

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20220001-EI

In re: Fuel and purchased power
cost recovery clause with generating
performance incentive factor.

VOLUME 4
PAGES 517 - 690

PROCEEDINGS: HEARING

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

DATE: ~~Thursday~~ ^{Friday} November 18, 2022
12/18/22

TIME: Commenced: 9:30 a.m.
Concluded: 4:57 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
(850) 894-0828

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I N D E X

WITNESS:	PAGE
GERARD YUPP	
Examination by Mr. Moncada	520
Prefiled Direct Testimony inserted	523
Examination by Mr. Rehwinkel	553
Examination by Mr. Wright	566
Examination by Ms. Brownless	575
Further Examination by Ms. Moncada	576
SCOTT R. BORES	
Examination by Ms. Moncada	580
Prefiled Direct Testimony inserted	582
Examination by Mr. Rehwinkel	589
Examination by Mr. Wright	602
Examination by Mr. Moyle	616
Examination by Ms. Brownless	627
Further Examination by Ms. Moncada	630
PENELOPE A. RUSK	
Examination by Mr. Means	633
Prefiled Direct Testimony inserted	635
Examination by Mr. Rehwinkel	647
Examination by Mr. Wright	650
Examination by Mr. Moyle	654
Examination by Ms. Brownless	657
Further Examination by Mr. Means	660

EXHIBITS				
	NUMBER:		ID	ADMITTED
1				
2				
3	76	FPL midcourse correction letter	567	578
4				
5	77	FPL AE true-up filing	567	632
6	78	Estimated impact on the fuel cost recovery factor	567	
7	79	Excerpts of Schedules E1, E1-A and E-10 of FPL's fuel filings	568	632
8				
9	80	8/3/2021 transcript Commission Agenda Conference	568	
10				
11	22-24	As identified in the CEL		578
12	81	TECO midcourse correction letter	650	662
13	82	TECO Schedules E1, E1-A & E-10	650	662
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				

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

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

4 CHAIRMAN FAY: All right. I have 1:32. We
5 are going to get started back.

6 Let me see, we have next, so next we will have
7 FPL calling their witness. FPL, when you are
8 ready.

9 MS. MONCADA: Good afternoon, Mr. Chairman.
10 FPL calls Gerard Yupp, and he is already seated.

11 CHAIRMAN FAY: Okay, and sworn in.

12 MS. MONCADA: And sworn in.

13 Whereupon,

14 GERARD YUPP

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

18 EXAMINATION

19 BY MS. MONCADA:

20 Q Good afternoon, Mr. Yupp. Would you please
21 state your full name and business addresses?

22 A My name is Gerard Yupp. My business address
23 is 700 Universe Boulevard, Juno Beach, Florida, 33408.

24 Q By whom are you employed, and what is your
25 role?

1 A I am employed by Florida Power & Light
2 Company. I am Senior Director of Wholesale Operations
3 in the Energy Marketing and Trading Division.

4 Q Thank you.

5 Did you prepare and cause to be filed six
6 pages of prefiled direct testimony on April 1st, and 18
7 pages of prefiled direct testimony on September 2nd of
8 this year?

9 A Yes.

10 Q Did you also file an errata to your testimony,
11 with that errata dated November 14, 2022?

12 A I did.

13 Q Do you have any other changes to your prefiled
14 testimony?

15 A Yes. I have a change to the original errata.
16 If now is the right time to do that.

17 Q Yes, sir.

18 A My original errata has the last item as page
19 15 line number 20, change GJY-2 to GJY-3. That -- that
20 reference should remain as GJY-2.

21 Q Thank you.

22 With that change, if I asked you the same
23 questions contained in your direct testimony, would your
24 answers be the same?

25 A They would.

1 MS. MONCADA: Mr. Chairman, I would ask that
2 Mr. Yupp's prefiled testimony be entered into the
3 record as though read.

4 CHAIRMAN FAY: Okay. Show it inserted as
5 though read.

6 MS. MONCADA: Thank you.

7 (Whereupon, prefiled direct testimony of
8 Gerard J. Yupp was inserted.)

9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **FLORIDA POWER & LIGHT COMPANY**

3 **TESTIMONY OF GERARD J. YUPP**

4 **DOCKET NO. 20220001-EI**

5 **April 1, 2022**

6 **Q. Please state your name and address.**

7 A. My name is Gerard J. Yupp. My business address is 700 Universe Boulevard,
8 Juno Beach, Florida, 33408.

9 **Q. By whom are you employed and what is your position?**

10 A. I am employed by Florida Power and Light Company (“FPL”) as Senior Director
11 of Wholesale Operations in the Energy Marketing and Trading Division.

12 **Q. Please summarize your educational background and professional**
13 **experience.**

14 A. I graduated from Drexel University with a Bachelor of Science Degree in
15 Electrical Engineering in 1989. I joined the Protection and Control Department
16 of FPL in 1989 as a Field Engineer where I was responsible for the installation,
17 maintenance, and troubleshooting of protective relay equipment for generation,
18 transmission and distribution facilities. While employed by FPL, I earned a
19 Masters of Business Administration degree from Florida Atlantic University in
20 1994. In 1996, I joined the Energy Marketing and Trading Division (“EMT”) of
21 FPL as a real-time power trader. I progressed through several power trading
22 positions and assumed the lead role for power trading in 2002. In 2004, I became
23 the Director of Wholesale Operations, and natural gas and fuel oil procurement

1 and operations were added to my responsibilities. I have been in my current role
2 since 2008. On the operations side, I am responsible for the procurement and
3 management of all natural gas and fuel oil for FPL, as well as all short-term power
4 trading activity. Finally, I am responsible for the oversight of FPL's optimization
5 activities associated with the Incentive Mechanism.

6 **Q. What is the purpose of your testimony?**

7 A. The purpose of my testimony is to present the 2021 results of FPL's activities
8 under the Asset Optimization Program (or "the Program"), an incentive
9 mechanism that was originally approved by Order No. PSC-13-0023-S-EI, dated
10 January 14, 2013, in Docket No. 120015-EI and approved for continuation, with
11 certain modifications, by Order No. PSC-16-0560-AS-EI, dated December 15,
12 2016, in Docket No. 160021-EI.

13 **Q. Have you prepared or caused to be prepared under your supervision,
14 direction and control any exhibits in this proceeding?**

15 A. Yes, I am sponsoring the following exhibits:

- 16 • GJY-1, consisting of 4 pages:
 - 17 ▪ Page 1 – Total Gains Schedule
 - 18 ▪ Page 2 – Wholesale Power Detail
 - 19 ▪ Page 3 – Asset Optimization Detail
 - 20 ▪ Page 4 – Incremental Optimization Costs

1 **Q. Please provide an overview of the Asset Optimization Program.**

2 A. The Asset Optimization Program is designed to create additional value for FPL's
3 customers while also providing an incentive to FPL if certain customer-value
4 thresholds are achieved. The Asset Optimization Program includes gains from
5 wholesale power sales and savings from wholesale power purchases, as well as
6 gains from other forms of asset optimization. These other forms of asset
7 optimization include, but are not limited to, natural gas storage optimization,
8 natural gas sales, capacity releases of natural gas transportation, capacity releases
9 of electric transmission and potentially capturing additional value from a third
10 party in the form of an Asset Management Agreement.

11 **Q. Please describe the modifications that were made to the Asset Optimization**
12 **Program in FPL's 2016 rate case and approved by Order No. PSC-16-0560-**
13 **AS-EL.**

14 A. There were two specific modifications made to the Asset Optimization Program
15 in FPL's 2016 rate case. First, the sharing threshold was reduced from \$46
16 million to \$40 million. The sharing intervals and percentages remained
17 unchanged from the original Program. As modified in 2016, customers continue
18 to receive 100% of the gains up to the new sharing threshold of \$40 million.
19 Incremental gains above \$40 million continue to be shared between FPL and
20 customers as follows: customers receive 40% and FPL receives 60% of the
21 incremental gains between \$40 million and \$100 million; and customers receive
22 50% and FPL receives 50% of all incremental gains above \$100 million.

23

1 The second modification that was made to the Asset Optimization Program
2 involved variable power plant O&M costs. Under the original Program, FPL was
3 allowed to recover variable power plant O&M costs incurred to make wholesale
4 sales above 514,000 MWh (the level of wholesale sales that were assumed in
5 forecasting FPL's 2013 test year power plant O&M costs in the MFRs filed in
6 FPL's 2012 rate case). Under the modified Program, FPL nets economy sales
7 and purchases and recovers the net amount of variable power plant O&M
8 incurred during the year. For example, if economy purchases are greater than
9 economy sales, customers receive a credit for the net variable power plant O&M
10 that has been saved during the year. The per-MWh variable power plant O&M
11 rate that FPL uses to calculate these costs, as described in FPL's 2017 Test Year
12 MFRs filed with the 2016 Rate Petition is \$0.65/MWh. FPL continues to be
13 allowed to recover reasonable and prudent incremental O&M costs incurred in
14 implementing the expanded Asset Optimization Program, including incremental
15 personnel, software and associated hardware costs.

16 **Q. Please summarize the activities and results of the Asset Optimization**
17 **Program for 2021.**

18 A. FPL's activities under the Asset Optimization Program in 2021 delivered
19 \$63,092,506 in total gains. During 2021, FPL's optimization activities included
20 wholesale power purchases and sales, natural gas sales in the market and
21 production areas, gas storage utilization, and the capacity release of firm natural
22 gas transportation. Additionally, FPL entered into several Asset Management
23 Agreements related to a portion of upstream gas transportation during 2021. The

1 total gains of \$63,092,506 exceeded the sharing threshold of \$40 million.
2 Therefore, the incremental gains above \$40 million will be shared between
3 customers and FPL, 40% and 60%, respectively. Exhibit GJY-1, Page 1, shows
4 monthly gain totals, threshold levels and the final gains allocation for 2021.

5 **Q. Please provide the details of FPL's wholesale power activities under the**
6 **Asset Optimization Program for 2021.**

7 A. The details of FPL's 2021 wholesale power sales and purchases are shown
8 separately on Page 2 of Exhibit GJY-1. FPL had gains of \$40,120,566 on
9 wholesale sales and savings of \$2,627,863 on wholesale purchases for the year.

10 **Q. Please provide the details of FPL's asset optimization activities under the**
11 **Program for 2021.**

12 A. The details of FPL's 2021 asset optimization activities are shown on Page 3 of
13 Exhibit GJY-1. FPL had a total of \$20,344,077 of gains that were the result of
14 seven different forms of asset optimization.

15 **Q. Did FPL incur incremental O&M expenses related to the operation of the**
16 **Asset Optimization Program in 2021?**

17 A. Yes. FPL incurred personnel expenses of \$495,972 related to the costs associated
18 with an additional two and one-half personnel required to support FPL's activities
19 under the Program.

20

21 On the variable power plant O&M side, FPL's actual net economy power sales
22 and purchases totaled 2,842,377 MWh (3,236,919 MWh of economy sales and

1 394,542 MWh of economy purchases), resulting in net variable power plant
2 O&M costs of \$1,847,545 for 2021.

3 **Q. Overall, were FPL's activities under the Asset Optimization Program**
4 **successful in 2021?**

5 A. Yes. FPL's activities under the Program were highly successful in 2021. On the
6 wholesale power side, suitable market conditions helped drive strong wholesale
7 power sales throughout the year. FPL was also able to purchase power from the
8 market to avoid running more expensive generation predominately during
9 maintenance season. Overall, FPL was able to consistently capitalize on power
10 market opportunities throughout the year to deliver nearly \$43 million in
11 customer benefits. Market opportunities for asset optimization activities related
12 to natural gas were fairly consistent throughout the year and resulted in significant
13 customer benefits of slightly more than \$20 million. In total, these activities
14 delivered \$63,092,506 of gains, which contrast very favorably to the total
15 optimization expenses (personnel and variable power plant O&M) of \$2,343,517.

16 **Q. Does this conclude your testimony?**

17 A. Yes it does.

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **FLORIDA POWER & LIGHT COMPANY**

3 **TESTIMONY OF GERARD J. YUPP**

4 **DOCKET NO. 20220001-EI**

5 **SEPTEMBER 2, 2022**

6

7 **Q. Please state your name and address.**

8 A. My name is Gerard J. Yupp. My business address is 700 Universe Boulevard,
9 Juno Beach, Florida, 33408.

10 **Q. By whom are you employed and what is your position?**

11 A. I am employed by Florida Power & Light Company (“FPL”) as Senior Director
12 of Wholesale Operations in the Energy Marketing and Trading Division.

13 **Q. Have you previously testified in this docket?**

14 A. Yes.

15 **Q. Have you prepared or caused to be prepared under your supervision,
16 direction and control any exhibits or schedules in this proceeding?**

17 A. Yes, I am sponsoring the following exhibit:

- 18
 - Exhibit GJY-2

19 I am co-sponsoring the following exhibit:

- 20
 - Schedules E2 through E9 and H1 included in Exhibit RBD-7, attached to
21 the testimony of FPL witness Deaton.

1 **Q. What is the purpose of your testimony?**

2 A. The purpose of my testimony is to present and explain FPL's projections for
3 (1) the dispatch costs of light fuel oil, coal, and natural gas; (2) the availability of
4 natural gas to FPL; (3) generating unit heat rates and availabilities; and (4) the
5 quantities and costs of wholesale (off-system) power sales and purchased power
6 transactions. Additionally, my testimony addresses the Asset Optimization
7 Program results for 2021 and the Incremental Optimization Costs included in
8 FPL's 2023 Projection Filing. The Asset Optimization Program results for 2021
9 are pursuant to the Asset Optimization Program that was approved in Order No.
10 PSC-16-0560-AS-EI dated December 15, 2016 ("2016 Base Rate Settlement
11 Agreement"). The Incremental Optimization Costs included in FPL's 2023
12 Projection Filing are pursuant to the Incentive Mechanism that was approved
13 in Order No. PSC-2021-0446-S-EI dated December 2, 2021 ("2021 Base Rate
14 Settlement Agreement").

15

16 **CONSOLIDATION OF FUEL AND POWER COST PROJECTIONS**

17 **Q. Does FPL's 2023 Fuel Projection Filing incorporate the consolidation of fuel
18 and power costs for both pre-consolidated FPL and pre-consolidated Gulf
19 Power Company ("Gulf")?**

20 A. Yes. Gulf exited the Southern Company System Intercompany Interchange
21 Contract ("IIC" or "Southern Pool") on July 13, 2022. At that time, the FPL and
22 Gulf systems began consolidated dispatch operations. Therefore, the costs
23 reflected in this filing represent the consolidated system.

FUEL PRICE FORECAST

1

2 **Q. What forecast methodologies has FPL used for the 2023 recovery period?**

3 A. For natural gas commodity prices, the forecast methodology relies upon the
4 NYMEX Natural Gas Futures contract prices (forward curve). For light fuel oil
5 prices, FPL utilizes Over-The-Counter (“OTC”) forward market prices. For coal,
6 FPL utilizes actual coal purchases, current market quotes, and information from
7 S&P Global to develop its short- and long-term coal price forecasts. Forecasts
8 for the availability of natural gas are developed internally at FPL and are based
9 on contractual commitments and market experience. The forward curves for both
10 natural gas and light fuel oil represent expected future prices at a given point in
11 time. The basic assumption made with respect to using the forward curves is that
12 all available data that could impact the price of natural gas and light fuel oil in the
13 short-term is incorporated into the curves at all times. FPL utilized forward curve
14 prices from the close of business on July 18, 2022 for calculating its 2023 Fuel
15 Cost Recovery (“FCR”) factors. This forecast methodology and the resulting fuel
16 forecast was utilized to develop cost projections for FPL during the January 2023
17 through December 2023 time period.

18 **Q. Has FPL used these same forecasting methodologies previously?**

19 A. Yes, with the exception of the coal forecasting methodology. For natural gas and
20 light fuel oil, FPL began using the NYMEX Natural Gas Futures contract prices
21 (forward curve) and OTC forward market prices, respectively, in 2004 for its
22 2005 projections and has used this methodology consistently since that time. For
23 coal price forecasting, FPL’s previous methodology was based on actual coal

1 purchases and price forecasts developed by J.D. Energy. FPL implemented the
2 new methodology described above beginning in March 2022 after J.D. Energy
3 stopped producing coal price forecasts.

4 **Q. What are the factors that can affect FPL’s natural gas prices during the**
5 **January through December 2023 period?**

6 A. In general, the key physical factors are (1) North American natural gas demand
7 and domestic production; (2) the level of working gas in underground storage
8 throughout the period; (3) weather (particularly in the winter period); (4) the
9 potential for imports and/or exports of natural gas; and (5) the terms of FPL’s
10 natural gas supply and transportation contracts.

11

12 Natural gas prices for the 2023 period can also be affected by the same global and
13 domestic factors that have caused significant price increases in 2022. From a
14 global perspective, the war in Ukraine has directly impacted liquefied natural gas
15 (“LNG”) exports from the United States as countries in Europe have increased
16 LNG imports to make up for lower pipeline imports from Russia and to help fill
17 historically low natural gas inventories. In its August 2022 Short-Term Energy
18 Outlook, the Energy Information Administration (“EIA”) reported that the United
19 States became the largest LNG exporter in the world during the first half of 2022.
20 The EIA forecasts that LNG exports will average 11.2 billion cubic feet per day
21 (“BCF/day”) for all of 2022, a 14% increase from 2021. LNG exports are
22 forecasted to average 12.7 BCF/day in 2023. While the increase in LNG exports
23 continues to put upward pressure on natural gas prices, there are other domestic-

1 specific factors that have also contributed to the price increase. Higher demand
2 in the electric power sector caused by higher-than-normal temperatures across the
3 U.S., coupled with limited switching from natural gas-fired generators to coal-
4 fired generators, has resulted in increased demand in the electric power sector.
5 Limited switching to coal-fired generation in response to rising natural gas prices
6 has most likely been the result of coal plant retirements, transportation
7 constraints, and below average plant stockpiles. The EIA forecasts that demand
8 in the electric power sector will be nearly 2% higher in 2022 compared to 2021.
9 Lower natural gas inventories have also put upward pressure on natural gas
10 prices. Domestic natural gas inventories ended July 12% below the five-year
11 average and are forecast to end the 2022 injection season (end of October) at 6%
12 below the five-year average. All of these factors have contributed to increasing
13 prices and volatility in the natural gas market as each has impacted the overall
14 supply and demand balance.

15
16 Overall, the EIA forecasts that U.S. natural gas consumption will average 85.2
17 BCF/day in 2022, up 3% from 2021, and will average 83.8 BCF/day in 2023, a
18 decrease of 2% from 2022. U.S. dry natural gas production is estimated to
19 average 96.6 BCF/day in 2022 and 100.0 BCF/day in 2023.

20
21 While much uncertainty remains regarding future natural gas prices, the EIA's
22 August 2022 Short-Term Energy Outlook forecasts Henry Hub natural gas spot

1 prices will average approximately \$7.54 per MMBtu in the second half of 2022
2 and \$5.10 per MMBtu for all of 2023.

3 **Q. Please describe FPL's natural gas transportation portfolio for the January**
4 **through December 2023 period.**

5 A. FPL utilizes the Florida Gas Transmission Company, LLC ("FGT"), Gulfstream
6 Natural Gas System, LLC ("Gulfstream"), Sabal Trail Transmission, LLC
7 ("Sabal Trail"), Florida Southeast Connection, LLC ("FSC"), and Gulf South
8 Pipeline Company, LLC ("Gulf South") pipelines to deliver natural gas to its
9 generation facilities. FPL's total firm transportation capacity ranges from
10 1,337,000 to 1,461,000 MMBtu/day on FGT, 695,000 MMBtu/day on
11 Gulfstream, 600,000 MMBtu/day on Sabal Trail/FSC, and 30,000 MMBtu/day
12 on Gulf South.

13

14 FPL also has firm transportation capacity on several upstream pipelines that
15 provide FPL access to onshore gas supply. FPL has 280,000 MMBtu/day
16 (January through October) and 180,000 MMBtu/day (November through
17 December) of firm transport on the Southeast Supply Header, LLC ("SESH")
18 pipeline, 121,500 MMBtu/day of firm transport on the Transcontinental Gas Pipe
19 Line Company, LLC ("Transco") Zone 4A lateral, 200,000 MMBtu/day (January
20 through March and November through December) and 345,000 MMBtu/day
21 (April through October) of firm transport on the Gulf South pipeline, and 75,000
22 MMBtu/day (January through October) of firm transport on the Midcontinent
23 Express Pipeline LLC ("MEP") and Destin Pipeline Company, LLC ("Destin")

1 pipelines. FPL's firm transportation rights on these pipelines provide access for
2 up to 821,500 MMBtu/day during the summer season of onshore natural gas
3 supply, which helps diversify FPL's natural gas portfolio and enhance the
4 reliability of fuel supply.

5 **Q. Please describe FPL's natural gas storage position.**

6 A. FPL currently holds 4.0 BCF of firm natural gas storage capacity in Bay Gas
7 Storage ("Bay Gas"), located in southwest Alabama and 1.0 BCF of firm natural
8 gas storage capacity in Southern Pines Energy Center ("Southern Pines"), located
9 in southeast Mississippi. As part of its Fuel Policy requirements as a member of
10 the Southern Pool, Gulf held firm natural gas storage capacity in Bay Gas (0.58
11 BCF), Leaf River Energy Center (0.85 BCF), and Petal Gas Storage (0.50 BCF).
12 Southern Company retained this storage capacity upon Gulf's exit from the
13 Southern Pool and FPL is currently evaluating its future storage requirements for
14 the consolidated company.

15
16 While the acquisition of upstream transportation capacity has helped mitigate a
17 substantial portion of risk associated with offshore natural gas supply, natural gas
18 storage capacity also remains an important part of FPL's gas portfolio from an
19 operational perspective, by helping FPL balance consumption "swings" due to
20 weather and unit availability. Storage capacity improves reliability by providing
21 a relatively inexpensive insurance policy against supply and infrastructure
22 problems while also increasing FPL's ability to manage supply and demand on a
23 daily basis.

1 FPL continually evaluates its natural gas storage portfolio and will make
2 adjustments as required to maintain reliability, provide the necessary flexibility
3 to respond to demand changes, and to diversify its overall portfolio.

4 **Q. What are FPL's projections for the dispatch cost and availability of natural
5 gas for the January through December 2023 period?**

6 A. FPL's projections of the system average dispatch cost and availability of natural
7 gas, by transport type, by pipeline and by month, are provided on page 1 of
8 Exhibit GJY-2.

9 **Q. Please describe FPL's utilization of light fuel oil.**

10 A. FPL primarily utilizes light fuel oil (or ultra low sulfur diesel, "ULSD") as a back-
11 up fuel in its natural gas-fired generation units. FPL's light fuel oil system is
12 comprised of approximately 1.6 million barrels of storage that provides an
13 average of 83 hours of full load operation across the fleet of dual-fired units.
14 FPL's light fuel oil system offers substantial flexibility through varying tank
15 sizes, resupply options, and through varying locations and proximity to supply
16 sources.

17 **Q. Please provide FPL's projection for the dispatch cost of light fuel oil for the
18 January through December 2023 period.**

19 A. FPL's projection for the system average dispatch cost of light fuel oil, by month,
20 is provided on page 1 of Exhibit GJY-2.

1 **Q. What is the basis for FPL’s projections of the dispatch cost of coal for Plant**
2 **Scherer and Plant Daniel?**

3 A. FPL’s projected dispatch costs are based on FPL’s price projection for coal
4 delivered to the plants.

5 **Q. Please provide FPL’s projection for the dispatch cost of coal at Plant Scherer**
6 **and Plant Daniel for the January through December 2023 period.**

7 A. FPL’s projection for the system average dispatch cost of coal for this period, by
8 month, is shown on page 1 of Exhibit GJY-2.

9 **Q. Do the fuel costs reflected on Schedule E3 for light oil and coal differ from**
10 **the dispatch costs shown on page 1 of Exhibit GJY-2?**

11 A. Yes. FPL maintains inventories of those fuels and runs its plants out of that
12 inventory. The dispatch costs reflect what FPL would pay to replace fuel that is
13 removed from inventory to run the plants. On the other hand, the “charge out”
14 costs for light oil and coal that are reflected on Schedule E3 are based on FPL’s
15 weighted average inventory cost, by month, for each fuel type.

16

17 **PLANT HEAT RATES, OUTAGE FACTORS, PLANNED OUTAGES,**

18 **AND CHANGES IN GENERATING CAPACITY**

19 **Q. Please describe how FPL developed the projected Average Net Heat Rates**
20 **shown on Schedule E4 of Exhibit RBD-7.**

21 A. The projected Average Net Heat Rates were calculated by the GenTrader model.
22 The current heat rate equations and efficiency factors for FPL’s generating units,
23 which present heat rate as a function of unit power level, were used as inputs to

1 GenTrader for this calculation. The heat rate equations and efficiency factors are
2 updated as appropriate based on historical unit performance and projected
3 changes due to plant upgrades and/or from the results of performance tests.

4 **Q. Are you providing the outage factors projected for the period January**
5 **through December 2023?**

6 A. Yes. This data is shown on page 2 of Exhibit GJY-2.

7 **Q. How were the outage factors for this period developed?**

8 A. The unplanned outage factors were developed using the actual historical full and
9 partial outage event data for each of the units. The historical unplanned outage
10 factor of each generating unit was adjusted, as necessary, to eliminate non-
11 recurring events and recognize the effect of planned outages to arrive at the
12 projected factor for the period January through December 2023.

13 **Q. Please describe the significant planned outages for the January through**
14 **December 2023 period.**

15 A. Planned outages at FPL's nuclear units are the most significant in relation to fuel
16 cost recovery. St. Lucie Unit 2 is scheduled to be out of service from February
17 18, 2023 until March 22, 2023, or 32 days during the period. Turkey Point Unit
18 3 is scheduled to be out of service from April 8, 2023 until May 12, 2023, or 34
19 days during the period. Turkey Point Unit 4 is scheduled to be out of service
20 from September 30, 2023 until November 7, 2023, or 38 days during the period.

1 **Q. Please identify any changes to FPL’s generation capacity projected to take**
2 **place during the January through December 2023 period.**

3 A. As shown in FPL’s 2022 Ten Year Power Plant Site Plan (Schedule 8, page 185),
4 FPL projects a net increase in its 2023 summer firm capacity of 625 MW. This
5 increase is attributable to the addition of 528 MW of solar generation and 105
6 MW of combined cycle upgrades. The additions are off-set by solar degradation
7 (8 MW).

8

9 **WHOLESALE (OFF-SYSTEM) POWER AND**

10 **PURCHASED POWER TRANSACTIONS**

11 **Q. Are you providing the projected wholesale (off-system) power sales and**
12 **purchased power transactions forecasted for January through December**
13 **2023?**

14 A. Yes. This data is shown on Schedules E6, E7, E8, and E9 of Exhibit RBD-7 of
15 this filing.

16 **Q. In what types of wholesale (off-system) power transactions does FPL**
17 **engage?**

18 A. FPL purchases power from the wholesale market when it can displace higher cost
19 generation with lower cost power from the market. FPL will also sell excess
20 power into the market when its cost of generation is lower than the market. FPL’s
21 customers benefit from both purchases and sales as savings on purchases and
22 gains on sales are credited to customers through the FCR Clause. Power
23 purchases and sales are executed under specific tariffs that allow FPL to transact

1 with a given entity. Although FPL primarily transacts on a short-term basis
2 (hourly and daily transactions), FPL continuously searches for all opportunities
3 to lower fuel costs through purchasing and selling wholesale power, regardless
4 of the duration of the transaction.

5 **Q. Please describe the method used to forecast wholesale (off-system) power**
6 **purchases and sales.**

7 A. Wholesale (off-system) power purchases and sales are projected based upon
8 estimated generation costs, generation availability, fuel availability, expected
9 market conditions and historical data.

10 **Q. What are the forecasted amounts and costs of wholesale (off-system) power**
11 **sales?**

12 A. FPL has projected 2,556,830 MWh of wholesale (off-system) power sales for the
13 period of January through December 2023. The projected fuel cost related to
14 these sales is \$109,643,964. The projected transaction revenue from these sales
15 is \$144,983,212. After taking into account the transmission costs and capacity
16 revenues, the projected gain is \$26,300,527.

17 **Q. In what document are the fuel costs for wholesale (off-system) power sales**
18 **transactions reported?**

19 A. Schedule E6 of Exhibit RBD-7 provides the total MWh of energy, total dollars
20 for fuel adjustment, total cost and total gain for wholesale (off-system) power
21 sales.

1 **Q. What are the forecasted amounts and costs of wholesale (off-system) power**
2 **purchases for the January to December 2023 period?**

3 A. The costs of these economy purchases are shown on Schedule E9 of Exhibit
4 RBD-7. For the period, FPL projects it will purchase a total of 314,850 MWh at
5 a cost of \$14,885,310. If FPL generated this energy, FPL estimates that it would
6 cost \$18,169,525. Therefore, these purchases are projected to result in savings of
7 \$3,284,215.

8 **Q. Does FPL have additional agreements for the purchase of electric power and**
9 **energy that are included in your projections?**

10 A. Yes. FPL purchases energy under two contracts with the Solid Waste Authority
11 of Palm Beach County (“SWA”). FPL also projects to purchase energy under the
12 Central Alabama Power Purchase Agreement (“Central Alabama PPA”) that is
13 set to expire at the end of May 2023 and under two wind energy purchase
14 agreements (“Kingfisher I” and “Kingfisher II”) with Morgan Stanley Capital
15 Group. In addition, FPL contracts to purchase and sell nuclear energy under the
16 St. Lucie Plant Nuclear Reliability Exchange Agreements with Orlando Utilities
17 Commission (“OUC”) and Florida Municipal Power Agency. Lastly, FPL
18 purchases energy and capacity from Qualifying Facilities and “as-available”
19 energy from a number of cogeneration and small power production facilities
20 under existing tariffs and contracts, including solar energy purchases under
21 agreements with three solar facilities located in Northwest Florida.

1 **Q. Please provide the projected energy costs to be recovered through the FCR**
2 **Clause for the power purchases referred to above during the January**
3 **through December 2023 period.**

4 A. Energy purchases under the SWA agreements are projected to be 892,471 MWh
5 for the period at an energy cost of \$42,824,242. FPL projects to purchase
6 1,431,888 MWh at an energy cost of \$83,558,923 under the Central Alabama
7 PPA and 1,031,280 MWh at an energy cost of \$49,898,358 from Kingfisher I
8 and Kingfisher II combined. FPL's cost for energy purchases under the St.
9 Lucie Plant Reliability Exchange Agreements is a function of the operation of
10 St. Lucie Unit 2 and the fuel costs to the owners. For the period, FPL projects
11 purchases of 553,284 MWh at an energy cost of \$2,611,829. These projections
12 are shown on Schedule E7 of Exhibit RBD-7.

13

14 In addition, as shown on Schedule E8 of Exhibit RBD-7, FPL projects that
15 purchases from Qualifying Facilities for the period will provide 688,856 MWh at
16 a cost of \$33,324,075.

17 **Q. How does FPL develop the projected energy costs related to purchases from**
18 **Qualifying Facilities?**

19 A. For those contracts that entitle FPL to purchase "as-available" energy at FPL's
20 avoided energy cost, FPL used its fuel price forecasts as inputs to the GenTrader
21 model to project the avoided energy cost that is used to set the price of these
22 energy purchases each month. For those contracts that are not based on FPL's
23 avoided energy cost (firm capacity and energy and "as-available" energy), the

1 applicable Unit Energy Cost mechanisms prescribed in the contracts are used to
2 project monthly energy costs.

3 **Q. What are the forecasted amounts and cost of energy being sold under the St.**
4 **Lucie Plant Reliability Exchange Agreement?**

5 A. FPL projects to sell 629,806 MWh of energy at a cost of \$3,159,988. These
6 projections are shown on Schedule E6 of Exhibit RBD-7.

7 **HEDGING/ RISK MANAGEMENT PLAN**

8 **Q. Has FPL filed a Hedging Activity Final True-Up Report for 2021, consistent**
9 **with the Hedging Order Clarification Guidelines, as required by Order No.**
10 **PSC-08-0667-PAA-EI issued on October 8, 2008?**

11 A. No. Pursuant to Paragraph 16 of the 2016 Base Rate Settlement Agreement,
12 FPL's fuel hedging program was under a moratorium. Therefore, FPL had no
13 hedging activity to report for 2021. Furthermore, FPL's fuel hedging program is
14 under a moratorium pursuant to Paragraph 27 of the 2021 Base Rate Settlement
15 Agreement.

16 **Q. Has FPL filed a comprehensive risk management plan for 2023, consistent**
17 **with the Hedging Order Clarification Guidelines as required by Order No.**
18 **PSC-08-0667-PAA-EI issued on October 8, 2008?**

19 A. Yes. On July 27, 2022, FPL filed its comprehensive risk management plan for
20 2023, as Exhibit GJY-2.

21

THE ASSET OPTIMIZATION PROGRAM

1

2 **Q. What were the results of FPL's asset optimization activities in 2021?**

3 A. FPL's asset optimization activities in 2021 delivered total benefits of
4 \$63,092,506. The total gains exceeded the sharing threshold of \$40 million and,
5 therefore, the gains above \$40 million will be shared between customers and FPL
6 on a 40%/60% basis, respectively. In total, customers will receive \$48,997,483
7 (net of FPL's share of the gain above the \$40 million threshold, and after
8 incremental personnel, software, and hardware expenses are removed), and FPL
9 will receive \$13,855,504. FPL's share of the gain is included for recovery in
10 FPL's 2023 FCR factors.

11 **Q. Did the Asset Optimization Program allow FPL to deliver greater value to**
12 **customers in 2021?**

13 A. Yes. I have compared how customers would have fared under the prior
14 wholesale-sales sharing mechanism with the results FPL has achieved under the
15 Asset Optimization Program. For the purpose of this comparison, I have included
16 the same savings of approximately \$44.9 million from optimization activities for
17 power sales, power purchases and releases of electric transmission capacity under
18 both mechanisms, as FPL was engaging in those activities prior to the
19 Commission's approval of the Asset Optimization Program. For those savings,
20 the previous sharing mechanism would have yielded net benefits to FPL's
21 customers of \$42.2 million, while FPL would have received \$2.7 million in
22 benefits because the three-year rolling average threshold for wholesale sales
23 would have been exceeded.

1 In contrast, under the Asset Optimization Program, FPL also is incented to pursue
2 beneficial natural gas transportation, storage and trading activities. These
3 activities generated slightly more than \$20.3 million of additional savings in
4 2021. When one takes into account these additional savings, less FPL's recovery
5 of incremental optimization costs, the result is that FPL's customers received
6 nearly \$49 million of savings under the Asset Optimization Program. This is \$6.8
7 million more than customers would have received if the prior sharing mechanism
8 were still in effect, clear proof that the Asset Optimization Program is working to
9 deliver added value for customers as FPL and the Commission envisioned when
10 it was approved.

11 **Q. Has FPL included in its 2023 FCR factors, projections of the savings that it**
12 **will achieve under the Asset Optimization Program?**

13 A. Yes. FPL has included projections for savings on wholesale power purchases
14 (Schedule E9), projections for gains on wholesale power sales (Schedule E6), and
15 projections for other types of asset optimization measures (Schedule E2) for
16 2023.

17 **Q. Has FPL included in its 2023 FCR factors, projections of the Incremental**
18 **Optimization Costs that it will incur under the Asset Optimization**
19 **Program?**

20 A. Yes. FPL has included in its 2023 FCR factors, Incremental Optimization Costs
21 from two categories: (i) incremental personnel, software and hardware costs
22 associated with managing the various asset optimization activities, and (ii)

1 variable power plant O&M (“VOM”) costs associated with wholesale economy
2 sales and purchases.

3 **Q. Please describe the costs that are included in FPL’s projections for**
4 **incremental personnel, software, and hardware expenses.**

5 A. FPL projects to incur incremental expenses of \$517,870 in 2023 for the salaries
6 and expenses related to employees that support the Asset Optimization Program.

7 **Q. Please describe the costs that are included in FPL’s projections for VOM**
8 **expenses.**

9 A. FPL has included for recovery in its 2023 FCR factors, VOM expenses that
10 reflect the netting of economy sales and purchases. As shown on Schedules E6
11 and E9 of Exhibit RBD-7, FPL projects to sell 2,556,830 MWh and purchase
12 314,850 MWh of economy power. Therefore, applying FPL’s VOM rate of
13 \$0.48/MWh, FPL projects to incur VOM expenses of \$1,227,278 associated with
14 its economy sales and to avoid \$151,128 with its economy purchases. FPL has
15 included for recovery the net of these two figures, \$1,076,150 (Schedule E2, Sum
16 of Line Nos. 14 and 15), in its 2023 FCR factors.

17 **Q. Does this conclude your testimony?**

18 A. Yes, it does.



David M. Lee
Senior Attorney
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408-0420
(561) 691-7263
(561) 691-7135 (Facsimile)
Email : david.lee@fpl.com

November 14, 2022

VIA ELECTRONIC FILING

Mr. Adam Teitzman Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 20220001-EI

Dear Mr. Teitzman:

Attached for filing in the above docket on behalf of Florida Power & Light Company ("FPL") is the Errata Sheet of Gerard J. Yupp – September 2, 2022 Testimony.

Please contact me if you or your Staff has any questions regarding this filing.

Sincerely,

/s/ David M. Lee

David M. Lee

Enclosure

cc: Counsel for Parties of Record (service list)

CERTIFICATE OF SERVICE**Docket No. 20220001-EI**

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic mail on this 14th day of November, 2022 to the following:

Suzanne Brownless
 Ryan Sandy
 Division of Legal Services
Florida Public Service Commission
 2540 Shumard Oak Blvd.
 Tallahassee, Florida 32399-0850
 sbrownle@psc.state.fl.us
 rsandy@psc.state.fl.us

Paula K. Brown, Manager
Tampa Electric Company
 Regulatory Coordinator
 Post Office Box 111
 Tampa, Florida 33601-0111
 regdept@tecoenergy.com

J. Jeffrey Wahlen
 Malcolm N. Means
 Virginia Ponder
 Ausley & McMullen
 P.O. Box 391
 Tallahassee, Florida 32302
 jwahlen@ausley.com
 mmeans@ausley.com
 vponder@ausley.com
Attorneys for Tampa Electric Company

Michelle D. Napier
 Director, Regulatory Affairs Distribution
Florida Public Utilities Company
 1635 Meathe Drive
 West Palm Beach, FL33411
 mnapier@fpuc.com

Richard Gentry
 Patricia A. Christensen
 Charles J. Rehwinkel
 Mary Wessling
Office of Public Counsel
 c/o The Florida Legislature
 111 West Madison St., Room 812
 Tallahassee, FL 32399-1400
 gentry.richard@leg.state.fl.us
 christensen.patty@leg.state.fl.us
 rehwinkel.charles@leg.state.fl.us
 wessling.mary@leg.state.fl.us

Robert L. Pickels
Duke Energy Florida
 106 East College Avenue, Suite 800
 Tallahassee, Florida 32301
 robert.pickels@duke-energy.com
 FLRegulatoryLegal@duke-energy.com

Dianne M. Triplett
 299 First Avenue North
 St. Petersburg, Florida 33701
 dianne.triplett@duke-energy.com

Matthew R. Bernier
 Stephanie A. Cuello
 Duke Energy Florida
 106 East College Avenue, Suite 800
 Tallahassee, Florida 32301
 matthew.bernier@duke-energy.com
 stephanie.cuello@duke-energy.com
Attorneys for Duke Energy Florida

Beth Keating
 Gunster Law Firm
 215 South Monroe St., Suite 601
 Tallahassee, Florida 32301-1804
 bkeating@gunster.com
**Attorneys for Florida Public Utilities
 Company**

Mike Cassel
 Vice President/Government and
 Regulatory Affairs
Florida Public Utilities Company
 208 Wildlight Ave.
 Yulee, Florida 32097
 mcassel@fpuc.com

Jon C. Moyle, Jr.
 Moyle Law Firm, P.A.
 118 North Gadsden Street
 Tallahassee, FL 32301
 jmoyle@moylslaw.com
 mqualls@moylslaw.com
Attorneys for Florida Industrial Power Group

Peter J. Mattheis
 Michael K. Lavanga
 Joseph R. Briscar
 Stone Mattheis Xenopoulos & Brew, PC
 1025 Thomas Jefferson Street, NW
 Eighth Floor, West Tower
 Washington, DC 20007-5201
 pjm@smxblaw.com
 mkl@smxblaw.com
 jrb@smxblaw.com
Attorneys for Nucor Steel Florida, Inc.

James W. Brew
 Laura Wynn Baker
 Stone Mattheis Xenopoulos & Brew, P.C.
 1025 Thomas Jefferson Street, NW
 Eighth Floor, West Tower
 Washington, DC 20007
 jbrew@smxblaw.com
 lwb@smxblaw.com
**Attorneys for PCS Phosphate-White
 Springs**

Robert Scheffel Wright
 John T. LaVia, III
 Gardner, Bist, Bowden, Dee. LaVia, Wright,
 Perry & Harper, P.A.
 1300 Thomaswood Drive
 Tallahassee, FL 32308
 schef@gbwlegal.com
 jlavia@gbwlegal.com
Attorneys for Florida Retail Federation

By: /s/ David M. Lee
 David M. Lee
 Florida Bar No. 103152

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost recovery
clause with generating performance incentive factor.

Docket No.: 20220001-EI

November 14, 2022

ERRATA SHEET OF GERARD J. YUPP – September 2, 2022 Testimony

<u>PAGE #</u>	<u>LINE #</u>	<u>CHANGE</u>
1	18	Change “GJY-2” to “GJY-3”
8	8	Change “GJY-2” to “GJY-3”
8	20	Change “GJY-2” to “GJY-3”
9	8	Change “GJY-2” to “GJY-3”
9	10	Change “GJY-2” to “GJY-3”
10	6	Change “GJY-2” to “GJY-3”
15	20	Change “GJY-2” to “GJY-3”

**Correction: page 15, line 20 should remain as
GJY-2**

1 BY MS. MONCADA:

2 Q Are you sponsoring any exhibits with your
3 direct testimony?

4 A Yes.

5 Q Is that GJY-1, 2 and 3, also shown as Exhibits
6 22 through 24 on staff's exhibit list?

7 A Yes.

8 MS. MONCADA: Mr. Chairman, I would note that
9 Mr. Yupp's exhibits have been premarked for
10 identification as 22 through 24.

11 BY MS. MONCADA:

12 Q Mr. Yupp, have you prepared a summary of your
13 testimony, which is -- with that summary being limited
14 to the disputed issues?

15 A Yes, I have.

16 Q Would you please provide your summary to the
17 Commission?

18 A Yes.

19 Good afternoon, Mr. Chairman and
20 Commissioners.

21 My testimony addresses FPL's fuel price
22 forecast that was utilized to develop the 2023 fuel cost
23 recovery factors and details FPL's projections for the
24 dispatch costs and availabilities of fossil fuels
25 generating unit heat rates and availabilities and the

1 quantities and costs of wholesale power transactions.
2 My testimony also presents FPL's asset optimization
3 program costs and results. This summary will focus on
4 our fuel price forecast.

5 FPL utilized NYMEX natural gas futures
6 contract prices from the close of business on July 18th,
7 2022, for calculating its 2023 fuel cost recovery
8 factors. We began using the NYMEX forward curve in 2004
9 for our 2005 fuel clause projections, and we have used
10 that methodology ever since.

11 As detailed in my testimony, there were many
12 factors, both of global and domestic, that caused
13 significant price increases and volatility in the
14 natural gas market during 2022. From a global
15 perspective, the war in Ukraine directly impacted
16 liquified natural gas, or LNG, exports from the United
17 States, putting upward pressure on prices. According to
18 the EA, the U.S. became the largest LNG exporter in the
19 world during the first half of 2022.

20 On to the domestic side, higher than normal
21 temperatures across the U.S., coupled with limited
22 switching capability from natural gas to coal-fired
23 generation resulted in increased power sector demand for
24 natural gas. Domestic natural gas inventories and
25 ongoing projections for below five-year average levels

1 at the end of the injection season also put upward
2 pressure on natural gas prices. All of these factors
3 contributed to increasing prices, as well as extreme
4 volatility, as each impacted the overall balance of
5 supply and demand.

6 And that concludes my summary.

7 **Q Thank you, Mr. Yupp.**

8 MS. MONCADA: The witness is available for
9 cross.

10 CHAIRMAN FAY: Okay. Thank you.

11 Mr. Rehwinkel, whenever you are ready.

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

13 EXAMINATION

14 BY MR. REHWINKEL:

15 **Q And good afternoon, Mr. Yupp.**

16 A Good afternoon.

17 **Q The purpose of your testimony is to explain**
18 **the development of to the projected fuel costs for '23,**
19 **is that right?**

20 A That's correct.

21 **Q And could you turn to your September 2nd**
22 **testimony at page three, please?**

23 A Yes.

24 **Q And I would direct you to line 20.**

25 A Page three, line 20. Okay, I am there.

1 Q Beginning on line 20, you state that the
2 methodology that you used for the determination of the
3 projected fuel costs for natural gas has been used by
4 FPL for the past 18 years, is that right?

5 A That's correct.

6 Q And on line 13 on that same page, you state
7 that the forward curves you used were current as of July
8 18 of this year?

9 A Yes. That's correct.

10 Q And those forward curves are used in your
11 internal development of the forecast for the
12 availability and cost of natural gas, is that right?

13 A That's correct. The NYMEX curve for natural
14 gas is the underlying curve that we use for the
15 development of the ultimate delivered fuel curve price.

16 Q And these forecasts are based on contractual
17 commitments and markets experience, is that right?

18 A On the -- on the gas -- partly. On the gas
19 side, the NYMEX is the underlying commodity price. We
20 then take that price and we apply basis differentials
21 depending on the area that we are procuring gas,
22 wherever -- whatever supply basin it may be coming out
23 of.

24 So to a certain extent, I guess to answer your
25 question, some of it is based on contractual if -- if --

1 based on our firm transport agreements and where we buy
2 gas from collectively. Then we do adjust that curve to
3 account for basis differentials, as well as variable
4 costs delivered to our system.

5 **Q Okay. And you state that these forward curves**
6 **project or predict natural gas prices based on expected**
7 **future prices at a series of given points in time?**

8 A Yes. The -- the premise of utilizing the
9 NYMEX curve is that all the fundamentals from -- in the
10 market are really incorporated into the curve at all
11 times. So the curve is moving, you know, generally as
12 market conditions are changing, as supply/demand balance
13 conditions are changing, weather, whatever it may be,
14 that should be incorporated into the curve at all times.

15 **Q And what you describe in your testimony, and**
16 **what you have testified to about here today, is exactly**
17 **the same process that FPL used in 2021 to project the**
18 **2022 fuel prices that the Commission initially**
19 **established this time last year?**

20 A Yes.

21 **Q You would agree with me, during that general**
22 **timeframe, that the forward curves changed such that you**
23 **filed a midcourse correction very soon after the**
24 **conclusion of the '21 hearing?**

25 A That is correct.

1 Q And at that time, did you identify volatility
2 in the market, and very kick quickly come to the
3 Commission to correct the \$810 million under-projection
4 of fuel costs for 2022?

5 A I think at that time, the forward curve had
6 shifted -- had shifted up. And it was appropriate at
7 that time, given the level of what we were seeing, which
8 was sorted of a steady increase, and then headed into
9 the winter period, and so it was appropriate at that
10 time to come in for a midcourse.

11 Q Okay. That -- would you agree that that \$810
12 million midcourse correction matched the recovery of the
13 incurred costs to the customers who use the electricity
14 to be generated by the fuel that that cost represented
15 in 2022?

16 A Can you --

17 MS. MONCADA: I am going to object to the
18 question. I -- I have no idea what --

19 MR. REHWINKEL: Okay. I got -- I will -- I
20 will ask it again.

21 BY MR. REHWINKEL:

22 Q The correction that you made of \$810 million,
23 that was all related to fuel that would be purchased and
24 consumed in 2022 based on your projections, is that
25 right?

1 A I don't recall of the 810 million that you are
2 referencing, I don't recall what was attributable to '21
3 versus the change in '22 from the original projection we
4 filed in September. I don't have that breakdown in
5 front of me.

6 Q Okay. It probably would be in the
7 Commission's order breaking down how the \$810 million
8 was derived, right?

9 A Yes, I would think so.

10 Q Okay. So at least a portion of that \$810
11 million applied to the fuel that would be purchased and
12 used to generate electricity that would be consumed by
13 your customers in 2022, is that right?

14 A Again, assuming that there was a breakdown
15 yes. There -- most likely some of it was attributable
16 to '22.

17 Q Okay. And based on the timing of your
18 midcourse correction, the cost of the midcourse
19 correction -- the cost associated with that midcourse
20 correction was incorporated into the January '22 fuel
21 factor, is that right?

22 A Yes, that is correct.

23 Q Okay. Aren't the same types of factors that
24 were influencing the April 15th identified
25 under-recovery -- April 15th, 20 -- well, let me -- let

1 me step back and ask you, do you have Exhibit 70, which
2 is the midcourse correction letter?

3 A I do.

4 Q Okay. This is dated April 15th, and it's --
5 it was submitted to the Commission, identifying a
6 greater than 10 percent under-recovery in the '22
7 projection, right?

8 A Correct.

9 Q Would you agree that the same type of factors
10 that were influencing the occurrence of the 10-percent
11 or greater correction that was referenced in this letter
12 based on the same types of market conditions and
13 phenomena that affect 2023?

14 A Can you repeat that again?

15 Q The market conditions and other related
16 phenomenon that you just testified to in your summary,
17 weren't those conditions -- aren't those conditions
18 similar to the conditions that will affect the market in
19 2023?

20 A Yes. Certainly, all of those types of factors
21 could. I think from a 2023 projection standpoint, and
22 it was referenced before, we've seen somewhat less
23 volatility in that -- in that forward curve. I think
24 from what we used -- from the date that we used that
25 forward curve, which was July 18th, the market has moved

1 down on average for the calendar year around 15 cents.
2 There has been some volatility within that period of
3 time until now. The factors are the same.

4 Certainly, I think -- I think one of the --
5 one of the things we have to look at in '22, though, is
6 the things that happened on a realtime basis, such as
7 the war in Ukraine; such as extremely hot weather across
8 the summer period with limiting switching capability to
9 coal, putting extra pressure on gas demand. LNG exports
10 in the United States became the largest exporter of LNG,
11 and so a lot of these realtime factors that occurred,
12 certainly they can occur in 2023. We don't know that
13 yet.

14 But I think what we can sit here and
15 comfortably at least say today is that everything that
16 has transpired over this summer, and the extreme
17 volatility, or the factors that caused the extreme
18 volatility this summer, should now be taken into account
19 in the forward curve moving forward from a fundamental
20 standpoint.

21 **Q On page four of your testimony, looking at**
22 **lines 12 and 13, you state that natural gas prices for**
23 **the 2023 period can also be affected by the same global**
24 **and domestic factors that have caused significant price**
25 **increases in 2022, right?**

1 A Yes.

2 Q And that's much consistent with what we just
3 talked about?

4 A Correct.

5 Q Okay. So is there anything about January 1,
6 2023, that is going to separate market conditions in '23
7 from those in 2022?

8 A I am not sure I follow --

9 Q Okay.

10 A -- what you mean by separate.

11 Q Is -- with respect to how the market works,
12 and all these factors that we talked about, weather, and
13 LNG exports, and the war, there is nothing magical about
14 January 1 that means just on the other side of January
15 1, 2023, all of a sudden things are going to be
16 different, is there?

17 A No. Certainly, all of the factors, you know,
18 that -- that kind of shape the supply/demand balance --
19 supply/demand balance frontier, so to speak on -- in the
20 gas market are always prevalent.

21 Q Okay. And --

22 A But again, I think it's important to stress
23 that 2022 was certainly unique in the amount of factors
24 that came together at the same time, or really literally
25 over a very short period of time that really drove the

1 extreme volatility in the gas market. I mean, I can
2 give just one quick example.

3 On January 8th -- or on June 8th of '22, there
4 was an explosion at the free point -- Freeport LNG
5 facility that took that facility down. Within a 22-day
6 period, the gas market, on average for the balance of
7 the year, dropped over \$3 in MMBTU. That is a
8 significant move caused by a realtime event.

9 Can we sit here today and say that something
10 like that is going to happen in 2023? No. So we say
11 that with any confidence, and hopefully it does not
12 happen.

13 So I think, you know, looking at '22 compared
14 to '23, we can sit here today and feel comfortable that
15 at least everything that has transpired and is creating
16 the supply/demand balance projections for '23 are
17 incorporated into the curve, and that curve is moving
18 every day.

19 And to what I highlighted, as of right now,
20 what we filed for the underlying commodity price in
21 2023, which was, I believe, 5.50 in MMBTU, I think we
22 are slightly below that right now. So we have seen a
23 little volatility, but it's been a lot more stable.

24 **Q You used the words unique when you are talking**
25 **about 2022, right?**

1 A Yes, sir.

2 Q And that is entirely with reference to the
3 past, correct?

4 A That's fair to say. Yes.

5 Q Yeah. Okay.

6 And -- so how is it that the company can
7 project 2020 -- 2023 fuel cost amounts with such
8 confidence this year when the current under-recovery is
9 considered so volatile that you have reflect -- included
10 a zero impact in the fuel factor for 2023 that you are
11 asking the Commission to approve in this proceeding?

12 A Again, it goes to what I -- what I just
13 referenced. If we are purely looking at the difference
14 between 2022 and 2023, we've implemented the same
15 process that we always do. We've picked a forward curve
16 date. We have built our projections for the following
17 year based on that forward curve date. We continue to
18 look at it on a day-in/day-out basis. It is -- it is,
19 as I said, very close to what the July 18th forecast
20 was.

21 Certainly, there has been a little bit of
22 volatility around it, and there may continue to be a lot
23 more. We are heading into a winter period. We don't
24 know what winter weather is going to be. Storage levels
25 never quite made it back to the historical five-year

1 averages. They closed the gap a lot quicker than what
2 was expected, and so we saw the downturn in prices.

3 But I can sit here today and say, employing
4 the same process that we have always employed, and
5 understanding that '22 was a unique period of time in
6 the things that occurred, an explosion at an LNG
7 facility, summer weather that was the second, I believe,
8 highest number of cooling degree days across the June
9 through August period in the last eight years. I mean,
10 just factors that were, in realtime, causing market
11 conditions. I couldn't sit in the summer of '22, in
12 July, and say, yes, this is the right number. This is
13 what we should be using. This is the appropriate number
14 for customers from a recovery perspective.

15 I can sit here today and feel very comfortable
16 that the process we employed for '23, and continuing to
17 monitor that market, is, you know, a lot more solid than
18 what we were experiencing in the -- in the summer of
19 '22.

20 **Q FPL hasn't forecast a moderation in the**
21 **European War, have they?**

22 A We do not forecast that, no. We purely go by
23 what the market is telling us.

24 **Q Right.**

25 **And neither have you forecast any trends or**

1 **what LNG exports might look like given developments in**
2 **Europe, right?**

3 A No, we haven't. And certainly, we review the
4 data, and LNG exports are expected to grow over the next
5 several years, which will put added pressure on gas
6 production in the United States. It's just a
7 fundamental of the supply/demand balance.

8 Q **And likewise, you are not projecting, or**
9 **making a determination about whether next year's hot**
10 **water -- hot weather will be -- replace this year as the**
11 **second most?**

12 A That's right. We are not. And it goes back
13 to the premise of, we are using the forward curve as our
14 underlying backbone to develop our forecast, our
15 delivered price forecast, and we assume that that
16 forward curve has all of that -- those projections built
17 into it.

18 Q **What is it about next year -- well, let me ask**
19 **it a different way.**

20 **If the same types of events occur next year as**
21 **have this year, will we do the same thing and not make a**
22 **midcourse correction, or seek recovery of the EA amount**
23 **in the '24 factor?**

24 A I couldn't sit here today and tell you that,
25 Mr. Rehwinkel.

1 Q Okay. Fair enough.

2 Those are all I have. Thanks, Gary.

3 A Thank you.

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

5 CHAIRMAN FAY: Great.

6 Mr. Wright?

7 MR. WRIGHT: Thank you, Mr. Chairman. Could
8 we take two minutes so that I can confer with my
9 counterpart from FPL? I have gotten some ambiguous
10 advice about which witness is going to cover what,
11 and I want to see if I can clarify that with Ms.
12 Moncada.

13 CHAIRMAN FAY: Sure. I will allow you to get
14 with Ms. Moncada --

15 MR. WRIGHT: Thank you.

16 CHAIRMAN FAY: -- and then just let me know
17 once you guys have finalized and you are ready to
18 go.

19 MR. WRIGHT: It shouldn't take more than two
20 minutes. Thanks.

21 CHAIRMAN FAY: Okay.

22 MR. WRIGHT: Thanks very much for of that
23 indulgence, Mr. Chairman.

24 CHAIRMAN FAY: You are recognized, Mr. Wright.

25 mr.w ri: We got it squared away.

1 EXAMINATION

2 BY MR. WRIGHT:

3 Q Good afternoon, Mr. Yupp.

4 A Good afternoon.

5 Q We officially met earlier. I am Schef Wright.
6 I represent Florida Retail Federation, and a good number
7 of our members buy a lot of electricity from the Florida
8 Power & Light Company.

9 I have a few questions for you. I think most
10 of my questions will be for your colleague, Mr. Bores,
11 but I am going to start with these, which I think are
12 appropriate for you.

13 MR. WRIGHT: Oh, housekeeping, Mr. Chairman.
14 Exhibits?

15 CHAIRMAN FAY: Yes.

16 MR. WRIGHT: Thanks.

17 CHAIRMAN FAY: Go ahead.

18 MR. WRIGHT: Number these.

19 CHAIRMAN FAY: One second.

20 MR. WRIGHT: If we could, let's just --

21 CHAIRMAN FAY: I left off on 74, so the first
22 one I have is a letter from -- oh, 75?

23 MS. BROWNLESS: 75. So the next one is 76.

24 CHAIRMAN FAY: That -- sorry. I spoke -- 74
25 was the last one that I had. We are now on 75.

1 MS. BROWNLESS: No, sir. We are now on 76.

2 CHAIRMAN FAY: Okay. We are now on 76. Okay.

3 So the first one, Mr. Wright, for 76, would be
4 letter Mr. Ms. Moncada?

5 MR. WRIGHT: Short title, FPL MC -- midcourse
6 correction letter.

7 CHAIRMAN FAY: Okay.

8 (Whereupon, Exhibit No. 76 was marked for
9 identification.)

10 MR. WRIGHT: 77 is the company's filing of
11 July 27th, the FPL's -- call it the FPL AE or EA
12 true-up filing?

13 CHAIRMAN FAY: Okay.

14 (Whereupon, Exhibit No. 77 was marked for
15 identification.)

16 MR. WRIGHT: 78 is the estimated impact on the
17 fuel cost recovery factor.

18 CHAIRMAN FAY: Okay.

19 (Whereupon, Exhibit No. 78 was marked for
20 identification.)

21 MR. WRIGHT: And I will follow your directions
22 from earlier regarding asking about it, but I do
23 want the information there.

24 Thank you.

25 CHAIRMAN FAY: Okay. Thank you.

1 MR. WRIGHT: 79 is excerpts -- it's Schedules
2 E1, E1-A and E-10 of FPL's fuel filings. They are
3 from exhibits that are already in the record, but
4 it will be more convenient if we have them all in
5 one place.

6 CHAIRMAN FAY: Okay.

7 (Whereupon, Exhibit No. 79 was marked for
8 identification.)

9 MR. WRIGHT: 80 will be a Transcript of a
10 Commission Agenda Conference on August 3, 2021,
11 regarding the Tampa Electric midcourse correction
12 that was also on the Commission's Agenda that day.

13 CHAIRMAN FAY: Okay. And so we have the
14 transcript for that.

15 (Whereupon, Exhibit No. 80 was marked for
16 identification.)

17 CHAIRMAN FAY: Do we also have this --

18 MR. WRIGHT: Yeah. And then you have an
19 order, which I am not asking to be marked as an
20 exhibit.

21 CHAIRMAN FAY: Just have it to reference?

22 MR. WRIGHT: Yeah.

23 CHAIRMAN FAY: Okay.

24 MR. WRIGHT: If it comes to it, I would ask
25 you to take official notice of it.

1 CHAIRMAN FAY: Okay. I think we can do that.
2 I know, Mary Anne, we tend to just recognize these.
3 We don't need to number to put it in, it's
4 available? Okay, that works, Mr. Wright.

5 MR. WRIGHT: Okay. Thank you very much, Mr.
6 Chairman.

7 CHAIRMAN FAY: Sure.

8 BY MR. WRIGHT:

9 Q Okay. Mr. Yupp, I -- Exhibit 76 is a copy of
10 the company's notice of an under-recovery that Ms.
11 Moncada filed on April 15th, 2022. And I don't really
12 need to ask any details about that specific letter, but
13 I want it in the record for purposes of establishing the
14 date of the -- of the -- of when the company notified
15 the Commission it had -- was heading towards a plus 10
16 percent of under-recovery, correct?

17 A Yes.

18 Q Okay. Thank you.

19 My first question is: As of that date, was
20 FPL already incurring more in fuel costs than it was
21 recovering through its fuel charges?

22 A I would have to -- I would have to look at our
23 schedules to really confirm that.

24 Q Do you -- do you have an exhibit with you in
25 your testimony that would tell us in what month the

1 **company began to experience under-recoveries?**

2 A I should have the E1-B from our -- from our
3 estimated actual.

4 **Q Thank you.**

5 A Okay. I do have the E1-B.

6 And the question again was: At the time we
7 filed the letter, were we already experiencing
8 under-recoveries of fuel?

9 **Q That was my first question. And my follow-up**
10 **question is when, in 2022, did the company start -- did**
11 **the company get into an under-recovered position? If**
12 **you can -- I think you can answer that from the E1-B.**

13 A I can. And again, we are showing that we were
14 -- we were under-recovered in the -- actually, in the
15 first four months of the year. I can use January
16 through March since the letter was in April. We were
17 under-recovered on a real basis in January, February and
18 March.

19 Again, it's -- it's a little bit hard to say
20 were we under-recovering at that point in time from the
21 factor that we had set because, I think the previous
22 witness had alluded to it, it's a levelized factor.
23 There -- you know, across the board, there are months
24 where you project to be under-recovered and months to be
25 over-recovered when you set the factor because it is

1 levelized, and, you know, to get to zero by the end of
2 the year.

3 So where I see an under-recovery in January,
4 we may have projected to be under-recovered. It could
5 have been less than we projected, or even more. So I
6 can't tell you that. But I can look, you know, just
7 looking at the under-recovery that we had in April, or
8 May, I should say, that was a more significant
9 under-recovery, and so, you know, at that point, yes, we
10 were under-recovering.

11 **Q Okay. And you continued to be under-recovered**
12 **for the rest of the year through today, correct?**

13 A That is correct.

14 **Q This may be the last question I ask you.**

15 **The total estimated under-recovery for 2022,**
16 **including actual costs already incurred, plus costs that**
17 **the company projects it will incur through the remainder**
18 **of the year, is about \$1.658 billion, is that accurate?**

19 A That was the number that we filed in our
20 estimated actual. You know, as we file A schedules each
21 month, our actual under-recovery, or recovery position,
22 I should say, comes out on our Schedule A-2. At the end
23 of September, we were slightly, on an actual basis,
24 slightly under two billion. And, you know, moving
25 forward, again, there is limited time now left in the

1 year, but I can't project where we are going to be. It,
2 you know, barring extreme circumstances, which certainly
3 could occur before the end of the year, particularly
4 from a weather standpoint, we would, you know, assume
5 that we would be somewhere in that range by the end of
6 the year, but certainly not guaranteed.

7 **Q I understand that, as a long time employee and**
8 **practitioner here, we know that projections are not**
9 **accurate.**

10 A Right.

11 **Q But I just want to clarify, when you said**
12 **somewhere in that range at the end of the year, do you**
13 **mean in the ballpark of \$2 billion, 1.9, \$2 billion**
14 **total for 2022?**

15 A That -- correct. I think, you know, the last
16 that we were showing based on estimates was just
17 slightly over two. But I think, again, what needs to be
18 kept in mind, December is a very big month, particularly
19 in the gas market, and particularly with weather.

20 So I know we talked about, with the last
21 witness, about material impacts, and I am not sure that
22 the real definition of what is material, but, you know,
23 for the amount of gas that we burn, and the movements
24 we've seen in the gas market, cold weather could
25 certainly impact us, and have a, you know, have an

1 impact on where we end the year. But as of right now,
2 you know, slightly over two billion is what we've seen.

3 Q Okay. I will follow along your remarks
4 regarding what is material.

5 The company's -- this is from your E1. Your
6 company's total fuel bill is around \$5 billion as
7 proposed for the '23 factors, correct?

8 A That is correct.

9 Q And under-recovery is now pushing a couple of
10 billion dollars?

11 A That is correct.

12 Q Will you agree that \$2 billion is material
13 relative to the \$5 billion projected 2022 fuel bill?

14 A Absolutely. In fact, I was probably going the
15 other way, and would -- you know, with December, we
16 could say 50 million, or 100 million, is that material?
17 Certainly, it's material from a customer standpoint.

18 Q I will ask you this question, it follows on
19 questions that Mr. Rehwinkel asked you regarding the
20 midcourse correction that the company sought and
21 obtained last year.

22 I passed out a copy of the order. You
23 probably remember most of the details. I think it's the
24 last item that was passed out there, or actually the
25 staff passed out at my request.

1 That's the Commission's order approving the
2 company's midcourse that was implemented in January,
3 what we call the \$810 million, are you with me?

4 A Okay.

5 Q Yeah. Just a couple of simple questions.

6 The company filed for that midcourse
7 correction on November 9th, and it was approved and
8 implemented as of January 1st, 2022, correct?

9 A That is correct. Yes.

10 Q My question for you, then, is could -- could
11 FPL initiate recovery of some additional amount, say
12 \$810 million on an annualized basis, as of January 1st,
13 2023 as a means of getting ahead on recovering the
14 current under-recovery?

15 A I think the best way to answer that for me is
16 I don't think that seems practical. From a mechanics
17 standpoint, I don't know whether that could be done or
18 not. And maybe you are suggesting a random amount. I
19 don't know from a mechanics standpoint. But I think,
20 from a practical standpoint, given where we are at in
21 this year already, which is now almost, you know, just
22 basically one month left to go, it seems to make sense
23 to let that finish out and then have a complete set of
24 actuals for 2022. That's my opinion.

25 Q If you know, if you can answer this, if the

1 **company makes a filing in January, when would you expect**
2 **that the new -- the additional midcourse correction**
3 **charge impacts to be reflected in customer bills?**

4 A I think that would be a good question for Mr.
5 Bores.

6 Q **That's great. Thanks very much, Mr. Yupp.**
7 **That's all I have for you. Appreciate it.**

8 A Thank you.

9 CHAIRMAN FAY: Okay. Thank you.

10 Staff?

11 EXAMINATION

12 BY MS. BROWNLESS:

13 Q **Good afternoon, Mr. Yupp.**

14 A Good afternoon.

15 Q **Can you tell me when your actual December 2022**
16 **fuel costs would be available?**

17 A I think on an overall perspective, they should
18 be available -- oh, I'm probably going to speak way out
19 of turn here, but I think it's -- I think it should be
20 several days after the first of the year. Typically
21 we'll -- I will see aggregated fuel data, you know, the
22 more detailed doesn't come out -- probably a couple of
23 weeks, I would think.

24 Q **Okay. So in the first two weeks of January**
25 **you would expect to see it?**

1 A That sounds reasonable. Yes.

2 Q Okay. Are you going to wait until you have
3 **all the actual data from 2022 before you file your**
4 **midcourse correction?**

5 A Again, I think that's an appropriate question
6 for Mr. Bores.

7 Q **Thank you so much.**

8 A Thank you.

9 CHAIRMAN FAY: Great. Thank you, Ms.
10 Brownless.

11 Commissioners?

12 Okay. Ms. Moncada, redirect?

13 MS. MONCADA: Just briefly.

14 FURTHER EXAMINATION

15 BY MS. MONCADA:

16 Q **Mr. Yupp, Mr. Rehwinkel asked you why 2022 was**
17 **unique as compared to 2023, and you explained, and you**
18 **enumerated a couple of, or a few realtime events that**
19 **were happening throughout the year. Can you provide the**
20 **Commission anything in terms of metrics, or something of**
21 **that nature, to demonstrate the level of volatility due**
22 **to those factors?**

23 A Well, I guess a couple of things that I have
24 seen. I know -- I did read a report where the
25 volatility in February of '22 was roughly four times

1 higher the -- higher than the historical average for
2 February. So we were beginning to see a lot of
3 volatility then.

4 From -- from -- I don't have specific
5 statistics on volatility across the summer, but the
6 swings in gas price were -- were so extreme. I know I
7 alluded to the fact in June, in 22 days in June, we went
8 from over \$8 in MMBTU down to below six, actually in the
9 mid 5, 5.50 range, and then within the next 26 days, we
10 were back up to almost \$9 in MMBTU again. So, you know,
11 from that perspective, I haven't seen price movement
12 like that in -- in -- well, probably since I have been
13 doing this.

14 I know yesterday, we alluded to -- back to a
15 2008 timeframe, when we -- when we saw a significant
16 spike in gas prices, but it was markedly different than
17 what we experienced this past summer.

18 In 2008, we saw a very steady run-up in gas
19 prices until about midyear, and then we saw a very
20 steady decline in gas prices all the way into the fall.

21 In this case, in the summer of '22, as I
22 explained, we saw up and down gas prices repeatedly
23 throughout the summer period.

24 MS. MONCADA: That's all I have.

25 CHAIRMAN FAY: Okay. Ms. Moncada, do we have

1 Exhibits 22 through 24 for Mr. Yupp, is that --

2 MS. MONCADA: Yes, please.

3 CHAIRMAN FAY: Okay. With no objection, show
4 those entered into the record.

5 (Whereupon, Exhibit Nos. 22-24 were received
6 into evidence.)

7 CHAIRMAN FAY: Mr. Wright, are you -- are you
8 going to be using -- utilizing some of these with
9 Witness Bores too?

10 MR. WRIGHT: I think all of them, except 76,
11 because Mr. Yupp confirmed it, and that's all I
12 really need for 76, so if I could move 76 at this
13 time?

14 CHAIRMAN FAY: Okay.

15 MR. WRIGHT: That would be great.

16 CHAIRMAN FAY: Let's go ahead and do that. We
17 will move bout objection, show Exhibit 76 moved
18 into the record.

19 MS. MONCADA: No objection.

20 CHAIRMAN FAY: Okay.

21 (Whereupon, Exhibit No. 76 was received into
22 evidence.)

23 CHAIRMAN FAY: And, Ms. Moncada, you are
24 welcome to excuse your witness.

25 MS. MONCADA: If Mr. Yupp could be excused,

1 EXAMINATION

2 BY MS. MONCADA:

3 Q Good afternoon, Mr. Bores. You have been
4 sworn, yes?

5 A Yes.

6 Q Would you please state your full name and
7 business address?

8 A Scott Bores, 700 Universe Boulevard, Juno
9 Beach, Florida, 33408.

10 Q Thank you.

11 And by whom are you employed, and what is your
12 role?

13 A I am employed by Florida Power & Light as the
14 Vice-President of Finance.

15 Q Did you prepare and cause to be filed five
16 pages of direct testimony on September 2nd, 2022?

17 A I did.

18 Q Do you have any changes to that testimony?

19 A I do not.

20 Q If I asked you the same questions today that
21 were posed in your prefiled testimony, would your
22 answers be the same?

23 A Yes, they would.

24 MS. MONCADA: Mr. Chairman, I would ask that
25 Mr. Bores testimony be entered into the record as

1 though read.

2 CHAIRMAN FAY: Okay. Without objection, show
3 it entered.

4 (Whereupon, prefilled direct testimony of Scott
5 R. Bores was inserted.)

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **FLORIDA POWER & LIGHT COMPANY**

3 **DIRECT TESTIMONY OF SCOTT R. BORES**

4 **DOCKET NO. 20220001-EI**

5 **SEPTEMBER 2, 2022**

6

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

8 A. My name is Scott R. Bores. My business address is Florida Power & Light
9 Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

10 **Q. By whom are you employed and what is your position?**

11 A. I am employed by Florida Power & Light Company (“FPL” or the “Company”) as
12 the Vice President of Finance.

13 **Q. Please describe your duties and responsibilities in that position.**

14 A. I am responsible for FPL’s financial forecast, analysis of financial results, corporate
15 budgeting, accounting, resource assessment and planning, and load forecast
16 activities.

17 **Q. Please describe your educational background and professional experience.**

18 A. I graduated from the University of Connecticut in 2003 with a Bachelor of Science
19 degree in Accounting. I received a Master of Business Administration from Emory
20 University in 2011. I joined FPL in 2011 and have held several positions of
21 increasing responsibility, including Manager of Property Accounting, Director of
22 Property Accounting, Senior Director of Financial Planning & Analysis, and my
23 current position as the Vice President of Finance. Prior to FPL, I held various

1 accounting roles with Mirant Corporation, which was an independent power
2 producer in Atlanta, Georgia, as well as worked for PricewaterhouseCoopers, LLP.
3 I am a Certified Public Accountant (“CPA”) licensed in the State of Georgia and a
4 member of the American Institute of CPAs. I have previously filed testimony
5 before the Florida Public Service Commission (“FPSC” or the “Commission”)
6 numerous times.

7 **Q. Have you prepared or caused to be prepared under your direction, supervision**
8 **or control an exhibit in this proceeding?**

9 A. No.

10 **Q. What is the purpose of your testimony in this proceeding?**

11 A. The purpose of my testimony is to discuss what FPL has determined and not yet
12 determined with respect to its 2022 estimated fuel cost under-recovery.

13 **Q. Please address whether FPL intends to include its 2022 Fuel Cost Recovery**
14 **(“FCR”) Clause under-recovery in the FCR factor that will take effect**
15 **January 2023.**

16 A. As discussed in the 2022 Actual/Estimated testimony of FPL witness Deaton, FPL
17 estimated a \$1,658,287,443 under-recovery for the period January 2022 through
18 December 2022, which is based on actual fuel costs through June 2022 and a
19 projection of costs for the period July 2022 through December 2022 utilizing the
20 June 21, 2022 NYMEX forward curve. Because this under-recovery amount
21 exceeds ten percent, FPL had the option to seek a mid-course correction but has
22 chosen not to collect any portion of the under-recovery during 2022 to further
23 monitor changes in the natural gas market. Nor is FPL currently requesting that the

1 Commission include any portion of this under-recovery in the calculation of FPL's
2 FCR factor that will be the subject of the November hearing in this docket, which
3 will take effect January 2023. For now, FPL believes it is appropriate to continue
4 to assess actual monthly fuel costs and monitor the natural gas market conditions.

5 **Q. Why has FPL elected to continue monitoring the natural gas market?**

6 A. The natural gas market has been impacted sharply by both domestic conditions and
7 international events since the early part of this year. As the year has progressed,
8 the natural gas market and gas prices have been subject to continued volatility. FPL
9 therefore believes it is appropriate to continue to assess actual monthly fuel costs
10 and monitor the natural gas market to determine whether the impact of these
11 conditions will moderate, such that actual market conditions and future fuel
12 forecasts may mitigate the originally projected fuel costs to be recovered from
13 customers.

14 **Q. Is there any other reason that continuing to monitor the natural gas market is
15 appropriate under these extraordinary conditions?**

16 A. Yes. Consistent with its regular practice and as described above, FPL prepared its
17 2022 Actual/Estimated calculation based on actual data for the first six months of
18 the year and revised estimates for the remaining six months, using NYMEX
19 forward projections for natural gas as of June 21, 2022. This means that FPL's
20 estimate reflects six months of projected fuel costs in an unusually volatile
21 environment. To put that volatility into perspective, during the month of July 2022,
22 NYMEX settlement prices ranged from a low of \$5.72 to a high of \$9.46, and that
23 volatility has continued to persist in projections for the remainder of the year. As

1 a result, it is appropriate for FPL to continue to update its fuel cost calculation with
2 additional data reflecting actual gas prices, actual sales and actual revenues. Doing
3 so will substantially improve the accuracy of the FCR factor that will recover the
4 costs incurred and will mitigate the possibility that FPL's forecast will result in a
5 significant over-recovery in the event the market begins to moderate as the year
6 progresses.

7 **Q. When does FPL plan to request Commission approval regarding recovery of**
8 **its 2022 fuel costs?**

9 A. FPL plans to file a request for recovery of its 2022 under-recovery toward the end
10 of 2022 or beginning of 2023. The amount to be recovered will be based on an
11 updated calculation that will incorporate additional months of actuals, rather than
12 six months of projections. FPL anticipates filing in time to allow its request to be
13 considered by the Commission in early 2023 for implementation following the
14 customer notice period.

15 **Q. Has FPL determined the period over which it will seek to collect the estimated**
16 **2022 under-recovery?**

17 A. No. As described above, FPL believes it is appropriate to continue to assess
18 monthly actual fuel costs and monitor the natural gas markets before determining
19 the time period over which it will request recovery of the estimated 2022 fuel under-
20 recovery.

1 **Q. Does FPL's deferral of recovery of its 2022 under-recovery impact its 2021**
2 **Final True-Up?**

3 A. No. FPL calculated an over-recovery of approximately \$10.3 million as its 2021
4 FCR Clause final true-up, reflecting a combined true-up for pre-consolidated FPL
5 and Gulf. This amount is not being deferred with the 2022 under-recovery. Rather,
6 the \$10.3 million over-recovery is being returned to customers as part of the FCR
7 factor FPL seeks to implement beginning January 2023, which is addressed in the
8 testimony of witness Deaton.

9 **Q. Does this conclude your testimony?**

10 A. Yes.

1 BY MS. MONCADA:

2 Q And, Mr. Bores, you did not sponsor any
3 exhibits to your testimony, is that correct?

4 A That is correct. I did not.

5 Q Thank you.

6 Have you prepared a summary of your testimony?

7 A I have.

8 Q Would you please provide that to the
9 Commission?

10 A Certainly.

11 Good afternoon, Mr. Chairman and
12 Commissioners. My testimony addresses what FPL has
13 determined and not yet determined with respect to its
14 2022 estimated fuel cost under-recovery.

15 FPL's 2022 actual estimated filing estimated a
16 \$1.66 billion under-recovery for the period January 2022
17 through December 2022. That was based on actual fuel
18 costs through June 2022, and a projection of costs for
19 the period of July 2022 through December 2022, utilizing
20 the June 21st, 2022, NYMEX forward curve.

21 FPL chose not to seek a midcourse correction,
22 or to include the estimated amount in the January '23
23 fuel factor that is at issue in this docket. Instead,
24 FPL believes it is appropriate to continue to assess
25 actual monthly fuel costs and monitor the natural gas

1 market, which was subject to continued extreme
2 volatility due to both international and domestic
3 events.

4 To put this volatility into perspective,
5 during the month of July 2022, NYMEX settlement prices
6 ranged from below \$5.72 to a high of \$9.46. Under these
7 extraordinary conditions, we believe it is appropriate
8 for FPL to continue to update its fuel cost calculation
9 with additional data reflecting actual gas prices,
10 actual sales and actual revenues. It's also appropriate
11 to gather this informational before making any filing,
12 and ultimately determining the time period over which
13 FPL will request recovery of the estimated 2022
14 under-recovery.

15 FPL plans to file a request for recovery of
16 its '22 under-recovery in the beginning of 2023. The
17 amount to be recovered will be based on an updated
18 calculation that will incorporate additional months of
19 actuals rather than six months of projections. FPL
20 anticipates filing in time to allow its request to be
21 considered by the Commission in early 2023 for
22 implementation following the customer notice period.

23 **Q Thank you, Mr. Bores.**

24 MS. MONCADA: The witness is available for
25 cross.

1 CHAIRMAN FAY: Okay. Thank you, Ms. Moncada.
2 Mr. Rehwinkel, whenever you are ready.

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

4 EXAMINATION

5 BY MR. REHWINKEL:

6 Q Good afternoon, Mr. Bores.

7 A Good afternoon.

8 Q You are familiar with the April 15th midcourse
9 correction letter that's in Exhibit 70, are you not?

10 A I have that letter. Yes.

11 Q In response to your assessment of -- or the
12 company's assessment of under-recovery, you filed the
13 letter in accordance with Rule 25-6.0424, the midcourse
14 correction rule, is that right?

15 A Yes. That is correct.

16 Q Okay. But what you didn't do is follow the
17 part of the rule that said you shall file a petition, is
18 that right?

19 A I don't believe that's correct. I think we
20 followed the part of the rule that allowed us to provide
21 an explanation as to why we are not filing a petition at
22 that point in time.

23 Q Okay. On your -- in your testimony on page
24 two, lines 20 through 23, you -- are you there?

25 A I am.

1 **Q** **In that part of your testimony, you state that**
2 **following the rule was optional, do you not, with**
3 **respect to filing a petition?**

4 A I say, FPL had the option to seek a midcourse
5 correction but chose not to.

6 **Q** **Okay. Is that different from saying that it**
7 **was optional whether to seek a midcourse correction?**

8 A I think it kind of says very clearly we had an
9 option to seek one. We chose not to given the
10 volatility. I think the rule clearly allows us to
11 provide an explanation as to why we are not seeking a
12 petition. I think we've complied with the rule by
13 providing an explanation that given the volatility in
14 the markets, we are not going to file at this time but,
15 rather, continue to assess.

16 **Q** **The explanation that the rule requires is that**
17 **you demonstrate that it's -- or you explain how it's not**
18 **practical, right?**

19 A Correct.

20 **Q** **And what is your definition of practical?**

21 A I don't have a dictionary here in front of me
22 so I don't have a definition of practical.

23 **Q** **Okay. On July 27th, on the timeline set out**
24 **in the Order Establishing Procedure, or OEP, issued in**
25 **of this docket, you filed a petition for recovery of the**

1 **estimated actual true-up to the 2021 projection of the**
2 **2022 fuel factor, is that right?**

3 A It sounds familiar, but that's probably a
4 better question for Mr. Yupp. I am not as close to
5 that.

6 Q Okay. In the petition and the supporting
7 schedules, and using the exact same process that the
8 company has used for many years, FPL identified a
9 projected total under-recovery amount on July 27th,
10 2022, of \$1.658 billion, is that right?

11 A Yes. That is correct.

12 Q As of that date, didn't FPL believe that that
13 was the best estimate of FPL's total 2022 fuel cost
14 under-recovery?

15 A Using that particular point in time, yes. But
16 I think Mr. Yupp did a very good job explaining all of
17 the volatility that we had seen earlier that year,
18 including during the months of June and July. And given
19 all these factors, and the unprecedented volatility, we
20 chose not to do anything at that point in time. Clearly
21 stated that we are going to continue to monitor the
22 markets, and we will come back later to handle that '22
23 under-recovery.

24 Q Today, on November 18th, do you have an
25 estimate that you believe is more accurate than

1 **\$1.658,287,443?**

2 A Again, I think Mr. Yupp did a good job just
3 addressing this. I think the number he said was just
4 shy of \$2 billion. However, we still have significant
5 burns ahead of us for the month of December, and the
6 potential for extreme winter weather which could cause
7 more significant volatility and potentially materially
8 change the amount of the under-recovery.

9 **Q Okay. The option that we just discussed about**
10 **whether to file a midcourse correction or not, that**
11 **option was exercised by FPL and FPL only, right?**

12 A Yes. I think FPL made the decision at that
13 point in time.

14 **Q Okay.**

15 A However, I think there are other remedies that
16 could have happened when we filed our petition
17 essentially notifying that we are above the 10-percent
18 threshold.

19 **Q What do you mean by other remedies?**

20 A Well, I think there is of a chance for
21 intervening parties to potentially protest, or ask that
22 the Commission review or make us come in. I think the
23 Commission could have asked us at that point in time to
24 seek a midcourse correction or to take action. However,
25 I don't remember seeing any questions or followup to our

1 petition saying that we are going to continue to monitor
2 the markets.

3 **Q Has anyone ever objected to a midcourse**
4 **correction letter that didn't seek a actual recovery of**
5 **the -- of an under-recovery?**

6 MS. MONCADA: Object to the question about has
7 anyone ever --

8 MR. REHWINKEL: To your knowledge.

9 MS. MONCADA: -- to the -- thank you.

10 CHAIRMAN FAY: Yeah, to your knowledge.

11 THE WITNESS: I have no idea.

12 CHAIRMAN FAY: Okay.

13 BY MR. REHWINKEL:

14 **Q Is it your contention that it's -- the burden**
15 **is on the Commission or intervenors to challenge a**
16 **midcourse correction letter's conclusion about whether**
17 **to file a petition or not?**

18 A No. I just think it's an avenue that if they
19 don't agree with FPL's decision at that point in time,
20 to ask the appropriate question, or to challenge FPL's
21 decision-making.

22 **Q You are not a lawyer, right?**

23 A No, I am not.

24 **Q So you don't know the legal significance of**
25 **the April 15th letter as far as whether it provides a**

1 point of entry to an intervenor, right?

2 A I do not.

3 Q Okay. So while you are testifying that
4 remedies were not accessed by intervenors, you also have
5 not laid a foundation that such a remedy exists under
6 the law, correct?

7 A I think that's correct. I would say
8 speculating that I would think there would be remedies
9 available based on us making a filing before the
10 Commission.

11 Q Okay. You would agree that FPL can file for a
12 midcourse correction even when they have not met the
13 10-percent threshold that's in the order, correct?

14 A I don't have the rule here in front of me,
15 but --

16 Q Oh, if you -- it's Exhibit 71. Yeah.

17 A As I read it -- and again, I am not a lawyer,
18 but the last sentence in paragraph two says: This
19 section in no way precludes a utility from requesting a
20 midcourse correction prior to reaching the 10-percent
21 threshold requiring Commission notification.

22 Q Okay. Would you agree with me that in 2016,
23 FPL asked for a midcourse correction -- or made a
24 midcourse correction when the 10-percent threshold was
25 not met?

1 MS. MONCADA: Is there a document that you are
2 referring to, Mr. Rehwinkel?

3 MR. REHWINKEL: This is order 2016-0120.

4 MS. MONCADA: That something that's in front
5 of the witness?

6 MR. REHWINKEL: I don't think it is. I am
7 just asking if he is aware that the Commission --
8 that the company came in when they didn't meet the
9 threshold. If he is not, that's fine.

10 THE WITNESS: I am not aware.

11 CHAIRMAN FAY: Okay.

12 BY MR. REHWINKEL:

13 Q On December 15th of 2021, FPL received an
14 order authorizing a midcourse correction for a projected
15 2022 \$810 million under-recovery based on a midcourse
16 petition filed on November 9th, is that right?

17 A Again, I am not overly familiar with that. I
18 think Mr. Yupp answered that question, and is probably
19 the better witness to talk to that.

20 Q Well, the order is sitting there to your
21 right. You have got your hand right over it. There you
22 go.

23 A Okay.

24 Q Can you take a look at that order and tell me
25 if it says that you filed on November 19th -- I mean,

1 **November 9th?**

2 A I do see on November 9th, Florida Power &
3 Light filed for a midcourse correction.

4 Q And then the -- the order is dated December
5 15, right?

6 A Yes.

7 Q And would you agree also that the order
8 authorizes FPL to -- authorized FPL to increase rates to
9 recover this shortfall on January 1?

10 A Maybe if you point me to where it says that,
11 it will be a little faster.

12 Q Look on page seven.

13 A Yes, first billing cycle of 2022.

14 Q Yes. So just quick math, less than 60 days
15 between filing the petition and starting to collect the
16 under-recovery, right?

17 A Quick math, yes.

18 Q Okay. Would you agree with me that on July
19 27th, when you filed the midcourse petition, that the
20 filing of that petition, and the relief requested in it,
21 did not preclude you from filing for a midcourse
22 correction, did it?

23 A I am sorry. I want to make sure I am
24 following. You said on July 27th. I believe that was
25 the actual estimated filing --

1 Q Yes, sir.

2 A -- the midcourse petition?

3 Q When you filed that, that didn't -- the filing
4 of that did not prevent you from coming back to the
5 Commission and filing for a midcourse correction, did
6 it?

7 A I am going to say from what I understand, no.
8 I think the July 27th is a required filing to show six
9 months of our actuals plus six months of our estimated
10 projected to determine what's the full fuel expense and
11 potential under-recovery for the year. I don't think
12 that precludes us from filing a midcourse correction at
13 any time should we trip that 10-percent threshold or
14 choose to file.

15 Q Okay. If you are aware -- well, are you aware
16 of any of instance in which FPL has ever decided to not
17 seek recovery of any amount of under-recovery in the
18 current annual fuel adjustment process?

19 A Could you rephrase that question, please?

20 Q Show as I talked to Mr. Dean this morning, the
21 fuel -- since the Commission has gone from a six-month
22 to an annual process, you would agree they have a prior
23 year true-up, an actual estimated, and then a projected,
24 gives you three numbers, you put them together, have a
25 factor, and then that's the factor for the next year in

1 a very high level, would you agree with that?

2 A High level, yes. More Mr. Yupp's area of
3 expertise, but yes.

4 Q Okay. Since that prac -- if you are -- if you
5 know, since that process has been in place, has FPL ever
6 put a zero in that middle number, in other words, not
7 recovered what it identified as an under-recovery?

8 A I don't know offhand.

9 Q Okay. I am going through and cutting out all
10 the questions that I don't need to do any more with you
11 since Mr. Yupp answered.

12 MR. REHWINKEL: If you give me a minute, Mr.
13 Chairman, I am trying to cut these down.

14 CHAIRMAN FAY: Sure. Go ahead, Mr. Rehwinkel.

15 BY MR. REHWINKEL:

16 Q All right. Can you tell the Commission, the
17 customers, and the folks here today, what you expect the
18 levelized fuel factor will be for 2023 after you make
19 the correction, the midcourse filing that you plan to
20 make?

21 A I cannot. We have not calculated that yet, I
22 think. As I said earlier, we are going to wait until we
23 get actuals through the end of December, and then we
24 will start to prepare that calculation for filing to
25 early to late January.

1 Q Okay. Are you aware of -- what is your title
2 again?

3 A I am the Vice-President of Finance.

4 Q Okay. So the Vice-President of Finance is
5 very, very well aware of the carrying costs of all kinds
6 of assets, whether it's long-term debt, short-term debt,
7 WACC, AFUDC, you are familiar with all of those
8 concepts, are you not?

9 A I am familiar with those concepts and kind of
10 how they work in our capital structure, yes.

11 Q That's with your wheelhouse, if you will,
12 right?

13 A That's what I do now.

14 Q So would you agree that, in the conventional
15 sense, true-ups under the fuel clause, the Commission's
16 policy has been to use a commercial paper rate for
17 under- and over-recoveries?

18 A I do understand that has been past practice.

19 Q Okay. With respect to what you expect to file
20 when you come in to finally true-up 2022 and incorporate
21 into rates, what do you, as the CFO, know about what
22 carrying costs you would use, or if it would be
23 different than the policy of commercial paper rate?

24 A So as I sit here today, I can tell you that
25 has not been decided. What I can tell you is, given the

1 magnitude of the under-recovery today, we are financing
2 that across all sources of our capital structure. We do
3 not have sufficient commercial paper in the billions of
4 dollars to be able to fund this under-recovery as well
5 as run the day-to-day operations of the business. So it
6 is being funded across all sources of the capital
7 structure.

8 Q Would you agree with me that FPL entirely on
9 its own made the election to not begin to recover any of
10 the under-recovery that you had identified on April 15th
11 from customers as soon as possible, i.e., within 60
12 days; is that right?

13 A Yes, I think we discussed that. Yes.

14 Q Okay. Is FPL going to be open to not imposing
15 or asking for recovery of the carrying costs for this
16 period for the period, say, from July 1 to January 1 of
17 2023?

18 MS. MONCADA: Mr. Chairman, I object to this
19 question. It is almost verbatim the issue that was
20 decided not to be included in this hearing.

21 CHAIRMAN FAY: Yeah, it is specific to the
22 carrying costs within the 2022 year.

23 MR. REHWINKEL: The carrying costs --

24 CHAIRMAN FAY: You can ask him in general
25 about the collection of it potentially, but you are

1 asking him an amount, correct?

2 MR. REHWINKEL: Well, just to be clear, the
3 carrying costs that I thought was off limits is the
4 future carrying costs. I am asking about for this
5 period that we are sitting in here today. We've
6 heard 1.65 billion. Now we've heard two billion.
7 So we are directly talking about the costs that are
8 being incurred in this year, and that's all I am
9 asking about, is the carrying costs for the period
10 of 2022, which is squarely in evidence. I am not
11 asking about what they would ask once they start
12 recovering for the period in the future, however
13 many months or years they spread that over.

14 CHAIRMAN FAY: Well, the contested issue
15 explicitly states the carrying cost for year 2022.

16 MR. REHWINKEL: Is -- so is the -- is the --

17 CHAIRMAN FAY: Are you just wondering if there
18 -- is there a way to ask him about the additional
19 amount? Are you trying to get to a specific
20 number? That's my --

21 MR. REHWINKEL: I'm asking if they are willing
22 to forego recovery of those costs for this '22
23 period.

24 CHAIRMAN FAY: No matter what the number is?

25 MR. REHWINKEL: Yes, whatever it is. I am not

1 asking what the number is. I am asking about the
2 mechanics of foregoing it.

3 CHAIRMAN FAY: Yeah, that's a fair question,
4 if you can answer that.

5 THE WITNESS: I will say, again, that hasn't
6 been decided right? I am not the sole
7 decision-maker in that process, and I can't sit
8 here and say with certainty what's going to happen.
9 That will be part of to the decision ultimately
10 once we have a final number and put together a
11 filing early next year.

12 MR. REHWINKEL: Thank you for your indulgence.
13 Thank you.

14 CHAIRMAN FAY: Sure.

15 BY MR. REHWINKEL:

16 Q Okay. I think that was my last question,
17 Scott. Thank you very much.

18 A Absolutely.

19 MR. REHWINKEL: Thank you Mr. Chairman.

20 CHAIRMAN FAY: Thank you, Mr. Rehwinkel.

21 Mr. Wright, you are recognized when you are
22 ready.

23 MR. WRIGHT: Thank you, Mr. Chairman.

24 EXAMINATION

25 BY MR. WRIGHT:

1 Q Good afternoon, Mr. Bores.

2 A Good afternoon, Mr. Wright. Good to see you
3 again.

4 Q Good to see you again, thanks. Been a little
5 over a year, I think.

6 I would like to begin by asking you to look at
7 your testimony filed only September 2nd, please.

8 A Okay.

9 Q And I am going to -- I will go ahead and read
10 a brief excerpt beginning at the bottom of page three,
11 in line 21, and continuing over through page -- through
12 line six of page four. If you want to add anything or
13 correct me, have at it.

14 The -- at those lines and pages, you make
15 these statements: To put that volatility into
16 perspective, during the month of July '22, NYMEX
17 settlement prices ranged from a low of 5.72, \$5.72 to a
18 high of \$9.46, and that volatility has continued to
19 persist in projections for the remainder of the year.
20 As a result, it is appropriate for FPL to continue to
21 update its fuel cost calculation with additional data
22 reflecting actual gas prices, actual sales and actual
23 revenues. Doing so will substantially improve the
24 accuracy of the FCR factor that will recover the costs
25 incurred and will mitigate the possibility that FPL's

1 forecast will result in a significant overrecovery in
2 the event the market begins to moderate as the year
3 progresses.

4 Did I read that accurately?

5 A You did.

6 Q Thank you.

7 I want to focus on your statement that as you,
8 representing the company's position, that continuing to
9 monitor and gathering additional data will substantially
10 improve the accuracy of the FCR factor. And FCR is fuel
11 cost recovery, correct?

12 A Correct.

13 Q Okay. By your testimony there, do you mean to
14 say that fuel cost recovery factors that recover costs
15 more closely in time as the costs are incurred are more
16 accurate?

17 A I think the genesis of that statement in my
18 testimony was essentially to say we wanted to get
19 through the rest of the year, let all the volatility
20 breathe through, get the actual costs so we are only
21 doing this one time and putting the final actual '22
22 under-recovery on the bills in '23 once it is known.

23 Q Well, let me ask you this question: Is --
24 would it be -- is it a goal of FPL to have fuel cost
25 recovery factors, or fuel charges for all customer

1 **classes, that accurately recover fuel costs from**
2 **customers as those costs are incurred?**

3 A Generally I am going to say yes, and that's
4 what we do through the fuel clause. We set a projection
5 to try and match the costs and collect the revenues
6 associated with those costs.

7 I think Mr. Yupp did a very good job
8 explaining why 2022 was an anomaly. With all the
9 factors outside of what was housed in the, I will say
10 projection that was developed in late '21 for our 2022
11 fuel factor, realtime world events caused that price to
12 change significantly, and as a result, we are
13 under-recovered at this point in time.

14 **Q And just to recap Mr. Yupp's testimony. As of**
15 **now, you are plus or minus \$2 billion under-recovered**
16 **for 2022?**

17 A Yes, that is what I heard him say.

18 **Q Thank you.**

19 MR. WRIGHT: Mr. Chairman, if you would just
20 look at what's been marked as Exhibit 77. It's a
21 letter with a brief petition, not -- no, sorry.
22 It's not even a petition. It's a request -- it
23 a --

24 CHAIRMAN FAY: Titled FPL's Fuel Cost Recovery
25 2022?

1 MR. WRIGHT: Yeah. It's the --

2 CHAIRMAN FAY: I don't know if you are --

3 MR. WRIGHT: It's the actual estimated true-up
4 calculation is really what it is.

5 THE WITNESS: I have got one here.

6 BY MR. WRIGHT:

7 Q You've got it?

8 A Yeah.

9 Q Do you recognize this?

10 A Let me look at it here. Vaguely familiar with
11 it.

12 Q Okay. And most significantly, it tells us
13 that, in paragraph two, that, at that time, July 27, the
14 estimated -- the A -- actual estimated under-recovery
15 was \$1.6 billion, right?

16 A 1.658. Yes.

17 Q Thanks. That's all I have on that exhibit.

18 Thank you.

19 If I could ask you to look at what's been
20 marked as Exhibit 79 for a couple of minutes.

21 A Can you just give me the title of that one?

22 Q Sure. It's pages one and two and 161, 162 of
23 168 total pages from Renae Deaton's Exhibit RBD-7. It's
24 your Schedules E1, E1-A and E-10.

25 A Okay. I have that in front of me.

1 **Q Okay. E1 basically presents the total fuel**
2 **bill as projected and proposed for recovery for 2023 and**
3 **projected retail sales, correct?**

4 MS. MONCADA: I'm going to object, and ask Mr.
5 Wright to lay a foundation regarding Mr. Bores'
6 familiarity with these schedules. He has deferred
7 a number of questions back to Mr. Yupp because he
8 is not our day-in/day-out fuel clause person at the
9 organization.

10 CHAIRMAN FAY: Mr. Wright, are you looking for
11 him to validate some of the numbers here?

12 MR. WRIGHT: Yeah, in the simplest terms, let
13 me ask two questions and see how they work.

14 CHAIRMAN FAY: Okay.

15 BY MR. WRIGHT:

16 **Q Do you agree the company's total fuel bill**
17 **for -- proposed fuel bill to be recovered through**
18 **charges for next year is right around \$5 billion?**

19 A So I am going to say, yes, looking at the
20 numbers and reading the descriptions, but I think Ms.
21 Moncada did a good job of objecting that I am not overly
22 familiar with these schedules.

23 **Q You are the Vice-President of Finance. Aren't**
24 **you familiar with the company's proposed \$5 billion fuel**
25 **cost recovery for next year?**

1 A I have heard that number, but, again, I don't
2 review or I will say play with these schedules on a
3 day-to-day basis, so I am not overly familiar with them.

4 **Q Okay. And are you familiar with the company's**
5 **projected sales for next year?**

6 A I have not seen that number. No.

7 MR. WRIGHT: Okay. Those documents are
8 already in evidence as part of Ms. Deaton
9 testimony.

10 CHAIRMAN FAY: Okay. Are we done with 79, Mr.
11 Wright?

12 MR. WRIGHT: Yeah. I am not going to ask him
13 any more questions about 79. Thank you.

14 CHAIRMAN FAY: Okay.

15 BY MR. WRIGHT:

16 **Q I am going to retract my last statement. If**
17 **you would continue to look at Exhibit 79. I am going to**
18 **ask you to look at the last page which is E-10, the**
19 **company's E-10, that is.**

20 **CHAIRMAN FAY: Ms. Moncada, you would have the**
21 **same objection to this?**

22 MS. MONCADA: Same objection. We will see
23 what question he has.

24 CHAIRMAN FAY: Okay.

25 BY MR. WRIGHT:

1 Q Are you familiar with documents, either this
2 document or documents like this, that show the company's
3 projected charges to its customers?

4 A I will say not this document specifically, but
5 yes, documents that generally show a breakout of the
6 bill I have seen before.

7 Q Okay. And when you say a breakout, can we
8 agree that breakout is by rate component, base, fuel,
9 ECCR, et cetera?

10 A Yes.

11 Q Okay. Thanks.

12 My question is really very simple. There is
13 not any number in here that would indicate to a
14 residential customer, or anyone else what the amount to
15 be recovered based on the 2022 under-recovery, is there?

16 A To my knowledge on this schedule, no.

17 Q This question -- these next couple of
18 questions follow along your earlier testimony, actually
19 your written testimony regarding the accuracy of the FCR
20 factors.

21 CHAIRMAN FAY: What page are you on, Mr.
22 Wright?

23 MR. WRIGHT: In his testimony, page four is
24 where he testifies that doing so will substantially
25 improve the accuracy of the FCR factor that will

1 recover the costs incurred, et cetera.

2 BY MR. WRIGHT:

3 Q So my question for Mr. Bores is: Are you
4 familiar with what is called the matching principle in
5 utility rate setting or ratemaking?

6 A Yes, I am generally familiar with that. I am
7 going to call it the matching principle in accounting,
8 where you try to match revenues and expenses in the
9 period in which they are incurred.

10 Q Great. Thank you.

11 I would like you to ask you to look, if you
12 would, at Exhibit 80.

13 CHAIRMAN FAY: I am not sure his are numbered,
14 Mr. Wright.

15 THE WITNESS: Mine are not.

16 CHAIRMAN FAY: The transcript of PSC --

17 MR. WRIGHT: Oh, I am sorry.

18 CHAIRMAN FAY: -- Agenda Conference?

19 MR. WRIGHT: Yes. This is the --

20 THE WITNESS: Thank you.

21 MR. WRIGHT: -- transcript of the --

22 CHAIRMAN FAY: Uh-huh.

23 MR. WRIGHT: -- this is the transcript of an
24 Agenda Conference at which a very similar issue was
25 discussed just last year, and I am citing to this

1 as foundation for a question regarding appropriate
2 ratemaking policy.

3 MS. MONCADA: I will just lightly object on
4 the grounds that this is a transcript of a
5 proceeding that did not involve FPL.

6 MR. WRIGHT: And I certainly recognize that --

7 CHAIRMAN FAY: A TECO proceeding?

8 MR. WRIGHT: Yes. As I said, this is
9 foundational for a question that will relate back
10 to his question about improving the accuracy of the
11 FCR factors.

12 CHAIRMAN FAY: Okay. Go ahead. You are not
13 asking his interpretation of anything in the
14 transcript?

15 MR. WRIGHT: No.

16 CHAIRMAN FAY: Okay. Go ahead.

17 BY MR. WRIGHT:

18 Q I am good -- I am just going to read, you are
19 welcome to read whatever --

20 A Direct me where you are going to read from,
21 please.

22 Q Sure. Page eight, beginning at line 20, and I
23 am going to pick up in mid-sentence, but it's not -- if
24 the -- well, why don't I read the whole thing, from line
25 18 all the way over to page nine at line five. And

1 again, this is foundational as to your views on -- on
2 ratemaking policy as it relates to the matching
3 principle and the accuracy of the FCR factors.

4 Then Chairman Clark was saying: I am going to
5 try not to get on the soapbox regarding heavily -- heavy
6 reliance on our natural gas production, but I do want to
7 make the comment that when you incur costs, and you try
8 to spread those costs back out, you begin to shift costs
9 away from people who incurred the cost to people who did
10 not incur the cost, and that's kind of a bedrock
11 principle for me. The people who incurred it are the
12 people who should pay it, and I am for the shorter time
13 period in making certain that the majority of those
14 customers get the burden of what has been spent so far.
15 So that's kind of where I stand.

16 I would submit to you, this is a good
17 characterization of the matching principle at which --
18 and Commission shorthand has sometimes been -- sometimes
19 been abbreviated to cost causer pays. Is that
20 consistent with your understanding of what you mean when
21 you say the FCR factor should be accurate?

22 A Yes. Again, I think, looking back to 2022 and
23 where we sat, Commissioners, if we had done a midcourse
24 correction every time we tripped the 10-percent
25 threshold, I think we would have filed five midcourse

1 corrections last year. And so that would have caused a
2 lot of volatility and, I will say, instability in
3 customer bills at that time at a time they are dealing
4 with record inflation, higher food prices, higher
5 interest rates.

6 And so this in this circumstance, FPL felt
7 regulatory lag was appropriate, right? There was
8 significant volatility. We wanted to get through the
9 year, figure out what our actual fuel costs are, and
10 then we are going to put those costs on customer bills
11 next year such that -- I will say, whether it happened
12 in January, or whether we start collecting in April,
13 it's not significant difference in, I am going to say,
14 the matching principle that Mr. Wright is referring to.
15 It's really a very short-term delay to get more accurate
16 information. I think the customers that caused that
17 fuel expense are still going to be the ones that pay for
18 it given that we are seeking, you know, I will come out
19 and say, a 21-month period is what we are going to
20 propose to seek to recover this fuel charge, this fuel
21 under-recovery.

22 **Q Just to follow up on what you just said. Is**
23 **the company planning to propose a 21-month recovery**
24 **period?**

25 **A** That is what we are going to propose most

1 likely, current thinking.

2 Q Thank you for that information.

3 And when we observe that the company is
4 under-recovered to the tune of \$2 billion, that means
5 that in 2022, customers have not paid that \$2 billion of
6 additional fuel costs incurred to serve them, correct?

7 A Not yet. Correct.

8 Q Could FPL include at least a part of the 2022
9 under-recovery beginning in January?

10 A I think Mr. Yupp answered that question
11 previously.

12 Q I am not sure if he ducked that one to you or
13 not, but let me ask you this: You filed last year, on
14 November 9th, a midcourse correction to recover \$810
15 million?

16 A Yes, I believe that's correct. Yes.

17 Q And the Commission processed that
18 expeditiously, approved it, and you were able to
19 implement that on January 1st, 2022, correct?

20 A Correct.

21 Q Okay. Could you do something like that again?

22 A I think Mr. Yupp's answer was that -- my
23 answer is going to be very similar -- I am not sure
24 technically how long it takes to prepare the schedules
25 to do that, but given where we are in the year, with one

1 month left, I think, practically, it doesn't make sense
2 at this point in time to try and jam a midcourse
3 correction in just to get something on the bill in
4 January. I think it makes more sense to let the one
5 month play out, make sure there is no significant
6 changes in the natural gas market, get our actual fuel
7 costs, file in January and work hard to get that on the
8 bill April 1st.

9 **Q Okay. As we sit here today, on November 18th,**
10 **surely you will agree that we are only nine days later**
11 **this year than we were a year ago when you made your**
12 **filing, correct?**

13 **A** That's correct. But again, I think two
14 different periods, two different time periods of things
15 happening in the world, right? Last year -- I think Mr.
16 Yupp did a good job talking about what led to that first
17 midcourse correction, and then you have all the real
18 world events that played out this year that have caused
19 a significantly different natural gas market.

20 **Q And do you expect the plus or minus \$2 billion**
21 **number as of end of October to change significantly**
22 **between now and New Year's Eve?**

23 MS. MONCADA: I'm going to object. That was
24 addressed by Mr. Yupp. He is the -- he was the
25 witness I advised was the fuel forecast witness.

1 CHAIRMAN FAY: Mr. Wright, did he satisfy that
2 question for you?

3 MR. WRIGHT: Yes, he did. That's fine.

4 CHAIRMAN FAY: Okay.

5 BY MR. WRIGHT:

6 Q And thank you, I don't have anymore questions,
7 Mr. Bores. Thanks for your time.

8 A Thank you.

9 CHAIRMAN FAY: Okay. Thank you, Mr. Wright.
10 Mr. Moyle.

11 EXAMINATION

12 BY MR. MOYLE:

13 Q Good afternoon.

14 A How are you?

15 Q The recovery period that FPL plans to seek, I
16 didn't hear your answer to Mr. Wright, it was 21 months?

17 A 21 months.

18 Q And when --

19 MS. MONCADA: Just for reference when you are
20 crossing the witness, that's Mr. Bores. I think
21 you called him Mr. Wright. I am sorry.

22 THE WITNESS: I think he was saying Mr.
23 Wright, he couldn't hear over him.

24 MS. MONCADA: Oh, okay. Thank you.

25 BY MR. MOYLE:

1 Q If I miscalled you Mr. Wright rather than Mr.
2 Bores, my apologies. We know each other, and we know
3 each other --

4 CHAIRMAN FAY: I don't know if that's an
5 upgrade or a downgrade, Mr. Moyle.

6 BY MR. MOYLE:

7 Q For the record, Jon Moyle with FIPUG, and I
8 just -- I just have a handful of questions for you.

9 I wanted to give you the opportunity, if you
10 can, to answer in a narrative form what ratepayers ought
11 to be looking for with respect to 2023 in increased
12 costs.

13 A Well, I think Mr. Wright did a good job of
14 kind of doing some of that high level math and setting
15 it up.

16 If we have a \$5 billion total fuel expense
17 next year, and we are \$2 billion under-recovered
18 projection for the end of the year, that's roughly a
19 40-percent increase in the fuel portion of the bill
20 compared to what we projected on Schedule E-10. I think
21 that's why we are really proposing to do a longer than
22 12-month period of recovery, is to smooth that out for
23 customers so we don't have rate shock, while at the same
24 time not pancaking it, running into the risk of having
25 pancaking on customer bills.

1 **Q** And in terms of a percentage increase that
2 customers may see during that period -- 21-month period
3 of recovery of the, I guess it's \$2 billion that is the
4 shortfall, can you shed any light on what that may be?

5 A Can you be a little more specific? In what
6 regard, other than the high level math I just did?

7 **Q** Well, I think the -- I think the key question
8 that customers and clients, and others ask is, what
9 percentage increase should I be looking at with respect
10 to 2023 from 2022 for my rates?

11 A I don't have those specific numbers in front
12 of me. I can tell you I have sat with an industrial
13 customer myself in the last week, and had kind of a high
14 level conversation based on the \$1.6 billion that was
15 public at that point in time. And so I think there are
16 avenues for industrial customers to talk to their
17 customer service advisor, their executive contact, to
18 put that in ballpark to help is with some of their
19 budget setting for next year.

20 **Q** Sure. I appreciate that. What did you share
21 with respect to the amount of the increase?

22 MS. MONCADA: So I am going to object to the
23 extent that this calls for information about a
24 specific customer that he was providing with
25 respect to their rates and their usage, and

1 anything else that was specific to that customer.

2 MR. MOYLE: I am not looking for specific
3 information. Just generally. He -- he brought the
4 information up in response to a question I asked
5 about general.

6 MS. MONCADA: We can lay a foundation about
7 whether he had general discussions with the
8 customer or specific discussions with the customer.

9 CHAIRMAN FAY: Yeah. No, I am going to allow
10 it with sort of the obvious, that there is a
11 protection for the customer basis of any sort of
12 private information, but I think you can answer the
13 question.

14 THE WITNESS: Absolutely.

15 Again, it was very general and high level. It
16 was a simple, our under-recovery, what we published
17 in our actual estimated was \$1.6 billion on a \$5
18 billion projected fuel bill for next year. Here's
19 the, kind of, I will call it roughly 30 percent
20 increase. If we did that over a 12-month period of
21 time, here's what you could expect.

22 BY MR. MOYLE:

23 Q And at a high level generally, that 30 percent
24 increase would apply to other similarly situated
25 industrial customers I would assume, correct?

1 A You are taking me well out of my knowledge
2 base here. I am not good at rate design, and so I don't
3 know how that full bill ultimately gets allocated to
4 different customer classes.

5 Q **Again, we've ballparked things. You were here**
6 **for the testimony of the Duke witness, where he made a**
7 **ballpark estimate of residential cost. I appreciate the**
8 **30 percent. Any -- any distinction in your mind with**
9 **respect to what commercial box store type customers**
10 **might be seeing in terms of a percent increase?**

11 A Again, I don't know offhand.

12 Q **When do you think that information would be**
13 **available?**

14 A When we make our filing in January.

15 Q **Have you started working on the filing yet?**

16 A I do not believe so. Not to my knowledge.

17 Q **Has FPL made any filing or official**
18 **notification to the SEC, or any other governmental**
19 **entity, about the under-recovery amount with respect to**
20 **fuel being approximately \$2 billion?**

21 A No filing. It serves as -- it's a
22 under-recovery. So essentially I think about this a reg
23 asset that sits on our balance sheet, so it is in our
24 SEC financials that get filed on a quarterly basis.

25 Q **You made some comments on volatility, and said**

1 that you believe this was an unusual thing -- I don't
2 know if you were parroting Mr. Yupp or otherwise, but
3 said, you know, gas has been between five bucks and nine
4 bucks, that's volatile in your -- in your view of the
5 world?

6 A Absolutely.

7 Q So what -- so just tell me, I asked the other
8 witness, what your definition of volatility.

9 A Volatility in my mind is, you know, I don't
10 want to say significant, but where you have continued
11 price movements outside of, I will call it a norm, or
12 normal period of time. And here, you know, look at the
13 volatility we've had this year, it -- I think Mr. Yupp
14 said just the month of February was four times the
15 normal volatility. And so to me, that's kind the
16 definition of what a volatile time period would look
17 like.

18 Q Same definition would apply to other
19 commodities, would it not, or even equity? So if a
20 stock was being traded between 50 and 90, under your
21 definition, that would be a volatile?

22 MS. MONCADA: I object on the grounds of
23 relevance.

24 MR. MOYLE: I'm trying to understand what a
25 volatility is unique to the natural gas market

1 or --

2 CHAIRMAN FAY: Maybe another commodity would
3 be more appropriate.

4 BY MR. MOYLE:

5 Q Gold?

6 A I don't follow the gold marked.

7 MS. MONCADA: I continue to object. This
8 is -- this is the fuel clause hearing.

9 MR. MOYLE: Right. But he just testified that
10 vola -- something volatile -- if it's -- if it
11 doubles, it would be volatile. Five to nine is not
12 even a double, and I am trying to understand
13 whether that is something that he believes defines
14 volatility in a broader context of the fuel market.

15 CHAIRMAN FAY: Yeah, Mr. Moyle, and I will
16 length you answer, Mr. Bores. I think, for the
17 specific fact pattern, he provided the four times
18 for context. I think you are just saying, is that
19 unique or would you apply that to other, generally
20 to other potential investments or commodities? Is
21 that maybe a better way to word it?

22 THE WITNESS: I will try answering it.

23 MR. MOYLE: Yes. Thank you for the save on
24 that.

25 CHAIRMAN FAY: I just want to make sure we are

1 still asking the right question.

2 Mr. Bores, you are recognized.

3 THE WITNESS: I will analogize it to bitcoin,
4 right? I view bitcoin as a very volatile
5 investment over the last year. It was \$60,000,
6 \$70,000. Now we are down to \$20,000. You had the
7 collapse of FTX last week that further dropped
8 bitcoin. I view that as a very speculative and
9 volatile investment.

10 BY MR. MOYLE:

11 Q All right. So the question with respect to
12 volatility, is your view of volatility unique to the gas
13 market given the \$5 to \$9 range, or would that also
14 apply, say, to other commodities?

15 A I think it may have applied to other
16 commodities. Analogizing back to bitcoin, I would say
17 bitcoin and natural gas were both volatile during 2022.

18 Q And it could apply to just about any market,
19 right? There is not a market that you would say, well,
20 for this market, that is not volatile?

21 A I don't know. I don't follow many other
22 markets, or pay attention to commodities. I can't say
23 with certainty.

24 Q Yeah. And I want to talk just a few minutes
25 about the rule. You are familiar with the fuel

1 recovery, the midcourse recovery rule, aren't you not --
2 are you?

3 A Generally, yes.

4 Q Right. And if I understood your testimony,
5 you said that you thought it best, given the volatility,
6 that you have defined that you not rush into things.
7 That you just wait, collect information, collect data,
8 and then at the end of the year, when you have actual
9 information for 2022, put your filing in so it has more
10 certainty; is that fair?

11 A In a nutshell, yes. I think, given what we
12 saw in the market -- and I talked about how if we
13 actually did midcourse corrections every time we tripped
14 the 10-percent threshold, we would have had five of them
15 this year. And so to me, that speaks to the volatility
16 in the market. And as a result, we elected to wait
17 until end of December, get the actuals, and then file in
18 January.

19 Q Do you think that thinking and rationale would
20 apply more broadly?

21 A Can you be more specific, please?

22 Q More broadly than this period of time of 2022?

23 A I am still not following the question.

24 Q I guess -- I guess -- I am trying to
25 understand, from the utility's standpoint. I have

1 always thought that the fuel clause regulatory lag
2 aspect was, hey, we want to get in, fuel is a lot of
3 money, we want to get in and get it closer to the point
4 in time when the customer actually uses the fuel. But
5 you have said, we are okay waiting and looking at the
6 actual data and getting it right, not fast?

7 A I think it was a combination of factors,
8 right? I think, number one, it's being sensitive to the
9 customer understanding what they are going through,
10 right? I think our customers are out there dealing with
11 the record high inflation. They are seeing the interest
12 rate pressure. They were paying more for fuel at the
13 pump, going to the grocery store is no longer fun. It's
14 very expensive to get your groceries. And so rather
15 than firm whipsaw the customers five times throughout
16 the year by moving their bill and filing a midcourse
17 correction every time it tripped the threshold, we said,
18 we are going to pause. Let it play through. Get the
19 actual costs, and then we will come back and file at
20 that point in time.

21 Q And the rule, there is -- there is no
22 requirement that you file for a midcourse correction and
23 seek to recover rates, correct?

24 A Correct. There is a sentence in there that
25 says -- let me find it here.

1 **Q You said it was in paragraph --**

2 A Shall include an explanation of why a
3 midcourse correction is not practical. I think we've
4 done that in our petition.

5 **Q Right. So the whipsaw affect, that would be**
6 **something that would apply more -- more so that just**
7 **probably didn't make a lot of sense to keep coming in**
8 **and making adjustments in the fuel clause?**

9 A That was kind of our thinking, rather than do
10 this five times.

11 **Q And you are not really harmed tremendously,**
12 **and that's your -- you said you are getting commercial**
13 **paper rate on it?**

14 A I didn't say that. I said we are funding
15 this, given the amount every under-recovery today, with
16 all sources of our capital structure. So I would argue
17 we are being penalized because we are incurring a cost
18 of financing that for customers.

19 **Q What's your overall cost of capital?**

20 A I don't know that number off the top of my
21 head today. I am going to say somewhere around
22 seven-and-a-half percent after tax.

23 **Q Thanks for the information.**

24 A Absolutely.

25 CHAIRMAN FAY: Are you done, Mr. Moyle?

1 MR. MOYLE: Yes.

2 CHAIRMAN FAY: Okay. Ms. Brownless?

3 MS. BROWNLESS: Yes, sir.

4 EXAMINATION

5 BY MS. BROWNLESS:

6 Q Good afternoon, Mr. Bores. How are you?

7 A Good afternoon, Ms. Brownless.

8 Q I just want to make sewer I understand some of
9 the testimony you have already given.

10 If I understand you what just said, by your
11 calculation, you would have had five instances in 19 --
12 in 2022 in which fuel costs would have been
13 under-recovered by 10 percent?

14 A Yes. Actually, let me make sure I am looking
15 at this correct. We would have had four instances of an
16 under-recovery. But then when Mr. Yupp talked about the
17 fire at the Freeport LNG, when gas prices fell back down
18 to five, we duly would have been over-recovered at that
19 point in time. And as gas prices went back up to \$9, we
20 would have been under-recovered less than a month later.

21 Q And do you know how that compares to 2021, for
22 example?

23 A I do not have that information with me.

24 Q Okay. Now, Mr. Yupp told us that the data for
25 December would be available to you guys within the first

1 **two weeks of January, does that sound correct?**

2 A Yes. So we will have actual fuel costs in
3 order to close our accounting books probably the first
4 week. But I think the detailed data that Mr. Yupp and
5 the team will need to prepare the schedules will
6 probably be week two.

7 **Q Do you intend to wait until you have the**
8 **actual December 2022 data before you file your midcourse**
9 **correction?**

10 A Yes. As I said, the current plan is to get
11 the actual data the first few weeks, and then file
12 probably late January sometime.

13 **Q Okay. So you probably would file before the**
14 **end of January?**

15 A That is the current goal.

16 **Q Okay. And the idea would be to be able to put**
17 **the factor on the books no later than April 1st?**

18 A That is the goal. Yes.

19 **Q Thank you so much.**

20 A You are welcome.

21 CHAIRMAN FAY: Okay. Commissioner Clark, you
22 are recognized.

23 COMMISSIONER CLARK: Mr. Bores, just one quick
24 question.

25 Are you aware of any natural mechanism that

1 exists that would -- utilities typically use to
2 protects against the volatility in gas prices?

3 THE WITNESS: Yes, so there is a few things, I
4 think. Number of one is we own more solar than any
5 other utility in the United States, with plans to
6 continue building a lot of solar, and so that helps
7 us drive fuel costs out of the bill, but we've got
8 to be very step-wise about only building that solar
9 when it's cost-effective for customer. And so
10 we've got a good plan on that.

11 We are -- there are numerous parties here who
12 have been opposed to hedging for sometime, so that
13 is not allowed under the terms of our settlement
14 agreements.

15 Additionally, we had the wood for gas reserves
16 that was approved by this commission, but
17 overturned by the Supreme Court, that would have
18 allowed us to get gas right at the wellhead for a
19 fraction of what we are paying at today's prices.

20 COMMISSIONER CLARK: Thank you.

21 THE WITNESS: Yes.

22 CHAIRMAN FAY: Okay. Commissioners, anything
23 else?

24 All right. Ms. Moncada, redirect for Mr.
25 Bores?

1 MS. MONCADA: Yes, very briefly.

2 FURTHER EXAMINATION

3 BY MS. MONCADA:

4 Q Mr. Bores, you were asked a lot of questions
5 today regarding FPL's voluntary election to not seek a
6 midcourse correction. Are you aware of FPL receiving
7 any discovery questioning or decision not to file a
8 midcourse?

9 A I am not.

10 Q You also were asked questions about the factor
11 that's going to be implemented in January. Did you
12 receive any -- are you aware of whether FPL received any
13 discovery from any intervenor regarding our statements
14 in our pleadings, and in your testimony, regarding our
15 election to defer the 2022 under-recovery?

16 A I do not recall receiving any discovery.

17 Q Do you recall receiving any discovery
18 regarding bill impacts to residential or commercial or
19 industrial customers related to the under-recovery
20 amount?

21 A Not to my knowledge.

22 MS. MONCADA: That's all I have.

23 CHAIRMAN FAY: Okay. Mr. Wright, we have a
24 few exhibits that we would like to put in. I have
25 six -- 76 through 80 that we identified.

1 MR. WRIGHT: Thank you, Mr. Chairman.

2 CHAIRMAN FAY: Any objections, Ms. Moncada?

3 MR. WRIGHT: Thank you, Mr. Chairman, I would
4 move those if --

5 CHAIRMAN FAY: Go ahead, Mr. Wright. I
6 apologize.

7 MR. WRIGHT: I think it will be easier to just
8 do it that way. 78 includes information that's
9 already in the record. If there is an objection to
10 that, it should not --

11 CHAIRMAN FAY: I got you.

12 MS. MONCADA: I do have an objection to 78.

13 CHAIRMAN FAY: Okay. One second. So --

14 MR. WRIGHT: Mr. Chairman, I am sorry, I think
15 I was still talking and I didn't hear what Ms.
16 Moncada --

17 CHAIRMAN FAY: Ms. Moncada said --

18 MR. WRIGHT: -- does object or does not object
19 to 78?

20 CHAIRMAN FAY: She does object to 78. So just
21 real quickly. So 79 and 80 -- so 76, 77, 79 and
22 820, there is no objection, Ms. Moncada?

23 MS. MONCADA: If I would are could have one
24 second to look real quick.

25 CHAIRMAN FAY: Okay.

1 MS. MONCADA: No objection.

2 CHAIRMAN FAY: Okay.

3 MR. WRIGHT: And I am okay with withdrawing
4 78.

5 CHAIRMAN FAY: Okay.

6 MR. WRIGHT: I think it's relevant, but like I
7 said, the information is in the record. And if --
8 if I have to write a brief, I can cite to Mr.
9 Dean's exhibits. Thank you.

10 CHAIRMAN FAY: Okay. Thank you, Mr. Wright.

11 So without objection, we show 76, 77, 79 and
12 80 entered into the record. 78 is not moved into
13 the record.

14 (Whereupon, Exhibit Nos. 76, 77 & 79 were
15 received into evidence.)

16 CHAIRMAN FAY: All right. With that,
17 Ms. Moncada, would you like to excuse your witness?

18 MS. MONCADA: I would love if Mr. Bores could
19 be excused.

20 CHAIRMAN FAY: Okay. Mr. Bores, thank you for
21 your testimony.

22 THE WITNESS: Thank you very much.

23 (Witness excused.)

24 CHAIRMAN FAY: All right. Next we will move
25 to TECO to call their witness, Mr. Means.

1 MR. MEANS: Thank you, Mr. Chairman. We call
2 Penelope Rusk.

3 Whereupon,

4 PENELOPE A. RUSK

5 was called as a witness, having been previously duly
6 sworn to speak the truth, the whole truth, and nothing
7 but the truth, was examined and testified as follows:

8 CHAIRMAN FAY: Ms. Rusk, just make sure you
9 have your microphone on in front of you there.
10 Thank you.

11 EXAMINATION

12 BY MR. MEANS:

13 **Q Good afternoon, Ms. Rusk. Could you please**
14 **state your name for the record?**

15 A Penelope Ann Rusk.

16 **Q And were you previously sworn?**

17 A Yes.

18 **Q Who is your current employer and in what role?**

19 A Tampa Electric, Senior Director of Regulatory
20 Affairs.

21 **Q And what is your business address?**

22 A 702 North Franklin Street, Tampa, Florida,
23 33602.

24 **Q And did you prepare and cause to be filed in**
25 **this docket on September 2nd, 2022, prepared direct**

1 testimony consisting of four pages?

2 A Yes, I did.

3 Q Do you have any corrections to your testimony?

4 A No.

5 Q If I were to ask you the questions in your
6 testimony today, would your answer be the same?

7 A Yes, they would.

8 MR. MEANS: Mr. Chairman, Tampa Electric
9 Company requests that the prepared direct testimony
10 of Penelope A. Rusk, dated September 2nd, 2022, be
11 inserted into the record as though read.

12 CHAIRMAN FAY: Okay. Without objection, show
13 it inserted as though read.

14 (Whereupon, prefiled direct testimony of
15 Penelope A. Rusk was inserted.)

16

17

18

19

20

21

22

23

24

25



BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20220001-EI
FUEL & PURCHASED POWER COST RECOVERY
AND
CAPACITY COST RECOVERY

PROJECTIONS
JANUARY 2023 THROUGH DECEMBER 2023

TESTIMONY
OF
PENELOPE A. RUSK

FILED: SEPTEMBER 2, 2022

TAMPA ELECTRIC COMPANY
DOCKET NO. 20220001-EI
FILED: 09/02/2022

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **PREPARED DIRECT TESTIMONY**

3 **OF**

4 **PENELOPE A. RUSK**

5
6 **Q.** Please state your name, address, occupation, and
7 employer.

8
9 **A.** My name is Penelope A. Rusk. My business address is 702
10 North Franklin Street, Tampa, Florida 33602. I am employed
11 by Tampa Electric Company ("Tampa Electric" or "company")
12 in the position of Senior Director, Regulatory Affairs in
13 the Regulatory Affairs Department.

14
15 **Q.** Please provide a brief outline of your educational
16 background and business experience.

17
18 **A.** I hold bachelor's and master's degrees in Economics, and
19 I have over 20 years of electric utility experience.
20 Currently, I oversee and am responsible for Tampa
21 Electric's Regulatory Affairs department activities,
22 including the areas of cost recovery clauses, base rate
23 cases, rate design, cost of service, demand and energy
24 forecasting, and other analyses. I have regulatory
25 experience in a variety of areas, and I have appeared

1 before this Commission to answer questions in a number of
2 dockets. I also oversee the coordination and submission
3 of the Tampa Electric and Peoples Gas filings with federal
4 and state regulatory agencies. I am a member of the
5 Southeastern Electric Exchange Rates and Regulation
6 Committee.

7
8 **Q.** What is the purpose of your testimony?

9
10 **A.** The purpose of my testimony is to discuss Tampa Electric's
11 2022 fuel and purchased power cost under-recovery and the
12 company's proposed treatment of that amount.

13
14 **Q.** What is Tampa Electric's projection of the 2022 fuel cost
15 under-recovery?

16
17 **A.** In Tampa Electric's actual/estimated true-up filing
18 submitted to the Commission on July 27, 2022, Tampa
19 Electric estimated its 2022 fuel cost under-recovery to
20 be \$411,964,625.

21
22 **Q.** Has Tampa Electric since revised its expectations
23 regarding the projected 2022 under-recovery?

24
25 **A.** Yes. Based on current natural gas pricing, the company

1 now expects the 2022 fuel under-recovery to be
2 significantly higher than shown in the July 27, 2022
3 filing. The primary driver of the projected under-
4 recovery is rising natural gas prices. During 2022, the
5 natural gas market has been and continues to be extremely
6 volatile.

7
8 **Q.** Did Tampa Electric include the projected under-recovery
9 in its proposed 2023 fuel cost recovery factors?

10
11 **A.** No. Due to the extreme volatility of the natural gas
12 market, Tampa Electric has not included the 2022 projected
13 under-recovery in its 2023 fuel and purchased power cost
14 recovery factors at this time.

15
16 **Q.** How does Tampa Electric intend to recover the costs
17 associated with its 2022 under-recovery?

18
19 **A.** Tampa Electric proposes to continue to monitor natural
20 gas prices until the amount of the fuel cost under-
21 recovery is more certain and will make a request to
22 recover the 2022 under-recovery.

23
24 **Q.** Does this conclude your direct testimony?

25

1 **A.** Yes.

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 BY MR. MEANS:

2 Q Ms. Rusk, did you prepare a summary of your
3 testimony?

4 A Yes.

5 MR. MEANS: Mr. Chairman, just as a matter of
6 procedure. We have been listening today, and we
7 have a proposal that we have discussed with the
8 consumer parties we think will help move things
9 along.

10 CHAIRMAN FAY: Okay.

11 MR. MEANS: Specifically, Ms. Rusk came here
12 today with information that the consumer parties
13 have been requesting in their cross-examination of
14 other witnesses in this docket, and that
15 information includes the company's actual 2022 fuel
16 under-recovery as of October 31st, the company's
17 current estimate of the 2022 under-recovery through
18 December 31st, and rough estimates of customer bill
19 impacts by class using the projected year-end
20 under-recovery with recovery periods of 12 and 18
21 months. And she's also prepared to discuss the
22 company's current plan for seeking recovery of the
23 2022 under-recovery.

24 And although these details are not in her
25 prefiled testimony, we would propose to let Ms.

1 Rusk talk about those in her summary. And we have
2 spoken with OPC, Retail Federation and FIPUG, and
3 we do not think they will object to this as a
4 time-saving measure.

5 CHAIRMAN FAY: I would -- I would also be
6 surprised if you objected to this but --

7 MR. REHWINKEL: We support it.

8 CHAIRMAN FAY: Okay. No objection, Mr.
9 Wright?

10 MR. WRIGHT: We support it also.

11 CHAIRMAN FAY: Okay.

12 MR. WRIGHT: If there is a paper copy of the
13 information that would -- that Mr. Means just
14 described, I think it would enable me to pull one
15 the of the exhibits that I would otherwise present.

16 CHAIRMAN FAY: Sure. It doesn't sound like at
17 this time that there is -- well, I will let
18 Mr. Means --

19 MR. MEANS: No, I did not prepare a paper copy
20 of that.

21 MR. WRIGHT: All right. Thank you.

22 CHAIRMAN FAY: Yep.

23 Mr. Moyle?

24 MR. MOYLE: No objection from FIPUG, and a
25 profound thank you.

1 CHAIRMAN FAY: Okay. Thank you, Mr. Moyle.

2 MR. WRIGHT: Here here.

3 MR. MEANS: Well, thank you for your
4 indulgence, Mr. Chairman.

5 CHAIRMAN FAY: Sure.

6 BY MR. MEANS:

7 Q Ms. Rusk, could you please provide your
8 testimony summary?

9 A Good afternoon Commissioners.

10 My testimony addresses the fuel under-recovery
11 for 2022. And as some of the other witnesses have
12 already testified extensively, this was a year with an
13 extremely volatile natural gas market and a high priced
14 natural gas market.

15 We began the year needing a midcourse
16 correction at Tampa Electric, and that took effect in
17 April. And then we saw natural gas prices increase even
18 more. At the time of our July -- I am sorry, at the
19 time of our April notice that we expected to exceed the
20 10-percent threshold again, we had just implemented the
21 midcourse rate and we are already projecting more than
22 10 percent variance at that time. That was based on
23 natural gas prices at the end of March.

24 By the time we filed our July 27th actual
25 estimate filing, that projected under-recovery amount

1 for the year had increased again. And then in the few
2 weeks following that filing, it increased by more than
3 50 percent again, from roughly 400 million to over \$600
4 million.

5 At that time, we could have decided to revise
6 our actual estimate, or to implement a second midcourse
7 correction request here at the Commission. But out of
8 concern for the number of rate changes during the year,
9 and the impact on customer bills during a year when
10 inflation was already hitting double digits for many
11 items, and customers were telling us they were concerned
12 about the impact on their bills, we decided to wait. We
13 decided to monitor the fuel prices, and we hoped that we
14 might see a decline in the market as well that we could
15 taken take advantage of by the time we did adjust those
16 factors.

17 We have seen at least a small decline since
18 that time. We've seen an increase since that 600
19 million, but then a decline after that in the last few
20 months. And so we feel that our strategy has been
21 successful in allowing us to get toward the end of the
22 year and know the amount of that under-recovery that
23 needs to be collected with much greater certainty, with
24 only a delay in implementation of two to three months
25 compared to the normal schedule.

1 This has also had the benefit to customers of
2 stepping in with a rate increase as 2023 rates for fuel
3 are a bit higher than, you know, our standard over the
4 last sort of five years had gotten to be. They are
5 expected to be less than 2022, though.

6 Our projections as we have looked forward, and
7 all of our forecasts have shown us, that the market was
8 expected to drop off after the winter of 2023. And so
9 we were additionally hopeful that even with the
10 levelized factor, when we looked at our scenarios moving
11 forward, that a slight delay would allow us to sort of
12 levelize and mitigate some of the impact that we were
13 seeing in 2022 for our customers.

14 We have done the prudent thing. We have
15 followed the rule in notifying the Commission and
16 explaining why we did not believe it was practical to
17 implement another midcourse correction at that time.
18 And again, we considered the customers' desire for rate
19 stability, all our customers' desire for rate stability
20 as we made those decisions.

21 The bill increases that I have brought with me
22 today are as.

23 CHAIRMAN FAY: Ms. Rusk, feel free to take
24 your time. I recognize that there is a light in
25 front of you that's flashing at you, but with the

1 additional information you are providing in your
2 opening, we are going to allow you additional time.

3 THE WITNESS: Thank you.

4 I was just going to give these rough estimates
5 that we have calculated based on where we expect to
6 end the year this -- at this time, which would be
7 somewhere around \$550 million under-recovered. As
8 of October 31st, we are currently \$470 million
9 under-recovered. And so as I said earlier, that is
10 less than our run that we completed when we reran
11 at the time of the 2023 projection filing, and we
12 were over \$600 million under-recovered at that
13 time.

14 In terms of a residential bill impact, we have
15 been looking at different scenarios, different time
16 periods, to try to help mitigate that impact on
17 customers. If we were to look at a 12-month
18 calculation for that increase, it would be another
19 \$20 on the fuel charge. But if we spread that to
20 18, then that reduces the impact to \$13 as the
21 increment.

22 As we look at the commercial and industrial,
23 we can talk about it more on a percentage rate, as
24 that's more, I think more indicative for them.

25 These vary somewhat widely in terms of the rate

1 class of the customer and their usage and load
2 pattern. But if we look at the 12-month increase,
3 say we begin it in April for 12 months, we would be
4 looking at somewhere between 13 to 25 percent
5 increase in the fuel -- in the bill based on that
6 fuel charge. And if we looked at it over 18
7 months, that increase is reduced to eight to 15
8 percent increase on the bill; again, depending on
9 rate class, load profile, et cetera.

10 And as we were just sitting there talking in
11 the -- in the audience, we did a quick estimate for
12 the 21 month range as well, and that would be
13 somewhere in the neighborhood of six to 12 percent
14 for commercial and industrial.

15 So with all of that being said, we would just
16 like to reinforce that we have delayed the
17 collection of this 2022 under-recovery by two to
18 three months compared to the normal timeline in the
19 hopes that this would allow us to have that greater
20 certainty for the under-recovery amount, and not to
21 have multiple rate changes, or have a larger rate
22 impact that we might then end up in an overrecovery
23 situation.

24 Having fewer changes is important to our
25 customers, and we feel that this was the prudent

1 and reasonable thing to do. And we ask that you go
2 ahead and approve our factors as proposed for
3 January, and know that we will be coming back with
4 another filing in January of 2023 to determine the
5 recovery of that 2022 under-recovery amount.

6 Thank you.

7 CHAIRMAN FAY: Okay. Thank you, Ms. Rusk.

8 MR. MEANS: And we tender the witness for
9 cross.

10 CHAIRMAN FAY: Okay. Thank you, Mr. Means.

11 Mr. Rehwinkel, whenever you are ready, you are
12 recognized.

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

15 EXAMINATION

16 BY MR. REHWINKEL:

17 Q Hello, Ms. Rusk.

18 A Hello.

19 Q I don't want to draw the ire of the Chairman,
20 but I was wondering, in all that you just stated about
21 the plan, was there an assumption about the carrying
22 costs that you can -- that you are aware of what and can
23 disclose now?

24 A Yes. With respect to our assumptions in our
25 calculations, they did include the typical carrying cost

1 for, you know, incurring these costs and not recovering
2 those costs for, you know, as the months go by.

3 Q So consistent with the Commission's policy on
4 commercial paper rate?

5 A Commercial paper rate.

6 Q Thank you.

7 A Uh-huh.

8 Q I have winnowed my 14 pages of questions down
9 to seven questions, so let me see if I can stick to
10 that.

11 In the petition that you -- and supporting
12 schedules that you have filed for -- you filed on July
13 27th, you used the exact same process the company has
14 used for many years when identifying the total
15 under-recovery amount, 412 million, is that right?

16 A Correct.

17 Q And can you tell me if you are -- if you are
18 aware, has the company ever not sought recovery of the
19 actual estimated amount in the annual fuel factor
20 process?

21 A There have been times in the history of the
22 clause in the company during my tenure there where we
23 did not recover -- we did not request to recover the
24 fuel amount. Instead, we collected over a longer period
25 of time than the 12-month typical collection period.

1 Q Okay. But you never put a zero in there?

2 A No, not to my knowledge.

3 Q Okay. Now, you would agree that the mechanics
4 of the forecast process have produced the current fuel
5 factor for 2023 at the same that was used for 2022?

6 A The same as for the 2022 projection?

7 Q Yes.

8 A Yes, the mechanics of the process are the
9 same.

10 MR. REHWINKEL: I think given what you have
11 testified, I can cut out the rest of my questions,
12 and, Mr. Chairman, those are all I have. Thank
13 you. Thank you, Ms. Rusk.

14 CHAIRMAN FAY: Thank you, Mr. Rehwinkel.

15 Mr. Wright, you are recognized.

16 MR. WRIGHT: Thank you, Mr. Chairman. Could
17 via minutes or two?

18 CHAIRMAN FAY: Sure.

19 MR. WRIGHT: I'm trying to winnow mine as
20 well. Thank you.

21 CHAIRMAN FAY: Sure.

22 Mr. Moyle, while he is working, do you have a
23 general idea of your timeline with questions? I
24 just want to make sure for the court reporter that
25 I don't -- I don't extend us too long.

1 MR. MOYLE: Very, very brief, given the
2 opening statement.

3 CHAIRMAN FAY: Okay. Thank you.

4 Ms. Brownless?

5 MS. BROWNLESS: We just have two questions.

6 MR. WRIGHT: Thank you, Mr. Chairman. I am
7 ready.

8 CHAIRMAN FAY: Okay. Go ahead, Mr. Wright.

9 EXAMINATION

10 BY MR. WRIGHT:

11 Q Good afternoon, Ms. Rusk.

12 A Good afternoon.

13 Q Thank you very much for providing the
14 information you provided in your -- in your summary.

15 MR. WRIGHT: Housekeeping, Mr. Chairman. If
16 we could, I would like to mark the letter from
17 Malcolm Means to Mr. Teitzman as Exhibit 81.
18 That's the Tampa Electric midcourse letter.

19 CHAIRMAN FAY: Okay.

20 (Whereupon, Exhibit No. 81 was marked for
21 identification.)

22 MR. WRIGHT: And also mark Tampa Electric's
23 Schedules E1, E1-A and E-10 as 82.

24 CHAIRMAN FAY: Okay.

25 (Whereupon, Exhibit No. 82 was marked for

1 identification.)

2 MR. WRIGHT: And I don't need the third
3 exhibit that was passed out, the estimated impact
4 schedule, because --

5 CHAIRMAN FAY: No longer --

6 MR. WRIGHT: -- it was provided, and I don't
7 need that one because she provided that
8 information.

9 CHAIRMAN FAY: Okay.

10 MR. WRIGHT: Thank you.

11 BY MR. WRIGHT:

12 Q Okay. Just to confirm something I think you
13 said in your summary, you implemented a midcourse
14 correction on April 1st of this year?

15 A Correct.

16 Q And as of that time, you were already
17 projecting to be under-recovered for the rest of the
18 year, is that also correct?

19 A We were concerned about it, yes, and we did an
20 analysis that began roughly around that same time,
21 April 1st, and culminated it in our letter filed in
22 mid-April.

23 Q Okay. And, in fact, was, as of the end of
24 April, was the company under-recovered?

25 A Yes.

1 Q Thanks.

2 And every month thereafter for 2022?

3 A Yes.

4 Q Thank you.

5 The company's total proposed fuel cost
6 recovery amount, or what I might call the fuel bill for
7 2023, as it stands, is \$962 million?

8 A Roughly.

9 Q Thanks.

10 And your best estimate as of this afternoon
11 for the 2022 under-recovery is \$550 million?

12 A Yes.

13 Q Thank you.

14 If I could ask you to look at what has now
15 been marked as Exhibit 82, and specifically ask you to
16 look at your E-10, which is the first page in that
17 exhibit.

18 I would just ask you to confirm that there is
19 not anything in that residential bill comparison,
20 Schedule E-10, that shows any part of the 2022
21 under-recovery as being part of next year's charges, is
22 there?

23 A No, that is not included in there.

24 Q Thanks.

25 And are you familiar with what we call the

1 **matching principle in utility ratemaking?**

2 A Yes.

3 **Q And do you agree that that's good policy?**

4 A I believe that it is a good policy to follow,
5 however, it is not the only consideration that we have
6 when we consider how to set rates.

7 **Q If the Commission were so inclined, could**
8 **Tampa Electric include at least part of the 2022**
9 **under-recovery beginning in January?**

10 A So your question is to could we calculate that
11 number and put it into effect?

12 **Q Yes, more or less as FPL did by filing in**
13 **early November and getting a midcourse implemented**
14 **January 1st, could you do it? That's my question.**

15 A I think it would be tight in the sense that we
16 are already in mid-November. So in some ways, that
17 would be, you know, dependent on everyone involved to
18 turn the documents around very quickly. However, it is
19 at least theoretically possible to calculate those
20 numbers and then go ahead and implement them in the
21 billing system once they are approved.

22 **Q And just to confirm one other number you**
23 **provided in your summary. As of the end of October, the**
24 **company is under-recovered by approximately \$470**
25 **million?**

1 A That's correct.

2 Q And then that means that you have incurred
3 \$470 million more to provide service so far through
4 October than you have recovered from your customers
5 during that time period, correct?

6 A Yes.

7 Q Good deal.

8 Thanks very much, Ms. Rusk. Good to see you.

9 A Good to see you. Thank you.

10 CHAIRMAN FAY: Thank you, Mr. Wright.

11 Mr. Moyle.

12 MR. MOYLE: Thank you.

13 EXAMINATION

14 BY MR. MOYLE:

15 Q I have a couple of questions on the summary
16 that you -- that you gave just for clarification
17 purposes. On the residential 12 months \$20, and 18
18 months \$13, is that right?

19 A Correct.

20 Q And that would be with respect to the overall
21 bill total, or just a fuel portion of the bill?

22 A The total bill.

23 Q Okay. And that would be, like, the average
24 1,000-kilowatt-hour?

25 A 1,000 kilowatt hours, yes.

1 Q Okay. And then what -- do you know, what
2 would that result in the total bill being? You heard
3 earlier there was a ballpark number that was provided.
4 If you could share that, that would be helpful.

5 A That would be approximately \$167 for the
6 12-month scenario, and approximately \$150 -- no, \$160
7 for the 18-month scenario.

8 Q Okay. Thank you.

9 And then -- and then the same question with
10 respect to the percentages that you provided for the
11 commercial and the industrial, that is a percent of the
12 overall bill increase?

13 A Correct.

14 Q Okay. Mr. Wright asked you a question about
15 the matching principle, and you said that's something
16 that's considered but there are other things that are
17 considered as well. Rate shock is something that's also
18 a principle that is considered in ratemaking, is it not?

19 A It is.

20 Q What is your understanding of rate shock?

21 A Well, generally, a shock would be something
22 that is unexpected.

23 Q And in terms of order of magnitude, do you
24 have some thoughts with respect to what kind of an order
25 of magnitude may be one that could implicate rate shock?

1 A No, I don't. I think that we -- we did try to
2 consider that, though, and when we are talking about our
3 efforts to mitigate the bill impact by stepping into it
4 by delaying the under-recovery until it was more certain
5 in the hopes that we didn't go too high, and then, you
6 know, that would be a greater shock.

7 Q All right. And obviously, with respect to the
8 proposals that you are considering, the greater amount
9 of time for which the recovery is -- is made, it's the
10 lower -- lower percent increase, correct?

11 A Correct.

12 Q Do you have any experience with respect to
13 midcourse adjustments being recovered during the
14 remaining calendar period of the year for which the
15 midcourse is filed?

16 A Yes, I do.

17 Q Tell -- what's your experience?

18 A Well, we have had other midcourses where the
19 amount withs recovered over the remainder of the
20 calendar year. They were a smaller magnitude impact.
21 They were a smaller dollar amount in total.

22 Q And I assume that's part of the reason why no
23 one today has said, we want to recover the fuel over the
24 remaining months in 2023, because obviously, that would
25 be a lot more money than spreading it out over 12

1 **months, or spreading it out over 24 months?**

2 A Yes. I mean, certainly possible to calculate
3 the impact. However, it's not something that Tampa
4 Electric has wanted to do, as we don't want to have an
5 even greater change in the bills, you know, spread over
6 fewer number of kilowatt hours, essentially, if we only
7 apply it to nine months of sales instead of 12 months of
8 sales, or 18 months of sales.

9 Q Okay. And Tampa Electric Company, as a
10 company, they are open to considering customer views and
11 preferences with respect to recovery periods, I would
12 assume, correct?

13 A I think we are open to considering our
14 customer views, yes.

15 Q Because today, you said here, we are
16 considering two options, 12 months and 18 months. I
17 guess your decision on that will be informed by a
18 variety of factors, including customer views?

19 A Yes.

20 MR. MOYLE: Okay. Thank you. That's all I
21 have.

22 CHAIRMAN FAY: Okay. Ms. Brownless?

23 MS. BROWNLESS: Yes.

24 EXAMINATION

25 BY MS. BROWNLESS:

1 Q Good afternoon, Ms. Rusk.

2 A Good afternoon.

3 Q When will you have your final December 2022
4 fuel data available?

5 A We would have all of the data that we would
6 need to complete the schedules for a filing that shows
7 actuals through December by mid-January.

8 Q Okay. And do you intend to wait until you
9 have that data prior to filing your midcourse
10 correction?

11 A Yes, we do.

12 Q Okay. So is it fair to say that you would
13 have your filings -- would be able to have your filings
14 complete by the end of January?

15 A Yes.

16 Q And when do you anticipate your rates would go
17 into effect, if, in fact, you filed by the end of
18 January?

19 A Our best guess would be March or April.

20 Q Okay. I assume you prefer sooner rather than
21 later?

22 A Of course.

23 MS. BROWNLESS: That's all we have. Thank
24 you.

25 CHAIRMAN FAY: Okay. Thanks, Ms. Brownless.

1 Commissioner Clark, you are recognized.

2 COMMISSIONER CLARK: Ms. Rusk, I have maybe a
3 single strange question. It just kind of occurred
4 to me as to some of the line of questioning that we
5 are getting from some of the intervenors.

6 Has there ever been a point in time where you
7 looked at the -- a under-recovery collection over
8 different periods of time for different classes of
9 customers?

10 THE WITNESS: That's a very good question. We
11 actually have not done that in the past, to the
12 best of my knowledge, but we were certainly open to
13 looking into it.

14 COMMISSIONER CLARK: Would there be any major
15 prohibition from a billing perspective of setting
16 industrial or commercial customers up on a 12-month
17 or six-month recovery, and residential customers on
18 a 24-month recovery?

19 Typically we are looking at a customer's
20 ability to avoid rate shock, and I appreciate Mr.
21 Wright bringing my comments from last year's
22 hearing into play about some of my bedrock
23 principles. And certainly, the matching principle
24 is very important, but rate shock is equivalent --
25 is equally important to me. And that's one of my

1 big concerns, is the impact that it's having on our
2 customers. And I won't go into kind of everything
3 I had kind of in line to say, but it's not out of
4 the question that we could find a compromise for
5 the different classes of customers, and that would
6 be fairly simple to do in a billing perspective,
7 correct?

8 THE WITNESS: Yes, I think that's accurate.

9 COMMISSIONER CLARK: Thank you.

10 CHAIRMAN FAY: Great. Thank you, Commissioner
11 Clark. If anybody could find a compromise, it
12 would be you, so.

13 All right. With that, Mr. Means, you are
14 recognized for redirect.

15 MR. MEANS: Thank you.

16 FURTHER EXAMINATION

17 BY MR. MEANS:

18 Q Ms. Rusk, you recall the question from Mr.
19 Wright about the matching principle?

20 A Yes.

21 Q And then Mr. Moyle asked you about rate
22 shock --

23 A Yes.

24 Q -- you recall that question? And do you
25 recall stating earlier that there are other principles

1 **you apply besides the matching principle when you are**
2 **thinking about ratemaking?**

3 A Yes.

4 **Q What are some of those other principles?**

5 A Some of those other principles are, in fact,
6 tied into rate shock, as Mr. Moyle mentioned. They also
7 relate to rate stability.

8 We -- you know, as I mentioned in my opening
9 statement, we hear from our customers that they do not
10 want multiple changes throughout the year. And so while
11 those are sometimes unavoidable, we do consider that as
12 we are looking at whether or not we should carry a
13 balance forward, or if we should act on a change in the
14 more immediate future.

15 MR. MEANS: Thank you. No further questions.

16 CHAIRMAN FAY: Okay. Mr. Wright, did we have
17 any exhibits for you for Ms. Rusk? I think we did,
18 one?

19 MR. WRIGHT: Thank you, Mr. Chairman, 81 and
20 82.

21 CHAIRMAN FAY: 81 and 82, okay.

22 Any objections?

23 MR. MEANS: No objection.

24 CHAIRMAN FAY: Okay. Show 81 and 82 entered
25 into the record without objection.

1 (Whereupon, Exhibit Nos. 81-82 were received
2 into evidence.)

3 CHAIRMAN FAY: Mr. Means, would you like to
4 relieve your witness?

5 MR. MEANS: Yes. May Ms. Rusk be excused?

6 CHAIRMAN FAY: Yes. Thank you, Ms. Rusk.

7 THE WITNESS: Thank you.

8 CHAIRMAN FAY: Travel safe.

9 (Witness excused.)

10 CHAIRMAN FAY: All right, Commissioners, that
11 completes our testimony portion of the hearing.
12 What I would like to do is go to Ms. Brownless now
13 just to see where we could be procedure-wise.

14 I my, Ms. Brownless, just from a timing
15 perspective, and at the pure complexity of this
16 docket, I know at the prehearing there was some
17 discussion of doing closing arguments. I
18 personally would like to see briefs, and so I don't
19 know if that essentially would expedite some of
20 what you were going to present to us, but I just
21 wanted to give you that piece of information before
22 you walk through maybe what our potential options
23 going forward would be.

24 Your mic. Thank you.

25 MS. BROWNLESS: I can winnow them down quite a

1 bit.

2 CHAIRMAN FAY: Okay. And just real quick, Ms.
3 Brownless, before I turn to you, I apologize, I
4 make sure eye colleagues that may also have an
5 opinion on that one way or another weigh in before
6 we --

7 MS. BROWNLESS: Sure.

8 CHAIRMAN FAY: -- provide direction.

9 Commissioner La Rosa, you are recognized.

10 COMMISSIONER LA ROSA: Thank you, Chairman.

11 I know I am just going to say that I'm okay
12 with the direction it looks like you are going with
13 this.

14 CHAIRMAN FAY: Okay. Great.

15 All right. Ms. Brownless, I got one in my
16 corner.

17 MS. PASSIDOMO: Mr. Chairman, this is
18 Commissioner Passidomo on the line. I would just
19 like to -- I would also prefer to see briefs, but
20 again, willing to -- whatever the parties decide,
21 but that's my preference.

22 CHAIRMAN FAY: Okay.

23 MS. PASSIDOMO: Thank you.

24 CHAIRMAN FAY: Okay. Go ahead, Ms. Brownless.

25 Thank you, Commissioner Passidomo.

1 MS. BROWNLESS: Right now, the issues that
2 remain are 3A, 8 through 10, 16, 18 and 20. And
3 these issues are all related to the treatment of
4 the 2022 fuel cost under-recoveries for FPUC, DEF,
5 FPL and TECO.

6 And there was some previous discussion about
7 giving the parties an opportunity to do closing
8 arguments, statements, rather than file briefs. So
9 now that the Commissioners have expressed their
10 preferences, I think it would be appropriate to ask
11 the parties what they would like to do.

12 CHAIRMAN FAY: Okay. With that, I can start
13 down at the -- that was real fair that we expressed
14 our beliefs before you gave yours, but to be clear,
15 it is 3:45, so if you -- if you did have a strong
16 opinion about moving forward with closing
17 arguments -- I know there was some discussion about
18 the time between completion of this and the allow
19 for preparation of closing, and that, I think in
20 part, sort of one of my reasons I think it might be
21 appropriate to move forward with a brief that
22 essentially is limited to the issues that Ms.
23 Brownless has stated here since the rest of them
24 are stipulated, but I will allow the utilities to
25 weigh in how they feel appropriate.

1 MS. MONCADA: Yeah. I have no problem with
2 the suggestion from the bench.

3 CHAIRMAN FAY: Let me ask you this, Ms.
4 Moncada, do you feel that you would be able to
5 prepare for a closing argument in time to present
6 to the Commission this afternoon?

7 MS. MONCADA: When you say in time.

8 CHAIRMAN FAY: Reasonable business hours, I
9 mean, being done here.

10 MS. MONCADA: To be done, for everyone down
11 this row to be done by five o'clock, maybe not.

12 CHAIRMAN FAY: Okay. Mr. Bernier, Mr. Means.

13 MR. BERNIER: I am going to be in the same
14 boat.

15 CHAIRMAN FAY: Okay.

16 MR. BERNIER: Whatever y'all prefer, I would
17 be prepared, and I will be brief.

18 CHAIRMAN FAY: Okay.

19 MR. MEANS: Yes, in the same position. I am
20 prepared to move forward with closing arguments if
21 that's your preference, and I will be brief, but if
22 you would prefer briefs, we are okay with that too.

23 CHAIRMAN FAY: Okay. Ms. Keating.

24 MS. KEATING: So at the risk of incurring the
25 wrath of the Chair and the Commission, I would just

1 note that we only have 3A. It's really a policy
2 issue, and I am ready to present argument now,
3 so --

4 CHAIRMAN FAY: Got you. You would be the
5 outlier in this situation.

6 MS. KEATING: I would be the outlier.

7 CHAIRMAN FAY: That's okay.

8 MS. KEATING: But of course, if the Commission
9 prefers a brief --

10 CHAIRMAN FAY: That's why we are asking.

11 MS. KEATING: -- that's what we will do.

12 CHAIRMAN FAY: Yeah.

13 Mr. Moyle.

14 MR. MOYLE: I -- it helped hearing the views
15 of the Commission going first, but I am somewhat
16 intrigued by some of the comments that were made
17 toward the end, and would like time to think about
18 whether that might be something that I think was
19 brought up during hearing, might be able to have
20 some off-line conversations and potentially put
21 something in a brief related to possibly doing
22 something on --

23 CHAIRMAN FAY: Yeah, it will allow you some
24 more time to figure that out with your client.

25 MR. MOYLE: Yeah. I mean, I am still thinking

1 about it --

2 CHAIRMAN FAY: Sure.

3 MR. MOYLE: -- you know, if I had more time to
4 think about it, I might be able to make some
5 headway on that.

6 CHAIRMAN FAY: Okay. Mr. Wright.

7 MR. WRIGHT: I have said this many times.
8 Y'all are the Commissioners, and I am just a
9 practitioner here. We will follow your wishes. I
10 was prepared to do closing argument, and can be,
11 but as I said, you are the Commissioners. We will
12 do what you want.

13 Thanks.

14 CHAIRMAN FAY: Okay. Mr. Brew.

15 MR. BREW: Mr. Chairman, as a practitioner, I
16 would be happy to do both, but --

17 CHAIRMAN FAY: Mr. Brew, nobody is happy to do
18 both. That's that 43 years I guess.

19 MR. BREW: Yeah, that's going to keep coming
20 back, I know. No, I am happy to abide by what the
21 bench decides to do.

22 CHAIRMAN FAY: Okay. Great.

23 Mr. Rehwinkel.

24 MR. REHWINKEL: My problem is one of timing.
25 I have been booked for months to go to Maine

1 tomorrow morning at 5:00 a.m. I will be back on
2 the 28th, and I think briefs were designed to be
3 due on the 29th, and I don't have the ability to
4 meet that because the hearing was originally
5 scheduled at a different time.

6 I am willing to provide a brief, or if there
7 is a forum in early December where we could make
8 oral argument in lieu of brief, I would be prepared
9 to do that. I am just not prepared to file a brief
10 on the 29th. That's my problem.

11 CHAIRMAN FAY: Okay.

12 MR. REHWINKEL: And I would say that Ms.
13 Keating raised an issue that I was going to address
14 in my closing for today.

15 Every company has testified that they are
16 going to file a correction about on exactly the
17 same time. We think -- well, the Public Counsel
18 feels that those should all be taken up as a part
19 of the same proceeding. And since there were
20 issues that were not allowed to be fully litigated
21 in this case, those issues should all be part of a
22 consolidated proceeding.

23 It goes back to one of the questions that I
24 raised earlier. FPUC is coming and asking for a
25 recovery period and a carrying cost. We would have

1 no objection to FPUC putting in their proposal, but
2 with the understanding that they would be part of a
3 four-company hearing that looked at all those
4 issues with everybody side-by-side so Commission
5 policy was consistent.

6 So I am not trying to get into oral argument
7 on this. I am just trying to say, where are we,
8 given we are this close to the end of the year and
9 we are in kind of a wicket here about --

10 CHAIRMAN FAY: Sure.

11 MR. REHWINKEL: When to do briefs. So I just
12 thorough that out there.

13 CHAIRMAN FAY: Okay. Ms. Brownless or Mary
14 Anne, I did want to confirm with you, I believe the
15 prehearing set briefs for the 29th, is that
16 accurate?

17 MS. BROWNLESS: Yes.

18 CHAIRMAN FAY: And so if -- if -- yeah, if we
19 wanted to brief now -- I -- I understand sort of
20 with the exceptions that maybe Mr. Moyle had
21 mentioned, there is some thoughts that he might
22 have that he would want to brief. I think, for the
23 complexity of the issues, it seems very challenging
24 to think it could be addressed today even if we
25 were to run sort of beyond the normal business

1 hours on a Friday. But with that said, I have not
2 heard from Commissioner Graham or Commissioner
3 Clark, and I want to make sure that you are not
4 excluded from the discussion if you have any
5 opinion one way or another.

6 COMMISSIONER GRAHAM: I will always bow to the
7 choice of the Chair.

8 CHAIRMAN FAY: That's on the record,
9 Commissioner Graham.

10 Commissioner Clark.

11 COMMISSIONER CLARK: I think I can -- I can go
12 either. My preference would be to see the item
13 briefed, but I certainly -- I will bow also to the
14 discretion of the Chair. I can -- I can go either
15 way.

16 CHAIRMAN FAY: Okay. With that, let me just
17 doubling check with Mary Anne before we provide
18 directive on timeline and briefs to make sure you
19 don't have anything.

20 MS. MONCADA: Commissioner, may I -- Mr.
21 Chairman, may I --

22 CHAIRMAN FAY: Yeah, Ms. Moncada, go ahead.

23 MS. MONCADA: Mr. Rehwinkel mentioned his --
24 the conflict in his schedule, and we certainly can
25 appreciate that somebody would have had plans

1 around Thanksgiving. And so to the -- he mentioned
2 potentially an early December oral presentation by
3 the parties, which would give us all more time to
4 develop our presentation. And just as one
5 alternative possibility for the bench to consider,
6 if you wish to consider it, and if the other
7 parties would agree, perhaps at the end of the
8 December 6th Agenda we could have an oral
9 presentation by anyone who wants to make it.

10 CHAIRMAN FAY: Okay. So let's do this. I
11 want to take a break so we can discuss with our
12 folks the logistics-wise, and then we will say
13 probably about 15 minutes here, and then we will be
14 back to provide some direction. Thank you.

15 (Brief recess.)

16 CHAIRMAN FAY: All right. I think we have
17 everybody back. So I will give a quick update for
18 what we are going to do procedurally, and then just
19 with my colleagues and Commissioner Passidomo, who
20 is on the line, make sure that we are okay with
21 this.

22 So for all of the parties, except FPUC, we are
23 going to set a closing argument date for December
24 6th, which would be following Agenda, which I think
25 accommodates scheduling and works for everybody.

1 And it would be similar to what we did in the
2 previous hearings, but just would be following that
3 Agenda meeting at that time.

4 So with that, we would allow -- I know not
5 everyone will need this, but we will allow 10
6 minutes for each party to present that closing
7 argument. And then similar to that time, we will
8 allow a break for some of our staff and the
9 Commissioners to take a little bit of time to
10 process, and then they will come back with a
11 recommendation on it and we will make a decision at
12 that time in lieu of briefs.

13 With that said, it is very important to me
14 that I am very clear from a due process component,
15 if any of the parties would like to brief, they are
16 fully entitled to do so. We are not -- we are not
17 saying that they shouldn't do that, but I just want
18 to make sure there isn't a party that feels they
19 want to do that before we set that December 6th
20 date and then move on to FPUC's issue.

21 So, Mr. Means, you are good? Okay, you had
22 your hand on the button there, I just want to make
23 sure. Yeah, okay.

24 Mr. Wright.

25 MR. WRIGHT: Just so I am clear, we are going

1 to do oral closing arguments on the 6th. We do not
2 have to file briefs, but we are welcome to do so?

3 CHAIRMAN FAY: No.

4 MR. WRIGHT: Is that what you said?

5 CHAIRMAN FAY: It's one or the other. So
6 if --

7 MR. WRIGHT: Oh.

8 CHAIRMAN FAY: -- if any party wants to file a
9 brief, we are going to allow all the parties to
10 file a brief and we will take it up in a normal
11 decision process with a recommendation.

12 MR. WRIGHT: Okay.

13 CHAIRMAN FAY: If --

14 MR. WRIGHT: I don't want to file one. I just
15 wanted to --

16 CHAIRMAN FAY: Okay.

17 MR. WRIGHT: -- know what you were expecting
18 of me.

19 CHAIRMAN FAY: Okay. Just wanted to make
20 sure. That's fine.

21 Mr. Moyle, you have something to add?

22 MR. MOYLE: No. I just -- it's in lieu of,
23 our option is to do an oral argument in lieu of
24 filing a brief, and the statute says we can brief
25 it as a matter of right, but we are waiving our

1 right to brief it?

2 CHAIRMAN FAY: Correct. Exactly. So assuming
3 you want to do so --

4 MR. MOYLE: -- and waive the brief and do the
5 oral argument.

6 CHAIRMAN FAY: Yes. Perfect. Does that make
7 sense? Okay, I just want to make sure we clear
8 that you do still have the opportunity to brief if
9 you felt otherwise.

10 Mr. Brew.

11 MR. BREW: Yes, if a party opts to file a
12 brief, is that still due on November 29th?

13 CHAIRMAN FAY: Yes, but to be clear, if a
14 party opts to file a brief, we are going to have
15 all the parties brief. We're not going to have one
16 or the other.

17 MR. BREW: Oh, okay. Got you.

18 CHAIRMAN FAY: Okay. With that, let me just
19 make sure. Okay, so with that, any other comments?

20 Let me make sure from staff, so we would set
21 this for notice for December 6th following Agenda,
22 is that correct?

23 MS. BROWNLESS: Yes, sir.

24 CHAIRMAN FAY: Okay. Great. And anything
25 Mr. Hetrick?

1 MR. HETRICK: I just -- Mr. Brew, you waive
2 your right to brief, is that correct, or not?

3 MR. BREW: I am a little confused by the
4 discussion.

5 CHAIRMAN FAY: Oh, interesting. Okay.

6 MR. BREW: What I had heard is that it's being
7 set for oral presentations arguments on the 6th
8 after Agenda, but briefs would be allowed in lieu
9 of that argument.

10 CHAIRMAN FAY: No.

11 MR. BREW: No, so I didn't hear you correctly.

12 CHAIRMAN FAY: It's the other way around. So
13 we will have -- we will have parties brief and we
14 will take it up with the normal briefing, and then
15 a recommendation from the Commission, and we will
16 set that date for that decision to be made; but if
17 all parties waive the opportunity to brief, then we
18 will set closing arguments.

19 MR. BREW: I see. Okay. All right.

20 MR. MEANS: Mr. Chairman, just for the clarity
21 of the record, would you like to just ask each
22 party if they are willing to waive briefs so
23 that --

24 CHAIRMAN FAY: Yeah.

25 MR. MEANS: -- I just don't want to get

1 surprised and have somebody file one on the 29th.

2 CHAIRMAN FAY: Yeah. Just to be clear, I
3 thought, based on my conversation with Mr. Brew, we
4 were fine, but let's make sure that's the case.

5 Ms. Moncada?

6 MS. MONCADA: FPL agrees to waive.

7 CHAIRMAN FAY: Okay. Mr. Bernier?

8 MR. BERNIER: DEF will waive.

9 CHAIRMAN FAY: Okay.

10 MR. MEANS: Tampa Electric agrees to waive.

11 CHAIRMAN FAY: Okay. You are a different
12 issue. I will be back to you, so hold on one
13 second.

14 So, Mr. Moyle?

15 MR. MOYLE: We agree to waive.

16 CHAIRMAN FAY: Okay.

17 MR. WRIGHT: Retail Federation waives.

18 Thank you.

19 CHAIRMAN FAY: Okay. Nucor?

20 MR. BRISCAR: Nucor waives.

21 CHAIRMAN FAY: Okay. Great.

22 Mr. Brew?

23 MR. BREW: PCS will waive.

24 CHAIRMAN FAY: Okay. Mr. Rehwinkel?

25 MR. REHWINKEL: Public Counsel waives.

1 CHAIRMAN FAY: Okay. Great.

2 So, Mr. Hetrick, is -- we are in a proper
3 posture now?

4 MR. HETRICK: Yes, sir.

5 CHAIRMAN FAY: Okay. Thank you.

6 Okay. So we are set for December 6th
7 following the Agenda meeting.

8 With that, everybody other than FPUC and the
9 intervenors are welcome to be dismissed, I guess,
10 in other words. And so what we are going to do
11 next is take up FPUC. We still have Issue 3A, and
12 allow for -- I think, if it's okay with the
13 parties, I would allow for a little time for, you
14 know, just a few minutes for you to present your
15 closing argument on 3A before the Commission then
16 makes a recommendation from Ms. Brownless and makes
17 a decision on it. But with that, let me make sure,
18 Mr. Rehwinkel, we are on the same page.

19 MR. REHWINKEL: Well, I -- Ms. Keating and I
20 have been having an extended conversation about a
21 misunderstanding that I think arose from the
22 verbiage in our position on 3A, and it has created
23 an understandable difficulty for the company,
24 because they were prepared to address an issue that
25 they read into my position that I never intended,

1 and it has created a bit of a conundrum.

2 There is a possibility of a solution that I
3 think might require that the other three companies
4 listen in, and perhaps they can help solve the
5 problem. I don't know if you want me to explain it
6 a little bit more.

7 MR. BERNIER: I am excited.

8 MS. KAUFMAN: I can help.

9 MR. REHWINKEL: Well, I think we can -- I
10 think I can get out of FPUC's way on this thing if
11 I get some sort of accommodation on a very narrow
12 piece of the issue that was always just my intent.

13 CHAIRMAN FAY: Yeah. And so I think maybe
14 what the appropriate thing to do would be if -- we
15 would allow a few minutes for a break, and there
16 could be further conversations obviously, but then
17 allow each party the opportunity under that closing
18 argument to state whatever --

19 MR. REHWINKEL: Okay.

20 CHAIRMAN FAY: -- potential issue that they
21 may have with that component, and that's on the
22 record.

23 And to your point, I am not -- I said the
24 other folks are dismissed if they want to they want
25 to leave. They wouldn't -- they wouldn't weigh

1 into this issue, because the goal is to resolve
2 this for FPUC at this time, so to your point, they
3 can move forward with --

4 MR. REHWINKEL: If I can talk to all three of
5 the other companies with Ms. Keating, we might be
6 able to resolve this.

7 CHAIRMAN FAY: Okay. That's fine.

8 Why don't then -- so for anybody else who does
9 not want to stay, you are welcome to stay, but
10 anyone else who does not want to stay can hit the
11 road. And for that, we will take a -- I will take
12 a break, and then -- not everyone. I apologize.
13 Bow to the Chair I thought, right? We will take a
14 break and then we will come back to see if we can
15 resolve it.

16 (Brief recess.)

17 CHAIRMAN FAY: All right. I think we've got
18 everybody back. Ms. Brownless, who should I start
19 with? You? Who should I start with?

20 MS. BROWNLESS: Beth, Ms. Beth.

21 CHAIRMAN FAY: Ms. Keating.

22 MS. KEATING: So, Mr. Chairman, thank you very
23 much for taking a break and letting us have a few
24 minutes to discuss.

25 I think, and Mr. Rehwinkel will obviously

1 correct me if I am wrong, that at least as to
2 Public Counsel, and hopefully that will apply to
3 the other intervenors, we have reached a meeting of
4 the minds.

5 CHAIRMAN FAY: Okay.

6 MS. KEATING: I do not believe, it is my
7 understanding from Commission staff, that that
8 includes Commission staff.

9 CHAIRMAN FAY: Okay.

10 MS. KEATING: So I am -- I am prepared to
11 present an argument, although I am --

12 CHAIRMAN FAY: Working through it.

13 MS. KEATING: -- having to reframe it for a
14 different scenario.

15 CHAIRMAN FAY: Okay.

16 MS. KEATING: But I turn to Mr. Rehwinkel.

17 CHAIRMAN FAY: Give you a few moments do that,
18 and, then, Mr. Rehwinkel, if you want to add
19 anything to the scenario, go ahead.

20 MR. REHWINKEL: Yes, Mr. Chairman.

21 We had taken a position that's set out on page
22 22 of the Prehearing Order. I -- to accommodate
23 FPUC's need for certainty, and to keep them from
24 having to come back and get into the mix on
25 December 6th, the Public Counsel is willing to go

1 to no position on this, with the understanding that
2 Tampa Electric, Duke Energy Florida and Florida
3 Power & Light will agree on the record not to point
4 to any decision related to the carrying costs for
5 the 2022 under-recovery for FPUC for the period
6 July 1 to December 31, 2022.

7 CHAIRMAN FAY: Okay. And that's why you were
8 stating earlier that, although maybe not
9 officially, we would want the utilities on the
10 record to --

11 MR. REHWINKEL: Yes.

12 CHAIRMAN FAY: -- to just make clear that that
13 is their position before moving forward with
14 anything with Ms. Keating.

15 MR. REHWINKEL: And one last thing is --

16 CHAIRMAN FAY: Yes, go ahead.

17 MR. REHWINKEL: -- everybody is take their
18 best hold for anything after January 1, 2023, with
19 respect to carrying costs, everybody is free to
20 argue what they want and point to whatever they
21 want. It's just that six-month period in '22.

22 CHAIRMAN FAY: Okay. With that, let me go to
23 Mr. Wright before I go over to the utilities.

24 MR. WRIGHT: Thanks, Mr. Chairman.

25 I -- this sounds a little different than what

1 I thought it was going to be. I understood that
2 the Public Counsel's position was going to be zero
3 carrying costs for the amounts from July 1 through
4 12/31/2022, during which the company electively
5 declined to seek recovery, and that the -- that
6 this misunderstanding was whether the zero carrying
7 charge rate applied to those six months or to
8 three-and-a-half years. And so I am somewhat
9 surprised by OPC changing its position to no
10 position. Our position is zero carrying costs for
11 the elective period through 12/31.

12 CHAIRMAN FAY: Okay.

13 MR. REHWINKEL: Just to clarify. The Public
14 Counsel's position is we are not agreeing to zero.
15 We just don't know with specificity what the rate
16 is, so we are not in a position to contest it.
17 Because of FPUC's unique situation, their extremely
18 small size, if I can get agreement that nobody is
19 going to apply a precedent to this, I am willing to
20 let the calculation up through the end of 2023 be
21 as the way FPUC has characterized it.

22 I think the issue in play with the staff may
23 be what's the rate beyond 2023, but we don't know
24 how that egg was scrambled and we are willing to
25 let it go as long as no one makes a precedential

1 argument about it.

2 CHAIRMAN FAY: Okay.

3 MR. REHWINKEL: I am not abandoning my zero
4 cost issue for voluntary deferral.

5 CHAIRMAN FAY: Okay. Understood.

6 Mr. Wright, you still feel the same way about
7 your position?

8 MR. WRIGHT: Yes. And I am perfectly happy
9 for y'all to vote on it today, and if you say, we
10 agree with the company, they can have whatever they
11 proposed, that's fine, if you say, we will sort it
12 out later -- my understanding is, from conversation
13 here, that we just don't know because the company
14 people who might know the answer to what's really
15 embedded in the numbers they've asked for aren't
16 available, and that's okay, and I get that.

17 CHAIRMAN FAY: Yeah.

18 MR. WRIGHT: But I am not going to agree to a
19 positive carrying cost rate when our position is
20 quite clearly zero for that period.

21 CHAIRMAN FAY: Okay.

22 MR. WRIGHT: And, you know, Mr. Rehwinkel has
23 worked out something that works for him that just
24 because of, frankly, the small size of FPUC in the
25 general scheme of things, but, you know -- and I

1 don't really need to say much more than has already
2 been said on this subject in terms of oral
3 argument. And y'all are welcome to vote today, and
4 I will say, we don't think it's appropriate because
5 they voluntarily --

6 CHAIRMAN FAY: Sure.

7 MR. WRIGHT: -- sat on it, and they shouldn't
8 be allowed to sit on it, kick the can down the road
9 and stick the customers with the interest. That's
10 all.

11 CHAIRMAN FAY: Sure. And I am fine with that.

12 MR. WRIGHT: Thank you.

13 CHAIRMAN FAY: I think the bigger issue is
14 just how it would potentially impact any of the
15 positions of the other utilities, and your -- to
16 your point, you don't -- you don't need to say any
17 more on it, but your issue is specifically with 3A
18 for FPUC --

19 MR. WRIGHT: Correct.

20 CHAIRMAN FAY: -- how that's calculated?

21 MR. WRIGHT: Yeah.

22 CHAIRMAN FAY: And the Commission can make the
23 decision on that today. Got you.

24 MR. WRIGHT: Thank you.

25 CHAIRMAN FAY: Great.

1 Yeah, Mr. Moyle.

2 MR. MOYLE: I think, if I am understanding
3 that this workout arrangement is in no way going to
4 be referenced as precedent by any of the parties,
5 then, you know, then I think that would make my
6 client a lot more comfortable.

7 CHAIRMAN FAY: Okay. Great.

8 With that, Ms. Brownless, anything else on
9 your side? I was going to give Ms. Keating a few
10 more minutes maybe to finalize what she has, but --
11 so with that said, then for I just want to make
12 sure I have clarity for all the parties, assuming
13 we can resolve this today. And if we can't, we
14 will take it up when we take everything else up,
15 but Public Counsel's position -- are you changing
16 something, Mr. Rehwinkel?

17 MR. REHWINKEL: No. I just would like at some
18 point in the process that the three big utilities
19 confirm that.

20 CHAIRMAN FAY: Got you, okay, would move to no
21 position.

22 Mr. Wright and Mr. Moyle both have their
23 positions on FPUC, but Mr. Moyle specifically does
24 not want any applied precedent, which we would need
25 to confirm with the three utilities that are

1 sitting here. If they do so, in that case, then we
2 can take up 3A as it relates specifically to FPUC.

3 I would like to give Ms. Keating and Mr.
4 Rehwinkel any other additional closing argument
5 opportunity if there is anything you would like to
6 provide for the record. And so with that, I will
7 start with Ms. Moncada.

8 MS. MONCADA: FPL agrees.

9 CHAIRMAN FAY: Okay.

10 MR. BERNIER: And I am sorry, because things
11 changed. If this is a live issue that y'all are
12 going to decide that is being litigated against
13 parties, I can agree that I will not use OPC's
14 position against them as them agreeing to it. But
15 if y'all make a decision in a litigated argued
16 case, I don't know how could I agree not to ever
17 point back to it.

18 CHAIRMAN FAY: That's fair. And I think under
19 that situation, we would just need to go ahead and
20 take this issue up when we take everybody else's
21 issues on the 6th. So you are entitled to take
22 that position.

23 Mr. Means.

24 MR. MEANS: Yeah, just for clarity, this is
25 now a contested live issue. That's kind of what I

1 was gathering from Mr. Wright's comments. Is that
2 correct, Mr. Wright?

3 CHAIRMAN FAY: Correct.

4 MR. MEANS: Okay.

5 CHAIRMAN FAY: Okay. So with that,
6 Ms. Keating, unfortunately we are not going to be
7 able to resolve it today, but with that --

8 MS. KEATING: Does it make sense then to have
9 us have oral argument at the same time on the 6th
10 or --

11 CHAIRMAN FAY: Yes. We would do -- you would
12 do closing arguments at the same time on the 6th
13 just specifically to your Issue 3A.

14 Okay. With that, Ms. Brownless, I want to
15 make sure we are not missing anything else before
16 we finalize things for adjournment, so just for
17 clarity for the record, following Agenda December
18 6th, we will take up 3A --

19 MS. BROWNLESS: All the outstanding issues.

20 CHAIRMAN FAY: That's a better way of phrasing
21 it. Thank you. All the outstanding issues for the
22 parties. At that time we will take closing
23 arguments. We will set 10 minutes for each party
24 to be able to do their closing argument. You don't
25 need to take all 10 minutes, but we will provide

1 you that at that time following Agenda. And then
2 at that time, we will take a recommendation from
3 staff and make a decision on the item at that time.

4 So with that, Mary Anne, anything else that we
5 need to add procedurally?

6 MS. HELTON: Mr. Chairman, I promised the
7 court reporter that I would mention when she will
8 have the transcript provided to the Clerk's Office
9 for them to do their thing with it.

10 CHAIRMAN FAY: Okay.

11 MS. HELTON: And that will be on Monday,
12 November 28th, which is the Monday after the
13 Thanksgiving holiday.

14 CHAIRMAN FAY: Okay.

15 MS. HELTON: I think the Governor closing us
16 down next Wednesday kind of through a little
17 wrinkle on that.

18 CHAIRMAN FAY: Okay. Yeah, and I know that
19 information was just put out, so I appreciate that.

20 With that, Commissioners, I want to make sure
21 you don't have anything else before we adjourn for
22 this meeting.

23 Commissioner Passidomo?

24 All right. I think we are all --

25 MS. PASSIDOMO: I'm all good. Thank you.

1 CHAIRMAN FAY: Great. Thank you, Commissioner
2 Passidomo.

3 With that, show this meeting adjourned. Thank
4 you. Drive home safe. Enjoy your weekend.

5 (Proceedings concluded.)

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

CERTIFICATE OF REPORTER

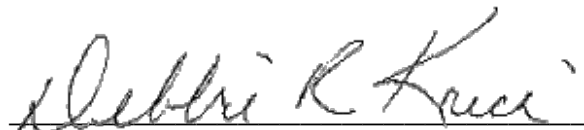
STATE OF FLORIDA)
COUNTY OF LEON)

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 28th day of November, 2022.



DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #HH31926
EXPIRES AUGUST 13, 2024