



Dianne M. Triplett
DEPUTY GENERAL COUNSEL

April 2, 2024

VIA ELECTRONIC FILING

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

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

Dear Mr. Teitzman,

Attached for filing on behalf of Duke Energy Florida, LLC's ("DEF") in the above-referenced docket is the Direct Testimony of Melissa Seixas.

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

(Document 2 of 40)

Respectfully,

/s/ Dianne M. Triplett

Dianne M. Triplett

DMT/mw
Attachment

Attachment

CERTIFICATE OF SERVICE

Docket No. 20240025-EI

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

/s/ Dianne M. Triplett
Dianne M. Triplett

<p>Jennifer Crawford / Major Thompson / Shaw Stiller Office of General Counsel Florida Public Service Commission 2540 Shumard Oak Blvd. Tallahassee, FL 32399-0850 JCrawfor@psc.state.fl.us MThomпсо@psc.state.fl.us SStiller@psc.state.fl.us</p>	<p>Walt Trierweiler / Charles J. Rehwinkel / Mary Wessling / Austin Watrous Office of Public Counsel 111 W. Madison St., Rm 812 Tallahassee, FL 32399 rehwinkel.charles@leg.state.fl.us trierweiler.walt@leg.state.fl.us watrous.austin@leg.state.fl.us wessling.mary@leg.state.fl.us</p>
<p>Jon C. Moyle, Jr. Karen A. Putnal Moyle Law Firm, P.A. 118 North Gadsden Street Tallahassee, Florida 32301 jmoyle@moylelaw.com kputnal@moylelaw.com</p>	<p>Bradley Marshall Jordan Luebkekmann Earthjustice 111 S. Martin Luther King Jr. Blvd. Tallahassee, Florida 32301 bmarshall@earthjustice.org jluebkekmann@earthjustice.org</p>

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

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

**DIRECT TESTIMONY
OF
MELISSA SEIXAS**

ON BEHALF OF DUKE ENERGY FLORIDA, LLC

1 **I. INTRODUCTION AND PURPOSE**

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

3 A. My name is Melissa Seixas. My business address is 299 First Avenue North, St.
4 Petersburg, Florida 33701.

5

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

7 A. I am employed by Duke Energy Florida, LLC (“DEF” or the “Company”), as the
8 State President.

9

10 **Q. What are your responsibilities in that position?**

11 A. I lead the regulated electric utility business in Florida, which serves nearly 2
12 million electric customers. I am responsible for the Company’s financial
13 performance, as well as managing regulatory affairs, rates and regulatory filings,
14 state and local government affairs, and community relations.

15

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

17 A. I hold a Bachelor’s Degree in American History from Eckerd College and a
18 Master’s Degree in American History from the University of South Florida. My
19 executive training includes a Corporate Social Responsibility (“CSR”)
20 certification from Johns Hopkins University, and programs with the Edison
21 Electric Institute and Georgetown University’s McDonough School of Business. I
22 have over 35 years of utility experience, primarily in government and community
23 relations. I began my career in 1986 with Florida Power Corporation (later to
24 become Progress Energy and then Duke Energy) as a draftsman for the then-
25 distribution (now customer delivery) department. Since, I have served in numerous

1 customers facing/supporting roles with increasing leadership responsibilities. Prior
2 to assuming my current position in February 2021, I served as the Vice President
3 of Government and Community Relations in Florida. I directed efforts to
4 strengthen relationships with local municipal, community, and civic organizations,
5 as well as business leaders throughout the company's 35-county service area.
6

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

8 A. The purpose of my testimony is to discuss DEF's need for a base rate increase. Our
9 customers benefit from the investments DEF has made over the last several
10 decades and are receiving more reliable, resilient, and cleaner power than ever
11 before. DEF is committed to maintaining this trajectory in the most cost-efficient
12 manner possible by continuing to: (1) add solar generation and energy storage
13 capacity; (2) make the energy grid even more reliable and resilient; and (3)
14 improve the efficiency and flexibility of existing generating plants to help lower
15 fuel costs while proactively managing the changing grid. Despite DEF's efforts to
16 minimize costs, DEF must request a rate increase from the Florida Public Service
17 Commission ("Commission"). DEF understands the impact that requesting a base
18 rate increase has on our customers and it is not something that the Company takes
19 lightly, as we know customers trust us to manage our costs and spend what is
20 necessary to provide the safe and reliable service they depend on. However, to
21 maintain this level of service, DEF must request an increase.
22

1 **Q. Do you have any exhibits to your testimony or sponsor any Minimum Filing**
2 **Requirements (“MFRs”) in this proceeding?**

3 A. I do not have any exhibits, but I do sponsor MFR F-9: Public Notice. This MFR is
4 true and accurate, subject to being updated throughout the course of this
5 proceeding.

6

7 **Q. Would you please summarize your testimony?**

8 A. Yes. The Company is requesting additional revenue to continue customer-centric
9 investments that provide customer savings and deliver reliable clean energy as well
10 as expanded options that enhance the customer experience. This is all made
11 possible by our approximately 3,700 dedicated and engaged employees who live
12 and/or work in the communities we serve.

13 In my direct testimony I provide: (1) an overview of our customer driven focus
14 on operational excellence, cost control, clean energy transformation, and
15 enhancing the customer experience; (2) a description of DEF’s 2021 Settlement
16 Agreement¹ and how that agreement benefitted our customers; and (3) a summary
17 of DEF’s rate case filing, including an introduction of the other witnesses and key
18 topics they cover in their direct testimony.

19

20 **II. DEF DESCRIPTION AND CORE VALUES**

21 **Q. Please describe DEF.**

¹ Approved in Order No. PSC-2021-0202-AS-EI

1 A. DEF is a wholly owned subsidiary of Duke Energy Corporation. DEF has been
2 powering the lives of Florida customers (though its predecessor companies St.
3 Petersburg Electric Light & Power Company, Florida Power Corporation, and
4 Progress Energy Florida) since 1899. DEF provides retail electric service to nearly
5 2 million customers across 35 counties in Florida. DEF is subject to regulation by
6 this Commission and the Federal Energy Regulatory Commission.

7 The Company operates 68 generating units, including nine combined cycle power
8 blocks, two coal-fired steam units, two gas-fired steam units, one cogeneration
9 facility, 34 simple cycle combustion turbines (“CTs”) and 20 regulated solar sites.
10 Mr. Reginald D. Anderson describes these assets in more detail in his testimony.
11 DEF’s transmission system, as described by Mr. Edward L. Scott in his testimony,
12 consists of approximately 5,300 circuit miles of transmission lines, including 500
13 kV, 230 kV, 115 kV and 69 kV lines, transmission substations, towers, poles and
14 related equipment and material. DEF also owns, maintains, and operates
15 approximately 18,000 circuit miles of overhead primary voltage distribution
16 conductors, approximately 16,000 miles of underground primary voltage
17 distribution cable, distribution substations, and related poles, transformers,
18 secondary cables, secondary wires, and other materials and equipment, such as
19 bucket trucks, to provide reliable service as explained by Mr. Brian Lloyd in his
20 testimony.

21

22 **Q. What are DEF’s core values?**

1 A. At DEF we are consistently focused on: (1) Operational Excellence; (2) Enhancing
2 our Customers' Experience; and (3) Employee & Stakeholder engagement. These
3 core values help us power the lives of our customers and the vitality of our
4 communities. At the very foundation of our Company is a commitment to deliver
5 reliable energy to our customers and communities. It is a tremendous privilege to
6 be trusted with providing this essential service and we are committed to providing
7 our customers with reliable, cost efficient, and increasingly clean energy. DEF
8 continues to improve the reliability and resiliency of the grid in the face of more
9 frequent extreme weather events while at the same time evaluating and
10 implementing ways to stabilize our customers' costs.

11

12 **Q. Has Duke Energy received any awards?**

13 A. Yes. Duke Energy is the proud recipient of many awards, which further
14 demonstrate our commitment to each of our core values. The awards range from
15 focus on employees to sustainability and storm response. A non-exhaustive list is
16 included below:

#	Description	#	Description
1	America's Best Employers by Forbes.	10	National Society of Black Engineers (NSBE) SEEK Award.
2	America's Best Employers for Women by Forbes.	11	No. 1 among U.S. utilities for investor transparency by Labrador Advisory Services.
3	America's Most JUST Companies in 2024 by JUST Capital (ranking 57th overall)	12	SAP Industry Innovation Award.
4	Best Companies for Diversity by Black Enterprise.	13	Top 10 Utilities in Economic Development from Site Selection Magazine's Annual List.
5	Best Employers for Diversity by Forbes.	14	Top 300 Most Responsible American Companies by Newsweek.
6	Best Places to Work for LGBTQ Equality by the Human Rights Campaign.	15	Top 50 Employers by CAREERS & the disABLED Magazine.
7	Emergency Recovery Award by Edison Electric Institute.	16	Top Employer for Female Engineers by Woman Engineer Magazine.
8	Employer Support Freedom Award by the U.S. Secretary of Defense.	17	World's Most Admired Companies by Fortune.
9	Named to the Dow Jones Sustainability Index multiple years in a row.		

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III. OPERATIONAL EXCELLENCE AND CUSTOMER SERVICE

4

Q. What is Operational Excellence?

5

A. Operational Excellence cuts across multiple business units and functions. At every step of generating, transmitting, and distributing energy, DEF has a relentless commitment to performing tasks safely, reliably, and efficiently. Operational Excellence empowers us to exceed customer and stakeholder expectations by operating safely, reliably, and cost efficiently. Operational Excellence establishes operational discipline through organizational alignment, and behaviors.

11

12

Q. Please provide some examples of how DEF's Regulated & Renewable Energy (RRE) group meets the Operational Excellence core value.

13

14

A. DEF's generation fleet has undergone a significant transformation over the last five years as it has evolved into a cleaner, more efficient, and more capable fleet.

15

1 Since 2018 the generation fleet heat rate, which measures the unit efficiency, has
2 improved as we retired some higher heat rate coal units, improved the efficiency
3 of our gas units, and incorporated new solar generation. The RRE team has also
4 been able to maintain or even reduce operating expense associated with the day-
5 to-day operations of the fleet even as new generation has been added. This
6 transformation is explained in Mr. Reginald Anderson’s testimony.

7
8 **Q. How have the Customer Delivery and Transmission teams demonstrated**
9 **Operational Excellence?**

10 A. As detailed in Mr. Brian Lloyd’s and Mr. Edward Scott’s testimonies, DEF utilizes
11 reliability data to assess and track the performance of our distribution and
12 transmission systems using generally accepted reliability measures or indices in
13 the electric utility industry. One of the main metrics utilized for both distribution
14 and transmission is System Average Interruption Duration Index (“SAIDI”),
15 which reflects the average number of minutes each customer was without power
16 during a given period. Over the 6-year period from 2018-2023, DEF distribution
17 SAIDI has improved 27 percent. The Transmission Grid has also shown significant
18 improvement with Transmission Grid SAIDI decreasing by 50% and Outages per
19 Hundred Miles per Year – Sustained Automatic (“OHMY-SA”) improving by
20 14% since 2018.

21
22 **Q. Please discuss DEF’s storm response efforts.**

1 A. DEF continuously prepares for storms throughout the year. Our team conducts
2 annual exercises to prepare for major weather events that have the potential to
3 disrupt electric service to customers in Florida. The drills are intended to assess
4 the preparedness of the Transmission and Customer Delivery teams to respond to
5 major weather events as well as the effectiveness of the response plans.
6 Identification of knowledge, tool, and/or process gaps to be addressed prior to the
7 start of each hurricane season is a key outcome of the exercises.

8 DEF works with state and local emergency operations centers (“EOCs”) and
9 elected officials year-round to ensure our communities are prepared and we are
10 prepared to meet those stakeholders’ needs and expectations. Prior to storm season
11 commencing, we meet with the county EOCs to ensure they are aware of any
12 changes we may have made to our storm responses processes. These meetings also
13 provide an opportunity for our Community Relations Managers and EOC
14 representatives to be abreast of any change in county staff.

15 During emergencies, our customers count on us the most. Public safety and critical
16 infrastructure are our top priorities during any restoration. Every employee has a
17 responsibility to respond when called. We use several different communication
18 mediums to relay information to our customers prior to, during, and after a storm.
19 These include press releases, social media, and direct customer communication.
20 We believe it is important for our customers to have the most accurate and up to
21 date outage and restoration information. Throughout a storm, our team provides
22 support and information to our EOCs, state and local elected officials, key
23 stakeholders, and all customers. As we have experienced in prior storms, the

1 constant flow of communication out of the county EOCs, into our Storm Rooms is
2 key to having successful restoration activities.

3 Our grid strengthening work continues to improve reliability for our customers,
4 enhance our storm response, and help us provide better information when outages
5 do occur. Self-Optimizing Grid investments have helped Florida customers avoid
6 7.6 million minutes of interruption during Hurricane Idalia. During Hurricanes Ian
7 and Nicole, our self-healing technology helped avoid nearly 215,000 extended
8 customer power outages, saving more than 200 million minutes of total lost outage
9 time.

10 Our team rapidly responded to Hurricane Ian, restoring nearly 1 million customers
11 within three days of the storm exiting the state. Twelve hours after Hurricane
12 Nicole exited our service territory, we restored 98% of customers. The Edison
13 Electric Institute awarded DEF its Emergency Recovery Award for DEF's
14 response to Hurricane Nicole.

15 Most recently on August 30, 2023, Hurricane Idalia made landfall near Keaton
16 Beach in Taylor County, quickly moving ashore between Perry and Salem, with
17 maximum sustained winds of 125 mph. In total, Hurricane Idalia impacted more
18 than 185,000 customers in DEF's service territory which were restored as quickly
19 and safely as possible.

20 Following the devastation of Hurricanes Ian and Idalia, the Duke Energy
21 Foundation via shareholder dollars gave \$745,000 to support local recovery and
22 disaster relief efforts in Florida. This is in addition to \$823,000 in grants the
23 company provided since 2021 to support emergency operations centers and

1 nonprofits dedicated to helping residents prepare for and recover from severe
2 weather events.

3 These results are made possible by the dedication of our employees and the
4 investments this Commission approves for the benefit of customers. These
5 investments are critical for maintaining a cost-effective, safe, reliable, and
6 increasingly cleaner electric service to our customers. In order to make these
7 capital investments possible, DEF must maintain strong, investment-grade credit
8 quality to assure its financial strengths and flexibility and ensure access to capital
9 on reasonable terms, as explained in detail by Mr. Karl Newlin in his testimony.

10
11 **Q. How does the Company view Customer Service?**

12 A. DEF works tirelessly to provide high-quality customer service. Our customers are
13 at the center of the decisions we make. DEF will continue to enhance the customer
14 experience by building on existing connections with all customers, soliciting
15 customer feedback, being mindful of evolving customer expectations, working to
16 anticipate customer needs, leveraging emerging technologies, and offering
17 dynamic solutions to customer issues. Our employees, who live and work in the
18 communities we serve, along with our Community Relations, Large Account
19 Managers, and Public Affairs teammates who are directly connected to our
20 communities, allow DEF to understand emerging issues, address customers'
21 evolving expectations, inform or confirm business decisions, and build
22 relationships and trust. DEF's investments and programs regarding the customer
23 experience are further explained by Ms. Lesley Quick.

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Q. How has DEF improved the customer experience?

A. DEF launched a number of digital tools aimed at improving interactions with our customers. Since launching the advanced language Interactive Voice Response (“IVR”) system in 2019, the Company has learned that customers want the ability to self-serve while navigating seamlessly through the IVR. Existing self-service functionality, such as requesting a payment arrangement and reporting a power outage, was improved via voice activated prompts, helping to provide a more positive customer experience. Customer Connect was introduced in fall of 2021 to provide a modern, configurable billing engine that personalizes the customer experience. Customers now have the flexibility to receive additional text notifications, including but not limited to, tree trimming information, bill reminders, and street light repairs. Also in 2021, DEF launched a new Street and Area Light Repair platform which allows both customers and call center specialists to easily report streetlight issues. This platform received a 2022 Best Practices Awards in Outage Restoration by Chartwell, a company that works with utilities to improve customer experience, satisfaction, and operational efficiency. Most recently in February 2024, DEF’s Web Portal added a live chat feature upon the successful completion of a pilot program in 2023.

As outlined in Ms. Lesley Quick’s testimony, DEF utilizes several tools to measure overall customer satisfaction as well as identifying potential areas of improvements from a customer perspective. These tools include both national

1 benchmarking studies and proprietary relationship and transactional customer
2 satisfaction (“CSAT”) studies, CX Monitor surveys, and “Fastrack 2.0.”

3
4 **Q. How does DEF assist customers to pay their bills?**

5 A. DEF recognizes our customers have diverse needs and we strive to accommodate
6 those needs when possible. A variety of billing and payment options are offered to
7 make paying bills simple, secure, and convenient.

8 For example, there are multiple programs and assistance options designed to
9 support our low-income customers. These programs connect our customers with
10 assistance agencies that administer the Low-Income Home Energy Assistance
11 Program (“LIHEAP”) and Elderly Home Energy Assistance Program (“EHEAP”).

12 In 2023, DEF collected approximately \$27 million in pledges towards customer
13 electricity bills, as stated in Ms. Lesley Quick’s testimony. Since 2020, Duke
14 Energy and our foundation have funded more than \$27.5 million in charitable
15 giving across the state of Florida. ²

16 One of the programs specially designed to assist our income-eligible customers is
17 the innovative Neighborhood Energy Saver program. This program is offered to
18 residential customers (both homeowners and renters) living in communities
19 objectively identified as areas where the program would be most beneficial using
20 federal and state guidelines and census data. Through this program DEF will assess
21 each home to determine if it qualifies for free attic insulation, duct sealing and
22 more. Since the Neighborhood Energy Saver program’s inception in 2006, the

² Charitable giving from the Duke Energy Foundation is not recovered from customers.

1 Company has implemented it in more than 65 communities across Florida and
2 installed more than 700,000 energy efficiency improvements in more than 49,000
3 income-eligible customers' homes.
4

5 **IV. EMPLOYEE AND STAKEHOLDER ENGAGEMENT**

6 **Q. How does DEF approach employee engagement?**

7 A. DEF has deep roots in the communities we serve, which is formed by our
8 dedication to help build and nurture the places we call home. DEF has
9 approximately 3,700 dedicated and engaged employees and close to 3,800 retirees
10 that live and/or work in the communities we serve. Our employees deliver critical
11 services to our customers every day. We believe when employees are engaged,
12 they are motivated to show up to work every day to contribute to our purpose of
13 powering the lives of our customers and the vitality of our communities. Just like
14 our customers, our employees want to feel heard, included, and enabled.

15 Additionally, DEF encourages employees to participate in Employee Resource
16 Groups (“ERGs”) which are networks of employees formed around a common
17 dimension of diversity. The goals and objectives of ERGs align with the
18 Company’s mission, values, and priorities. Throughout the year, Florida ERGs
19 participate in numerous local events to support initiatives focused on supporting
20 our communities and connecting our employees to causes that are close to their
21 hearts. ERGs help DEF value the differences among employees, customers, and
22 the communities we serve.
23

1 **Q. Please describe DEF's efforts to maintain a robust employee pipeline.**

2 A. Our most valuable asset is our people, and they are the foundation of our Company.
3 DEF is constantly working to attract a future workforce that will have the skills
4 necessary to build and maintain a changing energy infrastructure. DEF attends
5 career fairs at major Florida universities such as USF, UCF, UF, and FAMU to
6 recruit quality candidates. Also, recruiting through lineworker programs, like the
7 one we have with St. Petersburg College, and other similar high-caliber State
8 college programs helps ensure we develop a skilled workforce that is
9 representative of the communities we serve. DEF hires between 40-100
10 Apprentices each year to advance Line Technicians and replenish the attrition we
11 experience. Mr. Brian Lloyd further explains this program in his testimony.

12 DEF is also proud to stand with the 1.5 million veterans throughout Florida, and
13 this includes more than 360 DEF employees who have served or are currently
14 serving in the military. We have a long history of providing career opportunities
15 to our military, including transitioning military service members, veterans, and
16 military spouses. "Together We Stand," our internal veteran-network group,
17 includes over 450 members, mentors, and new hires, works to help veterans adjust
18 to Duke Energy's culture, and eases the transition to civilian life.

19
20 **Q. How does DEF engage with external stakeholders?**

21 A. At DEF, we believe that we achieve better outcomes through collaboration and
22 engagement, especially when we work closely with the organizations and leaders
23 that are trusted and valued within the communities we serve. Based on our

1 experiences, we know transparency, inclusivity, trust, collaboration, and patience
2 are some of the key components to building relationships and unlocking new
3 possibilities within our communities. We are committed to serving as a strong
4 community partner, actively working to help ensure the communities we operate
5 in are valued and respected. DEF proactively engages with our stakeholders by
6 listening, seeking feedback, and responding to questions and concerns. Our plans
7 to build a smarter energy future for our customers and communities are developed
8 through collaboration with stakeholders and actions we believe are necessary to
9 maintain reliability on which our customers depend.

10 DEF understands that our infrastructure projects can have significant impacts on
11 the public. We seek opportunities for public input and ways to engage with the
12 public at every stage of our projects. We use multiple channels for communications
13 which depend on the specific project or initiatives. Some of these include letters
14 and postcards, web sites, automated calls and text, door-to-door outreach, social
15 media, and one-on-one meetings with groups such as homeowners' associations or
16 community associations. By involving the public and diverse stakeholders early
17 and often, we hope to foster collaboration and look for ways to mitigate impacts
18 as much as possible.

19 DEF has Government and Community Relations Managers who live and work in
20 the communities we serve because we recognize that different communities have
21 different needs. Having these individuals at the ground level in our communities
22 allow us to get first-hand knowledge and experience on the issues that matter to
23 our customers.

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V. TRANSFORMATION – PAST AND FUTURE

Q. What was the 2021 Settlement Agreement, and how did it allow DEF to transform its business?

A. The 2021 Settlement Agreement was a comprehensive agreement, reached with a wide range of customer groups and approved by the Commission, that allowed the Company to continue investments while moderating rate impacts for customers. The 2021 Settlement Agreement facilitated additional base rate investments across our system to maintain reliability and meet customer demands. These investments and their positive impact for our customers are covered in detail in the testimonies of Mr. Brian Lloyd, Mr. Edward Scott, Mr. Reginald Anderson, Ms. Vanessa Goff, and Ms. Lesley Quick. In general, DEF has been able to continue to modernize the grid and improve reliability; added 600 MWs of solar generation to the system; introduced innovative programs for our customers, like Customer Connect and made enhancements to our IVR and online portal systems; and implemented the Vision Florida Pilot program to support innovative technologies. Finally, the settlement allowed DEF to leverage DOE funds to defer otherwise appropriate and necessary base rate increases, as explained in the testimony of Ms. Marcia Olivier.

Q. You mentioned the building of solar plants. Please provide more details on those solar investments.

A. As explained in the testimonies of Mr. Reginald Anderson and Ms. Vanessa Goff, between 2022 and 2023, DEF placed in service eight solar sites resulting in an

1 additional 600 MWs of solar generation to our system. At the end of 2024, DEF's
2 solar generation fleet will consist of a combined investment of over \$2 billion in
3 grid-tied solar power plants providing about 1,500 MWs of emission free, clean
4 generation with approximately 5 million solar panels installed across DEF's
5 service area. This continued commitment to solar investments is also creating fuel
6 savings for our customers, as explained in further detail in Mr. Benjamin Borsch's
7 testimony.

8
9 **Q. What else has DEF accomplished since the 2021 Settlement Agreement?**

10 A. As detailed in Mr. Reginald Anderson's testimony, DEF recently completed a heat
11 rate improvement project at the Osprey plant. The project involved installing some
12 of the newest combustion technology, resulting in an increased unit capacity of
13 approximately 55 Megawatts, bringing the plant total output to about 650
14 Megawatts. The increased unit efficiency translates into fuel savings to benefit our
15 customers.

16
17 **Q. Does DEF plan to continue its investment in solar?**

18 A. Yes, as explained by Ms. Vanessa Goff and Mr. Benjamin Borsch, DEF plans to
19 build 14 additional solar facilities in the 2025-2027 test years. Upon completion of
20 these solar facilities, nearly 15% of DEF's generation will come from solar energy,
21 which will be enough to power over 500,000 residential customers with clean,
22 cost-effective energy. These plants will provide approximately \$550 million in

1 cost effective savings for our customers, while also reducing fuel costs and
2 increasing fuel diversity on DEF's system.

3
4 **Q. What other transformative measures does DEF intend to undertake?**

5 A. This rate case request will facilitate additional heat rate efficiency projects, like
6 the one discussed above. As explained by Mr. Reginald Anderson, some of the
7 requested capital investment will fund additional projects at our combined cycle
8 units, Bartow, Citrus, Hines, Osprey, and Tiger Bay.

9 In addition, DEF will invest in an innovative battery energy storage system
10 ("BESS") project, the Powerline BESS Project, which is a 100-Megawatt lithium-
11 ion energy storage facility with a 2-hour duration maintained over the asset life.

12 This project is further described in Mr. Hans Jacob's testimony.

13
14 **VI. RATE REQUEST**

15 **Q. What steps has DEF taken to control costs and mitigate financial impacts to**
16 **its customers?**

17 A. As explained above in connection with the 2021 Settlement Agreement, DEF
18 routinely looks for ways to mitigate rate increases to customers. One such example,
19 as explained in more detail by Ms. Marcia Olivier, was the treatment of expected
20 Department of Energy ("DOE") litigation proceeds. By accelerating those funds
21 and giving customers the benefit of those funds, DEF was able to avoid a rate
22 increase that was otherwise necessary. In addition, as explained by Mr. Reginald
23 Anderson, Mr. Brian Lloyd, Mr. Ed Scott, Ms. Vanessa Goff, and Mr. Michael

1 O'Hara, the Company continually looks for ways to drive costs out of the business.
2 This is reflected by the mostly flat operating and maintenance ("O&M") expenses
3 across the last five years. The Company also maintains a strong balance sheet and
4 good credit rating, which lowers the cost of borrowing money, as explained further
5 by Mr. Karl Newlin. Witness Newlin also describes the importance to customers
6 of DEF maintaining its financial strength so as to continue to provide cost-
7 effective, safe, reliable, and increasingly cleaner electric service.

8
9 **Q. What are the primary drivers for DEF's rate increase request?**

10 A. DEF remains committed to providing customers electric service in the most cost-
11 efficient manner possible by continuing to: (1) add solar generation and energy
12 storage capacity; (2) make the energy grid even more reliable and resilient; and (3)
13 improve the efficiency and flexibility of existing generating plants to help lower
14 fuel costs while proactively managing the changing grid. DEF is also prudently
15 exploring developing technologies to be better prepared for the future.

16 DEF will invest \$1.5 billion in 1,050 Megawatts of new solar generation capable
17 of powering more than 300,000 homes at peak production from 2025-2027. This
18 investment includes fourteen (14) new 74.9-Megawatt solar power plants plus a
19 100-Megawatt energy storage project capable of releasing up to 200 Megawatt-
20 Hours of energy every day. The cost of these additional solar power plants is
21 partially offset by available production tax credits, and the energy storage project
22 is eligible for investment tax credits, both from the Inflation Reduction Act, as
23 further discussed by Mr. John Panizza. As a result, DEF customers will receive

1 reliable, clean solar power generation at a reduced cost that otherwise would not
2 be available to them. These investments are explained in more detail by Ms.
3 Vanessa Goff and Mr. Benjamin Borsch.

4 DEF will also invest \$3.3 billion from 2025 through 2027 in its transmission and
5 distribution systems to continue to provide reliable, safe electric service to
6 customer homes and businesses. These investments will ensure these systems can
7 provide reliable and safe electric service directly to the customer under the
8 transition to cleaner generation sources spread more widely across DEF's service
9 area, including at the customer's own location from solar rooftop generation.
10 These investments are further described by Mr. Brian Lloyd and Mr. Edward Scott.

11 DEF must continue to invest in its existing generation fleet for its customers. DEF
12 also plans to invest \$113 million in advancements in combustion turbine
13 technology at its existing combined cycle generation plants to increase generation
14 capacity by an additional 428 Megawatts by 2026. This additional combined cycle
15 generation resulting from improvements in combustion turbine technology will
16 provide generation that can more readily meet changes in load on DEF's system
17 and will generate fuel savings for DEF's customers. Mr. Reginald Anderson
18 further describes these investments in his testimony.

19 In addition to the major cost drivers described above, DEF faces increasing long-
20 term debt interest rates, increasing depreciation expense, declining wholesale
21 sales, and the amortization of deferrals from the 2021 Settlement Agreement that
22 are driving incremental revenue requirements in 2025 through 2027. These factors
23 are further described in Ms. Marcia Olivier's testimony.

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Q. What is the ultimate increase that your Company is seeking in this rate case?

A. DEF is requesting an increase of \$593 million beginning January 1, 2025, \$98 million beginning January 1, 2026, and \$129 million beginning January 1, 2027. These increases will facilitate the investments described above, and in the testimonies of DEF’s other witnesses, to continue to transform DEF’s system to continue providing safe and reliable service to its customers.

Q. Is this rate request necessary for the Company to maintain a strong financial position?

A. Yes, and it is important to DEF’s customers that we maintain that strong financial position. DEF is investing and will continue to invest in our infrastructure to make it more resilient, smarter, cleaner, and more efficient. It is our responsibility to plan ahead and make these important investments efficiently and prudently. To deliver on these promises, it is critical that we maintain a strong financial position and thereby ensure that the Company has the financial strength and flexibility to not only fund long-term capital requirements, but to ensure the ability to meet short-term funding needs as well. The single-most determinative factor of a healthy balance sheet and strong financial position is timely recovery of costs and the ability to generate cash flows sufficient to meet obligations as they become due, in all market conditions.

The Company is therefore requesting a capital structure of 53% equity and 47% debt with a return on equity (“ROE”) of 11.15%. In support, Mr. Karl Newlin

1 presents testimony explaining how the Company can attract debt and equity
2 investors on appropriate terms. The cost of long-term debt is directly supported by
3 the Company's financial strength, cash flows, market access, and attractive credit
4 ratings. In a rising interest rate environment, the lower the Company's long-term
5 debt rate the more beneficial to customers, which is one example that demonstrates
6 the importance of attracting capital on reasonable terms to fund the projects needed
7 to serve our customers. Mr. Adrien McKenzie presents testimony supporting his
8 conclusion that cost of capital should be set at a return on equity of 11.15%.

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10 **Q. Who are the other witnesses presenting testimony in support of the**
11 **Company's application in this proceeding?**

12 **A.** The Company's other witnesses filing direct testimony in support of this case are:

- 13 1. Adrien McKenzie: return on equity and capital structure expert;
- 14 2. Brian Lloyd: necessary investments for distribution or Customer Delivery, as
15 well as reliability performance;
- 16 3. Benjamin Borsch: integrated resource planning, load and sales forecasts, and
17 cost-effectiveness for proposed solar units;
- 18 4. Edward Scott: necessary investments for transmission, as well as reliability
19 performance;
- 20 5. Hans Jacob: battery storage investment;
- 21 6. James McClay: asset optimization mechanism;
- 22 7. Jeffrey Kopp: dismantlement cost expert;
- 23 8. John Panizza: tax issues including production tax credits;

- 1 9. Karl Newlin: cost of capital, capital structure, and financing objectives;
- 2 10. Lesley Quick: customer service and customer programs;
- 3 11. Marcia Olivier: revenue requirements and cost of service;
- 4 12. Matt Chatelain: rate design and proposed tariff changes;
- 5 13. Michael O'Hara: forecasting methodology;
- 6 14. Ned Allis: depreciation expert;
- 7 15. Nicole Aquilina: historic accounting practices and books;
- 8 16. Rebekah Buck: service company and affiliate allocations;
- 9 17. Reginald Anderson: necessary investments for generation or RRE, as well as
- 10 plant performance;
- 11 18. Shannon Caldwell: total compensation, benefits, and human resources;
- 12 19. Tim Duff: electric vehicle off-peak credit program; and
- 13 20. Vanessa Goff: solar unit development.

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

16 **A. Yes.**

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