



Dianne M. Triplett
DEPUTY GENERAL COUNSEL

July 2, 2024

VIA ELECTRONIC MAIL

Mr. Adam J. Teitzman, Commission Clerk
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket 20240025-EI, Petition for Rate Increase by Duke Energy Florida, LLC

Dear Mr. Teitzman,

Please find enclosed for electronic filing on behalf of Duke Energy Florida, LLC (“DEF”), DEF’s Rebuttal Testimony of Timothy S. Hill.

Thank you for your assistance in connection with this matter. Please feel free to call me at (727) 820-4692 should you have any questions concerning this filing.

Respectfully submitted,

/s/Dianne M. Triplett

Dianne Triplett

DMT/mh

Attachment

CERTIFICATE OF SERVICE

Docket No. 20240025-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic mail this 2nd day of July, 2024, to the following:

/s/ Dianne M. Triplett

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**In re: Petition for rate increase by
Duke Energy Florida, LLC**

**Docket No. 20240025-EI
Submitted for filing: July 2, 2024**

REBUTTAL TESTIMONY

OF

TIMOTHY S. HILL

On behalf of Duke Energy Florida, LLC

1 **I. INTRODUCTION AND SUMMARY**

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

3 A. My name is Timothy S. Hill. My business address is 525 South Tryon Street,
4 Charlotte, North Carolina, 28202.

5
6 **Q. By whom are you employed and in what capacity?**

7 A. I am employed by Duke Energy Business Services, LLC, as Vice President, Coal
8 Combustion Products - Projects & Operations. In this docket, I am testifying on
9 behalf of Duke Energy Florida, LLC (“DEF” or the “Company”). In my current
10 role, I have responsibility for the decommissioning and dismantlement of all non-
11 nuclear generation assets across all subsidiaries of Duke Energy. I have personally
12 provided this oversight at varying levels of responsibility for the last ten years and
13 have overseen twenty full site demolition projects across Duke Energy, seven of
14 which have been in DEF; of which all but two have been included in various
15 dismantlement studies provided by DEF Witness Jeff Kopp. My team works closely
16 with 1898 & Co. to provide support to develop the associated decommissioning
17 study.

18
19 **Q. Did you previously file direct testimony in this proceeding?**

20 A. No.

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22 **Q. Have you previously testified before this Commission?**

23 A. No.

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Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to respond to Office of Public Counsel (“OPC”) Witness William W. Dunkel’s claim that DEF consistently over-recovers dismantlement costs. My testimony will demonstrate that this is not the case.

Q. Please summarize your rebuttal testimony.

A. DEF’s dismantlement study estimates are reasonable and appropriate. A review of actual costs to projected costs shows that the Company’s dismantlement estimates have been reasonably accurate. To the contrary of what OPC Witness Dunkel alleges, where there have been variances, 1898 & Co’s dismantlement studies have been slightly lower than the actual costs. While individual project costs may vary from project estimates, when considered in their totality, the Company’s overall actual dismantlement costs vary from the projects by less than one percent. In addition, the actual to estimate comparisons demonstrate that the inclusion of contingency has been appropriate. As discussed further in the rebuttal testimony of DEF Witness Jeff Kopp, the inclusion of contingency in project estimates is an industry accepted norm to allow for unknown or unforeseen circumstances.

II. DEF’S RECOVERY OF DISMANTLEMENT COSTS

Q. What does OPC Witness Dunkel allege with respect to DEF’s dismantlement cost estimates?

A. Witness Dunkel states that DEF Witness Kopp has been preparing and testifying

1 on Dismantlement Cost estimates for DEF for many years; now that some
2 production units for which he has previously prepared dismantlement cost estimates
3 have actually been dismantled, he alleges that DEF's books show that the
4 dismantlement cost studies overestimated the actual cost to dismantle the units.¹
5 He points to five DEF production facilities that have actually been physically
6 dismantled, and notes that the dismantlement depreciation reserve for these
7 facilities contained surpluses when compared to actual dismantlement costs. He
8 alleges that these surpluses demonstrate a "continual" overcollection from
9 ratepayers.

10
11 **Q. What is Witness Dunkel's recommendation?**

12 A. Witness Dunkel recommends removing contingency amounts as well as claimed
13 stranded inventory from DEF Witness Kopp's Dismantlement Study, and these
14 recommendations are responded to in greater detail in Witness Kopp's rebuttal
15 testimony.

16
17 **Q. How do you respond to Witness Dunkel's allegation that the Company
18 overestimates its dismantlement estimates?**

19 A. I disagree with his claim that 1898 & Co. displays a "continual" propensity to
20 overestimate actual dismantlement costs. In general, I have found Witness Kopp's
21 estimates to be very accurate, and if they vary, they tend to underestimate the actual
22 costs when the decommissioning project is eventually executed. His estimates have

¹ OPC Dunkel Direct Testimony at p. 27, ll. 7 – p. 30, line 16.

1 displayed such a degree of accuracy that the Company uses them directly in its
2 long-range forecasting.

3
4 **Q. Should contingency be removed from the decommissioning study?**

5 A. No. I reviewed the actual costs to decommission the units at the five generating
6 sites in DEF for which 1898 & Co. provided an estimate. As demonstrated in Table
7 1 below, the estimate provided in the dismantlement study for these five projects
8 was \$61,323,000.² The total actual costs to decommission the five stations listed
9 was \$61,868,749, a difference of less than 1%. This indicates that the contingency
10 was necessary, and that 1898 & Co.’s estimate is highly accurate, and conservative
11 from the perspective of avoiding “over collecting” from customers.

Table 1

Generating Unit	Dismantlement Study Estimate	Actual Cost	Variance to Estimate
Avon Park	\$466,000	\$2,272,417	\$1,806,417
CR Helper Cooling Towers	\$5,423,000	\$5,671,929	\$248,929
Crystal River 1 & 2	\$50,636,000	\$47,229,969	(\$3,406,031)
Higgins	\$1,202,000	\$2,034,844	\$832,844
Turner	\$3,596,000	\$4,659,590	\$1,063,590
Grand Total	\$61,323,000	\$61,868,749	\$545,749

12 **Q Please discuss the variability in the site estimates shown in Table 1.**

13 A. There will invariably be cases where actual costs are under or over the
14 dismantlement study estimate, and each instance can be driven by a host of factors
15 that can impact the assumptions and calculations used in the model. However, when
16 multiple projects are considered over the entirety of the program, the overall

² Dismantlement Cost Study Estimate Project No. 101592 dated September 16, 2020.

1 variance is acceptable. Contingency is a critical part of any project estimate. In the
2 case of plant decommissioning, contingency is required not just for uncertainties
3 for *known* factors such as scrap prices, but for the *unknown* issues that invariably
4 arise—such as extended soil contamination or permitting concerns. For example,
5 the \$3.4 million variance for the Crystal River 1 & 2 site demolition work was
6 driven by the cost savings from bundling this work with the Crystal River Unit 3
7 nuclear plant demolition, a fact that would not have been foreseen by 1898 & Co.
8 when they prepared the estimate.

9
10 **Q Are there other projects outside of the generating units listed in Table 1 that**
11 **demonstrate the need for contingency?**

12 A. Yes. In some cases, the need to retire and dismantle select components will arise
13 prior to the full site demolition. These dismantlement projects are driven by safety
14 and environmental needs. Table 2 lists specific examples. For comparison, where
15 appropriate, the apportioned estimate from the dismantlement study was applied
16 where the component or structure was considered in the study.³ As shown in Table
17 2, the actual decommissioning costs for these structures was much greater than the
18 dismantlement study proportioned estimate. While the impact of these costs on the
19 total project cost will not be known until the station fully retires and demolition
20 work complete, it is likely that these costs will draw on each site's contingency.

³ A value of zero dollars would mean the component was not included in the study, and hence the full value of the work drew on contingency (e.g., the U.S. Coast Guard required the Company to remove the various buoys and channel markers at the Bartow plant; this scope was not specifically addressed in the study, so this work would draw on the contingency associated with Bartow decommissioning).

Table 2

Decommissioning Scope	Dismantlement Study Estimate	Actual Cost	Variance to Estimate
Bartow Anclote 33 Mile Pipeline	\$963,000	\$7,339,381	\$6,376,381
Bartow Channel Markers	\$0	\$306,960	\$306,960
Debary Tank #1 Demolition	\$1,086,000	\$457,742	(\$628,258)
Bayboro Fuel Offloading Dock & Tank #2	\$198,000	\$342,874	\$144,874
Grand Total	\$2,247,000	\$8,446,956	\$6,199,956

1 **III. CONCLUSION**

2 **Q. Mr. Hill, did you respond to every contention made regarding the Company's**
3 **dismantlement costs in your rebuttal?**

4 A. No. I focused on the issues that I thought were most important in my rebuttal
5 testimony. As a result, my silence on any particular assertion in intervenor
6 testimony should not be read as agreement with or consent to that assertion. In
7 addition, the Company reserves the right to file supplemental rebuttal testimony to
8 address any new issues raised by intervenors in the event they file additional
9 supplemental direct testimony or provide discovery responses after the deadline for
10 the rebuttal filing that impact the Company's rebuttal responses.

11
12 **Q. Does this conclude your rebuttal testimony?**

13 A. Yes, it does.
14