BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20200001-EI

FUEL AND PURCHASED POWER COST RECOVERY CLAUSE WITH GENERATING PERFORMANCE INCENTIVE FACTOR.
_____/

VOLUME 2
PAGES 249 through 452

PROCEEDINGS:	HEARING
COMMISSIONERS PARTICIPATING:	CHAIRMAN GARY F. CLARK COMMISSIONER ART GRAHAM COMMISSIONER JULIE I. BROWN COMMISSIONER DONALD J. POLMANN COMMISSIONER ANDREW GILES FAY
DATE:	Tuesday, November 3, 2020
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PLACE:	Betty Easley Conference Center Room 148 4075 Esplanade Way Tallahassee, Florida
REPORTED BY:	DEBRA R. KRICK Court Reporter
APPEARANCES:	(As heretofore noted.)

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

I N D E X

WITNESSES

EXHIBITS

NUMBER:		ID	ADMITTED
1	Comprehensive Exhibit List	295	295
2-52	As identified on the CEL	295	
48-52	As identified on the CEL		296
8-47	As identified on the CEL		296
2-7	As identified on the CEL		395
53	Siemens Customer Final Report OPC Exhibit 7C	435	

P R O C E E D I N G S

(Transcript follows in sequence from Volume 1.)

(Whereupon, prefiled direct testimony of Benjamin F. Smith was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

BENJAMIN F. SMITH II

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

A. My name is Benjamin F. Smith II. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or "company") as Manager, Gas and Power Origination within the Fuel and Planning Services Department.

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

A. I received a Bachelor of Science degree in Electric Engineering in 1991 from the University of South Florida in Tampa, Florida, and a Master of Business Administration degree in 2015 from Saint Leo University in Saint Leo, Florida. I am also a registered Professional Engineer within the State of Florida and a Certified Energy Manager through the Association of Energy Engineers. I joined Tampa Electric in 1990 as a cooperative education student.

During my years with the company, I have worked in the areas of transmission engineering, distribution engineering, resource planning, retail marketing, and wholesale power marketing. I am currently the Manager, Gas and Power Origination within the Fuel and Planning Services Department. My responsibilities are to evaluate short and long-term power purchase and sale opportunities within the wholesale power market, assist in wholesale power and gas transportation origination and contract structures, and assist in combustion by-product contract administration and market opportunities. In this capacity, I interact with wholesale power market participants such as utilities, municipalities, electric cooperatives, power marketers, other wholesale developers and independent power producers, as well as with natural gas pipeline owners and transporters.

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

A. Yes. I have submitted written testimony in the annual fuel docket since 2003, and I have testified before this Commission in Docket Nos. 20030001-EI, 20040001-EI, and 20080001-EI regarding the appropriateness and prudence of Tampa Electric's wholesale purchases and sales.

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

A. The purpose of my testimony is to provide a description of Tampa Electric's purchased power agreements that the company has entered into and for which it is seeking cost recovery through the Fuel and Purchased Power Cost Recovery Clause ("fuel clause") and the Capacity Cost Recovery Clause. I also describe Tampa Electric's purchased power strategy for mitigating price and supply-side risk, while providing customers with a reliable supply of economically priced purchased power.

Q. Please describe the efforts Tampa Electric makes to ensure that its wholesale purchases and sales activities are conducted in a reasonable and prudent manner.

A. Tampa Electric evaluates potential purchase and sale opportunities by analyzing the expected available amounts of generation and power required to meet the projected demand and energy of its customers. Purchases are made to achieve reserve margin requirements, meet customers' demand and energy needs, meet operating reserve requirements, supplement generation during unit outages, and for economical purposes. When Tampa Electric considers making a power purchase, the company diligently

searches for available supplies of wholesale capacity or energy from creditworthy counterparties. The objective is to secure reliable quantities of purchased power for customers at the best possible price.

Conversely, when there is a sales opportunity, the company offers profitable wholesale capacity or energy products to creditworthy counterparties. The company has wholesale power purchase and sale transaction enabling agreements with numerous counterparties. This process helps to ensure that the company's wholesale purchase and sale activities are conducted in a reasonable and prudent manner.

Q. Has Tampa Electric reasonably managed its wholesale power purchases and sales for the benefit of its retail customers?

A. Yes, it has. Tampa Electric has fully complied with, and continues to fully comply with, the Commission's March 11, 1997 Order, No. PSC-1997-0262-FOF-EI, issued in Docket No. 19970001-EI, which governs the treatment of separated and non-separated wholesale sales. The company's wholesale purchase and sale activities and transactions are also reviewed and audited on a recurring

basis by the Commission.

In addition, Tampa Electric actively manages its wholesale purchases and sales with the goal of capitalizing on opportunities to reduce customer costs and improve reliability. The company monitors its contractual rights with purchased power suppliers, as well as with entities to which wholesale power is sold, to detect and prevent any breach of the company's contractual rights. Tampa Electric continually strives to improve its knowledge of wholesale power markets and available opportunities within the marketplace. The company uses this knowledge to minimize the costs of purchased power and to maximize the savings the company provides retail customers by making wholesale sales when excess power is available on Tampa Electric's system and market conditions allow.

Q. Please describe Tampa Electric's 2020 wholesale power purchases.

A. Tampa Electric assessed the wholesale power market and entered into short- and long-term purchases based on price and availability of supply. Approximately nine percent of the company's expected needs for 2020 will be met using

purchased power. This includes economy energy purchases, reliability purchases, as-available purchases from qualifying facilities, and forward purchases from Duke Energy Florida (DEF), the Florida Municipal Power Agency (FMPA), Florida Power & Light (FPL), and the Orlando Utilities Commission (OUC).

Tampa Electric secured two non-firm and five firm purchases in 2020. The company secured the non-firm purchases during the first quarter of 2020, with DEF and FPL. The DEF non-firm purchase is an extension of Tampa Electric's previous contract to purchase non-firm energy from DEF for the period February 2019 through February 2020. The extension covers the period March 2020 through February 2021, and the energy volume available under the contract remains at a maximum of 515 MW per hour. The DEF extension does not have a must-take obligation. The extension provides Tampa Electric the flexibility to schedule the energy when beneficial to customers. The FPL non-firm purchase is a must-take for 150-300 MW, depending on the month and hour, and is for the term April through November 2020. The must-take hours are hours ending 7 through 24 (i.e., HE 7-24), May through October, and HE 7-23, April and November. Combined, the two non-firm transactions are estimated to result in $5.25 million

in savings to customers. As authorized by the Commission in Order No. 2017-0456-S-EI, issued on November 27, 2017, these savings flow through the company's optimization mechanism which are described in the Fuel and Purchased Power Cost Recovery and Capacity Cost Recovery docket annual true-up filing along with mechanism saving sharing reporting and accompanying testimony of Tampa Electric witness John C. Heisey.

The five firm purchase agreements by dates of occurrence are:

- December 2019 through February 2020: 112 MW from FMPA
- July 2020 through September 2020: 74 MW from FMPA
- December 2020 through February 2021: 150 MW from FMPA, 160 MW from FPL, and 100 MW from OUC

The company secured these purchase agreements during the fourth quarter of 2019. All of the agreements are peaking call options, and a portion of the agreements have been entered into for reliability purposes. The 112 MW from FMPA and 95 MW of the 150 MW from FMPA are to meet the company's 20 percent firm reserve margin criteria during the winter 2020 and winter 2021 periods, respectively. The balance of the purchase agreements represent economic

purchases and support the Big Bend Modernization Project by allowing an early re-powering outage on Big Bend Unit 1, which is the unit being modernized. The early re-powering outage provides the Modernization team with more flexibility to schedule work on the unit, given the Modernization's two new combustion turbines are expected to be in-service by the fall of 2021. The economic portion of these purchases (i.e., 74 MW FMPA, 160 MW FPL, 100 MW OUC, and 55 MW of the FMPA 150 MW) is estimated to provide a combined $445.9 thousand in savings to customers, $325.6 thousand of which are expected to be generated in 2020. As mentioned earlier, these savings flow through the company's optimization mechanism and benefit customers in accordance with the methodology approved by the Commission.

Tampa Electric has not secured other forward purchases for 2020 at this time. However, the company constantly searches for economic purchase opportunities that benefit customers. As other purchase opportunities materialize, the company evaluates each product to determine the viability of making it part of the supply portfolio Tampa Electric uses to serve customers.

Q. Does Tampa Electric anticipate entering into new

wholesale power purchases for 2021 and beyond?

A. Other than the previously mentioned DEF extension and firm purchases for December 2020 through February 2021, Tampa Electric has made no other forward purchases to date. However, the company will continue to identify and evaluate purchase opportunities for 2021 and beyond that bring value to customers. Currently, Tampa Electric expects purchased power to meet approximately two percent of its 2021 energy needs.

Q. How does Tampa Electric mitigate the risk of disruptions to its purchased power supplies during major weather-related events, such as hurricanes?

A. During hurricane season, Tampa Electric continues to utilize a purchased power risk management strategy to minimize potential power supply disruptions. The strategy includes monitoring storm activity; evaluating the impact of storms on existing forward purchases and the rest of the wholesale power market; communicating with suppliers about their storm preparations and potential impacts to existing transactions, purchasing additional power on the forward market, if appropriate, for reliability and economics; evaluating transmission

availability and the geographic location of electric resources; reviewing sellers' fuel sources and dual-fuel capabilities; and focusing on fuel-diversified purchases. Absent the threat of a hurricane, and for all other months of the year, the company evaluates economic combinations of short- and long-term purchase opportunities in the marketplace.

Q. Please describe Tampa Electric's wholesale energy sales for 2020 and 2021.

A. Tampa Electric entered into various non-separated (e.g., next-hour and next-day sales) wholesale sales in 2020, and the company anticipates making additional non-separated sales during the balance of 2020 and 2021. The gains from these sales are shared between Tampa Electric and its customers in accordance with the company's optimization mechanism.

Q. Please summarize your direct testimony.

A. Tampa Electric monitors and assesses the wholesale power market to identify and take advantage of opportunities in the marketplace, and these efforts benefit the company's customers. Tampa Electric's energy supply strategy

includes self-generation and short- and long-term power purchases. The company purchases in both physical forward and spot wholesale power markets to provide customers with a reliable supply at the lowest possible cost. In addition to the cost benefits, this purchased power approach employs a diversified physical power supply strategy that enhances reliability. The company also enters into wholesale sales that benefit customers when market conditions allow.

Q. Does this conclude your direct testimony?

A. Yes, it does.

(Whereupon, prefiled direct testimony of John C. Heisey was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

JOHN C. HEISEY

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

A. My name is John C. Heisey. My business address is 702 N. Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or "company") as Manager, Gas and Power Trading.

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

A. I graduated from Pennsylvania State University with a Bachelor of Science in Business Logistics. I have over 25 years of power and natural gas trading experience, including employment at TECO Energy Source, FPL Energy Services, El Paso Energy, and International Paper. Prior to joining Tampa Electric, I was Vice President of Asset Trading for the Entegra Power Group LLC ("Entegra") where I was responsible for Entegra's energy trading activities. Entegra managed a large quantity of merchant capacity in bilateral and organized markets. I joined

Tampa Electric in September 2016 as the Manager of Gas and Power Trading and currently hold that position. I am responsible for all natural gas and power trading activities and work closely with the company's unit commitment to provide low cost, reliable power to our customers. In addition, I am responsible for portfolio optimization and all aspects of the Optimization Mechanism.

Q. Please state the purpose of your testimony.

A. The purpose of my testimony is to present, for the Commission's review, the 2019 results of Tampa Electric's activities under the Optimization Mechanism, as authorized by FPSC Order No. PSC-2017-0456-S-EI, issued in Docket No. 20160160-EI on November 27, 2017.

Q. Do you wish to sponsor an exhibit in support of your testimony?

A. Yes. Exhibit No. JCH-1, entitled Optimization Mechanism Results, was prepared under my direction and supervision. My exhibit shows the gains for each type of activity included in the Optimization Mechanism and the sharing of gains between customers and the company.

Q. Please provide an overview of the Optimization Mechanism.

A. The Optimization Mechanism is designed to create additional value for Tampa Electric's customers while also providing an incentive to the company if certain customer-value thresholds are achieved. The Optimization Mechanism includes gains from wholesale power sales and savings from wholesale power purchases, as well as gains from other forms of asset optimization.

Q. Please describe Tampa Electric's Optimization Mechanism submitted in Docket No. 20160160-EI and approved by Order No. PSC-2017-0456-S-EI.

A. Effective January 1, 2018, for the four-year period from 2018 through 2021, gains on all optimization mechanism activities, including short-term wholesale sales, short-term wholesale purchases, and all forms of asset optimization undertaken each year will be shared between shareholders and customers. The sharing thresholds are (a) for the first $4.5 million per year, 100 percent of gains to customers; (b) for gains greater than $4.5 million per year and less than $8.0 million per year, split 60 percent to shareholders and 40 percent to customers; and (c) for gains greater than $8.0 million

per year, 50-50 sharing between shareholders and customers.

Optimization Mechanism Transactions

Q. Please provide the details of Tampa Electric's short-term wholesale sales under the Optimization Mechanism for 2019.

A. Optimization Mechanism gains from wholesale sales were $1,498,686 or 23 percent of optimization gains for 2019. The monthly detail is shown in my exhibit in the schedule "Wholesale Sales-Table 3."

Q. Please provide the details of Tampa Electric's short-term wholesale purchases under the Optimization Mechanism for 2019.

A. Optimization Mechanism gains from wholesale purchases were $4,428,298 or 68 percent of optimization gains for 2019. The monthly detail can be found in my exhibit on the schedule labeled "Wholesale Purchases-Table 4."

Q. Please describe Tampa Electric's asset optimization activities and the gains from those transactions under the Optimization Mechanism for 2019.

A. Optimization Mechanism gains from asset optimization activities were $541,049 or 9 percent of optimization gains for 2019. The gains from asset optimization activities are shown in my exhibit at "Asset Optimization Detail-Table 5."

A description of Tampa Electric's 2019 asset optimization activities is provided below.

- Gas storage utilization - release contracted storage space or sell stored gas during non-critical demand seasons;
- Delivered solid fuel and or transportation capacity sales using existing transport - sell coal and coal transportation, using Tampa Electric's existing coal and transportation capacity during periods when it is not needed to serve Tampa Electric's native electric load;
- Asset Management Agreement ("AMA") - outsource optimization functions to a third party through assignment of power, transportation and/or storage rights in exchange for a premium to be paid to Tampa Electric.

Q. Please summarize the activities and results of the Optimization Mechanism for 2019.

A. Tampa Electric participated in the following Optimization Mechanism activities in 2019: wholesale power purchases and sales, gas storage utilization, delivered solid fuel sales, and natural gas storage AMAs. The optimization gains for 2019 were $6,468,033 which exceeded the $4,500,000 threshold by $1,968,033 as shown in my exhibit on schedule "Total Gains Threshold Schedule-Table 1." Customer benefits were $5,287,213, and company benefits were $1,180,820 in 2019.

Q. Did Tampa Electric incur incremental Optimization Mechanism costs during 2019?

A. Tampa Electric incurred incremental Optimization Mechanism personnel costs to establish processes and manage these new activities. However, the company agreed that it would not seek recovery of these costs through the Optimization Mechanism if it was approved and therefore has not separately tracked the costs.

Q. Overall, were Tampa Electric's activities under the Optimization Mechanism successful in 2019?

A. Yes, Tampa Electric produced customer gains of $5,287,213 in the second year of Optimization Mechanism activity.

The company continues to focus on improvements in processes, reporting, and optimization strategies.

The southeast United States experienced mild winter weather. Thus, most of the Optimization Mechanism gains in 2019 were generated in the spring, summer, and fall. Economic wholesale power purchases were the largest contributor of gains in the summer. Additional gains resulted from wholesale power purchases made in the spring during company planned maintenance. Wholesale power sales gains were driven by above normal temperatures in May, June, and October. Natural gas storage AMA gains were consistent throughout the year. Lastly, coal sales contributed solid fuel gains in the first half of the year.

Q. Does this conclude your testimony?

A. Yes, it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

JOHN C. HEISEY

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

A. My name is John C. Heisey. My business address is 702 N. Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or "company") as Manager, Gas and Power Trading.

Q. Have you previously filed testimony in Docket No. 20200001-EI?

A. Yes, I submitted direct testimony on March 2, 2020.

Q. Has your job description, education, or professional experience changed since your most recent testimony?

A. No, it has not.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to discuss Tampa Electric's fuel mix, fuel price forecasts, potential impacts to fuel prices, and the company's fuel procurement strategies.

Fuel Mix and Procurement Strategies

Q. What fuels do Tampa Electric's generating stations use?

A. Tampa Electric's fuel mix includes natural gas, solar, coal, and, as a backup fuel, oil. Big Bend Unit 2 can operate on natural gas, and Big Bend Units 3 and 4 can operate on coal or natural gas. Polk Unit 1 can operate on natural gas or a blend of petroleum coke and coal. Currently, the company is operating Big Bend Unit 2, Big Bend Unit 3 and Polk Unit 1 on natural gas and Big Bend Unit 4 on coal. Polk Unit 2 combined cycle uses natural gas as a primary fuel and oil as a secondary fuel; and Bayside Station combined cycle units and the company's collection of peakers (*i.e.,* aero-derivative combustion turbines) all utilize natural gas. Since it serves as a backup fuel, oil consumption is primarily for testing, and oil is a negligible percentage of system generation. During 2020, continued low natural gas prices equate to lower fuel prices for customers. Based upon the 2020 actual-estimate projections, the company expects 2020 total system generation, excluding purchased power, to be

89 percent natural gas, 7 percent solar, and 4 percent coal.

Likewise, in 2021, natural gas-fired and solar generation are expected to be 87 percent and 8 percent of total generation, respectively, with coal-fired generation making up 5 percent of total generation.

Q. Please describe Tampa Electric's fuel supply procurement strategy.

A. Tampa Electric emphasizes flexibility and options in its fuel procurement strategy for all its fuel needs. The company strives to maintain many credit worthy and viable suppliers. Similarly, the company endeavors to maintain multiple delivery path options. Tampa Electric also attempts to diversify the locations from which its supply is sourced. Having a greater number of fuel supply and delivery options provides increased reliability and flexibility to pursue lower cost options for Tampa Electric customers.

Natural Gas Supply Strategy

Q. How does Tampa Electric's natural gas procurement and transportation strategy achieve competitive natural gas

purchase prices for long- and short-term deliveries?

A. Tampa Electric uses a portfolio approach to natural gas procurement. This approach consists of a blend of pre-arranged base, intermediate, and swing natural gas supply contracts complemented with shorter term spot and seasonal purchases. The contracts have various time lengths to help secure needed supply at competitive prices and maintain the ability to take advantage of favorable natural gas price movements. Tampa Electric purchases its physical natural gas supply from creditworthy counterparties, enhancing the liquidity and diversification of its natural gas supply portfolio. The natural gas prices are based on monthly and daily price indices, further increasing pricing diversification.

Tampa Electric diversifies its pipeline transportation assets, including receipt points. The company also utilizes pipeline and storage services to enhance access to natural gas supply during hurricanes or other events that constrain supply. Such actions improve the reliability and cost-effectiveness of the physical delivery of natural gas to the company’s power plants. Furthermore, Tampa Electric strives daily to obtain reliable supplies of natural gas at favorable prices in

order to mitigate costs to its customers.

Q. Please describe Tampa Electric's diversified natural gas transportation agreements.

A. Tampa Electric currently receives natural gas directly via the Florida Gas Transmission ("FGT") and Gulfstream Natural Gas System, LLC ("Gulfstream") pipelines. Tampa Electric has added the ability to receive a portion of its gas via the recently constructed Sabal Trail Transmission ("Sabal Trail") gas pipeline (via Gulfstream backhaul). The ability to deliver natural gas from three pipelines increases the fuel delivery reliability for Bayside Power Station, which is composed of two large natural gas combined-cycle units and four aero-derivative combustion turbines. Natural gas can also be delivered to Big Bend Station from Gulfstream and Sabal Trail to support the station's steam generating units and aero-derivative combustion turbine. Polk Station receives natural gas from FGT to support natural gas consumption in Polk Unit 1 and Polk Unit 2. The addition of Sabal Trail to the company's delivery options enhances reliability, supply, price, and location diversity.

Q. Are there any significant changes to Tampa Electric's

expected natural gas usage?

A. Tampa Electric's natural gas usage is expected to remain stable in 2021. The strategy of burning economical natural gas in dual-fueled units continues to provide lower overall costs to customers.

Q. What actions does Tampa Electric take to enhance the reliability of its natural gas supply?

A. Tampa Electric maintains natural gas storage capacity with Bay Gas Storage near Mobile, Alabama, and Southern Pines Energy Center in Eastern Mississippi to provide operational flexibility and reliability of natural gas supply. The company reserves 2,000,000 MMBtu of long-term storage capacity in these two locations.

In addition to storage, Tampa Electric maintains diversified natural gas supply receipt points in FGT Zones 1, 2, and 3. Diverse receipt points reduce the company's vulnerability to hurricane impacts and provide access to potentially lower priced gas supply.

Tampa Electric also reserves capacity on the Southeast Supply Header ("SESH"), Gulf South pipeline ("Gulf

South") and Transco's Mobile Bay Lateral ("Transco"). SESH, Gulf South and Transco connect the receipt points of FGT, Gulfstream and other Mobile Bay area pipelines with natural gas supply in the mid-continent and northeast. Mid-continent and northeast natural gas production, specifically shale production, has grown and continues to increase. Thus, SESH, Gulf South and Transco capacity give Tampa Electric access to secure, competitively priced onshore gas supply for a portion of its portfolio.

Q. Has Tampa Electric acquired additional natural gas transportation for 2020 and 2021 due to greater use of natural gas?

A. Yes, with the continued low price of natural gas and the company's growing demand for natural gas for electric generation purposes, the company acquires daily, seasonal, and longer-term pipeline capacity to support the company's portfolio of gas-fired generation assets. In 2020, Tampa Electric acquired additional pipeline capacity on Gulf South, which is similar to existing upstream capacity on SESH and Transco. This capacity provides additional diversification of pipelines and gas supply receipt points, access to lower cost onshore supply

basins, and minimizes the risk of declining Mobile Bay offshore production. In 2021, Tampa Electric acquired additional Sabal Trail capacity which will enhance reliability, supply, price, and location diversity.

Coal Supply Strategy

Q. Please describe Tampa Electric's solid fuel usage and procurement strategy.

A. Like its natural gas strategy, Tampa Electric uses a portfolio approach to coal procurement. The steam turbine units at Big Bend Station are designed to burn high-sulfur Illinois Basin coal and are fully scrubbed for sulfur dioxide and nitrogen oxides, and the units have been upgraded to operate on natural gas. Polk Unit 1 can burn a blend of petroleum coke and low sulfur coal, or natural gas. Each plant has varying operational and environmental restrictions and requires solid fuel with custom quality characteristics such as ash content, fusion temperature, sulfur content, heat content, and chlorine content.

Coal is not a homogenous product. The fuel's chemistry and contents vary based on many factors, including geography. The variability of the product dictates Tampa Electric select its fuel based on multiple parameters.

Those parameters include unique coal quality characteristics, price, availability, deliverability, and credit worthiness of the supplier.

To minimize costs, maintain operational flexibility, and ensure reliable supply, Tampa Electric typically maintains a portfolio of bilateral coal supply contracts with varying term lengths. Tampa Electric monitors the market to obtain the most favorable prices from sources that meet the needs of the generation stations. The use of daily and weekly publications, independent research analyses from industry experts, discussions with suppliers, and coal solicitations aid the company in monitoring the coal market. This market intelligence also helps shape the company's coal procurement strategy to reflect short- and long-term market conditions. Tampa Electric's strategy provides a stable supply of reliable fuel sources. In addition, this strategy allows the company the flexibility to take advantage of favorable spot market opportunities and address operational needs.

Q. Please summarize how Tampa Electric will manage its solid fuel supply contracts through 2021.

A. Since the company is projected to use less coal and more

natural gas in 2021 compared to previous years, Tampa Electric will supply the Big Bend and Polk Stations with solid fuel through a combination of existing inventory, short-term contracts and, as necessary, spot purchases in support of the most economic commitment and dispatch for the generation fleet. The short-term and spot purchases allow the company to adjust supply to reflect changing coal quality and quantity needs, operational changes, and pricing opportunities.

Coal Transportation

Q. Please describe Tampa Electric's solid fuel transportation arrangements.

A. Tampa Electric can receive coal at its Big Bend Station via waterborne or rail delivery. Once delivered to Big Bend Station, solid fuel is consumed onsite, or blended and trucked to Polk Station for consumption in Polk Unit 1. As a result of declining solid fuel burns over the last few years, Tampa Electric has transitioned to purchasing delivered coal, where waterborne coal supply and transportation are arranged by the supplier. The complex logistics of procuring quality-specific coal for multiple units is no longer necessary at Tampa Electric as fewer units are burning solid fuel and the projected

consumption is declining. Procuring delivered coal continues to provide customers with competitive coal prices through a simplified process. Commodity and transportation of coal by rail is still being arranged separately, as necessary.

Q. Why does the company maintain multiple coal transportation options in its portfolio?

A. Bimodal solid fuel transportation to Big Bend Station affords the company and its customers various benefits. Those benefits include 1) access to more potential coal suppliers, which results in a more competitively priced, and diverse, delivered coal portfolio; 2) the opportunity to switch to either water or rail in the event of a transportation breakdown or interruption on the other mode; and 3) competition among transporters for future solid fuel transportation contracts.

Q. Will Tampa Electric continue to receive coal deliveries via rail in 2020 and 2021?

A. Yes. Tampa Electric expects to receive coal for use at Big Bend Station through the Big Bend rail facility during 2020 and is evaluating how much coal to receive by rail

in 2021.

Q. Please describe Tampa Electric’s expectations regarding waterborne coal deliveries.

A. Tampa Electric expects to receive solid fuel supply from waterborne deliveries to its unloading facilities at Big Bend Station. These deliveries come via the Mississippi River System through United Bulk Terminal or from foreign sources. The ultimate supply source is dependent upon quality, operational needs, and lowest overall delivered cost.

Q. Do you have any other updates to provide regarding Tampa Electric’s solid fuel transportation portfolio?

A. The continued trend of an abundant volume of natural gas available at historically low prices results in Tampa Electric’s continued use of natural gas in the dual-fueled Big Bend and Polk units. In addition, the company’s strategy of utilizing short-term and spot delivered solid fuel purchases allows Tampa Electric to reduce its solid fuel deliveries going forward, which aligns well with the economical use of natural gas. As a result, Tampa Electric will contract for fewer tons of solid fuel supply and

transportation in the remainder of 2020 and 2021 than in previous years.

Q. Please describe any other significant factors that Tampa Electric considered in developing its 2021 solid fuel supply portfolio.

A. Tampa Electric continues to place emphasis on flexibility in its solid fuel supply portfolio. The company recognizes that several factors may impact the annual consumption of solid fuel. These factors include the relative price of delivered solid fuel compared to the delivered natural gas and wholesale power markets. Thus, the actual quantity of solid fuel burned may vary significantly each year. In developing its solid fuel portfolio, Tampa Electric strives to balance the need to have reliable solid fuel commodity supplies and transportation while mitigating the potential for significant shortfall penalties if the commodity or transportation is not needed.

Q. Has Tampa Electric reasonably managed its fuel procurement practices for the benefit of its retail customers?

A. Yes, Tampa Electric diligently manages its mix of long-

term, intermediate, and short-term purchases of fuel in a manner designed to reduce overall fuel costs while maintaining electric service reliability. The company's fuel activities and transactions are reviewed and audited on a recurring basis by the Commission. In addition, the company monitors its rights under contracts with fuel suppliers to detect and prevent any breach of those rights. Tampa Electric continually strives to improve its knowledge of fuel markets and to take advantage of opportunities to minimize the costs of fuel.

Q. Have there been other changes in the management of Tampa Electric's fuel supply portfolio?

A. Yes, as part of Tampa Electric's 2017 Amended and Restated Stipulation and Settlement Agreement approved by Commission Order No. PSC-2017-0456-S-EI, issued on November 27, 2017 in Docket No. 20170210-EI, Tampa Electric has been operating under an Asset Optimization Mechanism since January 1, 2018. This Optimization Mechanism encourages Tampa Electric to market temporarily unused fuel supply assets to capture cost mitigation benefits for customers. These benefits have come through economic power purchases, economic power sales, resale of unneeded fuel supply, an asset management agreement for

natural gas storage, and utilization of natural gas and solid fuel storage and transportation assets.

Projected 2021 Fuel Prices

Q. How does Tampa Electric project fuel prices?

A. Tampa Electric reviews fuel price forecasts from sources widely used in the industry, including the New York Mercantile Exchange ("NYMEX"), PIRA Energy, the Energy Information Administration, and other energy market information sources. Future prices for energy commodities as traded on NYMEX, averaged over five consecutive business days in August2020, form the basis of the natural gas and No. 2 oil market commodity price forecasts. The price projections for these two commodities are then adjusted to incorporate expected transportation costs and location differences.

Coal prices and coal transportation prices are projected using contracted pricing and information from industry recognized consultants and published indices, such as IHS Markit and *Coal Daily*. Also, the price projections are specific to the particular quality and mined location of coal utilized by Tampa Electric's Big Bend Station and Polk Unit 1. Final as-burned prices are derived using

expected commodity prices and associated transportation costs.

Q. How do the 2021 projected fuel prices compare to the fuel prices projected for 2020 in the company's mid-course correction filing?

A. Large quantities of domestic shale-related production are keeping natural gas prices low. However, though demand impacts from the COVID-19 pandemic further reduced 2020 natural gas prices to historically low levels, a rebound is expected in 2021 as demand is expected to outpace supply. Additionally, there is a significant amount of uncertainty associated with the natural gas prices for 2021 as a result of the pandemic. The commodity price for natural gas during 2021 is projected to be higher ($2.88 per MMBtu) than the 2020 price ($2.05 per MMBtu) projected in the company's mid-course correction fuel filing. The 2021 coal commodity price projection is slightly higher ($41.03 per ton) than the price projected for 2020 ($39.52 per ton) during preparation of the 2020 mid-course correction fuel clause factors. International demand for coal is elevating coal prices despite minimal domestic demand.

Q. Does this conclude your direct testimony?

A. Yes, it does.

(Whereupon, prefiled direct testimony of Debra M. Dobiac was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

COMMISSION STAFF

DIRECT TESTIMONY OF DEBRA DOBIAC

DOCKET NO. 20200001-EI

SEPTEMBER 16, 2020

Q. Please state your name and business address.

A. My name is Debra M. Dobiac. My business address is 2540 Shumard Oak Boulevard, Tallahassee, Florida, 32399.

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

A. I am employed by the Florida Public Service Commission (FPSC or Commission) as a Public Utility Analyst in the Office of Auditing and Performance Analysis. I have been employed by the Commission since January 2008.

Q. Briefly review your educational and professional background.

A. I graduated with honors from Lakeland College in 1993 and have a Bachelor of Arts degree in accounting. Prior to my work at the Commission, I worked for six years in internal auditing at the Kohler Company and First American Title Insurance Company. I also have approximately 12 years of experience as an accounting manager and controller.

Q. Please describe your current responsibilities.

A. My responsibilities consist of planning and conducting utility audits of manual and automated accounting systems for historical and forecasted data.

Q. Have you previously presented testimony before this Commission?

A. Yes. I testified in the Aqua Utilities Florida, Inc. Rate Case, Docket No. 20080121-WS, the Water Management Services, Inc. Rate Case, Docket No. 20110200-WU, and the Utilities, Inc. of Florida Rate Case, Docket No. 20160101-WS. I also provided testimony for

the Water Management Services, Inc. Rate Case, Docket No. 20100104-WU, the Gulf Power Company Rate Cases, Docket Nos. 20110138-EI and 20130140-EI, the Fuel and Purchased Power Recovery Clause (Hedging Activities) for Gulf Power Company, Docket Nos. 20130001-EI, 20140001-EI, and 20190001-EI, the Fuel and Purchased Power Recovery Clause (Hedging Activities) for Florida Power & Light Company, Docket No. 20180001-EI, Florida Public Utilities Company's Limited Proceeding to recover incremental Storm Restoration Costs, Docket No. 20180061-EI, the Gulf Power Company Limited Proceeding to recover incremental Storm Restoration Costs, Docket No. 20190038-EI, and the Florida Public Utilities Company's Petition for a Limited Proceeding to recover incremental Storm Restoration Costs, Capital Costs, Revenue Reduction for Permanently Lost Customers, and Regulatory Assets Related to Hurricane Michael in Docket No. 20190156-EI.

Q. What is the purpose of your testimony today?

A. The purpose of my testimony is to sponsor the staff auditor's report of Gulf Power Company (Gulf or Utility) which addresses the Utility's filing in Docket No. 20200001-EI, Fuel and Purchased Power Cost Recovery Clause, for costs associated with its hedging activities. We issued an auditor's report in this docket for the hedging activities on September 1, 2020. This report is filed with my testimony and is identified as Exhibit DMD-1.

Q. Was this audit prepared by you or under your direction?

A. Yes, it was prepared by me.

Q. Please describe the work you performed in this audit.

A. I have separated the audit work into several categories.

<u>Accounting Treatment</u>

We obtained Gulf's supporting detail of the hedging settlements for the twelve months ended July 31, 2020. The support documentation was traced to the general ledger transaction detail. We verified that the hedging settlements are in compliance with the Risk Management

Plan and verified that the accounting treatment for hedging transactions and transactions costs is consistent with Commission orders relating to hedging activities. The Utility did not enter into any new contracts between August 1, 2019 and July 31, 2020. Gulf's hedging program was completed in the first quarter of 2020. No exceptions were noted.

Gains and Losses

We traced the monthly balances of all hedging transactions from Gulf's Hedging Information Reports to its settlement report and its general ledger for the period August 1, 2019 to July 31, 2020. We reviewed existing tolling agreements whereby the Utility's natural gas is provided to generators under purchased power agreements. We recalculated the gains and losses, traced the price to the settlement statement details, and compared the price to the gas futures rates published by the New York Mercantile Exchange (NYMEX) Henry Hub Gas futures contract rates. We compared these recalculated gains and losses with Gulf's journal entries for realized gains and losses. No exceptions were noted.

Hedged Volume and Limits

We reviewed the quantity limits and authorizations. We also obtained GPC's analysis of the monthly percent of natural gas hedged in relation to natural gas burned for the twelve months ended July 31, 2020, and compared them with the Utility's 2016 Risk Management Plan. No exceptions were noted.

Separation of Duties

We reviewed the Utility's procedures for separating duties related to hedging activities. We noted that as of January 1, 2019, all hedges outstanding were transferred to NextEra/FPL and they oversee the settling of the remaining hedges. There were no internal and external audits specifically performed on the separation of duties related to hedging activities. No exceptions were noted.

Q. Please review the audit findings in this report.

A. There were no findings in this audit.

Q. Does that conclude your testimony?

A. Yes.

CHAIRMAN CLARK: Exhibits.

MS. BROWNLESS: Yes, sir.

Staff has compiled a stipulated Composite Exhibit List, which includes the prefiled exhibits attached to the witness' testimony as well as Staff's Exhibits 48 through 52. The list has been provided to the parties, to the Commissioners and the court reporter.

At this time, Staff requests that the Comprehensive Exhibit List be marked for identification purposes as Exhibit No. 1, and that the other exhibits be marked for identification as set forth in the Comprehensive Exhibit List.

CHAIRMAN CLARK: The orders are so marked.

(Whereupon, Exhibit Nos. 1 - 52 were marked for identification.)

MS. BROWNLESS: Thank you.

We would ask that the Comprehensive Exhibit List, marked as Exhibit No. 1, be entered into the record.

CHAIRMAN CLARK: Exhibit No. 1 is entered.

(Whereupon, Exhibit No. 1 was received into evidence.)

MS. BROWNLESS: At this time, we would request that Stipulated Staff Exhibits Nos. 48 through 52

be entered into the record.

CHAIRMAN CLARK: So ordered.

(Whereupon, Exhibit Nos. 48 - 52 were received into evidence.)

MS. BROWNLESS: And we would also ask that the exhibits that were agreed to by the parties, Exhibits Nos. 8 through 47, be entered into the record.

CHAIRMAN CLARK: All right. Is there any objection to 8 through 47? Any objection to those exhibits?

Seeing none, so ordered.

(Whereupon, Exhibit Nos. 8 - 47 were received into evidence.)

COMMISSIONER BROWN: Mr. Chairman, before we move into opening statements, I did have a question regarding one of the preliminary matters that Ms. Brownless mentioned, if this would be an appropriate time.

CHAIRMAN CLARK: Yes, Commissioner Brown.

COMMISSIONER BROWN: Thank you.

Ms. Brownless, you said that yesterday Duke filed an appeal and motion to stay the Commission's order adopting Judge Stevenson's Recommended Order regarding Bartow Unit 4, replacement costs. How --

and then you also stated that the motion will be dealt with at the Commission's December 1st agenda conference.

How does that affect our proceedings today? And if so, what issues are affected, and what are the limitations regarding -- surrounding this motion?

MS. BROWNLESS: Yes, ma'am.

The reason that it will be dealt with at the December 1st agenda is because, of course, the Office of Public Counsel and other intervenors have the opportunity to file written responses to Duke's motion for stay, and have indicated that they wish to do so.

The consideration at the December 1st agenda is appropriate because this is a full panel item, and so this type of decision should be made by the full panel.

The resolution of that issue will affect Duke's Issue No. 1A, which was a contested issue included in this docket at the prehearing conference.

COMMISSIONER BROWN: Thank you for specifying the issues.

So then what are the limitations regarding

questioning the witness on Issue 1A today?

MS. BROWNLESS: At this time, it is our position that the intervenors should be allowed to question Mr. Menendez on Issue 1A, because, obviously, we don't know the outcome of our decision on December 1st.

CHAIRMAN CLARK: It's still testimony. That doesn't --

MS. BROWNLESS: It's testimony. Just go ahead and, to the extent that any party wishes to question Mr. Menendez, which my understanding is Public Counsel does, and that would be regarding Issue 1A, is my understanding, then that's appropriate at this time.

COMMISSIONER BROWN: Thank you for the clarification. And it looks like Mr. Rehwinkel is up.

CHAIRMAN CLARK: Mr. Rehwinkel, do you have a question?

MR. REHWINKEL: I just -- if I may, I would like to respond to the Commissioner's question if you deem that appropriate.

CHAIRMAN CLARK: Sure, Commissioner Brown, yes.

MR. REHWINKEL: Yes. What Ms. Brownless said

is correct. We have until Monday to respond, and we intend to respond to the motion to stay.

We believe Issue 1A and Issue 11 are impacted by this -- the Bartow order and its treatment in the clause. So we -- you know, our intention to ask questions is not only to 1A, but to 11. And of course, there is a domino effect throughout, which is why Ms. Brownless indicated there are no Type 2 stipulations for Duke, since there is a flow of the impact of these issues throughout the roll-up to the factor. So that's why, and we intend to inquire about that, but we will -- I will address that briefly in my opening.

COMMISSIONER BROWN: Thank you.

Mr. Chairman, if Duke wants to respond as well, I am open to that if you are.

CHAIRMAN CLARK: Certainly.

Duke, would you like to respond, Mr. Bernier?

MR. BERNIER: Thank you, Mr. Chairman. And thank you, Commissioner Brown, for the opportunity to respond.

We do believe that the issues that have been identified by OPC, 1A and 11 and the associated fallout issues, are the issues that are being impacted by our motion for stay.

I would disagree that we need to hear testimony at this point. I believe it's a legal issue that the Commission is going to hear on December 1st. But I understand everybody's position, and the desire to fill out the record, so we won't object to live testimony on the point, but I will cover a little bit of that in my opening as well.

So thank you.

CHAIRMAN CLARK: Thank you, Mr. Bernier.

COMMISSIONER BROWN: Thank you, Mr. Chairman.

CHAIRMAN CLARK: Thank you, Commissioner Brown, for that clarification.

Okay. We are going to move into opening statements. I assume that most of the parties are going to want to make an opening statement. I would like to remind you that you are limited to five minutes per party.

The order that we are going to go in is Duke, then FPL, FIPUG, Gulf, TECO, OPC, FIPUG and then PCS Phosphate.

So we will begin with you, Mr. Bernier.

MS. BROWNLESS: Excuse me, sir.

CHAIRMAN CLARK: I am sorry, Ms. Brownless.

MS. BROWNLESS: It should be, Duke, FPL, FPUC,

Gulf, TECO.

CHAIRMAN CLARK: You are correct. FPUC.

All right. Mr. Bernier, you are recognized.

MR. BERNIER: Thank you again, Mr. Chairman. Good morning again, Commissioners.

As we have just kind of discussed, the issues left for DEF is Issue 1A and the associated fallout issues.

Issue 1A asks: What action should be taken in response to the Commission Order No. 2020-0368 regarding the Bartow Unit 4 February 2017 outage?

DEF's position is that no action is appropriate at this time. The referenced order was issued on October 15th, 2020, roughly a month-and-a-half after DEF and the other companies filed their 2021 projection filings along with the proposed 2021 fuel factors. Because DEF had not yet received the order and had an opportunity to review prior to making the 2021 projection filing, the refund was not included therein. For this reason alone, the refund would have been premature.

However, as we have just discussed, yesterday DEF filed a notice of appeal, and along with a motion to day the Bartow order pending a public review in accordance with the Commission's rule

25-22.061. I understand that the motion will be taken up at the December 1st Agenda Conference, but DEF believes the Commission's rule is clear on its face, that in this situation, DEF is entitled to a stay as a matter of right.

If granted, the stay would effectively determine Issue 1A and the associated fallout issues until appeal is decided, but certainly for this year's docket. Mr. Menendez is here to answer questions.

I would just caution everyone, as we know, the Bartow proceeding was sent over to DOAH due to the high amount of confidential information. I understand Public Counsel has indicated the desire to ask questions referencing the order, so I would just bear -- ask the Commission's patience as we go through that question and answer process, and caution Mr. Menendez again to make sure he doesn't state any confidential out loud.

With that, thank you very much.

CHAIRMAN CLARK: Thank you, Mr. Bernier.

Ms. Moncada.

MS. MONCADA: Thank you, Mr. Chairman.

Good afternoon, Mr. Chairman and Commissioners. I appreciate the opportunity to

present opening remarks on behalf of FPL.

As Ms. Brownless pointed out, most of FPL's issues have been stipulated. Ms. Brownless and rest of your staff, along with the prehearing officer, Commissioner Fay, have all done an excellent job of getting us all to this point. The only issues that haven't been stipulated are Issues 2F, 2G, and the issues that are impacted by the outcome of those two.

Issue 2F asks: Has FPL made reasonable and prudent adjustments, if any are needed, to account for replacement power costs associated with the April 2019 forced outage at St. Lucie Nuclear Power Plant, Unit No. 1.

And Issue 2G asks the same question with respect to a March 2020 return-to-service delay at St. Lucie Nuclear Power Plant, Unit No. 2.

It is FPL's position that no adjustments are necessary because FPL acted prudently in the circumstances that led to the two events in question.

Here today to testify before you on those two issues is Robert Coffey, a Vice-President in the Nuclear Business Unit with 38 years of experience in the industry. The first 20 of those years being

his time with the United States Navy Nuclear Submarine Force.

The April 2019 outage that is the subject of Issue 2F involves a generator ground fault at St. Lucie Unit 1 that was attributed to an insulation fault located in a stator bar.

While FPL's investigation could not definitively confirm the cause, FPL determined that the mechanism that produced the fault was introduced in the stator during a generator rewind performed by Siemens in 2012, and that the condition thereafter degraded in the insulation gradually over the unit's seven years in service.

Our investigation ruled out many potential causes, but three possibilities were neither refuted nor adequately supported.

The first is a ferromagnetic particle introduced during installation. This is also referred to at times as a magnetic turbine.

The second is impact that might have occurred during handling or installation of the stator bar or, finally, a contaminant might have been introduced in the stator bar during manufacture or construction.

The reason the possible causes all point back

to the 2012 rewind is the location of the fault, which appeared beneath banding material that was applied in 2012. If the mechanism causing the impact or damage to the bar had occurred after the 2012 rewind, then the banding material would also have been damaged, but here, the banding remained intact.

FPL and Siemens followed established industry standards during the 2012 rewind for insulation testing, for acceptance and quality assurance. And following the 2012 rewind, FPL performed inspections pursuant to standard industry practice and manufacturer recommendations.

After the ground fault occurred and prompted the unit to shut down, FPL determined the proper course of action was to perform a full rewind. This was conducted safely, and the unit was returned to service quickly.

Issue 2G involves a two-day return-to-service delay at St. Lucie Unit 2. This occurred during a scheduled refueling outage where FPL had planned to replace electrical switchgear that was required for plant operations. While implementing that replacement, a configuration conflict was discovered. FPL resolved the conflict, no further

corrective actions were required, and FPL's response was appropriate, efficient, and the unit was returned to service safely.

Again, thank you for the opportunity to present this opening statement.

CHAIRMAN CLARK: Thank you, Ms. Moncada.

Ms. Keating, FPUC.

MS. KEATING: Good morning, Mr. Chairman, Commissioners.

As you know, the issues pertaining to FPUC have all been stipulated, so I will happily waive my opportunity to make an opening statement.

CHAIRMAN CLARK: Okay. Thank you very much.

Moving to Gulf.

MS. MONCADA: Gulf waives as well.

Thank you.

CHAIRMAN CLARK: TECO.

MR. MEANS: Good morning, Mr. Chairman. All of the issues for Tampa Electric have been stipulated and all of our witnesses have been excused, so I will just thank staff for their hard work on this docket, and also thank the prehearing officer for bringing these stipulations before you today, and other than that, I will waive my opening statement.

Thank you.

CHAIRMAN CLARK: Thank you very much.

OPC. Mr. Rehwinkel, are you waiving?

MR. REHWINKEL: No, I have brief remarks to make.

CHAIRMAN CLARK: Go right ahead, sir.

MR. REHWINKEL: Thank you, Mr. Chairman.

The Public Counsel objects to Duke Energy Florida's failure to return the $16.1 million in over-collections related to its imprudent operation of Bartow Unit 4.

Regardless of any appeal taken, the Public Counsel's position is that the accounting true-up process inherent in the ongoing fuel recovery process is not subject to the provisions of rule 25-22.061.

On November 9th, we will address the legal arguments in response to the motion to stay filed yesterday by Duke. This motion depends for its resolution on facts, policy and issues of law that you will hear today.

With respect to FPL, the OPC's position in this portion of the hearing is adequately presented in the prehearing order in our statement on the St. Lucie issue.

This case is all about FPL's burden of proof. They have clearly not met the burden of proof regarding the $18 million in replacement costs, and at least $29 million of repair costs that are not at issue at this hearing but are directly related to the events that you will hear about today.

I look forward to cross-examining Mr. Coffey on this issue, but again, it is not the customers, the Public Counsel's or any intervenors' responsibility or burden to make a case or demonstrate imprudence. It is the company's obligation and duty under the law to demonstrate prudence.

Thank you, Commissioners.

CHAIRMAN CLARK: Thank you, Mr. Rehwinkel.

Ms. Putnal, FIPUG.

MS. PUTNAL: Thank you, Mr. Chairman. FIPUG will waive its opening statement.

CHAIRMAN CLARK: All right. Thank you very much.

Mr. Brew, PCS Phosphate.

MR. BREW: Thank you, Mr. Chairman. Very briefly.

We would agree with what Mr. Rehwinkel simply said, so I won't repeat it. We consider the fuel

clause to be a reconciliation mechanism that involves all kinds of adjustments, and based on the October 15th final order, we believe that the -- an adjustment should be made to reflect the purposes of that order, notwithstanding the notice of appeal.

Thank you.

CHAIRMAN CLARK: Thank you, Mr. Brew.

All right. Did I get everyone?

All right. Let's move into the stipulated issues and take those first.

Ms. Brownless.

MS. BROWNLESS: Yes, sir.

The Type 2 stipulations for Florida Power & Light are: 2A 2B, 2C, 2D, 2E, 2H, 6, 7, 11, 16, 17, 19, 21, 24A, 24B and 27 through 36.

The stipulated issues for FPUC are: 3A, 8, 9, 10, 11, 18, 19, 20, 21, 22, 24, 35 and 36.

The stipulated issues for Gulf are: 4A, 6, 7, 8, 9, 10, 11, 16 through 19, 20 through 22, 27 through 33, and 34 through 36.

And finally, the stipulated issues for TECO are: 5A, 6 through 11, 16 through 22, 27 through 33, and 34 through 36.

We would request a bench decision on these

issues, and the staff is available to answer questions.

CHAIRMAN CLARK: All right. Commissioners, do you have any questions for the staff on any of the stipulated issues?

Seeing none, I will entertain a motion to approve the stipulated issues.

COMMISSIONER FAY: Mr. Chairman -- go ahead, Commissioner Brown.

COMMISSIONER BROWN: Go ahead.

COMMISSIONER FAY: Mr. Chairman --

CHAIRMAN CLARK: Commissioner Fay.

COMMISSIONER FAY: Yeah, I would -- I would move for approval of all Type 2 stipulations as stated. I don't think I need to repeat each one of those for the record.

COMMISSIONER POLMANN: Oh, go ahead.

COMMISSIONER BROWN: No.

CHAIRMAN CLARK: We've got them. We've got them listed.

All right. Commissioner Fay made a motion. Commissioner Brown seconded the motion.

Is there any questions or discussion?

On the motion, all in favor say aye.

(Chorus of ayes.)

CHAIRMAN CLARK: Opposed?

(No response.)

CHAIRMAN CLARK: The motion carries.

All right. Let's begin with our witnesses now. We will move into this particular part of our hearing today.

I understand that the order of the witnesses testifying today are going to be Mr. Menendez on behalf of Duke Energy, and Mr. Robert Coffey on behalf of FPL, the first two witnesses that we are going to take.

I am going to remind the witnesses that their summaries are going be to limited to three minutes each, and I will swear each witness in prior to them taking the stand, and so we will begin with Mr. -- Mr. Bernier.

MR. BERNIER: Thank you, Mr. Chairman.

Duke Energy calls Chris Menendez to the stand, as it were.

CHAIRMAN CLARK: Mr. Menendez, would you raise your right hand and repeat after me?

Whereupon,

CHRISTOPHER A. MENENDEZ

was called as a witness, having been first duly sworn to speak the truth, the whole truth, and nothing but the

truth, was examined and testified as follows:

THE WITNESS: I do, sir.

CHAIRMAN CLARK: All right. Mr. Bernier.

MR. BERNIER: Thank you, Mr. Chairman.

EXAMINATION

BY MR. BERNIER:

Q Good morning. Will you please introduce yourself to the Commission?

A Good morning, Commissioners. My name is Christopher Menendez. My business address is 2991st Avenue North, in St. Petersburg, Florida, 33701.

Q Thank you.

And you agree you have just been sworn in, correct?

A Yes.

Q Thank you.

Who do you work for, and what is your position?

A I am employed by Duke Energy Florida as the Rates and Regulatory Strategy Director.

Q Thank you.

And on March 2nd, 2020, did you file direct testimony and exhibits in this proceeding?

A Yes.

Q And on July 27th, 2020, did you file direct

testimony and exhibits in this proceeding?

A Yes.

Q And finally, on September 3rd, 2020, did you file direct testimony and exhibits in this proceeding?

A Yes.

Q And do you have those with you today?

A I do.

Q Thank you.

And do you have any changes to make to your prefiled testimony?

A Yes, though these revisions have previously been filed with the Clerk. On May 12th, 2020, I filed a revised Exhibit, CAM-3T, identified as Exhibit No. 4 on staff's comprehensive exhibit list. On September 2nd, 2020, I filed revised 2020 actual estimated testimony along with a revised CAM-2, which is Exhibit No. 6 on staff's comprehensive exhibit list. And on September 30th, 2020, I filed a revised CAM-3, which is Exhibit No. 7 on staff's comprehensive exhibit list.

Q Okay. Thank you.

And with those revisions, if I was to ask you the same questions that are in your prefiled testimony today, would you give the same answers that are contained therein?

A Yes.

Q Thank you.

MR. BERNIER: Mr. Chairman, we will waive a witness summary.

I would just once again remind Mr. Menendez to refrain from stating out loud any confidential information. And with that, we would tender Mr. Menendez for cross-examination.

CHAIRMAN CLARK: All right. Thank you, Mr. Bernier.

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

DUKE ENERGY FLORIDA, LLC

DOCKET NO. 20200001-EI

Fuel and Capacity Cost Recovery
Actual True-Up for the Period
January 2019 - December 2019

DIRECT TESTIMONY OF
Christopher A. Menendez

March 2, 2020

Q. Please state your name and business address.

A. My name is Christopher A. Menendez. My business address is 299 First Avenue North, St. Petersburg, Florida 33701.

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

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

Q. What are your responsibilities in that position?

A. I am responsible for regulatory planning and cost recovery for DEF as well as Open Access Transmission Tariff ("OATT") filings with the Federal Energy Regulatory Commission ("FERC"). These responsibilities include completion of regulatory financial reports and analysis of state, federal and local regulations and their impacts on DEF. In this capacity, I am responsible for DEF's Final True-Up, Actual/Estimated Projection and Projection Filings in the Fuel Adjustment Clause, Capacity Cost Recovery Clause and Environmental Cost Recovery Clause.

Q. Please describe your educational background and professional experience.

A. I joined the Company on April 7, 2008 as a Senior Financial Specialist in the Florida Planning & Strategy group. In that capacity, I supported the development of long-term financial forecasts and the development of current-year monthly earnings and cash flow projections. In 2011, I accepted a position as a Senior Business Financial Analyst in the Power Generation Florida Finance organization. In that capacity, I provided accounting and financial analysis support to various generation facilities in DEF's Fossil fleet. In 2013, I accepted a position as a Senior Regulatory Specialist. In that capacity, I supported the preparation of testimony and exhibits for the Fuel Docket as well as other Commission Dockets. In October 2014, I was promoted to Rates and Regulatory Strategy Manager, and in February 2020, I was promoted to my current position. Prior to working at DEF, I was the Manager of Inventory Accounting and Control for North American Operations at Cott Beverages. In this role, I was responsible for inventory-related accounting and inventory control functions for Cott-owned manufacturing plants in the United States and Canada. 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 provide DEF's Fuel Adjustment Clause final true-up amount for the period of January 2019 through December 2019, and DEF's Capacity Cost Recovery Clause final true-up amount for the same period.

Q. Have you prepared exhibits to your testimony?

A. Yes, I have prepared and attached to my true-up testimony as Exhibit No. __(CAM-1T), a Fuel Adjustment Clause true-up calculation and related schedules; Exhibit No. __(CAM-2T), a Capacity Cost Recovery Clause true-up calculation and related schedules; Exhibit No. __(CAM-3T), Schedules A1 through A3, A6, and A12 for December 2019, year-to-date; and Exhibit No. __(CAM-4T), with DEF's capital structure and cost rates. Schedules A1 through A9, and A12 for the year ended December 31, 2019, were filed with the Commission on January 23, 2020.

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

A. Unless otherwise indicated, the actual data is taken from the books and records of the Company. The books and records are kept in the regular course of business in accordance with generally accepted accounting principles and practices, and provisions of the Uniform System of Accounts

as prescribed by this Commission. The Company relies on the information included in this testimony in the conduct of its affairs.

Q. Would you please summarize your testimony?

A. Per Order No. PSC-2019-0484-FOF-EI, the estimated 2019 fuel adjustment true-up amount was an under-recovery of $14.5 million. The actual under-recovery for 2019 was $36.0 million resulting in a final fuel adjustment true-up under-recovery amount of $21.5 million. Exhibit No. __(CAM-1T).

The estimated 2019 capacity cost recovery true-up amount was an over-recovery of $1.9 million. The actual amount for 2019 was an over-recovery of $1.1 million resulting in a final capacity true-up under-recovery amount of $0.8 million. Exhibit No. __(CAM-2T).

FUEL COST RECOVERY

Q. What is DEF's jurisdictional ending balance as of December 31, 2019 for fuel cost recovery?

A. The actual ending balance as of December 31, 2019 for true-up purposes is an under-recovery of $35,997,914.

Q. How does this amount compare to DEF's estimated 2019 ending balance included in the Company's Actual/Estimated Filing?

A. The actual true-up amount attributable to the January 2019 - December 2019 period is an under-recovery of $35,997,914 which is $21,535,230 higher than the re-projected year end under-recovery balance of $14,462,684.

Q. How was the final true-up ending balance determined?

A. The amount was determined in the manner set forth on Schedule A2 of the Commission's standard forms previously submitted by the Company on a monthly basis.

Q. What factors contributed to the period-ending jurisdictional net under-recovery of $21,535,230 shown on your Exhibit No. __(CAM-1T)?

A. The $21.5 million is driven primarily by approximately $16.8 million higher fuel and purchased power costs due to approximately $9.1 million of increased purchased power costs, approximately $3.9 million of coal inventory adjustments from semi-annual aerial surveys, and approximately $1.9 million to adjust coal inventory for the retirement of Crystal River Units 1&2.

Q. Please explain the components shown on Exhibit No. __(CAM-1T), sheet 6 of 6, which helps to explain the $11.2 million unfavorable system variance from the projected cost of fuel and net purchased power transactions.

A. Exhibit No. __(CAM-1T), sheet 6 of 6 is an analysis of the system dollar variance for each energy source in terms of three interrelated components; (1) changes in the amount (mWh's) of energy required; (2) changes in the heat rate of generated energy (BTU's per kWh); and (3) changes in the unit price of either fuel consumed for generation ($ per million BTU) or energy purchases and sales (cents per kWh). The $11.2 million unfavorable system variance is mainly attributable to increased firm purchases, partially offset by lower Qualifying Facilities (cogeneration) costs.

Q. Does this period ending true-up balance include any noteworthy adjustments to fuel expense?

A. Yes. Noteworthy adjustments are shown on Exhibit No. __(CAM-3T) in the footnote to line 6b on page 1 of 2, Schedule A2.

Consistent with Order No. PSC-2018-0240-PAA-EQ dated June 8, 2018, DEF included an adjustment of approximately $14.1 million (grossed up to approximately $14.2 million from retail to system) for amortization of the Florida Power Development, LLC (“FPD”) qualifying facility regulatory asset. This adjustment is shown on Exhibit No. ___(CAM-3T), in the footnotes to Line 6b on page 1 of 2, Schedule A2, and on line 3, page 1 of 2, Schedule A1. An estimated adjustment of approximately $14.2 million (grossed up to approximately $14.3 million from retail to system) for FPD regulatory asset amortization was included on Schedule E1-B (sheet 2), line A5, columns Jan

Actual through Dec Estimated in the 2019 Actual/Estimated Filing on July 26, 2019.

The ending true-up balance also includes an approximate $1.9 million coal inventory adjustment for the retirement of Crystal River Units 1&2.

Q. Did DEF make an adjustment for changes in coal inventory based on an Aerial Survey?

A. Yes. DEF included an adjustment of approximately $3.9 million to coal inventory attributable to the semi-annual aerial surveys conducted on May 15, 2019 and October 14, 2019 in accordance with Docket No. 19970001-EI, Order No. PSC-1997-0359-FOF-EI. This adjustment represents 2.42% of the total coal consumed at the Crystal River facility in 2019.

Q. Did DEF exceed the economy sales threshold in 2019?

A. Yes. DEF did exceed the gain on economy sales threshold of $1.3 million in 2019. As reported on Schedule A1-2, Line 11a, the gain for the year-to-date period through December 2019 was approximately $1.7 million. Consistent with Order No. PSC-01-2371-FOF-EI, shareholders retain 20% of the gain in excess of the three-year rolling average. For 2019, that amount is approximately $0.06 million.

Q. Has the three-year rolling average gain on economy sales included in the Company's filing for the November 2019 hearings been updated to incorporate actual data for all of year 2019?

A. Yes. DEF has calculated its three-year rolling average gain on economy sales, based entirely on actual data for calendar years 2017 through 2019, as follows:

Year	Actual Gain
2016	$ 887,370
2017	$ 2,269,916
2018	$ 1,649,135
Three-Year Average	$1,602,140

CAPACITY COST RECOVERY

Q. What is the Company's jurisdictional ending balance as of December 31, 2019 for capacity cost recovery?

A. The actual ending balance as of December 31, 2019 for true-up purposes is an over-recovery of $1,050,730.

Q. How does this amount compare to the estimated 2019 ending balance included in the Company's Actual/Estimated Filing?

A. When the estimated 2019 over-recovery of $1,848,509 is compared to the $1,050,730 actual over-recovery, the final capacity true-up for the twelve-month period ended December 2019 is an under-recovery of $797,779.

Q. Is this true-up calculation consistent with the true-up methodology used for the other cost recovery clauses?

A. Yes. The calculation of the final net true-up amount follows the procedures established by the Commission in Order No. PSC-1996-1172-FOF-EI. The true-up amount was determined in the manner set forth on the Commission's standard forms previously submitted by the Company on a monthly basis.

Q. What factors contributed to the actual period-end capacity under-recovery of $0.8 million?

A. Exhibit No. __ (CAM-2T, sheet 1 of 3) compares actual results to the original projection for the period. The $0.8 million under-recovery is primarily due to slightly lower mWh sales.

Q. Does this conclude your direct true-up testimony?

A. Yes.

DUKE ENERGY FLORIDA, LLC

DOCKET NO. 20200001-EI

Fuel and Capacity Cost Recovery
Actual/Estimated True-Up Amounts
January 2020 through December 2020

DIRECT TESTIMONY OF
Christopher A. Menendez

September 2, 2020

REVISED

Q. Please state your name and business address.

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

Q. Have you previously filed testimony before this Commission in Docket No. 20200001-EI?

A. Yes. I provided direct testimony on March 2, 2020.

Q: Has your job description, education, background and professional experience changed since that time?

A. No.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present for Commission approval the actual/estimated fuel and capacity cost recovery true-up amounts of Duke

Energy Florida, LLC ("DEF" or the "Company") for the period of January through December 2020.

Q. Do you have an exhibit to your testimony?

A. Yes. I have prepared Exhibit No.__ (CAM-2), which is attached to my prepared testimony, consisting of two parts. Part 1 consists of Schedules E1-B through E9, which include the calculation of the 2020 actual/estimated fuel and purchased power true-up balance, and a schedule to support the capital structure components and cost rates relied upon to calculate the return requirements on all capital projects recovered through the fuel clause as required per Order No. PSC-2020-0041-PCO-EI. Part 2 consists of Schedules E12-A through E12-C, which include the calculation of the 2020 actual/estimated capacity true-up balance. The calculations in my exhibit are based on actual data from January through June 2020 and estimated data from July through December 2020.

FUEL COST RECOVERY

Q. What is the amount of DEF's 2020 estimated fuel true-up balance and how was it developed?

A. DEF's estimated fuel true-up balance is an over-recovery of $61,083,424. The calculation begins with the actual under-recovered balance of $33,527,567 taken from Schedule A2, page 2 of 2, line 13, for the month of June 2020. This balance plus the estimated July through December

2020 monthly true-up calculations comprise the estimated $61,083,424 over-recovered balance at year-end. The projected December 2020 true-up balance includes interest which is estimated from July through December 2020 based on the average of the beginning and ending commercial paper rate applied in June. That rate is 0.8% per month.

Q. How does the current forecast of fuel costs on Schedule E3 for July through December 2020 compare with the same period forecast used in the Company's Midcourse Correction approved in Order No. PSC-2020-0154-PCO-EI?

A. Light oil and natural gas decreased $10.96/mmbtu (-35%) and $0.36/mmbtu (-10%), respectively. Coal increased $0.13/mmbtu (4%).

Q. Have any adjustments been made to estimated fuel costs for the period January through December 2020?

A. Yes. Consistent with Order No. PSC-2018-0240-PAA-EQ dated June 8, 2018, DEF included an adjustment of approximately $13.5 million (grossed up to approximately $13.6 million from retail to system) for the amortization of Florida Power Development, LLC qualifying facility regulatory asset from January 2020 through December 2020 partially offset by an approximate $13.3 million system ($13.2 million retail) credit related to Citrus. These adjustments are included on Schedule E1-B, line A5, columns Jan Actual through Dec Estimated.

Q. Does DEF expect to exceed the three-year rolling average gain on non-separated power sales in 2020?

A. No. DEF estimates the total gain on non-separated sales during 2020 will be $1,128,563, which does not exceed the three-year rolling average of $1,602,141.

CAPACITY COST RECOVERY

Q. What is DEF's 2020 estimated capacity true-up balance and how was it developed?

A. DEF's estimated capacity true-up balance is an under-recovery of $463,084. The estimated true-up calculation begins with the actual under-recovered balance of $9,343,508 for the month of June 2020. This balance plus the estimated July through December 2020 monthly true-up calculations comprise the estimated $463,084 under-recovered balance at year-end. The projected December 2020 true-up balance includes interest which is estimated from July through December 2020 based on the average of the beginning and ending commercial paper rate applied in June. That rate is 0.8% per month.

Q. What are the primary drivers of the estimated year-end 2020 capacity under-recovery?

A. The $0.5 million under-recovery is primarily attributable to approximately $5.4 million lower revenues offset by approximately $5.6 million related to Florida state income tax change.

Q. Does this conclude your testimony?

A. Yes.

DUKE ENERGY FLORIDA, LLC

DOCKET NO. 20200001-EI

Fuel and Capacity Cost Recovery Factors
January through December 2021

DIRECT TESTIMONY OF
Christopher A. Menendez

September 3, 2020

Q. Please state your name and business address.

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

Q. Have you previously filed testimony before this Commission in Docket No. 20190001-EI?

A. Yes, I provided direct testimony on March 2, 2020 and July 27, 2020.

Q. Have your duties and responsibilities remained the same since your testimony was last filed in this docket?

A. Yes.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present for Commission approval the fuel and capacity cost recovery factors of Duke Energy Florida, LLC ("DEF" or the "Company") for the period of January through December 2021.

Q. Do you have an exhibit to your testimony?

A. Yes. I have prepared Exhibit No.__(CAM-3), consisting of Parts 1, 2 and 3. Part 1 contains DEF's forecast assumptions on fuel costs. Part 2 contains fuel cost recovery ("FCR") schedules E1 through E10, H1 and the calculation of the inverted residential fuel rate. I have also included a schedule to support the capital structure components and cost rates relied upon to calculate the return requirements on all capital projects recovered through the fuel clause as required by Order No. PSC-2020-0165-PAA-EU. Part 3 contains capacity cost recovery ("CCR") schedules.

FUEL COST RECOVERY CLAUSE

Q. Please describe the fuel cost factors calculated by the Company for the projection period.

A. Schedule E1 shows the calculation of the Company's jurisdictional fuel cost factor of 3.090 ¢/kWh. This factor consists of a fuel cost for the projection period of 3.2309 ¢/kWh (adjusted for jurisdictional losses), a GPIF reward of 0.0111

¢/kWh, and an estimated prior period over-recovery true-up of (0.1543) ¢/kWh. Utilizing this factor, Schedule E1-D shows the calculation and supporting data for the Company's levelized fuel cost factors for service taken at secondary, primary and transmission metering voltage levels. To perform this calculation, effective jurisdictional sales at the secondary level are calculated by applying 1% and 2% metering reduction factors to primary and transmission sales, respectively (forecasted at meter level). This is consistent with the methodology used in the development of the CCR factors.

Schedule E1-D, lines 11-12 show the Company's proposed tiered rates of 2.811 ¢/kWh for the first 1,000 kWh and 3.811 ¢/kWh above 1,000 kWh. These rates are developed in the "Calculation of Inverted Residential Fuel Rates" schedule in Part 2 of my exhibit.

Schedule E1-E develops the Time of Use ("TOU") multipliers of 1.251 On-peak and 0.887 Off-peak. The multipliers are then applied to the levelized fuel cost factors for each metering voltage level which results in the final TOU fuel factors to be applied to customer bills during the projection period.

Q. What is the amount of the 2020 net true-up that DEF has included in the fuel cost recovery factor for 2021?

A. DEF has included a projected over-recovery of $61,083,424. This amount includes a projected 2020 actual/estimated over-recovery of $160,850,438 a final 2019 true-up net under-recovery of $21,535,230 as shown in my Direct Testimony filed on March 2, 2020, and the midcourse correction amount of $78,231,785 approved in Order No. PSC-2020-0154-PCS-EI.

Q. What is the change in the levelized residential fuel factor for the projection period from the fuel factor currently in effect?

A. The projected levelized residential fuel factor for 2021 of 3.094 ¢/kWh is a decrease of 0.256 ¢/kWh or 8% from the 2020 levelized residential fuel factor of 3.350 ¢/kWh.

Q. Please explain the decrease in the 2021 fuel factor compared with the 2020 fuel factor.

A. The primary drivers of the decrease in the 2021 fuel factor are a decrease in jurisdictional fuel and purchased power expense of approximately $24 million, decrease in the prior period true-up of approximately $76 million partially offset by an increase in the GPIF amount of approximately $2 million.

Q. Have you made any adjustments to your estimated fuel costs for the period January through December 2021?

A. Yes. Consistent with Order No. PSC-2018-0240-PAA-EQ dated May 8, 2018, DEF included a retail adjustment of approximately $13.25 million (grossed up to approximately $13.26 million from retail to system) for the amortization of Florida Power Development, LLC qualifying facility regulatory asset from January through December 2021.

Q. Is DEF proposing to continue the tiered rate structure for residential customers?

A. Yes. DEF is proposing to continue use of the inverted rate design for residential fuel factors to encourage energy efficiency and conservation. Specifically, the Company proposes to continue a two-tiered fuel charge whereby the charge for a customer's monthly usage in excess of 1,000 kWh (second tier) is priced one cent per kWh higher than the charge for the customer's usage up to 1,000 kWh (first tier). The 1,000 kWh price change breakpoint is reasonable in that approximately 72% of all residential energy is consumed in the first tier and 28% of all energy is consumed in the second tier. The Company believes the one cent higher per unit price, targeted at the second tier of the residential class' energy consumption, will promote energy efficiency and conservation. This inverted rate design was incorporated in the Company’s base rates approved in Order No. PSC-2002-0655-AS-EI.

Q. How was the inverted fuel rate calculated?

A. I have included a page in Part 2 of my exhibit that shows the calculation of the fuel cost factors for the two tiers of the residential rate. The two factors are calculated on a revenue neutral basis so that the Company will recover the same fuel costs as it would under the traditional levelized approach. The two-tiered factors are determined by first calculating the amount of revenues that would be generated by the overall levelized residential factor of 3.094 ¢/kWh shown on Schedule E1-D. The two factors are then calculated by allocating the total revenues to the two tiers for residential customers based on the total annual energy usage for each tier.

Q. How do DEF's projected gains on non-separated wholesale energy sales for 2021 compare to the incentive benchmark?

A. The total gain on non-separated sales for 2021 is estimated to be $1,920,095 which is above the benchmark of $1,682,538. 100% of gains below the benchmark and 80% of gains above the benchmark will be distributed to customers based on the sharing mechanism approved by the Commission in Order No. PSC-2000-1744-PAA-EI. Therefore, since the total gain on non-separated sales is above the benchmark, $47,511 of the gains will be retained for shareholders. The benchmark was calculated based on the average of actual gains for 2018 and 2019 of $2,269,916 and 1,649,136, respectively, and

estimated gains for 2020 of $1,128,563 in accordance with Order No. PSC-2000-1744-PAA-EI.

Q. Please explain the entry on Schedule E1, line 11, "Fuel Cost of Stratified Sales."

A. DEF has several wholesale contracts with SECI. One contract provides for the sale of supplemental energy to supply the portion of their load in excess of SECI's own resources. The fuel costs charged to SECI for supplemental sales are calculated on a "stratified" basis in a manner which recovers the higher cost of intermediate/peaking generation used to provide the energy. There are other contracts with SECI and Reedy Creek for fixed amounts of base, intermediate, peaking, solar and plant-specific capacity. DEF is crediting average fuel cost of the appropriate strata in accordance with Order No. PSC-1997-0262-FOF-EI. The fuel costs of wholesale sales are normally included in the total cost of fuel and net power transactions used to calculate the average system cost per kWh for fuel adjustment purposes. However, since the fuel costs of the stratified and plant-specific sales are not recovered on an average system cost basis, an adjustment has been made to remove these costs and related kWh sales from the fuel adjustment calculation in the same manner that interchange sales are removed from the calculation.

Q. Please give a brief overview of the procedure used in developing the projected fuel cost data from which the Company's fuel cost recovery factor was calculated.

A. The process begins with a fuel price forecast and a system sales forecast. These forecasts are input into the Company's production cost simulation model along with purchased power information, generating unit operating characteristics, maintenance schedules, incremental delivered fuel prices and other pertinent data. The model then computes system fuel consumption and fuel and purchased power costs. This information is the basis for the calculation of the Company's fuel cost factors and supporting schedules.

Q. What is the source of the system sales forecast?

A. System sales are forecasted by the DEF Load and Fundamentals Forecasting Department using inputs including a sales-weighted 30-year average of weather conditions at the St. Petersburg, Orlando and Tallahassee weather stations, population projections from the Bureau of Economic and Business Research at the University of Florida, and State of Florida economic assumptions from Moody's Analytics. The Energy Information Agency (EIA) surveys of class energy consumption for the South Atlantic Region are incorporated as well.

Q. What is the source of the Company's fuel price forecast?

A. The fuel price forecasts are based on a combination of third party forecasts and forward contracts currently in place. Additional details and forecast assumptions are provided in Part 1 of my exhibit.

Q. Are current fuel prices the same as those used in the development of the projected fuel factor?

A. No. Fuel prices can change significantly from day to day. Consistent with past practices, DEF will continue to monitor fuel prices and update the projection filing prior to the November hearing if changes in fuel prices warrant such an update.

Q. Is the 2019 GPIF reward discussed in the March 16, 2020 direct testimony of Mary Ingle Lewter included in 2021 rates?

A. Yes. The GPIF reward of $4,407,712 is included on Schedule E1, Line 26 of Exhibit CAM-3, Part 2.

Q. Does DEF's Weighted Average Cost of Capital ("WACC") comply with Order No. PSC-2020-0165-PAA-EU?

A. Yes. The WACC complies with the Amended Unopposed Joint Motion to Modify Order No. PSC-2012-0425-PAA-EU Regarding Weighted Average Cost of

Capital Methodology approved May 20, 2020 in Docket No. 20200118-EU, Order No. PSC-2020-0165-PAA-EU.

CAPACITY COST RECOVERY CLAUSE

Q. Please explain the schedules that are included in Exhibit__(CAM-3) Part 3.

A. The following schedules are included in my exhibit:

Schedule E12-A – Calculation of Projected Capacity Costs – Year 2021

Page 1 of Schedule E12-A includes estimated 2021 calendar year system capacity payments to Qualifying Facilities ("QF") and other power suppliers. The retail portion of the capacity payments is calculated using separation factors consistent with the 2017 Settlement.

The recovery of estimated Dry Casket Storage costs, also referred to as Independent Spent Fuel Storage Installation ("ISFSI") costs, are included on line 40 of Schedule E12-A, page 1. Schedule E12-A, page 2, provides dates and MWs associated with the QF and purchase power contracts.

DEF has shown the 2021 Calculation of Projected Capacity Costs on Schedule E-12A, line 41.

Schedule E12-B – Calculation of Estimated/Actual True-Up - Year 2020

Schedule E12-B, which is also included in Exhibit __(CAM-2) to my direct testimony filed on July 27, 2020, as part of the 2020 actual/estimated true-up filing, calculates the estimated true-up capacity under-recovered balance for calendar year 2020 of $463,084. This balance is carried forward to Schedule E12-A, line 34 to be refunded to customers from January through December 2021.

Schedule E12-D – Calculation of Energy and Demand Percent by Rate Class

Schedule E12-D is the calculation of the 12CP and 1/13 average demand allocators for each rate class. Schedule E12-D also includes the uniform percentage calculation and allocation of the ISFSI revenue requirement to the rate classes.

Schedule E12-E – Calculation of Capacity Cost Recovery Factors by Rate Class

Schedule E12-E, page 1 calculates the CCR factors for capacity costs for each rate class based on the 12CP and 1/13 annual average demand allocators and ISFSI costs from Schedule E12-D. The factors for capacity for the Residential, General Service Non-Demand, General Service (GS-2) and Lighting secondary delivery rate class in cents per kWh are calculated by multiplying total

recoverable jurisdictional capacity (including revenue taxes) from Schedule E12-A by the class demand allocation factor, and then dividing by estimated effective sales at the secondary metering level. The factor for ISFSI in cents per kWh is calculated by dividing recoverable costs allocated on Schedule E12-D by estimated effective sales at the secondary metering level. The factors for primary and transmission rate classes reflect the application of metering reduction factors of 1% and 2% from the secondary factor, respectively. The factors allocate capacity costs to rate classes in the same manner in which they would be allocated if they were recovered in base rates. ISFSI costs are allocated to rate classes by applying a uniform percent increase as approved in Order No. PSC-2016-0425-PAA-EI. Pursuant to the 2013 Revised and Restated Stipulation and Settlement Agreement approved in Order No. PSC-13-0598-FOF-EI, DEF has prepared the billing rates for the demand (General Service Demand, Curtailable, and Interruptible) rate classes to be on a kilo-watt (kW) rather than a kilo-watt-hour (kWh) basis. These changes are reflected on Schedule E12-E in columns 11 through 13.

Q. Has DEF used the most recent load research information in the development of its capacity cost allocation factors?

A. Yes. The 12CP load factor relationships from DEF's most recent load research conducted for the period April 2017 through March 2018 are incorporated into the

capacity cost allocation factors. This information is included in DEF's Load Research Report filed with the Commission on July 31, 2018.

Q. What is the 2021 projected average retail CCR factor?

A. The 2021 average retail CCR factor is 1.233 ¢/kWh, made up of capacity of 1.216 ¢/kWh and ISFSI costs of 0.017 ¢/kWh.

Q. Please explain the change in the CCR factor for the projection period compared to the CCR factor currently in effect.

A. The total projected average retail CCR rate of 1.233 ¢/kWh is 0.182 ¢/kWh, or 17%, higher than the 2020 factor of 1.051 ¢/kWh. This increase is primarily due to the recovery of the estimated Crystal River South (CRS) net book value existing as of December 31, 2020 and the difference in the in the prior period true-up balance.

Q. Please describe DEF's treatment of the Crystal River South assets.

A. Schedule E12-A, page 1 of 2, line 27, reflects a one-year amortization of the total estimated $80.6M net book value of retired CRS assets as of December 31, 2020. This is consistent with the treatment of the CRS assets in DEF's 2017 Settlement, as approved in Order No. PSC-2017-0451-AS-EU. Per DEF's 2017 Settlement, "…DEF shall be permitted to continue the annual depreciation

expense and depreciation rate associated with CRS based on the last Commission-approved depreciation study, which assumed a 2020 CRS retirement date. DEF shall be permitted to recover in 2021, unless a different time for recovery is agreed to by the Original Parties, any remaining CRS net book value existing as of December 31, 2020 through the CCR Clause."

Q. Does this conclude your testimony?

A. Yes

CHAIRMAN CLARK: We will begin cross-examination. The order we are going to go in is OPC, then FIPUG, PCS Phosphate, and then staff.

Mr. Rehwinkel, it's your witness.

MR. REHWINKEL: Thank you, Mr. Chairman and Commissioners.

EXAMINATION

BY MR. REHWINKEL:

Q And hello, Mr. Menendez.

A Good morning, Mr. Rehwinkel.

Q I believe this is my first time cross-examining you. If it isn't, I apologize for forgetting.

A It is the first time, sir.

Q Good. I am glad my memory is working so far.

Tell me again, just in brief terms, what your purpose in this docket is.

A My purpose is to address the DEF's actual fuel and capacity costs true-up amounts for the period January through December 2019, the actual estimated amounts for the period of January to December of 2020, and the projected amounts for the period of January through December '21.

Q So it would be fair to say your testimony supports the costs that would be included in rates that will be set beginning January 1, or thereabouts, in

2021?

A For fuel and capacity, yes, sir.

Q Yes, sir, okay.

Are you employed by DEF or by what's known as DEVS, D-E-V-S?

A DEF, sir.

Q Okay. Isn't it true that you filed testimony in all three rounds of this docket in this year's hearing cycle?

A Yes, sir.

Q And is it also true that your testimony in your -- your September 3rd testimony proposes a reduction in the fuel factor revenue -- that customers will pay beginning in 2021?

A Yes. The 2021 fuel factor is a reduction as compared to 2020.

Q Okay. So that would be a reduction from 3.350 cents per kilowatt hour to 3.09 cents per kilowatt hour?

A Are you looking at -- which factor are you looking at, sir?

Q For fuel -- just for fuel alone.

A I see on the exhibit -- or the Schedule E1 of 3.09, yes, is the current one, or the one for 2021.

Q Okay. And everyone knows we are here today to talk about Bartow. The impact of the Bartow decision

would be reflected in the fuel factor only, not capacity, right?

A Yes, sir.

Q Okay. And isn't it true that you filed testimony in the 2017, 2018 and 2019 fuel hearing cycles?

A Yes, sir.

Q Okay. Isn't it also true that DEF received orders authorizing to you collect all, or 100 percent of the costs that were submitted by you in your testimony and in the petitions related to fuel cost recovery in those years?

A Yes, sir. The amounts that we collected in the fuel rates in those years was approved by the Commission.

Q Okay. And those are the amounts that you requested recovery for, right?

A Yes, sir.

Q Okay. So another way of saying that would be that none of the costs that you sought to recover in '17, '18 and '19 were disallowed by the Commission, correct?

A Correct. No disallowances, sir.

Q Okay. Now, wouldn't you agree with me that in 2017, for an approximately 60-day period between the end

of February and the beginning of May, that DEF experienced an outage at the Bartow unit, specifically Unit 4, the steam generator?

A Can you repeat those dates again, Mr. Rehwinkel?

Q Yes, the end of February to the beginning of May of 2017.

A I don't have the exact date, sir. I do recall it was approximately a two-month period.

Q Okay. And isn't it true that due to the installation of a pressure plate, that for the period of approximately May of 2017 through September 2019, that the Bartow Unit 4 experienced a derating of as much as 40 megawatts of the capacity of that unit on a periodic basis, depending upon whether the capacity was needed in the dispatch of the unit?

A Mr. Rehwinkel, I am not an --

MR. BERNIER: Mr. Chairman -- Mr. Chairman, I apologize, I need to object.

This goes well beyond the scope of any testimony Mr. Menendez has filed in this docket. He is not an operational witness. These are matters that have been -- that have been the subject of litigation and the order that's under appeal. I just don't know where it is that we are

going with these, and how it's pertinent to anything at issue.

CHAIRMAN CLARK: So let's stick to the scope of the testimony.

And, Mr. Menendez, is this not -- nowhere -- is this anywhere in your testimony?

MR. REHWINKEL: May I be heard?

CHAIRMAN CLARK: In one second.

THE WITNESS: No, Mr. Chairman.

CHAIRMAN CLARK: Mr. Rehwinkel.

MR. REHWINKEL: Yes, Mr. Chairman. The issue here is not what's in his testimony, it's what's not in his testimony. And I have one exhibit, which is the Bartow order, which is Exhibit 1C, and it is order PSC-2020-0368A-FOF-EI. This order has the facts that DEF did not challenge and are not subject to the appeal to the Supreme Court. And these facts include findings by the DOAH judge that the Commission adopted that said there was a derating that generated $5 million in replacement power costs over a period from May of 2017 through September of 2019 --

MR. BERNIER: Mr. Chairman, we will stipulate that that order speaks for itself. I am just saying that Mr. Menendez is not a witness who has

any personal knowledge about these issues. The order is what the order is.

I would take note, we have filed a notice of appeal, but we have not filed a substance of appeal. So I think it's a little presumptuous to say what's going to be under that appeal. We haven't drafted it yet.

But other than, that I am simply -- I am not disputing that the order says what the order says. I am just saying that Mr. Menendez is not a witness here who can -- who can speak to these issues, nor do I know how it would be pertinent.

MR. REHWINKEL: Mr. Chairman, I didn't finish my response to the original objection.

CHAIRMAN CLARK: Okay. Go ahead, Mr. Rehwinkel.

MR. REHWINKEL: The reason we are here today is to identify whether there are costs that should be credited in the fuel clause, and to identify the types of those costs.

I don't really need Mr. Menendez to agree to the facts that Duke stipulated to, or agreed to in the order. And I would agree with Mr. Bernier, that the order speaks for itself. But I do need to ask Mr. Menendez whether he has reflected certain

costs in the fuel cost recovery over the period that leads to the amount that the customers are currently paying, and will be paying in 2019.

So my purpose of asking these questions is to establish factual predicate about what costs are in and what costs are not reflected in the fuel factor. And I believe I am entitled to some leeway on that. And if Mr. Bernier's objection is sustained, I will ask the Commission to accept a proffer of the cross-examination so that a proper record can be made for appeal.

CHAIRMAN CLARK: So I am going to give you just a little bit of leeway here, Mr. Rehwinkel. Mr. Menendez, if he doesn't know the answer to the question, he is going to answer no. Let's don't dig. Let's move on from that point.

All right. Proceed.

BY MR. REHWINKEL:

Q So I think the last question to you, Mr. Menendez, and your answer through the Chairman was that you don't know about whether there was a derate as much as 40 megawatts depending on a dispatch of the unit over the period of May of '17 through September of 2019; is that right?

A That is not my knowledge, sir.

Q Okay. Wouldn't you agree that your testimony reflects a replacement power cost if there is an outage -- strike that, and let me ask it this way: Wouldn't you agree that your -- the cost that you present in your true-up, your AE, or actual estimated, and your projected filings includes as a component request for cost recovery for replacement power costs that are required because of an outage of a unit that is otherwise planned to operate?

A Are you addressing a specific outage, Mr. Rehwinkel?

Q No. I am asking you a question as to the nature of the testimony that you present year in and year out on behalf of the company?

A I can't speak to hypothetical outages that may or may not occur.

Q Well, in the 2017 outage -- we can argue about this all day long if you would like, but the 2017 outage had replacement power costs, and you submitted cost recovery for those replacement -- for those replacement power costs, did you not?

A Those costs have been recovered.

Q My question was did you present cost recovery for those costs -- cost recovery testimony for those costs?

A I would have to go back and check prior year filings. I -- I do not believe it is in my current testimony.

Q Okay. Well, let's look at it this way: You would agree that outage and derating circumstances caused Duke to incur replacement power costs in the years 2018 and 2019, would you not?

A It is not my area of knowledge, sir.

Q You don't know whether you have ever presented testimony seeking replacement power costs?

A Testimony has been presented in prior years. Sir, you seem to be asking a specific question about an operational issue.

Q I am asking if you have presented testimony seeking cost recovery for outage costs in prior years?

A In prior years, we -- I have -- we have included cost recovery related to outage costs.

Q And one of those outages was the 2017 Unit 4 outage in Bartow, correct?

A The costs associated with those outages have been recovered, yes.

Q But you presented testimony specifically seeking recovery of those costs, right?

A Again, as I said, I would have to go back and take a look at the prior testimony that I specifically

filed. I -- to my knowledge, I do not have anything in my current testimony related to that.

Q You can't answer my question about whether you sought -- well, let me ask it this way: Isn't it true that in 2017 you filed testimony that included a stipulation with the Public Counsel that -- and the FIPUG and White Springs -- that you would not recover in 2018 fuel factor the costs of the Bartow outage?

A Is there a document you can point me to, Mr. Rehwinkel?

Q Well, do you have a copy of the 2017 prehearing order?

MR. BERNIER: Mr. Rehwinkel, that's the 2017 prehearing order?

MR. REHWINKEL: Yes, order 2017-0399.

MR. BERNIER: Okay, I have got it.

THE WITNESS: I have that, Mr. Rehwinkel.

BY MR. REHWINKEL:

Q Can you turn to page 31?

A Yes, sir, I am there.

Q Do you see a stipulation there under Issue 1B that reads: Duke Energy Florida and the parties stipulate that Duke has not included the approximately $10,973,639 in retail replacement power associated with the unplanned Bartow outage in developing rates for

2018. These costs will remain in the over/under account to be considered in Docket 20180001-EI for recovery in 2019 rates, subject to normal intervenor challenge and Commission reasonableness and prudence review and approval?

A Yes, sir, I do.

Q Okay. Does that refresh your recollection that you did not include the Bartow outage costs in 2018 for recovery in the 2018 fuel factor?

A Yes, sir. It's just a matter of understanding the sequencing of years, sir.

Q Okay. So would it also be true that you sought recovery for that approximately $11 million related to the Bartow outage in 2019's fuel factor?

A Do we have another document would can go to, Mr. Rehwinkel --

Q Well --

A -- to refresh my memory?

Q You don't know?

A It has -- Mr. Rehwinkel, it has been recovered. The specific year, I don't have that document in front of me.

Q So you are the witness for the company seeking cost recovery and you don't know when those costs were recovered?

A Mr. Rehwinkel, I know it was recovered in a prior year, which -- the specific year, if you could point me to a document, I would be happy to review that.

Q Well, it's not in this year's, is it?

A No, sir.

Q Is it in -- was it in -- so it wasn't in '18, so it had to be in 2019, right?

A Yeah, if it was not in 2018, then it was in 2019.

Q Okay. So if it was in 2019, you filed testimony in March of 2020 seeking to true-up the 2019 factor, right?

A Yes. 2020 -- the current docket includes the 2020 final true-up.

Q Okay. So to the extent all of that dollar figure I read there wasn't recovered in 2019, true-up recovery would occur in 2020?

A That is the way in which the true-up works, sir, yes, sir.

Q Okay. So you can't really say whether it's all been recovered. The recovery process is ongoing, right?

A If it was in the 2019 fuel factors, we would have collected those revenues in 2019. If there was a residual difference in any fuel recovery amount, it does

carry over to the true-up in the next proceeding.

Q Okay. So -- yeah, and that's all I wanted to ask you about that.

With respect to that stipulation that we looked at in the -- in that order 2017-0399 on page 31, tell me what the over/under account is there.

A Just a moment, sir.

The over/under account that is being referred to is otherwise known as the true-up balance, or the true-up variance.

Q Okay. How does that operate?

A It is a variance between the revenues collected an the expenses occurred in the clause account.

Q Okay. So when the stipulation refers to remain in the over/under account, that means that those -- that $11 million was not submitted for cost recovery from customers, but it doesn't mean that Duke wasn't able to recover those costs, because you accounted for them in that account and then you submitted them for recovery in the next year, right?

A Yes, if they were included in 2019, they would have been included in the 2019 projection file.

Q Okay. So Duke never lost the opportunity to have the Commission consider those cost recovery just by

holding them in that over/under account, right?

A That's a legal question for the -- as to the Commission, Mr. Rehwinkel. That's not my area.

Q Well -- okay, let's ask you a factual question. You didn't recover them, submit them for recovery in 20 -- well, Bartow outage, you have agreed, occurred in May -- in early 2017, right?

A Early 2017, yes.

Q And you also would agree with me that there were replacement power costs incurred because of that, because that's what the stipulation says, right?

A Yes.

Q Okay. And you would agree with me that you didn't submit them for recovery in 2018, but you did in 2019, right?

A Subject to check, I will.

Q Okay. So my question to you is you incurred them in '17, you forwent the opportunity to recover them in 2018, but you recovered them in 2019; as a matter of fact, did you not lose the opportunity to recover fuel replacement costs that you incurred in 2017 in a subsequent year, right?

A They were recovered in a subsequent year.

Q Okay. So your opportunity was preserved to recover those costs in the fuel clause, right?

A We recovered them in a future year, Mr. Rehwinkel. If it's a legal clarification on the preservation, it's not my area.

Q Okay. I understand that.

So do you have Exhibit 1C with you?

A Yes, sir, I do.

Q I would like you to turn to --

MR. REHWINKEL: Excuse me, Mr. Chairman. In light of some of the objections, I am trying to cut out some of the questions and shortcut this.

CHAIRMAN CLARK: No problem.

BY MR. REHWINKEL:

Q I would like you to return -- to turn to what is revised OPC Exhibit 1C, Bates number 57, which is page 56 of the order, and it's in Attachment A, and specifically to paragraph 124; and if you could tell me when you get there.

A I apologize. My mic muted. I am there.

Q Okay. Now, do you see -- and this is -- I don't think anything on this page that's not redacted is confidential, would you agree with that? Or maybe your counsel needs to agree with that.

MR. BERNIER: I will agree with that. Yes.

MR. REHWINKEL: Okay.

BY MR. REHWINKEL:

Q So it's possible that -- well, let me strike that question and ask you to move back to page 47. These are the findings of fact. So we can stay away from the conclusions of law.

A To make sure I am there, Mr. Rehwinkel, it has OPC Exhibit 1C, this is 048 in the top -- (inaudible) -- hand corner.

Q Actually it will be 047. It's page 46 of the order and 047 of our exhibit.

A I see. I am there.

Q Okay. Do you see that in paragraph 80 there, under replacement power and derating costs, that it says: Further, the record evidence established that DEF incurred replacement power costs from May 2017 through September 2019, the period of the, quote, derating, close quote, of the steam turbine, i.e., the reduction in output from 420 megawatts to 380 megawatts while it operated with the pressure plate. These costs calculated by year are 1,675,561 2017, 2,215,648 2018 and 1,125,573 2019, for a total of $5,016,782; do you see that?

A I see it is written there, yes, sir.

Q Okay. Now, as the witness seeking cost recovery in the fuel factor, would you agree that DEF recovered costs for derating, or maybe still is

recovering costs for the derating as identified in this paragraph 80 in the fuel factor for the years '17, '18 and '19?

A Mr. Rehwinkel, I am not familiar with these figures. I see that they are on the page, and they are as you described them. However, I have no detailed information on these figures.

Q Okay. That's fair enough.

Let me ask you this: Regardless of whether those numbers specifically apply in those amounts for those years, would you agree that in some dollar amount, DEF has recovered, or is still recovering, costs associated with replacement power associated with the derating that the judge found in this findings of fact?

A Mr. Rehwinkel, I am not familiar -- any derating is not my area of knowledge.

Q Replacement power, though, is something that you account for, right?

A Yes.

Q Okay. Would you agree that there are replacement power costs that are being recovered, or have been recovered through the fuel factor by DEF in the period 2017 through 2020? We are in 2020 right now.

A The replacement power costs that we discussed previously in the 2017 prehearing documents, I am

familiar with those. And as I said previously, those amounts have been recovered.

Q Those amounts were just for the two months, or 60-day period while the unit was down in its entirety, right?

A Yes, sir. That is my understanding. Yes.

Q And to the extent there were replacement power costs incurred because of the pressure plate and the derating that the judge found, your -- those costs would have been submitted by you in your accounting for all of Duke's -- Duke Florida's fuel cost, correct?

A And I am saying, Mr. Rehwinkel, that I am not an operations person on the derating of the unit and impacts from the derating of the unit, I don't have knowledge on the impacts of derating a unit.

Q If there were derating costs -- well, if there were replacement power costs associated with derating, Duke would have sought recovery for those costs in a period which -- after they were -- they were incurred, correct?

A In a hypothetical derating scenario, Mr. Rehwinkel?

Q Yes, a hypothetical derating scenario?

A I can't answer the hypothetical without understanding the -- what the specifics might have been

of that, I -- I can't answer a hypothetical, sir.

Q All right. Are you familiar with the over/under account, is that within the purview of your testimony?

A Yes, sir.

MR. BERNIER: Mr. Chairman, if I may. I think we are at kind of at an impasse where Mr. Menendez is saying almost the same thing, that he is not familiar with some of these amounts.

If it helps, again, I am willing to stipulate that the figure that is shown in paragraph 81 is the amount that the ALJ found should be refunded, and that the Commission has ordered a refund that we have now subsequently appealed, and I think we would stipulate that that is not incorporated into the 2021 projection filing, if that will get us where we need to go.

CHAIRMAN CLARK: Thank you.

MR. REHWINKEL: If I could just get -- I want to ask this question about the over/under.

CHAIRMAN CLARK: All right. So let -- let me address one issue, and I think Mr. Menendez is separating replacement power from the downrating, and so if we can leave those two issues separate, Mr. Rehwinkel, I think we can move along with the

witness.

BY MR. REHWINKEL:

Q My question to you, Mr. Menendez, is: Are there any amounts in the over/under account that are being withheld related to a derating cost replacement power cost, withheld from cost recovery?

A I am not aware of any true-up or over/under amounts being withheld at all.

Q And would you be if there were?

A Would I be aware?

Q Yes.

A Yes.

Q Okay. All right. I think that -- that gets me where I need to be there.

So is it fair to say, based on, I think the sum of the testimony that we've gotten through thus far, that you did not submit any testimony in 2017, 2018 or 2019 or 2020 seeking affirmative cost recovery for replacement power costs associated with derating?

A Again, Mr. Rehwinkel, I -- I -- I would want to go back and double check the testimonies from those prior years to make sure that I don't misstate something as I sit here now. I have not stated that in my 2020 testimony, or in the testimony in the current docket.

Q Okay. And, I mean, we can go through the

2017, 2018 and 2019 prehearing orders --

A Mr. Rehwinkel, I just don't want to misremember something --

Q Sure.

A -- and misstate something.

Q Okay. But subject to check, you will agree with me, there is nothing in your 12 sets of testimony since 2017 where you affirmatively request recovery for deratement -- derated replacement power costs, would you agree with what?

A Subject to check, I do not recall an aspect of that in my testimony.

MR. REHWINKEL: Okay. If you would just give me a second, Mr. Chairman, I am cutting out a lot of questions based on where we've gotten so far.

BY MR. REHWINKEL:

Q All right. So if you go to Exhibit 1C, and turn to Bates stamp page number four.

A It would be order of page number three, Mr. Rehwinkel?

Q Yes, sir.

A I am there.

Q Okay. In the first full paragraph there, you would agree that this order recounts that the ALJ issued his recommended order on April 27th, 2020?

A I see where it says the ALJ issued his recommended order on April 27th, 2020.

Q Okay. You have no reason to disagree with that, right?

A No.

Q Okay. Now, you filed testimony this year on March 3rd of 2020, true-up testimony, correct?

A For 2019, yes, sir.

Q Yes, okay. So you would not have considered in that testimony an order of the judge that came out on April 27th in any way, is that right, since those true-up for 2019?

A No, sir. It came after the filing had already been made.

Q Okay. Now, you didn't file a midcourse correction testimony to account for the judge's order when it came out, did you?

A No, sir.

MR. BERNIER: I am going to object again, Mr. Chairman. That was a recommended order from an ALJ. There was still a lot of process left. I don't know why anybody would have filed anything at that point, but we will stipulate we didn't.

MR. REHWINKEL: Well, he already said that he didn't. I think that's fine.

BY MR. REHWINKEL:

Q Did you -- did you place the 16 million -- $16.1 million that the judge ordered to be returned to customers in an over/under account?

A No, Mr. Rehwinkel, place it in an over/under account?

Q Yes.

A It was -- it was -- I think, as we agreed, it had already been recovered in a prior year.

Q Well, that was a debit that you recovered in a prior year, correct?

A No, the revenues were collected.

Q It's a cost that the customers pay. It's submitted as a debit, and then when it's collected, it's a credit, right, it's a credit to the company's revenues, right?

A The revenues offset the expenses.

Q Right, which is a debit?

A The -- yes, the expense would be a debit, the credit -- the revenue would be a credit.

Q Okay. So when you -- in 2017, when you put the $11 million in the over/under account, you put it in there as a debit, right?

A Not to get -- not to get too caught up on the dealt and credits and the flow in between the different

accounts, but it would have been in -- in 2017 costs -- as we said in the prehearing statement, it remained in the true-up balance.

Q But as a debit that needed to be recovered in a future period, right?

A If we needed -- yes, it was being held as the stipulation, as said, for the next year's docket.

Q Okay. Now, when the judge issued his order, you could have reflected a $16 million credit in the over/under account, right?

A Mr. Rehwinkel, I think as Mr. Bernier said, the process -- we had not received anything from the Commission at that time.

Q So you would agree with me that after the judge filed his recommended order, the parties filed responses to that, and then on July 27th, you filed your AE testimony, your actual estimated testimony, right?

A Yes, I believe it was filed on the 27th.

Q And at that point, you didn't make any adjustment to remove the $16 million for cost recovery for 2021, is that right?

A There was no adjustment in my actual estimated.

Q Okay. And just for the record, why would you not have made an adjustment in your AE testimony?

A We -- the process was still under way, Mr. Rehwinkel.

Q Okay. Now, on August 14th of 2020, the staff filed its recommendation that the Commission adopt the recommended order of the -- of the ALJ, would you accept that subject to check?

A Subject to check, I will accept the date, Mr. Rehwinkel.

Q Okay. And I think you would agree that on September 1 of 2020, the Commission voted to adopt staff's recommendation?

A Subject to check, I will accept the date, Mr. Rehwinkel.

Q Okay. And two days later, you filed projections for fuel costs in 2021, right?

A On September 3rd, we filed the projection for '21, yes, sir.

Q In that testimony, you didn't make any adjustments to implement the Commission's vote, or put the $16.1 million as a credit in the over/under account, did you?

A There was no $16 million credit.

Q And your testimony didn't reflect that as well, right?

A No, it is not in my testimony.

Q Can you tell me why you didn't at that point?

A Mr. Rehwinkel, if it's getting to a legal question between a Commission vote and a Commission final order, I am not an attorney, and that is not my area of knowledge.

Q Okay. Was there any reason that you thought that the Commission's order reducing the Commission vote to writing would be changed so that the number would change, that there wouldn't be a $16 million credit required?

MR. BERNIER: Mr. Chair, to the extent that he is getting into what could be a privileged conversation, I am going to object to this line of questioning. I think he has already answered.

CHAIRMAN CLARK: Yeah, I will sustain the objection.

BY MR. REHWINKEL:

Q We are -- today is September 3rd -- or November 3rd, and the Commission voted on September 1st. Was 60 days an inadequate period of time for you to make an adjustment -- a one-time adjustment to credit the $16 million to the fuel cost recovery?

A Mr. Rehwinkel, the final order wasn't issued until October 15th, and it wasn't received until October 16th.

Q Okay. How many days do you generally need to make an adjustment to a fuel filing to incorporate a one-time credit?

A It depends on the adjustment, Mr. Rehwinkel.

Q I mean, is a -- is there a difference between a $16 million adjustment and a $32 million adjustment in terms of the time it takes to put it into the system and develop the factors?

A Depending on the nature of the adjustment, the dollar amount itself doesn't have an impact. It's more the nature of the adjustment.

Q So you would agree that the $16.1 million is a one-time credit to the extent that order is sustained and up held, is that right?

A If the order stands up, but, Mr. Rehwinkel, the -- as I said, the projection filing was made on September 3rd. We did not have a Bartow order until the 15th or 16th of October.

Q Well, I guess my original question to you was how long does it take to reflect the impact of a $16.1 million one-time credit?

A To my knowledge, Mr. Rehwinkel, we have not received that request.

Q What do you mean you haven't received it? You mean in the form of a final final final order?

A No, sir. Not in the form of a final final final order.

Q Well, how would you need to receive that request to reflect it? I guess that's what I am confused about.

A We did not receive --

MR. BERNIER: I am sorry, Mr. Rehwinkel, I didn't -- I apologize. I wasn't trying to interrupt. I just didn't hear your question. I apologize.

MR. REHWINKEL: That's okay. He said he had not received a request to make a one-time credit. I think that's generally what he said.

BY MR. REHWINKEL:

Q And I am asking what form would you have needed to have received the request in order to effectuate it?

A The, I believe, discovery request, Mr. Rehwinkel.

Q From whom?

A Whoever was interested in the information.

Q Okay. So you don't see it as your obligation to make adjustments to the fuel factor unless somebody asks you to?

A Mr. Rehwinkel, the --

MR. REHWINKEL: Was there an objection?

MR. BERNIER: Yes. I apologize.

You are asking him a legal conclusion of when he needed to make this adjustment. That's the way I am understanding the question. I think he's answered that question.

CHAIRMAN CLARK: Mr. Bernier, I can't --

MR. BERNIER: I object to the extent you are asking for a legal conclusion.

CHAIRMAN CLARK: I am having a difficult time understanding you, Mr. Bernier.

MR. BERNIER: I certainly apologize.

My objection was that the extent he is asking for a legal conclusion of when he -- Mr. Menendez needed to effectuate the schedules, I am objecting to him asking him for a legal conclusion. I think he has asked and answered the question about when he received the final order, and Mr. Menendez is saying he has not received any discovery requests to put this together. There is a order that came out that is now subject to appeal. I think that the question he is asking him is did you have an obligation to update his schedules, and I am objecting that that is a legal conclusion.

CHAIRMAN CLARK: I tend to agree.

MR. REHWINKEL: Mr. Chairman, I -- that's not the question I asked. We can ask the court reporter to read it.

CHAIRMAN CLARK: Mr. Rehwinkel, you can ask the question that you asked earlier again and I will instruct the witness to answer it. I -- you are correct, that is the no the question. You asked how long it would take to implement a change if he was given one. If the witness knows the answer to that, he can certainly answer it.

MR. REHWINKEL: Well, the question I want to ask him is -- he said I hadn't received a discovery request, and I asked -- well, I was trying to understand what it takes for him to make a credit to the fuel clause, and I think he said a discovery request. And I wanted to understand the basis for that, is that -- is that some -- where did that come from?

CHAIRMAN CLARK: Mr. Menendez, you can answer the question to the extent that you know the answer.

THE WITNESS: Thank you, Mr. Chairman.

Mr. Rehwinkel, I was not indicating that a discovery request is what prompts an adjustment to the fuel clause. That if -- that is not -- that is

not my response.

BY MR. REHWINKEL:

Q Okay. So I think we've established that the -- except maybe for some minor true-ups, that you recovered the $11 million for the 2017 event, is that -- can we agree on that?

A The amount from the 2017 prehearing order, yes, sir.

Q Yes. Now, if an appeal -- well, an appeal was taken yesterday, and I don't want you to -- I am not asking your opinion about how long it takes for an appeal to go, but I want to ask you a question that is hypothetical, and I want to get your response to how the mechanics of the fuel process would work.

Appeal was taken yesterday, and if it takes, assume for the sake of my question, six months for briefing to occur, and maybe more based on extensions that are routinely asked for and granted by the Court -- are you following me so far?

A I am trying, Mr. Rehwinkel, but I am not -- I am not an attorney, and I am not familiar with the operations of the -- of the Florida Supreme Court.

Q I am just asking you some questions based on your knowledge of the calendar, okay, the 12-month calendar, okay?

A Okay.

Q So if briefing occurs and is concluded in, say, May of 2021, which is the next year, and oral argument occurs in the late summer or early fall of 2021, and a written decision comes out from the Court denying the appeal, and -- on December 15th of 2021, and the order is final, and it's ordered that you refund $16 million to the customers through the true-up process in the clause, when would that $16 million be reflected on customer bills?

A Again, Mr. Rehwinkel, there is a lot of questions going around about the timing of the Florida Supreme Court, and how things are going to be handled. I don't -- I am not an attorney. I don't know all the legal ramifications and the timing of when things come down.

Q All right. So let me ask it -- let me -- let me ask it this way: If you get a final order from the Florida Supreme Court on December 15th of 2021, when would those -- that $16 million, plus interest, be refunded or credited to the bills of customers?

A Again, Mr. Rehwinkel, the -- the legal ramifications of when things are coming down from the Florida Supreme Court, I would need to --

Q You don't have to apply the Florida Supreme

Court. I am just asking a final order.

A Yes, sir, and I am saying, as far as legal conclusions about when things ultimately finish, I would want to just make sure that I am -- I understand from legal counsel what the various different things mean from the Florida Supreme Court.

MR. BERNIER: Mr. Rehwinkel, I will help you real quick.

So, Chris, if that happens on December 15th, 2021, that's the end of the road, short of, well, I guess, motions for reconsiderations, but let's just pretend that's the end of the road and there is nothing else that can happen.

Will that help the hypothetical, Mr. Rehwinkel, but let's say that that's it, are we right?

MR. REHWINKEL: That's what I am asking.

MR. BERNIER: Thank you.

THE WITNESS: The -- in that event, the amount would be recorded in December, it would be incorporated in the true-up balance, and it would be reflected in customer rates the next time the rates were set for fuel.

BY MR. REHWINKEL:

Q Okay. So just what I am trying to get at is

you would reflect it in the true-up balance, that would show up in your March 2022 testimony, right --

A Yes.

Q -- assuming you are the one filing the testimony for that cycle, right?

A Right, and assuming it's in March, yes.

Q Right.

A Traditionally is.

Q And then that $16 million adjustment would show up on customer bills on 1/1/2023, correct? Assuming being when your billing cycle starts for the first cycle.

A It would be -- I -- the process -- that would be the next projection process, would be the projection filing that year for the following year, yes.

Q Okay. So -- and then that $16 million would be flowed through the customers -- to the customers through the factor over the next 12 months, right?

A Yes.

Q All right. So customers would receive, under the hypothetical, their money back at the end of December 2023, subject to any sales related true-ups in 2024; is that right?

A It would be over the course of 2023, not at the end of 2023, Mr. Rehwinkel.

Q So it would be completed at the end of 2023, subject to any sales related true-ups in 2024, right?

A Ignoring those, yes.

Q Okay. All right. Mr. Menendez, those are I will the questions I have for you. Thank you for your patience and working through this.

A Thank you, Mr. Rehwinkel.

Q Thank you.

CHAIRMAN CLARK: Thank you, Mr. Rehwinkel.

Okay. We are going to take our break right there. When we come back, we are going to pick up with FIPUG. It is 10 after 12:00, so we will return at exactly one o'clock eastern time. One o'clock eastern time we will resume.

Any questions or comments? Commissioners, everybody good?

All right. We stand in recess until 1:00.

(Lunch recess.)

CHAIRMAN CLARK: We are going to go ahead and get started back. I believe we left off, OPC had finished their cross-examination and, I believe that brings us to FIPUG.

Ms. Putnal, are you available?

MS. PUTNAL: Thank you, Mr. Chairman. FIPUG has no questions.

CHAIRMAN CLARK: All right. Thank you.

Mr. Brew, your witness.

MR. BREW: Thank you, Mr. Chairman. Can you hear me?

CHAIRMAN CLARK: Yes, sir. We can hear you great.

MR. BREW: Great. Thank you.

EXAMINATION

BY MR. BREW:

Q Good afternoon, Mr. Menendez.

A Good afternoon, Mr. Brew.

Q This shouldn't take more than a couple of hours, we will be fine.

Quickly, your job in this docket is to present accurate, reasonable and prudent fuel costs that reconcile actual and estimates to develop fuel factors for next year?

A Yes, sir, for the 2019 final true-up to 2020 actual estimated going into the '21 -- 2021 projections fuel factors.

Q Okay. And you -- at the beginning of your testimony, you mentioned that you had provided revised exhibits that are numbered 4, 6 and 7, is that right?

A Staff 4, 6 and 7, yes, sir.

Q Okay. And those involve revisions to your

previously filed actual and estimated calculations, right?

A I believe one was to the final true-up, one was to the actual estimated, and I believe the third may have been to the projection filing.

Q Okay. And those updates, both up and down, would be a normal part of the process in this clause docket, right?

A Yes, sir, the correcting of an error in a previously filed document, yes.

Q Okay. And am I also correct that your responsibilities, as we've discussed with respect to the Bartow unit outage, are -- involve basically the accounting and tabulation of the costs, not necessarily what's going on operationally, right?

A Accounting for the actual fuel costs, yes, sir.

Q Okay. And you discussed earlier with Mr. Rehwinkel that in the 2017 prehearing order in the fuel docket, there was a stipulation that covered what were then calculated replacement fuel costs associated with the Bartow unit outage that began in February, right?

A That is correct.

Q And that calculation of $10.9 million, the retail replacement power costs, that would have come

from you or your office?

A It would have -- we have a department would have calculated the -- the -- the actual fuel costs are the costs, and then a separate calculation is run as if the outage had not occurred, and then the difference between those two becomes what would be called the replacement power costs.

Q Okay. But your -- your group would have been responsible for calculating that $10.9 million?

A Supporting the calculation of that, the -- we have a separate group that runs our dispatching that would have kind of redispatched the system, if you will, for the with Bartow.

Q Okay. I got you.

But it's safe to say, is it not, that in submitting testimony in 2017 -- and you submitted testimony in the fuel docket in 2017, '18, '19 as well as this year, right?

A That's correct.

Q Okay. So is it fair to say that you were aware in 2017 of the potential for dispute regarding that $10.9 million?

A The -- yeah, the amount -- well, we had the stipulation in 2017, and then that moved it to the next year's docket.

Q Okay. And so you were aware of the dispute of those dollars, and the response, as reflected in the stipulation, was to reflect that amount in your over/under reconciliation account, right?

A Yes, sir.

Q Okay. And then in the following year, you provided actual and estimated reconciliation updates that carried that 10 million -- or $10.9 million forward, so you effectively recovered those dollars in 20 -- in the 2020 factor, right?

A 2019 factor, I believe.

Q 2019 factor, yes.

Okay. Now, in developing the actual and estimated for 2017, were you aware that when the unit went back into service in May of 2017, that it went back into service in a derated condition?

A I am not a operations person, as I said, Mr. Brew. I am -- I am not familiar with the derating or -- or regular rating of a unit.

Q You just got the fuel costs?

A Yeah -- yes, either the actual or the projected fuel costs.

Q Okay. And at what point were you aware of any issues regarding a dispute regarding the replacement fuel costs associated with the derate of Bartow?

A I didn't, because that has not been addressed as part of, I believe as part of any of my testimonies.

Q Okay. I so you are not aware of any testimony in the fuel docket outside of the what was addressed in the proceeding referred to -- referred to DOAH that covers the derating -- the prudence of the derating fuel -- replacement fuel costs, is that right?

A I believe the only -- the only costs that I have addressed in my testimony were the -- were the what we called the 10.9 million just a few moments ago --

Q Right.

A -- that I speak with Mr. Rehwinkel from the 2017 prehearing order.

Q Okay. So your testimony in these years has never discussed or addressed specifically the replacement fuel costs associated with the derating because you had no -- no knowledge or reason to make an adjustment?

A I have -- I have not addressed those -- I have not addressed that issue in my testimony.

Q Okay. For your testimony this year, which would have included the actual update for 2019, right?

A Yes, sir, the -- no, the final true-up for 2019.

Q Final true-up for 2019. And at that time,

were you aware of the proceeding regarding the Bartow outage that was occurring at DOAH?

A I was aware the matter was referred. I believe it was referred in the -- in the preceding year's docket.

Q And so in your final true-up of 2019, you, again just to be clear, you didn't address the replacement fuel costs associated with the derated condition of Bartow, which continued through much of 2019, is that right?

A I don't addressed the actual fuel costs for 2019 in the final true-up.

MR. BREW: Okay. Thank you, that's all I have.

CHAIRMAN CLARK: Thank you, Mr. Brew.

All right. Staff, questions, Ms. Brownless?

MS. BROWNLESS: Mr. Brew has wonderfully asked the questions that I would have. I appreciate it, Mr. Brew, and I have no further questions.

CHAIRMAN CLARK: All right. Thank you very much.

All right. Commissioners, any questions? No questions from any Commissioner.

Commissioner Polmann, you were --

COMMISSIONER POLMANN: Yes, I --

CHAIRMAN CLARK: You are recognized.

COMMISSIONER POLMANN: I had a few questions. Yes. Thank you, sir.

Good afternoon, Mr. Menendez.

THE WITNESS: Good afternoon, Commissioner Polmann.

COMMISSIONER POLMANN: I am trying to, and maybe it's -- maybe it's just the circumstance under which we find ourselves here. I am trying to get some clarification without getting into things that I should not.

Is it one of your responsibilities in your work to seek recovery of the sum total cost without regard to what was the cause of the need, but the sum total cost for replacement power?

THE WITNESS: I guess I would say, Commissioner Polmann, the -- we include the actual -- for the years for the months that are actual -- the actual incurred fuel costs, as well as the projected fuel costs for any of the projected period for the fuel clause, we include the totality of those costs.

COMMISSIONER POLMANN: And I do appreciate, and I think I understand the actual, the projected and the true-up, so when I speak in terms of the

replacement, I recognize those distinctions as they relate to, you know, the current year, the prior year and the future years, so if we can just accept that for the moment.

The distinction I am trying to make is -- or the question -- the next question that I would have, and maybe it would clarify what I am trying to get to is, do you, in your responsibility and those who report to you, do you make a distinction at all about underlying causes or the need for replacement power and, therefore, the fuel costs associated with that, do you make a distinction on the cause of the need?

THE WITNESS: I apologize, Commissioner Polmann, I am afraid I don't quite understand the -- what you are referring to as the cause of need. Is it the cause of the replacement power?

COMMISSIONER POLMANN: Yes. Maybe you can clarify it for me. When the utility has a need to -- has a cost associated with replacement power, presumably there is some -- some reason why they are replacement-ing power.

Are you concerned at all about why the utility needs replacement power, what would be the cause of that need, do you -- do you dis spinning wish the

various causes that would lead to the need for replacement power?

THE WITNESS: It's a -- I would say it's a situation -- a circumstance by circumstance, case-by-case basis. The replacement power costs are simply the actual fuel costs incurred. So once the fuel costs are incurred, those are simply the fuel costs, or, you know, purchase power costs that we incur to serve customers over a set period of time. You know, if a unit was or was not available during that time period, the actual cost would reflect the various unit availabilities.

So from a -- your -- to -- maybe -- and I apologize if I am not getting at your -- your question, Commissioner, but I would say the -- the circumstance or the -- the -- of the outage is something that would be potentially reviewed, you know, but the replacement power costs themselves are simply the fuel or the purchase power costs that were incurred in the service of customers over a period of time.

COMMISSIONER POLMANN: Okay. Well, thank you. Let me see if I can narrow that down.

My question is in context of your responsibilities, and I understand -- my premise is

that the utility has a need for replacement power from time to time, and incurs a cost for that replacement power, and your responsibility -- let me ask the question: Is you are responsibility associated with the cost for the replacement power only, or are you also -- do you have any responsibility related to the cause, or the reason for the need of the replacement power?

THE WITNESS: I -- I understand, Commissioner Polmann. I apologize for not getting that sooner.

COMMISSIONER POLMANN: It was a poorly worded question, sir. I am sorry, go ahead.

THE WITNESS: I was overseeing the costs and the -- and specifically the inclusion of that cost in the various fuel schedules. As far as a assessment of the cause, that is not my area. I would not be involved in those determinations.

COMMISSIONER POLMANN: So your responsibility is to account for the costs associated with the need for power, but your responsibility does not include an evaluation, or an underlying cause of a need for power; is that correct?

THE WITNESS: Yes, sir. That is correct.

COMMISSIONER POLMANN: Thank you.

Are you -- are you knowledgeable of the

standard utility industry practice on making the distinction as to cause for needing replacement power, or is that just -- is that something you are knowledgeable about at all about how the industry does this analysis of cause?

THE WITNESS: No, sir, I don't believe that is my area.

COMMISSIONER POLMANN: Okay. Are you knowledgeable of standard accounting requirements for making that distinction of cause?

THE WITNESS: Yes, sir.

COMMISSIONER POLMANN: Now, is that -- let me rephrase it.

Is accounting play into the distinction in cause, and is that something that you are knowledgeable about?

THE WITNESS: I -- I am -- my previous response was of accounting for the replacement power. So if I misunderstood and misstated in my earlier response, I do apologize, Commissioner Polmann.

I am not a part of -- the area of the determination of the cause is not my area. It is not an area with which I am familiar in making those determinations. So I -- I am not sure that I

can -- I can answer that second part of the question.

COMMISSIONER POLMANN: Okay. Mr. Chairman, I just got a couple of more clarifying questions here.

Mr. Menendez, is it -- is it your position, then, here, and in your testimony, that you are following the standard utility industry practice in seeking replacement fuel costs, or replacement power costs following what you would describe as standard industry practice, is there anything extraordinary about what you believe you are doing, or are you following standard industry practice? It's a general question.

THE WITNESS: No, sir. I believe we are following the process.

COMMISSIONER POLMANN: And my last question, then, is is it your position, or the utility's position, your position as representing the utility on this issue, is it your position that the underlying cause, the material cause for the need for replacement power and, therefore, the costs that you are seeking recovery, is the underlying material cause for the replacement power a factor in determining the allowance for the cause -- the

allowance for the cost recovery -- I am sorry, do I need to restate that?

THE WITNESS: If I wouldn't mind, Commissioner Polmann, please.

COMMISSIONER POLMANN: I will just read it the way I have written it.

Is it your position that the underlying cause for replacement power is not a factor for allowing cost recovery?

THE WITNESS: Commissioner, I -- I apologize. We -- you are asking if the -- the underlying cause has no bearing on the recovery?

COMMISSIONER POLMANN: It's a very, very pointed question. And what -- what I have been trying to get to -- what I am trying to get to is you are seeking cost recovery in your responsibilities, cost recovery for replacement fuel, it's a replacement fuel associated with replacement power, and so forth, within the utility operation, there is some reason for this. I understand you are not responsible for the operating factors.

Is it your position that the cause for the need of the recovery is separate and distinct for the allowance, that the cause is not really a

factor in approving the cost recovery. There is a need for the recovery, and it is what it is, and the cause is a separate assessment? The question is whether you have a position on it or not.

THE WITNESS: Yes, sir. The -- respectfully, the company's position is the unit was operated prudently, and the costs are prudently recovered.

I don't know if that gets to your -- your answer. I do apologize, Commissioner Polmann.

COMMISSIONER POLMANN: No, that's fine. I am just asking if you have, you know, if you have a position. If you don't have a position, that's -- my question is do you have a position, is it your position this or that? And if you have no position, then I think you are answering the question. I am not asking you to restate what was -- what you stated, or what the -- what was stated at hearing.

THE WITNESS: Understood --

CHAIRMAN CLARK: We are -- Commissioner Polmann, let me --

COMMISSIONER POLMANN: I apologize --

CHAIRMAN CLARK: We are having -- we are still having a little bit of trouble understanding. I think you are breaking up some, is that right,

Mike? I can see you talking but I can't hear you, and it's kind of cutting out. I think that may be -- may be causing Mr. Menendez a little bit of problem in understanding the question. And if you don't mind, I will -- I will redirect a question that might kind of help out a little bit here.

When you are -- when you are calculating the fuel cost at the end of the year, and you look back and see what went into those costs, do you have a specific category, or do you categorize that you purchased power, or you had to buy additional fuel because of something that happened; do you classify or look at that when you look back at your fuel costs for the year?

THE WITNESS: No, sir. We just have the actual fuel costs that were incurred.

CHAIRMAN CLARK: And in helping to understand how replacement power works in these cases, I assume that you are operating through a reserve system where you have reserves, if a unit were to go out and that unit had X fuel costs, and you had to bring on or use a unit that had X plus one fuel cost, at the end of the month or the year when you calculated that, your fuel costs would not be reflected as because of a certain instance, but

simply because there was additional fuel used during that time period; is that a fair statement?

THE WITNESS: Yes, it would be -- it would be the actual cost of the unities that were actually used to serve the customers.

CHAIRMAN CLARK: And the same would go if that power were purchased, it would be purchased on kind of a spot market in realtime, and that would just be additional purchase power costs that you would have during those time periods?

THE WITNESS: Yes, sir, generated or purchased would be the same.

CHAIRMAN CLARK: But those would not be attributed, or calculated, or recorded, if you will, as we bought this additional power because of this when it came to your fuel cost analysis at the end of the year, right?

THE WITNESS: No, sir. It would simply be just all -- all the costs would typically be the actual costs.

CHAIRMAN CLARK: Okay. That's some of the -- that's kind of the question I heard Commissioner Polmann framing. I hope I may have helped a little bit there, Commissioner Polmann.

COMMISSIONER POLMANN: Thank you, Mr.

Chairman. That certainly was the direction I was going in. My apologies for being awkward there.

CHAIRMAN CLARK: No problem. No problem.

COMMISSIONER POLMANN: That covers my issue. Thank you, sir.

CHAIRMAN CLARK: All right. Commissioners, other questions?

COMMISSIONER POLMANN: Thank you, Mr. Menendez, that's all I have, sir.

CHAIRMAN CLARK: Thank you, sir.

Any of the Commissioners have questions?

All right. Seeing none, Mr. Bernier, redirect?

MR. BERNIER: Yes, sir, just very, very briefly, if I may. Sir, one redirect, is that okay?

CHAIRMAN CLARK: Yes, I am sorry. I am sorry. I am having some hearing problems here.

MR. BERNIER: Thank you very much.

FURTHER EXAMINATION

BY MR. BERNIER:

Q Mr. Menendez, if the Bartow order is sustained on appeal, how would DEF ultimately provide the refund of approximately 16.1 -- $16.1 million to its customers?

A Excuse me. It is a refund. It would be

provided through lower fuel rates.

Q Okay. Thank you.

MR. BERNIER: That's all I have, Mr. Chairman.

CHAIRMAN CLARK: All right. Mr. Bernier, would you like to move your exhibits?

MR. BERNIER: Very much. Thank you.

I would move Exhibits 2 through 7 with the revisions that Mr. Menendez outlined at the outset of his testimony into the record.

CHAIRMAN CLARK: All right. Without objections, those are moved into the record.

(Whereupon, Exhibit Nos. 2 - 7 were received into evidence.)

CHAIRMAN CLARK: Are there any other exhibits, Ms. Brownless, that I have overlooked from any of the other parties? All right. That takes care of all of those.

I believe that is all for Mr. Menendez.

Would you like to excuse your witness, Mr. Bernier?

MR. BERNIER: Very much. May he be excused?

CHAIRMAN CLARK: Yes. Mr. Menendez, you are excused. Thank you very much.

THE WITNESS: Thank you, Mr. Chairman. Thank you, Commissioners.

(Witness excused.)

CHAIRMAN CLARK: All right. Next on the agenda we have Ms. Montana, I believe Mr. Coffey, am I pronouncing that correctly? Mr. Coffey is your witness?

MS. MONCADA: Mr. Coffey.

CHAIRMAN CLARK: Coffey, okay.

MS. MONCADA: Like the drink.

CHAIRMAN CLARK: All right.

MS. MONCADA: Yes. FPL calls Robert Coffey.

CHAIRMAN CLARK: All right. Mr. Coffey, would you raise your right hand and repeat after me.

Whereupon,

ROBERT COFFEY

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

THE WITNESS: I do. Yes.

CHAIRMAN CLARK: Thank you very much.

Ms. Moncada.

MS. MONCADA: Thank you.

EXAMINATION

BY MS. MONCADA:

Q Good afternoon, Mr. Coffey. You have just been sworn.

Could you please state your name and business address for the record?

A My name is Robert Coffey. My business address is 15430 Endeavor Drive, Jupiter, Florida.

Q By what company are you employed, and in what capacity?

A Florida Power & Light. I am the Vice-President of nuclear for Florida Power & Light.

Q Did you prepare and cause to be filed six pages of prepared testimony on July 27th, 2020?

A Yes, I did.

Q Do you have any changes or revisions to that prepared testimony?

A No, I do not.

Q If I asked you the same questions today that are contained in that testimony, would your answers be the same?

A Yes, they would.

MS. MONCADA: Mr. Chairman, I would ask that Mr. Coffey's July 27 testimony be inserted into the record as though read.

CHAIRMAN CLARK: All right. So ordered.

MS. MONCADA: Thank you.

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

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

TESTIMONY OF ROBERT COFFEY

DOCKET NO. 20200001-EI

JULY 27, 2020

Q. Please state your name and address.

A. My name is Robert Coffey. My business address is 15430 Endeavor Drive, Jupiter, FL 33478.

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

A. I am employed by Florida Power & Light Company ("FPL") as Vice President, Nuclear in the Nuclear Business Unit.

Q. Please describe your duties and responsibilities.

A. I am responsible for the Nuclear fleet functional areas of Engineering, Operations, Maintenance, Chemistry, Radiation Protection, Regulatory Affairs, Security, Training, Outages and Projects.

Q. Please describe your educational background and business experience in the nuclear industry.

A. I hold a Doctorate of Management in Organizational Leadership from the University of Phoenix, Masters of Business Administration degree from Regis University, and a Bachelor of Science degree in Nuclear Engineering Technology from Thomas Edison State College. I also earned a Senior Reactor Operator Management Certification at the Turkey Point Nuclear Power Plant.

I have spent 38 years in the nuclear industry, beginning in the United States Navy Nuclear Submarine Force where I served more than 20 years. I joined FPL in 2003 and held numerous positions of increasing responsibility including Maintenance Director and Work Control Manager at Turkey Point and Plant General Manager at St. Lucie. I was also the Site Vice President of NextEra Energy's Point Beach Nuclear Plant and Vice President of the Southern Region for St. Lucie and Turkey Point before serving in my current role as Vice President, Nuclear.

Q. What is the purpose of your testimony?

A. My testimony discusses the unplanned outage at St. Lucie Unit 1 in April 2019.

Q. Please describe the unplanned outage that occurred in April 2019.

A. In April 2019, St. Lucie Unit 1 automatically shut down in response to a generator ground fault. FPL's response to the unplanned outage was appropriate and efficient, and the unit was returned to service safely.

Q. Please describe the circumstances related to the St. Lucie Unit 1 generator ground fault.

A. During plant operations, St. Lucie Unit 1 automatically shut down due to a generator ground fault. FPL determined the ground fault was attributed to an insulation fault located in stator bar B17. The cause of the insulation fault was investigated but could not be definitively confirmed. Based on the location of the insulation, FPL believes the mechanism that produced the fault was introduced in the stator during a generator rewind performed by Siemens Energy Incorporated ("Siemens") in 2012 and degraded the insulation gradually over the course of seven years in service.

Q. What corrective actions were initiated to address this event?

A. After inspections and testing were conducted, FPL and Siemens determined a full rewind of the generator was the best course of action to take in order to achieve maximum reliability of the generator and the safest and most efficient return to service possible. After the completion of the rewind, High Potential Testing was conducted to ensure satisfactory results.

Q. Following the St. Lucie Unit 1 generator ground fault, did FPL perform an extent of condition review on St. Lucie Unit 2?

A. Yes. FPL performed an extent of condition review of the Unit 2 generator maintenance history and determined a similar ground fault was not present.

Q. What did the investigation of the St. Lucie Unit 1 generator ground fault find?

A. FPL's investigation ruled out many potential causes, but three possible causes hypothesized were neither refuted nor adequately supported: (1) a ferromagnetic particle introduced during installation of the stator bar in 2012, (2) impact damage during handling or installation of the stator bar in 2012 or (3) a contaminant or small object introduced in the stator bar insulation during its manufacture or construction.

Q. Explain why the location of the insulation indicates the fault mechanism was introduced during the 2012 rewind.

A. The fault is located in the end-winding area of the stator where the windings are secured using an epoxy rich banding material. The epoxy is cured during the winding installation process to produce a solid support structure. The fault occurred at a location under the cured epoxy banding material. The banding material itself was intact and undamaged. Any postulated puncture or impact to

the bar occurring after the 2012 rewind would have resulted in damage to the banding material, however no damage to the banding was evident. Any postulated contaminant or particle affecting the insulation would require some path for its introduction to this specific area after the 2012 rewind. As the banding material was fully cured and intact there is no path for the introduction of a contaminant or particulate to this location in the stator windings, and no surrounding areas of the windings adjacent to the banding were affected

Q. Did FPL and Siemens follow established industry standards during the original generator rewind in 2012?

A. Yes. FPL and Siemens followed the established industry standards for insulation testing from the Institute of Electrical and Electronics Engineers (IEEE Standard 95 "IEEE Recommended Practice for Insulation Testing of AC Electric Machinery (2300V and above) with High Direct Voltage"). They also followed the established industry standards for insulation for acceptance testing, which is used to ensure equipment is operating as designed, from the American National Standards Institute (ANSI C50.10 – 1990 "Rotating Electrical Machinery – Synchronous Machines") during the original generator rewind. Additionally, contract requirements with Siemens for quality assurance were imposed in accordance with industry standards. These included expectations for inspection, testing, packaging, shipping, nonconformance process, customer communication and facilities access for mutually agreed upon witness points.

Q. Were periodic inspections performed on the Unit 1 generator following the 2012 generator rewind?

A. Yes. The type and frequency of inspections performed on the generator since the rewind adhere to standard industry practice and manufacturing recommendations. Generator inspections were performed by Siemens during every refueling outage since the rewind was completed in 2012. Additionally, generator temperature instruments were replaced during a 2013 refueling outage. Subsequent over-voltage testing was completed after the replacement with no issues. In 2016, a ground condition was detected during outage inspection activities. The ground was outside the generator in the neutral ground transformer bushing. An insulation resistance test was performed on the generator separated from the neutral grounding transformer with satisfactory results. The transformer bushing was repaired and a subsequent test was performed after reconnection to the generator with satisfactory results. Neither of these activities are related to the ground fault in 2019.

Q. How many days was St. Lucie Unit 1 out of service due to this event?

A. FPL moved quickly to restore the unit to service safely and was able to keep the outage to approximately 57 days. Notably, the Siemens generator rewind was conducted safely and more quickly than any similar unscheduled work across the industry. Additionally, while the unit was offline, FPL was able to complete some work originally planned for the fall 2019 refueling outage, thereby reducing the fall 2019 planned outage duration by approximately two days.

Q. Has FPL filed an insurance claim for the reimbursement of costs incurred as a result of this event?

A. Yes. FPL has filed an insurance claim with Nuclear Electric Insurance Limited ("NEIL") for costs related to the full generator rewind that was performed during

this outage. This claim does not include replacement fuel costs, however, because NEIL only covers replacement fuel costs when an outage surpasses 12 weeks.

Q. What is the amount of the insurance claim?

A. FPL has submitted a claim for approximately $25.9 million for expenses associated with the event. This claim amount is subject to a $10 million deductible plus a 10% quota share for any recoverable amounts plus disallowance of potential non-reimbursable expenses in accordance with the policy.

Q. What is the status of the insurance claim?

A. NEIL is currently reviewing the documentation associated with the claim amount. FPL expects a final coverage decision in the third quarter of this year.

Q. Does this conclude your testimony?

A. Yes, it does.

BY MS. MONCADA:

Q Mr. Coffey, your July 27 testimony did not include any exhibits, is that correct?

A That's correct.

Q Thank you.

Did you also file six pages of prepared testimony in this proceeding on September 3rd, 2020?

A Yes.

Q Do you have any changes or revisions to that prepared testimony?

A No.

Q If I asked you today the same questions contained in that testimony, would your answers be the same?

A Yes.

MS. MONCADA: Mr. Chairman, I would ask that Mr. Coffey's September 3rd testimony be inserted into the record as though read.

CHAIRMAN CLARK: So ordered.

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

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

TESTIMONY OF ROBERT COFFEY

DOCKET NO. 20200001-EI

SEPTEMBER 3, 2020

Q. Please state your name and address.

A. My name is Robert Coffey. My business address is 15430 Endeavor Drive, Jupiter, FL 33478.

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

A. I am employed by Florida Power & Light Company ("FPL") as Vice President, Nuclear in the Nuclear Business Unit.

Q. Please describe your duties and responsibilities.

A. I am responsible for the Nuclear fleet functional areas of Engineering, Operations, Maintenance, Chemistry, Radiation Protection, Regulatory Affairs, Security, Training, Outages and Projects.

Q. Please describe your educational background and business experience in the nuclear industry.

A. I hold a Doctorate of Management in Organizational Leadership from the University of Phoenix, a Masters of Business Administration degree from Regis University, and a Bachelor of Science degree in Nuclear Engineering Technology from Thomas Edison State College. I also earned a Senior Reactor Operator Management Certification at the Turkey Point Nuclear Power Plant.

I have spent 38 years in the nuclear industry, beginning in the United States Navy Nuclear Submarine Force where I served more than 20 years. I joined FPL in 2003 and held numerous positions of increasing responsibility including Maintenance Director and Work Control Manager at Turkey Point and Plant General Manager at St. Lucie. I was also the Site Vice President of NextEra Energy's Point Beach Nuclear Plant and Vice President of the Southern Region for St. Lucie and Turkey Point before serving in my current role as Vice President, Nuclear.

Q. What is the purpose of your testimony?

A. My testimony presents and explains FPL's projections of nuclear fuel costs for the thermal energy to be produced by our nuclear units measured in million British thermal units or ("MMBtu"). Nuclear fuel costs were input values to the GenTrader model that is used to calculate the costs included in the proposed fuel cost recovery factors for the period January 2021 through December 2021. I am also supporting FPL's projected 2021 incremental plant security and Fukushima-related costs. Finally, I address 2020 outage events at FPL's nuclear units.

Nuclear Fuel Costs

Q. What is the basis for FPL's projections of nuclear fuel costs?

A. FPL's nuclear fuel cost projections are developed using projected energy production at its nuclear units and current operating schedules for the period January 2021 through December 2021.

Q. Please provide FPL's projection for nuclear fuel unit costs and energy for the period January 2021 through December 2021.

A. FPL projects the nuclear units will burn 296,846,059 MMBtu of energy at a cost of $0.4955 per MMBtu for the period January 2021 through December 2021. Projections by nuclear unit and by month are listed in Appendix II, on Schedule E-4, starting on page 17, which is attached as an exhibit to FPL witness Deaton's testimony.

Nuclear Plant Incremental Security Costs

Q. What is FPL's projection of incremental security costs at its nuclear power plants for the period January 2021 through December 2021?

A. FPL projects that it will incur $34.3 million in incremental nuclear power plant security costs in 2021. The costs consist of $3.5 million of capital expenditures and $30.8 million of O&M expenses.

Q. Please provide a brief description of the items included in incremental nuclear power plant security costs.

A. The projection includes the additional costs incurred in maintaining a security force as a result of implementing the NRC's fitness-for-duty rule under 10 CFR Part 26, which strictly limits the number of hours that nuclear security personnel may work; additional personnel training; maintenance of the physical upgrades resulting from implementing the NRC's physical security rule under 10 CFR Part 73; and impacts of implementing the NRC's cyber security rule under 10 CFR Part 73. It also includes force-on-force modifications at the St. Lucie and Turkey Point nuclear sites to effectively mitigate new adversary tactics and capabilities employed by the NRC's Composite Adversary Force, as required by NRC inspection procedures.

Fukushima-Related Costs

Q. What is FPL's projection of Fukushima-related costs at its nuclear power plants for the period January 2021 through December 2021?

A. FPL's current projection of Fukushima-related costs for 2021 is approximately $1.3 million of O&M expenses.

Q. Please provide a brief description of the items included in this projection of Fukushima-related costs.

A. The projection includes FPL's share of costs incurred for equipment, storage, and transportation, to support the shared Regional Response Centers, a warehouse of off-site portable equipment shared by the industry.

2020 Unplanned Outage Events

Q. Has FPL experienced any unplanned outages at any of its nuclear plants in 2020?

A. Yes. In March 2020, St. Lucie Unit 2 experienced a delay in return to service following the refueling outage associated with the planned replacement of a 6900 volt electrical switchgear required for plant operation; in July 2020, Turkey Point Unit 4 shut down due to a main generator lock out from a loss of exciter ; and in August 2020, Turkey Point Unit 3 shut down in response to rising steam generator levels. FPL's response to each unplanned outage was appropriate and efficient, and the units were returned to service safely.

Q. Please describe the circumstances related to the St. Lucie Unit 2 switchgear replacement modification.

A. During the Spring 2020 outage, FPL performed a planned replacement of a 6900 volt electrical switchgear required for plant operation. An interfacing equipment configuration conflict was discovered during project implementation. Additional work scope and increased implementation duration was required to address the discovered condition.

Q. What corrective actions have been initiated to address this event?

A. The interface configuration conflict was resolved during the refueling outage and no further technical corrective action is required. Other corrective actions were implemented to improve administrative processes associated with design engineering function collaboration, communication, and oversight.

Q. How many days was the St. Lucie Unit 2 outage delayed due to this event?

A. The Unit 2 outage delay due to 6900 volt electrical switchgear replacement modification was approximately 2 days.

Q. Please describe the circumstances related to a main generator lock out from a loss of exciter that impacted Turkey Point Unit 4.

A. In July 2020, Turkey Point Unit 4 automatically shut down due to an electrical trip of the main generator caused by loss of excitation. FPL determined the Permanent Magnet Generator ("PMG") malfunctioned.

Q. What corrective actions have been initiated to address this event?

A. FPL replaced the PMG with a spare. FPL is currently in the process of investigating and evaluating this outage.

Q. How many days was Turkey Point Unit 4 out of service due to this event?

A. The Unit 4 outage due to a main generator lock out from a loss of exciter was approximately 15 days.

Q. Please describe the circumstances related to a rise in steam generator levels that impacted Turkey Point Unit 3.

A. In August 2020, a control valve at Turkey Point Unit 3 unexpectedly opened, which caused a turbine load reduction. This sequence of events led to a rise in steam generator levels, and a manual reactor trip was performed in accordance with plant procedures. During startup from this outage, the reactor protection system automatically shut the reactor down when an instrument sensed higher than expected neutron flux in the reactor. While in power ascension from this outage, the unit was manually shut down due to steam generator water level control issues that resulted in the operating steam generator feed pump tripping on low suction pressure. The trip occurred due to abnormal valve alignment on the steam generator feed pumps. This valve alignment was restored to normal.

Q. What corrective actions have been initiated to address these events?

A. FPL performed the necessary repairs to return the unit back online. FPL is currently in the process of investigating and evaluating this outage.

Q. How many days was Turkey Point Unit 3 out of service due to these events?

A. The Unit 3 outage due to these events was approximately 6 days.

Q. Does this conclude your testimony?

A. Yes, it does.

BY MS. MONCADA:

Q Mr. Coffey, your September 3rd testimony as well did not include any exhibits, is that right?

A That's correct.

Q Thank you.

Did you prepare a summary of your July and September testimonies?

A I did. Yes.

Q Could you please provide that summary to the Commission?

A Yes.

Good afternoon Commissioners. My testimony discussed an unplanned outage and an outage extension in April 2019 and March 2020. For both events the appropriate actions were taken --

CHAIRMAN CLARK: Mr. Coffey, one moment --

THE WITNESS: -- units were restored and --

CHAIRMAN CLARK: Mr. Coffey --

THE WITNESS: -- in April 2019, St. Lucie Unit 1 automatically shut down in response to a generator ground fault. The ground fault was attributed to an insulation defect located in a stator bar; however, the exact cause could not be definitively confirmed. The three possible causes were: Contaminants introduced during original

manufacturing, a particle introduced during installation in 2012, or impact damage during handling installation in 2012. All three potential causes would have gradually degraded insulation over the course over the next seven years.

We know it to be manufacturing or installation issue because any other defect would require a path for its introduction. In this case, a path did not exist because the fault was located beneath the epoxy banding material that was installed during original installation. The material was intact and undamaged.

Subsequently, it was determined a full rewind of the generator was the best course of action to achieve maximum reliability. Leading up to the 2012 generator rewind, FPL and Siemens followed all established industry standards for testing.

Additionally, contract requirements for quality assurance were imposed in accordance with industry standards and included mutually agreed upon witness points.

Periodic inspections were also performed on the Unit 1 generator in every outage since the 2012 generator rewind. The type and frequency of these inspections adhered to standard industry practice

and manufacturing recommendations.

Following the generator fault in 2019, FPL moved quickly to restore the unit to service safely, and was able to complete the outage in 57 days. This duration was more expeditious than any similar unplanned rewind performed in the industry.

Additionally, while the unit was off-line, FPL was able to complete some work originally planned for the fall 2019 refueling outage, thereby reducing that outage duration by approximately two days.

In March 2020, St. Lucie Unit 2 experienced a delay in return-to-service during the refueling outage. This was the result of a planned replacement of a 6900-volt electrical switchgear required for plant operation. An equipment configuration conflict was discovered during project implementation. The configuration issue required additional time to address the needed change. The technical cause of the return-to-service delay was resolved during that refueling outage, and no further technical corrective action was required.

In summary, FPL's actions for both events were appropriate and reasonable.

Thank you very much for your time. This concludes my summary.

CHAIRMAN CLARK: Ms. Moncada.

MS. MONCADA: Thank you, Mr. Chairman. Mr. Coffey is available for cross.

CHAIRMAN CLARK: All right. Thank you.

Mr. Coffey, we had a little bit of trouble. You are breaking up some. I don't know what the cause is there, but we were having a little bit of trouble hearing the first part of your summary there, so be cognizant, we may have to stop you and get you to clarify for us.

All right. With that, Mr. Rehwinkel, it's your witness.

MR. REHWINKEL: Thank you, Mr. Chairman.

Good afternoon, Mr. Coffey.

THE WITNESS: Good afternoon, Mr. Rehwinkel.

MR. REHWINKEL: Mr. Chairman, before we get under way, I just want to state for the record, in the Prehearing Order, there is a, I will call it an embargo requirement on exhibits used in cross-examination, and I just want to state for the record that we lifted that embargo, if you will, as to the company, and so if Mr. Coffey has exhibits with him, I don't want anybody to think that it was

because the company was in violation of that requirement.

And in that regard, I would like to just ask Mr. Coffey if you have Exhibits 2 through 9 available to you?

THE WITNESS: I do have Exhibits 2 through 9 available to me.

MR. REHWINKEL: Okay. Thank you very much.

CHAIRMAN CLARK: Thank you, Mr. Rehwinkel.

BY MR. REHWINKEL:

Q If you could tell me what is your functional area of responsibility just briefly?

A Yes, Mr. Rehwinkel. My functional area of responsibility is I am the Vice-President of Nuclear at Florida Power & Light corporate offices, and so I am -- I am the executive over governance and oversight operations of our nuclear -- nuclear operating units.

Q Is that the four units in Florida, or does it include Point Beach, Duane Arnold and Seabrook?

A It is -- yes, it is the four units in Florida, and it is also Point Beach and Seabrook, Duane Arnold has recently gone into decommissioning.

Q Okay. You state that you have an engineering responsibility in that area. Does that include the -- what's known as the Engineering Operation Support

Services, EOSS?

A It is -- yes, it is, Mr. Rehwinkel.

Q Okay. And outages and projects, is that -- is that a reference to planned outages, or does it incur -- does it encompass forced or unplanned outages as well?

A It encompasses both planned outages and forced outages as far as the governance and oversight of those activities. And then I also have the project organization reports through me, and so major projects I direct oversight of, as well as governance and oversight.

Q Okay. So an uprate would be an example of a project, a very large project that you would be responsible for --

A Yes, that's --

Q -- in your job --

A Yes, that's correct.

Q Okay. Now, in your background, just for the context of our discussion and cross-examination today, you are a nuclear engineer, is that correct?

A That's -- yes, that's correct.

Q That's both by education and training --

A Yes, that's --

Q -- is that right?

A Yes, that's correct.

Q And I noticed that you were in the Nuclear Navy. I think you started there in around 1983, is that right?

A Yes. Yes, 1982 until 2003.

Q Okay. So you started the year that Hyman Rickover retired, but you were in the organization that he built, and for which his principles were carried forward, is that right?

A Yes, that's absolutely correct.

Q Okay. And that's a source of pride for you, is that right?

A Yes, that's right.

Q Okay. There was a noted culture of integrity and safety in that Rickover established Nuclear Navy, is that right?

A Yes, that's absolutely correct.

Q It's world famous, and when compared to other navies, it was beyond compare, is that right?

A That was my -- that was my belief, yes, that's correct. I don't have knowledge of the other navies, but I believe that to be true.

Q Sure. And as plant general manager, was that of both the St. Lucie units?

A I was the plant manager from 2012 to 2016 at the St. Lucie units, yes.

Q Okay. That's -- you are more like the site general manager because you cover both 1 and 2?

A Yes. I was the site general manager of Units opinion and Units 2 from the tail end of 2012 until 2016 when I moved on to Point Beach.

Q Okay. Now, Point Beach is a NextEra, I will call it a merchant plant, is that fair?

A Yes, that's correct.

Q Okay. And it's in Wisconsin?

A It is in Wisconsin, just south of Greenbay.

Q Okay. Now, when you were Vice-President for the Southern Region, does that, in the FPL nuclear organization, does that separate those responsibilities to just the four Florida units as compared to the -- the other units in the NextEra fleet?

A When I was the Regional Vice-President of the South, I was the executive in charge of Turkey Point and St. Lucie plants, and it was separated from the north.

Q Okay. But your responsibility now as VP Nuclear is you are responsible for both the south region and whatever the other region is, is that right?

A The governance and oversight elements of it, and the applicable portions of the support and perform activities like projects, that's right.

Q Okay. Now, I notice in your testimony you

said that when -- when you were in Turkey Point, you received a senior reactor operator license, is that right?

A That is correct. Not license, so that's partially correct. I received a senior management certification. I did not go to the 18-month license class. It was a compressed management certification class for five months.

Q Okay. So you were an operator, but you don't hold a license as the NRC understands it, is that right?

A I was operator for 21 years in the Nuclear Navy, and then I was -- I predominantly specialized in maintenance and engineering on the non-Navy side of the house. But operations is something that I have grown up with and been a part of for 35 -- almost 35 years in nuclear now.

Q Okay. The reference to -- I just -- I want to understand, if you give me a moment.

So the senior reactor operator management certification -- and I know I misstated that by saying license, your testimony says certification -- is that still in -- do you still hold that certification?

A I do. Yes. I did -- I went to that class. I took those examinations. I tested on that simulator, and I still hold that certification.

To meet the minimum qualifications to be a plant manager, you either have to have been previously licensed or have gone through a management certification class that gives you the equivalent schooling and practice and technical abilities to be able to do it, and I did the latter.

Q Okay. So you generally -- well, you have the requisite familiarity with NRC requirements with respect to the operations of a licensed facility, is that correct?

A Absolutely, on multiple different units.

Q Okay. I want to spend most of the time today talking to you about your July 27th, 2020, testimony, so if you have that with you.

A Just one second. Okay, I have that with me. It's open.

Q Okay. Now, this testimony is the testimony you submitted in this docket that addresses the April 25th, 2019, through June 21, 2019, forced outage at Plant St. Lucie Unit 2, is that right?

A Unit 1, sir.

Q Unit 1?

A Yes, sir.

Q Is there a difference in your mind as to an unplanned outage versus a forced outage? Are they one

in the same or is there a different?

A Forced outage and unplanned outage is of the same.

Q Okay. Do you call the St. Lucie Unit 1, do you sometimes call it PSL 1?

A We do. We call it PSL 1.

Q Okay. So if I say PSL 1 in my questions, we know I mean plant -- St. Lucie Plant Unit 1 --

A Yes, that's correct.

Q -- and PSL 2 would be Unit 2, right?

A Yes, that's correct.

Q Okay. And then if we go to page two of your -- your testimony, lines eight and nine. You state the purpose of your testimony as: My testimony discusses the unplanned outage at St. Lucie Unit 1 in April 2019, is that right?

A Yes, sir.

Q Okay. And in that discussion, as you put it, that discussion, as you -- as you refer to it, continues on through page six, line 12, is that right?

A Let me make sure -- that's correct. Yes.

Q Okay. And I apologize. I said I was going to refer to this. I need to take a little detour and go to your September 3rd testimony if we can just for a second.

A Okay. I am there, sir.

Q All right. In that testimony, on page four, beginning on line 12, through the remainder of that testimony on page six, this is your testimony where you discuss other unplanned outages at St. Lucie Unit 2 and Turkey Point Units 3 and 4; is that right?

A Yes.

Q Okay. And just to be clear, the September 3rd testimony does not in any way discuss the April 29 St. Lucie Unit 1 forced outage, does it?

A It does not.

Q Okay. And I think, as your counsel indicated, there is no exhibit to either of your testimonies, the 27th of July or the 3rd of September, is that right?

A That's right.

Q So the sole evidence that you are presenting today in this hearing is confined to the testimony on -- in your July 27th testimony with regard to the April 2019 forced outage at PSL 1, is that right?

A No. It was on the Unit 1 generator outage in April, but it was also on the delay in return-to-service that's on page four of the September testimony for the delay in return to service on Unit 2 for the switchgear delay.

Q Okay. I probably didn't ask that question

right.

What I was trying to make sure the record is clear on is -- let me ask it this way: With respect to the PSL 1, April 2019 outage, the evidence that you are presenting to the Commission is confined to your July 27th, 2020, prefiled testimony; is that right?

A Yeah, I am sorry. I misunderstood the previous question. Yes, that's correct.

Q I don't think I asked it the right way.

And so as far as your prefiled testimony, it's confined to that, and then whatever else you testify to today, right?

A Correct.

Q All right. If you know, when a utility like FPL has an un -- has an unplanned outage, you incur replacement power costs, is that correct?

A Yes, that's correct.

Q Okay. In addition to replacement power costs, you would also agree that there may be extra O&M and capital costs related to an unplanned outage; is that right?

A Yes, that's right.

Q Okay. On your July 27th testimony at page two, can you read for me the response to the question -- read aloud for me the response to the question that is

on page -- on line 10?

A On line 10, okay.

Q You can read the question, too.

A Please describe the unplanned outage that occurred in April 2019.

In April 2019, St. Lucie Unit 1 automatically shut down in response to a generator ground fault. FPL's response to the unplanned outage was appropriate and efficient, and the unit was returned to service safely.

MR. REHWINKEL: Okay. Before we proceed on, Mr. Chairman, I am not having trouble hearing Mr. Coffey, but when he was reading that answer, it seemed to me there -- a little bit of garbling in there, and I just wanted to make sure that it wasn't reflected that way in the hearing room or the court reporter.

CHAIRMAN CLARK: It sounded good here. The court reporter, did you get all of it?

COURT REPORTER: Yes, sir, I did.

CHAIRMAN CLARK: We're all clear.

MR. REHWINKEL: I just was just checking because it -- the quality vacillated a little bit on my end.

CHAIRMAN CLARK: No problem.

BY MR. REHWINKEL:

Q Okay. Can you tell me your definition of the phrase appropriate and efficient as you use it in that answer?

A Yeah. So the way I would characterize that, Mr. Rehwinkel, is that we took the time that we needed to troubleshoot and investigate the cause of that ground fault, and then we put a plan together to resolve that issue using the appropriate decision-making processes that we have in nuclear. Then we constructed a schedule and determined who we would select to do that work, and we conducted that work in a manner which we believe was safe and efficient, and then we restored the generator service. And I could back that up with several facts that we learned throughout the process of the root cause and such, but I will wait for your questions.

Q Okay. Thank you.

And just so I understand, this answer here is directed at what happened when the outage was discovered. It doesn't address anything that happened before the ground fault tripped the unit, is that right?

A That's right.

Q Okay. And the -- the -- would it be fair to say that the response that you describe in your testimony here is the sum of the actions that FPL

nuclear organization, in general, and the St. Lucie station personnel specifically took to address the outage?

A Yes, I would say that's a fair statement, Mr. Rehwinkel. I will tell you that when we initially filed this -- this testimony, we didn't have the input of the completed root cause on exactly why it occurred yet. So some of the information was not as descriptive as we would have liked it to be, but we didn't have the final product of the root cause completed yet. That didn't get completed and signed off until August 19th, and so we wanted to make sure we didn't put anything in the testimony that might be concluded as inaccurate.

Q Okay. Well, as you may have guessed from the exhibits, I have some questions about some of the documents in here, and so I think we can get to that and your responses to those.

A Thank you, sir.

Q Okay. How many -- an outage of this type as a unit like PSL 1 is a significant matter that gets the attention of the organization, correct?

A Absolutely. I would say that an outage of this magnitude is one of the more difficult outages without the forthought of the 18 months of planning, it's one of the more difficult ones to recover from.

Q So there are a lot of individuals from the lowest level in the organization all the way to the top, which is you, you and above, that are focused on resolving this issue; is that right?

A Yes. Absolutely.

Q Okay. If I look on page two, lines -- and starting with the question on line 14 through line 23, is it fair to say that this testimony blames Siemens for introducing the mechanism that caused the fault in the unit either before -- in or before 2012?

A I would -- I would say that we didn't go as far as to lay blame. We did go as far as to say that the root cause concluded those three causes happened while it was in the custody of Siemens to implement their portion of that contract.

Now, whether or not that occurred at the Siemens facility or with resin that was made outside of Siemens, we didn't make those conclusions, but it was within the contractual confines of Siemens to perform this work, and it was not -- it didn't -- we didn't get the results that we expected, obviously.

Q Okay. I used the word blame because that's just kind of a walking around term, but you say on line 20, FPL believes, and I believe your counsel in the opening, and you in your summary, laid the

responsibility for this -- the mechanism that caused the fault at the seat of Siemens, is that fair?

A That's fair.

Q Okay. Now, it states here in your testimony that FPL investigated the cause of the fault, but that, quote, it could not be definitively confirmed, is that right?

A That's correct. Yes.

Q Now, the investigation that is referred to in your testimony, is that essentially all of the process that led up to and includes the RCE, or the root cause -- what's the E stand for --

A Evaluation.

Q -- evaluation?

A Yes. Siemens -- Siemens and Florida Power & Light both separately, us by our process, and Siemens by theirs, performed root cause evaluations. In those root cause evaluations, ours did not have Siemens as part of our team, and Siemens did not have us as part of their team, and both of those evaluations came to the same conclusions on it was one of the three things that I list in my testimony, but there was no way with the forensics evidence we have in the condition it was in we could determine which of the three was the -- was the exact cause, but we know one of those three was the

cause.

Q Okay. And if I can ask, and I am not trying to -- to strike out at you in your answers, I am going to ask you questions about the FPL RCE, some people call it an RCA, root cause analysis. They are interchangeable terms, right?

A Yes, sir.

Q So if I say RCA, you will know I mean what you call an RCE, and vice-versa, right?

A Yes. Absolutely.

Q Okay. And at other thing I would ask for purposes of this, and this is just because we are dealing with confidential information, the -- the Exhibit 8 that I have asked you to look at is the FPL RCE, but it is a redacted public version; is that your understanding?

A I did not know -- I did not know that yours was a redacted public version, I probably should have, but, no, I did not know that.

Q Okay. And just -- just -- I would like to ask you if you refer to it, or answer questions from my direction to you to look at it, please use the redacted version so we can be sure that you don't verbalize any information that's not -- that's blacked out in the redacted version, is that understandable?

A Yes, that's understandable.

Q Okay. And likewise, if I could, the Siemens RCE, I think, is Exhibit 4C?

A Correct.

Q And it is confidential in its entirety?

A That's right.

Q At least that's the claim.

So what I am getting at is I would like, for purposes of logistics here, is to keep inadvertent disclosure of confidential information is to not refer to the Siemens report unless I ask you a specific question about it, if that's at all possible. I just don't want to have cross-examination and you reveal something in the cements report while trying to synthesize it with the FPL RCE; does that make sense?

A It absolutely makes sense, and I am prepared to not discuss the confidential aspects of the Siemens root cause. We don't have any confidential aspects on the -- on the FPL root cause, so I will be able to speak in that way.

Q Okay.

MR. REHWINKEL: And, Maria, I just -- I am not trying to limit your witness, I just want to be very careful, because I put -- I put several confidential exhibits out here, and I want to try

to stay in the lane, if you will.

MS. MONCADA: Understood, Mr. Rehwinkel. Thank you.

MR. REHWINKEL: Okay.

MS. HELTON: Mr. Chairman, can I just -- for purposes of the record, so, Mr. Rehwinkel, were you planning on asking for your Exhibit No. 8 to be identified as Exhibit 53 for the record, and then your Exhibit 4C to be identified as Exhibit 54?

MR. REHWINKEL: Well, right now, I think -- let me see. I have -- I don't know what my first exhibit is.

I am not trying to identify them right now, Ms. Helton. I just -- I got an answer there that made me concerned because it was an answer about what Siemens and FPL came to the conclusion of. And I just wanted to make sure that we -- we kept -- kept them separated. It's my fault that I didn't make these ground rules when we first started.

MS. HELTON: Okay. I am just trying to make sure we are clearly identifying in the record what you are wanting to put in the record so we are all talking from the same page.

MR. REHWINKEL: Okay. Yeah, I am not at a

point, I don't think, to -- to identify the -- the FPL RCE at this point.

BY MR. REHWINKEL:

Q Okay. Let's go to page three of your -- your July 27th testimony.

A All right.

Q And on line 18 through page four, line 21, you discuss some information related to the 2012 rewind, is that right?

A Yes, sir.

Q And this rewind was part of the uprate that was undertaken at both PSL 1 and PSL 2, is that right?

A Yes, that's correct.

Q Okay. That was not something that was under your purview at that time, is that right?

A I was -- well, yes and no is the way I will answer that, and that is I was -- I was involved with -- at the time that this was happening, I was at the Unit 3 uprate as the Maintenance Director at Turkey Point. However, our fleet, all of our fleet nuclear sites, they read the condition reports, reports that we write every day, of every one of the sites, and we all have responsibility to govern and oversee and support and perform at our own sites, as well as challenging the other three sites.

So I was not -- so I was definitely familiar with the goings on of what was going on at St. Lucie as a director at Turkey Point at the time, but I wasn't the direct -- I didn't have any direct reports that were there.

Q Okay. Thank you.

I am going to ask you a question here, and it's a long question, and if you don't understand it, either you or your counsel can say so and I will rephrase it, but I am trying to see if I understand the gist of page three, line 18 through page four, line seven.

And as I read that testimony, you summarize FPL's logical basis for concluding that the fault inducing causal mechanism had to have been introduced to the plant through the rewind work that was performed in early 2012 either as part of the manufacture or construction of the generator's stator bar 17, or during the actual on-site rewind work, both of which were performed by or through a Siemens -- through Siemens or a Siemens subcontractor?

A Yes, that's correct.

Q Okay. I believe in your summary you stated -- and it may be in your testimony as well -- that as a part of that logic, that the particle, or the fault

mechanism could not have been introduced after the completion of the uprate in 2012 because there was no path --

A Yes.

Q -- for that fault causing mechanism to be introduced into the generator, is that fair?

A Yes, and I would just expand on that a little bit. As those machines are built out during a rewind, they get disassembled down to parade rest. And then when they are built back up, the foundation iron work starts, then the coils are set in in a specific pattern. And then after that, there is banding material, insulation material that's installed and epoxyed, and that outer banding material and epoxy was undamaged, so there was no path external to that material.

Q Okay. Let me ask you, if you can, to turn to -- do you have Exhibit 7C?

A I do.

Q You know this is a confidential exhibit.

A It is.

Q And I want to ask you --

MR. REHWINKEL: Mr. Chairman, I guess I want to identify Exhibit 7C as the next exhibit.

CHAIRMAN CLARK: What's that number?

MS. BROWNLESS: It's 53.

CHAIRMAN CLARK: All right. We will mark it as Exhibit 53.

MR. REHWINKEL: Okay.

(Whereupon, Exhibit No. 53 was marked for identification.)

BY MR. REHWINKEL:

Q So I am not sure that this is an entirely relevant document. It is dated -- it's for a service event that occurred in 2018, is that right?

A Yes, that's correct. This was -- just for information, Mr. Rehwinkel, this -- this is the actual inspection on Unit 2 that occurred at its seven-year frequency that would have occurred in 2019 in the fall outage had the rewind, the emergent rewind, or the unplanned rewind not occurred. So -- and as a matter of fact, this document is what was used to confirm that there was no extended condition on Unit 2, similar to Unit 1.

Q Okay. And I want to ask you about Bates page five.

A Okay, I am there.

Q And I know this relates to Unit 2, but without -- since it's confidential, without getting into the details, you see there is some nameplate type information at the top, and then a sentence, and then

there is a -- a paragraph with some bullets and subbullets; do you see that?

A Yes.

Q Okay. Would it be fair to say that these type of activities were routine inspection activities that would -- that a main generator would undergo?

A Yes. Some of them -- some of them are activities that happen every outage, like a generator crawl-thru -- and when we say crawl-thru, we don't necessarily mean a human. There is robotics involved as well. And others of them, like the -- like the insulation testing, the high voltage insulation testing that's discussed in here are done at other intervals. Those are typically done every seven years because those are over the rate of voltage of the machine to make sure that you don't have any issues when you are doing that testing.

Q Okay. So I think you are -- you are answering the question that I want. So at Unit 1, these same type of activities would have occurred after the rewind was -- was completed, maybe not the exact same, but similar types of activities, is it that fair?

A Well, the exact same, but the answer is actually yes/no again, because some of them -- the high potential testing that I talk about, for example, the

manufacturers in OEM, the original equipment manufacturer recommendations in the industry standard is to do that every seven years, and the generator crawl-thrus is every outage.

So some of them are done every outage and some of them are done at specified intervals. And the -- and the rewind was done in 2012 on Unit 1. There was a subsequent repair that was done in 2013, which had high voltage testing done, so it wasn't coming due until 2019, but we didn't get there before we conducted that high potential testing.

So -- so, yes, we were consistent on year one and two in all our units with doing the manufacturing -- manufacturer recommendations for maintenance and testing.

Q Okay. Thank you.

The high -- high potential testing, for example, that's not an invasive test, is that right?

A Well, yeah -- well, it depends on how you determine invasive.

And so these -- the generators themselves operate at 22,000 volts, and the high potential testing exposes them to 76,000 volts. So you are putting three times as much voltage on it to make sure that you are not going to have a path for current to ground, and so

you don't want to do that too often because you are actually putting an overvoltage condition on the machine to make sure the windings are there.

So I would consider it invasive just because it's operating for the small period of that test above its nameplate rating.

Q Okay. Fair enough.

The crawl-thru, as you indicated -- and you anticipated by question -- it's done by a robot, not a person?

A The -- not totally. The portions that can't be done without using robotics are done with a robot. The ones that can be done with a person, they are done visually with somebody with proper lighting and magnifying materials that they use. So it's a mix depending on the inspection.

Q Okay. So what I am trying to understand here is in context of your testimony, where I asked you that question about your logic about saying it had to be Siemens, and it had to be 2012 or earlier. In contrast to the crawl-thru that would be similar type of testing, how would you have ensured that there was no path into the unit for a foreign material to be introduced in those post 2012 inspections?

A Well, I will tell you, the -- well, first off

the foreign material question is a good question, because it's -- two of the three causes have something to do with foreign material, whether it's a contaminant or whether it's the magnetic termite, the small particle.

And I first start off by saying that our Florida Power & Light Foreign Material Exclusion Program, it strives to maintain perfection even though we know perfection is not -- is not something that can always be achieved. We strive for it in great detail. In our assessment of our FME program is that it's strong, because what it does, Mr. Rehwinkel, when we operate and go into these maintenance activities, it has several key elements to it. It controls the environment, up to and including atmosphere controls, barricades, watches. When I mean watches, I mean people that actually are guarding the area so no one can go into the area, and they log things in and out of those areas.

We schedule the activity such that there is clear separation between demolition activities and rebuild activities. And in between those, we insert cleaning activities, vacuum, wash, inspection activities and testing activities to make sure that those items aren't there.

Once the construction activities are completed, all the witness points are done and all the testing is done, then we maintain that FME program any time we crack the doors to go, or break barriers to go into that machine, it's called our FME a zone, high critical zone, and we maintain those strict controls when we are getting into that machine, and so the same rigor applies.

Q Okay. And just for the record, you say FME, that's foreign material exclusion, is that right?

A Yes. Yes, that's correct, foreign material exclusion. It's basically establishing a surgical room type of atmosphere.

Q Can you clear up something for me in this context? I was going to ask it later, but I will go ahead and bring it up now.

I read several places in the RCE and maybe some of the other materials that the rewind was on-site?

A Yes.

(Whereupon, the hearing room lost live videoconference connection.)

BY MR. REHWINKEL:

Q Can you educate me on that, is were there some activities that you might consider rewind that were done at a factory or fabrication place versus actually on the

PSL 1 site?

A Yes. And so the actual coils themselves and the rewind kit is something that's built off-site at vendor facilities, and so -- and when I talk about insulation activities, Mr. Rehwinkel, some of them happen at the factory, when they do those coils and they build those coils out, and that laminated materials are those or those bindings, and they are insulated at the factory and brought to the site as a rebuild kit. Like the one we did in 2019, an entire rebuild kit was sent to the site, but that site was manufactured externally.

If by chance this contaminant was caught up in the resin of one of those items that was at the site, it took seven years for itself to work its way out of there, but it was underneath all of that banding material that I talked about.

So all of the build of the coils and the underneath, laying iron and such like that, is done external to the site, and then that comes to the site, the machine gets taken down to parade rest. And using those materials they build that machine back up again, and so that's exactly what that is.

Q Are you saying parade rest?

A Yeah, I probably shouldn't use a military term. You take it down to a hollow empty core of a

machine.

Q Okay. I am being told my audio is down. I don't know if --

A I can hear you just fine.

Q Okay.

MS. MONCADA: I can hear you fine, Mr. Rehwinkel.

MR. REHWINKEL: I don't see the Chairman.

THE WITNESS: It looks like --

MS. MONCADA: Yeah, we lost him.

COMMISSIONER BROWN: I had a message from the Chairman, he said that the audio is paused, the meeting is paused, we lost signal, so let's just hold on a moment.

MR. REHWINKEL: Okay.

MS. MONCADA: Sure.

COMMISSIONER BROWN: Why don't we take a 10-minute recess. Let's reconvene -- just stay on, we will reconvene at 2:30.

MR. REHWINKEL: Thank you.

(Brief recess.)

CHAIRMAN CLARK: All right. We are back. Thank you all for your indulgence. Sorry about that. I appreciate everybody's indulgence.

I am not certain at what point of the audio

went bad. I think y'all were continuing right along happily, and the rest of us were clueless. Mr. Rehwinkel, I will let you guess where you left off and where we need to go back to.

MR. REHWINKEL: Well, I am going to ask, just because I got a bunch of messages from people saying that they couldn't hear, but I think the discussion about the parade rest was heard in the hearing room, is that correct?

CHAIRMAN CLARK: Yeah, let's ask the court reporter, she would have been on-line.

MR. REHWINKEL: She heard everything, and she didn't know when you dropped, but I would ask -- Mr. Coffey said that the unit was taken down to parade rest. And then I asked him, did you say parade rest? And he said that it was a military term. And I was just wondering if that was heard in the hearing room. I am just trying to get an idea where we dropped.

CHAIRMAN CLARK: I don't think so. I don't recall that response.

MR. REHWINKEL: Okay. All right.

MR. HETRICK: Charles, you were going on for about three or four minutes before we could get anybody's attention --

MR. REHWINKEL: Okay.

MR. HETRICK: -- so sequence it backwards a bit. Thank you.

MR. REHWINKEL: Okay. Here's-- did you hear me ask Mr. Coffey about the on-site versus off-site work?

CHAIRMAN CLARK: Yes, the maintenance by Siemens?

MR. REHWINKEL: Yes. And there were some -- the resin work was done off-site, and it was a rewind kit brought back to the plant site, did you hear that?

CHAIRMAN CLARK: My last memory was you were on the robotics about was it a human or a robot going in the machine, that was the last part I remember.

MR. REHWINKEL: All right. If -- could the court reporter -- we can reconstruct this, because I know you have an obligation to put this out to the public, if the court reporter could read my question where I asked him -- I said I was going to talk about it later but I will do it right now, is to ask about how much of this work was done on-site.

(Whereupon, the court reporter read the

requested portion of the record.)

CHAIRMAN CLARK: I think -- I think we're there. Okay, let's pick up from that point. Everybody is kind of agreeing that we heard that part.

MR. REHWINKEL: Okay. So, Mr. Chairman, if you would like, I will just ask that question again.

CHAIRMAN CLARK: Yes, sir, please.

MR. REHWINKEL: Okay. Back on the record.

BY MR. REHWINKEL:

Q Mr. Coffey, I had seen some information that in, I think it was in the RCE and some of the other materials, that the rewind was done on-site, but can you tell me whether that was entirely true, or were there functions that were done on-site and off-site?

A Yes, there are rewind -- the rewind activities occur on-site and off-site. The type of activities that occur off-site have to do with the construction of the coils and the laminations, and insulating of those materials to construct them into a rebuild kit. That rebuild kit is then subsequently sent to the site.

And the activities that occur on-site is the demolition of the old generator that was damaged in a manner that you could still do forensics while you were

disassembling it, and then the reconstruction of it using the rebuild kit that was sent to the site.

And so if the -- if, for example, the one of the three causes was a particle that was introduced during manufacturing, that could have happened off-site when those coils were getting insulated, and then went when it was sent to the site it was built right into the machine. If not, when the machine was getting constructed out, then it would be one of those other two causes where it was constructed on-site in 2012.

Q We may have confused timelines. I am talking about in 2012 --

A Yes.

Q -- you talked about damage. The 2012 rewind was just to facilitate an uprate in the unit as well as the generator's capacity from 1,000 megawatts to 1,200 megawatts, is that right?

A Yes. That's true. But you would still order a rewind kit from the person that's doing it, and they would construct that rewind kit off-site, and then they would have that delivered to the site prior to the planned outage in 2012, and the same sequence would occur. The only difference between 2012 and 2019 is, is that it was done planned versus unplanned.

Q Okay.

MR. REHWINKEL: Mr. Chairman, would you beg -- can I beg your indulgence? Somebody is hammering outside my office, and I need to try to put a stop to it?

CHAIRMAN CLARK: Yes, sir. Please do.

MR. REHWINKEL: Can I take a brief pause?

(Discussion off the record.)

BY MR. REHWINKEL:

Q Well, thank you for -- for that clarification. We will come back to it in a little bit.

But just to go back to the event that occurred in April 25th that tripped the unit, you were running what was an hour-long reactive power test at PSL 1, is that right?

A That's correct. Yes.

Q Okay. And would it be correct to say that while the test was run, that the -- that while the test was being run at 100 percent real power and 55 percent reactive power, or 50 percent reactive power, you still ran the unit during that test within the D curves, or the generator capability curves, is that right?

A Yes. It was well within the generator capability curves. And we actually had a challenge to validate prior to doing any of that required testing that we would remain within them the entire time, and we

did.

Q Okay. So I don't want you to speculate, and if you can't answer this question, I understand.

No one has suggested that the reactive power test in any way caused the damage. It just was run at a high level that may have brought a magnetic termite, if that's what caused it, all the way through the insulation the last little bit, is that fair?

A I -- I don't -- I don't believe that to be correct, Mr. Rehwinkel. What I would -- what I would -- what I would say is, and it states it in the root cause, that there was a secondary forcing function, likely, in this case, vibration of the machine. And so if it were a contaminant or a particle, that that inherent vibration that exists with rotating machinery worked itself through to the point of failure at that time.

I am not sure that doing the reactive load testing would have contributed to that or not, but we were at that -- it was a prerogative failure, meaning it was occurring over many years, and then it just got to the point of failing underneath -- underneath the materials that hadn't failed.

Q Okay. And I just want to eliminate that. That's not really -- the reactive power test is not the cause in any way, no one identified it that way, right?

A No, it was not the cause. It was refuted as -- it was refuted as even contributing.

Q Okay. Can you -- we talked a little bit about the -- I think in your testimony, on page three, lines six through nine, you discuss an extent of condition review at Unit 2, and you did that as a result of the 2019 outage to see that the same conditions didn't exist there since both units were uprated at the same time; is that right?

A Yes. We did an extended condition on Unit 2. Not only did we do the extended condition review on Unit 2, we also had to do an extended condition on Unit 1. We could not be -- when we found out that one of those three causes, we also had to refute that we didn't have that in any other locations as we disassembled the machines. We didn't identify anything else on Unit 1. And we also took the testing that we did on Unit 2 and reviewed all the documents and testing that we had done on Unit 2 to make sure we didn't have a concern there either, so --

Q Okay.

A -- that's what we did.

Q Since -- well, when was the last time a reactive power test was run with PSL 2?

A I don't know -- I don't know the answer to

that question. I did not look at that up, Mr. Rehwinkel. But we run those tests in accordance with -- they are FERC mandated tests that we have to run for grid reliability. And so we -- we were within the interval of the FERC mandated test, but I don't recall the last time we had done that. They are done every couple of years.

Q Okay. And each unit has to do it, or do you get to select the unit?

A Yeah, each unit has to do it, and none of our sites are exempt from it.

Q Okay. Thank you.

So going back to the narrative. During the test, about 43 minutes into it, the -- a ground fault occurred and it tripped the unit, right?

A That's right. Yes.

Q And soon thereafter, you discovered the cause of the fault and -- and very shortly thereafter ordered a repair that required a complete rewinding of the generator; is that fair?

A Yeah. Yeah, shortly is a relative term. It took us nearly a week to find the cause, but yes.

Q Okay. Okay. And the -- the repair, I think, as you alluded to in your testimony, was -- was completed -- or the rewind, if you will, was completed

in a record time for Siemens for that type of unit of 49 days, is that right?

A That's right. The entirety of the outage was 57 days. And when we went and benchmarked all utilities that had done an unplanned generator rewind, the fastest one that we found on record was 90 days, and they ranged from 90 days all the way up to 190 days, and so our benchmarking led us to believe that we were almost twice as efficient as the next quickest unplanned rewind.

(Transcript continues in sequence in Volume 3.)

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 5th day of November, 2020.

DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #HH31926
EXPIRES AUGUST 13, 2024