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July 9, 2025

VIA ELECTRONIC FILING
Adam Teitzman, Commission Clerk
Division of Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 20250011-EI
Petition by Florida Power & Light Company for Base Rate Increase

Dear Mr. Teitzman:

Attached for filing on behalf of Florida Power & Light Company ("FPL") in the above-referenced docket is the rebuttal testimony of FPL witness Ned W. Allis.

Please let me know if you have any questions regarding this submission.

Sincerely,

s/ Maria Jose Moncada
Maria Jose Moncada
Assistant General Counsel
Florida Power & Light Company

(Document 1 of 16)

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by Electronic Mail to the following parties of record this 9th day of July 2025:

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BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20250011-EI

FLORIDA POWER & LIGHT COMPANY

REBUTTAL TESTIMONY OF NED W. ALLIS

Filed: July 9, 2025

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Ned W. Allis. My business address is Gannett Fleming Valuation and Rate Consultants, LLC, 300 Sterling Parkway, Suite 200, Mechanicsburg, PA 17050.

Q. Have you previously submitted direct testimony in this proceeding?

A. Yes.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to respond to the testimonies of Office of Public Counsel ("OPC") witness William Dunkel and Federal Executive Agencies ("FEA") witness Brian Andrews. FPL witness Ferguson also addresses a portion of Mr. Dunkel's testimony and responds to Mr. Andrews. Please note that I am responding to specific issues. Consequently, any argument raised in the testimony presented by intervening parties to which I do not respond, should not be accepted as my support or approval of the positions offered.

Q. Please summarize your rebuttal testimony.

A. My testimony responds to FEA witness Andrews' depreciation proposal and OPC witness Dunkel's depreciation and dismantlement proposals. FEA witness Andrews only recommends one adjustment to the depreciation study, a longer life span estimate for the Scherer Unit 3 coal-fired generating unit. He does not dispute the other recommendations in the depreciation study and does not propose any adjustments for the dismantlement study. As I discuss, the potential changes in Federal regulations related to coal-fired generating plants Mr. Andrews uses as the basis for his proposal do not support an adjustment from the retirement date proposed by FPL. FPL's

recommended retirement date of 2035 is consistent with the retirement date used by the operator of Scherer Unit 3, which, based on information provided by the operator, incorporates potential impacts to coal-fired generation from potential federal regulatory changes resulting from the November 2024 election.

OPC witness Dunkel proposes adjustments for both depreciation and dismantlement. However, his proposals do not follow the normal approach for making specific, quantified adjustments to the depreciation and dismantlement studies. Instead, with little justification or support, he broadly recommends significant top-down reductions in both depreciation and dismantlement accruals. For depreciation, he proposes to continue to use the same depreciation rates established four years ago for most accounts and locations and, for dismantlement, he proposes an unreasonable negative 25 percent contingency and an inappropriately higher discount rate to calculate dismantlement accruals.

For the depreciation study, OPC witness Dunkel's only specific criticisms are a small subset of the reserve adjustments I recommend and the service lives of three groups of solar assets. These specific aspects of the study have a limited overall impact on the results of the study, are offset by other reserve adjustments that in the aggregate reduce depreciation expense, and, even if each of these adjustments were made, they would result in less than 10 percent of the overall reduction proposed by OPC witness Dunkel. In no way do these relatively minor aspects of the study provide a reason to effectively

ignore the study in its entirety and make an unsupported top-down adjustment as proposed by OPC witness Dunkel.

For dismantlement accruals, OPC witness Dunkel proposes to use a higher discount rate based on the OPC's proposed weighted average cost of capital. In doing so, he incorrectly introduces a cost of capital concept to depreciation and dismantlement calculations and ignores the Commission's intent of accruing for dismantlement costs over the lives of the Company's assets. His proposal will not adequately recover dismantlement costs over the lives of the Company's generating facilities and would result in intergenerational inequity by causing customers receiving service towards the end of the lives of these facilities to pay a disproportionate share of the dismantlement costs.

Additionally, OPC witness Dunkel proposes a negative 25 percent contingency factor for the results of the dismantlement study. His proposal is based on a lack of understanding of the concept of a contingency, which is a positive – not negative – amount included in a cost estimate to incorporate known risks to a project that cannot be specifically quantified at the time the estimate is prepared. Similar to the depreciation study, OPC witness Dunkel does not provide specific or quantified support for a sweeping top-down adjustment. Instead, while he criticizes my firm's experience and the approach used to estimate the costs for solar facilities, the only quantitative criticism raised is related to scrap prices. However, even if his criticisms had any merit,

which they do not, the impact of adjusting these figures would be considerably smaller than OPC witness Dunkel's proposed adjustment.

Overall, OPC's witness has provided no reasonable basis to ignore the depreciation study or to substantially and arbitrarily reduce the results of the dismantlement study. His proposal would result in using out of date depreciation rates that have not been updated with current information and would result in both depreciation and dismantlement accruals that are insufficient to equitably recover the costs of the Company's assets over their service lives. Mr. Dunkel has not provided a basis to ignore the results of these studies or make significant, unsupported top-down adjustments. Both studies are sound and reasonable and should be adopted by the Commission.

Q. How will you address the proposals of each party?

A. I first address FEA witness Andrews, who makes the only substantive adjustments to either study. I then address OPC witness Dunkel's proposals, beginning with the depreciation study followed by the dismantlement study. FPL witness Ferguson also addresses FEA witness Andrews' proposal related to Scherer Unit 3 and OPC witness Dunkel's proposed discount rate for the dismantlement accruals.

II. RESPONSE TO FEA WITNESS ANDREWS

Q. What recommendations did FEA witness Andrews make regarding FPL's proposed depreciation rates?

A. FEA witness Andrews recommends rejecting FPL's proposal to change the retirement date of the Scherer Steam Plant from 2047 to 2035. FPL witness Ferguson addresses many of FEA witness Andrews' arguments for retaining the 2047 retirement date. However, there are several comments made by FEA witness Andrews that I would also like to address.

Q. What is the basis for FEA witness Andrews' proposal to retain the 2047 retirement date for the Scherer Plant Unit 3?

A. In support of his proposal, FEA witness Andrews cites to potential changes to environmental regulations that have occurred or been announced since the beginning of the year at the Federal level.

Q. Do you believe these developments support retaining the 2047 retirement date for the Scherer Plant Unit 3 as proposed by FEA witness Mr. Andrews?

A. No. There are several areas in which I disagree. First, as noted in FEA witness Andrews' testimony, the 2035 retirement date, while a reduction from the 2047 retirement date currently used for depreciation, is a later retirement date than the 2028 retirement date previously contemplated by both FPL and Georgia Power. As discussed by FPL witness Ferguson, Georgia Power's most recent Integrated Resource Plan ("IRP"), which included the 2035 retirement data, was issued in January 2025 and, accordingly, incorporated knowledge of the results of the November 2024 election, as the winning candidate's intended approach to environmental regulations was public

knowledge from the presidential campaign.[1] Second, I disagree with FEA witness Andrews' assessment of typical life spans for coal-fired generation of 60 to 65 years.[2] Third, I disagree with FEA witness Andrews' assertion that environmental compliance issues have been the sole driver of shorter life spans of these types of facilities. Finally, FEA witness Andrews' discussions of Federal regulatory changes, all based on Executive Orders, do not support extending the remaining life span to 2047, which is beyond the retirement date currently used by the plant's operator.

Q. Please elaborate further on why you disagree with FEA witness Andrews' assessment of coal plant life spans.

A. While older coal-fired generation had life spans that were often in the 60-year range, life spans have trended shorter for newer coal-fired generation (which, based on the age of the coal fleet in the United States, means plants constructed since the 1970s). While these shorter life spans for newer plants have, in part, resulted from environmental regulations, another significant factor has been more economical new sources of generation. Cheaper natural gas since the advancements in shale gas extraction in the 2000s is a primary driver of shorter life spans for coal-fired generation. More economical renewable generation is another. Florida utilities have, on average, also experienced shorter service lives for coal-fired generation than those in other jurisdictions.

[1] Georgia Power's IRP includes an alternative 2038 date, which is considerably sooner than Mr. Andrews' recommendation of a 2047 retirement date.

[2] Direct Testimony of FEA witness Andrews at page 16, lines 15-16.

Q. Can you elaborate why you disagree that potential changes to environmental regulations do not support extending the life of Scherer Unit 3?

A. Yes. In my experience environmental regulations at the Federal level have changed every four or eight years as administrations change, particularly those regulations and requirements that have not resulted from acts of Congress. Further, some of the regulatory changes cited by FEA witness Andrews, such as a two-year exemption from Mercury and Air Toxics Standards[3], would not even apply to a plant that is planned by its operator to be retired in 2035 or beyond. Additionally, state and local laws and rules, as well as economic factors, have significant impacts on the operations and life spans of generating units. Moreover, FEA witness Andrews ignores that, despite these executive actions, the operator nonetheless intends to retire the plant well before 2047 based on its January 2025 IRP. For these reasons, I do not believe the executive actions cited by Mr. Andrews support the significantly longer remaining life he recommends.

Q. Do you believe the proposed retirement date for Scherer Unit 3 is still appropriate?

A. Yes. The recommended 2035 retirement date results in a life span that is well within the typical industry range, is consistent with the retirement date used by its operator and is already an increase in the service life expectation from prior expectations. There is no justification to use the longer life span recommended by FEA witness Andrews.

[3] See Direct Testimony of FEA's witness Andrews at page 15.

III. RESPONSE TO OPC WITNESS DUNKEL

Q. Please summarize OPC witness Dunkel's recommendations.

A. For the depreciation study, OPC witness Dunkel criticizes the depreciation reserve adjustments for six steam production and other production plant locations and the service life estimates for three solar facilities. While I disagree with Mr. Dunkel's criticisms, the adjustments for these specific items, if approved, would reduce FPL's proposed depreciation expense by, at most, approximately $14 million. Although he does not raise any other issues or concerns with FPL's 2025 Depreciation Study, OPC witness Dunkel nonetheless proposes that FPL's deprecation rates be set at the currently approved rates for almost all accounts, which, if approved, would reduce FPL's proposed depreciation expense by approximately $168.5 million.

Mr. Dunkel also proposes a significant arbitrary and unsupported adjustment to the dismantlement study and related cost estimates. He proposes to use a negative 25 percent contingency, which results in a reduction to the dismantlement accruals of $22.2 million. In addition, he proposes a change to the way the dismantlement accruals are calculated and recommends a higher discount rate for these calculations, which results in a reduction to dismantlement accruals of $32.3 million.

Q. Is OPC witness Dunkel's approach a reasonable means to develop depreciation rates and dismantlement accruals?

A. No. OPC witness Dunkel's top-down approach to FPL's 2025 Depreciation Study and 2025 Dismantlement Study are unsupported, not appropriate, and should be rejected. The Company has provided updated and detailed depreciation and dismantlement

studies, based on current information and data. If OPC witness Dunkel had valid criticisms of these studies, the appropriate approach would be to make specific adjustments to aspects of the studies or, in the alternative, to provide his own studies based on his purported expertise. He has done neither.

Q. Do OPC witness Dunkel's criticisms of the FPL 2025 Depreciation Study and 2025 Dismantlement Study support his overall recommendations?

A. No. While OPC witness Dunkel's testimony spans 48 pages, he only raises issue with the following four quantifiable items in the 2025 Depreciation Study and 2025 Dismantlement Study:

- Reserve adjustments for six steam and other production plant locations in the 2025 Depreciation Study, which results in a reduction to depreciation of at most $13.7 million;
- Criticisms of the service life estimates for three groups of solar generating assets in the 2025 Depreciation Study, which results in a reduction to depreciation of approximately $600,000;
- Criticisms of the scrap prices used in the 2025 Dismantlement Study, which would result in a reduction to dismantlement accruals of at most $16.2 million based on the excessively high prices cited by Mr. Dunkel;[4] and
- Criticisms of the discount rate used to calculate dismantlement accruals in the 2025 Dismantlement Study, which would result in a reduction of approximately $32.2 million.

[4] While Mr. Dunkel criticizes alleged "double-counting" of transportation of scrap metal, this is related to the issue of the proper scrap price.

As I discuss in detail, none of Mr. Dunkel's assertions have merit. For example, failing to incorporate reserve adjustments would result in negative depreciation rates and his proposal for the discount rate for dismantlement calculations is inconsistent with Commission precedent and with the intent of dismantlement accruals. However, these adjustments, which should not be adopted and have not even been fully quantified by Mr. Dunkel, would reduce costs by at most $63 million, over half of which is from an unreasonably high discount rate for dismantlement accruals. Mr. Dunkel's proposal, on the other hand, would reduce depreciation and dismantlement accruals more than three times this amount, as he proposes a total adjustment of $212 million. Stated differently, the adjustments actually proposed by OPC witness Dunkel would, at most, only result in a fraction of the overall adjustment he proposes.

As I discuss in detail, the potential adjustments Mr. Dunkel quantifies have no merit and are based on a misunderstanding of depreciation and dismantlement concepts and cherry-picked or misinterpreted data. Mr. Dunkel fails to offer any basis or support for the wholesale top-down changes he proposes to the depreciation and dismantlement studies, which result in a reduction that is nearly $150 million larger than the potential adjustments he has at least partially quantified and attempted to support.

Q. How will you address OPC witness Dunkel's proposals?

A. I first address his depreciation recommendation, which is both the largest reduction he proposes and based on the least substance. I then discuss his proposals for the dismantlement accruals and dismantlement study.

Q. Before responding to his specific depreciation and dismantlement adjustments, do you have any comments regarding OPC witness Dunkel's claims on the purpose of depreciation and dismantlement studies?

A. Yes. OPC witness Dunkel incorrectly characterizes the purpose of the depreciation and dismantlement studies and the intent of performing these studies. For example, on page 35 of his testimony, OPC witness Dunkel states:

> However, the money in the depreciation reserve is the ratepayers' money. It has been accumulated from past ratepayers. The ratepayers' money in the depreciation reserve should be used in a way that benefits ratepayers.

The term "depreciation reserve" as used by OPC witness Dunkel refers to accumulated provision of depreciation (also referred to as the "book reserve"), which represents the sum of historical depreciation accruals, less retirements and cost of removal, plus gross salvage. It is not, however, "ratepayers' money." Instead, it is the portion of invested capital that has not yet been returned to investors.[5] While customers pay rates intended to cover the Company's revenue requirement, including depreciation and dismantlement accruals, the depreciation and dismantlement accruals incorporated into those rates are the return of capital invested to provide electric service to customers. This is illustrated in the fact that the net balance on FPL's balance sheet for the original cost of property less the depreciation and dismantlement reserve is a significant positive number ($70.9 billion, equal to the original cost of $88.4 billion as of December 2025 less $17.5 billion in depreciation and dismantlement reserve). The Company has invested approximately $70.9 billion more in its plant in service than has been

[5] More precisely, depreciation and dismantlement represent the allocation of capital costs over their service life. The reserve for depreciation and dismantlement is the portion of these costs that has been allocated to date.

recovered through depreciation, inclusive of depreciation for future costs to retire or remove assets from service. The reserve for depreciation and dismantlement is, therefore, not ratepayer money but rather the portion of investor capital that has been returned to investors through depreciation.

Similarly, OPC witness Dunkel incorrectly alleges that "[t]he purpose of Mr. Allis's dismantlement study is to collect money from ratepayers."[6] I disagree, particularly to the extent that his intent is to argue that the dismantlement study (or net salvage estimates in general) is intended to maximize the purported "collections" from ratepayers. As discussed by FPL witness Ferguson, the dismantlement reserve is not a funded reserve, a concept which the Commission has previously viewed with disfavor. Nor is the depreciation reserve.

Consistent with the Commission's Rule, the purpose of a dismantlement study is to accrue for the future cost to retire the Company's fleet of generating units over their service lives. This is important because dismantlement costs are part of the capital cost to provide service to customers. The estimates in a dismantlement study are used to calculate accruals in order to allocate the cost of retiring these facilities over their service lives.[7]

[6] Direct Testimony of OPC witness Dunkel at page 9, lines 18-19.

[7] The Uniform System of Accounts includes net salvage (equal to gross salvage less cost of removal) as part of the service value to be allocated in a systematic manner over the service life of the property.

Q. Does OPC witness Dunkel's testimony imply that you have approached either study with the intent of producing higher depreciation or dismantlement accruals?

A. Yes. While OPC witness Dunkel makes many unsubstantiated claims in his 48 pages of testimony, the statements cited above, along with other portions of his testimony, appear to imply that either I or the Company have made efforts to produce higher depreciation or dismantlement accruals than appropriate. This is incorrect. My goal when evaluating depreciation or dismantlement accruals is to be as accurate as possible based on the most recent information known and available at the time the studies are prepared and appropriately using a bottom-up approach that is unbiased and agnostic to the final result. In making my recommendations, I have relied on my professional judgment and experience to be as correct and accurate as possible, given the nature of forecasting costs and service lives inherent to developing depreciation and dismantlement accruals. While OPC witness Dunkel selectively chooses a handful of examples in which he claims certain judgments would result in higher depreciation than he appears to believe appropriate, there are numerous other examples of judgments which resulted in lower depreciation that he conveniently ignores. Overall and in context, the results of the depreciation and dismantlement studies are directly contrary to his assertion that I or the Company have made efforts to produce higher depreciation or dismantlement accruals. That is, when one looks at the studies in their entirety (rather than the cherry-picked examples discussed by Mr. Dunkel), there is no evidence for OPC witness Dunkel's claims.

Q. Please provide examples of judgments in the studies that result in lower depreciation.

A. For the depreciation study, one example is the reserve adjustments OPC witness Dunkel discusses in his testimony. While he specifically cites to only six adjustments that have the impact of higher depreciation expense, all of the reserve adjustments discussed in my direct testimony and recommended for the study result in a total lower depreciation expense by approximately $27 million. Another example is several of the service life recommendations in the Depreciation Study. As can be seen on pages 146, 177, 184 and 221 of Exhibit NWA-1 for Accounts 343.2, 353.1, 355 and 364.2, the survivor curves I have recommended for several of the larger accounts are above the historical data for each account, meaning that I have recommended a service life that is longer than indicated by the historical data, which is the result of my judgments that future service lives for these accounts will be longer than the Company's historical experience. Similarly, the net salvage estimates I have recommended are in many cases less negative than indicated by the overall and long-term net salvage percentages included in the Company's historical data, which also means I have made judgments that result in lower, not higher depreciation.

These accounts have a larger impact on the results of the study than any of the quantifiable issues Mr. Dunkel raises, and result in lower, not higher depreciation. This should dispel the notion that any of my judgments were intended to increase the depreciation or dismantlement expense.

Q. Were there also judgments that resulted in lower dismantlement accruals?

A. Yes. For example, the dismantlement study assumes controlled demolition for the facilities, which is a less costly approach than other approaches such as machine demolition or manual deconstruction. Likewise, the dismantlement study assumes removing assets to six feet below grade, conservative labor cost estimates, and returning to brownfield rather than greenfield status, which is a lower cost approach. Moreover, in the aggregate, the results of the dismantlement study are not significantly higher than the prior dismantlement study or FPL's experience dismantling generating facilities, which further supports that I have not made judgments that on the whole would result in unreasonably high dismantlement accruals.

A. Depreciation Study

1. Reserve Adjustments

Q. In his testimony, OPC witness Dunkel takes issues with certain of your recommended reserve adjustments. What is a reserve adjustment?

A. A reserve adjustment as it pertains to depreciation is the adjustment of accumulated depreciation from one account, subaccount, or location to another. Reserve adjustments are sometimes made when the book accumulated depreciation balance is significantly different from expected. One of the reasons for making reserve adjustments is that the remaining life technique can result in depreciation rates that are significantly higher or lower than would be indicated by the service life and net salvage estimates – in some cases, even producing negative depreciation rates. Because depreciation rates apply to new plant that is added subsequent to the implementation of

new rates, if depreciation rates are not reasonably aligned with the service life and net salvage for a depreciation group, then future depreciation studies may result in remaining life depreciation rates that are higher or lower in the opposite direction. As a result, reserve adjustments can result in more stable depreciation rates from study to study. Reserve adjustments are also made when assets are at or near the end of their useful life but not fully recovered.

Q. Does Commission practice suggest reserve adjustments may be reasonable in the context of a depreciation study?

A. Yes. Commission Rule 25-6.0436(4)(e), Florida Administrative Code, states that "[t]he possibility of corrective reserve transfers shall be investigated by the Commission prior to changing depreciation rates." Thus, the Rule not only suggests reserved adjustments may be appropriate but also requires the Commission to investigate such adjustments before new depreciation rates are implemented. The Company's proposed depreciation rates would go into effect January 1, 2026. I have recommended appropriate reserve adjustments consistent with this Rule for the Commission to investigate and consider in this proceeding, including providing details of any calculations involved in determining the recommended reserve adjustments.

Q. How are reserve adjustments made?

A. Generally, there are two primary ways reserve adjustments are made. One is to directly transfer reserve from one account or location to another. A second is to allocate reserve at a total level (*e.g.*, total account or function of plant) to a lower level (*e.g.*, to a location within an account). In either instance, the theoretical reserve of affected groups is often one consideration when determining the most reasonable reserve adjustments.

Additionally, reserve adjustments typically remain within the function of plant (*i.e.*, within transmission or distribution plant) and are often made within similar groupings of plants (e.g., between generating units at the same facility). As discussed previously, the Commission's depreciation rules require that reserve transfers be investigated prior to implementing new depreciation rates.

Q. Have you recommended any reserve adjustments?

A. Yes. As noted on pages 48 and 49 of my direct testimony, we reviewed the reserve balances of the depreciable groups and recommended that certain corrective reserve transfers were appropriate. In FPL's response to Staff's Fourth Set of Interrogatories No. 86, we provided a file with a list of each recommended reserve transfer, which included working formulas showing each transfer or allocation of reserve.

Q. How were these reserve adjustments made?

A. Once we completed our estimation of service life and net salvage and calculated depreciation based on these estimates, we reviewed the depreciation rates and accumulated depreciation for the accounts and groups within the study. In this review, we reviewed accounts to see if adjustments may be reasonable to address certain issues, such as negative depreciation rates. We also identified instances in which accounts and groups had negative book accumulated depreciation, book accumulated depreciation that exceeded the service value of the group, or instances in which the resulting remaining life depreciation rates were higher than anticipated based on the recommended service lives and net salvage. In our review, we also considered how past depreciation rates and accruals have been developed (for example, by account or by account and location).

Based on this review, we concluded several adjustments were appropriate. The most significant adjustment was related to the capital spare parts account for the Company's combined cycle plants, which is an account with significant costs and relatively short service lives.[8] There were also accounts or locations that were near or at the end of their service life and had costs remaining to recover. For the accounts and groups that were appropriate for reserve adjustments, we allocated reserves across similar accounts and groups. In instances of negative accumulated depreciation balances, adjustments may involve transfers of *negative* reserves to accounts and locations (which is distinct from transferring reserve from an account and location), particularly if part of a reallocation.

There were also several considerations in how transfers and reallocations were determined. Specifically, when possible, we limited reallocations to the same function of plant (*e.g.*, steam, other, transmission, distribution) and also attempted to maintain reallocations within locations (*e.g.*, generating sites) if feasible. However, as noted in my direct testimony, there were certain instances in which reserves were allocated from steam to other production but remained at the same plant site.

Q. Was the overall effect of the recommended reserve adjustments?

A. The overall effect of my recommended reserve adjustments was to reduce depreciation expense by approximately $27 million.

[8] I note that Mr. Dunkel has a section of his testimony discussing the name for the capital spare parts account. His discussion has no bearing on the results of the study. Further, this account and the related service life and net salvage estimates were discussed extensively in my direct and rebuttal testimonies in Docket No. 160021-EI.

Q. OPC witness Dunkel argues that OPC was not provided with sufficient time to review these reserve transfers. Do you have a response?

A. Yes. It is my understanding that the calculations with the supporting detail for the recommended reserve transfers was produced by the Company on April 14, 2025. OPC witness Dunkel's testimony was filed on June 9, 2025, nearly two months after the supporting file for the reserve transfer was produced by the Company. Based on my professional experience performing depreciation studies, this is ample time for a depreciation expert to review reserve adjustments.

Q. Please summarize the reserve adjustments questioned by OPC witness Dunkel.

A. OPC witness Dunkel questions the following six reserve adjustments: (i) Scherer Unit 3 and Scherer Common; (ii) Gulf Clean Energy Center Unit 4 depreciation reserve; (iii) Gulf Clean Energy Center Unit 5 depreciation reserve; (iv) Ft. Myers GTS depreciation reserve; (v) Lauderdale GTS depreciation reserve.; and (iv) Scherer Steam depreciation reserve. OPC witness Dunkel contends that five out of the six recommended reserve adjustments were transfers out of production units that have the shortest composite remaining lives and, by doing so, FPL has increased the depreciation expense for these units.

Q. Do you have a response to his concern about reserve adjustments for production units that have short composite remaining lives?

A. Yes. First, for his testimony, Mr. Dunkel has cherry-picked a small subset of the total reserve transfers that result in higher depreciation while ignoring the others that have the opposite effect. Second, these were not all transfers out of these depreciable groups. Instead, most were part of reallocations within the steam function of plant and the

others involved reallocations within plant sites. One cannot assess a reallocation based on only a handful of components of that allocation. Second, OPC witness Dunkel's discussion of "units" that have the "shortest remaining life" does not provide an accurate picture of reserve transfers. Most of the amounts discussed by OPC witness Dunkel are in the steam production function, which has a shorter remaining life than other functions of plant. For example, the steam facilities have shorter remaining lives than the other production facilities. As a result, reserve adjustments for steam facilities will have relatively short remaining lives because steam facilities happen to have relatively short remaining lives. Further, Mr. Dunkel fails to note that the largest reserve adjustments were transfers or reallocations into Account 343.2, which has a relatively short remaining life, from accounts with longer remaining lives, which results in a net reduction to depreciation accruals.

Q. OPC witness Dunkel's discussion implies that the reserve transfers you recommend increase depreciation expense. Do you agree?

A. No. While OPC witness Dunkel presents the allocation of costs for locations with short remaining lives as being made with an intent of increasing depreciation accruals, this is merely the result of reserve adjustments being appropriate for steam locations. As discussed previously, we appropriately tried to maintain any reserve adjustments within the same function of plant. It is not an indication of an effort to increase depreciation expense, as OPC witness Dunkel's testimony appears to imply. In fact, as noted above, he completely overlooks that, absent my recommended reserve adjustments, the depreciation rates would result in $27 million *more* in depreciation expense.

2. Solar Service Lives

Q. Does OPC witness Dunkel challenge the service lives for most solar facilities?

A. No. Mr. Dunkel agrees with the most significant recommendation for solar facilities, which is the approach of using a mass property approach for solar production facilities.[9] He does, however, dispute FPL's proposed rates for three sets of solar facilities: Discovery Solar, Space Coast Solar, and Small Scale Solar.

Q. Do you agree with the depreciation adjustments proposed by OPC witness Dunkel for these solar production facilities?

A. No. OPC witness Dunkel proposes that the Space Coast Solar, Discovery Solar, and Small Scale Solar facilities continue to use the current depreciation rates approved in FPL's 2021 Rate Case. The Space Coast and Discovery Solar sites have retirement dates aligned with the end of the terms of the lease for each facility, which is reasonable because these facilities could not continue to be operated at these sites after the expiration of the associated leases. The other components of the depreciation rates (interim survivor curves, interim net salvage) are the same as for other solar plant accounts.

Small Scale Solar assets are, as the name implies, smaller facilities. These will have different forces of retirement than larger scale facilities, as redevelopment, technology, customer economics, and land use are all more likely to cause retirements. The 25-S2.5 survivor curve estimate I recommend is most reasonable given these characteristics of the facilities. OPC witness Dunkel has not provided a reason why

[9] Direct Testimony of OPC witness Dunkel at page 46, lines 3-4.

this would be an unreasonable estimate. Instead, he merely recommends continuing the current depreciation rates for these solar assets simply because most of the other solar facilities are using the current depreciation rates.

3. OPC's Overall Depreciation Adjustment is Not Supported

Q. Other than the reserve adjustments for six sites and the lives for three solar sites you previously discussed, does OPC witness Dunkel provide specific criticisms of any other aspects of the depreciation study?

A. No. OPC witness Dunkel does not criticize any other aspect of the depreciation study, nor does he raise any issues with any other parts of the study. He does agree with, rather than criticize, certain changes to life spans that were lengthened in the study.[10]

Q. What is OPC witness Dunkel's overall depreciation proposal?

A. With the exception of a handful of accounts or locations, OPC witness Dunkel ignores the remainder of the 2025 Depreciation Study and, instead, proposes to continue to use the current depreciation rates from FPL's 2021 Rate Case.

Q. What is the overall impact of OPC witness Dunkel's proposal?

A. The overall impact is to reduce depreciation expense by approximately $165.8 million.

Q. What is the impact of the reserve adjustments for the six sites and the lives for the three solar sites specifically raised by OPC witness Dunkel?

A. The adjustments for these specific limited items, if approved (and all other reserve adjustments I have recommended remain), would reduce the depreciation expense by

[10] Direct Testimony of OPC witness Dunkel at page 51, Lines 22–23.

approximately $14.3 million. Notably, this is less than 10% of his overall adjustment to depreciation expense.

Q. Has OPC witness Dunkel provided a basis or support for the significant reduction he recommends?

A. No. OPC witness Dunkel discusses, at most, $14.3 million in adjustments for depreciation, which should be rejected for the reasons I previously explained. In no way does this justify ignoring the vast majority of the 2025 Depreciation Study and reducing depreciation by approximately $165.8 million. Other than simply relying on the currently approved depreciation rates, OPC witness Dunkel has not provided any other criticisms of the recommended service lives or net salvage estimates that are the result of the detailed 2025 Depreciation Study required by the Commission's rules. He has provided no reasonable basis or support for his recommendation to ignore the current study and simply rely on the depreciation parameters adopted four years ago. This is particularly inappropriate because, as shown on page 42 of my direct testimony, simply updating the calculated depreciation rates to use 2025 balances alone while maintaining the current service life and net salvage estimates would increase depreciation accruals by approximately $76 million (which would be a higher increase of close to $100 million absent the reserve adjustments I recommend). There is no basis to ignore the impacts of the activity over the past four years and maintain the stale depreciation rates Mr. Dunkel recommends.

Q. Are there any other issues with OPC witness Dunkel's proposal you wish to address?

A. Yes. While OPC witness Dunkel only proposes changing depreciation rates for certain locations, he proposes negative depreciation rates, which are largely due to his failure to include appropriate reserve adjustments. Based on my professional judgment and experience, there should not typically be negative depreciation rates.

B. Dismantlement Study

1. Introduction

Q. How does dismantlement relate to depreciation?

A. Dismantlement costs are costs to remove assets from service and are part of the overall net salvage of a generating facility. Depreciation recovers the service value of property, which includes net salvage. In most jurisdictions, dismantlement costs are included in the net salvage estimates included in depreciation rates. In Florida, dismantlement is calculated as a separate accrual that is incremental to depreciation expense.

Q. How are dismantlement costs estimated?

A. Dismantlement costs are typically estimated in a dismantlement study, which provides cost estimates for each generating site based on estimates of the time and effort needed to perform dismantlement tasks. The 2025 Dismantlement Study was performed by Gannett Fleming under my direction. The results of the 2025 Dismantlement Study were used to calculate the dismantlement accruals.

Q. Do any parties propose adjustments to the dismantlement accruals?

A. Yes. OPC witness Dunkel proposes an adjustment to the contingency used in the 2025 Dismantlement Study and proposes a change to the discount rate used to calculate the dismantlement accruals.

Q. Do both of these adjustments affect the dismantlement study?

A. No. The arbitrary and unsupported contingency of negative 25% proposed by OPC witness Dunkel would result in an adjustment the 2025 Dismantlement Study, effectively reducing the results of the study by approximately 35%. However, the discount rate only affects the accrual calculation and does not result in any adjustments to the dismantlement study itself.

Q. Are either of Mr. Dunkel's proposals reasonable?

A. No. Neither his proposed discount rate nor his proposed contingency comports with Commission precedent and practice, nor are they consistent with the intent of dismantlement accruals of allocating future dismantlement costs equitably over the service life of FPL's generating facilities.

Q. How will you address Mr. Dunkel's dismantlement proposals?

A. I first discuss Mr. Dunkel's proposal for the discount rate, both because it has the larger dollar impact and because it is clearly inappropriate from a standpoint of methodology and fairness. I also discuss this item first because the higher discount rate Mr. Dunkel proposes would provide reason for a higher contingency than I have recommended, not a lower contingency as he proposed. As a result, the combination of his two proposals is particularly inappropriate, which is compounded by the fact that Mr. Dunkel has not provided any quantitative justification for his proposal.

2. Discount Rate for Dismantlement Accrual Calculations

Q. Do the Commission's rules describe how dismantlement accruals are calculated?

A. Yes. Commission Rule 25.6.04364(4), Florida Administrative Code, states:

> The dismantlement annual accrual shall be calculated using the current cost estimates escalated to the expected dates of actual dismantlement. The future costs less amounts recovered to date shall then be discounted in a manner that accrues the costs over the remaining life span of the unit.

The last clause explains that the intent of discounting future costs in the accrual calculation is to accrue the costs over the remaining life span of the unit. This is also consistent with general depreciation concepts and the requirement that the service value of property, inclusive of future salvage and cost of removal, be recovered over the service life of property. Accruals are not intended to compensate for the cost of capital or the cost of money, which is instead incorporated into a utility's overall rate of return.

Q. What does OPC witness Dunkel propose?

A. OPC witness Dunkel proposes to use OPC's proposed weighted average cost of capital as the discount rate, rather than using the compound inflation rate. In doing so, his calculations will not accrue the costs equitably over the estimated remaining lives of the Company's generating facilities. Instead, he introduces a cost of money concept that is not applicable to depreciation or dismantlement accruals, which are part of the overall return of investment capital through depreciation accruals. The cost of capital applies to the return *on*, not the return *of*, capital.

Q. Is OPC witness Dunkel's proposal reasonable?

A. No. The purpose of dismantlement accruals is to equitably allocate the costs of dismantling the Company's generating assets over their service lives. It is not to determine the present value of a future cost liability and, thus, the cost of money

concept raised by OPC witness Dunkel is not applicable. Using a higher discount rate than the compound inflation rate (which is also used to escalate costs to the date of dismantlement) would result in customers who receive service near the end of the life of a generating facility to pay a disproportionate share of the costs to retire these assets. Further, OPC witness Dunkel's proposal would make dismantlement accruals more sensitive to the estimated service life and increases the risk of not recovering costs over their service lives, which would defer cost recovery to future customers and result in intergenerational inequity.

Q. Is OPC witness Dunkel's approach of using a higher discount rate to calculate accruals a widely used approach in the industry?

A. No. As discussed in my direct testimony, dismantlement costs are included in depreciation rates and expense in most jurisdictions. The allocation of these costs over the service life through depreciation rates occurs on a straight-line basis. In some jurisdictions this straight line allocation is based on escalated future costs and in others it is based on current costs. Either of these approaches would result in higher annual accruals than Mr. Dunkel's proposal, as they are functionally equivalent to using a discount rate of either zero percent or the same discount rate as used to escalate costs, respectively.[11]

Q. Are you aware of any jurisdictions that use Mr. Dunkel's approach for dismantlement accruals?

A. No, I am not aware of any jurisdictions that use his approach for dismantlement costs for generating facilities (and if there were, its use would be unfortunate for customers

[11] Using current costs, rather than escalated costs, would produce similar results to the Commission's approach.

of that jurisdiction due to both intergenerational equity and customer bill impacts). The closest example I am aware of is one jurisdiction, Maryland, that has used the weighted average cost of capital to discount future net salvage costs for electric and gas distribution property. However, Maryland is an outlier in the industry in this regard and, after two decades of experience, a cautionary tale that provides strong justification to not use Mr. Dunkel's approach. In the nearly two decades since Maryland adopted this approach, utilities in the state have had depreciation rates that were not sufficient to recover net salvage costs over the service lives of assets. In fact, Maryland has since moved to use a lower discount rate in more recent cases, acknowledging that Mr. Dunkel's proposed approach has not worked as intended. The experience in Maryland is a real-word example of using OPC witness Dunkel's approach (albeit for a different function of plant) that demonstrates his approach results in intergenerational inequity and does not accrue for net salvage costs over the lives of the assets.

3. Contingency

Q. What is contingency as it relates to the dismantlement study?

A. Commission Rule 25-6.04364(2)(a), Florida Administrative Code, defines contingency costs as "[a] A specific provision for unforeseeable elements of cost within the defined project scope." Costs that may be covered by a contingency include changes to the scope, additional environmental contamination, discovery of equipment or materials not shown on drawings, underground conditions, additional dewatering requirements, and weather or other project delays. Given the age and complexity of generating facilities that are to be dismantled, unknown conditions are not a rare occurrence but,

rather, are common. To put this differently, we may not be able to identify with certainty that one of the types of costs covered by contingency will occur, but we can be certain that some will and can estimate those costs and their probability with an appropriately estimated contingency factor. As discussed in my direct testimony, a positive 15 percent contingency is common in Florida and the Company's proposal is consistent with Commission precedent and with FPL's current dismantlement accruals.

Q. What does OPC witness Dunkel propose related to the contingency?

A. OPC witness Dunkel proposes a negative 25 percent contingency.

Q. Is a negative contingency common or appropriate?

A. No. One would not normally use a negative contingency for a construction project (and if one did, they likely would not remain in business for long). To put this into perspective, if the dismantlement costs for a power plant were estimated to be $1 million, Mr. Dunkel's negative 25% contingency would reduce the allowed dismantlement costs for the power plant to $750,000. Mr. Dunkel's proposal is both inappropriate and arbitrary.

Q. What is the basis for Mr. Dunkel's proposal?

A. Similar to his depreciation proposal, he does not provide any quantifiable adjustments or analysis that would support the significant reduction in dismantlement accruals he proposes. He only raises three specific criticisms of the dismantlement study, and only one of which he attempts to quantify in any way. Specifically, he criticizes:

- Gannett Fleming's experience as it relates to dismantlement studies;
- Scrap prices used in the study and the related allegation that transportation costs are double-counted); and

- The use of average cost estimates that were used for each of FPL's solar sites.

With the exception of scrap prices (for which he does not quantify an actual adjustment), he does not provide any specific reasons why any of these alleged issues would result in dismantlement estimates that were too high and need to be adjusted downward, much less provide any numerical justification. Moreover, none of these alleged issues support the use of a negative contingency factor.

Q. On page 24 of his testimony, Mr. Dunkel argues that a contingency can "go in either direction," meaning positive or negative. Please address this claim.

A. OPC witness Dunkel appears to confuse the concept of contingency with a margin of error. While it is true that "uncertainties can go in either direction,"[12] this describes the margin of error for an estimate, which measures the potential difference between an estimate and the actual result, rather than a contingency. Contingency captures risks of project execution that have not been specifically quantified but, in the aggregate, are expected to occur. While it involves a degree of judgment, contingency captures a combination of costs and effort that are reasonably expected to occur but cannot be reasonably forecasted with certainty. For example, it is likely that some combination of weather delays, unexpected conditions underground, and incremental remediation costs may be needed but could not reasonably be predicted or known until the time the dismantlement activities occur. While we do not know today the exact combination of these occurrences that will transpire over dismantlement projects that occur years in the future, we can be reasonably certain some combination will occur. These costs

[12] Direct Testimony of OPC witness Dunkel at page 24, line 6.

need to be incorporated into cost estimates in order to fully capture the cost of dismantlement projects and, as a result, a positive contingency is appropriate and necessary.

Q. Is including a positive contingency a common practice for dismantlement studies?

A. Yes. The Commission's longstanding approach, which is discussed in its dismantlement study rules, is to include a positive contingency. This is also consistent with Commission precedent.

Q. Is the contingency a function of the certainty in the estimates?

A. Yes, there is a relationship between certainty and the level of contingency. The scope of the dismantlement cost and the level of effort included in developing cost estimates can impact the appropriate level of contingency, for example. However, many of these factors are beyond the utility's reasonable control, and contingencies are common even with precisely described scope and highly detailed cost estimates.

The cost estimates for a dismantlement study definitionally would also have several risks beyond the control of a utility because the dismantlement activities will not occur for many years. As a result, factors such as labor costs, equipment costs, transportation costs, and the potential for incremental regulations that add to costs are less certain, which provides reason for a higher contingency than for a project that will commence in the short-term.

Q. Are there any factors that would support a contingency that is higher than you proposed?

A. Yes. There are several factors associated with the timing of the dismantlement of a facility that would, in my judgment, favor a higher contingency rather than a lower

contingency. The cost estimates in the study were completed in late 2024. At this time (and at the current time), scrap prices were high by historical standards, which could mean lower net costs once the timing of eventual dismantlement occurred. The costs were also estimated prior factors likely to affect material costs and other potential risks to project costs. The 15 percent and 10 percent contingency cost estimates are relatively low to begin with, but these risks would favor a higher, not lower cost. Other factors, such as the estimation of costs based on controlled demolition, assumptions related to labor costs, and the precision with which soils and other environmental factors were estimated also favor a higher contingency cost.

Additionally, as I discuss in more detail later in my testimony, the purpose of the dismantlement study is to accrue the estimated unrecovered dismantlement costs over the remaining life of the Company's generating assets. There is risk that retirement and dismantlement will occur earlier than contemplated in the depreciation and dismantlement studies, and the resulting shorter service life means that both depreciation and dismantlement accruals would be too low. This risk is greater than the risk of service lives being too short, which is compounded by the use of a discount rate in these calculations (rather than allocating nominal costs on straight line basis, as is done in other jurisdictions). All of these factors favor a higher, not lower contingency.

Q. Has Mr. Dunkel provided any credible reasons for his unorthodox proposal?

A. No. As noted above, Mr. Dunkel only discusses three primary factors that he considered for his contingency estimate and, as discussed above, he does not appear to

understand the concept of contingency or the difference from a margin of error. However, his specific criticisms, addressed in the following sections, do not stand up to scrutiny or provide a reason to adjust the study, much less support his negative contingency proposal.

a. Gannett Fleming's Experience

Q. OPC witness argues that Gannett Fleming's experience provides a reason to use a negative contingency. Do you agree?

A. No. His discussion of my experience and that of Mr. Bryan Berry, who managed the overall project and whose name is also listed as an author of the report, does not provide any reason to use a negative contingency. First, Mr. Berry and I were not the only ones to work on the study from Gannett Fleming, as we included a team of professionals with knowledge and experience relevant to developing the dismantlement study. Second, my work both with depreciation studies across the country (and understanding of how dismantlement costs are included in depreciation studies) and on past studies for FPL provides important experience, including my familiarity with FPL's fleet, site visits (including to dismantled facilities such as those at Lauderdale, Turkey Point, Riviera Beach, and Martin), and understanding of dismantlement accruals and the overall scope and purpose of the study. Third, the Gannett Fleming team included professionals with experience and expertise relevant to developing dismantlement cost estimates, including senior cost estimators with who have developing cost estimates for a wide array of construction and dismantlement projects, environmental experts, and subject matter experts on the types of facilities, including experience with the GE 7FA

turbines that comprise much of FPL's fossil fleet. Fourth, in addition to his role managing the project, Mr. Berry brought expertise on renewable energy, battery storage, and hydrogen facilities.[13] Finally, we also incorporated the knowledge of FPL subject-matter experts, including those who had worked on prior dismantlement studies and been involved with dismantlement projects the Company has performed through the years.

Q. OPC witness Dunkel implies that alleged deficiencies in experience would mean that you would over-estimate dismantlement costs. Do you agree?

A. No. First, I disagree with his criticism of Gannet Fleming's experience with estimating dismantlement costs. Second, I disagree with the implication that we over-estimated any dismantlement costs and Mr. Dunkel has failed to provide any analysis or data to support such a claim.

There are a number of assumptions that need to be made when estimating dismantlement costs for projects that will occur many years in the future. Mr. Dunkel has provided no justification to believe that, in the aggregate, we have not made conservative assumptions with regard to cost estimates. To the contrary, one of our assumptions was for controlled demolition of facilities, which is typically less costly than other approaches, such as machine demolition or manual deconstruction, and we assume that demolition can occur without impacting other operating facilities on site. Similarly, I do not agree that other assumptions, such as the degree of dismantlement

[13] I note here that, for new technologies, few facilities have been fully dismantled, which means there would be few personnel to have met Mr. Dunkel's criteria of participating in a physical dismantlement project.

below grade, labor rates, labor escalation or the dismantlement to brownfield status are assumptions that would drive costs higher.

As further support that Mr. Dunkel's assumption is incorrect, the results of our studies were not, in the aggregate, significantly higher than the estimates incorporated in the current dismantlement accruals or than those actually experienced by FPL. For example, our solar estimates produce lower cost estimates and accruals on a per-unit basis than the previous dismantlement study, once adjusted for inflation.

b. Scrap Prices

Q. Does Mr. Dunkel make any specific adjustments or recommendations related to scrap prices?

A. No. He raises two primary criticisms, an allegation that we double-counted transportation costs and that we used scrap metal estimates that were less than market prices. However, he does not make any specific recommendations or quantify any adjustments. His arguments fail to incorporate many important aspects of developing scrap price estimates and do not incorporate all of the data we considered and provided in discovery.

Q. Please explain how scrap prices were incorporated into the dismantlement study.

A. The dismantlement study incorporated various assumptions about the removal of metals from the site, including the process of removal and the process of bringing any

recovered scrap to market. Generally, the process of recovering scrap includes several important elements:

(i) Metals that can be scrapped were either removed prior to demolition (such as for generators) or removed subsequent to demolition.

(ii) Metals are loaded onto transport to be removed from the site.

(iii) Metals are prepared to meet requirements of markets (such as removal of other debris, cleaning and cutting to size).

(iv) Metals are transported to market.

There are a variety of methods by which these could be achieved, and these elements may include multiple steps to eventually bring materials to market and the precise methodology will have an overall impact of the cost. For example, our assumption of controlled demolition for many metals impacts both the amount that can be recovered and the costs to prepare for market. When developing our estimates, we also considered available local market prices, national prices (both recent and over time), and the means of transportation. These assumptions can be interrelated and impact both the gross and net scrap price. As a result, there is judgment of the cost estimator required when determining the most reasonable scrap price that aligns with the process of removal.

Q. Are there uncertainties inherent in estimating scrap prices?

A. Yes. Scrap prices in a dismantlement study represent an estimate of the future price at which plants will be dismantled. The retirement dates of FPL's studies occur over the next 47 years. As a result, the scrap prices are forecasts of future prices over many

years. There are inherent uncertainties in estimating future scrap prices which, unlike contingency, could both increase or decrease. For example, the fact that scrap prices are currently at historically high levels means that it is at least as likely that scrap prices could decline in the future or, at a minimum, increase at a lower rate compared to labor costs.

Q. Do you agree with OPC witness Dunkel's criticisms of the scrap prices and assumption used in the study?

A. No. Mr. Dunkel is incorrect that we have double-counted transportation costs. He also only cites to recent national market prices and appears to fail to consider other relevant data, such as longer-term prices and local prices.

Q. Please explain why Mr. Dunkel is incorrect that you double-counted transportation.

A. While there are specific line items for transportation costs in the dismantlement cost estimate calculations, there are also incremental adjustments that need to be made to published market-based scrap prices that OPC witness Dunkel cites to, some of which relate to transportation of metals. However, the transportation costs Mr. Dunkel notes are not double counted. Instead, these provide estimates of the cost of hauling of metals only a relatively short distance (typically 20 miles) from the site. There would be incremental transportation costs (as well as other costs) to deliver metals to the pricing levels he cites to, as well as costs to prepare these for market.

Q. Please elaborate further on the factors that impact scrap prices.

A. As discussed above, our estimates incorporated an assumption that the plants' dismantlement would incorporate controlled demolition. This generally results in

fewer hours of effort for the full dismantlement but can impact the scrap price that can be obtained. After a facility is demolished, the resultant debris includes both metals that can be scrapped and other materials that will be disposed. While we would expect the contractor to attempt to recover as much metal as is cost-effective, inevitably not all will be recovered and some portion will be included in debris; similarly, the process of recovering scrap metal will result in the metal including other debris, thereby reducing its price.

Finally, with regard to transportation, 20 miles is a relatively short distance. There would typically be additional transportation (either by the contractor or by the scrap dealer) to bring scrap to market. One way we considered the impact of incremental transportation costs was comparing local market prices (which were provided in the same discovery response Mr. Dunkel cites to[14]) to the national market prices.

As a result of these factors, we made adjustments to the market prices, developed using long-term averages for reasons discussed below, to account for incremental transportation, the impact of debris on prices, and the likelihood that less than 100 percent of the weight of scrap metal would be able to be recovered.

Q. Does Mr. Dunkel discuss any of the longer-term averages you considered for your estimates?

A. No. Scrap prices can be volatile, which has certainly been the case over the past five years. For the purpose of estimating costs many years in the future, it is more

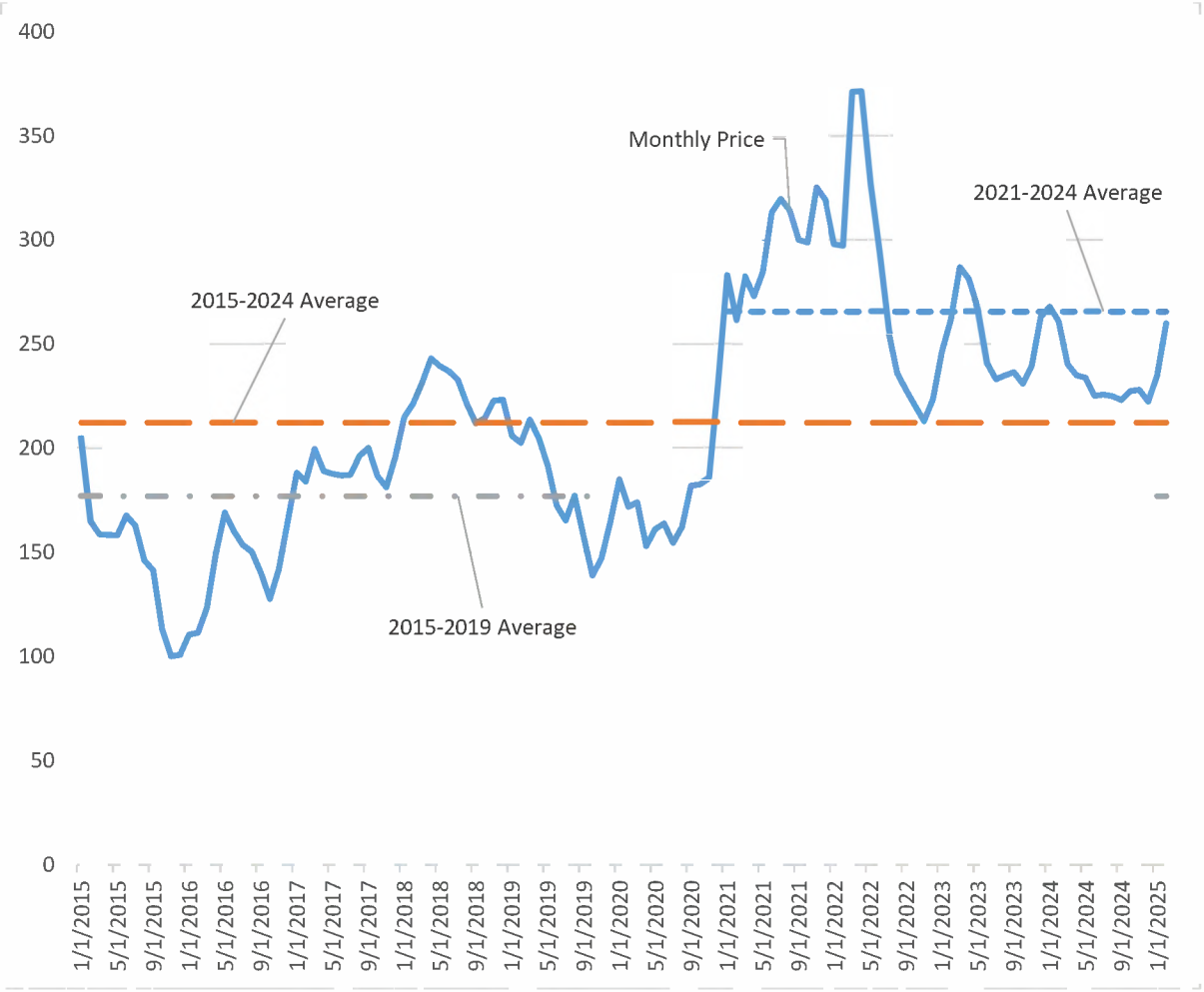
[14] See page 3 of Exhibit WWD-2 to the Direct Testimony of OPC witness Dunkel.

appropriate to consider longer-term average prices, which I believe is even more appropriate today given recent volatility. It is also more appropriate than point-in-time pricing when estimating costs that will occur in the future.

Q. Please provide an example showing why long-term averages are superior to recent spot prices or short-term averages.

A. Figure 1 below provides monthly prices for HMS 80/20 Scrap Steel. Also shown are the most recent 10-year average, and shorter-term averages from before the pandemic and during a time of higher prices following the pandemic and related supply chain and price volatility. As the chart shows, these prices can change significantly, even in a relatively short period. The approach of focusing on longer-term averages is more reasonable to develop price estimates than OPC witness Dunkel's apparent reliance on recent monthly prices.

Figure 1: HMS 80/20 Scrap Steel Prices, 2015-2024



Q. Are there any other issues with OPC witness Dunkel's criticisms of the scrap prices?

A. Yes. While OPC witness Dunkel cites to certain scrap prices, he only cites to one price or index for each type of metal, typically focused on one of the higher prices out of a number of data points. The information we provided and considered included not only long-term prices, but multiple relevant indexes for different types of metal, including links to publicly available local sources for local prices.

Q. What does OPC witness Dunkel cite to for steel prices?

A. Mr. Dunkel cites to a current price of $315, which is the February 2025 market price for both HMS #1 and structural steel. He cites this number from analysis we provided in response to OPC's Ninth Set of Interrogatories No. 272.

Q. Is this the only price in that analysis?

A. No. First, we provided an additional price, for HMS 80/20 steel, which is a blend of heavier and lighter steel. The steel in the dismantlement study includes other types of steel, such as for casings and piping, so it is not appropriate to only focus on structural and HMS #1 steel. The recent market price for HMS 80/20 was $260, lower than the other types of steel. More important, our analysis did not focus on only the most recent price. The average price for the most recent 10 years was $257 for HMS #1 and Structural Steel and $212 for HMS 80/20. This is lower than the price cited by OPC witness Dunkel and, prior to the rise in prices subsequent to the pandemic, prices were even lower (averaging $214 and $177 for HMS #1/Structural and 80/20, respectively). Further, available local prices were lower. Based on the sources previously provided to OPC witness Dunkel, current local salvage prices for #1 & #2 prepared steel are $185 per ton and for unprepared steel is $150 per ton (these prices were lower at the time of the study). The difference between national and local prices helps inform the necessary discounting of national prices to account for the need for incremental transportation to bring metals to market.

As discussed previously, based on the dismantlement technique we assume in the study, we would not expect that 100 percent of the steel would be recovered and that there

would be other debris mixed with the steel. Additionally, the market prices require steel to be cut to a certain size and incremental transport. Based on these factors, the actual price FPL would receive would be lower than the average market price. The $160 per ton price used in the dismantlement study incorporates all of these factors.

Q. What does OPC witness Dunkel cite for aluminum prices?

A. On page 22 of his testimony, OPC witness Dunkel cites to a price of $1,460 per ton. However, this is the February 2025 market price. The most recent 10-year average price was $1,019, which is similar to the $1,000 per ton price used in the 2025 Dismantlement Study. Accounting for incremental transportation and the other factors discussed above for steel, the $1,000 price per ton is reasonable for a long-term estimate of the scrap price for aluminum.

Q. What does OPC witness Dunkel cite to for copper prices?

A. On page 18 of his testimony, OPC witness Dunkel cites to a price of $7,560 price per ton, which is the February 2025 price for #2 copper wiring and tubing. Similar to for steel, this is not the only price. The ten-year average price is $5,635 and the five-year average prior to the pandemic was $4,715. Additionally, we reviewed the index for insulated copper wiring, which had a February 2025 price of $3,120 per ton, an average price from 2015-2024 of $2,326 and a pre-pandemic five-year average price of $1,946. We also reviewed local prices, which include a current local salvage price for #1 wire of $4600/ton and the current local price for #2 communication wire (Cat 5 & 6 wire with insulation) is $2500/ton. The market price should be discounted for reasons similar to those discussed above for steel. For example, copper at the site may include oil and other contaminants or debris that would require preparation for market. The

copper price of $3,000 per ton included in the dismantlement study incorporates these factors.

c. Solar Dismantlement Estimates

Q. Please explain why you used an average cost per plant dismantlement estimate for solar and battery energy storage units as opposed to a per site cost estimate.

A. The reasoning for this approach is that FPL's solar sites generally have the same nameplate capacity of 74.5 MW, similar construction, similar materials and, as such, the scrap value and overall dismantlement costs for every site included in the study will generally be similar, at least on average. Said another way, every solar and battery site included in the study has substantially similar design and operational characteristics, at least in terms of the characteristics that would most significantly affect dismantlement costs. Given the characteristics of the solar and battery fleet, as well as the number of sites on FPL's system, there was not sufficient reason to perform individual analyses for each site as this would be an inefficient method to produce results that would essentially be the same, at least on average, for each location.

Q. Is the approach used for the solar dismantlement estimates consistent with the approach for depreciation for solar facilities?

A. Yes, it is consistent with the approach of developing depreciation rates for these facilities. It is also consistent with the Commission's rule to develop site-specific cost estimates, since average cost estimates are applied to each site similar to other types of generation. I note that the Commission recently approved depreciation rates for Tampa

Electric Company ("TECO")[15] that were consistent with the mass property approach for solar and, further, that OPC witness Dunkel agrees with this approach for depreciation. Our approach for solar dismantlement is also consistent with this approach for depreciation. Additionally, for FPL, there is an even stronger case for a mass property approach for depreciation than for TECO, since FPL will soon have more than 200 solar facilities.

As part of the process of developing the dismantlement study, I have performed site visits for FPL solar facilities, which have also been included in depreciation studies I have performed or worked on for FPL over the past two decades. Throughout this time, I have discussed these facilities with FPL subject matter experts and have become familiar with many aspects of the solar facilities. The facilities are substantially similar enough that they will, on average, have similar quantities of components that most affect dismantlement costs (e.g., number of panels, amount of steel, etc.).

Based on these considerations, the approach we used in the 2025 Dismantlement Study is most appropriate to develop cost estimates for FPL's solar facilities. We built ground-up estimates based on a facility that Gannett Fleming's subject matter experts visited. For components of this estimate that were applicable, on average, to the rest of FPL's fleet, we applied similar assumptions. For those that varied, such as the amount of acreage for which grading and seeding would be needed, we used average quantity estimates. This approach provides reasonable estimates to use across the more

[15] Commission Order No. PSC-2025-0038 in Docket No. 20240026-EI.

than 200 facilities for which future dismantlement costs will be accrued but incorporates efficiencies in performing the dismantlement study. Stated differently, if we had developed individual cost estimates for every facility, it would have taken more effort and a significantly higher cost but would not have attained improved accuracy for the total cost to dismantle the solar fleet over the next three decades.

Q. Is there any merit to Mr. Dunkel's argument that the approach used for solar facilities favors a negative contingency?

A. No. Our approach appropriately considered inputs to the dismantlement estimates that would vary from site to site as well as the similarities across sites. Mr. Dunkel's argument that our approach results in higher costs is incorrect, which is supported by the fact that our estimates are somewhat lower than those in the prior dismantlement study in inflation-adjusted terms. Further, Mr. Dunkel's only adjustment is to the contingency. However, the approach we used in the Dismantlement Study would, if anything, require a higher positive contingency than performing ground-up estimates for every site because, for example, site-specific assessment of soils and other factors have not been made.

Q. Does this conclude your rebuttal testimony?

A. Yes.