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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20220010-EI

In re: Storm protection plan cost recovery clause.
_________________________________/

VOLUME 1
PAGES 1 - 273

PROCEEDINGS: HEARING

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

DATE: Thursday, November 18, 2022

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

PREMIER REPORTING
112 W. 5TH AVENUE
TALLAHASSEE, FLORIDA
(850) 894-0828

APPEARANCES:

J. JEFFREY WAHLEN, MALCOLM N. MEANS and VIRGINIA PONDER, ESQUIRES, Ausley Law Firm, Post Office Box 391, Tallahassee, Florida 32302; appearing on behalf of Tampa Electric Company (TECO).

BETH KEATING, ESQUIRE, Gunster Law Firm, 215 South Monroe Street, Suite 601, Tallahassee, Florida 32301; appearing on behalf of Florida Public Utilities Company (FPUC).

CHRISTOPHER T. WRIGHT, ESQUIRE, 700 Universe Boulevard, Juno Beach, Florida 33408-0420; appearing on behalf of Florida Power & Light Company (FPL).

MATTHEW R. BERNIER and STEPHANIE A. CUELLO, ESQUIRES, 106 East College Avenue, Suite 800, Tallahassee, Florida 32301; appearing on behalf of Duke Energy Florida, LLC (DEF).

RICHARD GENTRY, PUBLIC COUNSEL; CHARLES J. REHWINKEL, DEPUTY PUBLIC COUNSEL; MARY A. WESSLING, PATRICIA A. CHRISTENSEN and STEPHANIE A. MORSE, ESQUIRES, OFFICE OF PUBLIC COUNSEL, c/o The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400; appearing on behalf of the Citizens of the State of Florida (OPC).

APPEARANCES CONTINUED:

JON C. MOYLE, JR. and KAREN A. PUTNAL, ESQUIRES, Moyle Law Firm, 118 North Gadsden Street, Tallahassee, FL 32301; appearing on behalf of Florida Industrial Users Group (FIPUG).

JAMES W. BREW and LAURA W. BAKER, Stone Law Firm, 1025 Thomas Jefferson Street NW, Suite 800 West Washington, DC 20007; appearing on behalf of Florida White Springs Agricultural Chemicals, Inc., d/b/a PCS Phosphate - White Springs (PCS).

PETER J. MATTHEIS, MICHAEL K. LAVANGA and JOSEPH R. BRISCAR, ESQUIRES, 1025 Thomas Jefferson Street, NW, Eighth Floor, West Tower, Washington, D.C. 20007; appearing on behalf of Nucor Steel Florida, Inc., (NUCOR).

STEPHANIE U. EATON, ESQUIRE, 110 Oakwood Drive, Suite 500, Winston-Salem, North Carolina 27103, and DERRICK PRICE WILLIAMSON and BARY A. NAUM, ESQUIRES, 1100 Bent Creek Boulevard, Suite 101, Mechanicsburg, Pennsylvania 17050, appearing on behalf of Walmart Inc. (Walmart).

SHAW STILLER, ESQUIRE, FPSC General Counsel's Office, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, appearing on behalf of the Florida Public Service Commission (Staff).

APPEARANCES CONTINUED:

KEITH C. HETRICK, GENERAL COUNSEL; MARY ANNE HELTON, DEPUTY GENERAL COUNSEL, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, Advisor to the Florida Public Service Commission.

I N D E X

P R O C E E D I N G S

CHAIRMAN FAY: And next we will move into Docket 10 -- 0010. With that, we will give a few folks some time to take their seats and switch up here and then we will move into this docket.

And my intent is to get through the witnesses in this docket by this afternoon, barring anything unusual.

MR. MOYLE: Mr. Chairman, just on a procedural point of clarification.

CHAIRMAN FAY: Yes, sir.

MR. MOYLE: All of these, if they go to bench vote like you are doing, written orders will follow along?

CHAIRMAN FAY: Yes. Correct. Yes.

MR. MOYLE: Okay.

CHAIRMAN FAY: All right. I think we got everybody. With that, we will start the 10 docket.

Mr. Stiller, I will recognize you for anything preliminary we need to take up.

MR. STILLER: Thank you, Mr. Chair.

Staff, at this time, is aware of two preliminary matters.

The first preliminary matter pertains to the separation factors as set forth in the prehearing order. As represented by counsel for FPUC at the prehearing, there were discussions ongoing with Commission staff about certain true-up and recovery numbers in Issues 2, 3 and 4, and the fallout of those numbers affected the factors in 7.

The day after the prehearing, FPUC circulated the updated numbers and the updated factors to all the parties and Commission staff. The updated numbers were accurately included in the prehearing order, however, the SPP factors contained typographical errors that we would like to correct for the record. And this is on page 20 of the prehearing order. And the table on the left side has rate schedule, and then on the right SPP factors per kilowatt hour.

For residential --

CHAIRMAN FAY: Mr. Stiller, hold up one second. Real quick --

MR. STILLER: Yes, sir.

CHAIRMAN FAY: -- let me just make sure everybody has a chance to get to page 20 if we want to validate these.

Okay. When you are ready, go ahead.

MR. STILLER: Okay. The first number in the prehearing order appears as .002504. That last four should be eliminated, such that the factor is .00250.

CHAIRMAN FAY: Okay.

MR. STILLER: The next number down, that four on the end again should be eliminated. And the accurate number is .00293.

And finally, general service demand, the third row, the four should be added, and the actual number is .00134. And I believe those are accurate, and I would ask Ms. Keating to confirm.

CHAIRMAN FAY: Okay.

MS. KEATING: Yes, that's what they should have been.

CHAIRMAN FAY: They are correct? Okay.

Any questions or issues from the parties?

Okay. With that, Mr. Stiller, we will move on to -- you said you had two?

MR. STILLER: Yes, Mr. Chair --

CHAIRMAN FAY: Okay.

MR. STILLER: -- there is one additional preliminary matter. As set forth on page 30, three zero of the prehearing order, FPUC and Walmart, those two parties reached a stipulation, again, as to only those two parties on Issue 7. That stipulation would resolve Issue 7 as to FPUC and

Walmart, and staff recommends that Commission approve that stipulation.

CHAIRMAN FAY: Okay. And this language hasn't changed, then, to your point, from how it's worded here in Issue 7 in the prehearing order?

MR. STILLER: That is it correct. That is the stipulation.

CHAIRMAN FAY: Okay. And would you recommend going ahead and taking up this issue by the Commission now, or when we go to the other stipulated issues, if there are any?

MR. STILLER: This will be the only stipulated issue in this docket, Mr. Chair. So it might be better, as a housekeeping matter, to take care of it up front.

CHAIRMAN FAY: Okay. Let's go ahead and take care of it now then.

So the parties had time to review the language and see -- any objections to taking this up at this time? I guess it's really FPUC and Walmart. So, Ms. Eaton, has this been accurately stated?

MS. EATON: It has been.

CHAIRMAN FAY: Okay.

MS. EATON: And it is fine with us to take it up right now.

CHAIRMAN FAY: Okay. Great. So with that, Commissioners, I will take a motion for Issue 7 as the language is stated here in the prehearing order on page 30. Do we have a motion for approval for that stipulation.

COMMISSIONER GRAHAM: Mr. Chairman, I move that we approve the stipulated as stated.

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

COMMISSIONER CLARK: Second.

CHAIRMAN FAY: Motion and a second.

All that approve say aye.

(Chorus of ayes.)

COMMISISONER PASSIDOMO: Aye.

CHAIRMAN FAY: None opposed. That will show Issue 7 approved by the Commission.

Thank you to FPUC and Walmart for getting that work done, and Mr. Stiller, just raising it on the front end just to make sure we took care of it.

So do you have any other preliminary matters, Mr. Stiller?

MR. STILLER: Staff is aware of no other preliminary matters at this time.

CHAIRMAN FAY: Okay. Great.

With that, then we can move on to prefiled testimony. So why don't you put us in the proper posture for that, Mr. Stiller, as who we have stipulated.

MR. STILLER: Yes, Mr. Chair.

Staff understands that the following witnesses have been excused and their prefiled testimony stipulated to by the parties:

For Tampa Electric, witnesses Roche and Latta.

For FPUC, witnesses Napier and Waruszewski.

For Florida Power & Light, witnesses Deaton and Fuentes.

For Duke Energy, witnesses Brong, Adams and Menendez.

For the Office of Public Counsel, witnesses Kollen and Mara.

For Walmart, witness Perry.

At this time, staff would ask that the prefiled testimony of these witnesses be moved into the record as read.

CHAIRMAN FAY: Okay. So without objection, show the prefiled testimony for those witnesses entered into the record as though read.

(Whereupon, prefiled direct testimony of Mark R. Roche was inserted.)

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20220010-EI

IN RE: STORM PROTECTION PLAN COST RECOVERY CLAUSE

TESTIMONY AND EXHIBIT

OF

MARK R. ROCHE

FILED: April 1, 2022

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

MARK R. ROCHE

Q. Please state your name, address, occupation and employer.

A. My name is Mark R. Roche. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or "the company") as Manager, Regulatory Rates in the Regulatory Affairs Department.

Q. Please provide a brief outline of your educational background and business experience.

A. I graduated from Thomas Edison State College in 1994 with a Bachelor of Science degree in Nuclear Engineering Technology and from Colorado State University in 2009 with a Master's degree in Business Administration. My work experience includes twelve years with the US Navy in nuclear operations as well as twenty-four years of electric utility experience. My utility work has included various positions in Marketing and Sales, Customer Service, Distributed Resources, Load Management, Power Quality, Distribution Control Center Operations, Meter Department, Meter Field Operations, Service Delivery, Revenue Assurance, Commercial and Industrial Energy Management Services, Demand Side Management ("DSM") and Storm Protection Plan ("SPP") Planning and Forecasting. In my current position, I am responsible for Tampa Electric's Energy Conservation Cost Recovery ("ECCR") Clause and Storm Protection Plan Cost Recovery Clause ("SPPCRC").

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

A. The purpose of my testimony is to present and support for Commission review and approval the company's actual SPP programs related true-up costs incurred during the January through December 2021 period.

Q. Did you prepare any exhibits in support of your testimony?

A. Yes. Exhibit No. MRR-1, entitled "Tampa Electric Company, Schedules Supporting Storm Protection Cost Recovery Factor, Actual for the period January 2021-December 2021" was prepared under my direction and supervision. This Exhibit includes Schedules A-1 through

A-9 which support the company's actual and prudent SPP program related true-up costs incurred during the January through December 2021 period.

Q. Will any other witnesses testify in support of Tampa Electric's actual January through December 2021 SPP costs?

A. Yes. David L. Plusquellic will testify on the actual 2021 SPP program achievements and provide specific detail regarding variances that support Tampa Electric's actual January through December 2021 SPPCRC costs.

Q. What were the actual SPPCRC costs incurred by Tampa Electric in the period of January through December 2021?

A. For the period of January through December 2021, Tampa Electric incurred actual SPPCRC costs of $115,236,172.

Q. What were the actual SPPCRC jurisdictionally separated revenue requirements incurred by Tampa Electric in the period of January through December 2021?

A. For the period of January through December 2021, Tampa Electric incurred actual SPPCRC jurisdictionally separated revenue requirements of $29,396,966 as detailed in Schedule A-2 page 1 of 1.

Q. What is the final end of period true-up amount for the SPPCRC for January through December 2021?

A. The final SPPCRC end of period true-up for January through December 2021 is an over-recovery, including interest, of $5,382,963. This calculation is detailed on Schedule A-1, page 1 of 1.

Q. Please summarize how Tampa Electric's SPPCRC actual jurisdictionally separated revenue requirement program costs for January through December 2021 period compared to the actual/estimated costs presented in Docket No. 20210010-EI?

A. For the period, January through December 2021, Tampa Electric had a variance of $4,511,433 or 13.3 percent less than the estimated amount. The estimated total SPPCRC jurisdictionally separated revenue requirement program costs were projected to be $33,908,399 which was the amount approved in Order No. PSC 2020-0293—AS-EI, issued August 28, 2020, as compared to the incurred actual jurisdictionally separated revenue requirement

SPPCRC costs of $29,396,966.

Q. Please summarize the reasons why the actual jurisdictionally separated revenue requirement expenses were less than projected expenses by $4,511,433?

A. Each SPP program's detailed variance and common variance contribution is shown on Schedules A-4, Page 1 of 1 and A-6, Page 1 of 1. The variance explanations that summarize why the actual expenses were less than projected are detailed in the testimony of David L. Plusquellic.

Q. Are all costs listed on Schedules A-5 and A-7 directly related to the Commission's approved SPP programs?

A. Yes.

Q. When did Tampa Electric initiate SPP activities with the Commission approved 2020-2029 Ten-Year SPP?

A. Tampa Electric initiated some SPP activities after the filing of the 2020-2029 SPP on April 10, 2020, to prepare for the full implementation following the Commission's approval of the company's 2020-2029 SPP.

Q. Did the company include any costs that are currently recovered in base rates?

A. No, the company entered into the 2020 Settlement Agreement, which was approved by the Commission on June 9, 2020. The 2020 Settlement Agreement ensures that no SPP costs recovered through the SPPCRC are also recovered through base rates.

Q. Should Tampa Electric's costs incurred during the January through December 2021 period for the SPPCRC be approved by the Commission?

A. Yes, the SPPCRC costs incurred were prudent and directly related to the Commission's approved SPP programs and should be approved.

Q. Does that conclude your testimony?

A. Yes, it does.

TECO
TAMPA ELECTRIC
AN EMERA COMPANY

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20220010-EI

IN RE: STORM PROTECTION PLAN COST RECOVERY CLAUSE

TESTIMONY AND EXHIBIT

OF

MARK R. ROCHE

FILED: May 2, 2022
REVISED: August 9, 2022

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

MARK R. ROCHE

Q. Please state your name, address, occupation and employer.

A. My name is Mark R. Roche. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or "the company") as Manager, Regulatory Rates in the Regulatory Affairs Department.

Q. Please provide a brief outline of your educational background and business experience.

A. I graduated from Thomas Edison State College in 1994 with a Bachelor of Science degree in Nuclear Engineering Technology and from Colorado State University in 2009 with a Master's degree in Business Administration. My work experience includes twelve years with the US Navy in nuclear operations as well as twenty-four years of electric utility experience. My utility work has included various positions in Marketing and Sales, Customer Service, Distributed Resources, Load Management, Power Quality, Distribution Control Center Operations, Meter Department, Meter Field Operations, Service Delivery, Revenue Assurance, Commercial and Industrial Energy Management Services, and Demand Side Management ("DSM") Planning and Forecasting. In my current position, I am responsible for Tampa Electric's Energy Conservation Cost Recovery ("ECCR") Clause and Storm Protection Plan Cost Recovery Clause ("SPPCRC").

Q. Have you previously testified before the Florida Public Service Commission ("Commission")?

A. Yes. I have testified before this Commission on storm protection plan and SPPCRC activities, conservation and load management activities, DSM goal and plan approval dockets and other ECCR dockets.

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

A. The purpose of my testimony is to present, for Commission approval: (1) the calculation of the January 2022 through December 2022 Storm Protection Plan actual/estimated amounts to be recovered in the January 2023 through December 2023 projection period; (2) the calculation of the January 2023 through December 2023 Storm Protection Plan projected amounts to be recovered in the January 2023 through December 2023 projection period; and (3) the proposed 2023 SPPCRC cost recovery factors. I will describe the process used to develop the company's SPPCRC projections, which complies with Rule 25-6.031, Florida Administrative Code ("F.A.C.") and Section 366.96, Florida Statutes. The projected 2023 SPPCRC factors have been calculated based on the current approved allocation methodology that was approved by the Commission in Docket No. 20210034-EI.

Q. Did you prepare any exhibits in support of your testimony?

A. Yes. Exhibit No. MRR-2 was prepared under my direction and supervision. Exhibit No. MRR-2 includes Schedules P-1 through P-4 and associated data which support the development of the storm protection plan cost recovery factors for January through December 2023 using the 2021 Agreement methodology that was approved by the Commission in Docket No. 20210034-EI.

Q. Does the Exhibit No. MRR-2 meet the requirements of Rule 25-6.031(b), which requires the actual/estimated filing to include revenue requirements based on a comparison of current year actual/estimated costs and the previously-filed projected costs and revenue requirements for the current year?

A. Yes, it does.

Q. Does the Exhibit No. MRR-2 meet the requirement of Rule 25-6.031(b) to include a description of the work projected to be performed during the current year for each program and project in the utility’s cost recovery petition?

A. Yes, it does.

Q. Does the Exhibit No. MRR-2 meet the requirements of Rule 25-6.031(c), which requires the projected year to include costs and revenue requirements for the subsequent year for each program filed in the company’s cost recovery petition?

A. Yes, it does.

Q. Does the Exhibit No. MRR-2 meet the requirements of Rule 25-6.031(c), which requires the projected year to include identification of each of the utility's Storm Protection Plan programs for which costs will be incurred during the subsequent year, including a description of the work projected to be performed during such year, for each program in the utility's cost recovery petition?

A. Yes, it does.

Q. Will any other witnesses testify in support of Tampa Electric's Proposed Storm Protection Plan Cost Recovery Clause?

A. Yes. David L. Plusquellic will testify regarding the company's storm protection programs and provide specific detail regarding the work performed in 2022 and projected to be performed in the remainder of 2022 and in 2023 for each Storm Protection Program in the company's cost recovery petition. This detail includes costs, a description of the work to be performed, and an explanation how the activities are consistent with Tampa Electric's current 2020-2029 Storm Protection Plan and proposed 2022-2031 Storm Protection Plan.

Q. What is(are) the reason(s) you are revising your testimony that was originally filed on May 2, 2022, in this proceeding?

A. The following items for the SPPCRC Projection filing are the reasons for revising my testimony and Exhibit MRR-2:

- The 2023 billing determinants that were used for the May 2, 2022 filing were developed in the company's load forecast that was performed in 2021. With the SPPCRC hearing now being heard in November allowed the company to make an update to be made to use more recent 2023 billing determinants that were developed in the company's most recent load forecast in July 2022.
- The company corrected an issue that used the incorrect Return on Equity ("ROE") during the 2021 settlement projection filing. In the company's 2021 SPPCRC settlement projection filing, the ROE that should have been used for 2021 was 10.25 percent, versus the 9.95 percent that was used.
- The company changed the ROE on July 1, 2022 to 10.20 percent to reflect a ROE provision in the company's 2021 Agreement. This petition is being heard by the Commission in Docket No. 20220122-EI. If approved, this petition will increase the mid-point ROE from 9.95 percent to 10.20 percent effective July 1, 2022, for all regulatory purposes.

- The company corrected a discrepancy that involved incorrect time charging that was identified when developing its response to Staff's Second Set of Interrogatories, Interrogatory No. 20 in this Docket.

Q. What was the overall impact of the incorrect ROE used in the company's 2021 settlement projection filing?

A. By using the incorrect ROE of 9.95 percent for 2021, it increased the over-recovery amount for the 2021 period by $131,720. Using the correct ROE of 10.25 percent for the 2021 period resulted in an over-recovery of $473,115, versus the amount that was incorrectly shown of $574,835.

Q. What was the overall impact of the incorrect time charging that was found?

A. The impact of the incorrect time charging was an over charging to the SPPCRC in the 2021 period to the category of "Common" costs in the amount of $117,829.96. This amount was corrected in the 2022 actual/estimated amounts by making a journal entry to credit the amount to the "Common" costs in June 2022, that is shown in my Exhibit MRR-2, on Form E-5.

Process to Develop the Company's SPPCRC Projections

Q. What costs are encompassed in Tampa Electric's 2022 annual estimated/actual filing?

A. Tampa Electric developed its 2022 annual estimated/actual true-up filing showing actual and projected common costs and individual program costs based upon two months of actuals and ten months of estimates.

Q. Will you please describe the Storm Protection Plan costs that Tampa Electric projects it will incur during the period January through December 2022?

A. The actual costs incurred by Tampa Electric for January through February 2022 and projected for March through December 2022 are $186,097,418. A summary of these costs and estimates are fully detailed in Exhibit No. MRR-2, Storm Protection Plan Costs Projected – Actual and Projected, pages 76 through 114.

Q. Has Tampa Electric proposed any new or modified Storm Protection Programs for SPPCRC cost recovery for the period January through December 2023 that were not included in the company's current Storm Protection Plan or the proposed Storm Protection Plan that is currently being reviewed for approval by the Florida Public Service Commission in Docket No. 20220048-EI?

A. No, at this time Tampa Electric is not proposing any new programs for SPPCRC cost recovery for the period January through December 2023. The company did propose to modify two of the existing programs within the proposed 2022-2031 Storm Protection Plan. First, the company is proposing to change the way distribution lateral underground projects are prioritized and second, to add the installation of three applications that will enable Tampa Electric to leverage the information coming from the company advanced metering infrastructure system to reduce the number of outages in addition to shortening the time of outages during extreme weather events.

Q. Will you please describe the Storm Protection Plan costs that Tampa Electric projects it will incur during the period of January through December 2023?

A. Tampa Electric has estimated that the total storm protection costs during the 2023 period will be $187,290,577. A summary of these costs and estimates is fully detailed in Exhibit No. MRR-2, Storm Protection Plan Costs - Projected, pages 39 through 75.

DEVELOPMENT AND CALCULATION OF THE PROJECTED ANNUAL REVENUE REQUIREMENTS FOR 2022 and 2023

Q. What are the projected annual revenue requirements for Tampa Electric's SPP activities in 2022 and 2022 before Jurisdictional Separation?

A. The projected annual revenue requirements for the company's SPP activities for 2022 and 2023 before Jurisdictional Separation and Revenue Tax Factor are included below.

Total Projected SPP Revenue Requirement (2022-2023)

2022	$44,509,782
2023	$65,574,345

The revenue requirements of each SPP program are detailed further in my Exhibit No. MRR-2.

Q. Would you explain how these projected annual revenue requirements were developed?

A. Yes, the projected annual revenue requirements were developed with cost estimates for each of the SPP programs plus depreciation and return on SPP assets, as outlined in Rule 25-6.031(6), Florida Administrative Code ("F.A.C."), the SPP Cost Recovery Clause Rule.

Q. Do these revenue requirements include any costs that are currently recovered in base rates?

A. No, as explained further below the company agreed to procedures during the development of the company's initial SPPCRC in 2020 that are designed to avoid double recovery of SPP costs through both base rates and the SPPCRC.

Q. Do the projected annual revenue requirements include the annual depreciation expense on SPP capital expenditures?

A. Yes, Rule 25-6.031 states that the annual depreciation expense is a cost that may be recovered through the SPPCRC. As a result, the projected annual revenue requirements include the annual depreciation expense calculated on the SPP capital expenditures using the depreciation rates from Tampa Electric's most current Depreciation Study, approved by Order No. PSC-2021-0423-S-EI issued November 10, 2021 within Docket No. 20210034-EI.

Q. Were the depreciation savings on the retirement of assets removed from service during the SPP capital projects considered in the development of the revenue requirement?

A. Yes, in the development of the revenue requirements, depreciation expense from the SPP capital asset additions was reduced by the depreciation expense savings resulting from the estimated retirement of assets removed from service during the SPP capital projects.

Q. Do the projected annual revenue requirements include a return on the undepreciated balance of the SPP assets?

A. Yes, Rule 25-6.031 (6)(c) states that the utility may recover a return on the undepreciated balance of the asset costs through the SPPCRC. As a result, this return was included in the estimated annual jurisdictional revenue requirement. In accordance with the Order No. PSC-2020-0165-PAA-EU issued on May 20, 2020 within Docket No. 20200118-EU, Amended unopposed joint motion to modify Order PSC-2012-0425-PAA-EU regarding weighted average cost of capital methodology, Tampa Electric calculated a return on the undepreciated balance of the asset costs using the projected mid-point return on equity 13-month average weighted average cost of capital for 2023.

Q. Did the company include Allowance for Funds Used During Construction ("AFUDC") in the calculation of the projected annual revenue requirements?

A. No, per Rule 25-6.0141, F.A.C, in order for projects to be eligible for AFUDC, they must involve "gross additions to plant in excess of 0.5 percent of the sum of the total balance in Account 101, Electric Plant in Service, and Account 106, Completed Construction not Classified, at the time the project commences and are expected to be completed in excess of one year after commencement of construction." None of the projects proposed in Tampa Electric's 2022-2023 SPP meet the criteria for AFUDC eligibility.

Q. What are the projected annual revenue requirements for Tampa Electric's SPP activities in 2022 and 2022 after Jurisdictional Separation?

A. The projected annual revenue requirements for the company's SPP activities for 2022 and 2023 after Jurisdictional Separation and before the Revenue Tax Factor are included below.

Total Projected SPP Revenue Requirement (2022-2023)	
2022	$43,966,032
2023	$64,853,846

The Jurisdictionally Separated revenue requirements of each SPP program are detailed further in my Exhibit No.

MRR-2.

Q. Is the 2023 total projected revenue requirement of $64,853,846 the amount that Tampa Electric will seek to recover in 2023 in the SPPCRC?

A. No, this projected revenue requirement in 2023 also needed to be adjusted to recognize the projected over-recovery amount that occurred in 2021 and is projected to occur in 2022.

Q. What is the over-recovery amount the company needed to recognize?

A. The company needed to adjust the Jurisdictionally Separated revenue requirements for the SPPCRC in 2023 by $10,204,475. This value is detailed in My Exhibit MRR-2 on Form P-1.

Q. How much of this over-recovery is related to distribution and how much to transmission related activities?

A. The company recognized a $8,843,560 reduction in revenue requirements for distribution activities and a $1,360,915 reduction in revenue requirements for transmission activities. These reductions together recognize the $10,204,475 of over-recovery that needed to be refunded in the 2023 period.

Q. What is the final SPPCRC Revenue Requirement that the company will be seeking to recover in 2023?

A. Recognizing the over-recovery adjustment, the final SPPCRC 2023 Revenue Requirement is $54,649,371.

AVOIDANCE OF DOUBLE RECOVERY

Q. Rule 25-6.031(7), F.A.C. states that costs recoverable through the SPPCRC "shall not include costs recovered through the utility's base rates or any other cost recovery mechanism." What steps has Tampa Electric taken to ensure that the costs presented for recovery in this docket do not include any costs that are already recovered in base rates?

A. The company has taken two main steps to ensure that the costs recovered through the SPPCRC do not include any costs that are already recovered through base rates. First, the company has implemented internal procedures to accurately track SPP costs. Second, the company entered into an agreement approved by the Commission known as the

2020 Settlement Agreement. This Agreement includes a method for avoiding double recovery of SPP costs.

Q. What internal procedures has the company implemented to accurately track SPP costs to avoid potential double recovery through the SPPCRC?

A. All SPP Programs and SPP Projects are identified using the company's accounting system attributes including Funding Projects, Work Orders and Plant Maintenance Orders ("PMOs")/work requests. Each SPP Project is assigned a specific Funding Project number, which is "tagged" with a code indicating which SPP Program the costs are attributable to. This code clearly differentiates the SPP Capital investments from the company's other Capital assets in the accounting system. The company has also developed a set of charging guidelines for the SPP and several layers of internal review are performed on these costs. Additional measures to avoid double recovery are covered in the 2020 Settlement Agreement, discussed in detail below.

Q. What is the Tampa Electric 2020 Settlement Agreement?

A. The 2020 Settlement Agreement is an agreement entered into by Tampa Electric, the Office of Public Counsel, the Florida Industrial Power Users Group, the Florida Retail Federation, the Federal Executive Agencies, and the West Central Florida Hospital Utility Alliance. The 2020 Settlement Agreement resolves issues in several Commission dockets involving Tampa Electric, including this docket. The Commission approved the 2020 Settlement Agreement in a hearing held on June 9, 2020 and was approved by the Commission's Order No. PSC-2020-0224-AS-EI.

Q. What provisions in the 2020 Settlement Agreement affect this docket?

A. The 2020 Settlement Agreement contains provisions governing cost recovery for incremental SPP operations and maintenance ("O&M") expenses, capital expenditures and assets related to the SPP, and distribution pole replacements. The purpose of these provisions is to set out a method for avoiding double recovery of SPP costs through both base rates and through the SPPCRC.

Q. How does the 2020 Settlement Agreement ensure there is no double recovery of SPP O&M costs?

A. The company’s SPP is comprised of both existing and new storm protection activities. Under the 2020 Settlement Agreement, Tampa Electric will recover all SPP O&M expenses, including expenses associated with existing activities, through the SPPCRC.

Q. How will the company recover O&M expenses associated with existing activities through the SPPCRC while avoiding double recovery of those costs?

A. There are six existing activities included in the company’s SPP, the costs of which were previously recovered through base rates. The company agreed to reduce base rate revenues by an amount equal to the average actual O&M expense for the most recent two years – grossed up for the regulatory assessment fee – for these six activities. The ultimate result of this agreement is that Tampa Electric reduced base rates by an annual amount of $14,876,228.78 that began in January 2021.

Q. Did the company reduce base rates by the annual amount of $14,876,228.78 beginning in 2021?

A. Yes, it did.

Q. How does the 2020 Settlement Agreement avoid potential double recovery for capital expenditures?

A. The Agreement established a bright line test for determining which SPP capital projects are eligible for SPPCRC recovery. Under the Agreement, all SPP capital projects initiated after April 10, 2020 are eligible for recovery through the SPPCRC, subject to a prudence review in this docket. Cost recovery for projects initiated prior to that date will continue to be recovered through base rates.

Q. Are there any other provisions of the 2020 Settlement Agreement that will avoid potential double recovery?

A. Yes. The Agreement requires the company to recover costs associated with distribution pole replacements through base rates. This requirement avoids potential difficulties associated with accounting for mass asset additions and retirements. Likewise, the company will also not seek recovery of the O&M expenses associated with asset transfers related to distribution pole replacements through the SPPCRC. The Agreement also requires the company to implement four accounting protocols for capital items to avoid double recovery.

Q. What are those four accounting protocols for capital items?

A. First, when assets are retired and replaced as a part of a SPP program, the company will not seek to recover the cost of removal net of salvage associated with the related assets through the SPPCRC. Instead, the net cost of removal will be debited to the company's accumulated depreciation reserve. Second, depreciation expense from SPP capital asset additions will be reduced by depreciation expense savings that result from the retirement of assets removed from service during the SPP project. Only the net of the two amounts will be recovered through the SPPCRC. Third, project records and fixed asset records for SPP capital projects will be maintained in a manner that clearly distinguishes between rate base and SPPCRC assets. Finally, the company has the option to remove items from the SPPCRC and include them in retail base rates if the Commission determines that they were prudent through a final true-up in the SPPCRC docket.

Q. Did the company implement these four accounting protocols for capital items to avoid double recovery?

A. Yes, it has.

Q. Are there any other provisions of the 2020 Settlement Agreement that affect cost recovery for SPP activities?

A. Yes, the Agreement contains provisions governing the eligibility of SPP projects for accrual of AFUDC. As I explained previously, however, Tampa Electric is not seeking cost recovery for AFUDC for any SPP Projects at this time.

Q. Did Tampa Electric follow all of the requirements of the 2020 Settlement Agreement in developing its request for cost recovery in this docket?

A. Yes, the company followed all of the requirements of the Agreement in developing the company's request for cost recovery in the SPPCRC.

METHOD OF DERIVING JURISDICTIONAL REVENUE REQUIREMENTS AND THEN ALLOCATING THOSE COSTS TO DERIVE SPPCRC CHARGES FOR 2022

Q. Were jurisdictional distribution or transmission factors applied to the projected annual revenue requirements?

A. Yes, the company applied the most recent jurisdictional transmission factor to the O&M and capital transmission costs to recognize the retail portion of the revenue requirements ensuring the SPPCRC did not double recover those amounts collected from the company's Open Access Transmission Tariff. Tampa Electric provides wholesale transmission service to some utilities under its Open Access Transmission Tariff ("OATT") and to avoid double recovery, a portion of the total transmission related project costs must be jurisdictionally separated before being identified for cost recovery through the SPPCRC. Tampa Electric does not provide any wholesale distribution service and so 100 percent of those project costs can be called jurisdictional and thus totally recovered through the SPPCRC from retail customers.

Q. What were the total proposed storm protection revenue requirements for the period January through December 2023 prior to and after using the appropriate jurisdictional factor to recognize those transmission costs?

A. The total proposed storm protection revenue requirements for the period January through December 2023 prior to the jurisdictional separation for transmission was $65,574,345. After performing the transmission jurisdictional separation, the total revenue requirements are $64,853,846. After performing the transmission jurisdictional separation, this value is adjusted by the projected over/under-recovery amount and the revenue tax factor to obtain the total proposed revenue requirements that will be sought for approval through the SPPCRC in 2023. The details of these calculations are included in my Exhibit No. MRR-2.

Q. Were there any other adjustments made to the company’s 2023 SPP revenue requirements prior to separating these costs jurisdictionally for retail cost recovery?

A. No.

Q. How did Tampa Electric allocate the total revenue requirements to be collected from the rate classes?

A. First, for each year, the programs were itemized and identified as either substation, transmission, or distribution costs. Then, Tampa Electric used the methodology that was approved by the Commission in the company’s 2021 Settlement Agreement. The 2021 Settlement Agreement “Exhibit K” applies negotiated percentages to any incremental amount that is above the base 2021 clause amount. The 2021 base clause amount is allocated based upon the methodology that was approved by the Commission in Docket No. 20130040-EI, Cost of Service Methodology. To perform this incremental analysis and allocate the total revenue requirements to be collected from the rate classes follows the process detailed below:

1. Determine the 2021 baseline amount to be used to calculate the 2022 revenue increase.
    a. The 2021 baseline is set by taking the 2021 actual and estimated costs submitted on May 3, 2021, revised on May 10, 2021, and applying the 2021 Agreement ROE and equity ratio to determine the baseline cost recovery amount.
    b. The calculation of revenues by rate class is conducted using the allocation methodology from the company's prior base rate case.
    c. The total revenue amount of this calculation is the revenue baseline to be used to determine 2022 and future years' increased costs.
2. Determine the 2023 total revenue to be collected. This calculation is determined using the 2021 Agreement, ROE, equity ratio, and depreciation rates an

3. Subtract the 2021 revenue baseline amount determined in 1. from the 2023 total revenue to be collected.
    a. If the increment is negative, no changes to the allocation methodology are made, i.e., the prior base rate case allocation method is used to allocate all revenue by class.
    b. If the increment is positive, the Exhibit K allocation factors are applied to the increment to determine the class revenue allocation. A positive class allocation amount is added to the 2021 baseline revenue amount, also by class, to determine the total revenue to be collected by class.
4. The 2023 billing determinants are used to calculate the 2023 clause cost recovery factors by dividing the total revenue by class determined in 3. by the appropriate class billing determinant.

This calculation is detailed in my Exhibit No. MRR-2 on the following pages:

- 2023 Billing Determinants and Allocation Factors (Docket No. 20130040-EI, Cost of Service Methodology), page 33.
- 2023 Billing Determinants and Allocation Factors

(Docket No. 20210034-EI, Cost of Service Methodology), page 34.

- Summary of Cost Recovery Clause Calculation – Base Portion (Docket No. 20130040-EI, Cost of Service Methodology), page 35.
- Summary of Cost Recovery Clause Calculation – Incremental portion (Docket No. 20210034-EI, Cost of Service Methodology), page 36.
- Summary of Cost Recovery Clause Calculation – 2023 Storm Protection Cost Recovery Factors Total, page 37.
- Summary of Cost Recovery Clause Calculation – Base Portion and Incremental Portion Determination, page 38.

Q. Will the rate impacts established through the 2023 SPPCRC differ from those presented in the rate impact calculations that were provided in the company's SPP that was filed on April 10, 2020 or in the proposed SPP that was filed on April 11, 2022?

A. Yes, the rate impacts presented in the company's SPP reflect the "all-in" costs of the company's SPP without regard to whether the costs would be recovered through the SPPCRC or through the company's base rates and charges. In addition, the SPP includes programs and their associated costs that were chosen to not be included in the Storm Protection Cost Recovery Clause. These programs are distribution pole replacement, unplanned vegetation management, and the company’s legacy storm hardening activities such as emergency management and the company’s geographical information system (GIS). Additionally, the values utilized in the SPPCRC have been adjusted to recognize any over or under-recovery that is occurring.

Q. In the development of the proposed 2023 SPPCRC factors, did the company use the most recent billing determinants, within the most current load forecast?

A. Yes, the 2023 SPPCRC factors are based upon the company’s most current load forecast.

SPPCRC Factors for 2023

Q. Please summarize the total proposed storm protection costs for the period January 2023 through December 2023 and the annualized recovery factors applicable for the period January through December 2023 using the current approved cost of service methodology.

A. Tampa Electric has estimated that the total storm protection jurisidictionalized revenue requirements to be $54,649,371. The January through December 2023 cost recovery factors allocated based upon the company's 2021 Settlement Agreement, Cost of Service Study prepared in Docket No. 20210034-EI, for firm retail rate classes are as follows:

Rate Schedule	**Cost Recovery Factors (cents per kWh)**
RS	0.376
GS and CS	0.405
GSD Optional – Secondary	0.147
GSD Optional – Primary	0.146
GSD Optional – Subtransmission	0.144
LS-1 and LS-2	1.493

Rate Schedule	**Cost Recovery Factors (dollars per kW)**
GSD – Secondary	0.62
GSD – Primary	0.61
GSD – Subtransmission	0.61
SBD – Secondary	0.62

SBD – Primary	0.61
SBD – Subtransmission	0.61
GSLD - Primary	0.51
GSLD - Subtransmission	0.06

Exhibit No. MRR-2, Summary of Cost Recovery Clause Calculation – 2023 Storm Protection Cost Recovery Factors Total details these estimates, Page 37.

Q. Has Tampa Electric complied with the SPPCRC cost allocation methodology that used the allocation factors from Tampa Electric's 2021 Settlement Agreement used for the company's current base rate design?

A. Yes, it has.

Q. Going back to the sets of SPPCRC clause factors that you are proposing, would you provide the electric bill impact for these same rate classes for a typical customer bill?

A. Yes, using the same typical bill assumptions that were provided in the company's 2020-2029 Storm Protection Plan and proposed 2022-2031 Storm Protection Plan, the typical monthly electric bill costs for the storm protection plant cost recovery clause for residential, general service demand at secondary service and at primary service for a general service large demand class customer are as follows:

Docket No. 20210034-EI, Cost of Service Methodology

Residential customer using 1,000 kWh:	$3.76
Commercial customer using 1,000 kW of Demand at 60 percent load factor:	$505
Industrial customer using 10,000 kW of Demand at 60 percent load factor:	$553

Q. Does this conclude your testimony?

A. Yes, it does.

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BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20220010-EI

IN RE: STORM PROTECTION PLAN

COST RECOVERY CLAUSE

SUPPLEMENTAL TESTIMONY

OF

MARK R. ROCHE

FILED: October 14, 2022

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

SUPPLEMENTAL TESTIMONY

OF

MARK R. ROCHE

Q. Please state your name, address, occupation and employer.

A. My name is Mark R. Roche. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or "the company") as Manager, Regulatory Rates in the Regulatory Affairs Department.

Q. Are you the same Mark R. Roche who filed direct testimony in this proceeding?

A. Yes, I am.

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

A. The purpose of my supplemental testimony is to present, for Commission approval: (1) the updated calculations of the January 2023 through December 2023 Storm Protection

Plan ("SPP") projected amounts to be recovered in the January 2023 through December 2023 projection period; and (2) the updated proposed 2023 SPPCRC cost recovery factors. These updated calculations are presented to reflect the Commission's vote at the October 4, 2022 agenda conference to approve the company's 2022-2031 SPP in Docket No. 20220048-EI with a modification to eliminate the company's Transmission Access Enhancement Program as of December 31, 2022.

Q. Did you prepare any exhibits in support of your testimony?

A. Yes. Exhibit No. MRR-3 was prepared under my direction and supervision. Exhibit No. MRR-3 includes Schedules P-1 through P-2 and associated data which support the development of the storm protection plan cost recovery factors for the January 2023 through December 2023 period using the 2021 Agreement methodology that was approved by the Commission in Docket No. 20210034-EI.

Q. Are you updating the Actual/Estimate that was performed for 2022 that was provided in your revised testimony that was filed in this proceeding on August 9, 2022?

A. No, the Commission voted to eliminate the Transmission Access Enhancement Program beginning in 2023 and did not disallow the actual/estimated costs for this program in 2022. The Commission decision also does not affect the over-recovery that is projected to be given back to customers in this Storm Protection Plan Cost Recovery Clause (“SPPCRC”) in 2023.

Q. At a high level can you provide a description of what changed from your revised projection filing that was filed on August 9, 2022, to reflect the elimination of the Transmission Access Enhancement Program as of December 31, 2022?

A. Yes. To reflect the Transmission Access Enhancement Program ending as of December 31, 2022, we removed all of the capital costs, return on Average Net Investment, and the Depreciation and Property Tax for the Investment Expense for this program on an ongoing basis and removed the resulting revenue requirements for the January 2023 through December 2023 period. The following costs were removed:

Capital cost for new investments:	$3,037,446
Return on Average Net Investment:	$400,630
Depreciation, Investment Expense:	$41,824

Property Tax. Investment Expense: $19,872

Removing these costs resulted in a revenue requirement of $462,326 prior to jurisdictional separation, and $431,123 after jurisdictional separation being removed from the SPPCRC for cost recovery in 2023.

Q. How do these updated cost values for 2023 compare to the 2023 projection costs the company filed prior to the Commission's decision on the 2022-2031 SPP?

A. My supplemental testimony presents the original projection values, meaning the values prior to the Commission's decision, in square brackets next to the updated figures for comparison purposes.

Q. Will you please describe the updated Storm Protection Plan costs that Tampa Electric projects it will incur during the period of January through December 2023?

A. Tampa Electric has estimated that the updated total storm protection costs during the 2023 period will be $184,253,131 [$187,290,577]. A summary of these updated costs and estimates is fully detailed in Exhibit No. MRR-3, Storm Protection Plan Costs – Projected.

Q. What are the updated projected annual revenue requirements for Tampa Electric's SPP activities in 2023 before Jurisdictional Separation?

A. The updated projected annual revenue requirements for the company's SPP activities for 2023 before Jurisdictional Separation and Revenue Tax Factor is provided below.

Total Projected SPP Revenue Requirement (2023)

2023 $65,112,019 [$65,574,345]

The revenue requirements of each SPP program are detailed further in my Exhibit No. MRR-3.

Q. What are the updated projected annual revenue requirements for Tampa Electric's SPP activities in 2023 after Jurisdictional Separation?

A. The updated projected annual revenue requirements for the company's SPP activities for 2023 after Jurisdictional Separation and before the Revenue Tax Factor is provided below.

Total Projected SPP Revenue Requirement (2023)

2023 $64,422,723 [$64,853,846]

The Jurisdictionally Separated revenue requirements of each SPP program are detailed further in my Exhibit No. MRR-3.

Q. Is the Updated 2023 total projected revenue requirement of $64,422,723 [$64,853,846] the amount that Tampa Electric will seek to recover in 2023 in the SPPCRC?

A. No, this projected revenue requirement in 2023 also needed to be adjusted to recognize the projected over-recovery amount that occurred in 2021 and is projected to occur in 2022.

Q. What is the over-recovery amount the company needed to recognize?

A. The company needed to adjust the Jurisdictionally Separated revenue requirements for the SPPCRC in 2023 by $10,204,475. This value did not change due to the modification to remove the Transmission Access Enhancement Program and is detailed in My Exhibit MRR-3 on Form P-1.

Q. What is the final SPPCRC Revenue Requirement that the company will be seeking to recover in 2023?

A. Recognizing the over-recovery adjustment, the final updated SPPCRC 2023 Revenue Requirement is $54,218,248 [$54,649,371].

Q. What were the updated total proposed storm protection revenue requirements for the period January through December 2023 prior to and after using the appropriate jurisdictional factor to recognize those transmission costs?

A. The updated total proposed storm protection revenue requirements for the period January through December 2023 prior to the jurisdictional separation for transmission is $65,112,019 [$65,574,345]. After performing the transmission jurisdictional separation, the total revenue requirements are $64,422,723 [$64,853,846]. After performing the transmission jurisdictional separation, this value is adjusted by the projected over/under-recovery amount and the revenue tax factor to obtain the total proposed revenue requirements that will be sought for approval through the SPPCRC in 2023. The details of these calculations are included in my Exhibit No. MRR-3.

Q. Were there any other adjustments made to the company's 2023 SPP revenue requirements prior to separating these costs jurisdictionally for retail cost recovery?

A. No.

SPPCRC Factors for 2023

Q. Please summarize the updated total proposed storm protection costs for the period January 2023 through December 2023 and the annualized recovery factors applicable for the period January through December 2023 using the current approved cost of service methodology.

A. The updated estimated total storm protection jurisidictionalized revenue requirement is $54,218,248 [$54,649,371]. The January through December 2023 cost recovery factors allocated based upon the company's 2021 Settlement Agreement, Cost of Service Study prepared in Docket No. 20210034-EI, for firm retail rate classes are as follows (with original values in square brackets):

Rate Schedule	Cost Recovery Factors (cents per kWh)
RS	0.373 [0.376]
GS and CS	0.400 [0.405]
GSD Optional – Secondary	0.147 [0.147]
GSD Optional – Primary	0.145 [0.146]

GSD Optional – Subtransmission	0.144 [0.144]
LS-1 and LS-2	1.466 [1.493]

Rate Schedule	**Cost Recovery Factors (dollars per kW)**
GSD – Secondary	0.62 [0.62]
GSD – Primary	0.61 [0.61]
GSD – Subtransmission	0.60 [0.61]
SBD – Secondary	0.62 [0.62]
SBD – Primary	0.61 [0.61]
SBD – Subtransmission	0.60 [0.61]
GSLD - Primary	0.50 [0.51]
GSLD - Subtransmission	0.05 [0.06]

Exhibit No. MRR-3, Summary of Cost Recovery Clause Calculation – 2023 Storm Protection Cost Recovery Factors Total details these estimates.

Q. With the updated SPPCRC clause factors that you are proposing, would you provide the updated electric bill impact for these same rate classes for a typical customer bill?

A. Yes, using the same typical bill assumptions that were provided in the company's 2020-2029 SPP and approved

2022-2031 SPP, the typical monthly electric bill costs for the storm protection plant cost recovery clause for residential, general service demand at secondary service and at primary service for a general service large demand class customer are as follows (with original values in square brackets):

<u>Docket No. 20210034-EI, Cost of Service Methodology</u>

Residential customer using 1,000 kWh: $3.73 [$3.76]

Commercial customer using 1,000 kW of Demand at 60 percent load factor: $504 [$505]

Industrial customer using 10,000 kW of Demand at 60 percent load factor: $549 [$553]

Q. Will you file an amended prehearing statement that includes these updated costs?

A. Yes, the company is filing an amended prehearing statement concurrently with this supplemental projection filing.

Q. Does this conclude your supplemental testimony?

A. Yes.

(Whereupon, prefiled rebuttal testimony of Richard J. Latta was inserted.)

TECO
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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20220010-EI
IN RE: STORM PROTECTION PLAN
COST RECOVERY CLAUSE

REBUTTAL TESTIMONY

OF

RICHARD J. LATTA

FILED: OCTOBER 14, 2022

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

RICHARD J. LATTA

INTRODUCTION:

Q. Please state your name, address, occupation and employer.

A. My name is Richard J. Latta. My business address is 702 N. Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or "the Company") in the Finance Department as Utility Controller.

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

A. My duties and responsibilities include maintaining the financial books and records of the company and for the determination and implementation of accounting policies and practices for Tampa Electric. I am also responsible for budgeting activities within the company, which includes business planning, as well as general accounting, regulatory accounting, plant accounting, regulatory tax accounting, and financial reporting.

Q. Please describe your educational background and professional experience.

A. I graduated from the University of South Florida in 2005 with a Bachelor of Science degree in Accounting and a Master of Accountancy in 2007. I am a Certified Public Accountant in the State of Florida. I joined Tampa Electric in 2001 as a Customer Service Representative. Upon completion of my Accounting degree, I joined Tampa Electric's Accounting Department in 2005 as a Financial Reporting Accountant working on the Conservation and Environmental clauses. I held and expanded my roles within Tampa Electric's Accounting Department until I moved to TECO Services Inc. in 2014 as a Corporate Accounting Manager. I returned to Tampa Electric's Accounting Department in 2017 as the Director of Financial Reporting. I am currently the Controller of Tampa Electric and have held this role since July 2021.

Q. Other than describing your background and qualifications, is the remainder of your testimony the same as that set forth in the rebuttal testimony of A. Sloan Lewis that was filed in this proceeding on September 27, 2022.

A. Yes, it is.

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

A. The purpose of my rebuttal testimony is to address the deficiencies and misconceptions in the direct testimony of Lane Kollen, who is testifying on behalf of the Office of Public Counsel ("OPC").

Q. Have you prepared any exhibits to accompany your rebuttal testimony?

A. No.

Q. Do you have any general comments regarding the overall direct testimony of Mr. Kollen?

A. Yes. The testimony of Mr. Kollen is highly critical of the process utilized by the Commission and the company to develop the estimated revenue requirements and associated rate impacts. Mr. Kollen continues to recommend, as he did in the Storm Protection Plan ("SPP") proceeding, to make recommendations for the Commission to adopt additional specific guidelines and criteria that would apply to all of the utilities SPPs. As I will explain further in my rebuttal testimony, I believe the adoption of his recommendations are unnecessary and if implemented would also be problematic.

REBUTTAL TO DIRECT TESTIMONY OF LANE KOLLEN:

Q. On Page 2, Line 18 Mr. Kollen states that the OPC has disputed the proper quantification of revenue requirement and rate impacts in the pending Storm Protection Plan ("SPP") proceeding. Do you agree with OPC's assessment that the revenue requirements and rate impacts are incorrect or are incorrectly calculated in the SPP or in this proceeding?

A. No, I disagree with their statements. The revenue requirements and rate impacts for Tampa Electric are calculated accurately in the both the SPP proceeding and in this proceeding according to the principles set out in Section 366.96 and Rules 25-6.030 and 25-6.031.

Q. On Page 5, Line 9 Mr. Kollen reinforces that the Storm Protection Plan Cost Recovery Statute 366.96 Florida Statutes states that the annual transmission and distribution storm protection plan costs may not include costs recovered through the public utility's base rates. Do you agree with this statement, if so, does Tampa Electric fully comply with this statement?

A. Yes, I agree with this statement. In addition, Tampa Electric fully complies with this requirement. All of the company's SPP costs that are sought for recovery through the Storm Protection Plan Cost Recovery Clause ("SPPCRC") are not recovered through base rates. In fact, to ensure there was no chance of double recovery of SPP costs, Tampa Electric's 2020 Stipulation and Settlement Agreement adjusted the 2020 SPPCRC actual costs (in the amount of $10.4 million) and made a one-time reduction to base rates starting on January 1, 2021 (in the amount of $15 million) to recognize the transition of the cost recovery for several base rate activities into the SPPCRC. These activities included planned distribution and transmission vegetation management, distribution and transmission inspections, and the O&M portion of transmission wood pole replacements.

Q. On Page 8, Line 3, Mr. Kollen asserts that there are three opportunities to review and assess the prudence of the company's SPP, and that the most important opportunity occurs in the first year of the three-year SPP cycle because it occurs before the updated and new SPP programs are implemented and costs are incurred. Do you agree with his assessment?

A. No. Tampa Electric believes that the process for reviewing and assessing the prudence of the company's SPP activities occurs at many more times that just in the company's annual SPPCRC projection filing in this proceeding. First, the SPP programs and associated projects are reviewed in the ten-year SPP, not a three-year plan as inferred by Mr. Kollen. As required by the Commission rule, estimated SPP programs and associated projects costs are quantified for each of the ten years with more specific information being provided for the first three-years of the SPP. The discovery process for the SPP is quite arduous and thorough by all parties. In Tampa Electric's first SPP, the OPC was a party to the company's settlement agreement which approved Tampa Electric's initial 2020-2029 SPP and 2021 SPPCRC cost recovery. In this settlement process the SPP programs were also reviewed and assessed for prudence by all parties, including the OPC, and the settlement was approved by the Commission.

Annually, the Commission and interested parties have multiple opportunities to review and assess the prudence of the company's SPP programs and projects. The company communicates SPP information in the following annual processes and filings:

- Annual SPPCRC Commission Staff Financial Audit

- Annual Wood Pole Inspection Report
- SPPCRC True-up Filing
- SPPCRC Actual/Estimate and Projection Filing
- SPP Annual Report

Each of these filings is followed by discovery. Therefore, contrary to Mr. Kollen’s assertion that there are only three opportunities to review and assess the prudence of SPP programs and projects over the next three years. Tampa Electric believes prudence review is an ongoing annual process with multiple opportunities for review each year, in which all filings are important. This is the reason the company highly scrutinizes any proposed new program, project, or costs that are being discussed for inclusion in the SPP and the SPPCRC, to ensure the Statute and Commission Rules are fully adhered to.

Q. On page 8, Line 13, Mr. Kollen critiqued the company’s SPPCRC filings for providing only the actual/estimated costs for its 2022 SPP programs, projected costs for its 2023 programs, related information and comparison, true-ups and calculations of the SPPCRC revenue requirement and SPPCRC factors and infers that because of this, the company failed to demonstrate prudence or reasonableness. Do you agree with his assessment?

A. No. The Commission adopted Rule 25-6.031, which sets out the requirements for SPPCRC filings. Tampa Electric attended workshops that were facilitated by Commission Staff following the development of the Commission SPP and SPPCRC Rules. In these workshops, Commission Staff defined the requirements for data that must be included in the company's SPPCRC projection filing. In addition, the Commission provided Excel file templates that were supposed to be used to ensure the company was providing what was required to enable the Commission to review SPP costs and activities for their prudence. In short, the Commission specified what information it needs to review the prudence of SPP expenditures, and the company provided this information. By no means does this infer that the SPP programs or the associated projects are imprudent or unreasonable. Furthermore, the company's 2022 SPP activities are a continuation of Tampa Electric's original 2020-2029 SPP. In addition, as part of the 2020 Stipulation and Settlement Agreement, in which OPC was an agreeing party, the company agreed to modify the scope of programs within the initial SPP. The company's proposed 2023 SPP activities contained in the 2022-2023 SPP are in large part also a continuation of the company's initial 2020-2029 with some modifications to enhance the Distribution Lateral

Undergrounding Program and to also install three applications to leverage the data coming from the company's advanced metering infrastructure ("AMI") system to enhance the performance of the company during extreme weather in the Distribution Overhead Feeder Hardening Program.

Q. On Page 9, line 6, Mr. Kollen recommends that the Commission should exclude construction work in progress ("CWIP") from both the return on rate base and depreciation expense, and instead allow a deferred return on the CWIP until it is converted to plant in service or prudently abandoned." Do you agree with this recommendation?

A. No, I do not for several reasons. First, the company operates all the cost recovery clauses in a similar manner, so by inserting different requirements just in the SPPCRC would be problematic in that it would require different accounting policies and procedures for how the clause is facilitated. For example, in all of Tampa Electric's cost recovery clauses, the company earns a return on the undepreciated balance, which is the net investment less accumulated depreciation. The net investment includes CWIP. The intent of this method is to allow the company to earn a return during construction which keeps the utility whole as it is incurring expenses to invest in assets which will benefit customers. Therefore, it would not make sense to defer the return until the asset went in service. Second, the company’s depreciation expense is not calculated on CWIP, it is calculated only when that asset goes in service (i.e., when the asset is converted to plant in service).

Q. On Page 9, Line 9, Mr. Kollen recommends that the Commission should allow property tax only on the net plant at the beginning of each year. Do you agree with this recommendation?

A. Tampa Electric already follows this recommendation. The company calculates tax based on plant in service net of accumulated depreciation, not CWIP. As a result, I do not think the Commission needs to adopt any specific criteria or guidance on this topic since it is not contained in the SPP Statute or SPP Rules.

Q. On Page 9, Line 11, Mr. Kollen suggests that the Commission should require a credit for the avoided depreciation expense on plant that is retired due to SPP plant investments. He expands this argument on pages 23 through 25 of his testimony. Do you agree?

A. Tampa Electric already includes a credit for depreciation savings in the calculation of the revenue requirement. As a result, I do not think the Commission needs to adopt any specific criteria or guidance on this topic since it is not contained in the SPP Statute or SPP Rules.

Q. On Page 9, Line 13, Mr. Kollen recommends requiring a credit for savings in O&M expenses that no longer will be incurred due to the SPP capital expenditures investments and the SPP O&M expenses. He reasserts this argument on pages 21 through 23 of his testimony. Do you agree with this recommendation?

A. As the company explained in the discovery response that Mr. Kollen quotes on Page 23, Line 5 of his testimony, the company cannot accurately forecast whether SPP investments will ultimately reduce blue-sky O&M costs at this time. Furthermore, these savings may be offset in whole or in part by increases in certain O&M costs such as inspections and maintenance of new system assets. If a reduction in O&M expenses associated with SPP investments does materialize, this could be reflected in future company base rate cases.

Q. On Page 9, Line 17, Mr. Kollen asserts that the Commission should require utilities to move pole inspection and vegetation management expenses from base rates to the SPPCRC. Do you agree?

A. No, As I explained above this recommendation does not apply to Tampa Electric. The company already moved cost recovery for planned distribution and transmission vegetation management, distribution and transmission inspections, and the O&M portion of transmission wood pole replacements to the SPPCRC.

Q. On Page 10, Line 6, Mr. Kollen states that each utility has included programs and projects that are included within the scope of existing base rate programs and base rate recoveries in the normal course of business. Do you agree with this statement?

A. No, I completely disagree with this statement. All of Tampa Electric's programs and associated projects that the company is seeking to recover those costs though the SPPCRC are incremental above and beyond what the company performs within the scope of existing base rate programs and base rate recoveries in the normal course of business. As I explained above, the company made base rate adjustments to recover those activities such as pole inspections and vegetation management solely through the SPPCRC. The program listed in his direct testimony as an example is Transmission Access Enhancement. This program and its associated projects were approved in Tampa Electric's initial 2020-2029 SPP, which was approved through a settlement agreed to by OPC. The company did not make any adjustments to the scope of this program. In addition, the company provided testimony in the 2022 SPP docket that establishes that this program goes above and beyond base rate activities.

Q. On Page 10, Line 19, Mr. Kollen also argues that some SPP projects should be excluded from the SPPCRC because they are not economic. He repeats this line of argument on Pages 11 and 12 of his testimony. Do you agree with this suggestion?

A. No. Tampa Electric believes Mr. Kollen's discretionary view of using a typical utility cost-benefit screening criterion fails to recognize that the SPP Statute makes it clear that completion of storm protection activities is mandatory. Tampa Electric did not perform a traditional financial or economic analysis to support the filing of the SPP so his metric would not apply to the analysis that was performed. The company generally agrees with Mr. Kollen's principles that benefits should outweigh costs in investment decision making, however, restricting that to only a financial metric is not sound in all circumstances, especially when hardening the system against the adverse effects of extreme weather. For example, Section 366.96 also requires utilities to reduce customer outage times in addition to restoration costs.

Q. On Page 13, Line 14, Mr. Kollen states that the company overstated the economic value of their SPP programs and projects. Do you agree with this statement?

A. No. Tampa Electric did not overstate the economic value of the company's SPP programs and projects. First, the company did not include the societal value of customer interruptions in the cost-benefit comparisons presented in the company's 2022 SPP. The benefits of the plan were presented in terms of expected reductions in restoration costs, in terms of dollars that would have been incurred by Tampa Electric, and customer outage times in minutes. Beyond the estimated reduction in outage times and costs and the level of societal benefits that are reflected in the Department of Energy's ICE calculator, Tampa Electric considered the safety of employees and the general public, the duty to serve, and other factors on top of the financial cost when evaluating the benefits of the SPP programs and projects. For the SPP, the duty to serve benefit stream was quantified based on the avoided outages from storms. Examining these benefits that were included, the company believes that there are many other benefits that were not included in the analysis that would most likely cause the actual benefits and economic value received to be "Understated" from a customer's view. Examples of these customer benefits that were not explicitly included after an extreme weather event are:

- Revenue gained from keeping a store open for business.
- Residential customers having medical equipment will stay running.
- Customer's refrigerated and frozen food not spoiling.
- Residential customer's being able to stay at home having air conditioning versus checking into a hotel.
- Preventing a tragic event similar to the one that occurred during Hurricane Irma in nursing homes or assisted living centers.

Q. On Page 13, Line 13, Mr. Kollen states that societal value of customer interruptions is not a cost that actually is incurred or avoided by the utility or customers and should be excluded from the justification of SPP program and projects using benefit cost analysis. Do you agree with this assessment?

A. No. This statement recognizes Mr. Kollen does not understand the meaning or intent of the Statute 366.96 that was approved by the Florida Legislature and Governor DeSantis. Governor DeSantis and the Florida Legislature recognize that extreme weather events wreak havoc to Florida's society and economy upon their occurrence and the SPP is one method to reduce the adverse impacts from these events. Even though Tampa Electric did not include societal or non-energy impacts/benefits in its analysis, it does not concur with Mr. Kollen that this data should be excluded from the analyses in the future.

Q. On Page 16, Line 8, Mr. Kollen recommends the Commission deny SPPCRC cost recovery of SPP programs and projects and recommends some defined thresholds to determine the prudence and reasonable. Do you agree with his recommendations?

A. No. The SPP Statute directs the Commission to consider the "estimated costs and benefits" of the SPP but does not require the Commission to adopt a universally applicable threshold ratio for costs and benefits. In addition, as explained above there are many other benefits to consider rather than looking at an SPP program or project using a traditional utility view only cost-benefit analysis.

Q. On Page 17, Line 7, Mr. Kollen makes recommendations to Tampa Electric to recalculate the company's revenue requirement. Do you agree with his recommendations?

A. No. As I have explained, above all of his recommendations should be rejected. His recommendations would cause problematic issues with how the company accounts for investments in cost recovery clauses. In addition, as I explained above, the company at this time has no quantifiable data to support any type of base rate O&M savings at this time.

Q. On Page 18, Line 15, Mr. Kollen states that utilities cannot earn a return on CWIP. Do you agree with this statement?

A. No. In Tampa Electric's 2020 Stipulation and Settlement Agreement that resolved the 2020 SPP and SPPCRC dockets, the parties agreed that a Tampa Electric SPP project is "initiated" when "in the normal and ordinary course of business, the first dollar is posted to the project work order as reflected in the company's accounting system in accordance with the company's standard accounting procedures." The parties also agreed that Tampa Electric could earn a return on investment and depreciation expense on capital projects "initiated" after April 1, 2020. In other words, the parties agreed that Tampa Electric can earn CWIP on SPP projects initiated after April 1, 2020.

Q. On Page 20, Line 22, Mr. Kollen argued that the Commission cannot determine the prudence or reasonableness of the establishment of the warehouse. Do you agree with this discussion?

A. No. The costs of the warehouse are very transparent. The company charges the cost of the leased warehouse space that supports only the Distribution Lateral Undergrounding Program to a single O&M Plant maintenance Order ("PMO") number which is a single line item on the company's SPP accounting files. The company chose to charge the warehouse this way for three reasons: First, with the volume of material needed for this program and the number of contract partners performing the work, the company needed to have a separate warehouse area for this material. Second, by having a separate charge account for the warehouse the costs and control of costs would be tracked and managed rather than having the charge broken up between hundreds of smaller projects. Third, because the company operates the SPP as a customer centric program, the company thought it would be in the best interest of its customers to lease the space and run these costs as an O&M expense versus charging the space to smaller individual projects where these costs would ultimately be capitalized and then earn a return.

Q. On Page 28, Line 17 Mr. Kollen makes recommendations for Tampa Electric to correct the company’s SPPCRC revenue requirement. Do you agree with his recommendation?

A. No. I do not agree with any of his recommendations. Tampa Electric performed the calculations for the revenue requirements accurately and in accordance with Section 366.96, Rules 25-6.030 and 25-6.031, and the company’s accounting procedures. As explained above, his recommendations should also be rejected for those reasons.

Q. Does this conclude your rebuttal testimony?

A. Yes.

(Whereupon, prefiled direct testimony of Michelle D. Napier was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

Docket No. 20220010-EI: Storm Protection Plan Cost Recovery (SPPCRC)

DIRECT TESTIMONY OF MICHELLE D. NAPIER

On behalf of

Florida Public Utilities Company (FPUC)

Filed: May 4, 2022

Q. Please state your name and business address.

A. My name is Michelle D. Napier. My business address is 1635 Meathe Drive, West Palm Beach, Florida 33411.

Q. By whom are you employed and in what capacity?

A. I am employed by Florida Public Utilities Company (FPUC) as the Director, Regulatory Affairs - Distribution.

Q. Can you please provide a brief overview of your educational and employment background?

A. I received a Bachelor of Science degree in Finance from the University of South Florida. I have been employed with FPUC since 1987. During my employment at FPUC, I have performed various roles and functions in accounting, including General Accounting Manager before moving to the Regulatory department in 2011. As previously stated, I am currently the Director, Regulatory Affairs and in this role, my responsibilities include directing the regulatory activities for FPUC and Chesapeake Utilities Corporation ("CUC"). This includes regulatory analysis and filings before the Florida Public Service Commission (FPSC) for FPUC, FPUC-Indiantown, FPUC-Fort Meade, Florida Division of Chesapeake Utilities (CFG), Peninsula Pipeline Company as well as Delaware and Maryland Public Service Commissions.

Q. What is the purpose of your testimony in this docket?

A. The purpose of my testimony is to present, for Commission approval, the calculation of the May 2022 through December 2022 Storm Protection Plan actual/estimated amounts to be recovered as well as provide the calculation of the January 2023 through December 2023 Storm Protection Plan projected amounts to be recovered in 2023. Finally, I will summarize the computations that are contained in composite exhibit MDN-1 supporting the January through December 2023 proposed SPPCRC cost recovery factors.

Q. Is FPUC providing the required schedules with this filing?

A. Yes. Included with this filing are the SPPCRC Schedules E and P as required by Rule 25-6.031, which are included in my Exhibit MDN-1.

Q. Were the schedules filed by the Company completed by you or under your direct supervision?

A. Yes, they were completed under my supervision.

Q. What is the projection period for this filing?

A. The projection period is January through December 2023.

Q. What costs are included in FPUC's 2022 annual actual/estimated filing?

A. This SPPCRC filing is the first for FPUC since its SPP plan was filed April 11, 2022. Therefore, there are no actual costs included in its 2022 annual actual/estimated true-up filing. The filing is based on eight months of projected costs for 2022.

Q. What is the appropriate actual/estimated true-up amount for the period January through December 2022?

A. Given that the Company has not yet implemented factors, there is no true up. However, the estimated SPPCRC amount for the remaining period May through December 2022 is $804,926, inclusive of interest.

Q. What is the projected SPPCRC revenue requirement for the period January through December 2023 to be included in the calculation of the 2023 factors?

A. The projected SPPCRC 2023 cost amount is $1,207,792 for the period January through December 2023.

Q. What is the total projected SPPCRC amount to be collected from or refunded to customers for the period January through December 2023?

A. As shown on SPPCRC Form 1P, we have calculated our proposed cost recovery factors based upon the total projected amount of $2,012,718.

Q. Please describe SPP costs that FPUC projects it will incur during the period January through December 2022.

A. The costs for 2022 are projected to be $3,706,470, which includes $2,313,740 in capital and $1,392,730 for O&M. A summary of these estimates is detailed in Exhibit MDN-1 Form 4E and Form 6E. Further detail on the projects and bases for these costs is set forth in the Testimony of Company witness P. Mark Cutshaw.

Q. Please describe the SPP costs that FPUC projects it will incur during the period of January through December 2023.

A. FPUC has estimated that the total SPP costs during the 2023 period will be $8,257,657, which includes $1,557,533 for O&M and $6,700,124. A summary of these costs and estimates is detailed in Exhibit MDN-1 Form 2P and Form 3P. Further detail on the projects and bases for these costs is set forth in the Testimony of Company witness P. Mark Cutshaw.

Q. Please describe how the revenue requirements on the qualifying capital investments and O&M costs were developed for the projection period.

A. The projected revenue requirement includes several components: 1) the cost estimates for O&M expense to be incurred 2) the return on estimated qualified capital investments for the projection period as calculated using the equity and debt components of the weighted average cost of capital for the company's most recent projected financial forecast, grossed up for federal and state income taxes. 3) depreciation expense (respectively calculated using the currently approved depreciation rates) on the qualified capital investments and 4) expenses for ad valorem taxes. Since FPUC currently recovers certain storm hardening costs through base rates, the revenue requirement is net of the existing storm hardening program, which equates to $1,002,560 embedded in base rate revenues.

Q. Do the estimated and projected revenue requirements include depreciation expense on SPP capital expenditures?

A. Yes, Rule 25-6.031 states that the annual depreciation expense is a cost that may be recovered the SPPCRC. As a result, the projected annual revenue requirements include annual depreciation expense calculated on the SPP capital expenditures using the depreciation rates from FPUC's most current depreciation study, approved by Order No. PSC-2020-0347-AS-EI issued October 8, 2020 within Docket No. 20190174.

Q. Have you prepared a schedule that shows the calculation of the proposed SPPCRC surcharge factors for each rate class to be applied during the billing period January 1, 2023 through December 31, 2023?

A. Yes, please see Exhibit MDN-1, SPPCRC Form 6P.

Q. How did FPUC allocate the total amount to be collected among its rate classes?

A. The allocation of costs to its rate classes is based on each rate class's portion of total base revenues. FPUC calculated the projected base revenues for each rate class by multiplying the customer charge and energy charge, per the tariff, by their projected billing determinants for 2023. Each rate class percentage of the total base revenue, is then multiplied by the total recoverable costs. The allocated recoverable costs per rate class is then divided by the 2023 projected billing determinants (KWH) for each class to calculate the SPPCRC factor per rate class. This calculation can be found on SPPCRC Form 5P.

Q. What is the projected residential bill impact of FPUC's proposed SPPCRC factors?

A. A residential customer using 1,000 KWH will pay an additional $3.43 per month.

Q. What should be the effective date of the SPPCRC surcharge factors for billing purposes?

A. The SPPCRC surcharge factors should be effective for all meter readings during the period of January 1, 2023 through December 31, 2023.

Q. Does this conclude your testimony?

A. Yes.

(Whereupon, prefiled rebuttal testimony of Robert Chester Waruszewski was inserted.)

<u>Before the Florida Public Service Commission</u>

Docket No. 20220010-EI

In re: Petition for Review of Storm Protection Plan

Rebuttal Testimony of Robert Chester Waruszewski

On Behalf of

Florida Public Utilities Company

Date of Filing: September 27, 2022

I. <u>Background</u>

Q. Please state your name and business address.

A. My name is Robert C. Waruszewski. My business address is 500 Energy Lane, Suite 100, Dover, Delaware 19901.

Q. By whom are you employed and in what capacity?

A. I am employed by Chesapeake Utilities Corporation as Regulatory Manager, South.

Q. Briefly state your education background and employment experience.

A. I received a Bachelor of Science Degree in mathematics and economics from St. Vincent College, Latrobe, Pennsylvania. After graduation, I worked as a junior accounting clerk for the Bank of New York Mellon, assisting in the preparation of audits as well as gathering local tax data for the bank's employees before joining Columbia Gas of Pennsylvania in November 2011 in the Regulatory Department. There, I prepared rate case and gas cost filings and in 2013, I was promoted to Senior Regulatory Analyst. I joined Peoples Natural Gas, a distribution company operating in Pennsylvania, West Virginia, and Kentucky in December 2017, as the Senior Rates and Regulatory Analyst, where I was responsible for assisting in budget preparation and compiling regulatory filings for the Company's Pennsylvania and West Virginia affiliates. I was subsequently promoted to Finance and Rates Analyst IV. In January 2022, I joined Chesapeake Utilities Corporation where my responsibilities include the fulfillment of many regulatory activities for FPUC, which range from instances of regulatory analysis to various filings (Purchased Gas Adjustment, Swing Service and the Gas Reliability Infrastructure Program) before the Florida Public Service Commission.

Q. Have you testified before this or any other Commission?

A. Yes, I testified in the Company's Storm Protection Plan filing at Docket No. 20220049-EI, and have provided prefiled, written testimony in FPUC's PGA True-Up filing at Docket No. 20220003-GU, in FPUC's Swing Filing at Docket No. 20220154-GU and in FPUC's GRIP Filing at Docket No. 20220155-GU. In addition, I have testified before the Pennsylvania Public Utility Commission in various gas cost proceedings for Peoples Natural Gas and in various Columbia Gas of Pennsylvania rate proceedings, as well as before the Public Service Commission of Maryland on several occasions on behalf of Columbia Gas of Maryland.

Q. Did you file direct testimony in this proceeding?

A. No, I did not.

II. <u>Purpose of Testimony</u>

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to rebut various conclusions contained in the direct testimony of the Office of Public Counsel's ("OPC") witness Lane Kollen pertaining to the analysis of the Storm Protection Plan Cost Recovery Clause ("SPPCRC") proposed by FPUC in this proceeding. I will also briefly address Walmart's Witness Perry's concerns regarding our cost allocations in the rate design of the proposed SPPCRC surcharges.

Q. Are you sponsoring any exhibits?

A. No, I am not.

Q. Do you agree with Witness Kollen's recommendations and assessments?

A. I do agree with some, but certainly not all of Witness Kollen's recommendations. In this testimony, I will address the key items that I disagree with, as well as certain points upon which I agree with Witness Kollen. To be clear, however, for any other particulars of Witness Kollen's testimony that I do not specifically address, such absence from this testimony should not be construed to mean that I either agree or disagree with Witness Kollen.

Q. Witness Kollen alleges on page 8 of his testimony that the Company has not met the burden of proof to show that the projected 2023 costs included in the SPPCRC are prudent and reasonable, do you agree with this?

A. No, I do not. While I am not an attorney, I do agree that Rule 25-6.031(3), Florida Administrative Code, does establish the SPPCRC as the place to evaluate the reasonableness of the projected costs and prudency of actual costs incurred. However, at page 8, Witness Kollen appears to suggest that the SPPCRC also provides an avenue for the Commission to reevaluate the SPP programs and projects themselves and even potentially exclude aspects of the SPP. In doing so, Witness Kollen appears intent on blurring the distinction between the SPP approval process and the SPPCRC by inserting further evaluation of the SPP into this process, which is not a requirement contemplated by Rule 25-6.031(3). The Company has already provided sufficient support in Docket No. 20220049-EI for the Commission to evaluate the prudency of the Company's SPP and the proposed projects therein. FPUC's projected costs for 2022 and 2023 included within the SPPCRC are the initial costs associated with implementation of the proposed projects as contemplated in the SPP proceeding, and reflect a reasonable, well-grounded assessment of the anticipated costs to complete the proposed projects. The costs are not inflated, nor do they reflect selection of the highest-cost option for materials and labor necessary to complete these projects. Notably, Witness Kollen does not argue that the costs proposed by FPUC for recovery in this proceeding are inaccurate or not appropriately reflective of the projects that FPUC contemplates undertaking in implementing its SPP. Instead, with the exception of Witness Kollen's arguments on CWIP, depreciation expense, and removing FPUC's pole inspection and vegetation management costs from rate base, Witness Kollen focuses primarily on his argument that the costs of the SPP are uneconomic and do not reflect a "benefit to cost ratio of 100% or more".[1] His argument presumes a review standard that does not appear in the statute nor in either 25-6.030 or 25-6.031, F.A.C. As I will further discuss, his implication that the Commission is required to conduct further evaluation of the SPP itself, including further analysis of the costs and benefits, as well as apply a cost/benefit ratio requirement, must be rejected.

Q. Witness Kollen asserts on page 13 of his testimony that the Company did not develop a valid dollar benefit/dollar cost comparison in either this proceeding or

[1] Kollen Direct, page 16.

in its Storm Protection Plan. Is the Company required to provide this in the SPPCRC?

A. No. Again, Witness Kollen is regurgitating arguments that he made in the SPP proceeding and is fixated on the idea that the utilities should monetarily quantify the benefits and the costs of the program, neither the Rule nor the Statute require the Company to provide this in either the SPP or the SPPCRC.

Q. Do you agree with Witness Kollen's recommendation on page 16 of his direct testimony that the Commission should deny cost recovery in the SPPCRC of all SPP proposed projects that do not have a benefit-to-cost ratio of 100%?

A. No. Section (2) (a) of 25-6.030, F.A.C., contemplates that the projects included in the SPP are to enhance FPUC's infrastructure for the purpose of reducing restoration costs and outage times and improving the Company's overall service reliability in the event of a storm. There is no additional requirement in Rule 25-6.030 that the Commission evaluate each project to determine whether, upon implementation, the SPP and its projects will carry a benefit ratio of 100%. Since the Commission is not required to evaluate a utility's SPP and underlying projects according to a specific benefit-to-cost ratio under Rule 25-6.030, it stands to reason that the Commission should reject Witness Kollen's similar argument that only the costs associated with projects that meet a defined benefit-to-cost ratio should be eligible for cost recovery through the SPPCRC.

Q. How should the Commission evaluate the reasonableness of projected costs for FPUC's SPP and prudency of costs incurred for purposes of cost recovery?

A. As I read the statute, the Commission should evaluate whether the costs a utility seeks to recover are the reasonable and prudent costs incurred by the utility in the implementation of its SPP and determine that the costs proposed for recovery through the SPPCRC mechanism are not otherwise already recovered through the Company's base rates.

Q. Do you agree with Witness Kollen's recommendation on pages 19 and 20 of his direct testimony to exclude CWIP from rate base and defer it as either AFUDC or a miscellaneous deferred debit?

A. No, his proposal does not reflect the optimal approach, nor is it consistent with Commission precedent.

Q. On Page 21 of his testimony, Witness Kollen notes that a return on CWIP is not clearly authorized in the SPP Statute or the SPPCRC rule, do you agree with this?

A. While I agree that it is not explicitly stated in the Rule, it is implied. As Witness Kollen acknowledges, the Rule allows for a return on the undepreciated balance of costs. Thereafter, on page 19 of his testimony, Witness Kollen argues that the term "undepreciated balance" as found in subsection (6)(c) of the SPPCRC Rule refers to "net plant," meaning gross plant in service minus accumulated depreciation. As such, he argues "undepreciated balance" cannot apply to CWIP, because only plant in service is depreciated. This analysis is, however, inconsistent with this Commission's review of utility earnings surveillance reports. Specifically, for both the Earnings Surveillance Reports that each utility files with the Commission and MFRs filed with an application for a base rate increase, CWIP is <u>included</u> within the net plant calculation. Thus, applying Witness Kollen's interpretation that "undepreciated balance" refers to net plant, as well as the Commission's historic inclusion of CWIP within net plant for surveillance purposes, the logical conclusion is that CWIP is to be included in the referenced "undepreciated balance" and therefore is eligible for recovery and to earn a return before being closed to plant. This interpretation would also be consistent with Commission's approval and ongoing review of FPUC's Gas Reliability and Infrastructure Program for its natural gas divisions, in which a return on CWIP has also been allowed.

Q. On pages 21 and 22, Witness Kollen asserts that, through the implementation of the various Storm Protection Programs and projects, FPUC will achieve cost savings in non-storm O&M costs and that these savings should be passed on to customers through a reduction to the SPPCRC. Do you agree with this recommendation?

A. No, I do not. While Witness Kollen suggests that a comparison between existing O&M expense and O&M expense after the SPP is implemented could be used to calculate the cost savings, this is an overly simplistic approach that should be rejected. Variations in O&M expense from year to year are caused by a myriad of factors and would not solely be attributable to the implementation of the SPP. While it is likely that the completed SPP projects will result in some non-storm O&M cost savings for customers in the long run, it would be a monumental task to quantify those savings in any meaningful manner, and likely impossible to do so prior to completion of any of the projects in the Company's SPP. As a result, there should not be an adjustment to the SPPCRC revenue requirement to reflect future O&M savings as they are unknown at this time.

Q. On pages 24 and 25 of his testimony, Witness Kollen avers that each utility should reflect a credit to depreciation expense in the SPP for the plant retired due to the implementation of SPP, do you agree with this?

A. No. Witness Kollen assumes that all plant retired due to the implementation of SPP has not yet been fully depreciated and thus the Company would achieve savings related to depreciation expense as a result.

Q. Does FPUC anticipate that the plant retired due to the SPP will either be fully or mostly depreciated?

A. Yes, the Company anticipates that any plant retired as a result of the SPP will either be fully or nearly fully depreciated. As a result, the Company anticipates no depreciation expense savings, or a negligible amount on the nearly depreciated plant.

Q. On pages 25 and 26 of his direct testimony, Witness Kollen claims that FPUC failed to move its pole inspection and vegetation management costs from base rates to SPPCRC rates consistent with the approach of other utilities, in spite of having agreed to do so in response to OPC discovery. Do you agree with this?

A. No. Here, I'm afraid, Witness Kollen is entirely mischaracterizing FPUC's discovery response, which was provided in Docket No. 20220049-EI, and also implies that FPUC is therefore double-recovering costs, which is incorrect. While Witness Kollen includes FPUC's referenced discovery response among his multiple exhibits, for ease of reference, I restate the Company's discovery responses below:

20. Please refer to Paragraph No. 9 of the Company's Application

wherein it states "[T]he SPP contains eight programs, three of which reflect the continuation of legacy Storm Hardening Distribution Wood Pole Inspection and Replacement, Transmission Structure Inspection and Hardening, and Vegetation Management Initiatives."

a. Describe the Company's present recovery through base rates and/or a storm hardening surcharge for each of these three legacy programs that will be included in the SPP going forward.

Response: The Distribution Pole Inspection and Replacement and Transmission Inspection and Hardening programs are completely included in base rates at this time. This will be evaluated on a continuing basis and may change in future years. The Vegetation Management program as proposed is partially included in base rates and the remaining, unrecovered amount is proposed for recovery through the SPPCR.

b. Confirm that if the three legacy programs are approved for the SPP and the costs are approved for recovery through the SPPCRC, then the Company agrees that it should not be allowed also to continue recovery of those costs through base rates and/or storm hardening surcharge rates. If confirmed, then describe how the Company plans to ensure that costs recovered through base rates and/or storm hardening surcharge rates are not also recovered through the SPPCRC.

Response: FPUC will include the appropriate recovery mechanism in the SPPCR process to ensure there is no double recovery of programs within the SPP. FPUC will continue to seek recovery as described in 20(a) until such time that all recovery is moved into the SPPCR.

c. Provide the amounts included in rate base by component and the amounts included in expense by O&M expense account and each other operating expense account for each of the three legacy programs that are presently recovered in base rates. Provide a copy of the source documents relied on to provide these amounts.

Response: For this initial filing, the entire amounts shown in Appendix A of the SPP filing are included in the base rates for the Distribution Pole Inspection and Replacement and the Transmission Inspection and Hardening programs. For the Vegetation Management program with includes a total of $1.2 M in expenses, $685K is currently recovered through base rates.

As is clear from the Company's responses, FPUC did not agree "to realign these expenses from base rates to the SPPCRC in response to OPC discovery" as Witness Kollen states at page 26. Rather, the Company clearly stated that costs for the identified legacy programs are currently recovered through base rates. To the extent that incremental amounts would be incurred under Vegetation Management, only those incremental costs would be included in the SPPCRC. Otherwise, the Company would "ensure there is no double recovery of programs" and would "seek recovery as described in 20(a) **until such time that all recovery is moved into the SPPCR**." [Emphasis added]. To be clear, the Company is not opposed to eventually removing the SPP expenses currently in base rates and recovering them through the SPPCRC either in the Company's next rate case, or as otherwise directed by the Commission. The Company did not, however, agree to do so now, nor did it remotely imply that it would. The Company was clear in its responses then and continues to maintain now that certain costs for legacy "storm hardening' related programs are currently recovered through base rates. To the extent incremental expenses associated with expediting or extending those programs are incurred, only those incremental amounts would be appropriate for recovery through the SPPCRC at this time, which will avoid double recovery. Ultimately, Witness Kollen's statements in this regard are not just wrong, they are misleading.

Q. Is there a regulatory requirement which mandates that FPUC move recovery of all SPP costs from base rates into SPPCRC at this time?

A. No. The Commission's rules do not require, nor has the Commission ordered FPUC to realign these costs from base rates to the SPPCRC rates at this time. Instead, Rule 25-6.031(6)(b) provides that "costs recoverable through the clause shall not include costs recovered through the utility's base rates or any other cost recovery mechanism." As set forth in Witness Napier's Revised Direct Testimony, and consistent with this provision of the Rule, the revenue requirement utilized for purposes of calculating the Company's proposed SPPCRC surcharges is net of the amounts associated with the legacy storm hardening programs recovered through base rates, which equates to

$650,336 and $975,504 embedded in base rate revenues for 2022 and 2023, respectively.[2]

As it relates to Witness Kollen's further assertion at page 26 of his testimony that "the other three utilities in their 2020 SPPCRC proceedings agreed to realign legacy program costs, including vegetation management expenses, from base rates to SPPCRC rates," I am not intimately familiar with prior SPP and SPPCRC proceedings as they pertained to other Florida investor-owned utilities ("IOUs"). It is, however, my understanding that, to the extent any realignments to remove SPP-related costs from base rates for inclusion in the SPPCRC mechanism were accomplished (or are planned) by the other IOUs, these were done consistent with Commission-approved settlement agreements, wherein those utilities agreed, as a term of settlement, to such alignment. As such, any realignment that may, or has, been accomplished by any other Florida IOU does not equate to a "failure" on the FPUC's part to do the same.

Q. Does the Company plan to eventually realign the pole inspection and vegetation management costs?

A. Yes. The Company anticipates that, unless otherwise directed by the Commission, it will plan to address realignment of costs in its next base rate proceeding. In the interim, the Company agrees that there should be no "double recovery" of costs. Consequently, the Company is only requesting recovery of incremental amounts associated with certain items for which a portion is already recovered through base rates in the SPPCRC, which avoids double recovery of costs already recovered through base rates.

[2] See, Revised Direct Testimony of Michelle D. Napier at page 4.

Q. Does Walmart's Witness Perry have a valid argument as it relates to FPUC's proposed allocation of costs based on a class's percentage contribution to base revenues, including energy charges?

A. Yes, to an extent. It is true that FPUC's proposed allocation is a simplified approach that could potentially result in higher load factor customers paying a greater portion of SPP-related costs than lower load factor customers. While FPUC does not agree that this amounts to a violation of the cost causation principle recognized in utility ratemaking, the Company does recognize Walmart's concern and would be amenable to a revision to its cost allocation methodology in this regard.

Q. Does this conclude your testimony?

A. Yes.

(Whereupon, prefiled direct testimony of Renae B. Deaton was inserted.)

THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20220010-EI

FLORIDA POWER & LIGHT COMPANY

STORM PROTECTION PLAN COST RECOVERY CLAUSE FINAL TRUE-UP

FOR THE PERIOD JANUARY 1, 2021 THROUGH DECEMBER 31, 2021

DIRECT TESTIMONY OF

RENAE B. DEATON

Filed: April 1, 2022

TABLE OF CONTENTS

I. INTRODUCTION

Q. Please state your name and address.

A. My name is Renae B. Deaton. My business address is Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

Q. By whom are you employed and in what capacity?

A. I am employed by Florida Power & Light Company ("FPL" or the "Company") as Senior Director, Clause Recovery and Wholesale Rates, Regulatory & State Governmental Affairs.

Q. Please describe your educational background and professional experience.

A. I hold a Bachelor of Science in Business Administration and a Master of Business Administration from Charleston Southern University. I have over 30 years' experience in retail and wholesale regulatory affairs, rate design and cost of service. Since joining FPL in 1998, I have held various positions in the rates and regulatory areas. Prior to my current position, I held the positions of Senior Manager of Cost of Service and Load Research and Senior Manager of Rate Design in the Rates and Tariffs Department. In 2016, I assumed my current position, where my duties include providing direction as to the appropriateness of inclusion of costs through a cost recovery clause, including oversight of the Storm Protection Cost Recovery Clause ("SPPCRC"), and the overall preparation and filing of all cost recovery clause documents including testimony and discovery. Prior to joining FPL, I was employed at the South Carolina Public Service Authority (d/b/a Santee Cooper) for fourteen years, where I held a variety of positions in the Corporate Forecasting, Rates, and Marketing Department and in generation plant operations. As part of the various roles I have held with FPL, I have testified before this Commission on rate design and cost of service in base rate and clause recovery dockets. I have also testified before the Federal Energy Regulatory Commission supporting rates for wholesale power sales agreements and Open Access Transmission Tariffs.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present for Commission review and approval pre-consolidated FPL[1] and pre-consolidated Gulf Power Company ("Gulf") Storm Protection Plan Cost Recovery Clause ("SPPCRC") 2021 Final true-up amounts associated with the period January 1, 2021 through December 31, 2021.

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

A. Yes, I am sponsoring Exhibits RBD-1 and RBD-2. RBD-1 provides the forms listed below for FPL and RBD-2 provides the same forms for Gulf.

- Forms contained in Exhibits RBD-1 and RBD-2:
  - Form 1A - Summary of Current Period Estimated True-up
  - Form 2A - Calculation of True-up Amount
  - Form 3A - Calculation of Interest Provision for True-up Amount
  - Form 4A - Variance Report of Annual O&M Costs by Program
  - Form 5A - Calculation of Annual Revenue Requirements for O&M Programs
  - Form 6A - Variance Report of Annual Capital Investment Costs by Program
  - Form 7A Summary - Calculation of Annual Revenue Requirements for Capital Investment Programs
  - Form 7A - Capital - Estimated Revenue Requirements by Program

[1] As used herein, the term FPL refers to pre-consolidated FPL for the period prior to January 1, 2022, and consolidated FPL for the period on or after January 1, 2022.

- Form 8A – Approved Capital Structure and Cost Rates

Q. What is the source of the data presented in your testimony and/or exhibits?

A. The data presented in my testimony and supporting schedules is taken from FPL's and Gulf's books and records. The books and records are kept in the regular course of the Company's business in accordance with generally accepted accounting principles and practices, as well as the provisions of the Uniform System of Accounts as prescribed by this Commission. The data for the FPL and Gulf 2021 Final True-up SPPCRC costs is provided in Exhibits MJ-1 and MJ-2 attached to the testimony of FPL witness Jarro. The final 2021 SPPCRC costs are consistent with projections provided in FPL's and Gulf's 2020-2029 Storm Protection Plans approved by the Commission in Docket Nos. 20200070-EI and 20200071-EI.

II. <u>2021 FINAL TRUE-UPS</u>

Q. Please explain the calculation of FPL's 2021 Final true-up amount.

A. The Final true-up amount for the period January 2021 through December 2021 is an over-recovery, including interest, of $2,988,785 (RBD-1, Form 1A). The over-recovery of $2,890,319 shown on line 1 on Form 1A plus the interest provision of $6,113 shown on line 3, plus current period adjustments of $92,353[2] shown on line 6, results in the final over-recovery of $2,988,785 shown on line 7.

Q. Please explain the calculation of Gulf's 2021 Final true-up amount.

A. The Final true-up amount for the period January 2021 through December 2021 is an over-recovery, including interest, of $2,158,032 (RBD-2, Form 1A). The over-recovery of $2,151,566 shown on line 1 on Form 1A plus the interest provision of $1,105 shown on line 3, which is calculated on Form 2A, plus current period

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[2] Adjustment to reflect the change in the Florida state tax rate from 4.458% to 3.535%. The reduction in tax rate impacted 2020 and 2021 and a retroactive adjustment was booked in August 2021.

adjustments of $5,360[3] shown on line 6, which results in the final over-recovery of $2,158,032 shown on line 7.

Q. How do the final capital program costs for January 2021 through December 2021 compare with Actual/Estimate projection for the same period?

A. Form 6A shows that total capital program revenue requirements are $1,349,364 lower than estimated for FPL and are $588,984 lower than estimated for Gulf. Individual project capital costs and variances are explained by FPL witness Jarro and provided in Exhibits MJ-1 and MJ-2 attached to his testimony.

Q. Witness Jarro's Exhibits MJ-1 and MJ-2 show that the total 2021 spend for each of the SPP programs is largely unchanged from the projected amounts. What is driving the variance in capital revenue requirements?

A. As explained by FPL witness Jarro and the exhibits attached to his testimony, the variance in program capital revenue requirements is due to changes in the timing of when the costs are incurred for each program and when plant goes in service.

Q. Please explain the variance in O&M and capital revenue requirements for the SPPCRC implementation costs for FPL.

A. Form 4A shows that the final 2021 O&M implementation costs are $246,885 lower than estimated for FPL and are $11,730 lower than estimated for Gulf. The variance in the implementation O&M costs is due to less resources being required to prepare the annual filing than estimated.

Form 6A (RBD-1 and RBD-2) shows that implementation capital revenue requirements are $90,435 higher than estimated for FPL and are $20,563 higher than estimated for

[3] See footnote 2.

Gulf. The variance in capital revenue requirements for both FPL and Gulf is due to the timing of when the implementation costs were incurred.

Q. Does this conclude your testimony?

A. Yes.

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20220010-EI

FLORIDA POWER & LIGHT COMPANY

2022 ACTUAL/ESTIMATED STORM PROTECTION PLAN COST RECOVERY CLAUSE TRUE-UP AND THE 2023 PROJECTED STORM PROTECTION PLAN COST RECOVERY CLAUSE FACTORS

DIRECT TESTIMONY OF RENAE B. DEATON

Topics: **2022 Actual/Estimated SPPCRC True-Up Amounts, and**
2023 SPPCRC Factors

Filed May 2, 2022

TABLE OF CONTENTS

I. INTRODUCTION

Q. Please state your name and address.

A. My name is Renae B. Deaton. My business address is Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

Q. By whom are you employed and in what capacity?

A. I am employed by Florida Power & Light Company ("FPL" or the "Company") as Senior Director, Clause Recovery and Wholesale Rates, Regulatory & State Governmental Affairs.

Q. Have you previously provided testimony in this docket?

A. Yes. I submitted direct testimony in this docket on April 1, 2022, in support of the Storm Protection Plan Cost Recovery Clause ("SPPCRC") final true-up for the period January 1, 2021 through December 31, 2021.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present for Commission review and approval the 2022 Actual/Estimated SPPCRC true-up amounts for the period January 1, 2022 through December 31, 2022; and the 2023 SPPCRC Factors to be applied to bills issued during the projected period of January 1, 2023 through December 31, 2023.

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

A. Yes, I am sponsoring the forms contained in the following Exhibits:

- **RBD-3: FPL 2022 Actual/Estimated SPPCRC**
  - Form 1E - Summary of Current Period Estimated True-Up
  - Form 2E - Calculation of True-Up Amount
  - Form 3E - Calculation of Interest Provision for True-Up Amount
  - Form 4E - Variance Report of Annual O&M Costs by Program

- Form 5E - Calculation of Annual Revenue Requirements for O&M Programs
- Form 6E - Variance Report of Annual Capital Investment Costs by Program
- Form 7E Summary - Calculation of Annual Revenue Requirements for Capital Investment Programs
- Form 7E - Capital - Estimated Revenue Requirements by Program
- Form 8E – Approved Capital Structure and Cost Rates

- **RBD-4: FPL 2023 Projections**
  - Form 1P - Summary of Projected Period Recovery Amount
  - Form 2P - Calculation of Annual Revenue Requirements for O&M Programs
  - Form 2P - Projects - Project Listing by Each O&M Program
  - Form 3P - Calculation of the Total Annual Revenue Requirements for Capital Investment Programs
  - Form 3P - Projects - Project Listing by Each Capital Program
  - Form 3P - Capital - Calculation of Annual Revenue Requirements for Capital Investment by Program
  - Form 4P - Calculation of the Energy & Demand Allocation % By Rate Class
  - Form 5P - Calculation of the Cost Recovery Factors by Rate Class
  - Form 7P - Approved Capital Structure and Cost Rates
- **RBD-5- Retail Separation Factors**

Also included in Exhibit RBD-4 is Form 6P - Program Description and Progress Report, which is sponsored by FPL witness Jarro. These Commission Forms were used to calculate the 2022 Actual/Estimated SPPCRC true-up amounts for the period January 1, 2022 through December 31, 2022, and FPL's proposed SPPCRC Factors for the period of January 1, 2023 through December 31, 2023.

Q. What is the source of the data presented in your testimony and/or exhibits?

A. The data presented in my testimony and supporting schedules is taken from FPL's books and records. The books and records are kept in the regular course of the Company's business in accordance with generally accepted accounting principles and practices, as well as the provisions of the Uniform System of Accounts as prescribed by this Commission.

As part of FPL's Commission-approved 2021 Rate Case in Docket No. 20210015-EI, the operations, rates, and tariffs of the former pre-consolidated Gulf Power Company ("Gulf") and FPL were consolidated and unified, all former Gulf customers became FPL customers, and Gulf ceased to exist as a separate regulated entity effective January 1, 2022. Consistent therewith, the Commission approved consolidated FPL 2022 SPPCRC Factors in Docket No. 20210010-EI for the period January 1, 2022 through December 31, 2022. As explained by FPL witness Jarro, during 2022, the programs and projects in the FPL 2020-2029 SPP are being applied throughout the former FPL service area, and the programs and projects in the Gulf 2020-2029 SPP are being applied throughout the former Gulf service area. Therefore, the actual/estimated 2022 SPP programs and projects included in this filing are based on the FPL and Gulf 2020-2029 SPPs, and the former Gulf 2022 SPP projects and associated costs are additive to or combined with the FPL 2022 SPP programs and projects consistent with the Commission-approved 2022 SPPCRC Factors. The data for the FPL and Gulf actual/estimated 2022 SPP costs is provided in Exhibit MJ-4 attached to the testimony of FPL witness Jarro and Form 6P provided in Exhibit RBD-4 attached to my testimony.

On April 11, 2022, FPL filed a new consolidated FPL 2023-2032 SPP, which is currently pending for Commission review and approval in Docket No. 20220051-EI. If approved, the programs and projects included in the FPL 2023-2032 SPP would become effective and applied throughout the consolidated FPL service area beginning January 1, 2023. Accordingly, in this filing FPL is providing and seeking Commission approval of 2023 SPPCRC Factors based on the programs and projects included in FPL's 2023-2032 SPP that is currently pending in Docket No. 20220051-EI. The data for the FPL 2023 SPP costs is provided in Exhibit MJ-5 attached to the testimony of FPL witness Jarro and Form 6P provided in Exhibit RBD-4 attached to my testimony.

Q. Does this filing include a final true-up of SPPCRC costs incurred in 2021?

A. Yes. Form 1P in exhibit RBD-4 page 1, line 3 includes the FPL and Gulf final true-up over-recovery of SPPCRC costs of $5,146,817 for 2021. On April 1, 2022, FPL filed its petition and supporting testimony, exhibits, and schedules seeking approval of the actual final true-ups of the 2021 SPPCRC costs for both FPL and Gulf. The final true-up to be included in 2023 SPPCRC factors is calculated by the sum of FPL's actual final true-up over-recovery of $2,988,785 for the period January 2021 through December 2021, and Gulf's actual final true-up over-recovery of $2,158,032 for the period January 2021 through December 2021.

II. 2022 ACTUAL/ESTIMATED TRUE-UP CALCULATION

Q. Please explain the calculation of FPL's 2022 Actual/Estimated true-up amount.

A. The Actual/Estimated true-up amount for the period January 2022 through December 2022 is an under-recovery, including interest, of $4,681,232 (Exhibit RBD-3, Form 1E). The Actual/Estimated true-up amount is calculated on Form 2E by comparing actual data for January 2022 and February 2022 and revised estimates for March 2022 through December 2022 to original projections for the same period. The under-recovery of $4,694,852 shown on line 5 plus the interest provision of $13,620 shown on line 6, which is calculated on Form 3E, results in the final under-recovery of $4,681,232.

Q. How do the actual/estimated program costs for January 2022 through December 2022 compare with original projections for the same period?

A. Form 6E (Exhibit RBD-3) shows that total capital program costs for FPL are $4,296,860 higher than projected. Individual project capital costs and variances are explained by FPL witness Jarro and provided in Exhibit MJ-4 attached to his testimony. Form 4E (Exhibit RBD-3) shows that total O&M program costs for FPL are $1,770,258 higher than projected.

Q. Please identify the adjustments incorporated into the 2022 Actual/Estimated true-up amounts to reflect the changes or modifications adopted in FPL's 2021 Rate Case in Docket No. 20210015-EI.

A. FPL has updated the original 2022 projections to incorporate the approved depreciation rates, jurisdictional factors, and return on equity, which are included in the calculation of the 2022 Actual/Estimated true-up amounts provided in Exhibit RBD-3.

Q. Please explain whether any of the 2022 SPP costs included in the 2022 Actual/Estimated true-up are also recovered through base rates or any other cost recovery mechanism.

A. They are not. As part of FPL's 2021 Rate Case, FPL moved all O&M associated with the FPL and Gulf SPP programs and projects from base rates to the SPPCRC effective January 1, 2022, in order to align recovery of O&M program costs with their related capital expenditures. In addition, FPL moved all remaining SPP capital projects, and any related depreciation, not currently recovered through the SPPCRC (*i.e.*, Gulf's Transmission Inspection Program) from base rates to the SPPCRC effective January 1, 2022.[1] Thus, effective January 1, 2022, all O&M and capital costs, with the exception of the cost of removal for assets existing prior to 2021, associated with the 2022 SPP programs have been and will be booked to and tracked through the SPPCRC. As stated in Docket No. 20210010-EI approving the 2022 SPPCRC Factors, the cost of removal and retirements associated with the SPP programs for assets existing prior to 2021 will continue to be recovered through base rates.

[1] See Direct Testimony of FPL witness Liz Fuentes filed in Docket No. 20210015-EI on March 12, 2021.

III. 2023 PROJECTED REVENUE REQUIREMENTS

Q. Please explain how the costs for the FPL Projected 2023 SPP were determined.

A. As explained above, the new consolidated FPL 2023-2032 SPP is currently pending Commission review and approval in Docket No. 20220051-EI. If approved, the SPP would be become effective and applied throughout the consolidated FPL service area beginning January 1, 2023. Thus, the 2023 capital and O&M costs included in the pending FPL 2023-2032 SPP were used for purposes of calculating the 2023 SPP costs. This data is provided in Form 6P attached to my testimony and Exhibit MJ-5 attached to the testimony of FPL witness Jarro.

Q. Please explain whether any of the 2023 SPP costs included in the 2023 SPPCRC projections would be recovered through base rates or any other cost recovery mechanism

A. They would not. Subject to Commission approval of FPL's 2023-2032 SPP pending in Docket No. 20220015-EI, all O&M and capital costs, with the exception of cost of removal, associated with the 2023 SPP programs will be booked to and tracked through the SPPCRC. As provided in Form 6P, the cost of removal and retirements associated with the SPP programs for assets existing prior to 2021 will continue to be recovered through base rates.

Q. Please explain the calculation of the SPPCRC revenue requirements for the projected period.

A. Form 2P (Exhibit RBD-4) titled "Calculation of Annual Revenue Requirements for O&M Programs" shows the monthly O&M for the period January 2023 through December 2023. Form 3P titled "Calculation of Annual Revenue Requirements for Capital Investment Programs" shows the calculation of the monthly revenue requirements for the capital expenditures projected to be incurred during the period

January 2023 through December 2023. The monthly capital revenue requirements include the debt and equity return grossed up for income taxes on the average monthly net investment, including construction work in progress, and depreciation and amortization expense. The identified recoverable costs are then allocated to retail customers using the appropriate separation factors provided in Exhibit RBD-5.

Q. Have you provided a schedule showing the allocation of costs by retail rate class?

A. Yes. Form 4P provides the allocation of costs to the retail rate classes. The allocations to the retail rate classes were developed from the final base rate allocations and methodologies described in FPL's base rate settlement agreement approved in Docket No. 20210015.

Transmission costs are allocated to all rate classes based on the 12 monthly Coincident Peaks (12CP). Distribution costs are allocated only to the distribution-level rate classes based on a negotiated methodology. Distribution costs are not allocated to the transmission level rate classes.

Q. Have you provided a schedule showing the calculation of projected SPPCRC costs being requested for recovery for the period January 2023 through December 2023?

A. Yes. Form 1P (page 1) in Exhibit RBD-4 provides a summary of projected SPPCRC costs being requested for recovery for the period January 2023 through December 2023. Total jurisdictional revenue requirements including true-up amounts, are $369,939,042 (page 1, line 5). This amount includes: (a) $368,687,445 of costs associated with the SPP programs projected to be incurred between January 1, 2023 and December 31, 2023 (page 1, line 1e); (b) FPL's actual/estimated true-up under-recovery of $4,681,232, including interest, for the period of January 2022 through December 2022 (page 1, line 2); (c) the combined total final true-up over-recovery amount of $5,146,817, including interest, for the period January 2021 through December 2021 (page 1, line 3); less (d) FPL's prior period estimated true up over-recovery included in the 2022 SPPCRC Factors of $1,717,183,[2] including interest, for the period of January 2021 through December 2021 (page 1, line 4). The detailed calculations supporting the 2022 actual/estimated true-up were provided in Exhibit RBD-3 filed in this docket.

IV. WACC CALCULATION

Q. Has FPL calculated the Weighted Average Cost of Capital ("WACC") in accordance with FPSC Order No. PSC-2020-0165-PAA-EU ("WACC Order")?

A. Yes. FPL has calculated the WACC in accordance with the WACC Order. The resulting after-tax WACC to be applied to the 2022 actual/estimated SPPCRC capital investments for FPL is 6.37%, which is based on the 2022 Forecasted Earnings Surveillance Report and currently approved midpoint return on equity ("ROE") of 10.60%. The rate is also provided on Form 8E in my Exhibit RBD-3.

The resulting after-tax WACC to be applied to the 2023 projected SPPCRC capital investments is 6.58%, which is based on FPL's 2023 forecast and currently approved midpoint ROE of 10.60%. The WACC is also provided on Form 7P in my Exhibit RBD-4.

Q. Does this conclude your testimony?

A. Yes.

[2] See Order No. PSC-2021-0324-FOF-EI issued on August 26, 2021 (FPL actual/estimated true-up over-recovery amount of $742,850; and Gulf actual/estimated true-up over-recovery amount of $974,333).

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Storm Protection Plan Cost Recovery Clause (Florida Power & Light Company)	Docket No. 20220010-EI Filed: August 11, 2022

FLORIDA POWER & LIGHT COMPANY
ERRATA SHEET OF RENAE B. DEATON

Florida Power & Light Company ("FPL") hereby submits this errata sheet of Renae B. Deaton to make the following corrections to **Exhibit RBD-4: FPL 2023 Projection**: (i) to reflect that the Distribution Winterization Program and Transmission Winterization Program were withdrawn from FPL's 2023-2032 Storm Protection Plan on July 11, 2022; (ii) to correct certain footnotes; and (iii) to correct a formula error in the kW billing demand calculations.

Ex. RBD-4: Page # (Form #)	**Change**
Page 1 (Form 1P)	Reflect that the Distribution Winterization Program and Transmission Winterization Program were withdrawn from FPL's 2023-2032 Storm Protection Plan on July 11, 2022.
Page 3 (Form 3P)	Delete lines 1.6 and 1.7 and recalculate lines 1.a, 5-14 to reflect that the Distribution Winterization Program and Transmission Winterization Program were withdrawn from FPL's 2023-2032 Storm Protection Plan on July 11, 2022.
Pages 4-11 (Form 3P)	Correct Note (b) to change the gross-up factor from .754782 to 7.4655; correct Note (c) to change the equity from 5.1242% to 5.2746% and debt from 1.2406% to 1.3071%; and correct Note (d) to reference FPL's 2021 retail base rate settlement agreement (Order No. PSC-2021-0446-S-EI).
Page 12-13 (Form 3P)	Delete pages 12-13 in their entirety to reflect that the Distribution Winterization Program and Transmission Winterization Program were withdrawn from FPL's 2023-2032 Storm Protection Plan on July 11, 2022.
Page 14 (Form 3P)	Correct Note (b) to change the gross-up factor from .754782 to 7.4655; correct Note (c) to change the equity from 5.1242% to 5.2746% and debt from 1.2406% to 1.3071%; and correct Note (d) to reference FPL's 2021 retail base rate settlement agreement (Order No. PSC-2021-0446-S-EI).
Page 16 (Form 5P)	Correct a formula error in the kW billing demand calculations, consistent with FPL's response to Staff Second Set of Interrogatories No. 6 served on July 11, 2022, and reduce the total SPPCRC costs to reflect that the Distribution Winterization Program and Transmission Winterization Program were withdrawn from FPL's 2023-2032 Storm Protection Plan on July 11, 2022

Pages 39-41 (Form 6P)	Delete pages 39-41 in their entirety consistent with Errata Sheet of Michael Jarro filed on August 10, 2022, to reflect that the Distribution Winterization Program and Transmission Winterization Program were withdrawn from FPL's 2023-2032 Storm Protection Plan on July 11, 2022.

Provided as "**Attachment 1**" is a redline version of Exhibit RBD-4: FPL 2023 Projection that reflects the above-referenced corrections. Provided as "**Attachment 2**" is a clean version of Exhibit RBD-4: FPL 2023 Projection that reflects the above referenced corrections.

Respectfully submitted this 11th day of August 2022,

By: s/Christopher T. Wright
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BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20220010-EI

FLORIDA POWER & LIGHT COMPANY

STORM PROTECTION PLAN COST RECOVERY CLAUSE

SUPPLEMENTAL TESTIMONY OF RENAE B. DEATON

Topics: Amended 2023 SPPCRC Factors

Filed: October 14, 2022

Q. Please state your name and address.

A. My name is Renae B. Deaton. My business address is Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

Q. Have you previously provided testimony in this docket?

A. Yes. On April 1, 2022, I submitted direct testimony in support of the Storm Protection Plan Cost Recovery Clause ("SPPCRC") final true-up for the period January 1, 2021 through December 31, 2021, together with Exhibits RBD-1 and RBD-2. On May 2, 2022, I submitted direct testimony in support of in support of FPL's 2022 SPPCRC Actual/Estimated True-Up and projected 2023 SPPCRC Factors, together with Exhibits RBD-3 through RBD-5. On August 11, 2022, I filed an errata and Revised Exhibit RBD-4 to: (i) reflect that FPL's Transmission and Distribution Winterization Programs had been formally withdrawn from FPL's proposed 2023-2032 Storm Protection Plan ("2023 SPP") pending in Docket No. 20220051-EI; (ii) to correct certain footnotes; and (iii) to correct a formula error in the kW billing demand calculations.

Q. What is the purpose of your supplemental testimony?

A. The purpose of my supplemental testimony is to amend the 2023 SPPCRC Factors to be applied to bills issued during the projected period of January 1, 2023 through December 31, 2023, consistent with the modifications to FPL's 2023 SPP that were approved by the Commission in Docket No. 20220051-EI and reflected in the supplemental testimony of FPL witness Jarro and Amended Exhibit MJ-5.

Q. Are you sponsoring any exhibits with your supplemental testimony?

A. Yes, I am sponsoring Amended Exhibit RBD-4: FPL 2023 Projections and new Exhibit RBD-6: FPL 2023 Projection Comparison Summary. Included in Amended Exhibit

RBD-4 is Amended Form 6P - Program Description and Progress Report, which is sponsored by the supplemental testimony of FPL witness Jarro. These Commission Forms were used to calculate FPL's proposed SPPCRC Factors for the period of January 1, 2023 through December 31, 2023.

Q. Please explain why you are submitting supplemental testimony and exhibits in this proceeding.

A. As explained in the supplemental testimony of FPL witness Jarro, the Commission approved modifications to FPL's 2023 SPP on October 4, 2022. Therefore, pursuant to Rule 25-6.031(2), F.A.C., I am providing this supplemental testimony and sponsoring exhibits to reflect the modifications to the 2023 SPP that were approved by the Commission.

Q. Has FPL provided an updated calculation of the SPPCRC revenue requirements for the projected period?

A. Yes. Consistent with the 2023 SPP approved by the Commission in Docket No. 20220051-EI and reflected in Amended Exhibit MJ-5 attached to the supplemental testimony of FPL witness Jarro, FPL has removed the Transmission Access Enhancement Program and the transmission looping initiative from the projected SPPCRC costs being requested for recovery for the period January 2023 through December 2023. These changes are reflected in Amended Exhibit RBD-4 on Amended Forms 1P, 3P, 5P, and 6P. No other changes or modifications have been made to Amended Exhibit RBD-4.

Q. Have you prepared an exhibit showing the impacts of these modifications to the calculation of the recoverable costs and the SPPCRC factors?

A. Yes. Exhibit RBD-6: FPL 2023 Projection Comparison Summary summarizes the change in projections of recoverable costs and the SPPCRC factors resulting from the modifications to the 2023 SPP that were adopted by the Commission. The total reduction in jurisdictional recoverable costs is $664,360 as shown on page 1 of Exhibit RBD-6. As shown on page 2 of Exhibit RBD-6, the removal of the transmission looping initiative reduces recoverable costs by $650,253, and the removal of the Transmission Access Enhancement Program reduces recoverable costs by $34,107. The impacts to the capital schedule for the Transmission Hardening Program are reflected on page 3 of Exhibit RBD-6.

Q. Have you provided an amended schedule showing the projected SPPCRC costs being requested for recovery for the period January 2023 through December 2023?

A. Yes. Page 1 of Amended Form 1P (Amended Exhibit RBD-4) provides a summary of projected SPPCRC costs being requested for recovery for the period January 2023 through December 2023. Total jurisdictional revenue requirements including true-up amounts, are $367,567,308 (page 1, line 5). This amount includes: (a) $366,315,710 of costs associated with the SPP programs projected to be incurred between January 1, 2023 and December 31, 2023 (page 1, line 1e); (b) FPL's actual/estimated true-up under-recovery of $4,681,232, including interest, for the period of January 2022 through December 2022 (page 1, line 2); (c) the combined total final true-up over-recovery amount of $5,146,817, including interest, for the period January 2021 through

December 2021 (page 1, line 3); less (d) FPL's prior period estimated true up over-recovery included in the 2022 SPPCRC Factors of $1,717,183,[1] including interest, for the period of January 2021 through December 2021 (page 1, line 4).

Q. Have you provided a schedule showing the allocation of costs by retail rate class?

A. Yes. The identified recoverable costs were allocated to retail customers using the appropriate separation factors provided in Exhibit RBD-5 submitted with my direct testimony filed on May 2, 2022. Form 4P (Amended Exhibit RBD-4) provides the factors for the allocation of costs to the retail rate classes. Although the total costs to be allocated have changed due to the Commission's modification of the 2023 SPP, the allocation methodologies are unchanged since the original 2023 SPPCRC filing on May 2, 2022.

Q. Have you provided a schedule showing the calculation of the SPPCRC factors based on the amended SPPCRC revenue requirements?

A. Yes. Amended Form 5P (Amended Exhibit RBD-4) provides the calculation of the SPPCRC factors based on the revised recoverable costs reflected in Amended Form 1P. As shown on page 4 of Exhibit RBD-6, the Commission's modifications to the 2023 SPP impacted the proposed 2023 SPPCRC Factors for two rate classes: GS1/GST1 decreased from $0.00347 to $0.00346 per kWh; and OS2 decreased from $0.00816 to $0.00815 per kWh.

Q. Does this conclude your supplemental testimony?

A. Yes.

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[1] See Order No. PSC-2021-0324-FOF-EI issued on August 26, 2021 (FPL actual/estimated true-up over-recovery amount of $742,850; and Gulf actual/estimated true-up over-recovery amount of $974,333).

(Whereupon, prefiled direct testimony of Liz Fuentes was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20220010-EI

FLORIDA POWER & LIGHT COMPANY

STORM PROTECTION PLAN COST RECOVERY CLAUSE

REBUTTAL TESTIMONY OF

LIZ FUENTES

Filed: September 27, 2022

Q. Please state your name and business address.

A. My name is Liz Fuentes. My business address is Florida Power & Light Company, 4200 West Flagler Street, Miami, Florida, 33134.

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

A. I am employed by Florida Power & Light Company ("FPL" or the "Company") as Senior Director, Regulatory Accounting.

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

A. I am responsible for planning, guidance, and management of most regulatory accounting activities for FPL and Pivotal Utility Holdings, Inc. d/b/a Florida City Gas. In this role, I ensure that the financial books and records comply with multi-jurisdictional regulatory accounting requirements and regulations.

Q. Please describe your educational background and professional experience.

A. I graduated from the University of Florida in 1999 with a Bachelor of Science Degree in Accounting. That same year, I was employed by FPL. During my tenure at the Company, I have held various accounting and regulatory positions of increasing responsibility with most of my career focused in regulatory accounting and the calculation of revenue requirements. Specifically, I have filed testimony or provided accounting support in multiple FPL retail base rate filings, clause filings, and other regulatory dockets filed at the Florida Public Service Commission ("FPSC" or the "Commission") as well as the Federal Energy Regulatory Commission ("FERC"). Most recently, I filed testimony in FPL's 2023-2032 Storm Protection Plan ("SPP") filing and the Florida City Gas base rate case filing.

My responsibilities have included the management of the accounting for FPL's cost recovery clauses and the preparation, review, and filing of FPL's monthly Earnings Surveillance Reports ("ESRs") at the FPSC. I am a Certified Public Accountant ("CPA") licensed in the Commonwealth of Virginia and member of the American Institute of CPAs.

Q. Did you previously submit direct testimony in this docket?

A. No, I did not.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to respond to recommendations provided in the direct testimony of Office of Public Counsel ("OPC") witness Lane Kollen in regard to the calculation of revenue requirements included in FPL's 2023 SPP Cost Recovery Clause ("SPPCRC") Projection filing. Specifically, I explain that FPL's revenue requirement calculations reflected in its 2023 SPPCRC Projection filing are consistent with Commission practice and revenue requirements presented in other FPL cost recovery clauses. I also explain why multiple recommendations by OPC witness Kollen to modify FPL's revenue requirement calculations should be rejected.

Q. Does the Commission's SPPCRC Rule, Rule 25-6.031, F.A.C., define or describe how the revenue requirements included in FPL's 2023 SPPCRC filing should be calculated?

A. No, it does not. However, FPL followed the Commission's prescribed templates/forms for the SPPCRC, and similar revenue requirement calculations presented for Commission approval in other FPL cost recovery clause filings, such as the environmental cost recovery clause. For purposes of the costs included in FPL's 2023 SPPCRC Projection filing, the Commission prescribed templates and forms which are provided in Revised Exhibit RBD-4 and Exhibit RBD-5 sponsored by FPL witness Deaton are consistent with the revenue requirement calculations in FPL's 2021 and 2022 SPPCRC Projection Filings approved in Docket Nos. 20200092-EI and 20210010-EI, respectively.

Q. Has the Commission performed an audit of FPL's SPPCRC revenue requirement calculations?

A. Yes. The Commission staff performed an audit of the revenue requirement calculations included in FPL's 2021 SPPCRC Final True-up filing, which covered the period January through December 2021. As reflected in the final audit report issued on September 21, 2022 in this docket, the Commission staff did not note any exceptions to FPL's revenue requirement calculations for the 2021 SPPCRC Final True-Up calculation.

Q. On page 10 of his testimony, OPC witness Kollen states that each utility included programs and costs that are included within existing base rate programs and base rate recoveries and such programs and projects should be excluded from the SPPs and the costs should be excluded from recovery through the SPPCRCs. Do you have a response?

A. Yes. First, OPC witness Kollen made a similar argument regarding programs eligible to be included in FPL's 2023-2032 SPP ("2023 SPP"), which is pending for Commission approval in Docket No. 20220051-EI (the "SPP Docket"). In fact, OPC witness Kollen offers his entire testimony from the SPP Docket as an exhibit in this proceeding, including the portions of his testimony that were stricken by Order No. PSC-2022-0292-PCO-EI and reaffirmed by the full Commission after OPC sought reconsideration. Based on these facts, it appears that OPC witness Kollen seeks to again challenge what programs are eligible to be included in the 2023 SPP. As further explained in the rebuttal testimony of FPL witness Jarro, the issue of what programs should be included in the 2023 SPP will have already been decided prior to the November 1-3, 2022 hearing in this docket.

Second, the only SPP program that the OPC witnesses claim is included in base rates is the Transmission Access Enhancement Program. As explained in the rebuttal testimony of FPL witness Jarro, the Transmission Access Enhancement Program and associated costs are not included in FPL's current base rates.

Third, although I agree that SPP costs cannot be recovered in both the SPPCRC and base rates,[1] I disagree that any of the 2023 SPP projects and costs submitted for recovery through the 2023 SPPCRC Factors are being recovered in FPL's current

[1] The SPP Statute provides that the "annual transmission and distribution storm protection plan costs may not include costs recovered through the public utility's base rates." *See* Section 366.96(8), F.S. Similarly, the SPPCRC Rule provides that costs recoverable through the SPPCRC "shall not include costs recovered through the utility's base rates or any other cost recovery mechanisms." *See* Rule 25-6.031(6)(b), F.A.C.

base rates. As reflected in my direct testimony filed in Docket No. 20210015-EI,[2] the Company requested permission to move all SPP operations and maintenance ("O&M") and remaining capital costs from base rates to the SPPCRC beginning January 1, 2022. This treatment was included in FPL's Stipulation and Settlement Agreement approved by Commission Order No. PSC-2021-0446-S-EI ("2021 Rate Case Settlement Agreement"). Moreover, except for cost of removal and retirements associated with existing assets resulting from SPP projects, there were no 2023 SPP costs forecasted or included in FPL's 2022 Test Year or 2023 Subsequent Year base rate revenue requirements approved as part of the 2021 Rate Case Settlement Agreement. Finally, FPL has implemented unique master data in its systems (*i.e.*, work order type and work breakdown structure) to record SPP capital costs and O&M expenses only to the SPPCRC. Use of this master data approach prevents SPP costs from being recorded to base rates, which eliminates the potential for double recovery in both the SPPCRC and base rates. For these reasons, FPL's current base rates do not reflect any SPP capital costs or O&M expenses and, therefore, no double recovery exists.

Q. Starting on page 18 of his testimony, OPC witness Kollen states that FPL should not have included a return on Construction Work in Progress ("CWIP") in the calculation of the revenue requirements included in its 2023 SPPCRC Projection filing. Do you agree?

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[2] See Direct Testimony of Liz Fuentes, filed on March 12, 2021, in Docket No. 20210015-EI, which is available at: http://www.psc.state.fl.us/library/filings/2021/02764-2021/02764-2021.pdf.

A. No, I do not. OPC witness Kollen attempts to point to Section 366.96(9), Florida Statute, and the SPPCRC Rule as a basis for what projects can and cannot earn a return, which is improper and inconsistent with traditional ratemaking. The proper reference for determining how CWIP earns a return is Rule 25-6.0141, Allowance for Funds Used During Construction, F.A.C., (the "AFUDC Rule"), which recognizes that a return on CWIP balances can be achieved in either of two ways: (i) CWIP projects that meet the requirements set forth in section (2)(a) of the AFUDC Rule may accrue AFUDC; (ii) in the event CWIP projects do not meet the requirements to accrue AFUDC under the AFUDC Rule, they are included in rate base.

FPL's SPP projects do not meet the requirements to accrue AFUDC under the AFUDC Rule and, therefore, are included in the calculation of revenue requirements in its 2023 SPPCRC Projection filing as a component of the total investment earning a return. This treatment is consistent with the revenue requirements presented for Commission approval starting with FPL's 2021 SPPCRC Projection filing, which OPC agreed to in a settlement agreement approved by Commission Order No. PSC-2020-0409-AS-EI, and the 2022 SPPCRC Projection filing that was approved by Commission Order No. PSC-2021-0324-FOF-EI.

Q. Has a return on CWIP associated with SPP projects previously been addressed?

A. Yes. As part of the Joint Motion for Approval of a Stipulation and Settlement Agreement approved by Order No. PSC-2020-0293-AS-EI ("2020 SPP Settlement"), FPL, OPC, and Walmart agreed to include a return on net investment (*i.e.*, rate base), including CWIP, for projects recoverable through FPL's SPPCRC beginning with capital costs incurred on or after January 1, 2021. Below is an excerpt from paragraph 23 (b) of the 2020 SPP Settlement:

> The return on the net investment (which includes net plant in service and/or construction-work-in-progress, subject to section D.2.d. below) associated with a capital project cost incurred on or after January 1, 2021, and the related depreciation expense may be eligible for cost recovery through the SPPCRC, subject only to a reasonableness review of projected SPP costs and a prudence review of actual SPP costs in the applicable SPPCRC proceeding.

Q. On page 18 of his testimony, OPC witness Kollen acknowledges that the SPPCRC Rule allows for a return on the "undepreciated balance" of SPP projects in the SPPCRC, which he interprets as "net plant" (plant-in-service less accumulated depreciation) that does not include CWIP. Do you agree with his interpretation?

A. No, I do not. Although the term "undepreciated balance" is not defined in the SPPCRC Rule, the term "undepreciated balance" in section (6)(c) of the SPPCRC Rule refers to capital costs that are yet to be depreciated, which would include CWIP balances since they are capital costs that have not yet closed to plant-in-service and begun depreciation. In addition, the equivalent of OPC witness

Kollen's term "net plant" that he believes is the same as "undepreciated balance" is "net utility plant" which is calculated as follows in FPL's ESR:

Net Plant-in-Service (gross plant-in-service less accumulated depreciation)
+ CWIP (not eligible for AFUDC/earning a return in clause)
+ Property held for future use
<u>+ Unamortized nuclear fuel</u>
Net Utility Plant

Based on the above, it is appropriate to include CWIP in the amount eligible for a return in the SPPCRC as long as it is not earning a return elsewhere. Therefore, OPC witness Kollen's interpretation of the definition of "undepreciated balance" should be ignored.

Q. Does FPL earn a return on CWIP associated with cost recovery clause capital projects in base rates?

A. No. FPL removes all CWIP associated with cost recovery clause capital projects, including amounts associated with SPP projects included in the SPPCRC, from rate base in its base rate revenue requirement calculations and monthly ESRs whether they are eligible for AFUDC or not.

Q. Does FPL earn a return on CWIP associated with cost recovery clauses capital projects through cost recovery clause factors other than SPPCRC?

A. Yes. The Commission currently authorizes FPL to earn a return on all CWIP balances associated with capital projects included for recovery in its environmental cost recovery clause, capacity cost recovery clause, and energy conservation cost recovery clause. Therefore, CWIP should be treated consistently across all of FPL's cost recovery clauses and OPC witness Kollen's recommendation to disallow a return on CWIP associated with SPP projects in the SPPCRC should be rejected.

Q. OPC witness Kollen recommends an alternative to a return on CWIP in rate base by deferring the return as a regulatory asset or miscellaneous deferred debit and including it for recovery in the SPPCRC when the SPP project goes into service. Do you agree this is an acceptable alternative?

A. No. First, this alternative is not consistent with the requirements set forth in the AFUDC Rule and is an attempt by OPC to request that the Commission add additional provisions to the AFUDC Rule or the SPPCRC Rule outside of a rulemaking process. Second, from a ratemaking perspective, OPC witness Kollen's alternative approach is essentially recommending accrual of AFUDC for SPP projects; however, SPP projects do not qualify for accrual of AFUDC.

Q. OPC witness Kollen recommends on page 22 of his testimony that the revenue requirements reflected in FPL's 2023 SPPCRC Projection filing should include a credit for non-storm O&M savings resulting from its SPP projects. Do you agree this credit should be incorporated into the calculation of revenue requirements in FPL's 2023 SPPCRC filing?

A. No, I do not. First, there is nothing in the SPP Statute, the SPPCRC Rule, or any applicable settlement (base rate, SPP, or SPPCRC), that requires FPL to incorporate any O&M savings in its calculation of revenue requirements in its SPPCRC filings. Second, any achieved O&M savings will be reflected in the amount of O&M expenses to be recovered in FPL's base rates or SPPCRC factors in future proceedings. Third, the O&M savings may serve to lower non-capital storm restoration costs associated with major storms not recoverable through base rates. Fourth, FPL is unable to determine the exact amount of O&M expense currently being recovered in FPL's base rates that potentially would be impacted by SPP projects recovered through the SPPCRC. However, any actual O&M savings achieved related to base rates will be reflected as the total amount of O&M expenses recorded on FPL's books and records if and when they are realized and reflected in its monthly ESRs. Finally, it must be remembered that FPL is currently under a 4-year base rate settlement, which OPC agreed to. OPC witness Kollen's recommendation, if adopted, would essentially re-open the 2021 Rate Case Settlement with each annual SPPCRC filing for purposes of revaluating potential base O&M savings. There is nothing in the SPP Statute or SPPCRC Rule that suggests the annual SPPCRC filing should be a mechanism to re-open base rates outside a general base rate proceeding.

Q. OPC witness Kollen recommends on pages 23-25 of his testimony that the revenue requirements reflected in FPL's 2023 SPPCRC Projection filing should include a credit to depreciation expense for base rate assets which are retired as a result of the SPP projects. Do you agree this credit should be incorporated into the calculation of revenue requirements in FPL's 2023 SPPCRC Projection filing?

A. No. Although FPL's base rates to be implemented on January 1, 2023 were approved as part of FPL's 2021 Rate Case Settlement Agreement, FPL did forecast base rate retirements and cost of removal resulting from SPP projects in its 2023 Subsequent Year. Therefore, the amount of depreciation expense reflected in its 2023 Subsequent Year has already been reduced to reflect the estimated retirements associated with SPP projects. Thus, OPC witness Kollen's recommendation that the 2023 SPPCRC should include a credit to depreciation expense for base rate assets which are retired as a result of the 2023 SPP projects is unnecessary and, moreover, would result in a double count.

Q. In the event the Commission accepts OPC witness Kollen's recommendation to require FPL to calculate and apply a credit to depreciation expense for base rate assets which are retired as a result of the SPP projects, what concerns do you have?

A. In addition to the above, a credit to depreciation expense would essentially reopen FPL's 2021 Rate Case Settlement Agreement and relitigate what is recovered in FPL's base rates on an annual basis in the SPPCRC filings. Again, there is nothing in the SPP Statute or SPPCRC Rule that suggests the annual SPPCRC filing should be a mechanism to re-open base rates outside a general base rate proceeding.

Moreover, the base asset being retired is not the same asset being recovered through FPL's SPPCRC. If FPL applied a credit to depreciation expense in the SPPCRC docket, it would never fully recover the cost of the new SPP assets being recovered in FPL's SPPCRC. Therefore, a credit to depreciation expense would be an explicit disallowance of the recovery of SPP assets approved for recovery through the SPPCRC and would be punitive.

Q. Does this conclude your rebuttal testimony?

A. Yes.

(Whereupon, prefiled direct testimony of Robert Brong was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: STORM PROTECTION PLAN COST RECOVERY CLAUSE

DOCKET NO. 20220010-EI

DIRECT TESTIMONY OF ROBERT BRONG

ON BEHALF OF DUKE ENERGY FLORIDA, LLC

APRIL 1, 2022

I. INTRODUCTION AND QUALIFICATIONS.

Q. Please state your name and business address.

A. My name is Robert E. Brong. My current business address is 3300 Exchange Place, Lake Mary, FL 32746.

Q. By whom are you employed and in what capacity?

A. I am employed by Duke Energy Florida, LLC ("DEF") as Director, Transmission Resources and Project Management.

Q. What are your responsibilities as Director, Transmission Resources and Project Management?

A. My duties and responsibilities include the execution of capital projects for grid upgrades, system planning, and Transmission asset management across Duke Energy Florida.

Q. Please summarize your educational background and work experience.

A. I have an undergraduate degree from the University of Pittsburgh, and a master's degree in Business Administration from the University of Central Florida. Throughout my 20 years at Duke Energy, I have held various positions within distribution and transmission ranging from Manager, Sr. Project Manager, Director, focusing on the planning and execution of transmission capital projects. My current position as Director of Transmission Projects began in September 2020.

II. PURPOSE AND SUMMARY OF TESTIMONY.

Q. What is the purpose of your direct testimony?

A. The purpose of my direct testimony is to support the Company's request for recovery of Transmission-related costs associated with DEF's Storm Protection Plan ("SPP") through the Storm Protection Plan Cost Recovery Clause ("SPPCRC") and to explain material variances between actual and actual/estimated program expenditures.

Q. Do you have any exhibits to your testimony as it relates to January 2021 through December 2021 Transmission investments?

A. No, but I am co-sponsoring portions of the schedules attached to Mr. Menendez's direct testimony, included as part of Exhibit No. __(CAM-1). Specifically, I am sponsoring the 2021 Transmission-related O&M project level information shown on Schedule Form 5A, the Transmission-related Capital Projects on Form 7A, the Program Description and Progress Report on Form 8A (pages 39-44 of 45), and the cost portions of:

- Form 5A (Page 5 of 45, Lines 2 through 2b), and
- Form 7A (Pages 19-27 and 32-33 of 45, Lines 1a and 1b).

Q. Please summarize your testimony.

A. In 2021, the Transmission Structure Hardening Program, specifically the Wood to non-Wood pole replacements, Tower replacements, Cathodic Protection, and Drone Inspections activities, incurred costs to execute DEF's 2021 workplans. Additionally, DEF incurred costs to procure material and equipment and perform analytical and engineering work in preparation for projects to be completed in 2022. These costs are not being recovered through base rates or any other clause mechanism, as such, they should be approved for recovery through the SPPCRC.

III. OVERVIEW OF SPP PROGRAMS VARIANCES FROM ESTIMATES

Q. How does DEF's 2021 actual spend amounts compare with the 2021 actual/estimated spend for the Transmission Structure Hardening - Wood to Non-wood pole replacement sub-program of the PSC-approved Storm Protection Plan?

A. DEF's actual and actual/estimated 2021 capital spend was approximately $64.5M, which is roughly $6.0M lower than the actual/estimated spend of $70.5M. This variance is primarily due to approximately $4.3M of work that is shifting into 2022 because of outage constraints in 2021 and $1.7M due to work reprioritized to 2025. The $64.5M of spend is shown on Exhibit No. _ (CAM-1), Schedule Form 7A, (pages 19-24 of 45) (Line 1a).

Q. How does DEF's 2021 actual spend amounts compare with the 2021 actual/estimated spend for the Transmission Structure Hardening – Tower replacement sub-program of the PSC-approved Storm Protection Plan?

A. DEF's actual 2021 capital spend was approximately $1.4M, which is roughly $0.4M less than the actual/estimated spend of $1.8M. This variance represents a shift of expected costs from 2021 into 2022. The $0.4M variance is due to environmental constraints, that is, the presence of an eagle's nest that prevented us from replacing a tower in 2021; the last tower was replaced in early January 2022. The $1.4M of spend is shown on Exhibit No. _ (CAM-1), Schedule Form 7A, (pages 25-26 of 45) (Line 1a).

In 2021, DEF expected to incur an associated amount of O&M totaling approximately $20K related to this activity, shown on Schedule Form 5A (page 4 of 45) (Line 2.2), in Exhibit No. __(CAM-1). DEF did not accrue any O&M expense in 2021 and the O&M associated to Tower Replacements in 2021 will be charged in 2022.

Q. How does DEF's 2021 actual spend amounts compare with the 2021 actual/estimated spend for the Transmission Structure Hardening – Cathodic Protection sub-program of the PSC-approved Storm Protection Plan?

A. DEF's actual 2021 capital spend was approximately $2.5M, which is approximately $1.5M higher than the actual/estimated spend of $1M. This variance is primarily due to a shift of 2022 expenditures into 2021 including approximately $0.9M of expenditures for acquiring materials in preparation of 2022 work. The $2.5M of spend is shown on Exhibit No. _ (CAM-1), Schedule Form 7A, (pages 27 of 45) (Line 1a).

In 2021, DEF also expected to incur an associated amount of O&M totaling approximately $0.2M to this activity, shown on Schedule Form 5A (page 4 of 45) (Line 2.3), in Exhibit No. __(CAM-1); however, DEF's actual 2021 O&M spend was $0 due to the condition of the inspected Towers being better than expected and repair O&M activities were not required.

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

A. Yes, it does.

ERRATA SHEET

Page 1

Lines 12-14

A. “My duties and responsibilities include the execution of capital projects for grid upgrades, system planning, and Transmission asset management across Duke Energy Florida ”.

Should read:

A. “My duties and responsibilities include the execution of capital projects for grid updates across Duke Energy Florida.”

IN RE: STORM PROTECTION PLAN COST RECOVERY CLAUSE

FPSC DOCKET NO. 20220010-EI

DIRECT TESTIMONY OF ROBERT BRONG

ON BEHALF OF DUKE ENERGY FLORIDA, LLC

MAY 2, 2022

I. INTRODUCTION AND QUALIFICATIONS.

Q. Please state your name and business address.

A. My name is Robert E Brong. My current business address is 3300 Exchange Place, Lake Mary, FL 32746.

Q. By whom are you employed and in what capacity?

A. I am employed by Duke Energy Florida, LLC ("DEF") as Director, Transmission Resources and Project Management.

Q. What are your responsibilities as Director, Transmission Resources and Project Management?

A. My duties and responsibilities include the execution of capital projects for grid upgrades, system planning, and Transmission asset management across Duke Energy Florida.

Q. Please summarize your educational background and work experience.

A. I have an undergraduate degree from the University of Pittsburgh and a master's degree in Business Administration from the University of Central Florida. Throughout my 20 years at Duke Energy, I have held various positions within Distribution and Transmission ranging from Manager, Sr. Project Manager, Director focusing on the planning and execution of transmission capital projects. My current position as Director of Transmission Projects began in September 2020.

II. PURPOSE AND SUMMARY OF TESTIMONY.

Q. What is the purpose of your direct testimony?

A. The purpose of my direct testimony is to support the Company's request for recovery of Transmission-related costs associated with DEF's Storm Protection Plan ("SPP") through the Storm Protection Plan Cost Recovery Clause ("SPPCRC"). My testimony supports the Company's SPP costs incurred year to date 2022, details the Company's 2022 through 2023 SPP implementation activities along with projected costs through the remainder of 2022 and calendar year 2023, and explains how those activities and costs are consistent with DEF's SPP approved by the Commission in Docket No. 20200069-EI (for 2022) and SPP update filed for approval in Docket No. 20220050-EI (for 2023, herein referred to as "SPP 2023").

Q. **Do you have any exhibits to your testimony as it relates to January 2022 through December 2022 Transmission investments?**

A. No, but I am co-sponsoring portions of the schedules attached to Mr. Menendez's direct testimony, included as part of Exhibit No. __(CAM-2). Specifically, I am sponsoring the Transmission-related project level information shown on Schedule Form 5E (Pages 31-40 of 141), the Transmission-related Projects on Form 7E (Pages 61-65 of 141), Form 8E (Pages 132-138 of 141) and the cost portions of:

- Form 5E (Page 2 of 141, Lines 1.6 and 2 through 2b), and
- Form 7E (Pages 86-98 and 119-120 of 141, Lines 1a and 1b).

Q. **Do you have any exhibits to your testimony as it relates to January 2023 through December 2023 Transmission investments?**

A. No, but I am co-sponsoring portions of the schedules attached to Mr. Menendez's direct testimony, included as part of Exhibit No. __(CAM-3). Specifically, I am sponsoring the Transmission-related project level information shown on Schedule Form 2P (Pages 18-24 of 102), the Transmission-related projects on Form 3P (Pages 38-41 of 102), and the cost portions of:

- Form 2P (Page 2 of 84, Lines 1.6 and 2 through 2b), and
- Form 4P (Pages 61-73 and 94-96 of 84, Lines 1a and 1b).

Q. **Please summarize your testimony.**

A. In 2022, the Transmission Structure Hardening Program, specifically the Wood to non-Wood pole replacements, GOAB Automation, Tower replacements, Cathodic

Protection, Overhead Ground Wires, Drone Inspections and Structure Inspections (O&M) activities; the Substation Hardening Program, specifically the Breaker Replacements & Electromechanical Relays activities incurred costs to execute DEF's 2022 workplans. Additionally, DEF will incur costs to procure material and equipment and perform analytical and engineering work in preparation for projects to be completed in 2023.

In 2023, DEF expects to incur costs to execute DEF's 2023 workplans that will include the same programs listed for 2022 in addition to the Substation Flood Mitigation program. Also, DEF will incur costs to procure material and equipment and perform analytical and engineering work in preparation for projects to be completed in 2024.

These costs are not being recovered through base rates or any other clause mechanism and as such they should be approved for recovery through the SPPCRC.

III. OVERVIEW OF SPP 2022 PROGRAMS TRUE UP FOR CURRENT COST RECOVERY

Q. How does DEF's 2022 current actual/estimated spend amounts compare with the previously projected 2022 spend for the Transmission Structure Hardening - Wood to Non-wood pole replacement sub-program of the PSC-approved Storm Protection Plan?

A. DEF's current actual/estimated 2022 capital spend is approximately $108.7M, which is roughly $12.5M lower than the previous estimated spend of $121.2M. This variance is primarily due to DEF estimating less cost per pole than previously projected. DEF estimates to replace 132 more poles than the previous estimated amount of 2,048 poles, for a total of 2,180 in 2022. The $108.7M of spending is shown on Exhibit No. _ (CAM-2), Schedule Form 7E, (Pages 86-92 of 141) (Line 1a).

Q. How does DEF's 2022 current actual/estimated spend amounts compare with the previously projected 2022 spend for the Transmission Structure Hardening - GOAB Automation sub-program of the PSC-approved Storm Protection Plan?

A. DEF's current actual/estimated 2022 capital spend is approximately $1.0M, which is roughly $1.5M lower than the previously projected spend of $2.5M. This variance is primarily due to approximately $1.5M of work that is shifting into 2023 because of outage constraints in 2022. The $1.0M of spending is shown on Exhibit No. _ (CAM-2), Schedule Form 7E, (Page 93 of 141) (Line 1a).

Q. How does DEF's 2022 current actual/estimated spend amounts compare with the previously projected 2022 spend for the Transmission Structure Hardening - Tower Replacement sub-program of the PSC-approved Storm Protection Plan?

A. DEF current actual/estimated 2022 O&M spend is approximately $0.12M to this activity, shown on Schedule Form 5E (Page 5 of 141) (Line 2.2), in Exhibit No. __(CAM-2); however, DEF's previous 2022 estimated O&M spend was roughly

$0.03M. The variance is mainly due to a slight timing variance in which 2021 O&M costs were not recorded until 2022.

Q. How does DEF's 2022 current actual/estimated spend amounts compare with the previously projected 2022 spend for the Transmission Structure Hardening - Cathodic Protection sub-program of the PSC-approved Storm Protection Plan?

A. DEF's current actual/estimated 2022 capital spend is approximately $0.9M, which is roughly $0.7M lower than the previous estimated spend of $1.6M. This variance is primarily due to a shift of 2022 expenditures into 2021 including approximately $0.9M of expenditures for acquiring materials in preparation of 2022 work. The $0.9M of spend is shown on Exhibit No. _ (CAM-2), Schedule Form 7E, (Page 96 of 141) (Line 1a).

In 2022, DEF expects also to incur an associated amount of O&M totaling approximately $0.07M to this activity, shown on Schedule Form 5E (Page 5 of 141) (Line 2.3), in Exhibit No. __(CAM-2); however, DEF's previous 2022 estimated O&M spend was roughly $0.2M. The variance is mainly due to DEF adjusting its estimate based on 2021 actuals.

Q. How does DEF's 2022 current actual/estimated spend amounts compare with the previously projected 2022 spend for the Transmission Structure Hardening - Overhead Ground Wires sub-program of the PSC-approved Storm Protection Plan?

A. In 2022, DEF does not expect to incur an associated amount of O&M to this activity, as shown on Schedule Form 5E (Page 5 of 141) (Line 2.6), in Exhibit No. __(CAM-2); however, DEF's previous 2022 estimated O&M spend was roughly $0.1M. The variance is due to DEF transferring Wood to Non-wood pole replacement activities associated to the Overhead Ground Wires subprogram to the Wood to Non-wood pole replacement. The O&M spend was associated to this transferred scope.

Q. How does DEF's 2022 current actual/estimated spend amounts compare with the previously projected 2022 spend for the Transmission Structure Hardening - Structure Inspections sub-program of the PSC-approved Storm Protection Plan?

A. DEF's current actual/estimated 2022 O&M spend is approximately $0.5M, which is roughly $0.1M higher than the previous estimated spend of $0.4M. This variance is primarily due to higher contract costs. The $0.5M of spend is shown in Exhibit No. _ (CAM-2), Schedule Form 5E, (Page 5 of 141) (Line 2.1) and shown in Exhibit No. _ (CAM-2), Schedule Form 5E (Pages 35-40 of 141).

Q. Does DEF anticipate any impediments to meeting the filed plan? If so, what steps are being taken to mitigate the issue?

A. DEF has seen material and labor constraints in our 2021 work plan related to COVID and supply chain issues. DEF does see a continued risk of material shortages in 2022 and potentially 2023. Labor availability may continue to be constrained. DEF has looked to anticipate total material demand for our 2022 and 2023 workplans and has implemented a forward purchase strategy, preordering and setting long term need timelines with our vendors to work to mitigate material availability.

IV. OVERVIEW OF SPP 2023 PROGRAMS FORECAST FOR COST RECOVERY

Q. Are the scopes and projected costs for Transmission Structure Hardening program in 2023 consistent with SPP 2023?

A. Yes, the scopes and projected costs for Transmission Structure Hardening program in 2023 are consistent with SPP 2023. Please refer to Schedule Form 4P (Pages 61-73 of 102) (Line 1a) and Schedule Form 2P (Page 2 of 102) (Lines 1.6 and 2.1-2.5) in Exhibit No. __(CAM-3).

Q. Are the scopes and projected costs for Transmission Substation Flood Mitigation program in 2023 consistent with SPP 2023?

A. Yes, the scopes and projected costs for Transmission Substation Flood Mitigation program in 2023 are consistent with SPP 2023. Please refer to Schedule Form 4P (Page 94 of 102) (Line 1a) Exhibit No. __(CAM-3).

Q. Are the scopes and projected costs for Transmission Substation Hardening program in 2023 consistent with SPP 2023?

A. Yes, the scopes and projected costs for Transmission Substation Hardening program in 2023 are consistent with SPP 2023. Please refer to Schedule Form 4P (Pages 95-96 of 102) (Line 1a) in Exhibit No. __(CAM-3).

V. SUMMARY

Q. Are the Programs and activities discussed above consistent with DEF's SPP?

A. Yes, the 2022 activities are consistent with the Programs described in detail in DEF's SPP, specifically Exhibit No. _ (JWO-2) in Docket No. 20200069-EI, filed on April 10, 2020, subsequently updated on June 24, 2020, while the 2023 activities are consistent with the Programs described in detail in DEF's SPP 2023.

Q. Would you please provide a summary of the costs associated with the Programs and activities discussed above?

A. Yes, tables below represent the estimated SPP investments for 2022 and 2023.

($ Millions) **SPP Program**	**2022 Capital**	**2022 O&M**	**2022 Total**
Structure Hardening	$ 118.9	$ 3.5	$ 122.5
Substation Hardening	$ 7.8	$ -	$ 7.8
T -Vegetation Management	$ 10.9	$ 12.1	$ 23.0
Total	**$ 137.7**	**$ 15.6**	**$ 153.3**

($ Millions) **SPP Program**	**2023 Capital**	**2023 O&M**	**2023 Total**
Structure Hardening	$ 139.2	$ 3.3	$ 142.5
Substation Hardening	$ 9.5	$ -	$ 9.5
Substation Flood Mitigation	$ 3.8	$ -	$ 3.8
T -Vegetation Management	$ 10.3	$ 11.5	$ 21.8
Total	**$ 162.8**	**$ 14.8**	**$ 177.6**

Q. Does this conclude your testimony?

A. Yes, it does.

ERRATA SHEET

Page 1

Lines 12-14

A. “My duties and responsibilities include the execution of capital projects for grid upgrades, system planning, and Transmission asset management across Duke Energy Florida. ”

Should read:

A. “My duties and responsibilities include the execution of capital projects for grid updates across Duke Energy Florida.”

(Whereupon, prefiled direct testimony of Ron Adams was inserted.)

IN RE: STORM PROTECTION PLAN COST RECOVERY CLAUSE

FPSC DOCKET NO. 20220010-EI

DIRECT TESTIMONY OF RON ADAMS

ON BEHALF OF DUKE ENERGY FLORIDA, LLC

May 2, 2022

I. INTRODUCTION AND QUALIFICATIONS.

Q. Please state your name and business address.

A. My name is Ron A. Adams. My business address is 107 E. Liberty St., York, SC 29745.

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

A. I am employed by Duke Energy Carolinas, LLC ("DEC"), as General Manager Transmission Vegetation Management Strategy team. DEC is an affiliate of Duke Energy Florida ("DEF") that provide various services to DEF and other affiliated companies of Duke Energy Corporation ("Duke Energy").

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

A. I am responsible for the design and implementation of the Transmission Vegetation Management ("TVM") standards, programs and specifications in all of the states in which Duke Energy provides electric services. I am responsible for the management of the vegetation along the transmission corridor to ensure grid integrity and reliability, clearance requirements for new construction, supporting the field TVM operations teams with the execution of the programs and daily work activities, budgeting TVM activities and ensuring compliance with state and federal regulatory standards. I also communicate with state and federal authorities regarding Duke Energy's TVM policies and practices.

Q. Please describe your educational background and professional experience.

A. I graduated from Clemson University with a bachelor's degree in Electrical Engineering. I am a registered professional engineer in the States of North and South Carolina and a Senior Member of the Institute of Electrical and Electronics Engineers ("IEEE"). I have 37 years of professional experience with Duke Energy in various departments including engineering, construction and maintenance, field operations and corporate governance with a passion for customer service and operational excellence. In 2016, I moved from my role as Director, T&D Vegetation Management Governance to Transmission.

II. PURPOSE AND SUMMARY OF TESTIMONY.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to support the Company's request for recovery of Transmission Vegetation Management costs associated with DEF's Storm Protection Plan ("SPP") through the Storm Protection Plan Cost Recovery Clause ("SPPCRC"). My testimony supports the Company's SPP Transmission Vegetation Management costs projected for 2022 as well as 2023, details the Company's SPP Transmission

Vegetation Management implementation activities, and explains how those activities are consistent with DEF's SPP approved by the Commission in Docket No. 20200069-EI ("SPP 2020") as well as DEF's updated SPP filed in Docket No. 20220050-EI ("SPP 2023").

Q. Do you have any exhibits to your testimony as it relates to January 2022 through December 2022 Transmission Vegetation Management investments?

A. No, but I am co-sponsoring portions of the schedules attached to Mr. Menendez's direct testimony, included as part of Exhibit No. __(CAM-2). Specifically, I am sponsoring the cost portions of:

- Form 5E (Page 5 of 141, Line 3.2); and
- Form 7E (Pages 122 and 123 of 141, Lines 1a and 1b).

I am also sponsoring Form 8E (Page 139 of 141) in Exhibit No. _ (CAM-2).

Q. Do you have any exhibits to your testimony as it relates to January 2023 through December 2023 Transmission Vegetation Management investments?

A. No, but I am co-sponsoring portions of the schedules attached to Mr. Menendez's direct testimony, included as part of Exhibit No. __(CAM-3). Specifically, I am sponsoring the cost portions of:

- Form 2P (Page 2 of 102, Line 3.2); and
- Form 4P (Pages 98 and 99 of 102, Lines 1a and 1b).

Q. Please summarize your testimony.

A. DEF will continue to utilize Integrated Vegetation Management ("IVM") to minimize the impact of vegetation on the transmission assets. These 2022 investments and costs are shown on Schedule Form 5E (Page 5 of 141, Line 3.2) and Form 7E (Pages 122 and 123 of 141, Lines 1a and b). These activities are consistent with those shown in DEF's SPP 2020 approved by the Commission in Docket No. 20200069-EI. 2023 investments and costs are shown on Schedule Form 2P (Page 2 of 102, Line 3.2) and Form 4P (Pages 98 and 99 of 102, Lines 1a and 1b). These activities are consistent with those shown in DEF's SPP 2023 filing made on April 11, 2022, in Docket No. 20220050-EI. These costs are not being recovered through base rates or any other clause mechanism, as such, they should be approved for recovery through the SPPCRC.

Q. Describe the activities that will be performed for Transmission Vegetation Management.

A. DEF's Transmission IVM program is focused on ensuring the safe and reliable operation of the transmission system by minimizing vegetation-related interruptions and maintaining adequate conductor-to vegetation clearances, while maintaining compliance with regulatory, environmental, and safety requirements or standards. The program activities focus on the removal and/or control of incompatible vegetation within and along the right of way to minimize the risk of vegetation related outages and ensure necessary access within all transmission line corridors.

The IVM program includes the following annual activities: planned corridor work which is threat and condition-based, reactive work including hazard tree mitigation, and floor management (herbicide, mowing, and hand cutting) within the corridor. Planned work for DEF is prioritized and scheduled using a threat and condition-based approach identified through remote sensing, aerial patrols and field assessments while considering other factors such as the date of previous work and outage history. The reactive work is identified through the remote sensing, annual aerial inspections, and on-going field inspections. The floor management is focused on managing the floor of the corridor and is targeted on a three-to-four-year schedule.

Q. Are the Programs and activities discussed above consistent with DEF's SPP?

A. Yes, the planned activities are consistent with the Programs described in detail in DEF's SPP 2020, specifically Exhibit No. _ (JWO-2) in Docket No. 20200069-EI.

Q. Are the 2022 costs associated with the activities discussed above consistent with DEF's SPP?

A. Yes, the 2022 costs associated with the activities discussed above are consistent with the estimated costs filed with SPP 2020.

Q. Are the 2022 Capital costs associated with the activities discussed above consistent with DEF's projections in Docket No. 20210010-EI?

A. Yes.

Q. Are the 2022 O&M costs associated with the activities discussed above consistent with DEF's projections in Docket No. 20210010-EI?

A. Yes, but with a slight increase, approximately $0.5M, due to moving the remote sensing collection from an annual capture of 25% of the Transmission lines below 230 kV plus all lines 230 KV and above to a 100% capture of all Transmission lines every other year, beginning in 2022. This move allows for better long-term program planning of the planned corridor and reactive work activities.

Q. Are the 2023 scopes and projected costs for Transmission Vegetation Management consistent with SPP 2023?

A. Yes, the scopes and projected costs for Transmission Vegetation Management in 2023 are consistent with what was filed in SPP 2023. Please refer to Schedule Form 4P (Pages 98-99 of 102) (Line 1a) and Schedule Form 2P (Page 2 of 102) (Line 3.2) in Exhibit No. __(CAM-3).

Q. Please describe the work associated with Transmission Vegetation Management that will be performed in 2023.

A. As described in DEF's SPP 2023, the program's activities focus on the removal and/or control of incompatible vegetation within and along the right of way to minimize the risk of vegetation-related outages and ensure necessary access within all transmission line corridors. The IVM program includes the following activities: planned threat and condition-based work, reactive work that includes hazard tree mitigation, and floor management (herbicide, mowing, and hand cutting operation).

Q. Does that conclude your testimony?

A. Yes.

(Whereupon, prefiled direct testimony of Christopher A. Menendez was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
IN RE: STORM PROTECTION PLAN COST RECOVERY CLAUSE PURSUANT TO RULE 25-6.031, F.A.C., DUKE ENERGY FLORIDA, LLC

DOCKET NO. 20220010-EI
DIRECT TESTIMONY OF CHRISTOPHER A MENENDEZ
APRIL 1, 2022

Q. Please state your name and business address.

A. My name is Christopher A. Menendez. My business address is Duke Energy Florida, LLC, 299 1st Avenue North, St. Petersburg, Florida 33701.

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

A. I am employed by Duke Energy Florida, LLC ("DEF" or the "Company") as Director of Rates and Regulatory Planning.

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

A. I am responsible for the Company's regulatory planning and cost recovery, including the Company's Storm Protection Plan Cost Recovery Clause ("SPPCRC") filing.

Q. Please describe your educational background and professional experience.

A. I joined the Company on April 7, 2008. Since joining the company, I have held various positions in the Florida Planning & Strategy group, DEF Fossil Hydro Operations Finance and DEF Rates and Regulatory Strategy. I was promoted to my current position in April 2021. Prior to working at DEF, I was the Manager of Inventory Accounting and Control for North American Operations at Cott Beverages. I received a Bachelor of Science degree in Accounting from the University of South Florida, and I am a Certified Public Accountant in the State of Florida.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present, for Commission review and approval, DEF's actual true-up costs for the period January 2021 through December 2021 associated with DEF's Storm Protection Plan ("SPP") and recovered through the SPPCRC.

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

A. Yes. I am sponsoring Exhibit No. __ (CAM-1) attached to my direct testimony. This exhibit is true and accurate to the best of my knowledge and belief. Portions of that exhibit are being co-sponsored by Witnesses Robert E. Brong and Brian M. Lloyd (as identified in their respective testimonies).

Q. What is the source of the data that you will present in testimony and exhibits in this proceeding?

A. The actual data is taken from the books and records of DEF. The books and records are kept in the regular course of DEF's business in accordance with generally accepted accounting principles and practices, provisions of the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission, and any accounting rules and orders established by this Commission. The Company relies on the information included in this testimony and exhibits in the conduct of its affairs.

Q. What is the final true-up amount DEF is requesting for the period January 2021 - December 2021?

A. DEF requests approval of an actual over-recovery amount of $3,437,665 for the year ending December 31, 2021. This amount is shown on Form 1A, Line 4.

Q. What is the net true-up amount DEF is requesting for the period January 2021 - December 2021 to be applied in the calculation of the SPPCRC factors to be refunded/recovered in the next projection period?

A. DEF requests approval of an adjusted net true-up over-recovery amount of $2,471,013 for the period January 2021 - December 2021, as reflected on Form 1A, Line 6. This amount is the difference between an actual over-recovery amount of $3,437,665 and an actual/estimated over-recovery of $966,652 for the period January 2021 - December 2021, as approved in Order PSC-2021-0324-FOF-EI.

Q. How did actual O&M expenditures for January 2021 - December 2021 compare with DEF's actual/estimated projections as presented in previous testimony and exhibits?

A. Form 4A shows a total O&M Program variance of $343,962 or 7.6% higher than projected. Individual O&M project amounts are shown on Form 5A-Projects.

Explanations associated with material variances for Distribution and Transmission costs are contained in the direct testimonies of witnesses Lloyd and Brong, respectively. The $459K variance in SPP Implementation costs, shown on Form 4A, Line 4, was due to the costs incurred in 2021 in preparation for the 2022 SPP filing to be made in April 2022, which were not estimated at the time of DEF's 2021 Estimated/Actual filed in May 2021.

Q. How did actual capital recoverable expenditures for January 2021 - December 2021 compare with DEF's estimated/actual projections as presented in previous testimony and exhibits?

A. Form 6A shows a total capital investment recoverable Program cost variance of $2,530,928 or 54.5% lower than projected. Individual project costs are on Form 7A-Projects. Return on capital investment, depreciation and property taxes for each project for the period are provided on Form 7A-Details. Explanations associated with material variances for Distribution and Transmission costs are contained in the direct testimonies of witnesses Lloyd and Brong, respectively.

Q. Is DEF's accounting treatment for the 2021 SPP activities and costs that are associated with the Structure Hardening – Transmission System Program Wood to Non-Wood Pole Upgrade consistent with the 2020 SPP/SPPCRC Agreement ?

A. Yes. The $64.5M of capital costs and $1.4M of associated O&M presented in the SPPCRC filing are not all incremental expenses - approximately 54%, of the costs for this activity were assumed to be recovered through base rates in 2021 consistent with the 2020 SPP/SPPCRC Agreement, paragraph 3(c). DEF has included an adjustment in the 2021 SPPCRC to remove the revenue requirements associated with $34.8 million of pole replacement capital costs and 54%, or $770K, of the associated O&M costs; these adjustments can be seen on Form 7A-Detail Line 1c and Form 4A Line 2a, respectively.

Q. What capital structure, components and cost rates did DEF rely on to calculate the revenue requirement rate of return for the period January 2021 through December 2021?

A. DEF used the capital structure and cost rates consistent with the language in Order No. PSC-2020-0165-PAA-EU. The capital structure, components and cost rates relied on to calculate the revenue requirement rate of return for the period January 2021 through December 2021 are shown on Form 9A in Exhibit No. __ (CAM-1). This form includes the derivation of debt and equity components used in the Return on Average Net Investment, lines 7 (a) and (b), on Form 7A-Detail. Form 9A also cites the source and includes the rationale for using the particular capital structure and cost rates.

Q. Does that conclude your testimony?

A. Yes.

IN RE: STORM PROTECTION PLAN COST RECOVERY CLAUSE

FPSC DOCKET NO. 20220010-EI

DIRECT TESTIMONY OF CHRISTOPHER A. MENENDEZ

ON BEHALF OF DUKE ENERGY FLORIDA, LLC

MAY 2, 2022

I. INTRODUCTION AND QUALIFICATIONS.

Q. Please state your name and business address.

A. My name is Christopher A. Menendez. My business address is Duke Energy Florida, LLC, 299 1st Avenue North, St. Petersburg, Florida 33701.

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

A. I am employed by Duke Energy Florida, LLC ("DEF" or the "Company") as Director, Rates and Regulatory Planning.

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

A. I am responsible for the Company's regulatory planning and cost recovery, including the Company's Storm Protection Plan Cost Recovery Clause ("SPPCRC") filing.

Q. Please describe your educational background and professional experience.

A. I joined the Company on April 7, 2008. Since joining the company, I have held various positions in the Florida Planning & Strategy group, DEF Fossil Hydro Operations Finance and DEF Rates and Regulatory Strategy. I was promoted to my current position in April 2021. Prior to working at DEF, I was the Manager of Inventory Accounting and Control for North American Operations at Cott Beverages. I received a Bachelor of Science degree in Accounting from the University of South Florida, and I am a Certified Public Accountant in the State of Florida.

II. PURPOSE AND SUMMARY OF TESTIMONY.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present, for Commission review and approval, DEF's calculation of revenue requirements and SPPCRC factors for customer billings for the period January 2023 through December 2023 as permitted by Rule 25-6.031, F.A.C. My testimony also addresses implementation activities, their associated capital and O&M costs.

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

A. Yes. I am sponsoring Exhibit No. __ (CAM-2) and Exhibit No. __ (CAM-3) attached to my direct testimony. These exhibits are true and accurate to the best of my knowledge and belief.

Q. Please summarize your testimony.

A. My testimony supports the approval of an average SPPCRC billing factor of 0.359 cents per kWh which includes projected jurisdictional capital and O&M revenue requirements for the period January 2023 through December 2023 of approximately $143 million associated with the Storm Protection Plan ("SPP") Programs, as shown on Form 1P line 4 of Exhibit No. __(CAM-3) and that the projected SPP expenditures for 2023 are appropriate for recovery through the SPPCRC. I will also present, for Commission approval, DEF's actual/estimated true-up costs associated with the SPPCRC activities for the period January 2022 through December 2022, as presented in Exhibit No. _ (CAM-2). Finally, my testimony presents a summary of the projected costs associated with the SPP Programs and activities. Detail regarding the Company's projected 2023 SPP work is provided in the testimony of Witnesses Adams, Brong, and Lloyd.

Q. Does this filing only seek recovery of costs incurred after the filing of DEF's SPP?

A. Yes. Consistent with Rule 25-6.031(6)(a), DEF is only petitioning for recovery of costs incurred in 2022 after the filing of its 2020 Storm Protection Plan on April 10, 2020 and for 2023 reflect the Capital and O&M costs as presented in DEF's 2023 SPP filed on April 11, 2022.

<u>2022 Actual/Estimated Filing:</u>

Q. What is the actual/estimated true-up amount for which DEF is requesting recovery for the period January 2022 through December 2022?

A. The 2022 actual/estimated true-up is an over-recovery, including interest, of $3,994,491 as shown on Line 4 on Form 1E (pages 1 of 141) in Exhibit No. (CAM-2).

Q. What capital structure, components and cost rates did DEF rely on to calculate the revenue requirement rate of return for the period January 2022 through December 2022?

A. DEF used the capital structure and cost rates consistent with the language in Order No. PSC-2020-0165-PAA-EU. The capital structure, components and cost rates relied on to calculate the revenue requirement rate of return for the period January 2022 through December 2022 are shown on Form 9E (page 141 of 141) in Exhibit No. (CAM-2). This form includes the derivation of debt and equity components used in the Return on Average Net Investment, lines 7 (a) and (b), on Form 7E. Form 9E also cites the source and includes the rationale for using the particular capital structure and cost rates.

Q. How do actual/estimated O&M expenditures for January 2022 through December 2022 compare with original projections?

A. Form 4E in Exhibit No. (CAM-2) shows that total O&M project costs are estimated to be $71,191,012. This is $3,264,770, or 4.8% lower than originally projected. Included in these O&M costs were the 2023 SPP development costs that DEF incurred in 2022, similar to the 2020 SPP development costs that were approved for recovery by Order No. PSC-2020-0410. This form also lists individual O&M program variances. Explanations for these variances are included in the direct testimonies of Witnesses Lloyd and Brong.

Q. How do actual/estimated capital recoverable costs for January 2022 through December 2022 compare with DEF's original projections?

A. Form 6E in Exhibit No. __(CAM-2) shows that total recoverable capital costs are estimated to be $25,263,351. This is $7,191,573, or 22.2%, lower than originally projected. This form also lists individual project variances. The return on investment, depreciation expense and property taxes for each project for the actual/estimated period are provided on Form 7E (pages 67 through 123 of 141). Explanations for these variances are included in the direct testimonies of Witnesses Lloyd and Brong.

<u>2023 Projection Filing:</u>

Q. Are the Programs and activities included in the Company's SPPCRC consistent with DEF's latest SPP filing?

A. Yes, the planned activities are consistent with the Programs described in detail in DEF's 2023 SPP, specifically Exhibit No. __ (BLM-1) in Docket No. 20220050-EI, filed on April 11, 2022.

Q. Have you prepared schedules showing the calculation of the SPPCRC recoverable O&M project costs for 2023?

A. Yes. Form 2P of Exhibit No. __ (CAM-3) summarizes recoverable jurisdictional O&M cost estimates for these projects of approximately $68.1 million, shown on Line 11.

Q. Has DEF included any cost estimates related to administrative costs associated with the SPP and/or SPPCRC filings?

A. No. However, it is likely that DEF will incur some level of incremental costs related to increased workload in areas such as IT, billing, legal, regulatory, and accounting in the future but it is hard to quantify these costs at this time. As such, rather than speculating, DEF will record those costs to the deferred account for SPPCRC and will submit those costs in future filings.

Q. Have you prepared schedules showing the calculation of the recoverable capital project costs for 2023?

A. Yes. Form 3P of Exhibit No. __ (CAM-3) summarizes recoverable jurisdictional capital cost estimates for these projects of approximately $81.1 million, shown on Line 5b. Form 4P (pages 42-99 of 102) show detailed calculations of these costs.

Q. What are the total projected jurisdictional costs for SPPCRC recovery for the year 2023 including true-up activity from prior periods?

A. The total jurisdictional capital and O&M costs to be recovered through the SPPCRC in 2023 are approximately $142.8 million, shown on Form 1P line 4 of Exhibit No. __ (CAM-3).

Q. Please describe how the proposed SPPCRC factors are developed.

A. The SPPCRC factors are calculated on Forms 5P and 6P of Exhibit No. __(CAM-3). The demand component of class allocation factors is calculated by determining the percentage each rate class contributes to monthly system peaks adjusted for losses for each rate class which is obtained from DEF's load research study filed with the

Commission in July 2021. The energy allocation factors are calculated by determining the percentage each rate class contributes to total kilowatt-hour sales adjusted for losses for each rate class. Form 6P presents the calculation of the proposed SPPCRC billing factors by rate class.

Q. When is DEF requesting that the proposed SPPCRC billing factors be effective?

A. DEF is requesting that its proposed SPPCRC billing factors be effective with the first bill group for January 2023 and continue through the last bill group for December 2023.

Q. What capital structure and cost rates did DEF rely on to calculate the revenue requirement rate of return for the period January 2023 through December 2023?

A. DEF used the capital structure and cost rates consistent with the language in Order No. PSC-2020-0165-PAA-EU. As such, DEF used the projected mid-point ROE 13-month average Weighted Average Cost of Capital for 2023 and applied a proration adjustment to the depreciation-related accumulated deferred federal income tax (ADFIT). These calculations are shown on Form 7P, Exhibit No. ___(CAM-3). Form 7P includes the derivation of debt and equity components used in the Return on Average Net Investment, Form 4P lines 7a and b.

Q. Does that conclude your testimony?

A. Yes.

(Whereupon, prefiled rebuttal testimony of Christopher A. Menendez was inserted.)

IN RE: STORM PROTECTION PLAN COST RECOVERY CLAUSE

REBUTTAL TESTIMONY OF CHRISTOPHER A. MENENDEZ

ON BEHALF OF DUKE ENERGY FLORIDA, LLC

DOCKET NO. 20220010-EI

SEPTEMBER 27, 2022

I. INTRODUCTION AND QUALIFICATIONS.

Q. Please state your name and business address.

A. My name is Christopher A. Menendez. My business address is Duke Energy Florida, LLC, 299 1st Avenue North, St. Petersburg, Florida 33701.

Q. Have you previously filed direct testimony in this docket?

A. Yes, I filed direct testimony supporting the Company's Storm Protection Plan Cost Recovery Clause ("SPPCRC") on May 2, 2022.

Q. Has your employment status and job responsibilities remained the same since discussed in your previous testimony?

A. Yes.

II. PURPOSE AND SUMMARY OF TESTIMONY.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my testimony is to provide the Company's rebuttal to certain assertions and conclusions contained in the direct testimonies of OPC's witnesses Kollen and Mara. Mr. Lloyd will present additional rebuttal of the testimony of OPC's witness Mara.

Q. Do you have any exhibits to your testimony?

A. Yes, I am sponsoring Exhibit No. __ (CAM-4) that illustrates the significant reductions to DEF's capital investments that would result from Witness Mara's recommended reductions to DEF's revenue requirement budget in its Distribution Feeder Hardening and Lateral Hardening Programs. Also, while not attached to my testimony, I would note that on September 1, 2022, DEF filed updates to the Property Tax calculation in the Amended Exhibits Nos. _ (CAM-1), _ (CAM-2), and __ (CAM-3) which can be found on Line 8d, Property Taxes of the "Return on Capital Investments, Depreciation and Taxes" detail pages by FERC account. While DEF believes its previous calculation of property tax was reasonable, it also believes this action resolves the issue raised by OPC and satisfies its concerns of calculating property tax expense only on the plant in-service at the beginning of each year.

Q. Please summarize your testimony.

A. My testimony addresses certain assertions and conclusions contained in OPC Witness Mara's and Witness Kollen's testimonies pertaining to the issues to be decided in this docket, as governed by Rule 25-6.031, F.A.C. I have not attempted to rebut each and every factual error or misconception contained in these testimonies nor have I attempted to rebut issues more appropriately addressed in the Storm Protection Plan approval docket (Docket No. 20220050-EI).

Regarding Witness Mara's testimony, I generally focus on his argument for reducing the capital investment level for 2023, and specifically discuss the effect Paragraph 4 of DEF's 2021 Settlement Agreement in Docket No. 20210016-EI[1] has on DEF's 2023 SPPCRC investments.

Regarding Witness Kollen's testimony, I rebut two topics specifically and provide clarification to two other points:

• Address the concern regarding DEF's calculation of property tax (which DEF feels has been allayed by the revised exhibits discussed above);

• Address the improper recommendation to exclude construction work in progress ("CWIP") from the return on rate base, and instead allow a deferred return on the CWIP until it is converted to plant in service or prudently abandoned;

• Clarify DEF's position on the recommendation to require an SPPCRC credit from the cessation of depreciation expense on plant in service recovered in base rates for retirements due to SPP plant investments; and

• Clarify DEF's position on the recommendation to require an SPPCRC credit for O&M expenses recovered in base rates that may no longer will be incurred due to the SPP capital expenditure investments and O&M expenses.

[1] Approved by Final Order No. PSC-2021-0202-AS-EI.

III. REBUTTAL OF WITNESS MARA

Q. Mr. Mara states that the Commission should consider prior SPP-docket testimonies in full before setting the SPPCRC factors. Do you agree?

A. No. A complete reconsideration of all previously filed testimonies in the SPP docket as Mr. Mara suggests is improper and unnecessary. The SPP approval docket is a separate proceeding, with separate and distinct issues from the issues under consideration in this docket, and therefore the majority of the testimony in that proceeding is irrelevant to the issues to be determined in this docket. Moreover, Mr. Kollen acknowledged this separation when he discussed the Order striking portions of his testimony in the SPP docket, "The ruling delineates the issues to be addressed separately and sequentially in the SPP and SPPCRC dockets." (Kollen, p. 6, ll. 3-4). Quoting directly from the Order, Mr. Kollen noted,

> The Legislature intended that the SPP and SPPCRC hearings be bifurcated, driven by separate and distinct guidelines that are evident in the plain reading of both Rules 25-6.030 and 25-6.031, F.A.C., and Section 366.96, F.S.…The bifurcated process envisioned by the Statute creates an efficient regulatory process to encourage innovative storm protections programs. OPC's argument conflating the two ignores the plain reading of the separate and distinct guidelines for the SPP as opposed to the SPPCRC.

(Kollen, p. 6, ll. 7-21). What was true in the SPP docket is true in this docket; the dockets, though related, are nonetheless separate proceedings with distinct issues and they should remain that way.

Q. Do you agree with Witness Mara's conclusion and recommendation regarding the 2021 and 2022 True-up amounts filed by DEF?

A. Yes. While I cannot speak for the other companies' filings, DEF agrees with Mr. Mara's conclusion when he states, "I have no recommendations for the filed true-up of costs incurred or expected to be incurred in 2022 for FPL, DEF, and TECO. These costs are part of each utility's 2020 SPP. The OPC stipulated on a non-precedential basis to including the programs contained in those 2020 plans and resulting costs in the 2020 – 2022 SPPCRC only. Further, in my review of the discovery and testimony, I developed no basis for recommending exclusion of any of the 2022 costs associated with FPL's, DEF's or TECO's 2020 SPP." (Mara, p. 8, ll. 9-15).

Q. Do you agree with Witness Mara's conclusion that there should be no changes to DEF'S Capital and O&M costs projected for 2023 for those Programs that he specifically identifies in his testimony?

A. Yes. DEF agrees with Mr. Mara's recommendation, which is consistent with the Settlement Agreement approved in Order No. PSC-2021-0202A-AS-EI ("2021 Settlement Agreement"), that no changes to the 2023 SPPCRC recovery are necessary for DEF's Self-Optimizing Grid (SOG) Program, Underground Flood Mitigation, Substation Flood Mitigation, Loop Radially-Fed Substations, Substation Hardening, and portions of the Transmission Structure Hardening. The portions of the Transmission Structure Hardening Program including the Gang Operated Air Break switches, Towers Upgrades, Cathodic Protection, and

Overhead Ground Wire. However, as discussed below, paragraph 4 of the 2021 Settlement Agreement also applies to the Feeder and Lateral Hardening Programs, and that "consistency" with that Agreement must also lead to a conclusion that no reduction is appropriate for those programs. To suggest otherwise is an attack on DEF's 2021 Settlement Agreement, to which OPC is a signatory.

Q. Regarding Mr. Kollen's recommended reductions to the Feeder and Lateral Hardening Programs, can you please explain how you calculated the impacts as shown on Exhibit No. __ (CAM-4)?

A. Yes. Since the revenue requirement amounts are simply a "fallout" calculation based on the amount of capital investment and associated expenses, DEF solved for the approximate level of capital investment, and associated expenses, necessary to achieve his recommended amounts. These amounts are intended to be directional and indicative of the reductions necessary to achieve Mr. Mara's recommended cuts. Exhibit No. __ (CAM-4) illustrates the total revenue requirements for both programs, as filed by DEF on the line titled "Total Revenue Requirement." To the right, DEF included the capital investment and associated O&M expense included in the calculation of the "Total Revenue Requirement." Similarly, DEF included the recommended revenue requirement per Mr. Mara on the line titled "OPC Target." The level of capital investment and associated O&M expense necessary to achieve Mr. Mara's revenue requirement is similarly listed. Finally, variances are provided at the bottom of each table. As can be seen, the reductions are drastic, resulting in an approximate reduction of 66% in Feeder Hardening investment and

95% in Lateral Hardening investment, which combined only achieve a roughly 25% reduction in the revenue requirement for each program. Mr. Lloyd further addresses the impacts of such massive cuts to these programs.

Q. Regarding DEF's Distribution Lateral Hardening and Feeder Hardening Programs, Witness Mara recommends reduction in the 2023 projected investments and resulting recovery through the SPPCRC. Do you agree with these recommendations?

A. No, DEF disagrees entirely with Mr. Mara's recommendation. First, the 2021 Settlement Agreement affords the same treatment for DEF's Distribution Lateral and Feeder Hardening Programs. Nothing in the plain language of the Settlement calls for different treatment of these two programs versus those identified by Mr. Mara, for which he recommended no changes to the 2023 SPPCRC recovery "to be consistent" with the Settlement; indeed, the Feeder and Lateral Hardening Programs (and the Vegetation Management Programs for that matter) were "approved SPP programs ... properly recoverable through the SPP Cost Recovery Clause ('SPPCRC')" for which "DEF has properly removed all costs associated with the Storm Protection Plan ('SPP') from the costs included in DEF's MFRs [i.e., base rates]". Thus, if Mr. Mara believes consistency with the 2021 Settlement Agreement results in no recommended reduction to the programs he identified, then consistency would logically lead to the same result for the Feeder and Lateral Hardening Programs.

Second, DEF's proposed 2023 SPPCRC investments are consistent with those filed in DEF's 2023 SPP, which specifically included proposed projects for the first project year (2023) as required by Rule 25-6.030(3)(e)1., F.A.C.. Therefore, DEF believes that the Commission's decision in Docket No. 20220050-EI should be determinative in this docket. This is especially true where, as here, Mr. Mara is advancing the same argument related to inflationary pressures that he presented in the SPP docket, and which therefore the Commission will consider in its final determination in that docket. This docket should not be used as a second bite at the same apple.

Notwithstanding, Mr. Mara states, "[I]t is my belief that even though a program can provide benefits to customers, the roll out of the program should be prudent and reasonable." (Mara, p. 12, ll. 22-23). DEF agrees with that statement. Indeed, as Mr. Mara recognizes, DEF has "…developed a prioritization schedule for this work" (Mara, p. 13, l. 9) which clearly illustrates a prudent and reasonable approach to performing this work which aligns with the list of prioritized projects provided in DEF's 2023 SPP. Additionally, Mr. Mara does not suggest that the program is itself unreasonable or imprudent, rather he argues for the majority of the projects scheduled for 2023 to be delayed "until 2024." (Mara, p. 13, l. 10). As I said while responding to a line of questioning on the same topic in the SPP docket "when you decrease the investment, you are also decreasing the benefits. And while you can delay or defer investment and benefits, you cannot delay or defer the extreme weather. That extreme weather is going to come regardless." (Tr. 299).[2] For these reasons, and the reasons provided by Witness Lloyd in his rebuttal testimony in this docket, DEF strongly disagrees with the proposed reductions.

IV. WITNESS KOLLEN

Q. Do you agree with Witness Kollen's recommendation that the Commission should modify and correct the calculations of the SPPCRC revenue requirements and SPPCRC factors to exclude all SPP programs and the projected costs for 2023 that the Companies have failed to demonstrate are prudent and reasonable in this proceeding except to the extent this has been addressed through the 2021 Settlement Agreement for the years 2023 and 2024?

A. While DEF appreciates the effect of the settlement on this docket, I do not agree with the assertion that, absent that agreement, all of DEF's SPP program investments should have otherwise been excluded from recovery via the SPPCRC.

Q. Has DEF addressed the calculation of property tax expense?

A. Yes. On September 1, 2022, DEF updated the Property Tax calculation to utilize the January 1st, or beginning balance, amount in the calculation of property tax expense. DEF believes this action resolves the issue raised and satisfies OPC's concerns with regard to the calculation of property tax expense for this docket. I

[2] Docket No. 20220050-EI.

would also add that DEF continues to believe that its prior method was reasonable and permissible.

Q. Witness Kollen believes that the return on Construction Work In Progress ("CWIP") should not be included in calculation of the SPP revenue requirement, do you agree?

A. No. Mr. Kollen argues that SPP projects should not earn a return on CWIP because a current return on CWIP is not explicitly or expressly authorized in either the SPP Statute or the SPPCRC Rule; this is an incorrect view that is contradictory to traditional ratemaking and the Commission's Rules. Florida utilities are permitted to earn a return on invested capital, including CWIP; this is true in base rates as well as the other cost recovery clauses. Rule 25-6.0141, the "AFUDC Rule," addresses the return on invested capital and projects that meet that rule's eligibility requirements may earn AFUDC. Section 2 states "Construction work in progress (CWIP)... not under a lease agreement that is not included in rate base may accrue allowance for funds used during construction (AFUDC)." The AFUDC rule recognizes that projects which do not meet the AFUDC requirements will be included in rate base. For the 2023 SPPCRC, DEF's projects do not meet the requirements to accrue AFUDC; therefore, DEF has appropriately included these projects in SPPCRC rate base and the revenue requirements calculations for the 2023 SPPCRC.

Additionally, a return on CWIP is recognized in other clauses. For example, in Order No. PSC-1994-0044-FOF-EI, the Commission found that "[t]he utility's investment in plant under construction can be accounted for by either of two methods. An Allowance for Funds Used During Construction (AFUDC) may be applied to the balance to be capitalized and later recovered through depreciation charges once the plant is placed in service. When this method is chosen, the financial statements of the utility reflect income 'credits' associated with AFUDC, but the utility realizes no current cash earnings from the investment in CWIP. Alternatively, CWIP may be included as a portion of rate base. Where the latter treatment is allowed, CWIP generates cash earnings."

Further, DEF's treatment of CWIP in the 2023 SPPCRC is consistent with DEF's treatment of CWIP in the 2020 SPP and the SPPCRC filings made in 2020, 2021 and 2022. Paragraph 3(a) of the "2020 SPP/SPPCRC Agreement"[3] states that "[f]or those programs that are approved by the Commission in DEF's proposed SPP in 2020, DEF will include the Construction Work In Progress ('CWIP') balances as of January 1, 2021, as the beginning SPPCRC Rate Base balances and calculate a return on these costs from January 1, 2021, forward for cost recovery in 2021."

In summary, traditional ratemaking allows a utility to earn a return on invested capital, including CWIP; to deny this return in SPP or SPPCRC is improper ratemaking, and inconsistent with both the AFUDC Rule and the treatment for return on CWIP in other clauses.

[3] Approved in Order No. PSC-2020-0410-AS-EI (Docket No. 20200092-EI, issued Oct. 27, 2020).

Q. Witness Kollen offers alternatives to recovering a return on CWIP immediately, such as deferring CWIP either as allowance for funds used during construction ("AFUDC") or as a miscellaneous deferred debit; do you agree with either approach?

A. No. As previously stated, section 2(a) of the AFUDC Rule addresses the eligibility for a project to accrue AFUDC, and DEF's SPP projects do not meet those requirements and are thus ineligible to accrue AFUDC. Moreover, the use of miscellaneous deferred debit is wholly inappropriate and is inconsistent with the AFUDC rule. This idea of a deferred debit was discussed and rejected by Commission Staff during the SPP and SPPCRC rulemaking process and detailed in Staff's Recommendation and Analysis:[4] "Under OPC's interpretation, an IOU would incur costs in one year but couldn't request recovery of those costs until the next year's SPPCRC. If the Commission approved those costs in the SPPCRC, the utility could not begin recovering the costs until the year after. This leaves customers paying carrying costs for two years. Thus, using a cost recovery mechanism that should minimize that regulatory lag, as staff is recommending in draft Rule 25-6.031, F.A.C., should also minimize the carrying costs customers have to pay." Further in Staff's analysis, "Staff envisions the SPPCRC mirroring other Commission cost recovery clauses. In the Nuclear Cost Recovery Clause (NCRC), Energy Conservation Cost Recovery Clause (ECCR), and Environmental Cost Recovery Clause (ECRC), the Commission projects the costs the utility will

[4] *See* Docket No. 20190131-EU, Issue 1 (filed Sept. 20, 2019).

incur in the next year and sets a factor that will allow the company to recover those costs from customers as the costs are incurred." Lastly Staff states, "...allowing for the recovery of projected costs enables the IOUs to recover costs as they are incurred. This reduces regulatory lag and, ultimately, the costs passed on to customers, which is the purpose of cost recovery clauses. Staff believes IOUs will be entitled to recover carrying costs associated with the lag between when they incurred costs and when they recover them."

In summary, establishing a deferred debit, as Mr. Kollen advocates, is inappropriate and would ultimately cost customers more than if DEF recovers a return on CWIP. DEF is entitled to a return, which Mr. Kollen does not deny. Therefore, it does not make sense to establish an inappropriate recovery mechanism that will end up costing customers even more over the life of the project.

Q. Has OPC ever previously agreed that a return should be calculated on Construction Work In Progress ("CWIP") balances in the SPPCRC?

A. Yes, the 2020 SPP/SPPCRC Agreement states, "3. Rate Base Items. DEF will be permitted to seek recovery of return on capital expenditures and assets related to the SPP programs..." DEF's treatment in the current SPPCRC filings is consistent with the treatment set forth in that agreement for 2020 and 2021 SPPCRC CWIP.

Q. Mr. Kollen asserts that, "[c]osts cannot be deemed prudent or reasonable unless and until the costs are charged to specific projects, construction is

completed (or prudently abandoned), and the CWIP is converted to plant in service." Do you agree with this statement?

A. No. As stated in SPPCRC Rule 25-6.031, "[a]n annual hearing to address petitions for recovery of Storm Protection Plan costs **will be limited** to determining the **reasonableness of projected** Storm Protection Plan costs, the **prudence of actual** Storm Protection Plan costs **incurred** by the utility, and to establish Storm Protection Plan cost recovery factors consistent with the requirements of the Rule." This is consistent with the operation of the other clauses and process of filing and receiving approval of those costs. Mr. Kollen is attempting to alter this construct by adding an in-service or abandonment requirement. As established in the SPPCRC Rule and consistent with the other clauses, it is in the true-up of the previous year's actual costs where parties are permitted to challenge and the Commission ultimately determines prudence.

Q. Mr. Kollen states that DEF agrees that the depreciation expense on existing plant retired due to the implementation of the SPP Programs should be credited to the SPPCRC Revenue Requirements and reflected in the SPPCRC factors. Do you agree with this assertion that this is a requirement of the SPP Statute or the SPPCRC Rule?

A. While DEF has credited the SPPCRC Revenue Requirements for cessation of depreciation expense on plant in service recovered in base rates that is retired due to SPP plant investments, DEF does not agree that such treatment is required by either the SPP Statute or Rule 25-6.031 F.A.C., as Mr. Kollen suggests.

While DEF agreed to follow this treatment as part of the 2020 SPP/SPPCRC Agreement, DEF chose to include similar credits to depreciation expense in the current SPPCRC filings. Notwithstanding DEF's decision in this particular instance, the appropriate time to address any differences in depreciation expense would be in next base rate case or settlement.

Q. Mr. Kollen states each Company, except for DEF, failed to offset the SPP O&M expense with the savings in non-storm base O&M expense that have been or will be achieved due to the SPP programs and projects. DEF preemptively reflected these savings in the base revenue requirement in the settlement its most recent base rate case approved by the Commission in Order No. PSC-2021-0202A-AS-EI. Do you agree with this assertion that this is a requirement of the SPP or SPPCRC?

A. While I cannot speak for the other companies' filings, DEF agrees that the appropriate venue to address impacts to base rate O&M is in a base rate proceeding, such as DEF's 2021 Settlement. As DEF Witness Foster stated in Docket No. 20200069-EI:

> It is the normal process for base rate costs to change over time and this creates regulatory lag. Some costs will decrease, others will increase. The SPP Statute was not developed to address appropriate levels of costs in base rates, it was developed to facilitate investment in work that will strengthen the transmission and distribution systems from extreme weather to help reduce restoration times and costs. There is in fact already a way that the Commission monitors Florida utilities to ensure no excessive recovery is occurring. The Commission requires monthly Earnings Surveillance reports. These reports show the earned return on equity (ROE). In a rate case, the FPSC authorizes an allowed ROE for utilities. If a utility reports a ROE that is too high, the parties

> or the Commission itself may call the Utility in for a rate case. Unlike cost recovery clauses, the normal and established process for base rates involves regulatory lag.

I agree with Mr. Foster that impacts to base rate O&M are properly addressed in base rate proceedings, such as rate cases and settlements. DEF also agrees with Mr. Mara that this was properly addressed in DEF's 2021 Settlement; however, DEF does not agree that this treatment is required by either the SPP Statute or SPPCRC Rule.

Q. Do you agree with Mr. Kollen's assertion that in "conjunction with this sequential filing process and the three year SPP cycle, the Commission has three opportunities in the related three SPPCRC proceedings to assess the prudence of the SPP programs and whether the costs are prudent and reasonable. The most important of these opportunities occurs in the first year of the three year SPP cycle, in this case, the SPP programs and costs for the Companies' 2023 SPPs and their proposed SPPCRC factors for 2023. This opportunity is the most important because it occurs before the updated and new SPP programs are implemented and costs are incurred."?[5]

A. No, Mr. Kollen's contention misconstrues the clause recovery process in Florida and runs counter to the Commission's SPPCRC Rule, specifically subsection 3 of that rule. First, it's noteworthy that the Commission currently administers four other cost recovery clauses, each of which follow the same regulatory construct.

[5] Kollen, p. 8, ll. 3-10.

Utilities make true-up filings for the past year, current year actual and expected costs for the remainder of the year, and then projected costs for the coming year (which are ultimately trued-up with actuals), and then the cycle repeats itself annually. As Staff's Analysis of the proposed SPPCRC Rule indicated, "Staff envisions the SPPCRC mirroring other Commission cost recovery clauses." It is in the true-up of the previous year's actual costs where parties are permitted to challenge and the Commission ultimately determines prudence. Indeed, the section (3) of the Rule (quoted above) codified this construct. Accordingly, the Rule contemplates that the prudence review will be conducted on "actual . . . costs incurred", not costs projected to be incurred in the future. Therefore, I agree that during every three-year Plan filing cycle, the Commission will have three opportunities to review the prudence of the costs incurred, but the Rule does not envision a "before the fact" prudence review of programs/projects or their costs. Mr. Kollen's suggestion to the contrary is simply wrong.

V. CONCLUSION

Q. Mr. Menendez, your rebuttal covers a lot of ground, but did you respond to every contention regarding the Company's proposed plan in your rebuttal?

A. No. Intervenor testimony on the SPPCRC involved many pages of testimony, much of which related to Rule 25-6.030 and was not relevant to this docket, nor could I reasonably respond to every single statement or assertion and, therefore, I focused on the issues that I thought were most germane to this docket. As a result, my silence on any particular assertion in the intervenor testimony should not be read as agreement with or consent to that assertion.

I specifically did not challenge many of Messrs. Mara or Kollen's suggestions or recommendations related to the inclusion of SPP Programs, again not because I agree with them, but rather I believe those concerns were matters for the SPP docket and not appropriate for consideration or argument at this time.

Q. Does this conclude your testimony?

A. Yes.

(Whereupon, prefiled direct testimony of Lane Kollen was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Storm Protection Plan Cost Recovery Clause.

DOCKET NO. 20220010-EI

FILED: September 2, 2022

DIRECT TESTIMONY

AND EXHIBITS

OF

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EXHIBITS

I. QUALIFICATIONS AND SUMMARY

A. Qualifications

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

Q. DESCRIBE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.

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

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

I have testified before the Florida Public Service Commission on numerous occasions, including base rate, fuel adjustment clause rate, storm protection plans ("SPP"), storm protection plan cost recovery clause ("SPPCRC") rates, acquisition, and territorial proceedings involving Florida Power & Light Company ("FPL"), Duke Energy Florida ("DEF"), Tampa Electric Company ("Tampa"), Florida Public Utilities Company ("FPUC"), Talquin Electric Cooperative, City of Tallahassee, and City of Vero Beach.[1]

B. Purpose of Testimony

Q. ON WHOSE BEHALF DO YOU PROVIDE TESTIMONY?

A. I provide this testimony on behalf of the Florida Office of Public Counsel ("OPC").

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to address and make recommendations regarding the 2023 SPPCRC factors proposed by FPL, DEF, Tampa, and FPUC (together, the "Companies").

The proposed 2023 SPPCRC factors are based on the SPPs and projected costs for the SPP programs in 2023 as filed, and/or as subsequently amended, by the Companies in their pending SPP proceedings.[2]

The 2023 SPPs have not yet been approved, rejected, or modified. Nor has the Commission determined whether the proposed SPP programs and projects and the related costs are in the public interest, prudent, reasonable, cost-effective, or in compliance with applicable law.

The OPC has disputed whether certain of the proposed SPP programs, projects, and/or costs are prudent and reasonable in the pending SPP proceedings. The OPC also has disputed whether the Companies properly quantified the estimated revenue requirements and rate impacts in the pending SPP proceedings.

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

[2] FPL amended its SPP filing to remove the proposed winter weatherization program. FPUC amended its SPP filing to remove the costs incurred prior to filing its SPP.

Q. HAVE YOU DEVELOPED EXPERTISE IN INTERPRETING AND IMPLEMENTING REGULATORY REQUIREMENTS IN YOUR FORTY YEARS OF EXPERIENCE IN UTILITY REGULATION?

A. Yes. Participants and practitioners, both as utility employees and consultants in this highly specialized area, must interpret and apply comprehensive and complicated regulatory requirements set forth in the form of statutes, orders, and rules in order to implement those requirements or to advise others on their implementation. This process involves expertise acquired through practical experience, knowledge of these issues, and educational training, including continuing professional education.

Q. DOES THIS INTERPRETATION AND IMPLEMENTATION PROCESS ALWAYS REQUIRE A LAWYER TO BE INVOLVED AT EVERY STEP OF THE WAY?

A. No. While I am aware that attorneys play a significant role in navigating the area of regulatory interpretation and implementation, attorneys often seek the advice of non-attorneys with the experience, specialized knowledge, and expertise to interpret and apply complex regulatory requirements. There are many aspects of interpreting and implementing regulatory requirements that extend beyond an attorney's experience, knowledge, and expertise and are not dependent upon a technical legal analysis.

Q. ARE THE EXPERT OPINIONS THAT YOU OFFER IN THIS PROCEEDING INTENDED TO DICTATE TO THE COMMISSION HOW IT SHOULD ACT?

A. No. My expert opinions are intended to provide facts, subject matter expertise, and advice to inform the Commission in its deliberative process. My expert opinions are intended to address and respond to the opinions on these same issues offered by the Companies' witnesses, none of whom assert that their opinions are legal opinions or the result of technical legal analysis, but nevertheless, address the interpretation and implementation of statutes, orders, and rules. The Commission must weigh my opinions, based on my experience and subject matter expertise, as well as the opinions of the Companies' witnesses based on their experience and subject matter expertise, to make the required determinations in this proceeding.

C. Regulatory Framework And Scope Of Issues In This Proceeding

Q. DESCRIBE THE REGULATORY FRAMEWORK FOR THE SELECTION, RANKING, AND MAGNITUDE OF SPP PROGRAMS AND PROJECTS AND RECOVERY OF THE PRUDENT AND REASONABLE COSTS THROUGH THE SPPCRC.

A. Section 366.96, Fla. Stat., Rule 25-6.030, F.A.C., and Rule 25-6.031, F.A.C. together set forth a comprehensive framework for the utility's SPP and SPPCRC. The framework starts with the utility's identification of projects that are designed to reduce outage restoration costs and outage times, information necessary to develop and apply decision criteria for the selection, ranking, and magnitude of the SPP programs and costs, and estimates of the revenue requirements and customer rate impacts. The framework includes the Commission's determination of the public interest, prudence, reasonableness, and regulatory compliance of the SPP programs, and concludes with the recovery of the prudent and reasonable SPP costs through the SPPCRC revenue requirement and SPPCRC factors (rates). The revenue requirements used to develop the SPPCRC factors are dependent on assumptions and based on methodologies, including the costs and the timing of incremental costs that are included in rate base, the rate of return applied to the rate base, and the incremental expenses offset by decremental expenses.

Section 366.96(2)(c), Fla. Stat., limits SPP programs and projects to costs that are prudent and reasonable. Section 366.96(2)(c), Fla. Stat., defines "[t]ransmission and distribution storm protection plan costs" as "the reasonable and prudent costs to implement an approved transmission and distribution storm protection plan." Similarly, the SPPCRC Rule requires that costs included in the SPPCRC be "prudent" and "reasonable."

Section 366.96(8), Fla. Stat. limits recovery through the SPPCRC to costs not recovered through the utility's base rates. Section 366.96(8), Fla. Stat., states in part: "The annual transmission and distribution storm protection plan costs may not include costs recovered through the public utility's base rates."

The SPP Statute requires the Commission to hold an annual proceeding to determine the prudently incurred "transmission and distribution storm protection plan costs."[3]

Q. HAS THE COMMISSION PREVIOUSLY RULED ON THE SCOPE OF THE ISSUES IN THIS PROCEEDING?

A. Yes. In the SPP proceedings, the Companies all filed or concurred in Motions to Strike portions of my testimony on various issues, including the prudence of the proposed SPP programs and the prudence and reasonableness of the costs, the decision criteria to be applied in making those determinations, and the assumptions, components, and calculations of the revenue requirements and customer rate impacts.

[3] See, Section 366.96(7), Fla. Stat.

The ruling on the Motions to Strike is found in Order No. PSC-2022-0292-PCO-EI, which states that the issues stricken in my testimony in the SPP proceedings are issues properly addressed in the SPPCRC proceedings.[4] The ruling delineates the issues to be addressed separately and sequentially in the SPP and SPPCRC dockets. The ruling specifically directs that the issue of prudence is to be addressed in the SPPCRC proceeding and states the following:

> The Legislature intended that the SPP and SPPCRC hearings be bifurcated, driven by separate and distinct guidelines that are evident in the plain reading of both Rules 25-6.030 and 25-6.031, F.A.C., and Section 366.96, F.S. The plain reading of Section 366.96(7), F.S., provides that once a plan has been approved in the SPP docket, a utility's actions to implement the plan "shall not constitute or be evidence of imprudence." This language illustrates the bifurcated nature of the planning cycle that begins with the SPP and completed by the SPPCRC, rather than providing the grounds to transfer the cost recovery clause type "prudency review" from the SPPCRC to the SPP.
>
> The SPP guidelines contemplate a designed natural progression to be undertaken by the IOUs to first develop and then evaluate potential storm hardening plans that reduce outage times and increase resiliency. The bifurcated process envisioned by the Statute creates an efficient regulatory process to encourage innovative storm protections programs. OPC's argument conflating the two ignores the plain reading of the separate and distinct guidelines for the SPP as opposed to the SPPCRC.[5]

[4] In response to the OPC's motion for reconsideration or to set aside the Order, the Commission voted unanimously to deny OPC's motion, effectively upholding the Order.
[5] Order No. PSC-2022-0292-PCO-EI, p. 5.

Q. ARE YOUR "AS FILED" DIRECT TESTIMONIES AND EXHIBITS FROM THE SPP PROCEEDINGS, INCLUDING THE STRICKEN PORTIONS, RELEVANT TO THE ISSUES IN THIS PROCEEDING?

A. Yes. My direct testimonies in the SPP proceedings are relevant to the issues in this proceeding, according to the terms of the Commission's Order, as previously cited, delineating the scope of the SPP proceedings and the scope of this SPPCRC proceeding. The direct testimonies that I filed in the SPP dockets address prudence and the decision criteria to assess whether the SPP programs are prudent and whether the resultant costs are prudent and reasonable.[6]

Q. ARE THE ASSESSMENTS OF WHETHER THE SPP PROGRAM COSTS ARE PRUDENT AND REASONABLE LIMITED TO AN AFTER THE FACT REVIEW IN A FINAL TRUE-UP PROCEEDING?

A. No. The Companies make a series of filings to set the SPPCRC factors. The Companies made their first SPPCRC filings in 2020, except for FPUC, based on their proposed SPP programs and projected costs for the first year in the SPP. This initial filing was followed by an annual filing in 2021 that updated and trued-up the projected costs to actual in the prior year, updated and trued-up the actual and estimated costs for the current year, and then set the SPPCRC based on the projected costs for the following year. This process has been repeated a second time in this proceeding, except that the Companies, including FPUC, have reflected the projected costs for the first year of their proposed 2023 SPPs filed, and as amended, in the pending SPP proceedings. This process will be repeated on

[6] I have attached a copy of each of my Direct Testimonies, including the stricken portions, filed in the pending SPP proceedings as my Exhibits LK-2, LK-3, LK-4, and LK-5, respectively.

a three year SPP cycle going forward, with the costs from a revised and updated SPP filed every three years and two annual filings in between.

In conjunction with this sequential filing process and the three year SPP cycle, the Commission has three opportunities in the related three SPPCRC proceedings to assess the prudence of the SPP programs and whether the costs are prudent and reasonable. The most important of these opportunities occurs in the first year of the three year SPP cycle, in this case, the SPP programs and costs for the Companies' 2023 SPPs and their proposed SPPCRC factors for 2023. This opportunity is the most important because it occurs before the updated and new SPP programs are implemented and costs are incurred. The true-ups in each subsequent annual filing reflect costs already incurred.

D. <u>Summary of Recommendations</u>

Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS IN THIS PROCEEDING.

A. I recommend that the Commission modify and correct the calculations of the SPPCRC revenue requirements and SPPCRC factors to exclude all SPP programs and the projected costs for 2023 that the Companies have failed to demonstrate are prudent and reasonable in this proceeding.[7] In their filings in this proceeding, the Companies simply presumed and/or asserted that the projected SPP costs for 2023 are prudent and reasonable and failed to provide any further evidence beyond what they filed in the SPP proceedings. Instead, the Companies provided only the actual/estimated costs for its 2022 SPP programs, projected costs for its 2023 programs, related information and comparisons, true-ups, and calculations of the SPPCRC revenue requirements and SPPCRC factors.

[7] Except to the extent this has been addressed through settlement with DEF approved by the Commission in Order No. PSC-2021-0202A-AS-EI for the years 2023 and 2024.

I also recommend that the Commission modify and correct the calculation of the SPPCRC revenue requirements and SPPCRC factors to exclude other premature and excessive recoveries related to assumptions and methodologies utilized by the Companies that are not set forth in the SPP Statute, SPP Rule, SPPCRC Rule, or any other Rule adopted by the Commission. More specifically, I recommend that the Commission:

1) exclude construction work in progress ("CWIP") from the return on rate base, and instead allow a deferred return on the CWIP until it is converted to plant in service or prudently abandoned,

2) allow property tax expense only on the plant in-service at the beginning of each year,

3) require a credit for the savings from the cessation of depreciation expense on plant in service recovered in base rates that is retired due to SPP plant investments,

4) require a credit for the savings in O&M expenses recovered in base rates that no longer will be incurred due to the SPP capital expenditure investments and the SPP O&M expenses, except to the extent this has been addressed through settlement with DEF approved by the Commission in Order No. PSC-2021-0202A-AS-EI, and

5) require a realignment of the costs of pole inspections and vegetation management from base revenues and rates to the SPPCRC revenues and rates, to the extent this has not been adopted for FPUC.

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

Q. ARE EACH OF THE UTILITY'S PROPOSED PROGRAMS AND PROJECTS INCREMENTAL TO THE SCOPE OF EXISTING BASE RATE PROGRAMS AND COST RECOVERIES IN THE NORMAL COURSE OF BUSINESS?

A. No. Each utility has included programs and projects that are included within the scope of existing base rate programs and base rate recoveries in the normal course of business. These programs and projects were listed and addressed in greater detail by Witness Mara in the SPP proceedings and again in this proceeding. Examples of these programs and projects include, but are not limited to, Tampa and FPL's Transmission Access Enhancement programs[8], DEF's Loop Radially-Fed Substations Program[9], etc… These programs and projects should be excluded from the SPPs and the costs should be excluded from recovery through the SPPCRCs.

Q. ARE EACH OF THE UTILITY'S PROPOSED PROGRAMS AND PROJECTS PRUDENT AND REASONABLE?

A. No. The utility's programs and costs are not prudent and reasonable unless they meet all of the requirements of the SPP and the SPPCRC Rules. Certain of the Companies' programs and projects fail these requirements because they are or should be included in base rates in the normal course of business; certain of the programs and projects fail because they are not economic.

[8] See, Kevin Mara's testimony in 20220048-EI at TR 745-46; Kevin Mara's testimony in 20220010-EI; Ex. KJM-2, p. 33-4; Kevin Mara's testimony in 20220051-EI at TR 660-61; Kevin Mara's testimony in 20220010-EI, Ex. KJM-4 at p. 32-3.

[9] See Kevin Mara's testimony in 20220050-EI at TR 710-712; Kevin Mara's testimony in 20220010-EI, Ex. KJM-3 at p. 40-42.

Q. DO SECTION 366.96, FLA. STAT., AND THE SPP AND SPPCRC RULES REQUIRE THE COMPANIES TO PROVIDE INFORMATION NECESSARY TO EVALUATE THE COST EFFECTIVENESS OF PROPOSED PROGRAMS AND PROJECTS?

A. Yes. The SPP Statute requires the Companies to provide the information necessary for a cost/benefit analysis. Specifically, Section 366.96(4)(c) requires the Commission to consider the estimated costs and benefits to the utility and customers of making the improvements proposed in the plan. For a comparison to be made, it is necessary to compare like-to-like, thus, the estimated dollar costs should be compared to the estimated dollar benefits. Quantification of customer benefits is normal for an accounting comparison of cost versus benefits. Rule 25-6.030(d), F.A.C., implements Section 366.96(4)(c). In addition, Section 366.96(4)(d) requires that the Commission consider the rate impacts to customers of implementing the SPP in the first three years of the plan. It would be unjust to allow uneconomic costs to impact customer rates. Rule 25-6.030(g)-(i) implements Section 366.96(4)(d). Rule 25-6.031, F.A.C. implements the cost recovery of only the prudent and reasonable costs of the SPP programs.

Q. WHY IS AN ECONOMIC JUSTIFICATION NECESSARY AS A THRESHOLD DECISION CRITERION TO QUALIFY PROGRAMS OR PROJECTS FOR RECOVERY THROUGH THE SPPCRC?

A. Fundamentally, the costs of the SPP programs and projects are prudent and reasonable only if the benefits exceed the costs; in other words, the benefit-to-cost ratio is equal to or more than 100%. Otherwise, there is no economic benefit to customers from implementing the programs and incurring the related costs. This is similar in concept to assessing the prudence and reasonableness of energy efficiency programs based on their economic value and limiting the programs to those that pass the rate impact test where the benefit-to-cost ratio is equal to or more than 100%. Otherwise, customers are worse off for the implementation of the programs and paying for the costs of the programs. Neither the SPP Statute nor the SPPCRC Rule require the Commission to authorize recovery of the costs of SPP programs and projects that are uneconomic even if they meet other SPP Statute and SPP Rule objectives to reduce restoration costs and outage times.

The SPP programs and projects and the costs submitted for recovery through the SPPCRC are discretionary and incremental in whole or part, meaning that their scope and the costs should be above and beyond the present scope and costs for actual and planned capital expenditures and O&M expenses recovered in base rates in the normal course of business or that were realigned to the SPPCRC for recovery as an administrative convenience.[10] By its terms, the SPP Rule requires the utility to address and undertake projects "to enhance the utility's existing infrastructure for the purpose of reducing restoration costs and outage times associated with extreme weather conditions therefore improving overall service reliability." Rule 25-6.030(2)(a), F.A.C. By its terms, the SPPCRC Rule requires that the costs submitted for recovery be prudent and reasonable.

Q. HAVE THE COMPANIES PROPERLY APPLIED A BENEFIT/COST COMPARISON OR ANALYSIS TO DETERMINE WHETHER THE SPP PROGRAMS AND COSTS ARE PRUDENT AND REASONABLE?

[10] Three of the Companies previously realigned certain capital costs and O&M expenses, including vegetation management expenses, from base rates to SPPCRC rates through settlements in their 2020 SPP proceedings. Nevertheless, this principle still applies to discretionary and incremental increases in certain O&M expenses, including vegetation management expenses, that otherwise would be incurred in the normal course of business.

A. No. Neither FPUC nor FPL developed or relied on valid dollar benefit/dollar cost comparisons or analyses in either their SPP proceedings or in this SPPCRC proceeding. DEF and Tampa witnesses in the SPP proceedings testified that they provided the dollar benefit/dollar costs analyses in those proceedings because they and their Companies believed that it was required pursuant to the SPP Statute and/or SPP Rule. They also testified that they and their Companies believed that such an analyses ensured that the costs were prudent and reasonable.

Although DEF and Tampa developed and relied on dollar benefit/dollar cost analyses in their SPP proceedings, they both improperly included the societal value of customer interruptions in addition to their estimates of avoided damages and restoration costs. This overstated the economic value of their SPP programs and projects.

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

For example, 90% of DEF's claimed benefits were due to the subjective quantifications of these societal value of customer interruptions and only 10% were due to projected savings in avoided storm costs.[11] DEF further improperly inflated its claimed benefits to include the avoided future capital costs of replacing existing assets that are replaced pursuant to the SPP programs as a savings. That is not a relevant savings (benefit).

[11] Testimony of DEF witness Brian Lloyd in Docket No. 20220050-EI at TR 1361.

Q. HOW SHOULD THE COMMISSION DETERMINE WHETHER THE COSTS OF THE SPP PROGRAMS AND PROJECTS ARE PRUDENT AND REASONABLE?

A. The best approach is to assess whether the comparable dollar benefits exceed the dollar costs of the programs. Rule 25-6.030(4)4., F.A.C., requires "[a] comparison of the costs identified in subparagraph (3)(d)3 (a **cost** estimate including capital and operating expenses) and the benefits identified in subparagraph (3)(d)1 (estimate of the resulting reduction in outage times and restoration **costs** due to extreme weather conditions). (Emphasis added).

Thus, the implementation of these sections of the SPP Rule requires an economic analysis in the form of a comparison of dollar benefits to dollar costs for the SPP programs that can be used by the Commission in this SPPCRC proceeding for this purpose regardless of whether it makes such an assessment in the SPP proceedings. Such a comparison of dollar benefits to dollar costs allows the Commission to assess whether a program or project is economic as a threshold matter, provide objective criteria for the selection and ranking of the programs and projects, and determine the scope and magnitude of the programs and projects as additional expenditures provide diminishing dollar benefits. Such a comparison also is required for the SPP programs and projects going forward, not a calculation of dollar savings for programs implemented and costs incurred under prior storm hardening and storm protection plans. Calculated dollar benefits and actual costs incurred under prior storm hardening and storm protection plans are not directly applicable and do not stand in as a proxy for the forecast dollar benefits and costs that will be implemented in the future.

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

Q. ARE ANY OF THE COMPANIES' SPP PROGRAMS ECONOMICALLY JUSTIFIED?

A. No. This is extremely problematic. None of the SPP programs have dollar benefits that exceed the costs.[12]

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

A. No. The Statute, SPP Rule, and SPPCRC Rule require that the programs and the incremental cost of the programs be prudent and reasonable. If the programs and projects are not economically justified, then the costs are not prudent and reasonable and should not have been or should not be incurred.

[12] DEF and Tampa have included societal benefits in the economic analyses provided in their SPP proceedings. These benefits are not savings achieved by the Companies, but, rather, are attempts to quantify the "value" to customers of reductions in customer interruptions, which DEF and Tampa have improperly added to their dollar benefit quantifications in their SPP proceedings. See, testimony of Brian Lloyd at TR 1359-1362. *supra*.

The Commission, not the utility, is the arbiter of whether these programs and projects are prudent and reasonable. It is not enough for the utility simply to presume and/or assert that the SPP program costs are prudent and reasonable without providing any evidence to that effect in this SPPCRC proceeding. Such determinations require the Commission to apply objective and rational decision criteria, not simply to rely on presumptions and/or assertions by the utility.

Q. WHAT ARE YOUR RECOMMENDATIONS?

A. I recommend that the Commission deny SPPCRC cost recovery of SPP programs and projects where the Companies have not demonstrated that the SPP programs are prudent and have not demonstrated that the costs are prudent and reasonable. Even if the Commission relies on the record in the SPP proceedings, none of the SPP programs or projects are economic as proposed, meaning that they do not have a benefit-to-cost ratio of 100% or more, without consideration of subjective attempts to measure and incorporate societal benefits. Even if the Commission does not require a benefit to cost ratio of at least 100%, it still should exercise its discretion and authority to follow an objective, minimum threshold benefit/cost ratio for the selection and magnitude of the SPP programs and projects, such as 70%, or limit the rate impact over the life of the SPP to a defined threshold, such as 10% over the ten-year term of each utility’s proposed SPP programs.

III. ASSUMPTIONS AND METHODOLOGIES USED TO QUANTIFY THE REVENUE REQUIREMENTS AND TO CALCULATE THE SPPCRC FACTORS

A. <u>Summary Of Errors In Assumptions And Methodologies</u>

Q. DID THE COMPANIES CORRECTLY QUANTIFY THE REVENUE REQUIREMENTS USED TO CALCULATE THEIR PROPOSED SPPCRC FACTORS?

A. No. The SPPCRC revenue requirements and SPPCRC factors quantified and calculated by each Company are excessive. First, each Company improperly included capital costs that they have not demonstrated are prudent and reasonable.

Second, each Company improperly included CWIP in rate base instead of adding a deferred return to rate base when the CWIP was or will be converted to plant in service.

Third, each Company, except for DEF, failed to offset the SPP O&M expense with the savings in non-storm base O&M expense that have been or will be achieved due to the SPP programs and projects. DEF preemptively reflected these savings in the base revenue requirement in the settlement its most recent base rate case approved by the Commission in Order No. PSC-2021-0202A-AS-EI.

Fourth, FPUC and FPL failed to offset the SPP depreciation expense with the savings in base depreciation expense on plant in service that has been or will be retired when the SPP plant is placed in service.

Fifth, DEF incorrectly calculated property tax expense on plant additions throughout the calendar year rather than on the January 1 valuation date for each year.

Finally, FPUC failed to realign its pole inspection and vegetation management costs from base rates to SPPCRC rates, consistent with the realignments previously implemented by the other Companies.

B. <u>Current Return On CWIP In Rate Base</u>

Q. DID ALL COMPANIES IMPROPERLY INCLUDE CWIP IN RATE BASE?

A. Yes, although there were differences among the Companies in their assumptions regarding the timing of CWIP closings to plant in service. More specifically, Tampa and FPUC each assumed that CWIP was closed to plant in service at the end of each calendar quarter during 2023.[13] DEF assumed that CWIP was closed to plant in service during 2023 so that the ending balance of CWIP at December 31, 2023 was equivalent to the beginning balance of CWIP at January 1, 2023. FPL assumed a more specific schedule for closing CWIP to plant in service during 2023.

Q. DO EITHER THE SPP STATUTE OR THE SPPCRC RULE SPECIFICALLY AUTHORIZE A RETURN ON CWIP?

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

[13] FPUC's response to Interrogatory No. 19(a) in OPC's Third Set of Interrogatories in Docket No. 20220049-EI. See Exhibit LK-6.

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

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

Q. IN THE ABSENCE OF SPECIFIC OR EXPRESS AUTHORIZATION IN THE SPP STATUTE OR THE SPPCRC RULE FOR A RETURN ON CWIP, HOW SHOULD THE COMMISSION PROCEED?

A. There are two alternatives. The first alternative is to deny a current return on CWIP in the SPPCRC revenue requirement and SPPCRC factors and to deny a deferred return in the form of allowance for funds used during construction ("AFUDC") or in the form of a regulatory asset or miscellaneous deferred debit. This alternative is consistent with the inability of a utility to recover a return on capital expenditures, whether recorded in CWIP or closed to plant in service, incurred after the test year in the utility's most recent base rate case proceeding until rates are reset based on a subsequent test year in the utility's next base rate case proceeding. This alternative also is consistent with the Commission's AFUDC Rule, which precludes a deferred return on CWIP in the form of AFUDC unless certain CWIP thresholds are exceeded.

The second alternative is to allow a deferred return on CWIP in the form of a regulatory asset or miscellaneous deferred debit. The deferred return would be added to rate base when the CWIP is closed to plant in service and then amortized over the same service life used to depreciate the cost included in plant in service.

Q. ASIDE FROM THE FACT THAT NEITHER THE SPP STATUTE NOR THE SPPCRC RULE SPECIFICALLY AUTHORIZE A RETURN ON CWIP, WHY IS THE RETURN ON CWIP A CONCERN IN THIS SPPCRC PROCEEDING?

A. The return on CWIP affects the SPPCRC revenue requirement and SPPCRC factors. The return on CWIP is a cost of the SPP assets and should be recovered from customers over the service lives of those assets, not during construction and before the assets are used and useful in providing service. In concept, the financing costs during construction are a cost of the assets and should be treated the same as other costs of the assets, such as materials and supplies, payroll and related costs, and contractor costs, among others. In fact, generally accepted accounting principles require that financing costs be included in the cost of the assets during construction on that conceptual basis, except for rate regulated utilities, where this conceptual basis and accounting requirement is modified if a current return on CWIP is allowed in the revenue requirement for ratemaking purposes.

Another concern is that all Companies have incurred and will incur engineering costs prior to incurring other construction expenditures on specific projects. Such costs are maintained in a CWIP account and then allocated to specific projects after they are initiated. The Commission cannot determine whether these costs are prudent or reasonable unless and until they are charged to specific projects, construction is completed (or prudently abandoned), and the CWIP is closed to plant in service.

A related concern is that Tampa has established a separate warehouse and inventory of materials and supplies for its SPP programs and included these costs in the calculations of its SPPCRC revenue requirements and SPPCRC factors. Similar to the concern with the engineering costs, the Commission cannot determine whether these inventory costs are prudent or reasonable unless and until they are charged to specific projects, construction is completed (or prudently abandoned), and the CWIP is closed to plant in service.

Q. WHAT IS YOUR RECOMMENDATION REGARDING THE RETURN ON CWIP?

A. I recommend that the Commission deny a current return on CWIP in the SPPCRC revenue requirement and SPPCRC factors. A current return on CWIP is not explicitly or expressly authorized in either the SPP Statute or the SPPCRC Rule. In the absence of rulemaking to address, and potentially authorize, a current return on CWIP, I recommend that the Commission instead authorize a deferred return on CWIP in the form of a regulatory asset or miscellaneous deferred debit. Such an approach bypasses the limitations on AFUDC set forth in the AFUDC Rule and is consistent with the use of the SPPCRC to recover costs related to the incremental scope of the SPP programs and projects beyond the normal course of business and recovery through base rates. The deferred return would be added to rate base when the CWIP is closed to plant in service and amortized over the same service life used to depreciate the cost included in plant in service.

C. <u>Savings In Non-Storm O&M Expense Due To Implementation Of SPP Programs</u>

Q. DESCRIBE THE SAVINGS IN NON-STORM O&M EXPENSE DUE TO THE IMPLEMENTATION OF SPP PROGRAMS.

A. The Companies will achieve savings in non-storm O&M expense due to the implementation of the SPP programs, primarily in reduced maintenance expense on the new and hardened and/or technologically superior assets compared to the existing and older assets that are replaced with the SPP assets or enhanced maintenance activities, such as increases in the scope or frequency of vegetation management activities.

Q. SHOULD THE SAVINGS IN NON-STORM O&M EXPENSE DUE TO THE IMPLEMENTATION OF THE SPP PROGRAMS BE CREDITED TO THE SPPCRC REVENUE REQUIREMENT?

A. Yes. The savings in non-storm O&M expense due to the implementation of the SPP programs should be credited to the SPPCRC revenue requirement and used to reduce the SPP factors. The savings in non-storm O&M expense would not occur but for the implementation of the SPP programs, both the new plant assets and the incremental O&M expense. In other words, there is a direct cause and effect interrelationship between the existing base rate assets and the displacement of those assets with the new SPP plant assets, as well as the existing O&M expense compared to the O&M expense after the new SPP plant assets are in service and the incremental O&M expense has been incurred. This interrelationship should be reflected in the related recoveries through base rates and recoveries through SPPCRC rates.

This approach is consistent with the SPP Statute, which states in part "[t]he annual transmission and distribution storm protection plan costs may not include costs recovered through the public utility's base rates" and the SPPCRC Rule, which states in part "Storm Protection Plan costs recoverable through the clause shall not include costs recovered through the utility's base rates or any other cost recovery mechanism." Section 366.96(8); Rule 25-6.031(6)(b), F.A.C.

Q. DO TAMPA AND DEF AGREE THAT THIS DIRECT CAUSE AND EFFECT RELATIONSHIP EXISTS BETWEEN COSTS RECOVERED THROUGH BASE RATES AND THROUGH THE SPPCRC?

A. Yes. Tampa stated in response to OPC discovery the following.[14]

> The company believes the possibility does exist that at some time in the future there may be an impact to non-SPP expenses due to the SPP capital investments and incremental SPP O&M expense. As explained above, there may be decrease in non-SPP expenses due to certain aspects of the company's operations (restoration during blue sky events for example) or increases due to additional maintenance costs such as with newer more electronic type equipment. The company believes that with time and when hardening has been completed on a large enough portion of the company's electrical system, an accurate determination can be completed to justify being used in the development of cost projections.

DEF preemptively reflected these savings in the base revenue requirement in the settlement in its most recent base rate case approved by the Commission in Order No. PSC-2021-0202A-AS-EI. In addition to the reduction in non-storm O&M expense, DEF asserts that there are savings in capital expenditures in the normal course of business that are recovered through base rates.[15]

D. <u>Savings In Cessation Of Depreciation Expense Recovered In Base Rates On Plant Retired Due To Implementation Of SPP Programs</u>

Q. DESCRIBE THE SAVINGS FROM THE CESSATION OF DEPRECIATION EXPENSE ON PLANT RECOVERED IN BASE RATES THAT IS RETIRED DUE TO THE IMPLEMENTATION OF THE SPP PROGRAMS.

[14] Tampa Response to OPC Interrogatory No. 35(b).

[15] DEF Response to OPC Interrogatory No. 6(b) wherein its states: "Yes, it is the Company's position that the savings do exist and that any non-SPP savings will be addressed in an appropriate future proceeding."

A. The Companies are required to cease depreciation expense when an asset is retired and the cost of the asset is removed from plant in service. The Companies will continue to recover the depreciation expense in base revenues until base rates are reset even though they no longer incur the expense.

Q. SHOULD THE SAVINGS FROM THE CESSATION OF DEPRECIATION EXPENSE RECOVERED IN BASE RATES ON PLANT THAT IS RETIRED DUE TO THE IMPLEMENTATION OF THE SPP PROGRAMS BE CREDITED TO THE SPPCRC REVENUE REQUIREMENT?

A. Yes. The savings due to the cessation of depreciation expense on plant that is retired due to the implementation of the SPP programs should be credited to the SPPCRC revenue requirement and used to reduce the SPP factors. The savings in depreciation expense would not occur but for the retirement and displacement of the existing plant assets with the new SPP plant assets. In other words, there is an active cause and effect interrelationship between the existing base rate assets and the displacement of those assets with the new SPP plant assets. This interrelationship should be reflected in the related recoveries through base rates and recoveries through SPPCRC rates.

This approach is consistent with the SPP Statute, which states in part "The annual transmission and distribution storm protection plan costs may not include costs recovered through the public utility's base rates" and the SPPCRC Rule, which states in part "Storm Protection Plan costs recoverable through the clause shall not include costs recovered through the utility's base rates or any other cost recovery mechanism." Section 366.96(8); Rule 25-6.031(6)(b), F.A.C.

This approach also ensures that the Companies do not improperly recover the depreciation expense on the existing plant that is retired twice, an outcome that would not occur if the existing plant were not displaced and retired due to the new plant from the implementation of the SPP programs. The double recovery will occur due to the fact that the Companies will continue to recover the depreciation expense, even though the depreciation expense will not be recorded until base rates are reset in the next base rate case proceeding. Despite this continued recovery during this period, the cessation of the depreciation expense means that the net plant will not reflect this continued base revenue recovery and the net book value at the date of retirement will remain to be recovered in the next base rate case proceeding. Again, this double recovery of the same depreciation expense can be avoided by properly crediting this depreciation expense in the SPPCRC revenue requirement and SPPCRC factors.

Q. DO TAMPA AND DEF AGREE THAT THE DEPRECIATION EXPENSE ON THE EXISITING PLANT THAT IS RETIRED DUE TO THE IMPLEMENTATION OF THE SPP PROGRAMS SHOULD BE CREDITED TO THE SPPCRC REVENUE REQUIREMENT AND REFLECTED IN THE SPPCRC FACTORS?

A. Yes. Tampa and DEF are the only companies that correctly reflected such a credit.

E. <u>Recommendations To Correct FPUC's SPPCRC Revenue Requirement And SPPCRC Factors</u>

Q. DESCRIBE FPUC'S FAILURE TO REALIGN ITS RECOVERY OF THE POLE INSPECTION AND VEGETATION MANAGEMENT EXPENSE PRESENTLY RECOVERED THROUGH BASE RATES TO THE SPPCRC REVENUE REQUIREMENT AND SPPCRC FACTORS.

A. FPUC failed to realign its recovery of the pole inspection and vegetation management expenses it presently recovers through base rates with the incremental expenses it proposes for such programs through the SPPCRC revenue requirement and SPPCRC factors.

This is a problem because it provides FPUC an incentive to shift costs from base rate recovery, where it is at risk for those costs, to SPPCRC recovery where it is guaranteed dollar for dollar or more recovery for its SPP program costs.

I note that the other three utilities in their 2020 SPPCRC proceedings agreed to realign legacy program costs, including vegetation management expenses, from base rates to SPPCRC rates to preclude cost shifting from base to SPPCRC rate recovery.

Q. DID FPUC PREVIOUSLY AGREE TO REALIGN THESE EXPENSES FROM BASE RATES TO THE SPPCRC REVENUE REQUIREMENT IF DIRECTED TO DO SO?

A. Yes. FPUC agreed to realign these expenses from base rates to the SPPCRC in response to OPC discovery in the SPP proceeding and acknowledged that it was inappropriate to recover the same costs in base rates and in the SPPCRC rates. [16]

Q. WHAT ARE YOUR RECOMMENDATIONS TO CORRECT FPUC'S CALCULATIONS OF THE SPPCRC REVENUE REQUIREMENTS AND SPPCRC FACTORS?

A. I recommend that the Commission direct FPUC to correct its SPPCRC revenue requirements and SPPCRC factors to: (1) exclude CWIP from rate base, defer a return on

[16] FPUC's response to Interrogatory No. 20(a) and (b) in OPC's Third Set of Interrogatories in Docket No. 20220049-EI. In that response, FPUC stated that it would recover the distribution pole inspection and replacement program and transmission pole inspection and hardening inspection program expenses exclusively through base rates, although this could change in future SPP filings. FPUC stated that it would continue to recover a portion of the vegetation management expenses through base rates and the remaining amount through SPPCRC rates. I have attached a copy of this response as my Exhibit LK-7.

CWIP to a regulatory asset or miscellaneous deferred debit, and include the regulatory asset or miscellaneous deferred debit in rate base and the amortization expense over the service lives of the assets in the revenue requirement when the CWIP is closed to plant in service; (2) reduce its base rates to exclude the costs of pole inspections and vegetation management and realign those costs into the SPPCRC revenue requirement; (3) reduce the SPPCRC revenue requirement for the reduction in depreciation expense on the cost of retired plant recovered in base rates displaced by the new SPP plant recovered in SPPCRC rates; and (4) reduce the SPPCRC revenue requirement for the reduction in non-storm O&M expense recovered in base rates resulting from the costs of implementing the SPP programs and projects recovered in SPPCRC rates.

F. <u>Recommendations To Correct DEF's SPPCRC Revenue Requirement And SPPCRC Factors</u>

Q. DESCRIBE THE ERROR IN DEF'S CALCULATION OF PROPERTY TAX EXPENSE.

A. DEF incorrectly calculated property tax expense based on the gross plant in service at the end of each month. This overstates the property tax expense included in the SPP revenue requirements and overstates the SPPCRC factors because the valuation date for each calendar year is January 1. There is no increase in property tax expense on additional capital expenditures incurred during the calendar year until the following calendar year when those additional capital expenditures are included in the January 1 valuation for that year.

Q. HAS DEF AGREED TO CORRECT THE ERROR IN ITS CALCULATION OF PROPERTY TAX EXPENSE?

A. Yes.[17]

Q. WHAT ARE YOUR RECOMMENDATIONS TO CORRECT DEF'S CALCULATIONS OF THE SPPCRC REVENUE REQUIREMENTS AND SPPCRC FACTORS?

A. I recommend that the Commission direct DEF to correct its SPPCRC revenue requirements and SPPCRC factors to: (1) exclude CWIP from rate base, defer a return on CWIP to a regulatory asset or miscellaneous deferred debit, and include the regulatory asset or miscellaneous deferred debit in rate base and the amortization expense over the service lives of the assets in the revenue requirement when the CWIP is closed to plant in service; and (2) correct the calculation of property tax expense to use a valuation date of January 1 for each calendar year.

G. Recommendations To Correct Tampa's SPPCRC Revenue Requirement And SPPCRC Factors

Q. WHAT ARE YOUR RECOMMENDATIONS TO CORRECT TAMPA'S CALCULATIONS OF THE SPPCRC REVENUE REQUIREMENTS AND SPPCRC FACTORS?

A. I recommend that the Commission direct Tampa to correct its SPPCRC revenue requirements and SPPCRC factors to: (1) exclude CWIP from rate base, defer a return on CWIP to a regulatory asset or miscellaneous deferred debit, and include the regulatory asset or miscellaneous deferred debit in rate base and the amortization expense over the service lives of the assets in the revenue requirement when the CWIP is closed to plant in service; and (2) reduce the SPPCRC revenue requirement for the reduction in non-storm O&M

[17] Supplemental response to OPC INT 1-2.

expense recovered in base rates resulting from the costs of implementing the SPP programs and projects recovered in SPPCRC rates.

H. <u>Recommendations To Correct FPL's SPPCRC Revenue Requirement And SPPCRC Factors</u>

Q. WHAT ARE YOUR RECOMMENDATIONS TO CORRECT FPL'S CALCULATIONS OF THE SPPCRC REVENUE REQUIREMENTS AND SPPCRC FACTORS?

A. I recommend that the Commission direct FPL to correct several errors in the calculation of its SPPCRC revenue requirements and SPPCRC factors. First, the Commission should direct FPL to exclude CWIP from rate base, defer a return on CWIP to a regulatory asset or miscellaneous deferred debit, and include the regulatory asset or miscellaneous deferred debit in rate base and the amortization expense over the service lives of the assets in the revenue requirement when the CWIP is closed to plant in service. Second, the Commission should direct FPL to reduce the SPPCRC revenue requirement for the reduction in depreciation expense on the cost of retired plant recovered in base rates displaced by the new SPP plant recovered in SPPCRC rates. Third, the Commission should direct FPL to reduce the SPPCRC revenue requirement for the reduction in non-storm O&M expense recovered in base rates resulting from the costs of implementing the SPP programs and projects recovered in SPPCRC rates.

Q. DOES THIS COMPLETE YOUR PREFILED DIRECT TESTIMONY?

A. Yes.

(Whereupon, prefiled direct testimony of Kevin J. Mara was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Storm Protection Plan Cost Recovery Clause.	DOCKET NO.: 20220010-EI FILED: September 2, 2022

DIRECT TESTIMONY

OF

KEVIN J. MARA, P.E.

ON BEHALF OF THE CITIZENS OF THE STATE OF FLORIDA

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DIRECT TESTIMONY

OF

KEVIN J. MARA

On Behalf of the Office of Public Counsel

Before the

Florida Public Service Commission

Docket No. 20220010-EI

I. INTRODUCTION

Q. WHAT IS YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS?

A. My name is Kevin J. Mara. My business address is 1850 Parkway Place, Suite 800, Marietta, Georgia 30067. I am the Executive Vice President of the firm GDS Associates, Inc. ("GDS") and Principal Engineer for a GDS company doing business as Hi-Line Engineering. I am a registered engineer in Florida and 22 additional states.

Q. PLEASE STATE YOUR PROFESSIONAL EXPERIENCE.

A. I received a Bachelor of Science degree in Electrical Engineering from Georgia Institute of Technology in 1982. Between 1983 and 1988, I worked at Savannah Electric and Power as a distribution engineer designing new services to residential, commercial, and industrial customers. From 1989-1998, I was employed by Southern Engineering Company as a planning engineer providing planning, design, and consulting services for electric cooperatives and publicly owned electric utilities. In 1998, I, along with a partner, formed a new firm, Hi-Line Associates, which specialized in the design and planning of electric distribution systems. In 2000, Hi-Line Associates became a wholly owned subsidiary of

GDS Associates, Inc. and the name of the firm was changed to Hi-Line Engineering, LLC. In 2001, we merged our operations with GDS Associates, Inc., and Hi-Line Engineering became a department within GDS. I serve as the Principal Engineer for Hi-Line Engineering and am Executive Vice President of GDS Associates. I have field experience in the operation, maintenance, and design of transmission and distribution systems. I have performed numerous planning studies for electric cooperatives and municipal systems. I have prepared short circuit models and overcurrent protection schemes for numerous electric utilities. I have also provided general consulting, underground distribution design, and territorial assistance.

Q. PLEASE DESCRIBE GDS ASSOCIATES, INC.

A. GDS is an engineering and consulting firm with offices in Marietta, Georgia; Austin, Texas; Auburn, Alabama; Orlando, Florida; Manchester, New Hampshire; Kirkland, Washington; Portland, Oregon; and Madison, Wisconsin. GDS has over 170 employees with backgrounds in engineering, accounting, management, economics, finance, and statistics. GDS provides rate and regulatory consulting services in the electric, natural gas, water, and telephone utility industries. GDS also provides a variety of other services in the electric utility industry including power supply planning, generation support services, financial analysis, load forecasting, and statistical services. Our clients are primarily publicly owned utilities, municipalities, customers of privately owned utilities, groups or associations of customers, and government agencies.

Q. HAVE YOU TESTIFIED BEFORE ANY REGULATORY COMMISSIONS?

A. I have submitted testimony before the following regulatory bodies:

- Vermont Department of Public Service

- Florida Public Service Commission
- Federal Energy Regulatory Commission ("FERC")
- District of Columbia Public Service Commission
- Public Utility Commission of Texas
- Maryland Public Service Commission
- Corporation Commission of Oklahoma

I have also submitted expert opinion reports before United States District Courts in California, South Carolina, and Alabama.

Q. HAVE YOU PREPARED AN EXHIBIT DESCRIBING YOUR QUALIFICATIONS AND EXPERIENCE?

A. Yes. I have attached Exhibit KJM-1, which is a summary of my regulatory experience and qualifications.

Q. ON WHOSE BEHALF ARE YOU APPEARING?

A. GDS Associates, Inc., was retained by the Florida Office of Public Counsel (“OPC”) to review the Storm Protection Cost Recovery Clause (“SPPCRC”) for the true-up period January 2022 through December 2022, and the projected costs for the SPPCRC for the period January 2023 through December 2023 for Tampa Electric Company (“TECO”), Duke Energy Company (“Duke”), Florida Power & Light (“FPL”), and Florida Public Utilities Company ("FPUC").. Accordingly, I am appearing on behalf of the Citizens of the State of Florida.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to address the cost of the true-up period and the projected costs for the period from January 2023 through December 2023 contained the SPPCRC filed by FPL, DEF, TECO and FPUC (together, the "Companies").

II. <u>THE REVIEW OF PURPOSE OF STORM HARDENING</u>

Q. WHAT INFORMATION DID YOU REVIEW IN PREPARATION OF YOUR TESTIMONY?

A. I reviewed the filings of TECO, FPL, DEF, and FPUC regarding the SPPCRC including the direct testimony and exhibits. I also reviewed the Companies' responses to OPC's and Staff's discovery and other materials pertaining to the SPPCRC and its impacts on the Companies. In addition, I have reviewed each of the utility's filings regarding their SPP plans and testified in the hearings for the four different dockets. Furthermore, I reviewed Section 366.96, Florida Statutes, which requires the filing of the SPP and authorized the Commission to adopt the relevant rules, including Rule 25-6.030, Florida Administrative Code ("F.A.C."), which addresses the Commission's approval of a Transmission and Distribution SPP that covers a utility's immediate 10-year planning period, and Rule 25-6.031, F.A.C., which addresses a utility's recovery of costs related to its SPP.

Q. PLEASE DISCUSS SECTION 366.96, FLORIDA STATUTES, AS IT RELATES TO YOUR EXPERTISE AND EXPERIENCE AS AN ENGINEER.

A. Section 366.96, Florida Statutes, addresses storm protection plan cost recovery for investor-owned electric utilities. The purpose of storm hardening is to "effectively reduce restoration costs and outage times to customers and improve overall service reliability for customers."[1]

The Florida Legislature has directed the Commission to consider "[t]he estimated costs and benefits to the utility and its customers of making the improvements proposed in the plan."[2] But there is no express ceiling or cap on the magnitude of the upgrades or improvements contained in the SPP or on the rate impact to the customers. Again, while the legislature left the ratemaking impact of both of these considerations to the Commission's discretion, it appears that they gave the Commission direction and the tools to reasonably control the utilities' spending in the SPP and SPPCRC approvals. As part of my testimonies, and based on my experience and expertise, I present some recommended reasonable limits to the construction programs.

All of the utilities' SPPs are based on their assertions that by investing in storm hardening activities, the electric utility infrastructure will be more resilient to the effects of extreme weather events. This resiliency premise, if true, would mean lower costs for restoration from the storms and reduced outage times experienced by the customers. Some programs have a greater impact on reducing outages times and lowering restoration costs than other programs. Clearly, the goal should be to invest in storm hardening activities that benefit the customers of the electric utilities at a cost that is reasonable relative to those benefits.

[1] Section 366.96 (1)(d), Florida Statutes.
[2] Section 366.96 (4)(c), Florida Statutes.

Q. DID YOU REVIEW RULES 25-6.030 AND 25-6.031, F.A.C.?

A. Yes, I reviewed both rules implementing Section 366.96, Fla. Stat. Based on my review of the Statute, Rules and SPP plans, I previously provided testimonies and recommendations regarding each of the Companies' SPP. It is important to recognize that none of the future SPPs have been approved at the time I am preparing this testimony. As such, I do not know if my recommendations for excluding certain programs or projects will be adopted. Therefore, I will address the reasonableness of projected Storm Protection Plan costs, the prudence of actual Storm Protection Plan costs incurred by each utility,[3] and the prudence of each program.

III. INCORPORATION OF SPP TESTIMONY

Q. DO YOUR RECOMMENDATIONS REGARDING MODIFICATION OF EACH COMPANY'S SPP IMPACT THE SPPCRC FACTORS?

A. Yes, my prior recommendations in my testimonies regarding the 2023 SPP for DEF, FPL, and TECO and FPUC's 2022 SPP impact the reasonable and prudent costs that should be recovered through the SPPCRC.

Q. IN THE SPPCRC, SHOULD THE COMMISSION CONSIDER YOUR PRIOR TESTIMONIES IN FULL BEFORE SETTING THE SPPCRC FACTORS?

A. Yes, given the timing of the five dockets and the uncertainty surrounding modifications and the lack of time between a Commission vote on October 8, 2022, issuance of final SPP orders and the 15 business day testimony turnaround required under Rule 25-6.031(2) F.A.C., and the November 1, 2022 hearing start date for the SPPCRC, the Commission

[3] Rule 25-6.031(3) FA.C.

should have the opportunity to consider my testimonies in the SPP dockets in this proceeding prior to setting the SPPCRC factors. Therefore, I am incorporating my SPP testimonies, exhibits, and the recommendations herein as filed in the SPP dockets and including them as exhibits to this testimony.

Q. DID YOU FILE TESTIMONY REGARDING THE TECO SPP PLAN?

A. Yes, I did. I am attaching the testimony and exhibits as Exhibit KJM-2. I have no changes in addition to those made already made in Docket No. 20220048-EI.

Q. DID YOU FILE TESTIMONY REGARDING THE DEF SPP PLAN?

A. Yes, I did. I am attaching the Amended (June 27, 2022) testimony and exhibits as Exhibit KJM-3. I have no changes in addition to those made already made in Docket No. 20220050-EI.

Q: DID YOU FILE TESTIMONY REGARDING THE FPL SPP PLAN?

A: Yes, I did. I am attaching the testimony and exhibits as Exhibit KJM-3. I have no changes in addition to those made already made in Docket No. 20220051-EI.

Q. DID YOU FILE TESTIMONY REGARDING THE FPUC SPP PLAN?

A. Yes, I did. I am attaching the testimony and exhibits as Exhibit KJM-4, Redacted version, and KJM-7, Confidential version. I have no changes in addition to those made already made in Docket No. 20220049-EI.

IV. RECOMMENDATIONS REGARDING SPPCRC CAPITAL AND O&M COSTS

Q. CAN YOU SUMMARIZE THE TRUE-UP COSTS FOR 2022 AND THE PROJECTED 2023 COSTS AS FILED BY EACH OF THE COMPANIES?

A. Yes. For each of the Companies, I have developed tables depicting the 2022 True-up costs and the projected 2023 costs. This information is contained in my Exhibit KJM-6.

Q. REGARDING 2022 TRUE UP AMOUNTS AS FILED BY EACH OF THE COMPANIES, DO YOU HAVE ANY RECOMMENDATIONS?

A. No, except for FPUC. I have no recommendations for the filed true-up of costs incurred or expected to be incurred in 2022 for FPL, DEF, and TECO. These costs are part of each utility's 2020 SPP. The OPC stipulated on a non-precedential basis to including the programs contained in those 2020 plans and resulting costs in the 2020 – 2022 SPPCRC only. Further, in my review of the discovery and testimony, I developed no basis for recommending exclusion of any of the 2022 costs associated with FPL's, DEF's or TECO's 2020 SPP. FPUC did not file a 2020 SPP. However, in Docket No. 20220049-EI, FPUC filed a 2022 SPP. FPUC's SPPCRC includes a true-up for 2022 which is based on a proposed 2022 SPP which has yet to be approved by the Commission. I have recommendations that I detail later in my testimony regarding FPUC's true-up costs.

Q. REGARDING FPL'S CAPITAL AND O&M COSTS PROJECTED FOR 2023, DO YOU HAVE ANY RECOMMENDATIONS?

A. Yes. I recommend that the $800,000 budgeted for Transmission Access Enhancement Program be excluded from the SPPCRC. This program is not prudent. FPL's transmission structure hardening program has been a great success with no non-wood pole failures in

Hurricanes Irma and Michael. Therefore, building roads to structures which have already been hardened (FPL has completed or nearly completed hardening of all of their transmission lines) for access is not a prudent cost. Nor is it reasonable given the scant facts as presented by FPL in the SPP.

Regarding the Substation Storm Surge/Flood Mitigation, I have no recommendations to change these costs.

Q. REGARDING FPL'S DISTRIBUTION LATERAL HARDENING PROGRAM, YOU RECOMMENDED REDUCTION IN SPENDING FOR THIS PROGRAM IN THE 2023 SPP. BASED ON YOUR 2023 SPP RECOMMENDATION, DO YOU HAVE ANY RECOMMENDATIONS FOR DISTRIBUTION LATERAL HARDENING FOR THE 2023 SPPCRC?

A. Yes. It is my belief that even though this program might provide benefits to customers, however, the United States is currently experiencing its worst inflation in 40 years and consumers have seen steep increases in the price of gas and groceries, as well as escalating electric bills. Thus, it would not be prudent or reasonable to have unchecked spending on this program and, therefore, I recommend reductions in this program. These reductions may delay some benefits for some customers, but any value of those benefits must be weighed against the rate impact to customers. Notably, FPL did not quantify the value of the benefits they claim will result from this program. FPL is not proposing to complete this program in a single year because it is not a reasonable and prudent use of resources. In fact, there are 180,000 laterals on FPL's system[4] and the 10-year Distribution Lateral

[4] Docket No. 20200071-EI, FPL's 2020-2029 SPP Corrected Exhibit MJ-1 page 27 of 48.

program will mitigate roughly 600 to 1,500 laterals per year for a total of 6,000 to 15,000 laterals[5] at a cost of over $9.3 billion. FPL's plan for the roll out is overly aggressive, lacks benefit quantification and, therefore, is not reasonable. I recommend extending the roll out and specifically to reduce the budgets for the Distribution Lateral program by roughly 33 percent (from $9,389,000 million to $6,000,000).[6] My recommendation would result in 4,000 to 10,000 laterals being addressed over the ten year period.

My recommendation which provides a level of reasonableness for the program is to moderately scale back the program. I make no recommendations regarding which laterals to delay since FPL has a detailed protocol for addressing each lateral on their system and the protocol should be used by FPL.

Q. REGARDING TECO'S CAPITAL AND O&M COSTS PROJECTED FOR 2023, DO YOU HAVE ANY RECOMMENDATIONS?

A. Yes. I recommend that the costs associated with the Transmission Access Enhancement Program, and the Substation Extreme Weather Hardening Program be excluded from the SPPCRC. As detailed in my testimony in Docket No. 20220048-EI, the Transmission Access Enhancement Program is maintenance of existing roads and bridges and does not meet the criteria set forth in Rule 25-6.031, F.A.C. Further as the transmission poles are already hardened, there is little to be gained from upgrading a relative few roads and bridges on TECO's system. A more prudent use of funds would be to design structures, lines, and system that do not require access in the days after a storm. There is no data showing that upgrades to these specific roads and bridges are necessary based on a need to

[5] Docket No. 20220051-EI, FPL's 2023-2032 SPP, Exhibit MJ-1, page 34 of 63.
[6] Docket No. 20220051-EI, Direct Testimony of Kevin Mara, p. 13.

access weak or deteriorated transmission lines or structures. Therefore, I recommend the costs in the SPPCRC for 2023 be excluded. Although, I do believe it would be reasonable to recover these costs in base rates.

I also recommend that costs in the SPPCRC for 2023 related to the Substation Extreme Weather Hardening Program be excluded because the substations either do not have a history of flooding or have alternate feeds to allow the substation to be isolated without outages to customers. Therefore these projects, in my opinion, are not prudent.

Q. REGARDING TECO'S DISTRIBUTION LATERAL UNDERGROUNDING PROGRAM AND TECO'S DISTRIBUTION OVERHEAD FEEDER HARDENING PROGRAM, YOU RECOMMENDED REDUCTION IN SPENDING FOR THESE PROGRAMS IN THE 2023 SPP. BASED ON YOUR 2023 SPP RECOMMENDATION, DO YOU HAVE ANY RECOMMENDATIONS FOR THESE PROGRAMS IN TECO'S 2023 SPPCRC?

A. Yes. It is my belief that even though a program can provide benefits to customers, the roll out of the program should be prudent and reasonable. The United States is experiencing its worst inflation in 40 years and consumers have seen steep increases in the price of gas and groceries, as well as escalating electric bills. Thus, it would not be prudent or reasonable to have unchecked spending on these programs. Therefore, I recommended reductions in these programs. These reductions delay benefits for some customers but that must be weighed against the rate impact to customers. TECO, on the other hand, developed these programs based on what was "achievable"[7] instead of what was necessary.

[7] Prefiled Testimony of David Pickles, page 19

I recommend reducing the budget for the Distribution Lateral Hardening Program by 50% and reducing the Distribution Overhead Feeder program by 66%. TECO developed a prioritization schedule for this work which I recommend be used to determine which projects to delay until 2024.

Q. REGARDING DEF'S CAPITAL AND O&M COSTS PROJECTED FOR 2023, DO YOU HAVE ANY RECOMMENDATIONS?

A. Yes. As I state in my direct testimony in Docket No. 20220050-EI, absent the stipulation entered into and approved in Order No. PSC-2021-0202A-AS-EI, I would be recommending exclusion of certain programs from DEF's proposed 2023 SPP. These include the Self-Optimizing Grid (SOG) Program, Underground Flood Mitigation, Substation Flood Mitigation, Loop Radially-Fed Substations, Substation Hardening, and portions of the Transmission Structure Hardening. The portions of the Transmission Structure Hardening Program including the Gang Operated Air Break switches, Towers Upgrades, Cathodic Protection, and Overhead Ground Wire. However, solely to be consistent with the stipulation, I recommend no change to the 2023 SPPCRC recovery.

Q. REGARDING DEF'S DISTRIBUTION LATERAL HARDENING PROGRAM AND DEF'S DISTRIBUTION OVERHEAD FEEDER HARDENING PROGRAM, YOU RECOMMENDED REDUCTION IN SPENDING FOR THESE PROGRAMS IN THE 2023 SPP. BASED ON YOUR 2023 SPP RECOMMENDATION, DO YOU HAVE ANY RECOMMENDATIONS FOR THESE PROGRAMS IN DEF'S 2023 SPPCRC?

A. Yes. It is my belief that even though a program can provide benefits to customers, the roll-out of the program should be prudent and reasonable. The United States is experiencing its worst inflation in 40 years and consumers have seen steep increases in the price of gas and groceries, as well as escalating electric bills. Thus, it would not be prudent or reasonable to have unchecked spending on these programs. Therefore, I recommend reductions in these programs.

I recommend reducing the budget for the Distribution Lateral Hardening Program which includes the Distribution Lateral Hardening Overhead and UG-Lateral Hardening from a combined budget for 2023 of $25,475,351 to a budget of $19,326,128. In addition I recommend reducing the Distribution Feeder Hardening Budget from $19,889,885 for 2023 to $14,917,413. DEF developed a prioritization schedule for this work which I recommend be used to determine which projects to delay until 2024.

Q. REGARDING FPUC'S TRUE-UP COSTS FOR 2022 AND FPUC'S CAPITAL AND O&M COSTS PROJECTED FOR 2023, DO YOU HAVE ANY RECOMMENDATIONS?

A. Yes. FPUC filed it first SPP in 2022. The plan is referred to by FPUC as the 2022 SPP. The True-up costs are for the first year of their proposed plan which has yet to be approved. The 2023 projected costs are for the same 2022 SPP. In my direct testimony in Docket No. 20220049-EI, I recommended excluding certain programs from the FPUC's proposed 2022 SPP including the Future T&D Enhancements program and Transmission/Substation Resiliency. However, the true-up costs for 2022 and the projected costs for 2023 do not contain any costs associated with these programs. Thus, the inclusion or exclusion of the programs from the approved 2022 SPP will not impact my recommendations in this docket regarding the SPPCRC.

Q. REGARDING FPUC'S DISTRIBUTION OVERHEAD LATERAL HARDENING PROGRAM AND DISTRIBUTION OVERHEAD LATERAL UNDERGROUNDING PROGRAM, YOU RECOMMENDED REDUCTION IN SPENDING FOR THESE PROGRAMS IN THE 2022 SPP. BASED ON YOUR 2022 SPP RECOMMENDATION, WHAT IS RECOMMENDED FOR FPUC'S DISTRIBUTION OVERHEAD LATERAL HARDENING PROGRAM AND THE DISTRIBUTION OVERHEAD LATERAL UNDERGROUND PROGRAM?

A. FPUC failed to provide an estimated benefit for both of these programs in the SPP. Without a known monetized benefit, the program and its costs cannot be determined to be prudent.

Q. IF THE COMMISSION NEVERTHELESS APPROVES FPUC'S DISTRIBUTION OVERHEAD LATERAL HARDENING PROGRAM, DO YOU HAVE ANY PROPOSED REDUCTIONS FOR THE TRUE-UP IN 2022 AND FOR THE PROJECTED COSTS OF 2023?

A. No, I do not have proposed changes at this time. I recommended a roughly a 50% reduction in the Distribution Overhead Lateral Hardening budget to $12,100,000.[8] However, FPUC is in the process of ramping up this program and currently is spending significantly less than the 50% level I recommended in my testimony. My recommendation is that the annual spend of this program should not exceed $1,200,000. The True-up costs for 2022 and the projected costs for 2023 are less than this value.

[8] *See* Exhibit KJM-4, p. 14, lines 9-10.

Q. IF THE COMMISSION NEVERTHELESS APPROVES FPUC'S DISTRIBUTION OVERHEAD LATERAL UNDERGROUNDING PROGRAM, DO YOU HAVE ANY PROPOSED REDUCTIONS FOR THE TRUE-UP IN 2022 AND FOR THE PROJECTED COSTS OF 2023?

A. No, I do not have proposed changes at this time. I recommended a roughly 50% reduction in the Distribution Overhead Lateral Undergrounding budget to $32,200,000.[9] However, FPUC is in the process of ramping up this program and currently is spending significantly less than the 50% level I recommended in my testimony. My recommendation is that the annual spend of this program should not exceed $3,200,000. The True-up costs for 2022 and the projected costs for 2023 are less than this value.

Q: DOES THIS COMPLETE YOUR PREFILED TESTIMONY?

A. Yes, it does.

[9] *Id*.

(Whereupon, prefiled direct testimony of Lisa V. Perry was inserted.)

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In re: Storm protection plan cost recovery clause.	:	**DOCKET NO. 20220010-EI**
	:	
	:	**Filed: September 2, 2022**

DIRECT TESTIMONY AND EXHIBIT OF

LISA V. PERRY

ON BEHALF OF

WALMART INC.

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Exhibit

Exhibit LVP-1: Witness Qualifications Statement

I. Introduction

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND BUSINESS OCCUPATION.

A. My name is Lisa V. Perry. My business address is 2608 SE J Street, Bentonville, Arkansas 72716. I am employed by Walmart Inc. ("Walmart") as Senior Manager, Energy Services.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS DOCKET?

A. I am testifying on behalf of Walmart.

Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.

A. I received a J.D. in 1999 and an LL.M. in Taxation in 2000 from the University of Florida, Levin College of Law. From 2001 to 2019, I was in private practice, emphasizing in Energy Law from 2007 to 2019. My practice included representing a large commercial client before utility regulatory commissions in Colorado, Texas, New Mexico, Arkansas, and Louisiana in matters ranging from general rate cases to renewable energy programs. I joined the energy department at Walmart in September 2019. My Witness Qualifications Statement is attached as Exhibit LVP-1.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION ("COMMISSION")?

A. Yes. I testified in Docket Nos. 20200067-EI, 20200069-EI, 20200070-EI, 20200071-EI, and 20210010-EI.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE OTHER STATE REGULATORY COMMISSIONS?

A. Yes, I have submitted testimony with State Regulatory Commissions for Arkansas, Colorado, Connecticut, Kentucky, Louisiana, Michigan, Oklahoma, South Carolina, Texas, and Virginia. I have also provided legal representation for customer stakeholders before the State Regulatory Commissions for Colorado, Texas, Arkansas, Louisiana, and New Mexico in the cases listed under "Commission Dockets" in Exhibit LVP-1.

Q. ARE YOU SPONSORING ANY EXHIBITS IN YOUR TESTIMONY?

A. Yes. I am sponsoring the exhibits listed in the Table of Contents.

Q. PLEASE BRIEFLY DESCRIBE WALMART'S OPERATIONS IN FLORIDA.

A. As shown on Walmart's website, Walmart operates 387 retail units, nine distribution centers, two e-commerce fulfillment centers, and employs over 117,000 associates in Florida. In fiscal year ending 2022, Walmart purchased $8.9 billion worth of goods and services from Florida-based suppliers, supporting over 90,000 supplier jobs.[1]

[1] https://corporate.walmart.com/about/florida

Q. PLEASE BRIEFLY DESCRIBE WALMART'S OPERATIONS WITHIN THE SERVICE TERRITORIES OF EACH OF THE UTILITIES THAT SUBMITTED PETITIONS IN THIS DOCKET.

A. Walmart has 73 retail units, one distribution center, and one e-commerce fulfillment center served by Duke Energy Florida, LLC ("DEF"), 179 retail units and four distribution centers served by Florida Power & Light Company ("FPL"),[2] 36 retail units and one distribution center served by Tampa Electric Company ("TECO"), and two retail units served by the electric division of Florida Public Utilities Company ("FPUC").[3]

II. Purpose of Testimony

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. Pursuant to Section 366.96(7) of the Florida Statutes, following the approval of the Utilities' Storm Protection Plans ("SPPs"), the Commission is required to conduct an annual proceeding to (i) determine the prudency of the Utilities' SPP costs, and (ii) allow the Utilities to recover such costs through a separate storm protection plan cost recovery clause ("SPPCRC").[4] This docket was opened pursuant to this Subsection (7). The purpose of my testimony is to address the proposed SPPCRC

[2] This total includes 28 retail units in what was previously Gulf Power Company's ("Gulf") service territory.

[3] DEF, FPL, TECO, and FPUC are collectively referred to as "Utilities."

[4] *See* Fla. Stat. § 366.96(7).

filed by each of the Utilities with a focus on the proposed cost allocation and rate design for this separate charge.

Q. PLEASE SUMMARIZE WALMART'S RECOMMENDATIONS TO THE COMMISSION.

A. Walmart makes the following recommendations to the Commission:

1) For purposes of this Docket, Walmart does not oppose DEF,[5] FPL,[6] and TECO[7] recovering prudent SPP costs from demand-metered customers consistent with how these costs are currently recovered through the SPPCRC – through the demand charge on a $/kW basis. However, to the extent that alternative allocation or recovery methodologies or modifications to the Utilities' proposed methodologies are made by other parties, Walmart reserves the right to address any such changes in accordance with the Commission's procedures in this Docket.

2) Optimally, the Commission should require FPUC to allocate SPP costs according to the relevant distribution and transmission cost allocators, and recover those costs from demand-metered customers through a demand charge. However, if the Commission approves FPUC's proposed cost allocation

[5] *See* Direct Testimony of Christopher A. Menendez (filed May 2, 2022) ("Menendez May Direct"), p. 6, line 20 to p. 7, line 4 and Exh. No. __ (CAM-3), Form 6P, p. 101 (listing the SPP Cost Recovery Factor as a $/kW charge for General Service Demand Customers).

[6] *See* Petition of Florida Power & Light Company for Approval of the 2022 Actual/Estimated Storm Protection Plan Cost Recovery Clause True-up and the 2023 Projected Storm Protection Plan Cost Recovery Clause Factors (filed May 2, 2022) ("FPL May Petition"), Attachment A, Form 5P (listing the SPP Factor for demand-metered general service customers as a $/kW charge).

[7] *See* Testimony and Exhibit of Mark R. Roche (revised August 9, 2022) ("Roche Revised Direct"), p. 28, lines 21-24 (listing the cost recovery factor for general service demand customers as a $/kW charge).

methodology for SPP costs, then Walmart makes the following recommendations for recovery of SPP costs through the SPPCRC:

a) FPUC should divide the SPP revenue requirement by the total base rate revenue requirement from its most recent general rate case to calculate a percent factor; and

b) This percent factor should then be applied to the SPP revenue requirement for each class as a percentage adjuster to the base rate charges approved for each rate class in this Docket. For demand-metered customers, this adjuster would be applied to the customer charge, demand charge, and base energy charge.

Q. DOES THE FACT THAT YOU MAY NOT ADDRESS AN ISSUE OR POSITION ADVOCATED BY THE UTILITIES INDICATE WALMART'S SUPPORT?

A. No. The fact that an issue is not addressed herein or in related filings should be construed as an endorsement of, agreement with, or consent to any filed position.

III. Background

Q. DID WALMART PARTICIPATE IN THE DOCKETS RELATED TO THE UTILITIES' INITIAL SPPs AND SPPCRC OPENED IN 2020?

A. Yes, it did. Walmart participated in Docket Nos. 20200067-EI thru 20200071-EI ("Initial SPP Dockets"), which were opened to receive the Utilities' initial SPPs covering the immediate 10-year planning period pursuant to Section 366.96(7) of the Florida Statutes.[8] Walmart was granted intervention in these dockets on May 13, 2020.[9].

Walmart also participated in Docket No. 20200092-EI ("Initial Cost Recovery Docket"), which was a companion docket to address the mechanism through which the Utilities would recover costs associated with their respective SPP. Walmart was granted intervention in this docket on June 26, 2020,[10] and filed the Direct Testimony of Steve W. Chriss on August 28, 2020 ("Chriss Cost Recovery Testimony").

Q. DID WALMART PARTICIPATE IN DOCKET NO. 20210010-EI RELATED TO THE 2021 ANNUAL COST RECOVERY PROCEEDING?

A. Yes, it did. Pursuant to Section 366.96(7) of the Florida Statutes, which requires the Commission to open an annual proceeding to establish the amount of prudently incurred SPP costs and the terms of how those costs are recovered from customers

[8] *See* Fla. Stat. § 366.96(7). The utilities that filed SPPs include TECO (Docket No. 20200067-EI), DEF (Docket No. 20200069-EI), Gulf (Docket No. 20200070-EI), and FPL (Docket No. 20200071-EI). FPUC was originally a party to Docket No. 20200068-EI, which was subsequently closed by the Commission in order to allow FPUC additional time to prepare its proposed SPP. *See In re: Review of 2020-2029 Storm Protection Plan pursuant to Rule 25-6.030, F.A.C., Florida Public Utilities Company*, Docket No. 20200068-EI, Order No. 2020-0097-PCO-EI (issued Apr. 6, 2020).

[9] *In re: Review of 2020-2029 Storm Protection Plan pursuant to Rule 25-6.030, F.A.C., Tampa Electric Company*, Docket Nos. 20200067-EI, 20200069-EI, 20200070-EI, 20200071-EI, Order No. PSC-2020-0143-PCO-EI (issued May 13, 2020). The Commission consolidated the SPP Dockets prior to Walmart's intervention. *In re: Review of 2020-2029 Storm Protection Plan pursuant to Rule 25-6.030, F.A.C., Tampa Electric Company*, Docket Nos. 20200067-EI, 20200068-EI, 20200069-EI, 20200070-EI, 20200071-EI, Order No. PSC-2020-0073-PCO-EI (issued Mar. 11, 2020). Accordingly, Walmart was granted intervention status in all of the SPP Dockets through a single Commission Order.

[10] *See In re: Storm protection plan cost recovery clause*, Docket No. 20200092-EI, Order No. PSC-2020-0214-PCO-EI (issued June 26, 2020).

through each utility's SPPCRC,[11] the Commission opened Docket No. 20210010-EI ("2021 Cost Recovery Docket"). Walmart was granted intervention in this docket on May 26, 2021,[12] and filed the Direct Testimony of Lisa V. Perry on June 22, 2021.

Q. DID WALMART PARTICIPATE IN DOCKET NOS. 20220048-EI, 20220050-EI, AND 20220051-EI RELATED TO THE 2022 UPDATED SPPs FOR DEF, FPL, AND TECO AND DOCKET NO. 20220049-EI RELATED TO FPUC'S INITIAL SPP FILING?

A. Walmart participated in Docket Nos. 20220048-EI, 20220050-EI, and 20220051-EI (collectively, "2022 SPP Dockets"), which were opened to review the updated SPPs for DEF, FPL, and TECO. Walmart was granted intervention in these dockets on June 17, 2022.[13] Walmart did not participate in Docket No. 20220049-EI regarding FPUC's initial SPP covering 2022 through 2031.[14]

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[11] *See* Fla. Stat. § 366.96(7).

[12] *See In re: Storm protection plan cost recovery cause*, Docket No. 20210010-EI, Order No. PSC-2021-0193-PCO-EI (issued May 26, 2021).

[13] *In re: Review of Storm Protection Plan pursuant to Rule 25-6.030, F.A.C., Tampa Electric Company*, Case No. 20220048-EI, Order No. PSC-2022-0215-PCO-EI (issued June 17, 2022); *In re: Review of Storm Protection Plan pursuant to Rule 25-6.030, F.A.C., Duke Energy Florida, LLC*, Case No. 20220050-EI, Order No. PSC-2022-0216-PCO-EI (issued June 17, 2022); *In re: Review of Storm Protection Plan pursuant to Rule 25-6.030, F.A.C., Florida Power & Light Company*, Case No. 20220051-EI, Order No. PSC-2022-0218-PCO-EI (issued June 17, 2022).

[14] FPUC was given additional time to prepare its proposed SPP and later granted permission by the Commission to file its initial SPP in April 2022 to sync its filing with the other Utilities' updated SPP filings. *See In re: Review of 2020-2029 Storm Protection Plan pursuant to Rule 25-6.030, F.A.C., Florida Public Utilities Company*, Docket No. 20200068-EI, Order No. 2020-0097-PCO-EI (issued Apr. 6, 2020); s*ee In re: Request to modify filing dates set forth in Order No. PSC-2020-0097-PCO-EI for storm protection plan and first plan update, by Florida Public Utilities Company*, Docket No. 20200228-EI, Order No. 2020-0502-PAA-EI (issued Dec. 16, 2020) Although Docket Nos. 20220048-EI through 20220051-EI were consolidated by the Commission in Order No. PSC-2022-0119-PCO-EI issued March 17, 2022, Walmart did not file a Petition to Intervene in Docket No. 20220049-EI.

Q. WERE WALMART'S ISSUES IN THE INITIAL SPP DOCKETS AND THE 2022 SPP DOCKETS RESOLVED?

A. Yes, they were. With regard to the Initial SPP Dockets, the Commission approved three separate Stipulation and Settlement Agreements covering issues presented by parties on August 28, 2020.[15] Collectively, these Stipulation and Settlement Agreements resolved Walmart's outstanding issues in the Initial SPP Dockets. Walmart did not file Testimony in the 2022 SPP Dockets.

Q. WERE WALMART'S ISSUES IN THE INITIAL COST RECOVERY AND 2021 COST RECOVERY DOCKETS RESOLVED?

Ultimately, yes for the Initial Cost Recovery Docket. As explained in the Chriss Cost Recovery Testimony, FPL, Gulf, and TECO proposed in their respective filings to recover SPP costs from demand-metered customers through a $/kW demand charge, which Walmart did not oppose.[16] By contrast, DEF originally proposed to design its SPP cost recovery mechanism to collect SPP costs from demand-metered customers through the energy charge, or on a $/kWh basis, to which Walmart objected.[17] As part of settling its issues in Docket No. 20210016-EI, DEF and Walmart entered into a 2021 Settlement Agreement in which DEF

[15] *In re: Review of 2020-2029 Storm Protection Plan pursuant to Rule 25-6.030, F.A.C., Tampa Electric Company*, Docket Nos. 20200067-EI, 20200069-EI, 20200070-EI, 20200071-EI, Order No. PSC-2020-0293-AS-EI (issued Aug. 28, 2020).

[16] *See* Chriss Cost Recovery Testimony, p. 5, lines 1-3.

[17] *See id.*, p. 11, lines 18-22.

agreed to bill demand-metered customers for SPP costs on a demand, or $/kW, basis, which was approved by the Commission June 4, 2021. [18]

In the 2021 Cost Recovery Docket, DEF, FPL, and TECO all proposed to recover SPP costs from demand-metered customers through a demand charge, or $/kW charge, in each Utility's SPPCRC. Walmart filed Testimony supporting this cost recovery methodology, which was approved by the Commission on August 26, 2021.[19]

IV. Proposals by DEF, FPL, and TECO

Q. WHAT IS DEF PROPOSING TO RECOVER THROUGH ITS SPPCRC?

A. It is my understanding that DEF is seeking Commission approval to recover from or refund to customers through its SPPCRC (i) an adjusted net 2021 true-up over-recovery of $2.47 million,[20] (ii) a 2022 true-up over-recovery of $3.99 million,[21] and (iii) 2023 projected jurisdictional capital and operation and maintenance

[18] *See In re: Petition for limited proceeding to approve 2021 settlement agreement, including general base rate increases, by Duke Energy Florida, LLC*, Docket No. 20210016-EI, Order No. PSC-2021-0202-AS-EI (issued June 4, 2021), p. 6, Attachment A, p. 9, para. 12, and Ex. 3.

[19] *In re: Storm protection plan cost recovery clause*, Docket No. 20210010-EI, Order No. PSC-2021-0324-FOF-EI (issued Aug. 26, 2021).

[20] *See* Duke Energy Florida's Petition for Approval of Storm Protection Plan Cost Recovery Clause Final True-Up for the Period January 2021 – December 2021 (filed April 1, 2022), p. 1, para. 3; *see also* Direct Testimony of Christopher A. Menendez (filed April 1, 2022) ("Menendez April Testimony"), p. 3, lines 13-17 and Ex. No. ___ (CAM-1), Form 1A, p. 1.

[21] *See* Duke Energy Florida's Petition for Approval of 2022 Actual/Estimated True-Up, 2023 Projected Costs, and Storm Protection Plan Cost Recovery Factor for the Period January 2023 Through December 2023 (filed May 2, 2022) ("DEF May Petition"), p. 2, para. 5; *see also* Menendez May Direct, p. 4, lines 1-2 and Ex. No. ___ (CAM-2), Form 1E, p. 1.

("O&M") revenue requirement for its 2023-2032 SPP projects in the amount of $142.75 million.[22]

Q. WHAT IS FPL PROPOSING TO RECOVER THROUGH ITS SPPCRC?

A. It is my understanding that FPL is seeking Commission approval to recover from or refund to customers through its SPPCRC (i) a total 2021 true-up over-recovery of $5.15 million,[23] (ii) a 2022 true-up under-recovery of $4.68 million,[24] and (iii) 2023 projected jurisdictional capital and O&M revenue requirement for its 2023-2032 SPP projects in the amount of $366.98 million.[25]

Q. WHAT IS TECO PROPOSING TO RECOVER THROUGH ITS SPPCRC?

A. It is my understanding that TECO is seeking Commission approval to recover from or refund to customers through its SPPCRC (i) a 2021 true-up over-recovery of $4.94 million,[26] (ii) a 2022 true-up over-recovery of $5.26 million,[27] and (iii) 2023 projected jurisdictional revenue requirement for its 2022-2031 SPP projects in the amount of $65.57 million.[28]

[22] *See* DEF May Petition, pp. 2-3, para. 6; *see also* Menendez May Direct, Ex. No. ___ (CAM-3), Form 1P, p. 1.

[23] *See* Petition of Florida Power & Light Company for Approval of the 2021 Storm Protection Plan Cost Recovery Clause Final True-Up (filed April 1, 2022), p. 5, para. 15 (listing the 2021 over-recovery amounts for FPL at $2.99 million and for Gulf Power Company at $2.16, totaling $5.15 million); *see also* Direct Testimony of Renae B. Deaton (filed April 1, 2022) ("Deaton April Direct"), p. 5, line 13 to p. 6, line 2 and Ex. RBD-1, p. 1.

[24] *See* FPL May Petition, p. 7, para. 20; *see also* Direct Testimony Renae B. Deaton (filed May 2, 2022) ("Deaton May Direct") , p. 7, lines 3-10 and Ex. RBD-3, Form 1E, p. 1.

[25] *See* Revised Ex. RBD-4, p. 2 (filed Aug. 11, 2022).

[26] *See* Revised Petition of Tampa Electric Company (filed Aug. 9, 2022) ("TECO Revised Petition"), p. 1, para. 1.

[27] *See* TECO Revised Petition, p. 1, para. 2; *see also* Roche Revised Direct, Ex. MRR-2, Form E-1, p. 1.

[28] *See* TECO Revised Petition, p. 2, para. 3; *see also* Roche Revised Direct, p. 13, lines 16-22 and Ex. No. MRR-2, Form P-1, p. 1.

Q. DO DEF, FPL, OR TECO PROPOSE TO RECOVER THEIR RESPECTIVE SPP COSTS FROM THEIR DEMAND-METERED CUSTOMERS THROUGH THE DEMAND CHARGE CONSISTENT WITH PRIOR RECOVERY THROUGH THEIR SPPCRCs?

A. Based on my review of the filings made by DEF,[29] FPL, [30] and TECO, [31] it appears that they are not proposing any changes to the recovery method currently used to recover SPP costs from demand-metered customers through their respective SPPCRC; *i.e.*, through a demand or $/kW charge.

Q. DOES WALMART OPPOSE DEF, FPL, AND TECO CONTINUING TO RECOVER SPP COSTS FROM DEMAND-METERED CUSTOMER THROUGH THE DEMAND CHARGE?

A. For purposes of this Docket, Walmart does not oppose DEF, FPL, and TECO recovering SPP costs from demand-metered customers consistent with how these costs are currently recovered through the SPPCRC pursuant to the demand charge or on a $/kW basis. However, to the extent that alternative allocation or recovery methodologies or modifications to the Utilities' proposed methodologies are made by other parties, Walmart reserves the right to address any such changes in accordance with the Commission's procedures in this Docket.

[29] *See* Menendez May Direct, p. 6, line 20 to p. 7, line 4 and Exh. No. __ (CAM-3), Form 6P, p. 101 (listing the SPP Cost Recovery Factor as a $/kW charge for General Service Demand Customers).

[30] *See* FPL May Petition, Attachment A, Form 5P (listing the SPP Factor for demand-metered general service customers as a $/kW charge).

[31] *See* Roche Revised Direct, p. 28, lines 21-24 (listing the cost recovery factor for general service demand customers as a $/kW charge).

V. Proposal by FPUC

Q. WHAT IS FPUC PROPOSING TO RECOVER THROUGH ITS SPPCRC?

A. It is my understanding that FPUC is seeking Commission approval to recover from customers through its SPPCRC a total revenue requirement for the period May 2022 through December 2023 in the amount of $1.47 million, representing $0.33 million for the remainder of 2022 plus a projected $1.14 million for 2023.[32]

Q. HOW HAS FPUC PROPOSED TO ALLOCATE SPP COSTS IN THIS DOCKET?

A. It is my understanding that FPUC proposes to allocate SPP-related transmission and distribution costs to its rate classes as follows: (i) determine each class's percentage of total base rate revenues, (ii) multiply each class's percentage of total base rate revenues by the $1.47 million revenue requirement, and (iii) divide each class's portion of the revenue requirement by the 2023 estimated usage, or kWh billing determinants, for that class to calculate the per kWh charge that will be billed to customers.[33] The impact on the rate classes is listed in Table 1 below.

[32] *See* Revised Petition for Approval of Storm Protection Plan Cost Recovery Factors for Florida Public Utilities Company ("filed Aug. 18, 2022), pp. 3-4, para. 9; *see also* Revised Direct Testimony of Michelle D. Napier (filed Aug, 18, 2022) ("Napier Revised Direct"), p. 3, lines 5-16 and SPPCRC Form 1P, p. 1 (revised Aug, 12, 2022).

[33] *See* Napier Revised Direct, p. 5, lines 13-20.

Table 1. Proposed Allocation for SPP Transmission and Distribution Costs.

Rate Class	% of base revenue	Revenue Requirement	2023 kWh	Dollars per kWh
Residential	54.22%	$ 797,802	318,679,444	$ 0.00250
General Service	10.92%	$ 160,679	54,762,182	$ 0.00293
GS Demand	15.72%	$ 231,307	172,050,339	$ 0.00134
GS Large Demand	8.61%	$ 126,689	82,987,816	$ 0.00153
Industrial	2.86%	$ 42,082	24,496,250	$ 0.00172
Lighting	7.67%	$ 112,858	7,527,819	$ 0.01499
	100.00%	$ 1,471,416	660,503,850	
Revenue Requirement	$ 1,471,416			

Source: SPPCRC Form 5P (Revised 8/12/2022), p. 1

Q. DOES WALMART HAVE CONCERNS WITH FPUC'S PROPOSAL?

A. Yes. As discussed below, the Company's proposed cost allocation by percent of base revenues, which include energy revenues, is not cost-based by failing to appropriately reflect the demand-related nature of the underlying SPP transmission and distribution costs included for recovery through the SPPCRC. Additionally, the Company's proposed rate design creates interclass subsidies within demand-metered customer classes.

Q. WHAT IS YOUR UNDERSTANDING OF THE COSTS TO BE INCURRED BY FPUC IN EXECUTING ITS SPP?

A. My understanding is that Rule 25-6.030 of the Florida Administrative Code targets the enhancement of a utility's transmission and distribution infrastructure in order to reduce restoration costs and outage times associated with extreme weather in order to improve overall service reliability.

Q. IS IT YOUR UNDERSTANDING THAT TRANSMISSION AND DISTRIBUTION INFRASTRUCTURE COSTS ARE FIXED AND DO NOT CHANGE WITH THE AMOUNT OF ENERGY CONSUMED BY CUSTOMERS?

A. Yes.

Q. DOES FPUC'S PROPOSAL TO ALLOCATE COSTS BASED ON A CLASS'S PERCENTAGE OF BASE RATE REVENUE AS DETERMINED BY THE ENERGY AND CUSTOMER CHARGE HAVE THE EFFECT OF ALLOCATING FIXED COSTS ON AN ENERGY CHARGE?

A. Yes, it does. As such, recovering demand-related (fixed) costs through an energy (variable) charge violates cost causation principles.

Q. DOES CHARGING DEMAND-RELATED COSTS THROUGH AN ENERGY CHARGE DISADVANTAGE HIGHER LOAD FACTOR CUSTOMERS?

A. Yes. The shift in demand-related costs from per kW demand charges to per kWh energy charges results in a shift in demand cost responsibility from lower load factor customers to higher load factor customers. This results in a misallocation of cost responsibility as higher load factor customers overpay for the demand-related costs incurred by FPUC to serve them. In other words, higher load factor customers are paying for a portion of the demand-related costs that are incurred to serve the lower load factor customers simply because of the manner in which FPUC proposes to allocate SPP costs. This occurs on both an intraclass and interclass basis.

Q. TO THE BEST OF YOUR KNOWLEDGE, WERE THESE SPP TRANSMISSION AND DISTRIBUTION COSTS TO BE BROUGHT IN THROUGH TRADITIONAL RATE CASE PROCESSES, WOULD THEY BE CONSIDERED DEMAND-RELATED AND ALLOCATED ACCORDINGLY?

A. It is my understanding that for the most part, yes. As such, FPUC's SPP cost allocation proposal is a significant departure from traditional ratemaking. To better align cost allocation with cost responsibility, SPP costs should be allocated in a way that better reflects the demand-related nature of those costs.

Q. WHAT IS WALMART'S RECOMMENDATION TO THE COMMISSION ON THIS ISSUE?

A. Optimally, the Commission should require FPUC to allocate SPP costs according to the relevant distribution and transmission cost allocators, and recover those costs from demand-metered customers through a demand charge. However, if the Commission approves FPUC's proposed cost allocation methodology for SPP costs, then Walmart makes the following recommendations for recovery of SPP costs through the SPPCRC:

1) FPUC should divide the SPP revenue requirement by the total base rate revenue requirement from its most recent general rate case to calculate a percent factor; and
2) This percent factor should then be applied to the SPP revenue requirement for each class as a percentage adjustor to the base rate charges approved for each

rate class in this Docket. For demand-metered customers, this adjuster would be applied to the customer charge, demand charge, and base energy charge.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

(Transcript continues in sequence in Volume 2.)

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 9th day of December, 2022.

Debbie R Krick

DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #HH31926
EXPIRES AUGUST 13, 2024