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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
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TALLAHASSEE, FLORIDA
(850) 894-0828

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7 Gulf Power Company (Gulf).

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22 Group (FIPUG).

23

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25

1 APPEARANCES (CONTINUED):

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12 Florida 32399-0850, advisor to the Florida Public
13 Service Commission.

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1 P R O C E E D I N G S

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

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

9 MR. STILLER: Pursuant to notice, this time
10 and place has been set for hearing in Docket No.
11 20200092-EI. The purpose of the hearing is set out
12 in the notice.

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

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

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

25 CHAIRMAN CLARK: Thank you, Mr. Higginbotham.

1 OPC.

2 MS. CHRISTENSEN: Good afternoon. Patty
3 Christensen with the Office of Public Counsel. I
4 would also like to put an appearance for J.R.
5 Kelly, the Public Counsel, and Tad David for Gulf.

6 CHAIRMAN CLARK: Thank you, Ms. Christensen.
7 Walmart.

8 MS. EATON: Good afternoon. This is Stephanie
9 Eaton on behalf of Walmart, and I am entering an
10 appearance also for Derick Williamson, and our
11 witness Lisa Perry is here with us as well.

12 COMMISSIONER GRAHAM: Thank you very much.
13 Staff.

14 MR. STILLER: Shaw Stiller for staff. I would
15 also like to enter an appearance for Jennifer
16 Crawford.

17 MS. HELTON: And, Mr. Chairman, Mary Anne
18 Helton is here as your Advisor, along with General
19 Counsel Keith Hetrick.

20 CHAIRMAN CLARK: All right. Thank you, did we
21 get everyone?

22 MR. MOYLE: Mr. Chairman, Jon Moyle on behalf
23 of the Florida Industrial Power Users Group, FIPUG.

24 CHAIRMAN CLARK: All right. Thank you,
25 Mr. Moyle. Sorry I overlooked you.

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

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

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

11 CHAIRMAN CLARK: Okay. Thank you very much.
12 All right. Any preliminary matters?

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

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

25 Staff additionally notes that each person

1 participating today needs to keep their phone or
2 device muted when they are not speaking and only
3 unmute when they are called upon to speak. If they
4 do not keep their phone muted, or put their phone
5 on hold, they may be disconnected from the
6 proceeding and will need to call back in. Also,
7 telephonic participants should speak directly into
8 their phone and not use their speakerphone.

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

20 Staff is not aware of any further preliminary
21 matters?

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

24 MR. STILLER: The joint motion for expedited
25 approval of a stipulation and settlement agreement

1 before the Commission today was filed in Docket No.
2 20200092-EI, the Storm Protection Plan Cost
3 Recovery Clause docket. The parties to the joint
4 motion and attached stipulation and settlement
5 agreement are Florida Power & Light Company, Gulf
6 Power Company, the Office of Public Counsel and
7 Walmart.

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

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

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

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

1 Mr. Higginbotham, you have the floor.

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

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

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

23 First, the parties agree that FPL's and Gulf's
24 2021 SPPCRC factors and costs included for recovery
25 in the respective 2021 SPPCRC factors are

1 consistent with the settlement approved by the
2 Commission on August 10th.

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

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

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

22 Fourth, the parties agree that FPL's and
23 Gulf's projected 2021 SPPCRC factors are reasonable
24 and should be approved subject to true-up in a
25 future SPPCRC proceeding, and that the effective

1 date for billing purposes of the proposed SPPCRC
2 factors shall be January 1, 2021, which shall
3 continue until modified by subsequent Commission
4 order.

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

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

24 Commissioners, we respectfully request your
25 approval of the stipulation and settlement

1 agreement, and we thank you for your time and
2 attention today.

3 CHAIRMAN CLARK: Thank you, Mr. Higginbotham.
4 Ms. Christensen.

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

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

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

24 On August 27th, 2020, OPC, FPL, Gulf and
25 Walmart filed our joint motion for expedited

1 approval of the stipulation and settlement which
2 resolved the remaining issues related to FPL and
3 Gulf in the SPPCRC proceeding in this docket.

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

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

20 The parties agree that OPC retains the right
21 to challenge the prudence of the actual SPP costs
22 incurred by FPL and Gulf in the final true-up of
23 the 2021 SPPCRC factors. This includes the
24 prudence of the actual implementation costs in the
25 final true-up of the 2021 SPPCRC factor for

1 programming, administrative and additional resource
2 costs. Because of these features, as well as
3 others contained in the settlement, OPC believes
4 that this commission should approve the settlement
5 as being in the public interest.

6 Thank you very much.

7 CHAIRMAN CLARK: Thank you, Ms. Christensen.
8 Ms. Eaton.

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

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

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

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

1 SWC-1, 2 and 3.

2 In connection with this clause docket, Walmart
3 has entered into two settlement agreements with FPL
4 and Gulf. On July 27th, Walmart joined FPL, Gulf
5 and OPC in settling contested issues in the storm
6 protection plan dockets as well as this storm
7 protection plan cost recovery clause docket. And
8 as the parties have noted thus far, on August 27th,
9 2020, Walmart has joined FPL, Gulf and OPC in
10 settling the agreement that is put before the
11 Commission in staff Exhibit No. 19.

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

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

21 In the July 27th, 2020, agreement, paragraphs
22 21 and 27 address Walmart's issues, and the July
23 27th, 2020, agreement was approved by this
24 commission on August 10th. This pending August 27,
25 2020, settlement incorporates by reference the

1 prior settlement agreement of July 27, 2020, in
2 paragraph four-- 14, excuse me, on page four, and
3 it reiterates FPL's and Gulf's agreements regarding
4 the use of demand charges that were set forth in
5 the prior settlement agreement. And those are set
6 forth in paragraph three on page five for FPL, and
7 in paragraph 14 on page seven for Gulf.

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

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

20 Approving the settlement agreement is
21 consistent with the Commission's longstanding
22 policy of encouraging the settlement of contested
23 proceedings in a manner that benefits the customers
24 of the utility subject to the Commission's
25 regulatory jurisdiction. Accordingly, the

1 settlement agreement at issue in this hearing is in
2 the public interest and should be approved.

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

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

10 Thank you.

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

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

15 MR. STILLER: Staff has prepared a
16 comprehensive exhibit list which includes Exhibits
17 1 through 19. The list and the identified exhibits
18 have been provided to the parties, Commissioners
19 and the court reporter.

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

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

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

1 identification.)

2 MR. STILLER: It is staff's understanding that
3 the parties do not object to the entry of Exhibits
4 1 through 19. At this time, staff requests that
5 Exhibits 1 through 13 and Exhibit 19 be entered
6 into the record. Staff requests that those
7 exhibits be entered into the record at this time.

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

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

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

18 CHAIRMAN CLARK: Is there any objection?

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

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

23

24

25

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

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

8 **Q. Have you previously testified before the Florida Public Service Commission**
9 **(“PSC” or the “Commission”)?**

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

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

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

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

18 A. Yes. I am sponsoring Exhibit MJ-1 – FPL’s Storm Protection Plan 2020-2029 that
19 was filed with and is currently pending before the Commission in Docket No.
20 20200071-EI. I am also sponsoring Exhibit MJ-2 – Storm Protection Plan Work
21 Projected to be Completed in 2021. Finally, I am co-sponsoring portions of Form
22 6P - Program Description and Progress Report that is included in FPL witness
23 Renae Deaton’s Exhibit RBD-1.

1 **II. FPL’S STORM PROTECTION PLAN**

2 **PROGRAMS AND ASSOCIATED COSTS**

3

4 **Q. Please describe FPL’s SPP.**

5 A. FPL’s 2020-2029 SPP was filed in Docket No. 20200071-EI on April 10, 2020, and
6 corrected by Errata filed on May 12, 2020 and a Second Errata filed on July 13,
7 2020. FPL’s SPP is a systematic approach to achieve the legislative objectives in
8 Section 366.96, Florida Statutes (“F.S”), to reduce restoration costs and outage
9 times associated with extreme weather events. FPL’s SPP provides all of the
10 information required by Rule 25-6.030, Florida Administrative Code (“F.A.C.”),
11 including, but not limited to the estimated number of projects and costs associated
12 for each SPP program for each year of the SPP. A true and correct copy of FPL’s
13 SPP, as corrected by the Errata filed on May 12, 2020 and a Second Errata filed on
14 July 13, 2020, is attached to my direct testimony as Exhibit MJ-1. FPL’s SPP is
15 currently pending before the Commission in Docket No. 20200071-EI.

16 **Q. What programs are included in FPL’s SPP?**

17 A. FPL’s SPP includes the following eight SPP programs:

- 18 • Pole Inspections – Distribution Program
- 19 • Structures/Other Equipment Inspections – Transmission Program
- 20 • Feeder Hardening (EWL) – Distribution Program
- 21 • Lateral Hardening (Undergrounding) – Distribution Program
- 22 • Wood Structures Hardening (Replacing) – Transmission Program
- 23 • Vegetation Management – Distribution Program

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

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

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

7 A. No. The prior year would be the year-ended December 31, 2019. Pursuant to Rule
8 25-6.031(6)(a), F.A.C., the utility is only permitted to seek recovery of SPP costs
9 incurred after the filing date of the SPP. In this case, FPL’s SPP was filed on April
10 10, 2020, and it is the first SPP that has been filed. Therefore, there is no “prior
11 year” (2019) applicable to the SPPCRC in this proceeding. As such, the actual or
12 prior year costs will not be further addressed.

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

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

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

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

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

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

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

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

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

20

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

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

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

10 A. Yes. The number of projects and costs estimated for each SPP program during
11 2021 are consistent with those described in FPL’s SPP as shown in Appendix C to
12 Exhibit MJ-1 and Form 6P - Program Description and Progress Report. I note that
13 the forecasted 2021 capital costs provided in FPL’s SPP included the cost of
14 removal, which was based on historical averages. As explained by FPL witness
15 Fuentes, FPL is not seeking to recover the cost of removal through the SPPCRC.

16
17 As of the time I prepared my direct testimony, FPL is not aware of any variances in
18 the number of SPP projects or SPP costs estimated for 2021. However, as I
19 previously stated, the number of SPP projects that will actually be completed in
20 2021, as well as the associated SPP costs, could vary based on a number of factors.
21 Additionally, it should be noted that the 2021 program costs are the projected costs
22 estimated as of the April 10, 2020 filing date of FPL’s SPP, and the actual SPP
23 program costs incurred could vary. Consistent with Rule 25-6.031, F.A.C., the

1 actual SPP costs incurred by FPL in 2021 will be addressed and decided in FPL's
2 final 2021 true-up filing, which will be submitted in 2022.

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

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

15 **Q. Does this conclude your direct testimony?**

16 A. Yes.

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

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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

1

2

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

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

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

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

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

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

14 **Q. Please describe your educational background and professional
15 experience.**

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

1 Regulatory Commission (“FERC”). My responsibilities have included the
2 management of the accounting for FPL’s cost recovery clauses and the
3 preparation, review and filing of FPL’s monthly Earnings Surveillance
4 Reports (“ESR”) at the FPSC. I am a Certified Public Accountant (“CPA”)
5 licensed in the Commonwealth of Virginia and am a member of the American
6 Institute of CPAs. I have previously filed testimony before the Commission
7 for FPL’s Solar Base Rate Adjustments related to the solar photovoltaic
8 projects placed in service in 2018 and 2020 (Docket Nos. 20170001-EI and
9 20190001-EI) and request for approval of the Indiantown Transaction (Docket
10 No. 160154-EI).

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

12 A. The purpose of my direct testimony is to explain how the Company
13 determined the amount of forecasted 2021 Storm Protection Plan (“SPP”)
14 costs incremental from its base rates for which it is seeking recovery through
15 the Storm Protection Plan Cost Recovery Clause (“SPPCRC”) in its 2021
16 Projection filing. I will also explain how the Company will uniquely identify
17 and record costs to be recovered through the SPPCRC beginning in 2021. In
18 addition, I will explain and provide support for the calculation of the projected
19 2021 Weighted Average Cost of Capital (“WACC”) to be used in order to
20 calculate the return on 2021 SPPCRC capital investments.

21 **Q. Please summarize your testimony.**

22 A. In order to determine the amount of 2021 SPP program costs eligible for
23 recovery through the SPPCRC, FPL has compared the forecasted 2021 SPP

1 capital expenditures presented in Exhibit MJ-1 – FPL’s Storm Protection Plan
2 2020-2029 attached to the testimony of FPL witness Michael Jarro, which was
3 filed with and is currently pending before the Commission in Docket No.
4 20200071-EI (the “SPP Filing”), to the amount of capital expenditures for
5 storm hardening projects included for recovery in FPL’s most recent base rate
6 filing and actual storm hardening capital expenditures incurred for the period
7 of 2018 through 2019 and forecasted 2020. Based on this analysis, FPL has
8 determined that all forecasted 2021 SPP capital expenditures are incremental
9 to the amount currently recovered in base rates and, therefore, recoverable
10 through the SPPCRC. Also, FPL is not seeking SPPCRC recovery of any
11 forecasted 2021 SPP program Operations & Maintenance (“O&M”) expenses
12 and will address the recovery of those expenses during its next base rate
13 proceeding. FPL has also identified incremental costs that are necessary to
14 implement the tracking and reporting of costs recoverable through SPPCRC
15 and has included them for recovery in its 2021 Projection Filing. In addition,
16 FPL has calculated and applied a projected WACC to calculate a return on the
17 2021 SPPCRC capital investments in accordance with Commission Order No.
18 PSC-2020-0165-PAA-EU, Docket No. 20200118-EU, issued on May 20,
19 2020 (the “WACC Order”).

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

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

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

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

4

5 **II. DETERMINATION OF 2021 SPPCRC RECOVERABLE COSTS**

6

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

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

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

17 A. Yes.

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

20 A. FPL’s current base rates were established pursuant to a Stipulation and
21 Settlement Agreement approved by the Commission in Order No. PSC-16-
22 0560-AS-EI, Docket No. 160021-EI (the “2016 Settlement Agreement”). The
23 2016 Settlement Agreement resulted in base rates lower than those presented

1 by FPL in its Minimum Filing Requirements (“MFRs”) in that docket.
2 Nonetheless, for purposes of determining the level of SPP costs embedded in
3 FPL’s current base rates, FPL relied upon the amount of storm hardening
4 costs included in its 2018 Subsequent Year MFRs filed in Docket No.
5 160021-EI as a conservative proxy to determine the maximum amount of SPP
6 costs that could possibly be currently included in its base rates. To the extent
7 FPL has exceeded the level of storm hardening costs included in its MFRs,
8 any amount above those levels would be considered incremental SPP costs
9 eligible to be recovered through the SPPCRC.

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

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

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

18 A. Yes.

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

21 A. As reflected on Exhibit LF-1, FPL identified historical capital expenditures
22 for each of its SPP programs and split 2020 forecasted SPP capital costs
23 between capital expenditures and cost of removal. FPL then compared the

1 amount of forecasted capital expenditures for storm hardening projects in its
2 2018 Subsequent Year MFRs filed in Docket No. 160021-EI to the cumulative
3 amount of actual capital expenditures for the years ended 2018 through 2019
4 and forecasted 2020 in order to determine whether any of its forecasted 2021
5 SPP capital expenditures are incremental to base rates and eligible for
6 SPPCRC recovery. Based on this comparison, FPL is expected to incur a total
7 of \$2.0 billion in SPP capital expenditures for the period of 2018 through
8 2020, which is approximately \$1.1 billion more than the maximum amount
9 included in its MFRs. In addition, each of FPL's SPP programs individually
10 exceeded the maximum capital amount forecasted in the 2018 Subsequent
11 Year MFRs. Therefore, all of FPL's forecasted 2021 SPP capital
12 expenditures, in total and by SPP program, are eligible for SPPCRC recovery.

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

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

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

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

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

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

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

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

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

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

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

23 A. As reflected on Exhibit LF-2, the total amount of forecasted 2021 SPP capital

1 expenditures included for recovery in the 2021 Projection Filing is \$886.6
2 million. This amount is included in the calculation of the revenue
3 requirements on Exhibit RBD-1 of FPL witness Deaton.

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

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

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

20 A. As described by FPL witness Jarro, FPL has created unique master data in its
21 systems (*i.e.*, work order type and work breakdown structure) to record SPP
22 capital costs and O&M expenses recoverable through SPPCRC starting
23 January 1, 2021. This new master data will distinguish costs recoverable

1 through SPPCRC separate and apart from base rate recoverable costs and will
2 translate costs to the newly created FERC subaccounts as explained above
3 depending on the type of activity. In addition, FPL will record all capital
4 expenditures to CWIP in accordance with its capitalization policy and transfer
5 CWIP to plant-in-service once the projects are completed. FPL will then
6 depreciate SPPCRC assets at the plant account level using the current
7 approved depreciation rates reflected in the 2016 Settlement Agreement.

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

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

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

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

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

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

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

11

12 **III. 2021 WACC CALCULATION**

13

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

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

1 is as follows:

2 “The pro rata portion of any increase to be credited or decrease to be
3 charged during a future period...shall be determined by multiplying
4 any such increase or decrease by a fraction, the numerator of which is
5 the number of days remaining in the period at the time such increase or
6 decrease is to be accrued, and the denominator of which is the total
7 number of days in the period.”

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

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

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

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

21

22 For the 2021 Actual/Estimated True-Up, FPL will utilize the mid-point ROE
23 13-month average WACC from the 2021 Forecasted ESR and carry forward

1 the same proration adjustment reflected in the 2021 Projection Filing.
2 However, if the depreciation-related ADFIT balance in the 2021 Projection
3 Filing was over-estimated, the Proration Formula adjustment will then need to
4 be reduced to reflect the difference between the originally projected and
5 prorated depreciation-related ADFIT balance and the re-projected
6 depreciation-related ADFIT balance. The resulting WACC calculation would
7 then be used to calculate a monthly return on all projected clause investments
8 in the 2021 Actual/Estimated Filing.

9
10 For the 2021 Final True-Up filing to be made in the Spring of 2022, FPL will
11 utilize the midpoint ROE 13-month average WACC from the 2021 December
12 ESR and carry forward the same proration adjustment reflected in the 2021
13 Projection Filing. However, if the depreciation-related ADFIT balance in the
14 Projection Filing was over-estimated, the Proration Formula would be
15 adjusted downward as described above. The resulting WACC calculation will
16 be used to calculate a monthly return on all projected clause investments in
17 the 2021 Final True-Up Filing.

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

19 A. Yes.

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

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

TESTIMONY OF RENAE B. DEATON

DOCKET NO. 20200092-EI

JULY 24, 2020

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1 **Q. Please state your name and address.**

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

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

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

8 **Q. Please describe your educational background and professional experience.**

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

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

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

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

7 A. Yes, I am sponsoring the following forms provided as Appendix I to Exhibit RBD-
8 1:

- 9 • Form 1P - Summary of Projected Period Recovery Amount
- 10 • Form 2P - Calculation of Annual Revenue Requirements for O&M Programs
- 11 • Form 2P Projects - Project Listing by Each O&M Program
- 12 • Form 3P - Calculation of the Total Annual Revenue Requirements for Capital
13 Investment Programs
- 14 • Form 3P Projects - Project Listing by Each Capital Program
- 15 • Form 3P Capital - Calculation of Annual Revenue Requirements for Capital
16 Investment by Program
- 17 • Form 4P - Calculation of the Energy & Demand Allocation % By Rate Class
- 18 • Form 5P - Calculation of the Cost Recovery Factors by Rate Class
- 19 • Form 7P - Approved Capital Structure and Cost Rates

20 Also included in Appendix I to Exhibit RBD-1 is Form 6P - Program Description
21 and Progress Report, which is co-sponsored by FPL witnesses Jarro and Fuentes.
22 These Commission Forms were used to calculate FPL’s proposed SPPCRC factors

1 for the period of January 1, 2021 through December 31, 2021. Appendix II to RBD-
2 1 contains the retail separation factors and Appendix III provides the allocation of
3 implementation costs between transmission and distribution.

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

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

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

14 A. The projections are taken from the Company’s financial forecasting system, and
15 are consistent with the projections provided in Exhibit MJ-1 – FPL’s Storm
16 Protection Plan 2020-2029 attached to the testimony of FPL witness Jarro, which
17 was filed with and is currently pending before the Commission in Docket No.
18 20200071-EI (“SPP”).

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

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

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

12 **Q. How are implementation costs treated?**

13 A. As described by FPL witness Fuentes, FPL identified incremental capital and O&M
14 costs that are necessary to implement the tracking and reporting of costs
15 recoverable through SPPCRC and has included them for recovery in its request
16 2021 Projection Filing. These costs are allocated to the retail rate classes using the
17 appropriate separation factors. For retail class allocation, the implementation costs
18 are as allocated to transmission or distribution based on the transmission and
19 distribution programs’ average plant in service balances.

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

22 A. Yes. Form 4P provides the allocation of costs to the retail rate classes. The

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

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

8 A. Yes.

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

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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,

1 director of distribution system performance, director of business services and
2 director of distribution operations. I assumed my current position and
3 responsibilities at Gulf in January 2019, having previously served as Vice President
4 of Transmission and Substation with FPL.

5 **Q. Have you previously testified before the Florida Public Service Commission**
6 **(“FPSC” or the “Commission”)?**

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

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

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

14 **Q. Are you sponsoring any schedules in this case?**

15 A. Yes. I am sponsoring Exhibit MS-1 – Gulf’s 2020-2029 Storm Protection Plan that
16 was filed with and is currently pending before the Commission in Docket No.
17 20200070-EI. I am also sponsoring Exhibit MS-2 –Storm Protection Plan Work
18 Projected to be Completed in 2021. Finally, I am co-sponsoring portions of Form
19 6P, Program Description and Progress Report that is included in Gulf witness
20 Deaton’s Exhibit RBD-1.

21

1 **II. GULF’S STORM PROTECTION PLAN**
2 **PROGRAMS AND ASSOCIATED COSTS**

3

4 **Q. Please describe Gulf’s SPP.**

5 A. Gulf’s 2020-2029 SPP was filed in Docket No. 20200070-EI on April 10, 2020.
6 Gulf’s SPP is a systematic approach to achieve the legislative objectives in Section
7 366.96, Florida Statutes (“F.S”), to reduce restoration costs and outage times
8 associated with extreme weather events. Gulf’s SPP provides all of the information
9 required by Rule 25-6.030, Florida Administrative Code (“F.A.C.”), including, but
10 not limited to the estimated number of projects and costs associated for each SPP
11 program for each year of the SPP. A true and correct copy of Gulf’s SPP is
12 attached to my direct testimony as Exhibit MS-1. Gulf’s SPP is currently pending
13 before the Commission in Docket No. 20200070-EI.

14 **Q. What programs are included in Gulf’s SPP?**

15 A. Gulf’s SPP includes the following seven SPP programs:

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

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

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

5 A. No. The prior year would be the year-ended December 31, 2019. Pursuant to Rule
6 25-6.031(6)(a), F.A.C., the utility is only permitted to seek recovery of SPP costs
7 incurred after the filing date of the SPP. In this case, Gulf’s SPP was filed on April
8 10, 2020, and it is the first SPP that has been filed. Therefore, there is no “prior
9 year” applicable to the SPPCRC in this proceeding. As such, the actual or prior
10 year costs will not be further addressed.

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

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

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

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

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

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

7 **Q. Has Gulf provided a description of the work projected to be performed in**
8 **2021 for each SPP program?**

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

17

18 With respect to the other three programs included in Gulf's SPP (Distribution
19 Feeder Hardening Program, Distribution Hardening – Lateral Undergrounding
20 Program, and Transmission Hardening Program), Gulf has identified the work
21 projected to be performed in 2021 for each of these three SPP programs. These
22 projections are provided in Exhibit MS-2 attached to my testimony. However, the
23 SPP projects that will actually be completed in 2021 could vary based on a number

1 of factors, including, but not limited to: permitting; easement issues; change in
2 scope; resource constraints (i.e., labor & material); and/or extreme weather events.
3 Any such variances will be addressed in Gulf's 2021 actual/estimated filing to be
4 submitted in 2021, and the final 2021 true-up filing to be submitted in 2022.

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

7 A. Yes. The number of projects and costs estimated for each SPP program during
8 2021 are consistent with those described in Gulf's SPP as shown in Appendix C to
9 Exhibit MS-1 and Form 6P. I note that the forecasted 2021 capital costs provided
10 in Gulf's SPP included the cost of removal, which was based on historical
11 averages. As explained by Gulf witness Fuentes, Gulf is not seeking to recover any
12 cost of removal or capital expenditures associated with the Transmission Inspection
13 Program through the SPPCRC.

14
15 As of the time I prepared my direct testimony, Gulf is not aware of any variances in
16 the number of SPP projects or SPP costs estimated for 2021. However, as a
17 previously stated, the number of SPP projects that will actually be completed in
18 2021, as well as the associated SPP costs, could vary based on a number of factors.
19 Additionally, it should be noted that the 2021 program costs are the projected costs
20 estimated as of the April 10, 2020 filing date of Gulf's SPP. Consistent with Rule
21 25-6.031, F.A.C., the actual SPP costs incurred by Gulf in 2021 will be addressed
22 and decided in Gulf's final 2021 true-up filing, which will be submitted in 2022.

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

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

14 **Q. Does this conclude your direct testimony?**

15 A. Yes.

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

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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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1 **I. INTRODUCTION**

2

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

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

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

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

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

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

15 **Q. On whose behalf are you submitting this testimony?**

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

18 **Q. Please describe your educational background and professional experience.**

19 A. I graduated from the University of Florida in 1999 with a Bachelor of Science
20 Degree in Accounting. That same year, I was employed by FPL. During my
21 tenure at the Company, I have held various accounting and regulatory positions
22 of increasing responsibility with the majority of my career focused in regulatory
23 accounting and the calculation of revenue requirements. Specifically, I have

1 provided accounting support in multiple FPL retail base rate filings and other
2 regulatory dockets filed at the FPSC as well as the Federal Energy Regulatory
3 Commission (“FERC”). My responsibilities have included the management of
4 the accounting for FPL’s cost recovery clauses and the preparation, review and
5 filing of FPL’s monthly Earnings Surveillance Reports (“ESR”) at the FPSC. I
6 am a Certified Public Accountant (“CPA”) licensed in the Commonwealth of
7 Virginia and am a member of the American Institute of CPAs. I have previously
8 filed testimony before the Commission for FPL’s Solar Base Rate Adjustments
9 related to the solar photovoltaic projects placed in service in 2018 and 2020
10 (Docket Nos. 20170001-EI and 20190001-EI) and request for approval of the
11 Indiantown Transaction (Docket No. 160154-EI).

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

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

22 **Q. Please summarize your testimony.**

23 A. In order to determine the amount of 2021 SPP costs eligible for recovery

1 through the SPPCRC, Gulf has compared the forecasted 2021 SPP capital
2 expenditures presented in Exhibit MS-1 – Gulf’s 2020-2029 Storm Protection
3 Plan attached to the testimony of Gulf witness Michael Spoor, which was filed
4 with and is currently pending before the Commission in Docket No. 20200070-
5 EI (the “SPP Filing”), to the amount of capital expenditures for storm hardening
6 projects included for recovery in Gulf’s most recent base rate filing and actual
7 storm hardening capital expenditures incurred for the period of 2017 through
8 2019 and forecasted 2020. Based on this analysis, Gulf has determined that all
9 forecasted 2021 SPP capital expenditures, except for the Transmission
10 Inspection Program, are incremental to the amount currently recovered in base
11 rates and, therefore, recoverable through the SPPCRC. Also, Gulf is not
12 seeking SPPCRC recovery of any forecasted 2021 SPP program Operations and
13 Maintenance (“O&M”) expenses and will address the recovery of those
14 expenses during its next base rate proceeding. Gulf has also identified
15 incremental costs that are necessary to implement the tracking and reporting of
16 costs recoverable through SPPCRC and has included them for recovery in its
17 2021 Projection Filing. In addition, Gulf has calculated and applied a projected
18 WACC to calculate a return on 2021 SPPCRC capital investments in
19 accordance with Commission Order No. PSC-2020-0165-PAA-EU, Docket
20 No. 20200118-EU issued on May 20, 2020 (the “WACC Order”).

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

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

- 23
- LF-1 – Determination of Cost Recovery through the SPPCRC

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

5

6 **II. DETERMINATION OF 2021 SPPCRC RECOVERABLE COSTS**

7

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

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

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

18 A. Yes.

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

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

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

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

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

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

19 A. Yes.

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

22 A. As reflected on Exhibit LF-1, Gulf identified historical capital expenditures for
23 each of its SPP programs and split 2020 forecasted SPP capital costs between

1 capital expenditures and cost of removal. Gulf then compared the amount of
2 forecasted capital expenditures for storm hardening projects in its 2017 Test
3 Year MFRs filed in Docket No. 160186-EI to the cumulative amount of actual
4 capital expenditures for the years ended 2017 through 2019 and forecasted 2020
5 in order to determine whether any of its forecasted 2021 SPP capital
6 expenditures are incremental to base rates and eligible for SPPCRC recovery.
7 Based on this comparison, Gulf is expected to incur a total of \$52.4 million in
8 SPP capital expenditures for the period of 2017 through 2020, which is
9 approximately \$38.3 million more than the maximum amount included in its
10 2017 Test Year MFRs. In addition, each of Gulf's SPP programs, except for
11 the Transmission Inspection Program as described below, individually
12 exceeded the maximum capital amount forecasted in the 2017 Test Year MFRs.
13 Therefore, Gulf's forecasted 2021 SPP capital expenditures for each SPP
14 program, except for the Transmission Inspection Program, are eligible for
15 SPPCRC recovery.

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

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

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

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

1 Inspection Program in the 2017 Test Year or for actuals for the years ended
2 2017 through 2019. Historically, costs for this program have been embedded
3 with other Gulf transmission projects or programs in both the forecast and
4 actuals, and therefore, Gulf does not have a basis to determine the amount of
5 capital expenditures which are incremental to its base rates. Therefore, the
6 capital expenditures for Gulf's Transmission Inspection Program incurred in
7 2021 will remain as base recoverable costs.

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

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

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

14 A. No. Since the cost of removal associated with existing assets being removed in
15 2021 as a result of Gulf's SPP programs was recovered from customers through
16 base rates as a component of depreciation expense, Gulf has excluded cost of
17 removal from SPPCRC recovery in this proceeding. Cost of removal related to
18 Gulf's SPP programs incurred in 2021 will be reflected as base rate recoverable
19 costs.

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

22 A. No. The retirement of existing assets as a result of Gulf's SPP programs
23 occurring during 2021 are not included in Gulf's forecasted 2021 SPP costs

1 requested for recovery through the SPPCRC. Retirements occurring in 2021
2 will remain as a base rate activity since those assets are currently being
3 recovered through base rates and will be incorporated into the calculation of
4 revenue requirements in Gulf's next base rate proceeding.

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

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

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

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

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

19 A. As required by Rule 25-6.031(5), F.A.C., Gulf has created new FERC
20 subaccounts to ease the recording and tracking of capital expenditures,
21 accumulated depreciation, depreciation expense, and O&M expenses for SPP
22 costs approved for recovery through the SPPCRC. In addition, Gulf has created
23 a new Business Area within its SAP accounting system which provides another

1 way to identify and report all SPP costs approved for recovery through the
2 SPPCRC. The methodology described above is consistent with how Gulf
3 records and tracks costs recoverable through other clause recovery mechanisms
4 such as the Environmental Cost Recovery Clause and Energy Conservation
5 Cost Recovery Clause, and will facilitate the annual clause audits performed by
6 the FPSC Staff and removal of SPPCRC costs from Gulf's monthly ESR.

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

9 A. As described by Gulf witness Spoor, Gulf has created unique master data in its
10 systems (*i.e.*, work order type and work breakdown structure) to record SPP
11 capital costs and O&M expenses recoverable through SPPCRC starting January
12 1, 2021. This new master data will distinguish costs recoverable through
13 SPPCRC separate and apart from base rate recoverable costs and will translate
14 costs to the newly created FERC subaccounts as explained above depending on
15 the type of activity. In addition, Gulf will record all capital expenditures to
16 CWIP in accordance with its capitalization policy and transfer CWIP to plant-
17 in-service once the projects are completed. Gulf will then depreciate SPPCRC
18 assets at the plant account level using the current approved depreciation rates
19 resulting from the 2016 Settlement Agreement.

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

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

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

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

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

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

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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

1 forecast and applied the proration formula to the plant only depreciation-related
2 ADFIT as prescribed by the Treasury Regulation §1.167(l)-1(h)(6)(i). The
3 resulting after-tax WACC to be applied to the 2021 SPPCRC capital
4 investments is 5.41%, which is reflected on Form 7P, Capital Structure and Cost
5 Rates, in Gulf witness Deaton's Exhibit RBD-1.

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

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

10

11 For the 2021 Actual/Estimated True-Up, Gulf will utilize the mid-point ROE
12 13-month average WACC from the 2021 Forecasted ESR and carry forward the
13 same proration adjustment reflected in the 2021 Projection Filing. However, if
14 the depreciation-related ADFIT balance in the 2021 Projection Filing was over-
15 estimated, the Proration Formula adjustment will then need to be reduced to
16 reflect the difference between the originally projected and prorated
17 depreciation-related ADFIT balance and the re-projected depreciation-related
18 ADFIT balance. The resulting WACC calculation would then be used to
19 calculate a monthly return on all projected clause investments in the 2021
20 Actual/Estimated Filing.

21

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

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

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

8 A. Yes.

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

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

GULF POWER COMPANY

TESTIMONY OF RENAE B. DEATON

DOCKET NO. 20200092-EI

JULY 24, 2020

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1 **Q. Please state your name and address.**

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

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

5 A. I am employed by Florida Power & Light Company (“FPL”) as Director of Clause
6 Recovery and Wholesale Rates, in the Regulatory & State Governmental Affairs
7 Department. FPL is a subsidiary of NextEra Energy which acquired Gulf Power in
8 2019. I am responsible for all clause related filings for Gulf Power.

9 **Q. Please describe your educational background and professional experience.**

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

1 with FPL, I have testified before the Florida Public Service Commission
2 (“Commission”) in base rate and clause recovery dockets.

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

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

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

9 A. Yes, I am sponsoring the following forms provided as Appendix I to Exhibit RBD-1:
10 • Form 1P - Summary of Projected Period Recovery Amount
11 • Form 2P - Calculation of Annual Revenue Requirements for O&M Programs
12 • Form 2P Projects - Project Listing by Each O&M Program
13 • Form 3P - Calculation of the Total Annual Revenue Requirements for Capital
14 Investment Programs
15 • Form 3P Projects - Project Listing by Each Capital Program
16 • Form 3P Capital - Calculation of Annual Revenue Requirements for Capital
17 Investment by Program
18 • Form 4P - Calculation of the Energy & Demand Allocation % By Rate Class
19 • Form 5P - Calculation of the Cost Recovery Factors by Rate Class
20 • Form 7P - Approved Capital Structure and Cost Rates
21 Also included in Appendix I to Exhibit RBD-1 is Form 6P - Program Description and
22 Progress Report, which is co-sponsored by Gulf witnesses Michael Spoor and Liz

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

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

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

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

15 A. The projections are taken from the Company’s financial forecasting system, and are
16 consistent with the projections provided in Exhibit MS-1 – Gulf 2020-2029 Storm
17 Protection Plan attached to the testimony of Gulf witness Spoor as Exhibit MS-1,
18 which was filed with and is currently pending before the Commission in Docket No.
19 20200070-EI.

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

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

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

12 **Q. How are implementation costs treated?**

13 A. As described by Gulf witness Fuentes, the Company identified incremental capital
14 and O&M costs that are necessary to implement the tracking and reporting of costs
15 recoverable through SPPCRC and has included them for recovery in its requested
16 2021 Projection Filing. These costs are allocated to the retail rate classes using the
17 appropriate separation factors. For retail class allocation, the implementation costs
18 are allocated to transmission or distribution based on the transmission and
19 distribution programs’ average plant in service balances.

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

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

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

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

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

21 **Q. Does this conclude your testimony?**

22 A. Yes.

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

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

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

13 All right. Seeing none.

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

17 Staff?

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

23 CHAIRMAN CLARK: All right. Thank you very
24 much.

25 Commissioners, what's your pleasure?

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

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

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

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

9 Any discussion.

10 On the motion, all in favor say aye.

11 (Chorus of ayes.)

12 CHAIRMAN CLARK: Opposed?

13 (No response.)

14 CHAIRMAN CLARK: The motion is carried.

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

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

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

22 Second, the Commission previously approved a
23 settlement agreement involving Tampa Electric
24 Company in order PSC-2020-0224-AS-EI. The
25 agreement established agreed terms and stipulations

1 for TECO's storm protection plan cost recovery.
2 TECO submitted prefiled direct testimony and
3 exhibits of Mark R. Roche, David L. Plusquellic, A.
4 Sloan Lewis and William R. Ashburn in support of
5 its storm protection plan cost recovery.

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

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

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

21 Seeing none, the testimony is entered into the
22 record.

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

25

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **PREPARED DIRECT TESTIMONY**

3 **OF**

4 **MARK R. ROCHE**

5
6 **Q.** Please state your name, address, occupation and employer.

7
8 **A.** My name is Mark R. Roche. My business address is 702
9 North Franklin Street, Tampa, Florida 33602. I am
10 employed by Tampa Electric Company ("Tampa Electric" or
11 "the company") as Manager, Regulatory Rates in the
12 Regulatory Affairs Department.

13
14 **Q.** Please provide a brief outline of your educational
15 background and business experience.

16
17 **A.** I graduated from Thomas Edison State College in 1994 with
18 a Bachelor of Science degree in Nuclear Engineering
19 Technology and from Colorado State University in 2009
20 with a Master's degree in Business Administration. My
21 work experience includes twelve years with the US Navy in
22 nuclear operations as well as twenty-two years of
23 electric utility experience. My utility work has
24 included various positions in Marketing and Sales,
25 Customer Service, Distributed Resources, Load Management,

1 Power Quality, Distribution Control Center Operations,
2 Meter Department, Meter Field Operations, Service
3 Delivery, Revenue Assurance, Commercial and Industrial
4 Energy Management Services, and Demand Side Management
5 ("DSM") Planning and Forecasting. In my current
6 position, I am responsible for Tampa Electric's Energy
7 Conservation Cost Recovery ("ECCR") Clause and Storm
8 Protection Plan Cost Recovery Clause ("SPPCRC").

9
10 **Q.** Have you previously testified before the Florida Public
11 Service Commission ("Commission")?

12
13 **A.** Yes. I have testified before this Commission on
14 conservation and load management activities, DSM goal and
15 plan approval dockets and other ECCR dockets.

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

18
19 **A.** The purpose of my testimony is to present, for Commission
20 approval: (1) the calculation of the January 2020 through
21 December 2020 Storm Protection Plan actual/estimated
22 amounts to be recovered in the January 2021 through
23 December 2021 projection period; (2) the calculation of
24 the January 2021 through December 2021 Storm Protection
25 Plan projected amounts to be recovered in the January

1 2021 through December 2021 projection period; and (3) the
2 proposed 2021 SPPCRC cost recovery factors. I will
3 describe the process used to develop the company's SPPCRC
4 projections, which complies with Rule 25-6.031, Florida
5 Administrative Code ("F.A.C.") and Section 366.96,
6 Florida Statutes. The projected 2021 SPPCRC factors have
7 been calculated based on the current approved allocation
8 methodology.

9
10 **Q.** Did you prepare any exhibits in support of your
11 testimony?

12
13 **A.** Yes. Exhibit No. MRR-1 was prepared under my direction
14 and supervision. Exhibit No. MRR-1 includes Schedules P-
15 1 through P-4 and associated data which support the
16 development of the storm protection plan cost recovery
17 factors for January through December 2021 using the
18 Commission approved cost of service allocation factors
19 that were approved in Tampa Electric's 2013 Cost of
20 Service Study prepared in Docket No. 20130040-EI, which
21 was used for the company's current (non-SoBRA) base rate
22 design.

23
24 **Q.** Does the Exhibit No. MRR-1 meet the requirements of Rule
25 25-6.031(b), which requires the actual/estimated filing

1 to include revenue requirements based on a comparison of
2 current year actual/estimated costs and the previously-
3 filed projected costs and revenue requirements for the
4 current year?

5
6 **A.** Yes, it does, but with the caveat that there were no
7 previously filed projected costs for 2020 because this is
8 the initial SPPCRC filing.

9
10 **Q.** Does the Exhibit No. MRR-1 meet the requirement of Rule
11 25-6.031(b) to include a description of the work
12 projected to be performed during the current year for
13 each program and project in the utility's cost recovery
14 petition?

15
16 **A.** Yes, it does.

17
18 **Q.** Does the Exhibit No. MRR-1 meet the requirements of Rule
19 25-6.031(c), which requires the projected year to include
20 costs and revenue requirements for the subsequent year
21 for each program filed in the company's cost recovery
22 petition?

23
24 **A.** Yes, it does.

25

1 **Q.** Does the Exhibit No. MRR-1 meet the requirements of Rule
2 25-6.031(c), which requires the projected year to include
3 identification of each of the utility's Storm Protection
4 Plan programs for which costs will be incurred during the
5 subsequent year, including a description of the work
6 projected to be performed during such year, for each
7 program in the utility's cost recovery petition?

8

9 **A.** Yes, it does.

10

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

14

15 **A.** Yes. Three additional witnesses will testify.

16

17 **David L. Plusquellic** will testify regarding the company's
18 storm protection programs and provide specific detail
19 regarding the work actually performed in 2020 and
20 projected to be performed in the remainder of 2020 and in
21 2021 for each Storm Protection Program in the company's
22 cost recovery petition. This detail includes costs, a
23 description of the work to be performed, and an
24 explanation how the activities are consistent with Tampa
25 Electric's Storm Protection Plan.

1 **A. Sloan Lewis** will testify regarding the estimated
2 annual jurisdictional revenue requirements associated
3 with the company's actual and projected Storm Protection
4 Plan activities and the steps taken by Tampa Electric to
5 promote transparency and ensure that the costs (i.e., O&M
6 expenses and return and depreciation expense on capital
7 projects) the company will recover through the SPPCRC do
8 not include costs being recovered through the utility's
9 existing base rates or any other cost recovery mechanism
10 as required by Rule 25-6.031(6)(b), F.A.C., and Section
11 366.96(8), Florida Statutes. She will also discuss how
12 the revenue requirements were adjusted for the SPPCRC in
13 accordance with Tampa Electric's 2020 Settlement
14 Agreement that was approved by the Commission on June 9,
15 2020.

16
17 **William R. Ashburn** will testify regarding the appropriate
18 revenue allocation and rate design methodologies to
19 develop the resulting SPPCRC factors. His testimony will
20 also include the associated rate calculations of the \$15
21 million dollar base rate adjustment that will occur
22 beginning simultaneously with the implementation of the
23 SPPCRC factors in January 2021 as approved in Tampa
24 Electric's Settlement Agreement that was approved by the
25 Commission on June 9, 2020.

1 **Process to Develop the Company's SPPCRC Projections**

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

4
5 **A.** Tampa Electric developed its 2020 annual estimated/actual
6 true-up filing showing actual and projected common costs,
7 individual program costs based upon six months of actuals
8 and six months of estimates.

9
10 **Q.** Will you please describe the Storm Protection Plan costs
11 that Tampa Electric projects it will incur during the
12 period January through December 2020?

13
14 **A.** The actual costs incurred by Tampa Electric through June
15 2020 and projected for July through December 2020 are
16 \$16,435,191. A summary of these costs and estimates are
17 fully detailed in Exhibit No. MRR-1, Storm Protection
18 Plan Costs Projected - Actual and Projected, pages 41
19 through 56.

20
21 **Q.** Does this 2020 actual and projected amount include the
22 reduction of the \$10.4 million adjustment as included in
23 Tampa Electric's Settlement Agreement that was approved
24 by the Commission on June 9, 2020. If not, what is the
25 amount?

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

4
5 **Q.** Has Tampa Electric proposed any new or modified Storm
6 Protection Programs for SPPCRC cost recovery for the
7 period January through December 2021 that were not
8 included in the company's proposed Storm Protection Plan
9 that is currently being reviewed for approval by the
10 Florida Public Service Commission in Docket No. 20200067-
11 EI?

12
13 **A.** No, at this time Tampa Electric is not proposing any new
14 or modified programs for SPPCRC cost recovery for the
15 period January through December 2021.

16
17 **Q.** Will you please describe the Storm Protection Plan costs
18 that Tampa Electric projects it will incur during the
19 period of January through December 2021?

20
21 **A.** Tampa Electric has estimated that the total storm
22 protection costs during the 2021 period will be
23 \$33,908,399. A summary of these costs and estimates are
24 fully detailed in Exhibit No. MRR-1, Storm Protection
25 Plan Costs - Projected, pages 20 through 40.

1 Q. How were the cost projections developed?

2

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

8

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

11

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

17

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

20

21 A. As explained in William R. Ashburn's testimony, the
22 company itemized the Storm Protection Program costs and
23 identified those costs as either substation,
24 transmission, or distribution. Each of those
25 functionalized costs was then allocated to the

1 appropriate rate class using the allocation factors for
2 that function.

3

4 **Q.** What allocation factors were utilized?

5

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

10

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

14

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

21

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

1 **A.** The total proposed storm protection costs for the period
2 January 2020 through December 2021 prior to the
3 jurisdictional separation for transmission was
4 \$39,943,590. After performing the transmission
5 jurisdictional separation, the total costs are
6 \$39,431,730. After performing the transmission
7 jurisdictional separation, this value is adjusted by the
8 revenue tax factor to obtain the total proposed costs
9 that will be sought for approval through the SPPCRC in
10 2021. The details of these calculations are included in
11 my Exhibit No. MRR-1, 2021 Billing Determinants and
12 Allocation Factors and Summary of Cost Recovery Clause
13 Calculation, pages 18 and 19.

14
15 **SPPCRC Factors for 2021**

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

20
21 **A.** Tampa Electric has estimated that the total storm
22 protection jurisdictionalized costs, including
23 adjustment by the revenue tax factor during the period
24 will be \$39,460,120. The January through December 2021
25 cost recovery factors allocated based upon the company's

1 2013 Cost of Service Study prepared in Docket No.
 2 20130040-EI, which was used for the company's current
 3 (non-SoBRA) base rate for firm retail rate classes are as
 4 follows:

5
 6 **Cost Recovery Factors**

7 <u>Rate Schedule</u>	8 <u>(cents per kWh)</u>
9 RS	0.239
10 GS and CS	0.251
11 GSD Optional - Secondary	0.168
12 GSD Optional - Primary	0.166
13 GSD Optional - Subtransmission	0.164
14 LS-1 and LS-2	0.354

15
 16 **Cost Recovery Factors**

17 <u>Rate Schedule</u>	18 <u>(dollars per kW)</u>
19 GSD - Secondary	0.72
20 GSD - Primary	0.71
21 GSD - Subtransmission	0.71
22 SBF - Secondary	0.72
23 SBF - Primary	0.71
24 SBF - Subtransmission	0.71
25 IS - Primary	0.17
IS - Subtransmission	0.17

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

3
4 **Q.** Has Tampa Electric complied with the SPPCRC cost
5 allocation methodology that used the allocation factors
6 from Tampa Electric's 2013 Cost of Service Study prepared
7 in Docket No. 20130040-EI, which was used for the
8 company's current (non-SoBRA) base rate design?

9
10 **A.** Yes, it has.

11
12 **Q.** Are the factors that you provided above the incremental
13 increase that customers will see on their electric bills?

14
15 **A.** No, as described in the testimony of A. Sloan Lewis, the
16 2020 Settlement Agreement includes a reduction of \$15
17 million from base rates that will start concurrently with
18 the SPPCRC factors going onto customers' bills.

19
20 **Q.** How much will this \$15 million reduction to base rates
21 lower base customers rates? Please provide for
22 residential, general service demand and interruptible
23 service rates.

24
25 **A.** This \$15 million reduction of base rates is detailed in

1 the Exhibit of William R. Ashburn's testimony. The base
 2 rate reduction at secondary service for residential and
 3 general service demand and at primary service for
 4 interruptible service rates are as follows:

	"Reduction" in Base Rates
<u>Rate Schedule</u>	<u>(cents per kWh)</u>
RS	0.090

	"Reduction" in Base Rates
<u>Rate Schedule</u>	<u>(dollars per kW)</u>
GSD - Secondary	0.27
IS - Primary	0.06

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

18
 19 **A.** Yes, using the same typical bill assumptions that were
 20 provided in the company Storm Protection Plan filing, the
 21 typical monthly electric bill increases for residential,
 22 general service demand at secondary service and at
 23 primary service for an interruptible service class
 24 customer are as follows:

25

1 Residential customer using 1,000 kWh: \$2.39
2
3 Commercial customer using 1,000 kW of Demand at 60
4 percent load factor: \$722
5
6 Industrial customer using 10,000 kW of Demand at 60
7 percent load factor: \$1,710
8

9 **Q.** Does this conclude your testimony?
10

11 **A.** Yes, it does.
12
13
14
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25

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

3

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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

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**2 **PREPARED DIRECT TESTIMONY**3 **OF**4 **DAVID L. PLUSQUELLIC**

5
6
7 **Q.** Please state your name, address, occupation, and
8 employer.

9
10 **A.** My name is David L. Plusquellic. I am employed by Tampa
11 Electric Company ("Tampa Electric" or "company") as
12 Storm Protection Program Manager. The Tampa Electric
13 business address is 820 South 78th Street, Tampa, FL
14 33619.

15
16 **Q.** Please describe your duties and responsibilities in that
17 position.

18
19 **A.** My duties and responsibilities include the governance
20 and oversight of Tampa Electric's Storm Protection Plan
21 ("SPP" or "the Plan") development and implementation.
22 This includes leading the development of the Plan,
23 prioritization of projects within each of the programs,
24 development of project and program costs and overall
25 implementation of the Plan.

1 Q. Please describe your educational background and
2 professional experience.

3
4 A. I graduated from Kent State University in June 1996 with
5 a Bachelor's degree in Finance. In December of 2000, I
6 graduated from the University of Akron with a Master of
7 Business Administration specializing again in Finance.
8 I have been employed at Tampa Electric since November of
9 2019. Prior to joining Tampa Electric, I was employed
10 at FirstEnergy from 1999 to 2018 in a variety of roles.
11 During my 19 years, I progressed from an Analyst to a
12 Director through roles covering financial reporting &
13 analysis, business analytics, fossil fuel generation,
14 renewable portfolio management, process & performance
15 improvement, and Transmission & Distribution ("T&D")
16 operations. For the final four years, I was a Director
17 of Operations Support at Ohio Edison, one of the
18 FirstEnergy T&D operating companies. Throughout the 19
19 years, I played a leadership role in efforts that ranged
20 from valuing businesses, entering into 20-year purchase
21 agreements, evaluating and implementing storm process
22 improvements, evaluating asset investments, and
23 improving operational and safety performance.

24
25 Q. What is the purpose of your direct testimony in this

1 proceeding?

2

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

10

11 **Q.** Are you sponsoring any exhibits in this proceeding?

12

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

17 • Document No. 1 provides Tampa Electric's
18 Distribution Lateral Undergrounding Program's
19 2020-2021 Project List and Summary of Costs.

20 • Document No. 2 provides Tampa Electric's
21 Transmission Asset Upgrades Program's 2020-2021
22 Project List and Summary of Costs.

23 • Document No. 3 provides Tampa Electric's
24 Substation Extreme Weather Hardening Program's
25 2020-2021 Project List and Summary of Costs.

- 1 • Document No. 4 provides Tampa Electric's
2 Distribution Overhead Feeder Hardening Program's
3 2020-2021 Project List and Summary of Costs.
- 4 • Document No. 5 provides Tampa Electric's
5 Transmission Access Enhancement Program's 2020-
6 2021 Project List and Summary of Costs.
- 7 • Document No. 6 provides Tampa Electric's
8 Vegetation Management Program's 2020-2021
9 Activities and Summary of Costs.
- 10 • Document No. 7 provides Tampa Electric's
11 Infrastructure Inspections Program's 2020-2021
12 Activities and Summary of Costs.
- 13 • Document No. 8 provides Tampa Electric's Common
14 Storm Protection Plan 2020-2021 Activities and
15 Summary of Costs.
- 16

17 **Q.** How is your testimony organized?

18

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

23

24 **Q.** Will your testimony address these topics for each of the
25 SPP Programs for which the company is seeking cost

1 recovery?

2

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

7

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

11

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

16

17

18 **Distribution Lateral Undergrounding**

19

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

22

23 **A.** Tampa Electric's Distribution Lateral Undergrounding
24 Program will convert existing overhead distribution
25 lateral facilities to underground to increase the

1 resiliency and reliability of the distribution system
2 serving the company's customers.

3
4 **Q.** How many Distribution Lateral Underground projects are
5 planned for 2020 and 2021?

6
7 **A.** Tampa Electric plans for the following activity in
8 calendar years 2020 and 2021:

9 • During the period, April 10, 2020 to December 31,
10 2020, there are 134 projected projects that will be
11 initiated.

12 • During the period January 1, 2021 to December 31,
13 2021 there are 516 projected projects, 130 of which
14 will be carried over from 2020.

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

17
18 **Q.** Can you explain why this project count is different than
19 the company's SPP April 10, 2020 filing, which reflected
20 24 projects in 2020 and 281 projects in 2021?

21
22 **A.** Yes, following the April 10, 2020 filing, Tampa Electric
23 has been working through the necessary functions to
24 establish the SPP programs to initiate construction. As
25 the company was working through the contracts and

1 procurement functions to support the distribution lateral
2 undergrounding program, it became evident that further
3 refinement of the engineering and construction schedules
4 was necessary. In addition, while not a significant
5 impact at the time, the current COVID-19 pandemic was
6 placing additional pressure to refine the schedule that
7 was previously provided.

8
9 **Q.** Did Tampa Electric communicate these changes?

10
11 **A.** Yes, Tampa Electric served the supplemental response to
12 the Office of Public Counsel's Interrogatory No. 6 on
13 June 18, 2020 on all affected parties in Docket 20200067-
14 EI. The supplemental response communicated that the
15 company refined its project schedules for the company's
16 distribution lateral undergrounding program. As a part
17 of this refinement, the start dates and completion dates
18 for construction of some projects were changed. In
19 addition, the company is accelerating the activities to
20 design and secure land rights further in advance of
21 construction than what was originally filed.

22
23 **Q.** Do the new project counts reflect the prioritization that
24 served as the basis for the original filing?

25

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

5
6 **Q.** What are the total projected expenditures for this
7 Program?

8
9 **A.** Tampa Electric estimates expenditures for this program
10 during calendar years 2020 and 2021 as follows:

- 11 • During the period, April 10, 2020 to December 31,
12 2020, estimated expenditures are \$9.1 million.
- 13 • During the period, January 1, 2021 to December 31,
14 2021, estimated expenditures are \$84.1 million.

15
16 **Q.** Do these projected expenditures match what was filed on
17 April 10, 2020?

18
19 **A.** No, the schedule refinement that I explained above
20 resulted in front loading more engineering work on more
21 projects which raised the cost estimate by approximately
22 \$600,000 in 2020 and \$2.2 million in 2021. Additionally,
23 the company projects incremental labor dollars of
24 \$600,000 in 2020 and \$1.9 million in 2021.

25

1 **Q.** Did any of these project expenditures occur before April
2 10, 2020?

3
4 **A.** No.

5
6 **Q.** Can you provide a breakdown of the projected expenditures
7 by categories such as capital and operating and
8 maintenance ("O&M") expenses?

9
10 **A.** The Distribution Lateral Undergrounding Program
11 expenditures are 100 percent capital. There are no
12 expected O&M expenses.

13
14 **Q.** What are the different components that make up the cost
15 of a distribution lateral underground conversion project?

16
17 **A.** The projects will be completed primarily by external
18 contractor partners. The main components of the
19 project's cost will be contractor labor, materials, as
20 well as some internal costs to administer and manage the
21 program. The internal costs reflect labor dedicated to
22 the Program as well as a small amount of O&M for things
23 like office supplies and incidental travel associated
24 with the program.

25

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

3

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

10

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

13

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

18

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

22

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

1 type of assets.

2

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

5

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

8

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

11

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

18

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

22

23 **A.** These characteristics directly affect the necessary
24 volume of work, the number and types of assets within the
25 project scope, and the activity rate that is used for the

1 project-level cost estimate.

2

3 **Transmission Asset Upgrades**

4

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

7

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

11

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

14

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

- 17 • April 10, 2020 to December 31, 2020 - 21 projects
18 • January 1, 2021 to December 31, 2021 - 37 projects

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

21

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

25

1 **A.** Yes, the company's filed Plan called for 21 projects in
2 2020 and 35 projects in 2021. In addition to these 56
3 projects, the company has added two additional projects
4 in 2021 that were originally scheduled for 2022. The 58
5 projects scheduled in 2020 and 2021 keep the same
6 prioritization that was used to develop the first three
7 years of the company's 2020-2029 SPP that was filed on
8 April 10, 2020.

9
10 **Q.** Does the company's filing in this docket include any
11 different projects other than those included in the SPP
12 filing dated April 10, 2020, with the exception of the
13 two new projects being proposed?

14
15 **A.** No, all the projects are the same with the exception of
16 the two new additional projects that were moved from 2022
17 into 2021.

18
19 **Q.** What are the total projected expenditures for this
20 Program for the 2020 and 2021 periods?

21
22 **A.** Tampa Electric estimates expenditures for this program
23 during 2020 and 2021 as follows:

- 24 • During the period April 10, 2020 to December 31,
25 2020, estimated expenditures are \$5.8 million.

- 1 • During the period January 1, 2021 to December 31,
2 2021, estimated expenditures are \$15.6 million.

3

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

6

7 **A.** Yes, the current projected costs align with the cost
8 estimates filed on April 10, 2020. The projected costs
9 for 2020 were increased by less than \$100,000 due to
10 projected increased transfer costs. The projected costs
11 for 2021 were increased by approximately \$400,000 due to
12 the projected increased transfer costs of \$200,000 and
13 \$200,000 for two additional projects. Transfer costs are
14 the cost incurred when moving existing wires from the
15 existing wood structure to the newly constructed non-wood
16 structure.

17

18 **Q.** Did any of these project expenditures occur before April
19 10, 2020?

20

21 **A.** No.

22

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

25

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

4 • For the period April 10, 2020 to December 31,
5 2020:

6 o Capital of \$5.8 million

7 o O&M of \$0.2 million

8 • For the period January 1, 2021 to December 31,
9 2021:

10 o Capital of \$15.2 million

11 o O&M of \$0.4 million

12
13 **Q.** What are the activities that are associated with the O&M
14 costs with this program?

15
16 **A.** The activity of transferring existing wires to the new
17 non-wood material pole from the existing wooden pole
18 being replaced is accounted for as an O&M cost.

19
20 **Q.** How did the company develop a cost estimate for each of
21 these components?

22
23 **A.** The company has reactively replaced wood transmission
24 poles that fail an inspection with non-wood material for
25 many years. Because of these reactive replacements, the

1 company has developed an extensive set of historical data
2 for transmission pole replacements and upgrades. The
3 historical data was used as a foundation for the project-
4 level costs estimates.

5
6 **Q.** Were your project costs estimated using a single average
7 that was then applied to all projects?

8
9 **A.** No.

10
11 **Q.** Does each transmission asset upgrade project have its own
12 unique cost estimate profile?

13
14 **A.** Yes, each transmission asset upgrade project represents a
15 transmission circuit, with a unique number of poles,
16 unique terrain, and a unique location.

17
18 **Substation Extreme Weather Hardening**

19
20 **Q.** Can you please provide a description of the Substation
21 Extreme Weather Hardening Program?

22
23 **A.** This program will harden and protect the company's
24 substation assets that are vulnerable to flooding or
25 storm surge.

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

3

4 **A.** The company is proposing no projects for the period April
5 10, 2020 to December 31, 2020. The company is, however,
6 planning to conduct a formal study in 2021 to further
7 identify and evaluate other potential hardening solutions
8 beyond the single solution that was modeled on the
9 company's substations during the initial development of
10 the company's Plan. This project detail is fully
11 detailed in my Exhibit No. DLP-1, Document No. 3.

12

13 **Q.** Does this represent the same number of projects you
14 included in the filing made on April 10, 2020 for the
15 2020 and 2021 periods?

16

17 **A.** Yes.

18

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

21

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

24 • During the period, April 10, 2020 to December 31,
25 2020, estimated expenditures are \$0.

- 1 • During the period, January 1, 2021 to December 31,
2 2021, estimated expenditures are \$0.3 million.

3
4 **Q.** Do these projected expenditures match what was filed on
5 April 10, 2020?

6
7 **A.** Yes.

8
9 **Q.** Did any of these project expenditures occur before April
10 10, 2020?

11
12 **A.** No.

13
14 **Q.** Can you provide a breakdown of the projected expenditures
15 by categories such as Capital and O&M expenses?

16
17 **A.** The 2021 study cost will be charged to O&M. At this
18 time, the composition of future potential projects costs
19 is not known.

20
21 **Distribution Overhead Feeder Hardening**

22
23 **Q.** Can you please provide a description of the Distribution
24 Overhead Feeder Hardening Program?

25

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

6
7 **Q.** How many Distribution Overhead Feeder Hardening projects
8 are planned for 2020 and 2021?

9
10 **A.** Tampa Electric plans for the following activity in
11 calendar years 2020 and 2021:

- 12 • April 10, 2020 to December 31, 2020 - 13 projects.
- 13 • January 1, 2021 to December 31, 2021 - 27
14 projects.

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

17
18 **Q.** Does this represent the same number of projects you
19 included in the company's Plan filing made on April 10,
20 2020 for the 2020 and 2021 periods?

21
22 **A.** No.

23
24 **Q.** Will you please explain how this number is different than
25 the number of projects the company included in the filing

1 made on April 10, 2020 for the period 2020 and 2021?
2

3 **A.** Yes, the plan filed on April 10, 2020 called for five
4 projects in 2020 and 18 projects in 2021. The company
5 plans to complete those 23 projects and will begin work
6 on early stages of an additional six future projects.
7

8 **Q.** Why did the company decide to begin the six projects
9 earlier?
10

11 **A.** The additional six projects were added to the 2021 work
12 plan in order to ensure the projects would be completed
13 in 2022. This alternation to the schedule resulted from
14 a long-term work forecast that aligned with anticipated
15 resource availability and project schedules for 2021 and
16 2022 and will also allow the company to provide the
17 benefits reflected in the April 10 filing.
18

19 **Q.** Will the projects still have the same construction start
20 and end dates as listed in the company's April 10, 2020
21 SPP filing?
22

23 **A.** The company did not provide a list of construction start
24 and completion dates for 2021 and 2022 in the company's
25 April 10, 2020 filing. The company is keeping the same

1 initial projects that were projected to begin and
2 complete in addition to the starting of the six
3 additional projects as explained above to be completed in
4 2022.

5
6 **Q.** Does the company's filing in this docket include
7 different projects than those included in the SPP filing
8 dated April 10, 2020?

9
10 **A.** No, other than starting the engineering work in late 2021
11 on the additional six projects all of the projects are
12 the same.

13
14 **Q.** What are the total projected expenditures for this
15 program in the 2020 and 2021 periods?

16
17 **A.** Tampa Electric estimates expenditures for this Program
18 during calendar years 2020 and 2021 as follows:

- 19 • During the period April 10, 2020 to December 31,
20 2020, estimated expenditures are \$6.6 million.
21 • During the period January 1, 2021 to December 31,
22 2021, estimated expenditures are \$15.7 million.

23
24 **Q.** Do these projected expenditures match what was filed on
25 April 10, 2020?

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

8
9 **Q.** Do any of these project expenditures occur before April
10 10, 2020?

11
12 **A.** No.

13
14 **Q.** Can you provide a breakdown of the projected expenditures
15 by categories such as capital and O&M expenses?

16
17 **A.** The Distribution Overhead Feeder Hardening Program is
18 predominantly capital with some minimal O&M costs. The
19 breakdown for each year is as follows:

- 20 • For the period April 10, 2020 to December 31,
21 2020:
- 22 o Capital of \$6.4 million
 - 23 o O&M of \$0.2 million
- 24 • For the period January 1, 2021 to December 31,
25 2021:

- 1 o Capital of \$15.3 million
- 2 o O&M of \$0.4 million

3

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

6

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

10

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

13

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

20

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

23

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

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

12
13 **Transmission Access Enhancement**

14
15 **Q.** Please provide a description of the Transmission Access
16 Enhancement Program.

17
18 **A.** This program will ensure the company always has access to
19 its transmission facilities so it can promptly restore
20 its transmission system when outages occur.

21
22 **Q.** How many Transmission Access Enhancement projects are
23 planned for 2020 and 2021?

24
25 **A.** Tampa Electric plans for the following activity in

1 calendar years 2020 and 2021:

- 2 • April 10, 2020 to December 31, 2020 - 0 projected
- 3 projects.
- 4 • January 1, 2021 to December 31, 2021 - 18
- 5 projected projects.

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

8
9 **Q.** Does this represent the same number of projects you
10 included in the filing made on April 10, 2020 for the
11 period 2020 and 2021?

12
13 **A.** No, the company is still projecting to begin zero
14 projects in 2020 but has increased the number of projects
15 from eight to eighteen for 2021.

16
17 **Q.** Can you please explain why the number of projects has
18 increased for 2021?

19
20 **A.** Since Tampa Electric filed its Plan, the company
21 determined that it could achieve efficiency and avoid
22 potential delays in construction by beginning
23 engineering, design and permitting for future projects
24 earlier than originally planned. As a result, the

1 company will begin work in 2021 on projects that were
2 originally scheduled to begin in 2022 and 2023.

3
4 **Q.** Does the company's filing in this docket include
5 different projects than those included in the SPP filing
6 dated April 10, 2020?

7
8 **A.** No, with the exception of the additional projects that
9 are beginning earlier, the projects and the
10 prioritization are consistent with the filing made on
11 April 10, 2020.

12
13 **Q.** What are the total projected expenditures for this
14 Program in the 2020 and 2021 periods?

15
16 **A.** Tampa Electric estimates expenditures for this Program
17 during calendar years 2020 and 2021 as follows:

- 18 • During the period April 10, 2020 to December 31,
19 2020, estimated expenditures are \$0.
- 20 • During the period January 1, 2021 to December 31,
21 2021, estimated expenditures are \$1.3 million.

22
23 **Q.** Do these projected expenditures match what was filed on
24 April 10, 2020?

25

1 **A.** No, the refined schedule results in a slight reduction to
2 2021 spend compared to the company's Plan filing.

3

4 **Q.** Did any of these project expenditures occur before April
5 10, 2020?

6

7 **A.** No.

8

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

11

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

14

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

17

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

22

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

25

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

5

6 **Vegetation Management**

7

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

10

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

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

19

20 The three new VM initiatives are:

- 21 • Initiative 1: Supplemental Distribution Circuit VM
- 22 • Initiative 2: Mid-Cycle Distribution VM
- 23 • Initiative 3: 69 kV VM Reclamation

24

25 **Q.** What VM programs does the company have that will not

1 impact the SPPCRC?

2

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

7

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

11

12 **A.** Yes.

13

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

16

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

- 19
- Distribution VM: 1,720 miles
 - Transmission VM: 530 miles
- 20

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

- 23
- Initiative 1: 402.3 miles and 62,332 customers
 - Initiative 2: 0 miles and 0 customers
 - Initiative 3: 0 miles and 0 customers
- 24
- 25

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

3

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

6

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

9

- Distribution VM: 1,560 miles

10

- Transmission VM: 530 miles

11

- Initiative 1: 510.2 miles and 65,008 customers

12

- Initiative 2: 243.1 miles and 95,733 customers

13

- Initiative 3: 27 miles and 26,975 customers

14

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

16

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

20

21 **A.** Yes.

22

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

25

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

- 3 • Distribution VM: \$9.7 million
- 4 • Transmission VM: \$0.9 million
- 5 • Initiative 1: \$2.9 million
- 6 • Initiative 2: \$0.1 million
- 7 • Initiative 3: \$0.1 million

8

9 **Q.** Do these figures represent the amount that is deemed
10 incremental and recoverable through the SPPCRC under the
11 2020 Settlement Agreement?

12

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

19

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

22

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

- 25 • Distribution VM: \$13.0 million

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

5

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

8

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

13

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

16

17 **A.** Yes.

18

19 **Q.** Did any of these expenditures occur before April 10,
20 2020?

21

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

1 incremental VM costs are included in the SPPCRC.

2

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

5

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

8

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

10

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

17

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

20

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

1 **Infrastructure Inspections**

2

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

5

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

11

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

14

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

18

<u>Distribution:</u>	<u>2020</u>	<u>2021</u>
Wood Pole:	22,500	22,500
Groundline:	13,275	13,275
<u>Transmission:</u>	<u>2020</u>	<u>2021</u>
Wood Pole/Groundline:	702	367
Above Ground:	2,949	3,895

19

20

21

22

23

24

25

1 Aerial Infrared Patrol: Annually Annually
2 Ground Patrol: Annually Annually
3 Substations: Annually Annually

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

6
7 **Q.** Does this represent the same number of projects you
8 included in the filing made on April 10, 2020 for the
9 period 2020 and 2021?

10
11 **A.** Yes.

12
13 **Q.** What are the total projected expenditures for this
14 Program in the 2020 and 2021 periods?

15
16 **A.** The estimated costs for this program for April 10, 2020
17 through December 2020 is \$0.5 million, and \$1.6 million
18 for 2021.

19
20 **Q.** Do any of these project expenditures occur before April
21 10, 2020?

22
23 **A.** No.

24
25 **Q.** Can you provide a breakdown of the projected expenditures

1 by categories such as capital and O&M expenses?

2
3 **A.** All costs associated with this program are 100 percent
4 O&M. There are no Capital expenditures with this
5 program.

6
7 **Q.** What is the basis for your cost estimates?

8
9 **A.** The company has long-standing inspection programs with a
10 large data set of historical activity and spend. The
11 projected spend for each inspection type is based on
12 projected activity and historical spending.

13
14 **LEGACY STORM HARDENING INITIATIVES**

15
16 **Q.** What are the legacy storm hardening initiatives?

17
18 **A.** These are storm hardening activities that were mandated
19 by the Commission as components of the company's prior
20 storm hardening plan.

21
22 **Q.** Are the legacy storm hardening initiatives the same for
23 the company's SPP as they were in the company's most
24 recent 2019-2021 three-year Storm Plan that was approved
25 by the Commission?

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

- 5 • Four-year distribution vegetation management
- 6 • Two-year transmission vegetation management
- 7 • Transmission Right of Way vegetation management
- 8 • Distribution infrastructure inspections
- 9 • Transmission infrastructure inspections
- 10 • Transmission asset upgrades

11

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

14

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

- 17 • Unplanned distribution vegetation management
- 18 • Unplanned transmission vegetation management
- 19 • Geographic Information System
- 20 • Post-Storm Data Collection
- 21 • Outage Data - Overhead and Underground Systems
- 22 • Increased Coordination with Local Governments
- 23 • Collaborative Research
- 24 • Disaster Preparedness and Recovery Plan
- 25 • Distribution Wood Pole Replacements

1 **Q.** Does the company have individual project detail for these
2 ongoing storm hardening initiatives for the period 2020
3 and 2021?
4

5 **A.** No, these "other" ongoing storm hardening initiatives are
6 well-established, steady state programs for which the
7 company does not propose any specific Storm Protection
8 Projects at this time.
9

10 **Q.** Is the company seeking cost recovery for any of these
11 "Other" ongoing legacy storm hardening in this SPPCRC
12 proceeding?
13

14 **A.** No.
15

16 **COMMON STORM PROTECTION PLAN ACTIVITIES AND COSTS**
17

18 **Q.** Will you please provide a description of the Common
19 Costs?
20

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

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

2

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

15

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

18

19 **A.** Yes.

20

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

23

24 **A.** The company projects spending \$1.4 million in 2020 and
25 \$0.4 million in 2021.

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

3

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

6 • Calendar year 2020 costs reflect \$1.0 million of
7 external consulting costs and \$0.4 million of
8 internal labor costs.

9 • Calendar year 2021 costs reflect \$0.4 million of
10 internal labor costs.

11

12 **Q.** Does this include any costs incurred prior to April 10,
13 2020?

14

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

22

23 **Q.** How much of the 2020 costs were incurred prior to April
24 10, 2020?

25

1 **A.** The company spent approximately \$1.0 million on external
2 consultants and incremental internal labor prior to April
3 10, 2020 which is detailed in Exhibit No. MRR-1 of Mark
4 R. Roche's direct testimony.

5
6 **CONCLUSIONS**

7
8 **Q.** Please summarize your direct testimony.

9
10 **A.** My testimony identifies the programs for which Tampa
11 Electric is seeking cost recovery for expenditures
12 occurring in 2020 and 2021. My testimony describes the
13 number and types of activities that will be carried out
14 under the company's SPP in 2020 and 2021 and explains how
15 the company developed estimates of the cost of each of
16 these activities. My testimony also demonstrates that
17 the estimated costs are reasonable since they are based
18 on sound methods and because the company has a high level
19 of confidence in its projections.

20
21 **Q.** Are the company's planned activities and projected costs
22 consistent with the company's Storm Protection Plan?

23
24 **A.** Yes, as I explained in my testimony, the company has
25 begun implementation of each of the Programs in a manner

1 consistent with the filing made on April 10, 2020. While
2 schedules have been refined in some cases, the planned
3 activities are prioritized consistently with the SPP and
4 the projected costs are largely consistent at both the
5 Program and project levels.

6
7 **Q.** Should the Commission approve the company's projected
8 expenditures for its Distribution Lateral Undergrounding,
9 Transmission Asset Upgrades, Substation Extreme Weather
10 Hardening, Distribution Overhead Feeder Hardening,
11 Transmission Access Enhancement, Vegetation Management,
12 Infrastructure Inspections Programs and Common SPP costs?

13
14 **A.** Yes, these projected expenditures should be approved.
15 The projected costs are reasonable and consistent with
16 the company's SPP.

17
18 **Q.** Does this conclude your testimony?

19
20 **A.** Yes.

21
22
23
24
25

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

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1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**2 **PREPARED DIRECT TESTIMONY**3 **OF**4 **A. SLOAN LEWIS**5
6
7 **INTRODUCTION:**8 **Q.** Please state your name, address, occupation and
9 employer.10
11 **A.** My name is A. Sloan Lewis. My business address is 702
12 N. Franklin Street, Tampa, Florida 33602. I am employed
13 by Tampa Electric Company ("Tampa Electric" or "the
14 Company") in the Finance Department as Director,
15 Regulatory Accounting.16
17 **Q.** Please describe your duties and responsibilities in that
18 position.19
20 **A.** My duties and responsibilities include the accounting
21 oversight of all cost recovery clauses and riders for
22 Tampa Electric and Peoples Gas, the settlement of all
23 fuel and power transactions for Tampa Electric and
24 Peoples Gas System and the accounts payable department
25 for Tampa Electric, Peoples Gas System and New Mexico

1 Gas Company.

2

3 **Q.** Please describe your educational background and
4 professional experience.

5

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

17

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

19

20 **A.** The purpose of my testimony in this proceeding is to
21 present and explain how the company developed the
22 projected total annual revenue requirements associated
23 with the company's 2020 actual and estimated and
24 projected 2021 Storm Protection Plan activities, and to
25 describe the steps taken by Tampa Electric to promote

1 transparency and ensure that the costs the company will
2 recover through the Storm Protection Plan Cost Recovery
3 Clause ("SPPCRC") do not include costs that are currently
4 recovered through the utility's existing base rates or
5 any other cost recovery mechanism.

6
7 **Q.** Have you prepared an exhibit to accompany your direct
8 testimony?

9
10 **A.** Yes. I have two exhibits that were prepared under my
11 direction and supervision. Exhibit No. ASL-1, entitled
12 "Tampa Electric's 2020-2021 SPP Total Revenue
13 Requirements by Program" shows the Annual Revenue
14 Requirement for the company's 2020-2021 SPP Programs.
15 Exhibit No. ASL-2, entitled "Final Order Approving Tampa
16 Electric's 2020 Settlement Agreement" is a settlement
17 agreement entered into by Tampa Electric and consumer
18 parties that was approved by the Commission on June 9,
19 2020 and the Commission's Order No. PSC-2020-0224-AS-EI
20 that was issued on June 20, 2020.

21
22 **DEVELOPMENT AND CALCULATION OF THE PROJECTED ANNUAL REVENUE**
23 **REQUIREMENTS FOR 2020 and 2021**

24
25 **Q.** What are the projected annual revenue requirements for

1 Tampa Electric's SPP activities in 2020 and 2021?

2

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

6 Total Projected SPP Revenue Requirement (2020-2021)

7 2020 \$6,035,191

8 2021 \$33,908,399

9

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

12

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

15

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

21

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

24

25 **A.** No, as I discuss further below, the company has agreed to

1 procedures designed to avoid double recovery of SPP costs
2 through both base rates and the SPPCRC.

3
4 **Q.** Do the projected annual revenue requirements include SPP
5 capital expenditures made prior to the plan filing date
6 in the depreciation and return calculations?

7
8 **A.** No, only capital expenditures for SPP projects to be
9 initiated after April 10, 2020 were included in the
10 depreciation and return calculations included in the
11 estimated annual jurisdictional revenue requirements.

12
13 **Q.** Do the projected annual revenue requirements include the
14 annual depreciation expense on SPP capital expenditures?

15
16 **A.** Yes, Rule 25-6.031 states that the annual depreciation
17 expense is a cost that may be recovered through the
18 SPPCRC. As a result, the projected annual revenue
19 requirements include the annual depreciation expense
20 calculated on the SPP capital expenditures initiated
21 after April 10, 2020, using the depreciation rates from
22 Tampa Electric's most current Depreciation Study,
23 approved by Order No. PSC-12-0175-PAA-EI issued April 3,
24 2012 within Docket No. 20110131-EI.

25

1 **Q.** Were the depreciation savings on the retirement of assets
2 removed from service during the SPP capital projects
3 considered in the development of the revenue requirement?
4

5 **A.** Yes, in the development of the revenue requirements,
6 depreciation expense from the SPP capital asset additions
7 were reduced by the depreciation expense savings
8 resulting from the estimated retirement of assets removed
9 from service during the SPP capital projects.
10

11 **Q.** Do the projected annual revenue requirements include a
12 return on the undepreciated balance of the SPP assets?
13

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

1 mid-point return on equity 13-month average weighted
2 average cost of capital for 2021.

3
4 **Q.** Did the company include Allowance for Funds Used During
5 Construction ("AFUDC") in the calculation of the
6 projected annual revenue requirements?

7
8 **A.** No, per Rule 25-6.0141, F.A.C, in order for projects to
9 be eligible for AFUDC, they must involve "gross additions
10 to plant in excess of 0.5 percent of the sum of the total
11 balance in Account 101, Electric Plant in Service, and
12 Account 106, Completed Construction not Classified, at
13 the time the project commences and are expected to be
14 completed in excess of one year after commencement of
15 construction." None of the projects proposed in Tampa
16 Electric's 2020-2021 SPP meet the criteria for AFUDC
17 eligibility.

18
19 **AVOIDANCE OF DOUBLE RECOVERY**

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

1 recovered in base rates?

2

3 **A.** The company has taken two main steps to ensure that the
4 costs recovered through the SPPCRC do not include any
5 costs that are already recovered through base rates.
6 First, the company has implemented internal procedures to
7 accurately track SPP costs. Second, the company entered
8 into an agreement approved by the Commission known as the
9 2020 Settlement Agreement. This Agreement includes a
10 method for avoiding double recovery of SPP costs.

11

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

15

16 **A.** All SPP Programs and SPP Projects are identified using
17 the company's accounting system attributes including
18 Funding Projects, Work Orders and Plant Maintenance
19 Orders ("PMOs")/work requests. Each SPP Project is
20 assigned a specific Funding Project number, which is
21 "tagged" with a code indicating which SPP Program the
22 costs are attributable to. This code clearly
23 differentiates the SPP Capital investments from the
24 company's other Capital assets in the accounting system.
25 The company has also developed a set of charging

1 guidelines for the SPP and several layers of internal
2 review are performed on these costs. Additional measures
3 to avoid double recovery are covered in the 2020
4 Settlement Agreement, discussed in detail below.

5
6 **Q.** What is the Tampa Electric 2020 Settlement Agreement?

7
8 **A.** The 2020 Settlement Agreement is an agreement entered
9 into by Tampa Electric, the Office of Public Counsel, the
10 Florida Industrial Power Users Group, the Florida Retail
11 Federation, the Federal Executive Agencies, and the West
12 Central Florida Hospital Utility Alliance. The 2020
13 Settlement Agreement resolves issues in several
14 Commission dockets involving Tampa Electric, including
15 this docket. The Commission approved the 2020 Settlement
16 Agreement in a hearing held on June 9, 2020 and was
17 approved by the Commission's Order No. PSC-2020-0224-AS-
18 EI. I also have included a copy of the Commission's
19 Final Order Approving the 2020 Settlement Agreement as my
20 Exhibit No. ASL-2.

21
22 **Q.** What provisions in the 2020 Settlement Agreement affect
23 this docket?

24
25 **A.** The 2020 Settlement Agreement contains provisions

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

7
8 **Q.** How does the 2020 Settlement Agreement ensure there is no
9 double recovery of SPP O&M costs?

10
11 **A.** The company's SPP is comprised of both existing and new
12 storm protection activities. Under the 2020 Settlement
13 Agreement, Tampa Electric will recover all SPP O&M
14 expenses, including expenses associated with existing
15 activities, through the SPPCRC.

16
17 **Q.** How will the company recover O&M expenses associated with
18 existing activities through the SPPCRC while avoiding
19 double recovery of those costs?

20
21 **A.** There are six existing activities included in the
22 company's SPP, the costs of which are currently recovered
23 through base rates. The company will reduce base rate
24 revenues by an amount equal to the average actual O&M
25 expense for the most recent two years - grossed up for

1 the regulatory assessment fee - for these six activities.
2 The ultimate result of this agreement is that Tampa
3 Electric will reduce base rates by an annual amount of
4 \$14,876,228.78 beginning in 2021. The calculation that
5 results in this total reduction is detailed in the
6 Exhibit of William R. Ashburn.

7
8 **Q.** Does the 2020 Settlement Agreement address recovery of
9 costs associated with these six activities in 2020?

10
11 **A.** Yes. Pursuant to the Agreement, the company may seek
12 recovery of 2020 SPP O&M expense for the six activities
13 for the period from May to December 2020, but only to the
14 extent that total expense for those activities exceeds
15 the average of the total expense for those activities in
16 May through December of 2018 and May through December of
17 2019. This means that the company may seek recovery of
18 any SPP O&M expense for the six activities exceeding
19 \$10.4 million.

20
21 **Q.** Is the threshold for recovery of SPP O&M expense in 2020
22 a total amount, or is it comprised of six individual
23 threshold amounts, one for each activity?

24
25 **A.** It is a total threshold. Every dollar above \$10.4

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

4
5 **Q.** How does the 2020 Settlement Agreement avoid potential
6 double recovery for capital expenditures?

7
8 **A.** The Agreement establishes a bright line test for
9 determining which SPP capital projects are eligible for
10 SPPCRC recovery. Under the Agreement, all SPP capital
11 projects initiated after April 10, 2020 are eligible for
12 recovery through the SPPCRC, subject to a prudency review
13 in this docket. Cost recovery for projects initiated
14 prior to that date will remain through base rates.

15
16 **Q.** Are there any other provisions of the 2020 Settlement
17 Agreement that will avoid potential double recovery?

18
19 **A.** Yes. The Agreement requires the company to recover costs
20 associated with distribution pole replacements through
21 base rates. This avoids potential challenges associated
22 with accounting for mass asset additions and retirements.
23 Likewise, the company will also not seek recovery of the
24 O&M expenses from asset transfers related to distribution
25 pole replacements through the SPPCRC. The Agreement also

1 requires the company to implement four accounting
2 protocols for capital items to avoid double recovery.

3
4 **Q.** What are those four accounting protocols for capital
5 items?

6
7 **A.** First, when assets are retired and replaced as a part of
8 a SPP program, the company will not seek to recover the
9 cost of removal net of salvage associated with the
10 related assets through the SPPCRC. Instead, the net cost
11 of removal will be debited to the company's accumulated
12 depreciation reserve. Second, depreciation expense from
13 SPP capital asset addition will be reduced by
14 depreciation expense savings that result from the
15 retirement of assets removed from service during the SPP
16 project. Only the net of the two amounts will be
17 recovered through the SPPCRC. Third, project records and
18 fixed asset records for SPP capital projects will be
19 maintained in a manner that clearly distinguishes between
20 rate base and SPPCRC assets. Finally, the company has
21 the option to remove items from the SPPCRC and include
22 them in retail base rates if the Commission determined
23 that they were prudent through a final true-up in the
24 SPPCRC docket.

25

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

3

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

9

10 **Q.** Did Tampa Electric follow all of the requirements of the
11 2020 Settlement Agreement in developing its request for
12 cost recovery in this docket?

13

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

17

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

20

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

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

3
4 **CONCLUSION:**

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

6
7 **A.** My testimony and exhibits demonstrate that Tampa
8 Electric's projected annual revenue requirements
9 associated with the company's 2020 actual and estimated
10 and projected 2021 Storm Protection Plan activities are
11 based on calculations performed in compliance with Rule
12 25-6.031 of the F.A.C. and the Commission approved 2020
13 Settlement Agreement.

14
15 **Q.** Does this conclude your testimony?

16
17 **A.** Yes.

18
19
20
21
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23
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25

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

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1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **PREPARED DIRECT TESTIMONY**

3 **OF**

4 **WILLIAM R. ASHBURN**

5
6
7 **Q.** Please state your name, address, occupation, and
8 employer.

9
10 **A.** My name is William R. Ashburn. My business address is
11 702 N. Franklin Street, Tampa, Florida 33602. I am
12 employed by Tampa Electric Company ("Tampa Electric" or
13 "company") as Director, Pricing and Financial Analysis.

14
15 **Q.** Please provide a brief outline of your educational
16 background and business experience.

17
18 **A.** I graduated from Creighton University with a Bachelor
19 of Science degree in Business Administration. Upon
20 graduation, I joined Ebasco Business Consulting
21 Company where my consulting assignments included the
22 areas of cost allocation, computer software
23 development, electric system inventory and mapping,
24 cost of service filings and property record
25 development. I joined Tampa Electric in 1983 as a

1 Senior Cost Consultant in the Rates and Customer
2 Accounting Department. At Tampa Electric I have held a
3 series of positions with responsibility for cost of
4 service studies, rate filings, rate design,
5 implementation of new conservation and marketing
6 programs, customer surveys and various state and
7 federal regulatory filings. In March 2001, I was
8 promoted to my current position of Director, Pricing
9 and Financial Analysis in Tampa Electric's Regulatory
10 Affairs Department. I am a member of the Rate and
11 Regulatory Affairs Committee of the Edison Electric
12 Institute ("EEI").

13
14 **Q.** Have you previously testified before the Florida Public
15 Service Commission ("Commission")?
16

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

1 20170260-EI, petition for limited proceeding to approve
2 first solar base rate adjustment, effective September 1,
3 2018, by Tampa Electric Company. I testified for Tampa
4 Electric in Docket No. 20170210-EI as a member of a panel
5 of witnesses during the November 6, 2017 hearing on the
6 2017 Amended and Restated Stipulation and Settlement
7 Agreement ("2017 Agreement"). I also testified on behalf
8 of Tampa Electric in Docket No. 20130040-EI regarding the
9 company's petition for an increase in base rates and
10 miscellaneous service charges and in Docket No. 20080317-
11 EI which was Tampa Electric's previous base rate
12 proceeding. I testified in Docket No. 20020898-EI
13 regarding a self-service wheeling experiment and in
14 Docket No. 20000061-EI regarding the company's
15 Commercial/Industrial service rider. In Docket Nos.
16 20000824-EI, 20001148-EI, 20010577-EI and 20020898-EI, I
17 testified at different times for Tampa Electric and as a
18 joint witness representing Tampa Electric, Florida Power
19 & Light Company ("FP&L") and Progress Energy Florida,
20 Inc. ("PEF") regarding rate and cost support matters
21 related to the GridFlorida proposals. In addition, I
22 represented Tampa Electric numerous times at workshops
23 and in other proceedings regarding rate, cost of
24 service and related matters. I have also provided
25 testimony and represented Tampa Electric before the

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

3
4 **Q.** What are the purposes of your prepared direct testimony?

5
6 **A.** My testimony addresses the appropriate revenue
7 allocation and rate design methodologies to develop the
8 resulting Storm Protection Plan Cost Recovery Clause
9 ("SPPCRC") factors and the impact of the \$15 Million
10 transfer of cost recovery for certain SPP programs from
11 base rates to clause rates recovery.

12
13 **Q.** Have you prepared an exhibit to accompany your direct
14 testimony?

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

23
24 **METHOD OF DERIVING JURISDICTIONAL REVENUE REQUIREMENTS AND**
25 **THEN ALLOCATING THOSE COSTS TO DERIVE SPPCRC CHARGES FOR 2020-**

1 **2021**

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

4
5 **A.** As described in the Direct Testimony of A. Sloan Lewis,
6 the revenue requirements associated with the SPP programs
7 were derived on a total cost basis for 2020 and 2021
8 using cost estimates for each of the SPP programs plus
9 depreciation and return on the associated SPP assets, as
10 outlined in Rule 25-6.031(6), F.A.C., the SPP Cost
11 Recovery Clause Rule. These costs included not only
12 incremental costs for 2021 but, in order to avoid double
13 recovery through both base rates and SPPCRC, included
14 capital expenditures for SPP projects to be initiated
15 after April 10, 2020 and O&M expenditures associated with
16 six existing activities which will be included in the
17 SPPCRC the costs of which are currently recovered through
18 base rates.

19
20 **Q.** How were these total revenue requirements then converted
21 to jurisdictional revenue requirements?

22
23 **A.** For each project, jurisdictional separation factors were
24 applied to derive the jurisdictional revenue
25 requirements. Certain of the projects are transmission

1 related and the others are distribution related. Tampa
2 Electric provided wholesale transmission service to some
3 utilities under its Open Access Transmission Tariff
4 ("OATT") and to avoid double recovery, a portion of the
5 total transmission related project costs must be
6 jurisdictionally separated before being identified for
7 cost recovery through the SPPCRC. Tampa Electric does
8 not provide any wholesale distribution service and so 100
9 percent of those project costs can be called
10 jurisdictional and thus totally recovered through the
11 SPPCRC from retail customers.

12
13 Part of Exhibit No. WRA-1 shows how this jurisdictional
14 allocation was performed. The jurisdictional separation
15 factors utilized for this purpose are the same as those
16 that are utilized for the 2020 Forecasted Surveillance
17 Report filed with the FPSC in March 2020.

18
19 **Q.** Were there any other adjustments made to the company's
20 SPP revenue requirements prior to separating these costs
21 jurisdictionally for retail cost recovery?

22
23 **A.** Yes, the revenue requirements were also adjusted downward
24 by \$10.4 Million that was approved by the Commission in
25 the company's 2020 Settlement Agreement. This adjustment

1 in the settlement, which is described in detail in the
2 Testimony of A. Sloan, is a threshold and was not
3 jurisdictionally separated but any expenses above that
4 threshold will be jurisdictionally separated before
5 becoming a jurisdictional revenue requirement to be
6 recovered through the SPPCRC.

7
8 **Q.** Once the revenue requirements have been calculated and
9 then jurisdictionally separated for retail cost recovery,
10 how were those revenue requirements then allocated to
11 rate class for derivation of SPPCRC charges?

12
13 **A.** For each year, the programs were itemized and identified
14 as either substation, transmission, or distribution
15 costs. Each of those functionalized costs was then
16 allocated to rate class using the allocation factors for
17 that function. The allocation factors were from the
18 Tampa Electric 2013 Cost of Service Study prepared in
19 Docket No. 20130040-EI, which was used for the company's
20 current (non-SoBRA) base rate design. Once the total SPP
21 revenue requirement recovery allocation to the rate
22 classes was derived, the rates were determined in the
23 same manner. For Residential, the charge is a kWh
24 charge. For both Commercial and Industrial, the charge
25 is a kW charge. The charges are derived by dividing the

1 rate class allocated SPP revenue requirements by the 2020
2 energy billing determinants (for residential) and by the
3 2020 demand billing determinants (for commercial and
4 industrial). Those charges were then applied to the
5 billing determinants associated with typical bills for
6 each group to calculate the impact on those bills. This
7 methodology is shown both in my Exhibit No. WRA-1 as it
8 applied to the \$15 Million transfer from base to clause
9 rates, and also in Exhibit MRR-1 to the total amount to
10 be recovered in the SPPCRC in 2021, which includes the
11 \$15 Million transfer amount. Mr. Roche's direct
12 testimony and Exhibit No. MRR-1 will support the final
13 development of the 2021 SPPCRC factors.

14
15 **Q.** How will the company implement this \$15 Million one-time
16 base rate reduction required by the 2020 Settlement
17 Agreement?

18
19 **A.** Paragraph 11(b) of the 2020 Settlement Agreement states:
20 "The company will file the revised tariffs necessary to
21 implement the one-time base rate reduction specified
22 herein for Commission approval in Docket No. 20200092-
23 EI..." Accordingly, Tampa Electric will file a Motion to
24 Approve Revised Tariff Sheets with the revised tariffs
25 necessary to implement the one-time base rate reduction

1 in this docket.

2
3 **Q.** Will the rate impacts established through the 2021 SPPCRC
4 differ from those presented in the rate impact
5 calculations that were provided in the company's SPP that
6 was filed on April 10, 2020?

7
8 **A.** Yes, the rate impacts presented in the company's SPP
9 reflected the "all-in" costs of the company's SPP without
10 regard to whether the costs would be recovered through
11 the SPPCRC or through the company's base rates and
12 charges. Since that time, the Commission approved the
13 2020 Settlement Agreement, which sets out a methodology
14 for separating SPPCRC and base rate recovery and for
15 avoiding double recovery. Additionally, the values
16 utilized in the SPPCRC have been reduced to the retail
17 jurisdictional amount. Furthermore, the company used the
18 then-existing billing determinants to develop the rate
19 estimates in the SPP. The rate estimates presented here
20 are based on more recent billing determinant forecasts
21 for 2021, which are in turn based on the most current
22 load forecast.

23
24 **Q.** In the development of the proposed 2021 SPPCRC factors,
25 did the company use the most recent billing determinants,

1 within the most current load forecast?

2

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

5

6

7 **CONCLUSIONS**

8 **Q.** Please summarize your direct testimony.

9

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

15

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

17

18 **A.** Yes.

19

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

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

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

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

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

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

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

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

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

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

1 We will resume in 15 minutes. I believe we
2 need 15 -- 15 minutes, we will start time certain
3 1:45 with IA. 1:45 return for IA.

4 Thank you. Hearing adjourned.

5 (Proceedings concluded.)

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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.



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