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August 14, 2017

-VIA ELECTRONIC FILING -

Ms. Carlotta S. Stauffer
Division of the Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 20170123-EI

Dear Ms. Stauffer:

Enclosed for filing on behalf of Florida Power & Light Company ("FPL") is the rebuttal testimony for FPL witness Keith Ferguson.

Please contact me if you have any questions about this transmittal.

Sincerely,

s/ Kenneth M. Rubin
Kenneth M. Rubin

Enclosures

cc: Counsel for Parties of Record (w/encl.)

CERTIFICATE OF SERVICE
Docket No. 20170123-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished

by electronic service on this 14th day of August 2017 to the following:

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By: s/Kenneth M. Rubin
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
FLORIDA POWER & LIGHT COMPANY
SJRPP TRANSACTION
REBUTTAL TESTIMONY OF KEITH FERGUSON
DOCKET NO. 20170123-EI
AUGUST 14, 2017

Q. Please state your name and business address.

A. My name is Keith Ferguson, and my business address is Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

Q. Did you previously submit testimony in the proceeding?

A. Yes.

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

A. No.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to demonstrate that the proposal of Office of Public Counsel’s (“OPC”) witness Merchant to begin amortization of FPL’s requested Early Retirement and Asset Transfer Regulatory Assets associated with the SJRPP Transaction immediately when the related assets are retired instead of when base rates are next adjusted in a general base rate case is inconsistent with Florida Public Service Commission (“FPSC” or “Commission”) precedent. In addition, this proposal could discourage well-

1 run utilities from pursuing innovative projects that unlock significant
2 customer value during a base rate-freeze period.

3 **Q. On pages 4 and 5 of OPC witness Merchant’s testimony, she recommends**
4 **that FPL begin amortization of its proposed Early Retirement and Asset**
5 **Transfer Regulatory Assets beginning on January 1, 2018. Do you agree**
6 **with her recommendation?**

7 A. No. As stated in my direct testimony, FPL proposes to begin amortization of
8 the Early Retirement and Asset Transfer Regulatory Assets when it next resets
9 its base rates. This treatment is consistent with similar instances in which FPL
10 has requested and received Commission approval to recover capital recovery
11 schedules at the same time base rates are next adjusted.

12
13 For example, in FPL’s 2009 rate case, FPL requested and received
14 Commission approval in Order No. PSC-2010-0153-FOF-EI, Docket Nos.
15 20080677-EI, 20090130-EI to amortize its capital recovery schedules at the
16 same time base rates were next adjusted. The capital recovery schedules
17 included the remaining net book value associated with the Cape Canaveral
18 and Riviera steam plants due to modernizations, nuclear assets retired due to
19 the nuclear extended power uprate projects and the analog meters being
20 replaced by the new Advanced Metering Infrastructure (“AMI”). While this
21 order was subsequently superseded by Order No. PSC-2011-0089-S-EI
22 approving a settlement of FPL’s 2009 rate case, the settlement left intact the
23 provisions for amortization of the capital recovery schedules.

1 In addition, the settlement agreements in FPL's 2005, 2012 and 2016 rate
2 cases approved commencing amortization of capital recovery schedules at the
3 same time base rates were adjusted:

4 • Order No. PSC-2005-0902-S-EI, Docket Nos. 20050045-EI,
5 20050188-EI – The capital recovery schedules included the recovery
6 of the remaining net book value and anticipated removal costs
7 associated with the steam generator replacement at St. Lucie Unit No.
8 2 and reactor vessel head replacements at the four nuclear units.

9 • Order No. PSC-2013-0023-S-EI, Docket No. 20120015-EI – The
10 capital recovery schedules included the remaining net book value
11 related to the Port Everglades steam plant due to modernization, and
12 the retirement of Cutler Units Nos. 5 and 6 and Sanford Unit No. 3.
13 OPC appealed Order No. PSC-2013-0023-S-EI but did not challenge
14 the amortization of these capital recovery schedules. The order was
15 affirmed on appeal.

16 • Order No. PSC-2016-0560-AS-EI, Docket Nos. 20160021-EI,
17 20160062-EI – The capital recovery schedules included the remaining
18 net book value related to the retirement of the Putnam combined cycle
19 plant, gas turbine peakers and Turkey Point Unit No. 1 steam
20 generating plant.

1 **Q. Are you aware of any instances in which the Commission has rejected a**
2 **request by FPL to commence amortization of capital recovery schedules**
3 **at the same time base rates were next adjusted?**

4 A. No.

5 **Q. Please explain how OPC's proposal could deter well-run utilities from**
6 **pursuing customer-value-creating transactions.**

7 A. The proposed retirement of SJRPP is an innovative transaction identified and
8 developed by FPL and negotiated to the mutual benefit of the customers of
9 FPL and JEA. As discussed in FPL witness Bores' direct testimony, FPL
10 customers will realize immediate savings from SJRPP's early retirement and
11 termination of the JOA (including the Article 8 PPA), with the transaction
12 ultimately providing approximately \$183 million in projected Cumulative
13 Present Value of Revenue Requirements ("CPVRR") savings. That sort of
14 transaction should be encouraged. By asserting that amortization of
15 regulatory assets should begin immediately for retirements resulting from
16 such transactions, so long as the impact to earnings does not push a utility's
17 earnings below the bottom of its authorized range, OPC advocates a policy
18 that would discourage innovative transactions that produce substantial benefits
19 for customers. There is no set timetable for when opportunities arise. OPC's
20 policy would serve as a significant deterrent to a well-run utility (one whose
21 earnings are significantly above the bottom of its authorized range) from
22 pursuing innovative projects during a base rate-freeze period, because of the

1 potential loss of earnings that it would suffer and the loss of cash recovery of
2 the return on investment it made on behalf of customers.

3 **Q. Please comment on the statement at page 6, lines 18 through 20 of OPC**
4 **witness Merchant’s testimony that “[u]nrecovered investments of utility**
5 **generating plant that were prudently retired early and previously**
6 **included in base rates, are traditionally, historically and ordinarily**
7 **recovered through base rates.”**

8 A. FPL agrees with OPC witness Merchant’s statement, which in fact provides
9 the rationale supporting FPL’s proposal to defer amortization of the Early
10 Retirement and Asset Transfer Regulatory Assets until base rates are next
11 reset. Witness Merchant provides compelling testimony here which supports
12 continuation of the Commission’s consistent and long standing treatment of
13 synchronizing cash collection of capital recovery with the setting of base
14 rates. A continuation of this policy and practice is important for continuing
15 to encourage transactions such as this that benefit customers. FPL is presently
16 in a base rate freeze under its 2016 rate case settlement agreement. Thus, if
17 amortization of the unrecovered amounts reflected in the Early Retirement and
18 Asset Transfer Regulatory Assets were to start on January 1, 2018 as OPC
19 witness Merchant proposes, that amortization expense would *not* be recovered
20 through current base rates. Rather, FPL’s base rate expenses would go up
21 with no corresponding increase in current base rates. Only by deferring
22 amortization until base rates are next reset (when the amortization expense
23 may be properly included in the test year upon which new rates are based) will

1 the amortization expense be “recovered through base rates” as OPC witness

2 Merchant recommends.

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

4 **A. Yes.**