure with our legal
23 that we will have the non-proffered, to your point.
24 And if you -- because this will be -- this will
25 sort of be in your court. If you choose to provide

1 proffered following that rebuttal that's provided,
2 then we will allow you to do so after you have
3 taken any additional testimony at that point.

4 MR. REHWINKEL: Okay. All right. So we will
5 separate it that way.

6 CHAIRMAN FAY: Correct. We will separate it
7 that I that way, which I think will be --

8 MR. REHWINKEL: Okay.

9 CHAIRMAN FAY: -- the easier way to do it.
10 And we will recognize it at the time when we do it
11 for make sure that the record is clear.

12 MR. REHWINKEL: And I appreciate -- this is,
13 in my history with the Commission, this the first
14 time we've ever encountered this situation, and I
15 do appreciate you being mindful of preserving the
16 record and preserving our rights in this. Thank
17 you.

18 CHAIRMAN FAY: Absolutely. Due process should
19 be a priority here. Thank you.

20 Mary Anne, do we have everything that we need
21 before proceeding? And what I would like to do
22 tonight is at least take up Witness Kollen, and
23 then we can finish and start rebuttal tomorrow,
24 where we will take up this issue of the testimony
25 and then the proffered. Is that appropriate?

1 MS. HELTON: Yes, sir. I think I understand
2 where we are going, and I think the record is
3 clear.

4 CHAIRMAN FAY: Okay. Great.

5 MR. MOYLE: One question.

6 CHAIRMAN FAY: Yes, Mr. Moyle.

7 MR. MOYLE: Just maybe for clarification. It
8 was my understanding that with respect to the
9 rebuttal, that there will be no rebuttal to
10 testimony that has been stricken.

11 CHAIRMAN FAY: Correct. That is -- that is
12 the intent. We are preserving Mr. Rehwinkel's
13 right, just in case he feels that that is not the
14 case and he needs to proffer, but to your point, we
15 shouldn't need to do that. It will be up to him if
16 he wants to do that.

17 MR. MOYLE: If he believes there is certain
18 testimony that --

19 CHAIRMAN FAY: Correct.

20 MR. MOYLE: -- still gets to the testimony of
21 his witness that was stricken, he could make a
22 proffer?

23 CHAIRMAN FAY: Correct.

24 MR. MOYLE: Okay. Thank you.

25 CHAIRMAN FAY: Yep. No problem.

1 MR. REHWINKEL: For cross-examination.

2 CHAIRMAN FAY: Correct. Yep.

3 Okay. With that, Mr. Rehwinkel, do you want
4 to call Witness Kollen, or do you have someone
5 else?

6 MR. REHWINKEL: Ms. Morse will kick that off.
7 Thank you.

8 CHAIRMAN FAY: Okay. Ms. Morse, you are
9 recognized.

10 MS. MORSE: Thank you, Mr. Chair.

11 Whereupon,

12 LANE KOLLEN

13 was called as a witness, having been previously duly
14 sworn to speak the truth, the whole truth, and nothing
15 but the truth, was examined and testified as follows:

16 EXAMINATION

17 BY MS. MORSE:

18 Q Good afternoon, Mr. Kollen.

19 A Good afternoon.

20 Q Will you please state your name and business
21 address for the record?

22 A My name is Lane Kollen. My business address
23 is J. Kennedy and Associates, Incorporated, 350 Glen
24 Lake Parkway, Suite 35, Roswell, Georgia, 30075.

25 Q Mr. Kollen, were you previously sworn in?

1 A Yes.

2 Q Did you cause to be filed prefiled direct
3 testimony in Docket No. 20220051 consisting of 29 pages
4 of text including the cover page and table of contents?

5 A Yes.

6 Q Are you aware that portions of your prefiled
7 direct testimony were subject to a motion to strike?

8 A Yes.

9 Q Do you have corrections to the portion of your
10 testimony that were not stricken?

11 A No.

12 Q If I were to ask you the same questions today,
13 would your answers be the same for the portions of your
14 testimony that were not stricken?

15 A Yes.

16 MS. MORSE: Mr. Chair, I would ask that the
17 portions of Mr. Kollen's testimony that were not
18 stricken be entered into the record as though read.

19 CHAIRMAN FAY: Show it inserted.

20 (Whereupon, prefiled direct testimony of Lane
21 Kollen in Docket No. 20220051 was inserted.)

22

23

24

25

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Review of Storm Protection Plan,
pursuant to Rule 25-6.030, F.A.C., Florida
Power & Light Company.

DOCKET NO. 20220051-EI

FILED: May 31, 2022

DIRECT TESTIMONY**OF****LANE KOLLEN****ON BEHALF OF THE OFFICE OF PUBLIC COUNSEL**

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TABLE OF CONTENTS

| | |
|---|-----------|
| I. QUALIFICATIONS AND SUMMARY | 0 |
| A. QUALIFICATIONS | 0 |
| B. PURPOSE OF TESTIMONY | 1 |
| C. SCOPE OF THE SPP REQUESTS | 2 |
| D. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS | 7 |
| II. DECISION CRITERIA FOR THE RATIONAL SELECTION, RANKING, AND MAGNITUDE OF SPP PROGRAMS AND PROJECTS..... | 10 |
| III. METHODOLOGIES TO CALCULATE THE REVENUE REQUIREMENTS AND CUSTOMER RATE IMPACTS | 21 |
| EXHIBITS: | |
| RESUME OF LANE KOLLEN..... | LK-1 |
| SUMMARY OF EACH UTILITY’S DECISION CRITERIA..... | LK-2 |
| THIRD SET OF INTERROGATORIES, NO. 14 (20220051-EI)..... | LK-3 |

1 **I. QUALIFICATIONS AND SUMMARY**

2 **A. Qualifications**

3 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

4 A. My name is Lane Kollen. My business address is J. Kennedy and Associates, Inc.
5 (“Kennedy and Associates”), 570 Colonial Park Drive, Suite 305, Roswell, Georgia 30075.

6 **Q. DESCRIBE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.**

7 A. I earned a Bachelor of Business Administration (“BBA”) degree in accounting and a
8 Master of Business Administration (“MBA”) degree from the University of Toledo. I also
9 earned a Master of Arts (“MA”) degree in theology from Luther Rice College & Seminary.
10 I am a Certified Public Accountant (“CPA”), with a practice license, Certified Management
11 Accountant (“CMA”), and Chartered Global Management Accountant (“CGMA”). I am a
12 member of numerous professional organizations, including the American Institute of
13 Certified Public Accountants, Institute of Management Accounting, Georgia Society of
14 CPAs, and Society of Depreciation Professionals.

15 I have been an active participant in the utility industry for more than forty years,
16 initially as an employee of The Toledo Edison Company from 1976 to 1983 and thereafter
17 as a consultant in the industry since 1983. I have testified as an expert witness on hundreds
18 of occasions in proceedings before regulatory commissions and courts at the federal and
19 state levels. In those proceedings, I have addressed ratemaking, accounting, finance, tax,
20 and planning issues, among others.

21 I have testified before the Florida Public Service Commission on numerous
22 occasions, including base rate, fuel adjustment clause, acquisition, and territorial

1 proceedings involving Florida Power & Light Company (“FPL”), Duke Energy Florida
2 (“DEF”), Talquin Electric Cooperative, City of Tallahassee, and City of Vero Beach.¹

3 **B. Purpose of Testimony**

4 **Q. ON WHOSE BEHALF ARE YOU PROVIDING TESTIMONY?**

5 A. I am providing this testimony on behalf of the Florida Office of Public Counsel (“OPC”).

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 A. The purpose of my testimony is to address and make recommendations regarding the
8 proposed Storm Protection Plans (“SPP”) filed by Florida Public Utilities Company
9 (“FPUC”), Duke Energy Florida, LLC (“DEF”), Tampa Electric Company (“Tampa”), and
10 Florida Power and Light Company (“FPL”) (collectively, the “utilities”). In this testimony,
11 I specifically address the SPP filed by FPL.

12 [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

16 Rule 25-6.030, Florida Administrative Code (“SPP Rule”), and Rule 25-6.031, F.A.C.
17 (“SPPCRC Rule”) to the extent that the outcome of these proceedings will affect the cost
18 recoveries in the Storm Protection Plan Cost Recovery Clause (“SPPCRC”) proceedings
19 pursuant to the SPPCRC Rule. My testimony should be considered in conjunction with the
20 testimony of Mr. Kevin Mara on behalf of OPC.

¹ I have attached a more detailed description of my qualifications and regulatory appearances as my Exhibit LK-1.

1 **C. Scope of the SPP Requests**

2 **Q. PLEASE SUMMARIZE THE SPP REQUESTS.**

3 A. In the aggregate, the four utilities seek authorization for programs and projects they
 4 estimate will cost \$25.323 billion over the next ten years (2023-2032), consisting of
 5 \$23.167 billion in capital expenditures and \$2.156 billion in operation and maintenance
 6 (“O&M”) expense. The capital expenditures will have a growing and cumulative
 7 ratemaking impact for the duration of the SPPs and beyond of 40 or more years over the
 8 service lives of the plant assets. These amounts are in addition to the capital expenditures
 9 and O&M expense expended in prior years and this year for storm hardening and storm
 10 protection programs. The utilities also expect to seek authorization for additional amounts
 11 in subsequent SPP updates beyond the ten years reflected in these proceedings.

12 The following tables provide a summary of the estimated SPP program
 13 expenditures for each utility by year and in total for the ten-year period.

| Florida Public Utilities Company | | | | | | | | | | | |
|----------------------------------|------|------|------|------|------|------|------|------|------|------|-------|
| SPP Program Expenditures | | | | | | | | | | | |
| \$ Millions | | | | | | | | | | | |
| SPP Costs by Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
| Capital Total | 2.3 | 6.7 | 16.9 | 54.2 | 53.2 | 19.9 | 19.6 | 19.8 | 25.3 | 25.2 | 243.1 |
| O&M Expense Total | 1.4 | 1.6 | 1.9 | 3.0 | 2.9 | 1.8 | 1.8 | 1.8 | 1.9 | 1.9 | 20.0 |
| Overall Total | 3.7 | 8.3 | 18.7 | 57.2 | 56.1 | 21.8 | 21.4 | 21.6 | 27.2 | 27.1 | 263.1 |

| Duke Energy Florida, LLC | | | | | | | | | | | |
|--------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|
| SPP Program Expenditures | | | | | | | | | | | |
| \$ Millions | | | | | | | | | | | |
| SPP Costs by Year | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Total |
| Capital Total | 602.7 | 693.4 | 775.2 | 748.8 | 747.7 | 749.7 | 748.5 | 750.6 | 749.4 | 751.6 | 7,317.5 |
| O&M Expense Total | 72.1 | 77.1 | 79.0 | 78.1 | 79.0 | 81.8 | 82.4 | 85.8 | 86.8 | 90.0 | 812.0 |
| Overall Total | 674.8 | 770.5 | 854.1 | 826.9 | 826.7 | 831.5 | 830.9 | 836.4 | 836.2 | 841.6 | 8,129.5 |

| Tampa Electric Company | | | | | | | | | | | |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| SPP Program Expenditures | | | | | | | | | | | |
| \$ Millions | | | | | | | | | | | |
| SPP Costs by Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
| Capital Total | 169.9 | 168.7 | 173.1 | 172.9 | 169.0 | 167.5 | 169.6 | 166.0 | 172.5 | 169.4 | 1,698.7 |
| O&M Expense Total | 31.0 | 34.0 | 33.7 | 35.2 | 36.3 | 37.7 | 39.6 | 41.2 | 43.1 | 45.3 | 377.1 |
| Overall Total | 200.9 | 202.7 | 206.8 | 208.2 | 205.4 | 205.2 | 209.2 | 207.3 | 215.6 | 214.7 | 2,075.9 |

| Florida Power & Light Company | | | | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| SPP Program Expenditures | | | | | | | | | | | |
| \$ Millions | | | | | | | | | | | |
| SPP Costs by Year | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Total |
| Capital Total | 1,458.9 | 1,559.5 | 1,520.4 | 1,200.8 | 1,319.0 | 1,350.0 | 1,388.4 | 1,423.4 | 1,347.6 | 1,340.1 | 13,908.0 |
| O&M Expense Total | 86.0 | 86.7 | 88.0 | 88.2 | 94.1 | 100.3 | 99.8 | 100.5 | 100.9 | 101.5 | 946.2 |
| Overall Total | 1,544.9 | 1,646.3 | 1,608.4 | 1,289.0 | 1,413.1 | 1,450.3 | 1,488.2 | 1,523.9 | 1,448.5 | 1,441.6 | 14,854.2 |

Q. WHAT EFFECTS WILL THE REQUESTS HAVE ON CUSTOMER RATES?

A. The incremental effects on present customer rates will be significant as measured over multiple ratemaking metrics, including SPP revenue requirements, net plant in service, annual electric revenues, and cost per customer. The following table provides a summary of the revenue requirements by utility and in the aggregate by year and in total for the ten-year period.

| Florida Public Utilities Company | | | | | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| SPP Program Revenue Requirements | | | | | | | | | | | |
| \$ Millions | | | | | | | | | | | |
| SPP Revenue Requirements By Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
| Capital Total | 0.3 | 0.6 | 2.0 | 6.0 | 12.5 | 17.0 | 19.0 | 21.0 | 23.2 | 25.7 | 127.3 |
| O&M Expense Total | 1.4 | 1.6 | 1.9 | 3.0 | 2.9 | 1.8 | 1.8 | 1.8 | 1.9 | 1.9 | 20.0 |
| Overall Total | 1.7 | 2.2 | 3.9 | 9.0 | 15.4 | 18.9 | 20.8 | 22.8 | 25.1 | 27.6 | 147.3 |

Duke Energy Florida, LLC
SPP Program Revenue Requirements
\$ Millions

| SPP Revenue Requirements By Year | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Total |
|----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|
| Capital Total | 77.3 | 144.2 | 217.9 | 303.3 | 378.5 | 451.1 | 522.2 | 590.7 | 657.8 | 722.1 | 4,065.2 |
| O&M Expense Total | 72.1 | 77.1 | 79.0 | 78.1 | 79.0 | 81.8 | 82.4 | 85.8 | 86.8 | 90.0 | 812.0 |
| Overall Total | 149.4 | 221.3 | 296.8 | 381.4 | 457.5 | 533.0 | 604.7 | 676.5 | 744.6 | 812.1 | 4,877.2 |

1

Tampa Electric Company
SPP Program Revenue Requirements
\$ Millions

| SPP Revenue Requirements By Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
|----------------------------------|------|------|------|-------|-------|-------|-------|-------|-------|-------|---------|
| Capital Total | 17.2 | 35.8 | 53.8 | 72.3 | 91.4 | 109.8 | 127.9 | 145.5 | 163.0 | 180.0 | 996.6 |
| O&M Expense Total | 30.7 | 33.6 | 33.4 | 34.9 | 36.0 | 37.4 | 39.3 | 40.9 | 42.8 | 44.9 | 374.0 |
| Overall Total | 47.9 | 69.4 | 87.2 | 107.2 | 127.4 | 147.3 | 167.2 | 186.4 | 205.7 | 224.9 | 1,370.7 |

2

Florida Power & Light Company
SPP Program Revenue Requirements
\$ Millions

| SPP Revenue Requirements By Year Jurisdictional | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Total |
|---|-------|-------|-------|-------|---------|---------|---------|---------|---------|---------|----------|
| Capital Total | 332.9 | 509.3 | 685.9 | 836.6 | 971.5 | 1,112.3 | 1,254.0 | 1,396.5 | 1,533.2 | 1,661.6 | 10,293.8 |
| O&M Expense Total | 85.2 | 85.9 | 87.2 | 87.5 | 93.3 | 99.4 | 98.9 | 99.6 | 100.0 | 100.6 | 937.6 |
| Overall Total | 418.0 | 595.2 | 773.2 | 924.1 | 1,064.8 | 1,211.7 | 1,352.9 | 1,496.1 | 1,633.2 | 1,762.2 | 11,231.3 |

3

4

5

6

7

8

In addition to the revenue requirement effects of the proposed SPPs shown on the preceding tables, the following tables compare other ratemaking metrics, including capital expenditures compared to present net plant in service, increases in the revenue requirement compared to present revenues, and the cost per customer. These metrics provide additional context as to the magnitude and the impacts on customer rates.

Total 10-Year Projected Spend and Revenue Requirements
Compared to Total Net Plant in Service and Revenues
Actual Results For the 12 Months Ended December 31, 2021
\$ Millions

| | Net Plant In Service | 10-Year Proposed Capital Spend | Percentage Increase in Net Plant | 2021 Electric Revenues | Projected SPP Revenue Requirement In Year 10 | Percentage Increase in Revenues |
|-------|-------------------------------|---|---|------------------------------|--|--|
| FPL | 44,891.0 | 13,908.0 | 31.0% | 12,244.3 | 1,762.2 | 14.4% |
| Duke | 16,946.5 | 7,317.5 | 43.2% | 5,111.8 | 812.1 | 15.9% |
| TEC | 7,215.5 | 1,698.7 | 23.5% | 2,180.0 | 224.9 | 10.3% |
| FPUC | <u>94.0</u> | <u>243.1</u> | <u>258.6%</u> | <u>83.7</u> | <u>27.6</u> | <u>33.0%</u> |
| Total | <u>69,147.0</u> | <u>23,167.4</u> | <u>33.5%</u> | <u>19,619.8</u> | <u>2,826.8</u> | <u>14.4%</u> |

1

Total 10-Year Projected SPP Investment Per Customer
Includes Capital and O&M Investment

| | Customers | Projected 10-Year Total Investment \$ Millions | 10-Year Investment Per Customer \$ |
|-------|------------------|--|--|
| FPL | 5,700,000 | 14,854.2 | 2,606 |
| Duke | 1,879,073 | 8,129.5 | 4,326 |
| TEC | 824,322 | 2,075.9 | 2,518 |
| FPUC | <u>32,993</u> | <u>263.1</u> | <u>7,976</u> |
| Total | <u>8,436,388</u> | <u>25,322.7</u> | <u>3,002</u> |

2

3 **Q. HOW DO THESE COSTS COMPARE TO THE BENEFITS FROM POTENTIAL**
4 **SAVINGS IN STORM DAMAGE AND RESTORATION COSTS?**

5 A. The estimated costs are much greater than the benefits from potential savings for each
6 utility and for nearly all of the programs and projects, although FPUC and FPL did not,

1 and refused to, provide quantifications of the benefits from potential savings in storm
 2 damage and restoration costs.

3 The following table provides a summary of the costs and dollar benefits by utility
 4 and in the aggregate by year and in total for the ten-year period and a fifty-year period. I
 5 show \$0 (“n/a”) in benefits for FPUC and FPL, consistent with their failure to quantify any
 6 benefits from potential savings in storm damage and restoration costs.

| Total 10-Year Projected SPP Costs and Benefits Summary Includes Capital and O&M Investment | | | | | | |
|---|--|---|--|--|--|--|
| | Projected 10-Year Total Investment \$ Millions | Projected Annual Avoided Restoration Costs \$ Millions | Escalated Avoided Restoration Costs Over 10 Years \$ Millions | Benefits to Costs Ratio 10 Years % | Escalated Avoided Restoration Costs Over 50 Years \$ Millions | Benefits to Costs Ratio 50 Years % |
| FPL | 14,854.2 | n/a | n/a | n/a | n/a | n/a |
| Duke | 8,129.5 | 56.5 | 647.7 | 8% | 6,373.0 | 78% |
| TEC | 2,075.9 | 13.0 | 149.5 | 7% | 1,470.6 | 71% |
| FPUC | <u>263.1</u> | <u>n/a</u> | <u>n/a</u> | n/a | <u>n/a</u> | n/a |
| Total | <u>25,322.7</u> | <u>69.5</u> | <u>797.2</u> | | <u>7,843.6</u> | |

Note: Benefits Calculations Not Provided by FPL and FPUC.

7

8 **Q. WHY ARE THESE SUMMARIES AND COMPARISONS SIGNIFICANT IN**
 9 **THESE PROCEEDINGS?**

10 A. They provide context for the Commission in its review of the proposed SPPs, including the
 11 sheer magnitude of the incremental capital expenditures and O&M expense and the rate
 12 impacts of these costs, [REDACTED]

[REDACTED]

1 [REDACTED] They also demonstrate that the costs of the proposed SPP programs and
2 projects far outweigh the benefits from savings in storm damage and restoration costs.

3 The Commission also should keep in mind that the impact of the SPP programs is
4 yet another addition to the customer bill in an environment of high inflation, skyrocketing
5 natural gas prices and other base rate increases.

6 **D. Summary of Conclusions and Recommendations**

7 **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS.**

8 A. Each utility’s proposed SPP capital expenditures, O&M expenses, increases in rate base,
9 and resulting increases in customer rates are significant. The SPP capital expenditures and
10 O&M expenses are incremental costs with incremental customer rate impacts. The
11 framework, scope, selection, ranking, magnitude, [REDACTED] and authorization to proceed
12 of the SPP programs and projects will be determined in these proceedings, not in the
13 subsequent SPPCRC proceeding. Therefore, the decision criteria, ratemaking principles,
14 and rate recovery of the SPP project costs are important factors in the decision making
15 process in this and the other SPP proceedings now pending.

16 [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

4 **II. DECISION CRITERIA FOR THE RATIONAL SELECTION, RANKING, AND**
5 **MAGNITUDE OF SPP PROGRAMS AND PROJECTS**

6 **Q. DESCRIBE THE FRAMEWORK FOR THE SELECTION AND RANKING OF**
7 **SPP PROGRAMS AND PROJECTS.**

8 A. Section 366.96, Fla. Stat., and Rule 25-6.030, F.A.C., establish the required framework for
9 the utility's SPP, including the utility's identification of projects that are designed to reduce
10 outage restoration costs and outage times, information necessary to develop and apply
11 decision criteria for the selection, ranking, and magnitude of the SPP programs and costs,
12 estimates of the customer rate impacts, and parameters for recovery of the actual costs
13 incurred for the SPP projects offset by costs recovered through base rates and other clause
14 recoveries as well as savings in those costs.

15 The SPP framework provides important customer safeguards that should be
16 enforced to require the utility to: 1) identify new programs and projects or the expansion
17 of existing programs and projects that are not within the scope of its existing base rate
18 programs and cost recoveries in the normal course of business; 2) limit requests to
19 programs and projects that are prudent and reasonable; 3) justify the selections, rankings,
20 and magnitude of SPP programs, projects, and costs; 4) ensure there is a comparison of
21 benefits to costs; 5) effectively consider the rate impact on customers, and 6) ensure that
22 the utility only recovers incremental costs, net of decremental (avoided) costs or reductions
23 in costs (savings), through the SPPCRC.

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

9 **Q. ARE THE SPP RULE AND THE SPPCRC RULE SEQUENTIAL AND**
 10 **INTERRELATED?**

11 A. Yes. Certain ratemaking determinations required pursuant to the SPPCRC Rule
 12 necessarily start with an assessment of the SPP programs and projects that can only be
 13 performed in the SPP proceeding, and then are confirmed and refined in the SPPCRC
 14 proceeding for cost recovery purposes.

15 [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED] The Commission also must determine
 20 whether the Company has quantified the revenue requirement and customer rate impacts

² § 366.96(8), Fla. Stat.; Rule 25.6.031(6)(a), F.A.C.

1 **Q. ARE EACH OF FPL's PROPOSED PROGRAMS AND PROJECTS PRUDENT**
 2 **AND REASONABLE?**

3 A.

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

8 **Q. DID THE UTILITIES CONSISTENTLY APPLY A BENEFIT/COST ANALYSIS**
 9 **TO DETERMINE THE SELECTION, RANKING, AND MAGNITUDE OF THE**
 10 **SPP PROGRAMS?**

11 A. No. The utilities used a variety of decision criteria, qualitative and quantitative, but none
 12 of them relied on a benefit/cost analysis as a threshold decision criterion to qualify a
 13 program or project for inclusion in its SPP. Nor were the decision criteria consistent among
 14 the utilities or even among each utility's SPP programs and projects.³

15 Neither FPUC nor FPL developed or relied on any benefit/cost analysis. Although
 16 neither DEF nor Tampa developed or relied on benefit/cost analyses as a threshold decision
 17 criterion to qualify their programs, they both used a form of benefit/cost analysis for the
 18 ranking and the magnitude of their programs.

³ I have attached a brief summary of each utility's decision criteria as my Exhibit LK-2.

[REDACTED]

10 **Q. HOW SHOULD THE COMMISSION DETERMINE WHETHER THE PROPOSED**
11 **SPP PROGRAMS AND PROJECTS ARE ECONOMICALLY JUSTIFIED?**

12 **A.** [REDACTED]

1 **Q. DOES THE SPP RULE REQUIRE THAT THE UTILITIES PROVIDE A**
2 **COMPARISON OF THE “COSTS” AND “BENEFITS” TO DETERMINE IF THE**
3 **PROGRAMS AND PROJECTS ARE ECONOMICALLY JUSTIFIED?**

4 A. Yes. The SPP Rule requires the utility to provide “[a] comparison of the costs identified
5 in subparagraph (3)(d)3. and the benefits identified in subparagraph (3)(d)1.” Rule 25-
6 6.030(3)(d)4, F.A.C. The context and juxtaposition of the terms “costs” and “benefits”
7 strongly imply a comparison of dollar costs and dollar benefits, not a comparison of dollar
8 costs and qualitative benefits. The latter comparison provides no useful decision making
9 information because it does not provide a useful threshold decision criterion to qualify
10 programs and projects, does not provide a framework for ranking programs and projects,
11 and does not allow a rational quantitative basis for the magnitude of programs and projects.

12 **Q. DID EACH OF THE UTILITIES PROVIDE THE REQUIRED COMPARISON OF**
13 **THE “COSTS” AND “BENEFITS” IN THEIR SPP FILINGS OR IN RESPONSE**
14 **TO DISCOVERY?**

15 A. No. FPUC and FPL provided no dollar quantifications of benefits in their SPP filings and
16 refused to provide any dollar quantifications in response to OPC discovery. FPUC claimed
17 that it had not quantified avoided cost savings benefits and stated that it did not rely on an
18 economic benefit cost criterion for the selection, ranking, or magnitude of its proposed
19 programs and projects. Both FPUC and FPL argued that the SPP Rule’s text requiring the
20 comparison of costs and benefits did not require the utilities to provide a dollar
21 quantification of the benefits, but instead required only that there had to be benefits, which

1 they qualitatively described to meet the “objectives” and or “requirements” of the SPP
2 Rule.⁴

3 In contrast to FPUC and FPL, DEF and Tampa quantified expected dollar benefits
4 in their SPP filings based on their modeling results and provided additional detail on their
5 modeling and quantifications of the dollar benefits in response to OPC discovery.

6 DEF developed its benefit quantifications using a storm damage model developed by
7 Guidehouse. Tampa developed its benefit quantifications using a Storm Resilience Model,
8 which includes a Storm Impact Model, developed by 1898 & Co.

9 **Q. DOES FPL HAVE A STORM DAMAGE MODEL SIMILAR TO THE MODELS**
10 **THAT WERE USED BY DEF AND TAMPA TO CALCULATE DOLLAR**
11 **BENEFITS?**

12 A. Yes. All four utilities have storm damage models that can be used to quantify the dollar
13 benefits of the SPP programs and projects. However, while DEF and Tampa used their
14 models for their SPPs; FPL and FPUC did not. FPL has developed a storm damage model
15 that it uses to estimate potential damage and restoration costs from hurricanes and tropical
16 storms. This model could be used to quantify the costs that could be avoided (dollar
17 benefits) due to its SPP programs and projects.

18 Regardless of whether FPL has a model that could have been used to calculate
19 dollar benefits, the fact is that FPL chose not to provide dollar benefits in its SPP filing and
20 refused to do so in response to OPC discovery.

⁴ FPL’s response to Interrogatory No. 14(a) in OPC’s Third Set of Interrogatories in Docket No. 20220051-EI. I have attached a copy of this response as my Exhibit LK-3.

[REDACTED]

6 Q. WHAT ARE YOUR RECOMMENDATIONS?

7 A. [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

7 **Q. DID FPL’S CALCULATIONS OF THE ESTIMATED REVENUE**
 8 **REQUIREMENTS ALSO INCLUDE UNIQUE ERRORS THAT SHOULD BE**
 9 **CORRECTED IN THESE PROCEEDINGS?**

10 A. [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

14 **Q. DID THE UTILITIES ALL INCLUDE CWIP IN RATE BASE?**

15 A. [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

⁵ Refer to the SPP revenue requirement calculations provided in FPL’s response to POD No. 1 in OPC’s First Request for Production in Docket No. 20220051-EI as an Excel attachment named “SPP – Annual Rev Req Calculation.”

█ [REDACTED]

█ [REDACTED]

3 Q. IS A RETURN ON CWIP IN RATE BASE EXPLICITLY AUTHORIZED IN THE
4 STATUTE, SPP RULE, OR THE SPPCRC RULE?

5 A. [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

1 **Q. IS IT POSSIBLE TO LEGITIMATELY ASSESS WHETHER CWIP COSTS ARE**
2 **PRUDENT PRIOR TO THE COMPLETION OF CONSTRUCTION AND THE**
3 **CONVERSION OF THE CWIP TO PLANT IN SERVICE?**

4 . [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

10 **Q. ARE THERE ALTERNATIVES TO A RETURN ON CWIP IN RATE BASE**
11 **INCLUDED IN THE REVENUE REQUIREMENT AND CUSTOMER IMPACTS**
12 **CONSISTENT WITH THE SUBSEQUENT CONSIDERATION OF PRUDENCE**
13 **AFTER THE CWIP HAS BEEN CONVERTED TO PLANT IN SERVICE?**

14 A. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

█ [REDACTED]

█ [REDACTED]

3 Q. **DOES THIS COMPLETE YOUR PREFILED DIRECT TESTIMONY?**

4 A. Yes.

1 BY MS. MORSE:

2 Q Mr. Kollen, did your prefiled testimony have
3 three exhibits attached labeled LK-1 through LK-3?

4 A Yes.

5 MS. MORSE: It's my understanding those
6 exhibits LK-1 through LK-3 have been identified on
7 the CEL as hearing exhibits numbers 13 through 15.

8 CHAIRMAN FAY: Mr. Trierweiler was just
9 confirming those numbers are correct. Thank you.

10 MS. MORSE: Thank you.

11 BY MS. MORSE:

12 Q Mr. Kollen, do you have any corrections to
13 make to your exhibits?

14 A No.

15 MS. MORSE: For purposes of making a proffer
16 for the record, I will now address the introduction
17 of Mr. Kollen for the stricken portions of his
18 direct testimony.

19 BY MS. MORSE:

20 Q Mr. Kollen, do you have corrections to the
21 portions of your testimony that were stricken by Order
22 No. 2022-0292?

23 A No.

24 Q If I were to ask you the same questions today,
25 would your answers be the same for the portions of your

1 **testimony which were stricken?**

2 A Yes.

3 MS. MORSE: Mr. Chair, I would ask that the
4 portions of Mr. Kollen's testimony subject to the
5 order granting the motion to strike be entered into
6 the record as though read for purposes of the
7 Office of Public Counsel's proffer.

8 CHAIRMAN FAY: Show that testimony proffered.

9 (Whereupon, prefiled direct proffered
10 testimony of Lane Kollen in Docket No. 20220051 was
11 inserted.)

12

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Review of Storm Protection Plan,
pursuant to Rule 25-6.030, F.A.C., Florida
Power & Light Company.

DOCKET NO. 20220051-EI

FILED: May 31, 2022

DIRECT TESTIMONY**OF****LANE KOLLEN****ON BEHALF OF THE OFFICE OF PUBLIC COUNSEL**

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TABLE OF CONTENTS

| | |
|---|-----------|
| I. QUALIFICATIONS AND SUMMARY | 0 |
| A. QUALIFICATIONS | 0 |
| B. PURPOSE OF TESTIMONY | 1 |
| C. SCOPE OF THE SPP REQUESTS | 2 |
| D. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS | 7 |
| II. DECISION CRITERIA FOR THE RATIONAL SELECTION, RANKING, AND MAGNITUDE OF SPP PROGRAMS AND PROJECTS..... | 10 |
| III. METHODOLOGIES TO CALCULATE THE REVENUE REQUIREMENTS AND CUSTOMER RATE IMPACTS | 21 |
| EXHIBITS: | |
| RESUME OF LANE KOLLEN..... | LK-1 |
| SUMMARY OF EACH UTILITY’S DECISION CRITERIA..... | LK-2 |
| THIRD SET OF INTERROGATORIES, NO. 14 (20220051-EI)..... | LK-3 |

1 **I. QUALIFICATIONS AND SUMMARY**

2 **A. Qualifications**

3 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

4 A. My name is Lane Kollen. My business address is J. Kennedy and Associates, Inc.
5 (“Kennedy and Associates”), 570 Colonial Park Drive, Suite 305, Roswell, Georgia 30075.

6 **Q. DESCRIBE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.**

7 A. I earned a Bachelor of Business Administration (“BBA”) degree in accounting and a
8 Master of Business Administration (“MBA”) degree from the University of Toledo. I also
9 earned a Master of Arts (“MA”) degree in theology from Luther Rice College & Seminary.
10 I am a Certified Public Accountant (“CPA”), with a practice license, Certified Management
11 Accountant (“CMA”), and Chartered Global Management Accountant (“CGMA”). I am a
12 member of numerous professional organizations, including the American Institute of
13 Certified Public Accountants, Institute of Management Accounting, Georgia Society of
14 CPAs, and Society of Depreciation Professionals.

15 I have been an active participant in the utility industry for more than forty years,
16 initially as an employee of The Toledo Edison Company from 1976 to 1983 and thereafter
17 as a consultant in the industry since 1983. I have testified as an expert witness on hundreds
18 of occasions in proceedings before regulatory commissions and courts at the federal and
19 state levels. In those proceedings, I have addressed ratemaking, accounting, finance, tax,
20 and planning issues, among others.

21 I have testified before the Florida Public Service Commission on numerous
22 occasions, including base rate, fuel adjustment clause, acquisition, and territorial

1 proceedings involving Florida Power & Light Company (“FPL”), Duke Energy Florida
2 (“DEF”), Talquin Electric Cooperative, City of Tallahassee, and City of Vero Beach.¹

3 **B. Purpose of Testimony**

4 **Q. ON WHOSE BEHALF ARE YOU PROVIDING TESTIMONY?**

5 A. I am providing this testimony on behalf of the Florida Office of Public Counsel (“OPC”).

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 A. The purpose of my testimony is to address and make recommendations regarding the
8 proposed Storm Protection Plans (“SPP”) filed by Florida Public Utilities Company
9 (“FPUC”), Duke Energy Florida, LLC (“DEF”), Tampa Electric Company (“Tampa”), and
10 Florida Power and Light Company (“FPL”) (collectively, the “utilities”). In this testimony,
11 I specifically address the SPP filed by FPL.

12 ~~I address the scope of the proposed SPPs and the threshold economic decision~~
13 ~~criteria that the Commission should apply to the selection, ranking, and magnitude of SPP~~
14 ~~programs and projects, consistent with the statutory requirements set forth in Section~~
15 ~~366.96, Florida Statutes (2022), Storm Protection Plan Cost Recovery (“SPP Statute”),~~
16 Rule 25-6.030, Florida Administrative Code (“SPP Rule”), and Rule 25-6.031, F.A.C.
17 (“SPPCRC Rule”) to the extent that the outcome of these proceedings will affect the cost
18 recoveries in the Storm Protection Plan Cost Recovery Clause (“SPPCRC”) proceedings
19 pursuant to the SPPCRC Rule. My testimony should be considered in conjunction with the
20 testimony of Mr. Kevin Mara on behalf of OPC.

¹ I have attached a more detailed description of my qualifications and regulatory appearances as my Exhibit LK-1.

1 **C. Scope of the SPP Requests**

2 **Q. PLEASE SUMMARIZE THE SPP REQUESTS.**

3 A. In the aggregate, the four utilities seek authorization for programs and projects they
 4 estimate will cost \$25.323 billion over the next ten years (2023-2032), consisting of
 5 \$23.167 billion in capital expenditures and \$2.156 billion in operation and maintenance
 6 (“O&M”) expense. The capital expenditures will have a growing and cumulative
 7 ratemaking impact for the duration of the SPPs and beyond of 40 or more years over the
 8 service lives of the plant assets. These amounts are in addition to the capital expenditures
 9 and O&M expense expended in prior years and this year for storm hardening and storm
 10 protection programs. The utilities also expect to seek authorization for additional amounts
 11 in subsequent SPP updates beyond the ten years reflected in these proceedings.

12 The following tables provide a summary of the estimated SPP program
 13 expenditures for each utility by year and in total for the ten-year period.

| Florida Public Utilities Company | | | | | | | | | | | |
|----------------------------------|------|------|------|------|------|------|------|------|------|------|-------|
| SPP Program Expenditures | | | | | | | | | | | |
| \$ Millions | | | | | | | | | | | |
| SPP Costs by Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
| Capital Total | 2.3 | 6.7 | 16.9 | 54.2 | 53.2 | 19.9 | 19.6 | 19.8 | 25.3 | 25.2 | 243.1 |
| O&M Expense Total | 1.4 | 1.6 | 1.9 | 3.0 | 2.9 | 1.8 | 1.8 | 1.8 | 1.9 | 1.9 | 20.0 |
| Overall Total | 3.7 | 8.3 | 18.7 | 57.2 | 56.1 | 21.8 | 21.4 | 21.6 | 27.2 | 27.1 | 263.1 |

| Duke Energy Florida, LLC | | | | | | | | | | | |
|--------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|
| SPP Program Expenditures | | | | | | | | | | | |
| \$ Millions | | | | | | | | | | | |
| SPP Costs by Year | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Total |
| Capital Total | 602.7 | 693.4 | 775.2 | 748.8 | 747.7 | 749.7 | 748.5 | 750.6 | 749.4 | 751.6 | 7,317.5 |
| O&M Expense Total | 72.1 | 77.1 | 79.0 | 78.1 | 79.0 | 81.8 | 82.4 | 85.8 | 86.8 | 90.0 | 812.0 |
| Overall Total | 674.8 | 770.5 | 854.1 | 826.9 | 826.7 | 831.5 | 830.9 | 836.4 | 836.2 | 841.6 | 8,129.5 |

| Tampa Electric Company SPP Program Expenditures \$ Millions | | | | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| SPP Costs by Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
| Capital Total | 169.9 | 168.7 | 173.1 | 172.9 | 169.0 | 167.5 | 169.6 | 166.0 | 172.5 | 169.4 | 1,698.7 |
| O&M Expense Total | 31.0 | 34.0 | 33.7 | 35.2 | 36.3 | 37.7 | 39.6 | 41.2 | 43.1 | 45.3 | 377.1 |
| Overall Total | 200.9 | 202.7 | 206.8 | 208.2 | 205.4 | 205.2 | 209.2 | 207.3 | 215.6 | 214.7 | 2,075.9 |

| Florida Power & Light Company SPP Program Expenditures \$ Millions | | | | | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| SPP Costs by Year Total Company | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Total |
| Capital Total | 1,458.9 | 1,559.5 | 1,520.4 | 1,200.8 | 1,319.0 | 1,350.0 | 1,388.4 | 1,423.4 | 1,347.6 | 1,340.1 | 13,908.0 |
| O&M Expense Total | 86.0 | 86.7 | 88.0 | 88.2 | 94.1 | 100.3 | 99.8 | 100.5 | 100.9 | 101.5 | 946.2 |
| Overall Total | 1,544.9 | 1,646.3 | 1,608.4 | 1,289.0 | 1,413.1 | 1,450.3 | 1,488.2 | 1,523.9 | 1,448.5 | 1,441.6 | 14,854.2 |

Q. WHAT EFFECTS WILL THE REQUESTS HAVE ON CUSTOMER RATES?

A. The incremental effects on present customer rates will be significant as measured over multiple ratemaking metrics, including SPP revenue requirements, net plant in service, annual electric revenues, and cost per customer. The following table provides a summary of the revenue requirements by utility and in the aggregate by year and in total for the ten-year period.

| Florida Public Utilities Company SPP Program Revenue Requirements \$ Millions | | | | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| SPP Revenue Requirements By Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
| Capital Total | 0.3 | 0.6 | 2.0 | 6.0 | 12.5 | 17.0 | 19.0 | 21.0 | 23.2 | 25.7 | 127.3 |
| O&M Expense Total | 1.4 | 1.6 | 1.9 | 3.0 | 2.9 | 1.8 | 1.8 | 1.8 | 1.9 | 1.9 | 20.0 |
| Overall Total | 1.7 | 2.2 | 3.9 | 9.0 | 15.4 | 18.9 | 20.8 | 22.8 | 25.1 | 27.6 | 147.3 |

Duke Energy Florida, LLC
SPP Program Revenue Requirements
\$ Millions

| SPP Revenue Requirements By Year | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Total |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Capital Total | 77.3 | 144.2 | 217.9 | 303.3 | 378.5 | 451.1 | 522.2 | 590.7 | 657.8 | 722.1 | 4,065.2 |
| O&M Expense Total | 72.1 | 77.1 | 79.0 | 78.1 | 79.0 | 81.8 | 82.4 | 85.8 | 86.8 | 90.0 | 812.0 |
| Overall Total | 149.4 | 221.3 | 296.8 | 381.4 | 457.5 | 533.0 | 604.7 | 676.5 | 744.6 | 812.1 | 4,877.2 |

1

Tampa Electric Company
SPP Program Revenue Requirements
\$ Millions

| SPP Revenue Requirements By Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Capital Total | 17.2 | 35.8 | 53.8 | 72.3 | 91.4 | 109.8 | 127.9 | 145.5 | 163.0 | 180.0 | 996.6 |
| O&M Expense Total | 30.7 | 33.6 | 33.4 | 34.9 | 36.0 | 37.4 | 39.3 | 40.9 | 42.8 | 44.9 | 374.0 |
| Overall Total | 47.9 | 69.4 | 87.2 | 107.2 | 127.4 | 147.3 | 167.2 | 186.4 | 205.7 | 224.9 | 1,370.7 |

2

Florida Power & Light Company
SPP Program Revenue Requirements
\$ Millions

| SPP Revenue Requirements By Year Jurisdictional | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Total |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Capital Total | 332.9 | 509.3 | 685.9 | 836.6 | 971.5 | 1,112.3 | 1,254.0 | 1,396.5 | 1,533.2 | 1,661.6 | 10,293.8 |
| O&M Expense Total | 85.2 | 85.9 | 87.2 | 87.5 | 93.3 | 99.4 | 98.9 | 99.6 | 100.0 | 100.6 | 937.6 |
| Overall Total | 418.0 | 595.2 | 773.2 | 924.1 | 1,064.8 | 1,211.7 | 1,352.9 | 1,496.1 | 1,633.2 | 1,762.2 | 11,231.3 |

3

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8

In addition to the revenue requirement effects of the proposed SPPs shown on the preceding tables, the following tables compare other ratemaking metrics, including capital expenditures compared to present net plant in service, increases in the revenue requirement compared to present revenues, and the cost per customer. These metrics provide additional context as to the magnitude and the impacts on customer rates.

Total 10-Year Projected Spend and Revenue Requirements
Compared to Total Net Plant in Service and Revenues
Actual Results For the 12 Months Ended December 31, 2021
\$ Millions

| | Net Plant In Service | 10-Year Proposed Capital Spend | Percentage Increase in Net Plant | 2021 Electric Revenues | Projected SPP Revenue Requirement In Year 10 | Percentage Increase in Revenues |
|-------|-------------------------------|---|---|------------------------------|--|--|
| FPL | 44,891.0 | 13,908.0 | 31.0% | 12,244.3 | 1,762.2 | 14.4% |
| Duke | 16,946.5 | 7,317.5 | 43.2% | 5,111.8 | 812.1 | 15.9% |
| TEC | 7,215.5 | 1,698.7 | 23.5% | 2,180.0 | 224.9 | 10.3% |
| FPUC | <u>94.0</u> | <u>243.1</u> | <u>258.6%</u> | <u>83.7</u> | <u>27.6</u> | <u>33.0%</u> |
| Total | <u>69,147.0</u> | <u>23,167.4</u> | <u>33.5%</u> | <u>19,619.8</u> | <u>2,826.8</u> | <u>14.4%</u> |

1

Total 10-Year Projected SPP Investment Per Customer
Includes Capital and O&M Investment

| | Customers | Projected 10-Year Total Investment \$ Millions | 10-Year Investment Per Customer \$ |
|-------|------------------|--|--|
| FPL | 5,700,000 | 14,854.2 | 2,606 |
| Duke | 1,879,073 | 8,129.5 | 4,326 |
| TEC | 824,322 | 2,075.9 | 2,518 |
| FPUC | <u>32,993</u> | <u>263.1</u> | <u>7,976</u> |
| Total | <u>8,436,388</u> | <u>25,322.7</u> | <u>3,002</u> |

2

3 **Q. HOW DO THESE COSTS COMPARE TO THE BENEFITS FROM POTENTIAL**
4 **SAVINGS IN STORM DAMAGE AND RESTORATION COSTS?**

5 A. The estimated costs are much greater than the benefits from potential savings for each
6 utility and for nearly all of the programs and projects, although FPUC and FPL did not,

1 and refused to, provide quantifications of the benefits from potential savings in storm
2 damage and restoration costs.

3 The following table provides a summary of the costs and dollar benefits by utility
4 and in the aggregate by year and in total for the ten-year period and a fifty-year period. I
5 show \$0 (“n/a”) in benefits for FPUC and FPL, consistent with their failure to quantify any
6 benefits from potential savings in storm damage and restoration costs.

| Total 10-Year Projected SPP Costs and Benefits Summary Includes Capital and O&M Investment | | | | | | |
|---|--|---|--|--|--|--|
| | Projected 10-Year Total Investment \$ Millions | Projected Annual Avoided Restoration Costs \$ Millions | Escalated Avoided Restoration Costs Over 10 Years \$ Millions | Benefits to Costs Ratio 10 Years % | Escalated Avoided Restoration Costs Over 50 Years \$ Millions | Benefits to Costs Ratio 50 Years % |
| FPL | 14,854.2 | n/a | n/a | n/a | n/a | n/a |
| Duke | 8,129.5 | 56.5 | 647.7 | 8% | 6,373.0 | 78% |
| TEC | 2,075.9 | 13.0 | 149.5 | 7% | 1,470.6 | 71% |
| FPUC | <u>263.1</u> | <u>n/a</u> | <u>n/a</u> | n/a | <u>n/a</u> | n/a |
| Total | <u>25,322.7</u> | <u>69.5</u> | <u>797.2</u> | | <u>7,843.6</u> | |

Note: Benefits Calculations Not Provided by FPL and FPUC.

7

8 **Q. WHY ARE THESE SUMMARIES AND COMPARISONS SIGNIFICANT IN**
9 **THESE PROCEEDINGS?**

10 A. They provide context for the Commission in its review of the proposed SPPs, including the
11 sheer magnitude of the incremental capital expenditures and O&M expense and the rate
12 impacts of these costs, ~~as well as for the establishment and application of threshold decision~~
13 ~~criteria for the selection, ranking, and magnitude of the SPP programs and projects that are~~

1 ~~authorized.~~ They also demonstrate that the costs of the proposed SPP programs and
2 projects far outweigh the benefits from savings in storm damage and restoration costs.

3 The Commission also should keep in mind that the impact of the SPP programs is
4 yet another addition to the customer bill in an environment of high inflation, skyrocketing
5 natural gas prices and other base rate increases.

6 **D. Summary of Conclusions and Recommendations**

7 **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS.**

8 A. Each utility's proposed SPP capital expenditures, O&M expenses, increases in rate base,
9 and resulting increases in customer rates are significant. The SPP capital expenditures and
10 O&M expenses are incremental costs with incremental customer rate impacts. The
11 framework, scope, selection, ranking, magnitude, ~~prudence~~, and authorization to proceed
12 of the SPP programs and projects will be determined in these proceedings, not in the
13 subsequent SPPCRC proceeding. Therefore, the decision criteria, ratemaking principles,
14 and rate recovery of the SPP project costs are important factors in the decision making
15 process in this and the other SPP proceedings now pending.

16 ~~To qualify for inclusion in the SPP proceedings and cost recovery in the SPPCRC~~
17 ~~proceedings, the projects and the costs of the projects must be incremental, not simply~~
18 ~~displacements of base rate costs that would have been incurred during the normal course~~
19 ~~of business, as well as prudent, used and useful, and just and reasonable both as to amount~~
20 ~~and customer impact. These factors must be considered in the decision process in the SPP~~
21 ~~proceedings, not limited to the review that will take place in the SPPCRC proceedings after~~
22 ~~the projects are selected and costs already have been incurred.~~

1 The Commission should apply rational and specific decision criteria to the
2 selection, ranking, and magnitude of the proposed programs and projects and apply those
3 decision criteria consistently to all four utilities in these proceedings. The decision criteria
4 should include justification in the form of a benefit/cost analysis in addition to the
5 qualitative assessments of whether the programs and projects will reduce restoration costs
6 and outage times. ~~The economic justification is an important consideration in whether the~~
7 ~~programs and projects are prudent and reasonable, a determination that can only be made~~
8 ~~in the SPP proceedings,~~ in contrast to whether the costs actually incurred during
9 implementation of the programs and projects were prudently incurred and reasonable,
10 which is determined in the SPPCRC proceeding.

11 In addition, the total multi-year customer rate impact can be considered only in the
12 SPP proceeding. The SPPCRC proceedings address the actual recovery and annual
13 customer rate impact only after the decision process in these SPP proceedings is complete,
14 projects are approved, and the SPP programs and projects are implemented.

15 ~~Further, it is critical that the customer rate impact reflect only the incremental cost~~
16 ~~of the SPP projects and that all avoided cost savings be reflected as offsets to those costs~~
17 ~~either through reductions to the SPPCRC or through reductions to base rates. However, in~~
18 ~~their SPP filings, the utilities did not, with limited exceptions, explicitly exclude the costs~~
19 ~~presently recovered in base rates or expressly account for any avoided cost savings. The~~
20 ~~utilities will retain the avoided cost savings for costs presently recovered in base rates~~
21 ~~unless these costs are addressed in this proceeding and the SPPCRC proceedings or~~
22 ~~otherwise included in a negotiated resolution.~~

1 ~~I recommend that the Commission adopt and consistently apply decision criteria~~
2 ~~for the selection, ranking, magnitude, and prudence of the SPP programs and projects for~~
3 ~~the four utilities to ensure that the utilities do not use the SPP and SPPCRC process to~~
4 ~~displace costs that are subject to and recoverable through the base rate process and shift~~
5 ~~those costs to recover them through the SPP and SPPCRC process.~~

6 ~~I concur with Witness Mara's recommendation to exclude the costs of programs~~
7 ~~and projects that displace base rate costs that would have been incurred during the normal~~
8 ~~course of business and that are not incurred on an incremental basis specifically to achieve~~
9 ~~the objectives of the SPP Rule.~~

10 ~~I recommend that the Commission reject all proposed SPP projects that are not~~
11 ~~economic, meaning that they do not have a benefit to cost ratio of at least 100%. Projects~~
12 ~~with a benefit to cost ratio of less than 100% are not economic, cannot be considered~~
13 ~~prudent at the point of decision in this proceeding, and cannot be considered prudent or~~
14 ~~just and reasonable for future recovery through the SPPCRC.~~

15 ~~I recommend that the Commission adopt and consistently apply uniform~~
16 ~~methodologies among the utilities to determine the revenue requirements and rate impacts~~
17 ~~of the programs and projects in these proceedings and that it carry through those uniform~~
18 ~~methodologies to the rate calculations in the SPPCRC proceeding. More specifically, I~~
19 ~~recommend that the Commission: 1) exclude construction work in progress ("CWIP") from~~
20 ~~both the return on rate base and depreciation expense, and instead allow a deferred return~~
21 ~~on the CWIP until it is converted to plant in service or prudently abandoned, 2) allow~~
22 ~~property tax only on the net plant at the beginning of each year, 3) require a credit for the~~
23 ~~avoided depreciation expense on plant that is retired due to SPP plant investments, 4)~~

~~1 require a realignment of the costs of pole inspections and vegetation management from
2 base rates to the SPPCRC, and 5) require a credit for the avoided O&M expenses due to
3 the SPP plant investments and SPP O&M expenses.~~

4 **II. DECISION CRITERIA FOR THE RATIONAL SELECTION, RANKING, AND**
5 **MAGNITUDE OF SPP PROGRAMS AND PROJECTS**

6 **Q. DESCRIBE THE FRAMEWORK FOR THE SELECTION AND RANKING OF**
7 **SPP PROGRAMS AND PROJECTS.**

8 A. Section 366.96, Fla. Stat., and Rule 25-6.030, F.A.C., establish the required framework for
9 the utility's SPP, including the utility's identification of projects that are designed to reduce
10 outage restoration costs and outage times, information necessary to develop and apply
11 decision criteria for the selection, ranking, and magnitude of the SPP programs and costs,
12 estimates of the customer rate impacts, and parameters for recovery of the actual costs
13 incurred for the SPP projects offset by costs recovered through base rates and other clause
14 recoveries as well as savings in those costs.

15 The SPP framework provides important customer safeguards that should be
16 enforced to require the utility to: 1) identify new programs and projects or the expansion
17 of existing programs and projects that are not within the scope of its existing base rate
18 programs and cost recoveries in the normal course of business; 2) limit requests to
19 programs and projects that are prudent and reasonable; 3) justify the selections, rankings,
20 and magnitude of SPP programs, projects, and costs; 4) ensure there is a comparison of
21 benefits to costs; 5) effectively consider the rate impact on customers, and 6) ensure that
22 the utility only recovers incremental costs, net of decremental (avoided) costs or reductions
23 in costs (savings), through the SPPCRC.

1 ~~More specifically, Section 366.96(8), Fla. Stat. limits SPP programs and projects~~
2 ~~to costs not recovered through the utility's base rates. Section 366.96(8), Fla. Stat., states~~
3 ~~in part: "The annual transmission and distribution storm protection plan costs may not~~
4 ~~include costs recovered through the public utility's base rates."~~

5 ~~Section 366.96(2)(c), Fla. Stat., limits SPP programs and projects to costs that are~~
6 ~~prudent and reasonable. The Statute further defines "[t]ransmission and distribution storm~~
7 ~~protection plan costs" as "the reasonable and prudent costs to implement an approved~~
8 ~~transmission and distribution storm protection plan." § 366.96(2)(c), Fla. Stat. Similarly,~~
9 ~~the SPPCRC Rule requires that costs included in the SPPCRC be "prudent" and~~
10 ~~"reasonable." Rule 25-6.031(3), F.A.C. Although the requirements found in the statute~~
11 ~~are repeated in the SPPCRC Rule, the determination of whether the costs included in the~~
12 ~~SPPCRC are prudent and reasonable necessarily requires that the SPP programs and~~
13 ~~projects approved in the SPP docket must be prudent to undertake and implement and that~~
14 ~~the estimated costs of the programs and projects are reasonable as a threshold matter. The~~
15 ~~sequential nature of these determinations effectively limits any subsequent assessment of~~
16 ~~prudence and reasonableness in the SPPCRC proceeding to an after-the-fact assessment of~~
17 ~~the utility's implementation of each project and the actual costs incurred.~~

18 ~~In addition, the SPP Rule requires that the utility quantify the "benefits" and costs,~~
19 ~~compare the benefits to the costs, and provide an estimate of the revenue requirement~~
20 ~~effects for each year of the SPP. Rule 25-6.030(3)(d)4, and (3)(g), F.A.C. Section~~
21 ~~366.96(4), Fla. Stat. requires the Commission to consider this evidence in its evaluation of~~
22 ~~the SPPs. This information allows the Commission and intervening parties to determine if~~
23 ~~the proposed projects are economic, or cost justified, to establish thresholds, or cutoff~~

1 ~~limitations, based on whether the projects are wholly or partially self-funding through cost~~
2 ~~savings, or “benefits,” and to consider these factors in establishing limitations based on the~~
3 ~~customer rate impact, not only in the first year, but over the life of the SPP itself, and then~~
4 ~~beyond the SPP, extending over the lives of the SPP project costs that were capitalized.~~

5 ~~Further, Section 366.96, Fla. Stat., and the SPPCRC Rule limit the costs eligible~~
6 ~~for recovery through the SPPCRC to incremental costs net of avoided costs (savings). The~~
7 ~~statute and this Rule specifically require the exclusion of costs that are recovered through~~
8 ~~base rates and other clause forms of ratemaking recovery.²~~

9 **Q. ARE THE SPP RULE AND THE SPPCRC RULE SEQUENTIAL AND**
10 **INTERRELATED?**

11 A. Yes. Certain ratemaking determinations required pursuant to the SPPCRC Rule
12 necessarily start with an assessment of the SPP programs and projects that can only be
13 performed in the SPP proceeding, and then are confirmed and refined in the SPPCRC
14 proceeding for cost recovery purposes.

15 ~~In the SPP proceeding, the Commission must determine the prudence of the~~
16 ~~programs upfront based on whether they are economically justified, whether the projected~~
17 ~~costs are just and reasonable, and whether the customer rate impact is reasonable. This~~
18 ~~requires the application of objective thresholds and related screening criteria to select, rank,~~
19 ~~and determine the magnitude of SPP projects. The Commission also must determine~~
20 whether the Company has quantified the revenue requirement and customer rate impacts

² § 366.96(8), Fla. Stat.; Rule 25.6.031(6)(a), F.A.C.

1 in an accurate and comprehensive manner, although the final SPPCRC rate quantifications
2 will be performed in the SPPCRC proceeding.

3 **Q. ARE EACH OF THE UTILITIES' PROPOSED SPP PROGRAMS AND**
4 **PROJECTS OUTSIDE THE SCOPE OF THE EXISTING BASE RATE**
5 **PROGRAMS AND COST RECOVERIES IN THE NORMAL COURSE OF**
6 **BUSINESS?**

7 ~~A. No. FPL and each of the other utilities have included programs and projects that are within~~
8 ~~the scope of their existing base rate programs and base rate recoveries in the normal course~~
9 ~~of business. These programs and projects are listed and addressed in greater detail by~~
10 ~~Witness Mara. These programs and projects should be excluded from the SPPs and the~~
11 ~~costs should be excluded from recovery through the SPPCRCs.~~

12 ~~The SPPs and SPPCRCs are for new and expanded programs and projects that will~~
13 ~~reduce restoration costs and outage times and for the recovery of the incremental costs of~~
14 ~~the SPP programs and projects, not to displace base rate programs and base rate recoveries.~~
15 ~~Nor are the SPPs and SPPCRCs an alternative and expedited form of rate recovery for any~~
16 ~~and all costs that arguably improve resiliency or reliability. Absent a demonstrable~~
17 ~~simultaneous, equivalent corresponding reduction of base rates, neither the SPP Statute nor~~
18 ~~the SPP or SPPCRC Rules authorize the Commission or the utilities to displace and exclude~~
19 ~~programs and costs from base rates and then include the programs and costs in the SPPs~~
20 ~~and SPPCRCs.~~

1 **Q. ARE EACH OF FPL'S PROPOSED PROGRAMS AND PROJECTS PRUDENT**
2 **AND REASONABLE?**

3 A. ~~No. FPL's programs and costs are not prudent and reasonable unless they meet all of the~~
4 ~~requirements of the SPP and the SPPCRC Rules that I previously described. Certain of the~~
5 ~~utility's programs and projects fail these requirements because they are not new or~~
6 ~~expansions of existing programs outside of base rates in the normal course of business;~~
7 ~~certain programs and projects fail because they are not economic.~~

8 **Q. DID THE UTILITIES CONSISTENTLY APPLY A BENEFIT/COST ANALYSIS**
9 **TO DETERMINE THE SELECTION, RANKING, AND MAGNITUDE OF THE**
10 **SPP PROGRAMS?**

11 A. No. The utilities used a variety of decision criteria, qualitative and quantitative, but none
12 of them relied on a benefit/cost analysis as a threshold decision criterion to qualify a
13 program or project for inclusion in its SPP. Nor were the decision criteria consistent among
14 the utilities or even among each utility's SPP programs and projects.³

15 Neither FPUC nor FPL developed or relied on any benefit/cost analysis. Although
16 neither DEF nor Tampa developed or relied on benefit/cost analyses as a threshold decision
17 criterion to qualify their programs, they both used a form of benefit/cost analysis for the
18 ranking and the magnitude of their programs.

³ I have attached a brief summary of each utility's decision criteria as my Exhibit LK-2.

1 **Q. WHY IS AN ECONOMIC JUSTIFICATION NECESSARY AS A THRESHOLD**
2 **DECISION CRITERION TO QUALIFY PROGRAMS OR PROJECTS FOR**
3 **INCLUSION IN THE SPP?**

4 A. ~~Fundamentally, SPP programs and projects should be authorized only if the benefits exceed~~
5 ~~the costs; in other words, the benefit-to-cost ratio should be at least 100%. Neither the~~
6 ~~statute nor the SPP Rule require the Commission to approve SPP programs and projects~~
7 ~~that are uneconomic even if they meet the statutory and SPP Rule objectives to reduce~~
8 ~~restoration costs and outage times.~~

9 ~~The programs and projects submitted within the SPP are discretionary and must be~~
10 ~~incremental, meaning their scope and the costs should be above and beyond the present~~
11 ~~scope and costs for actual and planned capital expenditures and O&M expenses recovered~~
12 ~~in base rates in the normal course of business. By its terms, the SPP Rule requires the~~
13 ~~utility to address and undertake projects “to enhance the utility’s existing infrastructure for~~
14 ~~the purpose of reducing restoration costs and outage times associated with extreme weather~~
15 ~~conditions therefore improving overall service reliability.” Rule 25-6.030(2)(a), F.A.C.~~

16 ~~The SPP programs and projects must be incremental, including the expansions of~~
17 ~~the pole inspection and vegetation management programs and projects that were previously~~
18 ~~in effect. If the projects actually had been necessary as base rate programs in the normal~~
19 ~~course of business, but the utility failed to undertake them, then the utility would have been,~~
20 ~~and would continue to be, imprudent for its failure to construct “transmission and~~
21 ~~distribution facilities” that would withstand “extreme weather events” and its failure to~~
22 ~~undertake maintenance activities that would reduce outage durations and outage expenses.~~
23 ~~No utility and no other party has made that argument.~~

1 ~~The economic justification standard allows the utility to propose, and the~~
2 ~~Commission to set, an appropriate and reasonable benefit-to-cost threshold, whether it is~~
3 ~~the minimum 100% that I recommend or something greater or lesser.~~

4 ~~In addition, the economic justification allows the utility and the Commission to~~
5 ~~rank proposed programs and projects to achieve the greatest value at the lowest customer~~
6 ~~rate impact.~~

7 ~~Further, the economic justification allows the utility and the Commission to~~
8 ~~determine the maximum amount (magnitude) of expenditures for each SPP program and~~
9 ~~project that will result in net benefits to the utility's customers.~~

10 **Q. HOW SHOULD THE COMMISSION DETERMINE WHETHER THE PROPOSED**
11 **SPP PROGRAMS AND PROJECTS ARE ECONOMICALLY JUSTIFIED?**

12 A. ~~Typically, economic justification is based on a comparison of the incremental revenues or~~
13 ~~benefits (savings) that are achieved or achievable to the incremental costs of a project, with~~
14 ~~the benefits measured as the avoided costs that will not be incurred due to the SPP programs~~
15 ~~and projects and the incremental costs as the sum of the annual revenue requirements for~~
16 ~~the SPP programs and projects. The savings in costs includes not only the avoided outage~~
17 ~~restoration costs that will not be incurred due to extreme weather events, but also the~~
18 ~~reductions in maintenance expense from the new SPP assets that require less maintenance~~
19 ~~than the base rate assets that were replaced and the future savings due to near-term~~
20 ~~accelerated and enhanced vegetation management activities and expense.~~

1 **Q. DOES THE SPP RULE REQUIRE THAT THE UTILITIES PROVIDE A**
2 **COMPARISON OF THE “COSTS” AND “BENEFITS” TO DETERMINE IF THE**
3 **PROGRAMS AND PROJECTS ARE ECONOMICALLY JUSTIFIED?**

4 A. Yes. The SPP Rule requires the utility to provide “[a] comparison of the costs identified
5 in subparagraph (3)(d)3. and the benefits identified in subparagraph (3)(d)1.” Rule 25-
6 6.030(3)(d)4, F.A.C. The context and juxtaposition of the terms “costs” and “benefits”
7 strongly imply a comparison of dollar costs and dollar benefits, not a comparison of dollar
8 costs and qualitative benefits. The latter comparison provides no useful decision making
9 information because it does not provide a useful threshold decision criterion to qualify
10 programs and projects, does not provide a framework for ranking programs and projects,
11 and does not allow a rational quantitative basis for the magnitude of programs and projects.

12 **Q. DID EACH OF THE UTILITIES PROVIDE THE REQUIRED COMPARISON OF**
13 **THE “COSTS” AND “BENEFITS” IN THEIR SPP FILINGS OR IN RESPONSE**
14 **TO DISCOVERY?**

15 A. No. FPUC and FPL provided no dollar quantifications of benefits in their SPP filings and
16 refused to provide any dollar quantifications in response to OPC discovery. FPUC claimed
17 that it had not quantified avoided cost savings benefits and stated that it did not rely on an
18 economic benefit cost criterion for the selection, ranking, or magnitude of its proposed
19 programs and projects. Both FPUC and FPL argued that the SPP Rule’s text requiring the
20 comparison of costs and benefits did not require the utilities to provide a dollar
21 quantification of the benefits, but instead required only that there had to be benefits, which

1 they qualitatively described to meet the “objectives” and or “requirements” of the SPP
2 Rule.⁴

3 In contrast to FPUC and FPL, DEF and Tampa quantified expected dollar benefits
4 in their SPP filings based on their modeling results and provided additional detail on their
5 modeling and quantifications of the dollar benefits in response to OPC discovery.

6 DEF developed its benefit quantifications using a storm damage model developed by
7 Guidehouse. Tampa developed its benefit quantifications using a Storm Resilience Model,
8 which includes a Storm Impact Model, developed by 1898 & Co.

9 **Q. DOES FPL HAVE A STORM DAMAGE MODEL SIMILAR TO THE MODELS**
10 **THAT WERE USED BY DEF AND TAMPA TO CALCULATE DOLLAR**
11 **BENEFITS?**

12 A. Yes. All four utilities have storm damage models that can be used to quantify the dollar
13 benefits of the SPP programs and projects. However, while DEF and Tampa used their
14 models for their SPPs; FPL and FPUC did not. FPL has developed a storm damage model
15 that it uses to estimate potential damage and restoration costs from hurricanes and tropical
16 storms. This model could be used to quantify the costs that could be avoided (dollar
17 benefits) due to its SPP programs and projects.

18 Regardless of whether FPL has a model that could have been used to calculate
19 dollar benefits, the fact is that FPL chose not to provide dollar benefits in its SPP filing and
20 refused to do so in response to OPC discovery.

⁴ FPL’s response to Interrogatory No. 14(a) in OPC’s Third Set of Interrogatories in Docket No. 20220051-EI. I have attached a copy of this response as my Exhibit LK-3.

1 **Q. ARE ANY OF THE UTILITIES' SPP PROGRAMS ECONOMICALLY**
2 **JUSTIFIED?**

3 A. No. This is extremely problematic. None of the SPP programs has benefits that exceed
4 the costs. None of the utilities used a benefit/cost test to qualify its programs or projects,
5 although DEF and Tampa used a flawed form of a benefit/cost test to rank their programs
6 and projects and to determine the maximum expenditure levels for its programs.

7 **Q. IF THE SPP PROGRAMS ARE NOT ECONOMICALLY JUSTIFIED, CAN THE**
8 **PROGRAMS AND PROJECTS OR THE RELATED COSTS BE PRUDENT OR**
9 **REASONABLE?**

10 A. ~~No. The statute and the SPP Rule require that the programs and the incremental cost of the~~
11 ~~programs be prudent and reasonable. If the programs and projects are not economically~~
12 ~~justified, then the costs should not be incurred; if they are not economically justified, then~~
13 ~~the programs and projects cannot be prudent and the costs would be imprudent and~~
14 ~~unreasonable.~~

15 ~~The Commission, not the utility, is the arbiter of whether these programs and~~
16 ~~projects are prudent and reasonable. It is not enough for the utility simply to assert that the~~
17 ~~programs and projects will reduce restoration costs and outage times (without quantifying~~
18 ~~the dollar benefits from the reduction of restoration costs and outage times). This bar is a~~
19 ~~starting point as an initial screening criterion, but it is insufficient in and of itself for a~~
20 ~~determination of prudence and reasonableness.~~

21 ~~Prudence requires that additional decision criteria be applied to determine the~~
22 ~~selection, ranking, and magnitude of the programs and projects and the costs. Specifically,~~

~~an economic benefit/cost criterion is required to determine what programs, if any, are cost effective to undertake. In simple terms, it defies rational thought to undertake discretionary programs and projects and to incur the incremental costs for those programs and projects if the economic benefits are not at least equal to the costs. This is especially relevant given the current economic hardships for ratepayers.~~

Q. WHAT ARE YOUR RECOMMENDATIONS?

~~A. I recommend that the Commission adopt and consistently apply specific decision criteria for the selection, ranking, and magnitude of the utilities' SPP programs and projects for the four utilities to ensure that the utilities are not able to use the SPP and SPPCRC process to displace base rate costs that are subject to and recoverable through the base rate process and shift those costs to recover them through the SPP and SPPCRC process.~~

~~I concur with Witness Mara's recommendation to exclude the costs of programs and projects that displace base rate costs that would have been incurred during the normal course of business and that are not incurred on an incremental basis specifically to achieve the objectives of the SPP Rule.~~

~~I recommend that the Commission reject all proposed SPP projects that are not economic, meaning that they do not have a benefit to cost ratio of at least 100%. Projects with a benefit to cost ratio of less than 100% are not economic, cannot be considered prudent at the point of decision in this proceeding, and cannot be considered prudent or just and reasonable for future recovery through the SPPCRC.~~

~~Alternatively, I recommend that the Commission minimize the customer rate impact (harm) of uneconomic SPP programs and projects by setting a minimum threshold~~

~~1 benefit/cost ratio for the selection and magnitude of the SPP programs and projects, such
2 as 70%, or limiting the rate impact over the life of the SPP to a defined threshold, such as
3 10% over the ten-year term of each utility's proposed SPP programs. Such thresholds
4 would result in ranking projects with greater benefits to customers and winnowing projects
5 with lesser benefits to customers, as well as limiting the magnitude of the customer rate
6 impact of the SPP programs and projects.~~

**7 III. METHODOLOGIES TO CALCULATE THE REVENUE REQUIREMENTS AND
8 CUSTOMER RATE IMPACTS**

**9 Q. DID THE UTILITIES CONSISTENTLY CALCULATE THE REVENUE
10 REQUIREMENT EFFECTS OF THEIR SPP PROGRAMS?**

~~11 A. No. Although each of the utilities calculated the revenue requirements as the sum of the
12 return on rate base plus O&M expense, depreciation expense, and property tax expense,
13 there were differences among the utilities in their calculations of rate base, depreciation
14 expense, and property tax expense. Most significantly, there were differences in their
15 assumptions regarding the conversions of CWIP to plant in service and the resulting
16 calculations of depreciation expense and differences in the calculations of property tax
17 expense.~~

~~18 Only Tampa reflected any reductions in depreciation expense on retired plant
19 recovered in base rates that will be replaced by SPP plant assets and recovered through the
20 SPPCRCs. None of utilities reflected reductions in O&M expenses recovered in base rates
21 due to savings from the SPP programs and projects. Both reductions are necessary to~~

1 ~~ensure that the utilities do not recover costs that they no longer incur as a result of the SPP~~
2 ~~programs.~~

3 ~~If these additional savings are not considered in these SPP proceedings and~~
4 ~~accounted for in the SPPCRC proceeding or otherwise reflected in a negotiated resolution,~~
5 ~~then the utilities will retain the savings due to the reductions in expenses that presently are~~
6 ~~recovered in base rates.~~

7 **Q. DID FPL'S CALCULATIONS OF THE ESTIMATED REVENUE**
8 **REQUIREMENTS ALSO INCLUDE UNIQUE ERRORS THAT SHOULD BE**
9 **CORRECTED IN THESE PROCEEDINGS?**

10 A. ~~Yes. FPL had one unique error in its calculations of the SPP revenue requirements and~~
11 ~~customer rate impact. FPL improperly calculated property tax expense on the net plant~~
12 ~~balance at the end of each year rather than at the end of the prior year.⁵ This error should~~
13 ~~be considered and corrected in this SPP proceeding and in the SPPCRC proceeding.~~

14 **Q. DID THE UTILITIES ALL INCLUDE CWIP IN RATE BASE?**

15 A. ~~Yes, although there were differences in the assumptions regarding the conversions of~~
16 ~~CWIP to plant in service among the utilities. More specifically, FPUC assumed that all~~
17 ~~capital expenditures were closed to plant in service as expended in the current year. DEF~~
18 ~~assumed that CWIP was converted to plant in service throughout the current year. Tampa~~
19 ~~assumed that CWIP was converted to plant in service throughout the current year. FPL~~

⁵ Refer to the SPP revenue requirement calculations provided in FPL's response to POD No. 1 in OPC's First Request for Production in Docket No. 20220051-EI as an Excel attachment named "SPP – Annual Rev Req Calculation."

1 ~~assumed that capital expenditures were closed to plant in service 50% in the current year~~
2 ~~and 50% in the following year.~~

3 **Q. IS A RETURN ON CWIP IN RATE BASE EXPLICITLY AUTHORIZED IN THE**
4 **STATUTE, SPP RULE, OR THE SPPCRC RULE?**

5 A. ~~No. Section 366.96(9), Fla. Stat. states “[i]f a capital expenditure is recoverable as a~~
6 ~~transmission and distribution storm protection plan cost, the public utility may recover the~~
7 ~~annual depreciation on the cost, calculated at the public utility’s current approved~~
8 ~~depreciation rates, and a return on the undepreciated balance of the costs calculated at the~~
9 ~~public utility’s weighted average cost of capital using the last approved return on equity.”~~
10 ~~Similarly, the SPPCRC Rule states “[t]he utility may recover the annual depreciation~~
11 ~~expense on capitalized Storm Protection Plan expenditures using the utility’s most recent~~
12 ~~Commission approved depreciation rates. The utility may recover a return on the~~
13 ~~undepreciated balance of the costs calculated at the utility’s weighted average cost of~~
14 ~~capital using the return on equity most recently approved by the Commission.” Rule 25-~~
15 ~~6.031(6)(c), F.A.C.~~

16 ~~The term “undepreciated balance” is not defined in the statute or the SPPCRC Rule,~~
17 ~~but typically has meaning in an accounting and ratemaking context as “net plant,” defined~~
18 ~~as gross plant in service less accumulated depreciation. The term “undepreciated” typically~~
19 ~~is not applied to CWIP because CWIP is not depreciated; only plant in service is~~
20 ~~depreciated.~~

1 **Q. IS IT POSSIBLE TO LEGITIMATELY ASSESS WHETHER CWIP COSTS ARE**
2 **PRUDENT PRIOR TO THE COMPLETION OF CONSTRUCTION AND THE**
3 **CONVERSION OF THE CWIP TO PLANT IN SERVICE?**

4 ~~No. The Commission cannot legitimately assess whether CWIP costs incurred are prudent~~
5 ~~until all costs have been incurred and converted to plant in service (or an abandonment has~~
6 ~~occurred), whether the scope of the work actually completed was consistent with the scope~~
7 ~~included in the approved SPP programs and projects, and whether the costs actually~~
8 ~~incurred were consistent with the utility's estimated costs included in the approved SPP~~
9 ~~programs and projects.~~

10 **Q. ARE THERE ALTERNATIVES TO A RETURN ON CWIP IN RATE BASE**
11 **INCLUDED IN THE REVENUE REQUIREMENT AND CUSTOMER IMPACTS**
12 **CONSISTENT WITH THE SUBSEQUENT CONSIDERATION OF PRUDENCE**
13 **AFTER THE CWIP HAS BEEN CONVERTED TO PLANT IN SERVICE?**

14 A. ~~Yes. As alternatives, a return on CWIP can be deferred either as allowance for funds used~~
15 ~~during construction ("AFUDC") or as a miscellaneous deferred debit. Once construction~~
16 ~~is completed and the CWIP is converted to plant in service, then the deferred return will be~~
17 ~~added to the direct construction expenditures as plant in service in rate base and included~~
18 ~~in the depreciation expense in the SPPCRC revenue requirement.~~

1 **Q. WHY IS THE RETURN ON CWIP A CONCERN THAT NEEDS TO BE**
2 **ADDRESSED IN THESE PROCEEDINGS?**

3 ~~A. It is a concern because construction expenditures are not converted from CWIP to plant in~~
4 ~~service as they are incurred, but rather only after construction is completed. There will be~~
5 ~~no actual depreciation expense until the construction expenditures are converted from~~
6 ~~CWIP to plant in service.~~

7 ~~The return on CWIP is also a concern because all of the utilities incur engineering~~
8 ~~costs prior to incurring actual construction expenditures on specific projects. Those costs~~
9 ~~cannot be deemed prudent or reasonable unless and until the costs are charged to specific~~
10 ~~projects, construction is completed (or prudently abandoned), and the CWIP is converted~~
11 ~~to plant in service.~~

12 **Q. IS THERE A SIMILAR CONCERN WITH ANOTHER COST INCLUDED IN**
13 **RATE BASE BY TAMPA THAT SHOULD BE ADDRESSED FOR ALL FOUR**
14 **UTILITIES?**

15 ~~A. Yes. Tampa has established a separate warehouse and inventory of materials and supplies~~
16 ~~for its SPP programs and included these costs in rate base and the return on these~~
17 ~~inventories in its SPP revenue requirement and customer rate impact, which raises a~~
18 ~~concern similar to the return on CWIP. Such inventory costs should not be included in rate~~
19 ~~base or the return on these inventories in the SPP revenue requirement and customer rate~~
20 ~~impact in any utility's SPP or SPPCRC. This type of item should not be included in any~~
21 ~~company's SPP. As an alternative, a return on such inventories can be deferred either as~~

1 ~~AFUDC or as a miscellaneous deferred debit, similar to the alternatives for the return on~~
2 ~~CWIP.~~

3 **Q. DOES THIS COMPLETE YOUR PREFILED DIRECT TESTIMONY?**

4 A. Yes.

1 EXAMINATION

2 BY MR. REHWINKEL:

3 Q Hello again.

4 A Good afternoon.

5 Q Mr. Kollen, could you state your name and
6 business address for the record for Docket 22 --
7 20220050, please?

8 A Yes. My name is Lane Kollen. My business
9 address is J. Kennedy and Associates, Incorporated, 570
10 Colonial Park Drive, Suite 305, Roswell, Georgia, 30075.

11 Q Thank you. And were you sworn previously?

12 A Yes.

13 Q And on whose behalf are you testifying here
14 today?

15 A On behalf of the Office of Public Counsel.

16 Q Did you originally cause to be filed direct
17 testimony of some 28 pages to this docket?

18 A Yes.

19 Q And you are aware that the Commission has
20 stricken a portion of your testimony through Order
21 2022-0292?

22 A Yes.

23 Q Okay. For the portion of your testimony that
24 was not subject to the order striking testimony, do you
25 have any changes or corrections to that testimony?

1 A No.

2 Q Okay. If I asked you the questions contained
3 in the non-stricken portion of your testimony today,
4 would your answers be the same?

5 A Yes.

6 MR. REHWINKEL: Mr. Chairman, I would ask that
7 the portion of Mr. Kollen's direct testimony in
8 this docket that were not subject to being stricken
9 be entered into the record as though read.

10 CHAIRMAN FAY: Show it entered.

11 MR. REHWINKEL: Thank you.

12 (Whereupon, prefiled direct testimony of Lane
13 Kollen in Docket No. 20220050 was inserted.)

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Review of Storm Protection Plan
pursuant to Rule 25-6.030, F.A.C., Duke
Energy Florida, LLC.

DOCKET NO. 20220050-EI

FILED: May 31, 2022

AMENDED DIRECT TESTIMONY**AND EXHIBITS****OF****LANE KOLLEN****ON BEHALF OF THE OFFICE OF PUBLIC COUNSEL**

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TABLE OF CONTENTS

| | | |
|------|---|----|
| I. | Qualifications and Summary..... | 1 |
| II. | Decision Criteria for the Rational Selection, Ranking, and Magnitude of SPP Programs and Projects..... | 11 |
| III. | Methodologies to Calculate the Revenue Requirements and Customer Rate Impacts..... | 22 |

EXHIBITS

| | |
|---|------|
| Resume of Lane Kollen..... | LK-1 |
| Summary of Each Utility’s Decision Criteria | LK-2 |
| OPC's Second Set of Interrogatories, No. 58 (20220050-EI)..... | LK-3 |
| Exhibit LK-6 - OPC's Second Set of Interrogatories, No. 60 (20220050-EI)..... | LK-4 |

1 **I. QUALIFICATIONS AND SUMMARY**

2 **A. Qualifications**

3 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

4 A. My name is Lane Kollen. My business address is J. Kennedy and Associates, Inc.
5 (“Kennedy and Associates”), 570 Colonial Park Drive, Suite 305, Roswell, Georgia 30075.

6 **Q. DESCRIBE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.**

7 A. I earned a Bachelor of Business Administration (“BBA”) degree in accounting and a
8 Master of Business Administration (“MBA”) degree from the University of Toledo. I also
9 earned a Master of Arts (“MA”) degree in theology from Luther Rice College & Seminary.
10 I am a Certified Public Accountant (“CPA”), with a practice license, Certified Management
11 Accountant (“CMA”), and Chartered Global Management Accountant (“CGMA”). I am a
12 member of numerous professional organizations, including the American Institute of
13 Certified Public Accountants, Institute of Management Accounting, Georgia Society of
14 CPAs, and Society of Depreciation Professionals.

15 I have been an active participant in the utility industry for more than forty years,
16 initially as an employee of The Toledo Edison Company from 1976 to 1983 and thereafter
17 as a consultant in the industry since 1983. I have testified as an expert witness on hundreds
18 of occasions in proceedings before regulatory commissions and courts at the federal and
19 state levels. In those proceedings, I have addressed ratemaking, accounting, finance, tax,
20 and planning issues, among others.

21 I have testified before the Florida Public Service Commission on numerous
22 occasions, including base rate, fuel adjustment clause, acquisition, and territorial

1 proceedings involving Florida Power & Light Company (“FPL”), Duke Energy Florida
2 (“DEF”), Talquin Electric Cooperative, City of Tallahassee, and City of Vero Beach.¹

3 **B. Purpose of Testimony**

4 **Q. ON WHOSE BEHALF ARE YOU PROVIDING TESTIMONY?**

5 A. I am providing this testimony on behalf of the Florida Office of Public Counsel (“OPC”).

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 A. The purpose of my testimony is to address and make recommendations regarding the
8 proposed Storm Protection Plans (“SPP”) filed by Florida Public Utilities Company
9 (“FPUC”), Duke Energy Florida, LLC (“DEF”), Tampa Electric Company (“Tampa”), and
10 Florida Power and Light Company (“FPL”) (collectively, the “utilities”). In this testimony,
11 I specifically address the SPP filing for DEF.

12 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] Rule 25-

16 6.030, Florida Administrative Code (“SPP Rule”), and Rule 25-6.031, F.A.C. (“SPPCRC

17 Rule”) to the extent that the outcome of these proceedings will affect the cost recoveries in

18 the Storm Protection Plan Cost Recovery Clause (“SPPCRC”) proceedings pursuant to the

19 SPPCRC Rule. My testimony should be considered in conjunction with the testimony of

20 Witness Kevin Mara on behalf of OPC, subject an exception set forth in Paragraph 4 of the

21 2021 settlement agreement approved in Order No. PSC-2021-0202A-AS-EI that addresses

¹ I have attached a more detailed description of my qualifications and regulatory appearances as my Exhibit LK-1.

1 the recovery of certain SPP costs in 2023 and 2024. I do not recommend the exclusion of
2 such programs or costs from recovery for the years 2023 and 2024, to the extent they are
3 subject to the exception set forth in Paragraph 4 of the 2021 settlement agreement approved
4 in Order No. PSC-2021-0202A-AS-EI.²

5 **C. Scope of The SPP Requests**

6 **Q. PLEASE SUMMARIZE THE SPP REQUESTS.**

7 A. In the aggregate, the four utilities seek authorization for programs and projects they
8 estimate will cost \$25.323 billion over the next ten years (2023-2032), consisting of
9 \$23.167 billion in capital expenditures and \$2.156 billion in operation and maintenance
10 (“O&M”) expense. The capital expenditures will have a growing and cumulative
11 ratemaking impact for the duration of the SPPs and beyond of 40 or more years over the
12 service lives of the plant assets. These amounts are in addition to the capital expenditures
13 and O&M expense expended in prior years and this year for storm hardening and storm
14 protection programs. The utilities also expect to seek authorization for additional amounts
15 in subsequent SPP updates beyond the ten years reflected in these proceedings.

16 The following table provides a summary of the estimated SPP program
17 expenditures for each utility by year and in total for the ten-year period.

² Specifically, my testimony wherein I recommend rejection of programs or projects or costs under the heading of “Does not comply with 25-6.030” as shown in the table on page 13 of Mr. Mara’s amended direct testimony does not apply to the costs and should not be considered where they conflict with the provisions of this order for the years 2023 and 2024.

**Florida Public Utilities Company
SPP Program Expenditures
\$ Millions**

| SPP Costs by Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
|-------------------|------|------|------|------|------|------|------|------|------|------|-------|
| Capital Total | 2.3 | 6.7 | 16.9 | 54.2 | 53.2 | 19.9 | 19.6 | 19.8 | 25.3 | 25.2 | 243.1 |
| O&M Expense Total | 1.4 | 1.6 | 1.9 | 3.0 | 2.9 | 1.8 | 1.8 | 1.8 | 1.9 | 1.9 | 20.0 |
| Overall Total | 3.7 | 8.3 | 18.7 | 57.2 | 56.1 | 21.8 | 21.4 | 21.6 | 27.2 | 27.1 | 263.1 |

1

**Duke Energy Florida, LLC
SPP Program Expenditures
\$ Millions**

| SPP Costs by Year | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Total |
|-------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|
| Capital Total | 602.7 | 693.4 | 775.2 | 748.8 | 747.7 | 749.7 | 748.5 | 750.6 | 749.4 | 751.6 | 7,317.5 |
| O&M Expense Total | 72.1 | 77.1 | 79.0 | 78.1 | 79.0 | 81.8 | 82.4 | 85.8 | 86.8 | 90.0 | 812.0 |
| Overall Total | 674.8 | 770.5 | 854.1 | 826.9 | 826.7 | 831.5 | 830.9 | 836.4 | 836.2 | 841.6 | 8,129.5 |

2

3

**Tampa Electric Company
SPP Program Expenditures
\$ Millions**

| SPP Costs by Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
|-------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|
| Capital Total | 169.9 | 168.7 | 173.1 | 172.9 | 169.0 | 167.5 | 169.6 | 166.0 | 172.5 | 169.4 | 1,698.7 |
| O&M Expense Total | 31.0 | 34.0 | 33.7 | 35.2 | 36.3 | 37.7 | 39.6 | 41.2 | 43.1 | 45.3 | 377.1 |
| Overall Total | 200.9 | 202.7 | 206.8 | 208.2 | 205.4 | 205.2 | 209.2 | 207.3 | 215.6 | 214.7 | 2,075.9 |

4

5

**Florida Power & Light Company
SPP Program Expenditures
\$ Millions**

| SPP Costs by Year Total Company | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Total |
|------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------|
| Capital Total | 1,458.9 | 1,559.5 | 1,520.4 | 1,200.8 | 1,319.0 | 1,350.0 | 1,388.4 | 1,423.4 | 1,347.6 | 1,340.1 | 13,908.0 |
| O&M Expense Total | 86.0 | 86.7 | 88.0 | 88.2 | 94.1 | 100.3 | 99.8 | 100.5 | 100.9 | 101.5 | 946.2 |
| Overall Total | 1,544.9 | 1,646.3 | 1,608.4 | 1,289.0 | 1,413.1 | 1,450.3 | 1,488.2 | 1,523.9 | 1,448.5 | 1,441.6 | 14,854.2 |

6

7 **Q. WHAT EFFECTS WILL THE REQUESTS HAVE ON CUSTOMER RATES?**

- 1 A. The incremental effects on present customer rates will be significant as measured over
 2 multiple ratemaking metrics, including SPP revenue requirements, net plant in service,
 3 annual electric revenues, and cost per customer. The following table provides a summary
 4 of the revenue requirements by utility and in the aggregate by year and in total for the ten-
 5 year period.

Florida Public Utilities Company
SPP Program Revenue Requirements
\$ Millions

| SPP Revenue Requirements By Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
|----------------------------------|------|------|------|------|------|------|------|------|------|------|-------|
| Capital Total | 0.3 | 0.6 | 2.0 | 6.0 | 12.5 | 17.0 | 19.0 | 21.0 | 23.2 | 25.7 | 127.3 |
| O&M Expense Total | 1.4 | 1.6 | 1.9 | 3.0 | 2.9 | 1.8 | 1.8 | 1.8 | 1.9 | 1.9 | 20.0 |
| Overall Total | 1.7 | 2.2 | 3.9 | 9.0 | 15.4 | 18.9 | 20.8 | 22.8 | 25.1 | 27.6 | 147.3 |

Duke Energy Florida, LLC
SPP Program Revenue Requirements
\$ Millions

| SPP Revenue Requirements By Year | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Total |
|----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|
| Capital Total | 77.3 | 144.2 | 217.9 | 303.3 | 378.5 | 451.1 | 522.2 | 590.7 | 657.8 | 722.1 | 4,065.2 |
| O&M Expense Total | 72.1 | 77.1 | 79.0 | 78.1 | 79.0 | 81.8 | 82.4 | 85.8 | 86.8 | 90.0 | 812.0 |
| Overall Total | 149.4 | 221.3 | 296.8 | 381.4 | 457.5 | 533.0 | 604.7 | 676.5 | 744.6 | 812.1 | 4,877.2 |

Tampa Electric Company
SPP Program Revenue Requirements
\$ Millions

| SPP Revenue Requirements By Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
|----------------------------------|------|------|------|-------|-------|-------|-------|-------|-------|-------|---------|
| Capital Total | 17.2 | 35.8 | 53.8 | 72.3 | 91.4 | 109.8 | 127.9 | 145.5 | 163.0 | 180.0 | 996.6 |
| O&M Expense Total | 30.7 | 33.6 | 33.4 | 34.9 | 36.0 | 37.4 | 39.3 | 40.9 | 42.8 | 44.9 | 374.0 |
| Overall Total | 47.9 | 69.4 | 87.2 | 107.2 | 127.4 | 147.3 | 167.2 | 186.4 | 205.7 | 224.9 | 1,370.7 |

Florida Power & Light Company
SPP Program Revenue Requirements
\$ Millions

| SPP Revenue Requirements By Year Jurisdictional | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Total |
|---|-------|-------|-------|-------|---------|---------|---------|---------|---------|---------|----------|
| Capital Total | 332.9 | 509.3 | 685.9 | 836.6 | 971.5 | 1,112.3 | 1,254.0 | 1,396.5 | 1,533.2 | 1,661.6 | 10,293.8 |
| O&M Expense Total | 85.2 | 85.9 | 87.2 | 87.5 | 93.3 | 99.4 | 98.9 | 99.6 | 100.0 | 100.6 | 937.6 |
| Overall Total | 418.0 | 595.2 | 773.2 | 924.1 | 1,064.8 | 1,211.7 | 1,352.9 | 1,496.1 | 1,633.2 | 1,762.2 | 11,231.3 |

1

2 In addition to the revenue requirement effects of the proposed SPPs shown on the

3 preceding tables, the following tables compare other ratemaking metrics, including capital

4 expenditures compared to present net plant in service, increases in the revenue requirement

5 compared to present revenues, and the cost per customer. These metrics provide additional

6 context as to the magnitude and the impacts on customer rates.

Total 10-Year Projected Spend and Revenue Requirements
Compared to Total Net Plant in Service and Revenues
Actual Results For the 12 Months Ended December 31, 2021
\$ Millions

| | Net Plant In Service | 10-Year Proposed Capital Spend | Percentage Increase in Net Plant | 2021 Electric Revenues | Projected SPP Revenue Requirement In Year 10 | Percentage Increase in Revenues |
|-------|----------------------|--------------------------------|----------------------------------|------------------------|--|---------------------------------|
| FPL | 44,891.0 | 13,908.0 | 31.0% | 12,244.3 | 1,762.2 | 14.4% |
| Duke | 16,946.5 | 7,317.5 | 43.2% | 5,111.8 | 812.1 | 15.9% |
| TEC | 7,215.5 | 1,698.7 | 23.5% | 2,180.0 | 224.9 | 10.3% |
| FPUC | 94.0 | 243.1 | 258.6% | 83.7 | 27.6 | 33.0% |
| Total | <u>69,147.0</u> | <u>23,167.4</u> | <u>33.5%</u> | <u>19,619.8</u> | <u>2,826.8</u> | <u>14.4%</u> |

7

| Total 10-Year Projected SPP Investment Per Customer Includes Capital and O&M Investment | | | |
|--|------------------|--|--|
| | Customers | Projected 10-Year Total Investment \$ Millions | 10-Year Investment Per Customer \$ |
| FPL | 5,700,000 | 14,854.2 | 2,606 |
| Duke | 1,879,073 | 8,129.5 | 4,326 |
| TEC | 824,322 | 2,075.9 | 2,518 |
| FPUC | 32,993 | 263.1 | 7,976 |
| Total | <u>8,436,388</u> | <u>25,322.7</u> | <u>3,002</u> |

1

2 **Q. HOW DO THESE COSTS COMPARE TO THE BENEFITS FROM POTENTIAL**
3 **SAVINGS IN STORM DAMAGE AND RESTORATION COSTS?**

4 A. The estimated costs are much greater than the benefits from potential savings for each
5 utility and for nearly all of the programs and projects, although FPUC and FPL did not,
6 and refused to, provide quantifications of the benefits from potential savings in storm
7 damage and restoration costs.

8 The following table provides a summary of the costs and dollar benefits by utility
9 and in the aggregate by year and in total for the ten-year period and a fifty-year period. I
10 show \$0 (“n/a”) in benefits for FPUC and FPL, consistent with their failure to quantify any
11 benefits from potential savings in storm damage and restoration costs.

| Total 10-Year Projected SPP Costs and Benefits Summary Includes Capital and O&M Investment | | | | | | |
|---|--|---|--|--|--|--|
| | Projected 10-Year Total Investment \$ Millions | Projected Annual Avoided Restoration Costs \$ Millions | Escalated Avoided Restoration Costs Over 10 Years \$ Millions | Benefits to Costs Ratio 10 Years % | Escalated Avoided Restoration Costs Over 50 Years \$ Millions | Benefits to Costs Ratio 50 Years % |
| FPL | 14,854.2 | n/a | n/a | n/a | n/a | n/a |
| Duke | 8,129.5 | 56.5 | 647.7 | 8% | 6,373.0 | 78% |
| TEC | 2,075.9 | 13.0 | 149.5 | 7% | 1,470.6 | 71% |
| FPUC | 263.1 | n/a | n/a | n/a | n/a | n/a |
| Total | <u>25,322.7</u> | <u>69.5</u> | <u>797.2</u> | | <u>7,843.6</u> | |

Note: Benefits Calculations Not Provided by FPL and FPUC.

1

2 **Q. WHY ARE THESE SUMMARIES AND COMPARISONS SIGNIFICANT IN**
 3 **THESE PROCEEDINGS?**

4 A. They provide context for the Commission in its review of the proposed SPPs, including the
 5 sheer magnitude of the incremental capital expenditures and O&M expense and the rate
 6 impacts of these costs, [REDACTED]

7 [REDACTED]

8 [REDACTED] They also demonstrate that the costs of the proposed SPP programs and
 9 projects far outweigh the benefits from savings in storm damage and restoration costs.

10 The Commission also should keep in mind that the impact of the SPP programs is
 11 yet another addition to the customer bill in an environment of high inflation, skyrocketing
 12 natural gas prices and other base rate increases.

13 **D. Summary of Conclusions and Recommendations**

14 **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS.**

1 A. Each utility’s proposed SPP capital expenditures, O&M expenses, increases in rate base,
 2 and resulting increases in customer rates are significant. The SPP capital expenditures and
 3 O&M expenses are incremental costs with incremental customer rate impacts. The
 4 framework, scope, selection, ranking, magnitude, [REDACTED], and authorization to proceed
 5 with the SPP programs and projects will be determined in these proceedings, not in the
 6 subsequent SPPCRC proceeding. Therefore, the decision criteria, ratemaking principles,
 7 and rate recovery of the SPP project costs are important factors in the decision making
 8 process in this and the other SPP proceedings now pending.

9 [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]

16 The Commission should apply rational and specific decision criteria to the
 17 selection, ranking, and magnitude of the proposed programs and projects and apply those
 18 decision criteria consistently to all four utilities in these proceedings. The decision criteria
 19 should include justification in the form of a benefit/cost analysis in addition to the
 20 qualitative assessments of whether the programs and projects will reduce restoration costs
 21 and outage times. [REDACTED]

[REDACTED]
 [REDACTED] in contrast to whether the costs actually incurred during

[REDACTED]

3 **II. DECISION CRITERIA FOR THE RATIONAL SELECTION, RANKING, AND**
4 **MAGNITUDE OF SPP PROGRAMS AND PROJECTS**

5 **Q. DESCRIBE THE FRAMEWORK FOR THE SELECTION AND RANKING OF**
6 **SPP PROGRAMS AND PROJECTS.**

7 A. Section 366.96, Fla. Stat., and Rule 25-6.030, F.A.C., establish the required framework for
8 the utility’s SPP, including the utility’s identification of projects that are designed to reduce
9 outage restoration costs and outage times, information necessary to develop and apply
10 decision criteria for the selection, ranking, and magnitude of the SPP programs and costs,
11 estimates of the customer rate impacts, and parameters for recovery of the actual costs
12 incurred for the SPP projects offset by costs recovered through base rates and other clause
13 recoveries as well as savings in those costs.

14 The SPP framework provides important customer safeguards that should be
15 enforced to require the utility to: 1) identify new programs and projects or the expansion
16 of existing programs and projects that are not within the scope of its existing base rate
17 programs and cost recoveries in the normal course of business; 2) limit requests to
18 programs and projects that are prudent and reasonable; 3) justify the selections, rankings,
19 and magnitude of SPP programs, projects, and costs; 4) ensure there is a comparison of
20 benefits to costs; 5) effectively consider the rate impact on customers, and 6) ensure that
21 the utility only recovers incremental costs, net of decremental (avoided) costs or reductions
22 in costs (savings), through the SPPCRC.

23 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

7 **Q. ARE THE SPP RULE AND THE SPPCRC RULE SEQUENTIAL AND**
 8 **INTERRELATED?**

9 A. Yes. Certain ratemaking determinations required pursuant to the SPPCRC Rule necessarily
 10 start with an assessment of the SPP programs and projects that can only be performed in
 11 the SPP proceeding, and then are confirmed and refined in the SPPCRC proceeding for
 12 cost recovery purposes.

13 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

18 [REDACTED] The Commission also must determine
 19 whether the Company has quantified the revenue requirement and customer rate impacts
 20 in an accurate and comprehensive manner, although the final SPPCRC rate quantifications
 will be performed in the SPPCRC proceeding.

³ Section 366.96(8), Fla. Stat.; Rule 25-6.031(6)(a), F.A.C.

1 Q. ARE EACH OF THE UTILITIES' PROPOSED SPP PROGRAMS AND
2 PROJECTS OUTSIDE THE SCOPE OF THE EXISTING BASE RATE
3 PROGRAMS AND COST RECOVERIES IN THE NORMAL COURSE OF
4 BUSINESS?

5 A. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED] addressed in Paragraph 4 of the 2021 settlement
11 agreement approved in Order No. PSC-2021-0202A-AS-EI.

12 [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

⁴ As I noted previously in my testimony, I address the principles and costs that are included by DEF in its SPP, subject to the limited exception for certain costs addressed in Paragraph 4 of the 2021 settlement agreement approved by the Commission in Order No.2021-0202A-AS-EI.

1 **Q. ARE EACH OF DEF’S PROPOSED PROGRAMS AND PROJECTS PRUDENT**
2 **AND REASONABLE?**

3 A. [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]

8 **Q. DID THE UTILITIES CONSISTENTLY APPLY A BENEFIT/COST ANALYSIS**
9 **TO DETERMINE THE SELECTION, RANKING, AND MAGNITUDE OF THE**
10 **SPP PROGRAMS?**

11 A. No. The utilities used a variety of decision criteria, qualitative and quantitative, but none
12 of them relied on a benefit/cost analysis as a threshold decision criterion to qualify a
13 program or project for inclusion in its SPP. Nor were the decision criteria consistent among
14 the utilities or even among each utility’s SPP programs and projects.⁶

15 Neither FPUC nor FPL developed or relied on any benefit/cost analysis. Although
16 neither DEF nor Tampa developed or relied on benefit/cost analyses as a threshold decision
17 criterion to qualify their programs, they both used a form of benefit/cost analysis for the
18 ranking and the magnitude of their programs.

19 However, the DEF and Tampa forms of benefit/cost analysis were flawed and used
20 to calculate excessive dollar benefits by including the societal value of customer

⁵ As I noted previously in my testimony, I address the principles and costs that are included by DEF in its SPP, subject to the limited exception for certain costs addressed in Paragraph 4 of the 2021 settlement agreement approved by the Commission in Order No.2021-0202A-AS-EI.

⁶ I have attached a brief summary of each utility’s decision criteria as my Exhibit LK-2.

1 interruptions in addition to their estimates of avoided damages and restoration costs. The
 2 societal value of customer interruptions is a highly subjective quantitative measure based
 3 on interpretations of a range of customer survey results. The societal value of customer
 4 interruptions is not a cost that actually is incurred or avoided by the utility or customer and
 5 should be excluded from the justification of SPP programs and projects using benefit cost
 6 analyses.

7 In addition, DEF included the avoided future cost of replacing an asset that was
 8 replaced pursuant to the SPP programs as a capital cost savings in its benefit/cost analyses.
 9 This is nothing more than legerdemain, a tactful term for the magical assertion that a capital
 10 expenditure incurred for an SPP program results in future capital expenditure savings in a
 11 base rate program. There are no savings in capital expenditures. When these fantastical
 12 savings are properly removed from DEF’s benefit/cost analyses, *none* of its programs or
 13 projects are economic.⁷

14 **Q. WHY IS AN ECONOMIC JUSTIFICATION NECESSARY AS A THRESHOLD**
 15 **DECISION CRITERION TO QUALIFY PROGRAMS OR PROJECTS FOR**
 16 **INCLUSION IN THE SPP?**

17 A. [REDACTED]
 [REDACTED]
 [REDACTED]

⁷ As I noted previously in my testimony, I address the principles and costs that are included by DEF in its SPP, subject to the limited exception for certain costs addressed in Paragraph 4 of the 2021 settlement agreement approved by the Commission in Order No.2021-0202A-AS-EI.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] By its terms, the SPP Rule requires the

7 utility to address and undertake projects “to enhance the utility’s existing infrastructure for

8 the purpose of reducing restoration costs and outage times associated with extreme weather

9 conditions therefore improving overall service reliability.” Rule 25-6.030(2)(a), F.A.C.

10 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

4 **Q. HOW SHOULD THE COMMISSION DETERMINE WHETHER THE PROPOSED**
5 **SPP PROGRAMS AND PROJECTS ARE ECONOMICALLY JUSTIFIED?**

6 A. [REDACTED]

15 **Q. DOES THE SPP RULE REQUIRE THAT THE UTILITIES PROVIDE A**
16 **COMPARISON OF THE “COSTS” AND “BENEFITS” TO DETERMINE IF THE**
17 **PROGRAMS AND PROJECTS ARE ECONOMICALLY JUSTIFIED?**

18 A. Yes. The SPP Rule requires the utility to provide “[a] comparison of the costs identified
19 in subparagraph (3)(d)3. and the benefits identified in subparagraph (3)(d)1.” Rule 25-
20 6.030(3)(d)4., F.A.C. The context and juxtaposition of the terms “costs” and “benefits”
21 strongly imply a comparison of dollar costs and dollar benefits, not a comparison of dollar
22 costs and qualitative benefits. The latter comparison provides no useful decision making
23 information because it does not provide a useful threshold decision criterion to qualify

1 programs and projects, does not provide a framework for ranking programs and projects,
2 and does not allow a rational quantitative basis for the magnitude of programs and projects
3 that may be included.

4 **Q. DID EACH OF THE UTILITIES PROVIDE THE REQUIRED COMPARISON OF**
5 **THE “COSTS” AND “BENEFITS” IN THEIR SPP FILINGS OR IN RESPONSE**
6 **TO DISCOVERY?**

7 A. No. FPUC and FPL provided no dollar quantifications of benefits in their SPP filings and
8 refused to provide any dollar quantifications in response to OPC discovery. FPUC claimed
9 that it had not quantified avoided cost savings benefits and stated that it did not rely on an
10 economic benefit cost criterion for the selection, ranking, or magnitude of its proposed
11 programs and projects. Both FPUC and FPL argued that the SPP Rule’s text requiring the
12 comparison of costs and benefits did not require the utilities to provide a dollar
13 quantification of the benefits, but instead required only that there had to be benefits, which
14 they qualitatively described to meet the “objectives” and or “requirements” of the SPP
15 Rule.

16 In contrast to FPUC and FPL, DEF and Tampa quantified expected dollar benefits
17 in their SPP filings based on their modeling results and provided additional detail on their
18 modeling and quantifications of the dollar benefits in response to OPC discovery. DEF
19 developed its benefit quantifications using a storm damage model developed by
20 Guidehouse. Tampa developed its benefit quantifications using a Storm Resilience Model,
21 which includes a Storm Impact Model, developed by 1898 & Co.

22 **Q. ARE ANY OF UTILITIES’ SPP PROGRAMS ECONOMICALLY JUSTIFIED?**

[REDACTED]

3 Q. WHAT ARE YOUR RECOMMENDATIONS?

4 A. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] subject to the

9 exception for DEF set forth in Paragraph 4 of the 2021 Settlement agreement approved in
10 Order No. PSC-2021-0202A-AS-EI.

11 [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] subject to the exception for DEF set forth in Paragraph 4

15 of the 2021 Settlement agreement approved in Order No. PSC-2021-0202A-AS-EI.

16 [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED], subject to the exception for

21 DEF set forth in Paragraph 4 of the 2021 Settlement agreement approved in Order No.
22 PSC-2021-0202A-AS-EI.

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

9

10 **III. METHODOLOGIES TO CALCULATE THE REVENUE REQUIREMENTS**
 11 **AND CUSTOMER RATE IMPACTS**

12 **Q. DID THE UTILITIES CONSISTENTLY CALCULATE THE REVENUE**
 13 **REQUIREMENT EFFECTS OF THEIR SPP PROGRAMS?**

14 **A.** █ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

⁸ Subject to the exception set forth in Paragraph 4 of the 2021 settlement agreement approved in Order No. PSC-2021-0202A-AS-EI,

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

11 **Q. DID DEF’S CALCULATIONS OF THE ESTIMATED REVENUE**
 12 **REQUIREMENTS ALSO INCLUDE UNIQUE ERRORS THAT SHOULD BE**
 13 **CORRECTED IN THESE PROCEEDINGS?**

14 **A.** Yes. DEF had several unique errors in its calculations of the SPP revenue requirements
 15 and customer rate impact. DEF improperly calculated depreciation expense on CWIP at
 16 the end of the prior year, but also failed to calculate depreciation expense on current year
 17 plant additions.⁹ DEF improperly calculated property tax expense on the average of the
 18 net plant in service and CWIP balance in the current year instead of on the beginning

⁹ DEF’s response to Interrogatory No. 58 in OPC’s Second Set of Interrogatories in Docket No. 20220050-EI. I have attached a copy of this response as my Exhibit LK-3. Refer also to the SPP revenue requirement calculations provided in DEF’s response to POD No. 1 in OPC’s First Request for Production in Docket No. 20220050-EI as an Excel attachment named “Q1 Rule 25-6030 - Rev Req & 3 yr Rate Impacts_BLM-1 Support File-POD 1.”

1 balance of net plant in service in the current year.¹⁰ These errors should be considered and
2 corrected in this SPP proceeding and in the SPPCRC proceeding.

3 **Q. DID THE UTILITIES ALL INCLUDE CWIP IN RATE BASE?**

4 A. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

11 **Q. IS A RETURN ON CWIP IN RATE BASE EXPLICITLY AUTHORIZED IN THE**
12 **STATUTE, SPP RULE, OR THE SPPCRC RULE?**

13 A. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

¹⁰ DEF’s response to Interrogatory No. 60 in OPC’s Second Set of Interrogatories in Docket No. 20220050-EI. I have attached a copy of this response as my Exhibit LK-4. Refer also to the SPP revenue requirement calculations provided in DEF’s response to POD No. 1 in OPC’s First Request for Production in Docket No. 20220050-EI as an Excel attachment named “Q1 Rule 25-6030 - Rev Req & 3 yr Rate Impacts_BLM-1 Support File-POD 1.”

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

9 **Q. IS IT POSSIBLE TO LEGITIMATELY ASSESS WHETHER CWIP COSTS ARE**
 10 **PRUDENT PRIOR TO THE COMPLETION OF CONSTRUCTION AND THE**
 11 **CONVERSION OF THE CWIP TO PLANT IN SERVICE?**

12 **A. [REDACTED]**

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

17 **Q. ARE THERE ALTERNATIVES TO A RETURN ON CWIP IN RATE BASE**
 18 **INCLUDED IN THE REVENUE REQUIREMENT AND CUSTOMER IMPACTS**
 19 **CONSISTENT WITH THE SUBSEQUENT CONSIDERATION OF PRUDENCE**
 20 **AFTER THE CWIP HAS BEEN CONVERTED TO PLANT IN SERVICE?**

21 **A. [REDACTED]**

█ [REDACTED]

[REDACTED]

4 Q. WHY IS THE RETURN ON CWIP A CONCERN THAT NEEDS TO BE
5 ADDRESSED IN THESE PROCEEDINGS?

6 A. [REDACTED]

[REDACTED]

15 Q. IS THERE A SIMILAR CONCERN WITH ANOTHER COST INCLUDED IN
16 RATE BASE BY TAMPA THAT SHOULD BE ADDRESSED FOR ALL FOUR
17 UTILITIES?

18 A. [REDACTED]

█ [REDACTED]
█ [REDACTED]
█ [REDACTED]
█ [REDACTED]

5 Q. DOES THIS COMPLETE YOUR PREFILED DIRECT TESTIMONY?

6 A. Yes.

1 BY MR. REHWINKEL:

2 Q As a part of your testimony, did you provide
3 four exhibits identified in the CEL as Exhibits 20
4 through 23?

5 A Yes.

6 Q Did you have any changes or corrections to
7 those exhibits?

8 A No.

9 Q Mr. Kollen, with respect to the testimony,
10 portion of your testimony that was stricken, do you
11 have, for purposes of proffer, do you have any of
12 changes or corrections to that testimony?

13 A No.

14 Q If I asked you the questions contained in that
15 portion of your testimony today, would your answers be
16 the same?

17 A Yes.

18 MR. REHWINKEL: Mr. Chairman, I would -- the
19 Public Counsel would proffer the stricken portion
20 of Mr. Kollen's direct testimony for the record.

21 CHAIRMAN FAY: Show it proffered.

22 MR. REHWINKEL: Thank you.

23 (Whereupon, prefiled direct proffered
24 testimony of Lane Kollen in Docket No. 20220050 was
25 inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Review of Storm Protection Plan
pursuant to Rule 25-6.030, F.A.C., Duke
Energy Florida, LLC.

DOCKET NO. 20220050-EI

FILED: May 31, 2022

AMENDED DIRECT TESTIMONY**AND EXHIBITS****OF****LANE KOLLEN****ON BEHALF OF THE OFFICE OF PUBLIC COUNSEL**

Richard Gentry
Public Counsel

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Deputy Public Counsel

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of the State of Florida

TABLE OF CONTENTS

I. Qualifications and Summary.....1

II. Decision Criteria for the Rational Selection, Ranking, and Magnitude of SPP
Programs and Projects.....11

III. Methodologies to Calculate the Revenue Requirements and Customer Rate Impacts.....22

EXHIBITS

Resume of Lane Kollen.....LK-1

Summary of Each Utility’s Decision CriteriaLK-2

OPC's Second Set of Interrogatories, No. 58 (20220050-EI).....LK-3

Exhibit LK-6 - OPC's Second Set of Interrogatories, No. 60 (20220050-EI).....LK-4

1 **I. QUALIFICATIONS AND SUMMARY**

2 **A. Qualifications**

3 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

4 A. My name is Lane Kollen. My business address is J. Kennedy and Associates, Inc.
5 (“Kennedy and Associates”), 570 Colonial Park Drive, Suite 305, Roswell, Georgia 30075.

6 **Q. DESCRIBE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.**

7 A. I earned a Bachelor of Business Administration (“BBA”) degree in accounting and a
8 Master of Business Administration (“MBA”) degree from the University of Toledo. I also
9 earned a Master of Arts (“MA”) degree in theology from Luther Rice College & Seminary.
10 I am a Certified Public Accountant (“CPA”), with a practice license, Certified Management
11 Accountant (“CMA”), and Chartered Global Management Accountant (“CGMA”). I am a
12 member of numerous professional organizations, including the American Institute of
13 Certified Public Accountants, Institute of Management Accounting, Georgia Society of
14 CPAs, and Society of Depreciation Professionals.

15 I have been an active participant in the utility industry for more than forty years,
16 initially as an employee of The Toledo Edison Company from 1976 to 1983 and thereafter
17 as a consultant in the industry since 1983. I have testified as an expert witness on hundreds
18 of occasions in proceedings before regulatory commissions and courts at the federal and
19 state levels. In those proceedings, I have addressed ratemaking, accounting, finance, tax,
20 and planning issues, among others.

21 I have testified before the Florida Public Service Commission on numerous
22 occasions, including base rate, fuel adjustment clause, acquisition, and territorial

1 proceedings involving Florida Power & Light Company (“FPL”), Duke Energy Florida
2 (“DEF”), Talquin Electric Cooperative, City of Tallahassee, and City of Vero Beach.¹

3 **B. Purpose of Testimony**

4 **Q. ON WHOSE BEHALF ARE YOU PROVIDING TESTIMONY?**

5 A. I am providing this testimony on behalf of the Florida Office of Public Counsel (“OPC”).

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 A. The purpose of my testimony is to address and make recommendations regarding the
8 proposed Storm Protection Plans (“SPP”) filed by Florida Public Utilities Company
9 (“FPUC”), Duke Energy Florida, LLC (“DEF”), Tampa Electric Company (“Tampa”), and
10 Florida Power and Light Company (“FPL”) (collectively, the “utilities”). In this testimony,
11 I specifically address the SPP filing for DEF.

12 ~~I address the scope of the proposed SPPs and the threshold economic decision~~
13 ~~criteria that the Commission should apply to the selection, ranking, and magnitude of SPP~~
14 ~~programs and projects, consistent with the statutory requirements set forth in Section~~
15 ~~366.96, Florida Statutes, Storm Protection Plan Cost Recovery (“SPP Statute”), Rule 25-~~
16 ~~6.030, Florida Administrative Code (“SPP Rule”), and Rule 25-6.031, F.A.C. (“SPPCRC~~
17 ~~Rule”) to the extent that the outcome of these proceedings will affect the cost recoveries in~~
18 ~~the Storm Protection Plan Cost Recovery Clause (“SPPCRC”) proceedings pursuant to the~~
19 ~~SPPCRC Rule. My testimony should be considered in conjunction with the testimony of~~
20 ~~Witness Kevin Mara on behalf of OPC, subject an exception set forth in Paragraph 4 of the~~
21 ~~2021 settlement agreement approved in Order No. PSC-2021-0202A-AS-EI that addresses~~

¹ I have attached a more detailed description of my qualifications and regulatory appearances as my Exhibit LK-1.

1 the recovery of certain SPP costs in 2023 and 2024. I do not recommend the exclusion of
2 such programs or costs from recovery for the years 2023 and 2024, to the extent they are
3 subject to the exception set forth in Paragraph 4 of the 2021 settlement agreement approved
4 in Order No. PSC-2021-0202A-AS-EI.²

5 **C. Scope of The SPP Requests**

6 **Q. PLEASE SUMMARIZE THE SPP REQUESTS.**

7 A. In the aggregate, the four utilities seek authorization for programs and projects they
8 estimate will cost \$25.323 billion over the next ten years (2023-2032), consisting of
9 \$23.167 billion in capital expenditures and \$2.156 billion in operation and maintenance
10 (“O&M”) expense. The capital expenditures will have a growing and cumulative
11 ratemaking impact for the duration of the SPPs and beyond of 40 or more years over the
12 service lives of the plant assets. These amounts are in addition to the capital expenditures
13 and O&M expense expended in prior years and this year for storm hardening and storm
14 protection programs. The utilities also expect to seek authorization for additional amounts
15 in subsequent SPP updates beyond the ten years reflected in these proceedings.

16 The following table provides a summary of the estimated SPP program
17 expenditures for each utility by year and in total for the ten-year period.

² Specifically, my testimony wherein I recommend rejection of programs or projects or costs under the heading of “Does not comply with 25-6.030” as shown in the table on page 13 of Mr. Mara’s amended direct testimony does not apply to the costs and should not be considered where they conflict with the provisions of this order for the years 2023 and 2024.

Florida Public Utilities Company
SPP Program Expenditures
\$ Millions

| SPP Costs by Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
|-------------------|------|------|------|------|------|------|------|------|------|------|-------|
| Capital Total | 2.3 | 6.7 | 16.9 | 54.2 | 53.2 | 19.9 | 19.6 | 19.8 | 25.3 | 25.2 | 243.1 |
| O&M Expense Total | 1.4 | 1.6 | 1.9 | 3.0 | 2.9 | 1.8 | 1.8 | 1.8 | 1.9 | 1.9 | 20.0 |
| Overall Total | 3.7 | 8.3 | 18.7 | 57.2 | 56.1 | 21.8 | 21.4 | 21.6 | 27.2 | 27.1 | 263.1 |

1

Duke Energy Florida, LLC
SPP Program Expenditures
\$ Millions

| SPP Costs by Year | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Total |
|-------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|
| Capital Total | 602.7 | 693.4 | 775.2 | 748.8 | 747.7 | 749.7 | 748.5 | 750.6 | 749.4 | 751.6 | 7,317.5 |
| O&M Expense Total | 72.1 | 77.1 | 79.0 | 78.1 | 79.0 | 81.8 | 82.4 | 85.8 | 86.8 | 90.0 | 812.0 |
| Overall Total | 674.8 | 770.5 | 854.1 | 826.9 | 826.7 | 831.5 | 830.9 | 836.4 | 836.2 | 841.6 | 8,129.5 |

2

3

Tampa Electric Company
SPP Program Expenditures
\$ Millions

| SPP Costs by Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
|-------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|
| Capital Total | 169.9 | 168.7 | 173.1 | 172.9 | 169.0 | 167.5 | 169.6 | 166.0 | 172.5 | 169.4 | 1,698.7 |
| O&M Expense Total | 31.0 | 34.0 | 33.7 | 35.2 | 36.3 | 37.7 | 39.6 | 41.2 | 43.1 | 45.3 | 377.1 |
| Overall Total | 200.9 | 202.7 | 206.8 | 208.2 | 205.4 | 205.2 | 209.2 | 207.3 | 215.6 | 214.7 | 2,075.9 |

4

5

Florida Power & Light Company
SPP Program Expenditures
\$ Millions

| SPP Costs by Year Total Company | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Total |
|------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------|
| Capital Total | 1,458.9 | 1,559.5 | 1,520.4 | 1,200.8 | 1,319.0 | 1,350.0 | 1,388.4 | 1,423.4 | 1,347.6 | 1,340.1 | 13,908.0 |
| O&M Expense Total | 86.0 | 86.7 | 88.0 | 88.2 | 94.1 | 100.3 | 99.8 | 100.5 | 100.9 | 101.5 | 946.2 |
| Overall Total | 1,544.9 | 1,646.3 | 1,608.4 | 1,289.0 | 1,413.1 | 1,450.3 | 1,488.2 | 1,523.9 | 1,448.5 | 1,441.6 | 14,854.2 |

6

7 **Q. WHAT EFFECTS WILL THE REQUESTS HAVE ON CUSTOMER RATES?**

- 1 A. The incremental effects on present customer rates will be significant as measured over
 2 multiple ratemaking metrics, including SPP revenue requirements, net plant in service,
 3 annual electric revenues, and cost per customer. The following table provides a summary
 4 of the revenue requirements by utility and in the aggregate by year and in total for the ten-
 5 year period.

Florida Public Utilities Company
SPP Program Revenue Requirements
\$ Millions

| SPP Revenue Requirements By Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
|----------------------------------|------|------|------|------|------|------|------|------|------|------|-------|
| Capital Total | 0.3 | 0.6 | 2.0 | 6.0 | 12.5 | 17.0 | 19.0 | 21.0 | 23.2 | 25.7 | 127.3 |
| O&M Expense Total | 1.4 | 1.6 | 1.9 | 3.0 | 2.9 | 1.8 | 1.8 | 1.8 | 1.9 | 1.9 | 20.0 |
| Overall Total | 1.7 | 2.2 | 3.9 | 9.0 | 15.4 | 18.9 | 20.8 | 22.8 | 25.1 | 27.6 | 147.3 |

Duke Energy Florida, LLC
SPP Program Revenue Requirements
\$ Millions

| SPP Revenue Requirements By Year | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Total |
|----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|
| Capital Total | 77.3 | 144.2 | 217.9 | 303.3 | 378.5 | 451.1 | 522.2 | 590.7 | 657.8 | 722.1 | 4,065.2 |
| O&M Expense Total | 72.1 | 77.1 | 79.0 | 78.1 | 79.0 | 81.8 | 82.4 | 85.8 | 86.8 | 90.0 | 812.0 |
| Overall Total | 149.4 | 221.3 | 296.8 | 381.4 | 457.5 | 533.0 | 604.7 | 676.5 | 744.6 | 812.1 | 4,877.2 |

Tampa Electric Company
SPP Program Revenue Requirements
\$ Millions

| SPP Revenue Requirements By Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
|----------------------------------|------|------|------|-------|-------|-------|-------|-------|-------|-------|---------|
| Capital Total | 17.2 | 35.8 | 53.8 | 72.3 | 91.4 | 109.8 | 127.9 | 145.5 | 163.0 | 180.0 | 996.6 |
| O&M Expense Total | 30.7 | 33.6 | 33.4 | 34.9 | 36.0 | 37.4 | 39.3 | 40.9 | 42.8 | 44.9 | 374.0 |
| Overall Total | 47.9 | 69.4 | 87.2 | 107.2 | 127.4 | 147.3 | 167.2 | 186.4 | 205.7 | 224.9 | 1,370.7 |

Florida Power & Light Company
SPP Program Revenue Requirements
\$ Millions

| SPP Revenue Requirements By Year Jurisdictional | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Total |
|---|-------|-------|-------|-------|---------|---------|---------|---------|---------|---------|----------|
| Capital Total | 332.9 | 509.3 | 685.9 | 836.6 | 971.5 | 1,112.3 | 1,254.0 | 1,396.5 | 1,533.2 | 1,661.6 | 10,293.8 |
| O&M Expense Total | 85.2 | 85.9 | 87.2 | 87.5 | 93.3 | 99.4 | 98.9 | 99.6 | 100.0 | 100.6 | 937.6 |
| Overall Total | 418.0 | 595.2 | 773.2 | 924.1 | 1,064.8 | 1,211.7 | 1,352.9 | 1,496.1 | 1,633.2 | 1,762.2 | 11,231.3 |

1

2 In addition to the revenue requirement effects of the proposed SPPs shown on the

3 preceding tables, the following tables compare other ratemaking metrics, including capital

4 expenditures compared to present net plant in service, increases in the revenue requirement

5 compared to present revenues, and the cost per customer. These metrics provide additional

6 context as to the magnitude and the impacts on customer rates.

Total 10-Year Projected Spend and Revenue Requirements
Compared to Total Net Plant in Service and Revenues
Actual Results For the 12 Months Ended December 31, 2021
\$ Millions

| | Net Plant In Service | 10-Year Proposed Capital Spend | Percentage Increase in Net Plant | 2021 Electric Revenues | Projected SPP Revenue Requirement In Year 10 | Percentage Increase in Revenues |
|-------|----------------------|--------------------------------|----------------------------------|------------------------|--|---------------------------------|
| FPL | 44,891.0 | 13,908.0 | 31.0% | 12,244.3 | 1,762.2 | 14.4% |
| Duke | 16,946.5 | 7,317.5 | 43.2% | 5,111.8 | 812.1 | 15.9% |
| TEC | 7,215.5 | 1,698.7 | 23.5% | 2,180.0 | 224.9 | 10.3% |
| FPUC | 94.0 | 243.1 | 258.6% | 83.7 | 27.6 | 33.0% |
| Total | <u>69,147.0</u> | <u>23,167.4</u> | <u>33.5%</u> | <u>19,619.8</u> | <u>2,826.8</u> | <u>14.4%</u> |

7

| Total 10-Year Projected SPP Investment Per Customer Includes Capital and O&M Investment | | | |
|--|------------------|--|--|
| | Customers | Projected 10-Year Total Investment \$ Millions | 10-Year Investment Per Customer \$ |
| FPL | 5,700,000 | 14,854.2 | 2,606 |
| Duke | 1,879,073 | 8,129.5 | 4,326 |
| TEC | 824,322 | 2,075.9 | 2,518 |
| FPUC | 32,993 | 263.1 | 7,976 |
| Total | <u>8,436,388</u> | <u>25,322.7</u> | <u>3,002</u> |

1

2 **Q. HOW DO THESE COSTS COMPARE TO THE BENEFITS FROM POTENTIAL**
3 **SAVINGS IN STORM DAMAGE AND RESTORATION COSTS?**

4 A. The estimated costs are much greater than the benefits from potential savings for each
5 utility and for nearly all of the programs and projects, although FPUC and FPL did not,
6 and refused to, provide quantifications of the benefits from potential savings in storm
7 damage and restoration costs.

8 The following table provides a summary of the costs and dollar benefits by utility
9 and in the aggregate by year and in total for the ten-year period and a fifty-year period. I
10 show \$0 (“n/a”) in benefits for FPUC and FPL, consistent with their failure to quantify any
11 benefits from potential savings in storm damage and restoration costs.

| Total 10-Year Projected SPP Costs and Benefits Summary Includes Capital and O&M Investment | | | | | | |
|---|--|---|--|--|--|--|
| | Projected 10-Year Total Investment \$ Millions | Projected Annual Avoided Restoration Costs \$ Millions | Escalated Avoided Restoration Costs Over 10 Years \$ Millions | Benefits to Costs Ratio 10 Years % | Escalated Avoided Restoration Costs Over 50 Years \$ Millions | Benefits to Costs Ratio 50 Years % |
| FPL | 14,854.2 | n/a | n/a | n/a | n/a | n/a |
| Duke | 8,129.5 | 56.5 | 647.7 | 8% | 6,373.0 | 78% |
| TEC | 2,075.9 | 13.0 | 149.5 | 7% | 1,470.6 | 71% |
| FPUC | 263.1 | n/a | n/a | n/a | n/a | n/a |
| Total | <u>25,322.7</u> | <u>69.5</u> | <u>797.2</u> | | <u>7,843.6</u> | |

Note: Benefits Calculations Not Provided by FPL and FPUC.

1

2 **Q. WHY ARE THESE SUMMARIES AND COMPARISONS SIGNIFICANT IN**
3 **THESE PROCEEDINGS?**

4 A. They provide context for the Commission in its review of the proposed SPPs, including the
5 sheer magnitude of the incremental capital expenditures and O&M expense and the rate
6 impacts of these costs, ~~as well as for the establishment and application of threshold decision~~
7 ~~criteria for the selection, ranking, and magnitude of the SPP programs and projects that are~~
8 ~~authorized.~~ They also demonstrate that the costs of the proposed SPP programs and
9 projects far outweigh the benefits from savings in storm damage and restoration costs.

10 The Commission also should keep in mind that the impact of the SPP programs is
11 yet another addition to the customer bill in an environment of high inflation, skyrocketing
12 natural gas prices and other base rate increases.

13 **D. Summary of Conclusions and Recommendations**

14 **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS.**

1 A. Each utility's proposed SPP capital expenditures, O&M expenses, increases in rate base,
2 and resulting increases in customer rates are significant. The SPP capital expenditures and
3 O&M expenses are incremental costs with incremental customer rate impacts. The
4 framework, scope, selection, ranking, magnitude, ~~prudence~~, and authorization to proceed
5 with the SPP programs and projects will be determined in these proceedings, not in the
6 subsequent SPPCRC proceeding. Therefore, the decision criteria, ratemaking principles,
7 and rate recovery of the SPP project costs are important factors in the decision making
8 process in this and the other SPP proceedings now pending.

9 ~~To qualify for inclusion in the SPP proceedings and cost recovery in the SPPCRC~~
10 ~~proceedings, the projects and the costs of the projects must be incremental, not simply~~
11 ~~displacements of base rate costs that would have been incurred during the normal course~~
12 ~~of business, as well as prudent, used and useful, and just and reasonable in both amount~~
13 ~~and customer impact. These factors must be considered in the decision process in the SPP~~
14 ~~proceedings, not limited to the review that will take place in the SPPCRC proceedings after~~
15 ~~the projects are selected and costs already have been incurred.~~

16 The Commission should apply rational and specific decision criteria to the
17 selection, ranking, and magnitude of the proposed programs and projects and apply those
18 decision criteria consistently to all four utilities in these proceedings. The decision criteria
19 should include justification in the form of a benefit/cost analysis in addition to the
20 qualitative assessments of whether the programs and projects will reduce restoration costs
21 and outage times. ~~The economic justification is an important consideration in whether the~~
22 ~~programs and projects are prudent and reasonable, a determination that can only be made~~
23 ~~in the SPP proceedings, in contrast to whether the costs actually incurred during~~

1 implementation of the programs and projects were prudently incurred and reasonable,
2 which is determined in the SPPCRC proceeding.

3 In addition, the total multi-year customer rate impact can be considered only in the
4 SPP proceeding. The SPPCRC proceedings address the actual recovery and annual
5 customer rate impact only after the decision process in these SPP proceedings is complete,
6 projects are approved, and the SPP programs and projects are implemented.

7 ~~Further, it is critical that the customer rate impact reflect only the incremental cost~~
8 ~~of the SPP projects and that all avoided cost savings be reflected as offsets to those costs~~
9 ~~either through reductions to the SPPCRC or through reductions to base rates. However, in~~
10 ~~their SPP filings, the utilities did not, with limited exceptions, explicitly exclude the costs~~
11 ~~presently recovered in base rates or expressly account for any avoided cost savings. The~~
12 ~~utilities will retain the avoided cost savings for costs presently recovered in base rates~~
13 ~~unless these costs are addressed in this proceeding and the SPPCRC proceedings or~~
14 ~~otherwise included in a negotiated resolution.~~

15 ~~I recommend that the Commission adopt and consistently apply decision criteria~~
16 ~~for the selection, ranking, magnitude, and prudence of the SPP programs and projects for~~
17 ~~the four utilities to ensure that the utilities do not use the SPP and SPPCRC process to~~
18 ~~displace costs that are subject to and recoverable through the base rate process and shift~~
19 ~~those costs to recover them through the SPP and SPPCRC process.~~

20 ~~I concur with Witness Mara's recommendation to exclude the costs of programs~~
21 ~~and projects that displace base rate costs that would have been incurred during the normal~~
22 ~~course of business and that are not incurred on an incremental basis specifically to achieve~~
23 ~~the objectives of the SPP Rule, except for certain costs in 2023 and 2024 that are subject~~

1 to Paragraph 4 in the settlement agreement approved by the Commission in Order No.2021-
2 0202A-AS-EI. Specifically, I do not recommend that the Commission reject programs,
3 projects, or costs under the heading of “Does not comply with 25-6.030” as shown in the
4 table on page 13 of Mr. Mara’s amended direct testimony that are subject to this exception.
5 I note throughout my testimony where this exception applies.

6 ~~I recommend that the Commission reject all proposed SPP projects that are~~
7 ~~not economic, meaning that they do not have a benefit-to-cost ratio of at least 100%, subject~~
8 ~~to the exception for the years 2023 and 2024 pursuant to the 2021 settlement agreement~~
9 ~~approved in Order No. PSC-2021-0202A-AS-EI. Projects with a benefit-to-cost ratio of~~
10 ~~less than 100% are not economic, cannot be considered prudent at the point of decision in~~
11 ~~this proceeding, and cannot be considered prudent or just and reasonable for future~~
12 ~~recovery through the SPPCRC.~~

13 ~~I recommend that the Commission adopt and consistently apply uniform~~
14 ~~methodologies among the utilities to determine the revenue requirements and rate impacts~~
15 ~~of the programs and projects in these proceedings and that it carry through those uniform~~
16 ~~methodologies to the rate calculations in the SPPCRC proceeding. More specifically, I~~
17 ~~recommend that the Commission: 1) exclude construction work in progress (“CWIP”) from~~
18 ~~both the return on rate base and depreciation expense, and instead allow a deferred return~~
19 ~~on the CWIP until it is converted to plant in service or prudently abandoned, 2) allow~~
20 ~~property tax only on the net plant at the beginning of each year, 3) require a credit for the~~
21 ~~avoided depreciation expense on plant that is retired due to SPP plant investments, 4)~~
22 ~~require a realignment of the costs of pole inspections and vegetation management from~~

~~base rates to the SPPCRC, and 5) require a credit for the avoided O&M expenses due to the SPP plant investments and SPP O&M expenses.~~

II. DECISION CRITERIA FOR THE RATIONAL SELECTION, RANKING, AND MAGNITUDE OF SPP PROGRAMS AND PROJECTS

Q. DESCRIBE THE FRAMEWORK FOR THE SELECTION AND RANKING OF SPP PROGRAMS AND PROJECTS.

A. Section 366.96, Fla. Stat., and Rule 25-6.030, F.A.C., establish the required framework for the utility's SPP, including the utility's identification of projects that are designed to reduce outage restoration costs and outage times, information necessary to develop and apply decision criteria for the selection, ranking, and magnitude of the SPP programs and costs, estimates of the customer rate impacts, and parameters for recovery of the actual costs incurred for the SPP projects offset by costs recovered through base rates and other clause recoveries as well as savings in those costs.

The SPP framework provides important customer safeguards that should be enforced to require the utility to: 1) identify new programs and projects or the expansion of existing programs and projects that are not within the scope of its existing base rate programs and cost recoveries in the normal course of business; 2) limit requests to programs and projects that are prudent and reasonable; 3) justify the selections, rankings, and magnitude of SPP programs, projects, and costs; 4) ensure there is a comparison of benefits to costs; 5) effectively consider the rate impact on customers, and 6) ensure that the utility only recovers incremental costs, net of decremental (avoided) costs or reductions in costs (savings), through the SPPCRC.

~~More specifically, Section 366.96(8), Fla. Stat. limits SPP programs and projects to costs not recovered through the utility's base rates. Section 366.96(8), Fla. Stat., states~~

1 in part: ~~“The annual transmission and distribution storm protection plan costs may not~~
2 ~~include costs recovered through the public utility’s base rates.”~~

3 Section ~~366.96(2)(c), Fla. Stat., limits SPP programs and projects to costs that are~~
4 ~~prudent and reasonable. The statute further defines “[t]ransmission and distribution storm~~
5 ~~protection plan costs” as “the reasonable and prudent costs to implement an approved~~
6 ~~transmission and distribution storm protection plan.” Section 366.96(2)(c), Fla. Stat.~~
7 ~~Similarly, the SPPCRC Rule requires that costs included in the SPPCRC be “prudent” and~~
8 ~~“reasonable.” Rule 25-6.031(3), F.A.C. Although the requirements found in the statute are~~
9 ~~repeated in the SPPCRC Rule, the determination of whether the costs included in the~~
10 ~~SPPCRC are prudent and reasonable necessarily requires that the SPP programs and~~
11 ~~projects approved in the SPP docket must be prudent to undertake and implement and that~~
12 ~~the estimated costs of the programs and projects are reasonable as a threshold matter. The~~
13 ~~sequential nature of these determinations effectively limits any subsequent assessment of~~
14 ~~prudence and reasonableness in the SPPCRC proceeding to an after-the-fact assessment of~~
15 ~~the utility’s implementation of each project and the actual costs incurred.~~

16 In addition, ~~the SPP Rule requires that the utility quantify the “benefits” and costs,~~
17 ~~compare the benefits to the costs, and provide an estimate of the revenue requirement~~
18 ~~effects for each year of the SPP. Rule 25-6.030(3)(d)4., and (3)(g), F.A.C. Section~~
19 ~~366.96(4), Fla. Stat. requires the Commission to consider this evidence in its evaluation of~~
20 ~~the SPPs. This information allows the Commission and intervening parties to determine if~~
21 ~~the proposed projects are economic, or cost justified, to establish thresholds, or cutoff~~
22 ~~limitations, based on whether the projects are wholly or partially self-funding through cost~~
23 ~~savings, or “benefits,” and to consider these factors in establishing limitations based on the~~

~~customer rate impact, not only in the first year, but over the life of the SPP itself, and then beyond the SPP, extending over the lives of the SPP project costs that were capitalized.~~

~~Further, Section 366.96, Fla. Stat., and the SPPCRC Rule limit the costs eligible for recovery through the SPPCRC to incremental costs net of avoided costs (savings). The statute and this Rule specifically require the exclusion of costs that are recovered through base rates and other clause forms of ratemaking recovery.³~~

Q. ARE THE SPP RULE AND THE SPPCRC RULE SEQUENTIAL AND INTERRELATED?

A. Yes. Certain ratemaking determinations required pursuant to the SPPCRC Rule necessarily start with an assessment of the SPP programs and projects that can only be performed in the SPP proceeding, and then are confirmed and refined in the SPPCRC proceeding for cost recovery purposes.

~~In the SPP proceeding, the Commission must determine the prudence of the programs upfront based on whether they are economically justified, whether the projected costs are just and reasonable, and whether the customer rate impact is reasonable. This requires the application of objective thresholds and related screening criteria to select, rank, and determine the magnitude of SPP projects. The Commission also must determine whether the Company has quantified the revenue requirement and customer rate impacts in an accurate and comprehensive manner, although the final SPPCRC rate quantifications will be performed in the SPPCRC proceeding.~~

³ Section 366.96(8), Fla. Stat.; Rule 25-6.031(6)(a), F.A.C.

1 Q. ARE EACH OF THE UTILITIES' PROPOSED SPP PROGRAMS AND
2 PROJECTS OUTSIDE THE SCOPE OF THE EXISTING BASE RATE
3 PROGRAMS AND COST RECOVERIES IN THE NORMAL COURSE OF
4 BUSINESS?

5 A. ~~No. DEF and each of the other utilities have included programs and projects that are within~~
6 ~~the scope of their existing base rate programs and base rate recoveries in the normal course~~
7 ~~of business. These programs and projects are listed and addressed in greater detail by~~
8 ~~Witness Mara. These programs and projects should be excluded from the SPPs and the~~
9 ~~costs should be excluded from recovery through the SPPCRCs, subject to an exception for~~
10 ~~certain costs incurred in 2023 and 2024 addressed in Paragraph 4 of the 2021 settlement~~
11 ~~agreement approved in Order No. PSC-2021-0202A-AS-EI.~~

12 ~~The SPPs and SPPCRCs are for new and expanded programs and projects that will~~
13 ~~reduce restoration costs and outage times and for the recovery of the incremental costs of~~
14 ~~the SPP programs and projects, not to displace base rate programs and base rate recoveries.~~
15 ~~Nor are the SPPs and SPPCRCs an alternative and expedited form of rate recovery for any~~
16 ~~and all costs that arguably improve resiliency or reliability. Absent a demonstrable~~
17 ~~simultaneous, equivalent corresponding reduction of base rates, neither the Statute nor the~~
18 ~~SPP or SPPCRC Rules authorize the Commission or the utilities to displace and exclude~~
19 ~~programs and costs from base rates and then include the programs and costs in the SPPs~~
20 ~~and SPPCRCs.⁴~~

⁴ As I noted previously in my testimony, I address the principles and costs that are included by DEF in its SPP, subject to the limited exception for certain costs addressed in Paragraph 4 of the 2021 settlement agreement approved by the Commission in Order No.2021-0202A-AS-EI.

1 **Q. ARE EACH OF DEF'S PROPOSED PROGRAMS AND PROJECTS PRUDENT**
 2 **AND REASONABLE?**

3 A. ~~No. DEF's programs and costs are not prudent and reasonable unless they meet all of the~~
 4 ~~requirements of the SPP and the SPPCRC Rules that I previously described. Certain of the~~
 5 ~~utility's programs and projects fail these requirements because they are not new or~~
 6 ~~expansions of existing programs outside of base rates in the normal course of business;~~
 7 ~~certain programs and projects fail because they are not economic.⁵~~

8 **Q. DID THE UTILITIES CONSISTENTLY APPLY A BENEFIT/COST ANALYSIS**
 9 **TO DETERMINE THE SELECTION, RANKING, AND MAGNITUDE OF THE**
 10 **SPP PROGRAMS?**

11 A. No. The utilities used a variety of decision criteria, qualitative and quantitative, but none
 12 of them relied on a benefit/cost analysis as a threshold decision criterion to qualify a
 13 program or project for inclusion in its SPP. Nor were the decision criteria consistent among
 14 the utilities or even among each utility's SPP programs and projects.⁶

15 Neither FPUC nor FPL developed or relied on any benefit/cost analysis. Although
 16 neither DEF nor Tampa developed or relied on benefit/cost analyses as a threshold decision
 17 criterion to qualify their programs, they both used a form of benefit/cost analysis for the
 18 ranking and the magnitude of their programs.

19 However, the DEF and Tampa forms of benefit/cost analysis were flawed and used
 20 to calculate excessive dollar benefits by including the societal value of customer

⁵ As I noted previously in my testimony, I address the principles and costs that are included by DEF in its SPP, subject to the limited exception for certain costs addressed in Paragraph 4 of the 2021 settlement agreement approved by the Commission in Order No.2021-0202A-AS-EI.

⁶ I have attached a brief summary of each utility's decision criteria as my Exhibit LK-2.

1 interruptions in addition to their estimates of avoided damages and restoration costs. The
 2 societal value of customer interruptions is a highly subjective quantitative measure based
 3 on interpretations of a range of customer survey results. The societal value of customer
 4 interruptions is not a cost that actually is incurred or avoided by the utility or customer and
 5 should be excluded from the justification of SPP programs and projects using benefit cost
 6 analyses.

7 In addition, DEF included the avoided future cost of replacing an asset that was
 8 replaced pursuant to the SPP programs as a capital cost savings in its benefit/cost analyses.
 9 This is nothing more than legerdemain, a tactful term for the magical assertion that a capital
 10 expenditure incurred for an SPP program results in future capital expenditure savings in a
 11 base rate program. There are no savings in capital expenditures. When these fantastical
 12 savings are properly removed from DEF's benefit/cost analyses, *none* of its programs or
 13 projects are economic.⁷

14 **Q. WHY IS AN ECONOMIC JUSTIFICATION NECESSARY AS A THRESHOLD**
 15 **DECISION CRITERION TO QUALIFY PROGRAMS OR PROJECTS FOR**
 16 **INCLUSION IN THE SPP?**

17 A. ~~Fundamentally, SPP programs and projects should be authorized only if the benefits exceed~~
 18 ~~the costs; in other words, the benefit-to-cost ratio should be at least 100%. Neither the~~
 19 ~~statute nor the SPP Rule require the Commission to approve SPP programs and projects~~

⁷ As I noted previously in my testimony, I address the principles and costs that are included by DEF in its SPP, subject to the limited exception for certain costs addressed in Paragraph 4 of the 2021 settlement agreement approved by the Commission in Order No.2021-0202A-AS-EI.

1 ~~that are uneconomic even if they meet the statutory and SPP Rule objectives to reduce~~
2 ~~restoration costs and outage times.~~

3 ~~The programs and projects submitted within the SPP are discretionary and~~
4 ~~incremental, meaning their scope and the costs should be above and beyond the present~~
5 ~~scope and costs for actual and planned capital expenditures and O&M expenses recovered~~
6 ~~in base rates in the normal course of business.~~ By its terms, the SPP Rule requires the
7 utility to address and undertake projects “to enhance the utility’s existing infrastructure for
8 the purpose of reducing restoration costs and outage times associated with extreme weather
9 conditions therefore improving overall service reliability.” Rule 25-6.030(2)(a), F.A.C.

10 ~~The SPP programs and projects must be incremental, including the expansions of~~
11 ~~the pole inspection and vegetation management programs and projects that were previously~~
12 ~~in effect. If the projects actually had been necessary as base rate programs in the normal~~
13 ~~course of business, but the utility failed to undertake them, then the utility would have been,~~
14 ~~and would continue to be, imprudent for its failure to construct “transmission and~~
15 ~~distribution facilities” that would withstand “extreme weather events” and its failure to~~
16 ~~undertake maintenance activities that would reduce outage durations and outage expenses.~~
17 No utility and no other party has made that argument.

18 ~~The economic justification standard allows the utility to propose, and the~~
19 ~~Commission to set, an appropriate and reasonable benefit-to-cost threshold, whether it is~~
20 ~~the minimum 100% that I recommend or something greater or lesser.~~

21 ~~In addition, the economic justification allows the utility and the Commission to~~
22 ~~rank proposed programs and projects to achieve the greatest value at the lowest customer~~
23 ~~rate impact.~~

~~Further, the economic justification allows the utility and the Commission to determine the maximum amount (magnitude) of expenditures for each SPP program and project that will result in net benefits to the utility's customers.~~

Q. HOW SHOULD THE COMMISSION DETERMINE WHETHER THE PROPOSED SPP PROGRAMS AND PROJECTS ARE ECONOMICALLY JUSTIFIED?

~~A. Typically, economic justification is based on a comparison of the incremental revenues or benefits (savings) that are achieved or achievable to the incremental costs of a project, with the benefits measured as the avoided costs that will not be incurred due to the SPP programs and projects and the incremental costs as the sum of the annual revenue requirements for the SPP programs and projects. The savings in costs includes not only the avoided outage restoration costs that will not be incurred due to extreme weather events, but also the reductions in maintenance expense from the new SPP assets that require less maintenance than the base rate assets that were replaced and the future savings due to near-term accelerated and enhanced vegetation management activities and expense.~~

Q. DOES THE SPP RULE REQUIRE THAT THE UTILITIES PROVIDE A COMPARISON OF THE "COSTS" AND "BENEFITS" TO DETERMINE IF THE PROGRAMS AND PROJECTS ARE ECONOMICALLY JUSTIFIED?

A. Yes. The SPP Rule requires the utility to provide "[a] comparison of the costs identified in subparagraph (3)(d)3. and the benefits identified in subparagraph (3)(d)1." Rule 25-6.030(3)(d)4., F.A.C. The context and juxtaposition of the terms "costs" and "benefits" strongly imply a comparison of dollar costs and dollar benefits, not a comparison of dollar costs and qualitative benefits. The latter comparison provides no useful decision making information because it does not provide a useful threshold decision criterion to qualify

1 programs and projects, does not provide a framework for ranking programs and projects,
2 and does not allow a rational quantitative basis for the magnitude of programs and projects
3 that may be included.

4 **Q. DID EACH OF THE UTILITIES PROVIDE THE REQUIRED COMPARISON OF**
5 **THE “COSTS” AND “BENEFITS” IN THEIR SPP FILINGS OR IN RESPONSE**
6 **TO DISCOVERY?**

7 A. No. FPUC and FPL provided no dollar quantifications of benefits in their SPP filings and
8 refused to provide any dollar quantifications in response to OPC discovery. FPUC claimed
9 that it had not quantified avoided cost savings benefits and stated that it did not rely on an
10 economic benefit cost criterion for the selection, ranking, or magnitude of its proposed
11 programs and projects. Both FPUC and FPL argued that the SPP Rule’s text requiring the
12 comparison of costs and benefits did not require the utilities to provide a dollar
13 quantification of the benefits, but instead required only that there had to be benefits, which
14 they qualitatively described to meet the “objectives” and or “requirements” of the SPP
15 Rule.

16 In contrast to FPUC and FPL, DEF and Tampa quantified expected dollar benefits
17 in their SPP filings based on their modeling results and provided additional detail on their
18 modeling and quantifications of the dollar benefits in response to OPC discovery. DEF
19 developed its benefit quantifications using a storm damage model developed by
20 Guidehouse. Tampa developed its benefit quantifications using a Storm Resilience Model,
21 which includes a Storm Impact Model, developed by 1898 & Co.

22 **Q. ARE ANY OF UTILITIES’ SPP PROGRAMS ECONOMICALLY JUSTIFIED?**

1 A. No. This is extremely problematic. None of the SPP programs has benefits that exceed
2 the costs. None of the utilities used a benefit/cost test to qualify its programs or projects,
3 although DEF and Tampa used a flawed form of a benefit/cost test to rank their programs
4 and projects and to determine the maximum expenditure levels for its programs.

5 **Q. IF THE SPP PROGRAMS ARE NOT ECONOMICALLY JUSTIFIED, CAN THE**
6 **PROGRAMS AND PROJECTS OR THE RELATED COSTS BE PRUDENT OR**
7 **REASONABLE?**

8 A. ~~No. The statute and the SPP Rule require that the programs and the incremental cost of the~~
9 ~~programs be prudent and reasonable. If the programs and projects are not economically~~
10 ~~justified, then the costs should not be incurred; if they are not economically justified, then~~
11 ~~the programs and projects cannot be prudent and the costs would be imprudent and~~
12 ~~unreasonable.~~

13 ~~The Commission, not the utility, is the arbiter of whether these programs and~~
14 ~~projects are prudent and reasonable. It is not enough for the utility simply to assert that the~~
15 ~~programs and projects will reduce restoration costs and outage times (without quantifying~~
16 ~~the dollar benefits from the reduction of restoration costs and outage times). This bar is a~~
17 ~~starting point as an initial screening criterion, but it is insufficient in and of itself for a~~
18 ~~determination of prudence and reasonableness.~~

19 ~~Prudence requires that additional decision criteria be applied to determine the~~
20 ~~selection, ranking, and magnitude of the programs and projects and the costs. Specifically,~~
21 ~~an economic benefit/cost criterion is required to determine what programs, if any, are cost~~
22 ~~effective to undertake. In simple terms, it defies rational thought to undertake discretionary~~
23 ~~programs and projects and to incur the incremental costs for those programs and projects~~

~~1 if the economic benefits are not at least equal to the costs. This is especially relevant given
2 the current economic hardships for ratepayers.~~

3 **Q. WHAT ARE YOUR RECOMMENDATIONS?**

4 A. ~~I recommend that the Commission adopt and consistently apply specific decision criteria
5 for the selection, ranking, and magnitude of the utilities' SPP programs and projects for the
6 four utilities to ensure that the utilities are not able to use the SPP and SPPCRC process to
7 displace base rate costs that are subject to and recoverable through the base rate process
8 and shift those costs to recover them through the SPP and SPPCRC process, subject to the
9 exception for DEF set forth in Paragraph 4 of the 2021 Settlement agreement approved in
10 Order No. PSC-2021-0202A-AS-EI.~~

11 ~~I concur with Witness Mara's recommendation to exclude the costs of programs
12 and projects that displace base rate costs that would have been incurred during the normal
13 course of business and that are not incurred on an incremental basis specifically to achieve
14 the objectives of the SPP Rule, subject to the exception for DEF set forth in Paragraph 4
15 of the 2021 Settlement agreement approved in Order No. PSC-2021-0202A-AS-EI.~~

16 ~~I recommend that the Commission reject all proposed SPP projects that are not
17 economic, meaning that they do not have a benefit to cost ratio of at least 100%. Projects
18 with a benefit to cost ratio of less than 100% are not economic, cannot be considered
19 prudent at the point of decision in this proceeding, and cannot be considered prudent or
20 just and reasonable for future recovery through the SPPCRC, subject to the exception for
21 DEF set forth in Paragraph 4 of the 2021 Settlement agreement approved in Order No.
22 PSC-2021-0202A-AS-EI.~~

1 ~~Alternatively, I recommend that the Commission minimize the customer rate~~
2 ~~impact (harm) of uneconomic SPP programs and projects by setting a minimum threshold~~
3 ~~benefit/cost ratio for the selection and magnitude of the SPP programs and projects, such~~
4 ~~as 70%, or limiting the rate impact over the life of the SPP to a defined threshold, such as~~
5 ~~10% over the ten-year term of each utility's proposed SPP programs.⁸ Such thresholds~~
6 ~~would result in ranking projects with greater benefits to customers and winnowing projects~~
7 ~~with lesser benefits to customers, as well as limiting the magnitude of the customer rate~~
8 ~~impact of the SPP programs and projects.~~

9

10 **III. METHODOLOGIES TO CALCULATE THE REVENUE REQUIREMENTS**
11 **AND CUSTOMER RATE IMPACTS**

12 **Q. DID THE UTILITIES CONSISTENTLY CALCULATE THE REVENUE**
13 **REQUIREMENT EFFECTS OF THEIR SPP PROGRAMS?**

14 A. ~~No. Although each of the utilities calculated the revenue requirements as the sum of the~~
15 ~~return on rate base plus O&M expense, depreciation expense, and property tax expense,~~
16 ~~there were differences among the utilities in their calculations of rate base, depreciation~~
17 ~~expense, and property tax expense. Most significantly, there were differences in their~~
18 ~~assumptions regarding the conversions of CWIP to plant in service and the resulting~~
19 ~~calculations of depreciation expense and differences in the calculations of property tax~~
20 ~~expense.~~

⁸ Subject to the exception set forth in Paragraph 4 of the 2021 settlement agreement approved in Order No. PSC-2021-0202A-AS-EI,

1 ~~DEF did not reflect any reductions in depreciation expense on retired plant~~
 2 ~~recovered in base rates that will be replaced by SPP plant assets and recovered through the~~
 3 ~~SPPCRCs. None of utilities reflected reductions in O&M expenses recovered in base rates~~
 4 ~~due to savings from the SPP programs and projects. Both reductions are necessary to~~
 5 ~~ensure that the utilities do not recover costs that they no longer incur as a result of the SPP~~
 6 ~~programs.~~

7 ~~If these additional savings are not considered in these SPP proceedings and~~
 8 ~~accounted for in the SPPCRC proceeding or otherwise reflected in a negotiated resolution,~~
 9 ~~then the utilities will retain the savings due to the reductions in expenses that presently are~~
 10 ~~recovered in base rates.~~

11 **Q. DID DEF’S CALCULATIONS OF THE ESTIMATED REVENUE**
 12 **REQUIREMENTS ALSO INCLUDE UNIQUE ERRORS THAT SHOULD BE**
 13 **CORRECTED IN THESE PROCEEDINGS?**

14 A. Yes. DEF had several unique errors in its calculations of the SPP revenue requirements
 15 and customer rate impact. DEF improperly calculated depreciation expense on CWIP at
 16 the end of the prior year, but also failed to calculate depreciation expense on current year
 17 plant additions.⁹ DEF improperly calculated property tax expense on the average of the
 18 net plant in service and CWIP balance in the current year instead of on the beginning

⁹ DEF’s response to Interrogatory No. 58 in OPC’s Second Set of Interrogatories in Docket No. 20220050-EI. I have attached a copy of this response as my Exhibit LK-3. Refer also to the SPP revenue requirement calculations provided in DEF’s response to POD No. 1 in OPC’s First Request for Production in Docket No. 20220050-EI as an Excel attachment named “Q1 Rule 25-6030 - Rev Req & 3 yr Rate Impacts_BLM-1 Support File-POD 1.”

1 balance of net plant in service in the current year.¹⁰ These errors should be considered and
2 corrected in this SPP proceeding and in the SPPCRC proceeding.

3 **Q. DID THE UTILITIES ALL INCLUDE CWIP IN RATE BASE?**

4 A. ~~Yes, although there were differences in the assumptions regarding the conversions of~~
5 ~~CWIP to plant in service among the utilities. More specifically, FPUC assumed that all~~
6 ~~capital expenditures were closed to plant in service as expended in the current year. DEF~~
7 ~~assumed that CWIP was converted to plant in service throughout the current year. Tampa~~
8 ~~assumed that CWIP was converted to plant in service throughout the current year. FPL~~
9 ~~assumed that capital expenditures were closed to plant in service 50% in the current year~~
10 ~~and 50% in the following year.~~

11 **Q. IS A RETURN ON CWIP IN RATE BASE EXPLICITLY AUTHORIZED IN THE**
12 **STATUTE, SPP RULE, OR THE SPPCRC RULE?**

13 A. ~~No. Section 366.96(9), Fla. Stat. states “[i]f a capital expenditure is recoverable as a~~
14 ~~transmission and distribution storm protection plan cost, the public utility may recover the~~
15 ~~annual depreciation on the cost, calculated at the public utility’s current approved~~
16 ~~depreciation rates, and a return on the undepreciated balance of the costs calculated at the~~
17 ~~public utility’s weighted average cost of capital using the last approved return on equity.”~~
18 ~~Similarly, the SPPCRC Rule states “[t]he utility may recover the annual depreciation~~
19 ~~expense on capitalized Storm Protection Plan expenditures using the utility’s most recent~~
20 ~~Commission approved depreciation rates. The utility may recover a return on the~~

¹⁰ DEF’s response to Interrogatory No. 60 in OPC’s Second Set of Interrogatories in Docket No. 20220050-EI. I have attached a copy of this response as my Exhibit LK-4. Refer also to the SPP revenue requirement calculations provided in DEF’s response to POD No. 1 in OPC’s First Request for Production in Docket No. 20220050-EI as an Excel attachment named “Q1 Rule 25-6030 - Rev Req & 3 yr Rate Impacts_BLM-1 Support File-POD 1.”

~~1 undepreciated balance of the costs calculated at the utility's weighted average cost of
2 capital using the return on equity most recently approved by the Commission." Rule 25-
3 6.031(6)(e), F.A.C.~~

~~4 The term "undepreciated balance" is not defined in the statute or the SPPCRC Rule,
5 but typically has meaning in an accounting and ratemaking context as "net plant," defined
6 as gross plant in service less accumulated depreciation. The term "undepreciated" typically
7 is not applied to CWIP because CWIP is not depreciated; only plant in service is
8 depreciated.~~

9 **Q. IS IT POSSIBLE TO LEGITIMATELY ASSESS WHETHER CWIP COSTS ARE**
10 **PRUDENT PRIOR TO THE COMPLETION OF CONSTRUCTION AND THE**
11 **CONVERSION OF THE CWIP TO PLANT IN SERVICE?**

12 A. ~~No. The Commission cannot legitimately assess whether CWIP costs incurred are prudent
13 until all costs have been incurred and converted to plant in service, whether the scope of
14 the work actually completed was consistent with the scope included in the approved SPP
15 programs and projects, and whether the costs actually incurred were consistent with the
16 utility's estimated costs included in the approved SPP programs and projects.~~

17 **Q. ARE THERE ALTERNATIVES TO A RETURN ON CWIP IN RATE BASE**
18 **INCLUDED IN THE REVENUE REQUIREMENT AND CUSTOMER IMPACTS**
19 **CONSISTENT WITH THE SUBSEQUENT CONSIDERATION OF PRUDENCE**
20 **AFTER THE CWIP HAS BEEN CONVERTED TO PLANT IN SERVICE?**

21 A. ~~Yes. As alternatives, a return on CWIP can be deferred either as allowance for funds used
22 during construction ("AFUDC") or as a miscellaneous deferred debit. Once construction~~

~~1 is completed and the CWIP is converted to plant in service, then the deferred return will be
2 added to the direct construction expenditures as plant in service in rate base and included
3 in the depreciation expense in the SPPCRC revenue requirement.~~

4 **Q. WHY IS THE RETURN ON CWIP A CONCERN THAT NEEDS TO BE
5 ADDRESSED IN THESE PROCEEDINGS?**

6 A. ~~It is a concern because construction expenditures are not converted from CWIP to plant in
7 service as they are incurred, but rather only after construction is completed. There will be
8 no actual depreciation expense until the construction expenditures are converted from
9 CWIP to plant in service.~~

10 ~~The return on CWIP is also a concern because all of the utilities incur engineering
11 costs prior to incurring actual construction expenditures on specific projects. Those costs
12 cannot be deemed prudent or reasonable unless and until the costs are charged to specific
13 projects, construction is completed (or prudently abandoned), and the CWIP is converted
14 to plant in service.~~

15 **Q. IS THERE A SIMILAR CONCERN WITH ANOTHER COST INCLUDED IN
16 RATE BASE BY TAMPA THAT SHOULD BE ADDRESSED FOR ALL FOUR
17 UTILITIES?**

18 A. ~~Yes. Tampa has established a separate warehouse and inventory of materials and supplies
19 for its SPP programs and included these costs in rate base and the return on these
20 inventories in its SPP revenue requirement and customer rate impact, which raises a
21 concern similar to the return on CWIP. Such inventory costs should not be included in rate
22 base or the return on these inventories in the SPP revenue requirement and customer rate~~

1 ~~impact in any utility's SPP or SPPCRC. This type of item should not be included in any~~
2 ~~company's SPP. As an alternative, a return on such inventories can be deferred either as~~
3 ~~AFUDC or as a miscellaneous deferred debit, similar to the alternatives for the return on~~
4 ~~CWIP.~~

5 **Q. DOES THIS COMPLETE YOUR PREFILED DIRECT TESTIMONY?**

6 A. Yes.

1 MR. REHWINKEL: And I think that's all we have
2 on this docket. Thank you.

3 EXAMINATION

4 BY MS. WESSLING:

5 Q **Good afternoon.**

6 A Good afternoon.

7 Q **For purposes of Docket 20220048, can you**
8 **please state your name and business address for the**
9 **record?**

10 A Yes. My name is Lane Kollen. My business
11 address is J. Kennedy and Associates, Incorporated, 570
12 Colonial Park Drive, Suite 305, Roswell, Georgia, 30075.

13 Q **Thank you.**

14 **And on whose behalf are you providing**
15 **testimony?**

16 A On behalf of Office of Public Counsel.

17 Q **Thank you.**

18 **And have you previously been sworn?**

19 A Yes.

20 Q **Thank you.**

21 **Did you cause to be filed prefiled direct**
22 **testimony consisting of 27 pages in Docket No. 20220048?**

23 A Yes.

24 Q **And you are aware that portions of your**
25 **testimony have been previously stricken?**

1 A Yes.

2 Q With regard to the unstricken testimony, do
3 you have any corrections?

4 A No.

5 Q If I asked you the -- if I were to ask you the
6 same questions in your unstricken testimony today, would
7 your answers be the same?

8 A Yes.

9 MS. WESSLING: Chairman, I would ask that the
10 unstricken portions of Mr. Kollen's testimony be
11 entered into the record as though read.

12 CHAIRMAN FAY: Show it inserted.

13 MS. WESSLING: Thank you.

14 (Whereupon, prefiled direct testimony of Lane
15 Kollen in Docket No. 20220048 was inserted.)

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Review of Storm Protection Plan,
pursuant to Rule 25-6.030, F.A.C., Tampa
Electric Company.

DOCKET NO. 20220048-EI

FILED: May 31, 2022

DIRECT TESTIMONY**OF****LANE KOLLEN****ON BEHALF OF THE OFFICE OF PUBLIC COUNSEL**

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of the State of Florida

TABLE OF CONTENTS

| | |
|---|-----------|
| I. QUALIFICATIONS AND SUMMARY | 1 |
| A. QUALIFICATIONS | 1 |
| B. PURPOSE OF TESTIMONY | 2 |
| C. SCOPE OF THE SPP REQUESTS..... | 3 |
| D. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS..... | 8 |
| II. DECISION CRITERIA FOR THE RATIONAL SELECTION, RANKING, AND MAGNITUDE OF SPP PROGRAMS AND PROJECTS..... | 11 |
| III. METHODOLOGIES TO CALCULATE THE REVENUE REQUIREMENTS AND CUSTOMER RATE IMPACTS | 22 |
| EXHIBITS: | |
| RESUME OF LANE KOLLEN..... | LK-1 |
| SUMMARY OF EACH UTILITY'S DECISION CRITERIA..... | LK-2 |

1 **I. QUALIFICATIONS AND SUMMARY**

2 **A. Qualifications**

3 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

4 A. My name is Lane Kollen. My business address is J. Kennedy and Associates, Inc.
5 ("Kennedy and Associates"), 570 Colonial Park Drive, Suite 305, Roswell, Georgia 30075.

6 **Q. DESCRIBE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.**

7 A. I earned a Bachelor of Business Administration ("BBA") degree in accounting and a
8 Master of Business Administration ("MBA") degree from the University of Toledo. I also
9 earned a Master of Arts ("MA") degree in theology from Luther Rice College & Seminary.
10 I am a Certified Public Accountant ("CPA"), with a practice license, Certified Management
11 Accountant ("CMA"), and Chartered Global Management Accountant ("CGMA"). I am a
12 member of numerous professional organizations, including the American Institute of
13 Certified Public Accountants, Institute of Management Accounting, Georgia Society of
14 CPAs, and Society of Depreciation Professionals.

15 I have been an active participant in the utility industry for more than forty years,
16 initially as an employee of The Toledo Edison Company from 1976 to 1983 and thereafter
17 as a consultant in the industry since 1983. I have testified as an expert witness on hundreds
18 of occasions in proceedings before regulatory commissions and courts at the federal and
19 state levels. In those proceedings, I have addressed ratemaking, accounting, finance, tax,
20 and planning issues, among others.

21 I have testified before the Florida Public Service Commission on numerous
22 occasions, including base rate, fuel adjustment clause, acquisition, and territorial

1 proceedings involving Florida Power & Light Company (“FPL”), Duke Energy Florida
2 (“DEF”), Talquin Electric Cooperative, City of Tallahassee, and City of Vero Beach.¹

3 **B. Purpose of Testimony**

4 **Q. ON WHOSE BEHALF ARE YOU PROVIDING TESTIMONY?**

5 A. I am providing this testimony on behalf of the Florida Office of Public Counsel (“OPC”).

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 A. The purpose of my testimony is to address and make recommendations regarding the
8 proposed Storm Protection Plans (“SPP”) filed by Florida Public Utilities Company
9 (“FPUC”), Duke Energy Florida, LLC (“DEF”), Tampa Electric Company (“Tampa”), and
10 Florida Power and Light Company (“FPL”) (collectively, the “utilities”). In this testimony,
11 I specifically address the SPP filing for Tampa.

12 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] Rule 25-

16 6.030, Florida Administrative Code (“SPP Rule”), and Rule 25-6.031, F.A.C. (“SPPCRC
17 Rule”) to the extent that the outcome of these proceedings will affect the cost recoveries in
18 the Storm Protection Plan Cost Recovery Clause (“SPPCRC”) proceedings pursuant to the
19 SPPCRC Rule. My testimony should be considered in conjunction with the testimony of
20 Mr. Kevin Mara on behalf of OPC.

¹ I have attached a more detailed description of my qualifications and regulatory appearances as my Exhibit LK-1.

1 **C. Scope of the SPP Requests**

2 **Q. PLEASE SUMMARIZE THE SPP REQUESTS.**

3 A. In the aggregate, the four utilities seek authorization for programs and projects they
 4 estimate will cost \$25.323 billion over the next ten years (2023-2032), consisting of
 5 \$23.167 billion in capital expenditures and \$2.156 billion in operation and maintenance
 6 (“O&M”) expense. The capital expenditures will have a growing and cumulative
 7 ratemaking impact for the duration of the SPPs and beyond of 40 or more years over the
 8 service lives of the plant assets. These amounts are in addition to the capital expenditures
 9 and O&M expense expended in prior years and this year for storm hardening and storm
 10 protection programs. The utilities also expect to seek authorization for additional amounts
 11 in subsequent SPP updates beyond the ten years reflected in these proceedings.

12 The following tables provide a summary of the estimated SPP program
 13 expenditures for each utility by year and in total for the ten-year period.

| Florida Public Utilities Company | | | | | | | | | | | |
|----------------------------------|------|------|------|------|------|------|------|------|------|------|-------|
| SPP Program Expenditures | | | | | | | | | | | |
| \$ Millions | | | | | | | | | | | |
| SPP Costs by Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
| Capital Total | 2.3 | 6.7 | 16.9 | 54.2 | 53.2 | 19.9 | 19.6 | 19.8 | 25.3 | 25.2 | 243.1 |
| O&M Expense Total | 1.4 | 1.6 | 1.9 | 3.0 | 2.9 | 1.8 | 1.8 | 1.8 | 1.9 | 1.9 | 20.0 |
| Overall Total | 3.7 | 8.3 | 18.7 | 57.2 | 56.1 | 21.8 | 21.4 | 21.6 | 27.2 | 27.1 | 263.1 |

| Duke Energy Florida, LLC | | | | | | | | | | | |
|--------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|
| SPP Program Expenditures | | | | | | | | | | | |
| \$ Millions | | | | | | | | | | | |
| SPP Costs by Year | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Total |
| Capital Total | 602.7 | 693.4 | 775.2 | 748.8 | 747.7 | 749.7 | 748.5 | 750.6 | 749.4 | 751.6 | 7,317.5 |
| O&M Expense Total | 72.1 | 77.1 | 79.0 | 78.1 | 79.0 | 81.8 | 82.4 | 85.8 | 86.8 | 90.0 | 812.0 |
| Overall Total | 674.8 | 770.5 | 854.1 | 826.9 | 826.7 | 831.5 | 830.9 | 836.4 | 836.2 | 841.6 | 8,129.5 |

14

15

16

| Tampa Electric Company SPP Program Expenditures \$ Millions | | | | | | | | | | | |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|
| SPP Costs by Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
| Capital Total | 169.9 | 168.7 | 173.1 | 172.9 | 169.0 | 167.5 | 169.6 | 166.0 | 172.5 | 169.4 | 1,698.7 |
| O&M Expense Total | 31.0 | 34.0 | 33.7 | 35.2 | 36.3 | 37.7 | 39.6 | 41.2 | 43.1 | 45.3 | 377.1 |
| Overall Total | 200.9 | 202.7 | 206.8 | 208.2 | 205.4 | 205.2 | 209.2 | 207.3 | 215.6 | 214.7 | 2,075.9 |

1

2

| Florida Power & Light Company SPP Program Expenditures \$ Millions | | | | | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------|
| SPP Costs by Year Total Company | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Total |
| Capital Total | 1,458.9 | 1,559.5 | 1,520.4 | 1,200.8 | 1,319.0 | 1,350.0 | 1,388.4 | 1,423.4 | 1,347.6 | 1,340.1 | 13,908.0 |
| O&M Expense Total | 86.0 | 86.7 | 88.0 | 88.2 | 94.1 | 100.3 | 99.8 | 100.5 | 100.9 | 101.5 | 946.2 |
| Overall Total | 1,544.9 | 1,646.3 | 1,608.4 | 1,289.0 | 1,413.1 | 1,450.3 | 1,488.2 | 1,523.9 | 1,448.5 | 1,441.6 | 14,854.2 |

3

4 **Q. WHAT EFFECTS WILL THE REQUESTS HAVE ON CUSTOMER RATES?**

5 A. The incremental effects on present customer rates will be significant as measured over
6 multiple ratemaking metrics, including SPP revenue requirements, net plant in service,
7 annual electric revenues, and cost per customer. The following table provides a summary
8 of the revenue requirements by utility and in the aggregate by year and in total for the ten-
9 year period.

10

| Florida Public Utilities Company SPP Program Revenue Requirements \$ Millions | | | | | | | | | | | |
|---|------|------|------|------|------|------|------|------|------|------|-------|
| SPP Revenue Requirements By Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
| Capital Total | 0.3 | 0.6 | 2.0 | 6.0 | 12.5 | 17.0 | 19.0 | 21.0 | 23.2 | 25.7 | 127.3 |
| O&M Expense Total | 1.4 | 1.6 | 1.9 | 3.0 | 2.9 | 1.8 | 1.8 | 1.8 | 1.9 | 1.9 | 20.0 |
| Overall Total | 1.7 | 2.2 | 3.9 | 9.0 | 15.4 | 18.9 | 20.8 | 22.8 | 25.1 | 27.6 | 147.3 |

11

Duke Energy Florida, LLC
SPP Program Revenue Requirements
\$ Millions

| SPP Revenue Requirements By Year | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Total |
|----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|
| Capital Total | 77.3 | 144.2 | 217.9 | 303.3 | 378.5 | 451.1 | 522.2 | 590.7 | 657.8 | 722.1 | 4,065.2 |
| O&M Expense Total | 72.1 | 77.1 | 79.0 | 78.1 | 79.0 | 81.8 | 82.4 | 85.8 | 86.8 | 90.0 | 812.0 |
| Overall Total | 149.4 | 221.3 | 296.8 | 381.4 | 457.5 | 533.0 | 604.7 | 676.5 | 744.6 | 812.1 | 4,877.2 |

1

Tampa Electric Company
SPP Program Revenue Requirements
\$ Millions

| SPP Revenue Requirements By Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
|----------------------------------|------|------|------|-------|-------|-------|-------|-------|-------|-------|---------|
| Capital Total | 17.2 | 35.8 | 53.8 | 72.3 | 91.4 | 109.8 | 127.9 | 145.5 | 163.0 | 180.0 | 996.6 |
| O&M Expense Total | 30.7 | 33.6 | 33.4 | 34.9 | 36.0 | 37.4 | 39.3 | 40.9 | 42.8 | 44.9 | 374.0 |
| Overall Total | 47.9 | 69.4 | 87.2 | 107.2 | 127.4 | 147.3 | 167.2 | 186.4 | 205.7 | 224.9 | 1,370.7 |

2

Florida Power & Light Company
SPP Program Revenue Requirements
\$ Millions

| SPP Revenue Requirements By Year Jurisdictional | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Total |
|---|-------|-------|-------|-------|---------|---------|---------|---------|---------|---------|----------|
| Capital Total | 332.9 | 509.3 | 685.9 | 836.6 | 971.5 | 1,112.3 | 1,254.0 | 1,396.5 | 1,533.2 | 1,661.6 | 10,293.8 |
| O&M Expense Total | 85.2 | 85.9 | 87.2 | 87.5 | 93.3 | 99.4 | 98.9 | 99.6 | 100.0 | 100.6 | 937.6 |
| Overall Total | 418.0 | 595.2 | 773.2 | 924.1 | 1,064.8 | 1,211.7 | 1,352.9 | 1,496.1 | 1,633.2 | 1,762.2 | 11,231.3 |

3

4 In addition to the revenue requirement effects of the proposed SPPs shown on the
5 preceding tables, the following tables compare other ratemaking metrics, including capital
6 expenditures compared to present net plant in service, increases in the revenue requirement
7 compared to present revenues, and the cost per customer. These metrics provide additional
8 context as to the magnitude and the impacts on customer rates.

| Total 10-Year Projected Spend and Revenue Requirements Compared to Total Net Plant in Service and Revenues Actual Results For the 12 Months Ended December 31, 2021 \$ Millions | | | | | | |
|--|-------------------------------|---|---|------------------------------|--|--|
| | Net Plant In Service | 10-Year Proposed Capital Spend | Percentage Increase in Net Plant | 2021 Electric Revenues | Projected SPP Revenue Requirement In Year 10 | Percentage Increase in Revenues |
| FPL | 44,891.0 | 13,908.0 | 31.0% | 12,244.3 | 1,762.2 | 14.4% |
| Duke | 16,946.5 | 7,317.5 | 43.2% | 5,111.8 | 812.1 | 15.9% |
| TEC | 7,215.5 | 1,698.7 | 23.5% | 2,180.0 | 224.9 | 10.3% |
| FPUC | <u>94.0</u> | <u>243.1</u> | <u>258.6%</u> | <u>83.7</u> | <u>27.6</u> | <u>33.0%</u> |
| Total | <u>69,147.0</u> | <u>23,167.4</u> | <u>33.5%</u> | <u>19,619.8</u> | <u>2,826.8</u> | <u>14.4%</u> |

1

| Total 10-Year Projected SPP Investment Per Customer Includes Capital and O&M Investment | | | |
|--|------------------|--|--|
| | Customers | Projected 10-Year Total Investment \$ Millions | 10-Year Investment Per Customer \$ |
| FPL | 5,700,000 | 14,854.2 | 2,606 |
| Duke | 1,879,073 | 8,129.5 | 4,326 |
| TEC | 824,322 | 2,075.9 | 2,518 |
| FPUC | <u>32,993</u> | <u>263.1</u> | <u>7,976</u> |
| Total | <u>8,436,388</u> | <u>25,322.7</u> | <u>3,002</u> |

2

3 **Q. HOW DO THESE COSTS COMPARE TO THE BENEFITS FROM POTENTIAL**
4 **SAVINGS IN STORM DAMAGE AND RESTORATION COSTS?**

5 A. The estimated costs are much greater than the benefits from potential savings for each
6 utility and for nearly all of the programs and projects, although FPUC and FPL did not,

1 and refused to, provide quantifications of the benefits from potential savings in storm
 2 damage and restoration costs.

3 The following table provides a summary of the costs and dollar benefits by utility
 4 and in the aggregate by year and in total for the ten-year period and a fifty-year period. I
 5 show \$0 (“n/a”) in benefits for FPUC and FPL, consistent with their failure to quantify any
 6 benefits from potential savings in storm damage and restoration costs.

| Total 10-Year Projected SPP Costs and Benefits Summary Includes Capital and O&M Investment | | | | | | |
|---|--|---|--|--|--|--|
| | Projected 10-Year Total Investment \$ Millions | Projected Annual Avoided Restoration Costs \$ Millions | Escalated Avoided Restoration Costs Over 10 Years \$ Millions | Benefits to Costs Ratio 10 Years % | Escalated Avoided Restoration Costs Over 50 Years \$ Millions | Benefits to Costs Ratio 50 Years % |
| FPL | 14,854.2 | n/a | n/a | n/a | n/a | n/a |
| Duke | 8,129.5 | 56.5 | 647.7 | 8% | 6,373.0 | 78% |
| TEC | 2,075.9 | 13.0 | 149.5 | 7% | 1,470.6 | 71% |
| FPUC | <u>263.1</u> | <u>n/a</u> | <u>n/a</u> | n/a | <u>n/a</u> | n/a |
| Total | <u>25,322.7</u> | <u>69.5</u> | <u>797.2</u> | | <u>7,843.6</u> | |

Note: Benefits Calculations Not Provided by FPL and FPUC.

7

8 **Q. WHY ARE THESE SUMMARIES AND COMPARISONS SIGNIFICANT IN**
 9 **THESE PROCEEDINGS?**

10 A. They provide context for the Commission in its review of the proposed SPPs, including the
 11 sheer magnitude of the incremental capital expenditures and O&M expense and the rate
 12 impacts of these costs, [REDACTED]

[REDACTED]

1 [REDACTED] They also demonstrate that the costs of the proposed SPP programs and
2 projects far outweigh the benefits from savings in storm damage and restoration costs.

3 The Commission also should keep in mind that the impact of the SPP programs is
4 yet another addition to the customer bill in an environment of high inflation, skyrocketing
5 natural gas prices and other base rate increases.

6 **D. Summary of Conclusions and Recommendations**

7 **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS.**

8 A. Each utility’s proposed SPP capital expenditures, O&M expenses, increases in rate base,
9 and resulting increases in customer rates are significant. The SPP capital expenditures and
10 O&M expenses are incremental costs with incremental customer rate impacts. The
11 framework, scope, selection, ranking, magnitude, [REDACTED] and authorization to proceed
12 of the SPP programs and projects will be determined in these proceedings, not in the
13 subsequent SPPCRC proceeding. Therefore, the decision criteria, ratemaking principles,
14 and rate recovery of the SPP project costs are important factors in the decision making
15 process in this and the other SPP proceedings now pending.

16 [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

4 **II. DECISION CRITERIA FOR THE RATIONAL SELECTION, RANKING, AND**

5 **MAGNITUDE OF SPP PROGRAMS AND PROJECTS**

6 **Q. DESCRIBE THE FRAMEWORK FOR THE SELECTION AND RANKING OF**

7 **SPP PROGRAMS AND PROJECTS.**

8 A. Section 366.96, Fla. Stat., and Rule 25-6.030, F.A.C., establish the required framework for

9 the utility's SPP, including the utility's identification of projects that are designed to reduce

10 outage restoration costs and outage times, information necessary to develop and apply

11 decision criteria for the selection, ranking, and magnitude of the SPP programs and costs,

12 estimates of the customer rate impacts, and parameters for recovery of the actual costs

13 incurred for the SPP projects offset by costs recovered through base rates and other clause

14 recoveries as well as savings in those costs.

15 The SPP framework provides important customer safeguards that should be

16 enforced to require the utility to: 1) identify new programs and projects or the expansion

17 of existing programs and projects that are not within the scope of its existing base rate

18 programs and cost recoveries in the normal course of business; 2) limit requests to

19 programs and projects that are prudent and reasonable; 3) justify the selections, rankings,

20 and magnitude of SPP programs, projects, and costs; 4) ensure there is a comparison of

21 benefits to costs; 5) effectively consider the rate impact on customers, and 6) ensure that

1 the utility only recovers incremental costs, net of decremental (avoided) costs or reductions
2 in costs (savings), through the SPPCRC.

3 [Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

11 **Q. ARE THE SPP RULE AND THE SPPCRC RULE SEQUENTIAL AND**
 12 **INTERRELATED?**

13 A. Yes. Certain ratemaking determinations required pursuant to the SPPCRC Rule
 14 necessarily start with an assessment of the SPP programs and projects that can only be
 15 performed in the SPP proceeding, and then are confirmed and refined in the SPPCRC
 16 proceeding for cost recovery purposes.

17 [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED] The Commission also must determine

² §366.96(8), Fla. Stat.; Rule 25.6.031(6)(a), F.A.C.

1 **Q. ARE EACH OF THE UTILITY’S PROPOSED PROGRAMS AND PROJECTS**
2 **PRUDENT AND REASONABLE?**

3 A. [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]

8 **Q. DID THE UTILITIES CONSISTENTLY APPLY A BENEFIT/COST ANALYSIS**
9 **TO DETERMINE THE SELECTION, RANKING, AND MAGNITUDE OF THE**
10 **SPP PROGRAMS?**

11 A. No. The utilities used a variety of decision criteria, qualitative and quantitative, but none
12 of them relied on a benefit/cost analysis as a threshold decision criterion to qualify a
13 program or project for inclusion in its SPP. Nor were the decision criteria consistent among
14 the utilities or even among each utility’s SPP programs and projects.³

15 Neither FPUC nor FPL developed or relied on any benefit/cost analysis. Although
16 neither DEF nor Tampa developed or relied on benefit/cost analyses as a threshold decision
17 criterion to qualify their programs, they both used a form of benefit/cost analysis for the
18 ranking and the magnitude of their programs. However, the DEF and Tampa forms of
19 benefit/cost analysis were flawed and used to calculate excessive dollar benefits by
20 including the societal value of customer interruptions in addition to their estimates of
21 avoided damages and restoration costs. The societal value of customer interruptions is a

³ I have attached a brief summary of each utility’s decision criteria as my Exhibit LK-2.

1 highly subjective quantitative measure based on interpretations of a range of customer
2 survey results. The societal value of customer interruptions is not a cost that actually is
3 incurred or avoided by the utility or customer and should be excluded from the justification
4 of SPP programs and projects using benefit cost analyses.

5 **Q. WHY IS AN ECONOMIC JUSTIFICATION NECESSARY AS A THRESHOLD**
6 **DECISION CRITERION TO QUALIFY PROGRAMS OR PROJECTS FOR**
7 **INCLUSION IN THE SPP?**

8 A. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

17 By its terms, the SPP Rule requires the
18 utility to address and undertake projects “to enhance the utility’s existing infrastructure for
19 the purpose of reducing restoration costs and outage times associated with extreme weather
conditions therefore improving overall service reliability.” Rule 25-6.030(2)(a), F.A.C.

20 [REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

15 **Q. HOW SHOULD THE COMMISSION DETERMINE WHETHER THE PROPOSED**
16 **SPP PROGRAMS AND PROJECTS ARE ECONOMICALLY JUSTIFIED?**

17 **A.** [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

█ [REDACTED]
█ [REDACTED]
█ [REDACTED]

4 **Q. DOES THE SPP RULE REQUIRE THAT THE UTILITIES PROVIDE A**
5 **COMPARISON OF THE “COSTS” AND “BENEFITS” TO DETERMINE IF THE**
6 **PROGRAMS AND PROJECTS ARE ECONOMICALLY JUSTIFIED?**

7 A. Yes. The SPP Rule requires the utility to provide “[a] comparison of the costs identified
8 in subparagraph (3)(d)3. and the benefits identified in subparagraph (3)(d)1.” Rule 25-
9 6.030(3)(d)4, F.A.C. The context and juxtaposition of the terms “costs” and “benefits”
10 strongly imply a comparison of dollar costs and dollar benefits, not a comparison of dollar
11 costs and qualitative benefits. The latter comparison provides no useful decision making
12 information because it does not provide a useful threshold decision criterion to qualify
13 programs and projects, does not provide a framework for ranking programs and projects,
14 and does not allow a rational quantitative basis for the magnitude of programs and projects.

1 **Q. DID EACH OF THE UTILITIES PROVIDE THE REQUIRED COMPARISON OF**
2 **THE “COSTS” AND “BENEFITS” IN THEIR SPP FILINGS OR IN RESPONSE**
3 **TO DISCOVERY?**

4 A. No. FPUC and FPL provided no dollar quantifications of benefits in their SPP filings and
5 refused to provide any dollar quantifications in response to OPC discovery. FPUC claimed
6 that it had not quantified avoided cost savings benefits and stated that it did not rely on an
7 economic benefit cost criterion for the selection, ranking, or magnitude of its proposed
8 programs and projects. Both FPUC and FPL argued that the SPP Rule’s text requiring the
9 comparison of costs and benefits did not require the utilities to provide a dollar
10 quantification of the benefits, but instead required only that there had to be benefits, which
11 they qualitatively described to meet the “objectives” and or “requirements” of the SPP
12 Rule.

13 In contrast to FPUC and FPL, DEF and Tampa quantified expected dollar benefits
14 in their SPP filings based on their modeling results and provided additional detail on their
15 modeling and quantifications of the dollar benefits in response to OPC discovery. DEF
16 developed its benefit quantifications using a storm damage model developed by
17 Guidehouse. Tampa developed its benefit quantifications using a Storm Resilience Model,
18 which includes a Storm Impact Model, developed by 1898 & Co.

1 **Q. DO FPUC AND FPL HAVE STORM DAMAGE MODELS SIMILAR TO THE**
2 **MODELS THAT WERE USED BY DEF AND TAMPA TO CALCULATE DOLLAR**
3 **BENEFITS?**

4 A. Yes. All four utilities have storm damage models that can be used to quantify the dollar
5 benefits of the SPP programs and projects. DEF and Tampa used their models for their
6 SPPs; FPUC and FPL did not.

7 **Q. ARE ANY OF THE UTILITIES' SPP PROGRAMS ECONOMICALLY**
8 **JUSTIFIED?**

9 A. No. This is extremely problematic. None of the SPP programs have benefits that exceed
10 the costs. None of the utilities used a benefit/cost test to qualify its programs or projects,
11 although DEF and Tampa used a flawed form of a benefit/cost test to rank their programs
12 and projects and to determine the maximum expenditure levels for its programs.

13 **Q. IF THE SPP PROGRAMS ARE NOT ECONOMICALLY JUSTIFIED, CAN THE**
14 **PROGRAMS AND PROJECTS OR THE RELATED COSTS BE PRUDENT OR**
15 **REASONABLE?**

16 A. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]

14 Q. WHAT ARE YOUR RECOMMENDATIONS?

15 A. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

16 **III. METHODOLOGIES TO CALCULATE THE REVENUE REQUIREMENTS**

17 **AND CUSTOMER RATE IMPACTS**

18 **Q. DID THE UTILITIES CONSISTENTLY CALCULATE THE REVENUE**
19 **REQUIREMENT EFFECTS OF THEIR SPP PROGRAMS?**

20 **A.** [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Q.

[REDACTED]

[REDACTED]

A.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

A.

[REDACTED]

[REDACTED]

[REDACTED]

A.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

█ [REDACTED]

█ [REDACTED]

3 Q. **DOES THIS COMPLETE YOUR PREFILED DIRECT TESTIMONY?**

4 A. Yes.

1 BY MS. WESSLING:

2 Q And you also filed two prefiled exhibits
3 labeled LK-1 and LK-2?

4 A Yes.

5 Q And do you have any corrections to make though
6 those exhibits?

7 A No.

8 Q And with regard to your stricken testimony,
9 did you have any corrections to that testimony?

10 A No.

11 MS. WESSLING: And, Mr. Chairman, I would ask,
12 for purposes of the record, that Mr. Kollen's
13 stricken testimony be entered into the record for
14 purposes of a proffer.

15 CHAIRMAN FAY: Show that proffered.

16 MS. WESSLING: Thank you.

17 (Whereupon, prefiled direct proffered
18 testimony of Lane Kollen in Docket No. 20220048 was
19 inserted.)

20

21

22

23

24

25

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Review of Storm Protection Plan,
pursuant to Rule 25-6.030, F.A.C., Tampa
Electric Company.

DOCKET NO. 20220048-EI

FILED: May 31, 2022

DIRECT TESTIMONY**OF****LANE KOLLEN****ON BEHALF OF THE OFFICE OF PUBLIC COUNSEL**

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Attorneys for the Citizens
of the State of Florida

TABLE OF CONTENTS

| | |
|---|-----------|
| I. QUALIFICATIONS AND SUMMARY | 1 |
| A. QUALIFICATIONS | 1 |
| B. PURPOSE OF TESTIMONY | 2 |
| C. SCOPE OF THE SPP REQUESTS..... | 3 |
| D. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS..... | 8 |
| II. DECISION CRITERIA FOR THE RATIONAL SELECTION, RANKING, AND MAGNITUDE OF SPP PROGRAMS AND PROJECTS..... | 11 |
| III. METHODOLOGIES TO CALCULATE THE REVENUE REQUIREMENTS AND CUSTOMER RATE IMPACTS | 22 |
| EXHIBITS: | |
| RESUME OF LANE KOLLEN..... | LK-1 |
| SUMMARY OF EACH UTILITY’S DECISION CRITERIA..... | LK-2 |

1 **I. QUALIFICATIONS AND SUMMARY**

2 **A. Qualifications**

3 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

4 A. My name is Lane Kollen. My business address is J. Kennedy and Associates, Inc.
5 (“Kennedy and Associates”), 570 Colonial Park Drive, Suite 305, Roswell, Georgia 30075.

6 **Q. DESCRIBE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.**

7 A. I earned a Bachelor of Business Administration (“BBA”) degree in accounting and a
8 Master of Business Administration (“MBA”) degree from the University of Toledo. I also
9 earned a Master of Arts (“MA”) degree in theology from Luther Rice College & Seminary.
10 I am a Certified Public Accountant (“CPA”), with a practice license, Certified Management
11 Accountant (“CMA”), and Chartered Global Management Accountant (“CGMA”). I am a
12 member of numerous professional organizations, including the American Institute of
13 Certified Public Accountants, Institute of Management Accounting, Georgia Society of
14 CPAs, and Society of Depreciation Professionals.

15 I have been an active participant in the utility industry for more than forty years,
16 initially as an employee of The Toledo Edison Company from 1976 to 1983 and thereafter
17 as a consultant in the industry since 1983. I have testified as an expert witness on hundreds
18 of occasions in proceedings before regulatory commissions and courts at the federal and
19 state levels. In those proceedings, I have addressed ratemaking, accounting, finance, tax,
20 and planning issues, among others.

21 I have testified before the Florida Public Service Commission on numerous
22 occasions, including base rate, fuel adjustment clause, acquisition, and territorial

1 proceedings involving Florida Power & Light Company (“FPL”), Duke Energy Florida
2 (“DEF”), Talquin Electric Cooperative, City of Tallahassee, and City of Vero Beach.¹

3 **B. Purpose of Testimony**

4 **Q. ON WHOSE BEHALF ARE YOU PROVIDING TESTIMONY?**

5 A. I am providing this testimony on behalf of the Florida Office of Public Counsel (“OPC”).

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 A. The purpose of my testimony is to address and make recommendations regarding the
8 proposed Storm Protection Plans (“SPP”) filed by Florida Public Utilities Company
9 (“FPUC”), Duke Energy Florida, LLC (“DEF”), Tampa Electric Company (“Tampa”), and
10 Florida Power and Light Company (“FPL”) (collectively, the “utilities”). In this testimony,
11 I specifically address the SPP filing for Tampa.

12 ~~I address the scope of the proposed SPPs and the threshold economic decision~~
13 ~~criteria that the Commission should apply to the selection, ranking, and magnitude of SPP~~
14 ~~programs and projects, consistent with the statutory requirements set forth in Section~~
15 ~~366.96, Florida Statutes, Storm Protection Plan Cost Recovery (“SPP Statute”), Rule 25-~~
16 ~~6.030, Florida Administrative Code (“SPP Rule”), and Rule 25-6.031, F.A.C. (“SPPCRC~~
17 ~~Rule”) to the extent that the outcome of these proceedings will affect the cost recoveries in~~
18 ~~the Storm Protection Plan Cost Recovery Clause (“SPPCRC”) proceedings pursuant to the~~
19 ~~SPPCRC Rule. My testimony should be considered in conjunction with the testimony of~~
20 ~~Mr. Kevin Mara on behalf of OPC.~~

¹ I have attached a more detailed description of my qualifications and regulatory appearances as my Exhibit LK-1.

1 **C. Scope of the SPP Requests**

2 **Q. PLEASE SUMMARIZE THE SPP REQUESTS.**

3 A. In the aggregate, the four utilities seek authorization for programs and projects they
 4 estimate will cost \$25.323 billion over the next ten years (2023-2032), consisting of
 5 \$23.167 billion in capital expenditures and \$2.156 billion in operation and maintenance
 6 (“O&M”) expense. The capital expenditures will have a growing and cumulative
 7 ratemaking impact for the duration of the SPPs and beyond of 40 or more years over the
 8 service lives of the plant assets. These amounts are in addition to the capital expenditures
 9 and O&M expense expended in prior years and this year for storm hardening and storm
 10 protection programs. The utilities also expect to seek authorization for additional amounts
 11 in subsequent SPP updates beyond the ten years reflected in these proceedings.

12 The following tables provide a summary of the estimated SPP program
 13 expenditures for each utility by year and in total for the ten-year period.

| Florida Public Utilities Company | | | | | | | | | | | |
|----------------------------------|------|------|------|------|------|------|------|------|------|------|-------|
| SPP Program Expenditures | | | | | | | | | | | |
| \$ Millions | | | | | | | | | | | |
| SPP Costs by Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
| Capital Total | 2.3 | 6.7 | 16.9 | 54.2 | 53.2 | 19.9 | 19.6 | 19.8 | 25.3 | 25.2 | 243.1 |
| O&M Expense Total | 1.4 | 1.6 | 1.9 | 3.0 | 2.9 | 1.8 | 1.8 | 1.8 | 1.9 | 1.9 | 20.0 |
| Overall Total | 3.7 | 8.3 | 18.7 | 57.2 | 56.1 | 21.8 | 21.4 | 21.6 | 27.2 | 27.1 | 263.1 |

| Duke Energy Florida, LLC | | | | | | | | | | | |
|--------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|
| SPP Program Expenditures | | | | | | | | | | | |
| \$ Millions | | | | | | | | | | | |
| SPP Costs by Year | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Total |
| Capital Total | 602.7 | 693.4 | 775.2 | 748.8 | 747.7 | 749.7 | 748.5 | 750.6 | 749.4 | 751.6 | 7,317.5 |
| O&M Expense Total | 72.1 | 77.1 | 79.0 | 78.1 | 79.0 | 81.8 | 82.4 | 85.8 | 86.8 | 90.0 | 812.0 |
| Overall Total | 674.8 | 770.5 | 854.1 | 826.9 | 826.7 | 831.5 | 830.9 | 836.4 | 836.2 | 841.6 | 8,129.5 |

14

15

16

| Tampa Electric Company SPP Program Expenditures \$ Millions | | | | | | | | | | | |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|
| SPP Costs by Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
| Capital Total | 169.9 | 168.7 | 173.1 | 172.9 | 169.0 | 167.5 | 169.6 | 166.0 | 172.5 | 169.4 | 1,698.7 |
| O&M Expense Total | 31.0 | 34.0 | 33.7 | 35.2 | 36.3 | 37.7 | 39.6 | 41.2 | 43.1 | 45.3 | 377.1 |
| Overall Total | 200.9 | 202.7 | 206.8 | 208.2 | 205.4 | 205.2 | 209.2 | 207.3 | 215.6 | 214.7 | 2,075.9 |

1

2

| Florida Power & Light Company SPP Program Expenditures \$ Millions | | | | | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------|
| SPP Costs by Year Total Company | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Total |
| Capital Total | 1,458.9 | 1,559.5 | 1,520.4 | 1,200.8 | 1,319.0 | 1,350.0 | 1,388.4 | 1,423.4 | 1,347.6 | 1,340.1 | 13,908.0 |
| O&M Expense Total | 86.0 | 86.7 | 88.0 | 88.2 | 94.1 | 100.3 | 99.8 | 100.5 | 100.9 | 101.5 | 946.2 |
| Overall Total | 1,544.9 | 1,646.3 | 1,608.4 | 1,289.0 | 1,413.1 | 1,450.3 | 1,488.2 | 1,523.9 | 1,448.5 | 1,441.6 | 14,854.2 |

3

4 **Q. WHAT EFFECTS WILL THE REQUESTS HAVE ON CUSTOMER RATES?**

5 A. The incremental effects on present customer rates will be significant as measured over
6 multiple ratemaking metrics, including SPP revenue requirements, net plant in service,
7 annual electric revenues, and cost per customer. The following table provides a summary
8 of the revenue requirements by utility and in the aggregate by year and in total for the ten-
9 year period.

10

| Florida Public Utilities Company SPP Program Revenue Requirements \$ Millions | | | | | | | | | | | |
|---|------|------|------|------|------|------|------|------|------|------|-------|
| SPP Revenue Requirements By Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
| Capital Total | 0.3 | 0.6 | 2.0 | 6.0 | 12.5 | 17.0 | 19.0 | 21.0 | 23.2 | 25.7 | 127.3 |
| O&M Expense Total | 1.4 | 1.6 | 1.9 | 3.0 | 2.9 | 1.8 | 1.8 | 1.8 | 1.9 | 1.9 | 20.0 |
| Overall Total | 1.7 | 2.2 | 3.9 | 9.0 | 15.4 | 18.9 | 20.8 | 22.8 | 25.1 | 27.6 | 147.3 |

11

Duke Energy Florida, LLC
SPP Program Revenue Requirements
\$ Millions

| SPP Revenue Requirements By Year | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Total |
|----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|
| Capital Total | 77.3 | 144.2 | 217.9 | 303.3 | 378.5 | 451.1 | 522.2 | 590.7 | 657.8 | 722.1 | 4,065.2 |
| O&M Expense Total | 72.1 | 77.1 | 79.0 | 78.1 | 79.0 | 81.8 | 82.4 | 85.8 | 86.8 | 90.0 | 812.0 |
| Overall Total | 149.4 | 221.3 | 296.8 | 381.4 | 457.5 | 533.0 | 604.7 | 676.5 | 744.6 | 812.1 | 4,877.2 |

1

Tampa Electric Company
SPP Program Revenue Requirements
\$ Millions

| SPP Revenue Requirements By Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
|----------------------------------|------|------|------|-------|-------|-------|-------|-------|-------|-------|---------|
| Capital Total | 17.2 | 35.8 | 53.8 | 72.3 | 91.4 | 109.8 | 127.9 | 145.5 | 163.0 | 180.0 | 996.6 |
| O&M Expense Total | 30.7 | 33.6 | 33.4 | 34.9 | 36.0 | 37.4 | 39.3 | 40.9 | 42.8 | 44.9 | 374.0 |
| Overall Total | 47.9 | 69.4 | 87.2 | 107.2 | 127.4 | 147.3 | 167.2 | 186.4 | 205.7 | 224.9 | 1,370.7 |

2

Florida Power & Light Company
SPP Program Revenue Requirements
\$ Millions

| SPP Revenue Requirements By Year Jurisdictional | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Total |
|---|-------|-------|-------|-------|---------|---------|---------|---------|---------|---------|----------|
| Capital Total | 332.9 | 509.3 | 685.9 | 836.6 | 971.5 | 1,112.3 | 1,254.0 | 1,396.5 | 1,533.2 | 1,661.6 | 10,293.8 |
| O&M Expense Total | 85.2 | 85.9 | 87.2 | 87.5 | 93.3 | 99.4 | 98.9 | 99.6 | 100.0 | 100.6 | 937.6 |
| Overall Total | 418.0 | 595.2 | 773.2 | 924.1 | 1,064.8 | 1,211.7 | 1,352.9 | 1,496.1 | 1,633.2 | 1,762.2 | 11,231.3 |

3

4

5

6

7

8

In addition to the revenue requirement effects of the proposed SPPs shown on the preceding tables, the following tables compare other ratemaking metrics, including capital expenditures compared to present net plant in service, increases in the revenue requirement compared to present revenues, and the cost per customer. These metrics provide additional context as to the magnitude and the impacts on customer rates.

Total 10-Year Projected Spend and Revenue Requirements
Compared to Total Net Plant in Service and Revenues
Actual Results For the 12 Months Ended December 31, 2021
\$ Millions

| | Net Plant In Service | 10-Year Proposed Capital Spend | Percentage Increase in Net Plant | 2021 Electric Revenues | Projected SPP Revenue Requirement In Year 10 | Percentage Increase in Revenues |
|-------|-------------------------------|---|---|------------------------------|--|--|
| FPL | 44,891.0 | 13,908.0 | 31.0% | 12,244.3 | 1,762.2 | 14.4% |
| Duke | 16,946.5 | 7,317.5 | 43.2% | 5,111.8 | 812.1 | 15.9% |
| TEC | 7,215.5 | 1,698.7 | 23.5% | 2,180.0 | 224.9 | 10.3% |
| FPUC | <u>94.0</u> | <u>243.1</u> | <u>258.6%</u> | <u>83.7</u> | <u>27.6</u> | <u>33.0%</u> |
| Total | <u>69,147.0</u> | <u>23,167.4</u> | <u>33.5%</u> | <u>19,619.8</u> | <u>2,826.8</u> | <u>14.4%</u> |

1

Total 10-Year Projected SPP Investment Per Customer
Includes Capital and O&M Investment

| | Customers | Projected 10-Year Total Investment \$ Millions | 10-Year Investment Per Customer \$ |
|-------|------------------|--|--|
| FPL | 5,700,000 | 14,854.2 | 2,606 |
| Duke | 1,879,073 | 8,129.5 | 4,326 |
| TEC | 824,322 | 2,075.9 | 2,518 |
| FPUC | <u>32,993</u> | <u>263.1</u> | <u>7,976</u> |
| Total | <u>8,436,388</u> | <u>25,322.7</u> | <u>3,002</u> |

2

3 **Q. HOW DO THESE COSTS COMPARE TO THE BENEFITS FROM POTENTIAL**
4 **SAVINGS IN STORM DAMAGE AND RESTORATION COSTS?**

5 A. The estimated costs are much greater than the benefits from potential savings for each
6 utility and for nearly all of the programs and projects, although FPUC and FPL did not,

1 and refused to, provide quantifications of the benefits from potential savings in storm
 2 damage and restoration costs.

3 The following table provides a summary of the costs and dollar benefits by utility
 4 and in the aggregate by year and in total for the ten-year period and a fifty-year period. I
 5 show \$0 (“n/a”) in benefits for FPUC and FPL, consistent with their failure to quantify any
 6 benefits from potential savings in storm damage and restoration costs.

| Total 10-Year Projected SPP Costs and Benefits Summary Includes Capital and O&M Investment | | | | | | |
|---|--|---|--|--|--|--|
| | Projected 10-Year Total Investment \$ Millions | Projected Annual Avoided Restoration Costs \$ Millions | Escalated Avoided Restoration Costs Over 10 Years \$ Millions | Benefits to Costs Ratio 10 Years % | Escalated Avoided Restoration Costs Over 50 Years \$ Millions | Benefits to Costs Ratio 50 Years % |
| FPL | 14,854.2 | n/a | n/a | n/a | n/a | n/a |
| Duke | 8,129.5 | 56.5 | 647.7 | 8% | 6,373.0 | 78% |
| TEC | 2,075.9 | 13.0 | 149.5 | 7% | 1,470.6 | 71% |
| FPUC | <u>263.1</u> | <u>n/a</u> | <u>n/a</u> | n/a | <u>n/a</u> | n/a |
| Total | <u>25,322.7</u> | <u>69.5</u> | <u>797.2</u> | | <u>7,843.6</u> | |

Note: Benefits Calculations Not Provided by FPL and FPUC.

7

8 **Q. WHY ARE THESE SUMMARIES AND COMPARISONS SIGNIFICANT IN**
 9 **THESE PROCEEDINGS?**

10 A. They provide context for the Commission in its review of the proposed SPPs, including the
 11 sheer magnitude of the incremental capital expenditures and O&M expense and the rate
 12 impacts of these costs, ~~as well as for the establishment and application of threshold decision~~
 13 ~~criteria for the selection, ranking, and magnitude of the SPP programs and projects that are~~

1 ~~authorized~~. They also demonstrate that the costs of the proposed SPP programs and
2 projects far outweigh the benefits from savings in storm damage and restoration costs.

3 The Commission also should keep in mind that the impact of the SPP programs is
4 yet another addition to the customer bill in an environment of high inflation, skyrocketing
5 natural gas prices and other base rate increases.

6 **D. Summary of Conclusions and Recommendations**

7 **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS.**

8 A. Each utility's proposed SPP capital expenditures, O&M expenses, increases in rate base,
9 and resulting increases in customer rates are significant. The SPP capital expenditures and
10 O&M expenses are incremental costs with incremental customer rate impacts. The
11 framework, scope, selection, ranking, magnitude, ~~prudence~~, and authorization to proceed
12 of the SPP programs and projects will be determined in these proceedings, not in the
13 subsequent SPPCRC proceeding. Therefore, the decision criteria, ratemaking principles,
14 and rate recovery of the SPP project costs are important factors in the decision making
15 process in this and the other SPP proceedings now pending.

16 ~~To qualify for inclusion in the SPP proceedings and cost recovery in the SPPCRC~~
17 ~~proceedings, the projects and the costs of the projects must be incremental, not simply~~
18 ~~displacements of base rate costs that would have been incurred during the normal course~~
19 ~~of business, as well as prudent, used and useful, and just and reasonable both as to amount~~
20 ~~and customer impact. These factors must be considered in the decision process in the SPP~~
21 ~~proceedings, not limited to the review that will take place in the SPPCRC proceedings after~~
22 ~~the projects are selected and costs already have been incurred.~~

1 The Commission should apply rational and specific decision criteria to the
2 selection, ranking, and magnitude of the proposed programs and projects and apply those
3 decision criteria consistently to all four utilities in these proceedings. The decision criteria
4 should include justification in the form of a benefit/cost analysis in addition to the
5 qualitative assessments of whether the programs and projects will reduce restoration costs
6 and outage times. ~~The economic justification is an important consideration in whether the~~
7 ~~programs and projects are prudent and reasonable, a determination that can only be made~~
8 ~~in the SPP proceedings,~~ in contrast to whether the costs actually incurred during
9 implementation of the programs and projects were prudently incurred and reasonable,
10 which is determined in the SPPCRC proceeding.

11 In addition, the total multi-year customer rate impact can be considered only in the
12 SPP proceeding. The SPPCRC proceedings address the actual recovery and annual
13 customer rate impact only after the decision process in these SPP proceedings is complete,
14 projects are approved, and the SPP programs and projects are implemented.

15 ~~Further, it is critical that the customer rate impact reflect only the incremental cost~~
16 ~~of the SPP projects and that all avoided cost savings be reflected as offsets to those costs~~
17 ~~either through reductions to the SPPCRC or through reductions to base rates. However, in~~
18 ~~their SPP filings, the utilities did not, with limited exceptions, explicitly exclude the costs~~
19 ~~presently recovered in base rates or expressly account for any avoided cost savings. The~~
20 ~~utilities will retain the avoided cost savings for costs presently recovered in base rates~~
21 ~~unless these costs are addressed in this proceeding and the SPPCRC proceedings or~~
22 ~~otherwise included in a negotiated resolution.~~

1 ~~I recommend that the Commission adopt and consistently apply decision criteria~~
2 ~~for the selection, ranking, magnitude, and prudence of the SPP programs and projects for~~
3 ~~the four utilities to ensure that the utilities do not use the SPP and SPPCRC process to~~
4 ~~displace costs that are subject to and recoverable through the base rate process and shift~~
5 ~~those costs to recover them through the SPP and SPPCRC process.~~

6 ~~I concur with Witness Mara's recommendation to exclude the costs of programs~~
7 ~~and projects that displace base rate costs that would have been incurred during the normal~~
8 ~~course of business and that are not incurred on an incremental basis specifically to achieve~~
9 ~~the objectives of the SPP Rule.~~

10 ~~I recommend that the Commission reject all proposed SPP projects that are not~~
11 ~~economic, meaning that they do not have a benefit to cost ratio of at least 100%. Projects~~
12 ~~with a benefit to cost ratio of less than 100% are not economic, cannot be considered~~
13 ~~prudent at the point of decision in this proceeding, and cannot be considered prudent or~~
14 ~~just and reasonable for future recovery through the SPPCRC.~~

15 ~~I recommend that the Commission adopt and consistently apply uniform~~
16 ~~methodologies among the utilities to determine the revenue requirements and rate impacts~~
17 ~~of the programs and projects in these proceedings and that it carry through those uniform~~
18 ~~methodologies to the rate calculations in the SPPCRC proceeding. More specifically, I~~
19 ~~recommend that the Commission: 1) exclude construction work in progress ("CWIP") from~~
20 ~~both the return on rate base and depreciation expense, and instead allow a deferred return~~
21 ~~on the CWIP until it is converted to plant in service or prudently abandoned, 2) allow~~
22 ~~property tax only on the net plant at the beginning of each year, 3) require a credit for the~~
23 ~~avoided depreciation expense on plant that is retired due to SPP plant investments, 4)~~

1 ~~require a realignment of the costs of pole inspections and vegetation management from~~
2 ~~base rates to the SPPCRC, and 5) require a credit for the avoided O&M expenses due to~~
3 ~~the SPP plant investments and SPP O&M expenses.~~

4 **II. DECISION CRITERIA FOR THE RATIONAL SELECTION, RANKING, AND**

5 **MAGNITUDE OF SPP PROGRAMS AND PROJECTS**

6 **Q. DESCRIBE THE FRAMEWORK FOR THE SELECTION AND RANKING OF**

7 **SPP PROGRAMS AND PROJECTS.**

8 A. Section 366.96, Fla. Stat., and Rule 25-6.030, F.A.C., establish the required framework for
9 the utility's SPP, including the utility's identification of projects that are designed to reduce
10 outage restoration costs and outage times, information necessary to develop and apply
11 decision criteria for the selection, ranking, and magnitude of the SPP programs and costs,
12 estimates of the customer rate impacts, and parameters for recovery of the actual costs
13 incurred for the SPP projects offset by costs recovered through base rates and other clause
14 recoveries as well as savings in those costs.

15 The SPP framework provides important customer safeguards that should be
16 enforced to require the utility to: 1) identify new programs and projects or the expansion
17 of existing programs and projects that are not within the scope of its existing base rate
18 programs and cost recoveries in the normal course of business; 2) limit requests to
19 programs and projects that are prudent and reasonable; 3) justify the selections, rankings,
20 and magnitude of SPP programs, projects, and costs; 4) ensure there is a comparison of
21 benefits to costs; 5) effectively consider the rate impact on customers, and 6) ensure that

1 the utility only recovers incremental costs, net of decremental (avoided) costs or reductions
2 in costs (savings), through the SPPCRC.

3 ~~More specifically, Section 366.96(8), Fla. Stat. limits SPP programs and projects~~
4 ~~to costs not recovered through the utility's base rates. Section 366.96(8), Fla. Stat., states~~
5 ~~in part: "The annual transmission and distribution storm protection plan costs may not~~
6 ~~include costs recovered through the public utility's base rates."~~

7 ~~Section 366.96(2)(c), Fla. Stat., limits SPP programs and projects to costs that are~~
8 ~~prudent and reasonable. The Statute further defines "[t]ransmission and distribution storm~~
9 ~~protection plan costs" as "the reasonable and prudent costs to implement an approved~~
10 ~~transmission and distribution storm protection plan." §366.96(2)(c). Fla. Stat. Similarly,~~
11 ~~the SPPCRC Rule requires that costs included in the SPPCRC be "prudent" and~~
12 ~~"reasonable." Rule 25-6.031(3), F.A.C. Although the requirements found in the statute~~
13 ~~are repeated in the SPPCRC Rule, the determination of whether the costs included in the~~
14 ~~SPPCRC are prudent and reasonable necessarily requires that the SPP programs and~~
15 ~~projects approved in the SPP docket must be prudent to undertake and implement and that~~
16 ~~the estimated costs of the programs and projects are reasonable as a threshold matter. The~~
17 ~~sequential nature of these determinations effectively limits any subsequent assessment of~~
18 ~~prudence and reasonableness in the SPPCRC proceeding to an after the fact assessment of~~
19 ~~the utility's implementation of each project and the actual costs incurred.~~

20 ~~In addition, the SPP Rule requires that the utility quantify the "benefits" and costs,~~
21 ~~compare the benefits to the costs, and provide an estimate of the revenue requirement~~
22 ~~effects for each year of the SPP. Rule 25-6.030(3)(d)4, and (3)(g), F.A.C. Section~~
23 ~~366.96(4), Fla. Stat. requires the Commission to consider this evidence in its evaluation of~~

~~the SPPs. This information allows the Commission and intervening parties to determine if the proposed projects are economic, or cost-justified, to establish thresholds, or cutoff limitations, based on whether the projects are wholly or partially self-funding through cost savings, or “benefits,” and to consider these factors in establishing limitations based on the customer rate impact, not only in the first year, but over the life of the SPP itself, and then beyond the SPP, extending over the lives of the SPP project costs that were capitalized.~~

~~Further, Section 366.96, Fla. Stat., and the SPPCRC Rule limit the costs eligible for recovery through the SPPCRC to incremental costs net of avoided costs (savings). The statute and this Rule specifically require the exclusion of costs that are recovered through base rates and other clause forms of ratemaking recovery.²~~

Q. ARE THE SPP RULE AND THE SPPCRC RULE SEQUENTIAL AND INTERRELATED?

A. Yes. Certain ratemaking determinations required pursuant to the SPPCRC Rule necessarily start with an assessment of the SPP programs and projects that can only be performed in the SPP proceeding, and then are confirmed and refined in the SPPCRC proceeding for cost recovery purposes.

~~In the SPP proceeding, the Commission must determine the prudence of the programs upfront based on whether they are economically justified, whether the projected costs are just and reasonable, and whether the customer rate impact is reasonable. This requires the application of objective thresholds and related screening criteria to select, rank, and determine the magnitude of SPP projects. The Commission also must determine~~

² §366.96(8), Fla. Stat.; Rule 25.6.031(6)(a), F.A.C.

1 whether the Company has quantified the revenue requirement and customer rate impacts
2 in an accurate and comprehensive manner, although the final SPPCRC rate quantifications
3 will be performed in the SPPCRC proceeding.

4 **Q. ARE EACH OF THE UTILITY'S PROPOSED PROGRAMS AND PROJECTS**
5 **OUTSIDE THE SCOPE OF THE EXISTING BASE RATE PROGRAMS AND**
6 **COST RECOVERIES IN THE NORMAL COURSE OF BUSINESS?**

7 A. ~~No. Tampa and each of the other utilities have included programs and projects that are~~
8 ~~within the scope of their existing base rate programs and base rate recoveries in the normal~~
9 ~~course of business. These programs and projects are listed and addressed in greater detail~~
10 ~~by Witness Mara. These programs and projects should be excluded from the SPPs and the~~
11 ~~costs should be excluded from recovery through the SPPCRCs.~~

12 ~~The SPPs and SPPCRCs are for new and expanded programs and projects that will~~
13 ~~reduce restoration costs and outage times and for the recovery of the incremental costs of~~
14 ~~the SPP programs and projects, not to displace base rate programs and base rate recoveries.~~
15 ~~Nor are the SPPs and SPPCRCs an alternative and expedited form of rate recovery for any~~
16 ~~and all costs that arguably improve resiliency or reliability. Absent a demonstrable~~
17 ~~simultaneous, equivalent corresponding reduction of base rates, neither the SPP Statute nor~~
18 ~~the SPP or SPPCRC Rules authorize the Commission or the utilities to displace and exclude~~
19 ~~programs and costs from base rates and then include the programs and costs in the SPPs~~
20 ~~and SPPCRCs.~~

1 **Q. ARE EACH OF THE UTILITY'S PROPOSED PROGRAMS AND PROJECTS**
2 **PRUDENT AND REASONABLE?**

3 A. ~~No. Tampa's programs and costs are not prudent and reasonable unless they meet all of~~
4 ~~the requirements of the SPP and the SPPCRC Rules that I previously described. Certain~~
5 ~~of the utility's programs and projects fail these requirements because they are not new or~~
6 ~~expansions of existing programs outside of base rates in the normal course of business;~~
7 ~~certain programs and projects fail because they are not economic.~~

8 **Q. DID THE UTILITIES CONSISTENTLY APPLY A BENEFIT/COST ANALYSIS**
9 **TO DETERMINE THE SELECTION, RANKING, AND MAGNITUDE OF THE**
10 **SPP PROGRAMS?**

11 A. No. The utilities used a variety of decision criteria, qualitative and quantitative, but none
12 of them relied on a benefit/cost analysis as a threshold decision criterion to qualify a
13 program or project for inclusion in its SPP. Nor were the decision criteria consistent among
14 the utilities or even among each utility's SPP programs and projects.³

15 Neither FPUC nor FPL developed or relied on any benefit/cost analysis. Although
16 neither DEF nor Tampa developed or relied on benefit/cost analyses as a threshold decision
17 criterion to qualify their programs, they both used a form of benefit/cost analysis for the
18 ranking and the magnitude of their programs. However, the DEF and Tampa forms of
19 benefit/cost analysis were flawed and used to calculate excessive dollar benefits by
20 including the societal value of customer interruptions in addition to their estimates of
21 avoided damages and restoration costs. The societal value of customer interruptions is a

³ I have attached a brief summary of each utility's decision criteria as my Exhibit LK-2.

1 highly subjective quantitative measure based on interpretations of a range of customer
2 survey results. The societal value of customer interruptions is not a cost that actually is
3 incurred or avoided by the utility or customer and should be excluded from the justification
4 of SPP programs and projects using benefit cost analyses.

5 **Q. WHY IS AN ECONOMIC JUSTIFICATION NECESSARY AS A THRESHOLD**
6 **DECISION CRITERION TO QUALIFY PROGRAMS OR PROJECTS FOR**
7 **INCLUSION IN THE SPP?**

8 A. ~~Fundamentally, SPP programs and projects should be authorized only if the benefits exceed~~
9 ~~the costs; in other words, the benefit-to-cost ratio should be at least 100%. Neither the~~
10 ~~statute nor the SPP Rule require the Commission to approve SPP programs and projects~~
11 ~~that are uneconomic even if they meet the statutory and SPP Rule objectives to reduce~~
12 ~~restoration costs and outage times.~~

13 ~~The programs and projects submitted within the SPP are discretionary and must be~~
14 ~~incremental, meaning their scope and the costs should be above and beyond the present~~
15 ~~scope and costs for actual and planned capital expenditures and O&M expenses recovered~~
16 ~~in base rates in the normal course of business. By its terms, the SPP Rule requires the~~
17 ~~utility to address and undertake projects “to enhance the utility’s existing infrastructure for~~
18 ~~the purpose of reducing restoration costs and outage times associated with extreme weather~~
19 ~~conditions therefore improving overall service reliability.” Rule 25-6.030(2)(a), F.A.C.~~

20 ~~The programs and projects submitted within the SPP must be incremental,~~
21 ~~including the expansions of the pole inspection and vegetation management programs and~~
22 ~~projects that were previously in effect. If the projects actually had been necessary as base~~

1 ~~rate programs in the normal course of business, but the utility failed to undertake them,~~
2 ~~then the utility would have been, and would continue to be, imprudent for its failure to~~
3 ~~construct “transmission and distribution facilities” that would withstand “extreme weather~~
4 ~~events” and its failure to undertake maintenance activities that would reduce outage~~
5 ~~durations and outage expenses. No utility and no other party has made that argument.~~

6 ~~The economic justification standard allows the utility to propose, and the~~
7 ~~Commission to set, an appropriate and reasonable benefit-to-cost threshold, whether it is~~
8 ~~the minimum 100% that I recommend or something greater or lesser.~~

9 ~~In addition, the economic justification allows the utility and the Commission to~~
10 ~~rank proposed programs and projects to achieve the greatest value at the lowest customer~~
11 ~~rate impact.~~

12 ~~Further, the economic justification allows the utility and the Commission to~~
13 ~~determine the maximum amount (magnitude) of expenditures for each SPP program and~~
14 ~~project that will result in net benefits to the utility’s customers.~~

15 **Q. HOW SHOULD THE COMMISSION DETERMINE WHETHER THE PROPOSED**
16 **SPP PROGRAMS AND PROJECTS ARE ECONOMICALLY JUSTIFIED?**

17 A. ~~Typically, economic justification is based on a comparison of the incremental revenues or~~
18 ~~benefits (savings) that are achieved or achievable to the incremental costs of a project, with~~
19 ~~the benefits measured as the avoided costs that will not be incurred due to the SPP programs~~
20 ~~and projects and the incremental costs as the sum of the annual revenue requirements for~~
21 ~~the SPP programs and projects. The savings in costs includes not only the avoided outage~~
22 ~~restoration costs that will not be incurred due to extreme weather events, but also the~~

1 ~~reductions in maintenance expense from the new SPP assets that require less maintenance~~
2 ~~than the base rate assets that were replaced and the future savings due to near-term~~
3 ~~accelerated and enhanced vegetation management activities and expense.~~

4 **Q. DOES THE SPP RULE REQUIRE THAT THE UTILITIES PROVIDE A**
5 **COMPARISON OF THE “COSTS” AND “BENEFITS” TO DETERMINE IF THE**
6 **PROGRAMS AND PROJECTS ARE ECONOMICALLY JUSTIFIED?**

7 A. Yes. The SPP Rule requires the utility to provide “[a] comparison of the costs identified
8 in subparagraph (3)(d)3. and the benefits identified in subparagraph (3)(d)1.” Rule 25-
9 6.030(3)(d)4, F.A.C. The context and juxtaposition of the terms “costs” and “benefits”
10 strongly imply a comparison of dollar costs and dollar benefits, not a comparison of dollar
11 costs and qualitative benefits. The latter comparison provides no useful decision making
12 information because it does not provide a useful threshold decision criterion to qualify
13 programs and projects, does not provide a framework for ranking programs and projects,
14 and does not allow a rational quantitative basis for the magnitude of programs and projects.

1 **Q. DID EACH OF THE UTILITIES PROVIDE THE REQUIRED COMPARISON OF**
2 **THE “COSTS” AND “BENEFITS” IN THEIR SPP FILINGS OR IN RESPONSE**
3 **TO DISCOVERY?**

4 A. No. FPUC and FPL provided no dollar quantifications of benefits in their SPP filings and
5 refused to provide any dollar quantifications in response to OPC discovery. FPUC claimed
6 that it had not quantified avoided cost savings benefits and stated that it did not rely on an
7 economic benefit cost criterion for the selection, ranking, or magnitude of its proposed
8 programs and projects. Both FPUC and FPL argued that the SPP Rule’s text requiring the
9 comparison of costs and benefits did not require the utilities to provide a dollar
10 quantification of the benefits, but instead required only that there had to be benefits, which
11 they qualitatively described to meet the “objectives” and or “requirements” of the SPP
12 Rule.

13 In contrast to FPUC and FPL, DEF and Tampa quantified expected dollar benefits
14 in their SPP filings based on their modeling results and provided additional detail on their
15 modeling and quantifications of the dollar benefits in response to OPC discovery. DEF
16 developed its benefit quantifications using a storm damage model developed by
17 Guidehouse. Tampa developed its benefit quantifications using a Storm Resilience Model,
18 which includes a Storm Impact Model, developed by 1898 & Co.

1 **Q. DO FPUC AND FPL HAVE STORM DAMAGE MODELS SIMILAR TO THE**
2 **MODELS THAT WERE USED BY DEF AND TAMPA TO CALCULATE DOLLAR**
3 **BENEFITS?**

4 A. Yes. All four utilities have storm damage models that can be used to quantify the dollar
5 benefits of the SPP programs and projects. DEF and Tampa used their models for their
6 SPPs; FPUC and FPL did not.

7 **Q. ARE ANY OF THE UTILITIES' SPP PROGRAMS ECONOMICALLY**
8 **JUSTIFIED?**

9 A. No. This is extremely problematic. None of the SPP programs have benefits that exceed
10 the costs. None of the utilities used a benefit/cost test to qualify its programs or projects,
11 although DEF and Tampa used a flawed form of a benefit/cost test to rank their programs
12 and projects and to determine the maximum expenditure levels for its programs.

13 **Q. IF THE SPP PROGRAMS ARE NOT ECONOMICALLY JUSTIFIED, CAN THE**
14 **PROGRAMS AND PROJECTS OR THE RELATED COSTS BE PRUDENT OR**
15 **REASONABLE?**

16 A. ~~No. The statute and the SPP Rule require that the programs and the incremental cost of the~~
17 ~~programs be prudent and reasonable. If the programs and projects are not economically~~
18 ~~justified, then the costs should not be incurred; if they are not economically justified, then~~
19 ~~the programs and projects cannot be prudent and the costs would be imprudent and~~
20 ~~unreasonable.~~

1 ~~The Commission, not the utility, is the arbiter of whether these programs and~~
2 ~~projects are prudent and reasonable. It is not enough for the utility simply to assert that the~~
3 ~~programs and projects will reduce restoration costs and outage times (without quantifying~~
4 ~~the dollar benefits from the reduction of restoration costs and outage times). This bar is a~~
5 ~~starting point as an initial screening criterion, but it is insufficient in and of itself for a~~
6 ~~determination of prudence and reasonableness.~~

7 ~~Prudence requires that additional decision criteria be applied to determine the~~
8 ~~selection, ranking, and magnitude of the programs and projects and the costs. Specifically,~~
9 ~~an economic benefit/cost criterion is required to determine what programs, if any, are cost~~
10 ~~effective to undertake. In simple terms, it defies rational thought to undertake discretionary~~
11 ~~programs and projects and to incur the incremental costs for those programs and projects~~
12 ~~if the economic benefits are not at least equal to the costs. This is especially relevant given~~
13 ~~the current economic hardships for ratepayers.~~

14 **Q. WHAT ARE YOUR RECOMMENDATIONS?**

15 A. ~~I recommend that the Commission adopt and consistently apply specific decision criteria~~
16 ~~for the selection, ranking, and magnitude of the utilities' SPP programs and projects for the~~
17 ~~four utilities to ensure that the utilities are not able to use the SPP and SPPCRC process to~~
18 ~~displace base rate costs that are subject to and recoverable through the base rate process~~
19 ~~and shift those costs to recover them through the SPP and SPPCRC process.~~

20 ~~I concur with Witness Mara's recommendation to exclude the costs of programs~~
21 ~~and projects that displace base rate costs that would have been incurred during the normal~~

1 ~~course of business and that are not incurred on an incremental basis specifically to achieve~~
2 ~~the objectives of the SPP Rule.~~

3 ~~I recommend that the Commission reject all proposed SPP projects that are not~~
4 ~~economic, meaning that they do not have a benefit-to-cost ratio of at least 100%. Projects~~
5 ~~with a benefit-to-cost ratio of less than 100% are not economic, cannot be considered~~
6 ~~prudent at the point of decision in this proceeding, and cannot be considered prudent or~~
7 ~~just and reasonable for future recovery through the SPPCRC.~~

8 ~~Alternatively, I recommend that the Commission minimize the customer rate~~
9 ~~impact (harm) of uneconomic SPP programs and projects by setting a minimum threshold~~
10 ~~benefit/cost ratio for the selection and magnitude of the SPP programs and projects, such~~
11 ~~as 70%, or limiting the rate impact over the life of the SPP to a defined threshold, such as~~
12 ~~10% over the ten-year term of each utility's proposed SPP programs. Such thresholds~~
13 ~~would result in ranking projects with greater benefits to customers and winnowing projects~~
14 ~~with lesser benefits to customers, as well as limiting the magnitude of the customer rate~~
15 ~~impact of the SPP programs and projects.~~

16 **III. METHODOLOGIES TO CALCULATE THE REVENUE REQUIREMENTS**

17 **AND CUSTOMER RATE IMPACTS**

18 **Q. DID THE UTILITIES CONSISTENTLY CALCULATE THE REVENUE**
19 **REQUIREMENT EFFECTS OF THEIR SPP PROGRAMS?**

20 **A.** ~~No. Although each of the utilities calculated the revenue requirements as the sum of the~~
21 ~~return on rate base plus O&M expense, depreciation expense, and property tax expense,~~
22 ~~there were differences among the utilities in their calculations of rate base, depreciation~~

~~1 expense, and property tax expense. Most significantly, there were differences in their
2 assumptions regarding the conversions of CWIP to plant in service and the resulting
3 calculations of depreciation expense and differences in the calculations of property tax
4 expense.~~

~~5 Only Tampa reflected any reductions in depreciation expense on retired plant
6 recovered in base rates that will be replaced by SPP plant assets and recovered through the
7 SPPCRCs. None of utilities reflected reductions in O&M expenses recovered in base rates
8 due to savings from the SPP programs and projects. Both reductions are necessary to
9 ensure that the utilities do not recover costs that they no longer incur as a result of the SPP
10 programs.~~

~~11 If these additional savings are not considered in these SPP proceedings and
12 accounted for in the SPPCRC proceeding or otherwise reflected in a negotiated resolution,
13 then the utilities will retain the savings due to the reductions in expenses that presently are
14 recovered in base rates.~~

15 **Q. DID TAMPA'S CALCULATIONS OF THE ESTIMATED REVENUE**
16 **REQUIREMENTS ALSO INCLUDE UNIQUE ERRORS THAT SHOULD BE**
17 **CORRECTED IN THESE PROCEEDINGS?**

18 A. No.

19 **Q. DID THE UTILITIES ALL INCLUDE CWIP IN RATE BASE?**

20 A. ~~Yes, although there were differences in the assumptions regarding the conversions of
21 CWIP to plant in service among the utilities. More specifically, FPUC assumed that all~~

1 ~~capital expenditures were closed to plant in service as expended in the current year. DEF~~
2 ~~assumed that CWIP was converted to plant in service throughout the current year. Tampa~~
3 ~~assumed that CWIP was converted to plant in service throughout the current year. FPL~~
4 ~~assumed that 50% of its capital expenditures were closed to plant in service 50% in the~~
5 ~~current year and 50% in the following year.~~

6 **~~Q. IS A RETURN ON CWIP IN RATE BASE EXPLICITLY AUTHORIZED IN THE~~**
7 **~~STATUTE, SPP RULE, OR THE SPPCRC RULE?~~**

8 **~~A. No. Section 366.96(9), Fla. Stat. states “[i]f a capital expenditure is recoverable as a~~**
9 **~~transmission and distribution storm protection plan cost, the public utility may recover the~~**
10 **~~annual depreciation on the cost, calculated at the public utility’s current approved~~**
11 **~~depreciation rates, and a return on the undepreciated balance of the costs calculated at the~~**
12 **~~public utility’s weighted average cost of capital using the last approved return on equity.”~~**
13 **~~Similarly, the SPPCRC Rule states “[t]he utility may recover the annual depreciation~~**
14 **~~expense on capitalized Storm Protection Plan expenditures using the utility’s most recent~~**
15 **~~Commission approved depreciation rates. The utility may recover a return on the~~**
16 **~~undepreciated balance of the costs calculated at the utility’s weighted average cost of~~**
17 **~~capital using the return on equity most recently approved by the Commission.” Rule 25-~~**
18 **~~6.031(6)(e), F.A.C.~~**

19 ~~The term “undepreciated balance” is not defined in the statute or the SPPCRC Rule,~~
20 ~~but typically has meaning in an accounting and ratemaking context as “net plant,” defined~~
21 ~~as gross plant in service less accumulated depreciation. The term “undepreciated” typically~~

1 is not applied to CWIP because CWIP is not depreciated; only plant in service is
2 depreciated.

3 **Q. IS IT POSSIBLE TO LEGITIMATELY ASSESS WHETHER CWIP COSTS ARE**
4 **PRUDENT PRIOR TO THE COMPLETION OF CONSTRUCTION AND THE**
5 **CONVERSION OF THE CWIP TO PLANT IN SERVICE?**

6 : No. The Commission cannot legitimately assess whether CWIP costs incurred are prudent
7 until all costs have been incurred and converted to plant in service (or an abandonment has
8 occurred), whether the scope of the work actually completed was consistent with the scope
9 included in the approved SPP programs and projects, and whether the costs actually
10 incurred were consistent with the utility's estimated costs included in the approved SPP
11 programs and projects.

12 **Q. ARE THERE ALTERNATIVES TO A RETURN ON CWIP IN RATE BASE**
13 **INCLUDED IN THE REVENUE REQUIREMENT AND CUSTOMER IMPACTS**
14 **CONSISTENT WITH THE SUBSEQUENT CONSIDERATION OF PRUDENCE**
15 **AFTER THE CWIP HAS BEEN CONVERTED TO PLANT IN SERVICE?**

16 A. Yes. As alternatives, a return on CWIP can be deferred either as allowance for funds used
17 during construction ("AFUDC") or as a miscellaneous deferred debit. Once construction
18 is completed and the CWIP is converted to plant in service, then the deferred return will be
19 added to the direct construction expenditures as plant in service in rate base and included
20 in the depreciation expense in the SPPCRC revenue requirement.

1 **Q. ~~WHY IS THE RETURN ON CWIP A CONCERN THAT NEEDS TO BE~~**
2 **~~ADDRESSED IN THESE PROCEEDINGS?~~**

3 **A.** ~~It is a concern because construction expenditures are not converted from CWIP to plant in~~
4 ~~service as they are incurred, but rather only after construction is completed. There will be~~
5 ~~no actual depreciation expense until the construction expenditures are converted from~~
6 ~~CWIP to plant in service.~~

7 ~~The return on CWIP is also a concern because all of the utilities incur engineering~~
8 ~~costs prior to incurring actual construction expenditures on specific projects. Those costs~~
9 ~~cannot be deemed prudent or reasonable unless and until the costs are charged to specific~~
10 ~~projects, construction is completed (or prudently abandoned), and the CWIP is converted~~
11 ~~to plant in service.~~

12 **Q. ~~IS THERE A SIMILAR CONCERN WITH ANOTHER COST INCLUDED IN~~**
13 **~~RATE BASE BY TAMPA THAT SHOULD BE ADDRESSED FOR ALL FOUR~~**
14 **~~UTILITIES?~~**

15 **A.** ~~Yes. Tampa has established a separate warehouse and inventory of materials and supplies~~
16 ~~for its SPP programs and included these costs in rate base and the return on these~~
17 ~~inventories in its SPP revenue requirement and customer rate impact, which raises a~~
18 ~~concern similar to the return on CWIP. Such inventory costs should not be included in rate~~
19 ~~base or the return on these inventories in the SPP revenue requirement and customer rate~~
20 ~~impact in any utility's SPP or SPPCRC. This type of item should not be included in any~~
21 ~~company's SPP. As an alternative, a return on such inventories can be deferred either as~~

1 ~~AFUDC or as a miscellaneous deferred debit, similar to the alternatives for the return on~~
2 ~~CWIP.~~

3 **Q. DOES THIS COMPLETE YOUR PREFILED DIRECT TESTIMONY?**

4 A. Yes.

1 EXAMINATION

2 BY MS. CHRISTENSEN:

3 Q Good afternoon, Mr. Kollen. Can you please
4 state your name and your business address for the record
5 in Docket 20220049?

6 A Yes. My name is Lane Kollen. My business
7 address is J. Kennedy and Associates, Incorporated, 570
8 Colonial Park Drive, Suite 305, Roswell, Georgia, 30075.

9 Q And did you cause to be prefiled direct
10 testimony consisting of 29 pages in Docket No. 20220049,
11 including cover pages?

12 A Yes.

13 Q And are you aware that portions of your
14 prefiled direct testimony have been subject to a motion
15 to strike in the docket -- in the dockets and through
16 FPUC with a letter that conformed your testimony in that
17 docket to the motions to strike?

18 A Yes.

19 Q Now, do you have any corrections to the
20 portions of your testimony that were not stricken?

21 A No.

22 Q And on the portion of your testimony, did you
23 include hearing exhibits labeled K -- or LK-1 through
24 LK-7?

25 A Yes.

1 **Q And do you have any corrections to those**
2 **exhibits?**

3 A Yes. My exhibit that is presently labeled
4 LK-3 should be labeled LK-4.

5 **Q And with that correction, do you have any**
6 **other changes to those exhibits?**

7 A No.

8 MS. CHRISTENSEN: And those have been marked
9 for identification in the CEL as 40 through 46.

10 (Whereupon, prefiled direct testimony of Lane
11 Kollen in Docket No. 20220049 was inserted.)

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Review of 2022-2031 Storm Protection Plan, pursuant to Rule 25-6.030, F.A.C., Florida Public Utilities Company. DOCKET NO.: 20220049-EI

FILED: May 31, 2022

DIRECT TESTIMONY

AND EXHIBITS

OF

LANE KOLLEN

ON BEHALF OF THE OFFICE OF PUBLIC COUNSEL

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TABLE OF CONTENTS

| | |
|---|-----------|
| I. QUALIFICATIONS AND SUMMARY | 1 |
| A. QUALIFICATIONS | 1 |
| B. PURPOSE OF TESTIMONY | 2 |
| C. SCOPE OF THE SPP REQUESTS..... | 3 |
| D. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS..... | 8 |
| II. DECISION CRITERIA FOR THE RATIONAL SELECTION, RANKING, AND MAGNITUDE OF SPP PROGRAMS AND PROJECTS..... | 11 |
| III. METHODOLOGIES TO CALCULATE THE REVENUE REQUIREMENTS AND CUSTOMER RATE IMPACTS..... | 21 |

EXHIBITS:

| | |
|---|------|
| RESUME OF LANE KOLLEN..... | LK-1 |
| SUMMARY OF EACH UTILITY’S DECISION CRITERIA..... | LK-2 |
| OPC’S THIRD SET OF INTERROGATORIES, NO. 13 (20220049-EI)..... | LK-3 |
| Exhibit LK-4 - THIRD SET OF INTERROGATORIES, NO. 14 (20220051-EI).... | LK-4 |
| OPC’S SECOND SET OF INTERROGATORIES, NO. 9 (20220049-EI)..... | LK-5 |
| OPC’S THIRD SET OF INTERROGATORIES, NO. 19 (20220049-EI)..... | LK-6 |
| OPC’s THIRD SET OF INTERROGATORIES, NO. 20 (20220049-EI)..... | LK-7 |

1 **I. QUALIFICATIONS AND SUMMARY**

2 **A. Qualifications**

3 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

4 A. My name is Lane Kollen. My business address is J. Kennedy and Associates, Inc.
5 (“Kennedy and Associates”), 570 Colonial Park Drive, Suite 305, Roswell, Georgia 30075.

6 **Q. DESCRIBE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.**

7 A. I earned a Bachelor of Business Administration (“BBA”) degree in accounting and a
8 Master of Business Administration (“MBA”) degree from the University of Toledo. I also
9 earned a Master of Arts (“MA”) degree in theology from Luther Rice College & Seminary.
10 I am a Certified Public Accountant (“CPA”), with a practice license, Certified Management
11 Accountant (“CMA”), and Chartered Global Management Accountant (“CGMA”). I am a
12 member of numerous professional organizations, including the American Institute of
13 Certified Public Accountants, Institute of Management Accounting, Georgia Society of
14 CPAs, and Society of Depreciation Professionals.

15 I have been an active participant in the utility industry for more than forty years,
16 initially as an employee of The Toledo Edison Company from 1976 to 1983 and thereafter
17 as a consultant in the industry since 1983. I have testified as an expert witness on hundreds
18 of occasions in proceedings before regulatory commissions and courts at the federal and
19 state levels. In those proceedings, I have addressed ratemaking, accounting, finance, tax,
20 and planning issues, among others.

21 I have testified before the Florida Public Service Commission on numerous
22 occasions, including base rate, fuel adjustment clause, acquisition, and territorial

1 proceedings involving Florida Power & Light Company (“FPL”), Duke Energy Florida
2 (“DEF”), Talquin Electric Cooperative, City of Tallahassee, and City of Vero Beach.¹

3 **B. Purpose of Testimony**

4 **Q. ON WHOSE BEHALF ARE YOU PROVIDING TESTIMONY?**

5 A. I am providing this testimony on behalf of the Florida Office of Public Counsel (“OPC”).

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 A. The purpose of my testimony is to address and make recommendations regarding the
8 proposed Storm Protection Plans (“SPP”) filed by Florida Public Utilities Company
9 (“FPUC”), Duke Energy Florida, LLC (“DEF”), Tampa Electric Company (“Tampa”), and
10 Florida Power and Light Company (“FPL”) (collectively, the “utilities”). In this testimony,
11 I specifically address the SPP filing for FPUC.

12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED] Rule 25-
16 6.030, Florida Administrative Code (“SPP Rule”), and Rule 25-6.031, F.A.C. (“SPPCRC
17 Rule”) to the extent that the outcome of these proceedings will affect the cost recoveries in
18 the Storm Protection Plan Cost Recovery Clause (“SPPCRC”) proceedings pursuant to the
19 SPPCRC Rule. My testimony should be considered in conjunction with the testimony of
20 Witness Kevin Mara on behalf of OPC.

¹ I have attached a more detailed description of my qualifications and regulatory appearances as my Exhibit LK-1.

1 **C. Scope of the SPP Requests**

2 **Q. PLEASE SUMMARIZE THE SPP REQUESTS.**

3 A. In the aggregate, the four utilities seek authorization for programs and projects they
 4 estimate will cost \$25.323 billion over the next ten years (2023-2032), consisting of
 5 \$23.167 billion in capital expenditures and \$2.156 billion in operation and maintenance
 6 (“O&M”) expense. The capital expenditures will have a growing and cumulative
 7 ratemaking impact for the duration of the SPPs and beyond of 40 or more years over the
 8 service lives of the plant assets. These amounts are in addition to the capital expenditures
 9 and O&M expense expended in prior years and this year for storm hardening and storm
 10 protection programs. The utilities also expect to seek authorization for additional amounts
 11 in subsequent SPP updates beyond the ten years reflected in these proceedings.

12 The following tables provide a summary of the estimated SPP program
 13 expenditures for each utility by year and in total for the ten-year period.

| Florida Public Utilities Company | | | | | | | | | | | |
|----------------------------------|------|------|------|------|------|------|------|------|------|------|-------|
| SPP Program Expenditures | | | | | | | | | | | |
| \$ Millions | | | | | | | | | | | |
| SPP Costs by Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
| Capital Total | 2.3 | 6.7 | 16.9 | 54.2 | 53.2 | 19.9 | 19.6 | 19.8 | 25.3 | 25.2 | 243.1 |
| O&M Expense Total | 1.4 | 1.6 | 1.9 | 3.0 | 2.9 | 1.8 | 1.8 | 1.8 | 1.9 | 1.9 | 20.0 |
| Overall Total | 3.7 | 8.3 | 18.7 | 57.2 | 56.1 | 21.8 | 21.4 | 21.6 | 27.2 | 27.1 | 263.1 |

| Duke Energy Florida, LLC | | | | | | | | | | | |
|--------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|
| SPP Program Expenditures | | | | | | | | | | | |
| \$ Millions | | | | | | | | | | | |
| SPP Costs by Year | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Total |
| Capital Total | 602.7 | 693.4 | 775.2 | 748.8 | 747.7 | 749.7 | 748.5 | 750.6 | 749.4 | 751.6 | 7,317.5 |
| O&M Expense Total | 72.1 | 77.1 | 79.0 | 78.1 | 79.0 | 81.8 | 82.4 | 85.8 | 86.8 | 90.0 | 812.0 |
| Overall Total | 674.8 | 770.5 | 854.1 | 826.9 | 826.7 | 831.5 | 830.9 | 836.4 | 836.2 | 841.6 | 8,129.5 |

| Tampa Electric Company SPP Program Expenditures \$ Millions | | | | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| SPP Costs by Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
| Capital Total | 169.9 | 168.7 | 173.1 | 172.9 | 169.0 | 167.5 | 169.6 | 166.0 | 172.5 | 169.4 | 1,698.7 |
| O&M Expense Total | 31.0 | 34.0 | 33.7 | 35.2 | 36.3 | 37.7 | 39.6 | 41.2 | 43.1 | 45.3 | 377.1 |
| Overall Total | 200.9 | 202.7 | 206.8 | 208.2 | 205.4 | 205.2 | 209.2 | 207.3 | 215.6 | 214.7 | 2,075.9 |

| Florida Power & Light Company SPP Program Expenditures \$ Millions | | | | | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| SPP Costs by Year | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Total |
| Capital Total | 1,458.9 | 1,559.5 | 1,520.4 | 1,200.8 | 1,319.0 | 1,350.0 | 1,388.4 | 1,423.4 | 1,347.6 | 1,340.1 | 13,908.0 |
| O&M Expense Total | 86.0 | 86.7 | 88.0 | 88.2 | 94.1 | 100.3 | 99.8 | 100.5 | 100.9 | 101.5 | 946.2 |
| Overall Total | 1,544.9 | 1,646.3 | 1,608.4 | 1,289.0 | 1,413.1 | 1,450.3 | 1,488.2 | 1,523.9 | 1,448.5 | 1,441.6 | 14,854.2 |

1 **Q. WHAT EFFECTS WILL THE REQUESTS HAVE ON CUSTOMER RATES?**

A. The incremental effects on present customer rates will be significant as measured over multiple ratemaking metrics, including SPP revenue requirements, net plant in service, annual electric revenues, and cost per customer. The following table provides a summary of the revenue requirements by utility and in the aggregate by year and in total for the ten-year period.

| Florida Public Utilities Company SPP Program Revenue Requirements \$ Millions | | | | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| SPP Revenue Requirements By Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
| Capital Total | 0.3 | 0.6 | 2.0 | 6.0 | 12.5 | 17.0 | 19.0 | 21.0 | 23.2 | 25.7 | 127.3 |
| O&M Expense Total | 1.4 | 1.6 | 1.9 | 3.0 | 2.9 | 1.8 | 1.8 | 1.8 | 1.9 | 1.9 | 20.0 |
| Overall Total | 1.7 | 2.2 | 3.9 | 9.0 | 15.4 | 18.9 | 20.8 | 22.8 | 25.1 | 27.6 | 147.3 |

Duke Energy Florida, LLC
SPP Program Revenue Requirements
\$ Millions

| SPP Revenue Requirements By Year | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Total |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Capital Total | 77.3 | 144.2 | 217.9 | 303.3 | 378.5 | 451.1 | 522.2 | 590.7 | 657.8 | 722.1 | 4,065.2 |
| O&M Expense Total | 72.1 | 77.1 | 79.0 | 78.1 | 79.0 | 81.8 | 82.4 | 85.8 | 86.8 | 90.0 | 812.0 |
| Overall Total | 149.4 | 221.3 | 296.8 | 381.4 | 457.5 | 533.0 | 604.7 | 676.5 | 744.6 | 812.1 | 4,877.2 |

1

Tampa Electric Company
SPP Program Revenue Requirements
\$ Millions

| SPP Revenue Requirements By Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Capital Total | 17.2 | 35.8 | 53.8 | 72.3 | 91.4 | 109.8 | 127.9 | 145.5 | 163.0 | 180.0 | 996.6 |
| O&M Expense Total | 30.7 | 33.6 | 33.4 | 34.9 | 36.0 | 37.4 | 39.3 | 40.9 | 42.8 | 44.9 | 374.0 |
| Overall Total | 47.9 | 69.4 | 87.2 | 107.2 | 127.4 | 147.3 | 167.2 | 186.4 | 205.7 | 224.9 | 1,370.7 |

2

Florida Power & Light Company
SPP Program Revenue Requirements
\$ Millions

| SPP Revenue Requirements By Year Jurisdictional | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Total |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Capital Total | 332.9 | 509.3 | 685.9 | 836.6 | 971.5 | 1,112.3 | 1,254.0 | 1,396.5 | 1,533.2 | 1,661.6 | 10,293.8 |
| O&M Expense Total | 85.2 | 85.9 | 87.2 | 87.5 | 93.3 | 99.4 | 98.9 | 99.6 | 100.0 | 100.6 | 937.6 |
| Overall Total | 418.0 | 595.2 | 773.2 | 924.1 | 1,064.8 | 1,211.7 | 1,352.9 | 1,496.1 | 1,633.2 | 1,762.2 | 11,231.3 |

3

4 In addition to the revenue requirement effects of the proposed SPPs shown on the
5 preceding tables, the following tables compare other ratemaking metrics, including capital
6 expenditures compared to present net plant in service, increases in the revenue requirement
7 compared to present revenues, and the cost per customer. These metrics provide additional
8 context as to the magnitude and the impacts on customer rates.

| Total 10-Year Projected Spend and Revenue Requirements Compared to Total Net Plant in Service and Revenues Actual Results For the 12 Months Ended December 31, 2021 \$ Millions | | | | | | |
|--|-------------------------------|---|---|------------------------------|--|--|
| | Net Plant In Service | 10-Year Proposed Capital Spend | Percentage Increase in Net Plant | 2021 Electric Revenues | Projected SPP Revenue Requirement In Year 10 | Percentage Increase in Revenues |
| FPL | 44,891.0 | 13,908.0 | 31.0% | 12,244.3 | 1,762.2 | 14.4% |
| Duke | 16,946.5 | 7,317.5 | 43.2% | 5,111.8 | 812.1 | 15.9% |
| TEC | 7,215.5 | 1,698.7 | 23.5% | 2,180.0 | 224.9 | 10.3% |
| FPUC | <u>94.0</u> | <u>243.1</u> | <u>258.6%</u> | <u>83.7</u> | <u>27.6</u> | <u>33.0%</u> |
| Total | <u>69,147.0</u> | <u>23,167.4</u> | <u>33.5%</u> | <u>19,619.8</u> | <u>2,826.8</u> | <u>14.4%</u> |

1

| Total 10-Year Projected SPP Investment Per Customer Includes Capital and O&M Investment | | | |
|--|------------------|--|--|
| | Customers | Projected 10-Year Total Investment \$ Millions | 10-Year Investment Per Customer \$ |
| FPL | 5,700,000 | 14,854.2 | 2,606 |
| Duke | 1,879,073 | 8,129.5 | 4,326 |
| TEC | 824,322 | 2,075.9 | 2,518 |
| FPUC | <u>32,993</u> | <u>263.1</u> | <u>7,976</u> |
| Total | <u>8,436,388</u> | <u>25,322.7</u> | <u>3,002</u> |

2

3 **Q. HOW DO THESE COSTS COMPARE TO THE BENEFITS FROM POTENTIAL**
4 **SAVINGS IN STORM DAMAGE AND RESTORATION COSTS?**

5 A. The estimated costs are much greater than the benefits from potential savings for each
6 utility and for nearly all of the programs and projects, although FPUC and FPL did not,

1 and refused to, provide quantifications of the benefits from potential savings in storm
2 damage and restoration costs.

3 The following table provides a summary of the costs and dollar benefits by utility
4 and in the aggregate by year and in total for the ten-year period and a fifty-year period. I
5 show \$0 (“n/a”) in benefits for FPUC and FPL, consistent with their failure to quantify any
6 benefits from potential savings in storm damage and restoration costs.

| Total 10-Year Projected SPP Costs and Benefits Summary Includes Capital and O&M Investment | | | | | | |
|---|--|---|--|--|--|--|
| | Projected 10-Year Total Investment \$ Millions | Projected Annual Avoided Restoration Costs \$ Millions | Escalated Avoided Restoration Costs Over 10 Years \$ Millions | Benefits to Costs Ratio 10 Years % | Escalated Avoided Restoration Costs Over 50 Years \$ Millions | Benefits to Costs Ratio 50 Years % |
| FPL | 14,854.2 | n/a | n/a | n/a | n/a | n/a |
| Duke | 8,129.5 | 56.5 | 647.7 | 8% | 6,373.0 | 78% |
| TEC | 2,075.9 | 13.0 | 149.5 | 7% | 1,470.6 | 71% |
| FPUC | <u>263.1</u> | <u>n/a</u> | <u>n/a</u> | n/a | <u>n/a</u> | n/a |
| Total | <u>25,322.7</u> | <u>69.5</u> | <u>797.2</u> | | <u>7,843.6</u> | |

Note: Benefits Calculations Not Provided by FPL and FPUC.

7

8 **Q. WHY ARE THESE SUMMARIES AND COMPARISONS SIGNIFICANT IN**
9 **THESE PROCEEDINGS?**

10 A. They provide context for the Commission in its review of the proposed SPPs, including the
11 sheer magnitude of the incremental capital expenditures and O&M expense and the rate
12 impacts of these costs, [REDACTED]

[REDACTED]

1 [REDACTED] They also demonstrate that the costs of the proposed SPP programs and
2 projects far outweigh the benefits from savings in storm damage and restoration costs.

3 The Commission also should keep in mind that the impact of the SPP programs is
4 yet another addition to the customer bill in an environment of high inflation, skyrocketing
5 natural gas prices and other base rate increases.

6 **D. Summary of Conclusions and Recommendations**

7 **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS.**

8 A. Each utility’s proposed SPP capital expenditures, O&M expenses, increases in rate base,
9 and resulting increases in customer rates are significant. The SPP capital expenditures and
10 O&M expenses are incremental costs with incremental customer rate impacts. The
11 framework, scope, selection, ranking, magnitude, [REDACTED] and authorization to proceed
12 of the SPP programs and projects will be determined in these proceedings, not in the
13 subsequent SPPCRC proceeding. Therefore, the decision criteria, ratemaking principles,
14 and rate recovery of the SPP project costs are important factors in the decision making
15 process in this and the other SPP proceedings now pending.

16 [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

9 **Q. ARE THE SPP RULE AND THE SPPCRC RULE SEQUENTIAL AND**
 10 **INTERRELATED?**

11 A. Yes. Certain ratemaking determinations required pursuant to the SPPCRC Rule
 12 necessarily start with an assessment of the SPP programs and projects that can only be
 13 performed in the SPP proceeding, and then are confirmed and refined in the SPPCRC
 14 proceeding for cost recovery purposes.

15 [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

█ [REDACTED] The Commission also must determine
 20 whether the Company has quantified the revenue requirement and customer rate impacts

² § 366.96(8), Fla. Stat.; Rule 25.6.031(6)(a), F.A.C.

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

4 **Q. DID THE UTILITIES CONSISTENTLY APPLY A BENEFIT/COST ANALYSIS**
 5 **TO DETERMINE THE SELECTION, RANKING, AND MAGNITUDE OF THE**
 6 **SPP PROGRAMS?**

7 A. No. The utilities used a variety of decision criteria, qualitative and quantitative, but none
 8 of them relied on a benefit/cost analysis as a threshold decision criterion to qualify a
 9 program or project for inclusion in its SPP. Nor were the decision criteria consistent among
 10 the utilities or even among each utility's SPP programs and projects.³

11 Neither FPUC nor FPL developed or relied on any benefit/cost analyses. Although
 12 neither DEF nor Tampa developed or relied on benefit/cost analyses as a threshold decision
 13 criterion to qualify their programs, they both used a form of benefit/cost analysis for the
 14 ranking and the magnitude of their programs.

15
 16 **Q. WHY IS AN ECONOMIC JUSTIFICATION NECESSARY AS A THRESHOLD**
 17 **DECISION CRITERION TO QUALIFY PROGRAMS OR PROJECTS FOR**
 18 **INCLUSION IN THE SPP?**

19 A. [REDACTED]

█ [REDACTED]

█ [REDACTED]

³ I have attached a brief summary of each utility's decision criteria as my Exhibit LK-2.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] By its terms, the SPP Rule requires the

7 utility to address and undertake projects “to enhance the utility’s existing infrastructure for

8 the purpose of reducing restoration costs and outage times associated with extreme weather

9 conditions therefore improving overall service reliability.” Rule 25-6.030(2)(a), F.A.C.

10 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

4 **Q. HOW SHOULD THE COMMISSION DETERMINE WHETHER THE PROPOSED**
5 **SPP PROGRAMS AND PROJECTS ARE ECONOMICALLY JUSTIFIED?**

6 A. [REDACTED]

15 **Q. DOES THE SPP RULE REQUIRE THAT THE UTILITIES PROVIDE A**
16 **COMPARISON OF THE “COSTS” AND “BENEFITS” TO DETERMINE IF THE**
17 **PROGRAMS AND PROJECTS ARE ECONOMICALLY JUSTIFIED?**

18 A. Yes. The SPP Rule requires the utility to provide “[a] comparison of the costs identified
19 in subparagraph (3)(d)3, and the benefits identified in subparagraph (3)(d)1.” Rule 25-
20 6.030(3)(d)4, F.A.C. The context and juxtaposition of the terms “costs” and “benefits”
21 strongly imply a comparison of dollar costs and dollar benefits, not a comparison of dollar
22 costs and qualitative benefits. The latter comparison provides no useful decision making
23 information because it does not provide a useful threshold decision criterion to qualify

1 programs and projects, does not provide a framework for ranking programs and projects,
2 and does not allow a rational quantitative basis for the magnitude of programs and projects.

3 **Q. DID EACH OF THE UTILITIES PROVIDE THE REQUIRED COMPARISON OF**
4 **THE “COSTS” AND “BENEFITS” IN THEIR SPP FILINGS OR IN RESPONSE**
5 **TO DISCOVERY?**

6 A. No. FPUC and FPL provided no dollar quantifications of benefits in their SPP filings and
7 refused to provide any dollar quantifications in response to OPC discovery. FPUC claimed
8 that it had not quantified avoided cost savings benefits and stated that it did not rely on an
9 economic benefit cost criterion for the selection, ranking, or magnitude of its proposed
10 programs and projects.⁴ Both FPUC and FPL argued that the SPP Rule’s text requiring the
11 comparison of costs and benefits did not require the utilities to provide a dollar
12 quantification of the benefits, but instead required only that there had to be benefits, which
13 they qualitatively described to meet the “objectives” and or “requirements” of the SPP
14 Rule.⁵

15 In contrast to FPUC and FPL, DEF and Tampa quantified expected dollar benefits
16 in their SPP filings based on their modeling results and provided additional detail on their
17 modeling and quantifications of the dollar benefits in response to OPC discovery. DEF
18 developed its benefit quantifications using a storm damage model developed by
19 Guidehouse. Tampa developed its benefit quantifications using a Storm Resilience Model,
20 which includes a Storm Impact Model, developed by 1898 & Co.

⁴ FPUC’s response to Interrogatory No. 13(a and b) in OPC’s Third Set of Interrogatories in Docket No. 20220049-EI. I have attached a copy of this response as my Exhibit LK-3.

⁵ FPL’s response to Interrogatory No. 14(a) in OPC’s Third Set of Interrogatories in Docket No. 20220051-EI. I have attached a copy of this response as my Exhibit LK-4.

1 **Q. DOES FPUC HAVE A STORM DAMAGE MODEL SIMILAR TO THE MODELS**
2 **THAT WERE USED BY DEF AND TAMPA TO CALCULATE DOLLAR**
3 **BENEFITS?**

4 A. Yes. All four utilities have storm damage models that can be used to quantify the dollar
5 benefits of the SPP programs and projects. However, while DEF and Tampa used their
6 models for their SPPs; FPUC and FPL did not. FPUC relied on a storm resiliency risk
7 model developed by Pike Engineering, although it is not clear that this model forecasts
8 damage and restoration costs that could be avoided (dollar benefits) due to its SPP
9 programs and projects.

10 Regardless of whether FPUC and FPL have models that could have been used to
11 calculate dollar benefits, the fact is that they chose not to provide dollar benefits in their
12 SPP filings and refused to do so in response to OPC discovery.

13 **Q. ARE ANY OF THE UTILITIES' SPP PROGRAMS ECONOMICALLY**
14 **JUSTIFIED?**

15 A. No. This is extremely problematic. None of the SPP programs has benefits that exceed
16 the costs. None of the utilities used a benefit/cost test to qualify its programs or projects,
17 although DEF and Tampa used a flawed form of a benefit/cost test to rank their programs
18 and projects and to determine the maximum expenditure levels for its programs.

19 **Q. IF THE SPP PROGRAMS ARE NOT ECONOMICALLY JUSTIFIED, CAN THE**
20 **PROGRAMS AND PROJECTS OR THE RELATED COSTS BE PRUDENT OR**
21 **REASONABLE?**

A.

[REDACTED]

19 Q. WHAT ARE YOUR RECOMMENDATIONS?

20 A.

[REDACTED]

[REDACTED]

20 **III. METHODOLOGIES TO CALCULATE THE REVENUE REQUIREMENTS AND**
21 **CUSTOMER RATE IMPACTS**

22 **Q. DID THE UTILITIES CONSISTENTLY CALCULATE THE REVENUE**
23 **REQUIREMENT EFFECTS OF THEIR SPP PROGRAMS?**

A.

[REDACTED]

18 Q. DID FPUC'S CALCULATIONS OF THE ESTIMATED REVENUE
19 REQUIREMENTS ALSO INCLUDE UNIQUE ERRORS THAT SHOULD BE
20 CORRECTED IN THESE PROCEEDINGS?

21 A.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

⁶ In FPUC's response to Interrogatory No. 9 in OPC's Second Set of Interrogatories in Docket No. 20220049-EI, FPUC agreed to remove its investment at December 31, 2021 from its recoverable SPP costs, but did not agree to remove its engineering and planning costs estimated to be incurred in 2022, including those prior to the approval of its SPP from its SPP costs and ratemaking recovery. I have attached a copy of this response as my Exhibit LK-5.

⁷ FPUC's response to Interrogatory No. 19(a) in OPC's Third Set of Interrogatories in Docket No. 20220049-EI. In that response, FPUC agreed that it should not include or recover depreciation expense on CWIP. I have attached a copy of this response as my Exhibit LK-6.

⁸ FPUC's response to Interrogatory No. 19(b) in OPC's Third Set of Interrogatories in Docket No. 20220049-EI. In that response, FPUC agreed that it should not include or recover property tax expense on CWIP. See Exhibit LK-6.

⁹ FPUC's response to Interrogatory No. 20(a) in OPC's Third Set of Interrogatories in Docket No. 20220049-EI. In that response, FPUC stated that it would recover the distribution pole inspection and replacement program and transmission pole inspection and hardening inspection program expenses exclusively through base rates, although this could change in future SPP filings. FPUC stated that it would continue to recover a portion of the vegetation management expenses through base rates and the remaining amount through SPPCRC rates. I have attached a copy of this response as my Exhibit LK-7.

¹⁰ FPUC's response to Interrogatory No. 20(b) in OPC's Third Set of Interrogatories in Docket No. 20220049-EI. See Exhibit LK-7.

[REDACTED]

4 Q. DID THE UTILITIES ALL INCLUDE CWIP IN RATE BASE?

5 A. [REDACTED]

12 Q. IS A RETURN ON CWIP IN RATE BASE EXPLICITLY AUTHORIZED IN THE
13 STATUTE, SPP RULE, OR THE SPPCRC RULE?

14 A. [REDACTED]

¹¹ FPUC's response to Interrogatory No. 19(a) in OPC's Third Set of Interrogatories in Docket No. 20220049-EI. See Exhibit LK-6.

[REDACTED]

9 Q. IS IT POSSIBLE TO LEGITIMATELY ASSESS WHETHER CWIP COSTS ARE
10 PRUDENT PRIOR TO THE COMPLETION OF CONSTRUCTION AND THE
11 CONVERSION OF THE CWIP TO PLANT IN SERVICE?

12 [REDACTED]

18 Q. ARE THERE ALTERNATIVES TO A RETURN ON CWIP IN RATE BASE
19 INCLUDED IN THE REVENUE REQUIREMENT AND CUSTOMER IMPACTS
20 CONSISTENT WITH THE SUBSEQUENT CONSIDERATION OF PRUDENCE
21 AFTER THE CWIP HAS BEEN CONVERTED TO PLANT IN SERVICE?

█ A. █
█
█
█
█

6 Q. WHY IS THE RETURN ON CWIP A CONCERN THAT NEEDS TO BE
7 ADDRESSED IN THESE PROCEEDINGS?

8 A. █
█
█
█
█
█
█
█
█
█
█

17 Q. IS THERE A SIMILAR CONCERN WITH ANOTHER COST INCLUDED IN
18 RATE BASE BY TAMPA THAT SHOULD BE ADDRESSED FOR ALL FOUR
19 UTILITIES?

20 A. █
█
█

[REDACTED]

7 Q. DOES THIS COMPLETE YOUR PREFILED DIRECT TESTIMONY?

8 A. Yes.

1 MS. CHRISTENSEN: I would ask for purposes of
2 proffering for the record, I will now address the
3 stricken portions of Mr. Kollen's direct testimony.

4 BY MS. CHRISTENSEN:

5 **Q Mr. Kollen, do you have any corrections to the**
6 **portions of your testimony that were subject to being**
7 **stricken?**

8 A No.

9 **Q And if I were to ask you the same questions**
10 **today, would your answers be the same for the portions**
11 **of the testimony subject to being stricken?**

12 A Yes.

13 (Whereupon, prefiled direct proffered
14 testimony of Lane Kollen in Docket No. 20220049 was
15 inserted.)

16

17

18

19

20

21

22

23

24

25

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Review of 2022-2031 Storm Protection Plan, pursuant to Rule 25-6.030, F.A.C., Florida Public Utilities Company. DOCKET NO.: 20220049-EI

FILED: May 31, 2022

DIRECT TESTIMONY**AND EXHIBITS****OF****LANE KOLLEN****ON BEHALF OF THE OFFICE OF PUBLIC COUNSEL**

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TABLE OF CONTENTS

| | |
|---|-----------|
| I. QUALIFICATIONS AND SUMMARY | 1 |
| A. QUALIFICATIONS | 1 |
| B. PURPOSE OF TESTIMONY | 2 |
| C. SCOPE OF THE SPP REQUESTS..... | 3 |
| D. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS..... | 8 |
| II. DECISION CRITERIA FOR THE RATIONAL SELECTION, RANKING, AND MAGNITUDE OF SPP PROGRAMS AND PROJECTS..... | 11 |
| III. METHODOLOGIES TO CALCULATE THE REVENUE REQUIREMENTS AND CUSTOMER RATE IMPACTS..... | 21 |

EXHIBITS:

| | |
|---|------|
| RESUME OF LANE KOLLEN..... | LK-1 |
| SUMMARY OF EACH UTILITY’S DECISION CRITERIA..... | LK-2 |
| OPC’S THIRD SET OF INTERROGATORIES, NO. 13 (20220049-EI)..... | LK-3 |
| Exhibit LK-4 - THIRD SET OF INTERROGATORIES, NO. 14 (20220051-EI).... | LK-4 |
| OPC’S SECOND SET OF INTERROGATORIES, NO. 9 (20220049-EI)..... | LK-5 |
| OPC’S THIRD SET OF INTERROGATORIES, NO. 19 (20220049-EI)..... | LK-6 |
| OPC’s THIRD SET OF INTERROGATORIES, NO. 20 (20220049-EI)..... | LK-7 |

1 **I. QUALIFICATIONS AND SUMMARY**

2 **A. Qualifications**

3 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

4 A. My name is Lane Kollen. My business address is J. Kennedy and Associates, Inc.
5 (“Kennedy and Associates”), 570 Colonial Park Drive, Suite 305, Roswell, Georgia 30075.

6 **Q. DESCRIBE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.**

7 A. I earned a Bachelor of Business Administration (“BBA”) degree in accounting and a
8 Master of Business Administration (“MBA”) degree from the University of Toledo. I also
9 earned a Master of Arts (“MA”) degree in theology from Luther Rice College & Seminary.
10 I am a Certified Public Accountant (“CPA”), with a practice license, Certified Management
11 Accountant (“CMA”), and Chartered Global Management Accountant (“CGMA”). I am a
12 member of numerous professional organizations, including the American Institute of
13 Certified Public Accountants, Institute of Management Accounting, Georgia Society of
14 CPAs, and Society of Depreciation Professionals.

15 I have been an active participant in the utility industry for more than forty years,
16 initially as an employee of The Toledo Edison Company from 1976 to 1983 and thereafter
17 as a consultant in the industry since 1983. I have testified as an expert witness on hundreds
18 of occasions in proceedings before regulatory commissions and courts at the federal and
19 state levels. In those proceedings, I have addressed ratemaking, accounting, finance, tax,
20 and planning issues, among others.

21 I have testified before the Florida Public Service Commission on numerous
22 occasions, including base rate, fuel adjustment clause, acquisition, and territorial

1 proceedings involving Florida Power & Light Company (“FPL”), Duke Energy Florida
2 (“DEF”), Talquin Electric Cooperative, City of Tallahassee, and City of Vero Beach.¹

3 **B. Purpose of Testimony**

4 **Q. ON WHOSE BEHALF ARE YOU PROVIDING TESTIMONY?**

5 A. I am providing this testimony on behalf of the Florida Office of Public Counsel (“OPC”).

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 A. The purpose of my testimony is to address and make recommendations regarding the
8 proposed Storm Protection Plans (“SPP”) filed by Florida Public Utilities Company
9 (“FPUC”), Duke Energy Florida, LLC (“DEF”), Tampa Electric Company (“Tampa”), and
10 Florida Power and Light Company (“FPL”) (collectively, the “utilities”). In this testimony,
11 I specifically address the SPP filing for FPUC.

12 ~~I address the scope of the proposed SPPs and the threshold economic decision~~
13 ~~criteria that the Commission should apply to the selection, ranking, and magnitude of SPP~~
14 ~~programs and projects, consistent with the statutory requirements set forth in Section~~
15 ~~366.96, Florida Statutes, Storm Protection Plan Cost Recovery (“SPP Statute”), Rule 25-~~
16 ~~6.030, Florida Administrative Code (“SPP Rule”), and Rule 25-6.031, F.A.C. (“SPPCRC~~
17 ~~Rule”) to the extent that the outcome of these proceedings will affect the cost recoveries in~~
18 ~~the Storm Protection Plan Cost Recovery Clause (“SPPCRC”) proceedings pursuant to the~~
19 ~~SPPCRC Rule. My testimony should be considered in conjunction with the testimony of~~
20 ~~Witness Kevin Mara on behalf of OPC.~~

¹ I have attached a more detailed description of my qualifications and regulatory appearances as my Exhibit LK-1.

1 **C. Scope of the SPP Requests**

2 **Q. PLEASE SUMMARIZE THE SPP REQUESTS.**

3 A. In the aggregate, the four utilities seek authorization for programs and projects they
 4 estimate will cost \$25.323 billion over the next ten years (2023-2032), consisting of
 5 \$23.167 billion in capital expenditures and \$2.156 billion in operation and maintenance
 6 (“O&M”) expense. The capital expenditures will have a growing and cumulative
 7 ratemaking impact for the duration of the SPPs and beyond of 40 or more years over the
 8 service lives of the plant assets. These amounts are in addition to the capital expenditures
 9 and O&M expense expended in prior years and this year for storm hardening and storm
 10 protection programs. The utilities also expect to seek authorization for additional amounts
 11 in subsequent SPP updates beyond the ten years reflected in these proceedings.

12 The following tables provide a summary of the estimated SPP program
 13 expenditures for each utility by year and in total for the ten-year period.

| Florida Public Utilities Company | | | | | | | | | | | |
|----------------------------------|------|------|------|------|------|------|------|------|------|------|-------|
| SPP Program Expenditures | | | | | | | | | | | |
| \$ Millions | | | | | | | | | | | |
| SPP Costs by Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
| Capital Total | 2.3 | 6.7 | 16.9 | 54.2 | 53.2 | 19.9 | 19.6 | 19.8 | 25.3 | 25.2 | 243.1 |
| O&M Expense Total | 1.4 | 1.6 | 1.9 | 3.0 | 2.9 | 1.8 | 1.8 | 1.8 | 1.9 | 1.9 | 20.0 |
| Overall Total | 3.7 | 8.3 | 18.7 | 57.2 | 56.1 | 21.8 | 21.4 | 21.6 | 27.2 | 27.1 | 263.1 |

| Duke Energy Florida, LLC | | | | | | | | | | | |
|--------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|
| SPP Program Expenditures | | | | | | | | | | | |
| \$ Millions | | | | | | | | | | | |
| SPP Costs by Year | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Total |
| Capital Total | 602.7 | 693.4 | 775.2 | 748.8 | 747.7 | 749.7 | 748.5 | 750.6 | 749.4 | 751.6 | 7,317.5 |
| O&M Expense Total | 72.1 | 77.1 | 79.0 | 78.1 | 79.0 | 81.8 | 82.4 | 85.8 | 86.8 | 90.0 | 812.0 |
| Overall Total | 674.8 | 770.5 | 854.1 | 826.9 | 826.7 | 831.5 | 830.9 | 836.4 | 836.2 | 841.6 | 8,129.5 |

| Tampa Electric Company | | | | | | | | | | | |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| SPP Program Expenditures | | | | | | | | | | | |
| \$ Millions | | | | | | | | | | | |
| SPP Costs by Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
| Capital Total | 169.9 | 168.7 | 173.1 | 172.9 | 169.0 | 167.5 | 169.6 | 166.0 | 172.5 | 169.4 | 1,698.7 |
| O&M Expense Total | 31.0 | 34.0 | 33.7 | 35.2 | 36.3 | 37.7 | 39.6 | 41.2 | 43.1 | 45.3 | 377.1 |
| Overall Total | 200.9 | 202.7 | 206.8 | 208.2 | 205.4 | 205.2 | 209.2 | 207.3 | 215.6 | 214.7 | 2,075.9 |

| Florida Power & Light Company | | | | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| SPP Program Expenditures | | | | | | | | | | | |
| \$ Millions | | | | | | | | | | | |
| SPP Costs by Year | | | | | | | | | | | |
| Total Company | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Total |
| Capital Total | 1,458.9 | 1,559.5 | 1,520.4 | 1,200.8 | 1,319.0 | 1,350.0 | 1,388.4 | 1,423.4 | 1,347.6 | 1,340.1 | 13,908.0 |
| O&M Expense Total | 86.0 | 86.7 | 88.0 | 88.2 | 94.1 | 100.3 | 99.8 | 100.5 | 100.9 | 101.5 | 946.2 |
| Overall Total | 1,544.9 | 1,646.3 | 1,608.4 | 1,289.0 | 1,413.1 | 1,450.3 | 1,488.2 | 1,523.9 | 1,448.5 | 1,441.6 | 14,854.2 |

1 **Q. WHAT EFFECTS WILL THE REQUESTS HAVE ON CUSTOMER RATES?**

A. The incremental effects on present customer rates will be significant as measured over multiple ratemaking metrics, including SPP revenue requirements, net plant in service, annual electric revenues, and cost per customer. The following table provides a summary of the revenue requirements by utility and in the aggregate by year and in total for the ten-year period.

| Florida Public Utilities Company | | | | | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| SPP Program Revenue Requirements | | | | | | | | | | | |
| \$ Millions | | | | | | | | | | | |
| SPP Revenue Requirements By Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
| Capital Total | 0.3 | 0.6 | 2.0 | 6.0 | 12.5 | 17.0 | 19.0 | 21.0 | 23.2 | 25.7 | 127.3 |
| O&M Expense Total | 1.4 | 1.6 | 1.9 | 3.0 | 2.9 | 1.8 | 1.8 | 1.8 | 1.9 | 1.9 | 20.0 |
| Overall Total | 1.7 | 2.2 | 3.9 | 9.0 | 15.4 | 18.9 | 20.8 | 22.8 | 25.1 | 27.6 | 147.3 |

Duke Energy Florida, LLC
SPP Program Revenue Requirements
\$ Millions

| SPP Revenue Requirements By Year | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Total |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Capital Total | 77.3 | 144.2 | 217.9 | 303.3 | 378.5 | 451.1 | 522.2 | 590.7 | 657.8 | 722.1 | 4,065.2 |
| O&M Expense Total | 72.1 | 77.1 | 79.0 | 78.1 | 79.0 | 81.8 | 82.4 | 85.8 | 86.8 | 90.0 | 812.0 |
| Overall Total | 149.4 | 221.3 | 296.8 | 381.4 | 457.5 | 533.0 | 604.7 | 676.5 | 744.6 | 812.1 | 4,877.2 |

1

Tampa Electric Company
SPP Program Revenue Requirements
\$ Millions

| SPP Revenue Requirements By Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Capital Total | 17.2 | 35.8 | 53.8 | 72.3 | 91.4 | 109.8 | 127.9 | 145.5 | 163.0 | 180.0 | 996.6 |
| O&M Expense Total | 30.7 | 33.6 | 33.4 | 34.9 | 36.0 | 37.4 | 39.3 | 40.9 | 42.8 | 44.9 | 374.0 |
| Overall Total | 47.9 | 69.4 | 87.2 | 107.2 | 127.4 | 147.3 | 167.2 | 186.4 | 205.7 | 224.9 | 1,370.7 |

2

Florida Power & Light Company
SPP Program Revenue Requirements
\$ Millions

| SPP Revenue Requirements By Year Jurisdictional | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | Total |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Capital Total | 332.9 | 509.3 | 685.9 | 836.6 | 971.5 | 1,112.3 | 1,254.0 | 1,396.5 | 1,533.2 | 1,661.6 | 10,293.8 |
| O&M Expense Total | 85.2 | 85.9 | 87.2 | 87.5 | 93.3 | 99.4 | 98.9 | 99.6 | 100.0 | 100.6 | 937.6 |
| Overall Total | 418.0 | 595.2 | 773.2 | 924.1 | 1,064.8 | 1,211.7 | 1,352.9 | 1,496.1 | 1,633.2 | 1,762.2 | 11,231.3 |

3

4

5

6

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8

In addition to the revenue requirement effects of the proposed SPPs shown on the preceding tables, the following tables compare other ratemaking metrics, including capital expenditures compared to present net plant in service, increases in the revenue requirement compared to present revenues, and the cost per customer. These metrics provide additional context as to the magnitude and the impacts on customer rates.

| Total 10-Year Projected Spend and Revenue Requirements Compared to Total Net Plant in Service and Revenues Actual Results For the 12 Months Ended December 31, 2021 \$ Millions | | | | | | |
|--|-------------------------------|---|---|------------------------------|--|--|
| | Net Plant In Service | 10-Year Proposed Capital Spend | Percentage Increase in Net Plant | 2021 Electric Revenues | Projected SPP Revenue Requirement In Year 10 | Percentage Increase in Revenues |
| FPL | 44,891.0 | 13,908.0 | 31.0% | 12,244.3 | 1,762.2 | 14.4% |
| Duke | 16,946.5 | 7,317.5 | 43.2% | 5,111.8 | 812.1 | 15.9% |
| TEC | 7,215.5 | 1,698.7 | 23.5% | 2,180.0 | 224.9 | 10.3% |
| FPUC | <u>94.0</u> | <u>243.1</u> | <u>258.6%</u> | <u>83.7</u> | <u>27.6</u> | <u>33.0%</u> |
| Total | <u>69,147.0</u> | <u>23,167.4</u> | <u>33.5%</u> | <u>19,619.8</u> | <u>2,826.8</u> | <u>14.4%</u> |

1

| Total 10-Year Projected SPP Investment Per Customer Includes Capital and O&M Investment | | | |
|--|------------------|--|--|
| | Customers | Projected 10-Year Total Investment \$ Millions | 10-Year Investment Per Customer \$ |
| FPL | 5,700,000 | 14,854.2 | 2,606 |
| Duke | 1,879,073 | 8,129.5 | 4,326 |
| TEC | 824,322 | 2,075.9 | 2,518 |
| FPUC | <u>32,993</u> | <u>263.1</u> | <u>7,976</u> |
| Total | <u>8,436,388</u> | <u>25,322.7</u> | <u>3,002</u> |

2

3 **Q. HOW DO THESE COSTS COMPARE TO THE BENEFITS FROM POTENTIAL**
4 **SAVINGS IN STORM DAMAGE AND RESTORATION COSTS?**

5 A. The estimated costs are much greater than the benefits from potential savings for each
6 utility and for nearly all of the programs and projects, although FPUC and FPL did not,

1 and refused to, provide quantifications of the benefits from potential savings in storm
2 damage and restoration costs.

3 The following table provides a summary of the costs and dollar benefits by utility
4 and in the aggregate by year and in total for the ten-year period and a fifty-year period. I
5 show \$0 (“n/a”) in benefits for FPUC and FPL, consistent with their failure to quantify any
6 benefits from potential savings in storm damage and restoration costs.

| Total 10-Year Projected SPP Costs and Benefits Summary Includes Capital and O&M Investment | | | | | | |
|---|--|---|--|--|--|--|
| | Projected 10-Year Total Investment \$ Millions | Projected Annual Avoided Restoration Costs \$ Millions | Escalated Avoided Restoration Costs Over 10 Years \$ Millions | Benefits to Costs Ratio 10 Years % | Escalated Avoided Restoration Costs Over 50 Years \$ Millions | Benefits to Costs Ratio 50 Years % |
| FPL | 14,854.2 | n/a | n/a | n/a | n/a | n/a |
| Duke | 8,129.5 | 56.5 | 647.7 | 8% | 6,373.0 | 78% |
| TEC | 2,075.9 | 13.0 | 149.5 | 7% | 1,470.6 | 71% |
| FPUC | <u>263.1</u> | <u>n/a</u> | <u>n/a</u> | n/a | <u>n/a</u> | n/a |
| Total | <u>25,322.7</u> | <u>69.5</u> | <u>797.2</u> | | <u>7,843.6</u> | |

Note: Benefits Calculations Not Provided by FPL and FPUC.

7

8 **Q. WHY ARE THESE SUMMARIES AND COMPARISONS SIGNIFICANT IN**
9 **THESE PROCEEDINGS?**

10 A. They provide context for the Commission in its review of the proposed SPPs, including the
11 sheer magnitude of the incremental capital expenditures and O&M expense and the rate
12 impacts of these costs, ~~as well as for the establishment and application of threshold decision~~
13 ~~criteria for the selection, ranking, and magnitude of the SPP programs and projects that are~~

1 ~~authorized.~~ They also demonstrate that the costs of the proposed SPP programs and
2 projects far outweigh the benefits from savings in storm damage and restoration costs.

3 The Commission also should keep in mind that the impact of the SPP programs is
4 yet another addition to the customer bill in an environment of high inflation, skyrocketing
5 natural gas prices and other base rate increases.

6 **D. Summary of Conclusions and Recommendations**

7 **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS.**

8 A. Each utility's proposed SPP capital expenditures, O&M expenses, increases in rate base,
9 and resulting increases in customer rates are significant. The SPP capital expenditures and
10 O&M expenses are incremental costs with incremental customer rate impacts. The
11 framework, scope, selection, ranking, magnitude, ~~prudence~~, and authorization to proceed
12 of the SPP programs and projects will be determined in these proceedings, not in the
13 subsequent SPPCRC proceeding. Therefore, the decision criteria, ratemaking principles,
14 and rate recovery of the SPP project costs are important factors in the decision making
15 process in this and the other SPP proceedings now pending.

16 ~~To qualify for inclusion in the SPP proceedings and cost recovery in the SPPCRC~~
17 ~~proceedings, the projects and the costs of the projects must be incremental, not simply~~
18 ~~displacements of base rate costs that would have been incurred during the normal course~~
19 ~~of business, as well as prudent, used and useful, and just and reasonable both as to amount~~
20 ~~and customer impact. These factors must be considered in the decision process in the SPP~~
21 ~~proceedings, not limited to the review that will take place in the SPPCRC proceedings after~~
22 ~~the projects are selected and costs already have been incurred.~~

1 The Commission should apply rational and specific decision criteria to the
2 selection, ranking, and magnitude of the proposed programs and projects and apply those
3 decision criteria consistently to all four utilities in these proceedings. The decision criteria
4 should include justification in the form of a benefit/cost analysis in addition to the
5 qualitative assessments of whether the programs and projects will reduce restoration costs
6 and outage times. ~~The economic justification is an important consideration in whether the~~
7 ~~programs and projects are prudent and reasonable, a determination that can only be made~~
8 ~~in the SPP proceedings,~~ in contrast to whether the costs actually incurred during
9 implementation of the programs and projects were prudently incurred and reasonable,
10 which is determined in the SPPCRC proceeding.

11 In addition, the total multi-year customer rate impact can be considered only in the
12 SPP proceeding. The SPPCRC proceedings address the actual recovery and annual
13 customer rate impact only after the decision process in these SPP proceedings is complete,
14 projects are approved, and the SPP programs and projects are implemented.

15 ~~Further, it is critical that the customer rate impact reflect only the incremental cost~~
16 ~~of the SPP projects and that all avoided cost savings be reflected as offsets to those costs~~
17 ~~either through reductions to the SPPCRC or through reductions to base rates. However, in~~
18 ~~their SPP filings, the utilities did not, with limited exceptions, explicitly exclude the costs~~
19 ~~presently recovered in base rates or expressly account for any avoided cost savings. The~~
20 ~~utilities will retain the avoided cost savings for costs presently recovered in base rates~~
21 ~~unless these costs are addressed in this proceeding and the SPPCRC proceedings or~~
22 ~~otherwise included in a negotiated resolution.~~

1 ~~I recommend that the Commission adopt and consistently apply decision criteria~~
2 ~~for the selection, ranking, magnitude, and prudence of the SPP programs and projects for~~
3 ~~the four utilities to ensure that the utilities do not use the SPP and SPPCRC process to~~
4 ~~displace costs that are subject to and recoverable through the base rate process and shift~~
5 ~~those costs to recover them through the SPP and SPPCRC process.~~

6 ~~I concur with Witness Mara's recommendation to exclude the costs of programs~~
7 ~~and projects that displace base rate costs that would have been incurred during the normal~~
8 ~~course of business and that are not incurred on an incremental basis specifically to achieve~~
9 ~~the objectives of the SPP Rule.~~

10 ~~I recommend that the Commission reject all proposed SPP projects that are not~~
11 ~~economic, meaning that they do not have a benefit to cost ratio of at least 100%. Projects~~
12 ~~with a benefit to cost ratio of less than 100% are not economic, cannot be considered~~
13 ~~prudent at the point of decision in this proceeding, and cannot be considered prudent or~~
14 ~~just and reasonable for future recovery through the SPPCRC.~~

15 ~~I recommend that the Commission adopt and consistently apply uniform~~
16 ~~methodologies among the utilities to determine the revenue requirements and rate impacts~~
17 ~~of the programs and projects in these proceedings and that it carry through those uniform~~
18 ~~methodologies to the rate calculations in the SPPCRC proceeding. More specifically, I~~
19 ~~recommend that the Commission: 1) exclude construction work in progress ("CWIP") from~~
20 ~~both the return on rate base and depreciation expense, and instead allow a deferred return~~
21 ~~on the CWIP until it is converted to plant in service or prudently abandoned; 2) allow~~
22 ~~property tax only on the net plant at the beginning of each year; 3) require a credit for the~~
23 ~~avoided depreciation expense on plant that is retired due to SPP plant investments; 4)~~

1 ~~require a realignment of the costs of pole inspections and vegetation management from~~
2 ~~base rates to the SPPCRC, to the extent this has not been adopted for FPUC; and 5) require~~
3 ~~a credit for the avoided O&M expenses due to the SPP plant investments and SPP O&M~~
4 ~~expenses.~~

5 **II. DECISION CRITERIA FOR THE RATIONAL SELECTION, RANKING, AND** 6 **MAGNITUDE OF SPP PROGRAMS AND PROJECTS**

7 **Q. DESCRIBE THE FRAMEWORK FOR THE SELECTION AND RANKING OF** 8 **SPP PROGRAMS AND PROJECTS.**

9 A. Section 366.96, Fla. Stat., and Rule 25-6.030, F.A.C., establish the required framework for
10 the utility's SPP, including the utility's identification of projects that are designed to reduce
11 outage restoration costs and outage times, information necessary to develop and apply
12 decision criteria for the selection, ranking, and magnitude of the SPP programs and costs,
13 estimates of the customer rate impacts, and parameters for recovery of the actual costs
14 incurred for the SPP projects offset by costs recovered through base rates and other clause
15 recoveries as well as savings in those costs.

16 The SPP framework provides important customer safeguards that should be
17 enforced to require the utility to: 1) identify new programs and projects or the expansion
18 of existing programs and projects that are not within the scope of its existing base rate
19 programs and cost recoveries in the normal course of business; 2) limit requests to
20 programs and projects that are prudent and reasonable; 3) justify the selections, rankings,
21 and magnitude of SPP programs, projects, and costs; 4) ensure there is a comparison of
22 benefits to costs; 5) effectively consider the rate impact on customers; and 6) ensure that
23 the utility only recovers incremental costs, net of decremental (avoided) costs or reductions
24 in costs (savings), through the SPPCRC.

1 ~~More specifically, Section 366.96(8), Fla. Stat., limits SPP programs and projects~~
2 ~~to costs not recovered through the utility's base rates. Section 366.96(8), Fla. Stat., states~~
3 ~~in part: "The annual transmission and distribution storm protection plan costs may not~~
4 ~~include costs recovered through the public utility's base rates."~~

5 ~~Section 366.96(2)(c), Fla. Stat., limits SPP programs and projects to costs that are~~
6 ~~prudent and reasonable. The Statute further defines "[t]ransmission and distribution storm~~
7 ~~protection plan costs" as "the reasonable and prudent costs to implement an approved~~
8 ~~transmission and distribution storm protection plan." §366.96(2)(c), Fla. Stat. Similarly,~~
9 ~~the SPPCRC Rule requires that costs included in the SPPCRC be "prudent" and~~
10 ~~"reasonable." Rule 25-6.031(3), F.A.C. Although the requirements found in the statute~~
11 ~~are repeated in the SPPCRC Rule, the determination of whether the costs included in the~~
12 ~~SPPCRC are prudent and reasonable necessarily requires that the SPP programs and~~
13 ~~projects approved in the SPP docket must be prudent to undertake and implement and that~~
14 ~~the estimated costs of the programs and projects are reasonable as a threshold matter. The~~
15 ~~sequential nature of these determinations effectively limits any subsequent assessment of~~
16 ~~prudence and reasonableness in the SPPCRC proceeding to an after-the-fact assessment of~~
17 ~~the utility's implementation of each project and the actual costs incurred.~~

18 ~~In addition, the SPP Rule requires that the utility quantify the "benefits" and costs,~~
19 ~~compare the benefits to the costs, and provide an estimate of the revenue requirement~~
20 ~~effects for each year of the SPP. Rule 25-6.030(3)(d)4, and (3)(g), F.A.C. Section~~
21 ~~366.96(4), Fla. Stat., requires the Commission to consider this evidence in its evaluation~~
22 ~~of the SPPs. This information allows the Commission and intervening parties to determine~~
23 ~~if the proposed projects are economic, or cost justified, to establish thresholds, or cutoff~~

1 ~~limitations, based on whether the projects are wholly or partially self-funding through cost~~
2 ~~savings, or “benefits,” and to consider these factors in establishing limitations based on the~~
3 ~~customer rate impact, not only in the first year, but over the life of the SPP itself, and then~~
4 ~~beyond the SPP, extending over the lives of the SPP project costs that were capitalized.~~

5 ~~Further, Section 366.96, Fla. Stat., and the SPPCRC Rule limit the costs eligible~~
6 ~~for recovery through the SPPCRC to incremental costs net of avoided costs (savings). The~~
7 ~~Statute and this Rule specifically require the exclusion of costs that are recovered through~~
8 ~~base rates and other clause forms of ratemaking recovery.²~~

9 **Q. ARE THE SPP RULE AND THE SPPCRC RULE SEQUENTIAL AND**
10 **INTERRELATED?**

11 A. Yes. Certain ratemaking determinations required pursuant to the SPPCRC Rule
12 necessarily start with an assessment of the SPP programs and projects that can only be
13 performed in the SPP proceeding, and then are confirmed and refined in the SPPCRC
14 proceeding for cost recovery purposes.

15 ~~In the SPP proceeding, the Commission must determine the prudence of the~~
16 ~~programs upfront based on whether they are economically justified, whether the projected~~
17 ~~costs are just and reasonable, and whether the customer rate impact is reasonable. This~~
18 ~~requires the application of objective thresholds and related screening criteria to select, rank,~~
19 ~~and determine the magnitude of SPP projects. The Commission also must determine~~
20 whether the Company has quantified the revenue requirement and customer rate impacts

² § 366.96(8), Fla. Stat.; Rule 25.6.031(6)(a), F.A.C.

1 in an accurate and comprehensive manner, although the final SPPCRC rate quantifications
2 will be performed in the SPPCRC proceeding.

3 **Q. ARE EACH OF THE UTILITIES' PROPOSED PROGRAMS AND PROJECTS**
4 **OUTSIDE THE SCOPE OF THE EXISTING BASE RATE PROGRAMS AND**
5 **COST RECOVERIES IN THE NORMAL COURSE OF BUSINESS?**

6 A. ~~No. FPUC and each other utility have included programs and projects that are within the~~
7 ~~scope of their existing base rate programs and base rate recoveries in the normal course of~~
8 ~~business. These programs and projects are listed and addressed in greater detail by Witness~~
9 ~~Mara. These programs and projects should be excluded from the SPP and the costs should~~
10 ~~be excluded from recovery through the SPPCRC.~~

11 ~~The SPPs and SPPCRCs are for new and expanded programs and projects that will~~
12 ~~reduce restoration costs and outage times and for the recovery of the incremental costs of~~
13 ~~the SPP programs and projects, not to displace base rate programs and base rate recoveries.~~
14 ~~Nor are the SPPs and SPPCRCs an alternative and expedited form of rate recovery for any~~
15 ~~and all costs that arguably improve resiliency or reliability. Absent a demonstrable~~
16 ~~simultaneous, equivalent corresponding reduction of base rates, neither the SPP Statute nor~~
17 ~~the SPP or SPPCRC Rules authorize the Commission or the utilities to displace and exclude~~
18 ~~programs and costs from base rates and then include the programs and costs in the SPPs~~
19 ~~and SPPCRCs.~~

20 **Q. ARE EACH OF THE FPUC'S PROPOSED PROGRAMS AND PROJECTS**
21 **PRUDENT AND REASONABLE?**

22 A. ~~No. The utility's programs and costs are not prudent and reasonable unless they meet all~~
23 ~~of the requirements of the SPP and the SPPCRC Rules that I previously described. Certain~~

~~1 of the utility's programs and projects fail these requirements because they are not new or
2 expansions of existing programs outside of base rates in the normal course of business;
3 certain programs and projects fail because they are not economic.~~

4 **Q. DID THE UTILITIES CONSISTENTLY APPLY A BENEFIT/COST ANALYSIS**
5 **TO DETERMINE THE SELECTION, RANKING, AND MAGNITUDE OF THE**
6 **SPP PROGRAMS?**

7 A. No. The utilities used a variety of decision criteria, qualitative and quantitative, but none
8 of them relied on a benefit/cost analysis as a threshold decision criterion to qualify a
9 program or project for inclusion in its SPP. Nor were the decision criteria consistent among
10 the utilities or even among each utility's SPP programs and projects.³

11 Neither FPUC nor FPL developed or relied on any benefit/cost analyses. Although
12 neither DEF nor Tampa developed or relied on benefit/cost analyses as a threshold decision
13 criterion to qualify their programs, they both used a form of benefit/cost analysis for the
14 ranking and the magnitude of their programs.

15 **Q. WHY IS AN ECONOMIC JUSTIFICATION NECESSARY AS A THRESHOLD**
16 **DECISION CRITERION TO QUALIFY PROGRAMS OR PROJECTS FOR**
17 **INCLUSION IN THE SPP?**

18 **A. ~~Fundamentally, SPP programs and projects should be authorized only if the benefits exceed~~**
19 **~~the costs; in other words, the benefit-to-cost ratio should be at least 100%. Neither the~~**
20 **~~Statute nor the SPP Rule require the Commission to approve SPP programs and projects~~**

³ I have attached a brief summary of each utility's decision criteria as my Exhibit LK-2.

1 ~~that are uneconomic even if they meet the statutory and SPP Rule objectives to reduce~~
2 ~~restoration costs and outage times.~~

3 ~~The programs and projects submitted within the SPP are discretionary and must be~~
4 ~~incremental, meaning their scope and the costs should be above and beyond the present~~
5 ~~scope and costs for actual and planned capital expenditures and O&M expenses recovered~~
6 ~~in base rates in the normal course of business.~~ By its terms, the SPP Rule requires the
7 utility to address and undertake projects “to enhance the utility’s existing infrastructure for
8 the purpose of reducing restoration costs and outage times associated with extreme weather
9 conditions therefore improving overall service reliability.” Rule 25-6.030(2)(a), F.A.C.

10 ~~The SPP programs and projects must be incremental, including the expansions of~~
11 ~~the pole inspection and vegetation management programs and projects that were previously~~
12 ~~in effect. If the projects actually had been necessary as base rate programs in the normal~~
13 ~~course of business, but the utility failed to undertake them, then the utility would have been,~~
14 ~~and would continue to be, imprudent for its failure to construct “transmission and~~
15 ~~distribution facilities” that would withstand “extreme weather events” and its failure to~~
16 ~~undertake maintenance activities that would reduce outage durations and outage expenses.~~
17 ~~No utility and no other party has made that argument.~~

18 ~~The economic justification standard allows the utility to propose, and the~~
19 ~~Commission to set, an appropriate and reasonable benefit-to-cost threshold, whether it is~~
20 ~~the minimum 100% that I recommend or something greater or lesser.~~

21 ~~In addition, the economic justification allows the utility and the Commission to~~
22 ~~rank proposed programs and projects to achieve the greatest value at the lowest customer~~
23 ~~rate impact.~~

1 ~~Further, the economic justification allows the utility and the Commission to~~
2 ~~determine the maximum amount (magnitude) of expenditures for each SPP program and~~
3 ~~project that will result in net benefits to the utility's customers.~~

4 **Q. HOW SHOULD THE COMMISSION DETERMINE WHETHER THE PROPOSED**
5 **SPP PROGRAMS AND PROJECTS ARE ECONOMICALLY JUSTIFIED?**

6 A. ~~Typically, economic justification is based on a comparison of the incremental revenues or~~
7 ~~benefits (savings) that are achieved or achievable to the incremental costs of a project, with~~
8 ~~the benefits measured as the avoided costs that will not be incurred due to the SPP programs~~
9 ~~and projects and the incremental costs as the sum of the annual revenue requirements for~~
10 ~~the SPP programs and projects. The savings in costs includes not only the avoided outage~~
11 ~~restoration costs that will not be incurred due to extreme weather events, but also the~~
12 ~~reductions in maintenance expense from the new SPP assets that require less maintenance~~
13 ~~than the base rate assets that were replaced and the future savings due to near term~~
14 ~~accelerated and enhanced vegetation management activities and expense.~~

15 **Q. DOES THE SPP RULE REQUIRE THAT THE UTILITIES PROVIDE A**
16 **COMPARISON OF THE “COSTS” AND “BENEFITS” TO DETERMINE IF THE**
17 **PROGRAMS AND PROJECTS ARE ECONOMICALLY JUSTIFIED?**

18 A. Yes. The SPP Rule requires the utility to provide “[a] comparison of the costs identified
19 in subparagraph (3)(d)3, and the benefits identified in subparagraph (3)(d)1.” Rule 25-
20 6.030(3)(d)4, F.A.C. The context and juxtaposition of the terms “costs” and “benefits”
21 strongly imply a comparison of dollar costs and dollar benefits, not a comparison of dollar
22 costs and qualitative benefits. The latter comparison provides no useful decision making
23 information because it does not provide a useful threshold decision criterion to qualify

1 programs and projects, does not provide a framework for ranking programs and projects,
2 and does not allow a rational quantitative basis for the magnitude of programs and projects.

3 **Q. DID EACH OF THE UTILITIES PROVIDE THE REQUIRED COMPARISON OF**
4 **THE “COSTS” AND “BENEFITS” IN THEIR SPP FILINGS OR IN RESPONSE**
5 **TO DISCOVERY?**

6 A. No. FPUC and FPL provided no dollar quantifications of benefits in their SPP filings and
7 refused to provide any dollar quantifications in response to OPC discovery. FPUC claimed
8 that it had not quantified avoided cost savings benefits and stated that it did not rely on an
9 economic benefit cost criterion for the selection, ranking, or magnitude of its proposed
10 programs and projects.⁴ Both FPUC and FPL argued that the SPP Rule’s text requiring the
11 comparison of costs and benefits did not require the utilities to provide a dollar
12 quantification of the benefits, but instead required only that there had to be benefits, which
13 they qualitatively described to meet the “objectives” and or “requirements” of the SPP
14 Rule.⁵

15 In contrast to FPUC and FPL, DEF and Tampa quantified expected dollar benefits
16 in their SPP filings based on their modeling results and provided additional detail on their
17 modeling and quantifications of the dollar benefits in response to OPC discovery. DEF
18 developed its benefit quantifications using a storm damage model developed by
19 Guidehouse. Tampa developed its benefit quantifications using a Storm Resilience Model,
20 which includes a Storm Impact Model, developed by 1898 & Co.

⁴ FPUC’s response to Interrogatory No. 13(a and b) in OPC’s Third Set of Interrogatories in Docket No. 20220049-EI. I have attached a copy of this response as my Exhibit LK-3.

⁵ FPL’s response to Interrogatory No. 14(a) in OPC’s Third Set of Interrogatories in Docket No. 20220051-EI. I have attached a copy of this response as my Exhibit LK-4.

1 **Q. DOES FPUC HAVE A STORM DAMAGE MODEL SIMILAR TO THE MODELS**
2 **THAT WERE USED BY DEF AND TAMPA TO CALCULATE DOLLAR**
3 **BENEFITS?**

4 A. Yes. All four utilities have storm damage models that can be used to quantify the dollar
5 benefits of the SPP programs and projects. However, while DEF and Tampa used their
6 models for their SPPs; FPUC and FPL did not. FPUC relied on a storm resiliency risk
7 model developed by Pike Engineering, although it is not clear that this model forecasts
8 damage and restoration costs that could be avoided (dollar benefits) due to its SPP
9 programs and projects.

10 Regardless of whether FPUC and FPL have models that could have been used to
11 calculate dollar benefits, the fact is that they chose not to provide dollar benefits in their
12 SPP filings and refused to do so in response to OPC discovery.

13 **Q. ARE ANY OF THE UTILITIES' SPP PROGRAMS ECONOMICALLY**
14 **JUSTIFIED?**

15 A. No. This is extremely problematic. None of the SPP programs has benefits that exceed
16 the costs. None of the utilities used a benefit/cost test to qualify its programs or projects,
17 although DEF and Tampa used a flawed form of a benefit/cost test to rank their programs
18 and projects and to determine the maximum expenditure levels for its programs.

19 **Q. IF THE SPP PROGRAMS ARE NOT ECONOMICALLY JUSTIFIED, CAN THE**
20 **PROGRAMS AND PROJECTS OR THE RELATED COSTS BE PRUDENT OR**
21 **REASONABLE?**

1 A. ~~No. The Statute and the SPP Rule require that the programs and the incremental cost of~~
2 ~~the programs be prudent and reasonable. If the programs and projects are not economically~~
3 ~~justified, then the costs should not be incurred; if they are not economically justified, then~~
4 ~~the programs and projects cannot be prudent and the costs would be imprudent and~~
5 ~~unreasonable.~~

6 ~~The Commission, not the utility, is the arbiter of whether these programs and~~
7 ~~projects are prudent and reasonable. It is not enough for the utility simply to assert that the~~
8 ~~programs and projects will reduce restoration costs and outage times (without quantifying~~
9 ~~the dollar benefits from the reduction of restoration costs and outage times). This bar is a~~
10 ~~starting point as an initial screening criterion, but it is insufficient in and of itself for a~~
11 ~~determination of prudence and reasonableness.~~

12 ~~Prudence requires that additional decision criteria be applied to determine the~~
13 ~~selection, ranking, and magnitude of the programs and projects and the costs. Specifically,~~
14 ~~an economic benefit/cost criterion is required to determine what programs, if any, are cost~~
15 ~~effective to undertake. In simple terms, it defies rational thought to undertake discretionary~~
16 ~~programs and projects and to incur the incremental costs for those programs and projects~~
17 ~~if the economic benefits are not at least equal to the costs. This is especially relevant given~~
18 ~~the current economic hardships for ratepayers.~~

19 **Q. WHAT ARE YOUR RECOMMENDATIONS?**

20 A. ~~I recommend that the Commission adopt and consistently apply specific decision criteria~~
21 ~~for the selection, ranking, and magnitude of the utilities' SPP programs and projects for the~~
22 ~~four utilities to ensure that the utilities are not able to use the SPP and SPPCRC process to~~

1 ~~displace base rate costs that are subject to and recoverable through the base rate process~~
2 ~~and shift those costs to recover them through the SPP and SPPCRC process.~~

3 ~~I concur with Witness Mara's recommendation to exclude the costs of programs~~
4 ~~and projects that displace base rate costs that would have been incurred during the normal~~
5 ~~course of business and that are not incurred on an incremental basis specifically to achieve~~
6 ~~the objectives of the SPP Rule.~~

7 ~~I recommend that the Commission reject all proposed SPP projects that are not~~
8 ~~economic, meaning that they do not have a benefit to cost ratio of at least 100%. Projects~~
9 ~~with a benefit to cost ratio of less than 100% are not economic, cannot be considered~~
10 ~~prudent at the point of decision in this proceeding, and cannot be considered prudent or~~
11 ~~just and reasonable for future recovery through the SPPCRC.~~

12 ~~Alternatively, I recommend that the Commission minimize the customer rate~~
13 ~~impact (harm) of uneconomic SPP programs and projects by setting a minimum threshold~~
14 ~~benefit/cost ratio for the selection and magnitude of the SPP programs and projects, such~~
15 ~~as 70%, or limiting the rate impact over the life of the SPP to a defined threshold, such as~~
16 ~~10% over the ten-year term of each utility's proposed SPP programs. Such thresholds~~
17 ~~would result in ranking projects with greater benefits to customers and winnowing projects~~
18 ~~with lesser benefits to customers, as well as limiting the magnitude of the customer rate~~
19 ~~impact of the SPP programs and projects.~~

20 **III. METHODOLOGIES TO CALCULATE THE REVENUE REQUIREMENTS AND**
21 **CUSTOMER RATE IMPACTS**

22 **Q. DID THE UTILITIES CONSISTENTLY CALCULATE THE REVENUE**
23 **REQUIREMENT EFFECTS OF THEIR SPP PROGRAMS?**

1 A. ~~No. Although each of the utilities calculated the revenue requirements as the sum of the~~
2 ~~return on rate base plus O&M expense, depreciation expense, and property tax expense,~~
3 ~~there were differences among the utilities in their calculations of rate base, depreciation~~
4 ~~expense, and property tax expense. Most significantly, there were differences in their~~
5 ~~assumptions regarding the conversions of CWIP to plant in service and the resulting~~
6 ~~calculations of depreciation expense and differences in the calculations of property tax~~
7 ~~expense.~~

8 ~~Only Tampa reflected any reductions in depreciation expense on retired plant~~
9 ~~recovered in base rates that will be replaced by SPP plant assets and recovered through the~~
10 ~~SPPCRCs. None of utilities reflected reductions in O&M expenses recovered in base rates~~
11 ~~due to savings from the SPP programs and projects. Both reductions are necessary to~~
12 ~~ensure that the utilities do not recover costs that they no longer incur as a result of the SPP~~
13 ~~programs.~~

14 ~~If these additional savings are not considered in these SPP proceedings and~~
15 ~~accounted for in the SPPCRC proceeding or otherwise reflected in a negotiated resolution,~~
16 ~~then the utilities will retain the savings due to the reductions in expenses that presently are~~
17 ~~recovered in base rates.~~

18 **Q. DID FPUC'S CALCULATIONS OF THE ESTIMATED REVENUE**
19 **REQUIREMENTS ALSO INCLUDE UNIQUE ERRORS THAT SHOULD BE**
20 **CORRECTED IN THESE PROCEEDINGS?**

21 A. ~~Yes. FPUC had several unique errors in its calculations of the SPP revenue requirements~~
22 ~~and customer rate impact. FPUC improperly included costs in rate base and depreciation~~

1 ~~expense that it already incurred prior to the approval of its SPP, which is not allowed~~
2 ~~pursuant to the SPP Rule and the SPPCRC Rule.⁶~~

3 ~~FPUC improperly included depreciation expense on CWIP.⁷~~

4 ~~FPUC improperly included property tax expense on CWIP.⁸~~

5 ~~FPUC failed to offset the estimated pole inspection and vegetation management~~
6 ~~expenses with the expenses already incurred for base rate purposes, thus overstating its~~
7 ~~costs for these SPP programs.⁹ I noted previously that this was a common error among all~~
8 ~~of the utilities. However, I note that the other three utilities in their 2020 SPPCRC~~
9 ~~proceedings agreed to realign legacy program costs, including vegetation management~~
10 ~~expenses, from base rates to SPPCRC rates. In this proceeding, FPUC affirmed that it~~
11 ~~would recover the costs in the manner directed in these proceedings and acknowledged that~~
12 ~~it should not double recover the same costs.¹⁰~~

⁶ In FPUC's response to Interrogatory No. 9 in OPC's Second Set of Interrogatories in Docket No. 20220049-EI, FPUC agreed to remove its investment at December 31, 2021 from its recoverable SPP costs, but did not agree to remove its engineering and planning costs estimated to be incurred in 2022, including those prior to the approval of its SPP from its SPP costs and ratemaking recovery. I have attached a copy of this response as my Exhibit LK-5.

⁷ FPUC's response to Interrogatory No. 19(a) in OPC's Third Set of Interrogatories in Docket No. 20220049-EI. In that response, FPUC agreed that it should not include or recover depreciation expense on CWIP. I have attached a copy of this response as my Exhibit LK-6.

⁸ FPUC's response to Interrogatory No. 19(b) in OPC's Third Set of Interrogatories in Docket No. 20220049-EI. In that response, FPUC agreed that it should not include or recover property tax expense on CWIP. See Exhibit LK-6.

⁹ FPUC's response to Interrogatory No. 20(a) in OPC's Third Set of Interrogatories in Docket No. 20220049-EI. In that response, FPUC stated that it would recover the distribution pole inspection and replacement program and transmission pole inspection and hardening inspection program expenses exclusively through base rates, although this could change in future SPP filings. FPUC stated that it would continue to recover a portion of the vegetation management expenses through base rates and the remaining amount through SPPCRC rates. I have attached a copy of this response as my Exhibit LK-7.

¹⁰ FPUC's response to Interrogatory No. 20(b) in OPC's Third Set of Interrogatories in Docket No. 20220049-EI. See Exhibit LK-7.

~~All of these FPUC errors should be considered and corrected in this SPP proceeding and in the SPPCRC proceeding, including the realignment of legacy program costs, including vegetation management expenses, from base rates to SPPCRC rates.~~

Q. DID THE UTILITIES ALL INCLUDE CWIP IN RATE BASE?

~~A. Yes, although there were differences in the assumptions regarding the conversions of CWIP to plant in service among the utilities. More specifically, FPUC assumed that all capital expenditures were closed to plant in service as expended in the current year.¹¹ DEF assumed that CWIP was converted to plant in service throughout the current year. Tampa assumed that CWIP was converted to plant in service throughout the current year. FPL assumed that capital expenditures were closed to plant in service 50% in the current year and 50% in the following year.~~

Q. IS A RETURN ON CWIP IN RATE BASE EXPLICITLY AUTHORIZED IN THE STATUTE, SPP RULE, OR THE SPPCRC RULE?

~~A. No. Section 366.96(9), Fla. Stat., states “[i]f a capital expenditure is recoverable as a transmission and distribution storm protection plan cost, the public utility may recover the annual depreciation on the cost, calculated at the public utility’s current approved depreciation rates, and a return on the undepreciated balance of the costs calculated at the public utility’s weighted average cost of capital using the last approved return on equity.” Similarly, the SPPCRC Rule states “[t]he utility may recover the annual depreciation expense on capitalized Storm Protection Plan expenditures using the utility’s most recent Commission approved depreciation rates. The utility may recover a return on the~~

¹¹ FPUC’s response to Interrogatory No. 19(a) in OPC’s Third Set of Interrogatories in Docket No. 20220049-EI. See Exhibit LK-6.

~~1 undepreciated balance of the costs calculated at the utility's weighted average cost of
2 capital using the return on equity most recently approved by the Commission." Rule 25-
3 6.031(6)(e), F.A.C.~~

~~4 The term "undepreciated balance" is not defined in the statute or the SPPCRC Rule,
5 but typically has meaning in an accounting and ratemaking context as "net plant," defined
6 as gross plant in service less accumulated depreciation. The term "undepreciated" typically
7 is not applied to CWIP because CWIP is not depreciated; only plant in service is
8 depreciated.~~

9 **Q. IS IT POSSIBLE TO LEGITIMATELY ASSESS WHETHER CWIP COSTS ARE**
10 **PRUDENT PRIOR TO THE COMPLETION OF CONSTRUCTION AND THE**
11 **CONVERSION OF THE CWIP TO PLANT IN SERVICE?**

~~12 No. The Commission cannot legitimately assess whether CWIP costs incurred are prudent
13 until all costs have been incurred and converted to plant in service (or an abandonment has
14 occurred), whether the scope of the work actually completed was consistent with the scope
15 included in the approved SPP programs and projects, and whether the costs actually
16 incurred were consistent with the utility's estimated costs included in the approved SPP
17 programs and projects.~~

18 **Q. ARE THERE ALTERNATIVES TO A RETURN ON CWIP IN RATE BASE**
19 **INCLUDED IN THE REVENUE REQUIREMENT AND CUSTOMER IMPACTS**
20 **CONSISTENT WITH THE SUBSEQUENT CONSIDERATION OF PRUDENCE**
21 **AFTER THE CWIP HAS BEEN CONVERTED TO PLANT IN SERVICE?**

1 A. ~~Yes. As alternatives, a return on CWIP can be deferred either as allowance for funds used~~
2 ~~during construction (“AFUDC”) or as a miscellaneous deferred debit. Once construction~~
3 ~~is completed and the CWIP is converted to plant in service, then the deferred return will be~~
4 ~~added to the direct construction expenditures as plant in service in rate base and included~~
5 ~~in the depreciation expense in the SPPCRC revenue requirement.~~

6 **Q. WHY IS THE RETURN ON CWIP A CONCERN THAT NEEDS TO BE**
7 **ADDRESSED IN THESE PROCEEDINGS?**

8 A. ~~It is a concern because construction expenditures are not converted from CWIP to plant in~~
9 ~~service as they are incurred, but rather only after construction is completed. There will be~~
10 ~~no actual depreciation expense until the construction expenditures are converted from~~
11 ~~CWIP to plant in service.~~

12 ~~The return on CWIP also is a concern because all of the utilities incur engineering~~
13 ~~costs prior to incurring actual construction expenditures on specific projects. Those costs~~
14 ~~cannot be deemed prudent or reasonable unless and until the costs are charged to specific~~
15 ~~projects, construction is completed (or prudently abandoned), and the CWIP is converted~~
16 ~~to plant in service.~~

17 **Q. IS THERE A SIMILAR CONCERN WITH ANOTHER COST INCLUDED IN**
18 **RATE BASE BY TAMPA THAT SHOULD BE ADDRESSED FOR ALL FOUR**
19 **UTILITIES?**

20 A. ~~Yes. Tampa has established a separate warehouse and inventory of materials and supplies~~
21 ~~for its SPP programs and included these costs in rate base and the return on these~~
22 ~~inventories in its SPP revenue requirement and customer rate impact, which raises a~~

1 ~~concern similar to the return on CWIP. Such inventory costs should not be included in rate~~
2 ~~base or the return on these inventories in the SPP revenue requirement and customer rate~~
3 ~~impact in any utility's SPP or SPPCRC. This type of item should not be included in any~~
4 ~~company's SPP. As an alternative, a return on such inventories can be deferred either as~~
5 ~~AFUDC or as a miscellaneous deferred debit, similar to the alternatives for the return on~~
6 ~~CWIP.~~

7 **Q. DOES THIS COMPLETE YOUR PREFILED DIRECT TESTIMONY?**

8 A. Yes.

1 BY MS. CHRISTENSEN:

2 Q Since, Mr. Kollen, you have decided to provide
3 a consolidated summary in the dockets, I would ask that
4 you now provide your summary for Dockets 20220048,
5 20220049, 20220050 and 20220051.

6 A And this would be my summary of the --

7 Q For your non-stricken portion, correct.

8 A -- my testimony.

9 Good afternoon, Commissioners. In my
10 testimony in each of the four dockets, I address the
11 scope of the utilities' SPP requests in these
12 proceedings for the years 2023 through 2032, which
13 includes a total spending, total spending per customer
14 and the effects on customer rates. I address the
15 decision criteria for the rational selection ranking and
16 magnitude of the SPP programs.

17 I also address the failure of FPL and FPUC to
18 provide a dollar benefit to dollar cost comparison, or
19 an estimate of the reduction in outage restoration costs
20 as required by the SPP rule.

21 I also address other issues, including the
22 failure of the utilities to justify their SPP programs
23 on an economic basis and errors in their calculations
24 for the estimated revenue requirements, and the
25 estimated customer rate impact. However, most of my

1 testimony addressing these issues has been stricken, so
2 I will not address the issues that have been stricken in
3 this version of my summary.

4 As to the scope of the requests, the proposed
5 SPP programs are significant, and will be reflected in a
6 series of annual customer rate increases in addition to
7 any base rate increases and fuel adjustment clause
8 increases. Each utility's propped SPP capital
9 expenditures, O&M expenses, increases in rate base and
10 resulting increases in customer rates are significant.
11 The SPP capital expenditures and O&M expenses are
12 incremental costs with incremental customer rate
13 impacts.

14 In the aggregate, the four utilities seek
15 authorization for programs and projects they estimate
16 will cost \$25.3 billion over the next 10 years,
17 consisting of 23.2 billion in capital expenditures, and
18 2.2 billion in operation and maintenance expenses. FPL
19 alone seeks authorization for 14.9 billion. Of that
20 total, Duke seeks \$8.1 billion, Tampa 2.1 billion, and
21 FPUC 263,000,000.

22 The incremental effect on customer rates will
23 be significant, as measured over multiple rate-making
24 metrics, including SPP revenue requirements, net plant
25 in service, annual electric revenues and cost per

1 customer. And I have these numbers reflected in tables
2 in the unstricken portion of my testimony.

3 FPUC is looking at \$147.3 million of
4 additional revenues collected from its customers. Duke
5 Energy, 4.9 billion. Tampa Electric Company, 1.4
6 billion. And Florida Power & Light, 11.2 billion.
7 That's just over the next 10 years.

8 As far as the percentage increase in revenues
9 for each of the companies, FPL this will add 14.4
10 percent to customer rates. For Duke, it will add 15.9
11 percent. For Tampa, it will add 10.3 percent. For
12 FPUC, it will add 33 percent, a third.

13 As far as the 10-year investment cost per
14 customer, for FPL, it will be 2,600. For Duke, it will
15 be 4,300. For Tampa, 2,500. And for FPUC, \$8,000 per
16 customer over the 10-year period.

17 The estimated costs are much greater than the
18 benefits from the potential savings for each utility and
19 for nearly all of the programs and projects. Although,
20 FPUC and FPL did not, and as you heard in the testimony
21 from their witnesses, and refuse to provide
22 quantification of the benefits from potential savings in
23 storm damage and restoration costs.

24 Now, as far as decision criteria are
25 concerned -- and again, I am keeping only to the

1 unstricken portions of my testimony in this summary --
2 the framework, scope, selection, ranking and the
3 magnitude and authorization to proceed with the SPP
4 programs and projects will be determined in these
5 proceedings, not in the subsequent cost recovery clause
6 proceeding. Therefore, the decision criteria,
7 rate-making principles and rate recovery of the SPP
8 project costs are important factors for you to consider
9 in this proceeding.

10 The SPP statute and the SPP rule establish the
11 required framework for the utility's SPP, including the
12 utility's identification of projects that are designed
13 to reduce outage restoration costs and outage times.
14 The information necessary to develop and apply this
15 decision criteria for the selection ranking and the
16 magnitude, this is the sizing of these programs, to the
17 point of diminishing returns, or not, and the costs,
18 estimates of the customer rate impacts and parameters
19 for recovery of the actual costs incurred for the SPP
20 projects are set by costs recovered through base rates
21 and other clause recoveries, as well as savings in those
22 costs.

23 The SPP framework provides important customer
24 safeguards that should be enforced to require the
25 utility to, one, identify new programs or projects, or

1 the expansion of existing programs and projects that are
2 not within the scope of its existing base rate programs
3 and cost recoveries in the normal course of business.

4 Two, limit requests to programs and projects
5 that are prudent and reasonable.

6 Three, justify the selections, rankings and
7 magnitude of SPP programs projects and costs.

8 Four, ensure there is a comparison of benefits
9 to costs.

10 And five, effectively consider the rate impact
11 in customers.

12 And then finally these customer safeguards,
13 ensure that the utility only recovers the incremental
14 costs net of decremental, or avoided costs, or
15 reductions in cost savings through the cost recovery
16 clause.

17 Now, as to the dollar benefit to dollar cost
18 comparisons, the utilities used a variety of decision
19 criteria, qualitative and quantitative, but none of them
20 relied on a benefit cost analysis as a threshold
21 decision criterion to qualify a program or project for
22 inclusion in the SPP. Nor were the decision criteria
23 consistent among the utilities, or even among each
24 utility's SPP programs and projects.

25 The SPP rule requires the utility to provide,

1 quote, a comparison of the costs identified in
2 subparagraph (3)(d)(3), and the benefits identified in
3 subparagraph (3)(d)(1). Subparagraph (3)(d)(1) requires
4 the utilities to provide, for each SPP program, an
5 estimate of the reductions in outage restoration costs
6 which are the benefits to customers referred to in this
7 provision of the rule.

8 FPUC and FPL provided no dollar
9 quantifications of benefits in their SPP filings, and
10 refuse to provide any dollar qualifications in response
11 to OPC discovery.

12 FPUC claimed that it had not quantified
13 avoided cost savings benefits, and stated that it did
14 not rely on an economic benefit cost criterion for
15 either the selection ranking or the magnitude of its
16 proposed programs.

17 Both FPUC and FPL argued that the SPP rule's
18 text requiring the comparison of costs and benefits does
19 not require them to provide a dollar quantification of
20 those benefits, but instead, required only that there
21 had to be benefits, which they qualitatively described
22 to meet the objectives and requirements of the SPP rule.

23 That completes my summary of the testimony
24 that was not stricken.

25 CHAIRMAN FAY: Great. Thank you.

1 MS. CHRISTENSEN: Commissioner, we would also
2 ask at this time, for the purpose of proffering for
3 the record, that Mr. Kollen be given the
4 opportunity to provide a summary of his stricken
5 testimony.

6 CHAIRMAN FAY: Okay. Mr. Kollen, you are
7 recognized.

8 THE WITNESS: Thank you, Mr. Chairman.

9 In each SPP proceeding, the Commission must
10 determine the prudence of the programs up front
11 based on whether they are economically justified,
12 whether the estimated costs are reasonable, and
13 whether the customer rate impact is reasonable.
14 This requires the application of objective
15 thresholds and related screening decision criteria
16 to select, rank and determine the magnitude of the
17 SPP projects.

18 First of the decision criteria that I address
19 is whether the SPP programs and costs are
20 incremental to the programs and/or costs that are
21 included in base rates. The SPP programs can be
22 new programs not recovered through base rates, or
23 expansions of programs not recovered through base
24 rates. If they are not, then they don't qualify as
25 SPP programs or for recovery as SPP program costs

1 through the CRC.

2 The SPP statute states in part, quote, the
3 annual transmission, distribution storm protection
4 plan costs, plan costs, may not include costs
5 recovered through the public utility's base rates,
6 end quote.

7 FPL and each of the other utilities have
8 included programs and projects that are within the
9 scope of their existing base rate programs and base
10 rate recoveries in the normal course of business.
11 These programs and projects are listed and
12 addressed in greater detail by Witness Mara.

13 These programs and projects should be excluded
14 from the SPPs, and the costs should be excluded
15 from recovery through the SPP/CRCs, except to the
16 extent the issues have been otherwise addressed in
17 base rate or prior SPP proceedings, namely
18 settlements in those proceedings.

19 I recommend that the Commission adopt and
20 consistently apply criteria for screening and
21 excluding SPP programs and projects for each of the
22 four utilities if they displace costs that are
23 subject to and recoverable through base rates, and
24 would shift these costs to recover them, instead,
25 through the SPP and SPP/CRC process. Again, except

1 for the settlements in prior base rate and SPP
2 proceedings.

3 The second of the decision criteria that I
4 address, and a critical factor in whether the SPP
5 programs are prudent and the costs are prudent and
6 reasonable, is whether the dollar benefits exceed
7 the dollar costs of the program.

8 The decision criteria should include
9 justification in the form of a benefit cost
10 analysis, similar to what Tampa and Duke Energy
11 did, in addition to the qualitative assessments of
12 whether the programs and projects will reduce
13 restoration costs and outage times.

14 The SPP rule requires that the utility
15 quantify the, quote/unquote, benefits and costs,
16 compare the benefits to the costs, and provide an
17 estimate of the revenue requirement affects for
18 each year of the SPP. The SPP statute requires the
19 Commission to consider this evidence in its
20 evaluation of the SPPs.

21 This information allows the Commission and
22 intervening parties to determine if the proposed
23 projects are economic, cost justified to establish
24 thresholds or cutoff limitations based on whether
25 the projects are wholly or partially self-funding

1 through cost savings or, quote/unquote, benefits,
2 and to consider these factors in establishing
3 parameters based upon the customer rate impact, not
4 only the first year, but over the life of the SPP
5 itself; and then beyond the SPP, extending over the
6 lives of the SPP project costs that were
7 capitalized.

8 Each utility used a variety of decision
9 criteria, qualitative and quantitative, but none of
10 them relied on a cost benefit analysis as a
11 threshold decision criterion to qualify a program
12 or a project for inclusion in its SPP, nor were the
13 decision criteria consisting among the utilities,
14 even among each utility's SPP programs and
15 projects.

16 The utilities did not consistently apply a
17 benefit cost analysis to determine the selection
18 ranking and magnitude of their SPP programs. As I
19 mentioned previously, neither FPUC nor FPL
20 developed or relied on any cost benefit analysis
21 whatsoever. Although, neither DEF nor Tampa
22 developed or relied cost benefit analyses as a
23 threshold decision criterion to qualify the
24 programs, they both did use a form of benefit cost
25 analysis to rank and to set the magnitude of their

1 programs.

2 The Commission, not the utility, is the
3 arbiter of whether these programs and projects are
4 prudent and reasonable. It is not enough for the
5 utility simply assert that the programs and
6 projects will reduce restoration costs and outage
7 times without quantifying the dollar benefits from
8 the reduction of those costs and the outage times.
9 I recommend that the Commission reject the proposed
10 SPP projects that are not economic, meaning they do
11 not have a benefit to cost ratio of at least 100
12 percent.

13 Alternatively, I recommend that the Commission
14 recognize the customer rate impact, or the harm of
15 uneconomic SPP programs by setting a minimum
16 threshold benefit cost ratio for the selection and
17 magnitude of the SPP programs and projects, for
18 example, 70 percent, or limiting the rate impact
19 over the life of the SPP to a defined threshold,
20 such as 10 percent over the 10-year term of each
21 utility's proposed SPP programs.

22 Such thresholds would result in ranking
23 projects with greater benefits to customers and
24 winnowing projects with lesser benefits to
25 customers, as well as limiting the magnitude of the

1 customer rate impact of the SPP programs and
2 projects.

3 The last issue that I address in this stricken
4 testimony are the estimated revenue requirements.
5 Again, another condition of the SPP rule is that
6 each utility provide the estimated revenue
7 requirement for 10 years, each of the 10 years of
8 the SPP that it is advancing, and there are basic
9 calculations required to determine the revenue
10 requirement.

11 For example, as -- traditionally included in
12 the revenue requirement is a return on rate base,
13 and that is based upon the capital costs, and added
14 to the return on -- and the utility's authorized
15 rate of return. Added to that are various
16 expenses, including property tax expense,
17 depreciation expense, O&M expense. Some of the
18 utilities calculated those revenue requirements
19 inconsistently and incorrectly.

20 For example, Florida Power & Light calculated
21 property tax expense based upon year-end cumulative
22 capital expenditures. The statutory requirement
23 for computing property taxes expense is to use
24 evaluation date of January 1. And so, you know,
25 there are errors in the -- obvious errors that

1 don't seem to bother the.

2 Utilities, other of the companies, for
3 example, Duke Energy and Tampa, have recognized
4 that there are certain errors in their calculations
5 and they agree that they should be corrected, and
6 that the correction should be reflected in the Cost
7 Recovery Clause.

8 But in order for you to have a correct
9 understanding and correct information with respect
10 to the calculation of the revenue requirements, and
11 the affect, ultimately, on customer rates, the
12 calculation should at least be done correctly. And
13 to me, that is sort of a basic requirement.

14 CHAIRMAN FAY: Mr. Kollen, I am going to have
15 you wrap up it a little. We did give you some
16 extra time because of the stricken part the
17 proffered part.

18 THE WITNESS: Sure.

19 CHAIRMAN FAY: Thank you.

20 THE WITNESS: Okay. I have -- you just said
21 to wrap up, right? Okay.

22 And then the final issue is construction work
23 in progress included in rate base. And we are
24 recommending that you authorize a deferred return
25 on the construction work in progress rather than

1 provide a current return. And that way the
2 utilities will be allowed to recover the return,
3 but on a deferred bases over the life of the
4 assets, which is consistent with the use of the
5 assets, and the value of the assets to be used over
6 the life of the assets, and the value is over the
7 life of the assets.

8 So that completes my summary of the stricken
9 testimony. Thank you very much.

10 CHAIRMAN FAY: Great. Thank you.

11 MS. CHRISTENSEN: At this time, we would
12 tender the witness for cross.

13 CHAIRMAN FAY: Still the same with the
14 utilities?

15 With that, we move to staff.

16 MR. IMIG: No questions.

17 CHAIRMAN FAY: No questions.

18 Commissioners, questions for Mr. Kollen?

19 Seeing none. No redirect.

20 MS. CHRISTENSEN: We have no redirect.

21 CHAIRMAN FAY: With that, Mr. Kollen, you are
22 excused. We are just going to put your exhibits
23 into the -- well, I guess we've already -- let me
24 check with legal here, did we -- we placed all
25 those exhibits in the record?

1 MR. TRIERWEILER: We haven't, but I would like
2 to back up and beg your indulgence. We may have
3 missed moving one of the versions of the testimony
4 into the record as though read. So first I would
5 -- I would move that the proffered testimony in
6 each of the four dockets be moved into the record
7 as though read and preserved separately for the
8 purposes of appeal.

9 CHAIRMAN FAY: Okay. Without objection, see
10 that done.

11 MR. TRIERWEILER: And then I would move the
12 stricken testimony versions of the FPL, DEF, TECO
13 and FPUC testimony of Witness Kollen into the
14 record as though read.

15 CHAIRMAN FAY: Okay. Without objection show
16 that entered.

17 MR. TRIERWEILER: And then we have the -- we
18 do have the exhibit --

19 MS. CHRISTENSEN: Commissioner, could I ask --
20 and I don't think I had gotten to that -- to
21 request that the exhibits that were prefiled with
22 the direct testimony, and I don't think any of
23 exhibits the exhibits were stricken, to ask that
24 those be moved into the record for all four
25 dockets, the 20220048, 20220049, 20220051 and the

1 20220051 dockets.

2 CHAIRMAN FAY: 50 and 51, okay. I got you.
3 Let me just make sure, Mr. Trierweiler, do you have
4 anything else before we move those?

5 MR. TRIERWEILER: I just want to make sure
6 that we note in the DEF docket that LK-3, CEL 23,
7 was withdrawn, and we had the corrections as noted
8 in the FPUC docket.

9 CHAIRMAN FAY: Great. So then with your
10 motion, Ms. Christensen, we have LK-3 withdrawn, is
11 that correct?

12 MS. CHRISTENSEN: I believe that's correct.
13 And with the correction that was made during the
14 original proffer to the Exhibit LK -- which is now
15 LK-4.

16 CHAIRMAN FAY: Okay. Great.

17 And then, Ms. Keating, you are recognized.

18 MS. KEATING: If I could just have a moment to
19 make a point of clarification.

20 We are not -- FPUC is not going to ask or
21 object to Exhibit No. 43 being entered into the
22 record of Docket 20220049. However, I did want to
23 note for the record that that exhibit is a response
24 by an FPL witness in Docket 20220051. There is no
25 witness in Docket 0049 to support that response.

1 So I just wanted to note that for the record.

2 Thank you.

3 CHAIRMAN FAY: Okay. Noted. No objection,
4 but we do recognize that.

5 (Whereupon, Exhibit Nos. 13-15 were received
6 into evidence.)

7 CHAIRMAN FAY: Okay. With that --

8 MR. REHWINKEL: Mr. Chairman?

9 CHAIRMAN FAY: Mr. Rehwinkel, we need to give
10 you a chair.

11 MR. REHWINKEL: I think I am being frozen out,
12 probably for good reason.

13 Mr. Trierweiler, LK-3 for Mr. Kollen in the 50
14 docket, did you say that was withdrawn? I wonder
15 if I just had a senior moment here.

16 MR. TRIERWEILER: I have it listed as removed.

17 MR. REHWINKEL: I think that was erroneous,
18 where I meant to withdraw Mr. Mara's third exhibit
19 in FPL.

20 CHAIRMAN FAY: That being the case, Mr.
21 Trierweiler, we would go ahead and enter into the
22 record the exhibits as listed, but include LK-3
23 instead of excluding it.

24 MR. REHWINKEL: Okay. Thank you, Mr.
25 Chairman.

1 CHAIRMAN FAY: Yep.

2 MR. REHWINKEL: I apologize.

3 CHAIRMAN FAY: No problem. Thank you.

4 Okay. With that, Commissioners, I just want
5 to give some direction for tomorrow.

6 So we will start here at 9:30. We will work
7 our way through the rebuttal and the proffered
8 components of testimony and complete everything,
9 more than likely, tomorrow afternoon. We will be
10 finishing with the witnesses tomorrow.

11 Any questions from staff before we conclude?

12 Commissioners? Nope.

13 With that, we will see you tomorrow morning at
14 9:30. Thank you.

15 (Transcript continues in sequence in Volume
16 6.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, DEBRA KRICK, Court Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED this 11th day of August, 2022.



DEBRA R. KRICK
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EXPIRES AUGUST 13, 2024