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September 27, 2022

VIA ELECTRONIC FILING

Mr. Adam J. Teitzman
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. 20220010-EI
Florida Power & Light Company – Rebuttal of Liz Fuentes

Dear Mr. Teitzman:

Florida Power & Light Company hereby files the enclosed **Rebuttal Testimony of Liz Fuentes** in the above-referenced docket.

A copy of this filing is being served in accordance with the attached certificate of service. Should you have any questions concerning this filing, please do not hesitate to me at (561) 691-7144.

Respectfully submitted,

Christopher T. Wright
Authorized House Counsel No. 1007055

Enclosures

cc: Ken Hoffman

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by Electronic Mail to the following parties of record this 27th day of September 2022:

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s/ Christopher T. Wright

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20220010-EI

FLORIDA POWER & LIGHT COMPANY

STORM PROTECTION PLAN COST RECOVERY CLAUSE

REBUTTAL TESTIMONY OF

LIZ FUENTES

Filed: September 27, 2022

Q. Please state your name and business address.

A. My name is Liz Fuentes. My business address is Florida Power & Light Company, 4200 West Flagler Street, Miami, Florida, 33134.

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 Senior Director, Regulatory Accounting.

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

A. I am responsible for planning, guidance, and management of most regulatory accounting activities for FPL and Pivotal Utility Holdings, Inc. d/b/a Florida City Gas. In this role, I ensure that the financial books and records comply with multi-jurisdictional regulatory accounting requirements and regulations.

Q. Please describe your educational background and professional experience.

A. I graduated from the University of Florida in 1999 with a Bachelor of Science Degree in Accounting. That same year, I was employed by FPL. During my tenure at the Company, I have held various accounting and regulatory positions of increasing responsibility with most of my career focused in regulatory accounting and the calculation of revenue requirements. Specifically, I have filed testimony or provided accounting support in multiple FPL retail base rate filings, clause filings, and other regulatory dockets filed at the Florida Public Service Commission ("FPSC" or the "Commission") as well as the Federal Energy Regulatory Commission ("FERC"). Most recently, I filed testimony in FPL's 2023-2032 Storm Protection Plan ("SPP") filing and the Florida City Gas base rate case filing.

My responsibilities have included the management of the accounting for FPL's cost recovery clauses and the preparation, review, and filing of FPL's monthly Earnings Surveillance Reports ("ESRs") at the FPSC. I am a Certified Public Accountant ("CPA") licensed in the Commonwealth of Virginia and member of the American Institute of CPAs.

Q. Did you previously submit direct testimony in this docket?

A. No, I did not.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to respond to recommendations provided in the direct testimony of Office of Public Counsel ("OPC") witness Lane Kollen in regard to the calculation of revenue requirements included in FPL's 2023 SPP Cost Recovery Clause ("SPPCRC") Projection filing. Specifically, I explain that FPL's revenue requirement calculations reflected in its 2023 SPPCRC Projection filing are consistent with Commission practice and revenue requirements presented in other FPL cost recovery clauses. I also explain why multiple recommendations by OPC witness Kollen to modify FPL's revenue requirement calculations should be rejected.

Q. Does the Commission's SPPCRC Rule, Rule 25-6.031, F.A.C., define or describe how the revenue requirements included in FPL's 2023 SPPCRC filing should be calculated?

A. No, it does not. However, FPL followed the Commission's prescribed templates/forms for the SPPCRC, and similar revenue requirement calculations presented for Commission approval in other FPL cost recovery clause filings, such as the environmental cost recovery clause. For purposes of the costs included in FPL's 2023 SPPCRC Projection filing, the Commission prescribed templates and forms which are provided in Revised Exhibit RBD-4 and Exhibit RBD-5 sponsored by FPL witness Deaton are consistent with the revenue requirement calculations in FPL's 2021 and 2022 SPPCRC Projection Filings approved in Docket Nos. 20200092-EI and 20210010-EI, respectively.

Q. Has the Commission performed an audit of FPL's SPPCRC revenue requirement calculations?

A. Yes. The Commission staff performed an audit of the revenue requirement calculations included in FPL's 2021 SPPCRC Final True-up filing, which covered the period January through December 2021. As reflected in the final audit report issued on September 21, 2022 in this docket, the Commission staff did not note any exceptions to FPL's revenue requirement calculations for the 2021 SPPCRC Final True-Up calculation.

Q. On page 10 of his testimony, OPC witness Kollen states that each utility included programs and costs that are included within existing base rate programs and base rate recoveries and such programs and projects should be excluded from the SPPs and the costs should be excluded from recovery through the SPPCRCs. Do you have a response?

A. Yes. First, OPC witness Kollen made a similar argument regarding programs eligible to be included in FPL's 2023-2032 SPP ("2023 SPP"), which is pending for Commission approval in Docket No. 20220051-EI (the "SPP Docket"). In fact, OPC witness Kollen offers his entire testimony from the SPP Docket as an exhibit in this proceeding, including the portions of his testimony that were stricken by Order No. PSC-2022-0292-PCO-EI and reaffirmed by the full Commission after OPC sought reconsideration. Based on these facts, it appears that OPC witness Kollen seeks to again challenge what programs are eligible to be included in the 2023 SPP. As further explained in the rebuttal testimony of FPL witness Jarro, the issue of what programs should be included in the 2023 SPP will have already been decided prior to the November 1-3, 2022 hearing in this docket.

Second, the only SPP program that the OPC witnesses claim is included in base rates is the Transmission Access Enhancement Program. As explained in the rebuttal testimony of FPL witness Jarro, the Transmission Access Enhancement Program and associated costs are not included in FPL's current base rates.

Third, although I agree that SPP costs cannot be recovered in both the SPPCRC and base rates,[1] I disagree that any of the 2023 SPP projects and costs submitted for recovery through the 2023 SPPCRC Factors are being recovered in FPL's current

[1] The SPP Statute provides that the "annual transmission and distribution storm protection plan costs may not include costs recovered through the public utility's base rates." *See* Section 366.96(8), F.S. Similarly, the SPPCRC Rule provides that costs recoverable through the SPPCRC "shall not include costs recovered through the utility's base rates or any other cost recovery mechanisms." *See* Rule 25-6.031(6)(b), F.A.C.

base rates. As reflected in my direct testimony filed in Docket No. 20210015-EI,[2] the Company requested permission to move all SPP operations and maintenance ("O&M") and remaining capital costs from base rates to the SPPCRC beginning January 1, 2022. This treatment was included in FPL's Stipulation and Settlement Agreement approved by Commission Order No. PSC-2021-0446-S-EI ("2021 Rate Case Settlement Agreement"). Moreover, except for cost of removal and retirements associated with existing assets resulting from SPP projects, there were no 2023 SPP costs forecasted or included in FPL's 2022 Test Year or 2023 Subsequent Year base rate revenue requirements approved as part of the 2021 Rate Case Settlement Agreement. Finally, FPL has implemented unique master data in its systems (*i.e.*, work order type and work breakdown structure) to record SPP capital costs and O&M expenses only to the SPPCRC. Use of this master data approach prevents SPP costs from being recorded to base rates, which eliminates the potential for double recovery in both the SPPCRC and base rates. For these reasons, FPL's current base rates do not reflect any SPP capital costs or O&M expenses and, therefore, no double recovery exists.

Q. Starting on page 18 of his testimony, OPC witness Kollen states that FPL should not have included a return on Construction Work in Progress ("CWIP") in the calculation of the revenue requirements included in its 2023 SPPCRC Projection filing. Do you agree?

[2] See Direct Testimony of Liz Fuentes, filed on March 12, 2021, in Docket No. 20210015-EI, which is available at: http://www.psc.state.fl.us/library/filings/2021/02764-2021/02764-2021.pdf.

A. No, I do not. OPC witness Kollen attempts to point to Section 366.96(9), Florida Statute, and the SPPCRC Rule as a basis for what projects can and cannot earn a return, which is improper and inconsistent with traditional ratemaking. The proper reference for determining how CWIP earns a return is Rule 25-6.0141, Allowance for Funds Used During Construction, F.A.C., (the "AFUDC Rule"), which recognizes that a return on CWIP balances can be achieved in either of two ways: (i) CWIP projects that meet the requirements set forth in section (2)(a) of the AFUDC Rule may accrue AFUDC; (ii) in the event CWIP projects do not meet the requirements to accrue AFUDC under the AFUDC Rule, they are included in rate base.

FPL's SPP projects do not meet the requirements to accrue AFUDC under the AFUDC Rule and, therefore, are included in the calculation of revenue requirements in its 2023 SPPCRC Projection filing as a component of the total investment earning a return. This treatment is consistent with the revenue requirements presented for Commission approval starting with FPL's 2021 SPPCRC Projection filing, which OPC agreed to in a settlement agreement approved by Commission Order No. PSC-2020-0409-AS-EI, and the 2022 SPPCRC Projection filing that was approved by Commission Order No. PSC-2021-0324-FOF-EI.

Q. Has a return on CWIP associated with SPP projects previously been addressed?

A. Yes. As part of the Joint Motion for Approval of a Stipulation and Settlement Agreement approved by Order No. PSC-2020-0293-AS-EI ("2020 SPP Settlement"), FPL, OPC, and Walmart agreed to include a return on net investment (*i.e.*, rate base), including CWIP, for projects recoverable through FPL's SPPCRC beginning with capital costs incurred on or after January 1, 2021. Below is an excerpt from paragraph 23 (b) of the 2020 SPP Settlement:

> The return on the net investment (which includes net plant in service and/or construction-work-in-progress, subject to section D.2.d. below) associated with a capital project cost incurred on or after January 1, 2021, and the related depreciation expense may be eligible for cost recovery through the SPPCRC, subject only to a reasonableness review of projected SPP costs and a prudence review of actual SPP costs in the applicable SPPCRC proceeding.

Q. On page 18 of his testimony, OPC witness Kollen acknowledges that the SPPCRC Rule allows for a return on the "undepreciated balance" of SPP projects in the SPPCRC, which he interprets as "net plant" (plant-in-service less accumulated depreciation) that does not include CWIP. Do you agree with his interpretation?

A. No, I do not. Although the term "undepreciated balance" is not defined in the SPPCRC Rule, the term "undepreciated balance" in section (6)(c) of the SPPCRC Rule refers to capital costs that are yet to be depreciated, which would include CWIP balances since they are capital costs that have not yet closed to plant-in-service and begun depreciation. In addition, the equivalent of OPC witness

Kollen's term "net plant" that he believes is the same as "undepreciated balance" is "net utility plant" which is calculated as follows in FPL's ESR:

Net Plant-in-Service (gross plant-in-service less accumulated depreciation)
+ CWIP (not eligible for AFUDC/earning a return in clause)
+ Property held for future use
<u>+ Unamortized nuclear fuel</u>
Net Utility Plant

Based on the above, it is appropriate to include CWIP in the amount eligible for a return in the SPPCRC as long as it is not earning a return elsewhere. Therefore, OPC witness Kollen's interpretation of the definition of "undepreciated balance" should be ignored.

Q. Does FPL earn a return on CWIP associated with cost recovery clause capital projects in base rates?

A. No. FPL removes all CWIP associated with cost recovery clause capital projects, including amounts associated with SPP projects included in the SPPCRC, from rate base in its base rate revenue requirement calculations and monthly ESRs whether they are eligible for AFUDC or not.

Q. Does FPL earn a return on CWIP associated with cost recovery clauses capital projects through cost recovery clause factors other than SPPCRC?

A. Yes. The Commission currently authorizes FPL to earn a return on all CWIP balances associated with capital projects included for recovery in its environmental cost recovery clause, capacity cost recovery clause, and energy conservation cost recovery clause. Therefore, CWIP should be treated consistently across all of FPL's cost recovery clauses and OPC witness Kollen's recommendation to disallow a return on CWIP associated with SPP projects in the SPPCRC should be rejected.

Q. OPC witness Kollen recommends an alternative to a return on CWIP in rate base by deferring the return as a regulatory asset or miscellaneous deferred debit and including it for recovery in the SPPCRC when the SPP project goes into service. Do you agree this is an acceptable alternative?

A. No. First, this alternative is not consistent with the requirements set forth in the AFUDC Rule and is an attempt by OPC to request that the Commission add additional provisions to the AFUDC Rule or the SPPCRC Rule outside of a rulemaking process. Second, from a ratemaking perspective, OPC witness Kollen's alternative approach is essentially recommending accrual of AFUDC for SPP projects; however, SPP projects do not qualify for accrual of AFUDC.

Q. OPC witness Kollen recommends on page 22 of his testimony that the revenue requirements reflected in FPL's 2023 SPPCRC Projection filing should include a credit for non-storm O&M savings resulting from its SPP projects. Do you agree this credit should be incorporated into the calculation of revenue requirements in FPL's 2023 SPPCRC filing?

A. No, I do not. First, there is nothing in the SPP Statute, the SPPCRC Rule, or any applicable settlement (base rate, SPP, or SPPCRC), that requires FPL to incorporate any O&M savings in its calculation of revenue requirements in its SPPCRC filings. Second, any achieved O&M savings will be reflected in the amount of O&M expenses to be recovered in FPL's base rates or SPPCRC factors in future proceedings. Third, the O&M savings may serve to lower non-capital storm restoration costs associated with major storms not recoverable through base rates. Fourth, FPL is unable to determine the exact amount of O&M expense currently being recovered in FPL's base rates that potentially would be impacted by SPP projects recovered through the SPPCRC. However, any actual O&M savings achieved related to base rates will be reflected as the total amount of O&M expenses recorded on FPL's books and records if and when they are realized and reflected in its monthly ESRs. Finally, it must be remembered that FPL is currently under a 4-year base rate settlement, which OPC agreed to. OPC witness Kollen's recommendation, if adopted, would essentially re-open the 2021 Rate Case Settlement with each annual SPPCRC filing for purposes of revaluating potential base O&M savings. There is nothing in the SPP Statute or SPPCRC Rule that suggests the annual SPPCRC filing should be a mechanism to re-open base rates outside a general base rate proceeding.

Q. OPC witness Kollen recommends on pages 23-25 of his testimony that the revenue requirements reflected in FPL's 2023 SPPCRC Projection filing should include a credit to depreciation expense for base rate assets which are retired as a result of the SPP projects. Do you agree this credit should be incorporated into the calculation of revenue requirements in FPL's 2023 SPPCRC Projection filing?

A. No. Although FPL's base rates to be implemented on January 1, 2023 were approved as part of FPL's 2021 Rate Case Settlement Agreement, FPL did forecast base rate retirements and cost of removal resulting from SPP projects in its 2023 Subsequent Year. Therefore, the amount of depreciation expense reflected in its 2023 Subsequent Year has already been reduced to reflect the estimated retirements associated with SPP projects. Thus, OPC witness Kollen's recommendation that the 2023 SPPCRC should include a credit to depreciation expense for base rate assets which are retired as a result of the 2023 SPP projects is unnecessary and, moreover, would result in a double count.

Q. In the event the Commission accepts OPC witness Kollen's recommendation to require FPL to calculate and apply a credit to depreciation expense for base rate assets which are retired as a result of the SPP projects, what concerns do you have?

A. In addition to the above, a credit to depreciation expense would essentially reopen FPL's 2021 Rate Case Settlement Agreement and relitigate what is recovered in FPL's base rates on an annual basis in the SPPCRC filings. Again, there is nothing in the SPP Statute or SPPCRC Rule that suggests the annual SPPCRC filing should be a mechanism to re-open base rates outside a general base rate proceeding.

Moreover, the base asset being retired is not the same asset being recovered through FPL's SPPCRC. If FPL applied a credit to depreciation expense in the SPPCRC docket, it would never fully recover the cost of the new SPP assets being recovered in FPL's SPPCRC. Therefore, a credit to depreciation expense would be an explicit disallowance of the recovery of SPP assets approved for recovery through the SPPCRC and would be punitive.

Q. Does this conclude your rebuttal testimony?

A. Yes.