BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20210015-EI

Petition for rate increase by Florida Power & Light Company.
___________________________/

VOLUME 13
PAGES 2817 - 2938

PROCEEDINGS: HEARING

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

DATE: Monday, September 20, 2021

TIME: Commenced: 1:00 p.m.
Concluded: 5:28 p.m.

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

REPORTED BY: ANDREA KOMARIDIS WRAY
Court Reporter

APPEARANCES: (As heretofore noted.)

PREMIER REPORTING
112 W. 5TH AVENUE
TALLAHASSEE, FLORIDA
(850) 894-0828

I N D E X

EXHIBITS

NUMBER:		ID	ADMITTED
478-483	As identified in the CEL		2933
620	As identified in Volume 12		2933
621	PSC Order No. 2013-0023-S-EI, Order Approving Revised Stipulation and Settlement - Excerpt, Pages 1-9	2836	2933
622	Updated CPVRR analysis for FPL SolarTogether Phase One, from PSC Docket No. 20190061	2836	2933
623	FPL 2021 TYSP excerpt	2836	2933
624	Staff's 12th Data Request to FPL, No. 1	2836	2933
625	FL RISING-LULAC-ECOSWF'S 5th Interrogatory to FPL, No. 57	2836	2933
626	FL Rising-LULAC-ECOSWF'S 5th Interrogatory to FPL, No. 56	2836	2933
627	Staff's 8th Data Request to FPL, No. 6	2836	2933
628	FL RISING-LULAC-ECOSWF'S 5th Interrogatory to FPL, No. 58 - Percent Sales and Allocations	2836	2933
629	FL RISING-LULAC-ECOSWF'S 5th Interrogatory to FPL, No. 60	2836	2933
630	FL RISING-LULAC-ECOSWF'S 5th Interrogatory to FPL, No. 61	2836	2933
631	FL RISING-LULAC-ECOSWF'S 5th Interrogatory to FPL, No. 59	2836	2933
632	MFR E0l Test Consolidated With RSAM - Attachment 2	2836	2933
633	Staff's 5th Data Request to FPL, No. 6	2836	2933

EXHIBITS (Continued)

NUMBER:		ID	ADMITTED
634	Staff's 4th Data Request to FPL, No. 2	2836	2933
635	FL RISING-LULAC-ECOSWF'S 4th Production of Documents, No. 39, Attachment 1 - Minimum Bill	2836	2933

P R O C E E D I N G S

(Transcript follows in sequence from Volume 12.)

MS. MONCADA: Mr. Chairman, we tender the five witnesses for cross-examination.

CHAIRMAN CLARK: All right. We'll begin with -- the order I have here is OPC. Any questions?

CLEO. No questions?

MS. OTTENWELLER: No questions.

CHAIRMAN CLARK: No questions.

FAIR, Mr. Wright.

MR. WRIGHT: Thank -- thank you, Mr. Chairman. I do have some questions for this panel.

(Whereupon, the following witnesses were questioned as a panel.)

EXAMINATION

BY MR. WRIGHT:

Q Hey, y'all. I'm going to go through a few questions that arose in the oral rebuttal first and then I have a few other questions that I'll ask at the end.

First question, for Mr. Barrett -- although other witnesses touched on it.

You did mention in your oral rebuttal that the settlement would provide for -- or would encourage,

facilitate, FPL improving its emissions profile, correct?

A (Barrett) Correct.

Q My question for you is this: Does FPL have a net-zero greenhouse-gas emissions target date?

A (Barrett) No.

Q Does FPL have a physical-zero greenhouse-gas emissions target date?

A (Barrett) No.

Q Thank you.

You referred to the settlement agreement's provisions for the other pilot pro- -- programs.

Are any of those -- do any of those include rates and revenues to be recovered through any of the cost-recovery clauses?

A (Barrett) I don't believe so, but I'm gonna ask Mr. Valle to handle that, if you don't mind.

Q Please do. Thanks.

A (Valle) There are a couple programs that you may be referring to that are tariff -- voluntarily tariffs that are part of the settlement package. So, I can zero in, if you point me to which one, but we have a residential EV-charging tariff, commercial-fleet charging-infrastructure tariff, and then a solar-facilities tariff.

Q Thank you. That was actually going to be my next question.

So, the first question I -- I wanted to ask is: Are any of the pilots -- do any of the pilot programs provide for cost recovery through an existing cost-recovery clause?

A (Barrett) No.

Q Okay. Thanks.

Now, the -- you just -- Mr. Valle just explained that there are, I think, three EV-charging programs that would be the subject of voluntary tariffs; is that accurate?

A (Valle) There are two EV-charging tariffs, volunteer tariffs, and one solar tariff.

Q Okay. Thank -- thank you.

Given that those are voluntarily tariffs, am I -- am I correct that any base revenues that accrued pursuant to those tariffs would be outside the base-rate cap?

A (Barrett) Can you explain what you mean by base-rate cap? I mean, we're not gonna -- we're not increasing base rates for these proposals. Does that answer the question?

Q Correct.

A (Barrett) No incremental --

Q It would not -- sorry.
A (Barrett) There's no incremental increase other than provided for in this settlement agreement.
Q But the reven- -- the additional revenues accruing to FPL through those voluntary tariffs would accrue to FPL's earnings, correct?
A (Barrett) They go to pay the revenue requirements of those programs.
Q Are you suggesting that their -- that their revenues provided by those programs would only cover those revenues -- cover the program's costs -- pilot tariffs' costs?
A (Valle) Yes, that's the intention. Two of those pilots include -- the solar and the EV-charging pilot are just equipment. So, we look at the capital deployed, use a capital-recovery factor over the ten-year life, and intend to recover that.
That becomes the effective bill to the customer and we recover that over ten years. There's a termination penalty, Commission, if a customer had stepped away from that. So, we think the general body is protected there.
The only modification on the residential one is that is both a level-two charger -- so, an equipment lease through the tariff -- plus, also energy that goes

with that.

Q Thank you.

My next small number of questions are -- will be directed to Mr. Bores.

Mr. Bores, I -- I think that I understood you to say that, without the RSAM, FPL would use alternate depreciation rates, correct?

A (Bores) Yes, if the four-year proposal were not adopted. A big piece of the four-year proposal is the ability to use the RSAM flexibly over that period.

If not, yes, there would be no four-year proposal, which would naturally push us back to the filed depreciation study.

Q I think that I understood you to say that -- that the savings that -- that you claim accrue from the RSAM are attributable to using the different depreciation rates.

Did I get that -- did I understand you correctly?

A (Bores) Yes, the alternative parameters have different depreciation lives than the depreciation study. It reduces the depreciation accrual. So, yes, there -- the RSAM results in a savings and the depreciation accrual, such that, if we don't adopt the RSAM, all else equal, rates would be higher, to the tune of almost $200 million per year.

Q Isn't it true that the Florida Public Service Commission could use the alternate depreciation parameters, which are in evidence in this case, to set depreciation rates and any depreciation reserve surplus treatment in its final decision in the case?

A (Bores) I think the Commission naturally has leeway to do whatever they decide, but that is not the proposal here before them today. I think we've been very clear that the RSAM and having that RSAM is what allows us to commit to that four-year proposal.

I've demonstrated that we project to have significant increase in revenue requirements in both 2024 and 2025 and, without the RSAM, we'll not be able to cover those revenue requirements and, thus, will push us back to a two-year proposal in a rate case, most likely, into 2022 -- or I'm sorry -- 2023 for new rates effective in 2024.

Q I do think you answered my question by saying the Commission has the leeway to do what it thinks best with these parameters, correct?

A (Bores) I think the Commission always has discretion, but again, that's not the proposal before them today.

Q Thank you.

I think you made a statement to the effect that they -- having the RSAM at the mid-point ROE or capping the use of the depreciation reserve surplus at the mid-point ROE would dis-incentivize FPL from seeking productivity savings.

Did I -- did I translate that correctly?

A (Bores) Yes, I -- I think that's what I said. Essentially, having that flexible use allows us to carefully manage the business. We -- we have a set pot of RSAM, or 1.45 billion, that we need to carefully manage over the four-year period.

So, allowing us to use a little more early on and potentially go above the mid-point while we work to find productivity savings over the four-year period is a key factor in our ability.

And taking that away from us, we just think, doesn't have the -- the same incentive for us to go out and find that productivity savings to be able to deliver it to customers as fast as we could.

Q So --

MS. MONCADA: Mr. Wright -- I'm sorry -- I -- I really don't mean to interrupt your flow --

MR. WRIGHT: That's okay.

MS. MONCADA: -- but I think that there's a little bit of going -- going in and out with

Mr. Bores and the mic. I want to make sure that the court reporter can hear. I think she's having just a little bit of trouble.

I don't know if maybe you can put it closer to you, if that's possible.

MR. BORES: I'll try.

MS. MONCADA: Thank you.

BY MR. WRIGHT:

Q Okay. So, here -- here is a hypothetical question -- but that's fair in this line of work. Suppose you have the opportunity to save -- to do something to save a hundred million dollars in 2023 -- wouldn't FPL pursue that?

A (Bores) Yes, we -- we always do what's best for our customers.

Q Why would a capped ROE -- capped use of the RSAM at the mid-point ROE affect FPL's incentive to go get that hundred million dollars of savings?

A (Bores) It could change how we manage the business, right, whether we -- we make a capital investment and can earn a fair return on that to get O & M savings over the period. Just limiting the use or how we -- how we manage that RSAM over a four-year period changes the way we operate the business.

Q Thank you.

I have a -- a few questions about the process and the nature of the settlement. I think that -- that my friend, Mr. Barrett, will be the best person to answer them, but if somebody else wants to jump in, that's okay with me.

I think it's clear from the testimony that's been given that the settlement pro- -- the settlement agreement was the product of negotiations, correct?

A (Barrett) Correct.

Q Can you tell us when those negotiations began?

MR. LITCHFIELD: I'll -- I'll object to a line of questioning that per- -- that goes to the details, the timing, the parties, anything relating to the negotiations.

MR. WRIGHT: I'm not going to ask him to name names, but I do have a couple more questions. And you're certainly free to make whatever objection you want, and we'll see how it goes.

BY MR. WRIGHT:

Q Were all of the parties who signed the settlement agreement that was submitted on August 9th present at -- at the negotiations before it was signed?

MR. LITCHFIELD: Again, Mr. Chairman, I object to the line of questioning that goes to the negotiations, themselves, who participated, when they participated. The parties that participated in the settlement negotiations signed obligations of non-disclosure, the terms of which Mr. Wright is very familiar with, having signed such settlement agreements, non-disclosure agreements in the past.

MR. WRIGHT: Mr. Chairman, I'm not asking him to name any names. I'm not asking him to reveal any specific details of the negotiations. I'm asking: Were the parties who signed the agreement present at the negotiation.

CHAIRMAN CLARK: Ms. Helton, where are we -- where do we stand on -- on the legalities of disclosing this information, in your opinion?

MR. WRIGHT: And I'll make one more proffer, if I may, Mr. Chairman. This goes to the credibility of the negotiation process. Thank you.

CHAIRMAN CLARK: Ms. Helton?

MS. HELTON: If I could have a minute to confer with the general counsel and Ms. Crawford, that would be helpful, but I guess, also, too -- so, exactly what is the objection? I understand that you're concerned that he's asking questions about the settlement process, but what specifically is your objection beyond that?

MR. LITCHFIELD: The objection is that

settlement negotiations are inherently protected, by law. We, in fact, have signed obligations of non-disclosure among the parties who participated.

And those obligations include not disclosing, in fact, whether discussions are even happening, how -- the status of those discussions, when they initiate, when they terminate, when they may fall apart. These are standard terms that -- that the parties typically have signed in settlement negotiations.

And, to Mr. Wright's point, if he wants to test the, quote, unquote, "credibility of the negotiations", well, I submit that is not the issue before this Commission. The issue before this Commission is whether the agreement that is the result of negotiations is in the public interest.

MS. HELTON: May we ask Mr. Wright if he has a response to Mr. Litchfield?

MR. WRIGHT: Yes. I'm not asking him to reveal anything that would otherwise be prohibited by any of the NDAs that I am familiar with. And I think the credibility of the negotiation process is squarely of interest to this Commission.

CHAIRMAN CLARK: Let's take five minutes. Let me do an evaluation here. We'll be right back.

(Brief recess.)

CHAIRMAN CLARK: All right. Let's get everybody back in their places, get started.

As a man once told me, never ask a question you don't know the answer to already, but I'm going to turn this over to you, Mary Anne.

MS. HELTON: Unfortunately, Mr. Chairman, I didn't know the answer either, but we have conferred with your lawyers, and I have an answer for you now. So, I appreciate the time very much.

I believe that any questions about the negotiations, themselves, are irrelevant and inappropriate; however, if Mr. Wright were to ask when his client was told or in- -- or informed of the settlement, I think that that would be an appropriate line of questioning, if that is, in fact, where he is going.

CHAIRMAN CLARK: All right. I'm gonna sustain the objection based on the questions regarding the terms or portions of the settlement agreement.

Mr. Wright, are you good? You -- you understand?

MR. WRIGHT: Oh, yes. I -- Ms. Helton explained it very well.

I -- I have -- I have a few questions along this line and --

CHAIRMAN CLARK: Proceed.

MR. WRIGHT: -- if Mr. Litchfield objects and you sustain, then -- then we'll know what the answer to that is.

BY MR. WRIGHT:

Q The ultimate -- the question I really want to know the answer to is, is this -- and I think -- I think it's been acknowledged anyway -- is: Were the negotiations secret.

MR. LITCHFIELD: I'll object to the characterization of negotiations as "secret".

CHAIRMAN CLARK: Sustained.

MR. LITCHFIELD: They are negoti- -- thank you.

BY MR. WRIGHT:

Q Did any -- did you tell the Public Service Commission staff that the negotiations were going on?

MR. LITCHFIELD: Same objection. Mr. Wright is very familiar with the terms of non-disclosure agreements that he, himself, previously has signed; that that, in fact, would be a violation --

CHAIRMAN CLARK: Sustained.

MR. LITCHFIELD: -- of the settlement.

MR. WRIGHT: Thank you.

I'll move on to my last brief line of questioning.

BY MR. WRIGHT:

Q I think this is also for Mr. Barrett.

Mr. Barrett, as I understand it, the settlement agreement is presented as an all-or-nothing deal, correct?

A (Barrett) I guess I would characterize it as it's a comprehensive deal that parties agree, in its totality, represents the public interest.

Q Well, if I look at Paragraph 30, it says your -- if it's not im- -- approved in its entirety, it's not approved. It's not a deal, amongst the parties; is that accurate?

A (Barrett) That is accurate.

Q Has FPL ever agreed to modify a settlement agreement that had initially been presented to the Florida PSC as an all-or-nothing deal or as a comprehensive deal, as you just characterized it?

A (Barrett) I don't know.

Q Isn't it true that that's exactly what happened in the 2012 rate-case settlement?

A (Barrett) Could you recharacterize what you're saying happened in 2012?

MR. WRIGHT: In 2012 -- no, let's just do this.

Candice?

(Discussion off the record.)

MR. WRIGHT: Mr. Chairman, I -- I had hoped not to have to do this, but I had an exhibit prepared in case I got an equivocal -- an equivocal answer to my question.

MR. LITCHFIELD: Mr. Chairman, if I may suggest to Mr. Wright -- I mean, feel free to distribute the exhibit, but if there's a question that you can ask the witness that might recall his -- his memory, I have no objection to you asking that type of a question to see if he remembers a -- a specific fact or circumstance.

BY MR. WRIGHT:

Q Well, Mr. Barrett, is- -- isn't it true that in the 2- -- coming out of the 2012 -- or during the 2012 case, FPL and a few settling parties submitted a settlement agreement to the Commission that sought an increase of $378 million per year as the first-year increase, correct?

A (Barrett) Subject to check, I'll agree to that.

Q Thank you.

Isn't it true that, at the agenda conference,

the Florida Public Service Commission expressed some concerns regarding the terms of the settlement agreement?

A (Barrett) I don't recall specifically, but I do recall there being a discussion about that.

Q Isn't it true that, subsequent to those discussions, FPL and the other settling parties agreed to reduce both the revenue requirement and the ROE?

A (Barrett) Yes, I believe that's the case.

MR. WRIGHT: Mr. Chairman, I would like this marked for identification. This is an excerpt from the Commission's Order No. 2013-0023-S-EI. We --

CHAIRMAN CLARK: We'll mark it No. 621.

MR. WRIGHT: Thank you.

(Whereupon, Exhibit No. 621 was marked for identification.)

BY MR. WRIGHT:

Q It's an excerpt from -- it's an expert -- it's the actual order part excluding the settlement agreement, itself, from -- from that order.

MR. LITCHFIELD: I -- I'm sorry, Mr. Wright. You faded away. Could you rephrase what you just said or restate what you said?

MR. WRIGHT: Oh. I simply said, it -- it is the order part of that order; it does not include the appendix to the order, which is the settlement agreement, itself.

MR. LITCHFIELD: Thank you.

MR. WRIGHT: That's all.

And if -- if FPL will agree that we can have this come into evidence, I won't ask any more questions.

MR. LITCHFIELD: No objection.

CHAIRMAN CLARK: All right.

MR. WRIGHT: Thank you.

CHAIRMAN CLARK: All right. Next up, FEA?

MAJOR KIRK: No questions.

CHAIRMAN CLARK: FIPUG.

MR. MOYLE: No questions.

CHAIRMAN CLARK: FIT -- not here, he can't ask any questions, right?

FRF?

MR. BREW: No questions.

CHAIRMAN CLARK: And Florida Rising.

Mr. Marshall, we'll give you guys a second to get set up.

MR. MARSHALL: Thank you, Mr. Chairman.

Mr. Chairman, I believe a packet of cross-examination exhibits for the panel should have been handed out. I just want to make sure everyone has it.

CHAIRMAN CLARK: All right. Everyone have copies of the exhibits?

MR. MARSHALL: I --

CHAIRMAN CLARK: Mr. Marshall, would you like to mark these?

MR. MARSHALL: Yes. I believe -- there's 14 exhibits here, so we should be -- I think there --

CHAIRMAN CLARK: There are 14 in my hand?

MR. MARSHALL: Yes.

CHAIRMAN CLARK: Okay.

MR. MARSHALL: And so, I think it will be 622 through 635, in the order that they've been handed out.

CHAIRMAN CLARK: All right. Let's make sure we're all on the same page. I'm gonna go through these very quick. The first one is 622. That's updated CPVRR analysis; 623 is 2021 TYSP excerpt; 624, staff's 12th data request; 625, Florida Rising/LULAC/ECOSWF fifth interrogatory to FPL; 626, Florida Rising/LULAC fifth interrogatory, No. 56; Exhibit 627, staff's 8th data request to FPL, No. 6.

I take it this is all one document? 628, Florida Rising fifth interrogatory, No. 58; 629, Florida Rising fifth interrogatory to FPL, No. 60; 630 will be interrogatory to FPL No. 61; 59 will be 631; 632, MFR EO1 test consolidated with the RSAM.

The final one -- oh, no, it's -- what are we on, 633? 633, staff's fifth data request to FPL, No. 6; 634, staff's fourth data request to FPL, No. 2; 635, Florida Rising/LULAC, No. 39, Attachment No. 1, minimum bill.

Are we all clear? Got it? Did I get them right, Mr. Marshall?

MR. MARSHALL: Yes, Mr. Chairman, that matches what I have.

(Whereupon, Exhibit Nos. 622 through 635 were marked for identification.)

EXAMINATION

BY MR. MARSHALL:

Q Mr. Barrett, this question is for you and will have no context of follow-up, but is an agreed-upon question.

Has Duke filed a complaint at FERC related to the North Florida Resiliency Connection?

A (Barrett) Yes.

Q Mr. Bores, during your oral rebuttal testimony, you -- you discussed how Mr. Rabago had the extra costs regarding the 20-year amortization period

wrong.

Do you recall that?

A (Bores) Yes, I do.

Q And do you have an estimate on the increase in costs, on a nominal basis, based on increasing that period from 10 years to 20 years?

A (Bores) Yes, I -- I think, roughly, in nominal terms, it was somewhere in the magnitude of $600 million, but as I described, I think the correct way to look at that is on a discounted basis where customers should be relatively indifferent.

Q And, Mr. Bores, if I could direct you to the Exhibit SRB-17, Hearing Exhibit 620.

A (Bores) Yes.

Q Am I reading this exhibit correct that, in 2025, that you project an adjusted rate base of a little over $66 billion for FPL?

A (Bores) Yes, that is correct.

Q Does that include the SolarTogether that's contemplated in the settlement?

A (Bores) I'm trying to remember when this was prepared -- yes, it does.

Q During your -- I believe it was during your oral rebuttal testimony, you discussed how Mr. Rabago's 11.7-percent ROE -- where -- where he took your model

and put the 11.7-percent ROE was incorrect because he didn't change the -- I believe the -- the subscription cost that -- to reflect that -- the design of the program.

Is that -- do I have that right?

A (Bores) Yes, I think that's -- that's one flaw.

Another flaw is customers aren't paying rates at 11.7 percent. So, to assume they are, in that model, over a 35-year life of the SolarTogether facilities is just another flawed example.

Q And regarding that adjustment for the return on equity -- is there any mechanism in the tariff to change the subscription costs, based on FPL's return on equity?

A (Bores) No, that's not the design of the program.

Q I believe, as you have testified, as part of the settlement, alterations were made to the SolarTogether program.

A (Bores) Yes, I think Mr. -- Mr. Valle touched upon those in his summary.

Q And -- and I should have been clear, this line of questioning can be for Mr. Valle or -- or for you or for anyone, but I believe it would be Mr. Valle and you,

Mr. Bores, that would be most-qualified to -- to answer these questions.

And, as part of those changes, as part of the settlement, credits to participants were -- were increased from where they are presently; isn't that right?

A (Valle) Yes, that's correct.

Q And so, if you go to Exhibit REB-15, Page 260 -- do -- do you have your exhibits with you?

A (Barrett) REB- --

MR. LITCHFIELD: Sorry, Mr. Marshall, did you say "REB"?

MR. MARSHALL: Yes, "REB".

MR. LITCHFIELD: It's Mr. Barrett's exhibit.

MR. MARSHALL: It's -- it's Mr. Barrett's exhibit. It's the settlement.

MR. LITCHFIELD: Right.

MR. MARSHALL: It's -- it's in the settlement.

MR. LITCHFIELD: Okay. Thank you.

BY MR. MARSHALL:

Q But, again, I s- -- I mean, if Mr. Barrett is the most- -- you know, if you feel most-qualified to answer these questions, feel free. This is for anyone, but I suspect --

A (Barrett) I just wanted to understand which

exhibit it was.
Q Yes.
A (Barrett) What page number did you say?
Q Page 260.
CHAIRMAN CLARK: What was the exhibit number, Mr. Marshall, that you referred to?
MR. MARSHALL: REB-15. This is Hearing Exhibit --
CHAIRMAN CLARK: REB-15 is CEL 483, if that helps.
MR. BARRETT: I think we'd have to get a copy from Counsel. That has -- that's an attachment to the settlement agreement, I think?
MR. MARSHALL: Yes, that's correct.
MR. BARRETT: All the tariffs?
MR. MARSHALL: Yes.
MR. BARRETT: Give us the page number --
MS. MONCADA: -- the page --
MR. BARRETT: -- again?
MR. MARSHALL: Page 260.
MR. LITCHFIELD: Mr. Marshall, perhaps you could describe the -- the page. The pagination may be different.
MR. MARSHALL: Sure. This is the -- this is going to be second revised sheet, No. 8.934, the

monthly subscription participant rates for the SolarTogether program.

MR. VALLE: I -- I've got it here. I think -- yeah, we have it. We can share.

BY MR. MARSHALL:

Q And so, this is -- these are the -- the rates on this sheet are the rates that are -- FPL is asking to be approved as part of the settlement agreement.

A (Valle) That's correct, to the extent (unintelligible).

Q And --

THE COURT REPORTER: I'm sorry? Repeat that.

MR. VALLE: Yeah, sorry. The mic, here.

That -- yes, that's correct, for the extended program.

BY MR. MARSHALL:

Q And so, for example, in year one of the program, the credits are -- for the subscription credit will be 3.59792 cents per kilowatt hour.

A (Valle) Yes, that's correct.

Q And that's an increase from the present rate for subscription credit in -- in the program?

A (Valle) That is correct, yes.

Q And the -- those current rates for the program are contained on the prior page of the exhibit,

Page 259; is that right?

A (Valle) I don't have that sheet in front of me, but subject to check, yes, that would be the appropriate spot for it.

Q And subject to check, that increase in credits is a little over 5 percent?

A (Valle) Yes, that sounds right.

Q And for almost all the following years, there is also an increase in subscription credits as compared to the current subscription credits in SolarTogether.

A (Valle) That's correct, Commission. We -- when we combined the program, we set the extended program at one rate. So, this is -- reflects a one-time adjustment for the original customers in SolarTogether and then new customers that would join the extended program to the new rates that are published on 8.934.

It is true that the benefit rate for year one and all subsequent years went up a little bit. The -- the escalation went down -- the benefit-rate escalation went down a little bit when we made these changes.

Q Now, we're going to be looking at the CPVRR analysis for SolarTogether. So, this might be going back to Mr. Bores, SRB-16. And we are also gonna be looking at Exhibit No. 622 --

Exhibit 620- -- I'm sorry. Exhibit 622 is the

CPVRR summary for the -- from the original phase of SolarTogether; is that right?

A (Bores) Yes, that's what it appears to show.

Q And on Exhibit SRB-16, Page 2 of 3 is the revised CPVRR projection of that original phase, incorporating the changes FPL proposes to make here in the settlement agreement.

A (Bores) Yes, that's correct.

Q One of those changes is extending the life of the solar to 35 years; is that right?

A (Bores) Yes.

Q Another change that -- that we just discussed was increasing the credits.

A (Bores) Yes. Mr. Valle just touched on that.

Q And, originally, looking at Exhibit 622, from the original phase, the general body of customers was projected to receive $111.9 million of CPVRR benefits; is that right?

A (Bores) Yes.

Q And now, under the revised projection on Exhibit SRB-16, Page 2, the general body of customers is expected to receive 68 million of CPVRR benefit.

A (Bores) Yes, I think we've got a little bit of an apple and an orange going on here. I think, as Mr. Valle talked about, we designed an extended program, and that extended program creates $648 million of total benefits.

In redesigning the program between the original phase and the extension phase, we kind of reallocated those benefits that resulted in the higher benefit rate, but overall, we're still projecting $292 million of total benefits for the general body of customers, which is significantly higher than the 112 million from the original program.

Q The --

A (Valle) Commission, I'd just like to add one point here because we're getting into the math and having to explain kind of the why, but the rationale for this was, simply, the deal that we had talked about in the original SolarTogether docket, where we set participating customers on a seven-year payback -- we wanted to keep that for the extension phase here.

And, as Mr. Bores just pointed out, we were able to do that with this new extension and put the general body in an even-better position than they were in the previous -- in the previous docket. So, that's why we had decided to set those parameters as is.

And then we looked at this, simply, as keeping one deal in the marketplace. We didn't want to have different vintage- -- different vintages of deals and, because we've been bringing customers in over the last 18 months as we've been building sites, we thought one extended program made the most sense. That's the rationale underlying some of the numbers.

Q The net distribution of credits to participants has also increased on a nominal and CPVRR basis?

A (Bores) Yes. Again, as I think I just talked about, we -- we have a much bigger program now with a great pot of -- of benefits as a result of that.

Q Just looking at the original phase of the program on -- on Page 2 of 3 of Exhibit SRB-16, on a nominal basis, the net credits have increased from $678 million to $928 million.

A (Bores) Sorry. Where are you looking? Can you direct me more specifically?

Q Sure. Originally, under the original phase of the program, the -- as shown in Exhibit No. 622, participants were expected to receive, over the life of the program, nominally, a net of $678 million.

A (Bores) Got it.

Q I'm sorry. I didn't hear you.

A (Bores) Sorry. I got that number.

Q Okay. And that has increased under the revised projection, as shown on Exhibit SRB-16, Page 2,

to $928 million.

A (Bores) That's correct.

Q And, similarly, on a CPVRR basis, that same number has gone from 136.8 million to 155.3 million.

A (Bores) Yes, I think, as we've been talking about previously, through the previous line of questioning, we -- we have a bigger pot of benefits available as a result of the extended program.

As Mr. Valle just discussed, to keep the pricing and parameters the same, we extended the program resulting in passing along some of those additional benefits in a higher benefit rate to the original program, but still leaving $292 million of benefit, at the end of the day, for the general body customers; almost three times the original program.

Q And on -- if -- if I could direct your attention now to the combined basis, Page 1 of Exhibit SRB-16.

And I -- I guess I should start with a foundational question. Page 1, here, shows the entire program together under the settlement; is that right?

A (Bores) That is correct.

Q And, under the entirety of the combined program, participants expect a net payment via credits of over $2 billion, on a nominal basis; is that right?

A (Bores) Yes, that is the benefit to participants.

Q And that's $356.6 million on a CPVRR basis.

A (Bores) Yes, that is what the math shows.

Q And those credits are paid as part of the Fuel Clause from the general body of ratepayers?

A (Bores) Yes, representing the fuel savings associated with building all this additional solar.

Q By 2024, participants expect to be receiving credits on net; is that right?

A (Bores) Yes.

Q Such that the total net-revenue requirements for the general body of customers are expected to be $187.4 million in 2024.

A (Bores) Yes, but I -- I think, under our four-year proposal, since we are not allowed to change base rates in 2024, there will be no change in base rates, so you will just have the fuel piece of that, which will be a much smaller number.

Q Well, let's look at 2026, then. The settlement will have expired by then; is that right?

A (Bores) Potentially.

Q And, in that year, the general body of customers is expected to have costs of $166.9 million; is that right?

A (Bores) Yes, that is correct.

Q And, also that year, the participants -- the -- participants are receiving a -- are expected to receive a net credit of $8.3 million; is that right?

A (Bores) Yes.

Q Meaning that, if there were no credits or subscription revenue from SolarTogether, wouldn't the cost to the general body of customers be lower in 2026?

A (Bores) Can you say that question again? Sorry. I want to make sure I'm following.

Q Sure. Meaning, if there were no credits and no subscription revenue from participants in the program, wouldn't the cost to the general body of customers be lower in 2026?

A (Bores) No, I don't think that's factually correct. If you look at the -- the net-revenue requirements -- and I don't know if I'm the same -- near the top of the page, it shows there's $158.6 million unfavorable revenue requirement overall in 2026.

Q Exactly. And, yet, the general body of customers has a negative net revenue requirement of $166.9 million; isn't that right?

A (Bores) Yes.

Q And a cost of $166.9 million is more than a cost of 158.6 million.

A (Bores) Yes, I -- I understand your question now.

Q In total, when considering all the subscription revenue and all of the subscription credits that are projected to be passed out, the credits and revenues are expected to add a little over $2 billion in costs to the program; is that right?

A (Bores) I -- I don't see how they add a cost to the program.

Q Well, if there were no subscription credits and there were no subscription revenues, wouldn't the benefits to the general body of customers be increased, on a nominal basis, by a little over $2 billion?

A (Bores) Commissioners, that's -- that's not the program here before you. I think, as Mr. Valle talked about, this is an extension of the SolarTogether program that's been highly successful.

And, again, we've structured the program to carefully ensure there's a significant benefit to the general body of customers, at the end of the day.

A (Valle) Commission, I'd also like to add, these -- these are cherry-picking some results. If you look all the way to the right side of the exhibits, you see, as we designed the program, the full set of benefits and, as we've talked about many times in the previous docket, in these first couple of years, there is -- there's a slight incremental cost to the general body, but over the life of the program, there's a significant amount of benefits that come back.

To be clear, 45 percent of the projected benefits go back to the general body and, by the end of the program, the participants have paid all of the costs of these solar facilities.

Q And directing you back to my question, if there were no subscription credits and no subscription revenues, isn't it true that the general -- that the benefits to the general body of ratepayers on this sheet, on a nominal basis, would be projected to be a little bit -- would be expected to increase by more than $2 billion?

A (Valle) I think where you're going -- excuse me -- I think where you're going is, if there was no program and we built the solar, it's true, the general body of customers would pay for a hundred percent of the cost of the solar facilities -- facilities and they would receive a hundred percent of the benefits.

That's not this program. That was not the intention of this program. That's the intent of SoBRA. The intent to this program is for the participants to pay 100 percent of the costs and get only 55 percent of the benefits, to enable those customers to meet the renewable, sustainable goals that they have.

Q And you just testified that the participants pay a hundred percent of the costs. When do they pay it?

A (Valle) They pay those costs over the life of the program.

Q And aren't they expected to receive everything that they pay back plus an additional $2 billion?

A (Bores) On a nominal basis, yes, but again, the general body of customers is not paying anything towards the facilities, and getting 45-percent benefit.

Q And just to be clear, the -- under your projections here, on a combined basis, the general body is expected to pay in 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2029, and 2030; is that right?

A (Bores) I don't agree. I -- I don't see them paying in 2029, but --

Q Oh, I'm sorry. I -- you are correct on that one, but other than that correction, is that -- is that right?

A (Bores) Yes.

Commissioners, I don't view this different than any other investment. There is a cost up front. No investment we make on a long-life asset at FPL pays back immediately.

This is no different. General body is not paying -- they're paying a little bit up front to help structure the program; however, the long-term, just like with any other investment, there is a benefit for them.

A (Valle) And this -- excuse me. And this -- this profile is very similar to -- I think it's Exhibit 622, which shows the general body of customers paying -- in those first years, the revenue requirement is a little higher, but then having the benefits on the back end.

Again, the extension of the program hasn't changed any of the fundamentals mechanics of how this looks.

Q And I -- I believe you just said it's a -- a little. If you add up those amounts at the -- on the bottom row there, during the initial years, aren't we approaching a billion dollars?

A (Bores) I haven't done that math.

Q There has been no specific carbon emissions tax enacted, correct?

A (Bores) Not that I'm aware of yet.

Q And the CPVRR from emissions savings -- that's basically going to -- is projected to be from a carbon tax; is it not?

A (Bores) Yes, using an outside, independent firm, we have consistently -- in all of the analyses that I have sponsored or been part of before the -- this Commission -- used an assumption about a carbon tax at some point in the future.

A (Barrett) If I could just add one thing to that, it's not explicitly a carbon tax, per se; it's cost of compliance on a dollars-per-ton basis. So, it may be a tax. It may be some other form of regulation, but it's intended to reflect the increased costs.

Q Fair enough.

And the CPVRR from the emissions savings from that cost is projected to be $540.4 million?

A (Bores) Can you point me to where you're pulling that number from just so --

Q Yes, it's --

A (Bores) -- I can verify that, please?

Q I'm sorry. I think I was speaking over you.

Did you find it?

A (Bores) No.

Q Oh. If -- on the CPVRR column, on the row "emissions", under "clause revenue requirements" on Exhibit SRB-16, Page 1.

A (Bores) Yes.

Q And I believe, as you mentioned before, the

total benefits to the general body of ratepayers is projected to be $291.7 million on a CPVRR basis.

A (Bores) That's correct.

Q And so, if no carbon costs or other mechanism to -- to incur that kind of cost was implemented, the net revenue requirement to the general body would be a cost of $248.7 million; is that right?

A (Bores) Under your hypothetical, yes; but I think, sitting here today, and understanding what's going on in Washington, D.C., I think it's very hard to fathom that there won't be some kind of carbon-compliance cost over the future.

Q And just to be clear, the credits paid to participants in the tariff -- they don't vary depending on whether a -- a carbon cost is implemented; is that right?

A (Bores) No, they vary just based on the production of the solar facilities.

Q What is incremental gas transport?

A (Bores) That is the incremental costs associated with having sufficient pipeline capacity to supply the gas units that are used in kind of the -- the case -- the no-SolarTogether case.

Q And -- and so, that basically is assuming the increased use of gas as the alternative.

A (Bores) Yes, I -- I think that's the only way you can quantify the value associated with the solar facilities to ensure it competes against the gas unit that's -- the value solar brings is displacing gas.

Q And so, these CPVRR and cost projections on Exhibit SRB-16, Page 1, are based on a comparison of the plans presented on Exhibit SRB-14?

A (Bores) Yes, that is correct.

Q And the no- -- and "no-STE" means no SolarTogether expansion, on that page?

A (Bores) Correct.

Q And in the no-SolarTogether expansion -- extension plan, it has a 704-megawatt gas CT unit being built in 2026.

A (Bores) Yes.

Q And if I could direct your attention to Exhibit No. 623, Table ES-1, this is the projected capacity and firm purchase-power additions and changes in FPL's ten-year site plan, isn't it?

A (Bores) Yes, that's what it looks like.

Q And in 2026, there is no gas CT unit on there for planned addition, is there?

A (Bores) Yes. Again, as I just discussed, similar to what we've done in all of our SoBRA and other solar analysis, the last unit or the last solar unit we -- we build is the last solar unit we build, such that, when we're adding incremental solar to quantify the CPVRR benefit associated with that, we don't have solar competing against itself.

That's just not logical and wouldn't result in any value. So, we have solar competing against gas, as that's what creates the value of solar.

Q And so, I believe, as you're indicating, FPL is -- has, on here, indicated a plan to build 370 megawatts of new solar PV?

A (Bores) I'm sorry. Where?

Q On -- on Exhibit 623, in the ten-year site plan, there was an indication in 2026 to construct, by FPL, 370 megawatts of solar PV.

A (Bores) Yes, what -- what's shown here on the ten-year site plan -- I just want to be clear -- is not the -- the megawatts, but essentially the firm capacity that is assigned to those solar megawatts at the peak hour.

Q And if I could direct your attention to 6- -- Exhibit 624, staff's 12th Data Request, FPL No. 1. And this also indicates that -- this just confirms what you were just saying, right -- correct, that FPL did not perform an analysis that included the SolarTogether extension increment as well as solar additions in the

years beyond 2025?

A (Bores) Where are you gathering that from this page?

Q Last -- sorry. At the last line -- second-to-last sentence on the response.

A (Bores) Yes, that's kind of what I just said. Essentially, we don't have solar compete against itself when we're doing an economic analysis.

Q And -- and that's true, even if that solar, in 2026, may have been -- or even would have been more cost-effective than the gas CT units in the no-STE plan.

A (Bores) Again, how do you quantify solar against solar? You can't. And that's why we've adopted this long-standing practice that we've used with SoBRA and all of the solar analysis we've brought before the Commission to have solar compete against gas so you can quantify the value of that solar.

Q Isn't it true that FPL does look at the benefits of deferring gas units?

A (Bores) In what context?

Q In cost-effectiveness planning, looking at what is the cost of putting in a gas unit in 2024 versus 2026 -- isn't that -- that is something that FPL can -- can analyze and quantify.

A (Bores) Well, I think the first step is FPL understands, if we're building a new gas unit, is there a need; do we need that gas unit.

If it's an existing gas unit, we're -- or we're looking at an upgrade to a combined-cycle to put in a more-efficient technology that will result in fuel savings, yes; we're looking, hey, if we put in the new technology today and it brings incremental megawatts in fuel savings, does it defer a need for an additional gas unit from 2025 to 2027.

And that is factored in as part of the CPVRR analysis associated with saying should we make that upgrade investment today.

Q And would the avoided gas unit in 2026 that was used in your no-STE plan -- that would not have relied on a subscription model, correct?

A (Bores) I'm sorry. I don't understand that question.

Q Well, SolarTogether uses a subscription model. You both ascribe to it; is that right?

A (Bores) Yes, that's the context of the program.

Q And that would not have been true to the alternative gas CT plant that you looked at in the no-STE plan.

A (Valle) That's true. There's no interest in -- from customers for a fossil-only program.

Q If I could direct your attention to 625 -- Exhibit No. 625. Even if the settlement is approved, FPL will not commit to avoiding any invest- -- investment in new gas combustion turbines or combined-cycle power units; is that right?

A (Bores) Yes, I -- I think this is a great answer. Look, we -- we continue to be the leader in solar and battery and are consistently looking at new technologies, like hydrogen; however, our obligation is to look at what's best for customers and do what's best for customers.

As I just talked about, there's an upgrade to our combined-cycle fleet that results in additional megawatts and reduces fuel consumption and provides a long-term benefit to customers. We're absolutely going to analyze that and look to implement it to bring that value to our customers.

A (Valle) I would -- I would add one comment there, Commission, that a combustion turbine doesn't necessarily have to combust natural gas. And that's part of the green hydrogen pilot and the testing that we want to go do.

Q If I could next direct your attention to the next exhibit in the pile, what's been marked as

Exhibit No. 626 -- I -- I apologize. Apparently, I think we have a printing error. And I'm -- I think other copies might have -- also have that printing error.

But, basically, my question is: Subject to check, would you agree that SolarTogether extension is expected to increase the reserve margin on FPL's system to 23.3 percent in 2025?

A (Bores) Not having that in front of me, subject to check, I would say, yes, as we are accelerating solar naturally through building the SolarTogether extension, but I think it is important to note, I believe by 2026, we are just slightly different in the reserve margin from the -- the ten-year site plan or the no-STE plan; and then, by 2027, we're actually below that level of the no-STE plan.

Q And would you agree that, all other things being equal, a higher reserve margin is likely to decrease the loss-of-load probability?

A (Bores) I do not know the answer to that question.

Q All right. Now, on to the big one. Do you -- I would like to direct your attention to Exhibit No. 627. And this was the workbook used to calculate the CPVRR projections of Exhibit SRB-16?

A (Bores) Yes.

Q If I could direct your attention to Tab 7.

A (Bores) I just flip to the seventh page in here?

Q No, they -- on the -- on the upper left-hand corner on here it should indicate what tab of the exhibit is being referred to. So, it's not just the seventh page. It does say Tab 7 of 21 in the top left-hand corner.

A (Bores) I'm there.

Q And this page contains the finance assumptions regarding the SolarTogether Phase One extension; is that right?

A (Bores) Correct.

Q And the cost of common equity was set at 10.55 percent; is that right?

A (Bores) Yes.

Q And that was also true for the finance assumptions for the original phase of the project.

A (Bores) Yes, in performing economic analysis, FPL always use -- always uses -- utilizes -- excuse me -- its current authorized mid-point R- -- ROE, which, under this current settlement agreement that we're still operating under, is 10.55.

Q And under the settlement, a mid-point ROE of

10.6 percent has been set; is that right?

A (Bores) That's what's been requested, yes.

Q And given -- depending on what happens with the treasury notes -- there's a mechanism that it could potentially increase to 10.8 percent.

A (Bores) Yes, but no change in cash rates associated with that.

Q And if I could direct your attention to Tab 11. If I could direct you to the nominal-sum revenue requirements for the expansion for the return on equity, it's true that, for the SolarTogether expansion, FPL projects a return on its equity of almost $2.2 billion.

A (Bores) Yes. Just like any investment, FPL expects to earn a fair return on its investment.

Q And under these projections for the extension, the cumula- -- cumula- -- sorry -- cumulative CPVRR for the expansion is expected to cross over into the positive in 2048; is that right?

A (Bores) Yes, that is correct. Commissioners, like I mentioned earlier, this is a long-term investment, a 35-year investment. And just like any investment, it's not gonna pay back in the first five years, ten years, or potentially even 15 years.

And, here, it pays back -- in 2025, last ones

go in service, a little over 20 years in time.
Q And that cumulative CPVRR crossover doesn't consider the credits to the participants, correct?
A (Bores) No, this is just simply showing that there's a CPR [sic] benefit of 425 million. And that's ultimately what's used to determine the credit amount that gets allocated between the general body and the participants.
Q I'm going to put a pause on that one, but we're going to come back to it. So, hold on to the big one.
If I could direct your attention to Hearing Exhibit No. 628. Am I right that, under the extension, under the settlement, 40 percent of the incremental capacity of SolarTogether will be allocated to residential and small-business customers?
A (Valle) That's correct, yes.
Q And, in that small-business customer category, it would be small businesses taking service under the general-service tariff?
A (Valle) Yes.
Q And it's true that residential customers, on their own, comprise over 60 percent of FPL's energy sales?
A (Valle) Yes, that's correct.

Q If I could direct your attention to Hearing Exhibit No. 629.

A (Valle) Okay.

Q The wait-list for large commercial, industrial, and governmental customers is already at 1,694 megawatts for SolarTogether; is that right?

A (Valle) That was as of middle of last year, when we closed the wait-list, Commissioners. One of the things that we would do, if we extend this program, would be to go contact those customers, understand if they're still interested, and to what percentage of their energy they want to offset.

So, I think it's a -- it's a number that needs to be checked before we would firm up and determine how to proceed with the new program.

Q And that number already, though -- given the caveat that you just said -- but that represents 193 different customers?

A (Valle) Yes, that's correct.

Q And it's true, isn't it, that under the 60-percent set-aside of the proposed extension, only 1,073 -- about 1,073 megawatts would be set aside for those customers?

A (Valle) Yes, that's correct.

Q Would it be fair to say that the program has

been very popular with large commercial and industrial customers?

A (Valle) I think that's a fair statement, Commissioners. This Commission approved, last year, in January, the country's largest solar -- community solar program. And we sold -- we opened enrollment for that program on March 17th. And we all remember we were with COVID on March 17th, last year. And we oversold the program by a factor of two for this segment.

We, then, closed the wait-list and we continue to take interest in this program from a variety of large customers. These are national retail chains, hospitals, colleges. Municipalities have been very interested in this. So, we continue to see a very strong demand for this program in that segment.

Q My next questions are going to be still -- still on SolarTogether, on the -- just the extension of its own; so, the incremental amount of solar.

And I think we can actually -- I don't think we actually need the big exhibit. I think we can do that from Exhibit SRB-16, Page 3. That's a lot less paper to deal with.

If the -- so, am I right that Page 3 of 3 of Exhibit SRB-16 deals with the incremental extension of the SolarTogether? This is -- this is the new

SolarTogether.

A (Bores) Yes.

Q And with the first three years that -- where participants are -- are participating in the program, the non-low-income participants would provide a net contribution of $2.8 million to the costs of the solar; is that right?

A (Bores) What years are you looking, specifically?

Q So, the first three years of the program -- so, this would be 2023, 2024, and 2025.

A (Bores) What was your number?

Q 2.8 million?

A (Bores) In terms of what -- 2.8 million in terms of costs, total costs?

Q That they contribute 2.- -- that's there's a net contribution from participants -- the non-low-income -- so, this is just the regular participants -- there's a net contribution to the costs of solar from them of $2.8 million in those initial years.

A (Bores) I -- I'm sorry. I don't see those numbers. I see 600,000 in 2023; 1.7 million in 2024; and 2.7 million in 2025.

Q I think, if we go -- make sure we're looking at the same thing. Are you on Page 3 of 3 of

Exhibit SRB-16?

A (Bores) Yes, and we -- I thought we were talking about the -- the low-income participants.

Q No, the non-low-income part.

A (Bores) Sorry.

Q I apologize.

A (Bores) Just the regular participant.

Q Yes, the regular participants contribute a net of -- in 2023, the -- the regular participants contribute a net of $1.2 million; is that right?

A (Bores) Correct.

Q And then, in 2024, it's another million dollars.

A (Bores) Yes.

Q And then, in 2025, it's another $.6 million.

A (Bores) Correct.

Q And that -- that's approximately $2.8 million.

A (Bores) I agree with that math.

Q And over -- I mean, after that year -- so, starting in 2026, participants start to receive a net credit.

A (Bores) Correct.

Q And, in total, under the incremental extension here -- expansion here of the extension, the regular participants receive a net credit of -- on a nominal

basis of a little under $1.1 billion.

A (Bores) Again, yes, but that -- that's one aspect of the program. I think we're forgetting, again, that the participants are paying greater than a hundred percent of the base revenue requirements to receive 55 percent of the overall benefit, with the other 45 percent going to the general body.

Q And, again, they pay those -- those -- a hundred percent of the costs, I think, as you say it, over the life of the program; is that right?

A (Bores) That is correct.

Q And that doesn't take into account the credits that they are receiving.

A (Bores) It does take into the credits, right. I think Mr. Valle did a great job talking about the -- the overall program design, which is to have a simple payback of the participants of approximately seven years.

The way we've constructed the program is to start having credits, essentially level-ize the credits over the life, paying them back a little earlier, but having participants contribute greater than a hundred percent of the base-revenue requirements.

So, at the end of the program, participants get 55 percent of the benefit; and the general body, who pays nothing towards those solar facilities, gets 45 percent of the benefit.

MR. LITCHFIELD: Mr. Chairman, we've been going on about 45 minutes or so, now, on -- on the topic of SolarTogether and, largely, it would appear, re-litigating the prior case that occurred about 18 months ago.

I mean, to a point, I understand Mr. -- Mr. Marshall's interest, but I -- I wonder if -- if there's a specific question about this extension of the SolarTogether program that we could jump to, to maybe move things along.

MR. MARSHALL: I mean, I think we were going over the extension right there. We -- we've been over what were the changes to the original phase, what does it look like on a combined basis, and then what is the impacts of the incremental extension. These are all important questions.

I mean, this -- this is a -- this is a -- a -- you know, over -- over $11-billion program. I think spending a few minutes to understand where the costs and payments are -- are coming from are relevant.

We're not being repetitive here. And, if there is a repetitive question, then an objection to "asked and answered" would be -- should be entertained.

CHAIRMAN CLARK: I agree.

BY MR. MARSHALL:

Q If I could direct your attention next to what's been premarked as Hearing Exhibit No. 630.

A (Valle) Okay.

Q Under the SolarTogether extension and -- and the original SolarTogether combined, there will be 82.5 megawatts total set aside for low-income customers; is that right?

A (Valle) That's correct.

Q And that's about 2.5 percent of the total of the program.

A (Valle) Subject to check, yes, that sounds about right.

Q And that's enough to serve between 11,700 to 16,500 low-income participants.

A (Valle) Yes, that's correct.

Q Would you agree that there are more than 16,500 people living in FPL's service territory that are at or below 200 percent of the federal poverty level?

A (Valle) Yes, I would agree with that.

Q And unlike regular participants, the SolarTogether credits for low-income participants are

not proposed to increase in the changes being made here; is that right?

A (Valle) Counsel, give us one second just to verify the tariff sheet.

Q Sure.

A (Valle) Counsel, we just checked the -- the sheet just to ensure that we didn't misstate it, but with the extension program, you're correct; the low-income credit is still -- excuse me -- the charge is still 557 and subscription credit is 627.

That's constant for all years. That's a 70-percent-for-kW-capacity credit. And the model for that was kept constant. Just like the seven-year payback for the general participants, the non-low-income participants -- it was kept constant as well.

Q And that's the same as it was in the originally-approved program.

A (Valle) Yes, that's correct.

Q Much to, I'm sure, everyone's relief, we are moving on from SolarTogether.

These questions might be for Ms. Cohen, but again, whoever is -- feels best-qualified, feel free to, please, address.

If I could direct your attention to Exhibit No. 631, Hearing Exhibit No. 631. Ms. Cohen, as

used in your settlement testimony, you used the term "typical residential bill", correct?

A (Cohen) That's correct. It's the industry-accepted term.

Q And that does not refer to -- that -- that does not refer to the average residential bill.

A (Cohen) It's the typical bill, which is -- it's benchmarked throughout the industry by EEI, by FMEA, and by this Commission in a number of different forms, including different publications, and it's on their website.

Q And so, that is not representative of FPL's average residential bill.

A (Cohen) No. Again, it's a typical bill that's used as an industry benchmark.

Q And so, that benchmark is based on a standardized comparison using 1,000 kilowatt hours of electricity usage, regardless of actual average electricity usage; is that right?

A (Cohen) That's correct. This -- also stated on this page, the average residential bill is not a meaningful comparison. Average electric usage varies significantly across the country due to climate, weather, availability of gas, or other alternatives to electronic -- electricity, and many other characteristics.

Q And, Mr. Barrett, in your live rebuttal testimony, I believe you also testified regarding how FPL has one of the lowest monthly residential bills; is that right?

A (Barrett) Yes.

Q If you could grab the -- the big packet in front of you. This is going to be referring to Hearing Exhibit No. 604, which is the third from the back. So, it's -- it's very close to the back of the...

A (Barrett) These aren't marked.

MS. MONCADA: Mr. Marshall, if we could ask, were those passed out after the break or this morning? Mr. Litchfield and I don't have --

MR. MARSHALL: Yeah, those were passed out this morning.

MS. MONCADA: They were the ones from this morning.

MR. MARSHALL: Yeah.

MS. MONCADA: Thank you.

MR. MARSHALL: And it says, on the front, description, "Florida Rising/ECOSWF/LULAC's third request for production of documents, No. 25, Tiffany Cohen work paper, Attachment 1-EIA."

MS. COHEN: I don't have it.

MR. BARRETT: You say it's towards the back of this?

MR. MARSHALL: I'm sorry?

MR. BARRETT: You say it towards the back of this stack?

MR. MARSHALL: Yeah, towards the very back. It should be third from the back. It --

(Simultaneous speakers.)

(Discussion off the record.)

CHAIRMAN CLARK: All right. Does everybody got it? Let's move.

BY MR. MARSHALL:

Q If I could direct your attention to Page 5 of that exhibit.

Do you see on that page a series of calculated monthly bills for 2019 residential customers from various utilities?

A (Cohen) Yes.

Q And Florida Power & Light is on that list.

A (Cohen) Correct. This data is from EI- -- EIA.

Q Do you have any reason to dispute the EIA data presented here?

A (Cohen) I do not. This is average bill data, just FYI.

Q And FPL is not -- not one of the lowest ones on there, is it?

A (Cohen) The bill on here is $123. This is a function of dividing revenue by sales, I believe. It's not the typical thousand-kilowatt-hour bill, which is what is benchmarked throughout the industry, for many reasons.

Q All right. This is probably also going to be for you, Ms. Cohen. If I could direct your attention to Hearing Exhibit No. 632.

I believe you referred to this in your -- your oral rebuttal, but this is MFR-E1, Attachment 2 of 3. And would you agree that this contains the revenue requirement for each rate class based on FPL's originally-filed cost-of-service study with an equalized rate of return for 2022?

A (Cohen) It is. And, again, equalized is before we apply this Commission's principle of gradualism, which limits the rate-class increases no more than one-and-a-half times the system average increase.

Q And, according to this exhibit, the revenue requirement's deficiency for the residential class in 2022 was $396,789,000; is that right?

A (Cohen) Under the equalized cost of service, yes.

Q And under the settlement, the total proposed increase for the residential class for 2022 is $410,769,000; is that right?

A (Cohen) That sounds correct. And, as I noted in my oral rebuttal earlier, that's an apples-to-orange comparison. It's not fair to use equalized cost of service for gradualism -- it's not what this Commission subscribes to -- and then compare it to a revenue allocation at settlement revenue, which was a negotiated compromise.

Q To be clear, you're -- you're not testifying, are you, that the numbers presented in this hearing exhibit, in MFR E1, Attachment 2 of 3, are -- are false and disingenuous, are you?

MR. LITCHFIELD: Object to the characterization, and asked and answered.

MR. MARSHALL: Well, we have heard testimony from --

CHAIRMAN CLARK: Ask a question, Mr. Marshall.

MR. MARSHALL: Okay.

CHAIRMAN CLARK: Ask a question.

BY MR. MARSHALL:

Q Do you have any reason to call into question the numbers presented here as filed from FPL's original

cost-of-service study?

A (Cohen) No, the numbers in the original cost-of-service study are what they are, but what I've just mentioned was they are equalized, which is before we apply the Commission's principle of gradualism. It's not an apples-to-apples comparison to do what we're doing here and compare it to settlement revenues, which uses a totally different cost-of-service methodology.

The parties agreed on different cost-of-service methodologies than what was agreed to in our original proposal.

Q Did you run the revenue requirement from the settlement through the as-filed cost-of-service study methodology?

A (Cohen) I'm sorry. Can you repeat your question?

Q Did you run the revenue requirement, as -- as set by the settlement, through the as-filed cost-of-service study?

A (Cohen) I don't believe so. I believe, in response to staff's -- to a data request to staff, we ran the settlement revenue requirement through the final cost of service -- or settlement cost of service, using MDS, which was used as a proxy.

Q And, just to be clear, just to make sure I'm

not missing anything, there wasn't any settlement cost-of-service methodology that I could review in the -- like, with the full MFR, as published, correct?

A (Cohen) That's correct. We agreed to nego- -- a methodology for production and transmission, and we agreed to a negotiated methodology for allocating distribution plant. It was not specific percentages for distribution; therefore, there's not a full cost of service at settlement rates.

Q If I could next direct your attention to Exhibit No. 633, the staff's fifth data request to FPL, No. 6, and to the attachment there. And this exhibit contains the as-filed revenue requirement versus the settlement revenue requirement for each of the rates rate classes; is that right?

A (Cohen) Yes.

Q So, for example, in 2023, the general-service demand classes saved between 12 percent and 20.5 percent compared to what was originally proposed.

A (Cohen) Can you repeat your question?

Q The general-service demand classes, in 2023, saved between 12 percent and 20.5 percent, as originally proposed.

A (Cohen) I see between 12 and 20 percent as originally proposed. One thing that's important to note, again, "as originally proposed" and "as settled" is using very different cost-of-service methodologies as the underlying basis.

Q And in that year, in 2023, the residential class saved 1.9 percent; is that right?

A (Cohen) The decrease is 1.9 percent; it's $106 million.

Q And that 1.9 percent doesn't include the -- doesn't take into account the $43.2 million in other operating revenues?

A (Cohen) It does take it into account because the $43 million of other operating revenues is less that you recover than from the remaining body of customers.

Q Could you -- could you explain what you mean by that?

A (Cohen) We designed the tariff rates to recover a certain amount of money. Service revenues and other things, such as minimum bill, reduce the amount of revenue that is, then, recovered from the general body of customers.

Q Okay. I think I see what -- I understand what you're saying now, but some of that -- in fact, 32 million of that $43.2 million in other operating revenues is from the residential class?

A (Cohen) Where do you see 32 million?

Q Sorry. If I could direct your attention, then, to -- I hate to do this, but this is where it is. It's back in Exhibit REB-15, Page 56.

A (Cohen) REB-15?

Q Yes.

A (Barrett) The settlement agreement.

A (Cohen) Oh.

I don't think we have the same page numbers. Can you tell me what you're looking at?

Q Yes, I'm looking at -- it's part of the settlement. It's Exhibit A to the settlement. It's marked as Exhibit REB-15, Page 56 of 1,803.

MR. LITCHFIELD: Mr. Marshall, you may need to give her the -- the tariff-sheet reference, if there is, in fact, one.

MR. MARSHALL: It's not a tariff-sheet reference. This is the as-filed revenue requirements from the settlement and -- and basically allocates the revenue requirements and compares them to the total present revenue.

MS. COHEN: I'm at the 32 million.

BY MR. MARSHALL:

Q And so, 32 million of that 43.2 million in other operating revenue is -- is from the residential class; is that right?

A (Cohen) It is, but this 32 million -- it reduces the amount of revenue that is to be recovered from the customers.

Q You mean from other customers; is that right?

A (Cohen) From customers.

Q Well, the -- that $32 million is still coming from customers, correct?

A (Cohen) Yes.

Q And that -- that's from the -- and that wasn't a part of FPL's original proposal in this case.

A (Cohen) It was not. It was introduced in our settlement agreement -- as I mentioned in my oral rebuttal earlier, I filed testimony on it. It's part of the settlement. We answered a number of discovery questions from staff and other parties on it, and we're here to talk about it today.

Q And I think you've alluded to it, but just to confirm, that -- that $32 million -- that's from the new minimum bill.

A (Cohen) It is.

Q If I could direct your attention now to Hearing Exhibit No. 634 and to -- to the attachment to that.

And this shows the actual number of FPL and -- and Gulf customers by rate class for -- for some -- for

a few recent months.

A (Cohen) Yes.

Q And Class GSLDT-3 has eight customers.

A (Cohen) Yes.

Q And directing your attention back to Hearing Exhibit No. 633, in 2023, under the settlement, those customers save, on average, almost $1 million each, per year, as compared to FPL's original proposal.

A (Cohen) As I mentioned earlier, under this 633, the 2022 as-filed rates and the 2022 settlement rates have different cost-of-service methodologies underlying them.

As FPL proposed, as filed, in our original case, this is also -- and I mentioned in my summary earlier, the allocations were very different as compared to the settlement rates.

FPL put forth its cost-of-service methodology in that -- in its original filing. The intervenors put forth their cost-of-service methodologies in their filing. It also mentioned that the methodologies that the intervenors put forth have been adopted by two other Florida IOUs and approved by this Commission.

The settlement methodologies that were ultimately agreed to as part of a negotiated compromise were in between those two. So, the allocations to residential, general service, general-service demand, are going to be different from the as-filed case, for those reasons.

Q And directing your attention back to my question, was my math correct that, in 2023, under the settlement, those eight customers save, on average, almost a million dollars each, as compared to FPL's original proposal?

A (Cohen) I don't think that's a fair representation of -- of that, no.

Q Why not?

A (Cohen) You can't say $8 million for eight customers. Each customer has different load characteristics, different usage.

Q But, on average, per customer, wouldn't that amount -- like, I mean -- let me put it this way: Is eight million divided by eight approximately one million?

A (Cohen) It is, but that's -- I disagree with the premise of your question. It's $8 million for the class. There are different-sized customers in the class. It's not one-size-fits-all.

Q And so, by that, you mean that some customers will be saving more than a million dollars and others less than a million dollars.

A (Cohen) Yes.

Q And isn't it true, if you average the numbers, it would be a million?

A (Cohen) Eight million divided by eight is a million.

It's disingenuous to say each customer gets a million dollars.

Q If I could direct your attention now -- we're getting close to the end -- to the next hearing exhibit, Exhibit No. 635, which is Florida Rising's fourth production of documents request, No. 39, Attachment 1, the minimum bill.

Ms. Cohen, this is the calculations worksheet for the amount to be raised through the $25 minimum bill; is that right?

A (Cohen) Yes. And, again, it offsets the amount of revenue that's been recovered from the general body of customers. The intent is to ensure that all customers contribute towards their fair share of fixed system costs.

Q And would you agree that it indicates that about 375,000 residential customers per month will be impacted by the minimum bill?

A (Cohen) Can you point me to the 375? I believe that's for '22.

Q Sure. In -- in 2022, if you look at Column H, Row 11, for the total number of customers for the entire year that are impacted and divided that by -- by 12, to get -- get the monthly number, that would be about 375,000.

A (Cohen) Yes.

We've also -- we've responded to discovery as well. It's about 360,000 on average, over the term.

Q And --

MR. LITCHFIELD: I'm -- I'm sorry. I'm not sure that that came through. Could you repeat your answer, Ms. Cohen? You need to get closer to the mic.

MS. COHEN: It's about $360,000 -- 360,000 customers, on average, over the term of the four years.

BY MR. MARSHALL:

Q And you don't know the income level of the FPL customers being impacted by this minimum bill, correct?

A (Cohen) That's correct, we do not necessarily know the data or the demographics of our customer behind the meter. That said, the minimum bill is intended to recover costs for customers with very low usage.

FPL's customer charge, in 2022, is projected to be $8.99 under this proposed settlement agreement.

It's the lowest of all the Florida IOUs and it's among the lower charges in the state of Florida.

Had we increased that further, that would have impacted 100 percent of our customers. The intent of the minimum bill is to ensure that we're recovering fixed costs from customers with very low or no usage.

FPL must install plant and be ready and willing to serve a customer's full load, even if they have zero or low usage.

MR. MARSHALL: That's all my questions. Thank you, all.

CHAIRMAN CLARK: Thank you, Mr. Marshall.

All right. Mr. Skop.

MS. BROWNLESS: Can we take a very brief rest, here; maybe five minutes?

CHAIRMAN CLARK: Sure. We'll do a five-minute swap-over.

MS. BROWNLESS: Thank you.

(Brief recess.)

CHAIRMAN CLARK: Mr. Skop, your witness.

MR. SKOP: Thank you, Mr. Chairman.

EXAMINATION

BY MR. SKOP:

Q Good afternoon, panel. I think I'll start with Mr. Barrett and I'll -- I'll try and keep this

quick. I think the me- -- needs of the many outweigh the needs of the few, and it's been a long afternoon.

Mr. Barrett, you mentioned the word "strategy" in your oral -- oral rebutter -- excuse me -- oral rebuttal -- it's getting late.

Do you remember that?

A (Barrett) I believe so.

Q Okay. Does strategy include maximizing deployed capital and rate base to earn a regulatory rate of return at the authorized mid-point ROE?

A (Barrett) I wouldn't say so, Commission. I would say our -- our strategy is around delivering customer value and also delivering fair returns for our shareholder.

Q You would agree that FPL has modernized most of its fossil-generating plant over the last decade, correct?

A (Barrett) Correct.

Q So, you would also agree that a utility needs to maintain additions to rate base to earn the same level of earnings; is that correct?

A (Barrett) Could you elaborate a little bit more on that?

Q Yeah. So, rate base less depreciation plus additions maintains the same rate base, if you will?

A (Barrett) Correct.

Q And so, in terms of maximizing deployed capital, you would agree that one of those new projects would be the projects -- solar projects that FPL is seeking to develop under the context of the proposed settlement, under the SoBRA -- SoBRA recovery?

A (Barrett) Well, I would disagree with your characterization that the goal is to maximize capital additions. The goal is to bring value to customers.

Q But you're deploying millions of dollars of assets in -- in your solar projects that will earn a regulatory return on investment, correct?

A (Barrett) Correct, and provide a net CPVRR savings for the customers. Customers are going to see the re- -- the savings through the fuel portion of the bill, and capital will be in the base portion of the bill.

Q Allegedly, if -- if things work out that way. Ultimately, the general body of ratepayers is on the hook if the recovery costs are not fully recovered. And I know you mentioned 103 percent, but we -- we can move on --

MR. LITCHFIELD: Object. Testifying; not asking questions.

MR. SKOP: I'm trying to get through this quick. So, I can slow down, if you'd like, Mr. Litchfield.

BY MR. SKOP:

Q If I could ask you to turn to Page 6, Lines 20 and 21, of your settlement testimony, please.

You stated on Line --

A (Barrett) I'm sorry. Let me -- I'm sorry. Let me get there. Yes.

Q Yeah, I'm --

A (Barrett) Several tabs there. Page 6?

Q Page 6, beginning on Line 20 and concluding on Line 21.

A (Barrett) Okay. Thank you.

Q In your testimony, you stated, "The proposed settlement agreement includes incentive provision intended to encourage FPL to bring SoBRA sites in at below the cost of capital", correct?

A (Barrett) Correct.

Q Can you explain why, in Lines 11 through 18, that they're using the average cost of all the solar projects as opposed to the solar site that's mentioned in Line 20 and 21?

A (Barrett) That's just the way it was negotiated.

Q Okay. Fair enough.

If I could get you to go to Page 8 of your testimony, Lines 1 and 2, please.

A (Barrett) Yes.

Q Give me a second to catch up.

On Pa- -- on Page 8, Line 1 and 2, you state that: If a debit -- debit to expense is required to keep FPL from exceeding the regulatory ROE that exceeds the top of its authorized range -- do you see that?

A (Barrett) Yes.

Q Okay. So, under the proposed settlement, FPL is anticipating that it could exceed its regulatory ROE under the settlement terms; is that correct?

A (Barrett) It's pro- -- the settlement provides for a situation where that would otherwise occur and provides a mechanism to keep that from occurring.

Q Okay. So, in -- in the case of over-earning, it would apply expenses to those two accounts listed in your testimony; is that correct?

A (Barrett) Yes.

Q All right. If I could ask you to go to -- one second -- I believe it's Page 12, subject to check, but give me one second -- yes, Page 12, Lines 5 through 17.

A (Barrett) Okay.

Q Beginning on Line 7 and continuing on Line 8, the proposed sett- -- excuse me -- Line 6, ending on

Line 8: The proposed settlement agreement is projected to result in annual -- average annual increases in typical residential bills in the former FPL area of approximately 2.5 percent?

A (Barrett) Yes.

Q Okay. And then, continuing down to Line 10 and 11: Commercial and industrial customers in the former FPL service area will see the minimum growth in their rates of 1.1 percent -- do you see that?

A (Barrett) Well, it's a range of 1.1 to 3.1.

Q Okay. So, FPL is -- is suggesting that the residential impacts could be greater under the proposed settlement than the impacts to commercial and industrial customers; is that correct?

A (Barrett) I guess it depends on which -- which customers are -- are being considered in that 1.1 to 3.1. I think they average out to be kind of about the same.

Q All right. I'm not sure whether -- who on the panel stated it because I had an obstructed line of view, but did I hear correctly that somebody stated that -- that the cost of solar is less than a state-of-art combined-cycle plant with a 6,000 heat rate on a megawatt-per-megawatt-hour basis? Did I hear that?

I he- -- I heard somebody testify the cost --

A (Barrett) I didn't hear -- I didn't hear that.

Q Okay. Maybe -- I stand corrected, but I thought I heard somebody making a solar cost comparison.

The comment was made -- I think one of Mr. Marshall's first questions -- regarding Duke filing a FERC complaint for the North Florida Resil- -- Resiliency Connector; is that correct?

A (Barrett) I believe that's the name of it, yeah.

Q Okay. All right.

A (Barrett) The FRC.

Q All right. So, what are the ramifications to this proposed settlement associated with that? Is -- I mean, FPL is obviously -- would obviously be seeking to recover costs once it's placed in service to the interconnection points, as well as Gulf, but there seems to be a lot of controversy surrounding that.

A (Valle) I -- I can chime in, first, and then other panelists can talk about it, but essentially the complaint, Commission, is -- is, for the North Florida Resiliency Connection, the transmission line to connect FPL to Gulf -- there are affected systems, like any transmission line. As you flow power across that line, you could impact neighboring systems.

We've identified a couple in the process of that. So, it was not unexpected that Duke's system would have some impact.

Southern's system also had impact. We successfully negotiated an agreement with them to -- to pay for some upgrades on their system.

And I'd say, on the Duke complaint, we're simply in the process of this. And we believe Duke filed a bit early in the process to -- to FERC and -- and, you know, we've made our case to FERC.

There is, obviously, a difference between what Duke thinks and what we think are the necessary upgrades on the system, but what I can say is, regardless of the outcome of that case, that North Florida Resiliency Connection will still be highly cost-effective for customers.

Q Thank you.

And as a follow-up question, does F- -- FPL or NextEra have the position -- or let me -- FPL. Let me reframe that -- have the position that -- that the -- the Duke assertions in that complaint that that project should have gone through the Transmission Siting Act are unfounded?

A (Valle) That's correct. We -- we think that is not focused on the issue at hand, which is simply what is the cost of the upgrades on Duke's system. We believe that they're identifying upgrades that don't need to be done and that the cost for those upgrades are exorbitant.

So, that is -- that's the nature of the complaint; not the permitting process that we went through.

Q All right. Thank you.

Going back to Mr. Barrett -- Mr. Barrett, you stated that, in the context of the settlement, the settlement must be taken as a whole and not -- without modifications; is that generally correct?

A (Barrett) We believe that the settlement represents a compromise of positions amongst all the parties, and it presents a good package that we would ask the Commission to consider in its entirety.

Q And, in that regard, FPL would stipulate, for the record, that the Larsons, despite willing -- being a willing participant and a party to the proceeding, were not invited to participate in the settlement discussions, correct?

MR. LITCHFIELD: Yeah, Counsel for FPL will stipulate that the Larsons were not invited to participate in the settlement negotiations.

MR. SKOP: Thank you.

Just a few more questions, Mr. Chairman.

BY MR. SKOP:

Q So, with respect to the -- Mr. Barrett's statements, the settlement must be taken as a whole -- if I could turn your attention, Mr. Barrett, to what's been marked as Exhibit 621 and entered into evidence, which is the Commission's order, 2013-0023-S-EI -- you would agree, would you not, that this order sets precedent for the Commission to modify an FPL proposed settlement?

A (Barrett) I don't know if it sets precedent or not.

Q Okay. On Page 5 of that order, under the word "decision," first sentence -- do you see that?

A (Barrett) Yes.

Q Starting with, "At the special agenda conference, we expressed our concerns with the proposed settlement agreement."

A (Barrett) I see that.

Q Do you see, further down in the last sentence of that paragraph, the modified agreement?

A (Barrett) Yes.

Q And you would agree that the Commission reduced the return on equity that was in the proposed settlement?

A (Barrett) Yes.

Q And you would also agree that FPL -- I mean, the Commission reduced the revenue requirement?

A (Barrett) Yes.

Q Thank you.

Mr. Coyne had hypothesis is his oral rebuttal surrounding equity capital. And I guess he articulated four or five different principles that he thought.

Are you aware of that, sir?

A (Barrett) Are you asking me or Mr. Coyne?

Q (Indicating.)

A (Coyne) Was that question for me?

Q Yes. I think so. I just want to make sure because I -- again, obstructed line of site in the panel.

A (Coyne) Perhaps you could just clarify the question. Was it, am I aware of the points that I made in -- in my oral rebuttal?

Q In your oral rebuttal, you stated a hypothesis for why the cost of -- or equity capital has a higher cost today than in years past.

Is that generally correct?

A (Coyne) Yes, I did.

Q Okay. And I think on Item 3 you mentioned structural challenges facing the utility.

Do you remember that?

A (Coyne) I do.

Q Okay. But you would agree, would you not, that a lot of those structural challenges you mentioned are already incorporated in cost recovery -- cl- -- cost recovery -- sorry -- cost-recovery clauses; are they not?

A (Coyne) Well, the -- the issues that I mentioned are broad and complex, and I don't think you could say that they're all covered in cost-recovery clauses.

Q Okay.

A (Coyne) But --

Q With respect to your comments regarding the utility -- the perception of the utilities in the marketplace -- do you remember that -- that comment?

A (Coyne) Yes, I do.

Q Okay. And you discussed beta?

A (Coyne) Yes.

Q Okay. And what, generally, is beta, for the -- for the Commission, to understand?

A (Coyne) Thank you. Beta is the measure of correlation between a stock and the broader marketplace. And, in the context of utilities, we measure beta as the relationship between utility stock prices and the market as a whole, typically measured as the S&P 500.

So, beta is telling you how closely they're moving together. If they're moving together at one -- beta was one, then utilities are moving -- their stock prices are moving in exact tandem with the market as a whole.

If they're moving at .5, then they'd be moving at half the rate of the market, by way of correlation.

Q Okay. So, you would agree, would you not, that a beta less than one indicates stock price is less volatile than the overall market?

A (Coyne) Yes.

Q Okay. Do you know what FPL's beta has been over the past five years?

A (Coyne) FPL does not have a beta.

Q FPL does not have a beta?

A (Coyne) No, only publicly-traded stocks have betas.

Q I'm sorry. Let me rephrase. NextEra -- do you know what NextEra's betas has been over the past five years?

A (Coyne) I do not. It was not part of my proxy group because it's the parent company. You typically wouldn't include the parent company in the proxy group.

Q Okay. Are you familiar with the investor presentation that -- that NextEra gave to investors in

September of 2001 [sic], this month?

A (Coyne) I -- I have not seen that presentation, no.

Q Subject to check, would you doubt that FPL's stated --

MS. MONCADA: Can you repeat that date? I --

MR. SKOP: Yes --

MS. MONCADA: I did not hear it.

MR. SKOP: Well, there's -- there's no -- for reference, there's no specific date. It's the presentation that's listed on the NextEra website that was recently given a couple of days ago.

CHAIRMAN CLARK: I think you meant September of 2021. You said September of 2001.

MR. SKOP: I -- I'm -- I'm sorry. I'm --

CHAIRMAN CLARK: 2021.

MR. SKOP: Yes, I'm slightly dyslexic, so, sometimes I twist numbers.

CHAIRMAN CLARK: 2021.

MR. SKOP: I apologize. Yes, September 2021.

MR. LITCHFIELD: So -- I'm sorry, Mr. Chairman. Let me make sure I understand what's being requested here. Mr. Skop is asking the witness to accept, subject to check, something from an investor report that Mr. Skop says appeared somewhere on the website at some period of time.

CHAIRMAN CLARK: He actually asked him if he -- if he listened to the investor report, I think.

MR. LITCHFIELD: Okay. That's a fair question to start with. Thank you.

MR. COYNE: I have not seen it nor listened to the report.

BY MR. SKOP:

Q And -- and you've not reviewed the slide deck that -- that NextEra gave.

A (Coyne) I have not --

Q The publ- --

A (Coyne) I have not seen it, no.

Q Okay. Subject to check, on Page 30 of that slide deck presentation --

MR. LITCHFIELD: Okay. There is no foundation now. The witness has just indicated --

MR. SKOP: All right.

MR. LITCHFIELD: -- he's not familiar with it.

MR. SKOP: Fair enough. I'll -- Mr. -- Mr. Chairman, I'll withdraw that question, but I would proffer that, if everyone would go to Page 30 on that publicly-available slide deck, F- -- Next- -- NextEra, NEE, is claiming that they're number one in beta, in the past five years, less than .7. That's the point I'm --

MR. LITCHFIELD: Mr. Chairman, if this were an exhibit that Mr. Skop intended to use in cross-examination, he had full opportunity to do that --

MR. SKOP: Mr. --

MR. LITCHFIELD: -- to bring the copies to -- to do so, and he's not done it.

MR. SKOP: Mr. Chairman, with all due respect -- I appreciate what my esteemed colleague, Mr. Litchfield, is stating, but this came up in -- in oral rebuttal.

So, again, I took a screenshot of it. I have it on my phone. I can put it up, but I'm not going to waste our time on that.

It's just beta came up to use as a -- as a proxy for why equity capital cost is greater today. And, basically, that just didn't seem to jive with what is being communicated to the investment community.

I will move on.

MR. COYNE: If I could address that, I would like to because I think it can be a source of (unintelligible) --

THE COURT REPORTER: I --

(Simultaneous speakers.)

MR. COYNE: -- might be able to add some clarity.

THE COURT REPORTER: I'm sorry. You have to start again. Speak directly into the microphone, please.

CHAIRMAN CLARK: Microphone, please.

MR. COYNE: I apologize.

If I can, I would like to address the issue to -- to join what I said in my oral rebuttal and your question pertaining to beta because I think it's an important one.

And what I said in my -- my oral rebuttal was that beta is for utilities. And the way that I'm measuring it is for the average of the proxy group companies, which is representative of the industry. They're 14 large utility companies.

And those betas have increased. And, mathematically, they've gone from .717, back in September 2016, when this Commission last approved a settlement for FPL, to .88 in July 2021.

And it's important because, as opposed to talking about credit ratings or 30-year bond yields and other -- other indicators of what debt investors are seeing in the market, this is a direct indicator of what equity investors are seeing in the market.

And what they're seeing is that utilities are no longer the safe haven they used to be. They're trading more like the market. They're a little bit less safe and, therefore, we require a higher return if you measure the impact of beta when you run it through the capital asset pricing model, which is how the statistic gets used.

So, it's direct market evidence of what, I think, all of us see pertaining to where the utility industry is today. Be it a gas or electric utility, we're asking utilities to do something different with their businesses today than they were asked to do five years ago. And that's reflected in these numbers.

MR. SKOP: Thank you.

Mr. Chairman, I -- just in follow-up to that question.

BY MR. SKOP:

Q You mentioned the capital asset pricing model and you engaged in some lengthy discussion about beta, which is seemingly contradictory to what FPL has presented in its slide deck to the investment community.

With respect to the --

MR. LITCHFIELD: Mr. Chairman, now Mr. Skop is, again, testifying.

MR. SKOP: I -- I'm getting to a predicate to ask a question, Mr. Litchfield. So, just please allow me, in the interest of time.

BY MR. SKOP:

Q You stated that -- the capital asset pricing model in your lengthy response to the last question.

Do you know what the risk-free rate currently is for the capital asset pricing model?

A (Coyne) Well, it depends -- it depends on which bond yield you'd use. If you're looking at 30-year bond yield?

Q Yes.

A (Coyne) The current -- the current rate is 1.- -- (unintelligible).

Q Okay. And that was far --

THE COURT REPORTER: Wait. Wait. Wait.

CHAIRMAN CLARK: Please speak into the mic.

THE COURT REPORTER: Yeah. Repeat that, please. The current rate is -- what?

MR. COYNE: My apologies.

The current risk- -- well, if one defines the risk-free rate as the 30-year government bond yield, the rate is 1.909 percent, currently.

BY MR. SKOP:

Q Thank you.

And that current risk-free treasury yield and 30-year bond is significantly lower than it was when the Public Service Commission adopted 10-percent ROE in the 2010 FPL rate case.

Would you agree with that?

A (Coyne) The -- if the -- if one measures the period of time as roughly between June 2016 and September 2016, the rate at that period of time was 2.3 percent. As I mentioned, it's currently 1.909 percent today.

But what we have to bear in mind, that this is a multi-year rate program, and the cost of capital is a forward-looking estimate to the cost of equity, not what it is based on today's bond yield.

And the forecast, when I presented my direct testimony, was 2.8 percent. And the forecast, today, based on the most-recent consensus economics forecast is 3.5 percent. And both of those are well-over the number that existed at the time the Commission approved the 2016 settlement.

And, as I mentioned, that's just bond yields and that's just one of the inputs to the overall cost of capital.

Q All right. Thank you.

And, again, I'm gonna try and wrap this up here in the next five or ten minutes, so if I could get everyone's cooperation.

With respect to -- going back to Mr. Barrett, you mentioned that FPL has a strong balance sheet, correct?

A (Barrett) Yes.

Q Okay. Stronger than other investor-owned utilities in the state of Florida -- electric investor-owned utilities?

A (Barrett) Yes, by design.

Q Okay. And it also has a high equity ratio compared to the other investor-owned utilities.

A (Barrett) That's part of the consideration in a strong financial position.

Q Okay. So, despite that stronger balance sheet, despite higher equity ratio, and despite lower interest-rate environment, in terms of being able to borrow -- you know, borrowing costs, per se, this Commission adopted a mid-point ROE for Duke of 9.85 in the most-recent settlement.

Would you agree with that?

A (Barrett) Yes.

Q And this Commission adopted a 9.95 ROE for

TECO in the most-recent settlement, correct?

A (Barrett) I think that one is still under consideration, but I -- I would just say that customers don't pay ROE; they pay bills. And we have lower bills than either of those companies, by a sizeable margin.

Q And they would be even lower if you had an lower ROE, so -- anyway.

To -- to your point, where you say ROE doesn't drive bills, you would agree ROE drives revenue requirement, correct?

A (Barrett) Yes, as do -- as does the strategy that we pursue to seek to create value for customers across the whole bill. Our O & M performance -- I'm not going to go through everything that's in our direct and rebuttal testimony, but I mean, across the whole suite of value that we provide for customers, bottom line is the bill and reliability; 50-percent better reliability than Duke; bills that are 25 bucks lower.

So, again, when you look at the whole settlement agreement, ROE is just one component of a -- of a complete agreement. And we think customers clearly -- these -- the rates that are a result of this agreement are almost, by definition, fair, just, and reasonable. They're the lowest bills amongst these companies.

MR. SKOP: Mr. Chairman, in the interest of time, no further questions.

CHAIRMAN CLARK: (Indicating.)

MR. SKOP: In the interest of time, no further questions.

CHAIRMAN CLARK: All right. Any of the other parties: SACE, Vote Solar, Walmart -- any questions?

None.

Staff, any questions?

MS. BROWNLESS: No, sir. Thank you.

CHAIRMAN CLARK: All right. Commissioners.

We'll begin be Commissioner Passidomo.

COMMISSIONER PASSIDOMO: Thank you, Mr. Chairman.

So, I just have a few questions on the reserve surplus mar- -- mechanism. So, I'm hoping Mr. Bores can help -- Bores can walk me through this.

So, is it correct that, under the current settlement, FPL has been able to replenish the RSAM with revenues attributed to tax savings due to the Tax Cuts and Jobs Act of 2017.

MR. BORES: Yes, but I want to elaborate on that a little bit. I think the first important thing to note is -- is, with those tax savings, we avoided a costly surcharge for customers by absorbing the cost of Hurricane Irma and then Dorian and several of the other smaller storms that came after that.

In addition, we extended the minimum term of the settlement agreement from 2020 to 2021, essentially giving customers another year of rate stability before we came back in for this rate case.

COMMISSIONER PASSIDOMO: Okay. You actually kind of answered -- my next question was about using those -- you know, that -- the RSAM to be absorbing unforeseen expenses.

So, I guess, from that, if the -- if the currently-approved RSAM has benefit, is it -- I guess, is it your opinion that the current-approved RSAM has benefited customers by absorbing those costs, mitigating the need for storm-restoration cost surcharges?

MR. BORES: Absolutely. I -- I think we've been able to keep customer bills stable over an extended period of time, as you said, avoiding costly surcharges.

COMMISSIONER PASSIDOMO: Okay. So, I -- I mean, in -- given that FP&L will not be able to -- if -- if you know, the current -- if the settlement is approved, given that FPL will not be able to replenish RSAM with the tax savings, if a major storm were to impact your territory, would it be necessary for FPL to implement one of those storm surcharges?

MR. BORES: As I sit here today, I'm gonna say yes. I think we did a good job showing on the record that we're going to need a lot of RSAM just to avoid the general base-rate increases that would otherwise come in 2024 and 2025; roughly 90 percent of the RSAM just to cover that revenue requirement.

Obviously, if we're able to create productivity savings over time and have additional RSAM, we will assess, can we avoid a surcharge for customers, but I can't make that commitment sitting here today, knowing what we have to do over the next four years.

COMMISSIONER PASSIDOMO: Fair enough.

I just have -- just two more questions, Mr. Chairman.

Just diverting to SolarTogether, Mr. Valle, in your testimony, you stated there was a waiting list for the SolarTogether program. And I just kind of wanted to know if you can help me understand why FPL is increasing the credit for the program if there's a waiting list.

MR. VALLE: Sure. And Mr. Bores can comment, too, on the credit calculation, but essentially we -- we see the demand there, right. We had talked about the -- the wait-list earlier for the large customers in the program and we see strong demand on the residential side as well.

But what we felt like -- and I referenced this earlier, too -- the principle of extending the first program. So, to do that -- we had economics in the first program. We didn't want a different vintage program with different economics, potentially different paybacks, so they made the decision to extend it.

When we did that -- and that's, you know, produced in a lot in Mr. Bores' testimony, we had to bridge those two programs, if you will. So, there's three components in the program. There's the cost of the capacity. There's the benefits schedule, right, which we've already been through in some of the exhibits. And then the escalation rate of those benefits.

And then, obviously, behind the scenes is the allocation to the different classes, but we looked at that as a one-time change to the participants in the first program to get everybody onto a -- a common rate going forward.

COMMISSIONER PASSIDOMO: So -- and so, kind of just to follow up with that, so then -- so, you're -- if you're proposing to increase -- is there a reason why you're proposing to increase the -- the credit for the existing participants?

Do I have that correct? Are you planning to do that?

MR. VALLE: That's correct. In April of 2022, we're proposing to -- which is the two-year anniversary of when we launched the program, effectively, everyone -- they got the first bill -- that we take the participants in the original program and we shift them to the new schedule, right.

Whatever year that they're in, they move to that year in the new schedule and so that they are, at that point, on the same schedule that the participants -- in the extended program, which wouldn't come in until the end of '22 -- would be jumping into.

So, everybody, at that point, would be on the same -- same schedule going forward and have the same seven-year payback, too.

COMMISSIONER PASSIDOMO: Okay. All right. Thank you.

Thank you, Mr. Chair.

CHAIRMAN CLARK: Commissioner Fay.

COMMISSIONER FAY: Thank you, Mr. Chairman.

I guess just one -- one quick clarification -- maybe Ms. -- Ms. Cohen. So, it looked like, in the testimony, there was some data related to the number of customers that would be impacted by the minimum charge.

I think it said 375,000, but you've stated about 360 for the residential and then another 110 for the general; is that corr- -- is that correct?

MS. COHEN: That's correct.

COMMISSIONER FAY: Okay. Gotcha.

And then my other question is probably directed at -- at the panel. Some of the -- the balancing approach that we take for these -- these settlements require all these different variables be taken into account.

How do -- how do -- how do you recommend the Commission give weight to the complexities of the reduction of O & M costs, as they're presented?

MR. BARRETT: I guess I would suggest that, as you look at the evidence in the case and you look at our track record of the O & M productivity improvements that we've been able to make over the last four years, I would expect that we would put the same diligence towards O & M productivity going forward.

So, that's just part of our culture. It's part of who we are to continue to improve, but I think I mentioned in the opening that, over the past four years, we've actually decreased our -- our O & M by 16 percent.

So, it's part of who we are to try to look for better ways to -- to run the business, deploy smart capital, to drive operating costs out of the business.

So, I think that's how you should think about O & M in the context of the -- the full settlement. It unlocks the potential for us to be able to do that because we won't be back here again until 2025.

COMMISSIONER FAY: Okay. Great. Thank you.

That's all I have, Mr. Chairman.

CHAIRMAN CLARK: Commissioner Graham.

COMMISSIONER GRAHAM: Thank you, Mr. Chairman.

I guess this question is for Mr. Barrett and Mr. Bores. We've talked about RSAM pretty much all day.

Remember the -- what's that old movie? Philadelphia, with Denzel Washington -- explain it to me like I'm a five-year-old: What is RSAM?

MR. BARRETT: I guess I'll take this one -- and you are anything but a five-year-old.

COMMISSIONER GRAHAM: Okay. A 50-year-old.

CHAIRMAN CLARK: Wait a minute.

(Laughter.)

MR. BARRETT: Essentially, the RSAM mechanism is a -- uses what's called reserve surplus. It's created when you compare the depreciation reserve that is on our books, where we depreciate every month, every year, and we accumulate that depreciation.

It sits against the original cost of the plants. And it's based on a certain set of parameters: lives, salvage value at the end of the life of those assets, removal costs, et cetera.

So, we are accruing, such that, at the end of the life of the plant -- or whatever the property is -- we'll have enough to have recovered the original cost plus salvage value or removal costs.

So, that's the way we -- we set up depreciation.

Every so often, by Commission rule, about every four years or, in the case of a settlement agreement, usually it's at the end of that settlement agreement, we file a new depreciation study.

And that study takes a fresh look at all of those parameters, depreciation -- I mean, excuse me -- the lives, removal costs, salvage value. And those things can change over time.

We -- we have experience since the last study was done that would maybe indicate that something is going to last a little bit longer than it otherwise was assumed to.

So, just, for instance, if a -- an asset has an assumed ten-year life and we start depreciating 10 percent a year, we get five years into it -- so, it's half depreciated -- and we now do a fresh study and say, it's got a life, really, of 20 years -- so, we've reserved half of its cost in depreciation, but according to that new life, it should only have 25 percent of it in the reserve. So, we would say it has a surplus in depreciation.

So, that surplus is what enables the RSAM mechanism. So, that's surplus, in my example --

and when you look at what we've done in the settlement agreement -- is about $1.45 billion.

So, in essence, we're taking that $1.45 billion and asking the Commission to allow us to use that -- those dollars at our discretion, primarily to avoid cash-rate increases in 2024 and 2025, that Mr. Bores talked about, totaling almost $1.3 billion. So, that's, in essence, what it is.

There are many ways you can handle a surplus when you have a depreciation study. One method is to flow it back over the remaining life of the assets. That's a much slower period of time. You can flow it back over a fixed period. Depending on the size of it, you know, you can pick the number of years you would flow it back.

We're suggesting that it be flowed back -- and by "flowed back", I mean using it to offset rate increases -- in 2024 and 2025, over these next four years.

COMMISSIONER GRAHAM: So, RSAM is not something that's new; it something you basically been (unintelligible) --

THE COURT REPORTER: I'm sorry. I -- I can't hear you. I'm sorry.

COMMISSIONER GRAHAM: So, RSAM is not

something that's new. It's something that's been in the toolbox mechanism before -- like, say, from your -- your last rate case. It allows for you to, for lack of a better term, stay towards the higher end of the ROE.

MR. BARRETT: It allows us -- well, first -- first part first: It's not new. It's something that's been in each of our last three settlement agreements, starting with the 2010 agreement, 2012 agreement, and the 2016 agreement. And it allows us to pay for the revenue requirements of the business.

So, that means anywhere within the range would be where we would target to be. So, that's -- that's what it's used for.

MR. BORES: Sorry. I just want to add to that. I think I have a rebuttal exhibit, SRB-13, that did a nice job laying out that we were roughly 95 basis points above our -- our 10.55 mid-point ROE, on average, over the last settlement agreement.

Roughly 90 basis points of that was due to the O &- -- O & M productivity; meaning just five basis points of the RSAM was used to help us move off the mid-point.

COMMISSIONER GRAHAM: So, for the -- since the last rate case, you've been able to stay towards the top end of the ROE, correct?

MR. BARRETT: Yes.

COMMISSIONER GRAHAM: Now, this rate case, you're -- you agreed to only use that S-SAM [sic] to get to the mid-point, correct?

MR. BARRETT: No.

COMMISSIONER GRAHAM: I thought that what's I heard you say earlier.

MR. BARRETT: No, that's what you heard the intervenors suggest --

COMMISSIONER GRAHAM: Okay.

MR. BARRETT: -- but, I mean, we basically -- it's the same as we've had for the last three settlement agreements.

COMMISSIONER GRAHAM: So, there's no changes. That's just their recommendation; for the intervenors to shoot for the mid-point.

MR. BARRETT: Yeah.

COMMISSIONER GRAHAM: Not for the high end.

What are the limitations to the ROE for 2022?

MR. BARRETT: The range is 9.7 to 11.7. So, the upper bound would be 11.7 --

COMMISSIONER GRAHAM: I'm sorry. For the

S-SAM [sic].

MR. BARRETT: For the RSAM? For 2022, the settlement agreement contemplates a maximum usage during the full year of $200 million of the billion-450. And so, we -- we could use that however we -- we need to during the year.

And, typically, just so everybody knows, I mean, the way our business works, based on the seasonality of revenues and expenses, we use a little more surplus, or RSAM, in the first part of the year, and then we reverse part of that in the last part of the year when revenues are coming in strong, during the summer and that sort of thing.

So, the agreement says we will -- will be at a net of no more than 200 million for the full year. So, that's new in this agreement, relative to our filed position.

COMMISSIONER GRAHAM: Okay. That's all I have.

COMMISSIONER La ROSA: Thank you, Mr. Chairman.

I just want to discuss -- maybe this is to -- not everyone, whoever feels they can jump up and grab this one -- talk a little bit about business risk, territorial.

Are there any new risks with the combined Gulf FP&L territory?

MR. BARRETT: I'll take that. I would say it's enhanced or increased hurricane risk, for sure. I mean, we have most of the coastline of Florida now. We've got from Jacksonville all the way around the peninsula up to Tampa Bay, and then we've got the Panhandle.

So, I would say, in that specific regard, we have certainly increased our -- our hurricane risk.

COMMISSIONER La ROSA: Anything else outside of hurricanes, storms?

MR. BARRETT: I'm trying to think of anything else.

We've recently converted a coal plant to gas; the Crist Clean Energy Center -- the Gulf Clean Energy Center, which used to be the old Crist Coal Plant. So, we've increased our gas consumption a little bit. And so, we've -- we've still got that risk, and we've now increased it a little bit, at Gulf.

I'm trying to think of anything else. I don't -- anybody else think of anything?

COMMISSIONER La ROSA: I'll jump to something some -- similarly, I'm going to say, related. I think Mr. Coyne mentioned or referenced the Georgia Power and Light rate case, when we're talking about ROE.

Is there any comparisons to -- or similarities, I should say, to what that case proposed -- I know, of course, we're talking about a different state -- in the similarities to what you guys are proposing here in this settlement, as far as the -- I mean, territory size, term, course, group, what we talked about.

MR. COYNE: And -- and, Commissioner, are you comparing -- is your question pertaining to the Georgia Power and Light --

COMMISSIONER La ROSA: Correct.

MR. COYNE: -- case? I'd say the two -- well, they both have a multi-year rate plan, except for Florida Power & Light's is longer, four to five years; Georgia's was three.

They both have a strong portion of their generation fleet in nuclear power. I would say that Florida Power & Light's risks are greater, from a standpoint of hurricane risk than Georgia Power's are.

And I think another factor between the two would be capital at risk, the -- as we measure capital investment over the cycle of the rate period, Florida Power & Light's is at the top of the scale, from a standpoint of percentage of net plant, which is increasing over the rate plan.

And from an investment standpoint, it's good to put capital to work, but it also can put strains on the balance sheet. And credit rating agencies and equity analysts look, with care, to make sure that the proper capital recovery mechanisms are in place.

So, I would say those are the distinguishing factors that I would see.

COMMISSIONER La ROSA: All right. Thank you.

Shift over -- and this is my last question, Mr. Chairman -- to the minimum bill.

So, 20- a $25 bill, assuming these are mostly residential -- is there a barometer to understand how many customers ultimately are falling under that $25 threshold in -- in a property or in a -- in an account that's active as far as meaning that they're actually living in the property and they're utilizing and their power is turned on?

MS. COHEN: We're estimating it's about 300,000 -- 360,000 customers over -- on average. Obviously, it varies every single month. We don't know, behind the meter, what is truly an empty house.

As I mentioned earlier, though, it is intended to be -- to differentiate from the -- our base charge, which is $8.99 cents, in 2022.

If we were to increase that, that would impact a hundred percent of the customers; whereas, the minimum bill only impacts a small portion of customers with very low usage.

COMMISSIONER La ROSA: All right. Very good.

MS. COHEN: Such as second-home owners.

COMMISSIONER La ROSA: Understood.

Thank you very much.

CHAIRMAN CLARK: I was gonna let this slide, but I'm gonna ask two questions. Two of my colleagues have kind of spurred them on for me. I want to go back to the question that Commissioner La Rosa asked regarding the -- the potential -- the potential negative things that could have the potential exposure with adding the Gulf system in.

Looking at some of the potential benefits and -- did you calculate the benefit of diversity onto the fact -- onto the FPL system, due to the time-change differences? Was there any credits given to -- when you look at how the rates are

structured between the two?
     MR. BARRETT: Not specifically, I don't believe, how the rates are structured, but we do recognize that time-zone difference does provide some value, particularly if we can site solar in the Panhandle, a different same time zone when they're not peaking at the same time because, you know, solar is going to decline in its production, as the day goes on. You get an extra hour of production contributing to the system peak.
     So, there's real capacity value there, and that's factored into our analysis.
     CHAIRMAN CLARK: My second question goes to your reduced O & M. I notice that you've had some really -- had some really good success for reducing O & M costs over the last several years. You attribute a lot of that, though, to the fact that you're eliminating coal plants. Wouldn't that have been where your higher O & M costs would have been?
     MR. BARRETT: Commissioner, it's really across the board and it really has -- is a function of culture. I mean, whether it be coal plants -- and yes, coal plants are people-intensive, they're O & M intensive, but we have reduced our O & M in pretty much every single function and -- and, in

large part, in the A and G functions as well.

All of us here can attest to the efforts that we go through to -- to address our cost structure. So, it's -- whether it be the power generation fleet, the nuclear fleet, the wires business and in the A and G functions, it's across the board.

We look for opportunities to deploy smart capital to drive out O & M, going all the way back to the smart-meter deployment where we were able to get rid of all of the -- the cost of reading meters and -- and that evolved into getting intelligence from those meters and from smart sensors that we put into the grid to minimize truck rolls, to have self-healing things in -- in the grid, to automatically close feeders when they open up and minimize the amount of times that we have to roll trucks to get out there.

So, it's much, much, much more than just closing down a coal plant -- which, admittedly, does take a lot of costs out -- but it is across the board -- it is a cultural thing.

CHAIRMAN CLARK: All right. Commissioners, any other questions?

All right. Ms. Brownless, I think we've concluded everything. Do we need -- do we --

MS. BROWNLESS: We need --

CHAIRMAN CLARK: Mr. Litchfield, I'm sorry. You've got a whole panel sitting here. Redirect.

MR. LITCHFIELD: Oh, thank you. Mr. Chairman, so, I had two questions, but Mr. Skop already asked one of them for me, so that will save us some time.

And then Ms. Moncada has one question as well.

EXAMINATION

BY MR. LITCHFIELD:

Q You -- the panel, I'll address this to the panel. It probably is Mr. Bores or Mr. Barrett to address it.

You were asked several questions on the topic of RSAM, including, most recently, by Commissioner Graham.

Can you -- can you explain for us, for the Commission, the concept of cash versus non-cash earnings, as that relates to RSAM?

A (Barrett) RSAM is not cash. I've yet to see a vendor that would take RSAM in payment.

Seriously, it's -- it's 2024, 2025, RSAM is going to enable us to avoid being back here for cash rate increases from customers. I think Mr. Bores identified roughly $2 billion in cash savings that are represented by those two years.

And, you know, we look at RSAM being a non-cash thing, which is important to us. We have to look at our credit metrics to make sure that not getting that cash is not gonna damage our credit, but when we -- when we look at the sum total of -- of things, it works really well to give us a multi-year period of rate stability.

MR. LITCHFIELD: Thank you.

I'll yield to Ms. Moncada.

EXAMINATION

BY MS. MONCADA:

Q Thank you for -- this question is for Ms. Cohen. You were asked a series of questions by Mr. Marshall regarding the cost allocation to residential customers under the settlement agreement.

And you responded that the allocation of revenues was a compromise between FPL's as-filed cost of service and the cost of service that was proposed by the intervenors.

So, my question is this, if you know: Do you know how much incremental cost responsibility would have shifted to residential customers under the as-filed case if the -- if the intervenors' proposed cost of service would have been adopted?

A (Cohen) The incremental revenue responsibility for the residential customers, under the intervenors' proposal, cost-of-service methodology would have resulted in an additional $366 million for revenue -- for residential customers in 2022, and an additional cost responsibility of $391 million in 2023.

MR. MARSHALL: Mr. Chairman, I would just like to object to it being vague as to "the intervenors". If we could specify because it makes it sound like that was our cost-of-service methodology and, to the extent that the question is asking about our cost-of-service methodology, I -- I'd object.

MS. MONCADA: That's --

CHAIRMAN CLARK: Could you clarify that?

MS. MONCADA: That's a fair request for clarification. I will confess that I can't clarify, but perhaps Ms. Cohen can.

MS. COHEN: It was proposed in the original direct case by certain intervening witnesses of FIPUG and FRF, I believe.

CHAIRMAN CLARK: Thank you.

Anything else?

MS. MONCADA: Exhibits.

CHAIRMAN CLARK: All right. Let's move to exhibits.

MS. MONCADA: FPL would ask that Exhibits 478 through 483 and 620 be moved into the record.

CHAIRMAN CLARK: All right. So, ordered.

(Whereupon, Exhibit Nos. 478 through 483 and 620 were admitted into the record.)

MR. WRIGHT: Mr. Chairman, I would move 621, please.

CHAIRMAN CLARK: 621, so ordered.

(Whereupon, Exhibits No. 621 was admitted into the record.)

CHAIRMAN CLARK: Mr. Marshall.

MR. WRIGHT: Thank you.

MR. MARSHALL: Mr. Chairman, we would like to moved 622 through 635; however, as we noted in our cross, we noticed that there was -- there was an Excel sheet attached to Exhibit 626 that just happened to leave off a column.

We have since corrected that and are currently distributing copies that have the full interrogatory answer from FPL. And I'm hoping we can get agreement to substitute 626.

MS. MONCADA: No objection.

CHAIRMAN CLARK: No objections? All right. It is substituted.

MR. MARSHALL: Thank you.

(Whereupon, Exhibits Nos. 622 through 635 admitted into the record.)

CHAIRMAN CLARK: Any other exhibits that need to be entered?

Ms. Brownless, did we cover every one of the exhibits?

MS. BROWNLESS: Let me make sure I understand what exhibits are in because we want to make sure we got it straight.

We've got 478 through 480, 483, 481, 482; is that correct, Ms. Moncada?

CHAIRMAN CLARK: Yes, correct.

MS. BROWNLESS: Okay. And then, for Florida Rising, we have 622 through 635?

CHAIRMAN CLARK: Correct.

MS. BROWNLESS: Okay.

CHAIRMAN CLARK: With the modification.

MS. BROWNLESS: For Exhibit 2- -- 626.

CHAIRMAN CLARK: 620- --

MS. BROWNLESS: Six.

CHAIRMAN CLARK: 626, okay.

And for FAIR, 620.

MR. WRIGHT: 621. Thanks, Mr. Chairman.

CHAIRMAN CLARK: 621.

MR. WRIGHT: 620 was one of FPL's witnesses --

or exhibits.

And I think you said 621 is in, right?

CHAIRMAN CLARK: Yes.

MR. WRIGHT: Thank you.

CHAIRMAN CLARK: Correct.

MR. WRIGHT: Great.

MS. BROWNLESS: And for FAIR -- do we have 495, 496, 497, 493, 494 -- are those already in, Schef?

MR. WRIGHT: I -- I'm highly confident that I moved those in at the time the witnesses were up. If -- if we would just help to avoid any confusion, I'll -- I'll double-move them. Is that okay, Mr. Chairman?

CHAIRMAN CLARK: Yeah, that's fine. I have them checked. That means that --

MS. BROWNLESS: Okay.

MS. HELTON: I do, too.

MS. BROWNLESS: I just want to make sure we got everybody covered.

MR. WRIGHT: Thank you.

CHAIRMAN CLARK: All right. Good.

MS. BROWNLESS: Thank you.

CHAIRMAN CLARK: All right. Do we have all of the exhibits? Anybody -- any doubt in anybody's mind?

MR. MARSHALL: Mr. Chairman, just as an --

CHAIRMAN CLARK: Mr. Marshall.

MR. MARSHALL: Because I know we're about to -- to scatter, in the big chunk of exhibits that we had admitted earlier, there are two confidential exhibits in there. And I believe, under the rules, those should be returned. And those are the ones in the red folder.

CHAIRMAN CLARK: Please pull your red folders out for those to be returned.

MR. LITCHFIELD: Yeah, thank you, Mr. Marshall, for that reminder. Appreciate it very much.

CHAIRMAN CLARK: All right. Mr. Litchfield, what about your witnesses?

MR. LITCHFIELD: I'm sure that they would love to be excused.

CHAIRMAN CLARK: They are hereby excused. Thank you very much.

Let me say thank you to all of the parties involved. I never anticipated when we started today that we would wrap this hearing up in one day. And we have three -- three on the schedule for it. So, you guys did an outstanding job.

You should be commended for working together and the spirit of cooperation in which you did it. My hat is off to you. I greatly appreciate the hard work.

Ms. Brownless.

MS. BROWNLESS: Okay. We have just another few things we want to say. Briefs are due on October 11th and shall not exceed 100 pages with summaries of each position of no more than average of a hundred words set off with asterisks.

Transcripts are daily [sic] and will be available on September 24th.

And the post-hearing special agenda is scheduled for October 26th.

CHAIRMAN CLARK: Any of the parties have anything to come before the Commission?

Commissioners?

If not, we stand adjourned. Thank you.

(Whereupon, the proceedings concluded at 5:28 p.m.)

CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, ANDREA KOMARIDIS WRAY, Court Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 24th day of September, 2021.

ANDREA KOMARIDIS WRAY
NOTARY PUBLIC
COMMISSION #HH 089181
EXPIRES February 9, 2025