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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Consideration of the tax impacts associated with Tax Cuts and Jobs Act of 2017 for Florida Power & Light Company	Docket No: 20180046-EI Filed: March 8, 2019

FLORIDA POWER & LIGHT COMPANY'S REPLY BRIEF ON ISSUES 18 AND 19

Florida Power & Light Company ("FPL"), pursuant to the Public Service Commission's ("Commission") Order No. PSC-2019-0050-PHO-EI, hereby files its reply brief on Issues 18 and 19.

The Commission directed the parties to address in their briefs Issues 18 and 19, which ask whether FPL's 2016 rate settlement agreement (the "Settlement Agreement" or "Agreement") allows FPL to credit the Amortization Reserve with the tax savings resulting from the Tax Cuts and Jobs Act of 2017 ("Tax Act"), and how the savings associated with the Tax Act should be treated. At a duly noticed informal meeting held on December 17, 2018, all parties agreed that the Commission must first decide whether the Settlement Agreement allows FPL to credit the Reserve with savings generated by the Tax Act before it reaches any question regarding refunds, earnings review or a rate case. *See* D.N. 07482-2018 (December 10, 2018 notice to all parties of record and interested persons advising of informal meeting). The parties further agreed that this threshold question is one of legal, contractual interpretation, and that, if the question were decided affirmatively, it is dispositive.

The numerous arguments Intervenors make in response to the threshold question can be fairly grouped into four areas: First, FPL extinguished the amortization reserve mechanism ("ARM") when it depleted the Reserve to pay its Hurricane Irma restoration costs and therefore FPL can no longer credit the Reserve. Second, FPL was required to impose a surcharge on customers through the Storm Mechanism included in the Settlement Agreement to recover Hurricane Irma costs, rather than expensing the costs and using the ARM as a partial offset to

avoid the surcharge. Third, FPL's treatment of tax savings is different than of other Florida investor-owned utilities. Finally, the Commission should nevertheless rewrite or reopen the Settlement Agreement due to changed circumstances or public interest.

As demonstrated below, each of the Intervenors' arguments is fatally flawed, principally because their positions ignore the express terms of the Settlement Agreement approved by the Commission as well as the Agreement's purpose. Unable to adhere to plain meaning and simple interpretations, Intervenors grasp at non-textual straws in order to impose new restrictions, achieve different rates and, essentially redo the FPL rate case and the Settlement Agreement. Intervenors admit that the ARM was designed so that FPL could "effectively manage factors affecting [its] earnings within an established range of rates of return on equity." OPC initial br. 9. If a settlement agreement designed to maintain rate stability for a minimum of four years is subject to reinterpretation or even reexamination due to a change in costs *even when the utility's earnings remain within the authorized range*, then it fails its essential purposes altogether and ceases to be a settlement agreement upon which parties can rely. Settlements would no longer be worth the paper on which they are written, and, inevitably, there would be little incentive to settle. This flies in the face of the long-held and oft-stated public policy interests that favor settlements.

A. Standard of Review

The parameters within which the Commission is to interpret the terms of the Settlement Agreement, as required under Issue 18, are not amorphous. Florida courts recognize that "[w]here a settlement agreement's terms are clear and unambiguous, the parties' intent must be gleaned from the four corners of the document." *Harrington v. Citizens Prop. Ins. Corp.*, 54 So. 3d 999, 1002 (Fla. 4th DCA 2010). The Commission, too, has a "long history of encouraging

settlements, giving great weight and deference to settlements, and enforcing them in the spirit in which they were reached by the parties." *In re Florida Power & Light Company*, Order No. PSC-05-0902-S-EI at 6, Docket No. 050045-EI (F.P.S.C. Sept. 14, 2005). The Commission should decline FRF's invitation to conflate questions regarding the interpretation of settlement terms with the separate evaluation of whether the Commission should depart from the Agreement's express terms.

B. Intervenors' Theory that FPL Extinguished the Reserve is Devoid of Support

FPL's initial brief on Issues 18 and 19 sets forth in detail the textual and legal authority that demonstrate:

(i) the Settlement Agreement is designed to allow – in fact, it *requires* – FPL to use the ARM to manage its business in a way that keeps the Company out of a rate case for a minimum of four years if possible, with built-in flexibility to stay out even longer. S.A. 12(c); FPL initial br. 10;

(ii) FPL is authorized to debit or credit the Reserve, and there are neither prohibitions nor requirements on the sources of costs, expenses or revenue that can be addressed with those debits and credits. S.A. 12(c); FPL initial br. 12;

(iii) The Settlement Agreement sets forth an exhaustive list of limitations on FPL's use of the ARM. No other restrictions can be manufactured *post hoc* under the guise of contract interpretation; S.A. 12(c); FPL initial br. 11-12; and

(iv) Nothing in the Settlement Agreement comes close to stating that the ARM can be "extinguished" if the Reserve balance is reduced temporarily to zero. FPL initial br. 13-16.

The Intervenors never quote any language from the Settlement Agreement that might support the position that the ARM could be "extinguished" or that certain revenue or expense sources cannot be used to credit the Reserve. They cannot do so because there is no such language in the Settlement Agreement. They resort instead to extra-textual arguments.

Intervenors tautologically observe that "when the remainder [of the Reserve Amount] reached $0, no amount was available to amortize." OPC initial br. 3. This is, at best, a half-truth. It is undisputed – and indisputable – that FPL is authorized to reverse amortize. Exh. 20 (Bates 00068-69) ("Yes, the Company may reverse *any entries* performed over the minimum term, provided its retail jurisdictional adjusted return on equity stays within the proposed return on equity range of 9.6%-11.6%") (emphasis added); OPC initial br. 14 ("To the extent FPL would otherwise have reported earnings above 11.6% ROE, it was required under the ARM to debit expense (and correspondingly credit the remaining Reserve Amount) in an amount necessary to bring achieved earnings to no more than 11.6% ROE."). Therefore, while FPL could not debit the Reserve when the balance reached $0, it is authorized to credit the account up to a balance of $1.25 billion. Indeed, because FPL is able to do so, it produces a result that is expressly contemplated by the Agreement – the possibility of delaying the need to seek an increase in base rates for at least an additional year, and perhaps longer.

OPC asserts that the Settlement Agreement is "silent" as to how impacts from the Tax Act "or a similarly unanticipated, material change in circumstances are to be treated." OPC initial br. 4. That's neither newsworthy nor significant. The Agreement likewise is silent on how impacts from anything other than a handful of specifically listed issues are to be treated. And that is precisely the point and purpose of the stated authorized return on equity ("ROE") range and the ARM – to operate in concert to address changes in costs and changes in revenue in

a way that allows the Settlement Agreement not only to reach the end of its Minimum Term, but potentially to remain operative beyond. Indeed, the use and concept of a "Minimum Term" emphasizes this very point. OPC's position requires one to find an implied limitation on the use of the ARM or to write the ARM out of the Settlement Agreement entirely, when the ARM is precisely the mechanism by which any such changes in circumstances are to be treated. This interpretation is particularly audacious in view of the testimony OPC quotes on page 15 of its initial brief, in which FPL witness Robert Barrett underscores the importance of the ARM and the flexibility it provides.[1] OPC initial br. 15 (quoting Mr. Barrett as follows: "Without [the ARM's] flexibility, base rates could not be held constant for such an extended period due to the risk of weather, inflation, rising interest rates, mandated cost increases and other factors affecting FPL's earnings that largely are beyond the Company's control."). The Settlement Agreement therefore dictates how FPL must address changed circumstances: it must use the $1.25 billion Reserve to manage unanticipated changes in costs or revenues within its authorized earnings range.

Intervenors incorrectly claim that FPL's course of dealings supports their interpretation that the ARM was extinguished. OPC points to FPL's history of "carr[ying]" forward leftover reserve balances from prior rate settlements. OPC also argues that the Settlement Agreement did not intend for FPL to "wipe out" the reserve in the first year of the term because "the ARM was designed to have available amounts in ***each year*** . . . ." OPC initial br. 12 (emphasis in original) (citing Paragraph 12(c) of the Agreement, which states that "the amounts to be amortized in each year of the Term [is] left to FPL's discretion."). First, the term "amounts" by any reasonable standard, includes any amount available to be amortized at the time. Likewise, the phrase "left

[1] OPC attaches the testimony in the Appendix to its initial brief, Exhibit 2 at 79-80.

to FPL's discretion" cannot reasonably be interpreted as qualified or limited by any condition other than what is expressly recited in the Settlement Agreement. As addressed in FPL's initial brief at pages 11-12, those limitations are clearly and plainly set forth in Paragraph 12 of the Agreement. There are no others. Thus, in all other instances, including the instance now questioned by Intervenors, the "amount" to be amortized each and any year is "left to FPL's discretion."[2] The ludicrous outcome that no amounts are available to amortize beyond 2017 because the ARM was "extinguished" when the balance temporarily reached zero is a desperate, last-ditch theory concocted by Intervenors at some point in 2018 which has no foundation in the Agreement. FPL's approach, by contrast, is squarely authorized within the plain and unambiguous terms of the Agreement; it replenishes the Reserve as contemplated and, as OPC has correctly observed, has been used under prior agreements.

In short, Intervenors did not – and cannot – point to any legitimate support for their position that FPL cannot credit the Reserve with tax savings because the ARM was extinguished. No text in the Settlement Agreement calls for extinction. The text instead provides for the "amounts" to be amortized to be "left to FPL's discretion," including how much to debit or credit in any given year. The text also clearly expresses the intent of the Signatories – and of the Commission in approving the Settlement Agreement – that the Agreement should remain in place for at least four years, defined as a "Minimum Term," so long as FPL's earnings remain within the authorized ROE range, and potentially longer in the event that the Reserve had been replenished to a point that would allow FPL to continue to operate without a base rate increase.

[2] By comparison, the Solar Base Rate Adjustment mechanism set forth in Paragraph 10 of the Agreement allows FPL to build up to 1,200 MW of cost-effective solar; however, it also limits the amount in any year to 300 MW plus any prior unused capacity. Where the signatory parties intended that the Settlement Agreement contain annual limits, they expressly provided for those limitations.

The ARM, to be used flexibly by FPL, is the very tool that allows that to happen in an ever-changing cost environment. Nothing in FPL's course of conduct contradicts the plain and unambiguous terms of the Agreement. In fact, FPL's course of conduct is plainly within the express terms of the Settlement Agreement, consistent with the Agreement's purpose, and contradictory of Intervenors' position.

C. Intervenors Seek To Rewrite the Storm Recovery Cost Mechanism

Apparently not impeded by the actual terms to which they agreed, the Intervenors concoct an argument with respect to the Storm Mechanism that is even less plausible than their fabricated restriction on the ARM. According to Intervenors, FPL *must* use the Storm Mechanism to recover costs incurred due to major storms. This interpretation is unsupportable, because the Settlement Agreement is explicitly *permissive* regarding use of the Storm Mechanism.

FPL agrees that the Storm Mechanism authorizes FPL to petition the Commission to implement a surcharge to recover storm restoration costs. But nothing in the agreement *requires* FPL to do so. The language is express, clear and unambiguous. It states:

> *Nothing in this Agreement shall preclude FPL* from petitioning the Commission to seek recovery of costs associated with any storms without the application of any form of earnings test or measure and irrespective of previous or current base rate earnings or the remaining unamortized Reserve Amount as defined in Paragraph 12.

S.A. ¶ 6(a) (emphasis added). The ordinary meaning of those terms is permissive. FPL can use the Storm Mechanism if it elects to do so. *Beans v. Chohonis*, 740 So. 2d 65, 67 (Fla. 3d DCA 1999) ("the words used by the parties must be given their plain and ordinary meaning") (citing *Rupp Hotel Operating Co. v. Donn*, 29 So. 2d 441 (1947)). The provision does not, however, include any words indicating exclusivity, obligation, requirement or prohibition. As such, FPL

was free to forgo use of the Storm Mechanism to recover the Hurricane Irma restoration costs and instead charge them as an expense in 2017 pursuant to Commission Rule 25-6.0143(1)(h). In doing so, FPL was able to avoid imposing a surcharge on customers. Intervenors did not – and cannot – point to any language in the Settlement Agreement that suggests FPL is barred from exercising that right.[3]

If more were needed, the same language used in the Storm Mechanism provision is found in multiple Settlement Agreement provisions that underscore the permissive nature of the words "[n]othing shall preclude." For example, Paragraph 5 states:

> *Nothing in this Agreement shall preclude* FPL from requesting the Commission to approve the recovery of costs that are recoverable through base rates under the nuclear cost recovery statute, Section 366.93, Florida Statutes, and Commission Rule 26-6.0423, F.A.C. *Nothing in this Agreement prohibits* parties from participating without limitation in nuclear cost recovery proceedings and proceedings related thereto and opposing FPL's requests.

(Emphases added).

Certainly Intervenors would not insist that, based on this provision, FPL would violate the Settlement Agreement by electing not to request nuclear cost recovery – also a permissive right under the Agreement. This is evidenced by the fact that no complaints were lodged when FPL did not seek nuclear cost recovery in 2017, 2018 or this year. Likewise, while the Settlement Agreement provides that signatories to the Agreement would be free to oppose any nuclear cost recovery request, they are not obligated to do so and FPL would not consider those parties to be in breach if they chose not to participate.

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[3] Intervenors ignore the gap in their logic. Even if the Settlement Agreement required FPL to use the Storm Mechanism – which it does not – such requirement applies only to the first $400 million of storm recovery expenses.

Intervenors also assert that "the 2016 Settlement further provided that storm cost recovery must be accomplished without regard to the availability of any amount remaining in the Reserve Amount." OPC initial br. 5. There is no support, textual or otherwise, for this position.

Under the Settlement Agreement, the Reserve and the ARM, respectively, are an account and a mechanism within FPL's approved base rate structure and they directly relate to how FPL's earnings are accounted and reported to the Commission. There can be no dispute about this. With regard to proceedings for storm cost recovery, the Settlement Agreement states:

> (c) Any proceeding to recover costs associated with any storm shall not be a vehicle for a "rate case" type inquiry concerning the expenses, investment, or financial results of operations of the Company and shall not apply any form of earnings test or measure or consider previous or current base rate earnings or the remaining unamortized Reserve Amount as defined in Paragraph 12.

S.A. ¶ 6(c). Again, the language simply indicates that any proceeding to recover storm costs must not be used as a vehicle to conduct a rate case. It does not convert the Storm Mechanism from permissive to mandatory. Rather, *if* storm costs are recovered through the Storm Mechanism, recovery cannot be conditioned on whether base rates or, for that matter the Reserve, could cover the storm costs. The Matthew storm cost recovery docket – one that FPL chose to initiate – proceeded pursuant to these terms.[4]

If, as required by Paragraph 6(c), no earnings or base rate review can be conducted with regard to the recovery of storm costs through a surcharge, *a fortiori* such a review cannot be conducted because FPL chose to recover those costs through the base rates established by the Settlement Agreement. Yet that is precisely the review that the Intervenors suggest should

[4] OPC's argument that FPL's course of dealings prior to entering the Settlement Agreement in 2016 supports Intervenors' interpretation is chronologically impossible. At the time FPL entered the Agreement and submitted it to the Commission for consideration, it had not experienced a named storm whose costs depleted the storm reserve.

occur. FRF's suggestion that resolution of these issues requires the Commission to "examin[e] FPL's costs and revenues" lacks any rational or defensible basis.[5]

In this same regard, OPC accusatorily points to a 2015 10-K filing made by FPL and its parent, NextEra Energy, Inc., which states that "[t]he drivers of FPL's net income not reflected in the reserve amortization calculation typically include wholesale and transmission service revenues and expenses, cost recovery clause revenues and expenses, AFUDC—equity and costs not allowed to be recovered from retail customers by the FPSC" and also classifies storm-related surcharges under the general heading "Cost Recovery Clauses." This 10-K disclosure is just as accurate today as it was in 2015. If FPL exercises the option to recover storm costs through the surcharge permitted under the Settlement Agreement, it will not be reflected in the reserve amortization calculation. But nothing requires FPL to seek and impose a surcharge. FPL's approach to the ARM and the Storm Mechanism are entirely consistent the statements contained in the 10-K filing.

Finally, the deposition and testimony excerpts of FPL witness Dewhurst quoted at length by OPC do not change the permissive nature of the Storm Mechanism. Mr. Dewhurst conveyed the Company's intent to use the Storm Mechanism, and everything he stated was accurate. After Hurricane Matthew, FPL elected to use the Storm Mechanism that had been approved under its 2012 rate settlement agreement,[6] and FPL could find itself in the unfortunate position of needing to use the currently approved Storm Mechanism in the future. In the case of Irma-related

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[5] By taking this position, OPC and FRF contravene their obligations to uphold the Settlement Agreement. S.A. ¶ 22 ("No Party to this Agreement will request, support, or seek to impose a change in the application of any provision hereof.").

[6] FPL's recovery of Hurricane Matthew restoration costs through a surcharge was governed by the Company's 2012 rate settlement agreement. The language of the storm mechanism in the 2012 settlement agreement was virtually identical to the Storm Mechanism included in the 2016 Settlement Agreement.

restoration costs, however, FPL elected not to exercise that option and instead chose an approach that allowed FPL to avoid imposing a significant surcharge on customers. Neither the quoted testimony nor FPL's prior use changes the optional nature of the Storm Mechanism expressed by its plain terms. *Knabb v. Reconstruction Fin. Corp.*, 197 So. 707, 715 (Fla. 1940) ("no rule of substantive law is better settled than that which declares that extrinsic or parol evidence is inadmissible to contradict, subtract from, add to, or vary a valid written instrument").

Having established that FPL adhered to the terms of the Settlement Agreement, there can be no breach of the covenant of good faith and fair dealing, as alleged by FRF. Indeed, this statement is as astonishing as it is offensive. A duty of good faith cannot "contravene the express terms of the agreement" and must "relate to the performance of an express term of the contract and is not an abstract and independent term of a contract which may be asserted as a source of breach when all other terms have been performed pursuant to the contract requirements." *QBE Ins. Corp. v. Chalfonte Condo. Apartment Ass'n, Inc.*, 94 So. 3d 541, 548 (Fla. 2012). In other words, if there is no breach of an express term, there can be no breach of the implied covenant. *Id*. (internal citations omitted). FRF's suggested covenant fails these tests, as it would squarely contravene the express terms of the agreement by converting its permissive language (including terms that leave the ARM usage to FPL's "discretion") into mandatory requirements, and it would impose new obligations to use storm cost recovery (and impose surcharges on ratepayers) absent any express obligation to do so in the Agreement.

It should be noted that Paragraph 22 of the Agreement includes an express (not implied) covenant to uphold the Agreement: "No Party to this Agreement will request, support, or seek to impose a change in the application of any provision hereof. Except as provided in Paragraph 11, a Party to this Agreement will neither seek nor support any change in FPL's base rates or credits

applied to customer bills, including limited, interim or any other rate decreases, that would take effect prior to expiration of the Minimum Term, except for any such reduction requested by FPL or as otherwise provided for in this Agreement."

D. FPL's Settlement Agreement does not Require a Tax Refund

Intervenors manufacture astonishment at the notion that "FPL is acting contrary to other Florida IOUs." *See* OPC initial br. 25. This is quite an extraordinary representation by OPC. First, as described in FPL's initial brief, OPC itself was fully educated on how FPL had approached the recovery of Irma costs, in response to which OPC said that FPL was operating within the four corners of the Agreement and following which, OPC and other Intervenors worked with the other IOUs to avoid storm surcharges through the terms of their respective settlement agreements. Second, there is nothing "contrary" about FPL's conduct; it is simply different because the terms of the respective settlement agreements are different. Duke, Tampa Electric and Gulf, whose settlement agreements are based on individually negotiated deals, their own respective economics and circumstances, and which came *after* FPL had negotiated its settlement, each included express provisions in its rate settlement agreement to refund tax savings in the event tax savings were to occur. Those provisions were explicitly negotiated and included as express terms of their agreements.

As explained in greater detail in FPL's initial brief, each of those utilities had the benefit of a full opportunity to negotiate a set of terms that accounted for the compromises they could and could not accept in anticipation of the application of the explicit tax reform mechanism. Here, by contrast, imposing a tax refund requirement after the fact, and in the absence of an express provision in the Agreement, would deprive FPL of that opportunity and would represent a complete rewrite of the Agreement.

And, as further contrast described more fully in FPL's initial brief, Duke's and TECO's rate settlement agreements continue to be honored and would remain in effect even with the approved amendments allowing tax savings to be used initially to pay for storm costs. Imposing a refund requirement upon FPL – at a time when its Settlement Agreement is being implemented and functioning as intended – would not honor the Agreement; rather it would *extinguish* the Agreement.

E.
Neither Changed Circumstances Nor the Public Interest Warrants Modifying the Settlement Agreement

Perhaps appreciating that their arguments requiring a severe re-interpretation of the Settlement Agreement might be unpersuasive, the Intervenors have now advanced a new alternative argument that changed circumstances and the public interest dictate abrogating the Agreement. That argument is equally unavailing.

No relevant circumstances have changed

It is patently contradictory, even ironic, for the Intervenors to argue for disabling the ARM because of allegedly changed circumstances. The whole point of the ARM is to provide FPL a mechanism to maintain its ROE within the range authorized by the Settlement Agreement *in the face of changed circumstances*. *See, e.g.*, OPC initial br. 4-5. The ARM or its use cannot now be ignored, limited or rewritten based on a specific change in circumstances that OPC or other Intervenors could have sought to negotiate, and in fact did negotiate with others. In testimony cited by OPC in its initial brief, FPL witness Barrett explained the ARM as follows:

> **Q. Is this provision [the ARM] critical to the settlement?**
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> A. Yes. The reserve amortization mechanism provides the Company the flexibility necessary to achieve reasonable financial results during the four-year settlement period while also agreeing to substantially lower base revenue increases compared to those requested in the 2016 Rate Petition. Without this flexibility, base rates could not be held constant for such an extended period *due to the risk of weather, inflation, rising interest rates, mandated cost increases and other factors affecting FPL's earnings that largely are beyond the Company's control.*

OPC Appendix Exhibit 2 at 79 (emphasis added).

As is clear from this passage, the ARM is intended to address a wide and open-ended range of unanticipated changes that could affect FPL's revenue requirements and, ultimately, its earned ROE. The ARM provides FPL a way to offset unpredictable changes in revenues and costs so that its ROE can remain within the authorized range, where those changes might otherwise force FPL's earnings outside the authorized range in either direction, either above or below the range. Mr. Barrett stated clearly that the ARM's flexibility was viewed by FPL as critical to the success of the Settlement Agreement, a fact that OPC does not dispute.

Now, however, the Intervenors single out one such unpredictable change – the passage of the Tax Act – as a circumstance that FPL should not be permitted to address with the ARM. Allowing the Intervenors, after the fact, to choose which changed circumstances FPL may or may not address with the ARM would eviscerate it and undermine the confidence of future settling parties in any such mechanism. Simply put, a change in circumstances cannot be a valid rationale for overriding a settlement term that is specifically designed and intended to address changed circumstances.

As mentioned in FPL's initial brief, the signatories designed the ARM to work symmetrically. So, had the tax rates been increased rather than decreased, FPL would have been

required to use the ARM to offset the increase, up to the full amount of the Reserve. Pursuant to the Settlement Agreement, FPL would have absorbed a decline in earnings to the bottom of the range before being able to petition for an increase in base rates. It would have been impermissible for FPL to seek any other treatment for an increase in tax expense.

Moreover, despite the Intervenors' feigned surprise, it is simply implausible that the Tax Act is a change that no one could have anticipated. Attachment 1 to this brief is an article dated August 12, 2016 from the *New York Times* that discusses the tax plans being proposed at the time by the two main presidential candidates: Mr. Trump and Ms. Clinton. As noted in the very first paragraph of the article, "If Donald J. Trump wins the White House and proceeds to persuade Congress to pass his tax agenda, middle-class Americans will get a small tax cut, wealthy Americans and *businesses will get a huge tax cut* . . . ." (Emphasis added). The article goes on to point out that Mr. Trump's proposal initially envisioned a reduction in the corporate tax rate to 15%, well below the 21% that ultimately was passed by Congress.

The Settlement Agreement was finalized and filed with the Commission on October 6, 2016, almost two months after the *New York Times* article and only one month before the 2016 presidential election. Certainly, the candidates' publicly stated, substantial differences on proposed tax policy meant that the outcome of the election could have a major impact on the taxes paid by corporations, including utilities. OPC and the other Signatories to the Settlement Agreement would have had to be almost willfully ignorant not to appreciate those political implications when they negotiated and signed the Agreement. Had they felt it important to address those implications in the Agreement, they could have negotiated with FPL to do so,

possibly accepting different trade-offs in exchange for a tax-savings provision.[7] But, they did not. It is disingenuous for them now to seek the same benefit from FPL, without having negotiated for it, by crying "changed circumstances."

Nor can the Intervenors claim in good faith that the Settlement Agreement could not have had the foresight to account for an unanticipated change in law. The signatories to the Settlement Agreement negotiated the inclusion of the following clause-related "contingency" provision:

> Nothing shall preclude the Company from requesting Commission approval for recovery of costs (a) that are of a type which traditionally, historically and ordinarily would be, have been, or are presently recovered through cost recovery clauses or surcharges, or (b) that are incremental costs not currently recovered in base rates *which the Legislature or Commission determines are clause recoverable* ***subsequent*** *to the approval of this Agreement.*

S.A.¶ 7 (emphasis added). With the benefit of a fair opportunity to openly negotiate, the Signatories expressly addressed the possibility that the state or federal government could enact a new law that would impact FPL's clause-related cost of service. The same could have been negotiated with respect to laws impacting base rates.

Finally, the Intervenors argue that the substantial magnitude of FPL's 2018 tax savings makes the Tax Act a special case, worthy of overriding the ARM. However, this argument simply cannot withstand scrutiny. The ARM provides substantial but not unlimited flexibility to address changed circumstances. The Reserve Amount available under the ARM was established in the Settlement Agreement. If changes in circumstances during the settlement term result in increases or decreases in FPL's revenue requirements that are too large to be offset by credits or

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[7] Tellingly, the Intervenors negotiated to include a tax savings provision in the settlements they reached with Duke, Tampa Electric Company and Gulf Power, which settlements were finalized *before* the Tax Act was signed into law.

debits to the Reserve, FPL's ROE would rise or fall to a point outside the authorized range. Paragraph 11 of the 2016 Settlement Agreement would then authorize FPL or an intervenor signatory (as appropriate) to seek to initiate a rate proceeding. The Reserve Amount and authorized ROE range effectively bookend the magnitude of changed circumstances that the Settlement Agreement is designed to accommodate. FPL's filed earnings surveillance reports document that FPL is continuing to use the ARM successfully to accommodate the impacts of the Tax Act and remain within the authorized ROE range.

In short, tax reform, as it always is during election season, was a topic of national discussion and debate in 2016. It was then and remains today within the realm of possibilities the occurrence of which would be beyond the Company's control. With the appropriate avenues for relief to any party that are available if the Company's earnings are above or below the authorized ROE range, the ARM and the authorized ROE range provide the framework for rate stability and the continued operation of the Agreement that was found to be in the public interest, including the ability to accommodate changes in tax rates.

The ARM is working as intended. The magnitude of the Tax Act impacts provides no reason or justification for overriding it as the Agreement itself provides the very mechanism to address both the occurrence of tax reform and the magnitude of such action.

The public interest is served by continuing to honor the Settlement Agreement

Intervenors also contend that the public interest would be served by prematurely terminating the Settlement Agreement. They contend that the rates set by the Agreement can no longer be fair, just and reasonable, because FPL's tax expense is lower than what FPL projected in its rate case test years. This argument fails at many levels.

At the outset, FPL notes that the Intervenors' attempt to bring the Settlement Agreement to a premature end in the name of "public interest" runs directly counter to the strong public policy supporting settlement agreements. As the Supreme Court of Florida recently held in *Sierra Club v. Brown,* 243 So. 3d 903, 909 (2018):

> In *Citizens I*, we affirmed a Commission determination that a nonunanimous settlement agreement—as a whole—was in the public interest. *Id.* at 1153-54, 1164-65. Despite OPC's objection, this Court approved that settlement, in part, because section 120.57(4), Florida Statutes, authorizes "informal disposition of the rate proceeding . . . by stipulation, agreed settlement, or consent order '[u]nless precluded by law.' " *Citizens I*, 146 So. 3d at 1150 (second alteration in original) (quoting § 120.57(4), Fla. Stat. (2012)). As we noted in *Citizens I*, " '[t]he legal system favors the settlement of disputes by mutual agreement between the contending parties' and '[t]his general rule applies with equal force in utility service agreements.' Nothing in our precedent or the language of the statute suggests that this general rule does not also apply in rate-setting cases." 146 So. 3d at 1155 (citation omitted) (quoting *AmeriSteel*, 691 So. 2d at 478).

Similarly, the Commission has a "long history of encouraging settlements, giving great weight and deference to settlements . . . ." *In re Florida Power & Light Company*, Order No. PSC-05-0902-S-EI at 6, Docket No. 050045-EI (F.P.S.C. Sept. 14, 2005).[8] Thus, rate case settlements of the sort at issue here are clearly favored, by the Court and by this Commission. Moreover, the Court specifically affirmed the Commission's determination that the 2016 Settlement Agreement is in the public interest. 243 So.3d at 916. Thus, any argument that continuing to honor the Settlement Agreement would not be in the public interest must swim against a very stiff current. As addressed below, the Intervenors' argument woefully fails that test.

[8] Commissioner Edgar reiterated this preference, in voting to approve a settlement for what is now Duke Energy Florida: "I note that the Public Service Commission has a long-standing history precedent of favoring settlements . . . ." Transcript of February 22, 2012, agenda conference in Docket No. 20120022-EI, at 104.

First, FPL's settlement rates remain low in comparison to utilities in Florida and beyond. In concluding that the Settlement Agreement was in the public interest, among other things the Commission observed that "[t]he weight of the evidence presented at both the customer hearings held throughout FPL's service territory and at the technical hearings conducted in Tallahassee fully supports the conclusion that FPL is providing excellent service to its 4.8 million customers *at rates that are the lowest in the state and among the lowest in the country.*" Order No. PSC-16-0560-AS-EI, at 4 (emphasis added). Thus, in approving the Agreement the Commission considered it an important public interest factor that FPL's rates were low compared to other utilities. FPL witness Tiffany Cohen testified in support of the Settlement Agreement that "the bills for all customers are projected to remain among the lowest in the state and nation." October 13, 2016 settlement testimony in Docket No. 160021-EI, at 2 (Attachment 2 hereto). And that remains true today. FPL's bills for residential, commercial and industrial customers are currently among the lowest in the state and 20% to 30% below the national average. So, if the Commission found in 2016 that FPL's settlement rates were in the public interest because they were among the lowest relative to other utilities, continuing those same rates now when they remain among the lowest could not be *against* the public interest.

Second, the Intervenors assert that FPL's rates cannot be fair, just and reasonable because FPL's tax expense has decreased compared to the test years in FPL's 2016 rate case. This assertion is fatally flawed for two reasons. The Intervenors are cherry picking when they focus only on differences in tax expense, while ignoring changes to all other elements of revenue requirements. They seem to be implicitly urging the application of a single-focus "tax change adjustment clause" that neither the Florida Legislature nor this Commission has adopted. Equally important, their argument is based on the false premise that the rates approved in the

Settlement Agreement were intended to fully collect the revenue requirements projected in the rate case test years. That is far from the case. As noted on page 2 of the intervenor signatories' brief in support of the 2016 Settlement Agreement that was filed in Docket No. 160021-EI on November 10, 2016:

> The Settlement Agreement reduces FPL's increased base rate revenues for 2017, 2018 and Okeechobee to $2.55 billion compared to the original request of approximately $4.45 billion.

In other words, FPL agreed to forgo nearly *$2 billion* of its requested rate increase when it entered into the 2016 Settlement Agreement. Clearly, the settlement rates do not collect anywhere near the test year revenue requirements, so the Intervenors' argument that the settlement rates can no longer be in the public interest simply because one element of revenue requirements is lower than previously projected cannot withstand scrutiny.

Third, the Intervenors' public interest argument flouts one of the fundamental principles (and purposes) of the 2016 Settlement Agreement: multi-year rate stability. As noted by the Commission, one of the principal reasons that the Settlement Agreement is in the public interest is because it "will allow FPL to maintain the financial integrity necessary to make the capital investments over the next four years required to sustain this level of service while providing rate stability and predictability for FPL's customers." Order No. PSC-16-0560-AS-EI, at 4. Thus, the Agreement provides valuable certainty to both FPL and its customers. FPL can depend on a defined revenue stream to support capital investments needed to provide cleaner, more efficient and more reliable electric service; and customers can depend on "no surprise" rates throughout the settlement term.

FPL's earnings surveillance reports bear out the extent to which FPL is continuing to make customer-benefiting investments. Comparing Schedule 2, page 1 in the 2017 and 2018

earnings surveillance reports attached as Exhibit 8 to OPC's initial brief reveals that FPL's FPSC-adjusted rate base increased by more than $3.3 billion from 2017 to 2018, reflecting major, continued investment in FPL's electric system. At the same time, customers are enjoying rate stability under the 2016 Settlement Agreement exactly as promised. Nonetheless, the Intervenors want to disrupt this well-structured balance that they negotiated and endorsed by having the Commission review and revise FPL's rates in the middle of the settlement term simply because of a change to one of the many elements of FPL's cost of service. Nothing in the Agreement provides for or permits this sort of "mid-course correction" based on cherry picking, and indulging it would drastically undermine confidence in future multi-year settlements. This would be the polar opposite of the public interest.

Finally, FPL urges the Commission to recognize and reject the false dichotomy posed by the Intervenors between their proposal to decrease current customer rates, and FPL "keep[ing] all of the [Tax Act] savings for itself and NextEra." FRF initial br. at 17. FPL is in no sense "keeping the savings" for itself or its parent NextEra.[9] Rather, as provided by the Settlement Agreement, FPL is using the ARM to credit tax savings to the Reserve. The purpose of the ARM is to help FPL remain within the authorized ROE range. Further, this Agreement explicitly contemplates that such flexible use of the ARM could position FPL to avoid the need to request an increase in base rates beyond the Minimum Term if the Reserve is at a sufficient level.

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[9] Nor does the Reserve represent a "slush fund" as asserted by FRF. FPL is disappointed that FRF would use this irresponsible term to refer to the ARM and associated Reserve, which FRF had supported as a signatory to the Settlement Agreement. While the Settlement Agreement gives FPL discretion in the specifics of the manner in which the ARM and Reserve will be used, it also dictates explicitly the purpose for which they are to be used: to provide the flexibility needed by FPL to maintain its ROE within the authorized range over the multi-year settlement term. *See* S.A. ¶ 12.

F. Conclusion

When OPC filed a petition to establish a generic docket to investigate the impacts of the Tax Act, FPL filed a response to that petition. FPL's response clearly laid out the actions it took in the use of the then existing surplus to absorb most of the Hurricane Irma costs and the intent to use tax savings to replenish the reserve. In addition to meeting with OPC and explaining the approach, to which OPC stated its concurrence that the approach was permissible under the Agreement, FPL again laid out and explained the approach at the February 6, 2018 Agenda Conference in the generic docket, Docket No. 20180013-PU. In fact, FPL did it twice. Summing up the second time, FPL's counsel stated:

> MR. BUTLER: …We are going to use not only all of one year's tax savings, but multiple years' tax savings to, you know, replenish the reserve for the $1.3 billion write-off that we were able to take.
>
> And by doing that, we were able to get tax savings to customers in the form of foregoing what otherwise would have been a storm-cost-recovery surcharge as close to immediately as I think is possible. I mean, it would have gone into effect March 1. Now there's not going to be one. Thank you.[10]

In response to FPL's plain express explanation of the actions it had taken during that February 6 Agenda Conference, OPC, FRF and FIPUG said nothing. No objection to FPL's approach. No theory about an "extinguished" ARM. No suggestion that the storm cost recovery mechanism is mandatory. And no uttering of the term "changed circumstances." For whatever their reasons, these theories did not surface until their December 2018 Petition.

---

[10] Transcript from February 6, 2018 Agenda Conference in Docket No. 20180013-PU, at 14.

For all of these reasons, the Commission should reject the Intervenors' assertion that prematurely ending the Settlement Agreement would somehow promote the public interest. To the contrary, their proposal would undermine the public interest.

Respectfully submitted this 8th day of March 2019.

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By: *s/ R. Wade Litchfield*
R. Wade Litchfield
Authorized House Counsel

CERTIFICATE OF SERVICE
Docket No. 20180046-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic service on this 8th day of March 2019 to the following:

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ATTACHMENT 1

The New York Times

THE 2016 RACE

How Hillary Clinton and Donald Trump Differ on Taxes

By Neil Irwin

Aug. 12, 2016

If Donald J. Trump wins the White House and proceeds to persuade Congress to pass his tax agenda, middle-class Americans will get a small tax cut, wealthy Americans and businesses will get a huge tax cut, and the budget deficit will widen substantially unless there is the type of economic boom he promises amid lower taxes and lighter regulation.

If Hillary Clinton wins the White House and persuades Congress to pass her agenda, wealthy Americans will pay higher taxes, businesses will face tax rules that make it less advantageous to relocate overseas, and the money those changes produce will go to fund the rest of her policy agenda, from child care to roads, bridges and other infrastructure.

That, in a nutshell, is the tax policy choice Americans face when they vote in November, based on plans the two candidates have released and discussed in major speeches this week.

Of course, campaign proposals never end up in law in exactly the form candidates talk about them on the stump. But tax policy puts some hard numbers on the sometimes vague rhetoric of the campaign trail. It shows where exactly a candidate's priorities and vision are, in dollars-and-cents terms.

Elections have consequences, and this is what those consequences might look like if a President Clinton or a President Trump got Congress to reshape the tax code their way.

Taxes on upper-income families

Current: The federal tax rate on income over $467,000 for a married couple is now 39.6 percent. Many high-income families benefit from large deductions for things like home mortgage interest and state income tax. Many of these families also have a substantial portion of their income from long-term capital gains, usually taxed at 23.8 percent.

Hillary Clinton says she would like the wealthiest to pay higher taxes.
Sam Hodgson for The New York Times

The New York Times

What Mr. Trump would do: He would cut the top marginal income tax rate to 33 percent. An analysis by the Tax Foundation of the House Republicans' tax plan, on which Mr. Trump's is based, found it would increase after-tax income for the richest 1 percent by 5.3 percent.

Mr. Trump also advocates lowering the tax rate on all business income to 15 percent — and has advocated that the rate apply to all sorts of businesses, including partnerships and sole proprietorships. That opens up room for people to find ways to turn what is now taxed as individual income into "pass-through" business income at that low 15 percent rate, especially those in position to hire tax lawyers to help them figure out the details.

For example, an executive who is paid $1 million in salary could instead form a limited liability corporation to "sell" $1 million of management services to his or her old company, cutting the tax rate to 15 percent.

What Mrs. Clinton would do: She envisions a 4 percent tax surcharge for income over $5 million, meaning that the very highest earners would effectively have a nearly 44 percent top marginal rate. She also envisions implementing a rule so that those with income over $1 million pay at least 30 percent, aimed at preventing high earners from paying low overall rates thanks to the lower capital gains tax. She would also limit the value of tax deductions, and require longer holding periods to get the low long-term capital gains tax rate, among other steps that would make the tax code less favorable to the affluent.

Taxes on middle-income and lower-income families

Current: For a married couple making between $18,551 and $75,300, the official marginal tax rate is 15 percent. But in practice, about 45 percent of American taxpayers pay no individual income tax (they do pay federal payroll taxes), because of various tax credits that particularly favor families with children.

What Mr. Trump would do: He intends to lower taxes across the board in line with a proposal earlier in the year by House Republicans, which reduced the 15 percent income tax bracket to 12 percent. The Tax Foundation estimated that plan would raise after-tax income for families in the 20th-to-40th percentiles by 0.5 percent, and for middle-income taxpayers by 0.2 percent.

Mr. Trump also wants to make child care tax-deductible. If the policy were implemented as a typical deduction, it would provide no advantage for the 45 percent of people paying no tax and provide the biggest advantages to people in high-income tax brackets. His campaign has indicated that the Trump administration would find ways to make its advantages shared more broadly, though staffers had no details.

Donald Trump says he wants to cut taxes for middle-class and wealthy Americans as well as for businesses. Scott McIntyre for The New York Times

What Mrs. Clinton would do: Americans in the bottom 95 percent of income would see little or no change to their taxes under Mrs. Clinton's plan, according to the Tax Policy Center's analysis.

She wants a child care tax credit as part of a broader effort to make child care more affordable, and while she has not enumerated all the details of what she has in mind, a refundable credit would avoid the problems created by offering a tax deduction and would be valuable for lower- and middle-income families even if they don't pay federal income tax.

The estate tax

Current: When a person dies, the first $5.45 million of the estate is exempt from taxation, $10.9 million for a married couple. Assets above those levels are generally taxed at 40 percent before being passed on to heirs.

What Mr. Trump would do: He intends to eliminate the estate tax, or the "death tax" as he and other Republicans refer to it, allowing even the wealthiest people to pass along their assets to heirs without being taxed.

What Mrs. Clinton would do: She would lower the levels of exemptions to $3.5 million for individuals and $7 million for a couple. More families would have to pay, and very wealthy families would pay taxes on a higher portion of their assets. She would also increase the tax rate on affected estates to 45 percent.

Corporate taxes

Current: It's complicated. The official corporate income tax rate is 35 percent, higher than for most advanced countries. But the United States also offers a complex range of deductions that mean the effective rate — what is actually collected by the government — is much lower. If that combination of a high rate but low tax collections doesn't sound very good, congratulations: Tax writers in both political parties agree with you.

What Mr. Trump would do: He would sharply cut the top tax rate on corporate profits to 15 percent. And he would apply that rate to partnerships and other types of businesses that currently pass their profits on to individuals who then are taxed at individual income rates as high as 39.6 percent. He would simultaneously eliminate a wide range of business deductions.

With the new, lower rate, businesses that earn money overseas and currently keep it outside the United States would have less incentive to do so. So they might repatriate money, pay the lower tax and invest it at home.

The proposal would sharply reduce the tax burden on companies, reducing government revenue by $1.9 trillion over the next decade, according to the Tax Foundation's estimate.

What Mrs. Clinton would do: She seeks a series of tweaks to the corporate tax code to try to dissuade companies from moving operations abroad to save on taxes.

One provision would change a key rule to make it harder to execute "tax inversions," in which a United States firm merges with a foreign competitor and moves its corporate headquarters overseas in order to get access to lower taxes in the merger partner's country. Another would limit the deductibility of interest when it is used as a tool to avoid American taxes. A third provision is an "exit tax" on companies that relocate outside the United States without first repatriating earnings kept abroad.

Mrs. Clinton has also pitched tax credits for companies that hire workers from apprenticeships or share profits with their workers. In her speech Thursday, she said she would reduce red tape facing small businesses as they try to pay their taxes.

The bottom line

Current: The United States is on track to have a budget deficit of $534 billion in the current fiscal year and a total of $9.3 trillion over the coming decade, the Congressional Budget Office estimates. That would gradually push the total debt relative to the economy to 86 percent from about 75 percent.

What Mr. Trump would do: He just overhauled his tax plan on Monday, and there aren't detailed estimates available yet. But his earlier plan was estimated to reduce federal revenue by $9.5 trillion over the next decade. If not offset by either huge spending cuts or a major burst in economic growth, that would make cumulative budget deficits over the decade roughly twice as big as they are currently estimated to be, even before accounting for potentially higher interest rates as a result. His new proposal would probably reduce tax revenues by less than his original did, though exactly how much has not been fully modeled.

The New York Times

What Mrs. Clinton would do: Her tax proposals are estimated to increase federal revenue by $1.1 trillion over the decade. She has said she would use that increased revenue to cover the cost of other policy proposals, with the intention of making her overall agenda have a neutral effect on the budget deficit.

Correction: *August 12, 2016*
An earlier version of this article misstated an estimate from the Congressional Budget Office of the budget deficit over the coming decade. It's $9.3 trillion, not $3.5 trillion. That would make cumulative budget deficits over the decade roughly twice as big as they are currently estimated to be, not 3.7 times larger.

Correction: *August 12, 2016*
An earlier version of this article misstated the exemption threshold for the estate tax for a married couple. The first $10.9 million of the estate is exempt from taxation, not the first $12.9 million.

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A version of this article appears in print on Aug. 13, 2016, on Page B1 of the New York edition with the headline: How Hillary Clinton and Donald Trump Differ on Taxes

READ 113 COMMENTS

ATTACHMENT 2

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

DIRECT TESTIMONY OF TIFFANY C. COHEN

DOCKET NOS. 160021-EI, 160061-EI, 160062-EI AND 160088-EI

(PROPOSED SETTLEMENT AGREEMENT)

OCTOBER 13, 2016

1 **Q. Please state your name and business address.**

2 A. My name is Tiffany C. Cohen. My business address is Florida Power & Light

3 Company ("FPL" or the "Company"), 700 Universe Boulevard, Juno Beach,

4 Florida 33408.

5 **Q. Did you previously submit direct and rebuttal testimony in this**

6 **proceeding?**

7 A. Yes.

8 **Q. Are you sponsoring any additional exhibits in this case?**

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

10 - TCC-10 1,000-kWh Typical Residential Bill Comparison

11 - TCC-11 2017-2020 Typical Bills under the Proposed Settlement

12 Agreement

13 - TCC-12 Parity of Major Rate Classes

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

15 A. The purpose of my testimony is to present the rates projected to result from

16 the Stipulation and Settlement filed on October 6, 2016 (the "Proposed

17 Settlement Agreement"). Under the Proposed Settlement Agreement, the bills

18 for all customers are projected to remain among the lowest in the state and

19 nation. As shown on TCC-10, the projected 2020 typical residential 1,000-

20 kWh bill would remain 30 percent below the <u>current</u> national average and 13

21 percent below the <u>current</u> Florida average, even without taking into account

22 likely increases in other utilities' rates over the Minimum Term for which the

23 Proposed Settlement Agreement would be in effect. Additionally, rates that

1 are projected to result from the Proposed Settlement Agreement were
2 designed in accordance with the Florida Public Service Commission's ("the
3 Commission") gradualism principle, and rate classes as a whole move towards
4 greater parity.

5 **Q. Please describe the base rate adjustments currently scheduled under the**
6 **Proposed Settlement Agreement.**

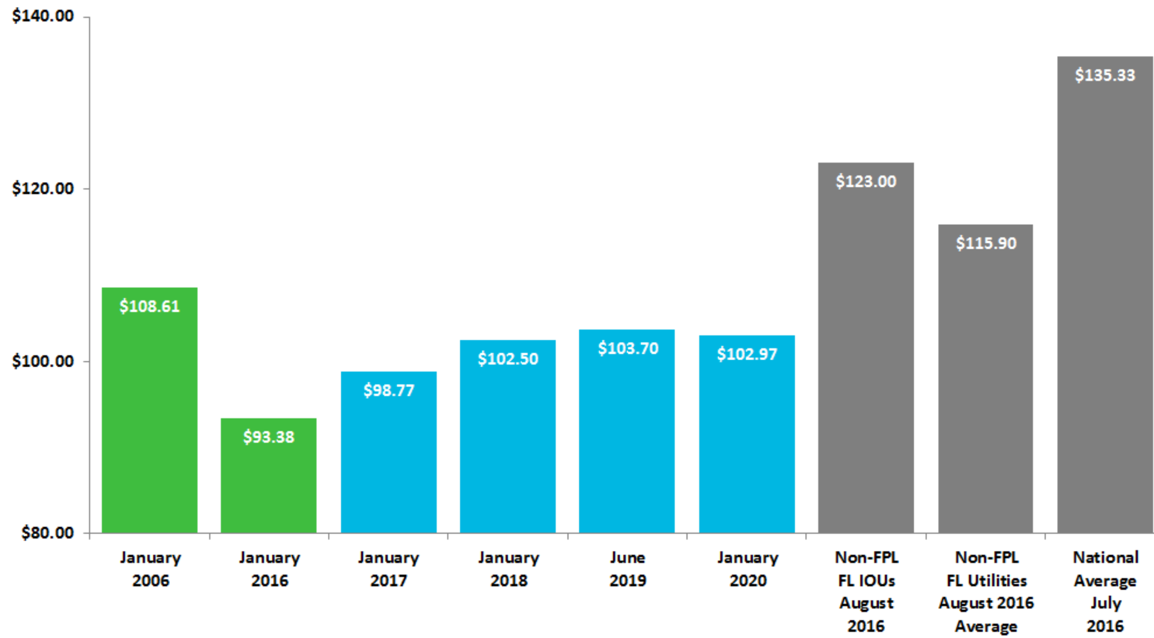
7 A. The Proposed Settlement Agreement reflects scheduled general base rate
8 adjustments of $400 million effective January 1, 2017, and $211 million
9 effective January 1, 2018. It also includes a $200 million limited scope
10 adjustment for the costs associated with the Okeechobee Unit effective upon
11 the commercial operation date, currently estimated to be June 2019.

12 **Q. What are the projected bills for the major rate classes under the**
13 **Proposed Settlement Agreement?**

14 A. Exhibit TCC-11 shows the projected typical bills for 2017-2020 under the
15 Proposed Settlement Agreement for the major rate classes. These projected
16 bills reflect the revenue-neutral transfer of the West County Energy Center
17 Unit 3 to base rates, which increases the base portion of customer bills and
18 decreases the capacity charge by the same amount.
19
20 Based on current projections of fuel prices and other expected changes to
21 clauses and base rates, the Proposed Settlement Agreement reflects average
22 annual growth of the typical residential bill through 2020 of less than 2
23 percent.

1 **Q. Do the rates under the Proposed Settlement Agreement conform to the**
2 **Commission's gradualism principle?**
3 A. Yes. All rates were designed in accordance with the Commission's
4 gradualism principle. The concept of gradualism limits the revenue increase
5 for each rate class to 1.5 times the total system average increase, including
6 adjustment clauses, and provides that no rate class receives a decrease in rates.
7 **Q. Do the rates under the Proposed Settlement Agreement move rate classes**
8 **as a whole closer to parity?**
9 A. Yes. This is shown on Exhibit TCC-12, Parity of Major Rate Classes. The
10 parity of all classes that are outside the range of 90 percent to 110 percent is
11 improved under the Proposed Settlement Agreement. Additionally, under the
12 Proposed Settlement Agreement, 9 of 17 rate classes move to within 10
13 percent of parity in 2017 and 11 of 17 rate classes move to within 10 percent
14 of parity in 2018.
15 **Q. Should the Proposed Settlement Agreement rates be approved?**
16 A. Yes. As discussed by FPL witness Barrett, the proposed rates provide
17 customers with predictability and stability as part of the overall Proposed
18 Settlement Agreement. And as noted above, the projected 2020 typical
19 residential bill would remain 30 percent below the current national average
20 and 13 percent below the current Florida average.
21 **Q. Does this conclude your testimony?**
22 A. Yes.

1,000-kWh Typical Residential Bill Comparison



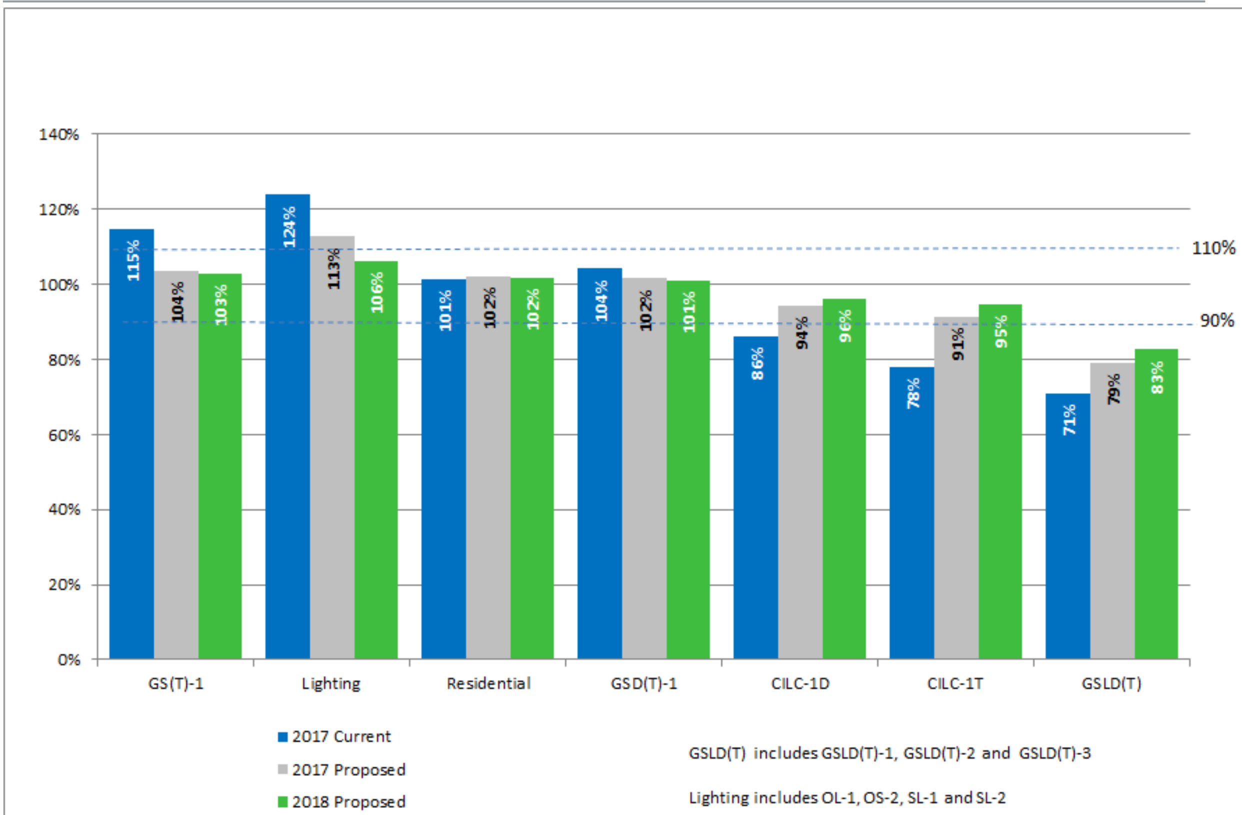
Notes:
- 2017 fuel and other clauses are based on rates pending FPSC approval
- September 6, 2016 fuel curves used for 2018-2020
- Projected bills do not include SoBRA impacts

2017-2020 Typical Bills under the Proposed Settlement					
	Current Bills	**January 2017**	**January 2018**	**June 2019**	**January 2020**
RS-1	$91.56	$98.77	$102.50	$103.70	$102.97
GS-1	$117.27	$120.91	$125.18	$126.64	$125.94
GSD-1	$1,407	$1,490	$1,533	$1,546	$1,541
GSLD-1	$16,915	$18,289	$19,054	$19,199	$19,145
GSLD-2	$81,578	$88,644	$92,597	$93,324	$93,400

Notes:

- 2017 fuel and other clauses are based on rates pending FPSC approval
- September 6, 2016 fuel curves used for 2018-2020
- Projected bills do not include SoBRA impacts

Parity of Major Rate Classes



The parity of all classes that are outside the range of 90% to 110% is improved under the Proposed Settlement Agreement.