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 Nicole Aquilina and Exhibit No. NA-1.

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 6 of 40)

Respectfully,

/s/ Dianne M. Triplett

Dianne M. Triplett

DMT/mw

Attachments

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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

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Duke Energy Florida, LLC	**Docket No. 20240025-EI** **Submitted for filing: April 2, 2024**

DIRECT TESTIMONY

OF

NICOLE AQUILINA

On Behalf of Duke Energy Florida, LLC

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Nicole Aquilina. My business address is 525 South Tryon Street, Charlotte, North Carolina 28202.

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

A. I am employed by Duke Energy Business Services, LLC ("DEBS") as Accounting Manager II, providing accounting leadership for Duke Energy Florida, LLC ("DEF" or the "Company"). DEF is a subsidiary of Duke Energy Corporation ("Duke Energy").

Q. Please summarize your education and professional qualifications.

A. I graduated from The College of New Jersey with a Bachelor of Science in Finance. I have 16 years of professional experience in various accounting roles. Nine of those years have been with Duke Energy. I was named to my current position at DEF as Accounting Manager II in May 2023. Prior to that, I was the Accounting Manager II of Gas Utilities and Infrastructure, which included Duke Energy Ohio Gas, Duke Energy Kentucky Gas, and Piedmont Natural Gas.

Q. Please briefly describe your duties as Accounting Manager II.

A. I am responsible for ensuring that the accounting impacts of the Company's business activities and transactions are understood and properly recorded to the general ledger, and that such accounting impacts, as well as any applicable related variances to budget and prior year results, are clearly explained and properly presented in internal and external financial reports. I am also responsible for ensuring that the accounting team performs its tasks in an accurate and timely manner in accordance with published deadlines while strictly adhering to Company policies and controls.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to address and support accounting issues in this rate case. I also explain why DEF is not submitting a nuclear decommissioning study. In addition, I address components of the Company's dismantlement study. Finally, I address the Company's pension settlement deferral that was initially requested in the 2017 Settlement.[1]

Q. Have you prepared any exhibits to your testimony?

A. Yes, I have prepared or supervised the preparation of Exhibit NA-1, which is a list of the MFRs I sponsor or co-sponsor in this rate proceeding. I also sponsor sections 1 through 6 of the fossil dismantlement study, which is included as Exhibit JTK-2 to witness Jeffrey Kopp's testimony. These exhibits are true and accurate, subject to being updated during the course of this proceeding.

Q. Please summarize your testimony.

A. First, I address various accounting matters related to this rate request, including the Company's books, the general ledger, historical year, and exhibits. Second, I explain why no nuclear decommissioning study is being filed and no accrual is being requested. Third,

[1] Approved in Order No. 2017-0451-AS-EU.

I address the Dismantlement Study, which was prepared by witness Jeffrey Kopp of 1898 & Co., part of Burns & McDonnell Engineering Company, Inc. Finally, I address the Company's Pension Accounting and Pension Settlement Charges Regulatory Asset, which was initially deferred during the Company's 2017 Settlement, and the amount of amortization included in the 2025, 2026, and 2027 test years for this asset. The Company is requesting approval to continue deferring and amortizing future pension settlement charges in this rate case filing.

II. <u>DEF'S ACCOUNTING BOOKS</u>

Q. What is DEF's financial position at December 31, 2023?

A. The Company's financial position and operating results for the twelve months ending December 31, 2023 (the "Historical Year") are set forth in MFR Schedules B-3 and C-6.

Q. Are you familiar with the accounting procedures and books of account of DEF?

A. Yes. The books of account of DEF follow the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission ("FERC"). This Uniform System of Accounts has been adopted by the Florida Public Service Commission ("FPSC" or "Commission") and is followed by the investor-owned utilities subject to the Commission's jurisdiction.

Q. What steps does the Company take to ensure that its books and records are accurate and complete?

A. DEF maintains and relies upon an extensive system of internal accounting controls and audits by both internal and external auditors. The system of internal accounting controls provides reasonable assurance that all transactions are executed in accordance with management's authorization and are recorded properly.

The system of internal accounting controls is reviewed annually, tested, and documented by the Company to provide reasonable assurance that amounts recorded on the books and records of the Company are accurate and proper. In addition, independent certified public accountants perform an annual audit to provide assurance that internal accounting controls are operating effectively and that the Company's financial statements are materially accurate.

Q. Do the Company's MFRs accurately reflect the books and records of the Company?

A. Yes, the historical information provided in the MFRs was obtained from the Company's official books and records and is therefore subject to the accounting controls I explain above.

III. <u>NUCLEAR DECOMMISSIONING</u>

Q. WHAT AMOUNT OF NUCLEAR DECOMMISSIONING EXPENSE IS INCLUDED IN DEF'S PER BOOKS AMOUNT FOR DEPRECIATION EXPENSE?

A. Currently, DEF is not collecting any funds from Florida customers for decommissioning of the retired Crystal River Unit 3 nuclear power station and therefore, the per books amount of nuclear decommissioning expense included in DEF's cost of service is $0 in the test years. The Commission, in its order approving the transaction between DEF and Accelerated Decommissioning Partners ("ADP") in Docket No. 20190140-EI, held that future filings of decommissioning studies required in Rule 25-6.04365(3), F.A.C., are unnecessary and shall be waived. Accordingly, DEF has not submitted a decommissioning study in this filing.

IV. DISMANTLEMENT STUDY

Q. Did the Company prepare a dismantlement study?

A. The Company's 2023 Final Dismantlement Cost Study was prepared by witness Jeffrey Kopp and is included as Exhibit JTK-2 to his testimony. This study reviews the Company's fossil fuel and power generation facilities and provides a recommendation regarding the total cost to dismantle those facilities at the end of their useful lives. Mr. Kopp sponsors Section 7 of the 2023 Final Dismantlement Cost Study, while I support the information provided in Sections 1 through 6 of the study. Based on the 2023 Final Dismantlement Cost Study, the fossil dismantlement annual accrual for the 2025, 2026, and 2027 test years is $37.1 million (system). A detailed calculation of the accrual included in the test year, along with the other information required by the Commission's fossil dismantlement rule, is provided in Exhibit JTK-2.

V. PENSION ACCOUNTING AND PENSION SETTLEMENT

Q. What pension plans do DEF employees participate in, and what benefits do they receive?

A. DEF employees not covered by a collective bargaining agreement participated in the Progress Energy Pension Plan ("PEPP") until December 31, 2015. Effective December 31, 2015, the PEPP was merged into the Duke Energy Retirement Cash Balance Plan ("RCBP"). DEF employees covered by a collective bargaining agreement participated in the Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation. Effective December 31, 2020, a portion of the Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation was merged into the RCBP, and the remaining portion was merged into the Duke Energy Legacy Pension Plan (“DELPP”).

The RCBP and DELPP use a cash balance formula. Under a cash balance formula, a plan participant accumulates a retirement benefit consisting of pay credits and interest credits. Effective January 1, 2014, a former PEPP participant’s cash balance account consists of two subaccounts: (1) a cash balance subaccount attributable to pay credits earned prior to December 31, 2013, which increases with interest credits on an annual basis, and (2) a subaccount established January 1, 2014, for future pay and interest credits that are applied on a monthly basis. The pay credit is determined by points, with a participant’s points equal to the sum of attained age and benefit service as of January 1 of each calendar year. Provisions applicable to employees participating in the Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation are based on a final average pay formula, or cash balance formula, depending on the date of original hire. Final average pay formula participants were hired prior to January 1, 2003. Cash balance formula participants were hired after December 31, 2002.

Q. What are the components of net periodic pension costs under Generally Accepted Accounting Principles (“GAAP”)?

A. Net periodic pension cost is the amount recognized in an employer’s financial statements as the cost of a pension plan for a period. The term net periodic pension cost is used instead of net pension expense because the service cost component recognized in a period may be capitalized as part of an asset such as inventory. Components of net periodic pension cost under Accounting Standards Codification ("ASC") 715 are:

> Service cost. Service cost is the actuarial present value of benefits attributed by the plan's benefit formula to services rendered by employees during the period.
>
> Interest cost. Interest cost is the increase in projected benefit obligation due to passage of time.
>
> Expected return on plan assets. The expected return on plan assets is calculated by applying the expected rate of return on plan assets to the beginning of year amount of plan assets.
>
> Gain or loss amortization. Gains and losses are changes in the amount of projected benefit obligations or plan assets due to actual experience that is different than assumed experience, as well as changes in assumptions, such as the discount rate applied to future cash flows expected to satisfy the pension obligation. Amortization expense is included in net periodic pension cost when beginning of year unrecognized gain or loss exceeds a "corridor" of ten percent of the greater of the projected benefit obligation or the market-related value of plan assets. Amounts in excess of the corridor are amortized over the average remaining future service of active plan participants, or average remaining life expectancy for plans, where almost all (more than 90%) of the plan participants are inactive.
>
> Prior service cost or credit. Prior service cost or credit represents the cost of retroactive benefits granted in a plan amendment that increase or decrease the projected benefit obligation. Amounts are amortized over the average remaining

future service of active plan participants, or average remaining life expectancy for plans, where almost all (more than 90%) of the plan participants are inactive.

Q. For pension accounting purposes, what is a settlement?

A. A settlement is defined as an irrevocable transaction that relieves an employer of primary responsibility for benefit obligations under a benefit plan and eliminates significant risks related to the obligation and assets used to affect the settlement. Examples of settlement transactions include making lump-sum cash payments to plan participants in exchange for their rights to receive their pension benefit, assumption of the benefit obligation by a buyer as part of a business combination, and the purchase of nonparticipating annuity contracts to cover participants' vested benefits.

Q. What is settlement accounting?

A. Settlement accounting triggers recognition in earnings of gains or losses from settlements equal to the percentage of the settled obligations when the cost of all settlements during a year is greater than the sum of the service cost and interest cost components of net periodic pension cost for the pension plan for the year. In other words, rather than amortizing a portion of the gains and losses that have been deferred in a regulatory asset account for future inclusion over time, GAAP, which governs pension accounting, requires the inclusion of these costs to be accelerated and charged all at once.

Q. Please describe DEF's pension settlement.

A. ASC 715 provides that if lump sum benefit payments to pension plan participants in a calendar year are more than the sum of the pension plan's service cost and interest cost, then a company must record a pension settlement charge, which represents the accelerated recognition of a portion of the unrecognized actuarial pension gain or loss, in proportion to the amount of pension obligation settled.

Pension settlement accounting was triggered in 2019 and 2022 for a Duke Energy sponsored pension plan in which DEF employees participate. DEF deferred the retail portions of the 2019 and 2022 settlement charges as a regulatory asset (account 0182334) and began amortizing them immediately to account 0926999 over approximately 10 years.

Q. Has DEF entered into a recent settlement agreement that addresses this settlement treatment?

A. Yes. The 2021 Settlement agreement[2] permits DEF to continue deferral of the impact of pension settlement accounting to a regulatory asset with the amortization period to be determined in the next general base rate case proceeding.[3]

Q. Are amortization amounts included in the 2025, 2026, and 2027 test years?

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[2] Approved in Order No. 2021-0202-AS-EI

[3] It should be noted that although DEF's 2017 and 2021 settlements provide for amortization to begin with the next rate case, DEF has chosen to begin amortizing the deferral immediately over the remaining service life of pension plan participants.

A. Yes. The amount of amortization of Pension Settlement Charges are as follows:

Year		System Settlement Charge	System Projected Amortizaton** 2025	2026	2027
2022*	Actual	12,390,048	1,292,842	1,292,842	1,292,842
2023	Projected	5,476,511	595,927	595,927	595,927
2024	Projected	-			
2025	Projected	5,277,495	248,419	589,268	589,268
2026	Projected	5,024,892		238,367	568,427
2027	Projected	4,445,702			212,778
Total		32,614,648	**2,137,188**	**2,716,404**	**3,259,242**

* Cumulative Settlement Charges as of 12/31/2022
** Amortization period is the estimated remaining life of plan participants, 9 years.

Q. What is the Company seeking in this base rate case with regards to the pension settlement agreement?

A. In this rate case, the Company is seeking approval to continue deferring and amortizing any future pension settlement charges.

VI. CONCLUSION

Q. Does this conclude your direct testimony?

A. Yes.

List of MFRs Sponsored or Co-Sponsored

MFR	TITLE
B-3	13 Month Average Balance Sheet - System Basis
B-4	Two Year Historical Balance Sheet
B-7	Plant Balances By Account And Sub-Account
B-8	Monthly Balances Test Year - 13 Months
B-9	Depreciation Reserve Balances By Account And Sub-Account
B-10	Monthly Reserve Balances Test Year - 13 Months
B-11	Capital Additions And Retirements
B-15	Property Held For Future Use - 13 Month Average
B-19	Miscellaneous Deferred Debits
B-20	Other Deferred Credits
B-21	Accumulated Provision Accounts - 228.2, 228.3, 228.4
C-1	Adjusted Jurisdictional Net Operating Income Calculation
C-2	Net Operating Income Adjustments
C-6	Budgeted Versus Actual Operating Income And Expenses
C-9	Five Year Analysis - Change In Cost
C-12	Administrative Expenses
C-13	Miscellaneous General Expenses
C-17	Pension Cost
C-18	Lobbying, Other Political Expenses And Civic/Charitable Contrib.
C-19	Amortization/Recovery Schedule - 12 Months
C-29	Gains And Losses On Disposition Of Plant Or Property
D-9	Financial Indicators - Summary
F-1	Annual And Quarterly Report To Shareholders
F-2	SEC Reports