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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20200092-EI

Storm Protection Plan Cost
Recovery Clause.
________________________________/

VOLUME 1

PAGES 1 - 176

PROCEEDINGS: HEARING

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

DATE: Tuesday, October 6, 2020

TIME: Commenced: 1:05 p.m.
Concluded: 1:31 p.m.

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: DEBRA R. KRICK
Court Reporter

PREMIER REPORTING
114 W. 5TH AVENUE
TALLAHASSEE, FLORIDA
(850) 894-0828

APPEARANCES:

RUSSELL A. BADDERS, ESQUIRE, One Energy Place, Pensacola, FL, 32520 and JASON A. HIGGINBOTHAM, JOHN T. BURNETT and CHRISTOPHER T. WRIGHT, ESQUIRES, 700 Universe Boulevard, Juno Beach, Florida 33408-0420, appearing on behalf of Florida Power & Light (FPL) and Gulf Power Company (Gulf).

J.R. KELLY, PUBLIC COUNSEL; PATRICIA A. CHRISTENSEN and THOMAS A. (TAD) DAVID, ESQUIRES, OFFICE OF PUBLIC COUNSEL, c/o The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400, appearing on behalf of the Citizens of the State of Florida (OPC).

STEPHANIE U. EATON, ESQUIRE, 110 Oakwood Drive, Suite 500, Winston-Salem, North Carolina 27103, and DERRICK PRICE WILLIAMSON, ESQUIRE, 1100 Bent Creek Boulevard, Suite 101, Mechanicsburg, Pennsylvania 17050, appearing on behalf of Walmart, Inc. (Walmart).

JON C. MOYLE, JR., ESQUIRE, Moyle Law Firm, 118 North Gadsden Street, Tallahassee, Florida 32301, appearing on behalf of Florida Industrial Power Users Group (FIPUG).

APPEARANCES (CONTINUED):

MALCOM M. MEANS, ESQUIRES, Ausley & McMullen, Post Office Box 391, Tallahassee, Florida 32302, appearing on behalf of Tampa Electric Company (TECO).

SHAW STILLER and JENNIFER CRAWFORD, ESQUIRES, FPSC General Counsel's Office, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, appearing on behalf of the Florida Public Service Commission (Staff).

KEITH C. HETRICK, GENERAL COUNSEL; MARY ANNE HELTON, DEPUTY GENERAL COUNSEL, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, advisor to the Florida Public Service Commission.

I N D E X

WITNESSES

EXHIBITS

NUMBER:		ID	ADMITTED
1	Comprehensive Exhibit List	19	20
2-19	As identified in the comprehensive exhibit list	19	
2-13	As identified in the comprehensive exhibit list		20
19	As identified in the comprehensive exhibit list		20
14-18	As identified in the comprehensive exhibit list		174

P R O C E E D I N G S

CHAIRMAN CLARK: All right. It looks like everybody has made it back. We see half of Commissioner Brown. There we go. There is the whole -- there is the other half.

All right. We will go ahead and convene this hearing this afternoon. I will ask staff if they would to please read the notice.

MR. STILLER: Pursuant to notice, this time and place has been set for hearing in Docket No. 20200092-EI. The purpose of the hearing is set out in the notice.

CHAIRMAN CLARK: All right. We will take appearances, beginning with FPL and Gulf Power. Are the parties on the line?

MR. HIGGINBOTHAM: Yes. Good afternoon. My apologies.

This is Jason -- this is Jason Higginbotham. I am entering appearances for both Florida Power & Light Company and Gulf Power Company today. I would also like to enter the following additional appearances for Florida Power & Light Company, John Burnett and Christopher Wright, and for Gulf Power Company, Russell Badders and also John Burnett.

CHAIRMAN CLARK: Thank you, Mr. Higginbotham.

OPC.
MS. CHRISTENSEN: Good afternoon. Patty Christensen with the Office of Public Counsel. I would also like to put an appearance for J.R. Kelly, the Public Counsel, and Tad David for Gulf.
CHAIRMAN CLARK: Thank you, Ms. Christensen.
Walmart.
MS. EATON: Good afternoon. This is Stephanie Eaton on behalf of Walmart, and I am entering an appearance also for Derick Williamson, and our witness Lisa Perry is here with us as well.
COMMISSIONER GRAHAM: Thank you very much.
Staff.
MR. STILLER: Shaw Stiller for staff. I would also like to enter an appearance for Jennifer Crawford.
MS. HELTON: And, Mr. Chairman, Mary Anne Helton is here as your Advisor, along with General Counsel Keith Hetrick.
CHAIRMAN CLARK: All right. Thank you, did we get everyone?
MR. MOYLE: Mr. Chairman, Jon Moyle on behalf of the Florida Industrial Power Users Group, FIPUG.
CHAIRMAN CLARK: All right. Thank you, Mr. Moyle. Sorry I overlooked you.

MR. MEANS: And, Mr. Chairman, this is Malcolm Means with the Ausley McMullen law firm here on behalf of Tampa Electric.

CHAIRMAN CLARK: Do we have appearances from these folks in this docket?

MR. STILLER: Mr. Chair, they are not signatories to the agreement. They take no position. They are participating audio only for purposes of answering questions or receiving comments from --

CHAIRMAN CLARK: Okay. Thank you very much.

All right. Any preliminary matters?

MR. STILLER: Yes, Mr. Chair. Staff notes for the record that state buildings are currently closed for the public, and other restrictions on gatherings remain in place due to COVID-19. Accordingly, this hearing is being conducted remotely, and all parties will make their presentations by communications media technology.

Members of the public who want to observe or listen to this hearing may do so by accessing the live video broadcast which is available from the Commission website. Upon completion of the hearing, the archived video will also be available.

Staff additionally notes that each person participating today needs to keep their phone or device muted when they are not speaking and only unmute when they are called upon to speak. If they do not keep their phone muted, or put their phone on hold, they may be disconnected from the proceeding and will need to call back in. Also, telephonic participants should speak directly into their phone and not use their speakerphone.

Staff would also note that this Commission has previously approved settlements in this docket for Tampa Electric Company and Duke Energy. The agreement before the Commission at this hearing includes the final two utilities who filed petitions in the 2020 storm protection plan cost recovery clause docket. If the Commission approves this agreement, all substantive issues in Docket No. 20200092-EI as to all utilities will have been addressed. Commission consideration of this docket should be concluded for calendar year 2020.

Staff is not aware of any further preliminary matters?

CHAIRMAN CLARK: All right. What's the current status of the proceeding?

MR. STILLER: The joint motion for expedited approval of a stipulation and settlement agreement before the Commission today was filed in Docket No. 20200092-EI, the Storm Protection Plan Cost Recovery Clause docket. The parties to the joint motion and attached stipulation and settlement agreement are Florida Power & Light Company, Gulf Power Company, the Office of Public Counsel and Walmart.

Duke Energy Florida, Tampa Electric Company, the Florida Industrial Power Users Group and White Springs Agricultural Chemicals, Inc., doing business as PCS Phosphate White Springs, are the other parties to this docket and take no position regarding the agreement. No parties to this docket oppose the motion or agreement.

The parties to the agreement contend that its approval is in the public interest and request approval of the agreement without modification.

CHAIRMAN CLARK: All right. Thank you, Mr. Stiller.

All right. We are going to move on to opening arguments. Each party is going to be allowed five minutes for their opening statements. We are going to begin with Florida Power & Light and Gulf. They are going to make a joint presentation first. We will follow that with OPC and then Walmart.

Mr. Higginbotham, you have the floor.

MR. HIGGINBOTHAM: Thank you. Good morning, Commissioners -- or, excuse me good, afternoon, Commissioners. My name is Jason Higginbotham, and I will be providing a joint opening statement on behalf of both FPL and Gulf.

We are here today on the joint motion of OPC, FPL, Gulf and Walmart seeking Commission approval of a stipulation and settlement. FPL and Gulf believe that the settlement is in the public interest and respectfully request Commission approval. The terms and conditions of the stipulation and settlement agreement are straightforward, however, I appreciate the opportunity to provide you with a brief summary of the agreement.

Today's proposed settlement addresses the remaining SPPCRC issues not covered in the FPL and Gulf settlement that the Commission approved on August 10th of this year. Under the terms of the settlement before you today, the parties have reached an agreement on the following terms:

First, the parties agree that FPL's and Gulf's 2021 SPPCRC factors and costs included for recovery in the respective 2021 SPPCRC factors are consistent with the settlement approved by the Commission on August 10th.

Additionally, the parties agree that the SPPCRC factors are demand charges for rates classes that have base rate demand charges consistent with the August 10th settlement.

Second, the parties agree that the SPP projects projected to be performed during 2021 are reasonable, consistent with FPL's and Gulf's respective -- Gulf's respective SPPs as modified by the settlement approved on August 10th, and are eligible for recovery through the 2021 SPPCRC factors subject to a prudence review and final true-up.

Third, the parties agree that FPL's and Gulf's calculation of the weighted average of cost of capital to be applied to capital investments as well as their separation and allocation of costs to be recovered through the 2021 SPPCRC factors are in accord with certain applicable and controlling prior Commission orders.

Fourth, the parties agree that FPL's and Gulf's projected 2021 SPPCRC factors are reasonable and should be approved subject to true-up in a future SPPCRC proceeding, and that the effective date for billing purposes of the proposed SPPCRC factors shall be January 1, 2021, which shall continue until modified by subsequent Commission order.

The settlement provisions fully resolve all remaining matters and issues in this docket. To the extent that staff or any of the Commissioners have further questions about the settlement, we have Gulf witness Michael Spoor and FPL witness Michael Jarro here to answer any questions about the SPP 2021 projects for which FPL and Gulf are seeking recovery through the SPPCRC, and witnesses Elizabeth Fuentes and Renae Deaton here to answer any questions about the SPP costs included in the SPPCRC factors, as well as the calculation and application of the SPPCRC factors.

I would like to close by thanking OPC and Walmart for their efforts in helping us reach the settlement. We also appreciate the Commission staff's review and analysis of the documents that have been filed in this matter, as well as their support and guidance as we prepared for this hearing.

Commissioners, we respectfully request your approval of the stipulation and settlement agreement, and we thank you for your time and attention today.

CHAIRMAN CLARK: Thank you, Mr. Higginbotham.

Ms. Christensen.

MS. CHRISTENSEN: Good afternoon, Commissioners. Patty Christensen for the Office of Public Counsel, representing the ratepayers of Florida Power & Light and Gulf Company. And I would also like to note that I am making my remarks on behalf of J.R. Kelly, the Public Counsel, and for Tad David for Gulf Company.

OPC would like to thank our counter-parties to this negotiation that FPL and Gulf, and we appreciate Walmart's participation in the settlement.

At the August 10th, 2020 hearing, this Commission granted the joint motion for approval of stipulation and settlement filed by OPC, FPL, Gulf and Walmart, which resolved all of the issues in dockets number 20200070 for Gulf's SPP and 20200071 for FPL's SPP, and partially resolved issues related to FPL and Gulf in the SPPCRC proceeding in Docket No. 20200092.

On August 27th, 2020, OPC, FPL, Gulf and Walmart filed our joint motion for expedited approval of the stipulation and settlement which resolved the remaining issues related to FPL and Gulf in the SPPCRC proceeding in this docket.

As stated in the motion, OPC conducted extensive discovery in both the SPP and SPPCRC docket. As a result of our review and analysis, and of the testimonies filed in the SPP and SPPCRC dockets, including our own OPC expert witness testimony filed in the SPP docket, and the extensive discovery filed in relation to both the SPP and the SPPCRC dockets, OPC is confident that the resolution of the remaining issues related to FPL and Gulf in the SPPCRC docket is in the best interest of all the customers of FPL and Gulf.

OPC reviewed the SPPCRC filing and verified to the best of our ability that the SPPCRC factor and filings are consistent with the Commission's approved settlement in the SPP docket in dockets numbers 20200070 and 20200071.

The parties agree that OPC retains the right to challenge the prudence of the actual SPP costs incurred by FPL and Gulf in the final true-up of the 2021 SPPCRC factors. This includes the prudence of the actual implementation costs in the final true-up of the 2021 SPPCRC factor for programming, administrative and additional resource costs. Because of these features, as well as others contained in the settlement, OPC believes that this commission should approve the settlement as being in the public interest.

Thank you very much.

CHAIRMAN CLARK: Thank you, Ms. Christensen.

Ms. Eaton.

MS. EATON: Good afternoon. On behalf of Wal-Mart, Inc., I am here to make this opening statement in this Storm Protection Plan Cost Recovery Clause docket.

Walmart has participated in the storm protection plan dockets that were filed by Gulf Power Company, which was 20200070, and Florida Power & Light, which was 20200071, as well as has participated in this docket, 20200092.

In connection with the storm protection plan dockets, Walmart filed direct testimony of Lisa V. Perry and her Exhibit LVP-1 on May 26th, 2020, and Ms. Perry's supplemental Exhibit LVP-2 on July 20th, 2020 -- excuse me, July 27, 2020.

Further, in the clause docket, Walmart filed the direct testimony of Steve W. Chriss on August 28th, 2020, along with Mr. Chriss' Exhibits

SWC-1, 2 and 3.

In connection with this clause docket, Walmart has entered into two settlement agreements with FPL and Gulf. On July 27th, Walmart joined FPL, Gulf and OPC in settling contested issues in the storm protection plan dockets as well as this storm protection plan cost recovery clause docket. And as the parties have noted thus far, on August 27th, 2020, Walmart has joined FPL, Gulf and OPC in settling the agreement that is put before the Commission in staff Exhibit No. 19.

The July 27th, 2020, settlement agreement addressed the contested issues that were raised in Ms. Perry's testimony regarding collaboration with Walmart to discuss and evaluate new potential SPP programs prior to filing its next SPP.

Further, the July 27th, 2020, agreement addressed Mr. Chriss' contested issue regarding an energy versus demand charge, in which Gulf has agreed to charge demand customers demand charges.

In the July 27th, 2020, agreement, paragraphs 21 and 27 address Walmart's issues, and the July 27th, 2020, agreement was approved by this commission on August 10th. This pending August 27, 2020, settlement incorporates by reference the prior settlement agreement of July 27, 2020, in paragraph four-- 14, excuse me, on page four, and it reiterates FPL's and Gulf's agreements regarding the use of demand charges that were set forth in the prior settlement agreement. And those are set forth in paragraph three on page five for FPL, and in paragraph 14 on page seven for Gulf.

Remaining changes to the parties' 7/27/2020 settlement agreement were primarily addressing issues that OPC has addressed in their opening remarks, and Walmart had no issue with those changes.

As to each settlement agreement that Walmart entered in this docket, Walmart believes that the agreements considered as a whole fairly and reasonably balance the interest of customers and the utilities, and are consistent with the stated purpose and intent of Section 366.96 of the Florida Statutes.

Approving the settlement agreement is consistent with the Commission's longstanding policy of encouraging the settlement of contested proceedings in a manner that benefits the customers of the utility subject to the Commission's regulatory jurisdiction. Accordingly, the settlement agreement at issue in this hearing is in the public interest and should be approved.

Walmart appreciates the opportunity to participate in these proceedings, and the time and efforts of the Commission, the staff and the other parties involved in this docket, and particularly FPL, Gulf and OPC.

Walmart's witness, Ms. Perry, is available to answer any questions the PSC may have.

Thank you.

CHAIRMAN CLARK: All right. Thank you, Ms. Eaton.

Okay. Let's move to marking and moving the exhibits. Mr. Stiller.

MR. STILLER: Staff has prepared a comprehensive exhibit list which includes Exhibits 1 through 19. The list and the identified exhibits have been provided to the parties, Commissioners and the court reporter.

Staff requests that the comprehensive exhibit list itself be marked as Exhibit No. 1, as all subsequent exhibits mark as identified on the list.

CHAIRMAN CLARK: All right. Exhibits shall be marked as identified.

(Whereupon, Exhibit Nos. 1-19 were marked for identification.)

MR. STILLER: It is staff's understanding that the parties do not object to the entry of Exhibits 1 through 19. At this time, staff requests that Exhibits 1 through 13 and Exhibit 19 be entered into the record. Staff requests that those exhibits be entered into the record at this time.

CHAIRMAN CLARK: Without objection, they are moved into the record.

(Whereupon, Exhibit Nos. 1-13 & 19 were received into evidence.)

MR. STILLER: Mr. Chair, the parties have also requested that the prefiled direct testimony of FPL witnesses Michael Jarro, Liz Fuentes and Renae B. Deaton, and also the prefiled direct testimony of Gulf witnesses Michael Spoor, Liz Fuentes, Renae B. Deaton be entered into the record as though read.

CHAIRMAN CLARK: Is there any objection?

Seeing none, all of the testimony is entered into the record.

(Whereupon, prefiled direct testimony of FPL witness Michael Jarro was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

DIRECT TESTIMONY OF MICHAEL JARRO

DOCKET NO. 20200092-EI

JULY 24, 2020

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Michael Jarro. My business address is Florida Power & Light Company, 15430 Endeavor Drive, Jupiter, FL, 33478.

Q. By whom are you employed and what is your position?

A. I am employed by Florida Power & Light Company ("FPL" or the "Company") as the Vice President of Distribution Operations.

Q. Please describe your duties and responsibilities in that position.

A. My current responsibilities include the operation and maintenance of FPL's approximately 68,000 miles of distribution infrastructure, including 42,000 miles of overhead and 26,000 miles of underground, that safely, reliably, and efficiently deliver electricity to more than five million customers in FPL's service territory covering approximately 28,000 square miles. I am responsible for the oversight of more than 1,600 employees in a control center and sixteen management areas. The functions and operations within my area are quite diverse and include distribution operations, major projects and construction services, power quality, meteorology, and other operations that together help provide the highest level of service to FPL's customers.

Q. Please describe your educational background and professional experience.

A. I graduated from the University of Miami with a Bachelor of Science Degree in Mechanical Engineering and Florida International University with a Master of

Business Administration. I joined FPL in 1997 and have held several leadership positions in distribution operations and customer service, including serving as distribution reliability manager, manager of distribution operations for the south Miami-Dade area, control center general manager, director of network operations, senior director of customer strategy and analytics, senior director of power delivery central maintenance and construction, and vice-president of transmission and substations.

Q. Have you previously testified before the Florida Public Service Commission ("PSC" or the "Commission")?

A. Yes, I submitted written direct testimony on April 10, 2020, and written rebuttal testimony on June 26, 2020, in support of FPL's 2020-2029 Storm Protection Plan ("SPP") filing in Docket No. 20200071-EI.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to describe FPL's 2021 SPP programs and associated costs, and explain how those activities and costs are consistent with FPL's SPP filed at Docket No. 20200071-EI.

Q. Are you sponsoring any schedules in this case?

A. Yes. I am sponsoring Exhibit MJ-1 – FPL's Storm Protection Plan 2020-2029 that was filed with and is currently pending before the Commission in Docket No. 20200071-EI. I am also sponsoring Exhibit MJ-2 – Storm Protection Plan Work Projected to be Completed in 2021. Finally, I am co-sponsoring portions of Form 6P - Program Description and Progress Report that is included in FPL witness Renae Deaton's Exhibit RBD-1.

II. FPL'S STORM PROTECTION PLAN PROGRAMS AND ASSOCIATED COSTS

Q. Please describe FPL's SPP.

A. FPL's 2020-2029 SPP was filed in Docket No. 20200071-EI on April 10, 2020, and corrected by Errata filed on May 12, 2020 and a Second Errata filed on July 13, 2020. FPL's SPP is a systematic approach to achieve the legislative objectives in Section 366.96, Florida Statutes ("F.S"), to reduce restoration costs and outage times associated with extreme weather events. FPL's SPP provides all of the information required by Rule 25-6.030, Florida Administrative Code ("F.A.C."), including, but not limited to the estimated number of projects and costs associated for each SPP program for each year of the SPP. A true and correct copy of FPL's SPP, as corrected by the Errata filed on May 12, 2020 and a Second Errata filed on July 13, 2020, is attached to my direct testimony as Exhibit MJ-1. FPL's SPP is currently pending before the Commission in Docket No. 20200071-EI.

Q. What programs are included in FPL's SPP?

A. FPL's SPP includes the following eight SPP programs:

- Pole Inspections – Distribution Program
- Structures/Other Equipment Inspections – Transmission Program
- Feeder Hardening (EWL) – Distribution Program
- Lateral Hardening (Undergrounding) – Distribution Program
- Wood Structures Hardening (Replacing) – Transmission Program
- Vegetation Management – Distribution Program

- Vegetation Management – Transmission Program
- Substation Storm Surge/Flood Mitigation Program

The type of activities and scope for each of these SPP programs are described in detail in Exhibit MJ-1 and Form 6P - Program Description and Progress Report.

Q. Is FPL seeking to recover any actual SPP costs incurred for the prior year through the Storm Protection Plan Cost Recovery Clause ("SPPCRC")?

A. No. The prior year would be the year-ended December 31, 2019. Pursuant to Rule 25-6.031(6)(a), F.A.C., the utility is only permitted to seek recovery of SPP costs incurred after the filing date of the SPP. In this case, FPL's SPP was filed on April 10, 2020, and it is the first SPP that has been filed. Therefore, there is no "prior year" (2019) applicable to the SPPCRC in this proceeding. As such, the actual or prior year costs will not be further addressed.

Q. Is FPL seeking to recover any actual/estimated SPP project costs for the current year of the SPP through the SPPCRC?

A. No. Although SPP costs incurred after April 10, 2020, are eligible for recovery under Rule 25-6.031(6)(a), F.A.C., FPL has committed and previously advised parties that it will not seek recovery of the 2020 SPP project costs through the SPPCRC. Therefore, the actual/estimated project costs (i.e., 2020 SPP project costs) will not be further addressed.

Q. Is FPL seeking to recover any projected SPP costs through the SPPCRC?

A. Yes. As described by FPL witness Liz Fuentes, FPL is requesting Commission approval to recover the projected 2021 SPP capital expenditures through the

SPPCRC. FPL is not seeking to recover any of the 2021 SPP Operations and Maintenance ("O&M") expenses or cost of removal through the 2021 SPPCRC.

Q. Has FPL provided details on the annual SPP programs and associated costs?

A. Yes. This information is provided in Form 6P - Program Description and Progress Report, which is a form prescribed by Commission Staff. For each SPP program, Form 6P describes the program activities, identifies the fiscal expenditures incurred to date, reports on the progress for the current year, and provides a projection of work to be completed and the associated costs for the subsequent year.

Q. Has FPL provided a description of the work projected to be performed in 2021 for each SPP program?

A. Yes. FPL has identified the work projected to be performed in 2021 for certain of its SPP programs. FPL's Pole Inspections - Distribution Program, Structures/Other Equipment Inspections – Transmission Program, Vegetation Management – Distribution Program, and Vegetation Management – Transmission Program, are on-going annual inspection and vegetation management programs that do not have project components and, instead, are completed on a cycle-basis throughout FPL's service territory as explained further in Exhibit MJ-1 and Form 6P - Program Description and Progress Report. As such, these four SPP programs that do not lend themselves to identification of specific projects to be performed.

With respect to the other four programs included in FPL's SPP (Feeder Hardening (EWL) – Distribution Program, Lateral Hardening (Undergrounding) – Distribution Program, Wood Structures Hardening (Replacing) – Transmission Program, and

Substation Storm Surge/Flood Mitigation – Program), FPL has identified the work projected to be performed in 2021 for each of these four SPP programs. These projections are provided in Exhibit MJ-2 attached to my testimony. However, the SPP projects that will actually be completed in 2021 could vary based on a number of factors, including, but not limited to: permitting; easement issues; change in scope; resource constraints (i.e., labor & material); and/or extreme weather events. Any such variances will be addressed in FPL's 2021 actual/estimated filing to be submitted in 2021, and the final 2021 true-up filing to be submitted in 2022.

Q. Are the SPP activities and costs estimated for 2021 consistent with FPL's SPP?

A. Yes. The number of projects and costs estimated for each SPP program during 2021 are consistent with those described in FPL's SPP as shown in Appendix C to Exhibit MJ-1 and Form 6P - Program Description and Progress Report. I note that the forecasted 2021 capital costs provided in FPL's SPP included the cost of removal, which was based on historical averages. As explained by FPL witness Fuentes, FPL is not seeking to recover the cost of removal through the SPPCRC.

As of the time I prepared my direct testimony, FPL is not aware of any variances in the number of SPP projects or SPP costs estimated for 2021. However, as I previously stated, the number of SPP projects that will actually be completed in 2021, as well as the associated SPP costs, could vary based on a number of factors. Additionally, it should be noted that the 2021 program costs are the projected costs estimated as of the April 10, 2020 filing date of FPL's SPP, and the actual SPP program costs incurred could vary. Consistent with Rule 25-6.031, F.A.C., the actual SPP costs incurred by FPL in 2021 will be addressed and decided in FPL's final 2021 true-up filing, which will be submitted in 2022.

Q. How will FPL record and track the costs incurred for its SPP projects and programs approved for recovery through the SPPCRC?

A. As described by FPL witness Fuentes in her testimony, FPL has established the appropriate accounting framework to distinguish which costs are recoverable through the SPPCRC and how they will be recorded on its books and records beginning January 1, 2021. In accordance with this accounting framework, FPL has created unique master data in its systems (i.e., work order type and work breakdown structure) to record and track activity performed by employees and contractors for SPP projects approved for recovery through SPPCRC. All capital expenditures for SPP projects starting in 2021 will be recorded to master data tagged for recovery through the SPPCRC while O&M expenses and cost of removal will be recorded to master data tagged for recovery through base rates.

Q. Does this conclude your direct testimony?

A. Yes.

(Whereupon, prefiled direct testimony of FPL witness Liz Fuentes was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

DIRECT TESTIMONY OF LIZ FUENTES

DOCKET NO. 20200092-EI

JULY 24, 2020

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Liz Fuentes, and my business address is Florida Power & Light Company ("FPL" or the "Company"), 9250 West Flagler Street, Miami, Florida, 33174.

Q. By whom are you employed and what is your position?

A. I am employed by FPL as Senior Director, Regulatory Accounting.

Q. Please describe your duties and responsibilities in that position.

A. I am responsible for planning, guidance, and management of most regulatory accounting activities for FPL and Gulf Power Company. In this role, I ensure that financial books and records comply with multi-jurisdictional regulatory accounting requirements and regulations.

Q. Please describe your educational background and professional experience.

A. I graduated from the University of Florida in 1999 with a Bachelor of Science Degree in Accounting. That same year, I was employed by FPL. During my tenure at the Company, I have held various accounting and regulatory positions of increasing responsibility with the majority of my career focused in regulatory accounting and the calculation of revenue requirements. Specifically, I have provided accounting support in multiple FPL retail base rate filings and other regulatory dockets filed at the Florida Public Service Commission ("FPSC" or the "Commission") as well as the Federal Energy

Regulatory Commission ("FERC"). My responsibilities have included the management of the accounting for FPL's cost recovery clauses and the preparation, review and filing of FPL's monthly Earnings Surveillance Reports ("ESR") at the FPSC. I am a Certified Public Accountant ("CPA") licensed in the Commonwealth of Virginia and am a member of the American Institute of CPAs. I have previously filed testimony before the Commission for FPL's Solar Base Rate Adjustments related to the solar photovoltaic projects placed in service in 2018 and 2020 (Docket Nos. 20170001-EI and 20190001-EI) and request for approval of the Indiantown Transaction (Docket No. 160154-EI).

Q. What is the purpose of your testimony?

A. The purpose of my direct testimony is to explain how the Company determined the amount of forecasted 2021 Storm Protection Plan ("SPP") costs incremental from its base rates for which it is seeking recovery through the Storm Protection Plan Cost Recovery Clause ("SPPCRC") in its 2021 Projection filing. I will also explain how the Company will uniquely identify and record costs to be recovered through the SPPCRC beginning in 2021. In addition, I will explain and provide support for the calculation of the projected 2021 Weighted Average Cost of Capital ("WACC") to be used in order to calculate the return on 2021 SPPCRC capital investments.

Q. Please summarize your testimony.

A. In order to determine the amount of 2021 SPP program costs eligible for recovery through the SPPCRC, FPL has compared the forecasted 2021 SPP capital expenditures presented in Exhibit MJ-1 – FPL's Storm Protection Plan 2020-2029 attached to the testimony of FPL witness Michael Jarro, which was filed with and is currently pending before the Commission in Docket No. 20200071-EI (the "SPP Filing"), to the amount of capital expenditures for storm hardening projects included for recovery in FPL's most recent base rate filing and actual storm hardening capital expenditures incurred for the period of 2018 through 2019 and forecasted 2020. Based on this analysis, FPL has determined that all forecasted 2021 SPP capital expenditures are incremental to the amount currently recovered in base rates and, therefore, recoverable through the SPPCRC. Also, FPL is not seeking SPPCRC recovery of any forecasted 2021 SPP program Operations & Maintenance ("O&M") expenses and will address the recovery of those expenses during its next base rate proceeding. FPL has also identified incremental costs that are necessary to implement the tracking and reporting of costs recoverable through SPPCRC and has included them for recovery in its 2021 Projection Filing. In addition, FPL has calculated and applied a projected WACC to calculate a return on the 2021 SPPCRC capital investments in accordance with Commission Order No. PSC-2020-0165-PAA-EU, Docket No. 20200118-EU, issued on May 20, 2020 (the "WACC Order").

Q. Are you sponsoring or co-sponsoring any exhibits in this case?

A. Yes. I am sponsoring or co-sponsoring the following exhibits:

- LF-1 – Determination of Cost Recovery through the SPPCRC;
- LF-2 – 2021 SPPCRC Capital Costs;

- LF-3 – Forecasted 2021 Weighted Average Cost of Capital; and
- Co-Sponsoring Form 6P - Program Description and Progress Report included in FPL witness Renae Deaton's Exhibit RBD-1.

II. DETERMINATION OF 2021 SPPCRC RECOVERABLE COSTS

Q. Please explain why it is necessary to determine the amount of SPP costs that are incremental to base rates.

A. Rule 25-6.031(6)(b), F.A.C., provides that "Storm Protection Plan costs recoverable through the clause shall not include costs recovered through the utility's base rates or any other cost recovery mechanism." Therefore, consistent with the requirements the Commission's Rule, it is necessary to demonstrate that any costs sought to be recovered through the SPPCRC are not being recovered in FPL's current base rates.

Q. Has FPL determined the amount of SPP costs being recovered through base rates?

A. Yes.

Q. Please explain the method FPL used to determine the amount of SPP costs currently included in its base rates.

A. FPL's current base rates were established pursuant to a Stipulation and Settlement Agreement approved by the Commission in Order No. PSC-16-0560-AS-EI, Docket No. 160021-EI (the "2016 Settlement Agreement"). The 2016 Settlement Agreement resulted in base rates lower than those presented by FPL in its Minimum Filing Requirements ("MFRs") in that docket. Nonetheless, for purposes of determining the level of SPP costs embedded in FPL's current base rates, FPL relied upon the amount of storm hardening costs included in its 2018 Subsequent Year MFRs filed in Docket No. 160021-EI as a conservative proxy to determine the maximum amount of SPP costs that could possibly be currently included in its base rates. To the extent FPL has exceeded the level of storm hardening costs included in its MFRs, any amount above those levels would be considered incremental SPP costs eligible to be recovered through the SPPCRC.

Q. Is FPL seeking recovery of any forecasted 2021 SPP program O&M expenses in its request for SPPCRC recovery in this proceeding?

A. No. FPL is not seeking recovery of any forecasted 2021 SPP program O&M expenses through the SPPCRC. FPL will evaluate whether it intends to seek recovery of future SPP program O&M expenses through the SPPCRC during its next base rate proceeding.

Q. Is FPL seeking recovery of any forecasted 2021 SPP capital costs in its request for SPPCRC recovery in this proceeding?

A. Yes.

Q. How did FPL determine the amount of forecasted 2021 SPP capital costs eligible for recovery through the SPPCRC?

A. As reflected on Exhibit LF-1, FPL identified historical capital expenditures for each of its SPP programs and split 2020 forecasted SPP capital costs between capital expenditures and cost of removal. FPL then compared the amount of forecasted capital expenditures for storm hardening projects in its 2018 Subsequent Year MFRs filed in Docket No. 160021-EI to the cumulative amount of actual capital expenditures for the years ended 2018 through 2019 and forecasted 2020 in order to determine whether any of its forecasted 2021 SPP capital expenditures are incremental to base rates and eligible for SPPCRC recovery. Based on this comparison, FPL is expected to incur a total of $2.0 billion in SPP capital expenditures for the period of 2018 through 2020, which is approximately $1.1 billion more than the maximum amount included in its MFRs. In addition, each of FPL's SPP programs individually exceeded the maximum capital amount forecasted in the 2018 Subsequent Year MFRs. Therefore, all of FPL's forecasted 2021 SPP capital expenditures, in total and by SPP program, are eligible for SPPCRC recovery.

Q. Did FPL include all of its forecasted 2021 SPP capital expenditures in its request for recovery through the SPPCRC in this proceeding?

A. Yes. As reflected on Exhibit LF-2, FPL included all forecasted 2021 SPP capital expenditures for recovery through the SPPCRC.

Q. Has FPL forecasted an amount for the cost of removal of existing assets associated with its SPP programs?

A. Yes. As reflected on Exhibit LF-2, FPL has forecasted a total of $128.8 million of cost of removal for existing assets associated with its SPP programs for 2021.

Q. Did FPL include any of its forecasted 2021 cost of removal in its request for recovery through the SPPCRC in this proceeding?

A. No. Since the cost of removal associated with existing assets being removed in 2021 as a result of FPL's SPP programs was recovered from customers through base rates as a component of depreciation expense, FPL has excluded cost of removal from SPPCRC recovery in this proceeding. Cost of removal related to FPL's SPP programs incurred in 2021 will be reflected as base rate recoverable costs.

Q. Did FPL reflect an amount for the retirement of existing assets in its request for recovery of 2021 SPPCRC costs in this proceeding?

A. No. The retirement of existing assets as a result of FPL's SPP programs occurring during 2021 are not included in FPL's forecasted 2021 SPP costs requested for recovery through the SPPCRC. Retirements occurring in 2021 will remain as a base rate activity since those assets are currently being recovered through base rates and will be incorporated into the calculation of revenue requirements in FPL's next base rate proceeding.

Q. Did FPL include a beginning balance for Construction Work In Progress ("CWIP") for any of its SPP programs in its 2021 SPPCRC Projection filing?

A. No. Since FPL committed to not seek recovery of any SPP project costs incurred in 2020, FPL did not include forecasted beginning balances of CWIP for any of its SPP programs in the 2021 SPPCRC Projection filing.

Q. What is the total amount of forecasted 2021 SPP capital expenditures FPL included in its calculation of SPPCRC revenue requirements?

A. As reflected on Exhibit LF-2, the total amount of forecasted 2021 SPP capital expenditures included for recovery in the 2021 Projection Filing is $886.6 million. This amount is included in the calculation of the revenue requirements on Exhibit RBD-1 of FPL witness Deaton.

Q. How will FPL track SPP costs approved for recovery through the SPPCRC starting January 1, 2021?

A. As required by Rule 25-6.031(5), F.A.C., FPL has created new FERC subaccounts to ease the recording and tracking of capital expenditures, accumulated depreciation, depreciation expense, and O&M expenses for SPP costs approved for recovery through the SPPCRC. In addition, FPL has created a new Business Area within its SAP accounting system which provides another way to identify and report all SPP costs approved for recovery through the SPPCRC. The methodology described above is consistent with how FPL records and tracks costs recoverable through other clause recovery mechanisms such as the Environmental Cost Recovery Clause and Energy Conservation Cost Recovery Clause, and will facilitate the annual clause audits performed by the FPSC Staff and removal of SPPCRC costs from FPL's monthly ESR.

Q. How will FPL record SPP costs approved for recovery through SPPCRC on its books and records?

A. As described by FPL witness Jarro, FPL has created unique master data in its systems (*i.e.*, work order type and work breakdown structure) to record SPP capital costs and O&M expenses recoverable through SPPCRC starting January 1, 2021. This new master data will distinguish costs recoverable through SPPCRC separate and apart from base rate recoverable costs and will translate costs to the newly created FERC subaccounts as explained above depending on the type of activity. In addition, FPL will record all capital expenditures to CWIP in accordance with its capitalization policy and transfer CWIP to plant-in-service once the projects are completed. FPL will then depreciate SPPCRC assets at the plant account level using the current approved depreciation rates reflected in the 2016 Settlement Agreement.

Q. Has FPL identified any incremental costs necessary to implement its SPPCRC?

A. Yes. FPL has identified the following incremental costs required to implement its SPPCRC:

- Capital Projects – FPL has identified a total of \$2.1 million of capital expenditures and \$18 thousand of O&M expenses for software modifications to various systems that are necessary to manage, track, and bill customers for amounts recovered through the SPPCRC. Approximately \$1.1 million of the incremental capital expenditures relate to the creation of forecasted and actual revenue requirement calculations to be submitted in FPL's annual SPPCRC filings, while the remainder of the costs includes modifications to FPL's accounting and work management systems in order to track actual SPPCRC recoverable costs at the project and program level.
- O&M expenses – FPL has identified a total of \$0.5 million in

annual O&M expenses beginning in 2021 for additional resources required to support FPL's annual SPPCRC filings and tracking of SPP project costs.

Since both the implementation capital costs and O&M expenses were not contemplated or included in FPL's MFRs, they are incremental and eligible for recovery through the SPPCRC.

Q. Did FPL include any incremental implementation costs in its request for recovery through the SPPCRC in this proceeding?

A. Yes. As reflected in FPL witness Deaton's testimony, FPL has included the recovery of all incremental implementation costs in its 2021 Projection Filing.

III. 2021 WACC CALCULATION

Q. Is FPL required to utilize a specific WACC when calculating a return on the SPPCRC capital investments included for recovery in its 2021 Projection filing?

A. Yes. Per the WACC Order, beginning with all 2021 clause projection filings, FPL is required to project its WACC using its currently approved mid-point return on equity ("ROE") for the clause projection year and apply the proration formula prescribed by Treasury Regulation §1.167(l)-1(h)(6)(i) to the plant only depreciation-related Accumulated Deferred Federal Income Tax ("ADFIT") included in capital structure. As quoted in the WACC Order, the proration formula as required under Treasury Regulation §1.167(l)-1(h)(6)(i) is as follows:

> "The pro rata portion of any increase to be credited or decrease to be charged during a future period…shall be determined by multiplying any such increase or decrease by a fraction, the numerator of which is the number of days remaining in the period at the time such increase or decrease is to be accrued, and the denominator of which is the total number of days in the period."

Q. Has FPL calculated a projected 2021 WACC to be applied to the 2021 SPPCRC capital investments requested for recovery in this proceeding?

A. Yes. As reflected on Exhibit LF-3, FPL projected the mid-point ROE, 13-month average WACC for 2021 using the Company's most recent financial forecast and applied the proration formula to the plant only depreciation-related ADFIT as prescribed by the Treasury Regulation §1.167(l)-1(h)(6)(i). The resulting after-tax WACC to be applied to the 2021 SPPCRC capital investments is 6.36%, which is reflected on Form 7P, Capital Structure and Cost Rates, in FPL witness Deaton's Exhibit RBD-1.

Q. Will the projected 2021 WACC be revised through the 2021 SPPCRC true-up process?

A. Yes. Pursuant to the WACC Order, FPL must carry through the proration adjustment to the 2021 Actual/Estimated True-Up and 2021 Final True-Up.

For the 2021 Actual/Estimated True-Up, FPL will utilize the mid-point ROE 13-month average WACC from the 2021 Forecasted ESR and carry forward the same proration adjustment reflected in the 2021 Projection Filing. However, if the depreciation-related ADFIT balance in the 2021 Projection Filing was over-estimated, the Proration Formula adjustment will then need to be reduced to reflect the difference between the originally projected and prorated depreciation-related ADFIT balance and the re-projected depreciation-related ADFIT balance. The resulting WACC calculation would then be used to calculate a monthly return on all projected clause investments in the 2021 Actual/Estimated Filing.

For the 2021 Final True-Up filing to be made in the Spring of 2022, FPL will utilize the midpoint ROE 13-month average WACC from the 2021 December ESR and carry forward the same proration adjustment reflected in the 2021 Projection Filing. However, if the depreciation-related ADFIT balance in the Projection Filing was over-estimated, the Proration Formula would be adjusted downward as described above. The resulting WACC calculation will be used to calculate a monthly return on all projected clause investments in the 2021 Final True-Up Filing.

Q. Does this conclude your testimony?

A. Yes.

(Whereupon, prefiled direct testimony of FPL witness Renae B. Deaton was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

TESTIMONY OF RENAE B. DEATON

DOCKET NO. 20200092-EI

JULY 24, 2020

Q. Please state your name and address.

A. My name is Renae B. Deaton. My business address is Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

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

A. I am employed by Florida Power & Light Company ("FPL" or the "Company") as Director of Clause Recovery and Wholesale Rates, in the Regulatory & State Governmental Affairs Department.

Q. Please describe your educational background and professional experience.

A. I hold a Bachelor of Science in Business Administration and a Master of Business Administration from Charleston Southern University. Since joining FPL in 1998, I have held various positions in the rates and regulatory areas. Prior to my current position, I held the positions of Senior Manager of Cost of Service and Load Research and Senior Manager of Rate Design in the Rates and Tariffs Department. I am a member of the Edison Electric Institute ("EEI") Rates and Regulatory Affairs Committee, and I have completed the EEI Advanced Rate Design Course. I have been a guest speaker at Public Utility Research Center/World Bank International Training Programs on Utility Regulation and Strategy. In 2016, I assumed my current position, where my duties include providing direction as to the appropriateness of inclusion of costs through a cost recovery clause and the overall preparation and filing of all cost recovery clause documents including testimony and discovery. As part of the various roles I have held with the Company, I have testified before this Commission in base rate and clause recovery dockets.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present for Commission review and approval the Storm Protection Plan Cost Recovery Clause ("SPPCRC") projections for the period January 2021 through December 2021.

Q. Have you prepared or caused to be prepared under your direction, supervision, or control an exhibit in this proceeding?

A. Yes, I am sponsoring the following forms provided as Appendix I to Exhibit RBD-1:

- Form 1P - Summary of Projected Period Recovery Amount
- Form 2P - Calculation of Annual Revenue Requirements for O&M Programs
- Form 2P Projects - Project Listing by Each O&M Program
- Form 3P - Calculation of the Total Annual Revenue Requirements for Capital Investment Programs
- Form 3P Projects - Project Listing by Each Capital Program
- Form 3P Capital - Calculation of Annual Revenue Requirements for Capital Investment by Program
- Form 4P - Calculation of the Energy & Demand Allocation % By Rate Class
- Form 5P - Calculation of the Cost Recovery Factors by Rate Class
- Form 7P - Approved Capital Structure and Cost Rates

Also included in Appendix I to Exhibit RBD-1 is Form 6P - Program Description and Progress Report, which is co-sponsored by FPL witnesses Jarro and Fuentes. These Commission Forms were used to calculate FPL's proposed SPPCRC factors for the period of January 1, 2021 through December 31, 2021. Appendix II to RBD-1 contains the retail separation factors and Appendix III provides the allocation of implementation costs between transmission and distribution.

Q. Is FPL seeking to recover through the SPPCRC any actual SPP costs incurred for the prior year or any actual/estimated SPP project costs for the current year?

A. No. As explained by FPL witness Jarro, there is no "prior year" (2019) applicable to the SPPCRC in this proceeding and FPL has committed and previously advised parties that it will not seek recovery of the 2020 SPP project costs through the SPPCRC. Therefore, FPL is not submitting the Commission forms applicable to support the actual and actual/estimated SPP costs.

Q. What is the source of the data presented in your testimony and/or exhibits to support the 2021 SPPCRC projection?

A. The projections are taken from the Company's financial forecasting system, and are consistent with the projections provided in Exhibit MJ-1 – FPL's Storm Protection Plan 2020-2029 attached to the testimony of FPL witness Jarro, which was filed with and is currently pending before the Commission in Docket No. 20200071-EI ("SPP").

Q. Please explain the calculation of the Revenue Requirements for the projected period.

A. Form 2P titled "Calculation of Annual Revenue Requirements for O&M Programs" shows the calculation of the monthly O&M revenue requirements for the period

January 2021 through December 2021. As explained by FPL witness Fuentes, FPL is not seeking recovery of O&M expenses associated with the SPP programs in 2021. Form 3P titled "Calculation of Annual Revenue Requirements for Capital Investment Programs" shows the calculation of the monthly revenue requirements for the capital expenditures projected to be incurred during the period January 2021 through December 2021. The monthly capital revenue requirements include the debt and equity return grossed up for income taxes on the average monthly net investment, including Construction Work In Progress, and depreciation and amortization expense. The identified recoverable cost is then allocated to retail customers using the appropriate separation factors provided in Appendix II to Exhibit RBD-1.

Q. How are implementation costs treated?

A. As described by FPL witness Fuentes, FPL identified incremental capital and O&M costs that are necessary to implement the tracking and reporting of costs recoverable through SPPCRC and has included them for recovery in its request 2021 Projection Filing. These costs are allocated to the retail rate classes using the appropriate separation factors. For retail class allocation, the implementation costs are as allocated to transmission or distribution based on the transmission and distribution programs' average plant in service balances.

Q. Have you provided a schedule showing the allocation of costs by retail rate class?

A. Yes. Form 4P provides the allocation of costs to the retail rate classes. The allocation to the retail rate classes is consistent with the allocations used in FPL's Cost of Service Study in the most recent retail rate case (Docket No. 20160021-EI). Transmission costs are allocated to all rate classes based on the 12 monthly Coincident Peaks (12CP). The distribution costs are allocated only to the distribution-level rate classes based on the Group Coincident Peak (GCP). The transmission level rate classes are not allocated any distribution costs.

Q. Does this conclude your testimony?

A. Yes.

(Whereupon, prefiled direct testimony of Gulf witness Michael Spoor was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

GULF POWER COMPANY

DIRECT TESTIMONY OF MICHAEL SPOOR

DOCKET NO. 20200092-EI

JULY 24, 2020

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Michael Spoor. My business address is One Energy Place, Pensacola, Florida, 32520.

Q. By whom are you employed and what is your position?

A. I am employed by Gulf Power Company ("Gulf" or the "Company") as the Vice President of Power Delivery.

Q. Please describe your duties and responsibilities in that position.

A. As Vice President of Power Delivery, I am responsible for the planning, engineering, construction, operation, maintenance and restoration of Gulf's transmission and distribution ("T&D") grid. This includes the systems, processes, analyses, and standards utilized to ensure Gulf's T&D facilities are safe, reliable, secure, effectively managed and in compliance with regulatory requirements.

Q. Please describe your educational background and professional experience.

A. I graduated from Auburn University with a Bachelor of Science degree in Industrial Engineering and from Nova Southeastern University with a Master of Business Administration. I am also a graduate of executive education programs at both Columbia University and Kellogg School of Management at Northwestern University. I am a registered professional engineer in the State of Florida. I joined Florida Power & Light Company ("FPL") in 1985 and have served in a variety of leadership positions including area operations manager, manager of reliability, director of distribution system performance, director of business services and director of distribution operations. I assumed my current position and responsibilities at Gulf in January 2019, having previously served as Vice President of Transmission and Substation with FPL.

Q. Have you previously testified before the Florida Public Service Commission ("FPSC" or the "Commission")?

A. Yes, I submitted written direct testimony on April 10, 2020, and written rebuttal testimony on June 26, 2020, in support of Gulf's 2020-2029 Storm Protection Plan ("SPP") filing in Docket No. 20200070-EI.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to describe Gulf's 2021 SPP programs and associated costs, and explain how those activities and costs are consistent with Gulf's SPP filed at Docket No. 20200070-EI.

Q. Are you sponsoring any schedules in this case?

A. Yes. I am sponsoring Exhibit MS-1 – Gulf's 2020-2029 Storm Protection Plan that was filed with and is currently pending before the Commission in Docket No. 20200070-EI. I am also sponsoring Exhibit MS-2 –Storm Protection Plan Work Projected to be Completed in 2021. Finally, I am co-sponsoring portions of Form 6P, Program Description and Progress Report that is included in Gulf witness Deaton's Exhibit RBD-1.

II. GULF'S STORM PROTECTION PLAN PROGRAMS AND ASSOCIATED COSTS

Q. Please describe Gulf's SPP.

A. Gulf's 2020-2029 SPP was filed in Docket No. 20200070-EI on April 10, 2020. Gulf's SPP is a systematic approach to achieve the legislative objectives in Section 366.96, Florida Statutes ("F.S"), to reduce restoration costs and outage times associated with extreme weather events. Gulf's SPP provides all of the information required by Rule 25-6.030, Florida Administrative Code ("F.A.C."), including, but not limited to the estimated number of projects and costs associated for each SPP program for each year of the SPP. A true and correct copy of Gulf's SPP is attached to my direct testimony as Exhibit MS-1. Gulf's SPP is currently pending before the Commission in Docket No. 20200070-EI.

Q. What programs are included in Gulf's SPP?

A. Gulf's SPP includes the following seven SPP programs:

- Distribution Inspection Program
- Transmission Inspection Program
- Distribution Feeder Hardening Program
- Distribution Hardening Lateral Undergrounding Program
- Transmission Hardening Program
- Vegetation Management – Distribution Program
- Vegetation Management – Transmission Program

The type of activities and scope for each of these SPP programs are described in detail in Exhibit MS-1 and Form 6P, Program Description and Progress Report.

Q. Is Gulf seeking to recover any actual SPP costs incurred for the prior year through the Storm Protection Plan Cost Recovery Clause ("SPPCRC")?

A. No. The prior year would be the year-ended December 31, 2019. Pursuant to Rule 25-6.031(6)(a), F.A.C., the utility is only permitted to seek recovery of SPP costs incurred after the filing date of the SPP. In this case, Gulf's SPP was filed on April 10, 2020, and it is the first SPP that has been filed. Therefore, there is no "prior year" applicable to the SPPCRC in this proceeding. As such, the actual or prior year costs will not be further addressed.

Q. Is Gulf seeking to recover any actual/estimated SPP project costs for the current year of the SPP through the SPPCRC?

A. No. Although SPP costs incurred after April 10, 2020, are eligible for recovery under Rule 25-6.031(6)(a), F.A.C., Gulf has committed and previously advised parties that it will not seek recovery of the 2020 SPP project costs through the SPPCRC. Therefore, the actual/estimated or 2020 SPP project costs will not be further addressed.

Q. Is Gulf seeking to recover any projected SPP costs through the SPPCRC?

A. Yes. As described by Gulf witness Fuentes, Gulf is requesting Commission approval to recover all projected 2021 SPP capital expenditures, except for the Transmission Inspection Program, through the SPPCRC. Gulf is not seeking to recover any of the 2021 SPP Operations and Maintenance ("O&M") expenses or cost of removal through the 2021 SPPCRC.

Q. Has Gulf provided details on the annual SPP programs and associated costs?

A. Yes. This information is provided in Form 6P – Program Description and Progress Report, which is a form prescribed by Commission Staff. For each SPP program, Form 6P describes the program activities, identifies the fiscal expenditures incurred to date, reports on the progress for the current year, and provides a projection of work to be completed and the associated costs for the subsequent year.

Q. Has Gulf provided a description of the work projected to be performed in 2021 for each SPP program?

A. Yes. Gulf has identified the work projected to be performed in 2021 for certain of its SPP programs. Gulf's Distribution Inspection Program, Transmission Inspection Program, Vegetation Management – Distribution Program, and Vegetation Management – Transmission Program are on-going annual inspection and vegetation management programs that do not have project components and, instead, are completed on a cycle-basis throughout Gulf's service area as explained further in Exhibit MS-1 and Form 6P. As such, these four SPP programs do not lend themselves to identification of specific projects to be performed.

With respect to the other three programs included in Gulf's SPP (Distribution Feeder Hardening Program, Distribution Hardening – Lateral Undergrounding Program, and Transmission Hardening Program), Gulf has identified the work projected to be performed in 2021 for each of these three SPP programs. These projections are provided in Exhibit MS-2 attached to my testimony. However, the SPP projects that will actually be completed in 2021 could vary based on a number of factors, including, but not limited to: permitting; easement issues; change in scope; resource constraints (i.e., labor & material); and/or extreme weather events. Any such variances will be addressed in Gulf's 2021 actual/estimated filing to be submitted in 2021, and the final 2021 true-up filing to be submitted in 2022.

Q. Are the SPP activities and costs estimated for 2021 consistent with Gulf's SPP?

A. Yes. The number of projects and costs estimated for each SPP program during 2021 are consistent with those described in Gulf's SPP as shown in Appendix C to Exhibit MS-1 and Form 6P. I note that the forecasted 2021 capital costs provided in Gulf's SPP included the cost of removal, which was based on historical averages. As explained by Gulf witness Fuentes, Gulf is not seeking to recover any cost of removal or capital expenditures associated with the Transmission Inspection Program through the SPPCRC.

As of the time I prepared my direct testimony, Gulf is not aware of any variances in the number of SPP projects or SPP costs estimated for 2021. However, as a previously stated, the number of SPP projects that will actually be completed in 2021, as well as the associated SPP costs, could vary based on a number of factors. Additionally, it should be noted that the 2021 program costs are the projected costs estimated as of the April 10, 2020 filing date of Gulf's SPP. Consistent with Rule 25-6.031, F.A.C., the actual SPP costs incurred by Gulf in 2021 will be addressed and decided in Gulf's final 2021 true-up filing, which will be submitted in 2022.

Q. How will Gulf record and track the costs incurred for its SPP projects and programs approved for recovery through the SPPCRC?

A. As described by Gulf witness Fuentes in her testimony, Gulf has established the appropriate accounting framework to distinguish which costs are recoverable through the SPPCRC and how they will be recorded on its books and records beginning January 1, 2021. In accordance with this accounting framework, Gulf has created unique master data in its systems (*i.e.*, work order type and work breakdown structure) to record and track activity performed by employees and contractors for SPP projects approved for recovery through SPPCRC. All capital expenditures for SPP projects starting in 2021, except for the Transmission Inspection Program, will be recorded to master data tagged for recovery through the SPPCRC while O&M expenses and cost of removal will be recorded to master data tagged for recovery through base rates.

Q. Does this conclude your direct testimony?

A. Yes.

(Whereupon, prefiled direct testimony of Gulf witness Liz Fuentes was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

GULF POWER COMPANY

DIRECT TESTIMONY OF LIZ FUENTES

DOCKET NO. 20200092-EI

JULY 24, 2020

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Liz Fuentes, and my business address is Florida Power & Light Company ("FPL"), 9250 West Flagler Street, Miami, Florida, 33174.

Q. By whom are you employed and what is your position?

A. I am employed by FPL as Senior Director, Regulatory Accounting. FPL is a subsidiary of NextEra Energy, Inc. which acquired Gulf Power Company ("Gulf" or the "Company") in 2019.

Q. Please describe your duties and responsibilities in that position.

A. I am responsible for planning, guidance, and management of most regulatory accounting activities for FPL and Gulf. In this role, I ensure that financial books and records comply with multi-jurisdictional regulatory accounting requirements and regulations.

Q. On whose behalf are you submitting this testimony?

A. I am submitting this direct testimony to the Florida Public Service Commission ("FPSC" or the "Commission") on behalf of Gulf.

Q. Please describe your educational background and professional experience.

A. I graduated from the University of Florida in 1999 with a Bachelor of Science Degree in Accounting. That same year, I was employed by FPL. During my tenure at the Company, I have held various accounting and regulatory positions of increasing responsibility with the majority of my career focused in regulatory accounting and the calculation of revenue requirements. Specifically, I have provided accounting support in multiple FPL retail base rate filings and other regulatory dockets filed at the FPSC as well as the Federal Energy Regulatory Commission ("FERC"). My responsibilities have included the management of the accounting for FPL's cost recovery clauses and the preparation, review and filing of FPL's monthly Earnings Surveillance Reports ("ESR") at the FPSC. I am a Certified Public Accountant ("CPA") licensed in the Commonwealth of Virginia and am a member of the American Institute of CPAs. I have previously filed testimony before the Commission for FPL's Solar Base Rate Adjustments related to the solar photovoltaic projects placed in service in 2018 and 2020 (Docket Nos. 20170001-EI and 20190001-EI) and request for approval of the Indiantown Transaction (Docket No. 160154-EI).

Q. What is the purpose of your testimony?

A. The purpose of my direct testimony is to explain how the Company determined the amount of forecasted 2021 Storm Protection Plan ("SPP") costs incremental from its base rates for which it is seeking recovery through the Storm Protection Plan Cost Recovery Clause ("SPPCRC") in its 2021 Projection filing. I will also explain how the Company will uniquely identify and record costs to be recovered through the SPPCRC beginning in 2021. In addition, I will explain and provide support for the calculation of the projected 2021 Weighted Average Cost of Capital ("WACC") to be used in order to calculate the return on 2021 SPPCRC capital investments.

Q. Please summarize your testimony.

A. In order to determine the amount of 2021 SPP costs eligible for recovery through the SPPCRC, Gulf has compared the forecasted 2021 SPP capital expenditures presented in Exhibit MS-1 – Gulf's 2020-2029 Storm Protection Plan attached to the testimony of Gulf witness Michael Spoor, which was filed with and is currently pending before the Commission in Docket No. 20200070-EI (the "SPP Filing"), to the amount of capital expenditures for storm hardening projects included for recovery in Gulf's most recent base rate filing and actual storm hardening capital expenditures incurred for the period of 2017 through 2019 and forecasted 2020. Based on this analysis, Gulf has determined that all forecasted 2021 SPP capital expenditures, except for the Transmission Inspection Program, are incremental to the amount currently recovered in base rates and, therefore, recoverable through the SPPCRC. Also, Gulf is not seeking SPPCRC recovery of any forecasted 2021 SPP program Operations and Maintenance ("O&M") expenses and will address the recovery of those expenses during its next base rate proceeding. Gulf has also identified incremental costs that are necessary to implement the tracking and reporting of costs recoverable through SPPCRC and has included them for recovery in its 2021 Projection Filing. In addition, Gulf has calculated and applied a projected WACC to calculate a return on 2021 SPPCRC capital investments in accordance with Commission Order No. PSC-2020-0165-PAA-EU, Docket No. 20200118-EU issued on May 20, 2020 (the "WACC Order").

Q. Are you sponsoring or co-sponsoring any exhibits in this case?

A. Yes. I am sponsoring or co-sponsoring the following exhibits:

- LF-1 – Determination of Cost Recovery through the SPPCRC

- LF-2 – 2021 SPPCRC Capital Costs;
- LF-3 – Forecasted 2021 Weighted Average Cost of Capital; and
- Co-Sponsoring Form 6P - Program Description and Progress Report included in Gulf witness Renae Deaton's Exhibit RBD-1.

II. DETERMINATION OF 2021 SPPCRC RECOVERABLE COSTS

Q. Please explain why it is necessary to determine the amount of SPP costs that are incremental to base rates.

A. Rule 25-6.031(6)(b), F.A.C., provides that "Storm Protection Plan costs recoverable through the clause shall not include costs recovered through the utility's base rates or any other cost recovery mechanism." Therefore, consistent with the requirements of the Commission's Rule, it is necessary to demonstrate that any costs sought to be recovered through the SPPCRC are not being recovered in Gulf's current base rates.

Q. Has Gulf determined the amount of SPP costs being recovered through base rates?

A. Yes.

Q. Please explain the method Gulf used to determine the amount of SPP costs currently included in its base rates.

A. Gulf's current base rates were established pursuant to a Stipulation and Settlement agreement approved by the Commission in Order No. PSC-17-0178-S-EI, Docket No. 160186-EI (the "2016 Settlement Agreement"). The 2016

Settlement Agreement resulted in base rates lower than those presented by Gulf in its Minimum Filing Requirements ("MFRs") in that docket. Nonetheless, for purposes of determining the level of SPP costs embedded in Gulf's current base rates, Gulf relied upon the amount of storm hardening costs included in its 2017 Test Year MFRs filed in Docket No. 160186-EI as a conservative proxy to determine the maximum amount of SPP costs that could possibly be currently included in its base rates. To the extent Gulf has exceeded the level of storm hardening costs included in its MFRs, any amount above those levels would be considered incremental SPP costs eligible to be recovered through the SPPCRC.

Q. Is Gulf seeking recovery of any forecasted 2021 SPP program O&M expenses in its request for SPPCRC recovery in this proceeding?

A. No. Gulf is not seeking recovery of any forecasted 2021 SPP program O&M expenses through the SPPCRC. Gulf will evaluate whether it intends to seek recovery of future SPP program O&M expenses through the SPPCRC during its next base rate proceeding.

Q. Is Gulf seeking recovery of any forecasted 2021 SPP capital costs in its request for SPPCRC recovery in this proceeding?

A. Yes.

Q. How did Gulf determine the amount of forecasted 2021 SPP capital costs eligible for recovery through the SPPCRC?

A. As reflected on Exhibit LF-1, Gulf identified historical capital expenditures for each of its SPP programs and split 2020 forecasted SPP capital costs between capital expenditures and cost of removal. Gulf then compared the amount of forecasted capital expenditures for storm hardening projects in its 2017 Test Year MFRs filed in Docket No. 160186-EI to the cumulative amount of actual capital expenditures for the years ended 2017 through 2019 and forecasted 2020 in order to determine whether any of its forecasted 2021 SPP capital expenditures are incremental to base rates and eligible for SPPCRC recovery. Based on this comparison, Gulf is expected to incur a total of $52.4 million in SPP capital expenditures for the period of 2017 through 2020, which is approximately $38.3 million more than the maximum amount included in its 2017 Test Year MFRs. In addition, each of Gulf's SPP programs, except for the Transmission Inspection Program as described below, individually exceeded the maximum capital amount forecasted in the 2017 Test Year MFRs. Therefore, Gulf's forecasted 2021 SPP capital expenditures for each SPP program, except for the Transmission Inspection Program, are eligible for SPPCRC recovery.

Q. Did Gulf include all of its forecasted 2021 SPP capital expenditures in its request for recovery through the SPPCRC in this proceeding?

A. No. As reflected on Exhibit LF-2, Gulf included forecasted 2021 capital expenditures for recovery through the SPPCRC for all SPP programs except for its Transmission Inspection Program.

Q. Why did Gulf not include the Transmission Inspection Program for recovery through the SPPCRC in this proceeding?

A. Gulf was unable to identify capital expenditures for the Transmission

Inspection Program in the 2017 Test Year or for actuals for the years ended 2017 through 2019. Historically, costs for this program have been embedded with other Gulf transmission projects or programs in both the forecast and actuals, and therefore, Gulf does not have a basis to determine the amount of capital expenditures which are incremental to its base rates. Therefore, the capital expenditures for Gulf's Transmission Inspection Program incurred in 2021 will remain as base recoverable costs.

Q. Has Gulf forecasted an amount for the cost of removal of existing assets associated with its SPP programs?

A. Yes. As reflected on Exhibit LF-2, Gulf has forecasted a total of $11.2 million of cost of removal for existing assets associated with its SPP programs for 2021.

Q. Did Gulf include any of its forecasted 2021 cost of removal in its request for recovery through the SPPCRC in this proceeding?

A. No. Since the cost of removal associated with existing assets being removed in 2021 as a result of Gulf's SPP programs was recovered from customers through base rates as a component of depreciation expense, Gulf has excluded cost of removal from SPPCRC recovery in this proceeding. Cost of removal related to Gulf's SPP programs incurred in 2021 will be reflected as base rate recoverable costs.

Q. Did Gulf reflect an amount for the retirement of existing assets in its request for recovery of 2021 SPPCRC costs in this proceeding?

A. No. The retirement of existing assets as a result of Gulf's SPP programs occurring during 2021 are not included in Gulf's forecasted 2021 SPP costs requested for recovery through the SPPCRC. Retirements occurring in 2021 will remain as a base rate activity since those assets are currently being recovered through base rates and will be incorporated into the calculation of revenue requirements in Gulf's next base rate proceeding.

Q. Did Gulf include a beginning balance for Construction Work In Progress ("CWIP") for any of its SPP programs in its 2021 SPPCRC Projection filing?

A. No. Since Gulf committed to not seek recovery of any SPP project costs incurred in 2020, Gulf did not include forecasted beginning balances of CWIP for any of its SPP programs in the 2021 SPPCRC Projection filing.

Q. What is the total amount of forecasted 2021 SPP capital expenditures Gulf included in its calculation of SPPCRC revenue requirements?

A. As reflected on Exhibit LF-2, the total amount of forecasted 2021 SPP capital expenditures included for recovery in the 2021 Projection Filing is $78.2 million. This amount is included in the calculation of the revenue requirements on Exhibit RBD-1 of Gulf witness Deaton.

Q. How will Gulf track SPP costs approved for recovery through the SPPCRC starting January 1, 2021?

A. As required by Rule 25-6.031(5), F.A.C., Gulf has created new FERC subaccounts to ease the recording and tracking of capital expenditures, accumulated depreciation, depreciation expense, and O&M expenses for SPP costs approved for recovery through the SPPCRC. In addition, Gulf has created a new Business Area within its SAP accounting system which provides another way to identify and report all SPP costs approved for recovery through the SPPCRC. The methodology described above is consistent with how Gulf records and tracks costs recoverable through other clause recovery mechanisms such as the Environmental Cost Recovery Clause and Energy Conservation Cost Recovery Clause, and will facilitate the annual clause audits performed by the FPSC Staff and removal of SPPCRC costs from Gulf's monthly ESR.

Q. How will Gulf record SPP costs approved for recovery through SPPCRC on its books and records?

A. As described by Gulf witness Spoor, Gulf has created unique master data in its systems (*i.e.*, work order type and work breakdown structure) to record SPP capital costs and O&M expenses recoverable through SPPCRC starting January 1, 2021. This new master data will distinguish costs recoverable through SPPCRC separate and apart from base rate recoverable costs and will translate costs to the newly created FERC subaccounts as explained above depending on the type of activity. In addition, Gulf will record all capital expenditures to CWIP in accordance with its capitalization policy and transfer CWIP to plant-in-service once the projects are completed. Gulf will then depreciate SPPCRC assets at the plant account level using the current approved depreciation rates resulting from the 2016 Settlement Agreement.

Q. Has Gulf identified any incremental costs necessary to implement its SPPCRC?

A. Yes. Gulf has identified the following incremental costs required to implement its SPPCRC:

- Capital Projects – Gulf has identified a total of $0.6 million of capital expenditures and $2 thousand of O&M expenses for software modifications to various systems that are necessary to manage, track, and bill customers for amounts recovered through the SPPCRC. Approximately $0.3 million of the incremental capital projects relate to modifications to Gulf's billing system, while the remainder of the capital expenditures relate to creation of forecasted and actual revenue requirement calculations to be submitted in Gulf's annual SPPCRC filings, and modifications to Gulf's accounting and work management systems in order to track actual SPPCRC recoverable costs at the project and program level.
- O&M expenses – Gulf has identified a total of $50 thousand in annual O&M expenses for additional resources required to support Gulf's annual SPPCRC filings and tracking of SPP project costs.

Since both the implementation capital costs and O&M expenses were not contemplated or included in Gulf's MFRs, they are incremental and eligible for recovery through the SPPCRC.

Q. Did Gulf include any incremental implementation costs in its request for recovery through the SPPCRC in this proceeding?

A. Yes. As reflected in Gulf witness Deaton's testimony, Gulf has included the recovery of all incremental implementation costs in its 2021 Projection Filing.

III. 2021 WACC CALCULATION

Q. Is Gulf required to utilize a specific WACC when calculating a return on the SPPCRC capital investments included for recovery in its 2021 Projection filing?

A. Yes. Per the WACC Order, beginning with all 2021 clause projection filings, Gulf is required to project its WACC using its currently approved mid-point return on equity ("ROE") for the clause projection year and apply the proration formula prescribed by Treasury Regulation §1.167(l)-1(h)(6)(i) to the plant only depreciation-related Accumulated Deferred Federal Income Tax ("ADFIT") included in capital structure. As quoted in the WACC Order, the proration formula as required under Treasury Regulation §1.167(l)-1(h)(6)(i) is as follows:

> "The pro rata portion of any increase to be credited or decrease to be charged during a future period…shall be determined by multiplying any such increase or decrease by a fraction, the numerator of which is the number of days remaining in the period at the time such increase or decrease is to be accrued, and the denominator of which is the total number of days in the period."

Q. Has Gulf calculated a projected 2021 WACC to be applied to 2021 SPPCRC capital investments requested for recovery in this proceeding?

A. Yes. As reflected on Exhibit LF-3, Gulf projected the mid-point ROE, 13-month average WACC for 2021 using the Company's most recent financial forecast and applied the proration formula to the plant only depreciation-related ADFIT as prescribed by the Treasury Regulation §1.167(l)-1(h)(6)(i). The resulting after-tax WACC to be applied to the 2021 SPPCRC capital investments is 5.41%, which is reflected on Form 7P, Capital Structure and Cost Rates, in Gulf witness Deaton's Exhibit RBD-1.

Q. Will the projected 2021 WACC be revised through the 2021 SPPCRC true-up process?

A. Yes. Pursuant to the WACC Order, Gulf must carry through the proration adjustment to the 2021 Actual/Estimated True-Up and 2021 Final True-Up.

For the 2021 Actual/Estimated True-Up, Gulf will utilize the mid-point ROE 13-month average WACC from the 2021 Forecasted ESR and carry forward the same proration adjustment reflected in the 2021 Projection Filing. However, if the depreciation-related ADFIT balance in the 2021 Projection Filing was over-estimated, the Proration Formula adjustment will then need to be reduced to reflect the difference between the originally projected and prorated depreciation-related ADFIT balance and the re-projected depreciation-related ADFIT balance. The resulting WACC calculation would then be used to calculate a monthly return on all projected clause investments in the 2021 Actual/Estimated Filing.

For the 2021 Final True-Up filing to be made in the Spring of 2022, Gulf will utilize the midpoint ROE 13-month average WACC from the 2021 December

ESR and carry forward the same proration adjustment reflected in the 2021 Projection Filing. However, if the depreciation-related ADFIT balance in the Projection Filing was over-estimated, the Proration Formula would be adjusted downward as described above. The resulting WACC calculation will be used to calculate a monthly return on all projected clause investments in the 2021 Final True-Up Filing.

Q. Does this conclude your testimony?

A. Yes.

(Whereupon, prefiled direct testimony of Gulf witness Renae B. Deaton was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

GULF POWER COMPANY

TESTIMONY OF RENAE B. DEATON

DOCKET NO. 20200092-EI

JULY 24, 2020

Q. Please state your name and address.

A. My name is Renae B. Deaton. My business address is Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

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

A. I am employed by Florida Power & Light Company ("FPL") as Director of Clause Recovery and Wholesale Rates, in the Regulatory & State Governmental Affairs Department. FPL is a subsidiary of NextEra Energy which acquired Gulf Power in 2019. I am responsible for all clause related filings for Gulf Power.

Q. Please describe your educational background and professional experience.

A. I hold a Bachelor of Science in Business Administration and a Master of Business Administration from Charleston Southern University. Since joining FPL in 1998, I have held various positions in the rates and regulatory areas. Prior to my current position, I held the positions of Senior Manager of Cost of Service and Load Research and Senior Manager of Rate Design in the Rates and Tariffs Department. I am a member of the Edison Electric Institute ("EEI") Rates and Regulatory Affairs Committee, and I have completed the EEI Advanced Rate Design Course. I have been a guest speaker at Public Utility Research Center/World Bank International Training Programs on Utility Regulation and Strategy. In 2016, I assumed my current position, where my duties include providing direction as to the appropriateness of inclusion of costs through a cost recovery clause and the overall preparation and filing of all cost recovery clause documents including testimony and discovery. In 2019, I took on the responsibility for the clause recovery team at Gulf Power Company ("Gulf" or the "Company"). As part of the various roles I have held with FPL, I have testified before the Florida Public Service Commission ("Commission") in base rate and clause recovery dockets.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present for Commission review and approval the Storm Protection Plan Cost Recovery Clause ("SPPCRC") projections for the period January 2021 through December 2021.

Q. Have you prepared or caused to be prepared under your direction, supervision, or control an exhibit in this proceeding?

A. Yes, I am sponsoring the following forms provided as Appendix I to Exhibit RBD-1:

- Form 1P - Summary of Projected Period Recovery Amount
- Form 2P - Calculation of Annual Revenue Requirements for O&M Programs
- Form 2P Projects - Project Listing by Each O&M Program
- Form 3P - Calculation of the Total Annual Revenue Requirements for Capital Investment Programs
- Form 3P Projects - Project Listing by Each Capital Program
- Form 3P Capital - Calculation of Annual Revenue Requirements for Capital Investment by Program
- Form 4P - Calculation of the Energy & Demand Allocation % By Rate Class
- Form 5P - Calculation of the Cost Recovery Factors by Rate Class
- Form 7P - Approved Capital Structure and Cost Rates

Also included in Appendix I to Exhibit RBD-1 is Form 6P - Program Description and Progress Report, which is co-sponsored by Gulf witnesses Michael Spoor and Liz

Fuentes. These Commission Forms were used to calculate Gulf proposed SPPCRC factors for the period of January 1, 2021 through December 31, 2021. Appendix II to RBD-1 contains the retail separation factors and Appendix III includes the allocation of implementation costs between transmission and distribution.

Q. Is Gulf seeking to recover through the SPPCRC any actual Storm Protection Plan ("SPP") costs incurred for the prior year or any actual/estimated SPP project costs for the current year?

A. No. As explained by Gulf witness Spoor, there is no "prior year" applicable to the SPPCRC in this proceeding and Gulf has committed and previously advised parties that it will not seek recovery of the 2020 SPP project costs through the SPPCRC. Therefore, Gulf is not submitting the Commission forms applicable to support the actual and actual/estimated SPP costs.

Q. What is the source of the data presented in your testimony and/or exhibits to support the 2021 SPPCRC projection?

A. The projections are taken from the Company's financial forecasting system, and are consistent with the projections provided in Exhibit MS-1 – Gulf 2020-2029 Storm Protection Plan attached to the testimony of Gulf witness Spoor as Exhibit MS-1, which was filed with and is currently pending before the Commission in Docket No. 20200070-EI.

Q. Please explain the calculation of the revenue requirements for the projected period.

A. Form 2P titled "Calculation of Annual Revenue Requirements for O&M Programs" shows the calculation of the monthly O&M revenue requirements for the period

January 2021 through December 2021. As explained by Gulf witness Fuentes, the Company is not seeking recovery of O&M expenses associated with the SPP programs in 2021. Forms 3P Capital titled "Calculation of Annual Revenue Requirements for Capital Investment Programs" shows the calculation of the monthly revenue requirements for the capital expenditures projected to be incurred during the period January 2021 through December 2021. The monthly capital revenue requirements include the debt and equity return grossed up for income taxes on the average monthly net investment, including Construction Work In Progress, and depreciation and amortization expense. The identified recoverable cost is then allocated to retail customers using the appropriate separation factors provided in Appendix II to Exhibit RBD-1.

Q. How are implementation costs treated?

A. As described by Gulf witness Fuentes, the Company identified incremental capital and O&M costs that are necessary to implement the tracking and reporting of costs recoverable through SPPCRC and has included them for recovery in its requested 2021 Projection Filing. These costs are allocated to the retail rate classes using the appropriate separation factors. For retail class allocation, the implementation costs are allocated to transmission or distribution based on the transmission and distribution programs' average plant in service balances.

Q. Have you provided a schedule showing the allocation of costs by retail rate class?

A. Yes. Form 4P provides the allocation of costs to the retail rate classes. The allocation to the retail rate classes is consistent with the allocations used in Gulf's

Cost of Service Study in the most recent retail rate case (Docket No. 160186-EI). Transmission costs are allocated to all rate classes based on the 12CP and 1/13th method whereby 12/13 of the transmission costs are allocated to the retail rate classes based on their contribution to the 12 monthly Coincident Peaks (12CP) and 1/13th of transmission costs are allocated to the retail rate classes based on average demand (energy). The distribution costs are allocated to the retail rate classes based on the Non Coincident Peak (NCP).

Q. Are the SPPCRC factors stated on a $/kW demand basis for the demand-metered rate classes?

A. Yes. The Company is stating the SPPCRC factors on a $/kW demand basis for the demand-metered rate classes in order to bring the Company in line with FPL. The costs recovered through the SPPCRC are fixed transmission and distribution costs and do not vary with energy use. The Commission has approved demand-based clause factors for the Florida Investor-Owned Utilities' conservation and capacity clauses as the costs recovered through these clauses are also predominately fixed in nature and do not vary with energy use. The Company is also calculating an energy-based charge for the GSD rate class because that class contains the GSTOU rate which is an energy-only rate. The Company did not calculate a demand rate for the PX/PXT rate class as there are currently no customers on the demand-metered PX/PXT rates.

Q. Does this conclude your testimony?

A. Yes.

MR. STILLER: The parties have waived cross-examination of these witnesses. Counsel for the parties are available to answer any questions concerning the terms and impact of the settlement agreement, and why approval of the settlement agreement is in the public interest.

CHAIRMAN CLARK: All right. Commissioners, do you have any questions for the parties? We will open the floor. Any questions from any Commissioners?

Seeing none, staff, do you have any questions for the parties?

All right. Seeing none.

Do any of the parties have any other matter that needs to be addressed with respect to the settlement agreement? Any of the parties?

Staff?

MR. STILLER: It is staff's understanding that the parties are willing to waive the filing of post-hearing briefs. If that is the case, the Commission is in the posture to make a bench decision if it wishes to do so.

CHAIRMAN CLARK: All right. Thank you very much.

Commissioners, what's your pleasure?

COMMISSIONER FAY: I am prepared to make a bench decision.

CHAIRMAN CLARK: All right. We will entertain a motion. Commissioner Fay, for a motion.

COMMISSIONER FAY: Mr. Chairman, I move that the Commission approve the settlement as presented.

CHAIRMAN CLARK: Do I have a second? Commissioner Brown seconds the motion.

Any discussion.

On the motion, all in favor say aye.

(Chorus of ayes.)

CHAIRMAN CLARK: Opposed?

(No response.)

CHAIRMAN CLARK: The motion is carried.

All right. Are there any further matters that we need to address here today, staff?

MR. STILLER: Yes, Mr. Chair. Staff has a few further matters for the Commission.

First, with the Commission making a bench decision, staff notes that a final order is due to be issued by October 26th.

Second, the Commission previously approved a settlement agreement involving Tampa Electric Company in order PSC-2020-0224-AS-EI. The agreement established agreed terms and stipulations for TECO's storm protection plan cost recovery. TECO submitted prefiled direct testimony and exhibits of Mark R. Roche, David L. Plusquellic, A. Sloan Lewis and William R. Ashburn in support of its storm protection plan cost recovery.

The terms of that settlement called for the TECO prefiled testimony and exhibits to be entered into the record for this docket. Staff believes that this testimony and the exhibits should be entered today to complete the record on the Storm Protection Plan Cost Recovery Clause as to Tampa Electric.

Accordingly, staff requests that the prefiled testimony of witnesses Mark Roche, David Plusquellic, A. Sloan Lewis and William R. Ashburn be entered into the record as though read.

CHAIRMAN CLARK: All right. If there is no objection from any of the parties, we are going to approve it and enter those testimonies into the record as well. Any objections?

Seeing none, the testimony is entered into the record.

(Whereupon, prefiled direct testimony of TECO witness Mark R. Roche was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

MARK R. ROCHE

Q. Please state your name, address, occupation and employer.

A. My name is Mark R. Roche. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or "the company") as Manager, Regulatory Rates in the Regulatory Affairs Department.

Q. Please provide a brief outline of your educational background and business experience.

A. I graduated from Thomas Edison State College in 1994 with a Bachelor of Science degree in Nuclear Engineering Technology and from Colorado State University in 2009 with a Master's degree in Business Administration. My work experience includes twelve years with the US Navy in nuclear operations as well as twenty-two years of electric utility experience. My utility work has included various positions in Marketing and Sales, Customer Service, Distributed Resources, Load Management, Power Quality, Distribution Control Center Operations, Meter Department, Meter Field Operations, Service Delivery, Revenue Assurance, Commercial and Industrial Energy Management Services, and Demand Side Management ("DSM") Planning and Forecasting. In my current position, I am responsible for Tampa Electric's Energy Conservation Cost Recovery ("ECCR") Clause and Storm Protection Plan Cost Recovery Clause ("SPPCRC").

Q. Have you previously testified before the Florida Public Service Commission ("Commission")?

A. Yes. I have testified before this Commission on conservation and load management activities, DSM goal and plan approval dockets and other ECCR dockets.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to present, for Commission approval: (1) the calculation of the January 2020 through December 2020 Storm Protection Plan actual/estimated amounts to be recovered in the January 2021 through December 2021 projection period; (2) the calculation of the January 2021 through December 2021 Storm Protection Plan projected amounts to be recovered in the January

2021 through December 2021 projection period; and (3) the proposed 2021 SPPCRC cost recovery factors. I will describe the process used to develop the company's SPPCRC projections, which complies with Rule 25-6.031, Florida Administrative Code ("F.A.C.") and Section 366.96, Florida Statutes. The projected 2021 SPPCRC factors have been calculated based on the current approved allocation methodology.

Q. Did you prepare any exhibits in support of your testimony?

A. Yes. Exhibit No. MRR-1 was prepared under my direction and supervision. Exhibit No. MRR-1 includes Schedules P-1 through P-4 and associated data which support the development of the storm protection plan cost recovery factors for January through December 2021 using the Commission approved cost of service allocation factors that were approved in Tampa Electric's 2013 Cost of Service Study prepared in Docket No. 20130040-EI, which was used for the company's current (non-SoBRA) base rate design.

Q. Does the Exhibit No. MRR-1 meet the requirements of Rule 25-6.031(b), which requires the actual/estimated filing to include revenue requirements based on a comparison of current year actual/estimated costs and the previously-filed projected costs and revenue requirements for the current year?

A. Yes, it does, but with the caveat that there were no previously filed projected costs for 2020 because this is the initial SPPCRC filing.

Q. Does the Exhibit No. MRR-1 meet the requirement of Rule 25-6.031(b) to include a description of the work projected to be performed during the current year for each program and project in the utility's cost recovery petition?

A. Yes, it does.

Q. Does the Exhibit No. MRR-1 meet the requirements of Rule 25-6.031(c), which requires the projected year to include costs and revenue requirements for the subsequent year for each program filed in the company's cost recovery petition?

A. Yes, it does.

Q. Does the Exhibit No. MRR-1 meet the requirements of Rule 25-6.031(c), which requires the projected year to include identification of each of the utility's Storm Protection Plan programs for which costs will be incurred during the subsequent year, including a description of the work projected to be performed during such year, for each program in the utility's cost recovery petition?

A. Yes, it does.

Q. Will any other witnesses testify in support of Tampa Electric's Proposed Storm Protection Plan Cost Recovery Clause?

A. Yes. Three additional witnesses will testify.

David L. Plusquellic will testify regarding the company's storm protection programs and provide specific detail regarding the work actually performed in 2020 and projected to be performed in the remainder of 2020 and in 2021 for each Storm Protection Program in the company's cost recovery petition. This detail includes costs, a description of the work to be performed, and an explanation how the activities are consistent with Tampa Electric's Storm Protection Plan.

A. Sloan Lewis will testify regarding the estimated annual jurisdictional revenue requirements associated with the company's actual and projected Storm Protection Plan activities and the steps taken by Tampa Electric to promote transparency and ensure that the costs (i.e., O&M expenses and return and depreciation expense on capital projects) the company will recover through the SPPCRC do not include costs being recovered through the utility's existing base rates or any other cost recovery mechanism as required by Rule 25-6.031(6)(b), F.A.C., and Section 366.96(8), Florida Statutes. She will also discuss how the revenue requirements were adjusted for the SPPCRC in accordance with Tampa Electric's 2020 Settlement Agreement that was approved by the Commission on June 9, 2020.

William R. Ashburn will testify regarding the appropriate revenue allocation and rate design methodologies to develop the resulting SPPCRC factors. His testimony will also include the associated rate calculations of the $15 million dollar base rate adjustment that will occur beginning simultaneously with the implementation of the SPPCRC factors in January 2021 as approved in Tampa Electric's Settlement Agreement that was approved by the Commission on June 9, 2020.

Process to Develop the Company's SPPCRC Projections

Q. What costs are encompassed in Tampa Electric's 2020 annual estimated/actual filing?

A. Tampa Electric developed its 2020 annual estimated/actual true-up filing showing actual and projected common costs, individual program costs based upon six months of actuals and six months of estimates.

Q. Will you please describe the Storm Protection Plan costs that Tampa Electric projects it will incur during the period January through December 2020?

A. The actual costs incurred by Tampa Electric through June 2020 and projected for July through December 2020 are $16,435,191. A summary of these costs and estimates are fully detailed in Exhibit No. MRR-1, Storm Protection Plan Costs Projected – Actual and Projected, pages 41 through 56.

Q. Does this 2020 actual and projected amount include the reduction of the $10.4 million adjustment as included in Tampa Electric's Settlement Agreement that was approved by the Commission on June 9, 2020. If not, what is the amount?

A. No, the 2020 actual and projected amount that includes the $10.4 million dollar reduction as per the 2020 Settlement is $6,035,191.

Q. Has Tampa Electric proposed any new or modified Storm Protection Programs for SPPCRC cost recovery for the period January through December 2021 that were not included in the company's proposed Storm Protection Plan that is currently being reviewed for approval by the Florida Public Service Commission in Docket No. 20200067-EI?

A. No, at this time Tampa Electric is not proposing any new or modified programs for SPPCRC cost recovery for the period January through December 2021.

Q. Will you please describe the Storm Protection Plan costs that Tampa Electric projects it will incur during the period of January through December 2021?

A. Tampa Electric has estimated that the total storm protection costs during the 2021 period will be $33,908,399. A summary of these costs and estimates are fully detailed in Exhibit No. MRR-1, Storm Protection Plan Costs - Projected, pages 20 through 40.

Q. How were the cost projections developed?

A. As explained in the testimony of David L. Plusquellic and A. Sloan Lewis, the projected costs were developed with cost estimates for each of the SPP Programs plus depreciation and return on SPP assets, as outlined in Rule 25-6.031(6), F.A.C., the SPPCRC Rule.

Q. Do the actual and projected costs include any costs that are currently recovered in base rates?

A. No, as explained in A. Sloan Lewis' testimony, the company has entered into the 2020 settlement agreement that was approved by the Commission on June 9, 2020 which will ensure that no costs recovered through the SPPCRC are also recovered through base rates.

Q. What cost allocation methodology was used to prepare the company's proposed SPPCRC cost recovery factors?

A. As explained in William R. Ashburn's testimony, the company itemized the Storm Protection Program costs and identified those costs as either substation, transmission, or distribution. Each of those functionalized costs was then allocated to the appropriate rate class using the allocation factors for that function.

Q. What allocation factors were utilized?

A. Tampa Electric utilized the allocation factors from the company's 2013 Cost of Service Study prepared in Docket No. 20130040-EI, which was used for the company's current (non-SoBRA) base rate design.

Q. Were there any other needed adjustments to the total costs that Tampa Electric is seeking to recover in the SPPCRC?

A. Yes, the Storm Protection Programs associated with the Transmission System also needed to be adjusted to reflect Tampa Electric's Open Access Transmission Tariff. These costs were reduced by the current Federal Energy Regulatory Commission Jurisdictional Factor to recognize that this portion of costs was already being recovered.

Q. What were the total proposed storm protection costs for the period January 2020 through December 2021 prior to and after using the appropriate jurisdictional factor to recognize those transmission costs?

A. The total proposed storm protection costs for the period January 2020 through December 2021 prior to the jurisdictional separation for transmission was $39,943,590. After performing the transmission jurisdictional separation, the total costs are $39,431,730. After performing the transmission jurisdictional separation, this value is adjusted by the revenue tax factor to obtain the total proposed costs that will be sought for approval through the SPPCRC in 2021. The details of these calculations are included in my Exhibit No. MRR-1, 2021 Billing Determinants and Allocation Factors and Summary of Cost Recovery Clause Calculation, pages 18 and 19.

SPPCRC Factors for 2021

Q. Please summarize the total proposed storm protection costs for the period January 2020 through December 2021 and the annualized recovery factors applicable for the period January through December 2021.

A. Tampa Electric has estimated that the total storm protection jurisidictionalized costs, including adjustment by the revenue tax factor during the period will be $39,460,120. The January through December 2021 cost recovery factors allocated based upon the company's

2013 Cost of Service Study prepared in Docket No. 20130040-EI, which was used for the company's current (non-SoBRA) base rate for firm retail rate classes are as follows:

Rate Schedule	**Cost Recovery Factors (cents per kWh)**
RS	0.239
GS and CS	0.251
GSD Optional – Secondary	0.168
GSD Optional – Primary	0.166
GSD Optional – Subtransmission	0.164
LS-1 and LS-2	0.354

Rate Schedule	**Cost Recovery Factors (dollars per kW)**
GSD – Secondary	0.72
GSD – Primary	0.71
GSD – Subtransmission	0.71
SBF – Secondary	0.72
SBF – Primary	0.71
SBF – Subtransmission	0.71
IS - Primary	0.17
IS - Subtransmission	0.17

Exhibit No. MRR-1, Summary of Cost Recovery Clause Calculation, page 19 detail these estimates.

Q. Has Tampa Electric complied with the SPPCRC cost allocation methodology that used the allocation factors from Tampa Electric's 2013 Cost of Service Study prepared in Docket No. 20130040-EI, which was used for the company's current (non-SoBRA) base rate design?

A. Yes, it has.

Q. Are the factors that you provided above the incremental increase that customers will see on their electric bills?

A. No, as described in the testimony of A. Sloan Lewis, the 2020 Settlement Agreement includes a reduction of $15 million from base rates that will start concurrently with the SPPCRC factors going onto customers' bills.

Q. How much will this $15 million reduction to base rates lower base customers rates? Please provide for residential, general service demand and interruptible service rates.

A. This $15 million reduction of base rates is detailed in the Exhibit of William R. Ashburn's testimony. The base rate reduction at secondary service for residential and general service demand and at primary service for interruptible service rates are as follows:

Rate Schedule	"Reduction" in Base Rates (cents per kWh)
RS	0.090

Rate Schedule	"Reduction" in Base Rates (dollars per kW)
GSD – Secondary	0.27
IS - Primary	0.06

Q. Going back to the SPPCRC clause factors that you are proposing, would you provide the electric bill impact for these same rate classes for a typical customer bill?

A. Yes, using the same typical bill assumptions that were provided in the company Storm Protection Plan filing, the typical monthly electric bill increases for residential, general service demand at secondary service and at primary service for an interruptible service class customer are as follows:

Residential customer using 1,000 kWh: $2.39

Commercial customer using 1,000 kW of Demand at 60 percent load factor: $722

Industrial customer using 10,000 kW of Demand at 60 percent load factor: $1,710

Q. Does this conclude your testimony?

A. Yes, it does.

(Whereupon, prefiled direct testimony of TECO witness David L. Plusquellic was inserted.)

TECO
TAMPA ELECTRIC
AN EMERA COMPANY

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20200092-EI

IN RE: STORM PROTECTION PLAN COST RECOVERY CLAUSE

TESTIMONY AND EXHIBIT

OF

DAVID L. PLUSQUELLIC

FILED: July 24, 2020

TAMPA ELECTRIC COMPANY
DOCKET NO. 20190021-EI
FILED: APRIL 12, 2019

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

DAVID L. PLUSQUELLIC

Q. Please state your name, address, occupation, and employer.

A. My name is David L. Plusquellic. I am employed by Tampa Electric Company ("Tampa Electric" or "company") as Storm Protection Program Manager. The Tampa Electric business address is 820 South 78th Street, Tampa, FL 33619.

Q. Please describe your duties and responsibilities in that position.

A. My duties and responsibilities include the governance and oversight of Tampa Electric's Storm Protection Plan ("SPP" or "the Plan") development and implementation. This includes leading the development of the Plan, prioritization of projects within each of the programs, development of project and program costs and overall implementation of the Plan.

Q. Please describe your educational background and professional experience.

A. I graduated from Kent State University in June 1996 with a Bachelor's degree in Finance. In December of 2000, I graduated from the University of Akron with a Master of Business Administration specializing again in Finance. I have been employed at Tampa Electric since November of 2019. Prior to joining Tampa Electric, I was employed at FirstEnergy from 1999 to 2018 in a variety of roles. During my 19 years, I progressed from an Analyst to a Director through roles covering financial reporting & analysis, business analytics, fossil fuel generation, renewable portfolio management, process & performance improvement, and Transmission & Distribution ("T&D") operations. For the final four years, I was a Director of Operations Support at Ohio Edison, one of the FirstEnergy T&D operating companies. Throughout the 19 years, I played a leadership role in efforts that ranged from valuing businesses, entering into 20-year purchase agreements, evaluating and implementing storm process improvements, evaluating asset investments, and improving operational and safety performance.

Q. What is the purpose of your direct testimony in this proceeding?

A. The purpose of my direct testimony is to provide a description of each Storm Protection Plan ("SPP") Program and to provide the detailed listing of the associated SPP Projects and the activities that supports each SPP program. I will also provide an overview of how the projected Capital and Operating and Maintenance ("O&M") costs were developed.

Q. Are you sponsoring any exhibits in this proceeding?

A. Yes. I have prepared one exhibit entitled, "Exhibit of David L Plusquellic." It consists of eight documents and has been identified as Exhibit No. DLP-1, which contains the following documents:

- Document No. 1 provides Tampa Electric's Distribution Lateral Undergrounding Program's 2020-2021 Project List and Summary of Costs.
- Document No. 2 provides Tampa Electric's Transmission Asset Upgrades Program's 2020-2021 Project List and Summary of Costs.
- Document No. 3 provides Tampa Electric's Substation Extreme Weather Hardening Program's 2020-2021 Project List and Summary of Costs.

- Document No. 4 provides Tampa Electric’s Distribution Overhead Feeder Hardening Program’s 2020–2021 Project List and Summary of Costs.
- Document No. 5 provides Tampa Electric’s Transmission Access Enhancement Program’s 2020–2021 Project List and Summary of Costs.
- Document No. 6 provides Tampa Electric’s Vegetation Management Program’s 2020–2021 Activities and Summary of Costs.
- Document No. 7 provides Tampa Electric’s Infrastructure Inspections Program’s 2020-2021 Activities and Summary of Costs.
- Document No. 8 provides Tampa Electric’s Common Storm Protection Plan 2020-2021 Activities and Summary of Costs.

Q. How is your testimony organized?

A. My testimony is organized by each of the company’s SPP Programs, which includes a description of the program, a summary of the program’s costs, and how project-level costs were developed.

Q. Will your testimony address these topics for each of the SPP Programs for which the company is seeking cost recovery?

A. Yes, my testimony is organized to cover all these topics for each of the eight programs in the company's proposed SPP, in addition to the projected company's Storm Protection Plan Planning and Common expenditures.

Q. Will your testimony address how project-level costs were developed within each of the company's SPP Programs for which the company is seeking cost recovery?

A. Yes, my testimony will explain how the company developed the required Project-level details for the first two years of the Plan for this Storm Protection Plan Cost Recovery Clause ("SPPCRC").

Distribution Lateral Undergrounding

Q. Please provide a description of the Distribution Lateral Undergrounding Program.

A. Tampa Electric's Distribution Lateral Undergrounding Program will convert existing overhead distribution lateral facilities to underground to increase the resiliency and reliability of the distribution system serving the company's customers.

Q. How many Distribution Lateral Underground projects are planned for 2020 and 2021?

A. Tampa Electric plans for the following activity in calendar years 2020 and 2021:

- During the period, April 10, 2020 to December 31, 2020, there are 134 projected projects that will be initiated.
- During the period January 1, 2021 to December 31, 2021 there are 516 projected projects, 130 of which will be carried over from 2020.

This project detail is fully detailed in my Exhibit No. DLP-1, Document No. 1.

Q. Can you explain why this project count is different than the company's SPP April 10, 2020 filing, which reflected 24 projects in 2020 and 281 projects in 2021?

A. Yes, following the April 10, 2020 filing, Tampa Electric has been working through the necessary functions to establish the SPP programs to initiate construction. As the company was working through the contracts and procurement functions to support the distribution lateral undergrounding program, it became evident that further refinement of the engineering and construction schedules was necessary. In addition, while not a significant impact at the time, the current COVID-19 pandemic was placing additional pressure to refine the schedule that was previously provided.

Q. Did Tampa Electric communicate these changes?

A. Yes, Tampa Electric served the supplemental response to the Office of Public Counsel's Interrogatory No. 6 on June 18, 2020 on all affected parties in Docket 20200067-EI. The supplemental response communicated that the company refined its project schedules for the company's distribution lateral undergrounding program. As a part of this refinement, the start dates and completion dates for construction of some projects were changed. In addition, the company is accelerating the activities to design and secure land rights further in advance of construction than what was originally filed.

Q. Do the new project counts reflect the prioritization that served as the basis for the original filing?

A. Yes, the prioritization of the projects is the same as what was filed on April 10, 2020 with a refined strategy for engineering and acquiring land rights further in advance of construction.

Q. What are the total projected expenditures for this Program?

A. Tampa Electric estimates expenditures for this program during calendar years 2020 and 2021 as follows:

- During the period, April 10, 2020 to December 31, 2020, estimated expenditures are $9.1 million.
- During the period, January 1, 2021 to December 31, 2021, estimated expenditures are $84.1 million.

Q. Do these projected expenditures match what was filed on April 10, 2020?

A. No, the schedule refinement that I explained above resulted in front loading more engineering work on more projects which raised the cost estimate by approximately $600,000 in 2020 and $2.2 million in 2021. Additionally, the company projects incremental labor dollars of $600,000 in 2020 and $1.9 million in 2021.

Q. Did any of these project expenditures occur before April 10, 2020?

A. No.

Q. Can you provide a breakdown of the projected expenditures by categories such as capital and operating and maintenance ("O&M") expenses?

A. The Distribution Lateral Undergrounding Program expenditures are 100 percent capital. There are no expected O&M expenses.

Q. What are the different components that make up the cost of a distribution lateral underground conversion project?

A. The projects will be completed primarily by external contractor partners. The main components of the project's cost will be contractor labor, materials, as well as some internal costs to administer and manage the program. The internal costs reflect labor dedicated to the Program as well as a small amount of O&M for things like office supplies and incidental travel associated with the program.

Q. How did you develop a cost estimate for each of these components?

A. The company developed cost assumptions based on internal historical data, an internal cost estimation tool, and information obtained from industry sources with experience in this type of work. This data was used to develop a unit rate or activity rate for each type of asset.

Q. Does each project have its own unique cost estimate profile?

A. Yes, each project is assigned characteristics based on its location, the number of phases, the number of customers, and the number and type of assets that will need to be converted.

Q. Were the distribution undergrounding lateral conversion project's costs estimated using a single average that was then applied to all projects?

A. No, the company used the individual component pricing data to develop an estimate for each project based on its unique characteristics, the number of assets, and the type of assets.

Q. Were the same underlying cost assumptions used to develop the cost estimate for each project?

A. Yes, the company used the same unit rate or activity rate for each type of asset.

Q. Can you explain how the cost assumptions were used to develop a cost estimate?

A. Yes, the number of each asset type would be multiplied by the activity or unit rate to determine a cost estimate for each asset type. The project-level estimate represents the sum of the estimates for each asset type. The activity rates include the external labor rates as well as materials.

Q. How do the project characteristics such as number of customers, number of phases and location of existing assets factor into the cost estimates?

A. These characteristics directly affect the necessary volume of work, the number and types of assets within the project scope, and the activity rate that is used for the project-level cost estimate.

Transmission Asset Upgrades

Q. Can you please provide a description of the Transmission Asset Upgrades Program?

A. The Transmission Asset Upgrades Program will proactively and systematically replace the company's remaining wood transmission poles with non-wood material.

Q. How many Transmission Asset Upgrade projects are planned for 2020 and 2021?

A. Tampa Electric plans for the following activity in calendar years 2020 and 2021:

- April 10, 2020 to December 31, 2020 – 21 projects
- January 1, 2021 to December 31, 2021 – 37 projects

This project detail is fully detailed in my Exhibit No. DLP-1, Document No. 2.

Q. Will you please explain how this aligns with the projects counts and prioritization reflected in the filing made on April 10, 2020 for the 2020 and 2021 periods?

A. Yes, the company's filed Plan called for 21 projects in 2020 and 35 projects in 2021. In addition to these 56 projects, the company has added two additional projects in 2021 that were originally scheduled for 2022. The 58 projects scheduled in 2020 and 2021 keep the same prioritization that was used to develop the first three years of the company's 2020-2029 SPP that was filed on April 10, 2020.

Q. Does the company's filing in this docket include any different projects other than those included in the SPP filing dated April 10, 2020, with the exception of the two new projects being proposed?

A. No, all the projects are the same with the exception of the two new additional projects that were moved from 2022 into 2021.

Q. What are the total projected expenditures for this Program for the 2020 and 2021 periods?

A. Tampa Electric estimates expenditures for this program during 2020 and 2021 as follows:

- During the period April 10, 2020 to December 31, 2020, estimated expenditures are $5.8 million.

- During the period January 1, 2021 to December 31, 2021, estimated expenditures are $15.6 million.

Q. Do these projected expenditures match what was filed on April 10, 2020?

A. Yes, the current projected costs align with the cost estimates filed on April 10, 2020. The projected costs for 2020 were increased by less than $100,000 due to projected increased transfer costs. The projected costs for 2021 were increased by approximately $400,000 due to the projected increased transfer costs of $200,000 and $200,000 for two additional projects. Transfer costs are the cost incurred when moving existing wires from the existing wood structure to the newly constructed non-wood structure.

Q. Did any of these project expenditures occur before April 10, 2020?

A. No.

Q. Can you provide a breakdown of the projected expenditures by categories such as capital and O&M expenses?

A. Yes, the Transmission Asset Upgrade Program is predominantly capital, with some minimal O&M costs. The breakdown for each year is as follows:

- For the period April 10, 2020 to December 31, 2020:
  - o Capital of $5.8 million
  - o O&M of $0.2 million
- For the period January 1, 2021 to December 31, 2021:
  - o Capital of $15.2 million
  - o O&M of $0.4 million

Q. What are the activities that are associated with the O&M costs with this program?

A. The activity of transferring existing wires to the new non-wood material pole from the existing wooden pole being replaced is accounted for as an O&M cost.

Q. How did the company develop a cost estimate for each of these components?

A. The company has reactively replaced wood transmission poles that fail an inspection with non-wood material for many years. Because of these reactive replacements, the company has developed an extensive set of historical data for transmission pole replacements and upgrades. The historical data was used as a foundation for the project-level costs estimates.

Q. Were your project costs estimated using a single average that was then applied to all projects?

A. No.

Q. Does each transmission asset upgrade project have its own unique cost estimate profile?

A. Yes, each transmission asset upgrade project represents a transmission circuit, with a unique number of poles, unique terrain, and a unique location.

Substation Extreme Weather Hardening

Q. Can you please provide a description of the Substation Extreme Weather Hardening Program?

A. This program will harden and protect the company's substation assets that are vulnerable to flooding or storm surge.

Q. How many Substation Extreme Weather Hardening projects are planned for 2020 and 2021?

A. The company is proposing no projects for the period April 10, 2020 to December 31, 2020. The company is, however, planning to conduct a formal study in 2021 to further identify and evaluate other potential hardening solutions beyond the single solution that was modeled on the company's substations during the initial development of the company's Plan. This project detail is fully detailed in my Exhibit No. DLP-1, Document No. 3.

Q. Does this represent the same number of projects you included in the filing made on April 10, 2020 for the 2020 and 2021 periods?

A. Yes.

Q. What are the total projected expenditures for this Program for the 2020 and 2021 periods?

A. Tampa Electric estimates expenditures for this Program during calendar years 2020 and 2021 as follows:

- During the period, April 10, 2020 to December 31, 2020, estimated expenditures are $0.

- During the period, January 1, 2021 to December 31, 2021, estimated expenditures are $0.3 million.

Q. Do these projected expenditures match what was filed on April 10, 2020?

A. Yes.

Q. Did any of these project expenditures occur before April 10, 2020?

A. No.

Q. Can you provide a breakdown of the projected expenditures by categories such as Capital and O&M expenses?

A. The 2021 study cost will be charged to O&M. At this time, the composition of future potential projects costs is not known.

Distribution Overhead Feeder Hardening

Q. Can you please provide a description of the Distribution Overhead Feeder Hardening Program?

A. This program will include strategies to further enhance the resiliency and reliability of the distribution network by further hardening the grid to minimize interruptions and reduce customer outage counts during extreme weather events and abnormal system conditions.

Q. How many Distribution Overhead Feeder Hardening projects are planned for 2020 and 2021?

A. Tampa Electric plans for the following activity in calendar years 2020 and 2021:

- April 10, 2020 to December 31, 2020 – 13 projects.
- January 1, 2021 to December 31, 2021 – 27 projects.

This project detail is fully detailed in my Exhibit No. DLP-1, Document No. 4.

Q. Does this represent the same number of projects you included in the company's Plan filing made on April 10, 2020 for the 2020 and 2021 periods?

A. No.

Q. Will you please explain how this number is different than the number of projects the company included in the filing made on April 10, 2020 for the period 2020 and 2021?

A. Yes, the plan filed on April 10, 2020 called for five projects in 2020 and 18 projects in 2021. The company plans to complete those 23 projects and will begin work on early stages of an additional six future projects.

Q. Why did the company decide to begin the six projects earlier?

A. The additional six projects were added to the 2021 work plan in order to ensure the projects would be completed in 2022. This alternation to the schedule resulted from a long-term work forecast that aligned with anticipated resource availability and project schedules for 2021 and 2022 and will also allow the company to provide the benefits reflected in the April 10 filing.

Q. Will the projects still have the same construction start and end dates as listed in the company's April 10, 2020 SPP filing?

A. The company did not provide a list of construction start and completion dates for 2021 and 2022 in the company's April 10, 2020 filing. The company is keeping the same initial projects that were projected to begin and complete in addition to the starting of the six additional projects as explained above to be completed in 2022.

Q. Does the company's filing in this docket include different projects than those included in the SPP filing dated April 10, 2020?

A. No, other than starting the engineering work in late 2021 on the additional six projects all of the projects are the same.

Q. What are the total projected expenditures for this program in the 2020 and 2021 periods?

A. Tampa Electric estimates expenditures for this Program during calendar years 2020 and 2021 as follows:

- During the period April 10, 2020 to December 31, 2020, estimated expenditures are $6.6 million.
- During the period January 1, 2021 to December 31, 2021, estimated expenditures are $15.7 million.

Q. Do these projected expenditures match what was filed on April 10, 2020?

A. The current projected costs align with the cost estimates filed on April 10, 2020. The projected costs for 2020 align with the filing at $6.5 million. The projected costs for 2021 have increased from $15.4 to $15.7 driven almost entirely by an expected higher cost of transferring assets to the new pole and the engineering of the six additional projects.

Q. Do any of these project expenditures occur before April 10, 2020?

A. No.

Q. Can you provide a breakdown of the projected expenditures by categories such as capital and O&M expenses?

A. The Distribution Overhead Feeder Hardening Program is predominantly capital with some minimal O&M costs. The breakdown for each year is as follows:

- For the period April 10, 2020 to December 31, 2020:
    - o Capital of $6.4 million
    - o O&M of $0.2 million
- For the period January 1, 2021 to December 31, 2021:

- o Capital of $15.3 million
- o O&M of $0.4 million

Q. What are the activities that are associated with the O&M costs with this program?

A. The activity of transferring existing wires to the new overhead feeder hardening equipment from the existing equipment being replaced is accounted for as an O&M cost.

Q. Does each overhead feeder hardening project have its own unique cost estimate profile?

A. Yes, each overhead feeder hardening project represents a distribution overhead feeder that will be hardened. The underlying project information is specific to each feeder. This includes location, asset type, work scope, number of assets to be installed or hardened and other information that is unique to each circuit.

Q. How were the cost assumptions used to develop cost estimates for each project?

A. The company first defined the attributes of a hardened feeder, which includes poles meeting National Electrical

Safety Code ("NESC") Extreme Wind loading criteria; no poles lower than a class 2; no conductor size smaller than 336 aluminum conductor, steel reinforced ("ACSR"); single phase reclosers or trip savers on laterals; feeder segmented and automated with no more than 200-400 customers per section and no segment longer than 2-3 miles; no more than two to three megawatts of load served on each segment; and circuit ties to other feeders with available switching capacity. These criteria were then applied to each potential overhead feeder project to develop an estimate of the cost to harden that feeder.

Transmission Access Enhancement

Q. Please provide a description of the Transmission Access Enhancement Program.

A. This program will ensure the company always has access to its transmission facilities so it can promptly restore its transmission system when outages occur.

Q. How many Transmission Access Enhancement projects are planned for 2020 and 2021?

A. Tampa Electric plans for the following activity in calendar years 2020 and 2021:

- April 10, 2020 to December 31, 2020 - 0 projected projects.
- January 1, 2021 to December 31, 2021 - 18 projected projects.

This project detail is fully detailed in my Exhibit No. DLP-1, Document No. 5.

Q. Does this represent the same number of projects you included in the filing made on April 10, 2020 for the period 2020 and 2021?

A. No, the company is still projecting to begin zero projects in 2020 but has increased the number of projects from eight to eighteen for 2021.

Q. Can you please explain why the number of projects has increased for 2021?

A. Since Tampa Electric filed its Plan, the company determined that it could achieve efficiency and avoid potential delays in construction by beginning engineering, design and permitting for future projects earlier than originally planned. As a result, the company will begin work in 2021 on projects that were originally scheduled to begin in 2022 and 2023.

Q. Does the company's filing in this docket include different projects than those included in the SPP filing dated April 10, 2020?

A. No, with the exception of the additional projects that are beginning earlier, the projects and the prioritization are consistent with the filing made on April 10, 2020.

Q. What are the total projected expenditures for this Program in the 2020 and 2021 periods?

A. Tampa Electric estimates expenditures for this Program during calendar years 2020 and 2021 as follows:

- During the period April 10, 2020 to December 31, 2020, estimated expenditures are $0.
- During the period January 1, 2021 to December 31, 2021, estimated expenditures are $1.3 million.

Q. Do these projected expenditures match what was filed on April 10, 2020?

A. No, the refined schedule results in a slight reduction to 2021 spend compared to the company's Plan filing.

Q. Did any of these project expenditures occur before April 10, 2020?

A. No.

Q. Can you provide a breakdown of the projected expenditures by categories such as capital and O&M expenses?

A. The Transmission Asset Enhancement Program is 100 percent capital. There are no expected O&M expenses.

Q. What is the basis for your 2021 project-level cost estimates?

A. The company has both historical and recent experience with road and bridge projects. This information was the foundation for preparing estimates for the permitting, surveying, engineering, and construction costs.

Q. Does each project have its own unique cost estimate profile?

A. Yes, each project has a unique project cost estimate based on factors such as project type, type of construction, location, permits required and the quantity of material.

Vegetation Management

Q. Can you please provide a description of the Vegetation Management ("VM") Program?

A. The VM Program consists of three parts including existing legacy storm hardening VM activities and three new VM initiatives that will impact the SPPCRC. The three parts of existing legacy storm hardening VM activities include the following:

- Four-year distribution VM cycle (Planned)
- Two-year transmission VM cycle (Planned)
- Transmission VM Right of Way Maintenance (Planned)

The three new VM initiatives are:

- Initiative 1: Supplemental Distribution Circuit VM
- Initiative 2: Mid-Cycle Distribution VM
- Initiative 3: 69 kV VM Reclamation

Q. What VM programs does the company have that will not impact the SPPCRC?

A. The company performs unplanned VM on both the distribution and transmission system. Both of these VM activities will remain in base rates and not in the SPPCRC.

Q. Does this represent the same number of initiatives you included in the filing made on April 10, 2020 for the period 2020 and 2021?

A. Yes.

Q. What level of activity are you projecting for each initiative during the period 2020?

A. For the period January 1, 2020 to December 31, 2020, the company projects the following activities:

- Distribution VM: 1,720 miles
- Transmission VM: 530 miles

For the period April 10, 2020 to December 31, 2020, the company projects the following activities:

- Initiative 1: 402.3 miles and 62,332 customers
- Initiative 2: 0 miles and 0 customers
- Initiative 3: 0 miles and 0 customers

This activity detail is fully detailed in my Exhibit No. DLP-1, Document No. 6.

Q. What level of activity are you projecting for each initiative during the period 2021?

A. For the period January 1, 2021 to December 31, 2021, the company projects the following activities:

- Distribution VM: 1,560 miles
- Transmission VM: 530 miles
- Initiative 1: 510.2 miles and 65,008 customers
- Initiative 2: 243.1 miles and 95,733 customers
- Initiative 3: 27 miles and 26,975 customers

This activity detail is fully detailed in my Exhibit No. DLP-1, Document No. 6.

Q. Does this represent the same projected activity levels included in the filing made on April 10, 2020 for the period 2020 and 2021?

A. Yes.

Q. What are the total projected expenditures for this Program during the period April 1 to December 31, 2020?

A. For the period April 10, 2020 to December 31, 2020, expenditures are estimated to be:

- Distribution VM: $9.7 million
- Transmission VM: $0.9 million
- Initiative 1: $2.9 million
- Initiative 2: $0.1 million
- Initiative 3: $0.1 million

Q. Do these figures represent the amount that is deemed incremental and recoverable through the SPPCRC under the 2020 Settlement Agreement?

A. No, as explained further in the testimony of A. Sloan Lewis, the 2020 Settlement Agreement sets out a threshold test to determine what portion of the VM costs are incremental and recoverable through the SPPCRC. These numbers represent the total projected expenditures for each activity for 2020, not just the incremental portion.

Q. What are the total projected expenditures for this Program during the period 2021?

A. For the period January 1, 2021 to December 31, 2021, expenditures are estimated to be:

- Distribution VM: $13.0 million

- Transmission VM: $2.8 million
- Initiative 1: $5.5 million
- Initiative 2: $1.3 million
- Initiative 3: $0.7 million

Q. Have these estimated expenditures been adjusted to account for the 2020 Settlement Agreement?

A. No. Under the 2020 Settlement Agreement, the company agreed to reduce base rates beginning in January of 2021. These figures are the total, projected costs for which the company is seeking cost recovery through the SPPCRC.

Q. Do these projected expenditures match what was filed on April 10, 2020?

A. Yes.

Q. Did any of these expenditures occur before April 10, 2020?

A. No, per the terms of the 2020 Settlement Agreement, the incremental costs incurred after April 10, 2020 can be included in the SPPCRC, while at the same time an adjustment will be made so that only agreed upon incremental VM costs are included in the SPPCRC.

Q. Can you provide a breakdown of the projected expenditures by categories such as Capital and O&M expenses?

A. The VM Program is 100 percent O&M expenses. There are no expected capital expenses.

Q. How were the estimated costs of this program developed?

A. The company used historical data along with current labor and equipment rates to develop the cost estimates for each component of this program. The company also engaged Accenture to assist in the development of the new VM initiatives, including the level of incremental work and the cost for each initiative.

Q. Can you explain how that information was used to develop a cost estimate for each initiative?

A. Yes, the activity levels for each initiative were multiplied by the labor and equipment rates associated with each activity within that initiative. The company relied on the historical data as well as current estimates of labor and equipment rates.

Infrastructure Inspections

Q. Can you please provide a description of the Infrastructure Inspections Program?

A. This SPP program involves the inspections performed on the company's T&D infrastructure including all wooden distribution and transmission poles, transmission structures and substations, as well as the audit of all joint use attachments.

Q. How many infrastructure inspection projects does the company plan to complete in 2020 and 2021?

A. Tampa Electric conducts thousands of inspections each year. The number of inspections by type planned for 2020 and 2021 are as follows:

Distribution:	2020	2021
Wood Pole:	22,500	22,500
Groundline:	13,275	13,275

Transmission:	2020	2021
Wood Pole/Groundline:	702	367
Above Ground:	2,949	3,895

Aerial Infrared Patrol:	Annually	Annually
Ground Patrol:	Annually	Annually
Substations:	Annually	Annually

This activity detail is fully detailed in my Exhibit No. DLP-1, Document No. 7.

Q. Does this represent the same number of projects you included in the filing made on April 10, 2020 for the period 2020 and 2021?

A. Yes.

Q. What are the total projected expenditures for this Program in the 2020 and 2021 periods?

A. The estimated costs for this program for April 10, 2020 through December 2020 is $0.5 million, and $1.6 million for 2021.

Q. Do any of these project expenditures occur before April 10, 2020?

A. No.

Q. Can you provide a breakdown of the projected expenditures by categories such as capital and O&M expenses?

A. All costs associated with this program are 100 percent O&M. There are no Capital expenditures with this program.

Q. What is the basis for your cost estimates?

A. The company has long-standing inspection programs with a large data set of historical activity and spend. The projected spend for each inspection type is based on projected activity and historical spending.

LEGACY STORM HARDENING INITIATIVES

Q. What are the legacy storm hardening initiatives?

A. These are storm hardening activities that were mandated by the Commission as components of the company's prior storm hardening plan.

Q. Are the legacy storm hardening initiatives the same for the company's SPP as they were in the company's most recent 2019-2021 three-year Storm Plan that was approved by the Commission?

A. Yes, they are the same, but Tampa Electric extracted the following legacy storm hardening initiatives to be separate SPP Programs and will seek cost-recovery for these through the SPPCRC:

- Four-year distribution vegetation management
- Two-year transmission vegetation management
- Transmission Right of Way vegetation management
- Distribution infrastructure inspections
- Transmission infrastructure inspections
- Transmission asset upgrades

Q. What are the other legacy storm hardening initiatives that will not go through the SPPCRC?

Q. The other legacy storm hardening initiatives that will not go through the SPPCRC include the following:

- Unplanned distribution vegetation management
- Unplanned transmission vegetation management
- Geographic Information System
- Post-Storm Data Collection
- Outage Data – Overhead and Underground Systems
- Increased Coordination with Local Governments
- Collaborative Research
- Disaster Preparedness and Recovery Plan
- Distribution Wood Pole Replacements

Q. Does the company have individual project detail for these ongoing storm hardening initiatives for the period 2020 and 2021?

A. No, these "other" ongoing storm hardening initiatives are well-established, steady state programs for which the company does not propose any specific Storm Protection Projects at this time.

Q. Is the company seeking cost recovery for any of these "Other" ongoing legacy storm hardening in this SPPCRC proceeding?

A. No.

COMMON STORM PROTECTION PLAN ACTIVITIES AND COSTS

Q. Will you please provide a description of the Common Costs?

A. Yes, the costs in the Common Costs category represent those costs that cannot be attributed to a specific Program. They are an accumulation of incremental costs associated with developing, implementing, managing, and administering the SPP.

Q. What type of costs are in the Common Costs category?

A. The Common Costs reflect those SPP costs that cannot be assigned to a specific SPP program or those costs which bring benefits to the entire portfolio of SPP programs. Examples of this include incremental internal labor to support the administration of the SPP as a whole. In addition, because the company has never prepared an SPP before and has never performed the level of work necessary for a successful SPP, Tampa Electric brought in outside consultants to assist in the development of the SPP. These consultants' costs were charged to Common Costs as they provide benefits to more than one SPP Program.

Q. Were these costs reflected in the company's SPP filing on April 10, 2020?

A. Yes.

Q. How much does the company project to spend on common expenses in the 2020 and 2021 periods?

A. The company projects spending $1.4 million in 2020 and $0.4 million in 2021.

Q. Please provide a breakdown of these common costs in each calendar year.

A. The following is a summary level breakdown of the costs in each calendar year:

- Calendar year 2020 costs reflect $1.0 million of external consulting costs and $0.4 million of internal labor costs.
- Calendar year 2021 costs reflect $0.4 million of internal labor costs.

Q. Does this include any costs incurred prior to April 10, 2020?

A. Yes, the company engaged three consultants to assist with the development of the SPP, as described in the company’s plan filing. In addition, the company added a small number of incremental positions, such as a Program Manager, to administer the Plan development and implementation process. This activity detail is fully detailed in my Exhibit No. DLP-1, Document No. 8.

Q. How much of the 2020 costs were incurred prior to April 10, 2020?

A. The company spent approximately $1.0 million on external consultants and incremental internal labor prior to April 10, 2020 which is detailed in Exhibit No. MRR-1 of Mark R. Roche's direct testimony.

CONCLUSIONS

Q. Please summarize your direct testimony.

A. My testimony identifies the programs for which Tampa Electric is seeking cost recovery for expenditures occurring in 2020 and 2021. My testimony describes the number and types of activities that will be carried out under the company's SPP in 2020 and 2021 and explains how the company developed estimates of the cost of each of these activities. My testimony also demonstrates that the estimated costs are reasonable since they are based on sound methods and because the company has a high level of confidence in its projections.

Q. Are the company's planned activities and projected costs consistent with the company's Storm Protection Plan?

A. Yes, as I explained in my testimony, the company has begun implementation of each of the Programs in a manner consistent with the filing made on April 10, 2020. While schedules have been refined in some cases, the planned activities are prioritized consistently with the SPP and the projected costs are largely consistent at both the Program and project levels.

Q. Should the Commission approve the company’s projected expenditures for its Distribution Lateral Undergrounding, Transmission Asset Upgrades, Substation Extreme Weather Hardening, Distribution Overhead Feeder Hardening, Transmission Access Enhancement, Vegetation Management, Infrastructure Inspections Programs and Common SPP costs?

A. Yes, these projected expenditures should be approved. The projected costs are reasonable and consistent with the company’s SPP.

Q. Does this conclude your testimony?

A. Yes.

(Whereupon, prefiled direct testimony of TECO witness A. Sloan Lewis was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

A. SLOAN LEWIS

INTRODUCTION:

Q. Please state your name, address, occupation and employer.

A. My name is A. Sloan Lewis. My business address is 702 N. Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or "the Company") in the Finance Department as Director, Regulatory Accounting.

Q. Please describe your duties and responsibilities in that position.

A. My duties and responsibilities include the accounting oversight of all cost recovery clauses and riders for Tampa Electric and Peoples Gas, the settlement of all fuel and power transactions for Tampa Electric and Peoples Gas System and the accounts payable department for Tampa Electric, Peoples Gas System and New Mexico

Gas Company.

Q. Please describe your educational background and professional experience.

A. I received a Bachelor of Science degree in accounting from Florida State University in 1994 and a Master of Education from the University of North Florida in 1996. I joined Tampa Electric in 2000 as a Fuels Accountant and over the past 19 years have expanded my cost recovery clause responsibilities. Then in 2015, I was promoted to Manager, Regulatory Accounting with responsibilities for all the recovery clauses and riders for Tampa Electric and Peoples Gas System. I was promoted to my current role as Director, Regulatory Accounting in 2017.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony in this proceeding is to present and explain how the company developed the projected total annual revenue requirements associated with the company's 2020 actual and estimated and projected 2021 Storm Protection Plan activities, and to describe the steps taken by Tampa Electric to promote transparency and ensure that the costs the company will recover through the Storm Protection Plan Cost Recovery Clause ("SPPCRC") do not include costs that are currently recovered through the utility's existing base rates or any other cost recovery mechanism.

Q. Have you prepared an exhibit to accompany your direct testimony?

A. Yes. I have two exhibits that were prepared under my direction and supervision. Exhibit No. ASL-1, entitled "Tampa Electric's 2020-2021 SPP Total Revenue Requirements by Program" shows the Annual Revenue Requirement for the company's 2020-2021 SPP Programs. Exhibit No. ASL-2, entitled "Final Order Approving Tampa Electric's 2020 Settlement Agreement" is a settlement agreement entered into by Tampa Electric and consumer parties that was approved by the Commission on June 9, 2020 and the Commission's Order No. PSC-2020-0224-AS-EI that was issued on June 20, 2020.

DEVELOPMENT AND CALCULATION OF THE PROJECTED ANNUAL REVENUE REQUIREMENTS FOR 2020 and 2021

Q. What are the projected annual revenue requirements for

Tampa Electric's SPP activities in 2020 and 2021?

A. The projected annual revenue requirements for the company's SPP activities for 2020 and 2021 are included below.

<u>Total Projected SPP Revenue Requirement (2020-2021)</u>

2020	$6,035,191
2021	$33,908,399

The revenue requirements of each SPP program are detailed further in my Exhibit No. ASL-1.

Q. Would you explain how these projected annual revenue requirements were developed?

A. Yes, the projected annual revenue requirements were developed with cost estimates for each of the SPP programs plus depreciation and return on SPP assets, as outlined in Rule 25-6.031(6), Florida Administrative Code ("F.A.C."), the SPP Cost Recovery Clause Rule.

Q. Do these revenue requirements include any costs that are currently recovered in base rates?

A. No, as I discuss further below, the company has agreed to procedures designed to avoid double recovery of SPP costs through both base rates and the SPPCRC.

Q. Do the projected annual revenue requirements include SPP capital expenditures made prior to the plan filing date in the depreciation and return calculations?

A. No, only capital expenditures for SPP projects to be initiated after April 10, 2020 were included in the depreciation and return calculations included in the estimated annual jurisdictional revenue requirements.

Q. Do the projected annual revenue requirements include the annual depreciation expense on SPP capital expenditures?

A. Yes, Rule 25-6.031 states that the annual depreciation expense is a cost that may be recovered through the SPPCRC. As a result, the projected annual revenue requirements include the annual depreciation expense calculated on the SPP capital expenditures initiated after April 10, 2020, using the depreciation rates from Tampa Electric's most current Depreciation Study, approved by Order No. PSC-12-0175-PAA-EI issued April 3, 2012 within Docket No. 20110131-EI.

Q. Were the depreciation savings on the retirement of assets removed from service during the SPP capital projects considered in the development of the revenue requirement?

A. Yes, in the development of the revenue requirements, depreciation expense from the SPP capital asset additions were reduced by the depreciation expense savings resulting from the estimated retirement of assets removed from service during the SPP capital projects.

Q. Do the projected annual revenue requirements include a return on the undepreciated balance of the SPP assets?

A. Yes, Rule 25-6.031 6(c) states that the utility may recover a return on the undepreciated balance of the asset costs through the SPPCRC. As a result, this return was included in the estimated annual jurisdictional revenue requirement. In accordance with the Order No. PSC-2020-0165-PAA-EU issued on May 20, 2020 within Docket No. 20200118-EU, Amended unopposed joint motion to modify Order PSC-2012-0425-PAA-EU regarding weighted average cost of capital methodology, Tampa Electric calculated a return on the undepreciated balance of the asset costs for 2020 using the existing methodology outlined in Order No. PSC-2012-0425-PAA-EU and for 2021 using the projected mid-point return on equity 13-month average weighted average cost of capital for 2021.

Q. Did the company include Allowance for Funds Used During Construction ("AFUDC") in the calculation of the projected annual revenue requirements?

A. No, per Rule 25-6.0141, F.A.C, in order for projects to be eligible for AFUDC, they must involve "gross additions to plant in excess of 0.5 percent of the sum of the total balance in Account 101, Electric Plant in Service, and Account 106, Completed Construction not Classified, at the time the project commences and are expected to be completed in excess of one year after commencement of construction." None of the projects proposed in Tampa Electric's 2020-2021 SPP meet the criteria for AFUDC eligibility.

AVOIDANCE OF DOUBLE RECOVERY

Q. Rule 25-6.031(7), F.A.C. states that costs recoverable through the SPPCRC "shall not include costs recovered through the utility's base rates or any other cost recovery mechanism." What steps has Tampa Electric taken to ensure that the costs presented for recovery in this docket do not include any costs that are already recovered in base rates?

A. The company has taken two main steps to ensure that the costs recovered through the SPPCRC do not include any costs that are already recovered through base rates. First, the company has implemented internal procedures to accurately track SPP costs. Second, the company entered into an agreement approved by the Commission known as the 2020 Settlement Agreement. This Agreement includes a method for avoiding double recovery of SPP costs.

Q. What internal procedures has the company implemented to accurately track SPP costs to avoid potential double recovery through the SPPCRC?

A. All SPP Programs and SPP Projects are identified using the company's accounting system attributes including Funding Projects, Work Orders and Plant Maintenance Orders ("PMOs")/work requests. Each SPP Project is assigned a specific Funding Project number, which is "tagged" with a code indicating which SPP Program the costs are attributable to. This code clearly differentiates the SPP Capital investments from the company's other Capital assets in the accounting system. The company has also developed a set of charging guidelines for the SPP and several layers of internal review are performed on these costs. Additional measures to avoid double recovery are covered in the 2020 Settlement Agreement, discussed in detail below.

Q. What is the Tampa Electric 2020 Settlement Agreement?

A. The 2020 Settlement Agreement is an agreement entered into by Tampa Electric, the Office of Public Counsel, the Florida Industrial Power Users Group, the Florida Retail Federation, the Federal Executive Agencies, and the West Central Florida Hospital Utility Alliance. The 2020 Settlement Agreement resolves issues in several Commission dockets involving Tampa Electric, including this docket. The Commission approved the 2020 Settlement Agreement in a hearing held on June 9, 2020 and was approved by the Commission’s Order No. PSC-2020-0224-AS-EI. I also have included a copy of the Commission’s Final Order Approving the 2020 Settlement Agreement as my Exhibit No. ASL-2.

Q. What provisions in the 2020 Settlement Agreement affect this docket?

A. The 2020 Settlement Agreement contains provisions governing cost recovery for incremental SPP operations and maintenance ("O&M") expenses, capital expenditures and assets related to the SPP, and distribution pole replacements. The purpose of these provisions is to set out a method for avoiding double recovery of SPP costs through both base rates and through the SPPCRC.

Q. How does the 2020 Settlement Agreement ensure there is no double recovery of SPP O&M costs?

A. The company's SPP is comprised of both existing and new storm protection activities. Under the 2020 Settlement Agreement, Tampa Electric will recover all SPP O&M expenses, including expenses associated with existing activities, through the SPPCRC.

Q. How will the company recover O&M expenses associated with existing activities through the SPPCRC while avoiding double recovery of those costs?

A. There are six existing activities included in the company's SPP, the costs of which are currently recovered through base rates. The company will reduce base rate revenues by an amount equal to the average actual O&M expense for the most recent two years - grossed up for the regulatory assessment fee – for these six activities. The ultimate result of this agreement is that Tampa Electric will reduce base rates by an annual amount of $14,876,228.78 beginning in 2021. The calculation that results in this total reduction is detailed in the Exhibit of William R. Ashburn.

Q. Does the 2020 Settlement Agreement address recovery of costs associated with these six activities in 2020?

A. Yes. Pursuant to the Agreement, the company may seek recovery of 2020 SPP O&M expense for the six activities for the period from May to December 2020, but only to the extent that total expense for those activities exceeds the average of the total expense for those activities in May through December of 2018 and May through December of 2019. This means that the company may seek recovery of any SPP O&M expense for the six activities exceeding $10.4 million.

Q. Is the threshold for recovery of SPP O&M expense in 2020 a total amount, or is it comprised of six individual threshold amounts, one for each activity?

A. It is a total threshold. Every dollar above $10.4

expended on the six activities for the period May through December 2020 is incremental and eligible for cost recovery through the SPPCRC.

Q. How does the 2020 Settlement Agreement avoid potential double recovery for capital expenditures?

A. The Agreement establishes a bright line test for determining which SPP capital projects are eligible for SPPCRC recovery. Under the Agreement, all SPP capital projects initiated after April 10, 2020 are eligible for recovery through the SPPCRC, subject to a prudency review in this docket. Cost recovery for projects initiated prior to that date will remain through base rates.

Q. Are there any other provisions of the 2020 Settlement Agreement that will avoid potential double recovery?

A. Yes. The Agreement requires the company to recover costs associated with distribution pole replacements through base rates. This avoids potential challenges associated with accounting for mass asset additions and retirements. Likewise, the company will also not seek recovery of the O&M expenses from asset transfers related to distribution pole replacements through the SPPCRC. The Agreement also requires the company to implement four accounting protocols for capital items to avoid double recovery.

Q. What are those four accounting protocols for capital items?

A. First, when assets are retired and replaced as a part of a SPP program, the company will not seek to recover the cost of removal net of salvage associated with the related assets through the SPPCRC. Instead, the net cost of removal will be debited to the company's accumulated depreciation reserve. Second, depreciation expense from SPP capital asset addition will be reduced by depreciation expense savings that result from the retirement of assets removed from service during the SPP project. Only the net of the two amounts will be recovered through the SPPCRC. Third, project records and fixed asset records for SPP capital projects will be maintained in a manner that clearly distinguishes between rate base and SPPCRC assets. Finally, the company has the option to remove items from the SPPCRC and include them in retail base rates if the Commission determined that they were prudent through a final true-up in the SPPCRC docket.

Q. Are there any other provisions of the 2020 Settlement Agreement that affect cost recovery for SPP activities?

A. Yes, the Agreement does contain provisions governing the eligibility of SPP projects for accrual of AFUDC. As I explained previously, however, Tampa Electric is not seeking cost recovery for AFUDC for any SPP Projects at this time.

Q. Did Tampa Electric follow all of the requirements of the 2020 Settlement Agreement in developing its request for cost recovery in this docket?

A. Yes, the company followed all of the requirements of the Agreement in developing our request for cost recovery in the SPPCRC.

Q. Were jurisdictional distribution or transmission factors applied to the projected annual revenue requirements?

A. Yes, the company applied the most recent jurisdictional transmission factor to the O&M and capital transmission costs to recognize the retail portion of the revenue requirements ensuring the SPPCRC did not double recover those amounts collected from the company's Open Access

Transmission Tariff. It was not necessary to adjust any distribution costs by any jurisdictional factor.

CONCLUSION:

Q. Please summarize your direct testimony.

A. My testimony and exhibits demonstrate that Tampa Electric’s projected annual revenue requirements associated with the company’s 2020 actual and estimated and projected 2021 Storm Protection Plan activities are based on calculations performed in compliance with Rule 25-6.031 of the F.A.C. and the Commission approved 2020 Settlement Agreement.

Q. Does this conclude your testimony?

A. Yes.

(Whereupon, prefiled direct testimony of TECO witness William R. Ashburn was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

WILLIAM R. ASHBURN

Q. Please state your name, address, occupation, and employer.

A. My name is William R. Ashburn. My business address is 702 N. Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or "company") as Director, Pricing and Financial Analysis.

Q. Please provide a brief outline of your educational background and business experience.

A. I graduated from Creighton University with a Bachelor of Science degree in Business Administration. Upon graduation, I joined Ebasco Business Consulting Company where my consulting assignments included the areas of cost allocation, computer software development, electric system inventory and mapping, cost of service filings and property record development. I joined Tampa Electric in 1983 as a

Senior Cost Consultant in the Rates and Customer Accounting Department. At Tampa Electric I have held a series of positions with responsibility for cost of service studies, rate filings, rate design, implementation of new conservation and marketing programs, customer surveys and various state and federal regulatory filings. In March 2001, I was promoted to my current position of Director, Pricing and Financial Analysis in Tampa Electric’s Regulatory Affairs Department. I am a member of the Rate and Regulatory Affairs Committee of the Edison Electric Institute (“EEI”).

Q. Have you previously testified before the Florida Public Service Commission (“Commission”)?

A. Yes. I have testified or filed testimony before this Commission in several dockets. Most recently, I filed testimony before this Commission in Docket No. 20180045-EI, Consideration of the Tax Impacts Associated with Tax Cuts and Jobs Act of 2017 for Tampa Electric and Docket No. 20180133-EI, petition for limited proceeding to approve second solar base rate adjustment (“SoBRA”), effective January 1, 2019, by Tampa Electric Company. I also testified before this Commission in Docket No.

20170260-EI, petition for limited proceeding to approve first solar base rate adjustment, effective September 1, 2018, by Tampa Electric Company. I testified for Tampa Electric in Docket No. 20170210-EI as a member of a panel of witnesses during the November 6, 2017 hearing on the 2017 Amended and Restated Stipulation and Settlement Agreement ("2017 Agreement"). I also testified on behalf of Tampa Electric in Docket No. 20130040-EI regarding the company's petition for an increase in base rates and miscellaneous service charges and in Docket No. 20080317-EI which was Tampa Electric's previous base rate proceeding. I testified in Docket No. 20020898-EI regarding a self-service wheeling experiment and in Docket No. 20000061-EI regarding the company's Commercial/Industrial service rider. In Docket Nos. 20000824-EI, 20001148-EI, 20010577-EI and 20020898-EI, I testified at different times for Tampa Electric and as a joint witness representing Tampa Electric, Florida Power & Light Company ("FP&L") and Progress Energy Florida, Inc. ("PEF") regarding rate and cost support matters related to the GridFlorida proposals. In addition, I represented Tampa Electric numerous times at workshops and in other proceedings regarding rate, cost of service and related matters. I have also provided testimony and represented Tampa Electric before the

Federal Energy Regulatory Commission ("FERC") in rate and cost of service matters.

Q. What are the purposes of your prepared direct testimony?

A. My testimony addresses the appropriate revenue allocation and rate design methodologies to develop the resulting Storm Protection Plan Cost Recovery Clause ("SPPCRC") factors and the impact of the $15 Million transfer of cost recovery for certain SPP programs from base rates to clause rates recovery.

Q. Have you prepared an exhibit to accompany your direct testimony?

A. Yes, Exhibit No. WRA-1 that was prepared under my direction and supervision. Exhibit No. WRA-1 details the revenue allocation and rate design methodologies that were appropriately used to develop the allocation and impact on SPPCRC factors of the $15 Million transfer of cost recovery for certain SPP programs from base rates to clause rates recovery.

METHOD OF DERIVING JURISDICTIONAL REVENUE REQUIREMENTS AND THEN ALLOCATING THOSE COSTS TO DERIVE SPPCRC CHARGES FOR 2020-

2021

Q. Please describe how the SPPCRC related total revenue requirements are being derived for the proposed SPPCRC.

A. As described in the Direct Testimony of A. Sloan Lewis, the revenue requirements associated with the SPP programs were derived on a total cost basis for 2020 and 2021 using cost estimates for each of the SPP programs plus depreciation and return on the associated SPP assets, as outlined in Rule 25-6.031(6), F.A.C., the SPP Cost Recovery Clause Rule. These costs included not only incremental costs for 2021 but, in order to avoid double recovery through both base rates and SPPCRC, included capital expenditures for SPP projects to be initiated after April 10, 2020 and O&M expenditures associated with six existing activities which will be included in the SPPCRC the costs of which are currently recovered through base rates.

Q. How were these total revenue requirements then converted to jurisdictional revenue requirements?

A. For each project, jurisdictional separation factors were applied to derive the jurisdictional revenue requirements. Certain of the projects are transmission related and the others are distribution related. Tampa Electric provided wholesale transmission service to some utilities under its Open Access Transmission Tariff ("OATT") and to avoid double recovery, a portion of the total transmission related project costs must be jurisdictionally separated before being identified for cost recovery through the SPPCRC. Tampa Electric does not provide any wholesale distribution service and so 100 percent of those project costs can be called jurisdictional and thus totally recovered through the SPPCRC from retail customers.

Part of Exhibit No. WRA-1 shows how this jurisdictional allocation was performed. The jurisdictional separation factors utilized for this purpose are the same as those that are utilized for the 2020 Forecasted Surveillance Report filed with the FPSC in March 2020.

Q. Were there any other adjustments made to the company's SPP revenue requirements prior to separating these costs jurisdictionally for retail cost recovery?

A. Yes, the revenue requirements were also adjusted downward by $10.4 Million that was approved by the Commission in the company's 2020 Settlement Agreement. This adjustment in the settlement, which is described in detail in the Testimony of A. Sloan, is a threshold and was not jurisdictionally separated but any expenses above that threshold will be jurisdictionally separated before becoming a jurisdictional revenue requirement to be recovered through the SPPCRC.

Q. Once the revenue requirements have been calculated and then jurisdictionally separated for retail cost recovery, how were those revenue requirements then allocated to rate class for derivation of SPPCRC charges?

A. For each year, the programs were itemized and identified as either substation, transmission, or distribution costs. Each of those functionalized costs was then allocated to rate class using the allocation factors for that function. The allocation factors were from the Tampa Electric 2013 Cost of Service Study prepared in Docket No. 20130040-EI, which was used for the company's current (non-SoBRA) base rate design. Once the total SPP revenue requirement recovery allocation to the rate classes was derived, the rates were determined in the same manner. For Residential, the charge is a kWh charge. For both Commercial and Industrial, the charge is a kW charge. The charges are derived by dividing the rate class allocated SPP revenue requirements by the 2020 energy billing determinants (for residential) and by the 2020 demand billing determinants (for commercial and industrial). Those charges were then applied to the billing determinants associated with typical bills for each group to calculate the impact on those bills. This methodology is shown both in my Exhibit No. WRA-1 as it applied to the $15 Million transfer from base to clause rates, and also in Exhibit MRR-1 to the total amount to be recovered in the SPPCRC in 2021, which includes the $15 Million transfer amount. Mr. Roche's direct testimony and Exhibit No. MRR-1 will support the final development of the 2021 SPPCRC factors.

Q. How will the company implement this $15 Million one-time base rate reduction required by the 2020 Settlement Agreement?

A. Paragraph 11(b) of the 2020 Settlement Agreement states: "The company will file the revised tariffs necessary to implement the one-time base rate reduction specified herein for Commission approval in Docket No. 20200092-EI..." Accordingly, Tampa Electric will file a Motion to Approve Revised Tariff Sheets with the revised tariffs necessary to implement the one-time base rate reduction in this docket.

Q. Will the rate impacts established through the 2021 SPPCRC differ from those presented in the rate impact calculations that were provided in the company's SPP that was filed on April 10, 2020?

A. Yes, the rate impacts presented in the company's SPP reflected the "all-in" costs of the company's SPP without regard to whether the costs would be recovered through the SPPCRC or through the company's base rates and charges. Since that time, the Commission approved the 2020 Settlement Agreement, which sets out a methodology for separating SPPCRC and base rate recovery and for avoiding double recovery. Additionally, the values utilized in the SPPCRC have been reduced to the retail jurisdictional amount. Furthermore, the company used the then-existing billing determinants to develop the rate estimates in the SPP. The rate estimates presented here are based on more recent billing determinant forecasts for 2021, which are in turn based on the most current load forecast.

Q. In the development of the proposed 2021 SPPCRC factors, did the company use the most recent billing determinants, within the most current load forecast?

A. Yes, the 2021 SPPCRC factors are based upon the company's most current load forecast (load forecast for 2021).

CONCLUSIONS

Q. Please summarize your direct testimony.

A. My testimony and exhibit demonstrate that the methodology utilized to jurisdictionalize and then allocate to rate class the SPPCRC costs is appropriate, just, and reasonable based on the guidance provided in the rule, the 2020 Settlement Agreement and ratemaking principles.

Q. Does this conclude your testimony?

A. Yes.

MR. STILLER: Those are all the additional matters from staff, Mr. Chair.

CHAIRMAN CLARK: Do you have the exhibits, Mr. Stiller?

MR. STILLER: We need to -- I am sorry. The prefiled exhibits were listed on the CEL as Exhibits 14 through 18. It is staff's understanding that no party objects to the entry of those exhibits into the record.

CHAIRMAN CLARK: Okay. Any of the parties object to any of the exhibits?

Seeing none, we will move those into the record as well.

(Whereupon, Exhibit Nos. 14-18 were received into evidence.)

CHAIRMAN CLARK: Staff, are there any additional matters pending in this docket for the Commission to consider?

MR. STILLER: Not at this time. No, Mr. Chair.

CHAIRMAN CLARK: All right. Any of the parties have any other comments or questions before we adjourn the hearing?

All right. With that, thank you. We will stand adjourned.

We will resume in 15 minutes. I believe we need 15 -- 15 minutes, we will start time certain 1:45 with IA. 1:45 return for IA.

Thank you. Hearing adjourned.

(Proceedings concluded.)

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 15th day of October, 2020.

Debbie R Krick

DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #HH31926
EXPIRES AUGUST 13, 2024