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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20230020-EI

In re: Petition for limited proceeding for
recovery of incremental storm restoration
costs related to Hurricanes Elsa, Eta, Isaias,
Ian, Nicole, and Tropical Storm Fred, by
Duke Energy Florida, LLC.

_____/_____
DOCKET NO. 20230116-EI

In re: Petition for limited proceeding for
recovery of incremental storm restoration costs
related to Hurricane Idalia, by Duke Energy
Florida, LLC.

_____/_____
PROCEEDINGS: HEARING

COMMISSIONERS
PARTICIPATING: CHAIRMAN MIKE LA ROSA
COMMISSIONER ART GRAHAM
COMMISSIONER GARY F. CLARK
COMMISSIONER ANDREW GILES FAY
COMMISSIONER GABRIELLA PASSIDOMO

DATE: Tuesday, May 21, 2024

TIME: Commenced: 2:25 p.m.
Concluded: 3:35 p.m.

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: DEBRA R. KRICK
Court Reporter

PREMIER REPORTING
TALLAHASSEE, FLORIDA
(850) 894-0828

1 APPEARANCES:

2 MATTHEW R. BERNIER, ESQUIRE, 106 E. College
3 Avenue, Suite 800, Tallahassee, Florida 32301; appearing
4 on behalf of Duke Energy Florida, LLC (DEF).

5 WALT TRIERWEILER, PUBLIC COUNSEL; CHARLES
6 REHWINKEL, DEPUTY PUBLIC COUNSEL, OFFICE OF PUBLIC
7 COUNSEL, c/o The Florida Legislature, 111 West Madison
8 Street, Room 812, Tallahassee, Florida 32399-1400;
9 appearing on behalf of the Citizens of the State of
10 Florida (OPC).

11 STEPHANIE U. EATON, ESQUIRE, Spilman Law Firm,
12 110 Oakwood Drive, Suite 500, Winston-Salem, NC; and
13 STEVEN W. LEE, ESQUIRE, Spilman Thomas & Battle, PLLC,
14 110 Bent Creek Boulevard, Suite 101, Mechanicsburg, PA;
15 appearing on behalf of Walmart, Inc., (Walmart).

16 JAMES W. BREW and LAURA WYNN BAKER, ESQUIRES,
17 Stone Law Firm, 1025 Thomas Jefferson Street NW, Suite
18 800 West Washington, DC 20007; appearing on behalf of
19 Florida White Springs Agricultural Chemicals, Inc.,
20 d/b/a PCS Phosphate - White Springs (PCS).

21 SUZANNE BROWNLESS, ESQUIRE, FPSC General
22 Counsel's Office, 2540 Shumard Oak Boulevard,
23 Tallahassee, Florida 32399-0850; appearing on behalf of
24 the Florida Public Service Commission (Staff).

25 APPEARANCES CONTINUED:

1 KEITH HETRICK, GENERAL COUNSEL; MARY ANNE
2 HELTON, DEPUTY GENERAL COUNSEL, Florida Public Service
3 Commission, 2540 Shumard Oak Boulevard, Tallahassee,
4 Florida 32399-0850, Advisor to the Florida Public
5 Service Commission.

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1 PROCEEDINGS

2 CHAIRMAN LA ROSA: All right. Everyone looks
3 -- looks ready. So good afternoon, everyone.
4 Today is Tuesday, May 21st. It is roughly 2:25
5 p.m., and I would like to calling this -- this
6 hearing to order. This is the Duke Energy of
7 Florida storm case.

8 Staff, would you please read the notice?

9 MS. BROWNLESS: Yes, sir.

10 By notice issued on April 25th, 2024, this
11 time and place has been set for a final hearing in
12 Docket No. 20230020-EI and 20230116-EI. The
13 purpose of this hearing is set forth more fully in
14 the notice.

15 CHAIRMAN LA ROSA: Thank you.

16 Let's -- let's move now to take appearances,
17 starting with Duke.

18 MR. BERNIER: Good afternoon, Commissioners.
19 Matt Bernier for Duke Energy Florida.

20 MS. BAKER: Good afternoon, Commissioners,
21 Laura Baker with the law firm Stone Mattheis
22 Xenopoulos & Brew, on behalf of White Springs
23 Agricultural Chemicals, Inc., doing business as
24 PCS-Phosphate, White Springs. It's a mouthful.

25 CHAIRMAN LA ROSA: Thank you.

1 MR. LEE: Good afternoon, Commissioners.
2 Steven Lee from the law firm of Spilman Thomas &
3 Battle. Also entering appearance of Stephanie
4 Eaton, appearing on behalf of Walmart.

5 MR. REHWINKEL: Good afternoon, Commissioners.
6 Charles Rehwinkel and Walt Trierweiler with the
7 Office of Public Counsel on behalf of the customers
8 of Duke Energy Florida.

9 MS. BROWNLESS: Good afternoon. Suzanne
10 Brownless on behalf of Commission staff.

11 MS. HELTON: And Mary Anne Helton here as your
12 Advisor, along with your General Counsel, Keith
13 Hetrick.

14 CHAIRMAN LA ROSA: Excellent. Thank you,
15 staff.

16 Is there any preliminary matters that need to
17 be addressed?

18 MS. BROWNLESS: Yes, sir.

19 There are proposed Type 2 stipulations for
20 Issues 1 through 15 and 18 through 19. The issues
21 for which there are proposed Type 2 stipulations
22 can be voted upon today.

23 CHAIRMAN LA ROSA: Excellent. Thank you.

24 Let's address the prefile testimony.

25 MS. BROWNLESS: As stated at the Prehearing

1 Conference, all parties have agreed to excuse the
2 following witnesses, and the prefiled testimonies
3 of those witnesses have been stipulated to by all
4 parties: Shelly Ross, William T. Fountain, Carl
5 Vinson and Tomer Kopelovich.

6 We would ask that the prefiled testimony of
7 these witnesses be moved into the record as though
8 read at this time.

9 CHAIRMAN LA ROSA: Those prefiled testimonies
10 are moved into the record without objection.

11 (Whereupon, prefiled direct testimony of
12 Shelly Ross was inserted.)

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**RE: PETITION BY DUKE ENERGY FLORIDA, LLC, FOR LIMITED
PROCEEDING FOR RECOVERY OF INCREMENTAL STORM
RESTORATION COSTS RELATED TO HURRICANES ELSA, ETA, ISAIAS,
IAN, NICOLE AND TROPICAL STORM FRED**

FPSC DOCKET NO. 20230020-EI

DIRECT TESTIMONY OF SHELLY ROSS

SEPTEMBER 29, 2023

1 **I. INTRODUCTION AND QUALIFICATIONS.**

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

3 **A.** My name is Shelly Ross. My current business address is 4359 SE Maricamp Rd
4 Ocala, Florida 34480.

5
6 **Q. By whom are you employed and what are your responsibilities?**

7 **A.** I am employed by Duke Energy Business Services, LLC, a Service Company
8 affiliate of Duke Energy Florida, LLC (“Duke Energy Florida,” “DEF,” or the
9 “Company”) and a subsidiary of Duke Energy Corporation (“DE”). My current
10 position is Manager Finance II of Customer Delivery Florida. I oversee a group
11 that has responsibility for the budgeting and forecasting, O&M and capital
12 accounting for Distribution Operations among other responsibilities. I also
13 collaborate with other finance personnel with similar responsibilities for
14 Transmission Operations, Customer Operations and Fossil/Hydro Generation
15 Operations, and thus I am representing the finance and accounting organizations

1 that provide support to the functional groups of DEF that incur expenses during
2 major storm events.

3

4 **Q. Please summarize your educational background and professional experience.**

5 **A.** I have a Bachelor of Science Degree in Business Administration from the
6 University of North Carolina in 1990 and a Master of Accounting Degree from The
7 University of North Carolina at Chapel Hill in 1991. I began my career at Ernst &
8 Young in their Tax Consulting and Compliance area, followed by a Tax Manager
9 role in for an Equipment Leasing Company. In 1997, I joined Duke Energy's Tax
10 Department in Raleigh, followed by a consolidation accounting role in the
11 nonregulated business, followed by a role in capital planning and then in 2007
12 joined the finance support group for Distribution Operations as Lead Financial
13 Analyst. I moved to Florida in 2012. I was promoted to Manager II of Customer
14 Delivery Finance in September of 2021. I was a licensed CPA in North Carolina
15 from 1993 until I went inactive in 2018.

16

17 **II. PURPOSE OF TESTIMONY.**

18 **Q. What is the purpose of your direct testimony?**

19 **A.** On January 23, 2023, DEF filed estimated storm costs in the instant docket
20 associated with Hurricanes Elsa, Eta, Isaias, Ian, Nicole, and Tropical Storm (“TS”)
21 Fred (collectively referred to herein as the “Storms”). The purpose of my testimony
22 is to explain and support the actual incremental costs for these Storms and to discuss
23 the methods used to comply with Rule 25-6.0143, F.A.C., and the Storm Cost
24 Settlement Agreement approved in Order No. PSC-2019-0232-AS-EI

1 (“Agreement”) to identify and remove non-incremental O&M and capitalized costs
2 from total storm restoration costs.

3

4 **Q. Do you have any exhibits to your testimony?**

5 **A.** Yes, I am sponsoring the following exhibits to my testimony:

- 6 • Exhibit No. __ (SR-1) – Storm Costs Recovery Total
- 7 • Exhibit No. __ (SR-2) – Hurricane Nicole Cost Summary
- 8 • Exhibit No. __ (SR-3) – Hurricane Ian Cost Summary
- 9 • Exhibit No. __ (SR-4) – TS Fred Cost Summary
- 10 • Exhibit No. __ (SR-5) – Hurricane Elsa Cost Summary
- 11 • Exhibit No. __ (SR-6) – Hurricane Isaias Cost Summary
- 12 • Exhibit No. __ (SR-7) – Hurricane Eta Cost Summary
- 13 • Exhibit No. __ (SR-8) – Storm Cost Recovery Interest Calculation

14 These exhibits were prepared based on information kept in the normal course of
15 business in the books and records of the Company and are true and accurate to the
16 best of my knowledge.

17

18 **Q. Please describe the net costs for which recovery is sought in this proceeding.**

19 **A.** DEF is seeking recovery of incremental costs incurred in responding to the named
20 Storms as defined under the Incremental Cost and Capitalization Approach
21 (“ICCA”) methodology required under Rule 25-6.0143, F.A.C. The Company has
22 prudently incurred \$431.4 million (retail) of incremental restoration costs for
23 Hurricanes Elsa, Eta, Ian, Isaias and Nicole and TS Fred as shown in Exhibit No.
24 __ (SR-1). These costs exclude all non-incremental costs and capital costs, as

1 defined under the ICCA methodology and adopted under the Agreement. Recovery
2 of the total storm restoration cost will also allow DEF to replenish the storm reserve
3 (\$131.8 million) which was completely depleted by the Storms, and also includes
4 interest expense (\$4.7 million) as shown in Exhibit No. __ (SR-8) calculated at the
5 commercial paper rate from April 2023 to March 2024.

6

7 **Q. Please explain how storm-related costs are tracked and accounted for during**
8 **and after each storm, and the process that the Company uses to verify that**
9 **costs assigned to the Storms were in fact related to the Storms and were**
10 **incremental.**

11 **A.** When a potential major storm event is approaching its service territory, DEF creates
12 separate project codes for each function (Transmission, Distribution, Generation,
13 and Customer Service) to process and aggregate the total amount of storm
14 restoration costs incurred for financial reporting and regulatory recovery purposes.
15 DEF uses these codes to account for all costs directly related to storm restoration,
16 including costs that will not be recoverable from DEF's storm reserve, based on the
17 ICCA methodology and as further clarified in the Agreement. All storm restoration
18 costs charged to these storm projects are initially recorded in FERC Account 186,
19 Miscellaneous Deferred Debits except for Transmission capital projects. All costs
20 charged to FERC Account 186 are subsequently reviewed, and based on the
21 outcome of that review, are cleared and charged to either the storm reserve (FERC
22 Account 228.1), normal O&M expense or capital. I will further discuss the
23 Company's process to review incurred costs and ensure only allowable costs as

1 defined in the ICCA methodology and Agreement are included for recovery later
2 in my testimony.

3

4 **Q. Please further explain the process for accumulating accounting data related to**
5 **storm costs.**

6 **A.** For Distribution, major storm costs are initially accumulated in FERC Account 186,
7 including charges that are considered non-incremental or capital. Using the ICCA
8 methodology and Agreement, non-incremental amounts are identified and
9 subsequently credited from FERC Account 186 and debited to base rate O&M
10 expense. Capital costs are also identified and subsequently credited from FERC
11 Account 186 and debited to FERC Account 107, Construction Work in Progress.
12 After non-incremental and capital costs are removed from FERC Account 186, the
13 remaining balance is then credited, and FERC Account 228.1 is debited to bring
14 FERC Account 186 to zero leaving only allowable costs for recovery in Account
15 228.1. Transmission follows the same process except that any capital work that is
16 done during the major storm is charged directly to specific projects that are mapped
17 to FERC Account 107.

18

19 **Q. Please explain the recoverable incremental costs incurred by DEF for**
20 **Hurricanes Elsa, Eta, Ian, Isaias, Nicole and TS Fred.**

21 **A.** Exhibit No. __ (SR-1) summarizes total recoverable storm costs for all storms:

- 22
- 23 • Hurricane Eta (2020): \$9.2 million
 - 24 • Hurricane Isaias (2020): \$0.3 million
 - Hurricane Elsa (2021): \$14.6 million

- 1 • TS Fred (2021): \$0.2 million
- 2 • Hurricane Ian (2022): \$359.6 million
- 3 • Hurricane Nicole (2022): \$42.9 million

4 Exhibit No.__(SR-2) through Exhibit No. __(SR-7) break out recoverable storm
5 costs by function for each storm.

6
7 As shown on Exhibit No.__(SR-2) through Exhibit No. __(SR-7), DEF's incurred
8 costs for the Storms are broken into the categories below, and, when netted with
9 non-incremental and capitalizable costs, are consistent with the ICCA methodology
10 and the Agreement. Although my testimony focuses on Hurricane Ian, cost
11 accumulation and review processes were similar for the other storms.

- 12
13 1. Regular Payroll – Amounts in this category represent regular labor payroll
14 costs incurred by DEF employees or employees of affiliate entities of DEF
15 for time spent related to storm restoration activities. For Transmission and
16 Distribution (“T&D”), the difference between the actual (September and
17 October 2022) and 3-year historical average (September and October 2019-
18 2021) O&M base payroll for the month(s) of the activities directly related to
19 the storm in the absence of a storm was excluded from recoverable storm
20 costs as the non-incremental amount.
- 21
22 2. Overtime Payroll – Amounts in this category represent overtime labor costs
23 incurred by DEF employees or employees of affiliate entities of DEF for time

1 spent related to storm restoration activities. For T&D, the difference
2 between the actual (September and October 2022) and the 3-year historical
3 average (September and October 2019-2021) O&M overtime for the
4 month(s) of the activities directly related to the storm in the absence of a
5 storm was excluded from recoverable storm costs as the non-incremental
6 amount.

- 7
- 8 3. Labor Burdens/Incentives – Amounts in this category include employee
9 bonuses and costs such as medical, payroll tax and other non-incentive benefits
10 incurred by DEF employees or affiliate entities of DEF for time spent related to
11 storm restoration activities. For T&D, the difference between the actual
12 (September and October 2022) and the three-year historical average (September
13 and October of 2019-2021) O&M labor burdens/incentives for the months(s) of
14 the activities directly related to the storm in the absence of a storm was excluded
15 from recoverable storm costs as the non-incremental amount.

16 Bonuses paid to employees for their extraordinary efforts and dedication to
17 DEF's customers were removed from this Storm cost recovery request. Note,
18 while the Company believes the bonuses paid to employees are properly
19 recoverable, DEF is not seeking recovery of those costs.

- 20
- 21
- 22 4. Overhead Allocations – Amounts in this category include costs, such as
23 employee labor from support organizations, related to employees of DEF or
24 employees of affiliate entities of DEF that are allocated to the storm project

1 based on payroll and overtime charges. For T&D, the difference between the
2 actual (September and October 2022) and the three-year historical average
3 (September and October 2019-2021) overhead allocations for the month(s) of
4 the activities directly related to the storm in the absence of a storm was excluded
5 from recoverable storm costs as the non-incremental amount.

6
7 5. Employee Expenses – Amounts in this category include costs of lodging for
8 employee and contractor crews and expenses such as meals and mileage
9 reimbursement for employees using their personal vehicles during storm
10 restoration.

11
12 6. Contractor Costs – Amounts in this category include time and equipment costs
13 incurred by third party contractors hired for storm restoration activities. For
14 T&D, the difference between the actual (September and October 2022) and the
15 three-year historical average (September and October 2019-2021) contractor
16 costs for the month(s) of the activities directly related to the storm in the
17 absence of a storm was excluded from recoverable storm costs as the non-
18 incremental amount.

19
20 7. Materials and Supplies – Amounts in this category include materials and
21 supplies used to repair and restore service and facilities to pre-storm condition
22 and exclude the portion of materials and supplies used in restoration activities
23 that are included in capitalized cost. Fuel costs associated with fueling services

1 utilized during restoration to re-fuel contractor vehicles are also included as part
2 of materials and supplies costs.

3
4 8. Internal Fleet Costs – Amounts in this category include fuel and maintenance
5 costs for DEF fleet vehicles. For T&D, the difference between the actual
6 (September and October 2022) and the three-year historical average (September
7 and October 2019-2021) variable fleet costs for the month(s) of the activities
8 directly related to the storm in the absence of a storm was excluded from
9 recoverable storm costs as the non-incremental amount.

10
11 9. Uncollectible Account Expenses – DEF is not seeking recovery of uncollectible
12 account expenses.

13
14 10. Other Expenses – Amounts in this category include other minor amounts of
15 storm-related expenses not included in one of the categories above.

16
17 The Company has support for all storm costs on Exhibit No.____(SR-1) available
18 for Commission review.

19
20 **Q. Is the Company including for recovery in this filing any costs prohibited from**
21 **recovery under the ICCA methodology and the Agreement?**

22 **A.** No. DEF is not including any costs prohibited from recovery under the ICCA
23 methodology (that is, the types of costs identified in paragraph (1)(f) of the Rule)
24 or the Agreement. In the preceding section of my testimony, I discussed allowable

1 costs as well as amounts DEF excluded from this recovery request based on DEF's
2 determination that certain of the costs were non-incremental or capitalizable.

3

4 **Q. Please explain the amounts capitalized to property, plant and equipment by**
5 **the Company.**

6 **A.** The ICCA methodology states, "... capital expenditures for the removal, retirement
7 and replacement of damaged facilities charged to cover storm-related damages
8 must exclude the normal cost for the removal, retirement and replacement of those
9 facilities in the absence of a storm." Rule 25-6.0143(1)(d), F.A.C.

10

11 DEF has a process to ensure all units of property ("UOP") installed during storm
12 restoration are capitalized at reasonable material and labor amounts (i.e., resulting
13 in capital amounts at the normal cost for the removal, retirement, and replacement
14 of those facilities), to ensure a storm cost recovery request that is incremental under
15 the ICCA methodology.

16

17 For Transmission, specific projects were issued for capital work allowing real-time
18 tracking of those projects for material and equipment costs. As capital work was
19 performed, associated labor costs were moved to the capital projects per the ICCA
20 methodology.

21

22 For Distribution, the Company's tracking of materials allows for accounting of all
23 units of property used during storm restoration resulting in the proper capitalization
24 of those units of property. DEF's Supply Chain organization issues materials

1 directly to the storm project when shipped from the distribution center to the various
2 base camps, and Supply Chain personnel at Operating Centers issue materials used
3 during the storm to the storm project. Once the restoration effort was completed,
4 all unused materials from the base camps were picked up and brought back to the
5 distribution center where they were placed in a specific area for return processing.
6 All returned materials were segregated and tagged to be identified as materials
7 initially charged to the storm restoration. The materials were then returned by
8 applying the same accounting that was used during the restoration effort. As a
9 result, only the actual units installed during storm restoration were capitalized.

10
11 Once the number of UOPs were confirmed, the Company's Finance organization
12 determined a normal, reasonable total dollar amount to capitalize those UOPs.

- 13
14 • Materials Costs – the number of each UOP was identified and grouped (e.g.,
15 poles, transformers, wire, etc.). The material costs associated with the UOP and
16 the number of UOP then became the basis of the calculation to determine the
17 estimated total capital amount. A material burden was applied to all materials
18 which represents the cost associated with warehousing, handling, and shipping,
19 and was reflected in the capital calculation. Working stock, which is generally
20 accounted for as a burden of chargeable materials, was directly charged to the
21 storm project.
- 22 • Contract Labor - For each grouping of UOP, DEF's Resource Optimization
23 group estimated the average number of hours to install under normal conditions
24 for that type of UOP and number of line resources needed. The average number

1 of hours was multiplied by the number of resources to derive the total hours to
2 install that UOP. Then a simple average was calculated of internal labor and
3 native contractor rates and that rate was multiplied by the number of hours for
4 each UOP to determine the estimated capital labor to install.

- 5 • Other costs – As part of the normal amount of capital cost for a UOP, an
6 overhead allocation rate was applied based on the total number of estimated
7 hours to install the UOP. This overhead rate is consistent with the rate used in
8 DEF’s work management system – Maximo.

9
10 For each storm, the amount of storm costs capitalized is outlined in Exhibit No. ____
11 (SR-2) through Exhibit No. ____ (SR-7).

12
13 **Q. In addition to T&D, please describe the other functional areas that incurred**
14 **costs related to the storms.**

15 **A.** Customer Service incurred incremental, non-budgeted costs for some of the same
16 categories of costs as T&D. Customer Service used a non-incremental cost
17 approach consistent with the ICCA methodology and Agreement. Generation
18 incurred incremental insurance deductible amounts that were included in
19 recoverable storm costs as well.

20
21 **Q. Please explain why there could be further adjustments to the costs for which**
22 **DEF is seeking recovery in this filing.**

23 **A.** As of the date of this filing, the Company has not yet finalized payment of all
24 contractor services related to Hurricanes Ian and Nicole. The Company reserves

1 the right to file supplemental schedules with any necessary adjustments with the
2 Commission as appropriate.

3

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

5 **A.** Yes.

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1 (Whereupon, prefiled direct testimony of
2 William T. Fountain was inserted.)

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**IN RE: PETITION BY DUKE ENERGY FLORIDA, LLC, FOR LIMITED
PROCEEDING FOR RECOVERY OF INCREMENTAL STORM RESTORATION
COSTS RELATED TO HURRICANES ELSA, ETA, ISAIAS, IAN, NICOLE, AND
TROPICAL STORM FRED**

DOCKET NO. 20230020-EI

DIRECT TESTIMONY OF WILLIAM TODD FOUNTAIN

1 **I. INTRODUCTION AND QUALIFICATIONS.**

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

3 **A.** My name is William Todd Fountain. I am employed by Duke Energy Florida, LLC ("DEF"
4 or the "Company"). My business address is [6571 38th Ave. N., St Petersburg, FL 33710].

5

6 **Q. Please tell us your position with DEF and describe your duties and responsibilities in
7 that position.**

8 **A.** I am the General Manager of Emergency Preparedness for Customer Delivery responsible
9 for DEF's annual hurricane season readiness, and when hurricanes strike, I serve as the
10 Incident Commander for restoration.

11

12 **Q. Please summarize your educational background and employment experience.**

13 **A.** I have over 32 years of experience in the utility industry. I began my career in 1991 with
14 then Florida Power Corporation and have worked my way up from my apprenticeship to
15 making Journeyman Lineman. After spending time as a lineman, I moved into the Control
16 Room as a dispatcher and later became the Director of the Dispatch Control Room. After

1 spending a number of years in the Control Room, I became the Director of DEF's
2 Distribution Vegetation Management program. After approximately four-and-a-half (4 ½)
3 years as the Director of Vegetation Management, in June 2021, I assumed my current role
4 as GM, Emergency Preparedness.

5
6 **II. PURPOSE AND SUMMARY OF TESTIMONY**

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

8 **A.** I am testifying on behalf of the Company in support of recovery of DEF's incremental
9 storm-related costs incurred responding to Hurricanes Elsa, Eta, Isaias, Ian, Nicole, and
10 Tropical Storm Fred (herein, the "Storms"). I will begin by providing an overview of the
11 total distribution storm-related costs and cost categories. I will discuss the operation of the
12 Company's storm plan, including the Company's goals and priorities as it prepares for,
13 responds to, and recovers from a storm's impact on its system. I will conclude my
14 testimony by describing DEF's successful efforts at implementing its plan in response to
15 the Storms and, ultimately, to restore electric service safely and efficiently to its customers.

16
17 **Q. Are you sponsoring any exhibits to your testimony?**

18 **A.** No, I am not sponsoring any exhibits.

19
20 **Q. Please summarize your testimony.**

21 **A.** My testimony explains the Company's Storm Response Plan (the "Plan") as well as
22 implementation of the Plan in response to the Storms. My testimony demonstrates that
23 the Company's preparations in advance of the Storms, actions in response to the Storms,
24 and ultimately costs incurred responding to the Storms were prudently taken and

1 prudently incurred, and therefore the Company should be permitted to fully recover its
2 Incremental Storm Restoration Costs.

3
4 **Q. Will you please provide a summary of the six Storms at issue?**

5 **A.** Yes.

6 Hurricane Eta

7 On October 31, 2020, a tropical storm that would ultimately become Hurricane Eta
8 originated from a vigorous tropical wave in the eastern Caribbean Sea. The tropical storm
9 strengthened to a Category 4 hurricane on November 2, 2020, with a peak intensity of 150
10 mph, as it moved through Central America causing devastating flooding and landslides.
11 Over the next five days, Hurricane Eta traveled to South Florida, the central part of the
12 Florida Keys, where it caused intense flooding and extreme rainfall ranging from 10-25
13 inches.

14 Hurricane Eta was the third most intense November Atlantic hurricane on record. Eta
15 weakened to a tropical depression as it hovered over Central America for two days before
16 moving north over water, where it later reorganized. Over the next five days, the system
17 moved erratically, making its third landfall in the Florida Keys. It eventually made a fourth
18 landfall about 100 miles north of St. Petersburg just after midnight Thursday, November
19 12, 2020, with maximum sustained winds of 50 mph, and then moved across Florida and
20 finally back out into the Atlantic near Jacksonville later that day.

1 On November 7, 2020, as Tropical Storm Eta churned in the Caribbean Sea and was
2 expected to head closer to Florida, Governor DeSantis declared a state of emergency for
3 the southern counties of Florida, which he expanded on November 11, 2020, after the storm
4 strengthened to a Category 1 hurricane, to encompass Alachua, Citrus, Dixie, Gilchrist,
5 Hernando, Hillsborough, Levy, Manatee, Marion, Pasco, Pinellas, Sarasota, and Sumter
6 counties. DEF remained ready to respond to the storm.

7 DEF activated its Incident Command organization on November 10, 2020. A total of 2,689
8 restoration resources were utilized and pre-staged to support restoration from a possible
9 Category 1 hurricane direct impact to South and Central Florida. Over the following days,
10 resource plans were adjusted in response to changing National Hurricane Center (“NHC”)
11 forecasts. While Florida was spared the worst of Hurricane Eta, sustained wind gusts
12 associated with the storm are estimated to have reached upwards of 70 mph along Florida’s
13 coastline. Tropical storm-force gusts in excess of 50 mph reached far inland into central
14 Florida. Hurricane Eta’s winds caused 2,400 outage and non-outage events affecting
15 140,000 customers

16 Hurricane Isaias

17 On July 29, 2020, Tropical Storm Isaias formed over the eastern Caribbean Sea and
18 continued a northwest track to become a hurricane on July 31, 2020. The hurricane was
19 downgraded to a tropical storm over the Andros Island with maximum sustained winds of
20 70 mph, then made a gradual north-northwest turn as the center passed 30-40 miles east of
21 the Palm Beach County coast on August 2, 2020. A Tropical Storm Warning was issued
22 for southeast Florida on Friday, July 31, and a Hurricane Watch was also issued for
23 Broward and Palm Beach Counties. Later that day, the Hurricane Watch was upgraded to

1 a Hurricane Warning for the Palm Beach County coast and northward to the
2 Volusia/Brevard County line. The storm was forecasted to travel just east of Florida.
3 Expected impacts to the state included heavy rain and heavy winds as a Category 1
4 hurricane with 85 mph winds. Governor DeSantis declared a state of emergency for all east
5 coast counties from Miami-Dade to Nassau.

6 Downgraded to a Tropical Storm just 55 miles east-southeast of Cape Canaveral, Isaias
7 had maximum sustained winds of 70 mph, capable of damaging roofs and buildings, and
8 destroying mobile homes along Florida's east coast. Isaias' main legacy, however, was the
9 large tornado outbreak that generated the strongest tropical-cyclone spawned tornado
10 across the east coast of the United States since Hurricane Rita. At one time, tropical storm
11 watches and warnings extended over 1,000 miles, from Florida to Maine. Hurricane Isaias
12 caused 354 outage and non-outage events in DEF's service territory and impacted 11,700
13 DEF customers. DEF's restoration work related to Isaias occurred between August 2 – 3,
14 2020, utilizing on-system native resources.

15 Hurricane Elsa

16 Elsa developed near the Lesser Antilles where it was named Tropical Depression Five on
17 June 20, 2021. Elsa briefly became a hurricane on July 2, 2021, while moving across the
18 northern Caribbean. The center of Tropical Storm Elsa moved between Jamaica and
19 Hispaniola, then cut across central Cuba at a decreased forward speed on July 5, 2021. The
20 first Tropical Storm watches were issued for the southwest Big Bend and Apalachee Bay.
21 Elsa emerged into the Florida Straits on July 6, 2021, passing near the Lower Keys,
22 followed by a northward turn paralleling the west coast of Florida. Elsa regained short-
23 lived hurricane status prior to landfall around Taylor and Dixie counties as a strong tropical

1 storm on July 7, 2021. Elsa then turned northeast with 30-mph gusts and heavy rainfall for
2 several hours moving into north Florida and South Georgia before accelerating along the
3 eastern seaboard where it later became a post-tropical depression on July 9, 2021.

4 Restoration work began on July 7, 2021, as Elsa's bands reached the Gulf coast. Over a
5 48-hour period, crews restored service to 30,799 customers and closed 1,322 outage events.
6 A total of 2,171-line, service, vegetation management, and damage assessors were involved
7 in DEF's restoration efforts for Elsa. Crews were released by July 8, 2021.

8 Tropical Storm Fred

9 On August 9, 2021, the National Hurricane Center ("NHC") began tracking a disturbance
10 east of the Virgin Islands and designated the system as Potential Tropical Cyclone 6. The
11 initial forecast was for a west-northwest track across the Caribbean Islands. The system
12 was upgraded to TS Fred on August 10, 2021. The combination of land interaction with
13 the rugged terrain of Hispaniola and wind shear from an upper low over Florida resulted in
14 TS Fred weakening to a tropical depression the following day. Further interaction with the
15 Greater Antilles caused TS Fred to become a system with no closed circulation as it
16 emerged into the extreme southeast Gulf on August 14, 2021. On August 15, 2021, a
17 Tropical Storm Watch was issued for the Florida Panhandle and coastal Franklin County
18 as the forecast called for a north-northwest motion around the western edge of the ridge.
19 Fred then regained strength later August 15, 2021, and watches along the northern Gulf
20 coast were upgraded to a Tropical Storm warning. TS Fred steadily strengthened over the
21 warm Gulf waters until landfall near the Eastern Florida Panhandle, with maximum
22 sustained winds of 65 mph. TS Fred produced life-threatening storm surges of 3 to 5 feet
23 in Apalachee Bay.

1 Restoration work began on August 16, 2021. Over a 48-hour period, crews restored service
2 to 21,077 customers and closed 767 outage events. A total of 124 DEF resources,
3 consisting of line, service, vegetation management, and damage assessors, were identified
4 in 3 waves to assist in the restoration efforts for TS Fred. Crews were released by August
5 17, 2021.

6 Hurricane Ian

7 Hurricane Ian is tied for the fifth strongest U.S. Mainland hurricane landfall on record with
8 150 mph winds. Ian made a series of landfalls across Cuba and the United States and will
9 be regarded as one of the costliest tropical cyclones on record. On October 11, 2022,
10 NOAA stated total losses would be more than \$50 billion, likely making Ian the costliest
11 hurricane in Florida’s history.

12 The NHC began tracking a tropical disturbance on September 19, 2022, located several
13 hundred miles east of the Windward Islands. This disturbance gradually became more
14 organized as it moved westward, crossing the southwest Caribbean, and became Tropical
15 Depression Nine while over the central Caribbean Sea. TS Ian formed on September 23,
16 2022, but only slowly strengthened over the following days. On September 26, 2022, Ian
17 attained hurricane strength while located a little more than 300 miles south of Cuba. Ian
18 rapidly strengthened prior to striking western Cuba early on September 27, 2022. Ian only
19 briefly weakened crossing Cuba, then strengthened to a monstrous Category 4 hurricane
20 once it reemerged in the southeastern Gulf of Mexico after completing an eyewall-
21 replacement cycle (“ERC”). An ERC is a standard occurrence for strong hurricanes as the
22 center is replaced by a new one. This process aids in the expansion of the wind field as the

1 radius of maximum winds expands away from the old center prior to the full development
2 of the new one.

3 Once the ERC was complete, Ian once again started to intensify as it started to track to the
4 north-northeast. This was a notable and earlier shift toward the east than many Numerical
5 Weather Prediction (“NWP”) Models had suggested, including both global American
6 (“GFS”) and European (“ECWMF”) models. The NHC forecast had originally showed the
7 “cone of uncertainty” including an area from Fort Myers to the Florida Panhandle. The
8 forecast cone was generally near the Tampa Bay metropolitan area just 36-48 hours prior
9 to landfall, then subsequent track updates continued trending farther south, or “right” of
10 the prior track. A frontal boundary in the US strengthened and dug farther south toward
11 the Southeast US than most of the model guidance had originally projected, which was
12 largely the reason for track shift. This resulted in a landfall farther south.

13 Ian made its second landfall on Cayo Costa, FL on September 28, 2022, with near peak
14 intensity of 150 mph. The storm devastated central and south Florida, leaving widespread
15 and catastrophic damage near the landfall point in the Fort Myers/Naples/Port Charlotte
16 region. Ian inched its way across central Florida moving at approximately 8 to 9 mph,
17 which compounded the damage seen at immediate landfall and led to a sustained period of
18 wind and rainfall across central/southern Florida. Ian officially made landfall around
19 3:10PM EDT and did not exit the state until approximately 10:30AM EDT the following
20 day near Cape Canaveral, spending more than 19 hours over Florida while slowly
21 weakening.

22 Despite exiting Cape Canaveral around 10:30 AM EDT Thursday, September 28, 2022,
23 Ian lifted northward just offshore of the Florida Atlantic Coastline heading toward the

1 Carolinas. This allowed western rainbands to impact eastern locations such as Orlando,
2 Apopka, and Deland with torrential, flooding rain, and tropical storm force gusts through
3 3 to 4PM EDT that afternoon. Hurricane Ian's impacts lasted nearly 24 hours from the
4 start of impacts from Saint Petersburg to Orlando, to Gainesville and then on to Apopka,
5 respectively. The heavy rain on Thursday exacerbated record-breaking rainfall and river
6 flooding across the I-95 corridor. Ian officially made a third landfall near Georgetown, SC,
7 with 85 mph winds. Following landfall in South Carolina, rapid dissipation began over
8 land. The remnants fully dissipated on October 2, 2022, near the western North
9 Carolina/Virginia border.

10 In total, more than 10,000 resources helped support massive restoration in DEF's territory
11 between September 29, 2022, and October 2, 2022. By end of day October 2, 2022, DEF
12 restored outages to meet established ETRs in all counties. Approximately 23,000 outages
13 were restored impacting 1,159,000 customers. Crews were released by zone as restoration
14 was completed between October 2nd and October 6th, as the last remaining outages were
15 restored.

16 Hurricane Nicole

17 Hurricane Nicole was only the third November hurricane on record to make landfall in
18 Florida. Prior to Nicole, a November hurricane had not made landfall in Florida since
19 1985. Nicole had a wide wind field with impacts far away from its core. Strong swells in
20 combination with high tide caused devastating storm surge and coastal flooding along the
21 east central Florida coast.

1 On November 7, 2022, Nicole formed as a Subtropical Storm northeast of the Bahamas.
2 Nicole strengthened to a Tropical Storm and on November 9, 2022, made landfall on Great
3 Abaco Island in the northwestern Bahamas. Later that day Nicole became a hurricane
4 while making landfall on Grand Bahama Island. On November 10, 2022, Nicole made
5 landfall on the east coast of Florida just south of Vero Beach as a Category 1 hurricane.
6 Nicole downgraded to a tropical storm with sustained winds of 70 mph at 25 miles
7 northwest of Vero Beach. Later on November 10, 2022, Nicole weakened to a tropical
8 depression with sustained winds of 35 mph located about 20 miles north of Tallahassee.

9 Nicole brought wind gusts of 70 mph or more to three major weather stations: Melbourne
10 Airport, Cocoa Beach, and Orlando Sanford Airport. A wind gust of 100 mph was recorded
11 at the 600-foot tower at the Kennedy Space Center. While the storm surge could be
12 Nicole's biggest hazard, especially for coastal areas, inland flooding from heavy rain and
13 power outages from strong winds were also forecast. After sweeping ashore between West
14 Palm Beach and Melbourne, the storm was forecast to quickly head toward Tampa early
15 November 10, 2022, enter the Gulf of Mexico, make a second landfall on Florida's Big
16 Bend then work its way up the east coast.

17 Governor DeSantis issued a State of Emergency for 34 counties in the potential path of
18 Nicole to encourage emergency preparations and later expanded the State of Emergency to
19 all 67 Florida counties due to potential impacts as the storm moved across the state. Nicole
20 was a large and well-organized storm that brought heavy rains to central and northern
21 Florida. A widespread 2 to 5 inches of rain with localized 6-inch totals was forecast for
22 much of the Florida peninsula and Big Bend. Ordinarily this would be unremarkable for
23 Florida, but many locations were still reeling from flooding left over from Hurricane Ian's

1 assault on the state in late September. The St. Johns River, already at flood stage, was
2 expected to rise further. Tropical Storm forced winds extended about 345 miles to the
3 northeast of the center and 12-foot seas extended out 690 miles to the northeast of the
4 center.

5 While Florida was spared the worst of Hurricane Nicole, sustained winds associated with
6 the storm are estimated to have reached upwards of sixty-five miles per hour along central
7 and northern Florida. Tropical storm-force winds greater than thirty-nine miles per hour
8 reached far inland into central Florida. Hurricane Nicole's winds ultimately caused
9 approximately 600,000 customers in the Florida region to lose power.

10 3,431 resources worked on DEF's restoration efforts between November 10, 2022, and
11 November 11, 2022. DEF made rapid progress and restored 98% of its impacted customers
12 within 12 hours after Nicole exited the state. 6,412 outages were restored impacting
13 303,917 customers. Crews were released on November 11, 2022.

14 15 **III. THE COMPANY'S DISTRIBUTION STORM PLAN**

16 **Q. Please describe DEF's distribution system storm plan.**

17 **A.** DEF prepares for major storms year-round. Hurricane season readiness begins several
18 months before the start of the season and includes training, drills, and implementation of
19 lessons learned from the prior year. DEF's comprehensive storm plan is modeled on
20 Homeland Security's Incident Command Structure ("ICS") and incorporates the best
21 practices the Company has developed from experiences with past storms. The ICS affords
22 rapid scalability in response to a specific threat.

1 The scalability of ICS is reflected in DEF's three distinct levels of restoration response.
2 Level 1 is for restoration events lasting 6-12 hours, Level 2 is for 12-24-hour events, and
3 level 3 is for major events exceeding 24 hours and is designed for restoration on the scale
4 of a hurricane. The same basic functions are performed at all storm levels, but as resources
5 increase to match the storm's anticipated threat, the organization expands to ensure
6 efficient restoration of the Company's system. While it is appropriate for an individual in
7 a lower-level event to perform parts of several storm roles, those same roles are broken out
8 and staffed by an increasing number of dedicated resources as the scope of restoration work
9 increases. The decision to activate at a particular response level is made by the storm
10 management team, and is guided by weather forecasts, resource modeling, and expected
11 restoration duration. The flexibility of the storm plan is such that, for any given restoration
12 event, DEF may have an area operating at Level 2 while another area is activated at Level
13 3. This allows areas within the Company operating at a lower restoration level to finish
14 sooner and release resources to work in regions operating at higher restoration levels.

15 The ICS plan is built upon three phases of storm restoration: (1) pre-storm activation, (2)
16 outage repair and restoration, and (3) returning the distribution grid to normal. Pre-storm
17 activation begins as early as 120 hours prior to landfall, and includes detailed weather
18 forecasting, modeling of potential damage and resource requirements, and preparation for
19 support of logistics needs. The outage repair and restoration phase include operational
20 activities after storm impact to restore service to all customers capable of receiving it.
21 Returning the grid to normal is necessary to restore DEF's electrical infrastructure to its
22 pre-hurricane condition.

23

1 **Q. Can you please describe the different roles within DEF's storm plan?**

2 **A.** Yes. Within the storm plan there are a multitude of roles that facilitate an efficient
3 restoration process. These roles are organized along five functional lines:

4 (1) Operations (restoration of service);

5 (2) Planning (forecasts, modeling, damage assessment, and situational awareness);

6 (3) Logistics (staging, material, and supplies);

7 (4) Governmental Liaison (coordination with state and county Governmental Agencies);

8 and

9 (5) External Communication (outreach and communication to customers, community
10 leaders and media).

11 Personnel are assigned roles under the storm plan that may differ from their regular daily
12 responsibilities and, as a result, it is imperative that they are effectively trained. This
13 training is normally completed in the second quarter of each year throughout the Company
14 and within each of the functional areas of responsibility. To further ensure storm
15 preparedness, DEF conducts storm readiness drills to test the effectiveness of the training
16 program and employees' ability to execute their assigned storm roles. DEF's storm
17 restoration plan is coordinated with the state-wide storm preparedness efforts through
18 participation in the state Emergency Operations Center ("EOC") coordinated storm drill
19 conducted each May.

20

21 **Q. When and how do you activate your ICS major storm organization?**

22 **A.** DEF's formal ICS activation process kicks off as soon as a threat is identified, which is
23 typically 72 to 96 hours prior to forecasted landfall. DEF's initial focus is to ascertain the

1 most detailed weather information available including date, time, and strength of the storm,
2 path, size and wind fields, precipitation, and exact time when wind is anticipated to
3 diminish and fall below 39 mph (DEF's limit for safe travel).

4 At 48 to 72 hours, DEF uses storm modeling tools to predict the amount of damage to
5 DEF's system, where that damage will likely occur, and the quantity of resources required
6 to quickly restore outages. Also considered are potential forecast variables including track
7 and intensity changes, early hurricane arrival, and when travel conditions will deteriorate
8 effecting travel to the DEF mustering locations. More specifically, the modeling tools
9 estimate the number of personnel required, such as linemen, tree trimmers and damage
10 assessors, providing the Company an estimate of the necessary scale of restoration
11 response. At this point, efforts are focused on notifying DEF customers and employees of
12 potential impact and beginning storm readiness activities and initial efforts to acquire
13 resources. A progression of pre-landfall checklists is followed to ensure orderly
14 preparation each day thereafter.

15
16 **Q. How does DEF use the information from predictive hurricane damage models?**

17 **A.** Once DEF has estimated the number of resources required and where and to what extent
18 each region within DEF's territory will be impacted, several processes begin in unison.
19 DEF's Resource Management function secures commitments for restoration manpower
20 and Staging and Logistics prepares to open mustering and base camp sites to receive them.

21 Resource Management

1 Resource Management first secures internal line and tree resource commitments from other
2 Duke Energy jurisdictions. Internal Duke Energy personnel are available immediately and
3 can be moved into forward positions to expedite restoration. Next, DEF contacts the
4 Southeastern Electric Exchange ("SEE") Mutual Assistance Group to secure commitments
5 from the participating companies for remaining resource needs. SEE Mutual Assistance is
6 governed by an existing agreement between all participating utilities. Most Mutual
7 Assistance utilities assess the impact of the storm on their systems and hold resources until
8 their utility is in the clear. Utilities not in the storm's projected path typically must travel
9 from significant distances and must be activated several days prior to landfall.

10 Staging

11 Depending on the time, path, and confidence in the storm's expected impact, decisions
12 concerning when committed crews are activated, paid to be mobilized, and sent to an off-
13 site mustering location are made prior to landfall. To expedite the restoration process, DEF
14 mobilizes crews to mustering sites located along Interstates 75, 4, and 95. Safety is the
15 highest priority, so the sites ultimately used depend upon the path of the storm; DEF seeks
16 sites as close as possible to expected damage without unnecessarily placing crews in harm's
17 way. The number of crews mobilized and where they are mustered depends greatly on
18 confidence in the weather forecast. Restoration is fastest when resources are pre-staged
19 before driving conditions deteriorate.

20 Logistics

21 Concurrent with the acquisition of resources, DEF's Logistics function establishes a
22 coordinated schedule to open mustering sites and base camps, and to secure anticipated

1 lodging needs. The use of mustering sites allows the Company to validate rosters and crew
2 compliments for billing; orient non-native crews to DEF's safety policies, switching
3 practices, and technical specifications; and prepare crews for reassignment to a restoration
4 base camp that accommodates truck parking, inventory storage, refueling, meals, and
5 lodging.

6
7 **Q. Is pre-staging restoration crews part of DEF's hurricane plan, and is the practice**
8 **supported by industry experience and regulatory guidance?**

9 **A.** Yes. About 24 hours before impact DEF focuses on pre-staging, which is an integral part
10 of DEF's hurricane plan, a well-established industry best practice, and a hedge against
11 uncertain hurricane forecasts (timing and location). When combined with strong logistics
12 and operational procedures, acquiring resources prior to landfall reduces restoration time.

13 Rebuilding and repairing the electric grid after a hurricane requires more resources than
14 native staffing. Not only must the area of impact and extent of direct damage be
15 considered, but also the hurricane's subsequent path that could affect travel to the state,
16 access to damage, and availability of remaining resources. Securing, mobilizing, on-
17 boarding, and strategically locating Mutual Assistance crews takes several days and must
18 be initiated before weather impact is certain. Pre-staging decisions are based on detailed
19 forecast data and advanced modeling tools developed and continuously improved through
20 years of experience.

21 Pre-staging reduces overall restoration days and total customer outage hours. During a
22 hurricane state of emergency, communities suffer economic loss and deal with threats to

1 public health and safety. For these reasons, DEF's primary objective in storm response is
2 the safest, fastest, most transparent restoration managed responsibly from a cost
3 perspective.

4 Pre-staging greatly improves the accuracy of Estimated Times of Restoration ("ETRs").
5 Accurate and early ETRs are vital to community first responders who are managing threats
6 to public health and safety, and to customers who evacuated and are seeking to return home.
7 ETRs are a combination of estimated repair man-hours and resources available to do the
8 work. When available resources are in place and engaged in work, the resulting ETRs can
9 be provided sooner and are far more accurate than when acquisition and mobilization
10 uncertainties must be included.

11 **Q. How does the Company on-board crews and what steps does the Company take to**
12 **ensure that they are effectively utilized?**

13 **A.** The Company on-boards newly arriving crews at staging and logistics sites where rosters
14 are verified, and arrival times documented. Crews go through a detailed overview of
15 Company safety rules and protocols, as well as information on construction standards.
16 Once restoration begins, crews are assigned to Restoration Coordinators ("RC"). The RC
17 is a key oversight role for managing work. RCs assign their crews daily work packages
18 that are prepared in advance and monitor progress of restoration. RC's also review time
19 sheets and provide feedback to the storm center about crew effectiveness. This information
20 is used by Operations and Logistics during demobilization to sequence crew releases so
21 that the more productive and lower cost crews are among the last to be released.

22
23 **Q. How is DEF's resource plan developed?**

1 A. Resource plan commitments must be made far enough in advance to allow mobilization to
2 strategically place mustering sites. The timing of crew mobilization is based on getting
3 resources into position before driving conditions deteriorate and crew safety is endangered.
4 The resource plan is continuously checked and adjusted as information becomes more
5 certain. Adjustments can include both additions and releases of resources.

6
7 Predictive damage modeling provides a target number of resources and is the basis for
8 Mutual Assistance requests. The resource plan covers many risks including early hurricane
9 arrival and increased strength (as Hurricane Michael quickly did in 2018, attaining
10 Category 5 status at landfall), shifting of storm track, widening of wind field, tornados, and
11 flooding. These risks are mitigated by the number of resources secured, skill type (e.g.,
12 line, tree, damage assessment), pre-position location, and if not pre-positioned, the
13 influence of the hurricane on post-landfall highway travel. While these decisions are made,
14 by necessity, with imperfect forecast information, the consequences of inaction are
15 enormous and well-documented.

16
17 **Q. What occurs as the storm begins to impact DEF's service territory?**

18 A. When the storm-force winds commence in DEF's service territory, the Distribution Control
19 Center ("DCC") is in constant communication with the Energy Control Center ("ECC")
20 and the Transmission storm center. The ECC gives both storm centers a thorough
21 description of what transmission lines and substations are dropping out of service as the
22 storm passes, giving the Company a real-time assessment of the location of the storm
23 damage. Crews in the storm's direct path shelter in place where safe to do so, while crews

1 on the boundaries respond to emergency calls. The ECC and storm centers jointly establish
2 restoration priorities and coordinate restoration strategies to maintain grid stability.

3
4 **Q. What happens after the storm passes?**

5 **A.** DEF’s storm response has three main components: (1) governmental and EOC support and
6 response; (2) statistical damage assessment; and (3) Assess, Isolate, and Restore (“AIR”)
7 feeder backbone restoration. These three components enable local and state governments
8 to respond to the storm's impact and allows DEF to both estimate the amount of storm
9 damage actually incurred by the distribution system and begin restoration of the highest
10 priority feeders.

11
12 DEF can promptly respond as local governments and county EOCs encounter issues that
13 require immediate attention. These issues may involve, for example, support for road
14 clearing teams, or removing a downed power line with police personnel standing by at the
15 site. By having DEF personnel assigned to county EOCs, DEF can facilitate
16 communication with various governmental agencies also at the EOCs, such as fire
17 departments, to quickly respond to the site, take care of the downed line, and allow the
18 government agency staff to pursue other critical assignments.

19
20 Concurrent with these activities, DEF rapidly assesses a statistically valid sample of its
21 total facilities to validate the damage and associated resources that were predicted by the
22 model, and to provide operations management more information for determining the best
23 restoration strategy. As part of pre-storm season preparation, DEF identifies segments of

1 feeders and associated branch lines in each area served by an operations center that are
2 representative of the overall network of feeders and branch lines for the local area. As soon
3 as the storm winds drop below 39 miles per hour, damage assessment teams are activated
4 to get a better understanding of the damage to the distribution system. The previously
5 identified representative distribution line segments are assigned to damage assessment
6 teams who are responsible for a pole-by-pole survey of those segments, to inventory the
7 extent of damage incurred, and return damage information to be compiled and analyzed.
8 Based upon the storm damage found in this representative sample, DEF extrapolates the
9 amount of storm damage for the rest of the local distribution network and aggregates these
10 assessments to get a system-wide storm damage estimate. These estimates are used to
11 adjust the pre-landfall resource mobilization plan as needed.

12
13 The AIR feeder backbone restoration process is a method by which DEF restores core
14 infrastructure and catalogues storm damage for further repair. This process is intended to
15 quickly restore the feeder backbone through the operation of switches only, inventory
16 sections of the feeder that DEF is not able to immediately restore and identify devices off
17 the feeder that are not in service. DEF begins planning for the AIR effort prior to the storm
18 season when each of the local management teams prioritize the order of restoration for
19 critical feeders within their jurisdiction. Highest priority is assigned to feeders that are
20 crucial to the health, safety, and welfare of the public.

21
22 **Q. How is the restoration phase of the storm plan carried out?**

1 A. At this juncture of the restoration efforts, DEF deploys resources to the local operating
2 areas. To efficiently use this first wave of resources, DEF assigns them to the storm
3 damage that was identified through the feeder AIR process. This allows the Company to
4 assign the first wave to the highest priority work on the most critical components of the
5 distribution infrastructure. Based upon the information collected from the statistical
6 assessment, including aerial storm damage assessments using drones and helicopters,
7 information reported to DEF's outage management system, and the knowledge of local
8 management, the management team has the information it needs to determine what feeders
9 require detailed damage assessment. When the detailed assessment of a feeder segment is
10 complete, the results of that effort are compiled into an associated work package. This
11 work package allows DEF to effectively communicate the scope of the work to be done
12 and further assists the Company in managing productivity expectations of line and tree
13 crew resources. Additionally, the work package information assists local management in
14 allocating resources and determining Estimated Time of Restoration ("ETRs").

15
16 **Q. How does the Company communicate information to its customers prior to, during**
17 **and after a storm?**

18 A. Before a storm, the Company issues news releases, posts social media information related
19 to storm and safety tips, issues public service announcements, sends customers emails
20 focused on preparedness, and proactively shares stories with the media focused on DEF's
21 preparedness efforts to inform customers. To address the needs of customers with medical
22 or special needs, DEF conducts outbound call campaigns to ensure these customers are
23 aware of pending severe weather and to prepare for potentially extended outages.

1
2 The Company also launches a dedicated webpage focused on the specific storm event
3 where the public can find news releases, safety tips, videos, restoration information and
4 links to other valuable resources. Banners on the Company's main page direct customers
5 to the storm and safety information and eventually to the dedicated storm webpage once it
6 is launched. All pre-storm communications include storm and safety tips, and instructions
7 on how to report outages. DEF's proactive outreach to the media often results in interviews
8 and stories focused on storm preparedness.

9
10 During a storm, the Company develops daily messages for the media, customers, and field
11 personnel. The Company publishes daily updates via news releases and social media on
12 various topics, including storm damage, ETRs, and out of town resources. DEF secures
13 TV, print, and radio advertising to provide restoration updates. Customers participating in
14 DEF outage communication programs receive updates via email, phone, and text on
15 restoration progress and ETRs. Ongoing updates regarding storm restoration are also
16 provided on the Company's dedicated storm page which includes updated outage maps.
17 Furthermore, during a storm event, updates are continuously provided to elected officials,
18 community leaders and other stakeholders to ensure that they have the information needed
19 to share with the public and to plan accordingly.

20
21 After a storm, the Company prepares wrap-up messages to share with customers,
22 community leaders, and other stakeholders. News releases are published to provide final

1 outage-related numbers, thank customers for their patience, thank local first responders,
2 and thank the companies that provided off-system resources.

3
4 **Q. Does the Company update ETRs during the restoration process?**

5 **A.** Yes. DEF has three levels of ETRs: (1) an initial system level ETR; (2) a view of ETRs
6 by city and county; and (3) device level ETRs. As the storm restoration progresses, DEF
7 moves from higher level ETRs to increasing levels of detail, providing customers with
8 immediate information. ETRs are continuously updated and expanded to greater levels of
9 detail during restoration. Factors that influence ETR updates include integrating any new
10 information the Company has collected; the extent and severity of the storm damage; the
11 critical and priority restoration needs DEF may receive from ECC, state and local
12 governments, and EOCs; and the availability of resources. Additionally, ETR's can be
13 impacted by timing of resource arrival due to a number of external factors such as road and
14 bridge closures, crews that have to travel through the path of the storm (after it has cleared),
15 evacuee traffic, and lodging and fuel availability along major routes into the state. As
16 required, DEF shifts line and tree crews, equipment, and material to address new priorities
17 or to increase productivity. During restoration, DEF is constantly striving to improve ETRs
18 and meet or exceed ETR goals.

19
20 **Q. How does the Company wind down its restoration process?**

21 **A.** As the Company nears the completion of storm restoration work within any part of the
22 service territory, DEF begins demobilization efforts. DEF makes a best faith effort to use
23 the most productive and cost-effective resources during restoration. As a part of the

1 demobilization plan, DEF surveys local management and RCs to assess productivity of the
2 non-native line and tree personnel. Combining this information with the daily cost of the
3 personnel, DEF builds a restoration plan that retains the safest, most productive, cost-
4 effective resources until no longer needed.

5
6 **Q. Is there anything else that must be done after storm restoration is complete?**

7 **A.** Yes. The final phase of hurricane response is restoration of the system to its pre-storm
8 status. When in the storm outage restoration phase, DEF performs the essential work
9 necessary to restore the fundamental operating characteristics of the distribution
10 infrastructure. The initial primary focus is getting “lights on” and safety considerations
11 rather than correcting all damaged facilities that are still capable of functioning. For
12 example, during the storm outage restoration phase, DEF may leave in place poles that are
13 damaged and in need of repair but are able to safely provide service to customers in the
14 short term, capacitor banks and reclosers are returned to service only if immediately
15 required, and animal mitigation hardware is not installed pursuant to DEF’s day-to-day
16 standards. After the restoration efforts are concluded, DEF conducts electrical and physical
17 condition sweeps of the feeder backbone and identifies the issues that require mitigation to
18 return the distribution system to its pre-storm state.

19
20 The Company also conducts a “tree sweep” which is a detailed vegetation patrol of the
21 feeder backbones to identify any storm damage to trees that were not mitigated during the
22 storm restoration phase. The tree sweep is focused on cracked or broken limbs that are
23 tenuously hanging over-top of facilities and will eventually come down. Trained

1 vegetation management personnel are responsible for identifying trees or branches
2 damaged by the storm and immediately mitigating any such damage. This process requires
3 considerable subject matter expertise because these issues can be camouflaged when the
4 leaves are still green, meaning that only the most obvious can be easily identified.

5
6 **Q. How do you measure the effectiveness of your storm planning and restoration**
7 **process?**

8 **A.** Beginning with restoration effectiveness, one of the main measures that the Company uses
9 is the cumulative percentage of customers restored versus the projection of where DEF
10 should be at the end of each day. Moving backward from DEF's final ETR goals, the
11 Company sets milestones that must be achieved each day to achieve the overall goal. DEF
12 generates these milestones down to the operations center level based on the amount of
13 storm damage on DEF's system, the level of resources at the Company's disposal, and
14 DEF's restoration history. This analysis tells DEF whether it is being as effective as it
15 needs to be and, if not, helps to highlight or correct any issues that may be impacting the
16 Company's performance.

17
18 Effective planning comes down to ensuring that the Company has the processes in place to
19 provide maximum flexibility. Due to the nature of these storms, DEF will never be able to
20 precisely predict the location and timing of the storms or the extent of damage they will
21 create. It is more important that DEF's planning process ensures it has the flexibility to adapt
22 to inevitable changes in the location, timing, and intensity of storms as they arise. In DEF's

1 judgment, the planning process does in fact provide DEF with the needed flexibility to cope
2 effectively with the hurricane season.

3
4 Finally, safety of the restoration workforce is another critically important measure of
5 effectiveness. There were no serious or OSHA recordable injuries responding to the
6 Storms.

7
8 **IV. DEF'S INCREMENTAL COSTS INCURRED AS A RESULT OF HURRICANE**
9 **ETA**

10
11 **Q. Please identify what incremental costs the Company incurred in connection with**
12 **Hurricane Eta.**

13 **A.** Incremental storm-related costs incurred by the Company attributable to Hurricane Eta are
14 \$9.2 million, as shown on Exhibit No. __ (SR-1) to the direct testimony of Shelly Ross.

15
16 **Q. Please describe Hurricane Eta and how you implemented the plan you described**
17 **above.**

18 **A.** Eta's timeline and DEF's response was as follows:

19 Tuesday, November 10, 2020: The 6am NHC forecast showed Tropical Storm Eta making
20 landfall as a Tropical Depression near Pensacola 5 days later on Sunday, November 15.

21 DEF activated its ICS storm organization, consulted with in-house Meteorologists, and
22 began modeling potential damage. DEF's tropical storm preparation must consider what
23 is possible as well as what is likely to happen. As a result, DEF began resource acquisition
24 and ultimately secured 2,689 crew members consisting of:

- 1 ○ 507 Duke Energy Florida employee Line crews;
- 2 ○ 338 DEF Native Line contractors;
- 3 ○ 448 Duke Energy Carolinas and Midwest Line contractors;
- 4 ○ 269 SEE Mutual Assistance Line crews;
- 5 ○ 555 non-MA line contractors;
- 6 ○ 76 Damage Assessment contractors; and
- 7 ○ 496 DEF Vegetation Management contractors.

8 Demonstrating how unpredictable tropical systems can be, by the 10pm NHC forecast
9 (shown below) things had changed dramatically:

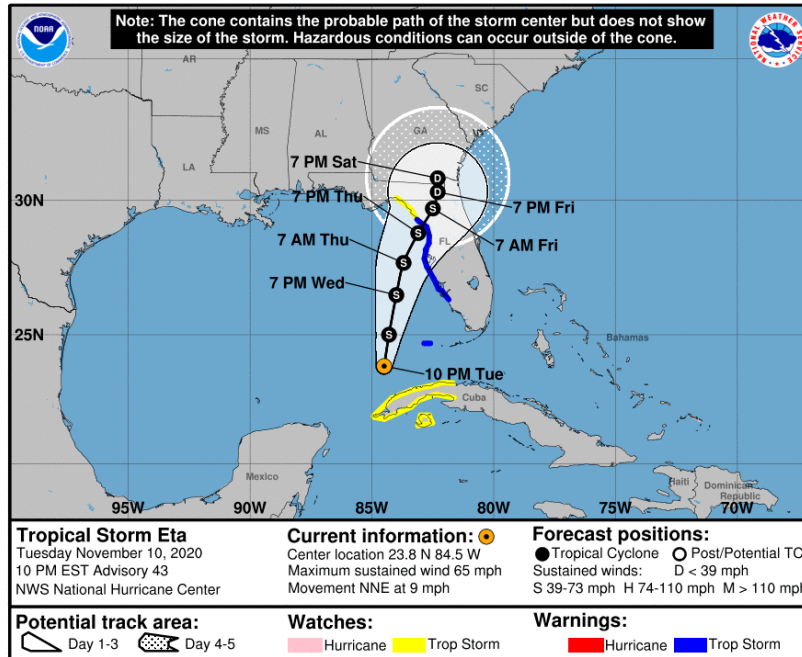
- 10 ○ Eta’s track shifted 300 miles east to Cedar Key;
- 11 ○ Landfall moved up from Sunday afternoon (November 15) to Thursday
12 afternoon (November 12); and
- 13 ○ Landfall intensity increased to Tropical Storm force.

14 Wednesday, November 11, 2020: The 7am NHC forecast intensified Tropical Storm
15 Eta to a category 1 hurricane in the Gulf of Mexico and increased forward speed,
16 making landfall as a Tropical Storm around midnight on Thursday, November 12.
17 Crews began restoration overnight as outer bands entered DEF’s service territory.

18 Thursday, November 12, 2020: Restoration crews began work as soon as it was safe to
19 do so and continued throughout the day. By midnight all customers who could receive
20 power had been restored.

21 November 13, 2020: All crews were released to travel home.

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Q. Please describe the Company’s process for seeking Mutual Assistance from outside sources and identify the date on which the Company communicated with Mutual Assistance organizations with respect to Hurricane Eta.

A. Once a tropical system is identified that threatens DEF’s service territory, the process to acquire off system restoration personnel is activated. There are primarily two avenues for acquiring off system support. The first is through non-Investor-Owned Utility (“IOU”) vendors using pre-negotiated agreements. DEF had over 90 vendor agreements in place prior to Hurricane Eta. The second avenue for off system support is through the SEE Mutual Assistance process. Mutual Assistance calls are set up to assess resource availability from outside the projected impact area. Resources typically include linemen, vegetation management, damage assessment, support, and logistics personnel for both distribution and transmission restoration work. Depending on the projected event timing and intensity, the objective is to have resources mobilized and pre-positioned ahead of

1 impact. Due to the time it takes for crews outside Florida to mobilize, this requires the
2 Company to incur costs for off-system resources based on NHC tropical weather forecasts,
3 which are subject to change. The Company's communications with Mutual Assistance
4 organizations for Eta began Monday, November 9. Mobilization was based on travel
5 distance and arrival at pre-stage locations south of the track before deterioration of safe
6 driving conditions.

7
8 **Q. When did the Company's Mutual Assistance costs for Hurricane Eta begin to
9 accrue?**

10 **A.** Costs for Hurricane Eta began to substantially accrue on November 11, 2020, as crews
11 were mobilized. Mobilization was based on travel distance and arrival at DEF mustering
12 locations before driving conditions deteriorated to the point of being unsafe. As is industry
13 standard, Mutual Assistance charging begins when the responding entities prepare to travel
14 and work on DEF's system (examples include stocking material and preparing trucks and
15 equipment for highway travel).

16
17 **Q. Did the Company issue public announcements in connection with Hurricane Eta?**

18 **A.** Yes. To keep customers and the public updated on preparation and restoration efforts,
19 DEF issued news releases in English and Spanish and responded to 20 inquiries from TV,
20 radio, and print media outlets. More than 87,000 users visited Duke Energy's outage
21 map. In addition, DEF published social media posts which covered several topics
22 including safety, storm damage, resources, updated outage information and restoration

1 progress. More than 640 messages were received on social media and over 270 responses
2 sent.

3
4 **Q. When was the Company fully restored from Hurricane Eta?**

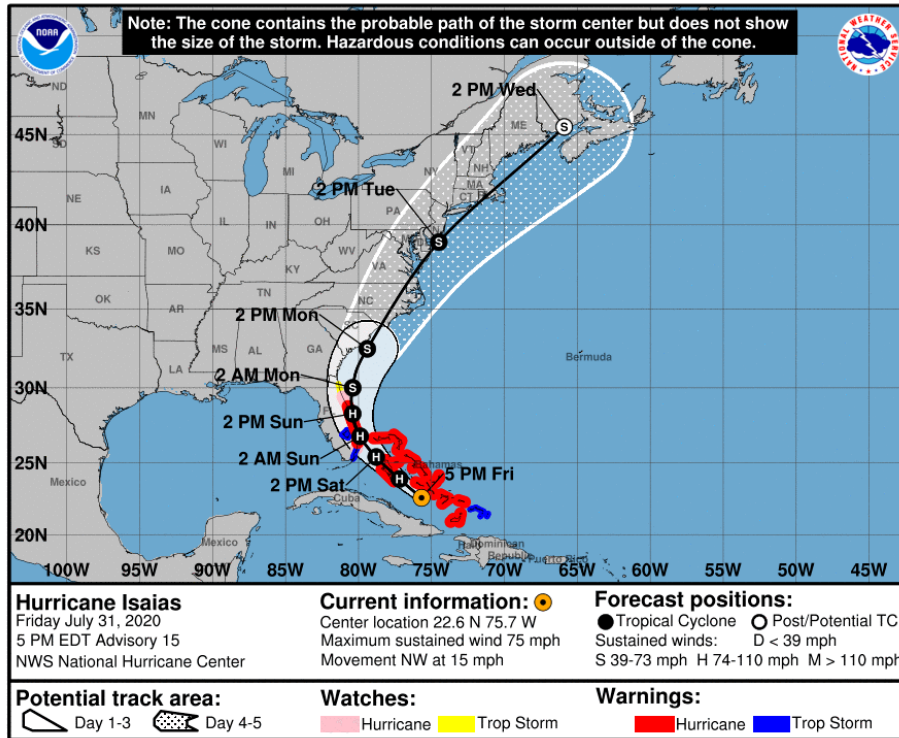
5 **A.** DEF was fully restored by midnight on November 12, 2020. Over the preceding 36 hours
6 over 101,000 customers were restored from 1,493 outage and non-outage events.

7
8 **V. DEF'S INCREMENTAL COSTS INCURRED AS A RESULT OF HURRICANE**
9 **ISAIAS.**

10
11 **Q. Please describe your planning and response to Hurricane Isaias and its impact on**
12 **your system?**

13 **A.** Friday, July 31, 2020: The NHC 5pm forecast shown below indicated a category 1 or 2
14 hurricane moving north along Florida's Atlantic coast. With impact less than 48 hours
15 away, DEF's Central Florida territory was well within the cone of uncertainty. DEF
16 activated its ICS storm organization, consulted with in-house Meteorologists, and began
17 modeling potential damage. DEF's tropical storm preparation must consider what is
18 possible as well as what is likely to happen. As a result, DEF began activation of
19 employees and native line and vegetation contractors.

20 Saturday and Sunday, August 1 and 2, 2020: As Hurricane Isaias moved north, DEF
21 restored service to 11,700 customers by responding to 354 outage and non-outage events.



1

2 **Q. Please identify what incremental costs DEF incurred in connection with Hurricane**
 3 **Isaias.**

4 **A.** The incremental costs incurred by the Company in connection with Hurricane Isaias are
 5 \$0.3 million, as shown on Exhibit No. __ (SR-1).
 6

7 **Q. When did the Company’s Mutual Assistance costs for Hurricane Isaias begin to**
 8 **accrue?**

9 **A.** Costs for Hurricane Isaias began to substantially accrue on Saturday, August 1st.
 10

11 **Q. Did the Company issue public announcements in connection with Hurricane Isaias?**

12 **A.** Yes. To keep customers and the public updated on preparation and restoration efforts, DEF
 13 issued news releases in English and Spanish. In addition, DEF published daily social media

1 posts which covered several topics including safety, storm damage, resources, updated
2 outage information and restoration progress.

3
4 **Q. When was the Company fully restored from Hurricane Isaias?**

5 **A.** Hurricane Isaias's outer bands began to directly impact DEF's service territory on
6 Saturday, August 1, 2020, and DEF was fully restored on Sunday, August 2.

7
8 **VI. DEF'S INCREMENTAL COSTS INCURRED AS A RESULT OF HURRICANE**
9 **ELSA.**

10 **Q. Please describe your planning and response to Hurricane Elsa and its impact on your**
11 **system?**

12 **A.** July 1, 2021: The NHC 5pm forecast shown below indicated a tropical storm rapidly
13 moving westward toward the Windward Islands. The storm was to reach the southern
14 Caribbean over the next couple of days and strengthening was anticipated. DEF activated
15 its ICS storm organization, consulted with in-house Meteorologists, and began modeling
16 potential damage. DEF's tropical storm preparation must consider what is possible as well
17 as what is likely to happen. As a result, DEF began activation of employees and native
18 line and vegetation contractors.



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Q. Please identify what incremental costs DEF incurred in connection with Hurricane Elsa.

A. The incremental costs incurred by the Company in connection with Hurricane Elsa are \$14.6 million, as shown on Exhibit No. __ (SR-1).

Q. When did the Company’s Mutual Assistance costs for Hurricane Elsa begin to accrue?

A. Costs for Hurricane Elsa began to substantially accrue on Monday July 5th as crews from the Duke Carolinas and Duke Midwest were mobilized.

Q. Did the Company issue public announcements in connection with Hurricane Elsa?

A. Yes. To keep customers and the public updated on preparation and restoration efforts, DEF issued news releases in English and Spanish. In addition, DEF published daily social media posts which covered several topics including safety, storm damage, resources, updated outage information and restoration progress.

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Q. When was the Company fully restored from Hurricane Elsa?

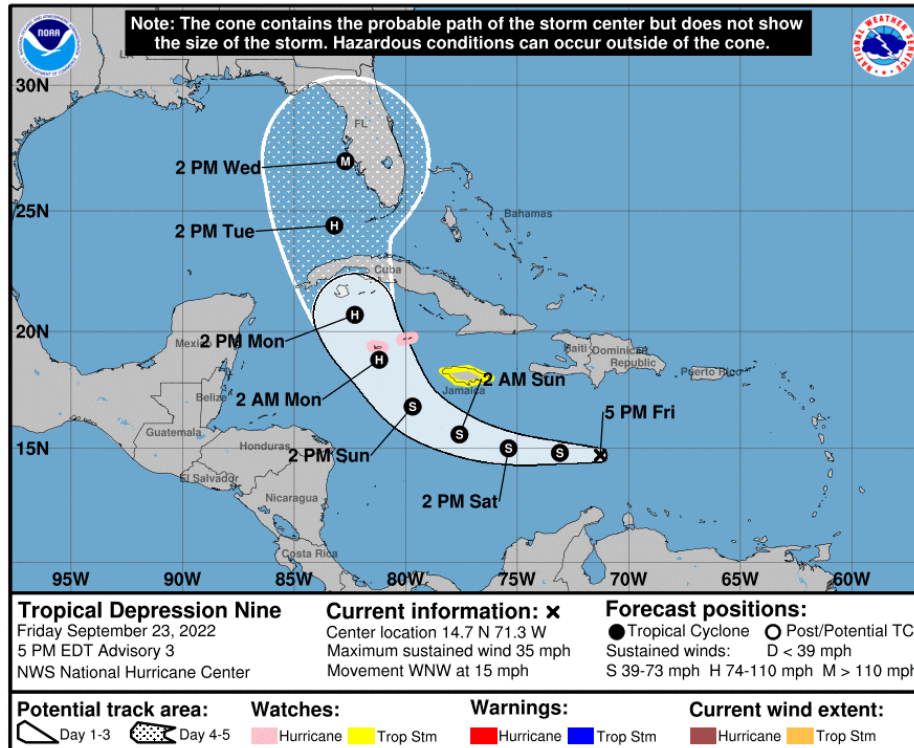
A. Hurricane Elsa’s outer bands began to directly impact DEF’s service territory late Tuesday July 6th and DEF was fully restored on Thursday July 8th.

VII. DEF’S INCREMENTAL COSTS INCURRED AS A RESULT OF HURRICANE IAN.

Q. Please describe your planning and response to Hurricane Ian and its impact on your system?

A. The NHC’s Friday, September 23rd 5pm forecast shown below indicated a tropical depression located in the Lesser Antilles and expected to become a tropical storm that evening. Significant intensification was forecast on to take place over Sunday and Monday (September 25-26), and the system is forecast to become a hurricane by early Monday (September 26).

DEF activated its ICS storm organization, consulted with in-house Meteorologists, and began modeling potential damage. DEF’s storm preparation must consider what is possible as well as what is likely to happen. As a result, DEF began activation of employees, native and non-native line, and vegetation contractors.



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Q. Please identify what incremental costs DEF incurred in connection with Hurricane Ian.

A. The incremental costs incurred by the Company in connection with Hurricane Ian are \$359.6 million, as shown on Exhibit No. __ (SR-1).

Q. When did the Company’s Mutual Assistance costs for Hurricane Ian begin to accrue?

A. DEF began to incur costs for Hurricane Ian on September 24th and began to substantially accrue on Monday September 26th as crews from the Duke Carolinas, Duke Midwest, and off-system resources were mobilized.

Q. Did the Company issue public announcements in connection with Hurricane Ian?

1 A. Yes. To keep customers and the public updated on preparation and restoration efforts, DEF
2 issued news releases in English and Spanish. In addition, DEF published daily social media
3 posts which covered several topics including safety, storm damage, resources, updated
4 outage information and restoration progress.

5
6 **Q. When was the Company fully restored from Hurricane Ian?**

7 A. Hurricane Ian made landfall at approximately 3:10pm, Wednesday, September 28 and
8 exited our service territory late afternoon on Thursday, September 29th. By the end of the
9 day Sunday, October 2nd we were fully restored.

10

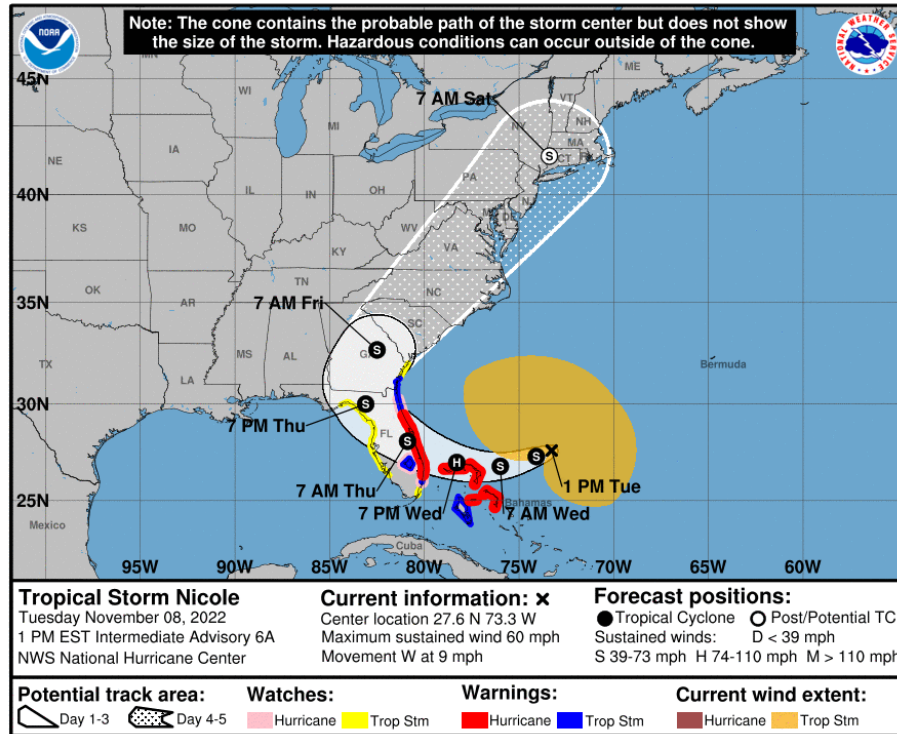
11 **VIII. DEF'S INCREMENTAL COSTS INCURRED AS A RESULT OF HURRICANE**
12 **NICOLE.**

13 **Q. Please describe your planning and response to Hurricane Nicole and its impact on**
14 **your system?**

15 A. The NHC 1pm forecast for November 7th shown below indicated Tropical Storm Nicole
16 located off the east coast of Florida and expected to become a hurricane prior to its
17 projected landfall.

18

19 DEF activated its ICS storm organization, consulted with in-house Meteorologists, and
20 began modeling potential damage. DEF's storm preparation must consider what is possible
21 as well as what is likely to happen. As a result, DEF began activation of employees, native
22 and non-native line, and vegetation contractors.



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Q. Please identify what incremental costs DEF incurred in connection with Hurricane Nicole.

A. The incremental costs incurred by the Company in connection with Hurricane Nicole are \$42.9 million, as shown on Exhibit No. __ (SR-1).

Q. When did the Company’s Mutual Assistance costs for Hurricane Nicole begin to accrue?

A. Costs for Hurricane Nicole began to substantially accrue on Monday November 7th as crews from the Duke Carolinas, Duke Midwest, and off-system resources were mobilized.

Q. Did the Company issue public announcements in connection with Hurricane Nicole?

A. Yes. To keep customers and the public updated on preparation and restoration efforts, DEF issued news releases in English and Spanish. In addition, DEF published daily social media

1 posts which covered several topics including safety, storm damage, resources, updated
2 outage information and restoration progress.

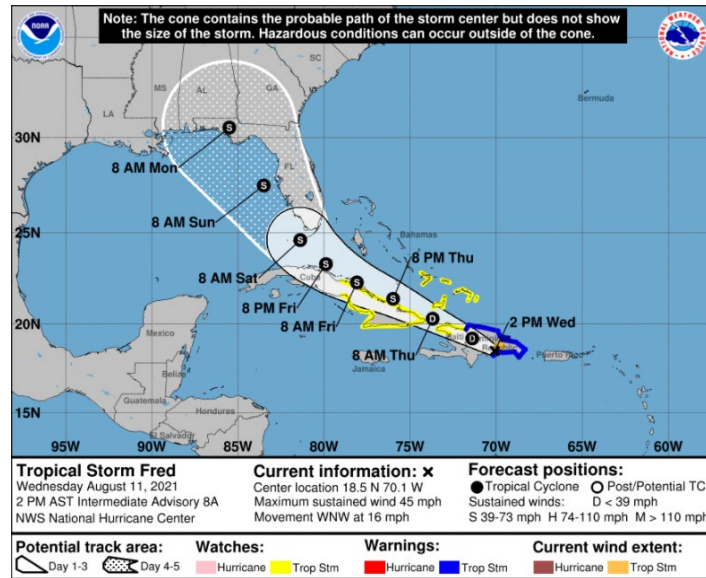
3
4 **Q. When was the Company fully restored from Hurricane Nicole?**

5 **A.** Hurricane Nicole made landfall on Thursday, November 10th. By the end of the day Friday,
6 November 11, we were fully restored

7
8 **IX. DEF'S INCREMENTAL COSTS INCURRED AS A RESULT OF TROPICAL**
9 **STORM FRED.**

10 **Q. Please describe your planning and response to Tropical Storm Fred and its impact on**
11 **your system?**

12 **A.** The NHC's 2 pm forecast for August 11, 2021, shown below, indicated a tropical storm
13 located just north of central Cuba moving northwest towards the Florida peninsula. DEF
14 activated its ICS storm organization, consulted with in-house Meteorologists, and began
15 modeling potential damage. DEF's tropical storm preparation must consider what is
16 possible as well as what is likely to happen. As a result, DEF began activation of
17 employees and native line and vegetation contractors.



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Q. Please identify what incremental costs DEF incurred in connection with Tropical Storm Fred.

A. The incremental costs incurred by the Company in connection with Tropical Storm Fred are \$.02 million, as shown on Exhibit No. __ (SR-1).

Q. When did the Company’s Mutual Assistance costs for Tropical Storm Fred begin to accrue?

A. Costs for Tropical Storm Fred began to substantially accrue on Sunday, August 15, as crews within the state were mobilized to the panhandle region.

Q. Did the Company issue public announcements in connection with Tropical Storm Fred?

A. Yes. To keep customers and the public updated on preparation and restoration efforts, DEF issued news releases in English and Spanish. In addition, DEF published daily social media

1 posts which covered several topics including safety, storm damage, resources, updated
2 outage information and restoration progress.

3
4 **Q. When was the Company fully restored from Tropical Storm Fred?**

5 **A.** Tropical Storm Fred moved onshore Monday, August 16th, and DEF was completely
6 restored by 5:00pm Tuesday, August 17th.

7
8 **X. COMPLIANCE WITH THE HURRICANE IRMA SETTLEMENT’S PROCESS**
9 **IMPROVEMENTS**

10
11 **Q. Did DEF comply with the Storm Restoration Cost Process Improvements included**
12 **as part of the Hurricane Irma Settlement when responding to these storms and**
13 **calculating the incremental costs?**

14 **A.** Yes. Since entering the Agreement, DEF has developed detailed practices and policies to
15 ensure compliance with the Process Improvements during a restoration event. DEF has
16 also entered into service agreements with many vendors that include acknowledgment of
17 and compliance with the vendor-specific Process Improvements. That said, as was noted
18 in that order, “all parties are in agreement regarding DEF’s primary objective following a
19 storm, which is power restoration to its customers, and that ‘the company will not allow
20 the policies and procedures to impede speedy power restoration for its customers.’”¹ In
21 recognition of the primary importance of safe and speedy restoration, if a situation occurs
22 during a restoration event that would result in Process Improvement compliance

¹ Order No. PSC-2019-0232-AS-EI, pg. 4.

1 hampering, rather than aiding, restoration efforts, the Company would document why
2 compliance is causing unwarranted delays, and then implement a work-around.

3

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

5 **A. Yes**

1 (Whereupon, prefiled direct testimony of Carl
2 Vinson was inserted.)

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

ON BEHALF OF COMMISSION STAFF

AMENDED DIRECT TESTIMONY OF CARL VINSON

DOCKET NO. 20230020-EI

FILED: MARCH 29, 2024

AMENDED: APRIL 3, 2024

Q. Please state your name and business address.

A. My name is Carl Vinson. My business address is 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850.

Q. By whom are you presently employed?

A. I am employed by the Florida Public Service Commission (Commission) as the supervisor of the Performance Analysis Section within the Office of Auditing and Performance Analysis.

Q. Please describe your current responsibilities.

A. I oversee a team of five auditors who perform management or operational audits of Commission-regulated utilities. These audits focus on issues such as effectiveness of management and company practices, compliance with internal procedures, adequacy of internal controls, and regulatory compliance.

Q. Briefly describe your educational and professional background.

A. In 1980, I received a Bachelor of Business Administration Degree in Finance from Stetson University in DeLand, Florida. In 1984, I joined the consulting firm of Ben Johnson Associates, Inc. The firm served public service commissions and offices of public counsel around the U.S. in utility rate cases and other regulatory dockets.

In 1989, I joined the Commission staff and have served 34 years performing and

1 supervising management and operational audits of regulated electric, gas, water, and
2 telecommunications utilities.

3 **Q. Have you presented testimony before this Commission or any other regulatory**
4 **agency?**

5 A. Yes. In the Commission's Nuclear Cost Recovery Clause Dockets No. 20080009-EI,
6 20090009-EI, 20150009-EI, and 20170009-EI, I filed testimony presenting operational audit
7 reports regarding Florida Power & Light Company (FPL) and Duke Energy Florida, LLC that
8 evaluated project management internal controls over their nuclear plant extended uprates and
9 the construction of proposed new nuclear units. In the Nuclear Cost Recovery Clause Dockets
10 for the years 2010-2014 and 2016, I also directed and supervised the preparation of similar
11 audits filed as staff testimony.

12 In 2020, I filed testimony regarding the Hurricane Michael storm cost management and
13 payment processing practices of Duke Energy Florida-LLC, Gulf Power Company, and
14 Florida Public Utility Company in Docket Numbers 20190110-EI, 20190038-EI, and
15 20190156-EI, respectively.

16 In February 2024 I filed testimony in Docket No. 20240001-EI regarding my
17 management audit of FPL Nuclear Operations.

18 **Q. Are you sponsoring any exhibits in this docket?**

19 A. No.

20 **Q. Please describe the purpose of your testimony in this docket.**

21 A. My testimony in this docket addresses Issue 2 regarding compliance by Duke Energy
22 Florida, LLC (DEF) with the terms of its 2019 Storm Cost Settlement Agreement, approved
23 by Order No. PSC-2019-0232-AS-EI.

24 **Q. Please describe the scope of your review and describe the methods used in your**
25 **analysis.**

- 1 A. The scope of my review included evaluation of the following:
- 2 • DEF's compliance with the 2019 Storm Cost Settlement's process improvements
- 3 related to Contracting and Vendor Engagement, Travel, and Work Policies.
- 4 • DEF's efforts to control its restoration and recovery costs from Hurricanes Elsa,
- 5 Eta, Isaias, Ian, Nicole, and Tropical Storm Fred.
- 6 • Adequacy of the examination by PricewaterhouseCoopers (PwC) of Duke Energy
- 7 Florida, LLC's invoice review process for the 2020-2022 Named Storms costs.

8 **Q. Please describe your process and methodology in performing this review.**

9 A. My review centered on evaluating DEF's compliance with the process improvements

10 agreed to in the 2019 Storm Cost Settlement Agreement. I issued data requests and reviewed

11 DEF's responses regarding its implementation of the process improvements. I also researched

12 Duke Energy Florida, LLC's implementation of the process improvements by reviewing the

13 work papers prepared by PwC in its evaluation of DEF's storm cost recovery processes and

14 procedures. Finally, I evaluated DEF's efforts to control the costs of restoration and recovery

15 by reviewing the testimony of DEF witnesses Fountain and Menendez.

16 **Q. What conclusions did you reach through your review?**

- 17 A. Based upon the information reviewed, I have made the following conclusions:
- 18 • DEF has complied with the 2019 Storm Cost Settlement Agreement's process
- 19 improvements related to Contracting and Vendor Engagement, Travel, and Work
- 20 Policies.
- 21 • PwC's evaluation of DEF's invoice processing was adequate and appropriate, and
- 22 complied with the requirements of the 2019 Storm Cost Settlement Agreement.
- 23 • DEF has made appropriate efforts to minimize restoration and recovery costs
- 24 through its processes for acquisition and deployment of contractors and DEF
- 25 personnel.

1 Q. Does this complete your testimony?

2 A. Yes.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricanes Elsa, Eta, Isaias, Ian, Nicole, and Tropical Storm Fred, by Duke Energy Florida, LLC.

DOCKET NO. 20230020-EI

DATED: April 3, 2024

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the Amended testimony of Carl Vinson on behalf of the staff of the Florida Public Service Commission was electronically filed with the Office of Commission Clerk, Florida Public Service Commission, and copies were furnished by electronic mail to the following on this 3rd day of April, 2024.

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1 (Whereupon, prefiled direct testimony of Tomer
2 Kopelovich was inserted.)

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
ON BEHALF OF COMMISSION STAFF
DIRECT TESTIMONY OF TOMER KOPELOVICH
DOCKET NO. 20230020-EI
MARCH 29, 2024

Q. Please state your name and business address.

A. My name is Tomer Kopelovich. My business address is 24715 Portofino Drive; Lutz, FL; 33559.

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 III. I have been employed by the Commission since October 2002.

Q. Please give a brief description of your educational background and professional experience.

A. I graduated from University of South Florida in 1991 with a Bachelor of Science degree in Finance. I have worked for the Florida Public Service Commission for 21 years, and I have varied experience in the electric, gas, and water and wastewater industries. My work experience includes various types of rate cases, cost recovery clauses, and utility audits. I am also a Certified Public Accountant.

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 presented testimony in several dockets before this Commission. Those dockets include Dockets 2009001-EI; and 20110001-EI.

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

2 A. The purpose of my testimony is to sponsor staff's Auditor Report of Duke Energy
3 Florida, LLC., which addresses the Utility's filing in Docket No. 20230020-EI. An Auditor's
4 Report was filed in the docket on February 16, 2024. This report is filed with my testimony
5 and is identified as Exhibit (TK-1).

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

7 A. Yes. It was prepared under my direction

8 **Q. Please describe the objectives of the audit and the procedures performed during**
9 **the audit?**

10 A. The objectives and procedures are listed in the Objectives and Procedures section of
11 the attached Exhibit (TK-1), pages 2 through 4.

12 **Q. Were there any audit findings in the Auditor's Report (Exhibit TK-1) which**
13 **address the schedules prepared by the Utility in support of its filing in Docket No.**
14 **20230020-EI?**

15 A. No.

16 **Q. Does that conclude your testimony?**

17 A. Yes.

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1 CHAIRMAN LA ROSA: Let's move on to exhibits.

2 MS. BROWNLESS: Yes, sir.

3 Staff has compiled the stipulated
4 Comprehensive Exhibit List, which includes the
5 prefiled exhibits attached to the witnesses'
6 testimony, as well as staff's exhibits. The list
7 has been provided to the parties, the Commissioners
8 and the court reporter.

9 At this time, staff requests that the
10 Comprehensive Exhibit List be marked for
11 identification purposes as Exhibit No. 1, and that
12 the other exhibits be marked for identification as
13 set forth in the Comprehensive Exhibit List.

14 CHAIRMAN LA ROSA: The exhibits are so marked.

15 (Whereupon, Exhibit Nos. 1-21 were marked for
16 identification.)

17 MS. BROWNLESS: We would request that the
18 Comprehensive Exhibit List, marked as Exhibit No.
19 1, be entered into the record.

20 CHAIRMAN LA ROSA: Exhibit 1 is entered.

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

23 MS. BROWNLESS: We would request that
24 stipulated staff Exhibit Nos. 16 through 21 be
25 entered into the record.

1 CHAIRMAN LA ROSA: Exhibit Nos. 16 through 21
2 are entered.

3 (Whereupon, Exhibit Nos. 16-21 were received
4 into evidence.)

5 MS. BROWNLESS: Exhibits that are agreed to by
6 the parties are Exhibit Nos. 4 through 11.

7 CHAIRMAN LA ROSA: Exhibits 4 -- have the
8 parties had the opportunity to review the Exhibits
9 4 through 11? Any issues?

10 Okay. All right. Seeing no objections, show
11 that 4 through 11 are entered into the record.

12 MS. BROWNLESS: Thank you.

13 (Whereupon, Exhibit Nos. 4-11 were received
14 into evidence.)

15 CHAIRMAN LA ROSA: Let's move, then, towards
16 opening -- opening statements.

17 If the parties wish to make an opening
18 statement, please do so within a three-minute
19 timeframe. And the orders of the parties shall
20 following as accordingly: Duke, OPC, Walmart, PCS
21 Phosphate.

22 Duke.

23 MR. BERNIER: Thank you, Mr. Chairman. Good
24 afternoon, again, Commissioners.

25 We are here today on DEF's request for

1 approval of its actual costs incurred responding to
2 restoring service following six named storms,
3 including Hurricane Ian, which had a devastating
4 impact for so many.

5 DEF is proud of its actions to quickly and
6 safely responding to these storage and our efforts
7 to do so in a cost-effective manner. Today, in
8 front of you, you have 15, 16, 17 proposed
9 stipulations regarding the prudence of the costs
10 incurred and our compliance with our earlier
11 commitments on process improvements that we entered
12 into after Hurricane Irma. We appreciate staff and
13 the parties working together on reaching those
14 stipulations, and we urge your approval.

15 Remaining today are two issues for discussion,
16 the manner of the recovery of the remaining
17 surcharge and how to handle any true-up should
18 there be any over- or under-recovery. DEF has
19 proposed to continue collecting those surcharge on
20 an energy basis as we have proposed earlier, and as
21 this commission has approved twice in the course of
22 this docket.

23 Regarding the true-up, we urge your approval
24 of our proposal to handle it through the capacity
25 clause as we have proposed.

1 And, Mr. Menendez, will be here -- is here
2 already, will be prepared to answer any questions
3 that you may have.

4 Thank you.

5 CHAIRMAN LA ROSA: Thank you.

6 OPC.

7 MR. REHWINKEL: Thank you.

8 Commissioners, the burden of proof in a
9 Commission proceeding is always a utility seeking a
10 rate change and upon other parties seeking to
11 change established rates. Florida Power
12 Corporation versus Cresse, 413 So.2d 1187, at 1191.

13 Duke Energy Florida has the burden to prove
14 whether the Commission should approve DEF's
15 petition for a limited proceeding for recovery of
16 incremental storm restoration costs related to
17 Hurricanes Elsa, Eta, Isaias, Ian, Nicole and
18 Tropical Storm Fred.

19 As a result of the stipulation entered into
20 among the parties to Docket NO. 20170271-EI, and
21 approved in Order No. PSC-20190232-AS-EI, the 2019
22 settlement, DEF agreed to follow certain processes
23 for incurring storm restoration costs. DEF also
24 agreed to engage an independent accountant to
25 perform an audit of its compliance with the agreed

1 processes.

2 The OPC has reviewed DEF's audit plan, audit
3 report and audit workpapers, and the OPC further
4 conducted discovery involving a review of a
5 representative sample of invoices and cost
6 documentation. After conducting this review and
7 cooperatively meeting with DEF and their outside
8 auditors, the OPC determined that the company has
9 materially complied with the 2019 settlement, and
10 that the audit was well designed and well executed.

11 DEF has also demonstrated that it maintains a
12 practice of working to continuously improve its
13 stewardship of the resources it acquires for
14 restoring service after severe weather events.

15 Based on the entirety of the circumstances,
16 DEF's petition meets the burden of proof
17 established by the 2019 settlement and other
18 applicable laws. As a result of the due diligence
19 performed by the OPC, and the cooperation by DEF in
20 this matter, the Public Counsel is in support of
21 DEF's commitment to an ongoing continuous storm
22 restoration process improvement plan so that
23 current and future customers only pay for the
24 prudent cost-effective storm restoration costs
25 incurred due to extreme weather events.

1 I would like to personally take this time to
2 thank Duke for its cooperation and diligence, but I
3 would especially like to personally thank on behalf
4 of the Public Counsel your staff, and especially
5 Carl Vinson, for the review they made of the
6 filing. This level of scrutiny that we saw in this
7 case will be important in the future as the
8 unfortunate circum -- in the unfortunate
9 circumstance where there are significant
10 restoration costs incurred.

11 And, Commissioners, we do not take a position
12 on the issues in this docket related to revenue
13 allocation and rate design.

14 Thank you.

15 CHAIRMAN LA ROSA: Thank you.

16 Walmart.

17 MR. LEE: Thank you, Mr. Chairman.

18 Walmart operates 386 retail units, nine
19 distribution centers, two fulfillment centers, and
20 employs over 119,000 associates in Florida. In
21 fiscal year ending 2024, Walmart purchased \$8.5
22 billion worth of goods and services from Florida
23 based suppliers, supporting over 82,000 supplier
24 jobs.

25 In DEF's service territory, Walmart has 72

1 retail stores, one distribution center, one
2 fulfillment center and related facilities. Walmart
3 consumes more than 296 million kilowatt hours from
4 DEF annually, primarily taking service as
5 demand-metered customer.

6 As electric service is a significant operating
7 cost of its facilities, including the facilities
8 taking service from DEF specifically, Walmart filed
9 a petition to intervene in this docket on March
10 6th, 2023, and the following day, Walmart filed its
11 written comments.

12 On March 15th, 2024, Walmart filed the direct
13 testimony of Lisa V. Perry, its Director of Utility
14 Partnerships, Regulatory. Walmart timely raised a
15 single rate design issue in this docket prior to
16 DEF's collection of any storm costs in this docket,
17 which is Issue 16 in the Prehearing Order: Should
18 any cost recovery approved in this docket be
19 recovered from demand-metered customers through a
20 demand or dollar per kilowatt charge?

21 As expressed on page eight of the Prehearing
22 Order, this docket is the point of entry for
23 parties to raise all issues dealing with the
24 replacement of storm costs collected through the
25 surcharge. The fact that the Commission has to

1 date approved all storm replacement surcharges
2 requested by any of the investor-owned utilities on
3 an energy basis is not a persuasive argument,
4 because it does not appear that any party to those
5 dockets contested the use of an energy charge for
6 collection of the storm replacements costs.

7 Even before Walmart raised its rate design
8 issue in this docket, Walmart raised the issue in
9 relation to the Storm Protection Plan and Storm
10 Protection Plan Cost Recovery Clause dockets as
11 early as 2020.

12 Walmart's general concern is that recovering
13 demand-related costs through an energy charge could
14 result in a shift in demand cost responsibility
15 from lower load factor customers to higher load
16 factor customers. Therefore, recovery of storm
17 costs from every customer through energy charges is
18 not cost-based because it fails to appropriately
19 reflect the demand-related nature of the underlying
20 costs, and creates interclass subsidies within
21 demand-metered customer classes.

22 Walmart understands that the interim
23 collection of storm cost in this docket was
24 authorized by two orders by this commission. The
25 first on March 23rd, 2023, and the second on

1 December 19th, 2023. Both of these orders were
2 entered before Walmart's petition to intervene was
3 granted, on December 20th of 2023. And both orders
4 authorized, quote, "interim collection of storm
5 costs".

6 The use of the word interim in these orders
7 conveys to the parties that the collection method
8 was authorized by a temporary edict. Walmart would
9 have no reason to have moved for re -- to
10 reconsider either of these orders, especially
11 having not been granted intervention before either
12 order was issued.

13 That said, Walmart recommend -- recognizes the
14 administrative burden on DEF if it were to revise
15 its approved interim collection of storm costs thus
16 far and Walmart is not advocating that DEF's
17 collection of storm costs to date be redone.
18 Instead, Walmart's issue focuses on the remaining
19 collection of costs authorized for collection on an
20 interim basis following this hearing, and the
21 handling of under-recovery or over-recovery
22 following DEF's true-up, as clarified in Walmart's
23 prehearing statement.

24 With regard to handling of under-recovery or
25 over-recovery in this docket, Issue 17 of the

1 prehearing order, DEF proposes to collect or refund
2 proposes the excess or shortfall through the
3 Capacity Cost Recovery Clause. To the extent
4 collection of under-recovered costs would be
5 handled via demand charges for demand-metered
6 customers, Walmart supports that methodology.

7 To the extent any refunds of costs collected
8 via energy charges is also proposed to be handled
9 by demand charge -- charges for demand-metered
10 customers, Walmart opposes that methodology.
11 Walmart submits that any refunds of over-collected
12 costs should be refunded the same way that those
13 costs were collected.

14 For consistency on this issue amongst storm
15 cost recovery dockets, Walmart notes that at the
16 May 1st, 2024, hearing to address TECO's storm
17 recovery docket, 20230019-EI, TECO agreed that it
18 would collect any additional storm costs using
19 demand charges for demand-metered customers through
20 the Conservation Cost Recovery Clause, and that it
21 would refund any overpaid costs via an energy
22 charge per the environmental clause, which resulted
23 in a Type 2 stipulation.

24 Walmart appreciates the Commission's, the
25 staff's and the parties' consideration of Walmart's

1 issue, testimony and exhibits in this docket.

2 Thank you.

3 CHAIRMAN LA ROSA: Thank you.

4 PCS Phosphate.

5 MS. BAKER: Good afternoon, Commissioners.

6 Thank you, Mr. Chairman.

7 First of all, I believe I failed to enter an
8 appearance for my partner, James Brew, I apologize,
9 during that segment.

10 CHAIRMAN LA ROSA: No problem.

11 MS. BAKER: I have got some brief comments.

12 First, we support Duke's proposed cost
13 recovery in this docket, and the way that they
14 propose to both collect and refund -- or collect
15 the charges through the end of this year and then
16 deal with any true-up.

17 We think there is three categories of costs
18 that we are dealing with here. First is the costs
19 that have already been approved to be recovered on
20 an interim basis. We don't believe there is any
21 reason to disrupt your orders that you have already
22 done on that, and it would be infeasible to
23 basically un -- unwind those charges that have
24 already been done.

25 Second, we think it's premature for the

1 Commission to act on cost recovery for future
2 potential storm filings because this is a cost
3 recovered in the same manner by all the utilities
4 in Florida. Either this might be something that
5 might be best, if you are considering that, might
6 be something best considered in a rulemaking rather
7 than in this specific proceeding.

8 And then the only real question here that's
9 left then is how to deal with any true-up costs at
10 the end of this year. And given how Duke's clauses
11 work, and for administrative convenience, we
12 support Duke's proposed recovery or refund through
13 the Capacity Cost Recovery Clause.

14 Thank you very much for your time. We
15 appreciate it.

16 CHAIRMAN LA ROSA: Excellent. Thank you.

17 Staff, let's move to stipulated issues.

18 MS. BROWNLESS: There are Type 2 stipulations.
19 The parties have agreed to Type 2 stipulations for
20 the following issues: 1 through 15 and 18 through
21 19.

22 CHAIRMAN LA ROSA: Excellent.

23 Commissioners, are there any questions on
24 these stipulated issues?

25 Seeing no questions, is there a motion on the

1 proposed stipulations?

2 COMMISSIONER FAY: Mr. Chairman, I would move
3 for approval for Issues 1 through 15 and 18 and 19
4 as proposed by the recommendation.

5 COMMISSIONER CLARK: Second, Mr. Chairman.

6 CHAIRMAN LA ROSA: Hearing a motion and
7 hearing a second on the stipulated issues.

8 All those in favor signify by saying yay.

9 (Chorus of yays.)

10 COMMISSIONER LA ROSA: Yay.

11 Opposed no.

12 (No response.)

13 CHAIRMAN LA ROSA: Show that the stipulated
14 issues are agreed to.

15 COMMISSIONER FAY: And, Mr. Chairman, just for
16 clarity, I meant to say as proposed by the parties
17 for the recommendation.

18 Thank you.

19 CHAIRMAN LA ROSA: So let the record reflect
20 that is -- is that -- are we good with that?

21 MS. HELTON: I am sorry, Mr. Chairman, I have
22 to admit I was caught zoning out a minute. I did
23 not hear the question.

24 CHAIRMAN LA ROSA: No problem.

25 COMMISSIONER FAY: That happens a lot when I

1 speak --

2 MS. HELTON: No. No.

3 COMMISSIONER FAY: -- especially at home.

4 MS. HELTON: No. No. It happen -- this has
5 been a long at this already.

6 COMMISSIONER FAY: So, Ms. Helton, I was just
7 clarifying that the issues as brought forward, 1
8 through 15, 18 and 19 are adopted as the
9 stipulations proposed then, and not as to a
10 recommendation.

11 MS. HELTON: Right. We can -- you can go
12 forward now and vote out the stipulations, and that
13 would actually be preferable, because then that
14 lets the parties know what the remaining issues are
15 to be litigated today.

16 CHAIRMAN LA ROSA: Okay. So there was a
17 motion on the table, 1 through 15 and 18 through
18 19. Is the vote that we just took adequate?

19 MS. BROWNLESS: Yes.

20 MS. HELTON: Yes, sir.

21 CHAIRMAN LA ROSA: Okay. Excellent. So let's
22 move forward with witness testimony.

23 So the witnesses, if you don't mind, please
24 standing -- you have not been sworn in, I suppose.

25 Okay.

1 (Whereupon, witnesses were sworn in by
2 Chairman La Rosa.)

3 WITNESS MENENDEZ: I do.

4 WITNESS PERRY: I do.

5 CHAIRMAN LA ROSA: Thank you.

6 All right. Just as a quick reminder, witness
7 summaries are limited to three minutes. So if you
8 do, obviously, open with a summary of your
9 testimony, please try to keep it within three --
10 three minutes.

11 Mr. Bernier, please call Mr. Menendez, which I
12 know is obviously sitting there ready waiting for
13 us.

14 MR. BERNIER: Mr. Menendez, please sit back
15 down, thank you.

16 Whereupon,

17 CHRISTOPHER A. MENENDEZ

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

21 EXAMINATION

22 BY MR. BERNIER:

23 **Q Will you please state your full name for the**
24 **Commission and provide your address?**

25 A Good afternoon, Commissioners. My name is

1 Christopher Menendez. My business address is 299 1st
2 Avenue North, St. Petersburg, Florida. ZIP Code 33701.

3 Q And you have just been sworn in, is that
4 correct?

5 A Yes.

6 Q All right. And who do you work for, and what
7 is your position?

8 A I work for Duke Energy Florida. I am the
9 Director of Rates and Regulatory Planning.

10 Q Thank you.

11 And did you cause to be filed in this docket
12 direct and rebuttal testimony and exhibits?

13 A I did.

14 Q And do you have those available in front of
15 you here today?

16 A Yes, on the laptop.

17 Q Thank you.

18 And do you have any changes to make to either
19 of those testimonies or the exhibits?

20 A No changes.

21 Q All right. And if I were to ask you the same
22 questions today, would your answers be the same?

23 A Yes.

24 Q All right. Thank you.

25 MR. BERNIER: With that, Mr. Chairman, we

1 would ask that both his direct and rebuttal
2 testimonies be entered into the record as though
3 read.

4 CHAIRMAN LA ROSA: All right.

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

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**IN RE: PETITION BY DUKE ENERGY FLORIDA, LLC, FOR LIMITED
PROCEEDING FOR RECOVERY OF INCREMENTAL STORM
RESTORATION COSTS RELATED TO HURRICANES ELSA, ETA, ISAIAS,
IAN, NICOLE, AND TROPICAL STORM FRED**

FPSC DOCKET NO. 20230020-EI

DIRECT TESTIMONY OF CHRISTOPHER A. MENENDEZ

SEPTEMBER 29, 2023

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

2 **A.** My name is Christopher A, Menendez. My business address is Duke Energy
3 Florida, LLC, 299 1st Avenue North, St. Petersburg, Florida 33701.

4
5 **Q. By whom are you employed and what is your position?**

6 **A.** I am employed by Duke Energy Florida, LLC (“DEF” or the “Company”) as
7 Director of Rates and Regulatory Planning.

8
9 **Q. Please describe your duties and responsibilities in that position.**

10 **A.** I am responsible for the Company’s regulatory planning and cost recovery,
11 including the Company’s Storm Cost Recovery Filings.

12
13 **Q. Please describe your educational background and professional experience.**

14 **A.** I joined the Company on April 7, 2008. Since joining the company, I have held
15 various positions in the Florida Planning & Strategy group, DEF Fossil Hydro
16 Operations Finance and DEF Rates and Regulatory Strategy. I was promoted to my

1 current position in April 2021. Prior to working at DEF, I was the Manager of
2 Inventory Accounting and Control for North American Operations at Cott
3 Beverages. I received a Bachelor of Science degree in Accounting from the
4 University of South Florida, and I am a Certified Public Accountant in the State of
5 Florida.

6

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

8 **A.** The purpose of my testimony is to explain DEF’s proposed true-up of any final
9 over or under recovery amount related to the Interim Storm Restoration Recovery
10 Charge effective the first billing cycle of April 2023 and ending the earlier of full
11 recovery or with the last billing cycle of March 2024. This charge was approved
12 by the Commission in Order No. PSC-2023-0111-PCO-EI (“the Order”).

13

14 **Q. Do you have any exhibits to your testimony?**

15 **A.** Yes, I am sponsoring the following:

- 16 • Exhibit No. __ (CAM-1) “Recovery of Storm Restoration Costs.” This Exhibit
17 shows the total recoverable restoration costs, along with monthly revenues and
18 interest collected through July 2023. An update to this Exhibit will be filed
19 with the Commission on or before June 1, 2024.
- 20 • Exhibit No. __ (CAM-2) “PWC Opinion and Examination Report”.

21

22 **Q. Please describe the Interim Storm Restoration Recovery Charge.**

1 A. The Interim Storm Restoration Recovery Charge (“Interim Charge”) was designed
2 to recover estimated incremental storm restoration costs of approximately \$442.1M
3 associated with Hurricanes Elsa, Eta, Ian, Isaias, Nicole, and Tropical Storm (“TS”)
4 Fred (the “Storms”) over a 12-month period from April 2023 through March 2024,
5 or until fully recovered. The Order states “once the total actual storm costs are
6 known, DEF shall file documentation of the storm costs for our review and true-up
7 of any excess or shortfall. The disposition of any over/under recovery and
8 associated interest, will be considered by this Commission at a later date.”

9
10 **Q. How will DEF determine the final over or under recovery true-up amount**
11 **related to the Interim Charge, and what is DEF’s proposal to refund or charge**
12 **customers for any excess or shortfall?**

13 A. DEF will compare the final Storm Recovery Amount approved for recovery by the
14 Commission to actual revenues from the Interim Charge to determine any excess
15 or shortfall. Interest will be applied to this amount at the 30-day commercial paper
16 rate. Thereafter, DEF proposes to collect or refund the excess or shortfall through
17 the capacity clause in the normal true-up process.

18
19 **Q. How will DEF notify the Commission of the actual revenues received from the**
20 **Interim Charge?**

21 A. DEF will file a supplement to my direct testimony in the form of Exhibit No. ___
22 (CAM-1), on or before June 1, 2024, that will show actual recoverable restoration
23 costs along with monthly revenues and interest collected through the earlier of
24 March 2024 or full recovery of the total recoverable storm restoration costs.

1

2 **Q. Are you familiar with the Settlement Agreement approved by the Commission**
3 **in Docket No. 20170272?**

4 **A.** Yes. That docket was opened for the Commission to review DEF's incremental
5 storm restoration costs incurred in responding to Hurricane Irma and six other
6 named storms. The docket concluded with the Commission's approval of a
7 Settlement Agreement between DEF, the OPC, FIPUG, FRF, and PCS Phosphate
8 (the "Irma Settlement"). The Commission's approval was memorialized in Order
9 No. PSC-2019-0232-AS-EI.

10

11 **Q. Did the Irma Settlement include a requirement that DEF engage an**
12 **independent outside firm to evaluate DEF's compliance with the Storm**
13 **Restoration Cost Process Improvements?**

14 **A.** Yes. Paragraph II.B. of the Irma Settlement required DEF to engage an independent
15 audit firm to evaluate DEF's compliance with the terms of the Irma Settlement after
16 the first named storm that caused recoverable costs in excess of the lower of \$40M
17 or one-half of DEF's authorized storm reserve amount. For DEF, Hurricane Ian
18 triggered the requirement of Paragraph II.B.

19

20 **Q. Has DEF complied with the requirements of Paragraph II.B.?**

21 **A.** Yes. DEF engaged PWC to conduct the review required by the Irma Settlement.
22 PWC's Opinion and Examination Report is attached as Exhibit No. __ (CAM-2).

23

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

1 A. Yes.

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1 (Whereupon, prefiled rebuttal testimony of
2 Christopher A. Menendez was inserted.)

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**IN RE: PETITION BY DUKE ENERGY FLORIDA, LLC, FOR LIMITED
PROCEEDING FOR RECOVERY OF INCREMENTAL STORM
RESTORATION COSTS RELATED TO HURRICANES ELSA, ETA, ISAIAS,
IAN, NICOLE, AND TROPICAL STORM FRED**

FPSC DOCKET NO. 20230020-EI

REBUTTAL TESTIMONY OF CHRISTOPHER A. MENENDEZ

APRIL 15, 2024

1 **I. Introduction and Qualifications**

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

3 A. My name is Christopher A. Menendez. My business address is Duke Energy
4 Florida, LLC, 299 1st Avenue North, St. Petersburg, Florida 33701.

5

6 **Q. Have you previously filed direct testimony in this docket?**

7 A. Yes. I filed direct testimony supporting Duke Energy Florida’s (“DEF” or the
8 “Company”) recovery of actual storm restoration costs associated with Hurricanes
9 Elsa, Eta, Isaias, Ian, Nicole, and Tropical Storm Fred (the “Storms”) on September
10 29, 2023.

11

12 **Q. Has your employment status and job responsibilities remained the same since**
13 **discussed in your previous testimony?**

14 A. Yes.

15

16 **II. Purpose of Testimony**

1

2 **Q. What is the purpose of your rebuttal testimony?**

3 A. The purpose of my testimony is to provide the Company's rebuttal to assertions and
4 conclusions contained in the direct testimony of Walmart Inc. ("Walmart") Witness
5 Lisa V. Perry. I have not attempted to rebut each and every factual error or
6 misconception contained in this testimony. With regard to Ms. Perry's testimony,
7 I address why DEF continues to support collecting storm costs on a per kWh
8 (energy) basis from customers.

9

10 **III. Walmart Witness Perry**

11 **Q. What is your understanding of purpose of Walmart Witness Perry's direct**
12 **testimony?**

13 A. The crux of Ms. Perry's testimony is that Walmart believes that recovery of costs
14 for the Storms approved in the instant docket should be collected from demand-
15 metered customers on a \$/kW (demand) basis versus an c/kWh (energy) basis.

16

17 **Q. Do you agree with Walmart Witness Perry's recommendation on page 3, lines**
18 **20-23 that cost recovery approved in this docket should be recovered from**
19 **demand-metered customers through a demand charge?**

20 A. No, for several reasons:

21 1) In the instant docket, the Commission in Order No. PSC-2023-0111-PCO-EI
22 has already approved DEF's interim storm restoration recovery charge for the
23 Storms on an energy basis for all rate classes. Additionally, the Commission
24 subsequently approved recovery of the interim storm surcharge, on an energy basis,

1 in Order No. PSC-2023-0375-PCO-EI. These orders approving recovery of the
2 storm surcharge on an energy basis are consistent with storm surcharges approved
3 by the Commission since 2004. Recent examples are FPL's recovery of costs
4 related to Hurricanes Ian and Nicole, TECO's recovery of costs associated with
5 named tropical systems during the 2019 – 2022 hurricane seasons, and DEF's
6 recovery of Hurricane Dorian costs.

7
8 In Docket 20230017-EI, Order No. PSC-2023-0110-PCO-EI, the Commission
9 approved FPL's request to implement an interim storm restoration recovery charge
10 related to Hurricanes Ian and Nicole and replenish its storm reserve. Attachment
11 A to that Order shows that those costs are being billed on an c/kWh (energy) basis
12 for all rate classes.

13
14 In Docket No. 20230019-EI, Order No. PSC-2023-0116-PCO-EI, the Commission
15 approved TECO's request to implement an interim storm restoration recovery
16 charge for its 2019 – 2020 storms and replenish its storm reserve. Attachment A to
17 that Order shows that those costs are being billed on a c/kWh (energy) basis for all
18 rate classes.

19
20 In Docket No. 20190222-EI, Order No. PSC-2020-0058-PCO-EI, the Commission
21 authorized DEF to implement a storm restoration recovery charge related to
22 Hurricane Dorian and Tropical Storm Nestor. Attachment A to that Order shows
23 that costs were billed on a c/kWh (energy) basis for all rate classes.

24

1 The above Orders illustrate that the Commission has recently found it appropriate
2 to bill all customers for storm restoration costs on a kWh (energy) basis.

3
4 2) It is impractical to make a change to the storm surcharge rates in the middle of
5 a storm cost recovery cycle. The current surcharge has been in place since April
6 2023 and was subsequently modified in December 2023 to incorporate Hurricane
7 Idalia. As noted above, both of these orders approved recovery on the current
8 c/kWh or energy basis. The switch to a demand-based charge would very likely
9 lead to customer confusion and frustration at a rate change this late in the game.

10

11 3) It is not possible to retroactively change or adjust any funds already collected
12 from customers.

13

14 **Q. On page 5, lines 10–12, Walmart Witness Perry states that the Company**
15 **depleted its SPP reserve funding the restoration efforts from these hurricanes**
16 **and tropical storm, and as such, is also requesting to replenish its SPP reserve.**
17 **Do you agree?**

18 A. Ms. Perry is confusing the Storm Protection Plan (“SPP”) and Storm Cost
19 Recovery Surcharge (“SCRS”). The storm reserve is not an SPP reserve nor does
20 it have anything to do with DEF’s SPP or the Storm Protection Plan Cost
21 Recovery Clause (“SPPCRC”); the costs recovered through each mechanism are
22 mutually exclusive. Therefore, the recovery methodology approved by the
23 Commission in an SPPCRC proceeding has no bearing or impact on the
24 recoveries sought for or approved in an SCRS proceeding. Further, the storm

1 reserve is collected via the SCRS, not the SPPCRC, and exists to cover restoration
2 costs resulting from storm events; it does not cover or include any SPP or
3 SPPCRC costs or cost recovery. As a result, Ms. Perry's argument highlighting
4 the demand-based recovery in the SPPCRC has no bearing on the current SCRS
5 proceeding.

6

7 **Q. On page 7, lines 5-12, Walmart Witness Perry states that SPP costs are**
8 **recovered from demand metered customers on a \$/kW basis. Thus, if the**
9 **Company covered the total recoverable storm amount from its SPP reserve,**
10 **then such funds would have been collected from demand-metered customers**
11 **through a demand charge. Do you agree?**

12 **A.** No. As I explain above, they are completely different mechanisms which recover
13 completely different costs. The collection and establishment of the storm reserve
14 has nothing to do with the DEF's SPP or SPPCRC; therefore the demand rates in
15 the SPPCRC are irrelevant for storm restoration recovery. The storm reserve is
16 collected via the SCRS, which is an energy-based rate (c/kWh); therefore, it is
17 appropriate that the collection of incremental restoration costs and the rebuilding
18 of the storm reserve, through the SCRS, be collected via the already approved
19 SCRS energy rates.

20

21 **IV. Conclusion**

22 **Q. Mr. Menendez, have you responded to every contention regarding the**
23 **Company's proposed plan in your rebuttal?**

1 A. No. My decision not to refute each and every individual characterization of fact or
2 opinion in Walmart Witness Perry's testimony should not be understood as
3 agreement with those points.

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

6 A. Yes.

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1 MR. BERNIER: And we will waive witness
2 summaries and tender Mr. Menendez for cross.

3 CHAIRMAN LA ROSA: Excellent.

4 So let's start with OPC.

5 MR. REHWINKEL: No questions.

6 CHAIRMAN LA ROSA: PCS Phosphate.

7 MS. BAKER: No questions, Commissioners.

8 CHAIRMAN LA ROSA: Walmart.

9 MR. LEE: No questions.

10 CHAIRMAN LA ROSA: Staff.

11 MS. BROWNLESS: We have some questions.

12 CHAIRMAN LA ROSA: Okay. All right. Sorry,
13 we broke the roll here.

14 EXAMINATION

15 BY MS. BROWNLESS:

16 Q Hi, Mr. Menendez. How are you this afternoon?

17 A I am well, Ms. Brownless. Good afternoon.

18 Q Okay. As your counsel just stated, you filed
19 direct testimony on September 29th of 2023 in this
20 docket, is that right?

21 A Yes, ma'am.

22 Q Okay. And at that time, DEF was seeking
23 recovery of the storm costs associated with Elsa, Eta
24 Isaias, Ian, Nicole and Tropical Storm Fred; is that
25 correct?

1 A Yes, ma'am.

2 Q Okay. And I am going to refer to those
3 hurricanes from here on out as the storms, if that's
4 okay.

5 In October 16th, after your testimony was
6 filed, DEF sought to implement another storm surcharge,
7 and at that time, it was seeking to recover \$166.1
8 million for Hurricane Idalia; is that correct?

9 A Yes. I believe that also includes any
10 unrecovered costs from the storms.

11 Q Right. And I think that was 73.9 million in
12 storm costs that had been unrecovered, plus 91.9 for
13 Idalia costs; does that sound right?

14 A That sounds correct.

15 Q Okay. Your testimony on page three of your
16 testimony, which is page C1-4 on the Case Line screen
17 there, indicated that you would file updated exhibit --
18 an updated exhibit on or before June 1st of 2024, is
19 that right?

20 A That is correct.

21 Q Okay. And I assume the purpose of that
22 testimony would have been to provide the total amount of
23 money collected under the April 23rd surcharge, and to
24 calculate any over- or under-recovery of storm costs.
25 Do I have that right?

1 A Yes, based on ow original Ian filing.

2 Q Okay. And after you combined the storm costs,
3 obviously you can't come up with final numbers June 1st
4 of this year, so when do you intend to provide that
5 updated information?

6 A We would expect to provide that information as
7 we proposed in our capacity clause, and we would do so
8 with the capacity true-up in next year's docket.

9 Q Okay. And when would that be?

10 A It's typically around April 21st.

11 Q Of 2025?

12 A Yes, ma'am.

13 Q Can you turn to your Exhibit CAM-2? And this
14 is the master page C1-10.

15 A I am there.

16 Q Okay. And this is a chart that talks about
17 your Hurricane Ian costs, correct?

18 A Yes.

19 Q Okay. And on the left-hand side, there is
20 categories of costs. And I assume these costs are
21 basically the same for each of the hurricanes at issue
22 in the storms, as well as Idalia?

23 A Correct.

24 Q Okay. And you only incur storm costs when
25 there is a qualifying tropical storm or a named

1 hurricane, is that right?

2 A Related to the surcharge consistent with our
3 settlement, yes, ma'am.

4 Q Okay. And the costs that are shown in this
5 exhibit for Hurricane Ian are similar to costs that
6 would be incurred for any storm, right?

7 A The same types of costs --

8 Q Same types.

9 A -- the magnitudes, of course, will vary
10 greatly.

11 Q Okay. Do storm costs vary for each hurricane
12 or tropical storm?

13 A Yes. The total restoration costs may vary
14 greatly between storms.

15 Q And why is that the case?

16 A Could be location that the storm makes
17 landfall. Size and strength of the storm. There are a
18 number of variables.

19 Q Okay. It might also be how long the storm
20 stays there?

21 A Yes, ma'am.

22 Q The type of service territory affected?

23 A Yes, ma'am.

24 Q Okay. And also the length of the outages, the
25 damage that's actually done; is that correct?

1 A Yes, ma'am.

2 Q I want to chat a minute about the funds that
3 have been collected pursuant to the pure charges that
4 have been in place. And this is going to be very
5 similar to what Ms. Baker said.

6 There is kind of three groups of costs. The
7 first group is the money that's already been collected
8 until today's date under the surcharge. The second
9 group is money that will be collected between now and
10 the end of the year. And the third group is whatever
11 money is associated with the over- or under-refund. And
12 you have collected, and continue to collect the money in
13 groups one and two pursuant to an energy charge, is that
14 right?

15 A Yes, ma'am.

16 Q Okay. And you propose to collect any over or
17 under when you get there next year using a capacity --
18 using the capacity clause, which is a -- it's not an
19 energy factor, it's --

20 A A demand-based factor?

21 Q Demand-metered factor. Thank you. Is that
22 right?

23 A For the demand classes.

24 Q Yes?

25 A Yes, ma'am.

1 **Q Right.**

2 **Why is DEF proposing to use the capacity**
3 **clause to refund or collect any over- or**
4 **under-recoveries?**

5 A We propose the capacity clause consistent with
6 prior true-ups that we have filed as it relates to the
7 storm surcharge, also for administrative efficiency. In
8 evaluating the other options, in looking at some of the
9 other clauses, you have statutory clauses such as the
10 ECRC that, when we looked at it, we weren't sure that
11 the storm costs to be appropriately passed through and
12 so we went with the capacity clause.

13 **Q Okay. So you went with the demand charge for**
14 **both over and under on the collection?**

15 A That wasn't the focus or the decision that was
16 made. That is certainly the outcome of using the
17 capacity clause. But as I said, the determination to
18 use the capacity clause was one of administrative
19 efficiency.

20 **Q Isn't there a mismatch created when you have**
21 **collected the money on an energy basis but you are going**
22 **to refund any over-collection on a demand basis?**

23 A As raised by Walmart, that is a valid point
24 that has been made. We have proposed the capacity
25 clause. However, if the Commission determines that a

1 different clause is appropriate for handling the
2 true-up, we will, of course, comply with a Commission
3 order.

4 I would note that we do believe that however
5 the true-up is handled, that the true-up should be
6 handled that way regardless of the directionality.
7 Therefore, whether it's an under- or over-recovery, both
8 should be treated in the same manner. We've proposed
9 the capacity clause. However, if the Commission feels
10 differently, we will comply with the Commission orders.

11 **Q If I understand what happened in the TECO**
12 **case, they agreed to collect any additional money on a**
13 **demand basis, but to refund money on an energy basis.**
14 **And is your testimony today that's not something you**
15 **could do or it's not something you wish to do?**

16 A It's not something that we would propose. We
17 can pass the funds back through the true-up through
18 whichever clause the Commission deems appropriate.
19 However, if the argument for the true-up going through
20 on an energy basis is because that is how the underlying
21 costs have been collected up until that point, it seems,
22 to my reasoning, that that would be true regardless of
23 whether you are in an under- or over-recovered position.
24 It would be consistent to treat the true-up both ways
25 for -- on an energy basis or on a demand basis, but it

1 should be consistent between the two.

2 **Q Do you have clauses that are recovered on an**
3 **energy basis?**

4 A Yes, ma'am.

5 **Q And what are those?**

6 A Those are the Environmental Cost Recovery
7 Clause and the Fuel Clause.

8 **Q Okay. On page four of your rebuttal**
9 **testimony, which is master page D1-5, you state that the**
10 **switch to a demand-based charge would very likely lead**
11 **to customer confusion and frustration at a rate change**
12 **that is late in the game. Do you remember that?**

13 A Yes, ma'am.

14 **Q Okay. When you say late in the game, what are**
15 **you referring to?**

16 A I am referring to the existing storm surcharge
17 has been in place since April of last year. By the time
18 a change is implemented, we will be not even midway, we
19 are on the tail end of that recovery cycle. And
20 customers who have been incurring the storm charge up to
21 this point on an energy basis could be surprised,
22 confused and frustrated if this were to switch towards
23 the end of the recovery cycle.

24 **Q Confused about why their surcharge was**
25 **changing?**

1 A Yes.

2 **Q Okay. Do you know exactly how long it would**
3 **take for you to implement a change to a demand basis if**
4 **the Commission were to determine that was the**
5 **appropriate thing to do for costs from now through the**
6 **end of the year?**

7 A Yes. I am not in charge of our billing or IT
8 functions; however, I have spoke with those
9 representatives of the company. The estimate is it
10 would take approximately two to three months to develop,
11 test and implement the changes necessary to our billing
12 system in order to modify the surcharge to charge from a
13 cents per kWh on to a dollar her kW month for the demand
14 classes.

15 **Q So you are talking approximately August of**
16 **this year?**

17 A Well, it would be two to three months from an
18 order, Ms. Brownless. So probably -- depending on when
19 that is, probably closer towards the end of the year.

20 **Q The end of this year?**

21 A Yes, ma'am.

22 **Q So basically the time that the surcharge would**
23 **be finished?**

24 A Yes, which is why we didn't think it was -- it
25 was impractical to change midstream, or the tail end of

1 the stream for roughly two to maybe three months of
2 recovery.

3 **Q Okay. Thank you so much. That's all I have.**

4 **A** Thank you.

5 CHAIRMAN LA ROSA: Commissioners, any
6 questions? No questions -- oh, Commissioner Clark,
7 you are recognized.

8 COMMISSIONER CLARK: Just a couple of
9 questions on -- regarding load factor.

10 Is -- Mr. Menendez, is Walmart a high load
11 factor customer?

12 THE WITNESS: I believe they are.

13 COMMISSIONER CLARK: Does their load factor
14 exceed Duke's average load factor?

15 THE WITNESS: I don't know that, sir.

16 COMMISSIONER CLARK: Okay. That's all. Thank
17 you.

18 CHAIRMAN LA ROSA: Duke.

19 MR. BERNIER: No redirect, Mr. Chairman.

20 CHAIRMAN LA ROSA: Okay. No other parties,
21 redirect?

22 Okay. Then I think Mr. Menendez -- Mr.
23 Bernier, then you can excuse Mr. Menendez.

24 MR. BERNIER: We would like to have Mr.
25 Menendez excused, please.

1 CHAIRMAN LA ROSA: Excellent.

2 MR. BERNIER: And, Mr. Chairman, I believe I
3 need to move in his Exhibits. I don't believe they
4 were moved before.

5 CHAIRMAN LA ROSA: Yeah, is it Exhibits 2 and
6 3?

7 MR. BERNIER: Yes, sir.

8 CHAIRMAN LA ROSA: Staff, can I get
9 confirmation on that?

10 MS. HELTON: That's correct, Mr. Chairman.

11 CHAIRMAN LA ROSA: Yeah, let's move Exhibit 2
12 and 3 into the record.

13 (Whereupon, Exhibit Nos. 2 & 3 were received
14 into evidence.)

15 CHAIRMAN LA ROSA: Now you are excused.

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

18 CHAIRMAN LA ROSA: Thank you.

19 (Witness excused.)

20 CHAIRMAN LA ROSA: All right. Ms. Perry --
21 Walmart, you are recognized to call Ms. Perry to
22 the stand.

23 MR. LEE: Thank you, Mr. Chairman. Walmart
24 calls Lisa V. Perry to the stand.

25 Whereupon,

1 LISA V. PERRY

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

5 EXAMINATION

6 BY MR. LEE:

7 Q Good afternoon, Ms. Perry. And you have been
8 sworn in already, correct?

9 CHAIRMAN LA ROSA: Just want to double check,
10 Ms. Perry, that your microphone is on.

11 THE WITNESS: It is not.

12 CHAIRMAN LA ROSA: There you go. Now.

13 THE WITNESS: Thank you.

14 CHAIRMAN LA ROSA: Perfect.

15 BY MR. LEE:

16 Q All set. And you have been sworn in already?

17 A Yes, I have.

18 Q Will you please state your full name and
19 business address?

20 A Lisa V. Perry, 2608 SE J Street, Bentonville,
21 Arkansas, 72716.

22 Q And by whom are you employed and in what
23 capacity?

24 A Walmart in the capacity of Director, Utility
25 Partnerships, Regulatory.

1 **Q** Have you prepared and caused to be filed on
2 **March 15th, 2024, eight pages of direct testimony in**
3 **this docket?**

4 A Yes, I have.

5 **Q** Do you have any changes to your direct
6 **testimony?**

7 A I do.

8 **Q** And what are those changes?

9 A Just a second. Let me actually pull it out
10 and make sure I got it right here.

11 So on page five, lines 10 through 12 and 19 --
12 let me get to that page -- I accidentally referenced the
13 Storm Protection Plan, SPP, instead of the Storm Cost
14 Recovery Surcharge, the SCRS. And so where I have
15 referenced SPP in my testimony on page five, it should
16 read SCRS.

17 And then the second change is on page seven,
18 lines one through 12. Although I accurately referenced
19 DEF's collection of SPP costs from demand-metered
20 customers via demand charge as shown in the SPP tariff.
21 However, I understand that the SPP tariff and the SCRS
22 tariffs are different and would strike pages seven,
23 lines one through 12 in my testimony, but leave lines 13
24 through 20.

25 I believe that's it.

1 Q And with those connection corrections, if I
2 asked you the same questions on direct examination,
3 would your answers be the same today, as corrected?

4 A Yes, they would be.

5 MR. LEE: Mr. Chairman, will you please enter
6 the direct testimony of Lisa V. Perry into the
7 record as though read?

8 CHAIRMAN LA ROSA: Yes.

9 MR. LEE: Thank you.

10 (Whereupon, prefiled direct testimony of Lisa
11 V. Perry was inserted.)

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**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

**In re: Petition for limited proceeding for : DOCKET NO. 20230020-EI
recovery of incremental storm restoration :
costs related to Hurricanes Elsa, Eta, Isaias, :
Ian, Nicole, and Tropical Storm Fred, by : Filed: March 15, 2024
Duke Energy Florida, LLC**

DIRECT TESTIMONY AND EXHIBITS OF

LISA V. PERRY

ON BEHALF OF

WALMART INC.

Table of Contents

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Exhibits

- Exhibit LVP-1:** Witness Qualifications Statement
- Exhibit LVP-2:** Comments of Walmart Inc., Docket No. 20230020-EI (March 7, 2023)
- Exhibit LVP-3:** Direct Testimony and Exhibit of Lisa V. Perry on Behalf of Walmart Inc.,
Docket No. 20220010-EI (September 2, 2022)
- Exhibit LVP-4:** DEF Tariff Sheet: One Hundred and Fourth Revised Sheet No. 6.105 – Rate
Schedule BA-1

1 **I. Introduction**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND**
3 **OCCUPATION.**

4 A. My name is Lisa V. Perry. My business address is 2608 SE J Street,
5 Bentonville, Arkansas 72716-0550. I am employed by Walmart Inc.
6 ("Walmart") as Director, Utility Partnerships - Regulatory.

7 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS DOCKET?**

8 A. I am testifying on behalf of Walmart Inc.

9 **Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.**

10 A. I received a J.D. in 1999 and a L.L.M. in Taxation in 2000 from the University of
11 Florida Levin College of Law. From 2001 to 2019, I was in private practice with
12 an emphasis from 2007 to 2019 in Energy Law. My practice included representing
13 a large commercial client before the utility regulatory commissions in Colorado,
14 Texas, New Mexico, Arkansas, and Louisiana in matters ranging from general rate
15 cases to renewable energy programs. I joined the energy department at Walmart in
16 September 2019 as Senior Manager, Energy Services. My Witness Qualifications
17 Statement is attached as Exhibit LVP-1.

18 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE**
19 **FLORIDA PUBLIC SERVICE COMMISSION ("COMMISSION")?**

20 A. Yes; I submitted testimony in Docket Nos. 20200067-EI, 202000069-EI,
21 202000070-EI, 202000071-EI, 20210010-EI, 20220010-EI, and 20230019-EI.

1 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE OTHER**
2 **STATE REGULATORY COMMISSIONS?**

3 A. Yes, I have submitted testimony with state regulatory commissions for Arkansas,
4 Colorado, Connecticut, Georgia, Illinois, Indiana, Kansas, Kentucky, Louisiana,
5 Maryland, Michigan, New York, Ohio, Oklahoma, South Carolina, Texas,
6 Virginia, and Wyoming. I have also provided legal representation for customer
7 stakeholders before the state regulatory commissions for Colorado, Texas,
8 Arkansas, Louisiana, and New Mexico in the cases listed under "Commission
9 Dockets" in Exhibit LVP-1.

10 **Q. ARE YOU SPONSORING EXHIBITS IN YOUR TESTIMONY?**

11 A. Yes. I am sponsoring the Exhibits listed in the Table of Contents.

12 **Q. PLEASE BRIEFLY DESCRIBE WALMART'S OPERATIONS IN**
13 **FLORIDA.**

14 A. Walmart operates 386 retail units, nine distribution centers, two fulfillment centers,
15 and employs over 119,000 associated in Florida. In fiscal year ending 2024,
16 Walmart purchased \$8.5 billion worth of goods and services from Florida-based
17 suppliers, supporting over 82,000 supplier jobs.¹

¹ <https://corporate.walmart.com/about/location-facts/united-states/florida>

1 **Q. PLEASE BRIEFLY DESCRIBE WALMART'S OPERATIONS WITHIN THE**
2 **SERVICE TERRITORY FOR DUKE ENERGY FLORIDA, LLC ("COMPANY"**
3 **OR "DEF").**

4 A. Walmart has 72 retail stores, one distribution center, one fulfillment center, and
5 related facilities that take service from the Company. On an annual basis, Walmart
6 consumes more than 296.1 million kWh from the Company.

7

8 **II. Purpose of Testimony and Summary of Recommendations**

9 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

10 A. The purpose of my Testimony is to respond to the Company's *Petition for limited*
11 *proceeding for recovery of incremental storm restoration costs related to*
12 *Hurricanes Elsa, Eta, Isaias, Ian, Nicole, and Tropical Storm Fred, by Duke*
13 *Energy Florida, LLC* filed on January 23, 2023 ("Petition").

14 **Q. DID WALMART FILE COMMENTS IN THIS DOCKET?**

15 A. Yes, Walmart filed Comments on March 7, 2023, attached to this Testimony as
16 Exhibit LVP-2.

17 **Q. PLEASE SUMMARIZE WALMART'S RECOMMENDATIONS TO THE**
18 **COMMISSION.**

19 A. Walmart incorporates by reference its recommendations in its March 7, 2023,
20 Comments as if fully set forth herein. Specifically, Walmart recommends that any
21 cost recovery approved in this docket should be recovered from demand-metered
22 customers through the demand charge, *i.e.*, on a \$/kW basis, and not through the
23 energy charge, or on a \$/kWh basis, as proposed by the Company.

1 **Q. DOES THE FACT THAT YOU MAY NOT ADDRESS AN ISSUE OR**
2 **POSITION ADVOCATED BY DEF OR OTHER PARTIES INDICATE**
3 **WALMART'S SUPPORT?**

4 A. No. The fact that an issue is not addressed herein or in related filings should not be
5 construed as an endorsement of, agreement with, or consent to any filed position.
6

7 **III. Recovery of Requested Costs**

8 **Q. COULD YOU PLEASE PROVIDE MORE DETAIL AROUND**
9 **WALMART'S CONCERNS WITH THE COMPANY'S PROPOSAL TO**
10 **RECOVER INCREMENTAL STORM RESTORATION COSTS RELATED**
11 **TO HURRICANES ELSA, ETA, ISAIAS, IAN, NICOLE, AND TROPICAL**
12 **STORM FRED ("INCREMENTAL STORM COSTS") FROM DEMAND**
13 **METERED CUSTOMERS THROUGH THE ENERGY CHARGE.**

14 A. As discussed in Walmart's March 7, 2023, Comments, the Company proposed in
15 Docket No. 20220010-EI, *In re: Storm protection plan cost recovery clause* to
16 recover costs associated with its Storm Protection Plan ("SPP") through the demand
17 charge for its demand metered customers, which Walmart supported as set forth in
18 the Direct Testimony and Exhibit of Lisa V. Perry on Behalf of Walmart Inc. filed
19 in that docket on September 2, 2022, and attached to my Testimony as Exhibit LVP-
20 3. However, in this docket, the Company is seeking to recover incremental storm
21 costs related to specific hurricanes and a tropical storm plus additional funds to
22 restore its SPP reserve from its demand metered customers through the energy

1 charge, *i.e.*, \$/kWh.² As discussed in more detail below, the Company's recovery
2 of storm costs in this manner is not cost-based because it fails to appropriately
3 reflect the demand-related nature of the underlying costs and creates intraclass
4 subsidies within demand metered customer classes.

5 **Q. WHAT IS YOUR UNDERSTANDING OF THE COSTS THAT THE**
6 **COMPANY IS SEEKING APPROVAL FOR RECOVERY IN THIS**
7 **DOCKET?**

8 A. It is my understanding that Company estimates the total incremental storm-related
9 costs for the listed hurricanes and Tropical Storm Fred at \$480.8 million.³ In
10 addition, the Company depleted its ~~SPP~~ **SCRS** reserve funding the restoration efforts
11 from these hurricanes and tropical storm, and as such, is also requesting to
12 recover \$131.9 million to replenish the ~~SPP~~ **SCRS** reserve.⁴ After adjustments to the
13 Incremental Storm Costs and adding the \$131.9 million to replenish the SPP
14 reserve and \$4.5 million in interest expense, it is my understanding that the
15 total amount the Company is seeking to recover in this docket is \$442.1
16 million ("Recoverable Storm Amount").⁵

17 **Q. SPECIFICALLY, WHAT TYPE OF COSTS ARE INCLUDED IN THE**
18 **RECOVERABLE STORM AMOUNT?**

19 A. In addition to replenishing the ~~SPP~~ **SCRS** reserve and interest expense, the Company is
20 seeking to recover, as part of the Recoverable Storm Amount, costs related to

² See Petition, p. 10, ¶ 26.

³ See *id.* at 9, ¶ 25.

⁴ See *id.* at 10, ¶ 25.

⁵ See *id.* at 1 and Appendix A, p. 1.

1 payroll, incentives, contractor costs, materials and supplies, internal fleet costs, and
2 other logistical costs related to restoring its system following the listed hurricanes
3 and tropical storm.⁶

4 **Q. HOW DOES THE COMPANY PROPOSE TO RECOVER THE**
5 **RECOVERABLE STORM AMOUNT FROM CUSTOMERS?**

6 A. The Company is proposing to recover the Recoverable Storm Amount through the
7 non-fuel energy charge ("Recovery Charge"), or, in other words, on a \$/kWh basis,
8 from all customers, including demand metered customers, subject to a true-up
9 adjustment.⁷

10 **Q. DOES CHARGING DEMAND-RELATED COSTS THROUGH AN**
11 **ENERGY CHARGE DISADVANTAGE HIGHER LOAD FACTOR**
12 **CUSTOMERS?**

13 A. Yes. The shift in demand-related costs from per kW demand charges to per kWh
14 energy charges results in a shift in demand cost responsibility from lower load
15 factor customers to higher load factor customers. This results in a misallocation of
16 cost responsibility as higher load factor customers overpay for the demand-related
17 costs incurred by the Company to serve them. In other words, higher load factor
18 customers are paying for a portion of the demand-related costs that are incurred to
19 serve the lower load factor customers simply because of the manner in which the
20 Company proposes to recover the Recoverable Storm Amount.

⁶ See Petition, Appendix A, pp. 2-7.

⁷ See Petition, p. 10, ¶ 26.

1 Q. ~~IF THE RECOVERABLE STORM AMOUNT WOULD HAVE BEEN PAID~~
2 ~~ENTIRELY FROM THE COMPANY'S SPP RESERVE, WOULD THESE~~
3 ~~COSTS HAVE BEEN RECOVERED FROM DEMAND METERED~~
4 ~~CUSTOMERS THROUGH THE DEMAND CHARGE?~~

5 A. Based on my reading of the current DEF tariff sheets, storm protection costs are
6 recovered from demand metered customers on a \$/kW basis.⁸ Thus, if the Company
7 covered the total Recoverable Storm Amount from its SPP reserves, then such funds
8 would have been collected from demand-metered customers through the demand
9 charge, *i.e.*, on a \$/kW basis. I also note that a portion of the Recoverable Storm
10 Amount will replenish the SPP reserves, yet the Company is seeking to recover that
11 amount differently than it would have if those costs were recovered through the
12 SPP tariff.

13 Q. WHAT IS WALMART'S RECOMMENDATION TO THE COMMISSION?

14 A. To better align cost allocation with cost responsibility, the approved Recoverable
15 Storm Amount should be recovered from customers in a way that better reflects the
16 demand-related nature of those costs and is consistent with how the Company
17 recovers its SPP costs. To that end, Walmart recommends that any cost recovery
18 approved in this docket should be recovered from demand-metered customers
19 through the demand charge, *i.e.*, on a \$/kW basis, and not through the energy
20 charge, or on a \$/kWh basis, as proposed by the Company.

⁸ See Exhibit LVP-4, DEF Tariff Sheet: One Hundred and Fourth Revised Sheet No. 6.105 – Rate Schedule BA-1 (listing the relevant Storm Protection Plan Cost Recovery Clause Factor billing adjustment (labeled "SPPCRC") as a \$/kW charge for classes of customers who have a demand charge).

1 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

2 A. Yes.

1 BY MR. LEE:

2 Q Also, Ms. Perry, did you have Exhibits LVP-1
3 through LVP-4 prepared under your direction and
4 supervision?

5 A Yes, I did.

6 Q Do you have any changes to your exhibits?

7 A No, I do not.

8 MR. LEE: Madam Court Reporter, Ms. Perry's
9 Exhibits LVP-1 through LVP-4 are Exhibits 12
10 through 15 respectively on staff's Comprehensive
11 Exhibit List, which is Exhibit 1 to this
12 proceeding.

13 Walmart moves for entry of Exhibits 12 through
14 15 on staff's Comprehensive Exhibit List into the
15 record as if read orally from the stand.

16 MS. HELTON: Mr. Chairman, that's actually
17 something that we normally do in our practice after
18 Ms. Perry has had an opportunity to be
19 cross-examined by everyone.

20 CHAIRMAN LA ROSA: Okay.

21 MR. LEE: Okay.

22 CHAIRMAN LA ROSA: So we will hold, then,
23 across examination and then we will move those.

24 MR. LEE: Thank you.

25 BY MR. LEE:

1 **Q Ms. Perry, have you prepared a summary of your**
2 **direct testimony?**

3 A Yes, I have.

4 **Q Will you please your summary?**

5 A Thank you.

6 Good afternoon, Chairman, Commissioners.

7 Thank you for the opportunity to summarize my testimony
8 today, which will also incorporate my comments filed in
9 this docket on May 7th, 2023.

10 Walmart submitted testimony much and comments
11 in response to Duke Energy Florida's petition for
12 recovery of storm restoration costs from several
13 hurricanes and a tropical storm. While we did not take
14 a stance on other issues, Walmart objected to Duke's
15 recovery of storm costs through the energy charge for
16 its demand-metered customers, arguing, instead, that
17 these costs should be recovered through the demand
18 charge.

19 This approach better aligns cost recovery with
20 cost causation, since distribution costs are typically
21 classified as demand-related because these costs do not
22 vary with the amount of electricity provided. When
23 demand-related costs are recovered through the energy
24 charge, it creates a misallocation of cost
25 responsibility that can lead to interclass subsidies.

1 This objection is consistent with our previous
2 interventions and concerns in similar dockets. In the
3 context of Storm Protection Plan Cost Recovery, Walmart
4 has similarly argued that the recovery of demand costs
5 through the demand charge to prevent shifting cost
6 responsibility from lower to higher load factor
7 customers.

8 As stated in our opening remarks, Walmart is
9 not requesting adjustments to amounts already collected.
10 Instead, we are asking the Commission to require Duke to
11 recover the remaining unrecovered costs authorized for
12 interim collection from demand-metered customers through
13 the demand charge. And second, for any true-up of these
14 recovered costs to recover any under-collected costs
15 also through the demand charge, which it sounds like
16 that that is what Duke is currently proposing, but to
17 refund any over-collected costs in the same manner as
18 those costs were efficiently recovered.

19 Thank you for your time and consideration in
20 this case.

21 **Q Thank you, Ms. Perry.**

22 **In preparing for the hearing today, did you**
23 **review any additional documents relevant to your direct**
24 **testimony?**

25 A I did. I reviewed -- hold on a second. Let

1 me find it here. I reviewed a State of New York Public
2 Service Commission recommended decision by
3 Administrative Law Judges James A. Costello and Ashley
4 Moreno, which was issued on April -- excuse me -- May
5 1st, 2024, in the following cases: Case No. 23-E-0418,
6 a Proceeding on Motion of the Commission as to the
7 Rates, Charges, Rules and Regulations of Central Hudson
8 Gas & Electrical -- Electric Company -- let me try that
9 again -- Central Hudson Gas & Electric Corporation for
10 Electric Service.

11 And also case 23-G-0419, Proceeding on Motion
12 of the Commission as to the Rates, Charges, Rules and
13 Regulations of Central Hudson Gas & Electric Corporation
14 for Gas Service.

15 **Q And was this recommended decision from New**
16 **York available when you filed your testimony?**

17 A No, it was not.

18 **Q And why did you read this decision in**
19 **connection with this docket?**

20 A These were cases where Walmart intervened,
21 testified and submitted a brief to the New York
22 Commission on the same issue Walmart raised in this
23 case, which is discussed on pages 20 -- pages 405 --
24 okay, I cannot speak -- pages 505 to 507 of the
25 recommendation decision.

1 MR. LEE: And, Your Honors, I do have excerpts
2 of that recommended decision if you would like
3 copies, and we can mark it as hearing Exhibit 21.

4 CHAIRMAN LA ROSA: Yeah, I am going to look to
5 staff on that.

6 MS. HELTON: Perhaps we should hear from the
7 parties first, Mr. Chairman, before I give you my
8 opinion.

9 CHAIRMAN LA ROSA: Sure.

10 Duke?

11 MR. BERNIER: Thank you, Mr. Chairman.

12 Overall, I don't think we are going to have a
13 huge objection to marking an exhibit. I would note
14 for the record, though, it's a recommended order
15 from another state. I don't know anything about
16 New York law, less than I know about Florida law,
17 and so I don't know the statutes or rules that it
18 was issued under, or anything like that, so I would
19 just note that I think its relevance is dubious,
20 but I don't have any objection to it being marked.

21 CHAIRMAN LA ROSA: Other parties?

22 MS. BAKER: I echo what Mr. Bernier said. I
23 -- I believe I would prefer if we had the entire
24 recommended decision as well, not just the excerpt,
25 so I think so we could get the full context of what

1 was asked in that -- or recommended in that order.

2 CHAIRMAN LA ROSA: OPC?

3 MR. REHWINKEL: Since we are not -- we are no
4 position on these issues, we have nothing to say.

5 Thank you.

6 CHAIRMAN LA ROSA: Okay. Thank you.

7 Staff?

8 MS. BROWNLESS: Thank you.

9 My understanding is that the original order,
10 the New York order that Walmart is referencing, was
11 a 600-page order, and that it -- this is a small --
12 they are seeking to offer a small excerpt from that
13 order.

14 And in addition to that, the order was
15 concerning a base rate case as opposed to this type
16 of proceeding. So I don't know the relevance
17 between that type of proceeding and this type of
18 proceeding.

19 MS. HELTON: And I guess my issue is a little
20 bit more fundamental, in that it appears that the
21 witness wants to supplement her testimony, which is
22 counter to the way we conduct our practice. If she
23 had wanted to rely on that order in her prefiled
24 testimony, she could have referenced that in her
25 prefiled testimony and included a citation to that;

1 but if I am understanding correctly, she did not do
2 that?

3 CHAIRMAN LA ROSA: Clarification --

4 MR. LEE: Mr. Chairman, if I may.

5 CHAIRMAN LA ROSA: Please.

6 MR. LEE: The recommended decision was not
7 issued until May 1st of 2024, which was after her
8 prefiled testimony was filed, and that's why she is
9 reviewing it and presenting it now.

10 MS. HELTON: Well -- and I appreciate that,
11 Mr. Chairman, but I don't think anything would have
12 prohibited Walmart for asking to supplement her
13 testimony before now. I think everyone is caught a
14 little bit flatfooted today, and so for that
15 reason, I am concerned.

16 You know, it's our practice for Florida Public
17 Service Commission orders that we can automatically
18 acknowledge those, and parties can rely on those.
19 But it's a little bit irregular, I think, at this
20 late stage in the game to rely on a New York -- New
21 York order, which obviously does not follow Florida
22 law.

23 CHAIRMAN LA ROSA: Can I -- can I make a
24 decision on this after -- before we take -- after
25 cross-examination?

1 MS. HELTON: Well, I guess the witness has
2 said that she's read the order, so I appreciate
3 that. But to the extent that she wants to rely on
4 it in her answers to cross-examination questions,
5 it would be incumbent on the parties to object to
6 any of those questions.

7 I think at this point in time, it's -- it's
8 contrary to our practice and irregular to admit
9 this exhibit into the record. And so perhaps maybe
10 we should wait and see how things fall out, and to
11 allow any questions on it. So I think we are kind
12 of at a premature stage, if I could say, that Mr.
13 Chairman.

14 CHAIRMAN LA ROSA: Agreed. Okay. Then let's
15 proceed.

16 MR. LEE: Can I distribute copies, then, to
17 Commissioners and parties or would you like me --

18 CHAIRMAN LA ROSA: If copies are distributed,
19 then they would be considered part of the record,
20 so --

21 MS. HELTON: Well, it would be -- it would --
22 we would identify it, but I think it's irregularity
23 at this point in time, because it's as if the
24 witness and Walmart are wanting to supplement her
25 testimony, which is, I believe, not appropriate,

1 Mr. Chairman.

2 CHAIRMAN LA ROSA: Okay. So no.

3 MR. LEE: Understood, Mr. Chairman. Thank
4 you.

5 With that, then, Mr. Chairman, Ms. Perry is
6 available for cross-examination.

7 CHAIRMAN LA ROSA: Okay. Start with Duke.

8 MR. BERNIER: No questions, Mr. Chairman.

9 CHAIRMAN LA ROSA: PCS Phosphate.

10 MS. BAKER: No questions.

11 CHAIRMAN LA ROSA: OPC.

12 MR. REHWINKEL: No.

13 CHAIRMAN LA ROSA: Staff.

14 MS. BROWNLESS: Yes, sir.

15 EXAMINATION

16 BY MS. BROWNLESS:

17 Q Good afternoon, Ms. Perry.

18 A Good afternoon.

19 Could I ask a quick question? This is the
20 first time I am appearing before the Florida Commission.

21 CHAIRMAN LA ROSA: Yes.

22 THE WITNESS: Do I need to bring my testimony
23 on the computer up here so that everybody can see?

24 CHAIRMAN LA ROSA: So it's my understanding
25 that her testimony will be put in front of her. I

1 am not sure what's on the other side of that
2 screen.

3 MS. HELTON: We are actually all new to this
4 -- to using this. We don't normally -- this is --
5 you are testifying in one of the first hearings
6 where we have used Case Center. And so if a party
7 asks you a question about a specific page or line
8 number, then Mr. Schultz sitting behind you will
9 direct us -- everyone in the room to that page and
10 you don't have to -- you can just sit there and
11 answer the questions.

12 THE WITNESS: Okay. Thank you very much.

13 BY MS. BROWNLESS:

14 Q And you can also look object the screen
15 because that's where it will be.

16 A Sorry for the interruption. I just wanted to
17 be clear before we got going.

18 Q Yes, ma'am.

19 Having said that, if you can turn to page
20 C4-82, which is page three of your testimony.

21 A Okay.

22 Q You state that Walmart has 72 stores that take
23 service from DEF. Can you tell us what rate schedule
24 the Walmart Stores typically take service under?

25 A Yeah. In fact, if you give me a second, I

1 think somewhere I have got that written down.

2 So we have 16 stores that take service from
3 general service, six stores from -- general service.
4 Six stores from general service demand. 36 stores from
5 general service demand-- or -- yeah, demand
6 transmission. And then 45 from IS transmission dash
7 two.

8 **Q Thank you.**

9 You state on that same page that Walmart is a
10 demand-metered customer. Can you explain how Walmart is
11 billed on demand?

12 A Basically we -- usually demand is going to be
13 your highest peak for a certain period of time within a
14 month. Generally it's 15 minutes. And then based upon
15 that peak, you are assessed a per kW charge, and that's
16 pretty much how it works.

17 **Q Okay. And how is the energy-related portion**
18 **of Walmart's bill determined?**

19 A So that's determined by our actual usage
20 during that month, and then that is multiplied by a kWh
21 charge.

22 **Q Thank you.**

23 Now turning to page C4-85, which is page six
24 of your testimony, Ms. Perry. You refer to the term
25 high load factor customer.

1 A Yes.

2 Q **Can you explain or define what that term**
3 **means?**

4 A High load factor means that whatever our
5 maximum is, for most of the time, we are at a certain
6 higher percentage of that maximum. So, for example, if
7 our maximum is 100, we are at 70 percent of that for
8 most of the time.

9 Q **Okay. And so would you describe that as a**
10 **customer who has constant usage?**

11 A Yes.

12 Q **Okay. And your assertion today is that**
13 **Walmart is a high load factor customer, correct?**

14 A That is correct.

15 Q **To determine that Walmart is a high load**
16 **factor customer, have you analyzed the bills for the**
17 **stores you described in DEF's service territory?**

18 A We have done that in-house, but I have not
19 looked at that, to be honest.

20 Q **Yes, ma'am.**

21 **And you also refer to low load factor**
22 **customers.**

23 A Yes.

24 Q **What would be an example of a low load factor**
25 **customer?**

1 A Well, I think the opposite to what you had
2 said before. Someone who may not have energy usage as
3 consistently, so they are going to have, you know, maybe
4 higher, like, spikier peaks. I am trying to think of an
5 example, but I am not coming up with one.

6 Q So that might be a customer with a demand that
7 **spikes once a month, for example?**

8 A Uh-huh.

9 Q And on page six, you also state: Higher load
10 **factor customers overpay for the demand-related costs**
11 **incurred to serve them when billed on an energy or kWh**
12 **basis.**

13 So just to confirm, are you testifying that
14 **Walmart is overpaying DEF for the storm costs because**
15 **it's being billed on an energy basis?**

16 A Yes.

17 Q Have you quantified by how much Walmart
18 **overpays DEF on a monthly or annual basis?**

19 A Again, we have quantified that in-house. I
20 have not reviewed that. But certainly, you know, if the
21 Commission or anybody needed that, we could maybe
22 provide that under seal, or some sort of
23 confidentiality.

24 Q Okay. And do you know how that number was
25 **calculated?**

1 A Yes. We have two gentlemen on our team who
2 that is their job, is to calculate that type of
3 information.

4 Q Okay. But you don't know what the actual
5 **mathematics is sitting here today?**

6 A No, ma'am, I don't.

7 Q Okay. On page six, lines 13 through 15, you
8 **testify that a shift in demand-related costs from per kW**
9 **demand to a per kWh energy, results in a shift in demand**
10 **cost responsibility from lower load factor to higher**
11 **load factor customers. Do you have any empirical**
12 **evidence you can produce today to support that**
13 **statement?**

14 A Not today. Like I said, I think that's -- we
15 could work something up internally to provide that
16 information.

17 Q Okay.

18 A It's really more conceptually in my testimony.

19 Q Yes, ma'am.

20 **And if the Commission approves a change in the**
21 **billing from energy to demand for demand-metered**
22 **customers, do you expect that change to become -- to be**
23 **able to become effective in this year, 2024?**

24 A Well, it sounds like, based upon the testimony
25 of Mr. Menendez, that it would be. It just would be

1 towards the end of the year, if I understood him
2 correctly.

3 Q Okay.

4 MS. BROWNLESS: Can I have just a minute,
5 please?

6 CHAIRMAN LA ROSA: Yes.

7 BY MS. BROWNLESS:

8 Q Would you agree that after a storm event,
9 utilities restore service to provide energy to their
10 customers? Your whole point is, after a storm, to
11 restore service as quickly as possible?

12 A Correct.

13 Q Okay.

14 A To restore power.

15 Q Yes, ma'am.

16 And after a major storm event, do you agree
17 that -- well, let me ask this question: Is Walmart
18 typically located on a major road or intersection?

19 A Some of ours are, yeah. We have quite a few.

20 Q Okay. And pretty much during a storm
21 restoration event, aren't major roads or interceptions
22 -- intersections restored first?

23 A I mean, I could conceptually agree with you.
24 I don't know if that's the case specific to our stores,
25 because most of our stores in Florida have pad mounted

1 backup generation that we do rely on a lot while the
2 utility is restoring service to other customers.

3 **Q Okay. Thank you so much. I appreciate it.**

4 A Thank you.

5 CHAIRMAN LA ROSA: Commissioners, are there
6 questions?

7 Commissioner Clark, you are recognized.

8 COMMISSIONER CLARK: I will ask my -- I'm
9 trying to get to, I guess, some feeling on this
10 definition on high load factor loads versus medium
11 or low, and I am a little confused by your
12 definition of load factor.

13 Can you tell me, you know, where that break
14 point is in a high load factor versus a load
15 factor -- first of all, how -- how -- what does
16 load factor mean to you?

17 THE WITNESS: Load factor to me is, like I
18 said, when you are sort of at your peak usage, that
19 you have a high percentage of that peak usage that
20 you are using on a continuous basis.

21 So for a Walmart, you know, our peak use is
22 pretty much what we are using all day long, right?
23 Our lights are on. The air conditioning is going
24 to be, you know, set to where it's reasonably cold.
25 And so our load factor, you know, can be fairly

1 high. It can be, you know, like, 70 percent. So
2 we are at 70 percent of our peak on a consistent
3 basis.

4 COMMISSIONER CLARK: You keep saying your
5 peak, but you mean you are at 70 percent of your
6 demand --

7 THE WITNESS: Yeah --

8 COMMISSIONER CLARK: -- your --

9 THE WITNESS: -- your peak demand --

10 COMMISSIONER CLARK: -- consumption is a
11 percentage of did your demand is your load factor.
12 So you are saying that Walmart is around a
13 70-percent load factor load --

14 THE WITNESS: Correct.

15 COMMISSIONER CLARK: -- is that your average?

16 THE WITNESS: Correct.

17 COMMISSIONER CLARK: Okay. And so that's --
18 where is your break point for a high load factor
19 load versus a low load factor?

20 THE WITNESS: That's a good question, because
21 I don't -- I am not sure. I think for me,
22 certainly anyone under 50 percent I would consider
23 more of a lower load factor customer, but there may
24 be different break points. I don't know if there
25 is an official break point is I guess what I should

1 say.

2 COMMISSIONER CLARK: So you're -- but you are
3 asking us to -- to put something in place that
4 basically was rewarding, or I guess was balancing
5 things out on behalf of high load factor customers,
6 that was your, I believe your testimony.

7 THE WITNESS: Yeah.

8 COMMISSIONER CLARK: I am just curious if
9 there is a break point that you had in mind there.

10 THE WITNESS: Well -- and I think the essence
11 of my testimony is that, you know, if your
12 recovering demand-related costs of the demand
13 factor, that just aligns with cost causation. And
14 so whether you are a high load factor or low load
15 factor, both load factors are paying their cost of
16 service, paying what it costs to serve that
17 customer.

18 COMMISSIONER CLARK: But if you had a low load
19 factor load sitting right next do it, when we talk
20 about allocating storm cost recovery --

21 THE WITNESS: Uh-huh.

22 COMMISSIONER CLARK: -- do you think that's a
23 fair assessment of what it costs to actually --
24 what cost is incurred to -- to get power back on
25 for all of the customers if you have two businesses

1 sitting right beside, one is a 10-percent load
2 factor and one is a 90-percent load factor, that
3 they should not be sharing some kind of equal cost
4 in terms of restoration cost?

5 That's what -- that's kind of what we are
6 focused on here, is the restoration cost.

7 THE WITNESS: Yeah, I know, and I --

8 COMMISSIONER CLARK: And to go to Ms.
9 Brownless' point, I was kind of under the same
10 thing. I think that we noted in a hurricane
11 presentation just a couple of hours ago from five
12 of our, five, six of our CEOs, that their number
13 one priority after hospitals, elderly care
14 facilities, was making sure our major retailers
15 were back up. So you are also getting a priority
16 restoration at the same price everyone else is
17 getting right now, is that a fair assessment?

18 THE WITNESS: Well, prior -- I -- to be
19 honest, with you, I don't know if we are priority
20 restoration under Duke's definition. And if we
21 are, I take your word for it. But I guess the way
22 I look at it is, you know, when we are talking
23 about the storm protection plans, is that, you
24 know, I think of them as being more proactive, and
25 then what we are talking about today as being more

1 reactive. And to me, you are still investing money
2 into the same assets, if that makes sense.

3 Whether you are restoring it after a
4 hurricane, or you are trying to harden it so that
5 maybe it's not impacted by the next hurricane, I
6 guess in my mind, these are still, you know, fixed
7 cost assets that are generally classified as
8 demand.

9 And so, for example, if you have wooden poles
10 that Duke says, well, we want to replace these with
11 metal poles, is there a difference between saying
12 we are going to replace them under the Storm
13 Protection Plan so they don't fall down in the
14 first place, versus we are having to replace them
15 reactively because they fell down because a
16 hurricane hit? And to me, they are the same
17 assets, and so when you are investing in those
18 assets, and they are fixed costs, then under cost
19 of service principles, those costs should be
20 recovered from customers who are demand-metered on
21 a demand basis to represent the fixed nature of the
22 cost.

23 COMMISSIONER CLARK: Thank you.

24 CHAIRMAN LA ROSA: Okay. Any other questions,
25 Commissioners?

1 Seeing none, I will ask, Mr. Lee, do you have
2 redirect?

3 MR. LEE: No redirect.

4 CHAIRMAN LA ROSA: Okay. So then let's make
5 sure we move the right exhibits in concluding now
6 with her testimony. So I have it as Exhibits 12
7 through 15.

8 MR. LEE: That's correct.

9 CHAIRMAN LA ROSA: Staff, just looking for
10 backup on that.

11 And then, of course, her testimony. And then
12 do I need to make any adjustments based on what was
13 proposed or what was asked earlier?

14 MS. HELTON: Well, I think that we can go
15 ahead and admit, Mr. Chairman, Exhibits 12 through
16 15. And I didn't hear Mr. Lee ask again to admit
17 this New York order, and I really, quite frankly,
18 think that's inappropriate at this -- this -- this
19 stage.

20 MR. LEE: That's correct. We did not request
21 that again.

22 CHAIRMAN LA ROSA: Okay. Excellent. Then
23 show that Exhibits 12 through 15 is so moved into
24 the record.

25 (Whereupon, Exhibit Nos. 12-15 were received

1 into evidence.)

2 CHAIRMAN LA ROSA: You may excuse your
3 witness.

4 MR. LEE: You are excused, Ms. Perry. Thank
5 you.

6 THE WITNESS: Thank you very much.

7 CHAIRMAN LA ROSA: Thank you.

8 (Witness excused.)

9 CHAIRMAN LA ROSA: All right. Commissioners,
10 members, we are -- let's take a quick five-minute
11 break just to catch up before we move into our
12 concluding matters before us, is that okay?

13 MS. BROWNLESS: I'm sorry?

14 CHAIRMAN LA ROSA: I am just going to take a
15 five-minute break --

16 MS. BROWNLESS: Oh, sure.

17 CHAIRMAN LA ROSA: -- see where we -- yeah, we
18 need to -- to huddle up. Then we will -- we will
19 ask questions of whether we are going to go into
20 closing arguments or not, but let's come back
21 together at, that's 3:30.

22 (Brief recess.)

23 CHAIRMAN LA ROSA: All right. Let's -- let's
24 -- let's bring the meeting back here.

25 Staff, are there any other matters that need

1 to be addressed?

2 MS. BROWNLESS: Yes, sir.

3 Do the parties wish to file brief on Issues 16
4 and 17, or do you wish to have closing argument?

5 MR. LEE: On behalf of Walmart, we would like
6 to file briefs.

7 MR. BERNIER: Then we will too.

8 MS. BAKER: We would reserve the right to file
9 a brief as well. Thank you.

10 CHAIRMAN LA ROSA: Excellent.

11 Staff.

12 MS. BROWNLESS: The briefs will be due on June
13 14th, and will be limited to 40 pages.

14 CHAIRMAN LA ROSA: All right. Any -- OPC, you
15 are recognized.

16 MR. REHWINKEL: I have never been in this
17 position in 39 years, where I have stipulated with
18 the company on all the substantive issues, but as I
19 understand it, we have agreement on all the, what I
20 call the size of the pie issues, and the slicing of
21 the pie issues are going to be briefed. Our
22 failure to file a brief wouldn't mean that we've
23 wifed anything because our issues have been put to
24 bed and are final, is that --

25 MS. BROWNLESS: Yes, sir. Your --

1 MR. REHWINKEL: Okay.

2 MS. BROWNLESS: -- your issues have been
3 stipulated to and approved --

4 MR. REHWINKEL: Yes.

5 MS. BROWNLESS: -- by a unanimous Commission.

6 MR. BERNIER: Mr. Chairman, if I could get OPC
7 to state one more time that they agree on the
8 record.

9 MR. REHWINKEL: You can put it on the wall,
10 Mr. Bernier, because it's going to be in the
11 transcript.

12 MR. BERNIER: I am going to put it in my
13 brief, page one.

14 Thank you.

15 CHAIRMAN LA ROSA: Okay. Excellent. All
16 right. So then, staff, just to clarify, then --
17 then we -- briefs will be due on June 14th, 2024 --

18 MS. BROWNLESS: Yes, sir.

19 CHAIRMAN LA ROSA: -- I heard that correctly?

20 Then seeing no other items -- Commissioners,
21 are there any other questions or thoughts before we
22 conclude today?

23 Seeing no other matters before us, see that
24 this meeting is adjourned.

25 Thank you.

1 MS. BROWNLESS: Thank you.

2 (Proceedings concluded.)

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CERTIFICATE OF REPORTER

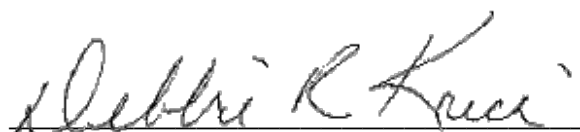
STATE OF FLORIDA)
COUNTY OF LEON)

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 June, 2024.



DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #HH31926
EXPIRES AUGUST 13, 2024