

FLORIDA PUBLIC SERVICE COMMISSION
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FPL (Moncada) - (CONFIDENTIAL) Certain information provided in testimony of FAIR witness Breandan T. Mac Mathuna.

CONFIDENTIAL

*This document number has been assigned to a confidential document.
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EXHIBIT A

CONFIDENTIAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Florida Power & Light)
Company for Rate Unification and for a)
Base Rate Increase)
_____)

DOCKET NO. 20210015-EI
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DIRECT TESTIMONY
OF BREANDAN T. MAC MATHUNA

On Behalf of
Floridians Against Increased Rates, Inc.

1 Moreover, a Scotiabank analyst, Andrew Wiesel, expressed an
2 **[CONFIDENTIAL]** extremely favorable view of the reserve surplus
3 amortization mechanism and explained that:

4 we continue to view the company's
5 unique reserve amortization setup extremely
6 favorably, all but ensuring that the utility will
7 continue to earn an 11.6% ROE through 2021, as
8 it did in 2020, well above the national average of
9 ~9.25% and the high end of the 200bp allowed
10 ROE range.³⁰ **[CONFIDENTIAL]**

11
12 Therefore, it is clear that the cost recovery clause mechanisms, and in
13 particular the reserve surplus amortization mechanism, greatly minimize
14 FPL's cost recovery risk and actively contribute to FPL's earning at the top
15 of the ROE range.

2. Economic Outlier Tests

16 **Q. Please explain the economic outlier tests that you apply as part of your**
17 **ROE analysis.**

18 **A.** Applying tests of economic logic in relation to the outlying results from an
19 array of results produced by an ROE model is appropriate to help ensure the
20 economic logic of the results. I apply a low-end test that I consider reasonably
21 meets the objective of identifying ROE results that are so low as to be
22 considered to yield essentially the same return as debt. I also apply a high-

³⁰ Scotiabank, Equity Research, Daily Edge, January 26, 2021. Provided in response to request from the Office of Public Counsel, First of Set of Production of Documents, Number 13.