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VIA ELECTRONIC FILING
Adam Teitzman, Commission Clerk
Division of the Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 20210015-EI
Petition by FPL for Base Rate Increase and Rate Unification

Dear Mr. Teitzman:

Attached for filing on behalf of Florida Power & Light Company ("FPL") in the above-referenced docket are the Rebuttal Testimony and Exhibit of FPL witness Sam Forrest.

Please let me know if you should have any questions regarding this submission.

(Document 7 of 15)

Sincerely,

R. Wade Litchfield
Vice President & General Counsel
Florida Power & Light Company

RWL:ec
Attachment
cc: Counsel of Record

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

REBUTTAL TESTIMONY OF SAM FORREST

DOCKET NO. 20210015-EI

JULY 14, 2021

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Sam Forrest and my business address is Florida Power & Light Company ("FPL"), 700 Universe Boulevard, Juno Beach, Florida 33408.

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

A. Yes.

Q. Are you sponsoring any rebuttal exhibits in this case?

A. Yes. I am sponsoring the following rebuttal exhibit:

- SAF-3 2013-2020 Aggregate Incentive Mechanism Comparison

Q. Please summarize your rebuttal testimony.

A. The proposed Incentive Mechanism has worked well for customers since its inception, with nearly $65 million in incremental benefits delivered to customers since the program started in 2013. However, FPL is proposing to update the program to reflect changes in FPL's system and the markets in which we participate. We believe these updates are in the best interests of customers and continue the incentives that have been put in place to bring benefits to our customers.

The retirement of FPL's share of Scherer Unit 4 is expected to produce significant savings for customers. FPL witness Bores addressed the value in his direct testimony, showing $583 million in direct customer savings from the retirement. It is important to understand there would be no retirement, and thus no $583 million in savings, without the $100 million Consummation Payment being made to JEA. It is also important to understand there was no link between the retirement decision and the Power Purchase Agreement ("PPA") negotiated between FPL and JEA. JEA was free to make any decision they wanted with respect to replacement power. JEA selected the FPL PPA from other alternatives received by JEA. And while the retirement of Scherer 4 reduces FPL's reliance on coal as a fuel source, there are several actions that have been taken by FPL to address the issue of fuel diversity. In fact, FPL's energy contribution from natural gas decreases in 2022, the year of the proposed retirement, and every year thereafter, in large part due to the amount of solar generation being added to the system. Further, FPL has made significant efforts over the years to improve the robustness of the natural gas delivery system and the backup fuel capability at its combined cycle sites.

II. INCENTIVE MECHANISM

Q. Do you agree with OPC witness O'Donnell's contention there is not enough information to understand how the requested expansions of the incentive mechanism will work and therefore should not be approved?

A. No. There is substantial evidence in the record regarding the success of the Incentive Mechanism to date. In fact, as shown on Exhibit SAF-3, FPL has added nearly $65 million in incremental value since the program's inception. Because the Incentive Mechanism is an opportunity-based program, all facts related to expected results cannot be known prior to implementation. Following the original approval in 2012, modifications were made to the program in 2016 to maintain the program's success. These changes benefitted customers, as well as maintained the proper incentives for FPL. FPL is now proposing to expand the mechanism to include all fuel products, as well as Renewable Energy Credits ("RECs"). These incremental products will be entirely additive to what is already a very successful program and will not detract in any way from the optimization activities that already take place, ultimately creating additional economic benefits for customers.

III. RETIREMENT OF SCHERER UNIT 4

Q. Do you agree with FIPUG witness LaConte that the Commission should reject[1] the $100 million Consummation Payment being made to JEA in consideration of the retirement of Scherer Unit 4?

A. No. To be clear, there are no savings associated with the retirement of Scherer Unit 4 without JEA's participation. Through numerous discussions with JEA, there was little progress made on retirement due to a number of factors, most notably the outstanding debt JEA held on their portion of Scherer Unit 4. FPL recognized the value to its customers from the retirement of the unit and was able to negotiate the Consummation Payment in order to incent JEA to agree to

[1] Witness LaConte's Direct Testimony, page 32: lines 15-18.

the retirement. The $583 million in CPVRR unlocked to FPL's customers from this retirement does not happen without the payment.

Q. Do you agree with FEA witness Gorman's contention[2] that FPL should recover the $100 million Consummation Payment through its PPA with JEA?

A. No. Mr. Gorman is directly linking the decision to retire Scherer Unit 4 and the JEA PPA as one transaction. FPL's decision to retire Scherer was made independent from agreeing to the PPA with JEA. With respect to the decision to retire Scherer, there were discussions between the parties over the span of a few years, with JEA expressing hesitation to start negotiating, having just announced the retirement of the St. Johns River Power Park, as approved by the Commission in Order No. PSC-2017-0145-AS-EI in Docket No. 20170123-EI. As the discussions around Scherer began to take hold, there were a number of issues that needed to be addressed, two of which were the outstanding debt that JEA held on their portion of Scherer, as well as the replacement of the roughly 200 MW JEA would be losing as a result of the retirement. It is my understanding that JEA went to the market to pursue a PPA for replacement power. As part of that process, FPL offered to supply the 200 MW and JEA selected our offer. There was no link between the Consummation Payment and the decision to select FPL's PPA offer. The fact both are addressed in the Cooperation Agreement between the parties only goes to document the decisions made during the process but does not link the two.

[2] Witness Gorman's Direct Testimony, page 14: lines 15-17.

Q. OPC witness Smith discussed a number of issues related to the decision to retire Scherer, including fuel diversity, Georgia Power, and a potential sale of FPL's ownership share of Scherer Unit 4[3]. How do you respond?

A. In my direct testimony, I discuss the steps that have been taken to address the robustness of the natural gas delivery system that FPL relies on, as well as the backup fuel that is available across much of FPL's combined cycle fleet. Additionally, with the addition of Gulf Power Company ("Gulf"), FPL's reliance on natural gas is projected to drop in 2022 and every year thereafter. As shown in Schedule 6.1 of FPL and Gulf's 2021 Ten Year Site Plan[4], every megawatt-hour that is lost from the retirement of Scherer Unit 4 is more than offset by a megawatt-hour of new solar generation. This creates a measure of fuel diversity that isn't addressed by Mr. Smith.

With respect to Mr. Smith's mention of Georgia Power and Scherer, FPL's system is different than Georgia Power's and FPL's approach to resource planning is not the same as Georgia Power's approach. In fact, while Georgia Power may hold Scherer in "higher regard" than FPL and continues to invest in its coal fleet, FPL has sought and received approval from this Commission to retire Cedar Bay (Order No. PSC-15-0401-AS-El, Docket No. 150075-EI), Indiantown Cogeneration LP (Order No. PSC-16-0506-FOF-EI, Docket No. 160154-EI), and St. Johns River Power Park (Order No. PSC-2017-0145-AS-

[3] Witness Smith's Direct Testimony, page 45: line 20 through page 47: line 11

[4] Docket No. 20210000-OT Florida Power & Light Company and Gulf Power Company's 2021-2030 Ten Year Power Plant Site Plan

EI, Docket No. 20170123-EI). FPL has been clear regarding its intent to reduce its reliance on coal, improve operational efficiencies, and reduce its environmental footprint.

Additionally, Mr. Smith suggests the retirement of Scherer Unit 4 will expose FPL's customers to higher costs from natural gas price increases. As I noted earlier in this discussion, FPL's reliance on natural gas is actually projected to decrease from 2021 to 2022, and every year thereafter, as a result of the additional solar being added to its system. From a natural gas price perspective, FPL's customers appear to be similarly situated after the retirement of Scherer Unit 4 and, in fact, better off as more solar is added to the system.

Finally, Mr. Smith expresses interest in whether FPL pursued a sale of the unit to Georgia Power. FPL did pursue other alternatives to retirement, including a sale of its share of Scherer Unit 4. There was very limited interest from the market and the resulting economics of a sale would have paled by comparison to the retirement scenario being presented herein.

Q. Does this conclude your rebuttal testimony?

A. Yes.

2013-2020 Aggregate Incentive Mechanism Comparison

CATEGORY	PRIOR MECHANISM	CURRENT MECHANISM
Economy Sales Gains	$211,973,392	$211,973,392
Variable Power Plant O&M (Economy Sales)	$0	($16,169,074)
Economy Purchases Savings	$82,224,968	$82,224,968
Capacity Release of Electric Transmission	$8,922,517	$8,922,517
Natural Gas Optimization	$0	$122,609,648
Total Optimization Benefits	**$303,120,877**	**$409,561,451**
Incentive Mechanism Customer Benefits	$289,708,602	$357,362,904
Incentive Mechanism FPL Benefits	$13,412,275	$52,198,548
Incremental O&M Expenses (Personnel, Software, Hardware)	$0	($3,947,454)
Variable Power Plant O&M (Economy Purchases)	$0	$1,081,292
Net Customer Benefits	$289,708,602	$354,496,741
Net FPL Benefits	$13,412,275	$52,198,548
Customer % of Benefits	95.6%	87.2%
FPL % of Benefits	4.4%	12.8%
Additional Customer Benefits Under Current Mechanism		**$64,788,139**