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July 2, 2024

VIA ELECTRONIC MAIL

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

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

Dear Mr. Teitzman,

Please find enclosed for electronic filing on behalf of Duke Energy Florida, LLC (“DEF”), DEF’s Rebuttal Testimony of John R. Panizza.

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

Respectfully submitted,

/s/Dianne M. Triplett

Dianne Triplett

DMT/mh

Attachment

CERTIFICATE OF SERVICE

Docket No. 20240025-EI

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

/s/ Dianne M. Triplett

Dianne M. Triplett

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No. 20240025-EI

Submitted for filing: July 2, 2024

REBUTTAL TESTIMONY

OF

JOHN R. PANIZZA

On behalf of Duke Energy Florida, LLC

1 **I. INTRODUCTION AND SUMMARY**

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

3 A. My name is John R. Panizza. My business address is 525 South Tryon Street,
4 Charlotte, North Carolina 28202.

5
6 **Q. Did you previously file direct testimony in this proceeding?**

7 A. Yes. I submitted pre-filed direct testimony in this docket on April 2, 2024.

8
9 **Q. By whom are you employed and in what capacity?**

10 A. I am employed by Duke Energy Business Services, LLC (“DEBS”) as Director,
11 Tax Operations. DEBS provides various administrative and other services to Duke
12 Energy Florida, LLC (“DEF” or the “Company”) and other affiliated companies of
13 Duke Energy Corporation (“Duke Energy”).

14
15 **Q. What is the purpose of your rebuttal testimony?**

16 A. The purpose of my rebuttal testimony is to respond to Office of Public Counsel
17 (“OPC”) Witness Schultz’s proposed property tax expense adjustments.

18
19 **Q. Please summarize your rebuttal testimony.**

20 A. Witness Schultz makes two adjustments to the Company’s forecasted property tax
21 expense. I demonstrate how both adjustments are flawed and should be disregarded
22 by the Commission.

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II. OPC’S PROPOSED PROPERTY TAX ADJUSTMENT

Q. Do you agree with Witness Schultz’s contention that there is an issue with the forecasted property taxes as reflected in the Company’s filing?

A. No. Witness Schultz questions whether the Company’s forecasted taxable values and average tax rates are consistent with historical levels, based solely on his observation that property taxes declined during the period 2018-2023.¹ But Witness Schultz has completely ignored the Company’s detailed explanation of its forecasted property tax rates, in response to OPC ROG 11-314. There DEF notes that the estimated tax rate for 2024 through 2027 was derived by taking the estimated tax paid divided by the estimated taxable value. The taxable value calculation in turn is based upon a composite of negotiations conducted between the Company and 20+ taxing jurisdictions, and the decline in property taxes during the time period 2018-2023 came about because DEF continuously makes efforts to obtain tax reductions through these negotiations for the benefit of its customers. However, the negotiated tax reductions are not guaranteed, and the Company does not have control over tax rates determined and applied by each taxing jurisdiction. Therefore, the Company conservatively assigned a 50% approximate average probability that it would receive the same negotiated benefits for the time period 2024-2027. This is a reasonable assumption given the rising value in property valuations in light of recent market conditions. Witness Schultz simply ignored this

¹ OPC Witness Schultz Direct Testimony at p. 63, ll. 20-23, p. 4, ll. 5-6).

1 in his testimony.

2

3 **Q. Briefly describe the two adjustments that Witness Schultz proposes to make**
4 **to property taxes.**

5 A. First, Witness Schultz proposes an adjustment to property tax based on his
6 calculation of the ratio of the forecasted tax increase to forecasted plant, taking into
7 account OPC's recommended reduction in plant. Second, Witness Schultz
8 recommends an adjustment to the property tax rate based on the 2023 average tax
9 rate, ignoring the Company's projections that consider the fact that negotiations to
10 reduce property taxes will not always bear fruit.

11

12 **Q. Please comment on Witness Schultz's calculations for his first proposed**
13 **adjustment.**

14 A. I have noted already that the adjustment is driven by OPC's proposed reduction in
15 plant, and this issue is being addressed in this case by Company Witness Michael
16 O'Hara. But even setting the reduction in plant to one side, Witness Schultz's
17 calculation of the first adjustment is flawed.

18

19 In the calculation, Witness Schultz does not correctly align his changes in tax
20 expense, plant additions, and plant adjustments, resulting in his making an "apples-
21 to-oranges" comparison, in that he is applying the plant additions calculations to
22 the wrong tax year.

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Property taxes are paid in arrears based on the December 31 ending net plant in service (“NPIS”) balance of the prior year. For example, 2024 property taxes are calculated based on the increase in ending balances as of December 31, 2023. This correct alignment is shown in the chart below:

	2023	2024	2025	2026	2027
Change in Taxable Value		19.77% (based off increase in ending balances as of 12/31/23)	8.52% (based off increase in projected ending balance as of 12/31/24)	7.64% (based off increase in projected ending balance as of 12/31/25)	10.71% (based off increase in projected ending balance as of 12/31/26)
Increase in NPIS*			9.28%	8.51%	9.50%

* MFR Schedule B-1, Line 3, Column 4

In his calculation, however, Witness Schultz failed to match the appropriate tax rate to the appropriate tax year taxable value; in effect, his calculation is one year off in each of the years for which the calculation is made. The misalignment leads to Witness Schultz overstating his recommended adjustment, even were OPC’s proposed reduction in plant to be accepted.²

Q. Please comment on Witness Schultz’s calculations for his second proposed adjustment.

A. The same misalignment error that impacts Witness Schultz’s first recommended

² As indicated in DEF Witness O’Hara’s testimony the proposed reduction in plant should *not* be accepted.

1 adjustment is present in his calculation of the second adjustment. In addition,
2 however, Witness Schultz applies the 2023 tax rate provided by the Company in
3 discovery (1.521%) to all of the tax years 2024-2027. He thus fails to account for
4 the potential, as I have described earlier in my testimony, that the Company's
5 efforts to reduce property taxes through negotiation with 20+ taxing authorities may
6 not succeed on a sustained basis in the future. Finally, in his calculation it appears
7 that in his calculations, Witness Schultz has included a projected cost allocation of
8 \$1.558 million from DEBS, DEF's service company affiliate. DEBS assets are not
9 part of DEF's tax rate which Witness Schultz applies, or DEF's property taxable
10 value estimates upon which he also relies. Rather, DEBS property taxes are
11 allocated to DEF and its affiliates consistent with the Company's cost allocation
12 manual and should not be included in calculating the ratio of DEF's adjusted taxes.

13
14 Accordingly, Witness Schultz's second adjustment is also in error. In combination
15 with my criticism of his first adjustment, the Company believes the forecasted
16 property tax expense and rates included in its filing are reasonable and appropriate
17 and Witness Schultz's recommendation should not be accepted.

18
19 **Q. Mr. Panizza, your rebuttal covers a lot of ground, but did you respond to every**
20 **contention regarding the Company's proposed plan in your rebuttal?**

21 **A.** No. Intervenor testimony on these topics involved many pages of testimony and I
22 could not reasonably respond to every single statement or assertion and, therefore,

1 I focused on the issues that I thought were most important in my rebuttal testimony.
2 As a result, my silence on any particular assertion in intervenor testimony should
3 not be read as agreement with or consent to that assertion. In addition, the Company
4 reserves the right to file supplemental rebuttal testimony to address any new issues
5 raised by intervenors in the event they file additional supplemental direct testimony
6 or provide discovery responses after the deadline for the rebuttal filing that impact
7 the Company's rebuttal responses.

8

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

10 A. Yes, it does.