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August 26, 2025

-VIA ELECTRONIC FILING-

Adam Teitzman
Division of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

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

Dear Mr. Teitzman:

Florida Power & Light Company's ("FPL" or "the Company") Petition for Base Rate Increase filed on February 28, 2025 included a request for a mechanism that addresses the possibility that changes in tax law may impact the Company's base revenue requirements. As stated on page 61 of FPL witness Bores's prepared direct testimony, FPL would calculate the impact of a change in federal and state tax law or regulations to its 2026 and 2027 Projected Test Year revenue requirements if such event occurs prior to the conclusion of the final hearing and would provide it to the Commission so it may include this information when it resolves FPL's base rate request.

A change in tax law such as that contemplated in FPL's base rate petition has occurred. FPL therefore makes this filing, consistent with the commitment it made in Bores's testimony, to provide a calculation of the impact. As described below and shown in Attachment 1 to this letter, the tax law changes result in no net impact to FPL's 2026 and 2027 Projected Test Year revenue requirements filed on February 28, 2025 and therefore has no impact on FPL's rate case. Below is a summary of the events that occurred:

- On July 4, 2025, the "One Big Beautiful Bill" ("OBBB") was signed into law.
- On July 7, 2025, the President released an Executive Order ("EO") that requires the Secretary of the Treasury to take all action he deems necessary to strictly enforce the termination of the Internal Revenue Code ("Code") section 45Y (Clean Energy Production Credit) and section 48E (Clean Energy Investment Credit) tax credits as they pertain to wind and solar energy production.

- On August 15, 2025, the Treasury Department issued guidance clarifying how "start of construction" should be construed in concert with the OBBB.

FPL currently projects to meet all in-service dates for the solar and battery storage projects included in its 2026 and 2027 Projected Test Years, thereby keeping its tax credits intact.

Based on FPL's review of the OBBB provisions, FPL has identified three provisions (unrelated to clean energy) which require FPL to recalculate its income taxes. Each is discussed below.

1. Code Section 174 Deductibility

Section 70302(a) of the OBBB amended Code Section 174 and created Code Section 174A(a), which provides for full expensing of any domestic research and experimental expenditures paid or incurred by the taxpayer during the taxable years beginning after December 31, 2024. Previously, the domestic research and experimental expenditures were amortized over a five-year period. The higher deduction will result in lower revenue requirements for the 2026 and 2027 Projected Test Years due to a decrease in the Code Section 174 net deferred income tax asset, partially offset by higher tax credit sales to third parties.

2. Code Sections 41 and 280C Credits

Section 70302(b) of the OBBB modified Code Sections 41(d)(1)(A) and 280C(c)(1), which lowers the amount of research and development tax credit available to FPL. The lower tax credit results in an increase in revenue requirements for the 2026 and 2027 Projected Test Years.

3. Code Section 274 Deductibility

Section 70305(a) of the OBBB modified Code Sections 274(o), which eliminates the employer provided meals deduction for tax years beginning after December 31, 2025. The lower tax deduction results in an increase in revenue requirements for the 2026 and 2027 Projected Test Years.

The calculation of the impact of the provisions above on FPL's 2026 and 2027 Projected Test Year revenue requirements is attached to this transmittal letter and summarized below:

	Tax Law Change	2026 ($ millions)	2027 ($ millions)
1	Code Section 174	($5.7)	($12.1)
2	Code Sections 41 and 280C	$1.5	$1.5
3	Code Section 274	$2.6	$2.6
4	Total Decrease in Per Book Revenue Requirements	($1.7)	($8.1)
5	Separation Factors	0.96094	0.96168
6	Total Decrease in Retail Juris Revenue Requirements	($1.6)	($7.7)

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As shown in the table below, these revenue requirement decreases offset but do not exceed the cumulative revenue requirement increases associated with the identified adjustments reflected on Exhibit LF-12 to FPL witness Fuentes's prepared rebuttal testimony.

	Description	**2026 ($ millions)**	**2027 ($ millions)**	**Cumulative ($ millions)**
1	Base Revenue Increase Requested – as filed	$1,544.8	$927.4	$2,472.2
2	Identified Adjustments (LF-12)	$5.8	$4.1	$9.9
3	Recalculated Base Revenue Increase (LF-12) (line 1+2)	$1,550.6	$931.5	$2,482.1
4	Impact of Tax Law Changes	($1.6)	($6.1)	($7.7)
5	Net Recalculated Base Revenue Increase (line 3+4)	$1,549.0	$925.4	$2,474.4

FPL is not proposing a base revenue increase higher than what is reflected in FPL's February 28, 2025, petition of a cumulative amount of $2,472.2 million. Accordingly, no changes are required to FPL's proposed base rate increases as a result of the OBBB.[1]

Sincerely,

s/ Maria Jose Moncada
Maria Jose Moncada

Attachments
cc: Counsel for Parties of Record (w/ attachment)

[1] On August 20, 2025, FPL and multiple intervenor parties filed a Joint Motion for Approval of Settlement Agreement. For the reasons described above, the change in tax law does not impact the proposed Settlement Agreement.

Docket No. 20250011-EI
Impact of OBBB on 2026 and 2027
Projected Test Year Revenue Requirements
Attachment 1

FLORIDA POWER & LIGHT COMPANY
Impact of OBBB on 2026 and 2027 Projected Test Year Revenue Requirements
($, Millions)

Line		Ref	2026	2027
1	**Impact on Per Book Return**			
2	Research and Experimental Expenditure Deductibility	<a>	$ (107.6)	$ (159.3)
3	Weighted Average Cost of Capital (pre-tax)	<b>	9.68%	9.69%
4	Total Impact on Per Book Pre-Tax Return - Increase/(Decrease)	L2 * L3	$ (10.4)	$ (15.4)
5				
6	**Impact on Per Book Income Tax Expense**			
7	Valuation Allowance (grossed-up for tax)	<c>	$ 4.7	$ 3.3
8	Research Credit Modification (grossed up for tax)	<d>	1.5	1.5
9	Meals Deductibility Changes (grossed up for tax)	<e>	$ 2.6	$ 2.6
10	Total Impact on Per Book Income Tax Expense - Increase/(Decrease)	L7 + L8 + L9	$ 8.8	$ 7.4
11				
12	Total Per Book Revenue Requirement Impact	L4 + L10	$ (1.7)	$ (8.1)
13	Jurisdictional Separation Factor	<f>	0.96094	0.96168
14	**Total Retail Jurisdictional Revenue Requirement Impact**	**L12 * L13**	**$ (1.6)**	**$ (7.7)**

Notes:

<a> Represents an increase in Per Book 13-month average deferred tax liability due to higher income tax deduction.
<b> Represents pre-tax weighted average cost of capital based on the amounts reflected on MFR D-1a at FPL's proposed 11.90% ROE.
<c> Represents an increase in valuation allowance due to higher tax credit sales.
<d> Represents research tax credit (grossed-up for tax) impact due to 50% reduction in tax credit.
<e> Represents employer provided meals tax expense (grossed-up for tax) impact due to removal of tax deductibility.
<f> Represents the operating income tax expense jurisdictional separation factor.