

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In re: DOCKET NO. 20250011-EI
Petition for rate increase by
Florida Power & Light Company.

VOLUME 11
PAGES 2252 - 2473

PROCEEDINGS: HEARING

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

DATE: Friday, October 10, 2025

TIME: Commenced: 9:00 a.m.
Concluded: 4:50 p.m.

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

REPORTED BY: DEBRA R. KRICK
Court Reporter

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I N D E X

WITNESS:	PAGE
SCOTT BORES	
Examination by Ms. Moncada	2256
Prefiled Direct Testimony inserted	2258
Examination by Ms. Christensen	2326
Examination by Mr. Luebke	2408
Examination by Mr. Wright	2431
Examination by Mr. Sparks	2453

1	EXHIBITS			
2	NUMBER:		ID	ADMITTED
3	1530	Moody's Report	2469	2469
4	125-132	As identified in the CEL		2469
5	876	As identified in the CEL		2470
6	1117	As identified in the CEL		2470
7	1211-1215	As identified in the CEL		2470
8	1217	As identified in the CEL		2470
9	1220	As identified in the CEL		2470
10	1226	As identified in the CEL		2470

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1 P R O C E E D I N G S

2 (Transcript follows in sequence from Volume
3 9.)

4 COMMISSIONER CLARK: All right. If everybody
5 would take their seats, we are going to get
6 started. In an effort to increase the efficiency,
7 the Chairman asked me to take over and see if we
8 could wrap this up by three o'clock today.

9 The Chairman will be joining us back in a few
10 minutes, but we are going to go ahead and get
11 started. I have no script. I have no list of
12 witnesses, so we are going to be playing a lot of
13 this by ear for the next hour, but I believe we are
14 at FPL, call your next witness.

15 MS. MONCADA: Thank you, Commissioner Clark.
16 FPL calls Scott Bores.

17 COMMISSIONER CLARK: Mr. Bores, have you been
18 sworn in?

19 THE WITNESS: I have not.

20 COMMISSIONER CLARK: Would you please stand
21 and raise your right hand?

22 Whereupon,

23 SCOTT BORES

24 was called as a witness, having been first duly sworn to
25 speak the truth, the whole truth, and nothing but the

1 truth, was examined and testified as follows:

2 THE WITNESS: I do.

3 COMMISSIONER CLARK: Thank you. You may be
4 seated.

5 MS. MONCADA: Thank you. May we proceed?

6 COMMISSIONER CLARK: You may.

7 MS. MONCADA: Thank you.

8 EXAMINATION

9 BY MS. MONCADA:

10 Q Mr. Bores, could you please state your full
11 name for the record and your business address?

12 A Scott Bores, 700 Universe Boulevard, Juno
13 Beach, Florida.

14 Q Thank you.

15 By whom are you employed and what is your
16 position?

17 A Florida Power & Light Company. I am the
18 Vice-President of Finance.

19 Q Did you prepare and cause to be filed 63 pages
20 of direct testimony on February 28th, and an errata to
21 that testimony on April 29th of this year?

22 A Yes.

23 Q Other than that errata, do you have any
24 changes or revisions to your direct testimony?

25 A No, I do not.

1 **Q If I asked you the same questions contained in**
2 **that testimony, would your answers be the same?**

3 **A Yes.**

4 MS. MONCADA: Commissioner Clark, I would ask
5 that Mr. Bores' direct testimony be inserted into
6 the record as though read.

7 CHAIRMAN LA ROSA: So ordered.

8 MS. MONCADA: Thank you.

9 (Whereupon, prefiled direct testimony of Scott
10 Bores was inserted.)

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1 **BEFORE THE**
2 **FLORIDA PUBLIC SERVICE COMMISSION**
3 **DOCKET NO. 20250011-EI**

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8 **FLORIDA POWER & LIGHT COMPANY**
9
10 **DIRECT TESTIMONY OF SCOTT R. BORES**

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23 **Filed: February 28, 2025**
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TABLE OF CONTENTS

1	
2	I. INTRODUCTION AND SUMMARY.....3
3	II. THE IMPORTANCE OF FINANCIAL STRENGTH..... 11
4	III. FPL’S FINANCIAL POLICIES AND CREDIT QUALITY..... 16
5	IV. MARKET CONDITIONS DURING CURRENT RATE SETTLEMENT 22
6	V. HOW FPL MANAGED ITS BUSINESS DURING THE CURRENT
7	SETTLEMENT TERM..... 26
8	VI. RISK PROFILE..... 36
9	VII. CAPITAL STRUCTURE AND COST OF DEBT 47
10	VIII.RETURN ON EQUITY..... 49
11	IX. STORM COST RECOVERY MECHANISM 50
12	X. FOUR-YEAR PLAN..... 53

13
14
15
16
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18
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I. INTRODUCTION AND SUMMARY

Q. Please state your name and business address.

A. My name is Scott R. Bores. My business address is 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 Vice President of Finance.

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

A. I am responsible for the financial management of FPL, including oversight of the Company's financial forecast and results, corporate budgeting, accounting, resource assessment and planning, load forecasting activities and rate design and strategy. Additionally, in collaboration with other senior finance executives of FPL's parent, NextEra Energy, Inc., I present and communicate FPL's operational results, financial performance, and overall financial profile to investors and credit rating agencies. I also monitor trends in the economy and investment markets and support the establishment and maintenance of effective working relations with the investment and banking communities. In addition, my team works with financial personnel on debt issuances, and preparation of financial information and communications for investors, credit rating agencies and investment analysts.

Q. Please describe your educational background and professional experience.

A. I graduated from the University of Connecticut in 2003 with a Bachelor of Science degree in Accounting. I received a Master of Business Administration from Emory University in 2011. I joined FPL in 2011 and have held several positions of increasing

1 responsibility, including Manager of Property Accounting, Director of Property
2 Accounting, Senior Director of Financial Planning & Analysis, and my current position
3 as the Vice President of Finance. Prior to FPL, I held various accounting roles with
4 Mirant Corporation, which was an independent power producer in Atlanta, Georgia,
5 and PricewaterhouseCoopers, LLP. I am a Certified Public Accountant (“CPA”)
6 licensed in the State of Georgia and a member of the American Institute of CPAs.

7 **Q. Are you sponsoring or co-sponsoring any exhibits in this case?**

8 A. Yes. I am sponsoring the following exhibits:

- 9 • Exhibit SRB-1 List of MFRs Sponsored or Co-sponsored by Scott R. Bores
- 10 • Exhibit SRB-2 Regional Comparison: Key Performance Metrics
- 11 • Exhibit SRB-3 Supply Chain Cost Increases
- 12 • Exhibit SRB-4 Annual Average Number of Storms by Decade
- 13 • Exhibit SRB-5 Storm Cost Recovery Mechanism
- 14 • Exhibit SRB-6 Non-Fuel O&M per Retail MWh
- 15 • Exhibit SRB-8 Mechanism To Address Potential Tax Law Changes

16 I am co-sponsoring the following exhibit:

- 17 • Exhibit SRB-7 Solar and Battery Base Rate Adjustment Mechanism

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

20 A. Yes. The minimum filing requirements (“MFR”) that I sponsor and co-sponsor are
21 listed in Exhibit SRB-1.

1 **Q. What is the purpose of your testimony?**

2 A. The purpose of my testimony is to explain how financial strength has been critical to
3 FPL's ability to deliver excellent customer value and maintain the flexibility to execute
4 its long-term investment plan for the benefit of customers. Moving forward, FPL's
5 ability to continue supporting new customer growth and provide all customers excellent
6 service, including high reliability and affordable bills, depends on the continuation of
7 its capital investment plan. This requires the Company to maintain its strong financial
8 position.

9
10 FPL's proposed four-year rate plan, 2026 through 2029, thoughtfully assembles
11 components that allow FPL to execute its long-term strategy to continue to deliver
12 superior customer value by building upon FPL's successful track record of innovation
13 and efficiency and the Florida Public Service Commission's ("FPSC" or "the
14 Commission") support for multi-year rate plans. I recommend the continued use of
15 FPL's current equity ratio, which is reflected in the 2026 and 2027 MFRs, and supports
16 the 11.90% return on equity ("ROE") recommended by FPL witness Coyne for use by
17 the Commission. Additionally, my testimony supports as appropriate the fundamental
18 elements of the four-year rate plan which include the continued use of the Storm Cost
19 Recovery Mechanism, along with a non-cash mechanism that will allow FPL to avoid
20 general base rate increases in 2028 and 2029 and to respond to dynamic economic
21 changes, as well as a mechanism that will efficiently address any impacts as a result of
22 changes to tax laws and regulations. The Commission's support for each of these

1 recommendations will enable the Company to continue delivering superior value to
2 customers.

3 **Q. Please provide a summary of your testimony.**

4 A. FPL has consistently demonstrated its ability to achieve successful outcomes for
5 customers through Commission-approved multi-year settlement agreements so long as
6 it has the financial strength necessary to execute its investment strategy on their behalf.
7 Maintaining a strong financial profile has enabled FPL to make strategic investments
8 to improve the reliability and quality of service and the overall value customers receive.
9 At the same time, the Company has provided its investors with a fair rate of return. A
10 guiding principle of FPL's strategy has been to focus on a core set of financial policies
11 characterized by a strong balance sheet and financial discipline in its operations and
12 investment decisions.

13
14 FPL has focused on continuous improvement and executed its strategy, which has
15 resulted in the creation of significant value for its customers. FPL's achievements have
16 been facilitated by the Commission's approval of numerous multi-year rate
17 agreements, which have allowed FPL to not only focus on operations and efficiencies
18 but to think long-term and make forward-looking investments. To describe just a few
19 of FPL's achievements attained during the current settlement period as shown in
20 Exhibit SRB-2:

- 21 • FPL's typical 1,000-kilowatt-hour ("kWh") residential customer bill is
22 approximately 32% lower than the national average based on the Summer 2024
23 Edison Electric Institute Typical Bills and Average Rates Report.

- 1 • FPL’s non-fuel operations and maintenance (“O&M”) cost performance has
2 been the best in the industry for more than 10 years, and its substantial lead
3 compared to the industry has grown even wider in recent years. As described
4 by FPL witness Coyne, from January 2021 through the end of December 2024,
5 the Consumer Price Index (“CPI”) cumulatively increased approximately 21%,
6 hitting annual levels not seen since the 1980s. By contrast, from 2021 to 2023,
7 FPL’s non-fuel O&M per megawatt hour cost decreased by 20%. As
8 demonstrated by FPL witness Reed, if FPL was an average cost performer, all
9 else equal, its 2023 O&M costs would have been \$2.9 billion higher and a
10 typical 1,000-kWh residential customer bill would have been roughly \$24
11 higher per month, or nearly \$300 more per year.
- 12 • In J.D. Power’s 2024 U.S. Electric Utility Residential Customer Satisfaction
13 Study, FPL ranked among the best large utilities in the nation. In 2023, FPL
14 received Escalent’s Trusted Business Partner Award, which recognized that
15 FPL’s business customers had best-in-the-South positive experiences, and
16 Business Customer Champion Award which acknowledged FPL’s exceptional
17 performance in customer service, trust to do the right thing for customers and
18 ethics in dealing with customers. FPL also received the Edison Electric
19 Institute’s recognition for outstanding customer service in 2023, based on the
20 Company’s ability to provide innovative energy solutions for business
21 customers.
- 22 • For seven of the last 10 years, PA Consulting has recognized FPL with its
23 ReliabilityOne® National Reliability Award, which is awarded to the Company

1 that has demonstrated sustained leadership, innovation, and achievement in
2 electric reliability. In 2023, FPL received PA Consulting’s Outstanding System
3 Resiliency Award, and the Outstanding Reliability Performance in the
4 Southeast Region Metropolitan Service Area Award for the eleventh straight
5 year.

- 6 • In 2024, FPL had its best-ever reliability rating: 43.80 minutes on the System
7 Average Interruption Duration Index (“SAIDI”). Additionally, for the 17th
8 time in the last 18 years, FPL’s 2023 SAIDI was the best among the Florida
9 investor-owned utilities.
- 10 • FPL has continuously transformed its generating fleet and has substantially
11 improved its operating performance across key indicators that benefit
12 customers. Between 2021 and 2024, FPL’s improvements include: nearly a 6%
13 reduction in heat rate and achievement of a 1.3% equivalent forced outage rate,
14 all while maintaining the aforementioned best-in-class position in non-fuel
15 O&M, even when it faced significant inflation.
- 16 • As a byproduct of FPL’s investments to cost-effectively upgrade its fossil fleet
17 and construct cost-effective solar facilities, FPL has reduced carbon emissions
18 for the benefit of its customers and all Floridians.

19
20 The multi-year settlements approved by the Commission have enabled FPL to deliver
21 strong financial results and fair returns for investors, establishing a willingness among
22 investors to continue to invest their capital in FPL. These investments are necessary
23 for FPL to support customer growth and execute on its strategy to improve the customer

1 value proposition while keeping bills as low as possible. FPL's financial strength was
2 especially important over the period since the Commission approved the 2021 Rate
3 Settlement. Due to historic inflation levels, and the action by the Federal Reserve to
4 increase interest rates to tame inflation, the cost of doing business has significantly
5 exceeded the projections upon which the current settlement was based. Even in the
6 face of these higher costs, FPL was able to continue to deliver value for its customers
7 because the combination of the 2021 Settlement's equity ratio, ROE and associated
8 trigger, incremental rate increases and non-cash mechanism allowed FPL to maintain
9 access to capital on reasonable terms. This liquidity allowed FPL to continue to make
10 necessary investments while keeping customer bills stable and continuing to deliver
11 reliable power and excellent customer service.

12
13 FPL's proposal reflects a continuation of the financial policies previously approved by
14 the Commission and under which FPL has operated successfully. There is no sound
15 reason to change the regulatory framework that has benefitted FPL's customers for so
16 long. The core elements that will enable FPL to continue to deliver superior customer
17 value include:

- 18 • The continued use of FPL's historical capital structure consisting of an equity
19 ratio of 59.6% from investor sources (50.07% based on all sources in the 2026
20 Projected Test Year);
- 21 • The provision of an allowed ROE of 11.90%, consistent with current capital
22 market conditions and the Company's risk profile; and

- The provision of a suitable mechanism for the prompt recovery of prudently incurred storm restoration costs.

The four-year plan includes three additional components that also are modeled after elements underlying FPL's history of achievements. Each element described below is essential to the Company's ability to commit to avoid initiating another rate case over the proposed four-year period. Without these components, the four-year plan unravels because FPL's financial position would deteriorate, to the detriment of customers:

- Continued authorization for a non-cash flexible amortization mechanism that allows FPL to avoid general base rate increases in the final two-years of the four-year proposal and also allows FPL to absorb risks associated with making a long-term commitment, mainly dynamic changes in the economy and overall business operating conditions;
- Continued authorization of a Solar and Battery Base Rate Adjustment ("SoBRA") mechanism described by FPL witnesses Oliver, Laney, Cohen and Fuentes, such that FPL will be permitted to petition to adjust base rates to recover the cost of solar and battery infrastructure that will reliably satisfy FPL's capacity needs. The proposed SoBRA mechanism will address cost recovery for up to 3,278 MW_{AC} of cost-effective solar and 1,200 MW of cost-effective battery storage facilities and will address cost recovery associated with the one-time flow through of investment tax credits ("ITC") and the subsequent conclusion thereof in the following year; and
- The continued authority to address potential changes in tax laws and regulations that could have a substantial impact on cost of service. The current federal

1 administration and Congress have signaled that they will pursue federal tax
2 legislation. They have highlighted the intent to modify the corporate income
3 tax rate and potentially repeal all or portions of the Inflation Reduction Act,
4 which could impair FPL's ability to obtain customer-benefitting tax credits or
5 apply customer-benefitting accounting treatment for the tax credits.

6
7 These major elements build upon FPL's proven successes and will support FPL's
8 ability to maintain the excellent value its customers have come to expect. Consistent
9 with prior rate plans approved by the Commission, FPL's current proposal will promote
10 extended rate stability and allow the Company to maintain the core financial policies
11 that have been the bedrock of our success in delivering the best customer value in the
12 nation.

13 14 **II. THE IMPORTANCE OF FINANCIAL STRENGTH**

15 **Q. Please describe financial strength and why it is important to FPL and its**
16 **customers.**

17 A. A strong financial position is critical to FPL's ability to meet its obligations to
18 customers and deliver excellent service. As a regulated electric utility, FPL has a
19 responsibility to serve all customers, current and future, within its area. Like all
20 utilities, FPL must make ongoing capital investments within its electric operations to
21 establish new service and to maintain and improve existing service levels. Satisfying
22 this responsibility requires FPL to invest capital that at times may exceed its operating
23 cash flow, and that is especially true during periods of high inflation. As a result, the

1 Company has what is known as “negative discretionary cash flow” and must depend
2 on reliable access to the capital markets to operate its businesses. FPL’s financial
3 profile must be strong enough to attract debt and equity investors. If a utility’s
4 creditworthiness weakens, investor confidence could wane and the Company’s access
5 to the capital markets may be limited or may come at a higher cost to customers.

6
7 Definitionally, financial strength means maintaining a condition of liquidity and
8 profitability that allows a company to meet its obligations to investors while
9 maintaining the ability to attract investor capital as needed on reasonable terms,
10 conditions, and costs. A strong capital structure and an appropriate ROE create
11 financial flexibility by providing more readily available access to capital markets on
12 reasonable terms and lower financing costs. A weak capital structure and inadequate
13 ROE lead to lower credit quality, higher borrowing costs for customers and limited
14 financial flexibility. Operating without the flexibility afforded through a strong
15 financial position would expose the Company and its customers to unwarranted and
16 unnecessary financial risk and uncertainty.

17 **Q. Please describe the role of credit rating agencies in assessing the financial strength**
18 **of utilities.**

19 A. Credit rating agencies play an important role both for investors and utilities, such as
20 FPL. As sources of information for investors, the agencies have developed their own
21 analytical frameworks useful in evaluating global, industry- and company-specific
22 quantitative and qualitative risk characteristics, and they provide meaningful research
23 reports targeted specifically for debt investors. For FPL as a borrower, credit rating

1 agencies provide important objective analyses that inform the Company's investment
2 plans. The agencies recognize access to capital is a critical component of executing on
3 a utility's key strategies.

4 **Q. What are credit ratings and how are they used?**

5 A. Credit ratings are the outcome of the agencies' views of corporate borrowers pursuant
6 to the risk evaluation I mentioned. For capital market participants such as FPL, credit
7 ratings serve a similar function to credit scores for individual borrowers. Individuals
8 with higher credit scores are more likely to find that financial institutions are willing to
9 lend them money, and the loans they secure carry lower interest rates than loans
10 provided to individuals with lower credit scores. This means the higher-credit
11 individuals will need less money each month to make payments on the loan and are
12 more likely to have funds available to pay for other expenditures or make other
13 investments.

14
15 In the same vein, credit rating agencies independently assess the credit quality of debt
16 issuers, such as FPL, by assigning a rating that grades the credit quality from strongest
17 to weakest. As with an individual's credit score, a debt issuer's credit rating impacts
18 the interest rate it must pay for the funds it accessed. Borrowers with better credit
19 ratings pay a lower interest rate, known as the "credit spread," which is the charge
20 added to the benchmark rate. The benchmark for long-term debt is the U.S. Treasury
21 bond rate. For short-term debt the benchmark is the rate for overnight funds.

1 Strong credit ratings ensure that FPL has adequate credit quality to raise the capital
2 necessary to meet its obligations to customers. Companies with lower credit ratings
3 have greater difficulty raising funds in any market. Under unstable market conditions,
4 only companies demonstrating financial strength can attract capital under reasonable
5 terms. A strong financial profile also is especially important when large volumes of
6 corporate debt from multiple issuers are being sold in the market.

7 **Q. What factors do the rating agencies evaluate in developing a business's credit**
8 **rating?**

9 A. Rating agency credit ratings are the product of two major factors: the business's
10 financial risk profile and its business risk profile. A financial risk assessment is based
11 on financial ratios comparing the business's cash flow to its level of debt obligations.
12 The Company's risk profile is determined based on industry risk as well as business
13 specific risk and for regulated entities such as FPL, an assessment of the regulatory
14 environment.

15 **Q. Please elaborate on the importance of a utility's regulatory environment with**
16 **respect to its credit ratings.**

17 A. Among the various business risks assessed for regulated utilities, the rating agencies
18 primarily focus on the regulatory environment in which the utility operates. FPL is no
19 exception: the three rating agencies that rate FPL focus principally on the Florida
20 regulatory construct, as well as specific outcomes rendered by the Florida Public
21 Service Commission. The main consideration is whether the utility is subject to
22 constructive regulation that supports its creditworthiness and ability to continue to
23 invest for customers on reasonable terms. In making that determination, the agencies

1 consider factors such as allowed rate of return, timely recovery of capital investments,
2 stability and cash quality of earnings, and capital structure.

3 **Q. How do the rating agencies perceive Florida utility regulation?**

4 A. Florida's utility regulatory environment is generally viewed as constructive by the
5 rating agencies. In particular, Moody's finds that "[t]he Florida regulatory framework
6 has a strong track record of allowing the state's utilities to recover prudently incurred
7 costs in a timely manner. The regulatory construct includes timely cost recovery
8 mechanisms that enable FPL to generate predictable and stable cash flow and
9 consistently maintain strong financial metrics." (Moody's Credit Opinion Update
10 8/23/2023). As of January 2024, S&P assessed all of North America's regulatory
11 jurisdictions as credit supportive, with Florida being one of only six states that it
12 deemed "*most* credit supportive." S&P has noted that FPL "benefits from forward-
13 looking test years and various regulatory mechanisms that provide for the timely
14 recovery of investments and fuel costs." (S&P Research Update 6/25/2024).

15 **Q. Are credit ratings impacted by equity ratio and ROE?**

16 A. Yes. Rating agencies pay particular attention to equity ratio and ROE as they are
17 important factors in a utility's ability to attract equity capital.

18 **Q. What factors do equity investors consider in deciding whether to newly invest or**
19 **maintain investment in a business?**

20 A. Equity investors are free to invest their capital in any industry and any market
21 participant they choose. Absent an authorized ROE and capital structure that offer a
22 competitive market return commensurate with both general industry and FPL specific
23 risks, investors will redirect their capital to other utilities or companies in different

1 sectors and industries. This is particularly true during inflationary periods, which
2 increase market returns on competing investment choices. Investors are less likely to
3 invest in capital intensive businesses such as utilities unless they feel they are being
4 afforded an appropriate return on their investment given the existing market conditions.

5
6 **III. FPL'S FINANCIAL POLICIES AND CREDIT QUALITY**

7 **Q. Please describe the financial policies that underlie FPL's strategy.**

8 A. FPL's core financial policies emphasize financial strength and discipline for the benefit
9 of customers. For some time, four principal policies have been foundational and,
10 subject to the one exception I will explain, have been strongly consistent:

- 11 • Maintain ample liquidity
- 12 • Employ an appropriate and consistent capital structure
- 13 • Seek authorization for and deliver a competitive return for equity investors
14 consistent with the Company's risk profile and market factors, and
- 15 • Seek authorization for a mechanism that allows the Company to promptly
16 recover prudently incurred costs following major storms and other severe
17 weather events, a risk factor to which FPL is exposed more than any other utility
18 in the country.

19
20 These specific policies support FPL's ability to make necessary and strategic
21 investments by affording the Company access to capital and liquidity on attractive
22 terms. And, by enabling the Company to earn competitive financial returns, investors

1 are incentivized to continue to provide capital that allows for investments that support
2 growth and maintain our excellent reliability and customer service.

3 **Q. Please describe how these policies benefit customers directly.**

4 A. These financial policies underlie FPL's ability to support one of the largest capital
5 expenditure programs in the industry. The Company continues to invest to support
6 customer growth, build cost-effective generation and make significant reliability
7 investments in its power grid, all benefitting customers through the delivery of highly
8 reliable, low-cost electricity.

9 **Q. Have these financial policies been supported by the Commission?**

10 A. Yes. Over about 15 years, the Commission has approved four separate FPL base rate
11 settlement agreements that included provisions supportive of the Company's financial
12 policies. (Order Nos. PSC-2021-0446-S-EI, as amended by PSC-2021-0446A-S-EI
13 and supplemented by PSC-2024-0078-FOF-EI; PSC-16-0560-AS-EI; PSC-13-0023-S-
14 EI; and PSC-11-0089-S-EI). Each of these agreements allowed for a capital structure
15 equal to the Company's actual capital structure and an authorized ROE midpoint and
16 range that was reasonable to attract capital for that time period. Each agreement
17 provided FPL a mechanism to recover prudently incurred costs associated with
18 restoring power following storms. Each of the four agreements has included a flexible
19 non-cash reserve surplus amortization mechanism that allowed FPL to agree in each
20 case to a multi-year period of rate stability for customers.

21 **Q. Has the Commission ever departed from its support for FPL's financial policies?**

22 A. Yes, there was one exception to the Commission's otherwise long-standing approach
23 supporting sound financial principles. In 2009, in what was a highly politicized rate

1 case, the Commission entered an order that denied more than 90% of FPL's requested
2 cash increase. The decision significantly diminished FPL's financial strength.

3 **Q. How did credit rating agencies react to the Commission's departure?**

4 A. All three rating agencies – S&P, Moody's and Fitch – placed FPL's credit ratings on
5 negative watch or review for downgrade. S&P and Moody's downgraded FPL.
6 Moody's observed that the outcome of that rate case was "detrimental to the credit
7 quality of Florida Power & Light Company." And it viewed Florida's regulatory
8 environment as "substantially less constructive and predictable than it ha[d] been
9 historically, increasing the level of risk of investors going forward."

10 **Q. Was FPL able to recover from that state of diminished credit quality?**

11 A. Yes, FPL was able to recover eventually, but two aspects to FPL's recovery must be
12 underscored. First, the recovery began with the 2010 Rate Settlement reached by FPL
13 and several intervenors a few months after the Commission's original 2010 Rate Case
14 Order. The 2010 Rate Settlement provided sufficient, temporary assurance to investors
15 that enabled FPL to make necessary capital investments. While it was a useful stop-
16 gap measure, it did not completely address the fundamental financial issues created by
17 the 2010 Rate Order.

18
19 Second, even with the 2010 Settlement in place, restoring FPL's credit quality took
20 several years. In fact, it was a subsequent settlement agreement reached in 2012 ("2012
21 Rate Settlement"), that eventually boosted FPL back to a position much more consistent
22 with that prior to 2009. Moody's and S&P upgraded FPL's ratings to its pre-downgrade
23 levels in January 2014 and December 2019, respectively. In fact, 10 years elapsed

1 before FPL was restored to Tier-1 commercial paper (“CP”) issuer status. Absent
2 S&P’s upgrade in December 2019, the COVID-19 pandemic volatility could have been
3 the first time that FPL was not a Tier-1 CP issuer during a financial crisis or a protracted
4 period of heightened financial market volatility.

5
6 This timeline of events reflects rating agencies’ inherent negative bias. Credit rating
7 agencies are quick to respond to negative developments or emerging risks through
8 credit rating downgrades of the impacted issuers. Conversely, the rating agencies have
9 demonstrated a greater reluctance to restore or upgrade the credit ratings of issuers
10 experiencing favorable developments. The agencies will instead wait an extended
11 period of time to be confident that any favorable developments are permanent
12 improvements rather than temporary phenomena. Customers bear the consequence of
13 a downgrade for an extended period of time.

14 **Q. Do FPL’s financial policies change under varying volatile or depressed market**
15 **conditions?**

16 A. No. The Company’s obligations to its customers do not rise and fall alongside
17 economic tides. Nor do its obligations recede during major storms or in the face of
18 unprecedented events. As a provider of an essential service critical to virtually all
19 aspects of daily life, commerce and government, FPL must continue to serve its
20 customers under all financial market environments. A utility’s obligations also endure
21 when faced with unexpected external events, such as major storms, and even once-in-
22 a-generation events such as the COVID-19 pandemic, geopolitical conflicts and record-
23 breaking inflation.

1 Indeed, the importance of financial strength is underscored precisely during times of
2 depressed market conditions. Basic economic principles dictate that when the supply
3 of capital is constrained, only the strongest financial profiles will be in demand. And,
4 only those utilities able to attract capital under reasonable terms will have the necessary
5 and potentially critical flexibility. Operating with a weak financial profile would
6 expose customers to unwarranted risk financially and operationally.

7 **Q. Should the Commission view those external events as unusual one-offs?**

8 A. Not at all. FPL must have the financial strength to successfully address unforeseen
9 financial market disruptions and stress. Financial markets and the economy are subject
10 to business cycles. Each cycle is the product of a distinct set of facts or a unique
11 “crisis,” but history tells us that the cycle will recur. As just one example, when FPL
12 petitioned for a rate adjustment in 2021, the economic data that FPL relied on in its
13 forecast assumed that the COVID-induced economic downturn and supply chain
14 constraints were a thing of the past and that the economy was getting back on track.
15 That turned out not to be the case, as the supply chain constraints stemming from the
16 pandemic led to the highest levels of inflation in nearly 40 years. Historical events
17 demonstrate that neither the expected nor actual duration of a particular event can be
18 the driving consideration. Fundamentally, FPL must be positioned to withstand the
19 inherent uncertainty and volatility of markets generally – including those events we
20 cannot anticipate – to be able to continue to deliver excellent service.

21 **Q. How has FPL weathered periods of economic and capital market uncertainty?**

22 A. FPL’s strong financial position and access to sufficient liquidity historically enabled it
23 to react to adverse or unforeseen events in ways that minimize negative consequences

1 for customers. There are multiple examples in recent history of significant external
2 events during which FPL has been able to expeditiously restore service or continue its
3 investment program without impairment to its ability to raise the necessary capital.
4 Later in my testimony I will describe how FPL's strong financial position benefitted
5 customers over the period of the 2021 Rate Settlement. Below are some examples from
6 historical periods when FPL operated under prior multi-year settlements that contained
7 similar supportive provisions:

- 8 • Back-to-back hurricane seasons (2004 and 2005) during which FPL's
9 customers were impacted by seven hurricanes, and the damage to FPL's system
10 totaled approximately \$1.9 billion, or the equivalent of \$3.1 billion in 2024;
- 11 • The "Great Recession" of 2007-2009 and ensuing financial crisis;
- 12 • Hurricanes/storms during 2016-2020 (Matthew, Irma, Dorian, Isaias, and Eta),
13 which inflicted a total of more than \$2.1 billion of damage to FPL's system, or
14 the equivalent of more than \$2.6 billion when adjusted for inflation; and
- 15 • COVID-19 pandemic and the ensuing credit and capital markets volatility as
16 well as increases in customer accounts receivables.

17
18 FPL's uninterrupted access to capital during periods of market turbulence is a product
19 of the financial strength the Company has consistently maintained over an extended
20 period.

21 **Q. How is this history relevant to the setting of rates?**

22 A. FPL's ability to meet its obligation to serve, and to deliver superior reliability at
23 affordable rates, depends on access to financial markets. Those financial markets are

1 not static. They are subject to periods of certainty and volatility. Therefore, in setting
2 rates in connection with a four-year plan, it is important for the Commission to consider
3 not only the current status and expectation for the market, but also the risk being borne
4 by the utility and the need to attract capital even when the market takes an unanticipated
5 turn. Decades of history and experience underscore the importance of having
6 uncompromised financial capabilities to be able to meet our customers' needs in good
7 times and bad.

8

9 **IV. MARKET CONDITIONS DURING CURRENT RATE SETTLEMENT**

10 **Q. Please describe the economic market conditions that have existed since FPL**
11 **entered the 2021 Settlement.**

12 A. As described by FPL witness Coyne, the economic environment during the current
13 settlement period that began January 1, 2022 has been unsettled, due largely to
14 inflationary pressures and the resulting U.S. Federal Reserve ("Fed") response of
15 tightening monetary policy by raising the federal funds borrowing rate.

16 • Inflation levels reached 9.1% in 2022 and remained high through much of the
17 settlement period. From January 2021 – when FPL notified the Commission of its
18 intent to file its last rate case – through the end of December 2024, the CPI
19 cumulatively increased approximately 21%, hitting annual levels not seen since the
20 1980s.

21 • Interest/borrowing rates – The underlying 30-day average Treasury bond yield has
22 increased by more than 200 basis points ("bps") from January 11, 2021 – when FPL
23 filed the test year letter for its 2021 rate case – to October 31, 2024. The 30-day
24 average yield on 30-year Treasury bonds was 1.69% as of January 11, 2021 and

1 2.02% as of October 26, 2021 – when the Commission voted to approve the
2 Settlement Agreement in the 2021 rate case. As of December 31, 2024, the 30-day
3 average yield was 4.56%. According to the U.S. Department of Treasury, the 30-
4 year Treasury bond yield increased 312 bps, or more than 180%, between January
5 2021 and December 2024. The upward pressure on long-term interest rates impacts
6 all sources of market capitalization.

- 7 • In looking at the short-term borrowing rate, the Fed raised the federal funds rate
8 from a range of 0.00% to 0.25% in January 2022 to a range of 5.25% to 5.50% by
9 July 2023, a 2,100% increase that held constant for 14 months.

10 **Q. How did interest rates perform during the settlement period as compared to**
11 **where they were during the 2021 rate case proceedings?**

12 A. Since 2021, the interest rate landscape has undergone a significant transformation,
13 driven by a confluence of economic recovery, inflationary pressures, and decisive
14 actions by the Fed.

15
16 During the 2021 rate case proceedings, the 10-year Treasury yield reflected the low-
17 interest-rate environment that prevailed during the initial stages of the economic
18 recovery from the COVID-19 pandemic, with 10-year Treasury yield averaging 1.44%
19 throughout the year. However, as the economy began to recover, inflationary pressures
20 emerged, prompting the Fed to adopt a more hawkish stance. By October 2022, the 10-
21 year Treasury yield had risen sharply to 4.23%, and by October 2023, it peaked at
22 4.99%.

1 **Q. Have you observed how the utility industry fared as a whole during the high**
2 **interest and inflation rate environment?**

3 A. Yes. Since 2021, the regulated electric utilities sector has faced a challenging
4 landscape, marked by a predominance of negative credit rating actions. Both S&P and
5 Moody's have issued significantly more downgrades than upgrades, reflecting the
6 sector's increasing financial and operational pressures. S&P, in particular, has
7 experienced four consecutive years (2020-2023) where downgrades have outpaced
8 upgrades by a ratio of more than 3 to 1. This trend underscores the sector's vulnerability
9 to multiple adverse factors that have negatively impacted its financial health and
10 operational stability.

11
12 Several key drivers have contributed to these negative rating actions. One of the
13 primary factors is the substantial capital expenditure needs, which are estimated to
14 reach approximately \$210 billion in 2024. These expenditures are driven by the
15 necessity to meet additional baseload power demands and broader energy transition
16 initiatives. Furthermore, utilities are investing heavily in proactive system hardening to
17 upgrade equipment and mitigate potential vulnerabilities. Inclusive of these
18 investments, the sector is projected to face around \$85 billion in cash flow deficits,
19 accelerating financial pressures.

20
21 The impact of weather events has also played a significant role in the sector's financial
22 challenges. A November 2023 S&P report observed that recent extreme weather
23 events, including wildfires and hurricanes, made 2021 and 2022 two of the top five

1 most destructive years for extreme weather since 1980. These events have necessitated
2 costly equipment replacements and repairs, further straining utilities' financial
3 resources. Additionally, the sector has faced increased litigation risk, with civil
4 lawsuits filed against nine utilities due to wildfires at the start of 2024. S&P also has
5 noted that extreme weather events have led to ten times more downgrades of investor-
6 owned utilities over the past six years (2018-2023) compared to the previous thirteen
7 years (2005-2017).

8 **Q. Please describe how the higher interest rate environment has impacted utility**
9 **financial positions.**

10 A. The higher interest rate environment has compounded utility challenges by decreasing
11 cash flow metrics and making capital market access more expensive. Rising interest
12 expenses from both existing and new debt have led to a significantly diminished cash
13 flow profile compared to recent years. The rapid rate hiking cycle has also introduced
14 regulatory lag, resulting in weaker financial performance as utilities struggle to adjust
15 to the new economic realities.

16
17 Since 2022, rising interest rates have increased costs for investor-owned utilities,
18 resulting in weakening financial performance and credit quality. Utilities have had to
19 allocate more of their existing cash flow to service higher debt costs, limiting their
20 ability to fund new investments. According to S&P, about 35% of the [utility] industry
21 has been operating with limited ability to absorb unexpected events beyond their base
22 case. And, in February of 2024, S&P revised its industry outlook to negative,

1 “reflecting the industry’s high percentage of companies with negative outlooks and that
2 operate with only minimal financial cushion from their downgrade threshold.”

3 **Q. Please summarize the impacts experienced by utilities under these market**
4 **conditions and how the Commission should consider that experience in setting**
5 **rates.**

6 A. Since FPL’s last rate case, the regulated electric utilities sector has been beset by a
7 series of financial and operational challenges that have led to a predominance of
8 negative credit rating actions. Significant capital expenditure needs, the impact of
9 extreme weather events, rising interest expenses and inflation, and regulatory lag have
10 all contributed to a more precarious financial position for utilities. As the sector
11 continues to navigate these challenges, it will be crucial for utilities to adopt robust
12 financial strategies and for the regulator to recognize these challenges in addressing a
13 comprehensive multi-year rate plan.

14

15 **V. HOW FPL MANAGED ITS BUSINESS DURING THE**
16 **CURRENT SETTLEMENT TERM**

17 **Q. How has the economic environment impacted FPL’s business during the term of**
18 **the 2021 Settlement?**

19 A. During the current settlement period, FPL has operated under the same turbulent
20 financial environment as all other North American utilities, many of which have
21 suffered weakened credit quality and even downgrades in their credit rating as
22 previously mentioned. Higher interest rates and soaring inflation characteristic of this
23 period led to higher borrowing costs, and resulted in overall costs and expenses that

1 significantly exceeded the financial forecast underlying FPL's 2021 Rate Settlement
2 and its existing rates.

3 **Q. How have inflation rates and supply chain market forces impacted FPL's cost of**
4 **doing business?**

5 A. In the simplest terms, running the business since 2020 has been substantially more
6 expensive as the cost of goods and labor FPL needs to serve its customers has increased
7 significantly because of supply chain constraints and inflation. In fact, inflation on the
8 goods and labor necessary for FPL to provide electric service has increased more than
9 the Consumer Price Index for All Urban Consumers (known as CPI-U), which tracks
10 inflation based on a basket of goods and services purchased for consumption by urban
11 households, and the broader cost of labor measured by the Bureau of Labor Statistics.
12 To name just a few examples, from 2020 to 2024 the price of six-inch PVC conduit
13 increased more than 220%, padmount switchgear increased 46%, transformers more
14 than 100%, lateral underground cable increased more than 60%, and hourly labor rates
15 for service meter operations increased 23%. Exhibit SRB-3 provides more details and
16 additional examples of the cost increases experienced since our prior rate case forecast
17 was developed in 2020.

18
19 Inflationary and supply chain impacts such as these were compounded by the pace of
20 customer growth in FPL's service area throughout the period. In other words, FPL
21 experienced both "volume and price" impacts: FPL added nearly 100,000 new service
22 accounts per year, and the materials and costs associated with each new service account
23 were significantly higher than anticipated and significantly higher than what was

1 reflected in rates. This occurrence is illustrative of the principle that FPL must be
2 positioned to react to the unexpected, even if the situation arises when capital markets
3 are challenging. FPL does not have the option to ignore new customers or adjust the
4 timing of capital expenditures to “wait out” market disruptions. It has a duty to serve
5 and must turn on the lights for new customers.

6 **Q. Was FPL positioned to access debt on reasonable terms during the settlement?**

7 A. Yes, FPL was able to access debt markets and the terms were reasonable on a relative
8 basis. As I alluded to previously, the cost to borrow was significantly higher than FPL
9 had anticipated, but FPL’s strong credit ratings allowed it to maintain a more favorable
10 credit spread than borrowers with weaker credit quality. The strong credit ratings are
11 a function of FPL’s financial policies as well as the strength enabled by the
12 Commission’s approval of the 2021 Rate Settlement.

13 **Q. Please characterize FPL’s ability to access equity since its last rate case.**

14 A. The credit-supportive nature of FPL’s 2021 Rate Settlement allowed FPL to continue
15 to attract investor capital at a time when many others in the industry were not. As
16 interest rates began to rise, and other utilities were downgraded, investors began to pull
17 back from utility stocks and seek other investment opportunities that presented less risk
18 given the capital-intensive nature of the utility industry. FPL was a rare exception and
19 continued to attract investor capital because of its strong financial position coupled with
20 the investor perception that Florida remains a constructive regulatory environment.

21

22 While investors expected a higher return on their investment, FPL was partially able to
23 mitigate that through a mechanism in the settlement agreement that allowed for an

1 increase in the midpoint ROE if the 30-year treasury rate increased greater than 50 basis
2 points over a consecutive six-month period. FPL reached that trigger threshold early
3 in the four-year settlement period as the 30-year treasury surpassed the 1.99% threshold
4 and kept increasing past 5.00%. This mechanism was helpful in the short-term as it
5 continued to allow FPL to attract capital without increasing customer bills given the
6 non-cash nature of the mechanism. However, investors continue to expect a higher
7 return on their investment given that interest rates remain elevated as compared to prior
8 levels. To ensure that FPL can continue to maintain its strong credit profile and attract
9 investor capital, it needs to provide investors an appropriate cash return on their
10 investment.

11 **Q. Which aspect of the 2021 Rate Settlement supported FPL's strong credit?**

12 A. No single component of the 2021 Rate Settlement would be sufficient on its own to
13 allow FPL to maintain its credit position. The supportive components approved by the
14 Commission included a capital structure reflective of the Company's actual capital
15 structure and a reasonable ROE midpoint with an authorized range that was
16 accompanied by a trigger mechanism that better aligned FPL's authorized ROE with
17 market conditions. The Commission also authorized FPL to continue implementing a
18 mechanism that allows it to recover the prudently incurred costs associated with
19 restoring power following storms, a risk that investors weigh heavily given FPL's
20 operational attributes. The importance of this mechanism has been reinforced by the
21 multiple storm events FPL has already experienced during this settlement period, most
22 notably Hurricanes Ian in 2022 and Debby, Helene and Milton in 2024. Investors also
23 recognize that FPL's storm cost recovery mechanism served as a mitigant against the

1 risk of delayed recovery of substantial restoration costs that could over-leverage FPL.
2 Together, these elements enabled FPL to generate sufficient cash from operations
3 during the settlement period to cover its current fixed obligations, which kept its credit
4 metrics balanced through most of the period. In addition, the Reserve Surplus
5 Amortization Mechanism (“RSAM”) helped continue to attract investor capital in the
6 short-term, which allowed FPL to avoid incremental fixed cost obligations associated
7 with debt payments that would depress FPL credit metrics. Maintaining its top-tier
8 credit rating through the settlement period allowed FPL to access the capital markets
9 for its ongoing cash needs on more favorable terms than those afforded entities with
10 lesser credit quality.

11 **Q. How did customers benefit from FPL’s ability to access capital markets?**

12 A. Customers benefitted directly from FPL’s ability to continue to access capital markets
13 and leverage its strong balance sheet to make the necessary investments in the business
14 despite significantly higher capital costs because of inflation. For example, as
15 demonstrated earlier in my testimony, the cost of connecting new customers to the grid
16 was significantly higher than FPL projected because of higher material and labor costs.
17 This caused FPL to not only expend significantly more capital than it planned, but to
18 finance that higher cost of construction. In addition to connecting customers to the
19 grid, FPL had to invest in new generation assets and modifications to existing
20 generation assets to support new load growth, which also provides the ancillary effect
21 of reducing ongoing fuel costs. Additionally, FPL had to continue to invest in its
22 transmission and distribution system to continue to maintain leading reliability for
23 customers.

1 Aside from FPL's everyday infrastructure investments, customers benefitted from
2 extraordinary measures enabled by the Company's financial position. In 2022, natural
3 gas prices experienced sharp increases due to domestic and international factors,
4 including Russia's invasion of Ukraine. Under typical practice, FPL would have
5 collected the substantial fuel under-recovery associated with these increases during the
6 balance of that year, which would have compressed the recovery period and resulted in
7 a markedly higher fuel charge for customers. Instead, FPL was able to use its strong
8 financial position to spread the approximately \$2 billion fuel under-recovery through
9 the end of 2024. This allowed customers to pay those fuel costs over 21 months,
10 substantially mitigating bill impacts at time when inflation was impacting our
11 customers.

12
13 Additionally, FPL has experienced significant costs from hurricanes during the term of
14 the settlement, requiring a strong financial position to pay suppliers for the incremental
15 costs until such time as it could collect a storm surcharge. During 2022, in addition to
16 already volatile fuel prices described above, Hurricanes Ian and Nicole made landfall
17 in FPL's service area, leading to roughly \$1.3 billion in total costs that FPL recovered
18 over a 12-month period. This was followed by the 2024 hurricane season, in which
19 FPL again experienced total costs of approximately \$1.2 billion from Hurricanes
20 Debby, Helene and Milton, requiring an additional storm surcharge.

21
22 As illustrated by these examples, FPL's financial strength allowed it to continue to raise
23 the necessary capital without impairing its ability to serve its customers. FPL could

1 not have executed its financial plans and supported its customers in the same fashion
2 with a weaker financial profile.

3 **Q. Other utilities within and outside of Florida have continued to serve their**
4 **customers over the past four years, which required access to capital. Doesn't that**
5 **indicate that utilities with lower credit quality fared just as well as FPL?**

6 A. No, for two reasons. As I have explained, market participants with lesser financial
7 strength pay a premium compared to those with stronger profiles – in the form of higher
8 credit ratings. This results in higher fixed obligations, requiring more cash from
9 operations to satisfy the debt and leaving less cash available for other necessary
10 expenditures.

11 The second reason follows logically. Investors and rating agencies are ever vigilant of
12 an entity's credit metrics and the amount of capital the business needs to invest to
13 deliver its end product. FPL's financial strength allowed it to continue to make the
14 necessary investments as well as absorb the much higher costs of construction that I've
15 just described without deteriorating its credit standing. Only utilities that have strong
16 credit can undertake that unplanned incremental debt without having the resulting
17 obligations sacrifice its debt-to-cash flow ratio.

18
19 Even a utility with a moderately strong credit rating would risk a downgrade if it put
20 pressure on its balance sheet by stacking obligations such as incremental debt for
21 everyday operations, i.e., customer growth, carrying a \$2 billion obligation related to
22 fuel for two years instead of seeking more immediate recovery, and responding to
23 multiple severe storms. Because of FPL's strong financial profile, it was able to

1 continue delivering reliable service, execute quick restoration, raise short-term and
2 long-term debt at rates attractive for our customers and ameliorate customer bill
3 impacts immediately without sacrificing its credit standing, which not only provided
4 much needed short-term relief for customers, but also mitigated harm to customers over
5 the long term.

6 **Q. You have mentioned that the RSAM helped FPL manage its business throughout**
7 **the period of high interest rates and significant inflation. Please remind the**
8 **Commission what the RSAM is and how it works.**

9 A. The RSAM was a necessary component of the 2021 Rate Settlement and was modeled
10 after a similar component included in the three settlements that preceded the 2021 Rate
11 Settlement, i.e., 2010, 2012, and 2016. These components have been a constructive
12 part of FPL's ability to propose multi-year rate plans that allow for stable rates, low
13 customer bills and deliver value for nearly 15 years.

14
15 The RSAM is an accounting mechanism used by the Company to respond to changes
16 in its underlying revenues and expenses in order to maintain its FPSC-Adjusted ROE
17 within the Commission-authorized range. Under the current four-year settlement
18 agreement, FPL has the right to amortize a \$1.45 billion reserve amount. Specifically,
19 in each earnings surveillance reporting period, the Company records increases to
20 expense (debits) or decreases to expense (credits) such that the overall resulting ROE
21 for that rolling period equals a pre-established ROE within the authorized range. The
22 RSAM results only in non-cash earnings and has no impact on customer bills during
23 the term of the settlement. In other words, the RSAM allows FPL to absorb changes

1 primarily in cash revenues and expenses while maintaining a pre-established ROE
2 within its authorized range without an increase in customer rates during the settlement
3 period.

4 **Q. What were the limitations on FPL's use of the mechanism?**

5 A. The most fundamental limitation under the 2021 Rate Settlement and those that
6 preceded it is the prohibition against using the RSAM in any manner that would cause
7 FPL's earned ROE on an FPSC Adjusted Basis to exceed the top of the authorized ROE
8 range. Similarly, the Settlement required FPL to use the RSAM, if any amount were
9 available, to keep the Company's ROE at least at the minimum authorized ROE before
10 the Company could seek a general base rate increase during the settlement period.

11 **Q. Please explain how the RSAM helped FPL maintain financial strength during the**
12 **2021 Rate Settlement period.**

13 A. The availability of the RSAM during the settlement period enabled the Company to
14 absorb significant fluctuations in revenues and expenses. During most multi-year
15 periods, fluctuations in the business both increase and decrease in terms of operating
16 revenues and expenses as well as the Company's cost of capital. In this period,
17 however, fluctuations in the Company's overall operating expenses and capital costs
18 increased as compared to FPL's projections primarily because of unexpected and swift
19 changes in the economy.

20

21 Changes in interest rates and inflation added significant costs to operate the business
22 and maintain the same level of service compared to FPL's projections. Coupling these
23 higher costs with a sharp increase in customer growth and a stretch of severe storms

1 led to depressed cash earnings beginning as early as 2022. This became even more
2 problematic in 2023. But, because of the RSAM and a strong focus on cost
3 productivity, FPL was able to keep its book earnings from 2022 through the first half
4 of 2024 at a level that demonstrated growth and continued to attract investors to supply
5 capital necessary to keep running FPL's business. Ultimately, however, investors do
6 not view these non-cash earnings as sustainable; they expect that the book returns will
7 be replaced with cash returns to provide an appropriate return on investment.

8 **Q. In light of high interest rates, high levels of inflation, and a limited RSAM Reserve**
9 **amount, please describe how management reached its decisions regarding how**
10 **and when to use the RSAM.**

11 A. Given that costs were significantly higher than projected, FPL's use of the RSAM was
12 vastly different than anticipated at the onset of the settlement, as it was needed to
13 manage fluctuations in the business earlier in the settlement period given the impacts
14 of inflation and interest rates. At the same time, investors continued to prioritize a fair
15 return on their investment, and with an increasing risk-free rate, investors expected a
16 higher return on equity.

17 **Q. During the first two years of the current Settlement Term, FPL was able to earn**
18 **near the top of its authorized ROE range. Was that due strictly to amortization**
19 **of the RSAM Reserve amount?**

20 A. No. While the RSAM helped FPL maintain adequate earnings during the first two
21 years of the settlement period, FPL could not have earned near the top of the range
22 without significant productivity improvements that lowered its annual expenses.

1 **Q. What do you conclude regarding the inclusion of RSAM as part of a rate plan?**

2 A. The RSAM has been an innovative, effective mechanism that has been a key element
3 of the highly successful multi-year regulatory construct, providing rate stability and
4 other benefits for FPL's customers for prior multi-year rate settlement agreements.
5 The RSAM has been a core element that enabled multi-year rate plans which avoided
6 incremental rate cases and cash rate increases for customers. FPL has demonstrated
7 that the driving force underlying its amortization decisions is whether the expense or
8 investment is necessary to provide safe and reliable service or enhance the overall
9 customer value proposition. This stewardship has produced lasting results for both
10 customers and shareholders.

11

12

VI. RISK PROFILE

13 **Q. What is a company's risk profile, and why is it important?**

14 A. A company's risk profile is what investors consider in making their investment
15 decisions, what management should consider in establishing an appropriate capital
16 structure, and as explained by FPL witness Coyne, what courts and utility commissions
17 have deemed a fundamental consideration when establishing an ROE and equity ratio.
18 Other things being equal, when investors perceive a more challenging risk profile, a
19 higher ROE and stronger capital structure is necessary to attract them. FPL has
20 consistently maintained a strong capital structure commensurate with its risk profile.
21 There is no reason to change that approach. Additionally, FPL is requesting an
22 authorized earnings range that is likewise appropriate given its risk profile and investor
23 expectations.

1 **Q. Please identify FPL’s key risk factors.**

2 A. FPL’s risk factors fall into four principal categories:

- 3 • Significant capital investment program;
- 4 • Physical infrastructure, including transmission system, generation mix, and fuel
- 5 supply;
- 6 • Physical environment, including weather, such as tropical storms and emerging
- 7 climate issues; and
- 8 • Regulatory and political environment.

9 **Q. Please describe the risks surrounding FPL’s significant capital investment**
10 **program.**

11 A. The utility industry is one of the most capital-intensive industries in the country.
12 Already one of the largest utilities, FPL has recently experienced significant customer
13 growth at a time when the pace of growth has contracted for many other utilities. In
14 addition, FPL is working hard to make its infrastructure more storm-resilient in the face
15 of increased storm activity, an endeavor that is not only prudent but also now mandated
16 by the State of Florida. Not surprisingly, therefore, within the utility industry, and
17 specifically within the proxy group of FPL witness Coyne, FPL’s capital expenditure
18 profile is significant. From 2022 through 2025, FPL estimates it will have invested
19 more than \$36 billion in its infrastructure, or approximately \$9 billion annually, well
20 in excess of FPL’s operating cash flow. When compared to other industrial companies,
21 FPL’s property, plant and equipment replenishment needs, i.e., capital expenditures in
22 excess of depreciation, are substantial. Additionally, FPL’s capital is invested in assets
23 with very long useful lives, which provide customers value well into the future and

1 spread costs over a long period. Investors, in turn, require an appropriate return to
2 compensate them for that long-term investment horizon.

3
4 FPL's extensive capital investment program supports customer growth and has served
5 to reduce operating expenses and improve reliability. It also exposes the Company to
6 higher risk than the typical utility. According to the U.S. Census Bureau, "[a]fter
7 decades of rapid population increase, Florida now is the nation's fastest-growing state
8 for the first time since 1957. For the third most-populous state to also be the fastest
9 growing is notable because it requires significant population gains." In 2022 alone,
10 Florida experienced a net migration of 249,064 people, or about 682 people per day.
11 While there are benefits from customer growth, FPL's responsibility to serve all
12 customers in a fast-growing service area requires significant ongoing capital
13 investments that are inherently risky. A higher volume of accounts does not necessarily
14 have commensurate usage and base revenue impacts. Over the current settlement
15 period, the capital required to deliver power to new service accounts far exceeded the
16 revenue generated from those accounts and investments are required in advance of
17 connecting those customers. The magnitude of necessary investments adds to FPL's
18 risk profile as seen through investors' eyes.

19
20 Additionally, as described by FPL witness Laney, FPL has made significant cost-
21 effective capital investments for the benefit of customers as the Company has continued
22 to diversify and upgrade its generation fleet and invested in reliability initiatives, storm
23 resiliency, and smart technology. While all these initiatives provide benefits to

1 customers, they increase the level of FPL's investment program and its overall risk
2 profile.

3 **Q. Please describe the risks related to FPL's physical infrastructure.**

4 A. FPL's infrastructure exposes investors to risks not seen in most other utilities. These
5 risks largely relate to Florida's unique geographical position and the location of FPL's
6 service area within Florida. Florida's geographical position as a peninsula limits
7 connectivity and places constraints on FPL's transmission system, generation mix and
8 fuel supply, which translate into increased risk from an investor perspective. Further,
9 one of the largest metropolitan areas in the United States, Miami-Dade and Broward
10 Counties, representing nearly 40% of FPL's more than 6 million customer accounts,
11 is located at the tip of the Florida peninsula and, therefore, highly susceptible to the
12 impact of potential interruptions in transmission and fuel supply occurring in isolation
13 or combination, which can impact the reliability of service in the region. Additionally,
14 given all of the growth in the territory, there is limited land available to build generation
15 within the South Florida load pocket, requiring FPL to rely on "outside" generation and
16 transmit that energy to Miami-Dade and Broward. FPL's smart energy infrastructure
17 provides many benefits, but also requires guarding against growing exposure to
18 potential and more sophisticated cyberattacks on its operational and information
19 technology infrastructure systems.

20

21 Lastly, FPL's energy mix includes roughly 20% nuclear generation, which is much
22 higher than the typical utility and stands in stark contrast to all other Florida utilities,
23 none of which currently operate nuclear plants. While FPL's customers have benefitted

1 from this low-cost and clean source of generation for decades, there are inherent risks
2 to nuclear generation from an investor's perspective, largely related to increased risks
3 of costly regulations, whether due to an actual or perceived threat or issue. While FPL
4 mitigates its own nuclear risk through safe operations, it nonetheless is exposed to risk
5 potentially originating from any nuclear plant anywhere in the country or the world.
6 Such was the case following the Fukushima Daiichi nuclear incident in Japan in 2011,
7 which spurred a host of new regulations and associated costs for nuclear plants in this
8 country.

9 **Q. How have the increased sanctions on Russia impacted FPL's nuclear operations?**

10 A. The ongoing sanctions on Russia have significantly impacted the global supply chain
11 for nuclear fuel, which presents a substantial business risk for the operation of our four
12 nuclear units in Florida. As a key supplier of enriched uranium, Russia's restricted trade
13 has led to increased uncertainty and volatility in the availability and cost of nuclear
14 fuel. This supply chain disruption can jeopardize FPL's ability to procure the necessary
15 materials to power our nuclear reactors, potentially leading to operational delays or
16 interruptions. Additionally, the heightened geopolitical tensions may result in stricter
17 regulations and increased scrutiny on imports, further complicating logistics and
18 increasing costs. This increased business risk necessitates the need for financial
19 flexibility to ensure we can opportunistically procure adequate fuel supply to maintain
20 our commitment to safe, sustainable, and reliable nuclear energy production.

21 **Q. Please explain the risks associated with climate and weather.**

22 A. Florida's peninsular location within the subtropical latitudes and its topography
23 exposes its electrical infrastructure to a higher likelihood of adverse weather events

1 compared to most other parts of the country, as well as a perceived risk of wildfire-
2 related events. Statistically, the state of Florida has the highest likelihood of
3 experiencing a hurricane, and, within the State, FPL's risks are higher than other
4 utilities. Based on historical probabilities from 1880 to 2020, Florida has a 56%
5 average probability of experiencing a landfalling hurricane and a 29% probability of
6 experiencing a landfalling major hurricane in any year. The next highest historical
7 probability is for the state of Louisiana at 38% and 14%, respectively. In fact, the 2024
8 forecasted probabilities rose materially to 70% and 40% for landfalling hurricane and
9 major hurricane, respectively. And, as shown on Exhibit SRB-4, the frequency of
10 tropical storm activity remains high and, on average since 2011, is higher than all other
11 periods since 1851.

12
13 Topographically, FPL's risk is elevated because its service area includes much of both
14 the east and west coastlines of the peninsula as well as the northwest "panhandle"
15 portion of the state. Because these coastlines are highly exposed to damage from
16 tropical storm activity and generally are at low elevations, FPL faces greater risk of
17 major storm damage, including coastal flooding, as well as longer term implications of
18 sea level rise. Historical data demonstrates that the Florida counties that comprise
19 FPL's service area have a higher likelihood of experiencing a landfalling hurricane or
20 major hurricane compared to the non-FPL counties.

21
22 Each year thus far during the current settlement period, FPL has experienced at least
23 one major hurricane that has made landfall within Florida and impacted its service area

1 – Hurricane Ian in 2022, Hurricane Idalia in 2023 and Hurricanes Helene and Milton
2 in 2024. An additional recent phenomenon is the unpredictability and rapid
3 intensification of the storms. These risks have the potential to directly impact FPL’s
4 credit profile and, therefore, financial strength. Customers will be disadvantaged if the
5 Company is unable to deploy the necessary capital to continue to mitigate these risks
6 and respond quickly and efficiently when these events occur.

7

8 Additionally, with limited electrical interconnection capacity serving Florida due to its
9 unique peninsular geography, FPL’s ability to supply power purchased from outside of
10 Florida if there is a significant need or disruption due to extreme weather events is more
11 constrained than utilities with more access to regional options. This is also the case for
12 FPL’s gas supply as there are limited pipelines and limited capacity into the state,
13 posing a challenge during tropical weather events.

14

15 Aside from risks that reflect or extrapolate from historical environmental patterns,
16 FPL’s risk profile is impacted by third party perceptions of physical environmental
17 risks that have a limited basis in FPL’s history. Wildfire risk falls into this category.
18 S&P, for example, has downgraded multiple utilities due to destructive wildfires and
19 ensuing litigation. And, more recently, S&P has also begun to consider wildfire
20 insurability as a credit risk: “The industry’s wildfire insurance availability and rising
21 costs have forced some California utilities to move to a self-insurance model. We assess
22 this trend as negative for *the industry’s* credit quality.” (emphasis added). Some

1 investors, too, have directed their money to other sectors, while those who remain
2 invested in utilities expect increased return on their investment for this perceived risk.

3

4 While FPL has not experienced, and has a low risk of experiencing, significant losses
5 by wildfire, it is nonetheless a perceived risk that others are weighing. FPL's grid
6 hardening investments, smart grid technology and predictive tools further mitigate its
7 wildfire risk. Yet, insurers have been reducing their wildfire insurance coverage and
8 increasing their premiums to cover risk of such an occurrence due to losses experienced
9 and their perception of what that could entail, thus increasing FPL's risk profile.

10

11 To attract capital over the long-term, FPL must continue to offset these greater
12 qualitative business risks. A stronger financial position balances FPL's overall credit
13 profile.

14 **Q. Do weather-related risks have an impact on investors' evaluation of FPL's**
15 **financial risk and therefore impact FPL's required financial position?**

16 A. Yes. FPL, its customers and the overall Florida economy place a high value on service
17 availability and reliability, requiring rapid and safe restoration of service after storm-
18 induced outages. Restoration efforts must be funded long before the cash recovery of
19 prudently incurred costs can be expected. FPL must therefore maintain ready access
20 to larger reserves of credit and liquidity than most other utilities. It must be able to
21 marshal both internal and external resources on a massive scale very quickly, and this
22 leads to large needs for credit and liquidity.

1 The storm cost recovery mechanism included in FPL's settlement agreements and
2 approved by the Commission mitigates some risk, but FPL's exposure remains
3 significant. FPL agreed to a storm reserve in the amount of \$150 million, which
4 increased to as high as \$220 million through the use of carry-over RSAM from the prior
5 settlement and has been entirely depleted and restored multiple times to fund
6 restoration during the current settlement term. Unquestionably, even at its peak level,
7 the size of this reserve is insufficient to fund the storm restoration costs FPL routinely
8 has experienced. Putting this in the proper context, \$220 million is only about 22% of
9 the incremental restoration cost of a single major hurricane such as Ian, which
10 amounted to approximately \$1 billion in incremental costs in 2022 or back-to-back
11 hurricanes Debby, Helene and Milton, which also amounted to approximately
12 \$1.2 billion in incremental costs in 2024. This recovery mechanism helps to mitigate
13 against a protracted cost recovery timeline, allowing FPL to collect sufficient cash flow
14 to pay its vendors and helps to mitigate the risk of carrying incremental debt costs for
15 an extended period, thereby straining credit metrics.

16
17 These distinctive risks facing FPL are considerations investors incorporate in their
18 overall risk-versus-return evaluation of the attractiveness of FPL as an investment.
19 Absent an authorized ROE and capital structure that properly reflect this and FPL's
20 other risks, investors will redirect their capital to other utilities or to companies in
21 different sectors and industries. This would force FPL to raise capital on less attractive
22 terms, leading to higher costs for customers over the long run, and possibly leaving
23 FPL unable to raise sufficient capital to fund necessary initiatives.

1 **Q. Please comment on how FPL’s storm hardening efforts impact its risk of weather**
2 **exposure.**

3 A. FPL’s overall risk profile is increased by the nature of its service area and this risk is
4 unlikely to diminish, because the exposure to storm damage (measured in dollars) is
5 likely to increase even as FPL continues to upgrade its resilience to storm impacts.
6 Accordingly, its requirements for financial strength, as well as the appropriate
7 authorized ROE level and equity ratio, are greater than that of most other utilities for
8 the same reason. Although FPL already has made significant investments in its system
9 to mitigate these risks through its storm hardening and Storm Protection Plan programs
10 approved by the Commission, additional ongoing investments are required to continue
11 to improve its system, as well as maintain the system improvements that have already
12 been implemented. These investments can help mitigate, but not eliminate, these
13 increasing risks, highlighting the need for FPL to maintain the adequate financial
14 strength that is critical to FPL’s ability to access the capital necessary to continue to
15 make investments to quickly respond to severe weather events when they occur. It is
16 in customers’ interests for a utility to maintain adequate financial strength to deal with
17 the kind of extreme weather events that may affect its service area.

18 **Q. Please describe the regulatory and political risks faced by FPL and its investors**
19 **that affect financial strength.**

20 A. The regulatory environment sets the framework within which a utility operates and
21 directly affects its ability to invest to provide a level of service that meets the utility’s
22 obligation to serve. It also provides the framework investors rely upon in evaluating
23 whether to make capital available for the Company to operate effectively. The

1 regulatory environment within which a utility operates has a direct impact on its
2 financial strength and its ability to access the capital markets.

3

4 FPL's customers currently benefit from the Company's strong credit profile, which
5 relies upon the generally constructive regulatory policies of the Commission.
6 However, this has not always been the case and should not be minimized. As
7 mentioned earlier, FPL's highly politicized 2009 rate proceeding resulted in several
8 credit downgrades, with at least one key rating not restored until almost a decade later.
9 Investors closely monitor the posture of a utility's regulators and the general political
10 environment in which the utility operates. In fact, S&P scores each state's regulatory
11 environment, monitors rate case filings and evaluates resulting rate case orders for their
12 impact on credit quality. Any deterioration in the constructiveness of regulation, or
13 indication of a change in credit supportiveness, may signal to investors the risk of a
14 fundamental financial issue emerging.

15

16 FPL also faces increased risk with respect to changes in law that may be enacted
17 whenever administrations and legislatures change hands. While this risk is not unique
18 to FPL, it nonetheless is potentially significant unless mitigated through regulatory
19 recovery. Later in my testimony, I describe the Company's proposal for addressing
20 potential changes in tax law and regulations that could significantly impact FPL's
21 revenue requirements.

1 **Q. What conclusions should the Commission draw from your analysis of FPL’s risk**
2 **profile?**

3 A. FPL faces a unique mix of risk factors that in aggregate imply that FPL’s risk profile
4 is greater than most utilities in the country. Accordingly, FPL should maintain a
5 stronger financial position than the typical utility, which has historically been the case
6 and has served customers well. FPL’s riskier investment profile should also be
7 properly reflected in FPL’s authorized ROE.

8

9 **VII. CAPITAL STRUCTURE AND COST OF DEBT**

10 **Q. What is your recommendation for an equity ratio for FPL for regulatory**
11 **purposes?**

12 A. I recommend the Commission approve the continuation of FPL’s regulatory capital
13 structure that includes a 59.6% equity ratio based on investor sources (50.07% based
14 on all sources in the 2026 Projected Test Year). FPL has maintained a consistent equity
15 ratio level for the past quarter century, and it has been fundamental to the overall
16 financial strength that has served customers well. As I previously mentioned, the
17 capital structure has a direct impact on financial strength and credit quality. A greater
18 equity component means safer returns for debt investors, which translates to stronger
19 credit ratings and lower borrowing costs.

20 **Q. Is FPL’s request consistent with Commission guidance on this topic?**

21 A. Yes. The Commission has stated that “[t]he capital structure used for ratemaking
22 purposes for a particular company should bear an appropriate relationship to the actual
23 sources of capital to the Company.” (see Order No. 850246-EI, *Petition of Tampa*

1 *Electric Company for Authority to Increase its Rates and Charges.*) FPL is requesting
2 a capital structure consistent with its actual capital and as reflected in the corresponding
3 test period MFRs.

4 **Q. Does the investment community view FPL’s current equity ratio as adequate?**

5 A. Yes. As mentioned previously, investors value consistency and expect FPL’s capital
6 structure to be relatively stable over time and to reflect the unique risk profile and
7 underlying financial policies of the company. FPL has maintained the current equity
8 ratio for nearly 25 years, and it is foundational to FPL’s current credit rating, financial
9 strength and flexibility to raise capital when needed to make long-term investments for
10 the benefit of customers.

11 **Q. What is FPL’s projected cost of long-term debt for the 2026 projected test year
12 and 2027 projected test year, and why is its projection reasonable?**

13 A. FPL’s blended cost rates for the projected test years are shown in MFR D-4a. Cost
14 projections for new issuances are shown in MFR D-8. FPL relies on the Blue Chip
15 Financial Forecast which represents the consensus estimates of more than 50
16 economists and contributors.

17 **Q. What is FPL’s projected cost of short-term debt for the 2026 projected test year
18 and 2027 projected test year, and why is its projection reasonable?**

19 A. FPL’s short-term debt costs are shown in MFR D-3. FPL relies on the forward Secured
20 Overnight Financing Rate (commonly known as SOFR) curve for these projections.

1 **Q. What are the other components of FPL’s capital structure, and where can support**
2 **for those components be found in FPL’s filing?**

3 A. FPL’s 59.6% equity ratio is based on investor sources of capital which includes only
4 equity and debt components. However, FPL’s regulatory capital structure includes
5 other sources such as customer deposits, deferred income taxes, and unamortized ITCs
6 which in fact lower the amount of equity upon which rates are actually set. Those
7 components are found in MFR D-1a.

8

9 **VIII. RETURN ON EQUITY**

10 **Q. FPL witness Coyne proposes an ROE of 11.90%. Do you believe this level of**
11 **return adequately compensates investors?**

12 A. Yes, an 11.90% ROE would fairly compensate equity investors for the use of their
13 capital over the 2026-2029 period. FPL witness Coyne’s recommendation is
14 appropriate considering FPL’s unique risk profile and the Company’s commitment to
15 a strong financial position. Mr. Coyne evaluated a peer group of similarly situated
16 companies, using a portfolio of cost of equity models/approaches, and relied upon
17 relevant capital markets data.

18

19 FPL’s requested capital structure and storm cost recovery mechanism, along with Mr.
20 Coyne’s recommended ROE, are consistent with the continuation of the financial
21 policies that have served FPL customers so well.

1 **Q. Is FPL's requested ROE consistent with maintaining financial strength?**

2 A. Yes. FPL witness Coyne's recommended ROE of 11.90% will meet the criteria
3 discussed above and is consistent with maintaining FPL's strong financial position.

4 **Q. If the Commission approved the ROE recommended by FPL witness Coyne,**
5 **would FPL's total cost of financing be 11.90%?**

6 A. No. FPL's weighted average cost of capital, not the ROE, represents the actual cost of
7 financing. FPL's regulatory capital structure would produce a total Weighted Average
8 Cost of Capital ("WACC") of 7.63% in the 2026 projected test year and 7.64% in the
9 2027 projected test year. This overall WACC is reasonable and reflects the benefit to
10 customers of FPL's financial strength. FPL's projected cost of capital is reflected in
11 the calculation of revenue requirements and proposed rates for 2026 and 2027. With
12 the approval of FPL's proposed overall WACC, the Company would be in a position
13 to continue delivering superior value at rates well below the national average at an
14 overall cost of capital slightly below the average for all utilities.

15

16 **IX. STORM COST RECOVERY MECHANISM**

17 **Q. Please describe the storm cost recovery mechanism FPL is proposing.**

18 A. FPL proposes a storm cost recovery framework that draws from the mechanism that
19 was established in FPL's 2010 Rate Settlement and continued in the each of the three
20 settlement agreements that followed, with an update that reflects the circumstances FPL
21 has experienced over several storm seasons. Starting with its 2010 Rate Settlement,
22 FPL's storm cost recovery mechanism included an interim cost recovery cap of \$4 per
23 1,000 kWh on monthly residential bills, or roughly \$390 million annually. As I have
24 explained in my testimony, FPL's restoration costs have substantially exceeded that

1 amount during multiple storm seasons since the mechanism's cap was originally
2 established, incurring over a billion dollars of costs in 2017, 2022, and 2024.

3
4 Accordingly, as part of the proposed four-year plan, FPL proposes to continue the storm
5 cost recovery mechanism with a limited increase of the baseline cap to \$5 per 1,000
6 kWh on monthly residential bills. If FPL incurs storm costs related to a named tropical
7 storm, the Company will begin collecting a surcharge limited to \$5 per 1,000 kWh
8 on monthly residential bills (roughly \$500 million annually) 60 days after filing a
9 petition for recovery. This interim recovery period will be based on 12 months. If
10 costs related to named storms exceed that amount in any one year, the Company may
11 request recovery of the additional amount, with the timing of the additional amount to
12 be determined by the Commission.

13
14 FPL does not seek to replenish its storm reserve through base rates, so it has not
15 included any amounts in its revenue requirement request. Instead, the storm cost
16 recovery mechanism would be used to replenish the Company's storm reserve in the
17 event it was fully depleted. The Company's storm reserve replenishment amount in
18 this proposal is \$300 million, which is only moderately more than the \$220 million
19 reserve level reached during the 2021 Rate Settlement period. Like the proposed cap,
20 the proposed storm reserve is modestly increased from FPL's prior storm cost recovery
21 mechanisms to reflect FPL's restoration experience over the two recent settlement
22 periods. The storm replenishment amount would be included in, not incremental to,
23 the \$5 interim recovery cap.

1 Any costs not recovered under this mechanism would be deferred on the balance sheet
2 and recovered beyond the initial 12 months as determined by the Commission. The
3 terms of FPL's proposal are detailed on Exhibit SRB-5.

4 **Q. Please explain why the storm cost recovery mechanism is beneficial and**
5 **appropriate.**

6 A. Fundamentally, FPL believes that customers are best served by a two-pronged
7 approach to storm cost mitigation. First, a funded storm reserve provides for instant
8 liquidity to assist in the immediate funding of storm restoration activities. FPL's
9 funded storm reserve is significantly underfunded today. A properly funded storm
10 reserve for FPL would be multiples of the amount permitted under the 2021 Settlement
11 Agreement, and much higher than what FPL is asking for in this proceeding.

12
13 Second, access to a customer surcharge mechanism to provide funds once the storm
14 reserve is depleted is appropriate to enable the Company to fund restoration activities
15 beyond what is available in the storm reserve, and to restore the depleted reserve. The
16 mechanism also reduces the total overall costs to customers by reducing the financing
17 costs FPL would otherwise incur if no interim surcharge were authorized. These
18 components form the core of a robust storm cost financial plan. This framework has
19 worked well for customers and the Company and should be continued.

20 **Q. Does the proposed storm cost recovery framework eliminate storm recovery risk?**

21 A. No. This framework does not eliminate the risks borne by investors related to storm
22 losses. The Company continues to bear the risk of cost disallowances for decisions
23 made in real-time, but later reviewed by opposing parties, often many months after the

1 restoration has been completed. Although this manner of recovering storm costs has
2 worked well for all parties, it is a compromise that is dependent on the financial strength
3 of the Company and its ability to have the necessary liquidity and access to capital
4 markets even when financial markets are not favorable. While the proposed storm cost
5 recovery mechanism facilitates timely recovery of storm costs, it does not reduce the
6 review of and opposition to cost recovery, and to be effective, it must be underpinned
7 by financial strength.

8

9

X. FOUR-YEAR PLAN

10 **Q. Please summarize why FPL is proposing a four-year plan.**

11 A. Multi-year rate plans have been a mainstay for FPL for more than 15 years. By
12 operating under those plans and the relative certainty that they provide, FPL has
13 achieved successful outcomes for customers. Avoiding the need to initiate serial rate
14 proceedings allows FPL to focus on its long-term strategy of making smart investments
15 to drive reliability, excellent customer service, and low bills. As I have described, plans
16 that include an appropriate set of elements have facilitated execution of a proven
17 strategy that has resulted in superior reliability and significant bill savings for our
18 customers. With the benefit of financial strength, flexibility, and the ability to focus
19 on running the business, FPL has over the last 15 years, among other things, created
20 billions of dollars in O&M savings, helped customers avoid the compressed collection
21 of a \$2 billion fuel under-recovery, obviated on multiple occasions the need to impose
22 a storm restoration surcharge, and has even been positioned to avoid requesting a
23 further base rate increase for up to three years, all for the benefit of customers. In fact,

1 under the 2021 Rate Settlement, even when faced with significant inflation, FPL
2 widened its lead in O&M cost-efficiency compared to its peers as shown in Exhibit
3 SRB-6. At the same time, the Company has provided its investors with a fair return on
4 their investment, partially through non-cash earnings that bridge the gap to subsequent
5 necessary rate adjustments.

6

7 There is no reason to change course. FPL proposes a four-year plan that is designed to
8 continue the success it has achieved in recent years and over the long term.

9 **Q. What are the key elements of FPL's four-year rate plan?**

10 A. The four-year rate plan encapsulates FPL's commitment not to request any additional
11 general base rate increase effective prior to January 1, 2030, other than those requested
12 in this proceeding. Consistent with the way in which prior multi-year rate plans have
13 been configured and recognizing that there are certain essential elements that allow the
14 Company to commit to such a plan, FPL's proposal contains the following core
15 elements:

- 16 • Provision of the necessary financial support, consistent with FPL's requested
17 revenue increases for 2026 and 2027 set forth in FPL witness Fuentes's Exhibit
18 LF-2, to include maintaining its current capital structure and authorizing a
19 return on equity of 11.90%.
- 20 • Approval of the Tax Adjustment Mechanism ("TAM") with a TAM amount of
21 \$2 billion to be available for use through the 2026-2029 period or until the next
22 general change in base rates. The mechanics of the TAM are explained by FPL
23 witness Laney.

- Approval of the SoBRA mechanism as set forth in Exhibit SRB-7 and further described by FPL witnesses Oliver and Laney, such that FPL will be permitted to petition to adjust base rates to recover the cost associated with solar and battery projects that enter service in 2028 and 2029 by demonstrating either an economic need or resource need. The mechanism also will address the impacts of flowing through the battery-related ITCs in a single year; and
- Approval of the mechanism to address potential changes in tax law as set forth in Exhibit SRB-8.

Q. What types of uncertainties and risks will the Company need to manage?

A. The significant changes in the economic environment that occurred during the term of the current Settlement Agreement, which I have described in my testimony, highlight some of the potential risks and uncertainties the Company will assume as part of the four-year rate plan. The risks include changes in interest rates and inflation, as well as new regulations and tariffs, impacts on productivity, the labor force, and technological innovation, all of which impact FPL's ability to execute its capital plan for the benefit of customers. To be able to assume that uncertainty over a sustained period and provide the significant benefits that multi-year rate plans have provided to customers, FPL requests approval of all the elements proposed.

Q. Please describe the role of the TAM in FPL's four-year rate plan.

A. As an essential component of the four-year rate plan, FPL is proposing that a TAM be approved by the Commission. The TAM is similar in nature to the RSAM and will serve the same purpose as the RSAM and similar mechanisms approved by the Commission as a core element in each of the last four FPL settlement agreements, i.e.,

1 2010, 2012, 2016 and 2021, which were fundamental to FPL's ability to continue to
2 deliver value for customers for at least 15 years. To that end, the TAM is proposed as
3 an accounting mechanism the Company will implement to respond to changes in its
4 underlying revenues and expenses in order to maintain an FPSC-Adjusted ROE within
5 the ROE range authorized by the Commission.

6 **Q. How will the proposed TAM operate?**

7 A. The mechanics of the TAM are detailed by FPL witness Laney. In short, during the
8 term of the four-year plan, the Company may record debits or credits to deferred
9 operating income tax expense and correspondingly credit or debit a regulatory liability
10 that reflects the benefits associated with a deferred tax liability. Whether to record the
11 debits or credits and the level recorded each month will be at the discretion of FPL. It
12 is FPL's intent that the overall resulting ROE for each period will equal a pre-
13 established ROE within the range authorized by this Commission.

14 **Q. What is the amount that the Company is proposing in this proceeding to be**
15 **available for use in the TAM over the 2026 to 2029 period?**

16 A. The Company is proposing that \$2 billion be available for use in the TAM (the "TAM
17 Amount") for the four-year period. For ease of reference, I've included the terms that
18 we are asking the Commission to approve.

19 **Q. Does the use of the TAM result in cash or non-cash earnings?**

20 A. The TAM results only in non-cash earnings. In other words, the TAM allows FPL to
21 absorb changes primarily in cash revenues and expenses while maintaining a pre-
22 established ROE within its authorized range without an increase in customer rates.

1 **Q. Please describe why FPL needs a non-cash mechanism.**

2 A. Based on the high-level projections prepared by witness Laney, FPL projects that the
3 Company's ROE will fall below the proposed authorized range in 2028 and 2029. This
4 means that, without base rate adjustments in 2028 and 2029, FPL will be unable to earn
5 a fair return and would be forced to return to the Commission to seek an incremental
6 base rate increase to be effective January 1, 2028. The TAM makes a four-year rate
7 plan a possibility through the non-cash earnings and flexibility that will enable FPL to
8 cover additional revenue requirements expected during those periods, thus avoiding
9 requests for additional general base rate increases until January 2030.

10

11 Although the TAM provides for only non-cash earnings, within the context of FPL's
12 proposal to not seek a general base rate increase for 2028 and 2029, the TAM as
13 proposed provides sufficient assurance of adequate book earnings to allow the
14 Company to commit to its four-year plan. FPL has demonstrated over many years and
15 several multi-year rate plans, that the increased level of regulatory stability over a
16 multi-year period enabled by mechanisms such as this allow the Company to continue
17 to improve the value proposition for customers.

18 **Q. Are there any limitations on the use of this mechanism?**

19 A. Yes. FPL proposes two limitations that mirror the limitations that governed its use of
20 the RSAM under FPL's 2012, 2016 and 2021 multi-year rate settlements. First, the
21 TAM cannot be used to cause the Company's earned ROE on an FPSC Adjusted Basis
22 to exceed the top of the authorized ROE range. Similarly, the TAM must be used, to
23 the extent any amount is available, to keep the Company's ROE at least at the minimum

1 authorized ROE before the Company can seek an increase in base rates during the four-
2 year term.

3

4 Second, the Company cannot record a credit (i.e., decrease) to deferred operating
5 income tax expense at any time during the four-year period of 2026 through 2029 that
6 would cause the TAM Amount to be reduced below \$0. Similarly, FPL may not record
7 a debit (i.e., increase) to deferred operating income tax at any time during the four-year
8 period that would cause the TAM Amount to exceed \$2 billion.

9 **Q. Why should the Commission approve a new non-cash mechanism that has not**
10 **previously been authorized?**

11 A. The Commission should approve the TAM because non-cash mechanisms subject to
12 the limitations I have described have proven to be an extremely effective and key
13 element of FPL's ability to keep multi-year rate periods intact and continue delivering
14 superior levels of reliability and low customer bills. At the same time, it has provided
15 the Company with an important measure of flexibility that has allowed us to handle
16 unanticipated events in ways beneficial to customers.

17 **Q. Please describe the SoBRA mechanism FPL is proposing as part of its four-year**
18 **rate plan.**

19 A. The SoBRA mechanism proposed by FPL will address two rate adjustments. First, the
20 SoBRA will address recovery of the incremental base revenue requirements for new
21 reliable, cost-effective solar generation and battery storage facilities in the later years
22 of the four-year plan, i.e., 2028 and 2029, upon a demonstration of either an economic
23 need or resource need in those years. The revenue requirements and adjustment factors

1 associated with the solar and battery storage facilities will be calculated consistent with
2 the way in which prior FPL SoBRAs have been calculated.

3
4 Second, the SoBRA will address the treatment of ITCs generated by battery storage
5 facilities that enter service during the four-year rate period. FPL witness Laney
6 explains that the battery storage facilities are eligible for ITCs and that FPL intends to
7 opt-out of normalization and instead will elect flow-through accounting for all ITCs
8 generated during the four-year rate plan. Doing so substantially reduces revenue
9 requirements in the 12-month period following the facility's in-service date.
10 Accordingly, the SoBRA mechanism proposed here also will account for the series of
11 first year ITCs that are created when the storage facilities enter service and the impact
12 on revenue requirements when the one-year flow-through concludes.

13
14 Importantly, as with all SoBRA adjustments, the impact on FPL's earnings is "midpoint
15 seeking" because they are calculated using the approved midpoint ROE. If at the time
16 of the adjustment, FPL is earning below the midpoint of its authorized ROE range, the
17 adjustment will tend to push earnings toward (but not over) the midpoint. Likewise, if
18 FPL is earning within its authorized ROE range but above the midpoint, the adjustment
19 will drive earnings down toward (but not under) the midpoint. Inclusion of this
20 mechanism for 2028 and 2029 in the four-year plan will provide the Company with the
21 ability to defer general base rate increases in both of those years by covering the base
22 revenue requirement of new solar and battery additions, while moving FPL's earnings
23 toward, but not above, the midpoint of its authorized ROE range. Importantly, as these

1 units enter service, customers will immediately begin to receive benefits through the
2 fuel adjustment clause, thereby matching costs with benefits. Exhibit SRB-7 sets forth
3 the terms that we are asking the Commission to approve and which would govern the
4 SoBRA mechanism for 2028 and 2029.

5 **Q. Please describe the role of the mechanism to address changes in tax law as part of**
6 **FPL's four-year rate plan.**

7 A. The current federal administration and Congress have strongly signaled the probability
8 that tax laws and regulations could change significantly, either during or after the
9 conclusion of the rate case. Such changes could have a material impact on the four-
10 year proposal being presented by FPL.

11

12 FPL witness Laney explains that both FPL's 2026 projected test year and 2027
13 projected test year forecasts are based on the tax laws and regulations in place at the
14 time of FPL's filing, which includes proactive elections of certain tax treatment allowed
15 under the current laws and regulations. These elections benefit customers by reducing
16 FPL's revenue requirements substantially. The Company's four-year rate plan, and the
17 \$2 billion TAM Amount, an essential component of this plan, do not contemplate any
18 potential impacts due to changes in tax laws or regulations.

19

20 The impacts of changes in tax law or regulation outside of FPL's control could
21 substantially impact the four-year plan by either increasing or decreasing the revenue
22 requirements materially. For that reason, FPL proposes a Tax Law Change mechanism
23 that fairly effectuates changes through an adjustment to base rates in whatever direction

1 new laws or regulations dictate. FPL is seeking approval of this mechanism to ensure
2 continued regulatory support for a utility's efforts to make favorable tax elections for
3 the benefit of customers when they are available and that the outcome of changes to
4 tax law and regulations should flow to customers and the utility in a neutral manner.

5 **Q. What process will be utilized to effectuate a change in tax law or regulations?**

6 A. The process is detailed in Exhibit SRB-8. If a permanent change in federal or state tax
7 law or regulations (referred to as the "new tax law") occurs prior to the conclusion of
8 the final hearing and timing permits, FPL will submit calculations that quantify the
9 impacts of the new tax law on FPL's base revenue requirements so that the Commission
10 may address the impacts when it resolves FPL's base rate request. If, however, the new
11 tax law occurs prior to the conclusion of the final hearing and timing does not permit
12 or occurs after the conclusion of the final hearing, FPL will submit the calculation by
13 the later of 60 days from the Commission's final order resolving FPL's rate petition or
14 60 days from the effective date of the new tax law.

15

16 FPL proposes to open a separate docket for the limited purpose of addressing the base
17 revenue requirement impact of the new tax law. FPL will submit the calculations
18 reflecting the impact on base revenue requirements and ask the Commission to
19 establish an expedited procedural schedule that will still allow intervenors time to
20 review and, if necessary, respond to FPL's filing. FPL will be authorized to adjust base
21 rates upon confirmation by the Commission that FPL appropriately calculated the
22 impacts.

1 **Q. How does FPL propose to quantify and implement the impact of a change in tax**
2 **law if timing does not permit FPL to quantify the impact on revenue requirements**
3 **during the pendency of this docket?**

4 A. FPL will compare the revenue requirements utilizing the new tax law against FPL's
5 revenue requirements approved in this Docket, which utilize current tax law. The
6 difference in revenue requirements will demonstrate the impact of the new tax law and
7 will be the amount of FPL's base rate adjustments for 2026 and 2027. The adjustment
8 for 2027 revenue requirements will remain in place for 2028 and 2029. For the time
9 period between enactment of the new tax law and implementation of new tax-adjusted
10 base rates, FPL will defer the impact of the new tax law to the balance sheet for
11 collection or refund through the Capacity Clause.

12 **Q. Will FPL reflect the new tax law in the SoBRA you previously described?**

13 A. Yes. Any rate adjustments proposed through the proposed SoBRA mechanism in 2028
14 and 2029 will reflect then-current tax law.

15 **Q. Please describe how a decrease to the corporate income tax rate will impact the**
16 **TAM Amount and explain how FPL proposes to address the impact.**

17 A. All else equal, a decrease in the corporate income tax rate will reduce income tax
18 expense as well as change the classification of a portion of the TAM Amount from a
19 deferred tax liability to an excess accumulated deferred income tax liability
20 ("EADIT"). FPL proposes to restore the TAM Amount by utilizing a corresponding
21 amount of unprotected EADIT associated with tax repairs and mixed service costs.

1 **Q. How will FPL account for any other changes in deferred taxes that result from**
2 **changes in tax law?**

3 A. Any deficient or excess deferred income taxes that arise will be deferred as a regulatory
4 asset or regulatory liability on the balance sheet and included within FPL's capital
5 structure. If the tax law continues to prescribe the use of the Average Rate Assumption
6 Method, FPL will flow back or collect the protected deferred income taxes over the
7 underlying assets remaining life to ensure compliance with Internal Revenue Service
8 normalization rules. If the new tax law does not specify the treatment of unprotected
9 deferred income taxes, FPL proposes to flow back or collect all other unprotected
10 deferred income taxes over a period of not more than 10 years, consistent with FPL's
11 treatment under Order No. PSC-2019-0225-FOF-EI. FPL will account for the impact
12 of deferred income taxes as part of the calculation that will be submitted to the
13 Commission.

14 **Q. Please describe the Commission's role and continued oversight to ensure that**
15 **rates approved under FPL's four-year rate plan remain just and reasonable.**

16 A. If the Commission approves FPL's proposed four-year plan, no different than in the
17 case of a Commission-approved settlement agreement covering a multi-year period, the
18 Commission retains full regulatory oversight and authority with respect to FPL's rates
19 and charges. To that end, FPL will continue to submit earnings surveillance reports
20 consistent with current regulatory requirements.

21 **Q. Does this conclude your direct testimony?**

22 A. Yes.



Maria Jose Moncada
Assistant General Counsel
Florida Power & Light Company
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April 29, 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:

Florida Power & Light Company attaches for electronic filing an errata sheet for the prepared direct testimony of witness Scott Bores, originally filed on February 28, 2025.

Please feel free to contact me if you have any questions regarding this filing.

Sincerely,

s/ Maria Jose Moncada

Maria Jose Moncada
Assistant General Counsel
Florida Power & Light Company

cc: Counsel for Parties of Record

22857805

CERTIFICATE OF SERVICE
Docket No. 20250011-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished
by electronic service on this 29th day of April 2025 to the following:

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By: s/ Maria Jose Moncada

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ERRATA SHEET

WITNESS: SCOTT BORES
DIRECT TESTIMONY DATED FEBRUARY 28, 2025

Page	Line	Change
54	21	change "\$2 billion" to "\$1.717 billion"
56	16	change "\$2 billion" to "\$1.717 billion"
58	8	change "\$2 billion" to "\$1.717 billion"
60	17	change "\$2 billion" to "\$1.717 billion"

1 BY MS. MONCADA:

2 Q Mr. Bores, are you also sponsoring exhibits
3 SRB-1 through SRB-8 to your direct testimony?

4 A Yes, I am.

5 Q And were these prepared under your direction
6 or supervision?

7 A Yes.

8 MS. MONCADA: Commissioner Clark, these have
9 been presided on staff's list as 125 through 132.

10 BY MS. MONCADA:

11 Q Mr. Bores, would you please provide a summary
12 of the topics addressed in your testimony to the
13 Commission?

14 A Certainly.

15 Good afternoon, Commissioners. My direct
16 testimony describes the financial policies that enable
17 FPL's financial strength and credit quality, including
18 equity ratio and return on equity. I also testify
19 regarding how these policies, along with a four-year
20 plan enabled by the tax adjustment mechanism, the solar
21 and battery base rate adjustment mechanism and the storm
22 cost recovery mechanism will allow customers to avoid
23 two years of general base rate increases in 2028 and
24 2029.

25 Approval of FPL's four-year rate plan will

1 allow us to continue delivering the value proposition
2 that our customers have come to expect.

3 **Q Thank you, Mr. Bores.**

4 MS. MONCADA: Commissioner Clark, Mr. Bores is
5 available for cross-examination.

6 CHAIRMAN LA ROSA: Ms. Christensen, your
7 witness.

8 MS. CHRISTENSEN: Thank you.

9 EXAMINATION

10 BY MS. CHRISTENSEN:

11 **Q And good afternoon, Mr. Bores.**

12 A Good afternoon, Ms. Christensen.

13 **Q It seems like we have done this a few times**
14 **during this case.**

15 A We have.

16 **Q But now we are doing it for the Commission.**

17 **So you filed your direct testimony on February**
18 **28th, 2025?**

19 A Yes. That is correct.

20 **Q And in that testimony, you said you were the**
21 **Vice-President of Finance for FPL, correct?**

22 A Yes, I did.

23 **Q And you have been in that position for**
24 **three-and-a-half years?**

25 A Yes. That is correct.

1 Q And prior to that position, you were a senior
2 director of finance and planning and analysis from 2015
3 through 2022, correct?

4 A Yes, that is also correct.

5 Q And you are a Certified Public Accountant in
6 Georgia but you are not a CPA in Florida, correct?

7 A Correct. There was no need to be a CPA in
8 Florida for what I do.

9 Q Okay. On page five of your testimony, lines
10 four through seven, you discuss the purpose of your
11 testimony, and you say that moving forward, FPL's
12 ability to continue supporting new customer growth and
13 provide all customer excellent service, including high
14 reliability and affordable bills, depends on the
15 continuation of its capital investment plan, correct?

16 A Yes. That is correct.

17 Q So one of the points you focused on relates to
18 customer service -- relating to customer service is the
19 affordability of bills?

20 A Yes, I do talk about affordability.

21 Q Okay. And I want to focus on the
22 affordability issue.

23 As the person responsible for financial
24 management, you have not received any specific
25 affordability guidance from management to guide your

1 **work related to that task, have you?**

2 A I wouldn't say I have received specific
3 guidance, but I think affordability is something we take
4 into consideration as part of developing our rate case
5 and ultimately the four-year plan that we put forth
6 before this commission.

7 **Q Okay. And you would agree the main check you**
8 **use for customer affordability is ultimately the bill**
9 **impact?**

10 A I think that is the, I will say the final
11 ultimate litmus test. But I think the Commission,
12 especially in the TECO order, put together a whole
13 framework in assessing affordability and ensuring that
14 rates are fair, just and reasonable.

15 And part of what we do in determining
16 affordability is looking at what do customers get for
17 that. That includes looking at the reliability. That
18 includes looking at our O&M performance and driving
19 costs out of the business so we can continue to
20 provide an affordable proposition to our customers.

21 **Q All right. Well, let's talk a little bit**
22 **about how you have been driving costs out of the**
23 **business.**

24 **You have projects such as Project Velocity and**
25 **Project Momentum to find efficiencies in the business**

1 **during the four-year periods of the last settlements, is**
2 **that correct?**

3 A Yes. Project Momentum, Project Accelerate and
4 then most recently, Project Velocity.

5 Q **Okay. Isn't it true that you believe that the**
6 **efficiencies and savings will result in more affordable**
7 **bills and lower bills -- more affordable bills and lower**
8 **bills, correct?**

9 A I am sorry, can you rephrase that question?

10 Q **Absolutely.**

11 **Isn't it true you believe that the**
12 **efficiencies and savings you gain from those programs**
13 **will result in more affordable bills by -- and lowering**
14 **the overall bill, correct?**

15 A I would say it a little different. I would
16 say those programs that we have already been through, we
17 have found billions of dollars of efficiencies that are
18 reflected in this case, and ultimately the bills we have
19 today and have presented as part of this case into the
20 future.

21 Q **And you would agree that any efficiency**
22 **savings found during the settlement after base rates are**
23 **set would not hit the customer bills during the**
24 **four-year period because base rates do not change during**
25 **settlement terms to account for these efficiencies?**

1 A Yes. This is how it's worked in the past.
2 These four-year plans are great in that they enable us
3 to focus on the business and find efficiencies.

4 **Q Okay.**

5 A And at the end of the four-year term, those
6 efficiencies benefit in lower revenue requirements and
7 lower bills for customers.

8 **Q Okay. So you would -- it would be fair to say**
9 **that FPL would keep the dollar savings associated with**
10 **any efficiency gains during a settlement or stay-out**
11 **period unless those savings would either cause the**
12 **company to earn outside of its range, which will not**
13 **happen with a noncash mechanism like a reserve**
14 **amortization mechanism, correct?**

15 A Yes. I this take exception with FPL will
16 keep. FPL does not keep the dollars. Any dollars that
17 are created ultimately, with the case of a noncash
18 mechanism like the RSAM, we have currently enure or
19 create RSAM.

20 RSAM can only be used for the benefit of
21 customers to offset expenses, make investments and cover
22 those revenue requirements. But, yes, in the absence of
23 a noncash mechanism, as long as we are staying within
24 our authorized range, that will impact the ROE.

25 **Q Okay. And the only affordability guidance**

1 **that you provided your employees during this case is to**
2 **focus on business efficiencies, correct?**

3 A I wouldn't say it's just business
4 efficiencies, right. Ultimately, the affordability
5 comes back to ensuring fair, just and reasonable rates.
6 Part of that is also providing excellent customer
7 service, which is something we focus on every day.

8 To me, it's the entire value proposition of
9 what we do. Ensuring we make smart investments for our
10 customers --

11 **Q All right.**

12 A -- that continue to drive fuel costs out of
13 the bill.

14 **Q Now, I know at some point in the -- we have**
15 **had several depositions, and I know at the first**
16 **deposition, you were asked regarding how your employees**
17 **were to be accountable, or those who are accountable to**
18 **you, how they were accountable to you for making FPL's**
19 **rates more affordable. And I think the bottom line of**
20 **that discussion was that you focused on making the bills**
21 **lower, and that you focused on affordable --**
22 **efficiencies, and that's what you use to address**
23 **affordability. Is it something different than today?**

24 A I think we are phrasing slightly two different
25 questions, and it may be helpful if I can at least read

1 the context of the deposition, or if we could put that
2 up so I can refresh myself.

3 **Q Yeah. Absolutely. If you could turn to page**
4 **14, I think we have depositions. We can hand it out for**
5 **you, and I don't know if everybody else has a copy of**
6 **it, but --**

7 MS. MONCADA: Ms. Christensen, I do not.

8 MS. CHRISTENSEN: Okay. I think we can
9 provide you a copy of Mr. Bores' deposition.

10 BY MS. CHRISTENSEN:

11 **Q This would be the May 9th deposition on page**
12 **14. And if you want to take a look at the questions**
13 **starting at line 10, and then I think your response**
14 **continues from there and on to the top of the next page.**

15 A Yeah. So this question here on page 14 is a
16 little bit different than the question you asked me.
17 How do I hold the FPL team accountable at the end of the
18 day? From a financial perspective, I hold them
19 accountable for hitting their operating budgets. That's
20 ensuring we hit our O&M targets to ensure we are driving
21 down our operating costs. We set aggressive targets
22 each year to try and find those efficiencies.
23 Ultimately, as I said earlier, that translates into
24 lower bills at the end of the day.

25 So that is how, from a financial standpoint, I

1 hole the team accountable. I think that's a little bit
2 differently than how do we assess affordability, or what
3 are some of the metrics we look at.

4 **Q Okay. And then again, you were addressing**
5 **affordability only from the financial perspective, so**
6 **the only guidance you gave to your employees was to look**
7 **and focus on business efficiencies, is that fair?**

8 A When you say my employees, can you just
9 clarify what you mean?

10 **Q Employees under your supervision, control,**
11 **answer to you.**

12 A Yeah. So I have roughly 60 employees who
13 directly report to me, and that is something I do. I
14 hold them accountable to make sure I hit my financial
15 targets that are established for my business unit.

16 **Q Okay. And you do not set a specific goal to**
17 **have the end result that your rates will be lower and**
18 **more affordable customers, that was not a specific goal**
19 **you set for this rate case, correct?**

20 A No. I think ultimately, it's a balance at the
21 end of the day, Commissioners. We need to make
22 investments to continue to maintain our reliability,
23 invest in our generation fleet, invest in our T&D
24 infrastructure, but we also have to push to find cost
25 efficiencies to ensure, at the end of the day, our bill

1 impacts are reasonable, and stay balanced, and grow less
2 than inflation, or align with inflation. And that's
3 what we do. It's a balance every day to make sure we
4 can provide safe and reliable service, and, at the end
5 of the day, have reasonable bill impacts.

6 **Q Okay. Well, let's turn to page nine of your**
7 **testimony, lines 13 through 16. This is where -- hold**
8 **on one -- on line 13, you say: FPL's proposal reflects**
9 **a continuation of the financial policies previously**
10 **approved by the Commission, and under which FPL has**
11 **operated successfully, correct?**

12 **A That is correct.**

13 **Q And then you go on to say: There is no sound**
14 **reason to change the regulatory framework that has**
15 **benefited FPL's customers for so long, correct?**

16 **A That is also correct.**

17 **Q And the framework you were referring to here**
18 **is the terms approved by the Commission under settlement**
19 **agreements, correct?**

20 **A I can't say with specificity, I have been at**
21 **the company about 14 years, that that framework has only**
22 **been approved under settlement agreements. I know our**
23 **equity ratio of 59.6 has been in place for roughly 25**
24 **years now. I don't know if that was all the result of**
25 **settlement agreements or not.**

1 Q Okay. And on page 10, lines eight through 12,
2 you discuss the continuation of the noncash flexible
3 amortization mechanism, correct?

4 A Yes. I would say continued authorization of a
5 noncash mechanism.

6 Q Okay. And the noncash mechanism you are
7 referring to here is the tax adjustment mechanism, or
8 the TAM, correct?

9 A Yes. That is correct.

10 Q And isn't it true that a noncash flexible
11 amortization mechanism has never been approved for FPL
12 outside the give-and-take of a settlement, that you are
13 aware of?

14 A I am going to say, yes, that I am aware of. I
15 think the '09 rate case wasn't flexible. I think it was
16 a flowback the surplus with theoretical reserve. I
17 can't remember with specificity.

18 Q Okay. And I think that was a straight line
19 flowback over a four-year period, or something similar
20 to that?

21 A That sounds reasonable.

22 Q Okay. And this noncash flexible amortization
23 mechanism you refer to here is the same thing -- I am
24 sorry. Isn't it true that the noncash flexible
25 amortization mechanism -- strike that question, and I

1 will ask you the next question.

2 The flexible amortization you were talking
3 about within the discussion here, your bullet .13,
4 through lines 21 on page 10, the flexibility of the
5 amortization you are talking about is the ability to
6 credit or debit the TAM to keep you earning within the
7 Commission's authorized range, correct?

8 A I am sorry, I want to make sure you said lines
9 13 through 20 something. That is the SoBRA.

10 Q Oh, I am sorry. Then it's the one above that,
11 eight through 12.

12 A Yeah. Sorry. Can you repeat the question?

13 Q Yeah. And I am just trying to get at when you
14 use the word flexibility in that bullet point, the
15 flexibility of the amortization mechanism, the noncash
16 mechanism, what you are talking about the ability to
17 credit or debit the TAM to keep you earning within the
18 Commission's authorized range, correct?

19 A Yes. That's correct. Just very similar to
20 what we have done with the RSAM in the past.

21 Q Okay. Now, Mr. Bores, as the Vice-President
22 of Finance, are you generally familiar with the
23 conditions under which FPL can make dividend payments to
24 NextEra Energy?

25 A I am going to say generally. When it --

1 dividend payments are the result of balancing our
2 capital structure. What we try to do every year when
3 setting our plan and working through our forecast is we
4 look at how much capital to we need to raise to support
5 the new investments we are going to make in the terms of
6 debt and equity, how much revenues and cash are going to
7 collect into the business? And ultimately, it's
8 ensuring we target to have our equity ratio from
9 investor sources at 59.6.

10 **Q Okay.**

11 A Some periods that may mean I need to pay a
12 dividend to the parent to do that --

13 MS. CHRISTENSEN: Chairman, I think we are
14 going a little bit beyond what we question asked.

15 CHAIRMAN LA ROSA: I think the question he is
16 answering is exactly that. If you would continue,
17 please.

18 THE WITNESS: I am sorry, sometimes we need to
19 make dividend payments to our parent to ensure we
20 stay at a 59.6. Other times, they need to infuse
21 equity into FPL to ensure we come up to a 59.6.
22 It's just a balance and a target at the end of the
23 day.

24 BY MS. CHRISTENSEN:

25 **Q Okay. So you would agree that FPL is**

1 generally not limited by the provisions of its first
2 mortgage bonds in the amount of dividends it can pay to
3 NextEra Energy, correct?

4 A So I don't know with specificity what the
5 first mortgage bonds require. That's probably a great
6 question for the treasury team who monitors that. I
7 assume we need to maintain ample liquidity in the
8 business to be able to pay our interest payments and
9 satisfy those obligations.

10 Q Ask we go to J2739DD?

11 And that should be MFR F. And can you look at
12 the second paragraph below the table on there and read
13 what that says?

14 A So I think I have an excerpt of a 10-K in
15 front of me.

16 Q And I believe the second paragraph under that
17 table says: NEE's charter does not limit the dividends
18 that may be paid on its common stock, and FPL's mortgage
19 securing FPL's first mortgaged bonds contains provisions
20 which, under certain conditions, restrict the payment of
21 dividends and other distributions to NEE. These
22 restrictions do not currently limit FPL's ability to pay
23 dividends to NEE. Does that sound correct to you?

24 A Yeah. I think it's roughly what I was talking
25 about. If we don't have ample liquidity in the business

1 to be able to make our interest payments or satisfy the
2 debt obligations that are coming due in the short-term,
3 the banks aren't going to let us make a dividend up to
4 NEE. They are going to want to keep that cash in FPL to
5 satisfy the obligation, just -- I would say just like a
6 the mortgage. You have got to have ample liquidity to
7 pay your interest payment or, you know, they are not
8 going to let you spend on your credit cards and other
9 things.

10 **Q Okay. So you would also agree that the**
11 **unappropriated retained earnings balance is generally**
12 **significantly in excess of the achieved book net**
13 **operating income that is closed to retain earnings in**
14 **any given year, correct?**

15 MS. MONCADA: Can you break that question
16 down? There was a plot in that.

17 THE WITNESS: Thank you.

18 BY MS. CHRISTENSEN:

19 **Q Well, let me just go through it slowly, then.**
20 **You would he also agree that the**
21 **unappropriated earned -- or retained earnings balance is**
22 **generally significantly in excess of the achieved book**
23 **net operating income, are we good so far?**

24 A Yes. It would be helpful to see an example.
25 I don't have those numbers memorized or in front of me,

1 so if we could look at something, that may help me
2 better follow this line of questioning.

3 **Q Well, unfortunately, I don't think I have an**
4 **example to show you, but what I will ask you this is --**
5 **okay, so the retained earnings balance, is that**
6 **generally significantly in excess of the achieved book**
7 **net operating income that is closed to retained earnings**
8 **in any given year?**

9 MS. MONCADA: Commissioner Clark, I think
10 that's exactly what Mr. Bores was saying he needs
11 to actually see in front of him in order to answer.

12 COMMISSIONER CLARK: Right. I think the
13 witness can answer yes or no. If you don't know,
14 you don't know.

15 THE WITNESS: I don't know without having a
16 balance sheet and income statement in front of me.
17 It's hard for me to make that.

18 BY MS. CHRISTENSEN:

19 **Q Okay. And let me then try the next question.**
20 **Achieved book operating income has been, for**
21 **the past 12 years plus, calculated over -- after the**
22 **amortization of the reserve amount to depreciation**
23 **expense in the income statement, is that correct?**

24 A So I think the question you are asking me does
25 our net operating income consider the impacts of using

1 the RSAM. If that is the question, the answer is yes.

2 Q Okay. And I -- yes, okay.

3 And FPL is not prohibited from dividending to
4 NEE the total amount of book earnings it achieves and
5 reports in the annual reporting period as reflected on
6 the FPSC earnings surveillance reports, correct?

7 A It's hard for me to say. I would say, yes, we
8 are, in the fact that we are governed by the Commission
9 in ultimately what our allowed equity ratio is. So I
10 have got to balance that equity ratio to ultimately
11 determine how much of my net operating income I need to
12 retain in the business versus dividend up to the parent.

13 Q Okay. Other than being constrained by the
14 fact that you are maintaining the 59.6 percent equity
15 ratio, there is no other limitation I think you
16 discussed here today on the amount of money that you can
17 distribute up to NextEra Energy, correct?

18 A Not to my knowledge sitting here today. There
19 may be covenants and debt agreements outside of the
20 first mortgage bonds that have some restrictions, but
21 nothing that I can think of today, other than
22 maintaining our appropriate equity ratio.

23 Q Okay. Thank you.

24 And I think, on page 13, and you start talking
25 about the financial strength of FPL. And specifically

1 on page 13, lines six through seven, you say that for
2 capital market participants such as FPL, credit ratings
3 serve as a function to credit scores for individuals,
4 correct?

5 A Yes. I say --

6 Q Similar function, I am sorry.

7 A -- similar function to what they do for
8 individual borrowers.

9 Q Okay. And then you say: The individuals with
10 higher credit scores are more likely to find that
11 financial institutions are willing to lend them money at
12 lower financing rates than people with lower credit
13 scores, correct?

14 A That is correct.

15 Q And then you go on, at lines 18 through 19,
16 you say: Borrowers such as FPL with better credit
17 ratings pay a lower interest rate such as the credit
18 spread, which is the charge added to the benchmark rate,
19 correct?

20 A Yes.

21 Q Would you agree that the 30-year and the
22 ten-year treasury are used as benchmarks for long-term
23 debt?

24 A Yes. It's depending on the tenor of debt that
25 we are issuing ultimately that determines the benchmark

1 rate, but most times, we are issuing 10- or 30-year
2 debt.

3 Q And the overnight fund rate is used for
4 benchmarking short-term debt, correct?

5 A Looks like most of the time, correct.

6 Q Okay. And isn't it true that the company's
7 credit spread is based on FPL's credit matrix, which is
8 based on the FFO or cash, cash received to debt and,
9 therefore, a noncash mechanism like the RSAM does not
10 factor into FPL's credit spread?

11 MS. MONCADA: Objection, compound.

12 COMMISSIONER CLARK: Can you split it, Ms.
13 Christensen?

14 MS. CHRISTENSEN: I don't know that I can
15 because these are the factors that would have to be
16 considered to get to the crux of the question.

17 COMMISSIONER CLARK: All right. Do it again
18 and do it slow.

19 MS. CHRISTENSEN: That I can do.

20 BY MS. CHRISTENSEN:

21 Q Isn't it true that the company's credit spread
22 is based on FPL's credit matrix, which is based on FFO
23 or cash, cash received to debt, and then this is
24 conclusion, and, therefore, a noncash mechanism like the
25 RSAM does not factor into FPL's credit spread? Does

1 **that make sense?**

2 A You said credit matrix or credit metrics? I
3 want to make sure --

4 **Q Metrics.**

5 A Okay.

6 **Q I am sorry. Maybe it's my --**

7 A The accent? Yes. That's correct.

8 Ultimately, what the rating agencies are looking at is
9 how much cash are we taking into the business to be able
10 to satisfy our fixed debt obligations. And that's a
11 function of your -- essentially your operating cash
12 flow, or your FFO, as a percentage of your total debt
13 balance.

14 **Q Okay. And on page 15, lines 4 and 5, you say:**
15 **The rating agencies view Florida as having a**
16 **constructive regulatory environment, correct?**

17 A Yes. That is correct.

18 **Q And then you site Moody's opinion that talks**
19 **about the timely recovery for prudently recovered costs,**
20 **including cost recovery mechanisms, correct?**

21 A I am sorry, what line, just so I'm following?

22 **Q It's a little bit further down. If you go to**
23 **line five, and it kind of goes down through line seven.**

24 A Yes.

25 **Q Okay. And then you also cite S&P, who said**

1 Florida is one of only six states that is deemed most
2 credit supportive, noting the projected test years and
3 timely cost recovery mechanisms, correct?

4 A Yes. That is correct.

5 Q Isn't it true that neither of these statements
6 -- in either of these statements that you quote, they
7 cite to a noncash mechanism?

8 A That is correct. Neither one cites a noncash
9 mechanism.

10 Q Okay. And isn't it also true that neither
11 quote from the rating agencies you cited mentions high
12 ROEs or high equity ratios as the reason Florida is
13 viewed as constructive?

14 A I think I view that a little differently. I
15 think it's inherent in a constructive regulatory
16 environment that they provide the utility an opportunity
17 to have the financial strength based on the risk
18 profile. And I think that's one of the great things
19 about Florida, is that it's allowed us to maintain that
20 financial strength for an extended period of time.

21 Q And -- but my question to you was, neither of
22 the quotations that you cited from those rating agencies
23 uses, or suggests that high ROEs or high equity ratios
24 are the reason Florida is viewed as constructive, the
25 quotes that you chose for your testimony, correct?

1 A I disagree. It talks about stable cash flow
2 in Moody's, and I think having a strong ROE and an
3 equity ratio is a hallmark of stable cash flows.

4 **Q On line -- on page 16, line 11, you say that**
5 **one of the four principle policies is maintaining ample**
6 **liquidity, correct?**

7 A Correct.

8 **Q When you say ample liquidity, are you asking**
9 **for your ROE and equity ratio to be set such the**
10 **customers have to pay for every potential unforeseen**
11 **catastrophic event in the future?**

12 A No, not at all. I think if we look back in
13 history, we are saying we need to be prepared for the
14 unexpected. Whether you go back to the Great Recession
15 of 2008-2009, you look at the storms back in 2004-2005,
16 the COVID pandemic. I think more recently, we had a
17 significant run-up in fuel in 2022, a \$2 billion
18 under-recovery. On top of that, we had over \$1 billion
19 in storm restoration costs. We were able to pay all our
20 vendors and spread that recovery over a long period of
21 time for our customers because we had ample liquidity.

22 We didn't just run the business on the razors
23 edge. We had the liquidity to go get money from the
24 banks or from the markets to be able to pay those
25 vendors and keep our business running for our customers.

1 Q And I appreciate that answer, but I -- on line
2 three 13, you also talk about asking for -- let me
3 strike that and restart the question.

4 On line 13, you say you are asking for a
5 competitive ROE for investors consistent with the
6 company's risk profile and market factors, correct?

7 A That is correct.

8 Q And isn't it true that FPL is asking for an
9 ROE that is 140 basis points higher than all other
10 electric utilities in Florida, TECO being the highest at
11 10.5 percent?

12 A Simple math would say yes.

13 Q And isn't it also true, subject to check, that
14 FPL is asking for an ROE that is more than 200 basis
15 points higher than the average awarded ROE for 2024 of
16 9.83 percent, as you can see in Mr. Coyne's Exhibit
17 JMC-6?

18 A Yes, but I think as Mr. Coyne talked about
19 today, it also depends on the company's risk
20 postsecondary file, and Florida has an above average
21 risk profile.

22 Q And then on page 16, lines 15 through 18, you
23 talk about seeking a mechanism for prompt storm cost
24 recovery. FPL has never had a storm cost recovery
25 mechanism outside of settlement before, correct?

1 A Not to my knowledge.

2 Q Okay. And before the SCRM was developed in
3 settlement, FPL had an annual storm accrual, and it used
4 its accrual to pay for storm costs, correct?

5 A I don't know.

6 Q Okay. And if you are aware, prior to the
7 SCRM, was it usual for FPL to provide actuarial studies
8 regarding the storm and the appropriate storm accrual in
9 base rate cases?

10 A I know I have seen those in the past. I don't
11 know how frequently they were required to be filed with
12 the Commission.

13 Q Okay. And when the storm costs are greater
14 than the accrual account, would you agree that FPL can
15 petition the Commission to recover reasonable and
16 prudent storm costs not already covered by earnings
17 within its range?

18 A I don't know with specificity. I would say
19 that seems to make sense, and I think that's kind of how
20 our SCRM works today if we have costs above the storm
21 reserve.

22 Q Okay. On page 18, lines one through nine, you
23 cite the one case in your recent history where the
24 Commission made a decision to disallow 90 percent of
25 your request, which was not a settlement, and that

1 **cautioned you to be downgraded; is that correct?**

2 A Correct.

3 **Q And that was the 2008 rate proceeding**
4 **specifically, docket 0080677-EI, correct?**

5 A Subject to check, yes, I will agree with that
6 docket number.

7 **Q Okay. And I want to clarify, you are not**
8 **suggesting with the reference to the 2008 rate case that**
9 **the Commission has to approve all or a majority of FPL's**
10 **request or there will be a downgrade from the rating**
11 **agencies, correct?**

12 A No. I think ultimately it's a balance. I
13 think when you ask for an amount of money, and
14 ultimately get greater than 90 percent of that
15 disallowed, the agencies start to worry. How are they
16 going to generate, or have sufficient cash in the
17 business to maintain their credit metrics? How are they
18 going to continue to provide safe and reliable service?

19 And so I think that was ultimately the
20 result -- or what led to the downgrade. It was -- I
21 will call it the sudden shock in change of course of
22 action.

23 **Q Okay. And the downgrade we are talking about**
24 **is Moody's rating going from an A2 to an A1, correct?**

25 A Yes, I believe that's correct. It was a one

1 notch downgrade.

2 Q And then S&P rating for FPL went from an A to
3 a A-, correct?

4 A Correct.

5 Q And S&P's rating returned to its previous A
6 rating in December of 2019, correct?

7 A Yes, 10 years later.

8 Q Okay. And I would ask to have a confidential
9 exhibit passed out.

10 And, Mr. Bores, can you pull out the item
11 behind the tab marked OPC 336C? And I don't think the
12 name and the date is confidential, but if you could
13 please take a look at that and let me know if I can
14 articulate that?

15 MS. MONCADA: Commissioner Clark, I would just
16 like to note a timely objection here. I -- and for
17 the record, I am going to allow her to -- I don't
18 have an objection to her continuing to ask the
19 question, but based on some comments from Advisors
20 earlier this week, they wanted us to make timely
21 objections at the time that the documents were
22 presented.

23 My objection on this is that it is an
24 incomplete document. He is being presented with
25 page one of a document that's approximately seven

1 pages. I can count them if you all need them to,
2 but I have a completeness objection on -- with
3 respect to this document.

4 COMMISSIONER CLARK: Objection noted.

5 MS. CHRISTENSEN: And I have absolutely no
6 objection if FPL wants to submit the remainder of
7 the document for completion for this to be
8 completed in the record, I have no objection to
9 that, and if we could do at that at a later point.
10 We were just excerpting the document, but if they
11 feel the remainder of that document needs to be
12 submitted, that's fine with us.

13 COMMISSIONER CLARK: If the witness feels that
14 he can't draw any conclusions on the questions
15 based on the limited amount of information
16 presented, he needs to just say so.

17 MS. CHRISTENSEN: Okay.

18 BY MS. CHRISTENSEN:

19 **Q But I guess back to my pending question, which**
20 **was, Mr. Bores, can you take a look at the date and the**
21 **name of the document, and is that information such that**
22 **I can articulate it?**

23 A I believe at this point in time, we could say
24 the agency and the year.

25 **Q Okay. And would you agree that this is an**

1 excerpt from the Moody's rating agency dated January
2 19th, 2010?

3 A Yes, it is.

4 Q Okay. And you are familiar with Moody's
5 rating agency documentation regarding FPL?

6 A I am.

7 Q Okay. And can you read the last paragraph to
8 yourself? And would you agree that that last paragraph
9 relates to the 2008 rate case you discussed?

10 A It does.

11 Q Okay. And that's all the questions I have on
12 that document.

13 I would take you back to your testimony, page
14 18, lines 19. And you talk about the 2010 settlement
15 which gave temporary assurance to investors that enabled
16 FPL to make the necessary capital investments, correct?

17 A That is correct.

18 Q And under the 2010 settlement, FPL received
19 less than the billion dollars it was asking that year,
20 correct?

21 A That is my understanding.

22 Q Okay. And on page 21 of your testimony, you
23 talk about some of the historical challenges that FPL
24 has had during its recent history, would that be
25 correct?

1 A Yes.

2 Q Okay. And one of those is the back-to-back
3 2005 2000 -- I am sorry, 2004-2005 hurricane season
4 where FPL's territory was impacted by multiple
5 hurricanes?

6 A Correct.

7 Q And to the best of your knowledge, did FPL
8 receive a credit downgrade during that period?

9 A I don't know.

10 Q Okay. Would you agree that FPL did not have a
11 noncash mechanism like the RSAM during the 2004-2005
12 time period?

13 A I do not believe we did.

14 Q Okay. And then you also talk about, I
15 believe, the 2016 to 2020 hurricanes?

16 A Yes.

17 Q Okay. And FPL also did not have a credit
18 downgrade during that period, did they?

19 A No, we did not.

20 Q Okay. And you talk about the COVID 19
21 pandemic, and all of the ensuing credit and capital
22 market volatility that ensued, correct?

23 A Correct.

24 Q FPL did not receive a credit down -- credit
25 downgrade during the COVID 19 pandemic, did you?

1 A No, but as I was talking about earlier,
2 Commissioners, I think that's because we had the strong
3 financial position to weather the storm.

4 This was an event outside of our control that
5 I think none of us saw forthcoming, and during that time
6 period, the credit market tightened, the banking market
7 tightened. Accessing commercial paper to run the
8 business became very difficult. So being a top tier
9 issuer, and having a strong financial position, allowed
10 us to keep running the business and provide safe and
11 reliable service to our customers.

12 **Q Okay. And looking at page 24 of your**
13 **testimony, you testified that from 2020 through 2023,**
14 **the credit downgrades for regulated electric sectors**
15 **have outpaced upgrades by a ratio of more than three to**
16 **one, correct?**

17 A Correct.

18 **Q And then on page 25, starting at line 22 and**
19 **going through the top of page 26, line two, you say that**
20 **in February 2024, S&P revised its industry outlook to**
21 **negative, reflecting the industry's high percentage of**
22 **companies with negative outlooks and that operate with**
23 **only minimal financial cushion from a downgrade -- from**
24 **their downgrade threshold, correct?**

25 A That is correct.

1 **Q And FPL's 2024 credit rating -- FPL's 2024**
2 **credit rating agencies outlook is stable, correct?**

3 **A Again, correct. And I attribute a lot of that**
4 **to the financial position that we are in today.**

5 **Q Okay. And isn't it true that FPL's strong**
6 **credit rating -- credit ratings give it a significant**
7 **advantage in the market, right?**

8 **A As it comes to issuing debt, yes. It's like a**
9 **homeowner with a high credit rating, you get a more**
10 **favorable borrowing terms and better access to capital**
11 **than those with a lower credit rating.**

12 **Q Okay. And then on page 28, lines nine through**
13 **10, you say that FPL's strong credit ratings allow it to**
14 **maintain a favorable credit spread over borrowers with**
15 **weaker quality, correct?**

16 **A Correct.**

17 **Q And then on line 12 of page 29, you say that**
18 **no single component of '21 settlement is sufficient on**
19 **its own to maintain's FPL's credit positions, you would**
20 **agree that all the components of the '21 settlement were**
21 **the product of give and take between the parties to that**
22 **agreement, correct?**

23 **A Yes. That is how the settlement agreement**
24 **came together.**

25 **Q Okay. And you would agree that regulatory lag**

1 can have negative impact on a regulated electric IOU's
2 financial position, correct?

3 A Yes. Regulatory lag impacts the amount of
4 cash flow you have coming into the business and
5 ultimately could impact your financial position.

6 Q Isn't it true that under Florida's regulatory
7 framework, an electric IOU can seek recovery of non-base
8 rate investments and/or expenses through the fuel
9 clause, the capacity clause, environmental conservation
10 and storm protection recovery clauses?

11 A Yes, that is true.

12 Q Okay. And do these clauses allow for factors
13 for projected test year investments and expenses, as
14 well as annual true-up of actual under- and
15 over-recoveries?

16 A Yes, but I think as we saw in 2022, there are
17 times where you need to spread that cost out to ensure
18 your bills remains affordable for customers given what
19 may be happening in the economy.

20 Q Okay. And isn't it true that over the years,
21 the Commission has approved numerous midcourse
22 corrections through the fuel clause?

23 A They have.

24 Q Okay. And you would agree that the company's
25 financial position -- financial position maintained --

1 let me start that again.

2 You would agree that the company's financial
3 position is maintained and kept strong in part due to
4 these numerous annual cost recovery clauses in Florida?

5 A I think that's one piece. If you step back
6 and carve fuel out as a pass-through in cost recovery,
7 roughly 85 percent of our remaining revenues are
8 recovered through base rates. And so, to me, yes,
9 clauses is a factor. Every utility has clauses or
10 riders, so it -- yes, it helps.

11 Q Were you here when Mr. Wright took Mr. Coyne
12 through the calculation showing that 40 percent of the
13 revenue was collected through the fuel clauses?

14 A Through the fuel clauses?

15 Q Or through clause recovery.

16 A Yes. And I said if you exclude fuel --

17 Q Okay.

18 A -- 85 percent is roughly base rates.

19 Q All right. Looking at page 32, you say that
20 even companies with moderately strong credit rating risk
21 a downgrade if it were to put pressure on its balance
22 sheets by stacking financial obligations such as
23 incremental debt for everyday operations; do you see
24 that?

25 A Yes, but I think the sentence goes on, so we

1 will see where the question goes if we need to bring all
2 of that in.

3 **Q Do you believe that FPL is a moderately strong**
4 **credit rating -- moderately strong credit rating**
5 **company?**

6 A As compared to what?

7 **Q Well, as you -- as compared to other**
8 **utilities.**

9 A Yes. As I said a few times, I think given the
10 financial position this commission has enabled, yes, FPL
11 has a stronger credit quality than some of the other
12 utilities in the industry.

13 **Q Okay. And considering you think that FPL is a**
14 **moderately strong credit rating company, can you**
15 **identify a fully strong credit rating company?**

16 A I think Berkshire Hathaway is probably the
17 best example I can come up. They are Apple. I mean,
18 they are sitting on hundreds of billions of dollars of
19 cash that they don't know what to do with, and have
20 minimal debt. So I would view that as a very, very
21 strong credit rating.

22 **Q Okay. Other than those two, that's the kind**
23 **of company you are talking about?**

24 A Yeah. I think a lot of these tech companies
25 have significant amounts of cash. They are making

1 significant investments these days into AI, like, they
2 are viewed as very, very strong credit quality with
3 minimal debt.

4 **Q Okay. Do you know if any of the companies in**
5 **Mr. Coyne's proxy group have a moderately strong credit**
6 **rating?**

7 **A** I don't know. That's a better question for
8 Mr. Coyne.

9 **Q Okay. Did you use Mr. Coyne's proxy group to**
10 **determine FPL's appropriate equity ratio?**

11 **A** No, we did not.

12 **Q Okay. On page 33 of your direct testimony,**
13 **you start your discussion in earnest about the RSAM,**
14 **correct?**

15 **A** Correct.

16 **Q And on page 35, you say: From 2022 to 2024 of**
17 **the current settlement period, the company used the RSAM**
18 **to keep its book earnings from 2022 through the first**
19 **half of 2024 at a level to continue to attract investors**
20 **for capital supply purposes, correct?**

21 **A** Yes. I think, as you saw, what's happened in
22 the market since early '22, as interest rates began to
23 rise, and the ten-year treasury moved from, I am going
24 to call it roughly 1.7 percent to over five percent,
25 investors wanted a higher return. They could take their

1 money that was earning a risk-free rate of just under
2 two percent and suddenly get a five-percent return risk
3 free.

4 So it as a risky utility that has rising
5 interest rates, rising inflation and a capital intensive
6 investment program, yes, they demanded a higher return.

7 **Q Well, let me ask you this: Would you agree**
8 **with this, that investors do not view noncash earnings**
9 **like the use of the RSAM as sustainable?**

10 A I do agree with that, and I think that's why
11 we have these four-year plans, and they work very well.
12 It's a balance. We get some cash and we get some
13 noncash. And ultimately, once that noncash expires at
14 the end of the term, we come in for a new rate plan,
15 like we are here today, to get some cash. And it's that
16 constant balance and that predictability that ultimately
17 gets investors comfortable.

18 **Q Okay. And so you are looking at this mainly**
19 **from an investor standpoint?**

20 A I thought that was the nature of the question.

21 **Q Okay. On page 35, you say, lines five through**
22 **six, you say: Ultimately, however, investors do not**
23 **view these noncash earnings as sustainable. They will**
24 **expect the book returns to be replaced with cash returns**
25 **to provide an appropriate return on investment, correct?**

1 A That is what we just talked through, yes.

2 **Q Okay. You would agree that the RSAM uses**
3 **dollars FPL theoretically over-collected from customers**
4 **as FPL changed the asset lives and extended the asset**
5 **lives, correct?**

6 A I struggle with the word over-collected. It
7 is dollars that we collected based on the depreciation
8 parameters that were in effect or approved at that point
9 in time, and ultimately as a result of a change in
10 assumptions, in the last case, the change of the life in
11 our nuclear units, we readjusted those parameters and it
12 flowed those dollars back.

13 **Q Right. And then it becomes -- and that you**
14 **have collected too much money because you changed the**
15 **parameters of the lives, correct?**

16 A Theoretically, yes, we collected more
17 depreciation expense than was needed had you bought
18 those parameters back to the beginning of time.

19 **Q Okay. And you would also agree that FPL uses**
20 **the RSAM in the short-term rather than increase base**
21 **rates, FPL gives customers a credit and then FPL needs**
22 **to turn around as FPL reduces its depreciation expense**
23 **and its accumulated reserve and recollect those dollars**
24 **over an extended period of time from customers, correct?**

25 A Can we rephrase that and maybe break that down

1 slow?

2 Q Sure, we can break that down.

3 You would agree that when you use the RSAM in
4 the short-term rather than increase base rates -- I
5 think is it was your explanation of how the RSAM worked,
6 which is you are using this RSAM in the short-term, and
7 rather than increase base rates, your claim that FPL
8 gives customers a credit, and then FPL will need to turn
9 around and reduce its depreciation expense and
10 accumulated reserves and recollect those dollars over
11 time from customers, correct, that's how it works?

12 A So part of that was correct, and let me try
13 and clarify to make sure it's clear.

14 So, yes, we continue to invest in the last
15 rate period, the one we are still in, in '24 and 2025
16 with no general base rate increases. We used that RSAM
17 to offset the revenue requirements of those investments.
18 Absent that, we would have been back in here in 2023 for
19 new rates in 2024, which probably would have raised
20 bills by the end of '25 by \$10.

21 As a result of crediting back those
22 depreciation dollars to customers, yes, they are back at
23 zero. We are going to need to collect that dollar in
24 the future as those assets with now longer lives
25 continue to depreciate.

1 **Q** Okay. So the credit you are talking about is
2 a base -- a theoretical base rate increase that would
3 have happened if you had not done an RSAM, that's what
4 we are talking about, the credit is equivalent to a
5 future potential base rate increase?

6 **A** The credit is to revenue requirements that are
7 incurring.

8 **Q** Okay.

9 **A** There is two options, as you continue to make
10 investments and have increasing revenue requirements
11 that would put you outside of your range. We either
12 come in and seek a general base rate increase to raise
13 rates for customers, or we use a noncash mechanism like
14 the RSAM to offset that revenue requirement and keep
15 rates, base rates, stable for an extra two years.

16 **Q** Okay. So it is -- you are talking about
17 the -- well, let me go on to the next question.

18 **Isn't it true that the depletion of the RSAM**
19 **in the 2025 translates into higher rate base that's**
20 **going to be charged to future customers?**

21 **A** Yes. As you are changing your depreciation
22 expense and parameters, and using that, yes, it will be
23 dollars that you need to collect in the future. You are
24 writing those assets, the book value of those assets
25 back up, to give customers the credit here in the

1 near-term.

2 So, yes, it is a pay me now or a pay me later
3 type of proposition. And essentially, we are asking
4 customers to pay it later over the life of those assets
5 and those new investments that they are going to get the
6 benefit of.

7 **Q Okay. And when you are talking about getting**
8 **a credit for offsetting a potential future base rate**
9 **increase because you potentially could be earning**
10 **outside your range, that is the money that you are**
11 **essentially -- the benefit for customers, that's what**
12 **there is -- the benefit FPL is claiming that they get**
13 **from the use of the dollars that otherwise would be**
14 **available for depreciation?**

15 MS. MONCADA: Commissioner Clark, I did not
16 understand that question.

17 COMMISSIONER CLARK: Break that one down for
18 us, please.

19 MS. CHRISTENSEN: Yeah, I will do attempt to
20 do my best to do that.

21 BY MS. CHRISTENSEN:

22 **Q So in other words, I am just trying to make**
23 **sure I understand where the benefit comes in with the**
24 **use of the RSAM, which is without the RSAM, that**
25 **theoretical reserve would be available to reduce**

1 **depreciation rates when depreciation rates are set,**
2 **theoretically that would have been in this case,**
3 **correct?**

4 A That's probably a much better question for Mr.
5 Ferguson. It's outside of my swim lane.

6 Q And I am just trying to understand from your
7 **perspective, that the benefit that FPL is asserting**
8 **customers get is that there is not going be to a future**
9 **base rate increase that customers would otherwise have**
10 **to pay, that's the claimed future benefit, correct?**

11 A I struggle with the word claimed. I think
12 2024 and 2025 are great examples.

13 We had a schedule in the last rate case that
14 showed why we needed \$1.45 billion of RSAM for the
15 investments we were going to make. We have invested
16 more dollars than we planned to over this settlement
17 period as a result of inflation and higher customer
18 growth. All else equal, those are higher revenue
19 requirements than what we planned for.

20 So had we come in for rate case with interest
21 rates and higher inflation 2023 for new rates in 2024,
22 it would have been substantially higher than what we
23 planned on back in 2021. So, yes, customers got the
24 benefit of us absorbing all the interest rates,
25 absorbing the inflation, and making more investments

1 than we planned for that are going to benefit them in
2 the future without changing their base rates in the
3 final two years.

4 **Q Okay. So, yes, it's the potential of this**
5 **future rate case or increase that's the current benefit**
6 **that you are claiming for customers when you are talking**
7 **about the RSAM or the TAM, right?**

8 A I struggle with the word claiming. I think
9 there is a tangible real benefit for customers. I am
10 not claiming anything other than there is math that
11 shows we are making investments, and there is a revenue
12 requirement that we are offsetting.

13 **Q Right. But those right now, as we speak today**
14 **with regard to the TAM, those are projected numbers, so**
15 **that may occur as FPL is projecting, or it may change as**
16 **the future unrolls -- unfolds, I should say, correct?**

17 A I am sorry. I thought we were talking about
18 the RSAM. But TAM is where we are going next, but RSAM,
19 yes, we have offset actual investments in revenue
20 requirements --

21 **Q Okay.**

22 A -- than were higher than we projected.

23 **Q And I think what you are saying here today is**
24 **that FPL's use of the RSAM was vastly different than**
25 **anticipated at the onset of the settlement as it was**

1 **needed, from your testimony today, and I think your**
2 **written testimony, was needed to manage fluctuations in**
3 **the business earlier in the settlement period given the**
4 **impacts of inflation and interest rates, right?**

5 A Correct. I think that is the benefit of RSAM.
6 It helps us manage dynamic fluctuations in the business
7 for market factors and things outside of our control.

8 Q **Okay. And isn't it true that you use the RSAM**
9 **to achieve your target ROE that FPL establishes?**

10 A Yeah. So I want to clarify. At the beginning
11 of every year, our auditor makes us kind of preestablish
12 the ROE that we are going to target for the year so it
13 doesn't look like earnings management from an SEC
14 reporting type standpoint. So we set that ROE when we
15 put our plan together in January, and ultimately, every
16 month, have to use sufficient RSAM to ensure we target
17 or hit that preestablished ROE.

18 Q **Okay. And your target ROE for March 2024 was**
19 **set at 11.8 percent, correct?**

20 A Yes. And then we subsequently filed a notice
21 with the Commission later in the year to reduce that ROE
22 to an 11.4, as we had some concerns would we have
23 sufficient RSAM to be able to continue to have ample
24 book returns in 2025.

25 Essentially, we were ensuring we governed

1 ourselves to stay within the parameters of settlement
2 agreement given the uncertainty we had at the time as we
3 headed into 2025.

4 Q Okay. And your approved midpoint for the
5 March '24 period was 10.8, correct?

6 A That is correct.

7 Q So isn't it true that, ultimately, the target
8 ROE is determined by the President of FPL?

9 A That is correct.

10 Q And the target ROE is the same as the
11 preestablished ROE?

12 A Yes. That is correct.

13 Q So isn't it correct that on a monthly basis,
14 you close your books, determine what you are achieving
15 from an ROE standpoint, and the book -- and book the
16 RSAM to ensure that you meet the preestablished or
17 target ROE?

18 A Yes. I think those were some of the math
19 examples we walked through with Ms. Laney yesterday.

20 Q Okay. Now, let's talk about managing
21 fluctuations a little bit.

22 Does any company in FPL Witness Coyne's proxy
23 group have an approved RSAM-like mechanism to managed
24 their business fluctuations?

25 A I do not know.

1 **Q** Okay. Would you agree that companies in FPL
2 **Witness Coyne's selected proxy group have to management**
3 **their business fluctuations within their respectively**
4 **approved ROE ranges?**

5 A I am sorry, can you repeat that question,
6 please?

7 **Q** Okay. You would agree that the companies and
8 **FPL Witness Coyne's selected proxy group have to manage**
9 **their business fluctuations within their respective**
10 **approved ROE ranges?**

11 A I am not sure every utility in the United
12 States has an approved ROE range. I don't know the
13 answer it that.

14 **Q** Okay. One moment, please.

15 Okay. Isn't it also true that from 2022
16 **through 2024, the RSAM greatly assisted FPL achieving**
17 **book earnings near the top of its authorized ROE range?**

18 A Again, I don't want to say it's attributable
19 to the RSAM. I think we -- over the course of this
20 week, we walked through a few times that the RSAM was
21 sized to get us to the midpoint. There were things we
22 did in the business by creating efficiencies that
23 enabled us to earn above the midpoint. The RSAM is just
24 the mechanism to manage the fluctuations from month to
25 month.

1 More money doesn't just suddenly appear in the
2 RSAM from the 1.45 billion we were awarded in the
3 settlement agreement. We have to create more value in
4 order to be able to earn a higher ROE.

5 **Q Okay. So let me ask this a different way. So**
6 **are you saying that you didn't need the RSAM from 2022**
7 **through 2024 to get to the top or the near top of your**
8 **range?**

9 A I don't view it that way. We absolutely
10 needed the RSAM coming into the settlement agreement,
11 and I think it did great things for customers over the
12 term of the agreement.

13 **Q Okay.**

14 A I think as we have talked about numerous
15 times, having an RSAM and a four-year period serves as a
16 great incentive for us go to find efficiencies that
17 allow us to earn an appropriate return, anywhere within
18 the authorized range, and it is customers who benefit
19 when we come in for the next rate case with all those
20 O&M efficiencies that we generate.

21 **Q So it did greatly assist FPL achieving book**
22 **earnings at or near the top of its authorized range,**
23 **isn't that true?**

24 MS. MONCADA: Commissioner Clark, that's the
25 exact question that he just answered.

1 BY MS. CHRISTENSEN:

2 Q Fine. I will also -- I will move on to the
3 next question.

4 Isn't it also true that the RSAM greatly
5 assisted FPL's parent company in achieving its earnings
6 per share goals and dividend payments to its
7 shareholders?

8 A I don't agree with that.

9 Q Okay. Well, let's take a look at your
10 deposition, page 73, and I believe I asked you at line
11 19: Okay. Let me shift back to the RSAM. Did the RSAM
12 greatly assist FPL's parent company in achieving its
13 earnings per share goals and dividends payments to its
14 shareholder?

15 And your response was: Again, I wouldn't
16 characterize it that way. I think the way that I said
17 it was the RSAM has helped us have stable earnings at
18 FPL that has allowed us to continue to attract capital
19 investors to make necessary investments for the benefit
20 of customers.

21 And then the next question: Were those stable
22 earnings dividended up to NextEra?

23 And I believe a portion of that was -- your
24 response was: I believe a portion of it was. Other
25 pieces of our earnings are reinvested in the business.

1 **Do you recall that's questions and answers?**

2 A Yes. But I think if you read the next
3 question and answer, I can't send RSAM. RSAM is
4 noncash. Investors don't accept dividends in noncash.
5 A dividend is a cash payment. So I think we have got to
6 go through the entire context to really put it into what
7 it means.

8 **Q You would -- I am sorry. You would agree that**
9 **cash fungible right?**

10 A Cash is, yes.

11 **Q A dollar is a dollar?**

12 A Yes. But a noncash mechanism is not a dollar
13 of cash.

14 **Q Okay. It's -- but it on the books, it**
15 **represents a dollar of cash?**

16 A From a retained earnings standpoint, yes. And
17 I can send a dividend up with a portion of that being
18 noncash, but it doesn't help make a cash dividend
19 payment to the shareholder.

20 **Q Okay. Let me ask you this: The TAM is also a**
21 **noncash flexible amortization mechanism like the RSAM,**
22 **correct?**

23 A Yes. That is correct.

24 **Q And you would agree that FPL proposes to use**
25 **the RSAM -- or the TAM like the RSAM?**

1 A That is also correct.

2 Q And the RSAM was cash collected from customers
3 based on the lives of FPL assets and the depreciation --
4 let me strike that, because I think you have already
5 answered how the RSAM was created, but I will ask this
6 next question.

7 Unlike the RSAM, the TAM is cash collected
8 from customers at the statutory tax rate that is not yet
9 due to the IRS because of timing differences?

10 A Yes.

11 Q Okay. And you would agree that use of the TAM
12 is like the RSAM results in an increase in future
13 revenue requirements and, therefore, future rates will
14 be higher otherwise?

15 A Yes. But, again, there is a benefit to
16 customers in 2028 and 2029 from not increasing rates
17 now. We are going to make investments that have a
18 revenue requirement. If we do not have a TAM, there is
19 going to be higher bills because we are going to need
20 higher base rates and cash to offset those revenue
21 requirements.

22 Q And if FPL uses the 1.7 billion of the TAM,
23 FPL plans to reflect those taxes from future customers
24 when they come due, correct?

25 A Yes. I want to be very careful, right,

1 because we spent a lot of time this week talking about
2 double recovery.

3 We have collected a dollar of tax. We are
4 crediting it back to customers in 2028 and 2029 to
5 offset the revenue requirements of those investments.
6 So we are back to zero. Ms. Christensen is correct,
7 that at some point in the future, we are going to owe a
8 dollar to the IRS and are going to need to collect the
9 new dollar, the only dollar, for this tax obligation.

10 **Q Okay. Well, let me put it this way: At some**
11 **point in the past, you have collected one dollar for**
12 **taxes, correct?**

13 A That is correct.

14 **Q And then you have changed what you plan on**
15 **using that one dollar for in between the time you**
16 **collected it and the time you will need to recollect it**
17 **in the future, correct?**

18 A Yes. I am giving it back to you. So we are
19 back at zero.

20 **Q Well, the way I am looking at it, I still have**
21 **two fingers up for the tax monies that you collected --**

22 A Well, you can give me a new dollar, then, in
23 2028 and 2029, and I will give you the old dollar back,
24 but no matter what, at the end of the day, we need to
25 have \$2 in our hand.

1 **Q** Okay. Well, let me ask you this: Would you
2 agree that FPL has a responsibility to NextEra's
3 shareholders to maximize shareholder profits through
4 dividends and return on their capital?

5 **A** We have a fiduciary duty to our shareholders.

6 **Q** Okay. And your shareholders in this case
7 happen to be NextEra Energy?

8 **A** That is correct.

9 **Q** Okay.

10 **A** That's who issues our common stock.

11 **Q** And you would agree that the one way to
12 achieve expected increase levels in earnings per share
13 and dividends that have been relayed to investors is
14 through a significant growth in rate base?

15 **A** Yes. But I think ultimately, to grow rate
16 base, you have to make prudent investments on behalf of
17 customers, and that is where the Commission's oversight
18 comes in, to ensure that the investments we are making
19 for customers are prudent and warranted at the end of
20 the day.

21 **Q** Okay. And the TAM revenue requirement is
22 based on Witness Coyne's recommended 11.9 percent ROE?

23 **A** I think that's a better question for Witness
24 Laney, but I think that is what is depicted on IL-13.

25 **Q** Okay. So if the Commission determines a lower

1 authorized ROE would be proposed, then the TAM amount of
2 1.7 billion would need to be reduced accordingly,
3 assuming it is needed add all, correct?

4 A Yes. I believe that's what Witness Laney said
5 when she was here yesterday --

6 Q Okay.

7 A -- a small adjustment down.

8 Q And on page 57 of your direct testimony, you
9 claim that the TAM will keep you -- you claim that the
10 TAM will allow you to stay out for four years, correct?

11 A Yes. The TAM is the linchpin of our four-year
12 proposal.

13 Q Are you familiar with FPL's reported ROE per
14 surveillance reports from January 2022 through January
15 of '25?

16 A Generally, yes. I don't have them memorized.

17 Q If we could go to F2-529? And this may have
18 already been admitted into the record, but I just want
19 to ask you a few questions regarding it. And we could
20 go to the second page of that exhibit.

21 And I believe this -- the first question to
22 Interrogatory No. 15, this was the RSAM authorization
23 credits and achieved ROEs, and then -- on the earnings
24 surveillance reports, and then before the RSAM was
25 applied, correct? Would you agree with that?

1 A So I am not the expert on this one. Probably
2 Ms. Laney, but, yes, generally I agree.

3 Q Okay. And just for general purposes, you
4 would agree from January '21 through September of '22,
5 FPL's approved ROE range was 9.7 to 11.7 with a midpoint
6 of 10.6, correct?

7 A Subject to check, I believe that's correct.

8 Q Okay. And then starting in September of '22,
9 FPL used the trigger to increase the ROE range from 9.8
10 to 11.8 with a midpoint of 10.8, correct?

11 A That is correct.

12 Q Okay. And FPL's currently authorized ROE --
13 and that is currently FPL's authorized ROE and range as
14 of today, correct?

15 A That is correct.

16 Q And you would agree that in these
17 interrogatories, if you look at 115, and then if you
18 scroll further down to the response to Interrogatory
19 116, the second page, that these show that FPL has used
20 the RSAM to maintain its achieved ROE at or near the top
21 of its authorized range?

22 MS. MONCADA: Mr. Chairman, this was gone
23 through extensively with Ms. Laney yesterday
24 afternoon, and Mr. Bores also stated that Ms. Laney
25 is the expert on these pages of this discovery

1 response, and not him. I would object to continued
2 questioning on these exhibits.

3 MS. CHRISTENSEN: Mr. Bores has extensive
4 testimony in his direct on the TAM and the RSAM.
5 He is a fair witness to ask these questions of, and
6 these questions are well within his purview.

7 CHAIRMAN LA ROSA: Overruled. Continue.

8 BY MS. CHRISTENSEN:

9 Q Let me reask the question.

10 You would agree that these interrogatories
11 show that FPL has used the RSAM to maintain its achieved
12 ROE at or near the top of its authorized range?

13 A I agree, but I think as we talked about
14 earlier, the RSAM was established as a cost-based rate
15 ultimately based on the revenue requirements for 2024
16 and 2025. The only way we are able to get to the top
17 end of the range is from O&M efficiencies or other
18 productivity in the business that benefits customers, or
19 in the form of good luck in the form of favorable
20 weather.

21 Q Okay. So even with that caveat, the exhibit
22 still shows that FPL has used the TAM in conjunction
23 with the other items that you just discussed to maintain
24 its ROE at the top of its range, correct?

25 A The RSAM, I would agree, yes.

1 **Q** Okay. And isn't it true that FPL's plans, or
2 its goal to use the TAM to manage its achieved ROE at or
3 near the top of the range?

4 A Again, I think looking at Exhibit IL-13, the
5 TAM exhibit, shows that it is a cost-based calculation
6 for the need for 1.717 billion. Is FPL going to try and
7 get above the midpoint ROE that is awarded? Absolutely.
8 It serves -- having a range serves as a great incentive
9 for us to focus on the business and try to find
10 efficiencies that ultimately benefit customers in the
11 long run.

12 **Q** Okay. So you would agree absolutely that FPL
13 is going to try to target the top end of its range,
14 whatever that is authorized by the Commission?

15 A We are going to try and do the best we can for
16 our customers. And if ultimately, if we can get above
17 the midpoint ROE by finding efficiencies, that is what
18 we are going to do. And it has worked very well for a
19 long period of time.

20 **Q** Okay. And so you would agree that FPL's
21 intent is to use the TAM just in the same manner that it
22 used the RSAM, correct?

23 A Yes. Yes. We are going to use it flexibly.
24 But again, the TAM is sized to get to the midpoint. The
25 only way we earn higher than the midpoint is by finding

1 efficiencies in the business or having some good luck.
2 There is no guarantee the latter is going to happen.

3 **Q Okay. And without the RSAM, these**
4 **interrogatories show that FPL's achieved ROE is above**
5 **the top of the range multiple times during these years,**
6 **correct?**

7 **A Yes. But I think the way this schedule was**
8 **prepared is a little misleading. I think it's a**
9 **12-month annuli calculation, and so this is just showing**
10 **the RSAM that was booked for that 12th month. All other**
11 **11 months have some RSAM amount already included. So**
12 **you would have to truly pull out the RSAM since the**
13 **beginning of time to understand the real impact on ROE**
14 **absent RSAM.**

15 **Q All right. Interrogatory 116, which I think**
16 **is where we are at now, shows that FPL earned over the**
17 **top of its authorized range in August of '21 and**
18 **September of '21 and -- oh, I am sorry. It shows that**
19 **you earned over the top of the range August '21 through**
20 **October of '21. And then March -- in March '22, July**
21 **'22, August of '22, July '23 through October of '23, and**
22 **May '24 through September of '24 without the use of the**
23 **RSAM, correct?**

24 **A Yes. But again, this is misleading, because**
25 **you still have RSAM included in the prior 11 months. So**

1 if you strip that out, I would argue that we would
2 probably be below in every single month shown on this
3 page.

4 Q And I am sorry, I think I left out, that would
5 also include July of '21, right, as the authorized ROE
6 would have been 10 -- yeah, 10.6, and the top of the
7 range would have been 11.6?

8 A That's what it looks like.

9 Q Okay. Without the RSAM in the settlement, FPL
10 could have been brought in for overearnings, right?

11 A With my prior caveat on the 11 out of 12
12 months based on what this shows, yes.

13 Q Okay. And overearnings could result in a
14 reduction of rates, correct?

15 A Hypothetically.

16 Q Okay. Was FPL earning over the top of its
17 range without the RSAM when it filed this case?

18 A I am sorry, could you say that again, please?

19 Q Do you know, without the use of the RSAM, was
20 FPL earning over the top of the range when it decided to
21 file this rate case, if you know?

22 A Overearning above the top of our range without
23 the RSAM? No.

24 Q Okay. Isn't it true that with a noncash
25 flexible amortization mechanism like the RSAM under the

1 current settlement, FPL has never earned at the midpoint
2 of a Commission approved range during the term of the
3 last settlement?

4 A During the term of the last settlement, that
5 is correct.

6 Q Okay. Let's discuss some of the risk factors
7 you identified on page 37 of your testimony. And
8 starting on line 12 -- or I am sorry, lines three
9 through eight, you list four risk categories,
10 significant capital program, physical infrastructure,
11 including transmission system and generation mix and
12 fuel supply, physical environment, including weather and
13 regulatory and political environment, correct?

14 A Correct.

15 Q And then starting on line 12, you talk about
16 -- you talk about FPL as already being one of the large
17 else utilities with significant customer growth and
18 increased storm hardening activities, so FPL's capital
19 expenditure is significant compared to the proxy group,
20 correct?

21 A Correct.

22 Q Okay. And that was the proxy group used by
23 Mr. Coyne?

24 A That is what it says, yes.

25 Q Okay. So the significance -- or the

1 **significant difference is you expect customer growth of**
2 **335,000 total customer growth from '25 through '29, or**
3 **67,000 per year; would that be correct?**

4 A I am sorry, can you just show me where you are
5 looking?

6 Q I believe this was a discussion we may have
7 had in a deposition.

8 A Do you have the page just so I can refresh
9 myself?

10 Q Certainly. Deposition page 104, lines 22
11 through 25, going over to the top of page 105, one
12 through nine.

13 A I am sorry, 104?

14 Q 104.

15 A That's correct, 335,000 customers.

16 Q Okay. And then that would translate to
17 approximately 67,000 per year over that time period?

18 A Subject to check.

19 Q Okay. And you would expect capital
20 expenditure of roughly 10 million per year over the next
21 four years, correct?

22 A That is correct.

23 Q You would agree that the pacing of the capital
24 expenditures for storm hardening is, in large part,
25 determined by the company in its storm hardening plans,

1 **correct?**

2 A Yes. Generally I agree with that.

3 **Q And is it your testimony the company**
4 **experienced supply complaints, including enriched**
5 **uranium from Russia for the company during the current**
6 **settlement terms?**

7 A Yes, it was a couple of things. I think,
8 number one, you saw the hangover from the COVID pandemic
9 with all the supply chain constraints. On top of that,
10 you had inflation, which increased the cost of a lot of
11 the materials we use on a day-to-day basis significantly
12 higher. And, yes, we had pressure securing nuclear fuel
13 with all the sanctions from Russia that was happening.

14 **Q Okay. And then on page 40, you talk about the**
15 **nuclear fuel supply chain constraints due to the**
16 **sanctions on Russia, which you just talked about,**
17 **correct?**

18 A Yes.

19 **Q Would you agree that FPL has not yet**
20 **experienced any disruptions due to the sanctions placed**
21 **on Russia?**

22 A I don't want to say it that way. We have not
23 experienced any operational issues. But have we
24 experienced disruptions in future fuel supply and
25 purchases? Yes, we are purchasing uranium years in

1 advance. And so we have had to diversify and move our
2 supply chain a little bit to ensure we have adequate and
3 rich materials when we would come up to future refueling
4 outages to be able to continue to operate our nuclear
5 units safely.

6 Q Okay. The next risk you discuss is the
7 weather, specifically hurricanes, starting on page 40,
8 correct?

9 A Correct.

10 Q Earlier in your testimony, you say that the
11 interim storm restoration charges have mitigated the
12 risk of delay recovery during the current settlement
13 term, correct?

14 A Just point me to where you are looking so I
15 make sure I am following.

16 Q Page 30, line one, and it starts, actually, on
17 page 29, line 22, and then I think the discussion flows
18 over to the next page. And you talk about investors
19 also recognize that FPL's storm cost recovery mechanism
20 serves as mitigant against risk of delay of recovery of
21 substantial restoration costs that could over-leverage
22 FPL; do you see that?

23 A I do. Can you repeat the question, please?

24 Q Well, I think we have covered that, but let me
25 take you to page 43 of your testimony, on line 18, where

1 **you say: Restoration efforts must be funded long before**
2 **the cash recovery of the prudently incurred costs can be**
3 **expected, correct?**

4 A That is correct.

5 Q **Using the carryover RSAM, the storm reserve**
6 **amount increased from 150 million to 200 million, or by**
7 **70 million, is that correct?**

8 A Increased from 150 million to 220 million one
9 time until such time as it was depleted. That was
10 quickly depleted after Hurricane Ian, and then only
11 replenished to 150 million.

12 Q **Okay. Is it true that FPL can access its**
13 **funds to the storm accrual to immediately start funding**
14 **storm restoration?**

15 A Yes, assuming we have funds within the storm
16 reserve, that is the goal. We immediately access those
17 funds to start paying restoration efforts until such
18 time as the surcharge kicks in and we ultimately collect
19 the last dollar.

20 Q **And generally speaking, under the storm cost**
21 **recovery mechanism, part of that surcharge is refunding**
22 **the accrual to the previously approved level?**

23 A Yes, but I think we have to put that in
24 context. A bunch of the storms we have experienced have
25 been over \$1 billion. When you have \$150, and then it

1 takes 12 months to fully collect that billion dollars,
2 you are getting your invoices right away. These vendors
3 all need to make payroll and pay their support personnel
4 who went out and served the hurricane, so we are
5 expending a lot more cash flow earlier on than we are
6 collecting. There is a lag.

7 **Q Okay. And I think you said it's what, a**
8 **12-month lag?**

9 A Yes. Right. You are collecting that
10 surcharge usually over a 12-month period, or potentially
11 longer, depending on the facts and circumstances.

12 **Q Okay. And then on page 47, lines 12 through**
13 **14, you testify that an equity ratio of 59.6 is**
14 **appropriate for the company, correct?**

15 A That is correct.

16 **Q And isn't it true that normally a company with**
17 **a high equity ratio is considered to have less financial**
18 **risk than a comparable company with a lower equity**
19 **ratio?**

20 A Again, I think that depends on the facts and
21 circumstances.

22 **Q But generally, you would agree with that**
23 **proposition, correct?**

24 A Generally, yes. The lower fixed debt
25 obligations you have, you are viewed as less -- I will

1 say less risky, per se, as you have less cash flow that
2 you need to put out the door to your banks or your
3 lenders.

4 **Q Okay. And you would agree, the higher the**
5 **equity ratio reduces the company's risk of default on**
6 **its bonds and, thus, reduces its overall financial risk,**
7 **correct?**

8 A From a debt investor perspective, yes, but
9 there are plenty of companies that have been 100 percent
10 equity funded that have filed bankrupt. That's what a
11 lot of your startup companies are.

12 **Q And the company will have invested more than**
13 **36 billion from 2022 through 2025, correct?**

14 A Just point me to where you are looking,
15 please.

16 **Q Page 37, lines 18 through 19.**

17 A Correct.

18 **Q Okay. And you are expecting to invest another**
19 **40 billion over the next four years, is that correct?**

20 A That is correct.

21 **Q And on page 49 of your testimony, lines 10**
22 **through 13, you claim that an 11.9 ROE would fairly**
23 **compensate equity investors for the use of the capital**
24 **from 2026 through 2029, correct?**

25 A Yes.

1 **Q So as a signatory to the 2021 Settlement**
2 **Agreement, FPL agreed to a 10.6 to a 10.8 ROE midpoint**
3 **for that settlement period, and that that was fair, just**
4 **compensation for equity investors for use of their**
5 **capital, correct?**

6 A Yes, but I think times have changed
7 significantly since 2021. As we talked about earlier,
8 the ten-year treasury was roughly 1.6 percent in the
9 2021 timeframe. It got over five percent, and today,
10 resides close to 4.76 percent. Investors expect a
11 higher return than they did four years ago. And I think
12 Mr. Coyne it did a great job earlier today supporting
13 his models, and ultimately what they show is an
14 appropriate and fair return.

15 **Q You would agree that FPL did not have any**
16 **issues raising capital from 2022 through today, correct?**

17 A Generally, yes, I agree we did not have any
18 issues. But I think investors ultimately knew that our
19 rate case would end at the end of 2025 -- or our
20 settlement term, I should say, would end at the end of
21 202025, and we would be back before in commission to
22 show the facts and circumstances of current market, and
23 hopefully be able to achieve a return commensurate with
24 today's market expectations.

25 **Q And you would agree that it company's current**

1 ROE of 10.8 percent fairly compensates, or more than
2 fairly compensates equity investors for the use of their
3 capital in 2025, correct?

4 A Again, I think under the construct we have
5 today, it's working very well for customers and
6 investors, but investors know that the settlement term,
7 as I said, is ending, and ultimately their expectation
8 is that the current market conditions, and ultimately
9 what Mr. Coyne has supported, will be approved by this
10 commission.

11 Q Okay. You are aware that the average
12 authorized electric ROE in the fourth quarter of 2024
13 was 9.88 percent, correct?

14 A Again, I don't view FPL as an average utility.
15 Nothing we do at FPL is average, and so I think
16 benchmarking us against the industry average but
17 ignoring our risk profile violates Hope and Bluefield,
18 and doesn't provide a fair and just return.

19 Q Okay. Well, I think that mischaracterizes
20 what I asked, which is the average authorized electric
21 utility ROE. I didn't say anything about whether those
22 electric utilities were average, and then that was 9.88
23 percent, correct?

24 A I don't know what the average utility awarded
25 was. I don't track that.

1 Q Okay. And were you aware the last time the
2 average awarded electric ROE was above 11 percent was
3 about 20 years ago?

4 A I am not.

5 Q Okay. Looking at page 51 of your direct
6 testimony, line five, is it the company's proposal to
7 continue the storm cost recovery mechanism, as well as
8 to increase the surcharge from \$4 per thousand kilowatt
9 hours to \$5 per thousand kilowatt hours?

10 A Yes.

11 Q Other than your request that the baseline cap
12 should be increased from \$5 per thousand kilowatt hours,
13 you do not have any testimony that addresses why this \$5
14 is the correct amount to collect from customers,
15 correct?

16 A I wouldn't say we don't have any testimony. I
17 think I have testimony. We haven't done a storm study,
18 if that's what you are asking. But ultimately, this \$4
19 has been in place for a very long time, probably the
20 last 15 years. As we've seen --

21 Q Well, what I am saying is, there is nothing in
22 here that explains in your testimony, other than we want
23 to change it from \$4 to \$5 that explains why that \$5 is
24 appropriate, why not 4.50, \$6 or \$7, you don't have any
25 discussion on why \$5 is the appropriate amount, correct?

1 A I do not.

2 Q Okay. On page 51, you also -- on line 17, you
3 also discuss -- you -- I am sorry, you also asked to
4 increase the storm reserve to 300 million from the
5 present level of 220 million, correct?

6 A Correct.

7 Q Okay. And you do not have -- I think you just
8 said it, but I want to confirm it. There haven't been
9 any actual -- actuarial testimony or studies done that
10 were provided in this case that show that that's the
11 appropriate level for the storm reserve with and without
12 a surcharge mechanism?

13 A Correct.

14 Q Okay. Looking at SRB-4, this is the diagram
15 that you provided showing the average number of storms
16 by decade, correct?

17 A Correct.

18 Q This is not an actuarial study to support the
19 probability of FPL being hit by a storm in a particular
20 amount hitting FPL's territory in any given year,
21 correct?

22 A No. This is simply showing the volume of
23 hurricanes increasing over time.

24 Q Okay. And then if you flip to SRB-5, that's
25 the exhibit that shows your request for the storm cost

1 **recovery mechanism, correct?**

2 A Yes. Ultimately, this is kind of the process
3 of how we would envision it working.

4 Q **And this storm cost recovery mechanism is**
5 **essentially the same SCR mechanism that was in the 2021**
6 **Settlement Agreement, except for your changes in the**
7 **surcharge amount, storm reserve level and to close the**
8 **gap in the interim recovery, correct?**

9 A I agree with that.

10 Q **And FPL is asking the Commission to approve**
11 **number five on your exhibit, which says that any storm**
12 **proceeding shall not be a vehicle for a rate case type**
13 **inquiry concerning expense, investment or financial**
14 **results of operations of the company, and shall not**
15 **apply any form of earnings test or measure or consider**
16 **previous or current base rate earnings, correct?**

17 A Yes. We view storm costs as is an incremental
18 cost not contemplated in base rates. I think the
19 Commission has a rule in place since the '04-'05 to
20 ensure costs that are already in base rates are adjusted
21 out through the incremental costs -- I am going to call
22 it the ICCA methodology that all truly only incremental
23 costs are sought for recovery. This is what we are
24 asking, just the incremental cost, and not have it be a
25 base rate test.

1 Q Okay. And would you agree that if the
2 Commission establishes a range with 100 basis points
3 below and above the midpoint ROE, FPL is determined to
4 be earning a fair return, correct?

5 A I agree with that, based on the costs it
6 projects in its MFRs through this proceeding.

7 Q And you would agree, 100 basis points for FPL
8 is approximately 500 million?

9 A I do agree with that in 2026, yes.

10 Q And is it your testimony the company continues
11 to pair the risk of cost disallowances for decisions
12 made realtime regarding storm restoration activities?

13 A Yes, we do.

14 Q Yet you have not provided any empirical
15 evidence of any Florida PSC storm recovery cost
16 disallowances in the past five years, correct?

17 A No, because I think we put very good processes
18 in place since 2004-2005 to ensure we follow the ICCA
19 methodology.

20 Q And for the company's last four storm cost
21 recovery proceedings, there were not any material cost
22 disallowances by this commission, correct?

23 A Not to my knowledge.

24 Q And on page 53 of your direct testimony, you
25 start your discussion of FPL's four-year plan, correct?

1 A Yes.

2 Q And on the line 11, you say that the multiyear
3 rate plans have been the mainstay for FPL for more than
4 15 years, correct?

5 A Correct.

6 Q Those multiyear plans you were talking about
7 here are the result of settlement agreements, correct?

8 A Yes.

9 Q On page 54, line 10, you say: The four-year
10 plan encapsulates FPL's commitment not to request any
11 addition the general base rate increases effective prior
12 to January 1st, 2030, other than requested in this
13 proceeding; correct?

14 A Correct.

15 Q And when you use the term additional general
16 base rate increases here on-line 10 and 11, you mean FPL
17 will not seek a general base rate increase unless FPL
18 falls below the bottom of the range during this period,
19 correct?

20 A That is correct.

21 Q And this language means you are not ruling out
22 seeking cost recovery in a limited proceeding for
23 specific costs that may have been historically and
24 traditionally recovered in base rates, correct?

25 A I am sorry, can you give me a for example?

1 **Q** For example, if there is a transmission line
2 that's being placed into service and historically, that
3 gets placed into base rates, I am assuming the language
4 on-line 10 would not preclude you from seeking a general
5 base rate increase during this four-year commitment?

6 A Commissioners, the way I think about it is FPL
7 is making a unilateral commitment. If our four-year
8 plan and the elements that I have laid out in my
9 testimony are approved, we are not going to seek a
10 general base rate increase for something like a
11 transmission line being placed into service. That is
12 something that ultimately the TAM will be used to offset
13 those revenue requirements. We will have to figure out
14 how we cover those revenue requirements during this
15 four-year period.

16 **Q** Okay. But you can't say conclusively that you
17 would not come in and seek a general base rate increase
18 because it's -- there is not a prohibition, it is
19 merely, at this point, a commitment, correct?

20 A It is a commitment, but I also understand that
21 if the Commission awards us a four-year plan with a TAM,
22 it's incumbent on us to honor that commitment. If we
23 don't honor that commitment and successfully manage
24 through that four-year period and stay within our
25 authorized range, I have a good feeling the Commission

1 is never going to I have good us a TAM or a four-year
2 plan again. So it's I it's incumbent on us to ensure we
3 honor our commitment.

4 Q Well, let me ask you this: Would you agree
5 that the Commission has, in a prior case where another
6 company has proposed a four-year plan and stay-out that
7 was not due to a settlement agreement, that the
8 Commission has found that it does not have the ability
9 to prohibit future proceedings on such matters as over
10 or underearnings during that four-year commitment?

11 A So I don't know. I am not aware. I know that
12 company was not FPL, so I can't speak to that.

13 Q Okay. So are you aware of the order where the
14 Commission has spoken on the viability of a four-year
15 plan outside of a settlement proceeding in FCG?

16 A I am sorry, I am not.

17 Q Okay. As you sit here today, can you confirm
18 that there are no current mergers and acquisition
19 activity planned for '26 through '29 that would impact
20 FPL and its rates?

21 MS. MONCADA: Mr. Chairman, the activities
22 related to mergers and acquisitions is material
23 non-public information when they haven't been
24 disclosed publicly. I don't know if -- I don't
25 know if we can answer this question publicly here.

1 CHAIRMAN LA ROSA: I understand. I will let
2 you respond. I am going to go to my counsel on
3 this.

4 MS. CHRISTENSEN: Yeah, and I do appreciate
5 the sensitive nature of that. However, we are in
6 here, and these -- and FPL is seeking a four-year
7 term and a commitment for a certain level of rates
8 over that four-year term, and if there is any
9 activity that could otherwise lower rates to
10 customers, and we will -- we would be prohibited
11 from bringing them in for a rate case, I think that
12 information is material and should be provided to
13 the Commission. I do appreciate that.

14 MS. MONCADA: May I have 10 seconds to confer
15 with the witness to see if we can answer this on
16 the record?

17 CHAIRMAN LA ROSA: Sure.

18 MS. MONCADA: Thanks.

19 (Discussion off the record.)

20 MS. MONCADA: The witness will be able to
21 answer the question publicly. Thank you for your
22 indulgence and the few seconds to check.

23 CHAIRMAN LA ROSA: Sure.

24 BY MS. CHRISTENSEN:

25 **Q Great. And I do appreciate the sensitive**

1 nature, but I just want to make sure we are not going to
2 get an unforeseen circumstance which would reduce, or
3 have the potential to reduce customers' rates that we
4 would not take advantage of.

5 A So, Commissioners as I sit here today, there
6 is nothing I am aware of other than Vandolah.

7 Q Okay. Let me take you to your Exhibit SRB-7.
8 And this is your proposal for solar and battery base
9 rate adjustment mechanisms, correct?

10 A Yes.

11 Q And this proposal is basically the same as the
12 SoBRA in paragraph 12 of the 2021 Settlement Agreement?

13 A Yes, but there are a few differences as it
14 relates to the treatment of the battery ITC.

15 Q Okay. And would you agree that the SoBRA has
16 never been approved outside of settlement agreement?

17 A I believe that's correct, but I am not
18 positive.

19 Q Okay. If FPL is allowed to come in and file
20 for SoBRAs, FPL will result in base rate adjustments in
21 '28 and '29, correct?

22 A Yes, and that is factored into Witness Cohen's
23 bill projections.

24 Q Isn't it true the base rate adjustments that
25 raise rates are rate increases?

1 A They are.

2 **Q And FPL currently plans on filing for both of**
3 **these SoBRAs, correct, in '28 and '29?**

4 A As we sit here today, yes, that is the goal.
5 Ultimately, though, it will be up to the Commission who
6 will have a few view of these SoBRAs before they are put
7 into effect.

8 **Q So if the Commission approves the rate**
9 **increases for 2026 and '27, and then ultimately a**
10 **proffers the SoBRA increases in '28 and '29, the**
11 **Commission will have approved rate increases for each**
12 **year of this four-year plan?**

13 A Yes. I don't view that any different than
14 what happened over the last four years of the current
15 rate plan that we are under. There was general base
16 rate increases in 2022, 2023, and SoBRAs in 2024 and
17 2025.

18 **Q And FPL's current estimate is the revenue**
19 **retirement for the '28 SoBRA is 293 million, is that**
20 **still correct?**

21 A That's not the number I had in my head, but
22 that's probably a much better question for Witness
23 Laney.

24 **Q Okay. And FPL's current estimate is that the**
25 **revenue requirement for the '29 SoBRA is 266 million?**

1 A That sounds correct to me again, but I will
2 defer that to Ms. Laney.

3 **Q Would you agree that if, for whatever reason,**
4 **FPL no longer qualifies for the production credits for**
5 **these solar facilities, they will become much more**
6 **expensive?**

7 A Yes, I agree with that premise, but that is
8 not something that I worry about sitting here today. It
9 is our full intent and expectation that we will qualify
10 for all production tax credits in 2028 and 2029.

11 **Q And we just want to know -- okay, two things.**
12 **Does that mean that all of the SoBRAs are currently**
13 **under construction such that they would qualify for the**
14 **tax credit?**

15 A Yeah. So let me -- let me break this down and
16 make sure we all understand, because the One Big
17 Beautiful Bill Act is quite complicated.

18 So, so long as you COD a project by the end of
19 2027, you do not need to meet the safe harbor
20 requirements under the One Big Beautiful Bill Act and
21 start construction by the end of December 2025. So all
22 of our '26 and 2027 projects started construction
23 already, so we will have no problems since they COD by
24 the end of '25 qualifying for production tax credits.

25 **Q What about the '28 and --**

1 A I am going there right now.

2 **Q Okay.**

3 A For '28 and '29, we need to start construction
4 by the end of this year. We have already started
5 physical off-site construction in the form of
6 transformers for all of our SoBRA projects for '28 and
7 '29, such that, as I sit here today, we fully expect to
8 qualify for those credits with all of the treasury
9 regulations in place as of today.

10 Safe harbor has been in place for a long time,
11 and there is a reason safe harbor is in place. It's to
12 give companies that are going to make significant
13 capital investments some runway and certainty before
14 they go make those investments to know that by the time
15 those projects go in service, they will still qualify
16 for those credits.

17 So we feel really good with everything that we
18 have done that we have qualified and met the regulations
19 as they exist today to be able to have production tax
20 credit is in 2028 and 2029.

21 **Q All right. Well, let me follow up with that,**
22 **because is it FPL's intention to still build all of the**
23 **solar associated with the SoBRAs with or without the**
24 **production tax credit? So in other words, I know you**
25 **are assuming that you will qualify for them, but is it**

1 **your intent, irrespective of whether you qualify for**
2 **them or whether you don't qualify for them, that you are**
3 **still going to build these SoBRA facilities?**

4 A Well, I think that's something we are going to
5 have to look at. Obviously, the production tax credits
6 are an important piece of the CPVRR economics of those
7 facilities. I think that is the great thing about the
8 SoBRA limited proceeding. Before we ultimately move
9 forward and put them in base rates, we are going to have
10 to show they are needed for a resource reason or
11 cost-effective before this commission. And so long as
12 those tax credits are there, I fully expect them to
13 still be cost-effective, but that is a decision we will
14 ultimately need, and the Commission will ultimately have
15 a chance to approve, as we go through the SoBRA
16 proceeding.

17 Q So let me just follow up with that.

18 So if FPL is starting construction, which I
19 think you testified today that you will be doing that,
20 and for some reason you don't receive the production tax
21 credits because they don't qualify, and you can't
22 demonstrate that they are economically viable in '28 and
23 '29, would FPL still come before the Commission and
24 present its case for cost recovery for those SoBRAs?

25 A If they are not cost-effective, no, we will

1 not move forward if we do not qualify for tax credits,
2 or do not feel with certainty -- or I will say, a good
3 likelihood that we will qualify for tax credits, we will
4 not move forward from a cost-effectiveness perspective.

5 There is still a chance that if we have
6 significant customer growth, or large load growth, we
7 may need to build solar facilities from an energy
8 perspective just to have enough electrons on the grid to
9 be able to serve those customers. In that case, solar
10 may be the only energy option we have in 2028 and 2029.

11 So I do not want to preclude us from
12 potentially having a resource need even though we may
13 not have production taxes credit. But again, as I sit
14 here today, I view that as a very, very minimal risk
15 that we will not qualify for production tax credits. As
16 the rules exist today, we have qualified.

17 **Q Okay. And just a follow-up with that, because**
18 **I think this is ultimately where it would head, is if**
19 **you didn't have a resource need and you didn't qualify**
20 **for the production tax credits, even though maybe, as we**
21 **sit here today, you would have done some construction,**
22 **that would be costs that would not be passed on to the**
23 **general body of ratepayers but would be absorbed by**
24 **potentially shareholders in the future?**

25 **A I don't think I would say it that way, because**

1 I would like to think the actions we have taken thus far
2 are prudent.

3 We started construction under laws and
4 regulations that we thought would allow us to move
5 forward. What I think would happen is we would roll
6 those costs into base rates, not seek recovery because
7 we would be in the four-year plan. We would essentially
8 have to offset that with TAM, but we would not come seek
9 a SoBRA as we would not move forward with building the
10 entire facilities.

11 **Q Okay. Let me ask you this -- and I am just**
12 **going to -- I think that's all the questions I have**
13 **regarding SoBRAs.**

14 **I do have a question regarding the SCRM**
15 **mechanism, and I wanted to confirm that in December of**
16 **2017, you charged all but 200 million of the cost of**
17 **Hurricane Irma, was a \$1.1 billion storm to income and**
18 **offset it by zeroing out the RSAM, correct?**

19 **A** Yes, but 2017 was a set of unique facts and
20 circumstances. That is when President Trump, the first
21 time, passed the Tax Cuts and Jobs Act. I think we went
22 through very, very detailed math to show that that was
23 roughly \$750 million, give or take, benefit owed to
24 customers. Rather than changing base rates, we used
25 that tax change to offset all the costs of Hurricane

1 Irma, and, therefore, not surcharge customers. In
2 addition, we agreed to stay out for an additional year
3 under the then current settlement agreement and used
4 some of those remaining dollars to offset other storms
5 we had during that period of time.

6 So I view that as a very one-off situation
7 presented by the facts and circumstances at that point
8 this time.

9 Q Okay. And you also paid the vendors and
10 overtime employees who performed the \$1.1 billion worth
11 of restoration with cash and not the reserve amount
12 dollars, correct?

13 A I'm sorry, can you say that again?

14 Q Yes.

15 You also paid the vendors and the overtime
16 employees who performed the \$1.1 billion worth of
17 restoration work with cash and not RSAM dollars,
18 correct?

19 A Yes. I have yet to find any vendor who lets
20 me pay them in RSAM.

21 Q Okay. And looking finally at your SRB-8,
22 which is the mechanism to address potential tax law
23 changes. Do you see that?

24 A Yes.

25 Q This proposal is basically the same as

1 **paragraph 11 of the 2021 settlement, is that correct?**

2 A I am going to say, yes, subject to check. I
3 don't know exactly for sure, but I believe that's what
4 it was modeled after.

5 **Q Okay. I think for me that is all the**
6 **questions I have today. Thank you.**

7 A Thank you, Ms. Christensen.

8 CHAIRMAN LA ROSA: Thank you.

9 Before we go to FEL, we are going to take a
10 break. Let's reconvene at 3:05. 10 minutes.

11 Thank you.

12 (Brief recess.)

13 CHAIRMAN LA ROSA: Let's go ahead and grab our
14 seats.

15 We let off, FEL, you are about to start
16 questioning with Mr. Bores, there in the witness
17 box, go ahead and pick up where you are about to
18 start. Okay.

19 MR. LUEBKEMANN: Thank you, Mr. Chairman.

20 CHAIRMAN LA ROSA: So I'm the only one that
21 can speak. They are back there. They are probably
22 aware of it because they turned me on.

23 MR. LUEBKEMANN: There we go.

24 CHAIRMAN LA ROSA: Awesome. Yeah, go ahead.

25 MR. LUEBKEMANN: All right. You can't get rid

1 of us that easy. Thank you, Mr. Chairman.

2 EXAMINATION

3 BY MR. LUEBKEMANN:

4 Q Good afternoon, Mr. Bores.

5 A Mr. Luebkekmann, how are you?

6 Q I am well. I am happy to report that, as per
7 usual, OPC has crossed off very many of my questions for
8 you --

9 A Wonderful.

10 Q -- about all of them.

11 You had some questions with Ms. Christensen
12 about the SoBRAs that FPL is proposing in this case?

13 A I did.

14 Q And about the four years of rate increases
15 that the company has proposed?

16 A Yes.

17 Q I believe we have spoken about this before.
18 To your knowledge, FPL has never been denied recovery of
19 any SoBRA additions?

20 A Not to my knowledge.

21 Q Not even in part?

22 A Again, not to my knowledge.

23 Q Turning to the ITCs in this case, as has been
24 well discussed, the company is proposing to apply those
25 in a one-year flow-through the year that each associated

1 **asset goes into service?**

2 A Yes. That is correct.

3 **Q I believe you coined the term flip-back**
4 **earlier this summer. Do you recall that?**

5 A I do.

6 **Q Since it's your term, could you explain what**
7 **that refers to?**

8 A Yes. What I mean by the term flip-back is
9 that -- and let's just use a simple hypothetical. In
10 the first year, we put \$100 battery into service, we get
11 a 30-percent ITC on that, so \$30. So in the first year,
12 we will reduce that revenue retirement by \$30. When we
13 get to year two, that \$30 deduction is no longer there,
14 so we flip back to what I call a normalized revenue
15 requirement at that point in time absent the ITC.

16 **Q And to be specific, that would be the**
17 **normalized revenue requirement for the depreciation of**
18 **that battery asset as though the tax credit had never**
19 **existed?**

20 A That is correct. We took all of the tax
21 credit in year one, so there is no remaining tax credits
22 to be taken in years two through 20.

23 **Q And by taking all of the tax credit in that**
24 **first year, that tax credit actually exceeds the value**
25 **-- the revenue requirement for that battery in the first**

1 **year, right?**

2 A Correct. It results in a negative revenue
3 requirement. I think if you look in 2026 in this case,
4 our ITC deduction in that year is bringing down the
5 \$1.545 billion we are asking for by over \$500 million.

6 **Q And then in the next year, you get the**
7 **flip-back?**

8 A Correct. All else equal, in 2027, it is
9 \$545 million higher because we took that full amount in
10 year one, and the revenues that you need are not there
11 in year two.

12 **Q And so this sort of cycle really begins this**
13 **year with the 2025 batteries going into service in**
14 **Northwest Florida and applying the ITC this year?**

15 A I wouldn't say it necessarily starts this year
16 given that base rates aren't changing, so there is no
17 impact to the customer in '25. I think the first time
18 you really see it is when rates change here in 2026.

19 **Q I guess that's what I mean. In 2026 customers**
20 **will be paying for the 2025 batteries for the first**
21 **time, right?**

22 A Correct, but will be getting the benefit of
23 those batteries for the next 20 years.

24 **Q Sure. But when they are paying for those**
25 **batteries, they will be doing so as though the ITCs that**

1 **are associated with them had never exited right?**

2 A Correct, because the ITC will have been fully
3 recognized in 2025.

4 Q But in 2026, that impact might seem bunted by
5 **taking all of the ITCs for the batteries in 2026 in that**
6 **year?**

7 A Correct. That is exactly how we thought about
8 it. That is, we continue to have batteries projected in
9 our ten-year site plan every year, and have a battery
10 ITC through at least 2037, maybe 2039. I can't
11 remember. We are going to continually be building
12 batteries such that every customer is going to get the
13 benefit of the ITC on a go-forward basis every year as a
14 result of that.

15 Q But in each subsequent year, once that ITC has
16 **evaporated, it's been taken and it can't be applied any**
17 **more, it is only the addition of new batteries and the**
18 **application of their associated ITCs that masks the**
19 **flip-back from the year prior?**

20 A That is correct.

21 Q Such that if you ever stop building batteries,
22 **or stop getting ITCs for those batteries, there would be**
23 **something of a rate shock?**

24 A I don't know if I would call it a rate shock.
25 There would be an impact in that year where you no

1 longer build batteries because of the flip-back.

2 **Q And FPL is proposing to add these batteries,**
3 **all the batteries that are in this case, and then the**
4 **ten-year site plan, based on a reliability need rather**
5 **than an economic need?**

6 A That's a much better question for Mr. Whitley.

7 **Q You had a discussion with Ms. Christensen**
8 **about downgradings and credit assessments of the**
9 **company?**

10 A You are going to have to get a little more
11 specific. We had a lot of conversations around that.

12 **Q Sure. Fair to say you had several**
13 **conversations on those topics?**

14 A Over the past few months, yes, we have.

15 **Q Okay. And also this afternoon?**

16 A Yes.

17 **Q FPL did receive a credit downrating after the**
18 **2009 rate case?**

19 A That is correct. Our long-term borrowing rate
20 was reduced, as well as our short-term commercial paper
21 rate, borrowing rate, borrowing credit quality.

22 **Q And would you say, recognizing that all of the**
23 **assessors do it frustratingly differently, would you say**
24 **it was about one notch for each of the major credit**
25 **rating services?**

1 A Yes. It was roughly a one notch downgrade,
2 correct.

3 **Q Has the company ever done any analysis of the**
4 **impact that that caused for customers?**

5 A I can't say with certainty. I was not at the
6 company back in 2009. In the time since I have been
7 here, I have not seen any analysis done around that.

8 **Q And maybe that's a better way to ask it. You**
9 **are not aware of any analysis that has sought to**
10 **quantify any affect from that downgrade on customers?**

11 A No. And I don't necessarily think just you
12 can look at a numerical quantification. I think there
13 is also qualitative factors. Were you able to issue
14 debt? Could you access the markets in times of turmoil?

15 Thankfully, from the really 2010 to the 2019
16 time period, we didn't have any real turmoil in the
17 markets. Thankfully, by the time 2019 came, we got our
18 tier one commercial paper issuer rating back just in
19 time for the COVID pandemic. Otherwise, we probably
20 would not have been able to borrow short-term funds
21 during COVID.

22 **Q I appreciate what you are saying on the**
23 **qualitative side. Would it be fair to say that the**
24 **quantitative side of such analysis were to exist might**
25 **capture the increased cost of capital that would be**

1 **reflected in the bills that customers are ultimately**
2 **paying?**

3 A You are asking me to get very deep on a
4 hypothetical that we haven't done, so I think, yes,
5 right. As we talked about earlier, the lower credit
6 quality you have as an individual borrower, you have a
7 lower credit rating, you are going to have a higher
8 borrowing cost, and probably a harder time accessing
9 capital from the banks. You are probably going to have
10 to shop around a lot more than if you have a, I will say
11 above an 800 credit rating.

12 So I agree with the premise, that if you have
13 a lower credit rating, it's probably going to be a more
14 expensive cost to borrow.

15 **Q Weighted average cost of capital, it's made up**
16 **of a couple of inputs, right? Chiefly the cost of the**
17 **equity and the cost of the debt, and the debt obviously**
18 **has subparts, but that's what's going into it?**

19 A That is correct.

20 **Q And if you were to lower the equity cost, I**
21 **think, through a series of intermediaries, you would end**
22 **up raising the debt cost, is that fair to say?**

23 A Yes. All else equal, and in a simple
24 numerical math equation, you are balancing to 100, you
25 lower equity, you need to increase debt to get back to

1 100.

2 Q Could we go to Exhibit DJL-11? This is at
3 C22-3312. And this is an exhibit to Mr. Lawton's
4 testimony. I don't know what we would do without the
5 zoom.

6 If we scroll down to the bottom, and I am
7 looking at B, at column B, has the average authorized
8 electric ROE for the U.S. In 2024, it was 9.69 based on
9 this chart. I know you said you don't track it
10 religiously, but does that seem like the right ballpark
11 to you?

12 A I have never seen this, so I don't know what
13 the source of all this is, so subject to check.

14 Q Okay. And you had a conversation with Ms.
15 Christensen earlier in which she suggested that the
16 current rate is about 9.88, do you recall that?

17 A I do.

18 Q If we scroll up to the top of this chart, it's
19 got, for 2009 -- I'm sorry, I guess it's really more the
20 middle -- the average authorized electric ROE in 2009
21 was 10.52 percent, do you see that?

22 A I do.

23 Q You write about the 2009 rate case and the
24 fallout of it in your testimony, right?

25 A I do.

1 Q Do you recall the equity -- the return on
2 equity that the company was seeking in that proceeding?

3 A I do not.

4 Q Would you take, subject to check, that the
5 company had two witnesses, one of whom recommended a 12
6 to 13 percent range, the other of whom is currently the
7 president and recommended splitting the difference at
8 12.5?

9 A One who is currently the what?

10 Q One of the two witnesses was Mr. Pimentel, who
11 recommended a 12.5 percent ROE, to split the difference
12 between Witness Avera's 12 to 13 percent?

13 A Again, I don't know, but I will take, subject
14 to check, your word for that.

15 Q Okay. It's in the order from that time. I
16 didn't want to drag you through another order, so I
17 moved things along, and will represent that that is what
18 the order says.

19 A Fair enough.

20 Q Are you aware that the Commission ultimately
21 set the ROE at 10.0 percent in that proceeding?

22 A Again, I wasn't at the company, so I have not
23 looked at that or paid much attention, so subject to
24 check.

25 Q And subject to check, 10.0 percent would be

1 **250 basis points below Mr. Pimentel's 12.5, or 300 basis**
2 **points below Mr. Avera's 13 percent recommendation?**

3 MS. MONCADA: Mr. Chairman, I kind of let this
4 go for a little to see if he was going to make
5 ultimately a relevant point, but I am failing to
6 see the relevance of the ROE testimony from many
7 years ago.

8 MR. LUEBKEMANN: I appreciate your indulgence,
9 Ms. Moncada. I -- that is the end of my setup, and
10 I do plan to ask him some relevant questions now,
11 if that's all right.

12 CHAIRMAN LA ROSA: Perfect. Let's move on to
13 the relevance.

14 MR. LUEBKEMANN: Thank you.

15 BY MR. LUEBKEMANN:

16 **Q In this case, a basis point of return on**
17 **equity is about \$5 million, right, in 2026, a little**
18 **over, but we can call it five?**

19 A I agree with that.

20 **Q So 100 points where a full percent would be**
21 **about 500 million?**

22 A Yes. I think Ms. Christensen and I talked
23 about that.

24 **Q And so if the Commission were to give FPL an**
25 **ROE of 9.9 in this case, that would be 200 basis points**

1 off of what it's asking?

2 A Correct.

3 Q Still, subject to check, at or above the
4 current national average?

5 A Yes, but I think as I talked about with Ms.
6 Christensen, nothing about FPL is average, including our
7 business risk profile.

8 Q Sure. I understand that is your testimony.

9 If you will you allow me one more question on
10 2009, it is from his testimony.

11 You note in your testimony that that decision
12 reflected a denial of about 90 percent of the company's
13 ask in that proceeding?

14 A Just ground me. We are going all over, so I
15 want to make sure I am following. Where in my
16 testimony, please?

17 Q Sure. Give me one moment. This will be at
18 page, it starts on page 17 at line 23, and continues on
19 to the top of page 18.

20 A Yes, I follow.

21 Q Okay. And in this case, the company is
22 seeking \$9.8 billion?

23 A A cumulative rate increase over the four-year
24 period?

25 Q Yes.

1 A That's probably a much better question for
2 Witness Laney, but subject to check, I think that's
3 about right.

4 **Q Subject to check, would four years of that \$1**
5 **billion that we identified by the difference between**
6 **11.9 and 9.9 result in \$4 billion cumulatively?**

7 A In a pure numerical sense, yes, but I think we
8 have got to also talk about the qualitative factors that
9 would come associated with an ROE that low, and well
10 below what Witness Coyne recommends in this case.

11 **Q Sure. But I am just asking you, you know,**
12 **simple terms, is that what it would be?**

13 A Simple math, yes.

14 **Q And so if the Commission were to set the ROE**
15 **at 9.9, it would not be a rejection of 90 percent of the**
16 **company's ask in this case?**

17 A No, it would not be 90 percent in simple math,
18 but it would be something probably higher than 40
19 percent, closer to 50 percent, given the flow-through
20 ramifications to '27, as well as the SoBRAs being set as
21 a lower midpoint.

22 **Q In your earlier conversation with Ms.**
23 **Christensen, you talked about holding teams accountable**
24 **for hitting budgets, is that right?**

25 A I think it was holding my team accountable,

1 but yes.

2 **Q And your team's budget, and as other teams do**
3 **at the company -- let me ask it this way: Project**
4 **Velocity, which sets goals for efficiencies creation --**
5 **or for creating efficiencies, those goals get**
6 **incorporated into the budget is that right?**

7 A That's correct. We go through, I will call it
8 a velocity cycle, identify the ideas. A lot of times,
9 there is a cost associated with implementing the idea,
10 so the first thing we have to do is make sure that it is
11 CPVRR beneficial for customers. So once we idea a
12 project that we are going to move forward on, we put the
13 appropriate costs as well as the appropriate savings
14 into the budget.

15 **Q Fair to say that there are savings in the**
16 **budget this year for Velocity ideas?**

17 A Absolutely, as well as Accelerate and Momentum
18 before that.

19 **Q That work has not stopped?**

20 A It does not stop. I think in comments we have
21 made in prior depositions is it is hard to go through
22 that cycle when you have 400 people in your organization
23 focused on a rate case, doing discovery, and
24 depositions, and testimony, and everything that goes in
25 there. So it is not as voluminous as a process as it is

1 when we are allowed to focus on the business and don't
2 have a rate case pending before us, and all the work
3 that goes along with that.

4 **Q I have a quick follow-up here. If we could go**
5 **to SRB-4? And obviously I can see what this chart says.**
6 **I want to make sure I have your testimony right. You**
7 **said that this showed the volume of hurricanes**
8 **increasing over time?**

9 A That's what it looks like since -- let me just
10 take a look here.

11 **Q If I think it's the 19 --**

12 A Since the 1980s, really, it kind of stayed
13 flat in the '90s, and then it's gone up, but there were
14 higher peaks before that.

15 **Q But you would say that the through line over**
16 **the course of the graph is hurricanes increasing over**
17 **time?**

18 A I would agree with that, if we drew a straight
19 line through this, yes.

20 **Q Does the company have any opinion on the cause**
21 **of that?**

22 A Not to my knowledge.

23 **Q In your testimony, you mention FPL's nonfuel**
24 **O&M per megawatt hour of generation cost, right?**

25 A Just direct me, please, so I am following

1 along with where you are.

2 Q Sure. Give me one second. So one place that
3 it's mentioned would be at page seven of your testimony,
4 lines six through seven, talking about FPL's nonfuel O&M
5 per megawatt hour cost.

6 A Yes.

7 Q And you are very proud of these numbers?

8 A As we should be.

9 Q FPL's nonfuel O&M per megawatt cost has
10 decreased over time?

11 A It has.

12 Q And just to confirm, that -- what that is
13 measuring is the all-in costs, setting aside fuel and
14 capital for the generating plants involved, to generate
15 one megawatt hour of electricity for the company?

16 A Correct. That is our operation and
17 maintenance cost per megawatt hour of electricity.

18 Q But FPL does not track capital spending per
19 megawatt hour, right?

20 A I think we do. I would say it this way,
21 capital, itself, in nominal dollars per megawatt hour
22 just doesn't make sense. Capital dollars themselves are
23 translated into a revenue requirement, and revenue
24 requirement per kilowatt hour is ultimately what hits a
25 customer's bill. So at the end of the day, we do track

1 our revenue requirements, our overall revenue
2 requirements per kilowatt hour and the impact it has on
3 customer bills.

4 **Q If we go to Exhibit 876 at F10-21. And could**
5 **you read the -- are you there?**

6 A It's loading.

7 **Q Do you recognize this exhibit?**

8 A It's a discovery response?

9 **Q Yes.**

10 A Yes.

11 **Q One that you sponsored?**

12 A Yes.

13 **Q Could you read the first line of the response?**

14 A FPL does not track the capital expense per
15 megawatt hour cost.

16 **Q Okay. Could we go to the big red binder, and**
17 **this is going go to be Exhibit 1220, or FEL 346C?**

18 A I am sorry, repeat that for me, Jordan,
19 please.

20 **Q Sure thing. It's FEL 346C. It would be**
21 **towards the back. Are you there?**

22 A I am.

23 **Q Okay. Do you recognize what this document is?**

24 A I do.

25 **Q And can you state what this document is? And**

1 let me preface this whole thing. This is a confidential
2 document. It's been designated confidential by the
3 company. I am not asking for you to reveal anything
4 that is confidential about it. As we have seen
5 throughout this case, there is information on documents
6 that have been designated confidential in their entirety
7 that is acceptable to share. I don't know where that
8 line is, so I would ask that you give counsel time just
9 to make sure that we are not verbalizing anything
10 confidential.

11 A I think I could say this is a credit rating
12 agency report from 2025.

13 Q Okay. And are you able to share from which
14 rating agency or not?

15 A I think it's best, since it's a relatively
16 newer report, we do not do that for confidential
17 purposes.

18 Q Fair enough.

19 If we go to page six?

20 MS. MONCADA: Mr. Luebkekmann, page six of his
21 testimony or page six of the book?

22 MR. LUEBKEMANN: I apologize. Page six of
23 this document.

24 MS. MONCADA: Okay.

25 BY MR. LUEBKEMANN:

1 Q It's Bates stamp 58568. And I will make you
2 the offer that we made yesterday, there is a magnifying
3 glass to the right of the computer just in case that's
4 helpful.

5 A Got it. Thank you.

6 Q Okay. Would it be -- well, actually, let me
7 ask you. Could you characterize what this page
8 generally is doing?

9 A I am not sure I completely understand what
10 it's doing.

11 Q Let me ask it this way: The main item on this
12 page would be a chart, do you see that?

13 A Yes.

14 Q And the chart has sections within it?

15 A It does.

16 Q And then there is a line at the top of the
17 chart that has basically headers for each of those
18 columns?

19 A Yes.

20 Q Without verbalizing anything reflected below
21 that, would it be confidential to share any of what the
22 headings of this chart would be?

23 A I think the best way I would answer that
24 question is if you look at my testimony, I think I say
25 there are two things the rating agencies analyze, a

1 company's business risk profile and its financial risk
2 profile. Does that help?

3 Q Sure. Fair to say that these columns
4 generally, in some way, correspond to one or both of
5 those things?

6 A I would agree with that.

7 Q And if we go to the next page, page seven,
8 Bates 58569, really straining the limits of my eyesight.
9 Can you tell, with or without the magnifying glass,
10 whether the tables contained on this page correspond to
11 the headings of the last page?

12 A It appears so.

13 Q And if I were to ask about any of the content
14 of any of the tables on this page, you would probably
15 say you cannot share?

16 MR. BURNETT: Mr. Chairman, I will just say
17 yes. We marked it confidential for a reason. This
18 is highly sensitive third-party information that we
19 cannot disclose.

20 CHAIRMAN LA ROSA: Does that help with the
21 answer?

22 MR. LUEBKEMANN: That does help.

23 BY MR. LUEBKEMANN:

24 Q Thank you very much, I at this that's all for
25 this do you.

1 A Can I put the red binder away?

2 Q You can put the red binder away.

3 MR. LUEBKEMANN: If I could have just one
4 moment?

5 CHAIRMAN LA ROSA: Sure.

6 BY MR. LUEBKEMANN:

7 Q Okay. Thank you.

8 I had a question referred to you by Mr.
9 Pimentel himself. If we could go to -- back to the big
10 red binder. Apologies. Trying to get our mileage out
11 of it. It took us a very long time put these together.
12 And this is Exhibit 255C, FEL 255C.

13 A I am there.

14 Q Okay. Do you recognize what this document
15 contains?

16 A These look like the incentive plan indicators
17 for the various business units within FPL.

18 Q And is this for 2024?

19 A Yes.

20 Q Okay. Could we go to, it's Bates 21045? And
21 you are there?

22 A I am.

23 Q Okay. Do you see under the -- let me ask it
24 this way: Are these the finance goals, goals for the
25 finance department?

1 A In 2024, it appears to look like that. Yes.

2 **Q And are you able to -- can you read what the**
3 **first performance measure is? Yeah, sorry without**
4 **revealing confidential information. I apologize. Is**
5 **the first performance measure there able to be shared,**
6 **is the real question? I should pose that to counsel.**

7 **CHAIRMAN LA ROSA: That's going to counsel.**

8 MS. MONCADA: Which column are you
9 specifically referring, Jordan?

10 MR. LUEBKEMANN: So under the heading
11 performance measures, this would be the cell
12 directly blow that.

13 MS. MONCADA: That cell is okay.

14 MR. LUEBKEMANN: Okay.

15 BY MR. LUEBKEMANN:

16 **Q Could you read that cell, Mr. Bores?**

17 A Pursue improved preparation for the 2025 rate
18 case filing.

19 MR. LUEBKEMANN: And again, counsel, if we
20 look one cell to the right, would Mr. Bores be able
21 to read any information contained in that cell?

22 MS. MONCADA: I don't think so. I don't
23 believe so. I will be more affirmative and say no.

24 MR. LUEBKEMANN: I appreciate you removing the
25 doubt.

1 Would Mr. Bores be able to share anything
2 about why the goals -- why the -- excuse me, why
3 the information contained in that cell is in
4 ratepayer interest?

5 MS. MONCADA: I defer to the witness. It
6 won't be confidential, yes, he can speak to it if
7 he finds nonconfidential words in which to describe
8 it.

9 BY MR. LUEBKEMANN:

10 **Q And I will follow that up by saying I am**
11 **particularly interested in the first piece of**
12 **information there.**

13 A Under the goals? The goals piece, I struggle
14 with trying to explain that one confidentially, just
15 given I am under NDAs for a lot of things.

16 MS. MONCADA: Okay. That's the answer. I
17 mean, if he was able to vocalize anything
18 nonconfidentially, he would have, but he can't, so
19 that's --

20 THE WITNESS: Let me try this way to be try
21 and be somewhat responsive to Mr. Luebkekmann.

22 Settlement agreements have been a thing before
23 this commission and for FPL for many years. We
24 view those as balanced negotiated outcomes for both
25 customers and shareholders, and it's an important

1 part of the regulatory construct here in Florida.
2 We get to come in and tell our story and have the
3 Commission ensure that we are acting in a prudent
4 manner before our customers.

5 My team, I think we have eight or nine of the
6 18 rate case witnesses that are supported by my
7 team, so it is a very important part of our
8 preparations in goals in 2024 in ensuring we
9 prepare a rate case before the Commission.

10 BY MR. LUEBKEMANN:

11 Q Thank you, Mr. Bores.

12 One more for you on this. If you were to go
13 to FEL 267C. Would this be the same document but for
14 2025?

15 A Yes.

16 Q So the 2025 incentives by all the various
17 departments?

18 A Yes.

19 Q You would not be any more able to share
20 information on this one, would you?

21 A No, I would not.

22 Q Great. Thank you. Now you can actually set
23 the big red binder aside.

24 A Thank you.

25 MR. LUEBKEMANN: All righty. Well, the good

1 news is we are potentially at the end of my
2 questions. I have been announcing stipulations at
3 the beginning of my crosses, so I just want to
4 confirm that there would not be any opposition to
5 this set of documents, and if there is not goes,
6 then I won't ask any questions on them.

7 MS. MONCADA: No objection from FPL.

8 MR. LUEBKEMANN: Okay. The exhibits, just to
9 be clear, would be 1117, 1211 through -- 1211
10 through 1215, 1217 and 1226, and is there any
11 objection to those?

12 CHAIRMAN LA ROSA: Objections, is what he is
13 asking?

14 MS. MONCADA: No. No. No. We said no
15 objection.

16 CHAIRMAN LA ROSA: Okay.

17 MR. LUEBKEMANN: Well, then that really is all
18 my questions. Thank you very much, Mr. Bores.

19 THE WITNESS: Thank you, sir.

20 CHAIRMAN LA ROSA: Let's move to FAIR.

21 MR. SCHEF WRIGHT: Thank you, Mr. Chairman.

22 EXAMINATION

23 BY MR. SCHEF WRIGHT:

24 Q Good afternoon, Scott.

25 A Good afternoon, Mr. Wright.

1 **Q How are you doing?**

2 A I'm great today. How are you?

3 **Q I am doing great. Thank you.**

4 MR. SCHEF WRIGHT: One preliminary matter that
5 relates to an exhibit that I moved in earlier. I
6 said that all that I asked about were either FPL
7 ESR's. One of the exhibits was our FAIR 11 that
8 was moved in. It contained data taken directly
9 from the PSC's -- from FPL's ESRs filed with the
10 PSC, but it was an exhibit from Mr. Lawton's
11 testimony DJL-2. I just wanted to clarify that it
12 was -- it had exactly the same information, it was
13 not an ESR. I can't imagine there is any objection
14 to it. It was simply a tabulation of FPL's ROEs
15 over 2022 to the present.

16 CHAIRMAN LA ROSA: I understand, but I will
17 ask. Is there objection to that that was moved in,
18 there wasn't there at the time, but --

19 MS. MONCADA: No objection.

20 MR. SCHEF WRIGHT: Great. Thank you.

21 BY MR. SCHEF WRIGHT:

22 **Q Okay. This a predicate question for Mr. Bores**
23 **that I have asked other witnesses, and I just want you**
24 **to know it's a predicate question just so I want to make**
25 **sure he and I are on the same page in our understanding**

1 of what the midpoint ROE means.

2 When the PSC sets revenue requirements and
3 rates based on a specific midpoint ROE number, do you
4 agree that that ROE value is the fair and reasonable ROE
5 for the utility for the time period covered by the PSC's
6 order?

7 A Yes, inclusive of the range around that ROE.

8 Q But the revenue requirements and the rates are
9 set based on a single ROE number, correct?

10 A Correct. The midpoint, yes.

11 Q Thank you.

12 In asking this next question, I am not asking
13 for a legal opinion. I am asking you as the company's
14 policy witness, or one of its policy witnesses with
15 extensive experience in regulation.

16 Assuming that there are no other legal
17 restrictions, and for these purposes today, we can say
18 that there is no binding settlement prohibition of what
19 I am about to ask you. Assuming there are no legal
20 restrictions, could the PSC reduce a utility's rates if
21 the utility were earning significantly above its last
22 approved midpoint?

23 A Yes, I believe the FPSC, or the PSC has the
24 authority to do that.

25 Q Thank you.

1 Do you recall whether that occurred in 1999
2 and 2002? I know you weren't with the company at the
3 time.

4 A I was still in high school then, Mr. Wright.
5 That was the least of my worries.

6 Q I know you are young, and we will come back to
7 that. Thank you.

8 I think you answered this question with Ms.
9 Christensen, but just to confirm, is it FPL's goal to
10 earn at the top of its range?

11 A I wouldn't say it's a goal. It's an ambition.
12 We strive to be better every day, and a function of
13 doing that, and a great incentive of having a range
14 around the midpoint ROE is to be able to take costs out
15 and allow us to earn a return above the midpoint if we
16 are successful in running the business and finding
17 efficiencies that benefit customers at the end of the
18 day.

19 Q And will you agree that FPL earned, on a
20 12-month basis, at the top of its range for all of 2018,
21 2019, 2020 and 2021?

22 A Subject to check, I don't remember going back
23 that far, but subject to check, yes.

24 Q Okay. And close to the top in 2017?

25 A Sounds right.

1 **Q Also close to the top from January 2022 to**
2 **present day?**

3 A Other than I take exception with 2024, where
4 we earned an 11.4. I don't review view that as close to
5 the top, but subject to check, yes, I agree.

6 **Q Okay. Thank you.**

7 **Mr. -- you and Mr. Luebke**
8 **mann talked a bit**
9 **about risks, and the company's business risk profile**
10 **term you used for a few minutes. You did, at pages 19**
11 **through 22 of your testimony, you talk about external**
12 **event that can affect a utility's ability to serve,**
13 **correct?**

14 A Yes.

15 **Q And the point you are making is that the**
16 **company, any utility, needs a strong financial position**
17 **in order to be able to work through any such external**
18 **events, correct?**

19 A Yes. And here in Florida, having more miles
20 of coastline and being on a peninsula, we have higher
21 risks than a lot of other utilities in the United
22 States.

23 **Q And I think you highlighted geopolitical**
24 **risks, such as -- I don't think you mentioned the**
25 **Ukraine War, but with that include the Ukraine War?**

 A I think ramifications of the Ukraine War and

1 what it's caused, disruptions to the fuel markets. We
2 all saw what happened in 2022 to natural gas prices when
3 Russia invaded Ukraine. They spiked. We talked a
4 little bit about uranium earlier, and how we have had to
5 move and diversify our supply chain because of Russian
6 sanctions. So, yes, indirectly, there has been some
7 impacts.

8 **Q You also mentioned the COVID pandemic,**
9 **correct?**

10 A I did.

11 **Q And would you also -- I don't think you**
12 **mentioned this right here, but would you also include**
13 **risks associated with a substantial capital expansion**
14 **plan for a utility, or for FPL specifically?**

15 A Absolutely, and I do mention that in my
16 testimony.

17 **Q Thanks.**

18 Now, I -- do have I it right, am I remembering
19 correctly that the company plans to spend about \$40
20 billion in new capital over the next four years?

21 A That is correct.

22 **Q Thank you.**

23 You further mentioned record-breaking
24 inflation at page 22. What records did the inflation in
25 2021 and '22 break? You are young, so I think you don't

1 **remember back as far as I do.**

2 A I think it was the highest levels we have seen
3 since the 1980s.

4 Q **Okay. Yeah, I think in the early '80s, I**
5 **think it was between 10 and 13 percent. Does that sound**
6 **familiar to you?**

7 A I was born in the '80s, so again, not
8 something I was paying attention to back then.

9 Q **I said you were young. Thank you.**
10 **Do you know where you got your 9.1 percent CPI**
11 **increase number?**

12 A I do. That was actually pulled from Mr.
13 Coyne's testimony, an exhibit figure 7 he had in his
14 testimony.

15 Q **Okay. Thank you.**

16 A Federal Reserve Board of -- no, I am sorry. I
17 take that back. I don't know. It was in his testimony,
18 figure 7.

19 Q **Yep, that's it. I don't know is a perfectly**
20 **acceptable answer. Thanks.**

21 **Does a utility need to be able to respond to**
22 **events such as we have discussed, storms, COVID,**
23 **whatever, and still earn at the very top of its**
24 **authorized range?**

25 A So I view those as two very different paths.

1 Do we need to be able to respond or have the balance
2 sheet to be able to respond for our customers? Yes.
3 Are we able to earn at the top of our range? We are.
4 But I think, as we talked about a bunch today, the only
5 way we are able to do that is by finding efficiencies
6 and maybe having some good luck, and all of that
7 benefits customers over the long-term.

8 The fact that we are earning at the top of our
9 range does not change customer bills over the settlement
10 period.

11 **Q Well, my question was, do you have to earn at**
12 **the top of your range in order to be able to respond to**
13 **an unanticipated turn of events, and I think that's the**
14 **term you used, a storm, COVID?**

15 A I think we need to have an appropriate return
16 to continue to attract capital from investors.
17 Depending on the market conditions, that may be a return
18 on equity above our midpoint ROE. I think 2022 is a
19 great example. We quickly went to the top of our range
20 because investors expected a higher return as interest
21 rates began to rise. But it was incumbent on FPL to
22 ensure we manage the amount of RSAM over the four-year
23 period to stay within our authorized range.

24 **Q Again, these are predicate questions. Your**
25 **approved midpoint ROE from January '22 until August '22**

1 **was 10.6 percent, correct?**

2 A That is correct. I don't believe the trigger
3 went into effect --

4 Q I think the trigger went into effect either in
5 August or September of 2022, does that sound right?

6 A It does.

7 Q Thank you.

8 My question for you is: Could FPL have
9 provided safe and reliable service from 2022 through
10 today if it had earned exactly its approved negotiated
11 midpoint ROEs of 10.6 and 10.8 percent through the
12 period?

13 A We will always provide safe and reliable
14 service. I think it's can we continue to attract
15 capital to make the necessary discretionary investments
16 in the business that benefit customers, is the question
17 I struggle with over the long-term.

18 Again, I think it's important to note the only
19 way we get above the midpoint is by finding
20 efficiencies. And earning near the top end of the range
21 has had zero impact on customer bills over the
22 settlement term.

23 Q I think you sort of answered these questions
24 but I shall ask them.

25 Were there any necessary investments that FPL

1 **made during the last three-and-a-half years that it**
2 **could not have made with ROEs, achieved ROEs at 10.6 and**
3 **10.8?**

4 A I can't answer that, Commissioners. Honestly,
5 I don't know. I know we continue to have access to
6 capital because of the book return and ROE we were
7 providing to our investors.

8 I think Project Velocity is a great example.
9 We are making a lot of discretionary investments as a
10 result of ideas we come up with in Project Velocity that
11 take O&M costs out of the business. Could we have done
12 that if I didn't have access to capital with a lower
13 ROE? I don't know sitting here today, but I do know
14 because we had an attractive return, given the market
15 conditions, we were able to continue to attract capital.

16 I think I have said a couple of times today
17 that we spent a lot more capital than we projected to
18 spend over this four-year period given we continue to
19 have access to the capital markets and could make those
20 investments that benefit customers.

21 **Q My next question is: What do earnings, ROE,**
22 **have to do with being able to pursue efficiency**
23 **improvements?**

24 A I think, as I said earlier, having an ROE, a
25 higher ROE, or an ROE that continues to attract capital

1 allows you to make discretionary investments. I think
2 it's more the inverse. What do efficiencies have to do
3 with ROE? And efficiencies are the enabler that allow
4 us to earn above the midpoint ROE.

5 **Q Well, I am getting at the question, if your**
6 **rates are set based on an ROE of X, 10.8 percent, that's**
7 **your current approved midpoint ROE, and you are solidly**
8 **and consistently earning at that ROE, why wouldn't you**
9 **make all of the efficiency improvements you could**
10 **otherwise make?**

11 **A** Because I am not sure I could continue to
12 attract all the capital I need to make to make some of
13 these discretionary investments.

14 There are a lot of investments that are not
15 discretionary. I have to continue to support customer
16 growth. If someone comes to our territory and wants a
17 meter and, you know, a conduit, I have got to do that.
18 I have a duty and obligation to serve. I have got to
19 maintain my plants to ensure they continue to put
20 electrons on the grid.

21 So I think having a strong ROE is what allows
22 us to continue to attract capital and make those
23 discretionary investments when they are available and
24 needed.

25 **Q Well, you get your capital from NextEra**

1 **Energy, correct, your equity capital?**

2 A We do.

3 Q And I gather from my conversation with Mr.
4 Pimentel on Monday that you are concerned about the --
5 NextEra Energy's share price, is that fair?

6 A He may be. I am not so worried about that.

7 Q Okay. Will you agree that -- subject to
8 check, will you agree that NextEra Energy's share price
9 has fluctuated generally between somewhere in the low
10 \$60 range to the mid \$80 range for the last
11 three-and-a-half years?

12 A Subject to check, yes, I agree with that. It
13 hasn't moved much over the last three-and-a-half years.

14 Q And will you agree that NextEra Energy has
15 been able to issue -- raise capital to new equity
16 issuances during this timeframe?

17 A Yes, I agree with that. And I attribute that
18 to the financial strength of FPL, in part.

19 Q We will agree on that.

20 If I could -- let me find this. I just need a
21 minute to find a document in here. Thank you.

22 Brian, if you could find master J2739, and
23 then there is a suffix number -- suffix letters AT in
24 lower case. Thank you.

25 This is actually part of the company's MFRs,

1 and I think that it shows -- I believe this shows, in
2 the lower part of the table, that NextEra was able to
3 raise significant equity capital in 2000 -- pretty good
4 amount in 2023 and 2022, not so much in 2021, correct?
5 Am I in the wrong place?

6 A You are talking about the 4.5 billion in '23?

7 Q Yes, sir. Yes, that's the number I was
8 talking about.

9 A Yes, I see that.

10 Q Okay. I want to ask you a few questions about
11 the impact of RSAM on -- as used on current rates.

12 Predicate question, the approved RSAM per the
13 2021 settlement was 1.45 billion, correct?

14 A Yes, sir.

15 Q Without asking -- I understand there is some
16 confidential number about how much is left, but I think
17 a nonconfidential number is that as of the August
18 earnings surveillance report, the company had used a
19 little over \$1.14 billion of the RSAM?

20 A That sounds right.

21 Q Okay. The number I have for the ESR is 305
22 million as of August, does that sound right?

23 A Witness Laney is the numbers lady, so she
24 would know way better than I do.

25 Q Thank you.

1 In a -- I understand there is some
2 confidentiality issue about the exact end-of-the-year
3 number, but would you agree that the anticipated
4 remaining balance of the RSAM at the end of 2025 is in
5 the ballpark of \$200 or \$300 million?

6 MS. MONCADA: Mr. Wright, can I talk to you
7 for just a minute about the confidential nature of
8 the way you phrased the question? Thank you.

9 CHAIRMAN LA ROSA: Let's take a one-minute
10 impromptu break.

11 (Brief recess.)

12 MS. MONCADA: We are ready, Mr. Chairman,
13 whenever you are.

14 CHAIRMAN LA ROSA: Okay. Yeah, let's -- I
15 won't ask what the findings are, but it sounds like
16 you guys have --

17 MR. SCHEF WRIGHT: Yeah. Thanks. It was a
18 very efficient conversation.

19 CHAIRMAN LA ROSA: Okay.

20 MR. SCHEF WRIGHT: We have -- we really have
21 outstanding working relationships, so it's all
22 good.

23 CHAIRMAN LA ROSA: Excellent.

24 BY MR. SCHEF WRIGHT:

25 **Q So I am not going to ask the question that I**

1 was going to ask the way I was going to ask it. I am
2 just going to make -- ask you to make an assumption, and
3 it's very simple.

4 We just agreed that nonconfidential
5 information shows that the company has used about \$1.1
6 billion of RSAM as of the end of August of this year,
7 correct?

8 A Yes, sir.

9 Q Now, for the purpose of my next couple of
10 questions, I just want to ask you to assume that that
11 winds up being the number at the end of December of this
12 year.

13 A That's fair.

14 Q Okay. I haven't -- do I have it correct that
15 that means that the accumulated depreciation reserve for
16 the company would be \$1.1 billion using this assumption
17 greater than it is had the company not used the RSAM?

18 A I think it would be less, but they don't let
19 me do debits and credits anymore.

20 Q Well, the depreciation -- the depreciation
21 reserve would be greater had you not taken the RSAM out,
22 correct?

23 A But doesn't your accumulated depreciation go
24 down such that your net book value goes higher at the
25 end of this?

1 **Q Yes.**

2 **A Then we are talking the same language.**

3 **Q Okay. Lucky us. Two -- are you an**
4 **accountant?**

5 **A They don't let me practice anymore. I still**
6 **have the letters but --**

7 **Q Two non-accountants speaking accountantese.**
8 **So if the depreciation reserve were greater,**
9 **then rate base would be less going into 2026, correct?**

10 **A I agree with that premise.**

11 **Q Thank you.**

12 **As a rule of thumb, do you have an approximate**
13 **understanding of how much either as a percent or in**
14 **dollars is a reasonable estimate of the revenue**
15 **requirements associated with a billion dollars of rate**
16 **base?**

17 **A High level, I think if you apply our pretax**
18 **weighted average cost of capital, let's just say for**
19 **simple math purposes here in front of the Commission,**
20 **that's about 10 percent pretax, that would be roughly**
21 **\$100 million.**

22 **Q Okay. So to the extent rate base is less than**
23 **it would otherwise have been, rates going into 2026**
24 **would be greater than they would otherwise have been,**
25 **correct?**

1 A I don't know if I can agree with that, because
2 I think using the RSAM, as I talked about with Ms.
3 Christensen, enabled us to not increase rates in 2024
4 and 2025, and commit to the four-year plan we are still
5 under.

6 The fact that we used the RSAM kept rates and
7 bills lower in both of those years. So simply coming
8 and saying and ignoring that fact and saying, you used
9 the RSAM and now suddenly rates are higher, well, no, if
10 we didn't use it, we would have had to seek a rate
11 increase and had higher bills much earlier.

12 Q Well, let's look at -- Brian, if you would, go
13 to master C20-3066. I hope that's Exhibit TJD-3. Nope.
14 Sorry. Well, let me ask this question while we are
15 here, because this would have been my -- otherwise, have
16 been my next question.

17 If I looked at this exhibit from Mr. Devlin's
18 testimony, is it -- is this accurate that it reflects
19 that FPL declared dividends on common stock of something
20 like \$10 billion over the last four years?

21 A Yes, but I think at the same time, you need to
22 net that out with the last column of the capital
23 contributions NEE got in from -- or FPL got from NEE to
24 get to a net number that's probably going to be pretty
25 close to zero.

1 Q Okay. Thank you.

2 Give me one -- I want to go to Exhibit TJD-2
3 now, but I have got -- I have got to get back up to
4 where that is in the exhibits. Sorry, I had my numbers
5 wrong. It's TJD-4, which is master C20-3067.

6 Mr. Bores, do you agree that on a cumulative
7 basis --

8 A I am sorry, can you hold on one second until
9 it loads, so I can make sure I am following you, please?

10 Q Absolutely. Certainly.

11 A Okay. I have it now.

12 Q Okay. Thanks, and thanks for interjecting
13 there.

14 Do you agree that approximately FPL's
15 recognized revenue --

16 MS. MONCADA: Schef, I am sorry, I don't have
17 it yet.

18 MR. SCHEF WRIGHT: Oh.

19 MS. MONCADA: I have it now.

20 BY MR. SCHEF WRIGHT:

21 Q Approximately, with the understanding that the
22 2025 number is estimated, FPL's revenue requirements
23 above the midpoint ROEs effective for 2022 through 2025
24 was roughly one-and-a-half billion dollars greater than
25 would have been had FPL earned exactly at the midpoint?

1 A So I have never seen this exhibit, so I can't
2 say with specificity, nor do I know the math behind it.

3 Q Well, then I will just -- I will ask you the
4 question independently.

5 Do you know whether FPL's revenue requirements
6 exceeded the midpoint what revenue requirements would
7 have been at the midpoint ROEs?

8 A Yes, I think we have answered that. Yes.

9 Q Okay. And that's about a
10 billion-and-a-half-dollars?

11 A I am sorry, what's a billion-and-a-half?

12 Q The amount by which total revenue requirements
13 exceeded the midpoint ROE revenue requirements.

14 A I mean, subject to check, and not knowing the
15 underlying math, that's -- this is what the exhibit
16 shows.

17 Q Thanks. And I was trying to ask you the
18 separate question, do you know the -- do you know the
19 answer to that question, is that approximately accurate?

20 A I do not know. I am sorry.

21 Q That's a completely okay answer.

22 I just want to confirm something you stated in
23 response to questioning by Mr. Luebkeermann. Did I -- do
24 I understand correctly that you don't have any analysis
25 or any specific evidence as to the impact, either in

1 dollars or basis points, of the Commission's decision in
2 2010 on FPL's borrowing costs?

3 A I do not.

4 Q And you don't have any, and you are not aware
5 of any, correct?

6 A Correct.

7 Q Thank you.

8 Did the Commission's decision in 2010 have any
9 effect on FPL's capital spending plans from 2010 going
10 forward?

11 A So I am going to preface my answer again with,
12 I did not join the company until 2011, nor join, I will
13 say, the financial planning area until 2015. So I don't
14 know with specificity. I have heard that, yes, it
15 impacted the capital plans coming after the rate case
16 order. Thankfully, we were able to enter into the
17 settlement, which allowed us to kind of move forward
18 with some investments until we got into the 2012 rate
19 case.

20 Q And would you agree that it didn't cause FPL
21 to violate any reliability criteria or safety
22 regulations?

23 A As I said earlier, we will always provide safe
24 and reliable service.

25 Q When I spoke with Mr. Pimentel on Monday, he

1 **said that if the ROE were set too low, it could or might**
2 **cause NextEra -- if FPL's ROE were set to low, it could**
3 **or NextEra Energy's share price to drop. That's a true**
4 **statement as made by Mr. Pimentel, correct?**

5 A I generally agree with that. I think
6 investors value a stable regulatory environment and
7 predictability. So a sudden change in Commission
8 precedent -- or not precedent, but behavior, would spook
9 investors, for lack of a better term, and probably cause
10 our stock to drop. I think we saw that in 2009 after
11 the Commission decision at that point in time.

12 Q **You weren't here, but do you know what**
13 **happened to the stock price the next day after the vote?**

14 A I do not.

15 Q **I do, but we will let it go. It went up, I**
16 **will tell you.**

17 **Do you believe that NextEra Energy's share**
18 **price would drop if the Florida PSC were to set FPL's**
19 **ROE in its decisions in this case at 10.28 percent, that**
20 **is, FPL's current ROE?**

21 A So I don't want to speculate what investors
22 would do, and I think it's going to be the totality of
23 what the Commission does, not just one, I will say,
24 point as it relates to ROE, but the totality of how do
25 they adopt the four-year plan, and did they approve the

1 four-year plan, and what it looks like.

2 As I said earlier, it is all the elements of
3 the '21 Settlement Agreement that has allowed us to be
4 successful over this four-year period, and weather a lot
5 of the headwinds we faced. So I can't say what
6 investors would do without seeing the overall package.

7 Q And would your answer be the same if I were to
8 ask you the same question, except substituting 10.5
9 percent for 10.8 percent, as I previously phrased the
10 question?

11 A Yes, it would.

12 Q I want to be really clear, we -- neither I nor
13 any of my clients that I have ever represented here have
14 every wanted to see FPL's stock down, FPL's credit
15 rating downgraded. I am not going there in any way. My
16 question -- that's a predicate statement to the question
17 I am going to ask you.

18 Do you believe that rating agencies would
19 actually downgrade FPL's credit if the PSC were to
20 approve FPL's reasonable and prudent rate base, O&M,
21 capital equity structure and set its ROE at
22 10-and-a-half percent?

23 A Again, I don't want to speculate what the
24 rating agencies would do. I think it's going to be the
25 totality of the package compared to what FPL asked for

1 and what kind of predictability and stability, and more
2 importantly from a rating agency standpoint, cash flows
3 does that allow for over the next four-year period.

4 **Q Thanks. That's all the questions I have.**
5 **Scott.**

6 A Thank you, Mr. Wright.

7 CHAIRMAN LA ROSA: Thank you.

8 FIPUG?

9 MS. PUTNAL: No questions.

10 CHAIRMAN LA ROSA: Walmart?

11 MS. EATON: No questions.

12 CHAIRMAN LA ROSA: FEIA?

13 MR. MAY: No questions.

14 CHAIRMAN LA ROSA: All right. Staff?

15 MR. SPARKS: A few questions, Mr. Chair.

16 Thank you.

17 CHAIRMAN LA ROSA: Sure.

18 EXAMINATION

19 BY MR. SPARKS:

20 **Q Good afternoon, Mr. Bores.**

21 A Good afternoon, Mr. Sparks.

22 **Q In response to a question from Ms. Christensen**
23 **earlier, you stated the RSAM can only be used to benefit**
24 **customers, is that correct?**

25 A I am going to trust that's what I said. I

1 don't remember those exact words, but ultimately RSAM
2 dollars, yes, they are there for the benefit of
3 customers to recover revenue requirements on either
4 investments or expenses on behalf of customers.

5 **Q Thank you.**

6 **When FPL has earned above the ROE midpoint and**
7 **then uses the RSAM to earn at the top of the ROE range,**
8 **how does that benefit customers?**

9 A I think we talked about that today. The RSAM
10 has really always been sized to allow FPL an opportunity
11 to earn at the midpoint. If we are able to earn above
12 the midpoint, it's O&M efficiencies, it's maybe good
13 luck and some favorable weather. In the short-term
14 period of the settlement, that serves as a great
15 incentive for FPL to go find cost efficiencies.

16 Customers benefit when we come what back in
17 for a rate case like we are today. Our O&M, as we have
18 gone through all the benchmarking, it saves our
19 customers \$24 on a typical bill. That is how our
20 customers benefit from this mechanism in the four-year
21 plan, and that enables us to focus on the business and
22 find those efficiencies.

23 **Q Couldn't all of those benefits have been**
24 **achieved if the RSAM were limited to the midpoint?**

25 A I don't necessarily agree with that. Could we

1 still find efficiencies? Yes. But I think, as I was
2 talking about earlier with Mr. Wright, there are times,
3 depending on market conditions, where it may be
4 important for us to go above the midpoint to continue to
5 attract capital to make those discretionary investments.

6 When your ROE is set at a time when interest
7 rates are one-and-a-half percent, and then suddenly jump
8 above five percent, investors' expectations change, and
9 I think our ability to go above the midpoint if needed
10 to be able to attract capital serves us very well, and
11 has served our customers very well during unforeseen
12 circumstances or volatile times in the market.

13 **Q Over the last four years, if FPL earned at or**
14 **near the top of its ROE range and spent all or most of**
15 **the RSAM, isn't it true the RSAM was necessary to get to**
16 **or near the top of the ROE range?**

17 A Again, I don't agree with that
18 characterization. I think, as we talked about, the RSAM
19 was designed to get us to the midpoint. It is other
20 things that have allowed us to get above the midpoint,
21 with one of those primarily being O&M efficiencies and
22 other efficiencies we found in the business to reduce
23 our operating expenses.

24 **Q And when you talk about the RSAM and TAM being**
25 **targeted to the midpoint, you are referencing FPL's**

1 **budget, correct?**

2 A Yes. I think in this case, IL-13, I am going
3 to go back to the prior rate case, there was probably
4 SRB-12, if I remember correctly, that had kind of a
5 cost-based formula for the amount of RSAM we needed.
6 And that is ultimately how we determined what we need or
7 what is appropriate to get to the midpoint.

8 **Q And FPL's budget is based on or includes**
9 **projections of revenues and expenses, is that correct?**

10 A Yes, it does.

11 **Q And these projections of revenues and expenses**
12 **could be over or underestimated, is that correct?**

13 A I think that's very fair.

14 **Q And, therefore, the actual results could**
15 **deviate from those projections, correct?**

16 A Yes. I think as we talked about, our capital
17 plan, compared to what we laid out over the last four
18 years during the settlement term, was significantly
19 higher, higher customer growth, higher inflation, that
20 all tricululated into a much higher capital spend plan
21 than when we forecasted when we put that exhibit
22 together in the last rate case.

23 **Q And speaking of the last rate case, I believe**
24 **you testified to the Commission that, quote,**
25 **approximately 90 percent of the requested RSAM amount is**

1 **needed to allow FPL to earn the midpoint in 2024 and**
2 **2025; is that correct?**

3 A Yes, I believe if I remember correctly, we
4 had, I will call it a risk adder in there. I want to
5 say that was prior to the settlement agreement, and
6 ultimately lowered revenue requirements that were
7 ultimately agreed upon as part of the settlement
8 agreement.

9 **Q Thank you, Mr. Bores, that's all my questions.**

10 MR. SPARKS: Thank you, Mr. Chair.

11 THE WITNESS: Thank you.

12 CHAIRMAN LA ROSA: Commissioners, questions?
13 Commissioner Passidomo Smith.

14 COMMISSIONER PASSIDOMO SMITH: Thank you,
15 Mr. Chair.

16 Just briefly. I am not trying to belabor
17 this, because I think it's definitely been talked
18 about a lot today. I am just kind going --
19 referring to page 35 of your testimony, you are
20 discussing those productivity improvements that
21 allowed FPL to earn at the top of the range. I
22 have heard O&M efficiencies, possible luck,
23 favorable weather. Is there any more, you know,
24 granularity to that?

25 I did ask this question of Mr. Pimentel, and I

1 knew that I could probably get maybe just a little
2 bit more specificity to that. Is there anything
3 more you can share on that issue?

4 THE WITNESS: Yeah, let me give you two
5 examples that will maybe help kind of put some of
6 this in light.

7 So across our power generation fleet, we
8 operate 26 GE 7FA units, nine Mitsubishi units that
9 are all the same, and nine Siemens units that are
10 all the same.

11 We did a whole project called Reimagine Power
12 Generation, where we went in and looked at the
13 plant operating procedures and dispatch procedures
14 for every one of those plants. And no surprise,
15 pretty much every plant, even though they are
16 running the same technology, was different. So we
17 used AI to help us standardize that for each plant
18 such that all GE operating procedures now across
19 each plant are the same. All Siemens are the same.
20 All Mitsubishi are is same.

21 And now we are able to utilize new technology
22 that didn't exist five years ago as it relates to
23 the internet of things to go put sensors on all the
24 equipment across these plants such that it's more
25 like your car today. Instead of changing your

1 mile -- or your oil every 3,000 miles, you now have
2 a little sensor in your car that says, you have
3 35 percent oil life left, such that we do not have
4 to go do preventative maintenance. We can do
5 predictive maintenance and don't need to have as
6 much maintenance activities going on.

7 At the end of the day, we centralized that
8 into what we call the Fleet Control Center. So we
9 now dispatch all of our power plants out of one
10 room in Juno Beach, Florida, which has saved us
11 fuel, operating expense and operating costs, and
12 allowed us to be a lot more efficient.

13 A second example is looking at our property
14 taxes. In Florida, you have an exemption for
15 intangible property. Intangible property is
16 technology embedded. As we started to look across
17 our grid, we have a lot of technology in all of our
18 smart grid equipment. All of this internet of
19 things we deploy to all of our PGD, there is
20 technology equipment. So we were able to save
21 significant property tax value associated with
22 having intangible property embedded in physical
23 assets that benefits our customers today in a much
24 lower property tax bill.

25 COMMISSIONER PASSIDOMO SMITH: Okay. Thank

1 you. Yeah, I appreciate you going a little bit
2 more specificity.

3 And I am assuming -- I mean, this is
4 speculative, but I guess, you know, looking
5 forward, you know, the TAM is also supposed to be
6 set at -- you know, it's designed -- we have talked
7 about it's designed to be set at the midpoint, but
8 that -- those additional efficiencies that are
9 talking about could put you, you know, above that
10 range. Is there more product activity improvements
11 that can be made in this next four-year rate
12 case -- you know, rate cycle that you anticipate
13 could push you above that midpoint?

14 THE WITNESS: I am going to say I hope so, but
15 as I sit here today, I don't know what they are,
16 right.

17 We have been at this for 12 years now of
18 really going through the business and looking for
19 these, and so I like to think we have picked all
20 the low hanging fruit.

21 I think we are just scratching the surface on
22 AI, and I don't know what the opportunities that
23 is, and so we put forth the best forecast based on
24 what is known and knowable at this point in time.

25 Ultimately, if we have this four-year term, I

1 think it's going to go allow us to try and find
2 further efficiencies with new technologies that
3 probably don't exist as I am sitting here today,
4 that we will be able to implement in the business
5 and hopefully find further efficiencies.

6 But I think as we talked about, we are a much
7 bigger company than we were five, 10 years ago,
8 such as to move to the top end of the range, it's
9 \$500 million of revenue requirements every year.
10 That's going to be very challenging to try and
11 find.

12 COMMISSIONER PASSIDOMO SMITH: Okay. My last
13 question, on page 37, you address estimated
14 investments and infrastructure. Just, again,
15 wanting to get some examples of these
16 investments, and then wondering if any of these
17 investments are recoverable through other avenues,
18 such as the cost recovery clauses?

19 THE WITNESS: So, yes, I think storm
20 protection is a great example. We are going to
21 continue to finish our hardening program, continue
22 to move to our undergrounding program. I think the
23 generation assets, we spent a lot of time talking
24 about the solar and battery generation we are going
25 to do. We are still having significant customer

1 growth. We are still going to have to maintain our
2 reliability as our system continues to grow. We
3 still need to maintain all of our T&D
4 infrastructure, maintain all of our generating
5 assets, maintain our nuclear fleet. Things are
6 just a lot more expensive, and we are a lot bigger
7 company than we were, and so I it's really just a
8 culmination of all of those factors that leads to
9 our capital plan.

10 COMMISSIONER PASSIDOMO SMITH: Okay. Thank
11 you very much.

12 Thanks, Mr. Chair.

13 CHAIRMAN LA ROSA: Great. Thank you.

14 Further questions?

15 Let's send it back to FPL for redirect.

16 MS. MONCADA: Thank you, Mr. Chair. I think
17 in lieu of redirect, I would like to address the --
18 and you weren't here for the preview of this, but
19 there was an exhibit that OPC introduced through
20 Mr. Bores, which I think was unfair to question him
21 on because it was incomplete.

22 CHAIRMAN LA ROSA: Okay.

23 MS. MONCADA: And so I think, in lieu of
24 crossing him -- or, I am sorry, redirecting him on
25 that exhibit, I would like to either exclude the

1 exhibit from the record, or make sure that the full
2 exhibit is entered.

3 And my understanding, my read of the rule,
4 that's Florida Statutes, section 90.108, is that it
5 was OPC's burden, not FPL's, to admit the full
6 exhibit.

7 I have had some discussion with staff about
8 this, but not fully, so I don't know if you need to
9 turn to them on this, but would like to either
10 exclude the exhibit, or have the exhibit entered in
11 full.

12 I happen to have copies here, not 30 copies,
13 but I have a number of copies here, if that would
14 be sufficient. But I want to make clear it is
15 OPC's burden, and I don't want to set the precedent
16 that FPL is here to bail out OPC, or any party for
17 that matter, when they fail to meet their
18 obligations under the rules.

19 MS. CHRISTENSEN: Can I be heard in response
20 to that?

21 CHAIRMAN LA ROSA: Yes. And the exhibit is
22 identified, and both parties are aware of the
23 exhibit?

24 MS. CHRISTENSEN: Yes. I know -- I know the
25 exhibit that she's discussing. And I also am aware

1 of the evidence rule that she's referring to.

2 I did want to make and point out that nowhere
3 in the OEP or the second revised OEP does it say
4 anywhere that the Rules of Evidence are going to be
5 applied to this commission proceeding. The first
6 time that the Rules of Evidence appeared was in the
7 Commission's order on corporate representatives.
8 So that's number one.

9 Number two, even if we are applying the Rules
10 of Evidence, it talks about whether or not, in
11 fairness, the full and complete document should be
12 entered into the record. And given that this was a
13 confidential document, in an effort to streamline
14 the amount of confidential material that would be
15 entered into the record, we created an excerpt.

16 I have no objection to providing the full
17 documentation. That's certainly, according to the
18 Rules of Evidence 90.108, our burden. I am happy
19 to accept Ms. Moncada's offer to provide the full
20 and complete document. It was a document that was
21 provided by FPL in discovery, so, you know,
22 certainly we could have obtained it and provided it
23 before the conclusion of the hearing.

24 I just wanted to make those observations for
25 the record. And if Ms. Moncada can provide us with

1 a copy, we can certainly make the additional copies
2 necessary, or if it would be sufficient just to
3 have a full and complete copy for the court
4 reporter and the Clerk, so that we don't have
5 unnecessary full copies of the document floating
6 around in the hearing room. That may be the most
7 efficient way to put in the complete record. We
8 have, obviously, no objection to that.

9 CHAIRMAN LA ROSA: Just to clarify, do you
10 need a full and complete copy of the exhibit? I
11 assume you do not.

12 MS. CHRISTENSEN: No, we don't have an
13 objection to having the full document of the
14 Moody's report entered into the record and, you
15 know -- but we did want to make the observations
16 that we put into the record. And we are willing to
17 accept Ms. Moncada's offer to provide in
18 documentation.

19 The question is, given where we are in the
20 proceeding, whether -- she said she had something
21 less than the 30 copies that we would normally
22 provide and pass out to all the Commissioners,
23 well, since we are at the point of putting the
24 documentation into the record, I am happy to make
25 30 copies. I just think it would probably be an

1 inefficient use of a confidential document, because
2 I don't know -- unless y'all want to see the full
3 document, we would just enter into the record for
4 the Clerk and for the Clerk's Office.

5 CHAIRMAN LA ROSA: I am going to -- go ahead,
6 Ms. Moncada.

7 MS. MONCADA: I have -- if you -- if Your
8 Honors would like copies, I certainly have copies
9 for you all, but we are fine with having a copy for
10 the court reporter and whoever else -- I am sorry,
11 the Clerk's Office. Thank you. Thank you, Mr.
12 Burnett. Happy to do that.

13 CHAIRMAN LA ROSA: I am clearly going to go to
14 my Advisors on this.

15 MS. HELTON: We don't need to get into a
16 discussion or argument about whether the evidence
17 code applies, Mr. Chairman. I have thoughts on
18 that, but I do think that the better practice, when
19 there is an objection to an excerpt of an exhibit
20 being used, the evidence code does provide for the
21 party who takes issue with the excerpt to have the
22 party who is using the excerpt provide the full and
23 complete copy of that exhibit.

24 So I think we have reached a fair resolution
25 here. I think that the exhibit can be provided to

1 the Clerk and whoever wants to see the full
2 exhibit. But I think most importantly, that the
3 full exhibit should be included as an exhibit in
4 the record.

5 CHAIRMAN LA ROSA: No objections?

6 MS. CHRISTENSEN: No. No. And we would be
7 actually be fine with that. We would just ask that
8 the full document be substituted for -- I think
9 it's Exhibit 821.

10 MS. HELTON: That's correct.

11 MS. CHRISTENSEN: Or do would want to have it
12 renumbered and add it at the end, and move in 821
13 and the full exhibit as a separate exhibit so that
14 the record is clear?

15 MS. MONCADA: I would object to admission of
16 821. Let's just have the full one in.

17 MS. HELTON: Okay. Okay. So no 821, which
18 was the excerpt, and it sounds like that everyone
19 is in agreement that we will have a new numbered
20 exhibit, which is?

21 MR. STILLER: 1530.

22 MS. HELTON: 1530, which will be the complete
23 and full Moody's report for whatever time period
24 that was.

25 CHAIRMAN LA ROSA: And that's ready to be

1 proved into the record now? Okay.

2 MS. CHRISTENSEN: Yes.

3 CHAIRMAN LA ROSA: Without objection.

4 MS. CHRISTENSEN: We would ask that that be
5 the 1530, the full and complete Moody's report be
6 moved into the record. The only other exhibit we
7 referenced was 541, but I believe that may already
8 be in the record. I just want to confirm that.

9 CHAIRMAN LA ROSA: Can we confirm 541?

10 MS. HELTON: CEL 541?

11 MS. CHRISTENSEN: By believe so. It's --

12 MS. HELTON: I'm not showing that as being --

13 MS. CHRISTENSEN: It's the interrogatory
14 response, I believe it's to 115 and 116. I think
15 it was --

16 MS. HELTON: Okay. That's 538, I think,
17 maybe.

18 MS. CHRISTENSEN: Oh, 538, then. Okay.

19 MS. HELTON: And that has been admitted.

20 MS. CHRISTENSEN: Okay. Thank -- then that's
21 all I had. Thank you.

22 CHAIRMAN LA ROSA: All right. So --

23 MS. MONCADA: Mr. Chair, I have not moved any
24 exhibits yet. If it's time -- if now is the right
25 time to do that.

1 CHAIRMAN LA ROSA: Well, let's move 1531 into
2 the record. So moved.

3 MR. STILLER: 1530.

4 CHAIRMAN LA ROSA: 30, sorry. And I even
5 wrote it down, 1530 into the record, so moved.

6 (Whereupon, Exhibit No. 1530 was marked for
7 identification and received into evidence.)

8 CHAIRMAN LA ROSA: FPL, you are recognized.

9 MS. MONCADA: Sure, 125 through 132.

10 CHAIRMAN LA ROSA: 132, seeing no objection,
11 so moved.

12 (Whereupon, Exhibit Nos. 125-132 were received
13 into evidence.)

14 CHAIRMAN LA ROSA: Any other -- anything else
15 that needs to be moved into the record?

16 MR. LUEBKEMANN: Thank you, Mr. Chair. Yes, A
17 few from FEL.

18 We referenced Exhibit 181. We will let OPC
19 move that in with Mr. Lawton, so I am not asking to
20 move that one in now, just to clarify.

21 We would move 876, 1220, 1117, 1211 through
22 1215, 1217 and 1226.

23 CHAIRMAN LA ROSA: Are there objections?

24 MR. LUEBKEMANN: And 1226, yes.

25 CHAIRMAN LA ROSA: Are there objections?

1 Seeing no objections, so moved.

2 (Whereupon, Exhibit Nos. 876, 1117, 1211-1215,
3 1217 1220 & 1226 were received into evidence.)

4 CHAIRMAN LA ROSA: Anything else that needs to
5 be moved into the record?

6 Okay. Seeing none. It's almost five o'clock
7 here on Friday. I just -- I am going to -- I am
8 not sure I need to ask, and I'm not saying that
9 disrespectfully, because I know what my decision
10 are.

11 Are we prepared for Monday? Is there any --

12 MS. MONCADA: We are prepared for now, if that
13 is your pleasure. If you would like to proceed, we
14 are also good with that. So however you decide, we
15 are ready.

16 CHAIRMAN LA ROSA: This is the question I was
17 going to ask. If I can ask the parties, how much
18 time do you need for Witness Cohen?

19 MR. MARSHALL: Just speaking for us, somewhere
20 in the range of one to two hours would be my
21 estimate.

22 CHAIRMAN LA ROSA: OPC?

23 MR. PONCE: I was going to say the same thing.

24 CHAIRMAN LA ROSA: Okay. So if it's okay, we
25 are going to pick up Ms. Cohen on Monday. All the

1 other witnesses that are scheduled, are there any
2 issues? I know that we have a new lineup of
3 witnesses that are prepared for Monday.

4 MR. STILLER: Mr. Chair, based on what we have
5 heard, and what we previously have scheduled, it
6 looks like Monday, and I am saying this and looking
7 at everyone and see if anyone shakes their heads,
8 we will start with Powers and then Herndon, and
9 then Cohen would be the apparent order now. After
10 that, for everyone's information, we would move to
11 OPC witnesses, and then finish the day with the
12 FEIA witnesses.

13 CHAIRMAN LA ROSA: Okay. So any questions on
14 that for Monday start?

15 MR. PONCE: No objection from OPC.

16 MR. LUEBKEMANN: Neither from FEL.

17 MR. STILLER: I am sorry, I was I think was
18 being asked to repeat what I just said.

19 CHAIRMAN LA ROSA: Please do, then.

20 MR. STILLER: First witness will be Powers.
21 Second witness will be Herndon. Third witness will
22 be Cohen. Then we will move to the OPC witnesses,
23 and then to the FEIA witnesses, and somewhere in
24 there, there will be lunch.

25 CHAIRMAN LA ROSA: Somewhere in there.

1 MS. MONCADA: Mr. Chairman, may I have the
2 witness be excused, please?

3 CHAIRMAN LA ROSA: Yeah, I feel bad. Sorry, I
4 held you a little long. You may be excused.

5 THE WITNESS: Thank you.

6 CHAIRMAN LA ROSA: Mr. Bores, thank you for
7 your testimony.

8 (Witness excused.)

9 CHAIRMAN LA ROSA: Okay. So let's go ahead,
10 and obviously we will break for today. It sounds
11 like we are all aware of what the schedule is. No
12 one has asked the question, but we will start at
13 nine o'clock on Monday morning. I know that's
14 important, so 9:00 a.m. Monday morning, and thank
15 you guys for this week. I know it's been long.

16 MR. STILLER: Thank you.

17 (Transcript continues in sequence in Volume
18 12.)

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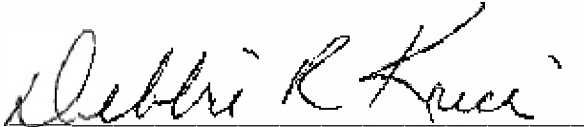
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1 CERTIFICATE OF REPORTER

2 STATE OF FLORIDA)
3 COUNTY OF LEON)
45 I, DEBRA KRICK, Court Reporter, do hereby
6 certify that the foregoing proceeding was heard at the
7 time and place herein stated.8 IT IS FURTHER CERTIFIED that I
9 stenographically reported the said proceedings; that the
10 same has been transcribed under my direct supervision;
11 and that this transcript constitutes a true
12 transcription of my notes of said proceedings.13 I FURTHER CERTIFY that I am not a relative,
14 employee, attorney or counsel of any of the parties, nor
15 am I a relative or employee of any of the parties'
16 attorney or counsel connected with the action, nor am I
17 financially interested in the action.18 DATED this 27th day of October, 2025.
19
2021 
22 DEBRA R. KRICK
23 NOTARY PUBLIC
24 COMMISSION #HH575054
25 EXPIRES AUGUST 13, 2028