BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20210010-EI

STORM PROTECTION PLAN
COST RECOVERY CLAUSE.
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PROCEEDINGS: HEARING

COMMISSIONERS
PARTICIPATING: CHAIRMAN GARY F. CLARK
COMMISSIONER ART GRAHAM
COMMISSIONER ANDREW GILES FAY
COMMISSIONER MIKE LA ROSA
COMMISSIONER GABRIELLA PASSIDOMO

DATE: Tuesday, August 3, 2021

TIME: Commenced: 10:14 a.m.
Concluded: 10:29 a.m.

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

REPORTED BY: DEBRA R. KRICK
Court Reporter and
Notary Public in and for
the State of Florida at Large

PREMIER REPORTING
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APPEARANCES:

DIANNE M. TRIPLETT, ESQUIRE, 299 First Avenue North, St. Petersburg, Florida 33701; and MATTHEW R. BERNIER, STEPHANIE A. CUELLO, ESQUIRES, 106 East College Avenue, Suite 800, Tallahassee, Florida 32301-7740, appearing on behalf of Duke Energy Florida, LLC (DEF).

CHRISTOPHER T. WRIGHT and JASON A. HIGGINBOTHAM, ESQUIRES, Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408-0420, appearing on behalf of Florida Power & Light Company (FPL) and Gulf Power Company (GULF).

JAMES D. BEASLEY, J. JEFFRY WAHLEN and MALCOM N. MEANS, ESQUIRES, Ausley McMullen, Post Office Box 391, Tallahassee Florida 32302, appearing on behalf of Tampa Electric Company (TECO).

RICHARD GENTRY, PUBLIC COUNSEL; CHARLES REHWINKEL, DEPUTY PUBLIC COUNSEL, PATRICIA A. CHRISTENSEN, STEPHANIE MORSE, ANASTACIA PIRRELLO and MARY A. WESSLING, ESQUIRES; Office of Public Counsel, c/o The Florida Legislature, 111 W. Madison Street, Room 812, Tallahassee, Florida 32399-1400, appearing on behalf of the Citizens of the State of Florida (OPC).

APPEARANCES (CONTINUED):

JON C. MOYLE, JR., ESQUIRE, KAREN A. PUTNAL, and IAN E. WALDICK, ESQUIRES, Moyle Law Firm, P.A., 118 North Gadsden Street, Tallahassee, Florida 32301, appearing on behalf of Florida Industrial Power Users Group (FIPUG).

JAMES W. BREW and LAURA A. BAKER, ESQUIRES, Stone Mattheis Xenopoulous & Brew, PC, 1025 Thomas Jefferson Street, Northwest, Eighth Floor, West Tower, Washington, DC 20007, appearing on behalf of White Spring Agricultural Chemicals, Inc., d/b/a PCS Phosphate - White Springs (PCS Phosphate).

PETER J. MATTHEIS and MICHAEL K. LAVANGA, ESQUIRES, Stone Mattheis Xenopoulous & Brew, PC, 1025 Thomas Jefferson Street, Northwest, Eighth Floor, West Tower, Washington, DC 20007, appearing on behalf of Nucor Steel Florida, Inc. (NUCOR).

STEPHANIE U. EATON, ESQUIRE, Spilman Thomas and Battle, PLLC, 110 Oakwood Drive, Suite 500, Winston-Salem, North Carolina 27103; and BARRY A. NAUM, ESQUIRE, Spilman Thomas & Battle, PLLC, 1100 Bent Creek Boulevard, Suite 101, Mechanicsburg, PA 17050, appearing on behalf of Walmart Inc. (WALMART).

APPEARANCES (CONTINUED):

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

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

I N D E X

EXHIBITS

NUMBER:		ID	ADMITTED
1	Comprehensive Exhibit List	10	10
2-36	As identified on the CEL	10	11

P R O C E E D I N G S

CHAIRMAN CLARK: All right. Good morning again. We are going to convene the hearing today, and I am going to ask staff, if they would, to please read the notice.

MR. STILLER: By notice issued on July 12, 2021, this time and place has been set for a hearing in Docket No. 20210010-EI. The purpose of this hearing is set out more fully in the notice.

CHAIRMAN CLARK: Thank you very much, Mr. Stiller.

All right. Let's take appearances, begin with Duke.

MR. BERNIER: Good morning again, Commissioners. Matt Bernier for Duke Energy. I would also like to enter appearances for Dianne Triplett and Stephanie Cuello.

Thank you.

CHAIRMAN CLARK: Thank you.

Florida Power & Light.

MR. WRIGHT: Good morning Commissioners. Christopher Wright on behalf of Florida Power & Light and Gulf Power Company. I would also like to enter an appearance for Jason Higginbotham.

CHAIRMAN CLARK: Thank you very much.

TECO.

MR. MEANS: Good morning, Commissioners. Malcolm Means with Ausley McMullen, appearing on behalf of Tampa Electric. I would also like to enter appearances for Jim Beasley and Jeff Whalen also with Ausley McMullen.

Thank you, Mr. Means.

MS. WESSLING: Thank you, Commissioner. This is Mary Wessling with the Office of Public Counsel, and I would also like to enter appearances for Charles Rehwinkel and Richard Gentry.

Thank you.

CHAIRMAN CLARK: Thank you, Ms. Wessling.

Florida Industrial Power Users Group.

MR. MOYLE: Jon Moyle with the Moyle Law Firm on behalf of FIPUG, the Florida Industrial Power Users Group. And I would also like to enter an appearance for Karen Putnal with our firm.

Thank you.

CHAIRMAN CLARK: Thank you, Mr. Moyle.

White Springs Agriculture.

MR. BREW: Good morning again, Commissioners. For White Springs Agricultural Chemicals, PCS Phosphate, I am James Brew. I would also like to note an appearance for Laura Baker.

CHAIRMAN CLARK: Thank you, Mr. Brew.
Nucor Steel.
MR. LAVANGA: Good morning, Commissioners. My name is Michael Lavanga. I am here today on behalf of Nucor Steel Florida, and I would also like to enter an appearance for Pete Mattheis.
CHAIRMAN CLARK: Thank you, Mr. Lavanga.
Walmart.
MS. EATON: Good morning, Chairman. This is Stephanie Eaton on behalf of Walmart.
CHAIRMAN CLARK: Thank you, Ms. Eaton.
Commission staff.
MR. STILLER: Shaw Stiller on behalf of Commission staff. I would also like to enter an appearance for Jennifer Crawford, Margo DuVal and Stephanie-Jo Osborn.
MS. HELTON: And Mary Anne Helton is here as your Advisor, along with your General Counsel, Keith Hetrick.
CHAIRMAN CLARK: All right. Did we get everybody?
All right. Moving into preliminary matters.
Staff, are there any preliminary matters to address?
MR. STILLER: Staff is aware of no preliminary

matters at this time.

CHAIRMAN CLARK: Parties, any preliminary matters?

All right. Seeing none, moving to exhibits. Let's mark them.

MR. STILLER: Staff has prepared a comprehensive exhibit list which includes the prefiled exhibits attached to each witness's prefiled testimony as well as exhibits identified by staff. The list has been provided the parties, Commissioners and the court reporter.

Staff requests that the list itself be marked as Exhibit 1 at this time, with all subsequent exhibits marked as indicated on the list.

CHAIRMAN CLARK: All right. We are going to mark the list as Exhibit No. 1. The other exhibits are going to be marked as No. 2 through 36.

(Whereupon, Exhibit Nos. 1-36 were marked for identification.)

CHAIRMAN CLARK: We will move those into the record, Mr. Stiller.

MR. STILLER: Staff requests that Exhibit No. 1 be entered into the record at this time.

CHAIRMAN CLARK: So ordered.

(Whereupon, Exhibit No. 1 was received into evidence.)

MR. STILLER: It is staff's understanding that the parties do not object and stipulate to the admission of the remaining exhibits, Nos 2 through 36. Staff requests that these exhibits be entered into the record at this time.

CHAIRMAN CLARK: Any objections to the exhibits?

Seeing none, they are entered into the record.

(Whereupon, Exhibit Nos. 2-36 were received into evidence.)

CHAIRMAN CLARK: All right. Let's move into the witness testimony, Mr. Stiller.

MR. STILLER: It is staff's understanding that the parties do not object and stipulate to the admission of the prefiled direct and rebuttal testimony of all witnesses in this docket. Staff requests that the following witnesses' testimony be entered into the record at this time as if read: Duke witnesses Christopher A. Menendez, Sharon Bauer, Ron Adams, David Doss and Brian Lloyd.

FPL Gulf witnesses Michael Jarro and Renae Deaton.

TECO witnesses mark Roche and David Plusquellic.

Walmart witnesses Lisa Perry.

CHAIRMAN CLARK: Are there any of objections?

Seeing none, prefiled testimony of all witnesses are moved into the record as though read.

(Whereupon, prefiled direct testimony of Christopher A. Menendez was inserted.)

IN RE: STORM PROTECTION PLAN COST RECOVERY CLAUSE

CORRECTED

FPSC DOCKET NO. 20210010-EI

DIRECT TESTIMONY OF CHRISTOPHER A. MENENDEZ

ON BEHALF OF DUKE ENERGY FLORIDA, LLC

JUNE 18, 2021

I. INTRODUCTION AND QUALIFICATIONS.

Q. Please state your name and business address.

A. My name is Christopher A. Menendez. My business address is Duke Energy Florida, LLC, 299 1st Avenue North, St. Petersburg, Florida 33701.

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

A. I am employed by Duke Energy Florida, LLC ("DEF" or the "Company") as Director, Rates and Regulatory Planning.

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

A. I am responsible for the Company's regulatory planning and cost recovery, including the Company's Storm Protection Plan Cost Recovery Clause ("SPPCRC") filing.

Q. Please describe your educational background and professional experience.

A. I joined the Company on April 7, 2008. Since joining the company, I have held various positions in the Florida Planning & Strategy group, DEF Fossil Hydro Operations

Finance and DEF Rates and Regulatory Strategy. I was promoted to my current position in April 2021. Prior to working at DEF, I was the Manager of Inventory Accounting and Control for North American Operations at Cott Beverages. I received a Bachelor of Science degree in Accounting from the University of South Florida, and I am a Certified Public Accountant in the State of Florida.

II. PURPOSE AND SUMMARY OF TESTIMONY.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present, for Commission review and approval, DEF's calculation of revenue requirements and SPPCRC factors for customer billings for the period January 2022 through December 2022 as permitted by Rule 25-6.031, F.A.C. My testimony also addresses implementation activities, their associated capital and O&M costs, how these activities and costs are consistent with DEF's approved Storm Protection Plan ("SPP") for the years 2020. 2021, and 2022, and how these activities and costs are consistent with the 2020 SPP/SPPCRC Agreement[1] approved by the Commission by Order No. PSC-2020-0410-AS-EI.

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

A. Yes. I am sponsoring Exhibit No. __ (CAM-1) and Exhibit No. __ (CAM-2) attached to my direct testimony. These exhibits are true and accurate to the best of my knowledge and belief.

[1] Document No. 03874-2020, filed July 17, 2020 (updated July 20, 2020, *see* Document No. 03905-2020) in Docket Nos. 20200069-EI and 20200092-EI.

Q. Please summarize your testimony.

A. My testimony supports the approval of an average SPPCRC billing factor of 0.265 cents per kWh which includes projected jurisdictional capital and O&M revenue requirements for the period January 2022 through December 2022 of approximately $104.3 million associated with the SPP Programs, as shown on Form 1P line 4 of Exhibit No. __(CAM-2) and that the projected SPP expenditures for 2022 are appropriate for recovery through the SPPCRC. I will also present, for Commission approval, DEF's actual/estimated true-up costs associated with the SPPCRC activities for the period January 2021 through December 2021, as presented in Exhibit No._(CAM-1). Additionally, my testimony also supports the Regulatory treatment of the costs incurred in 2020 to procure material and equipment and perform analytical and engineering work in preparation for the work to be completed in 2021 related to the Distribution Feeder Hardening Program and Transmission Structure Hardening-Wood to Non-wood pole replacement activity; these limited costs are consistent with paragraph 3(a) of the 2020 SPP/SPPCRC Agreement. DEF will not seek recovery of any revenue requirements incurred in 2020 through the SPPCRC for those Transmission costs, consistent with paragraph (2) of the 2020 SPP/SPPCRC Agreement. Finally, my testimony presents an overview of the SPP Programs and activities projected to be completed in 2022, along with a summary of the projected costs associated with those Programs and activities. Further detail regarding the the Company's projected 2022 SPP work is provided in the testimony Witnesses Adams, Bauer, and Lloyd.

Q. Has DEF complied the requirements of Rule 25-6.031(6)(a) such that this filing only includes costs incurred after the filing of DEF's SPP?

A. Yes. DEF is only petitioning for recovery of costs incurred after the filing of its Storm Protection Plan on April 10, 2020.

<u>2021 Actual/Estimated Filing:</u>

Q. Please describe the Regulatory treatment of the costs incurred in 2020.

A. Witnesses Lloyd's testimony presents \$0.7M of capital costs shown in the beginning balance of Exhibit No. (CAM-1), Line 1a on Form 7E (pages 12-14 of 49), which are costs associated with incremental activities whose costs are not currently recovered through base rates or any other clause mechanism. These costs were incurred to begin engineering on the 2021 work plan for DEF's Feeder Hardening Program.

Per the 2020 SPP/SPPCRC Agreement, paragraph 3(a), DEF is not requesting recovery of any of the 2020 revenue requirements associated with this spend, however, the Company has included the 2020 ending CWIP balance as the beginning SPPCRC rate base for recovery beginning in 2021. DEF will recover associated revenue requirements from this point forward for the costs related to the Distribution Feeder Hardening Program.

As discussed in Witnesses Bauer's testimony, DEF's SPP increases its investment in the wood pole replacement activities associated with its Transmission Structure Hardening program. Consistent with the 2020 SPP/SPPCRC Agreement paragraph 3(c), the costs incurred in 2020 associated with the Transmission Structure Hardening-

Wood to Non-wood pole replacement activity will not be sought for recovery through the SPPCRC. To ensure the $2.2M shown in Exhibit No. (CAM-1), Line 1a on Form 7E (pages 15-17 of 49), incurred in 2020 related to these projects are not included for recovery through the SPPCRC in 2021, an adjustment was made in the SPPCRC filing to zero out the 2021 SPPCRC wood to non-wood beginning balance SPPCRC Rate Base, as shown on Line 1c on Form 7E (pages 15-17 of 49) in Exhibit No. (CAM-1).

Q. What is the actual/estimated true-up amount for which DEF is requesting recovery for the period of January 2021 through December 2021?

A. The 2021 actual/estimated true-up is an over-recovery, including interest, of $966,652 as shown on Line 4 on Form 1E (pages 1 of 49) in Exhibit No. (CAM-1).

Q. What capital structure, components and cost rates did DEF rely on to calculate the revenue requirement rate of return for the period January 2021 through December 2021?

A. The capital structure, components and cost rates relied on to calculate the revenue requirement rate of return for the period January 2021 through December 2021 are shown on Form 9E (page 49 of 49) in Exhibit No. (CAM-1). This form includes the derivation of debt and equity components used in the Return on Average Net Investment, lines 7 (a) and (b), on Form 7E. Form 9E also cites the source and includes the rationale for using the particular capital structure and cost rates.

Q. How do actual/estimated O&M expenditures for January 2021 through December 2021 compare with original projections?

A. Form 4E in Exhibit No. (CAM-1) shows that total O&M project costs are estimated to be $4,516,920. This is $110,485, or 2.4% lower than originally projected. Included in these O&M costs were the SPP development costs that DEF incurred in 2020 as approved for recovery by PSC-2020-0410. This form also lists individual O&M program variances. Explanations for these variances are included in the direct testimonies of Brian Lloyd and Sharon Bauer.

Q. How do estimated/actual capital recoverable costs for January 2021 through December 2021 compare with DEF's original projections?

A. Form 6E in Exhibit No. (CAM-1) shows that total recoverable capital costs are estimated to be $4,644,710. This is approximately $1.4M or 23% lower than originally projected. This form also lists individual project variances. The return on investment, depreciation expense and property taxes for each project for the actual/estimated period are provided on Form 7E (pages 12 through 39 of 49). Explanations for these variances are included in the direct testimonies of Mr. Lloyd and Ms. Bauer.

Q. Is DEF's accounting treatment for the 2021 SPP activities and costs that are associated with the Structure Hardening – Transmission System Program Wood to Non-Wood Pole Upgrade consistent with the 2020 SPP/SPPCRC Agreement paragraph 3(c)?

A. Yes. As more fully described in the testimony of DEF Witness Bauer, this program will upgrade wood poles to non-wood material such as steel or concrete. The new structures will be more resistant to damage from extreme weather events. Other related hardware upgrades will occur simultaneously, such as insulators, crossarms, switches, and guys. The $70.5M of capital costs and $1.3M of associated O&M presented in the SPPCRC filing are not all incremental expenses - approximately half of the costs for this activity will be recovered through base rates in 2021.

DEF's SPP increases its investment in the wood pole replacement activities associated with its Transmission Structure Hardening program. In 2021 consistent with the 2020 SPP/SPPCRC Agreement paragraph 3(c), DEF will include an adjustment in the SPPCRC to remove the revenue requirements associated with $34.8 million of pole replacement costs; any amount in excess of $34.8 million will be eligible for recovery through the SPPCRC. For purposes of developing this credit, DEF will reflect the spend evenly over the 12-month period where the total YTD adjustment amount used to develop the credit cannot exceed YTD total spend in the activity in any month. In addition, for ease of accounting, any wood to non-wood pole projects expected to go in service in 2021 will be tracked using SPPCRC accounting. To ensure amounts incurred in 2020 related to these projects are not included for recovery through the SPPCRC in 2021, an adjustment will be made in the SPPCRC filing to zero out the 2021 SPPCRC wood to non-wood beginning balance SPPCRC Rate Base. The two adjustments mentioned above will not be necessary once base rates are reset after expiration of the 2017 Settlement Agreement.

Q. Please describe any 2021 SPP activities and costs associated with SPP Programs that were not presented in the original 2021 SPPCRC Projection filings?

A. As further explained in Mr. Lloyd's testimony, the Lateral Hardening Overhead Program, Lateral Hardening Underground Program, and Self-Optimizing Grid ("SOG") Program are expected to incur capital costs in 2021 related to the engineering activities on the 2022 work plans, no associated O&M is expected to be incurred for these engineering activities. Consistent with the 2020 SPP/SPPCRC Agreement, DEF is not seeking recovery of any targeted underground costs or Self Optimizing Grid costs through the SPPCRC in 2021. DEF will include the CWIP balances related to these costs as the beginning SPPCRC Rate Base balances in the 2022 SPPCRC Projection Filing.

<u>2022 Projection Filing:</u>

Q. Please describe the SPP activities and 2022 costs that are associated with the Feeder Hardening - Distribution System Program?

A. As more fully described by Witness Lloyd, the Feeder Hardening Program will enable the feeder backbone to better withstand extreme weather events. In 2022, DEF expects to incur approximately $90.5M of capital costs and $3.6M of associated O&M.

Q. Describe the activities that will be performed for Lateral Hardening and its related costs in 2022?

A. As more fully described by Witness Lloyd, the Lateral Hardening program will enable branch lines to better withstand extreme weather events. This will include undergrounding of the laterals most prone to damage during extreme weather events and overhead hardening of those laterals less prone to damage. The overhead hardening strategy will include structure strengthening, deteriorated conductor replacement, removing open secondary wires, replacing fuses with automated line devices, pole replacement (when needed), line relocation, and/or hazard tree removal.

In 2022, DEF expects to incur approximately $59.1M of total capital costs related to the Lateral Hardening Overhead activity and $1.9M of associated amount of O&M, and approximately $85.3M of total capital costs related to the Lateral Hardening Undergrounding activity and $1.1M of associated O&M.

Q. Please describe the Distribution system related Pole Inspections and Replacement activities and identify the costs you expect to incur costs during 2022?

A. The Commission requires that pole inspection is performed on an 8-year cycle. These inspections determine the extent of pole decay and any associated loss of strength. The information gathered from these inspections is used to determine pole replacements and to effectuate the extension of pole life through treatment and reinforcement.

In 2022, DEF expects to incur approximately $14.7M of total capital costs for Feeder - Pole Replacement activity and $2.5M of associated O&M.

In 2022, DEF expects to incur approximately $41.3M of total capital costs for Lateral - Pole Replacement activity, and $7.0M of associated amount of O&M.

Q. Describe the activities that will be performed for Self-Optimizing Grid ("SOG") and its related costs in 2022?

A. The SOG program consists of three (3) major components: capacity, connectivity, and automation and intelligence. As more fully described by Witness Lloyd, the SOG program started as part of DEF's Grid Investment Plan which was partially funded through the 2017 Revised and Restated Settlement Agreement.

In 2022, DEF expects to incur approximately $74.5M of total capital costs related to this activity and $2.0M of associated O&M.

Q. Describe the activities that will be performed for Underground Flood Mitigation and its related costs in 2022?

A. The Underground Flood Mitigation will harden existing underground lines and equipment to withstand a storm surge. This involves the installation of specialized stainless-steel equipment and submersible connections. The primary purpose of this hardening activity is to minimize the damage caused by a storm surge to the equipment and thus reduce customer outages and/or expedite restoration after the storm surge has receded.

DEF expects to begin this Program in 2022 and incur approximately $0.5M of total capital costs and approximately $15K of associated O&M related to this activity.

Q. Describe the activities that will be performed for Distribution Vegetation Management and its related costs in 2022?

A. DEF will continue to utilize a fully Integrated Vegetation Management ("IVM") program focused on trimming feeders and laterals on average 3 and 5-year cycles, respectively, to minimize the impact of vegetation on the distribution assets. As more fully explained by Witness Lloyd, this corresponds to trimming approximately 1,930 miles of feeder backbone and 2,455 miles of laterals annually.

In 2022, DEF expects to incur approximately $2.0M of total capital costs related to this activity, and $44.2M of associated O&M related to this activity.

Q. Please describe the activities and costs that are associated with the Structure Hardening – Transmission System Program Wood to Non-Wood Pole Upgrade in 2022?

A. As described above, this program will upgrade wood poles to non-wood material such as steel or concrete. The new structures will be more resistant to damage from extreme weather events. Other related hardware upgrades will occur simultaneously, such as insulators, crossarms, switches, and guys. In 2022, DEF expects to incur $121.2M of capital costs and $3.2M of associated O&M related to this activity.

Q. Please describe the SPP activities and costs that are associated with the Structure Hardening – Transmission System Program - Cathodic Protection in 2022?

A. DEF will install passive cathodic protection ("CP") systems comprised of anodes on each leg of lattice towers. As described more fully by Witness Bauer, the anodes serve as sacrificial assets that corrode in place of structural steel, preventing loss of structure strength to corrosion. In 2022, DEF expects to incur $1.6M of capital costs and $0.2M of associated O&M related to this activity.

Q. Please describe the SPP activities and costs that are associated with the Structure Hardening – Transmission System Program - Tower Upgrade in 2022?

A. As more fully described by Witness Bauer, this activity focuses on the replacement of towers identified through enhanced engineering inspections. In 2022, DEF expects to incur $4.2M of capital costs and $34K of associated O&M related to this activity.

Q. Please describe the SPP activities and costs that are associated with the Structure Hardening – Transmission System Program - Drone Inspections in 2022?

A. As more fully described in the testimony of Witness Bauer, DEF began conducting drone inspections in 2021 on targeted lattice tower lines. The intent of this additional inspection is to identify otherwise difficult to see structure, hardware, or insulation vulnerabilities through high resolution imagery.

In 2022, DEF expects to incur $0.1M of associated O&M related to this activity.

Q. Please describe the Gang Operated Air Break ("GOAB") activities and identify the costs you expect to incur during 2022?

A. The GOAB line switch automation activity will upgrade switch locations with modern switches enabled with communication and remote-control capabilities that will add resiliency to the transmission system. As described in the testimony of Witness Bauer, the GOAB upgrade increases the number of remote-controlled switches to support faster isolation of trouble spots on the transmission system and more rapid restoration following line faults. The GOAB automation project will begin in 2022. DEF expects to incur approximately $2.5M of total capital costs and approximately $14K of associated O&M related to this activity in 2022.

Q. Please describe the Overhead Ground Wire ("OHGW") activities and identify the costs you expect to incur during 2022?

A. As described in the testimony of Witness Bauer, Florida is known for a high concentration of lightning events, which continually stress the existing grid protection. Deteriorated overhead ground wire reduces the protection of the conductor and exposes the line to repeated lightning damage and risk of failure impacting the system. This initiative will also reduce the safety risk due to the required removal of OHGW prior to any restoration work on the system. By targeting deteriorated OHGW on lines with high lightning events, the benefit of this activity will be maximized.

The OHGW project will begin recovery through the SPPCRC in 2022. DEF expects to incur approximately $4.5M of total capital costs related to this activity, and approximately $0.1M of associated O&M for this activity.

Q. Please Describe the activities that will be performed for Transmission Vegetation Management.

A. As described more fully in the testimony of Witness Adams, DEF's Transmission IVM program is focused on ensuring the safe and reliable operation of the transmission system by minimizing vegetation-related interruptions and maintaining adequate conductor-to vegetation clearances, while maintaining compliance with regulatory, environmental, and safety requirements or standards. The program activities focus on the removal and/or control of incompatible vegetation within and along the right of way to minimize the risk of vegetation related outages and ensure necessary access within all transmission line corridors. The Transmission Vegetation Program will begin recovery through the SPPCRC in 2022. DEF expects to incur approximately $10.9M of total capital costs and approximately $11.5M of associated O&M for this activity.

Q. Are the Programs and activities discussed above consistent with DEF's SPP?

A. Yes, the planned activities are consistent with the Programs described in detail in DEF's Commission-approved SPP, specifically Exhibit No. JWO-2 in Docket No. 20200069-EI, filed on April 10, 2020, subsequently updated on June 24, 2020.

Q. Have you prepared schedules showing the calculation of the SPPCRC recoverable O&M project costs for 2022?

A. Yes. Form 2P of Exhibit No. __ (CAM-2) summarizes recoverable jurisdictional O&M cost estimates for these projects of approximately $73.2 million, shown on Line 11.

Q. Has DEF included any cost estimates related to Administrative costs associated with the SPP and/or SPPCRC filings?

A. No. However, it is likely that DEF will incur some level of incremental costs related to increased workload in areas such as IT, billing, legal, regulatory, and accounting in the future but it is hard to quantify these costs at this time. As such, rather than speculating

DEF, will record those cost to the deferred account for SPPCRC and will submit those costs in future filings.

Q. Have you prepared schedules showing the calculation of the recoverable capital project costs for 2022?

A. Yes. Form 3P of Exhibit No. __ (CAM-2) summarizes recoverable jurisdictional capital cost estimates for these projects of approximately $31.9 million, shown on Line 5b. Form 4P (pages 39-81 of 84) show detailed calculations of these costs.

Q. What are the total projected jurisdictional costs for SPPCRC recovery for the year 2022?

A. The total jurisdictional capital and O&M costs to be recovered through the SPPCRC are approximately $104.3 million, shown on Form 1P line 4 of Exhibit No. __ (CAM-2).

Q. Please describe how the proposed SPPCRC factors are developed.

A. The SPPCRC factors are calculated on Forms 5P and 6P of Exhibit No. __(CAM-2). The demand component of class allocation factors is calculated by determining the percentage each rate class contributes to monthly system peaks adjusted for losses for each rate class which is obtained from DEF's load research study filed with the Commission in July 2018. The energy allocation factors are calculated by determining the percentage each rate class contributes to total kilowatt-hour sales adjusted for losses for each rate class. Form 6P presents the calculation of the proposed SPPCRC billing factors by rate class.

Q. When is DEF requesting that the proposed SPPCRC billing factors be effective?

A. DEF is requesting that its proposed SPPCRC billing factors be effective with the first bill group for January 2022 and continue through the last bill group for December 2022.

Q. What capital structure and cost rates did DEF rely on to calculate the revenue requirement rate of return for the period January 2022 through December 2022?

A. DEF used the capital structure and cost rates consistent with the language in Order No. PSC-2020-0165-PAA-EU. As such, DEF used the projected mid-point ROE 13-month average Weighted Average Cost of Capital for 2022 and applied a proration adjustment to the depreciation-related accumulated deferred federal income tax (ADFIT). These calculations are shown on Form 7P, Exhibit No. ___(CAM-2). Form 7P includes the derivation of debt and equity components used in the Return on Average Net Investment, Form 4P lines 7a and b.

Q. If DEF is retiring any Rate Base assets as a result of the SPP programs, how will it ensure that there is no double recovery between base rate revenue and SPPCRC revenue?

A. To ensure that there is no double recovery between base rate revenue and SPPCRC revenue, the Company will employ the following protocols for capital items:

(i) For assets being retired and replaced with new assets as part of an SPP program, the Company will not seek to recover the cost of removal net of salvage associated with the related assets. Rather, such net cost of removal will be debited to the Company's accumulated depreciation reserve according to normal regulatory plant accounting procedures.

(ii) For SPP capital projects, any depreciation expense from the SPP asset additions will be reduced by the depreciation expense savings that result from the retirement of assets removed from service during the SPP project. Only the net of the two depreciation amounts will be included for recovery through the SPPCRC.

Q. Does that conclude your testimony?

A. Yes.

(Whereupon, prefiled direct testimony of Sharon Bauer was inserted.)

IN RE: STORM PROTECTION PLAN COST RECOVERY CLAUSE

FPSC DOCKET NO. 20210010-EI

DIRECT TESTIMONY OF SHARON BAUER

ON BEHALF OF DUKE ENERGY FLORIDA, LLC

MAY 3, 2021

I. INTRODUCTION AND QUALIFICATIONS.

Q. Please state your name and business address.

A. My name is Sharon K. Bauer. My current business address is 3300 Exchange Place, Lake Mary, FL 32746.

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

A. I am employed by Duke Energy Florida, LLC ("DEF") as General Manager, Transmission Resources and Project Management.

Q. What are your responsibilities as General Manager, Transmission Resources and Project Management?

A. My duties and responsibilities include the execution of capital projects for grid upgrades, system planning, and Transmission asset management across Duke Energy Florida.

Q. Please summarize your educational background and work experience.

A. I have a Bachelor of Science degree in Mechanical Engineering from Michigan Technological University and a master's degree in Business Administration from the University of Central Florida. I am a certified Project Management Professional ("PMP") from the Project Management Institute. Throughout my 21 years at Duke Energy, I have held various positions within distribution and transmission ranging from Manager, Sr. Project Manager, Engineering Manager, Director, and General Manager focusing on the planning and execution of transmission capital projects. My current position as General Manager of Transmission Projects began in November 2019.

II. PURPOSE AND SUMMARY OF TESTIMONY.

Q. What is the purpose of your direct testimony?

A. The purpose of my direct testimony is to support the Company's request for recovery of Transmission-related costs associated with DEF's Storm Protection Plan ("SPP") through the Storm Protection Plan Cost Recovery Clause ("SPPCRC"). My testimony supports the Company's SPP costs incurred in 2020 and year to date 2021, details the Company's 2020 through 2022 SPP implementation activities along with projected costs through the remainder of 2021 and calendar year 2022, and explains how those activities and costs are consistent with DEF's SPP approved by the Commission in Docket No. 20200069-EI.

Q. Do you have any exhibits to your testimony as it relates to January 2020 through December 2021 Transmission investments?

A. No, but I am co-sponsoring portions of the schedules attached to Mr. Menendez's direct testimony, included as part of Exhibit No. __(CAM-1). Specifically, I am sponsoring the 2021 Transmission-related project level information shown on Schedule Form 5E (pages 6-7 of 49), the Transmission-related Projects on Form 7E (pages 10-11 of 49), the Program Description and Progress Report on Form 8E (pages 45-48 of 49), and the cost portions of:

- Form 5E (Page 5 of 49, Lines 2 through 2b), and
- Form 7E (Pages 15-20 of 49, Lines 1a and 1b), which includes the 2020 spend reflected in the Beginning Balance figures.

Q. Do you have any exhibits to your testimony as it relates to January 2022 through December 2022 Transmission investments?

A. No, but I am co-sponsoring portions of the schedules attached to Mr. Menendez's direct testimony, included as part of Exhibit No. __(CAM-2). Specifically, I am sponsoring the Transmission-related project level information shown on Schedule Form 2P (pages 20-22 of 84), the Projects on Form 3P (pages 13-15 of 84), and the cost portions of:

- Form 2P (Page 2 of 84, Lines 2 through 2b), and
- Form 4P (Pages 50-58 and 78-79 of 84, Lines 1a and 1b).

Q. Please summarize your testimony.

A. In 2020, the Transmission Structure Hardening Program, specifically the wood to non-wood pole replacement activities, incurred costs to procure material and equipment and perform analytical and engineering work in preparation for the work to be completed in 2021, these limited costs are consistent with paragraph 3(a) of the 2020 SPP/SPPCRC Agreement filed on July 17, 2020.[1] These investments are shown in the beginning balances on Exhibit No. _ (CAM-1), Schedule Forms 7E (pages 15-17 of 49) (Line 1a). DEF is not requesting recovery of any of the 2020 revenue requirements associated with this spend and has included these values in the SPPCRC rate base beginning in 2021 for informational purposes only.

Additionally, I will present the transmission work presented in DEF's Commission-approved SPP for years 2021 and 2022; the costs presented are consistent with the estimates filed as part of DEF's SPP for these time periods. These costs are also not being recovered through base rates or any other clause mechanism, as such, they should be approved for recovery through the SPPCRC.

III. OVERVIEW OF SPP PROGRAMS SOUGHT FOR CURRENT COST RECOVERY

Q. For what Transmission related SPP Programs and activities did DEF incur costs during 2020?

A. In 2020, the Transmisson Structure Hardening Program, specifically the wood to non-wood pole replacement activity, incurred costs to procure materials (e.g., non-wood poles) and equipment and performed analytical and engineering work

[1] Document No. 03874-2020, Docket Nos. 20200069-EI and 20200092-EI.

in preparation for the work scheduled and planned to be undertaken in 2021. DEF's SPP increases its investment in the wood pole replacement activities associated with its Transmission Structure Hardening program to approximately $70.5M in 2021 and $121.2M in 2022. In 2021 consistent with the 2020 SPP/SPPCRC Agreement paragraph 3(c), DEF will include an adjustment in the SPPCRC to remove the revenue requirements associated with $34.8 million of pole replacement costs; any amount in excess of $34.8 million will be eligible for recovery through the SPPCRC.

Q. How does DEF's 2020 actual spend amounts compare with the 2020 estimated spend for the Transmission Structure Hardening - Wood to Non-wood pole replacement sub-program of the PSC-approved Storm Protection Plan?

A. Yes, DEF's actual 2020 spend was approximately $2.2M for engineering and materials related to projects planned to be completed in 2021, which is greater than the estimated spend of $1M; however, the difference represents a shifting of expected 2021 costs into 2020. DEF had planned to receive the majority of the materials needed for starting construction of first-quarter 2021 projects in January of 2021. The Company was able to secure this material by December 2020, which mitigated the risk of project delay. The $2.2M of spend is shown in the beginning balance on Exhibit No. _ (CAM-1), Schedule Form 7E, (pages 15-17 of 49) (Line 1a).

Consistent with the 2020 SPP/SPPCRC Agreement, these figures were included for informational purposes only. DEF will not recover associated revenue requirements on these particular 2020 investments through the SPPCRC and no associated amount of O&M related to this Program was incurred nor requested for recovery in 2020.

Q. Describe the activities that will be performed for Transmission Structure Hardening - Wood to Non-wood pole replacement activity and its related costs?

A. This activity will upgrade wood poles to non-wood material such as steel or concrete. Wood pole failure has been the predominate structure damage to the transmission system during extreme weather. This activity eliminates the potential for damage from woodpeckers and wood rot. The new structures will be more resistant to damage from extreme weather events. Other related hardware upgrades will occur simultaneously, such as insulators, crossarms, switches, and guys.

The 2021 O&M costs of $1.3M are shown on Exhibit No. _ (CAM-1), Schedule Form 5E (page 5 of 49), an amount of $0.7M related to the $34.8M of base work has been removed from SPPCRC recovery. The Program's capital costs of $70.5M are shown on Exhibit No. _ (CAM-1), Form 7E (pages 15-17 of 49), and an adjustment for the $34.8M of base work has been removed from SPPCRC recovery, shown on (Line 1c) of these pages. This adjustment is more fully explained in Mr. Menendez's testimony, but only the amount in excess of what is currently being recovered through base rates is included in the requested SPPCRC recovery. This adjustment is not necessary after 2021.

The 2022 O&M costs of $3.2M are shown on Exhibit No. _ (CAM-2), Schedule Form 2P (page 2 of 84) (Line 2.1). The Program's capital costs of $121.2M are shown on Exhibit No. _ (CAM-2), Schedule Form 4P (pages 50-52 of 84). No portion of this pole replacement activity is included in DEF's 2022 base rates.

Q. Are there other Structure Hardening Transmission activities you expect to incur costs for during 2021 and 2022?

A. Yes. DEF will make additional Transmission related Structure Hardening investments in the following activities: Tower Upgrade, Cathodic Protection, Drone Inspections, Gang Operated Air Break ("GOAB"), Overhead Ground Wire ("OHGW"), and Structure Inspections.

Q. Please describe the Transmission Tower Upgrade activity and identify the costs you expect to incur costs for during 2021 and 2022?

A. The Tower Upgrade activities within the Structure Hardening Program will focus on the replacement of towers identified through enhanced engineering inspections; identified towers will be prioritized based on visual ground inspections, aerial drone inspections, and data from cathodic protection installations. This activity will improve the ability of the transmission grid to sustain operations during extreme weather events by both reducing outages and improving restoration times.

In 2021, DEF expects to incur approximately $1.8M of total capital costs related to this activity, as shown on Schedule Form 7E (pages 18 and 19 of 49) (Line 1a), and an associated amount of O&M totaling approximately $20K to this activity, shown on Schedule Form 5E (page 5 of 49) (Line 2.2), in Exhibit No. __(CAM-1).

In 2022, DEF expects to incur approximately $4.2M of total capital costs related to this activity, as shown on Schedule Form 4P (pages 54 and 55 of 84) (Line 1a), and an associated amount of O&M totaling approximately $34K to this activity, shown on Schedule Form 2P (page 2 of 84) (Line 2.2), in Exhibit No. __(CAM-2).

Q. Please describe the Cathodic Protection activities and identify the costs you expect to incur during 2021 and 2022?

A. The Cathodic Protection activities included in the Structure Hardening Program will mitigate active groundline corrosion on the lattice tower system and produce site and soil corrosion classification. The site and soil classification will be used to aid in condition-based maintenance and prioritization for proactive tower replacements (as part of the Tower Upgrade activity). This activity installs passive cathodic protection systems which are comprised of anodes on each leg of lattice towers. The anodes serve as sacrificial assets that corrode in place of structural steel, thereby preventing loss of structure strength to corrosion. This will help reduce outages during extreme weather events by limiting the loss of base metal and protecting leg strength on aged assets with protective zinc coatings that are approaching their end of life.

In 2021, DEF expects to incur approximately $1M of total capital costs related to this activity, as shown on Schedule Form 7E (page 20 of 49) (Line 1a) and an associated amount of O&M totaling approximately $213K, shown on Schedule Form 5E (page 5 of 49) (Line 2.3) in Exhibit No. __(CAM-1).

In 2022, DEF expects to incur approximately $1.6M of total capital costs related to this activity, as shown on Schedule Form 4P (page 56 of 84) (Line 1a) and an associated amount of O&M totaling approximately $204K, shown on Schedule Form 2P (page 2 of 84) (Line 2.3) in Exhibit No. __(CAM-2).

Q. Please describe the Gang Operated Air Break ("GOAB") activities and identify the costs you expect to incur during 2021 and 2022?

A. The GOAB line switch automation activity will upgrade switch locations with modern switches enabled with communication and remote-control capabilities that will add resiliency to the transmission system. The GOAB upgrade increases the number of remote-controlled switches to support faster isolation of trouble spots on the transmission system and more rapid restoration following line faults.

The GOAB automation project will begin in 2022. DEF expects to incur approximately $2.5M of total capital costs related to this activity, as shown on Schedule Form 4P (page 53 of 84) (Line 1a), and an associated amount of O&M totaling approximately $14K, shown on Schedule Form 2P (page 2 of 84) (Line 2.5) in Exhibit No. __(CAM-2). The cash flow for this project will be straight-lined for now until the projects flow through our normal process of Development, schedule refinement and construction scheduling.

Q. Please describe the Overhead Ground Wire ("OHGW") activities and identify the costs you expect to incur costs for during 2021 and 2022?

A. Florida is known for a high concentration of lightning events, which continually stress the existing grid protection. Deteriorated overhead ground wire reduces the protection of the conductor and exposes the line to repeated lightning damage and risk of failure impacting the system. This initiative will also reduce the safety risk due to the required removal of OHGW prior to any restoration work on the system. By targeting deteriorated OHGW on lines with high lightning events, the benefit of this activity will be maximized.

The OHGW project will begin recovery through the SPPCRC in 2022. DEF expects to incur approximately $4.5M of total capital costs related to this activity, as shown on Schedule Form 4P (pages 57 and 58 of 84) (Line 1a), and an associated amount of O&M totaling approximately $0.1M to this activity, shown on Schedule Form 2P (page 2 of 84) (Line 2.6) in Exhibit No. __(CAM-2). The cash flow for this project will be straight-lined for now until the projects flow through our normal process of development, schedule refinement, and construction scheduling.

Q. Please describe the Tower Drone Inspections activities and identify the costs you expect to incur during 2021 and 2022?

A. The Drone Inspection activities included in the Structure Hardening Program will identify otherwise difficult to see structure, hardware, or insulation vulnerabilities through high resolution imagery. DEF is incorporating drone patrols into the inspections because drones have the unique ability to provide a close vantage point with multiple angles on structures that is unattainable through aerial or ground patrols with binoculars.

DEF does not expect to incur any capital costs related to this activity in 2021 or in 2022.

In 2021 an amount of O&M totaling approximately $0.1M related to this activity is shown on Schedule Form 5E (page 5 of 49) (Line 2.4) in Exhibit No. __(CAM-1).

In 2022, an amount of O&M totaling approximately $0.1M related to this activity is shown on Schedule Form 2P (page 2 of 84) (Line 2.4) in Exhibit No. __(CAM-2).

Q. Please describe the non-drone Structure Inspections activities and identify the costs you expect to incur during 2021 and 2022?

A. The transmission system's inspection activities include all types of structures, line hardware, guying, and anchoring systems. Inspections include:

- Aerial helicopter Transmission Line Inspections
- Wood Pole Line Patrols
- Wood Pole Sound and Bore Line Patrol – 8-year cycle
- Non-wood Structure Line Patrols – 6-year cycle

DEF does not expect to incur any capital costs related to this activity in 2021 or in 2022.

In 2021 the O&M related to this activity is not shown in Exhibit No. __(CAM-1), these costs are collected in base rates in 2021.

In 2022, an amount of O&M totaling approximately $0.4M related to this activity is included in the $3.2M shown on Schedule Form 2P (page 2 of 84) (Line 2.1), in Exhibit No. __(CAM-2).

Q. In addition to the Structure Hardening Programs, what other Transmission related SPP Programs and activities you expect to incur costs for during 2021 and 2022?

A. DEF will make other Transmission related investments in the Substation Hardening and Vegetation Management Programs. The activities and costs related to Transmission Vegetation Management, are addressed in the testimony of Mr. Adams.

Q. Please describe the Substation Hardening activities and identify the costs you expect to incur during 2021 and 2022?

A. The Substation Hardening Program started as part of DEF's Grid Investment Plan which was partially funded through the 2017 Revised and Restated Stipulated Settlement Agreement. DEF plans to continue this program through the SPP. The Substation Hardening program will focus on replacing oil breakers with state-of the-art gas or vacuum breakers to mitigate the risk of catastrophic failure and extended outages during extreme weather events and upgrading electromechanical relays to digital relays which will provide communications and enable DEF to respond and restore service more quickly after extreme weather events.

In 2021, DEF will continue its Substation Hardening activities under the 2017 Revised and Restated Stipulated Settlement Agreement and collect the 2021 costs through base rates.

In 2022, DEF expects to incur approximately $7.5M of total capital costs related to this activity, as shown on Schedule Form 4P (pages 78 and 79 of 84) (Line 1a) in Exhibit No. __ (CAM-2). The cash flow for this program will be straight-lined for now until the projects flow through our normal process of Development, schedule refinement and construction scheduling.

No O&M is expected to be incurred for this program.

Q. **Are the Programs and activities discussed above consistent with DEF's SPP?**

A. Yes, the activities are consistent with the Programs described in detail in DEF's SPP, specifically Exhibit No. _ (JWO-2) in Docket No. 20200069-EI, filed on April 10, 2020, subsequently updated on June 24, 2020.

Q. **Would you please provide a summary of the costs associated with the Programs and activities discussed above?**

A. Yes, please refer to the table below that represents the SPP investments made in 2020 through February 2021 and projected for the remainder of 2021 and 2022.

($ Millions)	**2020**	**2020**	**2020**
SPP Program	**Capital**	**O&M**	**Total**
Structure Hardening	$2.2	$0.0	$2.2

($ Millions)	**2021**	**2021**	**2021**
SPP Program	**Capital**	**O&M**	**Total**
Structure Hardening	$73.3	$1.7	$75.0

($ Millions)	**2022**	**2022**	**2022**
SPP Program	**Capital**	**O&M**	**Total**
Structure Hardening	$134.0	$3.7	$137.7
Substation Hardening	$7.5	$0.0	$7.5
T -Vegetation Management	$10.9	$11.5	$22.4
Total	$152.4	$15.2	$167.6

Q. Would you please provide a summary of any observed true-up variances including changes in the utility's prices of services and/or equipment, changes in the scope of work relative to the estimates provided pursuant to implementation of the approved Storm Protection Plan?

A. Through February 2021, the projected Capital and O&M costs for services and equipment associated with the Pole Replacement activity within the Structure Hardening Program has shown lower costs per pole than was originally submitted in the approved SPP. Therefore, DEF expects to be able to replace more poles in 2021 while maintaining the same Capital budget. The lower costs are a result of a refinement of estimates, increased use of internal Duke Energy crews, and a lower cost of materials than estimated in the initial filing. DEF has also identified efficiencies associated with O&M cost originally submitted for this activity.

DEF has developed a 2022 workplan in line with the criteria outlined in Exhibit Nos._(JWO-1) and (JWO-2) filed in Docket No. 20200069-EI. DEF has budgeted to replace more units in 2022 while maintaining the same Capital spend and decreasing O&M funding projections originally submitted under the Pole Replacement activity within the Structure Hardening Program. This projection is a result of the lower costs per pole shown through February 2021.

DEF is projecting a revised number of units to be replaced under the Substation Hardening Program in 2022. The revised unit count is a result of a refinement of specific locations, scope and estimates.

Q. Describe steps or programs DEF has taken during SPP initiation to ensure timely work completion and efficiency.

A. DEF selects locations with the greatest opportunity for reliability improvement using the priority methodology previously outlined in Exhibit No._(JWO-2) in Docket No. 20200069-EI. DEF also targets opportunities for efficiencies by assigning projects to internal crews and contractors located strategically allowing crews to relocate to adjacent work locations, when impediments like maintenance of traffic, permitting, or outage scheduling impacts their ability to complete a specific scope.

Q. Does this conclude your testimony?

A. Yes, it does.

(Whereupon, prefiled direct testimony of Ron Adams was inserted.)

IN RE: STORM PROTECTION PLAN COST RECOVERY CLAUSE

FPSC DOCKET NO. 20210010-EI

DIRECT TESTIMONY OF RON A. ADAMS

ON BEHALF OF DUKE ENERGY FLORIDA, LLC

May 3, 2021

I. INTRODUCTION AND QUALIFICATIONS.

Q. Please state your name and business address.

A. My name is Ron A. Adams. My business address is 107 E. Liberty St., York, SC 29745.

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

A. I am employed by Duke Energy Carolinas, LLC ("DEC"), as General Manager Transmission Vegetation Management Strategy team. DEC is an affiliate of Duke Energy Florida ("DEF") that provide various services to DEF and other affiliated companies of Duke Energy Corporation ("Duke Energy").

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

A. I am responsible for the design and implementation of the Transmission Vegetation Management ("TVM") standards, programs and specifications in all of the states in which Duke Energy provides electric services. I am responsible for the management of the vegetation along the transmission corridor to ensure grid integrity and reliability, clearance requirements for new construction, supporting the field TVM operations teams with the execution of the programs and daily work activities, budgeting TVM activities and ensuring compliance with state and federal regulatory standards. I also communicate with state and federal authorities regarding Duke Energy's TVM policies and practices.

Q. Please describe your educational background and professional experience.

A. I graduated from Clemson University with a bachelor's degree in Electrical Engineering. I am a registered professional engineer in the States of North and South Carolina and a Senior Member of the Institute of Electrical and Electronics Engineers ("IEEE"). I have 36 years of professional experience with Duke Energy in various departments including engineering, construction and maintenance, field operations and corporate governance with a passion for customer service and operational excellence. In 2016, I moved from my role as Director, T&D Vegetation Management Governance to Transmission.

II. PURPOSE AND SUMMARY OF TESTIMONY.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to support the Company's request for recovery of Transmission Vegetation Management costs associated with DEF's Storm Protection Plan ("SPP") through the Storm Protection Plan Cost Recovery Clause ("SPPCRC"). My testimony supports the Company's SPP Transmission Vegetation Management costs projected for 2022, details the Company's 2022 SPP Transmission Vegetation

Management implementation activities, and explains how those activities are consistent with DEF's SPP approved by the Commission in Docket No. 20200069-EI.

Q. Do you have any exhibits to your testimony?

A. No, but I am co-sponsoring portions of the schedules attached to Mr. Menendez's direct testimony, included as part of Exhibit No. __(CAM-2). Specifically, I am sponsoring the cost portions of:

- Form 2P (Page 2 of 84, Line 3.2); and
- Form 4P (Page 81 of 84, Lines 1a and 1b).

Q. Please summarize your testimony.

A. In 2022, DEF will continue to utilize Integrated Vegetation Management ("IVM") to minimize the impact of vegetation on the transmission assets. These investments and costs are shown on Schedule Form 2P (Page 2 of 84, Line 3.2) and Form 4P (Page 81 of 84, Lines 1a and b). These activities are consistent with those shown in DEF's SPP approved by the Commission in Docket No. 20200069-EI. As such, the Commission should approve these projected costs for recovery through the SPPCRC.

Q. Describe the activities that will be performed for Transmission Vegetation Management.

A. DEF's Transmission IVM program is focused on ensuring the safe and reliable operation of the transmission system by minimizing vegetation-related interruptions and maintaining adequate conductor-to vegetation clearances, while maintaining compliance with regulatory, environmental, and safety requirements or standards. The program activities focus on the removal and/or control of incompatible vegetation within and along the right of way to minimize the risk of vegetation related outages and ensure necessary access within all transmission line corridors.

The IVM program includes the following annual activities: planned corridor work which is threat and condition-based, reactive work including hazard tree mitigation, and brush management (herbicide, mowing, and hand cutting) within the corridor. Planned work for DEF is prioritized and scheduled using a threat and condition-based approach identified through remote sensing, aerial patrols and field assessments while considering other factors such as the date of previous work and outage history. The reactive work is identified through the remote sensing, annual aerial inspections and on-going field inspections. The brush management is focused on managing the floor of the corridor and is targeted on a three-to-four-year schedule.

Q. Are the Programs and activities discussed above consistent with DEF's SPP?

A. Yes, the planned activities are consistent with the Programs described in detail in DEF's SPP, specifically Exhibit No. _ (JWO-2) in Docket No. 20200069-EI.

Q. Are the costs associated with the activities discussed above consistent with DEF's SPP?

A. Yes, the costs associated with the activities discussed above are consistent with, though not identical to, the estimated costs filed with the SPP. That said, the O&M costs have increased moderately due to implementation of remote sensing for condition-based work planning, which has identified more work in the short term and will increase DEF's need to do more annual planned corridor work to improve and sustain system reliability, integrity and resiliency.

Q. Does that conclude your testimony?

A. Yes.

(Whereupon, prefiled direct testimony of David Doss was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Storm Protection Plan Cost Recovery Clause

Docket No. 20210010-EI

Dated: May 13, 2021

NOTICE OF ADOPTION OF TESTIMONY

Duke Energy Florida, LLC, hereby provides notice that David Doss will adopt the testimony of Linda Miller, filed to date in this docket. Ms. Miller will no longer be able to fully participate in this proceeding due to her new role within the Company. Mr. David Doss, Duke Energy's Director of Asset Accounting, has personal knowledge of the substance of the testimony he is adopting.

Respectfully submitted this 13th day of May, 2021.

s/ Dianne M. Triplett
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CERTIFICATE OF SERVICE
Docket No. 20210010-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished via electronic mail to the following this 13th day of May, 2021.

s/ Dianne M. Triplett
Attorney

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IN RE: STORM PROTECTION PLAN COST RECOVERY CLAUSE

FPSC DOCKET NO. 20210010-EI

DIRECT TESTIMONY OF LINDA MILLER

ON BEHALF OF DUKE ENERGY FLORIDA, LLC

MAY 3, 2021

Q. Please state your name and business address.

A. My name is Linda Miller. My business address is 550 S. Tryon St., Charlotte, NC 28202.

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

A. I am employed by Duke Energy Business Services, LLC ("DEBS"), as Asset Accounting Manager for Duke Energy Florida, LLC ("DEF" or the "Company"). DEBS provides various administrative and other services to DEF and other affiliated companies of Duke Energy Corporation ("Duke Energy"). Both DEF and DEBS are subsidiaries of Duke Energy.

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

A. I am responsible for ensuring that the capital project accounting impacts of the Company's business activities and transactions are properly recorded to the general ledger. I am also responsible for ensuring that the asset accounting team performs its tasks in an accurate and timely manner in accordance with published deadlines while strictly adhering to Company policies and controls.

Q. Please describe your educational background and professional experience.

A. I graduated from Nyack College with a bachelor's degree in Accounting. I am a Certified Public Accountant ("CPA") licensed in the state of New York. I have 13 years of professional experience with Duke Energy, formerly Progress Energy, in various accounting, regulatory, and finance roles. I was named to my current position as Accounting Manager of DEF in January 2019.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present, for Commission review, DEF's procedures, policies, and guidance related to the accounting for storm protection costs separate from costs recovered through the utility's base rates or any other cost recovery mechanism, and how these accounting activities are consistent with Rule 25-6.031, F.A.C., and DEF's 2020 SPP/SPPCRC Agreement approved by Order PSC-2020-0410-AS-EI.

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

A. No. I am neither sponsoring nor co-sponsoring exhibits in this proceeding.

Q. Please summarize your testimony.

A. My testimony supports the policies, procedures, and accounting guidance consistent with the reporting needs associated with Section 366.96, F.S. and Rule 25-6.031, F.A.C., to separately identify SPP costs from the Company's base rates or any other cost recovery mechanisms, thereby ensuring no double-recovery occurs. I will also identify the updates in accounting procedures addressed in DEF's 2020 SPP/SPPCRC Agreement, including DEF's efforts to align its presentation of cost estimating and recognition of actuals with the goal of presenting a meaningful comparison related to the SPP Programs to the Commission. I will also address how DEF will account for the concept of Substation Optimization, which aligns the timing of the in-servicing of assets with the customer benefits achieved.

Q. Is DEF complying with Rule 25-6.031(5), F.A.C., regarding the use of the Uniform System of Accounts prescribed by this Commission?

A. Yes. For all costs that are recorded and subsequently recovered through the SPPCRC, DEF maintains its books and records in conformity with the plant accounts in the Uniform System of Accounts ("USoA") prescribed by this Commission pursuant to Rule 25-6.014, F.A.C.

Q. Please explain how the Storm Protection Plan costs recoverable through the clause do not include costs recovered through the Company's base rates or any other cost recovery mechanism.

A. Consistent with Section 366.96, F.S., to ensure *"the annual transmission and distribution storm protection plan costs [do] not include costs recovered through the* *public utility's base rates…"* the separation of costs subject to recovery through the SPPCRC are identified using the Company's accounting system attributes including Funding Projects and Work Orders. Further, each SPP Project is 'tagged' with an 'SPP' project indicator code in the work order management system, which carries forward to the fixed asset sub-ledger and general ledger. As such, all SPP capital costs can be identified by this unique code which permits their ready identification and verification separate from DEF's base rates or any other cost recovery mechanism.

Q. What other internal accounting and charging checks are in place to ensure no double recovery of SPP program costs?

A. Each Program that was established through DEF's SPP received unique reporting fields to be selected within DEF's work management system, such as new Process IDs and Job plans. The Job Plan is utilized in the work management system to designate the type of work, as well as key financial information such as the general ledger account and Process ID. The Process ID is used to track the specific Program in the accounting systems. These new reporting fields were created specifically to record the project activities to the SPP Program with which they are associated. For example, the Distribution - Feeder Hardening Program uses Process ID "SPPFDHD", while Distribution - Lateral Hardening Overhead Program uses Process ID "SPPLTOH", to further identify the capital costs specific to each Program. The sum of the activity recorded in each SPP Process ID can be compared to the total amount in the projects tagged with the SPP project indicator code to validate that all SPP costs are identified, and therefore would not be double recovered.

Q. Did DEF engage in revisiting and updating its accounting processes to improve reporting to better align with Section 366.96, F.S., and 25-6.031, F.A.C., as agreed to in the 2020 SPP/SPPCRC Agreement?

A. Yes. Although DEF did not agree to any specific or itemized list of accounting processes, the examples provided previously in my testimony address the reporting needs associated with Section 366.96, F.S., and Rule 25-6.031, F.A.C. Additionally, the Company has also developed a set of charging guidelines for the SPP, specifically looking at how to make reconciliations meaningful when comparing the estimated SPPCRC costs to those actually incurred and submitted for recovery. For instance, in accordance with the Duke Energy Regulated Electric and Gas Capitalization Guidelines, DEF uses two types of projects – "specials" and "blankets" – to capture costs for capital expenditures. Blankets are typically used when the capital expenditures per work order are less than $50,000 and there is no cost separation required. While some work orders for the SPP may meet the criteria for being less than $50,000, in order to provide a more meaningful comparison of estimated versus actual costs, DEF currently intends to use "special" projects for new work orders for all SPP Programs. Pole Replacements performed as part of the Feeder Hardening - Pole Replacements and Lateral Hardening – Pole Replacement Subprograms may continue to use "blanket" accounting due to the high-volume of work spread across DEF's entire system.

Q. Please explain what is meant by "substation optimization."

A. As discussed by witness Lloyd, substation optimization is a strategy that provides synergies to minimize disruptions to our communities and customers, improves resource utilization and efficiency, and aligns the timing of the in-servicing of assets with achieving the customer benefits and/or targeted objectives of the work. The expected duration of a substation project, which includes all tasks such as: scoping, planning, design and engineering, permitting, ROW acquisition, and construction, is one to three years. DEF will begin implementing this strategy in 2022.

Q. Please explain the interdependency of assets support for substation optimization and how it impacts your assets placed in-service value calculations.

A. The components of the grid are highly interdependent, such that a line outage or system conditions, such as capacity overloads, in one area can lead to reliability concerns in other areas. Improved reliability and overall resiliency of a particular substation positively impacts the experience of all customers served by that substation and allows that community to more quickly recover from weather related events. Consequently, the full potential and value of the work performed is not realized until all the work on the substation is complete or 'done.' An optimized substation is considered 'done' when all inter-related programs and work on the substation and associated circuits have been commissioned/enabled or deemed substantially complete. At that point, all the projects will be placed in- service for accounting purposes on the same date.

Q. Does that conclude your testimony?

A. Yes.

(Whereupon, prefiled direct testimony of Brian Lloyd was inserted.)

IN RE: STORM PROTECTION PLAN COST RECOVERY CLAUSE

CORRECTED

FPSC DOCKET NO. 20210010-EI

DIRECT TESTIMONY OF BRIAN LLOYD

ON BEHALF OF DUKE ENERGY FLORIDA, LLC

JUNE 18, 2021

I. INTRODUCTION AND QUALIFICATIONS.

Q. Please state your name and business address.

A. My name is Brian M. Lloyd. My current business address is 3250 Bonnet Creek Road, Lake Buena Vista, FL 32830.

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

A. I am employed by Duke Energy Florida, LLC ("DEF" or the "Company") as General Manager, Florida Major Projects.

Q. What are your responsibilities as General Manager, Florida Major Projects?

A. My duties and responsibilities include planning for grid upgrades, system planning, and overall Distribution asset management strategy across Duke Energy Florida and the Project Management for executing the work identified.

Q. Please summarize your educational background and work experience.

A. I have a Bachelor of Science degree in Mechanical Engineering from Clemson University and am a registered Professional Engineer in the state of Florida. Throughout my 15 years at Duke Energy, I have held various positions within distribution ranging from Engineer to General Manager focusing on Asset Management, Asset Planning, Distribution Design and Project Management. My current position as General Manager of Region Major Projects began in January 2020.

II. PURPOSE AND SUMMARY OF TESTIMONY.

Q. What is the purpose of your direct testimony?

A. The purpose of my direct testimony is to support the Company's request for recovery of Distribution-related costs associated with DEF's Storm Protection Plan ("SPP") through the Storm Protection Plan Cost Recovery Clause ("SPPCRC"). My testimony supports the Company's SPP costs incurred in 2020 and year to date 2021, details the Company's 2020 through 2022 SPP implementation activities along with projected costs through the remainder of 2021 and calendar year 2022, and explains how those activities and costs are consistent with DEF's SPP approved by the Commission in Docket No. 20200069-EI.

Q. Do you have any exhibits to your testimony as it relates to January 2020 through December 2021 Distribution investments?

A. No, but I am co-sponsoring portions of the schedules attached to Mr. Menendez's direct testimony, included as part of Exhibit No. __(CAM-1). Specifically, I am sponsoring the Distribution-related O&M project level information shown on Schedule Form 5E, the Distribution-related Capital Projects on Form 7E, the Program Description and Progress Report on Form 8E (pages 40-44 of 49), and the cost portions of:

- Form 5E (Page 5 of 49, Lines 1 through 1b), and
- Form 7E (Pages 12-14 of 49 and 21-39 of 49, Lines 1a and 1b), which includes the 2020 capital spend reflected in the Beginning Balance figures for the Feeder Hardening Program.

Q. Do you have any exhibits to your testimony as it relates to January 2022 through December 2022 Distribution investments?

A. No, but I am co-sponsoring portions of the schedules attached to Mr. Menendez's direct testimony, included as part of Exhibit No. __(CAM-2). Specifically, I am sponsoring the Distribution-related O&M project level information shown on Schedule Form 2P, the Distribution-related Capital Projects on Form 3P, and the cost portions of:

- Form 2P (Page 2 of 84, Lines 1 through 1b, 3.1, and 4 through 4b), and
- Form 4P (Pages 39-49 and 59-77 and 80 of 84, Lines 1a and 1b).

Q. Please summarize your testimony.

A. In 2020, the Distribution Feeder Hardening Program incurred costs related to engineering in preparation for the work to be completed in 2021; these limited costs are consistent with the 2020 SPP/SPPCRC Agreement filed on July 17, 2020,[1] paragraph 3(a). These investments are shown in the beginning balances on Schedule Forms 7E (Line 1a) in Exhibit No._(CAM-1). DEF is not requesting recovery of any of the 2020 revenue requirements associated with this spend but will include this amount in the SPPCRC rate base beginning in 2021 and recover associated revenue requirements from that point forward.

Additionally, I present the Distribution work included in DEF's SPP filed with the Commission on April 10, 2020 for years 2021 and 2022; the costs presented are also consistent with the estimates filed as part of DEF's SPP for these time periods. These costs are also not being recovered through base rates or any other clause mechanism, as such, they should be approved for recovery through the SPPCRC.

III. OVERVIEW OF SPP PROGRAMS SOUGHT FOR CURRENT COST RECOVERY

Q. **Please identify what SPP Programs and activities you incurred costs for during 2020?**

A. DEF incurred approximately $0.7M of total capital costs related to the Feeder Hardening Program in 2020, as can be seen in the beginning balance in Exhibit No.__(CAM-1) on Schedule Form 7E (pages 12-14 of 49), Line 1a, primarily related to engineering costs related to projects estimated to be completed in 2021

[1] Doc. No. 03874-2020, Docket Nos. 20200069-EI and 20200092-EI.

for this program. The CWIP balance for engineering work performed in 2020 for 2021 will be included in the SPPCRC rate base used to calculate 2021 revenue requirements. Consistent with the 2020 SPP/SPPCRC Settlement, no O&M related to this Program was incurred or requested for recovery in 2020.

Q. How do the 2020 actual spend amounts compare to the previously proposed 2020 estimated spend for the Feeder Hardening portion of the Storm Protection Plan?

A. DEF's actual 2020 spend was approximately $0.7M versus the proposed estimated engineering spend of $2.4M. DEF had planned to complete 40% of the total proposed engineering work in 2020 for the 2021 work plan but instead completed 12%. This was primarily due to timing related to program set up for Feeder Hardening such as training, employee and contractor placement, and standards updates.

Q. Describe the activities that will be performed for Distribution Feeder Hardening and its related costs?

A. The Feeder Hardening Program will enable the feeder backbone to better withstand extreme weather events. This includes increasing pole sizes, reducing span lengths, updating the basic insulation level ("BIL"), updating the conductor, relocating difficult to access facilities, and replacing equipment to align with current standards, as appropriate. The existing backbone is approximately 6,300 miles on 1,325 feeders.

In 2021, DEF expects to incur approximately $59.2M of total capital costs related to this activity, as shown in Schedule Form 7E (pages 12-14 of 49), Line 1a, and an associated amount of O&M totaling approximately $2.4M for this activity, shown in Schedule Form 5E (page 5 of 49), Line 1.1, in Exhibit No. __(CAM-1).

In 2022, DEF expects to incur approximately $90.5M of total capital costs related to this activity, as shown in Schedule Form 4P (pages 39-41 of 84), Line 1a, and an associated amount of O&M totaling approximately $3.6M for this activity, shown in Schedule Form 2P (page 2 of 84), Line 1, in Exhibit No. __(CAM-2).

Q. Describe the activities that will be performed for Lateral Hardening and its related costs?

A. The Lateral Hardening program will enable branch lines to better withstand extreme weather events. This will include undergrounding of the laterals most prone to damage during extreme weather events and overhead hardening of those laterals less prone to damage. Lateral Undergrounding focuses on branch lines that historically experience the most outage events, contain assets of greater vintage, are susceptible to damage from vegetation, and/or often have facilities that are inaccessible to trucks. These branch lines will be replaced with a modern, updated, and standard underground design of today. The Lateral Overhead hardening strategy will include structure strengthening, deteriorated conductor replacement, removing open secondary wires, replacing fuses with automated line devices, pole replacement (when needed), line relocation, and/or hazard tree removal.

In 2021, DEF expects to incur approximately $3.8M of total capital costs related to engineering costs in preparation for 2022 activity, which is included in the 2022 Beginning Balance as shown in Exhibit No. __(CAM-2) Schedule Form 4P, (pages 46-48 and 59-64 of 84), Line 1a. There is no associated amount of O&M for this engineering activity.

In 2022, DEF expects to incur approximately $59.1M of total capital costs related to the Lateral Hardening Overhead activity, as shown in Exhibit No. __(CAM-2) on Schedule Form 4P (pages 46-48 of 84), Line 1a, and approximately $85.4M of total capital costs related to the Lateral Hardening Undergrounding activity, as shown in Schedule Form 4P (pages 59-64 of 84), Line 1a, Exhibit No. __ (CAM-2).

An associated amount of O&M totaling approximately $1.9M for the Lateral Hardening Overhead activity, shown on Schedule Form 2P (page 2 of 84), Line 1.3, in Exhibit No. __(CAM-2), and an associated amount of O&M totaling approximately $1.1M for the Lateral Hardening Underground activity, shown on Schedule Form 2P (page 2 of 84), Line 4.2, in Exhibit No. __(CAM-2).

Q. Please describe the Pole Inspections and Replacement activities and identify the costs you expect to incur during 2021 and 2022?

A. As required by the Commission, pole inspections are performed on an 8-year cycle. These inspections determine the extent of pole decay and any associated loss of strength. The information gathered from these inspections is used to determine pole replacements and to effectuate the extension of pole life through treatment and reinforcement.

For 2021, the O&M and Capital related to this activity is not included in Exhibit No. __(CAM-1), rather these costs are collected in base rates.

In 2022, DEF expects to incur approximately $14.7M of total capital costs related to Feeder - Pole Replacement activity, as shown in Schedule Form 4P (pages 42-45 of 84), Line 1a, and an associated amount of O&M totaling approximately $2.5M to this activity, shown on Schedule Form 2P (page 2 of 84), Line 1.2, in Exhibit No. __(CAM-2).

In 2022, DEF expects to incur approximately $41.3M of total capital costs related to Lateral Pole Replacement activity, as shown on Schedule Form 4P (page 49 of 84), Line 1a, and an associated amount of O&M totaling approximately $7.0M for this activity, shown on Schedule Form 2P (page 2 of 84), Line 1.4, in Exhibit No. __(CAM-2).

Q. Describe the activities that will be performed for Self-Optimizing Grid ("SOG") and its related costs?

A. The SOG program consists of three (3) major components: capacity, connectivity, and automation and intelligence. The SOG program redesigns key portions of the distribution system and transforms it into a dynamic smart-thinking, self-healing network. The grid will have the ability to automatically reroute power around trouble areas, like a tree on a power line, to quickly restore power to the maximum number of customers and rapidly dispatch line crews directly to the source of the outage. Self-healing technologies can reduce outage impacts by as much as 75 percent on affected feeders. The SOG program started as part of DEF's Grid Investment Plan which was partially funded through the 2017 Revised and Restated Settlement Agreement. DEF plans to continue this program through the SPP and at completion in 2027, approximately 80% of the distribution feeders on the DEF system will have the ability to automatically reroute power around damaged line sections. 100% of the distribution feeders will have automated switching capability. DEF has budgeted $3.6M in 2021 for engineering costs in preparation of the 2022 SPP SOG construction activity, which is included in the 2022 Beginning Balance as shown in Exhibit No. __(CAM-2) Schedule Form 4P, (pages 65-74 of 84), Line 1a. There is no associated amount of O&M for this engineering activity.

In 2022, DEF expects to incur approximately $74.5M of total capital costs related to this activity, as shown in Schedule Form 4P (pages 65-74 of 84), Line 1a, and an associated amount of O&M totaling approximately $2.0M for this activity, shown on Schedule Form 2P (page 2 of 84), Line 1.5, in Exhibit No. __(CAM-2).

Q. Describe the activities that will be performed for Underground Flood Mitigation and its related costs?

A. Underground Flood Mitigation will harden existing underground lines and equipment to withstand a storm surge using DEF's current storm surge standards. This involves the installation of specialized stainless-steel equipment and submersible connections. The primary purpose of this hardening activity is to minimize the damage caused by a storm surge to the equipment and thus reduce customer outages and/or expedite restoration after the storm surge has receded.

DEF expects to begin this Program in 2022 and incur approximately $0.5M of total capital costs related to this activity, as shown in Schedule Form 4P (pages 75-77 of 84), Line 1a, in Exhibit No. __ (CAM-2).

No associated amount of O&M is expected in 2022 related to this activity.

Q. Describe the activities that will be performed for Distribution Vegetation Management and its related costs?

A. DEF will continue to utilize a fully Integrated Vegetation Management ("IVM") program focused on trimming feeders and laterals on average 3- and 5-year cycles, respectively, to minimize the impact of vegetation on distribution assets. This corresponds to trimming approximately 1,930 miles of feeder backbone and 2,455 miles of laterals annually. The IVM program consists of the following: routine maintenance "trimming", hazard tree removal, herbicide applications, vine removal, customer requested work, and right-of-way brush "mowing" where applicable. The IVM program incorporates a combination of both cycle-based maintenance and reliability-driven prioritization of work to reduce event possibilities during extreme weather events and enhance overall reliability.

For 2021, the O&M and Capital related to this activity is not included in Exhibit No. __(CAM-1), rather these costs are collected in base rates.

In 2022, DEF expects to incur approximately $2.0M of total capital costs related to this activity, as shown in the on Schedule Form 4P (page 80 of 84), Line 1a, and an associated amount of O&M totaling approximately $44.2M for this activity, shown on Schedule Form 2P (page 2 of 84), Line 3.1, in Exhibit No. __(CAM-2).

Q. Are the Programs and activities discussed above consistent with DEF's SPP?

A. Yes, the planned activities are consistent with the Programs described in detail in DEF's SPP, specifically Exhibit No. _ (JWO-2) in Docket No. 20200069-EI, filed on April 10, 2020, subsequently updated on June 24, 2020.

Q. Would you please provide a summary of the costs associated with the Programs and activities discussed above?

A. Yes, please refer to the table below that represents the SPP investments made in 2020 through February 2021 and projected for the remainder of 2021 and 2022.

($ Millions)	**2020**	**2020**	**2020**
SPP Program	**Capital**	**O&M**	**Total**
Feeder Hardening	$0.7	$0.0	$0.7

($ Millions)	**2021**	**2021**	**2021**
SPP Program	**Capital**	**O&M**	**Total**
Feeder Hardening	$59.2	$2.4	$61.6
Lateral Hardening	$3.8	$0.0	$3.8
Self-Optimizing Grid	$3.6	$0.0	$3.6
Total	$66.6	$2.4	$69.0

($ Millions)	**2022**	**2022**	**2022**
SPP Program	**Capital**	**O&M**	**Total**
Feeder Hardening	$105.1	$6.1	$111.2
Lateral Hardening	$185.8	$10.0	$195.8

Self-Optimizing Grid	$74.5	$2.0	$76.5
Underground Flood Mitigation	$0.5	$0.0	$0.5
D -Vegetation Management	$2.0	$44.2	$46.2
Total	$367.9	$62.3	$430.2

Q. Would you please provide a summary of any observed true-up variances including changes in the utility's prices of services and/or equipment, changes in the scope of work relative to the estimates provided pursuant to implementation of the approved Storm Protection Plan?

A. The estimated price projection for services and equipment have been in line with projections as of reported actuals ending in February 2021. DEF carried forward an expected 2020 engineering spend of $2.4M, however, actual 2020 engineering spend was $0.7M. DEF did not commence engineering until after the FPSC approval of DEF's filed SPP. DEF will still fully spend the remaining $1.7M engineering differential in 2021 as part of the 2021 work plan. DEF secured dedicated resources for these 2021 Feeder Hardening projects and completed onboarding actions in mid-January which delayed the start of construction resulting in actual spend for January and February 2021 that is less than previously proposed estimates provided in Exhibit No._(TGF-1) in Docket No. 20200069-EI. While

DEF spent less than estimated in 2020 on engineering, this simply represents a timing shift into 2021 due to ramp up time.

DEF has implemented a 2022 workplan in line with the criteria outlined in Exhibit Nos._ (JWO-1) and (JWO-2) in Docket No. 20200069-EI. In preparing 2022 budgets, consistent with Exhibit Nos._(JWO-1) and (JWO-2), DEF updated actuals through 2020. This update showed a higher pole failure rate, which is driving an increase in projected pole replacements and associated O&M. DEF has also shifted funding from Lateral Hardening Underground to Lateral Hardening Overhead. Upon initial review of the selected 2022 feeders, a higher ratio of the existing laterals will benefit from overhead hardening efforts. As DEF's execution team moves forward with detailed designs, this ratio could shift. DEF has also shifted proposed funding from Capacity & Connectivity to Automation under the SOG program due to a limited number of opportunities under Capacity & Connectivity versus automation for the selected targets.

Q. Describe steps or programs DEF has taken during SPP initiation to ensure timely work completion and efficiency.

A. DEF is initiating a substation optimization plan whereby DEF will address all distribution level components of SPP from the substation outward. DEF will select a feeder target with the greatest opportunity for improvement using the priority methodology previously outlined in Exhibit No. _ (JWO-2) in Docket No. 20200069-EI. DEF will then review all feeders out of the substation associated with the selected feeder. Any other feeder(s) from the substation which appear(s) on the priority list in the next 5 years will be moved to current year and will be built to the Feeder Hardening, Lateral Hardening and Self-Optimizing Grid programs within SPP. Using this approach, DEF will have greater engineering oversight, more efficient design, and better project controls. which will allow for streamlined customer communications, reduced service disruptions and mitigate repeat site visits. DEF construction resources will be more efficient and effective by concentrating work in a targeted area, allowing crews to move to nearby or adjacent work locations when impediments like maintenance of traffic or outage scheduling impact their ability to complete a specific scope.

Q. Does this conclude your testimony?

A. Yes, it does.

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

THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

DIRECT TESTIMONY OF MICHAEL JARRO

DOCKET NO. 20210010-EI

MAY 3, 2021

TABLE OF CONTENTS

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 distribution infrastructure that safely, reliably, and efficiently deliver electricity to more than five million customers in FPL's service area 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. Additionally, I understand the engineering, construction, operation, maintenance, and restoration of the transmission and distribution grid of Gulf Power Company ("Gulf"), which was legally merged into FPL on January 1, 2021.

Q. Please describe your educational background and professional experience.

A. I graduated from the University of Miami with a Bachelor of Science Degree in Mechanical Engineering and Florida International University with a Master of Business Administration. I joined FPL in 1997 and have held several leadership positions in distribution operations and customer service, including serving as distribution reliability manager, manager of distribution operations for the south Miami-Dade area, control center general manager, director of network operations, senior director of customer strategy and analytics, senior director of power delivery central maintenance and construction, and vice-president of transmission and substations.

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

A. Yes, I submitted written direct testimony on April 10, 2020, and written rebuttal testimony on June 26, 2020, in support of FPL's 2020-2029 Storm Protection Plan ("SPP") filing in Docket No. 20200071-EI. I also submitted written direct testimony on July 24, 2020, in support of FPL's request for approval of Storm Protection Plan Cost Recovery Clause ("SPPCRC") factors to be applied to customer bills issued during the projected period of January 1, 2021 through December 31, 2021 in Docket No. 20200092-EI.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to: (1) present FPL's 2021 actual/estimated costs associated with the programs and projects included in FPL's 2020-2029 SPP; (2) present Gulf's 2021 actual/estimated costs associated with the programs and projects included in Gulf's 2020-2029 SPP; and (3) explain the variances between FPL's and Gulf's actual/estimated 2021 SPP costs and the 2021 cost projections approved in Docket No. 20200092-EI. I also describe FPL's and Gulf's consolidated 2022 SPP programs and projects and their associated cost projections and explain how those activities and costs are consistent with the 2020-2029 SPPs approved in Docket Nos. 20200070 and 20200071.

Q. Are you sponsoring any exhibits in this case?

A. Yes. I am sponsoring the following exhibits:

- Exhibit MJ-1 – FPL Storm Protection Plan 2020-2029, approved by the

Commission in Docket No. 20200071-EI;

- Exhibit MJ-2 – Gulf Storm Protection Plan 2020-2029, approved by the Commission in Docket No. 20200070-EI;
- Exhibit MJ-3 – FPL Actual/Estimated Storm Protection Plan Work to be Completed in 2021;
- Exhibit MJ-4 – Gulf Actual/Estimated Storm Protection Plan Work to be Completed in 2021;
- Exhibit MJ-5 – Consolidated FPL Storm Protection Plan Work Projected to be Completed in 2022;
- Exhibit MJ-6 – Supplemental Standalone FPL Storm Protection Plan Work Projected to be Completed in 2022; and
- Exhibit MJ-7 – Supplemental Standalone Gulf Storm Protection Plan Work Projected to be Completed in 2022.

Finally, I am sponsoring Form 6P - Program Description and Progress Report that is included in FPL witness Renae B. Deaton's Exhibit RBD-1 Appendix III.

II. THE FPL AND GULF MERGER

Q. Please describe the relationship between FPL and Gulf.

A. Gulf was acquired by FPL's parent company, NextEra Energy, Inc., on January 1, 2019. At the time FPL and Gulf filed their respective SPPs in 2020 they were legally and operationally separate and both FPL and Gulf provided service under separate and distinct tariffs. On January 1, 2021, Gulf was legally merged into FPL; however, both FPL and Gulf remained separate ratemaking entities.

FPL and Gulf will be operationally and functionally integrated in 2022. Consistent with the consolidation of the FPL and Gulf operations, on March 12, 2021, FPL filed with the Commission a Petition for Base Rate Increase and Rate Unification in Docket No. 20210015 that requested, among other things, authority to consolidate and unify the rates and tariffs applicable to all customers in peninsular and Northwest Florida. If the Commission approves FPL's request, all Gulf customers will become FPL customers and Gulf will no longer exist as a separate ratemaking entity.

Q. How does the merger between FPL and Gulf impact the implementation of the programs and projects included within each Company's SPP?

A. It has no impact on the Commission-approved FPL and Gulf SPPs. FPL and Gulf have implemented, and FPL will continue to implement, the programs and projects included in the Commission-approved FPL and Gulf SPPs. For purposes of the 2021 SPPCRC actual/estimated true-up, FPL and Gulf are providing separate schedules and exhibits in support of the FPL and Gulf actual/estimated 2021 SPP costs because, although legally merged, FPL and Gulf remain separate ratemaking entities through 2021. These are provided in Exhibits MJ-3 and MJ-4.

Because FPL and Gulf will be operationally and functionally integrated in 2022 and have requested to consolidate and unify the FPL and Gulf base rates effective January 1, 2022, FPL and Gulf are providing consolidated schedules in support of the consolidated FPL projected 2022 SPP costs, which is provided in Exhibit MJ-5. However, this filing also includes informational 2022 standalone FPL and Gulf schedules for the projected 2022 SPP costs, which are relevant only for purposes of supporting the 2022 SPPCRC Factors in the event the Commission declines or postpones rate unification in Docket No. 20210015-EI. These are provided in Exhibits MJ-6 and MJ-7, respectively.

III. THE FPL AND GULF STORM PROTECTION PLANS

Q. Please describe the SPPs filed by FPL and Gulf.

A. FPL and Gulf filed their 2020-2029 SPPs on April 10, 2020, in Docket Nos. 20200071-EI and 20200070-EI, respectively. Both SPPs are systematic approaches to achieve the legislative objectives in Section 366.96, Florida Statutes ("F.S"), to reduce restoration costs and outage times associated with extreme weather events. Both SPPs provided all the information required by Rule 25-6.030, Florida Administrative Code ("F.A.C."), including, but not limited to the estimated number of projects and costs associated for each SPP program for each year of the SPP. True and correct copies of FPL's and Gulf's SPPs are attached to my direct testimony as Exhibits MJ-1 and MJ-2, respectively.

On August 28, 2020, the Commission issued Order No. PSC-2020-0293-AS-EI in which it approved a Stipulation and Settlement Agreement among FPL, Gulf, Walmart Inc. ("Walmart"), and the Office of Public Counsel ("OPC") related to FPL's and Gulf's SPPs ("SPP Settlement"). The parties to the SPP Settlement agreed that the FPL and Gulf SPPs are in the public interest and should be approved subject to the terms of the agreement.

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

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

- Pole Inspections - Distribution Program
- Structures/Other Equipment Inspections - Transmission Program
- Feeder Hardening (EWL) - Distribution Program
- Lateral Hardening (Undergrounding) - Distribution Program

- Wood Structures Hardening (Replacing) - Transmission Program
- Vegetation Management - Distribution Program
- Vegetation Management - Transmission Program
- Substation Storm Surge/Flood Mitigation Program

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

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

A. SPP includes the following seven SPP programs:

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

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

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

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

Q. Does this filing include a final true-up of any SPP costs incurred in 2020?

A. No. Under the SPP Settlement, FPL and Gulf committed they would not seek recovery of the 2020 SPP project costs through the SPPCRC. Therefore, the submission in this proceeding does not address any SPP project costs incurred by FPL or Gulf in 2020.

IV. 2021 ACTUAL/ESTIMATED SPP PROJECT COSTS AND VARIANCES

Q. How do FPL and Gulf manage their SPP programs?

A. FPL and Gulf manage their SPPs projects at the program level in order to maximize efficiency while still achieving the overall objectives of the SPP program. As a result, project schedules and completion dates are subject to change based on the actual circumstances and conditions encountered or required for a specific work site to ensure that resources are being efficiently used. For example, as I explain later in my testimony, an unanticipated condition on a jobsite or delay in obtaining a necessary permit may impede the ability to complete a schedule project in that location. Rather than keeping a crew at that jobsite while the condition is addressed, FPL and Gulf would temporarily suspend work on that project and move the crew to another jobsite to ensure that resources are being utilized appropriately and efficiently.

Q. Did FPL and Gulf previously provide a description of the costs and work that was projected to be performed in 2021 for their SPP programs?

A. Yes. On July 24, 2020, FPL and Gulf submitted Petitions in Docket No. 20200092-EI requesting approval of their SPPCRC Factors, which included a description of the costs and work that was projected to be performed for each SPP program during 2021. On October 27, 2020, the Commission issued Order No. PSC-2020-0409-AS-EI in which it approved a Stipulation and Settlement Agreement among FPL, Gulf, Walmart, and OPC related to FPL's and Gulf's SPPCRC Factors ("SPPCRC Settlement"). The parties to SPPCRC Settlement agreed that FPL's and Gulf's projected 2021 costs were consistent with the FPL and Gulf 2020-2029 SPPs and agreed that FPL's and Gulf's 2021 SPPCRC Factors should be approved.

Q. Have FPL and Gulf updated the 2021 SPP costs that were included in their projected 2021 SPPCRC Factors?

A. Yes. The updated actual/estimated 2021 SPP costs are provided in Form 6P - Program Description and Progress Report, and the updated project level detail and cost projections for the FPL and Gulf 2021 SPP programs are provided in Exhibits MJ-3 and MJ-4, respectively. These exhibits started with the FPL and Gulf 2021 SPP project level detail and associated costs that were approved in Order No. PSC-2020-0409-AS-EI issued in Docket No. 20200092-EI, and updated the 2021 actual/estimated projects and costs based on information that was available and known as of February 2021. In addition, Exhibits MJ-3 and MJ-4 provide the variances between the original 2021 SPP cost projects and the actual/estimated costs updated as of February 2021, along with explanations for each of the material variances provided therein.

Q. Please summarize the explanations FPL and Gulf have provided for the 2021 SPP actual/estimated project variances shown in Exhibits MJ-3 and MJ-4.

A. FPL and Gulf have determined that each of its SPPCRC project variances are the result of one of three occurrences: an acceleration of a project, a project delay, or change to a project estimate. Accordingly, Exhibits MJ-3 and MJ-4 contain three general categories of project variances: "Project Acceleration," "Project Delayed," and "Project Estimate Change." Within each of these categories, FPL and Gulf have identified specific drivers that cause projects to be accelerated, delayed, or changed.

Q. Please briefly identify and describe the drivers that may result in the acceleration of a project.

A. The primary reason that projects may be accelerated is to ensure cost-effective management of projects, resources, and materials, while still achieving the overall statutory objectives of the SPP to reduce restoration costs and outage times associated with extreme weather events. The specific drivers that may result in a project being accelerated are:

- Delay to Other Project(s). As a result of schedule delays to other projects within the program, commencement of a project is being moved forward in the schedule or accelerated to maintain consistency within overall SPP program objectives and to cost-effectively manage resources.
- Early Execution of Other Project(s). As a result of other projects being completed sooner than estimated or at a lower cost than estimated in the prior year, commencement of a project is being moved forward in the schedule or accelerated to maintain consistency within overall SPP program objectives and to cost-effectively manage resources.
- Permit(s) Received. Various federal, state, or local permits may be required before construction on an SPP project may begin. The time required to apply for and obtain a necessary permit is largely beyond the control of FPL and Gulf. In the event a permit is received earlier than originally estimated in the construction schedule, it may result in the acceleration of a project.
- Available Resource(s). The unanticipated availability of additional resources may result in a project being accelerated. For instance, additional resources have been made available or the scheduled resources are available earlier than originally estimated allowing for earlier execution of the project.
- External Impact(s). Third-party actions or restrictions, such as by customers or administrative agencies, may impact project schedules. When these actions or restrictions are resolved earlier than estimated, it may cause the project to be

moved forward in the schedule or accelerated for earlier execution.

- Engineering Available. The earlier than projected completion of detailed engineering estimates for a project may result in a project being moved forward in the schedule or accelerated.
- Materials Available. When materials for a project become available earlier than estimated, the project may be moved forward in the schedule or accelerated.
- Field Conditions. When unanticipated conditions are encountered during detailed engineering and/or job execution, the project may be moved forward in the schedule or accelerated.
- Construction Alignment. An unexpected alignment of factors related to another project (such as resource availability, other scheduled projects, or other construction in the area) may result in a determination that a project should be moved forward in the schedule or accelerated for efficiency.
- Program Management. In order to balance and meet a program's overall objectives, a project may need to be moved forward in the schedule or accelerated.
- Prioritization Change. As FPL and Gulf review their Commission-approved SPP program prioritization methods, certain assets or projects may move up (or down) on the prioritization list due to a change in conditions since the initial prioritization.

Q. Does the acceleration of a project impact the total overall cost of the project?

A. Generally, no. Accelerated projects result in a greater proportion of the overall project cost being incurred sooner rather than later, but the overall estimated cost for the project typically remains the same. An accelerated project could result in greater costs being incurred for a project during an earlier year and less costs incurred in a later year.

However, as demonstrated in Exhibits MJ-3 and MJ-4, FPL and Gulf have effectively managed the 2021 SPP projects at the program level to ensure that the estimated total 2021 SPP program costs remain consistent with the costs projected in their Commission-approved SPPs.

Q. Please briefly identify and describe the drivers that might result in a project delay.

A. FPL and Gulf manage their SPPs at the program level in order to meet the program's overall objectives and, therefore, a project may be delayed for the same reason that another project was accelerated. Again, the primary reason that projects may be delayed is to ensure cost-effective management of projects, resources, and materials, while still achieving the overall statutory objectives of the SPP to reduce restoration costs and outage times associated with extreme weather events. The specific drivers that may result in a project delay are:

- Delay to Other Project(s). As noted above, an accelerated project may correspond to a project that was delayed. Projects may be delayed for various reasons as explained in this section, resulting in other projects being moved to a later schedule date or delayed to maintain construction timelines, consistency within the overall program objectives, and cost-effective management of resources.
- Early Execution of Other Project(s). When projects are completed sooner than estimated, other projects may be delayed to maintain construction timelines, consistency within the overall program objectives, and cost-effective management of resources.
- Permit(s) Delayed. As noted above, the time required to apply for and obtain a necessary permit is largely beyond the control of FPL and Gulf and the receipt of a permit later than originally estimated in the construction schedule may

result in project delays.

- Resource(s) Delayed. When resources, such as crews and/or material, are not available or a scheduled resource has been delayed longer than estimated, the execution of the project may be delayed.
- External Impact(s). As noted above, third-party actions or restrictions may impact project schedules and can result in a project being delayed.
- Engineering Delayed. Detailed engineering not completed or delayed longer than estimated may result in project delays.
- Material Delayed. Materials not available or delayed longer than estimated may result in a project delay.
- Field Conditions. As noted above, unanticipated field conditions may impede engineering designs or work on a jobsite causing delays.
- Construction Alignment. Alignment of factors related to other projects, such as resource availability, other scheduled projects, or construction in the area, may result in a determination that a project should be moved to a later date in the schedule or delayed for efficiency.
- Program Management. Project delayed in order to maintain consistency and balance to meet overall program objectives.
- Prioritization Change. As noted above, as FPL and Gulf review their Commission-approved SPP program prioritization methods, certain assets or projects may move up (or down) on the prioritization list due to a change in conditions since the initial prioritization.
- Customer Negotiation(s). Negotiations with customers to obtain easements or address other issues may result in project delays.

Q. Does a project delay impact the overall project cost?

A. Generally, no. Delayed projects result in a smaller proportion of the overall project cost being incurred later than originally estimated, but the overall estimated cost for the project typically remains the same. A delayed project could result in less costs being incurred for a project during an earlier year and more costs incurred in a later year. However, as demonstrated in Exhibits MJ-3 and MJ-4, FPL and Gulf have effectively managed the 2021 SPP projects at the program level to ensure that the estimated total 2021 SPP program costs remain consistent with the costs projected in their Commission-approved SPPs.

Q. Please briefly identify and describe each of the drivers that might result in a change to a project estimate.

A. Unlike the drivers that result in a change in costs incurred during the year due to the timing of when the work is being completed (either being accelerated or delayed), the drivers that may result in a change to a project cost estimate are:

- Detail Engineering Complete. Projects costs were initially based on general preliminary or order of magnitude cost estimates that were refined once the engineering estimate detail is complete. This may result in either an increase or decrease in the estimated project costs, resulting in a cost variance.
- Field Conditions. Unanticipated field conditions discovered during the engineering and/or job execution may require changes to a project estimate resulting in either an increase or decrease in the estimated project costs, resulting in a cost variance.
- Scope Change. An original project scope may be modified for a variety of reasons resulting in either an increase or decrease in the initial estimated project costs. For example, to efficiently manage the overall program objective it may be necessary to combine projects or expand a project beyond the original scope

and design, the same could be true for a reduction in project scope and design.

Q. Are there any other drivers of the FPL or Gulf 2021 SPPCRC project variances that you wish to discuss?

A. Yes. In August 2020, Gulf received a limited duration waiver from the Federal Energy Regulatory Commission to permit capitalization of costs to transfer existing conductors and other attachment assets to new storm hardened distribution poles. This FERC-approved policy resulted in certain O&M expenses being capitalized for some of Gulf's distribution programs.

Q. Are there any other drivers of the FPL or Gulf 2021 SPPCRC project schedule that you wish to discuss?

A. Yes. Florida remains the most hurricane-prone state in the nation, and both the FPL and Gulf service areas are susceptible to extreme weather events. Storms impacting the FPL and/or Gulf service areas could have significant impacts to SPP programs and projects. Work on SPP projects is suspended during storms and may not be resumed until restoration following a storm is complete, which could result in the project schedules being delayed. SPP projects could also be delayed due to resources working on SPP projects becoming unavailable as crews are assigned to storm restoration activities within the FPL and Gulf service areas and/or to provide mutual assistance to other utilities impacted by a storm. FPL and Gulf cannot predict the impact that storms may have on the SPP activities that can be completed in a given year. SPP projects that are delayed due to impacts from storms may result in changes in the timing of when the costs are actually incurred.

Q. Are the FPL and Gulf 2021 actual/estimated SPP costs reasonable?

A. Yes. The actual/estimated SPP work to be completed in 2021 and related costs shown in Exhibits MJ-3 and MJ-4 are based on competitive solicitations and other contractor and supplier negotiations to ensure that FPL and Gulf select the best qualified contactors and equipment suppliers at the lowest evaluated costs.

V. 2022 PROJECTED SPP COSTS

Q. Are FPL and Gulf seeking to recover any 2022 projected SPP costs through the SPPCRC?

A. Yes. Consistent with the consolidation of the FPL and Gulf operations, on March 12, 2021, FPL filed its 2021 Rate Case requesting, among other things, authority to consolidate and unify the rates and tariffs applicable to all customers in the former FPL and Gulf service areas. If the Commission approves FPL's request, all Gulf customers will become FPL customers and Gulf will no longer exist as a separate ratemaking entity effective January 1, 2022. Accordingly, in this filing FPL is providing and seeking Commission approval of consolidated 2022 SPPCRC Factors subject to and contingent upon the Commission's approval of FPL's request in the 2021 Rate Case pending in Docket No. 20210015 to unify rates.

Q. Has FPL provided a description of the consolidated work projected to be performed in 2022 for each SPP program?

A. Yes. Form 6P - Program Description and Progress Report and Exhibit MJ-5 identify each of the consolidated SPP programs for which costs will be incurred during 2022, as well as provide a description of the work projected to be performed for each consolidated SPP program during 2022. For purposes of implementing consolidated SPP programs and projects in 2022, FPL will continue the programs and projects included in both the FPL and Gulf SPPs approved by the Commission without any modification, and the Gulf 2022 SPP programs and projects will simply be additive or combined with the FPL 2022 SPP programs and projects. For purposes of Form 6P -

Program Description and Progress Report and Exhibit MJ-5, the consolidated 2022 SPP projects and associated costs are simply the sum of the 2022 SPP projects and costs included in the FPL and Gulf SPPs approved by the Commission. Also included with this filing are informational standalone FPL and Gulf schedules and exhibits for the projected 2022 SPP costs, which are relevant only for purposes of supporting standalone FPL and Gulf 2022 SPPCRC Factors in the event the Commission declines or postpones rate unification in Docket No. 20210015. These are provided in Exhibits MJ-6 and MJ-7, respectively.

FPL's and Gulf's distribution and transmission on-going annual inspection and vegetation management programs do not have project components and, instead, are completed on a cycle-basis. As such, these SPP programs do not lend themselves to identification of specific projects to be performed. A description of the consolidated distribution and transmission inspection and vegetation management programs projected for 2022 is provided in Form 6P - Program Description and Progress Report. FPL and Gulf have provided project level detail for the remaining SPP programs that have project components. However, the SPP projects that will actually be completed in 2022 could vary based on a number of factors, including, but not limited to: permitting; easement issues; change in scope; resource constraints (*i.e.*, labor & material); and/or extreme weather events. Any such variances will be addressed in a 2022 actual/estimated true-up filing to be submitted in 2022, and the 2022 final true-up filing to be submitted in 2023.

Q. Are the SPP activities and costs estimated for 2022 consistent with FPL's and Gulf's SPPs?

A. Yes. The SPP activities and costs estimated for each SPP program during 2022 are consistent with those described in the FPL and Gulf SPPs. As of the time I prepared my direct testimony, FPL and Gulf are not aware of any variances in the number of SPP projects or SPP costs estimated for 2022. However, as I previously stated, the number of SPP projects that will actually be completed in 2022, as well as the associated SPP costs, could vary based on a number of factors. Consistent with Rule 25-6.031, F.A.C., the actual SPP costs incurred by FPL and Gulf in 2022 will be addressed in the 2022 final true-up filing, which will be submitted in 2023.

Q. Are the FPL and Gulf 2022 projected SPP costs reasonable?

A. Yes. As with the FPL and Gulf 2021 actual/estimated SPP work and costs, the projected SPP work to be completed in 2022 and related costs in consolidated form in Exhibit MJ-5 and in standalone form in Exhibits MJ-6 and MJ-7 are based on competitive solicitations to ensure that FPL and Gulf secure the lowest evaluated costs among the most qualified vendors for these projects.

Q. Does this conclude your direct testimony?

A. Yes.

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

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Storm Protection Plan Cost Recovery Clause	Docket No. 20210010-EI Filed: July 1, 2021

ERRATA SHEET OF RENAE B. DEATON

Florida Power & Light Company ("FPL") hereby submits this errata sheet correcting the direct testimony of Renae B. Deaton filed in the above referenced docket on May 3, 2021.

Exhibit #	**Page #**	**Change**
Direct Testimony of Renae B. Deaton	12 of 15	Line 17 – strike "*such as depreciation rates*". FPL incorrectly stated that the depreciation rates proposed in FPL's 2021 Rate Case pending in Docket No. 20210010-EI were not used during the preparation of FPL's consolidated 2020 SPPCRC Factors.

The above-described corrections are reflected in the following attached documents:

- Corrected Direct Testimony of Renae B. Deaton in legislative format
- Corrected Direct Testimony of Renae B. Deaton in clean format

Corrected Direct Testimony Renae B. Deaton 2021
(legislative format)

THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

DIRECT TESTIMONY OF RENAE B. DEATON

DOCKET NO. 20210010-EI

MAY 3, 2021

(Corrected via Errata Filed on July 1, 2021)

TABLE OF CONTENTS

I. INTRODUCTION

Q. Please state your name and address.

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

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

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

Q. Please describe your educational background and professional experience.

A. I hold a Bachelor of Science in Business Administration and a Master of Business Administration from Charleston Southern University. I have over 30 years' experience in retail and wholesale regulatory affairs, rate design and cost of service. Since joining FPL in 1998, I have held various positions in the rates and regulatory areas. Prior to my current position, I held the positions of Senior Manager of Cost of Service and Load Research and Senior Manager of Rate Design in the Rates and Tariffs Department. In 2016, I assumed my current position, where my duties include providing direction as to the appropriateness of inclusion of costs through a cost recovery clause, including oversight of the Storm Protection Cost Recovery Clause ("SPPCRC") for both FPL and Gulf Power Company ("Gulf"), and the overall preparation and filing of all cost recovery clause documents including testimony and discovery. Prior to joining FPL, I was employed at the South Carolina Public Service Authority (d/b/a Santee Cooper) for fourteen years, where I held a variety of positions in the Corporate Forecasting, Rates, and Marketing Department and in generation plant operations. As part of the various roles I have held with FPL, I have testified before this Commission on rate design and cost of service in base rate and clause recovery dockets. I have also testified before the Federal Energy Regulatory Commission supporting rates for wholesale power sales agreements and Open Access Transmission Tariffs.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present for Commission review and approval the 2021 Actual/Estimated SPPCRC true-up amounts for the period January 1, 2021 through December 31, 2021; and the 2022 SPPCRC Factors to be applied to bills issued during the projected period of January 1, 2022 through December 31, 2022.

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

A. Yes, I am sponsoring the following forms:

- **RBD-1 Appendix I: FPL 2021 Actual/Estimated SPPCRC**
  - Form 1E - Summary of Current Period Estimated True-Up
  - Form 2E - Calculation of True-Up Amount
  - Form 3E - Calculation of Interest Provision for True-Up Amount
  - Form 4E - Variance Report of Annual O&M Costs by Program
  - Form 5E - Calculation of Annual Revenue Requirements for O&M Programs
  - Form 6E - Variance Report of Annual Capital Investment Costs by Program
  - Form 7E Summary - Calculation of Annual Revenue Requirements for Capital Investment Programs
  - Form 7E - Capital - Estimated Revenue Requirements by Program
  - Form 8E – Approved Capital Structure and Cost Rates
- **RBD-1 Appendix II: Gulf 2021 Actual/Estimated SPPCRC**

- Form 1E - Summary of Current Period Estimated True-Up
- Form 2E - Calculation of True-Up Amount
- Form 3E - Calculation of Interest Provision for True-Up Amount
- Form 4E - Variance Report of Annual O&M Costs by Program
- Form 5E - Calculation of Annual Revenue Requirements for O&M Programs
- Form 6E - Variance Report of Annual Capital Investment Costs by Program
- Form 7E Summary - Calculation of Annual Revenue Requirements for Capital Investment Programs
- Form 7E - Capital - Estimated Revenue Requirements by Program
- Form 8E – Approved Capital Structure and Cost Rates

- **RBD-1 Appendix III: Consolidated FPL 2022 Projections**
  - Form 1P - Summary of Projected Period Recovery Amount
  - Form 2P - Calculation of Annual Revenue Requirements for O&M Programs
  - Form 2P - Projects - Project Listing by Each O&M Program
  - Form 3P - Calculation of the Total Annual Revenue Requirements for Capital Investment Programs
  - Form 3P - Projects - Project Listing by Each Capital Program
  - Form 3P - Capital - Calculation of Annual Revenue Requirements for Capital Investment by Program
  - Form 4P - Calculation of the Energy & Demand Allocation % By Rate Class
  - Form 5P - Calculation of the Cost Recovery Factors by Rate Class

- Form 7P - Approved Capital Structure and Cost Rates

- **RBD-1 Appendix IV - Retail Separation Factors**
- **RBD-1 Appendix V - Allocation of Implementation Costs Between Transmission and Distribution**

Also included in Exhibit RBD-1 Appendix III is Form 6P - Program Description and Progress Report, which is sponsored by FPL witness Jarro. These Commission Forms were used to calculate FPL's proposed SPPCRC factors for the period of January 1, 2022 through December 31, 2022.

In addition, I am sponsoring the following informational standalone FPL and Gulf schedules and exhibits for the projected 2022 Storm Protection Plan ("SPP") costs:

- **RBD-2 Appendix I: Supplemental Standalone FPL 2022 Projections**
  - Form 1P - Summary of Projected Period Recovery Amount
  - Form 2P - Calculation of Annual Revenue Requirements for O&M Programs
  - Form 2P - Projects - Project Listing by Each O&M Program
  - Form 3P - Calculation of the Total Annual Revenue Requirements for Capital Investment Programs
  - Form 3P - Projects - Project Listing by Each Capital Program
  - Form 3P - Capital - Calculation of Annual Revenue Requirements for Capital Investment by Program
  - Form 4P - Calculation of the Energy & Demand Allocation % By Rate Class
  - Form 5P - Calculation of the Cost Recovery Factors by Rate Class
  - Form 7P - Approved Capital Structure and Cost Rates

- **RBD-2 Appendix II: Supplemental Standalone Gulf 2022 Projections**
  - Form 1P - Summary of Projected Period Recovery Amount
  - Form 2P - Calculation of Annual Revenue Requirements for O&M Programs
  - Form 2P - Projects - Project Listing by Each O&M Program
  - Form 3P - Calculation of the Total Annual Revenue Requirements for Capital Investment Programs
  - Form 3 - Projects - Project Listing by Each Capital Program
  - Form 3P - Capital - Calculation of Annual Revenue Requirements for Capital Investment by Program
  - Form 4P - Calculation of the Energy & Demand Allocation % By Rate Class
  - Form 5P - Calculation of the Cost Recovery Factors by Rate Class
  - Form 7P - Approved Capital Structure and Cost Rates

These supplemental standalone exhibits and schedules are relevant only for purposes of supporting standalone FPL and Gulf 2022 SPPCRC Factors in the event the Commission declines FPL's request in the 2021 Rate Case pending in Docket No. 20210015 ("2021 Rate Case") to consolidate and unify the rates and tariffs applicable to all customers in the former FPL and Gulf service areas.

Q. What is the source of the data presented in your testimony and/or exhibits?

A. The data presented in my testimony and supporting schedules is taken from FPL's and Gulf's books and records. The books and records are kept in the regular course of the Company's business in accordance with generally accepted accounting principles and practices, as well as the provisions of the Uniform System of Accounts as prescribed by this Commission. The data for the FPL and Gulf actual/estimated 2021 SPP costs is provided in Exhibits MJ-3 and MJ-4 attached to the testimony of FPL witness Jarro and Form 6P - Program Description and Progress Report provided in Exhibit RBD-1 Appendix III attached to my testimony. The data for the consolidated FPL 2022 SPP costs is provided in Exhibit MJ-5 attached to the testimony of FPL witness Jarro and Form 6P - Program Description and Progress Report provided in Exhibit RBD-1 Appendix III attached to my testimony. For purposes of the supplemental standalone FPL and Gulf 2022 SPP costs, this data is provided in Exhibits MJ-6 and MJ-7 attached to the direct testimony of FPL witness Jarro. The actual/estimated 2021 SPP costs and projected 2022 SPP costs are consistent with the projections provided in FPL's and Gulf's 2020-2029 Storm Protection Plans approved by the Commission in Docket Nos. 20200070-EI and 20200071-EI, which are provided in Exhibits MJ-1 and MJ-2 attached to the testimony of FPL witness Jarro.

Q. Does this filing include a final true-up of any SPP costs incurred in 2020?

A. No. In the Stipulation and Settlement Agreement approved by Commission Order No. PSC-2020-0293-AS-EI, FPL and Gulf committed they would not seek recovery of the 2020 SPP project costs through the SPPCRC. Therefore, the submission in this proceeding does not address or include any SPP project costs incurred by FPL or Gulf in 2020.

II. THE FPL AND GULF MERGER

Q. How does the merger between FPL and Gulf impact the calculation of the 2021 Actual/Estimated true-up calculation and Projected 2022 SPP to be recovered through the SPPCRC?

A. As explained by FPL witness Jarro, Gulf was legally merged into FPL on January

1, 2021. However, FPL and Gulf remained separate ratemaking entities and have continued to implement the programs and projects included in the Commission-approved FPL and Gulf SPPs. Thus, the legal merger of FPL and Gulf has no impact to the calculated revenue requirements for the January 2021 to December 2021 Actual/Estimated period. For purposes of the 2021 SPPCRC actual/estimated true-up, FPL and Gulf are providing separate schedules and exhibits in support of the FPL and Gulf actual/estimated 2021 SPP costs because, although legally merged, FPL and Gulf remain separate ratemaking entities through 2021. These are provided in Exhibit RBD-1 Appendices I and II.

Because FPL and Gulf will be operationally and functionally integrated in 2022 and have requested to consolidate and unify the FPL and Gulf base rates effective January 1, 2022, as explained by FPL witness Jarro, FPL and Gulf are providing consolidated schedules in support of the consolidated FPL Projected 2022 SPP revenue requirements, which are provided in Exhibit RBD-1 Appendix III. However, as previously explained, this filing also includes informational 2022 standalone FPL and Gulf schedules for the projected 2022 SPP revenue requirements, which are relevant only for purposes of supporting the 2022 SPPCRC Factors in the event the Commission declines or postpones rate unification in the 2021 Rate Case. These are provided in Exhibit RBD-2 Appendices I and II, respectively.

III. 2021 ACTUAL/ESTIMATED TRUE-UP CALCULATION

Q. Please explain the calculation of FPL's 2021 Actual/Estimated true-up amount.

A. The Actual/Estimated true-up amount for the period January 2021 through December 2021 is an over-recovery, including interest, of $742,850 (RBD-1 Appendix I, Form 1E). The Actual/Estimated true-up amount is calculated on Form 2E by comparing actual data for January 2021 and February 2021 and revised estimates for March 2021 through December 2021 to original projections for the same period. The over-recovery of $736,272 shown on line 5 plus the interest provision of $6,578 shown on line 6, which is calculated on Form 2E, results in the final over-recovery of $742,850 shown on line 11.

Q. Please explain the calculation of Gulf's 2021 Actual/Estimated true-up amount.

A. The Actual/Estimated true-up amount for the period January 2021 through December 2021 is an over-recovery, including interest, of $974,333 (RBD-1 Appendix II, Form 1E). The Actual/Estimated true-up amount is calculated on Form 2E by comparing actual data for January 2021 and February 2021 and revised estimates for March 2021 through December 2021 to original projections for the same period. The over-recovery of $973,139 shown on line 5 plus the interest provision of $1,195 shown on line 6, which is calculated on Form 2E, results in the final over-recovery of $974,333 shown on line 11.

Q. How do the actual/estimated program costs for January 2021 through December 2021 compare with original projections for the same period?

A. Form 6E (RBD-1 Appendix I and II) shows that total capital program revenue requirements for FPL are $882,176 and for Gulf are $388,060 lower than projected. Individual project capital costs and variances are explained by FPL witness Jarro and provided in Exhibits MJ-3 and MJ-4 attached to his testimony. No program O&M cost are being recovered in SPPCRC during 2021.

Q. Witness Jarro's Exhibits MJ-3 and MJ-4 show that the total 2021 spend for each of the SPP programs is largely unchanged from the projected amounts. What is driving the variance in capital revenue requirements?

A. The variance in program capital revenue requirements is due to changes in the timing of when the costs are incurred for each program and when plant goes in service.

Q. Please explain the variance in O&M and capital revenue requirements for the SPPCRC implementation costs for FPL and Gulf.

A. Form 4E - (RBD-1 Appendix I and II) shows that Actual/Estimated 2021 O&M implementation costs for FPL are $130,620 and for Gulf are $14,513 lower than projected. Form 6E (RBD-1 Appendix I and II) shows that implementation capital revenue requirements for FPL are $359,620 and for Gulf are $56,730 lower than projected. The variance in O&M and capital revenue requirements for the implementation costs is due to less resources being required for filing preparations and the timing of when the implementation costs were incurred.

IV. 2022 PROJECTED REVENUE REQUIREMENTS

Q. Please explain how the costs for the consolidated FPL Projected 2022 SPP revenue requirements were determined.

A. As explained by FPL witness Jarro, the consolidated 2022 SPP projects and associated costs are simply the sum of the 2022 SPP projects and costs included in the FPL and Gulf SPPs approved by the Commission. Thus, for purposes of calculating the consolidated 2022 SPP costs, the FPL and Gulf 2022 capital and O&M costs are simply combined to provide the sum total expenditures by SPP program. This data is provided in Form 6P - Program Description and Progress

Report attached to my testimony and Exhibit MJ-5 attached to the testimony of FPL witness Jarro.

Q. How does the 2021 Rate Case impact the costs to be recovered through the SPPCRC in 2022?

A. As part of FPL's 2021 Rate Case, FPL has proposed to move all O&M associated with the FPL and Gulf SPP programs and projects from base rates to the SPPCRC effective January 1, 2022, in order to align recovery of O&M program costs with their related capital expenditures. In addition, FPL has proposed to move all remaining SPP capital projects, and any related depreciation, not currently recovered through the SPPCRC (*i.e.*, Gulf's Transmission Inspection Program) from base rates to the SPPCRC effective January 1, 2022.

Q. Are these adjustments included in the 2022 SPP revenue requirements?

A. Yes. Each of the company adjustments referenced above are included in the calculation of the 2022 SPP revenue requirements.

Q. Are there other rate case adjustments that may impact amounts recovered through the SPPCRC.

A. Yes. There are other adjustments~~, such as changes in depreciation rates,~~ that will impact the amounts to be recovered through the SPPCRC. These adjustments are not included in the 2022 projections, but they will be reflected in the 2022 final true-up amount to be included in the 2023 SPPCRC factors.

Q. Will any of the 2022 SPP costs included in the 2022 SPPCRC projections be recovered through base rates or any other cost recovery mechanism?

A. No.

Q. Did FPL reflect an amount for the cost of removal or retirement of existing assets in its request for recovery of 2022 SPPCRC costs in this proceeding?

A. No. Cost of removal and retirements associated with the SPP programs for assets existing prior to 2021 will continue to be recovered through base rates.

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

A. Form 2P titled "Calculation of Annual Revenue Requirements for O&M Programs" shows the monthly O&M for the period January 2022 through December 2022. Form 3P titled "Calculation of Annual Revenue Requirements for Capital Investment Programs" shows the calculation of the monthly revenue requirements for the capital expenditures projected to be incurred during the period January 2022 through December 2022. The monthly capital revenue requirements include the debt and equity return grossed up for income taxes on the average monthly net investment, including construction work in progress, and depreciation and amortization expense. The identified recoverable costs are then allocated to retail customers using the appropriate separation factors provided in Appendix IV to Exhibit RBD-1.

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

A. Yes. Form 4P provides the allocation of costs to the retail rate classes. The allocation to the retail rate classes is consistent with the allocations used in FPL's cost of service study in the 2016 and 2021 rate cases. Transmission costs are allocated to all rate classes based on the 12 monthly Coincident Peaks (12CP). The distribution costs are allocated only to the distribution-level rate classes based on the Group Non-Coincident Peak (GCP). The transmission level rate classes are not allocated any distribution costs.

Q. Have you provided a schedule showing the calculation of projected SPP costs

being requested for recovery for the period January 2022 through December 2022?

A. Yes. Form 1P (page 1) in Exhibit RBD-1 Appendix III provides a summary of projected SPP costs being requested for recovery for the period January 2022 through December 2022. Total jurisdictional revenue requirements including true-up amounts and revenue taxes, are $233,114,170 (page 1, line 5). This amount includes the jurisdictional revenue requirements projected for the January 2022 through December 2022 period, which are $234,663,632 (page 1, line 1e), the actual/estimated true-up over-recovery of $1,717,183 for the January 2021 through December 2021 period (page 1, line 2). The detailed calculations supporting the 2021 actual/estimated true-up were provided in Exhibit RBD-1 Appendix I and II filed in this docket.

V. WACC CALCULATION

Q. Has FPL calculated the Weighted Average Cost of Capital ("WACC") in accordance with FPSC Order No. PSC-2020-0165-PAA-EU ("WACC Order") for the 2021 Actual/Estimated filing?

A. Yes. FPL has calculated the WACC in accordance with the WACC Order. The resulting after-tax WACCs to be applied to the 2021 actual/estimated SPPCRC capital investments for FPL and Gulf are 6.34% and 5.36%, respectively, which are each based on the respective 2021 Forecasted Earnings Surveillance Report and currently approved midpoint return on equity ("ROE"). These rates are also provided on Form 8E, Capital Structure and Cost Rates, in my Exhibit RBD-1 Appendix I and II.

Q. Has FPL calculated the WACC in accordance with the WACC Order for the

2022 Projection filing?

A Yes. The resulting after-tax WACC to be applied to the 2022 projected SPPCRC capital investments is 6.37%, which is based on the 2022 Test Year Rate Case forecast and currently approved midpoint ROE of 10.55%. The WACC is also provided on Form 7P, Capital Structure and Cost Rates, in my Exhibit RBD-1 Appendix III.

Q. Does this conclude your testimony?

A. Yes.

Corrected Direct Testimony Renae B. Deaton 2021
(clean format)

THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

DIRECT TESTIMONY OF RENAE B. DEATON

DOCKET NO. 20210010-EI

MAY 3, 2021

(Corrected via Errata Filed on July 1, 2021)

TABLE OF CONTENTS

I. INTRODUCTION

Q. Please state your name and address.

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

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

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

Q. Please describe your educational background and professional experience.

A. I hold a Bachelor of Science in Business Administration and a Master of Business Administration from Charleston Southern University. I have over 30 years' experience in retail and wholesale regulatory affairs, rate design and cost of service. Since joining FPL in 1998, I have held various positions in the rates and regulatory areas. Prior to my current position, I held the positions of Senior Manager of Cost of Service and Load Research and Senior Manager of Rate Design in the Rates and Tariffs Department. In 2016, I assumed my current position, where my duties include providing direction as to the appropriateness of inclusion of costs through a cost recovery clause, including oversight of the Storm Protection Cost Recovery Clause ("SPPCRC") for both FPL and Gulf Power Company ("Gulf"), and the overall preparation and filing of all cost recovery clause documents including testimony and discovery. Prior to joining FPL, I was employed at the South Carolina Public Service Authority (d/b/a Santee Cooper) for fourteen years, where I held a variety of positions in the Corporate Forecasting, Rates, and Marketing Department and in generation plant operations. As part of the various roles I have held with FPL, I have testified before this Commission on rate design and cost of service in base rate and clause recovery dockets. I have also testified before the Federal Energy Regulatory Commission supporting rates for wholesale power sales agreements and Open Access Transmission Tariffs.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present for Commission review and approval the 2021 Actual/Estimated SPPCRC true-up amounts for the period January 1, 2021 through December 31, 2021; and the 2022 SPPCRC Factors to be applied to bills issued during the projected period of January 1, 2022 through December 31, 2022.

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

A. Yes, I am sponsoring the following forms:

- **RBD-1 Appendix I: FPL 2021 Actual/Estimated SPPCRC**
  - Form 1E - Summary of Current Period Estimated True-Up
  - Form 2E - Calculation of True-Up Amount
  - Form 3E - Calculation of Interest Provision for True-Up Amount
  - Form 4E - Variance Report of Annual O&M Costs by Program
  - Form 5E - Calculation of Annual Revenue Requirements for O&M Programs
  - Form 6E - Variance Report of Annual Capital Investment Costs by Program
  - Form 7E Summary - Calculation of Annual Revenue Requirements for Capital Investment Programs
  - Form 7E - Capital - Estimated Revenue Requirements by Program
  - Form 8E – Approved Capital Structure and Cost Rates
- **RBD-1 Appendix II: Gulf 2021 Actual/Estimated SPPCRC**

- Form 1E - Summary of Current Period Estimated True-Up
- Form 2E - Calculation of True-Up Amount
- Form 3E - Calculation of Interest Provision for True-Up Amount
- Form 4E - Variance Report of Annual O&M Costs by Program
- Form 5E - Calculation of Annual Revenue Requirements for O&M Programs
- Form 6E - Variance Report of Annual Capital Investment Costs by Program
- Form 7E Summary - Calculation of Annual Revenue Requirements for Capital Investment Programs
- Form 7E - Capital - Estimated Revenue Requirements by Program
- Form 8E – Approved Capital Structure and Cost Rates

• **RBD-1 Appendix III: Consolidated FPL 2022 Projections**

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

- Form 7P - Approved Capital Structure and Cost Rates

- **RBD-1 Appendix IV - Retail Separation Factors**
- **RBD-1 Appendix V - Allocation of Implementation Costs Between Transmission and Distribution**

Also included in Exhibit RBD-1 Appendix III is Form 6P - Program Description and Progress Report, which is sponsored by FPL witness Jarro. These Commission Forms were used to calculate FPL's proposed SPPCRC factors for the period of January 1, 2022 through December 31, 2022.

In addition, I am sponsoring the following informational standalone FPL and Gulf schedules and exhibits for the projected 2022 Storm Protection Plan ("SPP") costs:

- **RBD-2 Appendix I: Supplemental Standalone FPL 2022 Projections**
  - Form 1P - Summary of Projected Period Recovery Amount
  - Form 2P - Calculation of Annual Revenue Requirements for O&M Programs
  - Form 2P - Projects - Project Listing by Each O&M Program
  - Form 3P - Calculation of the Total Annual Revenue Requirements for Capital Investment Programs
  - Form 3P - Projects - Project Listing by Each Capital Program
  - Form 3P - Capital - Calculation of Annual Revenue Requirements for Capital Investment by Program
  - Form 4P - Calculation of the Energy & Demand Allocation % By Rate Class
  - Form 5P - Calculation of the Cost Recovery Factors by Rate Class
  - Form 7P - Approved Capital Structure and Cost Rates

- **RBD-2 Appendix II: Supplemental Standalone Gulf 2022 Projections**
  - Form 1P - Summary of Projected Period Recovery Amount
  - Form 2P - Calculation of Annual Revenue Requirements for O&M Programs
  - Form 2P - Projects - Project Listing by Each O&M Program
  - Form 3P - Calculation of the Total Annual Revenue Requirements for Capital Investment Programs
  - Form 3 - Projects - Project Listing by Each Capital Program
  - Form 3P - Capital - Calculation of Annual Revenue Requirements for Capital Investment by Program
  - Form 4P - Calculation of the Energy & Demand Allocation % By Rate Class
  - Form 5P - Calculation of the Cost Recovery Factors by Rate Class
  - Form 7P - Approved Capital Structure and Cost Rates

These supplemental standalone exhibits and schedules are relevant only for purposes of supporting standalone FPL and Gulf 2022 SPPCRC Factors in the event the Commission declines FPL's request in the 2021 Rate Case pending in Docket No. 20210015 ("2021 Rate Case") to consolidate and unify the rates and tariffs applicable to all customers in the former FPL and Gulf service areas.

Q. What is the source of the data presented in your testimony and/or exhibits?

A. The data presented in my testimony and supporting schedules is taken from FPL's and Gulf's books and records. The books and records are kept in the regular course of the Company's business in accordance with generally accepted accounting principles and practices, as well as the provisions of the Uniform System of Accounts as prescribed by this Commission. The data for the FPL and Gulf actual/estimated 2021 SPP costs is provided in Exhibits MJ-3 and MJ-4 attached to the testimony of FPL witness Jarro and Form 6P - Program Description and Progress Report provided in Exhibit RBD-1 Appendix III attached to my testimony. The data for the consolidated FPL 2022 SPP costs is provided in Exhibit MJ-5 attached to the testimony of FPL witness Jarro and Form 6P - Program Description and Progress Report provided in Exhibit RBD-1 Appendix III attached to my testimony. For purposes of the supplemental standalone FPL and Gulf 2022 SPP costs, this data is provided in Exhibits MJ-6 and MJ-7 attached to the direct testimony of FPL witness Jarro. The actual/estimated 2021 SPP costs and projected 2022 SPP costs are consistent with the projections provided in FPL's and Gulf's 2020-2029 Storm Protection Plans approved by the Commission in Docket Nos. 20200070-EI and 20200071-EI, which are provided in Exhibits MJ-1 and MJ-2 attached to the testimony of FPL witness Jarro.

Q. Does this filing include a final true-up of any SPP costs incurred in 2020?

A. No. In the Stipulation and Settlement Agreement approved by Commission Order No. PSC-2020-0293-AS-EI, FPL and Gulf committed they would not seek recovery of the 2020 SPP project costs through the SPPCRC. Therefore, the submission in this proceeding does not address or include any SPP project costs incurred by FPL or Gulf in 2020.

II. THE FPL AND GULF MERGER

Q. How does the merger between FPL and Gulf impact the calculation of the 2021 Actual/Estimated true-up calculation and Projected 2022 SPP to be recovered through the SPPCRC?

A. As explained by FPL witness Jarro, Gulf was legally merged into FPL on January

1, 2021. However, FPL and Gulf remained separate ratemaking entities and have continued to implement the programs and projects included in the Commission-approved FPL and Gulf SPPs. Thus, the legal merger of FPL and Gulf has no impact to the calculated revenue requirements for the January 2021 to December 2021 Actual/Estimated period. For purposes of the 2021 SPPCRC actual/estimated true-up, FPL and Gulf are providing separate schedules and exhibits in support of the FPL and Gulf actual/estimated 2021 SPP costs because, although legally merged, FPL and Gulf remain separate ratemaking entities through 2021. These are provided in Exhibit RBD-1 Appendices I and II.

Because FPL and Gulf will be operationally and functionally integrated in 2022 and have requested to consolidate and unify the FPL and Gulf base rates effective January 1, 2022, as explained by FPL witness Jarro, FPL and Gulf are providing consolidated schedules in support of the consolidated FPL Projected 2022 SPP revenue requirements, which are provided in Exhibit RBD-1 Appendix III. However, as previously explained, this filing also includes informational 2022 standalone FPL and Gulf schedules for the projected 2022 SPP revenue requirements, which are relevant only for purposes of supporting the 2022 SPPCRC Factors in the event the Commission declines or postpones rate unification in the 2021 Rate Case. These are provided in Exhibit RBD-2 Appendices I and II, respectively.

III. 2021 ACTUAL/ESTIMATED TRUE-UP CALCULATION

Q. Please explain the calculation of FPL's 2021 Actual/Estimated true-up amount.

A. The Actual/Estimated true-up amount for the period January 2021 through December 2021 is an over-recovery, including interest, of $742,850 (RBD-1 Appendix I, Form 1E). The Actual/Estimated true-up amount is calculated on Form 2E by comparing actual data for January 2021 and February 2021 and revised estimates for March 2021 through December 2021 to original projections for the same period. The over-recovery of $736,272 shown on line 5 plus the interest provision of $6,578 shown on line 6, which is calculated on Form 2E, results in the final over-recovery of $742,850 shown on line 11.

Q. Please explain the calculation of Gulf's 2021 Actual/Estimated true-up amount.

A. The Actual/Estimated true-up amount for the period January 2021 through December 2021 is an over-recovery, including interest, of $974,333 (RBD-1 Appendix II, Form 1E). The Actual/Estimated true-up amount is calculated on Form 2E by comparing actual data for January 2021 and February 2021 and revised estimates for March 2021 through December 2021 to original projections for the same period. The over-recovery of $973,139 shown on line 5 plus the interest provision of $1,195 shown on line 6, which is calculated on Form 2E, results in the final over-recovery of $974,333 shown on line 11.

Q. How do the actual/estimated program costs for January 2021 through December 2021 compare with original projections for the same period?

A. Form 6E (RBD-1 Appendix I and II) shows that total capital program revenue requirements for FPL are $882,176 and for Gulf are $388,060 lower than projected. Individual project capital costs and variances are explained by FPL witness Jarro and provided in Exhibits MJ-3 and MJ-4 attached to his testimony. No program O&M cost are being recovered in SPPCRC during 2021.

Q. Witness Jarro's Exhibits MJ-3 and MJ-4 show that the total 2021 spend for each of the SPP programs is largely unchanged from the projected amounts. What is driving the variance in capital revenue requirements?

A. The variance in program capital revenue requirements is due to changes in the timing of when the costs are incurred for each program and when plant goes in service.

Q. Please explain the variance in O&M and capital revenue requirements for the SPPCRC implementation costs for FPL and Gulf.

A. Form 4E - (RBD-1 Appendix I and II) shows that Actual/Estimated 2021 O&M implementation costs for FPL are $130,620 and for Gulf are $14,513 lower than projected. Form 6E (RBD-1 Appendix I and II) shows that implementation capital revenue requirements for FPL are $359,620 and for Gulf are $56,730 lower than projected. The variance in O&M and capital revenue requirements for the implementation costs is due to less resources being required for filing preparations and the timing of when the implementation costs were incurred.

IV. 2022 PROJECTED REVENUE REQUIREMENTS

Q. Please explain how the costs for the consolidated FPL Projected 2022 SPP revenue requirements were determined.

A. As explained by FPL witness Jarro, the consolidated 2022 SPP projects and associated costs are simply the sum of the 2022 SPP projects and costs included in the FPL and Gulf SPPs approved by the Commission. Thus, for purposes of calculating the consolidated 2022 SPP costs, the FPL and Gulf 2022 capital and O&M costs are simply combined to provide the sum total expenditures by SPP program. This data is provided in Form 6P - Program Description and Progress

Report attached to my testimony and Exhibit MJ-5 attached to the testimony of FPL witness Jarro.

Q. How does the 2021 Rate Case impact the costs to be recovered through the SPPCRC in 2022?

A. As part of FPL's 2021 Rate Case, FPL has proposed to move all O&M associated with the FPL and Gulf SPP programs and projects from base rates to the SPPCRC effective January 1, 2022, in order to align recovery of O&M program costs with their related capital expenditures. In addition, FPL has proposed to move all remaining SPP capital projects, and any related depreciation, not currently recovered through the SPPCRC (*i.e.*, Gulf's Transmission Inspection Program) from base rates to the SPPCRC effective January 1, 2022.

Q. Are these adjustments included in the 2022 SPP revenue requirements?

A. Yes. Each of the company adjustments referenced above are included in the calculation of the 2022 SPP revenue requirements.

Q. Are there other rate case adjustments that may impact amounts recovered through the SPPCRC.

A. Yes. There are other adjustments that will impact the amounts to be recovered through the SPPCRC. These adjustments are not included in the 2022 projections, but they will be reflected in the 2022 final true-up amount to be included in the 2023 SPPCRC factors.

Q. Will any of the 2022 SPP costs included in the 2022 SPPCRC projections be recovered through base rates or any other cost recovery mechanism?

A. No.

Q. Did FPL reflect an amount for the cost of removal or retirement of existing assets in its request for recovery of 2022 SPPCRC costs in this proceeding?

A. No. Cost of removal and retirements associated with the SPP programs for assets existing prior to 2021 will continue to be recovered through base rates.

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

A. Form 2P titled "Calculation of Annual Revenue Requirements for O&M Programs" shows the monthly O&M for the period January 2022 through December 2022. Form 3P titled "Calculation of Annual Revenue Requirements for Capital Investment Programs" shows the calculation of the monthly revenue requirements for the capital expenditures projected to be incurred during the period January 2022 through December 2022. The monthly capital revenue requirements include the debt and equity return grossed up for income taxes on the average monthly net investment, including construction work in progress, and depreciation and amortization expense. The identified recoverable costs are then allocated to retail customers using the appropriate separation factors provided in Appendix IV to Exhibit RBD-1.

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

A. Yes. Form 4P provides the allocation of costs to the retail rate classes. The allocation to the retail rate classes is consistent with the allocations used in FPL's cost of service study in the 2016 and 2021 rate cases. Transmission costs are allocated to all rate classes based on the 12 monthly Coincident Peaks (12CP). The distribution costs are allocated only to the distribution-level rate classes based on the Group Non-Coincident Peak (GCP). The transmission level rate classes are not allocated any distribution costs.

Q. Have you provided a schedule showing the calculation of projected SPP costs

being requested for recovery for the period January 2022 through December 2022?

A. Yes. Form 1P (page 1) in Exhibit RBD-1 Appendix III provides a summary of projected SPP costs being requested for recovery for the period January 2022 through December 2022. Total jurisdictional revenue requirements including true-up amounts and revenue taxes, are $233,114,170 (page 1, line 5). This amount includes the jurisdictional revenue requirements projected for the January 2022 through December 2022 period, which are $234,663,632 (page 1, line 1e), the actual/estimated true-up over-recovery of $1,717,183 for the January 2021 through December 2021 period (page 1, line 2). The detailed calculations supporting the 2021 actual/estimated true-up were provided in Exhibit RBD-1 Appendix I and II filed in this docket.

V. WACC CALCULATION

Q. Has FPL calculated the Weighted Average Cost of Capital ("WACC") in accordance with FPSC Order No. PSC-2020-0165-PAA-EU ("WACC Order") for the 2021 Actual/Estimated filing?

A. Yes. FPL has calculated the WACC in accordance with the WACC Order. The resulting after-tax WACCs to be applied to the 2021 actual/estimated SPPCRC capital investments for FPL and Gulf are 6.34% and 5.36%, respectively, which are each based on the respective 2021 Forecasted Earnings Surveillance Report and currently approved midpoint return on equity ("ROE"). These rates are also provided on Form 8E, Capital Structure and Cost Rates, in my Exhibit RBD-1 Appendix I and II.

Q. Has FPL calculated the WACC in accordance with the WACC Order for the

2022 Projection filing?

A Yes. The resulting after-tax WACC to be applied to the 2022 projected SPPCRC capital investments is 6.37%, which is based on the 2022 Test Year Rate Case forecast and currently approved midpoint ROE of 10.55%. The WACC is also provided on Form 7P, Capital Structure and Cost Rates, in my Exhibit RBD-1 Appendix III.

Q. Does this conclude your testimony?

A. Yes.

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

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

MARK R. ROCHE

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

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

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

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

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

A. The purpose of my testimony is to present and support for Commission review and approval the company's actual SPP programs related true-up costs incurred during the January through December 2020 period.

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

A. Yes. Exhibit No. MRR-1, entitled "Tampa Electric Company, Schedules Supporting Storm Protection Cost Recovery Factor, Actual for the period January 2020–December 2020" was prepared under my direction and supervision. This Exhibit includes Schedules A-1 through

A-9 which support the company's actual and prudent SPP program related true-up costs incurred during the January through December 2020 period.

Q. Will any other witnesses testify in support of Tampa Electric's actual January through December 2020 SPP costs?

A. Yes. David L. Plusquellic will testify on the actual 2020 SPP program achievements and provide specific detail regarding variances that support Tampa Electric's actual January through December 2020 SPP costs.

Q. What were the actual net SPP costs incurred by Tampa Electric in the period of January through December 2020?

A. For the period of January through December 2020, Tampa Electric incurred actual net SPP costs of $4,996,136.

Q. What is the final end of period true-up amount for the SPPCRC for January through December 2020?

A. The final SPPCRC end of period true-up for January through December 2020 is an under-recovery, including interest, of $4,996,136. This calculation is detailed on

Schedule A-1, page 1 of 1.

Q. Please summarize how Tampa Electric's actual SPP program costs for January through December 2020 period compare to the actual/estimated costs presented in Docket No. 20200092-EI?

A. For the period, January through December 2020, Tampa Electric had a variance of $990,560 or 16.5 percent less than the estimated amount. The estimated total SPP program costs were projected to be $5,986,696 which was the amount approved in Order No. PSC 2020-0293-AS-EI, issued August 28, 2020 as compared to the incurred actual net SPP costs of $4,996,136.

Q. Tampa Electric included a projected number of incurred expenses of $16,435,191 in the company's 2020 SPPCRC projection, why is this number different than the $5,986,696?

A. The $16,435,191 figure reflects the expenses prior to the implementing of the Tampa Electric's 2020 Settlement Agreement, which included an adjustment of $10,400,000 for 2020 to ensure that SPP costs would not be recovered in base rates and the SPP at the same time. The amount difference also includes the appropriate adjustment to recognize the Federal Energy Regulatory Commission transmission jurisdictional separation and revenue tax factor.

Q. Please summarize the reasons why the actual expenses were less than projected expenses by $990,560?

A. Each SPP program’s detailed variance and common variance contribution is shown on Schedules A-4, Page 1 of 1 and A-6, Page 1 of 1. The variance explanations that summarize why the actual expenses were less than projected are detailed in the testimony of David L. Plusquellic.

Q. Are all costs listed on Schedules A-5 and A-7 directly related to the Commission’s approved SPP programs?

A. Yes.

Q. When did Tampa Electric initiate SPP activities with the Commission approved 2020-2029 Ten-Year SPP?

A. Tampa Electric initiated some SPP activities after the filing of the 2020-2029 SPP on April 10, 2020 to prepare for the full implementation following the Commission's approval of the company's 2020-2029 SPP.

Q. Did Tampa Electric seek to recover costs that were incurred prior to the company's filing of its 2020-2029 SPP?

A. Yes. Tampa Electric communicated in the company's Commission approved 2020-2029 SPP and subsequent Commission approved SPPCRC Projection that the company incurred incremental costs in the development of the SPP since this is Tampa Electric's first SPP and since the company has never performed the level of work necessary to ensure the success of the company's SPP.

Q. Did the company include any costs that are currently recovered in base rates?

A. No, the company entered into the 2020 Settlement Agreement, which was approved by the Commission on June 9, 2020. The 2020 Settlement Agreement ensures that no SPP costs recovered through the SPPCRC are also recovered through base rates.

Q. Should Tampa Electric's costs incurred during the January through December 2020 period for the SPP be approved by the Commission?

A. Yes, the costs incurred were prudent and directly related to the Commission’s approved SPP programs and should be approved.

Q. Does that conclude your testimony?

A. Yes, it does.

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

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

MARK R. ROCHE

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

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

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

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

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

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

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

A. The purpose of my testimony is to present, for Commission approval: (1) the calculation of the January 2021 through December 2021 Storm Protection Plan actual/estimated amounts to be recovered in the January 2022 through December 2022 projection period; (2) the calculation of the January 2022 through December 2022 Storm Protection Plan projected amounts to be recovered in the January

2022 through December 2022 projection period; and (3) the proposed 2022 SPPCRC cost recovery factors. I will describe the process used to develop the company's SPPCRC projections, which complies with Rule 25-6.031, Florida Administrative Code ("F.A.C.") and Section 366.96, Florida Statutes. The projected 2022 SPPCRC factors have been calculated based on the current approved allocation methodology.

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

A. Yes. Exhibit No. MRR-2 was prepared under my direction and supervision. Exhibit No. MRR-2 includes Schedules P-1 through P-4 and associated data which support the development of the storm protection plan cost recovery factors for January through December 2022 using the Commission approved cost of service allocation factors that were approved in Tampa Electric's 2013 Cost of Service Study prepared in Docket No. 20130040-EI, which was used for the company's current (non-SoBRA) base rate design. I am also providing the development of the storm protection plan cost recovery factors for January through December 2022 using the proposed cost of service allocation factors that are part of Tampa Electric's 2021 petition for rate increase in Docket No. 20210034-EI.

Q. Does the Exhibit No. MRR-2 meet the requirements of Rule 25-6.031(b), which requires the actual/estimated filing to include revenue requirements based on a comparison of current year actual/estimated costs and the previously-filed projected costs and revenue requirements for the current year?

A. Yes, it does.

Q. Does the Exhibit No. MRR-2 meet the requirement of Rule 25-6.031(b) to include a description of the work projected to be performed during the current year for each program and project in the utility's cost recovery petition?

A. Yes, it does.

Q. Does the Exhibit No. MRR-2 meet the requirements of Rule 25-6.031(c), which requires the projected year to include costs and revenue requirements for the subsequent year for each program filed in the company's cost recovery petition?

A. Yes, it does.

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

A. Yes, it does.

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

A. Yes. David L. Plusquellic will testify regarding the company's storm protection programs and provide specific detail regarding the work performed in 2021 and projected to be performed in the remainder of 2021 and in 2022 for each Storm Protection Program in the company's cost recovery petition. This detail includes costs, a description of the work to be performed, and an explanation how the activities are consistent with Tampa Electric's 2020-2029 Storm Protection Plan.

Process to Develop the Company's SPPCRC Projections

Q. What costs are encompassed in Tampa Electric's 2021 annual estimated/actual filing?

A. Tampa Electric developed its 2021 annual estimated/actual true-up filing showing actual and projected common costs and individual program costs based upon two months of actuals and ten months of estimates.

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

A. The actual costs incurred by Tampa Electric for January through February 2021 and projected for March through December 2021 are $142,892,486. A summary of these costs and estimates are fully detailed in Exhibit No. MRR-2, Storm Protection Plan Costs Projected – Actual and Projected, pages 68 through 94.

Q. Has Tampa Electric proposed any new or modified Storm Protection Programs for SPPCRC cost recovery for the period January through December 2022 that were not included in the company's proposed Storm Protection Plan that is currently being reviewed for approval by the

Florida Public Service Commission in Docket No. 20200067-EI?

A. No, at this time Tampa Electric is not proposing any new or modified programs for SPPCRC cost recovery for the period January through December 2022. The company is in the process of developing the next ten-year Storm Protection Plan which will cover the 2022-2031 period. If there are any new or modified programs within the new 2022-2031 period, the company will seek to start SPPCRC cost recovery for these new or modified programs in 2023.

Q. Will you please describe the Storm Protection Plan costs that Tampa Electric projects it will incur during the period of January through December 2022?

A. Tampa Electric has estimated that the total storm protection costs during the 2022 period will be $182,237,308. A summary of these costs and estimates is fully detailed in Exhibit No. MRR-2, Storm Protection Plan Costs - Projected, pages 37 through 67.

DEVELOPMENT AND CALCULATION OF THE PROJECTED ANNUAL REVENUE REQUIREMENTS FOR 2021 and 2022

Q. What are the projected annual revenue requirements for

Tampa Electric's SPP activities in 2021 and 2022?

A. The projected annual revenue requirements for the company's SPP activities for 2021 and 2022 are included below.

Total Projected SPP Revenue Requirement (2021-2022)

2021	$33,526,167
2022	$49,955,618

The revenue requirements of each SPP program are detailed further in my Exhibit No. MRR-2.

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

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

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

A. No, as explained further below the company agreed to procedures during the development of the company's initial SPPCRC in 2020 that are designed to avoid double recovery of SPP costs through both base rates and the SPPCRC.

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

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

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

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

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

A. Yes, Rule 25-6.031 (6)(c) states that the utility may recover a return on the undepreciated balance of the asset costs through the SPPCRC. As a result, this return was included in the estimated annual jurisdictional revenue requirement. In accordance with the Order No. PSC-2020-0165-PAA-EU issued on May 20, 2020 within Docket No. 20200118-EU, Amended unopposed joint motion to modify Order PSC-2012-0425-PAA-EU regarding weighted average cost of capital methodology, Tampa Electric calculated a return on the undepreciated balance of the asset costs using the projected mid-point return on equity 13-month average weighted average cost of capital for 2022.

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

A. No, per Rule 25-6.0141, F.A.C, in order for projects to be eligible for AFUDC, they must involve "gross additions to plant in excess of 0.5 percent of the sum of the total balance in Account 101, Electric Plant in Service, and Account 106, Completed Construction not Classified, at the time the project commences and are expected to be completed in excess of one year after commencement of construction." None of the projects proposed in Tampa Electric's 2021-2022 SPP meet the criteria for AFUDC eligibility.

Q. Is the 2022 total projected revenue requirement of $49,955,618 the amount that Tampa Electric will seek to recover in 2022 in the SPPCRC?

A. No, Tampa Electric adjusted this amount to recognize the true-up over-recovery that is occurring in 2021. This true-up over recovery is resulting from the actual amount spent in 2020 was lower than the amount that was projected to be spent and recovered in 2021 and because of a similar over-recovery for the actual-estimated 2021 period.

Q. What were these over-recovery amounts?

A. Both over-recovery amounts are occurring in 2021 to recognize the two periods, 2020 and 2021, because cost recovery did not exist in 2020. The true-up recognized for the 2020 period is an over-recovery of $990,560, including interest, and for the 2021 period an additional over-recovery of $443,115, including interest, for a total end of period over-recovery $1,433,675.

Q. Did Tampa Electric reduce the revenue requirements for 2022 by this $1,433,675?

A. Yes, it did.

Q. How did Tampa Electric recognize this reduction in revenue requirements?

A. To recognize this revenue requirement reduction due to an over-recovery, the company first analyzed the actual 2020 costs versus projected costs and the projection of 2021 costs performed in 2020 versus the actual/estimated 2021 costs for each for each program/activity to determine how each program and activity contributed to the over-recovery amounts. The company sorted each of these costs into the appropriate distribution or transmission function. Once this was done, the company adjusted the 2022 revenue requirements to recognize the over-recovery.

Q. How much of this over-recovery is related to distribution and how much to transmission related activities?

A. The company recognized a $1,269,194 reduction in revenue requirements for distribution activities and a $164,481 reduction in revenue requirements for transmission activities. These reductions together recognize the $1,433,675 of over-recovery that needed to be refunded in the 2022 period.

AVOIDANCE OF DOUBLE RECOVERY

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

A. The company has taken two main steps to ensure that the costs recovered through the SPPCRC do not include any costs that are already recovered through base rates. First, the company has implemented internal procedures to accurately track SPP costs. Second, the company entered into an agreement approved by the Commission known as the

2020 Settlement Agreement. This Agreement includes a method for avoiding double recovery of SPP costs.

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

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

Q. What is the Tampa Electric 2020 Settlement Agreement?

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

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

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

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

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

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

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

Q. Did the company reduce base rates by the annual amount of $14,876,228.78 beginning in 2021?

A. Yes, it did.

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

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

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

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

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

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

Q. Did the company implement these four accounting protocols for capital items to avoid double recovery?

A. Yes, it has.

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

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

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

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

METHOD OF DERIVING JURISDICTIONAL REVENUE REQUIREMENTS AND THEN ALLOCATING THOSE COSTS TO DERIVE SPPCRC CHARGES FOR 2022

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

A. Yes, the company applied the most recent jurisdictional transmission factor to the O&M and capital transmission costs to recognize the retail portion of the revenue requirements ensuring the SPPCRC did not double recover those amounts collected from the company's Open Access Transmission Tariff. Tampa Electric provides wholesale transmission service to some utilities under its Open Access Transmission Tariff ("OATT") and to avoid double recovery, a portion of the total transmission related project costs must be jurisdictionally separated before being identified for cost recovery through the SPPCRC. Tampa Electric does not provide any wholesale distribution service and so 100 percent of those project costs can be called jurisdictional and thus totally recovered through the SPPCRC from retail customers.

Q. What were the total proposed storm protection revenue requirements for the period January through December 2022 prior to and after using the appropriate jurisdictional factor to recognize those transmission costs?

A. The total proposed storm protection revenue requirements for the period January through December 2022 prior to the jurisdictional separation for transmission was $49,955,618. After performing the transmission jurisdictional separation and recognizing the prior period over-recovery amounts, the total revenue requirements are $47,920,654. After performing the transmission jurisdictional separation and over-recovery adjustment, this value is adjusted by the revenue tax factor to obtain the total proposed revenue requirements that will be sought for approval through the SPPCRC in 2022. The details of these calculations are included in my Exhibit No. MRR-2,

- 2022 Billing Determinants and Allocation Factors (Docket No. 20130040-EI, Cost of Service Methodology), page 33.
- 2022 Billing Determinants and Allocation Factors (Docket No. 20210034-EI, Cost of Service Methodology), page 34.
- Summary of Cost Recovery Clause Calculation (Docket No. 20130040-EI, Cost of Service Methodology), page 35.
- Summary of Cost Recovery Clause Calculation (Docket No. 20210034-EI, Cost of Service Methodology), page 36.

Q. Were there any other adjustments made to the company’s 2022 SPP revenue requirements prior to separating these costs jurisdictionally for retail cost recovery?

A. No.

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

A. For each year, the programs were itemized and identified as either substation, transmission, or distribution costs. Each of those functionalized costs was then allocated to rate class using the allocation factors for that function. The allocation factors were from the Tampa Electric 2013 Cost of Service Study prepared in Docket No. 20130040-EI, which was used for the company's current (non-SoBRA) base rate design. Once the total SPP revenue requirement recovery allocation to the rate classes was derived, the rates were determined in the same manner. For Residential, the charge is a kWh charge. For both Commercial and Industrial, the charge is a kW charge. The charges are derived by dividing the rate class allocated SPP revenue requirements by the 2022 energy billing determinants (for residential) and by the 2022 demand billing determinants (for commercial and industrial). Those charges were then applied to the billing determinants associated with typical bills for each group to calculate the impact on those bills. In addition, at the time of this filing, Tampa Electric is petitioning the Commission for a rate increase in Docket No. 20210034-EI. The company used the proposed allocation factors from the rate increase proceeding to perform a second calculation. This methodology, using the 2013 Cost of Service Methodology and the proposed 2021 Cost of Service Methodology, is shown in my Exhibit No. MRR-2.

Q. Will the rate impacts established through the 2022 SPPCRC differ from those presented in the rate impact calculations that were provided in the company's SPP that was filed on April 10, 2020?

A. Yes, the rate impacts presented in the company's SPP reflected the "all-in" costs of the company's SPP without regard to whether the costs would be recovered through the SPPCRC or through the company's base rates and charges. Since that time, the Commission approved the 2020 Settlement Agreement, which sets out a methodology for separating SPPCRC and base rate recovery and for avoiding double recovery. Additionally, the values utilized in the SPPCRC have been reduced to the retail jurisdictional amount. Furthermore, the company used the then-existing billing determinants to develop the rate estimates in the SPP. The rate estimates presented here are based on more recent billing determinant forecasts for 2022, which are in turn based on the most current load forecast.

Q. In the development of the proposed 2022 SPPCRC factors, did the company use the most recent billing determinants, within the most current load forecast?

A. Yes, the 2022 SPPCRC factors are based upon the company's most current load forecast (load forecast for 2022).

SPPCRC Factors for 2022

Q. Please summarize the total proposed storm protection costs for the period January 2021 through December 2022 and the annualized recovery factors applicable for the period January through December 2022 using the current approved cost of service.

A. Tampa Electric has estimated that the total storm protection jurisidictionalized revenue requirements, including adjustment by the revenue tax factor during the period will be $47,955,157. The January through December 2022 cost recovery factors allocated based upon the company's 2013 Cost of Service Study prepared in Docket No. 20130040-EI, which was used for the company's current (non-SoBRA) base rate for firm retail rate classes are as follows:

Rate Schedule	**Cost Recovery Factors (cents per kWh)**
RS	0.291
GS and CS	0.292
GSD Optional – Secondary	0.197
GSD Optional – Primary	0.195
GSD Optional – Subtransmission	0.193
LS-1 and LS-2	0.514

Rate Schedule	**Cost Recovery Factors (dollars per kW)**
GSD – Secondary	0.84
GSD – Primary	0.83
GSD – Subtransmission	0.82
SBF – Secondary	0.84
SBF – Primary	0.83
SBF – Subtransmission	0.82
IS - Primary	0.11
IS - Subtransmission	0.11

Exhibit No. MRR-2, Summary of Cost Recovery Clause Calculation (Docket No. 20130040-EI, Cost of Service Methodology) page 35 details these estimates.

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

A. Yes, it has.

Q. Please summarize the total proposed storm protection costs for the period January 2021 through December 2022 and the annualized recovery factors applicable for the period January through December 2022 using the proposed cost of service allocation in Docket No. 20210034-EI that is currently underway.

A. Tampa Electric has estimated that the total storm protection jurisidictionalized revenue requirements for the 2022 period, including adjustment by the revenue tax factor during the period will be $47,955,157. The January through December 2022 cost recovery factors allocated based upon the company's proposed 2021 Cost of

Service Study prepared in Docket No. 20210034-EI for firm retail rate classes are as follows:

Rate Schedule	**Cost Recovery Factors (cents per kWh)**
RS	0.310
GS and CS	0.249
GSD Optional – Secondary	0.190
GSD Optional – Primary	0.188
GSD Optional – Subtransmission	0.186
LS-1 and LS-2	0.229

Rate Schedule	**Cost Recovery Factors (dollars per kW)**
GSD – Secondary	0.80
GSD – Primary	0.79
GSD – Subtransmission	0.78
SBD – Secondary	0.80
SBD – Primary	0.79
SBD – Subtransmission	0.78
GSLD - Primary	0.69
GSLD - Subtransmission	0.05

Exhibit No. MRR-2, Summary of Cost Recovery Clause

Calculation (Docket No. 20210034-EI, Cost of Service Methodology) page 36 details these estimates.

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

A. No, as described above, the 2020 Settlement Agreement includes a reduction of $15 million from base rates that started at the beginning of 2021.

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

A. This $15 million reduction of base rates provided the following base rate reduction at secondary service for residential and general service demand and at primary service for interruptible service rates as follows:

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

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

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

A. Yes, using the same typical bill assumptions that were provided in the company's 2020-2029 Storm Protection Plan filing, the typical monthly electric bill increases for residential, general service demand at secondary service and at primary service for an interruptible service class customer are as follows:

Docket No. 20130040-EI, Cost of Service Methodology

Residential customer using 1,000 kWh: $2.91

Commercial customer using 1,000 kW of Demand at 60 percent load factor: $504

Industrial customer using 10,000 kW of Demand at 60 percent load factor: $660

Using similar typical bill assumptions that were provided in the company's 2020-2029 Storm Protection Plan filing, the typical monthly electric bill increases for residential, general service demand at secondary service and at primary service for an interruptible service class customer are as follows:

<u>Docket No. 20210034-EI, Cost of Service Methodology</u>

Residential customer using 1,000 kWh: $3.10

Commercial customer using 1,000 kW of Demand at 60 percent load factor: $414

Industrial customer using 10,000 kW of Demand at 60 percent load factor: $4,140

Q. Does this conclude your testimony?

A. Yes, it does.

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

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

DAVID L. PLUSQUELLIC

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

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

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

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

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

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

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

A. The purpose of my testimony is to present and support for Commission review and approval of the company's actual

SPP costs and accomplishments incurred during the January through December 2020 period. My testimony will also provide the specific detail regarding variances that support Tampa Electric's actual January through December 2020 SPP costs.

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

A. Yes. Exhibit No. DLP-1, entitled "Tampa Electric Company, 2020 Storm Protection Plan Accomplishments" was prepared under my direction and supervision.

Q. How is your testimony organized?

A. My testimony is organized by each of the company's SPP Programs, which includes a description of the program, describes the 2020 SPP accomplishments and includes any detail when necessary for the variances between the projected and actual January through December 2020 SPP costs.

Q. Will your testimony address these topics for each of the SPP Programs for which the company incurred costs in 2020?

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

Distribution Lateral Undergrounding

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

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

Q. How many Distribution Lateral Underground projects were planned for 2020?

A. During the period, April 10, 2020 to December 31, 2020, Tampa Electric projected that there would be 134 projects initiated.

Q. How many Distribution Lateral Underground projects did the company initiate in 2020?

A. During the period, April 10, 2020 to December 31, 2020, Tampa Electric initiated 138 projects which is detailed in my Exhibit No. DLP-1.

Q. What was the cost variance in the Distribution Lateral Underground in 2020?

A. During the period, April 10, 2020 to December 31, 2020, the Distribution Lateral Underground program had a variance in revenue requirements of $80,250 under budget.

Q. Can you explain why this project count is different and what contributed to the variance amount?

A. Yes, Tampa Electric initiated the field assessment and preliminary design process on 138 projects compared to 134 projects in the original forecast. The contingent of internal and external resources were able to start four additional projects more than was originally forecast. Tampa Electric originally forecast to start and complete two construction projects in 2020. Tampa Electric was only able to begin construction on one project in 2020 and made less progress in construction than originally projected.

Transmission Asset Upgrades

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

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

Q. How many Transmission Asset Upgrade projects were planned for 2020?

A. Tampa Electric projected that 21 projects would be initiated, and nine projects would be completed between April 10, 2020 and December 31, 2020.

Q. How many Transmission Asset Upgrade projects did the company complete in 2020?

A. During the period, April 10, 2020 to December 31, 2020, Tampa Electric completed five projects that consisted of replacing 181 wood poles with non-wood structures which is detailed in my Exhibit No. DLP-1.

Q. What was the cost variance in the Transmission Asset Upgrades program in 2020?

A. During the period, April 10, 2020 to December 31, 2020, the Transmission Asset Upgrades program had a variance in revenue requirements of $76,902 under budget.

Q. Can you explain why this project completion count is different than the projected amount and what contributed to the variance amount?

A. Yes. The main reason was due to Tampa Electric construction resources being pulled to provide mutual assistance for other utilities during storm season. The company estimates that approximately two months of SPP construction work was impacted. Tampa Electric added internal construction resources as they became available to attempt to minimize any delays that were occurring. The company has also been gaining valuable lessons learned in operating this program as a proactive replacement program versus a reactive replacement program upon failure as in the past. These lessons learned include more realistic replacement times and the importance of designing and engineering projects sooner, so that any issues found can be navigated prior to experiencing any delays or causing any down time of construction.

Substation Extreme Weather Hardening

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

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

Q. How many Substation Extreme Weather Hardening projects were planned for 2020?

A. Tampa Electric proposed no projects for the April 10, 2020 to December 31, 2020 period.

Q. How many Substation Extreme Weather Hardening projects did the company complete in 2020?

A. The company did not complete or start any Substation Extreme Weather Hardening projects during the April 10, 2020 to December 31, 2020 period.

Q. What was the cost variance in the Substation Extreme Weather Hardening program in 2020?

A. During the period, April 10, 2020 to December 31, 2020, the Substation Extreme Weather Hardening program had a variance in revenue requirements of $0, as the company had no costs in this program.

Distribution Overhead Feeder Hardening

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

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

Q. How many Distribution Overhead Feeder Hardening projects were planned for 2020?

A. Tampa Electric projected to initiate 13 Distribution Overhead Feeder Hardening projects in 2020.

Q. How many Distribution Overhead Feeder Hardening projects did the company initiate in 2020?

A. During the period, April 10, 2020 to December 31, 2020, Tampa Electric initiated five Distribution Overhead

Feeder Hardening projects which included the installation of several pieces of storm protection equipment. The detail of these projects is included in my Exhibit No. DLP-1.

Q. What was the cost variance in the Distribution Overhead Feeder Hardening program in 2020?

A. During the period, April 10, 2020 to December 31, 2020, the Distribution Overhead Feeder Hardening program had a variance in revenue requirements of $39,986 under budget. The variance was driven by completing less construction that was originally forecast.

Q. Can you explain why this project completion count is different than the projected amount and what contributed to the variance amount?

A. Yes. The main reason was due to Tampa Electric construction resources being pulled to provide mutual assistance for other utilities during an active 2020 tropical storm season. The company estimates that approximately two months of SPP construction work was impacted. The company has also been gaining valuable lessons learned in operating this program with several separate internal and external departments. These lessons learned include more realistic construction times, the importance of designing and engineering projects sooner so that any issues found can be navigated prior to experiencing any delays and the importance of clear cross departmental communication and documentation.

Transmission Access Enhancement

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

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

Q. How many Transmission Access Enhancement projects were planned for 2020?

A. Tampa Electric proposed no Transmission Access Enhancement projects for the April 10, 2020 to December 31, 2020 period.

Q. How many Transmission Access Enhancement projects did the company complete in 2020?

A. The company did not complete or start any Transmission Access Enhancement projects during the April 10, 2020 to December 31, 2020 period.

Q. What was the cost variance in the Transmission Access Enhancement program in 2020?

A. During the period, April 10, 2020 to December 31, 2020, the Transmission Access Enhancement program had a variance in revenue requirements of $0, as the company had no costs in this program.

Vegetation Management

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

A. The VM Program consists of three existing legacy storm hardening VM activities and three new VM initiatives. The three existing legacy storm hardening VM activities include the following:

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

The three new VM initiatives are:

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

Q. What level of Vegetation Management activity did the company project for each initiative during the period 2020?

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

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

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

- Initiative 1: 402.3 miles
- Initiative 2: 0 miles
- Initiative 3: 0 miles

Q. What level of Vegetation Management activity did the company complete for each initiative during 2020?

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

- Distribution VM: 1,637.9 miles
- Transmission VM: 518.1 miles

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

- Initiative 1: 396.5 miles
- Initiative 2: 37.0 miles
- Initiative 3: 0.0 miles

Q. What was the cost variance in the Vegetation Management program in 2020?

A. During the period, April 10, 2020 to December 31, 2020, the VM program had a variance in Operating and Maintenance ("O&M") costs of $659,350 under budget.

Q. Can you explain why these Vegetation Management completion amounts are different than the projected amount and what contributed to the variance amount?

A. Yes, the variance is made up of three amounts, Planned Distribution VM had a variance of $826,203 under budget; Planned Transmission VM had a variance of $170,322 over budget, and Right of Way Transmission VM had a variance of $3,470 under budget.

The Distribution VM was under budget largely as a result of losing distribution VM resources for several weeks to support off-system restoration through the industry mutual assistance process. These resources were dispatched to other parts of the United States that incurred significant storm damage from an active 2020 storm season. Similarly, transmission VM experienced delays related to weather and construction, which pushed some early month VM activities into the later months of 2020. This delay in trimming caused the company to meet trimming requirements in a shorter timeframe which required some of the time to be compensated at higher overtime rates.

Infrastructure Inspections

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

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

Q. How many infrastructure inspection projects did the company project to complete in 2020?

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

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

Transmission:	2020
Wood Pole/Groundline:	702
Above Ground:	2,949
Aerial Infrared Patrol:	Annually
Ground Patrol:	Annually
Substations:	Annually

Q. How many infrastructure inspection projects did the company complete in 2020?

A. Tampa Electric completed the following inspections by type in 2020:

Distribution:	2020
Wood Pole:	24,962
Groundline:	24,290

Transmission:	2020
Wood Pole/Groundline:	659
Above Ground:	3,228
Aerial Infrared Patrol:	Not Complete
Ground Patrol:	Complete
Substations:	Complete

Q. Can you explain why the company did not complete the Transmission Aerial Infrared Patrol?

A. Yes, traditionally, Tampa Electric performs the transmission aerial infrared inspections in a helicopter that requires a Tampa Electric employee to act as a navigator or copilot to the pilot and thermographer performing the inspection. In response to the COVID pandemic, the company's policies restricting face-to-face interactions for safety reasons with customers, vendors, and employees, which included traveling with contractors and operating within confined spaces with others, prevented this inspection from occurring.

LEGACY STORM HARDENING INITIATIVES

Q. What are the legacy storm hardening initiatives?

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

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

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

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

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

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

- Unplanned distribution vegetation management

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

COMMON STORM PROTECTION PLAN ACTIVITIES AND COSTS

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

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

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

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

Q. Does that conclude your testimony?

A. Yes, it does.

(Whereupon, prefiled revised direct testimony of David L. Pusquellic was inserted.)

REFILED: MAY 10, 2021

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

DAVID L. PLUSQUELLIC

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

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

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

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

Q. Please describe your educational background and professional experience.

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

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

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

Q. Are you sponsoring any exhibits in this proceeding?

A. Yes. I have prepared one exhibit entitled, "Exhibit of David L Plusquellic." It consists of eight documents and has been identified as Exhibit No. DLP-2, which contains the following documents:

- Document No. 1 provides Tampa Electric's Distribution Lateral Undergrounding Program's 2021-2022 Project List and Summary of Costs.
- Document No. 2 provides Tampa Electric's Transmission Asset Upgrades Program's 2021-2022 Project List and Summary of Costs.
- Document No. 3 provides Tampa Electric's Substation Extreme Weather Hardening Program's 2021-2022 Project List and Summary of Costs.

- Document No. 4 provides Tampa Electric's Distribution Overhead Feeder Hardening Program's 2021–2022 Project List and Summary of Costs.
- Document No. 5 provides Tampa Electric's Transmission Access Enhancement Program's 2021–2022 Project List and Summary of Costs.
- Document No. 6 provides Tampa Electric's Vegetation Management Program's 2021–2022 Activities and Summary of Costs.
- Document No. 7 provides Tampa Electric's Infrastructure Inspections Program's 2021-2022 Activities and Summary of Costs.
- Document No. 8 provides Tampa Electric's Common Storm Protection Plan 2021-2022 Activities and Summary of Costs.

Q. How is your testimony organized?

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

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

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

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

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

Distribution Lateral Undergrounding

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

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

Q. How many Distribution Lateral Underground projects are planned for 2021 and 2022?

A. Tampa Electric plans for the following activity in calendar years 2021 and 2022:

- During the period, January 1, 2021 to December 31, 2021, there are 520 projects planned.
- During the period January 1, 2022 to December 31, 2022 there are 496 projected projects planned.

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

Q. Can you explain why this project count is different than the company's SPP April 10, 2020 filing, which reflected 281 projects in 2021 and 316 projects in 2022?

A. Yes, following the April 10, 2020 filing, Tampa Electric has been working through the necessary functions to establish the SPP programs. As the company was working through the execution of the 2020-2029 SPP, the company concluded to revise the timelines for all of this program's projects to accommodate engineering, permits, easements and other pre-construction activities further in advance of the construction start dates. Accelerating engineering and pre-construction activities does change the timelines in the SPP, which alters the project count for individual years as compared to what was filed on April 10, 2020. The original plan reflected both pre-construction and construction within a single calendar year. Because the company is doing more engineering in advance of construction, the "project count" in all years will increase to reflect both the advanced work on pre-construction projects and the construction projects that were originally filed.

Q. Did Tampa Electric communicate these changes?

A. Yes, Tampa Electric communicated these changes during the discovery period in Docket No. 20200067-EI and again, as part of my Direct Testimony in support of the company's Storm Protection Plan Cost Recovery Clause projection filing on July 24, 2020 in Docket 20200092-EI. These communications stated that the company refined its project schedules for the company's distribution lateral undergrounding program. While the supplemental response was in reference to 2021, as a part of this refinement, the start dates and completion dates for construction of some projects were changed in all project years to reflect the modified approach. In addition, the company is accelerating the activities to design and secure land rights further in advance of construction than what was originally filed.

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

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

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

A. Tampa Electric estimates expenditures for this program during calendar years 2021 and 2022 as follows:

- During the period, January 1, 2021 to December 31, 2021, estimated expenditures are $84.1 million.
- During the period, January 1, 2022 to December 31, 2022, estimated expenditures are $108.1 million.

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

A. No, the schedule refinement that I explained above resulted in front loading more engineering work on more projects which raised the cost estimate by approximately $4.7 million in 2021. The projected expenditures for 2020 match what was filed on April 10, 2020.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Transmission Asset Upgrades

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

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

Q. How many Transmission Asset Upgrade projects are planned for 2021 and 2022?

A. Tampa Electric plans for the following activity in calendar years 2021 and 2022:

- January 1, 2021 to December 31, 2021 – 46 projects, consisting of 577 poles.
- January 1, 2022 to December 31, 2022 – 27 projects, consisting of 615 poles.

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

Q. Will you please explain how this aligns with the projects counts and prioritization reflected in the filing made on April 10, 2020 for the 2021 and 2022 periods?

A. Yes, the company’s filed Plan called for 35 projects in 2021 and 28 projects in 2022. The 73 projects scheduled in 2021 and 2022 keep the same prioritization that was used to develop the first three years of the company’s 2020-2029 SPP that was filed on April 10, 2020.

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

A. No, all the projects are the same with the exception of the two additional projects that were moved from 2022 into 2021 that was communicated in the company’s original SPPCRC projection filing that was filed on July 24, 2020.

Q. What are the total projected expenditures for this Program for the 2021 and 2022 periods?

A. Tampa Electric estimates expenditures for this program during 2021 and 2022 as follows:

- During the period January 1, 2021 to December 31, 2021, estimated expenditures are $15.6 million.
- During the period January 1, 2022 to December 31, 2022, estimated expenditures are $15.4 million.

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

A. Yes, the current projected costs align with the cost estimates filed on April 10, 2020. The projected costs for 2021 and 2022 were increased by approximately $100,000 each year due to the projected increased transfer costs. Transfer costs are the cost incurred when moving existing wires from the existing wood structure to the newly constructed non-wood structure.

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

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

- For the period January 1, 2021 to December 31, 2021:
  - Capital of $15.2 million
  - O&M of $0.4 million
- For the period January 1, 2022 to December 31, 2022:
  - Capital of $15.0 million
  - O&M of $0.5 million

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

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

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

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

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

A. No.

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

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

Substation Extreme Weather Hardening

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

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

Q. How many Substation Extreme Weather Hardening projects are planned for 2021 and 2022?

A. The company at the time of this filing is proposing no projects for the periods 2021 and 2022. The company is currently in the process of conducting the substation study project to further identify and evaluate other potential hardening solutions beyond the single solution that was modeled on the company's substations during the initial development of the company's Plan. This study may identify storm protection projects for substations that the company may initiate in 2022. This project detail is fully detailed in my Exhibit No. DLP-2, Document No. 3.

Q. Does this represent the same number of projects you included in the filing made on April 10, 2020 for the 2021 and 2022 periods?

A. Yes.

Q. What are the total projected expenditures for this Program for the 2021 and 2022 periods?

A. Tampa Electric estimates expenditures for this Program during calendar years 2021 and 2022 as follows:

- During the period, January 1, 2021 to December 31, 2021, estimated expenditures are $0.3 million.
- During the period, January 1, 2022 to December 31, 2022, estimated expenditures are $0.0 million.

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

A. Yes.

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

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

Distribution Overhead Feeder Hardening

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

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

Q. How many Distribution Overhead Feeder Hardening projects are planned for 2021 and 2022?

A. Tampa Electric plans for the following activity in calendar years 2021 and 2022:

- January 1, 2021 to December 31, 2021 – 33 projects.
- January 1, 2022 to December 31, 2022 – 23 projects.

This project detail is fully detailed in my Exhibit No. DLP-2, Document No. 4.

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

A. No, the 56 projects scheduled in 2021 and 2022 keep the same prioritization that was communicated in the company's original SPPCRC Projection that was filed on July 24, 2020. The company communicated that it planned to complete 18 projects in 2021 and will begin work on early stages of an additional six future projects in 2022. This alternation to the schedule resulted from a long-term work forecast that aligned with anticipated resource availability and project schedules for 2021 and 2022 and will also allow the company to provide the benefits reflected in the April 10, 2020 filing.

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

A. No, other than starting the engineering work in late 2021 on the additional six projects for 2022, all of the projects are the same.

Q. What are the total projected expenditures for this program in the 2021 and 2022 periods?

A. Tampa Electric estimates expenditures for this Program during calendar years 2021 and 2022 as follows:

- During the period January 1, 2021 to December 31, 2021, estimated expenditures are $15.8 million.
- During the period January 1, 2022 to December 31, 2022, estimated expenditures are $30.2 million.

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

A. Yes, the current projected costs align with the cost estimates filed on April 10, 2020. The projected costs for 2021 and 2022 have increased slightly driven almost entirely by an expected higher cost of transferring assets to the new pole and the engineering of the six additional projects. This slight increase was communicated in the company's original SPPCRC projection filing that was filed on July 24, 2020.

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

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

- For the period January 1, 2021 to December 31, 2021:
  - Capital of $15.3 million
  - O&M of $0.5 million
- For the period January 1, 2022 to December 31, 2022:
  - Capital of $29.6 million
  - O&M of $0.7 million

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

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

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

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

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

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

Transmission Access Enhancement

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

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

Q. How many Transmission Access Enhancement projects are planned for 2021 and 2022?

A. Tampa Electric plans for the following activity in calendar years 2021 and 2022:

- January 1, 2021 to December 31, 2021 – 18 projected projects.
- January 1, 2022 to December 31, 2022 – 11 projected projects.

This project detail is fully detailed in my Exhibit No. DLP-2, Document No. 5.

Q. Does this represent the same number of projects you included in the filing made on April 10, 2020 for the period 2021 and 2022?

A. No, the 29 projects scheduled in 2021 and 2022 keep the same prioritization that was communicated in the company's original SPPCRC Projection that was filed on July 24, 2020. The company communicated that it planned to increase the number of projects from eight to eighteen for 2021. Tampa Electric, upon filing its Plan, determined that it could achieve efficiency and avoid potential delays in construction by beginning engineering, design and permitting for future projects earlier than originally planned which increased the number of active projects in both years.

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

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

Q. What are the total projected expenditures for this Program in the 2021 and 2022 periods?

A. Tampa Electric estimates expenditures for this Program during calendar years 2021 and 2022 as follows:

- During the period January 1, 2021 to December 31, 2021, estimated expenditures are $1.3.
- During the period January 1, 2022 to December 31, 2022, estimated expenditures are $1.5 million.

Q. Do these projected expenditures match what was filed on

April 10, 2020?

A. No, other than a slight increase due to the reasons explained above, the projected expenditures match what was filed on April 10, 2020.

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

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

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

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

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

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

Vegetation Management

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

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

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

The three new VM initiatives are:

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

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

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

Q. Does this represent the same number of initiatives you included in the filing made on April 10, 2020 for the period 2021 and 2022?

A. Yes.

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

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

- Distribution VM: 1,560 miles
- Transmission VM: 530 miles
- Initiative 1: 510 miles and 65,008 customers
- Initiative 2: 243 miles and 95,733 customers
- Initiative 3: 27 miles and 26,975 customers

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

Q. What level of activity are you projecting for each initiative during the period 2022?

A. For the period January 1, 2022 to December 31, 2022, the company projects the following activities:

- Distribution VM: 1,560 miles
- Transmission VM: 530 miles
- Initiative 1: 692 miles and 72,533 customers
- Initiative 2: 196 miles and 77,128 customers
- Initiative 3: 27 miles and 26,975 customers

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

Q. Does this represent the same projected activity levels included in the filing made on April 10, 2020 for the period 2021 and 2022?

A. Yes.

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

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

- Distribution VM: $13.0 million
- Transmission VM: $3.1 million
- Initiative 1: $5.5 million
- Initiative 2: $1.3 million

- Initiative 3: $0.7 million

Q. What are the total projected expenditures for this Program during the period 2022?

A. For the period January 1, 2022 to December 31, 2022, expenditures are estimated to be:

- Distribution VM: $11.2 million
- Transmission VM: $2.9 million
- Initiative 1: $6.4 million
- Initiative 2: $3.6 million
- Initiative 3: $0.7 million

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

A. Yes.

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

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

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

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

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

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

Infrastructure Inspections

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

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

Q. How many infrastructure inspection projects does the company plan to complete in 2021 and 2022?

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

Distribution:	2021	2022
Wood Pole:	19,650	33,700
Groundline:	19,121	34,739

Transmission:	2021	2022
Wood Pole/Groundline:	367	655
Above Ground:	3,895	3,396
Aerial Infrared Patrol:	Annually	Annually
Ground Patrol:	Annually	Annually
Substations:	Annually	Annually

This activity detail is fully detailed in my Exhibit No. DLP-2, Document No. 7.

Q. Does this represent the same number of projects you included in the filing made on April 10, 2020 for the period 2021 and 2022?

A. No, Tampa Electric in 2021 is completing the final year of the eight-year distribution wood pole inspection cycle which is driving the slight difference in numbers.

Q. What are the total projected expenditures for this Program in the 2021 and 2022 periods?

A. The estimated costs for this program for January 1, 2021 through December 2021 is $1.2 million, and $1.5 million for 2022.

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

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

Q. What is the basis for your cost estimates?

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

LEGACY STORM HARDENING INITIATIVES

Q. What are the legacy storm hardening initiatives?

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

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

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

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

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

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

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

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

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

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

A. No.

Q. Is the company planning on communicating the annual updates for these other legacy storm hardening initiatives?

A. Yes, Tampa Electric will provide the annual update for these other legacy storm hardening initiatives included in the annual SPP Report due to the Commission on June 1, 2021.

COMMON STORM PROTECTION PLAN ACTIVITIES AND COSTS

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

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

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

A. The Common Costs reflect those SPP costs that cannot be assigned to a specific SPP program or those costs which bring benefits to the entire portfolio of SPP programs. Examples of this include incremental internal labor to support the administration of the SPP as a whole.

Q. In the Common Cost Category, please explain what the projected charge for external consultants in 2021 is for?

A. As Tampa Electric began the process of standing up the SPP programs in 2020, the company began learning many valuable lessons learned. It became evident that the original planned methodology for completing projects in the Distribution Lateral Undergrounding Program would lead to some future inefficiencies. These inefficiencies would come from the way the company prioritized work in this program. The company originally prioritized lateral segments between protection devices based upon their reliability during extreme weather events. During the standing up of the program, the company realized that this methodology would create inefficiencies by having portions of an overhead lateral undergrounded which would cause additional work to go into a neighborhood, setup for work, perform the work, tear down the setup for work, and then revisit this same area in future years to underground another prioritized portion. The company did combine projects that were prioritized in the first ten-years of this program but believes that a different methodology could provide better work efficiencies. The company also noted that it would be a better customer experience by undergrounding as much as the overhead lateral as feasible during one work project in that community. Because of these lessons and additional ones that the company has observed, make it necessary to reprioritize the Distribution Lateral Undergrounding Program projects based upon the entire overhead lateral. This updated analysis, modelling and prioritization will provide the support and documentation for the company's 2022-2031 SPP that will be filed in early 2022 and will also ensure that the 2022-2031 SPP represents an opportunity to fully evaluate these opportunities, incorporate those that improve the SPP Programs and ensure optimal value and efficiency is provided to customers. Tampa Electric brought in same outside consultants that assisted the company in its SPP that was filed on April 10, 2020 to perform this reprioritization. In addition, the company has asked this outside consultant with assisting Tampa Electric in the development and documentation of an efficient organizational structure that can support the level of work necessary for a successful SPP.

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

A. No, the reprioritization costs and consulting assistance cost were not included in the company's SPP filed on April 10, 2020 as the reasons to hire the consultant again in 2021, was driven by the explanation above.

Q. How much does the company project to spend on common expenses in the 2021 and 2022 periods?

A. The company projects spending $1.1 million in 2021 and $0.7 million in 2022.

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

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

- Calendar year 2021 costs reflect the following:
  - $0.5 million of external consulting
  - $0.6 million of internal labor
- Calendar year 2022 costs reflect the following:
  - $0.7 million of internal labor

This activity detail is fully detailed in my Exhibit No. DLP-2, Document No. 8.

CONCLUSIONS

Q. Please summarize your direct testimony.

A. My testimony identifies the programs for which Tampa Electric is seeking cost recovery for expenditures occurring in 2021 and 2022. My testimony describes the number and types of activities that will be carried out under the company's SPP in 2021 and 2022 and explains how the company developed estimates of the cost of each of these activities. My testimony also demonstrates that the estimated costs are reasonable since they are based on sound methods and because the company has a high level of confidence in its projections.

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

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

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

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

Q. Does this conclude your testimony?

A. Yes.

(Whereupon, prefiled direct testimony of Lisa V. Perry was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Storm protection plan cost recovery clause	**:**	**DOCKET NO. 20210010-EI**
	:	
	:	**Filed: June 22, 2021**

DIRECT TESTIMONY AND EXHIBIT OF

LISA V. PERRY

ON BEHALF OF

WALMART INC.

Contents

Exhibits

Exhibit LVP-1: Witness Qualifications Statement

I. Introduction

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND BUSINESS OCCUPATION.

A. My name is Lisa V. Perry. My business address is 2608 SE J Street, Bentonville, AR 72716. I am employed by Walmart Inc. ("Walmart") as Senior Manager, Energy Services.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS DOCKET?

A. I am testifying on behalf of Walmart.

Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.

A. I received a J.D. in 1999 and an LL.M. in Taxation in 2000 from the University of Florida, Levin College of Law. From 2001 to 2019, I was in private practice, emphasizing Energy Law from 2007 to 2019. My practice included representing a large commercial client before utility regulatory commissions in Colorado, Texas, New Mexico, Arkansas, and Louisiana in matters ranging from general rate cases to renewable energy programs. I joined the energy department at Walmart in September 2019. My Witness Qualifications Statement is attached as Exhibit LVP-1.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION ("COMMISSION")?

A. Yes. I testified in Docket Nos. 20200067-EI, 20200069-EI, 20200070-EI, and 2020-0071-EI.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE OTHER STATE REGULATORY COMMISSIONS?

A. Yes, I have submitted testimony with State Regulatory Commissions for Arkansas, Colorado, Kentucky, Louisiana, Michigan, Oklahoma, South Carolina, Texas, and Virginia. I have also provided legal representation for customer stakeholders before the State Regulatory Commissions for Colorado, Texas, Arkansas, Louisiana, and New Mexico in the cases listed under "Commission Dockets" in Exhibit LVP-1.

Q. ARE YOU SPONSORING ANY EXHIBITS IN YOUR TESTIMONY?

A. Yes. I am sponsoring the exhibit listed in the Table of Contents.

Q. PLEASE BRIEFLY DESCRIBE WALMART'S OPERATIONS IN FLORIDA.

A. As shown on Walmart's website, Walmart operates 386 retail units and eight distribution centers and employs over 113,000 associates in Florida. In fiscal year ending 2021, Walmart purchased $8 billion worth of goods and services from Florida-based suppliers, supporting over 82,000 supplier jobs.[1]

[1] https://corporate.walmart.com/our-story/locations/united-states/florida

Q. PLEASE BRIEFLY DESCRIBE WALMART'S OPERATIONS WITHIN THE SERVICE TERRITORIES OF EACH OF THE UTILITIES THAT SUBMITTED PETITIONS FOR APPROVAL OF 2021 ACTUAL/ESTIMATED STORM PROTECTION PLAN ("SPP") COST RECOVERY CLAUSE TRUE-UP AND PROJECTED 2022 SPP COST RECOVERY CLAUSE FACTORS IN THIS DOCKET.

A. Walmart has 73 retail units, one distribution center, and one e-commerce fulfillment center served by Duke Energy Florida, LLC ("DEF"), 149 retail units and four distribution centers served by Florida Power & Light Company ("FPL"), 28 retail units served by Gulf Power Company ("Gulf"), and 36 retail units and one distribution center served by Tampa Electric Company ("TECO").[2]

II. Purposed of Testimony

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. Pursuant to Section 366.96(7), following the approval of the Utilities' SPPs, the Commission is required to conduct an annual proceeding to (i) determine the prudency of the Utilities' respective SPP costs, and (ii) allow the Utilities to recover such costs through a separate storm protection plan cost recovery clause ("SPPCRC"). *See* § 366.96(7), F.S. This docket was opened pursuant to this Subsection (7). The purpose of my testimony is to address the proposed SPPCRC

[2] DEF, FPL, Gulf, and TECO are collectively referred to as "Utilities."

filed by each of the Utilities with a focus on the proposed cost allocation and rate design for this separate charge.

Q. PLEASE SUMMARIZE WALMART'S RECOMMENDATIONS TO THE COMMISSION.

A. Walmart does not oppose the Utilities' proposed methodology for allocating SPP costs, nor does Walmart oppose the proposed methodology for recovering such costs from demand-metered customers. However, to the extent that alternative methodologies or modifications to the Utilities' proposals are made by other parties, Walmart reserves the right to address any such changes in accordance with the Commission's procedures in this Docket.

Q. DOES THE FACT THAT YOU MAY NOT ADDRESS AN ISSUE OR POSITION ADVOCATED BY THE UTILITIES INDICATE WALMART'S SUPPORT?

A. No. The fact that an issue is not addressed herein or in related filings should not be construed as an endorsement of, agreement with, or consent to any filed position.

III. Background

Q. HAS WALMART PARTICIPATED IN OTHER DOCKETS RELATED TO THE UTILITIES' SPPs?

A. Yes, it has. As required by Section 366.96 of the Florida Statutes, which requires Florida utilities to establish SPPs and addresses the process for recovering related SPP costs, the Commission opened Docket Nos. 20200067-EI thru 20200071-EI (collectively referred to as the "SPP Dockets") to receive various utilities' transmission and distribution protection plans covering the immediate 10-year planning period.[3] Walmart was granted intervention in the SPP Dockets on May 13, 2020, by Commission Order No. PSC-2020-0143-PCO-IE[4]. On May 26, 2020, Walmart filed the Direct Testimony of Steve W. Chriss and the Direct Testimony of Lisa V. Perry, along with accompanying exhibits.

The Commission also opened Docket No. 20200092-EI ("Cost Recovery Docket") on March 13, 2020, as a companion docket and to address the mechanism through which the Utilities would recover costs associated with their respective SPP. Walmart was also granted intervention in the Cost Recovery Docket on June 26, 2020,[5] and filed the Direct Testimony and Exhibits of Steve W. Chriss on August 28, 2020 ("Chriss Cost Recovery Testimony").

Q. WERE WALMART'S ISSUES IN THE SPP DOCKETS RESOLVED?

A. Yes, they were. The Commission approved three separate Stipulation and Settlement Agreements covering issues presented by parties to the SPP Dockets by Order No. PSC-2020-0293-AS-EI issued on August 28, 2020. Collectively, these

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[3] The utilities that filed SPPs include TECO (Docket No. 20200067-EI), DEF (Docket No. 20200069-EI), Gulf (Docket No. 20200070), and FPL (Docket No. 20200071). Florida Public Utilities Company was originally a party to Docket No. 20200068-EI, which was subsequently closed by the Commission in order to allow Florida Public Utilities Company additional time to prepare its proposed SPP. *See* Order No. 2020-0097-PCO-EI issued April 6, 2020.

[4] By Order No. PSC-2020-0073-PCO-EI issued March 11, 2020, the Commission consolidated the SPP Dockets prior to Walmart's intervention. Accordingly, Walmart was granted intervention status in all of the SPP Dockets through a single Commission Order.

[5] *See* Order No. PSC-2020-2014-PCO-EI.

Stipulation and Settlement Agreements resolved Walmart's outstanding issues in the SPP Dockets.

Q. WERE WALMART'S ISSUES IN THE COST RECOVERY DOCKET RESOLVED?

Ultimately, yes. As explained in the Chriss Cost Recovery Testimony, FPL, Gulf, and TECO proposed in their respective filings to recover SPP costs from demand-metered customers through a \$/kW demand charge, which Walmart did not oppose. *See* Chriss Cost Recovery Testimony, p. 5, lines 1-3. By contrast, DEF originally proposed to design its SPP cost recovery mechanism to collect SPP costs from demand-metered customers through the energy charge, or on a \$/kWh basis, to which Walmart objected. *See id.,* p. 11, lines 18-22. As part of settling its issues in Docket No. 20210016-EI, DEF and Walmart entered into a 2021 Settlement Agreement in which DEF agreed to bill demand customers for SPP costs on a demand, or \$/kW basis, which was approved by the Commission in Order No. PSC-2021-0202-AS-EI issued on June 4, 2021. [6]

Q. DOES THE 2021 SETTLEMENT AGREEMENT HAVE ANY IMPACT ON THE CURRENT DOCKET?

A. Yes, it does. As stated above, DEF agreed in the 2021 Settlement Agreement to design its proposed SPPCRC, the mechanism through which it will collect SPP costs

[6] *See In re: Petition for limited proceeding to approve 2021 settlement agreement, including general base rate increases, by Duke Energy Florida, LLC*, Docket No. 20210016-EI, Order No. PSC-2021-0202-AS-EI, p. 6, Attachment A, p. 9, para. 12 and Ex. 3.

from customers, in way that collects SPP costs from demand-metered customers through the demand charge, or on a $/kW basis.

IV. Proposals

Q. HOW DO THE UTILITIES PROPOSE TO ALLOCATE COSTS ASSOCIATED WITH THEIR SPPs?

A. DEF proposes to allocate the demand component based on each rate class's contribution to monthly system peaks adjusted for certain losses and allocate the energy component based on each class's contribution to total kWh sales adjusted for certain losses. *See* Direct Testimony of Christopher A. Menendez, p. 15, line 17 to p. 16, line 2.

FPL/Gulf proposes to allocate SPP costs consistent with FPL's last rate case by allocating transmission costs to all rate classes based on the 12 monthly Coincident Peaks, and distribution costs based on the Group Non-Coincident Peak. *See* Direct Testimony of Ranae B. Deaton, p. 13, lines 18-24.

Lastly, TECO is proposing to allocate SPP costs consistent with its cost of service study prepared for Docket No. 20130040-EI and as applied for its current base rates. *See* Testimony and Exhibit of Mark R. Roche, p. 22, lines 10-15.

Q. HOW DO THE UTILITIES PROPOSE TO RECOVER THOSE COSTS FROM THEIR DEMAND-METERED CUSTOMERS THROUGH THEIR RESPECTIVE SPPCRC?

A. The Utilities, including DEF, are proposing to recover SPP costs from their demand-metered customers through a demand charge, or $/kW charge, in each Utility's SPPCRC.[7]

Q. DOES WALMART OPPOSE THE UTILITIES' PROPOSED COST ALLOCATION AND RECOVERY MTHODOLOGIES?

A. For purposes of this Docket, Walmart does not oppose the Utilities' proposed methodology for allocating SPP costs and recovering those costs from their demand-metered customers through the demand charge, or on a $/kW basis. However, to the extent that alternative allocation or recovery methodologies or modifications to the Utilities' proposed methodologies are made by other parties, Walmart reserves the right to address any such changes in accordance with the Commission's procedures in this Docket.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

[7] *See* Direct Testimony of Christopher A. Menendez, Exh. No. ___ (CAM-2), Form 6P, p. 83; *see* Petition of Florida Power & Light Company for Approval of the 2021 Actual/Estimated Storm Protection Plan Cost Recovery Clause True-Up and the 2022 Projected Storm Protection Plan Cost Recovery Clause Factors, Form 5P; *see* Testimony and Exhibit of Mark R. Roche, p. 22, lines 19-20.

CHAIRMAN CLARK: All right. Let's move on to; statements. Each party is going to be given three minutes for their statements today. We are going to begin request Duke.

Mr. Bernier.

MR. BERNIER: Thank you, Mr. Chairman.

We -- we appreciate everybody's working together on this docket to get us to the place we are today. Other tan that, I will waive opening.

Thank you.

CHAIRMAN CLARK: All right. Thank you very much.

FPL.

MR. WRIGHT: Thank you, Chairman and Commissioners. Just some brief statements here.

In this docket, FPL and Gulf are seeking approval of the 2021 actual estimated true-up amounts -- excuse me, got me choked up -- and the 2022 storm protection clause factors.

Consistent with the storm protection plan settlements, FPL and Gulf are not seeking recovery of any costs associated with the 2020 storm protection plan projects in this docket. Our positions are succinctly stated out -- excuse me -- in our -- in the proposed stipulations, which I will not repeat here, but I would like to highlight three important factors for the Commissioners.

First; with respect to the 2021 actual estimated true-ups, FPL and Gulf experienced certain variances with respect to the 2021 projects. The FPL and Gulf Power delivery teams efficiently manage these variances at the program level to ensure that the total costs and projects were consistent with those set forth in the 2021 storm protection clause cost recovery factors previously approved by this commission.

Two, the projects and costs included in the 2021 actual estimated true-up amounts and the 2022 projections are appropriate and necessary to achieve the statutory goals to reduce restoration times and restoration costs -- I am sorry, outage times and restoration costs. They are consistent with the commission approved storm protection plans that comply with rule 25-6.031 and should be approved.

Finally, FPL and Gulf would like to thank staff for their efforts to work with the parties to reach Type 2 Stipulation on all issues and waiver of cross-examination. FPL and Gulf support the proposed stipulations and we respectfully request

that they be approved.
     We are here for questions if you have any.
     Thank you.
     CHAIRMAN CLARK: Thank you very much, Mr. Wright.
     Mr. Means.
     MR. MEANS: Thank you, Mr. Chairman.
     We would just like to thank your staff for their hard work on this docket, and thank the other parties for working collaboratively with us and staff to arrive at these stipulations, and we respectfully ask that you approve them today.
     Thank you.
     CHAIRMAN CLARK: Thank you, Mr. Means.
     OPC, Ms. Wessling. I can't believe you haven't let Mr. Rehwinkel talk today. My goodness.
     MS. WESSLING: Job well done then. Hopefully I can keep it that way.
     CHAIRMAN CLARK: You got him gagged.
     You are recognized.
     MS. WESSLING: Thank you.
     We don't have any comments in particular except that we do want to mention we are looking forward to seeing how the revisions from last year's settlement agreements affect the upcoming

docket. And again, we also echo everyone's appreciation for the hard work of everyone in this room.

Thank you.

CHAIRMAN CLARK: Thank you very much.

All right. Mr. Moyle.

MR. MOYLE: Given that there are no disputed issues, and all of the exhibits and witnesses are in, we would not make an opening statement.

I was tempted to ask you to reserve the time that I am getting back for another docket, but I won't.

CHAIRMAN CLARK: Noted for the record.

MR. MOYLE: Thank you.

CHAIRMAN CLARK: Thank you.

Mr. Brew.

MR. BREW: Mr. Chairman, I also do not have an opening statement.

I just would like to acknowledge my appreciation for Duke and working through some of the issues with me informally so that we could stipulate out the issues.

CHAIRMAN CLARK: Thank you, Mr. Brew.

Mr. Lavanga.

MR. LAVANGA: Thank you, Mr. Chairman and

Commissioners. Nucor waives its opening statement.
Thank you.
CHAIRMAN CLARK: Ms. Eaton.
MS. EATON: Good morning. Walmart also waives its opening statement.
Thank you.
CHAIRMAN CLARK: Thank you very much.
All right. Staff, are there any items that -- I did get everyone, right?
All right. Any other items that need to be addressed?
MR. STILLER: Mr. Chair, as you just heard, there are stipulations on all issues, and this matter is in a procedural posture that would allow the Commission to take a bench vote.
One thing staff would request is that if a bench vote is taken, that the order reflect that certain adjustments to Issue No. 7 will be -- may be necessary as a result of this commission's final action in the two pending rate cases, the TECO pending rate case and the FPL Gulf rate case. Staff would request that the Commission give staff administrative authority to make adjustments to these factors to implement this commission's final action in those two rate dockets.

CHAIRMAN CLARK: Everyone understand?

All right. Is everyone willing to waive briefs?

Mr. Moyle.

MR. MOYLE: I am not sure I completely understood that -- that last part. So to the extent that something happens in a rate case, will what happens in the rate case be handled in this docket by staff administratively? I thought that's what I heard.

CHAIRMAN CLARK: Yes. If there are fallout issues from Issue 7, because of the rate case, the pending rate cases, then we are giving them administrative approval to clean up anything within the rights of Item 7.

MR. MOYLE: Okay. Thank you.

CHAIRMAN CLARK: All right. Are we all willing to waive briefs? All right, good.

Commissioners, we are in a position to take a bench vote today. What's your prerogative?

Commissioner Fay.

COMMISSIONER FAY: Thank you, Mr. Chairman.

And I -- I know this gets said a lot, but the staff that worked on this it's really good to see it get resolved, especially with all the other dockets that we have moving forward at this time.

The other thing that I will do that I might not publicly really do enough is the lawyers on this docket worked really hard to get these issues resolved for their clients, and I think that serves them extremely well under the circumstances of this docket and the complexity of implementing this clause docket. So I appreciate all of that.

With that said, Mr. Chairman, I would move for approval of all issues as stated.

CHAIRMAN CLARK: Do I have a second?

COMMISSIONER GRAHAM: Second.

CHAIRMAN CLARK: I have a motion and a second to approve all items.

Any questions, comments from any Commissioners?

Commissioner Graham.

COMMISSIONER GRAHAM: Yes, Mr. Chair. Wanted to thank staff for getting us to this point. I wanted to thank the prehearing officer for limiting opening statements to three minutes. I think this is something that one attorney can get from another attorney, because if you don't -- if I was able -- if I was ever able to get that.

CHAIRMAN CLARK: I think that was probably a direct attack on me, but go ahead.

Those of you who were here yesterday and those lengthy opening statements that I am allowing, I told them the prehearing officer allowed it but the Chairman might overrule it when it gets to hearing time. We will see, right?

Again, I want to just express my thank you to everyone involved that has worked so diligently through this process. There was a lot of information. I know y'all did a lot of homework, a lot of research to get to the point where everyone was able to sign off on the proposals that are in front of us today, so thank you very much for your diligence and hard work in this matter.

Any other comments before we vote?

On the motion, all in favor say aye.

(Chorus of ayes.)

CHAIRMAN CLARK: Opposed?

(No response.)

CHAIRMAN CLARK: Item is approved as presented.

All right. Staff, are there any other items that need to be addressed?

MR. STILLER: No other items from the staff.

CHAIRMAN CLARK: Any of parties have any

closing comments before we adjourn?

Commissioners?

Seeing none, we stand adjourned.

Thank you for being here.

(Proceedings concluded.)

CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, DEBRA KRICK, Court Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED this 17th day of August, 2021.

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