

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20200067-EI

Review of 2020-2029 Storm
Protection Plan pursuant to
Rule 25-6.030, F.A.C., Tampa
Electric Company.

_____ /

DOCKET NO. 20200069-EI

Review of 2020-2029 Storm
Protection Plan pursuant to
Rule 25-6.030, F.A.C., Duke
Energy Florida, LLC.

_____ /

DOCKET NO. 20200070-EI

Review of 2020-2029 Storm
Protection Plan pursuant to
Rule 25-6.030, F.A.C., Gulf
Power Company.

_____ /

DOCKET NO. 20200071-EI

Review of 2020-2029 Storm
Protection Plan pursuant to
Rule 25-6.030, F.A.C., Florida
Power & Light Company.

_____ /

DOCKET NO. 20200092-EI

Storm Protection Plan Cost
Recovery Clause.

_____ /

VOLUME 3

PAGES 481 - 647

PROCEEDINGS: HEARING

COMMISSIONERS
PARTICIPATING: CHAIRMAN GARY F. CLARK
COMMISSIONER ART GRAHAM
COMMISSIONER JULIE I. BROWN
COMMISSIONER DONALD J. POLMANN
COMMISSIONER ANDREW GILES FAY

1 DATE: Monday, August 10, 2020
2 TIME: Commenced: 1:00 p.m.
 Concluded: 2:15 p.m.
3
4 PLACE: Betty Easley Conference Center
 Room 148
5 4075 Esplanade Way
 Tallahassee, Florida
6
7 REPORTED BY: DEBRA R. KRICK
 Court Reporter
8
9 APPEARANCES: (As heretofore noted.)

10 PREMIER REPORTING
11 114 W. 5TH AVENUE
12 TALLAHASSEE, FLORIDA
13 (850) 894-0828
14
15
16
17
18
19
20
21
22
23
24
25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I N D E X

WITNESSES

NAME :	PAGE
JASON D. DE STIGTER (Docket No. 20200067-EI)	
Prefiled rebuttal testimony inserted	485
JAY W. OLIVER (Docket No. 20200069-EI)	
Prefiled rebuttal testimony inserted	519
THOMAS G. FOSTER (Docket No. 20200069-EI)	
Prefiled rebuttal testimony inserted	545
MICHAEL SPOOR (Docket No. 20200070-EI)	
Prefiled rebuttal testimony inserted	557
MICHAEL JARRO (Docket No. 20200071-EI)	
Prefiled rebuttal testimony inserted	583

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

P R O C E E D I N G S

(Transcript follows in sequence from
Volume 2.)

(Whereupon, prefiled rebuttal testimony of
Jason D. De Stigter was inserted.)

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **REBUTTAL TESTIMONY**

3 **OF**

4 **JASON D. DE STIGTER**

5
6
7 **TABLE OF CONTENTS:**

8	INTRODUCTION	1
9	REBUTTAL TO DIRECT TESTIMONY OF SCOTT NORWOOD	3
10	REBUTTAL TO DIRECT TESTIMONY OF LANE KOLLEN	27

11
12
13 **INTRODUCTION:**

14
15 **Q.** Please state your name, address, occupation and employer.

16
17 **A.** My name is Jason D. De Stigter, and my business address is
18 9400 Ward Parkway, Kansas City, Missouri 64114. I am
19 employed by 1898 & Co. and lead the Capital Asset Planning
20 team as part of our Utility Consulting Practice. 1898 &
21 Co. was established as the consulting and technology
22 consulting division of Burns & McDonnell Engineering
23 Company, Inc. ("Burns & McDonnell") in 2019. 1898 & Co. is
24 a nationwide network of over 200 consulting professionals
25 serving the Manufacturing & Industrial, Oil & Gas, Power

1 Generation, Transmission & Distribution, Transportation,
2 and Water industries.

3
4 Burns & McDonnell has been in business since 1898, serving
5 multiple industries, including the electric power industry.
6 Burns & McDonnell is a family of companies made up of more
7 than 7,000 engineers, architects, construction
8 professionals, scientists, consultants and entrepreneurs
9 with more than 40 offices across the country and throughout
10 the world.

11
12 **Q.** Are you the same Jason D. De Stigter who filed direct
13 testimony in this proceeding?

14
15 **A.** Yes, I am.

16
17 **Q.** What is the purpose of your rebuttal testimony in this
18 proceeding?

19
20 **A.** The purpose of my rebuttal testimony is to address the
21 deficiencies, mischaracterizations, and misconceptions in
22 the direct testimony and exhibits of Scott Norwood and Lane
23 Kollen, both of whom are testifying on behalf of Florida's
24 Office of Public Council ("OPC").

25

1 **REBUTTAL TO DIRECT TESTIMONY OF SCOTT NORWOOD:**

2
3 **Q.** Please summarize witness Norwood's main conclusions and
4 recommendations.

5
6 **A.** Witness Norwood's testimony is mainly directed at the
7 benefits assessment of Tampa Electric's Storm Protection
8 Plan ("SPP"). He makes four main conclusions and one
9 recommendation. His first conclusion is that the plan lacks
10 transparency related to the benefits and cost assessment.
11 His second conclusion is that the outage benefits are
12 overstated and that the cost of the hardening investments
13 is 3.7 times higher than the benefits. His third conclusion
14 is that the company's SPP did not evaluate alternatives
15 such as delaying or scaling back the proposed SPP. His
16 fourth conclusion is that the improvement in outage times
17 is relatively small since Tampa Electric's reliability is
18 high and since extreme weather events are minor from an
19 outage perspective. Based on these four conclusions, along
20 with reference to economic impacts of the COVID-19
21 pandemic, his recommendation is that the SPP should be
22 delayed so that less costly alternatives can be evaluated.

23
24 **Q.** What will your rebuttal testimony state regarding these
25 conclusions and recommendation?

1 **A.** My rebuttal testimony will dispute:

2 1. The premise that the benefits and cost assessment
3 lacks transparency and complicates the Commission's
4 review.

5 2. The statement that the outage benefits are inflated
6 and the assertion that the SPP cost-effectiveness and
7 benefits assessment should only consider restoration
8 cost savings.

9 3. The claim that an alternatives analysis was not
10 performed.

11 4. The claim that outage benefits are relatively small.

12 5. The recommendation to delay TECO's SPP based on the
13 four conclusions and the COVID-19 pandemic.

14 In addition, I will address several other
15 mischaracterizations within witness Norwood's testimony and
16 other major concerns I have with respect to his
17 representation of the SPP, extreme weather events, and the
18 benefits assessment.

19
20 **1. REBUTTAL OF CONCLUSION 1 - TRANSPARENCY**

21
22 **Q.** Witness Norwood's testimony states his first primary
23 concern with TECO's proposed SPP is that the company barred
24 review of details regarding its Cost Benefit Analysis
25 ("CBA") calculations and that transparency was not

1 provided¹. Is this statement true?
2

3 **A.** No. Witness Norwood's comments on the plan lacking
4 transparency are unsubstantiated, unfounded, and contrary
5 to reality. He provides no basis or examples for those
6 comments other than that he was not provided the detailed
7 calculations within a proprietary model. In fact, the
8 company hosted a four-hour technical session for witness
9 Norwood and other OPC representatives to review details of
10 the Storm Resilience Model, including all the data sources,
11 confidential algorithms, and results. During that session,
12 the company and 1898 & Co. answered any and all questions
13 from witness Norwood and other OPC representatives.
14 Further, witness Norwood's testimony does not include a
15 single example of an interrogatory that was not answered or
16 a requested document that was not provided in whole or in
17 part. In fact, the company provided responses to six sets
18 of Interrogatories, which included 210 requests not
19 including subparts, and six sets of Production of
20 Documents, which included 79 requests not including
21 subparts. Witness Norwood even references and sources many
22 of these discovery responses throughout his direct
23 testimony. By my count, he sourced information from 15
24 different Interrogatories or Production of Documents in his

¹ See OPC Witness Norwood Testimony at 5:17-20

1 direct testimony. Finally, he does not reference any part
2 of the SPP that is vague or ambiguous. In fact, the SPP
3 includes a 72-page report from 1898 & Co. that carefully
4 and thoughtfully explains the resilience benefit
5 assessment. In my opinion, Tampa Electric and 1898 & Co.
6 have provided a significant level of transparency in the
7 original filing materials on April 10, 2020 and in all the
8 Interrogatory responses, productions of documents, and
9 direct communications since.

10
11 **Q.** As part of witness Norwood's first primary conclusion, he
12 states on page 5 line 20 through page 6 line 2 that "TECO's
13 lack of transparency regarding its CBA calculations
14 needlessly complicates the Commission's review and is
15 unusual for investment of this magnitude." Do you agree
16 with this statement?

17
18 **A.** No, as I just discussed in the response to the question
19 above, the company provided a significant level of
20 transparency. His continued rhetoric throughout his
21 testimony on the lack of transparency is counter to reality.
22 With respect to complicating the Commission's review, the
23 SPP, including the 1898 & Co. Report, carefully and clearly
24 provide all required information outlined in Florida Public
25 Service Commission ("FPSC or Commission") Rule 25-

1 6.030(3)(d), Florida Administrative Code ("F.A.C"), "SPP
2 Rule". Additionally, even though this information is not
3 strictly required by the Rule, the company and 1898 & Co.
4 hosted a four-hour meeting with Mr. Norwood and other
5 representatives from the Office of Public Counsel to review
6 these calculations.

7
8 **Q.** You stated above that the company provided all the required
9 information outlined in the SPP Rule. Witness Norwood
10 expresses his first primary concern regarding the manner in
11 which TECO's CBA was conducted and performed. He states
12 that the company did not provide "details regarding the CBA
13 calculations for proposed SPP programs, as required by Rule
14 25-6030(3)(d), F.A.C.²" Is this correct?

15
16 **A.** No, the SPP Rule is clear and nowhere does it state that
17 details of calculations need to be provided. However, the
18 company provided many details through the discovery process
19 in addition to the four-hour technical session with OPC.
20 The rule does state that costs and benefits need to be
21 provided for each program with a description of the criteria
22 used to select and prioritize investments. The 1898 & Co.
23 Report carefully and clearly describes the process to
24 select and prioritize investments as well as the benefits

² See OPC Witness Norwood Testimony at 15:10-12

1 and costs of each program.

2
3 **2. REBUTTAL OF CONCLUSION 2 - INFLATED BENEFITS AND**
4 **MISUNDERSTANDING OF EXTREME WEATHER EVENTS("EWE").**

5
6 **Q.** What term does witness Norwood use to characterize the
7 customer benefits and cost assessment included as part of
8 TECO's Storm Protection Plan?

9
10 **A.** Witness Norwood uses the term Cost Benefit Analysis, or
11 "CBA" when he refers to the customer benefits and cost
12 assessment included in the SPP. For purposes of my rebuttal
13 testimony I will use the term "business justification" and
14 only use the term "CBA" when quoting or referring to witness
15 Norwood's testimony. This distinction is important because
16 the term "Cost Benefit Analysis" can imply that the benefits
17 outweigh the costs which means costs and benefits are both
18 evaluated in the same denomination, mainly dollars. This
19 could be a misleading term since the evaluation considers
20 two main benefits, one in dollars, the other in minutes.
21 For this reason, I prefer the term "business
22 justification". The business justification for Tampa
23 Electric's SPP aligns with Section 366.96 of the Florida
24 Statutes and the Rule 25-6.030 (the "SPP Rule"), which
25 require an estimate of the reduction in storm restoration

1 costs and customer impact, calculated as Customer Minutes
2 of Interruption ("CMI"), to be compared against program and
3 project costs. As outlined in the 1898 & Co. Report, my
4 direct testimony, and several interrogatory responses, the
5 business justification was provided for each of the five
6 main SPP programs and projects for execution in 2020 in
7 accordance with the SPP Rule.

8
9 **Q.** What is the second main conclusion of witness Norwood's
10 testimony?

11
12 **A.** Witness Norwood's second conclusion is that the benefits of
13 the "CBA" are inflated. He makes two claims. First, he
14 claims the customer outage impacts are three (3) times
15 higher after adjusting for extraordinary impact of
16 Hurricane Irma³. The second claim is that the cost of the
17 SPP is 3.7 times higher than the benefits.⁴ I will address
18 the first claim here and the second claim in the following
19 section.

20
21 **Q.** Do you agree with witness Norwood's conclusion that the
22 customer benefits are inflated?

23
24 **A.** No, not at all. His arguments are based on a

³ See OPC Witness Norwood Testimony at 6:3-6

⁴ See OPC Witness Norwood Testimony at 6:6-11

1 misunderstanding and mischaracterization of the impact of
2 extreme weather events ("EWEs") on Tampa Electric's service
3 territory and of the benefits assessment provided in the
4 plan.

5
6 **Q.** What assessment or reasoning does he give to claim that the
7 outage benefits are inflated?

8
9 **A.** Witness Norwood concludes that Tampa Electric and 1898 &
10 Co. overstated the outage minutes associated with EWE. He
11 starts by claiming that the number of events to impact the
12 TECO service territory is relatively low.⁵ He then provides
13 a table of historical EWE for the period 2006 to 2019
14 showing an annual average of 68 minutes of EWE outages for
15 each TECO customer.⁶ He then claims Hurricane Irma was an
16 "extraordinary event" as a Category 4 hurricane, excludes
17 it from the calculation of EWE minutes, and then
18 recalculates a "normalized" EWE annual average of 20
19 minutes for each TECO customer.⁷ Assuming a 50 percent
20 reduction in minutes, he calculates a potential benefit of
21 10 minutes of reduced outage time per customer per year.⁸
22 He correctly characterizes the benefits shown in the SPP at

⁵ See OPC Witness Norwood Testimony at 8:14-17

⁶ See OPC Witness Norwood Testimony at 11:9

⁷ See OPC Witness Norwood Testimony at 12:2-7

⁸ See OPC Witness Norwood Testimony at 12:8-11

1 approximately 29 minutes per year per customer on average.⁹
2 He then states that the SPP's benefits are inflating the
3 impacts of EWE outages by three (3) times (29 minutes
4 divided by 10 minutes).¹⁰ His conclusion is that most TECO
5 customers would probably not notice this benefit.¹¹
6

7 **Q.** Witness Norwood argues that Hurricane Irma should be
8 excluded from the period 2006 to 2019 to normalize the EWE
9 period since Hurricane Irma was one of two Category 4 storms
10 to impact the TECO system since 1852¹². Do you agree with
11 his assertion?
12

13 **A.** No. It is based on a misunderstanding of EWEs and their
14 impact on Florida and Tampa Electric's service territory.
15 First, while Hurricane Irma was a Category 4 at its peak
16 strength, it was a Category 1 when it impacted the company's
17 service territory. Second, Hurricane Irma was not an
18 "extraordinary" event for the 2006 to 2019 time horizon,
19 with a 1 in 13, or 7.7 percent, annual probability. This
20 aligns with the long-term annual probability of 7.2
21 percent¹³ for a direct hit (within 50 miles of Tampa
22 Electric's service territory) from a Category 1 hurricane.

⁹ See OPC Witness Norwood Testimony at 16:17-19

¹⁰ See OPC Witness Norwood Testimony at 16:19-21

¹¹ See OPC Witness Norwood Testimony at 12:11-13

¹² See OPC Witness Norwood Testimony at 12:4-7

¹³ See TECO Witness De Stigter Direct Testimony at 29:1-14,
4: 7.2% = 12 Events / (2019 - 1852)

Table

1 It should be noted that there has been one "direct hit",
2 within 50 miles, and one "peripheral hit", between 100 to
3 150 miles, from a Category 4 to impact Tampa Electric's
4 service territory since 1852. This data was provided to
5 the OPC and witness Norwood as discussed in more detail
6 below. This puts the probability of a direct hit to Tampa
7 Electric's service territory from a Category 4 hurricane at
8 0.6 percent annually. Witness Norwood likely based his
9 claim that Hurricane Irma was "extraordinary" based on this
10 probability for a Category 4 storm, even though Hurricane
11 Irma impacted the company as a Category 1. Third, the
12 statute was specifically enacted to reduce the impact of
13 events like Hurricane Irma. Excluding it defies logic,
14 even if it was thought to be a one in 167 year event.

15
16 **Q.** Do you have any issues with witness Norwood's sole reliance
17 on the 2006 to 2019 EWE period outlined in Table 2 to make
18 major conclusions and recommendations for TECO's SPP?

19
20 **A.** Yes, it is reductionistic and fails to include a full
21 history of the types of events to impact the company's
22 service territory. An assessment based on only partial
23 history is incomplete and prone to biased results and should
24 not be trusted to make conclusions or recommendations. For
25 this reason, 1898 & Co. provided a full analysis of

1 historical events going back 167 years to categorize events
2 into 13 different event types with the associated
3 historical probabilities.

4
5 **Q.** How does the 68 minutes of historical average customer EWE
6 outage time for the 2006 to 2019 period compare to the
7 results of the resilience assessment 1898 & Co. performed
8 for TECO?

9
10 **A.** The average minutes of customer EWE outage time calculated
11 in the resilience assessment can be determined from Figure
12 15¹⁴ of my direct testimony. This figure is also included
13 in the 1898 & Co. Report. Assuming approximately 794,000
14 customers, the annual average EWE outage time is
15 approximately 84 minutes (3,318,000,000 minutes / 794,000
16 customers / 50 years). For the high range, it is 88
17 minutes.

18
19 **Q.** What is the reason for the difference between the historical
20 average of 68 minutes for the 2006 to 2019 period and the
21 84 minutes resulting calculated by the 1898 & Co. Storm
22 Resilience Model?

23
24 **A.** There are several reasons for the difference. First, the

¹⁴ See TECO Witness De Stigter Direct Testimony at 68:1-15

1 Storm Resilience Model models the full range of possible
2 EWE types, not just 13 years of historical data. Second,
3 the model also includes Major Event Days ("MED"). This high-
4 level comparison of 68 minutes to 84 minutes provides
5 validation on the results produced by the Storm Resilience
6 Model since modeling results when normalized for
7 differences align with actual historical results.

8
9 **Q.** Setting aside his calculation of EWE minutes, do you have
10 any other issues with witness Norwood's statements
11 regarding the frequency of EWE impacts on Tampa Electric?
12

13 **A.** Yes. Witness Norwood states that there have been
14 "relatively few" EWEs on TECO's system over time with
15 approximately 184 EWEs (on average 1.1 events per year)
16 that have impacted TECO's service area since 1852¹⁵. This
17 is misleading. The 184 EWE figure is correct. He does not
18 provide any comparisons or data, however, to assess whether
19 this is "relatively low." In fact, a comparison to other
20 major metropolitan cities in Florida demonstrates that
21 Tampa Electric's system experiences similar average EWEs
22 per year since 1852. Miami, Jacksonville, Panama City, and
23 Orlando have an average EWE per year of 1.02, 1.21, 0.9,
24 and 1.16, respectively, as compared to Tampa Electric's

¹⁵ See OPC Witness Norwood Testimony at 8:12-17

1 service territory with an average of 1.1 EWEs per year.

2
3 **Q.** Do you have any other concerns with how witness Norwood has
4 characterized EWE and their impact on TECO's system?

5
6 **A.** Yes. Witness Norwood does not address the wide range of
7 possible EWE types that could impact Tampa Electric's
8 service territory based on storm intensity and distance. A
9 Category 1 direct hit event from the Gulf of Mexico has
10 much different impacts than a Category 4 hurricane 100 to
11 150 miles away moving across the Atlantic. Both events
12 would likely cause customer outages and damage, and one of
13 them would be significant. Additionally, each type of EWE
14 has a much different probability of impacting the company's
15 service territory based on historical analysis. The 1898
16 & Co. Report includes an entire section, 13 pages, outlining
17 the historical types of events, their probabilities, and,
18 where available, cost and customer impacts. Additionally,
19 my direct testimony also includes an entire section, 10
20 pages, dedicated to the topic. Further, the live
21 spreadsheets used to develop these sections were provided
22 to the OPC and witness Norwood¹⁶. Yet, witness Norwood makes
23 little reference to them and instead focuses his assessment
24 to a subset of the available data and then further claims

¹⁶ See TECO's responses to OPC Production of Documents 6-72

1 a lack of transparency.

2

3 **Q.** Witness Norwood claims Tampa Electric did not provide
4 transparency regarding how the company's SPP was developed.
5 Was witness Norwood provided with the full database of
6 historical events to impact TECO service territory going
7 back to 1852?

8

9 **A.** Yes, in addition to a summary database of the 184 events
10 found in my direct testimony¹⁷ and the 1898 & Co. Report,
11 the company provided a detailed database to OPC and witness
12 Norwood of all 184 events¹⁸. That database included the
13 Category of storm and when the event impacted Tampa
14 Electric's service territory. The file also includes live
15 formulas to calculate the historical probabilities of the
16 event types that are shown in the various figures from my
17 direct testimony and the 1898 & Co. Report. Put simply,
18 1898 & Co. and Tampa Electric provided the raw data with
19 sourcing, live calculations, and electronic figures shown
20 throughout the plan. Full transparency was provided on
21 historical extreme weather events.

22

23 **Q.** Does that database of 184 events include information on
24 Hurricane Irma?

¹⁷ See TECO Witness De Stigter Direct Testimony at 29:1-14

¹⁸ See 16

1 **A.** Yes, it shows Hurricane Irma as a Category 1 hurricane when
2 it impacted the company's service territory. It also shows
3 it as a direct hit, coming within 50 miles. The company
4 also provided an after action storm report on Hurricane
5 Irma detailing the storm category from day to day and
6 category when it would impact Tampa Electric's service
7 territory¹⁹.

8

9 **Q.** How would you summarize your assessment of witness
10 Norwood's second main conclusion that the customer outage
11 benefits are inflated in the TECO SPP?

12

13 **A.** It is fundamentally flawed. Witness Norwood's conclusion
14 is based on a misunderstanding of historical EWE impacts on
15 Tampa Electric and a flawed calculation of 20 minutes of
16 average annual customer outages due to EWE, with a potential
17 benefit of 10 minutes assuming a 50 percent reduction.
18 Hurricane Irma was Category 1 storm when it impacted Tampa
19 Electric's service territory, not a Category 4 like he
20 describes. Further, excluding a historical event because it
21 is "extraordinary" defies logic. Furthermore, Section
22 366.96 requires utilities to mitigate the impacts of
23 "extreme weather conditions" just like Hurricane Irma.
24 Further, his assessment is based on a subset, only 13 of

¹⁹ See TECO's responses to OPC Production of Documents 6-73

1 165 years, of actual historical EWE to impact the company's
2 service territory. In fact, the 2006 to 2019 period of EWE
3 outage impacts aligns with the results of the Storm
4 Resilience Model when factoring in the full event type
5 history and the inclusion of MED events. This is an example
6 where witness Norwood misunderstood the assessment
7 performed and the data provided to make significant
8 conclusions with respect to Tampa Electric's SPP.

9
10 **3. REBUTTAL OF CONCLUSION 2 - COST EFFECTIVENESS**

11
12 **Q.** Witness Norwood claims that the cost of the SPP is 3.7 times
13 higher than the benefits.²⁰ Do you agree with this
14 assessment?

15
16 **A.** No, I do not.

17
18 **Q.** How did witness Norwood arrive at the conclusion that the
19 cost of the SPP is 3.7 times higher than the benefits?

20
21 **A.** Witness Norwood starts by claiming the customer outage
22 benefits are small, approximately 10 minutes, and claims
23 that most TECO customers would not notice the improvement²¹.
24 Next, he describes the typical utility approach to evaluate

²⁰ See OPC Witness Norwood Testimony at 6:6-11

²¹ See OPC Witness Norwood Testimony at 12:11-13

1 the cost-effectiveness of investments. He states that
2 after reliability targets are established, the cost-
3 effectiveness is based on a benefit-cost analysis where the
4 preferred projects are the lowest reasonable cost
5 alternatives to supply the identified need, with
6 consideration given to uncertainty in major assumptions
7 used for the analysis²². Next, since the customer outage
8 benefits are small based on his assessment, the cost-
9 effectiveness of the TECO SPP is solely based on the
10 restoration cost savings compared to the SPP's investment
11 level. He includes Table 3,²³ which shows costs as 3.7
12 times higher than restoration cost savings. He then
13 concludes that TECO's SPP is not cost-effective²⁴. He
14 partially bases his recommendation to delay TECO's SPP on
15 this assessment²⁵.

16
17 **Q.** Are the EWE outages relatively small with minor potential
18 customer outage benefits as witness Norwood's assessment
19 concludes?

20
21 **A.** No, as I described at length in the section above, his
22 assessment to make that conclusion is based on a
23 misunderstanding of the historical EWE data and flawed

²² See OPC Witness Norwood Testimony at 14:4-9

²³ See OPC Witness Norwood Testimony at 15:1

²⁴ See OPC Witness Norwood Testimony at 14:14-16

²⁵ See OPC Witness Norwood Testimony at 6:21-25 through 7:1-5

1 analysis.

2

3 **Q.** Does his approach to evaluating the cost-effectiveness of
4 utility investments align with the express requirements of
5 the SPP Statute and the SPP Rule?

6

7 **A.** Partially. The SPP Rule outlines the requirements for the
8 benefits assessment as the decrease in customer outages and
9 restoration costs. It also requires that costs be compared
10 to these benefits. From a high-level perspective there is
11 alignment between witness Norwood's definition and the
12 statute. However, there is a key difference, his approach
13 ignores customer outages in favor of only considering
14 restoration cost savings. Under the SPP Statute, each storm
15 protection program will be evaluated based on its potential
16 to mitigate long customer outages due to regular enough,
17 but not annual, "extreme weather conditions" that cause
18 significant impact. In this way, the benefit assessment is
19 primarily focused on system extreme weather resilience
20 rather than day-to-day reliability.

21

22 **Q.** What does this mean regarding witness Norwood's cost-
23 effectiveness approach and results in Table 3 showing the
24 investment cost at 3.7 times the restoration cost savings²⁶?

²⁶ See OPC Witness Norwood Testimony at 14:14-16 through 15:1

1 **A.** First, it means that his cost-effectiveness assessment is
2 at odds with the requirements of Section 366.96 and the SPP
3 Rule. At a minimum, he should have included the 10 minutes
4 of decrease in customer outage benefits calculated in his
5 assessment. Second, it mischaracterizes the benefits
6 assessment within the company's SPP by only showing one of
7 the benefits, restoration savings, and ignoring the other,
8 CMI reduction. Third, it means any conclusions or
9 recommendations made from this assessment are fundamentally
10 flawed and should be ignored.

11

12 **Q.** Do you agree with Mr. Norwood's exclusion of CMI benefits
13 from Table 3²⁷ and surrounding text?

14

15 **A.** No, it grossly mischaracterizes the benefits assessment
16 presented by the company. His decision to ignore the
17 estimated CMI benefits leads him to significantly
18 understate the overall benefits of the plan. As I mentioned
19 previously, the SPP Statute and Rule both require the
20 company to estimate the reduction in restoration costs and
21 decrease in customer outages, calculated as minutes of
22 interruption, that will result from the company's SPP. The
23 company's SPP aligns with the requirements of the SPP Rule
24 and clearly describes the benefits in terms of both

²⁷ See 26

1 restoration cost savings and decrease in customer outage
2 times. Tampa Electric and 1898 & Co. carefully,
3 thoughtfully, and repeatedly described the benefits
4 assessment to avoid this confusion. In fact, witness
5 Norwood refers to the company's response to OPC
6 Interrogatory 6-196 as the source for his development of
7 Table 3. That response specifically mentions that the
8 "business justification for the plan is in alignment with
9 Florida Statute 366.96, specifically the CMI reduction and
10 restoration cost savings for the plan, program, and
11 projects.²⁸" The company repeated this business
12 justification clarification in several other responses
13 provided to OPC. Furthermore, the spreadsheet provided
14 with the response to OPC Interrogatory 196 included the
15 customer outage benefits in the columns next to the
16 restoration benefits used in Table 3. In spite of this
17 clear presentation of the avoided CMI benefits within all
18 documents provided by the company, witness Norwood ignores
19 the customer outage benefits as part of the whole benefits
20 and cost assessment.

21
22 **Q.** Witness Norwood states that Tampa Electric's assessment
23 "includes approximately \$4 billion of non-electric customer
24 benefits for the purpose of selection and prioritization of

²⁸ See OPC Witness Norwood Testimony at 15:1 and reference 16

1 programs included in the SPP. These estimated non-electric
2 customer benefits include items such as EWE outage related
3 costs and lost revenues that are theoretically avoided by
4 reducing outages. It is not appropriate to include such
5 speculative non-electric benefits to justify selection of
6 a major electric utility investment as the SPP.²⁹ Is this
7 an accurate representation of the benefits assessment in
8 Tampa Electric's SPP?

9
10 **A.** No. Again, witness Norwood mischaracterizes the benefits
11 assessments. I will reiterate for emphasis, the benefits
12 assessment performed for Tampa Electric's SPP is in
13 alignment with both the statute and SPP Rule, which require
14 benefits to be calculated in terms of both the decrease in
15 restoration costs and the decrease in outage times,
16 calculated in terms of CMI. All the documentation provided
17 so far has clearly and regularly stated the benefits in
18 these terms and have added that for project prioritization
19 purposes, the CMI benefits were monetized and added to the
20 restoration cost savings. My direct testimony explains why
21 the CMI benefits were monetized. Additionally, this topic
22 was addressed during the four-hour technical session. In
23 spite of all of this, witness Norwood mischaracterizes the
24 benefits assessment by stating that the monetized CMI was

²⁹ See OPC Witness Norwood Testimony at 17:18-24

1 used to justify the plan. Witness Norwood pulls the \$4
2 billion value from Figure 13.³⁰ of my direct testimony. As
3 a minor point, he has mischaracterized this value by
4 claiming it is all non-electric customer benefits. This is
5 not correct; it includes the restoration savings and the
6 monetized CMI. Norwood misinterpreted the assessment
7 performed and then used the assessment results to make
8 significant conclusions. In this case that the benefits
9 assessment is flawed, a very strong word.

10
11 **4. REBUTTAL OF CONCLUSION 3 - ALTERNATIVES ANALYSIS**

12
13 **Q.** Witness Norwood's third primary conclusion is that TECO's
14 benefits and cost assessment did not evaluate alternatives
15 to selected programs, including potentially lower cost
16 alternatives, such as delaying or scaling back the proposed
17 \$1.92 billion SPP³¹. Is this statement correct?

18
19 **A.** No, this is another mischaracterization of the assessment
20 provided by the company and 1898 & Co. In fact, the company
21 did provide alternatives for consideration within the SPP,
22 specifically in Section 9.³² That section includes the
23 budget optimization analysis performed by 1898 & Co, which

³⁰ TECO Witness De Stigter Direct Testimony at 62:1-15

³¹ See OPC Witness Norwood Testimony at 6:12-14

³² See TECO's 2020-2029 SPP Report on page 78 of 206

1 included eleven different investment levels starting at
2 \$250 million and moving up to \$2.5 billion in \$250 million
3 increments. The results of the budget optimization
4 analysis are also included in Figure 13³³ of my direct
5 testimony and the 1898 & Co. Report. The budget
6 optimization assessment was intended to identify the point
7 of diminishing returns and to consider the very same
8 alternative levels of spending that witness Norwood
9 recommends.

10
11 **5. REBUTTAL OF CONCLUSION 4 - BENEFITS ARE MINOR**

12
13 **Q.** Witness Norwood's fourth primary conclusion is that Tampa
14 Electric's system has high reliability and that the EWE
15 annual outages are relatively minor, 20 minutes, causing
16 the high cost of the SPP to provide relatively small
17 improvements overall.³⁴ Is this conclusion accurate?

18
19 **A.** No, it is not accurate with respect to the expected EWE
20 annual customer outages being relatively small. As I have
21 outlined above, witness Norwood's assessment in calculating
22 the 20 minutes of annual average customer EWE outage time
23 is flawed and inaccurate for assuming away an event that is
24 not extraordinary. Since that assessment is flawed, and

³³ TECO Witness De Stigter Direct Testimony at 62:1-15

³⁴ See OPC Witness Norwood Testimony at 6:15-20

1 this conclusion is largely based on that assessment, this
2 conclusion is also flawed.

3
4 **6. REBUTTAL OF RECOMMENDATION 1 - DELAY SPP AND LOWER COST**
5 **ALTERNATIVES**

6
7 **Q.** Do you agree with witness Norwood's recommendation that the
8 TECO SPP should be delayed and followed up by lower cost
9 alternatives?³⁵

10
11 **A.** No, this recommendation is based on his four main
12 conclusions which are all fundamentally flawed. His first
13 conclusion was that the SPP lacked transparency. I have
14 shown that the opposite is true - that there was a
15 significant level of transparency. His second conclusion
16 was that the outage benefits are inflated and that the plan
17 was not cost-effective. I have shown that his assessment
18 was based on a misunderstanding of historical EWE,
19 specifically Irma as a Category 1, not a 4, improper focus
20 on a subset of historical events, and a mischaracterization
21 of the benefits provided in the SPP. Further, these benefits
22 were regularly and clearly communicated as required by the
23 SPP statute and SPP Rule. Additionally, he was provided
24 the full historical record. His third conclusion was that

³⁵ See OPC Witness Norwood Testimony at 6:21-25 to 7:1:5

1 alternative levels of spending were not evaluated. Again,
2 I have shown that this is not true, in fact the very
3 alternative spending level analysis that he requests was
4 performed and included in the plan documents originally
5 filed on April 10. Witness Norwood even referenced this
6 evaluation in in his own testimony to mischaracterize the
7 benefits assessment. His fourth conclusion was that since
8 the outages are minor, the high cost of the plan would not
9 justify the incremental benefits. I have shown that this
10 was based on the flawed assessment from his second
11 conclusion. The Commission should disregard his
12 recommendation to delay implementation of the SPP because
13 it is based on flawed assessments and conclusions.

14
15 **REBUTTAL TO DIRECT TESTIMONY OF LANE KOLLEN:**

16
17 **Q.** What will your rebuttal testimony state regarding witness
18 Kollen's recommendations?

19
20 **A.** My rebuttal testimony will dispute:

- 21 1. The advocacy of an alternative standard to Section
22 366.96 of the Florida Statutes and the SPP Rule for
23 the purpose of evaluating SPP benefits based solely on
24 restoration cost savings.
- 25 2. The characterization that the benefits assessment

1 includes the monetization of CMI or value of service
2 as witness Kollen describes it.

3 3. The recommendation to only approve investments with a
4 benefit to cost ratio of 100 percent.

5

6 **1. REBUTTAL OF ALTERNATIVE STANDARD**

7

8 **Q.** What standard does Kollen recommend for the Commission to
9 use in evaluating SPP programs and projects?

10

11 **A.** Witness Kollen recommends that the Commission should adopt
12 an approach to evaluate SPP investments based on an
13 "economic justification" where benefits are calculated as
14 the savings from storm restoration costs and operations and
15 maintenance ("O&M") savings³⁶ and then compared against the
16 costs.

17

18 **Q.** Why didn't you use the approach presented by witness Kollen
19 to develop Tampa Electric's SPP?

20

21 **A.** Section 366.96 of the Florida Statutes requires utilities
22 to include an explanation of how the plan will reduce both
23 the outage times and restoration costs associated with
24 extreme weather in their SPP. The SPP Rule requires

³⁶ See OPC Witness Kollen Testimony at 10:4-14

1 utilities to provide an estimate of the reduction in outage
2 times for each SPP program. Kollen's approach would
3 disregard the potential reductions in outage times and
4 assigns no value to those reductions.

5
6 **2. REBUTTAL OF MONETIZED CMI OR VALUE OF SERVICE**

7
8 **Q.** In several instances throughout his testimony, Witness
9 Kollen characterizes the benefits assessment performed by
10 1898 & Co. as including the monetization of customer
11 outages. He uses the term "value of service". Is this a
12 correct characterization of the benefits assessment of
13 TECO's SPP?

14
15 **A.** No, similar to witness Norwood, witness Kollen has
16 mischaracterized the benefits assessment in Tampa
17 Electric's SPP. The benefits assessment performed for the
18 company's SPP meets the requirements of the SPP statute and
19 SPP Rule to provide an estimate of both the decrease in
20 restoration costs and outage times in terms of CMI. Tampa
21 Electric and 1898 & Co. carefully, thoughtfully, and
22 repeatedly described the benefits in these two terms in the
23 company's SPP, direct testimonies, the 1898 & Co. Report,
24 in several interrogatory responses and production of
25 document responses, and in the four-hour technical session

1 with witness Kollen and other OPC representatives. While
2 the assessment does include monetization of CMI, it
3 carefully notes that this was done for project
4 prioritization purposes. My direct testimony addresses
5 this topic and explains why the CMI benefits were
6 monetized³⁷. In spite of this repeated clarity, witness
7 Kollen still mischaracterizes the benefits assessment
8 saying the monetized CMI was used to justify the plan.

9
10 **Q.** Witness Kollen references a summary table of the TECO SPP
11 program costs and benefits³⁸ to state that even if the
12 monetized CMI benefits are included, none of the programs
13 show benefits equal to or greater than the investment
14 costs³⁹. Has witness Kollen accurately understood the
15 summary result of this table?

16
17 **A.** No, witness Kollen misunderstands the summary results of
18 this table. The table shows the projected reduction in
19 percentage terms of the status quo restoration costs and
20 CMI of each program. The percentages are not the benefit
21 compared to the capital investment cost. Witness Kollen
22 draws conclusions from this table based on a flawed
23 understanding of the results.

³⁷ See TECO witness De Stigter's Direct Testimony at 44:4-15

³⁸ See TECO's 2020-2029 SPP Report on page 72 of 206

³⁹ See OPC Witness Kollen Testimony at 11:3-10

1 **3. REBUTTAL OF 100 PERCENT BENEFIT COST RATIO**

2
3 **Q.** Witness Kollen recommends that the Commission only adopt
4 investments with a benefit-cost ratio of 100 percent where
5 the benefits only include restoration cost savings⁴⁰. Do
6 you agree with this recommendation?

7
8 **A.** No. I have performed business cases and analysis for over
9 \$75 billion in capital investment projects and programs.
10 In my experience, the parameters of a benefits assessment
11 can vary significantly, especially when some of the
12 benefits drivers are more challenging to monetize, such as
13 the case with the SPP and customer outages. Here, the SPP
14 Rule has provided the framework for evaluating benefits,
15 and that framework is inherently customer centric since it
16 requires quantification of restoration savings and decrease
17 in outage times. In my opinion, this is a prudent framework
18 allowing the Commission to calculate the cost to buy down
19 EWE outage minutes for customers.

20
21 **4. WITNESS KOLLEN REBUTTAL CONCLUSIONS**

22
23 **Q.** Do you have any final comments on witness Kollen's direct
24 testimony?

⁴⁰ See OPC Witness Kollen Testimony at 6:5-10

1 **A.** Yes, witness Kollen's three main recommendations should be
2 ignored. They are contrary to the requirements of the SPP
3 Statute and SPP Rule and based on a misunderstanding of the
4 benefits assessment provided. Recommending that the
5 Commission disregard the estimated reduction in outage
6 times required by the Statute and Rule defies logic and
7 common sense. In my opinion, the framework established
8 within the Statute and Rule is prudent and best practice
9 for electric utilities as it is wholly customer centric.
10 It also allows the Commission to evaluate the cost to buy
11 down EWE outage minutes. Also, recommendations based on a
12 misunderstanding or mischaracterization of an assessment
13 should be ignored since they cannot be trusted.

14
15 **REBUTTAL CONCLUSION:**

16
17 **Q.** Do you have any final remarks with respect to witness
18 Norwood's and witness Kollen's testimony?

19
20 **A.** Yes, as I have shown above, they both base their
21 recommendations on a
22 1. Misunderstanding of EWE, the company's SPP, and the
23 benefits assessment performed.
24 2. Gross mischaracterization of the clearly and routinely
25 communicated benefits assessment.

1 3. False claims of transparency and the plan lacking
2 assessments required by the statute and SPP Rule
3 Because of this, their recommendations to delay the SPP and
4 only approve investments with BCR of 100 percent based only
5 on restoration costs and contrary to the statute cannot be
6 trusted. In contrast, I recommend that the Commission
7 should approve Tampa Electric's SPP without modification.
8 I base this recommendation on the assessment and results
9 outlined in the 1898 & Co. Report, specifically:

- 10 1. The Storm Resilience Model and its robust modeling
11 approach that calculates benefits in alignment with
12 the statute and SPP Rule requirements.
13 2. Results of that resilience benefit assessment that
14 show a decrease restoration costs of approximately 32
15 to 37 percent and decrease in CMI of 32 percent.

16
17 **Q.** Does this conclude your rebuttal testimony?

18
19 **A.** Yes.
20
21
22
23
24
25

1 (Whereupon, prefiled rebuttal testimony of Jay
2 W. Oliver was inserted.)

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

**IN RE: REVIEW OF 2020-2029 STORM PROTECTION PLAN PURSUANT TO
RULE 25-6.030, F.A.C., DUKE ENERGY FLORIDA, LLC**

DOCKET No. 20200069-EI

**REBUTTAL TESTIMONY OF
JAY W. OLIVER**

JULY 1, 2020

1 **I. INTRODUCTION AND QUALIFICATIONS.**

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

3 A. My name is Jay W. Oliver. My current business address is 400 South Tryon Street,
4 Charlotte, NC 28202.

5

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

7 A. Yes, I filed direct testimony supporting the Company's SPP on April 10, 2020.

8

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

11 A. Yes.

12

13 **II. PURPOSE AND SUMMARY OF TESTIMONY.**

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

15 A. The purpose of my testimony to provide the Company's rebuttal to assertions and
16 conclusions contained in the direct testimonies of OPC's witnesses Schultz and Norwood
17 and Walmart's witness Perry. Mr. Foster will present additional rebuttal of Norwood and

1 Walmart's witness Perry. Mr. Foster will present additional rebuttal of the testimonies of
2 OPC witness Schultz and the Company's rebuttal of Walmart witness Chriss.

3

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

5 A. Yes, I am sponsoring:

6 • Exhibit No. __ (JWO-6) is a composite exhibit consisting of select responses or
7 responsive documents to OPC's Second Production of Documents and Eighth Set of
8 Interrogatories:

- 9 • POD 2-23 (20200069-DEF-000402-000404);
- 10 • ROG 8-248 (20200069-DEF-003334-003335);
- 11 • ROG 8-250 (20200069-DEF-003336-003337);
- 12 • ROG 8-251 (20200069-DEF-003435);
- 13 • ROG 8-253 (20200069-DEF-003436);
- 14 • ROG 8-255 Response and (2020069-DEF-3340-3401); and
- 15 • ROG 8-256 (20200069-DEF-003402-003404).

16

17 **Q. Please summarize your testimony.**

18 A. My testimony explains the more significant errors and misconceptions contained in
19 Messrs. Norwood and Schultz's testimonies, and provides a brief response to Ms. Perry's.

20 I have not attempted to rebut each, and every factual error or misconception contained in
21 these testimonies but have rather concentrated on the overall conclusions and
22 recommendations, though I will highlight the factual misunderstandings that underpin
23 those faulty conclusions and recommendations as appropriate.

24 In short, Mr. Norwood provides a list of five "primary conclusions and
25 recommendations" which are summarized and responded to below:

- 1 1. “DEF has not provided sufficient details supporting its Cost/Benefit Analyses for the
2 SPP; therefore, the claimed benefits and cost-effectiveness of the SPP cannot be
3 verified.”¹ This conclusion misconstrues the requirement that the Company include
4 a “comparison of the costs ... and the benefits” of the proposed storm protection
5 programs. Rule 25-6.030(3)(d)4., F.A.C. Therefore, no formal “cost benefit
6 analysis” is required by the Rule. Nevertheless, as demonstrated by the exhibits
7 attached to my testimony, DEF did perform cost-benefit analyses to assist with
8 prioritizing the projects and provided those detailed analyses to OPC in discovery.
- 9 2. “The estimated benefits included in DEF’s CBA for the SPP are highly inflated by
10 the assumption of distorted EWE [“extreme weather event”] outage reduction levels
11 that are more than double the historical average level of EWE outages, and by
12 inclusion of non-electric customer avoided lost revenues.”² As I’ll explain below,
13 DEF used the 200-year HAZUS model to forecast EWE outage reduction levels,
14 which is a much larger data set than that used by Mr. Norwood, who began his data
15 set in 2006 and who advocates for disregarding the impacts of Hurricane Irma as an
16 “outlier.” DEF’s approach is simply more robust and meaningful. DEF agrees that
17 it included “non-electric” customer benefits as part of its analysis, but believes it is
18 entirely appropriate to do so given the requirement of estimating benefits of SPP
19 programs to customers and the recognition that the true value of receiving electric
20 service is greater than the cost of the service, especially during and immediately
21 after a storm.

¹ Norwood, p. 29, ll. 18-20.

² *Id.* at p. 29, l. 22 – p. 30, l. 2.

- 1 3. “DEF’s CBA for the SPP did not evaluate potentially lower cost alternatives to the
2 plan, such as delay or scaling back of the proposed \$18.6 billion SPP.”³ This
3 misconstrues the rule’s requirement of “a description” of alternatives that could
4 mitigate the resulting rate impact, which DEF provided with the original filing,⁴ and
5 creates a straw-man that can then be attacked. Again, the CBA is not required by
6 the rule. Likewise, an evaluation of potentially lower-cost alternatives is not
7 required by the rule. Not only does this argument miss the point, it also fails to
8 appreciate that DEF’s SPP was designed with rate impact very much at the forefront
9 of consideration, hence the decision not to seek recovery of costs in 2020, followed
10 by a very measured increase thereafter, all with the goal of meeting the legislature’s
11 long-term goal of providing additional storm hardening benefits to customers.
- 12 4. “DEF has provided high service reliability since 2006, with customers receiving
13 service in 99.93% of all hours, including EWE outages. The forecasted
14 improvement in reliability from the \$6.6 billion is relatively small, and would likely
15 increase annual reliability by less than 0.05%.”⁵ Fundamentally, this argument is
16 directed against the policy approved by the legislature when it adopted the SPP
17 statute – the legislature determined it was in the best interest of the citizens for
18 additional storm hardening to take place; if Mr. Norwood disagrees, that contention
19 should be brought to the legislature. Factually, Mr. Norwood has also cherry-
20 picked sampling to assist with his point. Note that he points to the 10-year
21 projected cost and his estimated of projected benefits, rather than the 30-year

³ *Id.* at p. 30, ll. 3-5.

⁴ Oliver, p. 13, ll. 4-13 (rev. April 14, 2020, revision provides page numbering originally omitted).

⁵ Norwood, p. 30, ll. 6-9.

1 figures (cited previously when advantageous to his argument), which would include
2 full-implementation of many of the programs and therefore greater benefits.

- 3 5. “Given the very high cost of the SPP initiative, and the fact that the plan is not
4 urgently needed in its current magnitude, it would be prudent for DEF to delay the
5 Plan until the economic impacts of the COVID-19 pandemic are more certain, and
6 so that potentially less costly alternatives to the SPP can be evaluated.”⁶ Again, this
7 argument, imbued with Mr. Norwood’s evaluation that the SPP is “not needed”,
8 which runs counter to the legislature’s express determination, fails to account for
9 the fact that DEF’s SPP purposefully took a measured approach to implementation.
10 Moreover, it fails to recognize that COVID-19 has demonstrated that increased
11 reliability is of even greater importance given the number of people working and
12 educating their children from home.

13
14 Finally, Mr. Norwood recommends that the Commission “consider withholding full
15 approval beyond year 2021 of DEF’s proposed SPP pending the filing of an updated
16 plan in 2022.”⁷ The Commission should reject this recommendation and approve
17 DEF’s SPP as filed. As noted above and discussed more thoroughly below, DEF’s
18 SPP complies with all requirements of the SPP statute and rule, appropriately
19 balances the projected costs and estimated improvements to reliability and presents
20 a measured implementation approach that is mindful of rate impacts to customers.

21

⁶ *Id.* at ll. 10-13.

⁷ *Id.* at ll. 17-18.

1 Mr. Schultz takes issue with DEF's cost estimation methodology, specifically
2 pointing to perceived variances between estimated and actual costs; as I explain
3 below, his testimony is based on information provided as a "snapshot in time" but
4 when the estimated costs are compared to true actuals, it is readily apparent his
5 concerns are without merit.

6 7 **III. Witness Norwood**

8 **a. Cost Benefit Analysis**

9 **Q. Witness Norwood states "DEF has not provided details supporting its Cost/Benefit**
10 **Analyses ('CBA') for the SPP; therefore, the claimed benefits and cost-effectiveness**
11 **of the SPP cannot be verified. This lack of transparency in DEF's CBA calculations**
12 **is highly unusual for an investment of this magnitude." Can you please explain the**
13 **SPP rule's requirement regarding providing costs and benefits with the SPP filing?**

14 A. Yes. Per the SPP rule, DEF is required to provide "a description of how implementation
15 of the proposed Storm Protection Plan will reduce restoration costs and outage times
16 associated with extreme weather conditions therefore improving overall service
17 reliability."⁸ DEF fully complied with the SPP rule in the filing. In Exhibit JWO-2, DEF
18 provided an estimate of both a reduction in restoration time and restoration costs from
19 extreme weather events due to the implementation of the SPP. Additionally, DEF
20 performed further cost benefit analyses in order to provide a prioritization of work to be
21 completed through SPP that would further strengthen and harden the grid against extreme
22 weather events.

23

⁸ Rule 25-6.030(3)(b), F.A.C.

1 **Q. Do you agree with Witness Norwood's contention that DEF has not provided details**
2 **supporting its Cost/Benefit Analyses?**

3 A. No, I do not. DEF has provided extensive information in discovery responses to the
4 intervenors and Staff that includes the supporting details for the Cost/Benefit Analyses,
5 CMI reductions, and outage cost reductions generated by the Guidehouse model used to
6 assess the estimated impacts of the SPP (the model was described in detail in Exhibit No.
7 JWO-4). This information was provided in DEF's responses to the following discovery
8 requests (all issued by Public Counsel):

- 9 • Second Request for Production of Documents, numbers 23;
- 10 • Eighth Set of Interrogatories, numbers 248, 250, 251, 253, 255, and 256.

11 Exhibit No. __ (JWO-6) contains the select group of responses listed above to OPC's
12 Second Set of Production of Documents and Eighth Set of Interrogatories and is
13 included as an indicative example of the level of detail that was provided to OPC -
14 detail which, as described above, goes beyond the level of detail required by the Rule.

15

16 **Q. Please describe the CBA that DEF conducted through the engagement of**
17 **Guidehouse and the output that was provided.**

18 A. As discussed in my direct testimony, and further detailed in Exhibits JWO-2 and JWO-4
19 to that testimony, DEF engaged Guidehouse to create a model that estimated a reduction
20 in restoration time and restoration costs from EWEs resulting from the implementation of
21 DEF's SPP. The model also allowed for a prioritization of work over the life of the
22 Programs based on prioritizing the highest benefit work first. This prioritization
23 incorporated the probability of damage and consequence of damage to certain assets. As

1 stated in Exhibit JWO-4, Appendix A, Guidehouse further details how the benefit-cost
2 analysis (BCA) model “analyzes the benefits and costs of each relevant combination of
3 program and location. The model uses outputs from the risk model and other information
4 to simulate the expected present value of costs and benefits associated with each
5 program.” Section A.1.2 of Exhibit JWO-4 provides additional information on
6 Guidehouse’s detailed modeling approach and Appendix B provides details on the
7 weather scenario modeling that “allows for simulated weather conditions and exposure
8 probabilities to vary significantly depending on the latitude and longitude of each specific
9 asset.” As a result of the model, Guidehouse provided DEF with a model output that
10 prioritizes work by SPP program based on the BCA model outputs and includes an
11 estimate for reduction in restoration time and restoration cost.

12

13 **Q. Please explain why non-electric benefits were included in the overall plan benefit**
14 **calculation and why they should be included in the overall plan analysis.**

15 A. Outages present inconvenience and difficulty for all customers, and it is important to
16 account for the cost of interruptions borne by customers into planning decisions. Non-
17 electric benefits were included in the benefit calculation to give a value to the customers’
18 electric service. We did not look at other customer benefits streams such as societal
19 benefits, economic development, healthcare, environmental benefits, property value, or
20 the impact to Florida’s GDP. This is a conservative approach when determining benefits
21 and helps to keep the benefit cost ratio calculation relatively
22 simple with only three benefit streams and two cost streams. See figure A-2 in Exhibit
23 JWO-4 of DEF’s filing.

1 **Q. OPC witness Norwood states on page 15 of his testimony, “It is not appropriate to**
2 **include such speculative non-electric benefits to justify a major electric utility**
3 **investment such as the SPP.” Do you agree?**

4 A. No, I do not. The development of customer electric service interruption costs by the
5 Lawrence Berkeley Lab and Nexant follows best practice guidelines⁹, has been cited
6 numerous times, and is used regularly to estimate the value of transmission and
7 distribution system improvements to customers.

8 This non-electric benefit model has been used throughout the industry and in regulatory
9 proceedings. Without doing an exhaustive search it can be found to have been used by
10 Central Maine Power, CenterPoint Energy, and Indiana Power and Light.

11

12 **Q. Based on the costs and benefits included in DEF’s SPP filing, has DEF demonstrated**
13 **that its SPP is cost effective and will reduce outage times and costs?**

14 A. DEF’s SPP filing, Exhibit No. JWO-2 lays out the benefits with respect to outage and cost
15 reduction. This exhibit fully complies with the Rule’s requirement and demonstrates that
16 implementation of the SPP is cost effective and will reduce outage restoration times and
17 costs. Moreover, although a cost benefit analysis of this type was not required by the
18 Rule, DEF has provided in numerous Interrogatories cost benefit analysis output
19 demonstrating the plan being cost beneficial to customers. Please refer to Exhibit No. __
20 (JWO-6) .

21

22 **b. DEF’s CBA purportedly failed to evaluate potentially lower cost alternatives**

⁹ Available at https://eta-publications.lbl.gov/sites/default/files/interruption_cost_estimate_guidebook_final2_9july2018.pdf, last visited June 22, 2020.

1 **Q. Witness Norwood asserts that “DEF’s CBA for the SPP did not evaluate potentially**
2 **lower cost alternatives to the plan, such as delay or scaling back of the proposed**
3 **\$18.6 billion SPP.”¹⁰ Describe DEF’s SPP alternatives that were considered to**
4 **minimize and mitigate potential rate impact.**

5 A. As explained in my direct testimony, DEF’s proposed SPP has identified costs and
6 benefits for each SPP program and believes there is value to our customers of
7 implementing the entire 10-year scope. The only way DEF knows of reducing rate
8 impact is to reduce spend. Reduced spend would result in less work accomplished and
9 therefore less benefits achieved.

10 DEF believes the proposed SPP strikes a reasonable balance to minimize the rate impact
11 over the first three years as we transition from the legacy Storm Hardening Plan (SHP)
12 and Grid Investment Plan (GIP) included with the 2017 Settlement Agreement¹¹ into
13 deploying the proposed SPP. In SPP year one (2020), there is no rate impact as it is
14 focused on work associated with the approved SHP and GIP under the 2017 Settlement,
15 with only minimal spend to prepare for SPP work to be implemented in 2021. In year
16 two (2021), there is still a significant amount of on-going work being funded through
17 existing base rates; DEF will also focus on beginning the transition to SPP work, which
18 will result in a moderate estimated impact on rates (see page 40 of JWO-2). 2020 and
19 2021 allow a gradual transition in preparation for full SPP implementation in 2022. To
20 reduce the 2022 rate impact, DEF would need to reduce the amount of work performed
21 (and therefore spend) under its SPP. 2022 scope was developed to continue the measured

¹⁰ Norwood, p. 30, ll. 3-5.

¹¹ See 2017 Revised and Restated Stipulation and Settlement Agreement, approved by Order No. PSC-2017-0451-AS-EU.

1 increase in SPP activities in a manner that DEF expects to be operationally feasible and
2 deliver benefits to our customers.

3

4 **c. Reliability**

5 **Q. Witness Norwood alleges that DEF's historical high T&D service reliability**
6 **compared to other utilities in Florida, as well as the United States, necessitates the**
7 **Commission require more analysis and justification before approval of DEF's**
8 **SPP.¹² Do you agree with witness Norwood's apparent assertion that DEF's**
9 **historical reliability undercuts the need for additional grid hardening?**

10 A. No. Although DEF is proud of its historical reliability, DEF believes Mr. Norwood is
11 making a policy argument that should be directed to the legislature. The Florida
12 legislature has determined that it is in the best interest of the state for DEF and the other
13 Florida utilities to strengthen the electric grid to better withstand the impacts of extreme
14 weather events and improve overall service reliability; the legislature is fully aware of
15 Florida utilities' historical reliability and made the policy decision that further
16 strengthening of the grid should be undertaken. The Company filed its SPP as required
17 by the SPP statute and as directed by Commission rule. Neither the legislation nor rule
18 postulated a comparison to other utilities outside Florida as a precursor to determining if
19 increased grid-strengthening should occur. Therefore, the comparison is simply not
20 applicable in this case.

21

¹² See Norwood, p. 22, ll. 1-12.

1 **Q. Witness Norwood states that “The forecasted improvement in reliability from the**
2 **\$6.6 billion SPP is relatively small and would likely increase annual reliability by**
3 **less than 0.05%.”¹³ Do you agree with his conclusion?**

4 A. No. Witness Norwood seems to be claiming that the "less than 0.05%" improvement
5 attributed to the SPP will at best eliminate the impacts of extreme weather, as noted in
6 Table 3 on page 21 of his testimony. The SPP is specifically focused on mitigating the
7 effects of Extreme Weather Events (“EWEs”), such as Hurricane Irma which occurred in
8 2017. Based off the 14 years of data from 2006 to 2019, the average annual SAIDI
9 including EWEs was 302 minutes. The 0.05% improvement noted by Witness Norwood
10 would equate to approximately a 200 SAIDI minute annual reduction for DEF’s
11 customers, a 67% reduction in SAIDI minutes. DEF believes this would be a significant
12 reduction that would benefit its customers.

13

14 **Q. In response to a discovery request regarding Mr. Norwood’s contention that DEF’s**
15 **SPP is forecasted to provide a “relatively small” improvement in reliability, OPC**
16 **stated “a significant portion of the forecasted reduction in extreme weather outage**
17 **time would likely occur in over-night and weekend time periods, or times when**
18 **DEF’s customers are away from their homes and businesses, and therefore would**
19 **likely have little if any noticeable beneficial impact on customers.”¹⁴ How do you**
20 **respond to this comment?**

21 A. Asserting that DEF customers will feel “little if any noticeable beneficial impact” by
22 having electricity during nights, weekends and while they are away from their homes or

¹³ *Id.* at p. 30, ll. 7-9.

¹⁴ OPC’s Response to DEF’s First Set of Interrogatories, number 44(b).

1 businesses is frankly incomprehensible. This comment is disconnected and uninformed
2 as to the needs of Florida's citizens and businesses with regard to the importance of
3 electric service and shows that OPC's sole concern when reviewing storm hardening,
4 service reliability, and storm restoration efforts is the economic cost without regard to the
5 benefits of these activities and the necessity of reliable electric service 24-hours a day.
6 DEF's SPP filing is a well-thought-out plan that meets the intent of the Florida legislation
7 while balancing costs and benefits to customers.

8

9 **Q. Do you agree with Witness Norwood that DEF's forecast of future EWE outage time**
10 **is nearly 3 times the level of historical EWE outage time since 2006, including the**
11 **impacts of Hurricane Irma?**¹⁵

12 A. No, I do not. The intent of the SPP is to prepare the grid for EWE and the 2006 to 2019
13 data window relied upon by Witness Norwood¹⁶ provides an incomplete data set to
14 analyze from an outage perspective. Reviewing DEF's Annual Service Reliability
15 Reports and the history of EWE impacting the state over the period demonstrates the
16 problem with relying on this limited data set: from 2006 to 2015, there were only 2
17 hurricanes (2008 Ike, 2012 Sandy) during that ten-year period that impacted DEF's
18 service territory. Compare that to the two years preceding his sample (2004-2005) where
19 DEF's service territory was impacted by 7 hurricanes (Charley, Frances, Ivan, Jeanne,
20 Dennis, Katrina, and Wilma) and the four-years immediately following (2016 – 2019)
21 where DEF's service territory was impacted by 5 hurricanes (Hermine, Matthew, Irma,
22 Michael, and Dorian). For this more recent timeframe (2016-2019), DEF's forecast of

¹⁵ See *id.* at pp. 17-18.

¹⁶ See, e.g., *id.* at pp. 17, 18; Exhibit No. __ (SN-5).

1 future EWE outage time matches quite well with the average. Moreover, I will note that
2 the customer minutes of interruption alone from just the 2004 named storms was
3 approximately 5.2 billion minutes.

4 Rather than basing the plan on data from a 14-year window, DEF used the HAZUS
5 model for EWE prediction, which provides strong modeling accuracy by encompassing
6 200 years of recorded hurricane paths and wind speeds, including the sample data set
7 years listed above. This provides a comprehensive and unbiased analysis on the DEF
8 system with respect to forecast duration, path, and intensity of severe weather events.

9
10 **Q. Explain the basis of the extreme weather event assumptions used in the Guidehouse**
11 **model and how that generated the extreme weather event outage time forecasts.**

12 A. Guidehouse's analysis used FEMA's HAZUS-MH model to forecast duration, path, and
13 intensity of severe weather events. Storm count, duration, and CMI was not evaluated for
14 the 10-year historical period since this is too short a time horizon to escape random or
15 systematic fluctuations and develop stable storm frequencies. Storm frequency was
16 evaluated for the entire available Atlantic tropical storm data history (~200 years).
17 Average tropical storm duration in DEF's service territory is ~23 hours. This is
18 calculated from the NOAA HURDAT database of Atlantic tropic cyclones. Page B-2 in
19 Appendix B of Exhibit JWO-4 provides the average probability of any given ~23-hour
20 period falling into each storm category, over the territory, as a summary of the local
21 probabilities derived from the HAZUS model by Guidehouse in the SPP analysis. These
22 probabilities are constant over the forecast horizon for each scenario for each location.

1 This model is discussed in Appendix A and Appendix B of the Guidehouse report
2 (Exhibit No. __ (JWO-4), as updated).¹⁷

3

4 **Q. Do you believe OPC Witness Norwood’s testimony is consistent with OPC Witness
5 Mara’s testimony filed in FPL’s SPP Docket?**¹⁸

6 A. No, I do not, as explained in more detail below.

7

8 **Q. In referring to FPL’s existing SHP programs, OPC Witness Mara states, “FPL
9 presented an estimate of the reduction in restoration time and reduction in
10 restoration costs from severe weather events such as hurricanes. These estimates
11 were derived from FPL’s storm assessment model which helps predict the damage
12 of an incoming hurricane or tropical storm. This model can be used to estimated
13 restoration assuming the storm hardening activity was not in place. The model uses
14 a GIS model of the assets (poles and wires) and applies wind speeds. The model is
15 calibrated based on actual storm data. With the modeled damage, estimates can be
16 made on the restoration construction time and total duration.” Did Duke Energy
17 Florida take a similar approach for its SPP?**

18 A. Yes, we did. Our model uses GIS and asset data and applies the 200-year HAZUS model
19 of extreme weather events to simulate damage both with and without improvements.
20 Using the 200-year HAZUS model DEF takes into consideration the law of large

¹⁷ Additional detailed information on HAZUS-MH was provided in DEF’s responses to OPC’s Eighth Set of Interrogatories, numbers 243, 244, 249, and 250.

¹⁸ Docket No. 20200071-EI, Review of 2020-2029 Storm Protection Plan pursuant to Rule 25-6.030, F.A.C., Florida Power & Light Company.

1 numbers in its modeling approach thereby strengthening model accuracy. Additionally,
2 the model is calibrated based on actual storm impact data from DEF's territory.

3

4 **Q. OPC Witness Mara also asserts that FPL should provide a similar analysis for its**
5 **new SPP programs. Do you agree with Witness Mara that such an analysis would be**
6 **appropriate for DEF?**

7 A. Yes, I do. In fact, DEF did use its model to estimate benefits in this fashion for its eight
8 new SPP programs.

9

10 **Q. OPC Witness Mara notes on page 12 that FPL's SHP analysis assumed a return**
11 **cycle of hurricanes Michael and Irma every three-years and five-years. He further**
12 **recommended that FPL should use this approach to estimate benefits of its new SPP**
13 **programs. In OPC testimony on DEF's SPP did OPC Witness Norwood**
14 **recommend a similar approach?**

15 A. He did not. In fact Witness Norwood recommends that the effects of Irma should be
16 somehow "considered and adjusted" when estimating EWE outage impacts, and therefore
17 anticipated benefits of DEF's SPP. On page 10 of his testimony he states, "the averaged
18 impact of EWE outages was heavily influenced by Hurricane Irma, an historically rare
19 Category 4 hurricane that occurred in 2017." In response to discovery asking why it
20 would be reasonable to exclude Irma's impact when analyzing outage times, OPC
21 responded that it did not advocate for excluding the effects of Irma, but that "Irma was a
22 rare Category 4 Hurricane with a very low forecasted frequency of occurrence. Given
23 these facts, it is appropriate to consider and adjust the historical average level of extreme

1 weather outage impacts for the low frequency of Irma when evaluating the
2 reasonableness of DEF's modeling of future extreme weather outage times.”¹⁹ Mr.
3 Norwood's premise that Hurricane Irma was a “historically rare” occurrence is inaccurate
4 as it pertains to DEF's system. Irma's recorded wind speeds in DEF's service territory
5 varied between tropical storm and Category 2 levels on the Saffir-Simpson scale.²⁰In
6 fact, the likelihood of DEF experiencing weather similar to Irma, Tropical Storm to
7 Category 2 force winds is not as historically rare as Witness Norwood indicates. Indeed,
8 DEF is 804 times as likely to experience Tropical Storm force winds and eleven times as
9 likely to experience Category 2 force winds, than Category 4 force winds. Therefore, it
10 would be inappropriate to view the potential impact of a Hurricane Irma-type event as an
11 outlier that should be “considered and adjusted” when forecasting the likelihood of future
12 EWEs.

13
14 **Q. Why would OPC Witness Norwood propose to eliminate Irma from benefit**
15 **calculations while OPC Witness Mara proposes that FPL assume an Irma every 3 or**
16 **5 years to estimate the benefits of their future SPP programs?**

17 A. I don't know. As mentioned above, it certainly seems the OPC is taking inconsistent
18 positions between utilities.

19
20 **Q. Do you agree with Witness Norwood that DEF has unreasonably skewed the outage**
21 **reduction benefit of the SPP by including Hurricane Irma?**

¹⁹ OPC's Response to DEF's First Set of Interrogatories, Number 40(b).

²⁰ See DEF's 2017 Annual Service Reliability Report, p. 167.

1 A. I do not. In fact, I believe the law's intent is specifically directed at addressing extreme
2 weather events such as Irma. Using the 200-year HAZUS model presents a significant
3 sample of storm data rather than assuming an arbitrary frequency return of storms to
4 calculate benefit data. In the context of extreme events, Irma is not an outlier, but an
5 important data point on storm impacts on Florida customers.²¹ It would be unwise to not
6 include the most impactful storm in recent history on the DEF service territory when
7 generating a projected benefit of reduced costs and outage durations. In fact, if DEF
8 were to follow the guidance from the OPC given in Witness Mara's testimony, DEF
9 believes benefit projections would likely be much greater.

10
11 **d. Customer Impact**

12 **Q. Do you agree with Witness Norwood that DEF should delay implementation of the**
13 **SPP due to COVID-19?**

14 A. No. The Company filed its Storm Protection Plan as required by Florida Legislation and
15 as directed by Commission rules and the procedural schedule. At no time during the
16 process did the Commission halt or delay scheduling in this case. That said, DEF is
17 cognizant of the SPP's economic impacts on customers, which is one of the reasons the
18 company opted for a measured transition to SPP implementation, as witness Schultz
19 correctly noted on page 7 of his testimony. Additionally, it is my belief that current
20 conditions where many more customers are working from home emphasizes the need for
21 the SPP. The time is now to invest in the grid in a way that enhances reliability for the
22 many customers that are working remotely and supporting their children's educational

²¹ DEF's responses to OPC's Seventh Set of Interrogatories, number 243, provides the probability of occurrence and frequency of future major storm events, and number 244 details the magnitude of major weather event impacts.

1 learning from home. Further, although the Company is working diligently to implement
 2 best practices to ensure the safety of its workers for storm-related duty under current
 3 conditions, proactively hardening the grid will still provide the optimal and safe
 4 conditions of all crew to ensure their health and safety throughout COVID-19. Every
 5 reinforced pole and wire will have cascading benefits and ensure that safe social
 6 distancing practices can occur. Perhaps grid reliability has never been so important
 7 during such times as these. The ten programs filed in this case will enhance reliability
 8 during extreme weather events and these investments are now even more important to
 9 support the economic recovery for Florida.

10

11 **IV. Witness Schultz**

12 **a. Estimating Methodology & Variance**

13 **Q. On page 5 of his testimony, Witness Schultz states “Duke was requested in multiple**
 14 **interrogatories to explain in detail how the capitalized and O&M amounts on**
 15 **various pages of Exhibit No. (JWO-1) were determined. The responses were similar**
 16 **to the following response to Interrogatory No. 133²² Clearly, this response is not**
 17 **a detailed explanation as it provides no specific details or determinations.” Can you**
 18 **further explain the basis of capitalized and O&M amounts for 2020 work, as shown**
 19 **in Exhibit JWO-1?**

²² The interrogatory referred to by Witness Schultz, omitted from his testimony, along with the response, is provided here in full:

133. Refer to Exhibit No. (JWO-1), Pages 6-10. Please explain in detail how the capitalized amounts and O&M amounts were determined.

Response:

Capital unit cost consists of labor and materials based on historical averages and guidance from Finance for Indirect overheads. O&M is 1.25% of the Capital unit cost based on historical averages.

1 A. Yes, though I believe the original response provided a sufficient basis to understand how
2 the costs were determined, especially given the high-level nature of the question being
3 referenced (and I note that neither OPC nor any other party asked DEF to produce, for
4 example, the historic labor and material costs included in the calculation). The estimates
5 for capital and O&M work are determined based on historical costs of previously
6 completed, similar projects or the vendor contract price. Where appropriate, the
7 estimates consider whether internal crews or contractors will be used and if the work will
8 be constructed with the facilities de-energized or energized (hot). The project team will
9 take into consideration other aspects of the project that may impact costs such as matting,
10 permitting, construction limitations, etc. The capitalized amount includes the design,
11 permitting requirements, material, overhead allocations, and construction costs. The
12 O&M amount is for the labor and associated costs for work such as transferring the wire
13 during construction.

14

15 **Q. Describe the process for developing costs per project.**

16 A. To develop costs for projects, Project Management works with other internal
17 organizations such as Asset Management, Resource Planners or Engineering to
18 understand the scope and construction requirements of the work to be performed. Based
19 on the requirements identified, Project Management works with Project Controls and
20 Finance to estimate the project costs utilizing blended unit costs that consider if the work
21 will be done with internal resources or contractors and if the work to be performed will
22 be done de-energized or energized (hot). The estimated unit costs are based on a blended
23 average of historical actual costs for previously constructed work of similar scope and
24 construction methods, adjusted for known changes such as vendor contract price changes.

1 Since the estimated unit costs are based on an average, individual actual project costs will
2 likely be higher or lower than the average depending on the factors of each specific
3 location. The project team will take into consideration other aspects of the project that
4 may impact costs such as matting, permitting requirements, construction limitations, etc.

5

6 **Q. On pages 8 and 9 of his testimony, Witness Schultz provides a discussion showing**
7 **his belief that the cost projections contained in Exhibit No. __ (JWO-1) appear to be**
8 **overestimated when compared to historical costs provided in DEF's discovery**
9 **responses. Can you please explain the differences in DEF's estimated costs for**
10 **projects contained in Exhibit No. __ (JWO-1) compared to the historical amounts for**
11 **similar projects provided in discovery?**

12 A. Yes, I will be happy to explain the perceived variance noted by Mr. Schultz. At the
13 outset, it is important to note that Mr. Schultz is comparing estimated costs to actual costs
14 at the point in time the information was provided, not necessarily the actual costs of a
15 completed project. As these projects were recently placed in-service, but not yet closed,
16 additional costs may be forthcoming as the projects move towards being closed to plant
17 in-service. Examples of additional costs may include outstanding invoices and costs
18 being charged to a blanket contract versus a specific contract, as well as costs to restore
19 construction areas, complete final engineering drawings (as-builts), and/or removal of
20 stub poles after joint use attachments have been relocated.

21

22 **Q. Can you please explain DEF's process for estimating project costs, and why some**
23 **level of cost variance is to be expected when looking at estimated versus actual costs**
24 **at an individual project-level?**

1 A. Yes. Distribution and Transmission estimated costs are based on a blended average of
2 historical actual costs for previously constructed work of similar scope and construction
3 methods, adjusted for known changes such as vendor contract price changes. Some
4 variance between estimates and actuals per project is expected. Actuals may differ from
5 estimates due to crew type availability (internal vs contractor), outage availability,
6 materials costs, equipment costs, permitting requirements, matting costs, etc.

7

8 **Q. On page 10, Witness Schultz indicates concern with estimated costs for work**
9 **completed on “blue-sky” days and work completed during a storm restoration**
10 **effort, and states “Clearly, without more explanation than has been provided by**
11 **Duke so far, there is a problem with either the rate used during storm restoration or**
12 **the estimates included in the current filing in this docket.” Does Witness Schultz’s**
13 **testimony provide a valid comparison of these costs?**

14 A. No. Mr. Schultz’s comparison fails to account for how costs are tracked in a storm
15 restoration setting versus normal “blue-sky” work, and it is important to understand the
16 distinction and how it makes his comparison invalid.

17

18 **Q. Can you please describe how costs are tracked and accounted for in a Storm**
19 **response situation and how that process compares to the tracking and accounting of**
20 **costs in non-storm response (i.e., “Blue Sky”) scenarios?**

21 A. Yes. The methodology used for calculating the pole replacement capital costs (\$4,366
22 during Hurricane Michael and \$4,248 during Tropical Storm Alberto) during extreme
23 weather events is based on the replacement of a “typical pole” during non-extreme

1 weather event restoration (i.e., “blue sky” restoration), and a “typical pole” is defined as a
2 tangent pole without any equipment. However, during actual blue-sky restoration, most
3 of the costs incurred are associated with the overhead distribution resources and material,
4 but also include other costs such as vegetation crews, engineering, etc. Thus, while storm
5 restoration costs are based on “typical poles”, they fail to account for the bulk of costs
6 associated with normal blue-sky work. Also not included in the pole replacement capital
7 cost during extreme weather events are the logistics or damage assessment resources
8 required to support the overhead resources. The pole replacement unit cost provided in
9 Exhibit No. __ (JWO-1) (\$8,273) is based on the historical actual costs of planned pole
10 replacements over a two-year period, 2018 and 2019. These poles include countless
11 variations, including tangents, dead ends, poles containing overhead equipment such as
12 transformers and capacitors, poles with underground risers and terminations, etc.
13 Included in these costs are engineering, permitting, site restoration, underground
14 resources required to address underground cables, locates, and maintenance of traffic.
15 Furthermore, replacing a pole on an energized circuit, as opposed to doing so during an
16 outage event, requires additional safety measures due to the nature of working around
17 high voltage lines.

18 Similar to poles, Mr. Schultz’s utilization of the costs to replace wire during an extreme
19 weather event²³ is not an appropriate comparison to DEF’s Deteriorated Conductor
20 program. The costs provided in Docket No. 20190110-EI represent all wire types,
21 including secondary, streetlight and primary, and does not include any other material
22 such as poles, insulators or anchors necessary to facilitate restoring the wires. Also not
23 included in the wire replacement capital cost during extreme weather events are the

²³ Schultz, p. 11, ll. 1-12.

1 logistics or damage assessment resources required to support the overhead resources.
2 When a Deteriorated Conductor project is completed, the primary and secondary wires,
3 poles, insulators, anchors, transformers and other distribution equipment is replaced or
4 brought up to current specifications. Included in the costs for these projects are
5 engineering, permitting, site restoration, underground resources required to address
6 underground cables, locates and maintenance of traffic. Furthermore, replacing overhead
7 primary wires on an energized circuit, as opposed to doing so during an outage event,
8 requires additional safety measure due to the nature of working around high voltage lines
9 and keeping the existing conductor energized to maintain continuity of service to the
10 customers.

11

12 **V. Witness Perry**

13 **Q. Wal-Mart Witness Perry recommends that utilities work with Wal-Mart and other**
14 **interested stakeholders on customer-sited generation that could potentially be used**
15 **as part of future SPP filings. How does the Company respond?**

16 A. Micro-grid technologies continue to evolve and advance and DEF welcomes the
17 opportunity to discuss with Wal-Mart and other interested stakeholders their customer-
18 sited generation ideas and potential solutions.

19

20 **VI. Conclusion**

21 **Q. Mr. Oliver, your rebuttal covers a lot of ground, but did you respond to every**
22 **contention regarding the company's proposed plan in your rebuttal?**

1 A. No. Intervenor testimony on the SPP involved many pages of testimony and I could not
2 reasonably respond to every single statement or assertion and, therefore, I focused on the
3 issues that I thought were most important in my rebuttal testimony. As a result, my
4 silence on any particular assertion in the intervenor testimony should not be read as
5 agreement with or consent to that assertion.

6

7 **Q. Does this complete your testimony?**

8 A. Yes.

9

1 (Whereupon, prefiled rebuttal testimony of
2 Thomas G. Foster was inserted.)

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

**IN RE: REVIEW OF 2020-2029 STORM PROTECTION PLAN
PURSUANT TO RULE 25-6.030, F.A.C., DUKE ENERGY FLORIDA, LLC**

**DOCKET NO. 20200069-EI
REBUTTAL TESTIMONY OF
THOMAS G. FOSTER
JULY 1, 2020**

1 **I. INTRODUCTION AND QUALIFICATIONS.**

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

3 A. My name is Thomas G. Foster. My business address is Duke Energy Florida, LLC, 299
4 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 the Company's SPP on April 10, 2020.

8

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

11 A. Yes.

12

13 **II. PURPOSE AND SUMMARY OF TESTIMONY.**

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

1 A. The purpose of my testimony is to provide the Company's rebuttal to assertions and
2 conclusions contained in the direct testimonies of OPC's witness Schultz and
3 Walmart's witness Chriss.

4

5 **Q. Please summarize your testimony.**

6 A. My testimony addresses certain assertions and conclusions contained in OPC Witness
7 Schultz and Walmart Witness Chriss testimonies. I have not attempted to rebut each,
8 and every factual error or misconception contained in these testimonies.

9 With regard to Witness Schultz testimony I generally focus on four topics:

- 10 • Clarification around certain requirements related to estimating benefits
11 associated with the Statute and Rule.
- 12 • Addressing his concern that ratepayers will not receive the benefits of future
13 reduced costs in base rates that result from SPP implementation.
- 14 • Generalizations he made regarding the adequacy of our cost estimates (this is
15 more fully discussed in DEF Witness Oliver's rebuttal testimony).
- 16 • Address his concern that Commission approval of IOU SPPs is equivalent to a
17 "blank check".

18 With regard to Walmart Witness Chriss testimony I address why DEF developed
19 estimated rate impacts assuming collection of SPP costs on a per kWh (energy) basis.

20

21 **III. OPC Witness Schultz**

1 **Q. Do you agree with OPC Witness Schultz impression on page 4 lines 1 -5 that**
2 **because DEF’s Storm Protection Programs are new, DEF is indicating that they**
3 **only provide reduced storm costs?**

4 A. No. DEF never states that the Programs being proposed only result in reduced storm
5 costs. In fact, on page 4, lines 14-18, Witness Schultz shows a response provided by
6 DEF specifically acknowledging that there will also be savings during normal operating
7 conditions. DEF has not quantified these savings but acknowledges they exist.

8
9 **Q. Why did DEF not quantify the savings during normal operating conditions?**

10 A. DEF did not quantify these savings because they are not required to be quantified for
11 this proceeding per the SPP Statute¹ or Rule.²

12
13 **Q. Do you agree with Witness Schultz statement that there is a risk that ratepayers**
14 **will be paying for improvements that will reduce the Company’s costs in base**
15 **rates, but those savings will not be passed through to the ratepayers?**

16 A. No. The SPP statute addresses new investments to strengthen the electric utility
17 infrastructure to withstand extreme weather conditions and improve overall service
18 reliability. It creates a cost recovery clause for investments to accomplish this goal. It
19 also ensures there is no double recovery for these costs by stating in paragraph (8) that
20 “storm protection plan costs may not include costs recovered through the public
21 utility’s base rates”. This clearly addresses the double recovery concern. Rule 25-
22 6.031(6)(b) implements this statutory directive by stating “Storm Protection Plan costs

¹ Section 366.96, Fla. Stat.

² Rule 25-6.030, F.A.C.

1 recoverable through the clause shall not include costs recovered through the utility's
2 base rates or any other cost recovery mechanism.”

3

4 It is the normal process for base rate costs to change over time and this creates
5 regulatory lag. Some costs will decrease, others will increase. The SPP Statute was
6 not developed to address appropriate levels of costs in base rates, it was developed to
7 facilitate investment in work that will strengthen the Transmission and Distribution
8 systems from extreme weather to help reduce restoration times and costs. There is in
9 fact already a way that the Commission monitors Florida IOUs to ensure no excessive
10 recovery is occurring. The Commission requires IOUs to file monthly Earnings
11 Surveillance reports. These reports show the IOUs earned return on equity (ROE). In
12 a rate case the FPSC authorizes an allowed ROE for utilities. If a utility reports a ROE
13 that is too high the parties or the Commission itself may call the Utility in for a rate
14 case. Unlike cost recovery clauses, the normal and established process for base rates
15 involves regulatory lag.

16

17 **Q. On page 5, lines 15-22, Witness Schultz addresses the importance of cost detail for**
18 **the Storm Protection Plan filing; do you agree with how he has characterized what**
19 **DEF has provided and what the Rule requires?**

20 A. No. First, he cites Rule 25-6.030(3)(d) and (e) and states they require a cost estimate
21 for capital and operating costs along with a description of the respective projects. The
22 way he has chosen to word this could confuse the reader. Paragraph (3)(d) is really
23 focused on information at the program level. Paragraph (3)(e) is focused on the specific

1 detail required to be included in the Storm Protection Plan for the first three years.
2 Witness Schultz is not clear that there are different requirements for the first year of the
3 Plan, which requires a “cost estimate including capital and operating expenses” as
4 compared to years two and three which requires “estimated number and costs of
5 projects under every specific program. . .”³ This is important as this was a hotly
6 debated topic during the rulemaking proceeding and the decision to not require project
7 level detail in years beyond year one of the program was intentional based on
8 information discussed in the drafting of the SPP Rules.

9

10 Second, he seems to be implying that DEF has presented a best wild guess of what we
11 expect costs to be. For year one DEF has provided project level information; I would
12 certainly not characterize this as a “best wild guess.” For forward looking years, as
13 Witness Schultz references in his testimony on page 5, lines 5-9, DEF estimated future
14 costs based on historical averages and guidance from Finance for Indirect overheads.
15 O&M costs were generally estimated based on historical costs as well. DEF used
16 historical experience with costs of a similar nature and adjusted them based on any
17 known differences to estimate future costs, this is a far cry from a “best wild guess”.
18 This topic is covered in more detail in DEF Witness Oliver’s rebuttal testimony.

19

20 **Q. Do you believe approval of DEF’s SPP amounts to a “blank check” for initial**
21 **recovery of costs as part of the SPPCRC?**

³ Compare Rule 25-6.030(3)(e)1.c. (“For the first year of the plan, a description of each proposed storm protection project that includes . . . A cost estimate including capital and operating expenses;”), with (3)(e)2. (“For the second and third years of the plan, project related information in sufficient detail, such as estimated number and costs of projects under every specific program...”).

1 A. No. DEF has stated numerous times that the Storm Protection Plan Docket is not the
2 appropriate venue to make specific decisions on what costs will flow through the
3 SPPCRC. Rather, the Commission has set up a two-step process: the SPP Docket
4 determines what Programs the Commission agrees are appropriately included as part
5 of the Storm Protection Plan; then there is a separate cost recovery clause Docket⁴
6 where the Commission determines what costs are appropriate for recovery through the
7 clause pursuant to the requirements of Rule 25-6.031. SPP approval means the
8 Commission must allow recovery of prudently incurred costs associated with the
9 approved Plan, but the Commission and intervenors have the opportunity to challenge
10 the prudence of the costs presented and whether they are already included in base rates
11 or some other recovery mechanism. DEF expressed this on multiple occasions during
12 the Rule development as shown below:

13 *DEF's Post Rule Development Workshop Comments, July 15, 2019, Page 4*, "...Once
14 requested for inclusion in the SPP, costs associated with the new Program can be
15 included for recovery subject to ultimate FPSC approval of the Program."

16 *DEF's Post Rule Development Workshop Comments, July 15, 2019, Page 2*, "...*(of*
17 *course, to the extent cost recovery is sought through the SPP cost recovery clause, the*
18 *Commission and intervenors would retain the right to review the Company's decision*
19 *during the annual recovery clause docket)..."*

20 *DEF's Post Rule Development Workshop Comments, August 27, 2019, Page 2*
21 *"Significance of Approval of a SPP – At the workshop OPC expressed concern and*
22 *uncertainty with the level of prudence that attaches upon approval of an SPP. DEF*

⁴ Docket No. 20200092-EI.

1 *believes that Commission approval of an SPP constitutes an affirmation that the*
2 *Programs or activities described in the Plan are prudent to pursue. The SPP will*
3 *include and thus the Commission will be asked to approve the methodology by which*
4 *the utilities are selecting and prioritizing projects within the various Programs. The*
5 *Commission would still be able to review and determine whether the companies were*
6 *prudent in their execution of projects within a Program in the annual clause filings or*
7 *when cost recovery is otherwise sought. For instance, if the cost of an approved project*
8 *or Program increased ten-fold and the utility did not consider whether it was still*
9 *prudent to pursue or did not evaluate lower-cost options, the Commission would be*
10 *able to make a decision on whether the company has acted prudently. However, the*
11 *Commission could not determine a company had acted imprudently based on no-other*
12 *evidence than the company had followed its approved SPP.”*

13

14 **IV. Walmart Witness Chriss**

15 **Q. What is your understanding of the purpose of Walmart Witness Chriss’**
16 **testimony?**

17 **A.** The crux of Walmart Witness Chriss’ testimony is that Walmart believes the SPP costs
18 should be allocated to the rate classes and billed on a demand basis to more accurately
19 reflect cost causation.

20

21 **Q. Do you agree with Walmart Witness Chriss’ assertion on page 6 lines 1-4 that**
22 **transmission and distribution costs are fixed and do not change with the amount**
23 **of energy consumed by customers?**

1 A. I agree that most of the costs associated with DEF's SPP are associated with assets that
2 are designed to accommodate a specific capacity as opposed to a cost that specifically
3 changes with use (like fuel costs), that is why DEF has made sure to allocate the cost
4 to the classes on a demand basis as cost causation would dictate. However, section
5 366.96(1)(e) states "It is in the state's interest to strengthen electric utility infrastructure
6 to withstand extreme weather conditions." This focus on avoiding costs due to extreme
7 weather is important.

8

9 **Q. Why do you believe this is important?**

10 A. In Florida, IOUs have consistently been allowed to recover costs incremental to those
11 included in base rates and associated with named storms through a storm surcharge.
12 This provides recovery of costs associated with restoring the grid after extreme weather
13 and is typically associated with restoring assets like poles, wires and other items that
14 will be strengthened through the SPPs. Three recent examples are FPL's recovery of
15 costs associated with Hurricane Matthew, Gulf's recovery of costs associated with
16 Hurricane Michael and DEF's recovery of costs associated with Hurricane Dorian.

17

18 In Docket 20160251, Order PSC-17-0055-PCO-EI, the Commission approved FPL's
19 request for recovery of costs associated with Hurricane Matthew. On Page 1 of
20 Attachment A of this Order it can be seen that these costs are being billed on an energy
21 (kWh) basis.

22

1 In Docket 20190038, Order PSC-2019-0221-PCO-EI, the Commission approved
2 Gulf's request for recovery of costs associated with Hurricane Michael. On page 3 of
3 Attachment A of this Order it can be seen that these costs are being billed based on an
4 energy (kWh) basis.

5
6 In Docket 20190222, Order PSC-2020-0058-PCO-EI, the Commission approved
7 DEF's request to implement a Storm Surcharge to recover costs associated with
8 Hurricane Dorian. On page 6 of Attachment A it can be seen that these costs are being
9 billed based on an energy (kWh) basis.

10

11 These Orders illustrate that the Commission has recently found it appropriate to bill
12 customers for the types of costs the SPPs are designed to prevent on an energy basis.

13

14 **Q. On page 9, lines 9-15, Walmart Witness Chriss asserts recovery of demand-related**
15 **costs through an energy charge violates cost causation principles, do you agree?**

16 A. As described above, the costs the SPP is designed to reduce have historically been
17 collected on a per kWh basis. For this reason, I do not believe recovery of these costs
18 through an energy charge is a violation of cost causation principles.

19

20 **Q. Are there any other reasons DEF showed its estimated rate impacts with rates**
21 **collected on an energy basis?**

22 A. Yes. It was consistent both with what DEF had proposed in the Rule development
23 workshops and with Staff's draft SPP schedules that were discussed at an informal

1 meeting held on February 26, 2020, noticed in Docket 20200000-OT. On page
2 SPPCRC Form 5P of Staff's draft SPP cost recovery clause schedules, the rates were
3 shown on a per kWh basis. These schedules were discussed, and the parties given a
4 chance to raise concerns at this meeting and no one raised a concern about how these
5 rates were being shown.

6

7 **Q. Do you believe the Commission has to require IOUs to bill on an energy basis due**
8 **to the draft schedules?**

9 A. Absolutely not. The Commission has wide discretion on this matter. I only mention it
10 to inform the Commission and parties why DEF believes it was reasonable to propose
11 our SPP's estimated rate impacts be collected on a per kWh basis in our SPP filing. If
12 the Commission decides these revenues should be billed on a per kw basis for DEF's
13 demand customers DEF will of course comply.

14

15 **Q. On pages 10-12 of Walmart Witness Chriss' testimony he gives an illustrative**
16 **example of the impact of allocating costs on an energy vs. demand basis to**
17 **different customers within a class. Do you agree with his example?**

18 A. The general math is a fair representation of how different methods of billing can impact
19 different customers within a class. I do not agree with the conclusion that if a utility
20 recovers demand-related charges through an energy-based charge it will necessarily
21 over-collect from one customer and under-collect from another.

22

23 **V. Conclusion**

1 **Q. Mr. Foster, have you responded to every contention regarding the company's**
2 **proposed plan in your rebuttal?**

3 A. No. I addressed the major points within my field of expertise that I felt required
4 rebuttal; my decision not to refute each and every individual characterization of fact or
5 opinion in the intervenors' testimonies should not be understood as agreement with
6 those points. Moreover, Witness Oliver has concurrently filed rebuttal testimony
7 directed at multiple other mischaracterizations and misconceptions contained in those
8 testimonies.

9

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

11 A. Yes.

1

2

(Whereupon, prefiled rebuttal testimony of

3

Michael Spoor was inserted.)

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 **I. INTRODUCTION**

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

3 A. My name is Michael Spoor. My business address is Gulf Power Company (“Gulf” or
4 the “Company”), One Energy Place, Pensacola, Florida, 32520.

5 **Q. Did you previously submit direct testimony?**

6 A. Yes. I submitted written direct testimony on April 10, 2020, together with Exhibit MS-
7 1 – Gulf Power Company’s 2020-2029 Storm Protection Plan.

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

9 A. The purpose of my rebuttal testimony is to respond to certain portions of the direct
10 testimonies of Ralph Smith and Kevin J. Mara submitted on behalf of the Office of
11 Public Counsel (“OPC”), and the direct testimonies of Steve W. Chriss and Lisa V.
12 Perry submitted on behalf of Walmart Inc. (“Walmart”). My rebuttal testimony will
13 respond to the concerns, questions, and recommendations raised by the witnesses of
14 OPC and Walmart concerning Gulf’s 2020-2029 Storm Protection Plan (“SPP”)
15 submitted as Exhibit MS-1.

16 I will also address OPC’s recommendation that the Florida Public Service
17 Commission (“PSC” or the “Commission”) should adopt and implement a brand new
18 resiliency test or metric in this proceeding to evaluate Gulf’s SPP, and I will explain
19 why such a recommendation is both inappropriate and unnecessary. Similarly, I will
20 demonstrate that OPC’s recommendations that the Commission should require further
21 cost-benefit analyses for Gulf’s SPP programs and projects are both inappropriate and
22 unnecessary. Finally, I will respond to OPC’s concerns regarding the economic impact

1 of COVID-19 and its recommendation that Gulf should delay certain components of
2 its SPP programs and projects.

3 **Q. In preparing your rebuttal testimony, did you collaborate and work with Florida**
4 **Power & Light Company (“FPL”) witness Michael Jarro?**

5 A. Yes. FPL and Gulf are affiliate electric utilities owned by NextEra Energy, Inc.
6 (“NextEra”). Throughout the process to prepare their respective SPPs, FPL and Gulf
7 have worked very closely to incorporate and implement best practices and common
8 approaches where appropriate and applicable. This collaborative effort has continued
9 throughout the entire SPP proceeding, including the preparation of rebuttal testimony.

10 Notably, the testimony of OPC witnesses Smith and Mara assert many issues
11 and recommendations that are largely identical for both FPL and Gulf. In responding
12 to such issues and recommendations, my team and I have worked with FPL witness
13 Michael Jarro and his team to develop common or joint testimony where the FPL and
14 Gulf positions are aligned. As a result of this joint and collaborative effort, some
15 portions of my rebuttal testimony may be similar and/or largely the same as certain
16 portions of the rebuttal testimony of FPL witness Michael Jarro.

17 **Q. Are you sponsoring any rebuttal exhibits in this case?**

18 A. Yes, I am sponsoring Exhibit MS-2, Gulf Power Company’s 2019-2021 Storm
19 Hardening Plan, and Exhibit MS-3, Post Storm Analysis of Gulf Transmission
20 Facilities.

1 **II. GENERAL RESPONSE TO CONCERNS OF INTERVENORS**

2 **Q. Before addressing the specific issues and recommendations raised by the**
3 **Intervenor testimonies, do you have any general observations?**

4 A. Yes. The evaluation of Gulf’s SPP must be grounded in the fact that Gulf has
5 successfully been engaging in Commission-approved storm hardening for the last 14
6 years. During this time, the Commission has reviewed and had full transparency into
7 all aspects of Gulf’s storm hardening initiatives and activities, and interested parties
8 and stakeholders had the opportunity to participate in these reviews. Indeed, in its
9 report “Review of Florida’s Electric Utility Hurricane Preparedness and Restoration
10 Actions 2018”, in Docket No. 20170215-EU, the Commission recognized the success
11 of historical storm hardening efforts in Florida. Key findings by the Commission in
12 that report included:

- 13 • Florida’s aggressive storm hardening programs are working. (Section V);
- 14 • The length of outages was reduced markedly from the 2004-2005 storm season.
15 (Section IV);
- 16 • The primary cause of power outages came from outside the utilities’ rights of
17 way including falling trees, displaced vegetation, and other debris (Section IV);
- 18 • Vegetation management outside the utilities’ rights of way is typically not
19 performed by utilities due to lack of legal access (Section IV);
- 20 • Hardened overhead distribution facilities performed better than non-hardened
21 facilities. (Section V);
- 22 • Very few transmission structure failures were reported. (Section V); and

- Underground facilities performed much better compared to overhead facilities.

(Section V)

In response to Hurricanes Matthew and Irma, the Florida Legislature passed section 366.96, Florida Statutes (“F.S.”) “to mitigate restoration costs and outage times to utility customers” by “strengthen[ing] electric utility infrastructure to withstand extreme weather conditions by promoting the overhead hardening of electrical transmission and distribution facilities, the undergrounding of certain electrical distribution lines, and vegetation management.” Section 366.96(1)(c)-(e). From these facts, one can logically and reasonably conclude that the Legislature did not pass Section 366.96, F.S., to limit or eliminate storm hardening activities in Florida, nor can one assume that the passage of Section 366.96, F.S., was an indictment or criticism against storm hardening activities previously undertaken by electric utilities in the state of Florida. Rather, it is reasonable to assume that the Legislature passed this statute to encourage, streamline, and advance storm hardening efforts in the state.

Q. How did the acquisition of Gulf by NextEra impact Gulf’s methodology for its 2019-2021 Storm Hardening Plan?

A. Since 2006, Gulf has submitted its Storm Hardening Plans every 3 years for the required immediate 3-year planning period. These successful plans were initially developed by incorporating the Commission’s 10-Part Storm Preparedness Initiatives, set forth in certain of the Commission’s Orders, including Order No. PSC-06-0351-PAA-EI, and further enhancing Gulf’s existing storm preparedness programs in accordance with its commitment to continually refine those programs by evaluating best practices. Since the acquisition of Gulf by NextEra on January 1, 2019, Gulf has

1 begun to adopt and incorporate the best practices of FPL's proven and successful storm
2 hardening program into Gulf's storm hardening program. Specifically, Gulf has
3 focused on strengthening its distribution feeders to extreme wind loading standards;
4 piloted undergrounding of certain distribution laterals; substation flood mitigation; and
5 transmission wood structure replacement. These programs and initiatives, as well as
6 Gulf's transmission and distribution inspection and distribution vegetation
7 management programs, are all included in Gulf's Commission-approved 2019-2021
8 Storm Hardening Plan.

9 **Q. Having reviewed the testimonies of OPC witnesses Smith and Mara, do you have**
10 **any general observations or responses?**

11 A. Yes. First and foremost, on page 15, line 22 and page 16, lines 1-14 of his direct
12 testimony, OPC witness Mara states that it would not be unreasonable for the
13 Commission to allow Gulf to implement the "core programs" that have been in use for
14 many years and approved by the Commission.

15 In its SPP, Gulf has proposed the following seven programs:

- 16 • Distribution Inspection Program
- 17 • Transmission Inspection Program
- 18 • Distribution Feeder Hardening Program
- 19 • Distribution Hardening – Lateral Undergrounding Program
- 20 • Transmission Hardening Program
- 21 • Vegetation Management – Distribution Program
- 22 • Vegetation Management – Transmission Program

1 Of these seven programs, the following six programs were previously reviewed and
2 approved as part of Gulf’s Storm Hardening Plans, storm initiatives, and annual
3 reliability filings: Distribution Inspection, Transmission Inspection, Distribution
4 Feeder Hardening, Transmission Hardening, Vegetation Management – Distribution;
5 and Vegetation Management – Transmission. Stated differently, these six SPP
6 programs are “core programs” that have been filed with, reviewed, and approved by
7 this Commission. Under Mr. Mara’s conclusion, it would not be unreasonable for the
8 Commission to allow Gulf to implement (or continue) these six “core programs.”

9 **Q. What is your response to OPC witness Mara’s identification of the new initiatives**
10 **in Gulf’s 2020-2029 SPP?**

11 A. On page 16, lines 17-23, OPC witness Mara identifies the following programs as new
12 initiatives in Gulf’s SPP:

- 13 • Distribution Hardening – Lateral Undergrounding Program
- 14 • Substation Flood Monitoring and Hardening Program
- 15 • Transmission and Substation Resiliency Program

16 I disagree with witness Mara’s characterization of what is new in Gulf’s SPP. Gulf’s
17 Transmission and Substation Resiliency Program is the only program in Gulf’s 2020-
18 2029 SPP that could arguably be considered a completely new program because it has
19 not been previously reviewed by the Commission. The Transmission and Substation
20 Resiliency program, is a subset and expansion of Gulf’s existing Transmission
21 Hardening Program. Gulf’s proposed Distribution Hardening – Lateral
22 Undergrounding Program is a pilot program that was described in Gulf’s Commission
23 approved 2019-2021 Storm Hardening Plan. Gulf’s SPP provided further information

1 about the implementation of this program and indicated that it will be largely based on
2 FPL's Commission-approved Storm Secure Undergrounding Pilot program. The
3 Substation Flood Monitoring and Hardening Program (switch house construction
4 standards), which is a subset and expansion of Gulf's existing Transmission Hardening
5 Program, was also included in Gulf's Commission-approved 2019-2021 Storm
6 Hardening Plan as a component of Gulf's Transmission Hardening Program and
7 therefore is not new.

8 Based on the testimony of OPC witness Mara associated with previously
9 approved programs, OPC appears to essentially agree with the majority of programs
10 included in Gulf's SPP. It further appears that the only truly contested programs in
11 Gulf's SPP are the three programs OPC witness Mara identifies as new initiatives in
12 his direct testimony: Distribution Hardening – Lateral Undergrounding, Substation
13 Flood Monitoring and Hardening, and Transmission and Substation Resiliency
14 Program. I will respond to OPC's criticisms of these programs later in my testimony.

15 **Q. Do you have any additional general observations about the testimonies of OPC**
16 **witnesses Smith and Mara?**

17 A. Yes. Other than its specific criticisms of the Distribution Hardening – Lateral
18 Undergrounding; Substation Flood Monitoring and Hardening; and Transmission and
19 Substation Resiliency Programs, OPC witnesses make three other general arguments.

20 First, OPC spends a majority of its witnesses' testimony discussing the
21 difference between reliability and resilience, arguing that the Commission should apply
22 new resiliency standards when reviewing utility proposed SPP expenditures to ensure
23 that the approved projects meaningfully improve resiliency. Although Gulf agrees that

1 the primary and intended purpose of SPPs is to improve storm resiliency of the
2 transmission and distribution electric system, there is no need for OPC's proposed new
3 resiliency test because the Florida Legislature and Commission have already defined
4 storm resiliency in Section 366.98, F.S., and Rule 25-6.030, Florida Administrative
5 Code ("F.A.C.") – reduction in restoration costs and outage times associated with
6 extreme weather conditions. As further explained below, OPC's proposed new
7 resiliency test is unnecessary and inappropriate given the clear direction and guidance
8 of the Florida Legislature and Commission.

9 Second, OPC also argues that the Commission should require formulaic cost-
10 benefit justifications before additional investments in grid resiliency are approved for
11 rate recovery. As explained in my direct testimony, Gulf's SPP has fully complied
12 with all the requirements of what must be included in a SPP pursuant to Rule 25-6.030,
13 F.A.C. OPC's proposal is an attempt to add a new requirement to the Rule that does
14 not exist today. For the reasons explained below, OPC's proposal is inappropriate and
15 unnecessary for several reasons.

16 Third, OPC witness Smith makes several arguments regarding recovery of SPP
17 costs, and whether such costs are currently being recovered in base rates. However, as
18 stated in Commission Order No. PSC-2020-0161-PCO-EI, these issues are beyond the
19 scope of this SPP proceeding because they pertain to costs that will be addressed in the
20 Storm Protection Plan Cost Recovery Clause proceeding in Docket No. 20200092.

21 Because the Prehearing Officer has already concluded that these issues are not
22 appropriate for the SPP docket, I will not further respond to such issues.

1 **Q. Having reviewed the testimonies of the Walmart witnesses Chriss and Perry, do**
2 **you have any general observations or responses?**

3 A. Yes. Walmart does not appear to take any specific issues or have any concerns with
4 the programs and projects included in Gulf's SPP pending before the Commission.
5 Walmart witness Perry proposes that the utilities work with large commercial and
6 industrial customers in the future to include customer-sited generation in future SPPs.
7 OPC witness Perry's proposal is a future proposal and does not impact the programs
8 and projects included in Gulf's SPP. Therefore, Walmart's proposal should not hold
9 up or delay the implementation of Gulf's SPP if the Commission finds it is in the public
10 interest. That said, Gulf is willing to work with Walmart on discussing potential future
11 SPP programs and projects.

12 Walmart witness Chriss indicates that Walmart opposes cost allocations used
13 by Gulf, which recovers SPP costs from demand-metered customers through a \$/kWh
14 energy charge. Gulf notes that issues related to the recovery of SPP costs, including
15 cost allocation and rate design, are beyond the scope of this proceeding and will be
16 addressed in the Storm Protection Plan Cost Recovery Clause proceeding at Docket
17 No. 20200092 as further explained in Commission Order No. PSC-2020-0161-PCO-EI
18 issued on May 18, 2020.

1 **III. OPC’S PROPOSED NEW RESILIENCY TEST FOR SPPS IS NOT**
2 **APPROPRIATE OR NECESSARY FOR GULF’S SPP**

3 **Q. OPC spends a majority of its testimony discussing resilience and arguing that the**
4 **Commission should apply new resiliency standards when reviewing Gulf’s**
5 **proposed SPP programs. Before addressing the specifics of OPC’s**
6 **recommendation, do you have any preliminary observations about OPC’s**
7 **proposal?**

8 **A.** Yes. As stated earlier and as will be explained in greater detail below, OPC witness
9 Mara essentially agrees that the Commission should allow Gulf to implement its core
10 storm hardening programs. Therefore, although OPC proposes the adoption of a new
11 resiliency test, OPC essentially agrees that no such test is necessary for, at a minimum,
12 Gulf’s core storm hardening programs. Accordingly, in the event OPC’s resiliency test
13 is adopted in this proceeding, which it should not for the reasons I explain next, it
14 should only apply to the contested Substation Flood Monitoring and Hardening,
15 Transmission and Substation Resiliency, and the Distribution Hardening – Lateral
16 Undergrounding Programs.

17 **Q. OPC witnesses Smith and Mara dedicate significant portions of their direct**
18 **testimonies to discussing the difference between reliability and resiliency, and**
19 **both OPC witnesses assert that the objective or goal of Section 366.96, F.S., and**
20 **Rule 25-6.030, F.A.C., is to improve the resiliency of the electric system and not**
21 **day-to-day reliability. Do you agree?**

22 **A.** I agree that the intent and purpose of Section 366.96, F.S., is to improve the storm
23 resiliency of the electric system by “[p]rotecting and strengthening transmission and

1 distribution electric utility infrastructure from extreme weather conditions” to “mitigate
2 restoration costs and outage times to utility customers.” Rule 25-6.030, F.AC., likewise
3 makes it clear that SPP programs and projects are “undertaken to enhance the utility’s
4 existing infrastructure for the purpose of reducing restoration costs and reducing outage
5 times associated with extreme weather conditions.” Thus, I agree with the OPC
6 witnesses that the intent and purpose of Section 366.96, F.S., and Rule 25-6.030, F.AC.,
7 is to promote and encourage storm hardening programs and projects that enhance the
8 resiliency of the electric system from extreme weather conditions.

9 That being said, it should be noted that programs and projects that are designed
10 to strengthen and protect the electric system from extreme weather conditions may also
11 have a secondary benefit of improving overall service reliability. For example, as
12 presented in Appendix B to Exhibit MS-1, an independent forensic analysis conducted
13 immediately after Hurricane Michael to assess damages to Gulf’s distribution system
14 suggested that “...investments in storm hardening may improve system performance
15 during future storm events.” These investments are also likely to improve day-to-day
16 reliability. Importantly, however, this does not mean that such programs and projects
17 are “reliability” projects because their primary purpose is to reduce restoration cost and
18 outage time associated with extreme weather. In fact, both the Statute and Rule
19 contemplate that the programs and projects included in a utility’s SPP may “improve
20 overall service reliability for customers.”

21

22

1 **Q. Both OPC witnesses Mara and Smith argue that the Commission should adopt**
2 **and apply new resiliency standards and tests to review Gulf's SPP to ensure that**
3 **the programs and projects provide meaningful improvement to resiliency. Do you**
4 **agree with this recommendation?**

5 A. No. There is no need to develop a new resiliency standard or test because the Florida
6 Legislature and Commission have already defined storm resiliency for purposes of SPP
7 in Section 366.96, F.S., and Rule 25-6.030, F.A.C. As stated previously, both the
8 Statute and Rule define storm resiliency as enhancing the electric infrastructure for the
9 purpose of reducing restoration costs and outage times associated with extreme weather
10 conditions. Therefore, there is no need to develop a new resiliency test as
11 recommended by OPC because the Florida Legislature and Commission have already
12 done so.

13 **Q. Has Gulf demonstrated that its SPP programs will improve storm resiliency by**
14 **reducing restoration costs and outages associated with extreme weather**
15 **conditions?**

16 A. Yes. Gulf has demonstrated in Sections II and IV, and Appendix B of Exhibit MS-1
17 that each of its SPP programs will improve storm resiliency by reducing restoration
18 costs and outages associated with extreme weather conditions.

19 **Q. Do you have concerns with OPC's proposal to adopt and implement a new**
20 **resiliency test in this proceeding?**

21 A. Yes. My view is that OPC is attempting to re-litigate the Storm Protection Plan Rule
22 25-6.030, F.A.C., approved by this Commission. OPC is trying to add formulaic and
23 highly prescriptive requirements that were not provided by the Statute or Rule that

1 would tie the Commission's hands when determining whether an SPP is in the public
2 interest. When it adopted Section 366.96, F.S., the Florida Legislature did not prescribe
3 a specific test or set of metrics to be applied when reviewing SPPs to determine if they
4 are in the public interest. Instead, the Florida Legislature left that determination to the
5 discretion of the Commission by directing it to adopt rules necessary to implement the
6 statute. In adopting Rule 25-6.030, F.A.C., the Commission could have prescribed
7 specific metrics, standards, and formulas to determine benefits from SPPs, but it wisely
8 did not because each program must be evaluated on its particular facts and merits. The
9 Commission can and should consider all relevant facts and merits when determining if
10 the SPP programs are in the public interest; however, this determination should be
11 based on the requirements prescribed in Rule 25-6.030, F.A.C.

12 **Q. Do you have any additional concerns with the resiliency metrics proposed by OPC**
13 **witnesses Smith and Mara?**

14 A. Yes. First and foremost, there are no Commission-approved or industry-accepted
15 standards for resiliency. Indeed, both OPC witnesses concede that there is no clear and
16 widely accepted standards to test for resiliency of electric systems. See page 7 of the
17 direct testimony of OPC witness Smith, and pages 9 of the direct testimony of OPC
18 witness Mara. Additionally, on pages 4-5 of his direct testimony, Mr. Smith quotes an
19 excerpt from a paper issued by the U.S. Department of Energy that "...Resilience is in
20 large part about what does not happen," which calls into question the metrics offered
21 by Mr. Mara. For these reasons alone, OPC's proposed resiliency metrics should not
22 be adopted.

1 Additionally, the four resiliency metrics proposed by OPC witness Mara on
2 pages 10-11 of his direct testimony should be rejected for the following additional
3 reasons: they address matters that utilities already take into account in their extreme
4 weather event restoration efforts; they ignore that all storms are different in path,
5 intensity, level of damage and the number of resources available; they seek to alter
6 existing storm restoration prioritization practices; and in at least one case provides a
7 recommendation that does not pass the common sense test.¹

8 Likewise, the twelve “resiliency” metrics proposed on pages 8-9 of the direct
9 testimony of OPC witness Smith should be rejected for the following reasons: Florida’s
10 Legislature and this Commission through Rules 25-6.030 F.A.C., and 25-6.031 F.A.C.,
11 have already addressed many of these metrics; they are an attempt by OPC to re-litigate
12 the SPP rules approved by this Commission; they aim to arbitrarily limit investments
13 and cost recovery of SPP projects; and, in one instance, basically ask this Commission
14 to never approve for prudence any SPP until some undetermined time at which some
15 arbitrary objectives have been reached.

16
17
18
19
20

¹ For example, the “Community Function” metric proposed on page 10 of Mr. Mara’s testimony is not a test of resiliency because it does not measure or reflect a reduction in restoration costs or outage times on the utilities’ system. Indeed, this metric ignores the fact that the utility still needs to repair all damaged facilities and safely restore all power outages notwithstanding the fact that some customers may have a temporary backup supply of power. Additionally, this metric suggests that the utilities should alter the prioritization of restoration of service based on the type of back-up equipment and fuel reserves of individual customers.

1 **IV. OPC'S REQUESTS FOR FURTHER COST-BENEFIT ANALYSES FOR**
2 **GULF'S SPP ARE NOT APPROPRIATE OR NECESSARY**

3 **Q. On page 10 of his direct testimony, OPC witness Smith recommends that the**
4 **Commission should require further cost-benefit analyses for Gulf's SPP programs**
5 **and projects, and on page 13 of his direct testimony, OPC witness Mara**
6 **recommends an analysis for estimating benefits associated with the proposed SPP**
7 **programs. Before addressing the specifics of OPC's recommendations, do you**
8 **have any preliminary observations about OPC's proposals?**

9 **A.** Yes. As stated earlier, and as will be explained in greater detail below, OPC witness
10 Mara essentially agrees that the Commission should allow Gulf to implement the core
11 storm hardening programs in Gulf's SPP because they have been in use for many years.
12 Therefore, although OPC recommends further cost-benefit analyses, OPC essentially
13 agrees that no such further analyses or modeling are necessary for, at a minimum, these
14 core programs. Accordingly, OPC's recommendations that Gulf be required to perform
15 further cost-benefit analyses and modeling could only apply to the contested Substation
16 Flood Monitoring and Hardening, Transmission and Substation Resiliency, and the
17 Distribution Hardening – Lateral Undergrounding Programs.

18 **Q. On page 6 of his direct testimony, OPC witness Mara asserts that the Rule 25-**
19 **6.030, F.A.C., requires the SPP programs to be cost-effective, and on page 10, OPC**
20 **witness Smith recommends that Commission should require further cost-benefit**
21 **analyses for Gulf's SPP programs and projects. Do you agree with the OPC's**
22 **application of Rule 25-6.030, F.A.C., as it pertains to the costs and benefits of the**
23 **SPP?**

1 A. No. First, Section 366.96, F.S., and Rule 25-6.030, F.A.C., do not prescribe or require
2 a traditional cost-benefit analysis or cost-effectiveness test for the SPP programs and
3 projects. The Statute makes no mention of any such analysis or test and, instead, the
4 Florida Legislature left that determination to the discretion of the Commission by
5 directing it to adopt rules necessary to implement the statute. In adopting the Rule, the
6 Commission could have directed the utilities to provide a specific cost-benefit analysis
7 or cost-effectiveness test. However, the Commission declined to do so for SPPs.
8 Instead, Rule 25-6.030(3)(d)(4), F.A.C., requires the SPP to include a “comparison” of
9 the estimated costs and estimated benefits for each SPP program, which is provided in
10 the following portions of Gulf’s SPP: Section II; the “Comparison of Costs and
11 Benefits” included in each SPP program description in Section IV. As such, a
12 cost/benefit analysis or cost-effectiveness test for each major component of the SPP is
13 not required under either the Statute or Rule 25-6.030, F.A.C. My view is that OPC is,
14 once again, attempting to re-litigate the Storm Protection Plan Rule 25-6.030, F.A.C.,
15 approved by this Commission.

16 Second, in Rule 25-6.030, F.A.C., the Commission prescribed specific
17 information and data that must be included with each SPP, including, but not limited
18 to, estimated costs, estimated benefits, criteria to prioritize and select projects, and
19 estimated rate impacts. In its SPP, Gulf provided all of the information required by
20 Rule 25-6.030 as explained in my direct testimony. The Commission can use and
21 “compare” all of the information provided by Gulf in its SPP to determine if, pursuant
22 to Section 366.96, F.S., the programs and projects included in the SPP are in the public
23 interest and should be approved, or if the SPP programs should be modified or denied.

1 Each program is different and, therefore, the comparison of costs and benefits must be
2 evaluated on its particular facts and merits.

3 Third, the analysis of whether the benefits of a SPP program or project justify
4 the estimated costs is not a one-size-fits-all proposition as suggested by OPC. This is
5 clearly demonstrated by the fact that each of the electric utilities took very different
6 approaches to comparing the estimated costs and benefits of their SPP programs.
7 Further, such analyses are necessarily dependent on several highly variable factors that,
8 in large part, are beyond the utility's control and cannot be accurately predicted,
9 including, but not limited to: the number of annual storms; the path of each storm; the
10 strength or category of each storm; the speed or duration of each storm; the availability
11 of resources to respond to and provide storm restoration services for each storm; and
12 the extent to which the infrastructure has been storm hardened at the time of each
13 projected storm. Moreover, the benefits to be included in such should not be limited to
14 only avoided utility costs as I will explain further.

15 **Q. Besides not being required by the Statute or Rule, do you have additional concerns**
16 **with the recommendation on page 10 of OPC witness Smith's direct testimony**
17 **that the Commission should require Gulf to provide further cost-justification**
18 **before additional investments in grid resiliency are approved?**

19 A. Yes. Mr. Smith's recommendation that Gulf's SPP programs require further cost-
20 benefit analysis or cost-justification before they can be approved is directly contrary to
21 OPC witness Mara's testimony on pages 11-12 and 15-17 that it would be reasonable
22 for the Commission to allow Gulf to implement the "core programs" that have been
23 reviewed and approved by the Commission, as I stated earlier and further explain

1 below. Either these SPP programs are in the public interest and should be approved,
2 or they are not. The fact that OPC witness Mara, who is an engineer, has essentially
3 agreed that most of these programs should be approved without further cost-
4 justification clearly suggests that OPC believes Gulf has provided sufficient
5 information about each of the SPP programs for the Commission to determine if they
6 are in the public interest.

7 Additionally, storm hardening is not a simple cost-effective proposition as
8 suggested by OPC. OPC's approach focuses only program costs and savings in
9 restoration associated with extreme weather conditions, *i.e.*, a strictly quantitative
10 analysis, and completely ignores the qualitative component required by both the Statute
11 and Rule – reduction in outage times associated with extreme weather conditions.
12 Stated differently, OPC's proposed cost-benefit and cost-effectiveness approach
13 ignores half of the benefits side of the equation.

14 It cannot be reasonably disputed that customers want the extended outage times
15 associated with extreme weather events to be reduced. Indeed, the Florida Legislature
16 concluded that reducing outage times for utility customers, as well as restoration costs,
17 is in the public interest. The Commission can and should compare these factors and
18 determine whether the estimated benefits of the storm hardening programs are justified
19 by the estimated rate impacts. Therefore, for these reasons, I disagree with OPC
20 witness Smith that the further cost-justification of Gulf's SPP programs is needed or
21 appropriate.

1 **Q. Do you agree with Mr. Mara’s general statement on page 11 lines, 20-21, where**
2 **he states “Gulf did not provide any quantifiable benefits for any project nor did**
3 **Gulf provide projected savings for its proposed SPP as a whole.**

4 A. No. Section 366.96 states that an SPP must contain, “the estimated costs and benefits
5 to the utility and its customers of making the improvements proposed in its plan.”. Gulf
6 has met these criteria in Sections II and IV.A.4, IV.B.4, IV.C.4, IV.D.4, IV.E.4, IV.F.4,
7 and IV.G.4 of its SPP.

8 **Q. Do you agree with Mr. Mara’s specific statement that Gulf did not provide any**
9 **quantifiable benefits to its feeder hardening program?**

10 A. No. As an initial matter, Mr. Mara incorrectly states on page 14, lines 5-6, that “Gulf
11 began its feeder hardening initiative in 2006 and by 2019 had completed hardening on
12 269 feeders”. This is not true. Gulf has 269 feeders remaining to be hardened at year-
13 end 2019, and Gulf has only hardened segments of feeders and not entire feeders. In
14 any event, Gulf did provide benefits for the distribution feeder hardening program per
15 the SPP rules. In fact, in Section 1.3 of an independent forensic analysis of damages
16 sustained following Hurricane Michael in 2018, that was provided as Appendix B of
17 Exhibit MS-1 (Gulf’s SPP), Gulf provided specific benefits of its storm hardening
18 efforts. Additionally, as stated earlier in my testimony, since the acquisition of Gulf
19 by NextEra Energy in 2019, Gulf has begun to model its storm hardening activities on
20 FPL’s successful storm hardening guidelines. For instance, Gulf began to implement
21 best practices such as the extreme wind loading construction standard for distribution
22 feeders and replacement of transmission wood structures with concrete or steel. These
23 two programs are part of FPL’s successful storm hardening efforts as indicated by

1 FPL’s experiences in the aftermath of Hurricanes Matthew and Irma. By adopting
2 FPL’s storm hardening guidelines, Gulf should realize essentially the same quantifiable
3 benefits as FPL has outlined and provided in testimony. In addition, I have attached
4 Exhibit MS-3, Post Storm Analysis of Gulf Transmission Facilities, which Gulf
5 previously provided to OPC in discovery in response to OPC’s Fifth Request for
6 Production of Documents, No. 71, to demonstrate the effects of storm hardening
7 impacts during Hurricane Michael on the transmission system, and the analysis that
8 demonstrates concrete poles far exceeded the performance of wood poles. From this it
9 can be deduced that the programs proposed in Gulf’s SPP both individually and
10 collectively will provide benefits to customers with reduced restoration costs and
11 outage times associated with extreme weather.

12

13 **V. GULF’S SPP PROGRAMS ARE IN THE PUBLIC INTEREST AND SHOULD**
14 **BE APPROVED**

15 **Q. You have stated previously that OPC essentially agrees with the majority of the**
16 **programs included in Gulf’s SPP. Doesn’t Mr. Mara state that he agrees with**
17 **these “core programs” only if the Commission orders a delay in implementing the**
18 **other hardening programs until Gulf can provide the rate impact of all programs**
19 **updated with the economic impact of COVID-19 pandemic?**

20 **A.** Yes, on page 16 of his direct testimony, Mr. Mara appears to make his agreement with
21 the following five core programs in Gulf’s SPP conditional on the Commission’s
22 acceptance of his proposal to delay implementation of the other hardening programs:
23 Distribution mainline feeder patrols, Distribution – Pole Inspections; Transmission –

1 Inspections; Distribution – Vegetation Management; and Transmission – Vegetation
2 Management. Notably, Mr. Mara’s conditions have no substantive impact on the SPP
3 programs or whether they are in the public interest. A storm hardening program is
4 either in the public interest as proposed and should be approved, or it is not. As a result,
5 it appears that Mr. Mara essentially agrees that the SPP programs I previously identified
6 provide benefits and should be implemented.

7 **Q. On pages 17-18 of his direct testimony, OPC witness Mara states that Gulf has not**
8 **included a methodology to select and prioritize storm protection projects for**
9 **lateral hardening and has not made a comparison of the costs and benefits of**
10 **lateral undergrounding in its SPP. What is your response to Mr. Mara’s**
11 **testimony?**

12 A. I disagree with Mr. Mara’s statements regarding Gulf’s proposed lateral
13 undergrounding pilot. As described in its SPP, Gulf is still in the early implementation
14 stages of the program and plans to utilize a systematic, targeted approach in the
15 selection of certain lateral feeders to be converted from overhead to underground as
16 outlined in the SPP. Additionally, consistent with its commitment set forth in Section
17 1.0 of its Commission-approved 2019-2021 Storm Hardening Plan: “Gulf Power
18 Company will continue to review available data and undergrounding pilots currently
19 underway by FPL to determine the best approach for undergrounding as a storm
20 hardening tool”. In Mr. Mara’s testimony regarding FPL’s SPP at pages 20-21, he does
21 not appear to take issue with the lateral undergrounding pilot that FPL conducted, so
22 logically, he should not take issue with Gulf performing the same type of pilot in its
23 service territory. In its next Storm Protection Plan, Gulf can share the results and

1 information collected from its lateral undergrounding pilot program, which will help
2 determine how that program may go forward in future years.

3 **Q. On pages 18-19 of his direct testimony, OPC witness Mara suggests that Gulf**
4 **should utilize data from Hurricane Michael to compare the costs and benefits of**
5 **lateral undergrounding. What is your response to Mr. Mara's recommendation?**

6 A. Again, Gulf's lateral undergrounding program is in the pilot phase as I have discussed
7 previously and Gulf intends to learn from the information that it collects and use it to
8 further analyze and scope the program into the future, just as FPL did with its pilot.
9 However, I agree with FPL witness Jarro's rebuttal response to this similar
10 recommendation that Mr. Mara made regarding FPL's lateral undergrounding program
11 where he concludes that Mr. Mara's proposal to evaluate this, and other SPP programs,
12 on a strict, cost/benefit only basis is not consistent with prior storm hardening policy
13 or the requirements of Section 366.96, F.S.

14 **Q. On pages 19-20 of his direct testimony, Mr. Mara contends that Gulf has not**
15 **included a comparison of the costs and benefits for its proposed Substation Flood**
16 **Monitoring and Hardening Program in its SPP. What is your response to Mr.**
17 **Mara's testimony?**

18 A. I disagree with Mr. Mara's comments regarding Gulf's Substation Flood Monitoring
19 and Hardening Program. This program was included in Gulf's Commission-approved
20 2019-2021 Storm Hardening Plan and was implemented following the 2018 storm
21 season, and based on data from the National Oceanic and Atmospheric Administration
22 ("NOAA") Sea, Lake and Overland Surges from Hurricanes ("SLOSH") model, used
23 to define potential maximum flooding conditions. In section 9.1.3 of Gulf's

1 Commission-approved 2019-2021 Storm Hardening Plan, Gulf's program is presented
2 to target a very specific and limited number of substations based on the surge model.
3 The program is also incorporating the review of critical switch house wind modeling
4 to target specific strengthening of switch houses. This program was originally slated
5 as a 5-year, \$5 million program to complete the identified projects. As stated in Gulf's
6 response to OPC's Fourth Set of Interrogatories, No. 162, one switch house suffered
7 wind damage, which cost over \$750,000 to replace. This program was implemented to
8 mitigate these types of costs following a severe weather event. Gulf provided the costs
9 of this program in Section IV.E.3 of its SPP and discussed the benefits of this program
10 in Section IV.E.1 of its SPP. Accordingly, Mr. Mara's assertions are incorrect.

11 **Q. On pages 21-23 of his direct testimony, OPC witness Mara states that Gulf has not**
12 **included a methodology to select and prioritize storm protection projects or made**
13 **a comparison of the costs and benefits for its Transmission and Substation**
14 **Resiliency Program in its SPP. What is your response to Mr. Mara's testimony?**

15 A. I disagree and would refer Mr. Mara to Section IV.E of the SPP where the costs and
16 benefits of this program are discussed as well as how Gulf will prioritize projects. As
17 stated in Gulf's SPP, this program is designed to invest in the overall resiliency of the
18 electric grid at the transmission and substation level by removing critical single points
19 of failure that have the potential to impact large numbers of customers for extended
20 periods of time. The program will build redundancy into the system to improve
21 resiliency, eliminate the frequency and duration of outages, and shorten restoration
22 times following major weather events. This program is a long-term program that meets
23 the definition of resiliency as outlined by the Legislature in Section 366.96, F.S. as well

1 as the definition that OPC witness Mara uses, “infrequent, often unexpected,
2 widespread/long duration power interruptions, generally with significant corollary
3 impacts.” As Mr. Mara further states on page 10, lines 13-14, “[a] more resilient system
4 would help prevent or minimize the outages and, if outages did occur, to restore the
5 system more quickly.” That is exactly the intent and purpose of this program and how
6 it will be designed to strengthen the resiliency of the transmission and substation system
7 to respond during extreme weather events to reduce outages and reduce restoration
8 times.

9

10 **VI. CONCERNS REGARDING COVID-19 SHOULD NOT DELAY APPROVAL**
11 **OF GULF’S SPP PROGRAMS**

12 **Q. On page 15, lines 10-11 of his direct testimony, Mr. Mara states that the**
13 **uncertainty of the economic impacts of COVID-19 on the Florida economy should**
14 **be considered by the Commission in reviewing Gulf’s SPP. Do you have a**
15 **response?**

16 **A.** Yes. Gulf understands just how disruptive and impactful the coronavirus (COVID-19)
17 pandemic has been and we remain committed to doing the right thing for our customers
18 and the communities we serve. For example, Gulf obtained approval from this
19 Commission to provide fuel savings to customers through a one-time bill decrease of
20 nearly 25% in May. Gulf also implemented certain policies to further assist customers
21 in a hardship situation, such as providing payment extensions.

22 Importantly, our customers are depending on us now more than ever due to the
23 fact that many customers are working remotely due to the COVID-19 pandemic. While

1 we recognize that the COVID-19 pandemic has caused hardships for customers and the
2 communities we serve, Gulf must not delay our efforts and should continue working to
3 improve the resiliency of the energy grid, particularly given that hurricanes will
4 continue to threaten Gulf's service areas and customers regardless of economic
5 conditions.

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

7 A. Yes.

1 (Whereupon, prefiled rebuttal testimony of
2 Michael Jarro was inserted.)

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 **I. INTRODUCTION**

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

3 A. My name is Michael Jarro. My business address is Florida Power & Light Company (“FPL”
4 or the “Company”), 15430 Endeavor Drive, Jupiter, FL, 33478.

5 **Q. Did you previously submit direct testimony?**

6 A. Yes. I submitted written direct testimony on April 10, 2020, together with Exhibit MJ-1. I
7 submitted an Errata on May 12, 2020, correcting an inadvertent error on pages 46 and 47 of
8 Exhibit MJ-1.

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

10 A. The purpose of my rebuttal testimony is to respond to certain portions of the direct testimonies
11 of Ralph Smith and Kevin J. Mara submitted on behalf of the Office of Public Counsel
12 (“OPC”), and the direct testimonies of Steve W. Chriss and Lisa V. Perry submitted on behalf
13 of Walmart Inc. (“Walmart”). My rebuttal testimony will respond to the concerns, questions,
14 and recommendations raised by the witnesses of OPC and Walmart in opposition to FPL’s
15 2020-2029 Storm Protection Plan (“SPP”) submitted as Exhibit MJ-1 and as corrected by the
16 Errata filed on May 12, 2020. I will address OPC’s recommendation that the Florida Public
17 Service Commission (“PSC” or the “Commission”) should adopt and implement a brand new
18 resiliency test in this proceeding to evaluate FPL’s SPP, and I will explain why such a
19 recommendation is both inappropriate and unnecessary. Similarly, I will demonstrate that
20 OPC’s recommendations that the PSC should require further cost-benefit analyses and storm
21 damage assessment modeling for FPL’s SPP programs and projects are both inappropriate and
22 unnecessary. I will also address OPC’s concerns and recommendations regarding the eight (8)
23 programs included in FPL’s SPP. Finally, I will respond to OPC’s concerns regarding the
24 economic impact of COVID-19 and its recommendation that FPL should delay certain of its
25 SPP programs and projects.

1 **Q. In preparing your rebuttal testimony, did you collaborate and work with Gulf witness**
2 **Michael Spoor?**

3 A. Yes. FPL and Gulf are affiliate electric utilities owned by NextEra Energy, Inc. Throughout
4 the process to prepare their respective SPPs, FPL and Gulf have worked very closely to
5 incorporate and implement best practices and common approaches where appropriate and
6 applicable. This collaborative effort has continued throughout the entire SPP proceeding,
7 including the preparation of rebuttal testimony.

8 Notably, the testimony of OPC witnesses Smith and Mara assert many issues and
9 recommendations that are largely identical for both FPL and Gulf. In responding to such issues
10 and recommendations, my team and I have worked with Gulf witness Michael Spoor and his
11 team to develop common or joint testimony where the FPL and Gulf positions are aligned. As
12 a result of this joint and collaborative effort, some portions of my rebuttal testimony may be
13 similar and/or largely the same as certain portions of the rebuttal testimony of Gulf witness
14 Michael Spoor.

15

16 **II. GENERAL RESPONSE TO CONCERNS OF INTERVENORS**

17 **Q. Before addressing the specific issues and recommendations raised by the Intervenor**
18 **testimonies, do you have any general observations?**

19 A. Yes. The evaluation of FPL's SPP must be grounded in the fact that FPL has successfully been
20 engaging in Commission-approved storm hardening for the last 14 years. During this time, the
21 Commission, has reviewed and had full transparency into all aspects of FPL's storm hardening
22 activities, and interested parties and stakeholders had the opportunity to participate in these
23 reviews. Indeed, in its report "Review of Florida's Electric Utility Hurricane Preparedness and
24 Restoration Actions 2018", in Docket No. 20170215-EU, the Commission recognized the
25 success of historical storm hardening efforts in Florida. Key findings by the Commission in
26 that report included:

- 1 • Florida’s aggressive storm hardening programs are working (Section V);
- 2 • The length of outages was reduced markedly from the 2004-2005 storm season
- 3 (Section IV);
- 4 • The primary cause of power outages came from outside the utilities’ right of way
- 5 including falling trees, displaced vegetation, and other debris (Section IV);
- 6 • Vegetation management outside the utilities’ rights of way is typically not
- 7 performed by utilities due to lack of legal access (Section IV);
- 8 • Hardened overhead distribution facilities performed better than non-hardened
- 9 facilities (Section V);
- 10 • Very few transmission structure failures were reported (Section V); and
- 11 • Underground facilities performed much better compared to overhead facilities
- 12 (Section V).

13 In response to Hurricanes Matthew and Irma, the Florida Legislature passed section 366.96,
14 Florida Statutes (“F.S”), “to mitigate restoration costs and outage times to utility customers”
15 by “strengthen[ing] electric utility infrastructure to withstand extreme weather conditions by
16 promoting the overhead hardening of electrical transmission and distribution facilities, the
17 undergrounding of certain electrical distribution lines, and vegetation management.” Section
18 366.96(1)(c)-(e), F.S. From these facts, one can logically and reasonably conclude that the
19 Legislature did not pass Section 366.96, F.S., to stop or limit storm hardening activity in
20 Florida, nor can one assume that the passage of Section 366.96, F.S., was an indictment or
21 criticism against storm hardening activity that has previously taken place in Florida. Rather, it
22 is reasonable to assume that the Florida Legislature passed this statute to encourage, streamline,
23 and advance storm hardening work in this state.

24

1 **Q. Having reviewed the testimonies of OPC witnesses Smith and Mara, do you have any**
2 **general observations or responses?**

3 A. Yes. First and foremost, on page 14, lines 8-17 and lines 18-19 of his direct testimony, OPC
4 witness Mara states that it would not be unreasonable for the Commission to allow FPL to
5 implement the “core programs” that have been in use for many years and approved by the
6 Commission. Indeed, on pages 11 and 12 of his direct testimony, OPC witness Mara
7 acknowledges that FPL’s Commission-approved “core programs” have provided benefits in
8 terms of reduced restoration costs and outage times.

9 In its SPP, FPL has proposed the following 8 programs:

- 10 • Pole Inspections – Distribution Program
- 11 • Structures/Other Equipment Inspections – Transmission Program
- 12 • Feeder Hardening (EWL) – Distribution Program
- 13 • Lateral Hardening (Undergrounding) – Distribution Program
- 14 • Wood Structures Hardening (Replacing) – Transmission Program
- 15 • Substation Storm Surge/Flood Mitigation –Program
- 16 • Vegetation Management – Distribution Program
- 17 • Vegetation Management – Transmission Program

18 With the exception of the new Substation Storm/Surge Mitigation Program and the proposal to
19 transition FPL’s existing three-year Storm Secure Underground Program Pilot (“SSUP Pilot”)
20 to a system-wide Lateral Hardening (Undergrounding) – Distribution Program, each of these
21 storm hardening programs and storm preparedness initiatives (*i.e.*, six out of eight) have been
22 in place since 2007 and have been reviewed and approved as part of FPL’s Storm Hardening
23 Plans, storm initiatives, and annual reliability filings. Stated differently, these six SPP
24 programs are long-standing “core programs” that have been previously filed with and reviewed
25 by this Commission. Under Mr. Mara’s reasoning, it would not be unreasonable for the

1 Commission to allow FPL to implement (or continue) these six “core programs.” Indeed, the
2 only SPP programs that are addressed in any detail in Mr. Mara’s testimony are the Substation
3 Storm Surge/Flood Mitigation – Program and the Lateral Hardening (Undergrounding) –
4 Distribution Program. Therefore, OPC witness Mara essentially agrees that six out of the eight
5 programs included in FPL’s SPP should be approved by the Commission.¹

6 Further, with respect to the Substation Storm Surge/Flood Mitigation – Program, on
7 pages 15-17 of his direct testimony, OPC witness Mara agrees with FPL’s proposal to construct
8 flood protection walls around other substations that are susceptible to storm surge or flooding
9 during extreme weather events since the “flooding of a substation can be a high-risk scenario,”
10 and recommends that FPL consider relocating the St. Augustine Substation to a different
11 location as an alternative to raising the equipment at the existing substation site above the flood
12 level. Therefore, OPC essentially agrees with FPL’s proposed Substation Storm Surge/Flood
13 Mitigation – Program but recommends that FPL consider a relocation alternative for the St.
14 Augustine Substation, which I will further address later in my testimony.

15 Based on the testimony of OPC witness Mara, it appears that OPC essentially agrees
16 with seven out of the eight programs included in FPL’s SPP. It further appears that the only
17 truly contested program is FPL’s proposal to transition the SSUP Pilot during 2021-2029 to a
18 system-wide Lateral Hardening (Undergrounding) – Distribution Program to provide the
19 benefits of underground lateral hardening throughout its system. I will respond to OPC

¹ Although OPC witness Mara opposes FPL’s Lateral Hardening (Undergrounding) – Distribution Program, Mr. Mara overlooks that the continuation of the SSUP pilot through the end of 2020 and the transition to a system-wide lateral underground program in 2021 were both approved in FPL’s 2019-2021 Storm Hardening Plan. *See In re: Petition for Approval of Florida Power & Light Company’s 2019-2021 Storm Hardening Plan pursuant to Rule 25-6.0342, F.A.C.*, Docket No. 20180144-EI, Order No. PSC-2019-0364-CO-EI (Fla. PSC Aug. 27, 2019) (making Order No. PSC-2019-0301-PAA-EI issued on July 29, 2019, effective and final). As provided on page 5 of the Commission-approved 2019-2021 Storm Hardening Plan, FPL stated its plans to underground between 250-500 laterals annually in 2020 and 2021. In Appendix C of Exhibit MJ-1, FPL estimated that it would underground between 300-350 laterals annually in 2020 and 2021 under the SPP, which is consistent with the 2019-2021 Storm Hardening Plan approved by the Commission for 2020 and 2021.

1 criticisms of the Lateral Hardening (Undergrounding) – Distribution Program later in my
2 testimony.

3 **Q. Do you have any additional general observations about the testimonies of OPC witnesses**
4 **Smith and Mara?**

5 A. Yes. Other than its specific criticisms of the Lateral Hardening (Undergrounding) –
6 Distribution Program, the OPC witnesses primarily make three general arguments.

7 First, OPC spends a majority of its testimony discussing the difference between
8 reliability and resilience, arguing that the Commission should apply new resiliency standards
9 when reviewing utility proposed SPP expenditures to ensure that the approved projects
10 meaningfully improve resiliency. Although FPL agrees that the primary and intended purpose
11 of SPPs is to improve storm resiliency of the electric system, there is no need for OPC's
12 proposed new resiliency test because the Florida Legislature and Commission have already
13 defined storm resiliency in Section 366.96, F.S., and Rule 25-6.030, Florida Administrative
14 Code ("F.A.C.") – reduction in restoration costs and outage times associated with extreme
15 weather conditions. As further explained later in my testimony, OPC's proposed new
16 resiliency test is unnecessary and inappropriate given the clear direction and guidance by the
17 Florida Legislature and Commission.

18 Second, OPC also argues that the Commission should require formulaic cost-benefit
19 justifications before additional investments in grid resiliency are approved for rate recovery.
20 As explained in my direct testimony, FPL's SPP has fully complied with all the requirements
21 of what must be included in a SPP pursuant to Rule 25-6.030, F.A.C. OPC's proposal attempts
22 to add a new requirement to the Rule that does not exist today. For the reasons explained later
23 in my testimony, OPC's proposal is inappropriate and unnecessary for several reasons.

24 Third, OPC witness Smith makes several arguments regarding recovery of SPP costs,
25 and whether such costs are currently being recovered in base rates. However, as stated in
26 Commission Order No. PSC-2020-0162-PCO-EI, these issues are irrelevant to this SPP

1 proceeding because they pertain to costs that are directly related to issues that will be addressed
2 in the Storm Protection Plan Cost Recovery Clause proceeding at Docket No. 20200092.
3 Because the Prehearing Officer has already concluded that these issues are not appropriate for
4 the SPP docket, I will not further respond to such issues.

5 **Q. Having reviewed the testimonies of the Walmart witnesses Chriss and Perry, do you have**
6 **any general observations or responses?**

7 A. Yes. Walmart does not appear to raise any specific issues or have any concerns with the
8 programs and projects included in FPL's SPP pending before the PSC. Walmart witness Perry
9 proposes that the utilities work with large commercial and industrial customers in the future to
10 include customer-sited generation in future SPPs. Walmart witness Perry's proposal is a future
11 proposal and does not impact the programs and projects included in FPL's SPP. Therefore,
12 Walmart's proposal should not hold up or delay the implementation of FPL's SPP if the
13 Commission finds it is in the public interest. That said, FPL is willing to work with Walmart
14 on discussing potential future SPP programs and projects.

15 Walmart witness Chriss indicates that Walmart does not oppose cost allocations used
16 by FPL, and that FPL has appropriately designed the proposed illustrative SPP cost recovery
17 rates. Although FPL agrees with the statements of Walmart witness Chriss, FPL notes that
18 issues related to the recovery of SPP costs, including cost allocation and rate design, are beyond
19 the scope of this proceeding and will be addressed in the Storm Protection Plan Cost Recovery
20 Clause proceeding at Docket No. 20200092 as further explained in Commission Order No.
21 PSC-2020-0162-PCO-EI issued on May 28, 2020.

22

23

1 **III. OPC’S PROPOSED NEW RESILIENCY TEST FOR SPPS IS NOT APPROPRIATE**
2 **OR NECESSARY FOR FPL’S SPP**

3 **Q. OPC spends a majority of its testimony discussing resilience and arguing that the**
4 **Commission should apply new resiliency standards when reviewing FPL’s proposed SPP**
5 **programs. Before addressing the specifics of OPC’s recommendation, do you have any**
6 **preliminary observations about OPC’s proposal?**

7 A. Yes. As stated earlier and as will be explained in greater detail later in my testimony, OPC
8 witness Mara essentially agrees with seven of the eight programs included in FPL’s SPP.
9 Therefore, although OPC proposes the adoption of a new resiliency test, OPC essentially agrees
10 that no such test is necessary for, at a minimum, these seven existing SPP programs. Stated
11 differently, in the event OPC’s resiliency test is adopted in this proceeding, which it should not
12 for the reasons I explain next, it should only apply to the contested Lateral Hardening
13 (Undergrounding) – Distribution Program.

14 **Q. OPC witnesses Smith and Mara dedicate significant portions of their direct testimonies**
15 **to discuss the difference between reliability and resiliency, and both OPC witnesses assert**
16 **that the objective or goal of Section 366.96, F.S., and Rule 25-6.030, F.AC., is to improve**
17 **the resiliency of the electric system and not day-to-day reliability. Do you agree?**

18 A. Yes. I agree that the intent and purpose of Section 366.96, F.S., is to improve the storm
19 resiliency of the electric system by “[p]rotecting and strengthening transmission and
20 distribution electric utility infrastructure from extreme weather conditions” to “mitigate
21 restoration costs and outage times to utility customers.” Rule 25-6.030, F.AC., likewise makes
22 it clear that SPP programs and projects are “undertaken to enhance the utility’s existing
23 infrastructure for the purpose of reducing restoration costs and reducing outage times
24 associated with extreme weather conditions.” Thus, I agree with the OPC witnesses that the
25 intent and purpose of Section 366.96, F.S., and Rule 25-6.030, F.AC., is to promote and

1 encourage storm hardening programs and projects that enhance the resiliency of the electric
2 system from extreme weather conditions.

3 That being said, it should be noted that programs and projects that are designed to
4 strengthen and protect the electric system from extreme weather conditions may also provide
5 a secondary benefit of improving overall day-to-day service reliability. For example, feeders
6 that have been hardened under FPL’s existing Feeder Hardening (EWL) – Distribution Program
7 have performed 40% better on day-to-day reliability than non-hardened feeders as
8 demonstrated in Appendix A to Exhibit MJ-1. Importantly, however, this does not mean that
9 such programs and projects are “reliability” projects because their primary purpose is to reduce
10 restoration cost and outage time associated with extreme weather. In fact, both the Statute and
11 Rule contemplate that the programs and projects included in a utility’s SPP may “improve
12 overall service reliability for customers.”

13 **Q. Both OPC witnesses Mara and Smith argue that the Commission should adopt and apply**
14 **new resiliency standards and tests to review FPL’s SPP to ensure that the programs and**
15 **projects provide meaningful improvement to resiliency. Do you agree with this**
16 **recommendation?**

17 A. No. There is no need to develop a new resiliency standard or test because the Florida
18 Legislature and Commission have already defined storm resiliency for purposes of SPP in
19 Section 366.96, F.S., and Rule 25-6.030, F.A.C. As stated previously, both the Statute and
20 Rule define storm resiliency as enhancing the electric infrastructure for the purpose of reducing
21 restoration costs and outage times associated with extreme weather conditions. Therefore,
22 there is no need to develop a new resiliency test as recommended by OPC because the Florida
23 Legislature and Commission have already done so.

24 **Q. Has FPL demonstrated that its SPP programs will improve storm resiliency by reducing**
25 **restoration costs and outages associated with extreme weather conditions?**

1 A. Yes. FPL has demonstrated in Sections II and IV, and Appendix A of Exhibit MJ-1 that each
2 of its SPP programs will improve storm resiliency by reducing restoration costs and outages
3 associated with extreme weather conditions. Indeed, on pages 11, 15, and 21 of his direct
4 testimony, OPC witness Mara essentially agrees that all eight of FPL's proposed SPP programs
5 will reduce restoration costs and outage times associated with extreme weather conditions. The
6 Company has been implementing most of these programs since 2007, while maintaining some
7 of the lowest rates in the state. As provided in Docket No. 20170215-EU, FPL's restoration
8 efforts during Hurricane Irma saved restoration time and costs as compared to a similar storm,
9 Hurricane Wilma in 2005, in large measure due to the Company's investments in storm
10 hardening and hurricane preparedness initiatives as provided in Appendix A to Exhibit MJ-1.

11 **Q. Do you have concerns with OPC's proposal to adopt and implement a new resiliency test**
12 **in this proceeding?**

13 A. Yes. My view is that OPC is attempting to re-litigate the Storm Protection Plan Rule 25-6.030,
14 F.A.C., approved by this Commission. OPC is trying to add formulaic and highly prescriptive
15 requirements that were not provided by the Statute or Rule that would tie the Commission's
16 hands when determining whether an SPP is in the public interest. When it adopted Section
17 366.96, F.S., the Florida Legislature did not prescribe a specific test or set of metrics to be
18 applied when reviewing SPPs to determine if they are in the public interest. Instead, the Florida
19 Legislature left that determination to the discretion of the Commission by directing it to adopt
20 rules necessary to implement the statute. In adopting Rule 25-6.030, F.A.C., the Commission
21 could have prescribed specific metrics, standards, and formulas to determine benefits from
22 SPPs, but it wisely did not because each program is different and, therefore, must be evaluated
23 on its particular facts and merits. The Commission can and should consider all relevant facts
24 and merits when determining if the SPP programs are in the public interest; however, this
25 determination should be based on the requirements prescribed in Rule 25-6.030, F.A.C.

1 **Q. Do you have any additional concerns with the resiliency metrics proposed by OPC**
2 **witnesses Smith and Mara?**

3 A. Yes. First and foremost, there are no Commission-approved or industry-accepted standards for
4 resiliency. Indeed, both OPC witnesses concede that there are no clear and widely accepted
5 standards to test for resiliency of electric systems. See page 7 of the direct testimony of OPC
6 witness Smith, and pages 9 of the direct testimony of OPC witness Mara. For this reason alone,
7 OPC's proposed resiliency metrics should not be adopted.

8 Additionally, the four resiliency metrics proposed by OPC witness Mara on pages 10-
9 11 of his direct testimony should be rejected for the following additional reasons: they address
10 matters that utilities already take into account in their extreme weather event restoration efforts;
11 they ignore that all storms are different in path, intensity, level of damage and the number of
12 resources available; they seek to alter existing storm restoration prioritization practices; and in
13 at least one case provides a recommendation that does not pass the common sense test.²

14 Likewise, the twelve "resiliency" metrics proposed on pages 7-9 of the direct testimony
15 of OPC witness Smith should be rejected for the following reasons: Florida's Legislature and
16 this Commission through Rules 25-6.030 F.A.C., and 25-6.031 F.A.C., have already addressed
17 many of these metrics; they are an attempt by OPC to re-litigate the SPP rules approved by this
18 Commission; they aim to arbitrarily limit investments and cost recovery of SPP projects; and,
19 in one instance, basically ask this Commission to never approve for prudence any SPP until
20 some undetermined time at which some arbitrary objectives have been reached.

21

² For example, the "Community Function" metric proposed on page 10 of Mr. Mara's testimony is not a test of resiliency because it does not measure or reflect a reduction in restoration costs or outage times on the utilities' system. Indeed, this metric ignores the fact that the utility still needs to repair all damaged facilities and safely restore all power outages notwithstanding the fact that some customers may have a temporary backup supply of power. Additionally, this metric suggests that the utilities should alter the prioritization of restoration of service based on the type of back-up equipment and fuel reserves of individual customers

1 **IV. OPC'S REQUESTS FOR FURTHER COST-BENEFIT ANALYSES AND STORM**
2 **DAMAGE ASSESSMENT MODELING FOR FPL'S SPP ARE NOT APPROPRIATE**
3 **OR NECESSARY**

4 **Q. On page 10 of his direct testimony, OPC witness Smith recommends that the Commission**
5 **should require further cost-benefit analyses for FPL's SPP programs and projects and,**
6 **on page 13 of his direct testimony, OPC witness Mara recommends that the Commission**
7 **should require FPL to use its storm damage assessment model to model the future system**
8 **with the proposed SPP programs. Before addressing the specifics of OPC's**
9 **recommendations, do you have any preliminary observations about OPC's proposals?**

10 A. Yes. As stated earlier and as will be explained in greater detail later in my testimony, OPC
11 witness Mara essentially agrees with seven of the eight programs included in FPL's SPP.
12 Therefore, although OPC recommends that further cost-benefit analyses and storm damage
13 assessment modeling should be performed for FPL's SPP programs and projects, OPC
14 essentially agrees that no such further analyses or modeling are necessary for, at a minimum,
15 these seven SPP programs. Stated differently, OPC's recommendations that FPL be required
16 to perform further analysis of cost and benefits and modeling only apply to the contested Lateral
17 Hardening (Undergrounding) – Distribution Program.

18 **Q. On page 6 of his direct testimony, OPC witness Mara asserts that the Rule 25-6.030,**
19 **F.A.C., requires the SPP programs to be cost-effective, and on page 10, OPC witness**
20 **Smith recommends that Commission should require further cost-benefit analyses for**
21 **FPL's SPP programs and projects. Do you agree with the OPC's application of Rule 25-**
22 **6.030, F.A.C., as it pertains to the costs and benefits of the SPP?**

23 A. No. First, Section 366.96, F.S., and Rule 25-6.030, F.A.C., do not prescribe or require a
24 traditional cost-benefit analysis or cost-effectiveness test for the SPP programs and projects.
25 The Statute makes no mention of any such analysis or test and, instead, the Florida Legislature
26 left that determination to the discretion of the Commission by directing it to adopt rules

1 necessary to implement the statute. In adopting the Rule, the Commission could have directed
2 the utilities to provide a specific cost-benefit analysis or cost-effectiveness test. However, the
3 Commission declined to do so for SPPs. Instead, Rule 25-6.030(3)(d)(4), F.A.C., requires the
4 SPP to include a “comparison” of the estimated costs and estimated benefits for each SPP
5 program, which is provided in the following portions of FPL’s SPP: Section II; the
6 “Comparison of Costs and Benefits” included in each SPP program description in Section IV;
7 and Appendix A of Exhibit MJ-1. As such, a cost/benefit analysis or cost-effectiveness test for
8 each major component of the SPP is not required under either the Statute or Rule 25-6.030,
9 F.A.C. My view is that OPC is, once again, attempting to re-litigate the Storm Protection Plan
10 Rule 25-6.030, F.A.C., approved by this Commission.

11 Second, in Rule 25-6.030, F.A.C., the Commission prescribed specific information and
12 data that must be included with each SPP, including, but not limited to, estimated costs,
13 estimated benefits, criteria to prioritize and select projects, and estimated rate impacts. In its
14 SPP, FPL provided information consistent with Rule 25-6.030, as explained in my direct
15 testimony. The Commission can use and “compare” all of the information it specifically
16 required FPL to provide in the SPP to determine if, pursuant to Section 366.96, F.S., the
17 programs and projects included in the SPP are in the public interest and should be approved,
18 or if the SPP programs should be modified or denied. Each program is different and, therefore,
19 the comparison of costs and benefits must be evaluated on its particular facts and merits.

20 Third, the analysis of whether the benefits of a SPP program or project justify the
21 estimated costs is not a one-size-fits-all proposition as suggested by OPC. This is clearly
22 demonstrated by the fact that each of the electric utilities took very different approaches to
23 comparing the estimated costs and benefits of their SPP programs. Further, such analyses are
24 necessarily dependent on several highly variable factors that, in large part, are beyond the
25 utility’s control and cannot be accurately predicted, including, but not limited to: the number
26 of annual storms; the path of each storm; the strength or category of each storm; the speed or

1 duration of each storm; the availability of resources to respond to and provide storm restoration
2 services for each storm; and the extent to which the infrastructure has been storm hardened at
3 the time of each projected storm. Moreover, the benefits to be included in such analyses should
4 not be limited to only avoided utility costs as I will explain further.

5 **Q. Besides not being required by the Statute or Rule, do you have additional concerns with**
6 **the recommendation on page 10 of OPC witness Smith’s direct testimony that the**
7 **Commission should require FPL to provide further cost-justification before additional**
8 **investments in grid resiliency are approved?**

9 A. Yes. Mr. Smith’s recommendation that FPL’s SPP programs require further cost-benefit
10 analysis or cost-justification before they can be approved is directly contrary to OPC witness
11 Mara’s testimony on pages 11-12 and 15-17 that it would reasonable for the Commission to
12 allow FPL to implement the long-standing “core programs” that have been reviewed by the
13 Commission as I stated earlier and further explain later in my testimony. Either these SPP
14 programs are in the public interest and should be approved, or they are not. The fact that OPC
15 witness Mara, who is an engineer, has essentially agreed that most of these programs should
16 be approved without further cost-justification clearly suggests that OPC believes FPL has
17 provided sufficient information about each of the SPP programs for the Commission to
18 determine if they are in the public interest.

19 Additionally, storm hardening is not a simple cost-effective proposition as suggested
20 by OPC. OPC’s approach focuses only program costs and savings in restoration costs
21 associated with extreme weather conditions (*i.e.*, a strictly quantitative analysis), and
22 completely ignores the qualitative component required by both the Statute and Rule – reduction
23 in outage times associated with extreme weather conditions. Stated differently, OPC’s
24 proposed cost-benefit and cost-effectiveness approach ignores half of the benefits side of the
25 equation.

1 It cannot be reasonably disputed that customers want the extended outage times
2 associated with extreme weather events to be reduced. Indeed, the Florida Legislature
3 concluded that reducing outage times for utility customers, as well as restoration costs, is in the
4 public interest. The Commission can and should compare these factors and determine whether
5 the estimated benefits of the storm hardening programs are justified by the estimated rate
6 impacts. Therefore, for these reasons, I disagree with OPC witness Smith that the further cost-
7 justification of FPL's SPP programs is needed or appropriate.

8 **Q. On pages 13 and 24 of his direct testimony, OPC witness Mara recommends that FPL**
9 **should be directed to use its storm damage assessment model to model its future system**
10 **with the proposed SPP programs in place and subjected to the weather conditions of**
11 **Hurricanes Matthew and/or Irma. Please describe FPL's Storm Damage Model.**

12 A. FPL's Storm Damage Model is a very important tool developed by FPL to prepare for major
13 storms that threaten FPL's service territory. As provided in FPL's response to OPC's Fourth
14 Set of Interrogatories No. 183, the Storm Damage Model is used for major storms with a
15 forecast track provided by the National Hurricane Center to estimate the number of
16 construction man-hours ("CMH") required to restore power to customers based on the
17 forecasted intensity, speed, path of the storm, and the condition (hardened vs. non-hardened)
18 of the infrastructure at the time of the storm. The Model is a planning tool used by the Company
19 to estimate the extent of damage expected from a projected storm, and the number and location
20 of resources that will be needed to quickly and safely restore power outages to the greatest
21 number of customers in the shortest amount of time.

22 **Q. Do you agree with OPC witness Mara's recommendation that FPL should use the Storm**
23 **Damage Model to model its future system with the proposed SPP programs in place and**
24 **subjected to the weather conditions of Hurricanes Matthew and/or Irma?**

25 A. No, as provided in Appendix A to Exhibit MJ-1, FPL used its Storm Damage Model to analyze
26 Hurricanes Matthew and Irma and estimate the reduction in CMH, days to restore, and storm

1 restoration costs that were attributable to the storm hardening projects that were completed and
2 in place at the time of the hurricanes. This analysis was based mainly on the feeders that FPL
3 knew had been hardened versus non-hardened at the time Hurricanes Matthew and Irma
4 occurred, and included the distribution inspection and vegetation management that had been
5 completed at the time Hurricanes Matthew and Irma occurred. OPC witness Mara proposes
6 something different.

7 OPC witness Mara proposes that FPL use the Storm Damage Model to model the future
8 system with the proposed SPP programs in place for the entire 2020-2029 SPP period. The
9 problem with this approach is that, beyond year one of the SPP (2020), the project level detail
10 has not been determined; meaning FPL does not at this time know which specific projects will
11 be completed each year or where they will be located for the entire 2020-2029 SPP period. The
12 scope and location of the storm hardening projects used in the Storm Damage Model for each
13 year of the SPP will have a significant impact on the results of the analysis. For example, if
14 FPL assumes a storm hardening project in a densely populated urban area as opposed to a rural
15 area, or vice versa, this could change the damage estimated by the Storm Damage Model. Also
16 illustrative is the fact that the estimated length, number of poles, location, and accessibility of
17 the laterals used in the model would change the damage estimated by the Storm Damage Model.
18 Each of these factors, which cannot be reasonably predicted for the entire 2020-2029 SPP
19 period, would impact the estimated CMH, days to restore, and storm restoration costs predicted
20 by the Storm Damage Model. For these reasons, the Storm Damage Model does not readily
21 lend itself to model future SPP programs as proposed by OPC witness Mara.

22 Even assuming the Storm Damage Model was appropriate to provide an estimate of
23 CMH, days to restore, and storm restoration costs for future SPP programs, FPL's Storm
24 Damage Model is only used for major storms with a forecast track provided by the National
25 Hurricane Center. Thus, the Model would not account for any other types of extreme weather
26 conditions, as well as any associated reductions in restoration costs and outage times. Perhaps

1 that is why Mr. Mara recommends that the future SPP programs be modeled on Hurricanes
2 Matthew and Irma. However, it is unclear from Mr. Mara's testimony if he is proposing to
3 model a single Hurricane Matthew/Irma event each year of the 2020-2029 SPP or if some other
4 assumption(s) should be used. Florida remains the most hurricane-prone state in the nation
5 and, with the significant coast-line exposure of FPL's system and the fact that the vast majority
6 of FPL's customers live within 20 miles of the coast, FPL's service territory has a high
7 probability of being impacted by multiple extreme weather events every year. Although no
8 one is in a position to know for sure how frequently FPL's service territory will be impacted
9 by extreme weather conditions, the Storm Damage Model estimate of cumulative reductions in
10 restoration costs and outage times associated with the SPP programs will be directly affected
11 by frequency, strength, speed, and path of storms that impact FPL's service territory. As
12 required by the Rule 25-6.030, F.A.C., FPL has provided benefits and cost for all the programs
13 in FPL's SPP, in some cases these benefits are qualitative and in others quantitative, as
14 provided in Sections II and IV and Appendix A to Exhibit MJ-1.

15 **Q. On page 13 of his direct testimony, OPC witness Mara asserts that FPL should provide a**
16 **net present value (“NPV”) analysis of the SPP program revenue requirements to be**
17 **compared to the savings from the Storm Damage Model. Do you agree with Mr. Mara's**
18 **recommendation?**

19 A. No. Mr. Mara's NPV proposal is based on his recommendation that FPL should use the Storm
20 Damage Model to model its future system with the proposed SPP program. For the reasons I
21 previously explained, the Storm Damage Model does not lend itself to model future SPP
22 programs as proposed by OPC witness Mara, and it is entirely uncertain what assumptions
23 should be used to model future extreme weather conditions. For this reason alone, Mr. Mara's
24 NPV analysis proposal should be rejected.

25 Further, as I have previously discussed and as I further discuss in relation to FPL's
26 Lateral Hardening (Undergrounding) – Distribution Program, simply comparing the estimated

1 cost of a program with the estimated avoided utility cost is not the proper way to analyze SPP
2 programs.

3

4 **V. FPL'S SPP PROGRAMS ARE IN THE PUBLIC INTEREST AND SHOULD BE**
5 **APPROVED**

6 **A. OPC Essentially Agrees with Seven of the Eight Programs Included in FPL's SPP**

7 **Q. You have stated that OPC essentially agrees with seven of the eight programs included in**
8 **FPL's SPP. Can you please explain how you arrived at that conclusion?**

9 A. Yes. On page 14 of his direct testimony, OPC witness Mara states that the Commission should
10 allow FPL to implement the following SPP programs: (1) Pole Inspections – Distribution
11 Program; (2) Structures/Other Equipment Inspections – Transmission Program; (3) Vegetation
12 Management – Distribution Program; and (4) Vegetation Management – Transmission
13 Program. His reasoning, as provided on pages 11-12, and 14 of his direct testimony, for why
14 these programs should be approved is that these “core programs” have been in use for many
15 years; are part of FPL’s approved Storm Hardening Plan; and have provided benefits in terms
16 of reduced restoration costs and outage times as shown in FPL’s Third Supplemental Amended
17 Response to Staff’s First Data Request in Docket No. 20170215-EI, which is provided as
18 Appendix A to Exhibit MJ-1. The reasons offered by Mr. Mara for why these four existing
19 storm hardening programs should be approved apply equally to the Feeder Hardening (EWL)
20 – Distribution Program and Wood Structures Hardening (Replacing) – Transmission Program.
21 Indeed, Mr. Mara overlooks that both FPL’s Feeder Hardening (EWL) – Distribution Program
22 and Wood Structures Hardening (Replacing) – Transmission Program are existing “core
23 programs” that have also been used for many years; have been reviewed by the Commission
24 as part of FPL’s Storm Hardening Plans, storm initiatives, and annual reliability filings; and
25 FPL demonstrated that these programs have and will continue to reduce outage times due to
26 extreme weather conditions as provided in Sections II and IV and Appendix A to Exhibit MJ-

1 1. Therefore, based on Mr. Mara’s own reasoning, there should be no real debate in this
 2 proceeding regarding the approval of the following six of the eight existing and long-standing
 3 storm hardening programs included in FPL’s SPP:

<u>Programs Included in FPL’s SPP</u>	<u>FPL’s Long-standing “Core Programs”</u>
1. Pole Inspections – Distribution Program	1. Pole Inspections – Distribution Program
2. Structures/Other Equipment Inspections – Transmission Program	2. Structures/Other Equipment Inspections – Transmission Program
3. Feeder Hardening (EWL) – Distribution Program	3. Feeder Hardening (EWL) – Distribution Program
4. Lateral Hardening (Undergrounding) – Distribution Program ³	
5. Wood Structures Hardening (Replacing) – Transmission Program	4. Wood Structures Hardening (Replacing) – Transmission Program
6. Substation Storm Surge/Flood Mitigation –Program ⁴	
7. Vegetation Management – Distribution Program	5. Vegetation Management – Distribution Program
8. Vegetation Management – Transmission Program	6. Vegetation Management – Transmission Program

4

³ FPL’s SSUP Pilot was included in FPL’s Commission-approved 2019-2021 Storm Hardening Plan. However, this was a limited three-year underground pilot program that is being transitioned as part of FPL’s SPP to a system-wide underground program, the Lateral Hardening (Undergrounding) – Distribution Program.

⁴ The Substation Storm Surge/Flood Mitigation –Program is the only new program included in FPL’s SPP.

1 In fact, as provided on page 14 of his testimony and in his response to FPL Interrogatory No.
2 17, the only reason offered by Mr. Mara for why he believes the existing and previously-
3 approved Feeder Hardening (EWL) – Distribution Program and Wood Structures Hardening
4 (Replacing) – Transmission Program should not be approved with the other four existing “core
5 programs” is his assertion that the Commission needs to consider the state of the economy and
6 the affordability of electric service due to the economic impact from the COVID-19 pandemic.
7 For the reasons I explain later in my testimony, Mr. Mara’s recommendation to delay these
8 existing and previously approved storm hardening programs should be rejected.

9 Additionally, as explained above, on pages 15-17 of his direct testimony, OPC witness
10 Mara reflects his agreement with FPL’s proposed Substation Storm Surge/Flood Mitigation –
11 Program; the only issue he raises is with regard to a specific project under that program. Mr.
12 Mara recommends that FPL consider a relocation alternative for the St. Augustine Substation,
13 which recommendation I will further address later in my testimony. Therefore, based on the
14 reasoning of OPC witness Mara, OPC essentially agrees that seven of the eight programs
15 included in FPL’s SPP should be implemented.

16 **Q. Doesn’t Mr. Mara state that he agrees with the “core programs” only if the Commission**
17 **orders a delay in implementing the other hardening programs until FPL can provide the**
18 **rate impact of all programs updated with the economic impact of the COVID-19**
19 **pandemic?**

20 A. Yes, on pages 14-15, Mr. Mara appears to make his agreement with the existing “core
21 programs” conditional on the Commission’s acceptance of his proposal to delay
22 implementation of FPL’s Lateral Hardening (Undergrounding) – Distribution Program and
23 order FPL to do an updated total program cost benefit analysis using the Storm Damage Model.
24 Notably, Mr. Mara’s conditions have no substantive impact on the other seven SPP programs
25 or whether they are in the public interest. A storm hardening program is either in the public
26 interest as proposed and should be approved, or it is not. Here, Mr. Mara has essentially

1 conceded that seven of the eight SPP programs provide benefits in terms of reductions in
2 restoration costs and outage times and should be implemented. I will further address the
3 COVID-19 pandemic later in my testimony.

4

5 **B. OPC's Recommended Alternative to the Substation Storm Surge/Flood**
6 **Mitigation Program is not Reasonable**

7 **Q. You stated that on pages 15-17 of his direct testimony, OPC witness Mara agrees with**
8 **FPL's proposed Substation Storm Surge/Flood Mitigation – Program but recommends**
9 **that FPL consider a relocation alternative for the St. Augustine Substation. Will you**
10 **please describe his proposed alternative?**

11 A. Yes. As part of its Substation Storm Surge/Flood Mitigation Program, FPL proposes to raise
12 the equipment at the St. Augustine substation above the flood level. On page 17, lines 4-10 of
13 his direct testimony, Mr. Mara states that FPL should provide an alternative project that would
14 relocate the substation away from the water's edge to determine whether the Company's
15 proposal is the least cost option.

16 **Q. Do you have a response to Mr. Mara's alternative proposal for the St. Augustine**
17 **Substation?**

18 A. Yes. First, I disagree with OPC witness Mara's statement that Rule 25-6.030, F.A.C., has a
19 requirement for a least cost option as explained previously. Second, assuming a suitable
20 location can be found, it would be much costlier to relocate the substation than raising the
21 equipment above the flood level at the existing site. To relocate the substation, the only
22 available, large enough, vacant property would be on the west side of the St. Johns River. I
23 submit that the cost of a new property, acquiring new transmission easements, relocating and
24 rebuilding the transmission line, and relocating and rebuilding the six distribution feeders
25 would far exceed FPL's proposal to raise the equipment at the existing site above the flood
26 level. Additionally, the substation would be further from the load center and all but one feeder

1 would be longer. Finally, the feeders would likely need to be bored under the river, which
2 would be a significantly costly endeavor.

3
4 **C. FPL's Lateral Hardening (Undergrounding) – Distribution Program**

5 **Q. Would you please summarize your view of OPC witness Mara's arguments against FPL's**
6 **Lateral Hardening (Undergrounding) – Distribution Program?**

7 A. Yes. Mr. Mara has several opinions regarding how laterals should be selected and prioritized
8 for undergrounding, and he also has opinions as to how the program should be deployed relative
9 to the timing of the Company's feeder hardening program. I will address both of those topics
10 after addressing the primary and fundamental challenge that OPC witness Mara makes to
11 undergrounding laterals in general.

12 **Q. What do you believe is OPC witness Mara's primary and fundamental challenge to the**
13 **Lateral Hardening (Undergrounding) – Distribution Program?**

14 A. Mr. Mara does not believe that FPL should underground any of its laterals because, according
15 to him, "the benefit to cost ratio is so low as to not be justifiable." *See* Mara Direct Testimony,
16 page 23, lines 9-11. To begin with, his position directly contradicts the determination of the
17 Legislature that "[i]t is in the state's interest to strengthen electric utility infrastructure to
18 withstand extreme weather conditions by promoting...the undergrounding of certain electrical
19 distribution lines...." Section 366.96(1)(c), F.S. Notwithstanding the fact that Mr. Mara
20 admits that "undergrounding laterals provides much greater resiliency during extreme weather
21 events," he apparently does not support that program being included in the Company's SPP
22 because he contends it is not cost effective from a purely quantitative basis. *See* Mara Direct
23 Testimony, page 23, lines 9-1.

24 **Q. How do you respond to this argument?**

25 A. Mr. Mara's view of this program is too narrow and it does not capture the intent of storm
26 hardening. Mr. Mara contends that SPP programs in general will not benefit customers unless

1 they are “cost-effective” from a strict, mathematical view. *See* Mara Direct Testimony, page
2 6, lines 17-18. In other words, Mr. Mara appears to suggest that unless expected project costs
3 are at least one cent less than the expected monetary savings in FPL’s restoration costs, FPL
4 should do nothing in the realm of storm hardening. This, of course, is not how Florida has
5 pursued storm hardening for the last 14 years, nor is it consistent with the stated purpose of
6 Section 366.96, F.S.

7 **Q. Is FPL’s proposed Lateral Hardening (Undergrounding) – Distribution Program**
8 **consistent with your understanding of the intent of Section 366.96, F.S., and how Florida**
9 **has pursued storm hardening over the last decade?**

10 A. It is. As OPC witness Mara acknowledges in his testimony, Section 366.96, F.S., states that its
11 intent is to promote utility programs that reduce restoration costs; reduce outage times; and
12 improve overall service reliability to customers. *See* Mara Direct Testimony, page 5, lines 1-
13 7. FPL’s proposed Lateral Hardening (Undergrounding) – Distribution Program will achieve
14 all three of these objectives, and it appears that Mr. Mara does not dispute these facts, and for
15 good reason. When an above-ground line is placed under the ground where it is not subjected
16 to the impacts of extreme weather (such as flying debris, contact with vegetation, wind
17 shearing, and etc.) then restoration costs are necessarily less because there is no damage to
18 restore; outage times are shorter because the outage never happened; and reliability during
19 extreme weather is therefore improved because adverse events did not effect it. In fact, OPC
20 witness Smith recognizes these logical truths in his testimony where he states that, “[r]esilience
21 is in large part about what does not happen.” *See* Smith Direct Testimony, page 4, lines 24-25.

22 Furthermore, Florida has recognized the inherent benefits of storm hardening as far
23 back as 2004 when the state was ravaged by two consecutive years of devastating hurricanes.
24 Since that time, the Commission has led a comprehensive campaign leading the nation to
25 systematically and effectively harden electric utility assets against extreme weather, and the
26 success of these efforts is undeniable. Throughout this process, it is notable that neither the

1 Florida Legislature, the Commission, nor any intervenor suggested that Florida should adopt
2 the “save a penny or do nothing” approach that Mr. Mara is suggesting in his testimony.

3 **Q. Are you contending that FPL’s SPP costs can be limitless?**

4 A. No. OPC witness Mara states that this is the case in his testimony and he appears to contend
5 that the only way to prevent this so-called “limitless” spending is to apply a strict, mathematical
6 cost savings analysis without any regard to the qualitative benefits of storm hardening, and
7 without regard to the prioritization models that the company has in place for its storm hardening
8 work. As is the case with all of the historical storm hardening programs that the Company has
9 done over the past 14 years, the benefits of those efforts have not and reasonably cannot be
10 measured on restoration cost savings alone. In fact, even if it is the case that the cost of
11 protecting our customers from the impacts of extreme weather for a given program or project
12 does exceed the cost of doing nothing at all, the discussion does not end there. That is why I
13 believe that the Florida Legislature wisely charged the Commission with determining whether
14 a proposed storm protection plan is “in the public interest” and not whether the plan meets any
15 sort of strict, mathematical cost/benefit comparison.

16 Furthermore, FPL has selected, prioritized, and deployed all of its historical storm
17 hardening programs in a deliberate and cost-effective manner over the past 14 years and FPL
18 is employing this same approach for its lateral undergrounding program. Specifically, FPL is
19 concentrating on undergrounding the most problematic overhead laterals on its system first
20 and, as this program advances and develops over time, FPL may harden its laterals in ways
21 other than undergrounding should the particular facts and circumstances dictate that result.
22 Thus, to suggest that FPL would engage in, or that this Commission would allow, limitless
23 spending on storm hardening efforts without regard to their commensurate benefits ignores the
24 long history that both FPL and this Commission have with protecting this state against the
25 impacts of extreme weather.

1 **Q. Do you agree with OPC witness Mara’s assertion on page 18, line 19 of his testimony that**
2 **the criteria to prioritize and select laterals under FPL’s Lateral Hardening**
3 **(Undergrounding) – Distribution Program has changed the priority for selection used in**
4 **FPL’s 2019 Storm Hardening Plan?**

5 A. No. The priority for selection of laterals remains the same as for its SSUP Pilot, which is to
6 select laterals based on the same criteria of outage experience during the recent Hurricanes
7 Matthew and Irma, the number of vegetation-related outages experienced over the most recent
8 10 years, and the total number of lateral and transformer outages experienced over the most
9 recent 10 years. Based on lessons learned from the pilot and the goal of driving efficiency and
10 lowering costs, FPL is using a feeder based approach for its deployment of the Lateral
11 Hardening (Undergrounding) – Distribution Program, on which a weighted score is given to
12 feeders based on the individual lateral rankings.

13 **Q. On pages 20 and 21 of his direct testimony, OPC witness Mara states that 195 of the 497**
14 **total laterals included in FPL’s SSUP Pilot did not experience an outage since 2015. Do**
15 **you have a response?**

16 A. Yes. Mr. Mara is correct that 195 of the 497 total laterals included in FPL’s SSUP Pilot did
17 not experience an outage since 2015 in day-to-day reliability. However, Mr. Mara overlooks
18 that all those laterals were impacted by either Hurricanes Matthew and Irma or both. This fact
19 further illustrates the difference between reliability and resilience, as discussed at length by
20 OPC witnesses Smith and Mara, and the fact that a perfectly reliable lateral may in fact need
21 to be made resilient to extreme weather conditions. Indeed, OPC witness Mara acknowledges
22 on page 8 of his direct testimony that the SPP programs should be focused on resiliency, which
23 he defines as “[i]nfrequent, often unexpected, widespread/long duration power interruptions,
24 generally with significant corollary impacts,” and not reliability.

25

26

1 **Q. Does OPC’s witness Mara disagree with FPL’s feeder approach to analyzing laterals?**

2 A. No, on page 21, line 16 of his testimony, OPC’s witness Mara states that he agrees “with FPL’s
3 starting point of analyzing the laterals on a feeder basis.”

4 **Q. Has FPL identified benefits to implementing the Lateral Hardening (Undergrounding) –
5 Distribution Program on a feeder basis?**

6 A. Yes, one of the lessons of the SSUP Pilot is that from an engineering, permitting, and
7 construction standpoint, implementing projects at the feeder level provides a less costly
8 solution (by approximately 12-20%) compared to deploying on a single lateral basis. These
9 benefits are in the areas of construction and materials, engineering, permitting, and restoration.

10 **Q. Can you please explain in more detail the benefits of implementing the Lateral Hardening
11 (Undergrounding) – Distribution Program on a feeder basis?**

12 A. Yes. While some laterals on the selected feeder may not have experienced significant storm or
13 vegetation related outages related to storm or vegetation, benefits of implementing the Lateral
14 Hardening (Undergrounding) – Distribution Program on a feeder basis include the following.

15 Construction and Materials:

- 16 • Projects on a single lateral basis may cost more as you may not be able to
17 engineer the optimum design.
- 18 • Being designed with a holistic approach with all the adjacent laterals would
19 reduce the labor costs, material costs and also provide better reliability.
- 20 • Crews having to move around from a lateral on one feeder to a lateral on another
21 feeder causes additional mobilization and demobilization costs, *e.g.*, crews incur
22 more drive time, which reduces construction time and efficiency,

23 Engineering:

- 1 • Engineering all laterals on a feeder upfront with all the circuits allows for
2 optimizing the underground route and minimizes underground footage, while
3 providing desired improvements in storm resilience and reliability.
- 4 • Having to separately engineer each single lateral project would be costlier than to
5 engineer multiple lateral jobs on one feeder job by integrating all laterals. When
6 engineering single lateral jobs, engineering options may be limited, adding
7 incremental cost and time to design.

8 Permitting:

- 9 • Undergrounding one lateral at a time would require going through permitting
10 multiple times versus once for all laterals on a feeder.
- 11 • The volume associated with a single laterals approach puts more burden on city
12 permitting agencies, which are already inundated and sometime overwhelmed
13 with the permit volume due to all types of construction and maintenance
14 occurring in their jurisdiction.
- 15 • Permit costs are lower using the feeder approach as opposed to the single lateral
16 approach.

17 Restoration:

- 18 • If all laterals on a feeder are underground, it will allow for quicker restoration of
19 power to all customers served by the feeder and enable us to focus restoration
20 resources on other pending restoration work.
- 21 • Not having to stage overhead resources in areas where all laterals are
22 undergrounded allows FPL to place crews closer to where they will be needed,
23 thus improving our ability to restore at the fastest rate possible.

24

1 **VI. CONCERNS REGARDING COVID-19 SHOULD NOT DELAY APPROVAL OF FPL'S**
2 **SPP PROGRAMS**

3 **Q. On page 13, lines 19-22 of his direct testimony, Mr. Mara states that the uncertainty of**
4 **the economic impacts of COVID-19 on the Florida economy should be considered by the**
5 **Commission in reviewing FPL's SPP. Do you have a response?**

6 A. Yes. FPL understands just how disruptive and impactful the coronavirus (COVID-19)
7 pandemic has been and we remain committed to doing the right thing for our customers and
8 the communities we serve. For example, FPL obtained approval from this Commission to
9 provide fuel savings to customers through a one-time bill decrease of nearly 25% in May. FPL
10 also implemented certain policies to further assist customers in a hardship situation, such as
11 providing payment extensions and waiving certain late payment fees for customers.

12 Importantly, our customers are depending on us now more than ever due to the fact
13 that many customers are working remotely due to the COVID-19 pandemic. While we
14 recognize that the COVID-19 pandemic has caused hardships for customers and the
15 communities we serve, FPL must not delay our efforts and should continue working to improve
16 the resiliency of the energy grid, particularly given that hurricanes will continue to threaten
17 FPL's territory and customers regardless of economic conditions.

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

19 A. Yes.

1 CHAIRMAN CLARK: All right. Moving on to
2 opening remarks from each of the parties regarding
3 its position on the settlement agreements. We will
4 begin with the opening statements, and then we will
5 come back and do questions at a later point in
6 time.

7 We will begin with Gulf and FPL, and I
8 understand, Mr. Wright, you are going to be
9 providing the combined opening statements for both
10 of these utilities, is that correct?

11 MR. WRIGHT: That's correct, Chairman.

12 CHAIRMAN CLARK: Okay. You may begin.

13 MR. WRIGHT: Thank you. And good afternoon
14 Commissioners.

15 We are here today on the joint motion of OPC,
16 FPL, Gulf and Walmart, seeking Commission approval
17 of the stipulation and settlement. The parties to
18 the settlement worked collaboratively to reach a
19 full and complete resolution of all matters in the
20 Gulf and FPL storm protection proceedings in the 70
21 and 71 dockets, and have resolved significant
22 issues for FPL and Gulf in the clause proceeding in
23 the 92 docket. FIPUG has taken no position on the
24 settlement. FPL and Gulf believe the settlement is
25 in the public interest, and respectfully request

1 Commission approval.

2 The joint motion settlements speak for
3 themselves, but I would like to spend a minute or
4 two summarizing the key elements before you today.

5 The settlement has three parts. The first
6 addresses the Gulf storm protection plan. The
7 second address the FPL storm protection plan, and
8 the third addresses the clause for both FPL and
9 Gulf.

10 With respect to the FPL and Gulf storm
11 protection plans, the settlement has three main
12 components.

13 First, the settlement provides that FPL's and
14 Gulf's existing and previously approved storm
15 protection programs are in the public interest and
16 should be continued.

17 Second, for the lateral underground proposal,
18 the settlement provides that these programs will
19 remain -- remain pilot programs for the period of
20 2020 through 2022, and that Gulf and FPL will
21 continue to gather and evaluate information on the
22 overall best approach to harden laterals on a
23 system-wide basis. This information was included
24 in updated storm protection plans to be filed in
25 2020 -- I am sorry, to be filed in 2022. Excuse

1 me.

2 Third, the settlement provides for additional
3 post-storm analyses to help quantify the benefits
4 of the storm protection programs, as well as for
5 FPL and Gulf to work collaboratively with Walmart
6 to address potential new storm protection programs.

7 With respect to the clause, recognizing that
8 it is only available to recover costs not being
9 recovered in base rates, FPL, Gulf and OPC worked
10 collaboratively, and through the settlement, have
11 clarified several principles with regard to this
12 base clause issue. I will highlight three primary
13 components.

14 First, FPL and Gulf will not seek recovery of
15 any storm protection program O&M expenses incurred
16 in 2020 or 2021 through the clause. FPL and Gulf
17 will address the recovery of future storm
18 protection plan program O&M expenses in the next
19 base rate cases.

20 Second, only storm protection plan capital
21 expenditures incurred -- incurred after January 1,
22 2021 may be eligible for recovery through the
23 clause.

24 And third, cost of removal and retirements
25 relating to existing assets, as well as property

1 taxes associated with storm protection plan capital
2 investments will all continue to be recovered
3 through and addressed in base rates.

4 From the standpoint of the settling parties,
5 the clause provisions of the settlement fully
6 resolve any potential base versus clause issues.
7 They are consistent with the requirements of
8 Section 366.96, and they will significantly reduce
9 the issues to be litigated for FPL and Gulf.

10 FPL and Gulf will work with the other parties
11 to review and, if possible, stipulate and settle
12 any remaining issues in the clause docket.

13 FPL and Gulf submit that the settlement
14 represents a reasonable compromise in both the
15 storm protection plan proceedings and the clause
16 proceeding.

17 Considered as a whole, we believe the
18 settlement fairly and reasonably balances the
19 interest of customers and the utilities, and is
20 consistent with both the intent and requirements of
21 Section 366.96.

22 To the extent that staff or any of the
23 Commissioners have any questions about the
24 settlement, we have Gulf witness Michael Spoor, FPL
25 witness Michael Jarro available to answer any

1 questions about the storm protection plan
2 provisions of the settlement.

3 We also have witness Liz Fuentes available to
4 answer any questions about the clause provision of
5 the settlement.

6 Commissioners, before closing, I would like to
7 thank Mr. Kelly and his team with OPC, as well as
8 counsel for Walmart for their diligence and efforts
9 in working through what we thought to be a very
10 productive, constructive settlement process, and
11 which produced a balanced agreement that serves the
12 public interest.

13 Commissioners, I will close by thanking your
14 staff and the parties for working with us to bring
15 the settlement agreement before you today, and we
16 respectfully request your approval of the
17 settlement agreement.

18 Thank you.

19 CHAIRMAN CLARK: Thank you very much, Mr.
20 Wright.

21 We turn to Duke Energy, Mr. Bernier.

22 MR. BERNIER: Good afternoon, Commissioners.

23 The agreement before you today disposes of all
24 issues in DEF's 2020 through 2029 Storm Protection
25 Plan Docket. DEF believes the agreement is in the

1 public interest and should be approved.

2 The agreement is the culmination of a lot of
3 hard work on all sides, including extensive
4 discovery and multiple rounds of discussions with
5 the parties. We appreciate the willingness of the
6 intervenors to work together with us to reach such
7 a positive result. We also very much appreciate
8 the Commission's ability to take this matter up so
9 quickly, and all the work from your staff to get
10 this position for your consideration.

11 In sum, we and the other signatories agree and
12 represent that this agreement is in the public
13 interest and should be approved. Myself and Mr.
14 Oliver and Foster are available for any questions
15 should there be any.

16 Thank you very much.

17 CHAIRMAN CLARK: Thank you, Mr. Bernier.

18 TECO, Mr. Means.

19 MR. MEANS: Good afternoon, Commissioners.

20 Tampa Electric is here today to ask you to
21 approve the stipulation and settlement agreement
22 that was filed on August 3rd. The agreement
23 resolves all issues in Docket No. 20200067-EI and
24 in docket -- and all issues related to Tampa
25 Electric in Docket No. 20200092-EI.

1 The agreement signed by all of the consumer
2 parties participating in each docket, including the
3 Office of Public Counsel, Walmart and the Florida
4 Industrial Power Users Group. They all agree that
5 approval of the agreement is in the public
6 interest.

7 Tampa Electric will make two witnesses, Regan
8 Haines and Bill Ashburn available to talk about the
9 company's storm protection plan in the agreement.

10 If you approve the agreement, the company's
11 2020 to 2029 storm protection plan will be approved
12 as filed without modification.

13 The plan before you today is the product of a
14 thorough and robust development process. The
15 company designed the plan to achieve the Florida
16 Legislature's goal of reducing restoration costs
17 and outage times associated with extreme weather in
18 a cost-effective manner.

19 Approval of the agreement also means that
20 Tampa Electric will file its next plan in 2022, or
21 one year earlier than required by law. In the
22 interim, Tampa Electric will meet with Walmart to
23 discuss ways to improve the company's next plan.

24 The company will also meet with the other
25 consumer parties as specified in paragraph 15C of

1 the 2020 agreement which you approved in June, and
2 will conduct its own internal evaluation of the
3 plan.

4 Finally, approval of the agreement means that
5 the company's request for cost recovery amounts and
6 factors in the SPPCRC will be approved effective
7 January 1st, 2021. The agreement preserves the
8 right of the consumer parties to participate in
9 future SPPCRC proceedings regarding the prudence of
10 SPP costs.

11 The company believes, and the signatories
12 agree, that the agreement will benefit customers
13 and is in the public interest for four main
14 reasons.

15 First, the agreement will allow Tampa Electric
16 to implement its plan and begin cost recovery
17 without delay, which means that customers will
18 begin receiving resiliency benefits without delay.

19 Second, the agreement will eliminate the
20 administrative costs and burdens of conducting two
21 contested hearings, and will eliminate the
22 litigation risk the parties would have faced in
23 those hearing.

24 Third, the Commission and the consumer parties
25 will have an opportunity to review the company's

1 next plan one year early, which means that
2 customers will benefit from any improvements to the
3 plan one year earlier.

4 Fourth, approval of the agreement is
5 consistent with the Commission's longstanding
6 policies encouraging settlement.

7 Tampa Electric would like to thank the
8 consumer parties for their diligence and
9 cooperation in developing the agreement. It has
10 been a long road since Commission staff first
11 issued draft rules in June of last year. While
12 Tampa Electric and the consumer parties have
13 disagreed from time to time, we were ultimately
14 able to arrive at a solution that we believe is in
15 the best interest of customers.

16 We would also like to thank your staff for
17 their hard work in administering these dockets and
18 in bringing this agreement before you today.

19 Finally, we would like to thank you,
20 Commissioners, for your time this afternoon. Our
21 witnesses are available to answer any questions you
22 may have, and we hope that you will approve the
23 settlement agreement.

24 Thank you.

25 CHAIRMAN CLARK: Thank you, Mr. Means.

1 Representing OPC, Mr. Rehwinkel. Ms.
2 Christensen.

3 MS. CHRISTENSEN: Good afternoon,
4 Commissioners. Patty Christensen for the Office of
5 Public Counsel. I represent the ratepayers for
6 Florida Power & Light and Gulf, along with Mr. Tad
7 David and J.R. Kelly, the Public Counsel.

8 After I make my brief remarks regarding FPL
9 and Gulf, Mr. Rehwinkel and Ms. Fall-Fry may also
10 address comments for the other two utilities.

11 First, we would like to thank the
12 Commissioners for taking this time to address this
13 matter at the beginning of this hearing. OPC would
14 also like to thank our counter-parties for the
15 negotiations with FPL and Gulf. We also appreciate
16 Walmart's participation in the settlement.

17 On July 27, 2020, OPC, FPL, Gulf and Walmart
18 filed the joint motion for approval of our
19 stipulation and settlement which resolved all the
20 issues in Dockets 20200070, Gulf SPP, and 20200071,
21 FPL SPP, and partially resolved the issues in the
22 SPPCRC proceeding, Docket 20200092, related to FPL
23 and Gulf.

24 As stated in the motion, OPC filed
25 comprehensive witness testimony and conducted

1 extensive discovery in the SPP dockets.

2 As a result of OPC's filing testimony of our
3 expert witness and conducting and reviewing
4 extensive discovery, and reviewing in detail all
5 the testimony filed, OPC is confident that the
6 resolution of these SPP dockets, and the framework
7 provided for the SPPCRC docket, are in the best
8 interest of all of Gulf's and FPL's customers.

9 I will highlight some of the features of the
10 settlement that we believe are beneficial to Gulf
11 and FPL ratepayers.

12 The settlement continues programs that have
13 been implemented for over 10 years, and have
14 benefited customers.

15 It allows the newer undergrounding programs to
16 continue as pilots with additional data collection
17 to be used to establish criteria that will be
18 reviewed in the future SPP proceedings to ensure
19 continuing benefits to customers.

20 For at least the pilot undergrounding, FPL and
21 Gulf have committed to filing an updated SPP in
22 2022 to guild its cost recovery petition in 2023
23 through 2025. We think that this will give the
24 Commission and the parties in the near-term an
25 opportunity to understand how the pilots have

1 proceeded and to evaluate the impacts of the rate
2 case, merger and COVID.

3 It sets out the accounting provisions that
4 will substantially reduce potential for double
5 recovery, and bring clarity to the accounting for
6 the SPP costs in the -- and in the SPP and the
7 SPPCRC dockets.

8 Because of these features, as well as others
9 contained in the settlement, OPC believes that this
10 commission should approve this settlement as being
11 in the public interest.

12 Thank you.

13 CHAIRMAN CLARK: Thank you, Ms. Christensen.

14 Mr. Rehwinkel.

15 MR. REHWINKEL: Thank you, Commissioners. And
16 I won't go through all the thanks that have already
17 been offered, but they are heartfelt on our part as
18 well.

19 OPC supports the comprehensive resolution of
20 the Duke SPP docket before you today. We want to
21 thank all of the investor-owned utilities for the
22 array of agreements that involved an iterative
23 process and put us in this posture.

24 We most want to single out and thank Tampa
25 Electric for providing that April spark that

1 resulted in the domino effect that has made this
2 entire settlement process possible.

3 Commissioners, it shows that the contentious
4 year-long process of workshops, DOAH proceedings
5 and SPP filings, and the extensive discovery and
6 testimony, has resulted in a reasonable outcome in
7 this docket, and potentially the clause dockets as
8 well.

9 Again, it's important to thank Tampa Electric
10 for showing us the way, but we also want to
11 sincerely thank Duke and FPL and Gulf for quickly
12 adapting that Tampa Electric process to their own
13 specific circumstances.

14 There was some leapfrogging, of course, as
15 Duke filed an accounting agreement on July 17th,
16 and then the FPL and Gulf advanced the
17 comprehensive nature of the SPP and clause dockets
18 in their settlement agreements, which then Tampa
19 Electric quickly followed with a near complete
20 resolution, save perhaps rate design.

21 We are close to such a resolution with respect
22 to Duke, and hope to make that filing on costs
23 shortly, and I will refer to that as the cost
24 agreement, and the accounting agreement and the
25 cost agreement will be taken up September 1st, as

1 Ms. Dziechciarz has told you.

2 In the end, Commissioners, these agreements
3 are the tiniest tip of iceberg that represents a
4 lot of hard work by the utility and OPC experts,
5 followed by some very extensive efforts to hammer
6 out these deals. A lot of communication has
7 occurred, and as you have heard today, will
8 continue to occur.

9 We thank DEF for their agreement to come back
10 in 2022 with an update to the SPP. Given the
11 relatively modest level of the 2020 through 2022
12 expenditures, what I will call the cleansing nature
13 of the anticipated 2022 test year rate case, and
14 the accounting agreement that was entered on July
15 17th, the OPC believes that the DEF agreement
16 before you today is in the public interest and
17 should be approved.

18 Thank you.

19 CHAIRMAN CLARK: Thank you, Mr. Rehwinkel.

20 Anyone else from OPC?

21 MS. FALL-FRY: Yes, good afternoon

22 Commissioners. This is A. Mireille Fall-Fry with
23 the Office of Public Counsel, along with J.R.
24 Kelly, the Public Counsel.

25 I am not going to repeat the sentiments of

1 everyone, from my colleagues from the Office and
2 from the utilities, but I do want to thank the
3 Commission staff, the Commission and all of the --
4 all of the parties, intervenors and utilities for
5 all of the hard work that's gone into getting to
6 this point.

7 Speaking specifically to TECO in 20200067 and
8 20200092, the Commission has already approved the
9 previous agreement, we request that you approve the
10 current agreement, because that will resolve all
11 outstanding issues. And we believe that, in
12 addition to the conformity with the other
13 utilities, it's in the public interest for all the
14 reasons stated by TECO.

15 Thank you.

16 CHAIRMAN CLARK: Thank you, Ms. Fall-Fry.

17 Mr. David. Any other comments from OPC?

18 MR. DAVID: No, sir. Ms. Christensen entered
19 mine.

20 CHAIRMAN CLARK: Okay. Great. Thank you.

21 All right. Moving on to Walmart, Ms. Eaton.

22 MS. EATON: All right. Can you hear me okay?

23 CHAIRMAN CLARK: Yes, ma'am, we can hear you.

24 MS. EATON: All right. Great. Thank you.

25 On behalf of Walmart, I am making this opening

1 statement in the consolidated proceeding related to
2 all four of the SPPs that are before the
3 Commission, and in part, as to the clause docket,
4 which is 20200092.

5 On April 29th, 2020, Walmart submitted its
6 petition to intervene, and thereafter has
7 participated in the SPP dockets, including on May
8 26th, 2020, it filed the direct testimony of its
9 witness Lisa Perry, who is Walmart's Senior Manager
10 of Energy Services.

11 As set forth in Ms. Perry's testimony, Walmart
12 operates 384 retail units and eight distribution
13 centers in Florida, employs over 106,000 associates
14 in Florida, and so Walmart appreciates the
15 opportunity to provide insight regarding the SPP
16 dockets from the perspective of a large energy
17 customer who provides critical services and
18 supplies during extreme weather events in the state
19 of Florida.

20 As supported by Ms. Perry's testimony and
21 exhibits, Walmart believes that it would be in the
22 best interest -- in the public interest for the
23 Commission to approve this settlement agreement.
24 And specifically in connection with the SPP docket,
25 Walmart has entered into three settlement

1 agreements, two of which resolve contested issues
2 in the SPP dockets and the SPP cost recovery
3 docket.

4 On July 27th, 2020, Walmart joined FPL, Gulf
5 and OPC in settling contested issues in both of the
6 SPP dockets, as well as Walmart's contested issue
7 in the clause docket. And on August 3rd, 2020,
8 Walmart joined TECO, OPC and FIPUG in settling all
9 contested issues in Dockets 20200067 and 20200092.

10 On July 31st, 2020, Walmart also entered a
11 settlement agreement with Duke, OPC, PCS in Duke's
12 SPP docket 20200069, which agreement would resolve
13 all issues in that SPP docket.

14 As to each settlement agreement that Walmart
15 entered in these SPP dockets, Walmart believes that
16 the agreement, considered as a whole, fairly and
17 reasonably balance the interest of customers and
18 the utility, and are consistent with the stated
19 purpose and intent of Section 366.96 of the Florida
20 Statutes.

21 Approving the settlement agreement is
22 consistent with the Commission's longstanding
23 policy of encouraging the settlement of contested
24 proceedings in a manner that benefits customers of
25 the utilities subject to the Commission's

1 regulatory jurisdiction. Accordingly, the
2 settlement agreement are in the public interest,
3 and Walmart recommends that they should each be
4 approved.

5 Finally, Walmart appreciates the opportunity
6 to participate in the proceeding, and the time and
7 effort of the Commission, and especially to staff
8 and all of the other parties in the consolidated
9 docket, and does appreciate each of the utilities
10 reaching out to try to accomplish these settlement
11 agreements before today's hearing.

12 Thank you.

13 CHAIRMAN CLARK: Thank you, Ms. Eaton.

14 FIPUG, Ms. Putnal.

15 MS. PUTNAL: Thank you, Mr. Chairman.

16 FIPUG similarly appreciates the extent to
17 which all participants have reached out to work
18 together to resolve the issues in these dockets,
19 and it's particular specifically as to TECO, Docket
20 No. 20200067 and 20200092. FIPUG is a party to
21 that settlement and supports approval of the
22 settlement.

23 With respect to the remaining dockets, FIPUG
24 has taken no position and has no additional
25 statement.

1 Thank you.

2 CHAIRMAN CLARK: Thank you very much.

3 PCS Phosphate, Ms. Baker or Mr. Brew.

4 MR. BREW: Yes, Your Honor. Thank you.

5 PCS supports the Duke Energy stipulation that
6 was filed on the 31st in this docket. We think
7 it's a reasonable approach given where we are
8 today.

9 The statute puts a lot on the parties' plate
10 in terms of what should be in the plan, what's
11 already being done and what should be in the
12 clause. The Duke stipulation that's pending today
13 takes on basically the first of those in an
14 acceptable way, which is what should be in their
15 plan, and we support that.

16 The accounting filing that was filed in both
17 dockets on July 17th that we will get to in a
18 subsequent meeting is also important and relevant
19 overall, but we think that the approach that's been
20 taken here to uphold the plan is reasonable.

21 I would also like to note that we particularly
22 appreciate the work that OPC has done in its
23 initial investigation of the underpinnings to the
24 plan.

25 Thank you.

1 CHAIRMAN CLARK: All right. Thank you very
2 much, Mr. Brew.

3 All right. That concludes all of the opening
4 statements. Let me say thank you to all of the
5 parties involved for the work that you did in
6 getting this matter settled.

7 A very special thank you to Commissioner
8 Polmann for the work as prehearing officer
9 addressing these particular issues, and helping you
10 guys come to some conclusions on some matters. Our
11 hat is off to you for your hard work in getting
12 this thing from a four-day hearing to a one-day
13 hearing. We can't complain about that.

14 COMMISSIONER POLMANN: Thank you.

15 CHAIRMAN CLARK: We are going to go now and
16 begin the discussion, allow the Commissioners an
17 opportunity to ask questions regarding the
18 settlement agreement. We are going to do this
19 broken into three sections, that way if there are
20 no questions, we won't have to swear the witnesses
21 and go through that process.

22 But I am going to ask the Commissioners, if
23 you have questions for each of the groups, if you
24 do, when you call that group out, let me know. We
25 will swear that group of witnesses in, ask them

1 questions, and then move on to the next one.

2 So with that said, I am going to begin with
3 the Gulf and FPL settlement agreement. Do any
4 Commissioners have questions for this group? All
5 right.

6 COMMISSIONER BROWN: Mr. Chairman, I have a
7 small question.

8 CHAIRMAN CLARK: Okay. Commissioner Brown.

9 COMMISSIONER BROWN: It is tiny, so I don't
10 know -- I don't know if we need one witness or all
11 of them.

12 CHAIRMAN CLARK: Okay. So is it going to be
13 for the witnesses or for the legal staff? Legal
14 staff can answer the question. If we need to swear
15 the witnesses in, we will.

16 COMMISSIONER BROWN: I think we can -- we can
17 direct it to the legal staff. Thank you.

18 CHAIRMAN CLARK: Okay. Then proceed with your
19 question, Commissioner Brown.

20 COMMISSIONER BROWN: Okay. Thank you.

21 And I do just want to note, you know, this is
22 an excellent posture that we are in. It
23 substantially streamlined the administrative --
24 administrative efficiency of these dockets, so I
25 appreciate the parties working together diligently

1 and, you know, this rule, I think, is very unique
2 for our state and the nation, and we really --
3 it's -- it's creating us in a position to set us up
4 as a leader in the country to help bolster the
5 resiliency of our grid, so I am really appreciative
6 that this is a monumental position that we are here
7 today to address all of these dockets.

8 That being said, with regard to FPL, I have a
9 question regarding why the parties agreed -- well,
10 it's to Gulf and to FPL -- to limit -- they are not
11 seeking programmed O&M expenses until possibly the
12 next base rate case.

13 I just wanted a little bit more insight into
14 why the parties have agreed to that, whether it's
15 the position of the utility that those are not
16 recoverable in the clauses, or whether you are just
17 going to defer those expenses because you have a
18 procedural rate case that's on the horizon.

19 CHAIRMAN CLARK: Mr. Wright. We are not
20 hearing you, Mr. Wright. Hold on one second.
21 Let's get a --

22 MR. WRIGHT: I think -- is that better?

23 CHAIRMAN CLARK: Yes, sir, we can hear you
24 now. Start over, please.

25 MR. WRIGHT: I apologize about that.

1 Thank you, Commissioner Brown, I appreciate
2 the question.

3 Obviously, the settlement is a product of a
4 compromise. We worked closely with OPC to arrive
5 at that settlement.

6 With respect to O&M, we thought it was in the
7 best interest to leave that in base rates presently
8 and -- and address the issue in the next rate case,
9 when we can make a decision to what is in base
10 rates and what to pull out and put into the clause.

11 We certainly, under the rule and the statute,
12 believe that O&M SPP -- O&M expenses for the SPP
13 programs can be recovered through the clause, but
14 to ensure that we were following the statutory
15 requirement and not recovering any clause costs
16 that are also in base rates, we elected to leave
17 them in the base rates for now and to address it in
18 the next rate case.

19 COMMISSIONER BROWN: Thank you very much. I
20 appreciate the answer.

21 CHAIRMAN CLARK: Okay. Any other questions
22 for legal staff from any Commissioners?

23 All right. Thank you very much, Mr. Wright.

24 All right. Next we will move to Duke Energy.
25 Does anyone have questions for Duke's witnesses?

1 Any questions for Duke's witnesses?

2 Seeing none, okay, any question for Duke legal
3 staff?

4 All right. Seeing none, moving on to TECO.
5 Any questions for TECO witnesses? Any questions
6 for TECO legal staff?

7 All right. Very good.

8 All right. Let's move on to -- staff, is
9 there anything further -- does staff have any
10 questions? I am sorry, I am looking to my left for
11 Ms. Dziechciarz and she's not there. You are in
12 front of me. There you are.

13 MS. DZIECHCIARZ: Sorry. Yes. Just to
14 note -- thank you, Chairman -- the evidentiary --
15 the evidentiary record is now closed for this
16 proceeding for all five dockets, which are Docket
17 Nos. 20200067, 20200069, 20200070 and 20200071 and
18 20200092.

19 Thank you.

20 CHAIRMAN CLARK: All right. Now we are going
21 to take up the Gulf and FPL joint motion for
22 expedited approval of stipulation and settlement
23 agreement.

24 Staff, any comments?

25 Ms. Dziechciarz, you are on mute again. Can

1 you unmute?

2 MS. DZIECHCIARZ: Thank you. Thank you,
3 Chairman.

4 If approved, this agreement will resolve all
5 matters in Docket Nos. 20200070-EI and 20200071-EI,
6 and provide partial resolution for Gulf and FPL for
7 some matters in the cost recovery clause docket,
8 which is Docket No. 20200092-EI.

9 In addition, approval of the 7/27 gulf and FPL
10 settlement agreement would result in approval of
11 Gulf and FPL's storm protection plans as modified
12 by the agreement.

13 CHAIRMAN CLARK: All right. Thank you very
14 much.

15 Commissioners, do I have a motion to approve
16 the stipulation?

17 COMMISSIONER FAY: Mr. Chairman, just one
18 quick question --

19 CHAIRMAN CLARK: Yes, sir.

20 COMMISSIONER FAY: -- before a motion on.

21 This -- it's probably for Ms. Dziechciarz, but
22 would we -- since there is two dockets here that we
23 potentially could close, could -- could we just do
24 in one motion, approve the settlement and, you
25 know, deem them in the public interest and then

1 also close those two dockets?

2 MS. DZIECHCIARZ: Yes, Commissioner Fay, that
3 would work. Once approved, the Dockets 0070 and
4 0071 could be closed.

5 COMMISSIONER FAY: Okay. Mr. Chairman, I
6 think I can do that if you are ready.

7 CHAIRMAN CLARK: Yes, sir, we are ready.

8 COMMISSIONER FAY: Okay. So the Commission
9 would find Gulf and FPL's stipulations and
10 settlement agreement, as dated July 27th, in the
11 public interest, the Commission approve that
12 settlement, and that following approval of the
13 agreement, the Commission would close dockets
14 20200070 and 20200071.

15 CHAIRMAN CLARK: That is the motion. Do I
16 have a second?

17 COMMISSIONER POLMANN: Second.

18 CHAIRMAN CLARK: I have a second from
19 Commissioner Polmann.

20 Any questions? Commissioner Polmann, do you
21 have a question?

22 COMMISSIONER POLMANN: Thank you, Mr.
23 Chairman.

24 I just wanted to be certain, as I understand
25 it, our mandate from the Legislature, we are to

1 approve approval of modification or deny the storm
2 protection plan. So in accepting and -- and moving
3 the settlements, I just wanted to make sure on the
4 record that in effect what we are doing -- or
5 explicitly what we are doing is approving the storm
6 protection plans, and am I correct in this case
7 that there is a modification within the settlement?

8 MS. DZIECHCIARZ: Yes, Commissioner Polmann,
9 this is Rachael.

10 There is a modification in the Gulf -- slight
11 modification in the Gulf and FPL plans. So if the
12 Commission approves the settlement agreement, you
13 will be approving the Gulf and FPL storm protection
14 plans as modified and set forth in the 7/27
15 settlement agreement.

16 COMMISSIONER POLMANN: Okay. Thank you.

17 So I -- my second includes that --

18 CHAIRMAN CLARK: Okay.

19 COMMISSIONER POLMANN: -- based on the record.

20 Thank you, Mr. Chairman.

21 CHAIRMAN CLARK: Thank you, Commissioner
22 Polmann.

23 Any other questions from other Commissioners?

24 Seeing none, on the motion, all in favor say
25 aye.

1 (Chorus of ayes.)

2 CHAIRMAN CLARK: All opposed?

3 (No response.)

4 CHAIRMAN CLARK: The motion carries
5 unanimously.

6 All right. Next up is the DEF joint motion.
7 Staff.

8 MS. DZIECHCIARZ: If approved, this agreement
9 would resolve all matters in Docket No.
10 20200069-EI. This agreement does not directly
11 impact the cost recovery clause docket, No.
12 20200092-EI. In addition, approval of this 7/31
13 Duke settlement agreement would result in approval
14 of Duke's storm protection plan.

15 Thank you.

16 CHAIRMAN CLARK: All right. Do I have a
17 motion to approve the DEF settlement agreement that
18 was submitted July 31st in Docket 20200069-EI, and
19 find is in the public interest, and to close docket
20 20200069-EI?

21 COMMISSIONER FAY: Mr. Chairman, well said. I
22 would motion that.

23 CHAIRMAN CLARK: I have a motion.

24 Do I have a second?

25 COMMISSIONER BROWN: I will second.

1 CHAIRMAN CLARK: I have a second.

2 Any discussion? Any questions?

3 On the motion, all in favor say aye.

4 (Chorus of ayes.)

5 CHAIRMAN CLARK: Opposed?

6 (No response.)

7 CHAIRMAN CLARK: The motion is approved
8 unanimously.

9 All right. Let's move on to the 8/3 TECO
10 motion to approve stipulation and settlement
11 agreement.

12 Ms. Dziechciarz.

13 You are muted again.

14 MS. DZIECHCIARZ: Sorry. Thank you.

15 If approved, this agreement would resolve all
16 matters in Docket No. 20200069-EI, and all matters
17 for Tampa Electric Company in Docket No.
18 20200092-EI. In addition, approval of the August
19 3rd TECO settlement agreement would result in
20 approval of TECO's storm protection plan.

21 If the TECO settlement agreement is approved,
22 then the parties to the agreement have stipulated
23 that the direct testimony submitted by TECO in
24 Docket No. 20200092-EI will be inserted into the
25 record for that docket at the appropriate time,

1 which is at the proceeding that is currently set
2 for the storm cost recovery clause docket, which is
3 presently set for October 13th through 15th.

4 Last, TECO had a prior settlement agreement
5 submitted on April 27th, 2020 in Docket No.
6 20200092-EI, which was already approved by this
7 commission by Order No. PSC-2020-0224-AS-EI, issued
8 on June 30th, 2020.

9 As a fallout matter to approving the prior
10 settlement agreement, and as contemplated in the
11 8/3 settlement agreement that TECO has submitted,
12 staff recommends that the Commission vote on TECO's
13 associated motion to approve -- approve revised
14 tariffs if the Commission approves the 8/3
15 settlement agreement.

16 Thank you.

17 CHAIRMAN CLARK: All right. We will do the
18 settlement agreement first then.

19 Do I have a motion to approve the stipulation
20 and settlement agreement in Docket No. 20200067-EI
21 and find it in the public interest, and to close
22 said docket?

23 COMMISSIONER POLMANN: So moved.

24 CHAIRMAN CLARK: I have a motion.

25 COMMISSIONER FAY: Second.

1 CHAIRMAN CLARK: Do I have a second? Do I
2 have a second?

3 COMMISSIONER FAY: Second.

4 CHAIRMAN CLARK: You made the motion,
5 Commissioner Fay. I need somebody else to second
6 the motion so we can vote on it.

7 COMMISSIONER POLMANN: I made the motion.

8 CHAIRMAN CLARK: Oh, I am sorry, Commissioner
9 Polmann. I -- the wrong light came on.

10 Commissioner Polmann made the motion and
11 Commissioner Fay has seconded it.

12 Any discussion?

13 All in favor say aye.

14 (Chorus of ayes.)

15 CHAIRMAN CLARK: Opposed?

16 (No response.)

17 CHAIRMAN CLARK: The motion carries
18 unanimously.

19 All right. Let's move to the settlement
20 agreement for the revised tariff.

21 Ms. Dziechciarz.

22 MS. DZIECHCIARZ: Thank you, Chairman.

23 If you would just take up the motion to
24 approve the revised tariff as contemplated in the
25 settlement agreement, I think it would be ready for

1 you all to deliberate.

2 CHAIRMAN CLARK: All right. I will entertain
3 a motion to approve the revised tariff submitted on
4 July 31st in Docket No. 20200092-EI.

5 COMMISSIONER POLMANN: Move approval.

6 COMMISSIONER FAY: Second.

7 CHAIRMAN CLARK: I have a motion and a second.
8 Any discussion?

9 On the motion, all in favor say aye.

10 (Chorus of ayes.)

11 CHAIRMAN CLARK: Opposed?

12 (No response.)

13 CHAIRMAN CLARK: The motion carries
14 unanimously.

15 All right. Well, that is pretty much
16 concluding everything.

17 Do any of the parties have any concluding
18 matters that need to be addressed? Any of the
19 parties?

20 Okay, staff.

21 MS. DZIECHCIARZ: Thank you, Chairman.

22 Docket No. 20200092-EI, the cost recovery
23 clause docket, will stay open for the remaining
24 parties and contested issues in that docket to be
25 resolved at the proceeding that is currently set

1 for October 13th through 15th.

2 And I am aware of no other matters at this
3 time.

4 CHAIRMAN CLARK: All right. Anybody else have
5 any comments, concerns or questions before we
6 adjourn this hearing?

7 Commissioners?

8 Commissioner Polmann.

9 COMMISSIONER POLMANN: Thank you, Mr.
10 Chairman.

11 I think we are running way ahead of schedule
12 and -- and I had offered a -- a target of
13 three-and-a-half hours, so I feel compelled, I just
14 need to keep talking until we -- until we hit that
15 goal.

16 So I -- with your indulgence, I want to take
17 just a moment to thank all of the parties for
18 working diligently to move these many substantive
19 issues and to focus. I especially want to thank
20 the Office of Public Counsel for its leadership. I
21 truly think that they have done an outstanding job.
22 And the diligence and cooperation of all of the
23 parties during the hard work of the discovery
24 process is especially noteworthy to some very, very
25 complex series of matters before us.

1 And -- and as you stated, Mr. Chairman, I
2 think everybody previously in the prehearing
3 process so effectively to move forward
4 expeditiously here.

5 As we -- as we said multiple times, having
6 reviewed the plans as filed, including the proposed
7 modifications, this is certainly here what we had
8 today storm protection plans in the public
9 interest.

10 The settlements bring these dockets to
11 conclusion in a very rational and reasonable
12 manner. This approach -- approach we found to be
13 very efficient and effective. We are moving
14 forward to implement these storm protection plans
15 as intended by the legisl-- legislative direction,
16 and -- and we sought acknowledgment from all of the
17 parties that what -- what remains insignificant and
18 subjective work by the utilities, and by the Public
19 Service Commission, to monitor and evaluate the
20 performance and the prudence, it was very clear in
21 the -- in the settlement statements, and the Office
22 of Public Counsel brought that up repeatedly in
23 conversations. The utilities fully understand
24 that, and we very much appreciate that this
25 tremendous amount of work going forward to monitor

1 and evaluate the performance. I am -- I am truly
2 grateful for that being discussed, being put on the
3 record.

4 And that duty, that obligation among all the
5 parties, and the opportunities afforded to the
6 consumer parties going forward is a critical aspect
7 of this. We recognize, understand that that was
8 the legislative intent. And I see that as one of
9 the most important things, protecting the public
10 interest going forward, and -- and am very excited
11 about that as -- as these plans are reevaluated,
12 come back to us in the coming years as the programs
13 and projects are implemented and as things proceed.

14 Thank you, Mr. Chairman. I just wanted to
15 express my appreciation again for -- for the work
16 of all the parties, with review by our staff, by
17 the efforts of -- of the legal folks on very
18 complex matters, everybody worked well together,
19 and thank you for the opportunity.

20 I am sorry I wasn't able to take up the rest
21 of our afternoon.

22 CHAIRMAN CLARK: Well, thank you, Commissioner
23 Polmann, again, for the leadership in the
24 prehearing and taking control of the matter. We
25 greatly appreciate that. You did an outstanding

1 job. And, again, thank you to all the parties.

2 And Commissioner Polmann is yielding back his
3 balance of two-and-a-half hours of time, so you
4 have got a free afternoon here.

5 Any other Commissioner comments or questions
6 before we adjourn?

7 All right. Seeing none. Thank you all for
8 your participation today. We stand adjourned.

9 (Proceedings concluded.)

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

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 13th day of August, 2020.



DEBRA R. KRICK
NOTARY PUBLIC