Dianne M. Triplett
DEPUTY GENERAL COUNSEL

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 Paige Swofford.

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

Jennifer Crawford / Major Thompson /
Shaw Stiller
Office of General Counsel
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850
JCrawfor@psc.state.fl.us
MThompso@psc.state.fl.us
SStiller@psc.state.fl.us

Jon C. Moyle, Jr. / Karen A. Putnal
Moyle Law Firm, P.A.
FIPUG
118 North Gadsden Street
Tallahassee, Florida 32301
jmoyle@moylelaw.com
kputnal@moylelaw.com

Tony Mendoza / Patrick Woolsey
Sierra Club
2101 Webster Street Suite 1300
Oakland, CA 94612
tony.mendoza@sierraclub.org
patrick.woolsey@sierraclub.org

Sari Amiel
Sierra Club
50 F St. NW, Eighth Floor
Washington, DC 20001
sari.amiel@sierraclub.org

Walt Trierweiler / Charles J. Rehwinkel /
Mary Wessling / Austin Watrous
Office of Public Counsel
111 W. Madison St., Rm 812
Tallahassee, FL 32399
rehwinkel.charles@leg.state.fl.us
trierweiler.walt@leg.state.fl.us
watrous.austin@leg.state.fl.us
wessling.mary@leg.state.fl.us

Bradley Marshall / Jordan Luebkemann /
Hema Lochan
Earthjustice
LULAC & FL Rising
111 S. Martin Luther King Jr. Blvd.
Tallahassee, Florida 32301
bmarshall@earthjustice.org
jluebkemann@earthjustice.org
hlochan@earthjustice.org
flcaseupdates@earthjustice.org

Robert Scheffel Wright / John T. LaVia, III
Gardner, Bist, Bowden, Dee, LaVia, Wright,
Perry & Harper, P.A.
Florida Retail Federation
1300 Thomaswood Drive
Tallahassee, Florida 32308
schef@gbwlegal.com
jlavia@gbwlegal.com

Peter J. Mattheis / Michael K. Lavanga /
Joseph R. Briscar
Stone Mattheis Xenopoulos & Brew, PC
NUCOR
1025 Thomas Jefferson Street, NW
Suite 800 West
Washington, DC 20007-5201
pjm@smxblaw.com
mkl@smxblaw.com
jrb@smxblaw.com

James W. Brew / Laura Wynn Baker /
Sarah B. Newman
Stone Mattheis Xenopoulos & Brew, PC
PCS Phosphate-White Springs
1025 Thomas Jefferson Street, NW
Suite 800 West
Washington, DC 20007-5201
jbrew@smxblaw.com
lwb@smxblaw.com
sbn@smxblaw.com

William C. Garner
Law Office of William C. Garner, PLLC
SACE
3425 Bannerman Road
Unit 105, No. 414
Tallahassee, FL 32312
bgarner@wcglawoffice.com

Nikhil Vijaykar
Keyes & Fox LLP
EVgo Services, LLC
580 California St., 12th Floor
San Francisco, CA 94104
nvijaykar@keyesfox.com

Lindsey Stegall
EVgo Services, LLC
11835 W. Olympic Blvd., Ste. 900E
Los Angeles, CA 90064
Lindsey.Stegall@evgo.com

Frederick L. Aschauer, Jr., Esq.
Allan J. Charles, Esq.
Lori Killinger, Esq.
Lewis, Longman & Walker P.A.
AACE / Circle K / RaceTrac / Wawa
106 East College Avenue, Suite 1500
Tallahassee, Florida 32301
fAschauer@llw-law.com
acharles@llw-law.com
lkillinger@llw-law.com
jmelchior@llw-law.com

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

PAIGE SWOFFORD

On behalf of Duke Energy Florida, LLC

I. INTRODUCTION AND SUMMARY

Q. Please state your name and business address.

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

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

A. I am employed by Duke Energy Business Services, LLC as a Principal Strategy & Planning Manager in the Enterprise Strategy & Risk organization. In this docket, I am testifying on behalf of Duke Energy Florida, LLC ("DEF" or the "Company").

Q. Please briefly summarize your educational background and professional qualifications.

A. I hold a Master of Business Administration from the Fuqua School of Business at Duke University, a Master of Environmental Management from the Nicholas School of the Environment at Duke University, and a Bachelor of Science in Business Administration from the Kenan-Flagler Business School at the University of North Carolina at Chapel Hill.

Q. Please describe your business background and experience.

A. Prior to joining Duke Energy, I worked at Bank of America, where I held various roles in product management, and NextEra Energy, where I held roles in Corporate Development and renewable asset management. I joined Duke Energy in 2021 and have worked in roles in Market Strategy & Intelligence and Enterprise Strategy & Risk. I have held my current position since 2023.

Q. What are your responsibilities in your current position?

A. My current responsibilities include supporting enterprise-wide strategic initiatives and ensuring alignment to corporate goals, including the strategic, cross-functional evaluation of the Department of Energy's ("DOE") Energy Infrastructure Reinvestment ("EIR") program, which I will refer to as the "EIR Program."

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

A. No.

Q. Have you previously testified before this Commission?

A. No.

Q. What is the purpose of your rebuttal testimony?

A. My rebuttal testimony provides an overview of the DOE's EIR Program and responds to Sierra Club Witness Rose Anderson's recommendation that the Company should consider EIR Program funding to allow it to retire Crystal River North Units 4 and 5 earlier than the currently planned 2034 retirement date.

II. EIR LOAN PROGRAM MECHANICS, COSTS AND BENEFITS

Q. Please provide a brief overview of the structure of the EIR program.

A. The Inflation Reduction Act ("IRA") amended Title XVII of the Energy Policy Act of 2005 to create a new Section 1706 titled, "Energy Infrastructure Reinvestment Financing," which created additional categories of projects that may be eligible for financing through the DOE's Loan Programs Office ("LPO"). The DOE is implementing Section 1706 through the EIR Program, which will provide loan guarantees to eligible entities to provide lower cost financing for eligible projects. In May 2023, the DOE issued program guidance as well as an Interim Final Rule amending its regulations to implement the loan guarantee provisions of Section 1706. The DOE's program guidance provides key details on which projects may be eligible for loans under the program.

Specifically, projects are eligible if they are "projects that retool, repower, repurpose, or replace Energy Infrastructure that has ceased operations" or "projects that enable operating Energy Infrastructure to avoid, reduce, utilize, or sequester air pollutants or anthropogenic emissions of greenhouse gases." The EIR Program guidance goes on to provide details regarding the location of eligible projects as it relates to the legacy infrastructure. Although new EIR projects do not have to be sited exactly in the same location as the legacy infrastructure, the EIR program guidance emphasizes a "Proximity Requirement" that the new infrastructure should be "at or near the site of the legacy Energy Infrastructure to credibly retool, repower, repurpose or replace the Energy Infrastructure that has ceased operations." Or, if the infrastructure replacing the retiring infrastructure is not in the same physical or geographical location, applications must "show a clear relationship" between the services being provided by the new infrastructure and those being replaced.[1] The LPO would make this determination as part of the application process.

Additionally, projects applying for EIR Program financing must be designated for conditional commitment from the LPO by September 30, 2026, and any funds must be disbursed by 2031.

Q. Please provide an overview of your involvement in Duke Energy's efforts to examine the EIR Program.

A. Duke Energy is committed to assessing federal funding opportunities for the benefit of its customers. As part of leading Duke Energy's efforts to thoughtfully evaluate the EIR Program, I have worked closely with the LPO to understand the program requirements and complexities to ensure there are benefits to customers before committing to pursuing an application. Duke Energy initiated discussions with the LPO after program guidance was released and has continued engagement through what EIR program guidance describes as the "pre-application" phase.

[1] https://www.energy.gov/lpo/articles/program-guidance-title-17-clean-energy-program

Q. Have you engaged with other utilities that are similarly examining the EIR Program?

Yes. I represent Duke Energy on an Edison Electric Institute ("EEI") working group. Through that group, I actively engage with other utilities that are evaluating the EIR program to share knowledge and best practices about the program structure, application process, and federal compliance requirements.

Q. Have you attended any workshops or meetings with the DOE?

A. Yes. Duke Energy began engagement with the LPO in August 2023 and we have had multiple discussions with the LPO to receive guidance on the application and loan process, better understand program eligibility and what types of projects may be good candidates for the EIR program, discuss potential loan structures, and obtain deeper understanding of the federal compliance requirements. I also attended a webinar hosted by EEI titled "Utility Sector Update – 1706: Energy Infrastructure Reinvestment" in which LPO presented an overview of the EIR Program and discussion of federal compliance requirements.

Q. What are the two core determinations that must be made when considering whether to apply for EIR funding for projects related to retiring and replacing Crystal River North Units 4 and 5?

A. The two core determinations that must be made are (1) would an investment be eligible for the EIR loan program and (2) whether the EIR loans will actually provide lower cost financing for customers when considering the all-in costs of the program.

Q. Are Crystal River North Units 4 and 5 and any potential replacement assets good candidates for the EIR program?

A. No. Given that Crystal River North Units 4 and 5 are necessary to meet the Company's reliability criteria, as discussed further in the rebuttal testimony of DEF Witness Ben Borsch, the Company has not evaluated these units and any replacement assets for EIR Program funding at this time.

Q. Is Witness Anderson's estimation of the benefits of the EIR Program for the retirement and replacement of Crystal River North Units 4 and 5 a valid approximation of the potential benefits?

A. No. First, the Rocky Mountain Institute ("RMI") analysis of Alliant Energy's retirement of a coal asset and replacement with renewable resources, as relied upon by Witness Anderson, is a hypothetical scenario and consists of a number of high-level modeling assumptions. For example, the RMI analysis does not include incremental compliance costs, as I will discuss further. Additionally, to the best of my knowledge, there has not been any real-world application of EIR Program funding being used to retire and replace a coal plant with renewables, so no data currently exists to support the results of the analysis, and it should certainly not be relied on to project any economic impacts of retiring Crystal River North early, as

Witness Anderson does in her testimony.

To evaluate whether the EIR Program would have a net benefit or cost to customers, the analysis must include the "all-in" costs of the EIR Program, including the lower interest rate as well as additional costs such as administrative and compliance costs. There are several federal laws that the Company would need to comply with when obtaining federal funding, such as the National Environmental Policy Act ("NEPA"), the Davis-Bacon Act of 1931 ("DBA") and the Cargo Preference Act of 1954, as outlined in the EIR program guidance. These "all-in" costs are intertwined with any EIR Program loan because in order to obtain a loan under the program, the Company must incur additional costs to comply with the EIR Program's requirements. In short, the administrative and compliance costs reduce the net savings of the loans. The RMI analysis did not include any estimation of these compliance costs. Further, in the very RMI whitepaper cited in Witness Anderson's testimony, RMI observes that if utilities "use EIR loans to displace corporate debt, overall ratepayer savings will be minimal, since most utilities can already borrow at reasonably attractive interest rates without the added complication and expense of participating in a government program."[2] The "added complication and expense" referenced in the whitepaper are those additional compliance costs that I am referencing. DEF Witness Karl Newlin elaborates on

[2] RMI's May 24, 2024 analysis, *available at*: https://rmi.org/maximizing-the-value-of-the-energy-infrastructure-reinvestment-program-for-utility-customers/

these concerns further in his rebuttal testimony.

III. <u>CONCLUSION</u>

Q. Ms. Swofford, did you respond to every contention Sierra Club made regarding its EIR Program funding recommendation in your rebuttal?

A. No. I focused on the issues that I thought were most important in my rebuttal testimony. As a result, my silence on any particular assertion in intervenor testimony should not be read as agreement with or consent to that assertion. In addition, the Company reserves the right to file supplemental rebuttal testimony to address any new issues raised by intervenors in the event they file additional supplemental direct testimony or provide discovery responses after the deadline for the rebuttal filing that impact the Company's rebuttal responses.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.