

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 20220051-EI

FLORIDA POWER & LIGHT COMPANY
2023-2032 STORM PROTECTION PLAN

REBUTTAL TESTIMONY OF
LIZ FUENTES

Filed: June 21, 2022

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

2 A. My name is Liz Fuentes. My business address is Florida Power & Light Company,
3 4200 West Flagler Street, Miami, Florida, 33134.

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

5 A. I am employed by Florida Power & Light Company (“FPL” or the “Company”) as
6 Senior Director, Regulatory Accounting.

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

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

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

13 A. I graduated from the University of Florida in 1999 with a Bachelor of Science Degree
14 in Accounting. That same year, I was employed by FPL. During my tenure at the
15 Company, I have held various accounting and regulatory positions of increasing
16 responsibility with most of my career focused in regulatory accounting and the
17 calculation of revenue requirements. Specifically, I have filed testimony or provided
18 accounting support in multiple FPL retail base rate filings, clause filings, and other
19 regulatory dockets filed at the Florida Public Service Commission (“FPSC” or the
20 “Commission”) as well as the Federal Energy Regulatory Commission (“FERC”).
21 Most recently, I filed testimony in the Florida City Gas base rate case filing. My
22 responsibilities have included the management of the accounting for FPL’s cost
23 recovery clauses and the preparation, review, and filing of FPL’s monthly Earnings
24 Surveillance Reports at the FPSC. I am a Certified Public Accountant (“CPA”)

1 licensed in the Commonwealth of Virginia and member of the American Institute of
2 CPAs.

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

4 A. No, I did not.

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

6 A. The purpose of my rebuttal testimony is to respond to recommendations provided in
7 the direct testimony of Office of Public Counsel (“OPC”) witness Lane Kollen in regard
8 to the calculation of revenue requirements reflected in FPL’s 2023-2032 Storm
9 Protection Plan (“2023 SPP”) submitted as Exhibit MJ-1 and as corrected by the Notice
10 of Filing a Revised Appendix E to Exhibit MJ-1 filed on May 6, 2022. Specifically, I
11 explain that FPL’s revenue requirement calculations reflected in its 2023 SPP are
12 reasonable estimates consistent with the revenue requirement calculations presented in
13 FPL’s approved 2020-2029 SPP and are not meant to be precise calculations to be
14 relied upon to set rates. In addition, I also explain why multiple recommendations by
15 OPC witness Kollen to modify FPL’s revenue requirement calculations should be
16 rejected.

17 **Q. Before addressing the specific issues and recommendations raised by OPC, do you**
18 **have any general observations regarding the revenue requirements reflected in**
19 **FPL’s 2023 SPP?**

20 A. Yes, I do. OPC witness Kollen fails to recognize that the revenue requirement
21 calculations required under Rule 25-6.030, Storm Protection Plan, Florida
22 Administrative Code (“F.A.C.”) (the “SPP Rule”), are not intended to be precise
23 calculations used to set base rates or cost recovery clause rates. Instead, the revenue
24 requirements are estimates based on reasonable assumptions and the capital costs and
25 operating and maintenance expenses (“O&M”) presented in FPL’s 2023 SPP. In

1 addition, the revenue requirements included in the 2023 SPP do not distinguish whether
2 SPP costs or expenses will be requested for recovery through base rates versus the SPP
3 cost recovery clause (“SPPCRC”) nor are they required to under the SPP Rule. The
4 costs and expenses included in FPL’s 2023 SPP, if approved as is, are not automatically
5 included for recovery from customers. Rather, FPL must request recovery of SPP
6 projects in either its SPPCRC filings or as part of a base rate filing prior to their
7 inclusion in rates.

8 **Q. Does the SPP Rule define or describe how the revenue requirements included in**
9 **FPL’s 2023 SPP should be calculated?**

10 A. No, it does not. Unlike the Commission prescribed templates/forms for the SPPCRC
11 and environmental cost recovery clause filings, the SPP Rule only provides that the
12 SPP must include an “estimate of the annual jurisdictional revenue requirements for
13 each year of the Storm Protection Plan.” See Rule 25-6.030(3)(g), F.A.C. Consistent
14 therewith, FPL has provided revenue requirement calculations based on reasonable
15 assumptions in order to provide an *estimate* of the total costs and expenses associated
16 with each of its SPP programs reflected in its 2023 SPP, which are not solely based on
17 the incremental costs for each of FPL’s SPP programs. The revenue requirement
18 calculations reflected in FPL’s 2023 SPP are consistent with the revenue requirements
19 reflected in FPL’s 2020-2029 SPP filing, which was approved by the Commission in
20 Order No. PSC-2020-0293-AS-EI. In addition, OPC witness Kollen’s references to
21 Rule 25-6.031 F.A.C., Storm Protection Plan Cost Recovery Clause (the “SPPCRC
22 Rule”) and negotiated settlement agreements as to what should be reflected in FPL’s
23 revenue requirement calculations are irrelevant and should be ignored.

24 **Q. OPC witness Kollen recommends on pages 21-22 of his testimony that the revenue**
25 **requirements reflected in FPL’s 2023 SPP should reflect O&M savings and**

1 **reductions in depreciation expense from retired plant resulting from its SPP**
2 **projects. Do you agree both items should be incorporated into the calculation of**
3 **revenue requirements in FPL’s 2023 SPP?**

4 A. No. First, the SPP Rule does not require FPL to incorporate any O&M savings or
5 reduction in depreciation expense in its calculation of revenue requirements in its SPP
6 filings. Second, as previously discussed, FPL’s revenue requirements represent
7 reasonable estimates based on the costs and expenses for the SPP programs reflected
8 in FPL’s 2023 SPP and are not used for ratemaking purposes. Rather, the actual SPP
9 costs, and associated revenue requirements and rates, are reviewed and set in the
10 applicable SPPCRC or base rate proceedings, which would include any O&M savings
11 or reductions to depreciation expense resulting from retired plant.

12 **Q. OPC witness Kollen states on page 22 of his testimony that FPL made an error in**
13 **its calculation of property taxes included in its revenue requirements. Do you**
14 **agree?**

15 A. No, FPL did not make an error. OPC witness Kollen is correct that property taxes are
16 typically evaluated based on property values from the prior year instead of the current
17 year. However, as mentioned above, FPL’s calculation of revenue requirements in its
18 2023 SPP represents reasonable estimates and are not meant to be precise calculations
19 to be relied upon to set rates.

20 **Q. Starting on page 21 of his testimony, OPC witness Kollen states that FPL should**
21 **not have included a return on Construction Work in Progress (“CWIP”) in the**
22 **calculation of its SPP revenue requirement calculations. Do you agree?**

23 A. No, I do not. OPC witness Kollen attempts to point to Section 366.96(9), Florida
24 Statute, and the SPPCRC Rule as a basis for what projects can and cannot earn a return,
25 which is improper and inconsistent with traditional ratemaking. The proper reference

1 for determining how CWIP earns a return is Rule 25-6.0141, Allowance for Funds Used
2 During Construction, F.A.C., (the “AFUDC Rule”), which recognizes that a return on
3 CWIP balances can be achieved in either of two ways. First, CWIP projects that meet
4 the requirements set forth in section (2)(a) of the AFUDC Rule may accrue AFUDC.
5 Second, in the event CWIP projects do not meet the requirements to accrue AFUDC
6 under the AFUDC Rule, they are included in rate base. Since FPL’s SPP projects do
7 not meet the requirements to accrue AFUDC under the AFUDC Rule, FPL has included
8 CWIP associated with these projects in its calculation of revenue requirements in the
9 2023 SPP. This treatment is consistent with the SPP projects previously presented for
10 recovery through FPL’s SPPCRC and approved by the Commission.

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

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

20 **Q. On page 25 of his testimony, OPC witness Kollen attempts to make a connection**
21 **between a return on CWIP in rate base with prudence of SPP project costs. Do**
22 **you agree with this connection?**

23 A. No. As I previously discussed, the basis for whether a project in CWIP should earn a
24 return or not is based on the requirements set forth in the AFUDC Rule. It has nothing
25 to do with whether the costs of an SPP project are prudent or not. Prudence of the costs

1 associated with FPL's SPP projects are determined by the Commission when they are
2 presented for recovery from customers in the annual SPPCRC proceeding or in a base
3 rate proceeding.

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

5 A. Yes.

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25