

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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

VOLUME 17
PAGES 3697 - 3969

PROCEEDINGS: HEARING

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

DATE: Tuesday, October 14, 2025

TIME: Commenced: 9:00 a.m.
Concluded: 6:00 p.m.

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

REPORTED BY: DEBRA R. KRICK
Court Reporter

PREMIER REPORTING
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16
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19
20
21
22
23
24
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I N D E X

WITNESS:	PAGE
TONY GEORGIS	
Examination by Mr. Brew	3700
Prefiled Direct Testimony inserted	3703
Examination by Mr. Marshall	3767
JONATHAN LY	
Examination by Mr. Moyle	3782
Prefiled Direct Testimony inserted	3787
Examination by Mr. Marshall	3826
KARL RÁBAGO	
Examination by Mr. Marshall	3838
Prefiled Direct Testimony inserted	3840
Examination by Mr. Moyle	3894
MACKENZIE MARCELIN	
Examination by Mr. Marshall	3896
Prefiled Direct Testimony inserted	3898
MICHAEL P. GORMAN	
Examination by Captain Rivera	3916
Phase I Prefiled Direct Testimony inserted	3920
Examination by Mr. Marshall	3942
Further Examination by Captain Rivera	3946
Phase II Prefiled Direct Testimony inserted	3948
Examination by Mr. Watrous	3954
Further Examination by Mr. Marshall	3957

1	EXHIBITS		
2	NUMBER:	ID	ADMITTED
3	247-251	As identified in the CEL	3780
4	244-246	As identified in the CEL	3836
5	984	As identified in the CEL	3836
6	252-256	As identified in the CEL	3895
7	257-261	As identified in the CEL	3914
8			
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16			
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1 P R O C E E D I N G S

2 (Transcript follows in sequence from Volume
3 16.)

4 CHAIRMAN LA ROSA: Excellent. All right.
5 Let's go ahead and grab our seats and we can get
6 started.

7 So we are going to transition here to FRF.
8 You may call your once. I think your witness is
9 already here.

10 MR. BREW: Thank you, Mr. Chairman. I call
11 Tony Georgis to the stand.

12 CHAIRMAN LA ROSA: Mr. Georgis, do you mind
13 standing and raising your right hand?

14 Whereupon,

15 TONY GEORGIS
16 was called as a witness, having been first duly sworn to
17 speak the truth, the whole truth, and nothing but the
18 truth, was examined and testified as follows:

19 THE WITNESS: Yes, I do.

20 CHAIRMAN LA ROSA: Excellent. Great. Thank
21 you.

22 Once you guys are ready, you may continue.

23 MR. BREW: Thank you.

24 EXAMINATION

25 BY MR. BREW:

1 **Q Mr. Georgis, could you please state your full**
2 **name and business address, please?**

3 A It's Tony Georgis. Business address is 225
4 Union Boulevard, Suite 450, Lakewood, Colorado.

5 **Q And on June 9th, did you have cause to be**
6 **filed direct testimony of Tony Georgis on behalf of the**
7 **Florida Retail Federation?**

8 A Yes.

9 **Q And is that testimony 60 pages of questions**
10 **and answers?**

11 A Yes, it is.

12 **Q And do you have any corrections to that**
13 **testimony?**

14 A Yes. I have two specific corrections. The
15 first on page three, line 12, replace the 8,000
16 customers with 1,500. And on page 58, line 12 again,
17 replace \$10.07 per kW are \$9.63 cents per kW.

18 **Q Do you have any other additional corrections**
19 **to that testimony?**

20 A No, I do not.

21 **Q And if I asked you the questions in that**
22 **testimony today, would your answers, as corrected, be**
23 **the same today?**

24 A Yes.

25 MR. BREW: Mr. Chairman, I ask that the

1 prefiled testimony of Tony Georgis be entered into
2 the record as though at the read.

3 CHAIRMAN LA ROSA: So moved.

4 MR. BREW: Thank you.

5 (Whereupon, prefiled direct testimony of Tony
6 Georgis was inserted.)

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1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

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3 **In re: Petition for Rate Increase by)**
4 **Florida Power & Light Company)** **DOCKET No. 20250011-EI**
5 **_____)**

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10 **DIRECT TESTIMONY OF TONY GEORGIS**

11 **ON BEHALF OF THE FLORIDA RETAIL FEDERATION**

12

13 **JUNE 9, 2025**

1

TABLE OF CONTENTS

2	I.	INTRODUCTION AND QUALIFICATIONS	3
3	II.	SUMMARY AND RECOMMENDATIONS.....	5
4	III.	FPL FILING OVERVIEW	9
5	IV.	FPL RESOURCE PLANNING AND CAPITAL SPENDING	15
6	V.	COST OF SERVICE STUDY ERRORS.....	20
7	A.	Cost of Service Study Functionalization Issues.....	21
8	B.	Failure to Reflect Cost Causation Based on Net Peak Demands.....	24
9	C.	Incorrect Classification of Production and Battery Storage Expenses	28
10	D.	O&M Expenses Misclassification.....	28
11	E.	Production Cost Allocation Errors.....	35
12	F.	CILC Rate and CDR Credit Value COSS Misalignment	41
13	G.	Recommendations.....	45
14	VI.	REVENUE ALLOCATION	47
15	VII.	CILC/CDG CREDIT VALUE.....	48
16	VIII.	TAX ADJUSTMENT MECHANISM (TAM)	58

17

18

EXHIBITS

19	TMG-1	Resume and Record of Testimony of Tony Georgis
20	TMG-2	CDR and CILC Embedded Cost Value
21	TMG-3	Compiled Data Request Responses of Florida Power & Light Company
22	TMG-4	Excerpts from Florida Power and Light Company's 2024 and 2025 Ten Year
23		Site Plans
24	TMG-5	Excerpts from National Association of Regulatory Utility Commissioners
25		Electric Utility Cost Allocation Manual

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND CURRENT EMPLOYMENT POSITION.

A. My name is Tony M. Georgis. I am the Managing Director of the Energy Practice of NewGen Strategies and Solutions, LLC (“NewGen”). My business address is 225 Union Blvd, Suite 450, Lakewood, Colorado 80228. NewGen is a consulting firm that specializes in utility rates, engineering economics, financial accounting, asset valuation, appraisals, and business strategy for electric, natural gas, water, and wastewater utilities.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of the Florida Retail Federation. The Florida Retail Federation is an established association of more than ~~8,000~~^{1,500} members in Florida. Many of the FRF's members are retail electric customers of Florida Power & Light Company (“FPL”), including the territories previously served by Gulf Power Company, and these members purchase electricity from pursuant to various FPL rate schedules that are subject to Commission review and approval.

Q. PLEASE OUTLINE YOUR FORMAL EDUCATION.

A. I have a Master of Business Administration degree from Texas A&M University, with a specialization in finance. Also, I earned a Bachelor of Science in Mechanical Engineering from Texas A&M University. In addition to my undergraduate and graduate degrees, I am a registered Professional Engineer in the state of Colorado.

1 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.**

2 A. I am the Managing Director of NewGen’s Energy Practice. I have more than 25 years
3 of experience in engineering and economic analyses for the energy, water, and waste
4 resources industries. My work includes various assignments for private industry, local
5 governments, and utilities, including sustainability strategy, strategic planning,
6 financial and economic analyses, cost of service and rate studies, energy efficiency,
7 and market research. I have been extensively involved in the development of unbundled
8 cost of service (“COS”) and pricing models during my career. A summary of my
9 qualifications is provided within Exhibit TMG-1 to this testimony.

10 **Q. HAVE YOU TESTIFIED BEFORE ANY REGULATORY COMMISSIONS?**

11 A. Yes. I have submitted testimony before the Florida Public Service Commission,
12 (“Commission”) in the prior Florida Power & Light Company (“FPL”) base rate case,
13 Docket No. 20210015-EI, and in Duke Energy Florida, LLC’s most recent base rate
14 case, Docket No. 20240025-EI. I have also submitted testimony to the Public Utility
15 Commission of Texas, California Public Utility Commission, the Indiana Utility
16 Regulatory Commission, as shown in my resume and record of testimony included as
17 Exhibit TMG-1.

18 **Q. WAS YOUR TESTIMONY PREPARED BY YOU OR UNDER YOUR DIRECT**
19 **SUPERVISION?**

20 A. Yes, it was.

1 **II. SUMMARY AND RECOMMENDATIONS**

2 **Q. PLEASE SUMMARIZE YOUR FINDINGS AND RECOMMENDATIONS.**

3 A. My testimony addresses several key aspects of FPL's filing in this docket and makes
4 the following basic findings and recommendations:

5 **1. Resource plan and capital spending.**

- 6 • There are serious deficiencies in FPL's resource plan that underlies its proposed
7 capital investments in the test years. FPL has been over-aggressive in adding
8 solar photovoltaic ("PV") resources to its system in recent years.
- 9 • These solar PV additions are shifting the hour in which system peaks are
10 expected to a time of day where solar is an ineffectual, generally unavailable
11 resource. This has created operational and reliability concerns that are
12 magnified by the material growth FPL expects in new customer accounts, most
13 of which are weather sensitive residential loads that will add to peak demands.
- 14 • Securing reliable, firm, dispatchable capacity resources to serve the growing
15 net peak demand that has become the driver of FPL's resource and operational
16 planning through at least the end of this decade.¹
- 17 • Although FPL now proposes to scale back its previously planned solar
18 investments in the test years, I recommend that FPL further curtail its solar PV
19 investments in the test years and recommend against solar-based SOBRA base
20 rate increases for 2028 and 2029.

¹ See Exh. AWW-1, page 17 of 30 (Florida Power & Light Resource Adequacy Study prepared by Energy + Environmental Economics (E3)).

1 2. **Cost of service study (“COSS”).** Significant revisions are required to the FPL
2 COSS. These fall into the following categories:

- 3 • FPL failed to update the COSS for expected test year peak system conditions.
- 4 • FPL’s COSS contains significant errors in the classification of costs and
5 derivation of cost allocators. These result in more than \$150 million in costs
6 being incorrectly classified as energy-related rather than demand-related. I
7 explain the nature of these errors and the corrections required to the COSS.
- 8 • Based on system conditions, and following basic cost causation principles, FPL
9 should allocate its demand-related production and battery energy storage costs
10 using a four coincident peak (“4CP”) method and should not adopt the twelve
11 coincident peak and 25% average demand (“12CP and 25% AD”) method that
12 FPL has proposed in this case.
- 13 • FPL’s COSS systematically over-allocates utility production and transmission
14 costs to non-firm interruptible service commercial and industrial customers by
15 treating them as firm customers. The Commercial Demand Reduction (“CDR”) and
16 Commercial/Industrial Load Control (“CILC”) credit offset that FPL
17 incorporates in its COSS is not valued correctly and is inconsistent with how
18 the FPL system and its customers have realized the benefits of these programs
19 in the past.

20 3. **Revenue allocation.**

- 21 • The COSS errors distort FPL’s cost of service results, which in turn materially
22 skew the utility’s proposed revenue allocation of increases among customer
23 classes.

- 1 • Because the application of judgements and approximations are part of any cost
2 of service analysis, it is appropriate to place a tolerance band around the system
3 average return so that all customer classes falling within than band receive a
4 system average increase. FPL should, but does not, apply this step in its
5 proposal.
- 6 • The principle of gradualism means placing reasonable limits on base rate
7 increases to avoid rate shock. FPL's application of gradualism uses total
8 revenues, rather than base rate revenues, to measure the impact on customer
9 classes. Total revenues include costs recovered in FPL's various cost recovery
10 mechanisms that are not in issue in this case and should not be considered when
11 assessing the impact of the base rate increases.
- 12 • Overall, I conclude that, due to the material errors in the FPL COSS, its results
13 cannot be relied upon for imposing above system average increases on the
14 general service demand, curtailable, and interruptible service classes. Also, FPL
15 should apply a tolerance band of +/-15% when assigning revenue increases and
16 measure gradualism impacts based on the proposed change in base rate
17 revenues. I recommend that any base rate increases that the Commission
18 approves for FPL be assigned among rate classes on an equal percentage basis
19 tied to the approved system average increase for the 2026 and 2027 rate
20 increases, if any, just as FPL proposes to apply its base rate increases for the
21 years 2028 and 2029 for its "SOBRA" investments.

1 **4. CDR and CILC interruptible credit.**

- 2 • The basic value of load management programs such as the CILC/CDR
3 programs is the amount of generation capacity and associated costs that have
4 been avoided by the non-firm service option. Over several decades, CILC/CDR
5 participants, which currently offer roughly 1,000 MWs of reliable emergency
6 capacity, have allowed FPL to avoid the construction of hundreds of MWs of
7 capacity.
- 8 • FPL's proposed 29% reduction to the CILC and CDR credits is not justified. I
9 explain that the current credits are undervalued.
- 10 • The system benefits and value of these programs are heightened through the
11 term of this proposed rate plan given the very limited capacity resource
12 alternatives that are available to FPL.
- 13 • I recommend that FPL increase the CILC/CDR credit by 10% (i.e., from
14 \$8.76/kW-month to \$9.63/kW-month) through the year 2030, or such longer
15 time as FPL requires to add 1,000 Megawatts ("MW") of dispatchable fast
16 ramping generation with reliable production for longer than six continuous
17 hours.

18 **5. TAM and a four year base rate plan.**

- 19 • Given the deficiencies in the FPL filing, the Commission should reject FPL's
20 highly contingent commitment to a four-year rate plan.
- 21 • Considering the substantial organic revenue growth projected from new
22 customer accounts, the uncertainty associated with potential large load
23 additions (i.e., data centers) within the rate plan, as well as the considerable

1 impact that recent and potential federal actions likely will have on FPL's
2 resource planning and investment decisions, I recommend that the Commission
3 proceed with caution and render a decision only regarding revenues and rates
4 for the test years of 2026 and 2027, the years for which it has filed MRFs. Such
5 a limited determination renders FPL's proposed Tax Adjustment Mechanism
6 ("TAM") unnecessary.

7 Finally, while my testimony is limited in scope to the above matters, it should not be
8 inferred that FRF endorses any other aspect of the FPL rate request.

9 **Q. WHAT EXHIBITS ARE YOU SPONSORING?**

10 A. I am sponsoring the following exhibits:

- 11 TMG-1 Resume and Record of Testimony of Tony Georgis
- 12 TMG-2 CDR and CILC Embedded Cost Value
- 13 TMG-3 Compiled Data Request Responses of Florida Power & Light Company
- 14 TMG-4 Excerpts from Florida Power and Light Company's 2024 and 2025 Ten
15 Year Site Plans
- 16 TMG-5 Excerpts from National Association of Regulatory Utility
17 Commissioners Electric Utility Cost Allocation Manual

18 **III. FPL FILING OVERVIEW**

19 **Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF THE FPL BASE RATE**
20 **FILING.**

21 A. FPL has proposed a series of significant base rate increases over the four years from
22 2026 through 2029. These are comprised of a proposed increase of roughly \$1.55
23 billion (15.6%) in 2026, a \$930 million increase in 2027 (a cumulative increase of

1 24.8%), and Solar and Battery Base Rate Adjustments (“SOBRAs”) that are estimated
2 to increase base rates by an additional \$296 million in 2028 and \$266 million in 2029.²

3 The rate proposal will provide a cumulative increase in revenues to FPL of roughly
4 \$9.8 billion compared to current base rates.³

5
6 In its testimony, FPL points to a number of significant drivers to the proposed 2026
7 revenue increase, with the largest element being nearly \$14 billion in rate base
8 additions during the period 2024 to 2026 which increases the revenue requirement by
9 an estimated \$1.84 billion by itself.⁴ A major element of the new and planned capital
10 additions concern FPL’s continued investment in utility scale solar PV power plants,
11 but FPL effectively concedes that it has been overly aggressive in its solar PV
12 additions.⁵

13
14 FPL remains a summer peaking utility,⁶ but the utility’s existing and planned solar PV
15 power plant additions for the test years amplify the challenges in serving this summer
16 peak as increasing solar production shifts the “net peak” (i.e., the peak net of solar
17 output) from late afternoon to early evening. Currently, the FPL system peak typically

² See Direct Testimony of Liz Fuentes on Behalf of Florida Power & Light Company at 6:5-8, 8:9-12, FPL Exh. IL-13, page 1 of 1 (Tax Adjustment Mechanism Amount) (showing a 2028 and 2029 SoBRA revenue requirement of \$296 million and \$266 million, respectively).

³ Additional revenue requirements as follows: \$1.545 billion in 2026-2029, \$927 million in 2027-2029, \$296 million in 2028-2029, and \$266 million in 2029.

⁴ See Direct Testimony of Ina Laney on Behalf of Florida Power & Light Company at 27:1, 14-19 (“Laney Direct”).

⁵ See Direct Testimony of Andrew Whitley on Behalf of Florida Power & Light Company at 20:10-15 (discussing the “greater than 50% reduction in planned solar for 2026 and 2027 as compared to FPL’s 2024 TYSP” and the “similar decelerations of solar deployment” in 2028-2029) (“Whitley Direct”).

⁶ See, e.g., FPL MFR Schedule E-11, Att. No. 2 of 3, Page 1 of 40.

1 occurs at 4 to 5 PM; however, FPL estimates that the solar PV additions are driving the
2 system net peak to 8 to 9 PM by the 2027 test year.⁷ Since the sun is setting or has set
3 completely by that time in the summer, the reliable capacity value (“firm capacity”) of
4 all of its solar PV production declines to *de minimis* levels (roughly 5% of nameplate
5 rating) in that net peak hour, and reliable capacity to serve that load must come from
6 other sources.⁸

7
8 FPL seems to have grasped the severity of the operational and system reliability
9 challenges that its solar additions have created. Between its 2024 and 2025 Ten Year
10 Site Plan (“TYSP”) filings, FPL reduced its planned solar PV investments for the test
11 years by half and accelerated the battery energy storage investments it now claims are
12 needed for reliability.⁹

13
14 FPL claims that the combination of solar PV energy production and battery capacity is
15 its most cost-effective resource option, but FPL subsequently conceded that the battery
16 energy storage additions essentially are its only feasible near-term capacity option over
17 at least the next five years.¹⁰ In effect, FPL backed itself into a resource planning
18 corner, and has created a system “duck curve” that both shifts the peak later in the day
19 in the summer and requires fast response firm or dispatchable capacity to meet system

⁷ Whitley Direct at 32:4-7 (discussing the shift in the 2026 test year); Exh. AWW-1, Page 30 of 30.

⁸ Exh. TMG-3 at page 2 of 29 (FPL’s Response to FIPUG Int. No. 8, Att. 1 of 1.)

⁹ Whitley Direct at 20:16-22:15.

¹⁰ Exh. TMG-3 at page 25 of 29 (FPL’s Corrected Supplemental Response to Staff Int. No. 44, Att. 1).

1 peak ramping needs comparable to what California's clean energy mandates have
2 created in that state.

3

4 This system net peak shift with the attendant increased need for fast response
5 generation resources is driving several other material issues that directly affect this rate
6 case. These include:

- 7 • The capital cost of both FPL's new solar additions and the accelerated
8 installation of battery energy storage as capacity, as well as how FPL proposes
9 to apply the solar and battery tax credits to the annual revenue requirements;
- 10 • FPL's proposal to adjust production related cost allocation to increase reliance
11 on energy consumption rather than contribution to system peak demand;¹¹
- 12 • Overstated performance and heat rate improvements of FPL's generation
13 fleet;¹² and
- 14 • Commitment to a four-year rate plan without certainty in rates for the proposed
15 term.¹³

16 To moderate the immediate rate impact of its decisions, FPL proposes to apply \$983
17 million in clean energy tax credits in the 2026 test year (\$385 million in solar
18 production tax credits and \$660 million in battery investment tax credits).¹⁴ Notably,
19 FPL proposes to apply the battery investment tax credits ("ITCs") as a one-time tax

¹¹ Whitley Direct at 31:1-32:14

¹² See Direct Testimony of Thomas Broad on Behalf of Florida Power & Light Company at 7:13-8:13 ("Broad Direct"); Exh. TB-5, page 1 of 1 (showing FPL's claimed generating efficiency improvements include the addition of solar resources).

¹³ See generally Direct Testimony of Scott R. Bores on Behalf of Florida Power & Light Company at 53:9-63:20 (discussing the elements of the four year plan by FPL) ("Bores Direct").

¹⁴ Laney Direct at 36:5-7.

1 event.¹⁵ This accounting treatment provides a first year moderation in base rate revenue
2 requirements, but it also creates an immediate and dramatic increase in subsequent year
3 revenue requirements to reflect the full rate impact of the battery investments. FPL
4 states that it plans additional battery storage investments in the 2027 test year, so the
5 one-time battery ITCs for that year mitigate the revenue impact of the expired 2026
6 credits, but the now-cascading revenue requirement effect to be borne by FPL
7 consumers from the energy storage investments simply shifts another year. Also, as of
8 this date, the continued availability of federal tax credits for solar and energy storage
9 is very much up in the air.¹⁶ The expiration of those credits would both undercut the
10 claimed economic cost effectiveness of FPL's resource investment plan and essentially
11 guarantee additional base rate increases after the test years.

12
13 Next, while FPL's solar PV investments are creating capacity and operational issues
14 on the system, the utility points only to the energy benefits of its solar investments as
15 the reason for allocating all of its production related costs and plant on a more energy-
16 oriented basis. This more energy oriented allocation is seen in the proposed 12CP and
17 25% AD production allocation method. However, in 2024, FPL solar production
18 amounted to only 8.5% of its total generation output and in the 2026 test year it is
19 forecasted to comprise only about 13.6% of annual production.¹⁷ Hence the increase in
20 solar investment and its comparatively small impact on system energy production does

¹⁵ *Id.* at 43:4-20.

¹⁶ The budget bill recently passed by the House of Representatives would terminate or phase out most clean energy production and investment tax credits after 2028.

¹⁷ Exh. TMG-4, pages 25-26 of 40 (2025 FPL TYSP, Schedule 6.2 (Actual Energy Sources % by Fuel Type) & Schedule 6.2 (Forecasted Energy Sources % by Fuel Type)).

1 not justify a shift in how all production costs are allocated. In fact, I explain why the
2 changing FPL system profile and characteristics should lead to a greater focus on FPL's
3 net peak load growth that is magnifying the need for existing reliable and dispatchable
4 firm capacity through at least the year 2030.

5
6 FPL also claims a significant improvement in the heat rate efficiency of its generation
7 fleet by adding its solar energy production to the output of its fossil units.¹⁸ This is
8 misleading. Generation heat rates as a measure of production efficiency for fossil fuel
9 power generation are typically measured in British thermal unit/kilowatt-hour
10 ("Btu/kWh"), but this metric is not applicable to solar PV power plant efficiency since
11 it does not burn fuel.

12
13 The pertinent FPL resource planning issue concerns the system consequences, both
14 operationally and in the need for reliable capacity back-up, associated with the variable
15 and intermittent solar PV energy generation that is not dispatchable and cannot be
16 counted upon to meet the system peak demands at a time when that peak load growth
17 is expected to grow as more and more customer accounts that are weather sensitive are
18 added to the FPL system. These unavoidable solar PV limitations, particularly during
19 the summer evening net peaks, are driving FPL's generation capacity operational
20 decisions, infrastructure investments, reliability issues, and resource planning actions
21 needed to reliably serve its net peak demands and firm load during those periods.

¹⁸ See Broad Direct at 7:13-8:13; Exh. TB-5, page 1 of 1 (showing FPL's claimed generating efficiency improvements include the addition of solar resources).

1

2 Finally, FPL has filed a contingent four-year rate plan which does not ensure there will
3 be stability or certainty in the rates as eventually approved by the Commission. FPL
4 describes its filing as a four-year rate plan which would not require any additional base
5 rate changes in that period; however, the utility states that it will not commit to the
6 four-year plan unless essentially every facet of its as-filed proposal is approved by the
7 Commission.¹⁹ In particular, FPL ties its commitment to the four-year rate plan to a
8 variety of special rate treatments and conditions, specifically including an Tax
9 Adjustment Mechanism (“TAM”) proposal through which FPL would accelerate (or
10 delay) reflecting certain deferred tax liabilities in rates in order to manage its reported
11 earnings within the allowed return on equity (“ROE”) range established by the
12 Commission throughout the rate plan term.

13 **IV. FPL RESOURCE PLANNING AND CAPITAL SPENDING**

14 **Q. PLEASE DESCRIBE FPL’S RESOURCE PLANNING AND ITS IMPACT ON**
15 **THE PROPOSED RATE INCREASES.**

16 A. The largest driver of the proposed 2026 base rate increase concerns \$1.8 billion in
17 revenue requirement increases associated with capital initiatives that increase rate base
18 by \$13.6 billion from 2024 levels.²⁰ This is heavily tied to:

¹⁹ Bores Dep. at 205:7-209:21.

²⁰ Laney Direct at 27:1, 14-19.

- 1 • Aggressive investment in large scale solar PV projects since 2021 (7,932 MW
2 according to FPL witness Tim Oliver) as well as initial investments in battery-based
3 energy storage,²¹
- 4 • Continued investment in solar PV in the test years of 2026 and 2027 combined with
5 \$2 billion in investment in 1,419 MW of battery energy storage,²² and
- 6 • Additional infrastructure and upgrades needed to service a significant projected
7 growth in new customer accounts.²³

8 However, FPL's testimony and its most recent TYSP reveal that the utility's over-
9 aggressive solar PV investments have and will continue to create material operational
10 concerns and near term capacity needs tied to the shifting net peak demand, or "duck
11 curve" performance inevitably associated with significant amounts of solar PV on
12 electric utility systems.²⁴ As a result, since it filed its 2024 TYSP, for the period 2025-
13 29 FPL has cancelled 4,172 MWs in previously planned solar additions (equivalent to
14 56 projects rated at 74.5 MWs) and added 2,530 MWs of battery energy storage.²⁵ Also,
15 even though it is reducing its near-term solar installations, FPL still estimates that the
16 remaining existing and planned additions will push its net peak to 8-9 PM by 2027. At

²¹ Direct Testimony of Tim Oliver on Behalf of Florida Power & Light Company at 5:11-13.

²² Laney Direct at 29:4-5.

²³ *Id.* at 7:12-14, 34:15-21.

²⁴ Whitley Direct at 31:9-12.

²⁵ *Cf.* Exh. TMG-4, page 40 of 40 (FPL 2024 Ten Year Site Plan at Table ES-1) (showing projected solar resource additions of 10,430 MW and projected battery additions of 1,422 MW between 2025-2029), *and* Exh. TMG-4, page 10 of 40 (FPL 2025 Ten Year Site Plans at Table ES-1) (showing projected solar resource additions of 6,258 MW and projected battery additions of 3,952.5 MW between 2025-2029). Note that in 2030, FPL plans to resume the prior level of planned annual solar PV additions. *See id.*

1 8-9 PM, solar contributes little or no energy or capacity to serve firm load. This
2 circumstance in turn forces FPL to accelerate its battery energy storage expansion.²⁶

3 **Q. PLEASE FURTHER EXPLAIN THE INCREASED PENETRATION OF**
4 **SOLAR PV AND RELATED IMPACTS TO THE FPL SYSTEM SUCH AS THE**
5 **“DUCK CURVE.”**

6 A. Solar PV energy production is non-dispatchable and effectively provides energy
7 aligned with the sunrise and sunset. In general, solar PV production begins in late
8 morning, peaks at midday when available sunlight is at its peak unless storms or cloud
9 cover impair output, and declines in the late afternoon as the sun sets. Solar PV energy
10 placed on the system reduces the power generation required from conventional thermal
11 or other dispatchable generation throughout the middle of the day. However, as the sun
12 sets, the system load continues to ramp up and may increase at a dramatic rate during
13 summer peak periods. FPL thus requires large amounts of dispatchable generation over
14 a short period of time. This net load minus solar profile that the utility must follow with
15 reliable capacity resources begins to resemble the profile or shape of a duck. This issue
16 is now affecting generation operational decisions and FPL resource investments needed
17 for reliability.

18 **Q. WHAT IS THE IMPACT TO FPL’S SYSTEM AND ITS RESOURCE PLANS**
19 **AS IT ADDS MORE SOLAR PV?**

20 A. As FPL adds more and more solar, these operational concerns are magnified, and it
21 must have more reliable and dispatchable generation available (operating reserves) to
22 compensate for the inherent variability in solar production as well as the daily drop-off

²⁶ Whitley Direct at 20: 10-12

1 of solar production which drives the increased for more rapid response and
2 dispatchable.

3

4 Furthermore, FPL remains a summer peaking utility,²⁷ but, as noted, as more solar
5 production is added, the reliability value of the solar PV generation assets declines
6 precipitously because the net peak shifts to the late evening when little to no solar PV
7 energy or capacity is available. This is readily apparent in FPL's 2025 TYSP. Schedule
8 1 in the TYSP shows the reliable "firm capacity" associated with each of its existing
9 generating resources.²⁸ For example, FPL attributes a summer firm capacity value of
10 39.77 MW to its Blue Cypress 74.5 MW facility added in 2018 (53.3% of its nameplate
11 rating), and a 30.08 MW summer rating to its Beautyberry facility added in January
12 2024 (40.3% of its nameplate rating).²⁹ Schedule 8 to the 2025 TYSP, which shows
13 FPL's planned and prospective resource additions and changes, attaches only a 4 MW
14 summer firm capacity rating to all of its 74.5 MW solar projects (just 5.4% of the
15 nameplate rating).³⁰
16 As a practical matter, this means that, by 2027, FPL expects that all of its solar PV
17 output, not just the incremental additions, will have negligible value in serving the
18 system net peak in the critical summer peaking months and ramping periods.

²⁷ See, e.g., FPL MFR Schedule E-11, Att. No. 2 of 3, Page 1 of 40.

²⁸ FPL defines "firm capacity" as the amount of capacity that it can reasonably rely upon from a unit at the time of its summer and winter peaks. Exh. TMG-4, page 12-14 of 40 (FPL 2025 TYSP).

²⁹ Exh. TMG-4, pages 15-22 of 40 (2025 FPL TYSP, Schedule 1 (FPL Existing Generating Facilities as of December 31, 2024)).

³⁰ Exh. TMG-4 2025, pages 28-30 of 40 (FPL TYSP Schedule 8 (Planned and Prospective Generating Facility Additions and Changes)); see also Exh. TMG-3, page 2 of 29 (FPL Response to FIPUG Int. No. 8, Att.1).

1 **Q. HOW DOES FPL ADDRESS THE RELIABILITY ISSUES OF SOLAR PV AND**
2 **PEAK SHIFTING DURING THE TEST YEAR AND RATE PLAN (2026–2029)?**

3 A. FPL’s core resource planning through the proposed years of the rate plan (i.e., 2026-
4 2029) concerns adding sufficient other generation capacity to reliably meet system
5 needs and the loss of load probability (“LOLP”) planning standard of 0.1 days per year
6 threshold.³¹ In other words, FPL wants its customers to pay for adding both solar energy
7 production and reliable generating capacity.

8
9 FPL witness Whitley claims that the combination of solar additions backed up by 4-
10 hour duration battery storage is the company’s most effective resource option,³² but
11 FPL admits it could not add additional gas-fired combustion turbines until late 2029 or
12 early 2030 “at the earliest.”³³ In short, for the next five years at least, FPL has limited
13 reliable capacity resource choices other than storage batteries to meet the need for firm
14 capacity during the evening hours to meet the shifting net peak system demands.

15 **Q. WHAT DO YOU RECOMMEND?**

16 A. It is apparent that the planned solar additions during the test years and into 2028-29 are
17 not needed for system reliability. In fact, they will likely amplify FPL’s existing and
18 expected operational and reliability challenges. As noted, FPL has proposed to reduce
19 its near-term solar additions significantly to mitigate those concerns.³⁴ I recommend

³¹ See Whitley Direct at 15:1-12; *see generally* Exh. AWW-1.

³² Whitley Direct at 20:1-20.

³³ See Exh. TMG-3 at page 25 of 29 (FPL Corrected Supplemental Response to Staff 3rd Interrogatory No. 44, Att. 1).

³⁴ See *supra* n.25.

1 that FPL suspend further solar additions in the test years altogether and focus instead
2 on addressing demonstrated reliable capacity needs.

3
4 In that regard, it is important to note that FPL's existing CDR/CILC program offers
5 more than 1,000 MWs of proven emergency capacity resource in the form of quick
6 response customer load reductions and on-site standby generation that are dispersed
7 throughout the FPL service territory. This resource and its value are discussed in more
8 detail later in my testimony.

9 **V. COST OF SERVICE STUDY ERRORS**

10 **Q. WHAT ERRORS OR ISSUES DID YOU IDENTIFY IN FPL'S COSS AND**
11 **MFRS?**

12 A. I identified four categories of errors which require adjustments in FPL's COSS:

- 13 1) The COSS should reflect the changing system peak conditions expected for the test
14 years;
- 15 2) The classification of costs for most of the production and battery storage operating
16 expense accounts must be corrected because fixed costs have been allocated to
17 energy that are demand-related;
- 18 3) The allocation of demand costs to the customer classes in the COSS should reflect
19 the summer and 4CP peaking method rather than the 12CP and 25% AD allocation
20 method that FPL proposes to apply in this case; and
- 21 4) FPL's COSS systematically over-allocates utility production and transmission costs
22 to non-firm interruptible service commercial and industrial customers by treating
23 them as firm customers. The Commercial Demand Reduction ("CDR") and

Commercial/Industrial Load Control (“CILC”) credit offset that FPL incorporates in its COSS is not valued correctly and is inconsistent with how the FPL system and its customers have realized the benefits of these programs in the past.

A. Cost of Service Study Functionalization Issues

Q. PLEASE DESCRIBE FPL’S COSS AND ITS USE.

A. FPL’s COSS appears in Minimum Filing Requirement (“MFR”) Sch. E-1 and was provided in Excel format in discovery.³⁵ In its model, FPL initially developed the FPL system-wide revenue requirement which includes, but is not limited to, FERC operating and maintenance expense accounts, taxes, other expenses, depreciation expenses, and rate base associated with providing electric service to customers.³⁶ FPL then takes each individual expense or rate base-related account and directly assigns or allocates the costs to the customer classes.³⁷

Q. WHAT ARE THE INDUSTRY STANDARD STEPS IN DEVELOPING A COST OF SERVICE STUDY AND FOR ESTIMATING THE COST TO SERVE EACH CUSTOMER CLASS?

A. The National Association of Regulatory Utility Commissioners (“NARUC”) Electric Utility Cost Allocation Manual defines the industry standard for the key components and steps in a COS study. The NARUC Manual states after the test year revenue requirement is developed; the next three steps include:³⁸

1. Functionalization

³⁵ See Exh. TMG-3, page 4 of 29 (FPL Response to FIPUG Int. No. 11).

³⁶ *Id.*

³⁷ *Id.*

³⁸ Exh. TMG-5 at page 3 of 10 (NARUC Electric Utility Cost Allocation Manual).

1 2. Classification

2 3. Allocation of costs to customer classes

3 Step 1 includes translating the system-wide Test Year revenue requirement to
4 functionalized costs (e.g., production, transmission, distribution, and customer related
5 components). Within each of those functions, those costs are then typically classified
6 as demand-, energy-, or customer-related costs. The final step takes the classified costs
7 and aims to allocate them to the customer classes based on the customer class's unique
8 characteristics or impacts to the utility system. This final step develops the total cost of
9 service, or revenue requirement, for each customer class that would be recovered by
10 retail rates.

11 **Q. DID FPL'S COSS AND MFRS INCLUDE THIS LEVEL OF DETAIL AND**
12 **EACH STEP?**

13 A. No. The COS model provided by FPL does not provide a fully functionalized system
14 revenue requirement or functionalized revenue requirement for each customer class.
15 For example, the test year revenue requirement for FPL in 2026 is \$9.6 billion.³⁹
16 Functionalizing the costs would provide or translate that \$9.6 billion into the
17 production, transmission, distribution, and customer components that sum or total the
18 2026 test year revenue requirement. In addition to the system total revenue
19 requirement, functionalizing costs would provide the same functional revenue
20 requirement for each customer class.

³⁹ FPL MFR Schedule E-1, Att. 4, Equalized Base Revenue Requirements.

1 **Q. PLEASE EXPLAIN HOW FPL’S COSS MODEL DOES NOT PROVIDE**
2 **FUNCTIONALIZED COSTS.**

3 A. Rather than functionalizing costs, then classifying, and allocating to customer classes
4 as described above, FPL’s COS model directly allocates the individual expense and
5 rate base accounts to the customer classes by classifying the costs in each account and
6 allocating those dollars directly to the customer class. This skips the first step of
7 functionalizing costs prior to classifying the costs and allocating them to customer
8 classes. While FPL’s accounts are organized in production, transmission, distribution,
9 and customer related accounts, there are other accounts that include shared
10 administrative and general expenses and general plant which are not specific to an
11 individual electric utility function.

12
13 The NARUC Manual states that shared expenses or accounts are to be functionalized
14 by allocating them to the major cost functions (e.g., production, transmission,
15 distribution, and customer).⁴⁰ These shared costs must be allocated to each function to
16 develop the full system and customer class functionalized revenue requirement or COS.
17 By simply providing the individual FERC expense or plant accounts and allocating
18 each account directly to the customer classes, the FPL COS model effectively skips the
19 functionalization step. This is problematic for common costs such as administrative
20 and general expenses, general plant, and other shared costs. By not functionalizing
21 those shared costs to the individual major functions, the FPL approach in its COS limits
22 analyses for the for testing the validity of the COS results.

⁴⁰ Exh. TMG-5 at page 3 of 10 (NARUC Electric Utility Cost Allocation Manual).

1 **Q. IS FAILURE TO FUNCTIONALIZE COST DATA IMPORTANT?**

2 A. Yes. Without the functionalization step, one cannot calculate or analyze the cost to FPL
3 of providing fully embedded production service to customers. Functionalized costs
4 inform rate design and valuation of certain services or products to specific customer
5 classes. For example, the lack of a functionalized revenue requirement does not allow
6 one to identify the production or transmission related revenue requirement portions of
7 the full class COSS for the GSD-1 or CILC customer classes.

8 **B. Failure to Reflect Cost Causation Based on Net Peak Demands**

9 **Q. HOW DID THE FPL COSS DERIVE CUSTOMER CLASS CONTRIBUTIONS**
10 **TO THE FPL MONTHLY PEAK DEMANDS?**

11 A. FPL used historical monthly system peaking data and each customer class's
12 contribution to those historical peaks to develop the 12CP allocation factor.⁴¹ The
13 results of FPL's 12CP analysis are summarized in MFR E-11. These system peaks and
14 the customer contributions to these monthly peaks were not updated to reflect the
15 known and measurable changes expected by FPL in the Test Years of 2026 through
16 2029.⁴² Most notably, FPL's COSS does not reflect the shifting of the net monthly peak
17 demand to later in the evening in the summer months and each customer class's
18 expected contributions to that shifted peak demand.⁴³

⁴¹ See e.g., FPL MFR Schedule E-11, Attachment No. 2 of 3, page 1 of 40; Exh. TMG-3, page 9 of 29 (FPL's Response to FRF's Int. No. 1, Att. 1).

⁴² Exh. TMG-3, page 16 of 29 (FPL's Response to FRF Int. No. 13).

⁴³ *Id.*

1 **Q. PLEASE DESCRIBE FPL’S ERROR IN NOT UPDATING THE TEST YEAR**
2 **SYSTEM PEAK AND CUSTOMER CLASS CONTRIBUTIONS TO THE**
3 **MONTHLY PEAK DEMANDS.**

4 A. The NARUC Electric Utility Cost Allocation Manual defines this Test Year tenet
5 stating, “the test year or test period . . . normally includes cost and sales data which are
6 expected to be representative of those that will be experienced during the time the rates
7 are likely to remain in effect.”⁴⁴ FPL did not update the system load profiles, monthly
8 peak demands, and each class’s expected contribution to the new monthly peaks for the
9 12CP allocation factor.⁴⁵ This violates the matching principle of aligning the costs
10 expected over the Test Year period with the system and customer consumption
11 characteristics so both impacts on the system by customers and the costs imposed on
12 the system are aligned. Specifically, the monthly coincident peaks and the customer
13 class’s contributions to those shifting peaks were not adjusted to reflect the expected
14 conditions described by FPL witness Whitley.⁴⁶ FPL did not update or adjust the
15 historical monthly coincident peak demands on the system and each class’s
16 contribution to those peaks to reflect the new, later peak system demands occurring
17 later in the day at 8 pm versus the historical 5pm.⁴⁷

18
19 FPL’s approach creates a mismatch between the costs and customer characteristics and
20 use of the system that is causing those costs. Aligning the Test Year period costs with

⁴⁴ Exh. TMG-5, page 6 of 10 (NARUC Electric Utility Cost Allocation Manual).

⁴⁵ Exh. TMG-3, page 16 of 29 (FPL’s Response to FRF Int. No. 13).

⁴⁶ *Id.*

⁴⁷ Whitley Direct at 32:4-7.

1 the customer class's use or impacts to the system over that same period is a fundamental
2 element and industry standard to a COSS. By failing to update the class coincident
3 peaks where material changes in system conditions are expected, FPL's COSS does not
4 align Test Year costs with expected Test Year conditions and cost causation.

5 **Q. WHY IS UPDATING THE CUSTOMER CLASS CONTRIBUTIONS TO THE**
6 **EXPECTED SYSTEM CONDITIONS IN THE TEST YEAR IMPORTANT?**

7 A. FPL has stated that this known and expected shift in system net peaking time is driving
8 its resource planning decisions, capital investments, and elements of reliability
9 operations.⁴⁸ By not updating the class CPs associated with this shift to reflect the
10 expected operations during the test year and peaking later in the evening, FPL is not
11 aligning the test year costs and expected generation resource investments to meet this
12 new ramping and firm capacity issue quantified by the LOLP analysis with the same
13 expected time period. As FPL has not aligned test year system conditions and customer
14 classes' use of the system that are driving the costs, it is not accurately reflecting how
15 each customer class is imposing costs on FPL for electric service. The COSS results
16 for each class reflect the historical costs imposed on the system, not the known and
17 expected costs imposed on the system during the test year. This inconsistency is a flaw
18 in the accuracy and defensibility of the results as historical, rather than expected,
19 conditions are used to allocate costs.⁴⁹

⁴⁸ *Id.* at 15.

⁴⁹ See FPL MFR Schedule E-11, Atts. 2 & 3 (showing Load Research Studies from 2022 and 2023); Exh. TMG-3, page 9 of 29 (FPL's Response to FRF's Int. No. 1, Att. 1).

1 **Q. WHAT WOULD BE THE LIKELY IMPACT OF UPDATING THE CLASS**
2 **COINCIDENT PEAKS TO ALIGN WITH NEW NET PEAK DEMANDS**
3 **LATER IN THE EVENING?**

4 A. While no data was available or provided by FPL,⁵⁰ I would expect adjusted CPs for
5 each month to show a reduced allocation to commercial customer classes and an
6 increase in the contribution of the residential class to the later net peak monthly
7 demands. This is due to the typical consumption profiles of commercial and residential
8 classes. Residential customer loads typically peak later in the evening, which is
9 consistent with the shifting net peak load trend that FPL is expecting. Commercial
10 customer loads, on the other hand, typically begin reducing consumption and their
11 contribution to peak demands by 5pm, several hours before the now-shifted net peak
12 demand. What is undisputed is that FPL, while asserting that its costs are caused in the
13 test years by the shift to net peak demand, has entirely failed to reflect those costs in its
14 COSS.⁵¹

15 **Q. WHAT DO YOU RECOMMEND TO CORRECT THIS ERROR?**

16 A. I recommend FPL correct their COS study and provide updated load research data
17 aligned with the expected and known net peaking times for the test year period. This
18 provides updated class contributions to the shifted peaks and accurate cost causation
19 for production related investments. Based on the updated class contributions to the
20 shifted peaks, FPL should develop a new 4CP allocation factor for the allocation of
21 production and transmission related costs to the customer classes. If FPL does not

⁵⁰ Exh. TMG-3, page 16 of 29 (FPL's Response to FRF Int. No. 13).

⁵¹ *Id.*

1 provide new load research and updated allocation factors, it should shift to using a 4CP
2 allocation factor with the data currently available as discussed later in this section of
3 my testimony.

4 **C. Incorrect Classification of Production and Battery Storage Expenses**

5 **Q. PLEASE DESCRIBE THE ERROR IN FPL'S COS MODEL AND RESULTS**
6 **RELATED TO CLASSIFICATION OF COSTS.**

7 A. FPL's classification of costs for most of the production and battery storage operating
8 expense accounts must be corrected because the FPL COSS allocates fixed costs to
9 energy that are demand related based on their proposed allocation methodology.⁵² By
10 incorrectly classifying costs, FPL has incorrectly allocated costs among the customer
11 classes.

12 **D. O&M Expenses Misclassification**

13 **Q. HOW DOES FPL ALLOCATE AND CLASSIFY PRODUCTION O&M**
14 **EXPENSES AS DEMAND- OR ENERGY-RELATED?**

15 A. FPL classifies many FERC production expense accounts as a combination of energy-
16 and demand-related costs. Other than production fuel expenses, most production O&M
17 expenses are considered to be fixed (i.e., typically do not vary with the amount of
18 electricity consumed by customers). Consequently, the classification of most non-fuel
19 production operating expenses as fixed or demand-related aligns with the NARUC
20 Electric Utility Cost Allocation Manual.⁵³

⁵² FPL MFR Schedule E-4b, page 2 of 6.

⁵³ Exh. TMG-5, page 8 of 10 (NARUC Electric Utility Cost Allocation Manual).

1 FPL's proposed classification of costs for the production O&M expense accounts
2 results in 48% of the total production O&M expenses classified as demand-related and
3 52% classified as energy-related.⁵⁴ As I explain, FPL's treatment of the production
4 O&M expense accounts and each supervisory and engineering account is inconsistent
5 with industry practice and cost-causation.

6 **Q. PLEASE PROVIDE AN EXAMPLE OF FPL'S ERROR IN CLASSIFYING**
7 **PRODUCTION O&M EXPENSES.**

8 A. FPL allocates each production O&M supervisory and engineering expense account
9 (e.g., FERC Account 500 or 510) to demand and energy-related costs based on the
10 portion of labor costs in all other O&M expense accounts within the production account
11 grouping and divided by the total O&M expenses in that grouping.⁵⁵ Thus, if the
12 production-steam related total operating expenses are \$100 million in FERC accounts
13 501 through 509, and the labor costs in these same accounts are \$30 million of that
14 total, FPL allocates 30% of the FERC account 500 production supervision and
15 engineering costs to demand-related costs and the remaining 70% of the account to
16 energy-related costs.

17
18 This is an incomplete and incorrect classification of costs as the costs associated with
19 supervisory and engineering expenses are related to supervising and managing the
20 activities or other staff / labor within the steam grouping of accounts. First, assuming
21 all non-labor costs are variable is an incorrect assumption and contradicts other FPL

⁵⁴ See FPL MFR Schedule E-4b, pages 1-2 of 6 (48% represents the sum of all production O&M expense accounts).

⁵⁵ See, e.g., FPL MFR Schedule E-10, page 9 of 21.

1 cost classifications in the steam group of accounts. In addition, the activities and costs
 2 included in FERC Account 500 are rarely variable or vary with the amount of energy
 3 generated by steam production equipment. These costs are required for the steam
 4 operations regardless of the amount of energy generated, thus, industry practice is to
 5 classify these costs as fixed, or demand-related.

6 **Q. HOW DOES FPL ALLOCATE PRODUCTION O&M EXPENSES?**

7 A. FPL's COSS allocates the production supervision and engineering operating expense
 8 accounts, such as FERC account 500, according to the proportions of labor costs
 9 contained in other accounts in that account grouping.⁵⁶ It calculates the labor costs
 10 within each account in the account grouping and divides that by the total costs in all of
 11 the accounts. That ratio is then applied to the full supervisory and engineering account
 12 costs. Table 1 summarizes this calculation from their COSS.

Table 1		
Steam Production Supervision and Engineering Cost Classification		
FERC Account	Labor Costs	Total Costs
501 Fuel	\$550,317	\$4,978,800
502 Steam	\$2,138,168	\$5,787,708
505 Electric Expenses	\$1,318,691	\$3,631,973
506 Misc. Steam Power Expenses	\$6,363,039	\$19,735,235
Subtotal	\$10,370,214	\$34,133,716
Percentage of Total	30.4%	69.6%
Classification of FERC Account 500		
	Demand	Energy
500 Supervisory and Engineering Total Operating Expenses \$4,062,944	\$1,234,369	\$2,828,575
(Percentage of Total)	(30.4%)	(69.6%)

⁵⁶ *Id.*

1 **Q. DOES FPL’S TREATMENT AND ALLOCATION OF PRODUCTION O&M**
2 **SUPERVISION AND ENGINEERING EXPENSES PROPERLY FOLLOW**
3 **THE NARUC ELECTRIC UTILITY COST ALLOCATION MANUAL**
4 **RECOMMENDATION?**

5 A. No. FPL’s treatment is not correctly allocating costs based on the NARUC
6 recommendations for the production supervisory and engineering accounts.

7 **Q. PLEASE EXPLAIN.**

8 A. These varied accounts include labor costs to supervise or provide engineering within
9 the FERC account grouping, such as supervision and engineering for steam or nuclear
10 production operating activities. NARUC’s cost allocation manual recommends
11 allocating the costs in supervision and engineering FERC accounts, such as steam
12 operating expense Account 500, based on the proportions of labor costs within the other
13 steam production operating expense accounts and then allocating the supervision and
14 engineering costs according to the ratio of labor costs classified as demand versus
15 energy in those other accounts. Table 2 illustrates the proper application of the NARUC
16 recommendation.

Table 2		
Corrected Labor Cost Classification for Allocation of Supervisory and Engineering Costs		
FERC Account (Labor Costs Only)	Demand	Energy
501 Fuel	\$550,317	\$0
502 Steam	\$2,138,168	\$0
505 Electric Expenses	\$1,318,691	\$0
506 Misc. Steam Power Expenses	\$6,363,039	\$0
Subtotal Labor	\$10,370,214	\$0
Percentage of Total	100%	0%
Classification of FERC Account 500		
500 Supervisory and Engineering (Apply Subtotal Portions of Labor Costs)	\$4,062,994	\$0
(Percentage of Total)	(100%)	(0%)

1

2 **Q. WHAT IS THE DIFFERENCE BETWEEN FPL'S PROPOSED ALLOCATION**
3 **AND THE CORRECTED ALLOCATION CONSISTENT WITH THE NARUC**
4 **COST MANUAL?**

5 A. FPL's incorrect calculations result in 30.4% (\$1,234,369) of the \$4,062,994 total FERC
6 Account 500 Steam Operating Expense Supervision and Engineering costs classified
7 as demand, and 69.6% (\$2,828,575) classified as energy. The correct application of the
8 NARUC methodology results in 100% or \$4,062,994 of FERC Account 500
9 Supervision and Engineering costs classified as demand related as seen in Table 2. That
10 is a difference of \$2,828,575 moving from energy to demand related costs.⁵⁷

⁵⁷ \$4,062,994 - \$1,234,369 = \$2,828,575

1 **Q. IS FERC ACCOUNT 500 PRODUCTION OPERATING SUPERVISION AND**
2 **ENGINEERING THE ONLY O&M EXPENSE ACCOUNT FPL**
3 **INCORRECTLY CLASSIFIED IN THE COSS?**

4 A. No. This is merely one example of a mistake repeated throughout each supervisory and
5 engineering expense account within the production function and costs, which includes
6 nuclear, solar, production other, and battery storage FPL accounts.

7 **Q. ARE THERE OTHER EXAMPLES OF FPL'S CLASSIFICATION OF**
8 **PRODUCTION COSTS CONTRADICTING ITS TREATMENT OF THE**
9 **SUPERVISORY AND ENGINEERING COST CLASSIFICATION?**

10 A. Yes. For example, FERC Account 506, miscellaneous steam expenses, is classified as
11 100% demand-related costs in its COSS.⁵⁸ However, when FPL evaluates all the FERC
12 steam operating expense accounts to derive a demand- and energy-related portion of
13 FERC account 500, production operation supervisory and engineering costs, it allocates
14 only \$6,363,039, or 32% of the total miscellaneous steam expenses to demand as seen
15 in Table 1, while the remaining 68% is classified as energy-related or variable. In short,
16 FPL's treatment of these costs is internally inconsistent within the COSS. This
17 treatment of 32% of the FERC Account 506 miscellaneous steam expenses to derive
18 an allocation for the FERC Account 500 supervisory and engineering expenses as
19 demand-related contradicts FPL's assigning 100% of those same costs to demand-
20 related when allocating the FERC Account 506 miscellaneous steam expenses to the
21 customer classes.

⁵⁸ See FPL MFR Schedule E-4b page 1 of 6, line 5.

1 **Q. WHAT IS THE INDUSTRY PRACTICE FOR CLASSIFYING LABOR COSTS?**

2 A. Labor costs are considered a fixed cost and rarely vary with the amount of electricity
3 or kWh's generated or consumed. Thus, industry practice and NARUC
4 recommendations are to classify labor costs as fixed and demand-related for the
5 production function and operations.⁵⁹

6 **Q. WHAT IS YOUR RECOMMENDATION FOR THE CLASSIFICATION OF**
7 **THE PRODUCTION O&M ACCOUNT EXPENSES?**

8 A. I recommend that the production O&M expense accounts be corrected and adjusted to
9 accurately reflect NARUC recommendations and the fixed cost nature of the expenses
10 similar to the example provided in Table 3. Correcting these O&M expense account
11 classifications shifts \$169 million from energy-related to demand related costs in
12 production as shown in Table 3.

⁵⁹ Exh. TMG-5, page 8 of 10 (NARUC Electric Utility Cost Allocation Manual).

Table 3				
Summary of Corrected Production Expense Account Classification				
FERC Account	FPL Proposed		Corrected	
	Demand	Energy	Demand	Energy
Prod. Steam	\$28,148,092	\$36,193,162	\$40,454,600	\$23,886,653
Prod. Nuclear	\$142,635,744	\$137,708,222	\$260,876,763	\$19,467,203
Prod. Solar	\$14,674,670	\$21,222,450	\$26,575,353	\$9,321,768
Prod. Other Renewables.	\$12,571	\$1,910,297	\$12,571	\$1,910,297
Prod. Other	\$75,657,534	\$84,692,926	\$102,129,919	\$58,220,540
Total	\$261,128,611	\$281,727,057	\$430,049,206	\$112,806,461
	48%	52%	79%	21%
Difference from Proposed			\$168,920,595	(\$168,920,596)
			65%	-60%
Notes:				
1. COSS model provided in FIPUG 1st Int No. 11 Att. No. 1. NOI Classification Tab.				
2. COSS Model WP and Adjusted NOI Classification Tab.				

1

2

E. Production Cost Allocation Errors

3

Q. PLEASE EXPLAIN HOW FPL PROPOSES TO ALLOCATE PRODUCTION COSTS TO THE CUSTOMER CLASSES IN THIS PROCEEDING.

4

5

A. FPL proposes in this case to apply a 12CP and 25% AD (average demand) method to allocate production costs in its COSS.⁶⁰ This method effectively splits each production related expense or rate base item into 75% demand-related and 25% energy-related.⁶¹ From there, the 75% of the production related expense or rate base item classified as demand-related is allocated to the customer classes based on the class's 12CP or 12

6

7

8

9

⁶⁰ Dubose Direct at 20:19-22.

⁶¹ Whitley Direct at 5:7-10.

1 months of contribution to the FPL system coincident gross peak demand. The 25% of
2 the production costs related to average demand is effectively the same as energy
3 consumption. Thus, the 25% of production costs are then allocated to the customer
4 classes based on their annual energy consumption. This is a change from FPL's
5 currently approved production allocation method, which uses a 12CP and 1/13 AD
6 allocator.⁶²

7 **Q. HOW DOES FPL JUSTIFY THE USE OF THE 12CP AND 25% AD FOR**
8 **ALLOCATING PRODUCTION COSTS TO CUSTOMER CLASSES?**

9 A. FPL witness Tara Dubose points to FPL's increasing installation of large scale solar
10 PV projects as the primary reason for proposing adoption of the 12CP and 25% AD
11 method.⁶³ FPL cites solar PV's lack of fuel costs that has reduced fuel costs for all
12 customers, and the fact that solar PV primarily provides energy and not capacity
13 benefits to FPL as key reasons for inclusion of the 25% AD component to allocating
14 production costs.⁶⁴

15 **Q. DO YOU AGREE WITH FPL'S RATIONALE?**

16 A. No. FPL production cost allocation should focus on the growing system peak demands
17 that are actually driving FPL's resource needs.

18 **Q. PLEASE EXPLAIN THE ISSUES WITH FPL'S SELECTION OF THE 12CP**
19 **AND 25% AD ALLOCATION FOR PRODUCTION COSTS.**

20 A. The 12CP and 25% AD allocation approach is not appropriate for how FPL's system
21 is planned and will operate during the Test Years. The 12CP and 25% AD method is

⁶² DuBose Direct at 20:19-22.

⁶³ *Id.* at 21:1-22:16.

⁶⁴ *Id.* at 22:1-5.

1 also inconsistent with its resource planning criteria, LOLP analysis, and basic cost
2 causation principles.

3 **Q. PLEASE EXPLAIN.**

4 A. Based on the historic system data provided, and used for COSS allocators, FPL's
5 system is a summer peaking system with the four highest peaks in June, July, August,
6 and September.⁶⁵ In addition, FPL witness Whitley and the E3 LOLP analysis
7 appended to his testimony further detail summer operational constraints and a
8 continued shift of the net system peak demands in the Test Year summer months.⁶⁶
9 FPL witness Whitley also explains how FPL's generation investment and operational
10 decisions are focusing more on summer reliability and net peaking issues.⁶⁷ These
11 peaks are driving FPL's resource and generation related infrastructure decisions during
12 the 2026 and 2027 Test Years. As discussed above, FPL is significantly reducing near-
13 term solar additions because those additions have become an impediment to reliable
14 and efficient operation in the near term.⁶⁸ The allocation of production costs in the
15 COSS needs to match up with this system condition.

16

17 Also, as I noted above, FPL's current and test year solar PV output accounts for a
18 relatively small amount of FPL's generation in the test years and does not provide a
19 reasoned basis for allocating all production costs based on the limited solar output, and

⁶⁵ See, e.g., FPL MFR Schedule E-11, Attachment No. 2 of 3, Page 1 of 40.

⁶⁶ Whitley Direct at 31:14-22.

⁶⁷ *Id.*

⁶⁸ *Id.* at 20:10-15.

1 particularly when solar production limitations are causing the operational and capacity
2 issues discussed above.

3 **Q. HAS FPL PROVIDED ADDITIONAL INFORMATION TO SUPPORT THE**
4 **SELECTION OF THE 12CP ALLOCATOR?**

5 A. Yes. In a response to an interrogatory, FPL provided a 2021 historical 12CP FERC Test
6 analysis.⁶⁹ This response showed FPL's system typically met the FERC Three Peaks
7 Test and a 12 CP could be considered indicative of the system. However, this analysis
8 is premised on outdated historical FPL system characteristics and is not adjusted to the
9 expected conditions in the Test Year.

10 **Q. IS THERE AN ISSUE APPLYING THE FERC THREE PEAKS TEST**
11 **WITHOUT CONSIDERING OTHER FACTORS SUCH AS FPL'S EXPECTED**
12 **NET PEAKS AND SYSTEM OPERATING CHARACTERISTICS DURING**
13 **THE TEST YEAR?**

14 A. Yes. While the Three Peaks Test provides insight into the gross system peak of FPL
15 historically, it does not consider how FPL is and will be operating and investing in the
16 system in the Test Years, which serve as the effective basis for the revenue requirement
17 and eventual rates for customers. Thus, the Three Peaks Test is less applicable and tells
18 an incomplete story of FPL's Test Year conditions and cost drivers. FPL's decisions
19 regarding generation investments, reliability, and system operations are less guided by
20 gross peak and more driven by the net peak in the Test Years. As noted above,
21 compared to the resource plan in its 2024 TYSP, FPL now plans to reduce solar
22 additions and accelerate battery storage installations in the test Years. This changed

⁶⁹ Exh. TMG-3, pages 12-15 of 29 (FPL's Response to FRF Int. No. 12 & POD No. 6).

1 dynamic is now driving generation, resource planning, and operational costs and
2 decisions as noted by FPL witness Whitley and discussed further in my testimony.⁷⁰

3 **Q. HOW DOES THE STOCHASTIC LOLP ANALYSIS AFFECT FPL'S**
4 **OPERATIONAL AND INVESTMENT DECISIONS AND THE PROPER**
5 **ALLOCATION OF PRODUCTION COSTS TO CUSTOMER CLASSES?**

6 A. Ignoring for the moment the substantial questions associated with the stochastic LOLP
7 exhibit attached to FPL witness Whitley's testimony, the LOLP analysis confirms the
8 FPL system is a summer peaking system with increasing reliability concerns in the
9 summer months that is driving generation related investment and operational decision,
10 thus costs. This was noted in FPL witness Whitley's testimony, which detailed summer
11 operational constraints, shifting of net peak demands, and highest probability of
12 reliability issues is mostly concentrated in summer evenings.⁷¹ In fact, when planned
13 or scheduled maintenance outages during the spring or fall are removed from the LOLP
14 results, the highest probability of reliability issues is almost solely concentrated in the
15 four summer months. There were no probable outages identified in the winter months
16 of November through March.⁷²

17 **Q. HOW DOES THE SHIFTING NET PEAK DEMAND IMPACT COST**
18 **ALLOCATION FOR PRODUCTION COSTS TO CUSTOMER CLASSES?**

19 A. As discussed above, the FPL system remains distinctly summer peaking, with system
20 peaks most likely to occur in the four summer months of June through September.⁷³

⁷⁰ Whitley Direct at 15:1-12.

⁷¹ Exh. AWW-1, page 30 of 30.

⁷² *Id.*

⁷³ FPL MFR Schedule E-11, Attachment No. 2 of 3, Page 1 of 40.

1 FPL's accelerated battery storage investment targets the need for reliable capacity for
2 short periods during peak summer evenings. Also, the substantial organic growth in
3 customer accounts that FPL is projecting are primarily residential accounts that are
4 weather sensitive and will add to the summer peaks.⁷⁴ These circumstances do not seem
5 to change whether FPL uses the stochastic LOLP model or its traditional approach.
6

7 A 4CP allocation method much better reflects the system conditions that are dictating
8 how FPL, by its own admission, is investing in and managing the system at least
9 through the year 2030. In short, that method is much more aligned with cost-causation
10 than the proposed 12CP and 25% AD method. In addition, as discussed previously in
11 my testimony, FPL's current monthly CP's utilized in the COSS were not updated to
12 reflect the net peak moving later in the evening during the Test Year period.

13 **Q. HOW DO YOU PROPOSE ADJUSTING THE COSS TO REFLECT THESE**
14 **EXPECTED AND KNOWN CONDITIONS ON THE FPL SYSTEM RELATED**
15 **TO THE NET PEAK DEMANDS?**

16 A. I recommend applying a new 4CP allocation factor adjusted to reflect the customer
17 class's contribution to the expected later peak demand times for the summer months.
18 The new 4CP allocation factor should be applied to production and transmission
19 demand costs in the COSS to allocate costs to the customer classes. The 4CP is a more
20 accurate representation of system and how FPL is planning for and constructing
21 resources based on the LOLP analysis and FPL witness Whitley's testimony. 4CP
22 allocator used for demand allocations for generation and transmission related operating

⁷⁴ See generally Exh. TCC-4 (FPL's Load Forecasting Process for 2026-2029).

1 expenses, depreciation expenses, and rate base results in adjusted revenue requirement
2 allocations.

3 **Q. WHY DO YOU ALSO RECOMMEND A NEW 4CP ALLOCATION FACTOR**
4 **BE APPLIED TO TRANSMISSION-RELATED COSTS?**

5 A. Transmission systems are constructed in the same manner as generation assets and
6 infrastructure to meet system peak demands. Thus, the cost-causation for transmission
7 costs aligns with and matches the generation system. Thus, I recommend changing the
8 FPL proposed 12CP allocation factor for transmission related costs to the 4CP
9 allocation factor.

10 **F. CILC Rate and CDR Credit Value COSS Misalignment**

11 **Q. HOW DOES FPL ALLOCATE GENERATION COSTS TO THE CILC AND**
12 **CDR CUSTOMER-RELATED CLASSES?**

13 A. FPL allocates demand costs associated with generation plant to the CILC and CDR-
14 eligible customer classes based 75% on their metered demand coincident with the 12
15 monthly peaks on the FPL system as well as 25% on average demand.⁷⁵ In effect, all
16 metered load is considered firm load in the COSS.⁷⁶

⁷⁵ See DuBose Direct at 20:19-22.

⁷⁶ Exh. TMG-3, page 18 of 29 (FPL's Response to FRF's Int. No. 16).

1 **Q. IS THERE ANY REDUCTION OR ADJUSTMENT IN THIS DEMAND**
2 **ALLOCATOR AT THE SYSTEM COINCIDENT PEAKS TO RECOGNIZE**
3 **INTERRUPTIBLE (NON-FIRM) CUSTOMER LOAD?**

4 A. No, FPL does not adjust the customer class demand allocations to account for non-firm
5 demand.⁷⁷ CILC and CDR customers and related customer classes are treated as firm
6 capacity customers, even though more than 1,000 MW of that coincident peak demand
7 included in the cost allocations is interruptible and FPL does not design or construct
8 firm capacity to serve that load.⁷⁸ This is an expedient way to perform a COSS, but it
9 systematically over-allocates production costs to FPL's non-firm interruptible
10 customers.

11 **Q. FPL'S COSS ADDS BACK INTERRUPTIBLE REBATES TO THE**
12 **INTERRUPTIBLE CLASS SALES REVENUES IN THE FORM OF A "CILC**
13 **INCENTIVE OFFSET." DOES THIS CORRECT THE BASIC PRODUCTION**
14 **COST OVER-ALLOCATION ERROR IN THE COSS?**

15 A. No. The COSS allocates FPL's embedded costs, and the CILC/CDR credit, while a
16 negotiated level in recent years, is based on FPL's avoided costs. The CILC incentive
17 offset on MFR Schedule E-5 reflects the rebate level and not the embedded cost
18 benefits of the interruptible service. From a rate-setting standpoint, it is always
19 hazardous to mix embedded and avoided costs concepts. This misaligns embedded
20 costs and marginal avoided costs concepts in an embedded COSS by FPL.

⁷⁷ *Id.*

⁷⁸ *Id.*

1 **Q. PLEASE EXPLAIN.**

2 A. The FPL analysis is an embedded cost of service study. To properly correct the
3 systematic production cost allocation error, it is necessary to assess FPL's historic
4 embedded production and transmission costs. As I explain below, that embedded value
5 is approximately \$33.64/kW-month, or well more than triple the current rebate level of
6 \$8.76/kW-month that FPL applies on MFR Schedule E-5.⁷⁹ Consequently, the study
7 still significantly over-allocates production costs to the service classes with
8 interruptible service participants because the revenue offset that FPL employs does not
9 approach the embedded value. This materially understates the interruptible customer
10 class rates of return shown in the COSS as I explain further below.

11 **Q. WHAT IS THE EFFECT OF FPL'S ALLOCATION OF CAPACITY COSTS TO**
12 **CILC AND CDR CUSTOMER CLASSES ON THE ACTUAL METERED**
13 **DEMAND RATHER THAN THE FIRM CAPACITY AMOUNTS?**

14 A. The essential purpose of a COSS is to assign and allocate a utility's embedded costs to
15 match cost causation or how customer classes impose costs on the utility system. For
16 example, customers served at transmission voltages are not allocated distribution costs
17 because they do not use the distribution system and thus do not cause distribution plant
18 to be constructed. Similarly, the need for FPL's production plant is driven by net firm
19 demand and excludes non-firm load, which receives a lesser quality of service.⁸⁰ By
20 allocating its production costs based on customer class metered demand, and not the

⁷⁹ See Exh. TMG-2 at page 1 of 1.

⁸⁰ See *infra* Section VII (CILC/CDR Credit Value).

1 lower firm capacity amount reduced for interruptible capacity, FPL over-allocates costs
2 to the interruptible customer classes.

3 **Q. PLEASE EXPLAIN FURTHER.**

4 A. FPL's non-firm CILC/CDR service option has allowed FPL to avoid planning and
5 constructing generating capacity to serve that load for decades. By allocating the full
6 embedded generation costs to the CILC and CDR customer classes at the measured
7 demand and not adjusting to reflect the non-firm amount of that peak demand in the
8 allocation of costs, FPL's COSS misaligns cost causation with cost recovery. FPL
9 should correct the COSS by crediting the full embedded cost value of the interruptible
10 capacity back to the participating CDR and CILC customer classes.

11

12 Embedded costs evaluated in FPL's COSS represent the accumulated historical and
13 recent costs for FPL's generation and transmission system. To properly match FPL's
14 embedded costs to those classes, such production costs should only be allocated to
15 CILC and CDR firm loads, and not the interruptible component. This would properly
16 align cost allocation with cost causation.

17 **Q. WHAT ARE THE EMBEDDED COSTS FPL HAS INCURRED FOR**
18 **GENERATION AND TRANSMISSION SERVICE AND THE RELATED UNIT**
19 **COSTS FOR THOSE SERVICES?**

20 A. Exhibit TMG-2 details the system-level total costs for generation and transmission
21 services in 2026 from FPL's MFR E-6 and translates those total costs to unit costs (i.e.,
22 per kW) based on the FPL system coincident peak billing determinants. I used FPL's
23 coincident peak demand billing units to reflect the unit cost values during peak demand

1 periods on the system because that best aligns with periods when the CILC and CDR
2 services would most likely be activated by FPL.

3
4 This shows that generation unit costs, based on the coincident peaks, are \$21.92 per
5 kW, and the transmission costs are \$6.11 per kW. The total unit cost for generation and
6 transmission is \$28.30/kW. Applying the 20% reserve margin to this total yields an
7 embedded cost value of \$33.64/kW. This amount reflects the full embedded cost of
8 firm capacity that CILC/CDR participants allow FPL to avoid and represents the on-
9 going embedded cost value of the CILC/CDR programs.

10 **G. Recommendations**

11 **Q. WHAT ARE YOUR RECOMMENDATIONS FOR CORRECTING FPL'S**
12 **COSS AND PROPOSED REVENUE ALLOCATION?**

13 A. There are four significant errors in the COSS that erode its applicability and
14 defensibility for the proposed rates:

- 15 1. FPL did not adjust historical class contributions to monthly peaks to reflect the
16 expected changes on the system and shifting net peak issues driven by the increased
17 amounts of solar PV on the system. This is a clear misalignment with the Test Year
18 costs and cost causation concepts.
- 19 2. Specific to the CDR/CILC credit valuation, the erroneous allocation of production
20 costs to non-firm load indicate that FPL's proposed allocation of above system
21 average increases to its commercial and industrial service classes is not supportable.

1 3. There are fundamental errors in FPL's classification of costs for production and
2 battery energy storage O&M expenses which total a \$169 million shift from energy
3 to demand-related costs.

4 4. The 12CP and 25% AD allocation for production costs does not accurately reflect
5 FPL's resource planning decisions, generation investments, and shifting net peak
6 demands on the system. A 4CP allocation is more appropriate and aligned with how
7 FPL will be managing, investing, and operating the system during the Test Year
8 period.

9 **Q. WHAT IS THE RESULT OF THE COMBINED CORRECTIONS TO THE FPL**
10 **COSS?**

11 A. Each of the corrections results in a substantial shift toward parity of all the customer
12 classes, and particularly the C&I classes. As I discussed, I did not have updated peak
13 load data but expect that it would further reduce the allocation of production costs to
14 commercial classes. Also, correcting the embedded COSS to reflect production cost
15 allocation to non-firm service classes at the embedded cost value rather than the
16 revenue offset approach adopted by FPL would dramatically improve the observed
17 rates of return for those classes (i.e., bring CILC and applicable commercial classes
18 closer to rate of return parity).

19

1

2

5

⁸² Cohen Direct at 17:10-14.

1 clauses that are not being addressed in this case and should not factor into the
2 assignment of base rate increases to customer classes.

3 In sum, rather than attempting to re-build the COSS from the ground up with data that
4 may not be available, create a tolerance band based on the revised COSS results, and
5 apply gradualism based on the change in base rate revenues, I recommend that FPL
6 apply an equal percentage increase to all customer classes for any base rate revenue
7 increase that the Commission may authorize.

8 **VII. CILC/CDG CREDIT VALUE**

9 **Q. PLEASE DESCRIBE FPL'S CURRENT CILC/CDR PROGRAMS.**

10 A. The Commercial/Industrial Load Control ("CILC") rate, and the successor Commercial
11 Industrial Demand Reduction ("CDR") rider, are the largest and most successful FPL
12 DSM programs for its commercial and industrial customers. They historically have
13 been among the most cost-effective of all DSM programs implemented by FPL.⁸³
14 Combined, they currently provide approximately 1,004 MW of callable load reduction
15 controlled by FPL, which provides exceptionally reliable capacity value to FPL and all
16 of its other customers.⁸⁴

17
18 The CILC rate incorporates an interruptible credit into the design of the rates and was
19 the operative large customer interruptible rate for many years. This rate was closed to

⁸³ See, e.g., Docket No. 20250048-EG, *Petition for Approval of Florida Power & Light Company's Demand-Side Management Plan and request to Modify Residential and Business On Call Tariff Sheets*, Att. 1, App'x B (Program-Level Cost-Effectiveness Analysis at PSC Form CE1 for the CDR program).

⁸⁴ Exh. TMG-3, page 17 of 29 (FPL's Response to FRF Int. No. 15, 2025 C/I Load Management Total).

1 new customers in the year 1996.⁸⁵ Customers participating in the commercial and
2 industrial interruptible service program in subsequent years take service under an
3 otherwise applicable rate schedule, typically GSLD or GSLDT, and receive the CDR
4 credit to their demand charge. The participating CILC and CDR customers receive a
5 reduction in their monthly bills through a direct percent reduction of the base CILC bill
6 (currently 22%), or a bill credit of \$8.76 per kW for the portion of their CILC or CDR
7 that is interruptible.⁸⁶

8 **Q. HOW DOES THE OPERATION AND DEPLOYMENT OF THE CILC AND**
9 **CDR PROGRAMS WORK?**

10 A. Operationally, the CILC and CDR are identical in that both are interruptible by FPL on
11 one hour notice for reliability purposes for up to six hours when needed to forestall a
12 system emergency, capacity shortages (generation or transmission) or whenever, in
13 FPL's sole judgement, actual or projected system load could require FPL to operate its
14 generating units above their rated output (i.e., "peaking operation").⁸⁷ Moreover, in the
15 event of an actual system emergency, the tariffs allow FPL to interrupt service to
16 CILC/CDR participants on shorter notice (as little as 15 minutes, or even less if service
17 to firm customers is threatened), and the interruption period may be longer than 6
18 hours.⁸⁸ Service interruptions under the programs by FPL can occur at any time of the
19 year. FPL has complete control over the service interruption to participating customers

⁸⁵ FPL CILC Tariff, FPL Eighth Revised Sheet No. 8.650, *available at* <https://www.fpl.com/rates/retail-tariffs.html>.

⁸⁶ Whitley Direct at 35:1-6.

⁸⁷ *See* FPL CILC Tariff, FPL Fifth Revised Sheet No. 8.652, *available at* <https://www.fpl.com/rates/retail-tariffs.html>.

⁸⁸ *See id.*

1 and there is no opportunity for a participating customer to avoid, or “buy through,” any
2 service interruption that FPL elects to implement. In fact, there are significant penalties
3 under the tariff and CDR rider for energy consumption above a customer’s contracted
4 level of firm demand during an interruption event, and FPL can terminate a customer’s
5 participation for such non-compliance.⁸⁹ The result of these rigorously defined tariff
6 conditions is an extremely reliable emergency resource that may be available faster
7 than any FPL peaking supply resource. This resource is also dispersed throughout
8 FPL’s territory, so its availability is not limited by transmission constraints or other
9 physical impediments.

10

11 In contrast, for peaking assets, FPL needs to acquire or encumber land, construct and
12 operate the generation facilities, recover a return on the assets, pay property taxes on
13 the land and assets, pay salaries and benefits to the staff required for those facilities,
14 build or upgrade substations and other equipment to interconnect with the grid,
15 maintain spare parts inventory, make regulatory filings for air permits and other
16 licenses, incur fuel and other operating costs, and contend with all issues affecting unit
17 start up and delivery of output to load centers (e.g., generator availability, location and
18 transmission limits). As discussed previously in my testimony, FPL is now turning to
19 battery storage investments in this Base Rate Case to supply reliable capacity during
20 the emerging evening ramping and net peak periods, but the planned batteries are
21 duration-limited at four hours, and the existing battery installations’ discharge times

⁸⁹ See, e.g., FPL CILC Tariff, FPL Sixteenth Revised Sheet No. 8.654, available at <https://www.fpl.com/rates/retail-tariffs.html>. (detailing the penalty provisions for exceeding usage above a Customer’s Firm Demand).

1 are even shorter in duration.⁹⁰ For the interruptible resources participating in the CILC
2 and CDR programs, FPL incurs none of those costs, emissions or system impediments.

3 **Q. DOES FPL BUILD CAPACITY TO SERVE THE NON-FIRM PORTION OF**
4 **CILC/CDR LOADS?**

5 A. No. For resource planning purposes, FPL does not, and has not in the past, undertaken
6 any obligation to reflect in its generation planning and construction, service to the non-
7 firm CILC and CDR loads. This is routinely reflected in the FPL TYSP filings, which
8 deduct commercial/industrial load management capacity values from the determination
9 of Net Firm Demand upon which the utility calculates its capacity reserve margins and
10 generation need determinations.⁹¹ In short, CILC/CDR participants have, over several
11 decades, provided a continuous stream of system reliability benefits and cost savings
12 to FPL and all firm service customers.

13 **Q. DO YOU AGREE WITH FPL'S PROPOSAL TO REDUCE THE**
14 **INTERRUPTIBLE SERVICE CREDIT APPLICABLE TO NON-FIRM**
15 **CUSTOMERS TAKING SERVICE UNDER CILC/CDR PROGRAMS BY**
16 **ROUGHLY 29%?**

17 A. No. The credits applied for this interruptible service should be *increased*, not decreased.
18 FPL recognizes the continuing reliability value provided by its CILC/CDR interruptible
19 customers and wants to retain all of the 1,004 MW of capacity value that current
20 participants provide. FPL fails in this case to acknowledge the growing importance of
21 these programs to the FPL system and all of its customers while FPL grapples with the

⁹⁰ Exh. TMG-3 at page 11 of 29 (FPL's Response to FRF Int. No. 3); Oliver Direct at 8:20-9:15 (discussing FPL's currently in service and in construction storage facilities, which have a 2.2 hour to 3.0 hour duration range).

⁹¹ See, e.g., Exh. TMG-4, page 23-24, 27 of 40 (FPL 2025 TYSP, Schedules 3.1 and 7.1).

1 capacity needs created by intermittent solar production amid rising sales and peak
2 demand. Capacity costs are not declining, and the reliability value of this interruptible
3 load will only increase as FPL begins to place greater reliance on intermittent supply
4 resources.

5 **Q. PLEASE CONTINUE.**

6 A. The CILC and CDR programs have allowed FPL to avoid or defer additional
7 transmission and generation investments over the decades in which the programs have
8 been in place and customers have been participating. FPL's generation and
9 transmission systems are designed and constructed to meet expected net firm peak
10 demands on the utility system, plus a reserve margin. In Florida, the accepted capacity
11 additional reserve margin is 20%.⁹² Thus, the capacity benefit that CILC and CDR
12 participants provide includes the promised customer load reduction plus the applicable
13 reduction in reserve margin. For example, if 100 MW were available for CILC and
14 CDR, the actual benefit to FPL would be 120 MW in their resource plan. FPL admits
15 that current CILC/CDR participation will allow it to avoid hundred of megawatts of
16 capacity storage investment over the next five years.⁹³

17 **Q. PLEASE EXPLAIN THE PROPOSED CHANGES TO THE CURRENT CILC**
18 **AND CDR VALUATION PROPOSED BY FPL.**

19 A. FPL does not propose any changes to how the CILC/CDR programs work that would
20 make them less valuable to the network as a resource. It simply proposes to pay
21 participants less for providing those benefits. FPL witness Whitely proposes to reduce

⁹² Exh. TMG-4, page 11 of 40 (FPL 2025 TYSP).

⁹³ Exh. TMG-3, page 6 of 29 (FPL's Response to FIPUG Int. No. 43).

1 the CDR incentive credit from \$8.76 per kW-month to \$6.22 per kW-month, a
2 reduction of 29%, and to reflect a corresponding reduction in the credit incorporated in
3 the CILC rate.⁹⁴

4 **Q. COULD YOU FURTHER DESCRIBE FPL'S STATED REASONS FOR**
5 **REDUCING THE CDR CREDIT?**

6 A. FPL arbitrarily proposes to reduce the CILC/CDR credit to a level that is expected to
7 result in a RIM test of 1.49, which is higher than any currently approved FPL demand
8 side management ("DSM") measure.⁹⁵ I describe the flaws in FPL's assessment below.

9 **Q. WHAT WOULD THE CDR CREDIT BE IF A RIM TEST OF 1.0 WAS**
10 **APPLIED SIMILAR TO THE PERFORMANCE OF FPL'S OTHER DSM**
11 **PROGRAMS?**

12 A. If the CDR credit were aligned with the other DSM measures with a RIM test of 1.0,
13 the credit would be increased to \$9.33/kW, which is 6.5% higher than the current
14 value.⁹⁶

15 **Q. WHAT IS THE EMBEDDED COSTS VALUE ASSOCIATED WITH**
16 **CILC/CDR SERVICE?**

17 A. As explained above, Exhibit TMG-2 demonstrates that the embedded cost benefit of
18 the CILC/CDR programs is approximately \$33.64/kW. This amount reflects the full
19 embedded cost of firm capacity that CILC/CDR participants allow FPL to avoid and
20 represents the on-going embedded cost value of the CILC/CDR programs.

⁹⁴ Whitley Direct at 40:14-16.

⁹⁵ Docket No. 20250048-EG, *Petition for Approval of Florida Power & Light Company's Demand-Side Management Plan and request to Modify Residential and Business On Call Tariff Sheets*, Att. 1, App'x B (Program-Level Cost-Effectiveness Analysis).

⁹⁶ Exh. TMG-3, pages 19-21 of 29 (FPL's Response to FRF Int. No. 17).

1 **Q. DOES FPL’S PROPOSED VALUATION FOR THE CILC/CDR CREDIT**
2 **ALIGN WITH THE CURRENT STATE OF THE VALUE OF CAPACITY TO**
3 **FPL OR IN THE BROADER ELECTRIC MARKET?**

4 A. No; FPL’s proposed valuation for the CILC/CDR program has not kept pace and has
5 indeed lagged their own embedded cost increases for transmission and generation as
6 well as current capacity market trends. Currently, there is significantly increasing
7 demand for the development of new generation resources and capacity across the
8 county and in the Southeastern United States. Much of this demand is being driven to
9 serve the construction of data centers; however, organic system growth is also
10 contributing to the increased need for capacity, as seen with FPL’s TYSP and adding
11 generation plant.

12 **Q. IS THIS EMBEDDED UNIT COST MORE REFLECTIVE OF THE BENEFIT**
13 **AND VALUE THE CURRENT CILC AND CDR CUSTOMERS PROVIDE FPL**
14 **THAN FPL’S PROPOSED RATE?**

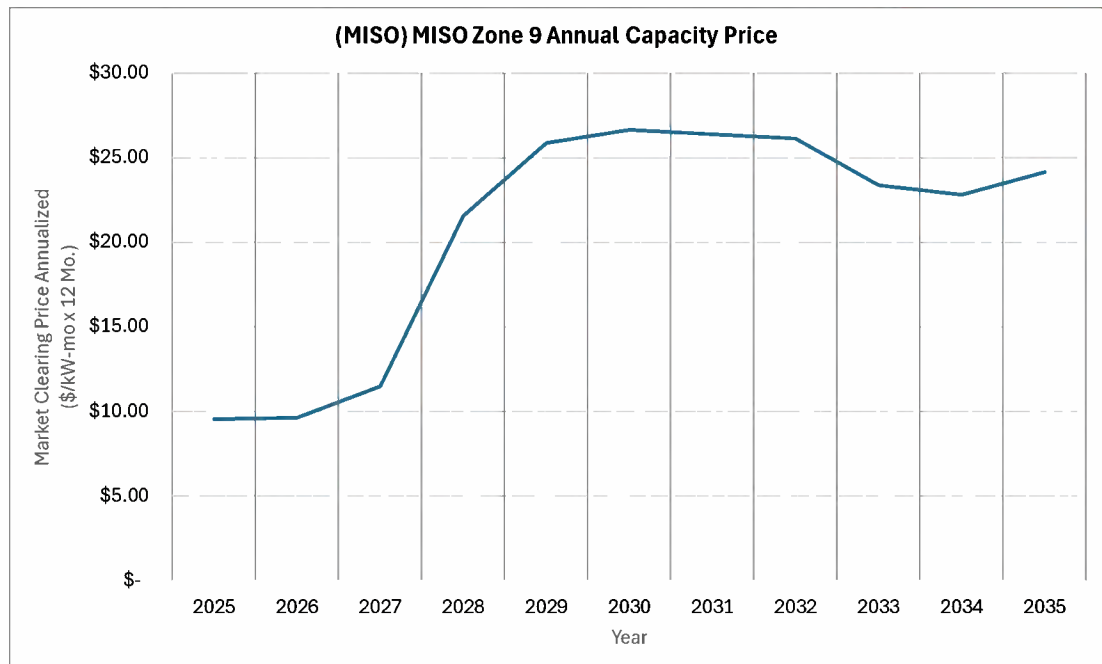
15 A. Yes. If the forward-looking marginal new resource basis proposed by FPL witness
16 Whitley is used to value the CDR incentive, it will not match the historical and on-
17 going benefits these customers have provided FPL for more than two decades.
18 Adopting FPL’s proposed reduced incentive for the CILC and CDR interruptible
19 customer loads substantially under-states the value provided by those customers to FPL
20 and firm service.

1 **Q. WHAT IS THE CURRENT STATE FOR CAPACITY IN THE ELECTRIC**
2 **MARKET?**

3 A. Currently, there is significant increasing demand for the development of new
4 generation resources and capacity across the county and in the Southeastern United
5 States. Much of this demand is being driven to serve the construction of data centers;
6 however, organic system growth is also contributing to the increased need for capacity,
7 as seen with FPL's TYSP and the addition of generation plant. The value of firm and
8 dispatchable capacity resources remains stable and is increasing from current levels.

9
10 Further supporting the value of capacity and the upward pressure on prices and
11 generation plant construction is the fact that FPL's strategy for addressing reliability
12 issues is adding one new gas-fired combustion turbine each year. However, FPL has
13 stated that it cannot get the combustion turbines in time as there is increased demand
14 in the market and delays from the manufacturer.⁹⁷ The following figures show the near-
15 term projected costs for firm capacity across the Southern United States which
16 highlight the upward pressure on capacity costs.

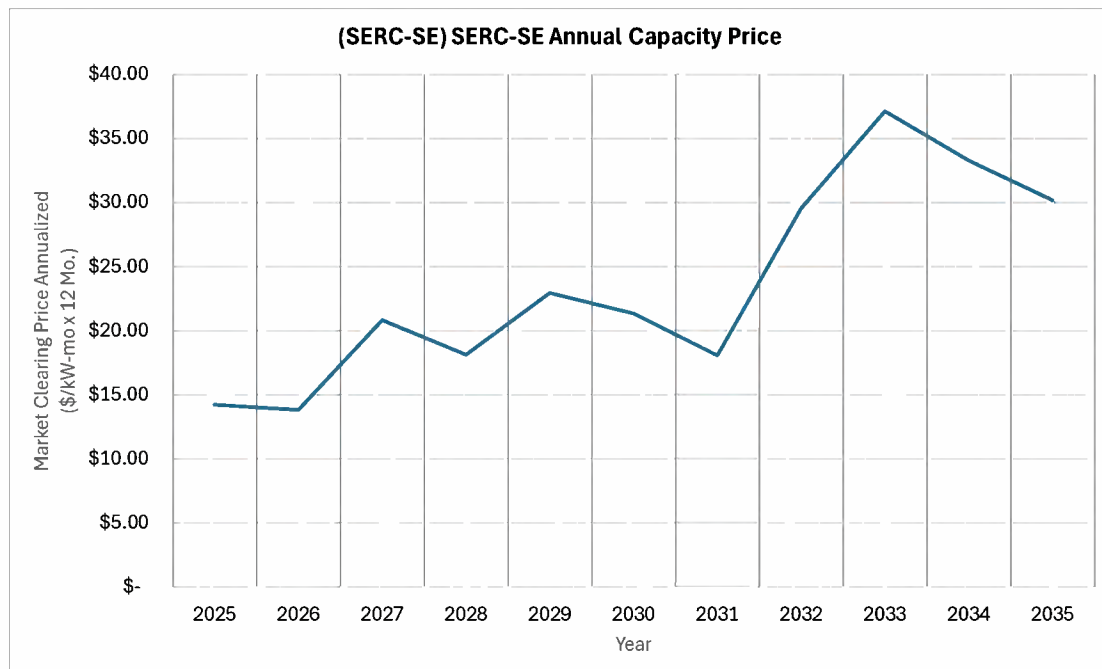
⁹⁷ Exh. TMG-3, page 28 of 29 (FPL Corrected Supplemental Response to Staff Int. No. 44, Att. 1, page 1 of 5).



1

2

Figure 1: MISO Zone 9 & 10 Capacity Price Forecast Source; S&P Global Intelligence



3

4

Figure 2: SERC-SE Capacity Price Forecast; S&P Global Intelligence

1 **Q. WHAT ARE THE PROJECTED COMPOUNDED ANNUAL GROWTH RATES**
2 **FOR 2026 THROUGH 2035 IN EACH OF THESE MARKET PROJECTIONS?**

3 A. The compounded average annual growth rates for the years shown are 9.7% for MISO
4 Zone 9 and 10, and 7.8% for SERC-SE. In each case, these projected costs for firm
5 capacity are not decreasing, but are increasing substantially. In SERC-SE, the SERC
6 reliability subregion that includes Florida, the capacity costs are projected to increase
7 by 13.5% per year from 2026 through 2029, the same years as FPL's test year. In the
8 MISO market forecast, the capacity costs are forecasted to increase at 28.0% per year
9 from 2026 through 2029.

10 **Q. COULD THESE ANNUAL GROWTH RATES BE USED AS AN**
11 **ALTERNATIVE TO PROJECT THE VALUE OF CDR/CILC**
12 **INTERRUPTIBLE CAPACITY?**

13 A. Yes; the escalation rates seen in the above examples could be applied to the current
14 CILC/CDR credit value to calculate a new value applicable during the period covered
15 by the proposed FPL rate plan of 2026 through 2029.

16 **Q. WHAT IS THE RESULT OF APPLYING THE ESCALATION RATES FOR**
17 **CAPACITY TO THE CILC/CDR CREDIT?**

18 A. Table 6 shows the annual CDR credit value when the average annual growth rate of
19 13.5% in SERC-SE is applied for 2026 through 2029.

Table 6					
CDR Credit Projection with SERC-SE Capacity Increases (\$/kW)					
Current	2026	2027	2028	2029	Average (2026–2029)
\$8.76	\$9.94	\$11.29	\$12.82	\$14.55	\$11.47

20

1 **Q. PLEASE EXPLAIN YOUR RECOMMENDATION TO INCREASE THE**
2 **CILC/CDR CREDIT.**

3 A. As noted, it is essential to consider historic and on-going system benefit that
4 CILC/CDR participation provides, and that the continued participation, or expansion
5 of participation, is especially crucial over the next five years given the limited capacity
6 resource options available to FPL during that period. At a minimum, the credits should
7 be increased based on a RIM measurement of 1.0, which as noted above would yield a
8 credit increase to \$9.33/ kW-month, or 6.5%.⁹⁸ However, it is also significant to note
9 that FPL attributed a total resource cost (“TRC”) score for the program was 40.06 in
10 its latest DSM plan filing, which is indicative of the substantial system benefits of the
11 tariff program.⁹⁹ I recommend that the CILC/CDR credit be increased by 10% to
12 **\$9.63/kW**
13 ~~\$10.07/kW~~ through the year 2030, or until such later time as FPL is able to add 1,000
14 MW of reliable capacity capable of performing for at least 6 continuous hours. This
15 level appropriately balances all of the factors described above.

15 **VIII. TAX ADJUSTMENT MECHANISM (TAM)**

16 **Q. DO YOU SUPPORT APPROVAL OF FPL’S PROPOSED RESERVE TAX**
17 **ADJUSTMENT MECHANISM (“TAM”) IN THIS CASE?**

18 A. No. The proposed TAM is not in the public interest and should not be approved.

⁹⁸ Exh. TMG-3, pages 19-21 of 29 (FPL Response to FRF Int. No. 17).

⁹⁹ Docket No. 20250048-EG, *Petition for Approval of Florida Power & Light Company’s Demand-Side Management Plan and request to Modify Residential and Business On Call Tariff Sheets*, Att. 1, App’x B (Program-Level Cost-Effectiveness Analysis at PSC Form CE1 for the CDR program).

1 **Q. PLEASE EXPLAIN.**

2 A. First, the TAM vehicle is only warranted, if at all, in the context of a four year base rate
3 commitment by FPL. As noted above, it seems unlikely that FPL will garner approval
4 of all the features that it claims are necessary to make a four year commitment. More
5 important, even if FPL were willing to make that commitment, there seems to be far
6 too much uncertainty for the Commission to authorize a base rate term that extends
7 beyond the period covered by the test year MFRs. Continued strong sales and revenue
8 growth, the emergence (or not) of new very large loads, continued investment in solar
9 PV beyond what is approved for the test years, and the continued availability of federal
10 clean energy incentives that are a driving force behind FPL's present resource planning
11 choices are but a few of the significant areas of serious uncertainty beyond the test year
12 horizon. All of those factors argue for the Commission to exercise caution.

13

14 Second, the dollars at issue with this mechanism involve the timing of recovery of tax
15 expense from utility ratepayers.¹⁰⁰ In very general terms, rate-making typically
16 assumes a straight-line amortization of capital assets when utilities may be applying
17 accelerated depreciation methods for tax purposes. This tax-timing variance (i.e.,
18 under-stating depreciation and related tax benefits in earlier years) results in a deferred
19 tax liability owed to ratepayers in later years. FPL's proposed TAM would allow FPL
20 to manipulate how certain deferred tax liabilities to manage its reported regulatory
21 earnings.¹⁰¹ Hence, in a period in which high revenues might produce earnings above

¹⁰⁰ Bores Direct at 56:6-13.

¹⁰¹ *Id.*

1 the established range, FPL could accelerate the treatment of the deferred liabilities
2 (increase its apparent costs) to keep its reported earnings within the range (i.e., avoid
3 claims of excess regulated earnings). Presumably, the inverse would apply during
4 periods of weak sales or higher costs. Since the accumulated deferred income tax
5 (“ADIT”) liability represents historic over-recoveries from utility customers, the initial
6 question is why FPL investors should be permitted to effectively benefit twice from
7 that tax-timing issue through operation of the TAM.

8
9 In sum, I recommend that the Commission reject the TAM proposal as unwarranted
10 and not in the public interest. Relatedly, I recommend that the Commission deny the
11 proposed solar and battery SOBRA’s for 2028 and 2029 and confine its order in this
12 docket to base rates for the two test years of 2026 and 2027. If the Commission
13 approves the TAM, the Commission should direct that the TAM expire at the end of
14 proposed term of the rate plan (i.e., year-end 2027).

15 **Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?**

16 **A. Yes.**

ERRATA SHEET**DIRECT TESTIMONY AND EXHIBITS OF TONY GEORGIS DATED JUNE 9, 2025**

Page	Line	Change
3	12	Replace “8,000” with “1,500”.
58	12	Replace “\$10.07/kW” with “\$9.63/kW”.

1 BY MR. BREW:

2 Q Mr. Georgis, did you also have five exhibits
3 labeled TMG-1 through 5 that was appended to your direct
4 prefiled direct testimony?

5 A Yes, I do.

6 MR. BREW: And, Your Honor, I would note that
7 in the CEL, they are marked as Exhibits 247 to 251.

8 CHAIRMAN LA ROSA: Okay.

9 BY MR. BREW:

10 Q And, Mr. Georgis, were those exhibits prepared
11 or compiled by you or under your supervision?

12 A Yes, with the exception of two, they are
13 excerpts from the NARUC cost allocation manual, and
14 there is an excerpt from the FPL ten-year site plan as
15 well.

16 Q Okay. Thank you.

17 Mr. Georgis, do you have a short summary of
18 your prefiled testimony?

19 A Yes.

20 Q Would you like to give that now, please?

21 A Sure.

22 Good morning, Commissioners. I am the
23 managing director of a consulting firm, utility
24 consulting firm NewGen Strategies and Solutions, and I
25 submitted testimony on behalf of the Florida Retail

1 Federation.

2 The Retail Federation is an association that
3 acts on behalf of its retail business members. These
4 businesses have thousands of accounts in FPL's system,
5 and it has intervened in many Commission dockets on
6 behalf of its members over the last 20 years.

7 In my testimony, I discuss numerous errors and
8 adjustments that are needed in the FPL embedded cost of
9 service study. In that regard, I explained FPL's
10 demand-related production costs should be allocated on
11 its 4 CP, or four summer months June through September.
12 FPL's system is distinctly a summer peaking system, and
13 consequently, that 4 CP allocator is most appropriate
14 for the system.

15 Next, based on the material issues I discuss
16 with respect to the cost of service study, I recommend
17 that the revenue increases authorized in this case would
18 be allocated amongst the classes on an equal percentage
19 basis.

20 Finally, I discuss FPL's proposal in its
21 direct case to reduce the interruptible service credit
22 provided to the participants in the CILC and the CDR
23 demand response program should rejected. I explain that
24 this program provides valuable capacity resources that
25 total roughly 1,000 megawatts, and that it is dispersed

1 throughout the FPL system, quickly able to assist FPL
2 during any type of system condition or outages. The
3 program's performance requirements are very demanding in
4 terms of short notice, potential duration of the events
5 and the penalties for failure to perform. I explain
6 that there is no reasonable basis for reducing the
7 credits, and the credits currently available
8 significantly understate the cost-effectiveness and
9 value of the program.

10 Over the years, FPL has avoided the
11 construction of hundreds of megawatts of generation that
12 would otherwise be in the rate case today. Going
13 forward, FPL admits the program participants will allow
14 FPL to avoid the construction of hundreds of additional
15 megawatts of battery storage over the next five years.
16 I calculated that the ongoing embedded cost benefits, as
17 well as the going forward capacity demonstrate that the
18 CILC/CDR program is worth considerably more than the
19 current credit.

20 Thank you. And I am available for any
21 questions.

22 MR. BREW: The witness is available for
23 cross-examination.

24 CHAIRMAN LA ROSA: Great. Thank you.

25 OPC, you are recognized.

1 MR. PONCE: Nothing from OPC. Thank you.

2 CHAIRMAN LA ROSA: Okay. FEL?

3 MR. MARSHALL: Thank you, Mr. Chairman.

4 EXAMINATION

5 BY MR. MARSHALL:

6 Q Good morning.

7 A Good morning.

8 Q On page 13, lines 18 through 19 of your
9 testimony, you point out that solar is only expected to
10 comprise about 13.6 percent of FPL's annual production,
11 is that right?

12 A I am sorry, just a moment. I am getting
13 though that page. Page 13, you said?

14 Q Yeah, page 13.

15 A Yes.

16 Q You would agree that the total production
17 plant in the rate base that solar comprise would be
18 greater than that, correct?

19 A The rate base, I am sorry?

20 Q Yes. Yes. Its percent as part of the rate
21 base would be higher than that?

22 A Yes.

23 Q You would also agree that FPL's solar PV
24 energy generation is not dispatchable and cannot be
25 counted upon to meet the system peak demands?

1 A Yes.

2 Q Would you also agree that some of the largest
3 drivers of FPL's capital initiatives is aggressive
4 investment in large-scale solar PV projects?

5 A I am sorry, could you restate that?

6 Q Absolutely.

7 Would you also agree that some of the largest
8 drivers of FPL's current capital initiatives is
9 aggressive investment in large-scale solar PV projects?

10 MR. BREW: Excuse me, Mr. Bradley, is there a
11 particular part of his testimony you are referring
12 to?

13 MR. MARSHALL: We can go to -- I think
14 Mr. Georgis discusses solar PV investments around
15 pages 15 to 16 of his testimony.

16 MR. BREW: Thank you.

17 CHAIRMAN LA ROSA: And, Mr. Georgis, as what
18 you see behind me, you also see on the screen in
19 front of you. And then once it's on the screen in
20 front of you, you have the ability to scroll
21 through and control it.

22 THE WITNESS: Thank you.

23 CHAIRMAN LA ROSA: No problem.

24 THE WITNESS: I am sorry, could you state
25 where I am in regards to the investments or the

1 amount of investments?

2 BY MR. MARSHALL:

3 Q Right, that you would agree that FPL has
4 made -- has had a capital initiative, capital spending
5 in making aggressive investment in large-scale solar PV
6 projects?

7 A Yes, they are significant PV investments.

8 Q And does that result in moving the net peak to
9 around 8:00 p.m. to 9:00 p.m. timeframe by 2027?

10 A That is my understanding, based on FPL's
11 testimony.

12 Q And would you agree that at that time, 8:00 to
13 9:00 p.m. solar would contribute little capacity to
14 serve firm load?

15 A Yes.

16 Q Page 25, line 12 of your testimony -- I will
17 give you a minute to get there -- you refer to the
18 monthly coincident peaks and the customer classes
19 contributions to those shifting peaks?

20 A I refer to it, yes, but they aren't available.

21 Q And the reference to the shifting peaks, is
22 that referring to the net peak, not the system peak?

23 A Correct. The peak to which FPL has to build
24 infrastructure, and the batteries, and being deployed,
25 and meeting that system peak.

1 Q And you testify in favor of the 4 CP
2 methodology based on the coincident peaks of June, July,
3 August and September?

4 A Correct.

5 Q On page 34, lines two through five of your
6 testimony, you testify about regarding classifying labor
7 costs as fixed and demand-related for the production
8 function and operations?

9 A Correct.

10 Q Are all 100 percent of FPL's labor costs for
11 production and operations incurred during the coincident
12 peaks of June, July, August and September?

13 A Labor costs are a fixed cost for FPL. They
14 don't change with the amount of energy that is produced
15 or used by consumers, so it's there -- or it's there to
16 meet the peaks.

17 Q And so are all 100 percent of FPL's labor
18 costs for production and operations incurred during
19 those coincident peaks?

20 A Yes. FPL deploys operational cost, labor
21 cost, infrastructure cost to meet those -- design the
22 system to its peak.

23 Q Right. I understand, you know, the testimony
24 designed to meet the peak, but is that the only time
25 that they incur those labor costs?

1 A FPL has -- labor costs are year-round, or they
2 pay them year-round.

3 Q If we could next go to master page C17-2312,
4 as part of Exhibit 64?

5 Have you seen this before?

6 A Yes.

7 Q And this is based on FPL's stochastic loss of
8 load probability analysis for 2027?

9 A Correct.

10 Q And you don't testify against the use of the
11 stochastic loss of load probability analysis in your
12 testimony, is that right?

13 A No, I do not.

14 Q And does this show October to be the month
15 with the most critical for system reliability?

16 A It is highlighted, but I would mention all the
17 other shaded areas are mostly in the summer months. And
18 in addition in this exhibit and in the testimony, they
19 state clearly that the -- in the future, during this
20 test year, the net peaks in the summer are what's going
21 to be driving FPL's investments.

22 Q But just to be clear, October is not one of
23 the four months in your 4 CP?

24 A No, it is not.

25 Q And April isn't either?

1 A No, it's not in the June to September 4 CP.

2 **Q Would you also agree that FPL, especially in**
3 **its northwest territory, can have significant winter**
4 **peaks?**

5 A I don't believe I speak to that in my
6 testimony, but I will take your word for it.

7 **Q Do you know if northwest -- the Northwest**
8 **Florida territory of FPL had an all-time peak in January**
9 **of 2025?**

10 A I do not know if they had an all-time peak in
11 that part of their system.

12 **Q And do you know if -- are you familiar with**
13 **the 522-megawatt Northwest Florida Battery Project?**

14 A I don't believe I speak to that in my
15 testimony, but I am aware of it.

16 **Q And do you know if that is the biggest single**
17 **capacity addition to FPL's system this year?**

18 A I do not know that.

19 **Q And do you know if it's being added for -- to**
20 **meet a winter reliability need?**

21 A Again, if it's in a regional portion of the
22 system, it's not the overall system, I speak in my
23 testimony to the overall system peaks and the net peaks
24 that are driving the investments for the generation and
25 transmission system.

1 **Q So do you know if it's being added for a**
2 **winter reliability need?**

3 A I am not familiar with that resource.

4 **Q And none of your 4 CP months would be during**
5 **the winter?**

6 A Correct. They are the summer peaking months.

7 **Q And your proposed revenue allocation would not**
8 **be based on a cost of service study, correct?**

9 A As I state in my testimony, there isn't a cost
10 of service study that reflects the future conditions.
11 Without those conditions, there isn't a cost of service
12 study to allocate the costs, thus, the equal percentage.

13 **Q And so am I correct that you would not,**
14 **therefore, have a cost of service study showing that a**
15 **flat revenue allocation is moving the customer classes**
16 **closer to parity?**

17 A There is no cost of service study to show one
18 way or the other, thus, the need for it.

19 **Q Switching topics to the CDR and CILC credits.**
20 **Would you agree that customers receiving those credits**
21 **have not been interrupted in more than 10 years?**

22 A I do not know the exact information on when
23 they have interrupted, no.

24 **Q If we can go to page 48 line 14 of your**
25 **testimony? Here, you say that they provide 1,004**

1 megawatts of -- am I reading your testimony correctly
2 that you are testifying that the CILC and CDR programs
3 provide approximately 1,004 megawatts of callable load
4 reduction?

5 A Yes.

6 Q And you cite there your Exhibit TMG-3, page
7 17?

8 A Correct.

9 Q If we could go to master page C41-4605? This
10 is going to be part of Exhibit 249, Exhibit TMG-3 page
11 17.

12 Do you have that in front of you now?

13 A Yes, I do.

14 Q And is that the -- do you see for 2025, the
15 C/I load management, is that the 1,004 megawatt figure
16 you are referring to?

17 A Correct.

18 Q Does the footnote to that indicate that that
19 also includes FPL's Business On-Call Program?

20 A Yes.

21 Q And that program is separate from the CDR and
22 CILC programs, correct?

23 A Yes.

24 Q If we could go to page 53 of your testimony,
25 line 18. This is where you testify regarding the

1 **embedded cost benefit of the CILC and CDR programs?**

2 A I am sorry, line 18, you said?

3 **Q Yes.**

4 A Yes. That's the embedded cost, what's been
5 avoided.

6 **Q And you testify that that's approximately**
7 **\$33.64 per kilowatt?**

8 A Yes, that's the -- that's what FPL has avoided
9 historically with the programs.

10 **Q And the current value of that is \$8.76 per**
11 **kilowatt?**

12 A The current -- yes, the CILC/CDR credit.

13 **Q And so your testimony would be that the**
14 **embedded value is 3.84 times the current value?**

15 A Correct. There is a misalignment in the cost
16 of service between the cost -- or the value in the
17 current credit that they are receiving, because that
18 takes place in the DSM docket, versus what they have
19 avoided historically -- what FPL has avoided
20 historically with the investments that they have avoided
21 with the CILC and CDR credits. By avoiding that, that's
22 embedded in the embedded cost and cost of service.

23 **Q If we could go to master page J1112, as part**
24 **of Exhibit 8?**

25 **Do you see present revenues at the top by the**

1 various classes, including the CILC and the current CILC
2 and CDR credit offset?

3 A Yes, I see the sales at the top, I think, you
4 are referencing.

5 Q And so if we looked at class CILC-1D and
6 multiplied the current credit by a factor of 3.84, would
7 you accept, subject to check, that that would be over
8 \$87 million?

9 A Subject to check, yes.

10 Q And that would be more than the entire revenue
11 from the class?

12 A That number is higher. That's the value of
13 the embedded avoidance -- avoided costs.

14 Q And if we do the same kind of math, would you
15 accept, subject to check, for CILC-1T that the embedded
16 cost value that you calculated would also be higher than
17 the entire sales from the class?

18 A Which -- I am sorry, which class?

19 Q CILC-1T?

20 A 1T? Subject to check.

21 Q And I guess my question is, is how can the
22 embedded value of the credit be higher than all revenue
23 from the class?

24 A The embedded -- I don't recommend that the
25 credit be taken to the embedded cost, but this is a

1 historical misalignment of the cost and benefit of the
2 program. Since the program is -- the credit value is
3 derived in a different docket, it's not embedded or
4 linked to the cost of service.

5 In the cost of service, what you would do is
6 either reduce the allocations of the firm capacity to
7 these classes or give them the credit back at the
8 embedded costs. Since that's not done and it's
9 calculated separately, I can't comment as to why it
10 would be higher.

11 **Q And it would not be your testimony that just**
12 **by plugging in a CILC-1T customer onto the grid, that**
13 **that, absent them paying revenues, that that is somehow**
14 **generating money to the general body of ratepayers,**
15 **correct?**

16 A I am sorry, I don't think I fully follow the
17 question. So a new customer coming --

18 **Q Well, right -- I mean, I am just trying to get**
19 **at how, you know, the idea that the embedded credit**
20 **value, you know, is more than the revenue from the**
21 **class, like, just by being -- or an existing CILC-1T**
22 **customer, absent them paying a bill, it doesn't generate**
23 **revenue for the general body of customers, correct?**

24 A Sure. And the issue is the disconnect between
25 how the credit is valued, it's cost of service if the

1 impact of the system of the CILC and CDR customers were
2 actually shown in here, the amount of curtailable
3 interruptible load would simply be reduced from the
4 allocations from the CP -- the 4 CP or the 12 CP
5 allocation.

6 That's not what's happening. The value is --
7 the value is calculated somewhere else and then credited
8 back. So there is a disconnect between the cost of
9 service study and the DSM study, and because they are
10 commingled, it's not allocated properly.

11 What would happen is it simply reduces the
12 allocation of costs. Since there would still be costs
13 and a rate outcome, or revenue outcome from these
14 customers, it would just be a lower amount, and the
15 credit would be removed.

16 **Q You testify that the CILC/CDR credit should be**
17 **increased by 10 percent to \$9.63 per kilowatt, is that**
18 **right?**

19 A Correct.

20 **Q And would that 10-percent increase come at a**
21 **cost of about 83-and-a-half million dollars per year,**
22 **not the 10 percent, but the total CDR/CILC incentive**
23 **cost at that point?**

24 A Subject to checking the math, yes.

25 **Q And through the year 2030, that would be an**

1 almost cost of \$418 million to the general body of
2 ratepayers?

3 A Again, I didn't testify to total amount, so I
4 can't confirm those numbers.

5 Q Would you agree that 3,953 megawatts of
6 four-hour batteries would be more than enough to meet
7 the 1,000 megawatts of reliable capacity for six hours?

8 A I didn't -- I don't believe I testified to the
9 amount of batteries that would be needed for the roughly
10 thousand megawatts available. I mean, they are not
11 similar resources or quality or value of resources
12 either.

13 Q Do you believe that almost 4,000 megawatts of
14 four-hour batteries could meet the need for reliable --
15 1,000 megawatts of reliable capacity for six hours?

16 A I haven't done those calculations and I
17 couldn't affirm it.

18 Q Do you know if FPL's calculation of the
19 revenue requirement for that number of batteries for the
20 period of 2026 through 2029 is just over \$255 million?

21 A I have not done that calculation or verified
22 it, no.

23 Q Thank you, Mr. Johnson. That's all my
24 questions this morning.

25 A Thank you.

1 CHAIRMAN LA ROSA: Thank you.

2 FAIR.

3 MR. LAVIA: No questions.

4 CHAIRMAN LA ROSA: FEIA?

5 MR. MAY: No questions.

6 CHAIRMAN LA ROSA: Walmart?

7 MS. EATON: No questions.

8 CHAIRMAN LA ROSA: FEA?

9 CAPTAIN RIVERA: No questions.

10 CHAIRMAN LA ROSA: FIPUG?

11 MR. MOYLE: No questions.

12 CHAIRMAN LA ROSA: FPL?

13 MS. MONCADA: No questions.

14 CHAIRMAN LA ROSA: Staff?

15 MR. STILLER: No questions.

16 CHAIRMAN LA ROSA: Commissioners, are there
17 any questions?

18 Seeing none, back to FRF.

19 MR. BREW: Yes. Thank you, Mr. Chairman.

20 We would move the -- Mr. Georgis' Exhibits No.
21 247 to 251 into the record, and ask that the
22 witness be excused.

23 CHAIRMAN LA ROSA: Assuming there is no
24 objections to those, seeing none, so moved.

25 (Whereupon, Exhibit Nos. 247-251 were received

1 into evidence.)

2 CHAIRMAN LA ROSA: Anything else that needs to
3 be moved into the record? Seeing none.

4 Thank you, Mr. Georgis. You are excused.

5 (Witness excused.)

6 CHAIRMAN LA ROSA: Let's stay with FRF, and
7 you can call your next witness.

8 MR. BREW: That's all I got.

9 CHAIRMAN LA ROSA: All right. Staff, I'm just
10 going to double check that we are going to go to
11 FEL?

12 MR. STILLER: Is Witness Ly here to testify?

13 MR. MOYLE: Yeah, he is, and I think our
14 friends at LULAC also have a witness that's a cost
15 of service witness that would go of after Mr. Ly.
16 Mr. Ly, I am sorry.

17 MR. STILLER: I am sorry.

18 CHAIRMAN LA ROSA: So who is tendering Mr. Ly?

19 MR. MOYLE: FIPUG.

20 CHAIRMAN LA ROSA: Excellent. I just -- and
21 let me then -- it's okay to go back to FIPUG then?

22 MR. STILLER: Yes, sir.

23 CHAIRMAN LA ROSA: Okay. All right. Sorry
24 for the confusion.

25 MR. MOYLE: No worries. We grouped them all

1 cost of service. We didn't really put them in
2 order so that's understandable.

3 FIPUG would like to call Mr. Jonathan Ly to
4 the stand.

5 CHAIRMAN LA ROSA: Mr. Ly, do you mind staying
6 standing and raising your right hand?

7 Whereupon,

8 JONATHAN LY

9 was called as a witness, having been first duly sworn to
10 speak the truth, the whole truth, and nothing but the
11 truth, was examined and testified as follows:

12 THE WITNESS: I do.

13 CHAIRMAN LA ROSA: Excellent. Great. Thank
14 you.

15 Feel free to get settled in, and I will throw
16 it back to FIPUG once you guys are get ready.

17 EXAMINATION

18 BY MR. MOYLE:

19 Q Good morning, Mr. Ly. Please state your name
20 and business address for the record.

21 A My name is Jonathan Ly. My business address
22 is 14323 South Outer 40 Road, Suite 206N, St. Louis,
23 Missouri, 63107.

24 Q Thank you.

25 Did you cause direct testimony and Exhibits 1

1 through 3 to be filed in this case on June 9th, 2025?

2 A Yes.

3 Q And did you also cause to be filed errata on
4 or about July 14th, 2025?

5 A Yes.

6 Q If I asked you the questions that are set
7 forth in your prefiled testimony today, would your
8 answers be the same?

9 A Yes, they would.

10 Q Do you have any corrections to your testimony?

11 A No, not at this time.

12 Q Okay. Have you prepared a summary of your
13 testimony?

14 A Yes, I have.

15 Q Okay. Would you please provide that to the
16 Commission and to the parties?

17 A Of course.

18 Good morning, Commissioners. My testimony
19 sponsors FIPUG's revised class cost of service study,
20 which was discussed in greater detail earlier this
21 morning by my colleague Mr. Pollock. In addition, I
22 also address Issues 99 and 100 regarding FPL's proposal
23 to adjust credits paid to participating customers
24 through the commercial and industrial load control and
25 commercial and industrial demand reduction programs.

1 These programs, which I will refer to as the CILC and
2 CDR programs, respectively, represent a valuable tool
3 for maintaining reliability both on FPL's system and in
4 the state of Florida at large.

5 First, FPL does not plan its system to serve
6 loads participating in the CILC and CDR programs, so the
7 company is not required to build capacity to meet these
8 needs. Furthermore, during emergency conditions in
9 which there is insufficient capacity to serve firm loads
10 anywhere in the state, FPL may call upon these customers
11 to curtail their usage for an unlimited duration as
12 necessary to maintain the reliability of the electric
13 system within the state. In return, participants
14 receive a credit from FPL for agreeing to curtail load.
15 These payments are analogous to the cost required to
16 maintain a firetruck. Although, you hope to never have
17 to call upon a firetruck, it is absolutely critical to
18 have available when emergencies arise.

19 Despite the value these programs offer to the
20 grid, FPL is proposing to reduce these credits by 29
21 percent based upon a positive benefit analysis conducted
22 in the overall cost simulation model. However, FPL made
23 two critical assumptions which unduly diminish the
24 capacity value CILC and CDR programs.

25 First, FPL ignored existing interconnections

1 with neighboring utilities by treating its system as an
2 electric island.

3 Second, FPL assumed that these programs could
4 be deployed for no more than six hours, despite the fact
5 that there are no limitations on how long curtailments
6 may last in emergency situations.

7 As a result of these assumptions, the value of
8 these programs to FPL's system is severely understated.
9 Without these constraints, the CILC and CDR programs
10 could effectively provide 100 percent of their capacity
11 as firm capacity. FPL's model needlessly complicates
12 the valuation of the CILC and CDR programs. The value
13 of these programs is directly related to their ability
14 to defer resource additions. Specifically in this case,
15 FPL assumes that these programs will defer the addition
16 of future battery resources. The avoided cost of these
17 batteries on a per kilowatt basis significantly higher
18 than the current credit paid through the CILC and CDR
19 programs, therefore, the credits paid to participants
20 could be significantly increased, and these programs
21 would still cost-effectively defer the addition of more
22 costly battery resources, thereby, fitting the system as
23 a whole.

24 Based upon increases in FPL's production plant
25 in service since its last rate case, I recommend that

1 the Commission approve a 41-percent increase in the CILC
2 and CDR credits from \$8.76 to \$12.32 per kilowatt.

3 Thank you for the opportunity to present this
4 summary of my testimony.

5 **Q Thank you.**

6 MR. MOYLE: We would like to go ahead and move
7 his prefiled testimony into the record.

8 CHAIRMAN LA ROSA: So moved.

9 (Whereupon, prefiled direct testimony of
10 Jonathan Ly was inserted.)

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**In re: Petition by Florida Power & Light
Company for Base Rate Increase**

**DOCKET NO. 20250011-EI
Filed: June 9, 2025**

CONFIDENTIAL INFORMATION REDACTED

**DIRECT TESTIMONY AND EXHIBITS OF
JONATHAN LY**

**ON BEHALF OF
THE FLORIDA INDUSTRIAL POWER USERS GROUP**



J . P O L L O C K
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C39-4383

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Florida Power & Light Company for Base Rate Increase	DOCKET NO. 20250011-EI Filed: June 9, 2025
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Table of Contents

LIST OF EXHIBITS	ii
GLOSSARY OF ACRONYMS	iii
1. INTRODUCTION, QUALIFICATIONS AND SUMMARY	1
2. CLASS COST-OF-SERVICE STUDY	5
4CP Method	6
Rate Base Components	8
Net Operating Income Components	11
Revised CCROSS	13
3. CILC/CDR INCENTIVE LEVEL	14
4. CONCLUSION	26
APPENDIX A.....	27
APPENDIX B.....	29
AFFIDAVIT OF JONATHAN LY	31

LIST OF EXHIBITS

Exhibit	Description
JL-1	Derivation of 4CP Allocation Factors
JL-2	Derivation of Firm Load 4CP Allocation Factors
JL-3	FIPUG's Revised Class Cost-of-Service Study

GLOSSARY OF ACRONYMS

Term	Definition
4CP	Four Coincident Peak
12CP	Twelve Coincident Peak
AD	Average Demand
CCOSS	Class Cost-of-Service Study
CILC	Commercial/Industrial Load Control
CDR	Commercial/Industrial Demand Reduction
CPR	Capacity Payment Recovery
CPVRR	Cumulative Present Value Revenue Requirement
ECCR	Energy Conservation Cost Recovery
FPL	Florida Power & Light Company
FIPUG	Florida Industrial Power Users Group
ITC	Investment Tax Credit
kW	Kilowatt
MW	Megawatts
O&M	Operation and Maintenance
TECO	Tampa Electric Company
RIM	Rate Impact Measurement
T&D	Transmission and Distribution

Direct Testimony of Jonathan Ly

1. INTRODUCTION, QUALIFICATIONS AND SUMMARY

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A Jonathan Ly, 14323 South Outer 40 Rd., Suite 206N, St. Louis, Missouri 63017.

3 **Q WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?**

4 A I am an Associate of J. Pollock, Incorporated.

5 **Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

6 A I have a Bachelor of Arts degree in Integrative Biology from the University of California,
7 Berkeley and a Master's degree in Energy and Earth Resources from the University of
8 Texas at Austin. Since joining J. Pollock, Incorporated in 2018, I have participated in
9 numerous regulatory proceedings regarding the ratemaking process, resource
10 planning, certificates of convenience and necessity, and assessments of planned new
11 resources in Arkansas, Florida, Georgia, Michigan, Minnesota, New Mexico, New
12 York, North Carolina, Texas, and Wyoming. My qualifications are documented in
13 **Appendix A.** A list of my appearances in utility regulatory proceedings is provided in
14 **Appendix B.**

15 **Q ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

16 A I am testifying on behalf of the Florida Industrial Power Users Group (FIPUG). A
17 substantial number of FIPUG members purchase electricity from Florida Power & Light
18 Company (FPL). They are among the largest FPL customers and consume significant
19 quantities of electricity, often around-the-clock, and require a reliable, affordably-

**1. Introduction, Qualifications
and Summary**

1 priced supply of electricity to power their operations. Therefore, FIPUG members have
2 a direct and substantial interest in the issues raised in, and the outcome of, this
3 proceeding. FIPUG has been actively participating and representing its members
4 interests for decades in legal proceedings, including FPL rate case proceedings,
5 before the Commission and the Florida Supreme Court.

6 **Q WHAT ISSUES DO YOU ADDRESS?**

7 A I sponsor FIPUG's revised class cost-of-service study (CCOSS) that will better reflect
8 cost causation by incorporating changes recommended by my colleague, Mr. Jeffrey
9 Pollock, as well as additional changes that I discuss herein. In addition, I also address
10 FPL's proposal to decrease the level of incentives provided to the
11 Commercial/Industrial Load Control (CILC) and Commercial/Industrial Demand
12 Reduction (CDR) customers.

13 **Q ARE THERE ANY OTHER WITNESSES TESTIFYING ON BEHALF OF FLORIDA**
14 **INDUSTRIAL POWER USERS GROUP?**

15 A Yes. My colleague, Mr. Pollock, provides an overview of the drivers of FPL's proposed
16 base revenue increases and requested return on equity, and addresses specific issues
17 regarding FPL's CCOSS and class revenue allocation. In addition, he discusses FPL's
18 proposed changes to its Contribution in Aid of Construction policy and its proposed
19 new rate schedule for Large Load Contract Service.

20 **Q ARE YOU SPONSORING ANY EXHIBITS WITH YOUR TESTIMONY?**

21 A Yes. I am sponsoring Exhibits JL-1 through JL-3.

1. Introduction, Qualifications
and Summary

1 Q ARE YOU ACCEPTING FPL'S POSITIONS ON THE ISSUES NOT ADDRESSED IN
2 YOUR DIRECT TESTIMONY?

3 A No. One should not interpret the fact that I do not address every issue raised by FPL
4 as support of its proposals.

5 **Summary**

6 Q PLEASE SUMMARIZE YOUR FINDINGS AND RECOMMENDATIONS.

7 A My findings and recommendations are as follows:

8 **Class Cost-of-Service Study**

- 9 • Based on Mr. Pollock's testimony, I revised FPL's CCOSS to use the Four
10 Coincident Peak (4CP) method to allocate production and transmission plant
11 and related expenses using the allocation factors derived in **Exhibit JL-1**.
- 12 • As shown in **Exhibit JL-2**, I have also modified the 4CP allocation factors to
13 exclude non-firm demand to compensate the CILC/CDR customers for the cost
14 of the CILC/CDR incentives (or interruptible credits) that they are charged under
15 the Energy Conservation Cost Recovery clause. This adjustment is discussed
16 further in Mr. Pollock's testimony.
- 17 • FPL allocates various rate base and net operating income costs using either
18 total operation and maintenance (O&M) or O&M Labor expenses extensively
19 throughout its CCOSS. In several instances, O&M or O&M Labor allocators are
20 not reflective of how these costs are incurred. Furthermore, certain other cost
21 components that were not allocated on total O&M or O&M Labor were also
22 allocated in a manner inconsistent with cost causation. As a result, I
23 recommend that changes be made to specific cost components to better reflect
24 cost causation.
- 25 • I recommend that the Commission approve FIPUG's revised CCOSS presented
26 in **Exhibit JL-3** incorporating the changes proposed by Mr. Pollock and me.

1. Introduction, Qualifications
and Summary

CILC/CDR Incentive Level

- The CILC and CDR programs provide value to FPL's system as cost-effective demand-side resources that are capable of deferring capacity resource additions.
- Despite analysis demonstrating that the CILC and CDR programs are projected to remain cost-effective at the current rate, FPL is proposing to reduce the incentives paid to program participants by 29%.
- FPL's proposal to reduce the credit is based upon flawed analysis which modeled FPL on a standalone basis, akin to an islanded system that is unable to rely upon generation and transmission capabilities from neighboring utilities, which results in the CILC and CDR programs being called upon with increasing frequency.
- Furthermore, FPL's analysis also assumed that load control periods would always be limited to only six hours. However, under emergency conditions, FPL has the option to extend these periods without constraint. Limiting the ability for these programs to be dispatched in the analysis — while simultaneously relying more frequently on them — understates their actual firm capacity value.
- Based on the historic cost of FPL's installed generation, the 900 megawatts (MW) of existing CILC/CDR load has deferred approximately \$591 million of capacity additions.
- The CILC/CDR program will defer the cost of future battery storage additions. Based on FPL's assumed cost of battery storage, the CILC/CDR incentive level can remain cost-effective up to \$[REDACTED] per kilowatt (kW) per month.
- The Commission should reject FPL's proposal to reduce the CILC/CDR incentive level by 29%.
- Instead, the Commission should increase the CILC/CDR incentive level in an amount equivalent to the increase in FPL's production plant in service since its last rate case (40.7%) from \$8.76 to \$12.32 per kW to recognize its value in deferring future capacity resource additions.

2. CLASS COST-OF-SERVICE STUDY

1 Q WHAT ROLE DOES COST CAUSATION PLAY IN A COST OF SERVICE STUDY?

2 A A key tenet of ratemaking is that the customers should pay for the costs that they
3 cause a utility to incur to provide electric service to them. As discussed by Mr. Pollock,
4 a CCROSS is the analysis that is used to determine the extent to which a customer
5 class is responsible for a utility's costs. Therefore, cost causation is the guiding
6 principle of a CCROSS, and the attribution of costs to their cost causers is the ultimate
7 goal of the analysis.

8 Q HAS THE COMMISSION RECENTLY ISSUED A DECISION CITING THE
9 IMPORTANCE OF COST CAUSATION?

10 A Yes. In evaluating the allocation of production costs in Tampa Electric Company's
11 (TECO's) most recent base rate case, the Commission stated:

12 Moreover, FIPUG and FEA offered testimony supporting 4 CP on the basis that
13 it **better addresses cost-causation principles by allocating costs to the**
14 **cost-causer**—the classes responsible for peak demand. Specifically, we are
15 persuaded by the testimony that 4 CP allows TECO to meet system peak
16 demand, which is the cost-causer, while simultaneously allowing TECO to plan
17 for sufficient capacity to meet the expected summer peak and secondary winter
18 peak demand.¹ (emphasis added)

19 As the Commission appropriately recognized, it is crucial that costs be allocated in a
20 manner reflective of cost causation to ensure that the classes of customers which
21 cause a utility to incur a particular cost pay for the costs that they impose.

¹ *In Re: Petition for Rate Increase by Tampa Electric Company*, Docket No. 20240026-EI, *Final Order Granting in Part and Denying in Part Tampa Electric Company's Petition for Rate Increase* at 128 (Feb. 3, 2025).

2. Class Cost-of-Service Study

1 **Q PLEASE DISCUSS THE REVISED CLASS COST-OF-SERVICE STUDY THAT YOU**
2 **ARE SPONSORING.**

3 A FIPUG's revised CCOSS includes the changes to FPL's CCOSS as recommended by
4 Mr. Pollock. Specifically:

- 5 • Allocate production and transmission demand-related costs using the 4CP
6 method; and
- 7 • Adjust the incentive payments to CILC and CDR customers to ensure that the
8 costs are properly allocated to, and recovered from, firm customers who are
9 the sole cost-causers of demand response.

10 **Q ARE THERE ADDITIONAL RECOMMENDED CHANGES REFLECTED IN FIPUG'S**
11 **REVISED CLASS COST-OF-SERVICE STUDY?**

12 A Yes. First, FPL uses allocation factors based upon total O&M and O&M Labor
13 expenses extensively throughout its CCOSS to allocate the costs of various rate base
14 and net operating income items. However, the use of these factors is not necessarily
15 appropriate for a number of items and changing these allocators as discussed herein
16 more accurately reflects cost causation. Second, although certain other components
17 were not allocated on total O&M or O&M Labor by FPL, they are, nevertheless,
18 allocated in a manner that is unreflective of cost causation. As such, FIPUG's revised
19 CCOSS incorporates specific adjustments to correct these issues.

4CP Method

20 **Q HAVE YOU DEVELOPED ALLOCATION FACTORS FOR PRODUCTION AND**
21 **TRANSMISSION PLANT AND RELATED EXPENSES THAT REFLECT THE 4CP**
22 **METHOD AS RECOMMENDED BY MR. POLLOCK?**

23 A Yes. As discussed in Mr. Pollock's testimony, FPL is a summer-peaking utility. Based
24 on his recommendation, I have prepared **Exhibit JL-1**, which shows the derivation of

2. Class Cost-of-Service Study

1 4CP allocation factors based on each class's peak loads in the months of June, July,
2 August, and September.

3 **Q HAVE YOU ALSO DEVELOPED MODIFIED 4CP ALLOCATION FACTORS THAT**
4 **EXCLUDE NON-FIRM LOAD AS RECOMMENDED BY MR. POLLOCK?**

5 A Yes. As discussed by Mr. Pollock, the costs for interruptible credits should be
6 allocated based only on firm load to rightly recognize the benefits provided by the
7 willingness of non-firm customers to curtail their load in the event of capacity shortage
8 or emergency conditions. Consequently, I have prepared **Exhibit JL-2**, which shows
9 the derivation of the modified 4CP allocation factors which exclude non-firm demand.
10 For CILC classes, firm load was determined by multiplying the class coincident peak
11 load by its firm on-peak billing demand, then dividing this product by the sum of firm
12 on-peak billing demand and the class load control on-peak billing demand. For CDR
13 classes, firm load was determined by removing CDR load from the class maximum
14 demand to determine a ratio of firm load. This ratio of firm load was then multiplied by
15 the class coincident peak demand to identify the amount of firm load at the time of
16 coincident peak. These adjustments are appropriate and fair as FPL customers who
17 voluntarily agree to be interrupted in exchange for compensation should not be
18 required, in effect, to make payments to themselves for being interruptible — which is
19 how the interruptible credits are allocated presently.

2. Class Cost-of-Service Study

Rate Base Components

1 **Q WHAT CHANGES ARE YOU RECOMMENDING TO VARIOUS RATE BASE**
2 **COMPONENTS?**

3 **A A summary of my recommended allocation factors, along with those proposed by FPL,**
4 **are provided in Table 1.**

Table 1 Proposed and Recommended Allocations of Rate Base Components		
Description	FPL Proposed	FIPUG Recommended
Over-Recovery of ECCR Revenues	Total O&M	4CP Demand
Over-Recovery of CPR Revenues	Total O&M	4CP Demand
Storm Maintenance	Gross Plant	T&D Plant
Over-Recovery of Storm Protection Plan Revenues	Total O&M	T&D Plant
ITC Gross-Up Regulatory Liability	Total O&M	Production Plant
Losses from Disposition of Plant	Total O&M	Net Plant
Other Taxes	Total O&M	Net Plant
Deferred Gains for Future Use	Total O&M	PHFFU
Interest on Long-Term Debt	Total O&M	Rate Base
Rate Case Expenses	Total O&M	Total Revenue
Revenue Taxes	Total O&M	Total Revenue

5 **Q PLEASE EXPLAIN WHY YOU ARE RECOMMENDING A 4CP DEMAND**
6 **ALLOCATOR FOR THE OVER-RECOVERY OF ENERGY CONSERVATION COST**
7 **RECOVERY AND CAPACITY PAYMENT RECOVERY REVENUES.**

8 **A Costs for the Energy Conservation Cost Recovery (ECCR) Clause and Capacity**
9 **Payment Recovery (CPR) Clause are currently allocated among customer classes**
10 **using the Twelve Coincident Peak (12CP) + 8% Average Demand (AD) allocation**
11 **factor, which is the same method used to allocate FPL's production and transmission**

2. Class Cost-of-Service Study

1 plant. However, as Mr. Pollock demonstrates, these assets are more appropriately
2 allocated to customers on a 4CP basis. To maintain consistency between the
3 allocation of FPL's production and transmission plant and the ECCR costs, the over-
4 recovered revenues should also be allocated on a 4CP basis.

5 **Q WHY IS IT APPROPRIATE TO ALLOCATE STORM MAINTENANCE COSTS AND**
6 **THE OVER-RECOVERY OF STORM PROTECTION PLAN COST REVENUES IN**
7 **PROPORTION TO TRANSMISSION AND DISTRIBUTION PLANT?**

8 A During storms and other severe weather events, energy outages are most frequently
9 the result of damages to a utility's transmission and distribution (T&D) infrastructure.
10 Consequently, costs associated with storm maintenance are incurred to repair these
11 facilities and, therefore, should be allocated in proportion to the underlying assets.
12 Generation assets, as well as general and intangible plant, are not directly impacted
13 by storm damages to the same extent and, therefore, it is not appropriate to include
14 the costs for these assets when developing an allocator to apportion the costs for
15 storm maintenance.

16 **Q IS THE REGULATORY LIABILITY ASSOCIATED WITH GROSSED-UP**
17 **INVESTMENT TAX CREDITS CAUSED BY O&M EXPENSE AS FPL ASSERTS?**

18 A No. Investment tax credits (ITCs) reduce a utility's tax liability by an amount equal to
19 a percentage of the capital cost of qualifying generating assets. ITCs are unrelated to
20 the O&M of these resources and vary only with the amounts originally invested in the
21 qualifying assets. Therefore, the costs related to these tax credits should be allocated
22 to customer classes in proportion to their share of production plant.

2. Class Cost-of-Service Study

1 Q PLEASE DISCUSS THE COMPONENTS IN TABLE 1 FOR WHICH YOU
2 RECOMMEND ALLOCATION USING NET PLANT.

3 A Expenses such as the disposition of utility plant and other (non-income) taxes are more
4 closely related to the value of FPL's net plant than O&M expenses. For example,
5 losses from the disposition of utility plant reflect the differences in value between the
6 amount of the liability for the asset being retired and the amount paid to settle the
7 obligation or retiring the asset.² Similarly, FPL's non-income taxes included when
8 calculating test-year expenses are predominantly related to property taxes.³ Property
9 taxes are levied on the utility's owned assets, including generation, transmission,
10 distribution, general, and intangible plant.

11 Similarly, the deferred gains for future use should be allocated using the
12 previously allocated plant held for future use.

13 Q WHY SHOULD INTEREST ON LONG-TERM DEBT BE ALLOCATED ON RATE
14 BASE?

15 A Interest on long-term debt is a component of the return on rate base that a utility, such
16 as FPL, earns for providing service to its customers. Consequently, allocating this
17 expense on rate base reflects how this amount is calculated and incurred.

18 Q WHAT COSTS ARE YOU RECOMMENDING BE ALLOCATED BASED ON TOTAL
19 REVENUE?

20 A I recommend that rate case expenses and revenue taxes be allocated on total
21 revenue. That is, these costs should be allocated to each customer class in proportion
22 to their respective share of the total revenues collected by FPL from all rate classes.

² 18 C.F.R. Chapter 1, Part 101 – Uniform System of Accounts, General Instructions No. 25.

³ FPL Response to FIPUG Interrogatory No. 11, Attachment No. 1 2026 CCROSS, tab: Detailed_COS_ID_Juris_NOI.

1 Rate case expenses include the costs a utility incurs to participate in rate cases
2 (e.g. costs to prepare a filing, outside counsel expenses, travel for appearances).
3 Because, rate case expenses are a general cost of doing business for utilities,
4 allocating these costs on a total revenue basis would reflect that they are incurred to
5 serve all of a utility's customers, regardless of each class's particular usage
6 characteristics.

7 Revenue taxes are levied as a percentage of the revenues that a utility
8 recovers from its customers. These amounts are directly proportional to the revenues
9 FPL collects from its customers and should be allocated based on total revenues as
10 the direct cost driver.

Net Operating Income Components

11 **Q WHAT CHANGES ARE YOU RECOMMENDING TO VARIOUS NET OPERATING**
12 **INCOME COMPONENTS?**

13 **A** A summary of my recommended allocation factors for components of the net operating
14 income, along with those proposed by FPL, are provided in Table 2.

Table 2 Proposed and Recommended Allocations of Net Operating Income Components		
Description	FPL Proposed	FIPUG Recommended
Amortization of ITC	Net Plant in Service	Production Plant
Rent from Electric Property	O&M Labor	Plant in Service
Leased Property Depreciation Expense	O&M Labor	Plant in Service
Accretion Expense – Asset Retirement Obligation Regulatory Debit	O&M Labor	Plant in Service
Unbilled Revenues	Sales at Meter	Total Revenues
Regulatory Commission Expenses	O&M Labor	Total Revenues

2. Class Cost-of-Service Study

1 Q PLEASE EXPLAIN WHY AMORTIZATION OF INVESTMENT TAX CREDITS
2 SHOULD BE ALLOCATED BASED ON PRODUCTION PLANT.

3 A As previously discussed, ITCs are earned by a utility as a percentage of capital
4 invested in qualifying production plants. Therefore, it is reasonable to allocate costs
5 associated with these tax credits among customer classes based upon these assets
6 specifically, rather than use an allocation based upon all plant types as proposed by
7 FPL.

8 Q WHAT NET OPERATING INCOME COMPONENTS ARE YOU PROPOSING TO
9 ALLOCATE ON PLANT IN SERVICE?

10 A I recommend that rent from electric property, depreciation expense for property under
11 capital leases, and accretion expenses for asset retirement obligations be allocated
12 on plant in service. Rent from electric property represents the income that a utility
13 receives for renting out land, facilities, and/or other property owned by the utility to
14 other users of these facilities. Depreciation expense for leased property is incurred
15 based upon the amount of property FPL leases for use in its operations. Accretion
16 expenses are incurred by an electric utility in anticipation of retiring various
17 components of its total electric plant in the future. Because these costs each vary with
18 the amount of FPL's plant, it is reasonable to allocate them on plant in service.

19 Q PLEASE EXPLAIN WHY UNBILLED REVENUES AND REGULATORY
20 COMMISSION EXPENSES SHOULD BE ALLOCATED ON TOTAL REVENUES.

21 A Unbilled revenues are revenues a utility earns by providing electric service to
22 customers which are not yet billed to customers. It is inappropriate to allocate such
23 costs on sales at meter, because such an allocation would assume that these
24 revenues are entirely driven by energy use. However, the services a utility provides

1 to customers encompass a variety of functions. Therefore, unbilled revenues should
2 be allocated among customer classes based on base revenues to reflect these various
3 cost drivers for electric service.

4 Regulatory commission expenses are incurred by utilities through their
5 participation in various proceedings before a regulatory body. As previously discussed
6 in the context of rate case expenses, these expenses are a general cost of doing
7 business for utilities and, therefore, should also be allocated to customers on total
8 revenues to reflect that such expenses are not tied specifically to any particular aspect
9 of the provision of electric service.

Revised CCOSS

10 **Q HAVE YOU PREPARED A CLASS COST-OF-SERVICE STUDY INCORPORATING**
11 **ALL OF THE CHANGES RECOMMENDED BY MR. POLLOCK AND YOURSELF?**
12 **A Yes. FIPUG's revised CCOSS is presented in Exhibit JL-3.**

3. CILC/CDR INCENTIVE LEVEL

1 **Q WHAT IS THE CILC PROGRAM?**

2 **A The CILC program is a non-firm tariff option in which customers agree to curtail load**
3 at FPL's direction. The curtailment conditions in the CILC tariff are as follows:

4 The Customer's controllable load served under this Rate Schedule is subject
5 to control when such control alleviates any emergency conditions or capacity
6 shortages, either power supply or transmission, or whenever system load,
7 actual or projected, would otherwise require the peaking operation of the
8 Company's generators. Peaking operation entails taking base loaded units,
9 cycling units or combustion turbines above the continuous rated output, which
10 may overstress the generators.⁴

11 The tariff also defines a generation emergency:

12 A Generating Capacity Emergency exists when any one of the electric utilities
13 in the state of Florida has inadequate generating capability, including
14 purchased power, to supply its firm load obligations.⁵

15 Further, under the Commission's Rules:

16 (4) Treatment of Non-Firm Load. If non-firm load (*i.e.*, customers receiving
17 service under load management, interruptible, curtailable, or similar tariffs) is
18 relied upon by a utility when calculating its planned or operating reserves, the
19 utility shall be required to make such reserves available to maintain the firm
20 service requirements of other utilities.⁶

21 Thus, a CILC customer may be curtailed due to a capacity shortage or emergency
22 anywhere in Peninsular Florida. By allowing FPL to curtail controllable load when
23 resources are needed to maintain system reliability (that is, when there are insufficient
24 resources to meet customer demand), FPL can maintain service to firm (*i.e.*, non-
25 interruptible) customers. For this reason, FPL removes CILC loads in assessing

⁴ FPL Tariff, Commercial/Industrial Load Control Program, Fifth Revised Sheet No. 8.652 (Jan. 1, 2022).

⁵ *Id.*, Third Revised Sheet No. 8.659 (Nov. 15, 2002).

⁶ 25 Fla. Admin. Code R. 25-6.035.

1 resource adequacy in its Ten-Year Site Plans. Thus, CILC is a lower quality of service
2 than firm power because it can be interrupted as described above.

3 **Q HOW ARE CILC CUSTOMERS COMPENSATED FOR THE CAPACITY THEY**
4 **PROVIDE FPL?**

5 A In exchange for an agreement to curtail load at FPL's control, CILC customers pay a
6 lower base rate than firm customers. Specifically, the Load Control On-Peak Demand
7 charge calculated for the CILC tariffs are reduced by a specific percentage relative to
8 service under a standard rate option to reflect the current value of non-firm capacity.⁷
9 The other applicable demand charges (*i.e.*, Firm On-Peak and Maximum Demand)
10 recover the allocated transmission and distribution demand-related costs and are,
11 thus, similar in concept to FPL's other firm rates.

12 **Q WHAT IS THE CDR PROGRAM?**

13 A Rider CDR is an optional rate available as follows:

14 Available to any commercial or industrial customer receiving service under
15 Rate Schedules GSD-1, GSDT-1, GSLD-1, GSLDT-1, GSLD-2, GSLDT-2,
16 GSLD-3, GSLDT-3, or HLFT through the execution of a Commercial/Industrial
17 Demand Reduction Rider Agreement in which the load control provisions of
18 this rider can feasibly be applied.⁸

19 As with CILC, non-firm load can be curtailed by FPL at any time under a wide range
20 of circumstances. The tariff states:

21 Control Condition:

22 The Customer's controllable load served under this Rider is subject to control
23 when such control alleviates any emergency conditions or capacity shortages,
24 either power supply or transmission, or whenever system load, actual or

⁷ Direct Testimony of Tiffany C. Cohen at 28–29 and Exhibit TCC-6 at 6.

⁸ FPL Tariff, Commercial/Industrial Demand Reduction Rider, Twenty-Sixth Revised Sheet No. 8.680 (Feb. 1, 2025).

3. CILC/CDR Incentive Level

1 projected, would otherwise require the peaking operation of the Company's
2 generators. Peaking operation entails taking base loaded units, cycling units
3 or combustion turbines above the continuous rated output, which may
4 overstress the generators.

5 Frequency: The Control Conditions will *typically* result in less than fifteen (15)
6 Load Control Periods per year and will not exceed twenty-five (25) Load
7 Control Periods per year. *Typically*, the Company will not initiate a Load Control
8 Period within six (6) hours of a previous Load Control Period.

9 Notice: The Company will provide one (1) hour's advance notice or more to a
10 Customer prior to controlling the Customer's controllable load. *Typically*, the
11 Company will provide advance notice of four (4) hours or more prior to a Load
12 Control Period.⁹ (emphasis added)

13 **Q HOW LONG CAN CURTAILMENT EVENTS UNDER THE CILC AND CDR**
14 **PROGRAMS LAST?**

15 **A** A curtailment for CILC and Rider CDR customers will last typically no longer than six
16 hours. Rider CDR specifically states:

17 Duration: The duration of a single Load Control Period will *typically* be three
18 (3) hours and will not exceed six (6) hours.

19 In the event of an emergency, such as a Generating Capacity Emergency (see
20 Definitions) or a major disturbance, greater frequency, less notice, or longer
21 duration than listed above may occur. If such an emergency develops, the
22 Customer will be given 15 minutes' notice. Less than 15 minutes' notice may
23 only be given in the event that failure to do so would result in loss of power to
24 firm service customers or the purchase of emergency power to serve firm
25 service customers. The Customer agrees that the Company will not be liable
26 for any damages or injuries that may occur as a result of providing no notice or
27 less than one (1) hour notice.¹⁰ (emphasis added)

28 The duration for a CILC customer is typically four (4) hours and will not exceed six (6)
29 hours. The emergency provisions are the same as set forth above for Rider CDR.¹¹

⁹ *Id.*, Third Revised Sheet No. 8.681 (Jan. 1, 2022).

¹⁰ *Id.*

¹¹ *Id.*, Fifth Revised Sheet No. 8.652 (Jan. 1, 2022).

3. CILC/CDR Incentive Level

1 ***During emergency situations, there is no defined limit on how long a***
2 ***curtailment event may last*** for CILC or Rider CDR customers. In sum, the CILC and
3 CDR programs collectively represent a valuable tool under FPL's control that it can
4 call upon to maintain the reliability of its system.

5 **Q HOW ARE CDR CUSTOMERS COMPENSATED FOR THE CAPACITY THEY**
6 **PROVIDE FPL?**

7 A Unlike the CILC incentive, which is included as a reduction to the charges under the
8 CILC tariffs, CDR customers receive a \$ per kW credit for the amount of load that they
9 agree to reduce when called upon by FPL. Currently, this credit is \$8.76 per kW.¹²

10 **Q APPROXIMATELY HOW MUCH NON-FIRM LOAD IS SERVED UNDER THE CILC**
11 **AND CDR SERVICE OPTIONS?**

12 A The service provided under the CILC and Rider CDR service options account for about
13 900 MW.¹³

14 **Q ARE THE CILC/CDR SERVICE OPTIONS THE ONLY NON-FIRM RATE OPTIONS**
15 **OFFERED BY FPL?**

16 A No. FPL provides approximately 1,800 MW of non-firm load. Thus, there are other
17 load management programs besides CILC and CDR.¹⁴

¹² *Id.*, Twenty-Sixth Revised Sheet No. 8.680 (Feb. 1, 2025).

¹³ Direct Testimony of Andrew W. Whitley at 34.

¹⁴ FPL Response to FRF Interrogatory No. 15.

3. CILC/CDR Incentive Level

1 **Q IS FPL PROPOSING ANY CHANGES TO THE CILC/CDR CREDITS IN THIS**
2 **PROCEEDING?**

3 A Yes. FPL is proposing to reduce the credits paid to these customers by 29%.
4 Specifically, the CDR credit would be reduced 29% from \$8.76 per kW to \$6.22 per
5 kW.¹⁵ The CILC incentive level would also be reduced proportional to the 29%
6 decrease.¹⁶

7 **Q ARE THE CILC/CDR PROGRAMS CURRENTLY COST-EFFECTIVE?**

8 A Yes. FPL's analysis reveals that the CILC and CDR programs have a 1.06 times
9 benefit-to-cost ratio using a rate impact measure (RIM) test.¹⁷ Thus, the programs are
10 cost-effective and beneficial for both participants and non-participants.

11 **Q WHY IS FPL PROPOSING TO REDUCE THE PROPOSED CILC AND CDR**
12 **CREDITS BY 29%?**

13 A FPL states that it targeted a RIM benefit-to-cost ratio of 1.50.¹⁸ After including the
14 impact of administrative costs, the proposed CDR incentive level of \$6.22 per kW has
15 a RIM benefit-to-cost ratio of 1.49.¹⁹

16 **Q WHAT IS THE BASIS FOR FPL'S PROPOSAL TO REDUCE THE INCENTIVES**
17 **PAID TO CILC AND CDR CUSTOMERS?**

18 A FPL's proposal is based upon analysis sponsored by FPL witness, Mr. Andrew

¹⁵ Direct Testimony of Andrew W. Whitley at 8.

¹⁶ Direct Testimony of Tiffany C. Cohen at 28-29.

¹⁷ Direct Testimony of Andrew W. Whitley, Exhibit AWW-8.

¹⁸ Deposition of Andrew Whitley at 229 (May 7, 2025).

¹⁹ Direct Testimony of Andrew W. Whitley, Exhibit AWW-8.

3. CILC/CDR Incentive Level

1 Whitley, in Exhibit AWW-7 which presents the results of a cost-benefit analysis using
2 the AURORA production cost simulation model. Further, FPL judged that the
3 AURORA-derived benefits from the CILC/CDR programs should exceed the incentives
4 and administrative costs by 50% (*i.e.*, a 1.5 times RIM benefit-to-cost ratio).²⁰

5 **Q HOW WAS THE AURORA MODEL USED TO MEASURE THE BENEFITS?**

6 A The AURORA model projected system production costs over the period 2025 through
7 2071.²¹ System production costs include both fixed and variable costs. Fixed costs
8 include the capital costs of future capacity additions and any incremental fixed O&M
9 expenses. Variable costs include system-wide fuel costs and variable O&M expense.
10 Thus, the cumulative present value revenue requirement (CPVRR) net benefit analysis
11 FPL performed includes both fixed and variable costs. FPL calculated the CPVRR net
12 benefits using two AURORA model runs:

- 13 1. Assuming the continuation of the CILC and CDR programs (that
14 provide approximately 900 MW of capacity); and
- 15 2. Without the CILC and CDR programs.

16 The difference between the CPVRR net benefits with and without the CILC and CDR
17 programs is meant to measure the long-term benefit of these programs to FPL's
18 customers.

19 **Q DID FPL CONDUCT ANY ANALYSIS SUPPORTING THE TARGETED RIM**
20 **BENEFIT-TO-COST RATIO OF 1.5?**

21 A No. FPL did not conduct any quantitative analysis that identified the targeted RIM
22 benefit-to-cost ratio of 1.5 as the ideal value to inform the proposed CILC and CDR

²⁰ Deposition of Andrew Whitley at 231 (May 7, 2025).

²¹ Direct Testimony of Andrew W. Whitley at 38.

1 incentive levels to maximize benefits for both program participants and non-
2 participants. Instead, FPL states that this target was set based on qualitative
3 judgment.²²

4 **Q DO YOU HAVE ANY CONCERNS WITH FPL'S ANALYSIS OF THE PROJECTED**
5 **BENEFITS OF THE CILC AND CDR PROGRAMS?**

6 A Yes. In conducting the analysis, FPL made two critical assumptions which reduced
7 the capacity accreditation of (and hence the benefits derived from) the CILC and CDR
8 programs. First, although the state of Florida is a peninsula and, therefore, FPL has
9 electrical connections to neighboring utilities, the FPL system was modeled on a
10 standalone basis as an electrical island. This significantly increased the number of
11 required load control periods. Second, despite the greater need for load control, the
12 present limitations to the frequency, timing, and duration of load control periods were
13 not relaxed.²³

14 **Q WHY IS IT PROBLEMATIC FOR FPL TO MODEL ITS SYSTEM AS AN ISLAND?**

15 A Modeling its system as an island effectively means that FPL could never rely on the
16 generation and transmission capabilities from neighboring utilities.²⁴ This is contrary
17 to actual operations in which FPL can rely on electric imports from its neighbors in
18 emergency scenarios. In contrast, the model assumes that FPL would always rely
19 solely on internal resources (*i.e.*, generation and load management) to meet system
20 needs and manage reliability, which explains the increasing frequency of load control

²² Deposition of Andrew Whitley at 231 (May 7, 2025).

²³ *Id.* at 230–231; Deposition of Arne Olson.

²⁴ Deposition of Arne Olson.

1 periods. This is contrary to the Commission's Rules regarding load management and,
2 further, would defeat the purpose of having integrated electric utility systems, including
3 the Florida Reliability Coordinating Council and Southeastern Electric Reliability
4 Council , which allow utilities to provide mutual assistance, particularly when power
5 plants are offline for maintenance. It biases the cost-benefit analysis by assuming that
6 the CILC and CDR programs are deployed in a far more substantive (and unrealistic)
7 manner in the future than in the past. Because these programs were modeled as time-
8 limited resources that could only be deployed for a maximum of six hours, the CILC
9 and CDR programs were assumed to provide a lower percentage of the total program
10 capacity as firm capacity to meet peak demands.²⁵

11 **Q IF FPL HAD TO RELY ON ITS OWN INTERNAL RESOURCES TO MEET SYSTEM**
12 **NEEDS WHILE ALSO MAINTAINING RELIABLE SERVICE, WOULD IT MAKE**
13 **SENSE TO MAINTAIN THE STATUS QUO WITH RESPECT TO THE LOAD**
14 **CONTROL PERIODS?**

15 **A** No. First, as previously stated, under emergency conditions FPL has the option to
16 declare load control periods without constraint. Second, if FPL required additional
17 flexibility to manage the CILC/CDR and other load management programs due to
18 projected diminishing reliability, it would be proposing changes to the load control
19 periods in this proceeding. The fact that FPL is not proposing to revise the load control
20 periods is further evidence that FPL's cost-benefit analysis, and modeling its system
21 as an island, are unreasonable.

²⁵ *Id.*

1 Q BUT FOR THE CONSTRAINTS ON THE FREQUENCY, TIMING, AND DURATION
2 OF TYPICAL LOAD CONTROL PERIODS, WOULD THE CILC/CDR PROGRAMS
3 REMAIN COST-EFFECTIVE?

4 A Yes. Without these constraints, the CILC and CDR programs effectively provide 100%
5 of their capacity as firm capacity.²⁶ Therefore, FPL's modeling assumption that CILC
6 and CDR programs are time-limited resources drastically understates the amount of
7 firm capacity they provide, which drastically understates their value to maintaining
8 system reliability.

9 Q SHOULD THE CILC AND CDR INCENTIVES BE REDUCED AS FPL IS
10 PROPOSING?

11 A No. FPL's analysis severely understates the benefits of the CILC and CDR programs,
12 and the decision to set the CILC and CDR incentive levels to achieve a RIM benefit-
13 to-cost ratio of 1.50 is arbitrary and not supported by factual robust analysis — or even
14 any analysis. Furthermore, reducing the credits paid to these customers at this time
15 would be inconsistent with ongoing trends observed in resource capital costs.

16 Q IS THERE ANY DISPUTE THAT THE CILC/CDR PROGRAMS HAVE ALLOWED
17 FPL TO DEFER GENERATION CAPACITY ADDITIONS?

18 A No. FPL witness Whitley notes that the benefits of the CILC/CDR programs are related
19 to their ability to defer resource additions.²⁷ As previously stated, existing service
20 under these programs totals approximately 900 MW. Based on an average installed
21 cost of thermal generation of \$657 per kW that FPL has installed since 2000, the total
22 existing CILC/CDR load has deferred approximately \$591 million of capacity additions.

²⁶ *Id.*

²⁷ Deposition of Andrew Whitley at 231 (May 7, 2025).

1 Q DOES FPL ACKNOWLEDGE THAT THE CILC/CDR PROGRAMS WILL CONTINUE
2 TO ALLOW FPL TO DEFER GENERATION CAPACITY ADDITIONS?

3 A Yes. As acknowledged by FPL witness Whitley, the CILC and CDR programs are
4 cost-effective resources that are capable of deferring resource additions. Specifically,
5 these programs are largely assumed to defer the addition of future battery resources.²⁸

6 Q WHAT IS THE ASSUMED COST OF FPL'S FUTURE BATTERY RESOURCES?

7 A FPL assumes that battery additions will cost [REDACTED] per kW in 2027 and decrease over
8 time to \$ [REDACTED] per kW in 2034.²⁹

9 Q HOW MANY MEGAWATTS OF BATTERY CAPACITY ARE THE CILC AND CDR
10 PROGRAMS EXPECTED TO DEFER FOR THE PERIOD FROM 2026 TO 2034?

11 A In the absence of the CILC and CDR programs, FPL projects that it would have to
12 install an additional 100 MW of batteries in 2026, 225 MW in 2033, and 2,384 MW in
13 2034.³⁰ In total, the CILC and CDR programs defer 2,709 MW of incremental battery
14 storage additions in the near-term.

15 Q DOES FPL'S PROPOSAL TO REDUCE THE CILC AND CDR INCENTIVES BY 29%
16 RAISE ANY OTHER CONCERNS?

17 A Yes. FPL's proposal does not consider the resulting effect of customers potentially
18 switching from non-firm to firm service as a consequence of the reduction in credits.

²⁸ *Id.* at 231-232.

²⁹ FPL Response to OPC Request for Production No. 15, CONFIDENTIAL – Whitley.

³⁰ Direct Testimony of Andrew W. Whitley, Exhibit AWW-7.

1 Q IS THERE ANY REASON TO BELIEVE THAT CUSTOMERS WOULD CONTINUE
2 THEIR PARTICIPATION IN THE CILC AND CDR PROGRAMS IF THE INCENTIVES
3 ARE REDUCED BY 29%?

4 A No. Non-firm service is not cost-free. Curtailments can occur at any time when
5 capacity is insufficient throughout Peninsular Florida, not just in FPL's service territory.
6 Thus, CILC and CDR participants have to incur costs to be able to safely curtail load
7 when notified. Reducing the incentive payments by 29% substantially changes the
8 customer's assessment of the risks and benefits of the programs. Under FPL's
9 proposed reduction in incentives participants may convert to firm service if they come
10 to the conclusion that the benefits of remaining on non-firm service are substantially
11 reduced and no longer justify the risks.

12 Q WHAT WOULD HAPPEN IF ALL THE CILC AND CDR LOAD WERE TO CONVERT
13 FROM NON-FIRM TO FIRM SERVICE?

14 A FPL would have to install additional capacity to firm up the CILC and CDR loads.
15 Assuming a 20% reserve margin, 900 MW of CILC and CDR non-firm load would
16 require an additional 1,080 MW of capacity.

17 FPL estimates that the avoided cost of a battery resource is approximately
18 \$[REDACTED] per kW per month.³¹ This is approximately [REDACTED]% higher than the current \$8.76
19 per kW CDR monthly credit. Thus, FPL would incur significant costs to firm up CILC
20 and CDR loads if these customers convert to firm service.

³¹ FPL Response to OPC Request for Production No. 15, CONFIDENTIAL – Cohen.

1 Q HAVE THE CILC AND CDR PROGRAMS PROVIDED (AND EXPECTED TO
2 CONTINUE TO PROVIDE) BENEFITS TO THE GENERAL BODY OF FPL
3 CUSTOMERS?

4 A Yes. The capacity costs avoided by providing non-firm service under the CILC and
5 CDR Rider rate schedule exceed the incentive payments to these customers. Hence,
6 from a ratemaking perspective, both the CILC and CDR programs are cost-effective.

7 Q BASED ON YOUR ANALYSIS, IS THERE ANY SUPPORT FOR INCREASING THE
8 CILC AND CDR CREDITS?

9 A Yes. As previously discussed, FPL's analysis demonstrates that the CILC and CDR
10 programs are cost-effective, even despite the flaws which drastically understate their
11 rated capacity as discussed herein. Thus, increasing the credit for these programs
12 would likely yield a RIM benefit-to-cost ratio that is well above 1.00 and should remain
13 so for at least the term of FPL's proposed four-year rate plan. Based on FPL's estimate
14 of projected battery additions, the cost of avoided capacity is approximately █%
15 higher than the current CDR monthly credit. Thus, the credit could be increased by
16 up to █%, or \$█ per kW, and still remain cost-effective.

17 Q WHAT DO YOU RECOMMEND?

18 A The Commission should reject FPL's proposal to drastically reduce the CILC and CDR
19 credits. FPL's proposal is based upon a flawed analysis which does not fully recognize
20 the capacity benefits provided by the CILC and CDR programs. Instead, the
21 Commission should approve a 40.7% increase, thereby raising the credit from \$8.76
22 to \$12.32 per kW for the CDR/CILC programs. The 40.7% reflects the increase in
23 FPL's production plant in service since its last rate case. It also recognizes that these
24 programs have deferred and continue to defer capacity resource additions.

3. CILC/CDR Incentive Level

4. CONCLUSION

1 Q WHAT FINDINGS SHOULD THE COMMISSION MAKE BASED ON THE ISSUES
2 ADDRESSED IN YOUR TESTIMONY?

3 A The Commission should make the following findings:

- 4 • Approve the use of the 4CP allocators as derived in **Exhibit JL-1** to allocate
5 production and transmission demand-related costs.
- 6 • Approve the use of the modified 4CP allocators which exclude non-firm
7 load as derived in **Exhibit JL-2** to allocate the cost of interruptible credits.
- 8 • Approve FIPUG's revised CCOSS presented in **Exhibit JL-3**.
- 9 • Reject FPL's proposal to reduce the CILC/CDR incentive level by 29%.
- 10 • Approve a 40.7% increase in the incentive levels of the CILC/CDR
11 programs to \$12.32 to recognize each program's capability to defer future
12 capacity resource additions.

13 Q DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?

14 A Yes.

APPENDIX A
Qualifications of Jonathan Ly

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A Jonathan Ly. My business mailing address is 14323 S. Outer 40 Rd., Town and
3 Country, Missouri 63017.

4 **Q WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?**

5 A I am an Associate of J. Pollock, Incorporated.

6 **Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

7 A I received a Bachelor of Arts degree in Integrative Biology from the University of
8 California, Berkeley in 2013 and a Master's degree in Energy and Earth Resources
9 from the University of Texas at Austin in 2017. In addition, I have completed a course
10 in utility accounting and finance.

11 I joined J. Pollock, Incorporated in 2018 as an energy analyst assisting
12 consultants in the preparation of financial and economic studies of investor-owned,
13 cooperative, and municipal utilities on revenue requirements, cost of service and rate
14 design, tariff review and analysis, integrated resource planning, and certificates of
15 convenience and necessity. I began working as an Associate in 2021, expanding upon
16 my responsibilities and assignments in matters I had previously worked on as an
17 energy analyst. I have been involved in various projects in multiple states including
18 Arkansas, Florida, Georgia, Michigan, Minnesota, New Mexico, New York, North
19 Carolina, Texas, and Wyoming.

Appendix A

1 **Q PLEASE DESCRIBE J. POLLOCK, INCORPORATED.**

2 **A J. Pollock assists clients to procure and manage energy in both regulated and**
3 competitive markets. The J. Pollock team also advises clients on energy and
4 regulatory issues. Our clients include commercial, industrial and institutional energy
5 consumers. J. Pollock is a registered broker and Class I aggregator in the State of
6 Texas.

Appendix A

APPENDIX B
Testimony Filed in Regulatory Proceedings
by Jonathan Ly

UTILITY	ON BEHALF OF	DOCKET	TYPE	STATE / PROVINCE	SUBJECT	DATE
SOUTHWESTERN PUBLIC SERVICE COMPANY	Occidental Permian Ltd.	24-00270-UT	Stipulation Support	NM	Stipulation Support regarding ratemaking treatment of solar/battery projects through the FPPCAC; off-system sales margins	5/27/2025
SOUTHWESTERN PUBLIC SERVICE COMPANY	Occidental Permian Ltd.	25-00027-UT	Direct	NM	Renewable Portfolio Standard Cost Rider	5/21/2025
SOUTHWESTERN PUBLIC SERVICE COMPANY	Occidental Permian Ltd.	24-00270-UT	Direct	NM	Recovery of Tax Credits, Transfer Costs; Return on Deferred Tax Asset; Off-System Sales Margins	5/5/2025
SOUTHWESTERN ELECTRIC POWER COMPANY	Texas Industrial Energy Consumers	56643	Direct	TX	Impact of Pirkey Retirement; Self-Commitment of Generating Units	1/13/2025
CENTRAL HUDSON GAS & ELECTRIC CORPORATION	Multiple Intervenors	24-E-0461 / 24-G-0462	Rebuttal	NY	Embedded Class Cost-of-Service Studies (Electric/Gas); Electric Rate Design (Customer Charge)	12/18/2024
CENTRAL HUDSON GAS & ELECTRIC CORPORATION	Multiple Intervenors	24-E-0461 / 24-G-0462	Direct	NY	System Control, Load Dispatching, and Other Power Supply; Historic Test-Year; Electric Rate Design (Customer Charge)	11/22/2024
NIAGRA MOHAWK POWER CORPORATION D/B/A NATIONAL GRID	Multiple Intervenors	24-E-0322 / 24-G-0323	Rebuttal	NY	Class Cost-of-Service Study (Electric/Gas); Class Revenue Allocation (Electric/Gas); Rate Design (Customer Charge)	10/18/2024
NIAGRA MOHAWK POWER CORPORATION D/B/A NATIONAL GRID	Multiple Intervenors	24-E-0322 / 24-G-0323	Direct	NY	Class Cost-of-Service Study (Electric/Gas); Class Revenue Allocation (Electric/Gas); Terms and Conditions	9/26/2024
PIEDMONT NATURAL GAS COMPANY, INC	Carolina Utility Customers Association, Inc.	G-9, Sub 837	Direct	NC	Class Cost-of-Service Study; Class Revenue Allocation	8/13/2024
MICHIGAN GAS UTILITIES CORPORATION	Association of Businesses Advocating Tariff Equity	21540	Rebuttal	MI	Class Cost-of-Service Study; Class Revenue Allocation	7/22/2024
SOUTHWESTERN PUBLIC SERVICE COMPANY	Occidental Permian Ltd.	24-00120-UT	Direct	NM	Transportation Electrification Plan	7/12/2024
SUMMIT UTILITIES ARKANSAS, INC.	Arkansas Gas Consumers, Inc.	23-079-U	Direct	AR	Class Cost-of-Service Study; Class Revenue Allocation	7/10/2024
DUKE ENERGY FLORIDA, LLC	Florida Industrial Power Users Group	20240025-EI	Direct	FL	Solar Projects; Cost-Effectiveness Analysis; Consumer Protections	6/11/2024
TAMPA ELECTRIC COMPANY	Florida Industrial Power Users Group	20240026-EI	Direct	FL	Solar Projects; Cost-Effectiveness Analysis; Consumer Protections	6/6/2024
DUKE ENERGY CAROLINAS, LLC	Carolina Utility Customers Association, Inc.	E-7. SUB 1304	Direct	NC	Fuel and Fuel-Related Cost Factors	5/23/2024

APPENDIX B
Testimony Filed in Regulatory Proceedings
by Jonathan Ly

UTILITY	ON BEHALF OF	DOCKET	TYPE	STATE / PROVINCE	SUBJECT	DATE
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-21490	Rebuttal	MI	Uncollectible Expense Allocation; Economic Breakeven Points	5/17/2024
SOUTHWESTERN PUBLIC SERVICE COMPANY	Occidental Permian Ltd.	23-00384-UT	Stipulation Support	NM	Stipulation Support regarding Long-Term Purchased Power Agreement and Ratemaking Treatment	5/10/2024
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-21490	Direct	MI	Class Cost-of-Service Study; Revenue Allocation; Rate Design	4/22/2024
SOUTHWESTERN PUBLIC SERVICE COMPANY	Occidental Permian Ltd.	23-00384-UT	Direct	NM	Long-Term Purchased Power Agreement; Ratemaking Requests	4/1/2024
LCRA TRANSMISSION SERVICES CORPORATION	Texas Industrial Energy Consumers	55867	Direct	TX	Wholesale Transmsision Rate	3/18/2024
MINNESOTA POWER	Large Power Intervenors	E-015/GR-23-155	Direct	MN	Advanced Metering Infrastructure; Class Revenue Allocation; Rider for Voluntary Renewable Energy	3/18/2024
NATIONAL FUEL GAS DISTRIBUTION CORPORATION	Multiple Intervenors	23-G-0627	Direct	NY	Class Revenue Allocation; Rate Design	3/1/2024
SOUTHWESTERN PUBLIC SERVICE COMPANY	Occidental Permian Ltd.	23-00252-UT	Direct	NM	Certificate of Convenience and Necessity	12/1/2023
EL PASO ELECTRIC COMPANY	Texas Industrial Energy Consumers	54929	Direct	TX	Certificate of Convenience and Necessity	10/24/2023
SOUTHWESTERN PUBLIC SERVICE COMPANY	Texas Industrial Energy Consumers	54634	Direct	TX	Revised Class Cost-of-Service Study; Class Revenue Allocation; Energy Assistance Program	8/4/2023
ENTERGY ARKANSAS, LLC	Arkansas Electric Energy Consumers, Inc.	22-082-U	Surrebuttal	AR	Additional Sum associated with Power Purchase Agreements	7/20/2023
ENTERGY ARKANSAS, LLC	Arkansas Electric Energy Consumers, Inc.	22-082-U	Direct	AR	Additional Sum associated with Power Purchase Agreements	6/8/2023
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-21308	Rebuttal	MI	Uncollectible Expense Allocator	5/8/2023
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-21308	Direct	MI	Class Cost-of-Service Study, Allocation of Other Distribution Plant; Average & Peak Versus Average & Excess Methods	4/17/2023
ENTERGY ARKANSAS, LLC	Arkansas Electric Energy Consumers, Inc.	20-049-U	Surrebuttal	AR	Capacity Need and Capacity Value; Risk to Non-Participants; Negative Impacts on Competition; Best Practices	8/1/2022
ENTERGY ARKANSAS, LLC	Arkansas Electric Energy Consumers, Inc.	20-049-U	Direct	AR	Capacity Need and Capacity Value; Risk to Non-Participants; Negative Impacts on Competition; Best Practices	6/22/2022

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Florida Power & Light
Company for Base Rate Increase

DOCKET NO. 20250011-EI
Filed: June 9, 2025

AFFIDAVIT OF JONATHAN LY

State of Texas)
) SS
County of Harris)

Jonathan Ly, being first duly sworn, on his oath states:

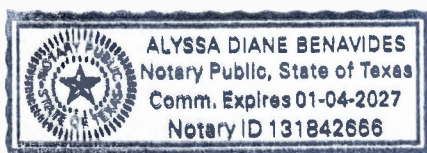
1. My name is Jonathan Ly. I am an Associate of J. Pollock, Incorporated, 14323 S. Outer 40 Rd., Suite 206N, St. Louis, Missouri 63017. We have been retained by Florida Industrial Power Users Group to testify in this proceeding on its behalf;

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony and Exhibits, which have been prepared in written form for introduction into evidence in Florida Public Service Commission Docket No. 20250011-EI; and,

3. I hereby swear and affirm that the answers contained in my testimony and the information in my exhibits are true and correct.


Jonathan Ly

Subscribed and sworn to before me this 16 day of June 2025.



Notary Signature


(Printed Name), Notary Public

Commission #: 131842666

My Commission expires on 01-04-2027.

Affidavit

J. POLLOCK
INCORPORATED

Highlighted Version**The highlighted cells indicate the revised numbers.**

Docket No. 20250011-EI
FIPUG's Cost of Service Study
ERRATA Exhibit JL-3, Page 1 of 2

FLORIDA POWER & LIGHT COMPANY
FIPUG's Revised Class Cost-of-Service Study

Line	Description	Total	CILC-1D	CILC-1G	CILC-1T	GS(T)-1	GSCU-1	GSD(T)-1	GSLD(T)-1	GSLD(T)-2	GSLD(T)-3
			(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	RATE BASE -										
2	Electric Plant In Service	86,274,360	1,002,266	45,224	378,136	6,001,177	15,561	16,427,227	5,282,938	1,754,693	271,515
3	Accum Depreciation & Amortization	(17,683,082)	(198,830)	(9,038)	(73,036)	(1,259,337)	(3,667)	(3,266,891)	(1,047,343)	(346,882)	(52,186)
4	Net Plant in Service	68,591,278	803,436	36,186	305,099	4,741,840	11,894	13,160,336	4,235,596	1,407,811	219,329
5	Plant Held For Future Use	1,475,168	19,046	834	9,343	103,584	226	301,258	97,715	33,343	6,711
6	Construction Work in Progress	2,012,666	23,648	1,059	9,192	139,569	371	382,266	123,882	41,311	6,547
7	Net Nuclear Fuel	745,109	14,205	574	8,163	49,138	184	170,272	62,731	22,819	5,240
8	Total Utility Plant	72,824,221	860,336	38,653	331,798	5,034,132	12,675	14,014,132	4,519,923	1,505,285	237,828
9	Working Capital - Assets	5,812,779	70,985	3,079	31,479	415,436	1,522	1,053,422	350,746	120,297	21,400
10	Working Capital - Liabilities	(3,507,274)	(42,860)	(1,865)	(18,939)	(249,898)	(869)	(641,285)	(212,725)	(72,709)	(12,924)
11	Working Capital - Net	2,305,505	28,125	1,214	12,539	165,538	652	412,137	138,022	47,588	8,476
12	Total Rate Base	75,129,726	888,460	39,867	344,337	5,199,669	13,328	14,426,269	4,657,945	1,552,873	246,304
13	REVENUES -										
14	Sales of Electricity	9,617,453	109,438	5,099	47,573	727,590	2,403	1,727,248	547,015	177,040	32,238
15	Other Operating Revenues	267,316	2,109	91	838	18,560	33	35,932	11,134	3,804	924
16	Total Operating Revenues	9,884,769	111,546	5,190	48,411	746,150	2,435	1,763,181	558,149	180,845	33,162
17	EXPENSES -										
18	Operating & Maintenance Expense	(1,322,364)	(16,207)	(698)	(7,348)	(94,788)	(358)	(236,604)	(79,242)	(27,331)	(4,956)
19	Depreciation Expense	(3,081,922)	(35,570)	(1,606)	(14,254)	(215,673)	(593)	(584,675)	(185,936)	(61,926)	(10,152)
20	Taxes Other Than Income Tax	(903,354)	(10,579)	(476)	(4,037)	(62,563)	(160)	(172,748)	(55,650)	(18,515)	(2,896)
21	Amortization of Property Losses	(15,639)	(191)	(10)	(32)	(834)	7	(4,477)	(1,304)	(389)	(39)
22	Gain or Loss on Sale of Plant	420	5	0		29	0	85	29	9	
23	Total Operating Expenses	(5,322,859)	(62,542)	(2,789)	(25,672)	(373,828)	(1,105)	(998,419)	(322,103)	(108,152)	(18,043)
24	Net Operating Income Before Taxes	4,561,910	49,004	2,401	22,739	372,322	1,331	764,762	236,046	72,693	15,119
25	Income Taxes	18,213	291	11	158	979	(1)	4,574	1,543	569	117
26	NOI Before Curtailment Adjustment	4,580,123	49,295	2,412	22,896	373,301	1,330	769,336	237,589	73,262	15,236
27	Curtailment Credit Revenue	469							329	141	
28	Reassign Curtailment Credit Revenue	(469)	(6)	(0)	(3)	(33)	(0)	(96)	(31)	(11)	(2)
29	Net Curtailment Credit Revenue	(0)	(6)	(0)	(3)	(33)	(0)	(96)	298	130	(2)
30	Net Curtailment NOI Adjustment	(0)	(5)	(0)	(2)	(25)	(0)	(72)	222	97	(2)
31	Net Operating Income (NOI)	4,580,123	49,290	2,412	22,894	373,276	1,330	769,264	237,811	73,359	15,234
32	Rate of Return (ROR)	6.10%	5.55%	6.05%	6.65%	7.18%	9.98%	5.33%	5.11%	4.72%	6.19%
33	Parity at Present Rates	1.000	0.910	0.993	1.091	1.178	1.637	0.875	0.837	0.775	1.015

Highlighted Version

The highlighted cells indicate the revised numbers.

Docket No. 20250011-EI
FIPUG's Cost of Service Study
ERRATA Exhibit JL-3, Page 2 of 2

FLORIDA POWER & LIGHT COMPANY
FIPUG's Revised Class Cost-of-Service Study

Line	Description	MET	OS-2	RS(T)-1	SL/OL-1	SL-1M	SL-2	SL-2M	SST-DST	SST-TST
		(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
1	RATE BASE -									
2	Electric Plant In Service	35,536	24,848	53,319,653	1,650,713	11,267	13,521	3,352	827	35,906
3	Accum Depreciation & Amortization	(7,346)	(4,771)	(11,186,246)	(214,528)	(2,504)	(2,533)	(847)	(204)	(6,893)
4	Net Plant in Service	28,190	20,077	42,133,406	1,436,185	8,763	10,989	2,505	623	29,013
5	Plant Held For Future Use	634	118	900,326	843	86	217	37	3	842
6	Construction Work in Progress	801	529	1,245,918	36,047	268	325	83	15	833
7	Net Nuclear Fuel	385	82	407,592	2,696	217	180	37	0	593
8	Total Utility Plant	30,011	20,806	44,687,243	1,475,771	9,334	11,711	2,662	641	31,281
9	Working Capital - Assets	2,337	1,185	3,664,689	71,060	1,031	1,064	397	42	2,609
10	Working Capital - Liabilities	(1,414)	(724)	(2,202,502)	(45,441)	(600)	(636)	(224)	(25)	(1,631)
11	Working Capital - Net	923	461	1,462,187	25,619	431	427	173	16	978
12	Total Rate Base	30,934	21,267	46,149,430	1,501,390	9,765	12,138	2,834	658	32,259
13	REVENUES -									
14	Sales of Electricity	4,369	2,029	6,035,210	188,819	1,555	1,852	564	181	7,230
15	Other Operating Revenues	68	36	190,701	2,923	22	43	7	1	89
16	Total Operating Revenues	4,436	2,066	6,225,911	191,742	1,577	1,895	571	182	7,319
17	EXPENSES -									
18	Operating & Maintenance Expense	(520)	(242)	(838,330)	(14,550)	(244)	(247)	(97)	(8)	(594)
19	Depreciation Expense	(1,286)	(814)	(1,915,323)	(51,766)	(389)	(478)	(128)	(31)	(1,320)
20	Taxes Other Than Income Tax	(371)	(262)	(555,777)	(18,633)	(117)	(146)	(34)	(8)	(382)
21	Amortization of Property Losses	(8)	(9)	(7,608)	(742)	3	(0)	3	(0)	(8)
22	Gain or Loss on Sale of Plant	0	0	260	2	0	0	0	0	0
23	Total Operating Expenses	(2,185)	(1,327)	(3,316,779)	(85,690)	(748)	(870)	(256)	(48)	(2,304)
24	Net Operating Income Before Taxes	2,252	739	2,909,132	106,051	830	1,025	315	134	5,015
25	Income Taxes	6	(1)	10,400	(428)	(2)	1	(1)	(1)	(3)
26	NOI Before Curtailment Adjustment	2,258	738	2,919,533	105,623	827	1,026	315	133	5,012
27	Curtailment Credit Revenue									
28	Reassign Curtailment Credit Revenue	(0)	(0)	(286)		(0)	(0)	(0)	(0)	(0)
29	Net Curtailment Credit Revenue	(0)	(0)	(286)		(0)	(0)	(0)	(0)	(0)
30	Net Curtailment NOI Adjustment	(0)	(0)	(213)		(0)	(0)	(0)	(0)	(0)
31	Net Operating Income (NOI)	2,258	738	2,919,320	105,623	827	1,026	315	133	5,012
32	Rate of Return (ROR)	7.30%	3.47%	6.33%	7.04%	8.47%	8.45%	11.10%	20.29%	15.54%
33	Parity at Present Rates	1.197	0.569	1.038	1.154	1.390	1.386	1.821	3.328	2.548

Docket No. 20250011-EI
FIPUG's Cost of Service Study
ERRATA Exhibit JL-3, Page 1 of 2

FLORIDA POWER & LIGHT COMPANY
FIPUG's Revised Class Cost-of-Service Study

Line	Description	Total	CILC-1D	CILC-1G	CILC-1T	GS(T)-1	GSCU-1	GSD(T)-1	GLSD(T)-1	GLSD(T)-2	GLSD(T)-3
			(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	RATE BASE -										
2	Electric Plant In Service	86,274,360	1,002,266	45,224	378,136	6,001,177	15,561	16,427,227	5,282,938	1,754,693	271,515
3	Accum Depreciation & Amortization	(17,683,082)	(198,830)	(9,038)	(73,036)	(1,259,337)	(3,667)	(3,266,891)	(1,047,343)	(346,882)	(52,186)
4	Net Plant in Service	68,591,278	803,436	36,186	305,099	4,741,840	11,894	13,160,336	4,235,596	1,407,811	219,329
5	Plant Held For Future Use	1,475,168	19,046	834	9,343	103,584	226	301,258	97,715	33,343	6,711
6	Construction Work in Progress	2,012,666	23,648	1,059	9,192	139,569	371	382,266	123,882	41,311	6,547
7	Net Nuclear Fuel	745,109	14,205	574	8,163	49,138	184	170,272	62,731	22,819	5,240
8	Total Utility Plant	72,824,221	860,336	38,653	331,798	5,034,132	12,675	14,014,132	4,519,923	1,505,285	237,828
9	Working Capital - Assets	5,812,779	70,985	3,079	31,479	415,436	1,522	1,053,422	350,746	120,297	21,400
10	Working Capital - Liabilities	(3,507,274)	(42,860)	(1,865)	(18,939)	(249,898)	(869)	(641,285)	(212,725)	(72,709)	(12,924)
11	Working Capital - Net	2,305,505	28,125	1,214	12,539	165,538	652	412,137	138,022	47,588	8,476
12	Total Rate Base	75,129,726	888,460	39,867	344,337	5,199,669	13,328	14,426,269	4,657,945	1,552,873	246,304
13	REVENUES -										
14	Sales of Electricity	9,617,453	109,438	5,099	47,573	727,590	2,403	1,727,248	547,015	177,040	32,238
15	Other Operating Revenues	267,316	2,109	91	838	18,560	33	35,932	11,134	3,804	924
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17	EXPENSES -										
18	Operating & Maintenance Expense	(1,322,364)	(16,207)	(698)	(7,348)	(94,788)	(358)	(236,604)	(79,242)	(27,331)	(4,956)
19	Depreciation Expense	(3,081,922)	(35,570)	(1,606)	(14,254)	(215,673)	(593)	(584,675)	(185,936)	(61,926)	(10,152)
20	Taxes Other Than Income Tax	(903,354)	(10,579)	(476)	(4,037)	(62,563)	(160)	(172,748)	(55,650)	(18,515)	(2,896)
21	Amortization of Property Losses	(15,639)	(191)	(10)	(32)	(834)	7	(4,477)	(1,304)	(389)	(39)
22	Gain or Loss on Sale of Plant	420	5	0		29	0	85	29	9	
23	Total Operating Expenses	(5,322,859)	(62,542)	(2,789)	(25,672)	(373,828)	(1,105)	(998,419)	(322,103)	(108,152)	(18,043)
24	Net Operating Income Before Taxes	4,561,910	49,004	2,401	22,739	372,322	1,331	764,762	236,046	72,693	15,119
25	Income Taxes	18,213	291	11	158	979	(1)	4,574	1,543	569	117
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32	Rate of Return (ROR)	6.10%	5.55%	6.05%	6.65%	7.18%	9.98%	5.33%	5.11%	4.72%	6.19%
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Docket No. 20250011-EI
FIPUG's Cost of Service Study
ERRATA Exhibit JL-3, Page 2 of 2

FLORIDA POWER & LIGHT COMPANY
FIPUG's Revised Class Cost-of-Service Study

Line	Description	MET	OS-2	RS(T)-1	SL/OL-1	SL-1M	SL-2	SL-2M	SST-DST	SST-TST
		(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
1	RATE BASE -									
2	Electric Plant In Service	35,536	24,848	53,319,653	1,650,713	11,267	13,521	3,352	827	35,906
3	Accum Depreciation & Amortization	(7,346)	(4,771)	(11,186,246)	(214,528)	(2,504)	(2,533)	(847)	(204)	(6,893)
4	Net Plant in Service	28,190	20,077	42,133,406	1,436,185	8,763	10,989	2,505	623	29,013
5	Plant Held For Future Use	634	118	900,326	843	86	217	37	3	842
6	Construction Work in Progress	801	529	1,245,918	36,047	268	325	83	15	833
7	Net Nuclear Fuel	385	82	407,592	2,696	217	180	37	0	593
8	Total Utility Plant	30,011	20,806	44,687,243	1,475,771	9,334	11,711	2,662	641	31,281
9	Working Capital - Assets	2,337	1,185	3,664,689	71,060	1,031	1,064	397	42	2,609
10	Working Capital - Liabilities	(1,414)	(724)	(2,202,502)	(45,441)	(600)	(636)	(224)	(25)	(1,631)
11	Working Capital - Net	923	461	1,462,187	25,619	431	427	173	16	978
12	Total Rate Base	30,934	21,267	46,149,430	1,501,390	9,765	12,138	2,834	658	32,259
13	REVENUES -									
14	Sales of Electricity	4,369	2,029	6,035,210	188,819	1,555	1,852	564	181	7,230
15	Other Operating Revenues	68	36	190,701	2,923	22	43	7	1	89
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17	EXPENSES -									
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19	Depreciation Expense	(1,286)	(814)	(1,915,323)	(51,766)	(389)	(478)	(128)	(31)	(1,320)
20	Taxes Other Than Income Tax	(371)	(262)	(555,777)	(18,633)	(117)	(146)	(34)	(8)	(382)
21	Amortization of Property Losses	(8)	(9)	(7,608)	(742)	3	(0)	3	(0)	(8)
22	Gain or Loss on Sale of Plant	0	0	260	2	0	0	0	0	0
23	Total Operating Expenses	(2,185)	(1,327)	(3,316,779)	(85,690)	(748)	(870)	(256)	(48)	(2,304)
24	Net Operating Income Before Taxes	2,252	739	2,909,132	106,051	830	1,025	315	134	5,015
25	Income Taxes	6	(1)	10,400	(428)	(2)	1	(1)	(1)	(3)
26	NOI Before Curtailment Adjustment	2,258	738	2,919,533	105,623	827	1,026	315	133	5,012
27	Curtailment Credit Revenue									
28	Reassign Curtailment Credit Revenue	(0)	(0)	(286)		(0)	(0)	(0)	(0)	(0)
29	Net Curtailment Credit Revenue	(0)	(0)	(286)		(0)	(0)	(0)	(0)	(0)
30	Net Curtailment NOI Adjustment	(0)	(0)	(213)		(0)	(0)	(0)	(0)	(0)
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32	Rate of Return (ROR)	7.30%	3.47%	6.33%	7.04%	8.47%	8.45%	11.10%	20.29%	15.54%
33	Parity at Present Rates	1.197	0.569	1.038	1.154	1.390	1.386	1.821	3.328	2.548

1 MR. MOYLE: The witness is available for
2 cross.

3 CHAIRMAN LA ROSA: OPC, you are recognized.

4 MR. WATROUS: Thank you, Mr. Chairman, and the
5 Office of Public Counsel has no questions.

6 CHAIRMAN LA ROSA: Okay. FEL?

7 MR. MARSHALL: Thank you, Mr. Chairman.

8 EXAMINATION

9 BY MR. MARSHALL:

10 Q Good morning, Mr. Ly.

11 A Good morning, Bradley.

12 Q Would you agree that a key tenet of ratemaking
13 is that customers should pay for the costs that cause
14 the utility to incur to provide electric service to
15 them?

16 A I do agree.

17 Q And you do recommend allocating certain costs,
18 the total revenues on page eight of your testimony?

19 A Yes. That's correct.

20 Q According to FIPUG's corrected cost of service
21 study, aren't some classes, like RS and GS, paying more
22 revenue than indicated by that cost of service?

23 A Subject to check, yes.

24 Q Going to the CILC and CDR credits, if we could
25 go to page 17 of your testimony?

1 A I am there.

2 Q You would agree that FPL has other non-firm
3 load programs besides the CILC and CDR programs?

4 A Yes.

5 Q And just looking at that -- doing some basic
6 math in my head, in your testimony, it's about half of
7 the non-firm loads is from other programs?

8 A Yes, that seems correct.

9 Q Now, if we could go to master page C39-4419?
10 This is going to be part of your Exhibit JL-2, which is
11 going to be Exhibit 245 on the CEL.

12 A All right. I am there. Sorry.

13 Q And this shows your derivation of the firm
14 load 4 CP allocation factors?

15 A Yes, it does.

16 Q If we could next go to master page F10-2714,
17 which is Exhibit 984 on the CEL?

18 A All right. Yeah, I see it.

19 Q And these would be your workpapers, is that
20 right?

21 A Yeah. That's correct.

22 Q And including for that Exhibit JL-2 that we
23 were just looking at?

24 A Yeah.

25 Q And my question is, did you account in here

1 for the other 900 megawatts of non-firm load in your
2 derivation of the firm load 4 CP allocation factors?

3 A No, I did not. I believe that these
4 allocation factors were applied specifically to align
5 for CILC and CDR demand credits.

6 Q And to your knowledge, has CILC and CDR
7 customers, they haven't been interrupted in more than 10
8 years, is that right?

9 A That is my understanding.

10 Q Now, in your testimony, you discuss the
11 erroneous modeling assumptions FPL made regarding the
12 resource accreditation to the CDR and CILC program as a
13 reason that FPL's cost-effectiveness analysis is wrong,
14 is that right?

15 A Yes. That's correct.

16 Q Are you referring to the effective load
17 carrying capacity from the stochastic loss of load
18 probability analysis in that?

19 A Yes.

20 Q If we to go to master page E92428, as part of
21 Exhibit 439.

22 A All right. I see it.

23 Q Have you seen this before?

24 A I have.

25 Q And this is based on the effective load

1 carrying capacity results from the stochastic loss of
2 load probability analysis, is that right?

3 A I believe that to be correct.

4 Q Wouldn't this indicate that FPL would need to
5 drop the CDR/CILC credit to at least -- down to at least
6 \$4.25 per kilowatt by 2029 to say cost-effective?

7 A These numbers include -- are affected by those
8 deficiencies that I identified in my testimony in
9 summary, specifically since they are treating the
10 electrical system as an island, and limiting it to six
11 hour durations, it severely reduces the capacity value,
12 and, thus, the cost-effectiveness of it.

13 Q But that would be a yes, that that's what this
14 indicates that?

15 A Is what this indicates, yes.

16 Q And FPL has proposed dropping it to \$6.22 per
17 kilowatt?

18 A Yes. That's correct.

19 Q Turning to page 22, line 22 of your testimony,
20 you testified that the CILC and CDR programs have
21 deferred approximately \$591 million of capacity
22 additions since 2000?

23 A Yes. That's correct.

24 Q And those current -- and currently, as the
25 program stands right now, you know, there is a -- those

1 credits amount to a little over \$75 million per year?

2 A Subject to check, yes.

3 Q Since 2000, wouldn't the general body of
4 ratepayers have paid well over \$1 billion to avoid this
5 \$591 million of capacity additions?

6 A I am afraid I haven't made that calculation.

7 Q Now, on page 23, lines 13 to 14 of your
8 testimony, you would agree that Whitley's analysis --
9 Witness Whitley's analysis is based on an incremental
10 2,709 megawatts of battery storage additions?

11 A Yes.

12 Q And would you also agree that CILC/CDR
13 customers do not actually generate power to the grid
14 capable of serving other customers, correct?

15 A I agree, yes.

16 Q And on page 24, line 16 of your testimony,
17 testify that FPL's analysis is flawed because if CDR and
18 CILC customers left, they would require an additional
19 1,080 megawatts of capacity?

20 A Yes, assuming a 20-percent reserve margin and
21 the existing 900 megawatts of capacity.

22 Q So am I understanding your testimony correctly
23 that that would need to be added to the 2,709 megawatts
24 in Mr. Whitley's analysis of capacity that would be
25 needed to serve CILC/CDR customers?

1 A Yes, assuming that these customers were to
2 leave the -- or to leave the program and become firm
3 load.

4 **Q And so that would be a total of 3,789**
5 **megawatts of capacity needed to serve the 900 megawatts**
6 **of load represented by the CDR/CILC customers?**

7 A Well, that incremental capacity would also
8 serve the general customer base, because those deferred
9 battery additions would have served all customers, not
10 just these, I guess, in this case converting load.

11 **Q Those it incremental battery additions are**
12 **only for if the CDR/CILC program was discontinued,**
13 **correct?**

14 A That would be if those programs were
15 discontinued because it would have to -- that -- those
16 batteries would serve all customers, and then you would
17 have this incremental load coming from this 900
18 megawatts of program capacity that is then converted to
19 firm load as well.

20 **Q Well, I guess my question is do you know if**
21 **any -- I mean, would you agree that that's a four-to-one**
22 **ratio of megawatts of capacity to replace the CDR and**
23 **CILC program?**

24 A Subject to check, that math sounds right, but
25 once again, that's because this 900 megawatts of program

1 capacity is reducing the need for those battery
2 resources in the first place.

3 **Q I guess my question is, do you know of any**
4 **other customers that would require a four-to-one**
5 **battery, you know, capacity load ratio to them?**

6 A I think you are over -- or overestimating the
7 impact, because those battery additions that are being,
8 I guess, circumvented by these programs were for the
9 entire system. It was a system benefit. Not merely to
10 serve this 900 megawatts of capacity.

11 **Q A system benefit only necessary if the CILC**
12 **and CDR customers become firm load, essentially that the**
13 **program is discontinued, right?**

14 A No, because in FPL's analysis, those batteries
15 were necessary to serve all customers. They were
16 looking at a system with and without the CILC and CDR
17 programs. They were planning for their entire system,
18 not just to serve these 900 megawatts of capacity from
19 the program.

20 **Q I guess my question is, if the CILC and CDR**
21 **customers themselves are not generating power for other**
22 **customers, what need would FPL have in the absence of**
23 **the CILC and CDR program to serve the system except to**
24 **make sure that there is firm load available to support**
25 **the CDR an CILC customers?**

1 A I am sorry, I think I have lost track of the
2 question.

3 Q It's getting a little complicated.

4 A Yeah, sorry.

5 Q Let me try that again.

6 Could the two FPL scenarios that FPL was
7 looking at in deriving that was the program of with the
8 CDR/CILC program and without the CDR/CILC program
9 essentially, correct?

10 A Yes. That's correct.

11 Q Okay. And since we already established that
12 CDR and CILC customers do not generate energy to serve
13 other customers, what need would FPL have to add
14 batteries, in the difference between those two
15 scenarios, except to now serve the firm load of the CDR
16 and CILC customers?

17 A Well, the very purpose of the CDR and CILC
18 program is that they can be called upon to reduce their
19 load. So during those times of peak need, those -- the
20 CILC and CDR loads will essentially be taken off the
21 system, therefore, that reduction in capacity need is
22 what's accounting for those battery additions.

23 Q Thank you. I think that's the answer we
24 are --

25 A I am glad we got there.

1 Q Okay. On page 24, line 18, of your
2 testimony --

3 A I am there.

4 Q -- I know it's redacted here, but that number
5 is based on the incremental generation charge contained
6 in Witness Cohen's model, is that right?

7 A That's correct.

8 Q Do you know if that was cut almost in half in
9 her rebuttal testimony?

10 A I am not aware of that.

11 Q Did you propose increased -- you proposed to
12 increase the CDR and CILC credit by 40.7 percent, is
13 that right?

14 A That is correct.

15 Q And added to the current credit, that would --
16 well, let me just ask it, that would be about \$30.5
17 million of additional credit per year?

18 A I have not made that calculation.

19 Q Would you accept, subject to check, that the
20 total revenue requirement cost of the current credit
21 plus your additional credit would be a little over
22 \$420 million over the four-year term?

23 A Subject to check, yes.

24 Q And do you know if FPL is currently planning
25 to add 3,953 megawatts of batteries from 2025 through

1 **2029?**

2 A Subject to check, yes.

3 Q Do you know if that comes with a cumulative
4 revenue requirement from that same time period of 255 --
5 a little over \$255 million?

6 A I have not made that -- or I have not reviewed
7 that information.

8 Q Thank you, Mr. Chairman, Mr. Ly, that's all my
9 questions.

10 CHAIRMAN LA ROSA: FAIR?

11 MR. LAVIA: No questions.

12 CHAIRMAN LA ROSA: FEIA?

13 MR. MAY: No questions.

14 CHAIRMAN LA ROSA: Walmart?

15 MS. EATON: No questions.

16 CHAIRMAN LA ROSA: FEA?

17 CAPTAIN RIVERA: No questions.

18 MR. BREW: No questions from FRF.

19 CHAIRMAN LA ROSA: Thank you.

20 FPL?

21 MS. MONCADA: No questions.

22 CHAIRMAN LA ROSA: Staff?

23 MR. STILLER: No questions.

24 CHAIRMAN LA ROSA: Commissioners, are there
25 any questions from us?

1 Seeing none, back to FIPUG for redirect.

2 MR. MOYLE: We have no redirect.

3 CHAIRMAN LA ROSA: Okay. Anything that needs
4 to be moved into the record?

5 MR. MOYLE: We would like to move the exhibits
6 that accompany the testimony of Mr. Ly. That would
7 be -- my records are 244, 245 and 246, which were
8 affixed to his testimony as 1 to 3.

9 CHAIRMAN LA ROSA: Okay. That's what I have
10 as well. Is there objection? Seeing none, so
11 moved.

12 (Whereupon, Exhibit Nos. 244-246 were received
13 into evidence.)

14 CHAIRMAN LA ROSA: Anything else that needs to
15 be moved into the record, FEL?

16 MR. MARSHALL: Exhibit 984.

17 CHAIRMAN LA ROSA: Okay. Just that one?

18 Any objections to 984? Seeing none, so moved.

19 (Whereupon, Exhibit No. 984 was received into
20 evidence.)

21 CHAIRMAN LA ROSA: Nothing else that needs to
22 be moved. Excellent.

23 Mr. Ly, thank you very much.

24 THE WITNESS: Thank you.

25 CHAIRMAN LA ROSA: You are excused.

1 Excellent.

2 (Witness excused.)

3 CHAIRMAN LA ROSA: I think we can take FEL's
4 witnesses. What time is it here? We got plenty of
5 time. Sorry.

6 FEL.

7 MR. MARSHALL: FEL calls Karl Rábago to the
8 stand.

9 CHAIRMAN LA ROSA: Mr. Rábago, before you sit
10 down, do you mind standing and raising your right
11 hand?

12 Whereupon,

13 KARL RÁBAGO
14 was called as a witness, having been first duly sworn to
15 speak the truth, the whole truth, and nothing but the
16 truth, was examined and testified as follows:

17 THE WITNESS: I do.

18 CHAIRMAN LA ROSA: Thank you.

19 I'm sorry. I didn't mean to grab you as you
20 were putting stuff down, so feel free to get
21 settled in.

22 Mr. Marshall, it's all yours once the witness
23 is ready.

24 THE WITNESS: One second. Okay. Ready.

25 EXAMINATION

1 BY MR. MARSHALL:

2 Q Can you please state your name and business
3 address for the record?

4 A Yes. My name is Karl R. Rábago. I am the
5 principle of Rábago Energy. I will just go on with the
6 rest. My business address 1350 Gaylord Street, Denver,
7 Colorado.

8 Q And on whose behalf are you testifying?

9 A I am testifying on behalf of LULAC, Florida
10 Rising and ECOSWF.

11 Q Mr. Rábago, on June 9th, 2025, did you prepare
12 and cause to be filed testimony and Exhibits KRR-1
13 through KRR-5 regarding this rate case?

14 A Yes.

15 MR. MARSHALL: And for the record, those are
16 going to be exhibits identified on the CEL as 252
17 through 256.

18 BY MR. MARSHALL:

19 Q Do you have that testimony and those exhibits
20 you with today?

21 A I do.

22 Q If I asked you the same questions, would your
23 answers be the same?

24 A It would -- they would.

25 Q Do you have any changes to make to your

1 **prefiled testimony or exhibits?**

2 A I have two small items of errata. On page 36,
3 line 17, the word assert should be asset. And on
4 line -- on page 47, line 15, the word forecasts should
5 be forecasting errors.

6 MR. MARSHALL: Mr. Chairman, at this point, I
7 would like to have Mr. Rábago's prefiled direct
8 testimony be entered into the record as though
9 read --

10 CHAIRMAN LA ROSA: So moved.

11 MR. MARSHALL: -- those two changes.

12 (Whereupon, prefiled direct testimony of Karl
13 Rábago was inserted.)

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Florida)
Power & Light Company)
_____)

DOCKET NO. 20250011-EI

DIRECT TESTIMONY

OF KARL R. RÁBAGO

ON BEHALF OF

FLORIDA RISING, INC.,

LEAGUE OF UNITED LATIN AMERICAN CITIZENS,

AND

ENVIRONMENTAL CONFEDERATION

OF SOUTHWEST FLORIDA, INC.

JUNE 9, 2025

1 **I. INTRODUCTION AND OVERVIEW**

2 **Q. Please state your name, business name, and address**

3 **A.** My name is Karl R. Rábago. I am the principal of Rábago Energy LLC, a
4 Colorado limited liability company, located at 1350 Gaylord Street, Denver,
5 Colorado.

6 **Q. On whose behalf are you appearing in this proceeding?**

7 **A.** I appear here in my capacity as an expert witness on behalf of Florida Rising,
8 Inc. (“FL Rising”), LULAC Florida Inc., better known as the League of United
9 Latin American Citizens of Florida (“LULAC”), and the Environmental
10 Confederation of Southwest Florida, Inc. (“ECOSWF”).

11 **Q. Please list your formal educational degrees.**

12 **A.** I earned a Bachelor of Business Administration in Management from Texas
13 A&M University in 1977, a Juris Doctorate with Honors from The University of
14 Texas School of Law in 1984, a Master of Laws in Military Law from the U.S.
15 Army Judge Advocate General’s School in 1988, and a Master of Laws in
16 Environmental Law from the Pace University Elisabeth Haub School of Law in
17 1990.

18 **Q. Please summarize your experience and expertise in the field of electric utility**
19 **regulation.**

20 **A.** I have worked for 35 years in the utility industry and related fields, following my
21 honorable discharge from the U.S. Army, where I served as an Armored Cavalry
22 officer and a Judge Advocate. I am actively involved in a wide range of utility
23 regulatory and ratemaking issues across the United States. My previous
24 employment experience includes Commissioner with the Public Utility
25 Commission of Texas, Deputy Assistant Secretary with the U.S. Department of

1 Energy, Vice President with Austin Energy, Executive Director of the Pace
2 Energy and Climate Center, Managing Director with the Rocky Mountain
3 Institute, and Director with AES Corporation, among others. For the past
4 fourteen years, I have operated Rábago Energy LLC as a vehicle for my
5 consulting and expert witness work. My resume is attached as Exhibit KRR-1.

6 **Q. Have you ever testified before the Florida Public Service Commission**
7 **(“Commission”) or other regulatory agencies?**

8 **A.** I have submitted testimony before the Commission in the past in several
9 proceedings, including the Florida Energy Efficiency and Conservation Act
10 (“FEECA”) proceedings in 2014 (Docket Nos. 130199-EI, 130200-EI, 130201-
11 EI, and 130202-EI), the Florida Power & Light need determination case for the
12 Okeechobee Plant (Docket No. 150166-EI), the Gulf Power general rate case in
13 2017 (Docket No. 160186-EI), the Duke Energy Florida “Clean Energy
14 Connection” program application (Docket No. 20200176-EI), the Florida Power
15 & Light Company general rate case in 2021 (Docket No. 20210015-EI), the
16 Tampa Electric Company general rate case (Docket No. 20240026-EI), and the
17 Duke Energy Florida general rate case in 2024 (Docket No. 20240025-EI). In
18 the past fourteen years, I have submitted testimony, comments, or presentations
19 in proceedings in Alabama, Arkansas, Arizona, California, Colorado,
20 Connecticut, District of Columbia, Florida, Georgia, Guam, Hawaii, Illinois,
21 Indiana, Iowa, Kansas, Kentucky, Louisiana, Massachusetts, Michigan,
22 Minnesota, Mississippi, Missouri, Nevada, New Hampshire, New York, North
23 Carolina, Ohio, Pennsylvania, Puerto Rico, Rhode Island, Vermont, Virginia,
24 Washington, and Wisconsin. I have also testified before the U.S. Congress and
25 have been a participant in comments and briefs filed at several federal agencies

1 and courts. A listing of my previous testimony is attached as Exhibit KRR-2.

2 **Q. Does your experience give you insights into the responsibilities and duties of**
3 **the Commission in this proceeding?**

4 **A.** Yes. As a public utility commissioner in Texas, I participated in making
5 decisions on hundreds of rate review, rulemaking, and planning decisions in
6 cases involving investor-owned, municipal, and cooperative electric and
7 telephone utilities. Those matters ranged widely, from ministerial annual interest
8 rate approvals, for example, to prudence and rate decisions on a \$12.4 billion
9 nuclear power plant, to mergers and acquisitions. I have appeared before
10 hundreds of commissioners and board members in formal, informal, and
11 educational proceedings in the years since. I have contributed to the writing and
12 passage of laws and rules in many jurisdictions and have made a career of
13 advancing regulatory and market opportunities for competitive alternatives to
14 monopoly control of essential services businesses, especially through the
15 expanded deployment and use of distributed energy resources. I am honored to
16 have served as a utility regulator and remain deeply respectful of the public
17 interest obligation that comes with the job.

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

19 **A.** The purpose of my testimony is to share my evaluation of the proposal for rate
20 increases, rate changes, planning approaches, resource investments, earnings
21 growth mechanisms, and other requests submitted by Florida Power and Light
22 (“FPL”) in this proceeding seeking rate increases and approval of several
23 regulatory requests (the “petition”). I will address several ways in which FPL
24 seeks the support and approval of the Florida Public Service Commission
25 (“Commission”) to impose unreasonable and unnecessary financial burdens and

1 hardships on residential customers. I offer recommendations to the Commission
2 for ways that these burdens and hardships can be lessened to ensure that fair, just,
3 and reasonable rates flow from this proceeding, and for ways that the
4 Commission can and should exercise its authority to reign in FPL's abuses.

5 **Q. How would you characterize, at a high level, the Company's proposals in**
6 **this proceeding?**

7 **A.** The Company proposes rate changes and other actions that unnecessarily,
8 unreasonably, and unjustly seek to enrich its stockholders at the expense of its
9 customers and the environment. The Company's application proposes a four-
10 year rate plan covering the years 2026-2029 and includes proposals for nearly \$4
11 billion in additions to base revenue requirements due to capital spending in 2026
12 and 2027 and after adjustments results in \$2.5 billion in new revenue requested,
13 as well as investments in 2028 and 2029 in more generation and other
14 infrastructure that FPL will seek to recover through the Solar Base Rate
15 Adjustment ("SoBRA").¹

16 **Table KRR-1: FPL Proposed Revenue Requirement Increases**

	2026	2026 Share of Requested Revenue Increase	2027	2027 Share of Requested Revenue Increase	2026 and 2027
Capital Initiatives	\$1,839,000,000	63%	\$809,000,000	78%	\$2,648,000,000
Loss of Reserve Amortization	\$336,000,000	11%			\$336,000,000
Cost of Capital	\$256,000,000	9%	\$31,000,000	3%	\$287,000,000
Unprotected Excess ADIT Amortization	\$167,000,000	6%	\$27,000,000	3%	\$194,000,000
Inflation & Customers Growth	\$134,000,000	5%			\$134,000,000
Depreciation Expense Increases	\$122,000,000	4%			\$122,000,000
Dismantlement Funding Increases	\$56,000,000	2%			\$56,000,000
Other Revenue Requirement Increases	\$24,000,000	1%			\$24,000,000
Net IRA Tax Credits			\$169,000,000	16%	\$169,000,000
	\$2,934,002,026	100%	\$1,036,000,000	100%	\$3,970,002,026

Source: Laney Direct Ex. IL-7, -11

¹ Direct testimony of FPL witness Ina Laney ("Laney Direct") at IL-7, IL-11.

Capital initiatives account for two-thirds of the total proposed revenue growth in 2026 and 2027. A major factor driving rate and cost increases, and proposed shareholder profits, is an unreasonable request for a return on equity (“ROE”) of 11.9% and an equity ratio of over 59%—all at a time when industry ROEs are trending below 10% and the cost of debt remains much lower than FPL’s current and requested ROE—which increases revenues by \$287,000,000. In several other ways, the Company proposes to make itself a haven for overearning, including proposals for authority to continue to manipulate tax liabilities and tax credits to ensure continued maximum earned ROE. Again, FPL proposes to continue its excessive capital spending through its SoBRA mechanism to add even more to rate base in 2028 and 2029.

Q. What rate making principles offer guidance for the Commission’s evaluation of FPL’s application and the issues in this proceeding?

A. For nearly 65 years, James Bonbright’s treatise entitled “Principles of Public Utility Rates” has stood as a foundational reference for evaluation of rate making proposals and approaches.² The following articulation of the Bonbright principles³ is useful in general and in reviewing the Application:

- Rates should be characterized by simplicity, understandability, public acceptability, and feasibility of application and interpretation.
- Rates should be effective in yielding total revenue requirements.
- Rates should support revenue and cash flow stability from year to year.
- Rate levels should be stable in themselves, with minimal unexpected

² James C. Bonbright, *Principles of Public Utility Rates* (Columbia Univ. Press 1961), available at: <https://www.raonline.org/knowledge-center/principles-of-public-utility-rates/>.

³ This summary was derived from Jess Totten, *Tariff Development II: Rate Design for Electric Utilities*, Briefing for NARUC/INE Partnership (Feb. 1, 2008), <https://pubs.naruc.org/pub.cfm?id=538EA65C-2354-D714-5107-44736A60B037>.

1 changes that are seriously averse to existing customers.

- 2 • Rates should be fair in apportioning cost of service among different
3 consumers.
4 • Rate design and application should avoid undue discrimination.
5 • Rates should advance economic efficiency, promote the efficient use of
6 energy, and support market growth for competing products and services.

7 Ways in which FPL's proposals are inconsistent with these proposals will
8 be discussed in the body of this testimony. As they have for decades in hundreds
9 if not thousands of rate proposals across the country and around the world, the
10 Bonbright Principles provide a useful starting point for reviewing FPL's rate
11 proposals.

12 **Q. What law and regulatory precedent guides the Commission decision in this**
13 **matter?**

14 **A.** Under Florida law,⁴ no utility may charge or receive, directly or indirectly, any
15 rate that is unfair, unjust, or unreasonable. No utility may make or give any
16 undue or unreasonable preference or advantage to any person or locality or
17 subject any person to undue or unreasonable prejudice or disadvantage. In short,
18 Florida law charges the Commission with approving only those rates that are fair,
19 reasonable, and just. In setting rates, the Commission must investigate and
20 determine the prudent costs of utility investments and other spending used and
21 useful in providing electric service and serving the public interest.

22 **Q. What specific elements of the Company's proposals do you address in this**
23 **testimony?**

⁴ Fla. Stat. §§ 366.03, 366.06 (2024).

- 1 **A.** My testimony focuses on a few key issues of greatest significance to FL Rising,
2 ECOSWF, and LULAC. Those are proposals by the Company to increase rates
3 and charges that these organizations and their members will have to pay for
4 electric service over the term of the proposed rates. The issues addressed are:
- 5 • FPL’s proposal to move to a 12-coincident peak, 25% energy allocator
6 for production costs.
 - 7 • FPL’s proposed return on equity and proposed capital structure,
8 particularly the equity ratio.
 - 9 • FPL’s proposals for new capital spending, including to build unnecessary
10 new battery facilities, and to rely on dubious procedures for
11 characterizing resource adequacy risks.
 - 12 • FPL’s proposal to install 522 MW of battery in Northwest Florida in
13 2025.
 - 14 • FPL’s proposal to implement a new Tax Adjustment Mechanism
15 (“TAM”) that would create an FPL-controlled non-cash accounting
16 mechanism to accelerate the recognition of deferred tax liability
17 reductions so as to maximize profits.
 - 18 • FPL’s proposal to deceptively dampen the short-term impacts of
19 excessive investments in battery facilities by realizing investment tax
20 credits (“ITCs”) in a single year and in violation of the matching
21 principle of rate making.
 - 22 • FPL’s proposal to continue the economically regressive minimum bill
23 mechanism and increase it by 20%, from \$25 to \$30.
 - 24 • FPL’s proposed Large Load rate schedules.
 - 25 • FPL’s proposal to make permanent its Solar Power Facilities Program.

- 1 • FPL’s energy sales forecasting.

2 The one consistent theme connecting each of these issues is that customer
3 bills and rates are higher than they should be and will continue to be so.

4 **Q. FPL witness Cohen offers testimony that FPL typical residential bills are**
5 **substantially lower than the average for other utilities.⁵ Is this a valid**
6 **assertion that the Commission and customers may rely on?**

7 **A.** There is no reasonable basis for accepting witness Cohen’s assertion, even
8 though it is repeated by several FPL witnesses. The claim that FPL rates are
9 lower than the national average bills for customers using 1,000 kWh per month
10 misrepresents the average usage level of FPL customers, which is substantially
11 greater than 1,000 kWh per month, and ignores the average monthly
12 consumption levels in many other states. Witness Cohen’s claim appears to be
13 based on data from a proprietary study published by the Edison Electric Institute,
14 only available to the public at a significant price, and for which methods and
15 sources are not provided. And it appears out of sync with data that FPL and
16 other regulated electric utilities provide in official reports to the U.S.
17 government.

18 **Q. Is there publicly available data that reflects where FPL rates stand?**

19 **A.** The U.S. Energy Information Administration (“EIA”), which provides
20 independent statistics and analysis based on utility FERC Form 1 and other
21 reports, collects and reports electric sales, revenue, and price information to the
22 public free of charge. According to the EIA-reported data for residential sales

⁵ Direct testimony of FPL witness Tiffany C. Cohen (“Cohen Direct”) at 6.

1 and prices,⁶ FPL average customer bills are much higher than FPL represents.
2 According to this self-reported utility data, average residential monthly usage is
3 1,133 kWh, more than 10% higher than the 1,000 kWh “typical bill” used by
4 FPL. And the average rate for residential electric service is 15.01 cents per kWh,
5 yielding an average monthly bill of \$170.14.⁷ This monthly bill amount is almost
6 \$50 more per month, or 40% higher, than the monthly bill FPL presents from
7 industry association data and based on 1,000 kWh of monthly use.⁸

8 The EIA Data shows that when utility-specific usage rates, prices, and
9 revenues are used, FPL residential customers pay the twelfth highest electric bills
10 nation-wide, out of more than 180 investor-owned electric utilities.⁹

11 **Q. How will FPL’s proposals in this case impact residential customer bills?**

12 **A.** FPL will most likely move even higher up in the rankings for highest bills if the
13 Commission approves FPL’s rate increases. For 2026, FPL proposes to increase
14 the fixed customer charge by nearly 14%, from \$9.61 per customer per month to
15 \$10.92,¹⁰ and to increase the minimum bill for non-demand charge customers
16 from \$25 per customer per month to \$30.

17 FPL further proposes to increase the volumetric energy charges for
18 residential customers, and in an economically regressive way. FPL proposes that
19 the base energy charge for a customer’s first 1,000 kWh of use increase from
20 7.164 cents per kWh to 8.185 cents, or 14.3%; and that the charge for additional

⁶ U.S. EIA, *Electricity Sales, Revenue, and Average Price – 2023 Utility Bundled Retail Sales - Residential* (Oct. 10, 2024, with data for 2023) (“EIA Data”) at data table T6, https://www.eia.gov/electricity/sales_revenue_price/.

⁷ *Id.* Calculated as (70,005,780,000 kWh/5,147,906 customers)/12 months = 1,133 kWh/customer/month; \$0.1501 x 1,133 kWh = \$170.14 /customer/month.

⁸ Cohen Direct, Ex. TCC-3 at 1.

⁹ EIA Data, *supra* n. 6.

¹⁰ MFR A-02 Test.

kWh be increased from 8.170 cents per kWh to 9.185 kWh, or 12.4%. This approach of smaller increases for higher uses makes the proposed rates economically regressive and promotes increased use of energy on the margin.

Taken together, FPL's base rate increase proposals would result in about a 13.6% increase in residential base rates.

Table KRR-2: FPL Proposals for 2026 Base Rate Increases

Usage Level	Current Base Rates	Proposed 2026 Base Rates	Increase per Month	% Base Rates Increase
250	\$27.52	\$31.38	\$3.86	14.0%
500	\$45.43	\$51.85	\$6.42	14.1%
750	\$63.34	\$72.31	\$8.97	14.2%
1,000	\$81.25	\$92.77	\$11.52	14.2%
1,250	\$101.68	\$115.73	\$14.05	13.8%
1,500	\$122.10	\$138.70	\$16.60	13.6%
1,750	\$142.53	\$161.66	\$19.13	13.4%
2,000	\$162.95	\$184.62	\$21.67	13.3%
2,250	\$183.38	\$207.58	\$24.20	13.2%
2,500	\$203.80	\$230.55	\$26.75	13.1%
2,750	\$224.23	\$253.51	\$29.28	13.1%
3,000	\$244.65	\$276.47	\$31.82	13.0%

Source: MFR A-02 Test

FPL proposed in this petition to further increase base rates in 2027, and the combined effect of the 2026 and 2027 increase is about a 22% increase in base rates.

Table KRR-3: FPL Proposals for 2026 & 2027 Base Rate Increases

Usage Level	Current Base Rates	Proposed 2026 & 2027 Base Rates	Increase per Month	% Base Rates Increase
250	\$27.52	\$33.75	\$6.23	22.6%
500	\$45.43	\$55.77	\$10.34	22.8%
750	\$63.34	\$77.80	\$14.46	22.8%
1,000	\$81.25	\$99.82	\$18.57	22.9%
1,250	\$101.68	\$124.35	\$22.67	22.3%
1,500	\$122.10	\$148.87	\$26.77	21.9%
1,750	\$142.53	\$173.40	\$30.87	21.7%
2,000	\$162.95	\$197.92	\$34.97	21.5%
2,250	\$183.38	\$222.45	\$39.07	21.3%
2,500	\$203.80	\$246.97	\$43.17	21.2%
2,750	\$224.23	\$271.50	\$47.27	21.1%
3,000	\$244.65	\$296.02	\$51.37	21.0%

Source: MFR A-02 2027 TY

1 **Q. The MFR’s submitted by FPL do not show such significant increases in**
2 **estimated total bills in 2026 and 2027. Why is the data you present**
3 **different?**

4 **A.** FPL zeros out the Storm Charge in both 2026 and 2027, so total bills reflect
5 small net increases. This is misleading. FPL’s service territory will likely
6 experience severe weather in 2025 as the effects of climate change increase the
7 likelihood of major storms and hurricanes.¹¹ Damages from such weather will
8 most likely trigger Storm Charges added to customer bills in 2026.¹²

9 **Q. You are implying that current impacts on actual residential customer bills**
10 **calculated from actual usage levels should be an important factor in**
11 **evaluating the FPL’s performance and the rates, programs, adjustments,**
12 **and spending it is proposing. Why are current and actual bill impacts**
13 **important?**

14 **A.** Current and actual residential bill impacts are not the only factor for
15 consideration in setting rates, to be sure, but they are critically important today
16 and to the members and organizations on whose behalf I am testifying. Some of
17 the reasons that these impacts are so important include:

- 18 • Millions of Floridians live in poverty and in households where the
- 19 average income is so low that they face a significant energy burden that
- 20 will be made worse by the increases in bills proposed in this proceeding.
- 21 As of 2022, about 1,125,129 households, or 12.8% of the total in Florida,

¹¹ Ryan Truchelut, *Hurricane Season 2025: Good News and Bad from the Florida Forecast* Tallahassee Democrat (May 27, 2025), <https://www.tallahassee.com/story/news/hurricane/2025/05/27/hurricane-season-in-florida-2025-odds-more-as-tropics-wake-up/83796388007/> (predicting at 65% chance of an above-normal hurricane season in 2025).

¹² See Direct testimony of FPL witness Scott R. Bores (“Bores Direct”), Exs. SRB-4 & SRB-5.

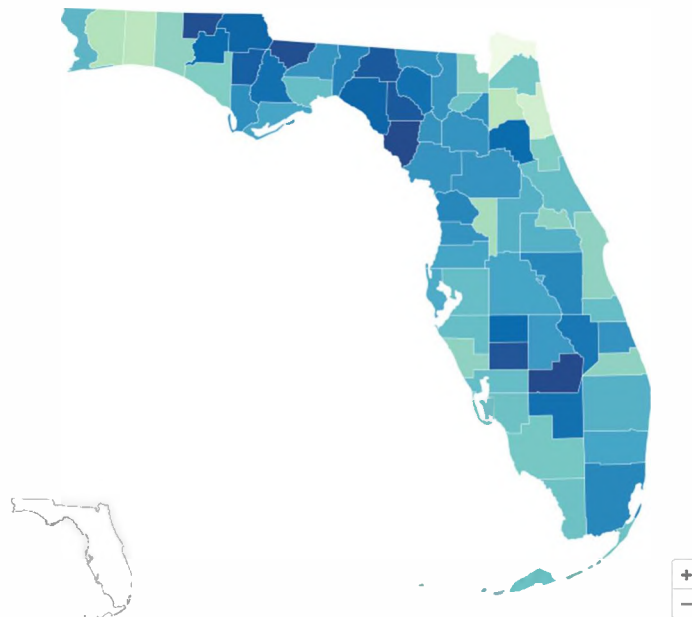
were in poverty.¹³

- As of 2022, about 2,931,091 households, or 33.3% of the total in Florida, were characterized as “Asset Limited, Income Constrained, Employed” (“ALICE”). While many of these households have income levels above the federal poverty rate, they still struggle to make ends meet and face economic disaster from even one emergency event. The map below shows how ALICE rates vary by Florida county.¹⁴

Percentage of ALICE Households by County

Between 31% and 64% of households in each county in Florida are considered ALICE — those who make more than the Federal Poverty Level but not enough to afford basic necessities.

ALICE by %
31 64



- Poverty is worse in major counties served by FPL. In Miami-Dade County, 53% of households face financial hardship, followed by Broward County, at 48% of households, and Palm Beach County, at

¹³ Julia Cooper, *Half the Households in Florida Struggle to Make Financial Ends Meet, Major Report Shows*, WLRN Public Media (Jul. 10, 2024), <https://www.wlrn.org/government-politics/2024-07-10/florida-alice-united-way-report-affordability>.

¹⁴ *Id.*

1 47%.

- 2 • The way in which FPL proposes to implement the rate increases in this
3 case imposes more burden on low users of electricity than on high
4 electricity users. Low users of electricity in Florida are more likely to be
5 low-income customers, members of minority races or ethnic groups, or
6 elderly, so the impacts of the rate increases are felt most by those least
7 able to bear the added burden.¹⁵
8 • The economic hardships facing ALICE households and households in
9 poverty are worsened by FPL rates like its minimum bill, making it
10 impossible to for low-income, low-use customers to reduce their bills
11 below the minimum, whether through conservation or privation.

12 **Q. Please summarize your recommendations based on your findings.**

13 **A.** Based on my review of the evidence relating to the topics previously listed, I
14 recommend that the Commission deny FPL's petition and direct it to refile after
15 having addressed the problems cited in this testimony. On the specific issues, I
16 offer the following recommendations to the Commission:

17 *Return on Equity and Capital Structure*

- 18 • The Commission should grant FPL an allowed return on equity of no
19 more than 9.60%, centered in a 200-basis point range of 8.60% to
20 10.60%.
21 • The Commission should deny FPL's proposed minimum bill increase
22 and order FPL to eliminate the minimum bill provision entirely.
23 • The Commission should allow the Company to adopt a capital structure

¹⁵ Exhibit KRR-3, National Consumer Law Center, *Utility Rate Design: How Mandatory Monthly Customer Fees Cause Disproportionate Harm*, 2015.

1 with an equity ratio no higher than 50.52%, and a rate of return (“ROR”)
2 no higher than 6.07%.

- 3 • These changes alone, even accepting all of FPL’s planned capital
4 spending (which I recommend the Commission reject significant
5 portions of), would mean FPL is already projected to overearn and that
6 the rate increase should be rejected.
- 7 • Given that I recommend that the Commission reject the 2026 rate increase,
8 I recommend that the Commission require FPL to refile a petition for a
9 rate increase in 2026 if FPL still wishes to increase rates in 2027.

10 *Capital Spending*

- 11 • The Commission should not authorize any capital spending driven by
12 FPL’s stochastic loss of load probability analysis (“SLOLP”). The
13 Commission should deny FPL’s proposal to construct the 522 MW
14 Northwest Florida battery project and the other battery projects in its rate
15 plan proposal for the 2026-2029 timeframe and require a full cost-
16 effectiveness analysis, including evaluation of all generation, storage,
17 and demand-side alternatives.
- 18 • The Commission should deny FPL’s proposal to implement the TAM.
- 19 • The Commission should deny FPL’s proposal to apply storage-related
20 ITCs in a single year following commissioning of battery facilities, and
21 direct FPL to normalize the credits in order to adhere to the matching
22 principle.

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1 **II. FPL’S 12 CP 25% COST ALLOCATION METHOD FOR PRODUCTION**
2 **COSTS SHOULD BE REJECTED AND REPLACED WITH A MODEL THAT**
3 **ALLOCATES BASED ON ENERGY OR CAPACITY, BY GENERATION**
4 **TYPE**

5 **Q. What cost allocation model does FPL propose for allocation of production**
6 **costs?**

7 **A.** FPL’s current rates are based on a 12 coincident peak (“CP”) and 1/13th weighted
8 average demand method (“12 CP and 1/13”) for production costs and the results
9 of the 2021 settlement agreement. FPL proposes moving to a 12 CP method that
10 substitutes a 25% energy weighting for the 1/13th calculation currently in use
11 (“12 CP and 25%”).¹⁶

12 **Q. What factors are considered when deciding which allocation method to use?**

13 **A.** Although arguments and justifications about which cost allocation method to use
14 are often couched in broad assertions about which method better reflects cost
15 causation, the decision of how to slice the pie of total revenue requirements often
16 devolves to a contest of regulatory political power played out in confidential
17 settlement negotiations. Very large customers with the ability to fully participate
18 in rate proceedings represented by expensive consultants often do better than
19 residential consumer advocates with limited budgets. It is also true that because
20 the number of residential customers and small business customers vastly exceeds
21 the numbers of customers in other classes, assignment of revenue requirement
22 increases to small customers can result in smaller per-unit or per-bill increases
23 relative to other customer classes and a politically more attractive result.

¹⁶ Direct testimony of FPL witness Tara DuBose (“DuBose Direct”) at 22.

1 Additionally, under a somewhat perverse and certainly unjust theory of inverse
2 elasticity, monopoly utilities often find convincing the argument that excess costs
3 should be assigned to customers with the least opportunity to do anything but pay
4 the charges.¹⁷

5 **Q. What factors should inform the choice of allocation method?**

6 **A.** The objective of the choice of allocation method is to reflect the character of the
7 costs being allocated. The production costs allocator should reflect the character
8 of the costs for various kinds of production and should result in an allocation that
9 reflects how customers are using the production plant components of the system.
10 Finally, the choice of allocation method should reflect the evolving character of
11 the mix of production resources.

12 In FPL's case, the utility is increasingly focused on net system peak
13 planning to address capacity needs, generally through batteries, and on increasing
14 the amount of solar generation, which is an energy-producing generation
15 resource that provides relatively little marginal capacity for the system net peak.
16 This is to say that FPL's focus is on reflecting both the capacity and energy
17 elements of the system, and the customers that use them, and has tried to find an
18 allocation approach that strikes an appropriate balance.

19 **Q. What method do you recommend that FPL be required to use to allocate**
20 **production costs?**

¹⁷ The Wikipedia entry related to the so-called "Ramsey Problem" explains this approach as follows: "The Ramsey problem, or Ramsey pricing, or Ramsey-Boiteux pricing, is a second-best policy problem concerning what prices a public monopoly should charge for the various products it sells in order to maximize social welfare (the sum of producer and consumer surplus) while earning enough revenue to cover its fixed costs. Under Ramsey pricing, the price markup over marginal cost is inverse to the price elasticity of demand and the price elasticity of supply: the more elastic the product's demand or supply, the smaller the markup." Wikipedia, *Ramsey Problem*, https://en.wikipedia.org/wiki/Ramsey_problem (last visited June 5, 2025).

1 **A.** I recommend that FPL and the Commission reorient their thinking toward a
2 production plant allocation method that deals with the issues head on. That is, I
3 recommend that FPL allocate production plant costs according to the primary
4 function that types of generators perform. Nuclear and solar plants are primarily
5 energy generators and are not highly dispatchable in a way that supports firm
6 capacity needs on the margin. Gas plants and batteries provide firm capacity and
7 are dispatchable. I acknowledge that combined cycle plants are also energy
8 generators, but these are not the most economical choice for providing energy
9 when compared to solar. In short, I recommend that FPL use a “12 CP and
10 Energy/Capacity” allocation method that allocates the costs of all nuclear and
11 solar plants to energy, and the costs of all gas plants and battery facilities to
12 demand.

13 **Q. Have you allocated costs using this methodology?**

14 **A.** Yes. I’ve attached a modified version of FPL’s cost of service study as Exhibit
15 KRR-4, changing the rate of return, as I suggest below, and allocating the
16 production costs as I’ve recommended above. This modified version is based on
17 the attachment that FPL provided in response to FIPUG interrogatory number 11.
18 FPL did note that there were some minor errors in that spreadsheet, but I
19 understand that they are not significant. I attach this for information purposes, as
20 this cost of study still includes projects that I recommend that the Commission
21 reject, as discussed elsewhere in my testimony. It also includes FPL’s current
22 sales forecasts, which, as I note later, under-forecasts sales, leading to higher
23 earnings for FPL and higher rates. I provide this evidence to demonstrate that the
24 residential class is greatly overpaying its fair share of system costs—by hundreds
25 of millions of dollars as compared to the other customer classes.

1 **III. RETURN ON EQUITY AND CAPITAL STRUCTURE**

2 **Q. What amount does FPL propose it should receive as a return on equity in**
3 **this proceeding, and what fraction of the capital structure does it propose**
4 **that equity should comprise?**

5 **A.** FPL, through witness James M. Coyne, proposes a retail regulatory ROE
6 midpoint for FPL of 11.9% for the years 2026 through 2029, a rounded
7 recommendation based on simple averages of modeling results and the addition
8 of nine basis points for equity floatation costs.¹⁸ FPL further recommends a
9 capital structure comprised of 59.6% equity and 40.4% debt (“equity ratio”).¹⁹

10 **Q. How do the 11.9% ROE and 59.6% equity ratio requests square with**
11 **experience across the U.S.?**

12 **A.** FPL’s proposals are materially out of step with authorized returns and equity
13 ratios across the U.S. The Edison Electric Institute’s (“EEI”) Annual Financial
14 Review for 2023²⁰ reports that in 2023, the average awarded ROE was 9.58%²¹
15 and the equity ratio for U.S. investor-owned electric utilities was 41.6% equity to
16 58.4% debt.²² S&P Global’s subsidiary, Regulatory Research Associates
17 (“RRA”) reports that in recent decisions on major U.S. rate cases, the average
18 awarded ROE was 9.68% for the first half of 2024, and was 9.60% for all of
19 2023, representing about 120 decided cases.²³ RRA reports that the average

¹⁸ Direct testimony of FPL witness James M. Coyne (“Coyne Direct”) at 5.

¹⁹ Coyne Direct at 61.

²⁰ EEI, 2023 *Financial Review*, https://www.eei.org/-/media/Project/EEI/Documents/Issues-and-Policy/Finance-And-Tax/Financial_Review/FinancialReview_2023.pdf?la=en&hash=FB0D944B04D706A3ECA322DA98D5DF25CA3425BD [hereinafter “EEI Financial Review 2023”].

²¹ *Id.* at 70.

²² *Id.* at 60.

²³ Lisa Fontanella, Major Energy Rate Case Decisions, RRA (Jul. 29, 2024) at 3-6,

1 equity ratio for cases decided in 2023 was 51.15%.²⁴

2 **Q. How does FPL justify a request so out of step with utility industry**
3 **conditions?**

4 **A.** FPL witness Coyne presents results from estimating ROE with four models.²⁵
5 Mr. Coyne's analysis is like many that I have seen and is the product of two key
6 factors: First, general arguments that high returns are necessary to ensure access
7 to capital at reasonable costs, and second, the strong incentive to generate the
8 highest ROE values possible. I offer no argument that Mr. Coyne's calculations
9 did not produce the results they do, or that Mr. Coyne's selection of a proposed
10 ROE is inconsistent with those modeling results. My testimony is that FPL's
11 proposed ROE and equity ratio are out of step with industry norms and that there
12 is substantial evidence that FPL's proposed ROE exceeds the actual cost of
13 equity for FPL and its parent NextEra Energy. I further note that there is no
14 evidence that FPL has faced any difficulty in accessing capital at reasonable
15 costs.

16 **Q. Is the problem with excessive authorized rates of return limited to FPL?**

17 **A.** The problem of excessive authorized returns is unfortunately endemic among
18 investor-owned utilities in the U.S., but FPL leads the pack. A recent study from
19 the American Economic Liberties Project documents these and other problems
20 with awarded ROEs for investor-owned utilities in detail, hereinafter the

<https://pscdocs.utah.gov/electric/24docs/2403504/336109DPUExhbt3.14MjrEnergyRtCsDcsns10-17-2024.pdf>. RRA defines a "major" case as on in which the "utility's request would result in a rate change of at least \$5 million or in which the commission approves a rate change of at least \$3 million."

²⁴ *Id.* at 7.

²⁵ Coyne Direct at 32-33.

1 “ROR=COC” report, for “Rate of Return Equals Cost of Capital.”²⁶ A very
2 accessible primer published by RMI also recognizes these problems and points
3 out that on average, utility profits now reflect nearly 17% of the average
4 customer bill, hereinafter “RMI ROE Primer.”²⁷ The Pearl Street Station Finance
5 Lab observed that utility ROEs above those for similarly credit-rated industries
6 could have cost American utility customers up to \$214 billion during the decade
7 2010-20 and \$34 billion in 2020 alone—with such overcharges by FPL topping
8 the list.²⁸

9 **Q. You stated that you do not take issue with the fact that FPL’s modeling of a**
10 **proposed ROE produced the results that it did. Does that mean that you**
11 **approve of the models themselves?**

12 **A.** There are recognized problems with excessive utility rates of return allowed by
13 utility commissions as well as the modeling that utilities provide to support their
14 ROE requests. In general, these models produce recommended ROEs that
15 greatly exceed the cost of equity, which should be where the ROE is set. As
16 noted in the ROR=COC report:

17 [U]tility rate of return experts frequently employ four different models to
18 estimate the cost of equity. Two of them — the risk premium model and
19 expected earnings analysis — are used only in utility regulatory proceedings and

²⁶ Mark Ellis, Rate of Return Equals Cost of Capital: A Simple, Fair Formula to Stop Investor-Owned Utilities from Overcharging the Public, American Economic Liberties Project (Jan. 2025), <https://www.economicliberties.us/wp-content/uploads/2025/01/20250102-aelp-ror-v5.pdf> [hereinafter “ROR = COC”].

²⁷ Joe Daniel, Ryan Foelske, & Steve Kihm, Rebalancing “Return on Equity” to Accelerate an Affordable Clean Energy Future, RMI (Feb. 21, 2025), <https://rmi.org/rebalancing-return-on-equity-to-accelerate-an-affordable-clean-energy-future/> [hereinafter “RMI ROE Primer”].

²⁸ Albert Lin, *Electricity Bills Too High? Then, Get the ROE in Line*, Pearl Street Station Finance Lab, <https://www.ourfinancelab.com/post/electricity-bills-too-high-then-get-the-roe-in-line> (last visited June 9, 2024).

1 nowhere else in finance. This is because they do not even purport to estimate the
2 cost of equity but merely calculate return on equity based on either historical
3 regulatory-awarded ROEs (the risk premium model) or forecasts of future ROEs
4 which, in turn, are based on recently awarded ROEs (the expected earnings
5 analysis). Promisingly, in 2022, the FERC recognized these models' circularity
6 and prohibited their use, observing that they "def[y] general financial logic."
7 Nonetheless, both utility and non-utility experts continue to use them in state
8 proceedings, mostly unchallenged.

9 The other two models commonly used in utility regulatory proceedings,
10 the capital asset pricing model (CAPM) and discounted cash flow model (DCF),
11 are all used by other finance practitioners and academics. Nonetheless, utility
12 ROR experts routinely implement the DCF and CAPM with unrealistic
13 assumptions to arrive at results comparable to those produced by the
14 conceptually flawed ROE-based models. Examples of faulty implementation
15 include growth projections for corporate profits, which currently account for less
16 than 10% of US GDP, overtaking GDP in its entirety within a decade or two; and
17 relying on input assumptions from providers with multi-decade track records of
18 systematic upward bias.²⁹

19 I therefore recommend that the Commission not rely on the modeling
20 results submitted by FPL's witness Coyne.

21 **Q. Does FPL's current allowed ROE accurately reflect its *cost of equity***
22 **(“COE”)?**

23 **A.** If FPL's ROE were numerically the same as its COE, its stock should trade at its

²⁹ ROR=COC, *supra* n. 26, at 11 (citations omitted).

book value, which reflects historical investment used to inform revenue requirement calculations.³⁰ Comparing the market value or price of a stock to its book value indicates whether the ROE is set at the COE. FPL is owned by NextEra Energy. NextEra Energy has a current price to book ratio of 2.98,³¹ and Equvista reports that as of January 2025, electric utility had a price to book ratio of 1.67.³² FPL's ROE is higher than its COE, as evidenced by the market's willingness to pay a premium over its book value.

Q. Can you estimate what return investors require from FPL?

A. Using a discounted cash flow calculation can inform whether FPL's current authorized of equity is lower than its cost of equity. I used the formula below, provided in the RMI ROE Primer to estimate FPL's cost of equity.

$$COE = \frac{ROE}{\left(\frac{P}{B}\right)} + \left[1 - \frac{1}{\left(\frac{P}{B}\right)}\right] (b \times ROE)$$

In this formula:

COE = cost of equity

ROE = return on equity

P|B = price to book ratio

b = earnings retention ratio

In my estimation, I used FPL's current allowed midpoint ROE of 10.8%, the average utility price-to-book ratio of 1.67, and estimated the earnings retention ratio by subtracting the dividend payout ratio of 63.7% reported by EEI

³⁰ RMI ROE Primer, *supra* n. 27.

³¹ Yahoo!Finance, NextEra Energy, Inc. (data as of close of markets, Jun. 6, 2025), <https://finance.yahoo.com/quote/NEE/key-statistics/>.

³² Sarath, *Price-to-Book Ratio by Industry (2025)*, Equvista (Jan. 29, 2025), <https://eqvista.com/price-to-book-ratio-by-industry/>.

1 for electric utilities³³ from 100%, to yield a 36.30% earnings retention ratio.

2 My calculations estimate that FPL's COE is 8.04%, substantially lower
3 than its current allowed ROE of 10.8%. Even at the top of its current allowed
4 ROE band of 11.8%, the COE for FPL would be 8.78%.

5 **Q. Are you recommending an allowed ROE based on the 8.04% level?**

6 **A.** My calculation was based on publicly available data about the electric industry as
7 a whole. I offer this calculation to make two points in this testimony. First,
8 FPL's requested allowed ROE of 11.9% is extreme and likely to be 300 or more
9 basis points higher than its cost of capital. Second, the Commission should not
10 have confidence in FPL's analysis in setting FPL's allowed ROE.

11 **Q. Witness Coyne also offered an analysis of business risk faced by FPL. Do**
12 **you agree with his testimony on this issue?**

13 **A.** Witness Coyne offers testimony that FPL faces many business risks that support
14 the high proposed ROE and equity ratio under the basic assertion that investors
15 will not buy FPL/NextEra stock or lend FPL money unless they realize outsized
16 profits. FPL does not propose separate and additional adders to the proposed
17 ROE and equity ratio based on these asserted business risks,³⁴ which strongly
18 suggested that the modeled results themselves give outsized weight to asserted
19 business risk.

20 **Q. How does FPL portray its business risk profile?**

21 **A.** First, witness Coyne points to FPL's excessive capital investment program as
22 creating a risk, noting that the Company's capital expenditures between 2025 and
23 2028 will average \$9.75 billion each year, and that these expenditures alone

³³ EEI Financial Review 2023, *supra* n. 20 at 9.

³⁴ Coyne Direct at 44-45.

1 equal about 57% of FPL's total net utility plant as of the end of 2023.³⁵ FPL's
2 spending is outsized even in comparison to the proxy companies that witness
3 Coyne selected for his analysis.³⁶ He concludes this argument by asserting that
4 substantial expenditure programs heighten the risk of under recovery or delayed
5 recovery of investments and put downward pressure on key credit metrics.

6 **Q. Do you agree with these arguments?**

7 **A.** FPL's arguments do not support higher ROE or equity ratio. FPL has in place
8 and is proposing additional mechanisms that would practically guarantee full and
9 timely recovery of all revenue requirements. It can argue for ROE to compensate
10 for revenue risk, or it can argue for rate and accounting mechanisms to do the
11 same, but it is not reasonable that it be allowed both. If this business risk is real,
12 FPL should decrease its capital spending plans *and* its requested ROE, not
13 increase both. As I will explain later, a substantial amount of FPL's proposed
14 spending on battery facilities is derived from a dubious SLOLP analysis.

15 **Q. What other risk arguments does FPL make, and are they persuasive?**

16 **A.** Mr. Coyne finds FPL's ownership of nuclear generating assets is a relative risk
17 increaser, even though two-thirds of the companies in his proxy group have
18 nuclear assets in their generation mix. Mr. Coyne finds FPL's exposure to severe
19 weather another risk increaser. The fact, however, is that FPL benefits from a
20 legislated cost recovery account that ensures timely and full recovery of
21 prudently incurred storm recovery costs. With the storm hardening mandate and
22 the storm recovery cost mechanism, even though severe weather is likely for
23 Florida, FPL's exposure to financial threats as a result is largely in FPL's hands.

³⁵ *Id.* at 45.

³⁶ *Id.* at 47-48.

1 As for regulatory risk, Mr. Coyne finds that several of the companies in his proxy
2 group have some of the cost recovery and earnings protection mechanisms
3 enjoyed by FPL—but he does not indicate that any have all that FPL does. All
4 this argues for a reduction in the allowed ROE. Mr. Coyne tries to argue that
5 FPL is a riskier investment because it does not enjoy a revenue decoupling
6 mechanism. In my opinion, a revenue decoupling mechanism with active
7 regulatory oversight would be an improvement over the accounting manipulation
8 tools that FPL appears to favor and would certainly provide much needed
9 transparency into FPL's financial activities, but to imply that the lack of a
10 decoupling mechanism adds risk that offsets the other risk-reducers FPL enjoys
11 is to ignore reality. A fair characterization of FPL's tax and investment tax credit
12 proposals is that it is seeking to implement a decoupling mechanism and a
13 formula rate plan, but without the usual attendant regulatory oversight. If FPL
14 gets its way, there is little or no real risk remaining.

15 Mr. Coyne also finds that the Company is choosing to take on additional
16 risk with its proposal for a multi-year rate plan, due to the risk of inflation
17 resulting from monetary and fiscal policy in the current federal administration.
18 Again, a realistic assessment is that with all the mechanisms FPL has in place
19 and proposes, the multi-year rate plan does not create a significant negative
20 financial risk for the Company or its shareholder. In all, Mr. Coyne fails to make
21 a case for a higher ROE for the Company based on risk and wisely does not try.
22 However, the weakness of FPL's business risk assertions does countenance a
23 reduction in the proposed ROE and equity ratio.

24 **Q. Witness Coyne inflates the FPL proposal by nine basis points to provide**
25 **profits to pay for the costs of issuing equity. Is this proposal reasonable?**

1 **A.** No. While in my experience it is common for regulators to approve recovery of
2 flotation costs, the inflation of the ROE to pay those costs is not a reasonable
3 approach because it will not encourage efficient behavior by FPL. The
4 Commission already generally approves a band for earned ROE that can exceed
5 allowed ROE by 100 basis points. FPL should pay for flotation costs out of this
6 potential uplift in earnings, not be paid on top of it.

7 **Q. What ROE do you recommend that the Commission approve for FPL?**

8 **A.** Because FPL faces substantially lower business risk than assessed by FPL
9 witness Coyne; because NextEra's stock trades at a price to book ratio of 2.98
10 and electric utility price to book ratios are in the range of 1.67, indicating that
11 required return is substantially lower than FPL's current allowed ROE of a
12 midpoint 10.8%; and because a straightforward calculation of the cost of equity
13 under a DCF model that focuses on observable market data reveals a cost of
14 equity well below 10%; I recommend an allowed ROE at the weighted average
15 of awarded ROEs in the period of 2023 and the first half of 2024, as reported by
16 RRA, or 9.6%, with a range of 8.6% to 10.6%. I recommend an equity ratio of
17 50.52% equity to 49.48% debt, equal to the mean value for equity ratios in 2023
18 for Mr. Coyne's capital structure proxy group.³⁷

19 **Q. What are the impacts of the adjustments to ROE and equity ratio you would**
20 **propose in terms of revenue requirement?**

21 **A.** Because of the large rate base in place and the significant proposals for rate base
22 growth, the impact of a lower ROE and equity ratio would be significant and
23 positive for residential customers. My high-level calculation is that the revenue

³⁷ Coyne Direct, Ex. JMC-11 at 1.

1 requirement in total is reduced by about \$5,000,000 for each basis point
2 reduction in the ROE. The total impact of my ROE and equity ratio proposals is
3 a reduction in the revenue requirement for 2026 from \$1.544 billion to -\$28.16
4 million, for a reduction in costs to customers of \$1.573 billion. This means that
5 adjustments to the ROE and equity ratio to make them more just and reasonable
6 can significantly reduce the rate impact of proposed spending and investment by
7 the Company. Moreover, when the unreasonable spending proposals by FPL are
8 eliminated and ROE and equity ratio are corrected, the Commission could order a
9 decrease in customer rates for FPL customers.

10
11 **IV. CAPITAL SPENDING**

12 **Q. What kinds of significant capital spending does the Company propose?**

13 **A.** FPL witness Andrew Whitley presented testimony relating to planning and
14 resource additions.³⁸ The Company proposes to build several new solar plants
15 and battery storage facilities during the years 2025 through 2034.

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³⁸ Direct testimony of FPL witness Andrew W. Whitley (“Whitley Direct”)

Figure KRR-1: FPL Resource Plan Comparison³⁹

Resource Plan Comparison							
		(1)		(2)		(3)	
Meets Standard 20% Reserve Margin:		Yes		Yes		Yes	
Meets 0.1 Days Per Year LOLP Using Traditional Calculation:		Yes		Yes		Yes	
Meets 0.1 Days Per Year LOLP Using Stochastic Calculation:		Unevaluated*		Yes		No	
Common to all Plans Retirements / Additions	Year	Without Proposed 2026 and 2027 Solar And Battery Additions	Reserve Margin (%)	FPL Resource Plan with Rate Case Additions	Reserve Margin (%)	FPL Resource Plan - No Additions to Meet LOLP	Reserve Margin (%)
Pea Ridge (12 MW)	2025	894 MW Solar	22.4	894 MW Solar	22.4	894 MW Solar	22.4
—	2026	522 MW Battery/NWFL	22.1	522 MW Battery/NWFL 894 MW Solar	24.1	522 MW Battery/NWFL 894 MW Solar	23.1
Broward South (4 MW)	2027	—	21.1	1,419.5 MW Battery 1,192 MW Solar	27.2	1,192 MW Solar	22.3
Lansing Smith A (32 MW)	2028	1 x 2x0 CT (475 MW)	21.0	819.5 MW Battery 1,490 MW Solar 596 MW Battery	26.6	2,235 MW Solar	20.9
—	2029	1 x 2x0 CT (475 MW)	21.2	1,788 MW Solar 596 MW Battery	26.3	2,235 MW Solar 224 MW Battery	20.5
GCEC 4 (75 MW), GCEC 5 (75 MW), Perdido 1&2 (3 MW)	2030	1 x 2x0 CT (475 MW)	21.1	2,235 MW Solar 596 MW Battery	25.8	2,235 MW Solar 522 MW Battery	20.6
—	2031	1 x 2x0 CT (475 MW)	21.5	2,235 MW Solar 596 MW Battery	25.7	2,235 MW Solar 373 MW Battery	20.6
—	2032	1 x 2x0 CT (475 MW)	20.9	2,235 MW Solar 596 MW Battery	24.5	2,235 MW Solar 969 MW Battery	20.6
—	2033	1 x 2x0 CT (475 MW)	20.8	2,235 MW Solar 596 MW Battery	23.9	2,235 MW Solar 969 MW Battery	21.0
—	2034	1 x 2x0 CT (475 MW)	20.5	2,235 MW Solar 596 MW Battery	23.0	2,235 MW Solar 2,533 MW Battery	22.9
CPVRR Costs =		\$108,841		\$99,322		\$98,776	
CPVRR Costs Difference from the Without Proposed Solar and Battery Additions Plan =		—		(\$9,520)		(\$10,066)	
						(\$545)	

Notes:

CPVRR costs are in million \$ and are discounted at 8.15% (FPL's most recent WACC) for the years 2025 thru 2071

Negative values indicate CPVRR savings to customers

Analysis assumes new CT capacity is available in 2028 to put plans on equal footing; realistically new CT installations would not be available until late 2029 or early 2030 at the earliest

Plans that do not add resources based on stochastic modeling have multiple years of reliability risk to customers

* FPL has not conducted a stochastic LOLP evaluation of this plan

1 As shown in Figure KRR-1, FPL's proposed resource plan proposes huge
2 new solar and battery investments in the years 2026 and 2027, and beyond. FPL
3 estimates that its resource plan has a cumulative present value of revenue
4 requirements that is \$545 million more than a resource plan developed without
5 the use of FPL's new SLOLP analysis.

6 **Q. Please describe FPL's decision to use SLOLP analysis.**

7 **A.** FPL selected Energy and Environmental Economics, Inc. ("E3") to provide the
8 SLOLP analysis. The selection process is important to understand. FPL had E3
9 under contract to perform unrelated work, and engaged them to perform the
10 SLOLP analysis in late 2024.⁴⁰ By the time that E3 had been engaged for the
11 SLOLP process, FPL had already decided to significantly increase its spending
12 on batteries in its 2025 plan.⁴¹ As such, it appears that E3 was retained to
13 provide support, through the use of SLOLP, for an investment decision FPL had
14 already made. FPL had not previously used the SLOLP methods in its planning,
15 and to my understanding, the Commission has not made any significant resource
16 adequacy determinations based on the SLOLP methodology.

17 **Q. Briefly summarize resource adequacy analysis with SLOLP and how it**
18 **compares to conventional analytic approaches.**

19 **A.** First, it is important that FPL already performs conventional loss of load
20 probability analysis ("LOLP"). Second, FPL already uses a planning reserve
21 margin metric of 20% to evaluate alternative resource plans, a generation only
22 reserve margin metric of 10%, *and* conventional LOLP analysis.⁴² FPL explains

⁴⁰ FPL response to Staff 3rd POD No. 21 (E3 Proposal to conduct SLOLP analysis dated October 14, 2024).

⁴¹ See FPL response to FEL 1st RFA No. 25 (E3 study "helped inform and confirm FPL's resource plan").

⁴² Whitley Direct at 10-11.

1 its decision to engage E3 to perform the SLOLP as growing out of the
2 observation that increasing reliance on solar generation was resulting in system
3 peaks occurring later in the day.⁴³

4 Like conventional loss of load probability analysis, SLOLP seeks to
5 identify the likelihood that a particular resource mix will result in a probability of
6 outages that exceed a targeted level of reliability.⁴⁴ The typical standard, and the
7 one used by FPL, targets loss of load probability no greater than 1 day in 10
8 years, or .1 day in one year. Also like conventional LOLP, SLOLP is grounded
9 on a range of assumptions about the operating performance of various energy
10 resources and the likelihood or necessity that those resources will not perform as
11 expected.⁴⁵

12 Unlike conventional LOLP analysis, SLOLP relies on running hundreds
13 or even thousands of simulations to identify the likelihood that simultaneous
14 resource failures or reductions in performance will create outage hours that
15 exceed the planning goal of .1 day in a year. These simulations are supposed to
16 involve randomly selecting generation or battery units for outages to reach a
17 conclusion about how many megawatts of capacity are required to meet peak
18 demand and have confidence that the LOLP target will not be exceeded.

19 **Q. What is the practical result of the use of SLOLP analysis to evaluate**
20 **resource adequacy?**

21 **A.** The practical result is that rather than exercising judgment about the likelihood of
22 simultaneous outages that would result in excessive loss of load, the SLOLP

⁴³ *Id.* at 12.

⁴⁴ See Whitley Direct, Ex. AWW-1.

⁴⁵ Whitley Direct at 12-14.

1 analysis can develop a vastly larger portfolio of outage scenarios and thus creates
2 support for an argument that more resources are required to address even
3 unlikely contingencies.

4 **Q. Can you provide an example?**

5 **A.** In reviewing data about outage scenarios generated by the SLOLP analysis tool,
6 one can see outage events randomly generated by the tool in which several
7 generating facilities were simultaneously offline.⁴⁶ In the SLOLP results, on one
8 particular modeled day, presumed to be September 29 in the modeled year,
9 several facilities hypothetically experience forced outages, and when combined
10 with scheduled maintenance outages, created conditions that exceed the .1-day
11 LOLP goal. Each of the facilities have already been characterized with a
12 confidential forced outage factor—the percentage likelihood of an unscheduled
13 outage.⁴⁷ Simple math—multiplying the individual outage factors for each plant
14 experiencing a forced outage—reveals the cumulative probability that the LOLP
15 scenario will occur with these multiple outages occurring simultaneously.

16 This cumulative probability of this LOLP scenario is 0.00000000004%.

17 It is not surprising that a sophisticated and powerful model could generate such a
18 scenario. But it is unreasonable to require customers to pay billions of dollars to
19 ensure that the FPL system has so much excess capacity that such remote events
20 are confidently avoided. Moreover, FPL has provided evidence in this
21 proceeding that its generation fleet is meeting high standards for availability and

⁴⁶ FPL response to FIPUG 1st POD No. 5, spreadsheets ‘all_unserved_energy_and_reserve_hours’ (FPL’s response includes a series of E3 folders representing different years and model runs which each contain a file with this title).

⁴⁷ The outage factors are contained in FPL response to OPC 1st PODs No. 15, FPL Fossil OH IRP 2025 to 2034 Rev 10-8-2024-CONFIDENTIAL.

1 performance.⁴⁸

2 **Q. Are there other issues that appear in the SLOLP documentation?**

3 **A.** It was my understanding that the SLOLP process was intended to generate and
4 analyze a range of random scenarios to identify resource adequacy risks. A
5 review of the data provided about the scenarios does not support this assumption.
6 For example, certain generation units that contribute to calculated LOLPs that are
7 below the target .1 day/year level always have issues of forced outages or
8 significant reductions in output or are always out or reduced on specific days.⁴⁹

9 Further, the E3 analysis uses assumptions about solar output that are
10 lower than FPL has experienced.⁵⁰ E3 solar production values have additional
11 issues, like being higher than those experienced by FPL on December mornings,
12 including production before the sun rises.⁵¹

13 **Q. What other concerns do you have with the SLOLP analysis?**

14 **A.** The modeling performed for FPL made several questionable assumptions about
15 de-rating the capacity of rooftop solar generation⁵² and reducing the contribution
16 capability of demand response,⁵³ as well as the extremely improbable forced
17 outage events. The SLOLP analysis also assumes FPL has zero ability to import
18 power from any other electric utility, when, in fact, FPL can import some power

⁴⁸ See direct testimony of FPL witness Thomas Broad at 7-9 (fossil units); direct testimony of FPL witness Dan DeBoer at 7-15 (nuclear units).

⁴⁹ FPL response to FIPUG 1st POD No. 5.

⁵⁰ FPL response to OPC 1st POD No. 15, Whitley, Input to E3, excel workbooks "FPL Historical Load and Solar."

⁵¹ See FPL response to FIPUG 1st POD No. 5, spreadsheets "all_unserved_energy_and_reserve_hours" (showing significant solar production at 7am on morning of December 25th when sun does not rise in the very easternmost portion of Florida until after 7:05am).

⁵² FPL response to OPC 1st POD No. 15, Whitley workpapers, "2025-02-21 RA Study Workpapers.xlsx".

⁵³ Whitley Direct at 39.

1 from other utilities, and has done so, if its neighbors have any excess capacity.⁵⁴
2 In addition, the SLOLP tool is proprietary to E3 and it appears it cannot be used
3 by stakeholders outside of a licensing or contractual arrangement.⁵⁵ It is also not
4 clear what value is added by spending customer dollars on SLOLP modeling
5 when the 20% planning reserve margin has served to ensure that FPL continues
6 to meet or exceed system reliability objectives.⁵⁶

7 **Q. Do you conclude that SLOLP should not be used to support resource**
8 **adequacy analysis?**

9 **A.** Given FPL's lack of experience with the tool, the late and rushed way in which
10 the SLOLP analysis was employed in relation to this petition, and the several
11 concerns that I have raised, my conclusion is that the SLOLP analysis is not
12 suitable as a reliability-related foundation for the massive incremental battery
13 investments FPL is proposing.

14 **Q. What do you recommend that the Commission do?**

15 **A.** The Commission should reject FPL's proposal to build the additional battery
16 resources, in 2025 and beyond, that FPL has added in this proceeding and
17 ostensibly validated by the SLOLP analysis. FPL should bear the burden of
18 proving that this new analysis approach adds value and demonstrably reduces
19 operational risk for FPL.

⁵⁴ A representative for E3 suggested during deposition that in weather-driven loss of load events, the same weather would impair neighboring utilities from exporting energy to FPL. May 29, 2025 Deposition of Arne Olson. To the extent that E3 modeled loss of load events primarily caused by staggeringly improbable swaths of FPL's thermal units facing simultaneous forced outages, E3 has provided no basis for assuming neighboring utilities would concurrently experience such cataclysmic failures of their own thermal fleets as to be unavailable to assist.

⁵⁵ Whitley Deposition at 46-47.

⁵⁶ See, e.g., FPL response to FEL's 9th POD No. 71, "January 2025 – Winter Weather Event" at 8, 10 (maintaining ability to serve all load despite all-time peak for NW Florida, GCEC Unit 7 being out of service, and part of GCEC Unit 8 being off-line for 2.5 hours due to snow in the air intake).

1 **V. FPL’S INADEQUATE JUSTIFICATION FOR THE 522 MW NORTHWEST**
2 **FLORIDA (“NWFL”) BATTERY STORAGE PROJECT**

3 **Q. Please describe FPL’s proposal to rate base 522 MW of new battery storage,**
4 **called NWFL Battery Storage.**

5 **A.** FPL appears to have sought approval from its board of directors in or around
6 May 2023 for about 520 MW of new battery storage facilities in the northwest
7 panhandle of Florida,⁵⁷ consisting of seven 74.5 MW 3-hour duration facilities
8 co-located at solar generation sites.⁵⁸ These facilities appear in the resource plan
9 documents submitted in this proceeding as “522 MW Battery NWFL.”⁵⁹

10 **Q. What was the justification for the NWFL battery project?**

11 **A.** According to the brief presented FPL’s board of directors, the NWFL battery
12 project was rushed into construction to address winter capacity requirements that
13 could arise if the Florida panhandle experienced another major winter storm like
14 the one called Winter Storm Elliott that occurred on Dec. 24, 2022.⁶⁰ FPL’s
15 recommendation was to have the NWFL battery project in place by December
16 2025 as well as power purchase agreements (“PPA”) for interim needs until the
17 North Florida Resiliency Connection transmission line is more available, which
18 is expected for January 2027.

19 **Q. Has FPL experienced a reserve deficiency in the panhandle in recent years?**

20 **A.** I am not aware that FPL has experienced reliability issues associated with reserve
21 deficiencies of significant magnitude. It is my understanding that PPAs have

⁵⁷ CONFIDENTIAL Company response to OPC 1st POD No. 43, Development (no confidential highlighted material is cited here or disclosed in the text above).

⁵⁸ FPL response to OPC 1st POD No. 15.

⁵⁹ See, e.g., FPL response to Staff 3rd INT No. 44 Corrected Supplemental, Att. 1.

⁶⁰ CONFIDENTIAL Company response to OPC 1st POD No. 43, Development. (no confidential highlighted material is cited here or disclosed in the text above).

1 addressed the issue.

2 **Q. Is a 522 MW battery project a prudent course of action to address capacity**
3 **shortfalls that are expected to be alleviated in 2027, when the North Florida**
4 **Resiliency Connection is expected to be more available?**

5 **A.** A utility-scale battery project of 522 MW is a 20-year investment and is not an
6 interim solution. PPAs appear to be meeting the interim need for capacity. I have
7 found no evidence of an analysis of the cumulative present value of revenue
8 requirements for the NWFL battery project economic value, nor of a formal
9 reliability assessment that establishes reliability need conducted prior to FPL
10 adding the NWFL Battery project to its resource plan. Moreover, in its own
11 analysis following the 2025 winter snowstorm that hit the panhandle, FPL found
12 that “New 4-hour batteries provide minimal support during the winter events
13 where load is elevated for 14+ hours (hour ending 17 to hour ending 7).”⁶¹
14 Three-hour batteries, of course, provide even less support than four-hour
15 batteries. My conclusion is that FPL has not established the prudence of the
16 NWFL battery project.

17 **Q. What should the Commission do?**

18 **A.** The Commission should direct FPL to prove that the NWFL battery project is
19 prudent and that it will result in just and reasonable rates for FPL customers.
20 FPL should be directed not to begin recovery until thorough review of the project
21 is completed and the project is approved. Stakeholder and representatives of
22 customer interests should be granted the right to intervene and participate in the
23 review of the NWFL battery project.

⁶¹ FPL response to FEL’s 9th POD No. 71, “Lessons Learned Enzo.”

1 **VI. FPL'S PROPOSAL FOR A TAX ADJUSTMENT MECHANISM**

2 **Q. What is FPL's TAM proposal?**

3 **A.** FPL's proposed TAM is described by witness Laney.⁶² FPL typically normalizes
4 deferred tax liabilities over the lives of the related assets. As these deferred tax
5 liabilities reverse, they reduce deferred tax expense. FPL's TAM is a proposal to
6 accelerate this reversal period and to accelerate the recording of deferred tax
7 expense to provide benefits that partially offset increased revenue requirements
8 in the last two years of FPL's proposed four-year rate plan, 2028 and 2029. FPL
9 proposes an almost \$2 billion fund of unprotected deferred tax liabilities that it
10 can draw on a rate that maintains its earnings even as it continues to increase
11 spending and investment. FPL asserts that this is a benefit to customers because
12 when FPL is maximizing its profits, it has less reason to seek rate increases from
13 the Commission.⁶³

14 **Q. If the benefit of reductions in deferred tax expenses are used to offset**
15 **increasing revenue requirements in 2028 and 2029, what happens to the**
16 **deferred taxes?**

17 **A.** The deferred taxes are amortized as a regulatory ~~asset~~ ^{asset} over the average
18 remaining life of the underlying assets.⁶⁴

19 **Q. What are your concerns with the TAM?**

20 **A.** The TAM intentionally deviates from normalization of deferred tax expense to
21 support about \$2 billion in additional increases in revenue requirement for FPL.
22 The deferred taxes will be paid by customers for an additional 19 years, without

⁶² Laney Direct at 47-53.

⁶³ *Id.* at 46.

⁶⁴ *Id.* at 48-49.

1 the benefit of any reduction in deferred tax expense, because that was accelerated
2 into the four-year rate plan. This raises two major issues of concern. First, it
3 harvests a thirty-year stream of deferred tax expense reductions to enable more
4 spending by FPL, and second, it creates a violation of the matching principle in
5 rate making. Customers in the years 2028 and 2029 get the deferred tax expense
6 reductions while customers in the years 2029 through 2048 pay the deferred
7 taxes.

8 **Q. Does FPL propose any limits on its discretion in utilizing the TAM?**

9 **A.** There are only minimal constraints. First, FPL cannot use the TAM to realize an
10 ROE outside the band approved by the Commission. Second, no more than
11 \$1.717 billion can be recorded as deferred operating income tax liability.⁶⁵ Other
12 than those conditions, FPL proposes complete discretion over the use of the
13 TAM.⁶⁶

14 **Q. How should the Commission act on FPL's TAM proposal?**

15 **A.** The Commission should deny the proposal to implement the TAM. FPL's
16 proposal creates significant temporal inequity in the costs and benefits of nearly
17 \$2 billion in deferred tax liabilities. The Commission should direct FPL to
18 normalize the reductions in deferred tax expense for the related accounts.
19

20 **VII. FPL's PROPOSAL TO OPT OUT OF NORMALIZATION OF ITC BENEFITS**
21 **FOR ALL BATTERY STORAGE FACILITIES ADDED DURING THE 2025-**
22 **2029 PERIOD**

⁶⁵ *Id.* at 52. *See also* Errata Sheet of Ina Laney, filed April 29, 2025 (revising \$2 billion TAM amount to \$1.717 billion).

⁶⁶ Laney Direct at 52.

1 **Q. What does FPL propose with investment tax credits that would be generated**
2 **by investment in battery storage facilities?**

3 **A.** In the past, FPL has fully normalized ITCs and spread the tax benefits over the
4 book life of the underlying asset.⁶⁷ The federal Inflation Reduction Act allows
5 owners to opt out of this normalization and take the full ITC benefits in the year
6 after the facility begins operating. The effect is a significant reduction in revenue
7 requirements in that first year after operations.⁶⁸

8 **Q. What does FPL propose to do with the tax credits it receives from the**
9 **storage facility investments?**

10 **A.** FPL assumes in its 2026 and 2027 tax years that it will use credits up to the
11 allowed level of 75% of its standalone federal income tax liability, meaning it
12 will be reimbursed for the full value of these credits.⁶⁹ FPL asserts that carrying
13 excess tax credits forward would create a deferred tax asset that has an upward
14 impact on revenue requirements. As a result, FPL plans to sell unused excess tax
15 credits at an 8% discount. FPL asserts that selling the tax credits is more
16 beneficial to customers than creating a tax credit carryforward without such
17 sale.⁷⁰

18 **Q. What happens in the year after ITCs are recognized and reduce revenue**
19 **requirements?**

20 **A.** Because ITC benefits will have been fully consumed in the year after the facility
21 enters service, the revenue requirement will increase, and the costs recovered
22 through base rates and the SoBRA (for battery projects in 2028-2029) will be

⁶⁷ *Id.* at 22.

⁶⁸ *Id.* at 22-23.

⁶⁹ *Id.* at 23.

⁷⁰ *Id.* at 25.

1 raised.⁷¹

2 **Q. What are your concerns relating to FPL's proposal to immediately take all**
3 **the ITCs resulting from its construction of battery storage facilities?**

4 **A.** As with its TAM proposal, FPL's ITC proposal raises serious concerns about the
5 matching of costs and benefits to customers for the battery storage facilities.
6 And consistent with its focus in this entire proceeding, FPL seems obsessively
7 focused on growing rate base, without regard to the best long-term interests of its
8 customers. It is true that the ITCs from the storage projects will dampen the
9 initial impact of FPL resource acquisition binging, but the effect is only
10 temporary, and the offsetting negative rate impacts will last for decades. And
11 FPL appears comfortable further denying its customers 8% of the value of the
12 ITCs due to a sales price discount. FPL's calculations suggesting greater value
13 in immediate liquidation of the ITCs can only be explained by its reliance on a
14 discount rate of more than 8%. Residential customers don't have the same high
15 discount rate.

16 **Q. Is there any way that FPL's ITC liquidation proposal can work for its**
17 **customers?**

18 **A.** There is no practical way that FPL's approach works for customers over the life
19 of the storage asset. In return for one year's worth of revenue requirement
20 benefits, customers will see 19 years of facility investment costs that are not
21 mitigated by normalized ITC benefits. Like a Ponzi scheme, it could work if
22 FPL kept increasing its portfolio of ITC-enabled storage facilities endlessly. But
23 like a Ponzi scheme, it is unlikely to work for very long. Every year that FPL

⁷¹ *Id.* at 53-54.

1 adds to the stock of battery facilities with the ITC cashed out in the first year
2 after operations begin, it increases the amount of costs that are separated from the
3 ITC benefit. The pancaking of such revenue requirement increases will soon
4 become unbearable for customers.

5 **Q. How do you recommend that the Commission respond to FPL's proposal to**
6 **immediately take the ITC's generated by its storage facility investments?**

7 **A.** The Commission should deny FPL's proposal to take all the storage-related ITCs
8 in the first year. The Commission should order FPL to normalize the ITCs over
9 the life of the underlying storage asset.

10

11 **VIII. FPL'S MINIMUM BILL FOR RESIDENTIAL CUSTOMERS AND SMALL**
12 **COMMERCIAL CUSTOMERS IS UNJUST AND UNREASONABLE**

13 **Q. What is FPL's minimum bill provision?**

14 **A.** FPL's minimum bill applies to rate RS-1 and GS-1 customers. It operates to
15 charge customers a certain minimum amount on their monthly bill regardless of
16 whether their fixed customer charge and volumetric energy charges are lower
17 than the minimum bill amount. For example, if a customer has base rate charges
18 of \$15, the customer must pay \$25. If the customer has base rate charges of
19 \$24.99, the customer must pay \$25.

20 **Q. What does FPL propose for its minimum bill in its Petition?**

21 **A.** FPL seeks approval to increase its minimum bill to \$30, a 20% increase.⁷²

22 **Q. How does FPL calculate its minimum bill proposal?**

23 **A.** FPL divides the total of customer and demand related base revenue requirements

⁷² Cohen Direct at 19-20.

1 for the 2027 projected test year by the number of bills it issues in a year. For
2 residential customers, the result is \$32.39, and for small commercial customers,
3 the result is \$37.38.⁷³ From this, FPL proposes a \$30 minimum bill.

4 **Q. How many customers does the minimum bill impact?**

5 **A.** According to FPL, approximately 370,000 residential customers, or 6.8% of the
6 total of residential customers, and 110,000 small commercial customers, or
7 19.6%, are expected to have a base bill less than \$30 per month.

8 **Q. What is the consequence of the minimum bill?**

9 **A.** Customers affected by the minimum bill are required to pay for a service they did
10 not use, and for costs they did not cause, to further improve the revenue stability
11 for one of the most profitable electric utilities in the country. The concept of
12 paying for a utility service they did not use is impossible to understand for
13 customers buying under tariffed rates. The minimum bill treats demand-related
14 distribution charges as if they were customer costs, even though demand-related
15 costs vary with the amount of usage and are not based on customer count. The
16 minimum bill weakens the economics of energy efficiency and is an inefficient
17 way for the utility to recover demand-related costs, encouraging the utility to
18 gold plate its distribution spending because of the certainty of recovery—the
19 minimum bill enables, rather than discourages, the extraction of monopoly rents.
20 The charge sends a message to customers telling them not to bother saving
21 energy or use electric service efficiently, because they can't escape the minimum
22 bill. The minimum bill is thus a "take or pay" charge that violates the premises
23 of cost-of-service regulation. The minimum bill is economically regressive,

⁷³ MFR No. E-14.

1 having its worst impacts on very poor customers, retirees on fixed incomes, and
2 students and the elderly living in small apartments. The minimum bill forces
3 low-use customers to subsidize high use customers—it is reverse Robin Hood. In
4 sum the minimum bill violates several core principles of sound utility rate
5 making.

6 **Q. How does FPL defend its minimum bill, and is that argument sound?**

7 **A.** FPL relies on false and unsupported statements about economics and rate
8 making.⁷⁴ FPL witness Cohen essentially argues for rate making by
9 alliteration—that if a cost is labeled as “fixed” for accounting purposes, it is
10 properly recovered with a “fixed” charge. There is no economic treatise, study,
11 or evidence to support the idea that economic efficiency and fairness are
12 improved when rate design mimics cost structure. The economic principle is that
13 to be efficient, pricing should be based on marginal costs. There is nothing in
14 this principle that supports implementing a fixed charge just because a cost has
15 an accounting life of one year or more. FPL offers a cynical justification that if
16 FPL cannot charge the minimum bill, they will just seek to further increase the
17 fixed customer charge.⁷⁵ Finally, FPL encourages the Commission to turn its
18 attention away, because the vast majority of customers will have usage that
19 exceeds the minimum bill threshold.⁷⁶

20 **Q. What should the Commission do regarding FPL’s minimum bill proposal?**

21 **A.** The Commission should deny FPL’s proposal to increase the minimum bill and
22 should further direct FPL to eliminate the minimum bill, beyond a reasonable

⁷⁴ Cohen Direct at 19.

⁷⁵ *Id.*

⁷⁶ *Id.* at 20.

1 fixed customer charge, entirely.

2

3 **IX. FPL's PROPOSAL FOR NEW LARGE LOAD RATE SCHEDULES**

4 **Q. Please describe FPL's proposal for new rate schedules applicable to large**
5 **loads.**

6 **A.** FPL proposes two new rate schedules, LLCS-1 and LLCS-2, that apply
7 nominally to new or incremental load of 25 MW or greater, with a load factor of
8 85% or higher,⁷⁷ but in practical effect most likely to apply to data centers or
9 similar facilities. The rates were developed to achieve three objectives:⁷⁸

10 (i) ensure that FPL has a tariff and service agreement available to serve
11 customers of this magnitude should they request service in the future; (ii)
12 ensure that the cost-causer bears primary responsibility and risk for the
13 significant generation investments required to serve a customer of this
14 size; and (iii) protect the general body of customers and mitigate risk of
15 subsidization and stranded assets.

16 The LLCS-1 rate will be available for up to 3 GW of load and is
17 geographically limited to counties proximate to existing transmission facilities
18 and potential sites for incremental supporting generation.⁷⁹ It will have a stated
19 rate which will be reset in a subsequent proceeding based on the characteristics
20 of supplied load.⁸⁰

21 The LLCS-2 rate will be available in areas outside those covered by
22 LLCS-2 but is not capped in volume and will not have a stated rate.⁸¹ Rates for

⁷⁷ *Id.* at 23-28.

⁷⁸ *Id.* at 23-24.

⁷⁹ *Id.* at 24, 26.

⁸⁰ *Id.*

⁸¹ *Id.* at 24-25.

1 LLCS-2 are also subject to reset in subsequent proceedings.⁸²

2 Both LLCS rates will be initially set equal to those in rate GSLD-3, and
3 will include base, demand, and non-fuel energy charges.⁸³ Both rate schedules
4 will include an Incremental Generation Charge (“IGC”) designed to recover the
5 costs of incremental generation necessary to serve loads taking service from the
6 rates.⁸⁴

7 **Q. What is your opinion of FPL’s proposed LLCS rate schedules?**

8 **A.** The rate schedules as described by FPL are a good start and, if properly applied,
9 will protect the public interest. The problems created by poorly designed and
10 applied large load rates have been well-documented.⁸⁵

11 **Q. Do you offer any recommendations to FPL and the Commission?**

12 **A.** I offer the following recommendations to address what are increasingly common
13 problems associated with rates applied to large loads:

- 14 • Cost allocation methods can unfairly allocate large load costs to
15 residential and small commercial customers. The Commission must be
16 diligent to address and prevent cross-subsidization that burdens small
17 customers with large customer costs.
- 18 • Large load customers often enjoy special access to utility key accounts
19 staff and can exercise undue influence on utility analysis and decision
20 making. The processes for analyzing and setting rates must be
21 transparent and subject to review and contest by stakeholders

⁸² *Id.* at 25.

⁸³ *Id.*

⁸⁴ *Id.*

⁸⁵ Exhibit KRR-5, Eliza Martin & Ari Peskoe, *Extracting Profits from the Public: How Utility Ratepayers are Paying for Big Tech’s Power*, Harvard Law School Environmental and Energy Law Program (Mar. 2025), <https://eelp.law.harvard.edu/wp-content/uploads/2025/03/Harvard-ELI-Extracting-Profits-from-the-Public.pdf>.

- 1 representing all customer interests.
- 2 • Large load customers often seek rate pricing based on short-run marginal
- 3 costs, especially as new resources with falling marginal costs, like solar,
- 4 are added to the grid. The utility and the Commission must ensure that
- 5 large loads pay a reasonable share of the embedded costs of the utility
- 6 system.
- 7 • Utilities often serve as lobbying and advocacy supporters of favorable
- 8 rates for large load customers. The Commission should forbid utilities
- 9 from charging the general body of customers for lobbying and advocacy
- 10 that may lead to cost-shifts and cross subsidization.
- 11 • Large loads require large amounts of energy and capacity. The
- 12 Commission should ensure that the existing generation pool is not
- 13 deaveraged in rates to favor new large loads. If incremental grid
- 14 resources, including generation and transmission, are required, the
- 15 general body of rate payers should be held harmless for paying the costs
- 16 of those resources, especially if the large load stops being a customer
- 17 before the costs of the new facilities are fully recovered.
- 18 • Large loads often take service at the higher—primary or transmission—
- 19 levels of the grid. This may mean that FERC-regulated tariffs govern
- 20 some of the rates applied to these customers. The Commission should
- 21 require FPL to account for the impacts of such rates when retail rates are
- 22 analyzed and set.
- 23 • Large loads generally can moderate their demand, especially at large
- 24 facilities. The Commission and FPL should ensure that these customers
- 25 agree to provide load flexibility benefits through curtailment of load

1 during periods of high system load and extreme weather.
2 • Large loads are often located near existing transmission and generation
3 assets but are seldom electrically co-located with utility facilities.
4 Reliability management countenances against actual co-location of large
5 loads and interconnected utility generation. As a result, large loads must
6 remain responsible for their full share of system energy, demand, and
7 delivery costs.
8

9 **X. FPL's SOLAR POWER FACILITIES PILOT PROGRAM SHOULD BE**
10 **TERMINATED**

11 **Q. Please describe FPL's Solar Power Facilities program.**

12 **A.** Starting with the 2021 rate case settlement, FPL offers the Solar Power Facilities
13 Pilot program in which FPL will install utility-owned solar generation equipment
14 on the private property of commercial and industrial customers under a special
15 tariff. Although the program has enrolled only one customer in the past four
16 years, in this proceeding FPL seeks to make the program permanent.⁸⁶

17 **Q. What is wrong with the Solar Power Facilities program?**

18 **A.** The FPL Solar Power Facilities program is an unnecessary and apparently
19 unwanted intrusion by a monopoly utility into a healthy free market for
20 customer-sited solar generation.⁸⁷ The United States was founded on principles
21 of capitalism and markets, and monopoly utilities with their immense market and
22 political power should not be allowed to participate in competitive markets.

⁸⁶ Oliver Direct at 42.

⁸⁷ Johanna Neumann & Tony Dutzik, *Rooftop Solar on the Rise: Florida State Dashboard*, Environment Florida Research & Policy Center (Feb. 12, 2024), <https://environmentamerica.org/florida/center/resources/rooftop-solar-on-the-rise/>.

1 There is no evidence that the customer-sited solar market is a natural monopoly,
2 or that FPL's Solar Power Facilities program fills a market need that the free
3 market cannot or does not. In sum, the FPL's Solar Power Facilities program is
4 not in the public interest.

5 **Q. What should the Commission do?**

6 **A.** The Commission should direct FPL to shut down the Solar Power Facilities
7 program and sell the existing facilities for the one subscribed customer to a
8 business in the competitive market.

9
10 **XI. FPL CONSISTENTLY UNDER-FORECASTS ENERGY DEMAND**

11 **Q. How well does FPL perform in forecasting customer demand for energy?**

12 **A.** According to data provided by FPL, the utility consistently under-estimates
13 demand for energy by its customers, and FPL's forecasting error is significant.⁸⁸
14 This data shows that on average across zero- to three-year forecasts, FPL under-
15 forecasts energy demand by 2.9%.⁸⁹ For example, FPL's ~~forecasts~~ **forecasting errors** for energy
16 sales for 2024 have been equal to or greater than 3.0% for each year in the range
17 of zero to three years out. The average level of error for 2024 under-forecasting
18 was 3.6%, equal to more than 380,000 residential customer-months of energy use
19 for the year at the assumed level of 1,000 kWh per month.⁹⁰

20 **Q. Do you have any ideas about what causes this error in energy forecasts?**

21 **A.** In my experience, the causes of load forecasting errors fall in two categories:
22 data and assumptions. I have no reason to doubt the quality of FPL's data,

⁸⁸ FPL response to FEL 7th POD No. 62 – Retail Energy Sales – Non-Weather Normalized Comparison.

⁸⁹ *Id.*

⁹⁰ Calculated as ((129,416 GWh – 124,778 GWh) x 1,000,000)/12/1000 kWh = 386,500 customer-months.

1 though FPL should validate its data and data collection methods considering the
2 extremely large errors in its forecasting. The best first area for analysis is in the
3 assumptions about weather. FPL relies on a 20-year record of historical weather
4 as the foundation for its energy sales forecasts, and that may be driving a
5 significant component of the forecasting error.⁹¹

6 **Q. Why would you focus on assumptions about weather and FPL reliance on a**
7 **20-year weather record?**

8 **A.** There are two reasons that FPL's weather assumptions may be driving the errors
9 in its energy forecasts. First, twenty years is a very long period for historical
10 weather data in a world and region experiencing accelerating climate change.⁹²
11 FPL should evaluate a move to a 10-year record of historical data to more
12 accurately capture rapid changes in climate and reserve the 20-year record for
13 capturing the frequency of extreme weather events. Second, Florida's building
14 stock is not as energy efficient as it could be because of Florida's poor record of
15 implementing building energy efficiency programs.⁹³ That means that buildings
16 in Florida are more susceptible to changing and extreme weather and will require
17 much more energy to maintain comfort than efficient buildings would during
18 these times.

19 **Q. What are the consequences of FPL's significant energy sales forecasting**
20 **errors?**

21 **A.** Sales forecasting errors lead to inefficient prices under cost-of-service rate

⁹¹ Cohen Direct at Ex. TCC-4, p. 2-3.

⁹² See Theara Coleman, *What Climate Change Means for Florida's Future: The Tide is Coming In*, The Week (updated Jul. 13, 2023), <https://theweek.com/feature/briefing/1018352/what-climate-change-will-mean-for-the-future-of-florida>; U.S. EPA, *What Climate Change Means for Florida*, EPA 430-F-16-011 (Aug. 2016), <https://www.epa.gov/sites/default/files/2016-08/documents/climate-change-fl.pdf>.

⁹³ See Mark Kresowik, et al., *2025 State Energy Efficiency Scorecard*, ACEEE (Mar. 2025), https://www.aceee.org/sites/default/files/pdfs/the_2025_state_scorecard.pdf.

1 making. Because a rate is, at its most basic, the result of dividing costs by
2 expected sales, under-forecasting results in rates that are too high and that do not
3 send accurate price signals to customers. Prices that are too high are not likely to
4 result in significantly lower use by residential and small business customers
5 because they generally have low demand elasticity—they don't change their
6 consumption habits much due to electricity price changes. An even bigger
7 problem is that by using forecasts that are too low, the utility can increase its
8 revenues and profits and, as a result, earn more than it should between rate cases.

9 **Q. What should the Commission with this evidence about FPL's consistent**
10 **under-forecasting of energy sales?**

11 **A.** The Commission should direct FPL to add 3% to its sales forecast, allocated
12 according to 10-year historical data. The Commission should also open a
13 proceeding led by Staff and engaging key stakeholders in developing
14 recommendations to FPL for improvements in sales forecasts, especially in light
15 of the effects of climate change. This effort should also seek to develop
16 performance metrics with incentives for FPL to improve its sales forecasting.
17 The Commission should direct FPL to comprehensively review its sales
18 forecasting methodologies and make the changes needed to improve its
19 forecasting accuracy.

20 **Q. Does that conclude your testimony?**

21 **A.** Yes.

1 BY MR. MARSHALL:

2 Q Mr. Rábago, did you prepare a summary of your
3 testimony?

4 A Yes, I did.

5 Q Would please go ahead and give us your
6 summary?

7 A So thank you for the opportunity to summarize
8 my direct testimony in this proceeding. Again, I am
9 Karl Rábago, and I am appearing on behalf of LULAC
10 Florida Rising and ECOSWF.

11 In my testimony, I focused on addressing
12 issues raised by FPL's filings that are very significant
13 to residential and small business customers with a
14 special focus on the factors that negatively impact
15 affordability over both the near- and long-term.
16 Unfortunately, there are many such proposals in this
17 case and only limited time for the summary. So I will
18 only be able to provide highlights and invite you to a
19 full review of my testimony.

20 My overarching conclusion is simple. FPL
21 proposes spending that will not and cannot result in
22 rates that are fair, just and reasonable. Under Florida
23 law, that means that the Commission cannot and should
24 not vote to approve the proposed rates and spending.

25 As I said in my testimony, and as you have

1 heard from other witnesses, FPL seeks your approval to
2 make itself a haven for overearning. My recommendations
3 to the Commission are as follows, and have the effect of
4 eliminating any rate increase in 2026 at all:

5 Reject the proposed changes to the allowed
6 return on equity and the proposed increase in the equity
7 ratio in favor of a 9.6 percent return on equity and an
8 equity percentage of 50.5 two percent. My testimony
9 shows how FPL's current and proposed ROE greatly exceed
10 the cost of equity and without a reasonable basis. The
11 changes I propose in shareholder profits alone would
12 reduce FPL's revenue requirements by more than a
13 billion-and-a-half dollars.

14 Reject the proposals for new battery spending.
15 FPL does not appear to have a real need for the
16 batteries as evidenced by the deeply flawed stochastic
17 loss of load probability study that it commissioned in
18 this case. Likewise, FPL has not offered sound evidence
19 to support its proposal that customers pay for the
20 522-megawatt Northwest Florida Battery Project.

21 The Commission should also reject FPL's
22 proposal to recognize all investment tax credits for the
23 battery projects in the year following commissioning.
24 Normalization should be the default approach, and aligns
25 with the longstanding matching principle in ratemaking.

1 Florida Power & Light's approach has attributes of a
2 ratemaking Ponzi scheme and should be rejected.

3 Reject the proposal to create the tax
4 adjustment mechanism, it would be an FPL controlled
5 slush fund for manipulating deferred tax liability to
6 maximize realized profits.

7 Reject FPL's regressive proposal to increase
8 the minimum bill by 20 percent to \$30 per customer per
9 month, which would raise rates without reasonable
10 justification for nearly half a million FPL residential
11 and small business customers.

12 Reject FPL's proposal to make its solar power
13 facilities program, which does not work, into a
14 permanent program.

15 Require FPL to adopt my recommendations for
16 large load tariffs that would apply to data centers and
17 similar customers. And require FPL to adopt more
18 reasonable and reality-based methods for forecasting
19 sales.

20 In addition, there are several other issues
21 that merit addressing by the Commission, as I said. But
22 in closing, I do want to add one issue.

23 FPL enjoys certain free speech rights, but
24 they should not have the right to use ratepayer dollars
25 to advance misleading claims about the affordability of

1 their service. I specifically refer to the way -- ways
2 in which FPL continues to claim, without transparent and
3 verifiable substantiation, that it provides service at
4 rates or bills that are lower than average, and
5 misleadingly fails to realistically account for
6 potential increases during various -- due to various
7 issues like storm damage charges.

8 Honest communication about rates and bills and
9 discipline in utility spending is especially important,
10 because millions of Floridians live in poverty, and it
11 is worse in counties served by FPL. A third of total
12 Florida households are asset limited and income
13 constrained even while the heads of households are
14 employed. They cannot and should not bear the burden of
15 FPL overearning.

16 Thank you.

17 **Q Thank you.**

18 MR. MARSHALL: Mr. Rhabdo is available for
19 cross-examination.

20 CHAIRMAN LA ROSA: Great. Thank you.

21 OPC?

22 MR. WATROUS: Thank you, Mr. Chair, and the
23 OPC has no questions.

24 CHAIRMAN LA ROSA: FAIR?

25 MR. LAVIA: No questions.

1 CHAIRMAN LA ROSA: FEIA?

2 MR. MAY: No questions.

3 CHAIRMAN LA ROSA: Walmart?

4 MS. EATON: No questions.

5 CHAIRMAN LA ROSA: FEA?

6 CAPTAIN RIVERA: No questions.

7 CHAIRMAN LA ROSA: FRF?

8 MR. BREW: No questions from FRF.

9 CHAIRMAN LA ROSA: FIPUG.

10 MR. MOYLE: I just have one question for him.

11 EXAMINATION

12 BY MR. MOYLE:

13 Q Mr. Rábago are you coming back for the Phase
14 II portion of the --

15 A I am sorry, I am having a little trouble
16 hearing you.

17 Q You are going to be a witness for the Phase II
18 portion?

19 A Yes.

20 Q Okay. I will probably have some questions for
21 you then?

22 A Okay.

23 Q No questions.

24 CHAIRMAN LA ROSA: Great.

25 FPL?

1 MS. MONCADA: No questions from FPL.

2 CHAIRMAN LA ROSA: Staff?

3 MR. STILLER: No questions.

4 CHAIRMAN LA ROSA: Commissioners, any
5 questions?

6 Seeing no questions, back to you for redirect.

7 MR. MARSHALL: No redirect, Mr. Chairman.

8 We would ask that the witness be excused and
9 move in Exhibits 252 through 256 into the record.

10 CHAIRMAN LA ROSA: Okay. Seeing no objections
11 to those, so moved.

12 (Whereupon, Exhibit Nos. 252-256 were received
13 into evidence.)

14 CHAIRMAN LA ROSA: And, Mr. Rábago, thank you
15 very much for your testimony.

16 THE WITNESS: Yes, sir.

17 (Witness excused.)

18 CHAIRMAN LA ROSA: FEL, you may call your next
19 witness.

20 MR. MARSHALL: Call MacKenzie Marcelin to the
21 stand.

22 CHAIRMAN LA ROSA: If you don't mind stay
23 standing and rise your right hand.

24 Whereupon,

25 MACKENZIE MARCELIN

1 was called as a witness, having been first duly sworn to
2 speak the truth, the whole truth, and nothing but the
3 truth, was examined and testified as follows:

4 THE WITNESS: Yes.

5 CHAIRMAN LA ROSA: Awesome. Great. Thank
6 you. Feel free to get settled in.

7 And, Mr. Marshall, it's passed over to you
8 once you are ready.

9 EXAMINATION

10 BY MR. MARSHALL:

11 Q Make sure to turn your microphone on.

12 Can you please state your name and business
13 address for the record?

14 A My name is MacKenzie Marcelin, and our
15 business address is 10800 Biscayne Boulevard, Miami,
16 Florida.

17 Q And on whose behalf are you testifying today?

18 A Florida Rising, LULAC and ECOSWF.

19 Q And, Mr. Marcelin, on June 9th, 2025, did you
20 prepare and cause to be filed testimony and Exhibits
21 MM-1 through MM-5 regarding this rate case?

22 A Yes.

23 Q And just for the record, those would be
24 Exhibits 257 through 261 on the CEL?

25 A Yes.

1 Q Do you have that testimony and those exhibits
2 you with today?

3 A Yes.

4 Q If I asked you the same questions today, would
5 your answers be the same?

6 A Yes.

7 Q Do you have any changes to your prefiled
8 testimony or exhibits?

9 A No.

10 MR. MARSHALL: Mr. Chairman, at this point, I
11 would like to have Mr. Marcelin's prefiled direct
12 testimony be entered into the record as though
13 read.

14 CHAIRMAN LA ROSA: So moved.

15 (Whereupon, prefiled direct testimony of
16 MacKenzie Marcelin was inserted.)

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

**DIRECT TESTIMONY OF
MACKENZIE MARCELIN**

**ON BEHALF OF
FLORIDA RISING,
LEAGUE OF UNITED LATIN AMERICAN CITIZENS,
AND
ENVIRONMENTAL CONFEDERATION
OF SOUTHWEST FLORIDA, INC.**

JUNE 9, 2025

1 **Q. Please state your name and business address.**

2 **A.**My name is MacKenzie Marcelin. My business address is 10800 Biscayne Blvd
3 Suite 1050, Miami, FL 33161.

4 **Q. What is your current position?**

5 **A.**I am the Deputy Campaigns Director at Florida Rising.

6 **Q. What are your duties as Deputy Campaigns Director?**

7 **A.**In my role I am responsible for developing and implementing Florida Rising's
8 statewide campaigns, including climate justice, housing and reproductive justice
9 campaigns. I am also responsible for overseeing a statewide team that is
10 responsible for recruiting, engaging, and activating a base to execute issue-based
11 campaign strategies to build power.

12 **Q. Please summarize your qualifications and work experience.**

13 **A.**In 2019, I was hired as a climate justice organizer at Florida Rising where I
14 began my organizing work in climate justice. I began my new role as the Deputy
15 Campaigns Director in March of 2025. My general qualifications include
16 organizing for 7 years and organizing multiple energy justice campaigns. I have
17 experienced electricity disconnections and know the hardships they can cause. I
18 have personally experienced energy insecurity, and as a Floridian, have had to
19 engage in preparation for multiple hurricanes. I have a Bachelor of Arts in
20 History from the University of Florida, with a focus on the Black experience,
21 race, and inequality. I have participated in several dockets at the Florida Public
22 Service Commission. My CV is attached as Exhibit MM-1.

23 **Q. Have you ever testified before the Florida Public Service Commission**
24 **before?**

25 **A.**Yes, I have participated in a few dockets at the Florida Public Service

1 Commission advocating on behalf of Florida Rising's values of racial and
2 economic justice and for Florida Rising's members, who are mostly black and
3 brown, and are facing high energy burdens due to high electric bill costs. In
4 Docket Nos. 20190015-EG, 20190016-EG, 20190018-EG, 20190020-EG,
5 20190021-EG, *In re: Commission review of numeric conservation goals*, I gave
6 testimony to the importance of energy efficiency in helping customers lower
7 energy bills, especially for low-income communities and communities of color.
8 For more information, please see a transcript of my remarks here:
9 <http://www.psc.state.fl.us/library/filings/2019/08186-2019/08186-2019.pdf>. In
10 Docket No. 20200219-EI, *In re: Petition to initiate emergency rulemaking to*
11 *prevent electric utility shutdowns, by League of United Latin American Citizens,*
12 *Zoraida Santana, and Jesse Moody*, I gave testimony to the importance of halting
13 electric power disconnections for the health of members of low-income
14 communities. For more information, please see a transcript of my remarks here:
15 <http://www.psc.state.fl.us/library/filings/2020/11330-2020/11330-2020.pdf>. In
16 Docket No. 202000181-EU, *In re: Proposed amendment of Rule 25-17.0021,*
17 *F.A.C., Goals for Electric Utilities*, I gave testimony to the importance of energy
18 efficiency in helping customers lower energy bills, especially for low-income
19 communities and communities of color. For more information, please see a
20 video of my remarks here: [http://psc-](http://psc-fl.granicus.com/MediaPlayer.php?view_id=2&clip_id=3368)
21 [fl.granicus.com/MediaPlayer.php?view_id=2&clip_id=3368](http://psc-fl.granicus.com/MediaPlayer.php?view_id=2&clip_id=3368) and here: [http://psc-](http://psc-fl.granicus.com/MediaPlayer.php?view_id=2&clip_id=3335)
22 [fl.granicus.com/MediaPlayer.php?view_id=2&clip_id=3335](http://psc-fl.granicus.com/MediaPlayer.php?view_id=2&clip_id=3335).

23 **Q. Have you ever testified as a formal witness before the Florida Public Service**
24 **Commission?**

25 **A.** Yes, in the 2021 FPL Rate Case I submitted formal testimony on behalf of

1 Florida Rising (Docket 20210015-EI). That testimony can be found here:
 2 [https://www.floridapsc.com/pscfiles/library/filings/2021/06451-2021/06451-](https://www.floridapsc.com/pscfiles/library/filings/2021/06451-2021/06451-2021.pdf)
 3 [2021.pdf](https://www.floridapsc.com/pscfiles/library/filings/2021/06451-2021/06451-2021.pdf). On June 5, 2024, I filed formal testimony in the energy-efficiency goal
 4 setting proceedings (Docket Nos. 20240012, 20240013, 20240014, 20240016,
 5 and 20240017). That testimony can be found here:
 6 [https://www.floridapsc.com/pscfiles/library/filings/2024/04599-2024/04599-](https://www.floridapsc.com/pscfiles/library/filings/2024/04599-2024/04599-2024.pdf)
 7 [2024.pdf](https://www.floridapsc.com/pscfiles/library/filings/2024/04599-2024/04599-2024.pdf). I filed formal testimony on behalf of Florida Rising and League of
 8 United Latin American Citizens (“LULAC”) in the 2024 Tampa Electric
 9 Company Rate Case. That testimony can be found here:
 10 [https://www.floridapsc.com/pscfiles/library/filings/2024/04673-2024/04673-](https://www.floridapsc.com/pscfiles/library/filings/2024/04673-2024/04673-2024.pdf)
 11 [2024.pdf](https://www.floridapsc.com/pscfiles/library/filings/2024/04673-2024/04673-2024.pdf). Finally, I filed formal testimony on behalf of Florida Rising and
 12 LULAC in the 2024 Duke Energy Florida Rate Case. That testimony can be
 13 found here: [https://www.floridapsc.com/pscfiles/library/filings/2024/05241-](https://www.floridapsc.com/pscfiles/library/filings/2024/05241-2024/05241-2024.pdf)
 14 [2024/05241-2024.pdf](https://www.floridapsc.com/pscfiles/library/filings/2024/05241-2024/05241-2024.pdf).

15 **Q. On whose behalf are you testifying in this proceeding?**

16 **A.** Florida Rising, LULAC, and Environmental Confederation of Southwest Florida.

17 **Q. What is Florida Rising?**

18 **A.** We are a people-powered organization made up of members advancing economic
 19 and racial justice across Florida. We build independent political power that
 20 centers historically marginalized communities so everyday Floridians can shape
 21 the future. As an organization, we engaged in the 2019 FEECA Hearings,
 22 intervened in the 2021 FPL Rate Case, commented on the energy-efficiency
 23 rulemaking proceeding (Docket No. 20200181), including in the Rule hearing,
 24 commented in some of the fuel dockets and storm recovery dockets, and, in
 25 addition to this proceeding, have intervened in the 2024 Duke Energy Florida

1 Rate Case and energy-efficiency goal setting proceedings, and the 2024 TECO
2 Rate Case.

3 **Q. Does Florida Rising have members in Florida Power and Light's service**
4 **territory?**

5 **A.** Yes, Florida Rising has about half of its members across Florida Power and
6 Light's ("FPL") service territory, with about 600 active members in FPL's service
7 territory. Also, Florida Rising as an organization pays electric bills to FPL for
8 our office in Broward County. Personally, my wife and I also pay an FPL bill,
9 and any rate increase will impact our finances.

10 **Q. Why is Florida Rising in this proceeding?**

11 **A.** As mentioned before, Florida Rising is an organization made up of members
12 focused on empowering marginalized communities to advance racial and
13 economic justice across Florida. Through our climate justice work, we want to
14 secure a future where the frontline and most impacted communities are at the
15 center of energy policy, disaster response, and all climate change initiatives. We
16 also want to ensure that we shift our economic system from an extractive one,
17 where we dig, burn, and dump, to a regenerative system based on social and
18 ecological well-being.

19 As I discuss below, FPL's residential customers, including Florida
20 Rising's members, face some of the highest electricity bills in the nation. FPL is
21 requesting approval of \$9.834 billion in this rate case (including recovery
22 through the proposed SOBRA mechanism) in the years 2026-2029, representing
23 the largest rate increase in U.S. history. Our members face an affordability crisis
24 between rising rents and rising electricity bills. While the Florida Public Service
25 Commission does not regulate rental prices, they are supposed to regulate

1 electricity prices.

2 Florida's dependency on fossil fuels has led to our current energy system
3 polluting our communities, fueling our climate crisis, and leaving many in dire
4 economic straits. These issues in our energy system have an unequal and
5 harmful impact on Black, Brown, and low-income communities. A 2020 report
6 by ACEEE found that low-income, Black, Hispanic, and Native American
7 households face higher energy burdens than the average household.¹ This held
8 true in ACEE's 2024 Energy Burden Update as well.² Rising housing costs,
9 insurance costs, and stagnant wages have made Florida unaffordable, leaving
10 families with high energy burdens. The financial hardship is forcing people to
11 make tough choices between keeping the lights on or paying for groceries or
12 prescription medications or living in hot and unsafe housing conditions. All the
13 while, major utility companies have been experiencing record profits over the
14 last few years.

15 Florida has been experiencing an uptick in climate disasters like extreme
16 heat, sea level rise, flooding, and severe storms, which are leaving our
17 neighborhoods and infrastructure vulnerable. Record high heat days,³ stronger
18 and more frequent storms,⁴ and other climate disasters are a direct result of our
19 energy system's reliance on dirty fossil fuels. The increase in extreme heat days
20 means that more energy and access to A/C are a requirement in Florida for
21 keeping our homes healthy, habitable, and cool. Stronger and more frequent
22 storms threaten the reliability of our electrical grid, causing loss of property to
23 our state and an increase in illness and death. The increase in extreme disasters
24 places an unfair burden on communities of color and often leads them into a
25 more vulnerable state than before. I must note that FPL's inability to

1 acknowledge climate change is concerning, Exhibit MM-3 at 24, being the
2 largest energy company in Florida and one of the largest carbon emitters is
3 negligent and irresponsible as a company and harmful to its customers. FPL's
4 comments are even more shocking given that NextEra Energy, FPL's parent
5 company, acknowledged climate change in sustainability reports and investor
6 disclosures and has programs to reduce carbon emissions. Exhibits MM-4, MM-
7 5.

8 Yet, Florida Rising believes that we must transition to a clean energy
9 system with more community members included in the decision-making. If we
10 do that, we can ensure that everyone has access to clean, affordable
11 energy that creates jobs and is environmentally friendly and resilient against
12 natural disasters.

13 **Q. Have you looked at how FPL ranks nationally when it comes to residential**
14 **electricity bills?**

15 **A.** Yes, according to the most recent data from the Energy Information
16 Administration ("EIA") for 2023, out of the 174 electric utilities with over
17 100,000 residential customers, FPL had the 10th highest electricity bills in the
18 nation, with an average monthly residential electricity bill of \$170.14. This
19 represents a higher average monthly residential bill of all states except Hawaii
20 and Connecticut. Based on EIA data for 2024, the average FPL residential
21 monthly bill was \$154.68.

22 **Q. How did you determine this?**

23 **A.** I simply calculated the average monthly revenue per residential customer for
24 each utility and state and combined the data together. All of these calculations
25 are included in my electric bill comparisons from the EIA 2023 data and are

1 attached as Exhibit MM-2. FPL admits that the information it submits to the EIA
2 is accurate. Exhibit MM-3 at 3. That information is the basis for my
3 calculations, which take the utility's own submitted data for total billed annual
4 revenue for the residential class and the total residential customers reported for
5 that year. I divided FPL's reported annual residential class revenue by the
6 number of FPL's residential customers, then divided that amount by twelve to
7 produce the monthly average residential bill. For 2023, this resulted in an
8 average FPL residential bill of \$170.14 each month. FPL also admitted that its
9 total billed revenue for the residential class divided for each month by the
10 customer count for that month, averaged for all twelve months in 2024 results in
11 \$154.68. Exhibit MM-3 at 11.

12 **Q. Is this a standard-practice for comparing electric bills?**

13 **A.** Yes, the Energy Information Administration calculates the average residential
14 electric bills itself using this methodology and compares average monthly bills
15 across utilities and states using this method every year.

16 **Q. How do Florida-utilities frequently do "bill" comparisons?**

17 **A.** They frequently do "bill" comparisons using a standardized 1,000 kWh
18 assumption.

19 **Q. What's your opinion regarding that kind of comparison?**

20 **A.** It is an arbitrary and misleading comparison. Consumers do not pay bills based
21 off of 1,000 kWh of usage; they pay bills off of actual usage. Florida utilities
22 often have higher rates above 1,000 kWh of usage, and most average above
23 1,000 kWh of usage. Most utilities out of state have consumers that use less than
24 1,000 kWh of usage. Thus, 1,000 kWh of usage frequently understates the actual
25 bills Florida consumers pay, while overstating the actual bills others pay.

1 **Q. Have you looked at the impact of FPL’s proposed rate increase in this case?**

2 **A.** Yes. In 2024, FPL’s residential customers averaged 1,128 kWh of monthly
3 usage. Under current rates, 1,128 kWh of usage would cost \$152.70 today.
4 Under FPL’s proposed rates, this usage would cost \$152.39 in 2026, but that
5 doesn’t tell the full story. The base rate component under the current bill is
6 \$91.71, and under the proposed rates for the same usage, the base rate component
7 would be \$104.53. This represents an almost 14% increase in base rate. The
8 resulting total bill under the proposed rates also assumes a \$0.00 monthly storm
9 charge. Given that FPL has had a storm charge in virtually every recent year,
10 FPL’s proposed bills will likely be higher than stated. For 2027, under FPL’s
11 proposed additional increase, the total bill for that same 1,128 kWh of usage rises
12 to \$160.91. The base rate component of that bill is \$112.38, which is a 22.5%
13 increase from current base rates. The 2027 bill also assumes no storm charge.

14 **Q. Isn’t \$152.39 less than \$152.70?**

15 **A.** Yes. Thankfully the storm charge is projected to fall off at the end of the year
16 before the proposed rates start to impact customers. However, with the
17 intensification and frequency of storms, this could easily change, and residential
18 electricity bills could be much higher. With the strong likelihood of future
19 storms and with the base rate increases FPL is proposing, residential electricity
20 bills could easily be one of the most expensive in the nation.

21 **Q. Why is that an issue?**

22 **A.** Florida has increasingly become unaffordable. Housing and property insurance
23 costs continue to rise with little to no increase in income. This dire situation is
24 putting Floridians in an economic chokehold, especially for already marginalized
25 communities. An increase in electricity bills lead to higher energy burden, which

1 in turn can impact health and quality of life for many individuals. A higher
2 energy burden can lead to individuals having to choose between paying for the
3 bare necessities of survival, like keeping the power on or paying for rent,
4 groceries, and/or medical supplies.

5 **Q. Have you evaluated FPL's Energy Efficiency performance?**

6 **A.** Yes. In 2023, FPL failed to achieve any of the energy-efficiency goals for the
7 residential sector as set by the Florida Public Service Commission. In 2024, FPL
8 achieved the GWh energy savings goal for the residential sector, which, for our
9 members, is the most important goal as this is the goal that helps our members
10 save money on their electricity bills, but did not achieve the summer or winter
11 peak MW savings goal for the residential sector. Compared to national averages,
12 their savings are still rather small. A common way of comparing actual
13 performance on energy efficiency between utilities is to look at the total amount
14 of energy each utility saved in a year as a percent of that utility's total retail sales
15 for the same year. This gives a fair comparison of how each utility is doing,
16 since in absolute numbers, a small utility with excellent energy efficiency
17 achievements won't save as much total energy as a huge utility with abysmal
18 performance.

19 In 2023, the latest year for which the analysis has been completed, the
20 national average for energy savings as a percent of total retail sales was 0.8%. In
21 that same year, FPL achieved 0.06%. Not only is FPL well below the national
22 average for energy savings, but it is also well below other Florida utility
23 companies, including Duke Energy Florida, LLC and Tampa Electric Co. FPL
24 achieved roughly the same result in 2024. I have prepared a work paper
25 supporting these calculations and attached it as Exhibit MM-2.

1 **Q. Do you have any recommendations in regards to FPL's Commercial and**
2 **Industrial demand management and load control programs?**

3 **A.** Yes. Given FPL's high reserve margins and low loss of load probability,
4 customers should not be paying over \$70 million to the Commercial/Industrial
5 Demand Reduction (CDR) and Commercial/Industrial Load Control (CILC).
6 Participants in the CDR/CILC program receive a credit for the option of having
7 their service interrupted to protect the whole system, if necessary. However, FPL
8 has confirmed that it has never needed to interrupt service to these customers in
9 many years. The general body of FPL customers should not be funding credits
10 for a program that is not needed. Additionally, even with the proposed 2026 rates
11 and not even accounting for the credits they receive, CILC customers are still
12 below parity, and residential customers are still above parity. Unfortunately,
13 taken together, residential customers end up subsidizing the millions of dollars
14 going into these programs. I propose that these credits be eliminated entirely, to
15 bring them more in line with the value that they provide to customers.

16 **Q. Do you have concerns about the expansion of data centers and the likelihood**
17 **of data centers being added to FPL's grid?**

18 **A.** Yes, I would like to emphasize that incoming data centers should not be receiving
19 handouts at the expense of other FPL customers, and that FPL should prioritize
20 protecting its customers from increased costs associated with these large loads.
21 Incoming data centers should be required to pay their fair share of the costs
22 required to serve them without driving up already increasing costs for residential
23 customers.

24 **Q. Please summarize your testimony.**

25 **A.** FPL's residential customers, including Florida Rising members, already pay

1 some of the highest residential electricity bills in the nation. The proposed base
2 rate increase would be the highest increase in United States history, and should
3 be scrutinized accordingly. These massive increases will leave FPL's residential
4 customers vulnerable to the extraordinary energy burden FPL is proposing to
5 place on them. If fuel prices increase, or a storm hits, or both, FPL's residential
6 customers could very well end up paying the highest residential electricity bills
7 in the nation. The affordability crisis is present now, and under FPL's proposal it
8 would only get much worse. The Florida Public Service Commission should be
9 working towards lowering residential electric bills and dropping FPL down in the
10 national rankings in terms of its bills. The proposed rate increase should be
11 rejected, and if FPL has no legitimate cause for the credits it gives to its largest
12 commercial and industrial customers to be "interruptible" without ever getting
13 interrupted, that also should be rejected. Even if FPL can show legitimate cause
14 that those customers will be interrupted, those credits should still be significantly
15 reduced. Increasing rates as FPL has proposed would increase unaffordability
16 and limit access to our energy systems. For many, limiting access to the energy
17 we all need to survive in this modern day would perpetuate and exacerbate
18 inequality, particularly for low-income and communities of color already facing
19 systemic burdens. A fair and just energy system should ensure that all Floridians,
20 especially the most vulnerable of us, have access to the affordable energy we
21 need to live a quality life.

22 **Q. Does this conclude your testimony?**

23 **A.** Yes, it does.
24
25

-
- ¹ Ariel Dreihobl, Lauren Ross, & Roxana Ayala, American Council for an Energy-Efficient Economy, *How High Are Household Energy Burdens?* at 9-13 (2020), <https://www.aceee.org/research-report/u2006>.
- ² American Council for an Energy-Efficient Economy, *Data Update: City Energy Burdens*, at 1-2 (2024), https://www.aceee.org/sites/default/files/pdfs/data_update_-_city_energy_burdens_0.pdf
- ³ Cheryl McCloud, *Check your AC. Forecast calls for 'doozy' cf a summer. See what Florida can expect.*, The Daytona Beach News-Journal (May 5, 2025), <https://www.news-journalonline.com/story/weather/2025/05/05/summer-record-breaking-heat-florida-forecast-hurricane-season/83452083007/lan%20Livingston/>.
- ⁴ Nat'l Oceanic & Atmospheric Admin., *NOAA predicts above-normal 2025 Atlantic hurricane season* (May 22, 2025), <https://www.noaa.gov/news-release/noaa-predicts-above-normal-2025-atlantic-hurricane-season>.

1 BY MR. MARSHALL:

2 Q Mr. Marcelin, did you prepare a summary of
3 your testimony?

4 A Yes.

5 Q Would you please go ahead and give us your
6 summary?

7 A Sure can.

8 As stated, my name is MacKenzie Marcelin. I
9 am the Deputy Campaigns Director for Florida Rising.
10 For folks that do not know, Florida Rising is a people
11 powered organization made up of members advancing
12 economic or racial justice across Florida.

13 Through our climate justice work specifically,
14 we strive to secure a future where we mitigate the harm
15 from the climate crisis, ensure that no community is
16 suffering from an economic system that prioritize
17 profits over the social and ecological well-being of
18 people and our planet. This is why we are particularly
19 focused on this rate case.

20 First, Florida Rising residential customers,
21 which include Florida Rising members, face some of the
22 highest electricity bills in the nation. Our members
23 are facing an affordability crisis due to rising rent,
24 food prices and, of course, electricity bills. Not only
25 that, but FPL is not doing enough to provide key energy

1 efficiency as its energy efficiency savings, as a
2 percent of retail sales are one of the worst in the
3 nation. This situation is exasperated by Florida
4 Rising's proposal, which hands millions of dollars in
5 credits its largest commercial and industrial customers,
6 allowing them to remain interruptible without
7 interruption, primarily at the expense of residential
8 and small business customers. Even if Florida can show
9 legitimate cause that the customers will be interrupted,
10 those credits should still be significantly reduced.

11 Increasing rates as FPL proposed, would
12 increase unaffordability and limiting access to our
13 energy systems, which ultimately would make FPL's system
14 unreliable to the average residential customers.

15 Second, in Florida, with a climate crisis on
16 the rise, our high heat days are increasing and our AC
17 is no longer just a luxury, but a requirement to keep
18 our homes healthy, habitable and whole.

19 Also, with rising heats in our oceans, climate
20 disasters are becoming more frequent. Floridians across
21 the state are becoming more vulnerable not only to its
22 fiscal impacts, but also to its financial impacts. If a
23 storm were to hit Florida, it would only increase the
24 cost of housing, insurance and, of course, as I
25 mentioned before, utilities, furthering the

1 affordability crisis we are facing.

2 For many, limiting access to the energy we all
3 need to survive in the modern day would perpetuate and
4 exacerbate any quality, particularly for low-income and
5 communities of color already facing systemic burdens.
6 We cannot continue this trend of FPL hiking historic
7 rates, pouring billions into fossil fuel projects, and
8 also, at the same time, large industrial customer
9 pockets as well, and then passing the costs onto
10 residential and small business customers.

11 A fair and just energy system to ensure that
12 all Floridians, especially the most vulnerable of us,
13 have access to affordable energy we need to live a
14 quality life.

15 **Q Does that conclude your summary?**

16 A That does.

17 **Q Thank you, Mr. Marcelin.**

18 MR. MARSHALL: Mr. Marcelin is available for
19 cross-examination.

20 CHAIRMAN LA ROSA: Great. Thank you.

21 OPC?

22 MR. WATROUS: Thank you, Mr. Chairman, and the
23 OPC has no questions.

24 CHAIRMAN LA ROSA: FRF -- I am sorry, FAIR.

25 MR. LAVIA: No questions.

1 CHAIRMAN LA ROSA: Thank you.

2 FEIA?

3 MR. MAY: No questions.

4 CHAIRMAN LA ROSA: Walmart?

5 MS. EATON: No questions. Thank you.

6 CHAIRMAN LA ROSA: FEA?

7 CAPTAIN RIVERA: No questions. Thank you.

8 CHAIRMAN LA ROSA: FRF.

9 MR. BREW: No questions. Thank you.

10 MR. MOYLE: No questions.

11 CHAIRMAN LA ROSA: FPL?

12 MS. MONCADA: No questions.

13 CHAIRMAN LA ROSA: Staff?

14 MR. STILLER: No questions.

15 CHAIRMAN LA ROSA: Commissioners, are there
16 questions from us of Mr. Marcelin?

17 Seeing none, back to FEL.

18 MR. MARSHALL: No redirect. We ask that Mr.
19 Marcelin be excused and we move in Exhibits 257
20 through 261 into the record.

21 CHAIRMAN LA ROSA: Seeing no objections to
22 those exhibits, so moved.

23 (Whereupon, Exhibit Nos. 257-261 were received
24 into evidence.)

25 CHAIRMAN LA ROSA: Mr. Marcelin, thank you

1 very much for your testimony. You are excused.

2 THE WITNESS: Thank you.

3 (Witness excused.)

4 CHAIRMAN LA ROSA: Okay. I am going to take a
5 quick poll here. It's 11:30-ish. We have got a
6 few more witnesses, FEA witnesses that would be
7 coming next. I am just going to ask all the
8 parties real quick, what is your approximation just
9 on questions?

10 MR. MARSHALL: It varies depending on the FEA
11 witness, but I would -- I think we have -- it
12 depends on the order of witnesses we take whether I
13 think we could get through before lunch or not, but
14 I think we -- there is a good chance we could get
15 through before lunch.

16 CHAIRMAN LA ROSA: Okay. OPC, fair?

17 MR. WATROUS: I would second that statement.

18 CHAIRMAN LA ROSA: I meant to say is that
19 fair, and then FAIR.

20 MR. LAVIA: Agreed.

21 CHAIRMAN LA ROSA: Okay. Awesome.

22 Parties, any objections to that? Let's go
23 ahead let's -- then I will toss it over to FEA and
24 you can introduce your first witness.

25 CAPTAIN RIVERA: Thank you, Chair. I call to

1 the stand Mr. Michael Gorman, please.

2 MR. STILLER: And, Mr. Chair, if this is Mr.
3 Gorman, I believe there is an agreement that he
4 will present both as-filed testimony and settlement
5 testimony, am I correct on that?

6 CAPTAIN RIVERA: That was FEA's understanding
7 as well.

8 CHAIRMAN LA ROSA: Parties, any objections to
9 that? Okay, that seems to be what the plan is.

10 CAPTAIN RIVERA: Thank you.

11 CHAIRMAN LA ROSA: Mr. Gorman, do you mind
12 staying standing and raise your right hand?

13 Whereupon,

14 MICHAEL P. GORMAN

15 was called as a witness, having been first duly sworn to
16 speak the truth, the whole truth, and nothing but the
17 truth, was examined and testified as follows:

18 THE WITNESS: I do.

19 CHAIRMAN LA ROSA: Great. Feel free to get
20 settled in and I will pass it over to you once you
21 are ready.

22 CAPTAIN RIVERA: Thank you.

23 EXAMINATION

24 BY CAPTAIN RIVERA:

25 Q Can you please introduce yourself for the

1 **record, using your name and your full business address,**
2 **sir?**

3 **CHAIRMAN LA ROSA: Mr. Gorman, your microphone**
4 **may be off. Do you mind repeating yourself? Thank**
5 **you.**

6 THE WITNESS: Thank you.

7 My name is Michael Gorman, Brubaker &
8 Associates, it's a managing principle, 16690
9 Swingley Ridge Road, Chesterfield, Missouri.

10 BY CAPTAIN RIVERA:

11 **Q Mr. Gorman, did you cause your direct**
12 **testimony to be filed on this case on 9 June, 2025?**

13 A Yes.

14 **Q Have you read over that testimony before**
15 **testifying here today?**

16 A Yes, I have.

17 **Q Do you have any corrections or changes to that**
18 **testimony?**

19 A I have one typographical. It's on page 12, on
20 line 22. The word A-N-D should be struck and the word
21 I-N should be inserted. Line 22 should read: And
22 estimated in-service date.

23 **Q Thank you.**

24 **If I asked you the same questions in your**
25 **testimony, would your answers be the same or**

1 **substantially the same here today?**

2 A Yes, they would.

3 **Q Have you prepared a summary of your testimony**
4 **for the Commissioners?**

5 A I have. Yes.

6 **Q Can you provide it?**

7 A Yes, I can.

8 Chairman and Commissioners, good morning. I
9 appreciate the opportunity to appear before you this
10 morning.

11 My testimony concerns the spread of the
12 revenue deficiency across the various rate classes. I
13 am in agreement with the company that that spread should
14 reflect a gradual movement towards cost of service, but
15 should be managed to the extent that no specific rate
16 class receives an overly large increase in this rate
17 class.

18 My one distinction from the company in this
19 case is that I do not rely on its class cost of service
20 study, but, rather, rely on the class cost of service
21 study of my colleague Mr. Matthew Smith. Mr. Smith
22 makes adjustments to the class cost of service study
23 which more accurately allocates production in
24 transmission cost across the various rate classes, and
25 it's on that basis, using his cost of service study,

1 that I propose a revenue spread across the various rate
2 classes.

3 In my direct testimony, I also comment on the
4 company's proposed implementation of a large load
5 contract service rate. Many provisions of that contract
6 rate proposed by the company I find to be reasonable,
7 but I recommended certain adjustments to that contract
8 rate as filed.

9 That concludes my summary.

10 CAPTAIN RIVERA: Submit him for cross.

11 CHAIRMAN LA ROSA: Thank you.

12 OPC?

13 CAPTAIN RIVERA: I am sorry, sir. I would
14 like to move his testimony into the record as
15 though it was read.

16 CHAIRMAN LA ROSA: So moved.

17 (Whereupon, Phase I prefiled direct testimony
18 of Michael Gorman was inserted.)

19

20

21

22

23

24

25

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by
Florida Power & Light Company.

)
) Docket No. 20250011-EI
)
)

Direct Testimony of

Michael P. Gorman

On behalf of

Federal Executive Agencies

June 9, 2025



BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

_____)
In re: Petition for rate increase by) Docket No. 20250011-EI
Florida Power & Light Company.)
_____)

STATE OF MISSOURI)
COUNTY OF ST. LOUIS) SS

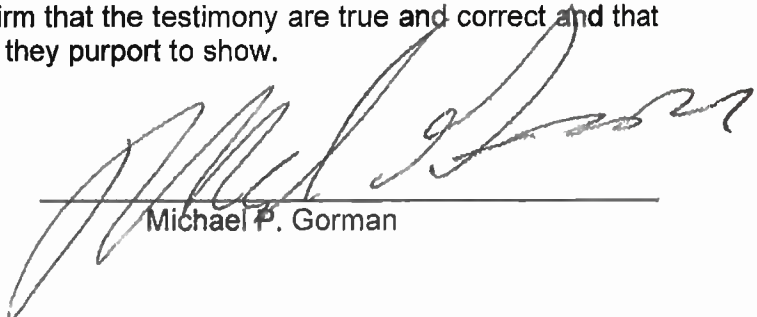
Affidavit of Michael P. Gorman

Michael P. Gorman, being first duly sworn, on his oath states:

1. My name is Michael P. Gorman. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by the Federal Executive Agencies in this proceeding on their behalf.

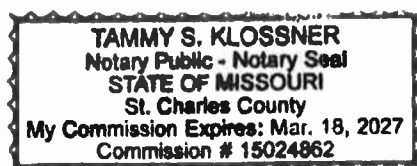
2. Attached hereto and made a part hereof for all purposes are my direct testimony which were prepared in written form for introduction into evidence in the Florida Public Service Commission Docket No. 20250011-EI.

3. I hereby swear and affirm that the testimony are true and correct and that they show the matters and things that they purport to show.



Michael P. Gorman

Subscribed and sworn to before me this 9th day of June, 2025.





Notary Public

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

_____	)	
In re: Petition for rate increase by	)	Docket No. 20250011-EI
Florida Power & Light Company.	)	
_____	)	

Table of Contents to the
Direct Testimony of Michael P. Gorman

	<u>Page</u>
I. INTRODUCTION.....	1
II. FPL PROPOSED REVENUE SPREAD.....	3
III. ALTERNATIVE CLASS REVENUE ALLOCATION	7
IV. LARGE LOAD CONTRACT SERVICE	10
Appendix A- Qualifications of Michael P. Gorman.....	1

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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

Direct Testimony of Michael P. Gorman

I. INTRODUCTION

1

2 Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A Michael P. Gorman. My business address is 16690 Swingley Ridge Road,
4 Suite 140, Chesterfield, MO 63017.

5 Q WHAT IS YOUR OCCUPATION?

6 A I am a consultant in the field of public utility regulation and a Managing Principal
7 with the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and
8 regulatory consultants.

9 Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
10 EXPERIENCE.

11 A This information is included in Appendix A to this testimony.

12 Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

13 A I am appearing in this proceeding on behalf of the Federal Executive Agencies
14 ("FEA").

15 Q WHAT IS THE SUBJECT MATTER OF YOUR TESTIMONY?

16 A My testimony addresses Florida Power & Light Company's ("FPL" or "Company")
17 witness Tiffany Cohen's proposed class revenue apportionment to adjust rate

C31-4078

1 classes revenue assignment as needed to recover the Company's claimed
2 revenue deficiency, and proposed new Large Contract Service rate schedules.

3 To the extent my testimony does not address any particular issue does not
4 indicate tacit agreement with the Company's or another party's position on that
5 issue.

6 **Q HAVE YOU FILED TESTIMONY BEFORE THE FLORIDA PUBLIC SERVICE**
7 **COMMISSION ("COMMISSION") REGARDING DEPRECIATION ISSUES?**

8 A Yes. More recently I filed testimony in the Florida Power & Light Company rate
9 case (Docket No. 160021-EI) in 2016 and the Gulf Power Company's 2017 rate
10 case (Docket No. 160170-EI) on depreciation issues. I have also filed testimony
11 in many other jurisdictions as outlined on my attached Appendix A.

12 **Q DOES THE FACT THAT YOU DID NOT ADDRESS EVERY ISSUE RAISED IN**
13 **FPL'S TESTIMONY MEAN THAT YOU AGREE WITH THAT TESTIMONY ON**
14 **THOSE ISSUES?**

15 A No. It merely reflects that I did not choose to address all those issues. It should
16 not be read as an endorsement of, or agreement with, FPL's position on such
17 issues.

18 **Q PLEASE SUMMARIZE YOUR RECOMMENDATIONS OF FINDINGS.**

19 A My testimony addresses the following:

- 20 1) The class spread of the revenue deficiency across rate classes for
21 2026 and 2027, and
22 2) I comment on FPL's proposed new Tariff Rates: Large Load
23 Contract Service-1, and Large Load Contract Service-2.

1 **II. FPL PROPOSED REVENUE SPREAD**

2 **Q PLEASE DESCRIBE FPL'S PROPOSED REVENUE ALLOCATION IN THIS**
3 **PROCEEDING.**

4 A FPL's proposed revenue allocation spread in this proceeding follows its class cost
5 of service study. However, in prior cases, FPL proposed a gradual movement
6 toward cost of service. FPL witness Cohen testified that the Company supports
7 the Commission approved gradual movement to cost of service.¹ To
8 accommodate this gradual movement, Ms. Cohen states that limiting rate class
9 changes to a maximum class increase of 1.5x the system average increase, and
10 a minimum class rate change of 0% (or no change) is reasonable and consistent
11 with the long standing Commission gradualism practice..²

12 In Table 1 below, I outline the Company's proposed 2026 Revenue
13 Increase. As shown in Column 1, as current revenues, in Columns 2 and 3 there
14 is an increase needed to move each rate class to FPL's claim cost of service, and
15 in Columns 4 and 5, I show the Company's proposed gradual movement to cost of
16 service in 2026 for each rate class is shown below in Table 1. In Column 6, is the
17 proposed class increase (Column 5) as a ratio of the system average increase
18 (16.6%). This column indicates how large of an increase the class recovers
19 relative to the system average increase.

¹ Direct Testimony of Tiffany Cohen, page 16

² Direct Testimony of Tiffany Cohen, page 17.

Table 1						
FPL Cost of Service and Proposed Revenue Spread						
2026 Test Year						
Class Description	Current Revenues ¹	Increase to Cost of Service ²		Company Proposed Increase ³		Index
	(1)	(2)	(3)	(4)	(5)	(6)
CILC-1D	\$ 108,286	\$ 41,712	38.52%	\$ 30,683	28.34%	1.76
CILC-1G	5,050	1,402	27.76%	1,325	26.24%	1.63
CILC-1T	46,915	17,507	37.32%	14,758	31.46%	1.96
GS(T)-1	727,953	(93)	-0.01%	24,932	3.42%	0.21
GSCU-1	2,403	(127)	-5.26%	85	3.53%	0.22
GSD(T)-1	1,726,181	482,091	27.93%	439,605	25.47%	1.59
GSLD(T)-1	546,455	198,581	36.34%	146,581	26.82%	1.67
GSLD(T)-2	176,685	79,047	44.74%	49,827	28.20%	1.76
GSLD(T)-3	32,160	9,698	30.15%	9,690	30.13%	1.88
MET	4,368	505	11.55%	589	13.48%	0.84
OS-2	2,031	1,166	57.38%	452	22.27%	1.39
RS(T)-1	6,038,411	700,117	11.59%	807,171	13.37%	0.83
SL/OL-1	189,177	16,270	8.60%	18,392	9.72%	0.61
SL-1M	1,552	204	13.13%	243	15.68%	0.98
SL-2	1,851	144	7.79%	195	10.56%	0.66
SL-2M	564	(77)	-13.68%	19	3.30%	0.21
SST-DST	181	(114)	-62.81%	6	3.37%	0.21
SST-TST	7,229	(3,253)	-45.00%	228	3.15%	0.20
	<u>\$ 9,617,453</u>	<u>\$ 1,544,780</u>	<u>16.06%</u>	<u>\$ 1,544,780</u>	<u>16.06%</u>	<u>1.00</u>

Sources:

¹MFR No. E-1 (Volume I), Attachment 1, 2026 at Present Rates

²MFR No. E-1 (Volume I), Attachment 2, 2026 Equalized at Proposed Rate of Return.

³MFR No. E-1 (Volume I), Attachment 3, 2026 at Proposed Rates

The Company's proposed gradual movement to cost of service in 2027 for each rate class is shown below in Table 2.

Table 2						
FPL Cost of Service and Proposed Revenue Spread						
2027 Test Year						
Class Description	Current Revenues ¹	Increase to Cost of Service ²		Company Proposed Increase ³		Index
	(1)	(2)	(3)	(4)	(5)	(6)
CILC-1D	\$ 108,514	\$ 52,994	48.84%	\$ 48,398	44.60%	1.75
CILC-1G	5,054	1,894	37.48%	1,892	37.44%	1.47
CILC-1T	47,272	23,448	49.60%	23,185	49.05%	1.92
GS(T)-1	734,758	64,028	8.71%	71,406	9.72%	0.38
GSCU-1	2,403	89	3.71%	117	4.89%	0.19
GSD(T)-1	1,745,395	653,825	37.46%	655,644	37.56%	1.47
GSLD(T)-1	546,417	253,418	46.38%	231,342	42.34%	1.66
GSLD(T)-2	177,543	98,572	55.52%	78,976	44.48%	1.74
GSLD(T)-3	32,398	13,625	42.05%	13,684	42.24%	1.66
MET	4,389	908	20.68%	935	21.32%	0.84
OS-2	2,037	1,237	60.70%	734	36.05%	1.41
RS(T)-1	6,102,909	1,272,655	20.85%	1,307,096	21.42%	0.84
SL/OL-1	193,585	43,259	22.35%	43,467	22.45%	0.88
SL-1M	1,653	318	19.21%	334	20.23%	0.79
SL-2	1,832	344	18.79%	359	19.58%	0.77
SL-2M	601	(35)	-5.88%	9	1.45%	0.06
SST-DST	181	(108)	-59.28%	5	2.48%	0.10
SST-TST	7,262	(2,724)	-37.51%	162	2.24%	0.09
	<u>\$ 9,714,204</u>	<u>\$ 2,477,747</u>	<u>25.51%</u>	<u>\$ 2,477,747</u>	<u>25.51%</u>	<u>1.00</u>

Sources:
¹MFR No. E-1 (Volume I), Attachment 1, 2027 at Present Rates
²MFR No. E-1 (Volume I), Attachment 2, 2027 Equalized at Proposed Rate of Return.
³MFR No. E-1 (Volume I), Attachment 3, 2027 at Proposed Rates

1 Q IS THE COMPANY'S PROPOSED CLASS REVENUE ALLOCATION
2 REASONABLE?

3 A No as outlined in my colleague's testimony of Matthew Smith, FPL's COSS does
4 not properly classify and allocate across rate class FPL's production and
5 transmission capacity costs.³ The Company has proposed changes to its class
6 cost of service study ("COSS"). As noted by Mr. Smith, the Company's proposed
7 change to COSS approved by the Commission in past rate cases are not

³ Direct Testimony of Matthew Smith, page 8.

1 reasonable and do not reflect cost causation.⁴ The Company's proposed
2 allocation of the revenue increases across rate classes hence does not produce a
3 gradual movement toward cost of service.

4 **Q WHY DO YOU BELIEVE THE FPL'S COSS IS NOT REASONABLE AND DOES**
5 **NOT FOLLOW COST CAUSATION?**

6 A As described in more detail in Mr. Smith's testimony, FPL proposed two changes
7 to its COSS. First, it proposes to increase the energy weight in the production
8 capacity cost allocation to 25% from 1/13. This change does not align with how
9 FPL incurs production capacity investment costs and does not produce a
10 reasonable allocation factor that reflects how FPL must investment in production
11 capacity cost that is both needed to provide reliable firm service to all rate classes
12 and to generate energy at a reasonable cost.

13 Also, FPL develops a capacity allocation based on a 12 coincident peak
14 ("12 CP")⁵ when its system load profile clearly shows that its peak season occurs
15 during only a 4 month period. Hence the capacity allocation component should be
16 based on FPL's four month peak period or a 4CP allocation factor should be used
17 rather than a 12CP. The demand allocation impacts both production and
18 transmission capacity allocations in the Company's COSS. The effect of FPL's
19 proposed use of a 12CP for a utility with a 4CP peak period is that production and
20 transmission capacity costs are under allocated to low load factor rate classes
21 relative to the capacity cost needed to provide reliable firm service, and over
22 allocates capacity cost to high load factor classes relative to the capacity cost
23 needed to provide reliable firm service.

⁴ *Id.*

⁵ Direct Testimony of Tara Dubose, pages 24-25.

1 Mr. Smith offers a corrected COSS that retains the Commission weight of
2 energy, 1/13, and relies on a production and transmission capacity cost allocator
3 based on a 4CP.
4

5 **III. ALTERNATIVE CLASS REVENUE ALLOCATION**

6 **Q PLEASE DESCRIBE YOUR PROPOSED GRADUAL ALLOCATION OF THE**
7 **SYSTEM REVENUE DEFICIENCY ACROSS RATE CLASSES.**

8 **A** I recommended class revenue spread based on the 2026 Revenue Deficiency
9 using Mr. Smith's COSS and the Company's proposed gradual allocation of class
10 limits of no class gets an increase greater than 1.5 times the system average
11 increase, and no rate class gets a rate decrease.

12 For 2026 and based on Mr. Smith's COSS, my recommended class
13 allocation based on the Company's claimed 2026 revenue deficiency is shown
14 below in Table 3.

C31-4084

Table 3							
FEA Cost of Service and Proposed Revenue Spread							
2026 Test Year							
Class Description	Current Revenues ¹		Increase to Cost of Service ²		FEA Proposed Increase ³		Index
	(1)	(2)	(3)	(4)	(5)	(6)	
CILC-1D	\$ 108,286	\$ 28,895	26.68%	\$ 26,090	24.09%	1.50	
CILC-1G	5,050	994	19.67%	1,066	21.10%	1.31	
CILC-1T	46,915	7,589	16.18%	8,241	17.57%	1.09	
GS(T)-1	727,953	29,374	4.04%	38,434	5.28%	0.33	
GSCU-1	2,403	(375)	-15.62%	-	0.00%	-	
GSD(T)-1	1,726,181	455,156	26.37%	415,895	24.09%	1.50	
GSLD(T)-1	546,455	165,553	30.30%	131,660	24.09%	1.50	
GSLD(T)-2	176,685	64,251	36.36%	42,569	24.09%	1.50	
GSLD(T)-3	32,160	6,083	18.91%	6,540	20.34%	1.27	
MET	4,368	167	3.83%	222	5.08%	0.32	
OS-2	2,031	1,105	54.39%	489	24.09%	1.50	
RS(T)-1	6,038,411	776,807	12.86%	858,337	14.21%	0.88	
SL/OL-1	189,177	12,820	6.78%	15,237	8.05%	0.50	
SL-1M	1,552	(16)	-1.05%	-	0.00%	-	
SL-2	1,851	(92)	-4.98%	-	0.00%	-	
SL-2M	564	(120)	-21.33%	-	0.00%	-	
SST-DST	181	(114)	-63.18%	-	0.00%	-	
SST-TST	7,229	(3,295)	-45.58%	-	0.00%	-	
	<u>\$ 9,617,453</u>	<u>\$ 1,544,780</u>	<u>16.06%</u>	<u>\$ 1,544,780</u>	<u>16.06%</u>	<u>1.00</u>	

Sources:
¹MFR No. E-1 (Volume I), Attachment 1, 2026 at Present Rates
²Exhibit MPS-1
³Limited the increase to a maximum of 1.5 x system average and no decreases.

1 For 2027 and based on Mr. Smith's COSS, my recommended class
2 allocation based on the Company's claimed 2027 revenue deficiency is shown
3 below in Table 4.

Table 4							
FEA Cost of Service and Proposed Revenue Spread							
2027 Test Year							
Class Description	Current Revenues ¹	Increase to Cost of Service ²		FEA Proposed Increase		Index	
	(1)	(2)	(3)	(4)	(5)	(6)	
CILC-1D	\$ 108,514	\$ 39,303	36.22%	\$ 39,588	36.48%	1.43	
CILC-1G	5,054	1,459	28.87%	1,471	29.11%	1.14	
CILC-1T	47,272	12,766	27.00%	12,881	27.25%	1.07	
GS(T)-1	734,758	95,706	13.03%	97,306	13.24%	0.52	
GSCU-1	2,403	(176)	-7.30%	-	0.00%	-	
GSD(T)-1	1,745,395	625,018	35.81%	629,584	36.07%	1.41	
GSLD(T)-1	546,417	218,248	39.94%	209,057	38.26%	1.50	
GSLD(T)-2	177,543	82,981	46.74%	67,927	38.26%	1.50	
GSLD(T)-3	32,398	9,720	30.00%	9,801	30.25%	1.19	
MET	4,389	543	12.38%	553	12.60%	0.49	
OS-2	2,037	1,172	57.51%	780	38.26%	1.50	
RS(T)-1	6,102,909	1,353,837	22.18%	1,368,201	22.42%	0.88	
SL/OL-1	193,585	39,980	20.65%	40,430	20.88%	0.82	
SL-1M	1,653	68	4.09%	71	4.29%	0.17	
SL-2	1,832	94	5.11%	97	5.31%	0.21	
SL-2M	601	(85)	-14.09%	-	0.00%	-	
SST-DST	181	(108)	-59.68%	-	0.00%	-	
SST-TST	7,262	(2,778)	-38.25%	-	0.00%	-	
	<u>\$ 9,714,204</u>	<u>\$ 2,477,747</u>	<u>25.51%</u>	<u>\$ 2,477,747</u>	<u>25.51%</u>	<u>1.00</u>	

Sources:
¹MFR No. E-1 (Volume I), Attachment 1, 2027 at Present Rates
²Exhibit MPS-2
³Limited the increase to a maximum of 1.5 x system average and no decreases.

1 As outlined in Table 3 and Table 4 above, those proposed revenue spreads
2 rely on reasonable and accurate COSS developed by my colleague Mr. Smith.
3 This revenue spread reasonably aligns with the changes needed to move each
4 rate class towards cost of service, limited by rate class receiving increase more
5 than 1.5x the system average increase, and below any rate class received in the
6 rate decrease. A relative increase of the proposed spread of the increases shown
7 under Column 6. Both Columns 3 and 4 demonstrating that the spread needs to
8 gradual movement to cost of service requirement that has been used by the
9 Commission in prior rate cases.

IV. LARGE LOAD CONTRACT SERVICE

1
2 **Q IS FPL PROPOSING NEW CNI TARIFFS IN THIS PROCEEDING FOR LARGE**
3 **NEW CUSTOMERS?**

4 A Yes. FPL witness Cohen states that the Company's proposed new C&I rate
5 schedules, Large Load Contract Service – 1 ("LLCS-1"), and Large Load Contract
6 Service – 2 ("LLCS-2") for future customers with projected new or incremental load
7 additions of 25 MW or more, and a load factor of 85% are or more.⁶ FPL has not
8 included projected additions of new customers that would qualify for these new
9 rates in the 2026 or 2027 test years.⁷

10 **Q DID FPL DESCRIBE WHY IT IS PROPOSING TO IMPLEMENT THE LLCS RATE**
11 **OPTIONS?**

12 A Yes. Ms. Cohen states that the Company has included these proposed new rates
13 in this case because it is proactively addressing the potential scenario that
14 customers of this size will locate in its service territory, and the development of a
15 large customer new rate schedule is intended to provide protection to the general
16 body of customers by FPL beginning to serve customers of this size.⁸ Ms. Cohen
17 states the proposed new rate schedules LLCS-1 and LLCS-2 were developed to
18 meet the "following objectives: (i) ensure that FPL has tariff and service agreement
19 available to serve customers of this magnitude should they request service in the
20 future; (ii) ensure that the cost-causer bears primary responsibility and risk for the
21 significant generation investments required to serve a customer of this size; and

⁶ Direct Testimony of Tiffany Cohen, page 23

⁷ *Id.*

⁸ *Id.*

1 (iii) protect the general body of customers and mitigate risk of subsidization and
2 stranded assets.”⁹

3 **Q DID FPL DESCRIBE ITS PROPOSED LLCS-1 RATE PROPOSAL?**

4 A. Yes. FPL states that it anticipates using the LLCS-1 rate to serve up to 3 GW of
5 new load in its service territory.¹⁰ She states that service under LLCS-1 will be
6 limited to three zones in the vicinity of Sunbreak in St Lucie County, Tesoro in
7 Martin County, and Sugar in Palm Beach County.¹¹ These zones are in close
8 proximity to FPL existing 500KV transmission facilities and have suitable areas for
9 adding incremental generation and transmission facilities.¹²

10 Ms. Cohen states that rate LLCS-1 will include a stated rate for the costs
11 of the incremental generation capacity needed to serve the combined 3 GW of new
12 load additions. This 3 GW threshold could be reset in subsequent rate
13 proceedings.¹³

14 **Q DID FPL OUTLINE ITS PROPOSED BASIC STRUCTURE FOR LLCS-2?**

15 A Yes. FPL states LLCS-2 is similar to LLCS-1 with three primary exceptions: i)
16 LLCS-2 is not available in regions served under rate schedule LLCS-1, ii) LLCS-2
17 is not capped at 3 GW, and iii) FPL is not able to provide a stated rate for the
18 incremental generation capacity necessary for customer loads under this rate
19 schedule.¹⁴ FPL states that this will be an optional rate for those customers who
20 elect not to site their load within one of the three regions be served by the LLCS-1
21 rate.
22

⁹ *Id.* at page 23-24.

¹⁰ *Id.* at page 24.

¹¹ *Id.*

¹² *Id.*

¹³ *Id.*

¹⁴ *Id.* at page 24-25

1 **Q DID FPL PROPOSE A DESIGN FOR RATE STRUCTURES LLCS-1 AND LLCS-**
2 **2?**

3 A Yes. To recover the shared total system costs from these customers, the base,
4 demand, and non-fuel energy charges for the new rate schedules LLCS-1 and
5 LLCS-2 will all initially be set at unit cost equivalents for the GSLD(T)-3 rate class
6 at parity for transmission costs and weighted for fixed production costs to
7 appropriately recognize the incremental generation above and beyond the total
8 system fixed production that will be deployed to serve these customers.¹⁵ FPL
9 states that this is reasonable because the large customers would otherwise take
10 service on GSLD-3.¹⁶ Moreover, the rates ensure that these customers are paying
11 their fair share of the costs of the total system that will be used to serve them.

12 The base, demand, and non-fuel energy charges for rate schedules LLCS-
13 1 and LLCS-2 will be reset in the ordinary course in subsequent base rate
14 proceedings. Additionally, both rate schedules will include an Incremental
15 Generation Charge ("IGC") that is designed to ensure that costs for the incremental
16 generation necessary to serve these loads is recovered from the LLCS-1 and
17 LLCS-2 customers.¹⁷

18 **Q IS FPL PROPOSING ANY PROTECTIONS FOR EXISTING CUSTOMERS AND**
19 **WILL IT BE REQUIRED FOR THESE LLCS TRANSMISSION CUSTOMERS?**

20 A Yes. FPL is proposing the following protections:

- 21 • Service under the rates will be limited to available capacity based
22 on estimated ⁱⁿand service dates.

¹⁵ *Id.* at page 25.

¹⁶ *Id.*

¹⁷ *Id.*

- 1 • FPL will be the sole discretion to select resources necessary to
2 accommodate to serve all loads for these rate schedules consistent
3 with the Company's standard total system resource planning
4 process and the applicable Ten years site plan approved by the
5 Commission.
- 6 • Customers must enter into a proposed LLCS Service Agreement
7 which is a tariff agreement which among other things: a) includes
8 terms of service, b) explains ownership, operational construction
9 responsibilities, c) addresses in-service date for contracted
10 capacity, d) requires a new system impact study agreement for any
11 additional load to be installed at the site, and e) details commercial
12 terms and conditions of service.
- 13 • Minimum term of the agreement will be 20 years with a proposed
14 two year termination notice.
- 15 • A maximum contract demand amount with a negotiated load ramp
16 period which will allow FPL to match the deployment of its
17 transmission and generation resources with negotiated and
18 mutually agreeable ramp-up in the customers demand.
- 19 • A minimum take or pay requirements starting with the in-service
20 dates to ensures that the two rate schedule customers pay their
21 fair share of costs incurred to serve them even if their projected load
22 is delayed or fails to materialize.
- 23 • Finally, the Company is proposing exit fees for early termination.
24 These exit fees are designed to help ensure that the general body

1 of customers do not subsidize the incremental generation costs
2 incurred to serve LLCS-1 and LLCS-2 customers.¹⁸

3 **Q DO YOU HAVE ANY CONCERNS OR RECOMMENDATIONS WITH THE**
4 **COMPANY'S PROPOSAL TO IMPLEMENT THE NEW LLCS-1 AND LLCS-2**
5 **TARIFF RATES?**

6 **A** Yes. Generally, the Company's proposal to implement the rates now are
7 reasonable, however for pricing terms of the rates, and the impact of the
8 Company's cost to provide in service to visiting customers should be investigated
9 at the time its starts to serve new customers in future periods. Resistance
10 objectives are proposed the following adjustments in the Company's proposed
11 safeguards:

- 12 • The Company's proposed minimum term contract of 20 years is
13 reasonable; however the Commission should impose a five year
14 termination notice on this agreement, rather than the two year
15 termination notice proposed by FPL.
- 16 • A five year notice will allow FPL to begin to look for any alternative
17 markets for any past investments and transmission investments
18 made to serve the new large customers. Typically new investments
19 to serve these customers will have an operating life expectancy of
20 30 years or longer, and if large customers that take service under
21 these tariffs leave the system in 20 years, FPL needs time to
22 determine how to find additional contractual customers capable of
23 using the capacity addition needed to serve these customers, or to

¹⁸ *Id.* at pages 26-28

1 adjust its actual imbedded cost structure to accommodate a lower
2 smaller load.
3 • The Commission should allow all interested parties to review and
4 comment on “incremental cost” used to price load under these rates
5 schedule if and when new large customers loads are added to FPL
6 system.

Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

7 A Yes, it does.

Appendix A- Qualifications of Michael P. Gorman

1
2 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A Michael P. Gorman. My business address is 16690 Swingley Ridge Road,
4 Suite 140, Chesterfield, MO 63017.

5 **Q PLEASE STATE YOUR OCCUPATION.**

6 A I am a consultant in the field of public utility regulation and a Managing Principal
7 with the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and
8 regulatory consultants.

9 **Q PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND WORK**
10 **EXPERIENCE.**

11 A In 1983 I received a Bachelor of Science Degree in Electrical Engineering from
12 Southern Illinois University, and in 1986, I received a Master's Degree in Business
13 Administration with a concentration in Finance from the University of Illinois at
14 Springfield. I have also completed several graduate level economics courses.

15 In August of 1983, I accepted an analyst position with the Illinois Commerce
16 Commission ("ICC"). In this position, I performed a variety of analyses for both
17 formal and informal investigations before the ICC, including: marginal cost of
18 energy, central dispatch, avoided cost of energy, annual system production costs,
19 and working capital. In October of 1986, I was promoted to the position of Senior
20 Analyst. In this position, I assumed the additional responsibilities of technical
21 leader on projects, and my areas of responsibility were expanded to include utility
22 financial modeling and financial analyses.

23 In 1987, I was promoted to Director of the Financial Analysis Department.
24 In this position, I was responsible for all financial analyses conducted by the Staff.
25 Among other things, I conducted analyses and sponsored testimony before the

Direct Testimony of Michael P. Gorman
Page 2

1 ICC on rate of return, financial integrity, financial modeling and related issues. I
2 also supervised the development of all Staff analyses and testimony on these
3 same issues. In addition, I supervised the Staff's review and recommendations to
4 the Commission concerning utility plans to issue debt and equity securities.

5 In August of 1989, I accepted a position with Merrill-Lynch as a financial
6 consultant. After receiving all required securities licenses, I worked with individual
7 investors and small businesses in evaluating and selecting investments suitable to
8 their requirements.

9 In September of 1990, I accepted a position with Drazen-Brubaker &
10 Associates, Inc. ("DBA"). In April 1995, the firm of Brubaker & Associates, Inc.
11 was formed. It includes most of the former DBA principals and Staff. Since 1990,
12 I have performed various analyses and sponsored testimony on cost of capital,
13 cost/benefits of utility mergers and acquisitions, utility reorganizations, level of
14 operating expenses and rate base, cost of service studies, and analyses relating
15 to industrial jobs and economic development. I also participated in a study used
16 to revise the financial policy for the municipal utility in Kansas City, Kansas.

17 At BAI, I also have extensive experience working with large energy users
18 to distribute and critically evaluate responses to requests for proposals ("RFPs")
19 for electric, steam, and gas energy supply from competitive energy suppliers.
20 These analyses include the evaluation of gas supply and delivery charges,
21 cogeneration and/or combined cycle unit feasibility studies, and the evaluation of
22 third-party asset/supply management agreements. I have participated in rate
23 cases on rate design and class cost of service for electric, natural gas, water and
24 wastewater utilities. I have also analyzed commodity pricing indices and forward
25 pricing methods for third party supply agreements, and have also conducted
26 regional electric market price forecasts.

1 In addition to our main office in St. Louis, the firm also has branch offices
2 in Corpus Christi, Texas; Detroit, Michigan; Louisville, Kentucky and Phoenix,
3 Arizona.

4 **Q HAVE YOU EVER TESTIFIED BEFORE A REGULATORY BODY?**

5 A Yes. I have sponsored testimony on cost of capital, revenue requirements, cost of
6 service and other issues before the Federal Energy Regulatory Commission and
7 numerous state regulatory commissions including: Alaska, Arkansas, Arizona,
8 California, Colorado, Delaware, the District of Columbia, Florida, Georgia, Idaho,
9 Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts,
10 Michigan, Minnesota, Mississippi, Missouri, Montana, Nevada, New Hampshire,
11 New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio,
12 Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah,
13 Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming, and before
14 the provincial regulatory boards in Alberta, Nova Scotia, and Quebec, Canada. I
15 have also sponsored testimony before the Board of Public Utilities in Kansas City,
16 Kansas; presented rate setting position reports to the regulatory board of the
17 municipal utility in Austin, Texas, and Salt River Project, Arizona, on behalf of
18 industrial customers; and negotiated rate disputes for industrial customers of the
19 Municipal Electric Authority of Georgia in the LaGrange, Georgia district.

20 **Q PLEASE DESCRIBE ANY PROFESSIONAL REGISTRATIONS OR**
21 **ORGANIZATIONS TO WHICH YOU BELONG.**

22 A I earned the designation of Chartered Financial Analyst ("CFA") from the CFA
23 Institute. The CFA charter was awarded after successfully completing three
24 examinations which covered the subject areas of financial accounting, economics,

Direct Testimony of Michael P. Gorman

Page 4

- 1 fixed income and equity valuation and professional and ethical conduct. I am a
- 2 member of the CFA Institute's Financial Analyst Society.

C31-4096

1 CHAIRMAN LA ROSA: OPC?

2 MR. WATROUS: I would like to clarify. This
3 is just on the as-filed case right now? Not Phase
4 II?

5 CAPTAIN RIVERA: Correct. I figured I would
6 go through Phase I first and then switch to
7 settlement testimony.

8 CHAIRMAN LA ROSA: So let's do that, and let's
9 swing through and we will swing right back and go
10 into settlement.

11 MR. WATROUS: That works. As far as the Phase
12 I goes, OPC as has no questions. Thank you.

13 CHAIRMAN LA ROSA: FEL?

14 MR. MARSHALL: Thank you, Mr. Chairman.

15 EXAMINATION

16 BY MR. MARSHALL:

17 Q Good morning, Mr. Gorman.

18 A Good morning.

19 Q If we could go to page four of your testimony
20 at table 1, this shows -- this is based on FPL's
21 proposed cost of service for the 2026 test year, is that
22 right?

23 A Table 1 would be the company's cost of service
24 study. Table 3 would reflect FEA's class cost of
25 service study.

1 Q Right. Maybe I didn't enunciate clearly. I
2 did say FPL's cost of service.

3 A I apologize. I heard FEA.

4 Q I am sorry if I didn't enunciate clearly
5 enough.

6 A Thank you.

7 Q In the index column there, that would be an
8 index of -- compared to the system average increase, is
9 that right?

10 A It would, yes.

11 Q And it would show under FPL, the company's
12 cost of service study for residential customers, .83 of
13 the index?

14 A That's correct.

15 Q And GS would be at .21?

16 A I am sorry, which class?

17 Q GS.

18 A Yes.

19 Q And if we go to page eight of your testimony,
20 table 3, this would be FEA's recommendation of the
21 revenue spread based on FEA's cost of service?

22 A Correct.

23 Q And this still has RS at 0.88 compared to the
24 system average increase for 2026?

25 A Correct.

1 Q And then it has GS at .33?

2 A That's correct.

3 Q And just to clarify, when it's below one, that
4 would be less than the system average increase?

5 A It would be below the system average increase,
6 yes.

7 Q And the proposed increase that you have for GS
8 and RS is higher than indicated by Mr. Smith's cost of
9 service study?

10 A Yes.

11 Q And that would be because of the application
12 of gradualism?

13 A It would, yes.

14 Q And that's because certain classes would be
15 limited to having an increase 1.5 times the system
16 average?

17 A Correct.

18 Q Would that generally be the large load classes
19 that are being suggesting to that limit?

20 A It would be, in part, the large load, yes.

21 Q And so any amount that the cost of service
22 study indicated for those classes above one-and-a-half
23 times the system average, then, is reallocated to the
24 other classes?

25 A Yes.

1 Q If we go to page nine of your testimony, would
2 this be the same table, except for 2027, based on --
3 that includes FEA's proposed revenue spread?

4 A Correct.

5 Q Thank you, Mr. Gorman. That's all my
6 questions for you on Phase I.

7 A Thank you.

8 CHAIRMAN LA ROSA: FAIR?

9 MR. LAVIA: No questions.

10 CHAIRMAN LA ROSA: FEIA?

11 MR. MAY: No questions.

12 CHAIRMAN LA ROSA: Walmart?

13 MS. EATON: No questions.

14 CHAIRMAN LA ROSA: FRF?

15 MR. BREW: No questions.

16 CHAIRMAN LA ROSA: FIPUG?

17 MR. MOYLE: No questions.

18 CHAIRMAN LA ROSA: FPL?

19 MS. MONCADA: No questions.

20 CHAIRMAN LA ROSA: Staff, are there any
21 questions?

22 MR. STILLER: No questions.

23 CHAIRMAN LA ROSA: Commissioners?

24 Seeing no questions, go back to FEA to
25 introduce the settlement -- or for redirect and

1 then, if not, the settlement portion.

2 CAPTAIN RIVERA: No redirect. I would like to
3 move to the settlement portion.

4 CHAIRMAN LA ROSA: Let's do that.

5 FURTHER EXAMINATION

6 BY CAPTAIN RIVERA:

7 **Q Mr. Gorman, did you also cause to be filed**
8 **your settlement testimony on 3 September, 2025?**

9 A Yes.

10 **Q Have you read over that testimony before**
11 **testifying here today?**

12 A Yes.

13 **Q Do you have any corrections to that testimony?**

14 A Yes. One typographical error on page two,
15 line 25. The number 949 should be 945. And that is the
16 only correction.

17 **Q If I asked you the same questions in your**
18 **testimony here today, would your answers here today**
19 **would be the same or substantially the same?**

20 A Yes.

21 **Q Have you prepared a summary of your settlement**
22 **testimony for the Commissioners?**

23 A I have. Yes.

24 **Q Can you provide it?**

25 A Good morning again, Commission -- Chairman and

1 Commissioners.

2 The settlement was a result of compromise
3 between the settling parties. This case included
4 several -- many complex issues which we were able to
5 find a resolution on on a global basis, and based on the
6 settlement in total, FEA feels it's a reasonable
7 resolution of the contested issues in this case, and we
8 recommend the Commission approve the settlement.

9 CAPTAIN RIVERA: I would like the settlement
10 testimony of Mr. Gorman to be read into the
11 record -- or sorry, to be submitted into the record
12 as though it was read.

13 CHAIRMAN LA ROSA: So moved.

14 (Whereupon, Phase II prefiled direct testimony
15 of Michael Gorman was inserted.)
16
17
18
19
20
21
22
23
24
25

**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

In re: Petition for rate increase by
Florida Power & Light Company.

)
) Docket No. 20250011-EI
)
)

Settlement Testimony of

Michael P. Gorman

On behalf of

Federal Executive Agencies

September 3, 2025



Project 11813

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by	)	
Florida Power & Light Company.	)	Docket No. 20250011-EI
	)	

Table of Contents to the
Rebuttal Testimony of Michael P. Gorman

	<u>Page</u>
I. INTRODUCTION.....	1
II. SETTLEMENT AGREEMENT DISCUSSION	2

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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

Settlement Testimony of Michael P. Gorman

I. INTRODUCTION

1

2 Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A Michael P. Gorman. My business address is 16690 Swingley Ridge Road,
4 Suite 140, Chesterfield, MO 63017.

5 Q ARE YOU THE SAME MICHAEL P. GORMAN WHO FILED DIRECT
6 TESTIMONY IN THIS PROCEEDING ON JUNE 9, 2025 ON BEHALF OF THE
7 FEDERAL EXECUTIVE AGENCIES (“FEA”)?

8 A Yes, I am.

9 Q WHAT IS THE PURPOSE OF YOUR SETTLEMENT TESTIMONY?

10 A The purpose of my settlement testimony is to explain the FEA support for the
11 Florida Public Service Commission (“Commission”) to approve the Joint Motion
12 for Approval of the Settlement Agreement (“Settlement Agreement” or
13 “Settlement”) filed on August 20, 2025. The Settlement Agreement is a full and
14 complete resolution of all matters pending in Docket No. 20250011-EI in
15 accordance with Section 120.57(4), Florida Statutes. The Settling parties include:
16 Florida Power & Light Company (“FPL” or the “Company”), Florida Industrial Power
17 Users Group, Florida Retail Federation, Florida Energy for Innovation Association,
18 Inc., Walmart Inc., EVgo Services, LLC, Americans for Affordable Clean Energy,

L5-68

1 Inc., Circle K Stores, Inc., RaceTrac Inc., Wawa, Inc., Electrify America, LLC,
2 Federal Executive Agencies, Armstrong World Industries, Inc., and Southern
3 Alliance for Clean Energy (collectively referred to as the "Signatories").

4 The Motion jointly requests that the Commission review and approve the
5 2025 Stipulation and Settlement attached to the motion.

6
7 **II. SETTLEMENT AGREEMENT DISCUSSION**

8 **Q IS THE SETTLEMENT AGREEMENT IN THE BEST INTERESTS OF THE**
9 **PUBLIC, TO INCLUDE THE FEA AND ENTITIES IT REPRESENTS?**

10 **A** Yes. The proposed Settlement Agreement is the result of diverse parties reaching
11 agreement on the issues contained in FPL's base rate case, which was filed on
12 February 28, 2025. The Settlement Agreement provides a balanced and fair
13 outcome supported by the evidence, resulting in just, reasonable and predictable
14 rates for FPL's customers, including the FEA.

15 **Q PLEASE SUMMARIZE THE MAJOR ELEMENTS OF THE SETTLEMENT**
16 **AGREEMENT.**

17 **A** The major elements of the Settlement Agreement are outlined in the motion
18 provided by the settling parties, which states in part as follows:

- 19 • The Settlement includes the period from January 1st, 2026 and continues
20 until the later of December 31st, 2029 or the effective date of new base
21 rates. FPL's base rates are next reset in a general rate base filing (referred
22 to as the "term"). The Settlement has a minimum term of four years, which
23 results in that precluding FPL from seeking another base rate increase in
24 the term of the settlement agreement period.
- 25 • The Settlement provides for a revenue increase of ~~\$949,000,000~~ **\$945,000,000** on
26 January 1, 2026 and \$705,000,000 on January 1, 2027.
- 27 • The Settlement permits FPL to build solar generation projects in 2027,
28 2028, and 2029 and battery storage projects in 2028 and 2029. FPL may
29 seek recovery of its cost of these resources in a Solar and Battery base
30 Rate Adjustment ("SoBRA"). FPL must demonstrate that the solar and/or

battery facilities are either economically needed or are needed for resource reliability purposes. The Settlement prescribes that FPL must demonstrate that solar projects would have a Cumulative Present Value Revenue Requirement ("CPVRR") beneficial within ten years and have a cost benefit ratio of 1.15 to 1 compared to the projected system CPVRR without the solar projects.

- The revenue requirement to be recovered through an SoBRA would include the net plant value of the recourses, the annual depreciation expense, the accumulated depreciation offsets for similar assets in FPL's 2025 depreciation study, estimated annual operation and maintenance and property taxes, and estimated income tax expense including tax credits.

- The Settlement prescribes the return on equity for this rate cycle as 10.95%, with an estimated authorized return on equity range of 9.95% to 11.95%. FPL's authorized regulatory capital structure will include a 59.6% common equity ratio of investor capital sources.

- The Settlement provides FPL a Rate Stabilization Mechanism ("RSM") responding to changes in the underlying revenues and expenses to avoid additional base rate increases and maintain its ROE within the authorized range during the four-year period.

- The Settlement permits FPL to sell ITC and PTC to third-parties at a discount to mitigate the tax credit carry forward for 2026 and 2027.

- The Settlement will continue the FPL Storm Cost Recovery Mechanism.

- The Settlement provides that, if any change is made to FPL's federal or state income tax obligation, FPL will submit within sixty days the effective date of the change in the law and petition to open a separate docket for purposes of limited scope of addressing base rate revenue requirement impacts of any tax law change.

Q IS ADJUSTING RATES IN LINE WITH THE SETTLEMENT AGREEMENT REASONABLE?

A Yes. The Settlement Agreement is a reasonable solution for all of the issues in this rate case, and we request the Commission approve the Settlement.

Q DOES THIS CONCLUDE YOUR SETTLEMENT TESTIMONY?

A Yes, it does.

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1 CAPTAIN RIVERA: He is now available for
2 cross.

3 CHAIRMAN LA ROSA: Thank you.

4 OPC?

5 MR. WATROUS: Thank you, Mr. Chairman.

6 EXAMINATION

7 BY MR. WATROUS:

8 Q And good morning, Mr. Gorman.

9 A Good morning.

10 Q Is it my understanding that you have adopted
11 Mr. Walter's testimony for the settlement?

12 A For the settlement? Yes.

13 Q Okay. And I also understand that you are
14 considered an expert in the return on equity and equity
15 ratios of companies?

16 A Yes.

17 Q So isn't it true that over the last decade,
18 the majority of authorized utility ROEs have been below
19 10 percent?

20 A Yes.

21 Q And many recent authorizations have been at or
22 below 9.5 percent?

23 A A few years ago, yes. More recently, not as
24 many.

25 Q And despite this potential downward trend,

1 **utilities have continued to attract capital?**

2 A They have.

3 **Q And maintained strong credit ratings?**

4 A Yes.

5 **Q And FPL currently holds an A rating from the**
6 **S&P?**

7 A Yes.

8 **Q And an A1 from Moody's?**

9 A Yeah, that's my -- I need to check, but, yeah,
10 subject to check, I believe that's right.

11 **Q And these ratings are stronger than the**
12 **average of the proxy groups used by the FEA?**

13 A Subject to check, yes. And they are also
14 probably towards the high end of the median range for
15 utility companies nationwide.

16 **Q And FPL's proposed equity ratio is on par with**
17 **the national companies?**

18 A Their equity ratio?

19 **Q Uh-huh.**

20 A No, it's above the industry norms.

21 **Q And a higher equity ratio reduces financial**
22 **risk?**

23 A It does.

24 **Q And so with that, would you agree that FPL is**
25 **less risky than the average utility?**

1 A From that specific metric alone, yes.

2 **Q And you applied the DCF, CAPM and risk premium**
3 **models to estimate FPL's cost of equity?**

4 A To measure the market required return on a
5 group of company -- publicly traded companies that have
6 similar investment risk as FPL, yes.

7 **Q And each of those models supported a range of**
8 **roughly 9.0 to 10 percent ROE?**

9 A Correct.

10 **Q And FEA recommended a 9.5?**

11 A That's correct.

12 **Q And would you agree that credit rating**
13 **agencies have been emphasizing rate affordability?**

14 A Yes.

15 **Q And do you believe a 10.95 ROE with a 59.6**
16 **equity ratio emphasizes rate affordability?**

17 A That issue on its own I would have issues
18 with, but as part of the global settlement, we think the
19 revenue increase is a reasonable resolution of the
20 disputed revenue requirement for the utility in this
21 case. So that, again, the settlement as a whole is
22 reasonable, but there may be certain aspects of it
23 which, on a standalone basis, may not be a finding that,
24 on its own, would be reasonable.

25 **Q So I will ask it again, and can I please get a**

1 yes or a no, and that then maybe go through that
2 explanation again. But you believe a 10.95 ROE with a
3 59.6 equity ratio emphasizes rate affordability?

4 A Within the settlement it does for the reasons
5 I just described.

6 Q Does the FEA claim to represent residential
7 customers?

8 A No.

9 Q Thank you, Mr. Chair and Mr. Gorman, I have no
10 further questions.

11 CHAIRMAN LA ROSA: Thank you.

12 FEL?

13 MR. MARSHALL: Thank you, Mr. Chairman.

14 FURTHER EXAMINATION

15 BY MR. MARSHALL:

16 Q Good morning again, Mr. Gorman.

17 A Good morning.

18 Q In your settlement testimony, on page two,
19 line 10, you refer to diverse parties reaching
20 agreement?

21 A Yes.

22 Q You don't believe that there is a specific
23 party that is part of the settlement for the residential
24 class specifically, correct?

25 A That's correct.

1 Q You believe that the revenue allocation
2 included -- the revenue allocation spread included in
3 the settlement leads to rates that are fair, just and
4 reasonable?

5 A I think it's a reasonable spread across the
6 various rate classes, yes.

7 Q And all classes under the settlement are
8 getting the system average increase except RS, which is
9 getting .95 of the system average increase?

10 A I am sorry, would you repeat that?

11 Q All classes are getting the same -- are
12 getting the system average increase, well, a little bit
13 above the system average increase because RS is getting
14 .95 of the system average increase in the settlement?

15 A RS is getting slightly below system average
16 increase, and the other ones are getting above system
17 average increase on an equal percent change.

18 Q RS is getting more of the -- more allocated it
19 than was recommended in your direct as-filed -- notice
20 direct Phase I testimony, correct?

21 A Relative to the system average increase, it is
22 slightly more than I recommended, yes.

23 Q And GS is getting significantly more than
24 recommended compared to the system average increase?

25 A It is getting above system average increase,

1 yes.

2 Q And do you know if RS and GS together comprise
3 of over 98 percent of FPL's customers?

4 A I haven't made that calculation.

5 Q It is your understanding that there was not a
6 specific agreement on a class cost of service study in
7 the settlement?

8 A Correct, not for the spread of the increase in
9 '26 and '27.

10 Q I would next like to talk about the rate
11 stabilization mechanism part of the settlement, and
12 perhaps it would be easier to bring that up. This would
13 be master page K22.

14 You reviewed the settlement in preparing your
15 testimony?

16 A I did. Yes.

17 I am sorry, should that be showing up on this
18 screen too?

19 CHAIRMAN LA ROSA: Yeah, what you see behind
20 me --

21 THE WITNESS: It is.

22 CHAIRMAN LA ROSA: -- would also be there, and
23 then you have control through the mouse.

24 THE WITNESS: Okay. Thank you.

25 BY MR. MARSHALL:

1 Q If we go down to paragraph 21 --

2 A I am there.

3 Q -- the revenue stabilization mechanism is
4 funded in part by the 2025 Northwest Florida battery
5 ITCs?

6 A Yes.

7 Q And you don't know what the value of those
8 ITCs associated with that project are?

9 A I do not specifically. No.

10 Q It's also funded, in the paragraph above that,
11 by the leftover RSAM?

12 A I am having trouble hearing you.

13 Q It I am sorry. I will try to speak slower.

14 And above that, it also indicates that the
15 rate stabilization mechanism is funded by any leftover
16 reserve surplus amortization mechanism?

17 A Yes.

18 Q And you don't know how much is associated with
19 that part of the RSM?

20 A Is not specifically, no.

21 Q It's also funded by \$1.155 billion of
22 unprotected deferred tax liabilities?

23 A It is.

24 Q And that creates a regulatory liability that
25 will have to be paid back?

1 A Well, it creates a regulatory liability, yeah.
2 But typically, a regulatory asset is -- I think I
3 misstated this in my deposition. Regulatory asset is
4 something the company will seek recovery of from
5 customers. Regulatory liability is an obligation the
6 company to credit back to customers.

7 **Q Do you have an understanding of whether that**
8 **\$1.155 billion, to the extent it is used, will have to**
9 **be paid back to FPL in the future?**

10 A If the income tax has already been collected
11 by FPL, then it will not have to be -- it will have to
12 be paid to government taxing authority. So it will be a
13 temporary benefit to FPL to enhance their ability to
14 recover their cost of service, so it's not a permanent
15 benefit to FPL.

16 **Q So do you have an understanding of whether**
17 **customers are going to pay FPL at some point in the**
18 **future for those tax liabilities?**

19 A The tax liabilities will be used to reduce
20 carrying charges in some way to benefit customers until
21 the taxes are actually paid to government taxes
22 authorities, in which case, they are no longer available
23 to reap those benefits.

24 **Q So are -- in FPL uses this amount -- these**
25 **unprotected deferred tax liabilities as part of the rate**

1 **stabilization mechanism, are customers -- do you have an**
2 **understanding of whether FPL's customers are going to**
3 **have to pay those deferred tax liabilities back to FPL**
4 **when those tax liabilities come due to the government?**

5 A Well, while they are available -- before they
6 are paid to government tax authorities there will reduce
7 carrying charges collected from customers, so that will
8 lower charges to customers. After they are remitted to
9 government taxing authorities, that carrying charge
10 savings will no longer be available.

11 Q **Right. But this allows FPL to use those**
12 **unprotected deferred tax liabilities to manage its**
13 **earnings, correct?**

14 A Well, it's part of the rate stabilization
15 mechanism, so, yeah, it gives them ability to manage
16 their earnings, and you can do that by lowering your
17 carrying charge.

18 Q **I guess my question is, will that allow FPL to**
19 **create a regulatory asset that will need -- that future**
20 **customers will be charged?**

21 A I am not aware that it will. It's my
22 understanding that it will be used to produce temporary
23 cost reductions for FPL that will allow it to, you know,
24 implement the RSM in a manner that's consistent with the
25 settlement.

1 **Q** Well, if we go up to paragraph 20, just above
2 that. Does this indicate that a regulatory asset would
3 be created that represents the amount of referred taxes
4 that would be recovered in future periods?

5 A It says: The regulatory liability shall
6 represent the full amount of reduction in tax expense
7 projected to be provided to customers through the RSM.
8 The regulatory asset represents the amount of deferred
9 taxes that will be recovered in future periods over the
10 average life of the underlying assets.

11 **Q** And then it says that the regulatory asset
12 would be amortized over 30 years?

13 A It does.

14 **Q** And so now reading that, do you have an
15 understanding of whether a regulatory asset would be
16 created that would have to be paid back to FPL?

17 A When you refer to a regulatory asset, you are
18 creating an obligation to make payments to the utility.
19 So that would imply to me that there is a true-up
20 mechanism that, within the settlement, that allows the
21 RSM to operate in a manner that helps manage the
22 earnings level of the utility, and, to the extent the
23 utility is extending benefits to customers that they
24 haven't yet, customers haven't yet paid for, then there
25 will be a true-up in that benefit.

1 Q All right. We can move on to the next page,
2 where it discusses the asset optimization program at the
3 top of the page. Do you see that there?

4 A It's on the next page, the very next page?

5 Q Yeah. So it should be K23, you will see at
6 the top of the page.

7 A Okay. I am there.

8 Q And the settlement allows FPL to recognize in
9 base rates the customer's share of the gains generated
10 in the Asset Optimization Program?

11 A Yes.

12 Q Am I right, therefore, only gains in excess of
13 \$150 million would be provided back to customers through
14 the Fuel Cost Recovery Clause?

15 A Well, that would constitute the RSM amount,
16 but, yeah, it is stated at 1.155 billion.

17 Q Well, I am talking about in the next sentence,
18 in addition to the RSM. Do you see that?

19 A I do.

20 Q And my question is, you don't have an estimate
21 of how much is expected to be the customer's share of
22 the gains that will be recognized in base rates,
23 correct?

24 A I do not. No.

25 Q The settlement also allows FPL to take the

1 investment tax credits in a flow-through in a single
2 year?

3 A Well, typically, an ITC would be taken as
4 quickly as you can. So if they have taxable income that
5 can be used, that can be offset by it, yes.

6 Q Well, do you know if they plan to -- if the
7 settlement allows FPL to sell the ITCs, you know, in
8 case they don't have enough taxable income?

9 A Yes, it does. It allows them to generate, you
10 know, monetize those ITCs as quickly as possible, either
11 through reducing taxable income or to sell them to a
12 third party to monetize.

13 Q And does that create a flip-back effect of
14 going from a negative revenue requirement, you know, the
15 generating asset associated with those ITCs, to a
16 positive revenue requirement the following year?

17 A It depends on the period over which the ITC is
18 amortized to customers.

19 Q The settlement allows FPL to take them in a
20 single year, correct, amortize them in a single year?

21 A It allows them to recognize in a single year,
22 yes.

23 Q And you don't have an estimate of what that
24 flip-back effect would be in 2030, correct?

25 A I do not.

1 **Q Thank you, Mr. Gorman. Just one second.**
2 **That's all my questions.**

3 **A Thank you.**

4 MR. MARSHALL: Thank you, Mr. Chairman.

5 CHAIRMAN LA ROSA: FAIR, you recognized.

6 MR. LAVIA: No questions.

7 CHAIRMAN LA ROSA: FEIA?

8 MR. MAY: No questions.

9 CHAIRMAN LA ROSA: Walmart?

10 MS. EATON: No questions.

11 CHAIRMAN LA ROSA: FRF?

12 MR. BREW: No questions.

13 CHAIRMAN LA ROSA: FIPUG?

14 MR. MOYLE: No questions.

15 CHAIRMAN LA ROSA: FPL?

16 MS. MONCADA: No questions.

17 CHAIRMAN LA ROSA: Staff?

18 MR. STILLER: No questions.

19 CHAIRMAN LA ROSA: Commissioners, are there
20 any questions for the witness?

21 Seeing no questions, back to FEA for redirect.

22 CAPTAIN RIVERA: No redirect.

23 May this witness be excused?

24 CHAIRMAN LA ROSA: Yes. Mr. Gorman, you may
25 be excused. Thank you very much.

1 THE WITNESS: Thank you.

2 (Witness excused.)

3 CHAIRMAN LA ROSA: So we will come -- so let's
4 take a break now for lunch, if that's okay, and
5 then, FEA, if your other -- two more witnesses, I
6 believe, if they are here, then we will go ahead
7 and get --

8 MS. HARPER: Just a second, Mr. Chair.
9 Just -- sorry to interrupt you. I just want to
10 clarify, are there any exhibits we need to enter
11 into the record for this witness?

12 CHAIRMAN LA ROSA: Any exhibits from Mr.
13 Gorman?

14 CAPTAIN RIVERA: None. None for Mr. Gorman,
15 sir.

16 MR. MARSHALL: Mr. Chairman, I don't -- we did
17 use an exhibit, and I don't know if the preference
18 would be to move of it in now or later, it would be
19 Exhibit 1277, which includes the settlement
20 agreement.

21 CHAIRMAN LA ROSA: Do we move that in at the
22 settlement time, just note that, since we are not
23 necessarily in that phase?

24 MS. MONCADA: FPL was planning to move it in.

25 MR. STILLER: Then we should wait.

1 MR. MARSHALL: That's fine us. We are fine
2 with waiting. We just want to make sure it's moved
3 in at some point.

4 CHAIRMAN LA ROSA: Sure. A good point. Yeah,
5 so let's -- we will make sure that that's done
6 then.

7 Let's go ahead and break for lunch. It's
8 12:05. Let's reconvene here back at 1:05, and
9 then, FEA, your next witness will be up.

10 CAPTAIN RIVERA: Thank you.

11 CHAIRMAN LA ROSA: No problem.

12 (Lunch recess.)

13 (Transcript continues in sequence in Volume
14 18.)

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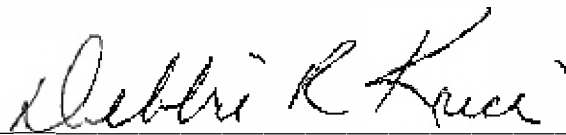
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