

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In re: DOCKET NO. 20250011-EI
Petition for rate increase by
Florida Power & Light Company.

VOLUME 4
PAGES 630 - 924

PROCEEDINGS: HEARING

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

DATE: Wednesday, October 8, 2025

TIME: Commenced: 9:00 a.m.
Concluded: 6:10 p.m.

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

REPORTED BY: DEBRA R. KRICK
Court Reporter

PREMIER REPORTING
TALLAHASSEE, FLORIDA
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12
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14
15
16
17
18
19
20
21
22
23
24
25

I N D E X

WITNESS:	PAGE
NED W. ALLIS	
Examination by Mr. Wright	634
Prefiled Direct Testimony inserted	636
Prefiled Rebuttal Testimony inserted	697
Examination by Mr. Watrous	744
Examination by Mr. Luebkekmann	751
DAN DEBOER	
Examination by Mr. Cox	761
Prefiled Direct Testimony inserted	764
Examination by Mr. Ponce	787
Examination by Ms. McManamon	807
DAWN NICHOLS	
Examination by Ms. Moncada	822
Prefiled Direct Testimony inserted	824
Prefiled Rebuttal Testimony inserted	854
Examination by Ms. Wessling	863
Examination by Mr. Luebkekmann	905

1	EXHIBITS		
2	NUMBER:		ID ADMITTED
3	84	As identified in the CEL	760
4	86	As identified in the CEL	760
5	87	As identified in the CEL	760
6	56-60	As identified in the CEL	818
7	802	As identified in the CEL	819
8	829	As identified in the CEL	819
9	856	As identified in the CEL	819
10	781	As identified in the CEL	819
11	789-794	As identified in the CEL	819
12	884	As identified in the CEL	819
13	1527	Summary of Findings	915
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			

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

2 (Transcript follows in sequence from Volume
3 3.)

4 CHAIRMAN LA ROSA: Good morning, everybody.
5 It is a minute or so after 9:00 a.m. I think we
6 can go ahead and get started.

7 Just to kind of highlight where we are at. So
8 it looks like we have got Mr. Allis ready in the
9 witness stand. Perfect. Thank you for being ready
10 and being prepared.

11 Just kind of a few housekeeping things for the
12 day. Obviously, we are starting here in a few
13 seconds. We will try to break around 12 o'clock
14 for lunch. We will take probably a 10:30-ish break
15 or, somewhere around there whenever there is a good
16 break. We will try to push through as much as we
17 can today. Let's just try to be as efficient as
18 possible. As I am looming through the witness
19 list, there is -- still got a lot of room to go
20 here. So if we have got to stay later than six
21 o'clock today, we may, frankly.

22 Next week, Monday, Tuesday is a pretty jammed
23 packed day as far as scheduled witnesses, and I
24 just want to page sure that we will don't hold that
25 up in any which way.

1 So let's certainly start rolling today, and I
2 will kind of keep you updated in the second half of
3 the day in the afternoon as I see things play out.

4 But again, FPL, you can go ahead and call your
5 witness, which is already there. So let me just go
6 ahead and swear him in. I guess we don't
7 necessarily have to do anything else.

8 Sir, if you don't mind standing and raising
9 your right hand.

10 Whereupon,

11 NED W. ALLIS

12 was called as a witness, having been first duly sworn to
13 speak the truth, the whole truth, and nothing but the
14 truth, was examined and testified as follows:

15 THE WITNESS: Yes.

16 CHAIRMAN LA ROSA: Excellent. Great. Thank
17 you.

18 So being sworn in, FPL, you can now introduce
19 your witness.

20 MR. CHRISTOPHER WRIGHT: Good morning,
21 Chairman and Commissioners.

22 EXAMINATION

23 BY MR. CHRISTOPHER WRIGHT:

24 **Q Can you please state your name?**

25 A Yes. My name is Ned W. Allis. Allis is

1 spelled A-L-L-I-S.

2 **Q And what is your business address?**

3 A My business address is 300 Sterling Parkway,
4 Suite 200, Mechanicsburg, Pennsylvania, 17050.

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

6 A I am employed by Gannet Fleming Valuation and
7 Rate Consultants, LLC, where I am Vice-President.

8 **Q On February 28th, 2025, did you file 59 pages**
9 **of direct testimony?**

10 A Yes.

11 **Q Do you have any corrections to your direct**
12 **testimony?**

13 A Yes. Just the change to my address that I
14 read off earlier has changed from when I filed my
15 testimony.

16 **Q Okay. And with that correct, if I asked you**
17 **the questions contained in your direct testimony, would**
18 **your answers be the same?**

19 A Yes.

20 MR. CHRISTOPHER WRIGHT: Chairman, I would ask
21 that Mr. Allis' direct testimony be inserted into
22 the record as though read.

23 CHAIRMAN LA ROSA: So moved.

24 (Whereupon, prefiled direct testimony of Ned
25 W. Allis was inserted.)

1 **BEFORE THE**
2 **FLORIDA PUBLIC SERVICE COMMISSION**
3 **DOCKET NO. 20250011-EI**
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8 **FLORIDA POWER & LIGHT COMPANY**
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10 **DIRECT TESTIMONY OF NED W. ALLIS**

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Filed: February 28, 2025

TABLE OF CONTENTS

1		
2	I. INTRODUCTION	3
3	II. 2025 DEPRECIATION STUDY	7
4	A. INTRODUCTION.....	7
5	B. SERVICE LIVES AND NET SALVAGE.....	12
6	1. Service Lives.....	13
7	2. Net Salvage	34
8	C. REMAINING LIVES AND DEPRECIATION RATES	38
9	D. FACTORS AFFECTING DEPRECIATION EXPENSE	42
10	E. THEORETICAL RESERVE IMBALANCE.....	44
11	III. 2025 DISMANTLEMENT STUDY	49
12	A. SUMMARY	49
13	B. DISMANTLEMENT STUDY APPROACH.....	51
14	C. DISMANTLEMENT STUDY RESULTS.....	55
15	D. DISMANTLEMENT ACCRUALS.....	57
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Ned W. Allis. My business address is ~~207 Senate Avenue, Camp Hill, Pennsylvania 17011.~~ **300 Sterling Parkway, Suite 200 Mechanicsburg**

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

A. I am Vice President of Gannett Fleming Valuation and Rate Consultants, LLC (“Gannett Fleming”). Gannett Fleming, a subsidiary of infrastructure firm Gannett Fleming, Inc., provides consulting services to utility companies in the United States and Canada, including depreciation and dismantlement studies.

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

A. As Vice President, I am responsible for conducting depreciation, dismantlement, valuation, and original cost studies; determining service life and salvage estimates; conducting field reviews; presenting recommended depreciation rates to clients; and supporting such rates before state and federal regulatory agencies.

Q. Please describe your educational background and professional experience.

A. I have a Bachelor of Science degree in Mathematics from Lafayette College in Easton, Pennsylvania. I joined Gannett Fleming in October 2006 as an analyst. My responsibilities included assembling data required for depreciation studies, conducting statistical analyses of service life and net salvage data, calculating annual and accrued depreciation, and assisting in preparing reports and testimony setting forth and defending the results of the studies. I also developed and maintained Gannett Fleming’s proprietary depreciation software. In March of 2013, I was promoted to the position of Supervisor, Depreciation Studies. In March of 2017, I was promoted to

1 Project Manager, Depreciation and Technical Development. In January 2019, I was
2 promoted to my current position of Vice President.

3

4 I am a past president of the Society of Depreciation Professionals (the “Society”). The
5 Society has established national standards for depreciation professionals. The Society
6 administers an examination to become certified in this field. I passed the certification
7 exam in September 2011 and was most recently recertified in January 2022. I am also
8 an instructor for depreciation training sponsored by the Society.

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

11 A. Yes. I have submitted testimony on depreciation related topics to the Commission for
12 Florida Power & Light Company (“FPL” or the “Company”), Duke Energy Florida,
13 Tampa Electric Company (“TECO”), and Florida City Gas. Additionally, I have
14 testified before the Federal Energy Regulatory Commission (“FERC”), and before
15 many other regulatory commissions across the country. I have also assisted other
16 witnesses in the preparation of direct and rebuttal testimony in numerous other states
17 and two Canadian provinces. Exhibit NWA-4 provides a list of depreciation cases in
18 which I have submitted testimony.

19 **Q. Have you received any additional education relating to utility plant depreciation?**

20 A. Yes. I have completed the following courses conducted by the Society: “Depreciation
21 Basics,” “Life and Net Salvage Analysis,” and “Preparing and Defending a
22 Depreciation Study.”

23

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

2 A. Yes. I am sponsoring the following exhibits:

- 3 • Exhibit NWA-1 – 2025 Depreciation Study
- 4 • Exhibit NWA-3 – Schedules 1A and 1B
- 5 • Exhibit NWA-4 – List of Cases in which Ned W. Allis has Submitted Testimony

6 I am co-sponsoring the following exhibits:

- 7 • Exhibit NWA-2 – 2025 Dismantlement Study
- 8 • Exhibit KF-5 – SPPCRC Cost of Removal and Retirements, filed with the direct
- 9 testimony of FPL witness Ferguson.

10 **Q. Are you sponsoring any Minimum Filing Requirements in this case?**

11 A. No.

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

13 A. I am sponsoring the results of a new FPL depreciation study (the “2025 Depreciation
14 Study”), which is provided as Exhibit NWA-1 to my testimony. The 2025 Depreciation
15 Study covers depreciable electric properties in service as of December 31, 2023, and
16 actual and projected plant and reserve balances through the end of 2025.

17

18 I also co-sponsor the results of a new FPL dismantlement study (the “2025
19 Dismantlement Study”), which is provided as Exhibit NWA-2 to my testimony. This
20 study is performed for FPL’s non-nuclear electric generating plants or units as of
21 December 31, 2024. The dismantlement accruals were performed by FPL based on the
22 cost estimates developed in the 2025 Dismantlement Study.

23

1 **Q. Please summarize your testimony.**

2 A. My testimony will explain the methods and procedures of the 2025 Depreciation Study
3 and will set forth the annual depreciation rates that result from the application of this
4 Study. The 2025 Depreciation Study includes comparison schedules showing current
5 and proposed depreciation parameters, including average service lives, net salvage
6 percentages, depreciation rates, and depreciation accruals, as well as a comparison of
7 the forecasted theoretical reserve to the forecasted book reserve as of December 31,
8 2025. I also provide additional detail on each section of the 2025 Depreciation Study
9 in my testimony. The overall result of the 2025 Depreciation Study is an increase in
10 FPL's depreciation rates over the currently approved rates, which will increase FPL's
11 total depreciation expense as of December 31, 2025, by approximately \$170.6 million.
12 As I detail later in my testimony, this increase is primarily due to recent investments in
13 generation facilities and the net salvage estimates for distribution plant accounts.

14

15 My testimony also explains the methods and procedures for the 2025 Dismantlement
16 Study. The Dismantlement Study includes schedules showing the dismantlement study
17 results by component for each non-nuclear generating plant or unit studied. In the
18 testimony and report, I outline the facilities evaluated in the study and the level of
19 dismantlement and site restoration that is the basis of the estimates. I describe the
20 methodology employed to develop the direct costs for dismantlement activities, as well
21 as costs for contingency and indirect costs calculated on top of the direct costs. Lastly,
22 I conclude that these estimated costs are reasonable and appropriate for use in the

1 development of dismantlement accruals for FPL's non-nuclear electric generating
2 plants.

3

4 **II. 2025 DEPRECIATION STUDY**

5 **A. INTRODUCTION**

6 **Q. Please define the concept of depreciation.**

7 A. The FERC Uniform System of Accounts defines depreciation as:

8 *Depreciation*, as applied to depreciable electric plant, means the
9 loss in service value not restored by current maintenance, incurred
10 in connection with the consumption or prospective retirement of
11 electric plant in the course of service from causes which are known
12 to be in current operation and against which the utility is not
13 protected by insurance. Among the causes to be given
14 consideration are wear and tear, decay, action of the elements,
15 inadequacy, obsolescence, changes in the art, changes in demand
16 and requirements of public authorities.¹

17 **Q. In preparing the 2025 Depreciation Study, did you follow generally accepted**
18 **practices in the field of depreciation?**

19 A. Yes. The methods, procedures, and techniques used in the 2025 Depreciation Study
20 are accepted practices in the field of depreciation and are detailed in my testimony.

21 **Q. Please describe the contents of the 2025 Depreciation Study.**

22 A. The 2025 Depreciation Study is presented in eleven parts:

- 23 • Part I, Introduction – presents the scope and basis for the 2025 Depreciation
24 Study;
- 25 • Part II, Estimation of Survivor Curves – explains the process of estimating
26 survivor curves and the retirement rate method of life analysis;

¹ 18 C.F.R. 101 (FERC Uniform System of Accounts), Definition 12.

- 1 • Part III, Service Life Considerations – discusses factors and the informed
2 judgment involved with the estimation of service life;
- 3 • Part IV, Net Salvage Considerations – discusses factors and the informed
4 judgment involved with the estimation of net salvage;
- 5 • Part V, Calculation of Annual and Accrued Depreciation – explains the
6 method, procedure and technique used in the calculation of annual
7 depreciation expense and the theoretical reserve;
- 8 • Part VI, Results of Study – sets forth the service life estimates, net salvage
9 estimates, annual depreciation rates and accruals and theoretical reserves
10 for each depreciable group. This section also includes a description of the
11 detailed tabulations supporting the 2025 Depreciation Study;
- 12 • Part VII, Service Life Statistics – sets forth the survivor curve estimates and
13 original life tables for each plant account and subaccount;
- 14 • Part VIII, Net Salvage Statistics – sets forth the net salvage analysis for each
15 plant account and subaccount;
- 16 • Part IX, Detailed Depreciation Calculations – sets forth the calculation of
17 average remaining life for each property group;
- 18 • Part X, Detail of Generation Plant – provides a description of the
19 Company's generating units and provides a discussion of the considerations
20 that inform the service life and net salvage estimates for each plant account
21 and the probable retirement dates for each generating unit; and
- 22 • Part XI, Detail of Transmission, Distribution and General Plant – provides
23 a description of transmission, distribution and general plant by account and

1 provides a discussion of the considerations that inform the service life and
2 net salvage estimates for each plant account.

3 **Q. Please identify the depreciation method that you used.**

4 A. I used the straight-line method of depreciation, remaining life technique, and the
5 average service life (or average service life – broad group) procedure. The annual
6 depreciation accruals presented in my study are based on a method of depreciation
7 accounting that seeks to distribute the unrecovered cost of fixed capital assets over the
8 estimated remaining useful life of each unit, or group of assets, in a systematic and
9 rational manner.

10

11 In compliance with the Commission’s depreciation rule prescribed in Rule 25-6.0436,
12 Florida Administrative Code (“F.A.C.”), depreciation rates are also presented using the
13 whole life technique in Exhibit NWA-3. Theoretical reserves, which will be discussed
14 in more detail later in my testimony, were calculated using the prospective method of
15 calculating theoretical reserves and compared with the actual book reserves. This
16 comparison is provided in Table 3 of the 2025 Depreciation Study.

17 **Q. Would you please explain the difference between the whole life technique and the**
18 **remaining life technique?**

19 A. Yes. When using the whole life technique, the cost of an asset (original cost less net
20 salvage) is allocated over the service life of the asset. For a group of assets, the costs
21 of the assets in the group are allocated over the average service life of the group.
22 However, if the service life or net salvage estimates change, or if activities such as
23 retirements or cost of removal do not occur precisely as forecasted, the whole life

1 technique will not recover the full cost of the assets over their service lives without an
2 adjustment to depreciation expense. Note that, mathematically, if the book reserve is
3 equal to the theoretical reserve, then the remaining life depreciation rates would equal
4 the whole life depreciation rates.

5
6 The remaining life technique accounts for the fact that estimates can and will change
7 over time. For this technique, the remaining undepreciated cost (that is, the original
8 cost less net salvage less the book accumulated depreciation) is allocated over the
9 remaining life of the asset. For a group of assets, the remaining undepreciated costs
10 are allocated over the average remaining life. Thus, when using the remaining life
11 technique there is an automatic adjustment, or self-correcting mechanism, that will
12 increase or decrease depreciation expense to account for any imbalances between the
13 book and theoretical reserves.

14 **Q. Is the remaining life technique the predominant depreciation technique used in**
15 **the utility industry?**

16 A. Yes. Almost all U.S. jurisdictions, including the FERC, use the remaining life
17 technique.

18 **Q. Did you review prior Commission orders on FPL's depreciation accrual rates?**

19 A. Yes. I performed the previous FPL Depreciation Study ("2021 Depreciation Study"),
20 which was presented in Docket No. 20210015-EI, as well as the alternative
21 depreciation calculations provided in Exhibit KF-3(B) in that case, which were
22 ultimately adopted for FPL in the 2021 Rate Settlement.² I also performed the 2016

² Stipulation and Settlement Agreement approved in FPL's 2021 Rate Case in Docket No. 20210015-EI, Commission Order Nos. PSC-2021-0446-S-EI and PSC 2021-0446A-S-EI.

1 Depreciation Study presented in Docket No. 160021-EI. I also assisted the depreciation
2 witness that performed the Company's 2009 Depreciation Study presented in Docket
3 No. 090130-EI and assisted with the related testimony in that case. In addition, I have
4 performed the most recent depreciation studies for Duke Energy Florida, TECO and
5 Florida City Gas. I am, therefore, familiar with the depreciation related testimonies in
6 the most recent FPL depreciation dockets and the related settlement agreements and
7 Commission orders.

8 **Q. Is the 2025 Depreciation Study consistent with prior Commission orders?**

9 A. Yes. The use of the straight-line method, average service life procedure, and remaining
10 life technique is consistent with prior Commission orders. The methods used for the
11 estimation of service lives and net salvage are also generally consistent with prior
12 Commission orders. Each of the methods, procedures, and techniques used in the 2025
13 Depreciation Study are also consistent with those used in the 2021 Depreciation Study
14 and the Company's current depreciation rates approved in the 2021 Rate Settlement.

15 **Q. What are your recommended annual depreciation accrual rates for FPL?**

16 A. My recommended annual depreciation accrual rates are the remaining life rates set forth
17 in Table 1 of Exhibit NWA-1 beginning on page VI-4. These rates were developed
18 using the same methods used in the 2021 Depreciation Study and follow the previously
19 discussed rules of depreciation prescribed by the Commission.

20 **Q. How did you determine the recommended annual depreciation accrual rates?**

21 A. I did this in two phases. In the first phase, I estimated the service life and net salvage
22 characteristics for each depreciable group -- that is, each plant account or subaccount
23 identified as having similar characteristics. In the second phase, I calculated the

1 composite remaining lives and annual depreciation accrual rates based on the service
2 life and net salvage estimates determined in the first phase. The next two sections of
3 my testimony will explain each of these phases of the 2025 Depreciation Study.

4 **B. SERVICE LIVES AND NET SALVAGE**

5 **Q. Please describe the first phase of the 2025 Depreciation Study, in which you**
6 **estimated the service life and net salvage characteristics for each depreciable**
7 **group.**

8 A. The service life and net salvage study consisted of compiling historic data from records
9 related to FPL's plant; analyzing these data to obtain historic trends of survivor and net
10 salvage characteristics; obtaining supplementary information from management and
11 operating personnel concerning accounting and operating practices and plans; and
12 interpreting the above data and the estimates used by other electric utilities to form
13 judgments of average service life and net salvage characteristics.

14 **Q. Did you physically observe FPL's plant and equipment as part of the 2025**
15 **Depreciation Study and 2025 Dismantlement Study?**

16 A. Yes. I toured FPL's Martin, Okeechobee, Manatee, Gulf Clean Energy Center, and
17 Scherer facilities for these studies. The Gannett Fleming team performed additional
18 site visits of the Dania Beach and West County facilities. We also performed site visits
19 of transmission and distribution assets. I have previously performed site visits for FPL,
20 including during the 2009 and 2016 Depreciation Studies,³ and for numerous other
21 electric utilities. A full listing of sites visited is provided in Exhibit NWA-1 and Exhibit
22 NWA-2.

³ Site visits were not performed for the 2021 Depreciation Study due to the COVID-19 pandemic.

9

11 **Q. What is the process for the estimation of service lives in the 2025 Depreciation**
12 **Study?**

22

a) Mass Property

Q. What historical data did you analyze for the purpose of estimating service life characteristics for mass property?

A. I analyzed the Company's accounting entries that record plant transactions during the period 1941 through 2023. The transactions included additions, retirements, transfers, and the related balances. The Company records also included surviving dollar value by year installed for each plant account as of December 31, 2023.

Q. What methods are generally used to analyze service life data?

A. There are two methods widely used in a typical depreciation study to estimate a survivor curve for a group of plant assets: (i) the simulated plant balances method and (ii) the retirement rate method.

The simulated plant balance method is used for property groups for which the retirements of property by age are not known. However, it does require continuous records of vintage plant additions and year-end plant balances. The method suggests probable survivor curves for a property group by successively applying a number of alternative survivor curves to the group's historical additions in order to simulate the group's surviving balance over a selected period of time. One of the several survivor curves that results in simulated balances that conform most closely to the book balance may be considered to be the survivor curve the group under study is experiencing.

The retirement rate method is an actuarial method of deriving survivor curves using the average rates at which property of each age group is retired. It is the preferred method

1 when sufficient data are available. The method relates to property groups for which
2 aged accounting experience is available or for which aged accounting experience is
3 developed by statistically aging unaged amounts. FPL maintains aged accounting data
4 (meaning that the vintage year is recorded for each addition, retirement, or transfer)
5 and, thus, the data at FPL are kept in a manner that enabled the use of the retirement
6 rate method.

7
8 The application of the retirement rate method is illustrated through the use of an
9 example in Part II of the 2025 Depreciation Study. The retirement rate method was
10 used for mass property accounts (*i.e.*, depreciable transmission, distribution, and
11 general plant accounts). As I will discuss in the next section on life span property, the
12 retirement rate method was also used for the estimation of interim survivor curves for
13 production plant accounts.

14 **Q. Did you use statistical survivor characteristics to estimate average service lives of**
15 **the property?**

16 A. Yes. I used Iowa-type survivor curves.

17 **Q. What is an “Iowa-type survivor curve,” and how did you use such curves to**
18 **estimate the service life characteristics for each property group?**

19 A. Iowa-type curves are a widely used group of generalized survivor curves that contain
20 the range of survivor characteristics usually experienced by utilities and other industrial
21 companies. The Iowa curves were developed at the Iowa State College Engineering
22 Experiment Station through an extensive process of observing and classifying the ages

1 at which various types of property used by utilities and other industrial companies had
2 been retired.

3
4 Iowa-type curves are used to smooth and extrapolate original survivor curves
5 determined by the retirement rate method. Iowa curves were used in this study to
6 describe the forecasted rates of retirement based on the observed rates of retirement
7 and expectations regarding future retirements. Iowa-type curves have been accepted
8 by every state commission and the FERC.

9
10 The estimated survivor curve designations for each depreciable property group indicate
11 the average service life, the family within the Iowa system to which the property group
12 belongs, and the relative height of the mode. For example, an Iowa 40-R2 designation
13 indicates an average service life of forty years; a right-moded, or R-type curve (the
14 mode occurs after average life for right-moded curves); and a moderate height, two, for
15 the mode (possible modes for R-type curves range from 1 to 5).⁴ The Iowa curves are
16 discussed in more detail in Part II of Exhibit NWA-1.

17 **Q. How are Iowa-type survivor curves compared to the historical data for the**
18 **purpose of forecasting service lives?**

19 A. For each depreciable property group, original life tables are developed from the
20 Company's historical records of aged additions, transfers, and retirements. Original
21 life tables can be developed using the full experience of historical data. Original life
22 tables can also be developed using different ranges of years of activity, such as the most

⁴ There are also half-mode curves (e.g., R1.5) that are the average of the full mode curves.

1 recent 30 or 40 years of experience. The range of transaction years used to develop a
2 life table is referred to as an “experience band,” and the range of vintages used for the
3 life table is referred to as a “placement band.”
4

5 Once life tables have been developed using the retirement rate method, specific Iowa
6 curves can be compared both visually and mathematically to the life tables. For visual
7 curve matching, Iowa survivor curves are plotted on the same graph as an original life
8 table, and the points of the curves are visually compared to the life table to assess how
9 closely the Iowa curve matches the historical data. For mathematical curve matching,
10 Iowa curves are compared to an original life table mathematically using an algorithm
11 that compares the differences between an Iowa curve and the original life table.
12

13 For both visual and mathematical curve matching, not all of the historical data points
14 should be given the same consideration, as different data points on a life table will have
15 different significance based on both the level of exposures (*i.e.*, the amount of assets
16 that has survived to a given age) and the level of retirements. For example, data points
17 for later ages in an original life table may be based on the experience of a small number
18 of units of property. Due to a smaller sample size, these data points would not provide
19 as meaningful information compared to earlier ages. Additionally, the middle portion
20 of the curve is where the largest portion of retirements occurs. This portion of the curve
21 therefore typically provides the best indications of the survivor characteristics of the
22 property studied.
23

1 **Q. Can you provide an example of the process of fitting Iowa curves to an original**
2 **life table?**

3 A. Yes. Account 364.1 Poles, Towers and Fixtures – Wood provides a good example of
4 this process. For this account, the life table for the overall experience and placement
5 bands is shown on Exhibit NWA-1, pages VII-128 through VII-130. The original life
6 table develops the percent of plant that has survived to each age for the experience and
7 placement bands. The representative data points from this life table are depicted
8 graphically on Exhibit NWA-1, page VII-127.

9
10 Also shown on page VII-127 is the 42-R1.5 survivor curve. As can be seen in the chart,
11 this curve is a visually good match of the historical data, as the smooth line depicting
12 the 42-R1.5 survivor curve is close to the historical data points for most ages. It is a
13 particularly good fit for the middle portion of the curve, or the data points from about
14 80% surviving to about 20% surviving. These data points provide the most information
15 on the survivor characteristics for this account. The 42-R1.5 is also a good
16 mathematical fit of the historical data. The degree of mathematical fit can be measured
17 by the residual measure,⁵ which is a normalized sum of squares difference between the
18 original life table and a given Iowa curve. The residual measure for the 42-R1.5
19 survivor curve and the representative data points from the original life table is 2.48,
20 which is considered to be a very good fit.⁶ The statistical analysis for this account,
21 using both visual and mathematical techniques, therefore indicates that the 42-R1.5

⁵ The residual measure is the square root of the total sum of the squares of differences between points on the original and smooth curves divided by the number of points.

⁶ The smaller the residual measure, the more closely the Iowa curve mathematically matches the original life table.

1 survivor curve provides a good representation of the historical mortality characteristics
2 for the account.

3 **Q. Is the statistical analysis of historical data based on the retirement rate method**
4 **the only consideration in estimating service life?**

5 A. No. The estimation of service life is a forecast of the future experience of property
6 currently in service and, therefore, informed judgment that incorporates a number of
7 factors must be used in the process of estimating the service life. The statistical analysis
8 can provide a good indication of what has occurred for the Company's assets in the
9 past, but other factors can affect the service lives of the assets going forward. Further,
10 the historical data often does not provide a definitive indication of service life. For
11 these reasons other factors must be considered when estimating future service life
12 characteristics.

13 **Q. Would you provide an example of types of factors considered in the process of**
14 **estimating service life?**

15 A. Yes. An example is Account 364, Poles, Towers and Fixtures. I have explained
16 previously that the 42-R1.5 survivor curve is a good fit of the historical data for wood
17 poles. However, other factors were also considered for this account.

18
19 In the 2016 Depreciation Study, Account 364 was subdivided into subaccounts for
20 wood poles and concrete poles. Similar to the 2021 Depreciation Study, for the 2025
21 Depreciation Study, data was available to perform separate retirement rate analyses on
22 historical data for wood poles and concrete poles. As noted previously, the statistical
23 analyses indicated service lives of around 40 to 45 years for wood poles, and that the

1 42-R1.5 survivor curve was a good fit of the historical data. For concrete poles, the
2 statistical analysis indicated a similar service life to that of wood poles.

3
4 In addition to the statistical analysis, I have had discussions with engineering and
5 operations personnel with knowledge of the assets and Company plans in both this
6 study and previous studies. Through these discussions I have obtained more detail
7 about the Company's storm hardening programs wherein FPL is investing to make its
8 transmission and distribution infrastructure more resilient. Additionally, I have visited
9 the job sites of a storm hardening project to see the installation of a stronger new
10 concrete pole. Based on these discussions and observations and my experience in the
11 industry, I concluded that the service life expectations for wood poles were likely to be
12 different than the expectations for concrete poles.

13
14 For wood poles, discussions with management indicated that the results from the
15 statistical analysis provide a reasonable indication of the future service life expectations
16 for this account. However, information obtained from discussions with management
17 and site visits provided reason to expect that newer concrete poles will remain in
18 service for a somewhat longer period of time than older concrete poles have historically
19 remained in service. Concrete poles installed today are stronger poles than those
20 installed 30 or 40 years ago. Retirements due to causes such as damage and
21 deterioration should therefore be expected to occur somewhat less frequently for newer
22 concrete poles. However, poles are also retired for other reasons, such as relocations,
23 loading, and clearances, which may not be materially different in the future than what

1 has been experienced in the past. Thus, the future expectations for concrete poles are
2 somewhat longer service lives than have occurred historically. The 42-R1.5 survivor
3 curve incorporates these expectations and represents a longer service life than the
4 indications based solely on the historical data.

5
6 Both wood and concrete poles have been replaced, or will be replaced, as a result of
7 FPL's storm hardening programs, whether replaced with newer, stronger structures or
8 with underground lines. I expect the net effect of FPL's storm hardening efforts will
9 shorten the lives of existing assets (which, over time, is reflected in the historical data),
10 and that newer assets will potentially have longer service lives than experienced by
11 poles in service prior to storm hardening initiatives. The forces of retirement in these
12 accounts are dynamic and the average service life will evolve over time as storm
13 hardening projects are completed. The recommended survivor curves reflect these
14 impacts in addition to the statistical analyses and other considerations discussed
15 previously.

16 **Q. Was the process for estimating service lives for other accounts similar to Account**
17 **364.1?**

18 A. Yes. A similar process for estimating service lives was used for other mass property
19 accounts. The estimated survivor curves for each account can be found in Part VII of
20 the 2025 Depreciation Study. A narrative description of considerations for each
21 estimate can be found in Part XI of the 2025 Depreciation Study.

b) Life Span Property

Q. What method was used to estimate the lives of production facilities?

A. For production facilities, the life span method has traditionally been used to estimate the lives of electric generation facilities, for which concurrent retirement of the entire facility is anticipated. This method, which is described further below, is most commonly used for generating facilities in the industry.

Q. Please describe the life span method.

A. In this method, the survivor characteristics of such facilities are described by the use of interim retirement survivor curves (typically Iowa curves) and economic recovery dates. The interim survivor curve describes the rate of retirement related to the replacement of elements of the facility. For a power plant, examples of interim retirements include the retirement of piping, boiler tubes, condensers, turbine blades, and rotors that occur during the life of the facility. Interim survivor curves were developed using the retirement rate method in a manner similar to that used for mass property. The economic recovery date, an estimate of the probable retirement date of a facility based on its anticipated operating life, affects each year of installation for the facility by truncating the interim survivor curve for each installation year at its attained age as of that date. The life span of the facility is the time from when the plant is originally placed in service to the expected date of its eventual retirement (*i.e.*, the economic recovery date).

The use of interim survivor curves, truncated at the estimated economic recovery dates, provides a consistent method of estimating the lives of several years' installation for a

1 particular facility inasmuch as a single concurrent retirement for all the years of
2 installation will occur at that specified date.

3 **Q. Has the life span method been previously used in Florida?**

4 A. Yes. The life span method was approved by the Commission for the Company's
5 depreciation rates in Docket No. 090130-EI and was used in the 2016 and 2021
6 Depreciation Studies, as well as for other Florida utilities.

7 **Q. Is the life span method widely used in the electric industry to determine the
8 depreciation rates for production plants?**

9 A. Yes. My firm has used the life span method in performing depreciation studies
10 presented to many public utility commissions across the United States and Canada, and
11 the life span method is the predominant method used for property such as production
12 plants.

13 **Q. Have you recommended the life span method for production facilities in the 2025
14 Depreciation Study?**

15 A. Yes. For fossil generation, I have continued to use the life span method. Thus, steam,
16 combined cycle, and simple cycle facilities all use the life span method. However, for
17 solar generation and battery storage, I have instead recommended an average service
18 life and survivor curve more consistent with the approach used for mass property. The
19 Company's solar fleet has grown from several facilities in earlier studies I have
20 performed to more than 100 by the end of 2025. Both because of the administrative
21 challenge of calculating and applying depreciation rates and because the large number
22 of sites means that solar generation as a group is more similar to a mass property group,
23 my recommendation in this case does not use the life span method for solar assets,

1 which are instead estimated with a survivor curve for each property account. A similar
2 approach was used for battery storage facilities, which are also expected to have
3 significant growth in the number of facilities on FPL's system.

4 **Q. Has this approach been used previously for solar and battery storage?**

5 A. Yes. This approach for both solar and battery storage was recently approved by the
6 Commission in TECO's rate case in Docket Nos. 20240026-EI and 20230139-EI.
7 FPL's 2025 Depreciation Study uses a similar approach.

8 **Q. Are there any other changes related to solar and battery storage?**

9 A. Yes. In 2024, the FERC issued Order No. 898, one purpose of which was to refine the
10 Uniform System of Accounts to more precisely and accurately account for the
11 depreciation of solar and battery storage assets. This includes new subaccounts for
12 solar and battery storage for components of facilities such as panels, inverters, and
13 collection systems. These components may have different average service lives from
14 each facility as a whole. For the 2025 Depreciation Study, I have recommended
15 depreciation rates using these new subaccounts and, as discussed above, have used a
16 mass property approach for solar and battery storage assets.

17 **Q. For fossil generation, you have used the life span method with interim survivor**
18 **curves. Are interim survivor curves the most common method of estimating**
19 **interim retirements for life span property?**

20 A. Yes. The use of interim survivor curves to estimate interim retirements is also the
21 predominant method of estimating interim retirements for assets such as power plants.
22 Interim survivor curves were used in the 2016 and 2021 Depreciation Studies and for

1 the Company's current depreciation rates. Interim survivor curves are also used for
2 similar assets for Duke Energy Florida and TECO.

3 **Q. What are the economic recovery dates, and what was the basis for each selection?**

4 A. The economic recovery dates estimated in the 2025 Depreciation Study are set forth on
5 Exhibit NWA-1 on pages III-8 and III-9. For most generating units, the life spans are
6 consistent with those currently used and adopted in the FPL 2021 Rate Settlement.

7

8 The economic recovery dates are based on a number of factors, including the operating
9 characteristics of the facilities, the type of technology used at each plant, environmental
10 and other regulations, and the Company's outlook for each facility. Economic recovery
11 dates are specific to each generating unit and, therefore, the characteristics for each
12 generating unit are considered when estimating an economic recovery date. Typically,
13 the owner and operator of each facility best understands the operation and the outlook
14 of each power plant and, therefore, is in the best position to determine the most probable
15 retirement of each facility. I have discussed the estimated life span of each facility with
16 FPL. In addition, FPL has retired a number of generating units in recent years. The
17 experienced life spans of these retired facilities were also reviewed. I have also
18 incorporated my firm's experience performing depreciation studies for other utilities
19 and our knowledge of other generating facilities. I have compared the estimates for
20 FPL's facilities with the estimates typically made for other utilities and have confirmed
21 that FPL's estimates are reasonable and are within the range of estimates typically used
22 in the industry.

23

1 This process results in economic recovery dates for the 2025 Depreciation Study that,
2 in my professional judgment, are reasonable based on the most current information and
3 data available at the time. While some of the estimates are longer than those used for
4 other utilities, these estimates are consistent with both FPL's current depreciation rates
5 and with FPL's outlook for the facilities, which may differ from other utilities with
6 shorter life spans. Further discussion of the life span estimates can be found in Part X
7 of Exhibit NWA-1, as well as later in this testimony.

8 **Q. What are the life span estimates for steam generating plants?**

9 A. For steam production plants, the estimated retirement dates are 2035 for Scherer Unit
10 3, 2029 for Gulf Clean Energy Center ("GCEC") Units 4 and 5, 2035 for GCEC Unit
11 6, and 2038 for GCEC Unit 7. The dates for Scherer and GCEC Units 4 and 5 have
12 been updated from the existing estimates based on the current outlook for each facility,
13 which have changed from the previous depreciation study.

14

15 Most of the standalone FPL steam production plants either have been or are planned to
16 be retired. In recent years the combination of lower-cost alternative generation, such
17 as natural gas-fired combined cycle and solar plants, and a variety of environmental
18 rules have had an impact on the service lives of steam power plants, and in particular
19 on coal-fired generation. Many power plants in the industry have been retired earlier
20 than anticipated due in part to these environmental rules. For the GCEC units, the
21 recommended life spans are around 65 to 70 years. For Scherer Unit 3, the
22 recommended life span is 12 years shorter than the current estimate but is consistent
23 with the life span currently used by the plant's co-owner and operator, Georgia Power.

1 Manatee Units 1 and 2 were previously expected to retire but are available to operate
 2 for extreme winter peaks. The Company will continue to amortize these units over the
 3 20-year period approved in the 2021 Rate Settlement.

4 **Q. Has the Company retired any steam generating plants in recent years?**

5 A. Yes. The Company has retired a number of steam generating plants. The retired
 6 facilities, as well as the retirement date and life span of each facility, are summarized
 7 in Table 1 below. The actual experienced life spans for these units ranged from 30 to
 8 60 years, with an average life span of less than 50 years. This experience supports a
 9 conclusion that the life spans for the remaining coal-fired plants are not unreasonably
 10 long but also supports that reducing the life span for Scherer Unit 3 is more consistent
 11 with the Company's experience.

12 **Table 1: Retirements of FPL Steam Generating Units**

<u>Generating Unit</u>	<u>Retirement Date</u>	<u>Actual Life Span</u>
Cape Canaveral Unit 1	2010	45
Cape Canaveral Unit 2	2010	41
Cutler Unit 5	2012	58
Cutler Unit 6	2012	57
Lansing Smith Unit 1	2016	51
Lansing Smith Unit 2	2016	49
Martin Unit 1	2018	38
Martin Unit 2	2018	37
Pt Everglades Unit 1	2012	52
Pt Everglades Unit 2	2012	51
Pt Everglades Unit 3	2013	49
Pt Everglades Unit 4	2013	48
Riviera Unit 3	2011	49
Riviera Unit 4	2011	48
Sanford Unit 3	2012	53
Scholz Unit 1	2015	62
Scholz Unit 2	2015	62
SJRPP Unit 1	2018	31
SJRPP Unit 2	2018	30

Scherer Unit 4	2022	33
Turkey Point Unit 1	2016	49
Turkey Point Unit 2	2013	45

1 **Q. What are the estimated life spans for the Company’s nuclear generating facilities?**

2 A. The life spans for the Turkey Point and St. Lucie nuclear units are based on the
3 facilities’ Nuclear Regulatory Commission (“NRC”) operating licenses. Each unit has
4 been granted a 20-year extension to its original 40-year license, and the Turkey Point
5 units have been granted a subsequent license renewal. The subsequent license renewal
6 request is currently pending for the St. Lucie units, but FPL expects the license to be
7 granted as discussed in FPL witness DeBoer’s testimony. As such, the estimated life
8 spans are 80 years for the Turkey Point and St. Lucie nuclear units.

9 **Q. What is the life span estimate for the Company’s combined cycle generating**
10 **facilities?**

11 A. The life span estimate for the combined cycle facilities is 50 years. This is the same
12 life span currently used for the Company’s combined cycle generation. The life spans
13 for FPL’s combined cycle plants were increased from 30 years to 40 years in the 2016
14 Depreciation Study and from 40 to 50 years in the 2021 Rate Settlement. These longer
15 life spans reflect significant investments in the combined cycle fleets to extend the lives
16 of many components, improve efficiency, mitigate corrosion issues, and incorporate
17 new technologies and cleaner fuels.

18 **Q. How does a 50-year life span estimate compare to the range of estimates by others**
19 **in the industry for combined cycle power plants?**

20 A. A 50-year life span is longer than most used in the industry. However, I believe it is
21 reasonable to continue to use the current estimate given the context of FPL’s previous

1 studies, its investment in its facilities, and its outlook for the future.

2 **Q. What are the life span estimates for other fossil facilities?**

3 A. The 2025 Depreciation Study uses a 50-year life span for most of the Company's newer
4 peaker facilities.

5 **Q. What are the estimates for solar facilities?**

6 A. The current depreciation rates for solar are based on a 35-year life span, which is longer
7 than recommended in prior depreciation studies. Since the 2021 Depreciation Study,
8 FPL has added numerous solar facilities and expects to have 108 in service by the end
9 of 2025. Additionally, as discussed above, FERC Order 898 results in new subaccounts
10 for solar facilities. Due to the number of units, I recommend a mass property approach
11 for solar facilities consistent with the approach used for transmission and distribution
12 assets. The number of sites means that a mass property approach is reasonable for these
13 assets. Indeed, in prior studies the estimated life span for solar plants could be
14 considered an average life span estimate, as not all facilities should be expected to last
15 exactly 30- or 35-years. Using a mass property approach for solar facilities is consistent
16 with this approach. Additionally, consistent with FERC Order 898, each subaccount
17 was studied separately, and the recommended estimates incorporate the service life
18 expectations for each account.

19 **Q. Does this approach change the way FPL accounts for its solar assets?**

20 A. No. While it changes the way depreciation rates are developed, FPL will still account
21 for capital costs and accumulated depreciation by solar generating site.

1 **Q. Has FPL retired any solar facilities?**

2 A. Yes. The Martin solar plant was retired⁷ in early 2023 with a life span of 13 years.
3 However, the Martin plant was a unique facility, in that it was a thermal power plant
4 that generated steam used in the steam cycle for the Martin Unit 8 combined cycle
5 plant. Because this plant was different technology from FPL's photovoltaic sites, it is
6 still reasonable to expect a longer life for most of FPL's solar facilities.

7 **Q. In addition to the life span, you also have recommended estimates for interim**
8 **retirements. Is the estimation of interim retirements using the retirement rate**
9 **method similar to the process of estimating survivor curves for mass property?**

10 A. Yes. Similar to mass property the interim survivor curve estimates are based on
11 informed judgment that incorporates actuarial analyses of historical data using the
12 retirement rate method of analysis. Iowa survivor curves have been estimated for each
13 plant account which, combined with the life span estimate for each generating unit,
14 provide the overall survivor curve, average service life, and average remaining life for
15 each plant account at each generating unit. A narrative discussion of the considerations
16 for the estimation of interim survivor curves for each account can be found in Part X
17 of the 2025 Depreciation Study. Graphical depictions of the interim survivor curves
18 estimated for each generation plant account are presented in Part VII of the 2025
19 Depreciation Study.

20 **Q. Were the Company's current depreciation rates developed with interim survivor**
21 **curves?**

22 A. Yes. In the 2009 Depreciation Study, the approved depreciation rates used a slightly

⁷ See Commission Order No. PSC-2022-0424-FOF-EI in Docket No. 20220007-EI.

1 different methodology referred to as “interim retirement rates.” While the interim
2 retirement rate methodology also estimates interim retirements, it is based on the
3 assumption that an equal rate of retirements will occur in each year of a plant’s
4 operation. An assumption of an equal rate of annual retirements is often not a realistic
5 assumption for interim retirements for power plants. As a result, the use of interim
6 survivor curves is a more accurate method of estimating interim retirements and was
7 used in the 2016 Depreciation Study. The current depreciation rates also use interim
8 survivor curves, and the recommendation in the 2025 Depreciation Study is to continue
9 to use interim survivor curves.

10 **Q. Why is the use of interim survivor curves more accurate for estimating interim**
11 **retirements?**

12 A. Interim survivor curves are more accurate because they recognize the concept of
13 dispersion. That is, survivor curves recognize that retirements will occur at different
14 rates at different ages. For a power plant, retirements often tend to increase as the assets
15 in the plant age, because wear and tear over time results in more assets needing to be
16 replaced. Thus, the rate of retirement should be expected to increase over time for most
17 types of assets. Interim survivor curves recognize this dispersion, while the interim
18 retirement rate methodology does not.

19 **Q. How do the interim survivor curve estimates compare to those used for the current**
20 **depreciation rates?**

21 A. Generally, for many accounts the interim survivor curve estimates reflect similar or
22 longer lives than those used in the current depreciation rates. As with the current
23 depreciation rates, Account 343, Prime Movers is subdivided into subaccounts to

1 reflect the shorter service lives for assets referred to as “capital spare parts.” The term
2 capital spare parts, as used for FPL’s combined cycle plants, refers to a number of
3 different types of assets associated with the combustion turbines for the plant. Capital
4 spare parts include turbine blades, rotor blades, and transition nozzles that typically
5 have a shorter life than the overall facility. During outages at regular intervals many
6 of these components are replaced. The parts removed from the plant can be refurbished
7 and reused within FPL’s combined cycle fleet. When capital spare parts are removed
8 from a plant, the Company records a retirement as well as positive net salvage that
9 reflects the fact that the parts can be refurbished and reused. Refurbished parts are then
10 recapitalized when they return to service. Most capital spare parts are typically
11 refurbished and reused two times before they are no longer able to be used.

12

13 As a result of these operational characteristics, capital spare parts on average have a
14 shorter service life than the entire facility but also have a positive net salvage value
15 when retired. It should also be noted that there is a range of lives for the Company’s
16 capital spare parts, with some assets having lives as short as two to three years while
17 others remain in service ten years or longer.

18 **Q. In addition to the statistical life analysis, are there other considerations for the**
19 **service life estimate for capital spare parts in the current study?**

20 A. Yes. FPL has made, and continues to make, significant investments to upgrade its
21 capital spare parts. For instance, the original parts installed for the Company’s General
22 Electric (“GE”) plants, which are referred to as 7FA.03 parts, experienced shorter
23 service lives than is expected for new parts installed today. One reason for the shorter

1 service lives is that some of FPL's plants experienced corrosion issues with many of
2 their components due to factors such as the original design of these components and
3 proximity to the coast. Another reason is that manufacturers have developed more
4 robust components (*e.g.*, for GE plants these are referred to as 7FA.04 and 7FA.05
5 parts) that have longer intervals between outages. The result of the longer intervals
6 should be an increase in service life for those capital spare parts.

7

8 For these reasons, the expectation is that the service life of capital spare parts will be
9 longer going forward than indicated in the historical data. In the 2016 Depreciation
10 Study, the data indicated an average service life in the 6- to 7-year range but a 9-year
11 average service life was recommended. A similar estimate was made in the 2021
12 Depreciation Study. The historical data continues to indicate an average service life
13 for these assets in the 6- to 7-year range, but because a relatively short period of time
14 has passed since the last study and the Company has continued with upgrades during
15 that time, I continue to expect that in the future these assets will have lives that are
16 longer than indicated by the historical data. Accordingly, in the 2025 Depreciation
17 Study, the 9-L0 survivor curve is recommended for interim retirements for capital spare
18 parts. This estimate continues to reflect the impact of upgraded components, as well
19 as the impact of fewer run-hours for some of the Company's combined cycle plants.

20

21

22

2. Net Salvage

Q. Would you please explain the concept of “net salvage”?

A. Net salvage is the salvage value received for the asset upon retirement less the cost to retire the asset. When the cost to retire exceeds the salvage value, the result is negative net salvage. Net salvage is a component of the service value of capital assets that is recovered through depreciation rates. The service value of an asset is its original cost less its net salvage. Thus, net salvage is considered to be a component of the cost of an asset that is recovered through depreciation.

Inasmuch as depreciation expense is the loss in service value of an asset during a defined period (*e.g.*, one year), it must include a ratable portion of both the original cost and the net salvage. That is, the net salvage related to an asset should be incorporated in the cost of service during the same period as its original cost, so that customers receiving service from the asset pay rates that include a portion of both elements of the asset’s service value, the original cost, and the net salvage value.

For example, the full recovery of the service value of a \$1,000 transformer may include not only the \$1,000 of original cost, but also, on average, \$300 to remove the transformer at the end of its life less \$150 in salvage value. In this example, the net salvage component is negative \$150 ($\$150 - \300), and the net salvage percentage is negative 15% ($(\$150 - \$300)/\$1,000$).

Q. Please describe the process you used to estimate net salvage percentages.

A. The net salvage estimate for each plant account is based on informed judgment that

1 incorporates the analysis of historical net salvage data. I reviewed net salvage data
2 from 1986 through 2023. Cost of removal and salvage were expressed as a percent of
3 the original cost of the plant retired, both on an annual basis and a three-year moving
4 average basis. The most recent five-year average was also calculated.

5 **Q. Were there other considerations used in developing your final estimates for net**
6 **salvage?**

7 A. Yes. In addition to the statistical analyses of historical data, I considered the
8 information provided to me by the Company's operating personnel, general knowledge
9 and experience of the industry practices, and trends in the industry in general.

10 **Q. Is the same process used for the estimation of net salvage for production plant?**

11 A. The same process is used for interim net salvage for generating plant accounts as is
12 used for the estimation of net salvage for mass property accounts. However, interim
13 net salvage is applied only to the portion of plant expected to be retired as interim
14 retirements. Assets expected to remain in service until the final retirement of a
15 generating facility will experience terminal net salvage – that is, the cost to dismantle
16 the facility.

17 **Q. Do the depreciation rates used for electric generating facilities have a component**
18 **for dismantlement?**

19 A. No. The dismantlement component of net salvage is not included in the depreciation
20 rates recommended in the 2025 Depreciation Study. Consistent with the longstanding
21 practice of FPL, and as approved by the Commission, the estimates of final
22 dismantlement for fossil, solar, and battery storage facilities are included in the 2025
23 Dismantlement Study. In Florida, these costs are recovered through a separate

1 dismantlement accrual. The dismantlement accruals, which are based on a
2 dismantlement study performed by Gannett Fleming, are discussed in more detail in
3 the testimony of FPL witness Ferguson.

4 **Q. How do the net salvage estimates in the 2025 Depreciation Study compare to the**
5 **estimated in the previous study?**

6 A. The net salvage estimates are fairly similar to those in the 2021 Depreciation Study,
7 although they are more negative estimates for some accounts than those used for the
8 current depreciation rates (which are based on a settlement). The most recent
9 depreciation studies have reflected a general trend to higher cost of removal for certain
10 accounts, a trend that is reflected in the Company's historical net salvage data.

11 **Q. In addition to a trend to higher cost of removal being reflected in the historical**
12 **data, what are the reasons for this trend?**

13 A. Costs have increased for a number of reasons, including permitting costs, work
14 requirements, environmental regulations, safety requirements, traffic control, and labor
15 and contractor costs. In addition to discussing these factors with Company personnel,
16 past field trips have included a pole replacement project. I observed the work involved
17 in replacing a concrete pole, including the construction crew, equipment, traffic control,
18 and work required to complete the replacement project. Discussions with management
19 and observations in the field confirm that there are significant costs to retire assets and
20 that these costs have been increasing.

21 **Q. Can you provide an example of how costs have increased?**

22 A. Yes. Distribution poles provide a good example of factors that have resulted in
23 increasing costs to retire assets. FPL has both wood and concrete distribution poles.

1 The retirement of a wood pole requires a multiple person crew as well as equipment,
2 including a pole truck. For concrete poles, additional equipment, such as a crane, is
3 typically required. In addition to the replacement of the actual pole, the Company must
4 also transfer the primary and secondary cable, as well as other devices, from the old
5 pole to the new pole.

6

7 Costs for retiring poles have increased for a number of reasons. Labor and contractor
8 costs have increased over time. The cost of cutting poles has also increased. Cutting
9 costs are higher for concrete poles, as cutting a concrete pole requires more effort and
10 different equipment than for a wood pole. Other factors have also contributed to higher
11 project costs. For example, work and permitting requirements have resulted in higher
12 project costs.

13

14 Each of the factors described here contribute to higher cost of removal going forward
15 than was the case many years ago. This trend is consistent with the historical net
16 salvage data, which indicates increasing cost of removal for distribution poles.

17

18 However, this is partially offset by other factors. In some instances when
19 undergrounding overhead lines, rather than removing the poles, FPL may transfer
20 ownership to an attaching entity. These poles, therefore, will have minimal cost of
21 removal, which is considered when making the net salvage estimate.

22

1 **Q. Is the overall trend to higher cost of removal consistent with the experience of**
2 **other utilities in the industry?**

3 A. Yes. My firm conducts depreciation studies for utilities across the country. The trend
4 towards increasing cost of removal is consistent with the experience of many others in
5 the industry. The reasons that FPL's costs have increased are also experienced by other
6 utilities.

7
8 **C. REMAINING LIVES AND DEPRECIATION RATES**

9 **Q. Please describe the second phase of the 2025 Depreciation Study, in which you**
10 **calculated composite remaining lives and annual depreciation accrual rates.**

11 A. After I estimated the service life and determined net salvage characteristics to use for
12 each depreciable property group, I calculated the annual depreciation accrual rates for
13 each group based on the straight-line remaining life method, using remaining lives
14 weighted consistent with the average life procedure. The study used actual plant and
15 reserve balances as of December 31, 2023. Actual plant and reserve activity through
16 September 30, 2024, estimated plant and reserve for the remainder of 2024, and
17 estimated activity for 2025 were then used to develop depreciation rates based on plant
18 and reserve balances as of December 31, 2025.

19 **Q. Please describe the straight-line remaining life method of depreciation.**

20 A. The straight-line remaining life method (also referred to as the straight-line method and
21 remaining life technique) of depreciation allocates the original cost of the property, less
22 accumulated depreciation, less future net salvage, in equal amounts to each year of
23 remaining service life.

1 **Q. Please describe the average service life procedure for calculating remaining life**
2 **accrual rates.**

3 A. The average service life procedure defines the group for which the remaining life
4 annual accrual is determined. When using this procedure, the annual accrual rate is
5 determined for the entire group or account based on its average remaining life, and this
6 rate is applied to the surviving balance of the group's cost. The average remaining life
7 for the group is determined by first calculating the average remaining life for each
8 vintage of plant within the group. The average remaining life for each vintage is
9 derived from the area under the survivor curve between the attained age of the vintage
10 and the maximum age. Then, the average remaining life for the group is determined
11 by calculating the dollar-weighted average of the calculated remaining lives for each
12 vintage. The annual depreciation accruals for the group are calculated by dividing the
13 remaining depreciation accruals (original cost less accumulated depreciation less net
14 salvage) by the average remaining life for the group.

15 **Q. Have you used the same method to calculate the average remaining life as used in**
16 **the previous study filed in Docket No. 20210015-EI?**

17 A. Yes. The same method of calculating average remaining lives was used in the 2021
18 Depreciation Study and the Company's current depreciation rates approved in the 2021
19 Rate Settlement.

20 **Q. Please use an example to illustrate the development of the annual depreciation**
21 **accrual rate for a particular group of property in the 2025 Depreciation Study.**

22 A. For purposes of illustrating this process I will use Account 368, Line Transformers.
23 The survivor curve estimate for this account is the 40-R0.5, and the net salvage estimate

1 is for negative 15 percent net salvage. A discussion of these estimates, as well as the
2 statistical analyses that support the estimates for this account, can be found on Exhibit
3 NWA-1, pages XI-42 and XI-43.

4

5 The calculation of the annual depreciation related to the original cost of Account 368,
6 Line Transformers, as of December 31, 2021, is presented on Exhibit NWA-1, page
7 VI-15. The calculation is based on the 40-R0.5 survivor curve, negative 15 percent net
8 salvage, the attained age, and the book reserve. The calculated annual depreciation
9 accrual and rate are based on the estimated survivor curve and net salvage, the original
10 cost, book reserve, future accruals, and composite remaining life for the account. The
11 calculation of the composite remaining life as of December 31, 2021, is provided in the
12 tabulations presented on Exhibit NWA-1, pages IX-239 through IX-240. The
13 tabulation sets forth the installation year, the original cost, the average service life, the
14 whole life annual depreciation rate and accruals, the remaining life and theoretical
15 future accruals factor and amounts. The average service life weighted composite
16 remaining life of 32.05 years is equal to the total theoretical future accruals divided by
17 the total whole life depreciation accruals.

18 **Q. Did you use this same methodology for the general plant accounts?**

19 A. Yes. This methodology was used for the general plant accounts that are depreciated.
20 However, most of the general plant accounts are amortized in accordance with
21 amortization periods prescribed by the Commission. As discussed by FPL witness
22 Ferguson, the amortization periods and related rates incorporate new subaccounts set
23 forth in FERC Order 898. Generally, the recommended amortization periods are

1 consistent with those previously adopted by the Commission for similar assets in
2 accounts or subaccounts used prior to FERC Order 898.

3 **Q. What are the overall results of the 2025 Depreciation Study?**

4 A. The 2025 Depreciation Study results in an increase in service lives for many accounts
5 when compared to the 2021 Depreciation Study, although because the current
6 depreciation rates are based on a settlement, the service lives for some accounts are
7 shorter than those used for the current depreciation rates. The life spans for production
8 accounts for most generating units are consistent with the currently approved retirement
9 dates adopted in FPL's 2021 Rate Settlement.

10

11 The 2025 Depreciation Study resulted in similar estimates of negative net salvage as
12 the 2021 Depreciation Study, although this represents more negative net salvage
13 estimates for some accounts when compared to those used for the current depreciation
14 rates.

15

16 The 2025 Depreciation Study results in a moderate increase of total company
17 depreciation expense of approximately \$170.6 million as of December 31, 2025. This
18 increase is primarily the result of recent investments in generation facilities and the net
19 salvage estimates for distribution plant accounts.

20

21

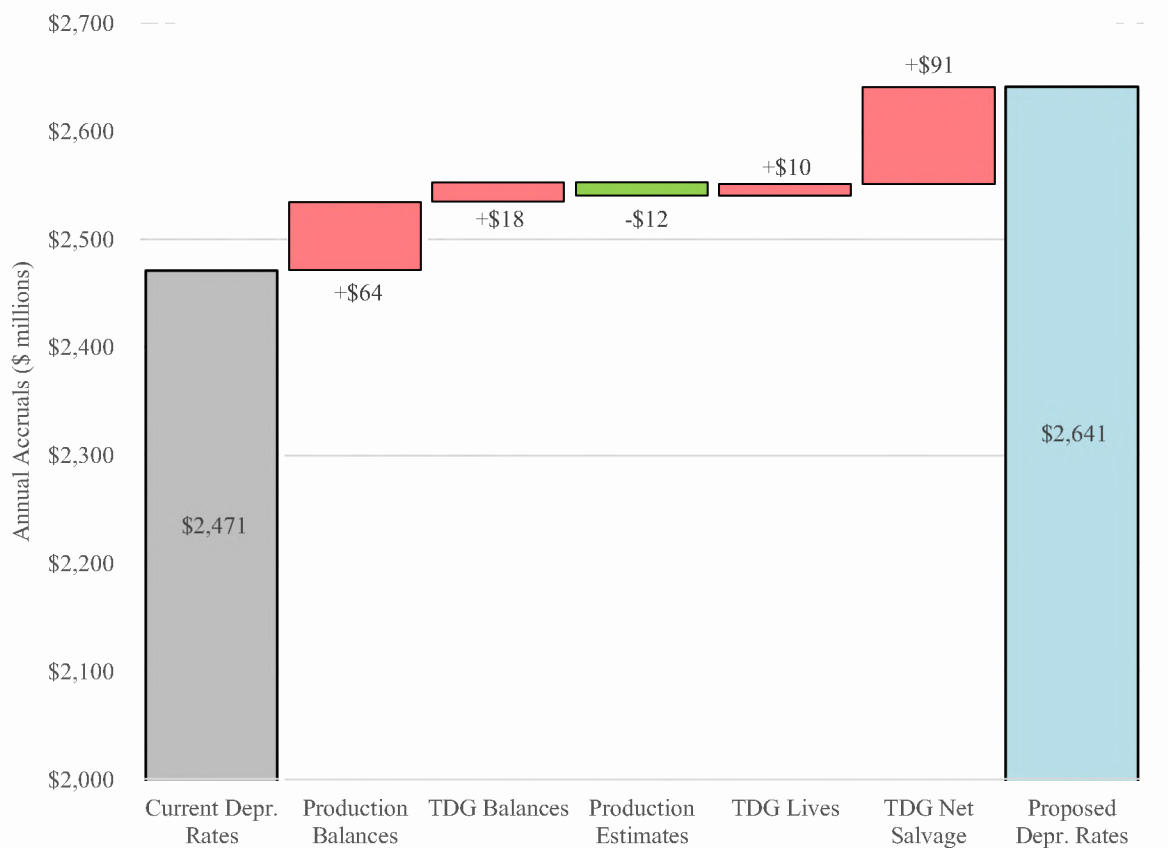
22

D. FACTORS AFFECTING DEPRECIATION EXPENSE

Q. What are the major factors that affect the depreciation expense resulting from application of the 2025 Depreciation Study?

A. The changes in annual depreciation rates and expense are shown in Table 2 of the 2025 Depreciation Study and result in a moderate increase in depreciation expense of approximately \$170.6 million as of December 31, 2025. The overall increase is primarily the result of changes in plant and reserve balances since the last depreciation study and the net salvage estimates for distribution plant. Figure 1 below provides an illustration of the main factors that result in the increase in expense.

Figure 1: Factors Resulting in Changes to Depreciation Expense as of December 31, 2025



1 Production Balances: Updating the depreciation calculations to December 31, 2025,
2 using FPL's currently approved service life and net salvage estimates results in a net
3 increase in depreciation for production plant accounts of approximately \$64 million.
4 This is primarily the result of capital additions and retirements at various power plants.

5
6 Transmission, Distribution and General Plant Balances: Updating the depreciation
7 calculations to December 31, 2025, using FPL's current service life and net salvage
8 estimates results in an increase in depreciation of approximately \$18 million. This is
9 the result of plant and reserve activity since the last depreciation study.

10 Production Plant Estimates: The service life and net salvage estimates result in a net
11 decrease in depreciation expense of approximately \$12 million. This decrease is
12 primarily for solar production plant, for which a mass property approach is
13 recommended, offset by changes in life span estimates in the steam production
14 function.

15
16 Transmission, Distribution and General Plant Service Lives: The recommended
17 service lives for these classes of plant in the 2025 Depreciation Study produce a
18 relatively small net increase in depreciation expense. For some accounts, a longer
19 service life is recommended, for some a shorter service life is recommended and for
20 others the same estimate is recommended. In total, the recommended service lives
21 produce a net increase in depreciation expense of approximately \$10 million.

22

23

1 Transmission, Distribution and General Plant Net Salvage: The recommended net
2 salvage estimates for these classes of plant result in a net increase in depreciation
3 expense of approximately \$90.6 million. As discussed previously, the net salvage
4 estimates are generally consistent with the estimates from the 2021 Depreciation Study
5 and reflect a trend of increasing cost of removal for certain accounts.

6

7 **E. THEORETICAL RESERVE IMBALANCE**

8 **Q. What is the book reserve?**

9 A. The book reserve, also referred to as the “book accumulated depreciation” or the
10 “accumulated provision for depreciation,” is a running total of historical depreciation
11 activity. It is equal to the historical depreciation accruals, less retirements and cost of
12 removal, plus historical gross salvage. The book reserve also represents a reduction to
13 the original cost of plant when calculating rate base.

14 **Q. What is the theoretical reserve?**

15 A. The theoretical reserve is an estimate of the accumulated depreciation based on the
16 current plant balances and depreciation parameters (service life and net salvage
17 estimates) at a specific point in time. It is equal to the portion of the depreciable cost
18 of plant that will not be allocated to expense through future whole life depreciation
19 accruals based on the current forecasts of service life and net salvage. The theoretical
20 reserve is also referred to as the “Calculated Accrued Depreciation” or “CAD.”

21 **Q. What is a theoretical reserve imbalance?**

22 A. A theoretical reserve imbalance (“TRI” or “imbalance”) is calculated as the difference
23 between a company’s book accumulated depreciation, or book reserve, and the

1 calculated accrued depreciation, or theoretical reserve. I should note that in prior
2 proceedings in both Florida and other jurisdictions, different terms have been used for
3 the theoretical reserve imbalance, including “theoretical reserve variance,” “reserve
4 excess,” “reserve surplus” or “reserve deficit” and “theoretical excess depreciation
5 reserve.” For this testimony I will use the term “theoretical reserve imbalance,” which
6 is consistent with the terminology used in the National Association of Regulatory
7 Utility Commissioners’ (“NARUC”) publication, *Public Utility Depreciation*
8 *Practices*.

9 **Q. Pursuant to Commission orders and settlement agreements in previous rate cases,**
10 **there have been amortizations of the theoretical reserve imbalances during the**
11 **periods following those orders. How has the impact of those amortizations been**
12 **incorporated into the 2025 Depreciation Study?**

13 A. In total, the amortizations resulting from previous cases have resulted in a reduction to
14 accumulated depreciation. The calculations as of December 31, 2025, include
15 adjustments to accumulated depreciation to reflect the amortizations resulting from
16 each of these prior cases that have been or are projected to be recorded as of that date.

17 **Q. Is the theoretical reserve the “correct” reserve?**

18 A. No. The terms “correct” or “incorrect” and the precision or exactness that they imply
19 have no application in this context; rather, the theoretical reserve is an estimate at a
20 given point in time based on the current plant balances and current life and net salvage
21 estimates. It can provide a benchmark of a Company’s reserve position, but it should
22 not be thought of as the “correct” reserve amount.

23

1 In Wolf and Fitch's *Depreciation Systems*, this point is explained as follows on page
2 86:

3 The CAD is not a precise measurement. It is based on a model that
4 only approximates the complex chain of events that occur in an
5 actual property group and depends upon forecasts of future life and
6 salvage. *Thus, it serves as a guide to, not a prescription for,*
7 *adjustments to the accumulated provision for depreciation.*
8 (emphasis added.)

9 **Q. How is the TRI addressed in the 2025 Depreciation Study?**

10 A. There are different approaches that could be used to address a theoretical reserve
11 imbalance. For purposes of the 2025 Depreciation Study, I have used the remaining
12 life technique because it is the most common method used to address theoretical reserve
13 imbalance (whether a "surplus" or "deficit"). When using remaining life technique,
14 there is an automatic adjustment, or self-correcting mechanism, that will increase or
15 decrease depreciation expense to account for any imbalances between the book and
16 theoretical reserves.

17 **Q. What is the theoretical reserve imbalance, based on the estimates from the current**
18 **study and plant and reserve balances as of December 31, 2025?**

19 A. The 2025 Depreciation Study estimates a negative theoretical reserve imbalance of
20 approximately \$1.9 billion. That is, the book reserve is approximately \$1.9 billion less
21 than the estimated theoretical reserve. While \$1.9 billion may seem like a large number
22 without context, this amount is relatively small as a percentage (2%) of the overall
23 depreciable plant of approximately \$88.4 billion as of December 31, 2025. The TRI is
24 approximately 10% of the overall theoretical reserve balance of \$19.0 billion. Given
25 that the 2025 Depreciation Study is the forecast of events that will occur over many

1 decades, a difference of close to 10% between the book and theoretical reserves is a
2 relatively minor difference.

3 **Q. Which functions primarily contribute to the theoretical reserve imbalance?**

4 A. Most of the TRI, approximately 70%, results from the distribution function, which has
5 a TRI deficit in the 2025 Depreciation Study of approximately \$1.4 billion. The other
6 primary functions that contribute to the TRI are steam (\$180 million), nuclear (\$159
7 million), and combined cycle (\$176 million).

8 **Q. In the 2021 Rate Settlement, the Company was authorized to amortize**
9 **approximately \$1.45 billion of the TRI. Has this amortization contributed**
10 **significantly to the TRI for distribution plant?**

11 A. No. In the 2021 Rate Settlement, \$1.4 billion of the \$1.45 billion TRI was related to
12 nuclear production plant. The amortization of the TRI incorporated in the Reserve
13 Surplus Amortization Mechanism ("RSAM") resulted in a reduction to accumulated
14 depreciation for nuclear production plant, which comprised the majority of the TRI in
15 the 2021 Rate Settlement (and was the result of longer life spans resulting from granted
16 or expected operating license extensions). The RSAM had a smaller impact on other
17 functions. The TRI for distribution plant resulting from the 2021 Rate Case had a
18 negative TRI at the time, meaning that the RSAM amortization increased the book
19 accumulated depreciation for distribution plant, resulting in a smaller (in this case, less
20 negative) TRI calculated in the 2025 Depreciation Study.

21 **Q. What is the primary driver of the TRI for distribution plant reflected in the 2025**
22 **Depreciation Study?**

23 A. The primary driver of the TRI for distribution plant is the retirement and cost of

1 removal activity in the time since the previous depreciation study, as well as changes
2 to the service life and net salvage estimates for several accounts. The activity which
3 contributes most significantly to the TRI is related to the investments the Company has
4 made in its distribution system, particularly for storm hardening. In general, changing
5 investment cycles can impact the TRI calculation. The theoretical reserve is calculated
6 based on the survivor curve and net salvage estimates in the depreciation study, which
7 are based on estimates of the average lives and net salvage experienced over the full
8 life cycle of the Company's assets. During higher-than average investment cycles, the
9 TRI will trend to be negative (*i.e.*, a "deficit"), which is offset during lower-than-
10 average investment cycles when the TRI trends to be positive (*i.e.*, a "surplus"). While
11 there can be variations from study to study, the remaining life technique addresses these
12 changes over the average remaining lives of the property studied.

13 **Q. Do you recommend any reserve transfers based on the results of the depreciation**
14 **study?**

15 A. Yes. Commission Rule 25-6.0436(4)(e), F.A.C., states that "[t]he possibility of
16 corrective reserve transfers shall be investigated by the Commission prior to changing
17 depreciation rates." For the depreciation study, I have reviewed the reserve balances
18 of the depreciable groups to determine whether any such transfers would be
19 appropriate. There are a handful of instances where reserve adjustments are
20 recommended. There were certain depreciable groups for which either there are
21 negative reserves (which result in higher depreciation rates than is typical for the assets
22 studied) or for which the future book accruals are negative. I recommend transfers
23 between depreciable groups to address these instances. Specifically, reserve transfers

1 are recommended for most combined cycle generation facilities between capital spare
2 parts and non-capital spare parts accounts, other fossil production sites, solar accounts,
3 and for Accounts 371 and 392. In other instances, reserve at retired steam generation
4 facilities were transferred to combined cycle or combustion turbine plants still in
5 service at the same generating site. The net impact of all these transfers on accumulated
6 depreciation is zero, as they are merely transfers between depreciable groups.

7

8 Generally, the transfers are all also within the same function of plant and, as a result,
9 the impact on functional book reserves is also zero. Approximately \$17.1 million as
10 of December 31, 2025, is recommended to be transferred within the generation function
11 of plant but between steam and other production functions. These are related to sites
12 with operating generation but for which older generating units have been retired. In
13 some instances, remaining asset or accumulated depreciation costs remain in one
14 function of plant but the remaining operating units are in a different function (*i.e.*, other
15 production instead of steam production). The transfers recommended align these
16 remaining costs with the remaining generation on the same site.

17

18 III. 2025 DISMANTLEMENT STUDY

19 A. SUMMARY

20 **Q. Please summarize the 2025 Dismantlement Study.**

21 A. My firm, Gannett Fleming, performed a study to determine the cost to dismantle FPL's
22 fleet of fossil and solar generating units. We also studied the costs to dismantle FPL's
23 battery storage facilities. Our approach incorporated the expertise of Gannett

1 Fleming's team of engineers, cost estimators, environmental scientists, and other
2 subject-matter experts, the expertise of FPL's subject matter experts, and our extensive
3 history with FPL's depreciation studies and similar studies across the country. Studies
4 for other utilities have often included the results of dismantlement studies, our
5 knowledge of which has been incorporated into our recommended depreciation rates.

6

7 The Gannett Fleming team's approach for the 2025 Dismantlement Study, provided as
8 Exhibit NWA-2, consists of reviewing engineering drawings and other details for each
9 unit, conducting site visits, reviewing prior estimates and actual dismantlement costs
10 for the Company, and using these sources, as well as industry experience and expertise,
11 to develop quantity and cost information for each generating unit. For each type of
12 generating unit (*e.g.*, fossil combined cycle, solar, etc.), we also reviewed industry data
13 related to cost estimates for similar facilities for other utilities.

14

15 Florida recovers the costs of dismantling generating facilities through a dismantlement
16 accrual calculated consistent with Commission Electric Utilities Dismantlement
17 Studies Rule 25-6.04364, F.A.C. Similar to previous studies, FPL has performed the
18 dismantlement accrual calculations, which are included as part of the 2025
19 Dismantlement Study.

20 **Q. What is the purpose of a dismantlement study?**

21 A. The purpose of the dismantlement study is similar to that of a depreciation study. More
22 precisely, the dismantlement study is a component of the overall process of estimating
23 service lives, net salvage, and calculating depreciation based on a depreciation system

1 as discussed in Section II. For generating units, the most common and preferred
2 method of estimating future net salvage is to perform site or technology specific
3 dismantlement studies. These estimates are then used for depreciation or
4 dismantlement accrual calculations that are part of a company's overall depreciation
5 expense.⁸

6

7

B. DISMANTLEMENT STUDY APPROACH

8 **Q. Please describe the approach to the dismantlement study.**

9 A. Our approach included reviewing various data provided by the Company, performing
10 field reviews of FPL generating facilities, and incorporating our industry knowledge
11 and experience, prior depreciation study experience and field reviews, and the analyses
12 of these data to develop dismantlement cost estimates for each facility or group of
13 facilities to use for the development of dismantlement accruals.

14

15 We began with reviewing prior analyses for the Company's generating fleet. FPL has
16 performed several prior dismantlement studies of most of the assets included in our
17 study and, additionally, has dismantled several generating units. In the course of
18 developing the dismantlement cost estimates, our team: reviewed the two most recent
19 studies, prior experienced dismantlement costs, as well as data used in those studies;
20 reviewed additional data such as engineering drawings; performed site visits; and
21 incorporated these data as well as estimates of similar facilities for other utilities. We

⁸ Many jurisdictions do not have a prescribed method for calculating dismantlement accruals and the dismantlement study results are instead incorporated into the net salvage estimate for each property account and site.

1 also reviewed the results of dismantlement studies for similar units for other utilities,
2 including a recent dismantlement study Gannett Fleming performed for Northern
3 Indiana Public Service Company (“NIPSCO”). Each of these data were incorporated
4 into our estimates consistent with the approach set forth below.

- 5 1. For each generating technology (coal steam, gas/oil steam, combined cycle,
6 simple cycle, solar, and battery storage), the Gannett Fleming team
7 performed a detailed review of drawings and other materials, performed site
8 visits, and developed detailed cost estimates for at least one site. These
9 estimates included quantity information for significant components of
10 dismantlement (*e.g.*, tons of structural steel), cost estimates for each
11 quantity, and additional cost estimates such as scrap value, environmental
12 costs, and indirect costs and contingency.
- 13 2. For gas-fired other production units, we then incorporated these results, our
14 review of data and results from prior FPL studies, a review of
15 dismantlement studies Gannett Fleming has either performed or used as
16 inputs to future terminal net salvage calculations in other jurisdictions, and
17 the major components and aspects of each site to estimate quantity
18 information for the other sites of similar technology (*e.g.*, other combined
19 cycles).
- 20 3. For solar and battery energy storage units, we developed an average cost
21 per plant which was applied to the remaining units. This is consistent with
22 the broad group approach for these assets discussed in Section II.B.1.b.
23

1

2 At the time FPL decides to decommission the plants, means and methods will not be
3 dictated to the contractor by Gannett Fleming. It will be the contractor's responsibility
4 to determine means and methods that result in safely decommissioning and dismantling
5 the plants at the lowest reasonable cost. However, the costs estimated by Gannett
6 Fleming are generally reflective of what contractors would bid, through a competitive
7 bidding process, given the option to select safe and efficient means and methods.

8 **Q. How were scrap values determined?**

9 A. Scrap metal prices used in the development of the scrap credit were based on a review
10 of pricing trends for various types of materials.

11 **Q. What is included in the project indirect costs included in the Dismantlement**
12 **Study?**

13 A. This category includes costs expected to be incurred by FPL during the dismantlement
14 process in addition to the direct costs paid to a demolition contractor. This includes the
15 costs for FPL staff oversight during demolition activities, as well as FPL overheads,
16 and general and administrative costs. Tasks incorporated into the estimate of indirect
17 costs include obtaining permits, services, and construction management.

18 **Q. How were the indirect costs determined?**

19 A. Indirect costs were determined as a percentage of the direct costs, a typical and accepted
20 approach when preparing these types of cost estimates. The percentage of direct costs
21 that was applied to determine the indirect costs was developed by Gannett Fleming
22 based on experience with past dismantlement estimates and FPL's prior dismantlement
23 studies.

1 **Q. What is included in the contingency costs?**

2 A. A contingency cost represents costs to a project that are not specifically identified but
3 are reasonably expected to occur. Contingency accounts for uncertainty in estimates
4 related to scope and conditions, which is a function not only of the characteristics of
5 the facility but also the level of detail in developing the estimates.

6 **Q. Are contingency costs standard industry practice?**

7 A. Yes. The application of contingency is standard industry practice for both construction
8 and dismantlement projects. Even on a project where firm pricing has been agreed
9 upon with a successful bidder, it is typical that a client carry some level of contingency
10 to cover potential change orders. The dismantlement cost estimates are at a lower level
11 of certainty than firm pricing, as they are more appropriately planning-level cost
12 estimates for work that may not be performed for many years. Inclusion of contingency
13 costs is consistent with Rule 25-6.04364, F.A.C., which includes a provision for
14 contingency costs.

15 **Q. Were any of the costs presented in the Dismantlement Study not developed by**
16 **Gannett Fleming?**

17 A. Yes. FPL is in the process of conducting environmental remediation activities of
18 certain ponds, landfills, and other environmental activities. As part of this process, FPL
19 provided Gannett Fleming with cost estimates internally developed for these activities.
20 For the plants where these activities were occurring or planned in the near term, the
21 cost estimates provided by FPL were combined with the cost estimates prepared by
22 Gannett Fleming for the remaining portions of those plants to produce a comprehensive
23 cost estimate for those plants.

1 **Q. Were assumptions made for the 2025 Dismantlement Study generally consistent**
2 **with previous studies?**

3 A. Yes. As noted above, our approach incorporated a review of prior studies for FPL and
4 other utilities. While there are some methodological differences, assumptions made
5 for the 2025 Dismantlement Study have generally been similar to those used in prior
6 studies and approved by the Commission. For example, assumptions made for
7 contingency of 15% for fossil generation and 10% for solar and battery storage are the
8 same as in the most recent study for FPL. A 15% contingency is also consistent with
9 the contingency percentage recently adopted for TECO in Docket Nos. 20240026-EI
10 and 20230139-EI.⁹

11

12 **C. DISMANTLEMENT STUDY RESULTS**

13 **Q. What are the overall results of the dismantlement study?**

14 A. The dismantlement study results in an estimated cost, net of salvage, of \$559,219,951
15 for FPL's fossil generating fleet, \$1,266,207,984 for its solar fleet, and \$315,503,186
16 for its battery storage assets that are projected to be in service over the four-year period
17 through 2029, all of which are expressed in 2024 dollars. While the overall amount
18 has increased since the prior study, this is primarily due to changes to the composition
19 of the generation fleet (*i.e.*, retirements of facilities and the addition of new facilities)
20 and changes in labor costs and scrap prices in the three years since the previous study.
21 Table 2 below provides a summary of the dismantlement study results by generating
22 site.

⁹ Approved in TECO's 2024 base rate case Order No. PSC-2025-0038-FOF-EI issued February 3, 2025.

1

Table 2: Dismantlement Results Summary

Plant	Function	Dismantlement Cost	Salvage Credit	Net Dismantlement Cost
Daniel	Steam Coal	\$39,850,793	\$(2,836,968)	\$37,013,825
Gulf Clean Energy Center	Natural Gas Steam Turbine & Natural Gas Combustion Turbine	\$152,792,099	\$(9,041,956)	\$143,750,143
Scherer	Steam Coal	\$97,250,653	\$(6,360,089)	\$90,890,564
Fort Myers	Natural Gas Combined Cycle, Natural Gas Combustion Turbine & Petroleum Liquids	\$34,523,809	\$(10,846,727)	\$23,677,082
Manatee	Natural Gas Steam Turbine & Natural Combined Cycle	\$96,135,088	\$(15,943,106)	\$80,191,982
Martin	Natural Gas Combined Cycle	\$42,212,596	\$(11,428,967)	\$30,783,629
Sanford	Natural Gas Combined Cycle	\$28,911,269	\$(8,249,785)	\$20,661,484
Turkey Point	Natural Gas Combined Cycle & Clean Water Recovery Center	\$16,323,320	\$(4,112,321)	\$12,210,999
West County	Natural Gas Combined Cycle	\$49,186,542	\$(13,312,000)	\$35,874,542
Cape Canaveral	Natural Gas Combined Cycle	\$16,428,477	\$(4,346,977)	\$12,081,501
Riviera Beach	Natural Gas Combined Cycle	\$13,653,621	\$(4,082,094)	\$9,571,527
Port Everglades	Natural Gas Combined Cycle	\$15,055,167	\$(4,580,045)	\$10,475,122
Okeechobee	Natural Gas Combined Cycle & Hydrogen Facility	\$30,860,093	\$(5,944,608)	\$24,915,485
Lansing Smith	Natural Gas Combined Cycle & Petroleum Liquids	\$13,912,668	\$(2,538,029)	\$11,374,639
Dania Beach	Natural Gas Combined Cycle	\$16,061,279	\$(4,751,984)	\$11,309,295
Lauderdale	Natural Gas Combustion Turbine	\$7,610,783	\$(3,874,579)	\$3,736,203
Pea Ridge	Natural Gas Combustion Turbine	\$480,725	\$(178,048)	\$302,677
Perdido	Landfill Gas	\$399,252	\$(-)	\$399,252
Total Solar	Solar Photovoltaic	\$1,543,923,569	\$(277,715,585)	\$1,266,207,984
Total Battery Storage	Battery Storage	\$358,386,400	\$(42,883,215)	\$315,503,186
TOTAL		\$2,573,958,203	\$(433,027,082)	\$2,284,409,086

2

3 **Q. Please describe in more detail the drivers of the dismantlement study results.**

4 A. As is typical for a dismantlement study, one of the drivers of changes from one study
5 to the next is the change in labor rates and scrap metal prices. The previous study was
6 performed in 2021. In the time since, labor costs have increased at a higher annual rate
7 than in previous years, consistent with higher general price inflation during that time.

1 Scrap prices for steel, aluminum, copper, and other raw materials have generally
2 declined. Both of these factors impact the resultant dismantlement estimates and, all
3 else equal, produce higher estimates than in 2021.

4
5 Additionally, certain facilities and components of facilities have been retired or
6 dismantled, such as Martin Units 1 and 2. FPL has also added many new generating
7 units, particularly solar and battery storage facilities. The inclusion of the costs of these
8 new facilities adds to the total dismantlement amount and dismantlement accruals, even
9 if the estimated cost per site remains similar or decreases. Similarly, the retirement of
10 facilities and changes to the configuration, quantity estimates, and other aspects of the
11 dismantlement estimates also impact the resultant cost estimates.

12 13 **D. DISMANTLEMENT ACCRUALS**

14 **Q. In Section II, you discussed net salvage. Are the costs to dismantle a power plant**
15 **a component of net salvage for the facility?**

16 **A.** Yes. As discussed in that section, net salvage is gross salvage less cost of removal.
17 The Uniform System of Accounts defined cost of removal as:

18 10. Cost of removal means the cost of demolishing, dismantling, tearing
19 down or otherwise removing electric plant, including the cost of
20 transportation and handling incidental thereto. It does not include the
21 cost of removal activities associated with asset retirement obligations
22 that are capitalized as part of the tangible long-lived assets that give rise
23 to the obligation.¹⁰

¹⁰ 18 C.F.R. 101 (FERC Uniform System of Accounts), Definition 10.

1 As a result, estimated dismantlement costs should be included in depreciation expense
2 (or included in a similar expense such as the dismantlement accrual approach used in
3 Florida).

4 **Q. You have discussed the dismantlement accrual approach used in Florida. Are**
5 **dismantlement costs typically included in depreciation expense in other**
6 **jurisdictions?**

7 A. Yes. Most commonly, dismantlement cost estimates are included in the composite net
8 salvage estimate for each generating facility or account and included in the depreciation
9 rate calculation. This is conceptually similar to the approach used in Florida in that
10 future dismantlement costs are recovered over the life of the facilities. The recovery
11 patterns for each approach are different, however.

12 **Q. Please explain.**

13 A. Dismantlement accruals in other jurisdictions are most commonly recovered on a
14 straight-line basis over the life span of the facility. Consistent with the FERC Uniform
15 System of Accounts treatment of net salvage as the cost to be incurred in the future,
16 estimates based on current year costs are often escalated to the cost at each estimated
17 retirement. However, this is not performed in all jurisdictions.

18
19 In Florida, costs are escalated to retirement but then discounted to the current year of
20 the study. Rather than straight line recovery, this results in a recovery pattern in which,
21 all else equal, dismantlement accruals increase in each year based on the discount rate
22 used. Compared to straight line depreciation, the result is, lower depreciation in the
23 early years and higher depreciation in the later years of the life of a facility.

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

2 **A.** Yes.

1 BY MR. CHRISTOPHER WRIGHT:

2 Q Mr. Allis, do you have Exhibits NWA-1, NWA-3
3 and NWA-4 that were attached to your direct testimony?

4 A Yes.

5 MR. CHRISTOPHER WRIGHT: Mr. Chairman, I would
6 note that those have been pre-identified on staff's
7 Comprehensive Exhibit List as Exhibits 84, 86 and
8 87.

9 CHAIRMAN LA ROSA: Okay.

10 BY MR. CHRISTOPHER WRIGHT:

11 Q Mr. Allis, were these exhibits prepared by you
12 or under your direct supervision?

13 A Yes.

14 Q Are you co-sponsoring any exhibits?

15 A Yes. I am co-sponsoring Exhibit NWA-2
16 attached to my direct testimony, and Exhibit KF-5, which
17 is attached to the direct testimony of FPL Witness
18 Ferguson.

19 MR. CHRISTOPHER WRIGHT: Okay. Mr. Chairman,
20 I would note that this exhibit has been
21 pre-identified on staff's Comprehensive Exhibit
22 List as Exhibit 85.

23 CHAIRMAN LA ROSA: Okay.

24 BY MR. CHRISTOPHER WRIGHT:

25 Q Do you have any corrections to any of your

1 **exhibits?**

2 A No.

3 **Q On July 9, 2025, did you file 47 pages of**
4 **rebuttal testimony in this proceeding?**

5 A Yes.

6 **Q Do you have any corrections to your rebuttal**
7 **testimony?**

8 A Yes, just one. Page 17, line five, it should
9 say two instead of six.

10 **Q Okay. And with that correction, if I asked**
11 **you the questions contained in your rebuttal testimony,**
12 **would your answers be the same?**

13 A Yes.

14 MR. CHRISTOPHER WRIGHT: Chairman, I would ask
15 that Mr. Allis' rebuttal testimony be inserted in
16 the record as though read.

17 CHAIRMAN LA ROSA: So moved.

18 (Whereupon, prefiled rebuttal testimony of Ned
19 W. Allis was inserted.)

20

21

22

23

24

25

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20250011-EI

FLORIDA POWER & LIGHT COMPANY

REBUTTAL TESTIMONY OF NED W. ALLIS

Filed: July 9, 2025

TABLE OF CONTENTS

I.	INTRODUCTION.....	3
II.	RESPONSE TO FEA WITNESS ANDREWS.....	7
III.	RESPONSE TO OPC WITNESS DUNKEL	10
	A. Depreciation Study.....	17
	B. Dismantlement Study.....	26

I. INTRODUCTION

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

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

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

6 A. Yes.

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

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

15 **Q. Please summarize your rebuttal testimony.**

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

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

5
6 OPC witness Dunkel proposes adjustments for both depreciation and dismantlement.
7 However, his proposals do not follow the normal approach for making specific,
8 quantified adjustments to the depreciation and dismantlement studies. Instead, with
9 little justification or support, he broadly recommends significant top-down reductions
10 in both depreciation and dismantlement accruals. For depreciation, he proposes to
11 continue to use the same depreciation rates established four years ago for most accounts
12 and locations and, for dismantlement, he proposes an unreasonable negative 25 percent
13 contingency and an inappropriately higher discount rate to calculate dismantlement
14 accruals.

15
16 For the depreciation study, OPC witness Dunkel's only specific criticisms are a small
17 subset of the reserve adjustments I recommend and the service lives of three groups of
18 solar assets. These specific aspects of the study have a limited overall impact on the
19 results of the study, are offset by other reserve adjustments that in the aggregate reduce
20 depreciation expense, and, even if each of these adjustments were made, they would
21 result in less than 10 percent of the overall reduction proposed by OPC witness Dunkel.
22 In no way do these relatively minor aspects of the study provide a reason to effectively

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

3
4 For dismantlement accruals, OPC witness Dunkel proposes to use a higher discount
5 rate based on the OPC's proposed weighted average cost of capital. In doing so, he
6 incorrectly introduces a cost of capital concept to depreciation and dismantlement
7 calculations and ignores the Commission's intent of accruing for dismantlement costs
8 over the lives of the Company's assets. His proposal will not adequately recover
9 dismantlement costs over the lives of the Company's generating facilities and would
10 result in intergenerational inequity by causing customers receiving service towards the
11 end of the lives of these facilities to pay a disproportionate share of the dismantlement
12 costs.

13
14 Additionally, OPC witness Dunkel proposes a negative 25 percent contingency factor
15 for the results of the dismantlement study. His proposal is based on a lack of
16 understanding of the concept of a contingency, which is a positive – not negative –
17 amount included in a cost estimate to incorporate known risks to a project that cannot
18 be specifically quantified at the time the estimate is prepared. Similar to the
19 depreciation study, OPC witness Dunkel does not provide specific or quantified support
20 for a sweeping top-down adjustment. Instead, while he criticizes my firm's experience
21 and the approach used to estimate the costs for solar facilities, the only quantitative
22 criticism raised is related to scrap prices. However, even if his criticisms had any merit,

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

3

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

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

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

19

II. RESPONSE TO FEA WITNESS ANDREWS

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

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

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

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

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

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

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

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

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

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

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

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

3 A. Yes. In my experience environmental regulations at the Federal level have changed
4 every four or eight years as administrations change, particularly those regulations and
5 requirements that have not resulted from acts of Congress. Further, some of the
6 regulatory changes cited by FEA witness Andrews, such as a two-year exemption from
7 Mercury and Air Toxics Standards³, would not even apply to a plant that is planned by
8 its operator to be retired in 2035 or beyond. Additionally, state and local laws and
9 rules, as well as economic factors, have significant impacts on the operations and life
10 spans of generating units. Moreover, FEA witness Andrews ignores that, despite these
11 executive actions, the operator nonetheless intends to retire the plant well before 2047
12 based on its January 2025 IRP. For these reasons, I do not believe the executive actions
13 cited by Mr. Andrews support the significantly longer remaining life he recommends.

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

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

20

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

1 **III. RESPONSE TO OPC WITNESS DUNKEL**

2 **Q. Please summarize OPC witness Dunkel's recommendations.**

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

12
13 Mr. Dunkel also proposes a significant arbitrary and unsupported adjustment to the
14 dismantlement study and related cost estimates. He proposes to use a negative 25
15 percent contingency, which results in a reduction to the dismantlement accruals of
16 \$22.2 million. In addition, he proposes a change to the way the dismantlement accruals
17 are calculated and recommends a higher discount rate for these calculations, which
18 results in a reduction to dismantlement accruals of \$32.3 million.

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

21 A. No. OPC witness Dunkel's top-down approach to FPL's 2025 Depreciation Study and
22 2025 Dismantlement Study are unsupported, not appropriate, and should be rejected.
23 The Company has provided updated and detailed depreciation and dismantlement

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

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

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

- 10 • Reserve adjustments for six steam and other production plant locations in the
11 2025 Depreciation Study, which results in a reduction to depreciation of at most
12 \$13.7 million;
- 13 • Criticisms of the service life estimates for three groups of solar generating
14 assets in the 2025 Depreciation Study, which results in a reduction to
15 depreciation of approximately \$600,000;
- 16 • Criticisms of the scrap prices used in the 2025 Dismantlement Study, which
17 would result in a reduction to dismantlement accruals of at most \$16.2 million
18 based on the excessively high prices cited by Mr. Dunkel;⁴ and
- 19 • Criticisms of the discount rate used to calculate dismantlement accruals in the
20 2025 Dismantlement Study, which would result in a reduction of approximately
21 \$32.2 million.

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

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

12

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

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

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

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

4 A. Yes. OPC witness Dunkel incorrectly characterizes the purpose of the depreciation and
5 dismantlement studies and the intent of performing these studies. For example, on page
6 35 of his testimony, OPC witness Dunkel states:

7 However, the money in the depreciation reserve is the
8 ratepayers’ money. It has been accumulated from past
9 ratepayers. The ratepayers’ money in the depreciation
10 reserve should be used in a way that benefits ratepayers.

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

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

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

5
6 Similarly, OPC witness Dunkel incorrectly alleges that “[t]he purpose of Mr. Allis’s
7 dismantlement study is to collect money from ratepayers.”⁶ I disagree, particularly to
8 the extent that his intent is to argue that the dismantlement study (or net salvage
9 estimates in general) is intended to maximize the purported “collections” from
10 ratepayers. As discussed by FPL witness Ferguson, the dismantlement reserve is not a
11 funded reserve, a concept which the Commission has previously viewed with disfavor.
12 Nor is the depreciation reserve.

13
14 Consistent with the Commission’s Rule, the purpose of a dismantlement study is to
15 accrue for the future cost to retire the Company’s fleet of generating units over their
16 service lives. This is important because dismantlement costs are part of the capital cost
17 to provide service to customers. The estimates in a dismantlement study are used to
18 calculate accruals in order to allocate the cost of retiring these facilities over their
19 service lives.⁷

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

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

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

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

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

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

18

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

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

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

11

12 **A. Depreciation Study**

13 ***1. Reserve Adjustments***

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

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

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

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

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

18 **Q. How are reserve adjustments made?**

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

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

6 **Q. Have you recommended any reserve adjustments?**

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

12 **Q. How were these reserve adjustments made?**

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

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

11

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

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

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

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

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

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

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

10 A. OPC witness Dunkel questions the following six reserve adjustments: (i) Scherer Unit
11 3 and Scherer Common; (ii) Gulf Clean Energy Center Unit 4 depreciation reserve; (iii)
12 Gulf Clean Energy Center Unit 5 depreciation reserve; (iv) Ft. Myers GTS depreciation
13 reserve; (v) Lauderdale GTS depreciation reserve.; and (iv) Scherer Steam depreciation
14 reserve. OPC witness Dunkel contends that five out of the six recommended reserve
15 adjustments were transfers out of production units that have the shortest composite
16 remaining lives and, by doing so, FPL has increased the depreciation expense for these
17 units.

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

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

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

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

15 A. No. While OPC witness Dunkel presents the allocation of costs for locations with short
16 remaining lives as being made with an intent of increasing depreciation accruals, this
17 is merely the result of reserve adjustments being appropriate for steam locations. As
18 discussed previously, we appropriately tried to maintain any reserve adjustments within
19 the same function of plant. It is not an indication of an effort to increase depreciation
20 expense, as OPC witness Dunkel's testimony appears to imply. In fact, as noted above,
21 he completely overlooks that, absent my recommended reserve adjustments, the
22 depreciation rates would result in \$27 million *more* in depreciation expense.
23

1 2. *Solar Service Lives*

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

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

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

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

17
18 Small Scale Solar assets are, as the name implies, smaller facilities. These will have
19 different forces of retirement than larger scale facilities, as redevelopment, technology,
20 customer economics, and land use are all more likely to cause retirements. The 25-
21 S2.5 survivor curve estimate I recommend is most reasonable given these
22 characteristics of the facilities. OPC witness Dunkel has not provided a reason why

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

1 this would be an unreasonable estimate. Instead, he merely recommends continuing
2 the current depreciation rates for these solar assets simply because most of the other
3 solar facilities are using the current depreciation rates.
4

5 **3. OPC's Overall Depreciation Adjustment is Not Supported**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7

8 **B. Dismantlement Study**

9 ***1. Introduction***

10 **Q. How does dismantlement relate to depreciation?**

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

16 **Q. How are dismantlement costs estimated?**

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

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

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

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

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

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

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

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

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

2. *Discount Rate for Dismantlement Accrual Calculations*

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

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

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

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

Q. What does OPC witness Dunkel propose?

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

Q. Is OPC witness Dunkel's proposal reasonable?

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

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

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

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

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

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

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

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

14 15 3. *Contingency*

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

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

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

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

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

9 **Q. Is a negative contingency common or appropriate?**

10 A. No. One would not normally use a negative contingency for a construction project (and
11 if one did, they likely would not remain in business for long). To put this into
12 perspective, if the dismantlement costs for a power plant were estimated to be
13 \$1 million, Mr. Dunkel's negative 25% contingency would reduce the allowed
14 dismantlement costs for the power plant to \$750,000. Mr. Dunkel's proposal is both
15 inappropriate and arbitrary.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10

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

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

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

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

5
6 a. Gannett Fleming's Experience

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

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

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

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

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

13

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

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

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

3
4 As further support that Mr. Dunkel's assumption is incorrect, the results of our studies
5 were not, in the aggregate, significantly higher than the estimates incorporated in the
6 current dismantlement accruals or than those actually experienced by FPL. For
7 example, our solar estimates produce lower cost estimates and accruals on a per-unit
8 basis than the previous dismantlement study, once adjusted for inflation.

9
10
11 b. Scrap Prices

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

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

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

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

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

- 3 (i) Metals that can be scrapped were either removed prior to demolition
4 (such as for generators) or removed subsequent to demolition.
- 5 (ii) Metals are loaded onto transport to be removed from the site.
- 6 (iii) Metals are prepared to meet requirements of markets (such as removal
7 of other debris, cleaning and cutting to size).
- 8 (iv) Metals are transported to market.

9
10 There are a variety of methods by which these could be achieved, and these elements
11 may include multiple steps to eventually bring materials to market and the precise
12 methodology will have an overall impact of the cost. For example, our assumption of
13 controlled demolition for many metals impacts both the amount that can be recovered
14 and the costs to prepare for market. When developing our estimates, we also
15 considered available local market prices, national prices (both recent and over time),
16 and the means of transportation. These assumptions can be interrelated and impact
17 both the gross and net scrap price. As a result, there is judgment of the cost estimator
18 required when determining the most reasonable scrap price that aligns with the process
19 of removal.

20 **Q. Are there uncertainties inherent in estimating scrap prices?**

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

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

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

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

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

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

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

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

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

8
9 Finally, with regard to transportation, 20 miles is a relatively short distance. There
10 would typically be additional transportation (either by the contractor or by the scrap
11 dealer) to bring scrap to market. One way we considered the impact of incremental
12 transportation costs was comparing local market prices (which were provided in the
13 same discovery response Mr. Dunkel cites to¹⁴) to the national market prices.

14
15 As a result of these factors, we made adjustments to the market prices, developed using
16 long-term averages for reasons discussed below, to account for incremental
17 transportation, the impact of debris on prices, and the likelihood that less than 100
18 percent of the weight of scrap metal would be able to be recovered.

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

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

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

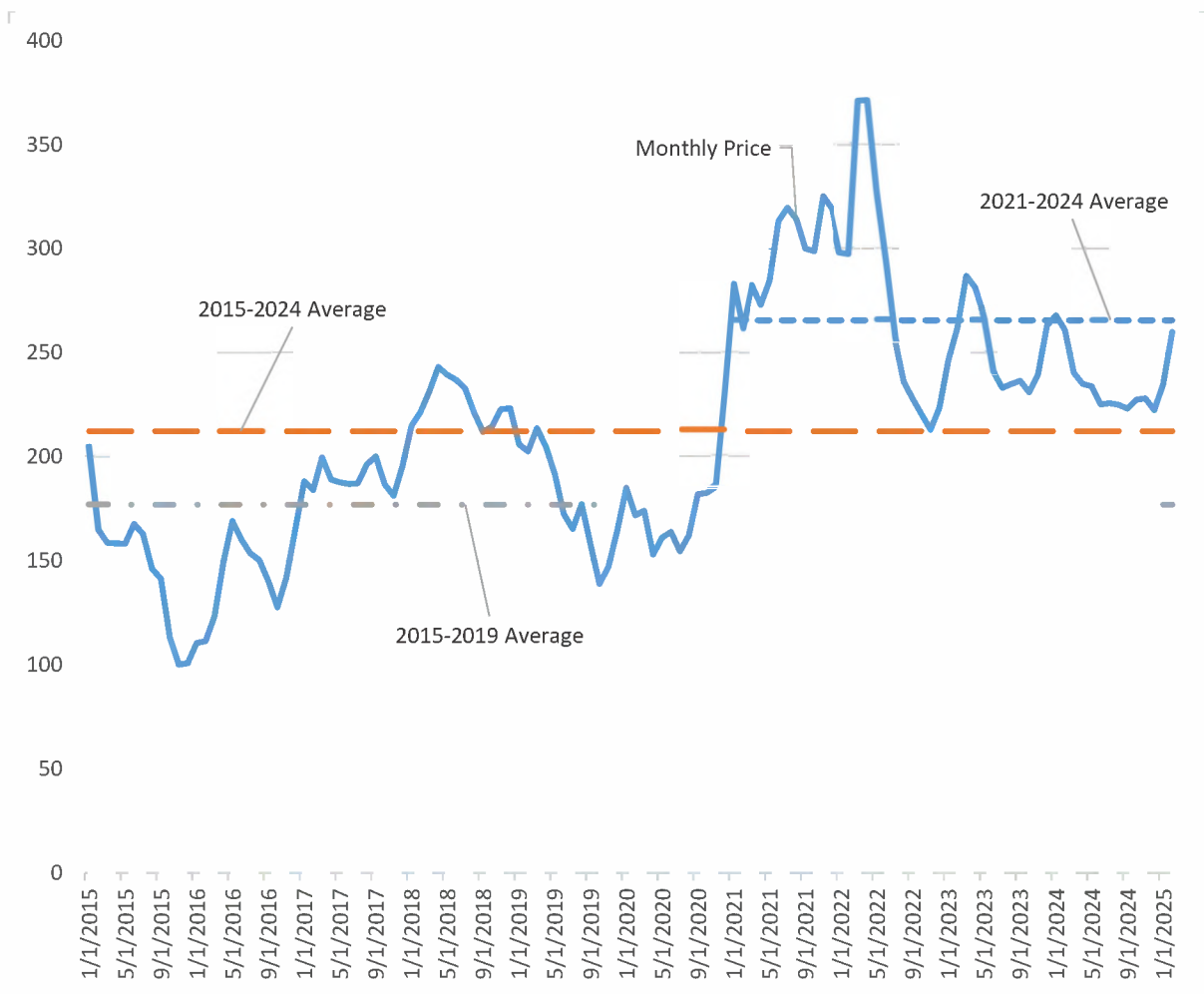
1 appropriate to consider longer-term average prices, which I believe is even more
2 appropriate today given recent volatility. It is also more appropriate than point-in-time
3 pricing when estimating costs that will occur in the future.

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

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

13

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



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

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

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

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

5 **Q. Is this the only price in that analysis?**

6 A. No. First, we provided an additional price, for HMS 80/20 steel, which is a blend of
7 heavier and lighter steel. The steel in the dismantlement study includes other types of
8 steel, such as for casings and piping, so it is not appropriate to only focus on structural
9 and HMS #1 steel. The recent market price for HMS 80/20 was \$260, lower than the
10 other types of steel. More important, our analysis did not focus on only the most recent
11 price. The average price for the most recent 10 years was \$257 for HMS #1 and
12 Structural Steel and \$212 for HMS 80/20. This is lower than the price cited by OPC
13 witness Dunkel and, prior to the rise in prices subsequent to the pandemic, prices were
14 even lower (averaging \$214 and \$177 for HMS #1/Structural and 80/20, respectively).
15 Further, available local prices were lower. Based on the sources previously provided
16 to OPC witness Dunkel, current local salvage prices for #1 & #2 prepared steel are
17 \$185 per ton and for unprepared steel is \$150 per ton (these prices were lower at the
18 time of the study). The difference between national and local prices helps inform the
19 necessary discounting of national prices to account for the need for incremental
20 transportation to bring metals to market.

21

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

1 would be other debris mixed with the steel. Additionally, the market prices require
2 steel to be cut to a certain size and incremental transport. Based on these factors, the
3 actual price FPL would receive would be lower than the average market price. The
4 \$160 per ton price used in the dismantlement study incorporates all of these factors.

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

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

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

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

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

3
4 c. Solar Dismantlement Estimates

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

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

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

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

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

7

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

15

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

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

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

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

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

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

18 A. Yes.

1 BY MR. CHRISTOPHER WRIGHT:

2 Q Mr. Allis, are you sponsoring any exhibits
3 with your rebuttal testimony?

4 A No.

5 Q Could you please summarize the topics
6 addressed in your rebuttal and direct testimony?

7 A Yes.

8 My direct and rebuttal testimonies address and
9 sponsor the 2025 depreciation study and 2025
10 dismantlement study. I am here to answer any questions
11 that you may have.

12 Q Thank you.

13 MR. CHRISTOPHER WRIGHT: Chairman, we tender
14 the witness for cross.

15 CHAIRMAN LA ROSA: Thank you.

16 OPC, you are recognized.

17 MR. WATROUS: Thank you, Mr. Chairman.

18 EXAMINATION

19 BY MR. WATROUS:

20 Q Good morning, Mr. Allis.

21 A Good morning.

22 Q And at the time of the filing of your
23 testimony, this is the first power plant dismantlement
24 study that you have sponsored?

25 A Yes.

1 **Q And this is your first time sponsoring**
2 **testimony in which you developed labor, materials and**
3 **equipment costs for dismantlement activities?**

4 A No, I don't know that that's necessarily true.
5 I have -- I think I have done that before, whether it's
6 assessing cost removal, or valuations, or things like
7 that.

8 **Q But sponsoring testimony in which you**
9 **developed these costs?**

10 A No, I don't think that's right. Those have
11 been aspects of other depreciation studies and in other
12 work I have done. For a dismantlement study
13 specifically, you could say yes, but those aspects are
14 parts of other things that we do as well.

15 **Q Can we please go to master page number**
16 **C1-1159?**

17 **Mr. Allis, are you familiar with this page?**

18 A Yes.

19 **Q Okay. And in 2025 dollars, the total**
20 **dismantlement cost will be over \$2 billion, is that**
21 **correct?**

22 A Yes.

23 **Q But in future dollars for 2027, the**
24 **dismantlement costs will be over \$6 billion, is that**
25 **correct?**

1 A You -- I am sorry sir, could you rephrase
2 that? I think you said in 2027, which isn't correct.

3 **Q This is the 2027 jurisdictional factor page,**
4 **is that correct?**

5 A This is the calculation of current and future
6 jurisdictional dismantlement costs.

7 **Q Okay. And the future dismantlement costs will**
8 **be over \$6 billion?**

9 A Yes. That's correct.

10 **Q And that \$6 billion is based primarily on**
11 **additions to FPL's future plant and the escalation rates**
12 **you used?**

13 A I wouldn't put it -- no, I wouldn't put it
14 that way. The future costs are based on the
15 dismantlement study applied to all of the different
16 plants either in service or expected to be in service at
17 the time of retirement.

18 **Q Okay. And when dismantlement funds are**
19 **accrued, this happens when the utility recovers the**
20 **costs through rates, is that correct?**

21 A I wouldn't use the word funds. So you accrue
22 those future costs ratably over the life of the expected
23 generation facilities.

24 **Q So those funds are based on the anticipated**
25 **final dismantlement costs divided by the number of years**

1 **each unit is expected to operate?**

2 A Well, you use a discount rate for the
3 calculation in Florida as well. So they are allocated
4 based on specific formulas over the lifespans of the
5 respective generating facilities.

6 **Q And what discount rate did you use?**

7 A I guess first to be clear, Mr. Ferguson is the
8 one that did the calculations. I believe it was 3.6
9 percent, subject to check.

10 **Q And that was the September 2024 inflation**
11 **rate?**

12 A That was -- well, that would be the discount
13 rate that was used for the calculations.

14 **Q Thank you. And that was not the 30-day**
15 **commercial paper rate?**

16 A No, I don't believe we used the 30-day
17 commercial paper rate.

18 **Q These dismantlement funds, can they be used**
19 **for any purpose?**

20 A I am struggling a little bit with your use of
21 the word funds. You are allocating future costs, just
22 like you do with any -- well, any cost removal or net
23 salvage. So it's part of the overall depreciation and
24 dismantlement expense. You are -- basically, you are
25 assigning those costs over the life of the property.

1 **Q And when you collect that money from**
2 **ratepayers, this goes in an unfunded reserve, is that**
3 **correct?**

4 A That would be correct. Yes.

5 **Q Okay. So within that unfunded reserve, can**
6 **that money in that reserve be used for any purpose?**

7 A I don't know what it's used for. I mean,
8 again, it's part of the overall depreciation and
9 dismantlement, which is the return of capital invested
10 in the enterprise, and, you know, overall, when you look
11 at it, the total investments in plant is much greater
12 than has been recovered through depreciation and
13 dismantlement to date.

14 **Q And to clarify, dismantlement studies are only**
15 **estimates of costs, is that correct?**

16 A Yes, that would be correct.

17 **Q And when a plant is dismantled, will it be the**
18 **contractor's responsibility to determine how to**
19 **decommission and dismantle the plants at the lowest**
20 **reasonable cost?**

21 A Yes, I would expect that to be the case. This
22 obviously will happen in the future, and so you would
23 have -- you know, it would be whoever is doing the
24 dismantlement that would determine the ultimate way that
25 you would dispose of those assets.

1 **Q Per your depreciation study, you are**
2 **recommending an increase to FPL's annual depreciation**
3 **expense of 170.6 million?**

4 A Yes, that's correct, as of December 31st,
5 2025.

6 **Q And is it fair to say most of your recommended**
7 **increase came from changes in assumptions, not from**
8 **changes in the physical conditions of assets?**

9 A No, I don't think that would be correct to
10 say. Actually, if you look at page 42 of my direct
11 testimony, I kind of break out how that change occurs.

12 So a large portion of that is just changes in
13 the balances over time, which, when you go through and
14 do the remaining calculations, you end up with different
15 rates. And then there is changes in estimates, the
16 biggest of which is changes in net sal -- in
17 expectations for future net salvage that contributes to
18 the change as well.

19 So, I mean, the change is really everything
20 that goes into the study, which is what's happened since
21 the last study, as well as kind of your forecast of what
22 future net salvage and service lives will be that all
23 factors into that overall change and depreciation.

24 **Q And that increase, the one we mentioned**
25 **earlier of 170.6 million, approximately 90.6 million of**

1 **that comes just from your net salvage estimates?**

2 A Yes, that would be correct.

3 **Q And your depreciation study creates a negative**
4 **theoretical reserve imbalance of approximately \$1.9**
5 **billion?**

6 A I wouldn't agree with that characterization
7 and use of the word create, but the theoretical reserve
8 imbalance calculated in the depreciation study based on
9 the service life and net salvage estimates I recommend
10 is approximately \$1.9 billion, a negative amount.

11 **Q And you had shortened some estimated**
12 **lifespans, specifically one of the Scherer Unit 3?**

13 A Yes. The recommended lifespan for Scherer
14 Unit 3 is shorter than in the current depreciation
15 rates.

16 **Q By about 12 years?**

17 A Yes, from 2047 to a 2035 retirement date,
18 consistent with the retirement date used by the operator
19 of the facility.

20 **Q And a shorter life means the remaining cost is**
21 **recovered faster?**

22 A Yes, it would.

23 **Q And that results in a higher depreciation**
24 **expense?**

25 A All else equal, yes.

1 Q And in 2021, for your depreciation study, you
2 used along life for Scherer Unit 3, is that correct?

3 A I don't recall whether -- I don't actually
4 recall. Subject to check, that may be true. I know
5 that's what -- the current estimate is 2047.

6 Q And the only thing that has changed between
7 2021 and 2025 at this plant is assumptions?

8 A No, I wouldn't say that.

9 Q Thank you, Mr. Allis. I have no more
10 questions for you today.

11 CHAIRMAN LA ROSA: Great. Thank you.

12 FEL?

13 THE WITNESS: Thank you, Mr. Chair.

14 EXAMINATION

15 BY MR. LUEBKEMANN:

16 Q Good morning, Mr. Allis.

17 A Good morning.

18 Q I just have a few follow-ups for you here.

19 If we could start with the RSAM, which is
20 something that is in your testimony here. I believe at
21 page 47 of your direct, you discuss the impacts of the
22 RSAM from the 2021 settlement agreement, do I have that
23 right?

24 A What's your question.

25 Q That you are discussing that on this page.

1 A I do briefly discuss some aspects of the RSAM
2 on that page, yes.

3 **Q And what is your testimony as to the impact of**
4 **the 2021 RSAM in current depreciation rates?**

5 A Well, as I discuss on this page, most of that
6 was associated with nuclear production plant, and so
7 the -- it impacts what the balance for accumulated
8 depreciation. It's for -- mostly for nuclear, but also
9 for other plants, and then that would flow through to
10 the remaining life depreciation calculations.

11 **Q And when you say it's mostly associated with**
12 **nuclear plant, are you talking about the extended lives**
13 **for nuclear assets that were used in your 2021**
14 **depreciation study?**

15 A Well, when I am talking about it right here, I
16 am just talking about what the balances of the
17 theoretical reserve imbalance were in the last -- in the
18 ultimate depreciation parameters and rates that were
19 adopted in the last case.

20 **Q And when we talk about a theoretical reserve,**
21 **this would be the calculated amount of depreciation**
22 **expense that you should have recovered at a given point**
23 **in time given the remaining lives and values of the**
24 **assets in the total pool?**

25 A No, I wouldn't characterize it exactly like

1 that. It's basically the -- it's a calculated reserve
2 based on the current estimates of service lives and net
3 salvage, as well as the current plant balances and age
4 distribution. But I wouldn't characterize it as, you
5 know, should have been, or something like that
6 necessarily.

7 **Q Rather than should, would you characterize it**
8 **as it is just the result of the assumptions that are**
9 **used in the calculation?**

10 A Yeah, that seems like a fair characterization.
11 It's a function of the service lives and net salvage
12 used in the calculation.

13 **Q And so when Mr. Watrous from OPC asked you a**
14 **question about creating a hypothetical reserve, you took**
15 **exception to the use of the word create, is that right?**

16 A Yes.

17 **Q It would still be fair to say that the**
18 **selection of assumptions will have the effect of**
19 **resulting in a certain value once you run the**
20 **calculation with those assumptions?**

21 A Yes, in the sense that the estimates that you
22 use of service lives, survivor curves and net salvage
23 will impact the calculated theoretical reserve balance.

24 **Q And would you agree that one of the principle**
25 **assumptions that would go into this would be the service**

1 **life that you are using for a given asset?**

2 A Yes.

3 **Q As you were discussing with Mr. Watrous, the**
4 **shorter remaining life, the more -- the higher the**
5 **expense will have to be recovered over that remaining**
6 **period to fully depreciate an asset?**

7 A I wouldn't say it exactly like that. So you
8 would still be recovering the same expense in total, but
9 with a shorter period of time, the annual amount would
10 be higher.

11 **Q A better way of putting it. So just say you**
12 **have got a \$100 million asset. If you are recovering**
13 **that over 10 years, the annual accrual for that**
14 **depreciation expense will be higher than if you were**
15 **recovering it over 20 years?**

16 A All else equal, yes, that would be correct, in
17 that hypothetical.

18 **Q Do you recall the service life that you used**
19 **for combined cycle gas plants in your 2016 depreciation**
20 **study --**

21 A Well --

22 **Q -- for FPL?**

23 A -- the service life would be a function of
24 both the lifespan and the interim survivor curves and
25 the age of the assets. Are you asking about the

1 lifespan?

2 **Q I am asking about the depreciation life that**
3 **you used. It might be a terminology thing here, so you**
4 **interpret that as you would.**

5 A Well, yeah, and, I mean, just to explain that.
6 So the -- you know, a power plant has some components
7 that will make it to the end of the life of the whole
8 facility, but some that are retired in the interim,
9 those are called interim retirements. So the overall
10 average service life will be different for each plant
11 based on the age of the plant, when the assets have been
12 installed, the interim survivor curve estimates, and
13 things like that, the lifespan is the overall expected
14 life of the full facility. So, like, if you put in a
15 combined cycle plant in 2010 and it's expected to retire
16 in, say, 2050, that would be a 40-year lifespan.

17 **Q Thank you. So I guess my question is about**
18 **the lifespan, then. Do you recall what lifespan you**
19 **used in your 2016 --**

20 A So in the 2016 study, I recommended a 40-year
21 lifespan.

22 **Q And do you remember what lifespan you**
23 **recommended in your 2021 study?**

24 A I am sorry, I thought you asked about the 2021
25 study.

1 Q And that was also why I was a little confused
2 on that. Do you recall the 2016 study?

3 A Yes, I do remember that.

4 Q Do you remember what lifespan you recommended
5 for combined cycle plants?

6 A We are going back aways now. Sadly, 2016 was
7 a while ago. I don't recall offhand whether it was 35
8 or 40 years.

9 Q Subject to check, it would be shorter than the
10 one that was used in 2021?

11 A Again, I don't recall. Subject to check, that
12 might be true. But I didn't go back and look at the
13 2016 study while preparing for today.

14 Q Understandable.

15 In 2021, the depreciation study that you
16 completed, you actually completed two studies, isn't
17 that right?

18 A I am sorry, could you --

19 Q Did you complete two depreciation studies
20 using different parameters in 2021?

21 A No.

22 Q Did you complete one depreciation study using
23 parameters and, at the direction of FPL, calculate a
24 theoretical reserve using a second set of parameters?

25 A I suppose that's a reasonable way to

1 characterize it. I performed calculation -- or my team
2 performed calculations with a different set of
3 parameters in that case.

4 **Q And under those two sets of parameters, did**
5 **one set produce a theoretical surplus and one set**
6 **produced a theoretical deficit?**

7 MR. BURNETT: Mr. Chairman, I am sorry, we are
8 25 minutes in, and we have been doing questions
9 about what does your testimony say here on the
10 screen? Well, what is a depreciation reserve?
11 Like, oh, we are taking a 101 class. Do you recall
12 what you did in 2016? Do you recall what you did
13 in 2021? This has nothing to do with this case.

14 MR. LUEBKEMANN: I would argue that the
15 impacts of the 2021 depreciation study and the
16 resulting theoretical reserve do have an impact on
17 this case as that -- the remaining RSAM will be
18 amortized over the next 30 years, and that's really
19 what I am getting at here.

20 CHAIRMAN LA ROSA: Okay. Can we -- I am not
21 trying to be rude, but can we kind of move to the
22 point and maybe point to the testimony that he has
23 provided and maybe make that comparison and maybe
24 bounce questions in that regard?

25 I know you have asked the witness quite a few

1 questions, many of which he doesn't recall. So I
2 don't want to waste time. I do want to try to
3 move, but I am also not trying to take anything
4 away from you. I understand the point that you are
5 trying to make, but is there a way to point it back
6 to what's actually -- or the testimony that he has
7 provided?

8 MR. LUEBKEMANN: Yeah, and I will try to move
9 us along.

10 CHAIRMAN LA ROSA: Thank you.

11 BY MR. LUEBKEMANN:

12 **Q Would the -- you are familiar with the**
13 **function of the RSAM, at a high level?**

14 A I am familiar with how it's calculated. I am
15 not -- maybe at a high level, but I wasn't involved with
16 the RSAM or how it flows through things, or anything
17 like that. I think those are questions for another
18 witness.

19 **Q At a high level, if you expended a theoretical**
20 **surplus, would you then have to refill that with other**
21 **dollars in the future?**

22 MR. CHRISTOPHER WRIGHT: Chairman, we are
23 going to object. This is not an appropriate line
24 of questions for Mr. Allis. He is not a company
25 witness. He is an outside expert consultant on

1 depreciation and dismantlement. He is not going to
2 have an opinion or know what the company does or
3 does not do.

4 CHAIRMAN LA ROSA: Yeah, if the witness can
5 answer the question, I think it's fair, but if it
6 becomes routine that he can't answer questions,
7 maybe we find a different witness to ask that
8 question.

9 MR. LUEBKEMANN: Would it be the company's
10 position that these questions would be more
11 appropriately put to Mr. Ferguson?

12 MR. CHRISTOPHER WRIGHT: Yes, you can ask
13 those questions to Mr. Ferguson.

14 MR. LUEBKEMANN: Okay. That's all my
15 questions. Thank you very much, Mr. Allis.

16 THE WITNESS: Thank you.

17 CHAIRMAN LA ROSA: FAIR?

18 MR. SCHEF WRIGHT: Thank you, Mr. Chairman.
19 We have no cross for Mr. Allis.

20 CHAIRMAN LA ROSA: Okay. FIPUG?

21 MS. PUTNAL: No questions. Thank you.

22 CHAIRMAN LA ROSA: Walmart?

23 MS. EATON: No questions.

24 CHAIRMAN LA ROSA: FEIA?

25 MR. MAY: No questions.

1 CHAIRMAN LA ROSA: Staff?

2 MR. STILLER: No questions.

3 CHAIRMAN LA ROSA: Commissioners, any
4 questions from the bench?

5 Okay, let's go back to FPL for redirect.

6 MR. CHRISTOPHER WRIGHT: We have no redirect.
7 We would ask that Exhibits 84, 86 and 87, sponsored
8 by Mr. Allis, be moved into the record. I know
9 that he cosponsors Exhibit 85 with Mr. Ferguson.
10 We will move 85 in after Mr. Ferguson testifies.

11 And with that, we would ask that Mr. Allis be
12 excused.

13 CHAIRMAN LA ROSA: Okay. Any objections to
14 those? Seeing none, let's have that moved into the
15 record.

16 (Whereupon, Exhibit Nos. 84, 86 & 87 were
17 received into evidence.)

18 CHAIRMAN LA ROSA: Mr. Allis, thank you. You
19 are excused.

20 (Witness excused.)

21 CHAIRMAN LA ROSA: Any other parties, do you
22 have anything else to move into the record? Seeing
23 none, okay.

24 Staff, nothing?

25 All right. FPL, you may call your next

1 witness.

2 MR. CHRISTOPHER WRIGHT: FPL calls Dan DeBoer.

3 CHAIRMAN LA ROSA: Mr. DeBoer, do you mind
4 standing and raising your right hand to be sworn
5 in?

6 Whereupon,

7 DAN DEBOER

8 was called as a witness, having been first duly sworn to
9 speak the truth, the whole truth, and nothing but the
10 truth, was examined and testified as follows:

11 THE WITNESS: I do.

12 CHAIRMAN LA ROSA: Excellent. Great. Thank
13 you.

14 I will let your counsel get settled in, FPL,
15 but whenever you are ready, you can introduce your
16 witness.

17 MR. COX: Thank you, Chairman La Rosa.

18 Good morning, Chairman La Rosa and
19 Commissioners.

20 EXAMINATION

21 BY MR. COX:

22 Q Mr. DeBoer, could you state your name for the
23 record?

24 CHAIRMAN LA ROSA: Your microphone may be off.

25 THE WITNESS: Dan DeBoer.

1 BY MR. COX:

2 Q What is your business address, Mr. DeBoer?

3 A Florida Power & Light Company, 15430 Endeavor
4 Drive, Jupiter, Florida.

5 Q And by whom are you employed and in what
6 capacity?

7 A I am employed by Florida Power & Light Company
8 as the Vice-President in Nuclear Long-Range Strategy and
9 Execution.

10 Q And on whose behalf are you testifying in this
11 proceeding, Mr. DeBoer?

12 A On behalf of Florida Power & Light.

13 Q Mr. DeBoer, did you cause to be filed on
14 February 28th, 2025, 22 pages of direct testimony in
15 this proceeding?

16 A Yes.

17 Q Do you have any changes or corrections to your
18 direct testimony?

19 A I would like to provide one update to my
20 direct testimony. On July 14th of this year, my
21 position and title at FPL changed from Vice-President in
22 Nuclear to Vice-President, Nuclear Long-Range Strategy
23 and Execution. My responsibilities include long-range
24 capital projects, refueling outages and other strategic
25 development projects for the nuclear division.

1 Q Thank you, Mr. DeBoer.

2 If I were to ask you the same questions today
3 as contained in your prefiled testimony as filed on
4 February 28th, 2025, as updated today regarding your new
5 title and positions, would your answers be the same?

6 A Yes.

7 MR. COX: Chairman La Rosa, FPL requests that
8 Mr. DeBoer's February 28th, 2025, prefiled direct
9 testimony as updated be inserted into the record as
10 though read.

11 CHAIRMAN LA ROSA: So moved.

12 (Whereupon, prefiled direct testimony of Dan
13 DeBoer was inserted.)

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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 20250011-EI

FLORIDA POWER & LIGHT COMPANY

DIRECT TESTIMONY OF DAN DEBOER

Filed: February 28, 2025

1	TABLE OF CONTENTS	
2	I. INTRODUCTION.....	3
3	II. BACKGROUND ON FPL’S NUCLEAR ENERGY OPERATIONS	5
4	III. FPL’S NUCLEAR PLANT PERFORMANCE	7
5	IV. CAPITAL EXPENDITURES FOR FPL’S NUCLEAR BUSINESS UNIT ...	15

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I. INTRODUCTION

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

3 A. My name is Dan DeBoer. My business address is 15430 Endeavor Drive, Jupiter,
4 Florida 33478.

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

6 A. I am employed by Florida Power & Light Company ("FPL" or the "Company") as
7 **Nuclear Long-Range Strategy and Execution**
Vice President, ~~Nuclear~~.

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

9 A. I am responsible for the Nuclear fleet functional areas of engineering, training,
10 performance improvement, regulatory affairs, security, quality assurance, online
11 work management, and outages, which consists of major maintenance and
12 modifications.

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

14 A. I hold a Bachelor of Science Degree in Chemical Engineering from the University of
15 Notre Dame. I also earned a Senior Reactor Operator license from the Nuclear
16 Regulatory Commission ("NRC") at the former Crystal River Nuclear Plant in
17 Florida, and a Senior Reactor Operator Management Certification at the Browns
18 Ferry Nuclear Station in Alabama. In addition, I completed the Institute of Nuclear
19 Power Operation Senior Nuclear Plant Management Course.

20
21 I have spent over 35 years in the nuclear industry, beginning in the United States
22 Navy Nuclear Submarine Force where I served as an officer for more than 24 years
23 on active and reserve duty, retiring as a Commander. During this 35-year period, I

1 have served in various management positions at six nuclear stations in the United
2 States over the last 30 years and have been with FPL since 2010. While employed
3 with FPL, I have held numerous positions of increasing responsibility including
4 Senior Director of Fleet Outages for NextEra Energy at Juno Beach, Operations
5 Director at St. Lucie, Plant General Manager at NextEra Energy's Point Beach
6 Nuclear Plant, and Site Vice President at St. Lucie. In 2022, I assumed my current
7 position as the Vice President, Nuclear, where I am responsible for oversight and
8 support and of both of FPL's nuclear sites.

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

10 A. Yes. I am sponsoring the following exhibits:

- 11 • Exhibit DD-1 List of MFRs Sponsored or Co-sponsored by Dan DeBoer
- 12 • Exhibit DD-2 NRC Performance Indicators
- 13 • Exhibit DD-3 NRC Inspection Findings
- 14 • Exhibit DD-4 NRC Regulatory Status
- 15 • Exhibit DD-5 Nuclear Performance Metrics

16 **Q. Are you sponsoring or co-sponsoring any Minimum Filing Requirements in this**
17 **case?**

18 A. Yes. Exhibit DD-1 lists the minimum filing requirements that I am sponsoring or co-
19 sponsoring.

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

21 A. The purpose of my testimony is to: (1) provide an overview of FPL's nuclear
22 operations; (2) describe how FPL's nuclear fleet performance has yielded significant
23 benefits to FPL customers; (3) discuss FPL's changes made to improve performance

1 since the 2021 rate case; and (4) discuss the O&M and capital expenditures for the
2 2026 Projected Test Year and the 2027 Projected Test Year for FPL's nuclear
3 operations.

4 **Q. Please summarize your testimony.**

5 A. FPL's nuclear power plants are a source of safe, reliable, clean, and cost-effective
6 base-load energy for FPL's customers. These plants are a key component of FPL's
7 energy mix that provide significant value to FPL's customers in terms of fuel savings,
8 reliability, enhanced system fuel diversity, and minimization of greenhouse gas
9 ("GHG") emissions. My testimony summarizes FPL's efforts to help ensure the
10 continued safe, reliable, clean, and cost-effective operation of FPL's nuclear power
11 plants to meet the significant operational and regulatory requirements for these plants
12 for the benefit of our customers.

13

14 **II. BACKGROUND ON FPL'S NUCLEAR ENERGY OPERATIONS**

15 **Q. Please summarize the benefits to FPL's customers of FPL's nuclear generation.**

16 A. FPL's long and successful involvement with nuclear power started in the mid-1960s
17 with the first approved facility for nuclear generation in the South. FPL's nuclear
18 generating assets provide essential base-load capacity in and closely around FPL's
19 South Florida load pocket where approximately 37% of our customers are located.
20 The nuclear fleet is critical in maintaining electric system reliability, achieving fuel
21 cost savings, and enhancing system fuel diversity. Nuclear energy has the highest
22 capacity factor of any other energy source as reported by the U.S. Energy Information
23 Administration. FPL's Unit Capacity Factor for 2024 was 89.2, which included three

1 scheduled refueling outages. FPL's nuclear generating assets are a critical
2 component in achieving reductions in FPL's system emissions of GHGs, sulfur
3 dioxide, nitrogen oxides, and particulate matter. FPL's four operating units avoid
4 more than 12 million tons of carbon dioxide emissions each year, which is equivalent
5 to removing more than 3 million cars from the road annually.

6 **Q. Please describe the reliability benefits FPL's nuclear units provide.**

7 A. FPL's nuclear units function as base-load generators, which means they operate
8 continuously to supply power to the grid. In addition to providing safe, clean, and
9 reliable power to Floridians, the nuclear fleet also provides greater flexibility in
10 responding to spikes in demand on FPL's system. The constant supply of base-load
11 power from the nuclear units allows FPL to quickly and efficiently dispatch its other
12 generating units to meet demand during system peaks. This flexibility is especially
13 important when system peaks are caused by unanticipated events, such as extreme
14 weather.

15 **Q. Please describe the fuel cost savings nuclear generation provides to FPL's**
16 **customers.**

17 A. FPL's nuclear generation has resulted in over \$3.4 billion in fuel savings versus
18 natural gas/fuel oil cost equivalent from January 2021 through 2024. These cost
19 savings are passed directly to FPL customers through lower fuel charges.

20 **Q. Describe the ownership structure for FPL's nuclear units.**

21 A. FPL owns 100 percent of Turkey Point Units 3 and 4 and St. Lucie Unit 1. FPL owns
22 85.10449 percent of St. Lucie Unit 2. The balance of St. Lucie Unit 2 is owned by

1 the Florida Municipal Power Agency, which owns 8.806 percent, and the Orlando
2 Utilities Commission, which owns 6.08951 percent.

3 **Q. How long are FPL's Turkey Point and St. Lucie nuclear units currently licensed**
4 **to operate?**

5 A. On September 17, 2024, Turkey Point received subsequent license renewal from the
6 NRC for 20 years of additional operating life for Units 3 and 4 through 2052 and
7 2053, respectively.

8
9 In October 2003, FPL received renewed operating licenses from the NRC for St.
10 Lucie Units 1 and 2, which provided FPL the authority to operate those units for 20
11 years past the original license expiration date. Accordingly, the current license
12 expiration dates for FPL's St. Lucie Units 1 and 2 are 2036 and 2043, respectively.

13 **Q. Does FPL plan to renew the operating licenses for St. Lucie Units 1 and 2?**

14 A. Yes. In August 2021, FPL filed a request with the NRC for SLRs for St. Lucie Units
15 1 and 2. When approved by the NRC, operating licenses for St. Lucie Units 1 and 2
16 will be extended for an additional 20 years, until 2056 and 2063, respectively. FPL
17 expects the NRC to approve the SLRs for St. Lucie Units 1 and 2.

18

19 **III. FPL'S NUCLEAR PLANT PERFORMANCE**

20 **Q. What metrics are used by FPL to measure the performance of FPL's nuclear**
21 **plants?**

22 A. FPL uses metrics to measure the performance of its nuclear plants, including nuclear
23 safety and regulatory performance (as measured by the NRC).

1 **Q. What does FPL consider the most important metric in measuring the**
2 **performance of its nuclear fleet?**

3 A. Nuclear safety is by far the most important aspect of owning and operating FPL's
4 nuclear fleet. The nuclear safety aspects of FPL's nuclear operations are
5 comprehensively regulated by the NRC, the Department of Homeland Security (the
6 Federal Emergency Management Agency), the Department of Energy (Office of
7 Nuclear Energy), and the Environmental Protection Agency. FPL has a strong
8 nuclear safety program that includes:

- 9 • Robust plant design and construction;
- 10 • Highly experienced and well-trained personnel;
- 11 • Stringent plant security;
- 12 • Comprehensive safety planning; and
- 13 • A commitment to meet or exceed all federal, state, and local regulations.

14 **Q. How does the NRC measure FPL's nuclear safety record?**

15 A. The NRC maintains and tracks a set of performance indicators as objective measures
16 of nuclear safety performance for commercial U.S. nuclear plants. These indicators
17 monitor the performance of initiating events, safety systems, fission product barrier
18 integrity, emergency preparedness, occupational and public radiation safety, and
19 physical protection (security). As shown in Exhibit DD-2, all four of FPL's nuclear
20 units are in the "green" band of all NRC Performance Indicators in 2024, indicating
21 the best or highest rating for these indicators of nuclear safety performance. As
22 shown in Exhibit DD-3, the NRC inspection findings for 2024 were also "green."

1 This indicates that the NRC inspection findings were classified as very low safety
2 significance and indicative of acceptable nuclear safety performance.

3 **Q. How do FPL's nuclear plants compare to the remainder of the industry in terms**
4 **of the NRC performance system?**

5 A. Based on the NRC's Performance Indicators, FPL's plants are consistent with the
6 remainder of the U.S. nuclear industry. The NRC uses its Performance Indicators and
7 inspection activities to determine the appropriate level of agency oversight and
8 response, including the need for supplemental inspections, senior management
9 meetings, and regulatory actions.

10

11 All the U.S. nuclear plants are listed in the NRC's Action Matrix, which categorizes
12 each plant into one of five regulatory status columns based on overall regulatory
13 performance. The five regulatory columns in order of normal baseline inspection to
14 increasingly higher levels of regulatory oversight are: (1) licensee response;
15 (2) regulatory response; (3) degraded cornerstone; (4) multiple/repetitive degraded
16 cornerstone; and (5) unacceptable performance.

17

18 Approximately 7 percent of the 95 operational nuclear units in the United States are
19 characterized by the NRC as having a level of plant performance requiring increased
20 NRC regulatory oversight (in columns 2). Of those plants, the "regulatory response"
21 category includes seven plants having at least one regulatory finding of low to
22 moderate safety significance in the past 12 months.

23

1 As illustrated by Exhibit DD-4, none of FPL's units falls into categories requiring
2 increased regulatory oversight as of December 31, 2024. Because of FPL's
3 regulatory performance in 2023, FPL's nuclear units are in the "licensee response"
4 column of the NRC's Action Matrix, which results in the normal baseline inspection
5 program. In summary, FPL is proud of its safety and regulatory performance;
6 however, this performance cannot be sustained without continued investment in our
7 nuclear plants and our people.

8 **Q. Please describe the operational performance of FPL's nuclear fleet.**

9 A. Since 2022, FPL has taken steps to maintain the overall strong performance of its
10 nuclear operations, which has resulted in a low cost per megawatt hour ("MWh")
11 and consistently high generation. As illustrated by the Nuclear Performance Metrics
12 in Exhibit DD-5, these metrics show a consistently strong performance from 2021
13 through 2024, resulting in increased low-cost output and improved reliability. As
14 with the NRC's metrics that I discussed earlier, these improvements cannot be
15 sustained without continued investment in our nuclear plants.

16 **Q. What initiatives has FPL implemented since 2022 to achieve this consistent**
17 **strong performance for the nuclear fleet?**

18 A. FPL's top priority remains providing safe and reliable generation. FPL has
19 maintained the safety and reliability of its nuclear fleet by following its Nuclear
20 Excellence Model ("NEM"), which is the cornerstone of its commitment to achieve
21 and sustain excellence in all aspects of its nuclear operations.
22

1 In support of its NEM, FPL has continued to implement its Self-Improving
2 Culture/Learning Organization philosophy through the Continuous Improvement
3 Processes (“CIP”), which engages employees to develop and implement solutions to
4 operate more efficiently without compromising safety. This effort has resulted in the
5 implementation of several innovative and dynamic ideas that benefit the customer.

6 **Q. What are some examples of CIP initiatives that have been or will be**
7 **implemented to operate more efficiently without compromising safety?**

8 A. In support of improving efficiency and sharing of information, including
9 benchmarking and fleet learnings, FPL has implemented a centralized operating
10 model; we call this One Fleet, One Team. This model allows standardized
11 approaches to the management of work, engineering functions, and performance
12 improvement initiatives. Additionally, CIP initiatives continue, which include
13 developing the infrastructure to increase work efficiency through technology, such
14 as automation, use of artificial intelligence (“AI”), robotics, and drones. The
15 development and adoption of technology has automated work processes, improved
16 training programs, developed workforce analytics, implemented dynamic scheduling
17 tools, enhanced equipment reliability trending, and reduced outage cost and duration.

18 **Q. How does the FPL Nuclear Fleet use advanced technology to increase work**
19 **efficiency?**

20 A. FPL is using cost-saving robotics and drones to reduce manhours spent on routine
21 work and lower industrial and radiological safety risks. In one example, FPL uses an
22 agile mobile robot named Spot® to collect information, monitor conditions, and
23 conduct inspections at the plants. This robot is used to monitor and increase

1 equipment reliability through real-time online monitoring of equipment
2 performance. Spot® can enter high radiation areas and perform inspections, limiting
3 exposure to FPL personnel since it can stay in these areas much longer than a team
4 member. This technology has many capabilities that are useful in the nuclear
5 environment such as reading gauges and checking the status of fire protection
6 equipment. The robot can go up and down stairs easily, fit into tight spaces, self-
7 correct, and stand up without human interference. FPL also uses drones to increase
8 work efficiency by performing data collection on canal temperatures, monitoring
9 wildlife, taking surveys of wetlands, and detecting algae blooms. FPL also uses
10 remotely operated drones for many of its inspections; some examples include
11 inspections of external structures, such as the outside of the containment building.
12 Additionally, drones are also taken underwater for internal condenser inspections.

13 **Q. How does the FPL Nuclear Fleet use advanced technology to increase**
14 **equipment reliability?**

15 A. Having a clear understanding of how equipment is performing is a fundamental
16 factor in our drive to continuously improve equipment reliability. Our Center of
17 Work Excellence (“CWE”) team is implementing a comprehensive monitoring and
18 diagnostic software program to provide on-demand, easily accessible modeling. The
19 innovative software helps our fleet reduce more routine work through improved
20 detection of equipment performance and predict the useful-life and time-to-failure of
21 equipment, which helps identify the scope and frequency of maintenance through
22 value-based maintenance and provides advanced predictive analytics. Further,
23 instead of spending time gathering data to create a report, advanced data analytics

1 software is used to pull the needed data into one easy to read dashboard enabling
2 personnel to spend more time analyzing trends instead of gathering data. The new
3 program directly supports the safe, reliable, and event-free operation of our fleet,
4 helping FPL identify and mitigate risk in support of reliability.

5 **Q. Can you provide some examples of how innovation and technology is utilized to**
6 **increase work efficiency?**

7 A. Yes. The FPL Nuclear fleet uses AI models and other technology in a variety of
8 applications. Specific examples include incorporating new technology into our
9 equipment review and monitoring systems to evaluate preventative maintenance
10 items on systems from a value-based perspective. This ensures that the resources
11 deployed on preventative activities are being used in the most efficient manner. FPL
12 has also built a generative AI platform that is compliant with federal requirements
13 on the export of nuclear technology. This platform has allowed for the utilization of
14 commercially available, best-in-class generative AI to be used in review and
15 evaluation of nuclear documents to support efficiency and accuracy. FPL is currently
16 developing a generative AI model that can access the nuclear work planning and
17 scheduling systems to increase the efficiency and accuracy of how work is planned
18 and scheduled at the nuclear facilities.

19
20 The FPL Nuclear fleet is changing how we plan, schedule, and execute work
21 activities through the use of digital work packages and computer-based procedures
22 to streamline and automate work processes. Digital work packages automate work
23 assignments and integrate with planning and scheduling. Personnel are auto-assigned

1 work assignments based on expertise and availability. There is also a simplified
2 workflow to generate work order packages and add materials from previous work
3 orders that include cost information. Computer-based procedures digitized
4 approximately 2,000 existing hard-copy procedures that are dynamic, less prone to
5 errors, and automate the close-out process.

6
7 The CWE is also changing how we train for work activities. CWE group developed
8 a library of videos for training FPL employees before performing specific tasks. FPL
9 has implemented new virtual reality training programs that enable more efficient
10 execution of work activities while reducing risk. For example, the crane simulator
11 enables on-demand training without taking a crane out of service and affords trainees
12 valuable time behind the controls to practice a variety of scenarios. Additionally, a
13 new firearm simulator creates a more realistic experience for the on-site security
14 officers, allowing trainers to modify the scenario mid-session and easily create new
15 scenarios. These simulators help security focus on the fundamentals, such as grip,
16 stance, breathing, and situational awareness, during each training session. FPL has
17 created benefits utilizing CIP to operate more efficiently and create value for
18 customers while maintaining high standards of quality and safety.

19 **Q. Please describe the personnel safety performance of FPL's nuclear fleet.**

20 A. FPL measures its nuclear fleet personnel safety performance using the total industry
21 safety accident ("TISA") rate. FPL currently has the best possible rating for TISA
22 that can be achieved. The TISA rate measures the injury rate for all employees and
23 contractors that work at our nuclear sites, and it is based on the total number of

1 injuries per 200,000 man-hours worked over an 18-month period. The injuries in the
2 TISA rate are industrial in nature and not radiological. The TISA rate includes
3 injuries that would involve radiological consequences, and there have been none at
4 FPL's sites. FPL is committed to conducting its nuclear operations in a safe and
5 responsible manner that avoids injuries and promotes the physical safety and well-
6 being of its employees.

8 IV. CAPITAL EXPENDITURES FOR FPL'S NUCLEAR BUSINESS UNIT

9 **Q. Please summarize the principal drivers of capital expenditures for FPL's**
10 **Nuclear Business Unit.**

11 A. There are two principal drivers of capital expenditures in the Nuclear Business Unit:
12 (1) expenditures to meet regulatory commitments and (2) expenditures to sustain
13 long-term operations while addressing equipment lifespan and management. To
14 accomplish these goals, FPL invests in equipment to enhance nuclear safety and
15 improve equipment reliability. These investments allow FPL to maximize fuel
16 savings, enhance system fuel diversity, and provide for the safe and reliable operation
17 of its nuclear units through their renewed license terms for the benefit of our
18 customers.

19
20 FPL plans to implement projects to meet NRC regulatory requirements including
21 commitments associated with the SLR for Turkey Point. The NRC reinstated the
22 SLR for Turkey Point in 2024, securing low-cost energy for FPL's customers for an
23 additional 20 years. As a requirement of receiving the operating license extensions,

1 FPL was required to make regulatory commitments to perform additional inspections
2 and modifications requiring capital expenditures.

3
4 FPL continues to implement long-term equipment reliability projects that support the
5 safe and reliable operations of St. Lucie and Turkey Point. Equipment reliability is
6 essential for safe and cost-effective operation of a nuclear power plant and for
7 equipment management supporting power plant life extension. The primary
8 components addressed in these projects consist of replacement and refurbishment of
9 pumps, motors, valves, breakers, and turbines. FPL has planned specific equipment
10 reliability projects to address industry operating experience, manage degradation,
11 and optimize how regularly scheduled equipment reliability scope is performed.

12 **Q. Please list the specific equipment reliability projects FPL has planned through**
13 **2027.**

14 A. FPL plans to implement numerous equipment reliability projects over the next
15 several years. The most significant of these projects are:

- 16 1. Turkey Point control system upgrades and replacements; multiyear
17 project, next phase of implementation will be complete by 2028.
- 18 2. St. Lucie and Turkey Point transition to 24-month Nuclear Fuel designs
19 and refueling cycles; multiyear project implementation, completion by
20 2027.
- 21 3. Turkey Point Reactor Coolant Pump ("RCP") upgrade project;
22 completion by 2027
- 23 4. St. Lucie Integrated Reactor Head Assembly; completion by 2027.

1 5. St. Lucie Condenser Replacement; multiyear project beginning in 2026
2 with all implementations complete by 2031.

3 **Q. Please describe the Turkey Point control system upgrade and replacement**
4 **project and explain why it is necessary.**

5 A. The Turkey Point control system upgrade and replacement project is similar to many
6 capital projects implemented in the past to ensure reliable operations are maintained
7 through the life of the plant. The current equipment is not likely to last through the
8 SLR term. The analog spare parts are becoming obsolete in the industry, resulting in
9 increased maintenance cost and loss of vendor support to replace the obsolete
10 components when necessary. Replacing and upgrading the control systems will
11 increase reliability, reduce system maintenance, and reduce the number of system
12 surveillances required to be performed. This will also result in reductions in O&M
13 costs for the life of the plant, as well as reduce operational risk. The Turkey Point
14 control system upgrade and replacement is forecasted to incur costs of \$12 million
15 in 2026 and \$12 million in 2027 and will be done in phases during refueling outages.

16 **Q. Please describe the transition from 18 to 24 month refueling cycles and explain**
17 **why it is necessary.**

18 A. Currently, Turkey Point and St. Lucie use fuel designs that are based on an 18-month
19 operating cycle, which is followed by a refueling outage to reload the reactor. During
20 scheduled refueling outages, work is performed that can only be conducted when the
21 plant is shut down, and this includes several inspections and testing. Primary benefits
22 of transitioning from 18 to 24-month cycles include reduced downtime, increased
23 availability, lower maintenance costs, operational efficiency, streamlined operations,

1 improved workforce management, and optimized fuel use. The transition is expected
2 to produce benefits including cost savings associated with outage preparation,
3 execution and recovery, and increased power generation without frequent outages.
4 Ensuring compliance with safety regulations remains a priority, and these longer
5 cycles will meet stringent safety standards.

6
7 Fewer refueling outages mean the plants spend more time generating electricity,
8 thereby increasing overall availability and capacity factor. Decreased frequency of
9 refueling outages reduces the costs associated with shutdowns, maintenance, and
10 inspections. Longer cycles allow for more efficient planning and execution of
11 maintenance and operational activities, potentially improving overall plant
12 efficiency. With fewer refueling outages, the workforce can be managed more
13 efficiently, reducing the need for additional temporary staff during outages.
14 Additionally, longer cycles can lead to better use of nuclear fuel, potentially reducing
15 the amount of fuel needed and associated costs. More efficient fuel use can also result
16 in less spent fuel and nuclear waste, which has environmental and economic benefits.

17
18 The transition from 18- to 24-month refueling cycles will change the design of the
19 nuclear fuel. The transition will begin with the Spring 2025 outage for Turkey Point
20 Unit 4 and Spring 2026 outage for St. Lucie Unit 2. This will continue forward with
21 Turkey Point Unit 3 in 2026 and St. Lucie Unit 1 in 2027. When a hurricane occurs
22 during a planned refueling outage, the conditions require that refueling outage work
23 be stopped and placed in a storm-resistant condition. Personnel not essential to the

1 direct operation of the nuclear plant are evacuated, and all equipment staged for work
2 be demobilized. By placing all refueling outages in the spring, we can ensure the
3 nuclear plants are fully assembled and fueled to maximum generation availability
4 during Florida's hurricane season.

5 **Q. What is the RCP upgrade project and why is it necessary?**

6 A. Nuclear power plants rely on cooling systems to ensure safe, continuous operation
7 of the nuclear reactor. The purpose of the RCP is to provide forced primary coolant
8 flow to remove and transfer the amount of heat generated in the reactor core. The
9 nuclear industry has seen a rise in the effects of an aging RCP fleet, including
10 component fatigue cracking issues, seal issues, increased vibration, and bearing
11 failure. While not a safety issue, potential RCP failures could cause a plant shutdown
12 and potentially an extended shutdown if replacement rotating elements are not
13 available. Turkey Point will refurbish or replace the original RCPs to ensure safe and
14 reliable operation into the renewed license term. Turkey Point has six total RCPs,
15 and five of six have been completed. The sixth pump will be completed in 2026.

16 **Q. Why is the St. Lucie integrated reactor head assembly necessary?**

17 A. The head assembly is a mechanical assembly of various components required to
18 provide cooling and radiation shielding of the control rod drive mechanism and the
19 duct work for the air-cooling system. All these components are assembled with the
20 reactor vessel head into a single assembly that can be lifted in one lift and moved to
21 the storage stand as a single structure during refueling outages. The integrated head
22 assembly provides the ability to disconnect the head area cables, the head vent piping,
23 and other instrumentation lines in one step. The integrated reactor head assembly at

1 St. Lucie will simplify the disassembly/reassembly of the reactor head to reduce
2 outage critical path time by nearly two days and reduce outage costs. It will also
3 address reliability and life cycle management issues in support of plant operations.

4 **Q. Please describe the St. Lucie condenser replacement project and explain why it**
5 **is necessary.**

6 A. The St. Lucie condenser replacement project is similar to many large component
7 capital projects implemented in the past to ensure reliable operations are maintained
8 through the life of the plants. The current equipment will not last through the SLR
9 term. The main condenser is the primary cooling component for the steam plant. It
10 is constructed from steel and houses approximately 48,000 cooling tubes per unit.
11 These tubes allow seawater which flows inside of them to cool and condense the
12 steam after it has passed through the turbine. Over time, the materials degrade and
13 must be replaced and rebuilt, which includes a structural rebuild and replacement of
14 all tubes. This type of project must be done for many power plants, including St.
15 Lucie. This rebuild will also support equipment reliability to ensure the high purity
16 steam plant water is not contaminated with sea water, which can require down
17 powers and shutdowns for recovery. In total, FPL has forecast nuclear capital
18 expenditures of \$3 million for 2026 and \$29 million for 2027.

19 **Q. Are FPL's projected nuclear capital expenditures from 2026 through 2027**
20 **necessary and reasonable?**

21 A. Yes. FPL's 2026-2027 capital expenditures include costs to implement projects to
22 meet NRC commitments and to invest in equipment to maintain nuclear safety and
23 improve equipment reliability for long-term operation of the plants. This investment

1 will be necessary to ensure FPL's nuclear facilities maximize fuel savings, enhance
2 system fuel diversity, improve efficiency, and allow for the safe and reliable
3 operation of its nuclear units through their renewed license terms to the benefit of
4 our customers. In total, FPL has forecast nuclear capital expenditures of \$400 million
5 for 2026 and \$400 million for 2027.

6 **Q. Do the forecasts for 2026 Projected Test Year and 2027 Projected Test Year**
7 **O&M costs for the Nuclear Business Unit exceed the Commission's benchmark**
8 **using 2023 as the benchmark year?**

9 A. No. FPL's 2026 Projected Test Year and 2027 Projected Test Year O&M for Nuclear
10 Production forecasts do not exceed the Commission's benchmark, using adjusted
11 2023 as the benchmark year. For the 2026 Projected Test Year, Nuclear's O&M
12 funds request is approximately \$59 million below the benchmark. For the 2027
13 Projected Test Year, Nuclear's O&M request is approximately \$55 million below the
14 benchmark.

15 **Q. What efforts has the Nuclear Business Unit implemented to reduce O&M costs?**

16 A. FPL implemented several CIP initiatives that have resulted in benefits to the
17 customer. As illustrated in Exhibit DD-5 page 1, FPL's O&M cost per MWh has
18 decreased substantially since the last rate case. In fact, as shown in Exhibit DD-5
19 page 2, FPL is significantly better than the top quartile for three years average
20 operating cost calculated with nominal dollars from 2021 to 2023, which is one of
21 the lowest nuclear O&M costs in the industry. Over the same period, total MWhs
22 produced has increased and refueling outage durations have improved both in total
23 time and predictability. FPL could not achieve reduction in O&M costs and maintain

1 a high level of safety and reliability for customers without the implementation of
2 these CIP initiatives.

3 **Q. Are FPL's projected nuclear O&M expenditures from 2026 through 2027**
4 **necessary and reasonable?**

5 A. Yes. FPL's 2026-2027 O&M expenditures include costs necessary to ensure FPL's
6 nuclear facilities maximize fuel savings, enhance system fuel diversity, and allow for
7 the safe and reliable operation of its nuclear units through their renewed license terms
8 for the benefit of our customers.

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

10 A. Yes.

1 BY MR. COX:

2 Q Mr. DeBoer, did you have Exhibits DD-1 through
3 DD-5 attached to your prefiled direct testimony?

4 A Yes.

5 Q Do you have any changes or corrections to your
6 exhibits?

7 A No.

8 MR. COX: Chairman La Rosa, I note that
9 Mr. DeBoer's exhibits have been marked as hearing
10 exhibits and are identified in staff's
11 Comprehensive Exhibit List as Exhibits 56 through
12 60.

13 CHAIRMAN LA ROSA: Okay.

14 BY MR. COX:

15 Q Mr. DeBoer, could you please provide a summary
16 of the topics addressed in your direct testimony for the
17 Commission?

18 A Yes, good morning, Commissioners, Chairman.

19 My direct testimony addresses the performance
20 and proposed 2026 to 2027 capital and O&M expenditures
21 for the FPL nuclear generation fleet, and I am happy to
22 address any questions you may have.

23 Q Thank you, Mr. DeBoer.

24 MR. COX: Chairman La Rosa, the witness is
25 tendered for cross-examination.

1 CHAIRMAN LA ROSA: Great. Thank you.

2 OPC, you are recognized.

3 EXAMINATION

4 BY MR. PONCE:

5 Q Good morning, Mr. DeBoer?

6 A Good morning, Mr. Ponce.

7 Q Your testimony is intended, in part, to
8 support the O&M for FPL's nuclear fleet, is that right?

9 A That's correct.

10 Q If we could go to E155, E as in Eric. And
11 while we are looking for that, the 2026 O&M request for
12 a nuclear fleet O&M is 287 million, is that right?

13 A For the nuclear fleet, the nonfuel O&M?

14 Q Correct.

15 A For 2026?

16 Q 2026.

17 A Yes.

18 Q And then for 2027, it is just shy of 300
19 million?

20 A That's correct.

21 Q Okay. Can you tell us what we are looking at
22 here at E155? It's going to be on your monitor.

23 CHAIRMAN LA ROSA: It should be on the screen
24 in front of you as well.

25 THE WITNESS: Uh-huh. I can see that.

1 BY MR. PONCE:

2 Q These are the actual and budgeted O&M amounts
3 for the four nuclear units, right?

4 A These are O&M -- actual versus budgeted O&M
5 expenditures for associated specifically for refueling
6 outages, planned maintenance outages. So they are a
7 very small portion of the overall O&M budget.

8 Q Thank you.

9 And I want -- since we are pressed for time, I
10 don't want to go through all of these numbers, but is it
11 fair to say that these -- the actuals have been
12 consistently under the budgeted amounts?

13 A In some cases they are under, and many -- as
14 you can see here as an example, 2020, we had some scope
15 deferral due to the pandemic at that time. Other years,
16 you will see examples where O&M may have been conducted
17 under capital. So in other words, we found during a
18 maintenance outage, it was more prudent to replace
19 equipment versus making repairs using O&M.

20 But once again, these variances if you look at
21 them year to year, they are, like, less than one-half of
22 one percent of our entire O&M budget. If you would like
23 to see overall how we come in every year on total O&M,
24 that was also filed in our OPC first production of
25 documents No. 42, you will see that. And we come in

1 very, very -- right on budget every year, less than one
2 percent variance.

3 **Q Given that there are variances, isn't it**
4 **fair -- well, let me ask this: When preparing the**
5 **budget, isn't it fair to say that the nuclear division**
6 **looked at its historical results?**

7 A Looked at historical results for budgeting
8 outages, is that your question?

9 **Q Yes.**

10 A That is an input, however, a bigger input is
11 really dependent upon the scope of that particular
12 outage. So each outage may vary in lengths. We may
13 have some outages that require 10-year required
14 inspections, or we may have other maintenance that's
15 required, you know, longer term items. So it varies
16 from refueling outage to refueling outage.

17 **Q Given that historical information is one of**
18 **those elements, isn't it fair for the Commission to look**
19 **at that in deciding whether to approve of an adjustment**
20 **to those numbers?**

21 A No, I would not agree with that.

22 **Q Isn't it true that long-term contracts for**
23 **labor are also applied to the budget planning process?**

24 A Yes, they are.

25 **Q When it comes to the headcount for the nuclear**

1 **division, isn't it true that it was lower than -- the**
2 **actual headcount was lower than the planned headcount in**
3 **2024?**

4 A We are pretty much right on our headcount as
5 we stand for planned. And we have -- you may see
6 examples where there are open positions, but those are
7 really slated for hiring of new operators for nuclear
8 license classes that we hold. So if you were to look at
9 our overall headcount, actually it's gone up in the last
10 several years, 2022, '23 and '24.

11 Q **If we could go to E, as in Eric, 54069? If we**
12 **could zoom in a little bit?**

13 **So if I am understanding -- first of all, what**
14 **are we looking at here?**

15 A This is a variance report on comparing FPL
16 exempt, non-exempt and bargaining unit positions, and
17 with the variances as shown.

18 Q **We are looking at the FPL exempt positions, to**
19 **be clear, this is for nuclear, right?**

20 A This is for nuclear.

21 Q **If we look at the FPL exempt positions, isn't**
22 **it true that there was a variance of 67 by the end of**
23 **2024?**

24 A Yes, that's exempt positions. As I mentioned
25 before, those are non-bargaining unit people. So the

1 people who operate the power plants are primarily
2 bargaining unit craft maintenance personnel operators.
3 So these are exempt positions, usually staff,
4 engineering, training and those kind of things.

5 **Q Isn't it true that this was at least partly**
6 **due to corporate directed headcount reductions?**

7 A That's the verbiage used in this table. That
8 is not indicative of -- there are no directed headcount
9 reductions from the company. These are reflective of
10 typical attrition and retirements. We have an early
11 enhanced retirement program that we offer, but there is
12 no directed headcount reductions.

13 **Q So although this variance report says that**
14 **there were corporate directed headcount reductions, you**
15 **are telling us now there was just no such thing?**

16 A Can you restate your question?

17 **Q So although the report says, partly due to**
18 **corporate directed headcount reductions, your testimony**
19 **now is that the report is wrong and this was no such**
20 **thing?**

21 A Well, I said even in my deposition when this
22 question was asked, that this was -- the wording is
23 maybe misleading, but that doesn't -- there was no
24 directed headcount reductions from the corporation.
25 That's not ow we operate.

1 We have a standard O&M budget every year that
2 we operate by, and the company supports what the nuclear
3 division needs for operating our units safely and
4 reliably. And I have been in the -- operating nuclear
5 power plants for 32 years, and we operate the most
6 efficient cost-effective nuclear fleet in the entire
7 U.S.

8 **Q If the verbiage in this report is misleading,**
9 **can we trust any of it?**

10 A Can you restate that.

11 **Q If the wording in this report is misleading,**
12 **can we trust anything in the report?**

13 A Well, sure, you can trust the report. The
14 numbers are the numbers. As I mentioned, we may have
15 some variances there that are related to staffing for
16 new license classes and other positions. But if you
17 look over the years, as an example, those bargaining
18 unit numbers they actually went up there by eight
19 positions. And if you look over the history, they are
20 very, very stable for operating and maintenance
21 personnel who actually run the power plants.

22 **Q FPL has already reduced average headcount by**
23 **58 in 2024, right?**

24 A No, that is not correct. We reduced -- when
25 we look at over the timeframe of the last rate case

1 period, from 2021 to 2024, we have a net reduction of
2 58. And that was primarily due to implementation of new
3 initiatives and efficiency initiatives with technology
4 and innovation, and also allowing for attrition and
5 early retirements.

6 **Q If we could go to E807. That's E as in Eric.**
7 **Please take a moment to read this if you need it.**

8 A Yes. Uh-huh. I am familiar with this.

9 **Q And I am just looking at the last paragraph**
10 **there. It says here that FPL nuclear fleet reduced**
11 **average headcount by 58 for 2024 compared to 2021?**

12 A That's what I just stated, over the last 2021
13 to 2024, our net headcount reduction is 58. If you were
14 to look at the year-by-year, actually, we have gone --
15 we went down and then we came up actually in the last
16 couple of years. So we are about where we need to be.

17 **Q You say you are about where we need to be. So**
18 **that means the nuclear fleet still does not anticipate**
19 **any additional new hires in 2026 and 2027?**

20 A No, we do anticipate new hires. We always
21 have new hires because we have new license classes and
22 operators that we have to hire and train, and that also
23 offsets normal attrition and retirements.

24 **Q I would ask you, then, to reconcile that with**
25 **the last sentence here.**

1 A I think that -- what that really references is
2 if you were to go look at our projections on headcount
3 for 2026 and '27, it's about stable. So what that
4 really means is there is no net change in the overall
5 headcount, but we will be hiring operators, of course,
6 and that offsets retirements and attrition.

7 **Q It's fair to say that FPL does not plan on**
8 **transferring any nuclear employees to NextEra in 2026**
9 **and 2027, right?**

10 A Meaning be transferring FPL employees to
11 NextEra Energy Resources, okay. So we have a combined
12 nuclear fleet, and we do not transfer -- we do have some
13 employees for their succession planning and their
14 development that may transfer from one, from FPL to NER
15 or back, but anyone working with NextEra Energy
16 Resources is charged to NextEra Energy Resources and FPL
17 is FPL separate. They are completely separated
18 independently of each other in terms of what is charged
19 to divisions.

20 **Q So I just want to make sure I am understanding**
21 **your answer correctly. When it comes to FPL's nuclear**
22 **fleet, other than, like you said, you know, internal**
23 **promotions or something like that, there is no planning**
24 **for FPL to transfer any employees from the nuclear fleet**
25 **to NextEra, anywhere in NextEra?**

1 A Well, I mean, I can't say we are not going to
2 be transferring people, but when I am talking about the
3 overall net headcount, it would be about the same, and
4 remain the same, and so that's what gets, you know,
5 charged to FPL. But there may be employees that we say
6 that we need to have expertise in another area of the
7 division, but once again, that would be not -- not being
8 charged to FPL. The overall headcount is the net
9 headcount and it stays relatively flat.

10 Q I am sorry, if you can just give me one
11 moment.

12 Moving on from O&M, it's your testimony that
13 FPL's nuclear generation has resulted in over 3.4
14 billion in fuel savings?

15 A That's correct, over the last -- over the last
16 rate period.

17 Q This calculation assumes that nuclear
18 generation avoids oil and gas generation at the average
19 heat rate for each year, right?

20 A That's correct. That would be Andy -- Witness
21 Whitley who calculates that.

22 Q Well, in other words, this calculation only
23 measures avoided fuel costs, but it doesn't make any
24 assumptions with regards to associated plant costs for
25 running nuclear plants?

1 A I would refer that to Witness Whitley.

2 **Q You don't have any independent knowledge of**
3 **that?**

4 A That's a calculation performed on overall
5 savings and -- that we have, the \$3.4 billion that Andy
6 Whitley and his resource team calculates.

7 **Q If we could go to E806. Again, feel free to**
8 **take your time to read this if you need it.**

9 A Yes, I see that. Uh-huh. It explains how
10 it's calculated. If I were --

11 **Q I am sorry, go ahead.**

12 A I was going to say, if you wanted to talk
13 about how we compare in operating costs against the rest
14 of the industry, I would be glad to talk about that.
15 It's in my DD-5. And we operate, as I mentioned, the
16 lowest cost per megawatt hour of any nuclear fleet in
17 the entire United States.

18 If you were to compare 2021 to 2023, us
19 against the average plant, we are saving \$130 million
20 for customers. And against the top quartile plants,
21 it's \$80 million savings. And if I were to add in 2024,
22 that would even be lower. So if we added in that
23 average in 2024, our operating costs actually went down,
24 whereas, the rest of the industry went up, which
25 indicates their lack of effectiveness in addressing

1 issues like inflation, supply chain problems, those kind
2 of things.

3 And so when I add in 2024, those savings go up
4 to an average plant in the United States \$280 million
5 lower operating costs for our fleet, and if I were to
6 compare against the top quartile, it's \$130 million.

7 MR. PONCE: I'm sorry, I have to object. We
8 are getting far afield from what I had asked.

9 CHAIRMAN LA ROSA: Yeah, you kind of opened
10 the door, that's fine. If the witness is going on
11 and not answering the question, just please object
12 and we can redirect.

13 BY MR. PONCE:

14 Q So I just wanted to confirm, looking at this
15 response, when those calculations were made, nuclear
16 plant wasn't included as part of these underlying
17 assumptions?

18 A It states there as it states --

19 Q Fair enough.

20 A -- what's included.

21 Q I will move on then. I appreciate your
22 answer.

23 It's fair to say that safety is one of the
24 primary considerations for operating FPL's nuclear
25 fleet?

1 A Absolutely.

2 Q If we could go to F2-12894. Again, that was
3 F, as in frank, 2-12894. Actually, I apologize. I
4 guess that's not the first page. If we can go to the
5 first page of that exhibit.

6 This is a report from the U.S. NRC. Do you
7 recognize this report?

8 A Yes. Uh-huh. I have dean that seen that.

9 Q Okay. And now if we could actually go to
10 F2-12902. I will give you a moment to read it,
11 specifically the portion concerning the St. Lucie plant.

12 A Yes. Uh-huh.

13 Q Okay. Is this report accurate in
14 demonstrating that from fiscal year 2023 to 2024, the
15 St. Lucie plant experienced a 400-percent increase in
16 complaints to the NRC?

17 A These allegations, you will see the spike in
18 2024. When allegations are presented to the NRC, they
19 are not necessarily distinct issues. So in many cases,
20 they come to the NRC, we don't even know what the
21 allocations were. They could be one person, as you will
22 notice St. Lucie shows there is, like, 22, or 20 for the
23 year, and -- but that could be one person with 20,
24 submitting something 20 times. You don't know on the
25 allegations.

1 But we do take those trends seriously, and we
2 did identify in 2024 a trend of safety -- not safety,
3 but concerns from employees. And I, as my
4 Vice-President of Nuclear role, we identified that
5 trend, immediately addressed that with our own
6 assessment of that, identified the corrective actions
7 that were necessary for that.

8 We briefed the NRC on the conclusions is of
9 that. Took those very effective. They were very
10 effective. The NRC appreciated our actions, and that
11 issue has been closed. So in the second quarter of 2025
12 inspection report from the NRC, they closed that with no
13 findings, no violations.

14 MR. PONCE: Again, I appreciate the detail,
15 but there is going to be a chance on redirect if
16 there is any clarification that he misses. I
17 object.

18 CHAIRMAN LA ROSA: Yeah, let's just try to
19 stay focused to the question.

20 THE WITNESS: Yes, sir, Mr. Chairman.

21 BY MR. PONCE:

22 **Q Going back to this report, isn't it true that**
23 **a substantial amount of these allegations were about a**
24 **chilled work environment at the St. Lucie plant?**

25 A There were some allegations associated with

1 chill work environment. How many we don't know from
2 this report.

3 **Q Based on close to the last sentence here, it**
4 **says here: A chilled work environments allegations was**
5 **substantiated through an NRC inspection. Was that true?**

6 A That is what I was referring to, so that is
7 correct. It was isolated to one department at St. Lucie
8 in the operations department, and there is a standard
9 problem identification and resolution inspection that's
10 scheduled in June of last year. We identified this
11 trend before that. We identified that and presented
12 those issues to the NRC along with our action plan.

13 And as part of that inspection that they
14 performed, they conduct interviews of employees as part
15 of a standard protocol for safety culture review
16 allegations. They substantiated what we had concluded
17 ourselves and had taken action on. So they gave us
18 credit for that.

19 **Q Fair enough, so it's fair to say, then, that**
20 **these chilling work environment issues at St. Lucie have**
21 **been resolved?**

22 A They have been resolved, yes.

23 **Q Okay. Isn't it true that FPL is subject to a**
24 **consent order concerning Turkey Point's cooling canals?**

25 A Turkey Point cooling canals, yes, we do have

1 orders from the State as well as the County.

2 **Q Now, this is due to the elevated salinity**
3 **levels at the CCS, the cooling canal system, either**
4 **causes or contributes to in the local underground water**
5 **system?**

6 A It's related to salinity levels, and when we
7 looked at this, this is back in 2018, and we have
8 actually documented elevated salinity levels westward of
9 the Turkey Point facility going back all the way to the
10 1950s.

11 The cooling canals, we identified generating
12 hyper salinity water, which is migrating westward. So
13 the remediation plans that we agreed to were to ensure
14 that we implemented remediation to such that we could
15 begin the -- or stop the westward migration of that
16 hypersalinity water, and then also, number two, is to
17 lower the overall salinity of the Turkey Point canal
18 water system.

19 And we have successfully arrested that
20 westward migration of that water, and it is reseeded
21 backwards towards the plant boundary. And then we
22 have -- we also have targets in there that you can
23 probably see from 20 -- to report back in 2023, and then
24 again in 2028 on the progress of that.

25 So we are making very good progress. Matter

1 of fact, the salinity levels in the water are now below
2 the target level of 34 PSU, which is Practical Salinity
3 Units.

4 **Q You mentioned halting the westward migration**
5 **of the plume. Didn't the consent order with DEP order**
6 **it that to be completed within 10 years?**

7 A It is not a mandated requirement to reach the
8 site boundary within 10 years. We are mandated to
9 provide a report in 2023 on the progress made, and
10 projections where we would be after 10 years of
11 mitigation, which would be 2028, and so we completed
12 that evaluation. We determined that there is additional
13 remediation that we have planned, and we are working
14 with the State on that to ensure that we can further
15 that. But it is reseeded backwards towards the site
16 boundary.

17 **Q If we could go to F, as in frank, 2-11879.**
18 **This is page seven, but you recognize this is of a DEP**
19 **consent order?**

20 A Yes.

21 **Q Okay. If we are looking here at paragraph 19,**
22 **please, you can read it -- go ahead and read it to.**

23 A Refresh --

24 MR. COX: Chairman La Rosa, FPL would like to
25 enter an objection. We're -- this is not addressed

1 anywhere in Mr. DeBoer's testimony, and we are not
2 seeing it relevant to anything in his testimony.

3 MR. PONCE: I think it's relevant because his
4 testimony is, as he stated, the performance of the
5 nuclear fleet, not to mention supporting the
6 operations and maintenance expenses. I mean, the
7 fact that FPL is subject to a DEP consent order, I
8 think that's totally relevant to both of those
9 elements.

10 CHAIRMAN LA ROSA: Is there another witness
11 that can answer this question?

12 MR. COX: No. He is probably the most
13 knowledgeable on the cooling canals at Turkey
14 Point.

15 CHAIRMAN LA ROSA: So if the witness can't
16 answer the question, then he can simply state that
17 he can't answer the question. So I will allow the
18 questioning to continue.

19 MR. PONCE: Fair enough. Thank you.

20 BY MR. PONCE:

21 **Q I guess it might be -- we don't have to**
22 **belabor the point. It states here that the first**
23 **objective of this order is for FPL to cease discharges**
24 **from the CCS, and that's the cooling canal system. And**
25 **if we scroll down to about the middle, it mentions by**

1 halting the westward migration of hypersaline water from
2 the CCS, and by reducing the westward extent of the
3 hypersaline plume to the L-31E within 10 years?

4 A That's correct. That's what I mentioned, yep,
5 to halt the westward migration. And that's what we have
6 been accomplishing. It also mentions the 34 Practical
7 Salinity Units for the salinity levels, which have been
8 achieved.

9 Q That's actually what I wanted to ask you about
10 next.

11 If we could go to F2-10415? Are you familiar
12 with this report?

13 A I am not sure I have seen this particular
14 report.

15 Q Well, it's fair to say at least it's got the
16 FPL logo on there. It's a report issued by FPL, right?

17 A Yes.

18 Q If we can go, then, to the appendix. That is
19 specifically appendix A, I would like to go to F2-11037.
20 We are definitely going to need to zoom in on this one.

21 And this, as you just mentioned, that first
22 category there, if you could tell us what we are looking
23 at in that first category?

24 A So this table is overall status of compliance
25 activities. Okay. So salinity reduction. Uh-huh.

1 There is a whole number of topics here, remediation,
2 okay.

3 Q And this table shows that FPL -- give me one
4 moment -- that FPL has been able to reduce the value of
5 the salinity down to 32.0 PSU?

6 A That's correct. That's the number that I --
7 as well, 32, which puts us below the target of 34.

8 Q In other words, FPL is currently in compliance
9 with that DEP order?

10 A We are meeting that target.

11 Q Okay. Is FPL on target to cease the westward
12 migration by the end of year 10?

13 A We have already ceased the westward migration,
14 and so we are continuing to work towards bringing that
15 back to the site boundary. We are in full compliance
16 with the consent orders.

17 Q If we can move on, and I am almost done. If
18 you could tell us, your testimony mentions FPL's
19 capacity factor, if you could tell us what is meant by
20 capacity factor?

21 A Restate your question.

22 Q Yes. As part of your testimony, you discuss
23 FPL's nuclear capacity factor.

24 A Uh-huh.

25 Q What is meant by capacity factor?

1 A What is capacity factor?

2 **Q Correct.**

3 A It's a measure of the actual output from a
4 generating unit in a given year versus the maximum
5 capability of that unit in a given year.

6 **Q And it's true that FPL's unit capacity factor**
7 **for 2024 was 89.2?**

8 A That was correct for 89.2. However, we look
9 at an overall average. So it if you look at overall
10 average of 2021 to 2024 over this last rate case period,
11 that was 91.3.

12 **Q Isn't it true that the capacity factor for the**
13 **whole nuclear industry in 2024 was 92.3?**

14 A For the industry, as stated in the Department
15 of Energy report, was 92. However, if you would look at
16 overall average, as I mentioned, we were at 91.3. The
17 industry average is less than 90 over that same period.

18 Once again, what's most important for
19 customers is how we operate our fleet in terms of
20 cost-effectiveness, which mentioned previously in our
21 wide advantage that we have in the mal-efficiency we
22 have compared to the average fleet, average plant in the
23 United States, that we are the top quartile.

24 **Q All four of FPL's nuclear generation units,**
25 **are they still currently in the licensee response**

1 column?

2 A Yes, they are. All green.

3 Q And this results in normal baseline
4 inspections by the NRC, right?

5 A That's correct.

6 Q I don't have anything else. Thank you very
7 much, Mr. DeBoer.

8 A Thank you, Mr. Ponce.

9 CHAIRMAN LA ROSA: Thank you.

10 FEL?

11 EXAMINATION

12 BY MS. McMANAMON:

13 Q Good morning, Mr. DeBoer.

14 A Good morning.

15 Q I know we already kind of discussed some of
16 the safety and culture issues, but I just want to make
17 sure I have the whole picture with how all the documents
18 fit together. So if we could pull up master number
19 E59623?

20 A Yes, I have that here before, that's the
21 Biennial Problem Identification and Resolution
22 Inspection Report.

23 Q So this letter from the Nuclear Regulatory
24 Commission identified the challenges to a safety
25 conscious work environment, correct?

1 A Yes. This is -- this represents an inspection
2 report the NRC issues when they complete that. So in
3 June, if you notice, that was the PI&R inspection was
4 completed, and this document is the results of that
5 inspection.

6 **Q And so this letter, I think in the bottom**
7 **paragraph, identifies the finding of a chilled work**
8 **environment, right?**

9 A They describe their activities during that
10 inspection, which I mentioned was involving interviews
11 of a number of employees. And they confirmed and agreed
12 with our conclusions on the challenges with the safety
13 culture.

14 **Q And if you -- do you see in the middle**
15 **paragraph kind of -- one, two -- third paragraph in --**

16 A Uh-huh.

17 **Q -- a little over halfway where it says:**
18 **Concluded that a chilled work environment exists within**
19 **the St. Lucie Operations Department?**

20 A Yes, I see that.

21 **Q And what is your understanding of a chilled**
22 **work environment?**

23 A So I have been in the nuclear industry for 32
24 years. Nuclear -- operated nuclear submarines prior to
25 that. I am a former -- I am a retired Navy Commander.

1 So to me, leadership is very important.

2 So when we see examples of concerns that are
3 raised from employees, I take those very seriously. And
4 in my role as Nuclear Vice-President, identified this
5 early trend with my staff in the March-April timeframe,
6 and we took immediate measures to go address these
7 things because we wanted to make sure that we understand
8 what was really occurring, and we validated that there
9 were some commonu -- there was largely leadership
10 communication issues, and there was never any
11 substantiated retaliation or actual safety conscious
12 work environment, you know, impacts.

13 So the NRC never issued a chilled environment
14 letter. That would be the next step. So they
15 identified here that they recommended there was a
16 chilled work environment. We agreed with that, and
17 that's what -- we also briefed them. We took those
18 actions. They monitored our actions and they closed
19 that out in the second quarter of 2025 with no further
20 inspections and no findings or violations.

21 **Q And -- one second. If you scroll down to**
22 **master number E59 -- I am sorry, I think this might be a**
23 **different one, but E59631. And in the second paragraph**
24 **from the bottom in middle, do you see where it says that**
25 **these incidents occurred during recent refueling and**

1 forced outages, and were perceived from site and fleet
2 managers attempting to insert undue control or influence
3 over NRC licensed plant operators?

4 A Yes, I see that. Uh-huh.

5 Q Okay. And could we then go to master number
6 E60093, which is Exhibit 375?

7 And so this referenced the refueling and
8 forced outages that occurred on March 9th, June 5th and
9 June 18th, correct?

10 A That would be referring to those forced
11 outages, yep, and a refueling outage. Yes. Uh-huh.

12 Q And the planned refueling outage from March
13 9th to April 8th, that was always the scheduled
14 timeframe for that?

15 A That refueling outage, that was a scheduled
16 timeframe, yes.

17 Q Okay. So the two outages in June were not
18 planned outages?

19 A That's correct. They were forced outages.

20 Q And can you explain what the June 5th outage
21 was related to?

22 A The June outage?

23 Q Yeah.

24 A If I remember correctly, it was related to
25 condenser performance issues in our main condenser. We

1 had saltwater intrusion that required us to remediate
2 that, and it was a maintenance equipment issue.

3 **Q And the June 18th outage, was that separate?**

4 A Can you repeat that?

5 **Q The June 18th outage, was that a separate**
6 **problem?**

7 A Yes. You want the specifics of them, but each
8 one was equipment related challenges.

9 **Q Okay. So it was kind of the combination of**
10 **those three problems that you -- that the report was**
11 **referring to?**

12 A Yeah, and what the report was referring to,
13 and in our own conclusions as well, is that any time
14 when you are into -- refueling outages are stressful
15 timeframes. There is a 24/7 high intensity environment,
16 as well as when we have a forced outage, any time we are
17 off-line, we want to restore the plant to serve our
18 customers as rapidly as possible and as safely as
19 possible, and so those result in stressful timeframes.

20 And so the conclusion was that, in those
21 particular periods, that's where these issues arose,
22 where communications weren't as good as they should have
23 been, communicating of operational decisions wasn't as
24 good as it should have been. And that's really what we
25 focused our corrective actions on to address that. And

1 subsequent to that, we have had other refueling outages
2 that have gone very well, and the actual safety culture
3 is very strong right now.

4 Q And I do have two confidential documents, I
5 just want to reference really quickly, in the red binder
6 right next to you, if you don't mind. It's -- the first
7 one is CEL 385A.

8 A Can you repeat that?

9 Q CEL 385A.

10 A CEL 35 --

11 Q 385.

12 A 385.

13 Q Yeah. It's, like, towards --

14 A Okay. I have it.

15 Q So I just want to confirm that this document
16 is summarizing the same events that were --

17 A This is documenting the same events. So when
18 we identified these ourselves, we always place something
19 of our own in the Corrective Action Program to document
20 that, and our follow-up.

21 Q Thank you.

22 And then next CEL 385B, so the very next tab.

23 A Yes. Uh-huh.

24 Q And then if you turn the first page, you know,
25 without verbalizing anything confidential, can you

1 **generally explain what this document is?**

2 A So this is a document from a regional
3 administrator in the particular region that St. Lucie is
4 parts of to the chief nuclear officer outlining some of
5 the concerns, and it's a part of the process. And in
6 this particular case, subsequent to this, based on our
7 own actions and the effectiveness of those actions,
8 there was no further inspections required or follow-up,
9 you know, violations or findings. So it was closed out
10 ultimately in the second quarter of this year following
11 a monitoring period.

12 Q And again, I don't want to say anything
13 confidential, but generally, these would kind of
14 represent steps being taken?

15 A Yes. It's a formal, if you will, a formal
16 letter outlining some concerns to make sure it's
17 documented. And we work very closely with the NRC on
18 what we are doing, and they very much appreciated our
19 candor and the actions we were taking.

20 Q Okay. Thank you. We can put that aside now.

21 Okay. Switching gears now. You discuss in
22 your testimony various capital expenditures aimed at
23 extending the life of St. Lucie and Turkey Point,
24 correct?

25 A Yes.

1 Q And could we go to master number E5, which is
2 staff Exhibit 335?

3 And this those shows the current operating
4 license expiration dates for St. Lucie and Turkey Point,
5 correct?

6 A Yes.

7 Q And regarding the subsequent license renewal
8 for St. Lucie, you state that FPL first filed this
9 request in 2021?

10 A Yes, and it is on track to be approved in
11 April of next year.

12 Q Okay. So you would agree that FPL is
13 operating under the assumption that this is going to be
14 approved?

15 A Yes. We are very confident it will be
16 approved. There are no concerns at this point. It is
17 on track.

18 Q So once that's approved, that would mean that
19 St. Lucie and Turkey Point will both be authorized to
20 operate for a total of 80 years?

21 A Yes.

22 Q And if we could next go to master number
23 F10-40, which is Exhibit 834. So this asks how FPL is
24 considering climate change and sea level rise and any
25 potential affects on its nuclear operations, correct?

1 A Yes.

2 **Q So based on this, would you agree that FPL**
3 **recognizes the potential threat of climate change on its**
4 **nuclear operations in the future?**

5 A It's -- we always look at any kind of
6 environmental changes, and it actually is part of the
7 subsequent license renewal process, it's also evaluated
8 for Turkey Point, and they just completed that, and
9 St. Lucie as well. So this would be part of that, yes.

10 **Q And given the coastal location of St. Lucie**
11 **and Turkey Point, you would agree that FPL is regularly**
12 **reviewing the latest modeling data for sea level rise**
13 **predictions?**

14 A Yeah, I don't know what you mean by regularly,
15 but, yes, we do periodically look at that.

16 These particular models, we looked at the
17 intergovernmental panel on climate change reports.
18 There were several models associated in that, with
19 various scenarios. Over the next 75 years, to the year
20 2,100, the projected sea level rise was anywhere from
21 the range of one to three feet. And both Turkey Point
22 and St. Lucie have substantial margin to that, where our
23 lowest elevation is approximately 20 feet at both
24 stations.

25 **Q Okay. One moment, please.**

1 **That's all my questions. Thank you.**

2 A Thank you.

3 CHAIRMAN LA ROSA: Thank you.

4 FAIR?

5 MR. SCHEF WRIGHT: Thank you, Mr. Chairman.

6 We don't have any cross for Mr. DeBoer.

7 CHAIRMAN LA ROSA: Great. Thank you.

8 FIPUG?

9 MS. PUTNAL: Thank you. No questions.

10 CHAIRMAN LA ROSA: Okay. Walmart?

11 MS. EATON: No questions. Thank you.

12 CHAIRMAN LA ROSA: FEIA?

13 MR. MAY: No questions.

14 CHAIRMAN LA ROSA: Thank you.

15 Staff?

16 MR. STILLER: No questions.

17 CHAIRMAN LA ROSA: Commissioners, do you have
18 any questions of Mr. DeBoer?

19 Commissioner Passidomo Smith.

20 COMMISSIONER PASSIDOMO SMITH: Thank you,
21 Mr. Chair.

22 I have a quick follow-up, but if you are not
23 the correct witness to answer this, it's totally
24 fine.

25 FEL asked you about the renewal licenses for

1 St. Lucie, and I appreciate -- I just wanted to
2 know when, so I am glad to know when those were
3 going to be updated. Do you know how this might
4 affect the generation forecast?

5 THE WITNESS: It is -- in the generation
6 forecast?

7 COMMISSIONER PASSIDOMO SMITH: If they are to
8 be renewed.

9 THE WITNESS: Oh, it is assumed we will be
10 renewed --

11 COMMISSIONER PASSIDOMO SMITH: Yeah. Yeah.
12 So --

13 THE WITNESS: -- 20, you know, 2056 and 2063
14 for St. Lucie.

15 COMMISSIONER PASSIDOMO SMITH: So is it
16 already embedded in the forecast?

17 THE WITNESS: Yes.

18 COMMISSIONER PASSIDOMO SMITH: Thank you.

19 CHAIRMAN LA ROSA: Great. Thank you.

20 Let's go back to FPL for redirect.

21 MR. COX: No redirect.

22 CHAIRMAN LA ROSA: Okay.

23 MR. COX: FPL would move Exhibits 56 through
24 60 into the record.

25 CHAIRMAN LA ROSA: Okay. No objections to

1 those? Okay. Then so moved.

2 (Whereupon, Exhibit Nos. 56-60 were received
3 into evidence.)

4 CHAIRMAN LA ROSA: Any, yes, sir, OPC?

5 MR. PONCE: Yes. I would like to -- I have
6 got several here.

7 The first one is Exhibit 829 on the CEL list.
8 The next is Exhibit 802. The next is Exhibit 856,
9 and the last one is going to sound like a lot, but
10 it's the one report with its appendices,
11 unfortunately it just had to be split up this way,
12 it is Exhibit 781 along with Exhibits 789, 790,
13 791, 792, 793 and 794. Again, that's all one
14 report, just the appendices are all split up for
15 some reason.

16 CHAIRMAN LA ROSA: Understood. I will give
17 them a second.

18 Is there any objections to those?

19 MR. COX: As long as those were all the ones
20 that he referred to in the cross-examination, we
21 have no objections. I couldn't check each one that
22 fast. I have them all written down, but as long as
23 they are -- he can just represent that they are the
24 ones that he cross-examined on, no objections.

25 MR. PONCE: I just want to be clear, with the

1 report, I referenced the report itself and appendix
2 A. I just think it's appropriate to have all the
3 appendices, because they are all part of the
4 report, but otherwise, yes, they are all things I
5 referenced in the cross-examination.

6 MR. COX: Thank you. Then no objections.

7 CHAIRMAN LA ROSA: Okay. All right. So
8 moved.

9 (Whereupon, Exhibit Nos. 802, 829, 856, 781,
10 789-794 were received into evidence.)

11 CHAIRMAN LA ROSA: Anything else?

12 FEL?

13 MS. McMANAMON: Exhibit 884.

14 CHAIRMAN LA ROSA: Any objections to that?

15 All right.

16 MR. COX: No objections to 884.

17 CHAIRMAN LA ROSA: Okay. Seeing none, then so
18 moved.

19 (Whereupon, Exhibit No. 884 was received into
20 evidence.)

21 CHAIRMAN LA ROSA: All right. Let's go ahead
22 and excuse the witness.

23 Thank you.

24 THE WITNESS: Thank you, Mr. Chairman.

25 CHAIRMAN LA ROSA: Sure.

1 (Witness excused.)

2 CHAIRMAN LA ROSA: Let's go ahead and, FPL, if
3 you can call your next witness.

4 MR. COX: FPL calls its next witness Dawn
5 Nichols.

6 MS. WESSLING: And, Mr. Chair --

7 CHAIRMAN LA ROSA: Yes.

8 MS. WESSLING: -- if it's okay, we are going
9 to pass around the confidential exhibit.

10 CHAIRMAN LA ROSA: Sure. Yeah, go ahead.
11 Yeah, go ahead and do that now so we can --
12 everyone is getting settled.

13 MS. WESSLING: It's almost 10:30, I mean, this
14 might be a little early for a break, but it might
15 also be a good --

16 CHAIRMAN LA ROSA: Yeah, let's go ahead and --
17 let's go ahead and do that. Let's take a 10-minute
18 break. We will reconvene here at 10:25. So 10:25,
19 and you can pass stuff out.

20 MS. WESSLING: 10:45 you said?

21 CHAIRMAN LA ROSA: No. No. No. That would
22 scare everybody. 10:25. 10:25.

23 MS. WESSLING: Okay. Thank you.

24 CHAIRMAN LA ROSA: All right. I think we can
25 circle back in. It looks like we have got some

1 seats that moved around.

2 Let's go ahead, let's start by swearing in the
3 witness, and then I will, obviously, hand it over
4 to the company.

5 Do you mind standing and raising your right
6 hand?

7 Whereupon,

8 DAWN NICHOLS

9 was called as a witness, having been first duly sworn to
10 speak the truth, the whole truth, and nothing but the
11 truth, was examined and testified as follows:

12 THE WITNESS: I do.

13 CHAIRMAN LA ROSA: Excellent. Great. Thank
14 you. Your microphone might be off. No, not yours.
15 Hers. Hers. Yours might be fine. We are all off.
16 Just I am just the only one who is on. All right.
17 Try it now.

18 MS. MONCADA: Thank you, and good morning.

19 CHAIRMAN LA ROSA: Good morning.

20 MS. MONCADA: Are we ready to proceed?

21 CHAIRMAN LA ROSA: Yes, we are.

22 MS. MONCADA: Thank you.

23 CHAIRMAN LA ROSA: The witness is sworn in and
24 you are recognized.

25 MS. MONCADA: Thank you.

1 EXAMINATION

2 BY MS. MONCADA:

3 Q Ms. Nichols, could you please state your full
4 name and business for the record, please?

5 A Yes. Hi. I am Dawn Nichols. 700 Universe
6 Boulevard, Juno Beach, Florida.

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

9 A Florida Power & Light, Vice-President of
10 Customer Service.

11 Q Thank you.

12 Did prepare and cause to be filed 29 pages of
13 direct testimony on February 28th of this year?

14 A Yes.

15 Q Did you also prepare and cause to be filed
16 seven pages of rebuttal testimony on July 9th?

17 A Yes.

18 Q And along with your rebuttal testimony, you
19 filed a one-page errata, is that right?

20 A Yes, I did.

21 Q Thank you.

22 Other than the filed errata, do you have any
23 changes or revisions to your direct or rebuttal
24 testimony?

25 A No.

1 **Q If I asked you the same questions contained in**
2 **that testimony, would your answers be the same?**

3 **A Yes.**

4 MS. MONCADA: Mr. Chairman, I would ask to
5 move Ms. Nichols' direct and rebuttal testimony
6 into the record as though read.

7 CHAIRMAN LA ROSA: So read -- or so moved.

8 MS. MONCADA: Thank you.

9 (Whereupon, prefiled direct testimony of Dawn
10 Nichols was inserted.)

11

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1 **BEFORE THE**
2 **FLORIDA PUBLIC SERVICE COMMISSION**
3 **DOCKET NO. 20250011-EI**

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8 **FLORIDA POWER & LIGHT COMPANY**

9
10 **DIRECT TESTIMONY OF DAWN NICHOLS**

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23 **Filed: February 28, 2025**

TABLE OF CONTENTS

1		
2	I. INTRODUCTION.....	3
3	II. OVERVIEW OF CUSTOMER SERVICE	6
4	III. FPL'S APPROACH TO CUSTOMER SERVICE	8
5	IV. CUSTOMER SUPPORT.....	10
6	V. ECONOMIC ASSISTANCE FOR CUSTOMERS.....	14
7	VI. INQUIRY AND COMPLAINT RESOLUTION	18
8	VII. CUSTOMER SERVICE PLATFORMS	20
9	VIII. CUSTOMER SERVICE O&M EXPENSE.....	28
10	IX. SERVICE CHARGES.....	29

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12
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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Dawn Nichols. My business address is 700 Universe Boulevard, Juno Beach, Florida 33408.

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 Vice President of Customer Service.

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

A. As Vice President of Customer Service for FPL, I am responsible for the organization that maintains, enhances, develops, and implements the processes and technologies that support our customer programs and services. The Customer Service organization ensures the delivery of outstanding, low-cost, and efficient customer service to FPL’s more than 6 million customers.

Q. Please describe your educational background and professional experience.

A. I am a graduate of the Pennsylvania State University with a bachelor’s degree in Management Science and Information Systems. From 1994 to 2005, I led large organizations through the design, development, testing and deployment of the leading enterprise resource software, SAP. In 2005, I joined NextEra Energy, Inc., where I have held positions of increasing responsibility in Information Technology, Customer Service and Human Resources. Since May 2023, I have served as Vice President of Customer Service for FPL.

Q. Are you sponsoring any exhibits in this case?

A. Yes. I am sponsoring the following exhibits:

- 1 • Exhibit DN-1 List of MFRs Sponsored or Co-Sponsored by Dawn Nichols
- 2 • Exhibit DN-2 FPL Customer Service Awards and Recognitions
- 3 • Exhibit DN-3 Florida Public Service Commission Logged Complaints

4 **Q. Are you sponsoring or co-sponsoring any Minimum Filing Requirements in this**
5 **case?**

6 A. Yes. Exhibit DN-1 lists the minimum filing requirements (“MFR”) that I am sponsoring
7 and co-sponsoring.

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

9 A. The purpose of my testimony is to describe how FPL achieves the right balance
10 between providing outstanding service to our customers while maintaining low-cost
11 and efficient operations. My testimony also supports the development and
12 implementation of a new customer service platform. Lastly, it supports the
13 reasonableness of the projected O&M and capital costs set forth in the MFRs for
14 customer service.

15 **Q. Please summarize your testimony.**

16 A. My testimony details FPL’s dedication to outstanding service and efficient operations,
17 and the transition to a new customer service platform. The customer service
18 organization meets customers’ growing and diverse needs through various channels
19 such as customer care agent, web, mobile app, face-to-face, interactive voice response
20 (“IVR”), social media, and chat. FPL develops its programs and processes in response
21 to customer feedback to continuously improve the customer experience. Since the last
22 rate case, the rate of complaints from FPL’s customers has decreased, a credit to the
23 Company’s customer-centric initiatives. My testimony also demonstrates that FPL

1 achieved outstanding performance in Customer Service while keeping our operations
2 and maintenance (“O&M”) expenses low. This is evidenced by an eight percent
3 reduction in cost per customer when comparing the 2026 projected test year to 2022.
4 FPL’s Customer Service costs are reasonable and necessary and support our mission to
5 provide great customer value by providing outstanding service, while keeping bills as
6 low as possible.

7

8 FPL’s strategy includes personalized customer interactions and increased self-service
9 capabilities. This approach ensures customers receive support aligned with their
10 preferences, whether digitally or through more traditional methods. Additionally, FPL
11 facilitates payment assistance for eligible customers through programs such as the
12 federal Low-Income Home Energy Assistance Program (“LIHEAP”) and FPL Care To
13 Share and helps customers manage consumption through phone energy surveys, energy
14 tools available through our digital channels, and energy specialists.

15

16 FPL has garnered a number of recognitions for exemplary customer service. FPL’s
17 focus on continuous improvement has led to enhancements such as adding natural
18 language understanding (“NLU”) in our IVR phone system and digital offerings such
19 as Guest Pay and an improved mobile app for detailed energy usage tracking.

20

21 My testimony also describes FPL’s need to transition to a new customer service
22 platform because the current, decades-old technology is becoming obsolete. FPL plans
23 to replace its existing Customer Information System (“CIS”) with a new customer

1 service platform, ensuring FPL can continue to offer high-quality service efficiently.
2 This transition, slated for completion by the end of 2027, aims to maintain operational
3 efficiency and provide streamlined experiences.
4

5 II. OVERVIEW OF CUSTOMER SERVICE

6 **Q. Please provide an overview of the Customer Service organization.**

7 A. FPL's customer service organization is responsible for building connections with our
8 customers and developing solutions to meet their evolving needs and expectations. We
9 are responsible for establishing and executing policies, processes, and systems to
10 enhance our customers' experience. Primarily, the organization is comprised of
11 Customer Care Operations, Customer Success, Revenue Management, and Smart
12 Meter Network Operations. Customer Care Operations includes the contact center,
13 customer experience and complaint resolution. Customer Success is responsible for
14 large commercial, industrial and governmental accounts, residential and business
15 energy efficiency education, and demand side management ("DSM"). The Revenue
16 Management group ensures bills and payments are processed timely and accurately,
17 and it is responsible for customer receivables. Smart Meter Network Operations is
18 responsible for meter testing, reading, and maintenance.

19 **Q. Has FPL been recognized for its customer service?**

20 A. Yes. FPL has been recognized for its outstanding customer service in national surveys
21 for both residential and business segments in the areas of service satisfaction, brand
22 trust and product experience.
23

1 For example, in J.D. Power’s 2024 U.S. Electric Utility Residential Customer
2 Satisfaction Study, FPL ranked among the best large utilities in the nation – second in
3 the southern region and in the top decile nationally. FPL’s ranking was bolstered by
4 first-place performance in power quality and reliability and second-place performances
5 in corporate citizenship, billing and payment, and communications.

6

7 The Edison Electric Institute’s (“EEI”) Customer Advisory Group, a group of national
8 business customers that provides feedback, guidance, and support to EEI’s National
9 Key Accounts program, has also recognized FPL’s commitment to customers. Award
10 criteria include outstanding customer service, innovative programs and tools, ease of
11 access to programs, executive involvement in customer engagement, ease and speed of
12 new service connections and appropriate communication and support before, during
13 and after outages. The advisory group includes 30 key energy principals and thought
14 leaders from large customer organizations in the U.S. Most recently, a member of
15 FPL’s Customer Service team was one of only 10 individuals to win the National Key
16 Accounts Award for Outstanding Customer Engagement. In addition, FPL was
17 recognized for exceeding customer expectations in providing clean energy solutions
18 for corporate customers.

19

20 FPL was recognized in 2023 as a Trusted Business Partner by Escalent, based on
21 Cogent Syndicated surveys conducted with business customers of utilities across the
22 country. FPL ranked No. 1 in the South, fifth nationally, and was the only utility in
23 Florida to be recognized with this honor in 2023. FPL’s Brand Trust score was in the

1 top decile of the industry and was the top score in its benchmark segment, with
2 Customer Focus and Business Customer Support cited as positive customer
3 experiences. Notably, customers rated FPL strongly for overall utility value (“offers
4 reasonable rates for service provided”) and helping attract new businesses to the local
5 community.

6
7 FPL was also recognized as an Escalent Business Customer Champion in 2021 through
8 2024. In 2023, FPL was the only utility in Florida to receive this recognition, scoring
9 in the top decile in the industry and outpacing its peer utilities in several indices. In
10 2024, FPL scored in the top quartile of the industry nationally. FPL’s Customer Focus
11 Index score ranked second amongst utilities in the Southern region, with strong ratings
12 for providing great customer service, trust to do the right thing for customers, and ethics
13 in dealings with customers, demonstrating overall exceptional performance. FPL was
14 also rated strongly for Billing and Payment Performance, with outstanding scores for
15 ease of understanding and useful information provided in FPL’s bill.

16

17 **III. FPL’S APPROACH TO CUSTOMER SERVICE**

18 **Q. Please describe FPL’s approach to customer service.**

19 A. FPL is committed to continuous improvement in customer service. We recognize that
20 our multi-generational customer base has diverse needs and preferences. Our goal is to
21 meet customers where and how they want to be met, enabling them to receive support
22 from their preferred channel and method of communication.

23

1 To address a variety of customer preferences, we offer a range of service channels
2 through which customers receive assistance and obtain information. These include
3 customer care agent, web, mobile app, face-to-face, IVR, social media, and chat. For
4 example, customers can learn how to manage their energy use by calling an agent, using
5 our online self-services, or scheduling a visit from our field energy specialists. Our
6 large commercial, industrial, and governmental customers may engage with their
7 assigned customer advisors or choose to utilize any of the self-service features.

8 **Q. How does FPL support this approach?**

9 A. Recognizing that one size does not fit all, our customer support structure is designed to
10 gather customer feedback, monitor customers' evolving needs and expectations, and
11 provide solutions based on effective processes and current technologies. Our support
12 structure also ensures that we are continually enhancing our tools and empowering our
13 agents and field specialists to provide solutions for customers throughout our
14 geographically diverse service area.

15 **Q. What are examples of services that FPL has developed using this approach?**

16 A. Through the use of technology, listening to our customers and using data to gather
17 insight, we have been able to improve our customers' experiences. For example:

- 18 • FPL successfully completed the implementation of NLU in the IVR which
19 easily identifies the reason for the customer's call and quickly routes them to
20 the appropriate IVR menu or agent for assistance. NLU allows customers to
21 verbalize the reason for calling instead of having to navigate a series of menus.
22 NLU is prepared to handle keywords for most scenarios within the industry and
23 can ask for confirmation to increase accuracy and provide a better experience.

- 1 • In response to feedback received through the voice of customer process, FPL
2 introduced Guest Pay which allows customers, including non-account owners,
3 to make payments online without logging in or registering for an FPL.com
4 account. This service enables a third party to make a payment on an account
5 without accessing confidential information – for example, a son or daughter
6 paying a bill for a parent.
- 7 • FPL upgraded its web-based chatbot technology to have a single and integrated
8 chat solution. As a result, customers can now receive account information,
9 complete specific self-service transactions, and seamlessly reach a live chat
10 agent.
- 11 • FPL also expanded its mobile app functionality to provide customers greater
12 details on energy usage. This allows customers to view their usage by appliance
13 grouping.

15 IV. CUSTOMER SUPPORT

16 **Q. Please describe FPL’s general approach to customer support.**

17 A. FPL’s Customer Service organization exemplifies a customer-centric approach,
18 combining advanced technology, personal touch and proactive engagement. From
19 seamless IVR interactions to dedicated energy specialists and business account
20 management, every aspect is designed to provide customers with outstanding service.

21 **Q. Please describe customers’ experiences with Customer Care operations.**

22 A. FPL’s Customer Care operations are designed to ensure that all customers get the help
23 they need conveniently and efficiently. FPL is configured as one virtual contact center

1 and seamlessly operates from several locations. Our operations handle inbound and
2 outbound calls in English and Spanish, for both residential and business customers, as
3 well as social media, emails, live chat, faxes, and letters. Our contact center receives
4 more than 20 million customer calls annually. Of these calls received, our IVR utilizes
5 technologies including natural language processing and account analysis to resolve
6 approximately 16 million customer calls. It anticipates customers' needs, offering self-
7 service options or routing them to the most appropriate agent. These technologies
8 enable customer inquiries to be resolved quickly and allows the contact center to
9 maintain low operating costs. The remaining more than 4 million customer calls are
10 handled by a live agent. Some examples of the inquiries our agents assist with are
11 opening and closing service, bill explanations, providing information on program
12 offerings, setting up electronic bills and payments, extending due dates, as well as
13 conducting phone energy surveys. More complex requests are handled by agents with
14 the necessary subject matter expertise.

15 **Q. How do you serve the customers who prefer to conduct business digitally?**

16 A. At FPL, we understand our customers also want to interact digitally through our
17 website and mobile app and we support their preferences by making it easy to open an
18 account, pay bills, view energy usage, manage accounts and more. Additionally, our
19 customers can engage with our virtual chat agent or with a live chat agent while on our
20 website, if preferred. One of our digital features provides customers the ability to view
21 their daily and monthly usage, which assists them in understanding their consumption.
22 Additionally, the FPL.com/WaysToPay page consolidates various payment methods,

1 allowing customers to quickly and easily select the best option that suits their needs. In
2 2024, there were approximately 79 million web and mobile application interactions.

3 **Q. How does FPL support larger commercial, industrial, and governmental**
4 **customers?**

5 A. Recognizing that larger commercial, industrial and governmental customers have
6 complex needs, FPL's Customer Success organization has an account management
7 team throughout the state. In addition to having access to our digital tools, our large
8 customers have assigned account managers. Account managers are comprised of
9 subject matter experts, primarily engineers, that act as the single point of contact for
10 over 3,000 business customers and serve as the customer's advisor for all energy-
11 related needs and requests. Since 2023, FPL has been utilizing a modern customer
12 relationship management tool that allows account managers to view business
13 customers' information and track interactions and requests.

14 **Q. Has FPL been recognized for support provided to large commercial, industrial**
15 **and governmental customers?**

16 A. Yes, in addition to being recognized as a 2023 Business Customer Champion and
17 Trusted Business Partner, EEI recognized an FPL team member for Outstanding
18 Customer Engagement in 2024. This is awarded to individuals who deliver outstanding
19 service and help customers meet their clean energy and business-related goals.

20 **Q. Do you provide any additional support to customers who need assistance with**
21 **managing their energy usage?**

22 A. Yes. In addition to the phone energy surveys provided by our contact center agents and
23 the energy tools available through our digital channels, residential and business

1 customers are supported by our energy specialists. This group is dedicated to serving
2 individual customers at their home, place of business, or by phone. Services include
3 on-site analysis of home or business energy usage, high bill investigations, education
4 on energy efficiency measures and support for any other inquiries that customers may
5 have about their account. Our energy specialists conducted more than 30,000 energy
6 surveys in 2024. The results of the surveys provide a customized energy management
7 plan that guides customers on how to analyze their usage data, maximize energy
8 conservation practices, and reduce consumption.

9

10 In addition to conducting individualized energy surveys, the energy specialists are
11 visible and accessible to the broader community in different ways. In 2024, energy
12 specialists attended 92 community events including home shows, HOA meetings,
13 church events, and community fairs where approximately 21,000 customers had an
14 opportunity to meet face-to-face with an energy specialist. FPL also conducts phone
15 banks, another medium to connect with our customers. Phone banks are short-term
16 telephone information centers that provide additional opportunities for customers to
17 speak with agents who can provide information related to their energy needs. FPL has
18 conducted energy-efficiency phone banks, in both English and Spanish, with major TV,
19 radio and digital platforms, reaching more than 90,000 viewers. Our team also
20 conducted over 70 interviews to educate our customers on how to become more energy
21 efficient and lower their bills. These interviews were broadcast multiple times reaching
22 over 2.2 million viewers.

23

1 **Q. Do these programs and events support the achievement of the objectives of the**
2 **Florida Energy Efficiency and Conservation Act (“FEECA”)?**

3 A. Yes. These programs and events support the objectives embodied by FEECA and FPL’s
4 DSM plan, which was most recently approved by the Commission in 2021. Under
5 FEECA, the Commission is required to adopt appropriate energy conservation goals,
6 as well as utility plans to achieve those goals (“DSM Plans”), at least every five years.
7 Once the Commission establishes a utility’s DSM goals and approves that utility’s
8 DSM Plan, the utility can then seek recovery of prudently incurred costs related to the
9 plan through the Energy Conservation Cost Recovery Clause.

10 **Q. What is the status of the Commission’s review of FPL’s DSM goals and plan?**

11 A. At this time, the Commission is in the middle of its DSM Plan review cycle. In 2024,
12 the Commission approved new increased goals for FPL. FPL will submit a plan to
13 achieve the goals approved by the Commission by March 18, 2025, and that plan will
14 be evaluated concurrently with this base rate proceeding. FPL reports to the
15 Commission on its progress toward achieving its DSM goals on an annual basis.¹
16

17 **V. ECONOMIC ASSISTANCE FOR CUSTOMERS**

18 **Q. Please discuss FPL’s payment assistance initiatives.**

19 A. FPL helps eligible customers by facilitating emergency payment assistance, including
20 LIHEAP, through state and community action agencies, nonprofit groups, and social
21 service and faith-based organizations. Since 2021, FPL has grown its network to

¹ FPL’s most recent annual report on achievement of its DSM goals is available at the following link:
<https://www.floridapsc.com/pscfiles/website-files/PDF/Utilities/Electricgas/ARDemandSide/2023/Florida%20Power%20and%20Light%20Company.pdf>

1 comprise more than 1,000 partners, including entities such as the Salvation Army,
2 community action agencies and churches. These partners are Florida-based or maintain
3 a Florida presence and help administer payment assistance by determining customer
4 eligibility for assistance and disbursing funds. The FPL Assist Portal provides an
5 efficient way for agencies to support customers by enabling them to view account status
6 and balances and extend payment due dates.

7
8 For more than 30 years, FPL has sponsored the FPL Care To Share program which
9 combines donations from NextEra Energy shareholders, NextEra Energy employees
10 and customers. Over the past ten years, FPL Care To Share has provided an average of
11 \$2.4 million annually to help customers in need.

12
13 Assist agencies have a direct line to a dedicated FPL team that collaborates with them
14 to develop plans to support our more vulnerable customers. In 2024, low-income
15 customers received over 93,000 assistance payments from numerous agencies and
16 FPL's Care To Share, representing nearly \$49 million credited toward their electric
17 bills.

18 **Q. What other initiatives has FPL worked on to increase payment assistance to**
19 **customers?**

20 A. FPL continues to focus on increasing available energy assistance resources, including
21 the identification of new funding sources. FPL is a co-founder of the Coalition for
22 Energy Assistance Modernization, a utility partnership that advocates for federal
23 funding for energy assistance and helps improve the fairness in distribution of LIHEAP

1 funds for Florida and other warm-weather states. FPL also serves on the board of the
2 National Energy and Utility Affordability Coalition, which works to address the energy
3 burden needs of customers across the country.

4 To ensure that customers in need are aware of the availability of assistance funds, we
5 provide them contact information for local agencies that partner with FPL. We provide
6 a specific agency name and phone number to customers in need on FPL's website based
7 on the customer's county. Our Customer Care representatives also offer the same
8 information to callers when appropriate.

9 **Q. Please describe additional ways that FPL offers economic assistance.**

10 A. In addition to Care To Share funding and connecting customers with external assistance
11 resources, FPL offers programs that help customers to reduce their bill or manage their
12 monthly payment.

13 • In 2021, FPL modified the Care To Share eligibility criteria to make funding
14 available to customers who are struggling financially but do not qualify for
15 federal programs such as LIHEAP. To that end, FPL adopted United Way's
16 eligibility criteria: Asset Limited, Income Constrained, Employed ("ALICE").

17 In 2024, more than \$235,000 in Care To Share assistance helped customers who
18 did not qualify for federal assistance and previously would not have qualified
19 for Care To Share before FPL adopted the ALICE criteria.

20 • In the aftermath of Hurricane Ian, FPL permanently expanded its Care To Share
21 program to include assistance up to \$2,000 for repairs and replacement of meter
22 can and related customer-owned electrical equipment. This program enables

1 low-income customers to make the necessary repairs to ensure that they can
2 safely receive electrical service.

- 3 • We have also made it easier for customers to help others by rounding up their
4 payment in support of Care To Share.
- 5 • FPL offers online and onsite energy efficiency surveys as a part of energy
6 affordability initiatives to educate customers on how to keep their bills low.
- 7 • FPL offers its SolarTogether SunAssist[®] program to qualified low-income
8 customers, which provides day-one bill savings, lowering their monthly energy
9 bill immediately by an average of \$4.20.
- 10 • For qualifying low-income customers, FPL installs weatherization measures
11 aimed at lowering their bill, such as installing LED lighting, faucet aerators,
12 low-flow showerheads, caulking, or door sweeps. In 2024, these weatherization
13 measures positively impacted more than 18,500 low-income customers. FPL's
14 DSM goals approved in 2024 anticipate programs that expand low-income
15 weatherization assistance as well as a new pilot program for low-income
16 renters, which offers financial incentives to landlords for installing high-
17 efficiency HVAC equipment that reduces renters' energy consumption. In
18 addition, FPL conducts Community Saver events bringing low-income
19 community members together with localized assist agencies to heighten
20 awareness around energy efficiency measures and programs to help customers
21 reduce their bill. Customers in need are eligible to sign up for a program that
22 extends their payment due date by 10 days.

- FPL works with the Florida Council on Aging to visit communities throughout Florida to present information to seniors about how to apply for financial assistance and how to lower their bill.

VI. INQUIRY AND COMPLAINT RESOLUTION

Q. How does FPL resolve customer inquiries?

A. FPL's goal is to ensure that all customers are completely satisfied with the handling of their inquiries. We have developed a process that is designed to maximize the opportunity to successfully address customers' concerns. Customers who contact the care center and want their inquiry escalated are offered the option of speaking with a care center account supervisor. Account supervisors are a group of experienced employees who are dedicated to resolving the more complex customer inquiries. They resolve most calls directly.

Q. Please explain the process for calls that require follow-up.

A. If a call requires follow-up with a department outside of the care center, the customer is provided the department name to which their matter is being referred, as well as a timeframe in which the appropriate representative will contact the customer for resolution. A ticket for follow-up is then created, and the matter is monitored for completion in a timely manner. For escalated customer inquiries, a care center account manager will contact the customer, provide their name and phone number, and guide the process to resolution.

1 **Q. Please describe what happens if an inquiry is not resolved to a customer's**
2 **satisfaction.**

3 A. If an inquiry is not resolved to the customer's satisfaction, the customer may choose to
4 contact the Commission. As part of our complaint handling process, FPL participates
5 in the Transfer-Connect and Email processes established by the Commission to help
6 resolve disputes between regulated companies and their customers as quickly,
7 effectively, and inexpensively as possible. These processes involve transferring the
8 customer call or email directly from the Commission to a specialized group of FPL
9 customer advocates for expedited handling, if the customer agrees.

10 **Q. How has the number of FPL customer contacts with the Commission changed in**
11 **recent years?**

12 A. Since the last rate case, FPL has reduced the number of complaints logged in the Florida
13 Public Service Commission Consumer Activity Report. FPL and Gulf Power combined
14 recorded 0.036 complaints per 1,000 customers in 2021, compared to 0.028 complaints
15 per 1,000 customers in 2024, achieving a 24% reduction in complaint rate. Attached to
16 my testimony is Exhibit DN-3, Florida Public Service Commission Logged
17 Complaints, which is a summary of FPL's and the other Florida investor-owned
18 utilities' complaints per 1,000 customers from 2021 through 2024. Over the last four
19 years, FPL had the lowest rate of logged complaints when compared to the other Florida
20 utilities. FPL's low rate of reliability-related logged complaints is referenced in the
21 direct testimony of FPL witness De Varona.

1 **VII. CUSTOMER SERVICE PLATFORMS**2 **Q. What is FPL’s plan for its Customer Information System?**3 A. FPL plans to replace our aging CIS and its integrated systems with a new customer
4 service platform (or “the new platform”).5 **Q. Please describe the functionality of FPL’s existing CIS.**6 A. FPL’s CIS has managed customer data, interactions, and transactions for all accounts
7 located in the legacy (peninsular) FPL area. This includes but is not limited to account
8 information, meter reading, billing, invoicing, customer moves, and integrations with
9 systems throughout the Company. The integrated systems include more than 200
10 applications that interact with CIS either by sending or receiving data. Examples of the
11 integrated applications and their functions are described below:

- 12 •
- Outage Management**
- Leverages customer and premise data from CIS to
-
- 13 track customer outages to assign work, track customer impacts, and report
-
- 14 projected restoration times for customers.
-
- 15 •
- Power Delivery Work Management System**
- Leverages customer and
-
- 16 premise data and sends updated premise data to CIS to use in the management
-
- 17 of Power Delivery work for customers such as new construction, grid
-
- 18 improvements or installations, and planned outages.
-
- 19 •
- Web and Mobile**
- Leverages customer, billing, payment, and premise data
-
- 20 from CIS to enable online self-service applications for customers to view and
-
- 21 update their information, log in to their accounts to view and pay bills, and
-
- 22 interact with FPL digitally.

- 1 • **Contact Center IVR and Telephony** – Leverages customer, billing, payment,
2 and premise data from CIS to enable the automated phone system that allows
3 customers to call in and use self-service phone options as well as the option to
4 connect with customer care agents.
- 5 • **Bill Presentation** – Leverages billing and customer data from CIS to generate
6 the presentation of the bill to either email or print for the customer.

7

8 In FPL Northwest, a separate customer account management system (“CAMS”)
9 manages all customer data, interactions and transactions for accounts located in the
10 former Gulf service area and is currently integrated with about 80 of the 200
11 applications at FPL. CAMS is an SAP-based, leading customer service technology
12 solution that will serve as the foundation for the new platform.

13 **Q. Why is it necessary to replace CIS?**

14 A. After more than three decades of use, CIS is reaching its end of serviceable life. CIS,
15 which is a mainframe system originally programmed in a version of COBOL, is now
16 outdated and increasingly challenging to support due to limited resource availability in
17 the workforce. In addition, CIS and many of its associated applications are built on
18 aging architecture that has become obsolete. Throughout the years, FPL has enhanced
19 CIS alongside hundreds of other internal systems to streamline operational processes
20 by improving self-service options for customers, reducing manual work through
21 process and work automation. This enabled new programs and services as the industry
22 and technology evolved and improved customer experiences and processes such as
23 smart grid. Many of these internal systems are also reaching the end of their serviceable

1 lives. If not replaced in the near future, the mainframe system will become more and
2 more difficult to secure against new cyber threats as patches and support will become
3 increasingly more limited. Given these circumstances and our continuous focus on
4 cyber security, FPL has determined now is the right time to replace these systems to
5 mitigate future support issues and customer impacts.

6 **Q. What will replace CIS?**

7 A. CIS is being replaced with the new Customer Service Platform, which includes CAMS,
8 other integrated applications being replaced alongside CIS, and additional applications
9 being consolidated into a single platform. After Gulf was acquired and CAMS was put
10 in place, the technology and processes were set up only to scale to Gulf's approximately
11 500,000 customers. In order to support all of FPL's 6 million customers across Florida,
12 the system and processes must be enhanced to scale. For example, meter disconnect
13 processes must be properly batched to handle larger transactions across the metering
14 technology, and the data integrations between power delivery applications must be
15 updated to include all applicable data from CAMS for the full set of customers.

16 **Q. What is the impact to the other integrated systems?**

17 A. There are more than 200 systems across FPL that interact with, and rely upon, CIS. As
18 part of the transition, FPL will change or replace only the systems that need to be
19 changed as a direct result of the new platform implementation. Specifically, FPL will
20 replace integrated systems that are at or reaching end of serviceable life, which includes
21 the contact center IVR and telephony, agent desktop, and Customer Service field meter
22 management system. Other systems, by contrast, only need to be modified to meet new
23 technology requirements.

1 **Q. Please describe some of the benefits of the new platform.**

2 A. The new platform is designed to enable us to continuously improve the customer
3 experience and ensure we maintain and build on the efficiencies we have achieved over
4 the last 30 years. Below are examples:

- 5 • Self-service capabilities will be improved through personalized interactions. In
6 the future, the web will anticipate what a customer's intent is based on their
7 account status, history, or recent interactions. By comparison, today, customers
8 must navigate through the website to find what they need.
- 9 • Customers will be able to contact FPL on the web and seamlessly transition to
10 chat or an agent without having to repeat their intent. Today, transitioning from
11 the web to an agent requires customers to reauthenticate and re-explain their
12 reason for contacting FPL.
- 13 • Manual work in CAMS will be automated to avoid the need for increased
14 resources once customers are migrated.
- 15 • New programs and rates will be implemented in less time than it would typically
16 take in CIS.
- 17 • The performance of automated and scheduled tasks will be enhanced to enable
18 more efficient processing that scales with the growth in customers.

19 **Q. Please provide an overview of the plan to implement the new platform.**

20 A. Both CAMS and the integrated systems will be enhanced or built over time through
21 2027. By the third quarter of 2026, our first set of customers will be transitioned to the
22 new platform with the goal of having all customers transitioned by the end of 2027 with
23 a total capital cost of \$751 million.

1 **Q. Why do you have to make additional enhancements before moving the customers?**

2 A. CAMS was originally built to handle approximately 500,000 customers, and the system
3 needs to be enhanced and scaled to manage a larger number of customers. In addition
4 to scaling up the system, the following are examples of enhancements, which will be
5 completed in CAMS prior to moving customers.

6 • **Payment Extension** – Optimization of payment extension processes to enable
7 installment plans and additional options during storm scenarios.

8 • **Optimization of Remote Connect and Disconnect** – Expand the uses of
9 remote connect and disconnect functions to be able to handle multiple service
10 areas in blue sky and business continuity modes.

11 • **Rate Calculations** – Build out of rates and programs not currently in CAMS.

12 • **Customer Moves** – Enhance customer moves process to automate transfer of
13 balances and deposits for customers.

14 • **Manual Billing** – Eliminate manual billing functions to avoid increase of
15 operational costs associated with billing certain customer groups manually such
16 as special contracts.

17 • **Billing and Customer Account Exceptions** – Automation or elimination of
18 exceptions to reduce the need for manual interventions.

19 • **Optimize Scheduled System Jobs** – Enhance scheduled system jobs to be able
20 to efficiently process additional customers.

1 **Q. What is the status of the development of the new platform and customer**
2 **transition?**

3 A. The development and transition are progressing according to schedule. We remain
4 confident in our ability to transition all legacy FPL customers to the new platform by
5 the end of 2027. So far, we have onboarded the project teams across the platforms;
6 identified all the capabilities that need to be enhanced in CAMS; begun development
7 of requirements across all systems; and completed the necessary upgrade to the SAP
8 system.

9
10 Below is a summary of the program objectives by phase:

- 11 • **Business Case Creation and Assessment (August 2023 - January 2024) –**
12 Identified overall scope required to implement the new platform, evaluated new
13 technologies through various pilots, and assessed the overall impact of the
14 replacement of CIS across all integrated applications. This resulted in the
15 detailed scope for the program, the selection of the technology for the contact
16 center IVR, telephony, agent desktop, Customer Service field management
17 system, and the changes required for all integrated applications. The overall
18 program approach and timeline was benchmarked against other utility
19 implementations.
- 20 • **Program Initiation and Ramp up (February 2024 - September 2024) –**
21 Selected resources and vendors through competitive bid processes to help
22 develop and deliver new solutions. We successfully upgraded the SAP
23 application and developed and delivered over fifty enhancements across the

platform. These enhancements include processes like automatic transfer of balances when customers move, mitigation of manual billing exceptions, and upgrading web applications to improve the self-service experience.

- **Development and Delivery (October 2024 - January 2026)** – Develop and incrementally deliver enhancements into CAMS and web/mobile, and implement new agent desktop, contact center IVR and telephony, and Customer Service field management in Northwest.

- **Train, Prepare, and Begin Migrations (January 2026 – December 2026)** – Continue remaining enhancements, begin training of CIS users, conduct end to end testing of conversion programs across the system and practice incremental conversions through a series of dress rehearsals leading up to the first group of customer account conversions.

- **Complete Conversions and Post Implementation Support (January 2027 - December 2027)** – Monitor system and conduct remaining customer account conversions. Transition to post implementation support and operations and prepare to sunset old systems.

Q. What steps are you taking to ensure a successful program?

A. Drawing from our experience with the original CAMS implementation and industry best practices, we have developed a comprehensive strategy to ensure program success. Key elements of this strategy include:

- **Defined Scope** – Through the first phase of the program, FPL set up a well-defined governance process to manage the scope that will be delivered as part

1 of the new platform. Managing the scope and timeline is critical to ensuring the
2 success of the program.

- 3 • **Rigorous Testing** – Extensive testing will be performed across all applications
4 leveraging both a designated test team as well as business subject matter
5 experts. In addition, planning and executing testing will start as early as design
6 of the solution in order to define detailed acceptance criteria for
7 implementation.

- 8 • **Phased Implementation** – FPL will move customer accounts into the system
9 in phases to minimize risks associated with moving all accounts at once, which
10 would require an extended system outage. In between phases, we will watch
11 and monitor all processes to ensure quality.

- 12 • **Program Reporting** – Frequent status reports will be produced to monitor the
13 progress of the project.

- 14 • **Focus on Employee Training and Change Management** – Prioritizing
15 employee training and change management plan throughout the entirety of the
16 platform's implementation to ensure employees using the new platform are
17 prepared to serve our customers. This is done through early training, adoption,
18 and clear and timely communications.

- 19 • **Post Implementation Support** – Hyper care is a critical phase following the
20 implementation of a new system or major system upgrade. It ensures that the
21 system transition is smooth and that any issues are promptly addressed. The key
22 components of hyper care include enhanced support, active monitoring, user

1 assistance, issue resolution, performance metrics, obtaining feedback,
2 documentation, and regular updates.

3
4 **VIII. CUSTOMER SERVICE O&M EXPENSE**

5 **Q. Please provide an overview of Customer Service's O&M expenses.**

6 A. Customer Service O&M is driven by several key activities including billing, payment
7 processing, customer care operations, credit and collections, and various field and
8 support activities to serve our customers. In addition to these activities, uncollectible
9 expense is a cost driver for Customer Service O&M. FPL Customer Service systems
10 and processes provide customers with options to serve them in a manner they choose
11 while keeping costs low, as demonstrated by MFR C-41, O&M Benchmark Variance
12 by Function. When comparing the Customer Accounts, Customer Service, and Sales
13 functional areas' O&M expenses, adjusted to exclude energy conservation cost
14 recovery cost, FPL's forecasted cost per customer for 2026 is \$20.06 vs. \$21.89 in 2022
15 – an 8% reduction and a testament to our focus on efficiency.

16 **Q. How do the Customer Accounts, Customer Service & Information, and Sales**
17 **functional areas' O&M expenses for the 2026 Projected Test Year compare to the**
18 **Commission's O&M benchmarks (MFR C-41, O&M Benchmark Variance by**
19 **Function)?**

20 A. The Customer Accounts, Customer Service & Information, and Sales 2026 Test Year
21 adjusted O&M expenses are below the Commission's O&M benchmark thresholds for
22 each functional area.

1 **Q. How do the Customer Accounts, Customer Service & Information, and Sales**
2 **functional areas' O&M expenses for the 2027 Projected Test Year compare to the**
3 **Commission's O&M benchmarks (MFR C-41, O&M Benchmark Variance by**
4 **Function)?**

5 A. The Customer Accounts, Customer Service & Information, and Sales 2027 Test Year
6 adjusted O&M expenses are below the Commission's O&M benchmark thresholds for
7 each functional area.

8 **Q. Are the projected Customer Service O&M expense and capital expenditures for**
9 **2026 and 2027 reasonable?**

10 A. Yes. FPL's O&M and capital expenditures for the 2026 Projected Test Year and 2027
11 Projected Test Year are reasonable and necessary and support FPL's mission to
12 continue providing outstanding customer service while keeping bills as low as possible.
13 The transition from CIS and related systems to a new customer platform across our
14 entire service area reflects a prudent and necessary investment for FPL customers for
15 the reasons previously discussed in my testimony.

16

17 **IX. SERVICE CHARGES**

18 **Q. Is FPL proposing any changes to its service charges?**

19 A. Yes. FPL has updated the cost basis of the Company's service charges as shown on
20 MFR E-7.

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

22 A. Yes.

1 (Whereupon, prefiled rebuttal testimony of
2 Dawn Nichols was inserted.)

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BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20250011-EI

5

7

FLORIDA POWER & LIGHT COMPANY

REBUTTAL TESTIMONY OF DAWN NICHOLS

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Filed: July 9, 2025

I. INTRODUCTION

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

3 A. My name is Dawn Nichols. My business address is Florida Power & Light Company
4 (“FPL” or “the Company”), 700 Universe Boulevard, Juno Beach, Florida 33408.

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

6 A. Yes.

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

8 A. The purpose of my rebuttal testimony is to respond to OPC witness Helmuth W.
9 Schultz, III’s recommended adjustments to the bad debt expense levels based on an
10 average of three historical years. In addition, I respond to the direct testimony of
11 Florida Rising, Environmental Confederation of Southwest Florida, Inc., and League
12 of United Latin American Citizens of Florida (“FEL”) witness MacKenzie Marcelin
13 regarding FPL’s Demand Side Management (“DSM”) performance.

14 **Q. Please summarize your rebuttal testimony.**

15 A. My rebuttal testimony demonstrates OPC witness Schultz’s proposal to establish bad
16 debt expense level based on a three-year average is arbitrary and not representative of
17 FPL’s proposed test years. In addition, my testimony shows that FEL witness
18 Marcelin’s characterization of FPL’s energy-efficiency performance compared to other
19 utilities does not offer a complete representation. The Company’s DSM program is
20 robust, cost-effective and helps keep customers’ rates low.

1 **II. UNCOLLECTIBLE ACCOUNTS RECEIVABLE**

2 **Q. OPC witness Schultz recommends that the Commission reject FPL's forecasted**
3 **bad debt expense and instead establish a bad debt factor based on its historical**
4 **three-year average. How do you respond?**

5 A. As a preliminary matter, Mr. Schultz does not challenge any particular aspect of FPL's
6 forecast for bad debt or uncollectible expense. He nevertheless proposes to reduce
7 FPL's expense, regardless of whether the Commission adopts any other adjustments to
8 FPL's forecasted revenue requirements. That is arbitrary and inappropriate.

9
10 FPL's methodology for forecasting uncollectible expense has been accepted by the
11 Commission and is more comprehensive than multiplying projected current year
12 revenues by the average bad debt rate of the past three years. FPL employs a model
13 that establishes mathematical relationships between historical write-off performance
14 and multiple predictor variables. The model first analyzes 10 years of historical write-
15 off data and determines how it correlates with independent variables including
16 historical Florida unemployment rates, past assist funding levels, and revenue. After
17 determining how each factor influenced historical write-off performance, the model
18 projects future uncollectible expense using the forecasted values of the same variables.
19 The model output is then adjusted for operational factors and project initiatives. Using
20 only the previous three years' rate assumes that bad debt can be fully explained using
21 revenue as the sole variable. However, to develop a more accurate forecast, it is
22 important to consider anticipated future changes and to remove historical anomalies.

1 Historical anomalies can either under or over inflate a calculation. For example, Mr.
2 Schultz uses 2022 through 2024 as the three-year basis for the average. During this
3 time, FPL customers received an unprecedented amount of assistance as a result of the
4 global COVID pandemic in 2022 and 2023, which had a positive impact on reducing
5 bad debt. This anomaly should be considered when forecasting, and if ignored can lead
6 to incorrect forecasts.

7 **Q. OPC witness Schultz points to a 2011 water utility order for the proposition that**
8 **“the Commission has a practice of establishing bad debt expense level on a three-**
9 **year average.” Is that Commission order applicable here?**

10 A. While the application of the Commission order cited by Mr. Schultz is best left to
11 lawyers, I make two basic observations. First, in that order, the Commission points
12 specifically to six instances in which it had approved a utility’s bad debt factor based
13 on a historical three-year average. Presumably, in all other cases, the historical average
14 was not used. Second, in that same order, the Commission states: “Overall, the basis
15 for determining bad debt expense has been whether the amount is representative of the
16 bad debt expense expected to be incurred by the utility.” Using a three-year average is
17 not representative of what FPL expects to be incurred and Mr. Schultz’s
18 recommendation does not adjust for historical anomalies nor account for future
19 expectations.

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III. ENERGY EFFICIENCY

Q. FEL witness Marcelin characterizes FPL's energy efficiency performance as poor compared to other utilities. How do you respond?

A. FEL witness Marcelin paints an incomplete picture that fails to encompass all of the relevant facets of FPL's energy efficiency savings, and in doing so, misses the full impact that DSM brings to FPL's customers. Energy savings from DSM programs in isolation is not an indicator of how well a utility optimizes its resources to meet customer demand. The Florida Public Service Commission sets goals and approves plans that, in general, should be cost-effective. The relationship between the "current state" efficiency of a utility and the level of initiatives that will be cost-effective is simple. Less efficient utilities can find more ways to become efficient. Those opportunities decrease as the utility becomes more efficient. FPL operates one of the most efficient generation fleets in the industry. The universe of cost-effective energy efficiency measures it can pursue is limited. FEL witness Marcelin's across-the-board comparison that does not account for fleet efficiency is improper.

Q. Does the efficiency of FPL's fleet mean that FPL cannot pursue any DSM?

A. No, FPL has a long history of promoting energy efficiency to customers through cost-effective DSM programs that focus on keeping rates low for all customers. Among its DSM achievements, FPL has helped more than 2 million residential customers invest in energy-efficient HVAC systems and ceiling insulation and has completed more than 4.8 million energy surveys that help residential and business customers find ways to

1 save energy.¹ FPL's DSM overall efforts through 2024 have eliminated the need to
2 construct the equivalent of approximately 68 new 100-MW generating units. These
3 efforts have also resulted in cumulative energy consumption savings of 102,684 GWh,
4 equal to approximately 75% of the consumption of all FPL customers for an entire year.

5 **Q. Please describe FPL's efforts to increase customer participation in cost-effective**
6 **DSM programs that provide energy savings for customers?**

7 A. In FPL's most recent DSM goals and programs review in Docket Nos. 20240012-EG
8 and 20250048-EG, the Commission approved an increase to FPL's energy savings
9 goals, partly to reflect an increased focus on the low-income customers witness
10 Marcelin represents.² FPL's most recent goals increased by 50% the target number of
11 low-income customers to be reached through the Low-Income Weatherization program
12 and proposed a new pilot program to help low-income renters realize the benefits of
13 more energy-efficient HVAC systems. These programs will directly benefit FPL's
14 customers through energy-efficiency savings.

15
16 FPL is also launching a new on-bill program that allows customers to enjoy the energy
17 savings from a new HVAC system without facing the barrier of high upfront costs.
18 Other program enhancements include increased rebates for installation of high-
19 efficiency HVAC equipment and redesign of the Business HVAC program to simplify
20 enrollment processes and increase participation by small business customers.

¹ FPL's 2024 DSM Annual Report is available at the following link:

<https://www.floridapsc.com/pscfiles/website-files/pdf/Utilities/Electricgas/ARDemandSide/2024/Florida%20Power%20and%20Light%20Company.pdf#search=FPL%20DSM>

² FPL's 2025 DSM Plan is available at the following link:

<https://www.floridapsc.com/pscfiles/library/filings/2025/01879-2025/01879-2025.pdf>

1 FPL has a longstanding commitment to delivering reliable electricity at rates
2 consistently below the national average. Because all customers pay for DSM programs
3 in their monthly bills through the Energy Conservation Cost Recovery clause, FPL
4 continues to ensure these measures increase energy efficiency without unnecessarily
5 driving up rates. Achieving that balance has helped keep FPL rates well below the
6 national average while empowering customers to take action to reduce their energy
7 usage and thereby lower their monthly bills.

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

9 A. Yes.

ERRATA SHEET

WITNESS: DAWN NICHOLS

REBUTTAL TESTIMONY DATED JULY 9, 2025

Page	Line	Change
3	14	Change “The model first analyzes 10 years of historical write-off data and determines” to “The model first analyzes historical write-off data dating back to 2015 to determine”

1 BY MS. MONCADA:

2 Q Ms. Nichols you are also sponsoring Exhibits
3 DN-1, DN-2 and DN-3, is that correct?

4 A That's correct. Yes.

5 Q Were these prepared under your direction or
6 supervision?

7 A Yes.

8 Q Thank you.

9 MS. MONCADA: Mr. Chairman, I would note that
10 these have been pre-identified on staff's list as
11 Exhibits 61 through 63.

12 CHAIRMAN LA ROSA: Okay.

13 BY MS. MONCADA:

14 Q Ms. Nichols, would you please provide a
15 summary of the topics addressed in your testimony to the
16 Commission?

17 A Yes. Good morning.

18 My testimony details how we deliver
19 outstanding customer service while maintaining low cost
20 and efficient operations; how we have robust set of
21 programs for all of our customers, and additional
22 programs for our low-income customers. And finally our
23 transition to a new customer service platform because
24 it's reaching its end of serviceable life.

25 My rebuttal testimony establishes two key

1 points. FPL's current UAR forecasting methodology is
2 more comprehensive and representative than a simplified
3 bad debt factor based on a three-year historical
4 average, as suggested by OPC Witness Schultz, and FEL
5 Witness Marcelin's characterizations of FPL's energy
6 efficiency savings is incomplete.

7 **Q Thank you, Ms. Nichols.**

8 A Thank you.

9 MS. MONCADA: Mr. Chairman, the witness is
10 available for cross-examination.

11 CHAIRMAN LA ROSA: Great.

12 OPC, you are recognized for questioning.

13 MS. WESSLING: Thank you, Mr. Chair.

14 EXAMINATION

15 BY MS. WESSLING:

16 **Q And, good morning, Ms. Nichols.**

17 A Good morning.

18 **Q Actually, the monitor is sort of blocking us.**

19 **Could we maybe move this to the side, is that okay?**

20 **Thank you, is that better?**

21 A Yeah, perfect.

22 **Q Great. We are both a little on the shorter**
23 **side, so it's nice to be able to see each other.**

24 A This works.

25 **Q Okay. All right. Ms. Nichols, I just have a**

1 few questions for you, so I would like to start with
2 just some general information about the makeup of FPL's
3 customers, to the extent that you can answer the
4 questions I have, okay?

5 A Sure.

6 Q All right. So first off, you would agree that
7 FPL is the large else investor-owned electric utility in
8 the United States of America, correct?

9 A Correct.

10 Q All right. And FPL has approximately 600
11 million -- discuss excuse me, six million customer
12 accounts, correct?

13 A Six million, yes.

14 Q Thank you.

15 And some accounts, like, for example, a
16 household serve multiple people, correct?

17 A Yes.

18 Q And FPL estimates that the total number of
19 Floridians that FPL serves is more -- closer to the
20 number of 12 million, is that right?

21 A Yes.

22 Q And FPL service customers in approximately 43
23 counties in Florida, correct?

24 A That's correct. Yes.

25 Q And of these six million customer accounts,

1 approximately 5.3 million are residential accounts,
2 correct?

3 A That's right.

4 Q And the other 700,000 or so are commercial and
5 industrial accounts?

6 A That's correct.

7 Q And I have a couple of questions for you about
8 bad debt and what that is.

9 So to someone who doesn't know what bad debt
10 means, how would you explain it?

11 A Bad debt is related to services that we have
12 rendered that is not paid --

13 Q Okay.

14 A -- and not collected from the customers.

15 Q All right. Is it fair to describe it as bad
16 debt is the amount of money that has been billed to
17 customers, but after FPL has tried everything they can
18 to collect that money, it has still not been collected
19 from customers?

20 A That's correct.

21 Q In this amount that FPL does not ultimately
22 collect from customers is then incorporated into future
23 bills of the general body of ratepayers, correct?

24 A Yes.

25 Q So one way other another, FPL does recover

1 **every penny that they bill to customers, correct?**

2 A Yes, and that's -- that uncollected debt is
3 then borne by all customers.

4 Q All right. And FPL sometimes refers to bad
5 debt as uncollectible accounts receivable, or UAR,
6 correct?

7 A That's correct.

8 Q So if we see those referenced, that's -- those
9 terms are interchangeable with bad debt and vice-versa?

10 A Yeah.

11 Q And FPL does not track the reasons why
12 customers don't pay their bills, correct?

13 A No, we don't track the reasons why. For
14 whatever reason a customer has in difficulty in paying
15 their bill, we are able to help them, whether that's
16 extending their payments, providing payment extensions,
17 connecting them to assist payments, changing their bill
18 date to align with maybe there paycheck date. So we
19 have the services to help no matter what the reason is.

20 Q And services to try to help, correct, is that
21 more accurate than saying that you are not successful
22 every time in getting everyone to pay everything,
23 correct?

24 A I would say we are successful a majority of
25 the time.

1 Q Okay. By evidence by the fact that there is
2 still some bad debt, or that there is any amount of bad
3 debt, that means that ultimately FPL was not successful
4 in collecting everything from every customer despite the
5 methods that FPL uses to help customers who reach out,
6 is that fair?

7 A Yes, it's fair. I would also mention the fact
8 that our UAR rate is one of the lowest compared to other
9 large utilities.

10 Q Okay. And you would agree with me that at
11 least one reason, not -- it's not the only reason, but
12 at least one reason why customers don't pay their bill
13 is because they don't have enough money to pay their
14 bill?

15 A Yeah, that could be a reason.

16 Q And if we could pull up MFR C-11 for the 2026
17 projected test year, which is Case Center number J314,
18 please? Can you see that, Ms. Nichols?

19 A Yes, I can.

20 Q Okay. So looking at this MFR, in 2022, the
21 actual bad debt factor was .093 percent, is that right?

22 A That is correct.

23 Q And in 2023, the actual bad debt factor was
24 .108 percent?

25 A Yes. In 2022, we had additional assistance

1 that drove that lower UAR.

2 **Q Okay. And in 2024, the number was .127,**
3 **correct?**

4 A Yes. That's correct.

5 **Q So between 2022 through 2024, the bad debt**
6 **rate increased each year, would you agree?**

7 A Yes. A couple of things I would note on that
8 is the lower bad debt rate in '22 was really driven by
9 the additional LIHEAP assistance as a result of COVID.
10 The increase in 2024 that seems a bit of an
11 anomaly at .127, was really driven by two unexpected
12 writeoffs by our commercial/industrial accounts,
13 otherwise it would be very similar to '23.

14 **Q As has been mentioned many times, the numbers**
15 **are what they are, correct?**

16 A Yep.

17 **Q All right. And FPL estimates that for 2025,**
18 **the bad debt -- the actual bad debt will be .124?**

19 A That's correct.

20 **Q But for 2026, FPL estimates the bad debt will**
21 **decrease to -- from the 2024 number to .124 according to**
22 **this MFR, correct?**

23 A From 2024, .127 to 2025, .124, and for '26,
24 .124?

25 **Q Yeah. So my question is, comparing 2024 to**

1 the estimate for 2026, FPL estimates that the bad debt
2 number will decrease?

3 A Yes.

4 Q And if we could go to the MRF C-11 for the
5 2027 projected test year, which is Case Center page
6 J2977, please? Just let me know when you can see it on
7 the screen or if you have it in front of you.

8 A Yes. I see it, thanks.

9 Q All right. And -- so looking at this 2027
10 projected test year MFR C-11, FPL projects that the bad
11 debt rate will decrease further in 2027 to .122?

12 A That's correct.

13 Q And in FPL's 2021 rate case, the MFRs included
14 a 2022 projected test year and a 2023 subsequent year
15 adjustment, correct?

16 MS. MONCADA: I'm going to object. The 2021
17 rate case was not something that Ms. Nichols
18 addressed.

19 MS. WESSLING: It's relevant to the
20 projections that they are making. They are using
21 historical information to project what the bad debt
22 rate will be in the future years, and we are just
23 comparing the accuracy of that process, so the bad
24 debt rate topic is Ms. Nichols' topic, and so
25 that's why I am asking these questions.

1 CHAIRMAN LA ROSA: Okay. Is there a way to --
2 I mean, maybe rephrase -- not rephrase the
3 question, but I guess preface the question with
4 that content?

5 MS. WESSLING: Sure. And we can pull up the
6 MFR that I am referring to. It's on page, Case
7 Center page F2-13520, which is OPC Exhibit 368 or
8 CEL Exhibit 853. Do you need the number again?

9 MR. SCHULTZ: Yes.

10 MS. WESSLING: Okay. It's F2-13520.

11 BY MS. WESSLING:

12 **Q All right. And subject to check, would you**
13 **agree that this is the 20 -- let's see here -- 2022**
14 **projected test year MFR C-11?**

15 A Yes.

16 **Q Okay. And on this document, FPL projected**
17 **that its 2022 bad debt factor with would be .080,**
18 **correct?**

19 A Yes.

20 **Q And if we could go to CEL Exhibit 854, which**
21 **is master number page F2-13534? And subject to check**
22 **you would agree that this is the 2023 projected MFR**
23 **C-11?**

24 A Yes.

25 **Q And on this page, FPL projected that the 2023**

1 **bad debt factor would be .082?**

2 A Yes.

3 **Q Okay. And both of those projections ended up**
4 **being lower than the actuals for 2022 and 2023, correct?**

5 A Let me see. Yes, a lot changed from that
6 projection back in -- when that was done, since that
7 time, but it is lower.

8 **Q Okay. And FPL has essentially two different**
9 **geographical service territories, correct?**

10 A You are talking about Northwest Florida versus
11 the rest of the Peninsula?

12 **Q Yes. And -- so Northwest Florida, and then I**
13 **think the term traditional and Peninsula Florida are**
14 **kind of used interchangeably to describe the more**
15 **historic FPL territory in the peninsula of the state?**

16 A Legacy.

17 **Q Yeah, legacy, that's another word. All right.**
18 **So if we see those words, we are referring to the**
19 **trad -- the older FPL service territory?**

20 A Sure.

21 **Q Okay. In Northwest Florida, FPL customers**
22 **have higher rates than the legacy FPL customers due to a**
23 **transition rider, correct?**

24 A Now, are you talking about the bad debt rate
25 for northwest Florida?

1 Q I am just talking about rates in general, like
2 the rates for Northwest Florida customers compared to
3 legacy customers are higher because of the transition
4 rider, is that correct?

5 A Oh, yes.

6 Q Okay. And Northwest Florida FPL customers
7 have -- also have a higher bad debt factor than legacy
8 FPL customers, correct?

9 A That's correct.

10 Q And the projected bad debt factors for this
11 case, for the 2026 and 2027 projected test years are
12 based on FPL rates as they are right now, correct?

13 A Bad debt factor -- so this C-11 is before the
14 revenue requirements, but that bad debt factor is the
15 same in Fuentes' exhibit.

16 Q But the bad debt factors that are in this C-11
17 that you co -- not the 2021 one, but the current case's
18 C-11, are those based on base rates as they are right
19 now or as they are request -- being requested?

20 A Being requested.

21 Q So these C-11 -- the MFR C-11s for '26 and
22 '27, is it your testimony that they do factor in the
23 approximately \$10 billion increase to base rates that
24 FPL is requesting in this case?

25 A Sorry, let me make sure I am clear. The -- my

1 exhibit uses current rates for 2026, they are then used
2 in -- for revenue requirements and adjusted then.

3 **Q Okay. So the --**

4 A But it uses the same -- so I was confused
5 around the bad debt factor. The bad debt factor that we
6 calculate here is still the debt factor used in the
7 other exhibit that shows the revenue requirements
8 adjustments.

9 **Q Okay. You would agree that if base rates do**
10 **increase, that that could result in an increase in the**
11 **number of customers who can't pay their FPL bill,**
12 **correct?**

13 A Yes, that could happen.

14 **Q And if the number of customers who can't pay**
15 **their bill increases, all the things being equal, these**
16 **bad debt factors would likely increase as well, correct?**

17 A So when we did the forecasting for UAR, we
18 included projection for revenues as well as the other
19 economic factors that potentially could impact UAR which
20 is unemployment and assist. All of that is really
21 included as part of forecasting our UAR.

22 **Q But my question was, if the number of**
23 **customers who can't pay their bill increases and all**
24 **other things remain equal, then bad debt factors could**
25 **increase?**

1 A It could.

2 Q Okay. And I have a couple of -- switching
3 topics a little bit here.

4 In your testimony, you mention that FPL serves
5 on the board of the National Electric and Utility
6 Affordability Coalition, correct?

7 A NEUAC, yes.

8 Q And you state in your testimony that this
9 coalition works to address the energy burden needs of
10 customers across the country?

11 MS. MONCADA: Can I just ask that we get a
12 page number that, and that the witness be allowed
13 just a second to turn to whatever portion of the
14 testimony Ms. Wessling is referring to?

15 CHAIRMAN LA ROSA: Yeah. Do you mind pointing
16 to the testimony?

17 MS. WESSLING: Sure.

18 BY MS. WESSLING:

19 Q It's part of your direct testimony, page 16,
20 lines one through two was my first question.

21 A Yes, I am there.

22 Q Okay. And so there, you state that FPL serves
23 on the board of the National Electric and Utility
24 Affordability Coalition, correct?

25 A That's correct.

1 Q And looking at lines two through three of that
2 same page, you state that this coalition -- excuse me,
3 coalition works to address the energy burden needs of
4 customers across the country?

5 A Yes.

6 Q Okay. And on page five of your testimony,
7 lines 10 through 12, you mention that FPL facilitates
8 payment assistance for FPL customers who qualify for the
9 federal Low-Income Home Energy Assistance Program, or
10 LIHEAP, correct?

11 A That's correct.

12 Q And you filed your direct testimony on
13 February 28th of this year?

14 A Yes.

15 Q And you are aware of reports that in April of
16 this year, the entire federal staff for the LIHEAP
17 program was fired, correct?

18 A I am aware that they were put on furlough. I
19 am also aware that there are potentially a few that are
20 still there left, administration as well as some
21 contracted staff that has helped facilitate LIHEAP
22 administration.

23 Q And you don't reference that anywhere in your
24 direct or rebuttal testimony, though, correct?

25 A I don't reference what?

1 Q You don't reference what you just described
2 about the -- those -- that there might be still some
3 people working there?

4 A No.

5 Q Okay. And we are currently in the middle of a
6 federal shutdown, correct?

7 A Right.

8 Q Okay. And we don't know how long that's going
9 to last for, correct?

10 A Right.

11 Q Okay. If we could go to CEL Exhibit 7767?
12 And this is an exhibit that we requested official
13 recognition of. It's our official recognition Exhibit
14 M, and I believe that was granted subject to certain
15 restrictions or provisions. So I am referring to -- we
16 included it as a cross-examination exhibit, but I just
17 want to be clear that official recognition was already
18 granted for this for limited purposes?

19 CHAIRMAN LA ROSA: Okay.

20 BY MS. WESSLING:

21 Q And that would be Case Center page F2-9098.
22 Ms. Nichols, have you reviewed this letter?

23 A I have.

24 Q Okay. Is it fair -- well -- there are a
25 number of legislators who signed this letter, would you

1 **agree with that?**

2 A Yes.

3 **Q Okay. And would you agree that it is their**
4 **interpretation that the LIHEAP staff were eliminated?**

5 A That they were placed on administration leave?

6 **Q Yes.**

7 A After which their position would be
8 terminated. I am not clear that they have been
9 terminated --

10 **Q Okay.**

11 A -- since April 4th.

12 **Q Sure. And my question was just that is it**
13 **fair to say that the people who signed this letter**
14 **believed that those individuals were terminated?**

15 A That they would be terminated?

16 **Q Yes.**

17 A Yes.

18 **Q Okay. And as we sit here today, FPL cannot**
19 **definitively say that there will be any LIHEAP funding**
20 **available to qualifying FPL customers in 2026 or any**
21 **year after that of this four-year plan, correct?**

22 A I don't think we can be definitive either way.
23 However, what encourages me is the fact that the Senate
24 -- there is bipartisan support for LIHEAP funding. The
25 Senate has approved, for fiscal year '26, an increase

1 even to fiscal year '25. The House has done that the
2 same. And LIHEAP funding is flowing in the state of
3 Florida.

4 For October and November, the State had
5 previously granted approval to move some funding from
6 fiscal year '25 to fiscal year '26, and so I am
7 encouraged, you know, that something will occur in the
8 next couple of weeks to put more certainty around
9 LIHEAP.

10 **Q But there is no certainty as it stands right**
11 **now, correct?**

12 **A Correct.**

13 **Q Okay. And that applies for 2026 through 2029?**

14 **A Correct. All there is, is that there is**
15 **bipartisan, strong bipartisan support.**

16 **Q LIHEAP, I mean, it's garnered bipartisan**
17 **support for a long time, correct?**

18 **A Yeah, it's a vital program for our customers.**

19 **Q I would agree.**

20 **All of the bad debt factors listed back on MFR**
21 **C-11 for the historical years 2021 through 2024 were**
22 **years when FPL eligible customers did receive some**
23 **amount of LIHEAP assistance, would you agree?**

24 **A Yes.**

25 **Q Okay. And in MF -- excuse me, in FPL's**

1 projected MFR C-11 in this case, which you cosponsor,
2 for '26 and '27, your bad direct factors include a
3 consistent forecast for LIHEAP funding, correct?

4 A Yes. Our forecast was projected to be similar
5 to 2025. And in our proceeding, we haven't changed our
6 ask related to UAR.

7 Q Okay. And if either less or no LIHEAP funding
8 is provided for 2026 or in a year between '26 and '29,
9 then FPL's actual bad debt factors could end up being
10 higher than what FPL has projected, correct?

11 A It could.

12 Q And more importantly, FPL customers who
13 previously depended on LIHEAP assistance in the past
14 could be without that assistance to help pay their bills
15 starting in 2026, is that fair?

16 A It's fair. What I would say, you know, if
17 that hypothetically were to happen, you know, this
18 wouldn't only impact Florida Power & Light customers,
19 this would impact customers across the nation, and we
20 would take a leading charge, like we do today, to
21 advocate for our customers for the vital need to have
22 LIHEAP, and we would work together through our, you
23 know, peers -- through my peers to see what we could do.

24 Q Okay. In the absence or reduction of LIHEAP
25 funding, FPL's customer assistance programs would not be

1 as robust as they were when FPL filed this case,
2 correct?

3 A Correct.

4 Q Okay. Switching topics to -- if we could go
5 to page seven of your direct testimony, please?

6 A I am there. Thank you.

7 Q Okay. Great.

8 So on page seven of your direct testimony, you
9 discuss awards that FPL has won over the last few years,
10 correct?

11 A Yes.

12 Q And one of the awards that FPL ranked in the
13 top decile nationally for in 2024 was the 2024 JD Power
14 U.S. Residential Customer Satisfaction Survey, correct?

15 A That's correct.

16 Q All right. And if we could, I would like to
17 identify CEL Exhibit 535, please, which is Case Center
18 number F2-503? And it should be pulled up on your
19 screen here in a second if you don't have it in front of
20 you.

21 All right. Ms. Nichols, do you recognize
22 this?

23 A Yes, I do.

24 Q Were you the sole sponsor of this discovery
25 response?

1 A Yes.

2 Q Okay. And part A of this interrogatory asked
3 for all payments made by Florida Power & Light, NextEra
4 or any affiliate company to JD Power from 2022 to date,
5 correct?

6 A Yes.

7 Q And in the response section for part A, FPL
8 states that in 2024, FPL paid for the JD Power report to
9 benchmark the company's performance compared to other
10 utilities across the nation for both 2024 and 2025,
11 correct?

12 MS. MONCADA: Object to -- objection. That's
13 not what the answer says Ms. Wessling said. It
14 is -- she did not read that correctly.

15 MS. WESSLING: I will rephrase.

16 CHAIRMAN LA ROSA: Yeah, can you --

17 BY MS. WESSLING:

18 Q Ms. Nichols, would you please read the
19 response to part A of this interrogatory?

20 A Sure. In 2024, FPL paid for the JD Power
21 report to benchmark the company's performance compared
22 to other utilities across the nation for both 2024 and
23 2025.

24 Q Thank you.

25 A You are welcome.

1 Q And FPL ultimately paid for the 2024 and 2025
2 U.S. Residential Customer Satisfaction Survey results
3 after learning that FPL placed in the top decile
4 nationally in 2024, correct?

5 A Yeah. So we -- we did pay for the report
6 after we won the award. It was paid for by shareholders
7 below the line.

8 Q Okay. And if we could pull up CEL Exhibit
9 488, which is Case Center page F2-20, please?

10 All right. And, Ms. Nichols, can you see
11 this?

12 A Yes.

13 Q Okay. Would you agree that this request for
14 production corresponds to the interrogatory that we were
15 just looking at?

16 A Oh, yep.

17 Q Okay. And if we could scroll down to the
18 first -- to the second page -- yes, please. Right
19 there.

20 So, Ms. Nichols, does this page, which is the
21 second page of this exhibit, indicate that FPL paid JD
22 Power \$20,000 for the 2024 U.S. Residential Electric
23 Information Survey?

24 A This was paid below the line, yes.

25 Q Okay. And if we could go to the next page --

1 the third page of this exhibit?

2 This exhibit shows -- or this page shows that
3 FPL shareholders paid \$70,000 for the 2025 U.S.
4 Residential Electric Survey, correct?

5 A Yes.

6 Q Okay. And these are the only two invoices
7 that FPL or NextEra paid to JD Power between 2022 and
8 2025?

9 A That's correct.

10 Q And FPL did not place in the top decile for
11 this JD Power Award in 2022 or 2023, correct?

12 A Correct.

13 Q And you also mention in your testimony that in
14 2023, FPL was recognized by a company known as Escalent
15 as a trusted business partner based on a survey of
16 business customers? And that's page 78 of your
17 testimony if you want to go there first. I can ask it
18 again if you need me to.

19 A Yeah, through -- 2021 through 2024. That's
20 correct.

21 Q Okay. And you state that in 2023, Escalent
22 recognized FPL as a business customer champion, correct?

23 A Is this on page eight, line seven?

24 Q I think it was page seven. Let me see. You
25 might be right there. It looks like page eight, line

1 **seven, maybe. Is that where you state that, in 2023,**
2 **Escalent recognized FPL as a business customer champion?**

3 A On line seven, we stated that Escalent
4 business customer champion was 2021 through 2024.

5 Q **2021 through 2024?**

6 A Yes.

7 Q **Okay. Thank you.**

8 And if we could pull up CEL exhibit -- if I
9 could identify and then pull up CEL Exhibit 489, which
10 is Case Center page F2-23.

11 All right. And you would agree that FPL does
12 a lot of business with the company Escalent, correct?

13 A We do.

14 Q All right. And subject to check, but this
15 interrogatory -- or excuse me -- request for production
16 provided all of the invoices between 2022 and 2024 that
17 FPL paid Escalent, correct?

18 A Uh-huh.

19 Q **Okay.**

20 A Yes.

21 Q **And those totaled to be approximately \$3.4**
22 **million for various services?**

23 A Subject to check.

24 Q **Okay.**

25 A Yes.

1 Q And going back to page seven of your
2 testimony.

3 A Yes.

4 Q All right. On this page, I apologize, I don't
5 have a line number, but I believe you mention that FPL
6 was recognized by the Edison Electric Institute's
7 Customer Advisory Group, correct?

8 A Correct.

9 Q All right. And you also state that the Edison
10 Electric Institute Customer Advisory Group is a group of
11 national business customers, correct?

12 A That's correct.

13 Q So not residential customers, right?

14 A Correct.

15 Q Okay. And isn't the Edison Electric Institute
16 itself an association of U.S. investor-owned electric
17 companies?

18 A It is.

19 Q If you could pull up CEL Exhibit 503, please,
20 which is Case Center page F2-376?

21 And this interrogatory -- if you could scroll
22 down just a little bit, please. Okay, right there.
23 This interrogatory shows that FPL is a member of the
24 Edison Electric Institute, correct?

25 A Yes.

1 Q All right. And as an association member, FPL
2 pays dues to the Edison Electric Institute, correct?

3 A That would be better addressed by Witness
4 Fuentes.

5 Q If we could go to MFR C-15, which is Case
6 Center page J322? Just let me know when you are there,
7 Ms. Nichols. It's either on the screen, or if you
8 prefer it in your book, that's fine. Are you there?

9 A I am there. Sorry.

10 Q Okay. That's all right.

11 So you cosponsor this MFR, correct?

12 A Yes.

13 Q All right. And on line eight of this MFR,
14 this shows that FPL has association dues to the Edison
15 Electric Institute, and that for 2024, FPL paid
16 approximately \$3.3 million in association dues to the
17 Edison Electric Institute?

18 A This is for '24?

19 Q I believe so.

20 A Okay. Yes, line eight.

21 Q And if we could pull up CEL Exhibit 503 again,
22 please, which is CEL -- or, excuse me, Case Center
23 F2-379. If you could scroll up just for -- oh, no,
24 that's fine. So this shows the forecasted 2025 industry
25 dues, correct?

1 A Yes.

2 Q All right. So FPL expects that in 2025, FPL
3 will pay \$3.4 million in association dues to the Edison
4 Electric Institute, correct?

5 A Correct.

6 Q And I am sorry to bounce around, but to go
7 back to C-15, which is page -- Case Center page J320.

8 This is the 2023 projected test year MFR C-15,
9 which you cosponsor, and here, FPL expects to pay
10 another \$3.4 million to the Edison Electric Institute
11 for 2026 dues, correct?

12 A Yes.

13 Q And going to Case Center page J2982?

14 MS. MONCADA: Mr. Chairman, to the extent they
15 are going to continue to pull up MFRs, we stipulate
16 to the numbers contained in the MFRs. We don't
17 dispute them.

18 MS. WESSLING: This is relevant to my
19 question. It's my second to last question about
20 this topic.

21 CHAIRMAN LA ROSA: Okay. Yeah, if we are
22 going towards the end, if you are trying to
23 familiarize the witness, that's fine.

24 MS. WESSLING: Thank you.

25 BY MS. WESSLING:

1 Q So are we on J329 -- I am sorry, where are we?
2 I can't read the page number there. Okay. Actually my
3 last question on this.

4 So this MFR is the 2027 projected test year,
5 C-15. And this indicates that FPL expects to pay the
6 Edison Electric Institute \$3.4 million again for 2027,
7 correct?

8 A Yes.

9 Q Okay. All right. That's my last question
10 about that. I promise.

11 And, Ms. Nichols, as the Vice-President of
12 Customer Service, you would agree that you review and
13 sign off on all communications to FPL's residential and
14 commercial customers, correct?

15 A I do sign off.

16 Q Okay. Do you review all of them?

17 A I review, yeah, a majority of the ones that
18 are -- the new ones I definitely do, and ones that I
19 have approved previously are not necessarily needed for
20 review.

21 Q Okay. And I might have missed this, but how
22 long have you been the Vice-President of Customer
23 Service?

24 A Two years in May.

25 Q Okay. And prior to that, you still worked in

1 **the customer service area at FPL?**

2 A No, prior to that, I was in Human Resources.

3 **Q Okay.**

4 A I have been with FPL for 20 years.

5 **Q Okay. Thank you.**

6 And you are aware that FPL does conduct

7 **surveys and focus groups of FPL's customers?**

8 A Yes.

9 **Q All right. And you typically review the**
10 **results of those -- well, first let me ask. You review**
11 **and sign off on -- I am sorry, strike that.**

12 You would agree that you typically review the
13 **results of those surveys and focus groups?**

14 A That I review the output results?

15 **Q Yes.**

16 A Yes.

17 **Q Okay. And, in fact, Escalent, one of the**
18 **companies we mentioned earlier, is one of the companies**
19 **that FPL hires to conduct focus groups and surveys,**
20 **correct?**

21 A Uh-huh. Yes.

22 **Q And if we could identify CEL Exhibit 5525,**
23 **which is page number -- Case Center page number F2-471,**
24 **please?**

25 Do you recognize this interrogatory,

1 **Ms. Nichols?**

2 A I do.

3 Q Did you either sponsor or cosponsor this
4 interrogatory?

5 A Yes.

6 Q Okay. And this interrogatory asked whether
7 NextEra, or FPL, or any affiliate, conducted any
8 customer focus groups or customer surveys in preparation
9 of the instant rate case petition, correct?

10 A Yes.

11 Q I am sorry, was that --

12 A Yes.

13 Q Okay. And this response states that all of
14 the documents that contain, discuss or analyze the
15 results of those focus groups or surveys in relation to
16 the development of the rate case were provided in
17 response to OPC -- OPC POD 50, correct?

18 A That's correct.

19 Q All right. And all of the documents provided
20 in response to OPC POD 50 have been deemed confidential
21 by FPL, correct?

22 A Yes.

23 Q All right. So this is where, if we could get
24 our OPC confidential exhibit accordion file. Do you
25 have that, Ms. Nichols?

1 A This says for court reporter.

2 Q I think that's hers. We will get you one.

3 One second. I apologize.

4 A Thank you.

5 Q And if we could go ahead and pull out OPC --
6 what's marked as OPC Exhibit 2, please? I believe this
7 is CEL Exhibit 487, just for identification purposes.

8 A Is it this one, OPC 2C?

9 Q Yes, C stands for confidential.

10 A Okay.

11 Q All right. So obviously it's confidential. I
12 am going to try not to verbalize anything, and I ask you
13 to do the same since everything has been marked
14 confidential, but I do have some generic questions first
15 about the responses provided to POD 50.

16 The focus groups and surveys that FPL
17 conducted relating to the rate case, would you agree
18 that they ask questions about how customers respond to
19 different types of messaging about a hypothetical rate
20 increase?

21 A Which --

22 Q Just generically about all of the documents
23 that were provided -- all of the customer service focus
24 groups and surveys about the rate case, would you agree
25 that they ask questions about how customers respond to

1 **messaging relating to a hypothetical rate increase**
2 **request?**

3 A As part of the overall just understanding what
4 matters to our customers?

5 Q **Yes.**

6 A Yes.

7 Q **Okay. And would you agree that nowhere in any**
8 **of the surveys or focus group questions did FPL ask**
9 **customers their opinion about FPL's proposed tax**
10 **adjustment mechanism?**

11 A Yeah, I don't think we asked them about that
12 specifically.

13 Q **Would you also agree that nowhere in any of**
14 **the documents did FPL ask customers if they would prefer**
15 **to pay the tax expense related to the proposed TAM twice**
16 **or if they would prefer another rate case in 2028,**
17 **correct?**

18 MS. MONCADA: Object to form. That's Ms.
19 Wessling's characterization of the TAM mechanism.
20 That's a subject matter that's not addressed by
21 Ms. Nichols, and I would object to the
22 characterization.

23 MS. WESSLING: My question is about whether or
24 not they asked customers about the tax adjustment
25 mechanism. I can rephrase if that would be better.

1 CHAIRMAN LA ROSA: Let's try to rephrase
2 and --

3 MS. WESSLING: All right.

4 BY MS. WESSLING:

5 Q You would agree that nowhere in any of these
6 documents did FPL ask customers if they would be in
7 favor of the proposed TAM, or if they would prefer a
8 rate increase in 2028?

9 A Did you ask me if I agreed with that
10 statement?

11 Q Yes.

12 A Yes.

13 Q Okay. Now, for some of my more specific
14 questions about documents within this exhibit. I will
15 represent to you that this is -- that what's been
16 printed and what's here is not the entirety of Exhibit
17 50. There are some customer surveys that would have
18 been voluminous to print and have all the copies for,
19 but -- and for clarity for the company, I am only asking
20 that these, the ones that are included in this, be
21 included in evidence. So just the ones that are
22 excerpted here of POD 50.

23 CHAIRMAN LA ROSA: Okay.

24 BY MS. WESSLING:

25 Q So if you look through this document, there is

1 a page that begins with -- I think it's the first page,
2 there is an FPL Bates page of 006271. Do you see that?
3 It would be the first --

4 A Oh, yes.

5 Q Do you see that?

6 A I do see it.

7 Q Okay. Great.

8 And you would agree with me that FPL
9 contracted with the company indicated here to create
10 this document?

11 A Yes, we contracted with this partner to
12 perform this research and analysis for Florida Power &
13 Light.

14 Q Okay. And if we could go to -- and this is a
15 slide deck, correct?

16 A Correct.

17 Q Okay. If we could go to the second slide,
18 which is Bates -- FPL Bates page 006272? Is there a way
19 that you would describe this or define this page in a
20 nonconfidential way?

21 A This study was to understand what matters to
22 our customers.

23 Q Okay. And is the date of this study
24 confidential?

25 A I don't -- December 2023.

1 Q All right. And if we could go to slide nine,
2 which is FPL Bates page 00279? Are you there?

3 A I am there. Thank you.

4 Q Okay. And this slide indicates that FPL
5 previously contracted with the same company to conduct
6 the same study in 2019, would you agree?

7 A That's correct.

8 Q All right. And I don't know if you can read
9 it, but on the bottom of the page in sort of a light
10 gray, it shows the questions that were asked in 2019 and
11 then the questions that were asked in 2023, would you
12 agree?

13 A Yes.

14 Q And if you need to read it, just let me know,
15 but would you agree that those questions are essentially
16 identical?

17 A That's correct.

18 Q Okay. So would you agree that the information
19 here reflected between 2019 and 2023 is apples to
20 apples?

21 A Yes.

22 Q And looking at the next slide, which is slide
23 10, or Bates page FPL 6280. Would you agree that this
24 slide includes certain quotes from some customers about
25 the changes in their opinion between 2019 and 2023?

1 A Yeah. I think a lot has happened for our
2 customers since 2019. We have had the global pandemic.
3 We have had interest rates. We have had inflation. So
4 a lot has impacted our customers. This is a reflection
5 of that.

6 Q I understand, but you agree these are
7 statements from actual FPL customers about those changes
8 between 2019 and 2023?

9 A That's correct.

10 Q All right. And looking at FPL Bates page
11 6283, or slide 13 of this slide deck. And again, I am
12 not asking to verbalize anything that's reflected here,
13 but my question is, there is a chart on this page, and
14 in sort of a light gray, there is sort of a comment
15 bubble on the bottom left. Do you see that?

16 A I do.

17 Q Okay. And without, again, saying any of the
18 components, but would you agree that this is essentially
19 a recipe for -- that FPL has determined that customers
20 have sort of identified?

21 A This is demonstrating that both cost and
22 reliability are very important to our customers, and
23 they are very important to Florida Power & Light.

24 Q And would you agree that cost is more
25 important than reliability to customers, according to

1 **this recipe?**

2 A Cost is considered more important. It's been
3 consistent since 2019. It's important to us too, and
4 that's why we work very hard to keep our costs very low
5 for our customers.

6 Q And you would agree that cost is the most
7 important of the three variables, or three ingredients
8 in this recipe, correct?

9 A Yes.

10 Q Okay. And then there is another document --
11 let me see if I can find it. It depends with FPL Bates
12 page 6329. I think these are in order, so hopefully
13 that's helpful finding it.

14 A Yes.

15 Q All right. And this document was created by
16 the same company as the other document we were just
17 looking at, correct?

18 A That's correct.

19 Q And is the -- can you state, if possible, the
20 date of this document?

21 A Yes. That's December of '24.

22 Q Did you say December --

23 A December 2024.

24 Q Okay. Thank you.

25 A Uh-huh.

1 **Q And other than the date, is this -- how is**
2 **this document different from the first document that we**
3 **were just discussing?**

4 A It is still trying to understand what matters
5 to our customers. This one is particular to rates and
6 messaging.

7 **Q Okay. And turning to Bates page FPL 6335,**
8 **would you agree that this is also somewhat of a**
9 **comparison page that compares questions asked of FPL**
10 **customers in 2020 and 2024?**

11 MS. MONCADA: Mr. Chairman, again, this is
12 just asking what shows on the page. Ms. Wessling
13 stated that she intends to put this into evidence,
14 these two excerpts out of OPC POD 50. We will not
15 object to entry of this into the record, and the
16 documents say what they say.

17 CHAIRMAN LA ROSA: Is there -- I agree. Is
18 there a way to ask questions that are not stated on
19 here?

20 MS. WESSLING: One moment.

21 BY MS. WESSLING:

22 **Q If I could ask, there are a number of symbols**
23 **and things on here, and I just want to make sure that**
24 **everyone is able to interpret and understand what is**
25 **being reflected here. So, for example, there is a**

1 triangle symbol, I just want to confirm that means
2 delta?

3 A Yes, it's a change.

4 Q Okay. So that -- this -- where we see that
5 symbol, that means a change for FPL legacy and Northwest
6 Florida customers between 2020 and this 2024 study?

7 A Yes.

8 Q Okay. And so you do not dispute anything --
9 the accuracy of any of the numbers on this page,
10 correct?

11 A I don't. I would say, you know, this is
12 measuring a, in a brand perception, value at the highest
13 level. The numbers here on a combined basis are higher
14 than they were in that previous report of -- in '23. So
15 from a brand perspective, it's saying we are moving in
16 the right direction, we are moving up on a combined
17 basis.

18 When you asked more specifically about, you
19 know, the value of your electric bill, on the next page
20 is more reflective of that value perspective.

21 Q I mean, I would object, because I am asking
22 about this page, but if -- on redirect, your counsel can
23 ask you whatever they need to ask you.

24 A Okay.

25 Q You agree that looking at the bottom line on

1 **that category you were just describing, that for both**
2 **FPL legacy customers and Northwest Florida customers,**
3 **those numbers have gone down compared to 2020?**

4 MS. MONCADA: Mr. Chairman, this -- again,
5 this is just asking her to read and review the
6 numbers on the page.

7 MS. WESSLING: It's about interpretation. We
8 can all read, of course, but I just want to make
9 sure that I am reading it correctly, and that what
10 I am reading is not disputed. So that's the
11 purpose of my questions, for just clarifying and
12 confirming that -- what these pages actually do
13 say.

14 CHAIRMAN LA ROSA: Can you ask the questions
15 more directly?

16 BY MS. WESSLING:

17 **Q Would you agree that what's reflected on this**
18 **page is consistent with a lot of the testimony that we**
19 **heard at the service hearings, particularly in Northwest**
20 **Florida?**

21 A No, I wouldn't agree with that.

22 MS. WESSLING: Just one moment.

23 CHAIRMAN LA ROSA: Sure.

24 MS. WESSLING: I would note that for these
25 questions about these confidential documents, this

1 is all that's going to be in the public record, and
2 so that's an additional reason for the need to ask
3 questions and just make sure that what I am seeing
4 is -- that what I am reading is correct. So I
5 would just add that as an additional reason for
6 asking -- the need to ask the questions about
7 things that are on this page, and on these
8 confidential pages.

9 CHAIRMAN LA ROSA: I am not trying to prohibit
10 the questions being asked. I am just trying to
11 reflect something different from what's stated here
12 specifically. If you are asking the witness'
13 opinion, or if you are asking the witness to opine
14 on something, that's different than asking them to
15 agree with what may already be said or stated on
16 the page.

17 MS. WESSLING: Okay. And I am trying to be
18 careful to not vocalize anything confidential as
19 well --

20 CHAIRMAN LA ROSA: Sure.

21 MS. WESSLING: -- but let me ask this
22 question. I don't know what she's going to say.

23 BY MS. WESSLING:

24 **Q There is a gray box on this page on the**
25 **right-hand side. Do you see that?**

1 A Yes, I do.

2 Q Okay. And there is a word that's sort of in
3 **bold there. Do you see that word?**

4 A There is, I think, several bolded.

5 Q **The second word of the second line.**

6 A Yes, value.

7 Q **Yeah, okay. So am I allowed to say the word**
8 **value, then?**

9 MS. MONCADA: Yes.

10 MS. WESSLING: Okay. All right.

11 BY MS. WESSLING:

12 Q **Is value the recipe that we were just**
13 **discussing on the other page, where we talked about the**
14 **ingredients and the recipe? If we need to go back and**
15 **look at it --**

16 A Is value a recipe of it?

17 Q **So let's go back to the page we were looking**
18 **at earlier about the recipe.**

19 A Cost and reliability.

20 Q **Well, the recipe was for -- to determine what**
21 **the word value means, correct? Let's just go back**
22 **there. Let me make sure we are all on the same page.**
23 **So this would have been Bates page 6283. Just let me**
24 **know when you are there.**

25 A I am there.

1 **Q** Okay. So the recipe we were talking about on
2 **FPL Bates page 6283 was a recipe for value, correct?**

3 **A** It is a recipe for value. I think -- you
4 know, there is two forms on the value that's discussed
5 in this research. One around, at a high level, a brand.
6 Number two, around the electric service that we provide.
7 And both of those have different results.

8 And so it's -- it's hard to answer that
9 definitively because depending on you are viewing the
10 value at a highest level of the brand perception or how
11 it relates to your bill.

12 **Q** So you believe that the definition of value
13 differs when you are talking about brand perception and
14 bill?

15 **A** I think context matters.

16 **Q** And on this page, FPL 6283, when you are
17 talking about brand -- the brand perception definition
18 of value, you agree that cost is the most important
19 component of that definition to customers?

20 **A** Yes.

21 **Q** Okay.

22 **A** And that question says: How can electric
23 energy company deliver value.

24 **Q** And going back to FPL Bates page 35.

25 **A** Uh-huh.

1 **Q** In the gray box, is the value that's there, is
2 that the same definition of value for that box?

3 **A** I think there is components when you are
4 talking about it at a very high level. The highest
5 level says: FPL delivers great value today. That is at
6 the highest level of value. And then there is also one
7 related to value related to your electric bill, and that
8 has different results related to that value. That's on
9 the subsequent page.

10 **Q** On FPL page 6335, the category that relates to
11 value in the chart, the bottom line of the chart where
12 it references delivers great value, is that -- that
13 question is asking whether or not FPL delivers great
14 value, correct?

15 **A** That's correct.

16 **Q** Okay. And you would agree that FPL legacy
17 customers and Northwest Florida customers had the same
18 opinion compared to 2020 and 2024 in answering that
19 question, correct?

20 **A** Can you repeat that question?

21 **Q** So both legacy FPL customers and Northwest
22 Florida customers between 2020 and 2024, their answer to
23 that question moved in the same direction between
24 those -- during that period of time?

25 **A** That's correct.

1 **Q All right. Nothing further.**

2 **CHAIRMAN LA ROSA: Great. Thank you.**

3 **FEL?**

4 MR. LUEBKEMANN: Thank you, Mr. Chairman.

5 EXAMINATION

6 BY MR. LUEBKEMANN:

7 **Q Good morning, Ms. Nichols.**

8 A Hey, good morning.

9 **Q Good to see you.**

10 A You too.

11 **Q As part of this petition, FPL is seeking**
12 **\$751 million to replace its customer information system?**

13 A Yes.

14 **Q Would that be broadly referred to as the CIS**
15 **to CAMS transition?**

16 A That's a big majority part of that transition
17 of the customer service platform.

18 **Q And -- yeah, it's the majority of it, right?**

19 A Correct.

20 **Q And FPL has started to migrate certain**
21 **customers over to CAMS from CIS?**

22 A We are in preparation for that, but you might
23 be remembering that CAMS is a fully functioning system
24 today, our Northwest Florida customers have been on that
25 system since 2020. And part of this transition is

1 moving our legacy customers, 5.5 million customers to
2 that solution, and that is going to happen in 2027.

3 **Q And I probably should have specified. I mean**
4 **all FPL, including legacy Gulf, there are some FPL**
5 **customers specifically in the legacy Gulf territory that**
6 **are already on CAMS?**

7 A That's correct.

8 **Q That's about 500,000 accounts?**

9 A That's correct.

10 **Q What is a billing exception?**

11 A A billing exception could be a missed read, a
12 high-low, out of normal read that we want to be able to
13 check and validate for accuracy.

14 **Q And it's getting at the idea of making sure**
15 **that the bill the customer is it receiving is correctly**
16 **reflecting their usage and what they owe the company?**

17 A That's correct.

18 **Q Do you know what the billing exception rate is**
19 **in FPL's legacy territory?**

20 A Yes, it's 5.1 percent.

21 **Q And that legacy territory is being held -- is**
22 **being handled still under the legacy CIS --**

23 A Yes --

24 **Q -- that platform?**

25 A -- that's correct.

1 **Q And in Gulf's territory, where CAMS has been**
2 **rolled out for billing processing, what is the billing**
3 **exception rate there?**

4 A It's about 1.15 percent. That's subject to
5 check.

6 As part of the migration for the CIS to CAMS
7 is to put in all the operational efficiencies that we
8 have had over the last 30 years in the legacy system,
9 which has gotten the rate of .15 percent in terms of
10 billing exceptions. What we want to make sure is that
11 there is some billing exceptions that really didn't
12 necessarily need a human to handle, and that was kind of
13 largely what was happening in Northwest Florida. They
14 would get an exception, it was actually right, they had
15 to check it off.

16 So one of the things we were really focused on
17 when the CIS platform was initiated was really reducing
18 those down, obviously, to the .15 percent, so by the
19 time we migrated customers, we would be at that low
20 rate. And so when we started the project, that
21 exception rate was five percent, and it's now
22 significantly lower.

23 That doesn't necessarily mean there were
24 billing exceptions that was leading to inaccurate bills.
25 A lot of those exceptions were as a result of having

1 very fast implementation in 2020 that things were put
2 into that bucket on the CAMS side unnecessarily, could
3 be automated. And that's what we have been working
4 really hard of doing while we incrementally deliver to
5 the CAMS platform.

6 Q Thank you for the additional context.

7 A Yes.

8 Q When we spoke at a deposition in May, I think
9 you stated the rate was around two percent at that time,
10 so has it fallen since then?

11 A Yeah, we are working our way to .15. If we
12 can get to zero, we will.

13 Q Okay. So at that time, then, the error rate
14 would have still been a little over 10 times than what
15 it is on the legacy system under the CIS program --
16 platform?

17 A Yes.

18 Q Okay. Could we go to the big red binder?

19 A Yeah.

20 Q And we are looking for exhibit CEL 356M?

21 A CEL 356?

22 Q Should be in the first --

23 A I see 356. What's the letter?

24 Q M?

25 A Oh, M. 356.

1 Q Do you recognize this slide?

2 A I do.

3 Q And this would be the one slide that's
4 redacted in a presentation about the conversion from CIS
5 to CAMS?

6 A Yes.

7 Q Without revealing confidential information,
8 are you able to characterize anything that is contained
9 in this slide?

10 A This is the analysis of the CIS to CAMS
11 implementation and its impact on EPS.

12 Q Okay. And can you state what an EPS is?

13 A Earnings per share.

14 Q And are you able to share the direction that
15 the impact would have?

16 MS. MONCADA: No. I am going to object. She
17 cannot vocalize that information.

18 MR. LUEBKEMANN: That's perfectly fine.

19 BY MR. LUEBKEMANN:

20 Q Thank you. You can put this one aside.

21 A Thank you.

22 Q I would like to ask you some questions about
23 correspondence in the docket.

24 Back in April when we spoke, FPL calculated
25 only about 20 percent of customer comments that had been

1 **made in the docket in this case were from actual FPL**
2 **customers. Do you recall that?**

3 A Yes, and I think we stated a follow-up with
4 what that was really reflecting, which was that it
5 really was 80 percent of the correspondence that we
6 received were forms in nature.

7 Q Yeah, and I am happy to go there. This would
8 be Exhibit 887, on Case Center number F10-47.

9 So as part of the verification process for
10 determining whether letters came from actual customers,
11 FPL cross referenced email addresses and phone numbers
12 with the ones it has on file for existing customers?

13 A Right, and if we could have account
14 information, yes, that too.

15 Q You would agree that many households include
16 people other than the one who are -- persons other than
17 the one who is listed on the bill?

18 A Yes.

19 Q And those other household members may, in
20 fact, contribute towards paying the bill even if they
21 are not listed?

22 A Perhaps. I don't know.

23 Q Is it possible that customers that fall into
24 that scenario would have been excluded when cross
25 referencing their email address versus one that FPL has

1 **in its system?**

2 A I don't know. You know, we do have additional
3 names on accounts, and so, you know, if we had that
4 name, we would actually have counted that.

5 **Q Okay. But if you didn't have that name on the**
6 **account?**

7 A If we didn't have any way of knowing that it
8 was connected, correct.

9 **Q Okay. And the other major exclusion that you**
10 **made, as you stated, was removing anything that came**
11 **from a form base?**

12 A Oh, we didn't exclude form based, no.

13 **Q In that 83 percent being generated from forms**
14 **versus the 20-percent figure that was ultimately -- we**
15 **can maybe scroll down. I am trying to get it big enough**
16 **to read on mine.**

17 A Okay.

18 **Q Okay. So if you look at the last paragraph of**
19 **the response here, if you could just read the last two**
20 **sentences?**

21 A Less than 20 percent of the correspondence
22 from FPL customers appeared independent of these on-line
23 templates. This was 20 percent of the population that
24 Ms. Nichols referenced during her deposition.

25 **Q That's all I am trying to understand there.**

1 **It's -- that 20-percent figure is excluding anything**
2 **that came from a form or template?**

3 A So I want to just make sure that I am clear
4 around correspondence. We reviewed all correspondence.
5 We didn't exclude any, but if they were in form nature,
6 they had the same, you know, template, it didn't
7 warrant, you know, a full, full review.

8 You know, so we wanted to make sure that we
9 were getting to all the correspondence, and so part of
10 that was reviewing the correspondence and determining
11 which ones were really form, which ones were written,
12 which ones had positive, which ones had negative, if
13 there were any issues with quality of service, that we
14 were handling those, I mean, there were very few of
15 quality of service issues that we had. But the ones
16 that we did recognize, I think there were 16, we created
17 tickets and following up with those customers directly.

18 **Q And for other customers who might have been**
19 **using forms related to the expense of their FPL bill and**
20 **not wanting to see that go up, would you agree that it's**
21 **still a valid concern for a customer to have even if**
22 **they don't put it in their own unique words?**

23 A Yeah, we have heard them, you know, we have
24 heard our customers through the form letters or through
25 written correspondence around the rates. And, you know,

1 from an affordability standpoint, you know, it's
2 important to keep our bills low as possible for our
3 customers, and that's what we are doing, and that
4 matters to all of our customers.

5 **Q And has FPL updated its analysis of docket**
6 **comments since that time?**

7 A We have.

8 **Q And what does that show?**

9 A What's the stats?

10 **Q Yeah, what are the stats now?**

11 A There is a little over 6,000 correspondence.
12 90 percent are form letters just for context. We still
13 reviewed those. And the rest are written form. We had
14 about, out of the remaining 10 percent, about 300
15 letters that were positive in nature, and the remaining
16 over 200 that were concerned about the rate request.

17 **Q And with that, roughly 90 percent you said**
18 **were coming from form letters. Do you have a general**
19 **sense of the tenor of those letters?**

20 A Meaning who was -- which group was associated?

21 **Q Were they advocating for the rate increase?**
22 **Were they advocating against it?**

23 A Oh, they were advocating against the rate
24 request, yes.

25 **Q Did FPL fail a report, sort of after action**

1 **report on the customer service hearings on or around**
2 **September 19th?**

3 A Did we report the summary of the findings?

4 Q **Just did FPL file a letter in the docket in**
5 **this case with a report sort of summarizing the customer**
6 **service hearings?**

7 A Yes.

8 Q **Is that what you have got right there?**

9 A Yes, I do.

10 Q **Do you mind if I ask you few questions on**
11 **that?**

12 A Please.

13 Q **And we passed around copies of this.**

14 **Did you have a role in preparing or reviewing**
15 **this report?**

16 A I did review this report, yes.

17 MR. LUEBKEMANN: And this is not on the CEL,
18 this was filed after the original close to upload
19 things to Case Center, and I neglected to put it on
20 our list for this hearing, so I would appreciate
21 being able to mark this as an exhibit. It is fine
22 if we don't want to do that.

23 MS. MONCADA: FPL has no objection.

24 CHAIRMAN LA ROSA: Okay.

25 MR. LUEBKEMANN: Thank you.

1 MS. HELTON: Mr. Chairman, I think that would
2 be exhibit, then, 1527.

3 CHAIRMAN LA ROSA: 1527.

4 MR. LUEBKEMANN: Thank you.

5 (Whereupon, Exhibit No. 1527 was marked for
6 identification.)

7 BY MR. LUEBKEMANN:

8 Q If we could go to page three of eight of what
9 has now been marked 1527?

10 A Okay.

11 Q And at the top of this page, there is a chart
12 that summarizes the locations and dates and times of the
13 service hearings that were held in this case?

14 A Yes.

15 Q And you attended all of these hearings?

16 A I did attend. Me and my team attended all of
17 these hearings, yes.

18 Q And of these hearings, do you recall if every
19 one of them was scheduled for a weekday?

20 A Versus a weekend, they were on the weekday.

21 Q They are all weekdays?

22 A Yes.

23 Q And if you look at the times they were held,
24 it's fair to say that only three of them were -- only
25 three in-person hearings were held outside of working

1 **hours?**

2 MS. MONCADA: Mr. Chairman, the times are
3 noted on page three.

4 CHAIRMAN LA ROSA: They are. They are, so, I
5 mean, if we just -- I think we are stating what's
6 on the exhibit.

7 BY MR. LUEBKEMANN:

8 **Q Would you agree that only three were held**
9 **after --**

10 A Yes.

11 **Q -- close of business?**

12 A Yes.

13 **Q And that would be Miami Gardens, West Palm**
14 **Beach and Pensacola?**

15 A Yes.

16 **Q And in the third paragraph from the bottom of**
17 **this page, the report claims that 46 percent of the**
18 **total speakers at the customer service hearings spoke in**
19 **favor of FPL's requested rate increase? This is still**
20 **page three of eight.**

21 A Oh, yes. Uh-huh.

22 **Q But now we can go to page five of eight. I**
23 **think you were maybe just flipping to.**

24 A Yep.

25 **Q And does this page break down in the graphs**

1 here by location that sentiment that is reported?

2 MS. MONCADA: The locations are noted on the
3 bottom graph. This is, again, just repeating what
4 the paper says in black and white.

5 BY MR. LUEBKEMANN:

6 Q In addition to black and white, does this
7 graph show in color that in both the Miami Gardens and
8 Pensacola service hearings, more customers were opposed
9 to the rate increase than in favor of it?

10 A Yes. I mean, I would also, you know, note
11 from the quality of service, it's quite the opposite.

12 Q Right. But just looking at the specific rate
13 request to increase rates?

14 A And yes. Yep.

15 Q And that would be two of the three in-person
16 service hearings that were held outside of business
17 hours?

18 A Yes.

19 Q And at the third -- the third service hearing
20 that was held outside of working hours in person would
21 be the West Palm Beach one. Do you recall if any
22 speakers at that hearing reported that they had been
23 asked to speak by FPL, or that they had FPL
24 representation on their boards?

25 A Yes, I recall that. We -- we, you know,

1 followed all the PSC guidelines. We asked all the
2 customers to attend. We followed all the notifications
3 related to the attendance. We wanted to hear from all
4 of our customers about what we were doing well and what
5 we could be working on.

6 **Q And in your recollection, were there customers**
7 **at every service hearing that reported they had been**
8 **asked to be by FPL, or that had either funding from FPL**
9 **on their charities or had FPL representatives on their**
10 **boards of directors?**

11 A Perhaps. I mean, I think, you know, we were
12 really humbled by all of the customers, whether they
13 were community, whether they were business or
14 residential, how they came out to really demonstrate
15 overwhelmingly the quality of service that our 9,000
16 employees work hard every day to do for them.

17 **Q Would you agree as a general matter that**
18 **receiving material or institutional support from FPL**
19 **might impact the testimony that a customer might give at**
20 **a service hearing?**

21 A I don't think so. I -- you know, we encourage
22 all of our employees to be in the community that they
23 serve. It's, you know, really misguided to think that
24 that would be inappropriate. I think we want to be out
25 in the community. We want to hear from our customers.

1 We give a service to our customers. We want to be able
2 to understand if we are doing that well or if we need to
3 improve, and so I don't necessarily agree with that.

4 **Q Well, let me pull it back to my question. I**
5 **am not stating or asking you to opine on the propriety**
6 **of FPL pursuing good and charitable works. The question**
7 **is, do you think that receiving funding from FPL might**
8 **impact the testimony of a speaker who is there on behalf**
9 **of the charitable organization that is receiving that**
10 **funding?**

11 A You know, I listened to all the comments from
12 our customers, and what I can say is they were all very
13 specific to them. There was no formed speech around
14 what they had to say about our quality of service. They
15 were very personal to them.

16 I mean, you heard customers talk about the
17 little things that we did for them, you know, a dog that
18 got out in, and one of our linemen went and helped the
19 dog come back into the home; or some of the big things
20 that we had in Pensacola, where a customer who had
21 residents that really had a need for weatherization and
22 the amazing impact that our team had to lower their
23 bills. And so I think the varied conversation that they
24 brought was personal to them.

25 **Q We can put this one aside.**

1 I have just a few more questions on the
2 customer service hearings and I promise I will move on.

3 A Okay.

4 Q Did FPL solicit any input from its customers
5 about the locations or times that customer service
6 hearings could be held during?

7 A No, not that I know.

8 Q Now, are you aware that FEL, Florida Rising,
9 ECOSWF and LULAC, filed a motion in this docket seeking
10 additional customer service hearings?

11 A I am aware.

12 Q And did FPL file a response to that motion?

13 A They did.

14 Q And was that in opposition?

15 A It was.

16 Q Okay. If we could go on to Exhibit 1058,
17 FEL's Exhibit 185, and it is at F10-13322?

18 Do you recognize this document?

19 A I do.

20 Q And this is a Voice of the Customer survey?

21 A It is.

22 Q And can you just describe briefly what the
23 Voice of the Customer survey is?

24 A Sure. We have a number of Voice of Customer
25 surveys that are related to the transactions that our

1 customers experience, whether it's a move-in, move-out,
2 high bill inquiry, any of the programs. The purpose of
3 these surveys is really to understand what's working
4 well and what areas that we can improve upon.

5 **Q And on the next page, you refer to a journey,**
6 **and there is various journeys involved in here. I just**
7 **want to make sure I understand how you mean that?**

8 A Yeah. So we -- what we want to make sure that
9 when we are asking customers' feedback, that we ask for
10 it at the conclusion of the end of a request, so if
11 there was a new construction request, we want to be able
12 to get their feedback when the actual item has been
13 completed, so we call that a journey so that we are not
14 necessarily pinging them at various times throughout
15 that, so it's a completion of the transaction that we
16 survey the customers.

17 **Q Okay. And then a few pages later at -- this**
18 **is Bates 21316. And this slide is talking about the**
19 **manage energy journey?**

20 A Yeah, that is one of our more challenging
21 journeys.

22 **Q And it shows a decrease of 52 percent -- or to**
23 **52 percent?**

24 A Yes, compared to January of 54.

25 **Q And what does that mean?**

1 A The decrease?

2 **Q Just the percent that I am looking at it, is**
3 **that a percent favorability? How should that be**
4 **interpreted?**

5 A Oh, percent satisfied, overall satisfaction
6 with the manage energy process.

7 **Q Okay. And then if we could go several pages**
8 **down to Bates 21316. Yeah, just give me, I am sorry,**
9 **one second. That should be master number F10-13328.**
10 **And here, it notes that the average respondent's net**
11 **bill went up by 14 percent due to storm cost recovery**
12 **going into effect?**

13 A Yeah, and that was also a time period where we
14 had, you know, the winter storm in north Florida.

15 **Q Which would effect usage?**

16 A Right.

17 **Q And are you familiar with there being storm**
18 **cost recovery in most recent years for FPL?**

19 A I am not the witness for storm cost recovery.

20 **Q Okay. We will follow up.**

21 A Okay.

22 MR. LUEBKEMANN: FEL has also listed documents
23 that were in OPC's -- OPC 2. I see that we are
24 coming up on the noon hour here, I would like to
25 cross some of my questions off to avoid duplicating

1 testimony, so I am wondering if this might be a
2 good time to take a break?

3 CHAIRMAN LA ROSA: Okay. How many -- how much
4 more questioning do you think you have?

5 MR. LUEBKEMANN: I would guess about a half
6 hour.

7 CHAIRMAN LA ROSA: Okay. Let's take a break.
8 It's 12:00 noon now. Let's reconvene at one
9 o'clock.

10 MR. LUEBKEMANN: Thank you, Mr. Chair.

11 CHAIRMAN LA ROSA: Great. Thank you.

12 (Lunch recess.)

13 (Transcript continues in sequence in Volume
14 5.)

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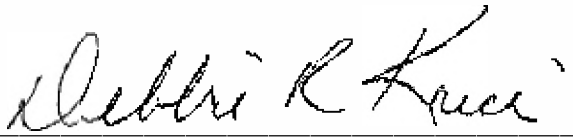
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1 CERTIFICATE OF REPORTER

2 STATE OF FLORIDA)
3 COUNTY OF LEON)
45 I, DEBRA KRICK, Court Reporter, do hereby
6 certify that the foregoing proceeding was heard at the
7 time and place herein stated.8 IT IS FURTHER CERTIFIED that I
9 stenographically reported the said proceedings; that the
10 same has been transcribed under my direct supervision;
11 and that this transcript constitutes a true
12 transcription of my notes of said proceedings.13 I FURTHER CERTIFY that I am not a relative,
14 employee, attorney or counsel of any of the parties, nor
15 am I a relative or employee of any of the parties'
16 attorney or counsel connected with the action, nor am I
17 financially interested in the action.18 DATED this 21st day of October, 2025.
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