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July 2, 2024

**ELECTRONIC FILING**

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

In re: Petition for Rate Increase by Tampa Electric Company

DOCKET NO. 20240026-EI

In re: Petition for approval of 2023 Depreciation and  
Dismantlement Study, by Tampa Electric Company

DOCKET NO. 20230139-EI

In re: Petition to implement 2024 Generation Base Rate  
Adjustment provisions in Paragraph 4 of the 2021 Stipulation  
and Settlement Agreement, by Tampa Electric Company

DOCKET NO. 20230090-EI

Dear Mr. Teitzman:

Attached for filing on behalf of Tampa Electric Company in the above-referenced docket is the Rebuttal Testimony of Jeff Kopp.

Thank you for your assistance in connection with this matter.

(Document 9 of 14)

Sincerely,

J. Jeffrey Wahlen

cc: All parties

JJW/ne  
Attachment

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20240026-EI  
IN RE: PETITION FOR RATE INCREASE  
BY TAMPA ELECTRIC COMPANY

REBUTTAL TESTIMONY  
OF  
JEFF KOPP  
ON BEHALF OF TAMPA ELECTRIC COMPANY

1                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2                               **PREPARED REBUTTAL TESTIMONY**

3   **OF**

4   **JEFF KOPP**

5   **ON BEHALF OF TAMPA ELECTRIC COMPANY**

6  
7   **Q.**   Please state your name, address, occupation, and  
8           employer.

9  
10   **A.**   My name is Jeffrey (Jeff) T. Kopp, and my business address  
11           is 9400 Ward Parkway, Kansas City, Missouri 64114. I am  
12           employed by 1898 & Co., which is the consulting group  
13           within Burns & McDonnell Engineering Company, Inc. ("1898  
14           & Co."), as the Senior Managing Director of the Energy &  
15           Utilities Consulting Department.

16  
17   **Q.**   On whose behalf are you testifying in this docket?

18  
19   **A.**   I am testifying on behalf of Tampa Electric Company  
20           ("Tampa Electric" or the "company").

21  
22   **Q.**   Are you the same Jeff Kopp who filed direct testimony on  
23           behalf of Tampa Electric in this docket?

24  
25   **A.**   Yes.

1 **Q.** What are the purposes of your rebuttal testimony in this  
2 proceeding?

3  
4 **A.** The purposes of my prepared rebuttal testimony are to  
5 rebut the testimony of Intervenor The Citizens of the  
6 State of Florida's witness Lane Kollen who testifies  
7 regarding certain recommendations in the Fleet  
8 Decommissioning Cost Study ("Dismantlement Study" or "the  
9 Study") that I prepared.

10  
11 **Q.** Please summarize your rebuttal testimony and  
12 recommendations.

13  
14 **A.** I address the following three issues raised in the Direct  
15 Testimony of Florida Office of Public Counsel ("OPC")  
16 witness Lane Kollen.

17 1. Dismantlement expense should exclude all forecast  
18 growth in the dismantlement cost and expense beyond  
19 the end of the test year.<sup>1</sup>

20 2. That the Commission exclude at least the  
21 environmental component of the dismantlement costs  
22 on the solar generating assets.<sup>2</sup>

23 3. That the Company's unsourced and undescribed

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<sup>1</sup> Direct Testimony of Lane Kollen, pg 30, lines 6 - 7

<sup>2</sup> Direct Testimony of Lane Kollen, pg 33, lines 14 - 16

1 potential contingencies assumption are extremely  
2 speculative and not known and measurable.

3

4 **Q.** Do you agree with Witness Kollen's position that  
5 dismantlement expense should exclude all forecast growth  
6 in the dismantlement cost and expense beyond the end of  
7 the test year?

8

9 **A.** No. The dismantlement costs should include "escalation  
10 rates" used in converting the current estimated  
11 dismantlement costs to future estimated dismantlement  
12 costs" as outlined in Rule 25-6.04364, Florida  
13 Administrative Code, Electric Utilities Dismantlement  
14 Studies. It is reasonable and appropriate that the 2023  
15 costs I provided in my Dismantlement Study should be  
16 escalated to future years, to account for the impact of  
17 inflation, to put them in the year dollars in which they  
18 will be expended, and to most accurately reflect the  
19 actual costs to be incurred, consistent with Rule 25-  
20 6.04364.

21

22 **Q.** Did you perform the escalation of dismantlement expense  
23 in this proceeding?

24

25 **A.** No. The company performs the dismantlement accrual model

1 calculation and, consistent with previous filings,  
2 applies a 15 percent contingency factor to the  
3 decommissioning cost estimates. The company's methodology  
4 was explained in Tampa Electric's answer to the Office of  
5 Public Counsel's Fourth Set of Interrogatories, Number 90  
6 and is also described in witness Jeff Chronister's  
7 rebuttal testimony.

8  
9 **Q.** Is it reasonable to escalate the dismantlement expenses?

10  
11 **A.** Yes. Regardless of who applied the escalation to the 2023  
12 costs, it is reasonable to do so. Escalation is typically  
13 applied by others as part of depreciation or accrual  
14 calculations. It is reasonable that the costs I provided  
15 in my Dismantlement Study should be escalated to future  
16 years, to account for the impact of inflation. The cost  
17 should be in the years they will be incurred. Furthermore,  
18 the application of escalation on dismantlement costs is  
19 included in Rule 25-6.04364, Florida Administrative Code,  
20 Electric Utilities Dismantlement Studies. Please see  
21 witness Ned Allis's rebuttal testimony for further  
22 explanation.

23  
24 **Q.** Do you agree with witness Kollen's position that the  
25 Commission exclude at least the environmental component

1 of the dismantlement costs on the solar generating assets?

2

3 **A.** No. These are reasonable and appropriate costs that should  
4 be included and accounted for at the solar generating  
5 asset facilities just as they are at the other generating  
6 facilities. In fact, it's even more important to include  
7 these costs, since the solar generating assets are all  
8 located on leased land.

9

10 **Q.** What is Mr. Kollen's reason for excluding the  
11 environmental component of the dismantlement costs on the  
12 solar generating assets?

13

14 **A.** Mr. Kollen incorrectly states that the costs that may be  
15 incurred are extremely speculative and are not known and  
16 measurable and are based on my unsupported assumptions  
17 regarding the abandonment of the sites and that the  
18 company will be responsible for the site restoration. Mr.  
19 Kollen suggests the leases may not require the company to  
20 be responsible for site restoration<sup>3</sup> or environmental  
21 remediation. Mr. Kollen provides no basis for this  
22 assumption.

23

24 **Q.** Can you please explain why Mr. Kollen's statement is

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<sup>3</sup> Direct Testimony of Lane Kollen, pg 33, lines 17 - 19

1 incorrect?

2

3 **A.** Yes. First of all, Mr. Kollen incorrectly states that it  
4 is an assumption that the solar sites will be abandoned.  
5 Just like all the other generating asset types evaluated  
6 in the Study, we calculate the dismantlement costs at the  
7 end of the useful life of the facility. Contrary to Mr.  
8 Kollen's statement, we don't assume that a site will be  
9 abandoned, retained, or reused. We simply assume that that  
10 the assets on the site have reached end of life, need to  
11 be removed, and the site restored to a condition suitable  
12 for various options - retaining the site, repowering the  
13 site, or sale of the site. As stated in my direct  
14 testimony, the basis of our estimates was that all sites  
15 will be restored to an industrial condition, suitable for  
16 reuse for development of an industrial facility. The sites  
17 can remain in this condition in perpetuity, until the  
18 site is specifically redeveloped for industrial use,  
19 sold, or returned to the lessor.

20

21 **Q.** Is Mr. Kollen's position consistent with Rule 25-6.04364,  
22 Florida Administrative Code, Electric Utilities  
23 Dismantlement Studies?

24

25 **A.** No. Rule 25-6.04364, Florida Administrative Code,

1 provides definitions and guidance on dismantlement  
2 studies for electric utilities. It defines "Dismantlement  
3 Costs" as "the costs for the ultimate physical removal  
4 and disposal of plant and site restoration, minus any  
5 attendant gross salvage amount, upon final retirement of  
6 the site or unit from service." Mr. Kollen's suggestion  
7 to exclude the environmental component of the  
8 dismantlement costs on the solar generating assets, which  
9 includes site restoration costs, is not only arbitrary,  
10 but in direct conflict with the Florida Administrative  
11 Code.

12  
13 **Q.** What about Mr. Kollen's suggestion that the leases may  
14 not require the company to be responsible for site  
15 restoration or environmental remediation?

16  
17 **A.** Mr. Kollen provides no basis for this assumption. I have  
18 not seen a lease that did not put the liability for  
19 removal of improvements and site restoration on the solar  
20 facility owner.

21  
22 **Q.** Why do you review the leases for the solar facilities, as  
23 part of your preparation of dismantlement studies for  
24 those facilities?

25

1 **A.** We review the land leases to see if any additional  
2 requirements to site restoration are included in the  
3 leases than our standard assumptions to restore the site  
4 to a level of industrial use. This would potentially  
5 include additional foundation depth of removal or other  
6 activities to restore the land to a condition suitable  
7 for something other than industrial use, such as  
8 agricultural use.

9  
10 **Q.** Does the absence of a land lease being available for  
11 review give you any concern that you have overestimated  
12 environmental or site restoration costs or included  
13 speculative costs?

14  
15 **A.** No, not at all. A land lease will likely only increase  
16 the need for environmental and site restoration costs  
17 beyond what is stated in the Florida Administrative Code  
18 and included in our estimates. This typically comes in  
19 the form of language that specifically requires the lessee  
20 to remove equipment and restore the sites to a defined  
21 condition, which simply reinforces the definition of  
22 "Dismantlement Costs" in the Florida Administrative Code  
23 as including site restoration. It can also increase the  
24 site restoration costs, by requiring additional  
25 foundation depth of removal than our standard assumption.

1 Lacking a lease to review certainly does not give me any  
2 concerns or indications that environmental and site  
3 restoration costs are speculative or should not be  
4 included in the dismantlement costs.

5  
6 **Q.** Will environmental and site restoration costs still be  
7 required in the event the service life of the sites is  
8 extended beyond the service life assumption for the  
9 original panels, inverters, and other equipment?

10  
11 **A.** Yes. If the service life of the sites were to be extended,  
12 the decommissioning costs would still be required at the  
13 end of the extended service life. Extending the life of  
14 the site merely delays the costs; it does not eliminate  
15 them. And even assuming that those costs are delayed is  
16 pure speculation by Mr. Kollen. In order to even partially  
17 accept Mr. Kollen's suggestion, and assume that these site  
18 restoration costs would be delayed, we must assume that  
19 new generating assets will be constructed at these same  
20 sites "some 35 years in the future<sup>4</sup>," and that they are  
21 constructed immediately following removal of the current  
22 assets, so drainage and erosion is not a concern, and  
23 that all current site grading and surfacing is suitable  
24 for the new generation assets, which is particularly

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<sup>4</sup> Direct Testimony of Lane Kollen, pg 32, lines 3

1           speculative.

2

3   **Q.**   Do you agree with Mr. Kollen's statement that, "other  
4           utilities intentionally exclude dismantlement costs  
5           because of the uncertainties as to costs that may be  
6           incurred and whether the salvage income will exceed any  
7           such costs<sup>5</sup>?"

8

9   **A.**   No. This is not an accurate representation of what is  
10          typical, based on my experience preparing dismantlement  
11          studies throughout the country and in particular in the  
12          state of Florida. First, every dismantlement study I have  
13          prepared, including the studies I have performed in  
14          Florida for Tampa Electric Company, Duke Energy Florida,  
15          and Florida Power and Light, have included site  
16          restoration costs. Second, utilities don't simply exclude  
17          these costs "because of the uncertainties as to costs  
18          that may be incurred whether the salvage income will  
19          exceed any such costs<sup>6</sup>." Instead, utilities typically  
20          hire an engineering firm to estimate the costs for "the  
21          ultimate physical removal and disposal of plant and site  
22          restoration, minus any attendant gross salvage amount,  
23          upon final retirement of the site or unit from service<sup>7</sup>,"

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<sup>5</sup> Direct Testimony of Lane Kollen, pg 32, lines 17 - 19

<sup>6</sup> Direct Testimony of Lane Kollen, pg 32, lines 17 - 19

<sup>7</sup> Definition of "Dismantlement Costs" from Florida Administrative Code 25-6.04364

1 consistent with Florida Administrative Code. This allows  
2 a site specific cost estimate to be used to make a  
3 determination of how much salvage income will offset the  
4 costs, rather than simply speculating that they might  
5 exceed restoration costs. Lastly, even if some utilities  
6 in other parts of the country have gone with the  
7 speculative approach of intentionally excluding these  
8 costs because salvage income *may* exclude the costs, that  
9 is not consistent with Florida Administrative Code Rule  
10 25-6.04364, and therefore not relevant.

11

12 **Q.** Is the application of 15 percent contingency costs to the  
13 direct costs reasonable?

14

15 **A.** Yes. The application of contingency is not only  
16 appropriate, but also standard industry practice.

17

18 **Q.** Can you explain the relationship between the  
19 dismantlement cost estimates and contingencies?

20

21 **A.** Yes. It is important to understand how the dismantlement  
22 cost estimates are developed to understand the  
23 relationship of contingency to those costs. The estimate  
24 of direct decommissioning costs is prepared with the  
25 intent of accurately representing what contractors would

1 bid to decommission and demolish the equipment, address  
2 environmental issues, and restore the site through a  
3 competitive bidding process, based on performing known  
4 decommissioning tasks under ideal conditions. In addition  
5 to these known tasks under ideal conditions, contingency  
6 is added to account for unknown, but reasonably expected  
7 to be incurred costs. The application of contingency is  
8 a common and prudent reasonable practice in the  
9 construction industry, and it is included in order to  
10 recognize the probability of increases in cost due to the  
11 unknowns as described above. Importantly, contingency is  
12 a cost that is typically included by owners throughout  
13 all stages of planning through execution of the project.  
14

15 **Q.** What is included in the contingency costs?  
16

17 **A.** A contingency cost includes unspecified but reasonably  
18 expected additional costs to be incurred by the company  
19 during the execution of decommissioning and demolition  
20 activities. For decommissioning projects, there is some  
21 uncertainty associated with work conditions, the scope of  
22 work and how the work will be performed. There also is  
23 some uncertainty associated with estimating the  
24 quantities for dismantlement of facilities. These  
25 uncertainties result from the age and limits on drawings

1 available, as well as the absence of testing results for  
2 environmental contamination prior to preparation of these  
3 types of studies. These uncertainties also include issues  
4 related to weather delays, unknown environmental  
5 contamination, discovery equipment or materials not shown  
6 on drawings, or additional dewatering requirements.  
7 Contingency costs account for these unspecified but  
8 expected costs and are in addition to the direct costs  
9 associated with the base decommissioning costs for known  
10 scope items.

11

12 **Q.** Please explain how an appropriate level of contingency  
13 costs is determined and why a 20 percent contingency  
14 factor is reasonable on these decommissioning estimates?

15

16 **A.** The percentage of contingency applied to any cost estimate  
17 is directly related to the level of unknowns associated  
18 with the project. When preparing construction cost  
19 estimates for a new fossil-fuel generation facility on a  
20 greenfield site, we would typically determine the level  
21 of contingency based on the stage of planning or execution  
22 that we are in, which impacts the level of unknowns. We  
23 would apply higher contingency typically between 10  
24 percent and 15 percent at early stages of planning when  
25 there are more potential unknowns. These would include

1 potential scope changes as well as weather delays and  
2 other factors. As engineering design progresses and some  
3 of these unknowns can be reduced through subsurface  
4 investigations, engineering design drawings, and  
5 engineering specifications, the amount of contingency may  
6 be reduced and a lower level of contingency would be  
7 applied. However, contingency would never be completely  
8 eliminated, even after full detailed design is completed,  
9 since some unknowns, as common as weather delays, cannot  
10 be completely eliminated.

11  
12 The decommissioning cost estimates prepared as part of  
13 this filing are most similar to the cost estimates  
14 developed in the early stages of planning for a new  
15 fossil-fuel generation facility on a greenfield site.  
16 However, when preparing a decommissioning cost estimate,  
17 there is a greater level of unknowns than new  
18 construction, which cannot be eliminated at this stage of  
19 the planning process. For example, decommissioning  
20 activities occur on sites where power generation has been  
21 ongoing for many years and environmental contamination is  
22 more likely than a greenfield site. In addition, no on-  
23 site testing for hazardous materials and potential  
24 environmental contamination has been performed during  
25 these planning stages to fully identify all of these

1 items. No subsurface investigations or groundwater  
2 sampling has been performed to identify and define  
3 remediation requirements. And some unknowns, such as  
4 below grade storage tanks or piping, which may contain  
5 hazardous materials, may not be uncovered until the  
6 decommissioning process is underway.

7  
8 In general, it is reasonably expected that changes to the  
9 scope of decommissioning that could occur at the time of  
10 execution of the decommissioning project would result in  
11 cost increases, over the base cost estimates. For example,  
12 1898 & Co.'s cost estimates include minimal levels of  
13 environmental remediation, so contingency is required to  
14 cover the risk that additional contamination exists.

15  
16 In addition, other factors that impact risk include  
17 changes to market conditions, weather delays, scrap price  
18 changes, etc. The further out in the future that the  
19 decommissioning activities will occur, the greater the  
20 risk that pricing could exceed the current baseline  
21 estimates.

22  
23 **Q.** What level of contingency do you typically recommend be  
24 included in dismantlement cost estimate studies?  
25

1     **A.**    For all the reasons outlined above, we typically recommend  
2            and include a 20 percent contingency be added to the  
3            direct costs as reasonable and warranted based on the  
4            level of risk associated with the dismantlement projects.  
5            Therefore the 15 percent contingency applied by the  
6            company is less than our typical recommendation.

7

8     **Q.**    Does this conclude your rebuttal testimony?

9

10    **A.**    Yes.

11

12

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## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of the foregoing rebuttal testimony and exhibit have been served by posting on a shared document site, hand delivery of a USB drive or by electronic mail on this 2nd day of July, 2024 to the following:

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ATTORNEY