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February 28, 2025

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

Re: Docket No. 20250011-EI
Petition by Florida Power & Light Company for Base Rate Increase

Dear Mr. Teitzman:

Attached for filing on behalf of Florida Power & Light Company ("FPL") in the above docket are the direct testimony and exhibits of FPL witness Jessica Buttress.

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

Sincerely,

s/ John T. Burnett
John T. Burnett
Vice President & General Counsel
Florida Power & Light Company

(Document 12 of 30)

<u>CERTIFICATE OF SERVICE</u>
Docket 20250011-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic service this 28th day of February 2025 to the following:

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By: *s/ John T. Burnett*
John T. Burnett

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20250011-EI

FLORIDA POWER & LIGHT COMPANY

DIRECT TESTIMONY OF JESSICA BUTTRESS

Filed: February 28, 2025

TABLE OF CONTENTS

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Jessica Buttress, and my business address is Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

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

A. I am employed by Florida Power & Light Company ("FPL" or the "Company") as the Senior Director of Executive Services and Compensation.

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

A. I am responsible for the overall design and administration of all compensation programs and management of executive benefits and services, as well as shared responsibilities for the Company's total rewards strategy and programs.

Q. Please describe your educational background and professional experience.

A. I attended the University of Florida, where I earned a Bachelor of Science in Business Administration with a specialization in Finance. Before joining FPL, I worked in broker-dealer compliance, specifically institutional equity research, trading, market-making, and investment banking. I began working at NextEra Energy in 2008 as a senior financial analyst and have held various positions of increasing responsibility in NextEra Energy Resources and in FPL Compliance and Human Resources ("HR") since that time. My experience at FPL has included plan design and administration of NextEra Energy's Code of Business Conduct & Ethics and corporate compliance programs for ethics, data privacy, anti-bribery, import/export, state regulatory compliance, salary and incentive compensation plan design and administration, and compliance of such plans and programs. I have extensive knowledge of FPL's compensation and benefits philosophy and its HR plans and practices.

Q. Are you sponsoring any exhibits in this case?

A. Yes. I am sponsoring the following exhibits:

- Exhibit JB-1 List of MFRs Sponsored or Co-Sponsored by Jessica Buttress
- Exhibit JB-2 Total Salaries & Wages
- Exhibit JB-3 Merit Pay Program Awards
- Exhibit JB-4 Total Benefit Program
- Exhibit JB-5 Average Medical Plan Expense Per Employee
- Exhibit JB-6 Pension & 401(k) Employee Savings Plan

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

A. Yes. Exhibit JB-1 lists the minimum filing requirements ("MFR") that I am sponsoring and co-sponsoring.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present an overview of the gross payroll and benefit expenses shown in MFR C-35 and to demonstrate the reasonableness of FPL's forecasted payroll and benefit expenses. Additionally, my testimony will show that FPL's ability to attract, hire, retain, and engage a talented workforce is paramount to providing safe, adequate, and reliable service to our customers.

Q. Please summarize your testimony.

A. FPL designs and manages its compensation and benefits programs as elements of a total rewards package to strike a balance between attracting and retaining talent and delivering on our value proposition for customers. In order to address changing workforce dynamics, to control costs, and to attract, retain, and engage the required workforce, FPL places more focus on flexible, performance-based variable compensation than on less flexible, fixed-cost compensation and benefit programs. This focus has allowed the Company to adapt to market conditions and drive the superior performance documented by other FPL witnesses, while managing total program costs.

FPL's total rewards costs included in the forecast for purposes of the 2026 Projected Test Year and 2027 Projected Test Year are reasonable and do not include any types of expense that the Commission has not previously approved for recovery. FPL's gross total compensation and benefits in 2026 and 2027 are projected to be $1,608 million and $1,649 million, respectively. Comparison of FPL's compensation and benefits programs against relevant industry benchmarks demonstrates that both compensation and benefits, while very competitive, are generally below the market value of benchmarked utility and general industry companies. The Company has and will continue to diligently manage costs to maintain employee engagement, retention, and provide value to customers.

The total rewards package, emphasizing pay for performance, has served the Company and its customers well. FPL has successfully provided value to its employees and its customers through efficient use of compensation and benefits to drive a culture that rewards improved efficiency and performance. FPL must continue to provide a competitive total rewards package to its employees in order to attract and retain the necessary talent. The projected levels of total compensation and benefits expense for 2026 and 2027 are reasonable and necessary to serve FPL's customers and to attract and retain the caliber of employees that create a high-performance organization and deliver superior value for customers.

II. THE OBJECTIVES OF FPL'S TOTAL COMPENSATION AND BENEFITS

Q. What are the objectives of FPL's compensation and benefits programs?

A. In order to best serve customers, there are several key objectives of FPL's compensation and benefits approach. The Company designs its compensation and benefits program to attract, retain, engage, and competitively reward its employees based on national and local comparative markets. FPL's compensation program also reflects a pay-for-performance philosophy, linking total compensation to attainment of corporate, business unit, and individual goals such as excellent reliability, safety, and customer service. In addition, FPL's compensation and benefits approach is designed to control fixed costs by placing greater emphasis on variable cash compensation rather than on the traditional programs that are not performance-based, such as long-term retirement benefits. Finally, the Company strives to manage its various compensation and benefits programs holistically in order to keep its total program expenses at a reasonable level. FPL continuously monitors and benchmarks the compensation and benefits components of the total rewards package and remains at or below the median of the combined compensation and benefits programs of the appropriate comparator groups.

Q. What is FPL's total compensation philosophy?

A. FPL's philosophy has been, and continues to be, to provide competitive, market-based salaries with consideration of an individual's performance and contribution to the Company's key objectives. The performance-based pay programs have enabled FPL to develop a culture of employee commitment and ownership in the performance of the Company. Each salaried employee's compensation has a portion of pay that is variable. The variable pay is linked to individual, business unit, and corporate objectives that benefit our customers, including budget goals and operating efficiency milestones such as plant availability, service reliability, safety, and quality of customer service. The strategic emphasis on the variable pay program encourages performance at an individual employee level and adds flexibility in recognizing that performance.

Q. How has FPL designed and managed its compensation and benefits programs to achieve these objectives?

A. FPL's approach to the design and management of compensation and benefits is to consider them as elements of one total rewards package. Since 1997, when the Company converted its pension plan to a cash balance plan and eliminated post-retirement medical coverage for all new hires, the total rewards package has been less focused on fixed-cost benefit programs and more focused on performance-based variable cash compensation. Then, over the past fifteen years, due to rising health care costs, FPL made controlling those costs a key strategic initiative. FPL has designed health plans that require employees to consider more carefully when and where they pay for healthcare services for themselves and their family, while also encouraging them to take ownership of their health care and health outcomes by focusing on preventative care. This has allowed FPL to mitigate the rate of increases in program costs for the Company and the employees. FPL's strategic decisions to control benefit program costs and to develop and emphasize a pay-for-performance compensation program has been an important tool in the Company's ability to achieve efficiency, reliability, safety, and customer service improvements over the past nearly three decades, all of which contribute to FPL's ability to deliver superior value for its customers. Moreover, the flexibility provided by these strategic changes has been an essential component of the Company's success in dealing with the workforce challenges confronting the utility industry.

III. WORKFORCE OVERVIEW AND INDUSTRY CHALLENGES

Q. Has FPL implemented any changes to its headcount since the last rate case in 2021?

A. Yes. Since 2021, the Company has reduced headcount by approximately 250 employees or roughly 2.6%. This reduction in headcount reflects continuous efforts to find efficiencies within FPL and the Company's commitment to aggressively identify and implement operational and technological efficiencies in its resources and processes as further explained by FPL witness Laney. As a result of maximizing efficiencies, FPL was able to reduce headcount in certain areas since 2021 while still providing safe and reliable service to our customers. FPL's headcounts for the 2026 Projected Test Year and 2027 Projected Test Year are reflective of this reduction in headcount.

Q. What is FPL's forecasted headcounts for the 2026 Projected Test Year and 2027 Projected Test Year?

A. FPL's forecasted headcounts for the 2026 Projected Test Year and 2027 Projected Test Year are 9,382 and 9,427, respectively. This would be an increase of approximately 150 employees over the 2025 headcount.

Q. Please explain the primary drivers for the increase in the forecasted headcounts for the 2026 Projected Test Year and 2027 Projected Test Year.

A. The increase in headcount forecasted for the 2026 Projected Test Year and 2027 is primarily attributable to the significant population growth in Florida and the need for FPL to support customer growth as explained by FPL witnesses Bores and Cohen. In addition to connecting customers to the grid, the forecasted increase in headcount is largely driven by the need to invest in new generation assets between 2026 and 2029 to support new load growth as explained by FPL witness Whitley. To meet these needs and continue to provide safe and reliable service to both existing and new customers, FPL's forecasted headcount for the 2026 Projected Test Year and 2027 Projected Test Year is expected to increase by 1.1% and 0.5%, respectively.

Q. Has the utility industry faced challenges in attracting, retaining, and engaging a diverse workforce with the required skills?

A. Yes. In recent years, FPL and other utility industry employers have experienced challenges in attracting and retaining employees due to multiple factors, including aging workforce and need for more skilled replacement workers; lack of qualified candidates in the labor market; willingness of employees to relocate for other opportunities; high desire by workforce for remote or hybrid work opportunities; and economic/inflationary pressures. FPL and other utility industry employers are also striving to adapt to the changing needs in skills resulting from rapid advancements in technology.

According to the 2024 Global Energy Talent Index ("GETI") report[1], 88% of the energy industry workforce is open to moving roles, with 38% open to moving within the energy sector, meaning that maintaining a career at a single company is no longer the norm and it is becoming increasingly more difficult to retain qualified talent.

In the 2024 U.S. Energy & Employment Report, prepared by the U.S. Department of Energy's Office of Energy Jobs, the energy sector added nearly 250,000 jobs from 2022 to 2023. However, the report noted hiring difficulty in 2023 of 85% (somewhat difficult or very difficult) for the electric power generation industry and hiring difficulty of 81% (somewhat difficult or very difficult) for the transmission, distribution, and storage industry.

Other factors contributing to the shortage of skilled workers in the industry, include:

(1) Aging Workforce and Need for More Skilled Replacement Workers: The aging of the electric utility industry workforce has been a concern of government and industry leaders for some time. The Center for Energy Workforce Development ("CEWD"), a non-profit consortium, was formed in 2006 to help utilities work together to develop solutions to the upcoming

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[1] The GETI is an annual energy industry recruitment and employment trends report published by Airswift and Energy Jobline, a job site for the energy and engineering industries.

workforce shortage in the industry. The CEWD 2023 Energy Workforce Survey states that 15% of the utility workforce are Baby Boomers, born between 1946 and 1964, nearing retirement and the Gen X population is 37% with approximately a third of that population entering retirement eligibility. Additionally, it notes that while the age of the workforce has stabilized due to an increase in younger workers, 56% of workers have fewer than 10 years of service, suggesting that the workforce has a higher percent of younger and less experienced workers. The study notes that training, mentorship, and other programs to develop the less experienced workers will be required.

(2) Demands of Emerging Technologies: The growing demand for renewable generation and energy storage solutions, the smart grid operating model, and digitalization are creating additional demand for skilled and tech-savvy workers and will further impact the skills shortage. Emerging technology is placing a greater focus on engineering, information technology, distribution resources, and customer interaction. Scarcity often happens when a new demand for particular skill sets emerges in the market, such as cybersecurity, data scientists, and engineers with cloud computing skills.

Q. To what extent have these industry challenges impacted FPL's efforts to attract and retain the necessary workforce?

A. FPL is facing similar workforce challenges as other electric utilities. Currently, 27% of FPL's workforce is eligible to retire, and an additional 14% of the current FPL workforce is projected to be retirement-eligible in five years. In addition, in the generation and power delivery business units, the numbers are slightly higher, with 30% eligible to retire now and an additional 14% eligible to retire in five years. FPL has programs to upskill its existing workforce to learn emerging technologies and new leadership and project management skills, but it still must go to the competitive labor market for external hires due to retirements and other turnover. It is becoming more difficult to find candidates with the advanced technical skills we need to support our culture of innovation and continuous improvement.

FPL is also facing the challenge that skill sets of many utility jobs are transferable to other industries, and often these industries can be more attractive to job seekers. For example, we are competing with tech sectors where younger workers perceive more innovation, better pay, and flexible working conditions. The utility sector is often seen as less dynamic and flexible compared to industries like technology or finance, which can make it more challenging to attract young talent for similar positions within the energy industry.

Clearly, there are a number of challenges for FPL and other companies to attract and retain the required workforce. Although the industry and educational institutions have recognized the challenges and started to address future skills demands, in the short term, the factors discussed above are creating competition for skilled resources and applying pressure on compensation levels. Moreover, most of the key technical and engineering positions are difficult to fill from the local labor pool, so FPL must remain competitive in national as well as local markets.

Additionally, the rising cost of living in Florida has been particularly challenging for FPL and other employers trying to hire and retain employees. Florida has experienced significant increases in housing costs, particularly in areas like Miami-Dade, Broward, and Palm Beach counties. These economic pressures have made it more difficult to attract, hire, and retain qualified employees for positions in South Florida.

Q. Has FPL taken any steps to build its talent pipeline to ensure it can successfully obtain the necessary future workforce?

A. Yes. FPL has a robust summer internship program providing participants with rewarding learning experiences, whom may be offered post-graduation full-time jobs at the end of the internships. Through its college recruiting programs, FPL also hires pools of graduating engineers twice per year to continue to grow the organization's engineering talent. In summary, through our college relationships, organization partnerships, and active sourcing and recruiting, the FPL recruiting team is able to create a broad pipeline of talent for current and future open positions.

Q. How has FPL's total rewards strategy helped the Company respond to current and future workforce challenges?

A. As a result of its total rewards strategy, which emphasizes performance-based compensation over fixed-cost benefits, FPL is well positioned to compete for qualified candidates in the market. By actively managing the costs of benefits as further explained below, the Company is able to better focus on the elements of the total rewards package that have more value for attraction, retention, and engagement of the required workforce, specifically variable performance-based pay.

IV. REASONABLENESS OF FPL'S TOTAL COMPENSATION

Q. What are FPL's gross total compensation costs for the projected 2026 Projected Test Year and the 2027 Projected Test Year?

A. FPL's gross total compensation cost, represented as Gross Payroll on MFR C-35, is projected to be $1,406 million for the 2026 Projected Test Year and $1,438 million for the 2027 Projected Test Year.

Q. Is FPL seeking recovery for all compensation expense in 2026 and 2027?

A. No. FPL has excluded all executive incentive compensation, 50% of non-executive restricted stock and target performance share awards, and 100% of any non-executive expense above target for performance shares. These exclusions are consistent with those applied in FPL's 2016 and 2021 base rate proceedings.

Q. What is the increase in FPL's total compensation cost projected for the 2026 Projected Test Year and 2027 Projected Test Year?

A. The projected increase in total compensation from 2025 to the 2026 Projected Test Year is $43 million, or 3.2% which is inclusive of the forecasted headcount. The projected increase in total compensation from the 2026 Projected Test Year to the 2027 Projected Test Year is $31 million, or 2.2% which is inclusive of the forecasted headcount. The increases projected for the 2026 Projected Test Year and the 2027 Projected Test Year are consistent with or less than the current market median salary increases from WorldatWork, a professional association that sets the standard in the field of total rewards and produces the leading annual global compensation planning and salary increase survey.

Q. How does FPL's gross payroll cost compare with other utilities?

A. FPL's total compensation cost compares favorably to that of other similar utilities as demonstrated by review of Federal Energy Regulatory Commission Form No. 1 report data. The companies in the comparison included other regional utilities as well as other vertically integrated utilities of similar size. As shown on Exhibit JB-2, FPL continues to be one of the more efficient utilities from a total compensation standpoint. This efficiency is particularly evident when one looks at total compensation – whether on a per-customer or megawatt hour basis.

Q. What resources does FPL use to evaluate its compensation program?

A. FPL uses a variety of compensation survey resources to evaluate its program. These resources include regional data but rely primarily on national compensation surveys because the Company's recruiting department searches nationally for personnel to fill managerial, professional, and technical positions. As previously explained in my testimony, many of the key technical and engineering positions are difficult to fill from the local labor pool alone, so FPL must remain competitive in both the national and local markets. FPL utilizes nationally recognized third-party compensation survey sources to aggregate and assess comparative data from other national and regional employers, both in general industry and the utility industry. It is important to utilize both general and utility comparative market information because FPL's workforce encompasses multi-industry talents. FPL utilizes several information sources for compensation survey data, including:

- Willis Towers Watson, an international human resources consulting firm;
- Mercer, LLC, an international human resources consulting firm;

- Aon, an international human resources consulting firm; and
- WorldatWork, a global human resources association of more than 70,000 compensation, benefits and human resources professionals.

Q. How does FPL's base compensation program compare to the market?

A. FPL's base pay levels are comparable to the rates paid by its competitors (generally companies of similar size, scale, and complexity) for employees performing similar jobs and with similar skill sets. FPL performs a detailed annual benchmarking analysis of its base pay rates to determine "position to market." The most recent market analysis completed in 2024 included market survey data from approximately 44 sources, including Willis Towers Watson, Aon, and Mercer. These sources indicate FPL has maintained its median base pay, in the aggregate, slightly below the median. Consistent with our historical practices, we expect FPL base pay levels will continue to be in line with the market median in the 2026 Projected Test Year and the 2027 Projected Test Year.

Q. Please describe FPL's annual performance-based merit program.

A. There are two components to FPL's annual performance-based merit program. The first component is a merit award determined by an individual's performance level and salary position relative to market. The second component is a variable pay program that provides a payment based on each individual's contribution as well as Company and business unit results in comparison to pre-established objectives. These performance indicators include controlling customer-related costs and operating efficiency milestones such as plant availability, service reliability, and quality of customer service. These goals are set annually for each employee and their individual progress is reviewed multiple times throughout the year with the employee's manager so that appropriate adjustments in performance can be implemented if necessary. This annual goal-setting and ongoing review process at the individual employee level has contributed to FPL's success in achieving its goals of providing safe, reliable, and efficient service to the customers and communities we serve.

Q. How do FPL's annual pay increase program and variable pay awards compare to market?

A. FPL regularly benchmarks its annual pay increase program and variable pay awards against relevant market data. As shown in Exhibit JB-3, FPL's annual pay program, including merit base increases and variable incentive pay awards, has been slightly below market for the period from 2022 through 2024. Based on the market median salary increases, we expect that FPL's total compensation for the 2026 Projected Test Year and 2027 Projected Test Year will remain slightly below market. However, FPL remains competitive by providing job security and stability, exceptional and cost-effective benefits as explained next, and through its various career development programs and opportunities.

V. BENEFITS

Q. Please describe FPL's benefits package.

A. FPL's benefits program is designed and managed as part of the total rewards package. The benefits package includes a full complement of benefits comprised of three primary components: health and welfare benefits, retirement plans, and various benefits required by law.

Q. What are FPL's projected benefits costs for the 2026 Projected Test Year and 2027 Projected Test Year?

A. Total benefits costs are projected to be $201 million in 2026 and $211 million in 2027, the major components of which are as follows:

Table JB-1

In millions	2026	2027
Health and welfare benefits	$142.6	$148.8
Retirement benefits	($49.6)	($46.3)
Benefits required by law	$108.1	$108.4
Total Benefits Cost	$201.1	$210.9

Benefits required by law include Social Security and Medicare tax, federal and state unemployment taxes, and workers' compensation.

Q. How does FPL evaluate the design and cost of its benefit plans, and how do the plans compare to those of other companies?

A. FPL uses the Aon Benefit Index, an actuarial tool that compares the value of benefit plans. Aon is an internationally recognized benefits consulting firm that provides analysis and consultation on the competitiveness of participating companies' benefit programs and produces the Aon Benefit Index. The study methodology first analyzes the value of each benefit plan for each individual in the plan and then converts the individual values to a composite value for the entire employee population by applying a standard set of twenty-one actuarial and employee participation assumptions. The index base point of 100.0 is set as the average of the values of the base companies selected for the comparison. Index values below 100.0 indicate that a company is more successful than average in managing plan design as a means of controlling benefits costs. FPL has used the relative values from the Aon study to compare its benefits programs to those of companies in the general industry, utility industry, and to Fortune 500 companies participating in the study.

Exhibit JB-4 displays the relative value of FPL's total benefits program for 2024 compared to a base utility comparator group composed of 13 electric utilities that are most similar to FPL in terms of revenue and workforce composition or that are Florida-based. The graph also displays relative value comparisons of a broader utility group, a general industry grouping, and Fortune 500 companies that participated in the study. The graph shows that FPL's Benefit Index for the total benefit program is below average compared to the broader utility group and each of the other industry groupings. FPL's total benefits program rated 93.8 as compared to a 100 when averaging the 13 utilities in the base utility comparator group. The general industry group and Fortune 500 companies compare at 94.7 and 94.6, respectively. The broader utility group compares at 100.7. These results are consistent with the Company's objective to attract and retain employees, which requires offering a competitive benefits package, while managing costs for the benefit of customers.

Q. What is FPL's projected medical cost for the 2026 Projected Test Year?

A. FPL's projected medical cost is $107 million for active employees in the 2026 Projected Test Year. As shown on MFR C-35, there is an increase of about $5 million or just 4.9% per year between 2025 and 2026. This is significantly below the utility industry health care trend increase of 9.2% between 2025 and 2026.

Q. What is FPL's projected medical cost for the 2027 Projected Test Year?

A. FPL's projected medical cost is $113 million for active employees in the 2027 Projected Test Year as shown on MFR C-35, which represents an increase of about $5 million or 5.1% from 2026. This compares to an increase of 9.2% in the utility industry health care trend, as forecast by Aon, over the same time frame.

Q. How does FPL determine the plan design of medical benefits for each year?

A. FPL's benefits department reviews trends in health care claims as well as plan designs and programs available across various industries, to determine the optimal plan design and pricing structure that will provide competitive, cost-effective benefits for all employees.

Q. How do FPL's projected medical costs per employee compare to those of other utilities and the national average?

A. FPL tracks medical plan expense per employee on an ongoing basis as a means of comparing its costs to those of other companies. Exhibit JB-5 illustrates FPL's medical plan expense per employee for 2023 to 2024 and the projected cost for 2025 to 2027 as compared to the utility industry benchmark. FPL's average expense per employee has remained well below the utility industry average for 2023 and 2024 and is projected to remain below the industry average through 2027, as illustrated in Exhibit JB-5. Additionally, the increases in FPL's health care plan expense per employee for 2023 through projected 2027 are also well below the utility industry trend reported by Aon. Furthermore, Aon's forecasted utility industry benchmark for 2027 is approximately 55% above FPL's projected medical plan expense per employee in 2027. This further demonstrates FPL's successful cost management strategy in the face of increasing medical trends while providing a competitive medical benefit to employees.

Q. What specific initiatives has FPL pursued to successfully control health care costs?

A. FPL has made health care cost control a key strategic initiative, applying a continuous improvement process to develop an integrated health strategy that will optimize health and wellness for employees and control costs for both the Company and employees. FPL's ability to keep per employee health care costs below the utility industry benchmarks and to project that costs will remain below the utility industry benchmarks in 2025 and beyond have been the direct result of focused management of the drivers of health care costs. The Company's successful cost control strategy has relied upon a variety of initiatives, including:

- Plan design featuring choice, price incentives, and access to preferred providers to encourage cost-effective plan selections.
- Expanding direct contracts giving localized access to top-quality doctors with favorable pricing.
- Implementation of mobile on-demand telehealth option to drive down provider costs including virtual primary and chronic conditions management care.
- Comprehensive health promotion together with implementation of wellness incentives to encourage preventative care and utilization and care management programs.
- Providing access to centers of excellence and second opinion services for higher quality and lower cost care.

- Aggressive vendor management and contracting, including disaggregation of medical administration and associated networks.
- Targeted pharmacy management, including specialty drugs, with an emphasis on cost-effective medications administered at an appropriate site of care; and
- Implementation of retiree medical coverage through a Medicare Advantage plan.

Q. Are there other initiatives FPL has taken that have contributed to the successful management of health care costs?

A. Yes. A key long-term cost control initiative has been the creation of a healthy work environment and the consistent promotion of the employee's personal responsibility for his or her own health, as evidenced by the Company's comprehensive health and well-being programs. The effectiveness of the programs has been acknowledged through frequent national recognition, including "Best Employers for Healthy Lifestyles" Awards from the National Business Group on Health for sixteen of the last nineteen years.

Q. What are FPL's expectations for the rate of increase in medical costs?

A. Aon is forecasting utility industry health care cost increases of approximately 9.2% from 2025 to 2026, driven by a number of factors, including: medical inflation, an aging population, the growing burden of chronic diseases, various federal and state mandates, an increase in utilization and costs of prescription drugs including specialty drugs, hospital/provider consolidations, staffing shortages in the healthcare industry, and enhancements in medical technology that will increase utilization. As previously stated, FPL's medical cost is estimated to increase just 5% between 2025 and 2026. Thus, while FPL has been successful in mitigating total medical costs and in managing per-employee medical costs below the utility industry average, rising health care costs continue to be a concern going forward. However, as noted previously, for purposes of the rate request in this case, FPL projects medical costs of $107 million in 2026, representing a significant achievement in cost mitigation compared to the industry.

Q. How has FPL's successful management of its health care program and costs been a benefit to customers?

A. As I mentioned previously, the Company has maintained both total program costs and per employee medical costs well below Aon's reported health care cost trends. This success in controlling medical costs reduces the Company's revenue requirements, which is a direct benefit to customers.

Q. Does FPL offer retirement plans to employees, and is that consistent with industry practices?

A. Yes. FPL offers its employees retirement plans consisting of a pension plan and a 401(k) employee savings plan, as do approximately 57% of the utility industry comparator group included in the 2024 Aon Benefit Index. The Company also provides post-employment medical and life benefits; however, these benefits were discontinued for employees hired on or after April 1, 1997.

Q. Has FPL taken any steps to further control the costs within its retirement plans?

A. Yes. FPL implemented a fully insured retiree medical Medicare Advantage plan to help control costs for post-65 retirees, which results in a reduction in the costs to be incurred by the Company.

Q. What is FPL's projected retirement expense in the 2026 Projected Test Year?

A. The projected expense for the 2026 Projected Test Year is a credit of $50 million. This is the net result of the pension plan credit of $104 million that is partially offset by the 401(k) employee savings plan expense of $47 million and other post-retirement benefits of $7 million, which includes medical and life insurance.

Q. What is FPL's projected retirement expense in the 2027 Projected Test Year?

A. For the 2027 Projected Test Year, FPL's projected retirement expense is a credit of $46 million, which includes a pension plan credit of $102 million partially offset by expenses of $49 million for the employee savings plan and other post-retirement benefits of $7 million.

Q. Why are the retirement expense and the employee pension benefit reflected as a credit?

A. The assets of the pension plan have been prudently managed and invested such that the fair value of the assets exceeds the actuarially determined projected obligation. The size of the pension plan credit is sufficient to offset the employee savings plan, which results in a net credit for retirement expense.

FPL's pension benefit is calculated based on Financial Accounting Standards Board ("FASB") Codification, ASC 715, which covers retirement benefits. Whereas many utilities must recover from customers a pension cost associated with providing a retirement plan to its employees, FPL has, through prudent plan design decisions and asset investment over time, been able to grow its pension assets at a faster rate than the costs of its plan obligations. Even after historical market corrections, the pension trust still exceeds its obligations and, therefore, creates a negative expense (a credit) to the benefit of customers.

Q. How do FPL's retirement plans compare to the industry?

A. As shown in the Aon Benefit Index comparison chart (Exhibit JB-6), FPL's retirement plans are valued at 83.3, well below the averages of the 13 comparator companies and the utility industry (100 for the comparator and 103.4 for the overall utility industry).

Q. Does this evaluation demonstrate the reasonableness of FPL's qualified retirement plans?

A. Yes. FPL provides both a pension and 401(k) employee savings plan to its employees in order to attract and retain high quality employees. However, through careful management of the plans, FPL has been able to provide low-cost benefits to their employees relative to peers in the utility industry as demonstrated by the Aon Benefits Index (Exhibit JB-6).

VI. CONCLUSION

Q. Please summarize your testimony concerning FPL's total compensation and benefits costs for 2026 and 2027.

A. With its emphasis on pay for performance, FPL's total rewards package has served the Company and its customers well. The Company has made good progress in controlling costs, and the total compensation and benefits costs are competitive when measured against relevant benchmarks as demonstrated on Exhibits JB-2 through JB-6. The 2026 and 2027 projected levels of compensation and benefits expense are reasonable and necessary to attract and retain the caliber of employees that create a high-performance organization.

Q. Does this conclude your direct testimony?

A. Yes.

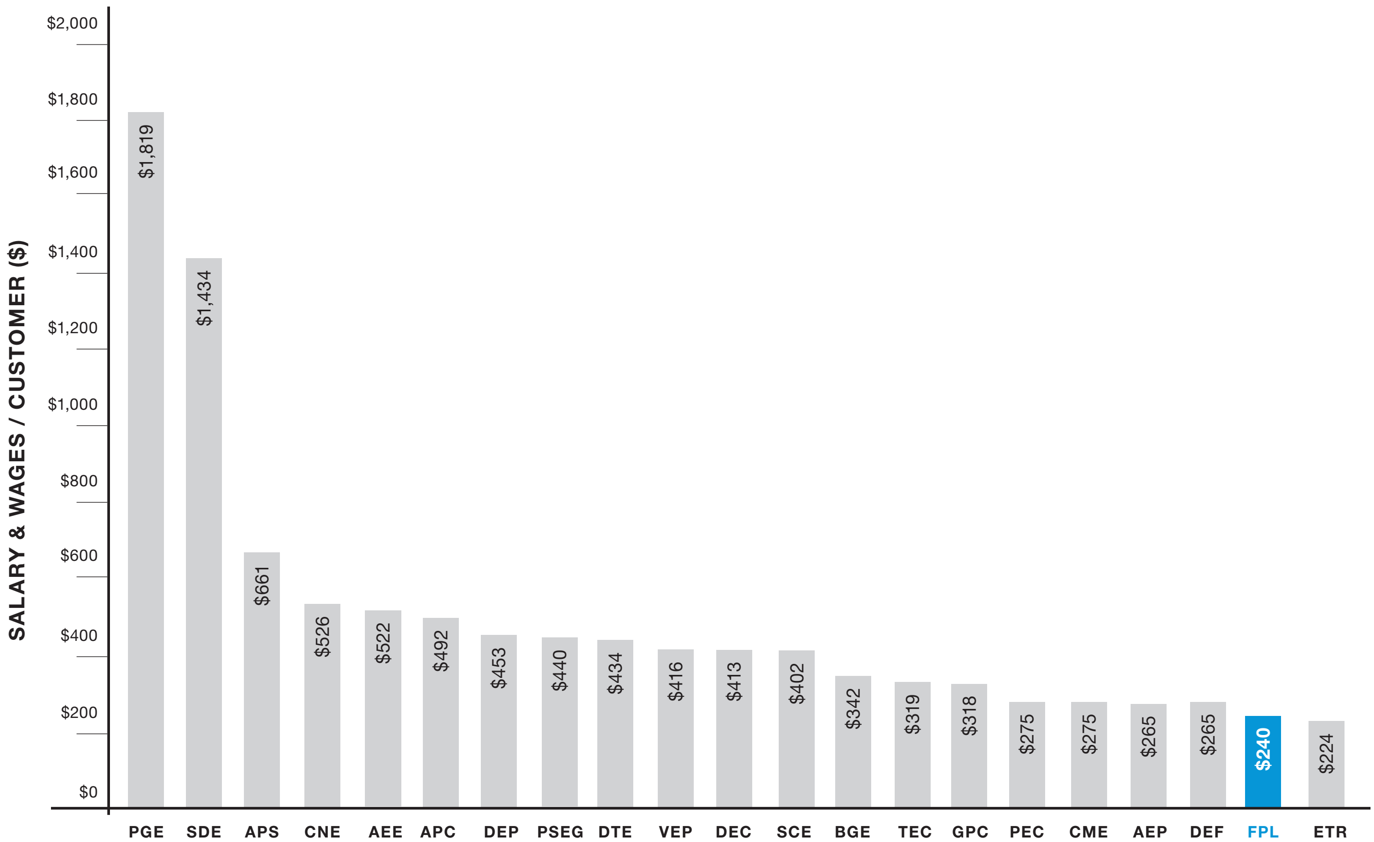
Florida Power & Light Company

MFRs SPONSORED OR CO-SPONSORED BY JESSICA BUTTRESS

MFR	Period	Title
SOLE SPONSOR:		
F-03	2024 Historic Year 2026 Projected Test Year 2027 Projected Test Year	BUSINESS CONTRACTS WITH OFFICERS OR DIRECTORS
CO-SPONSOR:		
C-08	2025 Prior Year 2026 Projected Test Year	DETAIL OF CHANGES IN EXPENSES
C-15	2024 Historic Year 2026 Projected Test Year 2027 Projected Test Year	INDUSTRY ASSOCIATION DUES
C-17	2024 Historic Year 2025 Prior Year 2026 Projected Test Year 2027 Projected Test Year	PENSION COST
C-35	2024 Historic Year 2025 Prior Year 2026 Projected Test Year 2027 Projected Test Year	PAYROLL AND FRINGE BENEFIT INCREASES COMPARED TO CPI

Total Salaries & Wages per Customer

Per Customer 2023



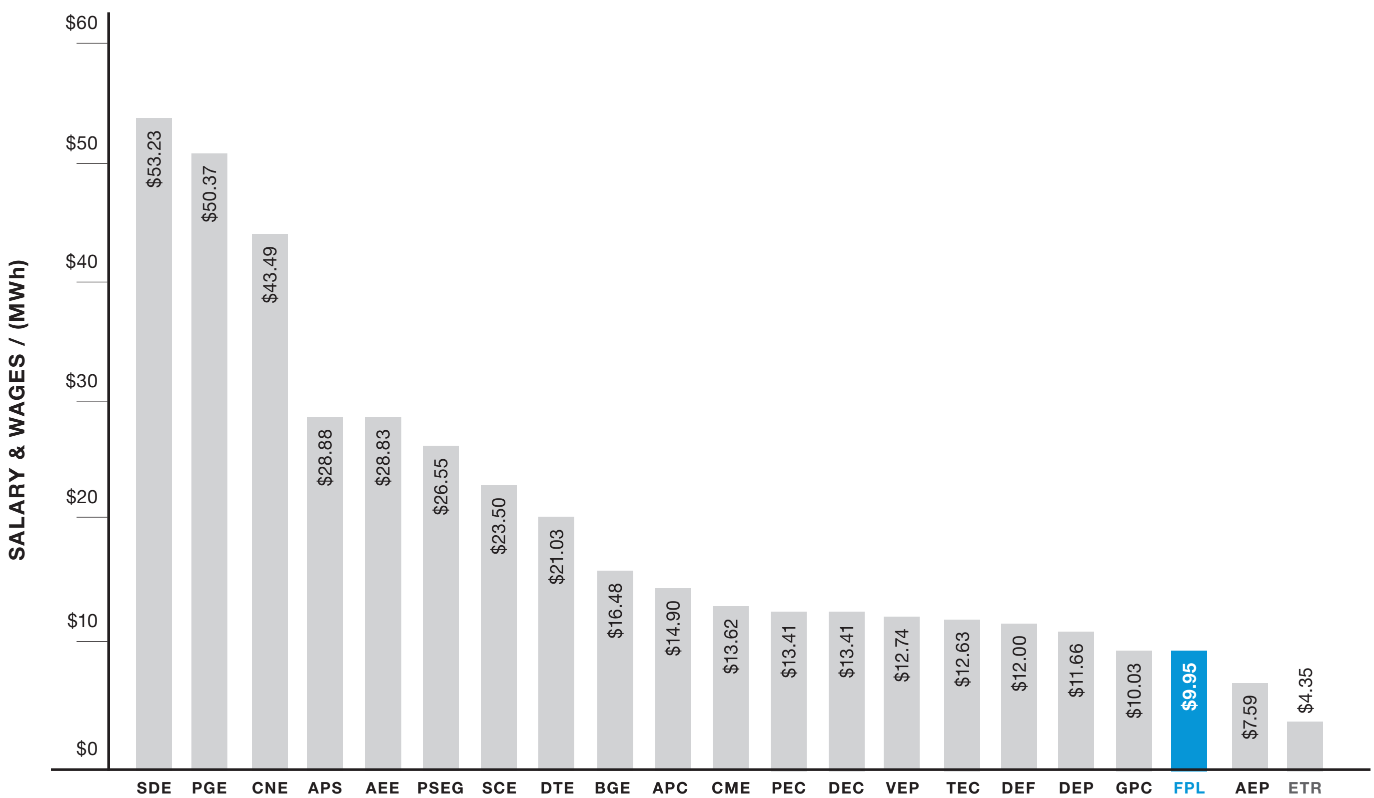
AEE	Ameren Corporation
AEP	American Electric Power Company
APC	Alabama Power
APS	Arizona Public Service
BGE	Baltimore Gas & Electric
CME	Commonwealth Edison
CNE	Consolidated Edison
DEC	Duke Energy Carolinas
DEF	Duke Energy Florida
DEP	Duke Energy Progress
DTE	DTE Electric

ETR	Entergy Corporation
FPL	Florida Power & Light Company
GPC	Georgia Power
PEC	PECO
PGE	Pacific Gas & Electric
PSEG	Public Service Electric & Gas
SCE	Southern California Edison
SDE	San Diego Gas & Electric
TEC	Tampa Electric
VEP	Virginia Electric Power

SOURCE: FERC FORM 1

Total Salaries & Wages per MWh

Per MWh 2023



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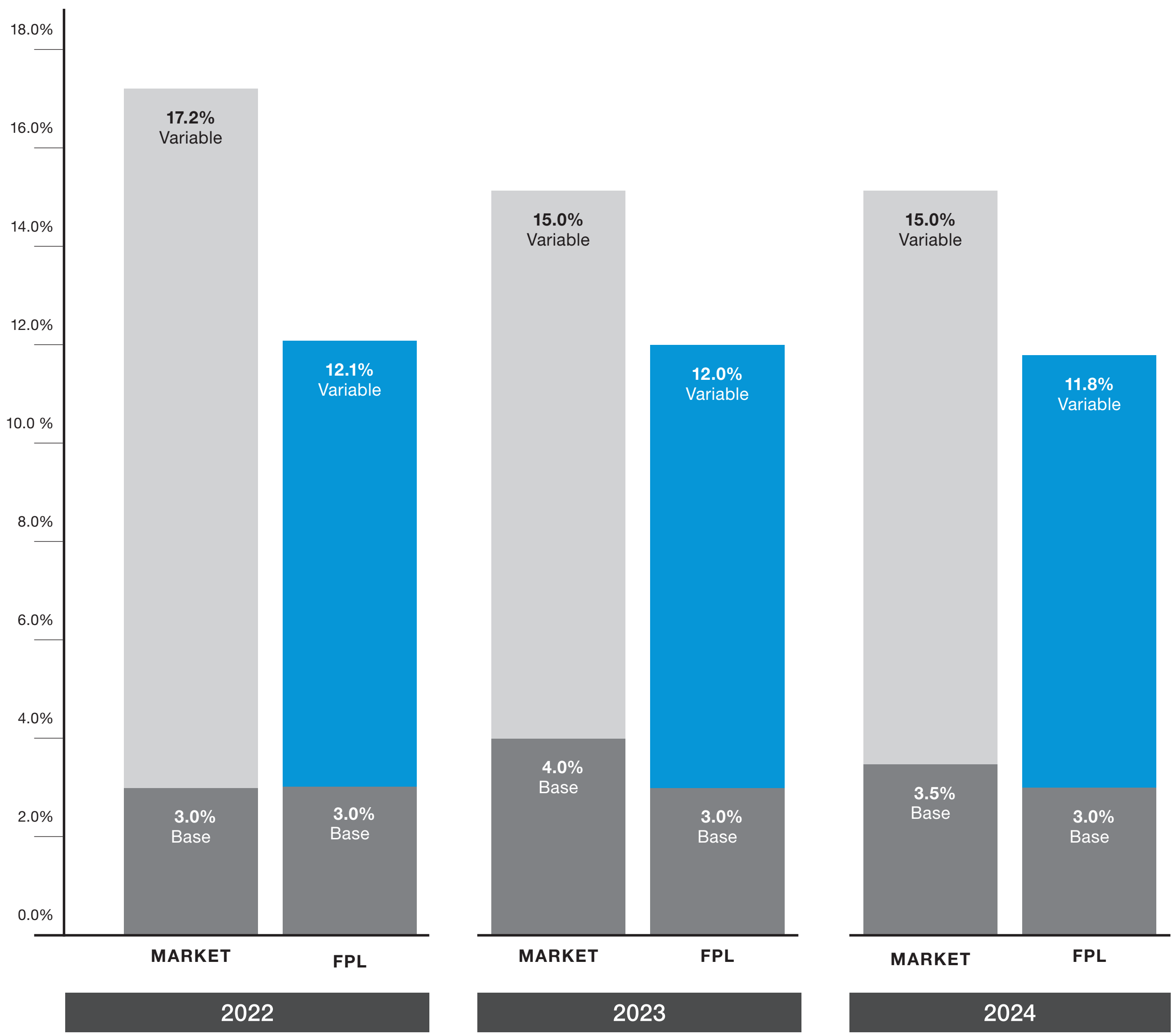
SOURCE: FERC FORM 1

Merit Pay Program Awards

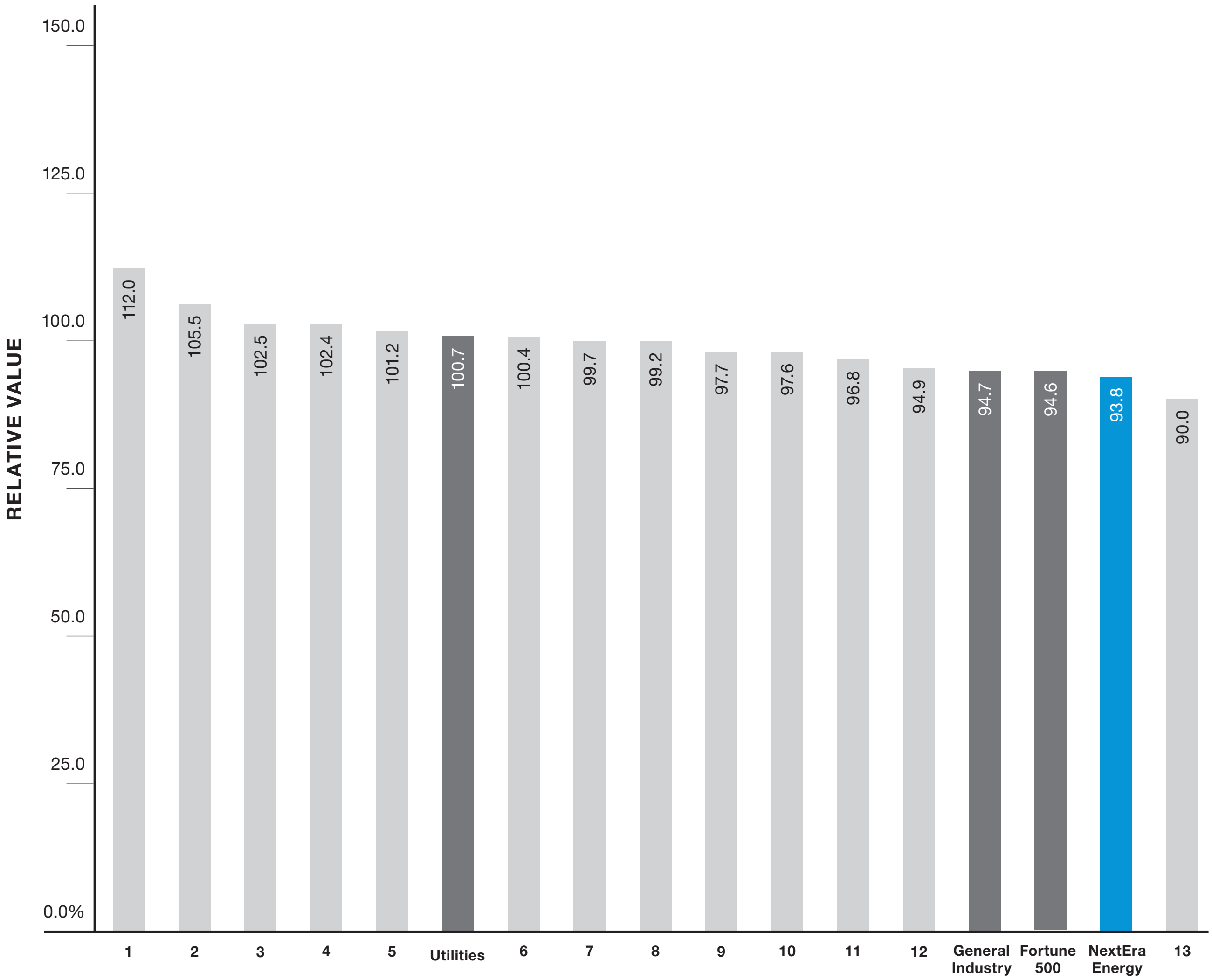
2022 to 2024



FPL's annual pay program has been at or below market from 2022 through 2024.

Total Benefit Program

Relative Value Comparison - 2024



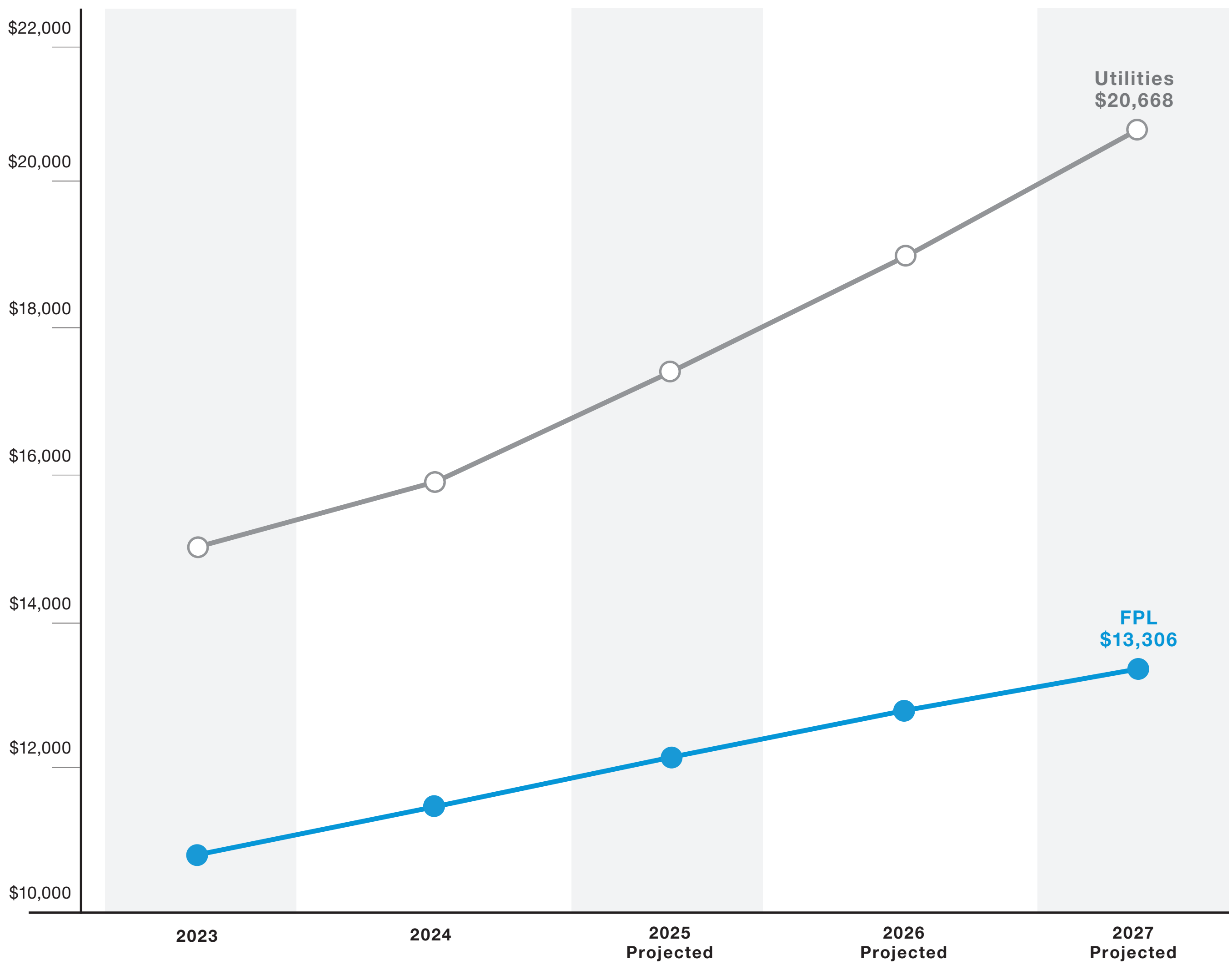
NextEra Energy provides a competitive total benefits program that is below those of the comparator utility group.

Ameren Corporation, American Electric Power Company, Inc., Consolidated Edison Company of New York, Inc., Dominion Resources, Inc., DTE Energy Company, Edison International, Entergy Corporation, Exelon Corporation, FirstEnergy Corp., Pacific Gas & Electric Company, Public Service Enterprise Group Incorporated, Southern Company, Tampa Electric Company

SOURCE: Aon Benefit Index 2024

Average Medical Plan Expense Per Employee

2023 - 2027

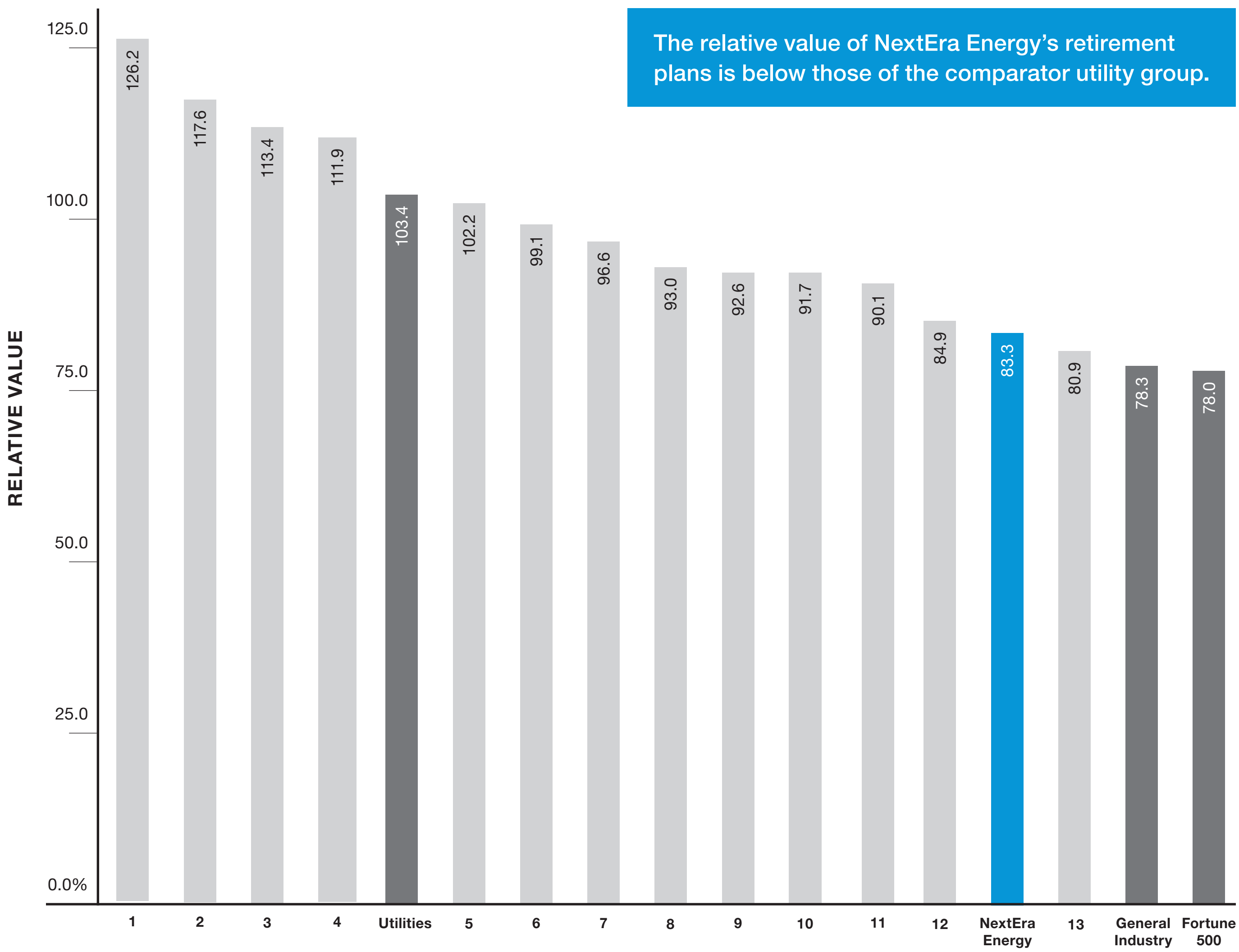


FPL's total medical plan cost per employee has been consistently below utility industry benchmarks.

Plan expense includes medical claims after employee out-of-pocket costs.

Pension & 401(k) Employee Savings Plan

Relative Value Comparison - 2024



Ameren Corporation, American Electric Power Company, Inc., Consolidated Edison Company of New York, Inc., Dominion Resources, Inc., DTE Energy Company, Edison International, Entergy Corporation, Exelon Corporation, FirstEnergy Corp., Pacific Gas & Electric Company, Public Service Enterprise Group Incorporated, Southern Company, Tampa Electric Company

SOURCE: Aon Benefit Index, 2024